



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

Bilbao, 19 July 2012

To the National Securities Market Commission

Re: First implementation of the paid-up capital increase approved by the shareholders of Iberdrola, S.A. acting at the General Shareholders' Meeting of 22 June 2012

Dear Sirs,

Pursuant to article 82 of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, and in relation to the notices of significant event (*hecho relevante*) delivered to this National Commission on 22 May, 22 and 29 June and 2 July 2012 (registry numbers 165,021, 167,686, 168,705 and 168,819, respectively), regarding the first implementation of the paid-up capital increase approved by the shareholders of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) acting at the General Shareholders’ Meeting of 22 June 2012, under item six of the agenda thereof (the “**First Implementation**”), 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 Implementation ended on 18 July 2012.
- During the period established for such purpose, the holders of 2,486,276,968 free-of-charge allocation rights entitled to accept the irrevocable commitment to purchase the referred rights assumed by Iberdrola (the “**Purchase Commitment**”) have done so.

Therefore, Iberdrola has acquired such rights in the total gross amount of 397,804,314.88 euros.



- Iberdrola has waived the shares corresponding to the free-of-charge allocation rights acquired pursuant to the above.
- Likewise, given that the maximum number of Iberdrola shares to be issued –after deducting the shares corresponding to the free-of-charge allocation rights acquired by Iberdrola by virtue of the Purchase Commitment (which Iberdrola has waived in accordance with the provisions of the preceding paragraph)– was a fraction, Iberdrola has waived 14 free-of-charge allocation rights that it holds in order for the number of new shares ultimately issued in the First Implementation to be a whole number and not a fraction.
- Therefore, the definitive number of ordinary shares with a unitary par value of 0.75 euros that will be issued in the First Implementation is 166,028,000, with the nominal amount of the capital increase (on this First Implementation) being 124,521,000.00 euros, which entails an increase of 2.780 % over the share capital of Iberdrola prior to the First Implementation.
- 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 Thursday, 26 July 2012. In this sense, the ordinary trading of the new shares is expected to commence on Friday, 27 July 2012.

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

Yours faithfully,

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 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 *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.

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document which this translation is intended to reflect, the text of the original Spanish-language document shall prevail.