



Julián Martínez-Simancas
Secretary to the Board of Directors

Bilbao, 26 January 2016

To the National Securities Market Commission

Subject: Implementation of the second paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. of 27 March 2015

Dear Sirs,

Pursuant to article 228 of the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) and related provisions, and as a follow-up to the notices of significant event (*hecho relevante*) filed with this National Commission on 20 October 2015 and 8 January 2016 (registry numbers 229,877 and 233,855, respectively), regarding the implementation of the paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**") of 27 March 2015, under section B of item six on the agenda (the "**Capital Increase**"), and pursuant to which the "Iberdrola Dividendo Flexible" (Scrip Dividend) system has been implemented, we hereby inform you that:

- The period for trading the free-of-charge allocation rights corresponding to the Capital Increase has ended on the date hereof.
- During the period established for such purpose, the holders of 3,320,519,969 free-of-charge allocation rights entitled to accept the irrevocable commitment to purchase the referred rights assumed by Iberdrola (the "**Purchase Commitment**") have done so.

Therefore, Iberdrola has acquired such rights in the total gross amount of 421,706,036.06 euros.

- Iberdrola has waived the free-of-charge allocation rights acquired pursuant to the above and, therefore, the new shares corresponding to such rights.
- Likewise, given that the maximum number of Iberdrola shares to be issued –after deducting the shares corresponding to the free-of-charge allocation rights acquired by Iberdrola pursuant to the Purchase Commitment (which Iberdrola has waived in accordance with the provisions of the preceding paragraph)– was a fraction, Iberdrola has waived 31 free-of-charge allocation rights that it holds in order for the number of new shares ultimately issued in the Capital Increase to be a whole number and not a fraction.
- Therefore, the definitive number of ordinary shares with a unitary par value of 0.75 euros that will be issued in the Capital Increase is 60,327,000 with the nominal amount of the Capital Increase being 45,245,250 euros, which entails an increase of 0.952 % over the share capital of Iberdrola prior to the implementation of the Capital Increase.

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.



Take care of the environment.
Printed in black and white and only if necessary



- As a consequence, the share capital of Iberdrola after the Capital Increase will amount to 4,797,897,750 euros, represented by 6,397,197,000 ordinary shares having a nominal value of 0.75 euros each, fully subscribed and paid up.
- It is expected that, subject to compliance with all legal requirements (particularly that of the verification of such compliance by the National Securities Market Commission), the new shares will be admitted to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Electronic Market), on Tuesday, 2 February 2016. In this respect, the ordinary trading of the new shares is expected to commence on Wednesday, 3 February 2016.

This information is provided to you for the appropriate purposes.

Yours faithfully,

The secretary to the Board of Directors

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.



Take care of the environment.
Printed in black and white and only if necessary



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 oral or written forward-looking statements hereby made or otherwise 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.



Take care of the environment.
Printed in black and white and only if necessary