



Julián Martínez-Simancas  
Secretary of the Board of Directors

Bilbao, 1 July 2016

**To the National Securities Market Commission**

**Subject: Supplement to the information memorandum (*documento informativo*) relating to the implementation of the first paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. of 8 April 2016**

Dear Sirs,

Pursuant to 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 26 April 2016 (with official registry number 237,825) and on 13 June 2016 (with official registry number 239,670), we hereby advise you that on the date hereof the matters summarised below regarding the implementation of the first paid-up capital increase approved by the General Shareholders' Meeting of Iberdrola, S.A. ("**Iberdrola**") held on 8 April 2016 under sections A and 1 to 11 (both inclusive) of item number six on the agenda (the "**Capital Increase**") have been determined:

- (i) The maximum market value of reference for the Capital Increase amounts to 793 million euros. This amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.123 gross euros per right.
- (ii) The maximum number of shares to be issued by means of the Capital Increase is 138,666,666.
- (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 103,999,999.50 euros.
- (v) The purchase price of the free-of-charge allocation rights under the purchase commitment made by Iberdrola is 0.124 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*

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**IBERDROLA**

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 to above regarding the implementation of the Capital Increase, 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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## 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 implementation of the first paid-up capital increase approved by the shareholders of Iberdrola, S.A. acting at the General Shareholders' Meeting on 8 April 2016**

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**SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO THE IMPLEMENTATION OF THE FIRST PAID-UP CAPITAL INCREASE WITH A CHARGE TO RESERVES APPROVED BY THE GENERAL SHAREHOLDERS' MEETING OF IBERDROLA OF 8 APRIL 2016**

**1. PURPOSE**

**1.1. Background**

The General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") held on 8 April 2016 approved, under sections A and 1 to 11 (both inclusive) of item number 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 their free allocation to the shareholders of the Company (the "**Capital Increase**").

The Board of Directors of the Company, at its meeting held on 26 April 2016, 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 779 million euros and the maximum of 845 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 (*hecho relevante*) dated 26 April 2016 (with official registry number 237,825) (the "**Information Memorandum**").

Furthermore, on 13 June 2016 the Company filed a notice of significant event to the National Securities Market Commission (with official registry number 239,670) by virtue of which it informed, among other things, of the amendments to certain of the dates of the timetable for the implementation of the Capital Increase with regards to the estimated timetable published in the Information Memorandum, due to the delay in the application of the shortening of the settlement cycle of the exchange transactions to two business days (T+2) (the "**New Calendar Notice**").

**1.2. Purpose**

This document supplements the Information Memorandum and the New Calendar Notice 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 of the New Calendar Notice, 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 and the fixed price for the free-of-charge allocation rights in relation to the purchase commitment made by Iberdrola.

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This document, together with the Information Memorandum and the New Calendar Notice, 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**

### **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, at its meeting held on 26 April 2016, 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 793 million euros –which amount guarantees a fixed price of the purchase commitment assumed by Iberdrola of, at least, 0.123 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 138,666,666.

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 commitment<sup>1</sup> and thus, only the shares corresponding to the free-of-charge allocation rights not acquired by Iberdrola in furtherance of this commitment will be issued. 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 22 July 2016.

- (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 third trading day after the day of publication of the notice of the implementation of the Capital Increase in the Official Bulletin of the Commercial Registry, provided that they have acquired the Iberdrola shares at least three trading days before such day (*i.e.*, before 23:59 Madrid time of the day of publication of the announcement of the implementation of the Capital Increase in the Official Bulletin of the Commercial Registry), in the proportion of one free-

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<sup>1</sup> 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.

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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 103,999,999.50 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 this Capital Increase are whole numbers, Iberdrola has waived 30 free-of-charge allocation rights corresponding to 30 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 information memorandum is 6,240,000,000; 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 24, 27, 28, 29 and 30 June 2016, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange on 30 June 2016, rounded to the closest one-thousandth part of one euro, is 5.717 euros.

## **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 26 April 2016, is 0.124 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 0.124 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 26 April 2016, 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)*" or they had subsequently acquired them in the market.

In Bilbao, on 1 July 2016.

Iberdrola, S.A.

By

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Julián Martínez-Simancas Sánchez  
Secretary of the Board of Directors

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