



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

To the National Securities Market Commission

Bilbao, February 20, 2012

Re: Resolutions adopted by the Board of Directors regarding the preparation of the Annual Accounts and the approval of the proposals for the allocation of profits/losses and the compensation of the shareholders of Iberdrola, S.A.

Dear Sirs,

Pursuant to Section 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores* –“**Securities Market Law**”–) and related provisions, we hereby inform you that, on the date hereof, the Board of Directors of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) has unanimously adopted –among others– the following resolutions:

- (i) To prepare the Annual Financial Statements (Balance Sheet, Profit and Loss Statement, Statement of Changes in Shareholders’ Equity, Statement of Cash Flows and Notes), the management report and the proposal for the allocation of the profits/losses of the Company, as well as the consolidated Annual Financial Statements (Balance Sheet, Profit and Loss Statement, Statement of Changes in Shareholders’ Equity, Statement of Cash Flows and Notes) and the consolidated management report of the Company and its controlled companies for fiscal year 2011. According to applicable regulations, the aforesaid management reports include the Annual Report on Corporate Governance, elaborated according to the article 61 bis of the Security Market Law, corresponding to fiscal year 2011, likewise approved by the Board of Directors on the date hereof.

The proposal for the allocation of the profits/losses, which is subject to the shareholders’ approval acting at the General Shareholders’ Meeting, includes the allocation of a dividend in cash out of profits from fiscal year 2011 of a gross amount of 0.03 Euros per each share of Iberdrola attaching the right to receive it. This amount would be subject to the withholding applicable as of the date of the payment.

If the proposed resolution for the payment of a dividend is passed by the shareholders acting at the General Shareholders’ Meeting, payment thereof will be effected in close proximity to the date on which the delivery of the paid-in shares or the payment by

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Iberdrola of the cash amount pursuant to its commitment to acquire the rights at a fixed price in connection with the first implementation of the paid-in capital increase referred to in paragraph (ii) below.

- (ii) To submit to the following Iberdrola's General Shareholders' Meeting, at the time it is called to be held, the proposal consisting of a paid-in capital increase for the free-of-charge allocation of newly-issued shares to the shareholders of the Company in the context of the system for compensating shareholders called "Iberdrola Flexible Dividend" ("*Iberdrola Dividendo Flexible*").

As in previous occasions, the "Iberdrola Flexible Dividend" system would allow shareholders to opt for receiving all or a part of their compensation in new paid-in shares of Iberdrola or in cash (the latter through the sale of their respective free-of-charge allocation rights in the market or pursuant to Iberdrola's commitment to acquire the rights at a fixed price should the proposed resolution be approved by the shareholders acting at the General Shareholders' Meeting).

If the proposal regarding the "Iberdrola Flexible Dividend" system is approved by the shareholders acting at the General Shareholders' Meeting, the delivery of the paid-in shares or the payment of the cash amount will occur in two implementations of the paid-in capital increase, which will take place in close proximity to the date on which the supplementary payment of the dividend for fiscal year 2011 and the interim dividend for fiscal year 2012 would otherwise have taken place.

The market value of reference for the purposes of determining the total number of shares to be issued in the first implementation of the capital increase, which is in any event subject to the approval of the shareholders acting at the General Shareholders' Meeting, will be fixed by the Board of Directors later on at the time of approval of the appropriate resolution to be put to the vote of the General Shareholders' Meeting. This notwithstanding, in light of the current share capital of Iberdrola and the market conditions as of the date of this notice, the price of the commitment that Iberdrola would assume to acquire the free-of-charge allocation rights that the shareholders would receive in the first implementation of the capital increase is estimated to amount to a minimum gross figure of 0.150 Euro cents per right. Please note that this amount is provided for information purposes only. The final fixed price of Iberdrola's commitment to purchase each free-of-charge allocation right would be duly communicated upon the first implementation of the paid-in capital increase.

Subject to the approval by the shareholders acting at the General Shareholders Meeting the Company believes that the total shareholder compensation out of fiscal year 2011 will be in line with that of fiscal year 2010.

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

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.

FORWARD-LOOKING STATEMENTS

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 documents sent by IBERDROLA, S.A. to the Comisión Nacional del Mercado de Valores, which are available to the public.

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 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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