



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

To the National Securities Market Commission

Bilbao, February 18, 2014

Re: Resolutions adopted by the Board of Directors regarding the preparation of the Annual Accounts and the proposals for the allocation of profits/losses, the call for the General Shareholders' Meeting and amendment of the corporate governance System.

Dear Sirs,

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* –“**Securities Market Law**”–) and related provisions, we hereby inform you that the Board of Directors of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) has adopted –among others– the following resolutions:

1. Preparation of the individual and consolidated annual accounts and the proposals for the allocation of profits/losses

To prepare the Annual Financial Statements, the management report and the proposal for the allocation of the profits/losses of the Company, as well as the consolidated Annual Financial Statements and the consolidated management report of the Company and its controlled companies for fiscal year 2013. In compliance with applicable regulations, the aforesaid management reports include the annual Report on corporate governance, which has been approved by the Board of Directors on the date hereof.

The proposal for the allocation of profits/losses, which is subject to the shareholders' approval acting at the General Shareholders' Meeting, includes the distribution of a dividend in cash out of profits from fiscal year 2013 of a gross amount of EUR 0.03 per each share of Iberdrola bearing the right to receive it. This amount would be subject to withholding tax as applicable on the date of payment.

2. General Shareholders' Meeting call

I. To call for the General Shareholders' Meeting to be held on March 28 or 29, 2014, on first and second call, respectively, with the following agenda:

ITEMS RELATING TO THE ANNUAL FINANCIAL STATEMENTS, THE MANAGEMENT OF THE COMPANY AND THE RE-ELECTION OF THE COMPANY'S AUDITOR:

First.- Approval of the individual annual financial statements of the Company and of the annual financial statements consolidated with its subsidiaries for the fiscal year 2013.

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Second.- Approval of the individual management report of the Company and of the consolidated management report of the Company and its subsidiaries for the fiscal year 2013.

Third.- Approval of the management activity and activities of the Board of Directors during the fiscal year 2013.

Fourth.- Re-election of Ernst & Young, S.L. as auditor of the Company and its consolidated group for the fiscal year 2014.

ITEMS RELATING TO SHAREHOLDERS COMPENSATION:

Fifth.- Approval of the proposal for the allocation of profits/losses and the distribution of dividends for the fiscal year 2013.

Sixth.- Share capital increases in order to implement the “Iberdrola Flexible Dividend” system.

A.- Approval of an increase in share capital by means of a scrip issue at a maximum reference market value of EUR 782 million for the free-of-charge allocation of new shares to the shareholders of the Company. Offer to the shareholders for the acquisition of their free-of-charge allocation rights at a fixed guaranteed price. Express provision for the possibility of an incomplete allocation. Application for admission of the shares issued to listing on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión bursátil*). Delegation of powers to the Board of Directors, with the express power of substitution, including, among others, the power to amend article 5 of the *By-Laws*.

B.- Approval of an increase in share capital by means of a scrip issue at a maximum reference market value of EUR 897 million for the free-of-charge allocation of new shares to the shareholders of the Company. Offer to the shareholders for the acquisition of their free-of-charge allocation rights at a fixed guaranteed price. Express provision for the possibility of an incomplete allocation. Application for admission of the shares issued to listing on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión bursátil*). Delegation of powers to the Board of Directors, with the express power of substitution, including, among others, the power to amend Article 5 of the *By-Laws*.

ITEMS RELATING TO THE COMPENSATION OF THE EXECUTIVE DIRECTORS, SENIOR MANAGERS AND OTHER MANAGERS THROUGH THE DELIVERY OF SHARES OF THE COMPANY

Seventh.- Approval of a Strategic Bonus intended for executive directors, senior managers and other management personnel tied to the performance of the Company in relation to certain specific parameters for the 2014-2016 period, and payment by means of the delivery of the Company's shares. Delegation to the Board of Directors of the power to formalize, implement, develop, execute and settle such Strategic Bonus.

ITEMS RELATING TO THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE EXPRESS AUTHORIZATIONS AND DELEGATIONS REQUESTED:

Eighth.- Ratification of the appointment on an interim basis and re-election of Ms. Georgina Yamilet Kessel Martínez as director of the Company, with the status of external independent director.

Ninth.- Authorization to the Board of Directors, with the express power of substitution, for the derivative acquisition of the Company's own shares by the Company itself and/or by its subsidiaries, upon the terms provided by applicable law, for which purpose the authorization granted by the shareholders at the General Shareholders' Meeting of March 26, 2010 is hereby deprived of effect to the extent of the unused amount.

ITEM RELATING TO AMENDMENT OF THE BY-LAWS:

Tenth.- Amendment of the *By-Laws*:

A.- Amendment of article 34.5 of the *By-Laws* to introduce technical improvements in its drafting.

B.- Amendment of articles 44.3 of the *By-Laws* to establish in four years the maximum term of office for the chairman of the Audit and Risk Supervision Committee.

ITEM RELATING TO SHARE CAPITAL DECREASE:

Eleventh.- Approval of a share capital decrease by means of the redemption of 91,305,304 treasury shares of Iberdrola, which represent 1.433 % of its share capital and the acquisition of up to a maximum of 42,161,696 shares of the Company, representing 0.662 % of its share capital, pursuant to a buy-back program for redemption thereof. Delegation of powers to the Board of Directors, with the express power of substitution, including, among others, the powers to amend article 5 of the *By-Laws* and to request the exclusion from listing and the cancellation of the accounting records of the shares to be redeemed.

ITEM RELATING TO GENERAL MATTERS:

Twelfth.- Delegation of powers to formalize and execute all resolutions adopted by the shareholders at the general Shareholders' Meeting, for the conversion thereof into a public instrument, and the interpretation, correction and supplementation thereof or further elaboration thereon until the required registrations are made.

ITEM RELATING TO RESOLUTIONS SUBMITTED FOR A CONSULTATIVE VOTE:

Thirteenth.- Consultative vote of the *Annual report regarding the directors remunerations*.

Notice of the call to the General Shareholders' Meeting will be published in the coming days in the terms set by law and Iberdrola's corporate governance System.

II. Approve the payment of an attendance premium in the gross amount of EUR 0.005 per share to the shareholders present or represented by proxy at the General Shareholders' Meeting who have provided due evidence of their attendance thereat in person or by proxy.

3. Amendment to the corporate governance System

In the context of the strategy pursued by the Company and its group of continuous and sustained improvement of its corporate governance system to update its content in light of new legislation passed and to meet the highest standards of best practices, the Board of Directors has resolved to amend, among others, the *Director's Remuneration Policy*, the *Senior Officer Remuneration's Policy*, the *Dividend Policy*, the *Treasury Share Policy*, the *Internal Regulations for Conduct in the Securities Markets* and the *Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain*.

The foregoing amendments will be made available in due course at the Company's corporate website (www.iberdrola.com).

This information is provided to you for the appropriate purposes.

Yours truly,

General Secretary and Secretary to 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 exemption from registration.

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