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Pricing Termsheet

13 March 2014

ACS

EUR 405.6 million

Guaranteed Secured Exchangeable Bonds due 2019

Exchangeable for existing shares of Iberdrola

<b>Issuer:</b>	ACS Actividades Finance 2 B.V. (the " <b>Issuer</b> "), a wholly-owned subsidiary of ACS incorporated under the laws of The Netherlands, with its corporate seat at Amsterdam, The Netherlands
<b>Guarantor:</b>	ACS, Actividades de Construcción y Servicios, S.A. (the " <b>Guarantor</b> " or " <b>ACS</b> "), a "sociedad anónima" incorporated under the laws of the Kingdom of Spain
<b>Pledgor:</b>	Statement Structure, S.A., a wholly-owned subsidiary of ACS being a "sociedad anónima" incorporated under the laws of the Kingdom of Spain (the " <b>Pledgor</b> ")
<b>Securities Offered:</b>	Guaranteed secured bonds (the " <b>Bonds</b> ") exchangeable for the Shares
<b>Underlying Shares:</b>	Existing fully paid ordinary shares of Iberdrola of €0.75 nominal value each (the " <b>Shares</b> ") listed on the Spanish Stock Exchanges (ISIN ES0144580Y14 / Bloomberg IBE SM / Reuters IBE.MC)
<b>Exchange Property:</b>	The initial Exchange Property will initially comprise 63,187,412 Shares The Exchange Property will be subject to adjustments as provided in the Terms and Conditions of the Bonds
<b>Status of the Bonds:</b>	The Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank pari passu without any preference or priority amongst themselves. The Bonds shall be secured to the extent and in the manner provided in Security below
<b>Status of the Guarantee:</b>	The Guarantee will constitute direct, unconditional and unsubordinated obligations of the Guarantor. The Guarantee shall be secured to the extent and in the manner provided in Security below
<b>Security:</b>	The Pledgor will grant a Spanish law first ranking pledge (the " <b>Pledge</b> ") over the Secured Property and the Cash Account in favour of the Trustee for the benefit of itself and the Bondholders. The Pledgor will initially transfer a number of Shares corresponding to the number of Shares comprising the initial Exchange Property (the " <b>Pledged Property</b> ") to the credit of the securities account (the " <b>Securities Account</b> ") opened in the name of the Pledgor. <i>The Pledge Agreement and the enforcement of the Pledge are each subject to Spanish law. As at the date of this document, there is no case law in Spain as regards the enforcement of a pledge in a bond issue and, in particular, enforcement pursuant to the provisions of Royal Decree Law 5/2005, of 11 March 2005, on urgent measures to promote productivity (RDL 5/2005), which implemented in Spain the EU Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements</i>
<b>Rating of the Issuer/Bond:</b>	None
<b>Issue Size:</b>	EUR 405.6 million
<b>Principal Amount:</b>	EUR 100,000

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<b>Issue Price:</b>	100% of the Principal Amount
<b>Redemption Price:</b>	100% of the Principal Amount
<b>Coupon:</b>	1.625% per annum (Act/Act), payable quarterly in arrear on 27 March, 27 June, 27 September and 27 December each year, commencing on 27 June 2014
<b>Exchange Premium:</b>	32.5% above the Reference Price
<b>Reference Price:</b>	EUR 4.8445
<b>Initial Exchange Price:</b>	EUR 6.4190
<b>Maturity Date:</b>	27 March 2019 (5 years)
<b>Launch and Pricing Date:</b>	13 March 2014
<b>Closing Date:</b>	Expected on 27 March 2014
<b>Exchange Rights:</b>	Unless previously redeemed, each Bond will be exchangeable during the Exercise Period into a pro rata share of the Exchange Property. Exchange Rights will be settled, at the option of the Issuer, (i) through delivery of a pro rata share of the Exchange Property or (ii) in cash through the operation of the Cash Election provision described below or (iii) a combination thereof
<b>Exchange Period:</b>	The period commencing on 27 March 2014, and ending on (i) the close of business on the twentieth day prior to the Maturity Date or (ii) if the Bonds have been called for redemption prior to the Maturity Date, the fourteenth day preceding the relevant redemption date
<b>Issuer Call:</b>	Subject to a minimum of 30 and a maximum of 60 calendar days' prior notice: Possible for all, but not some only, outstanding Bonds, at any time on or after 17 April 2017 (3 years and 21 days), at Principal Amount plus accrued interest from the immediately preceding interest payment date to the date set for redemption, if the value of the pro rata share of the Exchange Property in respect of a Bond on each of not less than 20 trading days in any period of 30 consecutive trading days ending not earlier than the 7th trading day prior to the date of publication of the early redemption notice, exceeds on such trading day 130% of the Principal Amount of a Bond
<b>Clean-up Call:</b>	Subject to a minimum of 30 and a maximum of 60 calendar days' prior notice: Possible for all, but not some only, outstanding Bonds, at any time, at Principal Amount plus accrued interest from the immediately preceding interest payment date (or, as the case may be, the Closing Date) to the date set for redemption, if 15% or less of the number of Bonds initially issued remain outstanding
<b>Open Market Purchases:</b>	The Issuer, the Guarantor and/or any Subsidiary of the Guarantor may at any time purchase Bonds in the open market or otherwise at any price
<b>Share Redemption Option:</b>	<p>Upon redemption on the Optional Put Date (as defined below), the Issuer may, subject to certain conditions, with respect to all of the Bonds to be redeemed on such date elect to make in respect of each Bond (i) a cash payment equal to the Redemption Price or (ii) deliver a percentage between 0% (exclusive) and 100% (inclusive) of the relevant pro rata share of the Exchange Property (the "<b>Relevant Percentage</b>") then in effect and to pay (a) a cash amount per Bond equal to the difference, if positive, between (y) the Redemption Price and (z) 100% of the product of the Cash Alternative Amount (as defined below) and the Relevant Percentage, and (b) accrued but unpaid interest.</p> <p>Upon redemption on the Maturity Date or on the Change of Control Put Date, the Issuer may, subject to certain conditions, with respect to all of the Bonds to be redeemed on such date elect to make in respect of each Bond (i) a cash payment equal to the Redemption Price or (ii) deliver a percentage between 0% (exclusive) and 100% (inclusive) of the relevant pro rata share of the Exchange Property (the "<b>Relevant Percentage</b>") then in effect and to pay (a) a cash amount per Bond equal to the difference, if positive,</p>

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between (y) the Redemption Price and (z) 99% of the product of the Cash Alternative Amount (as defined below) and the Relevant Percentage, and (b) accrued but unpaid interest.

To exercise its Share Redemption Option, the Issuer shall give a notice to such effect to the Trustee and to the Bondholders not more than 60 nor less than 45 days prior to the Maturity Date, or not less than 45 days prior to the Optional Put Date or the Change of Control Put Date, as the case may be

#### Issuer's Cash Election:

Upon Exchange, the Issuer has the right to elect to (i) deliver the relevant pro rata share of the Exchange Property, or (ii) pay the Cash Alternative Amount in lieu of delivering the Exchange Property, or (iii) a combination thereof. In order to elect to pay the Cash Alternative Amount in lieu of delivering all or some of the Exchange Property the Issuer shall deliver notice of such election to the exchanging Bondholder by the 4th business day in Madrid after the relevant Exchange Date (the "**Cash Election Exercise Date**").

The "**Exchange Date**" in respect of a Bond shall be the Madrid business day immediately following the exercise by the Bondholder of its Exchange Right.

"**Cash Alternative Amount**" means a sum in cash in EUR equal to the arithmetic average of the Value on each trading day in the Cash Alternative Calculation Period of the relevant pro rata share of the Exchange Property.

"**Cash Alternative Calculation Period**" means (i) in the case of the Share Redemption Option, the period of 10 trading days ending on the third trading day prior to the date fixed for redemption and (ii) in the case of the Issuer's Cash Election, the period of 10 consecutive trading days commencing on the first trading day after the Cash Election Exercise Date;

"**Value**" of the Exchange Property on any day means the EUR equivalent of the aggregate of:

- (i) the value of publicly traded securities included in the Exchange Property, which shall be deemed to be the VWAP of such securities on such day;
- (ii) the value of all other assets and publicly traded securities (other than cash) for which a value cannot be determined pursuant to (i) above included in the Exchange Property, which shall be deemed to be the value on such day as certified by an independent financial adviser; and
- (iii) the value of cash, which shall be deemed to be the amount thereof

#### Adjustment of the Exchange Property:

The Bonds will contain customary provisions for the adjustment of the Exchange Property in the event of the occurrence of certain dilutive events relating to the Shares including, inter alia, share sub-divisions, consolidations and redenominations, rights issues, bonus issues, reorganisations and capital distributions. The rights of the holders of the Bonds will be maintained by adjusting the Exchange Property as set out in the Terms and Conditions.

Securities or other property or assets (including cash amounts) resulting from any adjustment to the Exchange Property, so far as attributable to the Exchange Property, shall be included in the Exchange Property upon receipt by or on behalf of the Pledgor, the Issuer or the Guarantor

#### Dividend Protection:

The payment by Iberdrola of any dividend or distribution, in cash or in kind, in excess of EUR 0.20 in respect of a Share and per financial year will lead to an adjustment of the Exchange Property (for avoidance of any doubt, dividends paid by Iberdrola in cash or shares under the "Iberdrola Dividendo Flexible" will be included in the EUR 0.20 threshold)

#### Bondholder Put:

Each Bondholder shall have the right to require the Issuer to redeem such Bond: (i) For one day only on 27 March 2017 (3 years from the Closing Date), the "**Optional Put Date**", by giving notice not earlier than 90 days nor less than 45 days prior to the Optional Put Date at its Principal Amount plus accrued interest; and (ii) In the event of a Change of Control of ACS, any Bondholder may request the redemption of its Bonds during a limited period at their Principal Amount plus accrued interest

The "**Change of Control Put Date**" shall be the day falling 14 days after the expiry of the Change of Control Period (as defined in the Terms and Conditions)

#### Change of Control:

A "**Change of Control**" shall occur if one or more individuals or legal entities, acting individually or in concert, acquires control of ACS; and for the purposes of these conditions "**control**" shall mean (i) the

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acquisition or control of more than 50 per cent. of the voting rights or (ii) the right to appoint and/or remove all or the majority of the members of the 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 and "**controlled**" shall be construed accordingly. For the avoidance of doubt, any agreement or action in concert by two or more Existing Shareholders of ACS that does not give rise to a mandatory Takeover Bid under Spanish law shall not be, or be deemed to be, a Change of Control except when any such parties have previously launched a Takeover Bid but in doing so acquired (combined with their existing stake) less than 50 per cent. of the voting rights

"**Existing Shareholders**" means the shareholders who appear as significant shareholders of ACS in the registry of significant shareholders of the Comisión Nacional del Mercado de Valores on the Closing Date

"**Takeover Bid**" means any offer by one or more persons to acquire all of the issued and outstanding share capital of ACS

Within 14 days following the occurrence of a Change of Control, ACS shall procure that the Issuer gives notice thereof to the Trustee and to the Bondholders in accordance with a "**Change of Control Notice**" (as defined in the Terms and Conditions)

**Take-Over Protection:**

The Pledgor shall have absolute discretion to accept or reject any Offer (as defined in the Terms and Conditions) for any equity shares comprised in the Exchange Property ("**Equity Shares**"), provided that the Pledgor will not accept such Offer

- (i) prior to the date falling 5 trading days prior to the final acceptance date in respect thereof, and
- (ii) unless the value of the consideration offered for the Equity Shares pursuant to the Offer or, where there is any alternative consideration, unless the value of the consideration accepted by the Pledgor, is equal to or greater than the value of such Equity Shares

If the Pledgor accepts any Offer for Equity Shares or if the Equity Shares are subject to compulsory acquisition as a result of such Offer then, with effect from the settlement of such Offer, the Exchange Property will consist, in whole or in part, of the consideration received for the Equity Shares acquired under the Offer.

In the event of an Offer for Equity Shares which consists wholly or partly of cash, a market standard premium compensation amount will be payable to Bondholders upon exercise of their Exchange Rights, calculated pursuant to a standard K-square formula

<b>Form:</b>	Registered form
<b>Negative Pledge:</b>	None
<b>Cross-Acceleration:</b>	Yes, subject to a EUR 25 million threshold for the Issuer, the Pledgor, ACS and its Material Subsidiaries
<b>Events of Default:</b>	Yes, in respect of the Issuer, the Pledgor, ACS and its Material Subsidiaries subject to customary threshold and grace periods, as set out in detail in the Terms and Conditions
<b>Tax Call / Gross-up:</b>	The Issuer and the Guarantor believe that Law 13/1985 applies for Spanish tax purposes to the Issue of the Bonds. Should that not be the case, in the event of taxation or withholding in Spain there is no Gross-up /Tax call
<b>Governing Law:</b>	English law, save that the Security will be governed by Spanish law
<b>Listing:</b>	Application will be made to include the Bonds for trading on the open market (Freiverkehr) of the Frankfurt Stock Exchange
<b>Selling Restrictions:</b>	Institutional private placement. No public offering in any jurisdiction US (not Rule 144A eligible / Reg S only (Cat.1) / TEFRA Rules do not apply). No sales to US, Canada, Australia or Japan

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	Customary EEA / UK selling restrictions will apply
<b>Clearing Systems:</b>	Euroclear / Clearstream
<b>Security Codes:</b>	ISIN: XS1046590805 Common Code: 104659080
<b>Lock up:</b>	From pricing until 90 days after the Closing Date for the Issuer, the Pledgor, ACS and its subsidiaries
<b>Use of Proceeds:</b>	The funds obtained will be used to finance ACS's ordinary activities
<b>Joint Bookrunners:</b>	Banco Bilbao Vizcaya Argentaria, S.A., Crédit Agricole Corporate and Investment Bank, The Royal Bank of Scotland plc and UniCredit
<b>Trustee:</b>	Citibank, N.A.
<b>Principal Paying, Transfer &amp; Exchange Agent:</b>	Société Générale Bank & Trust, S.A.
<b>Calculation Agent:</b>	Conv-Ex Advisors Limited
<b>Settlement Agent:</b>	The Royal Bank of Scotland plc

## REPRESENTATIONS BY INVESTORS

**AN INVESTMENT IN THE BONDS INCLUDES A SIGNIFICANT DEGREE OF RISK. IN MAKING ANY DECISION TO PURCHASE THE BONDS, AN INVESTOR WILL BE DEEMED (A) TO HAVE SUCH BUSINESS AND FINANCIAL EXPERIENCE AS IS REQUIRED TO GIVE IT THE CAPACITY TO PROTECT ITS OWN INTERESTS IN CONNECTION WITH THE PURCHASE OF THE BONDS, (B) NOT TO HAVE RELIED ON (i) ANY INVESTIGATION THAT THE JOINT BOOKRUNNERS ("MANAGERS") OR ANY OF THEIR RESPECTIVE AFFILIATES, OR ANY PERSON ACTING ON BEHALF OF THE MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES, MAY HAVE CONDUCTED WITH RESPECT TO THE ISSUER, THE GUARANTOR OR THE BONDS, OR (ii) ANY DISCUSSIONS, NEGOTIATIONS OR OTHER COMMUNICATIONS ENTERED INTO WITH, OR ANY OTHER WRITTEN OR ORAL INFORMATION MADE AVAILABLE BY ANY OF THE MANAGERS OR THEIR RESPECTIVE OFFICERS, EMPLOYEES OR AGENTS (C) TO HAVE MADE ITS OWN INVESTMENT DECISION REGARDING THE BONDS BASED ON ITS OWN KNOWLEDGE, INVESTIGATION AND ASSESSMENT OF THE ISSUER, THE GUARANTOR, THE GUARANTOR'S SUBSIDIARIES, THE TERMS OF THE BONDS AND THE TERMS OF THE PLACEMENT OF THE BONDS, AND BASED ON SUCH OTHER PUBLICLY AVAILABLE INFORMATION IT DEEMS NECESSARY, APPROPRIATE AND SUFFICIENT (AND WHICH IT CONFIRMS IT HAS BEEN ABLE TO ACCESS, READ AND UNDERSTAND) AND (D) TO HAVE CONSULTED ITS OWN INDEPENDENT ADVISORS OR TO OTHERWISE HAVE SATISFIED ITSELF CONCERNING, WITHOUT LIMITATION, ACCOUNTING, REGULATORY, TAX OR OTHER CONSEQUENCES IN THE LIGHT OF ITS PARTICULAR SITUATION UNDER THE LAWS OF ALL RELEVANT JURISDICTIONS GENERALLY.**

## DISCLAIMER

**Important - your attention is drawn to the disclaimers below, and any purchase of the Bonds will be deemed to be made in acceptance and acknowledgement by you of the terms of such disclaimers and the final terms and conditions in respect of the Bonds which all purchasers are deemed to have reviewed and found satisfactory, prior to closing. Please request a copy of the terms and conditions if you have not received them.**

THIS TERM SHEET IS AN ADVERTISEMENT AND DOES NOT COMPRISE A PROSPECTUS FOR THE PURPOSES OF EU DIRECTIVE 2003/71/EC AND/OR PART VI OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 OF THE UNITED KINGDOM OR OTHERWISE.

THE INFORMATION CONTAINED IN THIS TERM SHEET IS SUBJECT TO CHANGE WITHOUT NOTICE AND SUBJECT TO CHANGE IN ITS ENTIRETY BY REFERENCE TO THE FINAL TERMS AND CONDITIONS EXPECTED TO BE DELIVERED TO INVESTORS PRIOR TO OR UPON SETTLEMENT.

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THE BONDS, THE GUARANTEE OF THE BONDS AND THE SHARES TO BE DELIVERED UPON EXCHANGE OF THE BONDS (TOGETHER, THE "SECURITIES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES. THIS ANNOUNCEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. EACH PERSON RECEIVING THIS DOCUMENT SHOULD CONSULT HIS/HER PROFESSIONAL ADVISOR TO ASCERTAIN THE SUITABILITY OF THE SECURITIES AS AN INVESTMENT. FOR THE AVOIDANCE OF DOUBT, NONE OF THE ISSUER, THE GUARANTOR, THE PLEDGOR OR THE JOINT BOOKRUNNERS MAKE ANY REPRESENTATION OR WARRANTY THAT THEY INTEND TO ACCEPT OR BE BOUND TO ANY OF THE TERMS HEREIN NOR SHALL THE ISSUER, THE GUARANTOR, THE PLEDGOR OR THE JOINT BOOKRUNNERS BE OBLIGED TO ENTER INTO ANY FURTHER DISCUSSIONS OR NEGOTIATIONS PURSUANT HERETO, BUT THEY SHALL BE ENTITLED IN THEIR ABSOLUTE DISCRETION TO ACT IN ANY WAY THAT THEY SEE FIT IN CONNECTION WITH THE PROPOSED TRANSACTION. THIS IS NOT AN OFFER TO SELL, NOR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES, AND ANY DISCUSSIONS, NEGOTIATIONS OR OTHER COMMUNICATIONS THAT MAY BE ENTERED INTO, WHETHER IN CONNECTION WITH THE TERMS SET OUT HEREIN OR OTHERWISE, SHALL BE CONDUCTED SUBJECT TO CONTRACT. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS OR WILL BE MADE AS TO, OR IN RELATION TO, AND NO RESPONSIBILITY OR LIABILITY IS OR WILL BE ACCEPTED BY THE JOINT BOOKRUNNERS OR BY ANY OF THEIR RESPECTIVE OFFICERS, SERVANTS OR AGENTS AS TO OR IN RELATION TO THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT, OR ANY OTHER WRITTEN OR ORAL INFORMATION MADE AVAILABLE TO ANY INTERESTED PARTY OR ITS ADVISORS AND ANY LIABILITY THEREFORE IS HEREBY EXPRESSLY DISCLAIMED.

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EACH PROSPECTIVE INVESTOR SHOULD PROCEED ON THE ASSUMPTION THAT IT MUST BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE SECURITIES FOR AN INDEFINITE PERIOD. NONE OF THE ISSUER, THE GUARANTOR, THE PLEDGOR OR THE JOINT BOOKRUNNERS MAKE ANY REPRESENTATION AS TO (I) THE SUITABILITY OF THE SECURITIES FOR ANY PARTICULAR INVESTOR, (II) THE APPROPRIATE ACCOUNTING TREATMENT AND POTENTIAL TAX CONSEQUENCES OF INVESTING IN THE SECURITIES OR (III) THE FUTURE PERFORMANCE OF THE SECURITIES EITHER IN ABSOLUTE TERMS OR RELATIVE TO COMPETING INVESTMENTS.

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IN CONNECTION WITH THE OFFERING, THE JOINT BOOKRUNNERS OR THEIR RESPECTIVE AFFILIATES MAY, FOR THEIR OWN ACCOUNT, ENTER INTO ASSET SWAPS, CREDIT DERIVATIVES OR OTHER DERIVATIVE TRANSACTIONS RELATING TO THE SECURITIES AND/OR THE SHARES AT THE SAME TIME AS THE OFFER AND SALE OF THE SECURITIES OR IN SECONDARY MARKET TRANSACTIONS. THE JOINT BOOKRUNNERS OR ANY OF THEIR RESPECTIVE AFFILIATES MAY FROM TIME TO TIME HOLD LONG OR SHORT POSITIONS IN OR BUY AND SELL SUCH SECURITIES OR DERIVATIVES OR THE UNDERLYING SHARES. NO DISCLOSURE WILL BE MADE OF ANY SUCH POSITIONS. THE JOINT BOOKRUNNERS ARE ACTING ON BEHALF OF THE ISSUER, THE PLEDGOR AND THE GUARANTOR AND NO ONE ELSE IN CONNECTION WITH THE SECURITIES AND WILL NOT BE RESPONSIBLE TO ANY OTHER PERSON FOR PROVIDING THE PROTECTIONS AFFORDED TO CLIENTS OF THE JOINT BOOKRUNNERS OR FOR PROVIDING ADVICE IN RELATION TO THE SECURITIES. THE JOINT BOOKRUNNERS AND THEIR SUBSIDIARIES AND AFFILIATES MAY PERFORM SERVICES FOR OR SOLICIT BUSINESS FROM THE ISSUER AND/OR MEMBERS OF THE GUARANTOR'S GROUP, MAY MAKE MARKETS IN THE SECURITIES OF SUCH PERSONS AND/OR HAVE A POSITION OR EFFECT TRANSACTIONS IN SUCH SECURITIES. ANY ALLOCATION OF THE BONDS DESCRIBED IN THIS TERM SHEET IS MADE EXPRESSLY SUBJECT TO THE CONDITION THAT ANY OFFERING OF THE BONDS COMPLETES AND THAT THE BONDS ARE ISSUED. IN PARTICULAR, IT SHOULD BE NOTED THAT ANY SUCH OFFERING AND FORMAL DOCUMENTATION RELATING THERETO WILL BE SUBJECT TO CONDITIONS PRECEDENT AND TERMINATION EVENTS, INCLUDING THOSE WHICH ARE CUSTOMARY FOR SUCH AN OFFERING. ANY SUCH OFFERING WILL NOT COMPLETE UNLESS SUCH CONDITIONS PRECEDENT ARE FULFILLED AND ANY SUCH TERMINATION EVENTS HAVE NOT TAKEN PLACE OR THE FAILURE TO FULFIL SUCH A CONDITION PRECEDENT OR THE OCCURRENCE OF A TERMINATION EVENT HAS BEEN WAIVED, IF APPLICABLE. THE JOINT BOOKRUNNERS RESERVE THE RIGHT TO EXERCISE OR REFRAIN FROM EXERCISING THEIR RIGHTS IN RELATION TO THE FULFILMENT OR OTHERWISE OF ANY SUCH CONDITION PRECEDENT OR THE OCCURRENCE OF ANY TERMINATION EVENT IN SUCH MANNER AS THEY MAY DETERMINE IN THEIR ABSOLUTE DISCRETION.

NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE GUARANTOR, THE PLEDGOR OR THE JOINT BOOKRUNNERS OR ANY OF THEIR RESPECTIVE AFFILIATES THAT WOULD PERMIT AN OFFERING OF THE SECURITIES OR POSSESSION OR DISTRIBUTION OF THIS DOCUMENT OR ANY OFFERING OR PUBLICITY MATERIAL RELATING TO SUCH SECURITIES IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES ARE REQUIRED BY THE ISSUER, THE GUARANTOR, THE PLEDGOR AND THE JOINT BOOKRUNNERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THIS DOCUMENT AND THE OFFER WHEN MADE ARE ONLY ADDRESSED TO AND DIRECTED, IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHICH HAVE IMPLEMENTED THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC, AS AMENDED (THE "PROSPECTUS DIRECTIVE")) (EACH, A "RELEVANT MEMBER STATE"), AT PERSONS WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE ("QUALIFIED INVESTORS"). EACH PERSON WHO INITIALLY ACQUIRES ANY SECURITIES OR TO WHOM ANY OFFER OF SECURITIES MAY BE MADE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE.

A PROSPECTUS IS NOT REQUIRED TO BE PUBLISHED IN CONNECTION WITH THE OFFERING PURSUANT TO THE PROSPECTUS DIRECTIVE.

IN ADDITION, IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, SOPHISTICATED INVESTORS (I) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER") AND QUALIFIED INVESTORS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, AND (II) TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON (I) IN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN THE EEA (OTHER THAN THE UK) AND RELEVANT PERSONS IN THE UK AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN THE CASE OF ANY SECURITIES BEING OFFERED TO YOU AS A FINANCIAL INTERMEDIARY AS THAT TERM IS USED IN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE, YOU WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT THE SECURITIES ACQUIRED BY YOU IN THE OFFERING HAVE NOT BEEN ACQUIRED ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UK AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM YOU HAVE AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS, NOR HAVE THE SECURITIES BEEN ACQUIRED WITH A VIEW TO THEIR OFFER OR RESALE IN THE EEA WHERE THIS WOULD RESULT IN A REQUIREMENT FOR PUBLICATION BY THE ISSUER, THE GUARANTOR, THE PLEDGOR THE JOINT BOOKRUNNERS OR ANY OTHER PERSON OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

THE ISSUER, THE GUARANTOR, THE PLEDGOR AND THE JOINT BOOKRUNNERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, ACKNOWLEDGEMENTS, AND AGREEMENTS. NOTWITHSTANDING THE ABOVE, A PERSON WHO IS NOT A

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THIS DOCUMENT IS FOR INFORMATION PURPOSES ONLY. THIS IS NOT AN OFFERING CIRCULAR OR PROSPECTUS FOR THE PURPOSES OF EU DIRECTIVE 2003/71/EC AND/OR PART VI OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 OF THE UNITED KINGDOM OR OTHERWISE. NOT FOR DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA OR JAPAN OR ANY JURISDICTION IN WHICH SUCH DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW. THIS TERM SHEET DOES NOT CONSTITUTE OR FORM A PART OF ANY OFFER OR SOLICITATION TO PURCHASE OR SUBSCRIBE FOR SECURITIES IN THE UNITED STATES OF AMERICA. THE SECURITIES MENTIONED HEREIN AND THE GUARANTEE OF THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THEY MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE ISSUER, THE PLEDGOR AND THE GUARANTOR DO NOT INTEND TO REGISTER ANY PORTION OF THE PROPOSED OFFERING, THE SECURITIES MENTIONED HEREIN OR THE GUARANTEE OF THE BONDS IN THE UNITED STATES OF AMERICA OR TO CONDUCT A PUBLIC OFFERING OF SECURITIES IN THE UNITED STATES OF AMERICA.

THIS TERM SHEET COMPRISES ONLY A SUMMARY OF THE TERMS OF THE PROPOSED GUARANTEED SECURED EXCHANGEABLE BONDS (THE "BONDS"). THE INFORMATION HEREIN IS INDICATIVE ONLY. ALTHOUGH THE INDICATIVE INFORMATION HEREIN IS REFLECTIVE OF THE TERMS OF THE BONDS CONTEMPLATED AS AT THE TIME OF COMMUNICATION, THERE IS NO ASSURANCE THAT THE BONDS WILL ACTUALLY BE ISSUED. THE BONDS, IF ISSUED, WILL BE ISSUED ON THE BASIS OF THE FINAL TERMS AND CONDITIONS THAT ARE EXPECTED TO BE DELIVERED TO INVESTORS PRIOR TO OR UPON SETTLEMENT. BEFORE MAKING ANY INVESTMENT DECISION AND ENTERING INTO ANY TRANSACTION IN RELATION TO THE BONDS, YOU SHOULD TAKE STEPS TO ENSURE THAT YOU UNDERSTAND THE TRANSACTION AND HAVE MADE AN INDEPENDENT ASSESSMENT OF THE APPROPRIATENESS OF THE TRANSACTION IN THE LIGHT OF YOUR OWN OBJECTIVES. YOU SHOULD MAKE SURE THAT YOU HAVE SUFFICIENT INFORMATION AVAILABLE IN RELATION TO THE ISSUER, THE GUARANTOR, THE PLEDGOR, IBERDROLA, THE BONDS AND THE SHARES BEFORE MAKING AN INVESTMENT IN THE BONDS AND THE SHARES TO BE DELIVERED UPON EXCHANGE OF THE BONDS.

**NO OFFERING MEMORANDUM OR PROSPECTUS WILL BE PUBLISHED IN CONNECTION WITH THE OFFERING OF THE BONDS. YOUR ATTENTION IS DRAWN TO THE SECTION HEADED "REPRESENTATIONS BY INVESTORS" BELOW**

QUALIFIED INVESTOR AND WHO HAS NOTIFIED THE JOINT BOOKRUNNERS OF SUCH FACT IN WRITING MAY, WITH THE WRITTEN CONSENT OF THE JOINT BOOKRUNNERS, BE PERMITTED TO PURCHASE SECURITIES.

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THIS DOCUMENT IS BEING SUPPLIED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON DIRECTLY OR INDIRECTLY TO ANY OTHER PERSON OR PUBLISHED IN WHOLE OR IN PART FOR ANY PURPOSE. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES, CANADA, AUSTRALIA, JAPAN OR SOUTH AFRICA. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH RESTRICTIONS. BY ACCEPTING THIS DOCUMENT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR SALE OR SUBSCRIPTION OF OR SOLICITATION OF ANY OFFER TO BUY OR SUBSCRIBE FOR ANY SECURITIES NOR SHALL IT OR ANY PART OF IT FORM THE BASIS OF OR BE RELIED ON OR IN CONNECTION WITH ANY COMMITMENT WHATSOEVER. INVESTORS SHOULD NOT SUBSCRIBE FOR ANY BONDS REFERRED TO HEREIN EXCEPT ON THE BASIS OF INFORMATION CONTAINED IN THE FINAL VERSION OF THE TERMS AND CONDITIONS OF THE BONDS WHEN AVAILABLE. EACH PERSON RECEIVING THIS DOCUMENT SHOULD CONSULT HIS/HER PROFESSIONAL ADVISOR TO ASCERTAIN THE SUITABILITY OF THE BONDS AS AN INVESTMENT. NONE OF THE ISSUER, THE GUARANTOR OR JOINT BOOKRUNNERS MAKES ANY REPRESENTATION AS TO (I) THE SUITABILITY OF THE BONDS FOR ANY PARTICULAR INVESTOR, (II) THE APPROPRIATE ACCOUNTING TREATMENT AND POTENTIAL TAX CONSEQUENCES OF INVESTING IN THE BONDS OR (III) THE FUTURE PERFORMANCE OF THE BONDS EITHER IN ABSOLUTE TERMS OR RELATIVE TO COMPETING INVESTMENTS. THE JOINT BOOKRUNNERS, OR ANY OF THEIR RESPECTIVE AFFILIATES MAY FROM TIME TO TIME HAVE LONG OR SHORT POSITIONS IN, OR BUY AND SELL, BONDS, SHARES, FUTURES OR OPTIONS IDENTICAL OR RELATED TO THOSE MENTIONED HEREIN.