



B #:	1302-14
Date:	July 03, 2014
To:	All Clients
Category:	Dividends
From:	Supervisor, Stock Dividend Department
Attention:	Dividend Managers, Cashiers, and Reorganization Managers
Subject:	Optional Dividend: Iberdrola S.A. CUSIP: 450737101 Record Date: 07/02/14 Payable Date: 07/30/14 Rate: .456 Euro per ADR equating to a gross approximate rate of USD \$0.624172 DTC EDS Cut-Off: 07/10/14 no later than 8:00 P.M. New York time

*****WARNING TIME CRITICAL*****

Iberdrola S.A. has declared a scrip dividend which will permit shareholders of its ordinary shares to elect to receive the dividend in cash or stock. Holders of ordinary shares will receive an allotment of rights for every Iberdrola share held as of the record date.

No rights will be distributed to the holders of Iberdrola ADRs. The company has set 07/02/14 as the record date ADR holders. Record Date ADR holders will be permitted to elect one of the following options:

Option 1 Cash: Receive net proceeds from sale of the rights; the Depository will sell the rights corresponding to the shares represented by your ADS to Iberdrola at an approximate rate of USD \$0.624172 USD per ADR, a price equivalent to the cash dividend. **This distribution is subject to a 21% withholding tax. Holders will also be charged a dividend fee of \$0.02 per ADS held on record date.** The approximate net rate is \$0.473095 USD. **(DEFAULT)**

Option 2 Cash: Receive the net proceeds from the sale of rights in the Spanish securities market. The Depository will sell the rights corresponding to the shares underlying your ADSs in the Spanish market. This option is **NOT** subject to the 21% Spanish withholding tax. **Holders will be charged a dividend fee of \$0.02 per ADS held on record date.**

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Option 3 ADSs: Receive new Iberdrola ADSs at a distribution rate of one (1) new ADR for every Forty Eight (48) ADRs held as of close of business 07/02/14. By selecting this option, holders will instruct the Depository to arrange to issue to such holder new Iberdrola ADSs. This distribution is **NOT** subject to the 21% Spanish withholding tax. **Holders will be charged a dividend fee of \$0.02 per ADS held on record date.** Cash will be paid in lieu of fractional ADSs at the DTC Clients level.

Special Note: All three elections are subject to the dividend fee of \$0.02 per ADR held on the record date.

DTC Clients must enter tax relief requests and provide certain beneficial owner information through Globe Tax systems regarding those Beneficial Owners for. **Please refer to the JP Morgan Notice attached to this Important Notice for more information concerning this Scrip Dividend.**

CLIENTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE CLIENTS TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

To confirm record date history and payment information, Clients should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcements Inquiry function (DIVA).

Clients not responding to the above options by **07/10/14** no later than 8:00 P.M. New York time will receive cash subject to 21% tax withholding in accordance with **Option #1 (default)**.

If there are any questions regarding this Important Notice, or the processing of related instructions via EDS, Clients should contact DTC's Customer Help Line at (888) 382-2721.

Important Legal Information: *The Depository Trust Company ("DTC") does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages. To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.*

IBERDROLA S.A. has announced a scrip dividend. J.P. MORGAN acts as the sole Depositary bank for the company's American Depositary Receipt ("ADR") program.

On ADR Pay Date Participants who elect **Option 1 Cash** for the optional election through EDS will receive this dividend net of the full Spanish statutory withholding tax rate of 21% and may follow the withholding tax reclaim procedures outlined below to obtain treaty benefits. **Option 2 Cash Proceeds** and **Option 3 Stock** are not subject to withholding tax and therefore no additional entitlement is possible.

Option 1 Cash beneficial owners may reclaim the difference between the statutory rate and the beneficial owner's rate of entitlement by submitting the required documentation to J.P.MORGAN. There will be one "Quick Refund" filing deadline as stipulated below, all claims submitted after this date should be submitted through the Standard "Long-Form" filing procedure.

DIVIDEND EVENT DETAILS	
COUNTRY OF ISSUANCE	SPAIN
ISSUE	IBERDROLA S.A.
CUSIP#	450737101
DEPOSITARY	J.P. MORGAN
ADR RECORD DATE	JULY 2, 2014
ADR PAY DATE	JULY 30, 2014
ORD GROSS DIVIDEND RATE	0.114 €
RATIO	4 ORD : 1 ADR
STATUTORY WHT RATE	21%

CHARGES & DEADLINES				
FILING METHOD	PAYMENT METHOD	DEPOSITARY SERVICE CHARGE	MINIMUM SERVICE CHARGE PER BENEFICIAL OWNER	FINAL SUBMISSION DEADLINE (ALL TIMES EST)
QUICK REFUND	CHECK	\$0.0035 per ADR	\$25.00 & the greater of 60.00 EUR or 5% Custodial Fee	ESP & DOCUMENTATION DEADLINE: AUGUST 1, 2014; 5:00 P.M.
STANDARD LONG-FORM	CHECK	\$0.005 per ADR	\$25.00 & the greater of 60.00 EUR or 5% Custodial Fee	MAY 1, 2018

ELIGIBILITY MATRIX

RATE DESCRIPTION	RECLAIM RATE	ELIGIBLE RESIDENTS	DOCUMENTATION REQUIRED
UNFAVORABLE - 21%	0%	NON-TREATY COUNTRIES	NONE
FAVORABLE - 15%	6%	ALL U.S. ENTITIES	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. IRS FORM 6166
FAVORABLE - 15%	6%	ALGERIA, AUSTRALIA, BELGIUM, BOLIVIA, BRAZIL, BULGARIA, CANADA, CROATIA, CUBA, CZECH REPUBLIC, ECUADOR, ESTONIA, FINLAND, FRANCE, HUNGARY, ICELAND, INDIA, INDONESIA, IRELAND, ITALY, JAPAN, KAZAKSTAN, LITHUANIA, LUXEMBOURG, MACEDONIA, MEXICO, MOROCCO, NEW ZEALAND, NORWAY, PHILIPPINES, POLAND, PORTUGAL, ROMANIA, RUSSIAN FEDERATION, SLOVAKIA, SLOVENIA, SOUTH AFRICA, SOUTH KOREA, TUNISIA, TURKEY, UNITED ARAB EMIRATE, VIETNAM	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. CERTIFICATE OF RESIDENCE
FAVORABLE - 15%	6%	AUSTRIA, GERMANY, THE NETHERLANDS, SWEDEN, SWITZERLAND, UNITED KINGDOM	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. PETICION DE REDUCCIÓN (QUICK REFUND) 4. PETICION DE DEVOLUCION (STANDARD LONG-FORM)
FAVORABLE - 12%	9%	COSTA RICA, EL SALVADOR, EGYPT	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. CERTIFICATE OF RESIDENCE
FAVORABLE - 10%	11%	ALBANIA, ARMENIA, BOSNIA-HERZEGOVINA, CHILE, CHINA, GEORGIA, GREECE, HONG KONG, IRAN, ISRAEL, JAMAICA, LATVIA, MOLDOVA, PAKISTAN, PANAMA, SERBIA, THAILAND, TRINIDAD AND TOBAGO, VENEZUELA	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. CERTIFICATE OF RESIDENCE
FAVORABLE - 5%	16%	BARBADOS, COLOMBIA, MALAYSIA, MALTA, SAUDI ARABIA, SINGAPORE, URUGUAY	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. CERTIFICATE OF RESIDENCE
EXEMPT - 0%	21%	EXHIBIT II	<ol style="list-style-type: none"> 1. EXHIBIT I (COVER LETTER) 2. ESP SUBMISSION OR CLIENT LISTING ON EXHIBIT I 3. INCORPORATION DOCUMENT

DESCRIPTION OF VARIOUS DOCUMENTATION (QUICK & STANDARD RECLAIMS)

DOCUMENT NAME	DESCRIPTION	ORIGINAL / COPY	SIGNATURE REQUIREMENT
EXHIBIT I (COVER LETTER)	LISTING OF BENEFICIAL OWNER INFORMATION (NAME, ADDRESS, TAX IDENTIFICATION NUMBER, NUMBER OF SHARES)	ORIGINAL	DTC REPRESENTATIVE
IRS FORM 6166	<ul style="list-style-type: none"> - ISSUED BY THE INTERNAL REVENUE SERVICE, STATING THE NAME AND TAX PAYER IDENTIFICATION NUMBER OF THE BENEFICIAL OWNER - MUST MENTION THE UNITED STATES – SPAIN INCOME TAX CONVENTION - MUST STATE THE TAX YEAR OF THE DIVIDEND'S <u>LOCAL</u> PAY DATE OR BE DATED WITHIN 12 MONTHS OF THE LOCAL PAY DATE 	ORIGINAL	IRS REPRESENTATIVE
CERTIFICATE OF RESIDENCE	<ul style="list-style-type: none"> - CERTIFIED BY TAX ADMINISTRATION OF BENEFICIARY'S COUNTRY OF RESIDENCE, STATING (IN ENGLISH OR SPANISH) THE NAME AND TAX PAYER IDENTIFICATION NUMBER OF THE BENEFICIAL OWNER - MUST MENTION THE TREATY BETWEEN THE COUNTRY OF RESIDENCE AND SPAIN - MUST STATE THE TAX YEAR OF THE DIVIDEND'S <u>LOCAL</u> PAY DATE OR BE DATED 1 YEAR PRIOR TO THE DIVIDEND'S <u>LOCAL</u> PAY DATE 	ORIGINAL	RELEVANT TAX AUTHORITY
PETICION DE REDUCCION OR PETICION DE DEVOLUCION	<ul style="list-style-type: none"> - CERTIFIED BY TAX ADMINISTRATION OF BENEFICIARY'S COUNTRY OF RESIDENCE, STATING (IN ENGLISH OR SPANISH) THE NAME AND TAX PAYER IDENTIFICATION NUMBER OF THE BENEFICIAL OWNER - MUST MENTION THE TREATY BETWEEN THE COUNTRY OF RESIDENCE AND SPAIN - THE TAX RECLAIM INCOME EVENT(S) MUST BE SPECIFIED ON THE PETICION'S SCHEDULE. 	ORIGINAL	RELEVANT TAX AUTHORITY
INCORPORATION DOCUMENT	<ul style="list-style-type: none"> - A COPY OF THE STATUTES OF THE ENTITY WHERE IT IS MENTIONED THAT IT IS A SUPRANATIONAL ORGANISM. 	COPY	ENTITY'S REPRESENTATIVE

ESP

powered by **GLOBETAX**

J.P. Morgan, offers ESP powered by GlobeTax, an electronic withholding tax submission system. This system allows for the secure and simplified transfer of beneficial owner level data from the Participant to J.P. Morgan and creates applicable documentation on the Participants behalf.

Submit the data online through the web site below, print out the documents on letterhead, sign them, and mail them to J.P. Morgan / GlobeTax along with the necessary required documents.

These claims should be submitted through the following web site. (Requires a one-time registration)

<https://www.globetaxesp.com>

Please contact Ms. Aina Moreno at 1-212-747-9100 or via email at Aina_Moreno@Globetax.com if you have any questions about this process.

FREQUENTLY ASKED QUESTIONS (FAQs)

GENERAL QUESTIONS

QUESTION	ANSWER
WHAT ARE THE MINIMUM AMOUNT OF SHARES NECESSARY IN ORDER TO BE ELIGIBLE FOR RECLAIM?	APPROXIMATELY 2,866 SHARES
HOW LONG DOES IT TAKE TO RECEIVE PAYMENT ON QUICK REFUND RECLAIMS?	APPROXIMATELY 8-12 WEEKS FROM THE QUICK REFUND DEADLINE
HOW LONG DOES IT TAKE TO RECEIVE PAYMENT ON STANDARD LONG-FORM RECLAIMS?	APPROXIMATELY 1-3 YEARS
CAN I SUBMIT ONE IRS FORM 6166 OR CERTIFICATE OF RESIDENCE FOR THE SAME BENEFICIARY FOR MULTIPLE PAY DATES?	NO. AN ORIGINAL DOCUMENT IS REQUIRED FOR EACH DIVIDEND
IS THERE A RELIEF-AT-SOURCE PROCESS FOR THIS EVENT?	NO
WHAT IS THE DIFFERENCE BETWEEN THE PETICION DE REDUCCION AND THE PETICION DE DEVOLUCION?	THE FORMS ARE IDENTICAL, HOWEVER, THE PETICION DE REDUCCION IS THE QUICK REFUND PROCESS AND THE PETICION DE DEVOLUCION IS FOR THE STANDARD LONG-FORM PROCESS
HOW DO I HAVE TO RECLAIM ON THIS DIVIDEND?	FOUR YEARS FROM THE DIVIDEND'S LOCAL PAY DATE

CONTACT DETAILS

PRIMARY CONTACT	AINA MORENO
INTERNATIONAL PHONE	1-212-747-9100
INTERNATIONAL FAX	1-212-747-0029
EMAIL ADDRESS	AINA_MORENO@GLOBETAX.COM
COMPANY	J.P. MORGAN / GLOBETAX
STREET ADDRESS	90 BROAD STREET, 16 TH FLOOR
CITY/STATE/ZIP	NEW YORK, NY 10004
ADDITIONAL CONTACTS	GREGG LEWIS

**EXHIBIT I - COVER LETTER REQUIRED FOR SPANISH STANDARD LONG-FORM RECLAIMS
THIS DOCUMENT MUST BE PREPARED ON THE DTC PARTICIPANT'S LETTERHEAD**

[DATE]

J.P.MORGAN Chase Bank
c/o GlobeTax
90 Broad Street-16th Floor
New York, NY 10004-2205
Attn: SPAIN- Option

Enclosed please find tax reclamation documents, which we are submitting on behalf of our clients who wish to avoid excess withholding tax on Spanish ADRs. We, [NAME OF DTC PARTICIPANT], also identified as DTC participant number [DTC PARTICIPANT NUMBER], hereby state that each beneficial owner cited below held the respective amount of shares on the record date of July 2, 2014 for the security IBERDROLA S.A SCRIP.

Below is the list of beneficial owners and their holdings, which total [TOTAL # OF ADRs CITED BELOW] ADRs. As required, the forms and a certification of residency document (Form 6166) if applicable, are enclosed for each beneficial owner. **The ratio is 1 ADRs to 4 Ordinary shares.** The information is as follows:

<u>Name of beneficial owner</u>	<u>Address</u>	<u>Type of Account</u>	<u>Taxpayer i.d. #</u>	<u># of ADRs held</u>
1)				
2)				
3)				
4) etc.				

We ask that J.P. Morgan Chase Bank, as Depository, apply to the Spanish depository bank for the reduced withholding tax rate on the above beneficial owners' behalf. Please contact the undersigned at [SIGNATORY'S TELEPHONE NUMBER] or via email at [SIGNATORY'S EMAIL ADDRESS] should you have any questions.

Indemnification

I / We certify that to the best of my knowledge the individual beneficial owners are eligible for the preferential rates as stated herein and I declare that I have performed all the necessary due diligence to satisfy myself as to the accuracy of the information submitted to me by these beneficial owners.

J.P. MORGAN is not liable for failure to secure the refund and any funds erroneously received shall be immediately returned to J.P. MORGAN, including any interest, additions to tax or penalties thereon. This is not tax advice. Please consult your tax advisor.

Sincerely,

[Signature of authorized signatory for DTC Participant]
[NAME AND TITLE OF AUTHORIZED OFFICER FOR DTC PARTICIPANT]

PAYMENT ADDRESS: _____

EXHIBIT II- THE LIST OF THE TAX-EXEMPT ENTITIES

African Development Bank
Asian Development Bank
European Bank for Reconstruction and Development
European Central Bank
European Investment Bank
European Monetary Institute
European Patent Organization
European Space Agency
European Union
Inter-American Development Bank
International Atomic Energy Agency
International Bank of Reconstruction and Development (IBRD)
International Civil Aviation Organisation
International Development Association
International Financial Corporation
International Fund for Agricultural Development
International Labour Organisation (ILO)
International Maritime Organisation
International Monetary Fund (IMF)
International Oil Council
International Telecommunications Union
North Atlantic Treaty Organization (NATO)
Spanish Red Cross
United Nations Children's Fund (UNICEF)
United Nations (UN)
United Nations Refugee Agency
United Nations Education, Science and Culture Organisation (UNESCO)
United Nations Food and Agricultural Organisation
United Nations World Food Program
Universal Postal Union
World Health Organisation (WHO)
World Intellectual Property Organisation (WIPO)
World Tourism Organisation (WTO)
World Trade Organisation
World Weather Organisation