



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

To the National Securities Market Commission

Bilbao, January 19, 2011

Re: Acquisition by IBERDROLA ENERGÍA DO BRASIL, LDA. of ELEKTRO ELECTRICIDADE E SERVIÇOS, S.A.

Dear Sirs,

Pursuant to 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 advise you that IBERDROLA ENERGÍA DO BRASIL, LDA.¹ (the “**Company**”) has entered into a sale and purchase agreement (the “**Agreement**”) with ASHMORE ENERGY INTERNATIONAL (“**AEI**”) by virtue of which the Company will acquire the entire direct and indirect shareholding interest of AEI in the company ELEKTRO ELECTRICIDADE E SERVIÇOS, S.A. (“**Elektro**”), equivalent to 99.68% of its share capital (the “**Transaction**”).

Elektro is a Brazilian company that provides electricity distribution services primarily in municipalities of the State of Sao Paulo.

The consummation of the sale and purchase of the shares of Elektro contemplated by the Agreement is subject to certain conditions precedent customary in agreements of this nature, including obtaining the applicable regulatory and administrative authorizations and the absence of adverse material effect, among others. The deadline for the fulfillment of such conditions and, therefore, for the consummation of the sale and purchase is six (6) months from the signing of the Agreement.

¹ IBERDROLA, S.A. indirectly holds 99.99% of this company.

The consideration for the shares of Elektro contemplated by the Agreement amounts to two thousand four hundred (2,400) million U.S. dollars².

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

² Equivalent to 1,776.99 million euro, according to the official exchange rate of January 19, 2011, of 1 euro = 1.3506 U.S. Dollars.

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 according to an effective registration statement under the Securities Act or according to a valid exemption from registration.