



**Julián Martínez-Simancas**  
Secretary of the Board of Directors

Bilbao, February 21, 2017

**To the National Securities Market Commission**

**Subject: Payment of the annual variable compensation 2016 in shares of Iberdrola**

Dear Sirs,

Pursuant to article 17 of Regulation (EU) No. 596/2014 on market abuse and article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, we hereby inform you that the Board of Directors of Iberdrola, S.A. (the “**Company**”) has resolved to offer to the employees of the Iberdrola Group in Spain, as in previous years, the possibility of receiving all or a portion of their variable compensation corresponding to the fiscal year 2016 in shares of the Company.

This delivery of shares to the employees, which is included within the framework of the general compensation policy of the Company, allows the employees electing to do so to receive the shares of Iberdrola as part of their annual variable compensation. The number of shares of Iberdrola to be received by each employee shall be the result of dividing the part of variable compensation that the employee decides to receive in shares, with a maximum of 12,000 euros<sup>1</sup>, by the arithmetic mean of the volume-weighted average prices of the shares of Iberdrola in the Spanish Automated Quotation System, rounded to the nearest euro thousandth, of the five trading sessions preceding the date of payment of the variable compensation.

As it is customary, Iberdrola’s share delivery plan is addressed to all employees in active, with tax residence in Spain, of the Company and its subsidiaries located in Spain, in which Iberdrola holds a controlling stake and which have employees –other than the persons responsible for the day-to-day management of the companies carrying out regulated activities in Spain– who, on a voluntary basis, may elect to receive a portion of their variable compensation either in cash or in the form of shares of the Company.

This opportunity extends to the flexible compensation scheme for 2017 of those companies where such plan applies.

This information is provided to you for the appropriate purposes.

Yours faithfully,

Secretary to the Board of Directors

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<sup>1</sup> Such limit will not apply to the employees of Iberdrola and its Group who, because of their seniority, must receive in the form of shares a minimum percentage of their annual variable compensation 2016 which amount exceeds the aforementioned threshold.

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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 exemption from registration.

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