

Valencia, 8 March 2011

To the National Securities Market Commission

Subject: Proposed merger with Iberdrola, S.A.

Dear Sirs,

As provided in Section 82 of Act 24/1988, dated 28th July, on Securities Market, Iberdrola Renovables, S.A. (hereinafter “**Iberdrola Renovables**” or the “**Company**”) hereby services notice that on the date hereof it has received a formal invitation from Iberdrola, S.A. (hereinafter, “**Iberdrola**”) to initiate negotiations with a view to a potential merger transaction between Iberdrola, S.A. (as the acquiring company) and Iberdrola Renovables (as the acquired company).

The exchange ratio initially proposed by Iberdrola is 0,49894437 of Iberdrola shares, each with a nominal value of seventy five euro cents (EUR 0.75), in exchange for one of Iberdrola Renovables shares each with a nominal value of fifty euro cents (EUR 0.50), which would entail applying a circa 16,7 % premium over the average trading value of Iberdrola Renovables shares during the last six months, which results in two euro and nine hundred and seventy eight euro mils (EUR 2.978) per each Iberdrola Renovables share.

Iberdrola has stated in its communication that it shall undertake to vote in favor of any extraordinary dividend distribution proposed to the General Shareholders’ Meeting of Iberdrola Renovables by its Board of Directors (with the abstention of the Proprietary Directors appointed at the behest of Iberdrola), as the case may be, provided that the amount to be distributed per share is equivalent to a 40% of the above indicated value of Iberdrola Renovables shares (namely, two euro and nine hundred and seventy eight euro mils (EUR 2.978)).

Should the aforementioned dividend distribution be proposed by the board of Directors of Iberdrola Renovables and finally agreed upon by the General Shareholders’ Meeting in accordance with the abovementioned terms, the exchange ratio would be 0,29936662 of Iberdrola shares in exchange for one of Iberdrola Renovables shares.

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The merger transaction proposed by Iberdrola has been considered on the date hereof, by the Executive Committee and by the Board of Directors of the Company. As a result, the Board of Directors of Iberdrola Renovables has agreed, among others that are not inconsistent therewith, the following resolutions:

- (i) Undertake, with the assistance of experts, a strategic, financial and legal analysis of the proposed merger transaction from the perspective of the company interest of Iberdrola Renovables, for the purposes of negotiating and establishing, where appropriate, any kind of terms and conditions related to the merger.

Proprietary Directors appointed at the behest of Iberdrola have refrained from attending to, and taking part in, the meeting of the Board of Directors both during the discussion and during the voting related to this resolution.

- (ii) Establish within it a Merger Commission, with informational and advisory character, and without executive functions, whose main function shall consist in undertaking analysis works related to the potential merger transaction from the perspective of the company interest, and which shall be composed of three (3) Independent Directors, Mr. Manuel Amigo Mateos, Mr. Emilio Ontiveros Baeza and Mr. José Manuel González Serna, who has been appointed as the Chairman of the Merger Commission, and Mrs. Regina Reyes Gallur, Deputy Secretary and Legal Counsel of the Board of Directors, has been appointed as Secretary.

Yours faithfully,

CAUTIONARY LEGEND

This announcement does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. IBERDROLA RENOVABLES, S.A. shall not be offered or sold in the United States of America, unless an effective notice statement as provided in the Securities Act is made, or under a valid exemption from the notifying obligation.

This communication contains forward-looking information and statements about IBERDROLA RENOVABLES, 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 RENOVABLES, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA RENOVABLES, 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 RENOVABLES, 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 documents sent by IBERDROLA RENOVABLES, S.A. to the Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of IBERDROLA RENOVABLES, 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 RENOVABLES, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to IBERDROLA RENOVABLES, S.A. on the date hereof. Except as required by applicable law, IBERDROLA RENOVABLES, 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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