



Julián Martínez-Simancas  
General secretary and secretary of the Board of Directors

Bilbao, December 30, 2011

**To the National Securities Market Commission**

**Re: Supplement to the information memorandum regarding the second implementation of the paid-up capital increase approved by the shareholders at the General Shareholders' Meeting of Iberdrola, S.A. of May 27, 2011**

Dear Sirs:

We refer to our notice of significant event (*hecho relevante*) delivered to this National Commission on November 22, 2011 (registry number 153,591).

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, we inform you that the matters summarized below regarding the second implementation of the paid-up capital increase approved by the shareholders at the General Shareholders' Meeting of Iberdrola, S.A. held on May 27, 2011, under item six on its agenda (the "**Second Implementation**") have been determined today:

- (i) The maximum number of new shares to be issued on the Second Implementation is 183,827,812.
- (ii) 32 free allocation rights are needed to receive one new share.
- (iii) The maximum nominal amount of the Second Implementation is 137,870,859.00 euros.
- (iv) The acquisition price for each free allocation right under the purchase commitment assumed by Iberdrola, S.A. is 0.146 euros.

Furthermore, and for the purposes of articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of November 4 (*Real Decreto 1310/2005, de 4 de noviembre*) we are pleased to provide you, attached hereto as an annex, with the supplement to the information

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memorandum (*documento informativo*), covered by the notice of significant event referred to above regarding the Second Implementation, which has been approved today.

It is stated for the record that the summary included above is part of the supplement to the above referred information memorandum, and should therefore be read in conjunction with such supplement.

Yours sincerely,

The general secretary and 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 exception 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 National Securities Market Commission (*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 subsequent oral or written forward-looking statements 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.



**Annex**  
**Supplement to the information memorandum relating to the second implementation of**  
**the paid-up capital increase approved by the shareholders of Iberdrola, S.A. at the**  
**General Shareholders' Meeting of May 27, 2011**

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**SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE SECOND IMPLEMENTATION OF THE CAPITAL INCREASE WITH A CHARGE TO RESERVES OF IBERDROLA, S.A. APPROVED BY THE SHAREHOLDERS AT THE GENERAL SHAREHOLDERS' MEETING OF MAY 27, 2011**

**1. PURPOSE**

**1.1. Background**

The shareholders of Iberdrola, S.A. (hereinafter, “**Iberdrola**” or the “**Company**”) approved, at the General Shareholders’ Meeting held on May 27, 2011, under item six on the agenda (the “**Shareholders’ Resolution**”), an increase in wholly paid-up share capital with a charge to the “RDL Update 7/1996” (“*Actualización RDL 7/1996*”) reserves, in a maximum market value of reference of 1,909 million euros, by means of the issuance of ordinary shares for their free allocation to the shareholders of the Company (the “**Capital Increase**”).

The Executive Committee, at its meeting held on June 7, 2011 and in exercising the powers delegated in its favor by the Board of Directors on May 27, 2011, amended the maximum market value of reference of the shares to be issued in the context of the Capital Increase and fixed it at 1,846 million euros, as well as the market value of reference for each implementation of the Capital Increase, all the foregoing pursuant to the provisions of the Shareholders’ Resolution and on the terms of the Information Memorandum (as defined below).

The Board of Directors, at its meeting of November 22, 2011, agreed to carry out the second implementation of the Capital Increase on the occasion of what would otherwise have been the traditional interim payment of dividend for the fiscal year ended on December 31, 2011, if the “Iberdrola Flexible Dividend” system had not been implemented, with a maximum market value of reference of 901 million euros (the “**Second Implementation**”).

Within this context, the Company issued an information memorandum (*documento informativo*) in which, pursuant to the provisions of articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of November 4, “*information regarding the number and types of shares and the rationale and details of the offer*” was provided and made available to the public by means of a notice of significant event dated November 22, 2011 (registry number 153,591) (the “**Information Memorandum**”).

**1.2. Purpose**

This document supplements the Information Memorandum and is intended to provide the public with the information regarding the Second Implementation of the Capital Increase that was not available on the publication date of the Information Memorandum and, particularly, the number of rights necessary to receive one new share of Iberdrola, the maximum number

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of new shares to be issued on the Second Implementation, the maximum nominal amount of the Second Implementation and the fixed price for the purchase of the free allocation rights with respect to the commitment to purchase rights assumed by Iberdrola.

This document, together with the Information Memorandum, constitutes the document referred to in Sections 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of November 4, and renders the preparation and publication of a prospectus (*folleto informativo*) with respect to this Second Implementation unnecessary. Both documents are available on Iberdrola's corporate website ([www.iberdrola.com](http://www.iberdrola.com)) and on the website of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

Capitalized terms not expressly defined in this document shall have the meaning provided in the Information Memorandum.

## **2. INFORMATION AVAILABLE REGARDING THE SECOND IMPLEMENTATION**

### **2.1. Number of free allocation rights needed for the allocation of one new share, maximum number of shares to be issued and maximum nominal amount of the Second Implementation**

The Board of Directors of Iberdrola, at its meeting of November 22, 2011, agreed to carry out the Second Implementation of the Capital Increase pursuant to the Shareholders' Resolution. As of the date of this document, the chairman and chief executive officer of the Company, in exercise of the powers delegated under the resolutions adopted by the Board of Directors of Iberdrola at its meeting of November 22, 2011, by performing the arithmetical operations provided for in the formulas approved by both the shareholders at the General Shareholders' Meeting and the Board of Directors, has determined the following terms and conditions:

- (i) The maximum number of shares to be issued in the Second Implementation is 183,827,812.

However, as established in the Information Memorandum, the number of shares actually issued will depend on the number of shareholders who choose not to transfer their free allocation rights. Iberdrola will waive the new shares corresponding to the free allocation rights that it has acquired pursuant to its irrevocable purchase commitment<sup>1</sup>, so only new shares corresponding to the free allocation rights not

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<sup>1</sup> In addition, in the event that the number of outstanding Iberdrola shares –after deducting the shares corresponding to the free allocation rights acquired by Iberdrola pursuant to the purchase commitment (which Iberdrola will waive pursuant to the provisions of the Shareholders' Resolution)– is a fraction, Iberdrola will also waive that number of its free allocation rights that are required for the number of new shares ultimately issued on the Second Implementation to be a whole number and not a fraction.



acquired by Iberdrola pursuant to this commitment will be issued. In any event, the above-referred definitive number of shares to be issued within the context of the Second Implementation will be duly communicated to the public by means of a notice of significant event regarding the closing of this implementation, the publication of which is expected to occur on January 17, 2012.

- (ii) 32 free allocation rights are needed to receive one new share.

The free allocation rights will be allocated to those appearing in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear)* at 11:59 p.m. (CET) on January 2, 2012 in the proportion of one free allocation right for each existing share of Iberdrola that they own. Therefore, each of the abovementioned entitled persons will have the right to receive one new share for every 32 old shares that they hold on such date.

- (iii) Thus, the maximum nominal amount of the Second Implementation of the Capital Increase is 137,870,859.00 euros.

However, as indicated above, the amount of the actual increase in the Company's share capital will be the result of multiplying the final number of shares issued by their nominal value (0.75 euros).

In order to ensure that the number of free allocation rights needed to receive one new share and the number of new shares issued within the context of this Second Implementation are whole numbers, Iberdrola has waived 16 free allocation rights corresponding to 16 shares that it holds.

In applying the formulas approved by both the shareholders at the General Shareholders' Meeting and the Board of Directors to determine the foregoing items, the chairman and chief executive officer has taken into account that:

- (i) "TNShrs" or the number of outstanding shares of Iberdrola on the date of this document is 5,882,490,000; and
- (ii) "ListPri," understood as the arithmetic mean of the average weighted listing prices of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on the five trading sessions held on December 22, 23, 27, 28 and 29, 2011, as appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange, is 4.806 euros.



## 2.2. Price of the purchase commitment

The purchase price of each free allocation right under Iberdrola's purchase commitment, calculated in accordance with the provisions of the Shareholders' Resolution and of the resolutions of the Board of Directors of November 22, 2011, is 0.146 euros. Therefore, shareholders desiring to receive their compensation in cash may sell their free allocation rights to Iberdrola at a gross fixed price of 0.146 euros.

In Bilbao, on December 30, 2011.

Iberdrola, S.A.

By

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Julián Martínez-Simancas Sánchez  
General secretary and secretary of the Board of  
Directors