



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

To the National Securities Market Commission

Bilbao, October 22, 2010

**Re: Sale by IBERDROLA, S.A. of its indirect shareholding in DISTRIBUIDORA ELÉCTRICA CENTROAMERICANA DOS (II), S.A., GESTIÓN DE EMPRESAS ELÉCTRICAS S.A., GENERADORES HIDROELÉCTRICOS, S.A. and HIDRONORTE, 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 of the following significant event:

Iberdrola, S.A. (“**Iberdrola**”) has entered into an agreement with Empresas Públicas de Medellín, E.S.P. (“**EPM**”) selling the entirety of Iberdrola’s indirect shareholding in the following Guatemalan entities to EPM (the “**Agreement**”):

- 49% of Distribuidora Eléctrica Centroamericana Dos (II), S.A. (“**DECAII**”). In turn, DECAII holds, among others shareholding interests, 80.88% of Empresa Eléctrica de Guatemala, S.A. (EEGSA).
- 100% of Gestión de Empresas Eléctricas, S.A. (“**GESA**”).
- 51% of Generadores Hidroeléctricos, S.A. (“**GENHIDRO**”).
- 3.12% of Hidronorte, S.A. (“**HIDRONORTE**”).

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The aggregate consideration for the sale of the shareholdings referenced above amounts to US\$326.45 million<sup>1</sup>.

Following the simultaneous signing and completion of the Agreement in relation to the sale of Iberdrola's indirect shareholding in DECAII and GESA, Iberdrola immediately received, as consideration, the amount of US\$307.95 million<sup>2</sup>.

Completion of the Agreement in relation to the sale of Iberdrola's 51% indirect shareholding in GENHIDRO and 3.12% indirect shareholding in HIDRONORTE is expected to take place at the end of the 2010 financial year. Following completion of this part of the Agreement Iberdrola expects to receive, as consideration, the amount of US\$18.5 million<sup>3</sup>.

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

Yours truly,

IBERDROLA, S.A.

General Secretary and Secretary of the Board of Directors

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<sup>1</sup> Approximately €232.9 million, at the official exchange rate on October 21, 2010: 1 euro = 0.71347032 US\$.

<sup>2</sup> Approximately €219.7 million, at the official exchange rate on October 21, 2010: 1 euro = 0.71347032 US\$.

<sup>3</sup> Approximately €13.2 million, at the official exchange rate on October 21, 2010: 1 euro = 0.71347032 US\$.

## **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.

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