



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

**To the National Securities Market Commission**

Bilbao, June 28, 2010

**Re: First execution of the paid-up capital increase implementing the “Iberdrola Flexible Dividend” system**

Dear sirs:

Pursuant to the provisions of Section 82 of Act 24/1988, of July 28, on the Securities Markets (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, and as a continuation of the notices of significant event sent to this National Commission on May 11, 2010 (registry number 125,114), May 25, 2010 (registry number 125,768) and June 10, 2010 (registry number 126,452), regarding the first execution of the paid-up capital increase (the “**First Execution**”) approved by the shareholders at the General Shareholders’ Meeting of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) held on March 26, 2010 under item six of the Agenda thereof, and pursuant to which the “Iberdrola Flexible Dividend” system has been implemented, we hereby inform you that:

- The period for trading the free-of-charge allocation rights corresponding to the First Execution has ended on the date hereof.
- During the period established for such purpose, the holders of one thousand eight hundred eighty-four million two hundred seventy-six thousand three hundred and sixteen (1,884,276,316) free-of-charge allocation rights have accepted the irrevocable commitment to purchase rights assumed by Iberdrola (the “**Purchase Commitment**”). Therefore, Iberdrola has acquired such rights in the total gross amount of three hundred fifty-nine million eight hundred ninety-six thousand seven hundred and seventy-six euros with thirty-six cents (359.896.776.36 euros).
- Iberdrola has waived the shares the corresponding to the free-of-charge allocation rights acquired pursuant to the above.

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- Therefore, the definitive number of ordinary shares with a unitary par value of seventy-five euro cents (0.75 €) that will be issued in the First Execution is one hundred twenty-nine million five hundred and forty thousand two hundred and eighty-four (129.540.284), with the nominal amount of the capital increase (on this First Execution) being ninety-seven million one hundred and fifty-five thousand two hundred and thirteen (97.155.213,00) euros, which entails an increase of two point forty-seven (2.47) per cent. over the share capital of Iberdrola prior to the First Execution.
- It is expected that, subject to compliance with all legal requirements (particularly that of the verification of such compliance by the National Securities Market Commission), the new shares will be admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Electronic Market), on Friday, July 2, 2010, the date on which the ordinary trading of the shares is also expected to commence.

Please be advised of all the foregoing for such purposes as may be appropriate.

Sincerely,

The General Secretary and Secretary of the Board of Directors

### **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.