

**COMISIÓN NACIONAL DEL MERCADO DE VALORES**

To the attention of mister Rodrigo Buenaventura

Director del Área de Mercado

Paseo de la Castellana, 19

**28046 Madrid**

Bilbao, May 10, 2007

**COMISIÓN NACIONAL DEL MERCADO DE VALORES - Significant Event**

Dear Sir,

Pursuant to Article 82 of Law 24/1988, of July 28, 1988, on the Securities Market (*Ley de 24/1988, de 28 de julio, del Mercado de Valores*), and the laws and regulations made thereunder, and in connection with the capital stock increase resolved by the General Shareholders' Meeting of IBERDROLA, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") on March 29, 2007 (reported to this Commission on such date by means of the notice of significant event registered with number 78,634), by virtue of which it was resolved to issue 263,377,413 new ordinary shares of 3 euros of face value each, the execution of which may be carried out in three different dates, we hereby inform you that:

- I. Pursuant to Article 5 of the By-laws of SCOTTISH POWER PLC ("**Scottish Power**"), Iberdrola has acquired 78,647,505 ordinary shares of Scottish Power (the "**New Shares of Scottish Power**"), which were issued in favour of the beneficiaries of the Scottish Power share schemes and the holders of bonds which are convertible into ordinary shares of Scottish Power, who exercised their options and conversion rights. Iberdrola has acquired 52.3% (approximately) of the New Shares of Scottish Power by means of the payment of a cash consideration.
- II. On the date hereof, the second execution of the capital stock increase approved by the General Shareholders' Meeting held on March 29, 2007 has taken place, in order to allow the acquisition by the Company of the remaining 47.7% (approximately) of the New Shares of Scottish Power by means of the delivery of 12,945,379 ordinary shares (*acciones ordinarias*) of Iberdrola (the "**New Shares of Iberdrola**"). The New Shares of Iberdrola are issued with a face value of three euros each and a share premium of 29.75 euros each, being the issue price of each New Share of Iberdrola of 32.75 euros. As such, the aggregate face value of this second execution of the capital stock increase amounts to 38,836,137.00 euros and the total share premium to 385,125,025.25 euros. As a consequence thereof, Article 5 of the By-laws of Iberdrola has been amended to reflect such execution of the capital stock increase.
- III. The Executive Committee of Iberdrola resolved to: (i) request the admission to listing of the New Shares of Iberdrola in the Bolsas de Valores of Madrid, Barcelona, Bilbao and Valencia, through the Continuous Market (*Sistema de Interconexión Bursátil, Mercado Continuo*); and (iii) request the inclusion of the New Shares of Iberdrola in the registries of the SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A.U. (IBERCLEAR).

- IV. In connection with such capital stock increase and the admission to listing on the Bolsas de Valores and the incorporation to the Continuous Market (*Sistema de Interconexión Bursátil, Mercado Continuo*) of the new shares, the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*, “CNMV”) registered on April 12, 2007, under reference number 8,706, the securities note relating to the new shares (*Nota sobre las Acciones relativas al aumento de capital mediante aportaciones no dinerarias de las acciones ordinarias de SCOTTISH POWER PLC*). Likewise, on April 24, 2007, the CNMV included in its official registries a supplement to the above referred securities note.
- V. Today, May 10, 2007, the public deed formalizing this second execution of the capital stock increase, which has been fully subscribed for and paid-in by means of the contribution of the New Shares of Scottish Power, has been registered with the Mercantile Registry of Vizcaya.
- VI. It is expected that the New Shares of Iberdrola will be listed and normally traded on the Bolsas de Valores of Barcelona, Bilbao, Madrid y Valencia through the Continuous Market (*Sistema de Interconexión Bursátil, Mercado Continuo*) as from May 11, 2007.

We remain at your disposal and at the disposal of that National Commission.

Yours sincerely,

Julián Martínez-Simancas Sánchez

### **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.