

Bilbao, 28 December 2017

**To the National Securities Market Commission**

**Subject: Impact on Iberdrola, S.A. of the Tax Reform in the United States of America**

Dear Sirs,

Pursuant to article 17 of Regulation (EU) No. 596/2014 on market abuse and 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, we hereby inform you that the approval of a recent tax reform in the United States of America<sup>1</sup> on 22 December 2017 will result in the recognition of a non-recurrent income in the consolidated financial statements of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**") for fiscal year 2017. According to the preliminary calculations made, such income could amount to approximately 1,200 million euros after taxes, as a result of the adjustments to be made in several accounting items that are currently being analyzed given that not all of the information necessary for its determination is yet available. It must be noted that the U.S. Securities and Exchange Commission, acknowledging the complexity of the required calculations, allows under U.S. Generally Accepted Accounting Principles for the recording of a provisional amount on account of the impact of said tax reform during the measurement period (not to exceed one year).<sup>2</sup>

Likewise, it is expected that such non-recurrent income will not materially alter the Company's consolidated net profit for the current fiscal year, as its impact will be offset by applying various management measures related to the optimization of the business profile of the group, which will positively affect the Company's consolidated earnings in the coming years, as well as by the definitive accounting value of the Brazilian business following completion of Neoenergia's share capital increase further to the suspension of its proposed initial public offering and listing.

Among the measures that could be applied, there are potential write-downs in the accounting values as a result of the exit or discontinuation of certain businesses (Gas Storage, Engineering, and others), as well as plans to improve operating efficiency.

This information is being analyzed and the definitive details of such measures will be communicated to the National Securities Market Commission on the occasion of the presentation of the results of the Iberdrola group for the fiscal year 2017 that will be carried out during the month of February 2018.

This information is provided to you for the appropriate purposes.

Yours faithfully,

Secretary of the Board of Directors

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<sup>1</sup> Legislation entitled "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" and originally known as the "Tax Cuts and Jobs Act".

<sup>2</sup> In its *Staff Accounting Bulletin* No. 118.





## 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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