



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

To the National Securities Market Commission

Bilbao, February 26, 2015

Re: Integration of UIL HOLDINGS CORPORATION in the Iberdrola group

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 the Boards of Directors of IBERDROLA, S.A. (“**Iberdrola**”), IBERDROLA USA, INC. (“**Iberdrola USA**”) and UIL HOLDINGS CORPORATION (“**UIL**”) have approved the terms on which UIL will be integrated in the Iberdrola group via the absorption of UIL by a wholly owned subsidiary of Iberdrola USA (the “**Transaction**”).

The Transaction is framed within the objectives established in the Outlook 2014-2016. Among such objectives are the increase of the presence in the United States of America and of the exposure to countries with a “AAA” risk profile, the geographical diversification and a greater focus on the regulated businesses and on markets with predictable and stable regulatory frameworks.

The Board of Directors of UIL will recommend the Transaction to its shareholders subject to the terms and conditions of the agreement reached, the main aspects of which are set out below.

1. Description of the companies participating in the Transaction

UIL is a US company which shares are listed on the New York Stock Exchange and that is the parent company of a group of companies that engage mainly in the regulated business of delivery and distribution of electricity and gas in Connecticut and Massachusetts (United States).

Iberdrola USA is the country subholding company of Iberdrola in the United States, and holds the share capital of various companies that head the business in that country (the business subholding companies).

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Green Merger Sub, Inc. (“**Green Merger Sub**”) is a wholly owned subsidiary of Iberdrola USA in the United States that was set up to absorb UIL.

2. Structure of the Transaction

Iberdrola USA, Green Merger Sub and UIL have executed an agreement and plan of merger establishing the terms and conditions of the Transaction (the “**Merger Agreement**”).

The Transaction will be structured by means of the merger of Green Merger Sub (absorbing company) and UIL (absorbed company). As a result of the merger, the shares in circulation of UIL will be cancelled and will grant their owners the right to receive as consideration of one (1) share of Iberdrola USA and 10.50 US dollars (approximately, 9.25 euros)¹ in cash for each share of UIL (which represents a total amount in cash of 597.1 million US dollars, approximately 526.3 million euros for all the shares of UIL).

The Transaction values UIL at 3,004.2 million US dollars (approximately 2,647.8 million euros) and each UIL share at 52.83 US dollars (approximately 46.56 euros).

These terms involve paying a premium of approximately 19.5 % of the average share price of UIL’s share in the last 30 days prior to February 25, 2015, which was 44.21 US dollars per UIL share.

The Transaction envisages the admission to trading of Iberdrola USA’s shares on the New York Stock Exchange.

As a result of the Transaction, 81.5 % of the capital stock of Iberdrola USA will be owned by Iberdrola and 18.5 % will be owned by UIL’s former shareholders.

3. Terms of the Transaction

The Merger Agreement includes the usual terms in these transactions and is subject to the following conditions precedent:

- (i) Approval by the shareholders of UIL that hold the majority of its share capital.
- (ii) Obtaining the relevant regulatory authorizations in the United States both at a State and at a Federal level.
- (iii) The admission to trading of Iberdrola USA’s shares on the New York Stock Exchange.
- (iv) Other conditions customary in these transactions.

¹ Reference exchange rate 1 euro = 1.1346 US dollars published on February 25, 2015 by the European Central Bank.

The Transaction is expected to close in 2015.

This information is provided to you for the appropriate purposes.

Yours faithfully,

General Secretary and Secretary to the Board of Directors



DISCLAIMER

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IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Securities Market Law (Law 24/1988, of July 28, as amended and restated from time to time), and/or Royal Decree 1310/2005, of November 4, and its implementing regulations.

In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

IMPORTANT INFORMATION IN THE US

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 or the solicitation of any vote or approval with respect to the proposed combination of Iberdrola USA with UIL Holdings (the “Transaction”), nor shall there be any purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction. If and when Iberdrola USA or any of its subsidiaries issue any securities in connection with the proposed Transaction, Iberdrola USA (or the relevant subsidiary) will, to the extent that such securities are required to be registered in the United States, file a registration statement, which will include a prospectus, with the United States Securities and Exchange Commission (“SEC”) pursuant to the U.S. Securities Act of 1933, as amended. Investors are strongly advised to read the documents that will be made available to them, including the registration statement and prospectus, if and when available, and any other relevant documents made available to them and/or the SEC or other applicable regulatory authorities, as well as any amendments or supplements to those documents, because they will contain important information regarding Iberdrola USA, its subsidiaries, UIL Holdings and the proposed Transaction. If and when filed, investors may obtain free copies of the registration statement, the prospectus as well as other relevant documents filed with the SEC, at the SEC’s web site at www.sec.gov and will receive information at an appropriate time on how to obtain these transaction-related documents for free from the parties involved or a duly appointed agent. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed Transaction disclaim any responsibility or liability for the violation of such restrictions by any person. Any shares to be issued in connection with the financing for the proposed Transaction may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about UIL Holdings and Iberdrola USA and/or its subsidiary/ies and their combined businesses after completion of the proposed Transaction. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. Although the managements of UIL Holdings and Iberdrola USA believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of UIL Holdings and Iberdrola USA 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 UIL Holdings and Iberdrola USA, 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. Except as required by applicable law, neither UIL Holdings nor Iberdrola USA undertakes any obligation to update any forward-looking information or statements. The proposed Transaction described in this release could be affected by, among other things, the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; failure to obtain shareholder approval or any other failure to satisfy other conditions required to complete the merger, including required regulatory approvals; risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger; and the amount of the costs, fees, expenses and charges related to the merger.

Additional Information and Where to Find It

Iberdrola USA, Inc. will file with the United States Securities and Exchange Commission (“SEC”) a registration statement on Form S-4, in which a proxy statement will be included as a prospectus, and other documents in connection with the proposed merger. The UIL proxy statement/prospectus will be sent to the stockholders of UIL Holdings. INVESTORS AND SECURITYHOLDERS OF UIL ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS, AND ANY OTHER FILINGS THAT MAY BE MADE WITH THE SEC IN CONNECTION WITH THE MERGER WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The registration statement and proxy statement/prospectus and other documents which will be filed by Iberdrola USA with the SEC, when filed, will be available free of charge at the SEC’s website at www.sec.gov, or from Iberdrola USA, Inc. at www.iberdrolausa.com. Such documents are not currently available. You may also read and copy any reports, statements and other information filed by Iberdrola USA and UIL Holdings with the SEC at the SEC public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) 732-0330 or visit the SEC’s website for further information on its public reference room. Certain executive officers and directors of UIL Holdings have interests in the proposed transaction that may differ from interests of stockholders generally, including benefits conferred under retention, severance and change in control arrangements and continuation of director and officer insurance and indemnification. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.