



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

Bilbao, July 11, 2011

To the National Securities Market Commission

**Re: Supplement to the information memorandum regarding the first execution of the paid-up capital increase approved by the shareholders acting 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 June 21, 2011 (registry number 146,004).

Pursuant to the provisions of Section 82 of Act 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 Executive Committee of Iberdrola, S.A. has today determined the matters summarized below regarding the first execution 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 "**First Execution**"):

- (i) The maximum number of new shares to be issued on the First Execution is one hundred and fifty-three million two hundred and fifteen thousand six hundred and eighty-four euros (153,215,684).
- (ii) Thirty-eight (38) free-of-charge allocation rights are needed to receive one (1) new share.
- (iii) The maximum nominal amount of the First Execution is one hundred and fourteen million nine hundred and eleven thousand seven hundred and sixty-three euros (114,911,763.00 euros).
- (iv) The acquisition price for each free-of-charge allocation right under the purchase commitment assumed by Iberdrola, S.A. is one hundred and fifty-six thousandths of euro (0.156 euros).

Furthermore, we are pleased to provide to you –for 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*)– the supplement to the information memorandum (*documento informativo*) covered by the notice of significant event referred to above, regarding the First Execution, which is attached as an Annex hereto.

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

Sincerely,

The General Secretary and Secretary of the Board of Directors

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.



## IMPORTANT INFORMATION

The securities referred to herein that will be delivered by IBERDROLA, S.A. in connection with its merger with IBERDROLA RENOVABLES, S.A. (the “Iberdrola Securities”) have not been, and are not intended to be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold, directly or indirectly, into the United States of America except pursuant to an applicable exemption. The Iberdrola Securities are intended to be made available within the United States of America in connection with the merger pursuant to an exemption from the registration requirements contained in the Securities Act.

The merger between IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. relates to the securities of a Spanish company. The merger in which IBERDROLA RENOVABLES, S.A. ordinary shares will be exchanged for Iberdrola Securities is subject to disclosure requirements of Spain that are different from those of the United States of America. Financial statements which could be referred to herein have been prepared in accordance with Spanish accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under U.S. federal securities laws, since IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. are each located in Spain and some or all of their officers and Directors may be residents of Spain or other countries different from the U.S. You may not be able to sue a Spanish company or its officers or Directors in a non-U.S. court for violations of the U.S. securities laws. It may be difficult to compel a Spanish company and its affiliates to subject themselves to a U.S. court's judgment.

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 documents sent by IBERDROLA, S.A. to the *COMISIÓN NACIONAL DEL MERCADO DE VALORES*, which are accessible to the public.

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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 in their entirety by the cautionary statement above. All 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.

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Annex

**Supplement to the information memorandum relating to the first execution of the paid-in 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 FIRST EXECUTION 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**

At the General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") held on May 27, 2011, under item six on the agenda, the shareholders approved (the "**Resolution of the General Shareholders' Meeting**") an increase in wholly paid-in share capital with a charge to the "RDL Update 7/1996" ("*Actualización RDL 7/1996*") reserves, in a maximum amount by reference to market value of one thousand nine hundred and nine (1,909) million euros, by means of the issuance of ordinary shares for the free-of-charge allocation thereof to the shareholders of the Company (the "**Capital Increase**").

The Executive Committee of the Company, at its meeting held on June 7, 2011 and according to the delegation of powers in its favor approved by the Board of Directors at its meeting held on May 27, 2011, amended the maximum amount by reference to market value of the shares to be issued in the context of the Capital Increase which was fixed in one thousand eight hundred and forty-six (1,846) million euros as well as the amount by reference to market value for each execution of the Capital Increase, all the foregoing pursuant to the terms of the Resolution of the General Shareholders' Meeting and upon the terms of the Information Memorandum (as defined below).

The Board of Directors of the Company, at its meeting of June 21, 2011, approved the first execution of the Capital Increase on what would traditionally have been the supplemental payment of dividend for the fiscal year ended December 31, 2010, if the "Iberdrola Flexible Dividend" system had not been implemented, with a maximum amount by reference to market value of nine hundred thirty-five (935) million euros (the "**First Execution**"). All of it without prejudice of the payment of the ordinary dividend in a gross amount of three euro cents (€0.03) for each share of Iberdrola, which was approved by the General Shareholders' Meeting under item five of its agenda.

Within this context, the Company issued an information memorandum (*documento informativo*) in which, pursuant to the provisions of Sections 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*" were provided and made available to the public by



means of a notice of significant event dated June 21, 2011 (registry number 146,004) (the “**Information Memorandum**”).

## **1.2. Purpose**

This document supplements the Information Memorandum and is intended to make available to the public information regarding the First Execution of the Capital Increase that was not available on the date of publication of the Information Memorandum and, particularly, the number of rights necessary to receive one (1) new share of Iberdrola, the maximum number of new shares to be issued on the First Execution, the maximum nominal amount of the First Execution, and the fixed price for the purchase of free-of-charge 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 makes unnecessary the preparation and publication of a prospectus (*folleto informativo*) with respect to this First Execution. 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 FIRST EXECUTION**

### **2.1. Number of free-of-charge allocation rights needed for the allocation of one (1) new share, maximum number of shares to be issued, and maximum nominal amount of the First Execution**

The Board of Directors of Iberdrola, at its meeting on June 21, 2011, resolved to carry out the First Execution of the Capital Increase pursuant to the Resolution of the General Shareholders’ Meeting. As of the date of this document, the Company’s Executive Committee, through the implementation of 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 items:

- (i) The maximum number of shares to be issued in the First Execution is one hundred fifty-three million two hundred fifteen thousand six hundred and eighty-four euros (153,215,684).

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-of-charge allocation rights. Iberdrola will waive the new shares corresponding to the free-of-charge allocation rights that it has acquired by application of its irrevocable purchase commitment,<sup>1</sup> for which reason only new shares corresponding to the free-of-charge allocation rights not acquired by Iberdrola in the performance of this commitment will be issued. In any event, the above-referenced definitive number of shares to be issued within the context of the First Execution will be made available to the public on a timely basis by means of a notice of significant event regarding the closing of this execution, the publication of which is expected to occur on July 28, 2011.

- (ii) Thirty-eight (38) free-of-charge allocation rights are needed to receive one (1) share.

The free-of-charge 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. on July 12, 2011 in the proportion of one (1) free-of-charge allocation right for each existing share of Iberdrola that they own. Therefore, those appearing in the above referred book-entry records will have the right to receive one (1) new share for every thirty-eight (38) old shares that they hold on such date.

- (iii) Thus, the maximum nominal amount of the First Execution of the Capital Increase is one hundred fourteen million nine hundred eleven thousand seven hundred and sixty-three euros (114,911,763.00 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 the nominal value thereof (0.75 euros).

In order to ensure that the number of free-of-charge allocation rights needed to receive one (1) new share and the number of new shares issued within the context of this First Execution are whole numbers, Iberdrola has waived eight (8) free-of-charge allocation rights corresponding to eight (8) shares that it holds.

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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-of-charge allocation rights acquired by Iberdrola pursuant to the purchase commitment (which Iberdrola will waive pursuant to the provisions of the Resolution of the General Shareholders' Meeting)– is a fraction, Iberdrola will also waive that number of its free-of-charge allocation rights that are required for the number of new shares ultimately issued on the First Execution to be a whole number and not a fraction.



In applying the formulas approved by both the shareholders at the General Shareholders' Meeting and the Board of Directors to determine of the foregoing items, the Company's Executive Committee has taken into account that:

- (i) "TNShrs" or number of outstanding shares of Iberdrola on the date of this document is 5,822,196,000; 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 at the five (5) trading sessions held on July 4, 5, 6, 7 and 8, 2011, as appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange, is six euros ninety-one thousandths of euro (6.091 euros).

## **2.2. Price of the purchase commitment**

The purchase price for each free-of-charge allocation right under Iberdrola's purchase commitment, calculated in accordance with the provisions of the Resolution of the General Shareholders' Meeting, is one hundred and fifty-six thousandths of euro (0.156 euros). Therefore, shareholders desiring to receive their compensation in cash may sell their free-of-charge allocation rights to Iberdrola at a gross fixed price of one hundred and fifty-six thousandths of euro (0.156 euros).

In Bilbao, on July 11, 2011.

IBERDROLA, S.A.

By

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