



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

Bilbao, 6 November 2015

To the National Securities Market Commission

Subject: Determination of conditions of the issuance in the Euromarket of equity-linked bonds to the shares of Iberdrola, S.A.

Dear Sirs,

Pursuant to article 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, and further to the notice of significant event dated today (with official registry number 230680), we hereby inform you that Iberdrola International B.V. (the "**Issuer**")¹ has placed an issuance in the Euromarket of equity-linked bonds to the shares of Iberdrola, S.A. for an amount of EUR 500 million (the "**Bonds**" and "**Iberdrola**", respectively).

The Bonds mature on 11 November 2022, will bear an annual interest of 0 % and are being issued at a price of 100 % of their face value. The payment obligations of the Issuer under the Bonds will be unconditionally and irrevocably guaranteed by Iberdrola.

The issuance of the Bonds was managed by Barclays Bank PLC (as sole Global Coordinator and Joint Bookrunner) and by Banco Bilbao Vizcaya Argentaria, S.A. and Crédit Agricole Corporate and Investment Bank (as Joint Bookrunners).

The Bonds have an embedded option, which can be exercised by their holders from 12 July 2022 to 3 October 2022, entitling them to receive a cash payment determined by the evolution of the market price of Iberdrola shares. Neither new shares of Iberdrola nor of any of the companies of its group will be issued in connection with the redemption of the Bonds at maturity.

The reference price of the Iberdrola shares for the purposes of this option will be determined by applying a 35 % premium over the arithmetical mean of the volume-weighted average price of the shares of Iberdrola on the Spanish Stock Exchanges over a reference period of ten consecutive trading days, beginning on and including 9 November 2015, and will be announced by Iberdrola on or around 20 November 2015.

Concurrently with the issuance of the Bonds, Iberdrola Financiación, S.A. (Sociedad Unipersonal)² has purchased from Barclays Bank PLC cash-settled call options to hedge the exposure of the Issuer to any cash amounts payable in connection with the exercise of the option by the holders of the Bonds. Barclays Bank PLC has informed Iberdrola that Barclays Bank PLC and/or its affiliates anticipate entering into transactions to hedge their exposure under such call options, including transactions to be conducted during the averaging period for the determination of the reference share price.

¹ A wholly owned subsidiary of Iberdrola, S.A.

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This information is provided to you for the appropriate purposes.

Yours faithfully,

General Secretary and Secretary to the Board of Directors

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