



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

Bilbao, January 17, 2012

**To the National Securities Market Commission**

**Re: Second implementation of the paid-up capital increase relating to the “Iberdrola Flexible Dividend” system**

Dear Sirs:

Pursuant to article 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, and as a continuation of the notices of significant event sent to this National Commission on October 26, 2011 (registry number 152,348), November 22, 2011 (registry number 153,591) and December 30, 2011 (registry number 155,941), regarding the second implementation of the paid-up capital increase (the “**Second Implementation**”) approved by the shareholders at the General Shareholders’ Meeting of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) held on May 27, 2011 under item six of the Agenda thereof, and pursuant to which the “Iberdrola Flexible Dividend” system has been implemented, we hereby inform you that:

- The period for trading the free-of-charge allocation rights corresponding to the Second Implementation has ended today.
- During the period established for such purpose, the holders of 2,990,489,954 free-of-charge allocation rights have accepted the irrevocable commitment to purchase rights assumed by Iberdrola (the “**Purchase Commitment**”). Therefore, Iberdrola has acquired such rights in the total gross amount of 436,611,533.28 euros.
- Iberdrola has waived the shares corresponding to the free-of-charge allocation rights acquired pursuant to the above.

- Likewise, given that the maximum number of Iberdrola shares to be issued –after deducting the shares corresponding to the free-of-charge allocation rights acquired by Iberdrola by virtue of the Purchase Commitment (which Iberdrola has waived in accordance with the provisions of the preceding paragraph)– was a fraction, Iberdrola has waived 30 free-of-charge allocation rights that it holds in order for the number of new shares ultimately issued on the Second Implementation to be a whole number and not a fraction.
- Therefore, the definitive number of ordinary shares with a unitary par value of 0.75 euros that will be issued in the Second Implementation is 90,375,000, with the nominal amount of the capital increase (on this Second Implementation) being 67,781,250.00 euros, which entails an increase of 1.536% over the share capital of Iberdrola prior to the Second Implementation.
- It is expected that, subject to compliance with all legal requirements (particularly that of the verification of such compliance by the National Securities Market Commission), the new shares will be admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Electronic Market), on Tuesday, January 24, 2012. In this sense, the ordinary trading of the new shares is expected to commence on Wednesday, January 25, 2012.

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

Sincerely,

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 National Securities Market Commission (*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.