



Julián Martínez-Simancas
Secretary of the Board of Directors

Bilbao, 6 July 2020

To the National Securities Market Commission



Subject: Other relevant information / Supplement to the information memorandum (documento informativo) relating to the terms and conditions of the first edition of the “Iberdrola Retribución Flexible” optional dividend system corresponding to the fiscal year 2020

Pursuant to article 227 of the *restated text of the Securities Market Law* approved by *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 notice of other significant information (*comunicación de otra información relevante*) filed with this National Commission on 28 April 2020 (with official registry number 1,815), we hereby advise you that on the date hereof the matters summarised below regarding the terms and conditions of the first edition of the “*Iberdrola Retribución Flexible*” optional dividend system corresponding to the fiscal year 2020 have been determined.

In particular, the following matters have been determined in connection with: (a) the implementation of the first paid-up capital increase approved by the General Shareholders’ Meeting of Iberdrola, S.A. (“**Iberdrola**”) held on 2 April 2020 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 “**Capital Increase**”) and (b) 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**”):

- (i) The maximum market value of reference for the Capital Increase amounts to 1,481 million euros. This amount guarantees a gross amount of the Supplementary Dividend of, at least, 0.232 euros per share.
- (ii) The maximum number of shares to be issued by means of the Capital Increase is 141,818,181.
- (iii) The number of free-of-charge allocation rights required to receive one new share is 44.
- (iv) The maximum nominal amount of the Capital Increase is 106,363,635.75 euros.
- (v) The gross amount of the Supplementary Dividend per share is 0.232 euros.

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- (vi) The aggregate maximum gross amount of the Supplementary Dividend is 1,447,680,000.00 euros. This amount results from multiplying the total number of outstanding shares of Iberdrola as of the date hereof¹ (without deducting Iberdrola's treasury stock) by the gross amount per share previously mentioned (*i.e.*, 0.232 euros).

Likewise, and for the purposes of article 1.5.(g) of the *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**"), we provide you with the supplement to the information memorandum (*documento informativo*) regarding the implementation of this first edition of the "*Iberdrola Retribución Flexible*" optional dividend system corresponding to the fiscal year 2020, which is attached as an annex and which has been approved today.

In this respect, pursuant to article 1.5.(g) of the Regulation, the admission to trading of the new Iberdrola's shares issued within the context of the optional dividend system "*Iberdrola Retribución Flexible*" shall not entail the obligation to publish the prospectus established 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*".

Likewise, it is stated that the aforementioned information memorandum (*documento informativo*), together with its referred supplement, constitutes the document referred to in article 1.5.(g) of the Regulation, and renders the preparation and publication of a prospectus (*folleto informativo*) with respect to the Capital Increase unnecessary.

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.

Finally, we hereby inform you that the Company has received the reply to the binding consultation made to the Spanish General Directorate of Taxes (*Dirección General de Tributos*) following the entry into force on 1 January 2020 of 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*². By virtue of the supplement to the information memorandum (*documento informativo*) that is provided to you, Iberdrola updates the information on the tax regime included in such information memorandum in the light of the content of the reply to the abovementioned binding consultation. Shareholders and holders of free allocation rights are advised of the above, and are urged to review the updated information on the tax system included in section 3 ("Tax treatment") of the supplement to the information memorandum, attached hereto as an annex, and to consult their tax advisors about its implications.

Iberdrola will not be liable as a result of the failure to review the updated information on the tax system by the shareholders or the holders of free allocation rights.

¹ Assuming that the number of outstanding shares of the Company as of 9 July 2020 (record date) will be the same (*i.e.*, 6,240,000,000 shares). This number is the one resulting from the implementation of the share capital reduction through the redemption of own shares approved by the General Shareholders' Meeting under item number eight of its agenda, which has been formalised by virtue of the public deed registered at the Commercial Registry of Bizkaia on 2 July 2020.

² Published in the Official State Gazette (*Boletín Oficial del Estado*) on 11 March 2019.

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This information is provided to you for the appropriate purposes.

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 not 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 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 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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SUPPLEMENT TO THE INFORMATION MEMORANDUM RELATING TO 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

The General Shareholders' Meeting of Iberdrola, S.A. (hereinafter, “Iberdrola” or the “Company”) held on 2 April 2020 (the “**General Shareholders' Meeting**”) 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 numbers 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), 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)*, which restated text was approved by the Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio*) (the “**Companies Act**”), by means of the issuance of ordinary shares for their free-of-charge allocation to the shareholders of the Company (the “**Capital Increase**”).

The Board of Directors of the Company approved on 28 April 2020 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 1,477 million euros and the maximum of 1,589 million euros, which is, in any case, within the maximum limit established in the Capital Increase Resolution (*i.e.*, 1,625 million euros), 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.



Likewise, the abovementioned General Shareholders' Meeting of the Company 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**”), delegating in favour of the Board of Directors the determination of the gross amount to be distributed as Supplementary Dividend for each share with a right to receive it. On 28 April 2020, the Board of Directors of the Company, exercising the referred delegated authority, resolved that the amount of the Supplementary Dividend shall in all cases guarantee a gross amount of, at least, 0.232 euros per share.

Within this context, the Company issued an information memorandum (*documento informativo*), pursuant to the provisions of article 1.5.(g) of the *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**”), in which information available on such date “with respect to the first edition of the «Iberdrola Retribución Flexible» optional dividend system corresponding to the fiscal year 2020 and with the Flexible Remuneration Options” was provided, which was made available to the public by means of a notice of other significant information (*comunicación de otra información relevante*) dated 28 April 2020 (with official registry number 1,815) (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 and the payment of the Supplementary Dividend that was not available on the publication date of the Information Memorandum, particularly, the maximum market value of reference for the Capital Increase, the number of free-of-charge allocation rights necessary to receive one new share of

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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 gross amount of the Supplementary Dividend per share.

In addition, the Company has received the reply to the binding consultation made to the Spanish General Directorate of Taxes (*Dirección General de Tributos*) ("**DGT**") following the entry into force on 1 January 2020 of 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* (the "**ICAC Resolution**"). By virtue of this document Iberdrola updates the information on the tax regime included in the Information Memorandum in the light of the content of the reply to the abovementioned binding consultation. Shareholders and holders of free allocation rights are advised of the above, and are urged to review the updated information on the tax system and to consult their tax advisors about its implications.

Iberdrola will not be liable as a result of the failure to review the updated information on the tax system by the shareholders or the holders of free allocation rights.

Finally, please be advised that this document, together with the Information Memorandum, constitutes the document referred to in article 1.5.(g) of the Regulation, 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 AND THE SUPPLEMENTARY DIVIDEND

2.1. Maximum market value of reference for the Capital Increase, maximum number of new 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 approved on 28 April 2020 the implementation of the Capital Increase, in accordance with the provisions of the Capital Increase Resolution, and the payment of the Supplementary Dividend.

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 (the Amount of the Option) in 1,481 million euros –which amount guarantees that the gross amount of the Supplementary Dividend per share is, at least, of 0.232 euros– 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 141,818,181.

However, as established in the Information Memorandum, the number of shares actually issued will depend on the number of shareholders who decide not to waive their free-of-charge allocation rights. For these purposes, it will be understood that the shareholders who choose to receive the Supplementary Dividend during the Common Election Period in connection with all or part of the Company's shares held

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by them expressly waive all or part (as the case may be) of the free-of-charge allocation rights to which they will be entitled³.

Accordingly, the only new shares that will be issued will be those corresponding to the free-of-charge allocation rights which do not correspond to Iberdrola's shares in respect of which their holders have chosen to receive the Supplementary Dividend.

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 other significant information (*comunicación de otra información relevante*) regarding the closing of such increase, which is expected to be published as from 29 July 2020.

- (ii) The number of free-of-charge allocation rights required to receive a new share is 44.

Shareholders of the Company: (a) who acquired their Iberdrola shares before 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 (which is expected to take place on 7 July 2020) –last trading date–; and (b) whose stock transactions have been settled up to 9 July 2020 (record date) in the book-entry records of “*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*” (IBERCLEAR), will receive one free-of-charge allocation right per each share of Iberdrola that they hold. Therefore, each of the abovementioned entitled persons will have the right to receive one new share for every 44 old shares that they hold on 9 July 2020 (record date).

As mentioned in section 3 ("Tax treatment") below, it will not be necessary to carry out the potential withholding or retention of part of the free allocation rights delivered in the context of the implementation of the Capital Increase in favour of the shareholders (or holders of the aforementioned rights) who are IS taxpayers or IRNR taxpayers (as these terms are defined below) acting through a permanent establishment in Spain which was anticipated in the Information Memorandum.

- (iii) Thus, the maximum nominal amount of the Capital Increase is 106,363,635.75 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 the Capital Increase are whole numbers, Iberdrola has waived 36 free-of-charge allocation rights corresponding to 36 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:

- The “TNShr” or the outstanding number of shares of Iberdrola as of the date of this document is 6,240,000,000⁴. This number is the one resulting from the implementation of the share capital reduction

³ Likewise, if after deducting the shares corresponding to the free-of-charge allocation rights resulting from shares in respect of which their holders have chosen to receive the Supplementary Dividend, the number of outstanding Iberdrola's shares 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.

⁴ Assuming that the number of outstanding shares of the Company as of 9 July 2020 (record date) will be the same.

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through the redemption of own shares approved by the General Shareholders' Meeting under item number eight of its agenda, which has been formalised by virtue of the public deed registered with the Commercial Registry of Bizkaia on 2 July 2020.

- 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 29 and 30 June and 1, 2 and 3 July 2020, as such average appears in the certification issued by the Governing Company (*Sociedad Rectora*) of the Bilbao Stock Exchange on 3 July 2020, rounded to the closest one-thousandth part of one euro, is 10.441 euros.

2.2. Gross amount of the Supplementary Dividend per share

In accordance with the resolution approved under item number twelve of the agenda of the General Shareholders' Meeting, in the Capital Increase Resolution, in the Common Terms and in the resolution passed by the Board of Directors on 28 April 2020, the gross amount of the Supplementary Dividend per share is 0.232 euros per share.

As a consequence thereof, the aggregate maximum gross amount of the Supplementary Dividend will be 1,447,680,000.00 euros, amount which results from multiplying the gross amount of the Supplementary Dividend per share by the total number of outstanding shares of Iberdrola as of the date hereof (*i.e.*, 6,240,000,000)⁵ without deducting the Company's treasury stock. Notwithstanding the above, the amount that the Company will eventually have to pay arising from the Supplementary Dividend will depend on the number of shareholders who choose this Remuneration Option.

Finally, it is stated that the free-of-charge allocation rights acquired 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 of the Company 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.

3. TAX TREATMENT

3.1. Introduction

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 the DGT regarding the tax treatment applicable to its shareholders in Spain who are 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. The binding consultation was answered by the DGT on 16 January 2018 with reference number V0042-18.

Additionally, following the entry into force of the ICAC Resolution, the Company submitted a binding consultation to the DGT to clarify both the tax impact and the impact on payments on account of taxes that the ICAC Resolution may have on the "Iberdrola Flexible Remuneration" system. The binding consultation was answered by the DGT on 12 May 2020 with reference number V1357-20.

This section 3 ("Tax treatment") replaces, in its entirety, section 4.6 ("Tax treatment") of the Information Memorandum, which is no longer in force and effect.

⁵ Assuming that the number of outstanding shares of the Company as of 9 July 2020 (record date) will be the same.

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3.2. Tax treatment of each of the Flexible Remuneration Options

The treatment described below of each of the Flexible Remuneration Options results from the answers to such binding consultations, 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

In the event that the shareholders choose to receive new shares from the Capital Increase, this Flexible Remuneration Option would have the following tax treatment:

- **In connection with the IRPF and the Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*) (“IRNR”),** the shareholders, when not acting through a permanent establishment in Spain, would not be subject to taxation or withholding or payment on account of either 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.

- **In connection with the Corporate Income Tax (*Impuesto sobre Sociedades*) (“IS”) and the IRNR on non-residents with 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 the ICAC Resolution and, in particular, article 35.4 of the same regarding the treatment applicable to shareholders of 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 on the determination of the tax basis that may apply in connection with these taxes including, in particular, the potential application of the participation exemption regime pursuant to article 21 of Law 27/2014 of 27 November on the Corporate Income Tax (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) (“LIS”) subject to the fulfilment of the requirements set out in the same —or, in cases in which the reserve used for the issuance of the paid-up shares in the Capital Increase is the share premium reserve, the rule set out in article 17.6 of the LIS. It is recommended that shareholders who are IS taxpayers or IRNR taxpayers acting through a permanent establishment in Spain consult their tax advisors on the impact of the ICAC Resolution and the referred administrative rulings before making any decision regarding the Capital Increase.

In any case, and according to the abovementioned administrative criterion established by the DGT in favor of the Company, no withholding or payment on account of taxes will be made by the Company in the delivery of fully paid-up shares and free allocation rights in the context of the execution of the Capital Increase. Therefore, it is not necessary to carry out the potential withholding or retention of part of the free allocation rights delivered or the paid-up shares issued in the context of the execution of the Capital Increase in favour of the shareholders (or holders of the aforementioned rights) who are IS taxpayers or IRNR taxpayers acting through a permanent establishment in Spain which was anticipated in the Information Memorandum.

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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 from the transfer of the rights on the market will be subject to the following tax treatment:

- **In connection with the IRPF and the IRNR for non-residents without a permanent establishment in Spain**, the amount obtained from transfers of free allocation rights will be deemed a capital gain, 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 individual shareholders subject to the IRPF applicable in the common territory of Spain, the amount obtained from the transfers of free allocation rights will be subject to the corresponding withholding on account of IRPF. This withholding will be applied by the corresponding depository (and, in the absence thereof, by the financial intermediary or notary public involved in the transfer).

- **In connection with the Corporate Income Tax (*Impuesto sobre Sociedades*) ("IS") and the IRNR on non-residents with 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, 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 on the determination of the tax basis that may apply in connection with these taxes including, in particular, the potential application of the participation exemption regime pursuant to article 21 of LIS subject to the fulfilment of the requirements set out in the same —or, in cases in which the reserve used for the issuance of the paid-up shares in the Capital Increase is the share premium reserve, the rule set out in article 17.6 of the LIS. It is recommended that shareholders who are IS taxpayers or IRNR taxpayers acting through a permanent establishment in Spain consult their tax advisors on the impact of the ICAC Resolution and the referred administrative rulings before making any decision regarding the Capital Increase.

In any case, and according to the abovementioned administrative criterion established by the DGT in favor of the Company, no withholding or payment on account of taxes will be made by the Company in the delivery of fully paid-up shares and free allocation rights in the context of the execution of the Capital Increase.

C. Receive 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 income received from holdings in entities' equity and will, therefore, be subject to the corresponding withholding and taxation.

3.3. Important warning and other considerations regarding the tax treatment

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 Flexible Remuneration Options or the alternatives related 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 supplement to the Information 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

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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 supplement to the Information 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 (*Proyecto de Ley del Impuesto sobre las Transacciones Financieras*) (the “**Spanish FTT**”) was approved and, on 28 February 2020, the Bill was submitted to the Spanish Parliament for debate and potential approval.

The Spanish FTT would potentially apply (at a fixed rate of 0.2%) to specific financial transactions involving the Company’s shares (or American Depositary Receipts -ADRs- and CREST Depository Interests -CDIs-), regardless of the jurisdiction of residence of the parties involved in the transaction. As at the date of this supplement to the Information Memorandum, there is neither certainty as to when the Spanish Parliament might potentially approve the Spanish FTT, nor as to the potential amendments that could be made to the Bill during the legislative process.

In any event, the shareholders and the holders of free allocation rights are advised to consult with their tax advisors in relation to the impact of these tax measures (if ultimately approved) taking into consideration the particular circumstances of each shareholder or holder of free allocation rights.

Finally, holders of American Depositary Receipts (ADRs) and CREST Depository 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.

In Bilbao, on 6 July 2020.

Iberdrola, S.A.

By

Julián Martínez-Simancas Sánchez
Secretary of the Board of Directors

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