



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

Bilbao, 2 July 2012

To the National Securities Market Commission

**Re: Supplement to the information memorandum (*documento informativo*) relating to the 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 our notices of significant event (*hecho relevante*) delivered to this National Commission on 22 July 2012 (registry number 167,686) and 29 July 2012 (registry number 168,705), we hereby advise you that the matters summarised below regarding the first implementation of the paid-up capital increase approved by the shareholders acting at the General Shareholders' Meeting of Iberdrola, S.A. held on 22 June 2012 under item six on the agenda (the “**First Implementation**”) have been determined:

- (i) The maximum number of shares to be issued in the First Implementation is 284,422,142.
- (ii) The number of free-of-charge allocation rights required to receive one new share is 21.
- (iii) The maximum nominal amount of the First Implementation is 213,316,606.50 euros.
- (iv) The purchase price of the free-of-charge allocation rights under the purchase commitment made by Iberdrola, S.A. is 0.160 euros.

Likewise, and for the purposes of articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of 4 November, we provide you, attached hereto as an annex, with the supplement



to the information memorandum (*documento informativo*) covered by the notice of significant event referred above regarding the First Implementation, which has been approved today.

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

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.



**Annex**

**Supplement to the information memorandum relating to the 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**

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**SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE FIRST IMPLEMENTATION OF THE PAID-UP CAPITAL INCREASE APPROVED BY THE SHAREHOLDERS AT THE GENERAL SHAREHOLDERS' MEETING OF IBERDROLA OF 22 JUNE 2012**

**1. PURPOSE**

**1.1. Background**

At the General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") held on 22 June 2012, the shareholders approved, under item six on the agenda (the "**Shareholders' Resolution**"), an increase in wholly paid-up share capital with a charge to the reserves contemplated in article 303.1 of the Companies Act (*Ley de Sociedades de Capital*), by means of the issuance of ordinary shares for the free allocation thereof to the shareholders of the Company (the "**Capital Increase**").

The Board of Directors, at its meeting held on 22 June 2012, approved the first implementation of the Capital Increase, in connection with what would otherwise have been the supplemental payment of the dividend for the fiscal year ended on 31 December 2011, if applicable, had the "Iberdrola Flexible Dividend" system not been implemented, for maximum market value of reference of 1,012 million euros (the "**First Implementation**").

Within this context, the Company issued an information memorandum (*documento informativo*) in which, pursuant to the provisions of articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of 4 November, "*information regarding the number and types of shares and the rationale for and details of the offer*" was provided and made available to the public by means of a notice of significant event dated 22 June 2012 (registry number 167,686) (the "**Information Memorandum**").

Likewise, after the publication of the Information Memorandum, the Board of Directors, at its meeting of 29 June 2012, and pursuant to the power conferred by the Shareholders' Resolution to determine the object of the purchase commitment of free-of-charge allocation rights made by the Company, has resolved to modify the referred object of the purchase commitment as described in section 2.3 below.

**1.2. Purpose**

This document supplements the Information Memorandum and is intended to provide the public with the information regarding the First Implementation of the Capital Increase that was not available on the publication date of the Information Memorandum and, particularly, the number of rights necessary to receive one new share of Iberdrola, the maximum number of new shares to be issued on the First Implementation and the fixed price for the free-of-charge allocation rights in relation to the purchase se commitment made by Iberdrola.

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Likewise, by means of this document, it is expressly declared that the object of the referred purchase commitment has been modified in relation to the information contained in the Information Memorandum.

This document, together with the Information Memorandum, constitutes the document referred to in articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of 4 November, and renders the preparation and publication of a prospectus (*folleto informativo*) with respect to this First Implementation unnecessary. 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)).

Capitalised terms not expressly defined in this document shall have the meaning provided in the Information Memorandum.

## **2. INFORMATION AVAILABLE REGARDING THE FIRST IMPLEMENTATION**

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

The Board of Directors, at its meeting held on 22 June 2012, approved the First Implementation of the Capital Increase, in accordance with the provisions of the Shareholders' Resolution. As of the date of this document, the chairman and chief executive officer of the Company, pursuant to the delegation of powers made by the Board of Directors at its meeting held on 22 June 2012, has determined the following terms and conditions by performing the arithmetical operations provided for in the formulas approved by both the shareholders acting at the General Shareholders' Meeting and the Board of Directors:

- (i) The maximum number of shares to be issued in the First Implementation is 284,422,142.

However, as established in the Information Memorandum, the number of shares actually issued will depend on the number of shareholders who decide not to transfer their free-of-charge allocation rights. Iberdrola will waive the new shares corresponding to the free-of-charge allocation rights acquired by application of its irrevocable purchase commitment<sup>1</sup>. In any event, the final number of shares to be

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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 Shareholders' Resolution) 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 under the First Implementation to be a whole number and not a fraction.



issued within the context of the First Implementation will be communicated to the public on a timely basis by means of a notice of significant event regarding the closing of this implementation, the publication of which is expected to occur on 19 July 2012.

- (ii) The number of free-of-charge allocation rights required to receive a new share is 21.

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. Madrid time on 3 July 2012, in the proportion of one free-of-charge allocation right for each old share of Iberdrola that they own. Therefore, each of the abovementioned entitled persons will have the right to receive one new share for every 21 old shares that they hold on such date.

- (iii) Thus, the maximum nominal amount of the First Implementation of the Capital Increase is 213,316,606.50 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 their nominal value (0.75 euros).

In order to ensure that the number of free-of-charge allocation rights needed to receive one new share and the number of new shares issued within the context of this First Implementation are whole numbers, Iberdrola has waived 18 free-of-charge allocation rights corresponding to 18 shares that it holds.

In applying the formulas approved by both the shareholders acting at the General Shareholders' Meeting and the Board of Directors to determine the foregoing items, the chairman and chief executive officer has taken into account that:

- (i) The "TNShr" or the outstanding number of shares of Iberdrola as of the date of this information memorandum is 5,972,865,000; and
- (ii) the "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 trading sessions corresponding to 25, 26, 27, 28 and 29 June 2012, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange, is 3.511 euros. Given that the Board of Directors has resolved, at its meeting of 22 June 2012, to apply a discount of 0% on the referred arithmetic mean, it is not necessary to make any kind of corrections to the amount calculated in such a way.



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

The purchase price of each free-of-charge allocation right under Iberdrola's purchase commitment, calculated in accordance with the provisions of the Shareholders' Resolution and of the resolutions of the Board of Directors of 22 June 2012, is 0.160 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 0.160 euros, provided that they are legitimated as provided below.

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

The Board of Directors of Iberdrola, at its meeting of 22 June 2012, taking into account the market conditions on that date, resolved that the purchase commitment made by the Company would be extended to every free allocation right, regardless of whether the holders had received them from the Company for appearing legitimated 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. Madrid time on the day of publication of the notice of the First Implementation of the Capital Increase in the Official Bulletin of the Commercial Registry or they had subsequently acquired them in the market.

Notwithstanding the above, there having been many circumstances of an economic, political and social nature with a significant effect on the market conditions that were taken into account in order to determine the aforementioned object of the purchase commitment, the Board of Directors, at its meeting of 29 June 2012, resolved to modify the object of the purchase commitment as described below, depriving of effect, with regard to the aforesaid purchase commitment, the resolution of the Board of Directors adopted in the referred meeting of 22 June 2012, as anticipated by means of the notice of significant event delivered to that National Securities Market Commission on 29 June 2012 (registry number 168,705).

As a consequence of the foregoing, the purchase commitment assumed by Iberdrola will be extended to the free allocation rights received by those appearing legitimated 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. Madrid time on the day of publication of the notice of the First Implementation of the Capital Increase in the Official Bulletin of the Commercial Registry; with the exception of those free allocation rights transferred on the market.





In Bilbao, on 2 July 2012.

Iberdrola, S.A.

By

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

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