

Bilbao, 16 October 2018

**To the National Securities Market Commission**

**Subject: Transfer of the equity stake of Scottish Power Generation Holdings Ltd. in Scottish Power Generation Ltd.**

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, we hereby inform you that Scottish Power Generation Holdings Ltd., company of the Iberdrola Group in the United Kingdom, has reached an agreement with Drax Smart Generation Holdco Ltd., entity belonging to the group of which Drax Group Plc. ("**Drax Group**") is the parent company, for the sale of its entire equity stake in Scottish Power Generation Ltd. ("**Scottish Power Generation**"), representing 100 % of its share capital (the "**Transaction**").

The purchase price amounts to £702 million (approximately €801 million<sup>1</sup>) and is subject to customary adjustments in this type of transactions.

The completion of the Transaction is conditional upon: (i) the approval of the General Shareholders Meeting of Drax Group, regarding which the Board of Directors of Drax Group will release a Class 1 Circular) to its shareholders recommending the said approval, and (ii) the Competition and Markets Authority ("**CMA**") having indicated that it has no further questions at that stage in response to pre-Completion engagement by Drax Group or the CMA having provided a decision that the Transaction will not be subject to a reference under the UK merger control regime.

The sale of Scottish Power Generation, which currently has a total installed generation capacity of conventional electric power of 2,566 MW in the United Kingdom, is framed within the €3.000 million assets rotation strategy announced in the Investors Day held in February 2018.

It is expected that the Transaction will have a positive impact in the consolidated results of the Iberdrola group for fiscal year 2018 that will be quantified and announced at completion.

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> Calculated on the basis of the pound sterling / euro exchange rate as of 12 October 2018 published by the European Central Bank.





## IMPORTANT INFORMATION

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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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