

Supplement to the base prospectus dated 28 July 2017



IBERDROLA INTERNATIONAL B.V.

(Incorporated with limited liability in The Netherlands and having its corporate domicile in Amsterdam)
and

IBERDROLA FINANZAS, S.A.U.

(Incorporated with limited liability in The Kingdom of Spain and having its corporate domicile in Bilbao)

Euro 20,000,000,000

Euro Medium Term Note Programme

Guaranteed by

IBERDROLA, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

This supplement (the “**Supplement**”) to the base prospectus dated 28 July 2017 (the “**Base Prospectus**”) constitutes the first supplement to the Base Prospectus pursuant to Article 13.1 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities as amended by the Luxembourg Act dated 3 July 2012 and is prepared in connection with the Euro 20,000,000,000 Medium Term Note Programme (the “**Programme**”) of Iberdrola International B.V. and Iberdrola Finanzas, S.A.U. (the “**Issuers**”), unconditionally and irrevocably guaranteed by Iberdrola, S.A. (“**Iberdrola**”).

Terms defined in the Base Prospectus have the same meaning when used in the Supplement.

The Supplement is supplemental to, and should be read in connection with, the Base Prospectus issued by the Issuers.

The Issuers and Iberdrola accept responsibility for the information contained in the Supplement and for the document incorporated by reference. To the best of the knowledge of the Issuers and Iberdrola (each having taken all reasonable care to ensure that such is the case) the information contained in the Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prohibition of sales to EEA retail investors

The following paragraph will be added at the end of this section in page 5 of the Base Prospectus:

MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Form of Final Terms

The following paragraph will be added before the date of the Final Terms in page 128 of the Base Prospectus:

“**MIFID II PRODUCT GOVERNANCE / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturers’ product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.”

Document Incorporated by Reference

Audited consolidated financial statements of the Guarantor

On 20 February 2018 the Board of Directors of Iberdrola approved the consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flow and the explanatory notes thereto for the year ended December 31, 2017 (the “**Consolidated Annual Financial Statements**”) and the consolidated management report for the year ended December 31, 2017 (the “**Consolidated Annual Management Report**”). By virtue of the Supplement, the Consolidated Annual Financial Statements and Consolidated Annual Management Report, together with the auditor’s report of the Consolidated Annual Financial Statements (together the “**Documents**”), are incorporated by reference in, and form part of, the Supplement.

Cross Reference List

The information set out in the table below, which is required by Commission Regulation (EC) No.809/2004, of 29 April 2004, is contained in the Document incorporated by reference:

<u>Information incorporated by reference</u>	<u>Page number</u>
Annual Financial Report	1
Independent Auditor’s Report	2-8
Consolidated statements of financial position	5-6
Consolidated income statements	7

Consolidated statements of comprehensive income	8
Consolidated statements of changes in equity	9-10
Consolidated statements of cash flow	11
Notes to the Consolidated financial statements	12-254
Consolidated Annual Management Report	255-685

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of **Commission Regulation (EC) No 809/2004**.

Language of the document incorporated by reference

The Document incorporated by reference is a translation into English language of the original in Spanish Language for which translation the Guarantor takes responsibility.

Financial and trading position of the Guarantor

Since 31 December 2017 there has been no significant change in the financial or trading position of the Guarantor or the Group.

Copies of the Supplement and the Document incorporated by reference in the Supplement can be obtained, free of charge, from the registered offices of the Issuers, the registered office of the Guarantor and from the specified offices of the Paying Agents for the time being in London and Luxembourg and will be available on the Luxembourg Stock Exchange's web site (www.bourse.lu).

Save as disclosed in the Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

To the extent that there is any inconsistency between (a) any statement in the Supplement and (b) any other statement in or incorporated by reference into the Base Prospectus, the statement in (a) above will prevail.

Investors who have already agreed to purchase or subscribe for the Securities before this Supplement is published have the right, exercisable within two working days after the publication of this Supplement, to withdraw their acceptances. The final date of the right of withdrawal will be 20 March 2018.

The date of this Supplement is 16 March 2018.