

Bilbao, 20 February 2018

To the National Securities Market Commission

Subject: Share buy-back programme of Iberdrola, S.A.

Dear Sirs,

Pursuant to article 17 of Regulation (EU) No. 596/2014 on market abuse (the "**Regulation 596/2014**") and article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, we hereby inform you that, on the date hereof, the Board of Directors of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**") has resolved to implement a buy-back programme of the Company's own shares (the "**Buy-back Programme**") in accordance with the authorisation granted by the General Shareholders' Meeting held on 28 March 2014, under item nine of the agenda and, if approved, the authorisation granted, in substitution of the same, by the shareholders at the General Shareholders' Meeting to be held on 13 or 14 April 2018, on first and second call, respectively.

The Buy-back Programme is carried out pursuant to the Regulation 596/2014 and the Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures (the "**Regulation 2016/1052**"), with the objective of reducing the share capital of the Company, subject to the prior approval of the referred General Shareholders' Meeting, under such terms as are approved by it.

The Buy-back Programme of the Company's own shares will reach up to 99,343,969 shares, representing approximately 1.543 % of the share capital of Iberdrola as of the date hereof and the maximum pecuniary amount allocated to the programme will be euro 745,079,767.50. The Buy-back Programme will be executed under the following terms:

- (a) The shares will be purchased at market price, subject to the price and volume conditions set forth in article 3 of the Regulation 2016/1052. In particular, as regards the price, the Company will not buy shares at a price higher than the higher of: (i) the price of the last independent trade; and (ii) the highest current independent purchase bid on the trading venue where the purchase is carried out. In so far as volume is concerned, Iberdrola will not buy more than 25 % of the average daily volume of the shares on the trading venue in which the purchase is carried out.
- (b) The Buy-back Programme will commence on 21 February 2018 and will remain in force until 15 June 2018.

Notwithstanding the above, Iberdrola reserves the right to early terminate the Buy-back Programme if, prior to the last effective date (i.e., 15 June 2018), the Company has acquired the maximum number of shares authorised by the Board of Directors or when circumstances render it appropriate.

- (c) The interruption, termination or amendment of the Buy-back Programme as well as the transactions performed pursuant to it will be duly communicated to the National Securities Market Commission through the corresponding notice of significant event, within the time periods provided by the Regulation 2016/1052.

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Finally, in connection with the reduction in share capital that will be submitted to the shareholders at the General Shareholders' Meeting to be held on 13 or 14 April 2018, on first and second call, respectively, we hereby inform you that, in addition to the own shares purchased by virtue the Buy-back Programme, part of said share capital reduction, if approved, could also imply the retirement of all or a portion of the own shares acquired pursuant to the settlement at maturity, no later than 15 June 2018, of certain derivate instruments entered into by the Company before the date hereof. Pursuant to the settlement of said derivate instruments, Iberdrola could acquire a maximum of 31,633,229 own shares.

This information is provided to you for the appropriate purposes.

Yours faithfully,

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 oral or written forward-looking statements hereby made or otherwise 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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