



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

To the National Securities Market Commission

Bilbao, December 15, 2009

Re: Resolutions of the Board of Directors regarding the remuneration of the shareholders of Iberdrola, S.A.

Dear Sirs,

Pleased be informed that, on the date hereof, the Board of Directors of Iberdrola, S.A. (“**Iberdrola**”, or the “**Company**”) has passed the following resolutions

1. Payment of interim dividend corresponding to the fiscal year ended 2009 and approval of the Dividend Reinvestment Program

The Board of Directors of Iberdrola has resolved to pay to its shareholders, on account of the dividend corresponding to the 2009 fiscal year, the amount of €0.143 gross per share which is entitled to collect such dividend, amount that shall be subject to the applicable withholding tax at the then current rate as of the time when the payment is made. The global amount destined to pay amounts on account of the dividend corresponding to the 2009 fiscal year is greater, in five (5) per cent, than the amount destined to this same purpose on the last fiscal year.

The net amount shall be paid on December 30, 2009, in accordance with current regulations applicable to depository entities of the shares, using the means that Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (“**Iberclear**”) makes available to its participating entities.

The announcement of the payment of this interim dividend on account of the dividend corresponding to the 2009 fiscal year shall be published in the following days in the gazettes and listing bulletins of the Managing Companies (*Sociedades Receptoras*) of the stock exchanges of Madrid, Barcelona, Bilbao and Valencia.

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Besides, and as in the past four years, Iberdrola is going to offer to its shareholders a Dividend Reinvestment Program (the “**Program**”), whereby shareholders who voluntarily join the Program may reinvest the amounts they receive on account of the dividend corresponding to the 2009 fiscal year in purchasing shares of the Company.

The purpose of the Program is to offer the Company’s shareholders an alternative to strengthen their participation in Iberdrola on a systematic and regular basis.

Annex 1 contains detailed information about the Program.

2. Analysis of a new remuneration scheme for the shareholders of the Company

Likewise, the Board of Directors of Iberdrola has analysed the possibility of offering a new remuneration scheme to its shareholders. This new scheme would be implemented, if it is finally approved, with the occasion of the traditional complementary payment of dividend, which usually takes place during the second semester of each fiscal year.

According to the scheme analyzed, Iberdrola would offer to its shareholders a new alternative that would allow them to receive full-paid shares of the Company without limiting their possibility to receive an amount in cash equal to the complementary payment of dividend corresponding to fiscal year 2009, which, in accordance with past practice, would have been paid out on the second semester of 2010.

This alternative would be implemented through a full-paid capital increase, that must be approved by the General Shareholders’ Meeting of Iberdrola. As a consequence of the capital increase, each shareholder would receive one free allocation right (*derecho de asignación gratuita*) for each share of Iberdrola held by him/her. Such free allocation rights would be traded in the stock markets of Madrid, Barcelona, Bilbao and Valencia.

Depending on the alternative chosen by the shareholders of Iberdrola, they could receive new full-paid shares of the Company, an amount in cash as a consequence of the sale of the free allocation rights to Iberdrola (at a fixed price, pursuant to the commitment assumed by Iberdrola) or to the market (where the price would fluctuate in accordance with the market value of the free allocation rights).

After having analyzed different matters of the proposal (including corporate, regulatory, accounting and fiscal matters), and following the most recent practice of other national and international companies, the Board of Directors of Iberdrola has resolved to submit the proposal of the new remuneration scheme to the next General Shareholders’ Meeting. Upon the call of the General Shareholders’ Meeting, the applicable report from the Board of Directors justifying the capital increase will be at the disposal of shareholders, as required by law. Once the new remuneration scheme has been approved and launched, the corresponding relevant facts explaining the scheme shall be published.

The capital increase would be implemented free from charges and commissions for those who subscribe for new shares. Iberdrola would assume costs and expenses related to the issuance, subscription, floating, admission to trading and other expenses related to the capital increase.

Notwithstanding the above, the shareholders of Iberdrola must take into account that the participant entities (*entidades participantes*) in Iberclear where their shares are deposited, may establish, according to law, the charges and commissions that they freely determine, related to the deposit of the titles in the registries. Moreover, the participant entities in Iberclear, may establish, according to law, the charges and commissions that they freely determine regarding purchase and sale orders of free allocation rights.

Subject to obtaining the approval from the General Shareholders' Meeting, the Board of Directors considers that the total shareholder's remuneration corresponding to the fiscal year 2009 will be in line with the total shareholder's remuneration corresponding to the fiscal year 2008.

Yours faithfully,

General Secretary and Secretary of the Board of Directors

IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange any securities, or a solicitation of an offer to purchase, sell or exchange any securities. The securities referred to in this communication 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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Annex 1
Information on the Dividend Reinvestment Program

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DETAILS OF THE DIVIDEND REINVESTMENT PROGRAM

For the purposes of Section 82 of Law 24/1988, of 28 July, on the Securities Market, notice is hereby given of the terms and conditions of the **Dividend Reinvestment Program** (“**DRP**”) in shares of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) that the Company will commence in connection with the distribution of amounts on account of the 2009 Fiscal Year’s dividend, which will take place on December 30, 2009.

1) Resolution of the Board of Directors for the distribution of dividend.

The Board of Directors of the Company, at its meeting held on December 15, 2009, resolved the distribution of amounts on account of the 2009 Fiscal Year’s dividend in a gross amount equal to 0.1430 euros per share.

In addition, the ordinary General Shareholders’ Meeting of the Company held on March 20, 2009 resolved to allow the Company to derivatively acquire its own shares, and to allow for the use of such shares in the implementation of dividend reinvestment programs.

2) Dividend Reinvestment Program in shares of the Company.

2.1) Investor group.

The DRP is addressed to shareholders of Iberdrola at the close of trading on the day prior to the date on which the amounts on account of dividends are paid.

2.2) Amount and price of the reinvestment; number of shares received.

On the agreed date, Iberdrola will pay in cash to all shareholders the amounts on account of the 2009 Fiscal Year’s dividend applying the tax withholding which is legally required on the payment date.

As the general withholding rate that is legally established for dividends for the year 2009 is eighteen (18) percent, and for purposes of offering equitable treatment to the shareholders of the Company and maintaining proportionality in the share capital of the Company, shareholders joining the DRP may reinvest in shares of the Company an amount equal to the result of deducting such general withholding rate of eighteen (18) percent from the gross amount of the amounts on account of the dividend for fiscal year 2009 to which they are entitled (the “**Maximum Reinvestment Amount**”). The shares of the Company into which the dividend is reinvested shall have the same political and economic rights as the shares currently in circulation.

In any event, the reinvestment must be in the Maximum Reinvestment Amount determined for each shareholder, for which reason there will be no partial reinvestments of such amount.

The price of reinvestment for each share of the Company shall be equal to the simple average of the average weighted price of the Company's shares on the continuous market (SIBE) for the five (5) trading days immediately preceding the date of payment of the amounts on account of the dividend, less the gross amount corresponding to the payment of such amounts. The Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. (the company responsible for managing the Bilbao Stock Exchange) shall issue a certificate with the calculation of the average price in accordance with the standard set forth above. Notice of such price shall be given by Iberdrola to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on the date of payment of the amounts on account of the dividend by means of the appropriate communication, and shall also be available on the Company's website (www.iberdrola.com).

The number of shares to which each shareholder will be entitled shall be the result of dividing the Maximum Reinvestment Amount to which such shareholder will be entitled by the price per share calculated in accordance with the provisions of the preceding paragraph. In the event that the calculation of the number of shares to be acquired by each shareholder pursuant to the above formula gives rise to a fraction, the decimal amount of the number of shares shall be rounded to a whole number, with the fractional amounts (decimal amount) available in the cash account.

2.3) Stages in the procedure for reinvesting the amounts on account of the dividend for fiscal year 2009 the payment of which will take place on December 30, 2009

Set forth below are the key steps in the procedure for reinvesting in Company shares the amounts received on account of the 2009 Fiscal Year's dividend:

- (i) Beginning on December 17, 2009, the form of reinvestment order is made available to the holders of shares of Iberdrola by the depositaries.
- (ii) **Reinvestment period:** shareholders who wish to reinvest the Maximum Reinvestment Amount in shares of the Company must execute the corresponding reinvestment orders and deliver them to the applicable depositary **from December 17, 2009 until the close of trading on December 29, 2009.**
- (iii) Period for revoking reinvestment orders: from December 17, 2009 until the close of trading on December 29, 2009.
- (iv) Period for calculating the reinvestment price: from December 21, 2009 to December 29, 2009.
- (v) Publication of notice regarding fixing of reinvestment price: December 30, 2009.

- (vi) Date of payment of the amounts on account of the dividend for the fiscal year 2009: December 30, 2009.
- (vii) Date of stock exchange transaction: January 7, 2010.
- (viii) Date of settlement of the share purchase transaction: January 12, 2010.

2.4) Procedure for reinvesting in shares of Iberdrola.

During the period for the reinvestment of the amounts on account of the dividend for fiscal year 2009, persons who evidence their status as shareholders of Iberdrola may give a reinvestment order to the entities in which their shares are deposited in their corresponding Maximum Reinvestment Amount for the number of shares of Iberdrola to which they are entitled pursuant to the calculation set forth in paragraph 2.2 above. The reinvestment orders shall be given by the usual methods established by each entity (branch, telephone, post, Internet, etc.).

Orders given by shareholders will be definitive, such that, once the net amount of the amounts on account of the dividends have been paid, the funds intended for reinvestment will be blocked in the cash account opened with the applicable depository.

Notwithstanding the foregoing, orders will be deemed revoked: (i) in the event that, as a result of the transfer of all of their shares of Iberdrola, the persons who have given the reinvestment orders do not have status as shareholders of Iberdrola at the close of trading on the day prior to the date of payment of the amounts on account of the dividend for fiscal year 2009; (ii) in the event that the persons who have given reinvestment orders are not free to dispose of the amounts received for their shares of Iberdrola; or (iii) if within the period provided for such purpose, the shareholder expressly revokes the order with the depository to which the order was given. In this last case, partial revocations will not be accepted.

The making of reinvestment orders by the shareholders shall entail acceptance of the terms of the DRP.

2.5) Fees and expenses for the acquiror

The settlement fees of the company managing the securities registration, clearing and settlement systems, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), and the trading fees of the Stock Exchanges, will in all cases be paid by Iberdrola.

Iberdrola will not be responsible for any potential fees or expenses that, if applicable, the depositaries may charge their customers for processing the reinvestment orders.

3) Shareholders who cannot participate in the DRP and certain restrictions on shares

Shareholders who are “U.S. Persons” (as this term is defined in Regulation S of the U.S. Securities Act of 1933) and holders of CREST Depository Interests (“CDIs”) of Iberdrola may not participate in the DRP, and therefore, may not elect that the cash amounts received as a account of dividend for fiscal year 2009, which shall be payable on December 30, 2009, be reinvested by the depository in shares of Iberdrola.

To the extent that the shares of Iberdrola are, and for so long as they continue to be, “restricted securities” in accordance with the provisions of Rule 144(a)(3) of the U.S. Securities Act, they may not be deposited into an unrestricted depository facility, such as Iberdrola’s Level 1 sponsored ADR facility, for which JP Morgan Chase Bank, N.A. is the depository.