



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

Bilbao, 4 July 2014

To the National Securities Market Commission

Re: Concession agreement for the Alto Tâmega hydroelectric complex

Dear Sirs,

Pursuant to article 82 of Law 24/1988 of 28 July on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, we hereby notify you that Iberdrola Generación, S.A. Unipersonal (the “**Company**”)¹ has entered into a concession agreement with the Portuguese State, represented by the *Agencia Portuguesa do Ambiente*, according to which the Company will have the right to build and exploit the 1,158 MW Alto Tâmega hydroelectric complex (the “**Project**”).

The Project, which is one of the largest hydroelectric projects in Europe in the last 25 years, comprises the hydroelectric infrastructures of Gouvaes, Alto Tâmega and Daivões. The Company was awarded the Project in 2008.

The Project will be built in various stages, and will be completed in a maximum of nine years. Works are expected to begin in the first quarter of 2015, the heaviest investment taking place from 2018 to 2020. The budget of the Project is EUR 1,200 million.

This information is provided to you for the appropriate purposes.

Yours faithfully,

General Secretary and Secretary to the Board of Directors

¹ Iberdrola Generación, S.A. Unipersonal is a wholly-owned subsidiary of Iberdrola, S.A.

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.

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

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document which this translation is intended to reflect, the text of the original Spanish-language document shall prevail.