Results Presentation

First Half

July 25 / 2018

Iberdrola, "utility of the future"

IBERDROLA

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Agenda

Highlights of the Period

Highlights of the period

Operating Net Profit[1] grows 27%, to EUR 1,368 M,
thanks to investments and normalisation of conditions in key markets

EUR 2,478 M
H1 Net Investments
(EUR 20 Bn in the last 5 years)

Operational
efficiency improvement[2]
NOE/GM down 100 b.p. (vs H1 2017)

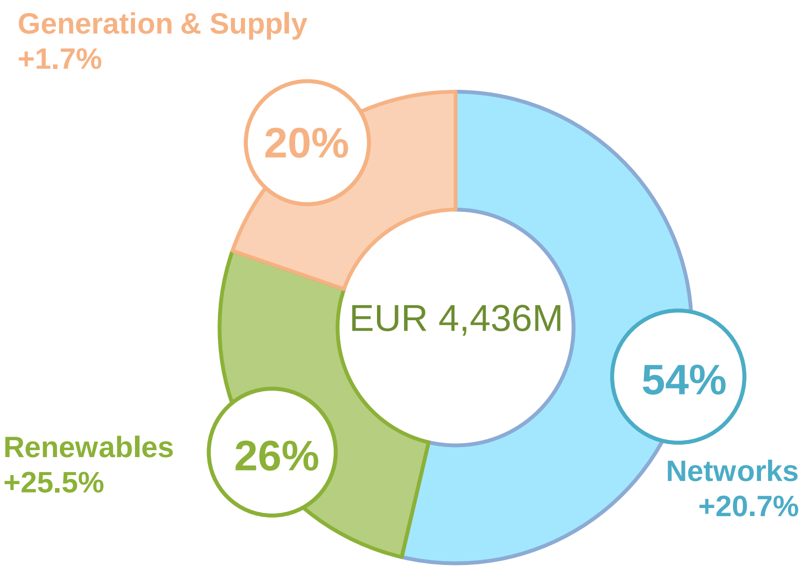
EBITDA
Totals
EUR 4,436 M

Reported **Net Profit** reaches **EUR 1,410 M**

[1]2017 excludes positive one off impacts of Gamesa merger and portfolio price revision in Gas Spain.
[2]Excluding positive non-operating portfolio price revision in Gas Spain in 2017.

EBITDA grows in all businesses

EBITDA by business



Operating Highlights

Networks

- US: tariff adjustments of New York and Connecticut.
- Brazil: tariff reviews in Bahía and Rio Grande do Norte and consolidation of Neoenergia Group.

Renewables

- Spain: higher wind and hydro production.
- US: higher production and new capacity.
- UK: higher production in onshore wind and new capacity.
- Germany: new offshore windfarm, Wikinger, in operation.

Generation and Supply

- Spain: higher retail activity.
- UK: normalisation of conditions.

Fx

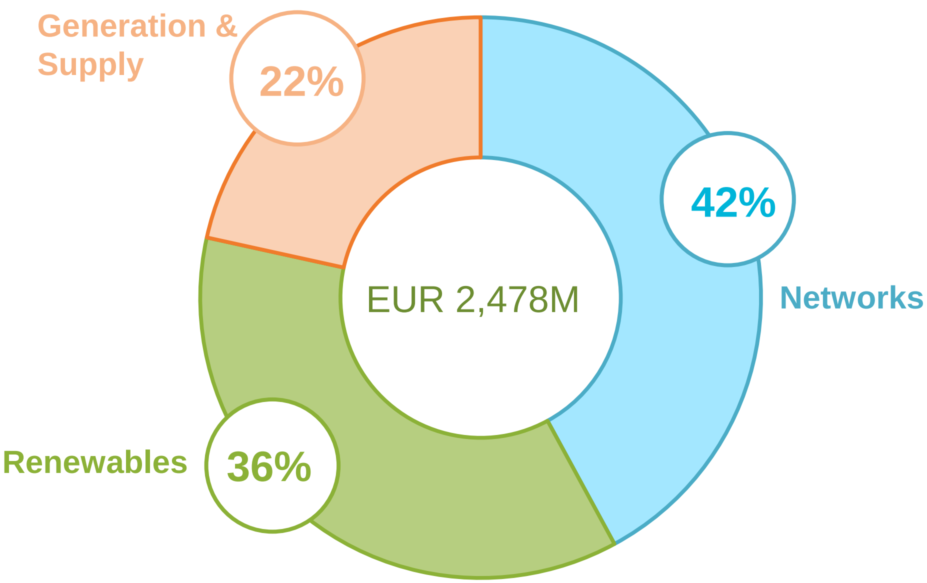
- Negative evolution of USD and BRL (EUR -260M)

EBITDA increases 17% (excluding fx impact +24%).

Net Investments of Eur 2,478 M in the first half

Installing 423 MW of renewable capacity…

Business investments in H1[1]



Additional capacity to be installed before year end	
Renewables	537 MW
Combined cycles	1,789 MW[2]
TOTAL: 2,326 MW	

…to reach a total of 2,749 MW of new capacity in the year

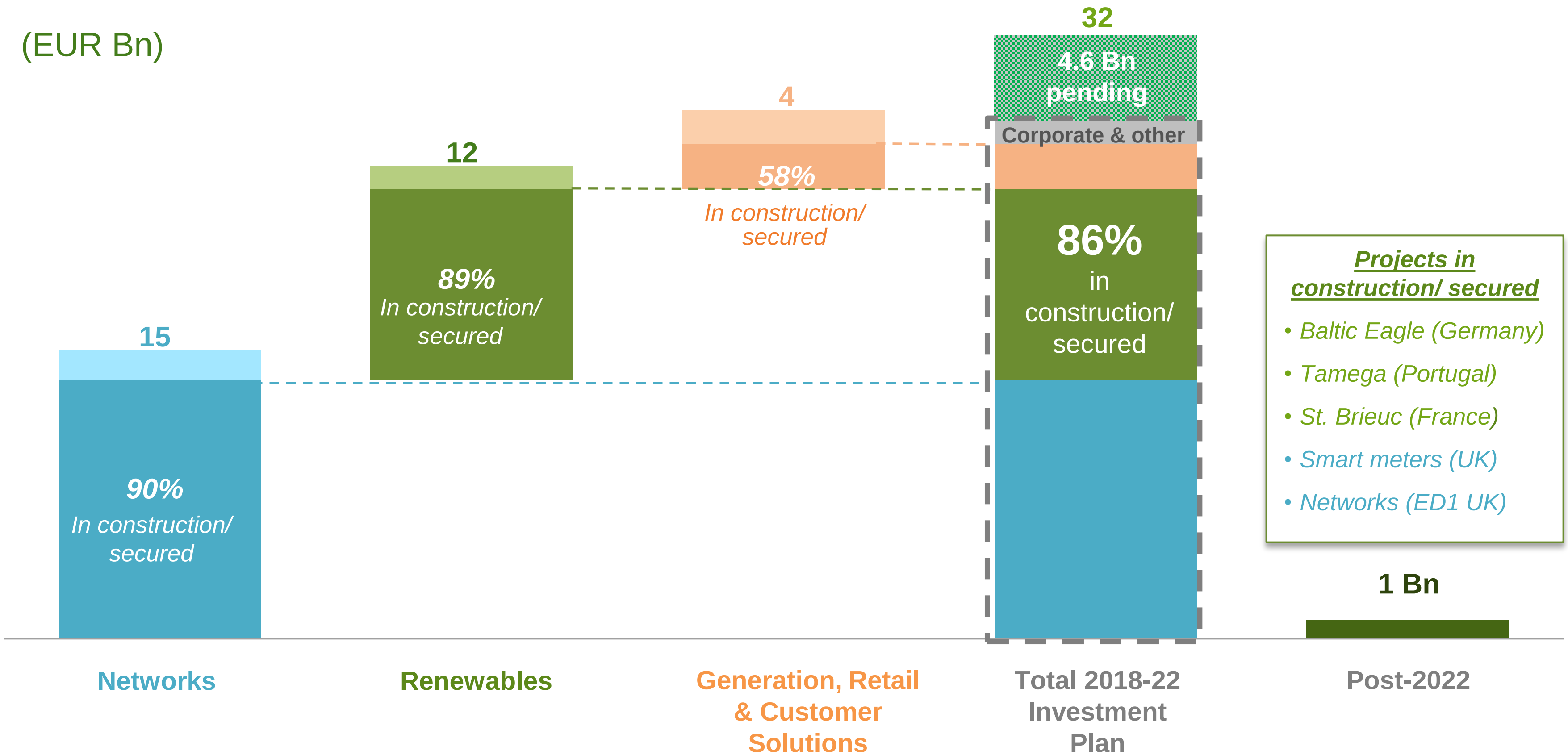
[1] Excluding Corporate and other
[2]Including 911 MW of Topolobampo II, that will start producing in Q1 2019.

2018 – 2022 Plan: H1 milestones

Networks	• US: NECEC transmission project selected for interconnection between Canada and Massachusetts, with commissioning in 2022. • Brazil: Tariff reviews in Bahía (+16.95%) and Rio Grande do Norte (15.61%) - May 2018-2023.
Renewables	Offshore wind • UK: 714 MW East Anglia One, first jackets installed and offshore substation completed. • Germany: 486 MW Baltic Eagle awarded, with commissioning in 2023. • US: 800 MW Vineyard awarded, with commissioning in 2021/2022. • France: 496 MW St. Brieuc tariff confirmed, with commissioning in 2023. Onshore wind • Brazil: 471 MW Paraiba, with commissioning in 2022. Hydro ✓ Brazil: 122 MW of Belo Monte commissioned during H1. ✓ Portugal: Tâmega (1,158MW) works are progressing as planned, for commissioning in 2021 and 2023. Solar PV • Mexico: 150 MW Santiago and 77 MW Hermosillo installed, ready for commissioning in Q3. • Spain: 391 MW Nuñez de Balboa construction announced, with commissioning in 2020.
Generation & Supply	• UK: 1 million smart meters already installed. • Mexico: +10.7% CFE tariff increase in July (vs June) and repowering of Monterrey commissioned in Q2.

2018 – 2022 Plan: Delivery

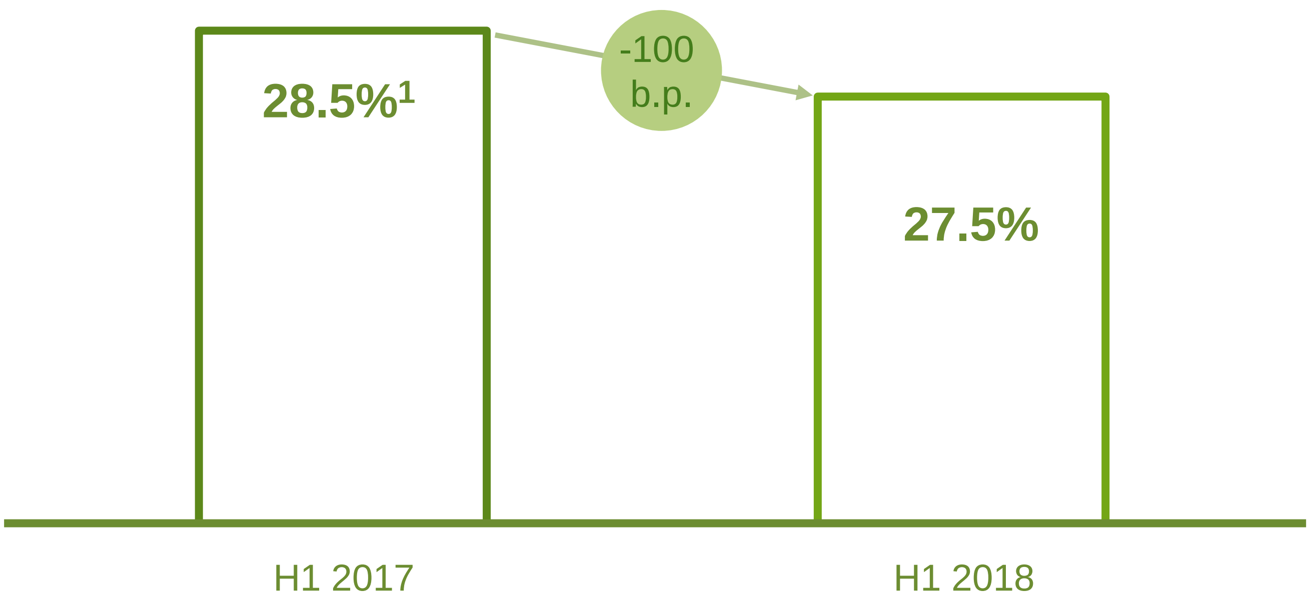
86% of 2018-22 Plan investments already in construction/ secured, compared to 73% last February,…



…**with EUR 4.6 Bn still available** for new investment projects in the period

Operational efficiency speeding up…

Net Operating Expenses to Gross Margin



…with **further improvement in second half**

[1]Excluding positive non-operating portfolio price revision in Gas Spain in 2017.

AVANGRID results (USD, US GAAP)

AVANGRID's Adjusted Net Profit reaches USD 371 M

Strategic plan execution

- Executed contracts for **new ~378 MW**[1] wind projects
- **~497 MW** onshore wind and solar PV **under construction**
- **Filing of Rate cases of Connecticut Natural Gas & Berkshire Gas**

New opportunities in progress

- **Vineyard 800 MW offshore** wind **selected** in **Massachusetts** (commissioning 2021/2022).
- NECEC transmission project selected for interconnection between Canada and Massachusetts, with commissioning in 2022.

Increase in quarterly dividend to $0.44/share (vs. $0.432), starting in 3Q

[1]Including a new ~220MW wind project in Texas

Neoenergia results (Local GAAP)

Neoenergia's EBITDA grows 43% to BRL 2,159 M
Net Profit reaches BRL 671 M, +144%

H1 Milestones…

Efficiencies	✓ H1 improvements exceeded expectations. Increasing the amount during H2 of the year.
Renewables	✓ Onshore wind Paraiba: +177 MW (totaling 471 MW), to be commissioned in 2022. ✓ Hydro Belo Monte: +122 MW commissioned (H1), +183 MW to be commissioned in Q4 2018 (+367 MW in Q1 2020).
Networks	✓ Tariff reviews in Bahía (+16.95%) and Rio Grande do Norte (+15.61%): ~55% of RAV ▪ Since May 2018
Other	✓ Interest rate reduction and the improvement in results are leading to a decrease in financial costs.

…will continue improving performance during the second half of the year

During the first half, total new financing and credit lines raised reached EUR 11.8 Bn

Financing *Bonds (€, $, R$), EIB, Hybrid…*	**EUR 4.45 Bn**
Credit Lines	**EUR 5.3 Bn** **USD 2.5 Bn**

23% of our current total debt portfolio[1] is green and 75% of credit lines are linked to environmental factors

[1]Including hybrids

Analysis of Results

Income Statement / Group

Strong operating results

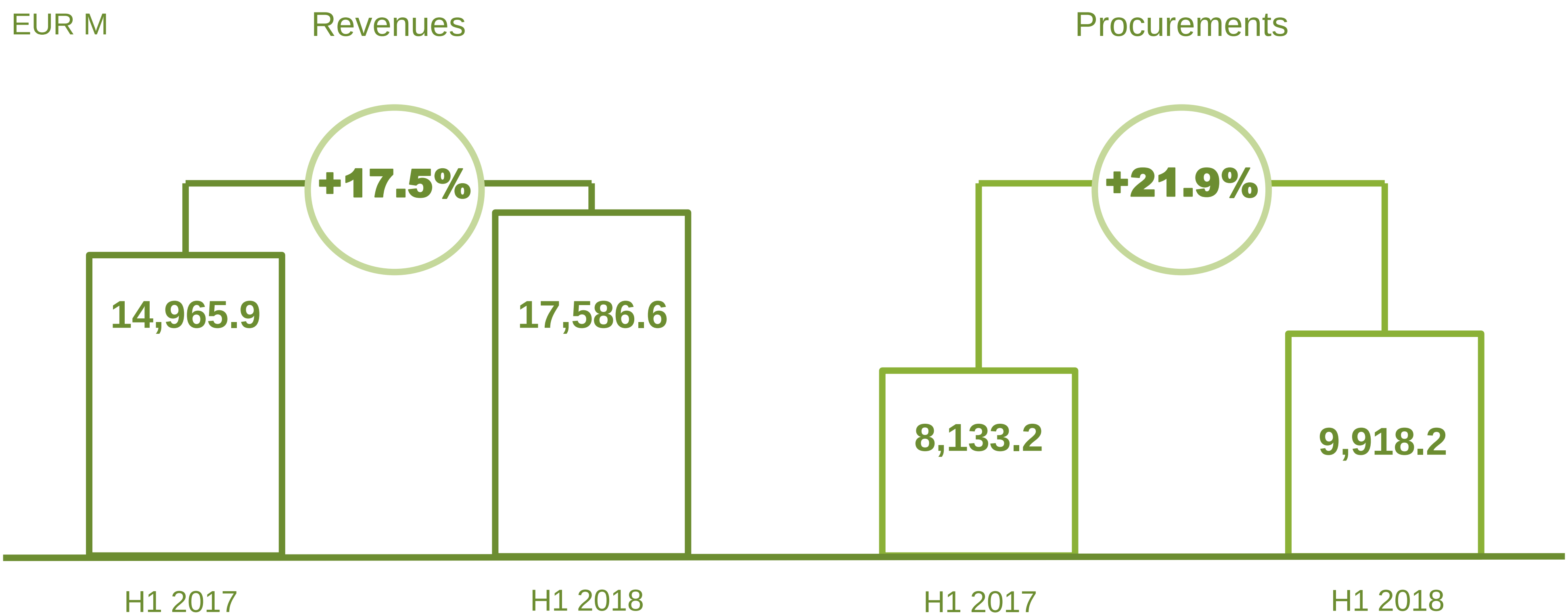
EUR M	H1 2017	H1 2018	Var.	%
Revenues	14,965.9	17,586.6	+2,620.7	+17.5
Gross Margin	**6,832.6**	**7,668.4**	**+835.8**	**+12.2**
Net Operating Expenses	-1,889.0	-2,111.3	-222.2	+11.8
Levies	-1,156.4	-1,121.3	+35.1	-3.0
EBITDA	**3,787.2**	**4,435.9**	**+648.7**	**+17.1**
EBIT	2,152.9	2,527.3	+374.4	+17.4
Net Financial Expenses	-406.8	-563.1	-156.3	+38.4
Non Recurring Results	+241.1	+22.0	-219.1	-90.9
Taxes and Minorities	-479.8	-567.9	-88.1	+18.4
Reported Net Profit	**1,518.4**	**1,410.5**	**-107.9**	**-7.1**
Operating Net Profit*	**1,076.5**	**1,367.7**	**+291.2**	**+27.0**
Operating Cash Flow	3,308.8	3,493.5	+184.6	+5.6

Excluding Gamesa extraordinary dividend in 2017, Operating Cash Flow is up +12.3%

** 2017 excludes positive one off impacts of Gamesa merger and portfolio price revision in Gas Spain*

Gross Margin / Group

Gross Margin up 12.2%, to EUR 7,668.4 M,…



… with NEO consolidation (EUR +741.5 M) more than compensating fx impact (EUR –319.6 M)
Excluding both impacts Gross Margin up 9%

Net Operating Expenses / Group

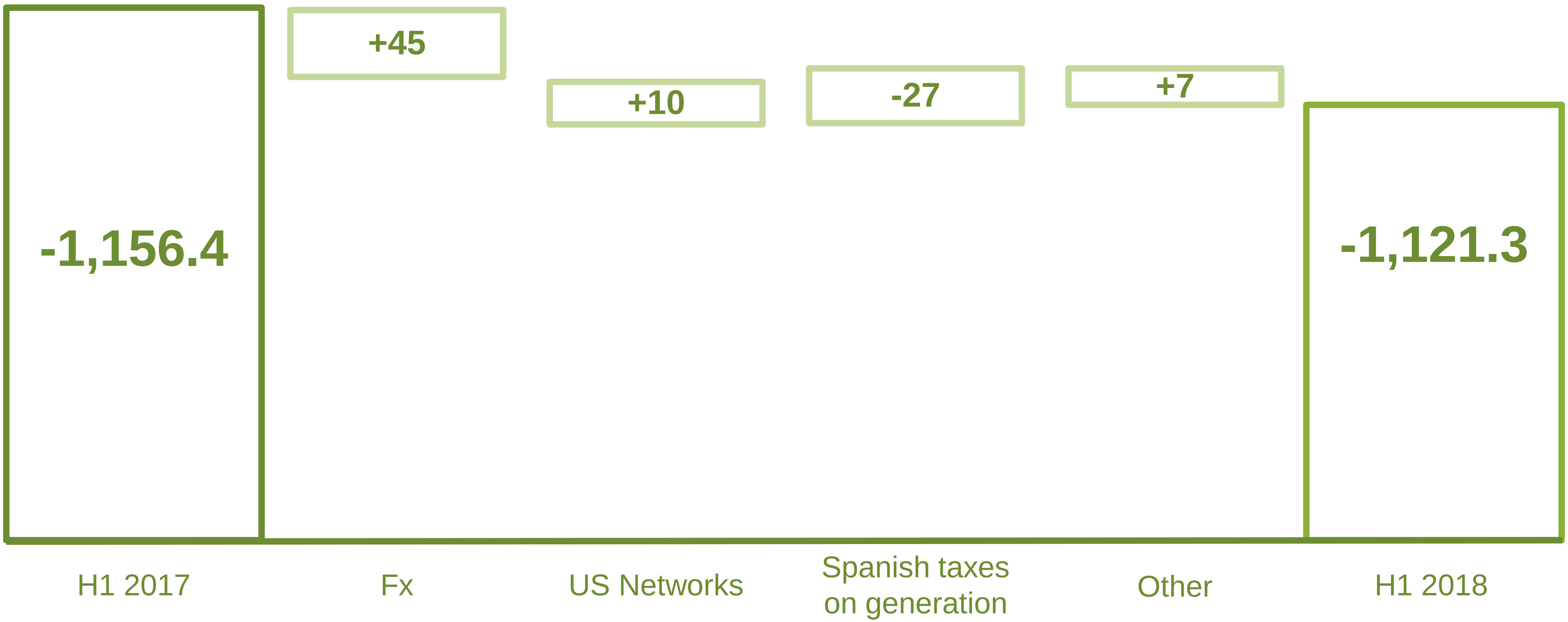
Net Operating Expenses up 11.8% (EUR -222.2 M), to EUR 2,111.3 M,
driven by NEO consolidation (EUR -311 M), partially compensated by fx (EUR +98 M)

EUR M	Net Operating Expenses			
	H1'17	H1'18	vs H1'17 (%)	vs H1'17 (%) (ex NEO and fx)
Net Personnel Expenses	**-971.0**	**-1,043.9**	**+7.5%**	**+1.1%**
Net External Services	**-918.1**	**-1,067.4**	**+16.3%**	**-0.2%**
Total Net Op. Expenses	**-1,889.0**	**-2,111.3**	**+11.8%**	**+0.5%**

Excluding the above mentioned impacts,
Net Operating Expenses almost flat (+0.5%)

Levies / Group

Levies fall 3.0%, to EUR 1,121.3 M, as a consequence of …

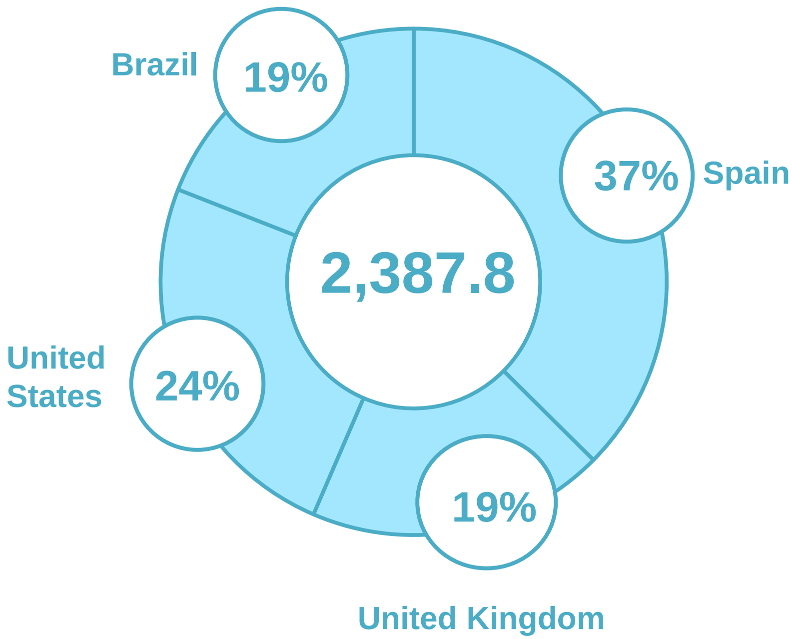


… fx and lower taxes in Networks US more than offsetting the increase in Spanish generation taxes due to the higher output

Results by Business / Networks

Networks EBITDA up 20.7%, to EUR 2,387.8 M, …

EBITDA by Geography (%)



Key Figures (EUR M)

	H1'17	H1'18	vs H1'17 (%)
Gross Margin	**3,275.8**	**3,873.5**	**+597.7 (+18.2%)**
Net Op. Exp.	**-840.1**	**-1,071.1**	**-231.0 (+27.5%)**
Levies	**-457.4**	**-414.6**	**+42.8 (-9.4%)**
EBITDA	**1,978.3**	**2,387.8**	**+409.5 (+20.7%)**

… with growth in all geographies*, despite the negative impact of storm costs in US under IFRS

** Excluding fx impact*

Results by Business / Networks

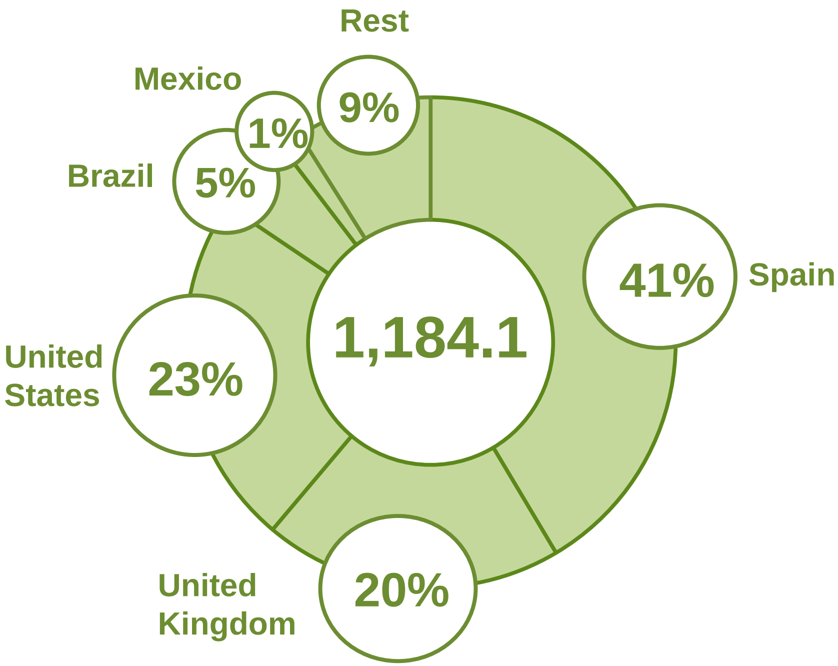
Spain	**EBITDA EUR 893.6 M (EUR +122.5 M; +15.9%),** due to positive settlements of previous years and the impact of 2017 positive court ruling on ICAs*
US	**EBITDA USD 706.5 M (USD +24.7 M; +3.6%),** driven by: + Rate plans + Positive IFRS impact - Storm costs Under IFRS the impact from the tariff adjustments corresponding to the tax reform is not yet included
Brazil	**EBITDA BRL 1,876.5 M (BRL +1,440.1 M; n/a),** driven by NEO consolidation (BRL 1,429.5 M), that includes tariff revision in Bahía (+16.95%) and Rio Grande do Norte (+15.61%) from May 2018
UK	**EBITDA GBP 399.9 M (GBP +11.9 M; +3.1%),** with higher revenues both in transmission and distribution

** Instalaciones Cedidas de Abonados / Assets given by customers (includes 2016 one-off impact of Eur 53 M)*

Results by Business / Renewables

EBITDA up 25.5%, to EUR 1,184.1 M, with output increasing by 20.1% …

EBITDA by Geography (%)



Key Figures (EUR M)

	H1'17	H1'18	vs H1'17 (%)
Gross Margin	**1,511.1**	**1,823.5**	**+312.4** (+20.7%)
Net Op. Exp.	**-335.6**	**-365.5**	**-29.9** (+8.9%)
Levies	**-232.2**	**-273.9**	**-41.7** (+18.0%)
EBITDA	**943.3**	**1,184.1**	**+240.8** (+25.5%)

… with increasing earnings in our most relevant markets

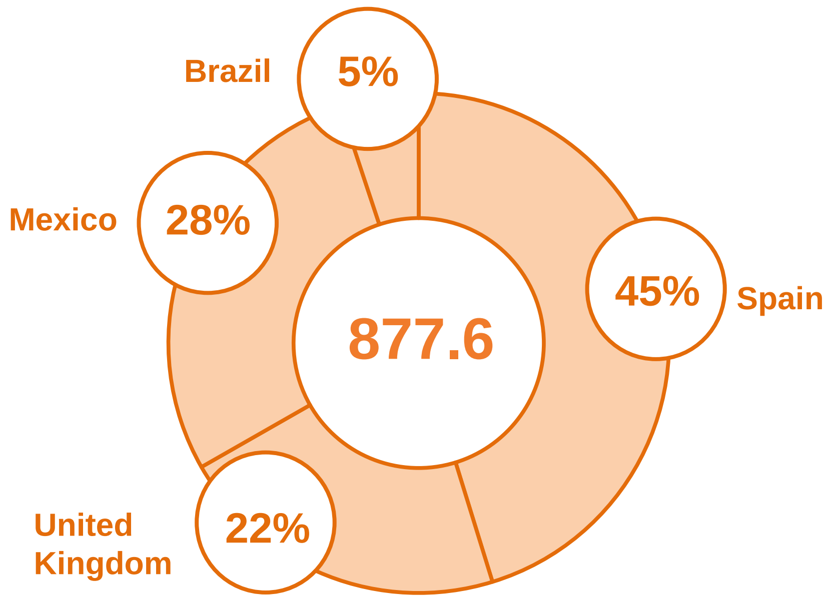
Results by Business / Renewables

Spain	**EBITDA EUR 490.8 M (EUR +118.8 M; +32.0%),** driven by higher output (+29.5%)
US	**EBITDA USD 333.5 M (USD +13.9 M; +4.4%),** as higher output (+11.3%) is partially compensated by lower prices
UK	**EBITDA GBP 205.1 M (GBP +43.5 M; +26.9%),** higher output (+11.9%), due to an increase in the average operating capacity of onshore wind (+11.5%), and higher prices
Brazil	**EBITDA BRL 253.6 M (BRL +195.8 M; n/a),** due to corporate restructuring
Mexico	**EBITDA USD 20.3 M (USD -6.6 M; -24.7%),** with higher output (+14.8%) not sufficient to compensate lower prices
RoW	**EBITDA EUR 106.0 M (EUR +59.2 M; n/a)** due to the gradual entry into service of Wikinger during Q1'18, now fully operational (350 MW)

Results by Business / Generation and Supply

Generation & Supply EBITDA up 1.7% to EUR 877.6 M, …

EBITDA by Geography (%)



Key Figures (EUR M)

	H1'17	H1'18	vs H1'17 (%)
Gross Margin	**1,992.6**	**1,951.7**	**-40.9** (-2.1%)
Net Op. Exp.	**-679.2**	**-648.4**	**+30.9** (-4.5%)
Levies	**-450.2**	**-425.7**	**+24.4** (-5.4%)
EBITDA	**863.2**	**877.6**	**+14.4** (+1.7%)

… due to the recovery from the adverse operating environment of last year, which more than offsets the positive one off accounted for in Gas Spain in 2017

Results by Business / Generation and Supply

Spain	**EBITDA EUR 397.0 M (EUR -150.9 M; -27.5%)** - Output* decreases -10.7%, as there is more renewable production and lower nuclear - Lower margins due to higher procurement costs - EUR 164 M of lower Gas results impacted by the positive one off price revision of the gas portfolio accounted for in 2017 + Higher Retail activity and customer acquisition costs in D&A (IFRS 15) + Levies fall (EUR -20.8 M; -5.5%) affected by lower generation taxes (lower production)
UK	**EBITDA GBP 165.8 M (GBP +125.0 M; n/a)** + Margin recovery, smart meters and capacity payments + Normalisation in operating costs + Customer acquisition costs now accounted for in D&A (IFRS 15)
Mexico	**EBITDA USD 298.9 M (USD +9.2 M; +3.2%):** driven by the operating improvement of the generation fleet and the recovery in prices vs Q1'18, that was anticipated and will continue during H2
Brazil	**EBITDA BRL 184.1 M (BRL +183.5 M; n/a),** as a consequence of NEO consolidation

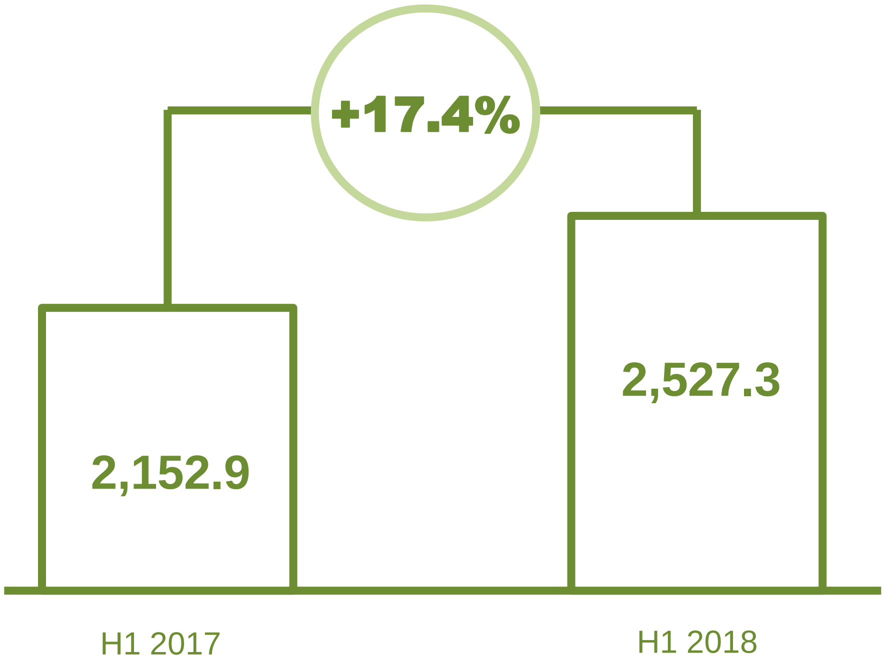
** Includes cogeneration*

EBIT / Group

Group EBIT up 17.4%, to EUR 2,527.3 M

EUR M

EBIT



D&A and Provisions

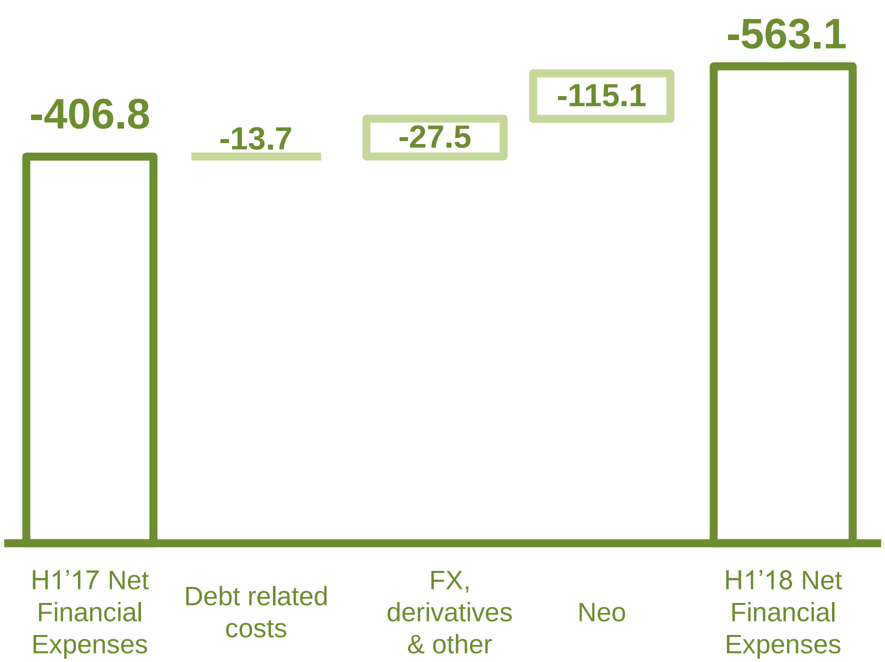
	H1'17	H1'18	vs H1'17 (%)
D & A	**-1,528.9**	**-1,757.2**	**+14.9**
Provisions	**-105.5**	**-151.4**	**+43.5**
TOTAL	**-1,634.4**	**-1,908.6**	**+16.8**

D&A and Provisions increase 16.8%, primarily due to Brazil consolidation and higher activity

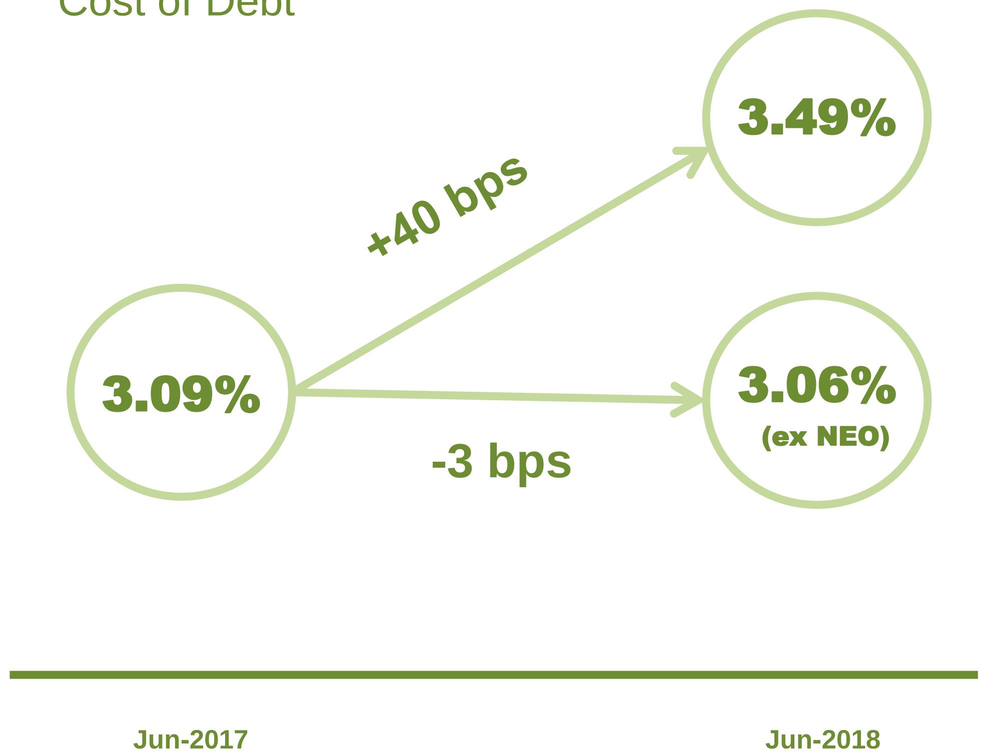
Net Financial Expenses / Group

Net Financial Expenses up EUR 156.3 M, to EUR 563.1 M …

Net Financial Exp. evolution (EUR M)



Cost of Debt

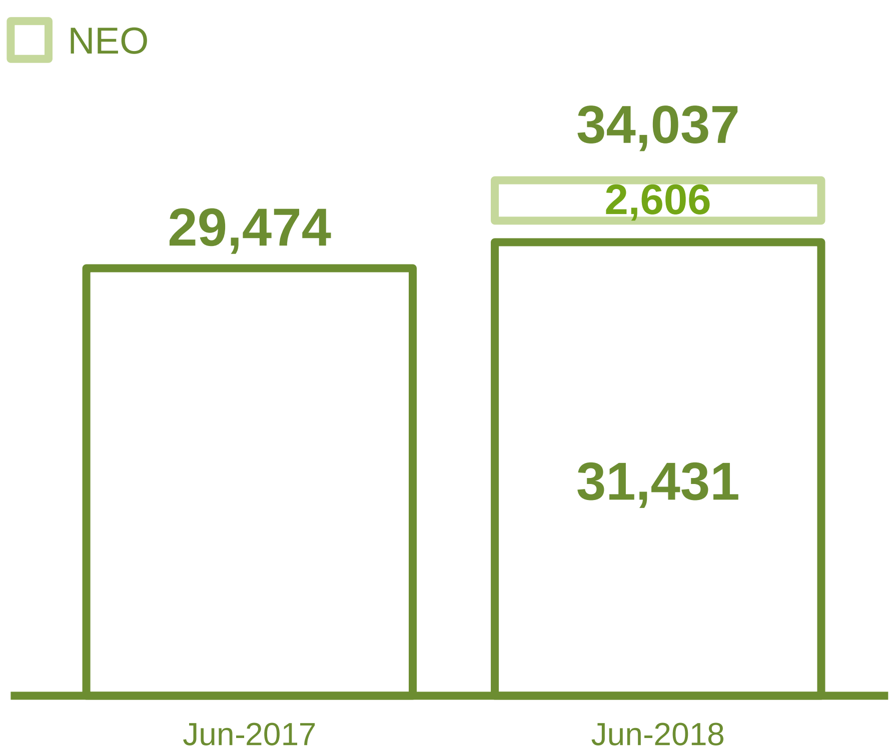


… driven by NEO integration, higher non-debt results and IFRS 9

Net Debt / Group

Net Debt* increases to EUR 34,037 M, affected by corporate reorganisation in Brazil, investments and EUR 665 M one off tax, to be recovered

Net Debt* (EUR M)



Pro forma adjusted credit metrics**

Net Debt / EBITDA	4.1x
FFO / Net Debt	20.2%
RCF / Net Debt	17.6%
Leverage	43.7%

* Adjusted by market value of treasury stock cumulative hedges (EUR 30.6 M at 30/06/2018 and EUR 469.1 M at 30/06/2017)

** Pro forma: including Neo from 1st July 2017. Adjusted: excluding provisions for efficiency plans

Net Profit / Group

Excluding impacts from Gamesa merger and portfolio price revision in Gas Spain, **Operating Net Profit*** up 27.0%, to EUR 1,368 M,…

EUR M	H1'17	H1'18	vs H1'17 (%)
Operating Net Profit*	**1,076.5**	**1,367.7**	**+27.0%**
Non Recurring Results	+442.3	+22.0	n/a
Other non recurring: Taxes and Minorities	-0.4	+20.8	n/a
Reported Net Profit	**1,518.4**	**1,410.5**	**-7.1%**

… and **Reported Net Profit** reaches EUR 1,410 M

** 2017 excludes positive one off impacts of Gamesa merger and portfolio price revision in Gas Spain*

Conclusions

After a good first half of the year, we expect a stronger performance during the second semester…

Incremental contribution in second half of 2018 (vs first half)

Networks

- ∆ Annual tariff increase in NY (from May) – US.
- ∆ Tariff increase in Bahía and Rio Grande do Norte (from May) – Brazil.

Renewables

Higher output:

- ∆ New capacity: onshore wind Mexico, hydro Brazil & full load offshore wind Germany.
- ∆ Higher hydro reserves.

Generation & Supply

- ∆ Improved prices - Europe and Mexico.
- ∆ Normalisation of nuclear output.
- ∆ New capacity – Mexico.

Other

- ∆ Further efficiencies.

…allows us to reaffirm our 2018 outlook…

EBITDA	Above EUR 9 Bn
Reported Net Profit	Close to EUR 3 Bn

…leading to dividend growth in line with results