



Julián Martínez-Simancas
General Secretary and Secretary of the Board of Directors

Bilbao, March 14, 2011

To the National Securities Market Commission

Re: Merger proposal with IBERDROLA RENOVABLES, S.A.

Dear Sirs,

Pursuant to the provisions of Section 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby inform you that the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**") has resolved to propose to IBERDROLA RENOVABLES, S.A. ("**Iberdrola Renovables**") new terms and conditions for the merger as a consequence of the share capital increase of Iberdrola announced today by means of a notice of significant event dated as of today.

The new proposed terms and conditions are the following:

- (i) The revised exchange ratio will be 0.50069760 shares of Iberdrola, of seventy-five cents of euro (EUR 0.75) par value each, in exchange for each share of Iberdrola Renovables, of fifty cents of euro (EUR 0.50) par value each, compared to the initially proposed exchange ratio of 0.4989443 shares of Iberdrola for each share of Iberdrola Renovables.
- (ii) Iberdrola still assumes the irrevocable commitment to vote in favor of any extraordinary distribution of dividends that may be proposed to the General Shareholders' Meeting of Iberdrola Renovables by its Board of Directors (upon the abstention of those Directors that represent Iberdrola in such Board of Directors), to the extent that the value per share to be distributed is equal to 40% of the value of the shares of Iberdrola Renovables of two euros with nine hundred seventy-eight thousandths of euro (EUR 2.978).
- (iii) Provided the above mentioned distribution of dividends is proposed by the Board of Directors of Iberdrola Renovables and eventually approved by its General Shareholders' Meeting in the terms described in the preceding paragraph, the

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exchange ratio would be equal to 0.30041856 shares of Iberdrola for each share of Iberdrola Renovables, compared to the initially proposed exchange ratio of 0.29936662 shares of Iberdrola for each share of Iberdrola Renovables.

The exchange ratio will be adjusted by any distributions decided by Iberdrola Renovables.

For purposes of all the above, we inform you that today the revised terms and conditions have been formally communicated by Iberdrola to Iberdrola Renovables.

Please be advised of all of the foregoing for such purposes as may be appropriate.

Yours truly,

General Secretary and Secretary of the Board of Directors

IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of IBERDROLA, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

This communication contains forward-looking information and statements about IBERDROLA, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates” and similar expressions.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA, S.A. to the *Comisión Nacional del Mercado de Valores*.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of IBERDROLA, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to IBERDROLA, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to IBERDROLA, S.A. on the date hereof. Except as required by applicable law, IBERDROLA, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.