



**Julián Martínez-Simancas**  
Secretary of the Board of Directors

Bilbao, 28 April 2020

**To the National Securities Market Commission**

**Subject: Other relevant information / Terms and conditions of the first edition of the “Iberdrola Retribución Flexible” optional dividend system corresponding to the fiscal year 2020**

Dear Sirs,

Pursuant to article 227 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 the Board of Directors of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) has resolved today to carry out the first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2020.

For such purposes, the Board of Directors of the Company has resolved to carry out the paid-up capital increase approved by the shareholders acting at the General Shareholders’ Meeting of Iberdrola held on 2 April 2020 under item number thirteen of its agenda (the “**Capital Increase**”) and the supplementary payment to the dividend corresponding to the fiscal year 2019, which was approved by the referred General Shareholders’ Meeting under item number twelve of its agenda (the “**Supplementary Dividend**”), all of which also pursuant to the section titled «*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, by virtue of which the “Iberdrola Flexible Remuneration” optional dividend system is implemented*» included among the proposed resolutions that were submitted to the approval of the abovementioned General Shareholders’ Meeting.

As is customary, in this edition of the “*Iberdrola Retribución Flexible*” optional dividend system, the Company’s shareholders will be entitled to choose between the following options:

- (i) receive their remuneration through the delivery of fully paid-up new shares;
- (ii) transfer all or a part of their free allocation rights in the market; or
- (iii) receive their remuneration in cash by means of the Supplementary Dividend.

Likewise, the shareholders of the Company will be able to combine any of the alternatives mentioned in paragraphs (i) through (iii) above with respect to the different groups of shares owned by each shareholder.

The value of the remuneration that the shareholders will receive under options (i) and (iii) above will be equivalent (in terms of market value and notwithstanding the tax treatment applicable to each of them).

Further to the results presentation corresponding to the fiscal year 2019 (which was made available to the public by means of a notice of other relevant information filed with this National Commission on 26 February 2020,

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with official registry number 317), Iberdrola estimates that the gross amount of the Supplementary Dividend per share will be, at least, 0.232 euros.

For the purposes of article 1.5.(g) of *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*, we provide you, enclosed hereto as Annex 1, with the information memorandum (*documento informativo*) regarding the implementation of this edition of the “*Iberdrola Retribución Flexible*” optional dividend system that has been approved today by the Board of Directors of Iberdrola.

This information is provided to you for the appropriate purposes.

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. securities 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 documents filed by Iberdrola, S.A. with the *Comisión Nacional del Mercado de Valores* and which are available to the public.

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 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 1**

**Information memorandum regarding the terms and conditions of the first edition of the “Iberdrola Retribución Flexible” optional dividend system corresponding to the fiscal year 2020**

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**INFORMATION MEMORANDUM REGARDING THE TERMS AND CONDITIONS OF THE FIRST EDITION OF THE “IBERDROLA RETRIBUCIÓN FLEXIBLE” OPTIONAL DIVIDEND SYSTEM CORRESPONDING TO THE FISCAL YEAR 2020**

**1. PURPOSE**

**1.1. Background**

At the General Shareholders’ Meeting of Iberdrola, S.A. (hereinafter, “**Iberdrola**” or the “**Company**”) held on 2 April 2020 (the “**General Shareholders’ Meeting**”), the shareholders approved, under item number thirteen 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 twelve, thirteen and fourteen 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), a wholly paid-up share capital increase with a charge to the reserves contemplated in article 303.1 of the *Spanish Companies Act (Ley de Sociedades de Capital)*, which restated text was approved by the *Royal Legislative Decree 1/2010, of July 2 (Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital)* (the “**Spanish Companies Act**”), by means of the issuance of ordinary shares for the free allocation thereof to the shareholders of the Company (the “**Capital Increase**”).

Under the Capital Increase Resolution, the maximum market value of reference of the Capital Increase would be 1,625 million euros and it could be implemented within one year following approval thereof.

Likewise, by means of the Capital Increase Resolution, the following powers were delegated in favour of the Board of Directors, with express substitution powers and in accordance with article 297.1.a) of the *Spanish Companies Act*: (i) to determine the date, within one year following the approval of the Capital Increase Resolution, on which the Capital Increase should take place and agree on the timetable for the implementation of the Capital Increase; (ii) to determine the reserves, among those included in the Capital Increase Resolution, with a charge to which the implementation of the Capital Increase will be carried out; and (iii) to establish the conditions of the Capital Increase in all matters not provided for in the Capital Increase Resolution.

Furthermore, the General Shareholder’s Meeting approved, under item number twelve of its agenda and under the Common Terms, a supplementary payment to the dividend corresponding to the fiscal year 2019 (the “**Supplementary Dividend Resolution**” and the “**Supplementary Dividend**”, respectively), delegating in favour of the Board of Directors, with express substitution powers and subject to the terms and conditions set forth in the Supplementary Dividend Resolution, the determination of the gross amount to be distributed as Supplementary Dividend for each share with a right to receive it.

The Capital Increase and the Supplementary Dividend have been approved in order to implement the first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2020. Under this system, and in the context of this edition, Iberdrola’s shareholders may choose between the following options (jointly, the “**Flexible Remuneration Options**”):

- (i) to receive their remuneration through the delivery of fully paid-up new shares;
- (ii) to transfer all or a part of their free allocation rights in the market; or
- (iii) to receive their remuneration in cash by means of the payment of the Supplementary Dividend.

The value of the remuneration that the shareholders will receive from the Company under the options referred to in sections (i) and (iii) above will be equivalent (in terms of market value and notwithstanding the tax treatment applicable to each of them).

To achieve the above, this first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2020 will be carried out through two different legal instruments (the implementation of the Capital Increase Resolution and the distribution of the Supplementary Dividend, respectively). This does not imply, however, that these are separate transactions. On the contrary, they are deemed integrated transactions under this edition of the remuneration system. The implementation of both resolutions has been approved today by the Board

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of Directors in order to implement the shareholders' alternatives to receive their remuneration from the Company, for a given value, under the "*Iberdrola Retribución Flexible*" optional dividend system.

In light of the above, the election of one of these alternatives excludes the right to choose any of the remaining options (for the avoidance of doubt, if a shareholder chooses one of the Flexible Remuneration Options for some but not all of its shares, the shareholder will be entitled to choose any of the Flexible Remuneration Options for its remaining shares).

As a consequence of the foregoing, the Board of Directors of the Company has resolved today to implement the Capital Increase and set the market value of reference for the Capital Increase in an amount within the minimum of 1,477 million euros and the maximum of 1,589 million euros, which is –in any case– within the limit established in the Capital Increase Resolution (*i.e.*, 1,625 million euros).

The specific amount corresponding to the market value of reference of the Capital Increase, which shall in all cases guarantee a gross amount of the Supplementary Dividend of, at least, 0.232 euros per share will be communicated by means of a supplement to this information memorandum that is expected to be published on 6 July 2020.

## **1.2. Purpose**

Pursuant to article 1.5.(g) of *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**"), the admission to trading of the new shares of Iberdrola issued under the "*Iberdrola Retribución Flexible*" optional dividend system will not require the publication of the prospectus contemplated 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*".

In view of the foregoing, Iberdrola issues this information memorandum, the purpose of which is to provide all of the information that is available on the date hereof with respect to the first edition of the "*Iberdrola Retribución Flexible*" optional dividend system of the fiscal year 2020 and to the Flexible Remuneration Options.

In addition, upon determination of the market value of reference of the Capital Increase, the number of free allocation rights needed to allocate one new share of Iberdrola and the gross amount of the Supplementary Dividend per share, this information will be made available to the public by means of a supplement to this memorandum through a notice of other significant information (*comunicación de otra información relevante*) that is expected to be published on 6 July 2020.

Finally, as soon as the implementation of the Capital Increase has been completed and all of the remaining information (including the total gross amount of the Supplementary Dividend) is available, it will be published by means of a notice of other significant information (*comunicación de otra información relevante*).

## **2. REASONS AND PROCEDURE OF THE "*IBERDROLA RETRIBUCIÓN FLEXIBLE*" OPTIONAL DIVIDEND SYSTEM**

### **2.1. Reasons for the "*Iberdrola Retribución Flexible*" optional dividend system**

The Capital Increase and the Supplementary Dividend were approved by the shareholders at Iberdrola's General Shareholders' Meeting in order to implement the first edition of the system for remunerating shareholders called "*Iberdrola Retribución Flexible*" corresponding to the fiscal year 2020. Through this system, Iberdrola intends to offer its shareholders the ability to decide whether they prefer to receive all or a portion of their remuneration under the system in cash (in this edition, through the payment of the Supplementary Dividend or the transfer of the corresponding free allocation rights on the market) or in new paid-up shares of the Company.

### **2.2. Procedure of the first edition of the "*Iberdrola Retribución Flexible*" optional dividend system corresponding to the fiscal year 2020**

Pursuant to the terms provided for the implementation of the Capital Increase, the Company's shareholders will receive one free allocation right for each share of Iberdrola that they hold. These rights will be traded on the Bilbao,

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Madrid, Barcelona and Valencia Stock Exchanges between 8 and 22 July 2020, both inclusive. At the end of this period, the free allocation rights that are not waived pursuant to the terms of this document will automatically be converted into newly-issued shares of the Company.

Under this edition of the “*Iberdrola Retribución Flexible*” optional dividend system, the shareholders of Iberdrola will be able to freely choose among<sup>1</sup>:

- (a) Not transferring their free allocation rights. In this case, at the end of the trading period, the shareholders will receive the number of new totally paid-up shares to which they are entitled.
- (b) Collect their remuneration in cash through the payment of the Supplementary Dividend. In this case, the shareholder will be expressly waiving the right to receive the free allocation rights corresponding to those shares in respect of which the election to receive the Supplementary Dividend has been made.
- (c) Transfer all or a portion of their free allocation rights on the market. In this case, the shareholders may also choose to monetise their rights, although the consideration for the rights would depend on market conditions, in general, and on the listing prices for such rights, in particular.

For the avoidance of doubt, the election of one of the Flexible Remuneration Options excludes the right to choose any of the remaining ones for the same shares or free allocation rights in respect of which an election has been made.

The shareholders of the Company will be able to combine any of the alternatives mentioned in paragraphs (a) through (c) above based on their needs. Attention should be drawn to the fact that these alternatives may be subject to different tax treatment.

Those shareholders who want to choose option (b) above shall do so between 8 and 22 July 2020, both inclusive (the “**Common Election Period**”). The Common Election Period will coincide with the trading period of the free allocation rights in the market, during which the shareholders who choose option (c) above may transfer their free allocation rights.

Free allocation rights acquired on the market 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 on 9 July 2020 (record date) will be entitled to receive the Supplementary Dividend in the context of this edition of the “*Iberdrola Retribución Flexible*” optional dividend system. As a consequence of the above, those who acquire free allocation rights during the trading period will only be able to choose between: (i) receiving their remuneration through paid-up new shares of the Company; or (ii) transferring all or a part of their free allocation rights in the market.

It was also resolved that the final gross amount per share of the Supplementary Dividend will be determined on 6 July 2020. In this regard, the Company foresees that, after applying the formulas described at the end of this section 2.2, the gross amount of the Supplementary Dividend per share will be, at least, 0.232 euros.

Specifically, the number of free allocation rights needed to receive one new share, as well as the gross amount of the Supplementary Dividend per share will be calculated as follows:

- The number of free allocation rights required to receive one new share of Iberdrola will be the number resulting from the application of the following formula, rounded to the next highest whole number:

$$\text{Num. rights} = \text{TNShrs.} / \text{Provisional num. of shrs.}$$

where,

<sup>1</sup> The options available to the holders of American Depositary Receipts (“**ADRs**”) or CREST Depository Interests (“**CDIs**”) may have special characteristics with respect to the options described herein given the terms and conditions applicable to the programs in which they participate.

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“**Num. rights**” = Number of free allocation rights needed for the allocation of one new share of Iberdrola.

“**TNShrs**” = Number of outstanding shares of Iberdrola on the date of implementation of the Capital Increase<sup>2</sup>. For these purposes, the “**date of implementation of the Capital Increase**” shall be that date on which the Executive Committee or the chairman and chief executive officer of the Company, pursuant to the delegation of powers made by the Board of Directors at its meeting held today, performs the arithmetical calculations arising from the application of the formulas referred to herein in order to calculate the provisional number of shares to be issued, the number of free allocation rights needed for the allocation of one share, the “ListPri,” and the maximum nominal amount of the Capital Increase, which is expected to occur on 6 July 2020.

“**Provisional num. of shrs.**” = Market value of reference of the Capital Increase<sup>3</sup> / ListPri.

For these purposes, “**ListPri**” will be 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 29 and 30 June and 1, 2 and 3 July 2020, as such average appears in a certification to be issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange, rounded to the closest one-thousandth part of one euro.

The number of free allocation rights required to receive one new share of Iberdrola based on the application of this formula will be specified in a supplement to this memorandum, which is expected to be filed with the National Securities Market Commission on 6 July 2020 by means of a notice of other significant information (*comunicación de otra información relevante*).

If necessary, Iberdrola (or, alternatively, a company belonging to its group, a shareholder or a third party) will waive the number of free allocation rights needed for the number of new shares to be a whole number and not a fraction. In such event, there will be an incomplete allocation of the Capital Increase, and the share capital will be increased solely by the amount of free allocation rights that have not been waived, pursuant to the provisions of article 311 of the *Spanish Companies Act*.

Notwithstanding the foregoing, and as mentioned in section 4.6 below, it is possible that, in certain cases, part of the free allocation rights of taxpayers of Corporate Income Tax (*Impuesto sobre Sociedades*) (“**IS**”) or Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*) (“**IRNR**”) acting through a permanent establishment in Spain may be subject to a deduction or withheld in some way by the Company to be able to pay the appropriate tax that, as the case may be, corresponds to these shareholders. In any case, the Company will duly inform of the details of this deduction or withholding.

Iberdrola will waive the free allocation rights corresponding to the Company’s shares that have been redeemed prior to the date of execution of the Capital Increase in the context of the execution of the Capital Reduction, when such shares have not yet been removed from the accounting records of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*” (**IBERCLEAR**) due to the fact that the relevant public deed by virtue of which the execution of the Capital Reduction is formalized has not yet been granted, or its registration is pending.

<sup>2</sup> The number of outstanding shares of Iberdrola that will be taken into account for these purposes will be the one resulting from the share capital reduction through the redemption of own shares approved by the General Shareholders’ Meeting under item number eight of its agenda (the “**Capital Reduction**”) and the implementation of which is expected to be approved prior to 6 July 2020 (in principle, 6,240,000,000 shares). In any event, those shares of Iberdrola that have been previously redeemed by virtue of the execution of the Capital Reduction will not be considered to be outstanding shares of the Company, even in the event that the corresponding public deed by virtue of which the execution of the Capital Reduction is formalised has not been granted or is pending to be registered with the Commercial Registry.

<sup>3</sup> The determination of the market value of reference of the Capital Increase will take place on 6 July 2020.

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- The gross amount of the Supplementary Dividend per share<sup>4</sup> will be calculated in accordance with the following formula (rounded to the closest one-thousandth part of one euro and, in case of a half of a thousandth part of one euro, to the next higher one-thousandth part of one euro):

$$\text{Supplementary Dividend} = \text{ListPri} / (\text{Num. rights} + 1)$$

where “ListPri” and “Num. rights” have the meaning provided above.

Upon calculation of the gross amount of the Supplementary Dividend per share, the amount of the total basis for distribution established in item number twelve of the agenda on the General Shareholders’ Meeting to be allocated to remainder will be determined and the resulting proposed allocation of profits/losses and dividend distribution corresponding to fiscal year 2019 will be completed. This information will be made available to the public through a notice of other significant information (*comunicación de otra información relevante*) which is expected to occur on 30 July 2020.

The payment of the Supplementary Dividend to those shareholders electing this Flexible Remuneration Option during the Common Election Period will be made on 4 August 2020. After making such payment, the resolution regarding the Supplementary Dividend will become ineffective in respect of the amount which has not been distributed to the shareholders as a result of their express or tacit election of any of the remaining Flexible Remuneration Options.

### **3. DETAILS OF THE IMPLEMENTATION OF THE “IBERDROLA RETRIBUCIÓN FLEXIBLE” OPTIONAL DIVIDEND SYSTEM**

#### **3.1. Estimated timetable**

The estimated timetable for the implementation of this first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2020 will be as follows:

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| <ul style="list-style-type: none"> <li>• 6 July 2020</li> </ul>  | <ul style="list-style-type: none"> <li>• Notice regarding the number of free allocation rights required to receive one newly-issued share and the gross amount of the Supplementary Dividend per share.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• 7 July 2020</li> </ul>  | <ul style="list-style-type: none"> <li>• Publication of the announcement of the implementation of the Capital Increase in the Official Gazette of the Commercial Registry.</li> <li>• Last date on which the shares of Iberdrola are traded with the right to participate in the “<i>Iberdrola Retribución Flexible</i>” optional dividend system, that is, traded with the right to choose any of the Flexible Remuneration Options offered by this system (including the Supplementary Dividend) (last trading date).</li> </ul> |
| <ul style="list-style-type: none"> <li>• 8 July 2020</li> </ul>  | <ul style="list-style-type: none"> <li>• Ex-date from which –inclusive– the shares of Iberdrola will be traded without the right to participate in the “<i>Iberdrola Retribución Flexible</i>” optional dividend system.</li> <li>• Commencement of the Common Election Period and of the trading period for the free allocation rights.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• 22 July 2020</li> </ul> | <ul style="list-style-type: none"> <li>• End of the Common Election Period and trading period for the free allocation rights.</li> </ul>   |

<sup>4</sup> The aforesaid is without prejudice of the tax deductions or withholdings that Iberdrola may have to apply according to the relevant applicable law.

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- 4 August 2020
  - Payment of the Supplementary Dividend to those shareholders who have elected to receive cash through this Flexible Remuneration Option.
  - Registration of the newly-issued shares to be issued under the Capital Increase in the book-entry records of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR).
- 5 August 2020
  - Expected commencement of trading of the newly-issued ordinary shares to be issued under the Capital Increase.

It is stated that the scheduled dates for communicating the corresponding Flexible Remuneration Option as well as for the actual payment of cash and delivery of shares may be different for holders of ADRs (in the United States of America) and CDIs (in the United Kingdom) representing shares of the Company.

### **3.2. Trading of the free allocation rights and procedure to opt to receive cash or new shares of the Company**

Shareholders who wish to receive all or part of their remuneration in cash under the Supplementary Dividend, in the terms mentioned above, shall communicate their decision to the entities in which they have deposited their free allocation rights before the end of the Common Election Period. It will be understood that the shareholders who choose to receive the Supplementary Dividend during the Common Election Period expressly waive all or part (as the case may be) of their free allocation rights.

The free allocation rights will be traded on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Automated Quotation System (Electronic Market) between 8 and 22 July 2020 (both inclusive). During the period for trading the free allocation rights, their holders may likewise choose between (a) receiving newly-issued shares of the Company; or (b) selling all or a part of their free allocation rights in the market; all upon the terms described above. In addition, during this period a sufficient number of free allocation rights may be acquired in the market in the proportion required to receive new shares<sup>5</sup>.

For the avoidance of doubt, the free allocation rights purchased in the market during the said trading period of 15 calendar days will not entitle their owners to receive the Supplementary Dividend. Thus, those who have purchased free allocation rights in the market will only be able to choose among: (i) receiving their remuneration in newly-issued paid-up shares of the Company; or (ii) transferring all or a portion of their free allocation rights in the market. Only the holders of Iberdrola shares on 9 July 2020 (record date) will be entitled to receive the Supplementary Dividend in the context of this edition of the “*Iberdrola Retribución Flexible*” optional dividend system.

Once the trading period of the free allocation rights has ended and the relevant Capital Increase has been executed, the holders of the free allocation rights (provided that they have not waived their rights under the terms set out above) will receive a number of paid-up new shares -to which they are entitled to-

The shareholders may combine the Flexible Remuneration Options based on their needs. As mentioned above, the alternatives available under the “*Iberdrola Retribución Flexible*” optional dividend system may be subject to a different tax treatment.

To choose between the Flexible Remuneration Options that Iberdrola is offering on occasion of this edition of the “*Iberdrola Retribución Flexible*” optional dividend system, holders of free allocation rights must contact the entities

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<sup>5</sup> Those who do not have free allocation rights in a number sufficient to receive one new share may: (a) acquire in the market a sufficient number of free allocation rights which, added to those already held by them, give them the right to receive one new share; (b) transfer all or part of their free allocation rights in the market (in which case the consideration for their rights will depend on market conditions, in general, and on the listing price of the free-of-charge allocation rights, in particular). In any case, the free allocation rights purchased in the market during the trading period of 15 calendar days will not entitle their owners to receive the Supplementary Dividend.

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with which their free allocation rights are deposited within the Common Election Period. Failure to make an express election during this period will cause the holder of free allocation rights to receive newly-issued completely paid-up shares of the Company<sup>6 7</sup>.

Iberdrola will not be liable as a result of the elections made by the holders of the free allocation rights (nor as a result of the failure to make an express election, in the absence of an express and valid notice by the aforementioned holders).

Likewise, it is stated that the only scheduled period for the holders of free allocation rights to inform the entities in which they have deposited their free allocation rights their preferences with regard to the Flexible Remuneration Options is the Common Election Period, regardless of whether they are institutional or minority shareholders. Iberdrola will not be liable as a result of the non-compliance of this period by the depository entities<sup>8</sup>, so that any claim in respect of this matter shall be addressed by the shareholders or holders of free allocation rights against the relevant depository entity.

Please note that depending on the response of the Spanish General Tax Authority (*Dirección General de Tributos*) (the "DGT") to a binding consultation submitted by the Company (the "Consultation")<sup>9</sup>, it is possible that part of the free allocation rights delivered or the fully paid-up shares issued in the context of the execution of the Capital Increase in favour of the shareholders (or holders of free allocation rights) who are taxpayers of the IS or the IRNR acting through a permanent establishment in Spain, may be deducted or withheld in any way by the Company to be able to pay the advance payment of the relevant tax which, as the case may be, correspond to these shareholders. In any case, the Company will duly inform, where appropriate, of the details of this deduction or withholding.

Notwithstanding the foregoing, and without prejudice to the fact that the Company shall make its best efforts to carry out the aforementioned deduction or withholding as determined by the DGT (where applicable), in the event that, for technical or other reasons, it is not possible to deduct or withhold the free allocation rights or the paid-up shares in order to pay the corresponding advanced payment of taxes, the Company will not be liable towards the shareholders, the holders of free allocation rights or any other third parties that may be affected by this circumstance.

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<sup>6</sup> However, as regards the conditions described in this paragraph, the holders of ADRs and CDIs must comply with the particularities of the programs in which they participate.

<sup>7</sup> It is possible that, at the end of the trading period for the free allocation rights, the number of rights held by a particular holder is a number that, taking into account the calculation formulas referred to in this memorandum, does not give such holder the right to receive a whole number of shares. In such case, the entity with which the holder of the free allocation rights has deposited them may sell the number of rights resulting in a fraction of a new share, such that the holder will receive the proceeds from the sale in cash and will not lose the intrinsic value of such rights. Notwithstanding the foregoing, this possibility is subject to the terms and conditions of the securities deposit and management agreement signed with the relevant depository entity or the instructions that the holder of the rights has given thereto. Therefore, such sale of free allocation rights will not be automatic. In this respect, it is recommended that holders of free allocation rights consult with their respective depository entities.

<sup>8</sup> Whether for not admitting notices during part of the Common Election Period or for admitting them after such period has elapsed, or for any other reason.

<sup>9</sup> The Resolution of 5 March 2019 of the Spanish Institute of Accounting and Account Audits (ICAC) that develops the presentation criteria of financial instruments and other accounting aspects in relation to the corporate regulation of the corporate enterprise, which came into force on 1 January 2020 (the "ICAC Resolution"), affects the accounting treatment of the delivery of free allocation rights and paid-up shares. The new accounting treatment may affect the tax treatment of the "Iberdrola Retribución Flexible" optional dividend system, regarding the shareholders (or holders of free allocation rights) who are taxpayers of the IS or the IRNR (acting through a permanent establishment or a branch in Spain), if the DGT changes its current criterion. To this effect, the Company has submitted the Consultation to the DGT to clarify the impact that the ICAC Resolution may have on the "Iberdrola Flexible Remuneration" system.

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### **3.3. Expenses and fees of the Capital Increase**

The Capital Increase is made free of expenses and fees with respect to the allocation of newly-issued shares. Iberdrola will assume the expenses of issuance, subscription, flotation, admission to trading and other expenses relating to the Capital Increase.

Without prejudice to the foregoing, the shareholders of the Company and the holders of free allocation rights must bear in mind that the member entities of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR) with which they keep their shares and free allocation rights on deposit may, pursuant to applicable legislation, establish such pass-through management fees and expenses as they may freely determine as a consequence of maintaining the securities in their book-entry registries. Likewise, such member entities may, pursuant to applicable legislation, establish such pass-through fees and expenses as they may freely determine for the processing of orders to purchase and sell free allocation rights.

## **4. NUMBER AND NATURE OF THE SHARES**

### **4.1. Maximum number of shares to be issued in the Capital Increase**

The maximum number of shares to be issued as a result of the Capital Increase will be the result of the formula approved by the shareholders at Iberdrola’s General Shareholders’ Meeting, which is set forth below (the result to be rounded to the next lower integer):

$$\text{NNS} = \text{TNshrs} / \text{Num. rights}$$

where,

“**NNS**” = Maximum number of new shares to be issued; and

“**TNShrs**” and “**Num. shares**” have the meanings set forth above.

In any event, in accordance with the Capital Increase Resolution, as well as the resolution of the Board of Directors of the Company approved at its meeting held today, the maximum number of shares to be issued in the Capital Increase will be such that the reference market value of such shares (calculated at the “ListPri”) will in no event be greater than the amount that will be determined on 6 July 2020, which will be within the minimum of 1,477 million euros and the maximum of 1,589 million euros.

It is expected that the maximum number of new shares to be issued will be publicly disclosed on 6 July 2020 by means of a supplement to this information memorandum.

The maximum number of new shares to be issued thus calculated will be rounded to obtain a whole number of shares (rounding down the result to the nearest whole number) and also a whole conversion ratio of rights to shares (rounding up to the nearest whole number). In addition, and for the same purposes, the Company (or a company belonging to its group, as the case may be, which holds shares in the Company) shall waive (or, when applicable, transfer, deduct or withhold) the corresponding free allocation rights in accordance with the provisions of section 2.2 above.

However, the number of shares actually issued will depend on the number of holders of free allocation rights who decide to waive their free allocation rights or not to transfer them in the market<sup>10</sup>. For these purposes, it will be understood that shareholders opting to receive the Supplementary Dividend during the Common Election Period expressly waive all or part (as may be the case) of the free allocation rights to which they are entitled<sup>11</sup>. In any

<sup>10</sup> In addition, in the event that the number of outstanding Iberdrola shares after deducting the shares corresponding to the free allocation rights which have been relinquished –expressly or tacitly– by its holders is a fraction, Iberdrola (or, alternatively, a company belonging to its group, a shareholder or a third party) will also waive that number of its free 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.

<sup>11</sup> Likewise, those shareholders or holders of free allocation rights who decide to receive their remuneration through any of the remaining applicable Flexible Remuneration Options will not be entitled to choose to receive the Supplementary Dividend.

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event, the final number of shares to be issued within the context of the Capital Increase will be made available by means of a notice of other significant information (*comunicación de otra información relevante*) regarding the closing of the implementation of the Capital Increase.

Enclosed as an annex to this information memorandum is an example of the calculation of the maximum number of shares that would be issued on the Capital Increase, of the number of free allocation rights required for the allocation of a new share, of the amount of the gross amount of the Supplementary Dividend per share.

#### **4.2. Rights attached to the new shares**

The new shares to be issued in the Capital Increase will be ordinary shares having a par value of 0.75 euros each, of the same class and series as those currently outstanding, for which reason the Capital Increase will be made at par and, therefore, without a share premium. The new shares to be issued will be represented by book entries, and the book-entry registration of which will be entrusted to “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR).

The new shares will grant their holders the same political and economic rights as the ordinary shares of Iberdrola currently outstanding as from the date that the Capital Increase implemented is declared to be subscribed for and paid up. In particular, holders of the new shares will be entitled to receive interim dividends and supplementary dividend amounts, if any, that are paid as from the date that the Capital Increase is declared to be subscribed for and paid up.

#### **4.3. Balance sheet and reserve with a charge to which the Capital Increase is carried out**

The balance sheet used as a basis for the Capital Increase is the one for the fiscal year ended 31 December 2019, which was audited by “KPMG Auditores, S.L.” and approved by the General Shareholders’ Meeting of Iberdrola held on 2 April 2020, under item number one on the agenda.

The Capital Increase will be carried out in full with a charge to the reserve called “share premium reserve” (“*reserva de prima de emisión de acciones*”), which, as of 31 December 2019, amounted to 14,512,365,234.68 euros. Likewise, it is expressly stated that, as of the date hereof, the aforementioned reserve amounts to 14,443,725,234.68 euros, and that the difference between the two amounts (68,640,000.00 euros) is solely due to the partial allocation of such balance to pay up the implementation of the second paid-up capital increase approved by the shareholders acting at the General Shareholder’s Meeting of the Company held on 29 March 2019 under item number nine of its agenda for a total amount of 68,640,000.00 euros which was formalised on 30 January 2020 before the notary of the Illustrious College of Madrid Mr. Miguel Ruiz-Gallardón García de la Rasilla, under number 375 of his protocol, and registered with the Commercial Registry of Biscay.

#### **4.4. Shares on deposit**

At the end of the period for trading the free allocation rights and once the implementation of the Capital Increase has been closed, the new shares, if any, that could not be allocated for reasons not attributable to Iberdrola will be maintained on deposit available to those who show that they are the rightful owners of the corresponding free allocation rights. After the passage of three years from the date of deposit of the new shares that could not have been allocated for reasons not attributable to Iberdrola, the new shares that are still pending allocation may be sold in accordance with the provisions of article 117 of the *Spanish Companies Act*, for the account and risk of the interested parties. The cash amount of such sale will be deposited with *Banco de España* or *Caja General de Depósitos*, and will be available to the interested parties.

#### **4.5. Admission to trading of the new shares**

Iberdrola will make application for the trading of the new shares to be issued as a consequence of the Capital Increase on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Electronic Market), and will carry out such acts and formalities as are required for the admission of the new shares to trading.

#### **4.6. Tax treatment**

Within the framework of the implementation of the new “*Iberdrola Retribución Flexible*” optional dividend system and, in particular, of the option for the Supplementary Dividend, the Company submitted a binding consultation to

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the DGT regarding the tax treatment applicable to its shareholders in Spain subject to the Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*) (“**IRPF**”), which was submitted to such agency on 14 July 2017. This binding consultation was answered by the DGT on 16 January 2018 with reference number V0042-18. The treatment described below is taken from the answer to such binding consultation, as well as from the answers to the binding consultations obtained by the Company from the DGT on 27 April 2010 and 1 October 2010 in connection with the traditional “*Iberdrola Dividendo Flexible*” remuneration system:

**A. Receive fully paid-up new shares**

Pursuant to Spanish tax regulations, shareholders electing to receive new shares as a consequence of the Capital Increase will not pay tax for such reason for purposes of the IRPF or of the IRNR when they do not act through a permanent establishment in Spain, nor will they be subject to any withholding or payment on account of any of the referred taxes.

The acquisition value for these shareholders of both, the new shares received as a consequence of the Capital Increase and the shares from which they derive, will result from distributing the total cost of acquisition among the applicable number of securities, including both existing securities and those issued as paid-up shares. In respect of these shareholders, such paid-up shares will be deemed to have been held for as long as the shares from which they derive. Consequently, in the event of a subsequent transfer, the income subject to taxation that is obtained will be calculated by reference to such new acquisition value.

For shareholders who are taxpayers of the IS and the IRNR (acting through a permanent establishment in Spain, to the extent that a complete commercial cycle is closed), the shareholders will be taxed pursuant to applicable accounting regulations (taking into consideration, when applicable, the ICAC Resolution and, in particular, its article 35.4 regarding the treatment for shareholders of its remuneration programs that may be made effective by acquiring fully paid-up new shares, by selling the free allocation rights on the market or by selling them to the issuing company, which is of mandatory application for fiscal years commencing on or after 1 January 2020) and, if applicable, pursuant to the special regimes of those taxes. All of the foregoing is without prejudice to the rules of determination of the tax basis that may apply in these taxes.

In order to clarify the tax effects, for withholding purposes, that the ICAC Resolution may have on the delivery of the paid-up shares or the free allocation rights in this context, the Company has submitted a consultation to the DGT. The market will be duly informed of the ruling and its consequences and implementation.

**B. Transfer all or a part of their free allocation rights in the market**

In the event that the shareholders sell their free allocation rights on the market, the amount obtained in the transfer of such rights on the market will be subject to the following tax treatment:

- In the IRPF and in the IRNR for non-residents without a permanent establishment in Spain, the amount obtained in the transfers of free allocation rights will be deemed to be a capital gain, all without prejudice to the potential application to persons subject to the IRNR without a permanent establishment of international treaties, including the treaties signed by Spain for the avoidance of double taxation and for the prevention of tax evasion in the area of Income Tax and to which they might be entitled, and the exemptions established in the IRNR rules.

In addition, and in respect of the individual shareholders subject to the IRPF applicable in the Spanish common territory, the amount obtained in the transfers of free allocation rights will be subject to the corresponding withholding on account of this tax. This withholding will be applied by the corresponding depository (and in the absence thereof, by the financial intermediary or notary public participating in the transfer).

- For purposes of the IS and the IRNR on non-residents with a permanent establishment in Spain, and to the extent that a complete commercial cycle is closed, the tax will be paid pursuant to applicable accounting regulations (taking into consideration, when applicable, the ICAC Resolution and, in particular, its article 35.4 regarding the treatment for shareholders of its remuneration programs that may be made effective by acquiring fully paid-up new shares, by selling the free allocation rights on the market or by selling them to the issuing company, which is of mandatory application for fiscal years commencing on or after 1 January

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2020) and, if applicable, pursuant to the special regimes of the aforementioned taxes. All of the foregoing is without prejudice to the rules determining the tax basis that may apply in these taxes.

In order to clarify the tax effects, for withholding purposes, that the ICAC Resolution may have on the delivery of the paid-up shares or the free allocation rights in this context, the Company has submitted a consultation to the DGT. The market will be duly informed of the ruling and its consequences and implementation.

C. Receive their remuneration in cash by means of the Supplementary Dividend

Finally, if the shareholders choose to receive the Supplementary Dividend, the amount obtained would have the same tax treatment as the income received from holdings in entities' equity, and will therefore be subject to the corresponding withholding and taxation. In any case, in order to clarify the tax effects, for withholding purposes, that the ICAC Resolution may have on the delivery of the paid-up shares or the free allocation rights in this context, the Company has submitted a consultation to the DGT, of which the market will be duly informed.

It should be considered that this analysis of the tax treatment (which has been made on the basis of certain assumptions) does not cover all the possible tax consequences of the different alternatives related to the "*Iberdrola Retribución Flexible*" optional dividend system or to the implementation of the Capital Increase and the distribution of the Supplementary Dividend. In the event that a change in these assumptions alters the description of the taxation included in this memorandum, its new tax treatment will be duly communicated to the market. Specifically, the consequences that may arise for those shareholders who are not resident in Spain for tax purposes in their respective countries of tax residency are not detailed. Therefore, it is recommended that shareholders consult their tax advisors on the specific tax effects resulting from the proposed remuneration system, taking into account the particular circumstances of each shareholder or holder of free allocation rights, and that they pay attention to any amendments that may be made, both to the law applicable as of the date of this memorandum and to the rules for its interpretation thereof.

In any case, please bear in mind that the Spanish Government has announced specific tax measures that may affect the tax treatment of the "*Iberdrola Retribución Flexible*" optional dividend system. In particular, on 18 February 2020 a bill (the "**Bill**") to implement a Spanish tax on financial transactions (the "**Spanish FTT**") was approved and, on 28 February 2020, the Bill was submitted to the Spanish Parliament for its debate and possible approval. The Spanish FTT would potentially apply (at a fixed rate of 0.2%) to certain financial transactions involving the Company's shares (or American Depositary Receipts -ADRs- and CREST Depositary Interests -CDIs-), regardless of the jurisdiction of residence of the parties involved in the transaction. As of the date of this document, there is no certainty as to when the Spanish Parliament will approve the Spanish FTT, nor as to if the Draft Bill will be modified during the legislative procedures. In any event, the shareholders and the holders of free allocation rights are advised to seek their tax advisers in relation to the impact of these tax measures (if they finally are approved), considering the particular circumstances of each shareholder or holder of free allocation rights.

Finally, holders of American Depositary Receipts (ADRs) and CREST Depositary Interests (CDIs) representing shares of the Company are advised to consult their tax advisors about taxation in Spain and in their jurisdiction of residence for tax purposes before making a decision in connection with the Capital Increase.

**5. SUPPLEMENTS TO THIS INFORMATION MEMORANDUM**

As indicated in the preceding sections, part of the information regarding the implementation of the Capital Increase is not available on the date of issuance of this memorandum. In particular:

- The market value of reference of the Capital Increase, the number of rights required to receive one share and the gross amount of the Supplementary Dividend per share will be published by means of a supplement to this memorandum which will be made available to the public through a notice of other significant information (*comunicación de otra información relevante*) which is expected to occur on 6 July 2020.
- As soon as the implementation of the Capital Increase is closed and all of the remaining information is available, such information will be published by means of the corresponding notice of other significant information (*comunicación de otra información relevante*).

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Both this memorandum as well as the supplement hereto will be 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)) as from the day of their publication.

In Bilbao, on 28 April 2020.

Iberdrola, S.A.

By

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Julián Martínez-Simancas Sánchez  
Secretary of the Board of Directors

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## ANNEX

### SAMPLE CALCULATION OF THE MAXIMUM NUMBER OF NEW SHARES TO BE ISSUED, OF THE MAXIMUM NOMINAL AMOUNT OF THE SHARE CAPITAL INCREASED, OF THE NUMBER OF FREE ALLOCATION RIGHTS FOR THE ALLOCATION OF ONE NEW SHARE AND OF THE GROSS AMOUNT OF THE SUPPLEMENTARY DIVIDEND PER SHARE

For the sole purpose of facilitating and understanding the calculation, below is a sample calculation of the maximum number of new shares to be issued, of the maximum nominal amount of the share capital increased as a result of the Capital Increase, of the number of free allocation rights required for the allocation of one new share and of the gross amount of the Supplementary Dividend per share.

The results of these calculations are not representative of the results that may actually be obtained as a consequence of the implementation of the Capital Increase, which will depend on the different variables used in the formulas.

Merely for purposes of this example:

- The TNShr is 6,240,000,000<sup>12</sup> (in principle, number of shares of Iberdrola as of the date of implementation of the Capital Increase).
- It is assumed that the market value of reference of the Capital Increase is 1,493,000,000.00 euros (such amount is within the maximum and minimum range of values established by the General Shareholders' Meeting and by the Board of Directors of Iberdrola).
- A ListPri of 8.850 euros is assumed (solely for purposes of this example, a listing price per share of Iberdrola as of the close of trading on 23 April 2020 has been used).

Therefore:

Provisional num. shrs. = Market value of reference of the Capital Increase / ListPri = 1,493,000,000.00 / 8.850 = 168,700,564.9717510 ≈ 168,700,564 (rounded down).

Num. rights = TNShrs / Provisional num. shrs. = 6,240,000,000 / 168,700,564 = 36.98861374286810 ≈ 37 (rounded up).

NNS = TNShrs / Num. rights = 6,240,000,000 / 37 = 168,648,648.6486490 ≈ 168,648,648 (rounded down).

Therefore, in this example: (i) the maximum number of new shares to be issued in the implementation of the Capital Increase would be 168,648,648, (ii) the maximum nominal amount of increased capital in the implementation of the Capital Increase would come to 126,486,486.00 euros (168,648,648 x 0.75), and (iii) 37 free allocation rights (or existing shares) would be required for the allocation of a new share<sup>13</sup>.

The gross amount of the Supplementary Dividend per share would be calculated in accordance with the following formula (rounding the result to the closest one-thousandth of a euro):

Supplementary Dividend = ListPri / (Num. rights + 1).

where:

Supplementary Dividend = 8.850 / (37 + 1) = 0.2328947368421050 euros gross amount per share ≈ 0.233 euros (rounded to the closest one-thousandth of a euro).

<sup>12</sup> Number which, in principle, will result from the Capital Reduction, the execution of which is expected to be approved beforehand.

<sup>13</sup> In this sample calculation, Iberdrola should waive 24 free allocation rights corresponding to 24 shares of the Company for the number of new shares to be issued to be a whole number.

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