



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

Bilbao, September 2, 2010

To the National Securities Market Commission

Re: Exchange and Tender Offers of IBERDROLA FINANZAS S.A. (Unipersonal)

Dear Sirs,

We inform you that, as of the date hereof, IBERDROLA FINANZAS S.A. (Unipersonal) (the “**Issuer**”) –a wholly owned subsidiary of IBERDROLA, S.A. (“**Iberdrola**”)– has invited holders of its outstanding €1,450,000,000 6.375% Notes due 2011 (the “**Existing 2011 Notes**”) and €1,000,000,000 5.125% Notes due 2013 (the “**Existing 2013 Notes**” and, together the Existing 2011 Notes, the “**Existing Notes**”) to exchange their Existing Notes for an equal aggregate nominal amount of Euro denominated 4.125% Notes due 2020 (the “**New 2020 Notes**”) to be issued by the Issuer and unconditionally guaranteed by Iberdrola (the “**Exchange Offer**”). The New 2020 Notes that the Issuer intends to issue under the Exchange Offer will be consolidated and form a single series with the Issuer's existing €500,000,000 4.125% Notes due 2020.

Likewise, we inform you that, as of the date hereof, BNP Paribas has today separately invited holders to tender their Existing Notes for purchase for cash (the “**Tender Offer**” and, together with the Exchange Offer, the “**Offers**”).

Those holders who finally decide to exchange their Existing Notes will receive New 2020 Notes as well as cash contribution in discharge of the value difference existing between New 2020 Notes and the Existing Notes and due interests accrued from the last accrual date of the Existing Notes and to the settlement date of the Exchange Offer.

Whether the Issuer and BNP Paribas will accept for exchange and/or purchase Existing Notes validly offered for exchange or tendered for purchase in the Offers is subject to the pricing of the New 2020 Notes.

The Issuer and BNP Paribas propose to initially accept Existing Notes for exchange or purchase up to the aggregate nominal amount of €750,000,000 pursuant to the Offers. Existing Notes validly offered for exchange or tendered for purchase by their holders will be accepted in accordance with a priority of acceptance and scaling method described in detail in the Offer Memorandum published as of the date hereof in connection the Offers, giving preference to offers for exchange and then the tenders for purchase relating to the Existing 2011 Notes and followed by the offers to exchange and then the tenders for purchase relating to the Existing 2013 Notes.

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The revocation deadline in respect of the Offers will be 2.00 p.m. CET on 9 September 2010 and the Offers expire at 4.00 p.m. CET on the same date. The final amount of Existing Notes to be accepted pursuant to the Offers and the indicative scaling will be announced at or around 9.00 a.m. (CET) on 10 September 2010.

Pricing of the Offers will take place at or around 2.00 p.m. (CET) on 10 September 2010 with the announcement of results to follow as soon as practicable thereafter. Settlement of the Tender Offer will take place on 14 September 2010, followed by the Exchange Offer which will be settled on 21 September 2010.

The purpose of the Offers is to manage the refinancing of the Existing Notes prior to their maturity in an efficient manner and to extend the average maturity of the Issuer's debt.

Yours faithfully,

General Secretary and Secretary of the Board of Directors

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IMPORTANT INFORMATION

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY TO ANY PERSON LOCATED OR RESIDENT IN THE REPUBLIC OF ITALY, THE UNITED STATES OR IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO RELEASE, PUBLISH OR DISTRIBUTE THIS ANNOUNCEMENT. THE OFFERS ARE NOT MADE IN OR INTO, OT TO ANY OTHER PERSON LOCATED OR RESIDENT IN, ANY SUCH JURISDICTION, OT TO U.S. PERSONS. OTHER RESTRICTIONS ALSO APPLY, ALL AS MORE FULLY SET OUT IN THE OFFER MEMORANDUM. FULL DETAILS OF THE TERMS AND CONDITIONS OF THE OFFERS ARE SET OUT IN THE OFFER MEMORANDUM. THE OFFER MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE TO PARTICIPATE IN THE OFFERS.

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