

SUPPLEMENT DATED 13 MAY 2020 TO THE BASE PROSPECTUS DATED 18 JULY 2019

REDEXIS GAS FINANCE B.V.

(Incorporated with limited liability in the Netherlands)

€2,000,000,000

**Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by**

REDEXIS GAS, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

This Supplement (the **Supplement**) to the Base Prospectus (the **Base Prospectus**) dated 18 July 2019, which comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive, constitutes a supplement to the prospectus for the purposes of Article 13 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act**) and Article 46.3 of Regulation (EU) 2017/1129 and is prepared in connection with the €2,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Redexis Gas Finance B.V. (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA (which, for this purpose, includes the United Kingdom and Member State is to be interpreted accordingly).

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

Purpose of the Supplement

The purpose of this Supplement is:

- (a) to incorporate by reference (i) the independent auditor's report and annual financial statements of the Issuer for the financial year ended 31 December 2019, and (ii) the independent auditor's report and the audited consolidated annual accounts of the Guarantor for the financial year ended 31 December 2019;
- (b) to include a new "Significant or Material Change" statement;
- (c) to supplement the section of the Base Prospectus titled "*Risk Factors*";
- (d) to supplement the section of the Base Prospectus titled "*Description of the Guarantor*"; and

- (e) to supplement the section of the Base Prospectus titled "*Overview of the Spanish Natural Gas Sector and its Regulation*".

Documents Incorporated by Reference

The following documents which have previously been published and have been filed with the CSSF shall be deemed to be incorporated by reference in, and form part of, the Base Prospectus:

- (a) the independent auditor's report and the audited financial statements for the financial year ended 31 December 2019 of the Issuer as set out on the following pages:

| | |
|--------------------------------------|----------------|
| Balance sheet..... | Page 8 |
| Profit and loss account..... | Page 9 |
| Cash Flow Statement..... | Page 10 |
| Accounting Principles and Notes..... | Pages 11 to 25 |
| Independent Auditor's Report | Pages 26 to 30 |

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

- (b) the independent auditor's report and the audited consolidated annual accounts for the financial year ended 31 December 2019 of the Guarantor as set out on the following pages:

| | |
|---|----------------|
| Independent Auditor's Report..... | Pages 2 to 6 |
| Consolidated Statement of Financial Position..... | Page 11 |
| Consolidated Income Statement..... | Page 12 |
| Consolidated Statement of Comprehensive Income..... | Page 13 |
| Consolidated Statement of Changes in Equity | Pages 14 to 15 |
| Consolidated Statement of Cash Flows..... | Page 16 |
| Notes to the Consolidated Annual Accounts..... | Pages 17 to 98 |

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

The documents set out at paragraph (b) above are pending approval at the General Shareholders' Meeting of the Guarantor which is scheduled to be held on 9 June 2020.

Copies of documents incorporated by reference in the Base Prospectus can be obtained from the website of the Luxembourg Stock Exchange (www.bourse.lu) and from the website of the Guarantor (<http://www.redexisgas.es>).

The information set out on page 123 of the Base Prospectus titled "*Alternative Performance Measures*" shall be deemed include reference to the documents set out at paragraphs (a) and (b) above.

General Information

The paragraphs headed "Significant or Material Change" starting on page 133 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

"There has been no significant change in the financial or trading position of the Issuer since 31 December 2019. There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019.

There has been no significant change in the financial or trading position of the Group since 31 December 2019 (except as provided for in "*Description of the Guarantor – Recent Developments and Key Milestones for the Group*"). There has been no material adverse change in the financial position or prospects of the Group since 31 December 2019."

Risk factors

The following text shall be included at the end of the section titled "*Uncertain macroeconomic climate could affect the Group's financial position*" in the section "*Risk Factors – Other risks related to the Group's business*":

"Global growth in 2020 is strongly expected to be lower than in 2019 due to the global spread of COVID-19 (an illness caused by the SARS-CoV-2 virus). If the COVID-19 pandemic is short-lived, the economy is expected to near recession for the first half of 2020, but may then experience a rebound. Nevertheless, if the spread of COVID-19 continues for longer and affects major economies on a larger scale, the growth consequences would be more protracted, perhaps significantly so, including the possibility of a recession through 2020 and beyond.

A negative impact on the global economy caused by the COVID-19 pandemic could have a material adverse effect on the Group's business, prospects, financial position and operating results. In particular, the COVID-19 pandemic and the resulting administrative measures adopted by governmental authorities could slow the anticipated pace of investment by Redexis in the expansion of its grid network, and may imply a decrease in forecasted revenues due to gas consumption being lower than previously anticipated."

Description of the Guarantor

The following text shall be included at the end of the section titled "*Recent Developments and Key Milestones for the Group*" in the section "*Description of the Guarantor*":

"Redexis' response to the COVID-19 pandemic

In response to the COVID-19 pandemic which began in March 2020, Redexis has activated a contingency plan and safety protocol to guarantee the continuity of its operations. The measures adopted include the following:

- In response to the health alarm and the state of alert decreed by the Spanish Government on 14 March 2020, Redexis has activated a comprehensive plan to guarantee gas supply in all cities and municipalities in which it operates.
- To ensure that its "Control Centre" remains operating, a prevention plan for operators has been implemented: restricting access, establishing independent shifts and activating its "Backup Control Centre" which works autonomously.
- Since the beginning of March 2020, Redexis activated mandatory remote-working for 100% of the staff across its 17 office sites, restricting access to only exceptional cases and with prior authorisation.
- Redexis is executing all its measures against the effects of COVID-19 through a "Crisis Committee" which coordinates all actions and communications with staff, public authorities and third parties to guarantee supply to all Spanish citizens, and to preserve the health and welfare of its employees as the main guiding factor."

Overview of the Spanish Natural Gas Sector and its Regulation

The following text shall be included at the end of the section titled "*Overview of the Spanish Natural Gas Sector and its Regulation*":

"Recent developments

New regulatory framework from 2021

Following EU requirements based on the electricity and gas European Directives 2009/72/CE and 2009/73/CE, in 2019 the Spanish Government transferred some responsibilities in the energy sector to the Spanish National Markets and Competition Authority (CNMC) as the Spanish National Regulatory Authority (NRA).

The transfer was carried out through the approval of the Royal Decree-Law 1/2019 (RDL 1/2019) by which, however, the Spanish Government reserved for itself the competence to set the energy policy guidelines that the CNMC are required to respect. These guidelines were finally approved by the Ministerial Order TEC/406/2019, of 5 April 2019, establishing energy policy guidelines for the CNMC.

According to the legal framework established by RDL 1/2019, the CNMC has approved six Circulars related to, among others, natural gas activities, including the Circulars establishing the remuneration methodology for both natural gas transmission and distribution activities to be applicable from 1 January 2021 (which coincides with the beginning of the next regulatory period).

All the Circulars are publicly available on the CNMC website and have been published in the Spanish Official Gazette. The following is a brief summary of each of these Circulars:

- Under Circular 2/2019, of 12 November 2019, by which it is established the methodology of calculation of the financial remuneration rate of the activity of transmission and distribution of electric energy; natural gas regasification, transmission and distribution, the CNMC has set out a methodology to establish a financial remuneration rate related to, among others, the activities of natural gas transmission, distribution and regasification activities. The new methodology is linked to the weighted average cost of capital applicable to each type of activity. As a result of that methodology, for the 2021-2026 regulatory period a 5.44% rate was fixed as the financial remuneration rate for natural gas transmission activity and for regasification while for the natural gas distribution is fixed at 5.83%.
- Under Circular 8/2019, of 12 December 2019, by which it is established the methodology and access conditions and the capacity assignation in the natural gas system, the CNMC has set out the third-party access (TPA) conditions taking into account the new capacity products that the retailers can contract within the regulated infrastructure.

By means of the Resolution of the CNMC dated 3 April 2020, the detailed procedure for developing market mechanisms for the allocation of capacity in the transmission network, in regasification plants and in basic underground storages has been approved. This procedure will be applicable to allocate available capacity from 1 October 2020. In this regard, for each capacity product, an initial period will be established for receiving capacity requests. If more than one product is offered, the subjects will send independent requests for each one of them. Whenever the capacity demanded is higher than the capacity offered, the allocation of capacity will be carried out through auctions.

In addition, the CNMC has published a Resolution, dated 15 April 2020, by which the framework agreement for the access to the installations of the gas system was approved. The implementation of such Resolution implies that the parties need to update their agreements within three months from 23 April 2020.

- Under Circular 9/2019, of 12 December 2019, by which it is established the methodology to determine the remuneration of the natural gas transmission installations and of the LNG installations, the CNMC has approved the methodology for remunerating natural gas transmission activity and a number of LNG installations. This methodology is consistent with the former methodology (i.e. a net regulatory asset base with an investment recovery term and operating costs remuneration). Despite this, the Circular introduces some changes:
 - As mentioned above, financial remuneration rate is set at 5.44% (the financial remuneration rate previously being set at 5.09%).
 - The continuity of supply remuneration term is progressively reduced to 20% of the current value by the end of the regulatory period in 2026.
 - Transmission operators are now incentivised to supply natural gas refuelling stations and ships by a 0.50 €/MWh remuneration term over the demand for these assets.
 - The Circular fosters the extension of the useful life of amortised assets. The scheme is the same as previous one (i.e. operation and maintenance (**O&M**) remuneration of completely amortised assets is increased using a coefficient).
 - A new transmission remuneration methodology recognises individual improvements of productivity by operators retaining 50% of the improvements in a given period (2021-2026) over the previous one.
 - Capitalised operation and maintenance costs of approved projects will be included in an entity's remuneration. To do so, the new projects and the actual costs as compared to approved costs must be presented every year.
 - A new section in order to incentivise financial prudence is incorporated - see "Financial prudence measures" below.
 - Income from related services (those not strictly linked to natural gas activity) will be considered by the CNMC to share profit with the system.
- In addition to the Circular, the CNMC may approve in the short term a review on the gas transmission standard values. This review would lead to some changes in the O&M term remuneration, that might be positive or negative for entities depending on its assets and the final values approved. Under Circular 1/2020, of 9 January 2020, by which it is established the methodology of remuneration of the technical manager of the gas system, the CNMC has set out the Technical System Operator (in Spanish, **GTS**) remuneration methodology setting regulatory periods of 3 years, with the next period from 2021 to 2023. Taking into account the new functions that the GTS will carry out, the methodology introduces economic incentives for efficient management.
- Under Circular 2/2020, of 9 January 2020, by which it is established the balance rules on natural gas, the CNMC established the balance rules for natural gas to provide more flexibility and ensure a more efficient use of gas infrastructure. Circular 2/2020 also regulates the imbalances calculations and its surcharges as well as the rules to nominate the use of the gas system infrastructures as its information procedures to the users related to the balance.
- Under Circular 4/2020, of 31 March 2020, by which it is established the remuneration methodology of natural gas distribution, the CNMC has set out the remuneration methodology for gas distribution activity. The new methodology maintains the parametric remuneration formula that incentivises the growth of the activity in terms of consumption and points of supply. The new methodology also reduces the remuneration of the regulatory asset base, based on each entity's activity figures.

The new remuneration scheme for distribution set out in Circular 4/2020 will come into force on 1 January 2021. Until this date, the remuneration scheme described above for distribution will apply.

The main changes in the new remuneration scheme comprise:

- The asset base adjustment is calculated over year 2000 connection points and demand figures of the entities in the sector, and accounts for €239M remuneration reduction at the end of the regulatory period (2026). The Circular introduces a gradual transition leading to a complete adjustment by the end of the regulatory period on 2026.
- Growth parameters have been increased by 0.9% based on the evolution of price indexes from 2014 (industrial prices and consumer prices), and applying an efficiency coefficient of 0.5.
- Specific remuneration parameters due to Island factors may be established based on a cost analysis.
- The Circular promotes new industrial consumption (0.50 €/MWh for 5 years) and natural gas supplied on refuelling stations (0.50 €/MWh).
- The Circular incentivises financial prudence – see "Financial prudence measures" below.
- Income from related services will be individually considered by the CNMC to share profit with the sector as well.

Financial prudence measures

The CNMC has recently published Communication 1/2019, of 23 October, regarding the definition of ratios to assess the level of indebtedness and the economic-financial capacity of companies carrying out regulated activities and ranges of recommended values thereof. Applying these standards, the CNMC intends to monitor entities performing regulated activities within the hydrocarbons sector to assess whether they have an adequate economic-financial capacity; are properly capitalised; and have a sustainable debt structure, with a view to monitoring their ability to meet the necessary investment commitments, as well as the operation and maintenance of the networks. In addition, under Circular 9/2019, of 12 December 2019, which establishes the methodology to determine the remuneration of the natural gas transmission installations and of the LNG installations and under Circular 4/2020, of 31 March 2020, which establishes the remuneration methodology of natural gas distribution, a penalty up to 1% of the regulated revenues of the Company may be imposed from 2024 in case of non-compliance with the global index of ratios defined by the CNMC in the terms set out by these Circulars.

Tariff deficit

No tariff deficit was foreseen in the upcoming years according to the sector estimates. The CNMC Report, dated 15 April 2020, on the results of the 14th provisional natural gas settlement in 2019, reflects a €354 million surplus.

The CNMC Report, also dated 15 April 2020, on the results of the 2nd provisional natural gas settlement in 2020, reflects a provisional €155 million deficit, but the settlements are based on monthly incomes and costs of the system, and the shape of the monthly settlements usually reflects a deficit during the first months, in fact, 2019 2nd provisional settlement reflected a provisional €169 million deficit."