



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

Bilbao, January 26 2010

To the National Securities Market Commission

Re: Variable Compensation in Shares

Dear Sirs:

We are pleased to inform you that, pursuant to the resolution passed by the Board of Directors in its meeting held this morning, IBERDROLA, S.A. (“IBERDROLA” or the “Company”) will offer to its employees, for the sixth consecutive year, the possibility of receiving a portion of their variable compensation in the form of shares of IBERDROLA. The delivery of such shares will take place during the month of March of 2010.

This delivery of shares to employees, within the framework of the general compensation policy of the Company, will allow those employees willing to do so to receive shares of Iberdrola as part of their annual variable compensation. The maximum number of shares of Iberdrola to be received by each employee shall be the result of dividing twelve thousand (12,000.00) euros by the closing price of the shares of IBERDROLA for the trading session on the date of payment of the variable compensation.

As is customary, IBERDROLA’s share delivery plan is addressed to all employees of the Company and its subsidiaries other than the employees of Iberdrola Renovables, S.A. and its subsidiaries as well as the persons responsible for the management of the companies carrying out regulated activities in Spain, who, on a voluntary basis, may elect to receive a portion of their variable compensation either in cash or in the form of shares of the Company.

The total number of shares of IBERDROLA to be delivered will depend on the closing price of IBERDROLA’s shares for the trading session on the date of payment of the variable compensation and on the amount applied for by participating employees.

Yours faithfully,

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 according to an effective registration statement under the Securities Act or according to a valid exemption from registration.

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