



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

Bilbao, 28 December 2012

To the National Securities Market Commission

Re: Sale of the indirect shareholding interest held by Iberdrola, S.A. in Medgaz, S.A.

Dear Sirs,

Pursuant to article 82 of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby inform you that yesterday Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) reached an agreement with the Belgian company Fluxys SA/NV (the “**Buyer**”) for the transfer of the indirect shareholding interest held by Iberdrola in Medgaz, S.A. (“**Medgaz**”) through its wholly-owned subsidiary Iberdrola Generación, S.A. Unipersonal (“**Iberdrola Generación**”), which represents 20% of the share capital of Medgaz (the “**Transaction**”).

Likewise, within the framework of the Transaction, the Buyer shall assume (i) Iberdrola Generación’s contractual position as creditor under the loan granted to Medgaz, the amount of which (including principal and interest) totals –approximately– 16 million euros and (ii) Iberdrola’s position as guarantor *vis-à-vis* the European Investment Bank under a loan granted by this entity to Medgaz.

The price for the referred shareholding interest (including the assignment of the loan granted to Medgaz) amounts to 146 million euros, and is subject to usual adjustments in transactions of this nature.

The consummation of the Transaction is subject to (a) the other shareholders of Medgaz not exercising their preferential acquisition rights over the Company’s indirect shareholding interest in Medgaz and (b) certain consents being granted.

The impact of the Transaction in Iberdrola’s consolidated profit and loss account will be determined once certain conditions are fulfilled and certain adjustments made, and will be reported to the market.

Please be advised of all of the foregoing for the appropriate purposes.

Yours faithfully,

General secretary and 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.

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 on its entirety by the cautionary statement above. All the 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.

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