



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

To the National Securities Market Commission

Bilbao, January 26, 2011

Re: Judgment on ordinary proceedings number 411/2010 held before the Commercial Court number 1 of Bilbao

Dear Sirs,

Reference is made to the to the ordinary proceedings number 411/2010 held before the Commercial Court number 1 of Bilbao, and initiated by RESIDENCIAL MONTE CARMELO, S.A. against IBERDROLA, S.A., in which the claimant requested a declaration that the resolutions adopted under items fourteen and fifteen of the Agenda of the General Shareholders' Meeting of IBERDROLA, S.A. held on March 26, 2010, were void.

Pursuant to Section 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 hereby advise you that on the date hereof, the Commercial Court number 1 of Bilbao has given its decision in which it rejects the claim of RESIDENCIAL MONTE CARMELO, S.A.

The decision acknowledges that the Iberdrola Group and the ACS Group are competitors in the renewable energies and the industrial engineering sectors, which are of strategic importance to the Iberdrola Group. Furthermore, the decision states that there is a risk of competition between both groups in other business areas (the electric car, energy saving services), as well as conflicting interests in their customer/supplier relationships.

According to the decision, the dismissal by the General Shareholders' Meeting of IBERDROLA, S.A. of the Directors (Director and deputy Director) appointed by RESIDENCIAL MONTE CARMELO, S.A. through the proportional representation system is justified and it is

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based on the need to preserve the company's interests against the damages arising from the access by a Director appointed by a competing company to relevant information.

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

Yours faithfully,

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 according to an effective registration statement under the Securities Act or according to a valid exemption from registration.

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