

**THIS DOCUMENT IS NOT AN OFFER TO SELL SECURITIES OR THE SOLICITATION OF ANY OFFER TO BUY SECURITIES.**

**SOLELY FOR THE PURPOSES OF THE PRODUCT GOVERNANCE REQUIREMENTS CONTAINED WITHIN: (A) EU DIRECTIVE 2014/65/EU ON MARKETS IN FINANCIAL INSTRUMENTS, AS AMENDED (“MIFID II”); (B) ARTICLES 9 AND 10 OF COMMISSION DELEGATED DIRECTIVE (EU) 2017/593 SUPPLEMENTING MIFID II; AND (C) LOCAL IMPLEMENTING MEASURES (TOGETHER, THE “MIFID II PRODUCT GOVERNANCE REQUIREMENTS”), AND DISCLAIMING ALL AND ANY LIABILITY, WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE, WHICH ANY “MANUFACTURER” (FOR THE PURPOSES OF THE MIFID II PRODUCT GOVERNANCE REQUIREMENTS) MAY OTHERWISE HAVE WITH RESPECT THERETO, THE BONDS HAVE BEEN SUBJECT TO A PRODUCT APPROVAL PROCESS, WHICH HAS DETERMINED THAT: (I) THE TARGET MARKET FOR THE BONDS IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN MIFID II; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE BONDS TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER’S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURER’S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.**

**THE TARGET MARKET ASSESSMENT IS WITHOUT PREJUDICE TO THE REQUIREMENTS OF ANY CONTRACTUAL OR LEGAL SELLING RESTRICTIONS IN RELATION TO THE BONDS.**

**FOR THE AVOIDANCE OF DOUBT, THE TARGET MARKET ASSESSMENT DOES NOT CONSTITUTE: (A) AN ASSESSMENT OF SUITABILITY OR APPROPRIATENESS FOR THE PURPOSES OF MIFID II; OR (B) A RECOMMENDATION TO ANY INVESTOR OR GROUP OF INVESTORS TO INVEST IN, OR PURCHASE, OR TAKE ANY OTHER ACTION WHATSOEVER WITH RESPECT TO THE BONDS.**

**THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS AMENDED (THE**

**"PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.**

### **Terms and Conditions of the Bonds**

*The following, save for the paragraphs in italics, are the terms and conditions of the Bonds which will be incorporated by reference into the Global Bond and endorsed on the Bonds in definitive form. References to the word "conversion" (and related terms) in the following terms and conditions of the Bonds shall be construed as including references to the conversion of the Bonds into new Ordinary Shares and/or the exchange of Bonds for existing Ordinary Shares.*

The issue of the €160,000,000 1.25 per cent. Senior Unsecured Convertible Bonds due 2023 (the "**Bonds**", which expression shall, unless otherwise indicated, include any further bonds issued pursuant to Condition 17 and consolidated and forming a single series with the Bonds) was (save in respect of any such further bonds that may be issued pursuant to Condition 17) authorised by resolutions of the Board of Directors of Ence Energía y Celulosa, S.A., with its registered office at Calle Beatriz de Bobadilla, 14, 28040 Madrid, Spain, (the "**Issuer**") passed on 21 February 2018 on the basis of the authorisation granted by the decision taken by the shareholders of the Issuer at the General Meeting held on 30 March 2017. A fiscal, transfer and conversion agency agreement dated 5 March 2018 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Bonds between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor as fiscal agent under the Fiscal Agency Agreement), the paying, transfer and conversion agents for the time being (such persons, together with the Fiscal Agent, being referred to below as the "**Paying, Transfer and Conversion Agents**", which expression shall include their successors as Paying, Transfer and Conversion Agents under the Fiscal Agency Agreement) and The Bank of New York Mellon SA/NV, Luxembourg Branch in its capacity as registrar (the "**Registrar**", which expression shall include any successor as registrar under the Fiscal Agency Agreement). The Issuer has in addition, entered into a calculation agency agreement dated 5 March 2018 (the "**Calculation Agency Agreement**") with Conv-Ex Advisors Limited (the "**Calculation Agent**", which expression shall include any successor as calculation agent under the Calculation Agency Agreement) pursuant to which the Calculation Agent has been appointed to make certain calculations in relation to the Bonds.

Copies of the Fiscal Agency Agreement, the Calculation Agency Agreement and these terms and conditions (the "**Conditions**") are available during normal business hours at the specified office of each of the Paying, Transfer and Conversion Agents and the Registrar. The Bondholders are deemed to have notice of all the provisions of the Fiscal Agency Agreement which are applicable to them. The Fiscal Agency Agreement includes the form of the Bonds. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement.

The Issuer, as required by Spanish law, has executed an *escritura pública* (the "**Public Deed**") before a Spanish notary public in relation to the issue of the Bonds and has registered the Public Deed with the Mercantile Registry of Madrid. The Public Deed contains, among other information, these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Fiscal Agency Agreement unless the context otherwise requires or unless otherwise stated.

## 1 Form, Denomination, Title and Status

### (a) Form and Denomination

The Bonds are in registered form, serially numbered, in principal amounts of €100,000 each (an “**Authorised Denomination**”).

### (b) Title

Title to the Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as appropriate) or anything written on it or on the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder.

### (c) Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the “**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) will rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations that may be preferred by provisions of law that are mandatory and of general application.

*In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to the Bonds (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 estate (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.*

*Accrued and unpaid interest due in respect of the Bonds at the commencement of an insolvency proceeding (concurso) of the Issuer will qualify as subordinated credits. Accrual of interest on the Bonds shall be suspended as from the date of any declaration of insolvency (concurso) in relation to the Issuer.*

## 2 Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries (but excluding Unrestricted Subsidiaries) will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as may be approved by an Extraordinary Resolution of Bondholders.

## 3 Definitions

In these Conditions, unless otherwise provided:

“**Additional Ordinary Shares**” has the meaning provided in Condition 6(d).

“**Authorised Denomination**” has the meaning provided in Condition 1(a).

“**Bondholder**” and “**holder**” mean the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)).

“**business day**” means (save as provided in Condition 8(g)), in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“**Cash Distribution**” has the meaning provided in Condition 6(b)(v).

“**Change of Control**” has the meaning provided in Condition 6(b)(vi).

“**Closing Price**” means, in respect of an Ordinary Share, or any Security, option, warrant or other right or asset on any Trading Day, the closing price on the Relevant Stock Exchange on such Trading Day of an Ordinary Share or, as the case may be, such Security, option, warrant or other right or asset published by or derived from Bloomberg page HP (or any successor page) (setting Last Price, or any other successor setting and using values not adjusted for any event occurring after such Trading Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of the Relevant Stock Exchange in respect of such Ordinary Share, Security, option, warrant or other right or asset (all as determined by the Calculation Agent) (and for the avoidance of doubt such Bloomberg page for the Ordinary Shares as at the Issue Date is ENC SM Equity HP), if available or, in any other case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Trading Day, and translated, if not in the Relevant Currency, into the Relevant Currency by the Calculation Agent at the Prevailing Rate on such Trading Day, provided that if on any such Trading Day (for the purpose of this definition, the “**Original Date**”), such price is not available or cannot otherwise be determined as provided above, the Closing Price of an Ordinary Share, Security, option, warrant, or other right or asset, as the case may be, in respect of such Trading Day shall be the Closing Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined, and further provided that if such immediately preceding Trading Day falls prior to the fifth day before the Original Date, an Independent Adviser shall determine the Closing Price in respect of the Original Date in good faith, all as determined by (where specifically provided above) an Independent Adviser or (in any other case) the Calculation Agent.

“**CNMV**” has the meaning provided in Condition 7(e).

“**Conversion Date**” has the meaning provided in Condition 6(g).

“**Conversion Notice**” has the meaning provided in Condition 6(g).

“**Conversion Period**” has the meaning provided in Condition 6(a).

“**Conversion Price**” has the meaning provided in Condition 6(a).

“**Conversion Right**” has the meaning provided in Condition 6(a).

“**Cumulative Cash Distribution Amount**” has the meaning provided in Condition 6(b)(v).

“**Distribution**” means a Cash Distribution and/or a Non-Cash Distribution, as the context may so require.

“**Distribution Date**” has the meaning provided in Condition 6(b)(iv).

“**equity share capital**” means, in relation to any entity, its issued share capital excluding any part thereof which, neither as regards dividends nor as regards capital, carries any right to participate beyond a specified amount in a distribution.

“**Ex-Date**” in relation to any dividend or distribution (including without limitation a Cash Distribution) or other entitlement, the first Trading Day on which the Ordinary Share is quoted ex- such dividend or other distribution or entitlement on the Relevant Stock Exchange.

“**Excess Shares**” has the meaning provided in Condition 6(b)(vi).

“**Extraordinary Cash Distribution**” has the meaning provided in Condition 6(b)(v).

“**Extraordinary Resolution**” has the meaning given in the Fiscal Agency Agreement.

“**Fair Market Value**” means, on any date (the “**FMV Date**”):

- (a) in the case of a Cash Distribution, the amount of such Cash Distribution, as determined in good faith by the Calculation Agent;
- (b) in the case of any other cash amount, the amount of such cash, as determined in good faith by the Calculation Agent;
- (c) in the case of Securities (including Ordinary Shares), Spin-Off Securities, options, warrants or other rights or assets that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by the Calculation Agent or an Independent Adviser), the arithmetic mean of (a) in the case of Ordinary Shares or (to the extent constituting equity share capital) other Securities or Spin-Off Securities, the daily Volume Weighted Average Prices of the Ordinary Shares or such other Securities or Spin-Off Securities and (b) in the case of other Securities or Spin-Off Securities (to the extent not constituting equity share capital), options, warrants or other rights or assets, the Closing Prices of such Securities, Spin-Off Securities, options, warrants or other rights or assets, in the case of both (a) and (b) during the period of five Trading Days on the Relevant Stock Exchange for such Securities, Spin-Off Securities, options, warrants or other rights or assets commencing on the FMV Date (or, if later, the first such Trading Day (the “**Adjusted FMV Date**”) such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded, provided that where such Adjusted FMV Date falls after the fifth day following the FMV Date, the Fair Market Value of such Securities (including Ordinary Shares), Spin-Off Securities, options, warrants or other rights or assets shall instead be determined pursuant to paragraph (d) below) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded all as determined in good faith by the Calculation Agent;
- (d) in the case of Securities, Spin-Off Securities, options, warrants or other rights or assets that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), an amount equal to the fair market value of such Securities, Spin-Off Securities, options, warrants or other rights or assets as determined in good faith by an Independent Adviser on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights or assets, and including as to the expiry date and exercise price (if any) thereof.

Such amounts shall if necessary be translated into the Relevant Currency (if not expressed in the Relevant Currency on or prior to the FMV Date (or, as applicable in the case of (c) above, the Adjusted FMV Date)) at the Prevailing Rate on the FMV Date (or, as applicable in the case of (c) above, the Adjusted FMV Date), all as determined in good faith by the Calculation Agent. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“**Final Date**” has the meaning provided in Condition 7(e).

“**Final Maturity Date**” means 5 March 2023.

“**First Call Date**” has the meaning provided in Condition 7(b)(i).

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

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

“**Iberclear**” means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*).

“**Indebtedness**” means any indebtedness of any person for money borrowed or raised.

“**Independent Adviser**” means an independent financial institution or adviser with appropriate expertise, which may be the Calculation Agent, appointed by the Issuer at its own expense from time to time and whenever required by these Conditions.

“**Interest Payment Date**” has the meaning provided in Condition 5(a).

“**Interest Period**” has the meaning provided in Condition 5(a).

“**International Financial Reporting Standards**” means International Financial Reporting Standards as adopted by the European Union from time to time pursuant to Regulation 1606/2002/EC.

“**Issue Date**” means 5 March 2018.

“**Last Cash Distribution**” has the meaning provided in Condition 6(b)(v).

“**Last Reference Period**” has the meaning provided in Condition 6(b)(v).

“**Market Price**” means the Volume Weighted Average Price of an Ordinary Share on the relevant Reference Date, provided that if any dividend or other distribution or entitlement in respect of the Ordinary Shares is announced, whether on or prior to or after the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such dividend or other distribution or other entitlement shall be on or after the Conversion Date and if, on the relevant Reference Date, the Volume Weighted Average Price of an Ordinary Share is based on a price ex- dividend or ex- such other distribution or entitlement, then such Volume Weighted Average Price shall be increased by an amount equal to the Fair Market Value of such dividend or other distribution or entitlement per Ordinary Share as at the date of first public announcement of such dividend or other distribution or entitlement (or if that is not a Trading Day, the immediately preceding Trading Day), determined in good faith by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit and provided that, for the avoidance of doubt, there shall be no double-counting in respect of any dividend or other distribution or entitlement.

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Issuer (other than an Unrestricted Subsidiary) whose:

- (a) total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues) at any relevant time represent no less

than 10.0 per cent. of the total consolidated assets or gross consolidated revenues, respectively, of the Issuer and its Subsidiaries, as calculated by reference to the then latest consolidated audited accounts or consolidated six-monthly reports of the Issuer and the latest accounts or six-monthly reports of each relevant Subsidiary (consolidated or, as the case may be, unconsolidated) prepared in accordance with International Financial Reporting Standards, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated audited accounts or consolidated six-monthly reports of the Issuer relate, then for the purpose of applying each of the foregoing tests, the reference to the Issuer's latest consolidated audited accounts or consolidated six-monthly reports shall be deemed to be a reference to such accounts or reports as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Issuer for the time being after consultation with the Issuer; or

- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary.

“**Non-Cash Distribution**” has the meaning provided in Condition 6(b)(iv).

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

“**Optional Redemption Notice**” has the meaning provided in Condition 7(b).

“**Ordinary Shares**” means fully paid ordinary shares in the capital of the Issuer with, on the Issue Date, a par value of €0.90 each.

“**Other Securities**” means equity securities of the Issuer other than Ordinary Shares.

“**Parity Value**” means, in respect of any Trading Day, the amount determined in good faith by the Calculation Agent and calculated as follows:

$$PV = N \times VWAP$$

where

$$PV = \text{the Parity Value}$$

N = the number of Ordinary Shares determined by dividing €100,000 by the Conversion Price in effect on such Trading Day rounded down, if necessary, to the nearest whole number of Ordinary Shares (and without taking into account the Change of Control Conversion Price (if relevant) prevailing on such Trading Day), provided that if (A) such Trading Day falls on or after (i) the Ex-Date in relation to any dividend or distribution (including without limitation a Cash Distribution) or other entitlement in respect of which an adjustment is required to be made to the Conversion Price pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iv) or 6(b)(v) or (ii) the date of the first public announcement of the terms of a Non Pre-Emptive Issue of Securities in respect of which an adjustment is required to be made to the Conversion Price pursuant to Condition 6(b)(iii), and (B) such adjustment is not yet in effect on such Trading Day, the Conversion Price in effect on such Trading Day shall for the purpose of this definition only be multiplied by the adjustment factor subsequently determined by the Calculation Agent to be applicable in respect of the relevant Conversion Price adjustment

$$VWAP = \text{the Volume Weighted Average Price of an Ordinary Share on such Trading Day.}$$

A “**person**” includes 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.

“**Permitted Security Interest**” means:

- (a) any Security Interest in existence on the Issue Date to the extent that it secures the €50,000,000 EURIBOR plus 3.45 per cent. Bonds due 24 November 2025 issued by ENCE Energia, S.L. and/or any refinancing thereof (provided that the principal amount thereof is not increased as part of any such financing);
- (b) any Security Interest created in respect of Relevant Indebtedness of an entity that has merged with, or has been acquired (whether in whole or in part) by the Issuer or any of its Subsidiaries, provided that such Security Interest:
  - (i) was in existence at the time of such merger or acquisition;
  - (ii) was not created for the purpose of providing security in respect of the financing of such merger or acquisition;
  - (iii) is not increased in amount or otherwise extended following such merger or acquisition other than pursuant to a legal or contractual obligation (x) which was assumed (by operation of law, agreement or otherwise) prior to such merger or acquisition by an entity which, at such time, was not a Subsidiary of the Issuer, and (y) which remains legally binding at the time of such merger or acquisition; and
  - (iv) any Security Interest that does not fall within (a) to (c) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security Interests permitted under this paragraph, does not exceed €35,000,000 (or its equivalent in other currencies).

“**Prevailing Rate**” means in respect of any pair of currencies on any day, the spot mid-rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date (for the purpose of this definition, the “**Original Date**”) as appearing on or derived from Bloomberg Page BFIX (or any successor page) in respect of such pair of currencies or, if such a rate cannot be so determined, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined, provided that if such immediately preceding day falls earlier than the fifth day prior to the Original Date or if such rate cannot be so determined (all as determined in good faith by the Calculation Agent), the Prevailing Rate in respect of the Original Date shall be the rate determined in such other manner as an Independent Adviser shall consider appropriate.

“**Purchase Rights**” has the meaning provided in Condition 6(b)(ii).

“**Put Date**” has the meaning provided in Condition 7(e).

“**Put Exercise Notice**” has the meaning provided in Condition 7(e).

“**Put Period**” has the meaning provided in Condition 7(e).

“**Put Price**” has the meaning provided in Condition 7(e).

“**Record Date**” has the meaning provided in Condition 8(c).

“**Reference Date**” means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect.

“**Reference Period**” has the meaning provided in Condition 6(b)(v).

“**Reference Shares**” means, in respect of the exercise of Conversion Rights by a Bondholder, the number of Ordinary Shares (rounded down, if necessary, to the nearest whole number) determined by the Calculation Agent by dividing the principal amount of the Bonds the subject of the relevant exercise of Conversion Rights by the Conversion Price in effect on the relevant Conversion Date, except that where the Conversion Date



falls on or after the date on which an adjustment to the Conversion Price takes effect pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iv) or 6(b)(v) but on or prior to the record date or other due date for establishment of entitlement in respect of the relevant dividend or other distribution or entitlement, issue or grant (as the case may be) giving rise to such adjustment, then provided the Issuer is able to confer the benefit of the relevant dividend, or other distribution or entitlement, issue or grant (as the case may be) on the relevant Bondholder in respect of the relevant Ordinary Shares to be issued or delivered to such Bondholder in respect of the relevant exercise of Conversion Rights, the Conversion Price in respect of such exercise shall be such Conversion Price as would have been applicable to such exercise had no such adjustment been made.

“**Registry Date**” has the meaning provided in Condition 6(g).

“**Relevant Currency**” means at any time, the currency in which the Ordinary Shares are listed, quoted or dealt in such time on the Relevant Stock Exchange.

“**Relevant Date**” means, in respect of any Bond, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) 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 on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 15 that, upon further presentation of the Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any listing authority, stock exchange or quotation system in respect of negotiable securities (including, without limitation, any over-the-counter securities market). “**Relevant Period**” has the meaning provided in Condition 6(b)(vi).

“**Relevant Reference Period**” has the meaning provided in Condition 6(b)(v).

“**Relevant Stock Exchange**” means:

- (i) in respect of Ordinary Shares, the Spanish Stock Exchanges or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on any of the Spanish Stock Exchanges, the principal stock exchange or securities market on which the Ordinary Shares are then listed or quoted or dealt in, and
- (ii) in respect of any Securities (other than Ordinary Shares) or, as the case may be, Spin-Off Securities, options, warrants or other rights or assets, the principal stock exchange or securities market on which such Securities (other than Ordinary Shares) or, as the case may be, Spin-Off Securities, options, warrants or other rights or assets are then listed or quoted or dealt in,

where “**principal stock exchange or securities market**” shall mean the stock exchange or securities market on which such Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets are listed, admitted to trading or quoted or dealt in, provided that if such Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets are listed, admitted to trading or quoted or dealt in (as the case may be) on more than one stock exchange or securities market at the relevant time, then “**principal stock exchange or securities market**” shall mean that stock exchange or securities market on which such Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets are then traded as determined by the Calculation Agent (if the Calculation Agent determines that it is able to make such determination) or (in any other case) by an Independent Adviser by reference to the stock exchange or securities market with the highest average daily trading volume in respect of such Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets.

“**Reserved Matter**” means any proposal (i) to change the Final Maturity Date or the First Call Date (other than deferring the First Call Date) or any dates for the payment of interest or any other amount in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 7(b), (c) or (e) (other than removing the right of the Issuer to redeem the Bonds pursuant to Condition 7(b) or (c)) or the amount payable upon such redemption, (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating interest or any other amount payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights, other than a reduction to the Conversion Price or an increase in the number of Ordinary Shares, (vi) to increase the Conversion Price, (vii) to change the currency of the denomination of the Bonds or of any payment in respect of the Bonds, (viii) to change the governing law of the Bonds or the Fiscal Agency Agreement, or (ix) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution.

“**Retroactive Adjustment**” has the meaning provided in Condition 6(d).

“**Securities**” means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer (and “**Security**” shall be construed accordingly).

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

“**Shareholders**” means the holders of Ordinary Shares.

“**Share Record Date**” has the meaning provided in Condition 6(g).

“**Spanish Stock Exchanges**” means the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the automated quotation system thereof.

“**Spin-Off**” means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class pursuant to any arrangements with the Issuer or any of its Subsidiaries.

“**Spin-Off Securities**” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“**Subsidiary**” means, in relation to any person (the “**first person**”) at any particular time, any other person (the “**second person**”):

- (a) 50 per cent or more of the Voting Rights of which is at the relevant time directly or indirectly owned or controlled by the first person; or
- (b) whose affairs and policies at such time the first person controls or has the power to control, whether by ownership of Voting Rights, share capital, contract, the power to appoint and remove members of the board of directors or others governing body or otherwise; or
- (c) whose financial statements are at such time, in accordance with applicable law and generally accepted accounting principles, consolidated with the first person's financial statements.

“**Tax Redemption Date**” has the meaning provided in Condition 7(c).

“**Tax Redemption Notice**” has the meaning provided in Condition 7(c).

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

“**Tender Offer**” has the meaning provided in Condition 6(b)(vi).

“**Tender Offer Consideration**” has the meaning provided in Condition 7(e).

“**Tender Offer Period**” has the meaning provided in Condition 7(e).

“**Tender Offer Triggering Event**” has the meaning provided in Condition 7(e).

“**Tender Offer Value**” has the meaning provided in Condition 7(e).

“**Threshold Amount**” has the meaning provided in Condition 6(b)(v).

“**Total Cash Distribution Amount**” has the meaning provided in Condition 6(b)(v).

“**Trading Day**” means, in respect of any Security (including an Ordinary Share) or, as the case may be, a Spin-Off Security, option, warrant or other right or asset, any day (other than Saturday or Sunday) on which the Relevant Stock Exchange in respect of such Security or, as the case may be, a Spin-Off Security, option, warrant or other right or asset is open for business (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular week day closing time) and such Security, Spin-Off Security, option, warrant or other right may be dealt.

“**Unrestricted Subsidiary**” means ENCE Energía, S.L.U. (“**Ence Energía**”) and its Subsidiaries as at the Issue Date (as set out below) and any other future Subsidiary of Ence Energía (but excluding any future Subsidiary of Ence Energía (a) which was previously directly owned by the Issuer or any Subsidiary of the Issuer which is not an Unrestricted Subsidiary or (b) to which material assets are transferred by the Issuer or any Subsidiary of the Issuer which is not an Unrestricted Subsidiary provided that for such purpose any transfer of assets relating to the Celulosa division by either the Issuer or Silvasur Agroforestal, S.A.U. to any future Subsidiary of Ence Energía which is completed by 31 December 2018 shall be disregarded).

As of the Issue Date, Ence Energía’s Subsidiaries are: Celulosa Energía S.A.U, Ence Energía Huelva S.L.U, Ence Energía Extremadura S.L.U., Ence Energía Huelva Dos S.L.U, Energía de La Loma S.A., Energías de la Mancha Eneman S.A., Bioenergía Santamaría S.A., Ence Energía Puertollano S.L.U., Ence Energía Gran Canaria S.L.U., Ence Energía PAMI S.L.U., Ence Energía Extremadura Dos S.L.U., Sostenibilidad Económica Circular S.L.U., Ence Energía Celta S.L.U., Ence Energía Castilla y León S.L.U. and Ence Energía Castilla y León Dos S.L.U..

“**Volume Weighted Average Price**” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any Trading Day, the volume-weighted average price on such Trading Day on the Relevant Stock Exchange of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived from Bloomberg page HP (or any successor page) (setting “Weighted Average Line” or any other successor setting and using values not adjusted for any event occurring after such Trading Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of the Relevant Stock Exchange in respect of such Ordinary Share, Security or, as the case may be, Spin-Off Security, (and for the avoidance of doubt such Bloomberg page for the Ordinary Shares as at the Issue Date is ENC SM Equity HP) if any or, in any such case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Trading Day, and translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such Trading Day, provided that if on any such Trading Day (for the purposes of this definition, the “**Original Date**”) such price is not available or cannot otherwise be determined as provided

above, the Volume Weighted Average Price of an Ordinary Share, Security or Spin-Off Security, as the case may be, in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined and further provided that if such immediately preceding Trading Day falls prior to the fifth day before the Original Date, an Independent Adviser shall determine the Volume Weighted Average Price in respect of the Original Date in good faith, all as determined in good faith by (where specifically provided above) an Independent Adviser or (in any other case) the Calculation Agent.

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“**€**” and “**euro**” means 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.

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of the Volume Weighted Average Price, the Closing Price, or any arithmetic mean or arithmetic average thereof, on multiple Trading Days, such adjustments (if any) shall be made as the Calculation Agent or an Independent Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6(b), (d), (g) and (h) and Condition 10 only, (a) references to the “**issue**” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 6(b)(i), (ii) and (iv), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “**in issue**”. References to the “**conversion**” of Bonds shall be construed as including references to the conversion of the Bonds into new Ordinary Shares and/or the exchange of Bonds for existing Ordinary Shares.

#### **4 Registration and Transfer of Bonds**

##### *(a) Registration*

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

##### *(b) Transfer*

Bonds may, subject to the terms of the Fiscal Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part in an Authorised Denomination by lodging the relevant Bond (with the

form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Bond, deliver a new Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

*(c) Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith; (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application; and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

*(d) Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof) (i) during the period of 15 days immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(g); or (iii) in respect of which a holder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

## **5 Interest**

*(a) Interest Rate*

The Bonds bear interest from and including the Issue Date at the rate of 1.25 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 5 March and 5 September in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 5 September 2018.

Where interest is required to be calculated for any period which is shorter than an Interest Period it will be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days in the Interest Period in which the relevant period falls and the number of Interest Periods normally ending in any year.

“**Interest Period**” means the payment period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Issue Date (subject in any such case as provided in Condition 6(i)); or (ii) where such Bond is being redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption thereof unless, upon due presentation thereof (if so required), payment of the principal amount of the Bond is improperly withheld or refused, in which event interest will continue to accrue as provided in Condition 5(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the seventh day after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

## 6 Conversion of Bonds

(a) *Conversion Period and Conversion Price*

Each Bond shall entitle the holder (a “**Conversion Right**”) to convert such Bond into new and/or existing Ordinary Shares, in each case credited as fully paid, subject to and as provided in these Conditions.

Subject as provided in Condition 6(b)(vi), the number of Ordinary Shares to be issued or delivered on exercise of a Conversion Right shall be equal to the Reference Shares in respect of such exercise.

The initial Conversion Price is €7.2635 per Ordinary Share. On the basis of the initial Conversion Price, each Bond of €100,000 Authorised Denomination would entitle the holder to receive (subject as provided in these Conditions) approximately 13,767 Ordinary Shares (subject to the provisions of this Condition 6(a) in relation to fractions of Ordinary Shares). The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b) and the expression “**Conversion Price**” shall be construed accordingly.

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond (together with a duly completed Conversion Notice (as defined below)) to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(g) whereupon the Issuer shall (subject as provided in these Conditions) deliver or procure the delivery to, or as directed by, the relevant Bondholder of Ordinary Shares credited as paid up in full as provided in this Condition 6.

Subject to, and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from (and including) the Issue Date to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven Madrid business days prior to the Final Maturity Date or, if the Bonds shall have been called for redemption pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh Madrid business day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 15 or, if earlier, the Final Maturity Date; provided that, in each case, if the final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the

period for exercise of the Conversion Right by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised in respect of a Bond which the relevant holder has either (i) given notice pursuant to Condition 10 or (ii) exercised its right to require the Issuer to redeem pursuant to Condition 7(e).

Save where a notice of redemption is given by the Issuer in the circumstances described in Condition 6(i), Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the “**Conversion Period**”.

Conversion Rights may only be exercised in respect of an Authorised Denomination. Where Conversion Rights are exercised in respect of part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Conversion Date deliver such new Bond to the Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new Bond by uninsured mail to such address as the Bondholder may request.

Fractions of Ordinary Shares will not be issued or transferred and delivered on conversion or pursuant to Condition 6(d) and no cash payment or other adjustment shall be made in respect thereof, provided that if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares are to be issued or transferred and delivered to the same person, the number of such Ordinary Shares to be issued or delivered in respect thereof, and any fraction of an Ordinary Share, shall be calculated by the Calculation Agent on the basis of the aggregate principal amount of such Bonds being so converted.

The Issuer will procure that Ordinary Shares to be delivered or transferred on conversion will be delivered or transferred to the holder of the Bonds completing the relevant Conversion Notice or his nominee.

(b) *Adjustment of Conversion Price*

Upon the occurrence of any of the events described in Condition 6(b)(i) to (vi) below, the Conversion Price shall be adjusted by the Calculation Agent (unless otherwise specified) as follows:

- (i) *Increase of capital by means of capitalisation of reserves, profits or premia by distribution of Ordinary Shares, or division or consolidation of Ordinary Shares:*

Subject to Condition 6(e), in the event of a change in the Issuer’s share capital as a result of capitalisation of reserves, profits or premia, by means of the distribution of Ordinary Shares (other than a distribution of Ordinary Shares constituting a Cash Distribution as referred to in Condition 6(b)(v) below), and in the event of division or consolidation of Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the result of the following formula:

$N_{\text{Old}} / N_{\text{New}}$

where:

$N_{\text{Old}}$  is the number of Ordinary Shares existing before the change in share capital; and

$N_{\text{New}}$  is the number of Ordinary Shares existing after the change in share capital.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(b)(i), the “**Effective Date**”) which is (i) the date on which such Ordinary Shares are distributed or (ii) in the event of division or consolidation of Ordinary Shares, the first day the Ordinary Shares are traded on the new basis on the Relevant Stock Exchange.

(ii) *Issues of Ordinary Shares or Other Securities to Shareholders by way of conferring subscription or purchase rights:*

Subject to Condition 6(e), if (a) the Issuer or any Subsidiary of the Issuer issues or grants to Shareholders any options, warrants or other rights per Ordinary Share to subscribe for or acquire Ordinary Shares, Other Securities or securities convertible or exchangeable into Ordinary Shares or Other Securities (other than an issue of Ordinary Shares as referred to in Condition 6(b)(i) or constituting a Cash Distribution as referred to in Condition 6(b)(v) below) or (b) any third party pursuant to any agreement or arrangement with the Issuer or any Subsidiary issues to Shareholders any options, warrants or other rights to purchase any Ordinary Shares, Other Securities or securities convertible or exchangeable into Ordinary Shares or Other Securities (the options, warrants or other rights referred to in (a) and (b) collectively and individually being the “**Purchase Rights**”), in each case in circumstances whereby such Purchase Rights are issued or granted to Shareholders as a class, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the result of the following formula:

$$(P_{\text{cum}} - R) / P_{\text{cum}}$$

where:

$P_{\text{cum}}$  is the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date (for the purpose of this Condition 6(b)(ii), the “**Determination Date**”) which is the later of (x) the Trading Day on which the Ordinary Shares are first traded ex-Purchase Rights on the Relevant Stock Exchange or (y) the day on which the terms of the Purchase Right are first publicly announced by the Issuer or any Subsidiary of the Issuer (or any third party pursuant to any agreement or arrangement with the Issuer or any Subsidiary as aforesaid); and

R is the deemed value of the Purchase Right relating to one Ordinary Share or Other Security, such value to be calculated as follows:

(A) in the event the Purchase Rights relate to Ordinary Shares to be subscribed or acquired solely against fixed cash consideration:

$$R = P_{\text{cum}} - D$$

where:

$$D = (N_{\text{Old}} \times P_{\text{cum}} + N_{\text{max}} \times (X_{\text{rights}} + \text{Div})) / (N_{\text{Old}} + N_{\text{max}})$$



and:

$N_{old}$  is the number of Ordinary Shares existing before the issue or grant giving rise to the adjustment and entitled to receive such Purchase Rights; and

$N_{max}$  is the maximum number of Ordinary Shares which could be issued on exercise in full of the Purchase Rights at a price equal to  $X_{rights}$ ; and

$X_{rights}$  is the price (translated if necessary into the Relevant Currency at the Prevailing Rate on the Determination Date) at which one new Ordinary Share can be subscribed or acquired; and

Div is the amount (translated if necessary into the Relevant Currency at the Prevailing Rate on the Determination Date or, if earlier, the Ex-Date in relation to the relevant dividend), if any, by which the dividend entitlement per existing Ordinary Share exceeds the dividend entitlement per new Ordinary Share, (x) if dividends have already been proposed to the general meeting of Shareholders (or, in the case of interim dividends, if such dividends have already been declared by the Issuer) but not yet paid, using the proposed (or, as the case may be, declared) dividend amount (and for this purpose, the amount of any dividend shall be deemed to be equal to the Fair Market Value thereof as at the Determination Date or, if earlier, the Ex-Date in relation to the relevant dividend), or (y) if dividends have not yet been proposed or declared as aforesaid, using such amount as is determined to be appropriate by an Independent Adviser;

provided, however, that no such adjustment shall be made if  $X_{rights}$  is at least 95 per cent. of  $P_{cum}$  (all as defined above in this Condition 6(b)(ii));

- (B) in the event the Purchase Rights relate to Ordinary Shares (other than in the circumstances the subject of Condition 6(b)(ii)(A)), Other Securities or to securities convertible or exchangeable into Ordinary Shares or Other Securities and where such Purchase Rights are admitted to trading (i) on a Relevant Stock Exchange which is a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan and (ii) no later than the fifth (5<sup>th</sup>) day following the Determination Date:

$$R = N_{rights} \times P_{rights}$$

where:

$N_{rights}$  is the number of Purchase Rights granted per Ordinary Share; and

$P_{rights}$  is the average of the Closing Prices of one Purchase Right on each Trading Day (for the Purchase Rights) on which the Purchase Rights are so traded, disregarding any such Trading Day which falls later than the fifteenth (15<sup>th</sup>) Trading Day (for the Ordinary Share) following the Determination Date

- (C) in all other cases where neither of the previous paragraphs (A) or (B) is applicable:

R will be determined by an Independent Adviser in accordance with paragraph (iv) of the definition of “Fair Market Value”.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(b)(ii), the “**Effective Date**”) which is:

- (1) in the case of Condition 6(b)(ii)(A), the Determination Date;
- (2) in the case of Condition 6(b)(ii)(B), the first date on which R is capable of being determined in accordance with the definition thereof; and
- (3) in the case of Condition 6(b)(ii)(C), the date determined by the Independent Adviser.

(iii) *Non Pre-Emptive Issues of Securities:*

If (a) the Issuer or any Subsidiary of the Issuer issues (wholly for cash or no consideration) (otherwise than as mentioned in Condition 6(b)(ii) above) to a third party any Ordinary Shares or Other Securities or options or warrants to subscribe for or acquire Ordinary Shares or Other Securities or securities convertible or exchangeable into Ordinary Shares or Other Securities or (b) any third party pursuant to any agreement or arrangement with the Issuer or any Subsidiary of the Issuer issues (wholly for cash or no consideration) (otherwise than as mentioned in Condition 6(b)(ii) above) to a third party any options, warrants to subscribe for or acquire Ordinary Shares or Other Securities or securities convertible or exchangeable into Ordinary Shares or Other Securities, in each case in circumstances whereby Purchase Rights are not issued or granted to Shareholders, (the issuance of such securities referred to in (a) and (b) collectively and individually being a “**Non Pre-Emptive Issue of Securities**”), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the result of the following formula:

$$(P_{cum} - D) / P_{cum}$$

where:

$P_{cum}$  is the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date (for the purpose of this Condition 6(b)(iii), the “**Determination Date**”) which is the date of the first public announcement of the terms of the relevant Non Pre-Emptive Issue of Securities; and

D is the deemed dilution as a result of the issue of Ordinary Shares or Other Securities, such dilution to be calculated as follows:

- (A) in the event of an issue of Ordinary Shares or options or warrants to subscribe for or acquire Ordinary Shares or securities convertible or exchangeable into Ordinary Shares:

$$D = P_{cum} - TDP$$

where:

$$TDP = (N_{old} \times P_{cum} + N_{ni} \times (X_{issue} + Div)) / (N_{old} + N_{ni})$$

and:

$N_{old}$  is the number of Ordinary Shares existing before the Determination Date; and

$N_{ni}$  is the number of Ordinary Shares being newly issued (assuming, as the case may be, exercise in full of any options, warrants or other Securities convertible or exchangeable for Ordinary Shares at a price is equal to  $X_{issue}$ ); and

$X_{issue}$  is the issue price at which one new Ordinary Share was issued to a third party (or, in the case of options or warrants to subscribe for or acquire Ordinary Shares or securities convertible or exchangeable into Ordinary Shares, the initial exercise, conversion or exchange price) (translated if necessary into the Relevant Currency at the Prevailing Rate on the Determination Date)); and

Div is the amount (translated if necessary into the Relevant Currency at the Prevailing Rate on the Determination Date or, if earlier, the Ex-Date in relation to the relevant dividend), if any, by which the dividend entitlement per existing Ordinary Share exceeds the dividend entitlement per new Ordinary Share, (x) if dividends have already been proposed to the general meeting of Shareholders (or, in the case of interim dividends, if such dividends have already been declared by the Issuer) but not yet paid, based on the proposed dividend amount (and for this purpose, the amount of any dividend shall be deemed to be equal to the Fair Market Value thereof as at the Determination Date or, if earlier, the Ex-Date in relation to the relevant dividend), or (y) if dividends have not yet been proposed or declared as aforesaid, using such amount as is determined to be appropriate by an Independent Adviser;

provided, however, that no such adjustment shall be made if  $X_{issue}$  is equal to at least 95 per cent. of  $P_{cum}$  (all as defined above in this Condition 6(b)(iii)).

(B) in all other cases where the previous paragraph (A) is not applicable:

D will be determined by an Independent Adviser.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(b)(iii), the “**Effective Date**”) which is the date of issue of the Ordinary Shares or Other Securities or options or warrants to subscribe for or acquire Ordinary Shares or Other Securities or securities convertible or exchangeable into Ordinary Shares or Other Securities.

(iv) *Non-Cash Distributions:*

Subject to Condition 6(e), if in respect of a Spin-Off or a capital distribution (including by way of a reduction in share capital with devolution of contributions to shareholders or writing-off of capital calls and distribution of any distributable reserve and share premium), other than an issue of Ordinary Shares as referred to in Condition 6(b)(i) above or a Cash Distribution as referred to in Condition 6(b)(v) below, the Issuer shall issue or distribute to holders of its Ordinary Shares as a class any assets, evidence of indebtedness of the Issuer, shares, put options or other rights per Ordinary Share (other than as referred to in Condition 6(b)(ii) above) (a “**Non-Cash Distribution**”), the Conversion Price shall be adjusted as follows:

(A) where the Non-Cash Distribution consists of securities that are admitted to trading (i) on a Relevant Stock Exchange which is a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan and (ii) no later than the

fifth day following the Determination Date, by multiplying the Conversion Price in force immediately prior to the Effective Date by the result of the following formula:

$$(P_{\text{cum}} - D) / P_{\text{cum}}$$

where:

$P_{\text{cum}}$  is the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date (for the purpose of this Condition 6(b)(iv), the “**Determination Date**”) which is the Trading Day on which the Ordinary Shares are first traded ex-Non-Cash Distribution on the Relevant Stock Exchange; and

D is the Fair Market Value on the Determination Date of the Non-Cash Distribution attributable to one Ordinary Share;

- (B) in all other cases and where there is one (but not more than one) Determination Date in relation to a Non-Cash Distribution on a given Trading Day, by multiplying the Conversion Price in force immediately prior to the Effective Date by the result of the following formula:

$$P_{\text{ex}} / P_{\text{cum}}$$

where:

$P_{\text{ex}}$  is the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days starting on (and including) the Determination Date; and

$P_{\text{cum}}$  is as defined in Condition 6(b)(iv)(A) above;

When calculating the average of the Volume Weighted Average Prices, the Fair Market Value (as at the Ex-Date of the relevant Cash Distribution or other entitlement) of any Cash Distribution or other entitlement (other than the Non-Cash Distribution) the Ex-Date for which occurs during either of the above mentioned periods of five consecutive Trading Days, shall be added back to the Volume Weighted Average Prices on each of the Trading Days on which the Ordinary Shares are traded ex- such Cash Distribution or other entitlement; and

- (C) in all other cases where there is more than one such Non-Cash Distribution on a given Trading Day, an Independent Adviser will determine the appropriate adjustment.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(b)(iv), the “**Effective Date**”) which is:

- (1) in the case of Conditions 6(b)(iv)(A) and 6(b)(iv)(B), the first date on which the adjusted Conversion Price is capable of being determined in accordance therewith;
- (2) in the case of Condition 6(b)(iv)(C), the date determined to be appropriate by the Independent Adviser.

(v) *Cash Distributions*

Subject to Condition 6(e), if in respect of any Reference Period (the “**Relevant Reference Period**”):

(XX) the Total Cash Distribution Amount for such Relevant Reference Period (other than the Last Reference Period) is equal to zero; or

(YY) the Total Cash Distribution Amount for such Relevant Reference Period is less than the applicable Threshold Amount for such Relevant Reference Period (other than where such Total Cash Distribution Amount is equal to zero); or

(ZZ) the Cumulative Cash Distribution Amount in respect of any Cash Distribution (such Cash Distribution being the “**Extraordinary Cash Distribution**”) the Ex-Date for which falls in such Relevant Reference Period exceeds the applicable Threshold Amount for such Relevant Reference Period, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$(A - B) / (A - C)$$

where:

- A
- (i) in the case of (XX) above: the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days ending on (and including) the last Trading Day of the Relevant Reference Period; or
  - (ii) in the case of (YY) above: the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days immediately preceding the Ex-Date of the Last Cash Distribution in respect of the Relevant Reference Period; or
  - (ii) in the case of (ZZ) above: the arithmetic average of the Volume Weighted Average Prices of one Ordinary Share on the five consecutive Trading Days immediately preceding the Ex-Date of the Extraordinary Cash Distribution;
- B
- (i) in the case of (XX) above: zero; or
  - (ii) in the case of (YY) above: the Fair Market Value of the Last Cash Distribution (determined as at the Ex-Date thereof) for such Relevant Reference Period; or
  - (iii) in the case of (ZZ) above: the Fair Market Value per Ordinary Share of the Extraordinary Cash Distribution as at the Ex-Date thereof;
- C
- (i) in the case of (XX) above: the Threshold Amount for the Relevant Reference Period; or
  - (ii) in the case of (YY) above: the difference between (i) the Threshold Amount for the Relevant Reference Period and (ii) the sum of the Fair Market Values per Ordinary Share of any Cash Distributions (each determined at as the relevant Ex-Date thereof) the Ex-Dates for which occurred in the Relevant Reference Period but prior to the Ex-Date of the Last Cash Distribution for such Relevant Reference Period (and for the avoidance of doubt, where no such prior Cash Distributions have been paid, “C” shall be equal to the Threshold Amount for the Relevant Reference Period); or
  - (iii) in the case of (ZZ) above: the difference (if positive, and if not, “C” shall be equal to zero) between (i) the Threshold Amount for the Relevant Reference Period and (ii) the sum of the Fair Market Values per Ordinary Share of any Cash Distributions (each determined at as the relevant Ex-Date thereof) the Ex-Dates for

which occurred in the Relevant Reference Period but prior to the Ex-Date of the Extraordinary Cash Distribution (and for the avoidance of doubt, where no such prior Cash Distributions have been paid, “C” shall be equal to the Threshold Amount for the Relevant Reference Period).

“**Reference Period**” means each period as set out in the table below:

<b>Reference Period</b>	<b>Threshold Amount (EUR)</b>
From the Issue Date (inclusive) to 30 June 2018 (inclusive)	0.066
From 1 July 2018 (inclusive) to 30 June 2019 (inclusive)	0.220
From 1 July 2019 (inclusive) to 30 June 2020 (inclusive)	0.220
From 1 July 2020 (inclusive) to 30 June 2021 (inclusive)	0.220
From 1 July 2021 (inclusive) to 30 June 2022 (inclusive)	0.220
From 1 July 2022 (inclusive) to 31 December 2022 (inclusive)	0.147
From 1 January 2023 (inclusive) to the Final Maturity Date (inclusive) (the “ <b>Last Reference Period</b> ”)	0.000

In making any calculations for the purposes of this Condition 6(b)(v), such adjustments (if any) shall be made as the Calculation Agent or an Independent Adviser may determine in good faith to be appropriate to reflect any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue during the Relevant Reference Period, or, as an Independent Adviser might otherwise determine to be appropriate.

“**Threshold Amount**” means, in respect of any Reference Period, the amount in respect thereof per Ordinary Share as set out in the table above (adjusted pro rata for any adjustments to the Conversion Price made pursuant to the provisions of Conditions 6(b)(i), 6(b)(ii), 6(b)(iii), 6(b)(iv) or this Condition 6(b)(v)).

On any adjustment to the Threshold Amount, the resultant Threshold Amount, if not an integral multiple of €0.00001, shall be rounded down to the nearest whole multiple of €0.00001. No adjustment shall be made to the Threshold Amount where such adjustment (rounded down if applicable) would be less than one per cent. (1%) of the Threshold Amount then in effect. Any adjustment not required to be made and/or any amount by which the Threshold Amount has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

The Issuer will give notice to the Fiscal Agent and procure that a notice is published in the manner described in Condition 15 as soon as practicable after the date on which any adjustment to the Threshold Amount becomes effective.

“**Total Cash Distribution Amount**” means, in respect of any Reference Period, the sum of the Fair Market Values of all Cash Distributions (each determined at as the relevant Ex-Date thereof) per Ordinary Share the Ex-Dates for which fall in such Reference Period.

“**Last Cash Distribution**” means, in respect of any Reference Period, the Cash Distribution the Ex-Date of which occurs last in such Reference Period.

“**Cumulative Cash Distribution Amount**” means, in respect of any Cash Distribution (the “**Relevant Cash Distribution**”) the Ex-Date for which falls in any Reference Period, the sum of (i) the Fair Market Value per Ordinary Share of such Relevant Cash Distribution (determined as at the Ex-Date thereof) and (ii) the sum of the Fair Market Values per Ordinary Share of any other Cash Distributions (each determined at as the relevant Ex-Date thereof) the Ex-Dates for which occurred in such Reference Period but prior to the Ex-Date of the Relevant Cash Distribution.

“**Cash Distribution**” means (i) any dividend or distribution paid or made to Shareholders as a class in cash in respect of the Ordinary Shares, including any repayment of the nominal amount of the Ordinary Shares but not including any dividend or distribution which is excluded in accordance with Condition 6(e) or (ii) any dividend or distribution or issue of Ordinary Shares treated as a Cash Distribution pursuant to the below.

For the purposes of this Condition 6(b)(v), where (1) a dividend or distribution to Shareholders as a class is announced which may be satisfied by the issue of Ordinary Shares in satisfaction of the whole or part of a dividend or distribution in cash which the Shareholders would or could otherwise have elected to receive, (2) there shall be any issue of Ordinary Shares to Shareholders as a class where the Shareholders may elect to receive a dividend or distribution in cash in lieu of such Ordinary Shares (either by way of sale to the Issuer of their free allocation rights (*derechos de asignación gratuita*) in respect of such Ordinary Shares being issued as a bonus issue (*ampliación de capital liberada*) or otherwise), or (3) Ordinary Shares are issued to Shareholders as a class, which are or are expressed to be issued in lieu of a distribution (whether or not a cash distribution equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise)), then the dividend, distribution or issue of Ordinary Shares in question shall be treated as a Cash Distribution in an amount equal to the greater of:

- (A) the Fair Market Value of the cash amount of such dividend or distribution (if any) as at the Determination Date; and
- (B) the Fair Market Value of such Ordinary Shares (as at the Determination Date or, if later, the date on which the number of Ordinary Shares which may be issued is determined).

Such adjustment shall become effective on the date (for the purpose of this Condition 6(b)(v), the “**Effective Date**”) which is:

- (1) in the case of (XX) above: the first day of the Reference Period immediately following the Relevant Reference Period; or
- (2) in the case of (YY) above: the Ex-Date of the Last Cash Distribution (or, if later, the first date on which the adjusted Conversion Price is capable of being determined in accordance with this Condition 6(b)(v)); or
- (3) in the case of (ZZ) above: the Ex-Date of the Extraordinary Cash Distribution (or, if later, the first date on which the adjusted Conversion Price is capable of being determined in accordance with this Condition 6(b)(v)).

(vi) *Conversion Price Protection in relation to a Change of Control*

If a Change of Control shall occur, other than as a result of a Tender Offer, the Conversion Price shall be adjusted in accordance with the formula set out below, provided that any adjustment to the Conversion Price pursuant to this Condition 6(b)(vi) shall apply only to Bonds in respect of which Conversion Rights are exercised and the relevant Conversion Date falls within the Relevant Period (defined below), the Conversion Price, solely for the purpose of such exercise (the “**Change of Control Conversion Price**”), shall be determined by multiplying the Conversion Price in effect on the relevant Conversion Date by the following fraction:

$1/(1+ (CP \times c/t))$ :

where:

CP is 40 per cent. (expressed as a fraction);

c is the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date; and

t is the number of days from and including the Issue Date to but excluding the Final Maturity Date.

In these Conditions:

A “**Change of Control**” shall occur if any person acquires Control of the Issuer.

“**Control**” means:

- (a) the acquisition or control of more than 50 per cent. of the Voting Rights in respect of the Issuer, or
- (b) the right to appoint and/or remove all or the majority of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights in respect of the Issuer, contract or otherwise,

and “**controlled**” shall be construed accordingly.

“**Relevant Period**” means the period commencing on the occurrence of a Change of Control and ending 60 days following the occurrence of the Change of Control, or if later, 60 days following the date on which the relevant Triggering Event Notice is given to Bondholders as required by Condition 7(f).

“**Tender Offer**” means a tender offer (including a competing tender offer) made in accordance with applicable Spanish laws and regulations following approval from the CNMV.

(c) *Calculation of Adjustments*

Adjustments to the Conversion Price pursuant to this Condition 6 shall be determined and calculated upon request from the Issuer in good faith by the Calculation Agent, and/or to the extent so specified in the Conditions, and upon request from the Issuer, in good faith by an Independent Adviser.

Adjustments to the Conversion Price calculated by the Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be final and binding (in the absence of manifest error) on the Issuer, the



Fiscal Agent, the Paying, Transfer and Conversion Agents, the Bondholders and (in the case of a determination by an Independent Adviser) the Calculation Agent. The Calculation Agent may, subject to the provisions of the Calculation Agency Agreement, consult, at the expense of the Issuer, on any matter (including but not limited to, any legal matter), with any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Bondholders, the Fiscal Agent or the Paying, Transfer and Conversion Agents in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

The Calculation Agent shall act solely upon request from and exclusively as agent of the Issuer. Neither the Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Bonds (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust with, and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith, in accordance with the Conditions as against the Bondholders, the Fiscal Agent or the Paying, Transfer and Conversion Agents.

If following consultation between the Issuer and the Calculation Agent any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Calculation Agent, the Bondholders and all other parties, save in the case of manifest error.

If in case of any adjustment the resulting Conversion Price is not an integral multiple of €0.0001 (one ten-thousandth of a euro), it shall be rounded down to the nearest whole or multiple of €0.0001 (one ten-thousandth of a euro). No adjustment shall be made to the Conversion Price where such adjustment (rounded down, if applicable) would be less than one per cent. (1%) of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

The Issuer will give notice to the Fiscal Agent and procure that a notice is published in the manner described in Condition 15 as soon as practicable after the date on which any adjustment to the Conversion Price becomes effective.

*(d) Retroactive Adjustments*

If the Share Record Date in relation to the conversion of any Bond shall be after the record date in respect of any division or consolidation as is mentioned in Condition 6(b)(i), or after the record date or other due date for the establishment of entitlement for any such distribution, issue or grant as is mentioned in Condition 6(b)(ii), 6(b)(iv) or 6(b)(v), or after the date of the first public announcement of the terms of any such issue as mentioned in Condition 6(b)(iii), in any case in circumstances where the relevant Conversion Date falls before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, a "**Retroactive Adjustment**"), then the Issuer will ensure that all necessary steps are taken for the due transfer to the Bondholders of such additional number of Ordinary Shares (if any) (as determined by the Calculation Agent or an Independent Adviser) (the "**Additional Ordinary Shares**") as, together with the Ordinary Shares issued or transferred and delivered on conversion of the Bonds the subject of such exercise of Conversion Rights, is equal to the number of Ordinary Shares which would have been required to be issued or transferred and delivered on conversion of such Bonds if the relevant Retroactive Adjustment had been given effect as at the said Conversion Date, and in such event and in

respect of such Additional Ordinary Shares references in this Condition 6(d) to the Conversion Date shall be deemed to refer to the date (the “**Reference Date**”) upon which such Retroactive Adjustment becomes effective (notwithstanding, as the case may be, that the date upon which it becomes effective falls after the end of the Conversion Period).

(e) *Events not Giving Rise to Adjustments*

No adjustment to the Conversion Price will be made:

- (i) if Ordinary Shares or Other Securities (or pre-emptive rights, options or warrants in relation to Ordinary Shares or Other Securities) are issued, offered or granted to, or for the benefit of, directors or employees, or former directors or employees or consultants or former consultants of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person in any such case pursuant to any employee, director or executive share or option scheme whether for all employees, directors or executives or any of them; or
- (ii) if an increase in the Conversion Price would result from such adjustment, except in the case of (x) a consolidation of Ordinary Shares or as otherwise required under Spanish law in the case of a share capital reduction or (y) an adjustment to the Conversion Price pursuant to Condition 6(b)(v)(XX) or Condition 6(b)(v)(YY); or
- (iii) without prejudice to Condition 11, if the Conversion Price would fall below the nominal value of an Ordinary Share. In this case, the Conversion Price will be adjusted to be equal to the nominal value of an Ordinary Share and any remaining reduction of the Conversion Price resulting from such adjustment or from any further adjustment will be carried forward and be applied only if and to the extent the nominal value of an Ordinary Share is reduced.

*Spanish company law provides, in the case of a share capital reduction of the Issuer to offset losses, that the Conversion Price should be adjusted in order that the capital reduction affects equally Shareholders and Bondholders.*

(f) *Other Events*

If the Issuer (after consultation with the Calculation Agent) determines, at its discretion, that notwithstanding Condition 6(b) and Condition 6(e) an adjustment should be made to the Conversion Price as a result of (i) one or more events or circumstances not referred to in Condition 6(b) or (ii) circumstances referred to in Condition 6(e), the Issuer shall engage the advice or services of an Independent Adviser, in consultation with the Calculation Agent, to determine as soon as practicable what adjustment, if any, to the Conversion Price or amendment, if any, to the terms of this Condition 6 is fair and reasonable to take account thereof and the date on which such adjustment should take effect. If more than one event occurs which become effective on or around the same day and which would lead to an adjustment of the Conversion Price pursuant to Condition 6(b), the decision as to the manner of or calculating the adjustment of the Conversion Price shall be taken by the Independent Adviser. The decision of the Independent Adviser shall be binding on all concerned, save in the case of manifest error. Neither the Fiscal Agent nor the Calculation Agent shall have any responsibility to make any inquiries as to whether or not any event has occurred which might require an adjustment to the Conversion Price or amendment, if any, to the terms of Condition 6.

(g) *Procedure for exercise of Conversion Rights*

The Conversion Right may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its

usual business hours, accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent. In the relevant Conversion Notice the Bondholder is required to designate, *inter alia*, details of the Iberclear account and the name or names in which any newly-issued Ordinary Shares shall be issued and registered (or, in the case of existing Ordinary Shares, credited).

Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located. If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Paying, Transfer and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be the Madrid business day immediately following the date of the delivery of such Bond and the Conversion Notice and, if applicable, the making of any payment to be made as provided below.

A Bondholder exercising a Conversion Right must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration taxes and duties arising on conversion (other than any taxes or capital, stamp, issue or registration taxes or duties payable in the United Kingdom, Luxembourg, Belgium or the Kingdom of Spain in respect of the allotment and issue and/or transfer of any Ordinary Shares on such conversion (including any Additional Ordinary Shares), which shall be paid by the Issuer) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with such conversion. If the Issuer shall fail to pay any taxes or capital, or stamp, issue or registration taxes or duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Issuer may, in its own discretion, decide to fulfil its obligations in connection with any Conversion Notice received by the transfer of existing Ordinary Shares or the allotment and issue of new Ordinary Shares and subject always to Condition 6(h). Ordinary Shares to be issued on exercise of Conversion Rights (including any Additional Ordinary Shares) will be documented in a public deed granted by the Issuer before a Spanish notary public to be filed and registered by the Issuer with the Mercantile Registry of the Issuer’s registered office from time to time and, following such registration, filed with Iberclear.

The date upon which the public deed documenting the issuance of new Ordinary Shares (including any Additional Ordinary Shares) is granted before a Spanish notary or the date upon which the Issuer instructs the relevant depository entity to transfer the existing Ordinary Shares (including any Additional Ordinary Shares) to be delivered to the relevant account of the relevant Bondholder will be the date upon which the Bonds are converted into Ordinary Shares (the “**Share Record Date**”).

Subject to satisfaction of the foregoing provisions of this Condition 6(g) and subject as provided in the immediately following paragraph, the Issuer shall procure that the Share Record Date will be, in relation to any Conversion Notice:

- (a) if the Conversion Date (or, in the case of Additional Ordinary Shares in relation to such Conversion Notice, the Reference Date) falls on or prior to the date (in respect of any Conversion Notice, the “**Cut-Off Date**”) which falls seven Madrid business days prior to the first day of the immediately following calendar month (or, if such day is not a Madrid business day, the following Madrid business day), such first day as aforesaid (or, as the case may be, the following Madrid business day); or
- (b) if the Conversion Date (or, in the case of Additional Ordinary Shares in relation to such Conversion Notice, the Reference Date) falls after the Cut-Off Date in respect of such Conversion Notice, the first day of the 2<sup>nd</sup> immediately following calendar month (or, if such day is not a Madrid business day, the following Madrid business day).

Notwithstanding the provisions of the preceding paragraph, in the case of Conversion Notices delivered in respect of which the Conversion Date falls after the seventh Madrid business day prior to the first day of the month (or, if such day is not a Madrid business day, the next following Madrid business day) in which the Final Maturity Date, the Optional Redemption Date, the Tax Redemption Date or the Put Date falls (as the case may be), the Issuer shall procure that the Share Record Date will be no later than the Madrid business day prior to the Final Maturity Date, Optional Redemption Date, Tax Redemption Date or Put Date (as the case may be).

On and from the Share Record Date, subject to the next following sentence, the relevant Bondholder will become entitled to the economic rights of a Shareholder for the purposes of dividend entitlement and otherwise. However, the relevant Bondholder will not be able to transfer newly-issued Ordinary Shares until they have been registered in Iberclear and admitted to listing, or existing Ordinary Shares until they have been credited to the account of the relevant Bondholder or its nominee with Iberclear. The date that the newly-issued Ordinary Shares are registered in, or existing Ordinary Shares are credited to, the account of the relevant Bondholder or its nominee with Iberclear, is referred to herein as the “**Registry Date**”.

The Issuer shall use its reasonable endeavours to register newly-issued Ordinary Shares and have these Ordinary Shares listed and/or admitted to trading on the Relevant Stock Exchange or credit existing Ordinary Shares (as applicable) to the account of the relevant Bondholder or its nominee with Iberclear as soon as practicable but in no event later than 15 Trading Days, in the case of new Ordinary Shares, and five Trading Days, in the case of existing Ordinary Shares, after the relevant Share Record Date.

*The Registry Date for existing Ordinary Shares and for newly-issued Ordinary Shares is generally expected to occur between one and two weeks after the relevant Share Record Date.*

On or as soon as reasonably practicable after the Share Record Date with respect to any Bonds in respect of which the Conversion Right has been exercised, the Issuer, through the Fiscal Agent, will notify the relevant Bondholder of the Share Record Date and the number of existing Ordinary Shares and/or newly-issued Ordinary Shares (as the case may be) to be transferred and/or issued upon such conversion. On or as soon as reasonably practicable after the Registry Date, the Fiscal Agent on behalf of the Issuer will notify the relevant Bondholder of the Registry Date and in the event that any newly-issued Ordinary Shares are issued, the Issuer will also notify the relevant Bondholder of the date of listing and/or admission to trading.

Notwithstanding delivery by a Bondholder of a Conversion Notice with respect to any Bonds, such Bondholder shall remain a Bondholder for the purposes of these Conditions until the relevant Share Record Date, provided that once Conversion Rights with respect to a Bond have been exercised, such Bond will not be redeemable, subject to this Condition 6(g), on the Final Maturity Date or otherwise.

(h) *Ordinary Shares*

- (i) Ordinary Shares (including Additional Ordinary Shares) delivered or issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Record Date, except that such Ordinary Shares will not rank for any rights, distributions or payments if the record date or other due date for the establishment of entitlement for any such right, distribution or payment falls prior to the relevant Share Record Date.
- (ii) Save as provided in Condition 6(i), no payment or adjustment shall be made on conversion for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Issue Date).

(i) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 7(b) on or after the fifteenth Madrid business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any Distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 Madrid business days after the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition 5 on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Issue Date) to but excluding such Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System and in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(j) *Purchase or Redemption of Ordinary Shares*

The Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back its own shares (including Ordinary Shares) or any depositary or other receipts representing the same without the consent of the Bondholders.

(k) *Consolidation, Amalgamation or Merger*

Without prejudice to Condition 7(e) and Condition 7(f), in the case of any consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation), or in the case of any sale or transfer of all, or substantially all, of the assets of the Issuer to another entity or entities, the Issuer will forthwith notify the Bondholders of such event and take such steps as shall be required to ensure that each Bond then outstanding will (during the period in which Conversion Rights may be exercised) be capable of conversion into the class and amount of shares and other securities, property and cash receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary

Shares which would have become liable to be issued or delivered if the Conversion Rights had been exercised immediately prior to such consolidation, amalgamation, merger, sale or transfer. The above provisions of this Condition 6(k) will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

## 7 Redemption and Purchase

### (a) Final Redemption

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 7(b) and Condition 7(c).

### (b) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 15, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued and unpaid interest to, but excluding, the Optional Redemption Date:

- (i) at any time on or after 26 March 2021 (the "**First Call Date**"), if the Parity Value in respect of a Bond in the principal amount of €100,000 on each of at least 20 Trading Days in any period of 30 consecutive Trading Days ending not more than 7 days prior to the giving of the relevant Optional Redemption Notice, exceeds €130,000, as verified by the Calculation Agent upon request from the Issuer; or
- (ii) if, at any time prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of more than 85 per cent. in principal amount of the Bonds originally issued.

### (c) Redemption for Taxation Reasons

Subject as provided in Condition 7(d), the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders redeem (subject to the second following paragraph) all but not some only of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued and unpaid interest to, but excluding, the Tax Redemption Date, if (i) immediately prior to the giving of such notice the Issuer has or will become obliged to pay additional amounts in respect of payments of interest on the Bonds pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 February 2018, and (ii) such obligation cannot be avoided by the Issuer 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 would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that

the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective).

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued and unpaid interest to, but excluding, the Tax Redemption Date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that its Bonds shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any Spanish taxation required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Conversion Agent, together with the Bond in respect of which the relevant election has been made, a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date. Any Bond so deposited shall be returned by the relevant Paying, Transfer and Conversion Agent to the relevant Bondholder on the Tax Redemption Date endorsed to reflect the election made by such Bondholder, provided that if the deposited Bond becomes immediately due and payable before that date, the Paying, Transfer and Conversion Agent concerned shall mail the Bond by uninsured post to, and at the risk of, the relevant holder.

*(d) Optional Redemption Notices and Tax Redemption Notices*

The Issuer shall not give an Optional Redemption Notice or a Tax Redemption Notice at any time during a Relevant Period or a Tender Offer Period or which specifies a date for redemption falling in a Relevant Period or a Tender Offer Period or the period of 21 days following the end of a Relevant Period or a Tender Offer Period (whether or not the relevant notice was given prior to or during such Relevant Period or a Tender Offer Period), and any such notice shall be invalid and of no effect (whether or not given prior to the relevant Relevant Period or a Tender Offer Period) and the relevant redemption shall not be made.

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the Closing Price of the Ordinary Shares, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice; and (iii) the last day on which Conversion Rights may be exercised by Bondholders.

*(e) Redemption at the option of Bondholders following a Triggering Event*

If a Triggering Event shall occur, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Put Date at the Put Price, together with accrued interest to (but excluding) the Put Date.

To exercise the right set out in this Condition 7(e), the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer and Conversion Agent together with a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent (a “**Put Exercise Notice**”) at any time in the period (the “**Put Period**”) of 60 days commencing on the occurrence of the relevant Triggering

Event and ending 60 days thereafter, or, if later, 60 days following the date upon which notice as required by Condition 7(f) is given to Bondholders by the Issuer. The “**Put Date**” shall be the fourteenth day after the expiry of the Put Period.

Payment in respect of any such Bond shall be made by transfer to a bank in a city in which banks have access to the TARGET System specified by the relevant Bondholder in the applicable Put Exercise Notice.

In these Conditions:

“**CNMV**” means Spain’s *Comisión Nacional del Mercado de Valores*.

“**Final Date**” means the last day of the Tender Offer Period.

“**Put Price**” means in respect of a Bond:

- (i) in the case of a Change of Control, the principal amount of such Bond; and
- (ii) in the case of a Tender Offer Triggering Event, the greater of (as determined by the Calculation Agent):
  - (A) the principal amount of such Bond; and
  - (B) the Tender Offer Value in respect of such Bond.

“**Tender Offer Consideration**” means the consideration per Ordinary Share receivable by holders of Ordinary Shares in respect of the relevant Tender Offer, provided that:

- (i) if the consideration is comprised solely of cash or there is alternative consideration that is comprised solely of cash, the Tender Offer Consideration shall be the amount of such cash, as determined by the Calculation Agent;
- (ii) if the consideration is comprised solely of consideration other than cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the fair market value of such consideration as at the Final Date;
- (iii) if the consideration is comprised partly of cash and partly of consideration other than cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the aggregate of (x) the relevant cash amount and (y) the fair market value of such non-cash consideration as at the Final Date;
- (iv) if there is alternative consideration that the shareholders may elect to receive, neither of which alternative consideration is comprised solely of cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the consideration having the highest value, based on (x) any cash amount comprised in any alternative consideration and (y) the fair market value of the non-cash consideration comprised in any alternative consideration as at the Final Date; and
- (v) if the Tender Offer Consideration as determined as provided above is in a currency other than euro, it shall be translated by the Calculation Agent, if necessary, into euro at the Prevailing Rate on the Final Date.

“**Tender Offer Period**” means the period during which Shareholders are able to tender Ordinary Shares pursuant to the relevant Tender Offer.

A “**Tender Offer Triggering Event**” shall occur where a Tender Offer is made to all (or as nearly as may be practicable all) holders of Ordinary Shares (or all (or as nearly as may be practicable all) such



shareholders other than the offeror and/or any person or persons acting together with the offeror) to acquire all or any of the issued Ordinary Shares of the Issuer and where, immediately following completion of the Tender Offer, the offeror and/or any person or persons acting together with the offeror has Control of the Issuer.

“**Tender Offer Value**” in respect of a Bond means an amount in cash per Bond (translated if necessary into euro at the Prevailing Rate on the Final Date) (rounded, if necessary, to the nearest €0.01, with €0.005 being rounded upwards) calculated by the Calculation Agent by multiplying (A) the quotient of the principal amount of such Bond divided by the Conversion Price prevailing on the Final Date (with the Conversion Price for this purpose being calculated in accordance with the formula in Condition 6(b)(vi) and as if references therein to “Conversion Date” were references to the Final Date, references to the “Relevant Period” were references to the Put Period, and references to the “date the Change of Control occurs” were references to the date the Tender Offer Triggering Event occurs), by (B) the Tender Offer Consideration.

“**Triggering Event**” means the occurrence of a Change of Control or a Tender Offer Triggering Event.

*(f) Notice of Triggering Event*

Within 14 days following the occurrence of a Triggering Event, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 15. Such notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e), and, in the case of a Change of Control, to exercise their Conversion Rights as provided in these Conditions.

Such notice shall also specify:

- (a) all information material to Bondholders concerning the Triggering Event;
- (b) the Conversion Price immediately prior to the occurrence of the Triggering Event, and, in the case of a Change of Control, the Change of Control Conversion Price applicable on the basis of such Conversion Price;
- (c) the Closing Price of the Ordinary Shares as at the latest practicable date prior to the publication of the relevant notice;
- (d) the last day of the Put Period and, in the case of a Change of Control, of the Relevant Period;
- (e) the Put Price; and
- (f) the Put Date.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the relevant Put Date.

*(g) Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 14(a).

(h) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or any of its Subsidiaries may be surrendered to the Fiscal Agent for cancellation or may be resold.

(i) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail, save that a notice given pursuant to Condition 7(e) shall prevail over a notice given pursuant to Condition 7(b) or (c) in circumstances where the Put Date falls prior to the Optional Redemption Date or Tax Redemption Date, as the case may be.

## 8 Payments

(a) *Principal*

Payment of principal in respect of the Bonds and accrued interest payable on a redemption of the Bonds (other than on an Interest Payment Date) will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender (or, in the case of partial payment only, endorsement) of the relevant Bonds at the specified office of the Registrar or of any of the Paying, Transfer and Conversion Agents.

(b) *Interest and other Amounts*

(i) Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

(ii) Payments of all other amounts will be made as provided in these Conditions.

(c) *Record Date*

“**Record Date**” means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Conditions 8(a) and 8(b)(i) will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the relevant place of payment. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day or (ii) if the Bondholder is late in surrendering the relevant Bond (where such surrender is required pursuant to these Conditions as a precondition to any payment).

(g) *Business Days*

In this Condition, “**business day**” means a day (other than a Saturday or Sunday) which is a TARGET Business Day and, in the case of presentation or surrender of a Bond, on which commercial banks and foreign exchange markets are open for business in the place of the specified office of the Registrar or relevant Paying, Transfer and Conversion Agent to whom the relevant Bond is presented or surrendered.

(h) *Paying, Transfer and Conversion Agents, Calculation Agent etc.*

The initial Paying, Transfer and Conversion Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Fiscal Agency Agreement at any time to vary or terminate the appointment of any Paying, Transfer and Conversion Agent or the Registrar and appoint additional or other Fiscal Agents, provided that it will (i) maintain a Fiscal Agent, (ii) maintain Paying, Transfer and Conversion Agents having specified offices in at least two major European cities and (iii) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying, Transfer and Conversion Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 15. In addition, at any time when a determination is required to be made by an Independent Adviser, the Issuer shall promptly appoint and maintain such an Independent Adviser.

The Issuer reserves the right under the Calculation Agency Agreement at any time to vary or terminate the appointment of the Calculation Agent and appoint another Calculation Agent, provided that the Issuer will maintain a Calculation Agent which shall be a financial institution of international repute or a financial adviser with appropriate expertise.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

*The Bonds on issue will be represented by a global Bond (the “**Global Bond**”) registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.*

## 9 Taxation

(a) *Gross up*

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

deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (i) held by or on behalf of a Bondholder or to the beneficial owner of any Bond which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than (a) the mere holding of the Bond or (b) the receipt of principal, interest or other amount in respect of such Bond; or
- (ii) to, or to a third party on behalf of, a holder or the beneficial owner of any Bond who fails to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Bondholder, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the taxing jurisdiction of the Issuer as a condition to relief or exemption from such taxes, provided that the relevant Bondholder at that time has been notified by the Issuer or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made; or
- (iii) to, or to a third party on behalf of, a Bondholder or to the beneficial owner of any Bond if the Issuer does not receive in a timely manner certain information about the Bonds of such holder as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation; or
- (iv) in relation to any estate, inheritance, gift, sales, transfer or similar taxes; or
- (v) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Bonds do not comply with applicable exemption requirements including those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or
- (vi) (where surrender of the relevant Bond is required as a pre-condition to the relevant payment) where the relevant Bond is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of such Bond would have been entitled to such additional amounts on presenting or surrendering such Certificate for payment on the last day of such period of 30 days; or
- (vii) any combination of the items above.

(b) *Taxing jurisdiction*

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

(c) *FATCA*

Notwithstanding any other provision of these Conditions to the contrary, any amounts to be paid on the Bonds by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of

1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 7(c).

*In the case of Bonds held by a Spanish resident entity and deposited with a Spanish resident custodian, to the extent that the custodian considers that the placement of the Bonds does not comply with the requirements set out in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and that such ruling is applicable to the Bonds, the custodian may levy withholding tax at the then applicable rate (which as at the Issue Date is 19 per cent.) on the interest and income (if any) realised by the Bondholder deriving from the transfer of the amounts withheld, if any, which may be credited by the relevant Bondholder against its final Spanish Corporate Income Tax liability. In connection with the foregoing, the Issuer will not be required to pay any additional amounts in respect thereof.*

## **10 Events of Default**

If any of the following events occurs:

*(a) Non-payment*

The Issuer (i) fails to pay any amount of principal in respect of the Bonds or to issue and deliver Ordinary Shares as provided in these Conditions following exercise of Conversion Rights, within 10 days of the due date for payment thereof or issue and delivery thereof, as the case may be, or (ii) fails to pay any amount of interest in respect of the Bonds, within 14 days of the due date for payment thereof; or

*(b) Breach of other obligations*

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds and such default remains unremedied for 30 days after written notice of such default shall have been given to the Fiscal Agent at its specified office by or on behalf of any Bondholder; or

*(c) Cross-default of Issuer*

- (i) Any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;*
- (ii) Any such Indebtedness 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*
- (iii) The Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,*

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above have occurred equals or exceeds €20,000,000 (or its equivalent in any other currency or currencies); or

*(d) Insolvency etc*

- (i) The Issuer or any of its Material Subsidiaries becomes insolvent or bankrupt or unable to pay its debts, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy;
- (ii) An administrator or liquidator of the Issuer or any of the Material Subsidiaries of the whole or any part of the undertaking, assets and revenues of the Issuer or any of the Material Subsidiaries is appointed (or application for any such appointment is made); or

*(e) Winding up etc*

An order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the case of a Material Subsidiary, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Bondholders; or

*(f) Distress*

A distress, attachment, execution or other legal process for an amount equal to or in excess of €20,000,000 (or its equivalent in any other currency or currencies) is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

*(g) Enforcement of charges*

A secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of the Issuer's Material Subsidiaries; or

*(h) Suspension*

The Issuer or any of its Material Subsidiaries stops, suspends or threatens publicly to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries;

*(i) Illegality*

It is or becomes unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of any of the Bonds; or

*(j) Analogous event*

Any event occurs which under the laws of the Kingdom of Spain has a similar effect to any of the events referred to in the foregoing paragraphs of this Condition 10(j),

then any Bondholder in respect of its Bonds may, by written notice to the Issuer, declare that such Bonds and all interest then accrued but unpaid on such Bonds shall be forthwith due and payable, whereupon the same

shall (to the extent permitted by applicable Spanish law) become immediately due and payable at its principal amount, together with all interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Bonds to the contrary.

For the purposes of this Condition 10, references to “*Subsidiaries*” shall be construed as excluding Unrestricted Subsidiaries.

*Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (administradores concursales) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days) in the Spanish Official Gazette (Boletín Oficial del Estado), (ii) actions deemed detrimental for the insolvent estate of the insolvency 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 by reason only of the other's insolvency may not be enforceable, and (iv) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended as from the date of the declaration of insolvency and any amount of interest accrued up to such date and unpaid (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated.*

## **11 Undertakings**

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution of Bondholders:

- (a) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
  - (i) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or securities on a capitalisation of profits or reserves; or
  - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
  - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
  - (iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Distribution or otherwise gives rise (or would, but for the provisions of Condition 6(c) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price or otherwise falls to be taken into account in determining whether an adjustment to the Conversion Price shall be made;

- (b) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 11(b)(ii) shall prevent:
- (i) any consolidation, reclassification, redesignation or subdivision of the Ordinary Shares; or
  - (ii) any issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any of them; or
  - (iii) any modification of such rights which is not, in the opinion of an Independent Adviser (acting as an expert), materially prejudicial to the interests of the holders of the Bonds; or
  - (iv) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6(c) relating to roundings or the fact that the consideration per Ordinary Share receivable therefore is at least 95 per cent. of  $P_{cum}$  (as defined in that Condition 6(b)(ii)) or at least 95 per cent. of the arithmetic average of the Closing Prices of one Ordinary Share on five consecutive Trading Days determined in accordance with Condition 6(b)(iii), otherwise result, in an adjustment to the Conversion Price; or
  - (v) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Issuer shall have instructed an Independent Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Adviser shall have determined either that no adjustment is required or that an adjustment resulting in an increase in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (c) procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or subscribe for, Ordinary Shares shall subsequently be granted such rights unless the same gives rise, or would, but for the fact that the consideration per Ordinary Share receivable therefore is at least 95 per cent. of  $P_{cum}$  (as defined in that Condition 6(b)(ii)) or at least 95 per cent. of the arithmetic average of the Closing Prices of one Ordinary Share on five consecutive Trading Days determined in accordance with Condition 6(b)(iii), otherwise give rise, to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights and unless the same are issued, offered or granted to, or for the benefit of, directors or employees, or former directors or employees or consultants or former consultants of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme;
- (d) not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;



- (e) not reduce its issued share capital, share premium (*prima de emisión de acciones*) account or capital redemption reserve (*reserva por capital amortizado*) or any uncalled liability in respect thereof, or any non-distributable reserves, except:
- (i) pursuant to the terms of issue of the relevant share capital; or
  - (ii) as permitted under applicable law and whether by way of transfer to reserves or otherwise, as long as no Distribution is made to Shareholders; or
  - (iii) where the reduction is permitted by applicable law and either it results in an adjustment to the Conversion Price or an Independent Adviser (acting as expert) advises that the interests of the Bondholders will not be materially prejudiced by such reduction,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase and/or cancel its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate (or affiliate) of the offeror) to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition, give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Issuer, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer is extended to the holders of any Ordinary Shares issued during the period of the offer arising out of the exercise of the Conversion Rights by the Bondholders;
- (g) use its reasonable endeavours to ensure that (i) its issued and outstanding Ordinary Shares shall be admitted to listing and to trading on the Relevant Stock Exchange, and (ii) the Ordinary Shares issued upon exercise of Conversion Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in and use its reasonable endeavours to comply with such requirements and conditions as may be imposed by the managing companies of the Spanish Stock Exchanges (*Sociedades Receptoras de las Bolsas*) or the CNMV for the official admission to listing of shares;
- (h) use all reasonable endeavours to cause to be made an application for the Bonds to be admitted to trading on the Open Market segment of the Frankfurt Stock Exchange (*Freiverkehr*) or otherwise make or cause to be made an application for the Bonds to be listed or admitted to trading on any other regulated market, multilateral trading facility or as defined for the purposes of Directive 2014/65/EU, as amended in the European Economic Area or other organised secondary market (the “**Admission**”) prior to the first Interest Payment Date and use its reasonable endeavours to maintain such Admission for so long as any of the Bonds remain outstanding. issue and allot or, as the case may be, transfer and deliver Ordinary Shares on exercise of Conversion Rights and at all times keep available for issue free from pre-emptive rights out of its authorised but unissued capital sufficient authorised but unissued Ordinary Shares to enable the exercise of Conversion Rights, and all other rights of subscription and conversion for Ordinary Shares, to be satisfied in full;
- (i) appoint an Independent Adviser to carry out any action requested of it under the Bonds;

- (j) not take any action (nor refrain from taking any action) that would cause the Issuer to be subject generally to the taxing jurisdiction of a territory or a taxing authority of or in that territory with power to tax other than or in addition to the Kingdom of Spain if, at such time and under current laws and regulations, the Issuer would be required generally to make any withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such territory or any political subdivision thereof or therein having power to tax in respect of payments of interest on the Bonds and where any such withholding or deduction exceeds any such withholding or deduction imposed or levied by or on behalf of the Kingdom of Spain.; and
- (k) by no later than the Issue Date, (i) publish a copy of these Conditions (including a legend regarding the intended professionals target market for the Bonds) on its website and (ii) thereafter maintain the availability of such Conditions, as amended from time to time, on such website until such time as none of the Bonds remain outstanding (as defined in the Fiscal Agency Agreement).

## **12 Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed 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 such payment and thereafter any principal or interest payable in respect of such Bonds shall be forfeited and shall revert to the Issuer.

## **13 Replacement of Bonds**

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying, Transfer and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

## **14 Meetings of Bondholders and Modification**

### *(a) Meetings of Bondholders*

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

In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary

Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

*(b) Modification*

The Bonds and these Conditions may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Bondholders.

## **15 Notices**

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange, multi-lateral trading facility or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Fiscal Agent may approve.

*Notwithstanding the above, for so long as all the Bonds are represented by the Global Bond and the Global Bond is deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Bondholders will also be given by the delivery of the relevant notice to Euroclear or Clearstream, Luxembourg and such notices shall be deemed to have been given to Bondholders on the day of delivery to Euroclear and/or Clearstream, Luxembourg.*

The Issuer shall send a copy of all notices given by it to Bondholders pursuant to these Conditions simultaneously (or as soon as practicable thereafter) to the Calculation Agent.

## **16 Spanish Corporations Act**

In compliance with Condition 19(a), and save as provided in Condition 19(a), Bondholders will not benefit from any right as a holder of Bonds arising from article 418 of the Spanish Law on Capital Companies (*Ley de Sociedades de Capital*).

## **17 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds, notes or debentures either having the same terms and conditions in all respects as the Bonds or in all respects except for the first payment of interest on them and the first date on which conversion rights may be exercised and so that such further issue shall be consolidated and form a single series with the Bonds or upon such terms as to interest, conversion, redemption and otherwise as the Issuer may determine at the time of their issue.

## **18 Contracts (Rights of Third Parties) Act 1999**

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

## 19 Governing Law and Jurisdiction

### (a) *Governing law*

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by English law. Condition 1(c) is governed by, and shall be construed in accordance with, Spanish law.

### (b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds).

### (c) *Appropriate forum*

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

### (d) *Rights of the Bondholders to take proceedings outside England*

Condition 19(b) is for the benefit of the Bondholders only. As a result, nothing in this Condition 19 prevents any Bondholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Bondholders may take concurrent Proceedings in any number of jurisdictions.

### (e) *Service of process*

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited of 100 Wood Street, London EC2V 7EX, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Bondholders. Nothing in this paragraph shall affect the right of any Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.