Results Presentation
First Quarter
April 24 / 2018

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Highlights of the Period
Highlights of the period

Operating Net Profit grows 28.5% driven by:

- **EBITDA**: Totals Eur 2,323 M (+24%)
- **Net Investments**: up to Eur 1,185 M (+14.1%)
- **Operational efficiency improvement**: NOE/GM down 80 b.p.

Reported **Net Profit** reaches Eur 838 M
EBITDA totals Eur 2,323 M, growing 24%, despite fx impact.

*Including fx impact of Neoenergia

Amounts may not add due to rounding.
EBITDA grows in all businesses

EBITDA by business

Generation & Supply
+51.6%
+59.8% Ex-Fx

Renewables
+13.9%
+19.9% Ex-Fx

Networks
+17.5%
+27.3% Ex-Fx

Operating Highlights

Networks
• Brazil: consolidation of Neoenergia.

Renewables
• Spain: higher output
• UK: higher output and new capacity (+242 MW in average).
• Germany: Wikinger offshore windfarm in operation (+350 MW).

Generation and Supply
• Spain: higher retail activity.
• UK: higher demand & normalisation of conditions.
• Mexico: temporary lower margin due to lower CFE tariff.

Fx
• Negative evolution of USD and BRL
Net Investments

Net Investments increase 14.1% to Eur 1,185 M
77% in networks and renewables

Commissioning a total of 1,905 MW
in renewables and contracted generation during 2018...

1 Excluding Corporate and other
2018 – 2022 Plan: generation capacity

...from a total of 7,790 MW committed to be commissioned by 2020...

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore</td>
<td>344</td>
<td>717</td>
<td>465</td>
<td>295</td>
<td>1,827</td>
</tr>
<tr>
<td>Solar PV</td>
<td>237</td>
<td></td>
<td>821</td>
<td></td>
<td>1,058</td>
</tr>
<tr>
<td>Hydro</td>
<td>306</td>
<td>245</td>
<td>367</td>
<td>1,006</td>
<td>1,924</td>
</tr>
<tr>
<td>Combined cycle &amp; Cogeneration</td>
<td>1,018</td>
<td>1,777</td>
<td>779</td>
<td></td>
<td>3,574</td>
</tr>
</tbody>
</table>

New capacity 2018-2022:
- Offshore: 714 MW
- Onshore: 1,827 MW
- Solar PV: 1,058 MW
- Hydro: 1,924 MW
- Combined cycle & Cogeneration: 3,574 MW

...and an additional 1,301 MW by 2022

¹ Includes MW already commissioned in Q1
## 2018 – 2022 Plan milestones

### Networks
- **US**: NECEC transmission project selected for interconnection between Canada and Massachusetts. Start of **new Southern Connecticut Gas rate plan** (January 2018-2020).
- **Spain**: Smart Grids Project (STAR) 99% smart meters installed.

### Renewables
- **Germany**: Wikinger offshore windfarm (350 MW) in full operation.
- **UK**: East Anglia One onshore civil works and offshore construction started.
- **Brazil**: 61 MW of additional capacity.

### Generation & Supply
- **US**: divestment of gas trading and storage businesses.
- **UK**: 20% smart meters installed.
- **Mexico**: commissioning of San Juan Cogeneration and repowering of Monterrey during Q1.
Operational efficiency continues improving

**Net Operating Expenses to Gross Margin**

Q1 2017: 25.8%
Q1 2018: 25.0%

-80 b.p.
AVANGRID results (USD, US GAAP)

AVANGRID’s Adjusted Net Profit grows +7% to USD 243 M

Strategic plan execution

- Investments total USD 289 M.
- Divestment of gas trading and storage businesses.

New opportunities in progress

- NECEC transmission project selected for interconnection between Canada and Massachusetts.
- Other offshore wind: submitted bid in Connecticut RFP for 190 MW.

Affirming 2018 EPS Outlook: EPS $2.16-$2.46 & Adjusted EPS $2.22-$2.50 (2018 Guidance based on Adjusted EPS)
Neoenergia’s EBITDA grows 34% to BRL 1,034 M
Net Profit reaches BRL 288 M, +98%

**Strategic plan execution**

- Tariff reviews in Coelba and Cosern (April 2018-2023):
  - Increasing revenues by more than BRL 700 M/year.
  - Allowed returns of 8.09% real post-tax.
- 9 windfarms awarded with an estimated total capacity of 295 MW. Commissioning date: 2022.

Synergies identified exceed initial expectations.
## Neoenergia: offer for Eletropaulo

Eletropaulo, a strategic fit for Neoenergia in Brazil

<table>
<thead>
<tr>
<th></th>
<th>Neoenergia</th>
<th>Eletropaulo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Points of supply</td>
<td>13.6M</td>
<td>7.2M</td>
</tr>
<tr>
<td>Service area population</td>
<td>34M</td>
<td>~18M</td>
</tr>
<tr>
<td>km Power Lines</td>
<td>608,822</td>
<td>43,432</td>
</tr>
<tr>
<td>Renewable/contracted capacity in operation (MW)</td>
<td>3,162</td>
<td>0</td>
</tr>
</tbody>
</table>

Increasing presence in State of São Paulo
Spain: Experts’ Commission Report

Objective: created by the Minister of Energy, Tourism and Digital Agenda to advise on the Energy Transition Law within the National Plan of Energy and Climate Change, required by the European Commission.

14 members appointed by the Government, Parliamentary Groups and social agents.

Recommendations adopted with a broad consensus...

- Maintenance of nuclear generation under a framework that guarantees economic viability
- 2030 scenario: closure of coal facilities
- Creation of a capacity market
- Fiscal reform to distribute environmental costs: “polluter pays” principle
- Elimination of non-energy related costs from tariff
- Encourage investment in smart networks (in line with Deloitte report)

...and aligned with European policies and directives
Other milestones

Annual General Meeting

Quorum of 76.1%

Average support of 98.5% for all the items on the Agenda

- 99.1% Group 1: Financial statements and corporate management
- 98.6% Group 2: Board of Directors
- 97.7% Group 3: Remunerations
- 97.6% Group 4: Treasury Stock
- 99.9% Group 5: Resolutions
The Board of Directors has approved today (24th April 2018), the execution in July 2018 of “Iberdrola Retribución Flexible” program of at least Eur 0.183 per share in cash or shares to reach an annual shareholder remuneration of Eur 0.323 per share (+4.2%).

Share buy-back program, to maintain the number of shares at 6,240 M and avoid dilution.
Analysis of Results
**Income Statement / Group**

**Hydro** results included in Renewables Business (vs Liberalised Business until 2017)*

Discontinuing operations of **Engineering**: results accounted for using the Equity Method line from FY 2017*

**IFRS 15:**
Customer acquisition costs are now capitalised (Lower NOE, Higher D&A)

**IFRS 9:** Higher Interest Expenses linked to liability management

* 2017 restated accordingly
## Income Statement / Group

EBITDA up 24.0%, to Eur 2,323.5 M, +18.7% excluding NEO and fx impact

<table>
<thead>
<tr>
<th>Eur M</th>
<th>Q1 2018</th>
<th>Q1 2017</th>
<th>Var.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>9,343.5</td>
<td>8,195.4</td>
<td>+1,148.1</td>
<td>+14.0</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>4,008.8</td>
<td>3,555.4</td>
<td>+453.4</td>
<td>+12.8</td>
</tr>
<tr>
<td>Net Operating Expenses</td>
<td>-1,000.4</td>
<td>-918.0</td>
<td>-82.4</td>
<td>+9.0</td>
</tr>
<tr>
<td>Levies</td>
<td>-684.9</td>
<td>-763.8</td>
<td>+79.0</td>
<td>-10.3</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>2,323.5</td>
<td>1,873.6</td>
<td>+449.9</td>
<td>+24.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,387.2</td>
<td>1,039.6</td>
<td>+347.6</td>
<td>+33.4</td>
</tr>
<tr>
<td>Net Financial Expenses</td>
<td>-288.6</td>
<td>-206.2</td>
<td>-82.4</td>
<td>+40.0</td>
</tr>
<tr>
<td>Non Recurring Results</td>
<td>+0.5</td>
<td>+256.2</td>
<td>-255.7</td>
<td>-99.8</td>
</tr>
<tr>
<td>Taxes and Minorities</td>
<td>-261.7</td>
<td>-282.1</td>
<td>+20.4</td>
<td>-7.2</td>
</tr>
<tr>
<td><strong>Reported Net Profit</strong></td>
<td>838.0</td>
<td>827.6</td>
<td>+10.3</td>
<td>+1.2</td>
</tr>
<tr>
<td>Operating Net Profit</td>
<td>769.9</td>
<td>599.4</td>
<td>+170.5</td>
<td>+28.5</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>1,877.1</td>
<td>1,661.9</td>
<td>+215.2</td>
<td>+12.9</td>
</tr>
</tbody>
</table>

Operating results compensate Q1’17 non recurring profit: Reported Net Profit up +1.2%, to Eur 838.0 M
Gross Margin / Group

Gross Margin up 12.8%, to Eur 4,008.8 M, with NEO consolidation (Eur +380 M) more than compensating fx impact (Eur –221 M)

<table>
<thead>
<tr>
<th>Eur M</th>
<th>Revenues</th>
<th>Procurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>8,195.4</td>
<td>4,640.0</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>9,343.5</td>
<td>5,334.7</td>
</tr>
</tbody>
</table>

Revenues grew +14.0% (Eur 9,343.5 M) and Procurements +15.0% (Eur -5,334.7 M)
### Net Operating Expenses / Group

Net Operating Expenses up 9.0% (Eur -82.4 M), to Eur 1,000.4 M, driven by NEO consolidation (Eur -161 M), partially compensated by fx (Eur +59 M)

<table>
<thead>
<tr>
<th>Eur M</th>
<th>Net Operating Expenses</th>
<th>vs Q1’17 (%)</th>
<th>vs Q1’17 (%) Like for like*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1’18</td>
<td>Q1’17</td>
<td></td>
</tr>
<tr>
<td>Net Personnel Expenses</td>
<td>-522.6</td>
<td>-480.5</td>
<td>+8.8%</td>
</tr>
<tr>
<td>Net External Services</td>
<td>-477.8</td>
<td>-437.5</td>
<td>+9.2%</td>
</tr>
<tr>
<td>Total Net Op. Expenses</td>
<td>-1,000.4</td>
<td>-918.0</td>
<td>+9.0%</td>
</tr>
</tbody>
</table>

On a like for like basis, Net Operating Expenses down 2.0%

* Net Operating Expenses – fx impact – NEO contribution
Levies / Group

Levies fall 10.3%, to Eur 684.9 M as a consequence of ...

-763.8
+43
+23
+14

-684.9

Q1 2017  Fx  US Networks  Spanish taxes on generation  Q1 2018

... fx and lower taxes in Networks US and Spanish generation
## Results by Business / Networks

Networks EBITDA up 17.5%, to Eur 1,200.0 M, …

### EBITDA by Geography (%)

- Brazil: 18%
- Spain: 35%
- United States: 27%
- United Kingdom: 20%

### Key Figures (Eur M)

<table>
<thead>
<tr>
<th></th>
<th>Q1’18</th>
<th>Q1’17</th>
<th>vs Q1’17 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>1,975.3</td>
<td>1,737.1</td>
<td>+238.2 (+13.7%)</td>
</tr>
<tr>
<td>Net Op. Exp.</td>
<td>-503.1</td>
<td>-387.8</td>
<td>-115.3 (+29.8%)</td>
</tr>
<tr>
<td>Levies</td>
<td>-272.1</td>
<td>-328.5</td>
<td>+56.4 (-17.2%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,200.0</td>
<td>1,020.9</td>
<td>+179.1 (+17.5%)</td>
</tr>
</tbody>
</table>

… with positive evolution in most of the geographies
### Results by Business / Networks

<table>
<thead>
<tr>
<th>Country</th>
<th>EBITDA</th>
<th>Change</th>
<th>Percentage</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td>EUR 425.4 M (Eur +38.0 M; +9.8%)</td>
<td>due to positive settlements of previous years and the impact of 2017 positive court ruling on ICAs*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US</strong></td>
<td>USD 389.3 M (USD +62.9 M; +18.8%)</td>
<td>driven by: + Rate plans + Positive IFRS impact + Lower Levies in NY</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>BRL 855.9 M (BRL +620.9 M; n/a)</td>
<td>as a consequence of NEO consolidation (BRL 861.4 M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>GBP 207.1 M (GBP -3.4 M; -1.6%)</td>
<td>with higher revenues in transmission offset by lower revenues in distribution</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Instalaciones Cedidas de Abonados / Assets given by customers
EBITDA up 13.9%, to Eur 603.5 M, with output increasing by 14.8% …

… driven by better wind conditions (+2.4 p.p.) and higher installed capacity (+5%, reaching 29,275 MW, including German Wikinger offshore wind farm), despite lower prices
### Results by Business / Renewables

<table>
<thead>
<tr>
<th>Country</th>
<th>EBITDA</th>
<th>Change in EUR</th>
<th>Percentage Change</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>Eur 242.1 M (Eur +11.4 M; +4.9%)</td>
<td>driven by higher output in wind (+24.4%) and hydro (+6.0%), partially compensated by lower prices vs Q1’17 (price spike)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>USD 140.7 M (USD +5.8 M; +4.3%)</td>
<td>affected by lower prices and the positive impact of some power hedges accounted for in 2017, despite higher output (+14.3%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>GBP 127.7 M (GBP +28.7 M; +29.0%)</td>
<td>higher output (22.7%) due to an increase in the average operating capacity (+14.7%, +242 MW) and higher load factor (+4.0 p.p onshore, +6.5 p.p offshore)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>BRL 140.2 M (BRL +111.2 M; n/a)</td>
<td>due to corporate restructuring. Hydro contributes with BRL 63.6 M and wind with BRL 76.6 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>USD 16.5 M (USD -5.1 M; -23.8%)</td>
<td>with higher output (+12.7%) not compensating lower prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoW</td>
<td>Eur 53.3 M (Eur +26.6 M; +99.3%)</td>
<td>due to the gradual entry into service of German Wikinger offshore wind farm during Q1’18</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Results by Business / Generation and Supply

Generation & Supply EBITDA up 51.6% to Eur 503.6 M …

EBITDA by Geography (%)

- Spain: 45%
- Mexico: 19%
- United Kingdom: 30%
- Brazil: 6%

Key Figures (Eur M)

<table>
<thead>
<tr>
<th></th>
<th>Q1’18</th>
<th>Q1’17</th>
<th>vs Q1’17 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>1,079.4</td>
<td>946.9</td>
<td>+132.5 (+14.0%)</td>
</tr>
<tr>
<td>Net Op. Exp.</td>
<td>-325.7</td>
<td>-351.6</td>
<td>+25.9 (-7.4%)</td>
</tr>
<tr>
<td>Levies</td>
<td>-250.1</td>
<td>-263.0</td>
<td>+12.9 (-4.9%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>503.6</td>
<td>332.3</td>
<td>+171.3 (+51.6%)</td>
</tr>
</tbody>
</table>

… as a consequence of the recovery in the UK and Spain from the adverse operating environment in 2017
## Results by Business / Generation and Supply

<table>
<thead>
<tr>
<th>Country</th>
<th>EBITDA</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Spain** | Eur 224.8 M (Eur +71.3 M; +46.4%) | - Output* decreases -6.7% due to lower nuclear (-8.8%) and coal (-15.4%), with gas combined cycles up +37.3%  
+ Higher margins due to the fall of procurement costs  
+ Levies decrease (Eur +10.5 M; -4.8%) affected by lower generation taxes  
+ Higher Retail activity (volumes and Products & Services) |
| **UK** | GBP 131.7 M (GBP +93.7 M; n/a) | + Better demand  
+ Normalisation of margins, smart meters and capacity payments  
+ Better operational conditions  
+ Customer acquisition costs now accounted for in D&A (IFRS 15) |
| **Mexico** | USD 119.5 M (USD -22.4 M; -15.8%): | Affected by lower tariffs to private customers, expected to recover during the year |
| **Brazil** | BRL 128.2 M (n/a), | due to NEO consolidation |

* Includes cogeneration
**EBIT / Group**

Group EBIT up 33.4%, to Eur 1,387.2 M

<table>
<thead>
<tr>
<th>EUR M</th>
<th>Q1 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,039.6</td>
<td>1,387.2</td>
</tr>
<tr>
<td><strong>D&amp;A and Provisions</strong></td>
<td>Q1’18</td>
<td>Q1’17</td>
</tr>
<tr>
<td>D &amp; A</td>
<td>-871.1</td>
<td>-779.3</td>
</tr>
<tr>
<td>Provisions</td>
<td>-65.2</td>
<td>-54.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>-936.3</td>
<td>-834.0</td>
</tr>
</tbody>
</table>

D&A and Provisions increase 12.3%, basically due to Brazil consolidation and higher activity.
Net Financial Expenses / Group

NEO integration, along with non-debt results and IFRS 9 …

… drive Net Financial Expenses up Eur 82.4 M to Eur 288.6 M

Net Financial Exp. evolution (Eur M)

<table>
<thead>
<tr>
<th>Q1’17 Net Financial Expenses</th>
<th>Debt related costs</th>
<th>FX, derivatives &amp; other</th>
<th>Neo</th>
<th>Q1’18 Net Financial Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>-206.2</td>
<td>+0.1</td>
<td>-30.4</td>
<td>-52.1</td>
<td>-288.6</td>
</tr>
</tbody>
</table>

Cost of Debt

- Mar-2017: 3.13% (3.59% + 46 bps)
- Mar-2018: 3.59%

Iberdrola, “utility of the future”
Net Debt / Group

Net Debt* increases to Eur 33,131 M, affected by corporate reorganisation in Brazil and investments, partially compensated by fx

Net Debt* (Eur M)

<table>
<thead>
<tr>
<th>NEO</th>
<th>Mar-2017</th>
<th>Mar-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29,760</td>
<td>33,131</td>
</tr>
<tr>
<td></td>
<td>2,667</td>
<td>30,464</td>
</tr>
</tbody>
</table>

Pro forma adjusted credit metrics**

- Net Debt / EBITDA: 3.9x
- FFO / Net Debt: 21.4%
- RCF / Net Debt: 19.0%
- Leverage: 43.6%

* Adjusted by market value of treasury stock cumulative hedges (EUR 167 M at 31/03/2018 and 0 at 31/03/2017)
** Pro forma: including Neo from 1st April 2017. Adjusted: excluding provisions for efficiency plans
Net Profit / Group

Operating Net Profit up 28.5%, to Eur 770 M, and Reported Net Profit up 1.2%, to Eur 838 M, as Q1 2017 already included Eur 255 M non recurring net after taxes positive result

<table>
<thead>
<tr>
<th>Eur M</th>
<th>Q1’18</th>
<th>Q1’17</th>
<th>vs Q1’17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Net Profit</td>
<td>769.9</td>
<td>599.4</td>
<td>+28.5%</td>
</tr>
<tr>
<td>Non Recurring Results</td>
<td>+0.5</td>
<td>+256.2</td>
<td>n/a</td>
</tr>
<tr>
<td>Other non recurring: Taxes and Minorities</td>
<td>+67.6</td>
<td>-28.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Reported Net Profit</td>
<td>838.0</td>
<td>827.6</td>
<td>+1.2%</td>
</tr>
</tbody>
</table>

Taxes improve, to Eur -175.4 M, due to lower corporate rates in US and final positive adjustments of tax reform accounted for in Q1’18.
Conclusions
2018 Outlook

Positive impact of new investments, efficiency plan and normalisation of output...

Visibility for 2018 results

- Investment Plan execution
- Efficiency Plan implementation
- Output normalisation

...despite exchange rate impact...
2018 Outlook

...lead to 2018 outlook of **above Eur 9 Bn** at EBITDA level and **close to Eur 3 Bn** at Reported Net Profit level...

...driven by **better performance** in all businesses

**Forecast operational evolution**

**Networks**
- New rate plans US and Brazil
- Efficiency improvements

**Renewables**
- New capacity
- Higher output
- Increase in hydro reserves

**Generation & Supply**
- New capacity
- More demand: higher output and improved prices
Annex: “Iberdrola Retribución Flexible” program July 2018
“Iberdrola Retribución Flexible” program: July 2018

1 Calendar already approved by Iberclear

- Closing prices considered for determining the average price used to calculate number of rights and complementary dividend amount
- Announcement of capital increase in BORME
- Last day to buy IBE shares and participate in “Programa Iberdrola Retribución Flexible” and/or receive the dividend in cash
- End of common election period
- Chairman and CEO make the calculation for the capital increase and determines the complementary dividend (before 12:00h)
- Relevant fact filed
- Publication of the number of rights/share and interim DPS
- Commencement of the trading period
- Ex date (“Programa Iberdrola Retribución Flexible” and cash dividend)
- Chairman and CEO: close of scrip issue
- Relevant fact
- Payment of interim dividend

24 April
- Board Agreement for (i) the execution of the capital increase, and (ii) interim dividend payment
- Relevant fact

28 and 29 June and 2, 3 and 4 July

5 July
- Chairman and CEO make the calculation for the capital increase and determines the complementary dividend (before 12:00h)
- Relevant fact filed
- Publication of the number of rights/share and interim DPS

9 July

6 July

23 July
- Last day of rights trading period
- Chairman and CEO: close of scrip issue
- Relevant fact
- Payment of interim dividend

25 July

19 July
- End of common election period

28 and 29 June and 2, 3 and 4 July

31 July
- Commencement of the trading of the newly issued shares

22 August
- Delivery of shares

1 August
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