



*Arranger*  
*Barclays*  
*Dealers*

Banco Bilbao Vizcaya Argentaria, S.A.  
BNP PARIBAS  
Crédit Agricole CIB  
ING  
Mizuho Securities  
NatWest Markets

Barclays  
BofA Merrill Lynch  
HSBC  
J.P. Morgan  
Morgan Stanley  
Santander

The date of this Base Prospectus is 28 July 2017







































## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

*There is no active trading market for the Notes*

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular tranche, such Tranche is to be consolidated with and form a single series with an outstanding Tranche of Notes). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuers and the Guarantor. Although applications have been made for the Notes issued under the Programme to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

### **Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

*Notes subject to optional redemption by the relevant Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when an Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where an Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If an Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If an Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

*Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

### *Modification, waivers and substitution*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

### **Risks Relating to Spanish Withholding Tax in Notes issued by Iberdrola Finanzas**

Iberdrola Finanzas considers that, pursuant to the provisions of Foral Decree 205/2008 and Royal Decree 1065/2007, it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain or not. The foregoing is subject to the fulfilment of certain information procedures described in “*Taxation in Spain - Disclosure of Information in Connection with the Notes*” below.

In this regard, according to Foral Decree 205/2008 and Royal Decree 1065/2007, any interest paid by Iberdrola Finanzas under securities that (i) can be regarded as listed debt securities issued under Law 10/2014 and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, will be made free of Spanish withholding tax provided that the relevant paying agent fulfils the information procedures described in “*Taxation in Spain - Disclosure of Information in Connection with the Notes*” below. Iberdrola Finanzas considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by Iberdrola Finanzas to Noteholders should be paid free of Spanish withholding tax (subject to the fulfilment of the aforementioned information procedures).

Notwithstanding the above, with regard to Noteholders subject to Spanish Corporate Income Tax whose Notes are deposited with a Spanish resident entity acting as depositary or custodian, withholding could be made by such depositary or custodian if it is concluded that the Notes do not comply with the relevant exemption requirements specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) on 27 July 2004. According to said ruling, application of the withholding exemption requires that, in addition to the Notes being traded in an organised market of an OECD country, they are placed outside Spain in another OECD country. If it was determined that such withholding exemption does not apply on the basis that the Notes were placed, totally or partially, in Spain, said depositaries or custodians could eventually make such a withholding at the applicable rate, currently 19 per cent.

In the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Iberdrola Finanzas will inform the Noteholders of the new information procedures and of their implications, as it might be required to apply withholding tax on interest payments under the Notes if the Noteholders do not comply with such new information procedures.

Holders of the Notes must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of Iberdrola International, Iberdrola Finanzas, the Guarantor, the Dealers, or the Paying Agent assume any responsibility thereof.

### **The Proposed Financial Transactions Tax (FTT)**

The European Commission published in February 2013 a proposal (the **Commission’s Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal,

Slovenia and Slovakia (excluding Estonia, the **participating Member States**). Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation process.

However, the Commission's Proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **Risks arising under the Spanish Insolvency Law**

Certain risks arise under the Spanish Insolvency Law which will apply in the event of the Guarantor's or Iberdrola Finanzas' insolvency.

*Risk of Noteholders' claims being subordinated as a result of being especially related to the Guarantor or Iberdrola Finanzas*

Under Law 22/2003 of 9 July, on Insolvency (the **Spanish Insolvency Law**), the claims of creditors are classified as either: credits against the estate (*créditos contra la masa*), privileged credits (*créditos privilegiados*), ordinary credits (*créditos ordinarios*) or subordinated credits (*créditos subordinados*). On insolvency of an entity under the Spanish Insolvency Law, ordinary creditors rank ahead of subordinated creditors but behind privileged creditors and creditors with claims against the estate. It is intended that claims against the Guarantor under the Guarantee or Iberdrola Finanzas under the Notes respectively will be classified as ordinary credits. However, certain actions or circumstances which are beyond the control of the Guarantor or Iberdrola Finanzas may result in these claims being classified as subordinated credits. For example, under Article 92.5 of the Spanish Insolvency Law, the claims of those persons especially related to the Guarantor or Iberdrola Finanzas (as the case may be) will be classified as subordinated creditors.

Among others, the following persons may be considered especially related to the Guarantor or Iberdrola Finanzas:

- (a) shareholders who, when the right of claim arose, were direct or indirect holders of at least 5 per cent. of the share capital if the shares of the Guarantor or Iberdrola Finanzas are traded on an official secondary market (as it is currently the case), or 10 per cent. if they are not (in the future). If the shareholders are individual persons, it shall be understood that the persons specially related to these shareholders in accordance with the Spanish insolvency Law are also specially related to the Guarantor or Iberdrola Finanzas;

- (b) actual or shadow directors (including those who acted as such in the two years leading up to the declaration of insolvency); and
- (c) members of the same group of companies as the Guarantor or Iberdrola Finanzas and their common shareholders, if they comply with the requirements established in article 93.2.1 of the Spanish Insolvency Law.

Furthermore, any person who acquires credits which were held by one of the above persons is also presumed to be especially related if the acquisition takes place in the two years leading up to the declaration of insolvency. This presumption is rebuttable.

The claims of Noteholders may, therefore, to the extent they are considered especially related to the Guarantor or Iberdrola Finanzas, be subordinated as a result of the application of the provisions of the Spanish Insolvency Law. Noteholders should be aware of this subordination risk and take those precautions they consider appropriate to ensure that their claims are not subordinated.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

Each Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the principal payable on the Notes and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.



## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The relevant Issuer may agree with any Dealer that Notes may be issued in a form other than that contemplated in Terms and Conditions of the Notes issued by Iberdrola International B.V.” or “Terms and Conditions of the Notes issued by Iberdrola Finanzas, S.A.U.”, as applicable, herein, in which event, in the case of listed Notes only and if appropriate, a drawdown prospectus will be published.*

*This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the **Prospectus Regulation**). Words and expressions defined in the “Form of Notes”, “Terms and Conditions of the Notes issued by Iberdrola International B.V.” or “Terms and Conditions of the Notes issued by Iberdrola Finanzas, S.A.U.” shall have the same meanings in this overview.*

Issuers:	Iberdrola International B.V. and Iberdrola Finanzas, S.A.U. (each an <b>Issuer</b> and together, the <b>Issuers</b> )
Guarantor:	Iberdrola, S.A. (the <b>Guarantor</b> )
Description:	Guaranteed Euro Medium Term Note Programme (the <b>Programme</b> ).
Arranger:	Barclays Bank PLC.
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc (trading as NatWest Markets). The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the whole Programme. References in this Base Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons which are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon, London Branch.
Size:	Up to Euro 20,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuers and the Guarantor have the option, subject to the fulfilment of certain conditions, to increase the size of the Programme.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Euro, U.S. Dollars, Australian dollars, Canadian dollars, Danish krone, Hong Kong dollars, New Zealand dollars, pounds sterling, Swedish kronor, Swiss francs or Japanese yen or in other currencies if the relevant Issuer, the Guarantor and the Dealers so agree.
Maturities:	Any maturity subject to compliance with all relevant laws, regulations and

directives. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the relevant Issuer.

Under Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, which implements the Prospectus Directive, prospectuses for the admission to trading of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act.

**Specified Denomination:** Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealers and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the specified currency and save that (a) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency); and (b) unless otherwise permitted by then current laws and regulations Notes which have a maturity of less than one year from their date of issue will have a minimum denomination of £100,000 (or its equivalent in another currency).

**Method of Issue:** The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Notes may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Notes may be issued as part of an existing Series.

**Form of Notes:** The Notes may be issued in bearer form only (**Bearer Notes**), in bearer form exchangeable for Registered Notes (**Exchangeable Bearer Notes**) or in registered form only (**Registered Notes**). Bearer Notes may be issued in new global note (**NGN**) form. Unless otherwise specified in the Final Terms, each Tranche of Bearer Notes having an initial maturity of more than one year will initially be represented by a temporary Global Note and each Tranche of Bearer Notes having an original maturity of one year or less will initially be represented by a permanent Global Note which (a) in each case, will (i) if the Global Notes are stated in the applicable Final

Terms to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg, or (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the relevant Issuer and the relevant Dealer. No interest will be payable in respect of a temporary Global Note except as described under “Description of Provisions Relating to the Notes while in Global Form or while Registered in the Name of a Nominee for a Clearing System”. Interests in temporary Global Notes will be exchangeable for interests in permanent Global Notes or, if so stated in the relevant Final Terms, for definitive Bearer Notes after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership or (in the case of Exchangeable Bearer Notes) definitive Registered Notes at any time after the issue date. If specified in the relevant Final Terms, interests in permanent Global Notes will be exchangeable for definitive Bearer Notes or (in the case of Exchangeable Bearer Notes) definitive Registered Notes as described under “Description of Provisions Relating to the Notes while in Global Form or while Registered in the Name of a Nominee for a Clearing System”. Registered Notes will be represented by certificates (each a **Certificate**), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series and may be represented by a Global Certificate. Registered Notes which are held in Euroclear and Clearstream, Luxembourg will be registered (i) if the Global Certificate is not to be held under the new safekeeping structure (**NSS**), in the name of nominees for Euroclear and Clearstream, Luxembourg or a common nominee or (ii) if the Global Certificate is to be held under the **NSS**, in the name of a nominee of the Common Safekeeper, and the relevant Certificate(s) will be delivered to the appropriate depositary, common depositary or Common Safekeeper, as the case may be.

Issue Price:	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest set separately for each Series by reference to EURIBOR or LIBOR as adjusted for any applicable margin as specified in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders and the terms applicable to such redemption.
Status of the Notes and the Deed of Guarantee:	The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the relevant Issuer and the Guarantor, respectively, all as described in Condition 3 ( <i>Status and Guarantee</i> ).
Negative Pledge:	The Notes will contain a negative pledge as more fully set out in Condition 4 ( <i>Negative Pledge</i> ). The negative pledge applies to Relevant Indebtedness of the relevant Issuer, the Guarantor and each Relevant Subsidiary (each as defined in the Conditions).
Cross Default:	The Notes will contain a cross default as more fully set out in Condition 10 ( <i>Events of Default</i> ). The cross default applies to any Relevant Indebtedness incurred by the relevant Issuer, Guarantor or any Relevant Subsidiary which becomes due and payable prior to its stated maturity otherwise than at the option of the relevant Issuer or Guarantor or which is not paid when due or within any applicable grace period provided that the aggregate amount of Relevant Indebtedness is equal to or exceeds €125,000,000 or its equivalent.
Rating:	<p>The Programme has been rated BBB+ by Standard &amp; Poor’s Credit Market Ratings Services (<b>Standard &amp; Poor’s</b>), Baa2 by Moody’s Investors Service Limited (<b>Moody’s</b>) and BBB+ by Fitch Ratings Limited (<b>Fitch</b>). Each of Standard &amp; Poor’s, Moody’s and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the <b>CRA Regulation</b>). As such each of Standard &amp; Poor’s, Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.</p> <p>Notes issued under the Programme may be rated or unrated. Where an Issue of Notes is rated, its credit rating may not necessarily be the same as the credit rating applicable to the Programme. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit ratings agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.</p> <p>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Early Redemption:	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons.
Taxation on Notes issued by Iberdrola International B.V.:	All payments of principal and interest in respect of the Notes and the Deed of Guarantee will be made free and clear of any withholding or deduction, subject to customary exceptions, as described Condition 8 ( <i>Taxation</i> ).

Taxation on Notes issued by Iberdrola Finanzas, S.A.U.: All payments in respect of the Notes issued by Iberdrola Finanzas, S.A.U. will be made without deduction for, or on account of, withholding taxes imposed by Spain unless such taxes are required by law to be withheld. In the event that any such deduction is made, Iberdrola Finanzas, S.A.U. or, as the case may be, the Guarantor, will, save in certain circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover any amounts so deducted.

Iberdrola Finanzas, S.A.U. considers that, according to Foral Decree of the territory of Bizkaia 205/2008, of 22 December (**Foral Decree 205/2008**) and Royal Decree 1065/2007, it is not obliged to withhold taxes in Spain in relation to interest paid on the Notes to any investor (whether tax resident in Spain or not) provided that the information procedures described in section “Taxation”, which do not require identification of the Noteholders, are fulfilled.

In the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Iberdrola Finanzas, S.A.U. will inform the Noteholders of such information procedures and of their implications, as Iberdrola Finanzas, S.A.U. may be required to apply withholding tax on interest payments under the Notes if the Noteholders would not comply with such information procedures.

For further information regarding the interpretation of Foral Decree 205/2008 and Royal Decree 1065/2007, please refer to “*Risk Factors—Risks in Relation to Spanish Withholding Tax in Notes issued by Iberdrola Finanzas*”.

Governing Law: English law, save for (a) in relation to Notes issued by Iberdrola International B.V. Condition 3(a) (*Status of Notes*) which will be governed by, and shall be construed in accordance with, Dutch law and the status of the Guarantee, as described in Condition 3(b)(ii) (*Guarantee*), which will be governed by, and shall be construed in accordance with, Spanish law and (b) in relation to Notes issued by Iberdrola Finanzas, S.A.U., Condition 3(a) (*Status of Notes*) and the status of the Guarantee, as described in Condition 3(b)(ii) (*Guarantee*), which will be governed by, and shall be construed in accordance with, Spanish law.

Approval, listing and admission to trading: Application has been made to the CSSF to approve this document as a base prospectus of the Issuers. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets agreed between the relevant Issuer, the Guarantor and the relevant Dealer (such other or further stock exchanges or markets, to include, if so agreed, the AIAF). Iberdrola International may also issue unlisted Notes. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Rule 144A: Offers and sales in accordance with Rule 144A under the Securities Act will be permitted if specified in the relevant Final Terms, subject to

compliance with all relevant legal and regulatory requirements of the United States of America.

**Selling Restrictions:**

United States, European Economic Area (in respect of Notes having a denomination of less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes)), The Netherlands, the Kingdom of Spain and Japan. See “Subscription and Sale”.

In connection with the offering and sale of a particular Tranche of Notes, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

**Substitution:**

The Issuers and the Guarantor may, subject to the fulfilment of certain conditions, substitute the relevant Issuer. See Condition 15 (*Substitution of either Issuer*).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and which have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

- (a) the independent auditor's report and audited non-consolidated annual financial statements of Iberdrola International for the financial year ended 31 December 2016;
- (b) the independent auditor's report and audited non-consolidated annual financial statements of Iberdrola International for the financial year ended 31 December 2015;
- (c) the independent auditor's report and audited non-consolidated annual financial statements of Iberdrola Finanzas for the financial year ended 31 December 2016;
- (d) the independent auditor's report and audited non-consolidated annual financial statements of Iberdrola Finanzas for the financial year ended 31 December 2015;
- (e) the auditors' report, audited consolidated annual financial statements of the Guarantor and consolidated management report for the financial year ended 31 December 2016;
- (f) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2015;
- (g) an English translation of the unaudited consolidated interim financial statements of the Guarantor for the six months ended 30 June 2017;
- (h) the Terms and Conditions of the Notes set out on pages 25 to 55 (inclusive) of the Base Prospectus of Iberdrola International dated 14 June 2012 prepared by Iberdrola International in connection with the Programme;
- (i) the Terms and Conditions of the Notes set out on pages 23 to 52 (inclusive) of the Base Prospectus of Iberdrola International dated 12 June 2013 prepared by Iberdrola International in connection with the Programme;
- (j) the Terms and Conditions of the Notes set out on pages 25 to 54 (inclusive) of the Base Prospectus of Iberdrola International dated 25 June 2014 prepared by Iberdrola International in connection with the Programme;
- (k) the Terms and Conditions of the Notes set out on pages 27 to 59 (inclusive) of the Base Prospectus of Iberdrola International dated 26 June 2015 prepared by Iberdrola International in connection with the Programme; and
- (l) the Terms and Conditions of the Notes set out on pages 31 to 94 (inclusive) of the Base Prospectus of Iberdrola International and Iberdrola Finanzas dated 22 June 2016 prepared by Iberdrola International and Iberdrola Finanzas in connection with the Programme.

The information set out in the table below, which is required by the Prospectus Regulation, is contained in the documents incorporated by reference:

<i>Information incorporated by reference</i>	<i>Page number</i>
<b><i>Iberdrola International B.V.</i></b>	
<i>Annual report for 2016</i>	
Independent auditor's report	28-33

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