Results Presentation / 2017

London / 21 February

IBERDROLA

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Agenda

Highlights of the Period

Net Profit grows 3.7% to EUR 2,804 M

Adjusted EBITDA reaches EUR 7,522 M[1] (reported EBITDA EUR 7,319 M)

Net Investments of EUR 5,891 M (+38% vs 2016)

US tax reform has a net positive impact of EUR 1,284 M,

which has been applied to provisions & efficiency measures

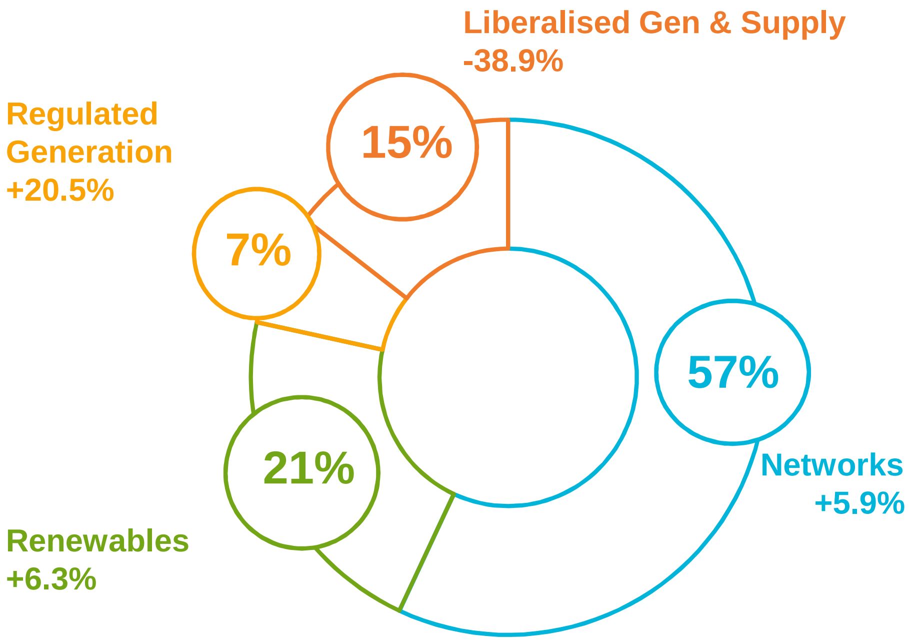
to increase future resilience

Proposed increase in Shareholder Remuneration to EUR 0.32/share (+3.2%[2])

[1]Adjusted EBITDA excludes EUR -203 M costs related to restructuring.
[2] *Versus minimum shareholder remuneration of EUR 0.31/share proposed for 2016. Subject to approval at Annual General Meeting (AGM)*

Adjusted EBITDA reaches EUR 7,522 M[1] (reported EBITDA EUR 7,319 M)

EBITDA by business



Operating Highlights

Networks
- US: rate cases of New York & Connecticut.
- Brazil: Neoenergia consolidation.

Renewables
- UK: higher output and new capacity.

Regulated Generation
- Contribution of new capacity in operation.

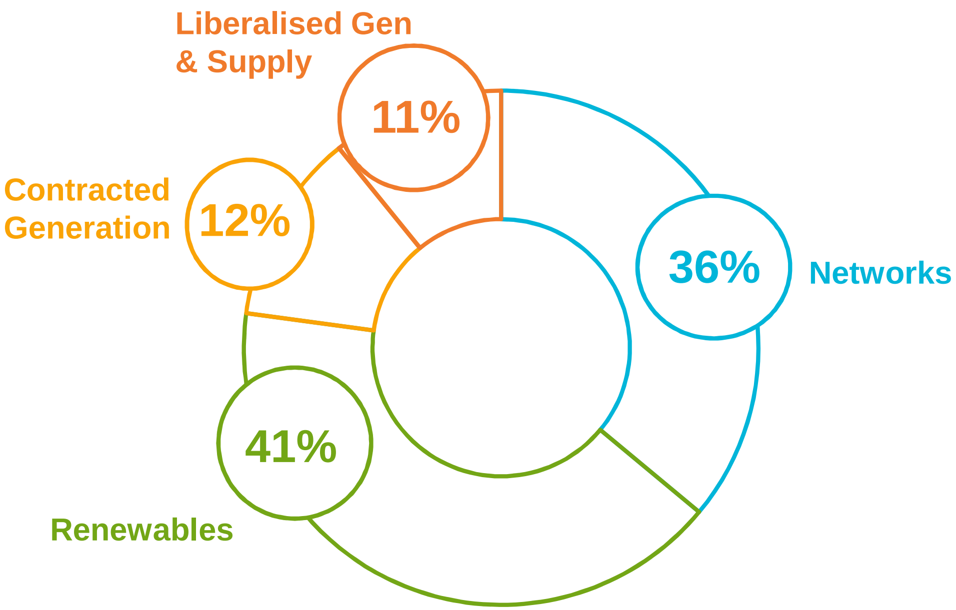
Liberalised Generation and Supply
- Spain: record lowest hydro output.
- UK: lower margins & higher government obligations.

[1]Adjusted EBITDA excludes EUR -203 M costs related to restructuring.

Net Investments increase 38% to EUR 5,891 M

89% in regulated and long term contracted businesses

Business Investments[1]



72% allocated to growth

[1] Excluding Corporate and other

Adjusted Net Profit[1]: USD 682 M (+6%)

Executing on the growth on our Strategic Plan

- **Investments of USD 2.3 Bn** (+18% vs 2016)
- **Executed 846 MW of new wind PPAs in 2017**
- **Settled Southern Connecticut Gas distribution 3-year rate case**
- **Sale of the Gas Trading business and Gas Storage facilities in 1Q 2018**

Annual dividend floor of $1.728/share

Planning to increase dividend in 2018

[1] In IFRS, Total Net Income attributable to Iberdrola EUR 1,294 M (+198.5%)

Shareholder Remuneration

Proposed increase in Shareholder Remuneration to EUR 0.323/share (+4.2%[1])…

2017	Interim remuneration[2] Paid in January 2018	**EUR 0.140/share[2]**	✓

88% of share capital chose the Scrip Dividend option

+

2017	Supplementary remuneration Subject to approval at AGM **payable in July 2018**	**EUR 0.180/share**

…fulfilling our commitment with shareholders

[1]*Versus minimum shareholder remuneration of EUR 0.31/share proposed for 2016. Subject to approval at Annual General Meeting (AGM)*
[2]Through the scrip dividend "Iberdrola Dividendo Flexible" program approved by 2017 AGM.

Agenda

Analysis of Results

Results / Group

Several non recurring factors have affected 2017 results …

Negative	Positive
Hydro situation Spain	US Tax reform net impact
US storms	Gamesa capital gain
Liberalised Business UK	NEO integration
Provisions for efficiency plans	
Discontinuing operations of Engineering	
Write down of North American Gas assets	
TOTAL: Eur 1,489 M*	**TOTAL: Eur 1,544 M***

…. and the Group has managed to compensate negative impacts with positive measures that improve the business profile of the Company

***** Impacts at Net Profit level***

US Tax Reform / Group

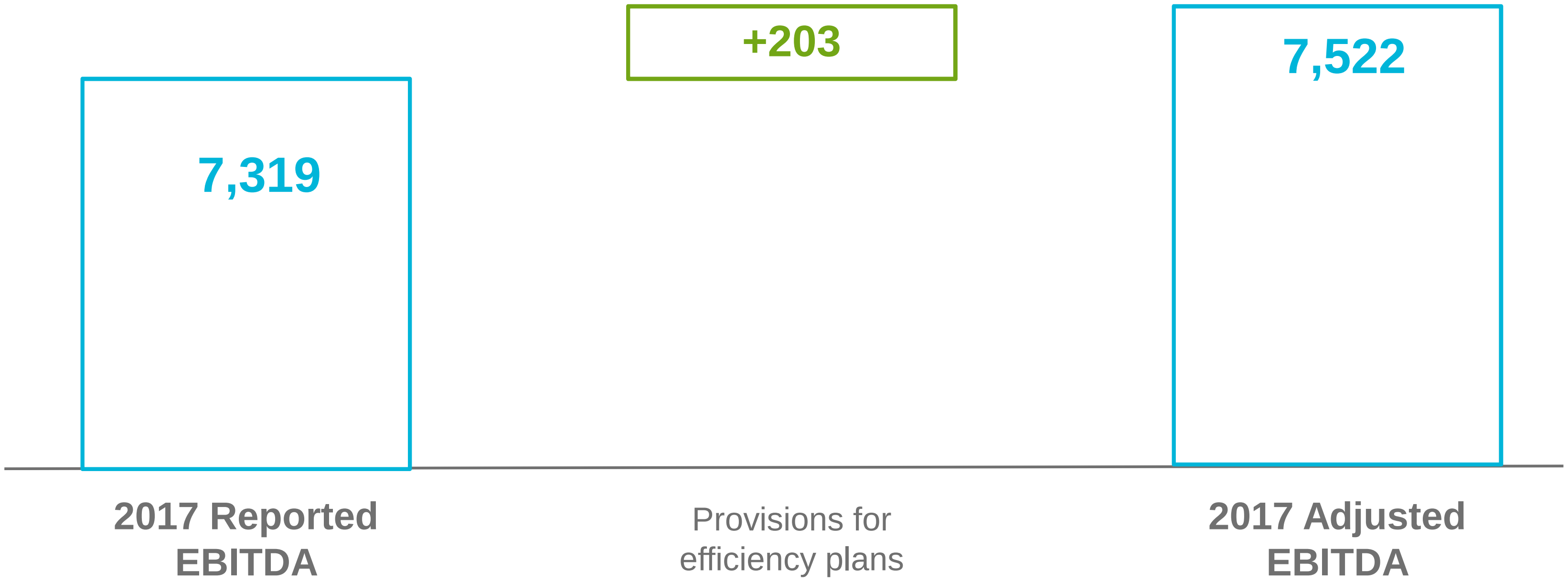
US Tax Reform has a total net positive impact of Eur 1,284 M …

Taxes	Gross impact on deferred taxes due to lower Corporate Tax Rate (from 35% to 21%)	**Eur 2,026 M**
Provisions	Adjustment to the value of US Renewables assets due to the extension in time for recovery of tax credits	**Eur -450 M**
Minorities	Adjustment for 18.5% Avangrid Minorities	**Eur -292 M**

… as a result of the effect of three elements, accounted for in different parts of the income statement

From Reported EBITDA to Adjusted EBITDA

2017 Reported EBITDA includes, as Net Op. Expenses, provisions for efficiency plans, benefitting 2018 results, as they have been mostly executed in Q1'18



Adjusted EBITDA considers those provisions as Non Recurring Results

Income Statement / Group

Net Profit up 3.7%, to Eur 2,804.0 M

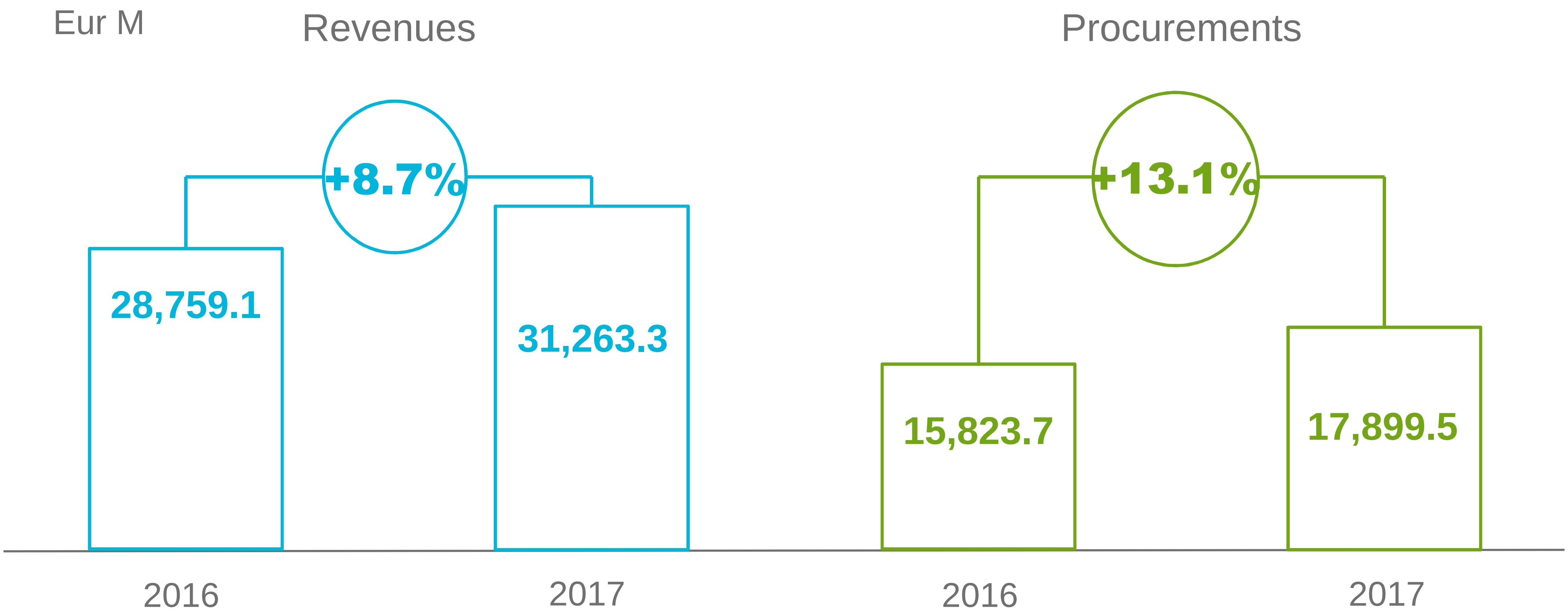
Eur M	2017	2016*	Var.	%
Revenues	31,263.3	28,759.1	+2,504.1	+8.7
Gross Margin	**13,363.8**	**12,935.4**	**+428.4**	**+3.3**
Net Operating Expenses	-4,170.6	-3,466.0	-704.6	+20.3
Levies	-1,874.5	-1,535.8	-338.7	+22.1
Reported EBITDA	**7,318.7**	**7,933.7**	**-615.0**	**-7.8**
EBIT	2,712.6	4,685.9	-1,973.2	-42.1
Net Financial Expenses	-937.1	-903.2	-33.9	+3.8
Reported Net Profit	**2,804.0**	**2,705.0**	**+99.0**	**+3.7**
Operating Cash Flow **	6,479.4	6,406.7	78.8	+1.1

** 2016 restated considering discontinuing operations of Engineering business*
*** 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*

Reported EBITDA -7.8%, to Eur 7,318.7 M

Gross Margin / Group

Gross Margin up 3.3%, to Eur 13,363.8 M, as NEO consolidation (Eur +561.9 M) more than compensates fx impact (Eur –186.4 M)



Revenues grew +8.7% (Eur 31,263.3 M) and Procurements +13.1% (Eur -17,899.5 M) due to a worse generation mix

Net Operating Expenses / Group

Net Operating Expenses up 20.3% (Eur -704.6 M), to Eur 4,170.6 M, driven by NEO consolidation, US storm costs, provisions for efficiency plans and other, partially compensated by fx

Eur M

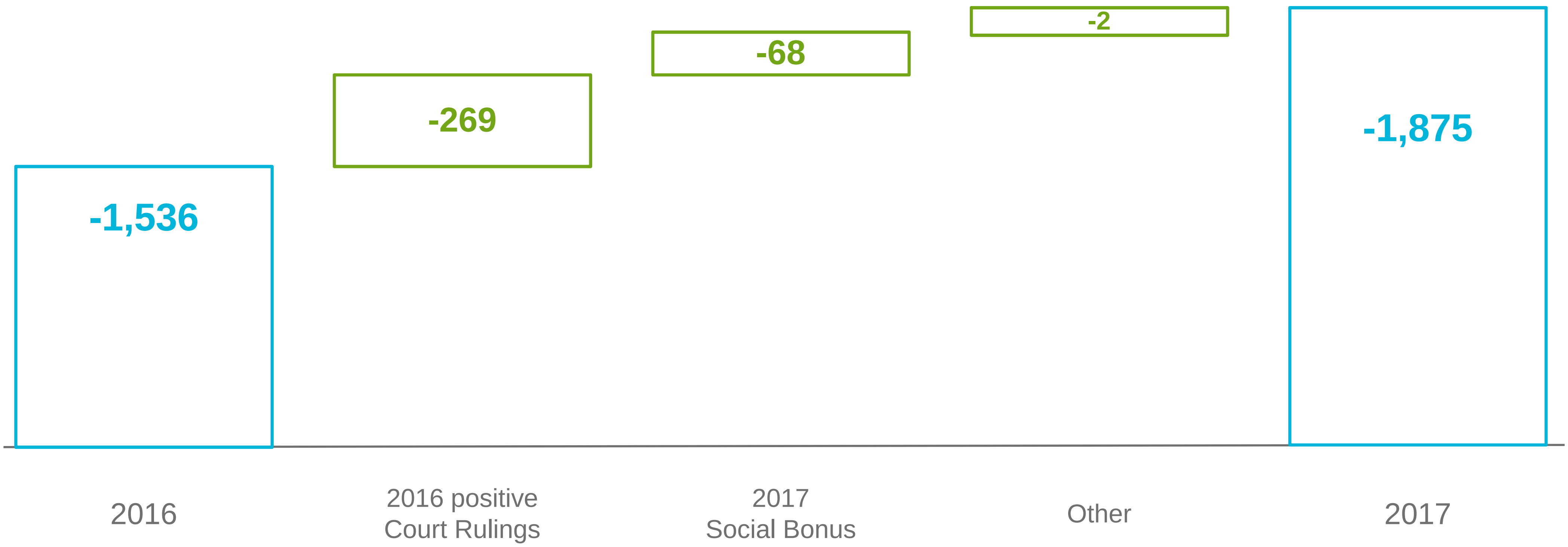
Net Operating Expenses

	2017	2016	vs 2016 (%)	vs 2016 (%) Like for like
Net Personnel Expenses	**-2,171.6**	**-1,809.9**	**+20.0%**	**+3.1%**
Net External Services	**-1,999.0**	**-1,656.1**	**+20.7%**	**+3.1%**
Total Net Op. Expenses	**-4,170.6**	**-3,466.0**	**+20.3%**	**+3.1%**

On a like for like basis, Net Operating Expenses are up 3.1%

Levies / Group

Levies up 22.1%, to Eur 1,874.5 M as a consequence of …

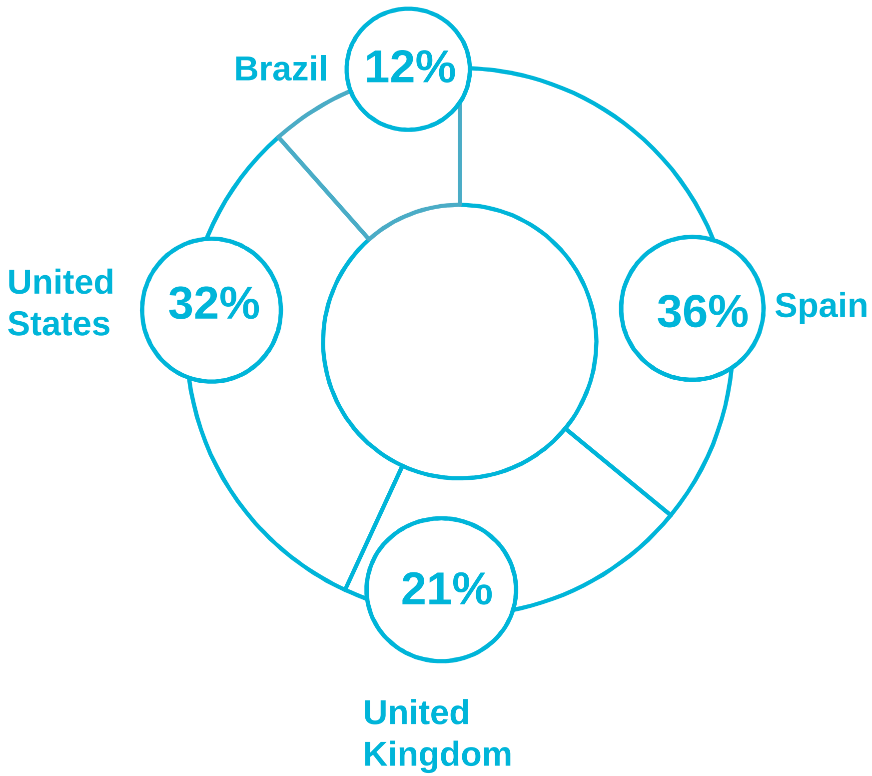


… 2016 positive Court rulings in Spain and impact of 2017 Social Bonus

Results by Business / Networks

Networks Adjusted EBITDA up 5.9%, to Eur 4,328.4 M

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	6,786.7	6,160.5	+626.2 (+10.2%)
Net Op. Exp.	-1,921.9	-1,440.8	-481.1 (+33.4%)
Levies	-636.8	-638.0	+ 1.2 (-0.2%)
Reported EBITDA	4,228.1	4,081.7	+146.4 (+3.6%)
Adjusted EBITDA	4,328.4	4,088.3	+240.1 (+5.9%)

Reported EBITDA up 3.6% to Eur 4,228.1 M, affected by efficiency plans in Spain, UK and Brazil

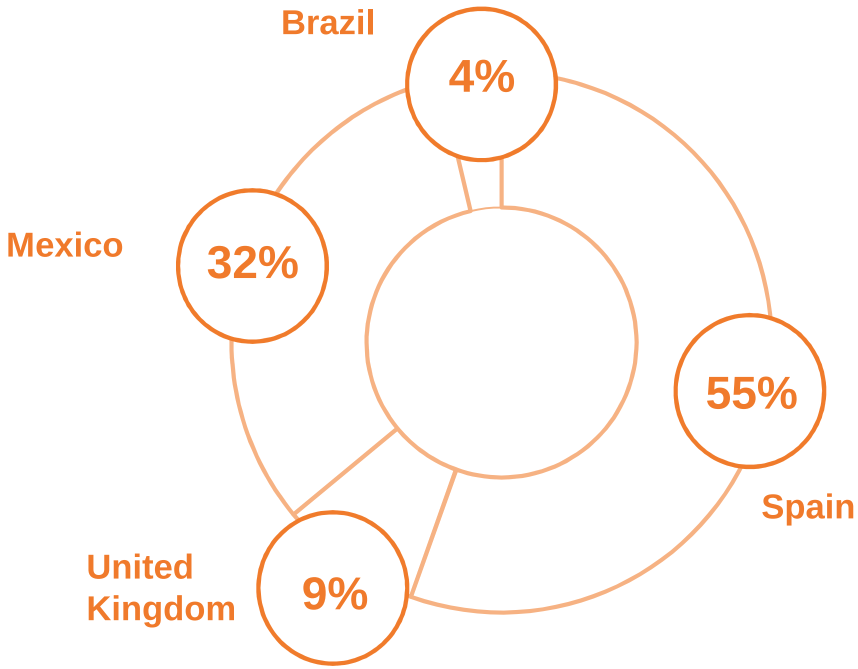
Results by Business / Networks

Spain	**EBITDA Eur 1,520 M (Eur -84 M; -5%),** due to lower incentives (Eur -16 M) and provisions for efficiency plans. **Adjusted EBITDA falls 0.7%**
US	**EBITDA USD 1,505.5 M (USD +99.7 M; +7.1%),** driven by: + New Rate Cases (USD +120 M) + Positive IFRS impact - Storm costs one off negative effect of USD 146 M, with no impact under US GAAP
Brazil	**EBITDA BRL 1,760.0 M (BRL +861.0 M; +95.8%),** as a consequence of: + NEO consolidation (BRL 1,042 M) + Higher energy distributed (+1.2%) + Net effect of Elektro annual tariff revisions - Provisions for efficiency plans
UK	**EBITDA GBP 776.6 M (GBP –22.6 M; -2.8%),** due to lower energy distributed (GBP -22 M), due to milder weather (to be recovered), settlements of previous years due to lower investments (GBP –9 M) and provisions for efficiency plans

Results by Business / Generation and Supply

Generation & Supply EBITDA falls 29.0% to Eur 1,600 M …

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	4,237.8	4,634.0	-396.2 (-8.6%)
Net Op. Exp.	-1,580.1	-1,504.6	-75.5 (+5.0%)
Levies	-1,057.1	-876.1	-181.0 (+20.7%)
EBITDA	**1,600.6**	**2,253.3**	**-652.7 (-29.0%)**

… as a consequence of the adverse operating environment in Spain, due to lower hydro output, positive Spanish Court rulings accounted for in 2016 and weak UK performance

Results by Business / Generation and Supply

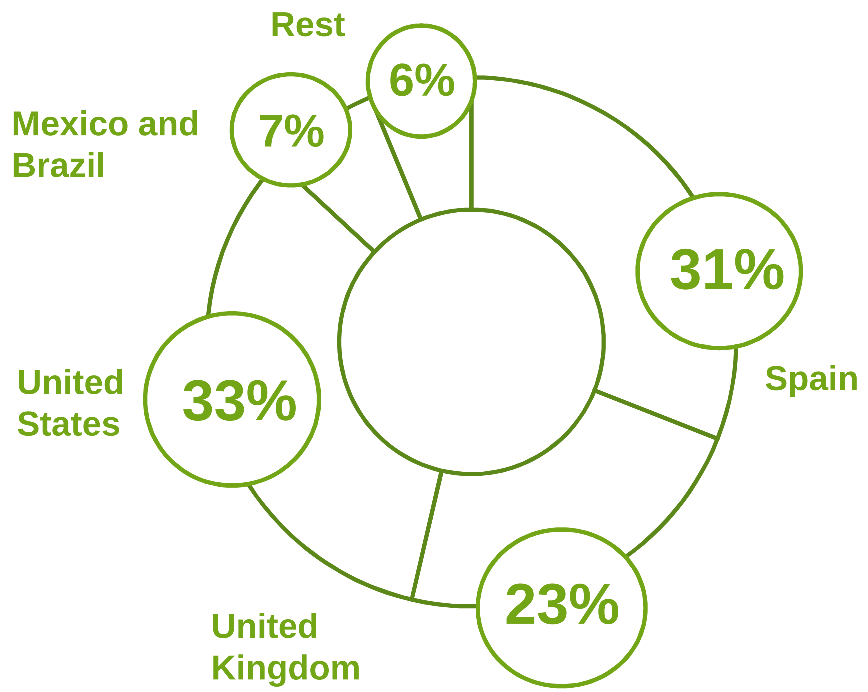
Spain	**EBITDA Eur 902 M (Eur -619 M; -41%)** - Output* decreases -20.8% due to record low hydro production (7.9 TWh) against previous record high year (-56.9%, or -10.4 TWh) + Better Gas results (Eur +83 M) due to the price revision for the portfolio - Levies increase (Eur -158 M; +20.9%) affected by positive Court rulings in 2016 + Higher Retail activity (volumes and Products & Services)
Mexico	**EBITDA USD 592.9 M (USD +110.0 M; +22.8%)** + Additional capacity in operation: • CFE: Baja California CCGT (314MW) • Private customers: Monterrey V CCGT (300MW) and Ramos Cogen (53 MW) + Better prices
UK	**EBITDA GBP 121.9 M (GBP –118.4 M; -49.3%)** **-** *Wholesale & Generation* decreases GBP -13 M, to GBP -23 M, as a consequence of lower output (-31%), due to Longannet closure (GBP -30 M), and higher procurement cost - *Retail* decreases GBP -105.1 M, to GBP 98.5 M: • Power: Government Obligations (GBP -110 M) and margin compression • Gas : Lower margins and volumes, due to milder weather
Brazil	**EBITDA BRL 216.1 M (n/a),** due to NEO consolidation

** Includes cogeneration*

Results by Business / Renewables

EBITDA up 6.1%, to Eur 1,592.1 M,
with installed capacity growing 7.5% to 16.6 GW*

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	2,326.5	2,179.5	+147.0 (+6.7%)
Net Op. Exp.	-574.4	-536.9	-37.5 (+7.0%)
Levies	-160.0	-142.3	-17.7 (+12.4%)
EBITDA	**1,592.1**	**1,500.2**	**+91.9 (+6.1%)**

UK and Brazil driving growth
and US being the largest contributor with 33% of the EBITDA

** Excluding hydro*

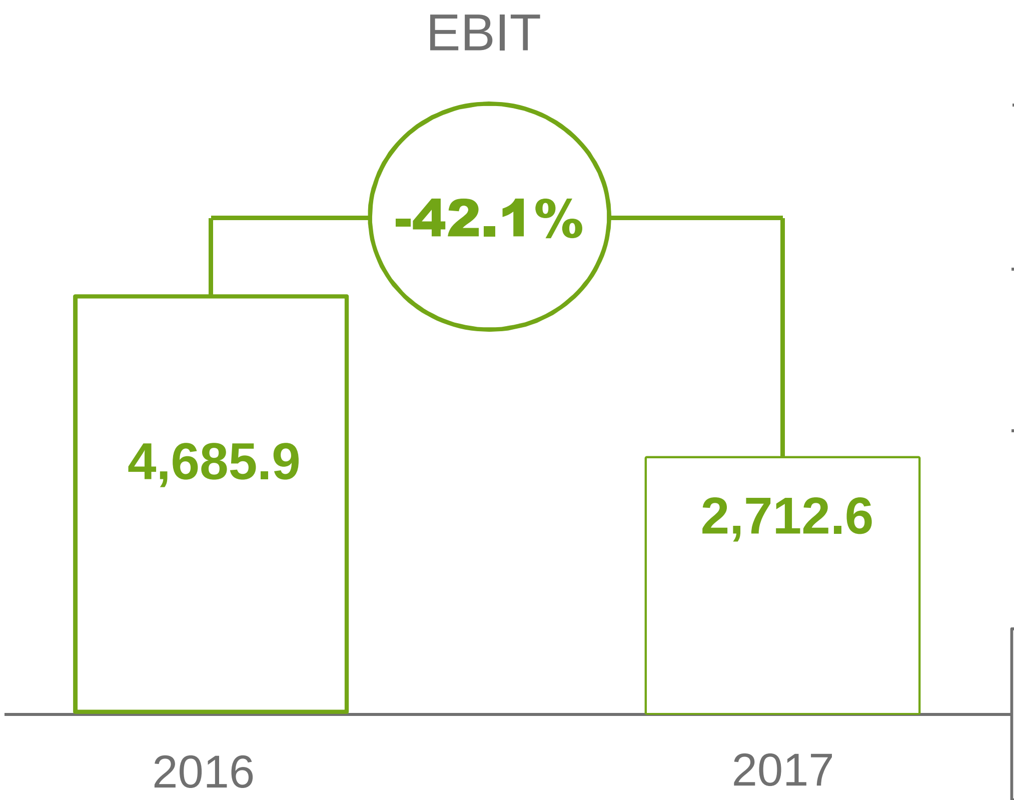
Results by Business / Renewables

US	**EBITDA USD 597.8 M (USD -26.2 M; -4.2%),** affected by the positive impact of some power hedges accounted for in 2016 and higher development costs, despite higher output (+2.0%)
Spain	**EBITDA EUR 493.1 M (EUR –4.3 M; -0.9%),** driven by lower output (-2.6%). Positive adjustment of investment incentive compensated by lower regulatory asset due to higher energy prices vs 2016
UK	**EBITDA GBP 316.1 M (GBP +97.5 M; +44.6%),** higher output (34.9%) due to an increase in the average operating capacity (+21.1%, +311.0 MW) and higher load factor (+3.2 p.p onshore, +5.5 p.p offshore)
Mexico and Brasil	**EBITDA EUR 109.4 M (Eur +32.5 M; +42.2%),** Mexico grows (+1.0%) due to better prices and Brazil improves significantly (+128%) driven by NEO consolidation
RoW	**EBITDA EUR 99.3 M (Eur +4.0 M; +4.2%)** due to higher output (+1.1%)

EBIT / Group

Group EBIT, adjusted for North America Gas business write down (Eur 743 M) and reduction of the value of US renewables due to tax reform (Eur 450 M), falls 16.7%, to Eur 3,905.4 M

Eur M

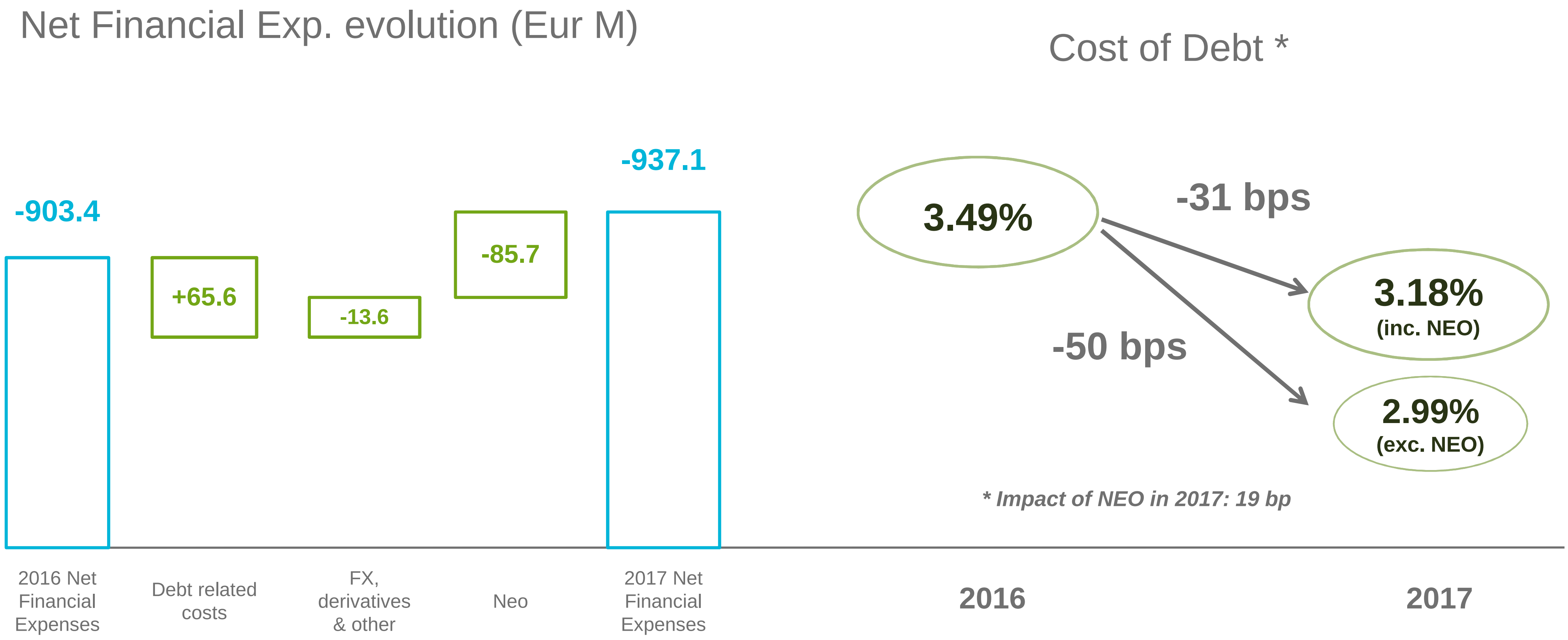


	2017	2016	2017 vs 2016 (%)
D & A	-3,183.6	-3,074.2	+3.5
Provisions	-1,422.4	-173.1	n/a
TOTAL	**-4,606.1**	**-3,247.8**	**+41.8**

Group EBIT totals Eur 2,712.6 M (-42.1%)

Net Financial Expenses / Group

NEO integration, partially compensated by lower cost of debt, drives Net Financial Expenses up Eur 33.7 M to Eur 937.1 M



Debt-related expenses (excluding Neo) reduced by Eur 66 M due to 50 bp lower cost despite the 9% higher debt average balance

Net Profit / Group

Reported Net Profit up 3.7%, to Eur 2,804.0 M

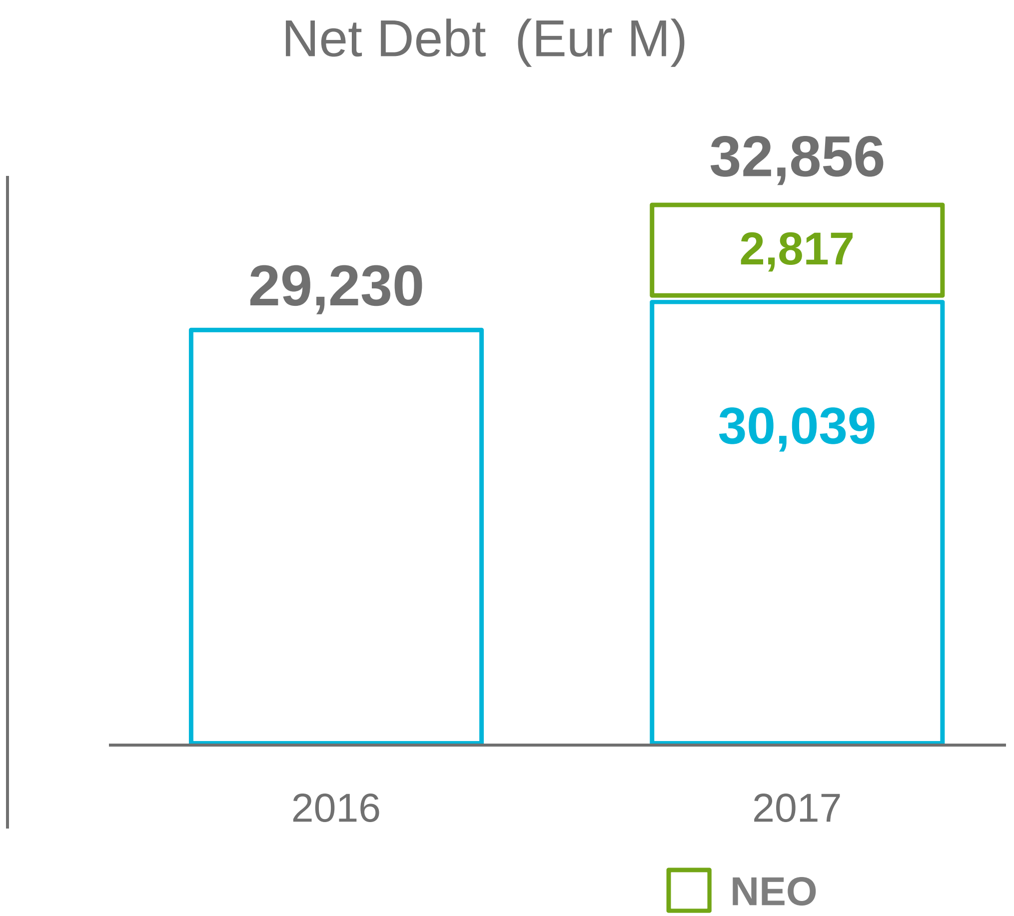
Eur M	2017	2016	vs 2016
EBIT	**2,712.6**	**4,685.9**	**-42.1%**
Net Financial Result	**-937.1**	**-903.2**	**+3.8%**
Equity	**-281.7**	**-53.4**	**n/a**
Non Rec. results	**+279.1**	**+48.7**	**n/a**
Taxes	**+1,397.1**	**-935.2**	**n/a**
Minorities	**-366.0**	**-137.9**	**n/a**
Reported Net Profit	**2,804.0**	**2,705.0**	**+3.7%**

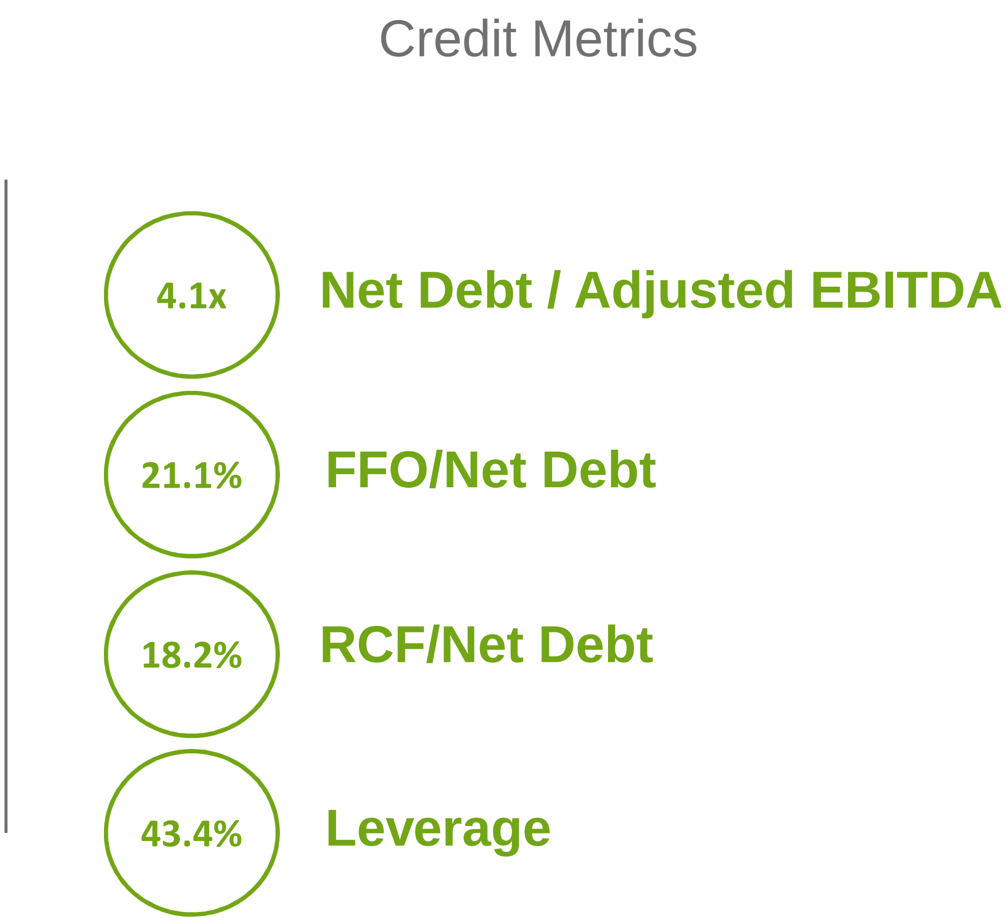
Equity Method mainly driven by discontinuing operations of Engineering, NEO global consolidation from 24th August, lower results from Gamesa and other

Non Recurring Results (Eur 279 M) includes Gamesa capital gain (Eur 250 M)

Net Debt / Group

Net Debt increases to Eur 32,856 M, affected by the consolidation of NEO





Pro forma credit metrics include Neo from January 1st 2017 and exclude provisions for efficiency plans

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