



June 2022

Dear ADS holder:

The 2022 General Shareholders' Meeting of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**"), held on second call on June 17, 2022, approved the offer of an optional dividend system to its shareholders ("*Iberdrola Retribución Flexible*") to be implemented through two wholly paid-up share capital increases¹. This optional dividend system will also be provided to holders of American depositary shares representing Iberdrola shares ("**ADSs**").

Subsequently, and also, on May 10, 2022, the Board of Directors of Iberdrola approved to carry out the implementation of the first edition of the optional dividend system "*Iberdrola Retribución Flexible*" corresponding to the fiscal year 2022. For such purpose, the Board of Directors of the Company resolved to: (a) carry out the first paid-up capital increase (the "**Capital Increase**"), which is expected to be consummated by August 2022; and (b) the payment of a supplementary dividend corresponding to the fiscal year 2021 (the "**Supplementary Dividend**").

Under this first edition of the "*Iberdrola Retribución Flexible*" optional dividend system corresponding to the fiscal year 2022, 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 Supplementary 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 Iberdrola ADSs.

Under this system, ADS holders will be entitled to receive one free allocation right for every Iberdrola share² held as of July 11, 2022 (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 July 15, 2022. 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 July 15, 2022 will receive the Default Option for this and future editions 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.

¹ Under items 10, 11 and 12 of the agenda and under the section titled «Common terms and conditions of the dividend payment and increase in capital resolutions proposed under items 10, 11 and 12 on the agenda, by virtue of which the "*Iberdrola Retribución Flexible*" optional dividend system is implemented».

² Each ADS represents four Iberdrola shares resulting in four free allocation rights being issued for each ADS outstanding.



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 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 July 12 through July 15, 2022. Any election form received by The Bank of New York Mellon after 5:00 p.m., Eastern Time, on July 15, 2022 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 50538
Louisville, KY 40233-50538

By Overnight Courier or Registered Insured Mail:
The Bank of New York Mellon
Shareholder Correspondence
462 South 4th Street, Suite 1600
Louisville, KY 40202

By Internet: 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 July 15, 2022, 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, for additional details on the optional dividend system, including answers to frequently asked questions.

Sincerely,

Iberdrola, S.A.



I. Overview

Under this first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2022, the Company’s shareholders will have the option to receive their remuneration in cash – either by means of the payment of the Supplementary 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, Iberdrola’s shareholders will receive one free allocation right for every share held³. 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 Supplementary Dividend.

ADS holders may elect to receive their remuneration in cash by means of the payment of the Supplementary Dividend. Iberdrola expects that the payment of the Supplementary Dividend will be at least €0.270 gross per share⁴ (equivalent to €1.080 per ADS). The final value of the gross Supplementary Dividend per share will be announced on July 6, 2022 and published at www.iberdrola.com. The Bank of New York Mellon will deduct a fee of \$0.040 per ADS held as of the dividend record date from the Supplementary Dividend payment. Please note that, when the final gross Supplementary 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. The Bank of New York Mellon will begin selling such rights on or around July 19, 2022 and may continue such sales through no later than July 21, 2022. 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 \$0.040 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 Spain⁵, 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.

³ Each ADS represents four shares resulting in four free allocation rights being issued for each ADS outstanding.

⁴ Each ADS represents four shares.

⁵ From a Spanish tax standpoint, the full amount obtained by non-Spanish tax resident shareholders (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).



We cannot guarantee the price that you will receive for the sale of such rights in the market in Spain. 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 \$0.040 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 Supplementary Dividend” below.

For the avoidance of doubt, the value of the remuneration received by ADS holders from Iberdrola 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, 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, unless you inform The Bank of New York Mellon of a change in your election.

Iberdrola 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 July 12 through July 15, 2022. Any election form received by The Bank of New York Mellon after 5:00 p.m., Eastern Time, on July 15, 2022 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 July 11, 2022 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 July 15, 2022 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 July 2022 optional dividend system:

July 6, 2022	The Conversion Ratio and the Supplementary Dividend per share will be announced on Iberdrola's website at www.iberdrola.com and on
July 7, 2022	ADS last trading date
July 11, 2022	ADS record date
July 15, 2022 (5:00 p.m. Eastern Time)	Deadline for ADS holders to provide election forms to The Bank of New York Mellon
July 19, 2022	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
July 21, 2022	End of free allocation rights trading period in Spain
August 2, 2022	Local Payment of the Supplementary Dividend and registration of newly issued shares
August 3, 2022	New Iberdrola shares expected to begin trading in Spain
On or around August 12, 2022	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 Supplementary Dividend

III. Calculation of Conversion Ratio and the Supplementary Dividend

The gross amount of the Supplementary Dividend per share will be published following approval on Iberdrola's website at www.iberdrola.com and on www.adrbnymellon.com on July 6, 2022. Details on how the Conversion Ratio and the Supplementary Dividend will be calculated can be found at www.iberdrola.com.



IV. Example

The following example has been provided solely for the purposes of facilitating the understanding of the first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2022. The example is qualified in all respects by the formulas described in the resolution approved by Iberdrola’s General Shareholders’ Meeting held on June 17, 2022 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
- Supplementary Dividend: €0.275⁵ gross per share (€1.100 per ADS as each ADS = 4 shares)
- Conversion Ratio: 39 free allocation rights to receive 1 new share
- Euro/dollar exchange rate: \$1.07 = €1.00

Options:

1. Receive the Supplementary Dividend: Based on a position of 250 ADSs and assuming a foreign exchange rate of \$1.07 = €1.00, an investor would receive a gross payment of \$294.25 (250 ADS x €1.100 per ADS x 1.07) and a net payment of \$238.34 after deduction of (a) Spanish dividend withholding tax (currently at 19% tax rate)⁷ on account of NRIT and (b) a \$0.040 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 \$0.040 per ADS held as of the dividend record date on which cash is distributed.

3. Receive new ADSs: The investor will have 256 ADSs: the 250 original ADSs, plus 6 new ADSs received (250 ADSs held equivalent to 1,000 shares, or rights received / Conversion Ratio of 39, equals 25.641 shares or 6 ADSs (6.410 ADSs rounded down to the nearest whole number)) plus the cash equivalent of 0.410 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 \$0.040 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 0.410 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 Supplementary 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.

⁵ This amount is for illustrative purposes only. The actual amount of the Supplementary Dividend will depend on the different variables used in the formulas approved by the General Shareholders’ Meeting of Iberdrola held on June 17, 2022. Furthermore, the amount you will receive will depend on the currency exchange rate between Euro and Dollar.

⁶ This withholding tax (or taxation) may be reduced or exempt from NRIT pursuant to Spanish domestic legislation or under the income tax treaties ratified by Spain.



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.

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 July 2022 optional dividend, and does not act through a permanent establishment located in Spain, is as follows as of the date of this letter.

Please have in mind that 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) entered into force on January 16, 2021.

According to the FTT Law, 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 capitalisation 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 2021 (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 2022. The application of the Spanish FTT on the onerous acquisition of Iberdrola's shares in 2023 would depend on whether it is included in the new list of companies with a market capitalization exceeding EUR 1,000 million as of December 1, 2022 to be published by the Spanish State Agency for Tax Administration (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

In the event that the 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 Supplementary 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%, 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 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 in respect 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 taxation.

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 holder must (i) evidence his or her right to a reduced tax rate or exemption by delivering to Iberdrola a certificate of tax residence duly issued by the US Tax Authority (within the meaning of the Treaty) as evidence 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 July 2022 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 July 2022 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 shares from which they arise.

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 July 2022 edition of the optional dividend system. This tax disclosure was written in connection with the July 2022 optional dividend system by Iberdrola 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 July 2022 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 Iberdrola'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 July 2022 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 July 2022 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 July 2022 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.

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 will 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. 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 advisers 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 July 2022 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