



Julián Martínez-Simancas  
Secretary of the Board of Directors

Bilbao, 2 July 2019

To the National Securities Market Commission

**Subject: Supplement to the information memorandum (*documento informativo*) relating to the terms and conditions of the first edition of the “Iberdrola Retribución Flexible” optional dividend system corresponding to the fiscal year 2019**

Dear Sirs,

Pursuant to article 227 of the *restated text of the Securities Market Law* approved by *Royal Legislative Decree 4/2015, of 23 October (texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre)* and related provisions, and further to our notice of significant event (*hecho relevante*) filed with this National Commission on 24 April 2019 (with official registry number 277,344), we hereby advise you that on the date hereof the matters summarised below regarding the terms and conditions of the first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2019 have been determined.

In particular, the following matters have been determined in connection with: (i) the implementation of the first paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. (“**Iberdrola**”) held on 29 March 2019 under item number eight on the agenda and under the section titled «*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number seven, eight and nine on the agenda, by virtue of which the “Iberdrola Flexible Remuneration” optional dividend system is implemented*» (the “**Capital Increase**”) and (ii) the supplementary payment to the dividend corresponding to the fiscal year 2018, which was approved by the referred General Shareholders' Meeting under item number seven of its agenda (the “**Supplementary Dividend**”):

- (i) The maximum market value of reference for the Capital Increase amounts to 1,277 million euros. This amount guarantees a gross amount of the Supplementary Dividend of, at least, 0.200 euros per share.
- (ii) The maximum number of shares to be issued by means of the Capital Increase is 145,116,279.
- (iii) The number of free-of-charge allocation rights required to receive one new share is 43.

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- (iv) The maximum nominal amount of the Capital Increase is 108,837,209.25 euros.
- (v) The gross amount of the Supplementary Dividend per share is 0.200 euros.
- (vi) The aggregate maximum gross amount of the Supplementary Dividend is 1,248,000,000.00 euros. This amount results from multiplying the total number of outstanding shares of Iberdrola as of the date hereof (without deducting Iberdrola's treasury stock) by the gross amount per share previously mentioned (*i.e.*, 0.200 euros).

Likewise, and for the purposes of article 26.1.e) of *Royal Decree 1310/2005, of 4 November, which partially elaborates upon the provisions of Law 24/1988 of 28 July, on the Securities Market, in connection with the admission of securities to trading on official secondary markets, public offers for the sale or subscription of securities and the prospectus required for such purposes (Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos, "Royal Decree 1310/2005")*, we provide you, attached hereto as an annex, with the supplement to the information memorandum (*documento informativo*) covered by the notice of significant event filed on 24 April 2019 regarding the first edition of the "*Iberdrola Retribución Flexible*" optional dividend system corresponding to the fiscal year 2019, which has been approved today.

In this respect, it is stated that, as from 21 July 2019, *Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Regulation")* will be directly applicable in the Member States of the European Union. However, article 1.5.(g) of the Regulation provides for the same legal regime as the one set out in article 26.1.e) of Royal Decree 1310/2005. Thus, pursuant to article 1.5.(g) of the Regulation and, as is currently the case, the admission to trading of the new Iberdrola's shares issued within the context of the optional dividend system "*Iberdrola Retribución Flexible*" shall not entail the obligation to publish the prospectus established in the Regulation, "*provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer or allotment*".

Likewise, it is stated that the aforementioned information memorandum (*documento informativo*), together with its referred supplement, constitutes the document referred to in article 26.1.e) of Royal Decree 1310/2005 and article 1.5.(g) of the Regulation, and renders the preparation and publication of a prospectus (*folleto informativo*) with respect to the Capital Increase unnecessary.

Please be advised that the summary included above is part of the supplement to the above referred information memorandum, and should therefore be read in conjunction with such supplement.

This information is provided to you for the appropriate purposes.

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Yours faithfully,

Secretary of the Board of Directors

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## IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

This communication contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by Iberdrola, S.A. to the *Comisión Nacional del Mercado de Valores*.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All oral or written forward-looking statements hereby made or otherwise attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified on its entirety by the cautionary statement above. All the forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**Annex**

**Supplement to the information memorandum relating to the terms and conditions of the first edition of the “Iberdrola Retribución Flexible” optional dividend system corresponding to the fiscal year 2019**

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**SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE TERMS AND CONDITIONS OF THE FIRST EDITION OF THE “IBERDROLA RETRIBUCIÓN FLEXIBLE” OPTIONAL DIVIDEND SYSTEM CORRESPONDING TO THE FISCAL YEAR 2019**

**1. PURPOSE**

**1.1. Background**

The General Shareholders’ Meeting of Iberdrola, S.A. (hereinafter, “**Iberdrola**” or the “**Company**”) held on 29 March 2019 (the “**General Shareholders’ Meeting**”) approved, under item number eight on the agenda and under the section titled «*Common terms and conditions to the dividend distribution and increase in capital resolutions proposed under items numbers seven, eight and nine on the agenda by virtue of which the “Iberdrola Flexible Remuneration” optional dividend system is implemented*” (the “**Common Terms**” and the “**Capital Increase Resolution**”, respectively), an increase in wholly paid-up share capital with a charge to the reserves contemplated in article 303.1 of the *Companies Act (Ley de Sociedades de Capital)*, which restated text was approved by the Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio*) (the “**Companies Act**”), by means of the issuance of ordinary shares for their free-of-charge allocation to the shareholders of the Company (the “**Capital Increase**”).

The Board of Directors of the Company approved on 24 April 2019 the implementation of the Capital Increase and resolved to set the market value of reference for the Capital Increase in an amount within the minimum of 1,274 million euros and the maximum of 1,349 million euros, which is, in any case, within the maximum limit established in the Capital Increase Resolution (*i.e.*, 1,520 million euros), and to delegate to the chairman and chief executive officer of the Company the power to determine the concrete amount of such market value of reference within the referred range.

Likewise, the abovementioned General Shareholders’ Meeting of the Company approved under item number seven of its agenda and under the Common Terms, a supplementary payment to the dividend corresponding to the fiscal year 2018 (the “**Supplementary Dividend**”), delegating in favour of the Board of Directors the determination of the gross amount to be distributed as Supplementary Dividend for each share with a right to receive it. On 24 April 2019, the Board of Directors of the Company, exercising the referred delegated authority, resolved that the amount of the Supplementary Dividend shall in all cases guarantee a gross amount of, at least, 0.200 euros per share.

Within this context, the Company issued an information memorandum (*documento informativo*), pursuant to the provisions of article 26.1.e) of *Royal Decree 1310/2005, of 4 November, which partially elaborates upon the provisions of Law 24/1988 of 28 July, on the Securities Market, in connection with the admission of securities to trading on official secondary markets, public offers for the sale or subscription of securities and the prospectus required for such purposes (Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos)* (“**Royal Decree 1310/2005**”), in which information available on such date “*with respect to the first edition of the «Iberdrola Retribución Flexible» optional dividend system corresponding to the fiscal year 2019 and with the Flexible Remuneration Options*” was provided, which was made available to the public by means of a notice of significant event (*hecho relevante*) dated 24 April 2019 (with official registry number 277,344) (the “**Information Memorandum**”).

**1.2. Purpose**

This document supplements the Information Memorandum and is intended to provide the public with the information regarding the Capital Increase and the payment of the Supplementary Dividend that was not available

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on the publication date of the Information Memorandum, particularly, the maximum market value of reference for the Capital Increase, the number of free-of-charge allocation rights necessary to receive one new share of Iberdrola, the maximum number of new shares to be issued by means of the Capital Increase, the maximum nominal amount of the Capital Increase and the gross amount of the Supplementary Dividend per share.

This document, together with the Information Memorandum, constitutes the document referred to in article 26.1.e) of Royal Decree 1310/2005, and renders the preparation and publication of a prospectus (*folleto informativo*) with respect to the Capital Increase unnecessary. Both documents are available on Iberdrola's corporate website ([www.iberdrola.com](http://www.iberdrola.com)) and on the website of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

In this respect, it is stated that, as from 21 July 2019, Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Regulation**") will be directly applicable in the Member States of the European Union. However, article 1.5.(g) of the Regulation provides for the same legal regime as the one set out in article 26.1.e) of Royal Decree 1310/2005. Thus, pursuant to article 1.5.(g) of the Regulation and, as is currently the case, the admission to trading of the new Iberdrola's shares issued within the context of the optional dividend system "*Iberdrola Retribución Flexible*" shall not entail the obligation to publish the prospectus established in the Regulation, "*provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer or allotment*".

Capitalised terms not expressly defined in this document shall have the meaning provided in the Information Memorandum.

## **2. INFORMATION AVAILABLE REGARDING THE CAPITAL INCREASE AND THE SUPPLEMENTARY DIVIDEND**

### **2.1. Maximum market value of reference for the Capital Increase, maximum number of shares to be issued, number of free-of-charge allocation rights needed for the allocation of one new share, and maximum nominal amount of the Capital Increase**

The Board of Directors of Iberdrola approved on 24 April 2019 the implementation of the Capital Increase, in accordance with the provisions of the Capital Increase Resolution, and the payment of the Supplementary Dividend.

As of the date of this document, and pursuant to the delegation of powers made by the Board of Directors at the aforementioned meeting, the chairman and chief executive officer of the Company has set the maximum market value of reference for the Capital Increase (the Amount of the Option) in 1,277 million euros –which amount guarantees that the gross amount of the Supplementary Dividend per share is, at least, of 0.200 euros– and has determined the following terms and conditions of the Capital Increase by performing the arithmetical operations provided for in the formulas approved by both the General Shareholders' Meeting and the Board of Directors:

- (i) The maximum number of shares to be issued by means of the Capital Increase is 145,116,279.

However, as established in the Information Memorandum, the number of shares actually issued will depend on the number of shareholders who decide not to waive their free-of-charge allocation rights. For these purposes, it will be understood that the shareholders who choose to receive the Supplementary Dividend during the Common Election Period in connection with all or part of the Company's shares held

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by them expressly waive all or part (as the case may be) of the free-of-charge allocation rights to which they will be entitled<sup>1</sup>.

Accordingly, the only new shares that will be issued will be those corresponding to the free-of-charge allocation rights which do not correspond to Iberdrola's shares in respect of which their holders have chosen to receive the Supplementary Dividend.

In any event, the final number of shares to be issued within the context of the Capital Increase will be communicated to the public on a timely basis by means of a notice of significant event regarding the closing of such increase, which is expected to be published as from 25 July 2019.

- (ii) The number of free-of-charge allocation rights required to receive a new share is 43.

Shareholders of the Company: (a) who acquired their Iberdrola shares before 23:59 Madrid time on the day of publication of the notice of the implementation of the Capital Increase in the Official Bulletin of the Commercial Registry (which is expected to take place on 3 July 2019) –last trading date–; and (b) whose stock transactions have been settled up to 5 July 2019 (record date) in the book-entry records of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR), will receive one free-of-charge allocation right per each share of Iberdrola that they hold. Therefore, each of the abovementioned entitled persons will have the right to receive one new share for every 43 old shares that they hold on 5 July 2019 (record date).

- (iii) Thus, the maximum nominal amount of the Capital Increase is 108,837,209.25 euros.

However, as indicated above, the amount of the actual increase in the Company's share capital will be the result of multiplying the final number of shares issued by their nominal value (0.75 euros).

In order to ensure that the number of free-of-charge allocation rights needed to receive one new share and the number of new shares issued within the context of the Capital Increase are whole numbers, Iberdrola has waived 3 free-of-charge allocation rights corresponding to 3 shares that it holds.

In applying the formulas approved by both the General Shareholders' Meeting and the Board of Directors to determine the foregoing items, the chairman and chief executive officer has taken into account that:

- (i) The “TNShr” or the outstanding number of shares of Iberdrola as of the date of this document is 6,240,000,000; and
- (ii) the “ListPri,” understood as the arithmetic mean of the average weighted listing prices of the Company's shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges at the five trading sessions corresponding to 25, 26, 27 and 28 June and 1 July 2019, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange on 1 July 2019, rounded to the closest one-thousandth part of one euro, is 8.795 euros.

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<sup>1</sup> Likewise, if after deducting the shares corresponding to the free-of-charge allocation rights resulting from shares in respect of which their holders have chosen to receive the Supplementary Dividend, the number of outstanding Iberdrola's shares is a fraction, Iberdrola will also waive that number of its free-of-charge allocation rights that are required for the number of new shares ultimately issued under the Capital Increase to be a whole number and not a fraction.

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## 2.2. Gross amount of the Supplementary Dividend per share

In accordance with the resolution approved under item number seven of the agenda of the General Shareholders' Meeting, the Common Terms and the resolution passed by the Board of Directors on 24 April 2019, the gross amount of the Supplementary Dividend per share calculated in accordance with the formulas included in the Capital Increase Resolution, the Common Terms and the referred resolutions of the Board of Directors of 24 April 2019, is 0.200 euros per share.

As a consequence thereof, the aggregate maximum gross amount of the Supplementary Dividend will be 1,248,000,000.00 euros, amount which results from multiplying the gross amount of the Supplementary Dividend per share by the total number of outstanding shares of Iberdrola as of the date hereof (*i.e.*, 6,240,000,000) without deducting the Company's treasury stock. Notwithstanding the above, the amount that the Company will eventually have to pay arising from the Supplementary Dividend will depend on the number of shareholders who choose this Remuneration Option.

Finally, it is stated that the free-of-charge allocation rights acquired during the trading period will not grant to their holders the right to choose to receive the Supplementary Dividend. Exclusively, those shareholders who are holders of shares of the Company on 5 July 2019 (record date) will be entitled to receive the Supplementary Dividend in the context of this edition of the "*Iberdrola Retribución Flexible*" optional dividend system.

In Bilbao, on 2 July 2019.

Iberdrola, S.A.

By

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Julián Martínez-Simancas Sánchez  
Secretary of the Board of Directors

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