

## TERMS AND CONDITIONS OF THE BONDS

*The following (excluding italicised paragraphs) are the terms and conditions of the Bonds which will be endorsed on the Certificates relating to the Bonds:*

The issue of the €500,000,000 zero coupon guaranteed equity-linked bonds due 2022 (the “**Bonds**”) was authorised by a resolution of the board of directors of Iberdrola International B.V. (the “**Issuer**”) passed on 29 October 2015 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Iberdrola S.A. (the “**Guarantor**”) passed on 20 October 2015 and by a resolution of a shareholder meeting of the Guarantor passed on 22 June 2012. The Bonds are issued pursuant to a fiscal agency agreement dated 16 November 2015 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression shall include any successor fiscal agent under the Agency Agreement), the other paying, transfer and conversion agents for the time being (such persons, together with the Fiscal Agent, being referred to below as, the “**Paying, Transfer and Conversion Agents**”, which expression shall include any successor as Paying, Transfer and Conversion Agents under the Agency Agreement) and The Bank of New York Mellon (Luxembourg) S.A. as in its capacity as registrar (the “**Registrar**”, which expression shall include any successor registrar under the Agency Agreement) and with the benefit of a deed of covenant (the “**Deed of Covenant**”) executed and delivered by the Issuer dated 16 November 2015 in relation to the Bonds. The Guarantor has, for the benefit of the Bondholders from time to time, executed and delivered a deed of guarantee dated 16 November 2015 (the “**Deed of Guarantee**”) under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Bonds and the Deed of Covenant as and when the same shall become due and payable.

The Issuer and the Guarantor have entered into a calculation agency agreement dated 16 November 2015 (the “**Calculation Agency Agreement**”) with Conv-Ex Advisors Limited (the “**Calculation Agent**”, which expression shall include any successor as calculation agent under the Calculation Agency Agreement), whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds from time to time.

Copies of the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Calculation Agency Agreement are available for inspection during normal business hours at the specified offices for the time being of the Paying, Transfer and Conversion Agents and the Registrar.

“**Agents**” means the Fiscal Agent, any other Paying, Transfer and Conversion Agents and the Registrar.

Capitalised terms used but not defined in these terms and conditions (the “**Conditions**”) shall have the meanings attributed to them in the Agency Agreement unless the context otherwise requires or unless otherwise stated.

### 1 Form, Denomination, Title, Status and Guarantee

#### (a) *Form and Denomination*

The Bonds are issued in registered form, serially numbered, in principal amounts of €100,000 each and integral multiples thereof.

#### (b) *Title*

Title to the Bonds will pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as otherwise required by law or as ordered by a court of competent jurisdiction, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate) and no person will be liable for so treating the holder.

(c) *Status of the Bonds*

The Bonds constitute direct, unconditional, unsubordinated and (without prejudice to the provisions of Condition 2) unsecured obligations of the Issuer and rank *pari passu* and rateably, without any preference among themselves, and (subject to any applicable statutory exceptions) at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

(d) *Guarantee*

The Guarantor has irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds.

The obligations of the Guarantor in respect of the Bonds constitute direct, unconditional, unsubordinated and (without prejudice to the provisions of Condition 2) unsecured obligations of the Guarantor and (subject to any applicable statutory exceptions and unless they qualify by law as subordinated credits under Article 92 of the Spanish Insolvency Law) rank *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee referred to above.

## 2 **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Agency Agreement):

- (a) neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security Interest**”) (other than Permitted Security (as defined in Condition 3)) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of, or indemnity in respect of, any Relevant Indebtedness;
- (b) each of the Issuer and the Guarantor will procure that no other person creates or permits to subsist any Security Interest (other than Permitted Security) upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (A) any of the Issuer's Relevant Indebtedness or the Guarantor's Relevant Indebtedness, or any guarantee of or indemnity in respect of any of the Issuer's Relevant Indebtedness or the Guarantor's Relevant Indebtedness or (B) where the person in question is a Subsidiary of the Guarantor, any of the Relevant Indebtedness of any person other than (1) that Subsidiary of the Guarantor or (2) if that Subsidiary is not a Relevant Subsidiary, any other Subsidiary of the Guarantor (which is not the Issuer or a Relevant Subsidiary), or in each case any guarantee of, or indemnity in respect, of any such Relevant Indebtedness; and
- (c) each of the Issuer and the Guarantor will procure that no person other than the Guarantor gives any guarantee of, or indemnity in respect of, any of its Relevant Indebtedness,

unless, at the same time or prior thereto, the Issuer's obligations under the Bonds or, as the case may be, the Guarantor's obligations under the Guarantee (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution.

## 3 **Definitions**

In these Conditions, unless otherwise provided:

“**Additional Amounts**” has the meaning given to it in Condition 11.

“**Averaging Date**” has the meaning given to it in Condition 5(d).

“**Bondholder**” and “**holder**” means the person in whose name a Bond is registered.

“**Bond Market Price**” means, in respect of any Scheduled Trading Day, the market price per €100,000 principal amount of the Bonds, being the Bloomberg Generic Price (setting Last Price, or any successor setting) per €100,000 principal amount of the Bonds as derived from Bloomberg page: XS1321004118 Corp HP as at the close of business on such Scheduled Trading Day as determined by the Calculation Agent (or, if such Bloomberg page is not available on such day, as derived by the Calculation Agent from any substitute Bloomberg page or from any successor to Bloomberg, if any, or in any case, as derived from any other public source providing substantially similar data to such Bloomberg page as an Independent Adviser shall consider appropriate, or failing such source from such other source displaying trading prices in respect of the Bonds provided by leading institutions as an Independent Adviser shall consider appropriate).

“**business day**” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place and, if it relates to a payment in euro, on which the TARGET System is operating.

“**Calculation Period**” has the meaning given to it in Condition 5(d)(i).

“**Cash Amount**” has the meaning given to it in Condition 5(d)(i).

“**Cash Distribution**” has the meaning given to it in Condition 6(a)(ii).

“**Change in Law**” means that, as determined by the Issuer, on or after the issue of the Bonds (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a Taxing Authority), the Issuer, the Guarantor or a Hedging Counterparty determines in good faith that (X) it has become illegal to hold, acquire or dispose of Ordinary Shares, or (Y) it will incur a materially increased cost in performing its obligations under, in the case of the Issuer, the Bonds or, in the case of a Hedging Counterparty, a Hedge Position (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); provided that, where the Change in Law relates to the Hedging Counterparty, the Hedging Counterparty terminates the Hedge Position as a result of the Change in Law.

“**Change of Control**” has the meaning given to it in Condition 9(c).

“**Closing Date**” means 16 November 2015.

“**Closing Price**” means, in respect of an Ordinary Share, on any day, the closing price on such day of an Ordinary Share as published by or derived (in the case of an Ordinary Share where the Spanish Stock Exchanges constitute the Relevant Exchange in respect thereof) from Bloomberg page IBE SM Equity HP (using the setting labelled “Last Price” or any equivalent successor label to this setting) or (in the case of an Ordinary Share where the Spanish Stock Exchanges no longer constitute the Relevant Exchange in respect thereof) from the equivalent Bloomberg page and setting in respect of the Relevant Stock Exchange for such Ordinary Shares, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Adviser on such day; provided that, if on any such day such price is not available or cannot otherwise be determined as provided above, the Closing Price an Ordinary Share in respect of such day shall be the Closing Price, determined as provided above, on the immediately preceding day on which the same can be so determined as aforesaid or, if such price cannot be so determined, as determined in good faith by an Independent Adviser.

“**Conversion Date**” has the meaning provided in Condition 5(b).

“**Conversion Notice**” has the meaning given to it in Condition 5(b).

“**Conversion Period**” has the meaning given to it in Condition 5(a)(ii).

“**Conversion Premium**” means 35 per cent.

“**Conversion Price**” per Ordinary Share is initially equal to the Share Reference Price multiplied by (one plus the Conversion Premium) (rounded to four decimal places, with 0.00005 being rounded upwards). The Conversion Price will be adjusted from time to time in accordance with these Conditions.

“**Conversion Ratio**” means, on any day, the result (rounded to five decimal places with 0.000005 being rounded upwards) of the division of each €100,000 principal amount of the Bonds by the prevailing Conversion Price on such day.

“**Conversion Right**” has the meaning given to it in Condition 5(a)(i).

“**Daily Cash Amount**”, or “**DCA**”, has the meaning given to it in Condition 5(d)(i).

“**Delisting**” means that, as determined by the Calculation Agent, the Relevant Stock Exchange announces that pursuant to the rules of such Relevant Stock Exchange, the Ordinary Shares cease (or will cease) to be listed, traded or publicly quoted on the Relevant Stock Exchange for any reason (other than by reason of a Merger or Take-Over Bid (as referred to in the MEFF Adjustments to Contracts Specifications) and are not immediately re-listed, re-traded or re-quoted on a stock exchange or securities market located in the United States, Hong Kong, Singapore or any member state of the European Union).

“**Disrupted Day**” has the meaning given to it in Condition 7.

“**Dividend**” has the meaning given to it in Condition 6(a)(ii).

“**Dividend Threshold**” has the meaning given to it in Condition 6(a)(ii).

“**Early Redemption Amount**” means, in respect of each €100,000 principal amount of the Bonds, the higher of (i) €100,000; and (ii) the fair value per Bond of such principal amount on the Relevant Announcement Date as determined by an Independent Adviser in good faith taking into account, *inter alia*, the Bond Market Price on the Relevant Announcement Date, the Share Price on the Relevant Announcement Date, the yield to maturity of the senior unsecured bonds of the Issuer and/or the Guarantor (including senior unsecured bonds of any subsidiary of the Guarantor which are guaranteed by the Guarantor) with a similar final maturity date to the Bonds, and any other market parameter the Independent Adviser deems in good faith to be relevant for the valuation of the Bonds on the Relevant Announcement Date.

“**Early Redemption Date**” means the 20<sup>th</sup> Madrid business day following the Relevant Announcement Date.

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

“**Event of Default**” has the meaning given to it in Condition 12.

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

“**Fair Market Value**” means, with respect to any property on any date:

- (i) in the case of a Cash Distribution, the amount of such Cash Distribution;
- (ii) in the case of any other cash amount, the amount of such cash;
- (iii) in the case of Securities (including Ordinary Shares), Spin-Off Securities, options, warrants or other rights or assets that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined by the Calculation Agent or an Independent Adviser), the arithmetic mean of the daily Volume Weighted Average Prices of such Securities (including Ordinary Shares), Spin-Off Securities,

options, warrants or other rights or assets during the period of five Scheduled Trading Days on the Relevant Stock Exchange for such Securities, Spin-Off Securities, options, warrants or other rights or assets commencing on such date (or, if later, the first such Scheduled Trading Day such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded;

- (iv) in the case of Securities (including Ordinary Shares), Spin-Off Securities, options, warrants or other rights or assets that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), the fair market value of such Securities, Spin-Off Securities, options, warrants or other rights or assets as determined by an Independent Adviser on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights or assets, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall (A) in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange (if any) used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Distribution in the Relevant Currency; and (B) in any other case, be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“**Final Maturity Date**” means 11 November 2022.

“**Fitch**” Fitch Ratings Limited.

“**Guarantee**” has the meaning given to it in Condition 1(d).

“**Hedge Position**” means a transaction or asset the Issuer or the Guarantor (or any of the Guarantor’s other Subsidiaries) deems appropriate to hedge the equity price risk of entering into and performing the Issuer’s obligations with respect to the Bonds or with respect to an option contract under which the Issuer, the Guarantor or such other person hedges its (or the Issuer’s) equity price risk relating to the Bonds.

“**Hedging Counterparty**” means a counterparty to a Hedge Position.

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

“**MEFF**” means Mercado Oficial Español de Opciones y Futuros Financieros, or its successor as determined by the Calculation Agent.

“**MEFF Adjustments to Contracts Specifications**” means the “*Adjustments to Contracts Specifications*” (*Ajustes a las características del contrato*) applicable to stock options, as set out in MEFF’s General Conditions applicable to the Underlying Financial Assets Contract Group (*Condiciones Generales aplicables al Grupo de Contratos de Activos Subyacentes de carácter financiero*), and in effect at the relevant time of adjustment.

“**Moody’s**” Moody’s Investors Service Limited.

“**Nationalisation**” means that, as determined by an Independent Adviser, all the Ordinary Shares or all or substantially all the assets of the Guarantor are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

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

“**Optional Redemption Date**” has the meaning given to it in Condition 9(b).

“**Optional Redemption Notice**” has the meaning given to it in Condition 9(b).

“**Ordinary Shares**” means ordinary shares in the capital of the Guarantor with, on the Closing Date, a nominal value of €0.75 each.

“**Permitted Security**” means any Security Interest created in respect of any Relevant Indebtedness of a company which has merged with the Guarantor or one of its Subsidiaries or which has been acquired by the Guarantor 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.

a “**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 a separate legal personality.

“**Put Period**” has the meaning given to it in Condition 9(c).

“**Prevailing Rate**” means:

- (i) in respect of any pair of currencies (of which neither is the euro) on any calendar day, the spot rate of exchange between the relevant currencies prevailing as at 12 noon (Madrid time) on that date as appearing on or derived from the Relevant Page, as determined by the Calculation Agent; or
- (ii) in respect of any pair of currencies of which one is euro and any other currency on any day, the final spot rate of exchange as published by the European Central Bank for such pair of currencies in respect of that day as appearing on or derived from the Relevant Page, as determined by the Calculation Agent.

If such a rate cannot be determined at such time as aforesaid, the Prevailing Rate shall be determined *mutatis mutandis* but with respect to the immediately preceding day on which such rate can be so determined all as determined by the Calculation Agent, or if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser shall consider in good faith appropriate.

“**Relevant Announcement Date**” means (i) in respect of an early redemption of the Bonds pursuant to Condition 9(d) the date of announcement of a termination of any option contract in respect of the Ordinary Shares traded on MEFF, (ii) in respect of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (iii) in respect of a Change in Law, the day on which the Issuer determines that a Change in Law has occurred and (iv) in the case of a Delisting, the date of the first public announcement by the Relevant Stock Exchange that the Ordinary Shares will cease to be listed, traded or publicly quoted, whichever is earlier.

“**Relevant Conversion Ratio**” means, in respect of any day, the result (rounded to five decimal places with 0.000005 being rounded upwards) of the division of the aggregate principal amount of Bonds in respect of which the relevant Bondholder shall have exercised Conversion Rights by the Conversion Price prevailing on such day.

“**Relevant Currency**” means euro or, if at the relevant time or for the purposes of the relevant calculation or determination, the euro is no longer the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

“**Relevant Date**” means, in respect of any Bond, the date on which payment in respect thereof first becomes due or if any amount of the money payable is improperly withheld (or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Bondholders in accordance with Condition 17 that, upon further surrender of the Certificate representing such Bond being

made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

**“Relevant Indebtedness”** means any present or future indebtedness for borrowed money of the Guarantor, the Issuer or any other person or entity in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed or ordinarily dealt in if the terms of the issue thereof expressly so provide).

**“Relevant Page”** means the relevant page on Bloomberg or Reuters or such other information service provider that for the time being displays the relevant information.

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

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

**“Relevant Subsidiary”** means a Subsidiary of the Guarantor which is incorporated in a country whose sovereign debt is rated A or more by S&P (or any equivalent rating) and whose total assets or revenues or EBITDA (consolidated if it has subsidiaries) represent 7 per cent. or more of the consolidated total assets, revenues or EBITDA of the Guarantor and its Subsidiaries for the time being; with **“EBITDA”** for these purposes being the aggregate of (a) “profits from operations” (after adding back “depreciation and amortisation charge, allowances and provisions”) and (b) “results of companies accounted for using the equity method”.

**“Scheduled Trading Day”** means any day on which the Relevant Stock Exchange and MEFF are both scheduled to be open for trading for their respective regular trading sessions.

**“Securities”** or **“Security”** means any securities including, without limitation, shares in the capital of the Guarantor, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Guarantor.

**“Security Interest”** has the meaning given to it in Condition 2.

**“Settlement Date”** means, in respect of a Conversion Date, the second Madrid business day following the last Averaging Date relating to such Conversion Date.

**“Share Price”** means the Volume-Weighted Average Price of an Ordinary Share on the relevant Scheduled Trading Day.

**“Share Reference Price”** means the simple arithmetic average of the daily Share Prices on each of the 10 days which are Scheduled Trading Days but which are not Disrupted Days commencing on and including 9 November 2015, as determined by the Calculation Agent and notified by the Issuer to the Bondholders as soon as practicable (and in any event within five Madrid business days) following determination in accordance with Condition 17 (such notice specifying the Share Reference Price and the resulting Conversion Price).

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

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

“**Spin-Off**” has the meaning provided in condition 6(a)(ii).

“**Spin-Off Securities**” has the meaning provided in condition 6(a)(ii).

“**S&P**” means Standard & Poor's Credit Market Services Europe Limited.

“**Subsidiary**” means, at any particular time, any company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the first person and/or one or more of its subsidiaries. For a company to be “controlled” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

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

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

“**Tax Redemption Date**” has the meaning given to it in Condition 9(b)(ii).

“**Tax Redemption Notice**” has the meaning given to it in Condition 9(b)(ii).

“**Taxing Authority**” has the meaning given to it in Condition 11.

“**Volume Weighted Average Price**” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, option, warrant or other right or asset on any Scheduled Trading Day, the order book volume-weighted average price on such Scheduled Trading Day of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, option, warrant or other right or asset as published by or derived (in the case of an Ordinary Share where the Spanish Stock Exchange constitute the Relevant Exchange in respect thereof) from Bloomberg page IBE SM Equity HP (using the setting labelled “Weighted Average” or its successor “Weighted Average Line” or any equivalent successor label to this setting) or (in the case of a Security (other than Ordinary Shares where the Spanish Stock Exchanges constitute the Relevant Exchange in respect thereof) or, as the case may be, Spin-Off Security, option, warrant or other right or asset) from the equivalent Bloomberg page and setting in respect of the Relevant Stock Exchange for such Securities or, as the case may be, Spin-Off Securities, option, warrant or other right or asset, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Adviser on such Scheduled Trading Day, provided that if on any such Scheduled Trading Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, option, warrant or other right or asset, in respect of such Scheduled Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Scheduled Trading Day on which the same can be so determined as aforesaid or, if such price cannot be so determined, as determined in good faith by an Independent Adviser.

“**€**” and “**euro**” means the currency introduced at the start of the third stage of the European economic and monetary union, pursuant to the Treaty establishing the European Community.

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

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

References to any issue or offer or grant to Shareholders “**as a class**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders to whom, by reason of

the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

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

For the purposes of Conditions 6(a)(ii) and Condition 13 only, (a) references to the “**issue**” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries shall not be considered as or treated as “**in issue**”.

#### 4 Interest

The Bonds do not bear interest.

#### 5 Conversion of Bonds

(a) *Conversion Period and Conversion Price*

(i) The Issuer grants to each Bondholder the right (the “**Conversion Right**”) exercisable at any time during any Conversion Period to require the Bond(s) held by it to be purchased in accordance with the provisions of Condition 5(c).

(ii) “**Conversion Period**” means each of:

- (A) the period from and including 12 July 2022 to and including the Scheduled Trading Day immediately preceding the 28<sup>th</sup> Scheduled Trading Day before the Final Maturity Date; or
- (B) any of the following periods occurring after 31 December 2015 and prior to the Final Maturity Date:
  - (I) if the Issuer declares the Bonds due for early redemption pursuant to Condition 9(b), (in respect of Bonds to be redeemed pursuant to Condition 9(b)(i)) the period from and including the date on which the Optional Redemption Notice is published up to and including the eighth Scheduled Trading Day preceding the Optional Redemption Date or (in respect of Bonds to be redeemed pursuant to Condition 9(b)(ii)) the period from and including the date on which the Tax Redemption Notice is given up to and including the eighth Scheduled Trading Day preceding the Tax Redemption Date;
  - (II) if the Guarantor makes a distribution to Shareholders of cash, assets, Securities or other property where the Fair Market Value of such distribution per Ordinary Share is greater than 20 per cent. of the arithmetic mean of the Share Price on each Scheduled Trading Day in the 20 Scheduled Trading Day period ending on (and including) the Scheduled Trading Day immediately preceding the date on which such distribution was first publicly announced by the Guarantor, the period from and including the date of first public announcement of such distribution to but excluding the Ex-Date in respect of such distribution;
  - (III) if a Put Event occurs, the Put Period;

- (IV) if any Event of Default occurs, the period from and including the date on which such Event of Default occurs to but excluding the date (if any) which the relevant Bonds are declared due and payable pursuant to Condition 12 or, if earlier, the date the relevant Event of Default ceases to be continuing;
- (V) if the Bonds are to be redeemed pursuant to Conditions 8 or 9(d), the period from and including the Relevant Announcement Date up to and including the eighth Scheduled Trading Day preceding the Early Redemption Date;
- (VI) if a Parity Event occurs, the period of 10 consecutive Scheduled Trading Days commencing on and including the first Scheduled Trading Day following the last day of the relevant Reference Period; provided that, if for any period of 10 consecutive Scheduled Trading Days as aforesaid no such price is available from the relevant Bloomberg page or such other source referred to in the definition of Bond Market Price (a “**Bond Price Unavailability Period**”), then an Independent Adviser shall, not later than the Bond Price Determination Date, determine in good faith the market price per €100,000 principal amount of the Bonds as at the Bond Price Determination Date and if, as at the Bond Price Determination Date, the price per €100,000 principal amount of the Bonds, as determined by an Independent Adviser, is less than the Adjusted Parity Value, then Bondholders will be entitled to exercise Conversion Rights during a period of 30 Scheduled Trading Days following the later of the Bond Price Determination Date and the giving of notice by the Issuer to Bondholders as provided below.

Neither the Issuer nor the Calculation Agent shall be under any duty to monitor whether a Parity Event has occurred and neither the Issuer nor Calculation Agent will be responsible or liable to any person for any loss arising from any failure by it to do so.

In these Conditions:

“**Adjusted Parity Value**” means, in respect of any Scheduled Trading Day, 98 per cent. of the Parity Value in effect on each such Scheduled Trading Day;

“**Bond Price Determination Date**” means the fifth Scheduled Trading Day following the end of any Bond Price Unavailability Period;

A “**Parity Event**” shall occur in relation to each Reference Period during which on each Scheduled Trading Day of such Reference Period the Bond Market Price per €100,000 principal amount of the Bonds on such Scheduled Trading Day, as determined by the Calculation Agent, is less than the Adjusted Parity Value in effect on each such Scheduled Trading Day;

“**Parity Value**” means, in respect of any Scheduled Trading Day, the product of the Share Price on such Scheduled Trading Day and the Conversion Ratio on such Scheduled Trading Day; and

“**Reference Period**” means each period of 10 consecutive Scheduled Trading Days.

The Issuer shall as soon as reasonably practicable following such determination give notice to Bondholders of any determination provided to the Issuer by the Calculation Agent, or, as the case may be, an Independent Adviser, as provided in Condition 5(a)(ii)(B)(VII). Such notice shall specify the market price per €100,000 principal amount of the Bonds, as determined by the Calculation Agent, or, as the case may be, an Independent Adviser, as at the relevant Bond Price Determination Date and the Adjusted Parity Value as at the relevant Bond Price Determination Date. The Issuer

shall as soon as reasonably practicable, and in any event within five Madrid business days of the relevant event, give notice to Bondholders if an event described in Conditions 5(a)(ii)(B)(II) or 5(a)(ii)(B)(IV) has occurred.

*(iii)* Conversion Rights may not be exercised in respect of a Bond in relation to which the relevant Bondholder has (A) given notice referred to in Condition 12 or (B) exercised its right to require the Issuer to redeem pursuant to Condition 9(c).

*(b) Procedure for Exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the Certificate representing the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

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

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be the Madrid business day immediately following the date of the delivery of the relevant Certificate and the Conversion Notice as provided in this Condition 5(b).

Neither the Issuer nor the Guarantor shall be responsible for determining whether any stamp or transfer taxes and duties are payable or the amount thereof and shall not be responsible or liable for any failure to pay such stamp or transfer taxes and duties.

A Bondholder must pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

*(c) Purchase of the converted Bond(s) by the Issuer*

Upon the valid exercise of Conversion Rights by a Bondholder, the Issuer (failing which the Guarantor) will purchase the relevant Bond(s) at the Cash Amount calculated in accordance with Condition 5(d).

All Bonds purchased by or on behalf of the Issuer may be surrendered and cancelled or, at the Issuer’s option, may be held, resold or reissued.

*(d) Cash Amount*

*(i)* Upon any exercise of Conversion Rights with respect to one or more Bonds, the Issuer (failing which the Guarantor) shall pay, as consideration for purchasing the Bonds, the Cash Amount to

the converting Bondholder on the relevant Settlement Date, subject to the provisions of Conditions 5(d)(ii).

In these Conditions:

“**Averaging Date**” means, subject to an adjustment for Disrupted Days pursuant to Condition 7, each Scheduled Trading Day within the Calculation Period;

“**Calculation Period**” means the period of 20 consecutive Scheduled Trading Days commencing on the sixth Scheduled Trading Day immediately following the relevant Conversion Date, and

“**Cash Amount**” means, the sum (rounded to two decimal places with €0.005 being rounded upwards) of the Daily Cash Amounts, where “**Daily Cash Amount**” or “**DCA**” means an amount in euro calculated by the Calculation Agent in accordance with the following formula:

$$DCA = \frac{1}{N} \times RCR_n \times P_n$$

Where:

N = 20;

P<sub>n</sub> = the Share Price on the nth Averaging Date; and

RCR<sub>n</sub> = the Relevant Conversion Ratio prevailing on the nth Averaging Date.

(ii) If following the valid exercise by a Bondholder of its Conversion Right and prior to the relevant Settlement Date an event occurs as a result of which the relevant Bonds would otherwise fall to be redeemed in accordance with Condition 8 or 9(d) had the Bondholder not exercised its Conversion Right in respect of them, the Issuer shall pay, as consideration for purchasing the Bonds, the Early Redemption Amount (and not the Cash Amount) on the Early Redemption Date.

(e) *Purchase or Redemption of Ordinary Shares*

The Guarantor or any Subsidiary of the Guarantor (including the Issuer), may exercise such rights as it may from time to time enjoy to purchase, hold, redeem or buy back any shares of the Guarantor (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of any Bondholder.

(f) *No Duty to Monitor*

Neither the Calculation Agent nor the Fiscal Agent nor any Paying, Transfer and Conversion Agent shall be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price.

## 6 Adjustment of Conversion Price

(a) The Calculation Agent shall adjust the Conversion Price as follows:

(i) *MEFF Adjustments to Contracts Specifications*

(x) If options contracts in respect of the Ordinary Shares are traded on MEFF and MEFF adjusts such options contracts in light of any corporate actions and/or capital adjustments, the Calculation Agent shall, to the extent required and with effect as of the same date, adjust the Conversion Price to reflect the adjustments effected by MEFF (if any) by multiplying the relevant Conversion Price by the adjustment factor (referred to as the “ratio” (or any successor

terminology) in MEFF notices in respect of any adjustment to the exercise prices of option contracts in respect of shares) as determined and published by MEFF (and rounding if necessary the resulting Conversion Price in accordance with Condition 6(c)); provided that, in relation to Cash Distributions and Non Cash Distributions only, the Calculation Agent shall make the adjustments as set out in Condition 6(a)(ii) instead of any corresponding or other adjustment under the MEFF Adjustments to Contracts Specifications.

(y) If no options contracts in respect of the Ordinary Shares are traded on MEFF, (i) (in the case of an Adjustment Event pursuant to Sections 5.7.1, 5.7.2, 5.7.4, 5.7.5 or 5.7.7 of the MEFF Adjustments to Contracts Specifications and where the Calculation Agent determines in its sole discretion that it is capable of performing such adjustments in accordance therewith in its capacity as Calculation Agent), the Calculation Agent or, (ii), in any other case, an Independent Adviser, shall make the necessary adjustments in light of any corporate actions and/or capital adjustments (other than in relation to the distribution by the Guarantor to its shareholders of a Cash Distribution or a Non Cash Distribution, in respect of which the Calculation Agent shall make the adjustments as set out in Condition 6(a)(ii)) in analogous application of the relevant MEFF Adjustments to Contracts Specifications.

(ii) *Distributions/Dividends*

(A) If, prior to the Final Maturity Date (1) an Ex-Date in respect of any Cash Distribution (a “**Relevant Cash Distribution**”) falls in a Relevant Period or (2) no Ex-Date in respect of a Cash Distribution falls in a Relevant Period, the Calculation Agent shall calculate the adjustment to the Conversion Price in accordance with the following formula (instead of any corresponding or other adjustment under the MEFF Adjustments to Contracts Specifications):

$$X_n = X_o \times R$$

Where:

- $X_n$  = the adjusted Conversion Price;
- $X_o$  = the Conversion Price on the Relevant Record Date;
- $R$  =  $(S_{prev} - D) / (S_{prev} - T)$ ;
- $S_{prev}$  = the Closing Price of an Ordinary Share on the Relevant Record Date;
- $D$  = (in the case of (1) above) the Fair Market Value of the Relevant Cash Distribution on a per Ordinary Share basis and (in the case of (2) above) zero; and
- $T$  = the Dividend Threshold.

For the avoidance of doubt, if no Ex-Date falls in a Relevant Period or the Fair Market Value of the Relevant Cash Distribution is less than the relevant Dividend Threshold, the Conversion Price will be adjusted upwards. If the Fair Market Value of any such Relevant Cash Distribution exceeds the Dividend Threshold, the Conversion Price will be adjusted downwards.

(B) If an Ex-Date in respect of a Non Cash Distribution (a “**Relevant Non Cash Distribution**”) falls in a Relevant Period prior to the Final Maturity Date, the Calculation Agent shall calculate the adjustment to the Conversion Price in accordance with the following formula (instead of any corresponding or other adjustment under the MEFF Adjustments to Contracts Specifications):

$$X_n = X_o \times R$$

Where:

- $X_n$  = the adjusted Conversion Price;
- $X_o$  = the Conversion Price on the Relevant Record Date;
- $R$  =  $(S_{\text{prev}} - D) / (S_{\text{prev}})$ ;
- $S_{\text{prev}}$  = the Closing Price of an Ordinary Share on the Relevant Record Date; and
- $D$  = the Fair Market Value of the Relevant Non Cash Distribution on a per Ordinary Share basis.

(C) Any adjustment to the Conversion Price pursuant to Condition 6(a)(ii) shall take effect on the Relevant Adjustment Date.

For the purposes of this Condition 6(a)(ii), Fair Market Value shall (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the Relevant Adjustment Date.

In making any calculations for the purposes of this Condition 6(a)(ii), such adjustments (if any) shall be made as the Calculation Agent may determine in good faith to be appropriate to reflect any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the Relevant Period (as defined below) in question.

(D) Definitions:

“**Cash Distribution**” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “**Spin-Off**” and (ii) any Dividend determined to be a Cash Distribution pursuant to paragraph (a) or (c) of the definition of “**Dividend**”.

“**Dividend**” means any distribution or dividend to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves); *provided that*:

(a) where:

- (1) an issue of Ordinary Shares to Shareholders by way of a capitalisation of profits or reserves (including any share premium account or capital redemption reserve) is announced and where Shareholders have the option to transfer, sell or renounce all or a portion of their entitlement to receive Ordinary Shares to the Guarantor for a payment of cash by the Guarantor pursuant to a purchase commitment assumed by the Guarantor, then the capitalisation in question shall be treated as a Cash Distribution of an amount equal to the Fair Market Value of such cash amount; or
- (2) a dividend in cash is announced which may at the election of a Shareholder or Shareholders be satisfied by the issue or delivery of Ordinary Shares or other

property or assets, or where an issue of Ordinary Shares to Shareholders by way of a capitalisation of profits or reserves (including any share premium account or capital redemption reserve) is announced which may at the election of a Shareholder or Shareholders be satisfied by the payment of cash (other than a capitalisation falling within (1) above), then the dividend or capitalisation in question shall be treated as a Cash Distribution of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Volume Weighted Average Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in any such case as at the first date on which the Ordinary Shares are traded ex- the relevant dividend or capitalisation on the Relevant Stock Exchange, save that where a dividend in cash is announced which may at the election of a Shareholder or Shareholders be satisfied by the issue or delivery of Ordinary Shares where the number of Ordinary Shares to be issued or delivered is to be determined at a date or during a period following such announcement and is to be determined by reference to a publicly available formula based on the closing price or volume weighted average price or any like or similar pricing benchmark of the Ordinary Shares, without factoring in any discount to such price or benchmark, then such dividend shall be treated as a Cash Distribution in an amount equal to the Fair Market Value of such cash amount on such date as such cash amount is determined as aforesaid; or

- (3) there shall be any issue of Ordinary Shares to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a dividend (whether or not a cash distribution equivalent or amount is announced) or a dividend in cash that is to be satisfied by the issue or delivery of Ordinary Shares or other property or assets (other than in any such case falling within (1) or (2) above), the capitalisation or dividend in question shall be treated as a Cash Distribution of an amount equal to the Volume Weighted Average Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets as at the first date on which the Ordinary Shares are traded ex- the relevant capitalisation or, as the case may be, ex- the relevant dividend on the Relevant Stock Exchange or, if later, the Dividend Determination Date, save that where a dividend in cash is announced which is to be satisfied by the issue or delivery of Ordinary Shares where the number of Ordinary Shares to be issued or delivered is to be determined during a period following such announcement and is to be determined by reference to a publicly available formula based on the closing price or volume weighted average price or any like or similar pricing benchmark of the Ordinary Shares, without factoring in any discount to such price or benchmark, then such dividend shall be treated as a Cash Distribution in an amount equal to the Fair Market Value of such cash amount on such date as such cash amount is determined as aforesaid;
- (b) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Guarantor for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than (or in addition to) the Guarantor, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Guarantor, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly;

- (c) where a distribution in cash is declared which provides for payment by the Guarantor to Shareholders in the Relevant Currency, whether at the option of Shareholders or otherwise, it shall be treated as a Cash Distribution in the amount of such Relevant Currency and in any other case it shall be treated as a Cash Distribution in the amount and in the currency in which it is payable by the Guarantor;
- (d) a dividend or distribution that is a Spin-Off shall be deemed to be a Non Cash Distribution, and

any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“**Dividend Determination Date**” means for the purposes of the definition of “Dividend” the date on which the number of Ordinary Shares or, as the case may be, amount of other property or assets, which may be issued or delivered is, or is capable of being, determined, and where determined by reference to prices or values or the like on or during a particular day or during a particular period, the Dividend Determination Date shall be deemed to be such day or the last day of such period, as the case may be.

“**Dividend Threshold**” means in respect of any Relevant Period, the amount per Ordinary Share corresponding to such Relevant Period as set out below (adjusted *pro rata* for any adjustments to the Conversion Price made pursuant to the provisions of this Condition 6 (including this Condition 6(a)(ii)). Notwithstanding the foregoing, (a) if no Ex-Date has occurred in a Relevant Period, for the purposes of the Relevant Adjustment Date falling on the first Scheduled Trading Day of the following Relevant Period, the Dividend Threshold shall be deemed to be the Dividend Threshold in respect of such Relevant Period in which no Ex-Date occurred, and (b) if more than one Ex-Date occurs in a Relevant Period, the Dividend Threshold set out in the table below shall apply to the first such Ex-Date to occur and the Dividend Threshold in respect of any subsequent Ex-Date occurring in such Relevant Period shall be zero.

<b>Relevant Period</b>	<b>Dividend Threshold (€)</b>
From (and including) 16 November 2015, but on or before 12 May 2016	0.125
Thereafter, but on or before 14 November 2016	0.145
Thereafter, but on or before 12 May 2017	0.125
Thereafter, but on or before 13 November 2017	0.145
Thereafter, but on or before 14 May 2018	0.125
Thereafter, but on or before 12 November 2018	0.145
Thereafter, but on or before 13 May 2019	0.125
Thereafter, but on or before 12 November 2019	0.145
Thereafter, but on or before 12 May 2020	0.125
Thereafter, but on or before 12 November 2020	0.145
Thereafter, but on or before 12 May 2021	0.125

Thereafter, but on or before 12 November 2021	0.145
Thereafter, but on or before 12 May 2022	0.125
Thereafter, but on or before, 11 November 2022	0.145

“**Ex-Date**” means the first Scheduled Trading Day on which the Ordinary Shares are traded on the relevant Cash Distribution or Non Cash Distribution, as the case may be, on the Relevant Stock Exchange.

“**Non Cash Distribution**” means a Dividend which is not a Cash Distribution and shall include a Spin-Off.

“**Relevant Adjustment Date**” means, (i) where the Guarantor pays or makes a Cash Distribution that results in an adjustment to the Conversion Price pursuant to Condition 6(a)(ii), the Ex-Date in respect of the Relevant Cash Distribution or, in case no Ex-Date falls in a Relevant Period, the first Scheduled Trading Day following the end of such Relevant Period and (ii) where the Guarantor makes a Non Cash Distribution that results in an adjustment to the Conversion Price pursuant to Condition 6(a)(ii), the Ex-Date in respect of the Relevant Non Cash Distribution.

“**Relevant Period**” means each successive period referred to in the table set out above.

“**Relevant Record Date**” means the Scheduled Trading Day which immediately precedes the Relevant Adjustment Date.

“**Spin-Off**” means:

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

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

(b) Other adjustments of options contracts (summary only)

*As at the Closing Date, the MEFF Adjustments to Contracts Specifications provide for adjustments of options contracts in respect of shares, including the Ordinary Shares, which would likely be applied by MEFF in determining adjustments to the options contracts related to the Ordinary Shares and in particular in calculating the adjustment factor (as determined by MEFF, or, pursuant to Condition 6(a)(i)(y), the Calculation Agent, or, as the case may be, an Independent Adviser) to be used by the Calculation Agent when determining adjustments of the Conversion Price, if any, pursuant to Condition 6(a) of these Conditions as set out above. The MEFF Adjustments to Contracts Specifications are subject to change from time to time. Further, MEFF may call upon MEFF’s Commission for Supervision & Surveillance when a corporate action takes place, even if such action is included in the below detailed events, when the nature of the corporate action may require an adjustment different from the one exposed in the MEFF Adjustments to Contracts Specifications. In these cases, the adjustment made due to the corporate action will be decided by MEFF’s Commission for Supervision & Surveillance. Neither the Issuer, the Guarantor nor the Calculation Agent is responsible for informing Bondholders of any change at any time to the MEFF Adjustments to*

*Contracts Specifications. This Condition 6(b) and the below summary are for information purposes only and have been prepared in order to provide Bondholders with summary information of potential adjustments following the occurrence of the specified Adjustment Events and such adjustments are subject to change. In the case of any discrepancy between this description and the MEFF Adjustments to Contracts Specifications or actual option contract adjustments made by MEFF, the MEFF Adjustments to Contracts Specifications or the actual option contract adjustments made by MEFF as applicable shall prevail.*

*(i) Adjustment Events and consequences:*

*For the purposes of this Condition 6(b), “Adjustment Event” means any of the following events occurring prior to the Settlement Date:*

*“5.7.1 Capital increase by bonus share issue with same dividend rights*

*- The number of shares represented by one Contract shall be multiplied by the ratio of Shares after/shares before”.*

*- The Exercise Price shall be multiplied by the inverse ratio, i.e., Shares before/shares after”.*

*5.7.2. Fully paid scrip issue with different dividend terms, or partially paid scrip issue, or capital increase issued at a premium, in which there is subscription right or Share Repurchase Program which creates a right with positive value for the shareholders.*

*a) Once the price of the subscription right has been calculated on the basis of the closing price of the Underlying Asset on the working day prior to the “adjustment date” and the issue conditions (payment, ratio and dividend terms), each Exercise Price shall be adjusted as follows:*

$$nEP = oEP \times (1 - (TVR / CP))$$

*Where:*

*nEP = New Exercise Price.*

*oEP = Old Exercise Price*

*TVR = Theoretical Value of the subscription right*

*CP = Closing Price of Underlying Asset the day prior to the adjustment*

*b) In addition, the number of shares representative of each contract shall be adjusted to maintain the nominal value of the positions before and after the adjustment, in order to carry out as far as practicable the following equation:*

$$oEP * NSBA = nEP * NSAA$$

*Where:*

*NSBA = Number of shares per contract before the adjustment*

*NSAA = Number of shares per contract after the adjustment.*

*And using the equation in section a) above, it can be deduced that:*

$$NSAA = NSBA / K$$

*Where:*

$$K = 1 - TVR / CP$$

*5.7.4 Split of shares*

- Positions in contracts are multiplied by the ratio of “shares after / shares before”.
- The Exercise Price shall be multiplied by the ratio of “shares before / shares after”.

#### 5.7.5. Consolidation of shares

The number of shares and the Exercise Price shall be adjusted in the same way as in section 5.7.1.

#### 5.7.7 Mergers

When the shares of the surviving company are “listed shares”, the original underlying shares shall be replaced by the shares offered. For this purpose, “listed shares” are those on which there are, or there can be, listed contracts on MEFF before the merger takes effect.

Exercise Prices and the size of the Contract shall be adjusted as follows:

- Exercise Prices shall be multiplied by the Ratio:

$X/Y$

Where X, Y:

“Y” is the number of shares of the surviving company offered for every “X” shares of the original underlying company.

- The number of shares per Contract shall be multiplied by the inverse Ratio.

#### 5.7.8 Take-over Bids

##### 5.7.8.1 Analysis prior to the adjustment decision

The mere launch of a take-over bid does not warrant an automatic adjustment procedure. Rather, its application will depend on when the Commission for Supervision and Surveillance (hereinafter “CSS”) considers that the protection of the market participants requires the adjustment.

Once the Bid Prospectus is published, the CSS shall determine which result shall be needed to cause an adjustment to the contracts. The CSS decision shall be published as soon as possible.

The analysis shall be made based, among other factors, on the following:

- a) The various scenarios of capitalisation and free float of the target company after the Bid, compared to other companies in the IBEX 35 index.
- b) The number of shares freely floating in relation with the open interest of BME CLEARING relevant contracts and an estimate of relevant OTC positions, under various scenarios.
- c) The intention of the bidder about excluding the target company from Stock Exchange listing.

In the event that, once the decision taken by CSS is published, there are new relevant developments (for instance, a competing Bid) which, in the CSS opinion, modify the circumstances; the CSS may revise its decision.

##### 5.7.8.2 Adjustment Methods

In case, once the Bid result is public, the result is such that the Contracts adjustment is required, according to the criteria determined and made public by the CSS, one of the following methods shall be applied, depending on the type of Bid:

*a) Cash settlement at fair value*

*The Contracts shall be early settled at fair value, according to the valuation criteria established in Appendix 1, which can be modified in line with generally accepted valuation criteria.*

In this case, the Bonds (in line with any related options contract traded at MEFF) would be settled in cash in accordance with Condition 9(d) below.

*b) Ratio Method*

*The Contracts original underlying shares shall be substituted by the shares offered, according to the conditions of the Bid, adjusting the specifications of the Contracts using the Ratio as established in Appendix 2.*

*5.7.8.3 Types of Take-Over Bids*

*To this effect, “listed shares” are those on which there are, or there can be, listed contracts on MEFF before the end of the Bid process. Any other type of shares shall not be considered as “listed shares” but as “other assets or rights”.*

*a) Take-Over Bids in Cash*

*When the Bid is entirely in cash or other assets or rights, and an adjustment is deemed necessary, the adjustment shall mean the early expiration of the Contracts and the corresponding cash settlement at fair value (Cash settlement at fair value method).*

*b) Take-Over Bids in Equity*

*When the Take-Over Bid is entirely in listed shares, the Ratio Method shall be used.*

*c) Take-Over Bids in a mixture of Cash and Equity*

*When the Take-Over Bid is in a combination of listed shares and cash, or other assets or rights, and the equity component is equal or greater than 1/3 of the total value of the Take-Over Bid, the Contracts shall be adjusted applying the Ratio Method.*

*However, if the cash and/or other assets or rights component is more than 2/3 of the total value of the Take-Over Bid, the Take-Over Bid shall be treated as a Take-Over Bid in cash.*

*5.7.10 Unforeseen cases*

*All cases where an adjustment may be convenient and which do not clearly correspond to the provisions of the above sections, shall be submitted by MEFF to the Commission for Supervision and Surveillance which shall determine the adjustment to be made, if any.*

*The composition and functioning of the Commission for Supervision and Surveillance are regulated by of the Market Rule Book.*

*The Commission for Supervision and Surveillance must be guided, in the resolution of the cases coming under this heading, by the principles of investor protection, equal treatment for holders and writers of outstanding options, consistence in the application of criteria, efficiency and co-ordination with the organisations governing the settlement of the Underlying Security.”.*

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

(c) *Calculation of Adjustments, rounding and other determinations*

Adjustments in accordance with this Condition 6 (other than Condition 6(a)(ii), which shall become effective as provided in Condition 6(a)(ii)) will become effective as of the same date as any corresponding adjustment made by MEFF. Adjustments in accordance with this Condition 6 (including Condition 6(a)(ii)) will not be made, if the effective date for such adjustments is later than, in the case of Bonds in respect of which Conversion Rights have been exercised, the Settlement Date (where the Cash Amount is to be paid in respect of such exercise) or, in relation to Bonds not converted, the first day after the end of the Conversion Period pursuant to Condition 5(a)(ii), as the case may be.

Adjustments to the Conversion Price and the Dividend Threshold pursuant to this Condition 6 shall be determined and calculated in good faith by the Calculation Agent, and/or to the extent so specified in the Conditions, in good faith by an Independent Adviser. Adjustments to the Conversion Price and/or the Dividend Threshold calculated by the Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Calculation Agent or, where applicable, an Independent Adviser pursuant to these Conditions shall be final and binding (in the absence of manifest error) on the Issuer, the Guarantor and the Bondholders. The Calculation Agent may, subject to the provisions of the Calculation Agency Agreement, consult, at the expense of the Issuer (failing which, the Guarantor), on any matter (including but not limited to, any legal matter), with any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Guarantor or the Bondholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion. The Calculation Agent shall act solely upon request from and as agent of the Issuer and the Calculation Agent or, as the case may be, any Independent Adviser appointed by the Issuer in accordance with these Conditions, will not assume any obligations towards or relationship of agency or trust with, and they shall not be liable and shall incur no liability as against, the Bondholders.

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

If in case of any adjustment the resulting Conversion Price or Dividend Threshold, as the case may be, is not an integral multiple of €0.0001, it shall be rounded down to the nearest whole or multiple of €0.0001. Any amount by which the Conversion Price or Dividend Threshold, as the case may be, has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

The Issuer will give notice to the Fiscal Agent and procure that a notice is given to the Bondholders in the manner described in Condition 17 as soon as practicable after the date on which any adjustment to the Conversion Price or the Dividend Threshold becomes effective.

## **7 Disrupted Days**

If any Averaging Date is a Disrupted Day (as defined below), then the Averaging Date affected by a Market Disruption Event shall be postponed to the first succeeding Scheduled Trading Day which is not a Disrupted Day, and on which another Averaging Date does not or is not deemed to occur. If a Market Disruption Event continues to exist for a period of more than eight successive Scheduled Trading Days, the eighth Scheduled Trading Day following the day originally specified as the applicable Averaging Date shall be deemed to be the Averaging Date. On that eighth Scheduled Trading Day, an Independent Adviser shall determine its good faith estimate of the value of the Ordinary Share(s) at the Valuation Time on such eighth Scheduled Trading Day.

The following definitions shall apply:

**“Disrupted Day”** means any Scheduled Trading Day on which the Relevant Stock Exchange or Related Exchange fails to open for trading at any time during the regular trading session or on which a Market Disruption Event has occurred, as determined by the Calculation Agent.

**“Exchange Disruption”** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Ordinary Shares on the Relevant Stock Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Ordinary Shares on the Related Exchange.

**“Early Closure”** means the closure on any Scheduled Trading Day of the Relevant Stock Exchange or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Relevant Stock Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Relevant Stock Exchange or the Related Exchange on such Scheduled Trading Day and (ii) the submission deadline for orders to be entered into the Relevant Stock Exchange or the Related Exchange system for execution at the Valuation Time on such Scheduled Trading Day.

**“Market Disruption Event”** means each of (i) Trading Disruption, (ii) Exchange Disruption and (iii) Early Closure but in respect of (i) and (ii) only if the Calculation Agent determines that such event has occurred at any time during the one hour period that ends at the Valuation Time.

**“Related Exchange”** means MEFF.

**“Scheduled Closing Time”** means, in respect of the Relevant Stock Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Relevant Stock Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**“Trading Disruption”** means any suspension of or limitation imposed on trading by the Relevant Stock Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or Related Exchange or otherwise (i) relating to the Ordinary Share on the Relevant Stock Exchange or (ii) in futures or options contracts relating to the Ordinary Shares on the Related Exchange.

**“Valuation Time”** means the Scheduled Closing Time in respect of the relevant day.

## **8 Nationalisation, Change in Law and Delisting**

If (i) a Nationalisation and/or a Delisting occurs, the Issuer shall and (ii) a Change in Law occurs the Issuer may, by providing notice of the occurrence of such event in accordance with Condition 17 within five Madrid business days of the Relevant Announcement Date specifying the date of such redemption or purchase and the relevant Early Redemption Amount (or such lesser notice as may be required to comply with the Change in Law), redeem or purchase all but not only some of the outstanding Bonds at their Early Redemption Amount on the Early Redemption Date.

## **9 Redemption and Purchase**

### *(a) Final Redemption*

Unless previously purchased and cancelled, redeemed or converted and cancelled as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 8 or Condition 9(b).

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

- (i) The Issuer may, on giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Fiscal Agent, the other Paying, Transfer and Conversion Agents and to the Bondholders in accordance with Condition 17, redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount if, at any time, the aggregate principal amount of the Bonds outstanding is equal to or less than 15 per cent. of the aggregated principal amount of the Bonds originally issued (for which purpose, any further securities issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds shall also be deemed to have been 'originally issued').

On the Optional Redemption Date the Issuer (failing which the Guarantor) shall redeem the Bonds at their principal amount.

- (ii) Subject to the following paragraph, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Fiscal Agent, the other Paying, Transfer and Conversion Agents and the Bondholders (which notice shall be irrevocable), at their principal amount, on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice, if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of any Taxing Authority, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the 6 November 2015, and (ii) such obligations cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Amounts if a payment in respect of the Bonds (or the Guarantee, as the case may be) 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 certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred. On the Tax Redemption Date the Issuer (failing which the Guarantor) shall (subject to the following paragraph) redeem the Bonds at their principal amount.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that its Bonds shall not be redeemed and that the provisions of Condition 11 with respect to the payment of Additional Amounts shall not apply in respect of the Bonds, whereupon no Additional Amounts shall be payable in respect thereof pursuant to Condition 11 and payment of all amounts on such Bonds (or under the Guarantee, as the case may be) shall be made subject to the deduction or withholding of any Taxing Jurisdiction (as defined in Condition 11(e)) required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of the Registrar or any Paying, Transfer and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of the Registrar or any Paying, Transfer and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

References in this Condition 9(b)(ii) to any Taxing Authority shall be deemed also to refer to any jurisdiction or relevant authority thereof in respect of which any undertaking or covenant equivalent to that in Condition 11 is given pursuant to the Agency Agreement, (except that as

regards such jurisdiction the words “becomes effective on or after 6 November 2015” above shall be replaced with the words “becomes effective after, and has not been announced on or before, the date on which any undertaking or covenant equivalent to that in Condition 11 was given pursuant to the Agency Agreement”).

(c) *Redemption at the Option of Bondholders Upon a Put Event*

Each Bondholder will have the option (a “**Change of Control Put Option**”) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of such Bond on the Optional Redemption Date (as defined below) at its principal amount, if a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a “**Put Event**”).

A “**Change of Control**” shall be deemed to have occurred at each time that any person or persons acting in concert (“**Relevant Persons**”) or any person or persons acting on behalf of such Relevant Persons, acquire(s) control of the Guarantor.

“**control**” means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

“**Change of Control Period**” means the period commencing on the date that is the earlier of: (1) the date of the occurrence of the relevant Change of Control; and (2) the date of the earliest Potential Change of Control Announcement (if any), and ending on the date which is 270 days after the date of the occurrence of the relevant Change of Control.

“**Investment Grade Rating**” means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody's, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); and (3) with respect to Fitch, any of the categories from and including AAA to and including BBB- (or equivalent successor categories).

“**Optional Redemption Amount**” means an amount equal to par.

“**Potential Change of Control Announcement**” means any public announcement or public statement by the Issuer, the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control.

“**Rating Agency**” means any of the following: (a) S&P, (b) Moody's, (c) Fitch or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

“**Rating Downgrade**” shall be deemed to have occurred in respect of a Change of Control if: (A) within the Change of Control Period the rating previously assigned to the Guarantor by any Rating Agency is: (x) withdrawn; (y) ceases to be an Investment Grade Rating; or (z) if the rating assigned to the Guarantor by any Rating Agency which is current at the time the Change of Control Period begins is below an Investment Grade Rating, that rating is lowered one full rating notch by any Rating Agency (for example BB+ to BB by S&P), provided that a Rating Downgrade shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency withdrawing or lowering the rating does not publicly announce or otherwise confirms in writing to the Issuer that the reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control; or (B) at the time of the Change of Control there is no rating assigned to the Guarantor.

As soon as practicable (and in any event not later than five Madrid business days) following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 17.

As soon as practicable (and in any event not later than five Madrid business days) following the occurrence of a Put Event, the Issuer shall give notice thereof to each of the Fiscal Agent, the other Paying, Transfer and Conversion Agents and the Bondholders in accordance with Condition 17 (a “**Put Event Notice**”). The Put Event Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their Change of Control Put Option.

The Put Event Notice shall also specify:

- (i) the date such Put Event occurred and a summary of the events giving rise to such Put Event;
- (ii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Put Event Notice;
- (iii) the last day of the Put Period;
- (iv) the Put Redemption Date; and
- (v) the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option to require redemption or, as the case may be, purchase of a Bond under this section, the holder of that Bond must transfer or cause to be transferred its Bonds to be so redeemed or purchased to the account of the Fiscal Agent specified in the Put Event Notice for the account of the Issuer within the period (the “**Put Period**”) of 45 days after the Put Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying, Transfer and Conversion Agent (a “**Put Option Notice**”) and in which the holder may specify a euro bank account to which payment is to be made pursuant to this Condition 9(c).

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Bonds in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Bonds to the account of the Fiscal Agent for the account of the Issuer as described above on the date which is the fifth Madrid business day following the end of the Put Period (the “**Put Redemption Date**”). Payment in respect of any Bond so transferred will be made in euro to the holder to the bank account in a city in which banks have access to the TARGET System specified in the Put Option Notice on the Put Redemption Date *via* the relevant account holders.

Neither the Fiscal Agent nor the Paying, Transfer and Conversion Agents shall not be required to take any steps to monitor or ascertain whether a Change of Control or a Put Event or any event which could lead to a Change of Control or a Put Event has occurred or may occur.

*(d) Settlement of options contracts*

If options contracts in respect of the Ordinary Shares are traded on MEFF and any event occurs as a result of which such option contracts are settled in accordance with the MEFF Adjustments to Contracts Specifications, the Issuer shall give notice to Bondholders in accordance with Condition 17 within five Madrid business days of the Relevant Announcement Date and shall thereafter redeem all outstanding Bonds at their Early Redemption Amount on the Early Redemption Date.

*(e) Nationalisation, Delisting and/or a Change in Law*

Upon the occurrence of a Nationalisation, a Delisting and/or a Change in Law, Condition 8 shall apply.

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase any Bonds in the open market or otherwise at any price. Such Bonds may be held, resold or reissued or, at the option of the Issuer, the Guarantor or the relevant Subsidiary, as the case may be, surrendered to the Registrar for cancellation.

(g) *Cancellation*

All Certificates representing Bonds which are redeemed or which are purchased by or on behalf of the Issuer, the Guarantor or any Subsidiary of either of them and surrendered for cancellation shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 9, the first of such notices to be given shall prevail.

## 10 Payments

(a) *Principal*

Payment of principal in respect of the Bonds shall be made (subject to surrender of the relevant Certificates representing the relevant Bonds at the specified office of any of the Paying, Transfer and Conversion Agents or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in the following paragraph.

Any payments due to Bondholders in respect of any Bond shall be paid to the person shown on the Register at the close of business on the fifth business day (in the place in which the specified office of the Registrar is located) before the due date for payment thereof (the “**Record Date**”).

If the outstanding amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount.

(b) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 11 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 to 1474 (inclusive) of the Code, any United States Treasury Regulations or agreements thereunder, any official interpretations thereof, any successor, substitute or similar legislation or law or any law implementing an intergovernmental approach thereto.

(c) *Payment Initiation*

Where payment is to be made by transfer to a euro account, payment instructions (for value the due date, or if that is not a TARGET Business Day, for value the first following day which is a TARGET Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying, Transfer and Conversion Agent or of the Registrar,

on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

*(d) Appointment of Agents*

The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Transfer and Conversion Agent or the Registrar and to appoint additional or other Agents; provided that, the Issuer and the Guarantor will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying, Transfer and Conversion Agent (which may be the Fiscal Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC, as amended from time to time, or any other Directive implementing the conclusions of ECOFIN Council meeting of 26-27 November 2000. The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder.

Notice of any change in any Agent or their respective specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 17. The Issuer further reserves the right under the Calculation Agency Agreement at any time to vary or terminate the appointment of the Calculation Agent and appoint another Calculation Agent, provided that they will maintain a Calculation Agent which shall be a financial institution of international repute or a financial adviser with appropriate expertise. In addition, at any time a determination is required to be made by an Independent Adviser, the Issuer shall promptly appoint and maintain such an Independent Adviser.

*(e) No Charges*

None of the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment or conversion in respect of the Bonds.

*(f) Delay in Payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a TARGET Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 10(a) arrives after the due date for payment.

*(g) Non-Business Days*

If any date for payment in respect of any Bond is not a TARGET Business Day, the holder shall not be entitled to payment until the next following TARGET Business Day nor to any interest or other sum in respect of such postponed payment.

*(h) Fractions*

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

*The Bonds, on issue, will be represented by a global bond (the “Global Bond” registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear Bank S.A./N.V. and/or Clearstream Banking S.A. All payments in respect of the Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive except 24 December and 1 January.*

## 11 Taxation

### (a) *Additional Amounts*

All payments in respect of the Bonds by or on behalf of the Issuer or, as the case may be, the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Netherlands or any authority therein or thereof having power to tax (in the case of the Issuer), or the Kingdom of Spain or any authority therein or thereof having power to tax (in the case of the Guarantor) (each, a “**Taxing Authority**”), unless such withholding or deduction of such Taxes is compelled by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (“**Additional Amounts**”) of principal, Cash Amounts and any other amounts due in respect of the Bonds as will result in the receipt by the Bondholders of the amounts which would otherwise have been received by them in respect of the Bonds had no withholding or deduction been made; except that no such Additional Amounts shall be payable in respect of any Bond or, as the case may be, under the Guarantee:

- (i) to, or to a third party on behalf of, a Bondholder who is liable for Taxes in respect of such Bond (or the Certificate representing such Bond) by reason of his having some connection with the Netherlands or the Kingdom of Spain other than the mere holding of the Bond (or the Certificate representing such Bond); or
- (ii) in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day; or
- (iii) in respect of any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure by the holder or the beneficial owner of the Bonds to comply with a request of the Issuer, or the Guarantor addressed to the holder or the beneficial owner of the Bonds (a) to provide information concerning the nationality, residence, identity or connection with a Taxing Authority of the holder or such beneficial owner or (b) to make any declaration or other similar claim to satisfy any information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of the Taxing Authority as a precondition to exemption from all or part of such tax assessment or other governmental charge, in each case, within any applicable time limits as may from time to time be imposed by such statute, treaty, regulation, or administrative practice; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) where such withholding or deduction is imposed on a payment to an individual resident of Luxembourg pursuant to the Luxembourg Law dated 23 December 2005 introducing a withholding tax in full discharge of income tax on certain interest income;
- (vi) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

(b) *Tax Credit Payment*

If any Additional Amounts are paid by the Issuer or, as the case may be, the Guarantor under this Condition for the benefit of any Bondholder and such holder in its sole discretion, determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remission for, or repayment of, any tax, then, if and to the extent that such holder in its sole opinion, determines that (i) such credit, relief, remission or repayment is in respect of or calculated with reference to the Additional Amounts paid pursuant to this Condition; and (ii) its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled, such holder shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Issuer or, as the case may be, the Guarantor such amount as such holder shall in its sole opinion, determine to be the amount which will leave such holder (after such payment) in no worse after tax position than it would have been in had the additional payment in question not been required to be made by the Issuer or, as the case may be, the Guarantor

(c) *Tax Credit Clawback*

If any holder makes any payment to the Issuer or, as the case may be, the Guarantor pursuant to this Condition and such holder subsequently determines in its sole opinion, that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Issuer or, as the case may be, the Guarantor shall reimburse such holder such amount as such holder determines in its sole opinion, is necessary to place it in the same after tax position as it would have been in if such credit, relief, remission or repayment had been obtained and fully used and retained by such holder, such amount not exceeding in any case the amount paid by the holder to the Issuer or, as the case may be, the Guarantor.

(d) *Tax Affairs*

Nothing in Conditions 11(b) and 11(c) above shall interfere with the right of any holder to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any holder to claim any credit, relief, remission or repayment in respect of any payment made under this Condition 11 in priority to any credit, relief, remission or repayment available to it nor oblige any holder to disclose any information relating to its tax or other affairs or any computations in respect thereof.

(e) *Taxing jurisdiction*

If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than or in addition to the Netherlands or, as the case may be, the Kingdom of Spain, references in these Conditions to such jurisdiction(s) shall be construed as references to the Netherlands and/or the Kingdom of Spain and/or such other jurisdiction(s) (each, a “**Taxing Jurisdiction**”).

The provisions of this Condition 11 with respect to the payment of Additional Amounts shall not apply in respect of any payments which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 9(b).

## 12 Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, the holder of any Bond may give written notice to the Fiscal Agent at its specified office that such Bond is immediately repayable, whereupon such Bond shall become, due and repayable at its principal amount:

- (a) **Non-Payment:** default is made for more than seven days in the payment on the due date of principal or any Additional Amounts in respect of any of the Bonds or the payment when due of the Cash Amount on exercise of Conversion Rights; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under or in respect of the Bonds, the Agency Agreement or the Deed of Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent by any Bondholder; or
- (c) **Cross-Default:** (i) subject as provided below, any Relevant Indebtedness incurred by the Issuer or the Guarantor or any Relevant Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or the Guarantor, as the case may be, or, provided that no event of default on such Relevant Indebtedness, however described, has occurred, at the option of any person entitled to such Relevant Indebtedness, or (ii) any Relevant Indebtedness of the Issuer or of the Guarantor or of any Relevant Subsidiary is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, the Guarantor or any Relevant Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of any Relevant Indebtedness, 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 12(c) have occurred equals or exceeds €125,000,000 or its equivalent in other currencies;

Paragraph (i) above shall not apply to Relevant Indebtedness which:

(A) (1) was incurred before 27 July 2007; and (2) becomes (or becomes capable of being declared) due and payable prior to its stated maturity solely as a result of an event of default occurring under Relevant Indebtedness of an entity which is not a Relevant Subsidiary; or

(B) (1) is Relevant Indebtedness of a Relevant Subsidiary; and (2) becomes (or becomes capable of being declared) due and payable prior to its stated maturity solely as a result of an event of default triggered by the acquisition of that Relevant Subsidiary by the Guarantor (or any of its Subsidiaries),

*provided that*, none of these exceptions shall be applicable if such Relevant Indebtedness (I) has become (or is declared to become) due and payable, and (II) is not paid in full when so due and payable; or

- (d) **Enforcement Proceedings:** any distress, attachment, execution or other legal process which is material in the context of the issue and offering of the Bonds is levied, enforced or sued on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of the Guarantor's Subsidiaries and is not discharged or stayed within 90 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of the Guarantor's Subsidiaries which is material in the context of the issue and offering of the Bonds becomes enforceable and any step is taken to enforce it (including the taking of possession by or the appointment of a receiver, administrative receiver, manager or other similar person);
- (f) **Insolvency etc.:** (i) the Issuer or the Guarantor or any Relevant Subsidiary becomes, or is adjudicated to be, insolvent (including bankrupt — *failliet* — or in moratorium of payments — *surséance van betaling*) or is adjudicated to be unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantor or any Relevant Subsidiary or the whole or any part of the undertaking, assets and revenues of the Issuer or the Guarantor or any Relevant Subsidiary is appointed (or application for any such appointment is made), (iii) the Issuer or the Guarantor or any Relevant Subsidiary takes any action for a general readjustment or deferment of its obligations or makes a general assignment or arrangement or composition with or for the benefit of its creditors

generally or declares a moratorium in respect of its indebtedness or guarantees given by it, (iv) the entry of a decree, judgment or order by a court having jurisdiction adjudging the Issuer to be in a situation requiring emergency measures (*noodregeling*) in the interest of all creditors as referred to in Chapter 3.5.5 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or (v) any other proceeding is commenced which requires the application of priorities provided by any applicable Spanish laws; or

- (g) **Winding up:** an order is made or an effective resolution passed for the winding-up or dissolution (*ontbinding en vereffening*) or administration of the Issuer or the Guarantor or any Relevant Subsidiary, or the Issuer or the Guarantor or any Relevant Subsidiary shall cease or through an official action of its board of directors threaten to cease to carry on all or a substantial part 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 Bondholders or (ii) in the case of a Relevant Subsidiary, whereby the undertaking or assets of the Relevant Subsidiary are transferred to or otherwise vested in (A) the Issuer or the Guarantor or another Relevant Subsidiary or (B) any other person provided, in this case, that the undertaking or assets are transferred to that person for full consideration on an arm's length basis and the proceeds of the consideration are applied as soon as practicable by the Relevant Subsidiary in its business or operations or the business or operations of the Issuer or the Guarantor or another Relevant Subsidiary or (iii) in the case of the Issuer, whereby the undertakings or assets of the Issuer are transferred to or otherwise vested in the Guarantor; or (iv) to comply with any mandatory requirements set forth by any regulation, directives or rules issued by the Spanish government or the relevant administrative authority in connection with the reorganisation of the Spanish electricity sector; or
- (h) **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 and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Guarantee admissible in evidence in the courts of the Netherlands or the Kingdom of Spain is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Guarantee; or
- (j) **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 any of the foregoing paragraphs including, but not limited to, *concurso*; or
- (k) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

### 13 Undertakings

Whilst any Conversion Right remains exercisable, the Guarantor will (save in each case with the approval of an Extraordinary Resolution):

- (a) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
  - (i) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or
  - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash distribution; or

*(iii)* by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or

*(iv)* by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Guarantor or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case under (i) to (iv) above, the same constitutes a Cash Distribution or otherwise gives rise to an adjustment to the Conversion Price;

*(b)* not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 13**(b)** shall prevent:

*(i)* any consolidation, reclassification, redesignation or subdivision of the Ordinary Shares; or

*(ii)* any issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Guarantor or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any of them; or

*(iii)* any modification of such rights which is not, in the opinion of an Independent Adviser (acting as an expert), materially prejudicial to the interests of the holders of the Bonds; or

*(iv)* any issue of equity share capital where the issue of such equity share capital results in an adjustment to the Conversion Price; or

*(v)* any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Guarantor shall have instructed an Independent Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Adviser shall have determined either that no adjustment is required or that an adjustment resulting in an increase in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);

*(c)* procure that no Securities (whether issued by the Guarantor or any Subsidiary of the Guarantor or procured by the Guarantor or any Subsidiary of the Guarantor to be issued or issued by any other person pursuant to any arrangement with the Guarantor or any Subsidiary of the Guarantor) issued without rights to convert into, or subscribe for, Ordinary Shares shall subsequently be granted such rights unless the same gives rise to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

*(d)* not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;

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

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

- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate (or affiliate) of the offeror) to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition, give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Guarantor, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer is extended to the holders of any Ordinary Shares issued during the period of the offer arising out of the exercise of the Conversion Rights by the Bondholders;
- (g) use its reasonable endeavours to ensure that its issued and outstanding Ordinary Shares shall remain admitted to listing and to trading on the Relevant Stock Exchange;
- (h) use its reasonable endeavours to cause to be made an application for the Bonds to be admitted to trading on the Open Market segment of the Frankfurt Stock Exchange (*Freiverkehr*) or otherwise make or cause to be made an application for the Bonds to be admitted to trading on another internationally recognised, regularly operating, regulated or non-regulated stock exchange (the “**Admission**”) within 90 calendar days following the Closing Date and use its reasonable endeavours to maintain such Admission for so long as any of the Bonds remain outstanding.
- (i) appoint an Independent Adviser to carry out any action requested of it under the Bonds; and
- (j) not take any action (nor refrain from taking any action) that would cause the Guarantor to be subject generally to the taxing jurisdiction of a territory or a Taxing Authority of or in that territory with power to tax other than or in addition to the Kingdom of Spain if, at such time and under current laws and regulations, the Guarantor would be required generally to make any withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such territory or any political subdivision thereof or therein having power to tax in respect of the Bonds and where any such withholding or deduction exceeds any such withholding or deduction imposed or levied by or on behalf of the Kingdom of Spain.

## **14 Prescription**

Claims for payment of principal or any Cash Amount or other amounts in respect of the Bonds shall be prescribed and become void unless made within 10 years from the appropriate Relevant Date in respect of such payment.

## **15 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying, Transfer and Conversion Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case upon payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **16 Meetings of Bondholders, Modifications and Waivers**

### *(a) Meetings of Bondholders*

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by holders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing holders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds, (ii) to reduce or cancel the principal amount of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions relating to, or cancel, the Conversion Rights, and other than a reduction to the Conversion Price), (v) to increase the Conversion Price (other than in accordance with these Conditions, (vi) to change the governing law of the Bonds, (vii) to modify the provisions concerning the quorum required at any meeting of holders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on holders (whether or not they were present at the meeting at which such resolution was passed).

The Agency Agreement provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding or (ii) consents given by way of electronic consent through the relevant clearing system(s) by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Bonds outstanding, shall, in any such case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. 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 holders.

### *(b) Modification of the Agency Agreement or the Deed of Guarantee*

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement or the Deed of Guarantee, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

## **17 Notices**

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the *Financial Times*).

The Issuer shall send a copy of all notices given by it to Bondholders pursuant to these Conditions simultaneously to the Calculation Agent.

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

## **18 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first date on which conversion rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 18 and forming a single series with the Bonds.

## **19 Rights of Third Parties**

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

## **20 Currency Indemnity**

Euro is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Bonds and the Guarantee, 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 the Guarantor or otherwise) by any holder in respect of any sum expressed to be due to it from the Issuer or Guarantor shall only constitute a discharge to the Issuer and/or Guarantor 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 Bond or the Guarantee, the Issuer or the Guarantor (as the case may be) shall indemnify it against any loss sustained by it as a result. In any event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 20, it will be sufficient for the holder 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 and Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder 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 Bond or Guarantee or any other judgment or order.

## 21 Governing Law and Jurisdiction

- (a) **Governing law:** The Agency Agreement, the Bonds and the Guarantee and all matters arising from or connected therewith, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.
- (b) **English Courts:** The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with any Bonds or the Guarantee.
- (c) **Appropriate forum:** The Issuer and the Guarantor each agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of Bondholders to take proceedings outside England:** Condition 21(b) is for the benefit of the Bondholders only. As a result, nothing in this Condition 21 prevents any Bondholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Bondholders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Process Agent:** The Issuer and the Guarantor each agree that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to SPW Investments Limited, 4th Floor, 1 Tudor Street, London, EC4Y 0AH, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it in accordance with Part 34 of the United Kingdom Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Bondholder addressed and delivered to the Issuer or to the specified office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Bondholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and not to Proceedings elsewhere.

## 22 Transfer of Bonds

### (a) Transfers

One or more Bonds may, subject to Condition 22(b), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Paying, Transfer and Conversion Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Paying, Transfer and Conversion Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

### (b) Exercise of Options or Partial Redemption

In the case of an exercise of an Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Paying, Transfer and Conversion Agent. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 22(a) or 22(b) shall be available for delivery within three business days of receipt of the form of transfer or Put Notice (as defined in Condition 9(c)) and surrender of the existing Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Paying, Transfer and Conversion Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Paying, Transfer and Conversion Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 22(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Paying, Transfer and Conversion Agent or the Registrar (as the case may be).

(d) **Transfers Free of Charge**

Transfers of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or any Paying, Transfer and Conversion Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Paying, Transfer and Conversion Agent may require).

(e) **Closed Periods**

No Bondholder may require the transfer of an Bond to be registered (i) during the period of 15 days ending on the due date for redemption of that Bond or (ii) after any such Bond has been called for redemption.