

Bilbao, 23 February 2016

To the National Securities Market Commission

Subject: Preparation of the annual accounts and the proposals for the allocation of profits and call for the General Shareholders' Meeting.

Dear Sirs,

Pursuant to article 228 of the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, we hereby inform you that today the Board of Directors of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**") has adopted –among others– the following resolutions:

1. Preparation of the annual accounts and the proposals for the allocation of profits

To prepare the Annual Financial Statements, the management report and the proposal for the allocation of the profits 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 2015. The aforesaid management reports include the annual Report on corporate governance relative to the fiscal year 2015, which has been approved likewise by the Board of Directors on the date hereof.

The proposal for the allocation of profits, 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 ending on December 31, 2015 of a gross amount of EUR 0.03 per each share of Iberdrola bearing the right to receive it. This amount will be subject to withholding tax as applicable on the date of payment.

2. General Shareholders' Meeting call

A) To call for the General Shareholders' Meeting to be held on April 8 or 9, 2016, on first and second call, respectively, with the following agenda:

Items relating to the annual accounts, the management of the company, and the auditor:

1. Approval of the individual annual accounts of the Company and of the annual accounts of the Company consolidated with those of its subsidiaries for financial year 2015.
2. Approval of the individual management reports of the Company and of the management reports of the Company consolidated with those of its subsidiaries for financial year 2015.
3. Approval of the management and activities of the Board of Directors during financial year 2015.
4. Re-election of Ernst & Young, S.L. as auditor of the Company and of its consolidated group for financial year 2016.

Items relating to shareholder remuneration:

5. Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2015.

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6. Approval of two increases in share capital by means of scrip issues for two new editions of the “Iberdrola Flexible Dividend” system for the free-of-charge allocation of new shares to the shareholders of the Company in the following amounts: (A) a first increase in share capital by means of a scrip issue at a maximum reference market value of 855 million euros, and (B) a second increase in share capital by means of a scrip issue at a maximum reference market value of 985 million euros. Each of the increases provides for: (i) an offer to the shareholders of the acquisition of their free-of-charge allocation rights at a guaranteed fixed price, and (ii) delegation of powers to the Board of Directors, with express power of substitution, including, among others, the power to set the date on which the increases must be implemented and to amend the article of the *By-Laws* setting the share capital.

Items relating to the express authorisations and delegations being requested:

7. Authorisation to the Board of Directors, with express power of substitution, to increase the share capital upon the terms and within the limits set out in section 297.1.b) of the Companies Act, with the power to exclude pre-emptive rights, limited to a maximum nominal amount of 20% of the share capital, including such amount as may arise from the approval and implementation of the proposed resolution set forth in item 8 of the agenda.

8. Authorisation to the Board of Directors, with express power of substitution, for a term of five years, to issue debentures or bonds that are exchangeable for and/or convertible into shares of the Company or of other companies and warrants on newly-issued or outstanding shares of the Company or of other companies, with a maximum limit of five billion euros. The authorisation includes the delegation of such powers as may be required to: (i) determine the basis for and terms and conditions applicable to the conversion, exchange, or exercise; (ii) increase share capital to the extent required to accommodate requests for conversion, and (iii) exclude the pre-emptive rights of the shareholders in connection with the issues, limited to a maximum nominal amount of 20% of the share capital, including such amount as may arise from the approval and implementation of the proposed resolution set forth in item 7 of the agenda.

Item relating to the composition of the Board of Directors:

9. Re-election of the following directors: (A) Mr Iñigo Víctor de Oriol Ibarra, as other external director; (B) Ms Inés Macho Stadler, as independent director; (C) Mr Braulio Medel Cámara, as independent director; and (D) Ms Samantha Barber, as independent director; and appointment of (E) Mr Xabier Sagredo Ormazá, as other external director.

Items relating to the update of the Corporate Governance System:

10. Amendment of the following articles of the *By-Laws*: (A) articles 2, 3, 5, 6, 7, 8, 9, and 32, to formalise the inclusion of the *Mission, Vision, and Values of the Iberdrola group* within the Corporate Governance System and to stress the Company’s commitment to its corporate values, to social return, and to the engagement of all stakeholders, and creation of a new Preliminary Title; (B) article 12, to refer to the indirect participation of the shareholders of IBERDROLA, S.A. in the other companies of the Iberdrola group, and restructuring of Title I; and (C) articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45, to clarify the distribution of the powers of the Appointments Committee and of the Remuneration Committee, and to make other improvements of a technical nature.

11. Amendment of the following articles of the *Regulations for the General Shareholders’ Meeting*: (A) articles 1, 6, 13, and 14, to formalise the Company’s commitment to the sustainable management of the General Shareholders’ Meeting as an event and to promote environmentally-friendly channels of communication; (B) article 16, to regulate the gift for the General Shareholders’ Meeting; and (C) articles 22 and 32, to make improvements of a technical nature.

Item relating to the reduction in share capital:

12. Approval of a reduction in share capital by means of the retirement of 157,197,000 own shares representing 2.46% of the share capital. Delegation of powers to the Board of Directors, with express power of substitution, to, among other things, amend the article of the *By-Laws* setting the share capital.



Item relating to general matters:

13. Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Shareholders' Meeting, for conversion thereof into a public instrument, and for the interpretation, correction, and supplementation thereof, further elaboration thereon, and registration thereof.

Item relating to the resolution submitted to a consultative vote:

14. Consultative vote regarding the *Annual Director Remuneration Report* for financial year 2015.

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.

B) 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, thus including shareholders who cast an absentee vote or who attend by proxy representation granted to any third party.

Yours faithfully,

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.