



INMOBILIARIA COLONIAL, SOCIMI, S.A.

(incorporated as a limited liability company (*sociedad anónima*) in the Kingdom of Spain)

€3,000,000,000

Euro Medium Term Note Programme

This base prospectus (the “**Base Prospectus**”) has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the “**CNMV**”), as competent authority under Directive 2003/71/EC of the European Parliament and of the Council (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). The CNMV only approves this Base Prospectus as meeting the requirements imposed under Spanish and EU law pursuant to the Prospectus Directive.

Application will be made for the Book-entry Notes (as defined below) issued under the Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus by Inmobiliaria Colonial, SOCIMI, S.A. (the “**Issuer**”, “**Colonial**” or the “**Company**” and together with its consolidated subsidiaries, “**we**”, “**us**”, “**our**” or the “**Group**”, unless otherwise indicated or the context otherwise requires) to be admitted to listing and trading on the Spanish AIAF Fixed Income Securities Market (“**AIAF**”), which is a regulated market for the purposes of Directive 2004/39/EC, as amended (“**MiFID II**”).

The Programme also permits Bearer Notes (as defined below) to be issued on the basis that they will be admitted to listing on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) and admitted to trading on its regulated market or, as the case may be, another MiFID Regulated Market, in each case, as may be agreed between the Issuer and the relevant Dealer(s). References in the Base Prospectus to the Notes (as defined below) being “listed” (and all related references) shall mean that such Notes have been admitted to listing on the AIAF, Euronext Dublin or another MiFID Regulated Market.

Such approval for admission to trading relates only to the issue of Notes under the Programme during the period of twelve months after the date hereof which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area (the “**EEA**”).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms (as defined herein), save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms (as defined below) and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the EEA and/or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes and the issue price of Notes will be set out in the Final Terms which will also complete information set out in the terms and conditions applicable to each Tranche (as defined in “*Terms and Conditions of the Bearer Notes*” and “*Terms and Conditions of the Book-entry Notes*”, respectively), as required. Copies of the Final Terms relating to Book-entry Notes which are listed on the AIAF will be available on the website of the Issuer (www.inmocolonial.com), at the Specified Office (as defined below) of the Spanish Paying Agent (as defined in “*Terms and Conditions of the Book-entry Notes*”) and published on the website of the CNMV (www.cnmv.es). Copies of the Final Terms relating to Bearer Notes which are listed on Euronext Dublin will be available free of charge on the website of the Issuer (www.inmocolonial.com) and at the Specified Office (as defined below) of the Fiscal Agent (as defined in “*Terms and Conditions of the Bearer Notes*”).

Any notes under this Programme may be issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) (“**Book-entry Notes**”), or in bearer form (“**Bearer Notes**”, and together with the Book-entry Notes, the “**Notes**”).

Each Tranche (as defined herein) of Book-entry Notes will be registered with the Spanish *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal* (“**Iberclear**”) as managing entity of the central registry of the Spanish clearance and settlement system (the “**Spanish Central Registry**”). Consequently, no global certificates will be issued in respect of such Book-entry Notes. Clearing and settlement relating to the Book-entry Notes, as well as payment of interest and redemption of principal amounts, will be performed within Iberclear’s account-based system.

Each Series (as defined herein) of Bearer Notes will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**” and together with the Temporary Global Notes, the “**Global Notes**”). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Global notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depository**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Summary of Provisions Relating to the Bearer Notes while in Global Form*”.

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the “**CRA Regulation**”) will be disclosed in the relevant Final Terms. A list of rating agencies registered under the CRA Regulation can be found on the website of the European Securities and Markets Authority. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

Amounts payable under the Notes may be calculated by reference, *inter alia*, to EURIBOR or LIBOR, or such other reference rate as specified in the relevant Final Terms. As at the date of this Base Prospectus, ICE Benchmark Administration (as administrator of LIBOR) is included in the European Securities and Markets Authority’s (“**ESMA**”) register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is not included in ESMA’s register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of EURIBOR is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

BNP PARIBAS

Dealers

Banco Sabadell

BNP PARIBAS

Crédit Agricole CIB

Mediobanca

**Société Générale Corporate &
Investment Banking**

Bankinter

BofA Merrill Lynch

Deutsche Bank

NATIXIS

Barclays

CaixaBank

J.P. Morgan

NatWest Markets

Unicaja Banco

The date of this Base Prospectus is 27 November 2018.

IMPORTANT NOTICES

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

Copies of the Final Terms relating to Book-entry Notes which are listed on the AIAF will be available on the website of the Issuer (www.inmocolonial.com), at the Specified Office (as defined below) of the Spanish Paying Agent (as defined in “*Terms and Conditions of the Book-entry Notes*”) and published on the website of the CNMV (www.cnmv.es). Copies of the Final Terms relating to Bearer Notes which are listed on Euronext Dublin will be available free of charge on the website of the Issuer (www.inmocolonial.com) and at the Specified Office (as defined below) of the Fiscal Agent (as defined in “*Terms and Conditions of the Bearer Notes*”).

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in “*Overview of the Programme*”). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms and save that, in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see “*Subscription and Sale*”.

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

The Dealers have not separately verified the information contained in this Base Prospectus. To the fullest extent permitted by law, none of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility for the contents of this Base Prospectus (including the information contained in this Base Prospectus), the accuracy or completeness of any of the information in this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance

of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

In connection with the issue of any Tranche (as defined in as defined in “*Terms and Conditions of the Bearer Notes*” and “*Terms and Conditions of the Book-entry Notes*”, respectively), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to Euro and € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed €3,000,000,000 and, for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled “*MiFID II Product Governance*” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive

2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should” or “will”, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, targets, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include, but are not limited to, statements regarding the Issuer’s intentions, beliefs or current expectations concerning, among other things, the Issuer’s projections about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the market in which it operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of our operations and the development of the markets and the industry in which we operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Base Prospectus. In addition, even if our results of operations, financial position and growth, and the development of the markets and the industry in which we operate, are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause our results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, real estate market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes or development planning regime, the availability and cost of capital, currency fluctuations, changes in our business strategy, political and economic uncertainty and other factors discussed in “*Risk Factors*”. The Issuer undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward looking statements that may occur due to any change in the Issuer’s expectations or to reflect events or circumstances after the date of this Base Prospectus, except where required by applicable law. Given the uncertainty inherent in forward-looking statements, prospective investors are cautioned not to place undue reliance on these statements.

The Dealers assume no responsibility or liability for, and make no representations, warranty or assurance whatsoever in respect of, any of the forward-looking statements contained in this Base Prospectus.

ALTERNATIVE PERFORMANCE MEASURES

The financial data included in this Base Prospectus, in addition to the conventional financial performance measures established by IFRS-EU, contains certain alternative performance measures that include EBIT, EBITDA, EPRA NAV, EPRA NNAV, Group’s Loan to Value, Gross Asset Value, Gross financial debt and like-for-like valuation of the Group’s assets that are presented for purposes of providing investors with a better understanding of Colonial’s financial performance, cash flows or financial position as they are used by Colonial when managing its business.

Such measures have not been audited and should not be considered as a substitute for those required by IFRS-EU.

For an explanation and reconciliation of these APMs, see notes 10 to the 2017 Consolidated Management Report and the 2016 Consolidated Management Report and note 9 to the 2018 Interim Consolidated Management Report.

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RISK FACTORS

The Issuer believes that the following risk factors may affect its ability to fulfil its obligations under the Notes. All of these risk factors are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Risk factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available or which it may not currently be able to anticipate and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, legal counsel, accountant or other financial, legal and tax advisers and should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Issuer's financial condition, business, prospects and results of operations.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

We face numerous risks related to our rental business

Our main activity is the rental, acquisition, promotion and sale of real estate. If, in the context of our main activity, we fail to adequately manage our leased premises, including if we are unable to retain our current tenants due to the non-renewal of their lease agreements upon expiry and where we are unable to find new tenants, there is a risk that they will become vacant, resulting in a decrease in our revenues. Even if we enter into new lease agreements with our existing tenants or new tenants, there is a risk that we may have to do so on less favourable terms due to prevailing market conditions at the time of entering into such new leases or other reasons. Furthermore, in the real estate business, the acquisition, improvements, construction or refurbishment of the property to be rented requires large investments, which may not yield a profit where there are unexpected raises in costs and/or decreases in expected rental income. Moreover, cost associated with real estate ownership and management (refurbishment costs, management and maintenance, insurance and taxes) may increase unexpectedly. Notwithstanding the fact that the majority of these costs are passed on to tenants in accordance with applicable law and contractual conditions applicable to each tenant, these increases could result in a loss of competitiveness of the Group in the sector and could make the renewal of contracts or the entry of new tenants more difficult.

In addition, we are exposed to the risk of insolvency or illiquidity of our tenants, which might cause them to default on their rental payment commitments. If our net rental income were to decline as a result, we would have less cash available and the value of our properties could significantly decline. Also, acquiring real estate assets for rent implies significant up-front investment, and, consequently, any increase in costs and/or any reduction in the targeted rental revenues from such assets could result in a materially reduced return on investment. Moreover, significant expenditures associated with the holding and managing of a property, such as taxes, service charges, insurance, maintenance and refurbishment costs may unexpectedly increase. These potential increases could lead to a decline in our competitiveness in the rental sector as well as making it more difficult to renew lease agreements with our existing tenants and making our value offering less attractive to new tenants.

Any of these factors could have a material adverse impact on our financial condition, business, prospects and results of operations.

Our business may be affected by adverse conditions in the Spanish and French economies and the Eurozone

As at the date of this Base Prospectus, the location of our real estate assets is currently exclusively concentrated in Spain and France (in France through our subsidiary SFL). As at 30 June 2018, 56% and 44% of our total revenue came from France and Spain, respectively. We almost exclusively operate in the cities of Barcelona (12%), Madrid (27%) and Paris (56%) for the office rental market, and additionally in Spain (5%) for the logistics market and others.

Geopolitical risks may have an impact on the markets due to political instability in parts of Europe. We are exposed to the geopolitical risks of the European Union (the “EU”) countries and, particularly, of the countries in which we operate. In relation to the EU, the conditions for the departure of the United Kingdom from the EU are still under negotiation and, consequently, there is uncertainty about the final impact this may have on the economy, the markets and companies in general. In Spain, political instability has increased during the last 12 months. In particular, the uncertainty generated by the political situation in Catalonia could have an impact on the Spanish economy, so another source of uncertainty could stem from the political situation in Catalonia and its impact on the Spanish economy. Although recent events are contributing to reducing such instability, if political tensions were to re-emerge or intensify, this could have a negative impact on both the financial condition and the current macroeconomic scenario in Spain.

Investor confidence could fall due to uncertainties arising from any political events which may also result in changes to laws, regulations and policies. The prolongation of such uncertainty could have a material adverse effect on our business, results of operations and financial condition. Despite the improvement in the European financial markets and the recovery of Spain’s economy, we are unable to predict how the economic cycle in Spain, France and the wider Eurozone is likely to develop in the short term or the coming years or whether there will be a further deterioration in this economic cycle. Adverse economic conditions may have a negative impact on demand for office space or the ability of our tenants to meet their rental payment obligations. Further declines in the performance of the Spanish economy or the economies of other Eurozone countries, including France, could have a negative impact on consumer spending, levels of employment, rental revenues, vacancy rates and real estate values.

Any of the above factors could have a material adverse effect on our financial condition, business, prospects and results of operations.

Our activities are concentrated in the letting of offices in the central business districts of Paris, Madrid and Barcelona

Our main activity is the management and development of buildings for rental, mainly offices in the central business district (“CBD”) in Paris, Madrid and Barcelona. As at 30 June 2018, the letting of offices represented 82% of our rental income and 70% of this income originated from rents obtained in the CBD at 30 June 2018. Furthermore, as at 30 June 2018, 52% of the total sqm surface of our Property Portfolio was located in the CBD. Consequently, changes in trends of preference about the offices’ location in these areas could have a material adverse effect on our financial condition, business, prospects and results of operations.

The valuation of our real estate asset portfolio may not precisely and accurately reflect the value of our assets at any given time

Twice a year we engage independent appraisers to prepare a valuation of all assets that form part of our Property Portfolio. While such independent appraisers carry out their valuation applying mainly objective market criteria to each of such assets, real estate valuation is inherently subjective and relies on a number of assumptions

based on the features of each property. In the event that certain information, estimates or assumptions used by such independent appraisers turn out to be inaccurate or incorrect, this could cause their valuations of our real estate portfolio to be materially incorrect and may require such valuations to be revised. Any downward revision may require us to include a loss in our Financial Statements.

As stated in the subsection entitled “*Real estate value creation*” of paragraph 2 (*Business evolution and results*) on page 38 of the 2018 Interim Consolidated Management Report, which is incorporated by reference to this Base Prospectus, on 30 June 2018, the assets comprising our Property Portfolio were valued at an amount of approximately €11,190 million by independent appraisers (this amount includes the full value of the assets that we hold indirectly through joint ventures in which we have a stake of 50% or more), based on certain assumptions and different valuation methods. However, the market value of real estate assets, including commercial land under development and buildings of any nature could decrease due to a number of factors, such as increases in the risk premium leading to lower than expected returns, our inability to obtain or maintain necessary licenses, decline in demand, planning and zoning developments, regulatory changes, and other factors, some of which may be beyond our control.

The valuation of our Property Portfolio should not be interpreted as an estimate or an indication of the price at which a property would sell, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Investors are cautioned not to place undue reliance on such statements.

We face certain risks related to our significant indebtedness

As a company operating in the real estate sector, we require significant levels of investment to fund the development of our projects and the growth of our business through the acquisition of real estate assets and/or land. Our Gross Financial Indebtedness (calculated as the sum of the total bank borrowings plus bonds and similar securities issued (excluding interest and debt arrangement expenses)) was €5,378 million as at 30 June 2018. Our Loan to Value was 39.4% as at 30 June 2018 (calculated as consolidated net debt (consolidated gross financial indebtedness less cash and cash equivalents) divided by gross asset valuation).

If we do not have enough cash to service our debt, meet other obligations and fund other liquidity needs, we may be required to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of our existing debt, or seeking additional equity capital. These alternative measures may be costly, may not be successful and may not permit the Group to satisfy all of its scheduled debt service requirements. We may not assure you that any of these remedies, including obtaining appropriate waivers from our lenders, can be effected on reasonable terms or at all. In addition, any significant increase of leverage by SFL could restrict or limit access to financial markets and could have a negative impact on the credit rating of Colonial.

Furthermore, we are subject to risks normally associated with debt financing, including the risk that the cash flow from our operations is insufficient to meet our debt service requirements. Furthermore, our financing is subject to certain covenants. These include a change of control and determined levels of certain economic ratios as defined in each contract (loan to value ratio, debt service ratio, interest cover ratio, and others). If we do not comply with these covenants, the financing may be terminated early. As of 30 June 2018, the Group had complied with all of the required covenants. Despite working with lenders of recognised solvency, we cannot guarantee that the counterparties in our financing contracts will comply with their obligations in the future.

Any of the foregoing factors could have a material adverse effect on our financial condition, business, prospects and results of operations.

A decrease in credit rating could adversely affect the Group

S&P Global Ratings Europe Limited (“**Standard & Poor’s**”), a credit rating agency registered with the European Securities and Markets Authority (ESMA), raised our long-term credit rating from “BBB-” to “BBB” and our short-term credit rating from “A-3” to “A-2” in April 2017, both with a stable outlook. In addition, regarding SFL, in October 2017, Standard & Poor’s raised SFL’s long-term credit rating to “BBB+” with a stable outlook and in October 2018, Standard & Poor’s also raised our long-term credit rating to “BBB+” with a stable outlook. Moody’s Investors Service Limited (“**Moody’s**”) issued a long-term credit rating of Baa2 with a stable outlook in May 2017. However, on 14 November 2017, Moody’s lowered the outlook on our long-term credit rating from stable to negative.

Credit ratings are not a recommendation to purchase, subscribe, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the rating agency awarding the rating. However, credit ratings affect the cost as well as other conditions in relation to our financings. Any downgrade of the credit rating of the Group would increase our borrowing costs and could restrict or limit access to financial markets, which could adversely affect our liquidity and could have a material adverse effect on our financial condition, business, prospects and results of operations.

We face certain risks related to fluctuations of interest rates

As of 30 June 2018, 13% of our Gross Financial Indebtedness had a variable interest rate, while 87% had a fixed interest rate (compared to 15% and 85%, respectively, as of 31 December 2017). As of 30 June 2018, 82% of the Colonial’s Gross Financial Indebtedness, including that secured by Torre Marenostrom, carried a fixed interest rate while in the case of SFL 97% of the Gross Financial Indebtedness had a fixed interest rate.

We cannot guarantee that we will be able to continue to incur financing at fixed interest rates and, consequently, that we might have to increase the amount of financing at a variable interest rate. Any upward variation in the interest rates would increase the costs associated to financing debt with a variable interest rate and would, ultimately, have a material adverse effect on our results of operations.

To limit the interest rate risk, we have a risk management policy in place. The aim of this risk management policy is to reduce our exposure to the volatility of interest rates and to control the impact of such interest rates on our results and cash flow, maintaining an adequate overall debt cost. Additionally, our policy is to agree on efficient hedging financial instruments and thereby register variations in market value directly in our net Property Portfolio. As of 30 June 2018, the percentage of hedged debt or debt at a fixed interest rate over total debt was 97%. Hedging entails financial costs and could be negatively impacted by (i) interest limitations in hedging contracts with financial institutions; and (ii) inability to subscribe to hedging agreements as a consequence of factors that are outside our control and that could affect the hedging counterparties.

As of 30 June 2018, we maintained various financial instrument agreements, but these did not have a significant impact on our results or cash flow. In the event that we significantly increase our financing at a variable interest rate and we cannot cover our exposure to the interest rate fluctuations to a satisfactory degree, this could have a material adverse effect on our financial condition, business, prospects and results of operations.

We face numerous risks related to court claims and out-of-court claims

Other than the claims described in “*Information on the Issuer and the Group—Legal Proceedings*”, we are not currently aware of any other threatened claims, whether in court or out of court that may have a material adverse effect on our financial condition, business, prospects and results of operations.

The above notwithstanding, claims could, however, be brought against us in the future in relation to, among other things, construction defects of any kind or in relation to the construction process and/or the materials used in the construction or refurbishment of our property assets or of assets previously owned or developed by us which we have sold or transferred to third parties, including in relation to possible defects in such assets caused by actions or omissions of third parties which we engage, such as architects, engineers, building contractors or subcontractors.

While we have insurance in place to cover legal costs or potential damages against us and the Issuer's directors and management as well as against us in relation to our real estate assets in certain cases, such insurance may not be adequate to cover all of the significant costs resulting from such legal claims. Moreover, we can provide no assurance that our current liability insurance coverage will continue to be available on commercially acceptable terms, and the insurer may, in any event, deny coverage on any future claim.

Any such claim, or any other claim related to our business and activities, could have a material adverse effect on our financial condition, business, prospects and results of operations.

We may be exposed to a deterioration of its corporate reputation

Our corporate governance management aims to advancing a model based on the principles of efficiency, regulatory compliance and transparency, aligned with the main international standards. Likewise, our corporate social responsibility policy aims to establish the principles and basis of the commitments that we maintain voluntarily with our stakeholders (shareholders, investors, customers, suppliers and employees). The management of these expectations is part of our objectives in terms of sustainability and value creation for these stakeholders. Accordingly, we have integrated this reputational concern into the management of the Group within its defined sustainable growth model, establishing measures of transparency and continuous contact through defining different communication channels with these stakeholders in order to get to know and analyse their perceptions and expectations regarding the Group. However, we may not control all the situations or events which could negatively affect our reputation. Any such event or situation could lead to a loss of trust, resulting in a negative effect on forecasted growth, access to different financing sources and, therefore, to our liquidity, a reduction of the rental income or an increase in operational or financial costs.

We also face numerous risks related to court claims and out-of-court claims. Consequently, we could incur significant expenditures and reputational damage in defending any of these claims (even if the outcome were favourable to us).

Any of these events could have a material adverse effect on our financial condition, business, prospects and results of operations.

We are dependent on a small number of large tenants and assets for a significant part of our revenue from rental income

A small number of tenants currently account for a significant part of our revenue from rental income. As at 30 June 2018, and on the basis of the lease agreements in force at that date, twenty tenants represented 36% of our total revenue from rental income (with our largest tenant representing 3% of that total revenue).

Our real estate business depends on the solvency and liquidity of our tenants. A tenant may from time to time experience financial difficulties or may become insolvent, which could result in its failure to meet payment obligations when due, or at all. If we experience a significant rate of delinquency in the payment of rent or if we are unable to collect overdue rent, or if our reserves for these purposes prove inadequate, this could have a material

adverse effect on our financial condition, business, prospects and results of operations.

Moreover, if we were unable to retain any of our large tenants or if we were unable to replace them with other tenants on substantially similar terms, this could have a material adverse effect on our financial condition, business, prospects and results of operations.

A small number of assets currently account for a significant part of our revenue from rental in income. As at 30 June 2018, 20 assets accounted for 51% of our revenue in Spain and 5 assets belonging to SFL accounted for 56% of our revenue in France. If, for whatever reason, any of these assets were destroyed or rendered unusable, or if we were to lose any of these assets for any other reasons or if we were unable to replace them on substantially similar terms, or if the maximum amounts under our insurance policies for these situations would not be sufficient, this could have a material adverse effect on our financial condition, business, prospects and results of operations.

We are increasingly dependent on information technology systems, which may fail, may not be adequate to the tasks at hand or may no longer be available

We are increasingly dependent on highly sophisticated information technology (“IT”) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centers and computer viruses. IT systems need regular upgrading and we may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect our operations from cyber-attacks could result in the loss of tenant data or other sensitive information. The threats are increasingly sophisticated and there can be no assurance that we will be able to prevent all threats. We may incur in costs as a result of any failure of our IT systems. We maintain back-up systems for our operations, including hosting critical services in a “cloud” Tier IV level, to provide high level service availability (i.e., more than 99.99%) and guarantee business continuity and additionally, we have a specific IT cybersecurity action plan. However, there are certain scenarios where we could lose certain recently-entered data. A major disruption of our IT systems, whether under the scenarios outlined above or under other scenarios, could have a material adverse effect on our financial condition, business, prospects and results of operations.

We may engage in acquisitions, investments and disposals as part of our strategy

As part of our strategy, we may engage in acquisitions, investments and disposals of interests. However, we cannot guarantee that such transactions will be successful, or that they will generate the expected profits. In particular, on 13 November 2017, we launched a takeover offer for all the shares of Axiare not already held by Colonial. The successful result of this takeover offer as well as the acquisition of the remainder of Axiare’s shares (to reach a 100% shareholding) has culminated in the merger of Axiare with Colonial on 2 July 2018 (see “*Information on the Issuer and the Group—History—Axiare (2018)*”).

Such acquisitions, whether completed (such as the merger by absorption of Axiare) or those that may be carried out in the future, involve a number of risks. For example, our Group companies could be faced with unforeseen events, liabilities, flaws or defects of a material nature related to the acquired assets or businesses, which were unknown by the Group and that were not disclosed during the due diligence processes (e.g., the possible termination of contracts as a result of a change of control) or difficulties in the intergration of acquired operations, which could cause disruptions or redundancies. If any of these risks were to occur, this could, among other things, require the Group to incur higher-than-anticipated costs (which could even make it necessary to make adjustments in the business) and require a level of dedication and attention from our management and staff which could stretch our resources or prevent them from being deployed in other areas of our business, which could have an adverse effect on our revenues. As a result, the revenues, profits and synergies derived from the acquisition of companies or businesses by the Group may not be in line with those expected or may not materialise.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon our business, results of operations or financial condition. Any disposal of interest may also adversely affect our financial condition, if such disposal results in a loss.

We face risks in relation to goodwill impairment

Goodwill generated in an acquisition is allocated to the cash-generating units (“CGU”) of the business we acquire. In accordance with accounting rules, our management identifies the different CGUs based on the smallest identifiable group of assets generating cash inflows in favour of the acquired entity. These are largely independent from the cash flows derived from other assets or groups of assets. For example, as a result of our acquisition of Axiare, goodwill amounting to €170,284 thousand was generated in 2018. On 30 June 2018, goodwill was reduced by €25,662 thousand to €144,622 thousand in line with the revaluation of the real estate investments arising from this business combination.

Goodwill is periodically tested for impairment. The recoverable amount as of 30 June 2018 has been estimated according to its value in use, which is based on assumptions of cash flows resulting from the financial projections discounted at rates that take into account specific risks of the assets and the implementation of a strategic plan based on a on a long-term approach.

Any significant variation in the parameters and assumptions used could lead to additional impairment of goodwill, which could have a material adverse effect on our results of operations (limited to the outstanding amount of goodwill).

There may be risks associated with our subsidiaries and/or minority investments

We have in the past and may in the future act through subsidiaries that we completely or partially own and control. We could ultimately incur responsibility through our management of the subsidiary, as well as from claims in relation to outstanding obligations or defective construction or materials of properties owned or developed by the Company which it transferred to a subsidiary or due to the subsidiary forming part of our tax Group, including in relation to subsidiaries that we transferred out of the Group.

We may also enter into a variety of acquisition structures in which we acquire less than a 100% interest in a particular asset or entity with the remaining ownership interest being held by one or more third parties. The lack of control and ability to influence the management of such an asset or entity may entail risks associated with multiple owners and decision makers, including the risks that:

- other shareholders or investment partners have economic or other interests that are inconsistent with the Group’s interests and are in a position to take or influence actions contrary to the Group’s interests and plans; or
- disputes develop between the Group and other shareholders or investment partners, resulting in the Group incurring litigation or arbitration costs and distracting the Board of Directors and/or senior management from their other managerial tasks.

In addition, it may be more difficult for the Group to dispose of a minority stake in an asset or entity on acceptable terms or at all than would be the case if the Group were to dispose of a controlling stake.

Any of the above could have a material adverse effect on our financial condition, business, prospects and results of operations.

RISKS RELATED TO THE REAL ESTATE SECTOR

Real estate markets are cyclical

Real estate markets are typically cyclical in nature and are affected by the condition of the economy as a whole. Occupancy levels, the prevailing rental rates and, generally, the value of the assets are influenced by, among other factors, the supply and demand of similar properties, interest rates, inflation, GDP growth, changes in laws and regulations, political and economic events and demographic and social factors, which may differ in countries or areas where we operate.

During the first half of the last decade, the Spanish real estate market experienced disproportionate growth driven by economic factors (rise in employment and GDP), financial factors (low interest rates) and demographic, cultural and social factors (a general preference for home ownership over renting and increased immigration). Similarly, in France the real estate market was in a growth cycle which began in the late 1990s and was disrupted by the economic downturn that followed the international financial crisis triggered in the summer of 2007, which had a very material impact on the European real estate sector. This impact significantly changed the outlook of the Spanish and French sectors with falling prices and a substantial decrease in demand.

Despite the onset of a recovery in the real estate sector in recent years, there is no assurance that this recovery will continue or be sustainable or for how long any such recovery will last. We cannot predict how the economy will fare in the future, the real estate sector could experience a new recession, which could imply a decrease in real estate values, sales and rents and an increase in financing costs. Any of these factors could have a material adverse effect on our financial condition, business, prospects and results of operations.

The real estate industry in Spain and France is highly competitive

The real estate sector is highly competitive and very fragmented, and new real estate companies face low barriers to entry.

Our competitors in Spain are typically companies operating locally but also include international companies. With the reopening of capital markets, triggered by the recovered confidence of international investment funds in the real estate sector as a long-term investment, especially in connection with sovereign debt funds, with the creation of new listed property investment companies (SOCIMIs) and with the rise in investments made in property assets, the level of competition in the Spanish rental property sector has increased. Furthermore, the growth of acquisitions and concentration of companies in the real estate sector has also meant an increase in the level of competition. In addition, real estate investment companies, backed by both national and international investors, have entered the Spanish market to take advantage of what they perceive to be attractive valuations of real estate assets.

In France, through our subsidiary SFL, we operate in a highly competitive sector and compete with numerous market participants such as (i) investors with a strong capital base such as insurance companies, real estate investment funds (OPCI) and real estate investment companies (SCPI) or sovereign wealth funds and (ii) investors who kept their indebtedness at manageable levels through the recessionary cycle, such as certain other French listed real estate companies (*société d'investissement immobilier cotées* or SIIC). Moreover, foreign investors have recently returned to the Parisian real estate investment market leading to higher competition.

Any of these competitors in the Spanish and French markets may be larger in size and have greater financial resources than we have. This high competitiveness could lead to an oversupply of property, or a decline in prices, including an oversupply of rental properties in the offices sector and a decrease in rental levels, as has

occurred during recent years. All of the foregoing could have a material adverse effect on our financial condition, business, prospects and results of operations.

Furthermore, strong competition in the industry may, at certain times and for certain projects, impede the acquisition of new assets. Also, our competitors could adopt similar business models regarding rent, development and acquisition. This could reduce our competitive advantage and have a material adverse effect on our financial condition, business, prospects and results of operations.

The anticipation of new trends

The real estate sector, like other sectors, needs to constantly adapt to emerging new trends that are introduced. The increasing evolution of digitalisation in all sectors, the new technologies applied in the real estate sector, as well as the increase in coworking spaces represent constant changes, by which the real estate sector is particularly affected. The Group allocates resources and develops specific activities in order to be able to analyse and if necessary, apply these new trends to the activities the Group carries out. During 2017, we appointed a digital senior advisor, with the aim of promoting our initiatives and strategies in the field of ‘PropTech’ (Property Technologies), a segment that studies the impact of technology and digitalisation on the carrying out of services and new business models in the real estate sector. Also in 2017, we acquired a controlling stake in the Spanish coworking platform Utopic_US, which positions us in a new strategic line with the aim of complementing and reinforcing our user strategy, offering flexibility and integrated services and content.

However, if the Group is unable to implement these new trends, this could reduce our competitive advantage and have a material adverse effect on our financial condition, business, prospects and results of operations.

Restrictions placed on debt markets or capital markets could limit or prevent us from obtaining financing for our investments as well as the realisation of divestments

The sector in which we operate requires significant levels of up-front investment. To finance the acquisitions of real estate assets, we typically use bank loans, mortgage loans, debt and capital increases. If we do not have access to such financing or alternative financing such as debt issuances or share capital increases, or in the event we are unable to obtain financing on favourable terms or at all, our capacity to refinance our debt and/or our ability to grow our business could be harmed, which would have a negative effect on our strategy and business.

Our level of indebtedness and fluctuations in interest rates could result in an increase of the financial cost (see “–We face certain risks related to fluctuations of interest rates” and “–We face certain risks related to our significant indebtedness”), and any increase would additionally entail a higher exposure to interest rates fluctuations in the financial markets.

Additionally, we could have difficulties to realise the actual value of some of our assets and be forced to lower the sale price or to keep them in the portfolio for a longer period than expected. The illiquidity of the investments may limit our capacity to adapt our Property Portfolio to potential circumstantial changes.

Any of these factors could have a material adverse effect on our financial condition, business, prospects and results of operations.

It could be more difficult for various reasons for us to acquire properties on attractive terms, which would impair the future performance and particularly the growth of our business. We may not be able to complete any potential acquisitions

Our commercial success depends, among other things, on our ability to continue to acquire properties with the potential for appreciation and/or rent increase in economically attractive regions at reasonable prices, with good tenant structure, in high quality locations and at favourable occupancy rates. Additionally, the success of our business model depends on our being able to integrate and successfully market newly acquired properties. We may not be able to complete acquisitions, for example due to financing shortages or the failure to reach mutually agreeable terms. In addition, it could become more difficult, for various reasons, for us to acquire properties at attractive prices, which could limit our future growth. Any of the above could have a material adverse effect on our financial condition, business, prospects and results of operations.

The real estate sector is subject to certain laws and regulations and changes in applicable legislation could have a material adverse impact on our financial condition, business, prospects and results of operations

In general, we are required to comply with Spanish, French and EU laws and regulations, which laws and regulations relate to, among other things, property, land use, development, zoning, health, safety, taxation regarding real estate assets and stability requirements and environmental compliance. Additionally, applicable laws may vary from one region to another. The relevant authorities in Spain, France and the European Union could impose sanctions if we do not comply with such laws or regulations.

These laws and regulations often provide broad discretion to the administering authorities. Moreover, these laws and regulations are subject to change (some of which may, exceptionally, be retrospective), which could adversely affect, among other matters, existing planning consents, costs of property ownership, costs of property transfer, the capital value of our assets and/or our rental income. Such changes may also adversely affect our ability to use a property as initially intended and could also cause us to incur increased capital expenditure or running costs to ensure compliance with such new applicable laws or regulations, which may not be recoverable from tenants. The occurrence of any of these events may have a material adverse effect on our financial condition, business, prospects and results of operations.

Liability under Spanish law for clean-up of contamination is based on the principle that the person causing the contamination is liable. Where it is not possible to identify the person causing the contamination, such liability falls on the owner. Therefore, in the event that any asset we own is contaminated, and the person causing the contamination cannot be identified, we could be liable.

Through our French subsidiary SFL, we are also subject to various environmental and public safety laws and regulations in France. For example, we are responsible for adequately monitoring our properties as relates to soil contamination and toxic substances and, if applicable, for the clean-up of the contaminated soil or the elimination of the toxic substances in our properties. This liability affects both past and current owners of the relevant property, and even developers. In certain cases, French law provides for severe liabilities regardless of whether the current owner of the property has caused the damage or not.

A substantial change in any such laws or regulations or in the interpretation or enforcement of such laws and regulations by the national, regional or local authorities, the European Union or national courts in Spain or France could require us to change our development plans and to incur additional costs, which could have a material adverse effect on our financial condition, business, prospects and results of operations.

In addition, while we strive to ensure that the materials we use in the refurbishment of our real estate assets are compliant with applicable legislation, such materials might not be compliant, which could expose us to claims or other adverse actions.

We may be exposed to potential liability due to actions of building contractors and subcontractors

For the majority of our building and refurbishing projects, we enter into agreements with independent third-party contractors and sub-contractors. Depending on the nature of the work required, we may engage large construction companies or smaller specialised subcontractors (such as electricians, plumbers and others). As at the date of this Base Prospectus, we have a bidding procedure in place for when hiring independent contractors to build or refurbish assets. The number of independent contractors varies annually and depends on the number of projects undertaken.

We enter into agreements with third-party independent contractors and subcontractors which we believe to be reputable and offer competitive terms to carry out the work. These contractors typically perform their work diligently and on time. Nevertheless, it is possible that such contractors or subcontractors could fail to meet their commitments, fall behind in their schedules or run into financial difficulties making them unable to complete their projects in a timely manner or at all. In such a case, we may be forced to devote additional resources to complete the necessary work, incur losses or be required to pay penalties.

Although we attempt to verify our contractors' compliance with health and safety regulations and labor and social security statutory requirements (such as being up to date with employer's social security contributions and ensuring that their workers are legally employed) and other laws, regulations and requirements, any failure by such contractors to comply with these laws, regulations and requirements could render us liable in respect of such obligations.

All of the foregoing could have a material adverse effect on our financial condition, business, prospects and results of operations.

We may face loss of revenue and liability in relation to pending occupancy and activity licenses

In order to exploit our real estate assets, we are required to obtain, among other things, certain occupancy and activity licenses from municipal authorities. We are also required, in certain circumstances, to renew or update existing licenses following the refurbishment of real estate assets. We may be prevented from using our real estate assets as originally scheduled as a result of delays in obtaining (or failure to obtain) such licenses (which are in any case subject to long administrative proceedings). Additionally, some of our lease contracts offer tenants the right to terminate such contracts if we fail to obtain those licenses within the specified deadline. This could have a material adverse effect on our financial condition, business, prospects and results of operations.

Our real estate investments may decrease in value

The acquisition and ownership of real estate assets and land includes certain investment risks, such as that the return on the investment may be smaller than expected or that the estimates or valuations (including those of the cost of asset development) may be imprecise or incorrect. The decrease in value of real estate assets in the last few years has had a very significant impact on businesses operating in the real estate sector. However, this tendency has changed, and since 2014 a recovery in the value of these assets has begun. Nevertheless, the market value of the assets could decrease or be negatively affected in certain cases, for instance if there are variations in the return on the investment.

We record the corresponding revaluation or decrease of each asset on a semiannual basis. The value is determined with reference to the valuations of each asset by independent, external valuers. As of 30 June 2018, we registered a revaluation of real estate assets included in material real estate assets, real estate investments and assets held for sale for €325 million in our consolidated statement of comprehensive income.

We dedicate a significant amount of resources to the investment and maintenance of our real estate assets to optimise the value and the positioning of such assets in the market. This, therefore, optimises the income generated by such assets. Nevertheless, we cannot guarantee that the assumptions on which the semiannual valuations of the Property Portfolio are based will still be correct in the future. This could result in the decrease in value of our real estate assets, both in the valuations and the market, which could have a material adverse effect on our financial condition, business, prospects and results of operations. See also “—*The valuation of our real estate asset portfolio may not precisely and accurately reflect the value of our assets*”.

Investing in real estate is subject to certain inherent risks

Revenues earned from, and the capital value of, our investments in real estate may be materially adversely affected by a number of factors inherent in investing in real estate, including, but not limited to:

- decreased demand;
- relative illiquidity of the assets;
- material declines in rental or operating values;
- exposure to the creditworthiness of tenants, including breach of their obligations, impossibility to collect rents and other contractual payments, renegotiation of tenant leases on terms less favourable to us or termination of tenant leases;
- material litigation;
- material expenses in relation to the refurbishment and reletting of a relevant property, including the provision of financial inducements to new tenants such as rent-free periods;
- reduced access to financing for tenants;
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants; and
- inability to recover operating costs such as local taxes and service charges on vacant space.

If our revenues earned from tenants or the value of our properties are adversely affected by the above or other factors, this could have a material adverse effect on our financial condition, business, prospects and results of operations.

In addition, investing in offices is subject to certain risks inherent to the asset class. For example, demand for office space is subject to a number of factors, including overall economic conditions and the attractiveness of a particular location due to transport links, the proximity of other office space and general trends in the commercial real estate market, such as trends in the usage of office space. Even where demand for office space is generally high, the offices held in our Property Portfolio may become unsuitable for our tenants if they were to seek bigger surfaces or a particular layout of office space which is different from that offered by our properties. In addition, a downturn in a particular economic sector may adversely affect our business to the extent our tenants operate in such sector. In addition, any excess in supply of office space is likely to exert a downward pressure on overall

leasing rates, which could have a material adverse effect on our financial condition, business, prospects and results of operations.

We are exposed to various operational risks, liabilities and claims with respect to our operating assets

Our property assets are exposed to various operational risks, liabilities and claims which may occur due to fire, flooding or other natural or human-caused reasons. We could also incur third-party liability as a consequence of accidents which occur in any of the property assets owned by us as well as in properties owned by a third party. Although we have insurance coverage that we deem sufficient, if such claims are not covered by the terms of our insurance, or if they exceed our insurance coverage or if there is an increase in insurance costs, we would suffer losses in respect of our investment in the affected asset, as well as losses of expected income from that asset. In addition, we could be liable for the repair costs associated with damage caused by uninsured risks, and we might also remain liable for any debt or other financial obligation related to that property. Any of these factors could have a material adverse effect on our financial condition, business, prospects and results of operations.

We are exposed to certain risks related to the structural condition of the properties and their maintenance and repair

Our newly acquired properties are inspected prior to purchase in the course of a technical and thorough due diligence investigation with respect to their structural condition and, to the extent necessary, the existence of harmful environmental impacts. It is possible, however, that damage or quality defects could remain entirely undiscovered, or that the scope of such problems is not fully apparent in the course of the due diligence investigation, and/or that defects become apparent only at a later time. In general, sellers exclude all liability for hidden defects. Even if liability for hidden defects has not been fully excluded, it is possible that the representations and warranties made in the purchase agreement with respect to the property failed to cover all risks and potential problems relating to the acquisition. An external technical audit review is conducted periodically on the Property Portfolio. In addition, we have obtained energy certificates for the majority of our assets, and we have a plan in place to obtain energy certificates for the entire Property Portfolio. However, it is possible that significant environmental pollution, such as the use of construction materials containing asbestos, was not detected, and we could be exposed to financial liability for any required remediation measures.

Additionally, we could be exposed to unexpected problems or unrecognised risks, such as delays in the implementation of maintenance, refurbishment or modernisation measures in connection with acquired real estate portfolios, against which we might not be contractually protected. The occurrence of any such unexpected problem or unrecognised risk could have a material adverse effect on our financial condition, business, prospects and results of operation. In addition, if, as a result of these unexpected problems and unrecognised risks, we are unable to lease a property as planned or effectuate increases in in-place rent, our financial condition could further deteriorate, and the value of the acquired assets could decline.

After acquiring properties, we undertake to maintain rented properties in good condition. For this reason, and also to avoid loss of value, we perform maintenance and repairs. In addition, modernisation of properties may be necessary to increase their appeal or to meet changing legal requirements, such as the provisions relating to energy savings. Such measures can be large-scale and expensive. As a result, we could face higher than budgeted costs for maintenance, repair or modernisation that we may be unable to pass on to the tenant. Moreover, required maintenance, repair or modernisation work could be delayed, for example, by reason of bad weather, poor performance or insolvency of contractors, or the discovery of unforeseen structural defects which may result in increased costs to remedy such defects.

Any of the above could have a material adverse effect on our financial condition, business, prospects and

results of operations.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

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

Notes subject to optional redemption by the Issuer

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

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

Conflicts of interest between the Calculation Agent and Noteholders

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

RISKS RELATING TO THE NOTES GENERALLY

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

Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with an outstanding Tranche). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications will be made for the Book-entry Notes issued under the Programme to be admitted to listing on the AIAF, and Bearer Notes may also be listed on the Euronext Dublin or another MiFID Regulated Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for any particular Tranche.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes or other debt securities, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's operating results, financial condition or prospects.

Financial covenants

The terms and conditions of the Notes (the "**Terms and Conditions of the Notes**" or the "**Conditions**"), contain an option for certain Notes issued to be subject to financial covenants requiring the Group to maintain certain financial ratios (see "*Terms and Conditions of the Notes—Condition 6*"). Failure to comply with this covenant, if appropriate, including as a result of the occurrence of extraordinary or unforeseen events, could result in an event of default under the Notes and such debt facilities, as well as early termination of such debt facilities, any of which could have a material adverse effect on the Group's revenues and operations and, accordingly, the Issuer's ability to meet its obligations under the Notes.

Modification, waivers and substitution

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

Clearing and settlement of the Book-entry Notes

The Book-entry Notes will be registered with Iberclear. Consequently, no global certificates have been or will be issued in respect of the Book-entry Notes. Clearing and settlement relating to the Book-entry Notes, as well as payment of interest and redemption of principal amounts, will be performed within Iberclear's account-based system. The investors are therefore dependent on the functionality of Iberclear's account-based system.

Title to the Book-entry Notes will be evidenced by book-entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the "**Iberclear Members**") as being the holder of the Book-entry Notes will be considered the holder of the principal amount of the Book-entry Notes recorded therein.

The Issuer will discharge its payment obligation under the Notes by making payments through Iberclear. Holders of the Book-entry Notes must rely on the procedures of Iberclear and its participants to receive payments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, holders of the Book-entry Notes according to book-entries and registries as described in the previous paragraph.

A summary of clearance and settlement procedures applicable to book-entry notes in Spain is set out in "*Summary of Clearance and Settlement Procedures Applicable to the Book-entry Notes*".

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

The Bearer Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository or common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Bearer Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Bearer Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Bearer Notes by making payments to the common depository or paying agent (in the case of a Global Note in NGN form) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Bearer Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

Change of law

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

Bearer Notes where denominations involve integral multiples

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

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

Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index “benchmarks”

The London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other indices which are deemed “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be

implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a “benchmark”.

Key international reforms of “benchmarks” include the EU’s Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the “**Benchmarks Regulation**”).

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation has been in force since 1 January 2018, except that the regime for ‘critical’ benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to “contributors”, “administrators” and “users of” “benchmarks” in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of “benchmarks” and (ii) ban the use of “benchmarks” of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called “critical benchmark” indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including “proprietary” indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to a “benchmark” index, including in the following circumstances: (i) an index which is a “benchmark” could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular “benchmark” and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; and (ii) the methodology or other terms of the “benchmark” related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the “benchmark” or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”. An example of such benchmark reform was the announcement by the UK Financial Conduct Authority on 12 July 2018 that the LIBOR benchmark may cease to be a regulated benchmark under the BMR (the “FCA Announcement”). The FCA Announcement indicates that steps are being taken to transition from the LIBOR benchmark to alternative interest rate benchmarks following the FCA’s announcement on 27 July 2017 that it will no longer compel banks to submit rates for the calculation of the LIBOR benchmark. The potential elimination of the LIBOR benchmark could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Bonds linked to LIBOR. Any such consequences could have a material adverse effect on the value and return on any such Bonds.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could require or result in adjustment to the interest calculation provisions of the Conditions or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark. In addition, the provisions of the Conditions provide that in certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a “benchmark”.

RISKS RELATING TO TAXATION

Risks relating to the Spanish withholding tax regime

Article 44 of the regulations approved by Royal Decree 1065/2007, of 27 July, as amended by Royal Decree 1145/2011, of 29 July (“**Royal Decree 1065/2007**”) sets out the reporting obligations applicable, among others, to debt instruments issued under Law 10/2014, of 26 June, on regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) (“**Law 10/2014**”). The procedures apply to interest deriving from, among others, debt instrument to which Law 10/2014 refers, including debt instruments issued at discount for a period equal or less than twelve months. For the purposes of the latter, “interest” means the difference, if any, between the aggregate amount payable on redemption of the Notes and the issue price of the Notes.

In relation to the above, a distinction needs to be made between Book-Entry Notes (initially registered with Iberclear) and Bearer Notes (delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg):

- (i) *Book entry Notes* – According to article 44.4 of the regulations approved by Royal Decree 1065/2007, income derived from securities (I) regarded as listed debt securities issued under Law 10/2014; (II) originally registered with a clearing and settlement entity resident in Spain (such as Iberclear), and (III) paid by the Issuer:
 - a. For the benefit of a Noteholder of a Book-entry Note which is a non-Spanish tax resident investor or a Spanish Corporate Income Tax payer, **will not be subject to Spanish withholding tax** provided that the Iberclear Members that have their Book-Entry Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing

systems outside Spain that have an agreement with Iberclear, if applicable, and **provided that** the Issuer receives in a timely manner a duly executed and completed statement including the following information (the “**Payment Statement in respect of Book-entry Notes**”):

- Identification of the Book-entry Notes
- Total amount of the income paid by the Issuer in respect of the Book-entry Notes;
- Amount of the income corresponding to individual residents in Spain that are Personal Income Tax Payers, and
- Amount of the income that must be paid on a gross basis.

If for any reason the Issuer does not receive a duly executed and completed Payment Statement in respect of Book-entry Notes on a timely manner in respect of a payment of income made for the benefit of a Noteholder of a Book-entry Note which is a non-Spanish tax resident investor or a Spanish Corporate Income Tax payer, such payment will be made net of Spanish withholding tax (currently at the rate of 19%) and the Issuer will not pay additional amounts in respect of such payment; and

- b. For the benefit of a Noteholder of a Book-entry Note which is an individual tax resident in Spain and subject to Spanish Personal Income Tax, will be paid net of withholding tax (at a current rate of 19%).

The Issuer will not pay any additional amounts nor otherwise compensate the Noteholder in respect of such withholding tax.

- (ii) *Bearer Notes* – According to article 44.5 of the regulations approved by Royal Decree 1065/2007, income derived from securities (I) regarded as listed debt securities issued under Law 10/2014; (II) originally registered with a non-Spanish clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD Member State), and (III) paid by the Issuer to the Noteholder of a Bearer Note shall be made free from withholding tax in Spain, irrespective of whether such Noteholder is tax resident in Spain, **provided that** the Issuer receives from the Fiscal Agent in a timely manner with a duly executed and completed payment statement including the following information (the **Payment Statement in respect of Bearer Notes**):

- Identification of the Bearer Notes; and
- Total amount of income corresponding to each clearing system located outside Spain

In the event that the entity obliged to provide the Payment Statement in respect of Bearer Notes fails to do so, the relevant Issuer of the Fiscal Agent on its behalf will withhold taxes in Spain (at the current 19% rate) on the total amount of the return of the relevant Bearer Notes otherwise payable to such entity and will not gross-up payments in respect of any such withholding tax.

If the Spanish Tax Authorities maintain a different opinion as on the application by the Issuer of withholding to payments made in respect of Bearer Notes to Spanish tax residents (individuals and entities subject to Corporate Income Tax (*Impuesto sobre Sociedades*)), the Issuer will be bound by the opinion and, with immediate effect, will make the appropriate withholding. If this is the case,

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

Notwithstanding the above, in the case of Bearer Notes held by Spanish tax resident individuals and under certain circumstances by Spanish entities subject to Corporate Income Tax and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian (currently 19 per cent) and the Issuer may not be required to pay the relevant noteholder any additional amounts (as described below, please see *“Terms and Conditions of the Notes—Taxation”*) in such circumstances. In particular, with regard to Spanish entities subject to Corporate Income Tax, withholding could be made if it is concluded that the Bearer Notes do not comply with the relevant exemption requirements and those specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) dated 27 July 2004 are deemed included among such requirements. According to said 2004 ruling, application of the exemption requires that, in addition to being traded on an organised market in an OECD country, the Notes are placed outside Spain in another OECD country. In the event that it was determined that the exemption from withholding tax on payments to Spanish corporate Noteholders does not apply to any of the Notes on the basis that they were placed, totally or partially, in Spain, the Issuer would be required to make a withholding at the applicable rate, and no additional amounts will be payable by the Issuer in such circumstances as set out above. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, the Fiscal Agent or any clearing system (including Euroclear and Clearstream Luxembourg) assume any responsibility therefor.

The procedure described in this Base Prospectus for the provision of information required by Spanish laws and regulations is a summary only and neither the Issuer nor the Dealers assumes any responsibility therefor.

Any change in tax legislation (including the Spanish SOCIMI Regime) may adversely affect the Group

As described in the section entitled *“Information on the Issuer and the Group—SOCIMI Status”*, Colonial has elected to become a Spanish SOCIMI. Provided certain conditions and tests are satisfied, as a Spanish SOCIMI, Colonial will generally be subject to a 0% Corporate Income Tax rate. Therefore, any change (including a change in interpretation) in the legislative provisions relating to Spanish SOCIMIs or in tax legislation more generally, either in Spain or in any other country in which the Group may operate in the future, including, but not limited, to the imposition of new taxes or increases in tax rates in Spain or elsewhere, may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Colonial may cease to be qualified as a Spanish SOCIMI which would have adverse consequences for the Group

The requirements for maintaining Spanish SOCIMI status are complex and the Spanish SOCIMI Regime is relatively new with only limited interpretation by the tax authorities and no judgements from the Spanish courts (see *“Spanish SOCIMI Regime and Taxation”* for additional information on these requirements). Furthermore, there may be changes subsequently introduced (including a change in interpretation) to the requirements for maintaining Spanish SOCIMI status. Prospective investors in the Notes should note that there is no guarantee that Colonial will, following its election to become a Spanish SOCIMI, continue to maintain its SOCIMI status (whether by reason of failure to satisfy the conditions for Spanish SOCIMI status or otherwise).

The application of the Spanish SOCIMI Regime to Colonial is conditional upon the compliance with certain requirements including, among other things, the listing of Colonial's shares, investment in Qualifying Assets (as defined in "*Spanish SOCIMI Regime and Taxation*") under the Spanish SOCIMI Regime, the receipt of income from certain sources and mandatory distribution of certain profits, as set forth under "*Spanish SOCIMI Regime and Taxation*".

Failure to comply with any such requirements will result in the loss of the special tax regime save where the regulations allow for such failure to be remedied within the immediately following financial year. However, the SOCIMI regulations do not allow such remedy for failure to comply with the requirements related to (i) listing of the shares or (ii) mandatory distributions of dividends.

The disapplication of the Spanish SOCIMI Regime to Colonial would (i) have a negative impact in respect of both direct and indirect taxes; (ii) affect Colonial's liquidity and financial position to the extent it were required to reassess the taxation of income obtained in previous tax years which should have been taxed in accordance with the general Spanish Corporate Income Tax regime and at the general Corporate Income Tax rate; and (iii) prevent Colonial from opting again for the Spanish SOCIMI Regime for three years from the end of the last tax period in which the Spanish SOCIMI Regime was applicable.

Furthermore, if Colonial transferred its Qualifying Assets (as defined in "*Spanish SOCIMI Regime and Taxation*") before the end of the three-year minimum holding period, as explained in "*Spanish SOCIMI Regime and Taxation*", income obtained as a result of such transfers would (i) be taxed according to the general Spanish Corporate Income Tax regime and at the general Corporate Income Tax rate and (ii) have a negative impact for the purposes of determining compliance with the requirement to obtain income from certain sources, which could result in the loss of its SOCIMI status unless such situation were remedied within the following financial year.

If Colonial were to lose such status as a result of any of the above or for any other reason, it would have to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard Corporate Income Tax rate (25% as at the date of this Base Prospectus), with the possibility of using, under the applicable limitations, its significant pre-existing tax credits/assets, and would not be eligible to become a SOCIMI (and benefit from its special tax regime) for the following three fiscal years as from the end of the last tax period in which the Spanish SOCIMI Regime was applicable.

If Colonial were unable to maintain its SOCIMI status, this could have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime

At least 80% of a SOCIMI's net annual income must derive from the lease of Qualifying Assets (as described in "*Spanish SOCIMI Regime and Taxation*" below), or from dividends distributed by Qualifying Subsidiaries (as defined in "*Spanish SOCIMI Regime and Taxation*"). Also, at least 80% of a SOCIMI's assets must be invested in Qualifying Assets, Qualifying Subsidiaries and/or real estate collective institutions.

Capital gains derived from the sale of Qualifying Assets (as defined in "*Spanish SOCIMI Regime and Taxation*") are in principle excluded from the 80%/20% net income test. However, if a Qualifying Asset is sold before it is held for a minimum three-year period, then (i) such capital gain would compute as non-qualifying net income within the 20% thresholds that must not be exceeded for the maintenance of the Spanish SOCIMI Regime (and such gain would be taxed in accordance with the general Corporate Income Tax regime and at the standard Corporate Income Tax rate (currently, 25%)); and (ii) in relation to Qualifying Assets that are real estate assets, the entire income, including rental income, derived from such assets in all tax periods where the SOCIMI's special tax

regime would have been applicable would be taxed in accordance with the general Corporate Income Tax regime and subject to the standard Corporate Income Tax rate. In both cases however the use of Colonial's pre-existing tax credits/assets would be possible, under the applicable limitations.

Further, if Colonial were to generate income which does not derive from the lease of Qualifying Assets or from dividends distributed by Qualifying Subsidiaries (as defined in "*Spanish SOCIMI Regime and Taxation*"), the 80%/20% gross asset or net income tests may not be met. In such case, Colonial would need to cure such infraction during the following fiscal year. If the gross asset or net revenue tests were not met within that fiscal year, Colonial would lose its SOCIMI status, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, any income derived from the sale of Qualifying Assets that are real estate assets held by Colonial prior to the application of the Spanish SOCIMI Regime would be deemed to have been generated on a lineal basis, during all the time the real estate asset has been held by Colonial. The part of the income attributable to the tax years on which the Spanish SOCIMI Regime was not applicable to Colonial, would be taxed in accordance with the tax rate and tax regime applicable for those tax years. The foregoing also applies to the transfer of shares of other SOCIMIs or Qualifying Subsidiaries.

The transfer of real estate assets that were acquired prior to the application of the Spanish SOCIMI Regime would be subject to taxation

Even if held for a minimum three-year period, the transfer of real estate assets that were held prior to the application of the Spanish SOCIMI Regime would be partly subject to taxation. In particular, the profit that is deemed to be obtained prior to the application of the Spanish SOCIMI Regime would be subject to taxation at the general Corporate Income Tax rate (currently 25%) with the possibility of using, under the applicable limitations, pre-existing tax credits/assets.

For this purpose, the SOCIMI Act sets out a rebuttable presumption (rebuttable either by Colonial or by the Spanish tax authorities, as confirmed by the Spanish General Tax Directorate (*Dirección General de Tributos*, the "DGT") in ruling n.3767-15) by virtue of which any profit obtained on the transfer of real estate assets that were held prior to the application of the Spanish SOCIMI Regime is deemed to be obtained on a lineal basis along the holding period of the relevant asset. Therefore, the tax payable on any such profits would generally be lower the longer the asset is held after the application of the Spanish SOCIMI Regime. Therefore, if non-core assets are disposed of shortly after the application of the Spanish SOCIMI Regime, depending on the date of transfer, they may be subject to taxation at the general Corporate Income Tax rate.

The application of the SOCIMI Regime requires the mandatory distribution of certain profits by Colonial which may limit the Group's ability and flexibility to pursue growth through acquisitions

As a result of Colonial's inclusion in the SOCIMI Regime, Colonial will be required to make payments or distributions to its shareholders in the terms specified by the SOCIMI Regime. Each year, starting with the year ending 31 December 2017, Colonial will be obliged to distribute to its shareholders (i) 100% of the profit obtained from dividends or stakes on profit derived from Qualifying Subsidiaries; (ii) at least 50% of the profit obtained from the transfer of Qualifying Assets, Qualifying Subsidiaries and/or real estate collective institutions made once the holding period of assets as described herein (see "*Spanish SOCIMI Regime and Taxation*") has run out (in which case the remaining profit has to be reinvested within the following three years in other Qualifying Assets, Qualifying Subsidiaries and/or real estate collective institutions or, alternatively, distributed once the aforementioned reinvestment time period has run out); and (iii) at least 80% of the rest of the profit obtained, see "*Spanish SOCIMI Regime and Taxation*".

The dividend distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a Spanish SOCIMI can be met by approving such distribution and satisfying the dividend in kind or, immediately thereafter, converting credit rights deriving from such dividends into share capital of Colonial, provided that such dividends qualify as income for tax purposes. However, any such distribution may not be approved by its shareholders or may not be considered as income for tax purposes for all of its shareholders.

If the relevant dividend distribution resolution is not adopted in a timely manner, Colonial would lose its SOCIMI status for the year in which the undistributed profits were obtained and the Company would be required to pay Spanish Corporate Income tax on the profits deriving from its activities at the standard rate (25% as at the date of this Base Prospectus) as from the relevant tax period in which such status is lost. In such case, Colonial would not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years.

Taking into consideration the mandatory dividend distribution established under the SOCIMI Regime, Colonial's ability to make new investments could be limited, as it would only be able to apply a limited amount of its profits to the acquisition of new real estate assets (being required to distribute the majority of its profits to its shareholders), which could hinder its ability to grow unless Colonial were able to obtain new financing, and could have a negative impact on the liquidity and the working capital of Colonial.

Furthermore, despite obtaining a profit, Colonial may be unable to carry out the payments and distributions in accordance with the legal requirements of the SOCIMI Regime due to not having immediately available cash (i.e., differences in timing between the receipt of cash and the recognition of the income and the effect of any potential debt amortisation payment). Should this happen, Colonial might have to borrow, increasing its financing costs and reducing its debt capacity. This could have a materially adverse effect on the business, the results, the finances or the assets of the Group.

In any case, the payment of any such dividend will largely depend on Colonial's ability to generate profits and cash flows and its ability to efficiently transfer such profits and cash flows to its shareholders. It will also depend on a number of other factors, including Colonial's ability to acquire suitable investments, operating results, financial condition, current and anticipated cash needs, interest costs and net proceeds from the sale of its investments, legal and regulatory restrictions and such other factors as the Board of Directors may deem relevant from time to time.

Colonial may become subject to an additional tax charge if it pays a dividend to a Substantial Shareholder, which may result in a loss of profits for the Group

Colonial may become subject to a 19% Corporate Income Tax on the gross dividend distributed to any shareholder that holds a stake equal to or higher than 5% of the share capital of Colonial when such shareholder either (i) is exempt from any tax on the dividends or subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Non-Resident Income Tax Law is also taken into consideration) or (ii) does not timely provide Colonial with the information evidencing its equal or higher than 10% taxation on dividends distributed by Colonial in the terms set forth in the by-laws (a "**Substantial Shareholder**").

The DGT has issued two binding rulings (n.3308-14 and n.0323-15) indicating that the 10% test to be carried out in order to identify Substantial Shareholders should be focused on the tax liability arising from the dividend income considered individually, taking into account (a) exemptions and tax credits affecting the dividends received by the shareholder and (b) those expenses incurred by the shareholder which are directly linked to the dividend income (e.g., fees paid in relation to the management of the shareholding in the relevant SOCIMI distributing the dividends, or financial expenses (interest) deriving from the financing obtained to fund the acquisition of the shares of the relevant SOCIMI), without taking into consideration for this purpose other income

of the shareholder (e.g., compensation of carried forward losses by the shareholder). In addition, the DGT has confirmed that the withholding tax levied on a dividend payment (including any non-resident income tax liability) should also be taken into consideration by the shareholder for assessing this 10% threshold.

Notwithstanding the above, the by-laws of Colonial include indemnity obligations of the Substantial Shareholders in favour of Colonial. In particular, the by-Laws require that in the event a dividend payment is made to a Substantial Shareholder, Colonial will be entitled to deduct an amount equivalent to the tax expenses incurred by Colonial on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put Colonial in a worse position). However, these measures may not be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for Colonial (since it may have to pay a 19% Corporate Income Tax on such dividend) and, thus, may result in a loss of profits for Colonial.

Certain of our French subsidiaries could lose their status as SIICs and the resulting favorable tax treatment

We currently hold a 80.74% stake in SFL, a listed French real estate investment company (*société d'investissements immobiliers cotées* or SIIC). SFL and certain of its subsidiaries are subject to the SIIC tax regime, which provides for a favorable tax treatment conditional upon the distribution of (i) all dividends received from its subsidiaries benefiting from the SIIC tax regime, (ii) at least 95% of its rental income and (iii) at least 60% of its capital gains within two years of the disposal of any real estate asset, thereby benefiting us as a shareholder.

If SFL or such subsidiaries were to lose their SIIC status due to changes in law or other factors, such as not meeting the distribution requirements described above, or if the double tax treaty currently in place between France and Spain were to change, their tax obligations could increase, which could have a material adverse effect on our financial condition, business, prospects and results of operations.

Colonial may have to indemnify SFL for any 20% French special levy due on dividend distributions received from SFL which may result in a loss of profits for the Group

As a consequence of the application of the SOCIMI Regime, Colonial will be subject to a 0% Corporate Income Tax rate on any gross dividends received from the French affiliate entity SFL. In addition, under SOCIMI Regime Colonial will have an obligation to distribute 100% of the profits derived from those dividends to its shareholders.

SFL is a French resident company which is subject to the special SIIC regime and, as such, it is required to pay a special levy when a dividend distributed out of profit that is exempt from corporate income tax in accordance to the French Tax Code is paid, or deemed to be paid, to a corporate shareholder that (i) directly or indirectly holds at least 10% of the SIIC's dividend rights, and (ii) broadly, is not subject to taxation on distributions made from SFL at a rate of at least 1/3 of the French corporate income tax rate ("**Special Levy Shareholder**"). For companies, such as Colonial, that are under a legal obligation to distribute 100% of the profits derived from dividends received, the above taxation test must be measured at an upper shareholder tier (i.e., distributions to Colonial would be subject to the above special levy if Colonial corporate shareholders holding at least 10% in Colonial, even if only one, are not subject to tax on dividend distributions at a rate of at least 1/3 of the French corporate income tax rate).

Furthermore, the by-laws of SFL (i) provide for an obligation for all shareholders holding at least 10% of its shares to inform of their respective level of taxation on dividends received from SFL and (ii) contain indemnity obligations for any Special Levy Shareholder whereby it is such shareholder the one that ultimately bears the

additional taxes due on the dividend distribution.

The by-laws of Colonial contain back-to-back information and indemnity provisions that require that, in the event of dividends distributed out of dividends received from SFL to shareholders holding at least 10% of the shares in Colonial, Colonial will be entitled to deduct an amount equivalent to the tax expenses for which Colonial must reimburse SFL as consequence of the abovementioned French withholding tax. However, these measures may not be effective. If these measures are ineffective, the dividends distributed out of SFL dividends may generate an expense for Colonial (since it may have to indemnify SFL for the 20% French special levy on such dividend) and, thus, may result in a loss of profits for Colonial.

We face certain risks related to deferred tax assets

As a result of losses incurred in previous years, as at 30 June 2018, the unused prior year's tax loss carryforward amounted to €5.415 million, without having recorded any tax credit at that date.

As described above, currently (under the SOCIMI Regime), the offset of tax losses is only available for Colonial for income that has to be taxed in accordance with the general Corporate Income Tax regime and at the general Corporate Income Tax rate.

In accordance with Law 27/2014, of November 27 (*Ley 27/2014, de 27 de noviembre, del Impuesto de Sociedades*), as from January 1, 2015, there is no longer a maximum limit of years to carry forward tax losses and use them to offset taxable profits. However, the maximum offset is limited to 70% from 2017. The Royal Decree-Law 3/2016, of 2 December, limits the compensation of the carried forward tax losses to 25% of the taxable base for those entities whose turnover is at least €60 million.

Therefore, if there is a change in law that would eliminate or further limit the right to offset deferred tax assets, this could have a material adverse effect on the value of our deferred tax asset as well as our financial condition, business, prospects and results of operations. Nevertheless, this item may not have a relevant practical impact considering that SOCIMIs are taxed at a 0% Corporate Income Tax rate on certain income.

The Proposed Financial Transactions Tax ("EU FTT")

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

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

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

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an EU FTT by means of enhanced cooperation.

Notwithstanding the above, the EU FTT proposal remains subject to negotiation between the remaining Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

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

The proposed Spanish financial transactions tax

On 19 October 2018, the Spanish Council of Ministers approved a draft bill (the “**Draft Bill**”), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the “**Spanish FTT**”). However, the Spanish Council of Ministers states that Spain would continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain would adapt the Spanish FTT to align it with the EU FTT.

According to the Draft Bill, the Spanish FTT will be aligned with the French and Italian financial transactions tax. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2% would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation value exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction. While, as currently drafted, the Spanish FTT would not apply in relation to an issue of Notes under the Programme, there can be no assurance that any such Spanish FTT would not apply to an issue of Notes in the future.

The Draft Bill will be sent to the parliament for debate and approval. Since the Spanish government currently does not have a majority in either house of parliament, it will need support from several other political groups in order to secure approval of the Draft Bill. As a result, some of the proposed measures could be substantially modified (or even abandoned) during the legislative process. Prospective holders of the Notes are advised to seek their own professional advice in relation to the Spanish FTT.

RISKS RELATING TO THE MARKET GENERALLY

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

The secondary market generally

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

Exchange rate risks and exchange controls for investors

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the Conditions). This presents certain risks relating to currency conversions if an investor’s financial activities are

denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

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

Interest rate risks for Fixed Rate Notes

Investment in Notes that bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

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

Risks Relating to the Spanish Insolvency Law

Law 22/2003 of 9 July, on Insolvency (*Ley Concursal*), as amended (the “**Spanish Insolvency Law**”) regulates court insolvency proceedings (as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities) and certain refinancing agreements prior to the insolvency.

Declaration of insolvency

Under the Spanish Insolvency Law, a debtor is obliged to apply for an insolvency proceeding, known as “*concurso de acreedores*” when it is not able to meet its payment obligations in a timely manner (current insolvency), and it is entitled to apply for an insolvency proceeding when it expects that it will shortly be unable to do so (imminent insolvency). The filing of such insolvency application may be made by the debtor, any creditor thereof and certain interested third parties. If filed by the debtor, the insolvency is deemed “voluntary” (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed “mandatory” (*concurso necesario*). The directors of the debtor company shall request the insolvency within two months from the moment they knew, or ought to have known, of the insolvency situation (or file with the insolvency court a communication under 5 Bis of the Spanish Insolvency Law informing that it has commenced negotiations with its creditors to agree a refinancing agreement or an advanced proposal of settlement agreement (*convenio*), to obtain an extra period of three months to negotiate with its creditors along with an additional month to request the insolvency declaration in case the debtor has not been able to sort its financial difficulties within that term).

The debtor may file for insolvency (or 5 Bis communication) as a protective measure in order to avoid (i) the attachment of its assets or (ii) certain enforcement actions that could be taken by its creditors.

Upon receipt of an insolvency petition by a creditor, the insolvency court may issue provisional interim measures to protect the assets of the debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

Effects of the insolvency declaration

The general rule is that the declaration of insolvency shall not affect the continuity of the business activity of the debtor company other than in the terms expressly set out in the Spanish Insolvency Law.

In case of voluntary insolvency (*concurso voluntario*), the debtor company will usually maintain control of its affairs, however, certain management decisions will be subject to the court administrator or receiver’s (*administración concursal*) (the “**receiver**”) authorisation. In case of mandatory insolvency (*concurso necesario*), the receiver will usually substitute the directors of the debtor company, unless the insolvency court decides otherwise.

Unless otherwise provided by certain specific rules applicable to a certain type of contracts, creditors will not be able to accelerate the maturity of their credits based only on the declaration of the insolvency (*declaración de concurso*) of the debtor. Any provision to the contrary will be null and void.

The debt will cease to accrue interest from the declaration of insolvency, except for such debt secured with security rights in rem, and up to, value of the security.

Set-off is prohibited unless the requirements for the set-off were satisfied prior to the declaration of insolvency or the claim is governed by a law that permits set-off.

As a general rule, insolvency proceedings are not compatible with enforcement proceedings against assets of the insolvent debtor that are deemed necessary for continuation of its business activity until a composition agreement that affects the enforcement of the relevant security is approved or one year has elapsed from the debtor’s insolvency declaration without the liquidation of the debtor being agreed. When compatible, in order to protect the interests of the debtor and its creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim

measures affecting the assets that are deemed to be “necessary” for the debtor’s activity (whether based upon civil, labour or administrative law).

Classification of the Issuer’s debts

The court order declaring the insolvency of the debtor shall contain an express request for the creditors to communicate and declare to the receivers any debts owed by the debtor company, within a one-month period starting from the date after the publication of the declaration of insolvency in the State Official Gazette (*Boletín Oficial del Estado*), providing documentation to evidence such debts. Based on the documentation provided by the creditors, and the information provided by the debtor, the insolvency receivers draw up a list of acknowledged creditors and classify the debts owed by the debtor company according to the categories established under Spanish Insolvency Law as follows: (i) debts against the insolvency estate, (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt.

Those debts classified within the insolvency proceeding as ordinary debts shall rank ahead of subordinated debts but behind debts against the insolvency estate, debts benefiting from special privileges and debts benefiting from general privileges. In the case of insolvency of the Issuer, it is intended that the claims against the Issuer under the Notes (other than interests) will be classified as ordinary debts and rank *pari passu* with all other outstanding unsecured and unsubordinated claims, except for any applicable and statutory exceptions (see “*Terms and conditions of the Notes—Status of Notes*”). However, certain actions or circumstances which are beyond the control of the Issuer may affect the relevant classification of the claims under the Notes including among other things, as follows:

- (i) any debt may become subordinated if it is not reported to the receivers within one month from the day following the publication of the court order declaring the insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*);
- (ii) debts owed to those persons considered “especially related”, directly or indirectly, to the Issuer in accordance with the Spanish Insolvency Law will be classified as subordinated debts;
- (iii) interests (including those under the Notes) will be classified as subordinated debt except for those interests accrued under debt secured by security rights in rem and up to the value of the security.

The Spanish Insolvency Law also provides with a specific regime for certain pre-insolvency refinancing agreements and settlement agreements (*convenio*). In particular, certain judicially-sanctioned refinancing agreements and the settlement agreement reached by the debtor in an insolvency scenario are capable of binding dissenting (including absentee) unsecured and secured creditors of financial indebtedness (“**dissenting creditors**”) vis-à-vis the debtor. Whether dissenting creditors are bound (and the type of measures that can be imposed) by a judicially-sanctioned refinancing agreement or the settlement agreement depends on whether the majorities set out by the Spanish Insolvency Law are met or not.

DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus. As long as any of the Notes are outstanding, this Base Prospectus, any Supplement to the Base Prospectus (as defined below) and each document incorporated by reference into this Base Prospectus will be available for inspection, free of charge, at the specified offices of the Issuer, at the Specified Offices of the Fiscal Agent and the Spanish Paying Agent, during normal business hours, and on the website of the CNMV (www.cnmv.es).

- *The Issuer's 2017 consolidated financial statements may be obtained from:*
https://www.inmocolonial.com/sites/default/files/docs/10._2017_consolidated_annual_accounts_and_audit_report_0.pdf
- *The Issuer's 2016 consolidated financial statements may be obtained from:*
https://www.inmocolonial.com/sites/default/files/docs/08._cca consolidado_2016_en_0.pdf
- *The Issuer's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2018 may be obtained from:*
https://www.inmocolonial.com/sites/default/files/eeff_2q_2018.pdf
- *The Issuer's unaudited condensed consolidated interim financial and operating information for the nine-month period ended 30 September 2018 may be obtained from:*
https://www.inmocolonial.com/sites/default/files/results_3q_2018.pdf
- *The base prospectus dated 5 October 2016 prepared by the Issuer in connection with the Programme may be obtained from:*
https://www.inmocolonial.com/sites/default/files/inmobiliaria_colonial_suplemento_programa_emtn_10.2016.pdf
- *The base prospectus dated 11 October 2017 prepared by the Issuer in connection with the Programme may be obtained from:*
http://www.ise.ie/debt_documents/Final%20Base%20Prosepctus%2011.10_3e7fd25d-a8e8-42aa-bea9-7630dd65f734.PDF

The page references indicated for each document are to the page numbering of the electronic copies of such documents as available on the Issuer's website, and www.cnmv.es, as applicable.

Cross-reference list

The below tables show where the information incorporated by reference in this Base Prospectus can be found in the above-mentioned documents. Information contained in those documents other than the information listed below does not form part of this Base Prospectus and is either not relevant or covered elsewhere in this Base Prospectus.

Information incorporated by reference	Page references
(A) The sections listed below of the annual report 2017 of Inmobiliaria Colonial, SOCIMI, S.A., including the audited consolidated financial statements for the year ended 31 December 2017 together with the audit and management report thereon:	
(a) <i>Auditors' report on the consolidated financial statements</i>	2-8
(b) <i>Consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. for the financial year 2017</i>	9-83
(c) <i>Consolidated management report for the year ended 31 December 2017</i>	84-102
(B) The sections listed below of the annual report 2016 of Inmobiliaria Colonial, SOCIMI, S.A., including the audited consolidated financial statements for the year ended 31 December 2016 together with the audit and management report thereon:	
(a) <i>Auditors' report on the consolidated financial statements</i>	1-2
(b) <i>Consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. for the financial year 2016</i>	3-79
(c) <i>Consolidated management report for the year ended 31 December 2016</i>	80-100
(C) The unaudited condensed consolidated interim financial statements of Inmobiliaria Colonial, SOCIMI, S.A. for the six-month period ended 30 June 2018, together with the auditor's limited review report and directors' report thereon:	
(a) <i>Auditor's limited review report on the condensed consolidated interim financial statements</i>	2-3
(b) <i>Condensed consolidated interim financial statements for the six-month period ended 30 June 2018</i>	4-37
(c) <i>Consolidated Management Report for the first half of 2018</i>	38-54
(D) The unaudited condensed consolidated interim financial and operating information of Inmobiliaria Colonial, SOCIMI, S.A. for the nine-month period ended 30 September 2018:	
(a) <i>Analysis of the Consolidated Profit and Loss Account</i>	14-15
(b) <i>Office Markets</i>	16
(c) <i>Business Performance</i>	17-20
(d) <i>Financial Structure</i>	22
(e) <i>Glossary and alternative performance measures</i>	32-36
(E) The base prospectus dated 5 October 2016 prepared by the Issuer in connection with the Programme	
<i>Terms and Conditions of the Notes</i>	37-70

<u>Information incorporated by reference</u>	<u>Page references</u>
(F) The base prospectus dated 11 October 2017 prepared by the Issuer in connection with the Programme <i>Terms and Conditions of the Notes</i>	45-78

OVERVIEW OF THE PROGRAMME

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

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the Prospectus Regulation). Words and expressions defined in the “Forms of the Bearer Notes”, “Terms and Conditions of the Bearer Notes” and “Terms and Conditions of the Book-entry Notes” shall have the same meanings in this overview. References to numbered “Book-entry Conditions” are to the relevant numbered conditions in the “Terms and Conditions of the Bearer Notes” and “Terms and Conditions of the Book-entry Notes”, respectively.

Information relating to Inmobiliaria Colonial, SOCIMI, S.A.

Issuer	Inmobiliaria Colonial, SOCIMI, S.A.
Description:	Euro Medium Term Note Programme
Arranger:	BNP Paribas
Dealers:	Banco de Sabadell, S.A., Bankinter, S.A., Barclays Bank PLC, BNP Paribas, CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, NATIXIS, NatWest Markets Plc, Société Générale, and Unicaja Banco, S.A. The Issuer may from time to time terminate the appointment of any Dealers under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the Programme.
Fiscal Agent:	Deutsche Bank AG, London Branch
Size:	Up to EUR3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer may, subject to the fulfilment of certain conditions, increase the size of the Programme from time to time.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in Euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities:	Any maturity as indicated in the applicable Final Terms, subject to such minimum or maximum maturity as may be allowed or required from time to time by any relevant competent authority, market operator or any applicable

laws or regulations.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) by the Issuer.

Denomination:

The minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms (as defined below) and save that the minimum denomination of each Note admitted to trading on a regulated market situated or operating within the EEA and/or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). No Bearer Notes will be issued with tradeable amounts less than the minimum denomination specified in the relevant Final Terms.

Method of Issue:

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Notes may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Notes may be issued as part of an existing Series.

Registration, clearing, settlement, title and transfer:

The Book-entry Notes will be registered with the Spanish *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal* (“**Iberclear**”), which is the Spanish Central Securities Depository, with its registered address at Plaza de la Lealtad, 1, 28014, Madrid, Spain. Holders of a beneficial interest in the Book-entry Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Book-entry Notes through bridge accounts maintained by each of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream Luxembourg**”) with Iberclear.

Title to the Book-entry Notes will be evidenced by book-entries and each person shown in the central registry (the “**Spanish Central Registry**”)

managed by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the “**Iberclear Members**”) as being the holder of the Book-entry Notes shall be considered the holder of the principal amount of the Book-entry Notes recorded therein. The “**Holder**” of a Book-entry Note means the person in whose name such Note is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book and “**Noteholder**” shall be construed accordingly and when appropriate, means owners of a beneficial interest in the Book-entry Notes.

The Book-entry Notes are issued without any restrictions on their free transferability. Consequently, the Book-entry Notes may be transferred and title to the Book-entry Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and / or Iberclear itself, as applicable. Each Holder will be treated as the legitimate owner (*titular legítimo*) of the relevant Book-entry Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Bearer Notes may be issued in bearer form, with or without interest coupons.

Bearer Notes will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Note without interest coupons attached, deposited: (a) in the case of a global note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, with or on behalf of a Common Depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global Note in bearer form, without coupons (a “**Permanent Global Note**”).

Issue Price:

Notes may be issued at their principal amount or at a discount or premium to their principal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Interest:

Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may

differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both.

Fixed Rate Notes: Fixed interest will be payable in arrears on the date or dates in each year, specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest set separately for each Series at a rate determined (i) on the same basis as the Floating Rate (as defined in the ISDA Definitions) under a notional interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions; or (ii) by reference to EURIBOR or LIBOR, as specified in the relevant Final Terms, as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.

Zero coupon Notes: Zero Coupon Notes will be offered or sold at a discount to their original nominal amount and will not bear interest.

Step-up The applicable Final Terms will indicate whether or not the interest payable on any Notes is subject to adjustment in accordance with Condition 10 (*Step-Up Note Provisions*).

Partial redemption: The Final Terms issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the date on which, and the amounts in which, such Notes may be redeemed.

Payments in respect of Book-entry Notes: Payments in respect of the Book-entry Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that has access to the TARGET2 System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the Business Day on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. None of the Issuer or the Paying Agent or, if applicable, the Dealers will have any responsibility or liability for the records relating to payments made in respect of the Notes.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons) or that such Notes will be redeemable at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.

Taxation: All payments of principal and interest in respect of the Notes 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 Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note except in certain limited circumstances (please refer to Condition 13 (*Taxation*)).

Negative Pledge: The Notes will contain a negative pledge as more fully set out in Condition 5 (*Negative Pledge*).

Covenants The Notes will contain a covenant given by the Issuer to ensure that its unencumbered total assets value will be at least equal to its unsecured debt as more fully set out in Condition 6 (*Covenants*).

Cross Default: The Notes will contain a cross default in respect of Indebtedness of the Issuer and certain of its Material Subsidiaries as more fully set out in Condition 14(d) (*Events of Default*).

Disclosure of Information in Connection with Payments: Under Spanish Law 10/2014, and Royal Decree 1065/2007, interest payments in respect of (i) Book-entry Notes for the benefit of Non-Spanish tax resident investors or Spanish Corporate Income Tax Payers; and (ii) Bearer notes, should be paid gross **provided that certain information requirements are met**. In particular, the Issuer shall receive an information statement in the form provided for under article 44.4 in respect of the Book-entry notes and in the form provided for under article 44.5 in respect of the Bearer Notes, as further described under “*Spanish SOCIMI Regime and Taxation*”.

If for any reason the Issuer does not receive the required information described under “*Spanish SOCIMI Regime and Taxation*”, the Issuer may be required to withhold tax at the current rate of 19 per cent. In that event, the Issuer will not pay any additional amounts with respect to any such withholding tax.

A summary of the procedures to collect the above referenced information is set out in “*Spanish SOCIMI Regime and Taxation—the Kingdom of Spain*”.

None of the Arranger, the Dealers and the Clearing Systems assume any responsibility therefore.

Governing Law: English law save for Condition 4 (*Status*) which is governed by the laws of Spain.

Listing and admission to trading: This Base Prospectus has been approved by CNMV as competent authority under the Prospectus Directive. The CNMV only approves this Base Prospectus as meeting the requirements imposed under Spanish and

European Union law pursuant to the Prospectus Directive.

Application will be made for the Book-entry Notes to be admitted to listing on the AIAF, as specified in the relevant Final Terms.

Bearer Notes may be admitted to Euronext Dublin and admitted to trading on its regulated market or, as the case may be, another MiFID Regulated Market.

Unlisted Notes will not be issued under the Programme.

Selling Restrictions:

United States and United Kingdom. Prohibition on sales to EEA retail investors. See “*Subscription and Sale*”.

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

In connection with the offering and sale of a particular Tranche of Notes, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

Risk Factors:

Prospective investors should understand the risks of investing in any type of Note before they make their investment decision. They should make their own independent decision to invest in any type of Note and as to whether an investment in such Note is appropriate or proper for them based upon their own judgment and upon advice from such advisers as they consider necessary.

For a description of certain risks involved in investing in the Notes, see “*Risk Factors*”. Risk factors are designed both to protect investors from investments from which they are not suitable and to set out the financial risks associated with an investment in a particular type of Note.

Representation of holders of the Notes:

In accordance with Condition 17 (*Meetings of Noteholders; Modification and Waiver*) (in respect of the Book-entry Notes) and Condition 18 (*Meetings of Noteholders; Modification and Waiver*) (in respect of the Bearer Notes), Schedule 1 (*Provisions for Meetings of Noteholders*) of the Agency Agreement (as defined below) contains provisions for convening meetings of holders of Notes to consider any matter affecting their interests.

Rating:

Tranches of Notes may be rated or unrated and if rated, such rating(s) will be specified in the relevant Final Terms and it shall also be specified if the relevant credit rating agency is or is not established in the European Union and whether such agency is or is not registered under CRA Regulation.

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

FORMS OF THE BEARER NOTES

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Bearer Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Bearer Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Bearer Notes or, if the Bearer Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Notes

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

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

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

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

circumstances shall the principal amount of Bearer Notes represented by the Permanent Global Note exceed the initial principal amount of Bearer Notes represented by the Temporary Global Note.

If:

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the deed of covenant entered into by the Issuer in relation to the Bearer Notes on or around the date of this Base Prospectus (the “**Deed of Covenant**”)).

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

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

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

If:

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

- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Bearer Notes and such Temporary Global Note becomes void in accordance with its terms;
or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Bearer Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

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

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Bearer Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Bearer Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Bearer Notes.

If the relevant Final Terms specifies the form of Bearer Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Bearer Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Bearer Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bearer Notes cannot be collected without such certification of non-U.S. beneficial ownership.

(N.B. In relation to any issue of Bearer Notes which are expressed to be represented by a Temporary Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than €100,000 (or equivalent) and integral multiples thereof.)

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

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the

Terms and Conditions of the Bearer Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

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

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Bearer Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Bearer Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if either of the following events occurs:

- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

(N.B. In relation to any issue of Bearer Notes which are expressed to be represented by a Permanent Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than €100,000 (or equivalent) and integral multiples thereof.)

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

If:

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

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

Rights under Deed of Covenant

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

Terms and Conditions applicable to the Bearer Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Bearer Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Bearer Notes*” below and the provisions of the relevant Final Terms which amend and/or replace those terms and conditions.

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

Legend concerning United States persons

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

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

TERMS AND CONDITIONS OF THE BOOK-ENTRY NOTES

The following is the text of the terms and conditions which, save for the text in italics and subject to completion in accordance with the relevant Final Terms, will be applicable to the Book-entry Notes

1. Introduction

- (a) *Programme*: Inmobiliaria Colonial, SOCIMI, S.A. (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR3,000,000,000 in aggregate principal amount of notes in book-entry form (the “**Book-entry Notes**”) and in bearer form. These terms and conditions relate to notes issued under the Programme in book-entry form.
- (b) *Final Terms*: Book-entry Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Book-entry Notes. Each Tranche is the subject of a final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Book-entry Conditions**”). The terms and conditions applicable to any particular Tranche of Book-entry Notes are these Book-entry Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Book-entry Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreements*: The Book-entry Notes are the subject of (i) a Spanish law-governed paying agency agreement dated 27 November 2018 (the “**Spanish Agency Agreement**”) between the Issuer and CaixaBank, S.A. as agent bank (the “**Spanish Paying Agent**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Book-entry Notes) and (ii), in respect of the provisions for meetings of Noteholders (as defined below) and the meaning of “outstanding” in respect of Book-entry Notes only, an amended and restated English law-governed fiscal agency agreement dated 27 November 2018 (the “**Agency Agreement**”) between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the other parties named therein.
- (d) *Deed of Covenant*: The Book-entry Notes have the benefit of an English law-governed Deed of Covenant (the “**Book-entry Deed of Covenant**”) entered into by the Issuer on or around the date of this Base Prospectus to which these Book-entry Conditions will be affixed. In the Book-entry Deed of Covenant, the Issuer has covenanted in favour of each Noteholder (as defined below) that it will duly perform and comply with the obligations expressed to be undertaken by it in these Book-entry Conditions. The benefit of the Book-entry Deed of Covenant will not imply that the Book-entry Notes benefit from a security interest or that they have a higher ranking than other unsecured and unsubordinated obligations of the Issuer.
- (e) *The Notes*: All subsequent references in these Book-entry Conditions to “Book-entry Notes” are to the Book-entry Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer and on the Issuer’s website at www.inmocolonial.com.
- (f) *Summaries*: Certain provisions of these Book-entry Conditions are summaries of the Spanish Agency Agreement and, in respect of the provisions for meetings of Noteholders (as defined below) and the meaning of “outstanding” in respect of Book-entry Notes only, the Agency Agreement and are subject to their detailed provisions. The holders of the Book-entry Notes (the “**Noteholders**”) are bound by, and are deemed to have notice of, all the provisions of the Spanish Agency Agreement and the Agency Agreement applicable to them. Copies of the Spanish Agency Agreement and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Office of the Spanish Paying

Agent, the initial Specified Office of which is set out below.

2. Interpretation

(a) *Definitions:* In these Book-entry Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Authorised Officer**” means the Chief Executive Officer or the Chief Financial Officer of the Issuer, or anyone delegated by the Board of Directors of the Issuer;

“**Business Day**” means:

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

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such

date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

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

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

“Calculation Agent” means the Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Change of Control Period” means the period commencing on and including the Relevant Date in relation to a Change of Control of the Issuer and ending 90 days after the Change of Control of the Issuer (or such longer period for which the Book-entry Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control of the Issuer) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

“Control” has the meaning assigned to that term in Article 42(1) of the Spanish Commercial Code;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Book-entry Conditions or the relevant Final Terms and:

- (a) if **“Actual/Actual (ICMA)”** is so specified, means:

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

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

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

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of

(A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30”;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following

the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

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

“**Discount Rate**” will be as set out in the applicable Final Terms;

“**Early Redemption Amount (Tax)**” means, in respect of any Book-entry Note, its principal amount or

such other amount as may be specified in the relevant Final Terms;

“Early Termination Amount” means, in respect of any Book-entry Note, its principal amount or such other amount as may be specified in these Book-entry Conditions or the relevant Final Terms;

“EURIBOR” means, in respect of any Specified Currency and any Specified Period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

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

“Final Redemption Amount” means, in respect of any Book-entry Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Financial Adviser” means the entity so specified in the applicable Final Terms or, if not so specified or such entity is unable or unwilling to act, any financial adviser selected by the Issuer;

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed in whatever form;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the International Financial Reporting Standards (“**IFRS EU**”), be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding the deferred purchase price of assets or services acquired in the ordinary course of business or otherwise arising from normal trade credit;
- (g) amounts representing the balance deferred and unpaid for a period of more than 365 days of the purchase price of any property except any amount that constitutes an accrued expense or trade payable;

- (h) shares which are expressed to be redeemable;
- (i) without double counting, any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above;

“First Interest Payment Date” means the date specified in the relevant Final Terms;

“Fixed Coupon Amount” has the meaning given in the relevant Final Terms;

“Group” means the Issuer and its Subsidiaries;

“Independent Financial Adviser” means an independent financial institution of international and reputable standing appointed by the Issuer in good faith and at its own expense;

“Interest Amount” means, in relation to a Book-entry Note and an Interest Period, the amount of interest payable in respect of that Book-entry Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Book-entry Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

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

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

“Investment Grade Rating” means the following Ratings: (a) with respect to Standard & Poor’s, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (b) with respect to Moody’s, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); and (c) with respect to Fitch, any of the categories from and including AAA to and including BBB- (or equivalent successor categories);

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Book-entry Notes of the relevant Series (as specified in the relevant Final Terms)

as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**LIBOR**” means, in respect of any Specified Currency and any Specified Period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

“**Make-whole Exemption Period**” will be as set out in the applicable Final Terms;

“**Make-whole Reference Date**” will be set out in the relevant notice of redemption, such date to fall no earlier than the date falling 30 days prior to the date of such notice;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Issuer:

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues) at any relevant time represent no less than 10 per cent. of the total consolidated assets or gross consolidated revenues, respectively, of the Group, 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 IFRS EU, 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;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

a “**Negative Rating Event**” shall be deemed to have occurred if at such time as there is no rating assigned to the Book-entry Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control of the Issuer seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Book-entry Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the Issuer does so seek and use such

endeavours, it is unable to obtain such a rating of at least Investment Grade Rating by the end of the Change of Control Period;

“Non-Investment Grade Rating” means the following Ratings: (a) with respect to Standard & Poor’s, any of the categories below BBB- (or equivalent successor categories); (b) with respect to Moody’s, any of the categories below Baa3 (or equivalent successor categories); and (c) with respect to Fitch, any of the categories below BBB- (or equivalent successor categories);

“Optional Redemption Amount (Call)” means, in respect of any Book-entry Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Book-entry Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Participating Member State” means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

“Payment Business Day” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation and in the relevant principal financial centre of the currency of payment are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation and in the relevant principal financial centre of the currency of payment are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permitted Security Interest” means any Security Interest created in respect of any Relevant Indebtedness of a company which has merged with the Issuer or one of its Subsidiaries or which has been acquired by the Issuer or one of its Subsidiaries, provided that such security was already in existence at the time of the merger or the acquisition, was not created for the purpose of financing the merger or the acquisition and is not increased in amount and not extended following the merger or the acquisition;

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

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Pro Forma Unencumbered Total Assets Value” means the Unencumbered Total Assets Value as at the relevant Reference Date adjusted to include any event that has increased or decreased the Unencumbered Total Assets Value between the relevant Reference Date and the corresponding Reporting Date; and

“Pro Forma Unsecured Debt” means the Unsecured Debt as at the relevant Reference Date adjusted to include any event that has increased or decreased the Unsecured Debt between the relevant Reference Date and the corresponding Reporting Date.

“Put Option Notice” means a notice which must be delivered to the Spanish Paying Agent by any Noteholder wanting to exercise a right to redeem a Book-entry Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by the Spanish Paying Agent to a depositing Noteholder upon deposit of a Book-entry Note with such Spanish Paying Agent by any Noteholder wanting to exercise a right to redeem a Book-entry Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Book-entry Notes specified in the relevant Final Terms;

“Rating Agency” means Moody’s Investors Service, Inc. (**“Moody’s”**), Fitch Ratings Ltd. (**“Fitch”**) or S&P Global Ratings Europe Limited, a division of The McGraw-Hill Companies Inc. (**“Standard & Poor’s”**) or any of their respective successors; and

“Rating Change” means a Step-up Rating Change and/or a Step-down Rating Change;

“Ratings” means any ratings that may be assigned to the Book-entry Notes by a Rating Agency from time to time, at the invitation of the Issuer or by its own volition.

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected by an Independent Financial Adviser which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues;

“Redemption Margin” will be as set out in the applicable Final Terms;

“Reference Bond” shall be the bond so specified in the applicable Final Terms or, if not so specified or if no longer available, the FA Selected Bond;

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

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

“Reference Date” means 30 June and 31 December of each year as the context requires;

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

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

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

“Regular Period” means:

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

“Relevant Potential Change of Control Announcement” means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control of the Issuer where within 180 days following the date of such announcement or statement, a Change of Control of the Issuer occurs;

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

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

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

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

“Relevant Time” has the meaning given in the relevant Final Terms;

“Remaining Term Interest” means with respect to any Book-entry Note, the aggregate amount of scheduled payment(s) of interest on such Book-entry Note for the remaining term of such Book-entry Note determined on the basis of the rate of interest applicable to such Book-entry Note from and including the date on which such Book-entry Note is to be redeemed by the Issuer in accordance with Condition 11(c).

“Reporting Date” means a date falling no later than 30 days after (i) the approval by the Issuer’s General Shareholders’ Meeting of the audited consolidated financial statements of the Issuer, with respect to a Reference Date falling on 31 December, or (ii) the approval by the Issuer’s board of directors of the Issuer’s semi-annual consolidated financial statements, with respect to a Reference Date falling on 30 June;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Book-entry Notes, to reduce the amount of principal or interest payable on any date in respect of the Book-entry Notes, to alter the method of calculating the amount of any payment in respect of the Book-entry Notes or the date for any such payment, to change the currency of any payment under the Book-entry Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“Secured Debt” means, as at each Reference Date, that portion of the Total Debt that is secured by a Security Interest on any assets of the Group;

“Security Interest” means, without duplication, any mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases;

“Similar Security” means a reference bond or reference bonds issued by the German Federal Government having an actual or interpolated maturity comparable with the remaining term of the Book-entry Notes that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Book-entry Notes;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Step-up Margin**” has the meaning given in the relevant Final Terms;

“**Step-down Rating Change**” means:

- (a) in the event the Book-entry Notes have one Rating assigned by a Rating Agency, subsequent to a Step-up Rating Change the Book-entry Notes are assigned an Investment Grade Rating by a Rating Agency; or
- (b) in the event the Book-entry Notes have two Ratings assigned by the Rating Agencies at any time, subsequent to a Step-up Rating Change the Non-Investment Grade Ratings assigned to the Book-entry Notes are increased to Investment Grade Ratings resulting in the Book-entry Notes being assigned two Investment Grade Ratings or if the Book-entry Notes are subsequently assigned an Investment Grade Rating by one Rating Agency in the event both such Investment Grade Ratings had been withdrawn; or
- (c) in the event the Book-entry Notes are assigned three Ratings by the Rating Agencies at any time, subsequent to a Step-up Rating Change the Non-Investment Grade Ratings assigned to the Book-entry Notes are increased to Investment Grade Ratings resulting in the Book-entry Notes being assigned at least two Investment Grade Ratings or if the Book-entry Notes are subsequently assigned an Investment Grade Rating by one Rating Agency in the event all three Ratings had been withdrawn.

For the avoidance of doubt, any further increases (or assignments, as the case may be) in the Rating of the Book-entry Notes to at least an Investment Grade Rating, shall not constitute a Step-down Rating Change.

“**Step-up Rating Change**” means:

- (a) in the event the Book-entry Notes have one Rating assigned by a Rating Agency, if such Rating ceases to be an Investment Grade Rating or if such Investment Grade Rating is withdrawn; or
- (b) in the event the Book-entry Notes have two Ratings assigned by the Rating Agencies at any time, if either or both of the Ratings cease to be an Investment Grade Rating or if both Investment Grade Ratings are withdrawn; or
- (c) in the event the Book-entry Notes are assigned three Ratings by the Rating Agencies at any time, if two of the three Ratings cease to be Investment Grade Rating or if all three Ratings are withdrawn.

For the avoidance of doubt, any further decreases (or withdrawals, as the case may be) in the Rating of the Book-entry Notes to below an Investment Grade Rating, shall not constitute a Step-up Rating Change;

“**Subsidiary**” means any entity whose financial statements at any time are required by law or in

accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

“**Substantial Purchase Event**” shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Book-entry Notes of the relevant Series originally issued (which for these purposes shall include any further Book-entry Notes of the same Series issued subsequently) is purchased by the Issuer or any Subsidiary of the Issuer (and in each case is cancelled in accordance with Condition 11(l));

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

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

“**TARGET System**” means the TARGET2 system;

“**Total Assets of the Group**” means, as at each Reference Date, the aggregate value of the total assets of the Group as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) prepared as of the relevant Reference Date according to IFRS EU and adjusted to exclude any intangible assets and to include the unrealised capital gain arising from the revaluation of the assets for own use as reported in the relevant financial statements;

“**Total Debt**” means, as at each Reference Date, the aggregate amount of all Financial Indebtedness of the Group as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) for that Reference Date, excluding any derivative transaction entered into in connection with protection against or benefit from fluctuation of interest rates;

“**Treaty**” means the Treaty establishing the European Communities, as amended;

“**Voting Rights**” means, in respect of any person, the right generally to vote at a general meeting of shareholders of such person (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).

“**Unencumbered Total Assets Value**” means, as at each Reference Date, the value of the Total Assets of the Group which are not subject to a Security Interest as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) prepared as of the relevant Reference Date;

“**Unsecured Debt**” means, as at each Reference Date, that portion of the Total Debt that is not Secured Debt; and

“**Zero Coupon Note**” means a Book-entry Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Book-entry Conditions:

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

- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Book-entry Conditions;
- (iii) references to Book-entry Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Book-entry Notes; and
- (v) any reference to the Agency Agreement or the Spanish Agency Agreement shall be construed as a reference to the Agency Agreement or the Spanish Agency Agreement, respectively, as amended and/or supplemented up to and including the Issue Date of the Book-entry Notes.

3. **Form, Denomination and Title**

Form and denomination

The Book-entry Notes will be issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in the aggregate nominal amount (the “**Aggregate Nominal Amount**”), specified denomination (the “**Specified Denomination**”) and specified currency (the “**Specified Currency**”) shown in the relevant Final Terms provided that the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Book-entry Notes).

Registration, clearing and settlement

The Book-entry Notes will be registered with the Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal (“**Iberclear**”), which is the Spanish Central Securities Depository, with its registered office at Plaza de la Lealtad, 1, 28014, Madrid, Spain. Holders of a beneficial interest in the Book-entry Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold the Book-entry Notes through bridge accounts maintained by each of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream Luxembourg**”) with Iberclear. Iberclear will manage the settlement and clearing of the Book-entry Notes, notwithstanding the Issuer’s commitment to assist, when appropriate, on the clearing and settlement of the Book-entry Notes through Euroclear and Clearstream Luxembourg.

The information concerning the International Securities Identification Number Code of the Book-entry Notes (the “**ISIN Code**”) will be stated in the Final Terms.

Title and transfer

Title to the Book-entry Notes will be evidenced by book-entries and each person shown in the central registry managed (the “**Spanish Central Registry**”) by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the “**Iberclear Members**”) as being the holder of the Book-entry Notes shall be considered the holder of the principal amount of the Book-entry Notes recorded therein. In these Book-entry Conditions, the “**Holder**” of a Book-entry Note means the person in whose name such Book-entry Note is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book and “**Noteholder**” shall be construed accordingly and when appropriate, means owners of a beneficial interest in the Book-entry Notes.

One or more certificates (each, a “**Certificate**”) attesting to the relevant Noteholder’s holding of the Book-entry Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member’s or, as the case may be, Iberclear’s procedures) to such Holder upon such Holder’s request.

The Book-entry Notes are issued without any restrictions on their free transferability. Consequently, the Book-entry Notes may be transferred and title to the Book-entry Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and / or Iberclear itself, as applicable. Each Holder will be treated as the legitimate owner (*titular legítimo*) of the relevant Book-entry Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

4. **Status of the Notes**

The Book-entry Notes constitute (subject to the provisions of Condition 5 (*Negative Pledge*)) direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all time rank *pari passu* and without any preference among themselves except for any applicable legal and statutory exceptions. Upon insolvency of the Issuer, the obligations of the Issuer under the Book-entry Notes shall (except for any applicable legal and statutory exceptions) at all times rank at least equally with all other unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated claims pursuant to article 92 of Law 22/2003 of 9 July, on Insolvency (*Ley Concursal*), as amended (the “**Spanish Insolvency Law**”) or equivalent legal provisions which replace it in the future).

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

Pursuant to article 59 of the Spanish Insolvency Law, the accrual of interest (other than any 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 declaration of the insolvency of the Issuer. Interest on the Book-entry Notes accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Spanish Insolvency Law.

5. **Negative Pledge**

So long as any Book-entry Note remains outstanding (as defined in the Agency Agreement), the Issuer will not, and will ensure that none of its Material Subsidiaries (other than Société Foncière Lyonnaise S.A. (“**SFL**”)) will create, or have outstanding, 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 any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Book-entry Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

6. Covenants

For so long as any Book-entry Note remains outstanding (as defined in the Agency Agreement), the Issuer shall:

- (a) *Unencumbered Assets*: ensure that as at each Reference Date the Unencumbered Total Assets Value will be at least equal to the Unsecured Debt;
- (b) *Notice to Noteholders*: In addition to Condition 6(c) below, in the event that as at any Reference Date the covenant in Condition 6(a) above is breached, promptly (and in any event no later than the following relevant Reporting Date) notify the Noteholders in accordance with Condition 19 (*Notices*); and
- (c) *Certificate*: deliver a certificate to the Noteholders through the Spanish Paying Agent on each Reporting Date signed by one Authorised Officer of the Issuer, certifying that the Issuer is in compliance with the covenant set out in Condition 6(a) above at the relevant Reference Date and containing (i) the formulae for the calculation of the covenant, and (ii) a statement as to the correctness of such formulae. The Issuer shall deliver to the Noteholders through the Spanish Paying Agent a separate report issued by the Issuer's auditors setting out the procedures used to calculate the covenant and reviewing the application of the formulae certified by the Issuer.

7. Fixed Rate Note Provisions

- (a) *Application*: This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Book-entry Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest*: The Book-entry Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Book-entry Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Book-entry Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Spanish Paying Agent has notified the Noteholders that it has received all sums due in respect of the Book-entry Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Book-entry Note for any Interest Period shall be the relevant Fixed Coupon Amount.
- (d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Book-entry Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8. Floating Rate Note Provisions

- (a) *Application:* This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Book-entry Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Book-entry Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Book-entry Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Spanish Paying Agent has notified the Noteholders that it has received all sums due in respect of the Book-entry Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Book-entry Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;
- provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, an Independent Financial Adviser shall:
- (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that

time; and

- (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, an Independent Financial Adviser shall determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Independent Financial Adviser, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (vi) Benchmark Replacement:
 - (i) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint as soon as reasonably practicable, at the Issuer's own expense, an Independent Adviser to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 8(c)(vi)(iii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 8(c)(vi)(iv)) and any Benchmark Amendments (in accordance with Condition 8(c)(vi)(v)).

An Independent Adviser appointed pursuant to this Condition 8(c)(vi)(i) shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Spanish Paying Agent, the Calculation Agent or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 8(c)(vi).
 - (ii) If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 8(c)(vi)(iii) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Book-entry Notes in respect of the preceding Interest Period (or alternatively if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period). For the avoidance of doubt, this Condition 8(c)(vi)(ii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c)(vi).

- (iii) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that:
- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 8(c)(vi)(iv)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Book-entry Notes (subject to the operation of this Condition 8(c)(vi)); or
 - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 8(c)(vi)(iv)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Book-entry Notes (subject to the operation of this Condition 8(c)(vi)).
- (iv) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (v) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 8(c)(vi) and the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that amendments to these Book-entry Conditions, the Spanish Agency Agreement and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 8(c)(vi)(vi), without any requirement for the consent or approval of Noteholders, vary these Book-entry Conditions, the Spanish Agency Agreement and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.
- (vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 8(c)(vi) will be notified promptly by the Issuer to the Calculation Agent, the Spanish Paying Agent and, in accordance with Condition 19 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (vii) Without prejudice to Conditions 8(c)(vi)(i) to 8(c)(vi)(v), the Original Reference Rate and the other fallback provisions provided for in Condition 8(c) will continue to apply unless and until a Benchmark Event has occurred.
- (viii) Definitions:

As used in this Condition 8(c)(vi):

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original

Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (B) the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that no such industry standard is recognised or acknowledged)
- (C) the Independent Adviser, in its discretion, acting in a commercially reasonable manner and in good faith, determines to be appropriate.

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines in accordance with Condition 8(c)(vi)(iii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in the same Specified Currency as the Notes.

“Benchmark Amendments” has the meaning given to it in Condition 8(c)(vi)(v).

“Benchmark Event” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (E) it has become unlawful for any Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 8(c)(vi)(i).

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Book-entry Notes.

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

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Book-entry Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by

reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Book-entry Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Book-entry Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Spanish Paying Agent and each competent authority, stock exchange and/or quotation system (if any) by which the Book-entry Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Book-entry Note having the minimum Specified Denomination.
- (h) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Spanish Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Book-entry Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding)

whichever is the earlier of (i) the day on which all sums due in respect of such Book-entry Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Spanish Paying Agent has notified the Noteholders that it has received all sums due in respect of the Book-entry Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Step-Up Note Provisions**

- (a) *Application:* This Condition 10 (*Step-Up Note Provisions*) is applicable to the Book-entry Notes only if Step-Up Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Step-Up:* The Rate of Interest shall be subject to adjustment by the Step-up Margin in the event of a Step-up Rating Change (if any) or a subsequent Step-down Rating Change (if any), as the case may be. For any Interest Period commencing on or after the first Interest Payment Date immediately following the date of a Step-Up Rating Change, if any, the Rate of Interest shall be increased by the Step-up Margin (the “**Step-up**”).

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

The Issuer shall cause each Rating Change (if any) and the applicable Rate of Interest to be notified to the Spanish Paying Agent and any stock exchange on which the Book-entry Notes are for the time being listed and the Noteholders (in accordance with Condition 19 (*Notices*)) as soon as practicable after such Rating Change.

- (c) The Step-up is not cumulative. Therefore, while the Step-up is in effect, any subsequent assignment of Non-Investment Grade Ratings or the withdrawal of any Ratings by any Rating Agencies will not trigger additional increases in the Rate of Interest.

11. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Book-entry Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*).
- (b) *Redemption for tax reasons:* The Book-entry Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days’ notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

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

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Book-entry Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Book-entry Notes were then due; or
- (2) where the Book-entry Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Book-entry Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Spanish Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Book-entry Notes in accordance with this Condition 11(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Book-entry Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Book-entry Notes or, as the case may be, the Book-entry Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

The Optional Redemption Amount (Call) will either be the specified percentage of the nominal amount of the Book-entry Notes stated in the applicable Final Terms or, if Make-whole Amount is specified in the applicable Final Terms, will be the higher of (a) 100 per cent. of the principal amount outstanding of the Book-entry Notes to be redeemed; and (b) the sum of the present values of the principal amount outstanding of the Book-entry Notes to be redeemed and the Remaining Term Interest on such Book-entry Notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at (i) the Reference Bond Rate plus the Redemption Margin; or (ii) the Discount Rate, in each

case as may be specified in the applicable Final Terms. If the Make-whole Exemption Period is specified as applicable and the Issuer gives notice to redeem the Book-entry Notes during the Make-whole Exemption Period, the Optional Redemption Amount will be 100 per cent. of the principal amount outstanding of the Book-entry Notes to be redeemed.

- (d) *Residual maturity call option:* If the Residual Maturity Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (which notice shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Book-entry Notes comprising the relevant Series at their principal amount together with interest accrued to, but excluding, the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Book-entry Notes having a maturity of not more than ten years or (ii) six months before the Maturity Date in respect of Book-entry Notes having a maturity of more than ten years, unless otherwise specified in the relevant Final Terms.

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years shall be determined as from the Issue Date of the first Tranche of the relevant Series of Book-entry Notes.

All Book-entry Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 11(d).

- (e) *Substantial Purchase Event:* If a Substantial Purchase Event is specified in the relevant Final Terms as being applicable and a Substantial Purchase Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem the Book-entry Notes comprising the relevant Series in whole, but not in part, in accordance with these Book-entry Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption.

All Book-entry Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 11(e).

- (f) *Partial redemption:* in compliance with the requirements of the principal securities exchange, if any, on which that series of Book-entry Notes are listed, on a pro rata basis by use of a pool factor.
- (g) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Book-entry Note redeem such Book-entry Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(g), the holder of a Book-entry Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deliver a duly completed Put Option Notice in the form obtainable from the Spanish Paying Agent at its registered office which will, in turn, forward the Put Option Notice to the Issuer. The Spanish Paying Agent shall deliver a duly completed notice receipt to the relevant Holder. No such notice, once delivered in accordance with the Condition 11(g) may be withdrawn. .
- (h) *Redemption at the option of the Noteholders (Change of control of the Issuer):* If Put Event is specified in the relevant Final Terms as being applicable, a "**Put Event**" will be deemed to occur if:

(i)

- (A) any person or any persons acting in concert acquire Control of the Issuer (a “**Change of control of the Issuer**”); and
- (B) on the date (the “**Relevant Date**”) that is the earlier of (a) the date of the first public announcement of the relevant Change of Control of the Issuer and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Book-entry Notes carry:
 - (1) an Investment Grade Rating from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded to a Non-Investment Grade Rating or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency; or
 - (2) a Non-Investment Grade Rating from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from Baa1 to Baa2 or such similar lowering) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency; or
 - (3) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if upon the expiration of the Change of Control Period the Issuer has at least one Investment Grade Rating then sub-paragraphs (B)(1) and (B)(2) will not apply; and

- (C) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (B)(1) and (B)(2) above or not to award at least an Investment Grade Rating as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control of the Issuer or the Relevant Potential Change of Control Announcement; and/or

(ii) the Issuer ceases:

- (A) to hold or control, directly or indirectly, acting alone or in concert with others, more than 50 per cent. of the Voting Rights of SFL; or
- (B) to have the right, acting alone or in concert with others, to appoint and/or remove all or the majority of the members of the SFL’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, contract or otherwise,

(in each case, a “**Change of Control of SFL**”).

If a Put Event occurs, the holder of each Book-entry Note will have the option (a “**Put Option**”) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 11(b), 11(c) or 11(d) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) such Book-entry Note on the Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall without delay give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 19 (*Notices*) specifying the nature of the Put Event, the procedure for exercising the Put Option and the date on which the Put Period will end.

To exercise the Put Option, the holder of a Book-entry Note must deliver such Book-entry Note to the Specified Office of the Spanish Paying Agent at any time during normal business hours of the Spanish Paying Agent falling within the period (the “**Put Period**”) of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Specified Office of the Spanish Paying Agent (a “**Put Notice**”) at its registered office which will, in turn, forward the Put Notice to the Issuer. The Spanish Paying Agent shall deliver a duly completed notice receipt to the relevant Holder. No such notice, once delivered in accordance with this Condition 11(h) may be withdrawn. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Book-entry Notes on the Put Date unless previously redeemed (or purchased) and cancelled.

If 85 per cent. or more in principal amount of the Book-entry Notes then outstanding have been redeemed or purchased pursuant to this Condition 11(h), the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (such notice being given within 30 days after the Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Book-entry Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any of Moody’s, Fitch or Standard & Poor’s are changed from those which are described in paragraph (i)(B) of the definition of “Put Event” above, the Issuer shall determine the rating designations of Moody’s, Fitch or Standard & Poor’s (as appropriate) as are most equivalent to the prior rating designations of Moody’s, Fitch or Standard & Poor’s and this Condition 11(f) shall be construed accordingly.

- (i) *No other redemption:* The Issuer shall not be entitled to redeem the Book-entry Notes otherwise than as provided in paragraphs (a) to (h) above.
- (j) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Book-entry Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may

be specified in the Final Terms for the purposes of this Condition 11(j) or, if none is so specified, a Day Count Fraction of 30E/360.

- (k) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Book-entry Notes in the open market or otherwise and at any price. Any Book-entry Notes 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 Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 17(a) (*Meetings of Noteholders; Modification and Waiver*).
- (l) *Cancellation:* All Book-entry Notes so redeemed or purchased by the Issuer or any of its respective Subsidiaries shall be cancelled and may not be reissued or resold.

12. **Payments**

- (a) *Principal and interest:* Payments in respect of the Book-entry Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET2 System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the Business Day on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Book-entry Notes. None of the Issuer, the Spanish Paying Agent or, if applicable, any of the Dealers will have any responsibility or liability for the records relating to payments made in respect of the Book-entry Notes.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Book-entry Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (c) No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* If the due date for payment of any amount in respect of any Book-entry Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Book-entry Notes 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 (the “**Spanish Tax Authorities**”), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders 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 Book-entry Note:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Book-entry Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Book-entry Note; or
- (ii) more than 30 days after the Relevant Date except to the extent that the holder of such Book-entry Note would have been entitled to such additional amounts on presenting such Book-entry Note for payment on the last day of such period of 30 days; or
- (iii) to, or to a third party on behalf of, a holder in respect of whom withholding is to be levied as a consequence of the Issuer having not received, within the time period established by applicable law, the relevant duly executed and completed certificate required in order to comply with the Spanish Law 10/2014 as well as Royal Decree 1065/2007 (each, as amended from time to time), and any other implementing legislation or regulation; or
- (iv) to, or to a third party on behalf of, a holder, in respect of whose Book-entry Notes the Issuer (or an agent acting on behalf of the Issuer) has not received the information as might be necessary under the applicable law or regulation to allow payments on such Book-entry Note to be made free and clear from withholding tax or deduction on account of taxes levied by the Kingdom of Spain , including when the Issuer does not receive such information concerning such Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented; or
- (v) any combination of items (i) through (v) above.

For the avoidance of doubt, payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13) any law implementing an intergovernmental approach thereto. No additional amounts will be paid on the Book-entry Notes with respect to any such withholding or deduction.

- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Book-entry Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-Payment:* the Issuer fails to pay the principal or any interest on any of Book-entry Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other

obligations under the Book-entry Notes (including, but not limited to, any provision of Condition 5 (*Negative Pledge*)) which default is incapable of remedy or is not remedied within 30 Business Days after notice of such default shall have been given to the Issuer or to the Spanish Paying Agent at its Specified Office by any Noteholder; or

(c) *Breach of Covenant*: the Issuer does not perform or observe the covenant set forth in Condition 6 (*Covenants*) which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and to the Spanish Paying Agent at its Specified Office by any Noteholder, by providing the Noteholders through the Spanish Paying Agent with an updated certificate signed by one Authorised Officer of the Issuer, certifying that:

(i) the Pro Forma Unencumbered Total Assets Value, is not less than;

(ii) the Pro Forma Unsecured Debt;

and containing (i) the formulae for the calculation of the above amounts, and (ii) a statement as to the correctness of such formulae. The Issuer shall deliver to the Noteholders through the Spanish Paying Agent a separate report issued by the Issuer's auditors setting out the procedures used to calculate the above amounts and reviewing the application of the formulae certified by the Issuer; or

(d) *Cross-Default*: (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries (other than SFL) for or in respect of moneys borrowed or raised becomes 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 (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries (other than SFL) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 14(d) have occurred equals or exceeds EUR20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this Condition 14(d) operates); or

(e) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries (other than SFL) and is not discharged or stayed within 60 days, provided that the amount levied, enforced or sued on such distress, attachment or execution, individually or in aggregate with any other amount levied, enforced or sued, exceeds EUR20,000,000; or

(f) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries (other than SFL) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person), provided that the individual or aggregate value of all assets subject to the enforcement exceeds EUR20,000,000; or

(g) *Insolvency*: the Issuer or any of its Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt (*concurso*) or unable to pay its debts when due, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy, stops, suspends or threatens to stop or suspend regular payment of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of its debts generally, 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 in respect of or affecting the debts of the Issuer or any of its Material Subsidiaries generally; or

- (h) *Winding-up*: an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or
- (i) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Book-entry Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Book-entry Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (j) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Book-entry Notes; or
- (k) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e), (f), (g), (h) and (j) of this Condition 14;

then any Book-entry Note may, by notice in writing given to the Spanish Paying Agent at its Specified Office by the Noteholder, be declared immediately due and payable whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further formality.

15. **Prescription**

Claims for principal shall become void unless made within ten years of the appropriate Relevant Date. Claims for interest shall become void unless made within five years of the appropriate Relevant Date.

16. **Agents**

In acting under the Spanish Agency Agreement, the Agency Agreement and in connection with the Book-entry Notes, the Spanish Paying Agent acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The Spanish Paying Agent and its initial Specified Office is listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor paying agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Spanish Paying Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

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

Notice of any change in any of the Spanish Paying Agent or in its Specified Office shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Book-entry Notes, including the modification of any provision of these Book-entry 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 them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Book-entry Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing a clear majority of the aggregate principal amount of the outstanding Book-entry Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the outstanding Book-entry Notes; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Book-entry Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of holders of not less than two-thirds of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Book-entry Notes and these Book-entry Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

18. **Further Issues**

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

19. **Notices**

Notices to the Noteholders will be published in the official bulletin of AIAF (*Boletín Diario de AIAF Mercado de Renta Fija*) and, where applicable, through the filing by the Issuer of a price-sensitive information notice (*comunicación de hecho relevante*) with the CNMV. If the Book-entry Notes are also listed in other European regulated market, notices to Noteholders will be published in accordance with the

requirements of such regulated market. Any such notice will be deemed to have been given on the date of the first publication. In addition, all notices to Noteholders shall also be made through Iberclear to their respective accountholders.

20. **Currency Indemnity**

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

21. **Rounding**

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

22. **Governing Law and Jurisdiction**

- (a) **Governing Law:** Save as described below, the Book-entry Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Book-entry Notes are governed by English law. The Spanish Agency Agreement and the title, transfer and status of the Book-entry Notes as described in Condition 3 (*Title and Transfer*) and Condition 4 (*Status*), respectively, are governed by Spanish law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Book-entry Notes and accordingly any legal action or proceedings arising out of or in connection with the Book-entry Notes ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Noteholders and shall not limit the

right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Agent for Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth floor 100 Wood St London EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on any of the Book-entry Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE BEARER NOTES

The following is the text of the terms and conditions which, save for the text in italics and subject to completion in accordance with the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Bearer Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Bearer Notes may complete any information in this Base Prospectus.

The terms and conditions applicable to any Bearer Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Bearer Notes while in Global Form” below.

1. Introduction

- (a) *Programme:* Inmobiliaria Colonial, SOCIMI, S.A. (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR3,000,000,000 in aggregate principal amount of notes in bearer form (the “**Bearer Notes**”) and in book-entry form. These terms and conditions relate to notes issued under the Programme in bearer form.
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Bearer Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Bearer Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Bearer Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an amended and restated fiscal agency agreement dated 27 November 2018 (the “**Agency Agreement**”) between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *The Notes:* All subsequent references in these Bearer Conditions to “Bearer Notes” are to the Bearer Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer and on the Issuer’s website at www.inmocolonial.com.
- (e) *Summaries:* Certain provisions of these Bearer Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.
- (f) *Public Deed of Issuance:* If so required by Spanish law, the Issuer will execute a public deed (*escritura pública*) (the “**Public Deed of Issuance**”) before a Spanish Notary Public in relation to the Notes. The Public Deed of Issuance will contain, among other information, the terms and conditions of the Notes.

2. Interpretation

(a) *Definitions:* In these Bearer Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Authorised Officer**” means the Chief Executive Officer or the Chief Financial Officer of the Issuer, or anyone delegated by the Board of Directors of the Issuer;

“**Business Day**” means:

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

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the

next calendar month, in which case it will be the first preceding day which is a Business Day; and

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

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

“Calculation Agent” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Change of Control Period” means the period commencing on and including the Relevant Date in relation to a Change of Control of the Issuer and ending 90 days after the Change of Control of the Issuer (or such longer period for which the Bearer Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control of the Issuer) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

“Control” has the meaning assigned to that term in Article 42(1) of the Spanish Commercial Code;

“Coupon Sheet” means, in respect of a Bearer Note, a coupon sheet relating to the Bearer Note;

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

- (a) if **“Actual/Actual (ICMA)”** is so specified, means:

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

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

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

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation

Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30”;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

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

“**Discount Rate**” will be as set out in the applicable Final Terms;

“**Early Redemption Amount (Tax)**” means, in respect of any Bearer Note, its principal amount or such

other amount as may be specified in the relevant Final Terms;

“Early Termination Amount” means, in respect of any Bearer Note, its principal amount or such other amount as may be specified in these Bearer Conditions or the relevant Final Terms;

“EURIBOR” means, in respect of any Specified Currency and any Specified Period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

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

“Final Redemption Amount” means, in respect of any Bearer Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Financial Adviser” means the entity so specified in the applicable Final Terms or, if not so specified or such entity is unable or unwilling to act, any financial adviser selected by the Issuer;

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed in whatever form;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the International Financial Reporting Standards (“IFRS EU”), be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding the deferred purchase price of assets or services acquired in the ordinary course of business or otherwise arising from normal trade credit;
- (g) amounts representing the balance deferred and unpaid for a period of more than 365 days of the purchase price of any property except any amount that constitutes an accrued expense or trade payable;

- (h) shares which are expressed to be redeemable;
- (i) without double counting, any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Group**” means the Issuer and its Subsidiaries;

“**Independent Financial Adviser**” means an independent financial institution of international and reputable standing appointed by the Issuer in good faith and at its own expense;

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

“**Interest Commencement Date**” means the Issue Date of the Bearer Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

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

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

“**Investment Grade Rating**” means the following Ratings: (a) with respect to Standard & Poor’s, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (b) with respect to Moody’s, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); and (c) with respect to Fitch, any of the categories from and including AAA to and including BBB- (or equivalent successor categories);

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Bearer Notes of the relevant Series (as specified in the relevant Final Terms) as

published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**LIBOR**” means, in respect of any Specified Currency and any Specified Period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

“**Make-whole Exemption Period**” will be as set out in the applicable Final Terms;

“**Make-whole Reference Date**” will be set out in the relevant notice of redemption, such date to fall no earlier than the date falling 30 days prior to the date of such notice;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Issuer:

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues) at any relevant time represent no less than 10 per cent. of the total consolidated assets or gross consolidated revenues, respectively, of the Group, 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 IFRS EU, 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;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

a “**Negative Rating Event**” shall be deemed to have occurred if at such time as there is no rating assigned to the Bearer Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control of the Issuer seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Bearer Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the Issuer does so seek and use such endeavours,

it is unable to obtain such a rating of at least Investment Grade Rating by the end of the Change of Control Period;

“Non-Investment Grade Rating” means the following Ratings: (a) with respect to Standard & Poor’s, any of the categories below BBB- (or equivalent successor categories); (b) with respect to Moody’s, any of the categories below Baa3 (or equivalent successor categories); and (c) with respect to Fitch, any of the categories below BBB- (or equivalent successor categories);

“Optional Redemption Amount (Call)” means, in respect of any Bearer Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Bearer Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Participating Member State” means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

“Payment Business Day” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permitted Security Interest” means any Security Interest created in respect of any Relevant Indebtedness of a company which has merged with the Issuer or one of its Subsidiaries or which has been acquired by the Issuer or one of its Subsidiaries, provided that such security was already in existence at the time of the merger or the acquisition, was not created for the purpose of financing the merger or the acquisition and is not increased in amount and not extended following the merger or the acquisition;

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

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Pro Forma Unencumbered Total Assets Value” means the Unencumbered Total Assets Value as at the relevant Reference Date adjusted to include any event that has increased or decreased the Unencumbered Total Assets Value between the relevant Reference Date and the corresponding Reporting Date; and

“Pro Forma Unsecured Debt” means the Unsecured Debt as at the relevant Reference Date adjusted to include any event that has increased or decreased the Unsecured Debt between the relevant Reference Date and the corresponding Reporting Date.

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

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

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Bearer Notes specified in the relevant Final Terms;

“Rating Agency” means Moody’s Investors Service, Inc. (**“Moody’s”**), Fitch Ratings Ltd. (**“Fitch”**) or S&P Global Ratings Europe Limited, a division of The McGraw-Hill Companies Inc. (**“Standard & Poor’s”**) or any of their respective successors; and

“Rating Change” means a Step-up Rating Change and/or a Step-down Rating Change;

“Ratings” means any ratings that may be assigned to the Bearer Notes by a Rating Agency from time to time, at the invitation of the Issuer or by its own volition.

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected by an Independent Financial Adviser which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues;

“Redemption Margin” will be as set out in the applicable Final Terms;

“Reference Bond” shall be the bond so specified in the applicable Final Terms or, if not so specified or if no longer available, the FA Selected Bond;

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

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

“Reference Date” means 30 June and 31 December of each year as the context requires;

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

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

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” means EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

“Regular Period” means:

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

“Relevant Potential Change of Control Announcement” means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control of the Issuer where within 180 days following the date of such announcement or statement, a Change of Control of the Issuer occurs;

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

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

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

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

“Relevant Time” has the meaning given in the relevant Final Terms;

“Remaining Term Interest” means with respect to any Bearer Note, the aggregate amount of scheduled payment(s) of interest on such Bearer Note for the remaining term of such Bearer Note determined on the basis of the rate of interest applicable to such Bearer Note from and including the date on which such Bearer Note is to be redeemed by the Issuer in accordance with Condition 11(c).

“Reporting Date” means a date falling no later than 30 days after (i) the approval by the Issuer’s General Shareholders’ Meeting of the audited consolidated financial statements of the Issuer, with respect to a Reference Date falling on 31 December, or (ii) the approval by the Issuer’s board of directors of the Issuer’s semi-annual consolidated financial statements, with respect to a Reference Date falling on 30 June;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Bearer Notes, to reduce the amount of principal or interest payable on any date in respect of the Bearer Notes, to alter the method of calculating the amount of any payment in respect of the Bearer Notes or the date for any such payment, to change the currency of any payment under the Bearer Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“Secured Debt” means, as at each Reference Date, that portion of the Total Debt that is secured by a Security Interest on any assets of the Group;

“Security Interest” means, without duplication, any mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases;

“Similar Security” means a reference bond or reference bonds issued by the German Federal Government having an actual or interpolated maturity comparable with the remaining term of the Bearer Notes that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bearer Notes;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Step-up Margin**” has the meaning given in the relevant Final Terms;

“**Step-down Rating Change**” means:

- (a) in the event the Bearer Notes have one Rating assigned by a Rating Agency, subsequent to a Step-up Rating Change the Bearer Notes are assigned an Investment Grade Rating by a Rating Agency; or
- (b) in the event the Bearer Notes have two Ratings assigned by the Rating Agencies at any time, subsequent to a Step-up Rating Change the Non-Investment Grade Ratings assigned to the Bearer Notes are increased to Investment Grade Ratings resulting in the Bearer Notes being assigned two Investment Grade Ratings or if the Bearer Notes are subsequently assigned an Investment Grade Rating by one Rating Agency in the event both such Investment Grade Ratings had been withdrawn; or
- (c) in the event the Bearer Notes are assigned three Ratings by the Rating Agencies at any time, subsequent to a Step-up Rating Change the Non-Investment Grade Ratings assigned to the Bearer Notes are increased to Investment Grade Ratings resulting in the Bearer Notes being assigned at least two Investment Grade Ratings or if the Bearer Notes are subsequently assigned an Investment Grade Rating by one Rating Agency in the event all three Ratings had been withdrawn.

For the avoidance of doubt, any further increases (or assignments, as the case may be) in the Rating of the Bearer Notes to at least an Investment Grade Rating, shall not constitute a Step-down Rating Change.

“**Step-up Rating Change**” means:

- (a) in the event the Bearer Notes have one Rating assigned by a Rating Agency, if such Rating ceases to be an Investment Grade Rating or if such Investment Grade Rating is withdrawn; or
- (b) in the event the Bearer Notes have two Ratings assigned by the Rating Agencies at any time, if either or both of the Ratings cease to be an Investment Grade Rating or if both Investment Grade Ratings are withdrawn; or
- (c) in the event the Bearer Notes are assigned three Ratings by the Rating Agencies at any time, if two of the three Ratings cease to be Investment Grade Rating or if all three Ratings are withdrawn.

For the avoidance of doubt, any further decreases (or withdrawals, as the case may be) in the Rating of the Bearer Notes to below an Investment Grade Rating, shall not constitute a Step-up Rating Change;

“**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

“**Substantial Purchase Event**” shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Bearer Notes of the relevant Series originally issued (which for these purposes shall include any further Bearer Notes of the same Series issued subsequently) is purchased by the Issuer or any Subsidiary of the Issuer (and in each case is cancelled in accordance with Condition 11(1));

“**Talon**” means a talon for further Coupons;

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

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

“**TARGET System**” means the TARGET2 system;

“**Total Assets of the Group**” means, as at each Reference Date, the aggregate value of the total assets of the Group as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) prepared as of the relevant Reference Date according to IFRS EU and adjusted to exclude any intangible assets and to include the unrealised capital gain arising from the revaluation of the assets for own use as reported in the relevant financial statements;

“**Total Debt**” means, as at each Reference Date, the aggregate amount of all Financial Indebtedness of the Group as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) for that Reference Date, excluding any derivative transaction entered into in connection with protection against or benefit from fluctuation of interest rates;

“**Treaty**” means the Treaty establishing the European Communities, as amended;

“**Voting Rights**” means, in respect of any person, the right generally to vote at a general meeting of shareholders of such person (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).

“**Unencumbered Total Assets Value**” means, as at each Reference Date, the value of the Total Assets of the Group which are not subject to a Security Interest as shown in the Issuer’s audited annual consolidated financial statements or in the Issuer’s semi-annual consolidated financial statements (as applicable) prepared as of the relevant Reference Date;

“**Unsecured Debt**” means, as at each Reference Date, that portion of the Total Debt that is not Secured Debt; and

“**Zero Coupon Note**” means a Bearer Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Bearer Conditions:

- (i) if the Bearer Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Bearer Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Bearer Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Bearer Note and any other amount in the nature of principal payable pursuant to these Bearer Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Bearer Conditions;
- (vi) references to Bearer Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Bearer Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Bearer Notes.

3. **Form, Denomination and Title**

The Bearer Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Title to the Bearer Notes and the Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Bearer Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

The Bearer Notes and Coupons constitute (subject to Condition 5 (*Negative Pledge*)) direct, general, unconditional and 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 of 9 July, on Insolvency (*Ley Concursal*), as amended (the “**Spanish Insolvency Law**”) or equivalent legal provisions which replaces it in the future and subject to any legal and statutory exceptions) will rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of the Issuer, present and future.

In the event of insolvency (concurso) of the Issuer, under the Spanish Insolvency Law, claims relating to the Bearer Notes (which are not subordinated pursuant to article 92 of the Spanish Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Spanish Insolvency Law. Ordinary credits rank

below credits against the insolvency estate (créditos contra la masa) and credits with a general or special privilege (créditos con privilegio general o especial). Ordinary credits rank above subordinated credits and the rights of shareholders.

Interest on the Bearer Notes accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Bearer Notes shall be suspended as from the date of any declaration of insolvency (concurso) of the Issuer.

5. Negative Pledge

So long as any Bearer Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer will not, and will ensure that none of its Material Subsidiaries (other than Société Foncière Lyonnaise S.A. (“SFL”)) will create, or have outstanding, 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 any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bearer Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

6. Covenants

For so long as any Bearer Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer shall:

- (a) *Unencumbered Assets*: ensure that as at each Reference Date the Unencumbered Total Assets Value will be at least equal to the Unsecured Debt;
- (b) *Notice to Noteholders*: In addition to Condition 6(c) below, in the event that as at any Reference Date the covenant in Condition 6(a) above is breached, promptly (and in any event no later than the following relevant Reporting Date) notify the Noteholders in accordance with Condition 20 (*Notices*); and
- (c) *Certificate*: deliver a certificate to the Noteholders through the Fiscal Agent on each Reporting Date signed by one Authorised Officer of the Issuer, certifying that the Issuer is in compliance with the covenant set out in Condition 6(a) above at the relevant Reference Date and containing (i) the formulae for the calculation of the covenant, and (ii) a statement as to the correctness of such formulae. The Issuer shall deliver to the Noteholders through the Fiscal Agent a separate report issued by the Issuer’s auditors setting out the procedures used to calculate the covenant and reviewing the application of the formulae certified by the Issuer.

7. Fixed Rate Note Provisions

- (a) *Application*: This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Bearer Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest*: The Bearer Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Bearer Note will cease to bear interest from the due date for final redemption unless, upon due

presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bearer Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Bearer Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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

8. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Bearer Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Bearer Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Bearer Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bearer Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Bearer Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Bearer Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, an Independent Financial Adviser shall:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, an Independent Financial Adviser shall determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Independent Financial Adviser, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (vi) Benchmark Replacement:
 - (i) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint as soon as reasonably practicable, at the Issuer's own expense, an Independent Adviser to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 8(c)(vi)(iii))

and, in either case, an Adjustment Spread if any (in accordance with Condition 8(c)(vi)(iv)) and any Benchmark Amendments (in accordance with Condition 8(c)(vi)(v)).

An Independent Adviser appointed pursuant to this Condition 8(c)(vi)(i) shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 8(c)(vi).

- (ii) If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 8(c)(vi)(iii) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Bearer Notes in respect of the preceding Interest Period (or alternatively if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period). For the avoidance of doubt, this Condition 8(c)(vi)(ii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c)(vi).
- (iii) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that:
 - (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 8(c)(vi)(iv)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bearer Notes (subject to the operation of this Condition 8(c)(vi)); or
 - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 8(c)(vi)(iv)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bearer Notes (subject to the operation of this Condition 8(c)(vi)).
- (iv) If the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (v) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 8(c)(vi) and the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines (i) that amendments to these Bearer Conditions, the Spanish Agency Agreement and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 8(c)(vi)(vi), without any requirement for the consent or approval of Noteholders,

vary these Bearer Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

- (vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 8(c)(vi) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (vii) Without prejudice to Conditions 8(c)(vi)(i) to 8(c)(vi)(v), the Original Reference Rate and the other fallback provisions provided for in Condition 8(c) will continue to apply unless and until a Benchmark Event has occurred.
- (viii) Definitions:

As used in this Condition 8(c)(vi):

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (B) the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines that no such industry standard is recognised or acknowledged)
- (C) the Independent Adviser, in its discretion, acting in a commercially reasonable manner and in good faith, determines to be appropriate.

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser, acting in a commercially reasonable manner and in good faith, determines in accordance with Condition 8(c)(vi)(iii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 8(c)(vi)(v).

“**Benchmark Event**” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (E) it has become unlawful for any Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 8(c)(vi)(i).

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Bearer Notes.

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

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

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

- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Bearer Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Bearer Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Bearer Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the

Interest Amount in respect of a Bearer Note having the minimum Specified Denomination.

- (h) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Bearer Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Bearer Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Step-Up Note Provisions**

- (a) *Application:* This Condition 10 (*Step-Up Note Provisions*) is applicable to the Bearer Notes only if Step-Up Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Step-Up:* The Rate of Interest shall be subject to adjustment by the Step-up Margin in the event of a Step-up Rating Change (if any) or a subsequent Step-down Rating Change (if any), as the case may be. For any Interest Period commencing on or after the first Interest Payment Date immediately following the date of a Step-Up Rating Change, if any, the Rate of Interest shall be increased by the Step-up Margin (the “**Step-up**”).

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

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

- (c) The Step-up is not cumulative. Therefore, while the Step-up is in effect, any subsequent assignment of Non-Investment Grade Ratings or the withdrawal of any Ratings by any Rating Agencies will not trigger

additional increases in the Rate of Interest.

11. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bearer Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*).
- (b) *Redemption for tax reasons*: The Bearer Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

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

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Bearer Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bearer Notes were then due; or
- (2) where the Bearer Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bearer Notes were 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 Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Bearer Notes in accordance with this Condition 11(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Bearer Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bearer Notes or, as the case may be, the Bearer Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

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

- (d) *Residual maturity call option:* If the Residual Maturity Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (which notice shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Bearer Notes comprising the relevant Series at their principal amount together with interest accrued to, but excluding, the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Bearer Notes having a maturity of not more than ten years or (ii) six months before the Maturity Date in respect of Bearer Notes having a maturity of more than ten years, unless otherwise specified in the relevant Final Terms.

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years shall be determined as from the Issue Date of the first Tranche of the relevant Series of Bearer Notes.

All Bearer Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 11(d).

- (e) *Substantial Purchase Event:* If a Substantial Purchase Event is specified in the relevant Final Terms as being applicable and a Substantial Purchase Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem the Bearer Notes comprising the relevant Series in whole, but not in part, in accordance with these Bearer Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption.

All Bearer Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 11(e).

- (f) *Partial redemption*: in compliance with the requirements of the principal securities exchange, if any, on which that series of Bearer Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Bearer Notes are not so listed or such exchange prescribes no method of selection and the Bearer Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a pro rata basis by use of a pool factor; provided, however, that no Definitive Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Bearer Notes in integral multiples of €1,000 will be redeemed. The Fiscal Agent will not be liable for any selections made in accordance with this paragraph.
- (g) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Bearer Note redeem such Bearer Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(g), the holder of a Bearer Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Bearer Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Bearer Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Bearer Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(g), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Bearer Note becomes immediately due and payable or, upon due presentation of any such Bearer Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Bearer Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Bearer Note is held by a Paying Agent in accordance with this Condition 11(g), the depositor of such Bearer Note and not such Paying Agent shall be deemed to be the holder of such Bearer Note for all purposes.
- (h) *Redemption at the option of the Noteholders (Change of control of the Issuer)*: If Put Event is specified in the relevant Final Terms as being applicable, a “**Put Event**” will be deemed to occur if:
- (i)
- (A) any person or any persons acting in concert acquire Control of the Issuer (a “**Change of control of the Issuer**”); and
- (B) on the date (the “**Relevant Date**”) that is the earlier of (a) the date of the first public announcement of the relevant Change of Control of the Issuer and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Bearer Notes carry:
- (1) an Investment Grade Rating from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded to a Non-Investment Grade Rating or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to an Investment Grade Rating by such Rating Agency; or

- (2) a Non-Investment Grade Rating from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from Baa1 to Baa2 or such similar lowering) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency; or
- (3) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if upon the expiration of the Change of Control Period the Issuer has at least one Investment Grade Rating then sub-paragraphs (B)(1) and (B)(2) will not apply; and

- (C) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (B)(1) and (B)(2) above or not to award at least an Investment Grade Rating as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control of the Issuer or the Relevant Potential Change of Control Announcement; and/or
- (ii) the Issuer ceases:
 - (A) to hold or control, directly or indirectly, acting alone or in concert with others, more than 50 per cent. of the Voting Rights of SFL; or
 - (B) to have the right, acting alone or in concert with others, to appoint and/or remove all or the majority of the members of the SFL'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, contract or otherwise,

(in each case, a “**Change of Control of SFL**”).

If a Put Event occurs, the holder of each Bearer Note will have the option (a “**Put Option**”) (unless prior to the giving of the relevant Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 11(b), 11(c) or 11(d) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) such Bearer Note on the Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall without delay give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Put Event, the procedure for exercising the Put Option and the date on which the Put Period will end.

To exercise the Put Option, the holder of a Bearer Note must deliver such Bearer Note to the Specified Office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the “**Put Period**”) of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Specified Office of any Paying Agent (a “**Put Notice**”). The Bearer Note should be delivered together with all

Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the “**Put Date**”), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement thereof issued pursuant to Condition 16 (*Replacement of Notes and Coupons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Bearer Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Bearer Note so delivered. Payment in respect of any Bearer Note so delivered will be made, if the holder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of these Bearer Conditions, receipts issued pursuant to Condition 20 (*Notices*) shall be treated as if they were Bearer Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Bearer Notes on the Put Date unless previously redeemed (or purchased) and cancelled.

If 85 per cent. or more in principal amount of the Bearer Notes then outstanding have been redeemed or purchased pursuant to this Condition 11(h), the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (such notice being given within 30 days after the Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Bearer Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any of Moody’s, Fitch or Standard & Poor’s are changed from those which are described in paragraph (i)(B) of the definition of “Put Event” above, the Issuer shall determine the rating designations of Moody’s, Fitch or Standard & Poor’s (as appropriate) as are most equivalent to the prior rating designations of Moody’s, Fitch or Standard & Poor’s and this Condition 11(f) shall be construed accordingly.

- (i) *No other redemption:* The Issuer shall not be entitled to redeem the Bearer Notes otherwise than as provided in paragraphs (a) to (h) above.
- (j) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Bearer Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11(j) or, if none is so specified, a Day Count Fraction of 30E/360.

- (k) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Bearer Notes in the open market

or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Any Bearer Notes 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 Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 18(a) (*Meetings of Noteholders; Modification and Waiver*).

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

12. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (f) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount

actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (g) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 12(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption at the option of the Issuer*), Condition 11(d) (*Residual maturity call option*), Condition 11 (e) (*Substantial Purchase Event*), Condition 11(f) (*Redemption at the option of Noteholders*), Condition 11(h) (*Redemption at the option of Noteholders (Change of control of the Issuer)*), or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (j) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged

Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

13. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Bearer Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax (the “**Spanish Tax Authorities**”), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bearer Note or Coupon presented for payment:
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bearer Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bearer Note or Coupon; or
 - (ii) more than 30 days after the Relevant Date except to the extent that the holder of such Bearer Note or Coupon would have been entitled to such additional amounts on presenting such Bearer Note or Coupon for payment on the last day of such period of 30 days; or
 - (iii) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive from the Fiscal Agent, within the time period established by applicable law, a duly executed and completed certificate required in order to comply with the Spanish Law 10/2014 as well as Royal Decree 1065/2007, (each, as amended from time to time) and any other implementing legislation or regulation; or
 - (iv) to, or to a third party on behalf of, a Spanish resident legal entity subject to Corporate Income Tax or a Spanish individual subject to Spanish Personal Income Tax, if the Spanish tax authorities determine that the Notes do not comply with the exemption requirements specified in the General Directorate for Taxation’s ruling of 27 July 2004 and require a withholding to be made; or
 - (v) to, or to a third party on behalf of, a holder in respect of whose Bearer Notes the Issuer (or an agent acting on behalf of the Issuer) has not received the information as might be necessary under the applicable law or regulation to allow payments on such Bearer Notes to be made free and clear from withholding tax or deduction on account of taxes levied by the Kingdom of Spain, including when the Issuer does not receive such information concerning the Noteholders’ identity and tax residence as may be required in order to comply with the procedures that may be implemented; or
 - (vi) to, or to a third party on behalf of, a holder, should the exemption of Law 10/2014 not be applicable, who does not comply with the Issuer’s request to provide a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the beneficial owner of the Bearer Notes, which the holder or the beneficial owner is required to provide by the applicable tax laws and regulations of the relevant taxing authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant

taxing authority; or

- (vii) presented for payment in the Kingdom of Spain; or
- (viii) any combination of items (i) through (v) above.

For the avoidance of doubt, payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13) any law implementing an intergovernmental approach thereto. No additional amounts will be paid on the Bearer Notes or Coupons with respect to any such withholding or deduction.

- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Bearer Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-Payment:* the Issuer fails to pay the principal or any interest on any of Bearer Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations under the Bearer Notes (including, but not limited to, any provision of Condition 5 (*Negative Pledge*)) which default is incapable of remedy or is not remedied within 30 Business Days after notice of such default shall have been given to the Issuer or to the Fiscal Agent at its Specified Office by any Noteholder; or
- (c) *Breach of Covenant:* the Issuer does not perform or observe the covenant set forth in Condition 6 (*Covenants*) which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and to Fiscal Agent at its Specified Office by any Noteholder, by providing the Noteholders through the Fiscal Agent with an updated certificate signed by one Authorised Officer of the Issuer, certifying that:
 - (i) the Pro Forma Unencumbered Total Assets Value, is not less than;
 - (ii) the Pro Forma Unsecured Debt;

and containing (i) the formulae for the calculation of the above amounts, and (ii) a statement as to the correctness of such formulae. The Issuer shall deliver to the Noteholders through the Fiscal Agent a separate report issued by the Issuer’s auditors setting out the procedures used to calculate the above amounts and reviewing the application of the formulae certified by the Issuer; or

- (d) *Cross-Default:* (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries (other than SFL) for or in respect of moneys borrowed or raised becomes 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 (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries (other than SFL) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 14(d) have occurred equals or exceeds EUR20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this Condition 14(d) operates); or
- (e) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries (other than SFL) and is not discharged or stayed within 60 days, provided that the amount levied, enforced or sued on such distress, attachment or execution, individually or in aggregate with any other amount levied, enforced or sued, exceeds EUR20,000,000; or
 - (f) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries (other than SFL) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person), provided that the individual or aggregate value of all assets subject to the enforcement exceeds EUR20,000,000; or
 - (g) *Insolvency*: the Issuer or any of its Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt (*concurso*) or unable to pay its debts when due, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy, stops, suspends or threatens to stop or suspend regular payment of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of its debts generally, 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 in respect of or affecting the debts of the Issuer or any of its Material Subsidiaries generally; or
 - (h) *Winding-up*: an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or
 - (i) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bearer Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bearer Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
 - (j) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bearer Notes; or

- (k) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e), (f), (g), (h) and (j) of this Condition 14;

then any Bearer Note may, by notice in writing given to the Fiscal Agent at its Specified Office by the Noteholder, be declared immediately due and payable whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further formality.

15. **Prescription**

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

16. **Replacement of Notes and Coupons**

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

17. **Agents**

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

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

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Bearer Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Bearer Notes, including the modification of any provision of these Bearer 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 them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Bearer Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing a clear majority of the aggregate principal amount of the outstanding Bearer Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the outstanding Bearer Notes; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Bearer Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of holders of not less than two-thirds of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Bearer Notes and these Bearer Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. **Further Issues**

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

20. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in Dublin or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. For so long as any Bearer Notes are admitted to trading on the Irish Stock Exchange plc trading as Euronext Dublin, the Issuer will also publish notices in accordance with the rules of the Irish Stock Exchange plc trading as Euronext Dublin.

Until such time as any definitive Notes are issued, there may, so long as any global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders in accordance with their respective rules and operating

procedures. Any such notice shall be deemed to have been given to the Noteholders on the day on which the notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

21. **Currency Indemnity**

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

22. **Rounding**

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

23. **Governing Law and Jurisdiction**

- (a) **Governing Law:** Save as described below, the Bearer Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bearer Notes are governed by English law. The status of the Bearer Notes as described in Condition 4 (*Status*) are governed by Spanish law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bearer Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Bearer Notes or the Coupons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Noteholders and Couponholders and shall not limit the right of any of them to take Proceedings in any other court of

competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Agent for Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth floor 100 Wood St London EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on any of the Bearer Notes or the Coupons. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK-ENTRY NOTES

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry notes such as the Book-entry Notes.

Notwithstanding this summary, it should be noted that the Spanish clearing, settlement and registry system of securities transactions has undergone a significant reform to align it with the practices and standards of its European neighbours and prepare it for the implementation of future integration projects.

In this regard, Law 32/2011 of 4 October which amended Law 24/1988 of 28 July on the securities market (*Ley 32/2011, de 4 de octubre, por la que se modifica la Ley 24/1988, de 28 julio, del Mercado de Valores*) (“**Law 32/2011**”), anticipated and set the master plan of the future Spanish clearing, settlement and registry system providing for certain changes that are being implemented and that will modify the system and allow for the integration of the post-trading Spanish systems into the system TARGET2 Securities. Law 24/1988 was repealed by the Spanish Royal Legislative Decree 4/2015, of 23 October, which approved the restated text of the Securities Market Act but the amendments introduced by Law 32/2011 are duly reflected in this restated law.

Additionally, Regulation (EU) No. 909/2014 of the European Parliament and of the Council of July 23 on improving securities settlement in the EU and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (“**Regulation No. 909/2014**”) provides that the maximum settlement period as regards transactions in transferable securities which are executed on trading venues must be settled by no later than the second business day following the relevant transaction, subject to certain exemptions. In this regard, since October 2014 transactions affecting debt securities settled through Iberclear are generally settled two business days after they have been made.

In this respect, the Spanish clearing, settlement and recording system has been adapted to the provisions set forth in Regulation No 909/2014 by Law 11/2015, of 18 June and Royal Decree 878/2015, of 2 October.

Following this reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities (the “**Reform**”).

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A. Sociedad Unipersonal, “**BME Clearing**” or the “**CCP**”), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

The Reform has been implemented in two phases.

- (i) The first phase which was implemented on 27 April 2016 involved setting up a new system for equities to include all the changes envisaged in the Reform, including the creation of BME Clearing, a CCP for post-trade operations compatible with the TARGET2 Securities system (messages, account structure, definition of operations, etc.). From 3 October 2016, with respect to transactions carried out on 29 September 2016, the new settlement and registration platform (ARCO) operates under a “T+2 Settlement Standard” by which any transactions must be settled within two stock-exchange business days following the date on which the relevant transaction was completed.
- (ii) The second phase was implemented in September 2017 upon Iberclear’s connection to the TARGET2 Securities system. As a result, fixed-income securities were transferred to the new ARCO platform.

Since September 2017 the settlement and registration system for both equity and fixed-income securities are unified.

Iberclear

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal (“**Iberclear**”) is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the clearing and settlement of securities and cash transactions. To achieve this, Iberclear uses the technical platform named ARCO.

Acting as CCP, BME Clearing interposes itself on its own account in the transactions registered with the central registry.

Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.*, a holding company, which fully owns each of the Spanish official secondary markets and settlement systems.

Iberclear Securities Registration System

The securities recording system of Iberclear is a two tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the Spanish Public Administration and the Spanish General Treasury of the Social Security, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities’ proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- (i) the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;
- (ii) the investor appearing in the records of the participating entity as holding the securities; or
- (iii) the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner’s request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

Iberclear Settlement of securities traded on the AIAF

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on the AIAF.

Securities traded on the AIAF are fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds) and bonds issued by the Kingdom of Spain and Spanish regions, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading on the AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a “transaction-to-transaction” cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the business day agreed by participants at the moment of the trade.

Settlement Cycles: The ARCO Platform

The ARCO platform offers both settlement in cycles and in real-time.

Real-time settlement (Madrid time):

- (i) Against payment trades: from 05:00 am to 4:00 pm;
- (ii) Free of payment trades: from 05:00 am to 6:00 pm.

The settlement of transactions that settle via real-time procedure will take place every 8 minutes.

Settlement in cycles (Madrid time):

- (i) Free and against payment trades: from 08:00 am to 3:00 pm. There are five cycles: at 08:00 am, 10:00 am, 11:30 am, 1:00 pm and 3:00 pm. In addition, there is one cycle at 2:00 pm (only for bilateral transactions free and against payment not cleared through a CCP) or 3:45 pm (for existing last resort loans) and 5:00 pm (only for bilateral transactions free of payment not cleared through CCP).
- (ii) Iberclear has an additional settlement cycle (*ciclo de repesca*) that allows the matching of trades from 3:00 pm to 3:45 pm whenever a Spanish custodian has a last resource loan in the market. Therefore, if Iberclear opens this extra settlement cycle, transactions that settle in cycles can be settled as of that time if the delivering party has sufficient position (Iberclear will start to send settlement confirmations after 3:45 pm for those trades that are matched from 3:00 pm to 3:45 pm).

Euroclear and Clearstream

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear and Clearstream with participating entities (*entidades participantes*) in Iberclear.

SUMMARY OF PROVISIONS RELATING TO THE BEARER NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

Bearer Conditions applicable to Global Notes

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

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

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

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) and condition 10(f) (*Redemption at the opinion of Noteholders (Change of control of the Issuer)*) the bearer of the Permanent Global Note must, within the period specified in the Bearer Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(c)

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

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used either:

- (a) for the general corporate purposes of the Group, including the repayment of existing indebtedness of the Group; or
- (b) to finance and/or refinance, in whole or in part, Eligible Assets, in which case the relevant Notes will be identified as “Green Bonds” in the title of the Notes in the applicable Final Terms.

“**Eligible Assets**” means (i) new or on-going projects (including brownfield, greenfield and/or extension/renovation projects) and/or (ii) existing assets under management by the Issuer or any of its subsidiaries, which have received (a) a BREEAM Certificate Design Stage (or any equivalent certification) of at least (and including) “Very Good” (i.e. a minimum score of 55/100), and (b) which have obtained or will obtain a BREEAM (1) In-Use Certificate (or any equivalent certification) in respect of the asset and building management under Part 1 (Asset) and Part 2 (Building Management) respectively, of the BREEAM assessment (www.breeam.org) of at least (and including) “Very Good” as soon as reasonably possible after the commencement of operations.

The Issuer’s auditors or any other third party appointed by the Issuer is expected to issue a report each year in the Issuer’s annual report on the compliance, in all material respects, of the Eligible Assets with the eligibility criteria described above.

The Issuer is also expected to indicate each year in its annual report the list of Eligible Assets financed by the net proceeds of the issuance of the Notes with indicators on these Eligible Assets regarding environmental impact, energy performance and impact on local territory and the well-being of visitors and tenants, to be published on the Issuer’s website (www.inmocolonial.com).

INFORMATION ON THE ISSUER AND THE GROUP

Overview

Inmobiliaria Colonial, SOCIMI, S.A. is a limited liability company (*sociedad anónima*) duly incorporated on 9 December 1946, under the laws of the Kingdom of Spain, under which it now operates. Its commercial name is “Colonial”.

Colonial is registered with the Commercial Register of Madrid under volume 36,660, sheet 87 page number M-30822, and its tax identification number is A-28027399. Colonial is domiciled in Spain. Its registered office is Paseo de la Castellana, 52, Madrid, Spain and its telephone number is (+34) 91 782 08 80.

Our main activity is the rental, acquisition, promotion and sale of real estate, as well as the management of financial participations and our core business is the management and development of buildings, principally offices, to rent and, where the opportunity arises, sell. We are one of the leading office operators in the Barcelona and Madrid markets and, through our subsidiary SFL, in Paris. As of the date of this Base Prospectus, we own and manage 73 office buildings and 15 logistics and other buildings in Spain and 20 office buildings in France. In the six months ended 30 June 2018, we generated a consolidated operating profit of €129,496 thousand and, as of 30 June 2018, we employed approximately 191 employees.

We currently hold a 80.74% stake in SFL, France’s oldest property company, which focuses on prime commercial real estate in Paris. See “—Recent Developments”.

History

Origins

Colonial was founded in 1946 by Banco Hispano Colonial, a financial institution that played an important role in Spain’s economic history. The Company was incorporated to manage Banco Hispano Colonial’s extensive land holdings as well as the property holdings of other financial institutions and private individuals.

In the 1960s, Colonial developed an innovative large-scale project known as Barcelona 2, which involved the construction of more than 1,000 homes and business premises for rental. The project had a major impact on property trends in the area, which is now considered one of the most exclusive prime property rental and office locations in the CBD of Barcelona. In the 1970s and 1980s, the Company further consolidated its position in the Spanish property market.

In 1991, Caja de Ahorros y Pensiones de Barcelona (“**la Caixa**”), the largest savings bank in Spain, took a majority shareholding in the Company and contributed property sites and buildings with an aggregate size of more than 500,000 sqm. A new management team was appointed and embarked on a process to restructure and streamline its asset portfolio and focused on the rental of exclusive office space in the CBDs of Madrid and Barcelona. At the same time, the Company moved into the land and residential development business. In 1999, the Company was listed on the Madrid and Barcelona stock exchanges.

Key Past Transactions

In June 2004, the Company bought 55.61% of the share capital of SFL, a company with a large portfolio of offices in upscale business districts of Paris. The value of the Group’s assets doubled within a year following the acquisition, and its property interests extended to Paris, one of the main business centres in Europe. The Company became a pioneer in the Spanish real estate market for focusing on prime properties in Spain while seeking targeted

international diversification.

In 2006, the property company Grupo Inmocaral, S.A. (“**Grupo Inmocaral**”) launched a takeover bid for 100% of Colonial’s share capital. The takeover bid was accepted by 93.41% of Colonial’s shareholders including la Caixa.

In April 2007, after the takeover by Grupo Inmocaral of the Company was completed, Grupo Inmocaral and Colonial merged. As a result of the merger, Grupo Inmocaral absorbed Colonial, but kept Colonial’s registered name and address.

In December 2006 and April 2007, the Company respectively acquired 15.06% of Fomento de Construcciones y Contratas, S.A. (an IBEX 35 construction and services company) and, through a takeover bid 100% of Riofisa, S.A. (a shopping centre developer). At present the Company has no remaining stake in Fomento de Construcciones y Contratas, S.A. or Riofisa, S.A.

As a result of Grupo Inmocaral’s takeover bid, the Company had to launch a mandatory takeover bid for SFL’s share capital obtaining an 89.67% shareholding in SFL, which was reduced in connection with our 2008 debt restructuring (see “—*Restructuring (2008-2013)*”).

As of the date of this Base Prospectus, the Company’s interest in SFL amounts to 80.74% of its share capital (see “—*Recent Developments*”).

Restructuring (2008 – 2013)

A majority of the acquisitions completed between 2004 and 2007, including the takeover bids for the Company, SFL and Riofisa, S.A. were totally or partially financed by bank debt.

In September 2008, the Company reached a formal and binding agreement for the restructuring of approximately €6,500 million of its debt. This agreement meant the sale of the Company’s remaining 14.01% stake in Fomento de Construcciones y Contratas, S.A. and 33% of its interest in SFL, as well as the promise to sell its whole participation in Riofisa, S.A. and the issuance of €1,310 million convertible bonds (all of which have been converted prior to the date of this Base Prospectus).

The sale of Riofisa, S.A. and the consequent reduction in debt could not be done in the time initially estimated, which led to a further restructuring of the Company’s debt with a view to improve its capital structure and focus its main business activity on the rental business. In February 2010, the Company formalised a new agreement to refinance its debt for a total amount of approximately €4,960 million. This agreement also meant the issue of €278 million worth of equity warrants and the segregation of the land and development activities (including the development and management activities of Riofisa) – together with their related debt – to an affiliate company Asentia Project, S.L., within which they were reclassified as “discontinued activities” and all of the related assets were classified as “assets held for sale”.

In 2011, as a result of the financial restructuring of the Company and its focus towards the office rental property business, Colonial returned to the path of positive results. This positive result was supported by the strength of the operating business, the progressive recovery in the asset value in Paris and, for the first time since the start of the crisis, the stabilisation of the value of the rental office buildings in Madrid and Barcelona. In addition, important write-offs were made and the Company put efforts into communicating its strategy to the international investment community, in order to lay the foundations to successfully carry out the recapitalisation of the new Colonial.

Recapitalisation, Investment Grade and Growth (2014 – 2017)

In 2014, the Company began a new process to further restructure its financial indebtedness with a view to achieving a new and improved capital structure. This process led to the deconsolidation of Asentia Project, S.L. from our Group, the exercise of the aforementioned equity warrants and the refinancing of our debt through a new syndicated loan agreement (the “**Syndicated Loan**”) for an amount of €1,040 million as well as a capital increase of €1,263 million which was completed in May 2014, with the support of long-term investors, and a free float of close to 40%. As of the date of this Base Prospectus, there is no warrant outstanding and the Company no longer has any ownership interest in Asentia Project, S.L.

In 2015, Standard & Poor’s awarded the Company a long-term credit rating of “BBB-” and a short-term credit rating of “A-3” which allowed the Company, on 27 May 2015, to issue €1,250 million of non-convertible bonds (the “**2015 Bond Issue**”). Colonial became the first listed Spanish property company in history to obtain an investment grade rating. The Company used part of the net proceeds raised in the 2015 Bond Issue to repay in full the Syndicated Loan. In doing so, the Company cancelled all obligations to comply with financial ratios as well as the granting of any guarantees and restrictions on dividend distributions that were included in the Syndicated Loan.

The new capital structure enabled the Group to acquire assets for the first time since the beginning of the crisis, strengthening its position as a property owner of prime office buildings in the CBDs of Paris, Madrid and Barcelona. The acquisition policy reinforces the industrial model of the Company, which is based on the transformation and repositioning of “Prime Factory” buildings, attracting clients at maximum rental prices in the market.

In April 2017, Standard & Poor’s upgraded the rating of the Group to BBB with a stable outlook. In May 2017, Moody’s issued a credit rating of Baa2 with a stable outlook.

On 5 May 2017, Colonial carried out a share capital increase through the issuance of 35,646,657 new ordinary shares with a nominal value of €2.50 each.

SOCIMI Status

On 22 May 2017, the Board of Directors resolved to submit for approval the conversion of Colonial into a Spanish real estate investment trust (*Sociedad Cotizada Anónima de Inversión en el Mercado Inmobiliario* or “**SOCIMI**”) at the next Ordinary General Shareholders’ Meeting.

On 29 June 2017, the Ordinary General Shareholders’ Meeting of Colonial resolved, among other things, (i) to become a SOCIMI under the provisions of Law 11/2009 of 26 October governing Real Estate Investment Trusts (*Ley 11/2009, de 26 de octubre, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*), as amended (the “**SOCIMI Act**”) so as to apply the special tax regime provided for under the SOCIMI Act (the “**Spanish SOCIMI Regime**”) and (ii) in order to comply with certain requirements provided for under the SOCIMI Act, to change Colonial’s company name to Inmobiliaria Colonial, SOCIMI, S.A. and amend the by-laws of Colonial including by adding two new articles concerning ancillary provisions and special rules for the distribution of dividends.

For a fuller description of the SOCIMI status please see “*Spanish SOCIMI Regime and Taxation*”.

Axiare (2018)

On 12 November 2017, the Board of Directors of Colonial agreed to launch a takeover bid (the “**Bid**”) for all the shares of Axiare not already held by Colonial, for cash. On 2 February 2018, the CNMV announced the

result of the Bid for all the shares of Axiare not already held by Colonial. The Bid was accepted by shareholders of Axiare holding 45,912,569 shares, representing 81.55% of the shares the Bid was addressed to (56,300,422 shares of Axiare, representing 71.21% of its share capital) and 58.07% of Axiare's share capital.

On 24 May 2018, the Ordinary General Shareholders' Meeting of Colonial approved the merger by absorption of Axiare by Colonial and the public deed (*escritura pública*) was executed before a Spanish public notary and registered with the Commercial Registry of Madrid on 2 and 4 July 2018, respectively.

Share Capital

As of the date of this Base Prospectus, Colonial's issued share capital amounts to €1,270,286,952.50, represented by a single series of 508,114,781 ordinary shares with a nominal value of €2.50 each.

Recent Developments

On 2 July 2018, we acquired a property located in Barcelona at Avenida Diagonal 525 for an amount of €28.5 million and provided the seller with guarantees for the payment of the deferred amounts.

On 23 July 2018, we repurchased the outstanding principal amount (EUR375 million) of our EUR750,000,000 1.863% Notes Due 2019, which were originally issued on 5 June 2015 at the corresponding makewhole amount together with accrued interest.

On 26 September 2018, SFL successfully completed a tender offer launched on 19 September 2018 for two bond issues of SFL maturing in November 2021 and November 2022, respectively. This operation enabled SFL to redeem an aggregate nominal amount of EUR300 million.

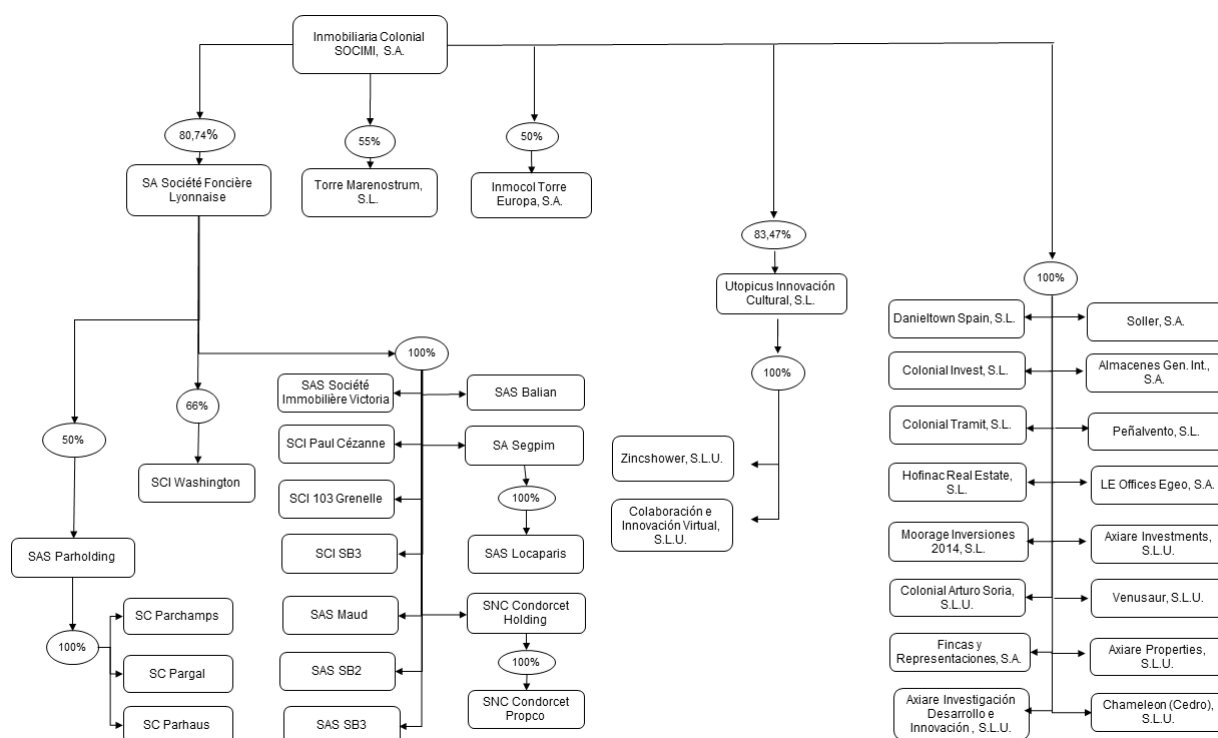
On 5 October 2018 Colonial announced the disposal of seven office buildings and a turnkey project in Madrid for a total price of €441 million. The divested portfolio had a gross lettable area of 106,574 sqm and was mainly located outside CBD (91%). Colonial has also reached an agreement with Catalana Occidente Group to sell a turnkey project for more than 20,000 sqm on one of the land plots acquired in the context of the Alpha-III project in January 2018.

In October 2018, Standard & Poor's upgraded the rating of the Group to BBB+ with a stable outlook.

On 14 November 2018, we acquired an additional 22% stake in SFL (the "**SFL Shares**") from Qatar Holding LLC ("**QH**") and DIC Holding LLC ("**DIC**"), increasing our controlling stake in SFL from 58.56 to 80.74% and enhancing our presence in the French real estate market.

The acquisition of the SFL Shares was structured in three transactions, (i) QH and DIC contributed a total of 7,136,507 shares of SFL to Colonial (representing 15.34% of SFL's share capital) through a non-cash capital increase of 53,523,803 shares of Colonial (representing 10.5 per cent of Colonial's share capital); (ii) an exchange of a total of 400,000 SFL shares by QH and DIC (representing an aggregate of 0.86%) for 3,000,000 treasury shares of Colonial; and (iii) the sale of a total of 2,787,475 shares of SFL by QH and DIC (representing 5.99% of SFL's share capital), for an amount of €203 million (€73 euros per share). The combination of the three transactions resulted in an average acquisition price of €69.6 per share of SFL. In the context of this transaction, Colonial carried out a capital increase, pursuant to which it increased its share capital from €1,136,477,445.00 to €1,270,286,952.50. The capital increase settled on 14 November 2018.

Organisational Structure



Description of Operations

Overview

Our main activity is the rental, acquisition, promotion and sale of real estate, as well as the management of financial participations.

Our Core Rental Business

Our rental business comprises the management of our Property Portfolio, which is mainly made up of office buildings and, to a lesser extent, commercial or retail premises, as well as the realisation of real estate assets (sale of assets).

We focus on the rental of quality office buildings in prime locations in the CBD of Barcelona, Madrid and Paris (the latter is done through SFL, in which we hold a stake of 80.74%) (see “—Recent Developments”). As part of this activity, we have an active asset rotation strategy and undertake important refurbishment projects.

As at 30 June 2018, our Property Portfolio was made up of 108 buildings and projects with a total surface of 2,220,758 sqm distributed as follows: 441,292 sqm in Paris (of which 354,352 sqm are above ground); 841,502 sqm in Madrid (of which 695,414 sqm are above ground); 400,536 sqm in Barcelona (of which 274,766 sqm are above ground); and 537,427 sqm of logistics and other uses in the rest of Spain. The Property Portfolio currently includes 15 projects under construction or refurbishment as well as a number of buildings partially under refurbishment, representing a total surface of 304,952 sqm above ground. In addition, we own a land plot of more than 14,000 sqm above ground in 22@ submarket in Barcelona and another land plot of more than 23,000 sqm above ground in Puerto de Somport (Las Tablas, Madrid).

As at 30 June 2018, the assets forming our rental business were valued at an amount of approximately €11,190 million by independent appraisers. As at 30 June 2018, based on the valuation, 42.7% of this value corresponded to assets located in Spain and 57.3% to assets located in France (held through SFL).

Breakdown of revenues from rentals by category and location

During the six months ended 30 June 2018, the largest component of our rental revenues (82%) derived from our office buildings. Our rental business in France, carried out by SFL, generated 56% of our rental revenues (€96,066 thousand), while Spain generated 44% of our rental revenues (€74,233 thousand). In attributable terms, that is, taking into account the rental revenues per asset attributable to our Company's holding of each asset (which is calculated by multiplying the percentage of each asset owned by our Company with the revenue of the asset), approximately 42% of the rental revenues were generated in France and the rest in Spain.

The following table below shows a detailed unaudited breakdown of the category of asset and the geographical distribution of our revenues from rentals based on management measures during the six months ended 30 June 2018 and 2017, and for the years ended 31 December 2017 and 2016:

Revenues from rentals	Six months ended 30 June 2018 (unaudited) (€ in thousands)	Increase/decrease first six months 2018-2017 (unaudited) %	Six months ended 30 June 2017 (unaudited) (€ in thousands)	Year ended December 31, 2017 (€ in thousands)	Increase/decrease 2017-2016 %	Year ended December 31, 2016 (€ in thousands)
Madrid offices.....	45,168	89.36%	23,854	50,355	23.22%	40,865
Barcelona offices.....	19,026	16.64%	16,312	33,151	16.04%	28,567
Retail	672	-23.56%	880	1,725	-2.83%	1,775
Rest of uses	1,067	2.71%	1,039	2,084	1.37%	2,055
Logistic	8,300					
Total Spain ⁽¹⁾.....	74,233	76.39%	42,084	87,315	19.18%	73,263
Paris offices.....	75,118	-3.38%	77,750	154,359	-1.87%	157,299
Paris retail	18,858	-1.18%	19,084	37,716	3.96%	36,279
Rest of uses	2,090	16.55%	1,793	3,704	-18.75%	4,559
Total France	96,066	-2.60%	98,627	195,780	-1.19%	198,137
Total Revenues.....	170,300	21.03%	140,711	283,095	4.31%	271,400

⁽¹⁾ This does not include revenues other than rentals. These other revenues amount to €420 thousand for the six months ended 30 June in 2018 and €192 thousand for the year ended 31 December 2017.

Occupancy Rate

We refer to “**Occupancy Rate**” as the percentage of surfaces in operation that are occupied. We refer to “**EPRA Occupancy**” as the economic occupancy calculated according to EPRA recommendations (occupied surface areas multiplied by the market rental prices divided by surfaces in operation at market rental prices). The EPRA Occupancy for our office Property Portfolio stood at 94% at 30 June 2018.

The EPRA Occupancy of our Property Portfolio in respect of office use as of 30 June 2018, 2017 and 2016 broken down by geographical area was as follows:

	As of 30		
	June 2018	As of 31 December	
		2017	2016
	unaudite d)	(unaudite d)	(unaudite d)
EPRA Occupancy by location—offices			
Barcelona	99%	99%	97%
Madrid.....	88%	93%	97%
Paris.....	97%	97%	96%
Total.....	94%	94%	97%

The EPRA Occupancy of our Property Portfolio including other uses was 95% at 30 June 2018.

Letting performance and lease terms

In the six months ended 30 June 2018, the Group signed leases for a total of 51,646 sqm. Of the total contracts, 83.52% (43,135 sqm) were signed in Barcelona and Madrid, (21,522 sqm of which corresponded to new rentals of empty surfaces), and 8,511 sqm were signed in Paris (8,511 sqm correspond to new rentals of empty surfaces).

Regarding the number of rental renewals in the contract portfolio, 21,613 sqm of renewals were signed in Spain, and 0 sqm were signed in France in the six months ended 30 June 2018. This high volume of renewals shows our Group's capacity to retain clients. This fact is also reflected in the length of time the tenants stay, as 82% of the top twenty tenants have been clients of our Group for more than five years.

Lease terms and market rents

The average lease term in our Property Portfolio was approximately 3.1 years as at 30 June 2018, although depending on the location, the average is slightly different, as set out in the table below, which provides the average maturity of the leases in our Property Portfolio, by market, as at 30 June 2018 :

Market	Years
Barcelona	1.8
Madrid.....	2.5
Paris.....	3.7

Market Value of Assets

We instruct independent appraisers, every six months, to prepare a valuation of all the assets that make up our Property Portfolio.

The valuation is based on the independent appraisers' estimate of the market prices that could be obtained for our Property Portfolio at that date. However, the valuation of property is inherently subjective due to the individual nature of each property. The valuation is prepared by the independent appraisers on the basis of certain information provided by us which was not independently verified.

We cannot assure that any of our properties making up our Property Portfolio could have been or could be sold at their respective market values set forth in the valuation, if at all, or that the actual market value of our

Property Portfolio, whether or not equivalent to the values set forth in the valuation, will not decline significantly over time due to various factors, including changing macro- and microeconomic conditions in the countries in which portions of our Property Portfolio are currently located or may be located in the future and other factors set forth under “Risk Factors”.

Valuation of the rental portfolio as at 30 June 2018

As at 30 June 2018, the gross market asset value of our Property Portfolio was valued at an amount of approximately €11,190 million by independent appraisers (this amount includes the full value of the assets that we hold indirectly through joint ventures in which we have a stake of 50% or more based on certain assumptions and different valuation methods (29% increase compared to 30 June 2017). The valuation of our Group’s assets at 30 June 2018 rose by 10% like-for-like compared to the previous year. Like-for-like comparison means the data that can be compared between one period and another (excluding investments and disposals).

The valuation sets out the market value of the property according to the Professional Standards and Valuation Practice Statements contained in the RICS Red Book, which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The table below shows the breakdown of value by segment (properties in operation and projects) and location as at 30 June 2018 and 2017:

Breakdown of value by segment (unaudited)						
Asset valuation	Value as of 30 June 2018⁽¹⁾	Value as of 30 June 2017⁽¹⁾	Increase/decrease		Like-for-like basis⁽²⁾⁽³⁾ 30 June 2018 vs. 30 June 2017	
	(€ in thousands)	(€ in thousands)	(€ in thousands)	%	(€ in thousands)	%
Gross asset values excluding transfer cost						
Barcelona	972,810	827,370	145,440	17.6%	35,640	4.3%
Madrid	2,759,864	1,339,494	1,420,370	106.0%	123,380	9.2%
Paris	6,241,506	6,144,248	97,258	1.6%	542,258	9.5%
Portfolio in operation⁽²⁾	9,974,180	8,311,112	1,663,067	20.0%	701,277	8.9%
Projects	761,901	174,130	587,771	337.5%	75,380	61.8%
Logistic & Others	453,914	11,566	442,348	3824.5%	350	3.2%
Property business⁽³⁾	11,189,995	8,496,808	2,693,187	31.7%	785,648	9.8%
Axiare		169,057	-169,057	-	-	-
Colonial Group	11,189,995	8,665,866	2,524,129	29.1%	785,648	9.8%
Spain	4,780,938	2,521,618	2,259,321	89.6%	243,390	10.3%
France	6,409,057	6,144,248	264,809	4.3%	542,258	9.5%
Gross asset values including transfer cost						
Total Group assets	11,730,111	9,102,503	2,627,608	28.9%	825,222	9.7%

Spain.....	4,919,023	2,579,851	2,339,172	90.7%	253,170	10.5%
France.....	6,811,088	6,522,652	288,436	4.4%	572,052	9.4%

(Source: independent appraisers)

Notes:

- (1) Property Portfolio in comparable terms (calculated on the basis of like-for-like valuation).
- (2) Like-for-like comparison means the data that can be compared between one period and another (excluding investments and disposals).
- (3) Property Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects.

(Source: independent appraisers)

Sales

The leasing management of our Company is carried out through:

In-house leasing management team. Our team has vast experience in the Barcelona, Madrid and Paris office markets. They are in charge of the negotiation of leases with our tenants.

Externalising leasing management to real estate brokers. Our policy when using real estate brokers is to use various brokers, both local and international, in order to obtain the highest possible number of visits. However, on certain occasions and for a specific property, we have opted to contract exclusively with one renowned international broker. In either case, we always carry out negotiations directly with our tenants, with our commercial and legal department revising the final implementation and the lease agreement.

We believe the use of external brokers allows us to operate a smaller and more effective commercial department compared with our competitors. We believe our negotiating position vis-à-vis real estate brokers benefits from the fact that there are numerous real estate brokers in the market and that we hold a relevant market share in the Madrid and Barcelona office markets.

Our in-house leasing management team has established long-standing relationships with our Company's main clients, which is reflected by the fact that many of our major clients have leased our properties for a number of years. See "*Description of Operations—Our Core Rental Business—Lease terms and market rents*".

With regard to our commercialisation strategy for existing and new projects, the main objectives of our in-house leasing team are to (i) retain our portfolio of quality clients, (ii) capture strong credit tenants from diverse sectors and (iii) establish long-term relationships with new tenants.

Employees

As of 30 June 2018, we employed 191 persons, including 23 managers, 79 professionals and technicians and 89 administrative assistants and sales people. We maintained an average workforce of 188 people during the first half of 2018. By location, 62%, of our workforce was employed in Spain and 38% in France, on average.

As at 30 June 2018, none of our employees were subject to collective bargaining agreements. We do not believe that there currently exists any material labor dispute, other than disputes within the normal course of business.

As at 30 June 2018, we had no loans outstanding to employees and provided no guarantees for employee loans.

Social Corporate Responsibility and Sustainability

We are actively engaged in different forms of social corporate responsibility. Our social commitment takes the form of promoting general welfare through achieving our corporate purpose and the creation of value for our shareholders, investors and employees, as well as through collaboration in various social projects. Our corporate responsibility strategy is also founded on our commitment to protect and preserve natural resources for future generations.

Sustainable development. In our business, we are committed to the implementation of an ambitious sustainability strategy, which covers the following key areas:

- reduction of energy consumption and greenhouse gas emissions;
- certification of buildings in operation and development projects;
- management of water and waste; and
- accessibility for people with disabilities.

Reconciliation of work and family life. In the context of our social policy and in the establishment of management plans for the reconciliation of work and family life, our Group has introduced, for all employees, flexible hours both for starting work and for leaving work.

Training. We allocate resources each year to our training budget which, as an investment in human resources, is focused on the professional development of our people. It also supports employees' initiatives aimed at improving their skills and motivation.

Agreements with universities. We actively co-operate in educational cooperation programs for the training of students in their final years of a degree course. The main objective of this participation in university-Company programs is to take part in the comprehensive training of the university student through an educational program in which theory and practice are combined, thus facilitating the student's incorporation into the employment world.

Employees' committee. We have an employees' committee.

Health and safety at work. All our Group companies have set up a health and safety committee to ensure health and safety protection for our employees. During the six months ended 30 June 2018, no accidents were recorded by Colonial.

Control over subcontractors. As a policy, we only subcontract with companies which we believe comply with applicable social and labour obligations. A monthly review is carried out by third-party companies that monitor the compliance of such obligations by the companies which supply services in our buildings.

Insurance

We maintain insurance cover which we believe is adequate for our activities in line with industry practice and standards.

Legal Proceedings

No company in our Group is currently, or has been in the past twelve months, party to a government intervention, a

court or arbitration proceeding or an administrative proceeding (including those proceedings that are still pending or could be initiated to our knowledge) that could have a material adverse effect on our financial condition or future results of operations.

However, the Company has been reporting over the years a corporate liability lawsuit brought by Colonial in April 2010 against certain former directors in connection with the losses caused by the acquisition of shares of Riofisa in 2007. In March 2014, the hearing was held and the judgment from the Court of First Instance is still pending. In relation to this lawsuit, and given that it is a claim against third parties and in favour of Colonial, the only contingency that might arise would be the obligation to pay the legal costs if this claim were dismissed in all instances. The Company believes that the judgment will have no material adverse effect on its audited consolidated annual accounts, given that as at 31 December 2017, the necessary provision to cover the legal costs was recorded in its audited consolidated annual accounts.

Environmental Matters

We believe we have no liabilities, expenses, assets or provisions and contingencies of an environmental nature which could be significant in relation to our net worth, financial position and results.

However, we are subject to a number of Spanish, French and EU laws and regulations relating to, among other things, environmental compliance. See *“Risk Factors—Risks Related to the Real Estate Sector—The real estate sector is subject to certain laws and regulations, and changes in applicable legislation could have a material adverse impact on our financial condition, business, prospects and results of operations”*.

Board of Directors

The following table sets out the name, date of first and most recent appointment to the Board of Directors, position and the status of each member of the Board of Directors as at the date of this Base Prospectus.

Name	Date of first appointment	Date of most recent appointment	Position	Status	Appointment proposed by
Mr. Juan José Brugera Clavero.....	06/19/2008	05/24/2018	Chairman ⁽¹⁾	Executive	—
Mr. Pedro Viñolas Serra ..	07/18/2008	05/24/2018	Chief Executive Officer	Executive	—
Sheikh Ali Jassim M. J. Al-Thani.....	11/12/2015	06/28/2016	Director	Proprietary	Qatar Investment Authority
Mr. Adnane Mousannif	28/06/2016	06/28/2016	Director	Proprietary	Qatar Investment Authority
Mr. Juan Carlos García Cañizares.....	06/30/2014	05/24/2018	Director	Proprietary	Aguila LTD.
Ms. Ana Sainz de Vicuña Bemberg.....	06/30/2014	05/24/2018	Director	Independent	—
Mr. Carlos Fernández-Lerga Garralda.....	06/19/2008	05/24/2018	Lead Independent Director	Independent	—
Mr. Javier Iglesias de Ussel Ordís.....	06/19/2008	05/24/2018	Director	Independent	—

Mr. Luis Maluquer Trepal	07/31/2013	05/24/2018	Director	Independent	—
Mr. Carlos Fernández González	06/28/2016	06/28/2016	Director	Proprietary	Finaccess Capital
Mr. Javier López Casado	05/24/2018	05/24/2018	Director	Proprietary	Finaccess Capital
Mr. Francisco Palá Laguna.....	05/13/2008	05/13/2008	Non-executive Secretary	—	—
Ms. Nuria Oferil Coll	05/12/2010	05/12/2010	Non-executive Vice-Secretary	—	—

Notes:

(1) Mr. Juan José Brugera Clavero has been delegated some of the faculties of the Board of Directors. However, the Chief Executive Officer of our Company is Mr. Pedro Viñolas Serra who has been delegated all faculties in accordance with the law.

The business address of each member of the Board of Directors of the Issuer is Paseo de la Castellana, 52, 28046 Madrid, except for Sheikh Ali M. J. Al-Thani, whose business address is Qtel Tower 23224, Doha (Qatar), Mr. Adnane Mousannif, whose business address is Ooredoo Tower 23224, Doha (Qatar), Mr. Carlos Fernández González, whose business direction is Homero 1500-202, Colonia Polanco, Los Morales, Delegación Miguel Hidalgo, México, Distrito Federal, Mr. Carlos Fernández-Lerga Garralda, whose business address is Calle Montesquínza, 14, 7D, Madrid (Spain), and Mr. Javier López Casado, whose business address is 164 West Mashta, Dr. Key Biscayne-Florida, 33149 (United States of America).

Juan José Brugera Clavero

Mr. Brugera holds a degree in industrial technical engineering with a specialisation in industrial electronics from the Escuela Universitaria de Ingenieros Técnicos Industriales de Terrassa. In addition, he holds an MBA from ESADE (Barcelona), and a general management program (PDG) diploma from IESE (Barcelona). In 2004, he received an honorary degree in economics from the Constantinian University of Providence, Rhode Island (U.S.) and he holds an honorary chair at the Sociedad Científica de Chile, as well as an honorary degree from the ESERP Business School (Barcelona).

From 1967 to 1968, he held an adjunct professorship in Electronics and Servo Systems at the Escuela Industrial de Terrassa and at the Escuela de Telecomunicaciones de La Salle. From 1968 to 1970, he worked as an engineer at the Inter-Grundig Industrial Laboratory. From 1971 to 1975, he was employed in the planning department and sales department of the Central Services Division of Banco Atlántico. From 1975 to 1987, he held various positions of responsibility at Banco Sabadell, as Barcelona director of public works, director of the Barcelona area, deputy managing director and member of the central management committee.

From 1987 to 1994, he was chief executive officer of Sindicato de Banqueros de Barcelona (*Sindibank*). From 1994 to 2006, he worked with Colonial (absorbed company), holding the positions of chief executive officer (since June 2008) and member of the Board of Directors of SFL. From July 2006 to March 2007, he was the managing director of Grupo Mutua Madrileña. He was also the President of Fundación ESADE until 2005, where he was a part-time professor for 15 years. He was the President of the Board of Trustees of Ramón Llull University from 2012 to 2016.

Since 2010, he has presided over SFL. Furthermore, he is currently the President of Círculo de Economía.

Pedro Viñolas Serra

Mr. Viñolas has an undergraduate degree in business science and an MBA from ESADE and the Polytechnic University of Catalonia. He completed a diploma course at the University of Barcelona, where he also studied law.

He was hired in 1990 as director of the Studies Service of the Barcelona Stock Exchange, where he later held the position of deputy general manager. In 1997, he was hired to serve as managing director of FILO, S.A., a listed real estate company where he remained until 2001. From then until 2008, he served as partner and chief executive officer at the Riva y García Financial Group. He has served as chairman of the Urban Land Institute in Spain, and as a member of the board of directors of the Riva y García Financial Group. In addition, he was chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 until 2000. Mr. Viñolas joined Colonial as CEO in July 2008.

He is currently a member of the board of directors of SFL and sits on its executive and strategy committee. Mr. Viñolas is a full time professor in the Department of Finance of ESADE and a member of the Board of Directors of Electro-Stocks, S.A. and of Bluespace, S.A. He is a member of the board of directors of the European Real Estate Association (EPRA).

Sheikh Ali Jassim M. J. Al Thani

In collaboration with the Qatari government, he has been involved in the commerce, finance and real estate sectors for more than 30 years. He is the senior consultant on strategy and investments since 2007.

From 1995 until 2016, he was the vice president, member of the board of directors and member of the executive committee of the Housing Bank for Trade and Finance of Jordan (the second most important bank in Jordan). He has been a member of the board of directors and the vice president of the United Arab Shipping Company in Dubai, UAE, since 2003. Since 2007, he has been the vice president of the Libyan Qatari Bank and in 2009 he was named president and the general director of Qatar Navigation (a company he was on the board of directors of from 2003 until 2016). Qatar Navigation is active in maritime transport and real estate. Since 2012, he has been a member of the board of directors of Qatar Abu Dhabi Investment Company; a company specialised in real estate investment and private equity. In November 2015, he was named a director of SFL.

Adnane Mousannif

Of French and Moroccan dual citizenship, he currently performs his functions at Qatar Investment Authority – QIA– the sovereign investment fund of Qatar. In recent years, on behalf of QIA, in the majority of its real estate transactions in Europe and America, including the acquisition by the group of Canary Wharf in London and the acquisition of the Virgin Megastore building on the Champs Élysées in Paris, currently the headquarters of Le Figaro and Cartier.

Also on behalf of QIA, he participated in its acquisition of a shareholding in Société Foncière Lyonnaise and Colonial in Spain. He previously spent several years working for the Morgan Stanley Real Estate Investing funds in Europe. He holds a Master in Business Creation and Finance from the ESCP Europe Business School and a degree in Civil Engineering.

Juan Carlos García Cañizares

Mr. García Cañizares is an Industrial Engineer and has completed management programs in IMD Switzerland and an MBA jointly awarded by New York University Stern School of Business, London School of Economics and HEC Paris.

Mr. García Cañizares is an investment banker who has implemented mergers and acquisitions as well as acquisition finance for over \$35 billion dollars. He was also the vice-president of Planeación de Bavaria, one of the leading brewing companies in Latin America. In 2000, as vice-president of Mergers and Acquisitions, he was the head of the international programme of acquisitions of breweries for \$4 billion dollars and the subsequent merger with SABMiller plc amounting to \$8 billion dollars, thus creating the second largest brewing company in the world. Before joining Santo Domingo Group, Mr. García Cañizares was the co-founder and Managing Partner of Estrategias Corporativas, an investment banking firm in Latin America.

He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (the investment firm of Santo Domingo Group which is based in New York). Mr. García Cañizares is the head of the Strategic Investment Group of Quadrant Capital, including investments in SABMiller plc and in sectors such as consumer goods, financial system, natural resources and energy worldwide, among others. Mr. García Cañizares is a member of the Boards of Park S.A.R.L., Bavaria, S.A., Valorem S.A. (Colombia) and the Genesis Foundation (USA).

Carlos Fernández González

An industrial engineer, he has followed senior management programmes at Instituto Panamericano de Alta Dirección de Empresa.

For more than 30 years he has held positions of substantial responsibility, complexity and skills in the management of companies in various sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of the Modelo Group. Following his appointment as CEO up until 2013, this Group consolidated its position as the leading brewery in Mexico, the seventh group worldwide and the largest beer exporter in the world.

Also, he has been a director at international and Spanish companies, including, inter alia, Anheuser Busch (US), Emerson Electric Co. (US), Televisa Group (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and Bolsa Mexicana de Valores. In addition, he has been a member of the international advisory council of Banco Santander, S.A. and director of Grupo Financiero Santander México S.A.B de C.V.

He is currently Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V., a company which he founded, which is present in Mexico, Europe and the US. He is also an independent director of Banco Santander, S.A., a proprietary director of Colonial and a member of the supervisory board of AMREST Holdings in Wroclaw, Poland.

Ana Sainz de Vicuña Bemberg

Graduate of the University of Reading in the UK with a degree in Agricultural Economics. She was a participant in the Management Development Program at Harvard University.

She worked for Merrill Lynch in Spain for 18 years (1984-2003). She began her career in private banking, where she remained for 12 years. She then joined Sociedad de Valores y Bolsa, which was formed following the acquisition of FG and assisted in the merger. Later, she took charge of operations, systems, human resources and finance. Lastly, she was appointed General Manager of the Merrill Lynch International Bank branch in Spain.

She now sits on the Foundation Committee of the ARPE Foundation (Foundation for Art Research Partnership and Education). Since 2004, she has been a member of the Board and member of the Management Committee of Corporación Financiera Guadalmar (CFG), a family office with assets in Spain and Latin America, mainly in Argentina and Chile. She supervises the Financial Assets Committee which manages securities portfolios as well as the family's investments in Grupo Security, of which she is also a director, and in the Awasi and W Santiago hotel groups.

In 2011 she became a director of Terold Invest, S.L. and since July 2015, she has been a director of Acciona, S.A where she is also a member of the Audit Committee.

In 2017 she became a director of Prosegur Cash, S.A. and she also forms part of its Appointment and Remuneration Committee.

Carlos Fernández-Lerga Garralda

Mr. Fernández-Lerga holds a degree in law from the University of Navarra, a master's in European studies from the University of Leuven (Belgium) and a doctorate (or PhD) in law from the Complutense University in Madrid and has taken post-graduate courses specialising in commercial law at the Bank of Spain's Training Center. He completed his studies in international law at The Hague Academy of International Law, in comparative law and international organisations in Strasbourg, and at the Collège Universitaire d'Études Fédéralistes, Nice, Val d'Aoste.

From 1978 to 1983, he was an advisory member of the Ministry and Secretary of State for Relations with the European Community participating in negotiations for Spain's accession to the European Union. From 1984 to 1986, he held the position of general manager of the European Union Advisory Service within the Banco Hispano Americano Group.

Mr. Fernández-Lerga has also been a director at Abantia Corporación and Gamesa Corporación Tecnológica, S.A. (Lead Independent Director) as well as a General Board Member of La Caixa. He has also been a member of the International Secretariat of the World Federalist Youth movement (Amsterdam); Secretary of the Madrid branch of the European League for Economic Cooperation; Secretary of the Foundation for Progress and Democracy; a representative (treasurer) of the Governing Board of the Madrid Bar Association, a member of the Executive Committee of the Elcano Royal Institute and a trustee of the Spain/US Board and Spain/China Board Foundations. He has also lectured at the School of Political Science at the *Universidad Complutense de Madrid* and at the Institute of European Studies at the University of Alcalá de Henares, and has written numerous publications.

He is currently Chairman of Iberdrola Ingeniería y Construcción, S.A. and continues to practise law at his firm, Carlos Fernández-Lerga Abogados, mainly offering legal advice on civil and commercial law. He is currently a member of the board of directors of SFL.

Javier Iglesias de Ussel Ordís

Javier Iglesias de Ussel Ordís has had a long career in the financial world. In 1974 he joined Lloyds Bank International in London, where he held various positions of responsibility in corporate banking in Dubai, Sao Paulo, Asunción and Madrid over a period of 21 years. In 1995 he joined the Bank of New York and was appointed Country Manager for the Iberian Peninsula. In 2002 he moved to New York and was appointed General Manager for Latin America. He was head of the Representative Office of the Chilean bank Banco de Crédito e Inversiones from 2008 to December 2013. Mr. Iglesias de Ussel has been an independent director of Colonial since 2008 and has been an independent director of Aresbank since March 2015.

Mr. Iglesias de Ussel has a degree in modern history from the University of Barcelona and throughout his professional career he has taken numerous courses in business management and administration, marketing, risk analysis and money-laundering prevention. He has lived abroad for 22 years and speaks English, French and Portuguese.

Luis Maluquer Trepal

Mr. Maluquer is a law graduate from the University of Barcelona, with a diploma in International

Institutions from the University of Geneva.

Throughout his career at the law firm Maluquer Advocats, SCP, he has advised different national and international institutions, providing his services in the fields of consulting, legal advice, lawsuits and arbitration and mediation procedures. He also has teaching experience at various institutions, such as the Barcelona Chamber of Commerce, and is the director representing Spain in the European Society for Banking and Financial Law (AEDBF Paris).

Founding partner of Despacho Maluquer Advocats, SCP and a director and secretary of a number of companies, including SFL, where he is a board member. In addition, he has special powers of attorney and is board secretary of various subsidiaries of French companies and of the Swiss Confederation, especially in the infrastructure and agri-food industries. He is the president of the Argentinian Chamber of Commerce in Spain.

Javier López Casado

Javier López Casado joined Finaccess as International Director of Asset Management in November 2010. He has been CEO of Finaccess Advisors LLC since 2012. He has also been responsible for Finaccess Estrategia S.L. in Spain since 2014.

Prior to joining Finaccess, he worked as Senior Vice President for Santander Private Banking in Miami. He previously held different posts in Banco Santander's International Private Banking area in Madrid and Miami. He worked for the Santander Group from 1996 to 2010.

Before joining Banco Santander, he worked as a lawyer in Madrid. He has 22 years' experience in financial markets and is a member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC.

He is Chairman of SOLTRA S.L., a company working on the promotion, education and rehabilitation of people with different capacities in order to achieve full social integration, which currently has 400 employees. He also sits on the board of trustees of several foundations in Spain and Mexico.

He holds a Law Degree from the University San Pablo CEU of Madrid, an MBA from the University of Miami and a Masters in Legal and Tax Consulting for Construction and Real Estate Companies from the Universidad Politécnica of Madrid.

Conflicts of Interest

According to the information provided by Colonial's directors and senior management and to the best of Colonial's knowledge, there are no potential conflicts of interests between any duties they have to the Issuer and their private interests.

Major Shareholders

The following table shows the shareholdings of Colonial's principal shareholders (based on the latest information available to us as at 23 November 2018).

	Number of voting rights (based on the latest information available to Colonial as at 23 November 2018)		Percentage over the total number of voting rights
	Direct	Indirect	
Mr. Carlos Fernández González ⁽¹⁾	0	80,028,647	15.75%
Qatar Investment Authority ⁽²⁾	0	102,675,757	20.21%
Aguila LTD ⁽³⁾	0	28,800,183	5.66%
INMO, S.L. ⁽⁴⁾	0	20,011,190	3.93%
BlackRock Inc. ⁽⁵⁾	0	14,604,595	2.87%
Deutsche Bank, AG	8,135,389		1.60%
Total	8,135,389	246,120,372	50.20%

Notes:

- (1) Through Hofinac B.V., Finaccess Capital, S.A. de C.V. and Finaccess Capital Inversores, S.L.
- (2) Through Qatar Holding LLC, Qatar Holding Netherlands BV, and DIC Holding LLC
- (3) Through PARK S.A.R.L.
- (4) Through TRODONBA XXI S.L.U.
- (5) Through several North American funds.

As far as the Issuer is aware, the Issuer is not directly or indirectly owned or controlled by any person.

SPANISH SOCIMI REGIME AND TAXATION

The information provided below does not purport to be a complete summary of tax law and practice currently applicable and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules or to special tax regimes applicable in the Basque Country and Navarra (Territorios Forales). Other than in accordance with Condition 13 (Taxation), the Issuer does not assume responsibility for withholding taxes. Prospective investors who are in any doubts as to their position should consult with their own professional advisers.

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

1. Spanish SOCIMI Regime

The following paragraphs are intended as a general guide only and constitute a high-level summary of Colonial's understanding of current Spanish law in respect of the current Spanish SOCIMI Regime. The Spanish SOCIMI Regime was enacted originally in October 2009 and was amended at the end of 2012. The amendments introduced in 2012 improved the regime and facilitated the incorporation of the first SOCIMI during the second six months of 2013. This summary is based on the key aspects of the Spanish SOCIMI Regime as they apply to Colonial. Investors should seek their own advice in relation to taxation matters.

Overview

The Spanish SOCIMI Regime is intended to facilitate attracting new sources of capital to the Spanish real estate rental market; it follows similar legislation adopted in the UK and other European countries, as well as a long-established real estate investment trusts regime in the United States. One of the primary aims of these types of regimes is to minimise tax inefficiency of holding real estate through corporate ownership by removing corporate taxation at the level of the SOCIMI, promote rental activities and professional management of this type of business.

Provided certain conditions and tests are satisfied (see “—1.2 *Qualification as Spanish SOCIMI*” below), a SOCIMI does not generally pay Spanish corporate tax on the profits deriving from its activities— it is subject to a 0% Corporate Income Tax rate. Instead, profits must be distributed and such income could be subject to taxation in the hands of the shareholder or, in certain cases, of the SOCIMI.

Qualification as Spanish SOCIMI

In order to qualify for the Spanish SOCIMI Regime, a SOCIMI must satisfy certain conditions. A summary of the material conditions is set out below.

Trading requirement

SOCIMIs must be listed on a regulated market or alternative investment market in Spain or in other European Union or European Economic Area member state, or on a regulated market of any other country which has a tax information exchange agreement with Spain, uninterruptedly for the entire tax period.

Purpose of the SOCIMI / Minimum share capital

SOCIMIs must take the form of a public limited liability company (*sociedad anónima*), with a minimum share capital of €5 million. Furthermore, the SOCIMI's shares must be in registered form, nominative and only one single class of shares is permitted.

A SOCIMI must have as its main corporate purpose:

- the acquisition, development and refurbishment of urban real estate for rental purposes (in Spain or in a country which has signed a tax information exchange agreement with Spain) or plots of land for the development of such real estate provided that such development has commenced within three years following acquisition (“**Qualifying Assets**”); and/or
- the holding of interest in other SOCIMIs or in the share capital or assets of other non-resident SOCIMIs, unlisted SOCIMIs, unlisted non-resident entities entirely owned by a SOCIMI or other entities, irrespective of whether they are resident in Spain (provided that such foreign country has signed a tax information exchange agreement with Spain), which have as its main corporate purpose the acquisition of urban real estate assets for lease and which are governed by the same regime established for SOCIMIs as regards legal or statutory mandatory profit distribution and investment policies (“**Qualifying Subsidiaries**”); and/or
- the holding of shares in real estate collective investment institutions.

Qualifying Subsidiaries that are non-resident entities must be resident in countries with which Spain has a treaty or agreement providing for an exchange of tax information provision.

SOCIMIs are allowed to carry out other ancillary activities that do not fall under the scope of their main corporate purpose. However, such ancillary activities must not exceed 20% of the assets or 20% of the income of the SOCIMI in each tax year, in accordance with the minimum qualifying assets and qualifying income tests described below.

Restrictions on investments

At least 80% of the SOCIMI's assets must be invested in Qualifying Assets, Qualifying Subsidiaries and/or real estate collective institutions.

The DGT has confirmed that the assets should be measured on a gross basis, disregarding depreciation or impairments, in accordance with Royal Decree of November 16, 2007, approving the Spanish General Accounting Plan (*Plan General de Contabilidad*) which sets forth the Spanish generally accepted accounting principles (“**Spanish GAAP**”).

In the event the SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold for the dominant entity will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries.

There are no asset diversification requirements.

Restrictions on income

At least 80% of a SOCIMI's net annual income must derive from the lease of Qualifying Assets, or from dividends distributed by Qualifying Subsidiaries and real estate collective investment institutions and companies.

The DGT considers that the annual income should be measured on a net basis, taking into consideration direct income expenses and a *pro rata* portion of general expenses. These concepts should be calculated in accordance with Spanish GAAP, subject to any applicable tax adjustments, upwards or downwards, as set out by the Spanish Corporate Income Tax Law, without prejudice to the special provisions of the Spanish SOCIMI Regime.

Lease agreements between entities within the same group would not be deemed a qualifying activity and, therefore, the rent deriving from such agreements cannot exceed 20% of the SOCIMI's income.

Capital gains derived from the sale of Qualifying Assets are in principle excluded from the 80%/20% net income test. However, if a Qualifying Asset is sold before it is held for a minimum three-year period, then (i) such capital gain would compute as non-qualifying revenue; and (ii) such gain would be taxed at the standard Corporate Income Tax rate (currently, a 25% rate). Furthermore, the entire income, including rental income, derived from such asset also would be subject to the standard Corporate Income Tax rate.

Minimum holding period

Qualifying assets must be held by the SOCIMI for a three-year period since (i) the acquisition of the asset by the SOCIMI, or (ii) the first day of the financial year in which Colonial became a SOCIMI if the asset was held by Colonial before becoming a SOCIMI. In the case of urban real estate, the holding period requires that these assets are actually rented for at least three years. For these purposes, the time during which the real asset has been offered for lease (even if vacant) may be added to the time the asset was leased for a maximum of one year.

Mandatory dividend distribution

Under the Spanish SOCIMI Regime, a SOCIMI is required to adopt resolutions for the distribution of dividends, after fulfilling any relevant requirement in accordance with the Spanish Companies Act (*Ley de Sociedades de Capital*) (e.g., contribution to legal reserve), to shareholders annually within the six months following the end of the SOCIMI's financial year of (i) at least 50% of the profits arising from the transfer of Qualifying Assets, Qualifying Subsidiaries and real estate collective investment funds carried out once the minimum three-year holding period described in "*Minimum holding period*" above has ended (in which case the remainder of such profits must be reinvested in other Qualifying Assets within a maximum period of three years from the date of the sale, or otherwise distributed as dividends once such reinvestment period has lapsed); (ii) 100% of the profits derived from dividends received from Qualifying Subsidiaries; and (iii) at least 80% of all other profits obtained (e.g., profits derived from ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, or the SOCIMI fails to pay (totally or partially) the corresponding dividends, the SOCIMI would lose its SOCIMI status as from the year in which the undistributed profits were obtained (inclusive).

Dividends must be paid within the month following the agreement for the distribution of dividends.

In addition, according to the Spanish SOCIMI Regime (i) the SOCIMI legal reserve may not exceed 20% of the share capital of the SOCIMI; and (ii) the SOCIMI's by-laws may not establish any reserve that is not available for distribution to its shareholders other than the legal reserve.

Leverage

A SOCIMI has no specific limitation on indebtedness.

Tax limitations approved by the Spanish government (limits on the tax deduction of financial expenses and carrying-forward of tax losses limitations) should have no practical impact provided that the SOCIMI is taxed at a 0% Corporate Income Tax rate.

Penalties

The loss of the SOCIMI status triggers adverse consequences for the SOCIMI. Causes for such loss of status are:

- delisting of the SOCIMI's shares;
- substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year;
- failure to adopt a dividend distribution resolution or to effectively satisfy the dividends within the deadlines described under "*Mandatory dividend distribution*" above. In this case, the loss of SOCIMI status would have effects as from the tax year in which the profits not distributed were obtained;
- waiver of the Spanish SOCIMI Regime by the SOCIMI; and/or
- failure to meet any of the other requirements established in the SOCIMI Act unless such failure is remedied within the following fiscal year. However, the failure to observe the minimum holding period of the assets would not give rise to the loss of SOCIMI status, but (i) the assets would be deemed non-Qualifying Assets; and (ii) income derived from such assets would be taxed at the standard Corporate Income Tax rate (i.e., currently, 25%).

Should the SOCIMI fall into any of the above scenarios, the Spanish SOCIMI Regime will be lost and the SOCIMI would be taxed in accordance with the general Spanish Corporate Income Tax regime and the general Corporate Income Tax rate (currently, 25%), and will not be able to elect for the Spanish SOCIMI Regime for the following three fiscal years as from the end of the last tax period in which the SOCIMI was applicable.

Furthermore, non-compliance of the information and reporting obligations will constitute a serious breach by the SOCIMI resulting in financial penalties.

2. The Proposed Financial Transactions Tax ("EU FTT")

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

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

Under the Commission's Proposal the EU FTT could apply in certain circumstances to persons both

within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an EU FTT by means of enhanced cooperation.

Notwithstanding the above, the EU FTT proposal remains subject to negotiation between the remaining Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

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

3. The proposed Spanish Financial Transactions Tax

On 19 October 2018, the Spanish Council of Ministers approved a draft bill (the “**Draft Bill**”), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the “**Spanish FTT**”). However, the Spanish Council of Ministers states that Spain would continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain would adapt the Spanish FTT to align it with the EU FTT.

According to the Draft Bill, the Spanish FTT will be broadly aligned with the French and Italian financial transactions tax. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2% would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation value exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction. While, as currently drafted, the Spanish FTT would not apply in relation to an issue of Notes under the Programme, there can be no assurance that any such Spanish FTT would not apply to an issue of Notes in the future.

The Draft Bill will be sent to the parliament for debate and approval. Since the Spanish government currently does not have a majority in either house of parliament, it will need support from several other political groups in order to secure approval of the Draft Bill. As a result, some of the proposed measures could be substantially modified (or even abandoned) during the legislative process. Prospective holders of the Notes are advised to seek their own professional advice in relation to the Spanish FTT.

3. FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthrough payments”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining

“foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

4. The Kingdom of Spain

Introduction

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

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions (“**Law 10/2014**”); and Royal Decree 1065/2007, of 27 July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules as amended by Royal Decree 1145/2011 of 29 July (“**Royal Decree 1065/2007**”);
- (b) for individuals with tax residency in Spain who are personal income tax (“**Personal Income Tax**”) tax payers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law (the “**Personal Income Tax Law**”), and Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations as amended by Royal Decree 633/2015, of 10 July, along with Law 19/1991, of 6 June 1991 on Wealth Tax and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax (“**Corporate Income Tax**” or “**CIT**”) taxpayers, Law 27/2014, of 27 November, on Corporate Income Tax and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations (the “**Corporate Income Tax Regulations**”); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax (“**Non-Resident Income Tax**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law (“**Non-Resident Income Tax Law**”) and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations , along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax.

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

1. Individuals with Tax Residency in Spain

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

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance

with the provisions of Section 25.2 of the Personal Income Tax Law, and therefore must be included in each investor's taxable savings and taxed at the tax rate applicable according to the progressive scale, i.e. currently at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000.01 to €50,000 and 23 per cent. for taxable income in excess of €50,000.

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

(a) *In respect of Book-entry Notes* – debt listed securities issued under Law 10/2014 and initially registered in a Spanish clearing and settlement entity interest payment made to Spanish tax resident individuals will be subject to withholding tax (currently 19 per cent). However, with certain exceptions, income derived from the transfer of the Book-entry Notes should generally not be subject to withholding on account of Personal Income Tax **provided that** the Book-entry Notes are:

- Registered by way of book-entries (*anotaciones en cuenta*); and
- Negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Except to the portion of the price which is equivalent to the accrued interest on any transfer which are made within the 30 days immediately prior to the maturity of the coupon, when (i) the acquirer is an individual or entity not resident in Spain or is a taxable person for CIT purposes; and (ii) this express income is exempt from the obligation to withhold in relation to the acquirer.

Zero-coupon notes do not fall within the abovementioned exemption.

(b) *in respect of Bearer Notes* – according to article 44.5 of the regulations approved by Royal Decree 1065/2007, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state (as the Notes issued by the Issuer), the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding **provided that** the relevant information about the Book-Entry Notes (as described below in “*Information about the Notes in connections with payments*”) is submitted by the Fiscal Agent; and it would not be necessary to provide the Issuer with the identity of the holder who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals. However, withholding tax at the applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual holders may credit the withholding tax applied (in respect of both, Book-entry Notes and Bearer Notes) against their Personal Income Tax liability for the relevant fiscal year.

Please refer to section “*Risk Factors—Risks Relating to Spanish withholding tax regime*” above in relation to such information procedures. **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis.

Law 4/2008, of 23 December introduced a 100% relief (*bonificación del 100%*) on the Net Wealth Tax. However, for the years 2011 to 2018 the Spanish Central Government has repealed the 100% relief (*bonificación del 100%*) of this tax. Nevertheless, the actual collection of this tax depends on the regulations of each Autonomous Community. Thus, investors should consult their tax advisers according to the particulars of their situation.

Generally, individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

In accordance with Article 73 of the Law 6/2018, of 3 July, passing the General Budget Act, from the year 2019, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*), and therefore, from year 2019 Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the derogation of the exemption is extended again.

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

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. As at the date of this Base Prospectus, the applicable tax rates currently range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) determine the final effective tax rate that range, as of the date of this Base Prospectus, between 0 per cent. and 81.6 per cent.

2. **Legal Entities with Tax Residency in Spain**

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

Payments of income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and would have to be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax and subject to the applicable tax rate (being the general tax rate, 25 per cent).

Notwithstanding the above, particular tax rules may apply and, in this regard, a distinction shall be made between Book-entry Notes and Bearer Notes, In particular:

(a) *In respect of Book-entry Notes* – according to article 44.4 of the regulations approved by Royal Decree 1065/2007, in the case of debt listed securities issued under Law 10/2014 and initially registered in a Spanish clearing and settlement entity interest payment made to Spanish, there is no obligation to withhold on income payable to Spanish CIT taxpayers, providing that certain requirements are met, including that the Issuer receives in a timely manner a duly executed and completed Payment Statement in respect of Book-entry Notes as defined below. See “*Information about the Notes in Connection with Payments*”.

In addition, as regards to any income derived from the transfer of the Book-entry Notes, in accordance with article 61.q of the Corporate Income Tax Regulations, there is no obligation to withhold on income obtained by Spanish CIT payers (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets **provided that** the Notes are:

- Registered by way of book-entries (*anotaciones en cuenta*); and
- Negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

(b) *In respect of Bearer Notes* – in accordance with article 44.5 of the regulations approved by Royal Decree 1065/2007, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign

clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state (as the Notes issued by the Issuer), there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers provided that the relevant information about the Notes (as described below in “*Information about the Notes in connections with payments*”) is submitted by the Fiscal Agent.

In addition, as regards to any income derived from the transfer of the Bearer Notes, in accordance with article 61.s of the Corporate Income Tax Regulations, there is no obligation to withhold on income obtained by Spanish CIT payers (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD.

However, in the case of Bearer Notes held by a Spanish entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax at the current rate of 19 per cent. if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish General Directorate of Taxes (*Dirección General de Tributos*) (the “**DGT**”) dated 27 July 2004 (that is, placement of the Bearer Notes outside of Spain in another OECD country and admission to listing of the Notes on an organised market in an OECD country other than Spain). The amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

Please refer to section “*Risk Factors—Risks Relating to Spanish withholding tax regime*” above in relation to such information procedures.

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

Spanish resident legal entities are not subject to Wealth Tax.

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

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

3. **Individuals and Legal Entities with no Tax Residency in Spain**

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

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

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

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

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

Payments of income deriving from the transfer, redemption or repayment of the Notes obtained by individuals or entities who have no tax residency in Spain, and which are Non- Resident Income Tax taxpayers with no

permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt. Furthermore, the Issuer has no obligation to withhold any tax amount for interest paid:

- *in respect of the Book-entry Notes* – to holders who are Non-Resident Income taxpayers with no permanent establishment in Spain **provided that** certain requirements are met, including that in respect of interest payments from the Book-entry Notes carried out by the Issuer, the Issuer receives in a timely manner, a duly executed and completed Payment Statement in respect of the Book-entry Notes as defined below, as set forth under article 44.4 of the regulations approved by Royal Decree 1065/2007. See “*Information about the Notes in Connection with Payments*”.
- *in respect of the Bearer Notes* – to holders who are Non-Resident Income taxpayers with no permanent establishment in Spain **provided that** certain requirements are met, including that in respect of interest payments from the Bearer Notes carried out by the Issuer, the Fiscal Agent provides the Issuer with the relevant information about the Bearer Notes, by delivering in a timely manner with a duly executed and completed Payment Statement in respect of the Bearer Notes as defined below, as set forth under article 44.5 of the regulations approved by Royal Decree 1065/2007. See “*Information about the Notes in connections with payments*”.

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

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

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

In accordance with Article 73 of Law 6/2018, of 3 July, passing the General Budget Act., from the year 2019, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*), and therefore, from year 2019 Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the derogation of the exemption is extended again.

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

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

Non-Spanish tax resident individuals who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with the Spanish legislation applicable in the relevant autonomous region (*Comunidad Autónoma*).

Generally, non-Spanish tax resident individuals are subject to the Spanish Inheritance and Gift Tax according to the rules set forth in the Spanish State level law. However, if the deceased or the donee are resident in an EU or

European Economic Area Member State, the applicable rules will be those corresponding to the relevant Spanish autonomous regions. As such, prospective investors should consult their tax advisers.

In a recent Judgment (issued on 19 February 2018), the Supreme Court has concluded that the above should be extensible to foreign individuals including those resident outside the EU or the European Economic Area Member State.

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

2. Obligation to inform the Spanish tax authorities of the ownership of the Notes

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

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, holders resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish Tax Authorities, between 1 January and 31 March every year, the ownership of the Notes held on 31 December of the immediately preceding year (e.g. to declare between 1 January 2018 and 31 March 2018 the Notes held on 31 December 2017).

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

3. Information about the Notes in Connection with Payments

The Issuer is currently required by Spanish law to file an annual return with the Spanish tax authorities in which they report on certain information relating to the Notes.

In particular:

(a) In respect of the Book-entry Notes – in accordance with article 44.4 of the regulations approved by Royal Decree 1065/2007, for the purposes of preparing the tax annual to be submitted by the Issuer, certain information with respect to the Book-entry Notes must be submitted by the Iberclear Members that have the Book-entry Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, in a timely manner (i.e. before the close of business on the business day immediately preceding the date on which any payment of interest, principal or any amount in respect of the early redemption of the Book-entry Notes is due) in the form of a duly executed and completed statement (the **“Payment Statement in Respect of the Book-entry Notes”**) which shall include the following information:

- Identification of the Book-entry Notes;
- Date on which relevant payment is made;
- Total amount of the income paid by the Issuer;
- Amount of the income corresponding to individuals resident in Spain that are Personal Income Tax payers; and
- Amount of the income that must be paid on a gross basis.

(b) *In respect of the Bearer Notes* – in accordance with article 44.5 of the regulations approved by Royal Decree 1065/2007, for the purposes of preparing the tax annual to be submitted by the Issuer, certain information with respect to the Book-entry Notes must be submitted by the Fiscal Agent in a timely manner (i.e. before the close of business on the business day immediately preceding the date on which any payment of interest, principal or any amount in respect of the early redemption of the Bearer Notes is due) in the form of a duly executed and completed statement (the “**Payment Statement in Respect of the Bearer Notes**”) which shall include the following information:

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

(hereinafter, the Payment Statement in Respect of the Book-entry Notes and Payment Statement in Respect of the Bearer Notes, indistinctly, the “**Payment Statement**”).

In particular, the Fiscal Agent must certify the information above about the Notes by means of a certificate the form of which is set out in the Agency Agreement.

In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Bearer Notes.

However, if the Issuer does not receive in a timely manner the relevant Payment Statement, the Issuer may be required to withhold taxes at the applicable rate of 19 per cent. from any payment in respect of the relevant Notes as to which the required information has not been provided.

If this were to occur, the affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if a duly executed and completed Payment Statement is delivered to the Issuer before the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they might be entitled.

Prospective investors should note that the Issuer does not accept any responsibility relating the lack of delivery of the relevant Payment Statements to the Issuer in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payment

are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to such withholding tax.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 27 November 2018 (the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

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

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

Selling Restrictions

United States of America

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

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

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

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

- (a) **No deposit-taking**: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses;

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and

regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be modified with the agreement of the Issuer. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

FORM OF FINAL TERMS OF THE BOOK-ENTRY NOTES

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and [, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, “**IMD**”), 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 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

[[MiFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]²

Final Terms dated [•]

Inmobiliaria Colonial, SOCIMI, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]³

[Indicate in title if the Notes are green bonds, i.e. if issued to finance or refinance Eligible Assets]

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Book-entry Notes (the “**Conditions**”) set forth in the Base Prospectus dated 27 November 2018 [and the supplement to the Base Prospectus dated *[insert date]* which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at www.inmocolonial.com and during normal business hours at Paseo de la Castellana, 52, Madrid, Spain (being the registered office of the Issuer).

The expression “**Prospectus Directive**” means Directive 2003/71/EC of the European Parliament and of the

¹ Square brackets or wording to be removed as appropriate for each issuance.

² Square brackets or wording to be removed as appropriate for each issuance.

³ Specify if the Notes are Green Bonds (see limb(b) under the “Use of Proceeds” section of the Base Prospectus).

Council (and amendments thereto, including Directive 2010/73/EU).

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

- | | | |
|-----------|---|--|
| 1. | (i) Issuer: | Inmobiliaria Colonial, SOCIMI, S.A. |
| 2. | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | [(iii) Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [•]/the Issue Date.] |
| 3. | Specified Currency or Currencies: | [•] |
| 4. | Aggregate Nominal Amount: | [•] |
| | (i) Series: | [•] |
| | (ii) Tranche: | [•] |
| | (iii) Number of Notes: | [•] |
| 5. | Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] <i>[in the case of fungible issues only, if applicable]</i>] |
| 6. | (i) Specified Denominations: | [•]
<i>(No Notes may be issued which have a minimum denomination of less than EUR100,000 (or equivalent in another currency))</i> |
| | (ii) Calculation Amount: | [•] |
| 7. | (i) Issue Date: | [•] |
| | (ii) Interest Commencement Date: | [[•]/Issue Date/Not Applicable] |
| 8. | Maturity Date: | <i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i> |
| 9. | Interest Basis: | [[•] per cent. Fixed Rate (see paragraph 14 below)]
[[•][•] [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate (see paragraph 15 below)] |

- [Zero Coupon (see paragraph 16 below)]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable*]
12. Put/Call Options: [Put Option]
[Put Event]
[Issuer Call]
[Residual Maturity Call Option]
[Substantial Purchase Event]
[See paragraph[s] [17/18/19/20/21] below)]
13. [Date [Board] approval for issuance of Notes obtained:] [•]
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrears on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) First Interest Payment Date(s): [•]
- (iv) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (v) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (vi) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) /Actual 360 / 30E/360]
- (vii) Step-up Provisions: [Applicable/Not Applicable]
(If not applicable delete the remaining sub-paragraphs of this paragraph)
- [(viii) Step-Up Margin: [•] per cent. per annum]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable delete the remaining sub-paragraphs

of this paragraph)

- (i) Interest Period(s): [•] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below /, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]
- (ii) Specified Period: [•]
- (iii) Interest Payment Dates: [•]
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable/[•]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Spanish Paying Agent): [•] shall be the Calculation Agent
- (ix) Screen Rate Determination:
- Reference Rate: [•] month [EURIBOR]/[LIBOR]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - Relevant Time: [•]
 - Relevant Financial Centre: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - ISDA Definitions: [2006/[•]]
- (xi) Linear interpolation Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)

- (xii) Margin(s): [+/-][•] per cent. per annum
 - (xiii) Minimum Rate of Interest: [•] per cent. per annum
 - (xiv) Maximum Rate of Interest: [•] per cent. per annum
 - (xv) Day Count Fraction: [•]
 - (xvi) Step-up Provisions: [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*

(xvii) Step-up Margin: [[•] per cent. per Calculation Amount/Not Applicable]

16. Zero Coupon Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) /Actual 360 / 30E/360]

PROVISIONS RELATING TO REDEMPTION

17. Call Option

[Applicable/Not Applicable]

- (i) Optional Redemption Date(s) (Call): [•]
 - (ii) Optional Redemption Amount(s) (Call) of each Note: [[•] per Calculation Amount/Make-whole Amount]
- [(If Make-whole Amount is selected, include items (a) through (e) below or relevant options as are set out in the Bearer Conditions)]*

(ii) Make-whole Amount: [Applicable/Not Applicable]

(If not applicable delete the remaining subparagraphs of this paragraph)

[(a) Reference Bond: [[•]/Not Applicable]

(If not applicable delete the remaining subparagraphs of this paragraph)

[Redemption Margin: [•] per cent.]

[Financial Adviser: [•]]

[Quotation Time: [•]]

[(b) Discount Rate: [•]/Not Applicable]

[(e) Make-whole Exemption Period: [Not Applicable/From (and including) [•] to (but excluding) [•]/the Maturity Date]

	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount	[•] per Calculation Amount
	(iv)	Notice period:	[•]
18.		Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i)	Optional Redemption Date(s) (Put):	[•]
	(ii)	Optional Redemption Amount(s) (Put) of each Note and calculation of such amount(s), if any:	[•] per Calculation Amount
	(iii)	Notice period:	[•] <i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Spanish Paying Agent)</i>
19.		Put Event	[Applicable/Not Applicable]
20.		Residual Maturity Call Option	[Applicable/Not Applicable]
		Date fixed for redemption:	[As per Condition 11(d)] [No earlier than [•] months before the Maturity Date]
21.		Substantial Purchase Event	[Applicable/Not Applicable]
22.		Final Redemption Amount of each Note	[•] per Calculation Amount
23.		Early Redemption Amount (Tax)	[•] per Calculation Amount
24.		Early Termination Amount	[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Book-entry notes (<i>anotaciones en cuenta</i>)
26.	Additional Financial Centre(s):	[Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v)

relates]

Signed on behalf of Inmobiliaria Colonial, SOCIMI, S.A.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Listing and Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [AIAF] [with effect from [•] / within 30 days following the Issuer Date / /Other time period].] (Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading).

(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

Ratings: [Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

Option 1 - CRA established in the EEA and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and

Markets Authority].

Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

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

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved

in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4. [Fixed Rate Notes only – YIELD]

Indication of yield: [•]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

ISIN: [•]

Other Codes: Common Code: [•]

[Financial Instrument Short Name (FISN Code): [•]]

[Classification of Financial Instruments Code (CFI Code): [•]]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]

6. DISTRIBUTION

(i) Method of Distribution: [Syndicated/Non-syndicated]

(ii) If syndicated:

(A) Names of Managers [Not Applicable/*give names*]

(B) Stabilisation Manager(s), if any: [Not Applicable/*give names*]

(iii) If non-syndicated, name of Dealer: [Not Applicable/*give names*]

(iv) U.S. Selling Restrictions: Reg S Compliance Category 2; [TEFRA C/TEFRA D]

FORM OF FINAL TERMS OF THE BEARER NOTES

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and [, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, “**IMD**”), 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 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]⁴

[[MiFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]⁵

Final Terms dated [•]

Inmobiliaria Colonial, SOCIMI, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]⁶

[Indicate in title if the Notes are green bonds, i.e. if issued to finance or refinance Eligible Assets]

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Bearer Notes (the “**Conditions**”) set forth in the Base Prospectus dated 27 November 2018 [and the supplement to the Base Prospectus dated *[insert date]* which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) incorporated by reference in the Base Prospectus dated [•]. These Final Terms contain the final

⁴ Square brackets or wording to be removed as appropriate for each issuance.

⁵ Square brackets or wording to be removed as appropriate for each issuance.

⁶ Specify if the Notes are Green Bonds (see limb(b) under the “Use of Proceeds” section of the Base Prospectus).

terms of the Notes and must be read in conjunction with the Base Prospectus dated [•] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.]

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at www.inmocolonial.com and at www.cnmv.es during normal business hours at Paseo de la Castellana, 52, Madrid, Spain (being the registered office of the Issuer).

The expression “**Prospectus Directive**” means Directive 2003/71/EC of the European Parliament and of the Council (and amendments thereto, including Directive 2010/73/EU).

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

- | | | |
|----|---|---|
| 1. | (i) Issuer: | Inmobiliaria Colonial, SOCIMI, S.A. |
| 2. | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | [(iii) Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below [which is expected to occur on or about [•]].] |
| 3. | Specified Currency or Currencies: | [•] |
| 4. | Aggregate Nominal Amount: | [•] |
| | (i) Series: | [•] |
| | (ii) Tranche: | [•] |
| 5. | Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] (in the case of fungible issues only, if applicable)] |
| 6. | (i) Specified Denominations: | [•] |
| | | <i>(No Notes may be issued which have a minimum denomination of less than EUR100,000 (or equivalent in another currency))</i> |
| | (ii) Calculation Amount: | [•] |
| 7. | (i) Issue Date: | [•] |

- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [[•] per cent. Fixed Rate (see paragraph 14 below)]
 [•][•] [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate (see paragraph 15 below)]
 [Zero Coupon (see paragraph 16 below)]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable*]
12. Put/Call Options: [Put Option]
 [Put Event]
 [Issuer Call]
 [Residual Maturity Call Option]
 [Substantial Purchase Event]
 [See paragraph[s] [17/18/19/20/21] below)]
13. [Date [Board] approval for issuance of Notes obtained: [•]
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrears on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) First Interest Payment Date(s): [•]
- (iv) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (v) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (vi) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) /Actual 360 / 30E/360]

(vii)	Step-up Provisions:	[Applicable/Not Applicable] <i>(If not applicable delete the remaining sub-paragraphs of this paragraph)</i>
[(viii)	Step-Up Margin:	[•] per cent. per annum]
15.	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable delete the remaining sub-paragraphs of this paragraph)</i>
(ii)	Interest Period(s):	[•] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below /, not subject to any adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]
(ii)	Specified Period:	[•]
(iii)	Interest Payment Dates:	[•]
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/Not Applicable]
(vi)	Additional Business Centre(s):	[Not Applicable/[•]]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[•] shall be the Calculation Agent
(ix)	Screen Rate Determination:	<ul style="list-style-type: none"> • Reference Rate: [•] month [EURIBOR]/[LIBOR] • Interest Determination Date(s): [•] • Relevant Screen Page: [•] • Relevant Time: [•] • Relevant Financial Centre: [•]
(x)	ISDA Determination:	<ul style="list-style-type: none"> • Floating Rate Option: [•] • Designated Maturity: [•] • Reset Date: [•]

- ISDA Definitions: [2006/[•]]
- (xi) Linear interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xii) Margin(s): [+/-][•] per cent. per annum
- (xiii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Day Count Fraction: [•]
- (xvi) Step-up Provisions: [Applicable/Not Applicable]
(If not applicable delete the remaining sub-paragraphs of this paragraph)
- (xvii) Step-up Margin: [[•] per cent. per Calculation Amount/Not Applicable]

16. Zero Coupon Note Provisions

- [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) /Actual 360 / 30E/360]

PROVISIONS RELATING TO REDEMPTION

17. Call Option

- [Applicable/Not Applicable]
- (i) Optional Redemption Date(s) (Call): [•]
 - (ii) Optional Redemption Amount(s) (Call) of each Note: [[•] per Calculation Amount/Make-whole Amount]
[(If Make-whole Amount is selected, include items (a) through (e) below or relevant options as are set out in the Book-entry Conditions)]
 - (ii) Make-whole Amount: [Applicable/Not Applicable]
(If not applicable delete the remaining subparagraphs of this paragraph)
 - [(a) Reference Bond: [[•]/Not Applicable]
(If not applicable delete the remaining subparagraphs of this paragraph)
 - [Redemption Margin: [•] per cent.]
 - [Financial Adviser: [•]]

	[Quotation Time:	[•]]
	(b) Discount Rate:	[•]/Not Applicable]
	(e) Make-whole Exemption Period:	[Not Applicable/From (and including) [•] to (but excluding) [•]/the Maturity Date]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
(iv)	Notice period:	[•]
18.	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s) (Put):	[•]
	(ii) Optional Redemption Amount(s) (Put) of each Note and calculation of such amount(s), if any:	[•] per Calculation Amount
	(iii) Notice period:	[•] <i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i>
19.	Put Event	[Applicable/Not Applicable]
20.	Residual Maturity Call Option	[Applicable/Not Applicable]
	Date fixed for redemption:	[As per Condition 11(d)] [No earlier than [•] months before the Maturity Date]
21.	Substantial Purchase Event	[Applicable/Not Applicable]
22.	Final Redemption Amount of each Note	[•] per Calculation Amount
23.	Early Redemption Amount (Tax)	[•] per Calculation Amount
24.	Early Termination Amount	[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes]
- (N.B. In relation to any issue of Notes which are expressed to be represented by a Temporary Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than €100,000 (or equivalent) and integral multiples thereof.)*
- [Permanent Global Note exchangeable for Definitive Notes at any time/in the limited circumstances specified in the Permanent Global Note]
- (N.B. In relation to any issue of Notes which are expressed to be represented by a Permanent Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than €100,000 (or equivalent) and integral multiples thereof.)*
26. New Global Note: [Yes] [No]
27. Additional Financial Centre(s): [Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v) relates]
28. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

Signed on behalf of Inmobiliaria Colonial, SOCIMI, S.A.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Listing: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[the Official List of the Irish Stock Exchange plc trading as Euronext Dublin/another Regulated Market]* with effect from [•].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[The Official List of the Irish Stock Exchange plc trading as Euronext Dublin /another Regulated Market]* with effect from *[30 days after the Issue Date/Other time period].* (Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading).
- (ii) Admission to Trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin]* with effect from [•].
(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

- The Notes to be issued [have been/are expected to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
- Ratings: [Standard & Poor's: [•]]
[Moody's: [•]]
[Fitch: [•]]
[[Other]: [•]]

Option 1 - CRA established in the EEA and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 2 - CRA established in the EEA, not registered

under the CRA Regulation but has applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].

Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Notes is not endorsed by a

credit rating agency established in the EEA and registered under the CRA Regulation.

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

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

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

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

ISIN: [•]

Other Codes: Common Code: [•]

[Financial Instrument Short Name (FISN Code): [•]]

[Classification of Financial Instruments Code (CFI Code): [•]]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]

[Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied

that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. DISTRIBUTION

- | | |
|--|--|
| (i) Method of Distribution: | [Syndicated/Non-syndicated] |
| (ii) If syndicated: | |
| (A) Names of Managers | [Not Applicable/ <i>give names</i>] |
| (B) Stabilisation Manager(s), if any: | [Not Applicable/ <i>give names</i>] |
| (iii) If non-syndicated, name of Dealer: | [Not Applicable/ <i>give names</i>] |
| (iv) U.S. Selling Restrictions: | Reg S Compliance Category 2; [TEFRA C/TEFRA D] |

GENERAL INFORMATION

- (1) This Base Prospectus comprises a base prospectus for the purposes of article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Group and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and any applicable Final Terms. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

- (2) Application will be made for the Book-entry Notes to be admitted to trading on the AIAF. The Programme also permits Bearer Notes to be issued on the basis that they will be admitted to listing on Euronext Dublin and admitted to trading on its regulated market or, as the case may be, another MiFID Regulated Market, in each case, as may be agreed between the Issuer and the relevant Dealer(s).
- (3) The Issuer has obtained all necessary consents, approvals and authorisations in Spain in connection with the update of the Programme. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer, dated 4 October 2016. The update of the Programme was authorised by resolutions of the board of directors of the Issuer, dated 5 October 2017 and the decision adopted on 8 November 2018 by the Chief Executive Officer of the Issuer.
- (4) There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2018 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.
- (5) Except as set forth under “*Information on the Issuer and the Group—Legal Proceedings*”, neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had significant effects on the financial position or profitability of the Issuer or the Group.
- (6) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (7) Bearer Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records).
- (8) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (9) The Common Code, the International Securities Identification Number (ISIN), any other relevant code and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
- (10) The Legal Entity Identifier (LEI) code of the Issuer is 9580020140005007414.
- (11) There are no material contracts entered into other than in the ordinary course of the Issuer’s business, which could result in any member of the Issuer’s Group being under an obligation or entitlement that is

material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

- (12) Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- (13) Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche. The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (14) Deloitte, S.L., (Independent Auditors) located at Plaza de Pablo Ruiz Picasso 1, Torre Picasso, Madrid 28020, Spain, and registered in the Official Registry of Accounting Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. has audited the Issuer's audited consolidated annual accounts, prepared in accordance with IFRS-EU, as of and for year ended 31 December 2016, and has issued an unqualified audit report.
- (15) The Issuer's current appointed auditor is PricewaterhouseCoopers Auditores, S.L, located at Avinguda Diagonal 640, Barcelona, 08017, Spain. PricewaterhouseCoopers Auditores, S.L. has audited the Issuer's audited consolidated annual accounts, prepared in accordance with IFRS-EU, as of and for the year ended 31 December 2017, and has issued an unqualified audit report. The condensed consolidated interim financial statements of the Group as of and for the six-month period ended 30 June 2018 have been subject to a limited review with no qualifications. PricewaterhouseCoopers Auditores, S.L. is a member of the *Registro Oficial de Auditores de Cuentas* under number S0242.
- (16) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or any of its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long

and/or short positions in such securities and instruments.

- (17) For the period of 12 months following the date of this Base Prospectus, the following will be available for inspection, during usual business hours on any weekday (public holidays excepted), at the registered office of the Issuer:
- (i) the Articles of Association of Colonial;
 - (ii) the Agency Agreement and the Spanish Agency Agreement;
 - (iii) the Deed of Covenant and the Book-entry Deed of Covenant;
 - (iv) the documents listed under “*Documents Incorporated by Reference*”;
 - (v) this Base Prospectus and any supplement to it; and
 - (vi) each Final Terms (save that Final Terms relating to Notes which are neither admitted to trading on a MiFID Regulated Market nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer as to its holding of such Note and identity).

The information referred to in paragraph (iv) is also available on the Issuer’s website - see “*Documents Incorporated by Reference*”. The information referred to in item (vi) will also be available, in the case of Final Terms in respect of Book-entry Notes listed on the AIAF, on the website of the CNMV (www.cnmv.es) and, in the case of Final Terms in respect of Bearer Notes listed on Euronext Dublin, on the website of Euronext Dublin (www.ise.ie) and, in each case, on the website of the Issuer at www.inmocolonial.com. This Base Prospectus and any supplement to this Base Prospectus will also be available on the website of the Issuer at www.inmocolonial.com and the website of the CNMV at www.cnmv.es.

CERTAIN TERMS AND CONVENTIONS

As used in this Base Prospectus:

“**2018 Interim Consolidated Management Report**” refers to the Issuer’s consolidated management report for the first half of 2018 in connection with the Issuer’s unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2018;

“**2017 Consolidated Management Report**” refers to the Issuer’s consolidated management report for the year ended 31 December 2017 in connection with the Issuer’s audited consolidated financial statements for the year ended 31 December 2017;

“**2016 Consolidated Management Report**” refers to the Issuer’s consolidated management report for the year ended 31 December 2016 in connection with the Issuer’s audited consolidated financial statements for the year ended 31 December 2016;

“**Arranger**” refers to BNP Paribas;

“**BD**” refers to Business District;

“**CNMV**” refers to the Comisión Nacional del Mercado de Valores;

“**Conditions**” means, in relation to the Bearer Notes, the conditions set forth in “*Terms and Conditions of the Bearer Notes*” and, in relation to the Book-entry Notes, the conditions set forth in “*Terms and Conditions of the Book-entry Notes*”;

“**Dealers**” refers to the Permanent Dealers and all persons appointed as dealers in respect of one or more Tranches;

“**EEA**” refers to the European Economic Area;

“**EPRA**” refers to the European Public Real Estate Association;

“**EPRA Occupancy**” refers to the economic occupancy calculated according to EPRA recommendations (occupied surface areas multiplied by the market rental prices divided by surfaces in operation at market rental prices);

“**EPRA NAV**” refers to the net asset value of our Issuer’s equity adjusting specific items following EPRA recommendations;

“**Financial Statements**” refers to the Issuer’s audited consolidated annual accounts for the years ended 31 December 2016 and 31 December 2017 together with the Issuer’s unaudited consolidated interim financial statements for the six-month period ended 30 June 2018;

“**Gross Financial Indebtedness**” is calculated as the sum of the total bank borrowings plus bonds and similar securities issued (excluding interest and debt arrangement expenses);

“**IFRS EU**” refers to the International Financial Reporting Standards, as adopted by the European Union;

“**Loan to Value**” is calculated as consolidated net debt, excluding committed cash divided by gross asset valuation);

“**Permanent Dealers**” refers to Banco de Sabadell, S.A., Bankinter, S.A., Barclays Bank PLC, BNP Paribas, Caixa Bank, S.A., Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, NATIXIS, Société Générale, NatWest Markets Plc,

Unicaja Banco, S.A. and such additional persons that are appointed as dealers in respect of the whole Programme;

“**Property Portfolio**” refers to the Issuer’s consolidated portfolio of properties;

“**RICS**” refers to the Royal Institute of Chartered Surveyors;

“**SFL**” refers to Société Foncière Lyonnaise S.A.; and

“**VAT**” refers to value added tax.

SIGNATURES

In witness to their knowledge and approval of the contents of this Base Prospectus drawn up according to Annexes IX and XIII of Commission Regulation (EC) No. 809/2004 of 29 April 2004, pursuant to the authorisation granted by the Issuer's Board of Directors' resolution passed on 5 October 2017 and the decision adopted on 8 November 2018 by the Chief Executive Officer of the Issuer, it is hereby signed by Ángels Arderiu Ibars, in Barcelona this 27 November 2018.

Signed on behalf of Inmobiliaria Colonial, SOCIMI, S.A.

By

Ángels Arderiu Ibars

Chief Financial Officer

REGISTERED/HEAD OFFICE OF THE ISSUER

Inmobiliaria Colonial, SOCIMI, S.A.

Paseo de la Castellana, 52
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Spain

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*To the Issuer
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*To the Dealers
as to English and Spanish law*

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ISSUER'S AUDITORS

For 2016:

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Current:

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