



Julián Martínez-Simancas  
Secretary of the Board of Directors

Bilbao, 9 January 2018

**To the National Securities Market Commission**

**Subject: Supplement to the information memorandum (*documento informativo*) relating to the terms and conditions of the second edition of the “Iberdrola Flexible Dividend” remuneration system corresponding to the fiscal year 2017**

Dear Sirs,

Pursuant to article 17 of *Regulation (EU) No. 596/2014 on market abuse* and article 228 of the *restated text of the Securities Market Law* approved by the 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 notices of significant event (*hecho relevante*) filed with this National Commission on 7 November and 19 December 2017 (with official registry numbers 258,278 and 259,722, respectively), we hereby advise you that on the date hereof the matters summarised below regarding the terms and conditions of the second edition of the “Iberdrola Flexible Dividend” remuneration system corresponding to the fiscal year 2017 have been determined.

In particular, the following matters have been determined in connection with the implementation of the second paid-up capital increase approved by the General Shareholders’ Meeting of Iberdrola, S.A. (“**Iberdrola**”) held on 31 March 2017 under item number thirteen on the agenda (the “**Capital Increase**”) and with the distribution of an interim dividend corresponding to the fiscal year 2017 (the “**Interim Dividend**”):

- (i) The maximum market value of reference for the Capital Increase amounts to 904 million euros. This amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.140 gross euros per right.
- (ii) The maximum number of shares to be issued by means of the Capital Increase is 137,337,282.
- (iii) The number of free-of-charge allocation rights required to receive one new share is 46.
- (iv) The maximum nominal amount of the Capital Increase is 103,002,961.50 euros.

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- (v) The purchase price of each free-of-charge allocation right under the purchase commitment made by Iberdrola is 0.140 euros.
- (vi) The gross amount of the Interim Dividend per share is 0.140 euros.
- (vii) The aggregate maximum gross amount of the Interim Dividend is 884,452,100 euros. This amount results from multiplying the total number of outstanding shares of Iberdrola as of the date hereof<sup>1</sup> (without deducting Iberdrola's treasury stock) by the gross amount per share previously mentioned (*i.e.*, 0.140 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)*, 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 7 November 2017 regarding the second edition of the "Iberdrola Flexible Dividend" remuneration system corresponding to the fiscal year 2017, which has been approved today.

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.

Yours faithfully,

Secretary of the Board of Directors

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<sup>1</sup> Assuming that the number of outstanding shares of the Company as of 12 January 2018 (record date) will be the same.

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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 second edition of the “Iberdrola Flexible Dividend” remuneration system corresponding to the fiscal year 2017**

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**SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE TERMS AND CONDITIONS OF THE SECOND EDITION OF THE "IBERDROLA FLEXIBLE DIVIDEND" REMUNERATION SYSTEM CORRESPONDING TO THE FISCAL YEAR 2017**

**1. PURPOSE**

**1.1. Background**

The General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") held on 31 March 2017 approved, under item number thirteen on the agenda and under the section titled "Terms common to the increase in capital resolutions proposed under item numbers twelve and thirteen on the agenda in order to implement two new editions of the "Iberdrola Flexible Dividend" system" (the "**Shareholders' Resolution**"), 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)*, by means of the issuance of ordinary shares for their free allocation to the shareholders of the Company (the "**Capital Increase**").

The Board of Directors of the Company approved on 6 November 2017 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 898 million euros and the maximum of 947 million euros, which is, in any case, within the maximum limit established in the Shareholders' Resolution, 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.

Furthermore, on 6 November 2017, the Board of Directors of the Company resolved to distribute an interim dividend corresponding to the fiscal year 2017 (the "**Interim Dividend**"), which gross amount per share has to be equal to the Purchase Price (as defined below) and that in no event may be higher than 0.144 euros. After attesting the compliance of the requirements set forth in article 277 of the *Spanish Companies Act (Ley de Sociedades de Capital)*, the referred resolution was ratified by the Board of Directors at its meeting held on 19 December 2017, which was made available to the public on such date by means of a notice of significant event (*hecho relevante*) (with official registry number 259,722).

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 second edition of the "Iberdrola Flexible Dividend" remuneration system of the fiscal year 2017 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 7 November 2017 (with official registry number 258,278) (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 distribution of the Interim Dividend that was not available on the publication date of the Information Memorandum, particularly, the maximum market value of reference for the Capital Increase, the number of 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, the fixed price for the free-of-charge allocation rights in relation to the purchase commitment made by Iberdrola and the gross amount of the Interim Dividend per share.

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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)).

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 INTERIM 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 6 November 2017 the implementation of the Capital Increase, in accordance with the provisions of the Shareholders' Resolution, and the distribution of the Interim 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 in 904 million euros –which amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.140 gross euros per right– 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 137,337,282.

However, as established in the Information Memorandum, the number of shares actually issued will depend on the number of shareholders who decide not to transfer their free-of-charge allocation rights to Iberdrola under the irrevocable purchase commitment assumed by the Company or to receive the Interim Dividend. Iberdrola will waive the new shares corresponding to the free-of-charge allocation rights acquired by application of such purchase commitment<sup>2</sup>. On the other hand, shareholders who choose to receive the Interim Dividend in connection with all or part of their Company's shares will expressly waive all or part (as the case may be) of the free allocation rights to which they will be entitled.

Accordingly, the only new shares that will be issued will be those corresponding to the free-of-charge allocation rights: (a) which have not been acquired by Iberdrola in furtherance of this irrevocable commitment, and (b) which do not correspond to Iberdrola's shares in respect of which their holders have chosen to receive the Interim 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 29 January 2018.

- (ii) The number of free-of-charge allocation rights required to receive a new share is 46.

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<sup>2</sup> Likewise, if after deducting the shares corresponding to: (i) the free-of-charge allocation rights acquired by Iberdrola pursuant to the purchase commitment (which Iberdrola will waive pursuant to the Shareholders' Resolution), and (ii) the free-of-charge allocation rights resulting from shares in respect of which their owners have chosen to receive the Interim 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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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 10 January 2018); and (b) whose stock transactions have been settled up to 12 January 2018 (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 46 old shares that they hold on 12 January 2018 (record date).

(iii) Thus, the maximum nominal amount of the Capital Increase is 103,002,961.50 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 28 free-of-charge allocation rights corresponding to 28 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 6,317,515,000; 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 2, 3, 4, 5 and 8 January 2018, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange on 8 January 2018, rounded to the closest one-thousandth part of one euro, is 6.576 euros.

## **2.2. Price and object of the purchase commitment**

The purchase price of each free-of-charge allocation right under Iberdrola's purchase commitment (the “**Purchase Price**”), calculated in accordance with the provisions of the Shareholders' Resolution and of the resolutions of the Board of Directors of 6 November 2017, is 0.140 euros. Therefore, shareholders willing to receive their compensation in cash may sell their free-of-charge allocation rights to Iberdrola at a gross fixed price of 0.140 euros, provided that they are entitled as stated below.

Taking into account the market conditions on that date, the Board of Directors resolved on 6 November 2017 that the purchase commitment made by the Company would only be extended to free-of-charge allocation rights received by those appearing in the book-entry records of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR) on 12 January 2018 (record date), excluding those rights which have been acquired in the market.

## **2.3. Gross amount of the Interim Dividend per share**

The gross amount of the Interim Dividend per share will also be 0.140 euros since, according to the resolutions passed by the Board of Directors on 6 November 2017, such amount has to be equal to the Purchase Price.

As a consequence thereof, the aggregate maximum gross amount of the Interim Dividend will be 884,452,100 euros, amount which results from multiplying the gross amount of the Interim Dividend per share by the total

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number of outstanding shares of Iberdrola as of the date hereof (6,317,515,000<sup>3</sup> without deducting the Company's treasury stock).

In Bilbao, on 9 January 2018.

Iberdrola, S.A.

By

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Julián Martínez-Simancas Sánchez  
Secretary of the Board of Directors

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<sup>3</sup> Assuming that the number of outstanding shares of the Company as of 12 January 2018 (record date) will be the same.

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