

December 2023

Dear ADS holder:

On October 24, 2023, the Board of Directors of "Iberdrola, S.A." (the "**Company**") resolved to carry out the implementation of the second edition of the "*Iberdrola Retribución Flexible*" optional dividend system of the fiscal year 2023. For such purposes, the Board of Directors of the Company resolved to: (a) execute the second paid-up capital increase, which is expected to be consummated by January 2024, and which was approved by the General Shareholders' Meeting of the Company held on first call on April 28, 2023 under item 11 of its agenda<sup>1</sup> (the "**Capital Increase**"); and (b) the payment of an interim dividend corresponding to the fiscal year 2023, subject, in any event, to the fulfilment of the requirements set out in article 277 of the Spanish Companies Act –*Ley de Sociedades de Capital*– (the "**Interim Dividend**"). The Company is expected to attest the fulfilment of these requirements during December 2023, and this will be published by means of a notice of other significant information (*comunicación de otra información relevante*) to be filed with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*).

This optional dividend system will also be provided to holders of American depositary shares representing shares of the Company ("**ADSs**").

Under this edition of the "*Iberdrola Retribución Flexible*" optional dividend system, ADS holders will be given the opportunity to choose one of the following options:

- **Option 1:** receive their remuneration in cash through the payment of the Interim Dividend (this is the "**Default Option**");
- **Option 2:** receive cash by instructing The Bank of New York Mellon, as depositary bank ("**The Bank of New York Mellon**"), to sell their free allocation rights in the market; or
- **Option 3:** receive newly issued ADSs of "Iberdrola, S.A." as a result of the Capital Increase.

Under this system, ADS holders will be entitled to receive one free allocation right for every share of the Company<sup>2</sup> held as of January 10, 2024 (record date). Therefore, four free allocation rights will be issued for each ADS outstanding.

ADS holders will be able to choose any of the above-mentioned options with respect to all of their ADSs. Therefore, this initiative provides flexibility by enabling ADS holders to choose their preferred payment option according to their personal situation.

Option 1 is the Default Option. Consequently, no action will be required to choose this option. If you wish to choose one of the other two options, the election form enclosed (if applicable) herein must be completed by you and received by The Bank of New York Mellon no later than 5:00 p.m. Eastern Time on January 17, 2024. Registered ADS holders not returning an election form or those ADS holders whose election form is received after 5:00 p.m. Eastern Time on January 17, 2024 will receive the Default Option for this and future editions, if any, of the "*Iberdrola Retribución Flexible*" optional dividend system.

Any election made by a registered **ADS holder, including an election made by default, will apply to any future editions of the "*Iberdrola Retribución Flexible*" optional dividend system unless The Bank of New York Mellon is notified of an instruction to change an election.** Please note that your election form may take approximately 3-4 business days to be received by The Bank of New York Mellon, if mailed in the continental United States of America.

<sup>1</sup> And under the section titled «*Common terms and conditions of the dividend payment and increase in share capital resolutions proposed under items 9, 10 and 11 on the agenda, pursuant to which the "Iberdrola Retribución Flexible" optional dividend system is implemented*».

<sup>2</sup> Each ADS represents four shares of "Iberdrola, S.A."



Similarly, if you are a registered ADS holder who previously provided complete instructions in connection with a previous edition of the "*Iberdrola Retribución Flexible*" optional dividend system, and have been an ADS holder since the record date of such edition, The Bank of New York Mellon will apply that same instruction (including any election by default) to this edition of the "*Iberdrola Retribución Flexible*" optional dividend system and to future editions, if any, unless you inform The Bank of New York Mellon of a change in your election. "Iberdrola, S.A." will not be liable as a result of the decisions made by ADS holders (nor as a result of the failure to make an express and valid decision, in the absence of an express election by the ADS holders).

ADS holders wishing to make or change an election must send an election form, to be received by The Bank of New York Mellon during the election period, which is January 11 through January 17, 2024. Any election form received by The Bank of New York Mellon after 5:00 p.m., Eastern Time, on January 17, 2024 will not be valid and will not be accepted by The Bank of New York Mellon. If you hold ADSs through a broker or other securities intermediary, you must contact your intermediary to make an election. Intermediaries will set their own cut-off dates and times to give instructions, which may be earlier than the cut-off date and time stated in this document.

Should you wish to make a change in your existing election, please contact your broker, or other securities intermediary, or The Bank of New York Mellon at the following:

**By Telephone:** 9 a.m. to 7 p.m. Eastern Time, Monday through Friday, except for holidays: Within USA, U.S. territories & Canada: 1 866 726 8237 (Toll Free)  
Outside the USA, U.S. territories & Canada: 1 201 680 6825 (Collect)

**By Regular Mail:**  
The Bank of New York Mellon  
Shareholder Correspondence  
P.O. Box 43078  
Providence RI 02940-3078

**By Overnight Courier or Registered Insured Mail:**  
The Bank of New York Mellon  
Shareholder Correspondence  
150 Royall St., Suite 101  
Canton, MA 02021

**By Internet:** [www.mybnymdr.com](http://www.mybnymdr.com)

A change of election form will be available on the above website. You must complete and return the election form to

The Bank of New York Mellon to be received by 5:00 p.m. Eastern Time on January 17, 2024, or instruct your broker or other securities intermediary to act on your behalf, as applicable, in order to make your election change valid and effective.

Your election will have important tax consequences. See "Taxation" section below. In addition to the information outlined in this letter, please visit our website, [www.iberdrola.com](http://www.iberdrola.com), for additional details on the optional dividend system, including answers to frequently asked questions.

Sincerely,

Iberdrola, S.A.

## I. Overview

Under this second edition of the "*Iberdrola Retribución Flexible*" optional dividend system of the fiscal year 2023, the Company's shareholders will have the option to receive their remuneration in cash – either by means of the payment of the Interim Dividend or through the transfer of their free allocation rights in the market (Options 1 or 2)– or in fully paid-up new shares of the Company (Option 3). Under this optional dividend system, the Company's shareholders will receive one free allocation right for every share held<sup>3</sup>. This optional dividend system will also be provided to ADS holders who will therefore be entitled to receive 4 free allocation rights for each ADS held.

As a result, in this edition of the "*Iberdrola Retribución Flexible*" optional dividend system, ADS holders will be able to instruct The Bank of New York Mellon to act with respect to the rights issued on shares underlying their ADSs according to three options:

### 1. Receive their remuneration in cash through the payment of the Interim Dividend.

ADS holders may elect to receive their remuneration in cash by means of the payment of the Interim Dividend. The Company expects that the payment of the Interim Dividend will be at least €0.200 gross per share<sup>4</sup> (equivalent to €0.800 gross per ADS). The final value of the gross Interim Dividend per share will be announced on January 5, 2024 and published at [www.iberdrola.com](http://www.iberdrola.com). The Bank of New York Mellon will deduct a fee of \$0.050 per ADS held as of the dividend record date from the Interim Dividend payment. Please note that, when the final gross Interim Dividend per share is announced, there will be no direct communication with ADS holders. The proceeds you receive from such sale will depend upon market prices and the euro/dollar exchange rate. This is the default option. ADS holders who elect this option will have regarding this payment the tax treatment applicable to cash dividends and, therefore, this income will be subject to the relevant withholding and taxation. See "Taxation" section below.

### 2. Receive cash by selling their free allocation rights in the market.

ADS holders may request The Bank of New York Mellon to sell such rights in the market in Spain. The proceeds you receive from such sale will depend upon market prices and the euro/dollar exchange rate. Please note that the exchange rate will be implemented in accordance with The Bank of New York Mellon ADR foreign exchange methodology posted at: [https://www.adrbnymellon.com/fees-and-disclosures/drs\\_foreign\\_exchange\\_pricing\\_disclosure.pdf](https://www.adrbnymellon.com/fees-and-disclosures/drs_foreign_exchange_pricing_disclosure.pdf).

The Bank of New York Mellon will begin selling such rights on or around January 19, 2024 and may continue such sales through no later than January 23, 2023. Regardless of when such rights are sold, all ADS holders electing open market sales of their rights will receive the same amount of consideration per right, which will equal the average net price per ADS held (including fractional rights sold as described in the paragraph below) minus a fee of \$0.050 per ADS held as of the dividend record date. This option has no Spanish tax withheld for non-residents in Spain when they do not act through a permanent establishment in Spain. Although this option could have certain Spanish tax implications for non-residents in Spain<sup>5</sup>, the cash payment, corresponding to the capital gain, is generally exempt from taxation under the Spanish NRIT for beneficial holders of ADS who are eligible for the benefits of the current and comprehensive income tax treaty between the United States of America and Spain, without any limitation. See "Taxation" section below.

**We cannot guarantee the price that you will receive for the sale of such rights in the market in Spain.**

<sup>3</sup> Each ADS represents four shares of "Iberdrola, S.A.".

<sup>4</sup> Each ADS represents four shares of "Iberdrola, S.A.".

<sup>5</sup> From a Spanish tax standpoint, the full amount obtained by non-Spanish tax resident ADS holders (who do not act through a permanent establishment in Spain in this respect) from the sale of rights received under Option 2 in the market will be treated as a taxable capital gain for the transferor and, hence, subject to a 19% Spanish Non-Resident Income Tax ("NRIT"). However, the taxation of this capital gain may be reduced or exempt from NRIT pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. ADS holders are urged to consult their tax advisors with respect to the application of Spanish tax law to their particular situations, as well as with regard to any tax consequences arising under the laws of any foreign or other tax jurisdiction or under any applicable tax treaty, of this Option 2 (and, in general, under any of the options applicable in this optional dividend system).



The amount that you receive per right may be more, less or the same as the amount corresponding to Option 1 above and you will neither be consulted nor be able to approve the price at which such rights are sold.

### 3. Receive new ADSs.

ADS holders may elect to receive fully paid-up new issued ADSs. The number of new ADSs you receive will depend upon the number of ADSs held on the record date and the conversion ratio (i.e., the number of rights which are needed to receive one new ADS). Cash will be paid in lieu of fractional ADSs (through a sale in the market of rights exercisable into fractional ADSs ("fractional rights") on equivalent terms and taxation applicable to that set forth in option 2 above). The delivery of new ADSs in this option has no Spanish tax withheld for non-residents in Spain when they do not act through a permanent establishment in Spain. ADS holders will be charged a fee of \$0.050 per ADS held as of the dividend record date (and The Bank of New York may sell a portion of the distributable ADSs to pay that fee). For a description of the manner in which the Conversion Ratio will be calculated please see "Calculation of Conversion Ratio and the Interim Dividend" below.

For the avoidance of doubt, the value of the remuneration received by ADS holders from the Company under Option 1 and Option 3 above will be equivalent (in terms of market value but without taking into account the tax treatment applicable to each of them) and the choice of one of the three options excludes the right to choose any of the remaining options.

Unless The Bank of New York Mellon timely receives a change in your election, that instruction, including any election by default, will govern the form of payment you receive under any future optional dividends, if any, provided you are a registered holder of ADSs.

Similarly, if you are a registered ADS holder who previously provided complete instructions in connection with a previous edition of the "Iberdrola Retribución Flexible" optional dividend system, and have been an ADS holder since the record date of such edition, The Bank of New York Mellon will apply that same instruction (including any election by default) to this edition of the "Iberdrola Retribución Flexible" optional dividend system and to any future editions, if any, unless you inform The Bank of New York Mellon of a change in your election.

"Iberdrola, S.A." will not be liable as a result of the decisions made by ADS holders (nor as a result of the failure to make an express decision, in the absence of an express election by the aforementioned holders).

Likewise, it is stated that the only scheduled period for ADS holders to inform of their elections is the one set in this document, which is January 11 through January 17, 2024. Any election form received by The Bank of New York Mellon after 5:00 p.m., Eastern Time, on January 17, 2024 will not be valid and will not be accepted by The Bank of New York Mellon.

If you hold ADSs through a broker or other securities intermediary, you must contact your intermediary to make an election. Intermediaries will set their own cut-off dates and times to give instructions, which may be earlier than the cut-off date and time stated in this document.

The options set forth above have important tax consequences in addition to the Spanish tax consequences summarized above. Please see "Taxation" below.

## II. Timeline

To make a valid election, (i) you, or your securities intermediary on your behalf, must be a holder of record on January 10, 2024 and (ii) if you are the registered holder of your ADSs, you must provide an executed election form to be received by The Bank of New York Mellon no later than 5:00 p.m. Eastern Time on January 17, 2024 or (iii) if you are the beneficial owner of ADSs held through a broker or other securities intermediary, your

intermediary must make an election on your behalf. If you are a beneficial holder of ADSs, you must contact your broker or other securities intermediary in order to make your election. Please contact your securities intermediary as soon as possible to determine the deadline for submitting your election to it. Intermediaries will set their own cut-off dates and times to give instructions to The Bank of New York Mellon, which will be earlier than the cut-off date and time stated in this document. Your instructions should be forwarded to your intermediary in ample time to permit it to submit an election on your behalf before the deadline.

Below, please find some important estimated dates with respect to the January 2024 optional dividend system:

January 5, 2024	The Conversion Ratio and the Interim Dividend per share will be announced on the Company's website at <a href="http://www.iberdrola.com">www.iberdrola.com</a> and on <a href="http://www.adrbnymellon.com">www.adrbnymellon.com</a>
January 8, 2024	ADS last trading date
January 10, 2024	ADS record date
January 17, 2024 (5:00 p.m. Eastern Time)	Deadline for ADS holders to provide election forms to The Bank of New York Mellon
January 19, 2024	The Bank of New York Mellon will begin selling fractional rights as well as the rights of each ADS holder electing for sale in Spain
January 23, 2024	End of free allocation rights trading period in Spain
January 31, 2024	Local Payment of the Interim Dividend and registration of newly issued shares of "Iberdrola, S.A."
February 2, 2024	New shares of "Iberdrola, S.A." expected to begin trading in Spain
On or around February 2, 2024	ADS registered holders who elected stock receive additional ADSs
	Cash mailed to ADS holders who elected (or defaulted) to have rights sold on open market or to receive cash through the payment of the Interim Dividend

### III. Calculation of Conversion Ratio and the Interim Dividend

The gross amount of the Interim Dividend per share will be published following approval on the Company's website at [www.iberdrola.com](http://www.iberdrola.com) and on [www.adrbnymellon.com](http://www.adrbnymellon.com) on January 5, 2024. Details on how the Conversion Ratio and the Interim Dividend will be calculated can be found at [www.iberdrola.com](http://www.iberdrola.com).

### IV. Example

The following example has been provided solely for the purposes of facilitating the understanding of the second edition of the "Iberdrola *Retribución Flexible*" optional dividend system corresponding to the fiscal year 2023. The example is qualified in all respects by the formulas described in the resolutions approved by the Company's General Shareholders' Meeting held on first call on April 28, 2023 and is not intended to predict the remuneration that holders of ADSs can expect. The example is based on the following assumptions:

- Record Date ADS Position: 250 ADSs representing 1,000 shares
- Interim Dividend: €0.200<sup>6</sup> gross per share (€0,800 per ADS as each ADS = 4 shares)
- Conversion Ratio: 51 free allocation rights to receive 1 new share

<sup>6</sup> This amount is for illustrative purposes only. The actual amount of the Interim Dividend will depend on the different variables used in the formulas approved by the General Shareholders' Meeting of the Company held on April 28, 2023. Furthermore, the amount you will receive will depend on the currency exchange rate between Euro and Dollar.



- Euro/dollar exchange rate: \$1.06 = €1.00

#### Options:

1. **Receive the Interim Dividend:** Based on a position of 250 ADSs and assuming a foreign exchange rate of \$1.06 = €1.00, an investor would receive a gross payment of \$212,000 (250 ADS x €0.800 per ADS x 1.06) and a net payment of \$159,220 after deduction of (a) Spanish dividend withholding tax (currently at 19% tax rate)<sup>7</sup> on account of NRIT and (b) a \$0.050 fee per ADS held as of the dividend record date.
2. **Sell free allocation rights in the market:** The investor will still have 250 ADSs and will receive an amount in cash that depends upon the market price of the rights at the times of sale and the euro/dollar exchange rate. This option has no Spanish tax withheld for non-residents in Spain when they do not act through a permanent establishment in Spain (although it could have certain Spanish tax implications for non-residents in Spain -see "Taxation" section below-) but is subject to an ADS fee of \$0.050 per ADS held as of the dividend record date on which cash is distributed.
3. **Receive new ADSs:** The investor will have 254 ADSs: the 250 original ADSs, plus 4 new ADSs received (250 ADSs held equivalent to 1,000 shares, or rights received / Conversion Ratio of 51, equals 19,608 shares or 4,902 ADSs (4 ADSs rounded down to the nearest whole number)) plus the cash equivalent of 0.902 ADSs at the price at which it is sold in the market. This option has no Spanish tax withheld for non-residents in Spain when they do not act through a permanent establishment in Spain, although the sale of fractional rights in exchange of cash will have the same Spanish tax implications applicable to the sale of rights in the market (see "Taxation" section below). A fee of \$0.050 per ADS held as of the dividend record date is applicable (and The Bank of New York Mellon may sell a portion of the distributable ADSs to pay that fee). The proceeds for the fractional rights of 0.902 ADSs will depend upon market prices and the euro/dollar exchange rate.

If you do not express any choice you will receive your dividend payout in cash by receiving the Interim Dividend (unless you are a registered holder of ADSs and have another standing election on file made in connection with a previous edition of the "Iberdrola Retribución Flexible" optional dividend). This cash default option applies to all ADS holders.

The above examples do not take into account any non-Spanish taxes. Please consult your own tax advisor for Spanish and non-Spanish tax advice. ADS holders should also refer to important information contained in "Taxation" section below.

## V. Taxation

### A. Spanish Tax

This section summarizes certain Spanish tax consequences of the optional dividend program for ADS holders to which the ADSs are allocated who are not residents for income tax purposes in Spain and who do not act through a permanent establishment in Spain. It is based on current Spanish law and on what is understood to be current Spanish tax authorities' practice. Please note that this summary does not constitute legal advice and it is not a substitute for advice of that kind. Special rules may apply to certain holders, inter alia such as those who have acquired (or are deemed for tax purposes to have acquired) their ADSs by reason of a business, trade or employment or are tax transparent entities.

ADS holders who are in any doubt as to their tax position or who are resident or domiciled in, or subject to tax in, a jurisdiction other than the United States of America, should consult their own professional advisers immediately. Remember that your position depends on your own particular circumstances and may be subject to change in the future.

<sup>7</sup> The taxation of this income may be reduced or exempt from NRIT pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. The above examples do not take into account any non-Spanish taxes. Please consult your own tax advisor for Spanish and non-Spanish tax advice. ADS holders should also refer to important information contained in "Taxation" section below.



The tax regime applicable in Spain to a holder of ADSs who is not a resident of Spain for Spanish income tax purposes in respect of the January 2024 optional dividend system, and does not act through a permanent establishment located in Spain, is as follows as of the date of this letter.

According to the Law to implement a Spanish tax on financial transactions (*Ley del Impuesto sobre las Transacciones Financieras*) (the “FTT Law” and the “Spanish FTT”, respectively), the Spanish FTT charges at a fixed rate of 0.2% on the onerous acquisition of listed shares issued by Spanish companies admitted to trading on a Spanish or other EU- regulated market, or on an equivalent market of a non-EU country, with a market capitalization exceeding EUR 1,000 million on December 1 of the year prior to the acquisition, regardless of the jurisdiction of residence of the parties involved in the transaction. Additionally, the Spanish FTT also applies, inter alia, to the acquisition of shares represented by depositary receipts (such as ADSs).

The list of the Spanish companies with a market capitalization exceeding EUR 1,000 million on December 1 of each year will be published on the Spanish tax authorities’ website before December 31 each year (this list is published only for illustrative purposes and it does not exempt the taxpayer/taxable person from its obligations if a Spanish company meets the Spanish FTT requirements in order for the onerous acquisitions of its shares to be subject to Spanish FTT). Given that the Company was included in the list published in 2022 (as it had a market capitalization exceeding EUR 1,000 million), in principle it falls within the scope of the Spanish FTT for transactions carried out and settled in 2023. The application of the Spanish FTT on the onerous acquisition of the Company’s shares in 2024 would depend on whether it has a market capitalization exceeding EUR 1,000 million as of December 1, 2023 (without prejudice of the corresponding exemptions that may apply).

In any event, the Spanish tax authorities have published some Guidelines regarding the Spanish FTT according to which the acquisition of paid-up shares in the context of optional dividend schemes (commonly known as “scrip dividend”) falls outside the scope of the Spanish FTT.

However, the Spanish FTT could apply (at a fixed rate of 0.2%) to transactions involving the Company’s shares (or ADSs), regardless of the jurisdiction of residence of the parties involved.

In any event, the shareholders and the holders of free allocation rights are advised to consult with their tax advisors in relation to the Spanish FTT taking into consideration the particular circumstances of each shareholder or holder of free allocation rights.

### Option 1

If holders of the free allocation rights (who do not act through a permanent establishment located in Spain) elect to receive their remuneration by means of the Interim Dividend, Spanish withholding tax on account of NRIT will be deducted from the cash payment at the corresponding rate applicable to dividend payments (currently 19% of the gross Interim Dividend, although this withholding taxation may be reduced or exempt from NRIT pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain). Depending on your circumstances, you may be able to claim a full or partial refund of the Spanish withholding tax from the Spanish tax authorities, either under the current and comprehensive income tax treaty between the United States of America and Spain (the “Treaty”) (under which the general applicable rate of withholding on gross dividends is 15% although reduced rates may apply in specific conditions), or under the Spanish NRIT Law. For further details as to this refund, you should consult your tax advisors.

### Option 2

The proceeds of sales of rights on behalf of ADS holders electing Option 2 will not be subject to withholding on account of tax in Spain when they do not act through a permanent establishment in Spain. In principle, the amount obtained in the sale of rights will be treated as a capital gain for the seller (on the fiscal year when the transfer takes place) that would generally be subject to Spanish NRIT at a current rate of 19%. However, this taxation may be reduced or exempt from NRIT pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain. In particular, for beneficial holders of ADS who are eligible for the benefits of the Treaty such capital gains are generally exempt from NRIT.

Please note that in order to be eligible for a reduced tax rate or exemption (under the meaning of the Treaty



or the Spanish NRIT Law), the ADS holders must (i) evidence their right to a reduced tax rate or exemption from NRIT by delivering to the Company a valid in-force certificate of tax residence duly issued by the US Tax Authority (within the meaning of the Treaty) which evidences that such holder is fully entitled to the benefits of the Treaty; and (ii) file a tax return with the Spanish tax authorities in order to self-assess and claim, if applicable, the exemption or the reduced tax rate under the Treaty, subject to the satisfaction of the conditions specified by the Treaty or the Spanish NRIT Law. The tax residence certificate generally is valid for one year after issuance.

### Option 3

The delivery of the shares issued in the January 2024 optional dividend system represented by new ADSs delivered to holders electing Option 3 will be considered a delivery of fully paid-up shares free of charge and, hence, will not be considered income for purposes of Spanish NRIT when the ADS holders do not act through a permanent establishment located in Spain. The acquisition value, both of the new shares received in the January 2024 edition of the optional dividend system and of the shares, from which they arise, will be the result of dividing the total original cost of the portfolio of the shareholder by the number of shares, both old and new. The acquisition date of the new shares will be that of the last preexisting shares necessary to obtain such paid-up shares.

### B. U.S. Tax

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the January 2024 edition of the optional dividend system. This tax disclosure was written in connection with the January 2024 optional dividend system by the Company and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a general summary of certain U.S. federal income tax consequences of receiving the January 2024 edition of the optional dividend system for a person or entity subject to U.S. federal income taxation on a net income basis who is a beneficial owner of the Company's ADSs and who is eligible for benefits under the Treaty and who holds ADSs as a capital asset for U.S. federal income tax purposes (a "U.S. Holder"). However, the consequences to any particular ADS holder will depend on the personal circumstances of such holder. If a partnership, including for this purpose any arrangement or entity that is treated as a partnership for U.S. federal income tax purposes, holds ADSs, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. ADS holders (including partnerships and the partners in such partnership) should consult their tax advisors regarding the U.S. federal income tax consequences of the distribution of the January 2024 optional dividend system. In addition, U.S. Holders should consult their tax advisors regarding the impact of any recent or proposed changes in U.S. federal income tax laws, which changes may result in different U.S. federal income tax consequences with respect to receiving the January 2024 edition of the optional dividend system than those described herein.

Under current U.S. federal income tax law, dividends paid in cash (the Default Option) should be included in a U.S. Holder's income on the date of the receipt of the dividend. The amount of the dividend income paid in euros should be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the cash dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may recognize foreign currency gain or loss if the cash dividend is converted into U.S. dollars after the date of receipt. Any foreign currency gain or loss will be treated as U.S. source ordinary income or loss.

A U.S. Holder who does not elect to receive the January 2024 optional dividend in cash should recognize ordinary dividend income, in an amount equal to the U.S. dollar value of the right (including fractional rights) as of the date of distribution (regardless as to whether electing Option 2 or Option 3).

A U.S. Holder who elects to receive ADSs pursuant to Option 3 will have an initial tax basis in such ADSs





equal to the U.S. dollar value of the rights (not including any fractional rights for which cash is received) pursuant to which such ADSs are received as of the date of distribution of such rights. A U.S. Holder will have a holding period for the ADSs received pursuant to Option 3 that begins on the date following the date of distribution of the rights pursuant to which such ADSs are received.

U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances.

Subject to applicable limitations that may vary depending upon a U.S. Holder's circumstances, a U.S. Holder may be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Spanish income taxes withheld in respect of a cash dividend in an amount not in excess of the applicable rate under the Treaty. Recently issued U.S. Treasury regulations require non-U.S. income tax laws to meet certain requirements in order for taxes imposed under such laws to be eligible for credit. The Company has not determined whether these requirements have been met with respect to any such Spanish withholding taxes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

U.S. Holders who elect to have The Bank of New York Mellon sell their rights on the market and U.S. Holders who receive cash in lieu of fractional rights should realize gain or loss on such sale that will be subject to U.S. federal income tax as short-term capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in the rights or fractional rights and the amount realized on the disposition (each as determined in U.S. dollars). The U.S. Holder's tax basis in the rights or fractional rights will be equal to the U.S. dollar value of the rights as of the date of distribution.

This summary is not exhaustive and does not describe all of the tax considerations that may be relevant to a U.S. Holder's decision. Each U.S. Holder is advised to consult his/her own tax advisor regarding the overall tax consequences, including the consequences under U.S. federal, state, local or foreign tax laws, of receiving the January 2024 optional dividend system.

## IMPORTANT INFORMATION REGARDING BACK-UP WITHHOLDING

An election to receive the new ADSs will be accepted only for accounts of ADS holders who have certified their taxpayer status. Any election forms received from ADS holders who have not certified their taxpayer status will be disregarded and the default option of a cash dividend payment will be made.

If you are a U.S. citizen or resident (including a corporation (or entity taxable as a corporation) organized in or under the laws of the United States, any state thereof or the District of Columbia) or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under Treasury Regulations to be treated as a United States person, you must have provided a Social Security or Tax Identification number on a Form W-9 to certify that you are not subject to backup withholding in order for an election to receive ADSs through the optional dividend to be valid. Non-resident aliens (stockholders whose citizenship is in a country other than the United States of America) or non-U.S. entities must have certified their foreign status by completing an applicable version of Form W-8 (e.g., Form W-8BEN or Form W-8BEN-E, as applicable) in order for an election to receive ADSs through the optional dividend to be valid. Failure to certify will result in your receiving the default cash payment and subject you to the applicable federal income tax withholding from any cash payment made to you.

Form W-9 and applicable versions of Form W-8 can be downloaded from [www.irs.gov](http://www.irs.gov)

