Results Presentation

First Half

July 20

/ 2017

IBERDROLA

Iberdrola, “utility of the future”

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Highlights of the period

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Net Profit grows 4.2% to Eur 1,518 M

EBITDA reaches Eur 3,752 M

Net Investments up to Eur 2,512 M

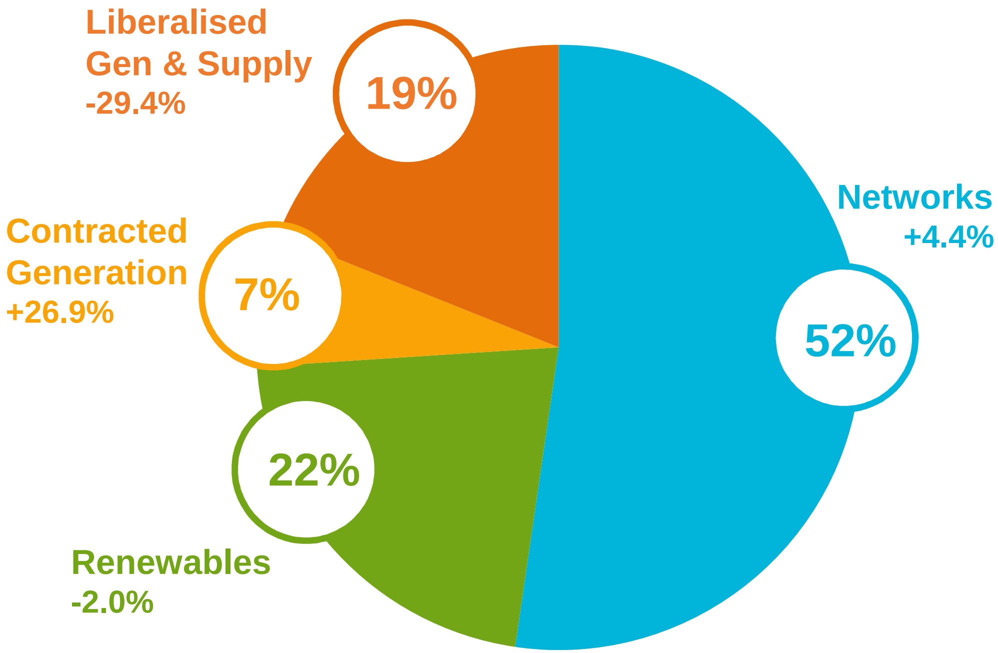
AVANGRID: Net Profit totals USD 359 M (US GAAP)

Merger of Brazilian subsidiaries (Neoenergia & Elektro)

EBITDA

EBITDA reaches Eur 3,752 M, recovering progressively along the year (-3.6% vs -8.2% in 1Q)

EBITDA by business



Operating Highlights

Networks

- **US: rate cases of New York and Connecticut**
- **Brazil: higher demand and positive tariff adjustment**

Renewables

- **Spain: lower output vs exceptionally high 2016**
- **UK: higher output and new capacity (+260 MW** in average vs 1H2016) more than **compensate negative fx impact**

Contracted Generation

- **Contribution of new capacity in operation (+750 MW in** average vs 1H2016)

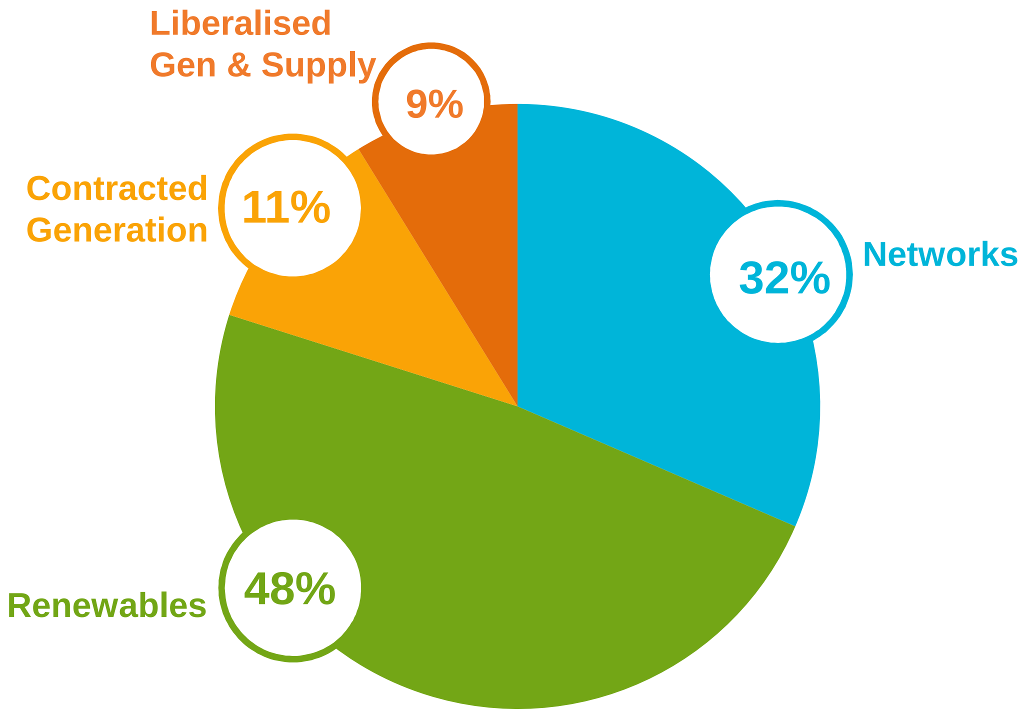
Liberalised Generation and Supply

- **Spain: low hydro output** (driest Q2 registered) and **higher retail activity**
- **UK: lower demand, higher regulated obligation costs and lower output (Longannet closure)**

Net Investments

Net Investments increase 35% to Eur 2,512 M

Investment by business



91% in networks, renewables and contracted generation

2016 – 2020 Plan: 1H milestones

Networks

- **US: filing of Southern Connecticut Gas (SCG) rate case** (2018-2020)
- **UK: Western Link Cable Wales-Scotland (2 GW):** expected **commissioning in Q4 2017**
- **Spain: Smart Grids Project** (STAR) **92% smart meters** installed (10M installed, +960k in 1H)
- **Brazil (Celpe-Neoenergia): start of** 4th regulatory cycle (>50% positive impact on Celpe results)

Renewables

Offshore

- **Wikinger (350 MW): half of the turbines** and **export cable installed. First export** in **Q3** and **Full export** in **Q4**
- **East Anglia 1: 80% of supply contracts** for construction already **signed**

Onshore

- **UK: 200 MW commissioned capacity** during **1H**
- **US:** executed **501 MW* of new wind PPAs** and **589 MW** from merchant **to fixed price of existing capacity** during **1H**

1,243 MW of wind & **solar PV** to be **commissioned** in **2H…**

…out of the **2.8 GW wind** & **solar PV in construction** to **2020** (**UK, US, Mexico, Brazil & Spain)**

Contracted Generation Mexico

- **336 MW** combined cycle **commissioned** during **1H**

107 MW cogeneration **to be commissioned in 2H…**

…out of the 3,505 MW under construction…to reach over **10 GW installed capacity** by **2020**

** Including: 401MW of new windfarms and 100MW of repowering*

Progressing on investments beyond 2020 to secure future growth

Networks	**Brazil (Elektro):** awarded **6 transmission lines** (580 km) & **3 substations** (2022) **US - DSIP and AMI:** expecting approval for full deployment of **1.8 million smart meters** and investments for **Automation and Advanced Controls System of the distribution networks (2022)**
Renewables (offshore)	**France: Saint Brieuc (496 MW) all permits granted. Expected commissioning in 2022** ***Under development:*** **U.K.: East Anglia 3 (~1,200 MW) – Auction in 2018** **Germany: Wikinger extension (up to +~750 MW) – Auction in 2018** **US: lease areas in Massachusetts (~2 GW) and North Carolina (~1.5 GW)**
Storage	**Portugal: 3 Hydro pumped storage plant Tamega (1,158 MW) in construction. Expected commissioning in 2021 and 2023**

AVANGRID results (USD, US GAAP)

AVANGRID's Net Profit grows 14% to USD 359 M

Strong business performance	**Networks:** Net profit +10% **Renewables**: Net profit +19%
Executing 2020 Plan	– **1H investment increases by 47% to USD 956 M** – **New 240 MW renewable capacity in operation** – **~1,000 MW new build secured with PPAs** (to be commissioned by 2020)
Dividend	3Q dividend of $0.432/share declared by Board on July 6, payable October 2

2017 Total Shareholder Return >21%*, doubling that of S&P 500 Utilities

** With share value at market closure: July 19th 2017*

Merger of Brazilian subsidiaries

Creation of a leading utility in Brazil focused in Regulated and Renewables activities

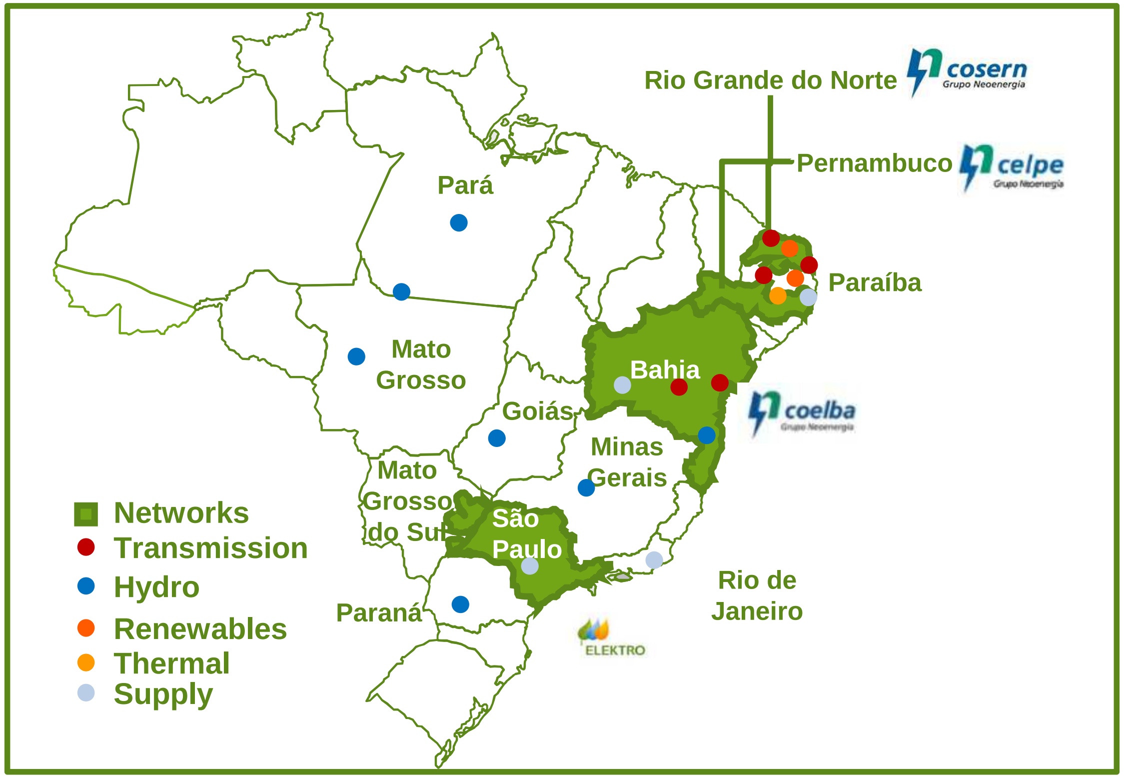
Maintaining financial solidity …	…with potential for additional value creation
✓ No cash component involved ✓ No capital increase needed ✓ Strengthened role in a known company (Iberdrola will own 52.45%)	✓ Enhanced operational management by implementing best practices ✓ Improvement of Cash Flow generation and EBITDA ✓ Increase of Iberdrola Group RAB

Antitrust approval achieved and the two pending approvals expected in August

Merger of Brazilian subsidiaries

A company with 13.4 M points of supply…

	Neo + Elektro
Service area– population (M)	c.43
Iberdrola Spain	*c.18*
Concession area (Km²)	836,000
Iberdrola Spain	*190,000*
Distribution network (Km)	585,000
Iberdrola Spain	*268,000*



…and over 3,500 MW of contracted capacity in operation/construction, mainly in renewables

Shareholder Remuneration

July 2017 Dividend: EUR 0.177 per share …

Scrip dividend (to be paid before 28th July)	**Eur 0.147/share** ***+18.5%***
Cash dividend (paid on 7th July)	**Eur 0.03/share**

…to offer a total remuneration of Eur 0.317 per share in 2017 (+11%)

Analysis of Results

Income Statement / Group

Net Profit up +4.2% (vs -4.7% in Q1), to Eur 1,518.4 M
EBITDA improves to -3.6% vs -8.2% in Q1, to Eur 3,751.8 M

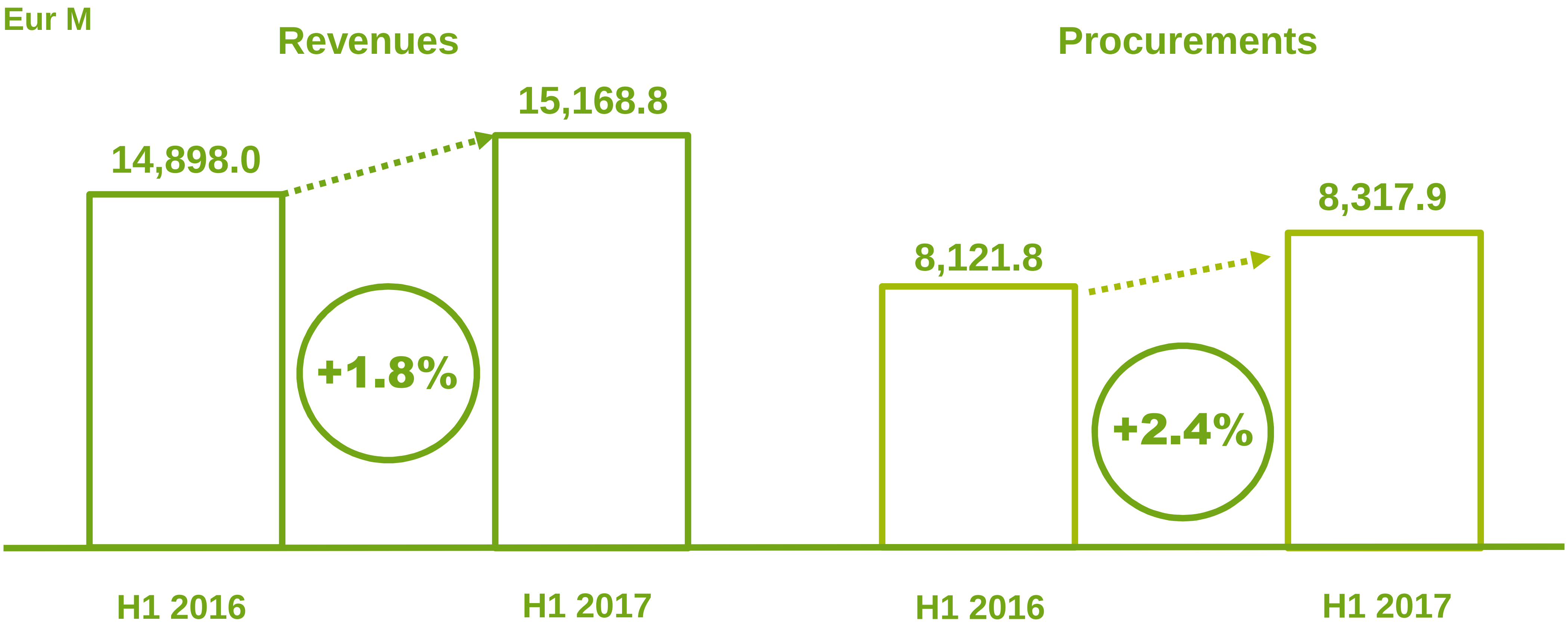
Eur M	H1 2017	H1 2016	Var.	%
Revenues	15,168.8	14,898.0	+270.8	+1.8
Gross Margin	6,851.0	6,776.3	+74.7	+1.1
Net Operating Expenses	-1,942.4	-1,860.7	-81.8	+4.4
Levies	-1,156.8	-1,023.5	-133.3	+13.0
EBITDA	3,751.8	3,892.1	-140.4	-3.6
EBIT	2,116.5	2,253.6	-137.1	-6.1
Net Financial Results	-413.5	-361.2	-52.4	+14.5
Reported Net Profit	1,518.4	1,456.7	+61.7	+4.2
Operating Cash Flow*	3,275.2	3,219.3	+55.8	+1.7

**Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision*

Limited fx impact as USD (+2.8%) and BRL (+17.2%) almost offset lower GBP (-11.4%) (EBITDA Eur -19 M; Net Profit Eur -3 M)

Gross Margin / Group

Gross Margin up 1.1%, to Eur 6,851.0 M …



… as Revenues +1.8% (Eur 15,168.8 M)
and Procurements +2.4% (Eur -8,317.9 M)

Net Operating Expenses / Group

Net Operating Expenses up 4.4%, to Eur 1,942.4 M driven by Eur 77 M of storm costs accounted for in Networks US and Spain

Eur M

Net Operating Expenses

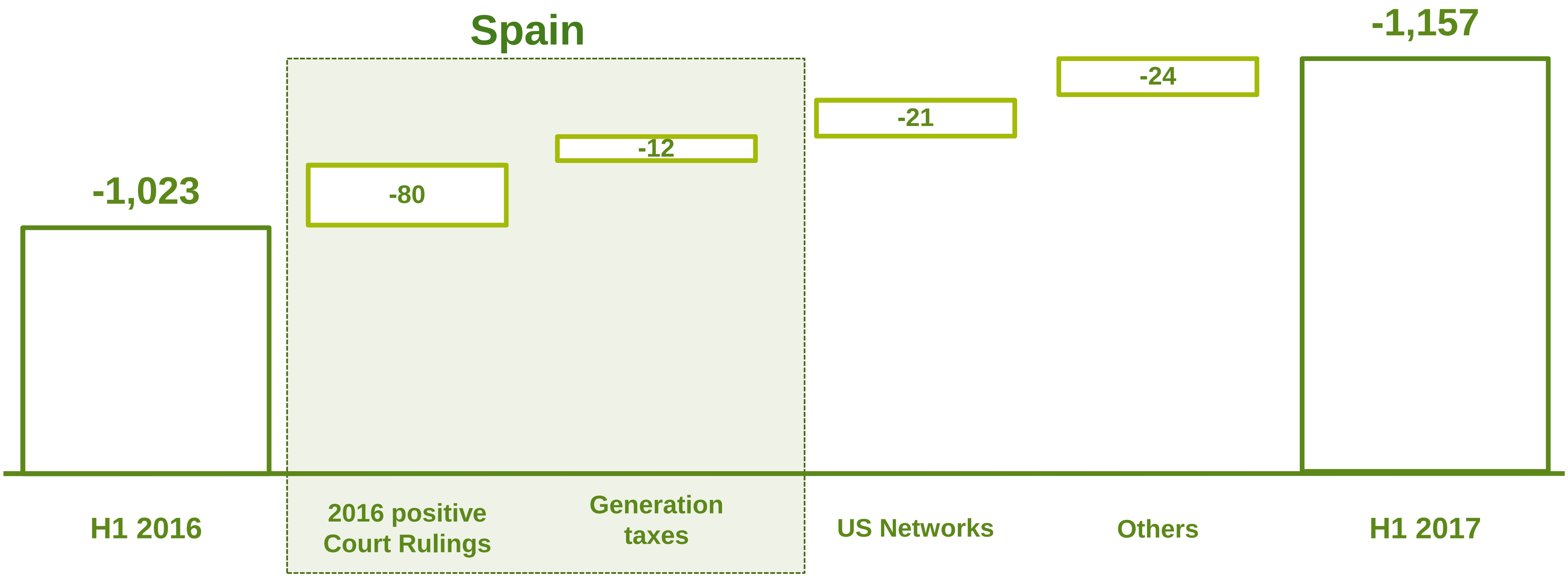
	H1 2017	H1 2016	% vs H1 '16	% vs H1 '16 (ex non recurring* and fx)
Net Personnel Expenses	-1,002.9	-975.8	+2.8%	-1.5%
Net External Services	-939.5	-884.9	+6.2%	+2.3%
Total Net Op. Expenses	-1,942.4	-1,860.7	+4.4%	+0.4%

Excluding non recurring impacts and fx, Net Operating Expenses remain flat

* *Storm costs (Eur 77 M) and other non recurring*

Levies / Group

Levies up 13.0%, to Eur 1,156.8 M, as a consequence of …

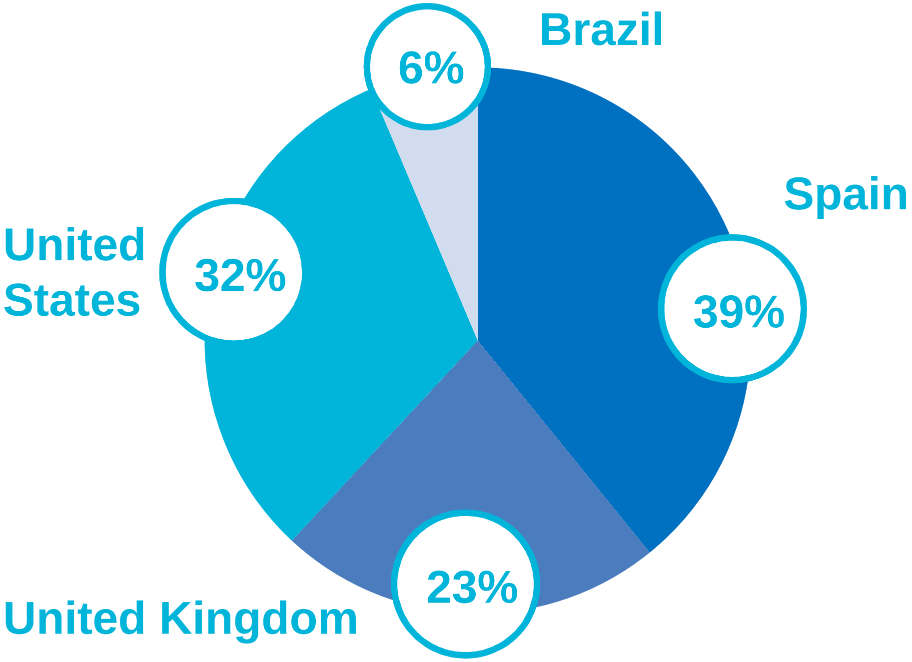


… higher generation taxes and 2016 positive Court rulings in Spain, together with increased taxes in US Networks

Results by Business / Networks

Networks EBITDA up 4.4% to Eur 1,978.3 M …

EBITDA by Geography (%)



Key figures (Eur M)

	H1 2017	H1 2016	vs H1 '16 (%)
Gross Margin	3,275.8	3,095.5	+5.8%
Net Op. Exp.	-840.1	-772.4	+8.8%
Levies	-457.4	-428.6	+6.7%
EBITDA	1,978.3	1,894.5	+4.4%

… as the good operational performance in US and Brazil more than compensates the results in the UK

Results by Business / Networks

Spain

EBITDA Eur 771.1 M (Eur -12.8 M; -1.6%), due to lower investments (Eur -14 M) recognized in H1 2017 vs H1 2016 and Eur 7 M of storm costs

US

EBITDA USD 681.8 M (USD +131.6 M; +23.9%), driven by:
+ New rate cases
+ Positive IFRS impacts, to be adjusted during the year
- Storm costs one off negative effect of USD 76 M, with no impact under US GAAP

UK

EBITDA GBP 388.0 M (GBP -16.5 M; -4.1%), due to lower energy distributed (GBP -10 M), as a consequence of milder weather, to be recovered in following years, and settlements of previous years due to lower investments (GBP -12 M)

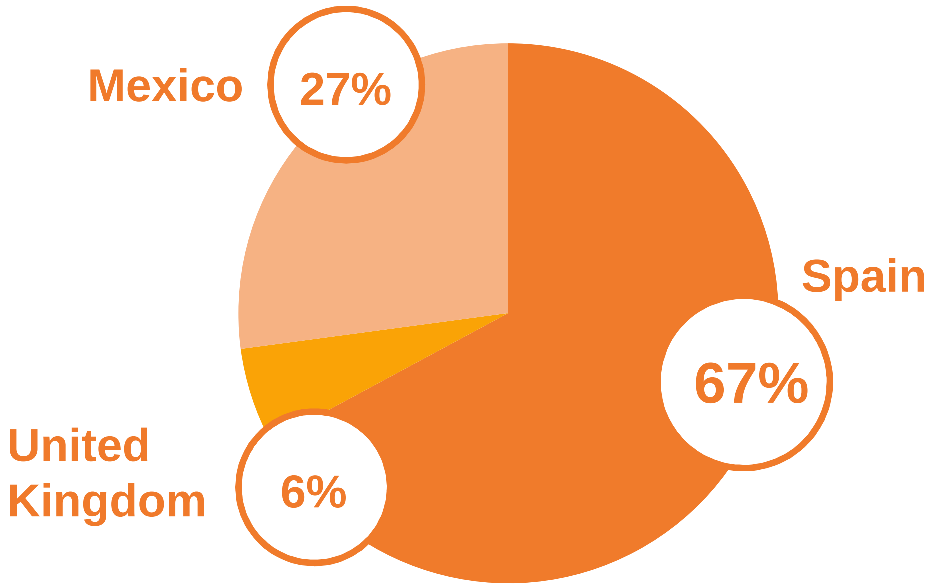
Brazil

EBITDA BRL 436.4 M (BRL +49.6 M; +12.8%), with higher energy distributed (+4.6%) and Elektro annual tariff revision in August 2016 (+9.1%)

Results by Business / Generation and Supply

Generation & Supply EBITDA falls 19.7% to Eur 984.0 M …

EBITDA by Geography (%)



Key figures (Eur M)

	H1 2017	H1 2016	vs H1 '16 (%)
Gross Margin	2,310.7	2,464.3	-6.2%
Net Op. Exp.	-749.1	-791.2	-5.3%
Levies	-577.7	-447.1	+29.2%
EBITDA	984.0	1,226.0	-19.7%

… as a consequence of the adverse operating situation in Spain, due to lower hydro output, higher Levies in Spain and weak UK performance (6% of Generation & Supply EBITDA)

Results by Business / Generation and Supply

Spain

EBITDA Eur 662.4 M (Eur -94.0 M; -12.4%)

- Output* decreases -20.1% due to record low hydro production against previous record year (-57%, -7.3 TWh)
- Higher Gas results (Eur +168 M) due to one off positive price revision for the portfolio
- Higher Levies (Eur -123 M; +32.6%) affected by positive Court rulings in 2016 and increase in generation taxes due to higher power prices
- Higher Retail activity (volumes and Products & Services)

Mexico

EBITDA USD 289.8 M (USD +54.9 M; +23.4%)

- Additional capacity in operation:
  - CFE: Baja California CCGT (314MW)
  - Private customers: Monterrey V CCGT (300MW) and Ramos cogen (53 MW)
- Better prices due to higher CFE tariff

UK

EBITDA GBP 48.8 M (GBP -157.1 M; -76.3%)

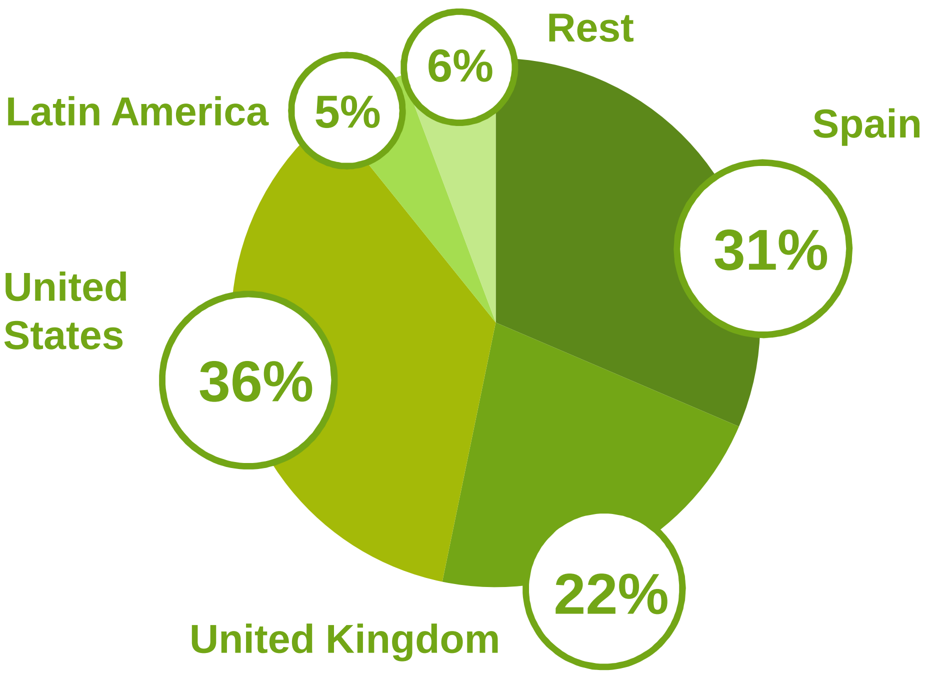
- *Wholesale & Generation* decreases GBP -49.5 M, to GBP -15.7 M, as a consequence of lower output (-39.5%) due to Longannet closure (GBP -30 M)
- *Retail* decreases GBP -107.5 M, to GBP 64.5 M:
  - Power: Government Obligations and margin compression
  - Gas : Lower margins and volumes, due to milder weather

** Includes cogeneration*

Results by Business / Renewables

EBITDA down 2.0%, to Eur 819.6 M …

EBITDA by Geography (%)



Key figures (Eur M)

	H1 2017	H1 2016	vs H1 '16 (%)
Gross Margin	1,214.6	1,193.1	+1.8%
Net Op. Exp.	-286.7	-253.4	+13.2%
Levies	-108.3	-103.2	+4.9%
EBITDA	**819.6**	**836.5**	**-2.0%**

… with UK and US partially compensating the lower wind resource in Spain, US being the largest contributor with 36% of the EBITDA of the business

Results by Business / Renewables

US

EBITDA USD 319.6 M (USD +8.6 M; +2.8%), due to output increase (+3.2%)

Spain

EBITDA Eur 257.5 M (Eur -62.0 M; -19.4%), due to lower output (-14.2%), after a record wind resource in H1 2016 that normalised in the second half of the year. Positive adjustment of investment incentive compensated by lower regulatory asset due to higher energy prices vs 2016

UK

EBITDA GBP 153.7 M (GBP +37.0 M; +31.7%), higher output (37.2%) due to increase in average operating capacity (+18.3%, +262 MW) and higher load factor (+4.2 p.p onshore, +5.8 p.p offshore)

Latam*

EBITDA EUR 41.6 M (Eur +4.8 M; +13.0%), mainly as a consequence of higher prices and revaluation of the BRL

RoW

EBITDA EUR 46.7 M (Eur -3.2 M; -6.3%) due to lower output

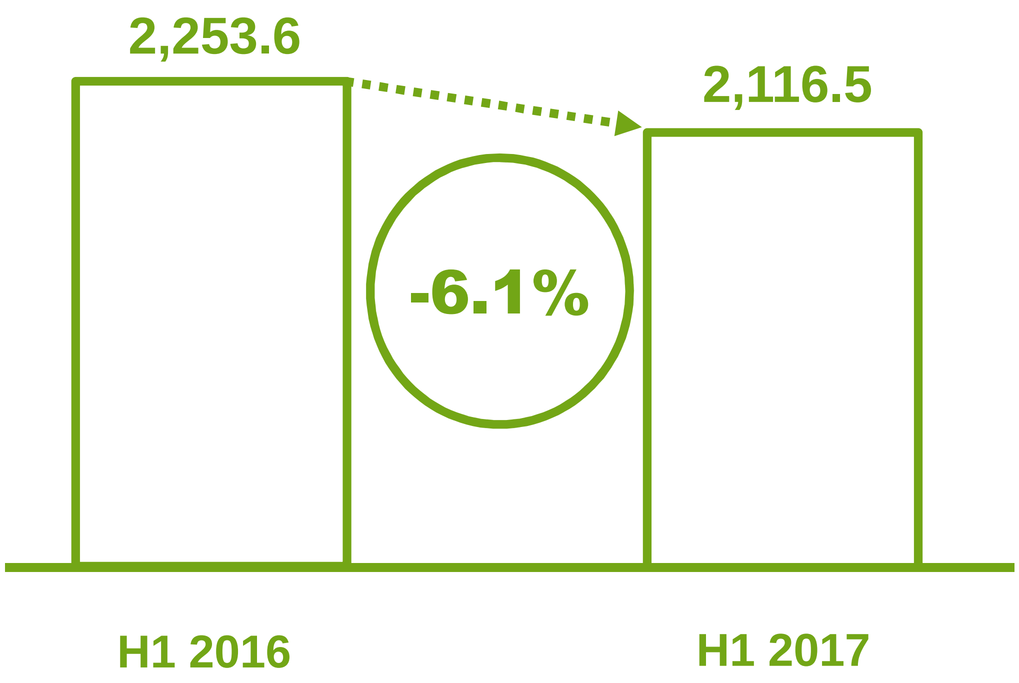
**** Includes Mexico and Brazil***

EBIT / Group

Group EBIT totals Eur 2,116.5 M (-6.1%)

Eur M

EBIT



	H1 2017	H1 2016	H1 '17 vs H1 '16
D & A	-1,529.4	-1,515.3	-14.1
Provisions	-105.9	-123.2	+17.3
TOTAL	**-1,635.3**	**-1,638.5**	**+3.2**

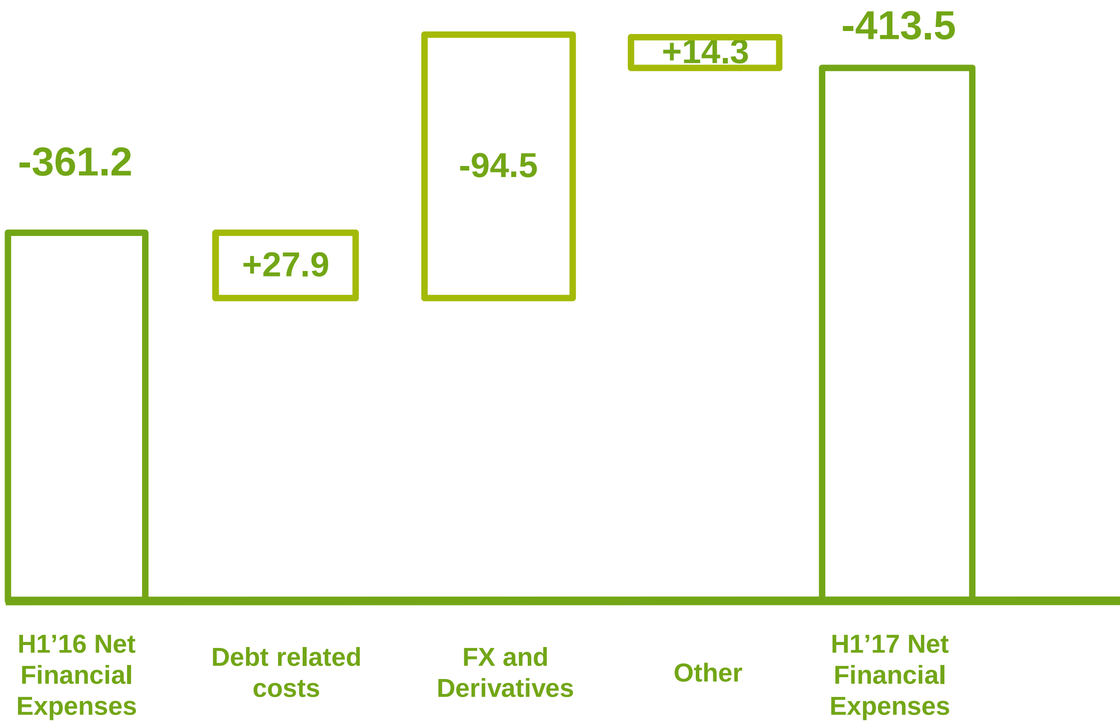
Provisions decrease as 2016 included Eur 27 M of extraordinary impacts
Lower D&A due to useful life extension of CCGTs and hydro plants' electromechanical equipment* (Eur +34 M), in line with sector practices

** Gas combined cycles useful life from 35 to 40 years and electromechanical equipment from 35 to 50 years*

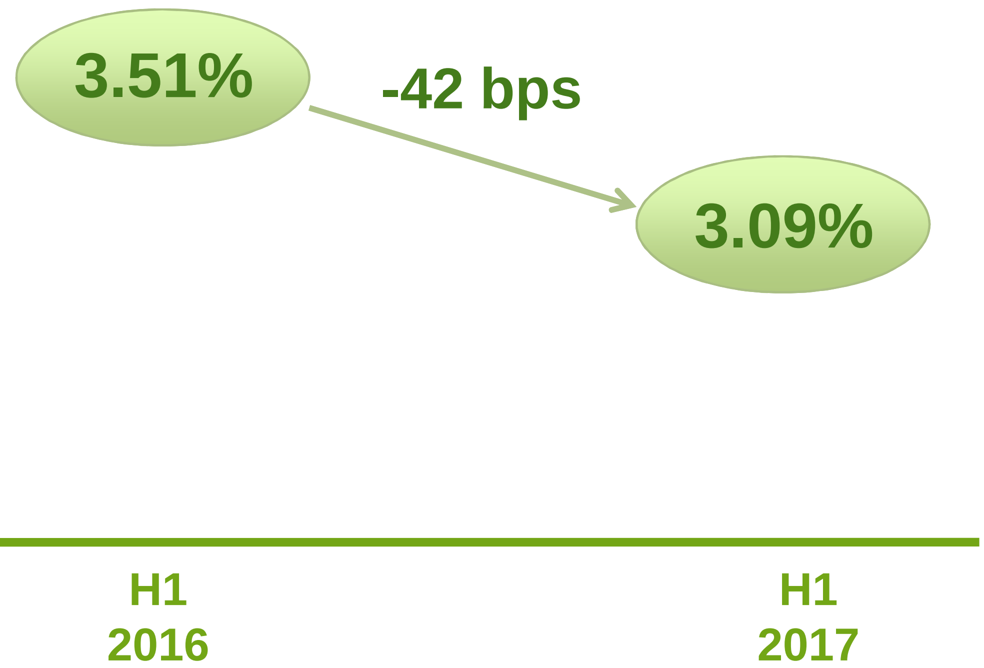
Net Financial Expenses / Group

2016 positive impact of GBP hedges drives Net Financial Expenses up Eur -52.4 M, to Eur 413.5 M

Net Financial Exp. evolution (Eur M)



Cost of Debt



Debt-related expenses improve (Eur +27.9 M) due to 42 bp lower cost of debt (down to 3.09% in H1'17), despite 7% higher debt average balance (Eur 2.1 bn) due to increase in investments

Net Profit / Group

Reported Net Profit up 4.2%, to Eur 1,518.4 M, …

Eur M	H1 2017	H1 2016	vs H1 2016
EBIT	**2,116.5**	**2,253.6**	**-6.1%**
Net Financial Result	-413.5	-361.2	+14.5
Equity and Non Rec. results	+286.8	+78.6	n/a
Taxes	-416.2	-466.4	-10.8%
Minorities	-55.1	-47.9	+15.1%
Reported Net Profit	**1,518.4**	**1,456.7**	**+4.2%**

… due to Equity and Non Recurring results and positive impact of deferred taxes

Financing

Net Debt / Group

Net Debt* totals Eur 29,474 M

Net Debt (Eur M)

29,474

Credit Metrics

Net Debt/EBITDA	3.8x
FFO/Net Debt	21.6%
RCF/Net Debt	19.4%
Leverage	42.4%

H1 credit metrics improving vs Q1 in line with targets at year end

** The calculation of net financial debt does not include 469 M Euros corresponding to accumulator derivative instruments of treasury stock at the end of June 2017. The amount indicated reflects the cost of the maximum number of shares to be acquired. The company estimates that the acquisition will be exercised for half the maximum*

Financing / Liquidity and Debt Maturity

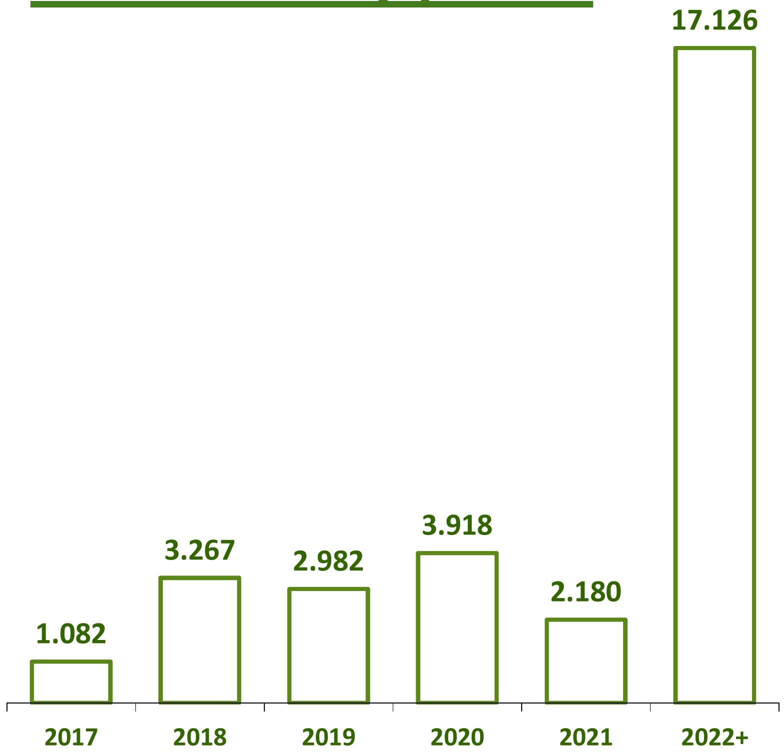
Strong liquidity position covering 18 months of financing needs in stressed scenario

Liquidity and Average Maturity

Total adjusted Liquidity — **Eur 8,725 M**

Average Debt maturity — **6.3 years**

Debt maturity profile



2018 includes Eur 500 M with an extension option of 6 + 6 months
2020 includes Eur 975 M with an extension option of 1 year

Conclusions

Execution of our 2016-2020 Plan well on track and ensuring growth post 2020

2016-2020
Growth investment plan

Post-2020

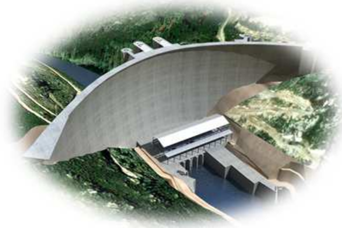
Eur 22 Bn completed or in construction (90% of Plan)




Seizing opportunities beyond 2020 in…


low carbon sources

networks



storage

Execution well on track

Ensuring further growth

2017 Guidance

2017 outlook of mid single-digit growth in Net Profit…

Forecast operational evolution

Networks	+
Renewables	+
Contracted Generation	+
Liberalised Generation & Supply	-

…allows us to maintain our policy of growing shareholder remuneration

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