



Julián Martínez-Simancas
Secretary of the Board of Directors

Bilbao, 2 December 2016

To the National Securities Market Commission

Subject: Buyback of bonds

Dear Sirs,

Pursuant to article 17 of Regulation (EU) No. 596/2014 on market abuse and article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, and as a follow-up to our notice of significant event (*comunicación de hecho relevante*) of 24 November 2016 (official registry number 245,116, the "**Initial Notice**"), we hereby inform you that, on 7 December 2016 Iberdrola Finanzas, S.A. (Sociedad Unipersonal) ("**Iberdrola Finanzas**")¹ will settle the purchase the following notes unconditionally and irrevocably guaranteed by Iberdrola, S.A. (the "**Buyback**").

Notes issued by Iberdrola Finanzas

- 534 5.625% notes for an aggregate nominal amount of € 26,700,000, in denominations of € 50,000 per note and maturing on 9 May 2018 (ISIN code XS0362224841) (Series 77).
- 895 4.625% notes for an aggregate nominal amount of € 89,500,000, in denominations of € 100,000 per note and maturing on 7 April 2017 (ISIN code XS0614190477) (Series 95).

Notes issued by Iberdrola International B.V.¹

- 1,316 4.25% notes for an aggregate nominal amount of € 131,600,000, in denominations of € 100,000 per note and maturing on 11 October 2018 (ISIN code XS0767977811) (Series 100).
- 677 4.50% notes for an aggregate nominal amount of € 67,700,000, in denominations of € 100,000 per note and maturing on 21 September 2017 (ISIN code XS0829209195) (Series 101).

Iberdrola Finanzas has accepted to acquire the aforementioned notes on the terms and conditions described in the Tender Offer Memorandum dated 24 November 2016, to which the Initial Notice refers.

¹ Company wholly owned by Iberdrola, S.A.

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Following completion of the Buyback, the notes purchased will be redeemed and cancelled. Thus, the number of outstanding notes of each series will be the following.

Notes issued by Iberdrola Finanzas

- 13,316 Series 77 notes, with an aggregate nominal amount of € 665,800,000.
- 3,831 Series 95 notes, with an aggregate nominal amount of € 383,100,000.

Notes issued by Iberdrola International B.V.

- 7,684 Series 100 notes, with an aggregate nominal amount of € 768,400,000.
- 3,036 Series 101 notes, with an aggregate nominal amount of € 303,600,000.

This information is provided to you for the appropriate purposes.

Yours faithfully,

Secretary of the Board of Directors

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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.

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