

FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (MiFID II); (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Final Terms dated 11 September 2017

Iberdrola Finanzas, S.A.U.

(incorporated with limited liability in the Kingdom of Spain)

Issue of

EUR 750,000,000 1.250% Green Bonds due 13 September 2027

Guaranteed by
Iberdrola, S.A.

Under the EUR 20,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of Notes issued by Iberdrola Finanzas, S.A.U. set forth in the Base Prospectus dated 28 July 2017 (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and the Final Terms have been published on the website of the Luxembourg Stock Exchange at www.bourse.lu and are available for viewing at the registered office of the Issuer at Plaza Euskadi 5, 48009 Bilbao, Spain, and of the Fiscal Agent at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom and copies may be obtained from the Fiscal Agent at its aforementioned registered address.

- | | | | |
|-----------|-------|--|----------------|
| 1. | (i) | Series Number: | 120 |
| | (ii) | Tranche Number: | 1 |
| | (iii) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable |
| 2. | | Specified Currency or Currencies: | Euro (€) |

3. Aggregate Nominal Amount admitted to trading: €750,000,000
4. Issue Price: 99.052 per cent. of the Aggregate Nominal Amount.
5. Specified Denominations: €100,000 and integral multiples of €100,000 thereafter
6. (i) Issue Date: 13 September 2017
(ii) Interest Commencement Date: Issue Date
7. Maturity Date: 13 September 2027
8. Interest Basis: 1.250% (see item 12 below)
9. Change of Interest Basis: Not Applicable
10. Put/Call Options: Issuer Call
(see paragraph 15 below)
Change of Control Put Option
(see paragraph 17 below)
Residual Maturity Call Option
(see paragraph 18 below)
Substantial Purchase Event
(see paragraph 19 below)
11. Date Board approval for issuance of Notes obtained: 5 September 2017

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions** Applicable
- (i) Rate of Interest: 1.250 per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): 13 September in each year commencing on 13 September 2018 up to and including the Maturity Date.
- (iii) Fixed Coupon Amount(s): €1,250 per Specified Denomination
- (iv) Broken Amount(s): Not Applicable
(Applicable to Notes in definitive form)

- (v) Day Count Fraction: Actual/Actual(ICMA)
- (vi) Determination Dates: 13 September in each year

13. Floating Rate Note Provisions Not Applicable

14. Zero Coupon Note Provisions Not Applicable

PROVISIONS RELATING TO REDEMPTION

15. Call Option Applicable

- (i) Optional Redemption Date(s): As per Conditions
- (ii) Optional Redemption Amount(s) of each Note: Make-Whole Amount
- (iii) Make-whole Amount: Applicable
 - (a) Reference Note: Not Applicable
 - (b) Discount Rate: 0.20 per cent.
 - (c) Make-whole Exemption Period: Not Applicable
- (iv) If redeemable in part:
 - (a) Minimum Redemption Amount: Not Applicable
 - (b) Maximum Redemption Amount: Not Applicable
- (v) Notice periods: As per Conditions

16. Put Option Not Applicable

17. Change of Control Put: Applicable

- (i) Optional Redemption Amount: As per Conditions
- (ii) Notice periods: As per Conditions

18. Residual Maturity Call Option Applicable

19. Substantial Purchase Event Applicable

20. Final Redemption Amount €100,000 per €100,000 in nominal amount

21. 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

- 22. (a) 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.
- (b) New Global Note: Yes
- 23. Financial Centre(s) or other special provisions relating to Payment Dates: TARGET2 Business Days
- 24. Talons for future Coupons to be attached to Definitive Notes: No
- 25. Consolidation provisions: Not Applicable

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) 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 13 September 2017.
- (ii) Estimate of total expenses related to admission to trading: €7,200

2. RATINGS

Ratings: The Notes to be issued have been rated:

Standard & Poor’s Rating Services, a division of the McGraw Hill Companies, Inc. (**S&P**): BBB+ (stable)

Moody’s Investor Service Limited (**Moody’s**): Baa1 (positive)

Fitch Ratings Limited (**Fitch**): BBB+ (stable)

S&P, Moody’s and Fitch are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended). As such, each of S&P, Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).

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

So far as the Issuer is aware and save for the fees paid to the Managers, no person involved in the offer of the Notes has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. For the purpose of this paragraph the term “affiliates” includes also parent companies.

4. YIELD

Indication of yield: 1.352% per. cent (annual)

5. OPERATIONAL INFORMATION

ISIN Code: XS1682538183

Common Code: 168253818

Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): Not Applicable

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 the ECB being satisfied that Eurosystem eligibility criteria have been met.

6. DISTRIBUTION

(a) Method of distribution: Syndicated

(b) If syndicated, names of Managers: CaixaBank, S.A.

Commerzbank Aktiengesellschaft

J.P. Morgan Securities plc

Merrill Lynch International

Mizuho International plc

Natixis

RBC Europe Limited

(c) Date of Agreement: 11 September 2017

(d) Stabilisation Manager(s) (if any): Not Applicable

(e) U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA D