Base Prospectus
Dated 11 May 2016

Enagás Financiaciones, S.A.U.

(incorporated with limited liability in the Kingdom of Spain)

€4,000,000,000

Guaranteed Euro Medium Term Note Programme

guaranteed by

Enagás, S.A.

(incorporated with limited liability in the Kingdom of Spain)

Under the Guaranteed Euro Medium Term Note Programme described in this Prospectus (the "Programme"), Enagás Financiaciones, S.A.U. (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €4,000,000,000 (or the equivalent in other currencies).

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Enagás, S.A. ("Enagás" or the "Guarantor"). The obligations of the Guarantor in that respect (the "Guarantee") are contained in the deed of guarantee dated 11 May 2016.

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 as amended relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "Prospectus Directive"). The CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market (or any other stock exchange).

Each Series (as defined in "General Description of the Programme – Method of Issue") of Notes will be represented on issue by a temporary global note (each a "temporary Global Note") or a permanent global note (each a "permanent Global Note"). If the Global Note are stated in the applicable Final Terms to be issued in new global note ("NGN") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common Safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Global Notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depositary"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation") will be disclosed in the Final Terms. A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. The Guarantor's long-term debt is rated A- by Fitch Ratings Ltd ("Fitch") and A- by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. ("S&P"). Fitch and S&P are each a credit rating agency established in the European Economic Area ("EEA") and registered under the CRA Regulation.

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

Dealers

BANCA IMI
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BARCLAYS
BNP PARIBAS
CAIXABANK
CITIGROUP
DEUTSCHE BANK
J.P. MORGAN
MIZUHO SECURITIES
NATIXIS
SANTANDER GLOBAL CORPORATE BANKING
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

Arranger for the Programme

BNP PARIBAS

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, the Guarantor, the Guarantor's subsidiaries and affiliates taken as a whole (the "Group") and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor.

The Issuer and the Guarantor (the "Responsible Persons") accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (as defined in "General Description of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and include Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.

To the fullest extent permitted by law, none of the Dealers or the Arranger or the Fiscal Agent accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or the Fiscal Agent or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. The Arranger and each Dealer and the Fiscal Agent 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 Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in "General Description of the Programme – Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any 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 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to Euro and € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; and references to "Renminbi" and "CNY" are to the lawful currency of the People's Republic of China (the "PRC").

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RISK FACTORS

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

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

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer and the Guarantor do not 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 Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks Relating to the Issuer

Risks in relation to the Issuer

The Issuer is a finance vehicle established by Enagás for the purpose of issuing notes and other debt securities on behalf of the Group. The Issuer's principal liabilities will comprise the Notes and other debt securities issued by it and its principal assets will comprise its rights (if any) under agreements under which the net proceeds from the issue of the Notes and other debt securities are on-lent to or otherwise invested in Enagás. Accordingly, in order to meet its obligations under the Notes, the Issuer is dependent upon Enagás meeting its obligations under such agreements in a timely fashion. Should Enagás fail to do so in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes issued under the Programme. The fact that the Issuer is wholly owned by Enagás may limit the ability of the Issuer to enforce these obligations.

Risks Relating to the Guarantor

Regulatory risk

The Group operates in a highly regulated market that has undergone significant changes over recent years. Both Spanish and European regulations determine the scope of the business undertaken by the Group and the compensation scheme for regulated activities in the natural gas sector. As the Group develops its international expansion strategy, the Group is also required to comply with the requirements of the regulatory authorities of the other countries in which it operates. These activities particularly include gas transport, regasification, underground storage and the technical management of the system. Consequently, changes in law or regulation or regulatory policy which affect the Group's business could materially adversely affect it. Decisions or rulings concerning, for example: (i) liberalisation of certain activities; (ii) whether licences, approvals, concessions or agreements to operate or supply are granted or are renewed or whether there has been any breach of the terms of a licence, approval, concession or regulatory requirement; (iii) timely recovery of incurred expenditure or obligations, a decoupling of energy usage and revenue and other decisions relating to the impact of general economic conditions on it, implications of climate change, the level of permitted revenues and dividend distributions for its businesses and in relation to proposed business development activities; and (iv) structural changes in regulation, could have a material adverse effect on the business, financial condition and results of operations of the Group.

A regulatory review of the regulations in the Spanish gas market has taken place with the approval of the Royal Decree-Law 8/2014 of 4 July (and Law 18/2014 of 15 October). One of the objectives of this regulation is to establish a stable and predictable regulatory framework and to address the differences between costs and revenues. As a result of this regulatory review, a six year regulatory period has been established, during which a new remuneration methodology for transport, regasification, underground storage and distribution will apply. The remuneration parameters are fixed for every regulatory period although some of them, except the financial return rate and the efficiency factor, can be adjusted on the start of the fourth year for the remaining three years of the period.

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

In addition, it should be noted that many of the Group's authorisations, licenses and concessions are subject to the fulfilment of certain commitments which, if not met, can lead to sanctions, a reduction in remuneration, revocation of the authorisations, licenses and concessions and enforcement of any guarantees provided, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Uncertain macroeconomic climate

The global economy and the global financial system have experienced significant turbulence and uncertainty over the course of the recent years, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries. This dislocation restricted general levels of liquidity and the availability of credit and the terms on which credit was available and increased the financial burden on the Group's domestic and institutional customers, degrading their credit quality, reducing their spending capacity and negatively affecting consumer demand.

Although the worst of the economic and financial crisis has passed and some Euro-zone countries, including Spain, have shown evidence of economic recovery, the economy remains weak and the expected trend of improvement remains slow. In addition, some emerging countries where the Group operates are suffering a slowdown in economic growth, motivated primarily by the decline in prices of commodities.

The situation in the Spanish and other economies throughout the world negatively affects 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 business, financial condition and results of operations of the Group.

The Group is not able to predict how the economic cycle will develop in the short term or the coming years or whether there will be deterioration in this phase of the global economic cycle and in countries in which the Group operates. Any further deterioration in the countries where the Group operates could decrease the revenues, increase the bad debt exposure and increase the financing costs of the Group, any of which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

Business Strategy

Given the risks to which the Group is exposed and the uncertainties inherent in its business activities, the Group can provide no assurance that it will be able to implement its business strategy successfully. Were the Group to fail to achieve its strategic objectives, or if those objectives, once attained, did not generate the benefits initially anticipated, its business, financial condition and results of operations may be adversely affected, perhaps significantly. The Group's ability to achieve its strategic objectives is subject to a variety of risks, including, but not limited to, the following specific risks:

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

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

(iv) an ability to achieve the desired level of regulated public bid awards with respect to infrastructure projects in gas supplies and access to gas reserves; and

(v) an ability to consolidate the Group's business strategy.

Risks associated with alterations in the demand of gas and market forces

Growth opportunities of the Group are closely linked to growth of demand in the long term for natural gas in the countries where it operates and peak demand of the system, which depend on a series of factors beyond the control of the Group. These factors include, among others, the development of the electricity sector, the development of alternative energies, the price of natural gas by comparison to other energies, the general economic situation, the status of the international crisis, climate changes, the availability of capacity for international import of natural gas by pipeline, environmental legislation and uninterrupted imports of natural gas from foreign countries.

The Group's infrastructure investment plans are based on projected natural gas demand over the coming years. These estimates are made based on current data and historical information on the evolution of the market.

Also, the demand for electricity and natural gas is closely related to climate. Generally, demand is higher during the cold weather months (in Europe, October through March) and lower during the warm weather months (in Europe, April through September). A significant portion of demand for natural gas in the winter months relates to the production of electricity and heat and, in the summer months, to the production of electricity for air-conditioning systems. The revenues and results of operations of the Group's natural gas operations could be negatively affected by periods of unseasonable warm weather during the autumn and winter months. Likewise, electricity demand may decrease during mild summers as a result of reduced demand for air-conditioning, having a negative impact on revenues generated.

If natural gas demand does not increase at the forecasted pace the strategic plan of the Group could be affected, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

In addition, as a result of a regulatory review of Spain discussed above, a percentage of annual remuneration of the natural gas transmission, regasification and storage activities are affected by real growth in demand.

Also in the case of Spain, there is some competition between different sources of natural gas input to the system (international interconnections or regasification plants) that could affect the utilisation of infrastructure. Taking into account that the Group is not the sole owner of the infrastructure, and that in the case of regasification plants, a percentage of their annual remuneration is affected by their utilisation, this annual remuneration may be adversely affected. Additionally, as the Group has a different market share in international interconnections and transmission in comparison to its share in regasification plants, this demand could also adversely affect the Issuer's annual remuneration.

Risk associated with the construction of new facilities

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

In particular, the construction and development of natural gas transmission, regasification or storage infrastructure can be time-consuming and highly complex. In connection with the development of such facilities, the Group must generally obtain government permits and approvals, enter into an eminent domain process, engineering, procurement and construction contracts, operation and maintenance agreements, off-take arrangements and obtain sufficient equity capital and debt financing. In addition, development of this type of infrastructure may have opposition from local communities and political and other interest groups, which may affect the obtaining of administrative permits and licenses.

Any increase in the costs of equipment, materials, labour and financing, cancellation of and/or delay in the completion of the Group's projects under development and projects proposed for development, could have a material adverse effect on its business, prospects, financial condition and results of operations. Some international developments include penalties in case of delay, and in some cases the concession contract could even be cancelled. In particular, if the Group was unable to complete projects under development, it may not be able to recover the costs incurred and its profitability could be adversely affected.

The Group performs periodic monitoring of asset planning risks associated to each project and measures to mitigate them, however the Group is not able to predict whether these initiatives imply an increase in the investment costs, modifications in the design, or delays in the commissioning.

Risks that investments will not be authorised

The Spanish regulations on the gas sector provide that investments affecting the system's regasification capacity, or involving the underground storage of natural gas reserves or the construction of natural gas pipelines operating at a pressure of more than 16 bars are subject to mandatory planning to be established by the Spanish government. Any infrastructure investment included within the mandatory planning is to be authorised by the Ministry of Industry, Energy and Tourism and these projects are generally subject to a regulated public bid award process. Although the construction of the "primary transport" pipelines integrated in the so-called "trunk network" (*red troncal*) shall be directly awarded to the Group, it is not certain that the Group will be the successful bidder in the public bid award processes for other such projects. Failures to be awarded these projects may deviate the Group from its investment plan, which could have a material adverse effect on the consolidated financial statements and operating results of the Group.

Risk of making investments not contemplated in the investment plan

The Spanish regulations on the gas sector provide that the Ministry of Industry, Energy and Tourism may instruct the Group to make natural gas infrastructure investments if projects which were submitted to public bid award processes are not allocated. In such circumstances the Group would have to make investments not contemplated in the current investment plan which would require raising finance which was not foreseen in the current investment plan.

If the Group is required to develop a project in the circumstances set out above, any such investment might be less profitable than others in which other participants take part in the bidding process. The obligation of the Group, as technical manager of the natural gas system in Spain, to make such investments in infrastructure could result in stoppage or slowdown of its investment plan, a deviation from the Group's strategy and a higher cost in the management of this part of the transport network.

Environmental and health and safety risks

Aspects of the Group's activities are potentially dangerous, such as the operation and maintenance of gas transmission and distribution networks, and the regasification plants. Gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of its operations that are not currently regarded or proved to have adverse effects but could become so. The Group is subject to laws and regulations relating to pollution, the protection of the environment and the use and disposal of hazardous substances and waste materials. These expose the Group to costs and liabilities relating to its operations and properties, including those inherited from predecessor bodies or formerly owned by it and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and the Group's share of the liability. The Group is also subject to laws and regulations governing health and safety matters protecting the public and its employees. The Group is increasingly subject to regulation in relation to climate change. The Group commits significant expenditure towards complying with these laws and regulations. If additional requirements are imposed or its ability to recover these costs under the relevant regulatory framework changes, this could have a material adverse impact on the Group's business, financial condition and its results of operations. 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 results of operations and its reputation.

Economic downturns and country/political risks

The international operations and investments of the Group are exposed to various risks inherent in operating and investing in the relevant regions, including risks relating to changes in government regulations and administrative policies, imposition of currency restrictions and other restraints on movements of funds, changes in the business or political environment in which the Group operates, economic downturns, political instability and civil disturbances affecting operations, government expropriation of assets, and exchange rate fluctuations.

There can be no assurances that any further deterioration in the economic and political environment in the countries where the Group is operative will not have a material adverse effect on the financial condition and results of operations of the Group.

Operating risks

The Group may suffer a major network failure or interruption or may not be able to carry out critical non network operations. Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping or failure of information systems and supporting technology. This could cause the Group to fail to meet agreed standards of service or incentive and reliability targets or be in breach of a licence, approval, concession, regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming the Group's reputation. In some of the international markets in which the Group operates, interruption or unavailability of the service entails penalties and may result in loss of profit.

In addition to these risks, the Group may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change), unlawful or unintentional acts

of third parties or force majeure. Weather conditions, including prolonged periods of adverse weather, can affect financial performance and severe weather that causes outages or damages infrastructure will materially adversely affect operational and potentially business performance and its reputation. Terrorist attack, sabotage or other intentional acts may also damage the Group's assets or otherwise significantly affect corporate activities and as a consequence have material adverse effects on the Group's business, financial condition and results of operations.

Additionally, the Group may be subject to civil liability claims for personal injury and/or other damages caused in the ordinary pursuit of its activities, such as failures in its distribution network, gas explosions, pollution or toxic spills or incidents with its generating plants. Such claims could result in the payment of compensation by the Group, which could give rise, to the extent its civil liability insurance policies contracted do not cover the damages, to material adverse effects on the Group's business, financial condition and results of operations.

Cybersecurity risks and failures of our information systems

Cybersecurity breaches, failures of our information technology systems and other disruptions or security breaches could compromise information held by the Group and expose it to liability, which could cause its business and reputation to suffer.

In the ordinary course of its business, the Group collects and stores sensitive data, its own business information and that of its customers, suppliers and business partners. The Group is also highly dependent on financial, accounting and other data processing systems and other communications and information systems. Despite the Group's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions.

If a key system were to fail or experience unscheduled downtime for any reason, the Group's operations and financial results could be affected adversely. Any such breach or malfunction could compromise the Group's networks and the information stored therein could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of the Group's operations, damage to its reputation, and cause a loss of confidence in the Group's services, which could adversely affect its business.

Interest rate risk

The Group's debt is subject to fluctuations in interest rates, primarily EURIBOR. Variations in interest rates modify the reasonable value of those assets and liabilities that accrue a fixed interest rate as well as the future flows of assets and liabilities referenced against a variable interest rate. Although the Group takes a proactive approach to the management of the interest rate risk in order to minimise their impact on its revenues (such as hedging transactions being carried out by contracting derivatives), 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.

Exchange rate risk

The Group is exposed to exchange rate risks in relation to debt denominated in foreign currencies contracted by the Guarantor and its affiliate companies, income and expenses of subsidiaries in the operating currency of each company (in certain cases referenced to the evolution of the U.S. dollar), and net assets from net investments made in foreign companies whose operating currency is other than the euro are subject to the risk of exchange rate fluctuation in the conversion of the financial statements in the consolidation process.

The Group has risk management strategies addressing exchange rate risk in place however such strategies may not be fully effective at the time of limiting exposure to changes in exchange rates of foreign currencies, which could adversely affect the Group's financial situation and results.

Liquidity and availability of funding risks

The Group's business is financed through cash generated from on-going operations and the capital markets, particularly the long-term debt capital markets. The maturity and repayment profile of debt the Group uses to finance investments often does not correlate to cash flows from its assets. As a result the Group accesses commercial paper and money markets and longer-term bank and capital markets as sources of finance. Some of the debt the Group issues may be rated by credit rating agencies and changes to these ratings may affect both its borrowing capacity and the cost of those borrowings.

Nevertheless, as evidenced during recent periods, financial markets can be subject to periods of volatility and shortages of liquidity and if the Group was unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, its cost of financing may increase, the uncommitted and discretionary elements of the Group's proposed capital investment programme may need to be reconsidered and the manner in which the Group implements its 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 results of operations.

Credit and Counterparty risks

Credit and counterparty risks faced by the Group include potential losses derived from the breach of the financial obligations of counterparties (including insolvency, creditors' contest and bankruptcy) with the Group, due to debit positions, or a failure to comply with established long-term contracts.

Despite the Group monitoring this risk (which is especially relevant in the current economic context) and the level of exposure being limited, such breaches by counterparties could impact the Group's financial situation and results.

Tax risks

The Group is exposed to risks related to taxes and potential changes in tax regimes, international treaties and administrative practices to which it is subject, even retroactively. In addition, interpretation of the tax regulatory framework may be deemed incorrect by the tax authorities. Any change to the tax legislation applicable or decisions adopted by the tax authorities could entail fines or extra costs and adversely affect its business, prospects, financial condition and results of operations.

Litigation

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

As of the date of this Prospectus there are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Group which, if determined adversely to the Group 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 of the Group and, to the best knowledge of the Issuer, no such actions, suits or proceedings are threatened or contemplated.

Insurance

The Group seeks to maintain insurance cover on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance cover acquired by the Group provides adequate or sufficient cover for all events or incidents. The international insurance market is volatile

and therefore there can be no guarantee that existing cover will remain available or will be available at commercially acceptable rates.

Risks Related to the Notes issued under the Programme

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 Prospectus 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;

(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.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes 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. The 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 then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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 do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

There is no active trading market for the Notes

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

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Terms and conditions of the Notes also provide that the Issuer may, without the consent of Noteholders substitute for itself as principal debtor under any Notes another company in the circumstances described in Condition 11(d) of the Terms and Conditions of the Notes.

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

Under the Commission's Proposal, 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.

However, the proposal remains subject to negotiation between the participating Member States. 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.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

Risks relating to Notes denominated in Renminbi

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect

the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to currency risk

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearsteam, Luxembourg and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Risks related to the Spanish Withholding Tax

The Issuer considers that, according to article 44 of Royal Decree 1065/2007 of 27 July as amended by Royal Decree 1145/2011 of 29 July, 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. The foregoing is subject to certain information procedures (which do not require identification of the Noteholders) having been fulfilled. These procedures are described in "Taxation – Spanish Tax Considerations – Disclosure of Information in Connection with the Notes" below.

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

Under Royal Decree 1145/2011, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it, provided that the securities: (i) are regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. The Issuer considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax.

Notwithstanding the above, in the case of Notes held by Spanish tax resident individuals (and under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the rate of 19 per cent. from fiscal year 2016 onwards.

If the Spanish Tax Authorities maintain a different opinion as to the application by the Issuer or the Guarantor, as the case may be, of withholding to payments made to Spanish tax residents (individuals and entities subject to Corporate Income Tax (*Impuesto sobre Sociedades*)), the Issuer or the Guarantor, as the case may be, will be bound by the opinion and, with immediate effect, will make the appropriate withholding. If this is the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as interpreted by the Spanish Tax Authorities. If procedures for the collection of the Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications. Holders of the Notes must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, or the Paying Agent assume any responsibility therefor.

Risks related to Spanish Insolvency Law

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Spanish Insolvency Law**"), provides, among other things, that: (i) any claim may become subordinated if it is not included in a company's accounts or otherwise reported to the insolvency administrators within the required timeframes set forth therein; (ii) actions that cause a detriment to the assets of the insolvent debtor carried out during the two year period preceding the date of its declaration of insolvency may be rescinded; (iii) provisions in a contract granting one party the right to terminate on the other's insolvency may not be enforceable; (iv) interest accrued and unpaid until the commencement of the insolvency proceedings (*concurso*) shall become subordinated; and (v) interest shall cease to accrue from the date of the declaration of insolvency, except for interest relating to credits secured with an in rem security interest up to the amount secured with such in rem security interest.

Certain provisions of the Spanish Insolvency Law, together with those of the Spanish Companies Act, could affect the ranking of the Notes or claims relating to the Notes on an insolvency of the Issuer.

The Spanish Insolvency Law was amended by Law 38/2011, of 10 October 2011, which introduced, inter alia, a new regime for the combined opening of insolvency proceedings for various debtors (*declaración conjunta de concurso de varios deudores*). Accordingly, debtors who form part of the same group of companies or their creditors are able to request the combined opening of insolvency proceedings affecting all such group debtors. Insolvency proceedings which have been combined shall be carried out in a coordinated manner, without the assets of the different debtors being consolidated except in circumstances in which there exists a commingling (*confusión*) of assets between all group debtors and is not possible to perform a separation without incurring in an unjustified cost or time delay.

A substantial reform of the Spanish Insolvency Law approved in 2014 focussed on pre insolvency instruments, refinancing agreements and creditors' agreements (*convenios*). The key issues addressed by such reform are as follows:

(a) *No enforcement of security in pre insolvency scenarios*: the Spanish Insolvency Law already included a notification system for distressed companies when negotiations with creditors had been started for the purposes of agreeing a restructuring agreement, which suspended the obligation of the insolvent company to file for insolvency for a period of three months. After this period, the debtor would have to file for insolvency within the following month if the state of insolvency persists (which is why we could say that the suspension of the obligation to file for insolvency lasts, in practice, four months). A limitation was introduced on the enforcement of security over assets that are needed for the continuity of the debtor's business activity. The same restriction applies for financial creditors in respect of any asset, if 51% of the debtor's financial creditors by value have supported the start of negotiations for a restructuring agreement and committed not to initiate individual enforcements while negotiations were ongoing. Secured creditors can initiate the enforcement of security but it will be automatically suspended.

(b) *Protected restructuring agreements*: protected restructuring agreements were introduced in the Spanish Insolvency Law in 2011 in order to establish a "safe harbour" for restructuring processes, so that the claw-back actions set out under the Spanish Insolvency Law did not affect them and the transactions carried out under these restructuring agreements were not subject to scrutiny and potential annulment when the company became insolvent. However their success has been limited given certain constraints previously included in the law. The reform carried out was aimed to further encourage the use of these pre insolvency agreements.

(c) *Spanish "schemes of arrangement"*: the restructuring agreements described above are designed to protect the actions carried out pursuant to them from the claw-back period upon insolvency of the company, but were only applicable to those creditors who were party to them. The amendments of the Spanish Insolvency Law approved in 2014 allow the cram-down of dissenting creditors within refinancing agreements when meeting certain requirements, mainly regarding majority thresholds.

(d) *Creditors' agreements*: their content is now broader and expressly includes the ability to convert debt into equity (or any debt instrument) or the assignment of assets in payment as compulsory. Proposals of creditors' agreements must contain write-downs and/or moratoria on payment, but the limits that had applied since the Spanish Insolvency Law came into force (50% and five years, respectively) have been lifted. In exchange, qualified majorities are needed for arrangements where these limits are exceeded. In addition, it is now possible to bind secured and preferential creditors provided that a particular percentage of such creditors of the same class vote in favour of the arrangement.

Risks related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited

secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls for Investors

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

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

Interest rate risks for Fixed Rate Notes

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

Credit ratings may not reflect all risks

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

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

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.

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, the Issuer will prepare and make available an appropriate supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall be approved by the CSSF and constitute a prospectus supplement as required by Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities.

Each of the Issuer and the Guarantor 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 Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus 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 Guarantor, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus 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.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated financial statements of Enagás for the years ended 31 December 2015 and 31 December 2014, respectively, together in each case with the auditor's report thereon, and the unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2016 which have been previously published or are published simultaneously with this Prospectus and which have been filed with the CSSF, (ii) the audited stand-alone financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014, together, in each case, with the auditor's report thereon, (iii) the terms and conditions of the base prospectus dated 18 May 2015, (iv) the terms and conditions of the base prospectus dated 13 May 2014, (v) the terms and conditions of the base prospectus dated 26 April 2013 and (vi) the terms and conditions of the base prospectus dated 8 May 2012, prepared by the Issuer in connection with the Programme. Such documents shall be incorporated by reference in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the website of the Luxembourg Stock Exchange (www. bourse.lu).

The table below sets out the relevant page references for (a) the audited consolidated financial statements of Enagás for the years ended 31 December 2015 and 31 December 2014, respectively, as set out in Enagás' Annual Report, (b) the unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2016, (c) the audited stand-alone financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014, as set out in the Issuer's Annual Report, (d) the terms and conditions of the base prospectus dated 18 May 2015, (e) the terms and conditions of the base prospectus dated 13 May 2014, (f) the terms and conditions of the base prospectus dated 26 April 2013 and (g) the terms and conditions of the base prospectus dated 8 May 2012.

Audited consolidated financial statements of Enagás for the year ended 31 December 2015

Audited consolidated financial statements of Enagás for the year ended 31 December 2014

Unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2016

Audited stand-alone financial statements of the Issuer for the year ended 31 December 2015

Audited stand-alone financial statements of the Issuer for the year ended 31 December 2014

Terms and conditions of the base Prospectus dated 18 May 2015

Terms and conditions of the base Prospectus dated 13 May 2014

Terms and conditions of the base Prospectus dated 26 April 2013

Terms and conditions of the base Prospectus dated 8 May 2012

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Issuer:	Enagás Financiaciones, S.A.U.
Guarantor:	Enagás, S.A. The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Enagás.
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to €4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	BNP Paribas
Dealers:	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC BNP Paribas CaixaBank, S.A. Citigroup Global Markets Limited Deutsche Bank AG, London Branch J.P. Morgan Securities plc Mizuho International plc Natixis Société Générale The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon, London Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or

	different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes will be issued in bearer form. Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Subscription and Sale – Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN, the Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its

	equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part)

	and/or the holders.
Status of the Notes and the Guarantee:	The Notes and the obligations of the Guarantor under its Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, all as described in "Terms and Conditions of the Notes – Status".
Negative Pledge:	See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	See "Terms and Conditions of the Notes – Events of Default".
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Taxation:	All payments in respect of the Notes will be made without deduction for, or on account of, withholding taxes imposed by Spain unless such taxes are required by law to be withheld. In the event that any such deduction is made, the Issuer or the Guarantor will, save in certain circumstances as described in "Terms and Conditions of the Notes – Taxation" be required to pay additional amounts to cover any amounts so deducted. The Issuer considers that, according to Royal Decree 1065/2007 of 27 July, it is not obliged to withhold taxes in Spain in relation to interest paid on the Notes to any investor (whether tax resident in Spain or not) provided that the information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes" below are fulfilled. According to the information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes", it would no longer be necessary to provide the Issuer with information regarding the identity and tax residence of the Noteholders and the amount of interest payable to them. For further information regarding the interpretation of Royal Decree 1065/2007 of 27 July, please refer to "Risk Factors — Risks relating to Spanish Withholding Tax".

Governing Law:	Save as defined in the paragraph below, the conditions of the Notes will be governed by, and construed in accordance with, English law. Condition 3(b) (Guarantee and Status) will be governed by Spanish law.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly.
Selling Restrictions:	The United States, the United Kingdom, Spain, Japan, Italy, Hong Kong and People's Republic of China. See "Subscription and Sale". 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. Treas. Reg. §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 U.S. Internal Revenue Code of 1986, as amended (the "Code")) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §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) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules 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 Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 11 May 2016 between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 18 May 2015 executed by the Issuer in relation to the Notes. The Guarantor has executed a deed of guarantee dated 11 May 2016 (as amended or supplemented as at the Issue Date, the "**Deed of Guarantee**"). The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. The Issuer will execute a public deed (*escritura pública*) (the "**Public Deed**") before a Spanish Notary Public in relation to the Notes, if so required by Spanish law. The Public Deed contains, among other information, the terms and conditions of the Notes.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form in each case in the Specified Denomination(s) shown hereon, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be euro 100,000 (or its equivalent in any other currency as at the date of issue of those Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown hereon.

Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Title to the Notes, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership,

trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Note, "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Note, Coupon or Talon and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes

Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

3 Guarantee and Status

(a) **Guarantee:** Subject to the remaining provisions of this Condition 3, the payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons has been and will be unconditionally and irrevocably guaranteed by Enagás, S.A. ("**Enagás**"), as specified hereon (the guarantor specified as such hereon in respect of the Notes the "**Guarantor**"). The obligations of the Guarantor in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.

(b) **Status of Notes and Guarantee:** The Notes constitute (subject to Condition 4) unsecured and unsubordinated obligations of the Issuer. In the event of insolvency (*concurso*) of the Issuer, the payment obligations of the Issuer under the Notes shall (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Law 22/2003**" or the "**Insolvency Law**") or equivalent legal provision which replaces it in the future, and subject to any legal and statutory exceptions and to Condition 4) rank pari passu and without any preference among themselves and with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. In the event of insolvency (*concurso*) of the Guarantor, the payment obligations of the Guarantor under the Guarantee shall (unless they qualify as subordinated debts under Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any legal and statutory exceptions and to Condition 4) rank pari passu with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantor, present and future.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits 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).

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will, and will ensure that none of its Material Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its 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, the Coupons or the Guarantor's obligations under its Deed of Guarantee 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 a resolution of the Noteholders.

In these Conditions:

(a) "**EBITDA**" means, in respect of any Relevant Period, the consolidated operating profit (*Resultado de Explotación*) of the Group reflected in the consolidated financial statements of the Group (prepared in accordance with IFRS-EU) before taxation after adding back any amount attributable to the amortisation or depreciation of assets of members of the Group reflected in the consolidated financial statements of the Group;

(b) "**Financial Year**" means the annual accounting period of the Group ending on 31 December (or on any other date duly notified by the Guarantor to the Fiscal Agent and the Noteholders) in each year;

(c) "**Group**" means the Guarantor and its Subsidiaries;

(d) "**IFRS-EU**" means International Financial Reporting Standards as adopted by the European Union;

(e) "**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;

(f) "**Relevant Period**" means each period of twelve months ending on the last day of the Financial Year;

(g) "**Material Subsidiaries**" means:

(i) Enagás Transporte, S.A.U.; and

(ii) any other Subsidiary whose EBITDA, gross income or assets individually represents 20 per cent. or more of the EBITDA, the gross income or the assets, as applicable, of the Group as determined by reference to the most recent consolidated financial statements of the Guarantor;

(h) "**Subsidiary**" means in relation to any company, a company which is controlled directly or indirectly by the first mentioned company in the terms of Article 42 of the Spanish Commercial Code (as such article can be amended and/or replaced in the from time to time); and

(i) "**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.

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown

hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case

of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

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

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5 (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be; or

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (with 0.000005 of a percentage point being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen, and in the case of Renminbi, which shall be rounded to the nearest CNY0.01, CNY0.005 being rounded upwards. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, the Guarantor, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day on which commercial banks and foreign exchange markets settle Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);

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

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

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

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"$\mathbf{Y_1}$" 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 a 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;

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

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

where:

"$\mathbf{Y_1}$" 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 a 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, in which case D_2 will be 30;

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

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

where:

"$\mathbf{Y_1}$" 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 a 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 (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

"$\mathbf{D_2}$" 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;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) **Change of Interest Basis:** If Change of Interest Basis is specified in the relevant Final Terms as being applicable, the Final Terms will indicate the relevant Interest Periods to which the Fixed Rate Note provisions, Floating Rate Note Provisions and/or Zero Coupon Note Provisions shall apply.

(j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), 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 (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if demand was made under the Guarantee, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Spain or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the

Issuer shall deliver to the Fiscal Agent a certificate signed by the joint directors of the Issuer (or the Guarantor, as the case may be) 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

The Optional Redemption Amount will either be the Early Redemption Amount (as defined in Condition 6(b) above) or, if Make-whole Amount is specified in the applicable Final Terms, will be the higher of (a) 100 per cent. of the principal amount outstanding of the Notes to be redeemed; and (b) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at (i) the Reference Note Rate plus the Redemption Margin; or (ii) the Discount Rate, in each case as may be specified in the applicable Final Terms. If the Make-whole Exemption Period is specified as applicable and the Issuer gives notice to redeem the Notes during the Make-whole Exemption Period, the Optional Redemption Amount will be 100 per cent. of the principal amount outstanding of the Notes to be redeemed.

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

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

In these Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases:** Each of the Issuer, the Guarantor and any of their respective Subsidiaries as defined in the Agency Agreement may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all

unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Method of Payment:** Payments of principal and interest in respect of Notes shall, except in the case where the Specified Currency is Renminbi and subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Payments in respect of Notes where the Specified Currency is Renminbi:** Payments of principal and interest in respect of Notes where the Specified Currency is Renminbi shall be made by transfer to a Renminbi account maintained by the payee with a bank in Hong Kong, in all cases in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Laws:** Without prejudice to the application of the provisions of Condition 8, payments will be subject in all cases to any other applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer, or its Paying or Fiscal Agents agree to be subject and the Issuer will not 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.

(e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Payment of U.S. Dollar Equivalent:** This Condition 7(f) is applicable in relation to Notes where the Specified Currency is Renminbi.

(i) Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi, the Issuer shall, by sending an irrevocable notice not less than five or more than 30 calendar days prior to the due date for payment to the Noteholders and the Paying Agent, settle any such payment (in whole or in part) in U.S. Dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi denominated amount.

(ii) For the purposes of these Conditions, "U.S. Dollar Equivalent" means the Renminbi amount converted into U.S. Dollars using the Spot Rate for the relevant Determination Date.

In this Condition:

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, Beijing, London, TARGET and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the PRC and Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Illiquidity**" means where the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**PRC**" means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; and

"**Spot Rate**" means the spot CNY/U.S. Dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. Dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. For the avoidance of doubt, no liability to the Issuer, the Guarantor, the Noteholders, the Couponholders or any other party shall attach to the Calculation Agent in relation to such determination. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

(g) **Unmatured Coupons and unexchanged Talons:**

(i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note representing it, as the case may be.

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

(i) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders 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 with respect to any Note or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **Information requested by Spanish Tax Authorities:** (in respect of any payment by the Issuer) to, or to a third party on behalf of, a Noteholder who does not provide to the Issuer (or the Guarantor) or an agent acting on behalf of the Issuer (or the Guarantor) the information concerning such Noteholder as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1145/2011 as eventually made by the Spanish Tax Authorities.

Notwithstanding any other provision in these Conditions, the Issuer, the Guarantor and the Paying Agents shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986, as amended, Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). None of the Issuer, the Guarantor or the Paying Agents or any other person will have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or

withheld by the Issuer, the Guarantor or a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note of the relevant Series, in respect of such Note, may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(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; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes 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; or

(c) **Cross-Default:** (A) any other present or future Relevant Indebtedness of the Issuer or the Guarantor or any of their respective Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such Relevant Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or the Guarantor or any of their respective Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the Relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €75,000,000 (or its equivalent in any other currency); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Material Subsidiaries and is not discharged or stayed within 90 days; or

(e) **Unsatisfied judgement:** one or more judgement(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Material Subsidiaries (if any) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the their respective Material Subsidiaries; or

(g) **Insolvency etc.:** (i) the Issuer, the Guarantor 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 Guarantor 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 Guarantor or any of their respective Material Subsidiaries (if any) is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor 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 Guarantor 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 Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(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 Guarantor or any of their respective Material Subsidiaries (if any) (otherwise than, in the case of a Material Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(i) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under or in respect of the Notes or, the Deed of Guarantee; or

(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 Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the 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; or

(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 the forgoing paragraphs above including, but not limited to, in the case of the Guarantor, any suspension of payments or bankruptcy (*concurso de acreedores*); or

(l) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(m) **Controlling Shareholder:** the Issuer ceases to be wholly-owned and controlled directly or indirectly by Enagás otherwise than in the circumstances contemplated by Condition 11(d) (*Substitution*).

11 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption 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, including the method of calculating the Amortised Face 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, in which case the necessary quorum shall 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 nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as 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 Final Terms in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer and the Guarantor 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.

(c) **Notification to the Noteholders:** Any modification, waiver or authorisation in accordance with this Condition 11 shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

(d) **Substitution:** The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Coupons and the Talons, any company (the "**Substitute**") that is Enagás, or a Subsidiary (as defined in the Agency Agreement) of Enagás, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "**Deed Poll**"), to be substantially in the form scheduled to the Agency Agreement as Schedule 9, and may take place only if

(i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) where the Substitute is not Enagás, the obligations of the Substitute under the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll and the relevant Deed of Guarantee, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant (together, the "**Documents**") represent valid, legally binding and enforceable obligations of the Substitute, and in the case of the Deed Poll and the Deed of Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) an opinion of independent legal advisors of recognised standing has been addressed to the Issuer and delivered by the Issuer to the Fiscal Agent to the effect that the Documents and, as the case may be, the Deed of Guarantee, represent valid, legally binding and enforceable obligations of the Substitute and, as the case may be, the Guarantor, and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 10 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

12 Replacement of Notes, Coupons and Talons

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Notes, Coupons or Talons) or such other Paying Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the Issuer or such Paying Agent may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (in all respects except for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14 Notices

Notices to the holders of Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed on the Luxembourg Stock Exchange, notices to holders of the Notes shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Notes in accordance with this Condition.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or any Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

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

17 Governing Law and Jurisdiction

(a) **Governing Law:** Save as described below, the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Condition 3(b) shall be governed by, and shall be construed in accordance with, Spanish law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the

ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

18 Service of Process: Each of the Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX as their agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Note with the Common Safekeeper does not necessary 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 satisfaction of the Eurosystem eligibility criteria. If the Global Notes are stated in the applicable Final Terms to be issued under NGN form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and, if so, will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper.

Global Notes which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary"), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "General

Description of the Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.4 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes and permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(g) (Non-Business Days).

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of the Guarantor's subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Events of Default

Each Global Note, or a portion of it, may become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note may elect for direct enforcement rights against the Issuer and the Guarantor under the terms of a Deed of Covenant executed as a deed by the Issuer on 18 May 2015 to come into effect in relation to the whole or a part of such Global Note in favour of the persons entitled to such part of such Global Note as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note will become void as to the specified portion.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of a clearing system, then:

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

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

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be on-lent to Enagás to be used by Enagás and its consolidated subsidiaries for general corporate purposes.

FORM OF ENAGÁS GUARANTEE

The following is the form of the Guarantee of the Notes executed by the Guarantor on 11 May 2016.

This Deed of Guarantee is made on 11 May 2016 by Enagás, S.A. (the "**Guarantor**") in favour of the Holders and the Relevant Account Holders.

Whereas:

(A) Enagás Financiaciones, S.A.U. (the "**Issuer**") proposes to issue euro medium term notes guaranteed by the Guarantor (the "**Notes**", which expression shall, if the context so admits, include the Global Notes (in temporary or permanent form) to be initially delivered in respect of the Notes and any related coupons and talons) pursuant to an agency agreement, as amended or supplemented from time to time dated 11 May 2016 between, among others, the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as Fiscal Agent (the "**Fiscal Agent**").

(B) The Issuer has, in relation to the Notes issued by it, entered into a deed of covenant (as amended and supplemented from time to time, the "**Deed of Covenant**") dated 18 May 2015.

(C) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of the Notes to the holders of any Notes (the "**Holders**") issued by it and under the Deed of Covenant to the Relevant Account Holders (the "**Guarantee**").

This Deed Witnesses as follows:

1 Interpretation

1.1 **Defined Terms:** In this Deed, unless otherwise defined herein, capitalised terms shall have the same meaning given to them in the Deed of Covenant and the Conditions (as defined in the Deed of Covenant).

1.2 **Headings:** Headings shall be ignored in construing this Deed.

1.3 **Contracts:** References in this Deed to this Deed or any other document are to this Deed or these documents as amended, supplemented or replaced from time to time in relation to the Programme and includes any document that amends, supplements or replaces them.

1.4 **Legislation or regulation:** Any reference in this Agreement 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.

2 Guarantee and Indemnity

2.1 **Guarantee:** The Guarantor unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Deed of Covenant or the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantor shall pay that sum to each Holder and each Relevant Account Holder before close of business on that date in the city to which payment is so to be made. All payments under this Guarantee by the Guarantor shall be made subject to the Conditions.

2.2 **Guarantor as Principal Debtor:** As between the Guarantor, the Holders and the Relevant Account Holders but without affecting the Issuer's obligations, the Guarantor shall be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, its obligations shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if

it were the sole principal debtor, including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any other provisions of this Guarantee or to the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of this Guarantee, the Notes, the Deed of Covenant or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Guarantee, the Notes, the Deed of Covenant or any of the Issuer's obligations under any of them.

2.3 **Guarantor's Obligations Continuing:** The Guarantor's obligations under this Guarantee are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, the Deed of Covenant or this Guarantee and no further Notes may be issued by the Issuer under the Programme. Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity. The Guarantor irrevocably waives all notices and demands of any kind.

2.4 **Exercise of Guarantor's Rights:** So long as any sum remains payable under the Notes, the Deed of Covenant or this Guarantee, the Guarantor shall not exercise or enforce any right, by reason of the performance of any of its obligations under this Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity.

2.5 **Avoidance of Payments:** The Guarantor shall on demand indemnify the relevant Holder or Relevant Account Holder, on an after tax basis, against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under the Notes or the Deed of Covenant and shall in any event pay to it on demand the amount as refunded by it.

2.6 **Debts of Issuer:** If any moneys become payable by the Guarantor under this Guarantee, the Issuer shall not (except in the event of the liquidation of the Issuer) so long as any such moneys remain unpaid, pay any moneys for the time being due from the Issuer to the Guarantor.

2.7 **Indemnity:** As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees: (1) that any sum that, although expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor, a Holder or a Relevant Account Holder) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and shall be paid by it to the Holder or Relevant Account Holder (as the case may be) on demand; and (2) as a primary obligation to indemnify each Holder and Relevant Account Holder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee not being paid on the date and otherwise in the manner specified in this Guarantee or in the Conditions or any payment obligation of the Issuer under the Notes, the Deed of Covenant or this Guarantee being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to a Holder or a Relevant Account Holder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

2.8 **Incorporation of Terms:** The Guarantor agrees that it will comply with and be bound by all such provisions contained in the Conditions which relate to it.

3 Payments

3.1 **Payments Free of Taxes:** All payments by the Guarantor under this Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall pay such additional amounts as shall result in receipt by the Holders and the Relevant Account Holders 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:

3.1.1 **Other connection:** to, or to a third party on behalf of, a Holder or Relevant Account Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or

3.1.2 **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Relevant Account Holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

3.1.3 **Information requested by Spanish Tax Authorities:** (in respect of any payment by the Issuer) to, or to a third party on behalf of, a Holder or Relevant Account Holder who does not provide to the Issuer (or the Guarantor) or an agent acting on behalf of the Issuer (or the Guarantor) the information concerning such Holder or Relevant Account Holder as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1145/2011 as eventually made by the Spanish Tax Authorities.

Defined terms used in this Clause 3.1 shall have the meanings given to them in the Conditions.

3.2 **Stamp Duties:** The Guarantor covenants to and agrees with the Holders and Relevant Account Holders that it shall pay promptly, and in any event before any penalty becomes payable, any stamp, documentary, registration or similar duty or tax payable in Spain, Belgium or Luxembourg, as the case may be, or in the country of any currency in which the Notes may be denominated or amounts may be payable in respect of the Notes or any political subdivision or taxing authority thereof or therein in connection with the entry into, performance, enforcement or admissibility in evidence of this Deed and/or any amendment of, supplement to or waiver in respect of this Deed, and shall indemnify each of the Holders and Relevant Account Holders, on an after tax basis, against any liability with respect to or resulting from any delay in paying or omission to pay any such tax.

4 Amendment and Termination

The Guarantor may not amend, vary, terminate or suspend this Guarantee or its obligations hereunder unless such amendment, variation, termination or suspension shall have been approved by a resolution of the Noteholders or to comply with any mandatory requirements set forth by any regulation, directives or rules issued by the Spanish government or the relevant administrative authority, save that nothing in this Clause shall prevent the Guarantor from increasing or extending its obligations hereunder by way of supplement to this Guarantee at any time.

5 Currency Indemnity

If any sum due from the Guarantor under this Deed 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 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 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, the Guarantor shall 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 Holder or Relevant Account Holder 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 Guarantor and shall give rise to a separate and independent cause of action.

6 General

6.1 **Benefit:** This Guarantee shall enure for the benefit of the Holders and the Relevant Account Holders.

6.2 **Deposit of Guarantee:** The Guarantor shall deposit this Guarantee with the Fiscal Agent, to be held by the Fiscal Agent until all the obligations of the Guarantor have been discharged in full. The Guarantor acknowledges the right of each Holder and each Relevant Account Holder to the production of, and to obtain a copy of, this Guarantee.

7 Governing Law and Jurisdiction

7.1 **Governing Law:** This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

7.2 **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Clause is for the benefit of each of the Relevant Account Holders and each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

7.3 **Agent for Service of Process:** The Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on this Deed. If for any reason the Guarantor does not have such an agent in England, it shall promptly appoint a substitute process agent and notify the Holders or Relevant Account Holders of such appointment in accordance with the Conditions. Nothing herein shall affect the right to serve process in any other manner permitted by law.

In witness whereof the Guarantor has caused this deed to be duly delivered as a deed on the date stated at the beginning.

ENAGÁS, S.A.

By:

DESCRIPTION OF ISSUER

General Information

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

The Issuer is registered with the Mercantile Registry (Registro Mercantil) of Madrid, Spain, under Volume 29.386, Folio 161, Section 8, Page M-528949, 1st registration entry. The Issuer holds Tax Identification Code number A-86450244. The Issuer was incorporated for an indefinite time before Madrid Notary Public Mr. Pedro de la Herrán Matorras, on 16 April 2012.

The Issuer is a wholly-owned subsidiary of Enagás, S.A. and was incorporated on 16 April 2012 as a limited liability corporation (sociedad anónima) owned by one single shareholder (unipersonal), incorporated in accordance with Royal Legislative Decree 1/2010 of 2 July 2010, which approves the Consolidated Text of Spanish Limited Liability Companies' Law (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*).

The Issuer's current registered office is located at Paseo de los Olmos 19, Madrid 28005, Spain, and its telephone number is +34 900 100 399.

Share capital and shareholder

The Issuer's share capital is €90,000, fully subscribed and paid-up, divided into nine hundred (900) standard shares, each having a par value of one hundred euro (€100), consecutively numbered from no. 1 through no. 900, inclusive, all of which are issued and fully paid-up.

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

Business

The corporate purpose of the Issuer is (a) the issuance of debt securities and obtaining funding by any means in accordance with common practice; (b) the management and administration of equity securities, the rendering of any type of services to companies in which it has a stake and the distribution of the financial resources obtained from the execution of its corporate purpose; and (c) the acquisition, subscription, use, administration and disposal of securities. This purpose shall be implemented subject to compliance with those legal requirements in force at the time of an issue.

Management and Supervisory Bodies

As at the date of this Prospectus, the members of the board of directors of the Issuer and their position on the board, are the following:

Name of Director	Position on Board
Borja García Alarcón Altamirano	Joint Director
Luis Ros Arnal	Joint Director

The business address of the members of the board of directors is Paseo de los Olmos 19, Madrid 28005, Spain.

As at the date of this Prospectus, there are no potential conflicts of interest between the duties of the persons identified above to the Issuer and their private interests and/or other duties. None of the members of the board of directors of the Issuer performs any activities outside the Issuer that are significant with respect to it.

Financial Information

Financial position

The Issuer was incorporated on 16 April 2012 with no financial activity prior to this date. The audited stand-alone financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014 have been incorporated by reference into this Prospectus.

Legal and arbitration proceedings

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

Material contracts

Not applicable.

Third party information statement by experts and declaration of any interest

Not applicable.

DESCRIPTION OF ENAGÁS, S.A.

General Information

Enagás, S.A. ("**Enagás**") is a Spanish limited liability company (Sociedad Anónima), subject to the Spanish Companies Law (Ley de Sociedades de Capital), that was incorporated on 13 July 1972 for an indefinite period. It is registered in the Mercantile Registry of Madrid at volume 305, sheet 36 and page number M-6113. The registered address of Enagás is Paseo de los Olmos No. 19, 28005 Madrid, Spain and its telephone no. +34 900 100 399.

Share capital and major shareholders

Enagás has been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia since 2002 and its current share capital is represented by 238,734,260 shares with a par value of €1.50 each, forming a single class. The share capital is fully paid up.

The following table sets out the largest shareholders of Enagás as at 31 December 2015:

Shareholder	Direct shareholding	Indirect/direct shareholding	Total shareholding
	%	%	%
Sociedad Estatal de Participaciones Industriales	5.000	-	5.000
Bank of America Corporation	-	3.614	3.614
Retail OEICS Aggregate	-	1.010	1.010

The Hydrocarbon Law (defined below), as amended, provides that no individual or company may (i) directly or indirectly hold more than 5 per cent. of Enagás' share capital or (ii) exercise more than 3 per cent. of the voting rights in Enagás. The Hydrocarbon Law also stipulates that natural persons or legal entities that operate in the gas industry or those natural persons or legal entities that, directly or indirectly, hold over 5 per cent. of the share capital of legal entities that operate in the gas industry may not exercise more than 1 per cent. of the voting rights in Enagás. It further provides that shareholders of Enagás may not enter into shareholders' agreements or any other kind of agreements for the joint exercise of their voting rights. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises.

The Hydrocarbon Law also stipulates that the sum of direct or indirect shareholdings in Enagás by all entities which develop activities related to the natural gas sector, may not be greater than 40 per cent. of Enagás' aggregate share capital.

Background

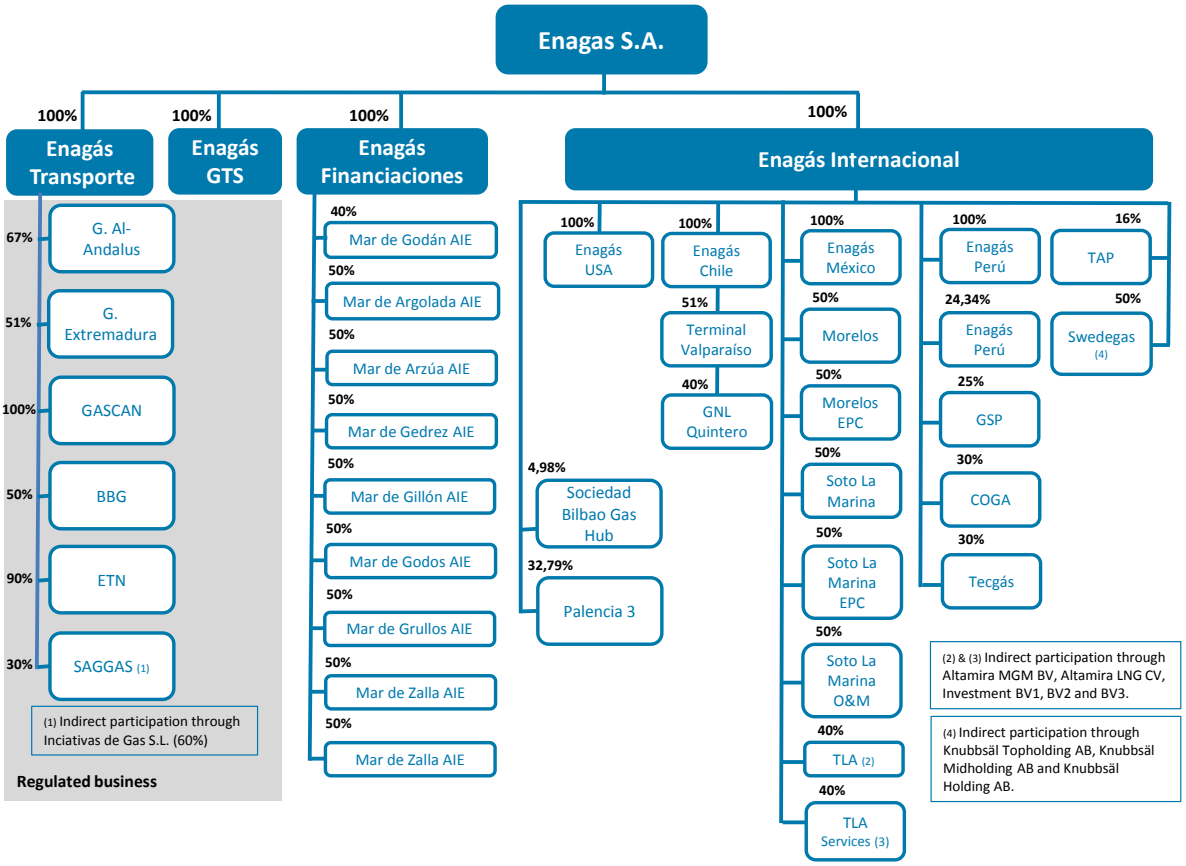
Enagás was incorporated to operate the natural gas infrastructure network in Spain. After the enactment in 1998 of the Hydrocarbons Industry Law (Ley 34/1998, de 7 de octubre del sector de hidrocarburos, the "Hydrocarbons Law") which liberalised the Spanish natural gas market in accordance with applicable European directives and the implementation process that followed, Enagás became an owner of gas transportation infrastructures comprising high pressure gas pipelines, underground gas storages and regasification plants.

As the owner of the majority of the basic natural gas infrastructure network in Spain, in 2000 Enagás was appointed technical manager of the natural gas system (Gestor Técnico del Sistema, the "Technical System Manager") pursuant to an amendment of the Hydrocarbons Law made by Royal Decree Law 6/2000, of 23 June 2003. The Technical System Manager is responsible for the technical management of the basic and secondary gas transportation networks and its role is to ensure the continuity and security of supply and proper coordination among the access points.

Royal Decree Law 6/2009 appointed Enagás as the sole transporter for the high pressure gas network (Transportista Único de la red troncal de transporte primario de gas) in Spain. In addition to the activities that it carries out directly, Enagás is also the head of a group of companies that own interests in joint ventures engaged in the gas transportation and regasification business in Spain and Portugal (the "Group").

The Group

The simplified corporate structure of the Group is as follows:



The new Additional Provision no. 31 of the Hydrocarbons Law (introduced by the Final Provision no. 6 of Law 12/2011, of 27 May 2011 on civil liability for nuclear damage or damage produced by radioactive materials) provided that Enagás had to create two subsidiary companies in which it would hold the entire capital stock, that would be tasked with the functions of Technical System Manager and transportation company respectively, by transferring all of the material and human assets currently dedicated to the pursuit of each of the above two activities.

Pursuant to the above statutory provision, Enagás has transferred to two newly incorporated subsidiaries (Enagás Transporte and Enagás GTS, S.A.U., "Enagás GTS") all of the economic units specific to their functions as a gas transportation company and Technical System Manager, respectively, including the corresponding human resources teams and all assets and liabilities comprising such units. The corporate head

offices and the properties not involved in the regulated activities which were not transferred to Enagás Transporte or Enagás GTS continue to be held by the parent company.

Pursuant to the Hydrocarbons Law Enagás may not transfer its shares in any subsidiaries pursuing regulated activities to any third parties.

Business

Overview

The Group is mainly engaged in the Spanish regulated activities of regasification, underground storage, gas transportation (through Enagás Transporte, S.A.U.) and management of the gas system (through Enagás GTS). However, activities of regasification performed outside of Spain are developed through Enagás Internacional. The facilities of the Group include four wholly owned, one 50 per cent. owned, one 40 per cent. owned, one 30 per cent. owned and one 20.4 per cent. owned regasification plants, three underground gas storages and more than 10,000 Km of high pressure gas pipeline throughout Spain.

In 2015, the Group generated 94.9 per cent. of its revenue from regulated activities, of which 64 per cent. corresponded to transportation, 25 per cent. to regasification, 10 per cent. to storage and 1 per cent. to Enagás GTS.

The following table sets out the evolution of the Group's infrastructures from 2006 to 2015:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transportation grid										
Pipeline Km	7,609	7,655	8,134	8,884	8,981	9,280	9,680	10,233	10,314	11,311
Regasification plants										
Storage capacity LNG (m^3) (´000)	1,287	1,287	1,437	1,437	1,887	2,037	2,037	1,957	2,079[3]	2,371[4]
Vaporisation capacity (m^3(n)/h) [1] (´000)	4,050	4,200	4,350	4,650	4,650	4,650	4,650	4,650	4,850[3]	5,350[4]
Underground storage										
Extraction capacity (Mm^3(n)/day) [2]	12.4	12.4	12.4	12.4	12.4	12.4	12.4	13.4	14.4	15.9
Injection capacity (Mm^3(n)/day)	8.4	8.4	8.4	8.4	8.4	8.4	10.4	10.4	10.4	10.4

Notes:

(1) (n)/h means, per hour, in normal conditions of pressure and temperature.

(2) (n)/day means, per day, in normal conditions of pressure and temperature.

(3) Excluding the percentage corresponding to the Bilbao regasification plant.

(4) Excluding the percentage corresponding to the Bilbao and Sagunto regasification plant.

Underground Storage

The Group owns and operates three underground storage facilities, Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), with maximum injection of 3.9 million m^3 (n)/day and maximum output of 6.7 million m^3 (n)/day; Gaviota, an off-shore facility located near Bermeo (Vizcaya), with maximum injection of 4.5 million m^3 (n)/day and maximum output of 5.7 million m^3 (n)/day and Yela (Guadalajara) with a maximum injection of 2 million m^3 (n)/day and maximum output of 3.5 million m^3 (n)/day.

Enagás has entered into contractual arrangements with commercial companies for approximately 81 per cent. of its underground storage capacity. Of this percentage, 100 per cent. relates to short term contracts. Pursuant

to the current law, a minimum percentage of the contractual arrangements that Enagás enters into with respect to its underground storage capacity, must relate to short term contracts in order to encourage free competition.

The capacity used at the Group's plants was 100 per cent. Commercial companies will enter into contracts for underground storage based on their maximum demand (forecast); consequently if this maximum demand is not achieved, there will be unused capacity.

The following table sets out the underground storage inventories in Spain as at 31 December 2014 and 2015:

	As at 31 December 2014	As at 31 December 2015
	(GWh)	(GWh)
Capacity	**55,561**	**59,444**
Total Inventories (A_{1+} A_{2+} A_3)	**52,942**	**49,725**
A_1 Non-extractable cushion gas	26,982	28,216
A_2 Extractable cushion	8,202	8,202
A_3 Operational gas	17,758	13,307
Operational gas % full	87%	58%
Cushion gas (A_1+A_2)	35,184	36,418
Useful gas (A2+A_3)	25,960	21,509
Injection	9,769	7,126
Extraction	4,313	10,344

The following table sets out the capacity of the Group's underground facilities as at 31 December 2015:

	Operational Gas	Cushion gas	Injection (max)	Production
	(Mm3 (n))	(Mm3 (n))	(Mm3 (n)/d)	(Mm3 (n)/d)
Gaviota (Bermeo-Vizcaya)	979	1,702	4.5	5.7
Serrablo (Huesca)	680	420	3.9	6.7
Yela (Guadalajara)	130	454	2	3.5

Gas transportation

The Group operates (through Enagás Transporte) 11,311 Km of high pressure gas pipeline designed to function at maximum bar pressures of between 72 and 80. The gas pipeline network consists of the following main lines:

(i) **Central line**: Huelva-Córdoba-Madrid-Algete-Yela-Burgos-Cantabria-Basque Country (with the Huelva Seville-Cordoba-Madrid duplicated);

(ii) **Eastern line:** Barcelona-Besós-Villar de Arnedo-Valencia-Alicante-Murcia-Cartagena-Almería-Chinchilla;

(iii) **Western line:** Almendralejo-Cáceres-Salamanca-Zamora-León-Oviedo;

(iv) **Spain-Portugal western line:** Córdoba-Badajoz-Portugal (Campo Maior-Leiria-Braga)-Tuy-Pontevedra-La Coruña-Oviedo;

(v) **Ebro line:** Tivissa-Paterna-Zaragoza-Logroño-Calahorra-Haro;

(vi) **Transverse line:** Alcazar de San Juan-Villarobledo-Albacete-Montesa; and

(vii) **Balearic line:** Montesa-Denia-S. Antoni de Portmany-S. Juan de Dios, and the following gas pipeline entry points to the gas system:

(a) **North:** the Calahorra-Larrau pipeline connecting Spain and Portugal with the French and the European gas pipeline network; and

(b) **South:** the Maghreb-Europe pipeline and connection to the Marismas-Palancares gas fields in the Guadalquivir valley.

In 2014, the most significant addition was the Musel-Llanera pipeline and in 2015, the most significant additions were the Mariña-Lucense pipeline, the Son Reus-Inca-Alcudia pipeline and the Euskadur compression station.

The following table sets out the natural gas ("NG") and the liquefied natural gas ("LNG") input into the Group's system from 2014 to 2015 indicating from where the gas was introduced into the Spanish gas system:

	Location	2014 (GWh)	2015 (GWh)	Variation between 2015 and 2014 (%)
NG	CCII Norteafricanas	179,653	175,344	-2
	VIP Pirineos	49,233	36,902	-25
	VIP Ibérico	279	0	-100
	Nacional	508	776	53
	Total NG	**229,674**	**213,022**	**-7**
LNG	P.Barcelona	37,105	36,899	-1
	P.Huelva	36,332	33,143	-9
	P.Cartagena	30,607	15,059	-51
	P.Bilbao	18,425	22,914	24
	P.Sagunto	36,570	27,826	-24
	P.Mugardos	21,051	16,520	-22
	Total LNG	**180,090**	**152,360**	**-15**
	Total input	**409,764**	**365,382**	**-11**

The following table shows the Group's dock deliveries of LNG by source for the year ended 31 December 2015:

Deliveries in 2015	**Nigeria**	**Algeria**	**Qatar**	**T&T**	**Norway**	**Peru**	**Oman**	**Total**	**Average delivery (GWh)**
Barcelona	6	26	12	2	7	-	-	53	696
Cartagena	4	2	3	7	-	2	-	18	837
Huelva	14	16	12	-	-	-	-	42	796
Bilbao	13	-	2	3	1	6	-	25	917
Sagunto	5	37	1	-	1	-	1	45	618
Mugardos	4	1	7	4	-	4	-	20	826
TOTAL	**46**	**82**	**37**	**16**	**9**	**12**	**1**	**203**	**752**
Average delivery (GWh)	942	532	896	797	887	900	964		

In 2014 Enagás acquired a 20 per cent. holding in Transportadora de Gas de Perú ("TgP") and a 30 per cent. holding in Compañía Operadora de Gas del Amazonas S.A.C. ("COGA"). TgP, which started commercial operations in 2004, transports most of Peru's natural gas and condensates and has a 729-km gas pipeline and a 557-km polyduct which connect the Camisea gas fields with the industrial centres of Lima and Pisco, and the Melchorita liquefaction plant. COGA is the company responsible for the operation and maintenance of TgP's Transmission System

In June 2014, a consortium made up of Enagás (25 per cent.) and Odebrecht Latinvest (75 per cent.) was awarded the project for the South Peru Gas Pipeline put out to tender by the Peruvian government. The award covers the construction and subsequent operation and maintenance of a 1,000-km-long gas pipeline, which is key for safeguarding supply in Peru. The pipeline is scheduled to be brought on stream for commercial use in 56 months and the concession is for 34 years.

In September 2014, Enagás and Fluxys Europe B.V. ("Fluxys") signed an agreement to acquire 19 per cent. of Total S.A. and E.ON SE's stake in the company that is developing the Trans Adriatic Pipeline (TAP) project, in which Enagás will hold a 16 per cent. stake. This project involves the construction of an 871 km long pipeline linking Turkey and Italy, running through Greece and Albania, including the associated compressor stations.

In March 2015, Enagás and Fluxys agreed to jointly acquire Swedegas AB, the company which owns and operates Sweden's entire high-pressure gas pipeline network. Swedegas AB, certified as a Transmission System Operator by the Swedish regulator (EI), has a highly experienced staff and owns around 600 km of high-pressure gas pipelines and an underground Storage facility, Skallen, located nearby Halmstad.

In July 2015, Enagas, through its subsidiary Enagás Internacional, SLU, completed the acquisition of an additional 4.34 per cent. of TgP, increasing its stake from 20 per cent. to 24.34 per cent.

Regasification

The Group owns through Enagás Transporte, four regasification plants in Spain, located in the port of El Musel (Gijón), Barcelona, Cartagena and Huelva, with a total emission capacity of 5,450,000 m³ (n)/h and a total storage capacity of 2,266,500 m³ of LNG in a total of 18 tanks and 9 cistern loaders. In the second half of 2010 the Group acquired 40 per cent. of the regasification plant of Bahía de Bizkaia Gas ("BBG"), located in the port of Bilbao, with emission capacity of 800,000 m³ (n)/h and storage capacity of 450,000 m³ of LNG in three tanks. BBG is one of the main entry points for natural gas into the Cantabrian strip. In the first quarter of 2015, Enagás acquired a further 10 per cent. of this regasification plant. In June 2015, Enagás, completed the acquisition of 40 per cent. of the regasification plant of SAGGAS, located in the port of Sagunto, with emission capacity of 1,000,000 m³ (n)/h and storage capacity of 600,000 m³ of LNG in four tanks.

As of 31 December 2015, the Spanish gas system was formed of 25 tanks with a storage capacity of 3,316,500 m³.

In the third quarter of 2011 the Group acquired through Enagás Altamira 40 per cent. of the regasification plant of Terminal LNG Altamira ("TLA"), located in the port of Altamira in Mexico, with emission capacity of 800,000 m³ (n)/h and storage capacity of 300,000 m³ of LNG in two tanks. The Dutch company Vopak acquired the remaining 60 per cent. of the terminal. This acquisition is a complementary activity for the Group and it is linked to its main business.

In 2012, the Group acquired through Enagás Internacional, S.L. 20 per cent. of the regasification plant of GNL Quintero, S.A., ("GNL") located in Chile, with emission capacity of 625,000 m³ (n)/h and storage capacity of 334,000 m³ of LNG in three tanks.

In 2013, Enagás increased its stake in GNL terminal in Chile with the acquisition of an additional 20 per cent. of the regasification plant. To carry out this transaction, Enagás enabled Oman Oil Company S.A.O.C. to become a partner, with 49 per cent. of Terminal de Valparaíso, where Enagás will continue to be the majority shareholder. As a result of this transaction, as at the date of this Prospectus, Enagás has a total participation of 20.4 per cent. in GNL.

The prior administrative authorisation granted by the General Directorate of Energy and Mines to Enagás on 29 December 2008 for the construction of the regasification plant located in El Musel harbour (Asturias), was revoked by means of a court ruling issued by the Superior Court of Justice of Madrid on 31 July 2013 in the contentious-administrative proceeding number 1049/2009. The reasoning behind the revocation was that, by the time the administrative proceeding to obtain the administrative authorisation of the regasification plant began (i.e. before 1 January 2007), the regulations in force required a minimum distance of 2,000 metres between the regasification plant and the nearest city centre. During the period of time between the initiation of the administrative proceeding to obtain the administrative authorisation and the date on which it was effectively granted (i.e. 29 December 2008), the applicable regulations were amended. The Superior Court of Justice of Madrid deemed applicable the regulations in force at the time the administrative proceeding was initiated.

This court ruling was ratified by a further decision of the Spanish Supreme Court on 29 February 2016. However, these court rulings do not imply either the decommissioning of the facility or the withdrawal of the remuneration scheme currently in place, which would only occur as a result of new administrative proceedings.

Taking into consideration that (i) the abovementioned requirement of the minimum distance between the regasification plant and the nearest city centre no longer applies according to the relevant regulations in force as at the date of this Prospectus, and (ii) that the responsible administrative body could make another decision authorising the operation of the plant in accordance with regulations in force as at the date of this Prospectus, the possibility of the legalisation and reopening of El Musel's regasification plant cannot be disregarded.

The following table shows the Group's regasification plants as at 31 December 2015:

	Number of tanks	**Storage capacity**	**Emission capacity**	**Docking capacity**
		(m3 LNG)	**(m3 (n)/h)**	**(m3 LNG)**
P.Barcelona	**6**	**760,000**	**1,950,000**	**266,000**
P.Cartagena	**5**	**587,000**	**1,350,000**	**266,000**
P.Huelva	**5**	**619,500**	**1,350,000**	**173,400**
P. Musel1	**2**	**300,000**	**800,000**	**266,000**
P.de BBG (Bilbao)	**3**	**450,000**	**800,000**	**270,000**
P. Saggas (Sagunto)	**4**	**600,000**	**1,000,000**	**266,000**
P.de Altamira (México)	**2**	**300,000**	**800,000**	**217,000**
P. GNL Quintero	**3**	**334,000**	**625,000**	**265,000**

Notes:

(1) Outstanding after Royal Decree – Law 13/2012 Third Transitional Disposition.

Technical system management

Enagás, as Technical System Manager (through Enagás GTS), is responsible for the technical management of the basic and secondary gas transportation networks and for proper coordination between access points, storage, transportation and distribution in Spain.

In 2007 an autonomous unit was created within Enagás to perform the functions of Technical System Manager in accordance with the requirements of the Hydrocarbons Law. Enagás has transferred to two newly incorporated subsidiaries (Enagás Transporte and Enagás GTS) all the economic units specific to their function as gas transportation company and Technical System Manager, respectively, including the corresponding human resources teams and all assets and liabilities comprising such units. Enagás has advanced technological systems that allow it to analyse the quality, pressure, temperature and volume of the natural gas transported by the gas system.

Remuneration from regulated activities - Introduction

Royal Decree-Law 6/2000 of 23 June introduced the general principles under which the revised integrated economic framework is to operate. These general principles were elaborated upon in Royal Decree 949/2001, which states the criteria for determining the following economic variables:

(i) the remuneration payable to market participants for each of the regulated activities;

(ii) the applicable tolls and fees payable for third-party access; and

(iii) the tariffs for natural gas sold in the tariff-based market.

Under this remuneration structure, the general principles governing the remuneration payable for regulated activities are:

(i) to ensure that any investment made by owners of a natural gas facility is recovered during the useful life of such facility;

(ii) to allow for a reasonable return on capital invested; and

(iii) to determine a system for the remuneration of operating costs that provides incentives for efficient management and enhanced productivity, the benefit of which is to be passed on, in part, to other users and customers.

This regulatory framework is implemented through a settlement system managed by the *Comisión Nacional de los Mercados y la Competencia* ("**CNMC**") and the Ministry of Industry, Energy and Tourism. The purpose of this settlement system is to collect the tariffs, tolls and fees paid by the users and use such funds to remunerate the regulated activities.

Remuneration of the regulated activities

Overview

As of 5 July 2014, the annual remuneration of the regulated activities (transmission, regasification and underground storage) was established according to Royal Decree-Law 8/2014 of 4 July, ratified by Law 18/2014 of 15 October, based on the investment cost recognised, with the same mechanism being applied to each of these activities.

The remuneration formula takes two components into account: (i) remuneration to availability (RD) and (ii) remuneration to Continuity of Supply (RCS), each as further explained below.

Remuneration to availability is the sum of investment costs (comprised of: (i) a depreciation factor that is calculated by reference to the annual value of the asset and its useful life; and (ii) a financial return that is calculated applying to the asset net value a financial return rate) and the maintenance and operational costs of each facility, the "CI" and "COM" costs respectively. The financial return rate should be the average of the 10 year Spanish bond for the previous twenty-four months to the publication of Royal Decree-Law 8/2014, increased by 50 basis points for the first regulatory period (6 years).

RCS is a remuneration assigned to each activity: transmission, regasification and underground storage, that is then distributed to all installations of each activity, while they are in operation, according to their standard investment value. This remuneration is updated annually for each activity, according to the evolution of the established demand, the regasified volumes in the regasification plants and the gas stored in the underground storages, corrected by an efficiency factor (for the first regulatory period, this factor will be 0.97).

Operating costs include the operating and maintenance costs of natural gas installations, structural costs and other costs necessary for the performance of transmission and regasification services including both fixed and variable costs.

After their regulatory useful life, the facilities will not receive any remuneration in the form of investment costs. Instead, if they are still in operation, they will receive a remuneration consisting of the (i) amounts to cover their operation and maintenance costs calculated by referencing an index which takes into account the number of years beyond the regulatory useful life of such facility and, (ii) the remuneration related to the continuity of service.

Remuneration for the System Technical Manager

Enagás' remuneration for performing its obligations as System Technical Manager is determined annually through a Ministerial Order by the Ministry of Industry, Energy and Tourism, prior to 1 January of each year. To assist the Ministry in its annual assessment of this remuneration, Enagás must provide information regarding its operating, communication, monitoring and other costs on or before 1 November of the preceding year.

Tolls and fees

General principles

The principal objectives governing the application of tolls and fees are:

(i) to remunerate the regulated activities;

(ii) to assign on an equal basis the costs attributable to each type of supply. These costs are dependent on pressure, consumption levels and a volume coefficient (*factor de carga*); and

(iii) to promote the efficient consumption of natural gas.

The tolls and fees are applied uniformly across the entire Spanish territory with regard only to volume, pressure and method of consumption (the so-called "postage stamp system"), meaning that the distance between the point of entry and the point of delivery of the natural gas supplied is irrelevant. These tolls and fees are expressed as ceilings and market participants are, therefore, entitled to agree upon tolls and fees below these regulated ceilings. Any agreed discounts must be reported to the CNMC and any company awarding a discount is required to credit the full regulated amount for settlement purposes and bear the cost of any discount applied. See "Settlement" below.

The criteria for determining the amount of tolls and fees will be updated annually, or at any other time considered appropriate by the Ministry of Industry, Energy and Tourism.

The tolls and fees are established by Article 26 of the Hydrocarbons Law and Article 25 of the Royal Decree-Law 949/2001 and the precise amounts are modified through Ministerial Orders on a regular basis. The applicable tolls and fees as at the date of this Prospectus have been determined in Ministerial Order IET/2736/2015 of 17 December 2015 establishing the charges and fees associated with third party access to natural gas facilities and the payments in respect of regulated activities, that maintains the values established in the Ministerial Order IET/2445/2014 of the 19 December 2014.

Application of the tolls and fees to Enagás

The tolls and fees received by Enagás and paid by user networks vary between regasification, transmission and storage activities.

Regasification

Certain tolls are defined by reference to the service and use of the relevant facilities. There are specific tolls for regasification, LNG carriers unloading, LNG truck and LNG carrier loading, and ship to ship transfers. The tolls are usually comprised of a fixed element and a variable element.

Transmission

Payment of the transmission toll entitles the payor to use the necessary transmission and distribution facilities for the transmission of natural gas from the natural gas transmission network points of entry, to the points of delivery to eligible customers. In addition, the payment of the toll entitles the payor to limited storage of the contracted volume of natural gas in operating storage facilities. The toll payable for transmission comprises two elements: a capacity reservation element *(reserva de capacidad)* and a transfer element *(conducción)*. The former is determined by reference to the contracted capacity, while the latter is determined by reference to the volume of consumption. Whereas the capacity reservation element does not depend on the pressure level, the transfer element is a multi-tier term that depends on the pressure level of the delivery point (above 60 bar, between 4 and 60 bar, and equal to or under 4 bar).

Storage

With regard to the amounts payable for storage, a distinction must be drawn between: (i) the fee payable for underground storage; and (ii) the fee payable for LNG storage.

(i) Underground storage fee: This fee is always collected by Enagás as set out in the Resolution of 14 March 2008 from the General Secretary of Energy.

(ii) LNG storage fee: This fee is collected by the owner of the LNG storage facility and is comprised of a variable element, which is based on the volume of LNG stored, calculated on a monthly basis.

Levies

In addition to all of the above, the owners of the transmission facilities must collect levies to be paid to the System Technical Manager. Enagás as System Technical Manager will receive an annual amount, determined by Ministerial Order, regardless of the levies collected. In 2015 Enagás received an amount of €11,561,060 as determined by Article 2.2 of Ministerial Order IET/2445/2014. The CNMC will make the necessary adjustments to the last provisional settlement, expected on 23 April 2016, to guarantee that Enagás receives this amount.

Price of natural gas in the tariff-based market

General principles

The structure, determination and value of tariffs are set out in Royal Decree 949/2001, as supplemented by the Ministerial Order ITC 1660/2009 of 22 June and Ministerial Order ITC/1506/2010 of 8 June, establishing the methodology for calculating the Last Resort Tariff (as defined therein) of natural gas.

The applicable tariffs are determined by the Ministry of Industry, Energy and Tourism. The Resolution of 25 September 2015 of the General Directorate of Energy Policy and Mining determines the current Last Resort Tariff, as of 1 October 2015.

Settlement

Royal Decree 949/2001 sets out the methods and criteria for determining the remuneration payable to regulated activities provided in the Spanish natural gas sector. As part of the regulatory framework, this Royal Decree anticipates a centralised system of settlement. This Royal Decree identifies the regulated activities in the natural gas sector that are subject to the settlement process. These are:

(i) regasification;

(ii) transmission;

(iii) storage of LNG and natural gas; and

(iv) distribution.

In addition, this Royal Decree sets out the settlement procedure for tolls and fees received from third parties seeking access to the natural gas transmission and distribution network.

Royal Decree-Law 13/2012

Changes in the remuneration for basic natural gas underground storage facilities which do not have a definitive commissioning certificate (*Acta de Puesta en Marcha Definitiva*) were introduced on 31 March 2012. Such changes, with respect to the system currently in place for this type of infrastructure in Order ITC/3995/2006 and ITC/3128/2011, arise from the need identified by the government to implement a remuneration system which, while continuing to guarantee that the developers of facilities recoup their investments on the terms established by the legislation, also complies with the principle of reasonable and sustainable profitability, all in a manner consistent with the new needs of the gas system.

Article 14 of Royal Decree-Law 13/2012 introduced, amongst others, the following measures regarding the remuneration for basic natural gas underground storage facilities brought into operation from March 2012 onwards:

(i) The remuneration for investment costs will accrue from the day after the facility is brought into commercial operation. The same system applies to the remuneration for operating and maintenance costs, which will also accrue from the day following the date on which the facility in question came into commercial operation

(ii) Without affecting amounts accrued and claimed in accordance with their specific regulatory provisions up to the entry into force of Royal Decree-Law 13/2012, the recognition of additional provisional remuneration payments to the owners of natural gas storage facilities that have these arrangements in place has been stayed.

(iii) The operating and maintenance contracts that are not taken over directly by the concession-holder must be notified to the Office of the Secretary of State for Energy (even those that were put into

operation before March 2012), which may reject them or place conditions on them. In any event, all those contracts will be awarded in accordance with the principles of competition, transparency and minimum cost, except where this is shown to be impossible.

(iv) In order to be certain of the optimal functioning of geological structures as underground storage, a start up certificate will be granted in two phases: a provisional and a definitive phase. The provisional certificate will be issued upon verification of compliance with the conditions established in the administrative permit generally for the facility to be brought into operation, at which point the injection of cushion gas can start. The definitive start up certificate will be issued within a month after the owner provides evidence that the facility has been in operation within nominal parameters for at least 48 hours consecutively, both in injection and in extraction mode.

Law 18/2014 (same as Royal Decree-Law 8/2014)

This law reviews the methodology used to calculate the remuneration of regulated activities (transmission, regasification and undergrown storage). Most of this remuneration is fixed, and the remaining amount, defined as RCS, is affected by the evolution of demand. This methodology is aligned with the goal of reducing the imbalances between costs and revenues of the gas system.

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

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

The following is also included: (a) the accumulated tariff deficit up to 31 December 2014, which will be determined in the definitive settlement of the 2014 remuneration report to be issued by the CNMC, and will allow regulated companies subject to the settlement system to recoup the accrued amounts over a 15 year period (together with interest at market rates); and (b) the amount arising from an award by the International Court of Arbitration in Paris in 2010 in an aggregate amount of €163,790,000, in relation to a dispute in respect of Algerian gas contracts supplied through the Maghreb pipeline, which will be recovered over a period of five years to 2019.

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

Overview of the Spanish Gas Industry

Conventional demand for natural gas in 2015 was 254 TWh. Total demand for natural gas in 2015 was 315 TWh, which represents an increase of 4.4 per cent. compared to 2014.

The following table shows the evolution of the total transported gas from 2010 to 2015:

	2010	2011	2012	2013	2014	2015	Variation between 2015 and 2014
	(GWh)	(GWh)	(GWh)	(GWh)	(GWh)	(GWh)	(%)
Domestic market	**400,700**	**372,976**	**362,638**	**333,500**	**301,500**	**314,948**	**4.5**
Domestic conventional	265,083	263,056	278,025	276,718	249,736	253,778	1.6
Electricity sector	135,617	109,920	84,613	56,782	51,765	61,206	18.2
Exports International Connection	12,576	11,130	8,578	10,607	6,781	40,911[1]	503
Exist – Guadalquivir Valley	-	-	-	1	-	-	-
Docking	77	8,091	22,697	31,802	60,185	16,007	-73,4
Regulated transport activity	**413,353**	**392,197**	**393,913**	**375,910**	**368,466**	**371,902**	**0,9**
Injections	15,681	15,681	13,052	9,235	9,769	7,126	-27,1

(1) From 2015 onwards transit gas to Portugal has been included.

The following table shows the origin of the gas transported for 2014 and 2015:

	2014	2015
	(%)	(%)
By sea (LNG unloaded)	43.9	41.7
CII Norteafricanas	43.8	48.0
VIP Pirineos	12.0	10.1
VIP Ibérico	0.1	0.0
National Production	0.1	0.2

The following tables show the source of all supplies of LNG and NG for 2014 and 2015:

	2014		2015		Variation between 2015 and 2014
LNG	**(GWh)**	**(%)**	**(GWh)**	**(%)**	**(%)**
Algeria	57,313	31.82	43,401	28.49	-24.75
Qatar	35,038	19.46	33,139	21.75	-5.42
Oman	1,833	1.02	964	0.63	-47.41
Nigeria	31,652	17.58	43,324	28.44	36.88
Norway	14,062	7.81	7,984	5.24	-43.22
T&T	23,479	13.04	12,754	8.37	-45.68
Netherlands[1]	1,448	0.80	-	-	-100
Peru	13,971	7.76	10,794	7.08	-22.74
Belgium[1]	1,294	0.72	-	-	-100

LNG	2014 (GWh)	2014 (%)	2015 (GWh)	2015 (%)	Variation between 2015 and 2014 (%)
Total	**180,090**	**100**	**152,360**	**100**	**-15.40**

Note:

(1) Transit GNL

NG	2014 (GWh)	2014 (%)	2015 (GWh)	2015 (%)	Variation between 2014 and 2013 (%)
Algeria	179,653	78.22	175,344	82.31	-2.40
France	49,233	21.44	36,902	17.32	-25.05
Domestic[1]	508	0.22	776	0.36	52.76
Portugal	279	0.12	0	0.00	-100
Total	**229,673**	**100**	**213,022**	**100**	**-7.25**

Note:

(1) Domestic NG includes extraction from the no-basis storages of Guadalquivir Valley. The storages of Guadalquivir Valley are Poseidon and Marismas and they are owned by Gas Natural and are not part of the Spanish gas system. However their insignificant extractions are included in the total gas balance.

In 2015, Spain received natural gas from a total of 8 different countries.

All natural gas exports are to France via VIP Pirineos connections, and to Portugal via VIP Ibérico.

Spanish Regulation in relation to the Gas Industry

The Gas Directive 98/30/CE was implemented in Spain by the Hydrocarbons Law, which has subsequently been supplemented and amended by further legislation and regulation.

The following is a complete list of the relevant Spanish legislation regulating the natural gas sector:

(i) Law 34/1998 of 7 October 1998 on the hydrocarbons sector (the "**Hydrocarbons Sector Law**") (*Ley 34/1998 del Sector de Hidrocarburos*) (described in more detail below);

(ii) Law 12/2007 of 2 July 2007 amending the Hydrocarbons Law 1998 of October 8, conforming it to Directive 2003/55/CE of the European Parliament and of the Council concerning common rules for the internal market in natural gas ("**Law 12/2007**");

(iii) Law 15/2012 of 27 December 2012 on tax measures for energy sustainability;

(iv) Royal Decree-Law 6/2000 of 23 June 2000 introducing urgent measures for the increase in competition in the goods and services markets (Title 1, Chapter II, Article 34) (described in more detail below);

(v) 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 13/2012**");

(vi) Royal Decree-Law 8/2014 of July 4 adopting urgent measures to improve the growth, competitiveness and efficiency of the Spanish economy ("**Royal Decree-Law 8/2014**");

(vii) Royal Decree-Law 13/2014 of 3 October adopting urgent measures concerning the gas system and the ownership of nuclear power plants ("**Royal Decree-Law 13/2014**");

(viii) Law 18/2014 of 15 October adopting urgent measures to improve the growth, competitiveness and efficiency of the Spanish economy ("**Law 18/2014**");

(ix) Law 8/2015, of May 21, which modifies Law 34/1998, and establish some tax and non-tax measures in relation to the exploration, investigation and exploitation of hydrocarbons ("**Law 8/2015**");

(x) Royal Decree 984/2015 of 30 October that rules the organized gas market and the third party access to installations of the natural gas system ("**Royal Decree 984/2015**");

(xi) Circular 2/2015 of 22 July of CNMC that establishes the balancing network code;

(xii) Royal Decree 949/2001 of 3 August 2001 regulating third-party access and establishing an integrated economic system for the natural gas sector;

(xiii) 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;

(xiv) Royal Decree 1716/2004 of 23 July 2004 regulating the obligation to maintain minimum safety stocks, diversify natural gas supplies and the corporation for strategic reserves (known as "**CORES**");

(xv) 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;

(xvi) Royal Decree-Law 6/2009 of 30 April adopting certain measures in the energy sector and establishing the social bond;

(xvii) 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;

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

(xix) Ministerial Order ITC/3126/2005 of 5 October 2005 establishing the technical rules for the natural gas industry;

(xx) Ministerial Order ITC/3995/2006 of 29 December 2006, which relates to the remuneration for basic underground gas storages;

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

(xxii) Ministerial Order ITC/3994/2006 of 29 December 2006 establishing the remuneration for regasification activity in the gas industry;

(xxiii) Ministerial Order IET/2459/2013 of 26 December 2013 approving the quotas of the Corporation of Strategic Reservations of Oil Products corresponding to the year 2014;

(xxiv) 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;

(xxv) Ministerial Order IET/2355/2014 of 12 December 2014 establishing the payments in respect of regulated activities for the second period of the year 2014;

(xxvi) 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;

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

(xxviii) Ministerial Order IET/2805/2012 of 27 December 2012 defining the facilities of the basic network of natural gas that belong to the backbone gas network;

(xxix) Resolution of the Directorate General for Energy Policy and Mining of 26 December 2014 establishing the last resort tariff of natural gas as of 1 January 2015;

(xxx) Ministerial Order IET/389/2015, of 5 March 2015, updating certain aspects relating to the retribution of regulated activities; and

(xxxi) Resolution of the Directorate General for Energy Policy and Mining of 27 March 2015 establishing the last resort tariff of natural gas as of 1 April 2015.

The natural gas sector in Spain has undergone a significant change in structure and operations driven mainly by the deregulation measures of European Directives 1998/30/EC and 2003/55/EC aimed at creating a single European gas market. The liberalisation of the gas market in Spain has been attained both by the Hydrocarbons Law and by Law 12/2007.

This new legal framework aims to integrate and liberalise the Spanish natural gas sector, through the introduction of enhanced competition. Although the new regulatory framework attempts to create a liberalised natural gas market in Spain, the uninterrupted supply of gas is nevertheless considered to be of general economic interest. Accordingly, the regulatory framework attempts to guarantee a reliable and continuous supply of gas in a manner that is compatible with the liberalisation of the market and reduced intervention by the Spanish government. The gas system has been structured around two types of activities: regulated activities which include regasification, storage, transmission and distribution, and deregulated activities encompassing trading and supply.

Hydrocarbons Law 1998 and 2007

The main aspects addressed by the European Directive 2003/55/CE are the obligations that the Member States may impose on companies operating in the natural gas industry to (i) protect the general economic interest, (ii) implement consumer protection measures related to the consistency, quality and price of the supply, (iii) monitor the security of the supply, (iv) establish technical standards and (v) clarify the designation and functions of the managers of the transmission and distribution networks, the possibility of combined operation of both networks, and the organisation of access to the networks.

The Hydrocarbons Law includes measures to achieve a fully liberalised internal market in natural gas intended to be more competitive, with lower prices and that will provide a higher quality of service to consumers. In addition to these goals, the law emphasises the correct operation for access to the networks, to ensure transparency, objectivity and non-discrimination.

The Hydrocarbons Law of 1998 and its implementing regulation establish a legal framework for the transmission, distribution, storage, regasification and delivery of natural gas for those involved in the natural gas sector in accordance with the provisions set forth in Directive 98/30/CE, in addition to defining the functions and responsibilities of those involved in the natural gas industry. It should be noted that, as of the date of this Prospectus, most of the provisions set out in Directive 2003/55/CE have already been incorporated into Spanish law.

In accordance with the principles set out in the Gas Directive 98/39/CE, the core measures introduced by the Hydrocarbons Sector Law 1998 are third party access, eligibility and legal and financial unbundling. In addition, the Hydrocarbons Sector Law provides for:

(i) the introduction of natural gas wholesalers, which sell gas to eligible customers in the liberalised market;

(ii) the right for eligible customers to acquire natural gas on freely agreed terms;

(iii) the additional right for eligible customers to acquire natural gas from the wholesaler of their choice; and

(iv) the limitation of gas imports from any one country to 50 per cent. of the total quantity of gas imported by Spain applicable to wholesalers and transmission companies. However, Royal Decree 1766/2007 stipulates that direct market suppliers and consumers must maintain minimum security stocks equivalent to 20 days' consumption, and limits the maximum percentage of gas supplies that may be sourced from a single country to 50 per cent.

In addition, the Hydrocarbons Sector Law 1998 provides that the Ministry of Economy will approve Rules for the Technical Management of the System (the "**Rules**"), following a report from the CNMC. These rules were approved in the Ministerial Order ITC/3126/2005 of 5 October 2005. The purpose of the Rules is to promote accuracy in the technical functioning of the natural gas system and guarantee the continuity, quality and stability of the supply of natural gas by coordinating the activity of all the transmission companies.

Finally, the Hydrocarbons Sector Law 1998 provides that any investments affecting the regasification capacity of the system, or involving the construction of pipelines operating at a pressure of over 16 bar or strategic reserve storage facilities, will be subject to the mandatory strategic plan (*planificación obligatoria*). Any such investments will, in general, be offered to public tender and must be authorised by the Ministry of Industry, Energy and Tourism.

Until the mandatory strategic plan is approved, the Ministry of Industry, Energy and Tourism may directly authorise the construction and operation of new transmission network investments. The methods of determining the remuneration payable for transmission facilities are dependent on whether the facility was authorised directly or by public tender.

The two key changes enacted in the Hydrocarbons Sector Law 2007 are the elimination of regulated supply and the functional separation of regulated activities and deregulated activities. In the Spanish gas system, the marked deregulation process was completed on 1 July 2008 with the elimination of regulated supply for some customers and the creation of Last Resort Tariff (defined below), which is a tariff determined by the government which sets a single price for all of the Spanish territory. Currently, low-pressure customers with annual consumption of less than 50,000 kWh that do not choose another supply option will be supplied by a last-resort supplier at a price approved by the Ministry of Industry, Energy and Tourism (the "**Last Resort Tariff**").

The Hydrocarbon Sector Law 2007 redefines the activities of the different subjects that interact in the gas system by determining a functional and legal separation of the regulated activities and the production and supply activities, and by eliminating the potential competition between distributors and retailers in the supply sector through the disappearance of the tariff system and the creation of the Last Resort Tariff. Furthermore, the Hydrocarbon Sector Law 2007 reviews the obligations and rights of participants in the gas system that perform the activities of distribution and supply.

Additionally, Law 12/2007 has created the "Supplier Change Office", a limited liability company whose purpose is to monitor the changes in suppliers in accordance with the principles of transparency, objectivity and independence, guaranteeing the right of consumers to change their suppliers, in accordance with these three principles.

Law 12/2007 reinforces the separation requirements of Enagás: it limits the participation of any shareholder to 5 per cent. (this limit is not applicable to the public sector) and restricts the political rights to a 3 per cent. (1 per cent. if the company is in the gas system or participates in any gas company with more than a 5 per cent. stake). The sum of the participation of entities that are in the gas system may not be greater than 40 per cent.

Royal Decree-Law 6/2000

As mentioned above, Royal Decree-Law 6/2000 developed the regulatory framework established by the Hydrocarbons Law. The principal provisions and amendments to the Hydrocarbons Sector Law are:

(i) System Technical Manager: The System Technical Manager is responsible for the management of the transmission networks, for the purpose of ensuring the continuity, quality and safety of the gas supply and the correct functioning and coordination of the system.

(ii) Accelerated timetable: The timetable for the opening of the Spanish gas market to competition as set out in the Hydrocarbons Sector Law, envisioned full market access by 2013. However, in June 2000, this Royal Decree-Law brought forward to 2003 the timetable for liberalisation to 2003. Accordingly, as from 1 January 2002, any customers whose annual consumption by installation is equal to or exceeding 1 million m3 (n) may elect to become eligible customers. From 1 January 2003, all customers, regardless of their level of consumption, may be categorised as eligible.

(iii) Tariffs, tolls and fees: Introduced a new regime for tariffs paid by customers in the tariff-based market and the payment of tolls and fees levied on customers in the liberalised market. However, the regime for tariffs has been eliminated by the Hydrocarbons Sector Law 2007 and replaced by a Last Resort Tariff.

(iv) Market share*:* From 1 January 2003, no company or group of companies, as a whole, can contribute more than 70 per cent. of the total amount of natural gas supplied for consumption in the Spanish market. For the purpose of calculating this percentage, amounts of natural gas consumed by suppliers are not included ("own-consumption").

Alongside these changes to encourage competition, the Spanish government has also passed measures to facilitate the transition from a quasi-monopolistic market to a competitive environment.

Royal Decree-Law 6/2009 designates Enagás as the only transmission company of the primary gas transmission network.

Royal Decree-Law 13/2012

The aim of Royal Decree-Law 13/2012 was to implement certain measures concerning the domestic electricity and gas markets. In particular, it introduced certain measures aimed at addressing the imbalance between the costs and the revenues of the electricity and gas sectors through various amendments to the relevant legislation concerning the gas industry. Through the transposition of Directive 2009/73/EC concerning common rules for the internal market in natural gas, the concept of "ownership unbundling" (*separación patrimonial*) has been incorporated into Spanish law, which implies the appointment of the network owner as the system operator which is independent from any supply and production interests. It also goes into greater detail with respect to the objectives and functions that help to guarantee the effectiveness and application of measures to protect consumers and introduces a reference to vulnerable consumers.

Introduction of measures to remedy the gaps.

Set out below are the measures aimed at remedying the gaps between the costs and revenues of the gas industry:

(i) *Change in the remuneration for basic natural underground storage facilities without definitive commissioning certificate –Acta de Puesta en Marcha Definitiva- March 2012.*

These measures mainly affected Enagás' Yela underground storage facility, that was launched that year, although Enagás estimates that this impact is not significant.

Although Royal Decree-Law 13/2012 establishes in paragraph 1 of Article 14 that the remuneration shall accrue from the day following the date on which the relevant facility came into operation, paragraph 4 of the same Article establishes that from the moment in which the certificate allowing the facility to be brought into service is granted and the storage is ready to initiate the cushion gas injection, a payment will be made as transitional remuneration on account of the final payment.

This means, that the measure will not have a significant impact on Enagás' revenues, as once the certificate of compliance allowing the facility to be brought into service is granted, Enagás will receive the remuneration.

The main impact of these measures is the cost associated with the expenses relating to the establishment of a bank guarantee for an amount equal to 10 per cent. of the remuneration received.

(ii) The halting of procedures relating to new regasification plants on the Spanish mainland.

Royal Decree-Law 13/2012 sets out a transitional system for the authorisation procedures for new regasification plants on the Spanish mainland, with the key terms and conditions described below:

(a) All procedures for the award and grant of permissions for new regasification plants on the Spanish mainland have been halted, including administrative authorisation, authorisation for construction plans, and the certificate for entry into service of facilities of this kind. However, any regasification plants on the Spanish mainland that had already obtained approval for their construction, may go ahead with construction and subsequently apply for a certificate for entry into service to be issued.

(b) Transitional remuneration (as referred to above) is available for (i) owners of regasification plants who, as of the date of entry into force of Royal Decree-Law 13/2012, had applied for the certificate for entry into service, and for whom the procedure for granting the certificate has consequently been halted due to the publication of this Royal Decree-Law, and (ii) owners who, after receiving approval for their construction plans, decided to go ahead with the construction of the infrastructure and apply for the certificate for entry into service to be issued.

This measure affected Enagás' Musel regasification plant which was scheduled to be launched in early 2013. Even though the suspension is a temporary one, in order not to harm the promoters of the relevant facilities, financial compensation will be provided to ensure the recovery of the financial costs associated with the delays which this measure may cause to those entities described in paragraph (b) above. The compensation is to recognise that, during the period that this suspension is maintained, the investment remains in place even though the facility cannot become operative until the certificate of compliance allowing the facility to be brought into service is granted.

Moreover, as long as this situation remains, Enagás is entitled to receive a fee for the operation and maintenance costs necessary in order to maintain the plant so that it is ready to be brought into service when the Spanish government so determines.

(iii) The halting of administrative permits for new transmission gas pipelines, and regulation and measurement stations.

All the relevant procedures for gas transmission pipelines and regulation and measurement stations that have yet to obtain or apply for an administrative permit, and are included in the planning document for the electricity and gas industries for 2008-2016, which are not considered to be international commitments or economically profitable for the system due to the increase in associated demand, are to be halted.

However, procedures for individual exceptional applications for these facilities may be resumed by decision of the Council of Ministers. For an application to be exceptional, it is necessary to prove that the failure to build the facility within three years will cause an imminent risk to the security of supply, or an adverse economic impact on the gas system, or that the construction of the facilities is of strategic importance to the country as a whole.

The halting of procedures for administrative permits for new gas transmission pipelines and regulation and measurement stations will not apply to:

(a) gas pipelines used to supply their designated area of influence, provided that the developers of those pipelines evidence their economic profitability on the terms and conditions established in Royal Decree-Law 13/2012; and

(b) the following infrastructure projects under international commitments that have already been adopted: (i) Zarza de Tajo-Yela gas pipeline (infrastructure associated with the Larrau international connection) and (ii) Euskadour compression station (infrastructure associated with the Irún/Biriatou international connection). Both infrastructure projects are already operational.

This measure affects the pipelines and regulation and measurement stations of the basic network included in the mandatory strategic plan, prior to administrative authorisation being given.

These projects will remain on hold until a new mandatory planning authorisation is granted, or if the Council of Ministers decides so on an individual basis for each project. As long as these projects remain on hold, the investments that have been made will remain in place and the facilities cannot be considered operational until the definitive commissioning certificate is obtained.

(iv) Measures aimed at increasing the gas system's revenues.

In view of the projected review of the fees for access to the facilities of the gas system, the natural gas Last Resort Tariff approved in the decision adopted by the Directorate-General of Energy Policy and Mining on 30 December 2011 has been extended on an exceptional basis, and the directorate-general has been authorised to review the Last Resort Tariff by including any updates that are made to access fees, or to the cost of raw materials. This review has been made by resolution of the Directorate General of Energy Policy and Mines on 28 December 2012.

Changes to the Hydrocarbons Sector Law

Royal Decree-Law 13/2012 makes the following changes to the Hydrocarbons Sector Law:

(i) Redefinition of the basic natural gas system.

According to the provisions of article 59 of the Hydrocarbons Sector Law, the gas system will comprise the following facilities: i) those included in the basic system; ii) secondary transmission systems; iii) distribution systems; and iv) non-basic storage facilities and other complementary facilities.

It should be noted that Royal Decree-Law 13/2012 modifies the Hydrocarbons Sector Law by redefining the facilities that form part of the basic natural gas system to include:

(a) High-pressure primary natural gas transmission pipelines;

(b) Liquefied natural gas regasification plants that can supply the gas system and natural gas liquefaction (conversion of gas into liquid state) plants; and

(c) Basic natural gas storage facilities that can supply the gas system.

It also includes a definition of "non-basic natural gas storage facilities", stating that they are natural gas storage facilities in the subsoil and surface facilities that are required, on a temporary or permanent basis, for the pursuit of the activity of operating an underground natural gas storage facility, including connection pipelines between the storage facility and the basic natural gas system. These facilities will be excluded from the remuneration system for the natural gas system.

In accordance with the new wording of paragraph 1 of Article 67, the facilities that are part of the trunk system should be granted directly to Enagás, being the owner of most of the facilities of the trunk system.

This change affects Enagás in a positive way as it clarifies which facilities are part of the trunk system. As a result, the new compressor station Euskadour, unaffected by the temporary suspension, was awarded to Enagás. The second transitory provision of Royal Decree Law 13/2012 determines that within two months after the entry into force of this Royal Decree, the Ministry of Industry, Energy and Tourism will identify the basic network facilities of natural gas which belong to the trunk system. The companies that own a facility that belongs to the trunk system must send an application to the CNMC no later than two months after the delivery of this Ministerial Order.

(ii) Transmission system operator.

Royal Decree-Law 13/2012 modifies the Hydrocarbons Sector Law by including the definition of the transmission system operator, establishing that it means those commercial companies authorised to construct, operate and maintain trunk system facilities, in accordance with the procedure set out for such purpose in the new article 63 bis of the Hydrocarbons Sector Law.

It also establishes that commercial companies that manage trunk system facilities they do not own and are authorised to construct, operate and maintain such facilities, will be deemed independent system operators.

This measure positively affects Enagás as the selected model for the transmissions system operator is that of an independent transmission system operator, which is the model that best fits Enagás and the selected model imposes certain terms for the operators who do not meet the required conditions. As a result, the companies that do not qualify would be forced to sell their facilities or have an independent transmission system operator manage them.

(iii) Certification of transmission system operators.

Transmission system operators, including independent system operators, must first obtain a certificate of compliance with activity separation requirements, in accordance with the new procedure established for such purpose under articles 63.bis and 63.ter.

Enagás has been certified as transmission system operator. Such certification guarantees the independence of the Spanish gas network regarding gas producers and suppliers. In addition, it harmonises the company to the natural gas networks from other European countries.

(iv) Separation of activities.

In order to reinforce the obligations established in the Hydrocarbons Sector Law as regards separation of activities and to structure a specific regime governing separation of activities for transmission system operators, Royal Decree-Law 13/2012 introduces the following measures into the Hydrocarbons Sector Law:

(A) Transmission system operators must effectively separate transmission activities from supply and production activities as follows:

(a) The owners of facilities belonging to the gas pipeline trunk system must operate and manage their own systems or assign the management thereof to an independent system operator as provided for in the Hydrocarbons Sector Law.

(b) Transmission system operators must comply with the following conditions: (i) no individual or legal entity that directly or indirectly controls the transmission system operator may directly or indirectly control a company that pursues natural gas production or supply activities, or *vice versa*; and (ii) no individual or legal entity that is a member or is entitled to appoint the members of the board of directors or of the bodies that legally represent the transmission system operator may exercise control or rights over a company that carries out the production or supply of natural gas. Transmission system operator personnel may not be transferred to companies that perform production or supply functions.

(c) Enagás may not pursue, through the subsidiaries referred to in Additional Provision 31 of the Hydrocarbons Sector Law, activities other than the technical management of the system (Enagás GTS), the transmission of natural gas and the management of the transmission network (Enagás Transporte, SAU). Equally, these regulated subsidiaries may not acquire shareholdings' stakes in companies with a different corporate purpose

(B) *Access to the transmission system*

Royal Decree-Law 13/2012 makes a series of changes to article 70 of the Hydrocarbons Sector Law, which regulates access to transmission facilities, with a dual purpose: i) to regulate access to the non-basic storage facilities included in the planning on an indicative basis; and ii) to establish cases for the grant of an exemption from the obligation to grant third-party access to new infrastructure or expansions of existing infrastructure.

The following rules apply to access to non-basic storage facilities:

(a) Access shall be negotiated on the basis of transparent, objective and non-discriminatory criteria. Facilities shall be excluded from the natural gas remuneration system.

(b) Owners of non-basic storage facilities shall submit to the CNMC's method for allocating capacity at their facilities and calculating the charges so that the CNMC can verify that the above-mentioned criteria of transparency, objectiveness and non-discrimination are met.

(c) The CNMC and the Ministry of Industry, Energy and Tourism must also be notified of the main commercial conditions, services offered, contracts signed, list of prices for use of the facilities and any changes thereto, within a maximum period of three months.

(d) In relation to third-party access to new infrastructure or expansions to existing infrastructure, an exemption may exceptionally be granted from the obligation to grant third-party access in relation to certain new infrastructure or to modifications to existing infrastructure that entail a significant increase in capacity or enable the development of new sources of gas supply where so required in light of their particular characteristics, provided that the infrastructure meets the following conditions:

(1) The investment must enhance competition in gas supply and the security of supply.

(2) The level of risk attached to the investment must be such that the investment would not take place unless an exemption was granted.

(3) The infrastructure shall be owned by an entity which is separate at least in terms of its legal form from the system operators in whose systems the infrastructure will be built.

(4) Charges must be levied on users of that infrastructure.

(5) The exemption must not be detrimental to competition or the effective functioning of the European Union internal market in natural gas, or the efficient functioning of the regulated system to which the infrastructure is connected.

Law 8/2015

Amongst the different modifications introduced by Law 8/2015 in the gas sector laws, the following amendments affecting the natural gas sector may be highlighted:

(A) *Creation of the organized natural gas market*

Before the enactment of Law 8/2015 the only market in place in Spain was the one made-up of the bilateral agreements entered into by the different traders. However, by means of Law 8/2015, an organized secondary market is created with the aim, among others, to introduce transparency in prices and increase the level of competition in the sector facilitating the entry of new traders. Said organized natural gas market will cover the whole activity performed within the Iberian Peninsula including both the Spanish and Portuguese sides.

(B) *Correction of the financial rate of return for the first regulatory period until 31 December 2020*

Law 8/2015 modifies section 2 of Article 65 of Law 18/2014 establishing that, with effects in the remuneration to be received since the entry into force of Royal Decree-Law 8/2014, and during the first regulatory period, the financial return rate of transmission, regasification and basic storage assets, with a right to receive remuneration from the gas system, will be the average of the 10 year Spanish bond in the secondary market amongst non-segregated holders of accounts, for the previous twenty four months to the publication of Royal Decree-Law 8/2014, increased by 50 basis points.

(C) *Remuneration of basic underground storages*

Law 8/2015 modifies section 1 of Article 14 of Royal Decree-Law 13/2012, establishing that the compensation for investment costs and operation and maintenance costs regarding the underground storages, will accrue from the day following commercial operation of the installation. Particularly, for the year of commissioning, the investment costs will be calculated pro rata by the number of days during which the property has been in service. As a result of this modification, the limitation of only paying the accrued remuneration in one calendar year has been eliminated, allowing the payment of the total accrued remuneration since the commercial operation of the installation.

Royal Decree 984/2015

With regards to the gas system, the following topics are regulated in the Royal Decree:

(A) *Third-party access to installations within the natural gas system*

This Royal Decree has deeply modified the regime initially established in Royal Decree 949/2001for the contracting of capacity. To this end, the new Royal Decree sets forth the possibility of contracting separately entries and exits to the transmission and distribution systems, being the latest structured as a Balance Virtual Point that allows users to exchange the gas introduced without restrictions; and all with the aim to provide the organized natural gas market with an optimum level of liquidity.

In addition, the Royal Decree simplifies and speeds up the proceedings for the contracting of capacity by way of approving framework agreements and the implementation of a unique contracting telemetric platform managed by the Technical System Manager, which guarantees the application of transparent, objective and non-discriminatory conditions.

Furthermore, the Royal Decree establishes market mechanisms for the firm assignment of capacity during the whole contracted period, and establishes a system of guaranties which aims to reduce the costs bear by traders.

(B) *Regulation of the organized natural gas market*

The Royal Decree further develops the organized natural gas market created by Law 8/2015 regulating, inter alia, entities that may operate in said market, conditions to operate in the market and features of the products that can be negotiated.

(C) *Bidding process for the awarding of primary transmission installations with local influence and their economic regime*

The Royal Decree establishes bidding processes for the awarding of the construction and operation of primary transmission installations with local influence on the basis of transparent, objective and non-discriminatory procedures. The Royal Decree also establishes the economic regime of those installations, mainly based on a variable remuneration (price per unit that becomes fixed once the bid is awarded). The remuneration will vary according to the extent to which the installations (pipeline) are used, so that part of the risk is assumed by the holder of the installation and not by the gas system.

The Group's Environmental Management Procedures

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower its carbon emissions and promote the responsible use of resources are the key components of its environmental management strategy, designed to mitigate its impact on its surroundings.

The Group has integrated environmental protection within the Enagas' strategic programmes and policies via the implementation of the Environmental Management System ("EMS") developed and certified by LLOYD'S, prepared in accordance with the requirements of the UNE EN ISO 14001 standard, which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena and Huelva, the Serrablo, Gaviota and Yela underground storage facilities, the facilities for the basic gas pipeline network, the Zaragoza laboratory and the management of New Infrastructure Development Projects.

In 2015, LLOYD'S, the accreditation agency, issued the corresponding audit reports on the EMS with a positive opinion, concluding that the System has a degree of development and maturity that ensures continuous improvement in this field.

The Enagás S.A. Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and facilities, assessing risks and promoting eco-efficiency, practising responsible waste and residue management, minimising its carbon footprint and attempting to help combat climate change.

Furthermore, the Group incorporates environmental criteria into its contractor and supplier dealings, taking environmental issues into consideration when it awards service and product supply contracts.

In 2015, environmental action totalling €29,440 thousand was undertaken, together with investments in balance sheet assets (€8,573 thousand in 2014). Environmental expenses incurred by the Group in 2015 totalled €1,468 thousand (€1,345 thousand in 2014) and are recorded under "Other operating costs".

Potential contingencies, indemnities and other environmental risks to which the Enagás Group is exposed are sufficiently covered by third-party liability insurance policies.

In 2015, the Group did not benefit from any tax incentive as a result of its activities relating to the environment.

Insurance

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

Employees

At 31 December 2015 and 31 December 2014 the Group's workforce totalled 1,337 and 1,206 respectively, of which 358 and 288, respectively, were female employees.

Litigation

There are no pending or threatened governmental, legal or arbitration proceedings against or affecting Enagás or the Group which, if determined adversely to Enagás or the Group 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 of Enagás or the Group and, to the best of the knowledge of Enagás, no such actions, suits or proceedings are threatened or contemplated.

Management

Enagás is managed by a board of directors which, in accordance with its by-laws (estatutos sociales), is comprised of no less than six and no more than fourteen members appointed by the general shareholders meeting. Members of the board of directors are appointed for a period of four years and may be re-elected.

The board of directors meets at least once every two months and, in addition, whenever convened by the chairman or requested by a majority of members of the board of directors.

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

Name of corporate / Name of director	Position on the Board	Date of first appointment	Director at other listed companies
Antonio Llardén Carratalá	Chairman – Executive	22 April 2006	
Marcelino Oreja Arburúa	CEO- Executive	17 September 2012	
Luis Valero Artola	Director – Independent	28 April 2014	
Ana Palacio Vallelersundi	Director – Independent	25 March 2014	Director at Pharmamar
Gonzalo Solana González	Director – Independent	25 March 2014	
Antonio Hernández Mancha	Director – Independent	25 March 2014	
Jesús Máximo Pedrosa Ortega	Director – Nominee	24 April 2013	
Ramón Pérez Simarro	Director – Independent	17 June 2004	
Isabel Tocino Biscarolasaga	Director – Independent	25 March 2014	Director in Banco Santander and ENCE
Martí Parellada Sabata	Director – Independent	17 March 2005	
Rosa Rodríguez Días	Director – Independent	24 April 2013	
Luis Javier Navarro Vigil	Director – Other external	09 July 2002	
Sociedad Estatal de Participaciones Industriales - SEPI - (represented by Federico Ferrer Delso)	Director – Nominee	25 April 2008	

There are no potential conflicts of interest between the members of the board of directors of Enagás and their respective private interests or duties.

The business address of the members of the board of directors is Paseo de los Olmos 19, Madrid 28005, Spain.

Recent Developments

There are no recent developments.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH THE NOTES

Spanish Tax Considerations

Introduction

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes, Coupons or Talons by individuals or entities who are the beneficial owners of the Notes (for the purposes of this section, "Noteholders" and each a "Noteholder"). The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg.

Prospective purchasers of the Notes, Coupons or Talons should consult their own tax advisors as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Notes, Coupons or Talons.

The summary set out below is based upon Spanish law as in effect on the date of this Prospectus and is subject to any change in such law that may take effect after such date, including changes with retroactive effect.

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

(a) of general application, Additional Provision One of Law 10/2014 of 26 June, on organisation, supervision and solvency of credit institutions, as well as Royal Decree 1065/2007 of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes ("Royal Decree 1065/2007"), as amended by Royal Decree 1145/2011 of 29 July ("Royal Decree 1145/2011");

(b) for individuals resident for tax purposes in Spain who are Personal Income Tax ("PIT") tax payers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended by Law 26/2014 of 27 November (the "PIT Law") and Royal Decree 439/2007, of 30 March approving the PIT Regulations which develop the PIT Law, as amended, by Royal Decree 633/2015 of 10 July 2015, Law 19/1991, of 6 June on Wealth Tax (the "Wealth Tax Law"), and Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended (the "Inheritance and Gift Tax Law");

(c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("CIT") taxpayers, Law 27/2014 of 27 November on Corporate Income Tax (the "CIT Law") and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations, promulgating the CIT Regulations, as amended; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("NRIT") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended by Law 26/2014 of 27 November and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended by Royal decree 633/2015 of

10 July 2015. In addition Law 19/1991, of 6 June 1991 on Wealth Tax as amended and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax

Whatever the nature and residence of the Beneficial Owner, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example, exempt from Transfer Tax and Stamp Duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax.

Whatever 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 promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

Individuals with Tax Residence in Spain

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

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 the tax rate applicable from time to time, currently at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000.01 to €50,000 and 23 per cent. for taxable income in excess of €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.

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

The Issuer considers that, according to Royal Decree 1065/2007, they are not obliged to withhold any tax amount provided that the new simplified information procedures described in "−Disclosure of Information in Connection with the Notes" below are complied with by the Paying Agent.

However, regarding the implementation of Royal Decree 1065/2007 refer to "Risk Factors – Risks Related to the Issuer and the Guarantor − Risks related to the Spanish Withholding Tax".

Net Wealth Tax (Impuesto sobre el Patrimonio)

Individual Spanish Holders are subject to Spanish Wealth Tax (*Impuesto sobre el Patrimonio*) on all their assets (such as the Notes) owned every 31 December irrespective of where the assets are located.

Law 19/1991 on Spanish Wealth Tax Law exempts from taxation the first €700,000 of net wealth owned by an individual Spanish Noteholder. Some additional exemptions may apply on specific assets; those exemptions do not generally apply to the Notes; the rest of the net wealth is taxed at rates ranging between 0.2 per cent. to 2.5 per cent. However, this taxation may vary depending on the Spanish autonomous community of residence of the corresponding Noteholder.

In accordance with Article 66 of the Law 48/2015, of 29 October, on Spanish General Budget for the year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), from the year 2017, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*).

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.

Legal Entities with Tax Residence in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

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

Pursuant to Section 61.s of the CIT Regulations, there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish CIT (which for the avoidance of doubt, include 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 Spanish Tax Authorities (*Dirección General de Tributos*) 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 its final CIT liability.

According to Royal Decree 1145/2011, the Issuer will pay the whole amount, provided that the simplified information procedures as described in "—Disclosure of Information in Connection with the Notes" below are complied with. However, regarding the interpretation of Royal Decree 1145/2011 please refer to "Risk Factors – Risks Related to the Issuer and the Guarantor — Risks related to the Spanish Withholding Tax".

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

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 but must include the market value of the acquired Notes in their taxable income for Spanish CIT purposes.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Legal entities are not subject to Net Wealth Tax.

Individuals and Legal Entities with no Tax Residence in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes) — Non-resident investors acting through a permanent establishment in Spain.

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

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are,

generally, the same as those previously set out for Spanish CIT taxpayers. See "— Legal Entities with Tax Residence in Spain — Corporate Income Tax (*Impuesto sobre Sociedades*)."

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes) — Non-Spanish tax resident investors not acting through a permanent establishment in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or reimbursement of the Notes obtained by individuals or entities who are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

According to Royal Decree 1065/2007, Spanish issuers, including in this case the Issuer, will not be obliged to withhold provided that the information procedures described in "Disclosure of Information in Connection with the Notes" below are complied with.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals who do not have tax residency in Spain and who 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.

If no treaty for the avoidance of double taxation in relation to IGT applies, applicable IGT rates would range between 7.65 per cent. and 81.6 per cent. for 2016, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to the Spanish IGT according to the rules set forth in the Spanish state level law. 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 Spanish autonomous regions. As such, prospective investors should consult their tax advisers.

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 applicable. 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.

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 Wealth Tax would generally not be subject to such tax. In the absence of such treaty, individuals who do not have tax residency in Spain are subject to Spanish Wealth Tax which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year (such as the Notes). Individuals whose net worth is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 2.5 per cent. of the value of the Notes.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

In accordance with Article 66 of the Law 48/2015, of 29 October, on Spanish General Budget for the year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), from the year 2017, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*).

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

Disclosure of Information in Connection with the Notes

In accordance with Section 5 of Article 44 of Royal Decree 1065/2007 as amended by Royal Decree 1145/2011 and provided that the Notes issued by the Issuer are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Paying Agent should provide the Issuer with a declaration, a form of which is included in the Agency Agreement which should include the following information:

(a) Description of the Notes;

(b) Payment date;

(c) Total amount of income derived from the Notes;

(d) Total amount of income allocated to each non-Spanish clearing and settlement entity involved.

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

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration will have to be provided to the Issuer as at the business day immediately prior to each interest payment date. If this requirement is complied with, the Issuer will pay gross (without deduction of any withholding tax) all interest under the Notes to all Noteholders (irrespective of whether they are tax resident in Spain).

In the event that the Paying Agent designated by the Issuer were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, the Issuer (or the Paying Agent acting on instructions from the Issuer) would be required to withhold tax from the relevant interest payments at the general withholding tax rate (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 the Issuer were to submit such information, the Issuer (or the Paying Agent acting on instructions from the Issuer) would refund the total amount of taxes withheld.

Notwithstanding the foregoing, the Issuer has agreed that in the event that withholding tax were required by law, the Issuer, failing which the Guarantor, would pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction, except as provided in "Terms and Conditions of the Notes - Taxation".

Regarding the interpretation of Royal Decree 1065/2007, please refer to "Risk Factors – Risks Related to the Issuer and the Guarantor — Risks related to the Spanish Withholding Tax".

Payments under the Guarantee

On the basis that payments of principal and interest made by the Guarantor under the Guarantee are characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax. However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor have effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means), the Spanish tax authorities may determine that payments made by the Enagás as guarantor, relating to interest on the Notes, will be subject to the same tax rules set out above for payments made by the Issuer.

Disclosure of Noteholder Information in Connection with the Redemption or Repayment of Zero Coupon Notes

In accordance with Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, 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 the Notes" 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 longer term than 12 months, the 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.

Luxembourg Tax Considerations

The following general description of certain withholding tax issues that may arise as a result of holding of Notes is based on current Luxembourg tax legislation and is intended only as general information. This description does not deal comprehensively with all tax consequences that may occur for Noteholders, nor does it address rules regarding reporting obligations for, amongst others, payers of interest. Prospective applicants for Notes should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of acquiring, holding and disposing of Notes, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules which may be applicable.

Withholding tax

Under Luxembourg tax law currently in effect and subject to the exception below, no Luxembourg withholding tax is due on payments of interest (including accrued but unpaid interest) or repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

In accordance with the law of 23 December 2005, as amended, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals are subject to a 10 per cent. withholding tax. Responsibility for the 10 per cent. withholding tax will be assumed by the Luxembourg paying agent.

The withholding tax is the final tax liability for the Luxembourg individual resident tax payers receiving the payments in the framework of their private wealth.

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

Under the Commission's Proposal 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.

However, the proposal remains subject to negotiation between the participating Member States. 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.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign pass thru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions including Spain have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 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.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 11 May 2016 (the "Dealer Agreement") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for all expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable Tranche of which such Notes are a part, as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable Tranche sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable Tranche purchased by or through it, in which case the Fiscal Agent 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 it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out 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 and receive assurances from such Dealer that they shall comply with such restriction.

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

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) 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 Guarantor; and

(iii) 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.

Spain

Each Dealer has represented and agreed the Notes may not be offered or sold in Spain by means of a public offer as defined and construed in Chapter I of Title III of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) and Royal Decree 1310/2005 of 4 November 2005 (*Real Decreto 1310/2005, de 4 de noviembre*), each, as amended and restated. The Prospectus has not been registered with the CNMV and is not therefore intended to be used for any public offer of 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 "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to any Notes be distributed in Italy, except to qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Financial Services Act") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 1999 (the "Issuers Regulation") or in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Final Services Act and Issuers Regulation. In any event, any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in Italy must be: (i) made by an investment firm, bank or financial

intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended form time to time); (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, and (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Hong Kong

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

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold, directly or indirectly, within the PRC. This Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Enagás Financiaciones, S.A.U.
(*Incorporated with limited liability in the Kingdom of Spain*)

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

Guaranteed by

Enagás, S.A.
(*Incorporated with limited liability in the Kingdom of Spain*)

under the **€4,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 11 May 2016 [and the Prospectus supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and/,] the Final Terms [and the Prospectus supplement] [have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu and [are] available for viewing during normal business hours at Paseo de los Olmos, 19, 28005 Madrid, Spain (being the registered office of the Issuer and the Guarantor).]

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.)

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") contained in the Agency Agreement dated [8 May 2012/26 April 2013/13 May 2014/18 May 2015] and set forth in the Prospectus dated [8 May 2012/26 April 2013/13 May 2014/18 May 2015]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated 11 May 2016 [and the Prospectus supplement dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [8 May 2012/26 April 2013/13 May 2014/18 May 2015] and incorporated by reference into the Prospectus dated 11 May 2016. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [8 May 2012/26 April 2013/13 May 2014/18 May 2015] and 11 May 2016 [and the Prospectuses supplements dated [●] and [●]]. The Prospectuses[and/,] the Final Terms [and the Prospectuses supplements] [have] been published on the website of the Luxembourg Stock

Exchange at www.bourse.lu and [are] available for viewing during normal business hours at Paseo de los Olmos, 19, 28005 Madrid, Spain (being the registered office of the Issuer and the Guarantor).]

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.)

1	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the existing notes with Series number [●] on [*insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below* [which is expected to occur on or about [*insert date*]]].]
2	Specified Currency or Currencies:	[●]
3	Aggregate Nominal Amount of Notes:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
4	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus [●] corresponding to the accrued interest for the period commencing on, and including [●] to, but excluding the Issue Date.]
5	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
6	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[[●]]/[Issue Date]/[Not Applicable]
7	Maturity Date:	[[●]]/[Interest Payment Date falling in or nearest [●]]
8	Interest Basis:	[[●] per cent. Fixed Rate (see item 14 below)] [[●] month [LIBOR]/[EURIBOR] +/– [●] per cent. Floating Rate (see item 15 below)] [Zero Coupon (see item 16 below)]

9	Redemption/Payment Basis:	Subject to any purchase and calculation or early redemption, the Notes will be redeemed on the Maturity Date at [●] [100] per cent. of their nominal amount.
10	Change of Interest Basis	[Applicable]/[Not Applicable]
11	Put/Call Options:	[Put Option] [Issuer Call] [Not Applicable]
12	Date Board approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
13	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [●] (*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*)/not adjusted]
	(iii) Fixed Coupon Amount[(s)]	[[●] per Calculation Amount]/[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005, being rounded upwards.]
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
	(v) Day Count Fraction:	[Actual/Actual] / [Actual/Actual-ISDA]/[Actual / 365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] / [30E/360] / [30E/360(ISDA)] / [Actual/Actual-ICMA]
	(vi) Determination Dates:	[[●]]/[Not Applicable]

15	**Floating Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[[●] each year]/[Not Applicable]
(iii)	First Interest Payment Date	
(iv)	Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date*)
(v)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Business Centre(s):	[[●]]/[Not Applicable]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(ix)	Screen Rate Determination:	
	– Reference Rate:	[●]/[LIBOR]/[EURIBOR]
	– Reference Banks:	[●]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(x)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(xi)	Linear Interpolation	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual / Actual/Actual-ISDA/Actual / 365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA) / Actual/Actual-ICMA]]

16	**Zero Coupon Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Amortisation Yield:	[●] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

17	**Call Option**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount/Condition 6(b) applies]/[Make-Whole Amount]
	(iii) Make-whole Amount:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Reference Note:	[[●]/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Redemption Margin:	[●]
	Financial Adviser:	[●]
	Quotation Time:	[●]
	(b) Discount Rate:	[[●]/Not Applicable]
	(c) Make-whole Exemption Period:	[Not Applicable]/[From (and including) [●] to (but excluding) [●]/the Maturity Date]
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period	[●]

18	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount/Condition 6(b) applies]
	(iii) Notice period	[●]

19	**Final Redemption Amount of each Note**	[●] per Calculation Amount
20	**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:	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21	**Form of Notes:**	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes] (*N.B. In relation to any issue of Notes which are expressed to be represented by a Temporary Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than €100,000 (or equivalent) and integral multiples thereof.*) [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
22	New Global Note:	[Yes]/[No]
23	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub paragraph 15(v) relates*]
24	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
25	Instruments where the Specified Currency is Renminbi: Party responsible for calculating the	[●]

Spot Rate:

DISTRIBUTION

26	If syndicated, names of Managers:	[Not Applicable]/[[●]]
27	If non-syndicated, name of relevant Dealer:	[Not Applicable]/[[●]]
28	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Enagás Financiaciones, S.A.U.:

By: .....

Duly authorised

Signed on behalf of Enagás, S.A.:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

(i) Admission to listing and trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the official list of the Luxembourg Stock Exchange/[●]] with effect from [●]] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/[●]] with effect from [●]] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(ii) Estimate of total expenses related to admission to trading:	[●]

2 RATINGS

Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*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.*) *(Insert one (or more) of the following options, as applicable)* [[●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"), although notification of the registration decision has not yet been provided. [●] (*Insert legal name of particular credit rating*

agency entity providing rating) is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation").

[●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but the rating it has given to the Notes is endorsed by [●] (*insert legal name of credit rating agency*), which is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but is certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU and is not certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

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

[Not Applicable/Save for (i) any fees payable to the Dealer[s] and (ii) so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer. The Dealer[s] and [its/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, the Guarantor and any of their affiliates in the ordinary course of the business for which they may receive fees.]

4 [Fixed Rate Notes only – YIELD

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

5 OPERATIONAL INFORMATION

ISIN:	**[●]**
Common Code:	**[●]**
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant number(s)	[Not Applicable/[●]]

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

GENERAL INFORMATION

(1) Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

(2) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in Spain in connection with the update of the Programme and the Guarantee. The update of the Programme was authorised by resolutions of the sole shareholder passed on 18 April 2016 and a resolution of the joint directors of the Issuer passed on 18 April 2016, and the giving of the Guarantee by Enagás was authorised by resolutions of its board of directors passed on 18 April 2016.

(3) There has been no significant change in the financial or trading position of the Issuer since 31 December 2015 or of Enagás or of the Group since 31 March 2016 and no material adverse change in the prospects of the Issuer or of Enagás or of the Group since 31 December 2015.

(4) Neither the Issuer, Enagás nor any of Enagás' subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Enagás is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group or Enagás.

(5) Each Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(7) There are no material contracts entered into other than in the ordinary course of the Issuer's or Enagás' business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or Enagás' ability to meet its obligations to Noteholders in respect of the Notes being issued.

(8) Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is 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.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(10) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and Enagás:

(i) the Agency Agreement (which includes the form of the Global Notes, the definitive Notes, the Coupons and the Talons);

(ii) the Deed of Covenant;

(iii) the Deed of Guarantee

(iv) the By-laws of the Issuer and the Guarantor;

(v) the published annual report and audited consolidated financial statements of Enagás for the two financial years most recently ended 31 December 2015 and 31 December 2014, the published annual report and audited stand-alone financial statements of the Issuer for the two financial years most recently ended 31 December 2015 and 31 December 2014 and the unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2016;

(vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

(vii) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and

(viii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (www. bourse.lu).

(11) Copies of the latest annual report and consolidated accounts of Enagás may be obtained, and copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

(12) Deloitte, S.L. (Independent Auditors) located at Plaza de Pablo Ruiz Picasso 1, Torre Picasso, Madrid 28020, Spain are registered on the Registro Oficial de Auditores de Cuentas, and have audited, and rendered unqualified audit reports on, the consolidated financial statements of Enagás respectively for the two years ended 31 December 2015 and 31 December 2014 and on the stand-alone financial statements of Issuer for the two years ended 31 December 2015 and 31 December 2014.

(13) Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, investment banking and/or commercial banking transactions with, and may perform services to the Issuer, Guarantor and/or Guarantor's affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for

the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of any of the Issuer and the Guarantor or any of their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" includes also parent companies.

Registered Office of the Issuer

Enagás Financiaciones, S.A.U.
Paseo de los Olmos, 19
28005 Madrid
Spain

Registered Office of the Guarantor

Enagás, S.A.
Paseo de los Olmos, 19
28005 Madrid
Spain

Dealers

Banca IMI S.p.A.
Largo Mattioli 3
20121 Milan
Italy

Banco Bilbao Vizcaya Argentaria, S.A.
Calle Sauceda 28
Edificio Asia
28050 Madrid
Spain

Banco Santander, S.A.
Gran Vía de Hortaleza 3
Edificio Pedreña
28033 Madrid
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

CaixaBank, S.A.
Avda Diagonal, 621
08028 Barcelona
Spain

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

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Mizuho International plc
Bracken House
One Friday Street
London EC4M 9JA
United Kingdom

Natixis
30 avenue Pierre Mendès-France
75013 Paris
France

Société Générale
29 Boulevard Haussmann
75009 Paris
France

Fiscal Agent and Principal Paying Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Paying Agent

The Bank of New York Mellon (Luxembourg), S.A.
Vertigo Building, Polaris
2-4 rue Eugene Ruppert
L- 2453 Luxembourg

Calculation Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Arranger

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Luxembourg Listing Agent

The Bank of New York Mellon (Luxembourg), S.A.
Vertigo Building, Polaris
2-4 rue Eugene Rupper
L-2453 Luxembourg

Independent auditors

To the Issuer and Guarantor

For the years ending 31 December 2014 and 2015

Deloitte, S.L.
Plaza de Pablo Ruiz Picasso, 1. Torre Picasso
Madrid 28020
Spain

For the year ending 31 December 2016

Ernst&Young, S.L.
Plaza de Pablo Ruiz Picasso, 1. Torre Picasso
Madrid 28020
Spain

Deloitte, S.L.
Plaza de Pablo Ruiz Picasso, 1. Torre Picasso
Madrid 28020
Spain

Legal Advisers

To the Issuer and the Guarantor

in respect of English and Spanish law

Clifford Chance S.L.
Paseo de la Castellana, 110
28046 Madrid
Spain

To the Dealers

in respect of English and Spanish law

Linklaters, S.L.P.
Almagro, 40
28010 Madrid
Spain