



Julián Martínez-Simancas
General secretary and secretary of the Board of Directors

Bilbao, 28 November 2014

To the National Securities Market Commission

Re: Supplement to the information memorandum (*documento informativo*) relating to the implementation of the second paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. of 28 March 2014

Dear Sirs,

Pursuant to article 82 of *Law 24/1988, of 28 July, on the Securities Market (Ley 24/1988, de 28 de julio, del Mercado de Valores)* and related provisions, and as a follow-up to our notice of significant event (*hecho relevante*) filed with this National Commission on 22 October 2014 (official registry number 212,522), we hereby advise you that on the date hereof the matters summarised below regarding the implementation of the second paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. ("**Iberdrola**") held on 28 March 2014 under section B of item six on the agenda (the "**Capital Increase**") have been determined:

- (i) The maximum market value of reference for the Capital Increase in an amount of 819 million euros. This amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.125 gross euros per right.
- (ii) The maximum number of shares to be issued by means of the Capital Increase is 140,160,866.
- (iii) The number of free-of-charge allocation rights required to receive one new share is 45.
- (iv) The maximum nominal amount of the Capital Increase is 105,120,649.50 euros.
- (v) The purchase price of the free-of-charge allocation rights under the purchase commitment made by Iberdrola is 0.127 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 referred above regarding the implementation of the Capital Increase, which has been approved today.

It is stated for the record 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.

Yours faithfully,

The general secretary and secretary of the Board of Directors



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 by 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.



Annex

Supplement to the information memorandum relating to the implementation of the second paid-up capital increase with a charge to reserves approved by the General Shareholders' Meeting of Iberdrola, S.A. of 28 March 2014

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SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE IMPLEMENTATION OF THE SECOND PAID-UP CAPITAL INCREASE WITH A CHARGE TO RESERVES APPROVED BY THE GENERAL SHAREHOLDERS' MEETING OF IBERDROLA OF 28 MARCH 2014

1. PURPOSE

1.1. Background

The General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") held on 28 March 2014 approved, under section B of item six on the agenda (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 the free allocation thereof to the shareholders of the Company (the "**Capital Increase**").

The Board of Directors of the Company, at its meeting held on 21 October 2014, approved 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 810 million euros and the maximum of 855 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.

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 regarding the number and types of shares and the rationale for and details of the offer*" was provided, which was made available to the public by means of a notice of significant event dated 22 October 2014 (official registry number 212,522) (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 that was not available on the publication date of the Information Memorandum and, particularly, the maximum market

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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 and the fixed price for the free-of-charge allocation rights in relation to the purchase commitment made by Iberdrola.

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) and on the website of the National Securities Market Commission (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

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, at its meeting held on 21 October 2014, approved the implementation of the Capital Increase, in accordance with the provisions of the Shareholders' Resolution.

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 819 million euros –which amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.125 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 140,160,866.

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. Iberdrola will waive the new shares corresponding to the free-of-charge allocation rights acquired by application of its



irrevocable purchase commitment¹. 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, the publication of which is expected to occur on 16 December 2014.

- (ii) The number of free-of-charge allocation rights required to receive a new share is 45.

The free-of-charge allocation rights will be allocated to 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)*” at 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, in the proportion of one free-of-charge allocation right for each old share of Iberdrola that they own. Therefore, each of the abovementioned entitled persons will have the right to receive one new share for every 45 old shares that they hold on such date.

- (iii) Thus, the maximum nominal amount of the Capital Increase is 105,120,649.50 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).

Pursuant to the calculations carried out to determine the above items, it is not necessary that Iberdrola waives free-of-charge allocation rights 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 this Capital Increase are whole numbers.

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 information memorandum is 6,307,239,000; 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 21, 24, 25, 26 and 27

¹ Likewise, in the event that the number of outstanding Iberdrola shares after deducting the shares corresponding to the free-of-charge allocation rights acquired by Iberdrola pursuant to the purchase commitment (which Iberdrola will waive pursuant to the Shareholders’ Resolution) 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.



November 2014, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange on 27 November 2014, is 5.842 euros. Given that the Board of Directors has resolved, at its meeting of 21 October 2014, to apply a discount of 0 % on the referred arithmetic mean, it is not necessary to make any kind of corrections to the amount calculated in such a way.

2.2. Price of the purchase commitment

The purchase price of each free-of-charge allocation right under Iberdrola's purchase commitment, calculated in accordance with the provisions of the Shareholders' Resolution and of the resolutions of the Board of Directors of 21 October 2014, is 0.127 euros. Therefore, shareholders desiring to receive their compensation in cash may sell their free-of-charge allocation rights to Iberdrola at a gross fixed price of 0.127 euros, provided that they are legitimated as stated below.

2.3. Object of the purchase commitment

The Board of Directors of Iberdrola, at its meeting of 21 October 2014, taking into account the market conditions on that date, resolved that the purchase commitment made by the Company would be extended to every free-of-charge allocation right, regardless of whether the holders had received them from the Company for appearing legitimated in the book-entry records of "*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR)*" at 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 or they had subsequently acquired them in the market.

In Bilbao, on 28 November 2014.

Iberdrola, S.A.

By

Julián Martínez-Simancas Sánchez
General secretary and secretary of the Board of Directors