



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

Bilbao, 21 February 2013

To the National Securities Market Commission

Re: Issue of a hybrid bond by Iberdrola International B.V. guaranteed on a subordinated basis by Iberdrola, 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 Iberdrola International B.V.¹ (the “**Issuer**”) has closed today the pricing and the terms and conditions of an issue of its Undated Deeply Subordinated Reset Rate Guaranteed Securities (the “**Securities**”) for an amount of 525 million euros (the “**Issue**”), guaranteed on a subordinated basis by Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”).

The Securities will be issued at a price of 99.472 % of their nominal value. The Securities will bear an annual interest of 5.75 % from (and including) the issue date until 27 February 2018 (the “**First Reset Date**”).

From (and including) the First Reset Date, they will bear an interest equal to the relevant 5 year Swap Rate plus a margin of:

- (i) 4.81 % per annum in respect of the five-year reset period commencing on the First Reset Date;
- (ii) 5.06 % per annum in respect of the five-year reset periods commencing on 27 February 2023, 27 February 2028 and 27 February 2033; and

¹ A subsidiary of Iberdrola, S.A.

(iii) 5.81 % per annum in respect of any subsequent five-year reset period.

The Issuer may, at its sole discretion, elect to defer any payment of interest on the Securities, which shall not constitute an event of default. Any interests so deferred shall be cumulative and arrears of interest shall be payable in certain events set forth in the terms and conditions of the Securities.

Likewise, the Issuer may redeem the Securities in certain specific dates or upon the occurrence of certain events described in the terms and conditions of the Securities.

The closing and payment of the Issue, which will be subject to English law, is expected to take place on 27 February 2013, subject to compliance with certain conditions precedent customary for transactions of this type, as well as to the execution of the Subscription Agreement with the Joint Bookrunners, among other agreements related to the Issue.

The Issue will be placed among institutional investors by Barclays Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc.

The notes are expected to be admitted to trading on the Luxembourg EuroMTF market.

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

Yours faithfully,

General secretary and secretary of the Board of Directors

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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