

10y IBERDROLA CMS FRN

This Term Sheet contains indicative terms only. All materials contained herein are for discussion purposes only. Finalised terms and conditions are subject to further discussion and negotiation. We make no representation and have given you no advice concerning the appropriate accounting treatment or possible tax consequences of this indicative transaction.

This communication is furnished at the request of the recipient for the exclusive purpose of identifying the Notes or other instrument referred to herein. It is furnished for your private information with the express understanding, which recipient acknowledges, that it does not constitute an offer of such Notes or a means by which such Notes may be offered or sold. Any written offer of such security may be made only by means of an offering document and any related supplements thereto.

The notes described herein (the "Notes") are not for sale in the U.S. or to U.S. persons and this communication may not be distributed in the U.S.

Although a Prospectus (as defined in the EU Prospectus Directive 2003/71/EC ("Prospectus Directive")) has been prepared in connection with the Notes and approved by the competent authority in Luxembourg, the Prospectus has not been notified to the competent authority of any other European Economic Area ("EEA") member state other than the Luxembourg and any purchaser of the Securities who subsequently sells any of their Securities in any such EEA member state must do so only in accordance with the requirements of the Prospectus Directive as implemented in such member state.

Investors should refer to the "Risk Factors" described in the Base Prospectus.

Description

The Notes will pay a coupon as detailed on the following page. The Notes are to be issued under the EUR 20,000,000,000 Iberdrola International B.V. and Iberdrola Finanzas, S.A.U. Euro Medium Term Note Programme pursuant to the terms and conditions of the Base Prospectus dated 4 September, 2008, related supplements thereto (the "**Base Prospectus**") and the applicable Final Terms (together, the "**Offering Documents**").

Selling Restrictions:

United States:

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the U.S. or to, or for the benefit of U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

General:

No action has or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, Notes may only be offered or sold, and no offering material may be distributed, in any country or jurisdiction except in compliance with all applicable laws and regulations.

10y IBERDROLA CMS FRN

This 10y IBERDROLA transaction pays a fixed coupon for the first 5 years at [5.00%] then a floating rate equal to 100% of the 10y CMS rate resetting annually and is again floored at [5.00%]. The transaction is not callable the coupon is capped at 10.50%

Issuer: IBERDROLA FINANZAS S.A.U.
Guarantor: Iberdrola, S.A.
Status: Senior & unsecured
Rating: A3 by Moody's & A- by S&P

Nominal Amount: EUR [TBD]. (MAX EUR100m)
Issue Date: [] June 2009
Maturity Date: [] June 2019 (10 years)
Issue Price: 100.00%
Redemption Price: 100.00%

Coupon: Y1-Y5: [5.00% per cent. per annum]
(i.e. 2.10% approx over 5yrs swaps)
Then: [10yEURSwap] floored at 5.00% and capped at 10.5%
10yEURSwap 10 year EUR swap rate - Reuters page ISDAFIX2 at around 11.00 a.m. (Frankfurt time) 2 TARGET days prior to the start of each respective coupon period.

Fallbacks for determining the Coupon where 10yEURSwap is not available will be described in the Final Terms of the Notes.

Coupon Payment Dates: Payable **annually** on 30/360 with no adjustment for coupon period end dates, subject to following business day convention.

Business Days: TARGET
Denominations: EUR 50,000
Listing: Luxembourg
Calculation Agent: Merrill Lynch International Bank
Documentation: To be documented under the Issuer's EMTN Programme.
Settlement: Euroclear/ Clearstream, Luxembourg (DVP)
Governing law: English law
Form of Notes: Bearer
TEFRA: TEFRA D