



ITEM ONE ON THE AGENDA

Approval of the individual annual accounts of the Company and of the annual accounts consolidated with those of its subsidiaries for financial year 2013.

RESOLUTION

To approve the individual annual accounts of IBERDROLA, S.A. (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, and notes) and the consolidated annual accounts of IBERDROLA, S.A. and its subsidiaries (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, and notes) for the financial year ended on 31 December 2013, which were finalised by the Board of Directors at its meeting held on 18 February 2014.

ITEM TWO ON THE AGENDA

Approval of the individual management report of the Company and of the consolidated management report of the Company and its subsidiaries for financial year 2013.

RESOLUTION

To approve the individual management report of IBERDROLA, S.A. and the consolidated management report of IBERDROLA, S.A. and its subsidiaries for the financial year ended on 31 December 2013, which were finalised by the Board of Directors at its meeting held on 18 February 2014.

ITEM THREE ON THE AGENDA

Approval of the management and activities of the Board of Directors during financial year 2013.

RESOLUTION

To approve the management of the Company and the activities of the Board of Directors of IBERDROLA, S.A. during the financial year ended on 31 December 2013.

ITEM FOUR ON THE AGENDA

Re-election of Ernst & Young, S.L. as auditor of the Company and of its consolidated group for financial year 2014.

RESOLUTION

To re-elect Ernst & Young, S.L. as auditor of IBERDROLA, S.A. and of its consolidated group for the audits for financial year 2014, authorising the Board of Directors, with express power of substitution, to enter into the respective services agreement, on the terms and conditions it deems appropriate, with authority to make such amendments as may be required in accordance with the law applicable at any time.

This resolution is adopted at the proposal of the Board of Directors and upon a prior proposal, in turn, of the Audit and Risk Supervision Committee.

It is stated for the record that Ernst & Young, S.L. has its registered office in Madrid, at Plaza Pablo Ruiz Picasso, 1, Edificio Torre Picasso, 28020, Tax Identification Number (N.I.F.) B-78970506. It is registered with the Madrid Commercial Registry at folio 1, volume 1,225, page M-23123, and with the Official Auditors' Registry (*Registro Oficial de Auditores de Cuentas*) ("ROAC") under number S0530.

ITEM FIVE ON THE AGENDA

Approval of the proposal for the allocation of profits/losses and for the distribution of dividends for financial year 2013.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends prepared by the Board of Directors at its meeting held on 18 February 2014, which is described below.

To distribute, with a charge to the results for the financial year ended on 31 December 2013, a gross dividend of three euro cents for each share of IBERDROLA, S.A. carrying the right to receive it and that is outstanding on the date that the respective payment is made.

Payment of the aforementioned dividend is planned to be made on 3 July 2014.

This dividend shall be distributed through the entities members of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Securities Registration, Clearing, and Settlement Systems Management Company) (IBERCLEAR), the Board of Directors being hereby authorised for such purpose, with express power of substitution, to establish the specific date for payment of the dividend, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.

The basis for distribution and the resulting distribution (stated in euros) are as follows:

BASIS FOR DISTRIBUTION:

Balance from prior financial years:	2,989,555,704.70
Profits for financial year 2013:	2,513,444,855.91
TOTAL:	5,503,000,560.61

DISTRIBUTION:

To legal reserve (minimum amount):	13,842,450.00
To dividends (maximum amount to distribute corresponding to a fixed dividend of 0.03 euro (gross) per share for all of the 6,373,467,000 ordinary shares outstanding on the date hereof):	191,204,010.00
To remainder:	5,297,954,100.61
TOTAL:	5,503,000,560.61

ITEM SIX ON THE AGENDA

Increases in share capital by means of scrip issues in order to implement the “Iberdrola Flexible Dividend” system.

RESOLUTION

A - Approval of an increase in share capital by means of a scrip issue at a maximum reference market value of 782 million euros for the free-of-charge allocation of new shares to the shareholders of the Company. Offer to the shareholders of the acquisition of their free-of-charge allocation rights at a guaranteed fixed price. Express provision for the possibility of an incomplete allocation. Application for admission of the shares issued to listing on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*). Delegation of powers to the Board of Directors, with express power of substitution, including, among others, the power to amend article 5 of the *By-Laws*.

1. Capital Increase with a Charge to Reserves

To increase the share capital by the amount resulting from multiplying (a) the nominal value of each share of IBERDROLA, S.A. (the “**Company**”), equal to seventy-five euro cents, by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula set forth in section 2 below, on the date of implementation of the increase in share capital (all new shares of the Company issued by way of implementation of this resolution will be referred to collectively as the “**New Shares**”, and each, individually, as “**New Share**”), which amount may not in any event exceed the sum of the reference market value of the New Shares equal to a maximum limit of 782 million euros (the “**Capital Increase**”).

The Capital Increase will be carried out by means of the issuance and flotation, if applicable, on the date of implementation of the Capital Increase, of the New Shares, which will be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The Capital Increase will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act (*Ley de Sociedades de Capital*). When implementing the Capital Increase, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The New Shares will be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and will be allocated to the shareholders of the Company without charge.

Within the year following the date of approval of this resolution, the Capital Increase may be implemented by the Board of Directors, with express power of substitution, at its sole discretion and, therefore, without having to resort again to the shareholders at a General Shareholders' Meeting, and by taking into consideration the legal and financial conditions prevailing at the time of implementing the Capital Increase, in order to offer the Company's shareholders a flexible and efficient compensation formula. The date on which the Capital Increase is expected to be implemented will be close to July 2014. The number of New Shares to be issued will be such as results from the formula set forth in section 2 below, provided, however, that the Amount of the Option (as such term is defined in section 2 below) may under no circumstances exceed the maximum amount of 782 million euros.

Pursuant to the provisions of section 311 of the Companies Act, the possibility of an incomplete allocation of the Capital Increase is contemplated in the event that the Company, a company within its group, or a third party waives all or part of the free-of-charge allocation rights to which they are entitled at the time of implementation of the Capital Increase, for which reason, in the event of such waiver, the share capital will be increased by the corresponding amount.

2. New Shares to Be Issued

The number of New Shares to be issued will be the number resulting from the application of the following formula, with the resulting number being rounded downwards to the next lower integer:

$$\text{NNS} = \text{TNShrs.} / \text{Num. rights}$$

where:

$$\text{NNS} = \text{Number of New Shares to be issued};$$

TNShrs. = Number of outstanding shares of the Company on the date on which the Board of Directors (or the body acting by delegation therefrom) resolves to put into effect the Capital Increase; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one New Share, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

$$\text{Num. rights} = \text{TNShrs.} / \text{Provisional number of shares}$$

where:

$$\text{Provisional number of shares} = \text{Amount of the Option} / \text{ListPri}$$

For these purposes, "**Amount of the Option**" will mean the maximum reference market value of the Capital Increase to be set by the Board of Directors, or the body

acting by delegation therefrom, which will not be greater than 782 million euros, in accordance with the maximum limit set in section 1 above.

For its part, “**ListPri**” will be the result of applying a discount between 0% and 10% (the “**Discount**”) to the arithmetic mean of the average weighted listing prices of the Company’s shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges in the five trading sessions prior to the resolution of the Board of Directors (or of the body acting by delegation therefrom) which determines the number of free-of-charge allocation rights needed for the allocation of one New Share, as well as the Purchase Price (as such term is defined below), rounded to the closest one-thousandth part of one euro.

For purposes of the calculation of the ListPri (and, therefore, of the number of free-of-charge allocation rights needed for the allocation of one New Share), as well as of the Purchase Price (as defined below), the Board of Directors will be specifically authorised, with express power of substitution, to establish the specific Discount rate, taking into account market conditions and the corporate interest.

3. Free-of-charge Allocation Rights

Each outstanding share of the Company will grant its holder one free-of-charge allocation right. The number of free-of-charge allocation rights required to receive a New Share will be automatically determined according to the ratio existing between the number of outstanding shares of the Company on the date of implementation of the Capital Increase (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in section 2 above. Specifically, the holders of the free-of-charge allocation rights will be entitled to receive one New Share for as many free-of-charge allocation rights, determined as provided in section 2 above (Num. rights), as are held by them.

In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the Capital Increase (TNShrs.), the Company (or such entity within its group, if any, as holds the Company’s shares) will waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.

The free-of-charge allocation rights will be allocated to those who are registered as being entitled thereto in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) at 23:59, Madrid time, on the day of publication of the announcement of implementation of the Capital Increase in the Official Bulletin of the Commercial Registry.

The free-of-charge allocation rights will be transferable upon the same terms as the shares from which they derive. The free-of-charge allocation rights may be traded on the market during such term as is established by the Board of Directors, with express power of substitution, which term will not be less than fifteen calendar days, beginning on the day following the day of publication of the announcement of implementation of the Capital Increase in the Official Bulletin of the Commercial Registry. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares.

4. Irrevocable Commitment to Purchase the Free-of-charge Allocation Rights

At the time of implementation of the Capital Increase, the Company will assume, on the terms and conditions set forth below, the irrevocable commitment to purchase the free-of-charge allocation rights at the price set forth below (the “**Purchase Commitment**”). The Purchase Commitment will be in effect and may be accepted during such term, within the period for trading the rights, as is established by the Board of Directors, with express power of substitution. For this purpose, it is hereby resolved to authorise the Company to acquire the aforementioned free-of-charge allocation rights up to the maximum limit of the total number of rights issued, in all cases with due observance of any applicable legal restrictions.

The subject matter of the Purchase Commitment assumed by the Company will be such as is determined by the Board of Directors, in exercise of the powers delegated thereto by the shareholders at the General Shareholders’ Meeting, with express power of substitution, and taking into account market conditions and the corporate interest, based on the following two alternatives:

- (i) the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) at 23:59, Madrid time, on the day of publication of the announcement of the implementation of the Capital Increase in the Official Bulletin of the Commercial Registry, excluding such rights as have been transferred on the market; or
- (ii) all of the free-of-charge allocation rights, regardless of whether the holders thereof have received them from the Company without charge because of their status as shareholders at the time of allocation thereof or have acquired them on the market.

The “**Purchase Price**” will be the fixed price at which the Company will acquire each free-of-charge allocation right under the Purchase Commitment and will be calculated in accordance with the following formula, with the resulting number being rounded to the closest one-thousandth part of one euro and, in the case of one-half of one-thousandth of one euro, to the next higher one-thousandth part of one euro:

$$\text{Purchase Price} = \text{ListPri} / (\text{Num. rights} + 1)$$

In addition, the Company will guarantee to the holders of the free-of-charge allocation rights that decide to transfer their rights under the Purchase Commitment that the Purchase Price that they will obtain will at no time be lower than that that would result if no Discount were applied.

Therefore, in the event that the Discount applied is other than zero, the term “**Purchase Price**” will mean the greater of the following amounts: (a) the Purchase Price calculated in accordance with the formula set forth above, and (b) the price resulting from the application of the mathematical formulas described in this section and in section 2 above, assuming a Discount of 0% solely for the purpose of calculating the Purchase Price.

The acquisition by the Company of the free-of-charge allocation rights as a consequence of the Purchase Commitment will be effected with a charge to the reserves contemplated in section 303.1 of the Companies Act.

5. Balance Sheet for the Transaction and Reserve with a Charge to which the Capital Increase is Carried Out

The balance sheet used as a basis for the transaction is the one for the financial year ended 31 December 2013, duly audited and submitted to the shareholders for approval at this General Shareholders' Meeting under item one on the agenda.

The Capital Increase will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing the Capital Increase, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

6. Representation of the New Shares

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) and its member entities.

7. Rights Attaching to the New Shares

The New Shares will grant the holders thereof the same financial, voting, and like rights as the ordinary shares of the Company currently outstanding, as from the date on which the Capital Increase is declared to be subscribed and paid up. In particular, the holders of the New Shares will be entitled to receive the interim dividend and supplementary dividend amounts, if any, that are paid as from the date on which the Capital Increase is declared to be subscribed and paid up.

8. Shares on Deposit

Once the period for trading the free-of-charge allocation rights has ended, the New Shares that could not be allocated for reasons not attributable to the Company will be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of the aforementioned period for trading the free-of-charge allocation rights, the New Shares that are still pending allocation may be sold in accordance with the provisions of section 117 of the Companies Act, at the expense and peril of the interested parties. The cash amount from such sale will be deposited with *Banco de España* or with *Caja General de Depósitos* at the disposal of the interested parties.

9. Application for Admission to Listing

To make application for listing the New Shares to be issued pursuant to this capital increase resolution on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), and to carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to listing of the New Shares issued as a consequence of the approved Capital Increase, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued listing on, and delisting from official markets.

It is expressly stated for the record that, in the event of a subsequent request for delisting of the Company's shares, such delisting will be carried out with such formalities as apply thereto and, in such event, the interests of the shareholders opposing or not voting on the resolution to delist will be safeguarded, in compliance with the requirements set out in the Companies Act and related provisions, all in accordance with Law 24/1988 of 28 July on the Securities Market and the provisions issued by way of implementation thereof in effect at any time.

10. Implementation of the Capital Increase

Within a period of one year from the date of this resolution, the Board of Directors, with express power of substitution, may set the date on which the Capital Increase resolution is to be carried out and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option and the Discount). Notwithstanding the foregoing, if the Board of Directors, with express power of substitution, does not deem it advisable to implement, in whole or in part, the Capital Increase, it may, within the aforementioned period, refrain from implementing the Capital Increase, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting held. Specifically, the Board of Directors will analyse and take into account the market conditions, the circumstances of the Company itself, or those deriving from an event that has social or financial significance, and if these or other factors make it inadvisable, in its opinion, to implement the Capital

Increase, it may decide not to implement it. In addition, the Capital Increase will be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto within the period of one year established by the shareholders at the General Shareholders' Meeting for implementation thereof.

Once the period for trading the free-of-charge allocation rights has ended, the following shall apply:

(a) The New Shares will be allocated to those who, according to the records maintained by the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERLEAR) and its member entities, are the holders of free-of-charge allocation rights in the proportion resulting from section 3 above.

(b) The period for trading the free-of-charge allocation rights will be declared to have ended and the appropriation of the account(s) with a charge to which the Capital Increase will be implemented will be formalised on the books in the corresponding amount, with which appropriation such Capital Increase will be paid up.

Likewise, once the period for trading the free-of-charge allocation rights has ended, the Board of Directors, with express power of substitution, will adopt the resolutions required to amend the *By-Laws*, so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the Capital Increase, and to make application for listing the New Shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market).

11. Delegation of Powers to Implement the Capital Increase

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors, with express power of substitution, the power to set the date on which the Capital Increase is to be carried out, if at all, and to set the terms and conditions thereof as to all matters not provided for in this resolution. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

(a) Set the date on which the Capital Increase must be implemented, which shall in any case be within a period of one year from approval thereof.

(b) Determine the Discount within the margins established in this resolution for purposes of the calculation of the number of rights needed for the allocation of one New Share.

(c) Set the exact amount of the Capital Increase, the Amount of the Option, the number of New Shares, and the number free-of-charge allocation rights necessary for

the allocation of one New Share, applying the rules established by the shareholders at this General Shareholders' Meeting for such purpose.

(d) Determine the reserves, among those contemplated in this resolution, with a charge to which the Capital Increase and the acquisition by the Company of the free-of-charge allocation rights as a consequence of the Purchase Commitment will be implemented.

(e) Designate the company or companies that will assume the duties of agent and/or financial adviser in connection with the Capital Increase, and sign all required contracts and documents for such purpose.

(f) Set the duration of each period for trading the free-of-charge allocation rights.

(g) Set the period during which the Purchase Commitment will be in effect and determine the subject matter of the Purchase Commitment within the limits established in this resolution.

(h) Fulfil the Purchase Commitment, paying the corresponding amounts to those who have accepted such commitment

(i) Declare the Capital Increase to be closed and implemented, setting, for such purpose, the number of New Shares actually allocated and, therefore, the amount by which the Company's share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders' Meeting, as well as declare, if applicable, the existence of an incomplete allocation of the Capital Increase.

(j) Amend article 5 of the *By-Laws* of the Company regarding share capital, in order for it to conform to the result of the Capital Increase.

(k) Waive the free-of-charge allocation rights held by the Company at the end of the period for trading such rights as a result of the Purchase Commitment and, therefore, the New Shares corresponding to such rights.

(l) Waive any free-of-charge allocation rights to subscribe for New Shares, for the sole purpose of facilitating the number of New Shares being a whole number and not a fraction.

(m) Take all steps required for the New Shares to be included in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) and admitted to listing on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market).

(n) Take any actions that are necessary or appropriate to implement and formalise the Capital Increase before any public or private entities or agencies, whether

domestic or foreign, including acts for purposes of representation or supplementation or to cure defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

Pursuant to the provisions of section 249.2 of the Companies Act, the Board of Directors is expressly authorised to in turn delegate the powers referred to in this resolution.

B - Approval of an increase in share capital by means of a scrip issue at a maximum reference market value of 897 million euros for the free-of-charge allocation of new shares to the shareholders of the Company. Offer to the shareholders of the acquisition of their free-of-charge allocation rights at a guaranteed fixed price. Express provision for the possibility of an incomplete allocation. Application for admission of the shares issued to listing on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*). Delegation of powers to the Board of Directors, with express power of substitution, including, among others, the power to amend article 5 of the *By-Laws*.

1. Capital Increase with a Charge to Reserves

To increase the share capital by the amount resulting from multiplying (a) the nominal value of each share of IBERDROLA, S.A. (the “**Company**”), equal to seventy-five euro cents, by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula set forth in section 2 below, on the date of implementation of the increase in share capital (all of the new shares of the Company issued by way of implementation of this resolution shall be collectively referred to as the “**New Shares**”, and each one, individually, as a “**New Share**”), which amount may not in any event exceed the sum of the reference market value of the New Shares equal to a maximum limit of 897 million euros (the “**Capital Increase**”).

The Capital Increase will be carried out by means of the issuance and flotation, if applicable, on the date of implementation of the Capital Increase, of the New Shares, which will be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The Capital Increase will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act (*Ley de Sociedades de Capital*). When implementing the Capital Increase, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The New Shares will be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and will be allocated to the shareholders of the Company without charge.

Within the year following the date of approval of this resolution, the Capital Increase may be implemented by the Board of Directors, with express power of substitution, at its sole discretion, and therefore without having to resort again to the shareholders at a General Shareholders' Meeting, and by taking into consideration the legal and financial conditions prevailing at the time of implementing the Capital Increase, in order to offer the Company's shareholders a flexible and efficient compensation formula. The date on which the Capital Increase is expected to be implemented will be around the month of January 2015. The number of New Shares to be issued will be such as results from the formula set forth in section 2 below, provided, however, that the Amount of the Option (as such term is defined in section 2 below) may under no circumstances exceed the maximum amount of 897 million euros.

Pursuant to the provisions of section 311 of the Companies Act, the possibility of an incomplete allocation of the Capital Increase is contemplated in the event that the Company, a company within its group, or a third party waives all or part of the free-of-charge allocation rights to which they are entitled at the time of implementation of the Capital Increase, for which reason, in the event of such waiver, the share capital will be increased by the corresponding amount.

2. New Shares to Be Issued

The number of New Shares to be issued will be the number resulting from the application of the following formula, with the resulting number being rounded downwards to the next lower integer:

$$\text{NNS} = \text{TNShrs.} / \text{Num. rights}$$

where:

NNS = Number of New Shares to be issued;

TNShrs. = Number of outstanding shares of the Company on the date on which the Board of Directors, or the body acting by delegation therefrom, resolves to put into effect the Capital Increase; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one New Share, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

$$\text{Num. rights} = \text{TNShrs.} / \text{Provisional number of shares}$$

where:

Provisional number of shares = Amount of the Option / ListPri

For these purposes, "**Amount of the Option**" will mean the maximum reference market value of the Capital Increase to be set by the Board of Directors, or the body

acting by delegation therefrom, which will not be greater than 897 million euros, in accordance with the maximum limit set in section 1 above.

For its part, “**ListPri**” will be the result of applying a discount between 0% and 10% (the “**Discount**”) to the arithmetic mean of the average weighted listing prices of the Company’s shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges in the five trading sessions prior to the resolution of the Board of Directors (or of the body acting by delegation therefrom) which determines the number of free-of-charge allocation rights needed for the allocation of one New Share, as well as the Purchase Price (as such term is defined below), rounded to the closest one-thousandth part of one euro.

For purposes of the calculation of the ListPri (and, therefore, of the number of free-of-charge allocation rights needed for the allocation of one New Share), as well as of the Purchase Price (as defined below), the Board of Directors will be specifically authorised, with express power of substitution, to establish the specific Discount rate, taking into account market conditions and the corporate interest.

3. Free-of-charge Allocation Rights

Each outstanding share of the Company will grant its holder one free-of-charge allocation right. The number of free-of-charge allocation rights required to receive a New Share will be automatically determined according to the number of outstanding shares of the Company on the date of implementation of the Capital Increase (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in section 2 above. Specifically, the holders of free-of-charge allocation rights will be entitled to receive one New Share for as many free-of-charge allocation rights, determined as provided in section 2 above (Num. rights), as are held by them.

In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the Capital Increase (TNShrs.), the Company (or such entity within its group, if any, as holds shares of the Company) will waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.

The free-of-charge allocation rights will be allocated to those who are registered as being entitled thereto in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) at 23:59, Madrid time, on the day of publication of the announcement of implementation of the Capital Increase in the Official Bulletin of the Commercial Registry.

The free-of-charge allocation rights will be transferable upon the same terms as the shares from which they derive. The free-of-charge allocation rights may be traded on the market during such term as is established by the Board of Directors, with express power of substitution, which term will not be less than fifteen calendar days, beginning on the day following the day of publication of the announcement of implementation of the Capital Increase in the Official Bulletin of the Commercial Registry. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares.

4. Irrevocable Commitment to Purchase the Free-of-charge Allocation Rights

At the time of implementation of the Capital Increase, the Company will assume, on the terms and conditions set forth below, the irrevocable commitment to purchase the free-of-charge allocation rights at the price set forth below (the “**Purchase Commitment**”). The Purchase Commitment will be in effect and may be accepted during such term, within the period for trading the rights, as is established by the Board of Directors, with express power of substitution. For this purpose, it is hereby resolved to authorise the Company to acquire the aforementioned free-of-charge allocation rights up to the maximum limit of the total number of rights issued, in all cases with due observance of any applicable legal restrictions.

The subject matter of the Purchase Commitment assumed by the Company will be such as is determined by the Board of Directors of Iberdrola, in exercise of the powers delegated thereto by the shareholders at the General Shareholders’ Meeting, with express power of substitution, and taking into account market conditions and the corporate interest, based on the following two alternatives:

- (i) the free-of-charge allocation rights received by those registered as being entitled thereto in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) at 23:59, Madrid time, on the day of publication of the announcement of the implementation of the Capital Increase in the Official Bulletin of the Commercial Registry, excluding such rights as have been transferred on the market; or
- (ii) all of the free-of-charge allocation rights, regardless of whether the holders thereof have received them from the Company without charge because of their status as shareholders at the time of allocation thereof or have acquired them on the market.

The “**Purchase Price**” will be the fixed price at which the Company will acquire each free-of-charge allocation right under the Purchase Commitment and will be calculated in accordance with the following formula, with the resulting number being rounded to the closest one-thousandth part of one euro and, in the case of one-half of one-thousandth of one euro, to the next higher one-thousandth part of one euro:

$$\text{Purchase Price} = \text{ListPri} / (\text{Num. rights} + 1)$$

In addition, the Company will guarantee to the holders of free-of-charge allocation rights that decide to transfer their rights under the Purchase Commitment that the Purchase Price that they will obtain will at no time be lower than that that would result if no Discount were applied.

Therefore, in the event that the Discount applied is other than zero, the term “**Purchase Price**” will mean the greater of the following amounts: (a) the Purchase Price calculated in accordance with the formula set forth above, and (b) the price resulting from the application of the mathematical formulas described in this section and in section 2 above, assuming a Discount of 0% solely for the purpose of calculating the Purchase Price.

The acquisition by the Company of the free-of-charge allocation rights as a consequence of the Purchase Commitment will be effected with a charge to the reserves contemplated in section 303.1 of the Companies Act.

5. Balance Sheet for the Transaction and Reserve with a Charge to which the Capital Increase is Carried Out

The balance sheet used as a basis for the transaction is the one for the financial year ended 31 December 2013, duly audited and submitted to the shareholders for approval at this General Shareholders' Meeting under item one on the agenda.

The Capital Increase will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing the Capital Increase, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

6. Representation of the New Shares

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR) and its member entities.

7. Rights Attaching to the New Shares

The New Shares will grant the holders thereof the same financial, voting, and like rights as the ordinary shares of the Company currently outstanding, as from the date on which the Capital Increase is declared to be subscribed and paid up. In particular, the holders of the New Shares will be entitled to receive the interim dividend and supplementary dividend amounts, if any, that are paid as from the date on which the Capital Increase is declared to be subscribed and paid up.

8. Shares on Deposit

Once the period for trading the free-of-charge allocation rights has ended, the New Shares that could not be allocated for reasons not attributable to the Company will be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of the aforementioned period for trading the free-of-charge allocation rights, the New Shares that are still pending allocation may be sold in accordance with the provisions of section 117 of the Companies Act, at the expense and peril of the interested parties. The cash amount from such sale will be deposited with *Banco de España* or with *Caja General de Depósitos* at the disposal of the interested parties.

9. Application for Admission to Listing

To make application for listing the New Shares to be issued pursuant to this capital increase resolution on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), and to carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to listing of the New Shares issued as a consequence of the approved Capital Increase, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued listing on, and delisting from official markets.

It is expressly stated for the record that, in the event of a subsequent request for delisting of the shares of the Company, such delisting will be carried out with such formalities as apply thereto and, in such event, the interests of the shareholders opposing or not voting on the resolution to delist will be safeguarded, in compliance with the requirements set out in the Companies Act and related provisions, all in accordance with Law 24/1988 of 28 July on the Securities Market and the provisions issued by way of implementation thereof in effect at any time.

10. Implementation of the Capital Increase

Within a period of one year from the date of this resolution, the Board of Directors, with express power of substitution, may set the date on which the Capital Increase resolution is to be carried out and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option and the Discount). Notwithstanding the foregoing, if the Board of Directors, with express power of substitution, does not deem it advisable to implement, in whole or in part, the Capital Increase, it may, within the aforementioned period, refrain from implementing the Capital Increase, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting held. Specifically, the Board of Directors will analyse and take into account the market conditions, the circumstances of the Company itself, or those deriving from an event that has social or financial significance, and if these or other factors make it inadvisable, in its opinion, to implement the Capital

Increase, it may decide not to implement it. In addition, the Capital Increase will be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto within the period of one year established by the shareholders at the General Shareholders' Meeting for implementation thereof.

Once the period for trading the free-of-charge allocation rights has ended, the following shall apply:

(a) The New Shares will be allocated to those who, according to the records maintained by the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) and its member entities, are the holders of free-of-charge allocation rights in the proportion resulting from section 3 above.

(b) The period for trading the free-of-charge allocation rights will be declared to have ended and the appropriation of the account(s) with a charge to which the Capital Increase will be implemented will be formalised on the books in the corresponding amount, with which appropriation such Capital Increase will be paid up.

Likewise, once the period for trading the free-of-charge allocation rights has ended, the Board of Directors, with express power of substitution, will adopt the resolutions required to amend the *By-Laws*, so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the Capital Increase, and to make application for listing the New Shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market).

11. Delegation of Powers to Implement the Capital Increase

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors, with express power of substitution, the power to set the date on which the Capital Increase is to be carried out, if at all, and to set the terms and conditions thereof as to all matters not provided for in this resolution. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

(a) Set the date on which the Capital Increase must be implemented, which shall in any case be within a period of one year from approval thereof.

(b) Determine the Discount within the margins established in this resolution for purposes of the calculation of the number of rights needed for the allocation of one New Share.

(c) Set the exact amount of the Capital Increase, the Amount of the Option, the number of New Shares, and the number of free-of-charge allocation rights necessary for

the allocation of one New Share, applying the rules established by the shareholders at this General Shareholders' Meeting for such purpose.

(d) Determine the reserves, among those contemplated in this resolution, with a charge to which the Capital Increase and the acquisition by the Company of the free-of-charge allocation rights as a consequence of the Purchase Commitment will be implemented.

(e) Designate the company or companies that will assume the duties of agent and/or financial adviser in connection with the Capital Increase, and sign all required contracts and documents for such purpose.

(f) Set the duration of the period for trading the free-of-charge allocation rights.

(g) Set the period during which the Purchase Commitment will be in effect and determine the subject matter of the Purchase Commitment within the limits established in this resolution.

(h) Fulfil the Purchase Commitment, paying the corresponding amounts to those who have accepted such commitment

(i) Declare the Capital Increase to be closed and implemented, setting, for such purpose, the number of New Shares actually allocated and, therefore, the amount by which the Company's share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders' Meeting, as well as declare, if applicable, the existence of an incomplete allocation of the Capital Increase.

(j) Amend article 5 of the *By-Laws* of the Company regarding share capital, in order for it to conform to the result of the Capital Increase.

(k) Waive the free-of-charge allocation rights held by the Company at the end of the period for trading such rights as a result of the Purchase Commitment and, therefore, the New Shares corresponding to such rights.

(l) Waive any free-of-charge allocation rights to subscribe for New Shares, for the sole purpose of facilitating the number of New Shares being a whole number and not a fraction.

(m) Take all steps required for the New Shares to be included in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) and admitted to listing on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges.

(n) Take any actions that are necessary or appropriate to implement and formalise the Capital Increase before any public or private entities or agencies, whether domestic or foreign, including acts for purposes of representation or supplementation or

to cure defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

Pursuant to the provisions of section 249.2 of the Companies Act, the Board of Directors is expressly authorised to in turn delegate the powers referred to in this resolution.

ITEM SEVEN ON THE AGENDA

Approval of a Strategic Bonus intended for executive directors, senior officers, and other management personnel, tied to the Company's performance with respect to certain targets established for the 2014-2016 period and to be paid by means of the delivery of shares of the Company. Delegation to the Board of Directors of the power to formalise, implement, develop, execute, and pay the Strategic Bonus.

RESOLUTION

To approve, pursuant to the provisions of section 219 of the Companies Act (*Ley de Sociedades de Capital*) and article 52.2 of the *By-Laws* of IBERDROLA, S.A. (the “**Company**”), the establishment of a Strategic Bonus intended for executive directors, senior officers, and other management personnel of the Company and of its subsidiaries, tied to the Company's performance with respect to certain targets established for the 2014-2016 period and to be paid by means of the delivery of shares of the Company (the “**2014-2016 Strategic Bonus**”), in accordance with the following terms:

1. Description

The 2014-2016 Strategic Bonus is configured as a long-term incentive tied to the Company's performance with respect to certain targets during the evaluation period described in section 4 below relating to:

(a) The change in consolidated net profits. The target is for average annual growth of 4% based on year-end 2014. It shall be deemed that the target is not met if such growth does not reach 2%.

(b) The change in the share price compared to the Eurostoxx Utilities index and the shares of the five leading European competitors (ENEL, E.ON, RWE, EDF and GDF Suez). This goal shall be deemed to have been achieved if the share's listing price is better than that of three of the reference shares.

(c) Improvement of the Company's financial strength, measured through the FFO/*Net Debt*^(*) ratio >22 %.

2. Beneficiaries

The 2014-2016 Strategic Bonus is intended for the executive directors, the senior officers, and other officers of the Company and its group included in the 2014-2016 Strategic Bonus during the term thereof, pursuant to resolutions adopted by the Board of Directors in implementation thereof, with a maximum of 350 beneficiaries.

(*) Funds from Operations/Net Debt.

3. Amount

Each beneficiary shall be allocated a number of “theoretical shares” at the time of his/her inclusion in the 2014-2016 Strategic Bonus.

The maximum number of shares to be delivered to the beneficiaries of the 2014-2016 Strategic Bonus as a whole shall be 19,000,000 shares, equal to 0.3% per cent of the share capital at the time of adoption of this resolution, with a maximum of 2,200,000 shares corresponding to all of the executive directors.

4. Term of the 2014-2016 Strategic Bonus

The 2014-2016 Strategic Bonus has a term of six years, within which the period between financial years 2014 and 2016 shall be the performance level evaluation period with respect to the targets to which the 2014-2016 Strategic Bonus is tied and the period between financial years 2017 and 2019 shall be the payment period, with payment to be made by means of the delivery of shares on a deferred basis over such three-year period.

5. Payment

The 2014-2016 Strategic Bonus shall accrue annually in 2017, 2018, and 2019, at the end of each evaluation period. Each annual accrual and the respective payment thereof must be approved by the Board of Directors, following a report from the Appointments and Remuneration Committee, which shall evaluate whether it is appropriate to confirm or cancel, totally or partially, the corresponding accrual and payment during each financial year, in the event that a circumstance occurs *a posteriori* requiring a correction of the parameters taken into account in the initial evaluation.

6. Delegation of Powers

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement, develop, formalise, execute, and pay the 2014-2016 Strategic Bonus, adopting any resolutions and signing any public or private documents that may be necessary or appropriate for the full effectiveness thereof, including the power to correct, rectify, amend, or supplement this resolution. Particularly, and only by way of example, the Board is delegated the following powers, with express power of substitution:

(a) Designate the beneficiaries of the 2014-2016 Strategic Bonus, whether at the time of establishment thereof or subsequent thereto, determine the initial allocation of “theoretical shares”, and revoke, if and when appropriate, any designations or allocations previously made.

(b) Establish the terms and conditions of the 2014-2016 Strategic Bonus as to all matters not provided for in this resolution within the framework of the existing contracts with the executive directors, senior officers, and other beneficiaries, including,

among other things, the events of early payment of the 2014-2016 Strategic Bonus, and declare compliance with the conditions, if any, to which such early payment is subject.

(c) Formalise and implement the 2014-2016 Strategic Bonus in the manner it deems appropriate, taking all action required for the best implementation thereof.

(d) Draft, sign, and submit any notices or documents, whether public or private, that may be necessary or appropriate at any public or private entity for the implementation and execution of the 2014-2016 Strategic Bonus.

(e) Take any action, make any statement, or carry out any proceedings at any public or private body, entity, or registry in order to obtain any authorisation or verification necessary to implement and execute the 2014-2016 Strategic Bonus.

(f) If applicable, designate the banking institution or institutions that are to provide services to the Company in connection with the formalisation and administration of the 2014-2016 Strategic Bonus, and negotiate, agree upon, and sign the relevant contracts with the banking institution or institutions thus selected, as well as such other contracts or agreements as may be appropriate with any other entities and, if applicable, with the beneficiaries, for the implementation and execution of the 2014-2016 Strategic Bonus, upon such terms and conditions as it deems appropriate.

(g) Evaluate the level of performance with respect to the targets to which the 2014-2016 Strategic Bonus is tied and proceed with the payment thereof, for which purposes it may seek the advice of an independent expert, where appropriate.

(h) And, in general, perform all such acts and sign all such documents as may be necessary or appropriate for the validity, effectiveness, implementation, development, execution, payment, and proper completion of the 2014-2016 Strategic Bonus.

The Board of Directors is expressly authorised such that it may delegate, pursuant to the provisions of section 249.2 of the Companies Act, the powers referred to in this resolution.

ITEM EIGHT ON THE AGENDA

Ratification of the interim appointment and re-election of Ms Georgina Yamilet Kessel Martínez as director of the Company, with the status of external independent director.

RESOLUTION

To ratify the appointment of Ms Georgina Yamilet Kessel Martínez as director designated on an interim basis by resolution adopted by the Board of Directors at the meeting held on 23 April 2013, and to re-elect her, upon a proposal from the Appointments and Remuneration Committee, for the by-law mandated four-year term, with the status of external independent director.

ITEM NINE ON THE AGENDA

Authorisation to the Board of Directors, with express power of substitution, for the derivative acquisition of the Company's own shares by the Company itself and/or by its subsidiaries, as provided by applicable law, for which purpose the authorisation granted to such end by the shareholders at the General Shareholders' Meeting of 26 March 2010 is hereby deprived of effect to the extent of the unused amount.

RESOLUTION

To expressly authorise the Board of Directors, with express power of substitution, pursuant to the provisions of section 146 of the Companies Act (*Ley de Sociedades de Capital*), to carry out the derivative acquisition of shares of IBERDROLA, S.A. (the "Company") upon the following terms:

(a) The acquisitions may be made directly by the Company or indirectly through its subsidiaries, on the same terms set forth in this resolution. The subsidiaries conducting regulated activities pursuant to the provisions of Law 24/2013, of 26 December, on the Electricity Industry and Law 34/1988, of 7 October, on the Hydrocarbons Industry are excluded from this authorisation.

(b) The acquisitions shall be made through purchase and sale, exchange, or any other transaction permitted by law.

(c) The acquisitions may be made, at any time, up to the maximum amount permitted by law.

(d) The acquisitions may not be made at a price greater than the listing price of the shares or lower than the par value of the shares.

(e) This authorisation is granted for a maximum period of five years from the adoption of this resolution.

(f) The shareholders' equity resulting from the acquisition of shares, including those that the Company or the person acting in their own name but for the account of the Company has previously acquired and holds as treasury shares, shall not be less than the amount of share capital plus the reserves that are restricted under the law or the *By-Laws*, all pursuant to the provisions of letter b) of section 146.1 of the Companies Act.

It is expressly stated for the record that the shares acquired pursuant to this authorisation may be disposed of, cancelled, or allocated to the remuneration systems provided for in paragraph three of letter a) of section 146.1 of the Companies Act, as well as to develop programmes to foster the acquisition of interests in the Company such as, for example, dividend reinvestment plans, loyalty bonuses, or similar instruments.

This resolution cancels and deprives of effect, to the extent of the unused amount, the authorisation for the derivative acquisition of the Company's own shares granted to the Board of Directors by the shareholders at the General Shareholders' Meeting held on 26 March 2010.

ITEM TEN ON THE AGENDA

Amendment of the *By-Laws*.

RESOLUTION

A.- Amendment of article 34.5 of the *By-Laws* to make technical improvements to the text thereof.

To amend article 34.5 of the *By-Laws*, which shall hereafter read as follows:

“5. In particular, the Board of Directors, acting upon its own initiative or at the proposal of the corresponding internal decision-making body, shall occupy itself with the matters set forth below (as an example only):

- A) *With respect to the General Shareholders’ Meeting:*
 - a) *Call the General Shareholders’ Meeting.*
 - b) *Propose the amendment of the *By-Laws* to the shareholders at a General Shareholders’ Meeting.*
 - c) *Propose to the shareholders at a General Shareholders’ Meeting the amendment of the Regulations for the General Shareholders’ Meeting.*
 - d) *Submit to a decision by the shareholders at a General Shareholders’ Meeting the transformation of the Company into a holding company, through “subsidiarisation” or the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.*
 - e) *Submit to a decision by the shareholders at a General Shareholders’ Meeting all transactions for the acquisition or disposition of essential operating assets when they involve an effective change in the object of the company.*
 - f) *Propose to the shareholders at a General Shareholders’ Meeting the approval of transactions having an effect equivalent to liquidation of the Company.*
 - g) *Carry out the resolutions approved by the shareholders at a General Shareholders’ Meeting and perform any duties that the shareholders have entrusted thereto.*

- B) *With respect to the organisation of the Board of Directors and the delegation of powers and the granting of powers of representation:*

- a) *Approve and amend the Regulations of the Board of Directors.*
 - b) *Define the structure of general powers to be granted by the Board of Directors or by the representative management decision-making bodies.*
- C) *With respect to information to be provided by the Company:*
- a) *Manage the provision of information regarding the Company to the shareholders and the markets in general, pursuant to standards of equal treatment, transparency, and truthfulness.*
 - b) *Prepare the Company's annual accounts, management report, and proposal for the allocation of profits or losses, as well as the consolidated accounts and management report and the financial information that the Company must periodically make public due to its status as listed company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial position, and the profits or losses of the Company in accordance with the provisions of law.*
 - c) *Approve the Company's Annual Corporate Governance Report, as well as the annual sustainability report, the annual director remuneration policy report, and any other report that the Board of Directors deems advisable in order to better inform shareholders and investors or that is required by legal provisions applicable at any time.*
- D) *With respect to the directors and senior officers:*
- a) *Designate directors to fill vacancies by interim appointment and propose to the shareholders at a General Shareholders' Meeting the appointment, ratification, re-election, or removal of directors.*
 - b) *Designate and renew internal positions within the Board of Directors and the members of and positions on the committees established within the Board of Directors.*
 - c) *Set, pursuant to the By-Laws and within the limits established therein, the Director Remuneration Policy and the remuneration of directors. In the case of executive directors, the Board of Directors shall establish the additional remuneration to which they are entitled for their executive duties and other basic terms that their contracts must include.*

- d) *Approve, upon a proposal of the chairman of the Board of Directors or of the chief executive officer, the determination and modification of the Company's organisational chart, the appointment and removal of senior officers of the Company, as well as set the compensation or indemnification, if any, payable to them in the event of removal.*

As an exception to the foregoing, based on a proposal made for such purpose by the chairman of the Board of Directors, the Audit and Risk Supervision Committee shall, if applicable, submit to the Board of Directors a proposal supported by the corresponding report regarding the selection, appointment, or removal of the director of the Internal Audit Area.

Senior officers shall be those who report directly to the Board of Directors, to the chairman thereof, or to the chief executive officer of the Company, and shall in any case include the director of the Internal Audit Area and any other officer given such status by the Board of Directors.

- e) *Approve the Senior Officer Remuneration Policy as well as the basic terms of the contracts with senior officers, based for such purpose on a proposal made by the chairman of the Board of Directors or the chief executive officer to the Appointments and Remuneration Committee in order for the latter to prepare a report thereon and submit it to the Board of Directors.*
- f) *Regulate, review, and decide upon possible conflicts of interest and related-party transactions between the Company and its directors and senior officers as well as with persons related thereto.*

E) *Other powers:*

- a) *Prepare the shareholder remuneration policy and submit the corresponding proposed resolutions on the allocation of profits or losses and other modes of shareholder remuneration to the shareholders at the General Shareholders' Meeting, as well as decide upon the payment, if any, of interim dividends.*
- b) *Take note of mergers, split-offs, concentrations, or overall assignments of assets and liabilities that affect any of the significant companies of the Group.*
- c) *Declare its position regarding all takeover bids for the Company's securities.*

- d) *Decide on proposals submitted thereto by the Executive Committee, the chairman of the Board of Directors, the chief executive officer, the lead independent director (consejero independiente especialmente facultado), and the committees of the Board of Directors.*
- e) *Make decisions regarding any other matter within its power that the Board of Directors believes to be in the interest of the Company or that the Regulations of the Board of Directors reserve to the Board as a whole.”*

B.- Amendment of article 44.3 of the By-Laws to set at four years the maximum term for the position of chair of the Audit and Risk Supervision Committee.

To amend article 44.3 of the *By-Laws*, which shall hereafter read as follows:

“3. The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director. The position of chair of the Audit and Risk Supervision Committee shall be held for a maximum period of four (4) years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.”

ITEM ELEVEN ON THE AGENDA

Approval of a reduction in share capital by means of the retirement of 91,305,304 treasury shares of Iberdrola, representing 1.433% of the share capital, and acquisition of a maximum of 42,161,696 shares of the Company, representing 0.662% of the share capital through a buy-back programme for the retirement thereof. Delegation of powers to the Board of Directors, with the express power of substitution, including, among others, the powers to amend article 5 of the *By-Laws* and to apply for the delisting of the retired shares and for the removal thereof from the book-entry registers.

RESOLUTION

1. Reduction in share capital by means of the retirement of both Treasury Shares and the Company's shares acquired through a buy-back programme for the retirement thereof

To reduce the share capital of IBERDROLA, S.A. (the "**Company**") by the amount resulting from the sum of:

(i) 68,478,978.00 euros, through the retirement of 91,305,304 treasury shares, each with a nominal value of 0.75 euro, acquired under the authorisation granted by the shareholders at the General Shareholders' Meeting held on 26 March 2010 under item eight on the agenda and within the limits established by section 146 and related provisions and section 509 of the Companies Act (the "**Existing Treasury Shares**"); and

(ii) the aggregate nominal value, up to the maximum amount of 31,621,272.00 euros, of the shares of the Company, with a maximum of 42,161,696 shares, each with a nominal value of 0.75 euro, that are acquired for their retirement under the buy-back programme approved by the Board of Directors on 18 February 2014 under the provisions of Commission Regulation (EC) No 2273/2003 of 22 December 2003 and expiring on or before 31 May 2014 (the "**Buy-back Programme**"),

Consequently, the maximum amount of the capital reduction (the "**Capital Reduction**") will be 100,100,250.00 euros, through the retirement of a maximum of 133,467,000 shares of Iberdrola, S.A., each with a nominal value of 0.75 euro, representing not more than 2.094% of the share capital at the time this resolution is approved.

In accordance with the provisions below, the final amount of the reduction will be set by the Board of Directors of the Company depending upon the final number of shares acquired from the shareholders within the framework of the Buy-back Programme.

2. Procedure for Acquisition of the Shares that Will Be Retired under the Buy-back Programme

Without prejudice to the Existing Treasury Shares, and in accordance with the resolution approved by the Board of Directors at its meeting of 18 February 2014, the Company may acquire a maximum number of 42,161,696 shares of the Company each with a nominal value of 0.75 euro and representing 0.662% of the share capital of the Company on the date of approval of this resolution, which number is within legal limits, for retirement thereof and by way of implementation of the Buy-back Programme directed to all of the shareholders.

As provided in the aforementioned resolution of the Board of Directors, the shares will be acquired on such terms as to price and volume as are established in article 5 of Commission Regulation (EC) No 2273/2003 of 22 December 2003.

In accordance with the foregoing, pursuant to section 340.3 of the Companies Act, if the Company fails to acquire the maximum number of 42,161,696 shares of the Company, each with a nominal value of 0.75 euro, under the Buy-back Programme, it will be understood that the share capital is reduced by the sum of (i) the amount corresponding to the Existing Treasury Shares and (ii) the amount corresponding to the shares effectively acquired under the Buy-back Programme.

Consequently, the shares will be acquired upon the terms set forth in sections 144.a) and 338 through 342 of the Companies Act, to the extent applicable, in section 12.2 of Royal Decree 1066/2007 of 27 July, and in Commission Regulation (EC) No 2273/2003 of 22 December 2003, without the need for a takeover bid for the shares of the Company planned to be retired.

3. Procedure for the Reduction and Reserves with a Charge to Which It Is Carried out

Pursuant to the provisions of section 342 of the Companies Act, the shares acquired under the Buy-back Programme must be retired by the Company within one month following the expiration of such programme. Therefore, the Reduction in Capital must be implemented within one month following the expiration of the Buy-back Programme.

The Reduction in Capital does not entail a return of contributions because the Company itself is the holder of the shares to be retired at the time of the reduction, and it will be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve may only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by section 335 c) of the Companies Act.

Consequently, in accordance with the provisions of such section, creditors will not be entitled to assert the right of objection contemplated by section 334 of the Companies Act in connection with the Reduction in Capital.

4. Ratification of Resolutions of the Board of Directors

To ratify the resolutions of the Board of Directors regarding the approval of the Buy-back Programme and the establishment of the terms and conditions thereof, including the determination of the maximum number of shares to be acquired and the effectiveness period, as well as the acts, statements, and formalities heretofore carried out in connection with the public communication of the Buy-back Programme.

5. Delegation of Powers

To delegate to the Board of Directors, with express powers of substitution, the powers necessary to implement this resolution within a period not to exceed one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in this resolution or that are a consequence hereof. Specifically, and merely by way of illustration, the following powers are delegated to the Board of Directors, with express powers of substitution:

(a) Modify the maximum number of shares that may be bought back by the Company, within the limits set in this resolution and by law, as well as any other terms and conditions of the Buy-back Programme, all in accordance with the provisions of Commission Regulation (EC) No 2273/2003 of 22 December 2003.

(b) Perform any acts, make any statements, or take any steps that may be required in connection with the public communication of the Buy-back Programme and with the formalities, if any, that must be carried out at Spanish regulatory agencies and Stock Exchanges; negotiate, agree to, and sign all contracts, agreements, commitments, or instructions that may be necessary or appropriate for the successful completion of the Buy-back Programme.

(c) Cause all announcements required by law to be published, acquire the shares under the Buy-back Programme, and, within one month following the expiration of the Buy-back Programme, retire the shares in accordance with the terms approved herein.

(d) Declare the approved Reduction in Capital to be completed and implemented, establishing, for such purpose, the final number of shares that must be retired and, as a result, the amount by which the share capital of the Company must be reduced in accordance with the rules specified by the shareholders at this General Shareholders' Meeting.

(e) Amend article 5 of the *By-Laws* of the Company, regarding share capital, in order to adjust it to the result of the Reduction in Capital.

(f) Set the final amount of the Reduction in Capital based on the provisions of this resolution and establish any other terms that may be required to implement it, all in accordance with the terms and conditions set forth above.

(g) Take such steps and carry out such formalities as may be required and submit such documents as may be necessary to the competent bodies such that, once the shares of the Company have been retired and the notarial instrument embodying the Reduction in Capital has been executed and registered with the Commercial Registry, the retired shares are delisted from the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and they are removed from the corresponding book-entry registers.

(h) Perform all acts that may be necessary or appropriate to implement and formalise the Reduction in Capital before any public or private, Spanish or foreign entities and agencies, including acts for purposes of representation, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the preceding resolutions.

Pursuant to the provisions of section 249.2 of the Companies Act, the Board of Directors is expressly authorised to in turn delegate the powers referred to in this resolution.

ITEM TWELVE ON THE AGENDA

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, supplementation thereof, further elaboration thereon, and registration thereof.

RESOLUTION

Without prejudice to the powers delegated in the preceding resolutions, to authorise the Board of Directors to carry out such resolutions, with the Board of Directors being also authorised to delegate powers to any one or more of the Executive Committee, the chairman & chief executive officer Mr José Ignacio Sánchez Galán, and the general secretary and secretary of the Board of Directors Mr Julián Martínez-Simancas Sánchez, to the fullest extent permitted by law, to carry out the foregoing resolutions, for which purpose they may:

(a) Elaborate on, clarify, make more specific, interpret, complete, and correct the resolutions adopted by the shareholders at this General Shareholders' Meeting or those set forth in the notarial instruments or documents that may be executed to carry out such resolutions and, in particular, all omissions, defects, or errors, whether substantive or otherwise, that might prevent the access of these resolutions and the consequences thereof to the Commercial Registry, the Land Registry (*Registro de la Propiedad*), the Spanish Patent and Trademark Office (*Oficina Española de Patentes y Marcas*), the National Associations Registry (*Registro Nacional de Asociaciones*), the Registry of Government-Managed Foundations (*Registro de Fundaciones de Competencia Estatal*) or, if appropriate, the territorial registries of associations and foundations of the respective autonomous communities or any other registries.

(b) Carry out such acts or legal transactions as may be necessary or appropriate for the implementation of the resolutions adopted by the shareholders at this General Shareholders' Meeting, executing such public or private documents as may be deemed necessary or appropriate for the full effectiveness of these resolutions.

(c) Delegate to one or more of its members all or part of the powers of the Board of Directors it deems appropriate, as well as the powers expressly granted by the shareholders at this General Shareholders' Meeting, jointly or severally.

(d) Determine, in sum, all other circumstances that may be required, adopt and implement the necessary resolutions, publish the notices, and provide the guarantees that may be required for the purposes established by law, formalise the required documents, and carry out all necessary proceedings and comply with all requirements under the law for the full effectiveness of the resolutions adopted by the shareholders at the General Shareholders' Meeting.

ITEM THIRTEEN ON THE AGENDA

Consultative vote regarding the *Annual Director Remuneration Report* for financial year 2013.

RESOLUTION

To approve, on a consultative basis, the *Annual Director Remuneration Report* for financial year 2013, the full text of which was made available to the shareholders together with the other documentation relating to the General Shareholders' Meeting from the date of publication of the announcement of the call to meeting.