

Results

2018

February 20 / 2019



IBERDROLA

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Results

2018

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Index



1. Core business figures	6
2. Highlights for the period	14
3. Operational performance for the period	18
4. Analysis of the consolidated profit and loss account	32
5. Results by business	36
6. Balance Sheet Analysis	44
7. Financial Statements Tables	54
Balance Sheet	55
Profit and Loss	57
Results by Business	58
Networks Business	59
Renewables Business	60
Generation and Supply Business	61
Quarterly Results 2018	62
Statement of Origin and Use of Funds	63
8. Stock Market Evolution	64
9. Regulation	66
10. Iberdrola and Sustainability	72
11. Glossary of terms	94

1.

Core business figures

Networks

		December 2018	December 2017
RAV (Local currency)			
Spain	(EUR billion)	9.3	9.3
United Kingdom	(GBP billion)	6.5	6.0
United States	(USD billion)	9.7	9.1
Brazil	(BRL billion)	19.0	16.4

Distributed Electricity	12M 2018	12M 2017	vs. 2017
ELECTRICITY (GWh)			
Spain	93,897	93,276	0.7%
United Kingdom	34,677	35,003	-0.9%
United states	39,579	38,349	3.2%
Brazil	65,283	63,522	2.8%
Total	233,435	230,151	1.4%
GAS (GWh)			
United States	65,139	59,884	8.8%
Total	65,139	59,884	8.8%

Differences may arise due to rounding.

Managed supply points	12M 2018	12M 2017	vs. 2017
ELECTRICITY (Millions)			
Spain	11.03	10.97	0.5%
United Kingdom	3.52	3.52	0.1%
United States	2.25	2.24	0.7%
Brazil	13.80	13.58	1.6%
Total Electricity	30.60	30.30	1.0%
GAS (Millions)			
United States	1.01	1.00	1.5%
Total Gas	1.01	1.00	1.5%
TOTAL SUPPLY POINTS	31.61	31.29	1.0%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period).
Differences may arise due to rounding.

Generation business and Customers

	12M 2018	12M 2017	vs. 2017
TOTAL GROUP			
Net Production (GWh)	145,597	137,549	5.9%
Renewables	61,754	50,747	21.7%
Onshore	36,605	33,878	8.0%
Offshore	1,642	821	100.1%
Hydro	22,416	15,321	46.3%
Minihydro	670	394	70.3%
Solar and others	421	333	26.1%
Nuclear	23,536	23,254	1.2%
Gas combined cycle	50,654	54,053	-6.3%
Cogeneration	8,016	6,853	17.0%
Coal	1,637	2,642	-38.0%
Installed Capacity (MW)	47,448	48,447	-2.1%
Renewables	29,177	29,113	0.2%
Onshore	15,671	15,533	0.9%
Offshore	544	544	-
Hydro	12,252	12,513	-2.1%
Minihydro	303	303	-
Solar and others	406	219	85.5%
Nuclear	3,177	3,177	-
Gas combined cycle	12,885	13,985	-7.9%
Cogeneration	1,335	1,299	2.8%
Coal	874	874	-
Electricity customers (No mill.)	13.16	13.05 (*)	-0.6%
Gas customers (No mill.)	3.04	2.89 (*)	0.6%
Gas Supplies (GWh)	61.201	63.142	-3.1%
Gas Storage (bcm)	0.11	2.51	-95.7%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period).

Differences may arise due to rounding.

(*) UK customer data as of 09/30/2018.

	12M 2018	12M 2017	vs. 2017
SPAIN			
Net Production (GWh)	57,711	51,903	11.2%
Renewables	25,973	19,587	32.6%
Onshore	11,654	11,216	3.9%
Hydro	13,590	7,903	72.0%
Minihydro	670	394	70.3%
Solar and others	58	74	-22.0%
Nuclear	23,536	23,254	1.2%
Gas combined cycle	4,092	3,812	7.3%
Cogeneration	2,472	2,608	-5.2%
Coal	1,637	2,642	-38.0%
Installed Capacity (MW)	25,887	25,934	-0.2%
Renewables	15,789	15,821	-0.2%
Onshore	5,770	5,752	0.3%
Hydro	9,715	9,715	-
Minihydro	303	303	-
Solar and others	-	50	-99.8%
Nuclear	3,177	3,177	-
Gas combined cycle	5,695	5,695	-
Cogeneration	353	368	-4.1%
Coal	874	874	-
Electricity customers (No mill.)	10,15	10,17	-0.2%
Gas customers (No mill.)	1,03	0,99	3.8%
Gas Supplies (GWh)	20,078	16,828	19.3%
Users	10,867	7,863	38.2%
Gas Combined Cycle	9,211	8,965	2.7%

Differences may arise due to rounding.

	12M 2018	12M 2017	vs. 2017
UNITED KINGDOM			
Net Production (GWh)	10,675	12,140	-12.1%
Renewables	5,145	4,880	5.4%
Onshore	3,812	3,358	13.5%
Offshore	755	820	-7.9%
Hydro ⁽¹⁾	578	702	-17.7%
Gas combined cycle ⁽¹⁾	5,530	7,259	-23.8%
Installed Capacity (MW)	2,100	4,666	-55.0%
Renewables	2,100	2,666	-21.2%
Onshore	1,906	1,906	-
Offshore	194	194	-
Hydro ⁽¹⁾	-	566	-100.0%
Gas combined cycle ⁽¹⁾	-	2,000	-100.0%
Electricity customers (No mill.)	3.01	2.88 ⁽²⁾	-1.9%
Gas customers (No mill.)	2.01	1.90 ⁽²⁾	-0.9%
Gas Supplies (GWh)	41,123	46,314	-11.2%
Users	29,332	30,592	-4.1%
Gas Combined Cycle	11,791	15,722	-25.0%
Gas Storage (bcm)	0.11	0.11	-2.7%

(1) Capacity sold to Drax on 12/31/18

(2) As of 09/30/2018

Differences may arise due to rounding

	12M 2018	12M 2017	vs. 2017
USA			
Net Production (GWh)	19,983	18,105	10.4%
Renewables	17,261	15,739	9.7%
Onshore	16,650	15,103	10.2%
Hydro	269	386	-30.3%
Solar and others	342	250	36.9%
Gas combined cycle	8	12	-29.3%
Cogeneration	2,713	2,354	15.3%
Installed Capacity (MW)	7,561	7,472	1.2%
Renewables	6,713	6,625	1.3%
Onshore	6,466	6,387	1.2%
Hydro	118	118	-
Solar and others	129	119	8.4%
Gas combined cycle	212	212	-
Cogeneration	636	636	-
Gas Storage (bcm)	-	2.40	-100.0%

Differences may arise due to rounding.

	12M 2018	12M 2017	vs. 2017
MEXICO			
Net Production (GWh)	41,396	41,777	-0.9%
Renewables	1,095	963	13.7%
Onshore	1,084	963	12.5%
Solar and others	12	-	N/A
Gas combined cycle	37,470	39,013	-4.0%
Cogeneration	2,831	1,801	57.2%
Installed Capacity (MW)	7,471	6,250	19.5%
Renewables	679	410	65.4%
Onshore	409	367	11.3%
Solar and others	270	43	526.9%
Gas combined cycle	6,446	5,546	16.2%
Cogeneration	346	294	17.7%

Differences may arise due to rounding.

	12M 2018	12M 2017	vs. 2017
BRAZIL			
Net Production (GWh)	13,652	12,242	11.5%
Renewables	10,099	8,196	23.2%
Onshore	2,120	1,865	13.7%
Hydro	7,979	6,330	26.0%
Gas combined cycle	3,553	3,956	-10.2%
Cogeneration	-	91	-100.0%
Installed Capacity (MW)	3,467	3,162	9.7%
Renewables	2,935	2,629	11.6%
Onshore	516	516	-
Hydro	2,419	2,113	14.5%
Gas combined cycle	533	533	-
Cogeneration	-	-	N/A

Differences may arise due to rounding.

	12M 2018	12M 2017	vs. 2017
REST OF THE WORLD			
Net Production (GWh)	2,180	1,382	57.7%
Renewables	2,180	1,382	57.7%
Onshore	1,284	1,373	-6.5%
Offshore	887	-	N/A
Solar and others	9	9	-2.6%
Installed Capacity (MW)	961	961	-
Renewables	961	961	-
Onshore	605	605	-
Offshore	350	350	-
Solar and others	6	6	-

Differences may arise due to rounding.

Stock Market Data

		12M 2018	12M 2017
Market capitalisation	EUR (MM)	44,898	40,811
Earnings per share (6,397,629,000 shares at 12/31/18 and 6,317,515,000 shares, at 12/31/17)	€	0.47	0.44
Net operating cash flow per share ^(*)	€	1.145	1.026
P.E.R.	Times	14.90	14.55
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.23	1.15

* FFO 2017 Restated

Economic/Financial Data^(*)

Income Statement		12M 2018	12M 2017
Revenues	EUR (MM)	35,075.9	31,263.3
Gross Margin	EUR (MM)	15,435.1	13,363.8
EBITDA	EUR (MM)	9,348.9	7,318.7
EBIT	EUR (MM)	5,439.4	2,712.6
Net Profit	EUR (MM)	3,014.1	2,804.0
Net Operating Expenses / Gross Margin	%	26.92	31.21

Balance Sheet

		Dec. 2018	Dec. 2017
Total Assets	EUR (MM)	113,038	110,689
Equity	EUR (MM)	43,977	42,733
Net Financial Debt	EUR (MM)	34,199	32,884
ROE	%	8.36	7.77
Financial Leverage (Net Financial Debt/(Debt Financial Debt + Equity))	%	43.7	43.5
Net Financial Debt / Equity	%	77.8	77.0

* Financial terms are defined in the "Glossary"

Others

		Dec. 2018	Dec. 2017
Investments	EUR (MM)	5,320.4	5,890.9
Employees	Nº.	33,747	33,772

Iberdrola's Credit Rating

Agency	Rating	Outlook	Date of latest rating action
Moody's	Baa1	Stable	14 march 2018
Fitch IBCA	BBB+	Stable	8 july 2016
Standard & Poor's	BBB+	Stable	22 april 2016

2.

Highlights for the period

Global environment and general considerations

During 2018, international markets of raw materials evolved as follows:

- The average price of Brent oil was fixed at USD 71.1 per barrel compared with USD 54.4 per barrel last year (+31%).
- The average price of gas (TTF) over the period was 22.9 EUR/MWh, compared with 17.4 EUR/MWh in 2017 (+32%).
- The average price of API2 coal was USD 91.6/MT, compared with USD 83.1/MT (+10%) the previous year.
- The average price of CO₂ emission rights was EUR 16.0/MT compared with EUR 5.8 MT in 2017 (+174%).

As regards Iberdrola's main **reference currencies**, the average depreciation rates against the Euro during in 2018 have been as follows::

- The Pound Sterling depreciated by 0.9%.
- The US Dollar depreciated by 4.7%.
- The Brazilian Real depreciated by 19.5%

As regards the performance of **electricity demand and output** for the period, these are the highlights for the company's main business areas:

- The Energy Production figures for the Iberian Peninsula in 2018 are characterised by a notable increase in hydroelectric production (+74%) compared with last year. The year was wet, with a producible index of 1.3, and reservoirs at 44.1% compared to an index of 0.5 and reserves at 26.3% at the end of 2017. Coal production decreased by -18% with respect to 2017, whereas combined cycle production dropped by -22%. The rest of the production from renewable sources closed the year with levels similar to those of 2017, due to a greater wind energy

production (+3%), which offsets the lower solar energy production (-12%).

Demand increased by +0.4% compared with 2017, while it grew by +0.3% after adjusting for working days and temperature.

- In the United Kingdom, electricity demand dropped by -0.3% compared with 2017. Customers' gas demand (not including generation consumption) increased by +5.2%.
- In Avangrid's area of influence on the East Coast of the US, electricity demand increased by 3.2% compared with 2017, whereas gas demand did so by 8.8%.
- As for demand in Neoenergia's areas of influence in Brazil, it grew by 2.8%.

Significant events for the Iberdrola Group

- Since 1 January 2018, the **results from the hydroelectric generation have been reclassified**, from the Generation and Supply business to the Renewables business. Furthermore, since the close of 2017, the **Engineering business has been discontinued** and goes on to be recognised under Companies Consolidated by the Equity Method. The accounts for 2017 have been restated taking into account these two effects.
- As of 1 January 2018, the Iberdrola Group has adopted **IFRS 15** and **IFRS 9**. The first refers to the ordinary revenues originating from contracts with customers and assumes that the customer acquisition costs are activated (lower Net Operating Expenses and higher amortisation). IFRS 9, on the other hand, refers to the calculation of debt restructuring interest, and has the effect of a greater negative financial result.
- The business in Brazil is homogeneous since September 2018, after the corporate reorganization carried out in August 2017.

The main items of the **Profit and Loss Account** have evolved as follows:

EUR million	12M 2018	vs. 12M 2017
GROSS MARGIN	15,435.1	15.5%
EBITDA	9,348.9	27.7%
EBIT	5,439.4	100.5%
NET PROFIT	3,014.1	7.5%

Consolidated EBITDA increased by 27.7%, to EUR 9,348.9 million, supported by a growth in all businesses, and showing progressive acceleration since June. Neoenergia's consolidation contributed EUR 570 million, whereas the exchange rate effect reduced consolidated EBITDA by EUR 252 million.

From an operational point of view, we should highlight the rate improvements in Brazil, the increase in onshore wind energy production (both in terms of a greater operating capacity and a greater load factor) and hydroelectric production, the normalisation of the liberalised business conditions in the United Kingdom, and the greater capacity commissioned in Mexico.

Negative effects include the impact of storms in the United States.

Net Operating Expenses dropped by 0.4% compared with 2017, supported by the exchange rate, the provisions for efficiency plans recognised in 2017 and the application of IFRS 15, which offsets the consolidation of Neo.

Operational efficiency has continued its positive trend this last quarter, and improved by 11.5% compared with that at the end of 2017. Thus, Net Operating Expenses over Gross Margin were at 26.9%, compared with 31.2% last year.

On its part, **Net Profit** increased by 7.5% to EUR 3,014.1 million, despite having recognised in 2017

different positive extraordinary impacts arising from the merger of Siemens-Gamesa, the fiscal reform in USA and other non-recurring effects. This increase translates into a dividend increase proposal of 7.7% to EUR 0.351 per share, which must be approved by the General Shareholders' Meeting.

The key **financial figures** for the period are as follows:

- Adjusted Net Financial Debt* was at EUR 34,149 million, mainly as a result of the strong investment process that the group is currently carrying out.
- Funds from Operations in 2018 stood at EUR 7,328.4 million, an increase of 13.1% compared with the previous year.

Lastly, net investment for the period was EUR 5,320.4 million. Of this investment, 78% was focused on the Networks and Renewables businesses.

(*) Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 50 million at 31/12/2018)

Divestments 2018

As part of the asset rotation plan considered in the Strategic Perspectives up to 2022, on 16 October Iberdrola, through its subsidiary ScottishPower, agreed upon the sale of its conventional generation assets in the United Kingdom to the company Drax Smart Generation, a subsidiary of the Drax Group, for GBP 702 million (EUR 778 million), a transaction that was made effective on 31 December. Thus, the company has become the country's first integrated utility company to be 100% renewable, having disposed of 2.566 MW of conventional generation capacity, which mainly includes gas combined cycle plants.

Furthermore, on 18 October the sale of its 90% stake in the Puertollano solar thermal power plant (50 MW) to the company Ence was agreed for an amount of EUR 181.1 million. In addition, the payment of an earn-out price of up to EUR 6.3 million has been agreed.

With these transactions, the total amount corresponding to divestitures for 2018 comes close to EUR 1,200 million.

3.

Operational performance for the period

1. Distributed energy and supply points

The Group's Regulatory Asset Base (RAB) stood at EUR 29.3 billion at the close of 2018:

		Dec. 2018	Dec. 2017
RAB (Local currency)			
Spain	(EUR billion)	9.3	9.3
United Kingdom	(GBP billion)	6.5	6.0
United States	(USD billion)	9.7	9.1
Brazil	(BRL billion)	19.0	16.4

During financial year 2018, the electrical energy distributed by the Group totalled 233,435 GWh, up by 1.4% compared with 2017.

The Group's total supply points came to 30.6 M in electricity and 1.0 M in gas, with the following breakdown by country:

Managed supply points

Electricity (Millions)	2018	2017	Vs. 2017
Spain	11.03	10.97	0.5%
United Kingdom	3.52	3.52	0.1%
United States	2.25	2.24	0.7%
Brazil	13.80	13.58	1.6%
Total Electricity	30.60	30.30	1.0%
GAS (Millions)			
USA	1.01	1.00	1.5%
Total Gas	1.01	1.00	1.5%
Total supply points	31.61	31.29	1.0%

Discrepancies possible due to rounding.

1.1. Spain

At the close of December, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.5% increase compared with 2017, and its distributed energy since the beginning of the year totalled 93,897 GWh, a 0.7% increase compared with the previous year.

At the end of December, the SAIDI indicator for Supply Quality had reached a new historical record of 44.57 minutes.

The table shows the change in the SAIDI (System Average Interruption Duration Index) and System Average Interruption Frequency Index (SAIFI) for medium voltage supply:

Year	SAIDI (min)	SAIFI (no. inter.)
2016	54.07	1.04
2017	52.49 ^(*)	1.14
2018	44.57	0.91

(*) A total of 18.8 min are excluded due to the severe storm in Spain in January being considered as force majeure.

The STAR smart meter deployment project has finished, in which Iberdrola has surpassed the figure of 10.8 million digital meters installed, and the infrastructure that supports them is now a large-scale smart grid, which implies the full modernisation of 98% of the company's meters in Spain.

1.2. United Kingdom

On 31 December, SP Energy Networks (SPEN) surpassed 3.5 million supply points. The volume of distributed energy in 2018 was 34,677 GWh, a drop of 0.9% compared with 2017.

In 2018 there were severe storms: storm "Ali" in September, "Callum" in October and "Deirdreen" in December, with only the latter two affecting the service quality indicators.

Customer Minutes Lost (CML) was as follows:

CML (min)	2018	2017
Scottish Power Distribution (SPD)	35.91	29.71
Scottish Power Manweb (SPM)	34.65	33.32

The number of consumers affected by interruptions per every 100 customers (Customer Interruptions, CI) was as follows:

CI (no. of interruptions)	2018	2017
Scottish Power Distribution (SPD)	49.42	40.72
Scottish Power Manweb (SPM)	35.35	29.52

In 2018, the Western Link underwater cable project was commissioned, with more than 2,000 MW of capacity available between Scotland and Wales. The South West Scotland project was completed, with the construction of 6 substations and 87 km of power lines.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of 2018, Avangrid Networks had more than 2.2 million electricity supply points. Distributed electricity for the year totalled 39,579 GWh, up by 3.2% compared with last year, due to the mild temperatures of 2017.

Distribution areas in the United States were hit by harsh winter and spring storms that lashed the East Coast of the continent, and affected quality indicators.

In Maine, a severe wind storm in April and storm Bruce in November impacted on the customers of Central Maine Power (CMP), negatively affecting supply indicators compared with 2017. On the other hand, CMP has been praised for its extraordinary response to the major storms in October of 2017; it has also been handed the EEI Emergency Recovery Award by the Edison Electric Institute for the seventh consecutive year. This award recognises the big efforts made by utilities to restore electricity supplies as quickly as possible after severe storms and natural disasters.

The Customer Average Interruption Duration Index (CAIDI) was as follows

CAIDI (h)	2018	2017
Central Maine Power (CMP)	2.13	1.86
NY State Electric & Gas (NYSEG)	2.17	2.06
Rochester Gas & Electric (RGE)	1.79	1.77

The System Average Interruption Duration Index (SAIDI) for UIL was as follows:

SAIDI (min)	2018	2017
United Illuminating Company (UI)	58.80	33.46

The System Average Interruption Frequency Index (SAIFI) was as follows:

SAIFI	2018	2017
Central Maine Power (CMP)	1.85	1.86
NY State Electric & Gas (NYSEG)	1.19	1.16
Rochester Gas & Electric (RGE)	0.75	0.59
United Illuminating Company (UI)	0.63	0.41

The New England Clean Energy Connect (NECEC) project was selected in March 2018 as the best solution for supplying clean energy to Massachusetts. With an investment of USD 950 million, the project entails installing a 233 km long transmission line between Canada and New England, supplying 1,200 MW of 100% hydroelectric power over 20 years to customers in Massachusetts. In 2018, applications and processing were initiated to obtain all necessary permits to start construction

1.3.2 Gas

The number of gas users in the United States is just over 1 million. In 2018 a total of 65,139 GWh were supplied, up 8.8% year on year. This increase was due to lower temperatures than in the previous year.

1.4. Brazil

In 2018, supply points in Brazil reached 13.8 million (+1.6%). The volume of distributed electricity during 2018 was 65,283 GWh, a 2.8% increase compared with the previous year.

Energy Distributed (GWh)	2018	2017	%
Elektro	18,674	18,069	3.3%
Coelba	23,616	22,955	2.9%
Cosern	6,329	6,251	1.2%
Celpe	16,663	16,247	2.6%

Supply quality indicators of all companies in Brazil have complied with the regulatory level for 2018. The efforts made to improve supply quality have made it possible for distributors in the north-east of the country to reduce average interruption time per customer (*duração equivalente de interrupção por unidade consumidora*, DEC). The DEC has been as follows:

DEC (h)	2018	2017
Elektro	7.50	7.36
Coelba	14.46	19.82
Cosern	11.19	12.48
Celpe	12.47	17.20

The average number of customer interruptions (*frequência equivalente de interrupção por unidade consumidora*, FEC) was as follows:

FEC	2018	2017
Elektro	4.38	4.49
Coelba	6.44	8.23
Cosern	5.28	6.44
Celpe	5.97	7.59

Brazil's regulator, ANEEL, carried out two transmission project auctions in 2018, in which more than BRL 19,000 million were put out to bid for transmission projects, and more than 50 countries from across the world took part. Iberdrola was awarded the contracts for 4 projects, which require the construction of more than 3,000 kilometres of transmission lines, with an approximate regulatory investment of BRL 6,000 million.

2. Electricity production and customers

At the end of 2018, Iberdrola's installed capacity totalled 47,448 MW (-2.1%), 61.5% of which came from renewable sources:

MW	12M 2018	Vs. 12M 2017
Renewables	29,177	0.2%
Onshore wind	15,671	0.9%
Offshore wind	544	-
Hydroelectric	12,252	-2.1%
Mini-hydroelectric	303	-
Solar and others	406	85.5%
Nuclear	3,177	-
Gas Combined Cycles	12,885	-7.9%
Cogeneration	1,335	2.8%
Coal	874	-
Total	47,448	-2.1%

Discrepancies possible due to rounding.

The decrease in Iberdrola's total installed capacity is due to the asset rotation plan included in the Strategic Plan, with operations already carried out such as the sale of generation in the United Kingdom and the thermo-solar plant in Spain.

Net electricity production during the period was 145,597 GWh, a 5.9% increase compared with last year, with 42.4% derived from renewable sources:

GWh	12M 2018	Vs. 12M 2017
Renewables	61,754	21.7%
Onshore wind	36,605	8.0%
Offshore wind	1,642	100.1%
Hydroelectric	22,416	46.3%
Mini-hydroelectric	670	70.3%
Solar and others	421	26.1%
Nuclear	23,536	1.2%
Gas Combined Cycles	50,654	-6.3%
Cogeneration	8,016	17.0%
Coal	1,637	-38.0%
Total	145,597	5.9%

Discrepancies possible due to rounding.

2.1 Spain and Portugal

Renewable capacity and production

At the close of 2018, Iberdrola had an installed **renewable capacity** in Spain and Portugal of 15,881 MW, with the following breakdown:

Spain and Portugal	Installed MW Consolidated at EBITDA level companies ^(*)	MW managed by investee companies ^(*)	Total
Onshore wind ^(**)	5,618	244	5,862
Hydroelectric	9,715	-	9,715
Mini-hydroelectric	301	2	303
Total Capacity^(***)	15,634	246	15,881

Discrepancies possible due to rounding.

(*) Includes the proportional MW share

(**) Includes 92 MW from Portugal

Of its renewable installed capacity at the end 2017, Iberdrola consolidates 15,634 MW and manages 246 MW through its investee companies.

Works were completed on the Chimiche II wind farm (Tenerife), with a capacity of 18 MW, which was brought on line at the end of the year.

Furthermore, the last quarter of 2018 saw the approval of the construction of the Cavar wind farm in Navarra, with a capacity of 111 MW, and El Pradillo wind farm, located in Zaragoza, with a capacity of 22 MW. It is expected that both facilities will be brought on line in 2019 and 2020.

Elsewhere, in 2018 approval was given for the construction of the 391 MW Núñez de Balboa solar PV plant in Badajoz, where works started in the last quarter of 2018.

During the last quarter of the year, the sale of the Puertollano thermal solar plant (50 MW of capacity), located in Ciudad Real, was made effective.

Renewable output totalled 25,973 GWh, as follows:

Spain and Portugal	GWh Consolidated at EBITDA level companies ^(*)	GWh managed by investee companies ^(*)	Total
Onshore wind ^(**)	11,228	427	11,654
Hydroelectric	13,590	-	13,590
Mini-hydroelectric	663	7	670
Solar and others	58	-	58
Total Production	25,539	434	25,973

Discrepancies possible due to rounding

(*) Includes the proportional GWh share

(**) Includes 220 GWh in Portugal

The trend broken down by types of technology is as follows:

- Onshore wind production increased by 3.9% compared with 2017, reaching 11,654 GWh produced.
- Hydroelectric production amounted to 13,590 GWh, representing a growth of 72.0% compared with the previous year, returning to production levels similar to those of the last 18 years. At end of 2018, hydroelectric reserve levels were at 40.4% (equivalent to 4,556 GWh), up by 11% compared with the close of 2017.
- Mini-hydro plant production reached 670 GWh, 70.3% more than in the same period of the previous year.

In Portugal, the work carried out at the Tâmega hydroelectric complex stands out, which is now due to be completed in 2023. Located in the north of Portugal, it will comprise three large dams: Alto Tâmega, Daivões and Gouvães, and will have an electrical energy generation capacity of 1,158 MW, producing more than 1,766 GWh of energy per year. With an investment of EUR 1,500 million, the new capacity contributes the equivalent of 6% of the installed capacity in Portugal, and can prevent the emission of 1 million tons of CO₂ to the atmosphere.

The development of this pumping infrastructure shows Iberdrola's commitment to this technology, the most efficient, large-scale energy storage method currently available. Iberdrola is a leader in energy storage, with 4,400 MW installed using hydroelectric pumped storage technology.

Thermal capacity and production

At close of 2018, Iberdrola Group's **thermal capacity** in Spain and Portugal totalled 10,098 MW, broken down as follows:

Spain	MW Consolidated installed	MW Investee companies ^(*)	Total
Nuclear	3,166	11	3,177
Gas Combined Cycles	5,695	-	5,695
Cogeneration	302	51	353
Coal	874	-	874
Total Capacity	10,036	62	10,098

Discrepancies possible due to rounding

[*] Includes the proportional MW share

Iberdrola's **thermal production** during 2018 dropped by 1.8% compared to the same period last year, to 31,738 GWh. The trend broken down by types of technology is as follows:

- Nuclear production reached 23,536 GWh, representing an increase of 1.2%.
- Combined cycle production rose by 7.3% to 4,092 GWh.
- Cogeneration plant production dropped by 5.2% to 2,472 GWh.
- Coal-fired thermal power stations reached 1,637 GWh, a drop of 38% compared with last year.

Of the 31,738 GWh produced, Iberdrola consolidated 31,326 GWh at EBITDA level, with 412 GWh being consolidated by the equity method. The breakdown is as follows:

	GWh Consolidated at EBITDA level	GWh Investee companies ^(*)	Total
Nuclear	23,456	80	23,536
Gas Combined Cycles	4,092	-	4,092
Cogeneration	2,140	332	2,472
Coal	1,637	-	1,637
Total Production	31,326	412	31,738

Discrepancies possible due to rounding

[*] Includes the proportional MW share

Retail business

As regards retail, as at 31 December 2018, the portfolio managed by Iberdrola totalled 17,086,436 contracts. The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity Contracts	10,145,564	257,628	10,403,192
Gas Contracts	1,026,328	35,121	1,061,449
Contracts for other products and services	5,284,078	337,717	5,621,795
Total	16,455,970	630,466	17,086,436

By market type they can be split into the following:

	Spain	Portugal	%
Liberalised market	12,951,715	630,466	79%
Last Resort	3,504,255		21%
Total	16,455,970	630,466	100%

Iberdrola's electricity sales in 2018 totalled 97,400 GWh, measured at power substation busbars, of which 61,600 GWh were sold on the liberalised market. 8,700 GWh corresponded to energy at the voluntary price for small consumers (PVPC) and 27,100 GWh to other markets.

With regard to gas, in 2018 Iberdrola managed a total gas production of 4.77 bcm, of which 2.45

bcm were sold in wholesale transactions, 1.51 bcm were sold to end customers and 0.81 bcm went towards electricity production.

2.2. United Kingdom

Renewable capacity and production

At the end of 2018, the installed renewable capacity in the United Kingdom totalled 2,100 MW:

United Kingdom	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Wind	2,085	15	2,100
Onshore wind	1,891	15	1,906
Offshore wind	194	-	194
Total Capacity	2,085	15	2,100

Discrepancies possible due to rounding

(*) Includes the proportional MW share

Of this capacity, 2,085 MW were consolidated and 15 MW were managed through investee companies.

On 31 December 2018, the hydroelectric facilities of Cruachan (440 MW), Galloway (109 MW) and Lanark (17 MW) were sold to the British Company Drax, representing a combined total of 566 MW.

Renewable production in the United Kingdom came to 5,145 GWh, with the following breakdown:

United Kingdom	GWh Consolidated at EBITDA level	GWh managed by investee companies ^(*)	Total
Wind	4,543	24	4,568
Onshore wind	3,788	24	3,812
Offshore wind	755	-	755
Hydroelectric ^(**)	578	-	578
Total Production	5,121	24	5,145

Discrepancies possible due to rounding

(*) Includes the proportional GWh share

(**) Production associated with the capacity sold to Drax on 31 December 2018

- Onshore wind production reached 3,812 GWh, increasing by 11.2% compared to the previous year, with a greater average operating capacity (+6.0%, +107 MW) as well as greater wind resource (+1.6pp).
- Offshore wind production dropped by 7.9% to 755 GWh, due to lower wind resource (-3.8pp).
- Hydroelectric production dropped by 17.7% to 578 GWh, compared with 702 GWh in 2017.

Currently, the renewables business is developing offshore wind projects in the United Kingdom, with the East Anglia projects on the North Sea standing out especially.

The **East Anglia 1** project is fully in the construction phase. Works continue on the onshore substation, which will connect the project to the national grid, whereas the offshore substation is in the commissioning testing phase, with the first marine cable having already been installed.

Lastly, works continue on the installation of foundations, which will be completed in 2019. This is the largest global offshore wind project, given that all works have been carried out in different locations. Thus, the offshore substation and 42 jackets have been manufactured in Spain by Navantia and Windar, whereas the remaining jackets have been manufactured in Holland and Belfast. On the other hand, 102 turbines, each with a capacity of 7 MW, will be installed by Siemens Gamesa as from mid-2019. Lastly, the marine cabling to be laid between the turbines is being manufactured in the United Kingdom, and will also be installed in 2019.

The other three Iberdrola-owned projects in progress in the East Anglia area, with a cumulative capacity of 2,800 MW, are being processed in accordance with the plans agreed with The Crown Estate. These projects are **East Anglia 3, East Anglia 2 and East Anglia 1 North**.

Thermal capacity and production

Last 31 December 2018 the sale agreement of all of the United Kingdom's thermal capacity to Drax was made effective (2,000 MW of combined

cycles and 566 MW of hydroelectric renewables), and therefore 100% of the **capacity** of Scottish Power is renewable at present.

As regards **production** from Iberdrola's electricity generation using gas in the United Kingdom, it dropped by 23.8% during 2018 to 5,530 GWh, compared to 7,259 GWh in the previous year.

The generation business market quota in 2018 stayed at similar levels to the previous year: 4% compared to 4.5% in 2017.

Retail business

Regarding **retail**, as at the close of 2018 customers had been supplied 21,490 GWh of electricity and 29,332 GWh of gas, compared with 23,213 GWh of electricity and 30,592 GWh of gas in 2017.

At the close of 2018, Scottish Power had 3.01 million electricity customers and 2.01 million gas customers. It should be pointed out that on 21 November 2018, the small supplier Extra Energy ceased its retail activities and entered into the regulated process of Supplier of Last Resort (SoLR). Scottish Power was selected by Ofgem to start supplying new accounts as from Sunday 25 November. Extra Energy supplied services to 224,000 customers:

	Incorporated Services
Domestic	194,000
Industrial	30,000
Total	224,000

Also, smart meters continue to be installed across the United Kingdom, reaching an accumulated total of more than 1.2 million meters installed as at 31 December 2018.

2.3. United States (AVANGRID)

Renewable capacity and production

At the end of 2018, the **renewable capacity** installed in the United States totalled 6,713 MW, broken down as follows:

USA	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Onshore wind	6,305	161	6,466
Hydroelectric	118	-	118
Solar (PV+TM) & others	129	-	129
Total Capacity	6,552	161	6,713

Discrepancies possible due to rounding
 (*) Includes the proportional MW share

The Company is present in 21 states, with a total of 6,713 MW installed capacity, of which 161 MW are managed through investee companies.

Installed capacity has increased by 1.3%, due to the total consolidation of the Colorado Green wind farm and the start-up of the W'y East photovoltaic farm.

Work progresses on the new **wind energy** projects. These are: the Montague (201 MW) wind farm in Oregon, the Otter Creek (158.2 MW) wind farm in the state of Illinois, the Karankawa (288 MW) project in Texas, the Coyote Ridge (97.4 MW) project in South Dakota (with 20% Avangrid property), and lastly, the Patriot works in Texas (226 MW), whose consolidation will be made effective on commercial operation date (COD). Works are starting on the projects of Tatanka (97 MW) in South Dakota and La Joya (166 MW) in New Mexico. Furthermore, the last quarter of the year saw the approval of the repowering of the wind farms in Trimont, Minnesota, and Colorado Green, Colorado, with capacities of 100 MW and 162 MW respectively.

As regards **photovoltaic energy**, as already mentioned, in the third quarter of this year, works have completed on the W'y East wind farm, with a capacity of 10 MW. Furthermore, the last quarter

of the year saw the approval of the construction of the photovoltaic plant at Bakeoven, in the state of Oregon, with capacity of 60 MW.

As regards the development of **offshore wind projects** in the United States, it should be noted that Iberdrola made its entry into the North American Market of offshore energy at the start of 2017 via its subsidiary in the US, Avangrid Renewables. On the one hand, it purchased 50% of the company Vineyard Wind, owner of the rights to build a wind farm with a potential for up to 3 GW in generation projects on the coast of Massachusetts, 15 miles to the south of Martha's Vineyard. On the other hand, it was awarded the rights for the development of another project called Kitty Hawk, on the coast of North Carolina, with a potential for up to 2.5 GW of generation projects.

Furthermore, in December 2018, Iberdrola participated, through this same company, in a new auction of rights on offshore areas organised by the BOEM and located to the south-east of the current areas within Vineyard Wind. In this auction, Vineyard Wind was awarded one of the three areas on auction, thus increasing its portfolio of projects in the area by a further 2GW.

The **Vineyard Wind** project (property of Avangrid and Copenhagen Infrastructure Partners) was the only project selected last 23 May to negotiate the PPAs with the Massachusetts distributors for a total capacity of 800MW. These PPAs are pending approval from the American regulator, which is expected to be granted in the first quarter of 2019.

The calendar for obtaining the necessary permits is progressing in line with expectations.

Construction of the wind farm will commence in 2019 with a view to bringing 400 MW on stream by the end of 2021 and the second batch of 400 MW during the first half of 2022. Vineyard Wind will be the first large-scale offshore wind farm in the United States.

The project in North Carolina, **Kitty Hawk**, continues to make progress in its development phase, in which a significant milestone was

reached in 2018, by satisfactorily reserving its place in the queue for a 2,400MW capacity in a connection point to the PJM grid in the state of Virginia.

As for **renewable production** in the United States, this reached 17,261 GWh, of which 16,817 GWh are consolidated by Iberdrola at EBITDA level and 444 GWh by the equity method.

USA	GWh Consolidated at EBITDA level	GWh managed by investee companies(**)	Total
Onshore wind	16,207	444	16,650
Hydroelectric	269	-	269
Solar (PV+TM) & others	342	-	342
Total Production	16,817	444	17,261

Discrepancies possible due to rounding

(*) Includes the proportional GWh share

As regards trends broken down by technologies:

- Onshore wind production totalled 16,650 GWh, increasing by 10.2% compared with that recorded in 2017.
- Hydroelectric production dropped by 30.3% to 269 GWh, compared with a production of 386 GWh in 2017.
- Production of solar power and others (including 80 GWh of fuel cells) increased by 36.9%, to 342 GWh.

2.4. Mexico

Renewable capacity and production

At the close of 2018, the **renewable capacity** installed in Mexico totalled 679 MW, broken down as follows:

Mexico	MW
Onshore wind	409
Solar and others	270
Total Production	679

Discrepancies possible due to rounding

Construction has finished on a total of 270 MW of **solar PV capacity**: Santiago (170 MW) in San Luis de Potosí and Hermosillo (100 MW) in Sonora, for which the commissioning period concluded in the last quarter of the year.

As regards **wind technology**, works have started in Puebla on the Pier project (221 MW), with the installation of the two first wind turbines (39 MW), and of Santiago Eólico in the state of San Luis de Potosí (105 MW), where 2.1 MW have already been installed.

The **renewable production** generated during the year was 1,095 GWh, up 13.7% from 2017, due to an improvement in operating conditions compared with last year.

Thermal capacity and production

In Mexico, **thermal capacity** at the end of 2018 was 6,792 MW, broken down as follows:

Mexico	MW
Gas Combined Cycles	6,446
Cogeneration	346
Total	6,792

Discrepancies possible due to rounding

In 2018, the Bajío Cogeneration plant (52 MW) went into commercial operation and the Monterrey IV MXL was repowered. At year-end, the entry into commercial operation of the Escobedo combined cycle plant provided 878 MW of new capacity, and during the first quarter of 2019 the Topolobampo II combined cycle (911 MW) was put into operation.

The following combined cycle plants are currently being implemented:

Mexico	MW
El Carmen	866
Topolobampo III	779
TOTAL	1,645

Of these plants, El Carmen combined cycle will come into commercial operation in the course of 2019, and in 2020 the Topolobampo III combined cycle will do so.

2.5. Brazil

Renewable capacity and production

In Brazil, Iberdrola has an installed **renewable capacity** of 2,935 MW, according to the following breakdown:

Brazil	MW
Onshore wind	516
Hydroelectric	2,419
Total Capacity	2,935

Discrepancies possible due to rounding

At the end of August 2017, the corporate restructuring of Elektro and Neoenergia was completed, with Iberdrola obtaining a majority stake in the new incorporated company. As a result, Iberdrola went on to consolidate at EBITDA level the 276 MW of **wind energy** that were managed in investee companies, with 150 MW corresponding to the wind farms of Calango I (30 MW), Calango IV (30 MW), Calango V (30 MW), Caetité I (30 MW) and Caetité II (30 MW); 84 MW of the wind farms of Calango VI (30 MW), Santana I (30 MW) and Santana II (24 MW); 42 MW corresponding to the wind farms of Canoas (31.5 MW) and Lagoa 1 (10.5 MW). There is also the additional 21 MW of Lagoa 1 and 31.5 MW of Lagoa 2 that entered into commercial operation at the end of 2017.

Furthermore, approval was obtained for the construction of a total of 15 projects, for a total of 472 MW of wind energy in the state of Paraíba.

As regards **hydroelectric** energy, the hydroelectric plant of Baixo Iguaçu in the state of Paraná, in the south of the country, is in its final construction phase. The plant has a capacity of 350.2 MW with three generation units and an average generation capacity of 172.4 MW. Works are advancing as expected, with two of the three generation units having been installed. It is therefore expected to be commissioned in the first quarter of 2019.

As regards the **renewable production** in 2018, it reached 10,099 GWh, increasing by 23.2%.

Brazil	GWh
Onshore wind	2,120
Hydroelectric	7,979
Total Production	10,099

Discrepancies possible due to rounding.

2.6. Rest of the World

Renewable capacity and production

Installed **renewable capacity** in the rest of the world totalled 869 MW with the following breakdown (included here is the offshore project of Wikingen):

Rest of the World	MW
Onshore wind ^(*)	513
Offshore wind	350
Solar	6
TOTAL	869

Discrepancies possible due to rounding

(*) Excludes 92 MW from Portugal

At the start of the year, Iberdrola finished installing and commissioning the Wikingen wind farm in the Baltic Sea, with an installed capacity of 350 MW, which is now operational.

In Germany and France, the renewables business is developing **offshore wind projects**.

As regards the projects in France, in April 2012, the consortium formed by Iberdrola, RES and Caisse des Dépôts ("Ailes Marines") was awarded by the French Government the exclusive rights for the operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 496 MW. In April 2017, the project was awarded all necessary permits, which made it possible to start the pre-FID phase with the geotechnical study campaign (now finished). Lastly, in the first half of 2018, the French government decided to negotiate the feed-in tariff for the six offshore projects in development in France, including Saint-Brieuc. This process has already ended, and the agreement reached between the French State and Ailes Marines was formally approved by the Ministry of Energy in November.

As regards projects in Germany, in April this year, Iberdrola took part in the offshore wind energy auction of 2018, submitting offers for its projects **Baltic Eagle** and **Wikingen Süd**, and being awarded 476 MW at Baltic Eagle and 10 MW at Wikingen Süd. Thus, close to a third of the total capacity auctioned (1,600 MW) was guaranteed, and is expected to come into operation in 2023.

At the same time, as regards onshore wind projects, in Greece the construction of the onshore wind farm of Pyrgari has been approved, with 16 MW of capacity.

Onshore wind power is broken down per country as follows:

Rest of the World	MW
Greece	255
Cyprus	20
Hungary	158
Romania	80
Total	513

Discrepancies possible due to rounding

As regards **renewable production**, in 2018 it reached 2,180 GWh, up 67.3% from 2017, with the following breakdown per technology:

Rest of the World	GWh
Onshore wind ^(*)	1,064
Offshore wind	887
Solar	9
Total Production	1,960

Discrepancies possible due to rounding

(*) Excludes 220 Gwh in Portugal

3. Other aspects

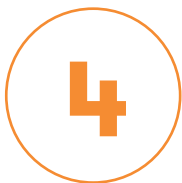
3.1. General Shareholders' Meeting

On 23 October 2018, Iberdrola's Board of Directors agreed to carry out the second edition of the **"Iberdrola Retribución Flexible"** optional dividend system corresponding to financial year 2018, fixing the gross amount of the Interim Dividend per share at a minimum of EUR 0.150 (up 7.1% from 2017). The Supplementary Dividend will be added to this amount, following its approval at the General Shareholders Meeting (payable in July 2019).

To that effect, on 5 February the interim dividend was paid, in which 86.40% of Iberdrola's capital stock opted to receive new company shares, for which Iberdrola will issue 122,828,000 new shares, which implies extending the share capital of the Company by 1,920%, which will be reduced during the year according to its commitment to maintaining the number of shares at 6,240,000,000, once the necessary redemption of shares has been approved at the Shareholders' Meeting.

This "Iberdrola Retribución Flexible" system allows Iberdrola's shareholders to choose from among the following options (or to combine them, with the value of the remuneration to be received being equivalent):

- i. receive their remuneration in the form of fully paid-up new shares;
- ii. transfer all or part of their free allocation rights in the market;
- iii. receive their remuneration in cash via the Interim Dividend payment.



Analysis of the consolidated profit and loss account

The most notable Results figures for financial year 2018 are as follows:

EUR million	Jan-Dec 2018	Jan-Dec 2017	%
REVENUES	35,075.9	31,263.3	12.2
GROSS MARGIN	15,435.1	13,363.8	15.5
EBITDA	9,348.9	7,318.7	27.7
EBIT	5,439.4	2,712.6	100.5
REPORTED NET PROFIT	3,014.1	2,804.0	7.5

At close of 2018, as already seen in the results for the nine-month period, operating results showed an acceleration as from the first quarter, with an EBITDA growth of 27.7% compared with 22.5% for the nine-month period, and 17.1% at close of June, thanks to the good performance of all businesses and all geographical areas.

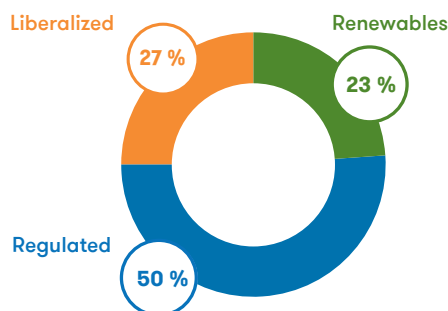
Neoenergia's global consolidation as from 24 August 2017, following the completion of its merger with Elektro, through which Iberdrola now has a 52% stake in the new group, provided EUR 569.7 million to the EBITDA during the financial year. On the other hand, the exchange rate trend for the main currencies deducts a total of EUR 252.3 million.

From an operational perspective, the Networks business benefits from the positive rate agreements in the United States and Brazil. The Renewables business improved its results thanks to a rise in onshore wind output, with a higher average installed capacity and greater wind resource, as well as the contribution of the Wiking offshore wind farm, which is now fully operational following its gradual entry into operation during the first quarter of the year. The increase in hydroelectric production in Spain and Brazil also played a part. On its part, the Generation and Supply Business accelerated its growth thanks to higher sales and commercial activity in Spain, the normalisation of operating conditions in the United Kingdom, and the addition of new capacity in Mexico.

1. Gross Margin

Gross Margin rose to EUR 15,435.1 million, up by 15.5% compared with 2017, given that the consolidation of Neoenergia (EUR 972.1 million) offsets the negative impact of the exchange rate (EUR -406.2 million).

Gross Margin by business



This performance is mainly the result of the following:

- **The Networks business** increased by 12.6% compared with 2017, to EUR 7,641.8 million.
 - In Spain it totalled EUR 2,109.5 million (+5.3%), due to higher recognised revenues (+EUR 105 million) that include positive re-settlements of previous years and a higher level of compensation in connection with the favourable court ruling on facilities transferred to customers (ICAs), including a positive extraordinary impact of EUR 53 million from the amount corresponding to 2016.
 - The United Kingdom contributed EUR 1,222.4 million (+4.2%) due to the rise in transmission and distribution revenues as a result of a greater asset base, despite being negatively affected by the depreciation of the pound.
 - The United States' contribution during the period is EUR 2,779.9 million (+0.9%),

affected by the depreciation of the US dollar (in local currency it increased by 5.7%), as the rate agreements in force and positive IFRS adjustments offset the negative impact of rate adjustments corresponding to the tax reform from the third quarter onwards.

- Gross Margin in Brazil came to EUR 1,529.9 million (EUR +673.7 million); this increase is due to the integration of Elektro and Neoenergia businesses (EUR +784.1 million) as from 24 August 2017, and includes the rate review of Coelba (+16.95%) and Cosern (+15.61%) since May 2018, and a greater demand (+2.5%). This business is also negatively affected by the depreciation of the Brazilian real (EUR -145.5 million).
- **The Renewables business** had a Gross Margin of EUR 3,610.9 million (+29.4%).
 - In Spain, it came to EUR 1,579.8 million (+34.5%) thanks to greater wind output (+3.9%) and hydroelectric output (+72.0%).
 - Gross Margin in the United Kingdom was up by 17.7% to EUR 643.7 million, due to an increased onshore wind output (+106.9 MW, +6.0%) and load factor (+1.6 p.p.), together with better prices and higher ROCs.
 - United States contributed EUR 835.1 million (+6.7%) as a result of the increase in output (+9.7%) thanks to the higher average operating capacity (+417.9 MW, +7.2%) and a higher wind resource (+0.8 p.p.), affected by the depreciation of the dollar (EUR -39.1 million).
 - Brazil contributed EUR 178.2 million (+94.2%) due to the increase in onshore wind and hydroelectric output, due both to the new capacity commissioned and to the corporate reorganisation (920 MW in total).
 - Mexico was up by 23.5% to EUR 87.9 million, thanks to a higher output (+13.7%) which offset the depreciation of the dollar (the country's functional currency).
 - The Rest of the World's contribution totalled EUR 286.3 million (+129.8%) thanks to an increase in production as Wikinger was gradually brought on stream in the first half of the year. This wind farm is now fully operational (350 MW).
- **The Generation and Supply business** increased by 11.0%, totalling EUR 4,167.9 million.
 - In Spain, it totalled EUR 2,414.6 million (5.3%), as a result of the increase in sales (97,400 GWh, +12.1%) together with greater commercial activity (including Products and Services).
 - The United Kingdom's Gross Margin totalled EUR 862.8 million (+16.2%) due to the normalisation operating conditions, the continued roll-out of smart meters, and the contribution of capacity payments, despite it being affected negatively by the depreciation of the pound (17.3% increase in local currency).
 - Mexico contributed EUR 756.6 million to the Gross Margin due to the operational improvement of the generation assets and the new installed capacity for cogeneration (Altamira and Bajío). In the fourth quarter of 2018 and the first quarter of 2019, the combined cycles of Escobedo and Topolobampo II (with a total power of 1,789 MW) were commissioned, which will contribute to growth in 2019.
 - Brazil's contribution to the Gross Margin is EUR 133.9 million compared with EUR 75.2 million a year earlier. This difference is due to the consolidation of Neoenergia.
- The contribution of **Other Businesses** stands at EUR 58.0 million versus EUR 70.2 million in 2017, following the discontinuation of the Engineering business at year-end 2017 and the sale of the gas trading and storage business in the United States during 2018.

2. Gross Operating Result - EBITDA

Consolidated EBITDA dropped by 27.7% versus 2017, to EUR 9,348.9 million.

In addition to the already mentioned Gross Margin trend, Net Operating Expenses decreased by 0.4% (EUR -15.4 million) to EUR 4,155.2 million, which drops by 6.9% when excluding the effect of the consolidation of Neoenergia (EUR -399.0 million), and the exchange rate trend (EUR 128.5 million). This item is positively affected by the

negative impact of the efficiency plans of 2017 (EUR 203 million) and IFRS 15, which reduces the Net Operating Expense by EUR 162 million

The Taxes item increased by 3.0% to EUR 1,931.0 million, due to higher taxes on generation in Spain as a result of higher production and prices, the non-recurring reversal of local taxes and the increase in taxes in the US Networks. The effect of the exchange rate reduces this item by EUR 25.5 million.

3. Net Operating Result - EBIT

EBIT was EUR 5,439.4 million, a 100.5% rise compared with 2017.

Amortisation and Provisions dropped by 15.1%, totalling EUR 3,909.5 million:

- Amortisation grew by 12.7% to EUR 3,586.4 million, due to the increase in the Group's activity and the consolidation of Neoenergia and IFRS 15.
- Provisions came to EUR 323.2 million, reduced by EUR 1,099.3 million (-77.3%) as a result of write-offs recorded in 2017 (EUR 743 million for gas in USA and Canada and EUR 450 million in Renewables USA following the tax reform).

4. Financial result

Net Financial Result was EUR 1,156.1 million, increasing by EUR 219 million a 23% increase compared with 2017 mainly due to the recovery of Neo's financial costs throughout the year.

1. The reduction in financing costs, a result of the optimisation and diversification of financing sources, has led to an improvement of the debt result, which has more than offset the increase in the average balance of EUR 1,150 million (not taking into account Neoenergia) due to the investment drive.
2. The reinterpretation of IFRS9, which reflects the higher effective interest rate on financial liabilities with substantial modifications, as compared to that applied in 2017, has meant a negative result of EUR 34.6 million.
3. The positive result of derivatives and others decreased by EUR 32.4 million mainly due to net profit hedging trends for the main currencies, an impact which is offset in the operating result.

4. Lastly, Neoenergia's consolidation for a full year as a result of the restructuring in Brazil, compared to the four months of the previous year, has negatively affected the Financial Result by EUR 158.7 million

Financial result	Dec -18	Dec -17	Diff.
Debt result	-913.3	-920.1	6.7
IFRS9	-34.6	-	-34.6
Exchange differences, derivatives and others	36.2	68.7	-32.4
Restructuring Brazil	-244.4	-85.7	-158.7
Total	-1,156.1	-937.1	-219.0

5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method improved and increased to EUR 4.7 million compared with EUR -281.7 million as at close of 2017 due to the improvement of the Engineering result compared with last year, accounted for in this item after having discontinued this activity at close of 2017. Neoenergia went on to consolidate globally rather than by the equity method on 24 August 2017.

6. Income from Non-current Assets

Income from Non-current Assets totalled EUR 8.8 million versus EUR 279.1 million in 2017, thanks to the merger of Gamesa and Siemens Wind (EUR 255 million), including an extraordinary merger dividend of EUR 198 million.

7. Net Profit

Lastly, **Net Profit** stood at EUR 3,014.1 million, up 7.5% compared with the close of 2017, despite the aforementioned recognition of the extraordinary impact of the Gamesa-Siemens merger, which has not had any effect in this financial year and the negative contribution of currencies, which has reduced Net Profit by EUR 110 million compared to 2017.

5.

Results by business

1. Networks Business

The key figures for the Networks business are as follows:

(EUR million)	12M 2018	vs 12M 2017
Revenues	12,861.2	20.3%
Gross margin	7,641.8	12.6%
EBITDA	4,915.0	16.2%
EBIT	3,034.3	14.1%

The Network business's EBITDA went up by 16.2% to EUR 4,915.0 million, increasing its contribution by EUR 686.9 million thanks to an improvement across all geographical areas, after stripping out the exchange rate effect, and thanks to the consolidation of Neoenergia in Brazil.

1.1 Spain

(EUR million)	12M 2018	vs 12M 2017
Revenues	2,125.5	5.4%
Gross margin	2,109.5	5.3%
EBITDA	1,709.4	12.5%
EBIT	1,174.2	17.3%

a) Gross Margin

The Gross Margin of the Networks Business in Spain rose by 5.3% to EUR 2,109.5 million. This is primarily due to higher recognised revenues (EUR +105 million) which include positive re-settlements of previous years and a higher level of compensation in connection with the favourable court ruling on facilities transferred to customers (ICAs), including a positive extraordinary impact of EUR 53 million from the higher amount corresponding to 2016.

b) Operating Profit / EBIT

EBITDA in this business amounted to EUR 1,709.4 million, representing a 12.5% increase. Net Operating Expenses dropped by 21.3% to EUR 310.1 million, mainly due to the efficiency plan. Taxes increased slightly by 0.8% to EUR 90.1 million.

EBIT for the Networks Business in Spain totalled EUR 1,174.2 million (+17.3%). Amortisation and Provisions totalled EUR 535.2 million (+3.3%) due to new assets commissioned.

1.2 United Kingdom

(EUR million)	12M 2018	vs 12M 2017
Revenues	1,275.5	4.4%
Gross margin	1,222.4	4.2%
EBITDA	919.4	3.8%
EBIT	605.3	0.4%

a) Gross Margin

The Gross Margin of the Networks business in the United Kingdom (ScottishPower Energy Networks-SPEN) reached EUR 1,222.4 million (+4.2%), due to higher revenues from transmission and distribution as the result of a greater asset base, and despite the exchange rate, which deducts EUR 11 million, the Gross Margin increase in local currency being 5.1%.

b) Operating Profit / EBIT

EBITDA totalled EUR 919.4 million (+3.8%; +4.7% in local currency), with a rise in Net Operating Expenses (+6.5% to EUR 197.6 million) and of Taxes (+3.4% to EUR 105.4 million), influenced by the increased business activity.

Amortisation and Provisions totalled EUR 314.1 million (+11.0%, +12.0% in local currency), mainly due to the new assets commissioned, especially the Western Link undersea interconnection project.

1.3 United States-AVANGRID

(EUR million)	12M 2018	vs 12M 2017
Revenues	4,274.8	4.7%
Gross margin	2,779.9	0.9%
EBITDA	1,331.2	-0.2%
EBIT	712.1	-8.5%

a) Gross Margin

The Gross Margin increased by 0.9% to EUR 2,779.9 million, affected by the depreciation of the dollar; stripping out the exchange rate effect, the Gross Margin would have risen 5.7% thanks to higher revenues due to the rate agreements in New York and Connecticut and positive IFRS-related adjustments. In the third quarter, the rate adjustment started to be recognised as a result of the fiscal reform, with a negative impact this year (EUR -42 million), with no impact on net profit due to lower tax rate.

b) Operating Profit / EBIT

EBITDA of the Networks Business in the United States stands at EUR 1,331.2 million (-0.2%, +4.5% in local currency). Aside from the aforesaid change in Gross Margin, there was a rise in Net Operating Expenses of EUR 1,000.2 million (2.5%) because of the cost of the storms during the year (EUR -40 million), which is partly offset by the exchange rate trend (EUR 47 million). Meanwhile, the Taxes item increased slightly by 0.9% to EUR 448.4 million, due to the transfer of certain taxes from Corporation to Networks, the amount of which is offset in Corporation, and it was also positively affected by the depreciation of the dollar.

EBIT totalled EUR 712.1 million (-8.5%), following the deduction of Amortisation and Provisions totalling EUR 619.1 million and increasing by 11.5% due to the greater number of assets commissioned and to the adjustment in the accounting criteria for bad debt provisions.

1.4. Brazil

(EUR million)	12M 2018	vs 12M 2017
Revenues	5,185.4	53.8%
Gross margin	1,529.9	78.7%
EBITDA	955.0	95.5%
EBIT	542.8	96.1%

a) Gross Margin

The Gross Margin increased by EUR 673.7 million to EUR 1,529.9 million at close of 2018, thanks to the consolidation of Neoenergia throughout the year versus four months in 2017, including the positive impact of the rate review of Coelba and Cosern since May 2018 (+16.95% and +15.61% respectively), the higher demand (+2.5%), and despite the exchange rate, which reduces it by EUR 145.4 million.

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 955.0 million – a EUR 466.5 million improvement.

Net Operating Expenses increased to EUR 571.1 million, affected by the corporate reorganisation (EUR 313.5 million) and offset by the efficiencies achieved and the impact of the depreciation of the Real (EUR 50.2 million).

Amortisation and Provisions amounted to EUR 412.2 million (EUR +200.6 million), equally affected by the consolidation of Neoenergia (EUR 203.4 million), given that the exchange rate trend offsets the increase due to a greater number of assets commissioned. As a consequence of this, EBIT was at EUR 542.8 million.

2. Renewables Business

(EUR million)	12M 2018	vs 12M 2017
Revenues	4,045.0	28.0%
Gross margin	3,610.9	29.4%
EBITDA	2,444.7	39.3%
EBIT	1,396.9	N/A

a) Gross Margin

At the close of 2018, the Gross Margin was at EUR 3,610.9 million, a 29.4% increase compared to 2017.

By technologies, this rise is mainly explained by the increase in the contribution of hydroelectric energy thanks to the normalisation of its production during 2018, and a greater onshore wind production in the main countries where the country operates, as well as the contribution of Wiking offshore wind farm, which is already operating at full capacity following its progressive entry into operation during the first half of the year.

The main explanatory factors for the variation in the consolidated Gross Margin show the following changes:

- **Average operating capacity** during the period grew by 6.0% thanks to the increases in wind capacity in the United States (417.9 MW) and United Kingdom (106.9 MW) and the increase in onshore wind and hydroelectric energy in Brazil (920 MW jointly, due both to the new capacity commissioned and to the corporate reorganisation). This growth, coupled with the greater number of hours in operation of most renewable technologies (+20.4% compared with the previous year), boosted production by 27.7% compared with 2017, to 53,402.5 GWh (excluding production in farms from investee companies).
- The **average sale price of renewable production across the world** stands at 67.6 EUR/MWh, rising slightly compared with that of last year (+1.3%), and primarily affected by the sharp depreciation of the Brazilian Real (-19.5%)

and the US Dollar (-4.7%), and to a lesser extent, the British Pound (-0.9%).

- The consolidated **load factor** is at 22.6% at close of year, higher by 3.8 p.p. compared with 2017, although with differences according to the technology:

Technology	2018
Onshore wind	27.0%
Offshore wind	36.9%
Hydroelectric	15.8%
Other technologies	23.1%

The trend of the results must be analysed separately for each market in which the Company operates. By geographical area, the Gross Margin has been as follows:

- **Renewables, Spain:** The contribution of the hydroelectric (+83.6%) and wind (+8.4%) segments in Spain to the Gross Margin boosted results, which grew by 34.5% versus 2017, to EUR 1,579.8 million. This growth is due to an increase in the production of both technologies (+32.6%), thanks to the normalisation during 2018 both of the hydroelectric production and of the wind energy (+1.0 p.p.).
- **Renewables, USA:** The increase in average operating capacity, both in onshore wind capacity and solar PV (+463.4 MW, +7.9%), and the increase in operating hours (+2.6%), boost total production by 9.7% and the gross margin by 6.7% to EUR 835.1 million, despite the depreciation of the US dollar and lower prices.
- **Renewables, United Kingdom:** The contribution to the gross margin of the renewables business in the United Kingdom grew by 17.7% compared with last year, reaching EUR 643.7 million. The onshore wind energy stands out among these technologies, due to its greater average operating capacity (+106.9 MW, +6.0%) and the greater load factor (+1.6 p.p.) experienced during the year. Offshore wind energy at West of Duddon

Sands and hydroelectric energy in the United Kingdom also contributed to the gross margin due to the increase in average price, which offset the higher production of both of these, and the depreciation of the pound sterling (-0.9%).

- **Renewables Mexico:** Gross Margin reached EUR 87.9 million. The recovery of wind energy during 2018 (+3.8 p.p.) boosted production by 13.7% compared with 2017.
- **Renewables, Brazil:** The Gross Margin increased significantly (+94.2%) to EUR 178.2 million due mainly to the consolidation over the year of Neoenergia's installed capacity compared to four months in 2017. On the opposite side of the scale we have the depreciation of the Brazilian Real (-19.5%).
- **Renewables, Rest of the World:** The contribution to the Gross Margin to the renewables business reached EUR 286.3 million (+129.8%) due to the increase in total production (+57.7%) resulting mainly from the entry into operation of Wikinger in Germany in the first half of 2018.

b) Operating Profit / EBIT

EBITDA increased by 39.3% to EUR 2,444.7 million. As well as the aforementioned rise in the Gross Margin (+29.4%), Net Operating Expenses were up by 1.9% because of higher personnel expenses and operation and maintenance costs (caused by the growth in the business), along with the corporate reorganisation in Brazil, offset by the positive effect of the exchange rate.

Amortisation and Provisions totalled EUR 1,047.8 million, down by 25.3% with regard to the previous year. The main reason for this is the lower value of the renewable business in the U.S. due to the lower tax rate. In addition, amortisations increased by 12.9% due to the increase in average wind capacity in the United Kingdom, in the offshore wind energy in the rest of the world (Wikinger) and in Brazil (due to the consolidation of Neoenergia's renewable capacity).

Lastly, taking into account all of the above, EBIT reached the figure of EUR 1,396.9 million.

3. Generation and supply business

The key figures for the Generation and Supply business are as follows:

(EUR million)	12M 2018	vs 12M 2017
Revenues	20,992.2	7.3%
Gross margin	4,167.9	11.0%
EBITDA	2,038.4	39.3%
EBIT	1,139.1	61.8%

The Generation and Supply business increased its contribution to the Gross Margin (+11.0%) supported by the improvement in the operating environment in all geographical areas, despite the exchange rate effect. These effects more than offset the recognition in the second quarter of 2017 of a positive impact resulting from the extraordinary price review of gas contracts in Spain (EUR 125 million). In addition, the consolidation in Brazil during the whole year also had a positive effect on the business's accounts.

3.1 Spain and Portugal

(EUR million)	12M 2018	vs 12M 2017
Revenues	13,084.8	7.5%
Gross margin	2,414.6	5.3%
EBITDA	1,000.7	28.4%
EBIT	478.9	33.1%

a) Gross margin

Iberdrola's Generation and Supply Business in the Iberian Peninsula recorded a 5.3% increase in its Gross Margin to EUR 2,414.6 million, principally due to:

- Increased Sales, reaching 97,400 GWh (+12.1%).
- Of the energy generated, 77% was distributed through forward sales while 23% was sold on the spot market.

- On the negative side, one should point out the impact of the Gas business compared with 2017 (EUR -77 million), mainly due to the extraordinary revision carried out that year on the prices of our supply contracts portfolio.

In addition, there was increased commercial activity, both due to the sale of electricity and gas and to the contribution of Products and Services.

b) Operating Profit / EBIT

EBITDA increased by 28.4% to EUR 1,000.7 million. As well as the aforementioned growth of the Gross Margin, there was a drop in Net Operating Expenses of 8.5% to EUR 720.3 million, positively affected by the provisions for efficiency plans accounted for in 2017 and the capitalisation of acquisition costs (which in 2017 amounted to EUR 81 million and in 2018 has resulted in an activation of EUR 102 million), by virtue of the application of IFRS 15 regulations.

Furthermore, the Taxes item dropped by 4.6% to EUR 693.5 million, mainly due to the suspension of the 7% tax on generation and the green cent tax on gas in the last quarter of 2018.

The Amortisation and Provisions item increased by 24.4% to EUR 521.9 million, mainly due to the effect of the application of IFRS 15 mentioned above.

As a result of all of the above, EBIT recorded a 33.1% rise to EUR 478.9 million compared with 2017.

3.2. United Kingdom

(EUR million)	12M 2018	vs 12M 2017
Revenues	5,022.7	3.6%
Gross margin	862.8	16.2%
EBITDA	307.2	N/A
EBIT	55.3	N/A

On 31 December 2018, a sale agreement was made effective with Drax for the generation business in the United Kingdom (thermal and hydroelectric capacity), which means that currently the capacity of ScottishPower is 100% renewable.

a) Gross margin

ScottishPower's Energy Wholesale and Retail business reached a Gross Margin of EUR 862.8 million (+16.2%), of which EUR 815 million correspond to the Retail business, EUR 52 million to the Wholesale business and EUR -4 million to the Corporation.

The main reasons for this operating improvement compared with 2017 are as follows:

- Normalization of conditions in the Retail business
- Positive impact of the smart meters installation process
- Contribution of the payments for capacity

b) Operating Profit / EBIT

EBITDA for the Deregulated Business in the United Kingdom reached EUR 307.2 million, compared to EUR 108.1 million of 2017, boosted by the mentioned movement in the Gross Margin. Furthermore, Net Operating Expenses dropped by 10.8%, favoured by the efficiency measures adopted and the application of IFRS 15, which sees customer acquisition costs being recognised under Amortisation (EUR 60 million in 2018). As regards Taxes, they dropped by 18.7%, due to lower expenditure derived from the different energy efficiency programmes (Warm Home Discount and ECO), as they have been active for fewer months than in 2017.

Amortisation and Provisions totalled EUR 251.9 million (+8.5%), an increase mainly due to the application of the aforementioned IFRS 15, and barely offset by the depreciation of the Pound.

As a result, the EBIT level contribution reached EUR 55.3 million compared with the negative contribution of EUR 124.2 million during 2017.

3.3 Mexico

(EUR million)	12M 2018
Revenues	2,246.2
Gross margin	756.6
EBITDA	638.4
EBIT	533.5

a) Gross margin

In Mexico, the Gross Margin totalled EUR 756.6 million, with the weakening of the dollar having a negative impact of EUR 35.4 million on the business.

b) Operating Profit / EBIT

EBITDA totalled EUR 638.4 million. Net Operating Expenses dropped to EUR 116.6 million (-0.7%), mainly as a result of the exchange rate and the application of IFRS 15. The Amortisations and Provisions item increased by 9.5% to EUR 104.9 million, due to new assets commissioned, the cogeneration plants of Altamira and Bajío.

As a result of the above, EBIT for the business reached EUR 533.5 million.

3.4 Brazil

(EUR million)	12M 2018	vs 12M 2017
Revenues	792.9	98.5%
Gross margin	133.9	78.2%
EBITDA	92.0	80.9%
EBIT	71.4	83.6%

The Generation and Supply Business in Brazil is affected mainly by the consolidation of Neoenergía since 24 August 2017, which distorts year-on-year figures.

4. Other Business

In 2017, it was decided to discontinue Engineering, and in 2018 the trading and storage division in the USA was sold. Other Businesses includes the relevant months for trading and gas storage in the USA and the entire year for the rest of the gas business in Canada, along with the real estate businesses.

(EUR million)	12M 2018	vs 12M 2017
Revenues	151.0	-30.3%
Gross margin	58.0	-17.4%
EBITDA	29.0	N/A
EBIT	20.3	N/A

a) Gross Margin

The Gross Margin was down 17.4% to EUR 58.0 million due to a poorer contribution by the real estate business, the depreciation of the dollar, and the sale of part of the North American business in the first half of the year, despite the improved performance of the gas business in Canada.

b) Operating Profit / EBIT

EBITDA dropped to EUR 29.0 million, with Net Operating Expenses lower by 46.4%. Amortisation and Provisions significantly dropped compared with the previous year (-98.9%) due to the write-off recorded in 2017 of the gas business in the US and Canada, causing the resulting EBIT to reach EUR 20.3 million compared with the negative result in 2017.

5. Corporation

The Corporation item includes the Group's overheads and the cost of administration services of the corporate areas that are subsequently billed to the other companies.



Balance Sheet Analysis

January-December 2018

	Dec. 2018	Vs. Dec. 2017
TOTAL ASSETS	113,038	2.1%
Fixed assets	66,109	3.2%
Intangible assets	21,000	-0.7%
Long-term investments	5,191	3.5%
Adjusted net debt	43,977	2.9%

At 31 December 2018, Iberdrola's Balance Sheet shows Total Assets of EUR 113,038 million, up EUR 2,349 million versus December 2017.

1. Fixed assets

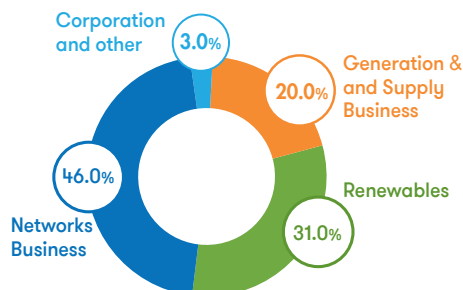
Net investments for 2018 totalled EUR 5,320.4 million. The breakdown is as follows:

(EUR Million)	Jan-Dec 2018	%
Networks business	2,463	46.3
Spain	345	
UK	466	
USA	930	
Brazil	722	
Generation and Supply	1,051	19.7
Spain	229	
UK	194	
Mexico	616	
Brazil	12	
Renewables	1,672	31.5
Spain	329	
UK	398	
USA	366	
Brazil	163	
Mexico	282	
RoW	134	
Corporation and Other Businesses	134	2.5
Total Net Investment	5,320	100%

Investment for the period concentrated on the Networks and Renewables Business, in line with

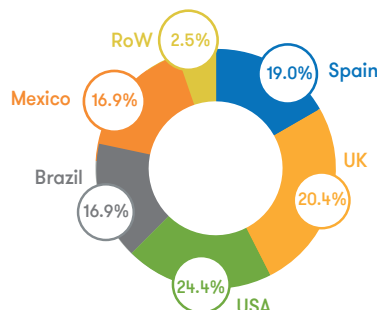
our strategy. These two businesses account for 77.8% of the total investment.

Investments by business (Jan-Dec. 2018)



The following figure shows the geographical distribution of the investment for the period:

Investments by geographical areas (Jan-Dec 2018)



The investment in the Renewables business reached EUR 1,673 million, equivalent to 31.4% of the total. It is worth noting the EUR 398.2 million invested in the United Kingdom, mainly in the East Anglia 1 offshore wind project.

Regarding the "Networks Business", most investments were made in the USA and Brazil, for total amounts of EUR 930.1 million and EUR 772 million, respectively.

2. Share capital

The Share Capital of the Company at 31 December 2018 amounted to 4,798,221,750.00 euros, which consists of 6,397,629,000 shares having a nominal value of 0.75 euro each. It is totally subscribed and paid up.

3. Financial Debt

Adjusted net financial debt at 31 December 2018 is reduced by EUR 230 million compared to the nine months of the year (34,379 M Eur) to EUR 34,149 million. In the annual comparison, the adjusted net financial debt figure increased by EUR 1,294 million, from EUR 32,856 million at the close of 2017, as a result of the strong investment process being developed by the group.

As a result, adjusted financial leverage increases to 43.7% compared to 43.4% registered at 31 December 2017.

The ratings issued by rating agencies are as follows:

Iberdrola's Credit Rating

Agency	Rating	Outlook	Last rating date
Moody's	Baa1	Stable	14 March 2018
Fitch IBCA	BBB+	Stable	8 July 2016
Standard & Poor's	BBB+	Stable	22 April 2016

Regarding the trend in the Company's financial cost, at 31 December 2018 was at 3.40%, up 22 b.p. from the 3.18% registered as at 31 December 2017, due to Neoenergia integration as 2018 includes the entire year and 2017 just four months.

The financial debt structure can be broken down by currency* and interest rate** as follows:

	Dec 2018	Dec 2017
Euro	42.5%	40.9%
British Pound	17.3%	20.1%
Dollar	29.7%	28.5%
Brazilian Real and other currencies	10.5%	10.6%
Fixed Rate	78.2%	65.0%
Variable Rate	21.8%	35.0%
(*) Net Financial Debt including interco hedging and net investment derivatives		
(**) Net Financial Debt including Forward Start Swaps (2018: EUR 4,642 million; 2017: EUR 4,600 million)		

In accordance with the policy of minimising the Company's financial risks, the foreign currency risk has continued to be mitigated through the financing of the international businesses in local currencies (British pound, Brazilian real, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico). The share of fixed-rate debt continues to rise, sitting at 78.2% at the end of 2018, including 13.6% of Forward Start Swaps.

The debt structure* by country is shown in the following Table:

	Dec 2018	Dec 2017
Corporation	71.9%	73.2%
UK	6.3%	6.5%
USA	16.7%	15.8%
Brazil	2.6%	2.3%
Mexico	1.1%	0.9%
Others	1.3%	1.3%
Total	100.0%	100.0%
(*) Gross Financial Debt excluding NEO		

This debt* can be broken down by financing source as follows:

	Dec 2018	Dec 2017
Euro Bond Market	35,5%	37,7%
Dollar Bond Market	18,8%	17,5%
British Pound Bond Market	7,6%	7,8%
Remaining bonds	5,2%	3,7%
Notes	6,6%	5,6%
Multilaterals	8,5%	7,9%
Structured financing	1,9%	1,1%
Bank financing	15,9%	18,7%
Total	100.0%	100.0%

(*) Gross Financial Debt.

At the close of the six-month period, Iberdrola has a robust liquidity position totalling EUR 13,012 million, which is equivalent to more than 24 months of the Company's financing needs.

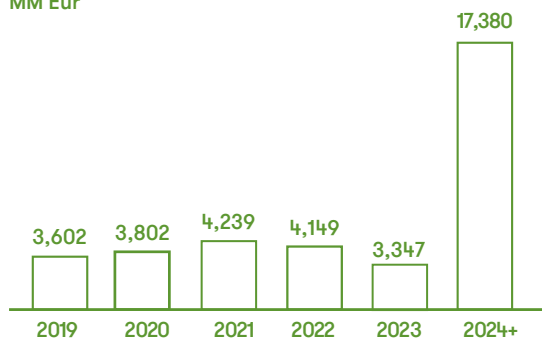
M Eur

Credit lines	Available
Total credit line	10,211
Cash and cash equivalents	2,801
Total Adjusted Liquidity	13,012

Iberdrola has a good debt maturity profile, with an average term of around six years. The following table shows the financial debt maturity profile (*).

Debt maturity profile

MM Eur



(*) Excludes credit lines

2023+ includes USD 400 million with a 1+1 year extension option

Lastly, the change in **financial leverage and ratios** was as follows:

	December 2018	December 2017*
Adjusted Net Equity*	44,027	42,762
Adjusted Financial Debt **	36,518	35,455
Use of credit lines	527	845
Unpaid accrued interest	409	409
Liability derivatives	486	377
Adjusted Gross Financial Debt**	37,940	37,086
Derivative debt asset instruments	2,879	3,261
Cash and cash equivalents	912	969
Adjusted Net Financial Debt**	34,149	32,856
Adjusted Leverage	43.7%	43.4%
Adjusted Funds from Operations (FFO)*** / Adjusted Net Financial Debt**	21.5%	21.1%
Adjusted Retained Cash Flow (RCF)**** / Adjusted Net Financial Debt**	20.2%	18.2%
Adjusted Net Financial Debt** / Adjusted EBITDA*****	3.65x	4.05x

(*) Restated

(**) Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 50 million at 12/31/2018 and EUR 29 million at 12/31/2017)

(***) Adjusted FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies Consolidated by the Equity Method - Net Non-recurring Results - Financial Prov. Capitalisation + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects Adjusted by "Exit Plan" (EUR 0 million at 12/31/2018 and EUR 152.7 million at 12/31/2017)

(****) Adjusted RCF = Adjusted FFO - Cash dividends - Hybrid issue interest

(*****) Adjusted by the "Exit Plan" (EUR 0 million at 12/31/2018 and EUR 203.3 million at 12/31/2017)

4. Working capital

The working capital recorded an increase of EUR 159 million over the last 12 months, as a result of several effects:

- An increase in working capital as a result of the rise in inventories (EUR 304 million) and trade and other receivables (EUR 242 million).
- A reduction in working capital because of the net drop in assets held for sale (EUR 160 million) and net increase in payables to public administrations (EUR 249 million).
- Other effects to a lesser extent.

Current Assets

CURRENT ASSETS	Dec-18	Dec-17	Variation
Assets held for sale	62	356	(294)
Nuclear Fuel	273	332	(59)
Inventories	2,174	1,870	304
Trade and other receivables	6,098	5,856	242
Current financial investments	572	601	(29)
Asset derivative financial instruments	225	175	50
Public Administrations	756	865	(109)
TOTAL CURRENT ASSETS*:	10,160	10,054	106

* Does not include cash or debt asset derivatives

Current Liabilities

CURRENT LIABILITIES	Dec-18	Dec-17	Variation
Liabilities held for sale	1	135	(134)
Provisions	580	627	(47)
Liability derivative financial instruments	209	136	74
Trade and other payables	7,087	7,173	(86)
Public Administrations	1,389	1,249	140
TOTAL CURRENT LIABILITIES**:	9,266	9,319	(53)

** Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	894	735	159
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5. Funds From Operations

Funds from Operations at 31 December 2018 are up 13.1% at EUR 7,328.4 million.

	Jan-Dec 2018	Jan-Dec 2017 (*)	Variation
Net Profit	3,014.1	2,804.0	210.1
Amortisations and provisions	3,909.5	4,606.1	-696.5
P/L, Equity Accounted Companies	-4.7	281.7	-286.5
Non-recurring	-8.9	-279.1	270.2
Non-recurring taxes	-22.1	-1.1	-21.0
Financial provisions capitalised	148.8	158.5	-9.7
P/L, Minority Interests	323.3	366.0	-42.7
Goodwill tax deductibility (**)	-	179.5	-179.5
Dividends, Equity Accounted Companies	46.6	255.5	-208.9
Allocation of capital subsidies to income	-78.3	-79.8	1.6
Tax Reform USA	-	-2,025.5	2,025.5
Negative fiscal items (non cash)	-	213.7	-213.7
FFO	7,328.4	6,479.4	849.0

(*) Restated
(**) Cash flow

6. Financial transactions

Main new financing transactions carried out in 2018

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Celpe ^a	Loan 4131	46	USD	3m+1.50%	Jan-21
Iberdrola Finanzas	Private issue extension	200	EUR	1.621%	Nov-29
Iberdrola Finanzas	Private issue	200	EUR	3m+0.35%	Feb-20
Iberdrola SA ^b	Sustainable syndicated credit line	2,979	EUR	-	Feb-23
Iberdrola SA ^b	Sustainable syndicated credit line	2,321	EUR	-	Feb-23
Celpe	Debentures	500	BRL	119.6% CDI	Feb-23
Iberdrola International	Hybrid green bonds	700	EUR	2.625%	Undated
Iberdrola Finanzas ^a	Private issue	800	NOK	3.010%	May-28
Iberdrola Finanzas	Private issue	30	EUR	1.128%	Jun-25
Iberdrola Finanzas	Green bonds	750	EUR	1.250%	Oct-26
Coelba ^c	Debentures	1,200	BRL	117% CDI	Oct-22/Apr-23
Coelba	Debentures infraestructuras	1,200	BRL	IPCA+6.22%	Abr-23
Elektro ^c	Debentures	1,300	BRL	113% CDI	May-21/ May-23/May-25
Elektro	Debentures infraestructuras	300	BRL	IPCA+5.9%	May-25
NYSEG	Tax-exempt bonds	174	USD	3.000%	Jun-23/Oct-29
RG&E	Tax-exempt bonds	152	USD	3.000%	Jun-25
Iberdrola México ^d	Syndicated green loan	400	USD	-	May-23
El Cabo	Tax equity investment	213	USD	-	-
Elektro ^a	Loan 4131	100	USD	3.6937%	May-22
Celpe ^a	Loan 4131	80	EUR	1.679%	Jul-22
Avangrid ^e	Sustainable syndicated credit line	2,500	USD	-	Jun-23
Cosern	Infrastructure debentures	130	BRL	IPCA + 5.970%	Jul-23
Termopernambuco	Debentures	300	BRL	1174% CDI	Aug-23
Celpe	Infrastructure debentures	600	BRL	IPCA+6.0352%	Jul-25
Coelba	Infrastructure debentures	800	BRL	IPCA+6.2214%	Jul-25
United Illuminating	Tax-exempt bonds	64.5	USD	2.80%	Oct-23
United Illuminating	Private issue	100.0	USD	4.070%	Oct-28
Iberdrola Finanzas ^a	Green bonds	50.0	USD	3.724%	Dec-25
Iberdrola Finanzas	Private issue	75.0	EUR	1.621%	Nov-29
Berkshire Gas ^f	Private issue	20.0	USD	4.070%	Jan-29
United Illuminating ^f	Private issue	50.0	USD	4.520%	Jan-49
United Illuminating	Private issue	50.0	USD	3.96%	Dec-25
Connecticut Natural Gas ^f	Private issue	50.0	USD	4.520%	Jan-49
Southern Connecticut Gas ^f	Private mortgage issue	75.0	USD	4.420%	Jan-49
Central Maine Power	Private mortgage issue	60.0	USD	3.950%	Dec-28
Central Maine Power ^f	Private mortgage issue	80.0	USD	3.870%	Jun-26
Central Maine Power ^f	Private mortgage issue	80.0	USD	4.050%	Jan-30
Central Maine Power ^f	Private mortgage issue	80.0	USD	4.200%	Jun-34
Iberdrola Financiación	Bilateral loan	100.0	EUR	-	Nov-25
Iberdrola Financiación	Bilateral loan	200.0	EUR	-	Dec-25
Iberdrola Financiación	EIB loan	500.0	EUR	-	-
Pier ^f	Project Finance	177.0	USD	-	Aug-33
Cosern ^a	Loan 4131	95.0	USD	3.689%	Nov-23
Termopernambuco ^a	Loan 4131	57.0	USD	4.145%	Oct-22
Coelba	BNDES loan	1,043.0	BRL	TLP+1.690%	Dec-25
Celpe	BNDES loan	643.0	BRL	TLP+1.860%	Dec-28
Elektro	BNDES loan	785.0	BRL	TLP+1.760%	Dec-26
Ceu Azul	BNDES loan	600.0	BRL	TJLP+1.780%	Jun-35
Celpe	BNB Loan	574.0	BRL	IPCA+3.300%	Nov-30
Coelba	BNB Loan	800.0	BRL	IPCA+3.300%	Nov-30
Sobral III	BNB Loan	50.0	BRL	IPCA+2.570%	Dec-38

a) Transaction subsequently swapped to the currency of the company

b) Reconfiguration transaction of EUR 4,400 million, already existing, and EUR 900 million of new financing, totalling EUR 5,300 million with an extension option of 1+1 years.

c) Average equivalent cost of different debentures expressed as a reference to the CDI on the date of issue

d) New transaction with the option to extend for 1+1 years

e) Reconfiguration transaction of USD 1,500 million, already existing, and USD 1,000 million of new financing, totalling USD 2,500 million with an extension option of 1+1 years.

f) Financing signed in 2018 which is planned to be made available in 2019.

Main financing extension transactions carried out in 2018

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola Financiación	Bilateral green loan	500	EUR	6 months	19-Aug
Iberdrola Financiación	Syndicated loan	900	EUR	1 year	Mar-21
Iberdrola Financiación	Bilateral loan	75	EUR	1 year	Mar-21
Iberdrola SA	Syndicated credit line	500	EUR	1 year	Jun-23
Iberdrola SA	Bilateral loan	350	EUR	1 year	Jul-22
Iberdrola Financiación	Bilateral loan	600	EUR	1 year	Jul-21

Fourth quarter 2018 financing

Capital Market

In December, the Iberdrola Group made a total of eleven private issues:

- Iberdrola Finanzas closed a green bond of USD 50 million with a 7-year maturity and an equivalent cost of 1.234 %, as well as a EUR 75 million bond with an 11-year maturity and a coupon of 1.621%.
- Several utilities of our subsidiary Avangrid issued nine bonds for a total of USD 545 million, with an average maturity period of 18 years and an average coupon of 4.2%, seven of which (an amount totalling USD 435 million) are expected to be made available during 2019.

2,400 M at an average cost of TLP+1.75% and an average maturity term of eight years.

- A transaction with the BNDES for a hydraulic project for BRL 600 million at a cost of TJLP + 1.79% and a maturity term of 17 years.
- BRL 1,024 million in three loans with the BNB at an average cost of IPCA+3.274% and an average maturity term higher than 12 years, which will be made available in 2019.

Banking market

During the fourth quarter Iberdrola Financiación signed two bilateral loans of EUR 100 million and EUR 200 million with a seven-year maturity.

Our PIER subsidiary in Mexico signed a loan under the category of 'project finance' for USD 177 million with a 15-year maturity and a margin of 2.70% above Libor USD 6 million, to be used to finance a wind farm in the state of Puebla.

Lastly, several Neoenergia companies formalised nine loans during the quarter:

- Two 4131 category loans, for a total of USD 152 million at an average cost of 111.1 % CDI and an average maturity term longer than four years.
- Three BNDES loans with the distributing companies Coelba, Celpe and Elektro for BRL

7. Credit Ratings

	Moody's			Standard and Poor's			Fitch Ibsca		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola, S.A.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Iberdrola Finance Ireland, Ltd. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Iberdrola Finanzas, S.A.U. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Iberdrola Finanzas, S.A.U. (Escala Nacional) (*)	Aa1(mex)	Stable	March 2018	mxAAA		April 2018	AAA (mex)	Stable	March 2018
Iberdrola International, B.V. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Avangrid	Baa1	Stable	July 2018	BBB+	Stable	April 2016	BBB+	Stable	Oct. 2018
CMP	A2	Stable	June 2018	A-	Positive	Jan 2018	BBB+	Stable	April 2018
NYSEG	A3	Stable	July 2018	A-	Stable	March 2018	BBB+	Stable	April 2018
RG&E	A3	Stable	July 2018	A-	Stable	March 2018	BBB+	Stable	April 2018
UI	Baa1	Stable	July 2018	A-	Stable	March 2018	BBB+	Positive	April 2018
CNG	A3	Stable	July 2018	A-	Stable	March 2018	A-	Stable	April 2018
SCG	A3	Stable	July 2018	A-	Stable	March 2018	BBB+	Positive	April 2018
BGC	A3	Positive	July 2018	A-	Stable	March 2018	A-	Stable	April 2018
Avangrid Renewables Holdings, Inc.	Baa1	Stable	June 2018						
Scottish Power, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Scottish Power UK, Plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Scottish Power Energy Networks Holdings, Ltd.				BBB+	Stable	April 2018			
SP Transmission, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
SP Manweb, plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
SP Distribution, plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
ScottishPower Energy Management, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
ScottishPower Energy Retail, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
Scottish Power Investment, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
Neoenegia, S.A.				BB-	Stable	Jan 2019			
Coelba				BB-	Stable	Jan 2019			
Celpe				BB-	Stable	Jan 2019			
Cosern				BB-	Stable	Jan 2019			
Neoenegía (Escala nacional)				brAAA	Stable	Jan 2019			
Coelba (Escala nacional)				brAAA	Stable	Jan 2019			
Celpe (Escala nacional)				brAAA	Stable	Jan 2019			
Cosern (Escala nacional)				brAAA	Stable	Jan 2019			
Elektro (Escala nacional)				brAAA	Stable	Jan 2019			

(*) Guaranteed by Iberdrola, S.A.
Date related to latest review



Financial Statements Tables

Balance Sheet *(Unaudited)***ASSETS**

	December 2018	December 2017	Variation
NON-CURRENT ASSETS	99,696	96,889	2,807
Intangible assets	21,000	21,148	-148
Goodwill	7,838	7,932	-95
Other intangible assets	13,162	13,216	-53
Real Estate properties	429	424	5
Property, plant and equipment	66,109	64,082	2,027
Property, plant and equipment in use	58,518	57,301	1,216
Property, plant and equipment in the course of construction	7,592	6,781	811
Non current financial investments	5,191	5,014	178
Investments accounted by equity method	1,710	1,791	-81
Non-current financial assets	69	65	3
Other non-current financial assets	2,685	2,613	73
Derivative financial instruments	727	545	183
Non-current receivables	1,480	839	642
Deferred tax assets	5,486	5,382	104
CURRENT ASSETS	13,342	13,800	-457
Assets held for sale	62	356	-294
Nuclear fuel	273	332	-59
Inventories	2,174	1,870	304
Current trade and other receivables	6,855	6,721	133
Tax receivables	253	546	-293
Other tax receivables	503	319	185
Trade and other receivables	6,098	5,856	242
Current financial assets	1,178	1,323	-145
Current financial assets	0	2	-2
Other current financial assets	572	599	-27
Derivative financial instruments	606	723	-116
Cash and cash equivalents	2,801	3,197	-396
TOTAL ASSETS	113,038	110,689	2,349

Equity and Liabilities

	Dec. 2018	Dec. 2017	Variation
EQUITY:	43,977	42,733	1,243
Of shareholders of the parent	36,582	35,509	1,073
Share capital	4,798	4,738	60
Unrealised assets and liabilities revaluation reserve	-32	-42	10
Other reserves	32,732	31,436	1,296
Treasury stock	-1,010	-598	-413
Translation differences	-2,919	-2,828	-91
Net profit of the year	3,014	2,804	210
Hybrid Capital	1,726	1,553	173
Of minority interests	5,669	5,671	-3
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	141	15	126
NON-CURRENT LIABILITIES	52,804	51,215	1,590
Deferred income	6,301	6,244	57
Provisions	5,448	5,487	-39
Provisions for pensions and similar obligations	2,420	2,533	-113
Other provisions	3,028	2,953	74
Financial Debt	31,139	29,785	1,354
Loans and others	30,752	29,466	1,286
Derivative financial instruments	387	319	68
Other non-current payables	874	1,141	-267
Deferred tax liabilities	9,043	8,558	484
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	37	33	4
CURRENT LIABILITIES	16,080	16,693	-613
Liabilities held for sale	1	135	-134
Provisions	580	627	-47
Provisions for pensions and similar obligations	23	41	-18
Other provisions	557	586	-29
Financial Debt	7,023	7,510	-487
Loans and others	6,575	7,225	-650
Derivative financial instruments	448	285	163
Trade and other payables	8,477	8,422	55
Trade payables	5,430	5,308	122
Current tax liabilities and other tax payables	349	260	90
Other tax payables	1,039	989	51
Other current liabilities	1,658	1,866	-208
TOTAL EQUITY AND LIABILITIES	113,038	110,689	2,349

(*) Restated

Profit and Loss (Unaudited)

	M Eur		
	December 2018	December 2017	%
REVENUES	35,075.9	31,263.3	12.2
PROCUREMENTS	(19,640.7)	(17,899.5)	9.7
GROSS MARGIN	15,435.1	13,363.8	15.5
NET OPERATING EXPENSES	(4,155.2)	(4,170.6)	(0.4)
Net Personnel Expense	(2,020.0)	(2,171.6)	(7.0)
Personnel	(2,678.7)	(2,776.0)	(3.5)
Capitalized personnel costs	658.7	604.4	9.0
Net External Services	(2,135.2)	(1,999.0)	6.8
External Services	(2,797.2)	(2,578.7)	8.5
Other Operating Income	661.9	579.6	14.2
LEVIES	(1,931.0)	(1,874.5)	3.0
EBITDA	9,348.9	7,318.7	27.7
AMORTISATIONS AND PROVISIONS	(3,909.5)	(4,606.1)	(15.1)
EBIT	5,439.4	2,712.6	100.5
Financial Expenses	(1,996.0)	(1,858.9)	7.4
Financial Income	839.9	921.8	(8.9)
Financial Result	(1,156.1)	(937.1)	23.4
Results of Companies Consolidated by Equity Method	4.7	(281.7)	(101.7)
Results from Non-Current Assets	8.9	279.1	(96.8)
PBT	4,296.9	1,772.8	142.4
Corporate Tax	(959.5)	1,397.1	(168.7)
Minorities	(323.3)	(366.0)	(11.7)
NET PROFIT	3,014.1	2,804.0	7.5

Results by Business (Unaudited)

M Eur

December 2018	Networks	Renewables	Generation and Supply	Other Business	Corp. and adjustments
Revenues	12,861.2	4,045.0	20,992.2	151.0	(2,973.5)
Procurements	(5,219.5)	(434.1)	(16,824.3)	(93.0)	2,930.1
GROSS MARGIN	7,641.8	3,610.9	4,167.9	58.0	(43.4)
NET OPERATING EXPENSES	(2,079.1)	(698.2)	(1,327.4)	(28.0)	(22.4)
Net Personnel Expense	(1,033.2)	(266.7)	(407.0)	(17.6)	(295.5)
Personnel	(1,553.5)	(332.5)	(449.2)	(17.6)	(325.9)
Capitalized personnel costs	520.3	65.8	42.2	-	30.4
Net External Services	(1,045.9)	(431.5)	(920.5)	(10.4)	273.0
External Services	(1,485.2)	(569.1)	(1,046.8)	(10.9)	314.8
Other Operating Income	439.3	137.6	126.4	0.5	(41.8)
Levies	(647.7)	(468.0)	(802.0)	(1.0)	(12.3)
EBITDA	4,915.0	2,444.7	2,038.4	29.0	(78.2)
Amortisation and Provisions	(1,880.7)	(1,047.8)	(899.3)	(8.7)	(73.0)
EBIT/Operating Profit	3,034.3	1,396.9	1,139.1	20.3	(151.2)
Financial Result	(556.9)	(202.1)	(141.8)	(1.2)	(254.1)
Results of companies consolidated by equity method	13.8	12.9	23.6	(30.6)	(15.0)
Results of non-current assets	6.5	(9.9)	20.4	(13.9)	5.7
PBT	2,497.6	1,197.8	1,041.3	(25.3)	(414.6)
Corporate tax and minority shareholders	(769.6)	(309.2)	(240.3)	(7.1)	43.5
NET PROFIT	1,728.0	888.6	801.0	(32.4)	(371.1)

M Eur

December 2017	Networks	Renewables ^(*)	Generation and Supply ^(*)	Other Business ^(*)	Corp. and adjustments
Revenues	10,694.1	3,159.5	19,568.2	216.6	(2,375.2)
Procurements	(3,907.4)	(368.0)	(15,811.7)	(146.4)	2,334.0
GROSS MARGIN	6,786.7	2,791.5	3,756.5	70.2	(41.1)
NET OPERATING EXPENSES	(1,921.9)	(685.0)	(1,431.4)	(52.3)	(80.0)
Net Personnel Expense	(1,085.0)	(257.2)	(446.2)	(28.8)	(354.4)
Personnel	(1,604.8)	(301.9)	(475.3)	(29.0)	(365.0)
Capitalized personnel costs	519.8	44.7	29.2	0.2	10.6
Net External Services	(836.9)	(427.9)	(985.2)	(23.5)	274.4
External Services	(1,223.9)	(534.9)	(1,122.8)	(28.0)	330.8
Other Operating Income	387.0	107.0	137.6	4.5	(56.4)
Levies	(636.8)	(351.7)	(861.4)	(4.9)	(19.8)
EBITDA	4,228.1	1,754.8	1,463.7	13.1	(140.9)
Amortisation and Provisions	(1,568.3)	(1,403.5)	(759.6)	(810.8)	(63.9)
EBIT/Operating Profit	2,659.7	351.3	704.1	(797.7)	(204.8)
Financial Result	(468.3)	(138.6)	(98.3)	(13.0)	(218.9)
Results of companies consolidated by equity method	23.9	(42.3)	4.5	(212.6)	(55.2)
Results of non-current assets	2.6	(0.9)	(1.5)	236.0	42.8
PBT	2,217.9	169.4	608.8	(787.3)	(436.0)
Corporate tax and minority shareholders	548.4	412.5	(173.9)	256.6	(12.4)
NET PROFIT	2,766.3	581.9	434.9	(530.7)	(448.4)

(*) Restated

Networks Business (Unaudited)

M Eur

December 2018	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	2,125.5	1,275.5	4,274.8	5,185.4
Procurements	(16.0)	(53.1)	(1,494.9)	(3,655.5)
GROSS MARGIN	2,109.5	1,222.4	2,779.9	1,529.9
NET OPERATING EXPENSES	(310.1)	(197.6)	(1,000.2)	(571.1)
Net Personnel Expense	(202.6)	(78.6)	(492.6)	(259.4)
Personnel	(312.9)	(234.9)	(688.1)	(317.5)
Capitalized personnel costs	110.3	156.4	195.5	58.1
Net External Services	(107.5)	(119.0)	(507.6)	(311.7)
External Services	(290.6)	(166.8)	(606.2)	(421.6)
Other Operating Income	183.1	47.7	98.6	109.8
Levies	(90.1)	(105.4)	(448.4)	(3.8)
EBITDA	1,709.4	919.4	1,331.2	955.0
Amortisation and Provisions	(535.2)	(314.1)	(619.1)	(412.2)
EBIT/Operating Profit	1,174.2	605.3	712.1	542.8
Financial Result	(63.9)	(127.6)	(157.4)	(208.0)
Results of companies consolidated by equity method	2.8	-	11.1	-
Results of non-current assets	3.3	0.1	2.2	0.9
PBT	1,116.4	477.7	567.9	335.6
Corporate tax and minority shareholders	(259.3)	(88.8)	(226.6)	(194.8)
NET PROFIT	857.0	388.9	341.3	140.8

M Eur

December 2017	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	2,017.2	1,222.0	4,083.2	3,371.7
Procurements	(14.4)	(48.4)	(1,329.2)	(2,515.5)
GROSS MARGIN	2,002.9	1,173.6	2,754.0	856.2
NET OPERATING EXPENSES	(394.0)	(185.6)	(975.6)	(366.6)
Net Personnel Expense	(292.9)	(91.8)	(515.1)	(185.1)
Personnel	(407.6)	(230.1)	(747.6)	(219.5)
Capitalized personnel costs	114.7	138.3	232.5	34.4
Net External Services	(101.1)	(93.8)	(460.5)	(181.5)
External Services	(280.1)	(154.0)	(554.7)	(235.1)
Other Operating Income	179.0	60.2	94.2	53.7
Levies	(89.4)	(101.9)	(444.3)	(1.1)
EBITDA	1,519.5	886.1	1,334.0	488.5
Amortisation and Provisions	(518.2)	(283.0)	(555.4)	(211.7)
EBIT/Operating Profit	1,001.3	603.0	778.6	276.8
Financial Result	(70.0)	(122.0)	(155.9)	(120.5)
Results of companies consolidated by equity method	2.9	(0.1)	14.7	6.4
Results of non-current assets	1.4	0.3	0.9	-
PBT	935.6	481.2	638.3	162.7
Corporate tax and minority shareholders	(194.3)	(91.4)	907.9	(73.8)
NET PROFIT	741.3	389.8	1,546.2	89.0

Renewables Business (Unaudited)

M Eur

December 2018	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	1,696.1	697.5	1,026.9	243.8	91.0	289.7
Procurements	(116.3)	(53.8)	(191.8)	(65.6)	(3.1)	(3.4)
GROSS MARGIN	1,579.8	643.7	835.1	178.2	87.9	286.3
NET OPERATING EXPENSES	(264.8)	(102.6)	(218.4)	(48.3)	(22.1)	(41.3)
Net Personnel Expense	(114.7)	(27.2)	(102.7)	(20.5)	(4.2)	(8.7)
Personnel	(132.6)	(43.1)	(116.6)	(21.6)	(5.5)	(13.2)
Capitalized personnel costs	17.9	15.8	13.9	1.1	1.3	4.5
Net External Services	(150.2)	(75.4)	(115.7)	(27.8)	(17.9)	(32.6)
External Services	(206.4)	(121.7)	(185.1)	(27.9)	(20.9)	(40.6)
Other Operating Income	56.2	46.3	69.5	0.1	3.0	8.1
Levies	(396.4)	(23.6)	(43.7)	(0.5)	(0.4)	(3.4)
EBITDA	918.5	517.5	573.1	129.4	65.4	241.6
Amortisation and Provisions	(329.4)	(162.0)	(359.1)	(53.3)	(25.6)	(118.4)
EBIT/Operating Profit	589.1	355.5	214.0	76.1	39.8	123.2
Financial Result	(62.8)	(41.2)	(36.9)	(32.1)	(12.9)	(16.1)
Results of companies consolidated by equity method	3.6	1.5	(3.5)	11.3	-	-
Results of non-current assets	12.2	-	(23.1)	-	-	1.0
PBT	542.1	315.9	150.4	55.2	26.9	108.1
Corporate tax and minority shareholders	(141.8)	(54.5)	(44.2)	(29.9)	(11.0)	(28.1)
NET PROFIT	400.3	261.3	106.3	25.4	15.9	80.0

M Eur

December 2017 ^(*)	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	1,293.3	601.8	971.1	93.6	73.8	126.0
Procurements	(119.1)	(54.9)	(188.3)	(1.8)	(2.6)	(1.4)
GROSS MARGIN	1,174.2	546.9	782.8	91.7	71.2	124.6
NET OPERATING EXPENSES	(274.3)	(133.5)	(213.4)	(23.7)	(18.3)	(21.7)
Net Personnel Expense	(110.1)	(29.5)	(100.4)	(9.5)	(1.7)	(5.9)
Personnel	(120.8)	(43.5)	(115.6)	(9.5)	(3.4)	(9.0)
Capitalized personnel costs	10.7	14.0	15.2	-	1.7	3.1
Net External Services	(164.2)	(104.0)	(113.0)	(14.2)	(16.6)	(15.9)
External Services	(207.7)	(113.4)	(190.1)	(18.1)	(17.3)	(19.2)
Other Operating Income	43.5	9.4	77.1	3.9	0.7	3.4
Levies	(284.3)	(21.8)	(39.7)	(2.0)	(0.3)	(3.6)
EBITDA	615.6	391.7	529.7	66.0	52.5	99.3
Amortisation and Provisions	(321.8)	(154.7)	(827.3)	(25.0)	(26.9)	(47.8)
EBIT/Operating Profit	293.8	236.9	(297.6)	41.0	25.6	51.5
Financial Result	(69.8)	(28.0)	(4.5)	(19.6)	(14.1)	(2.6)
Results of companies consolidated by equity method	6.8	1.1	(43.9)	(6.4)	-	-
Results of non-current assets	(0.1)	-	0.1	-	-	(0.9)
PBT	230.7	210.1	(345.9)	15.0	11.5	47.9
Corporate tax and minority shareholders	(31.7)	(41.2)	517.9	1.1	(2.8)	(30.8)
NET PROFIT	199.0	168.9	172.0	16.1	8.8	17.1

(*) Restated

Generation and Supply Business (Unaudited)

M Eur

December 2018	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	13,084.8	5,022.7	2,246.2	792.9	(154.4)
Procurements	(10,670.2)	(4,159.9)	(1,489.7)	(659.0)	154.4
GROSS MARGIN	2,414.6	862.8	756.6	133.9	-
NET OPERATING EXPENSES	(720.3)	(448.6)	(116.6)	(41.9)	-
Net Personnel Expense	(269.8)	(122.1)	(7.4)	(7.7)	-
Personnel	(284.1)	(129.0)	(28.3)	(7.7)	-
Capitalized personnel costs	14.3	6.9	20.9	-	-
Net External Services	(450.5)	(326.5)	(109.2)	(34.2)	-
External Services	(510.0)	(386.2)	(136.7)	(33.6)	19.7
Other Operating Income	59.5	59.7	27.5	(0.6)	(19.7)
Levies	(693.5)	(107.0)	(1.5)	-	-
EBITDA	1,000.7	307.2	638.4	92.0	-
Amortisation and Provisions	(521.9)	(251.9)	(104.9)	(20.6)	-
EBIT/Operating Profit	478.9	55.3	533.5	71.4	-
Financial Result	(65.0)	(4.4)	(38.1)	(34.3)	-
Results of companies consolidated by equity method	23.6	-	-	-	-
Results of non-current assets	(2.2)	22.6	-	-	-
PBT	435.3	73.5	495.4	37.1	-
Corporate tax and minority shareholders	(100.4)	13.9	(135.3)	(18.5)	-
NET PROFIT	334.9	87.3	360.1	18.6	-

M Eur

December 2017 ^(*)	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	12,177.4	4,846.5	2,315.0	399.5	(170.2)
Procurements	(9,884.5)	(4,103.8)	(1,668.9)	(324.4)	169.9
GROSS MARGIN	2,292.9	742.7	646.0	75.2	(0.3)
NET OPERATING EXPENSES	(786.8)	(503.1)	(117.5)	(24.3)	0.3
Net Personnel Expense	(281.4)	(139.2)	(19.3)	(6.3)	-
Personnel	(292.5)	(148.9)	(27.7)	(6.3)	-
Capitalized personnel costs	11.1	9.6	8.4	0.0	-
Net External Services	(505.4)	(363.9)	(98.2)	(18.0)	0.3
External Services	(578.6)	(424.9)	(118.2)	(18.8)	17.7
Other Operating Income	73.2	61.0	20.0	0.8	(17.4)
Levies	(726.6)	(131.5)	(3.2)	-	-
EBITDA	779.4	108.1	525.4	50.9	-
Amortisation and Provisions	(419.5)	(232.3)	(95.8)	(12.0)	-
EBIT/Operating Profit	359.9	(124.2)	429.5	38.9	-
Financial Result	(43.0)	(0.3)	(37.3)	(17.7)	-
Results of companies consolidated by equity method	(4.3)	(0.1)	-	8.8	-
Results of non-current assets	(1.6)	0.1	0.1	-	-
PBT	310.9	(124.4)	392.3	30.0	-
Corporate tax and minority shareholders	(84.6)	30.0	(106.4)	(12.9)	-
NET PROFIT	226.3	(94.4)	285.9	17.1	-

(*) Restated

Quarterly Results 2018 (Unaudited)

	M Eur			
	Jan-Mar 2018	April-June 2018	July-Sept 2018	Oct-Dec 2018
Revenues	9,343.5	8,243.1	8,696.0	8,793.2
Procurements	(5,334.7)	(4,583.5)	(5,028.3)	(4,694.2)
GROSS MARGIN	4,008.8	3,659.6	3,667.7	4,099.0
NET OPERATING EXPENSES	(1,000.4)	(1,110.8)	(980.8)	(1,063.1)
Net Personnel Expense	(522.6)	(521.3)	(490.4)	(485.7)
Personnel	(669.7)	(689.4)	(641.7)	(677.9)
Capitalized personnel costs	147.1	168.1	151.4	192.1
Net External Services	(477.8)	(589.6)	(490.5)	(577.4)
External Services	(624.9)	(757.3)	(631.6)	(783.4)
Other Operating Income	147.1	167.7	141.2	206.0
LEVIES	(684.9)	(436.4)	(403.1)	(406.6)
EBITDA	2,323.5	2,112.4	2,283.8	2,629.2
Amortisation and Provisions	(936.3)	(972.3)	(974.7)	(1,026.2)
EBIT/Operating Profit	1,387.2	1,140.1	1,309.1	1,603.0
Financial Expenses	(626.5)	(358.2)	(625.5)	(385.8)
Financial Income	337.9	83.6	325.0	93.4
Financial Result	(288.6)	(274.6)	(300.5)	(292.4)
Results of companies consolidated by equity method	0.6	(8.3)	8.1	4.4
Results of non-current assets	0.5	21.5	0.6	(13.8)
PBT	1,099.7	878.7	1,017.3	1,301.2
Corporate tax	(175.4)	(236.9)	(249.9)	(297.3)
Minorities	(86.3)	(69.3)	(86.9)	(80.8)
NET PROFIT	838.0	572.52	680.4	923.1

	M Eur			
	Jan-Mar 2017	April-June 2017	July-Sept 2017	Oct-Dec 2017
Revenues	8,195.4	6,770.5	6,990.0	9,307.4
Procurements	(4,640.0)	(3,493.3)	(4,082.1)	(5,684.1)
GROSS MARGIN	3,555.4	3,277.2	2,907.9	3,623.2
NET OPERATING EXPENSES	(918.0)	(971.0)	(904.7)	(1,376.8)
Net Personnel Expense	(480.5)	(490.5)	(460.5)	(740.1)
Personnel	(615.5)	(633.3)	(610.6)	(916.6)
Capitalized personnel costs	135.0	142.8	150.0	176.6
Net External Services	(437.5)	(480.6)	(444.2)	(636.8)
External Services	(562.7)	(614.0)	(580.8)	(821.1)
Other Operating Income	125.2	133.5	136.6	184.4
LEVIES	(763.8)	(392.5)	(304.0)	(414.1)
EBITDA	1,873.6	1,913.6	1,699.2	1,832.3
Amortisation and Provisions	(834.0)	(800.4)	(850.7)	(2,121.0)
EBIT/Operating Profit	1,039.6	1,113.3	848.5	(288.7)
Financial Expenses	(503.2)	(186.4)	(538.5)	(630.8)
Financial Income	297.0	(14.2)	306.0	333.0
Financial Result	(206.2)	(200.6)	(232.5)	(297.9)
Results of companies consolidated by equity method	20.2	(9.1)	(40.0)	(252.8)
Results of non-current assets	256.2	(15.1)	518.3	(480.3)
PBT	1,109.8	888.5	1,094.3	(1,319.7)
Corporate tax	(254.6)	(170.1)	(157.9)	1,979.8
Minorities	(27.6)	(27.6)	(38.2)	(272.7)
NET PROFIT	827.6	690.77	898.2	387.4

Statement of Origin and Use of Funds (Unaudited)

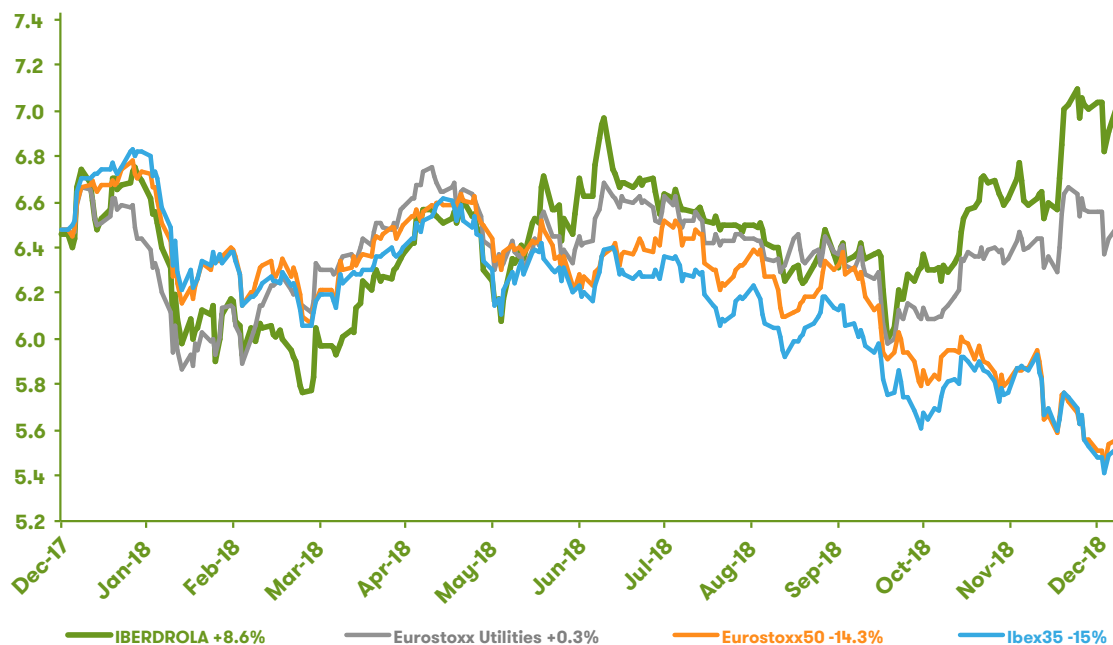
M Eur

	December 2018	December 2017	Variation
EBITDA	9,348.9	7,318.7	2,030.2
Adjustments to results and others	(914.0)	(854.0)	(60.0)
Financial payments and cash receipts	(964.4)	(805.7)	(158.8)
Corporate Tax Payment	(310.8)	(542.2)	231.4
Provision payments (net of normal expenses)	(365.0)	(89.7)	(275.3)
Operating Cash Flow	6,794.7	5,027.2	1,767.5
Dividends Paid	(401.8)	(936.9)	535.1
Total Cash Flow allocations:	(5,731.2)	(5,404.4)	(326.8)
Net Investments	(5,320.4)	(5,890.9)	570.5
Divestments	1,112.9	309.2	803.7
Treasury stock	(1,658.2)	(791.7)	(866.5)
Capital issue	(0.9)	(0.9)	-
Hybrid	135.4	969.8	(834.4)
Exchange rate differentials	(46.5)	1,655.0	(1,701.5)
Brazil's reorganization	-	(3,800.4)	3,800.4
Working capital variations and other variations	(1,929.9)	(10.9)	(1,919.0)
Decrease/(Increase) in net debt	(1,314.7)	(3,470.4)	2,155.7

8.

Stock Market Evolution

Iberdrola stock performance vs Index



Iberdrola's share

	2018	2017
Number of outstanding shares	6,397,629,000	6,317,515,000
Price at the end of the period	7.018	6.460
Average price of the period	6.431	6.603
Average daily volume	18,955,589	21,480,335
Maximum volume (06-15-2018/04-06-2017)	78,341,105	122,920,322
Minimum volume (08-27-2018/08-28-2017)	4,680,119	4,636,525
Dividends paid (€) ⁽¹⁾	0.331	0.317
Gross Final dividend (01-29-2018 /01-23-2017)	0.140	0.135
Gross Interim (07-25-2018 /07-07-2017 and 07-21-2017) ⁽²⁾	0.186	0.177
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield ⁽³⁾	4.71%	4.90%

(1) Dividends paid in the last 12 months

(2) Iberdrola fixed guaranteed price for the rights and 0.03 € in cash in 2017, in 2018 no cash is paid, so it is included in the final dividend.

(3) Dividends paid in the last 12 months and Shareholder's Meeting attendance bonus / price at the end of period.



Regulation

In the fourth quarter of 2018, a group of provisions was approved affecting the energy sector. This section sets out the most significant ones.

1. Regulation in Spain

Energy transition and consumer protection:

Royal Decree Law (RDL) 15/2018 of 5 October has been published, on the subject of urgent measures for energy transition and consumer protection, which modifies Social Bonus by adding a further level of protection for households benefiting from this bonus, with dependant or disabled household members, or with members under the age of 16 years, whose supply goes on to being considered as essential, and therefore cannot be cut in the event of default. The income thresholds for applying for the Social Bonus are increased, as are the annual consumption limits eligible for a discount on the bill.

Furthermore, a Social Bonus for thermal use (heating) is created for beneficiaries of the electricity social bonus, and it will be charged to the General State Budget.

In addition, capacity can be contracted in tranches of multiples of 0.1 kW (previously 1.15 kW), making it possible to adjust contracts to maximum demands, and the COR (Retailer of Reference) is now obliged to inform of the price that the customer would have had with a time discriminating rate.

Charges for self-consumed energy are eliminated, and shared self-consumption is allowed.

As regards sustainable mobility, the figure of the load manager is eliminated and the development of the recharge Network via the distributor when there is no private interest is enabled.

The Tax on the value of electrical energy production IVPEE (7%) is suspended for 6 months (from October 2018 to March 2019) and gas for electrical production becomes exempt from the special tax on hydrocarbons (Green Cent).

Social Bonus 2018. The Ministerial Order for distribution of financing for the Social Bonus for 2018 has been published.

Income and regulated costs of the electricity sector.

Order (TEC/1366/2018) establishing the access tariffs to electrical energy for 2019 has been published. This order maintains the tariffs in force, derogates payments for the availability service, and provisionally maintains remunerations for the transmission and distribution activities (2016 base) until the corresponding Ministerial Orders are published with the definitive remunerations from 2016 to 2019. It also establishes the use of the accumulated surplus funds for the amount strictly necessary to balance income and calculates income derived from PGE as EUR 750 million for CO2 auctions, although the Royal Decree Law on mining published on the same day increases credit for this item up to EUR 1,000 million.

Industry competitiveness. A Royal Decree Law has been approved (RDL 20/2018, of 7 December), on urgent measures for the promotion of economic competitiveness in the industry and trade sector in Spain, which incorporates energy measures regarding the distribution of energy in closed networks and for the electro-intensive industry, both pending regulatory development. Additionally, it extends the return on operations for two years for cogeneration that uses renewable fuels or gas and exceeds its regulatory useful life on a date later than 1 January 2018.

2. Regulation in the United Kingdom

Retail. On 6 November 2018, Ofgem published its decision about the tariff cap, establishing the cap level for the first period (from 1 January to 31 March 2019) at GBP 1,137 for dual customers (gas and electricity) who pay by direct debit and GBP 1,221 for those paying a fixed amount per month. Ofgem will update the limit level every six months, in April and October. Clients currently covered by the limit of the 'Warm Home Discount' (WHD) will be moved to the GBP 1,137 tariff cap, regardless of their payment method. Those covered by the price cap established by the Competition and Market Authority (CMA) are not affected for the moment.

The tariff cap will stay in force until late 2020 and may be extended annually up to 2023.

Capacity Market. The T-1 auction (delivery in 2018/9) of the Capacity Market closed at a price of GBP 6/kW. The T-4 auction (delivery in 2021/22) closed at GBP 8.40 / kW

On 15 November 2018, the European Court of Justice (ECJ) found in favour of Tempus Energy vs. the European Commission, annulling its decision to not raise objections to the State aid scheme establishing a capacity market (CM) in the United Kingdom. Upon knowing the decision, the Department of Business Energy and Industrial Strategy (BEIS) announced a 'waiting period' until the Commission can re-approve the plan for a CM. On 6 December 2018, BEIS published its plan to obtain the re-approval of the State aid, expecting the Commission to issue an Opening Decision about the formal investigation at the start of 2019. BEIS will carry out a T-1 auction during the summer of 2019, with a delivery in the winter of 2019/20, conditioning any agreement to the approval of the Commission's State aid. BEIS has consulted on the changes to CM Regulations / Rules necessary in this respect. BEIS has also consulted on a plan to finance deferred payments to capacity providers (following the re-approval of State aid). The T-4 auction for 2022/23 will be made as a T-3 auction. Before this 'period of inactivity' of the CM, the BEIS launched the 5-year Review of the CM (as required by the Energy Act 2013), with a view to introducing any possible reforms as of winter 2019/20. While the BEIS continues with this Review, its progress has been delayed following the Decision of the Justice Tribunal.

RIIO-2. On 18 December 2018, Ofgem published the RIIO-2 consultation specific for the gas and electricity transmission sector. Ofgem confirms its intention of using as a reference inflation index the CPIH (Consumer Price Index including housing costs) as opposed to the RPI (Retail Price Index) and review the estimated range for the Cost of Equity at 4-5% real annual post-tax. The consultation closes on 14 March 2019, but the final figures will not be established until 2020.

Offshore Wind Energy. On 20 November 2018, BEIS published its draft budget for the next round of offshore wind energy auctions of CfD (Pot 2), which will start in May 2019. The general budget is GDP 60 million (2011/12 prices) for the delivery years of 2023/24 and 2024/25. BEIS expects the budget to back the delivery of around 4GW of new capacity, with a maximum limit of 6GW. The maximum prices established for the offshore wind energy are fixed at GBP 56 /MWh in 2023/24 and GBP 53/MWh in 2024/25 (2012 prices). The final budget and the auction parameters will be published close to the date of the auction.

3. Regulation in the USA

Partial government shutdown. In the absence of an agreement between Congress and the White House regarding a series of draft laws on government financing for financial year 2019, at the end of 2018 there was a partial closure of the government. The Departments of the Interior, Commerce, the Treasury, the Judicial Branch, Homeland Security and other agencies remain closed. The agencies remaining open were those that, like Congress, received financing at the start of 2018 and are, among others, the Department of Energy, the FERC and the Health Services, which finance aid to vulnerable LIHEAP customers.

Offshore wind energy. On 13 December, the Bureau of Ocean Energy Management (BOEM) held an auction of 390,000 acres in Massachusetts. In addition, the BOEM is analysing its third plan for offshore wind energy operations and construction. On 7 December, the BOEM issued the draft Environmental Impact Statement for the Vineyard Wind project for the public comment period.

State legislation. Several states have considered raising their Renewable Portfolio Standard (RPS) in 2018. In Q4 2018 New Jersey and Massachusetts approved laws to promote the development of offshore wind generation.

Furthermore, California passed legislation that offers respite to the utility companies still facing significant obligations due to recent forest fires. The new debt issuance authority is destined to

prevent bankruptcy filings that may negatively affect the existing agreements to purchase energy. However, the forest fires that caused substantial damages at the end of 2018 are not covered by this new law.

4. Regulation in Mexico

Basic Supply Electricity rates: for commercial and industrial rates, the new electricity rate continues to apply, based on the methodology presented in November 2017 by the Energy Regulation Commission (CRE). In the last quarter of the year, the rate showed monthly decreases, arising from the drop in consumption and generation costs. At the end of December the CRE made public two Agreements. The first, in force since December 2018, extends the term for the calculation methodology for the regulated components of the rate (transmission, distribution, connected services and operation of the system and of CFE Suministrador de Servicios Básicos, CFE SSB) until the new provisions are published. The second Agreement defines the methodology for the calculation and adjustment of the final tariffs of CFE SSB, which will update the generation costs on a monthly basis. It is not yet known when they will migrate customers to the new rate scheme.

6. Regulation in Brazil

Liberalization of the electricity market. On 28 December, Ministerial Decree (Portaria) no. 514/2018 was published, anticipating the liberalization of the electricity market, establishing that as from July 2019 consumers with a capacity higher than 2.5 MW (regardless of the voltage contracted) may migrate to the liberalized market, and as from January 2020 consumers with a capacity higher than 2 MW may do so. (The difference with regard to Public Consultation 033 of July 2017 is the intermediate milestone of 2.5 MW).

Currently in Brazil, consumers with a capacity higher than 3 MW or between 0.5 and 3 MW may migrate to the liberalized market in the eventuality

that they are only supplied electrical energy from sources eligible for incentives (wind and solar)

On the other hand, two draft laws are being processed in Congress (1.917/2015 and 232/2016), which contemplate the following market liberalization timeline, regardless of the voltage contracted: 2 MW in 2020, 1 MW in 2021, 0.5 MW in 2022 and 0.3 MW as from 2024.

Privatisation of the distributors managed by Eletrobrás. During the fourth quarter, two auctions have taken place: on 10 December to **privatise Amazonas Energia** and on 28 December to privatise **Companhia Energética de Alagoas (CEAL)**. Below is a summary table:

Distributor	Auction winner	Discount on rate
Companhia Energética do Piauí (CEPISA)	Equatorial Energia	119%
Companhia de Eletricidade do Acre (ELETROACRE)	Energisa	31%
Centrais Elétricas de Rondônia (CERON)	Energisa	21%
Boa Vista Energia S.A. (BOA VISTA)	Consorcio Oliveira Energia	0%
Amazonas Energia	Consorcio Oliveira Energia	0%
Companhia Energética de Alagoas (CEAL)	Equatorial Energia	0%

Auction of electricity transmission lines: On 20 December an auction took place in which 16 lots were offered, comprising 42 transmission lines and 24 transformer substations, distributed across 13 states in the country and with an expected total investment by ANEEL of 13,200 million Brazilian Reais.

Termopernambuco Arbitration. On 28 November, the result of the arbitration between Petrobrás and Termopernambuco was published, in which Petrobrás requested (i) the payment of the ICMS tax in the contract between Copergás and Petrobras and (ii) the review of the price of natural gas in the contracts under the priority gas programme (PPT). The result of the process has been completely favourable for Termopernambuco and the contract terms will apply throughout the validity of the contract.

Regulation of the mechanism for the sale of electrical energy surplus of distributors (Resolution no. 833/2018). This mechanism is regulated by law 13.360/2016 and allows distributors to sell on the liberalized market any surplus energy they have after having supplied their regulated customers. In this mechanism, free consumers may participate as well as special consumers, such as generators, sellers and self-producers. Buyers will declare an amount of energy and price per submarket and per energy type. The price applicable to all participating contracts will be the break-even price of this mechanism given the submarket and the energy type.

At the end of October, a public consultation was opened to refine the regulations applicable to this mechanism regarding the sale of electrical energy, and on 4/12/2018 Resolution 833/2018 was published with the rules regarding marketing, which include: sanctions, sales income from energy sale contracts in the regulated environment and new regulations governing the mechanism to compensate surplus and deficits between distributors and generators (MCSD mechanism).

The first round of this market took place on 26 December 2018 (for a 3-month delivery of energy); the following took place on 14 January 2019, for 11-month delivery of energy (Feb-2019 to Dec 2019), and the following was around 21 January, for a 5-month delivery of energy, with as yet unpublished results.

6. Regulation in the European Union

In December 2018 an agreement was reached between the European Commission, Parliament and Council regarding the Internal Market Directive and Regulations (Market Design), closing the negotiation of the regulations contained in the 'Clean energy for all Europeans' package presented on 30 November 2016. This regulatory package comprises 70 documents of which 8 are

regulatory proposals. As at 31 December 2018 the DOUE has published the following 4 regulations:

Directive 2001/2018 on Renewable Energies:

Establishes a general European renewables target of 32% by 2030, as well as a target of 14% in transport (per country) and an annual indicative percentage increase of 1.3% in heating and cooling. Establishes stable support schemes (not retroactive) for renewables with 5 years' visibility. Allows individual and collective self-consumption, guaranteeing the contribution to costs for the use of the network. It generally prohibits charges for self-consumed energy, but allows them for larger installations (> 30kW) and prioritises the system's sustainability.

Directive 2002/2018 on Energy Efficiency:

It establishes a European target of 32.5% by 2030, setting annual savings obligations per country for 2021-2030 equivalent to 0.8% of their final average energy consumption for the 2016-2018 period. It promotes heating-cooling and transport electrification and expressly specifies that States may use contributions to the Efficiency National Funds as an alternative to the obligation schemes.

Regulation 1999/2018 on Governance:

Establishes the rules for drafting the National Energy and Climate Plans for the States in accordance with European targets for 2030 and their reporting to the EC. It sets a calendar (31/12/18 draft, 31/12/19 final plans) for presentations by the States and comments from the Commission, regarding these Plans, which must include details on the national strategy for the compliance of objectives and the safety of the supply. A supervision mechanism is established for the targets for 2030 that allows the EC to impose measures in the event that the collective targets are at risk.

And a three-way agreement has been reached (Council, European Parliament and European Commission) for the **Market Design** regulations. The main elements of the **Market Design Directive and Regulation** are:

- Capacity mechanisms: An emission limit of 550 gr CO₂ kW/hour was agreed for new plants, which will be applicable as from the entry into force of the regulation enters. For existing plants, as from 1 July 2025 the limit of 550 gr CO₂ kW/hour and 350 kg CO₂ on average per year will apply. Furthermore, as from July 2025 no high emission electrical plant may receive state aid in the form of capacity mechanisms (except for those pledged in the capacity contracts existing prior to 31/12/2019).
- Cross-border electricity trading: Seventy percent (70%) of the interconnection capacity for electricity trading must be left available. As from January 2026, the TSOs may use a maximum of 30% of the interconnection capacity for the security margins, loop flows and internal flows.
- Energy poverty and regulated prices: EU Member States may regulate prices temporarily to help and protect vulnerable households. However, preference should be given to social security systems as a means of addressing energy poverty. EU Member States that maintain regulated prices for domestic consumers may continue doing so, but they should present evaluation reports of the progress towards the abolition of regulated prices.

10.

Iberdrola and Sustainability

Iberdrola's contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels are used for communicating goals, activities and successes achieved in the three areas of sustainable development (economic, environmental and social), as well as receiving evaluations and requests from the parties involved.

1. Sustainability Indicators

Sustainability Indicators	2018	2017
Contribution to GDP (Gross Margin) (*)	0.50%	0.42%
Contribution to GDP (Net revenues) (*)	1.22%	1.15%
Net Profit (EUR million)	3,014.1	2,804.0
Dividend yield (%) (**)	4.71	4.90
CO ₂ emissions over the period (gr. CO ₂ /kWh): Total	163	186
CO ₂ emissions over the period (gr. CO ₂ /kWh): España	82	106
CO ₂ emissions over the period (gr. CO ₂ /kWh): SPW	202	237
CO ₂ emissions over the period (gr. CO ₂ /kWh): EE.UU.	49	53
CO ₂ emissions over the period (gr. CO ₂ /kWh): Brasil	96	121
CO ₂ emissions over the period (gr. CO ₂ /kWh): México	352	358
Emission-free production: Total (GWh)	85,290	74,001
Emission-free production: Spain (GWh)	49,509	42,841
Ratio emission-free production to total production: Total (%)	59%	54%
Ratio emission-free production to total production: Spain (%)	86%	83%
Emission-free installed capacity: Total (MW)	32,354	32,289
Emission-free installed capacity: Spain (MW)	18,966	18,997
Emission-free installed capacity: Total (%)	68%	67%
Emission-free installed capacity: Spain (%)	73%	73%
Ratio high-emission technologies production: Total (%)	1%	2%
Ratio low-emission technologies production: Total (%)	40%	44%

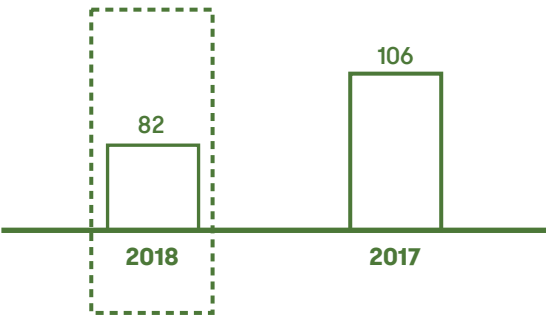
(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Last data published in Q4 2018)

(**) Dividends paid in the last 12 months and Shareholder Meeting attendance bonus/price at the end of period.

SPAIN: Development of specific thermal mix emissions, Global: CO₂, SO₂, particles and NO_x.

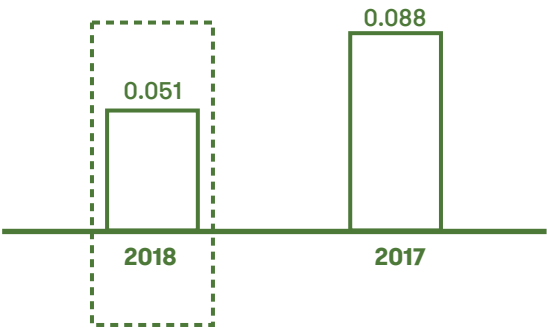
CO₂ specific emissions mix, GLOBAL

(g/kWh)



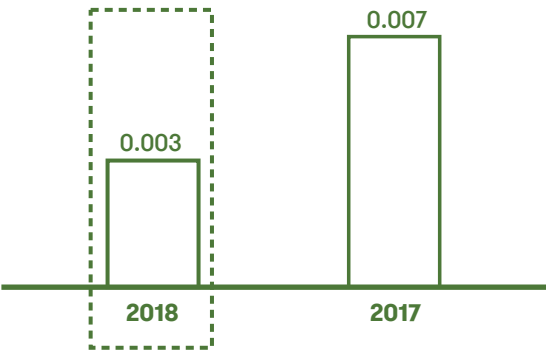
SO₂ specific emissions mix, GLOBAL

(g/kWh)



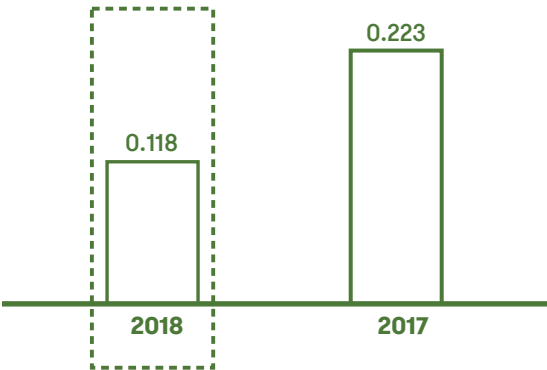
Specific particulate emissions Mix GLOBAL

(g/kWh)



NO_x specific emissions mix, GLOBAL

(g/kWh)

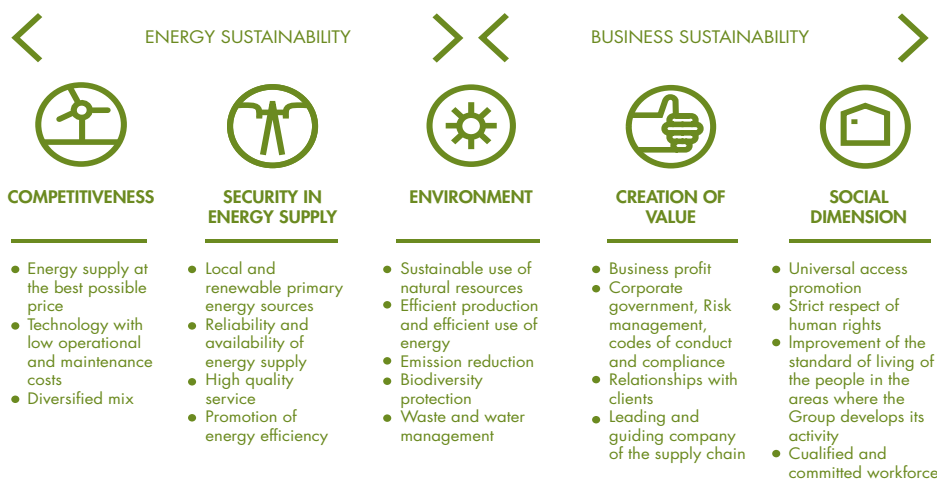


2. Index, rankings and recognitions

Presence of Iberdrola in Indices and Rankings of Sustainability, Reputation and Corporate Governance.

Sustainability	
	Ranking
Dow Jones Sustainability World Index 2018	Selected in the utility sector. Iberdrola member in all editions
FTSE4Good	First utility with nuclear assets to meet standards for FTSE4Good. 8 years in a row selected
CDP Index 2018	A
2018 World's Most Ethical Company	Iberdrola selected. Only Spanish utility
Bloomberg Equality Index 2019	Iberdrola selected for the second consecutive year
Sustainability Yearbook ROBECOSAM 2018	Classified as "Silver Class" in the electricity sector.
ISS-oekom	Iberdrola selected Prime
Euronext Vigeo Eiris index: World 120, Eurozone 120 & Europe 120	Iberdrola selected
Newsweek and Green Rankings 2017	Iberdrola fifth utility worldwide
MSCI Global Sustainability Index Series	Iberdrola selected AAA
EcoAct	Iberdrola first utility in the ranking
Forbes	Iberdrola selected in Forbes 2018: GLOBAL World's Largest Public Companies 2000
MERCO 2018	mercoEmpresas: Leader among Spanish utilities: energy, gas, and water industry
Stoxx Global ESG Leaders/Eurostoxx Sustainability 40/Eurostoxx ESG Leaders 50	Iberdrola selected
Influence Map	Iberdrola selected
2017 ET Carbon Rankings	Iberdrola selected
ECPI	Iberdrola lected in several Sustainability Indices
Fortune Global 500	Iberdrola selected
Energy Intelligence	Iberdrola among the top three utilities in the EI New Green Utilities Report 2018

Sustainability Policy:



3. Contribution to social development

Iberdrola's most significant actions during the period from January to December 2018, with regard to social development, have been:

3.1.- Corporate Social Responsibility Recognition

- **Iberdrola once again makes it into the Dow Jones Sustainability Index 2018**

Iberdrola has once again been included in the prestigious Dow Jones Sustainability Index (DJSI), the global indicator of reference for measuring the contribution of companies to sustainable development. The company has been awarded an overall score of 87 points in the 2018 edition. Furthermore, it is the only European electricity company to have been included in all 19 editions of the DJSI, which is clear evidence of its firm commitment to sustainability and of its strategy, which is designed to respond to the main financial, environmental and social challenges it faces.

- **Iberdrola, the only Spanish electricity company included in the '2019 Bloomberg Gender-Equality Index'**

For the second consecutive year, Iberdrola has been included in the '2018 Bloomberg Gender-Equality Index (GEI)' created by Bloomberg to recognise companies that have undertaken a firm and solid commitment to gender equality. This second index includes a total of 230 companies from 36 countries and 10 business sectors with a market capitalisation of USD 9 billion and 15 million employees throughout the world, of whom seven million are women.

- **The European Commission recognises Iberdrola for its work with start-ups**

For the second consecutive year, the European Commission has recognised the Company's commitment to innovation in the latest edition of Europe's Corporate Startup Stars awards. Specifically, Iberdrola was recognised as one of the Top 12 Corporate Startup Stars, the only Spanish company within the 12 leading European corporations. It also received a special mention in the Startup Procurement

Award category, for the technological pilots and purchases made with start-ups.

- **Ignacio Galán, named Honorary Member of Spain's Institute of Engineering**

Iberdrola's president was named Honorary Member of Spain's Institute of Engineering 2018, in recognition of "a long and successful life devoted to engineering" and to "his skills, capabilities and calibre as an engineer".

- **Recognition of Iberdrola's best practices in Compliance**

Iberdrola was recognised by the newspaper *Expansión* as the "Company with best practices in Compliance", due to its development of an ethics and compliance culture.

- **Award to Iberdrola for its fight against climate change**

The *Climate Reality Project Awards* have recognised Iberdrola in their "Companies" category for its efforts in its fight against climate change and for placing this issue at the forefront of their social agenda.

- **Best RSC project for Iberdrola**

The telephone support provided through Iberdrola's platforms has been recognised for its efforts to involve operators in achieving adhesions to the programme *Juntos Contra el Cáncer*.

- **Iberdrola's volunteer programme, winner at the United Nations Innovation Awards**

The Corporate Volunteering programme was recognised at the Innovation Awards presented at the IMPACT2030 Summit held at the United Nations Headquarters in New York. This is the leading award in this field, and is presented every two years. The award recognises companies' innovative approaches that make the most of their human capital through corporate volunteering programmes, in order to promote the Sustainable Development Goals (SDG). Specifically, Iberdrola has been recognised as a company that innovates to educate, inspire and unite its employees around the SDG in their community, and provides opportunities for them to be agents for change. It has also been recognised for its exceptional commitment to activating volunteers towards

achieving the SDG. The recognition of the jury was unanimous, and they highlighted the great work being carried out by Iberdrola in this field.

- **IBERDROLA, one of the most transparent companies that provides the most information about its fiscal responsibility**

According to the “Contribution and Transparency 2017” report, created by the Fundación Compromiso y Transparencia, only two IBEX35 companies have been recognised as the most transparent companies when it comes to providing information on fiscal responsibility. Iberdrola is the energy company that leads the “Transparent” companies group within IBEX 35 Companies.

- **Iberdrola, recognised with the award for Most Impressive Corporate Green in financial markets**

International magazine Global Capital, a publication specialising in the analysis of financial markets, has recognised the company’s green, sustainable financing with the Most Impressive Corporate Green/SRI Debt Issuer award. Since 2014, Iberdrola has issued a total of EUR 9.8 billion in green financing, and is the world’s largest corporate issuer.

- **Iberdrola receives European Environment Award**

Ignacio Galán was presented with the European Environment Award by His Majesty King Felipe VI. The award went to our Company in the Spanish section and was awarded under the category for environmental management in major corporates. This acknowledges the Group’s efforts to feed the results of its environmental management system into the business decision-making process. These results include calculating the corporate environmental footprint in line with the United Nations Sustainable Development Goals for 2030.

- **Iberdrola, the first energy company to receive the Premio Nacional de Calidad (National Quality Award) in Mexico**

Iberdrola’s chairman, Ignacio Galán, visited Mexico to collect the 2017 National Quality Award in the Energy category, recognising excellence in the areas of business competitiveness and quality. The award was

given to the company in acknowledgement of its ‘notable track record in this country’, where it has become the leading private company in the electricity sector.

- **IBERDROLA’s 2018 Shareholders’ Meeting is once again certified as a Sustainable Event**

IBERDROLA was the first Spanish company and the first electricity utility from among the world’s 10 largest utility companies to be awarded the ISO 20121 Sustainable Event certification for its General Shareholders’ Meeting, as well as the Erronka Garbia environmental label awarded by the Basque Regional Government. In 2018, these certificates were again issued for the General Meeting.

- **Iberdrola renews its Compliance Leader Verification certificate awarded by the Ethisphere Institute**

The Company has renewed its Compliance Leader Verification certificate awarded by the *Ethisphere Institute* to businesses that not only fulfil prevailing laws and regulations but go a step further, demonstrating the existence of an internal and leadership culture that champions adherence to ethical values when doing business. The Ethisphere Institute – a US entity that is a leader in defining ethical business practices – wanted to recognise the Iberdrola Group’s compliance system that the Company uses to develop best practices in this area.

- **IBERDROLA acknowledged as one of the World’s Most Ethical Companies for the fifth consecutive year**

IBERDROLA has been included in the 2018 World’s Most Ethical Company ranking, drawn up by the Ethisphere Institute, which recognises leading companies in the internal and external promotion of ethical practices. According to the Institute’s criteria, the companies included in the ranking have record levels of involvement with their stakeholders and are truly committed to maximum levels of transparency, diversity and inclusion. It is the only Spanish company included in the ranking, within the Energy and Utilities category, which only includes five other multinationals.

- **Award to Best Electrical Energy Distributor in Brazil**

Iberdrola's distributor companies in Brazil, Cosern and Elektro, have been recognised at the 20th edition of the Abradee Awards 2018 held in Brasília. The award, one of the industry's most prestigious, is presented by Associação Brasileira de Distribuidores de Energia Elétrica (Abradee). This is the ninth time that Elektro receives the award for Best Electrical Energy Distributor in the country.

- **Neoenergia, Brazil's most transparent company**

The Brazilian company leads the ranking of the 100 most transparent Brazilian companies, created by NGO Transparency International. Iberdrola has received the highest rating, fulfilling 100% of the requirements.

- **Elektro, the best workplace in Latin America for the fourth year running**

For the fourth consecutive year, the Neoenergia Group's distribution company has received the Best Workplace in Latin America Award from the Great Place to Work Institute. In the survey, staff gave the company the highest satisfaction score (100%) for the second year running. Elektro has therefore once again topped this prestigious ranking of 1,383 businesses from 22 countries.

3.2.- Contribution to society and stakeholders

- **Iberdrola will supply electricity to 16 million vulnerable people who currently have no access to electricity**

Iberdrola's chairman announced at the first Ibero-American Conference on Sustainable Development Goals (SDGs) that, by 2030, the Company will supply electricity through modern and environmentally sustainable energy pathways to 16 million vulnerable people from developing or emerging countries who currently have no access. This will happen after reaching the previous target of 4 million people. This action is part of the Electricity for All campaign launched by the Company in 2014.

- **Neoenergia, recognised in Brazil for its Vale Luz project**

Neoenergia's Vale Luz project has received an Honorary Mention at the ODS Brasil Awards,

which recognise the practices that best contribute to achieving the aims and objectives of the 2030 Agenda for Sustainable Development in the Brazilian territory. Neoenergia was one of the nine finalists in the corporate category, for which there were more than one thousand contenders. The Vale Luz project is framed within Sustainable Development Goal (SDG) 7 "Ensure access to affordable, reliable, sustainable and modern energy for all".

- **Iberdrola presents the "Supplier of the Year 2018" award**

The company has recognised the commitment of its suppliers in fields such as excellence; sustainable development; quality; internationalisation; innovation; corporate social responsibility; job creation and occupational risk prevention. The award for 'Supplier of the year 2018' was given to the Brazilian company WEG, which has become "the Group's main transformer supplier and has production centres in three countries that are especially important for Iberdrola, Brazil, Mexico and the United States, where it contributes to creating local jobs – more than 29,000 workers".

- **Iberdrola, on the steering committee of the European Round Table**

Promoting inclusion and diversity in the workplace is the goal behind the commitment subscribed to by more than 50 leaders of some of the largest European companies, who include Ignacio Galán as member of the steering committee. This initiative responds to the commitment of the European Round Table (ERT) to "inclusive growth", in the belief that tapping the full measure of talent from across society is critical for the long-term success of people, companies and society. ERT is a forum that brings together 55 high executives and chairpersons of Europe's main multinationals originating from a broad range of industrial and technological sectors.

- **Iberdrola delivers its Manifesto against Climate Change at Katowice Climate Change Conference**

The Moving for Climate NOW cycling team, an initiative promoted by Iberdrola and the Spanish Network of the United Nations Global Compact arrived in Katowice (Poland) after

having covered more than 600 kilometres, with the common objective of raising awareness in society on the importance of acting now against climate change, using all available mechanisms. Upon their arrival, they presented the Deputy Executive Secretary of the United Nations Secretariat with the Manifesto against local climate change focused on the Talanoa Dialogue, a space for dialogue designed to encourage the participation of governments and civil society in the achievement of the climate goals agreed at the 2015 Paris Summit.

- **Ibero-American Summit on Sustainable Development Goals (SDG)**

Iberdrola co-hosted the first Ibero-American Summit on SDG held in Salamanca, which culminated in the signing of the Salamanca Statement: a shared pledge by all stakeholders in society to fulfil the United Nations SDG for 2030. The summit focussed on how to transform our surroundings to achieve the SDG, since the complexity of the task requires it to be jointly approached by all sectors of society.

- **Iberdrola announces more than 100 master's degree scholarships and research grants in five countries**

Iberdrola launched two new calls for master's degree scholarships and research grants, respectively, for the year 2018-2019, with the aim of promoting excellence in the training of new generations and their employability in strategic spheres of innovation and technological development within the Company. This year, the Group will award a total of 108 grants, aimed at Spanish, British, American, Mexican and Brazilian students.

- **Iberdrola joins a platform to improve air quality in cities**

The Company joined forces with other public and private organisations from different sectors to form the Plataforma x Aire Limpio (Platform for Clean Air), the objective of which is to improve air quality in Spanish cities. The key aim of the project is to work with local authorities to roll out more effective policies that are better tailored to the specific circumstances of each urban area.

- **Iberdrola, recognised at the World Football Summit 2018 for its support to women's football**

Iberdrola has received the Best Women's Football Initiative award at the world summit on the football industry. Specifically, the award recognises the company's outstanding contribution to fostering the growth and development of football practised by women as professionals, achieving visibility and giving a name to the national league, as well as promoting this sport for future generations.

- **Presentation of the Mujeres que brillan (Women who shine) awards**

Our company presented the Mujeres que brillan (Women Who Shine) awards to different personalities who made an outstanding contribution to gender equality, through the Gente que brilla (People Who Shine) project. The aim of the Mujeres que brillan meeting was to acknowledge the efforts of individuals who defend gender equality, and the work they carry out on a daily basis.

- **Scottish Power takes part in POWERful Women initiative to encourage gender diversity**

Representatives of Scottish Power attended a reception at the House of Lords along with Greg Clark, the UK's Secretary of State for Business, Energy and Industrial Strategy, to promote the launch of the Energy Leaders Coalition. The initiative forms part of the POWERful Women campaign focussing on direct measures to encourage gender equality and diversity, specifically in the UK's energy sector.

- **First edition of the Mujeres con Energía (Women with Energy) forum in Mexico**

A group of 40 leading women in Iberdrola México have taken part in the first edition of the 'Mujeres con Energía' (Women with Energy) forum. In line with Iberdrola's commitment to people, the key piece for achieving the Company's objectives and the execution of the new Strategic Plan 2018-2022, *Mujeres con Energía* is an initiative of Iberdrola México to strengthen equal opportunities for women and reiterating the company's commitment towards the development of inclusive environments that favour a greater gender equality in positions of leadership in the sector.

- **Iberdrola, the world's first company to certify customer claim management**

The company has obtained from AENOR the international Claims and Complaints Management System certification, in accordance with the new version of ISO 10002 Standard. Thus, it has become the world's first company to certify its customer claim management system, via Iberdrola España retailers. AENOR has verified that both retailers have processes adapted to the guidelines of the new version of the ISO 10.002:2018 Standard. Following several days of auditing, the certified processes have proven to be solid, consistent and efficient in their operations.

- **Initiatives to help disadvantaged people.**

Various events were launched in countries where the company is established, such as:

- **'IBERDROLA Operation Kilo' initiative.** A new edition of this solidarity initiative was held to collect food with the aim of helping to mitigate a difficult economic situation.
- IBERDROLA has started the second phase of the public-private alliance to take electricity to the refugee camps in **Ethiopia** - Shire Alliance, which is extended to four refugee camps.
- In Brazil, **Neoenergia, UNICEF and Carlinhos Brown** have renewed their collaboration on the "Sello UNICEF Aprobado" and "Paxuá y Paramim" projects supporting young children and teenagers.

3.3.- Support to volunteers

Within IBERDROLA's Corporate Volunteering Programme, articulated through the *International Volunteer Portal*, the following activities stand out this period:

- **International Corporate Volunteer Day.** Iberdrola brought together more than 1,800 volunteers on its International Volunteer Day for the different initiatives carried out in the main countries where the country has the greatest presence: Spain, United Kingdom, United States, Mexico and Brazil. Under the slogan 'Together we build the world we want!', this year the company wanted to dedicate this solidarity event to the fight against climate change and

has directed its volunteer activities at caring for the environment, as well as at the inclusion of vulnerable groups and raising awareness regarding diversity.

- **11th IBERDROLA Tree Day** The 11th edition of the Tree Day was held in Muxika (Biscay), within the Biosphere Reserve of Urdaibai, in collaboration with Asociación Gorabide and Fundación Lurgaia, thus continuing with the project 'Bosque Iberdrola' (Iberdrola Forest).
- **INVOLVE (I**nternational **V**OLunteering **V**acation for Education) **Initiative.** The Company launches a new edition of this corporate volunteering programme, in which IBERDROLA employees from other countries travel to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion improve their employability, by means of IT and web application training.
- **Volunteers in Action** Iberdrola's volunteers have worked alongside Fundación Sonrisas in Mexico to distribute food to the families of children undergoing medical treatment at the Siglo XXI Medical Centre and the Santa María de Guadalupe Shelter.
- **Volunteering in the fight against climate change** in schools. The project, which was created in Spain in 2017 to raise awareness about the consequences of climate change through talks and workshops in schools and institutions, has also been launched in Mexico.

3.4 Community action

Scottish Power Foundation, Avangrid Foundation, Fundación Iberdrola México, Instituto Neoenergia and the Iberdrola Foundation in Spain represent Iberdrola's commitment to the development of the countries where it operates, as well as to solidarity with those people who are most vulnerable. The new Master Plan for the Foundations for 2018-2021 commits to the Sustainable Development Goals (SDG) in order to contribute to tackling social and environmental challenges affecting the future of the planet. In line with the above, this new plan establishes the following aims for each work area for the next four years:

GENERAL TARGETS (GT)	WORK AREAS	SDG
1. Support training and research in general, prioritising innovation to contribute to energy sustainability.	Training and Research	
2. Support environmental protection and the improvement of biodiversity, to actively contribute in the fight against climate change.	Biodiversity and Climate Change	
3. Protect and safeguard artistic and cultural heritage: promoting conservation and restoration, as well as supporting local development.	Art and Culture	
4. Contribute to sustainable human development, supporting the most vulnerable people and groups	Social Action	
5. Encourage alliances that make it possible to carry out actions to reach the SDG associated to the activities of the Foundations in the Local Context.	Alliances to achieve the SDG	

These are the highlights of the initiatives carried out from January to December 2018:

A. Training and research

This work area focuses on young students, by supporting their degree courses, technical training or language studies. Education is a useful tool for promoting sustainable development and these initiatives offer opportunities for young people with good academic records but no financial resources for studying. These projects by Fundación Iberdrola related to training contribute to achieving SDG 4: Quality Education.

Fundación Avangrid works with the following academic bodies:

KVCC Lineworkers in the training of electricians in Maine, through **Scholarships at the Lineworker CMP Technology Programs**, which prioritise the inclusion of women in the energy sector.

Rochester Museum and Science Center (New York) to support practical learning in issues such as clean energy, climate change and sustainability.

Monroe Community College Foundation - Salute to Excellence, to provide underprivileged students in Rochester the chance to complete their university studies.

Binghamton University Foundation The students participated in real engineering and problem-solving projects, with Binghamton University, the Kopernik Observatory and Science Park, the Chesapeake Alliance Discovery Center for the Protection of Alaska Malamute, Broome Humane Society and Willow's Wings Animal Sanctuary & Rescue.

The Community Foundation Greater New Haven to back an effective transformation and leadership development plan for the State Schools of New Haven. The NHPS system is one of the largest

and poorest in New England, attending to 21,000 students in around 50 institutions from PreK to Secondary Education and Adult Education. This project also involves the community in general in the process of strategic planning and transformation.

Fundación Iberdrola México has awarded a total of **13 scholarships at the Altamira Technical Training centre** to underprivileged students, with the aim of achieving the inclusion of these vulnerable youths.

Instituto Neoenergía has awarded a total of **9 research grants**. The aim of this initiative is to get young professionals to complete an international master's degree, promoting the training of high-level professionals who are capable of contributing to the development of a sustainable energy service.

Fundación Iberdrola España has awarded a total of 56 scholarships and grants:

- 20 grants for energy and environmental research
- 10 Fundación Carolina scholarships for energy and environment master's degrees at Spanish universities
- 2 Fullbright scholarships for energy and environmental master's degrees
- 9 scholarships to undergraduate students to help with their studies at ICAI – Universidad de Comillas
- 3 restoration and conservation scholarships at the Prado Museum
- 2 restoration and conservation scholarships at the Bilbao Fine Arts Museum
- 10 support grants for bachelor's degree students for Paralympic sportspeople

A further relevant initiative related to training is the **Linguistic Immersion Programme** in English which aims to teach English to school students in their 3rd and 4th years of Compulsory Secondary Education. The selection of the students is made by the Department of Education of several Autonomous Communities that participate in the programme, according to objective criteria of academic excellence and financial resources. Iberdrola offers its installations over the summer and Easter periods, as a venue for these courses.

A total of 80 students and 22 teachers have participated in the summer courses of Castilla-León, Extremadura and the Valencian Community.

B. Biodiversity and Climate Change

In this area of work, we are collaborating with public institutions and bodies devoted to the protection of the environment, contributing to reaching specific aims of SDG 13 Climate Action and 15 Life on Land Ecosystems.

The **Iberdrola Foundation in Spain** collaborates with the Sociedad Española de Ornitología (Spanish Ornithological Society), **SEO/BirdLife**, **on the MIGRA Project** aimed at studying the migratory patterns of birds. As at the end of 2018, the Migra programme had a total of 946 birds tagged, from 32 different species.

	Origin			
	Fundación Iberdrola España	Other entities	Before Migra	Total
No. of tagged birds	371	445	171	987
No. of marked species	17	23	13	32
No. of birds with useful data	154	262	171	587
No. of species with useful data	16	23	13	31
No. of active birds	20	103	2	125

Table 1. Birds tagged and with data available in the Migra programme according to their origin

Another significant initiative is the signing of a collaboration agreement with the **Fundación de Conservación del Quebrantahuesos** (Bearded Vulture Conservation Foundation) with a view to studying the influence of climate change on this and other alpine birds.

In the United Kingdom, the **Scottish Power Foundation** supports the project **Dolphin Watch** for the protection of dolphins at the **Sussex Wildlife Trust** centre. The Foundation supports the 50th anniversary of this education centre and nature reserve with outreach and awareness-raising projects regarding the conservation and care of the habitats.

Fundación Avangrid has promoted the Riverkeeper project in New York, which highlights the importance of parks for urban biodiversity, health, access and equity, the economy and other benefits.

On the land located in the Industrial Port zone of Altamira, **Fundación Iberdrola México** is promoting a project devoted to the **Conservation of Felines**, which aims to guarantee survival of a number of jaguars, *jaguarundis*, ocelots and bobcats that inhabit the region. In this year, progress has been made in the creation and delimitation of biological corridors that facilitate safe movement for these endangered animals. Contributing to the **Conservation of the mangrove**, is another of the projects promoted to protect and conserve the flora and fauna of this ecosystem.

Instituto Neoenergia en Brasil is promoting two initiatives that combine academic training and environmental benefits: the **Flyways** project for the conservation of wader birds and endangered species in Brazil and, in collaboration with **Save Brazil**, a project devoted to the conservation of endangered birds in the Rio Grande do Norte area.

Finally, outreach activities have been developed regarding wader birds and the importance of their habitat conservation, for students and teachers of the Maria Salete Martins School. In the activities, the SAVE professionals provided information regarding their work, and recreational painting activities were carried out.

Eco-cidadão: Construindo um futuro sustentável (Eco-citizen: building a sustainable future), is another professional training initiative that focuses on sustainable technology systems and their roll-out in communities that are socially at risk. The project includes training activities for professionals in the area of eco-construction, through free courses for training and implementation of sustainable technology systems in socially vulnerable communities.

C. Art and culture

In this field, the Company works together with cultural bodies, renowned museums, public institutions and religious bodies in order to promote culture as well as restore and conserve artistic heritage, favouring local development. These actions have a direct impact on SDG 8 Economic Growth and 11 Sustainable Cities and Communities.

The main aim of Iberdrola's **Foundations Lighting Programme** is to improve the interior and/or exterior lighting of remarkable buildings, to showcase their historical-artistic heritage. The use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75% more than incandescent bulbs) and reducing maintenance expenses thanks to their much longer lasting useful life. In addition to the artistic, economic and environmental benefits, one must add the potential of these lighting projects, which manage to favour economic activity, facilitating local development around the historical-artistic heritage.

In the United States, the **Avangrid Foundation** has promoted lighting projects in the Morgan, Hilles, Austin and Wadsworth 301-303 galleries, replacing 2,625 bulbs with LED technology.

The Foundation in Mexico champions the **MUNAL Programme** to light halls in Mexico's National Museum of Art, to improve energy efficiency and play a role in conserving the artworks. In November, the new lighting was unveiled, coinciding with the exhibition on "Carlos Mérida. Written Portrait".

The Foundation in Spain. In 2018, the following projects have been completed and unveiled: exterior lighting on the façade of the Monastery of Uclés, decorative lighting of the Royal Pantheon at San Isidoro de León Collegiate Church, the Military Museum in Toledo and the restoration workshop at the Royal Tapestry Factory using the latest LED technology. Throughout 2018, work continued on the projects of Ávila Cathedral, Salamanca Cathedral, the Fonseca School, the

Talavera Basilica, the Barrena Palace in Ordizia, Valdepeñas Church and the Supreme Court in Madrid.

The **Neoennergia Institute** has been the driving force behind the following projects: lighting of the Cinco Pontas Fort, opened at the end of November in Recife, and restoration of the Barra Grande Fort in Guarujá.

The **Iberdrola Museum Programme** collaborates with the Prado Museum and the Bilbao Fine Arts Museum Restoration Workshops for the conservation of paintings, sculptures and works of art on paper at their art galleries. Throughout 2018 the museums and the Iberdrola Foundation in Spain showcased the works restored by these workshops. Another significant restoration initiative is the Atlantic Romanesque Plan involving church buildings in the north of Portugal, Salamanca and Zamora.

The **Exhibitions Programme of the Foundations** had two main initiatives in 2018: in **Spain**, the exhibition '**Sorolla and Fashion**' with simultaneous and complementary exhibits at the Sorolla Museum and the Thyssen-Bornemisza Museum. The exhibition brought together more than seventy paintings from museums and national and international private collections, some of them never previously publicly exhibited, together with a significant collection of period dresses and accessories, with valuable pieces also loaned by prominent institutions and private collections, many of them previously unseen. The following work has been carried out in support of a number of museum restoration workshops:

Prado Museum: completion of restoration and conservation of works currently being exhibited, such as:

- "Dauphin's Treasure"
- "The Triumph of Death", by Bruegel the Elder
- "IN LAPIDE DEPICTUM" Italian painting on stone, 1530-1555
- Religious works of Antonio María Esquivel.
- "The Fountain of Grace", one of the museum's most important and enigmatic Flemish paintings, given the different theories regarding its authorship, provenance and meaning.

Bilbao Fine Arts Museum: completion of the restoration of the piece by Dario Urzay "The Belly of the Observer (*The Threshold of Attention*) (*Afterimages*)", which arose from the museum's commission from the author in 2001. The Museum's Restoration Workshop continues working on different pieces that will be exhibited jointly over the coming months.

Iberdrola has worked on the environmental restitution of the glass-walled gallery adjacent to the opaque brick wall of the Old Building, which since 2001 communicates both of the museum's buildings.

Relaunch of the "Touch Art" exhibition, a programme aimed at people with visual disabilities, which the museum set up together with the Foundation in September 2012. A new piece has been added to the five initial art works of this educational programme, completing the proposal. Thus, six pieces belonging to different periods and masters from art history may be enjoyed using the sense of touch. As a novelty, the exhibition will travel for several months through different schools and high schools of the Basque Country.

The following projects have been completed in the area of restoration: Tapestries of the Royal College of the Patriarch, the altarpiece of Cuenca Cathedral, the codices of the Yuso Monastery Library and the restoration of the three flags of Saigon owned by the Naval Museum of Madrid. In the final months of 2018, work started on a project to restore the altarpiece of the church of San Martín de Tours, in Villarmentero de Campos, Palencia.

The following exhibitions have been put on in **Mexico:**

- MUNAL: a temporary exhibition of European and Novohispanic paintings promoted by the Foundation in Mexico under the title "**Caravaggio. A work, a legacy**".
- "**Nahui Olin. The Infinite Look**", which promotes the representative collection of the Mexican artist María del Carmen Mondragón. The **Art and Culture Outreach Programme** has the **Scottish Power Foundation** as a point

of reference. In 2018, the following initiatives were supported:

The international scenic arts festival, **Futureproof**, aimed at young people from different backgrounds and communities. This is a multi-artistic and multi-platform space that will be set up in ten areas in Scotland and will be shared with the rest of the United Kingdom via social networks.

Art Promotion Llangollen International Musical Eisteddfod is based on previous work to promote art education, reduce unequal opportunities and make Eisteddfod a truly inclusive event. This project will improve the skills and confidence of participants that face difficult circumstances and will result in the creation of a unique music and dance presentation that celebrates diversity. The project explores the dimension of culture, beliefs and community commitment, and will promote respect and understanding.

National Museums Scotland. Powering Up 2.0. Financing will make it possible to improve the successful Get Energized programme, recognised by teachers as an excellent and attractive initiative to promote and disseminate cultural activities in Edinburgh.

Fundación Avangrid. The key cultural events are as follows: The International Festival of Arts & Ideas (Connecticut) aimed at creating and producing plays with a special focus on community education and engagement; and the Rochester Area Community Foundation/Rochester International Jazz Festival (New York), which is internationally acclaimed.

Barrington Stage Company (Massachusetts), has the **Playwright Mentoring** theatre programme that offers teenagers at risk (13 to 19 years old) a safe place where they can talk about the serious challenges in their daily life, using their own life stories as a basis for creating original plays.

D. Social action

Within this area of work, the Company collaborates with non-profit bodies, foundations and development agencies to promote social and

humanitarian projects geared towards those who are most vulnerable, contribute to reaching specific targets of SDG 1 (No Poverty), 3 (Good Health and well-being), 5 (Gender Equality), 7 (Affordable and clean energy) and 10 (Reducing inequalities).

The **Social Programme of the Foundations** is carried out in all five countries, providing support to projects that promote overcoming situations of infant poverty, support for the inclusion of disabled people, and the improvement of the quality of life of people with serious illnesses, prioritising care for the most vulnerable groups. Below, we detail the most relevant partnerships:

United Kingdom:

- **Alzheimer Scotland:** The “Dementia Friends” programme aims to improve public understanding and empathy towards those living with this illness.
- **Bangor University:** The ReachingWider association, through its Bright Sparks project, focusses on higher education for vulnerable people in Wales.
- **Adventure for All:** Bendrigg Trust is an open air educational residential centre that works specifically with disabled people, with the aim of promoting their inclusion and personal autonomy, and improving their health through adventure and residential experience activities.
- **Live Music Off the Grid!** The project involves providing live music at health centres and hospitals in remote areas such as the Scottish Highlands & Islands, Dumfries & Galloway, Kintyre, Cumbria, Northern Ireland, Wales Devon and Cornwall.
- **Prince & Princess of Wales Hospice:** provides specialised and free palliative care in Glasgow to terminally ill patients, offering support to their families and carers.
- **The Manchester Young Men’s Christian Association:** backing of the Mental Health Champions project targeting young men to halt the rise in mental health problems.
- **The Outward Bound Trust:** This project enables young people to get involved in community activities through a five-day stay at the Loch Eil centre.

- **The Great Steward of Scotland's Dumfries House Trust. Engineering Education Programme.** The Engineering Education Programme provides experiential learning for primary and secondary students. The objective of the programme is to reach a wider geographical area, and also encourage the participation of schools that have not had the chance to take part in the past.

The traditional awards ceremony for the ScottishPower Foundation solidarity awards took place in an event held at the company's headquarters in Glasgow, in which the Chairman of the Fundación Iberdrola, Mr. Fernando García, took part.

United States:

- **Operation Fuel:** ensures that struggling families have access to year-round energy assistance in more than one hundred towns across Connecticut. Local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such distribution of food, clothes, etc.
- **Yale New-Haven Hospital (Connecticut)** On-going support for the Yale-New Haven Hospital McGivney Center for Musculoskeletal Care, which provides specialist care and the best relief possible for patients with chronic illnesses.
- **United Way Worldwide - Truist - Employee Match (Connecticut & Massachusetts)** Support for organisations that encourage volunteering for the common good.
- **Working for Worcester (Massachusetts)** Improvements to school installations and recreational facilities, parks, community centres, sports fields, and other leisure spaces in Worcester.
- **Urban League of Rochester:** programme that prepares underprivileged young people in the transition from secondary school to university, work and life.
- **Chelsea Hicks Foundation:** therapeutic play project for more than 2,400 children and their families every year in local hospitals.

- **Progress Center:** the Project offers students at risk or from low income households in the Oxford Hills area new school material to start the new school year.
- **Food Bank of Western Mass,** to significantly reduce food insecurity among residents of the counties of Berkshire, Franklin and Hampden.
- **Ronald McDonald House of Connecticut and Western Massachusetts:** Refuge homes for children receiving medical treatment and their families.

Mexico:

Asociación Civil Excelencia Educativa, which offers girls and boys a participative space where they can be active subjects in the learning process, enjoying new ways of approaching knowledge. This initiative was carried out throughout 2018 in 11 schools located near Iberdrola plants and installations.

Brazil:

Childhood Social Programme: Jovens Brilhantes project to help children and adolescents in the state school system develop the skills and competencies needed for the 21st century. Target subjects are STEM (science, technology, engineering and mathematics) and a nurturing and interactive approach is taken to meet the real challenges faced in society. The Neoenergia Institute also collaborates with UNICEF and the Ayrton Senna Foundation on projects helping infants at risk.

Spain:

Social Programmes: A total of 35 social programmes have been carried out across the territory where Iberdrola is present, with a positive impact on 45,000 people and the creation of 120 direct jobs in the tertiary sector.

- **Education and the fight against child poverty:** Cáritas Diocesana (Cartagena and Plasencia), Save the Children, Asociación Ciudad Joven, Fundación Candelita, Altius, Tomillo, Fundación Amigó, Baila por la infancia, Illundai Haritz Berri, Ayuda en Acción, Etorikintza,
- **Training for the inclusion of people with disabilities:** ADSIS, AMICOS, ANFAS, ASIDO, Down (Asturias and Madrid)

- **Improving the quality of life of vulnerable people with serious illnesses:** AECC, ASOCIDE, Asociación Corazón Vida, Aspanion, Pequeño deseo, Menudos Corazones, Upace Sur, Feclém, Bizitegi, Nupa, Proyecto Hombre (Alicante, Vizcaya, Cádiz, Guadalajara, Salamanca and Valladolid).

The Social Programme also includes 22 institutional collaborations or donations to renowned social agencies. During 2018 the call for projects for 2019 has resulted in an investment of one million euros and the selection of 32 social projects.

In December, the Iberdrola Solidaria event was held at Iberdrola's Madrid headquarters, with 5 workshops (Poverty Risk, Disability, Long-term illnesses, Addictions and the Sustainable Development Goals) with more than 50 participants. The conclusions were shared at the ceremony for the Iberdrola awards to solidarity presided over by the Chairman of Iberdrola, Ignacio S. Galán, and the Spanish Government's High Commissioner for SDG, Cristina Galaz. Likewise, a solidarity flea market was organised, in which associations had a chance to share with Iberdrola employees the goals of their organization and the sale of their products.

The Cooperation Programme for Human Development, promotes projects to overcome situations of extreme poverty through the electrification of basic social infrastructures (schools, health centres or community centres, etc.), with the components of education and technical training that promote productive and local development action. This programme also covers projects providing help in humanitarian emergency crises.

In **Spain**, the SHIRE Alliance stands out especially, promoting access to electricity in refugee camps. This initiative is promoted by the Universidad Politécnica de Madrid, and also involves the UNHCR and the European Union.

The cooperation with ILUMEXICO contributes to the development of marginalised communities in **Mexico** where there is no access to the national electricity grid, or where the service they receive is deficient. Infrastructure and community work programme relating to renewable energy.

Hurricane Harvey affected Florida's most vulnerable population. In the **United States**, the company continues to collaborate with the Red Cross (American Red Cross Disaster Relief) to help victims and contribute to reconstruction in the affected areas of Puerto Rico.

Priority SDGs for the iberdrola Foundations



4. Corporate Governance

The Corporate Governance highlights during financial year 2018 were as follows:

- On 9 January 2018, the Company published an addendum to the information booklet regarding the terms and conditions of the second edition of the 'Iberdrola Scrip Dividend' compensation scheme. Finally, on 29 January 2018, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2017 General Shareholders' Meeting.
- On 12 January 2018, IBERDROLA published the financial calendar for financial year 2018.
- On 9 February 2018, the Company submitted its energy production figures for financial year 2017.
- On 20 February 2018, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury stock in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014. Up until 15 June 2018, the end date of the programme, the Company acquired

78,562,182 treasury shares, equating to 1.220 % of such shares.

- On 21 February 2018, the Company submitted its results for the financial year ending on 31 December 2017 to the CNMV.
- On 23 February 2018, IBERDROLA sent the *Annual Corporate Governance Report*, the *Annual Director Remuneration Report* and the financial information for financial year 2017 to the CNMV.
- On 16 April 2018, the Company submitted its energy production figures for the first quarter of financial year 2018.
- On 17 April 2018, IBERDROLA notified the CNMV that its subsidiary Neoenergia, S.A. (in which it has a 52.45% stake) had signed an investment agreement with Eletropaulo Metropolitana Electricidade de São Paulo, S.A. (Eletropaulo), under which Neoenergia, S.A. undertook to subscribe to 100% of any shares Eletropaulo may issue in this company's public share offering.

Subsequently, on 23 April, Neoenergia, S.A.'s Board of Directors ratified this investment agreement and made a rival bid for between 51% and 100% of Eletropaulo's shares.

- Neoenergía, S.A. opted to improve the conditions of its bid on two occasions. Nonetheless, as IBERDROLA notified the CNMV on 31 May 2018, Neoenergía, S.A. was not successful in the competitive process.
- On 24 April 2018, the Company submitted its results for the first quarter of financial year 2018 to the CNMV.
 - On the same date, IBERDROLA announced the first edition of its 'Iberdrola Scrip Dividend' (Retribución Flexible) – its new optional dividend scheme for financial year 2018. It was also agreed to implement the increase in paid-up share capital approved by the General Shareholders' Meeting on 13 April 2018 and the supplementary dividend payment for financial year 2018.
 - On 3 May 2018, IBERDROLA informed the CNMV that at the ordinary general meeting of Siemens Gamesa Renewable Energy, S.A. on 23 March, the partner Siemens Aktiengesellschaft blocked, through its "No" vote, the approval of the two proposals by Iberdrola Participaciones, S.A.U. concerning corporate governance and maintenance of head offices. In particular, votes in favour of the corporate governance proposal were submitted by voters holding or representing 75% of the share capital present at the general meeting held by third parties other than Siemens Aktiengesellschaft and Iberdrola Participaciones, S.A.U.
 - On 21 June 2018, IBERDROLA notified the CNMV of the implementation of the capital reduction through the redemption of treasury stock approved at the General Shareholders' Meeting on 13 April 2018, entered in the Companies Register of Biscay on 28 June.
 - On 5 July 2018, IBERDROLA published an addendum to the information booklet regarding the terms and conditions of the first edition of the optional dividend system, 'Iberdrola Scrip Dividend', corresponding to financial year 2018. Subsequently, on 24 July 2018, the Company approved the execution of the increase in paid-up capital approved by the General Shareholders' Meeting held on 13 April 2018.
 - On 13 July 2018, the Company submitted its energy production figures for the first half of financial year 2018.
 - On 25 July 2018, the Company submitted to the CNMV, its Presentation of Results for the first half of 2018.
 - On 11 October 2018, IBERDROLA submitted its energy production figures for the first nine months of financial year 2018.
 - On 16 October 2018, the Company notified the CNMV of the agreement of the parent company of the liberalized business in the United Kingdom, Scottish Power Generation Holdings Ltd., with Drax Smart Generation Holdco Ltd. – belonging to Drax Group plc. – for the sale of 100% of the stake of the former company in Scottish Power Generation Ltd., for the amount of GBP 702 million.
The completion of the sale of the company Scottish Power Generation Ltd. in favour of Drax Smart Generation Holdco Ltd. was notified by the Company on 2 January 2019.
 - On 18 October 2018, IBERDROLA notified the CNMV of the agreement for the sale of its stake in the company Iberdrola Energía Solar de Puertollano, S.L., held by Iberdrola Renovables Castilla-La Mancha, S.A., representing 90% of the share capital, in favour of Ence Energía, S.L., for the amount of EUR 72.3 million.
Subsequently, on 30 November 2018, the Company informed the CNMV of the completion of said transaction.
 - On 23 October 2018, IBERDROLA published an addendum to the information booklet regarding the terms and conditions of the second edition of the optional dividend system, 'Iberdrola Scrip Dividend', corresponding to financial year 2018. Subsequently, on 18 December 2018, the Company reported the ratification of said agreement by IBERDROLA's Board of Directors, regarding the distribution of an amount paid against the dividend for financial year 2018.
 - On 4 January 2019, the Company published an addendum to the information booklet regarding the terms and conditions of the second edition

of the 'Iberdrola Scrip Dividend' optional dividend scheme.

- On 24 October 2018, the Company submitted the presentation of results for the first nine months of financial year 2018.
- On 18 December 2018, the CNMV was notified of the offer to workers of IBERDROLA Group in Spain to receive, in full or in part, the variable remuneration corresponding to financial year 2018 as shares.
- On 28 December 2018, the Company published the financial calendar for financial year 2019.

General Shareholders' Meeting

The Board of Directors of IBERDROLA, in its meeting of 20 February 2018, agreed to convene the General Shareholders' Meeting to be held at first call on 13 April 2018, or at second call on 14 April 2018. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share for the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the call to the General Shareholders' Meeting was published by the Company on its corporate website (www.iberdrola.com) and in the Official Bulletin of the Companies Register on 23 February 2018.

On 13 April 2018, the Company's General Shareholders' Meeting was held at first call, with a quorum of 76.09 % of the share capital (4.65% present and 71.44% represented), and each and every resolution put to vote that had been included in the meeting agenda was approved, as detailed below:

Resolutions regarding annual accounts and company management

- i. Approval of the annual accounts for financial year 2017.
- ii. Approval of the management reports for financial year 2017.
- iii. Approval of the corporate management and performance of the Board of Directors during financial year 2017.

Resolutions regarding the composition of the Board of Directors

- iv. Appointment of Mr Anthony L. Gardner as independent director.
- v. Re-election of Ms Georgina Kessel Martínez as independent director.

Resolutions relating to the remuneration of shareholders, directors and the management team

- vi. Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2017, the supplementary payment of which will be made within the framework of the 'Iberdrola Scrip Dividend' compensation scheme.
- vii. Approval of a first increase of paid-up capital for a maximum reference market value of EUR 1,310 million with the aim of implementing the 'Iberdrola Scrip Dividend' compensation scheme.
- viii. Approval of a second increase of paid-up capital for a maximum reference market value of EUR 1,140 million, with the aim of implementing the 'Iberdrola Scrip Dividend' compensation scheme.
- ix. Approval of a capital reduction by means of the redemption of a maximum of 198,374,000 treasury shares (3.08 % of the share capital).
- x. Advisory vote on the *Annual Director Remuneration Report* for financial year 2017.
- xi. Approval of a new *Director Remuneration Policy*.

Resolution regarding treasury stock

- xii. Authorisation for Board of Directors to acquire treasury shares.

Resolution regarding general matters

- xiii. Delegation of powers for the formalisation and notarisation of any resolutions adopted.

Board of Directors

On 21 June 2018, the Company announced the resolutions concerning changes to the composition of the advisory committees and members of the Board of Directors.

- i. Appointment, as proposed by the Appointments Committee, of Mr Juan Manuel González Serna as lead director and chair of the Remuneration Committee replacing Ms Macho Stadler, whose status changed from independent director to other external director on 7 June 2018 as a result of having occupied the post of independent director for an uninterrupted period of 12 years.
- ii. Appointment, as proposed by the Appointments Committee, of Ms Inés Macho Stadler as non-executive vice-chair of the Board of Directors.
- iii. Appointment, as proposed by the Appointments Committee, of Mr Manuel Moreu Munaiz as member of the Remuneration Committee, replacing Mr Íñigo Víctor de Oriol Ibarra.
- iv. Appointment, as proposed by the Appointments Committee, of Mr Oriol Ibarra as member of the Corporate Social Responsibility Committee, replacing Mr Manuel Moreu Munaiz.
- v. Re-election, as proposed by the Appointments Committee, of Ms Denise Mary Holt as member of the Audit and Risk Supervision Committee.

Corporate Governance System

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the *Articles of Association*, the *Mission, Vision and Values of Iberdrola Group*, the *Corporate Policies*, the governance regulations of the corporate bodies and the internal committees and the Company's compliance. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

The development, review and continuous improvement of corporate governance rules responds to the strategy that the Company and the companies forming part of the IBERDROLA Group have now been following for years.

In this regard, on 20 February 2018, a reform of the Corporate Governance System was approved, with the aim, among others, of including the

improvements introduced in relation to the operation of the General Shareholders' Meeting, such as the possibility of delegating or telephone voting, and adapting its content to the new EU regulations regarding personal data protection (new Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016).

On 12 April 2018, a new reform was approved to: (i) include new preambles to the Corporate Governance System and documents comprising it (except the Articles of Association which already has its own preamble); (ii) acknowledge the existence of chief executives in sub-holding companies; (iii) incorporate the specific corporate governance matters concerning Neoenergia, S.A.; and (iv) incorporate the latest cyber-security guidelines approved by the US Securities and Exchange Commission (SEC).

On 24 April, the *Human Resources Framework Policy* was amended to allow for the incorporation of global committees specialising in their areas of responsibility as tools for standardising the guidelines for managing the Group's human resources.

Subsequently, on 21 June, a new reform of the Corporate Governance System was approved to: (i) include a new section on the *General Corporate Governance Policy* regarding the post of vice-chair as a mechanism for bolstering the counterweight system; (ii) create a new Title I ("Principles of conduct") in the *Regulations of the Board of Directors*; and (iii) include technical improvements in the aforesaid regulations, simplifying the contents and improving the layout thereof.

On 24 July 2018, the Board of Directors of the Company approved a new reform with a view to, firstly, (i) approving the new *Policy on drafting the financial information of the Iberdrola Group*, aligned with incorporating the best international practices as regards transparency and (ii) reviewing the content of the *Basic Norms of Internal Auditing*, which has been incorporated into the Corporate Governance System.

On 23 October 2018, the Company approved a review of the Corporate Governance System

with a view to (i) formalising the group's commitment to the Sustainable Development Goals (SDG) approved by the United Nations, highlighting the contribution to compliance with the social dividend; (ii) modifying several corporate policies to include express references to the SDG; (iii) changing the names of *general policy on corporate social responsibility*, of the *Sustainability Policy* and of the *Regulations of the Corporate Social Responsibility Commission to General Policy on Sustainable Development*, *Sustainable Management Policy* and *Regulations of the Sustainable Development Commission*, respectively; (iv) consolidating the three existing codes of ethics – aimed at directors, professionals and suppliers – into a single *Code of Ethics*; (v) modifying the *Framework human resources policy* and the *Regulations of the Appointments Commission* to strengthen the talent management and promotion strategy; and therefore, (vi) reorganising the corporate governance system books to improve their system and internal consistence. Likewise, the "strength ideas" of the Corporate Governance System have been incorporated into the content of the corporate website with the aim of defining the main expectations and concerns of the Company and of stakeholders.

Lastly, IBERDROLA's Board of Directors reviewed the Corporate Governance System on 18 December 2018, with the aim of: (i) introducing a series of changes to the *Corporate fiscal policy* to consolidate IBERDROLA's leadership in the implementation of the best taxation practices and (ii) modifying several corporate policies with the aim of developing the content regarding the businesses' global committees.

All documents that comprise the Corporate Governance System are published (in their full or summarised version) both in Spanish and in English on the corporate website www.iberdrola.com, which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

Information transparency

One of the core principles underlying IBERDROLA's corporate governance practices is to ensure maximum transparency in financial and non-financial information provided to shareholders, investors and markets. In this respect, there has been a high level of activity so far during financial year 2018 to ensure that institutional investors and financial analysts are kept fully informed.

On-Line Shareholders (OLS)

Since January 2012, the On-Line Shareholders (OLS) interactive system has been available through the corporate website, allowing shareholders to make confidential or public enquiries to the other shareholders, with the option of addressing them to any of the committees of the Board of Directors, as well as notifying the Compliance Unit of any conduct that may imply non-compliance with the Corporate Governance System, through the Shareholders' Ethics Mailbox.

CNMV: Relevant Events from October to December 2018

Date	Event	Registration No.
11/10/2018	The Company reports its energy production figures for the nine-month period of 2018	270453
16/10/2018	Sale by Scottish Power Generation Holdings Ltd. of 100% of the share capital of Scottish Power Generation Ltd. to Drax Group Plc.	270504
18/10/2018	Sale by the Iberdrola group of its stake in the share capital of, and loan transfer to, Iberdrola Energía Solar de Puertollano, S.A. (Sociedad Unipersonal) to Ence Energía, S.L. (Sociedad Unipersonal)	270615
23/10/2018	The Company issues the terms and conditions of the second round of the 'Iberdrola Retribución Flexible' remuneration scheme for financial year 2018 and publishes the corresponding memorandum.	270765
24/10/2018	The Company issues information regarding the results of the third quarter of 2018.	270772
24/10/2018	Submission of Results corresponding to the nine-month period of 2018.	270776
30/11/2018	Completion of sale by the Iberdrola group of its stake in the share capital of, and loan transfer to, Iberdrola Energía Solar de Puertollano, S.A. (Sociedad Unipersonal) to Ence Energía, S.L. (Sociedad Unipersonal)	272036
18/12/2018	Ratification of the agreement regarding the distribution of an amount on account of the dividend of financial year 2018 within the framework of a second edition of the 'Iberdrola Retribución Flexible' remuneration system.	272762
18/12/2018	Offer of Iberdrola shares to employees of the Iberdrola group in Spain as part of the annual variable remuneration for financial year 2018	272764
28/12/2018	The Company publishes the financial calendar for financial year 2019.	273381

11.

Glossary of terms

Alternative Performance Measures	Definition
Market capitalisation	Number of shares at the close of the period x price at the close of the period
Earnings per share	Net profit for the quarter / number of shares at the close of the period
PER	Price at the close of the period / Earnings per share for the last four quarters
Price / Book value	Market capitalisation / Equity of the parent company
Dividend yield (%)	Dividends paid in the last 12 months and attendance bonus / price at close of the period
Gross Margin	Net Revenue - Procurements
Net Operating Expenses	Personnel expense - Capitalized personnel expense + External services - Other Operating Income
Net Operating Expenses / Gross Margin	Net Operating Expenses / Gross Margin
Net Personnel Expense	Personnel Expense - Capitalized Personnel Expense
Net External Services	External Services - Other Operating Income
Gross Operating Profit (EBITDA)	Operating Profit + Depreciations, Amortisations and Provisions
Adjusted Gross Operating Profit (EBITDA)	Gross Operating Profit (EBITDA) adjusted by provisions for efficiency plans
Net Operating Profit (EBIT)	Operating Profit
Financial Result	Financial Revenue - Financial Expenses
Income from Non-Current Assets	Benefits from sale of non-current assets - Losses from sale of non-current assets
ROE	Net Profit of the four last quarters / Equity
Financial leverage	Net Financial Debt/(Net Financial Debt + Equity)
Adjusted Equity	Shareholders' Equity adjusted by the market value of the accumulators
Gross Financial Debt	Financial Debt (loans and other) + equity instruments with certain characteristics of financial liability + Liability derivative debt instruments
Net Financial Debt	Gross Financial Debt - Asset derivative debt instruments - Other short-term credits ^(*) - Cash and other cash equivalents
Adjusted Net Financial Debt	Net Financial Debt adjusted by market value of treasury stock cumulative hedges
Net Financial Debt / Equity	Net Financial Debt / Equity
Net Financial Debt / EBITDA	Net Financial Debt / EBITDA for the last four quarters
Funds from Operations (FFO)	See section 'Funds From Operations' in the report

(*) Included in the Balance Sheet in "Other current financial assets"

Alternative Performance Measures	Definition
Adjusted Funds from Operations (Adjusted FFO)	Funds from Operations adjusted by provisions for efficiency plans
Funds From Operations (FFO) / Net Financial Debt	FFO for the last four quarters / Net Financial Debt
Net Operating Cash Flow per Share	FFO for the quarter / Number of shares at close of the period
Retained Cash Flow (RCF) / Net Financial Debt	RCF for the last four quarters / Net Financial Debt

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