



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

Bilbao, January 29, 2013

**To the National Securities Market Commission**

**Subject: Variable compensation in shares**

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, we are pleased to inform you that, pursuant to the resolution passed by the Board of Directors in its meeting held today, Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) will offer to its employees, for the ninth consecutive year, the possibility of receiving a portion of their variable compensation in the form of shares of Iberdrola.

This delivery of shares to employees, within the framework of the general compensation policy of the Company, will allow those employees willing to do so to receive shares of Iberdrola as part of their annual variable compensation. The number of shares of Iberdrola to be received by each employee shall be the result of dividing the part of variable compensation in 2012 that the employee decides to receive in shares, with a maximum amount of 12,000 Euros (or such lower amount as appropriate in the case of employees resident in the foral territories)<sup>1</sup>, by the closing price of the shares of Iberdrola for the trading session on the date of payment of the variable compensation.

As is customary, Iberdrola’s share delivery plan is addressed to all employees of the Company and its subsidiaries –other than the persons responsible for the day-to-day management of the companies carrying out regulated activities in Spain–, who, on a voluntary basis, may elect to receive a portion of their variable compensation either in cash or in the form of shares of the Company.

The total number of shares of Iberdrola to be delivered will depend on the closing price of Iberdrola’s shares for the trading session on the date of payment of the variable compensation, as well as on the amount requested or to be delivered in form of shares by all employees participating in the plan as a whole. The delivery of such shares will take place on or after 11 February, 2013.

Yours faithfully,

General secretary and secretary of the Board of Directors

<sup>1</sup> Such limit will not apply to senior management and other employees of Iberdrola and its group who, because of their seniority, must necessarily receive in the form of shares a minimum percentage of their variable compensation whose amount exceeds the aforementioned threshold of 12,000 Euros.

## 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 according to an effective registration statement under the Securities Act or according to a valid exemption from registration.

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