



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

To the National Securities Market Commission

Bilbao, July 28, 2011

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

Dear sirs:

Pursuant to the provisions of Section 82 of Act 24/1988, of July 28, on the Securities Markets (*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 June 7, 2011 (registry number 145,347), June 21, 2011 (registry number 146,004) and July 11, 2011 (registry number 147,369), regarding the first execution of the paid-up capital increase (the “**First Execution**”) 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 First Execution has ended on July 27, 2011.
- During the period established for such purpose, the holders of three thousand five hundred thirty-one million twenty-three thousand nine hundred eighty-five (3,531,023,985) 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 five hundred fifty million eight hundred thirty-nine thousand seven hundred forty-one euros and sixty-six cents (550,839,741.66 euros).

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- 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 seven (7) free-of-charge allocation rights that it holds in order for the number of new shares ultimately issued on the First Execution to be a whole number and not a fraction.
- Therefore, the definitive number of ordinary shares with a unitary par value of seventy-five euro cents (0.75 €) that will be issued in the First Execution is sixty million two hundred ninety-four thousand (60,294,000), with the nominal amount of the capital increase (on this First Execution) being forty five million two hundred twenty thousand five hundred (45,220,500.00) euros, which entails an increase of one point zero four (1.04) per cent. over the share capital of Iberdrola prior to the First Execution.
- On the date hereof the public deed notarizing the company's resolutions related to the First Execution has been registered with the Commercial Registry of Biscay. It is expected that submission will take place to the National Securities Market Commission in the following days and, in any case, no later than August 2, 2011, of all the legal documentation necessary for the verification by the National Securities Market Commission of the compliance with the requirements for the admission to trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Electronic Market).

It is expected that, once the mentioned verification is completed, the new shares will be admitted to trading on the referred Stock Exchanges and that the ordinary trading of the new shares will commence on the trading day following the date on which the new shares would have been admitted to trading.

As soon as the estimated date on which the admission to trading of the new shares is known, we will send the appropriate notice of significant event, even in the case that it is not anticipated that the admission to trading will take place on August 3, as had been notified to the market.

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 exemption from registration.