

Drawdown Prospectus Dated 31 October 2012



IBERDROLA INTERNATIONAL B.V.

(Incorporated with limited liability in The Netherlands and having its corporate domicile in Amsterdam)

**Issue of euro 400,000,000 4.250 per cent. Notes due October 2018 (the *Notes*)
to be consolidated and form a single series with the existing euro 1,000,000,000 4.250
per cent. Notes due October 2018**

**Guaranteed by
IBERDROLA, S.A.**

(Incorporated with limited liability in the Kingdom of Spain)

The Notes are issued under the €20,000,000,000 Euro Medium Term Note Programme (the **Programme**) of Iberdrola International B.V. (the **Issuer**), guaranteed (the **Guarantee**) by Iberdrola, S.A. (the **Guarantor**). Application has been made to the Commission de Surveillance du Secteur Financier (**CSSF**), in its capacity as the competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities as amended by the Luxembourg Act dated 3 July 2012 on prospectuses for securities (the **Luxembourg Act**), for the approval of this Drawdown Prospectus as a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State), (the **Prospectus Directive**). Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange.

The Notes have been rated Baa1 (on review for downgrade) by Moody's Investors Service Ltd. (**Moody's**), BBB+ (on CreditWatch, with negative implications) by Standard & Poor's Credit Market Services Europe Limited (**S&P**) and BBB+ (Rating Watch Negative) by Fitch Ratings Ltd. (**Fitch**). Moody's, S&P and Fitch are established in the European Union and have been registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal by the assigning rating agency.

The rating of certain series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation") will be disclosed in the Final Terms. A list of registered credit rating agencies is published at the European Securities and Market Authority's website: <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Joint Lead Managers

BofA Merrill Lynch

Crédit Agricole CIB

Mizuho Securities

This Drawdown Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (the *Prospectus Directive*)

This Drawdown Prospectus is published for the purpose of giving information with regard to the Issuer, the Guarantor, the subsidiaries of the Guarantor (together with the Guarantor, the *Group*) and the Notes. The Issuer and the Guarantor accept responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in the Drawdown Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. This Drawdown Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*").

No person has been authorised to give any information or to make any representation other than those contained in this Drawdown Prospectus in connection with the Programme or the issue or sale of the Notes and if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Joint Lead Managers. Neither this Drawdown Prospectus, the Programme nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of either of the Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that any other information supplied in connection with this Drawdown Prospectus or the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers have not separately verified the information contained in this Drawdown Prospectus. None of the Joint Lead Managers makes any representation, express or implied, or accepts any responsibility with respect to the accuracy or completeness of any of the information in this Drawdown Prospectus. Neither this Drawdown Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or the Joint Lead Managers that any recipient of this Drawdown Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Drawdown Prospectus and its purchase of the Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Drawdown Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers.

This Drawdown Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for, or purchase, the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the Securities Act) and include the Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

This Drawdown Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Drawdown Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Joint Lead Managers do not represent that this Drawdown Prospectus may be lawfully distributed, or that the

Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of this Drawdown Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Drawdown Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Drawdown Prospectus or the Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Prospectus and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Drawdown Prospectus and the offer or sale of the Notes in the United States, the United Kingdom, the European Economic Area, the Netherlands, Spain and Japan.

In this Drawdown Prospectus, unless otherwise specified or the context otherwise requires, references to "**Euro**", "**euro**", "**€**" or "**Eur**" are to the single currency which was introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty on the Functioning of the European Union, as amended.

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RISK FACTORS

Prospective investors should consider carefully the risks set forth under the section of the Base Prospectus titled "Risk Factors".

The Issuer and the Guarantor believes that these factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described therein.

The Issuer and the Guarantor believes that these factors represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Drawdown Prospectus (including any documents deemed to be incorporated by reference herein) and in the Base Prospectus and reach their own views prior to making any investment decision.

Noteholders are alerted to the statements under "Taxation" in the Base Prospectus regarding the tax treatment in the Kingdom of Spain of income in respect of the Notes and to the disclosure requirements imposed on the Guarantor relating to the identity of certain Noteholders. In particular, income in respect of the Notes will be subject to withholding tax if certain information regarding Noteholders is not received by the Guarantor as described herein. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Guarantor, the Joint Lead Managers, the Paying Agents, the Registrar and the clearing systems assume any responsibility therefor.

DOCUMENTS INCORPORATED BY REFERENCE

The base prospectus dated 14 June 2012 (the **Base Prospectus**) (which constitutes a base prospectus for the purposes of the Prospectus Directive), as supplemented on 1 August 2012, shall be deemed to be incorporated into and form part of this Drawdown Prospectus in its entirety with the exception of the section “*Terms and Conditions*” therein (pages 25 to 55, inclusive). The section “*Terms and Conditions*” of the base prospectus dated 6 July 2011 (pages 26 to 55, inclusive) (the **Conditions**) shall be deemed to be incorporated into and form part of this Drawdown Prospectus.

<i>Information Incorporated by Reference</i>	<i>Reference</i>
<i>Base Prospectus dated 6 July 2011</i>	
Terms and Conditions	Pages 26 to 55
<i>Base Prospectus dated 14 June 2012</i>	
Overview of the Programme	Pages 5 to 10
Risk Factors	Pages 11 to 22
Use of Proceeds	Page 56
Summary of Provisions Relating to the Notes While in Global Form or While Registered in the Name of a Nominee for a Clearing System	Pages 57 to 62
Description of the Guarantee	Pages 63 to 66
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Description of Iberdrola	Pages 68 to 101
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<i>Supplement dated 1 August 2012</i>	
Documents Incorporated by Reference	Pages 1-2
- Interim consolidated financial statements of the Guarantor	Page 1
- Cross Reference List	Pages 1-2

Any statement contained in the Base Prospectus shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a

part of this Drawdown Prospectus. Information contained in the Base Prospectus but not incorporated by reference into this Drawdown Prospectus is either specified in this Drawdown Prospectus or not relevant.

Any documents incorporated by reference in the Base Prospectus shall not constitute part of this Drawdown Prospectus.

This Drawdown Prospectus must be read in conjunction with the Base Prospectus and the Conditions and full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the provisions set out within this Drawdown Prospectus, the Base Prospectus and the Conditions.

The following documents which have previously been published and which have been filed with the CSSF shall be incorporated in, and form part of, this Drawdown Prospectus:

- (a) the auditors' report and audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011;
- (b) the auditors' report and audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010;
- (c) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011;
- (d) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2010;
- (e) the unaudited consolidated interim financial statements of the Guarantor for the three months ended 31 March 2012;
- (f) the interim condensed consolidated financial statements of the Guarantor for the six months ended 30 June 2012; and
- (g) the unaudited consolidated interim financial statements of the Guarantor for the nine months ended 30 September 2012.

The information set out in the table below, which is required by Commission Regulation (EC) No. 809/2004, of 29 April 2004, is contained in the documents incorporated by reference:

Information incorporated by reference *Page number*

Iberdrola International B. V.

Annual report for 2011

Audit report	16-17
Profit and loss account	5
Balance sheet	4

<i>Information incorporated by reference</i>	<i>Page number</i>
Accounting policies and explanatory notes	7-14

Annual report for 2010

Audit report	16-17
Profit and loss account	5
Balance sheet	4
Accounting policies and explanatory notes	7-14

Iberdrola, S.A.

Annual report for 2011 (including audited consolidated annual financial statements)

Audit report	Cover page
Balance sheet	4-5
Profit and loss account	6-7
Accounting policies and explanatory notes	10-158

Annual report for 2010 (including audited consolidated annual financial statements)

Audit report	7
Balance sheet	10-11
Profit and loss account	12-13
Accounting policies and explanatory notes	16-157

Interim report for first quarter 2012

Income statement	43
Balance sheet	41-42

Half yearly report for first half 2012

Report on limited review by auditor	ii-iii
Balance sheet	3
Profit and loss	5
Accounting policies and explanatory notes	9

<i>Information incorporated by reference</i>	<i>Page number</i>
<i>Interim report for third quarter 2012</i>	
Balance sheet	42-43
Profit and loss	44

Any information not listed in the cross reference table above but included in the documents incorporated by reference is given for information purposes only.

Copies of documents incorporated by reference in this Drawdown Prospectus are available, free of charge, from the registered office of the Issuer, the registered office of the Guarantor, from the specified offices of the Paying Agents for the time being in London and Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Following the publication of this Drawdown Prospectus, a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Drawdown Prospectus or in a document which is incorporated by reference in this Drawdown Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Drawdown Prospectus.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Drawdown Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Drawdown Prospectus or publish a new Drawdown Prospectus for use in connection with any subsequent issue of Notes.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the Conditions, as amended or supplemented below. References in the Conditions to Final Terms shall be deemed to refer to the terms set out below.

Capitalised words and expressions used below shall, save to the extent otherwise defined therein, have the meanings given thereto in the Conditions and in the Agency Agreement dated 6 July 2011. All references to *Conditions* or to a numbered *Condition* shall be to the Conditions or the relevant numbered condition of the Conditions.

PART A – CONTRACTUAL TERMS

- | | | | |
|-----|------|---|---|
| 1. | (i) | Issuer: | Iberdrola International B.V. |
| | (ii) | Guarantor: | Iberdrola, S.A. |
| 2. | (i) | Series Number: | 100 |
| | (ii) | Tranche Number: | 2 |
| 3. | | Specified Currency or Currencies: | Euro (“€”) |
| 4. | | Aggregate Nominal Amount admitted to trading: | €400,000,000 to be consolidated with the Original Notes not earlier than 40 days after the Issue Date and to form a single series of €1,400,000,000 in total |
| 5. | | Issue Price: | 100.060 per cent. of the Aggregate Nominal Amount plus €512,328.77 corresponding to the accrued interest for the period commencing on, and including, 11 October 2012 to, but excluding, the Issue Date |
| 6. | | Specified Denominations: | €100,000 and integral multiples of €100,000 thereafter |
| 7. | (i) | Issue Date: | 22 October 2012 |
| | (ii) | Interest Commencement Date: | 11 October 2012 |
| 8. | | Maturity Date: | 11 October 2018 |
| 9. | | Interest Basis: | 4.25 per cent. Fixed Rate
(further particulars specified below) |
| 10. | | Redemption/Payment Basis: | Redemption at par |
| 11. | | Change of Interest or Redemption/Payment Basis: | Not Applicable |
| 12. | | Put/Call Options: | Put Option
(further particulars specified below) |
| 13. | (i) | Status of the Notes: | Senior |
| | (ii) | Status of the Guarantee: | Senior |

- (iii) Date Board of Directors approval for issuance of Notes obtained: 17 October 2012

14. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** Applicable
- (i) Rate of Interest: 4.25 per cent. per annum payable annually in arrear
- (ii) Interest Payment Date(s): 11 October in each year commencing on 11 October 2013 up to and including the Maturity Date.
- (iii) Fixed Coupon Amount: €4,250.00 per €100,000 in nominal amount.
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: Actual/Actual(ICMA)
- (vi) Determination Dates: 11 October in each year
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
16. **Floating Rate Note Provisions** Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index/Formula-linked Note/other variable-linked interest Note Provisions** Not Applicable
19. **Dual Currency Note Provisions** Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** Not Applicable
21. **Put Option** Applicable
(further particulars specified in provision 31 below)
- (i) Optional Redemption Date(s): See provision 31 below
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): See provision 31 below
- (iii) Notice period (if other than as set out the Conditions): See provision 31 below

22. **Final Redemption Amount** €100,000 per €100,000 in nominal amount
23. **Early Redemption Amount**
 Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 6): As per Conditions

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. (i) Form of Notes: Bearer Notes:
 Temporary Global Note exchangeable for a Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.
- (ii) New Global Note Yes
25. Financial Centre(s) or other special provisions relating to Payment Dates: TARGET 2 Business Days
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable
28. Details relating to Instalment Notes: amount of each instalment date on which each payment is to be made: Not Applicable
29. Redenomination, renominalisation and reconventioning provisions: Not Applicable
30. Consolidation provisions: Not Applicable
31. Other terms: The text of condition 6(f) shall be deleted and replaced with the following:
“Redemption at the option of the Noteholders upon a Change of Control
 At any time while any Note remains outstanding, each holder of Notes will have the option (the **“Put Option”**) to require the Issuer to redeem or,

at the Issuer's option, to procure the purchase of such Notes on the Optional Redemption Date at the Optional Redemption Amount (both terms as defined below) if a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a "**Put Event**").

A "**Change of Control**" shall be deemed to have occurred at each time that any person or persons acting in concert ("**Relevant Persons**") or any person or persons acting on behalf of such Relevant Persons, acquire(s) control, directly or indirectly, of the Guarantor.

"**control**" means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

"**Change of Control Period**" means the period commencing on the date that is the earlier of: (1) the date of the occurrence of the relevant Change of Control; and (2) the date of the earliest Potential Change of Control Announcement (if any), and ending on the date which is 270 days after the date of the occurrence of the relevant Change of Control.

"**Potential Change of Control Announcement**" means any public announcement or public statement by the Issuer, the Guarantor, any actual or potential bidder or any advisor thereto relating to any potential Change of Control.

"**Rating Agency**" means any of the following: (a) Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**"); (b) Moody's Investors Service Limited ("**Moody's**"); (c) Fitch Ratings Ltd ("**Fitch Ratings**"); or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A “**Rating Downgrade**” shall be deemed to have occurred in respect of a Change of Control if: (A) within the Change of Control Period the rating previously assigned to the Guarantor by any Rating Agency is: (x) withdrawn; (y) ceases to be an Investment Grade Rating; or (z) if the rating assigned to the Guarantor by any Rating Agency which is current at the time the Change of Control Period begins is below an Investment Grade Rating, that rating is lowered one full rating notch by any Rating Agency (for example BB+ to BB by S&P), provided that a Rating Downgrade shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency withdrawing or lowering the rating does not publicly announce or otherwise confirms in writing to the Issuer that the reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control; or (B) at the time of the Change of Control there is no rating assigned to the Guarantor.

“**Investment Grade Rating**” means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody’s, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); and (3) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories).

“**Optional Redemption Amount**” means an amount equal to par plus interest accrued to but excluding the Optional Redemption Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a “**Put Event Notice**”) to the Fiscal Agent, the Paying Agents and the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Put Option, as well as the date upon which the Put Period (as defined below) will end and

the Optional Redemption Date (as defined below).

To exercise the Put Option to require redemption or, as the case may be, purchase of a Note under this section, the holder of that Note must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Fiscal Agent specified in the Put Option Notice for the account of the Issuer within the period (the “**Put Period**”) of 45 days after the Put Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Option Notice**”) and in which the holder may specify a bank account to which payment is to be made under this section.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Notes in respect of which the Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Fiscal Agent for the account of the Issuer as described above on the date which is the fifth Business Day following the end of the Put Period (the “**Optional Redemption Date**”). Payment in respect of any Note so transferred will be made in euro to the holder to the specified euro denominated bank account in the Put Option Notice on the Optional Redemption Date via the relevant account holders.”

DISTRIBUTION

32. (i) If syndicated, names of Managers: Crédit Agricole Corporate and Investment Bank
Merrill Lynch International
Mizuho International plc
- (ii) Stabilising Manager (if any): Not Applicable
33. If non-syndicated, name of Dealer: Not Applicable
34. Additional selling restrictions: Not Applicable

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Official List of the Luxembourg Stock Exchange

- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange with effect from 31 October 2012
- (iii) Estimate of total expenses related to admission to trading: €3,610

2. RATINGS

Ratings: The Notes to be issued have been rated:

S & P: BBB+ (on CreditWatch, with negative implications)

Moody's: Baa1 (on review for downgrade)

Fitch: BBB+ (rating watch negative)

S&P, Moody's and Fitch are established in the European Union and are registered under Regulation (EC) No. 1060/2009.

3. YIELD

Indication of yield: 4.238 per cent. (annual)

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

5. REASONS FOR THE OFFER

See "Use of Proceeds" wording in Prospectus

6. OPERATIONAL INFORMATION

Temporary ISIN Code: XS0846482726

Temporary Common Code: 084648272

ISIN Code: XS0767977811

Common Code: 076797781

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Not Applicable

Clearstream Banking, société anonyme and the relevant identification number(s):

Delivery: Delivery against payment

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Intended to be held in a manner which would allow Eurosystem eligibility: Yes
Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (ICSDs), being Euroclear and Clearstream, Luxembourg, as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

7. GENERAL

Applicable TEFRA exemption: D Rules

GENERAL INFORMATION

- (1) Application has been made to the CSSF to approve this document as a drawdown prospectus of the Issuer. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
- (2) None of the Issuer, the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.
- (3) Since 31 December 2011, there has been no material adverse change in the prospects of Iberdrola International nor, since 31 December 2011, has there been any significant change in the financial or trading position of Iberdrola International.
- (4) Since 31 December 2011, there has been no material adverse change in the prospects of the Guarantor or the Group nor, since 30 September 2012, has there been any significant change in the financial or trading position of the Guarantor or the Group.
- (5) The Notes will be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (6) Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or any of their affiliates. They may have received, or may in the future receive, customary fees and commissions for these transactions

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JOINT LEAD MANAGERS

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