

Bilbao, May 21, 2013

To the National Securities Market Commission

Re: Implementation of the reduction of share capital by means of the retirement of own shares approved by the General Shareholders' Meeting of Iberdrola on 22 March 2013

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 are pleased to inform you that the Board of Director of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) has decided, at its meeting held today and further to a proposal from its Executive Committee, to carry out the implementation of the reduction of share capital by means of the retirement of treasury shares and the acquisition of own shares for the retirement thereof, approved by the General Shareholders' Meeting of the Company held on March 22, 2013 under item ten on the agenda.

The share capital of Iberdrola has been reduced in the amount of 113,061,312.00 euros, through the retirement of 150,748,416 own shares. The share capital resulting from the reduction has been set at 4,597,826,688.00 euros, corresponding to 6,130,435,584 shares.

The aim of the reduction is the retirement of own shares and, therefore, it has not entailed a return of contributions, since the Company itself is the holder of the shares to be retired.

The reduction has been 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 of the Company will not be entitled to assert the right of objection contemplated by section 334 of the *Companies Act* in connection with the approved reduction of share capital.

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The required announcements of reduction of share capital will be published in the Official Bulletin of the Commercial Registry and in the corporate web page of Iberdrola (www.iberdrola.es) tomorrow, May 22, 2013. Afterwards, the public deed regarding the reduction of share capital and the amendment of the By-Laws will be granted and recorded with the Commercial Registry of Bizkaia; this circumstance will be duly communicated to the National Securities Market Commission through the corresponding relevant event.

Please be advised of all of the foregoing for the appropriate purposes.

Yours faithfully,

The 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 exception 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.

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