



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

Bilbao, May 24, 2011

Re: Estimated dates of the payment of the ordinary dividend for the year 2010 and of the first execution of the paid-in capital increase concerning the “Iberdrola Flexible Dividend” (“Iberdrola Dividendo Flexible”) system

Dear Sirs,

Pursuant to the provisions of 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, and with regard to the proposed resolutions that – under items five and six on the Agenda – are subject to approval of the General Shareholders’ Meeting of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”), convened to take place on May 27, 2011, at 11:30 AM, on first call, and on the following day, May 28, 2011, at the same time, on second call (the “**General Shareholders’ Meeting of Iberdrola**”), we are pleased to provide you with the following information:

1. Estimated dates of the payment of the ordinary dividend for the fiscal year ended December 31, 2010

In connection with the distribution of the ordinary dividend amounting to three euro cents (0.03 euro) gross per each share of Iberdrola, which has been proposed by the Board of Directors of the Company to the General Shareholders’ Meeting of Iberdrola under item five on the Agenda, we hereby inform you that – in the event that such distribution is approved by the General Shareholders’ Meeting of Iberdrola – the Company estimates that the payment of the ordinary dividend would occur on the following dates:

- (i) If the merger between Iberdrola and Iberdrola Renovables, S.A. under item fifteen in the Agenda of the General Shareholders’ Meeting of Iberdrola (the “**Merger**”) is approved by the respective General Shareholders’ Meetings of both companies, the Company estimates that the payment of the ordinary dividend will take place on July 13, 2011, provided that the public deed of the Merger is registered with the Commercial Registry of Biscay on July 8, 2011, or on a close and earlier date.

The above date of July 13, 2011 is preliminary and a merely estimation of the probable date on which, under the current circumstances, Iberdrola would pay the dividend if the

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Merger is approved. Iberdrola could modify the indicated date if it deems it appropriate or desirable, within the period specified on item five on the Agenda, a fact that, in any case, would be subject to communication to the market.

- (ii) If the Merger is not approved, the payment of the ordinary dividend will take place on July 1, 2011.

2. Estimated dates of the first execution of the paid-in capital increase concerning the system “Iberdrola Flexible Dividend” (“*Iberdrola Dividendo Flexible*”) system

In relation to the proposed resolution under item six on the Agenda of the General Shareholders’ Meeting of Iberdrola, concerning the capital increase which is intended to implement, for the second consecutive year, the shareholder remuneration system called “Iberdrola Flexible Dividend”, which will allow the Company’s shareholders to decide whether to receive all or part of their compensation in cash or free shares of Iberdrola¹, and assuming that the proposal is approved by the General Shareholders’ Meeting of Iberdrola, the Company estimates that the tentative timetable of the first execution will be as follows:

- (i) the first day of trading of the free allocation rights will be July 13, 2011;
- (ii) the payment of the price of the free allocation rights acquired by Iberdrola under the purchase commitment will take place on August 1, 2011; and
- (iii) Iberdrola shares issued under the first execution of the capital increase will begin trading on the stock market on August 3, 2011.

The dates noted above are preliminary and based on mere estimations of the tentative timetable in which Iberdrola would carry out the first execution of the capital increase. As in 2010, the definitive calendar of the first execution of the capital increase will be communicated to the market when, if appropriate, it is approved by the Board of Directors of Iberdrola or its delegate bodies.

The first execution of the aforementioned paid-in capital increase replaces the traditional payment of the supplemental and ordinary dividend, which Iberdrola has been distributing to its shareholders in the past. In addition, it should be noted that if the proposals under items fifth and sixth on the Agenda are approved, this first execution will be supplemented by the ordinary payment of dividend in cash mentioned in paragraph 1.

The timetable of the second execution of the capital increase referred to in this paragraph 2 will be communicated to the market when, if appropriate, it is approved by the Board of Directors of Iberdrola or its delegate bodies.

¹ In any of the two executions of the capital increase, both the acceptance period of the purchase commitment of free allocation rights and the estimate dates for the payment in cash and delivery of shares may present peculiarities for holders of ADRs (in the United States of America) and CDIs (in the United Kingdom).

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

Yours truly,

General Secretary and Secretary of the Board of Directors

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IMPORTANT INFORMATION

The shares to be delivered by IBERDROLA, S.A. due to the merger between IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. (the “**Iberdrola Shares**”) have not been nor will be registered under the Securities Act of 1933 (the “**Securities Act**”) and will not be offered or sold, directly or indirectly, in the United States of America, unless an exemption applies. Iberdrola Shares will be distributed in the United States of America at the time of the merger, pursuant to an exemption from the registration requirement contained in the Securities Act.

The merger between IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. refers to shares of a Spanish Company. The merger through which the ordinary shares of IBERDROLA RENOVABLES, S.A. will be exchanged for Iberdrola Shares is subject to the information requirements of the Spanish jurisdiction and differs from those applicable in the United States of America. The financial statements which could eventually be referred to in this document have been prepared in accordance with applicable standards and criteria required in Spain that may not be comparable to those used by U.S. companies.

It might be difficult to exercise their rights or make claims under the laws of the U.S. stock market as both IBERDROLA, S.A. and IBERDROLA RENOVABLES, S.A. are Spanish companies and many or all of its directors and officers may be resident in Spain or other countries outside the United States of America. It might not be possible to sue a company or its directors or officers in a court outside the U.S. jurisdiction for violation of the rules of the American stock market. It may be difficult to compel a Spanish or its affiliates to submit to the jurisdiction of U.S. courts.

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

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of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All 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.

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