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*Results for the period driven by positive performance of all businesses*

### Iberdrola posts €2.09 billion net profit, 13.5% down, free of €759m extraordinary impacts of 2017

- **Operating net profit:** stands at €2.05 billion in the first nine months of the year, up by 38% from the same period the previous year
- **Operating results:** the good performance of international business, in contrast with lesser results in Spain, drives gross operating profit (EBITDA) up by 22.5% to €6.72 billion. The Generation and Supply business in Spain, which has a net buying position since the market is larger than its production capacity, delivers lower results affected by higher wholesale prices, increased cost of raw materials and higher carbon prices
- **Improved efficiency:** the positive business performance and cost containment bring the ratio of net operating costs to gross margin to 27.3%, an improvement of 180 basis points
- **Investment effort:** 80% of investment was made in Networks and Renewables assets. As a result, the company will commission 2,700 MW (2,200 MW in Q4) throughout the year and add 12,000 MW capacity up to 2022 (+20%), increasing its regulatory asset base in Networks by 38% until then
- **Optimisation of the financial structure:** funds from operations, €5.25 billion, grew 12.5%, taking the FFO to net debt ratio to 21%, an improvement of 80 basis points. 76% of debt stays at fixed rates, thus protecting the company from a potential scenario of rates increase
- **Iberdrola confirms its guidance for 2018:** the acceleration of growth during the third quarter allows the company to project operating profit (EBITDA) in excess of €9 billion and net profit of €3 billion for the year end
- **Increased interim dividend:** the company's Board of Directors has approved an increase of 7.1% in the interim dividend for 2018 (€0.15 gross per share in cash or new shares), to be paid in January 2019



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**Madrid.** Iberdrola reported €2.09 billion net profit for the nine months to the end of September, 13.5% below the same period last year. This result was impacted by lower extraordinary income in the period (which in 2017 amounted to €759 million) and the worsening performance of Generation and Supply in Spain, in marked contrast with the positive business results elsewhere.

In Brazil, Neoenergia's net profit, which is 100% consolidated in the group's accounts as of the second half of last year, stood at R\$1.17 billion, up by 357%. In the USA, adjusted net profit for AVANGRID reached \$511 million, growing 3%.

In the first nine months of the year, the group's ordinary net profit<sup>1</sup> was €2.05 billion, representing a 38% increase.

Iberdrola's revenues improved by 19.7% in the first nine months of 2018, reaching €26.28 billion. As a result of this, and despite a 12% escalation in taxes in Spain, Iberdrola's gross operating profit (EBITDA) amounted to €6.719 billion, representing a growth of 22.5% relative to the same period of 2017. If the exchange rate effect (-€312 million) is excluded, the increase stands at 28.2%.

In global terms, all the businesses posted double-digit growth in EBITDA: Renewables (+38.1%), Networks (+17.8%) and Generation and Supply (+17.4%). Thus 80% of group EBITDA came from regulated activities and revenues with long-term predictability, in accordance with the company's strategy.

However, the Generation and Supply business in Spain has suffered the negative impact of higher wholesale prices over the past few months, given the company's net buying position in the wholesale market.

In order to reduce the impact of wholesale price volatility on its P&L and on final clients, the company is maximising the amount of energy negotiated through bilateral contracts which represents 80% of the total, as opposed to the 20% of the daily pool market.

Iberdrola also continued to improve its efficiency levels over the course of the year. Specifically, the ratio of net operating costs to gross margin increased

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<sup>1</sup> Excludes positive adjustments relating to the Gamesa merger, capital gains on Neoenergia and the revision of gas supply contract prices in Spain.



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by 180 basis points relative to the first nine months of 2017, to stand at 27.3% at the end of September.

Iberdrola's funds from operations (FFO) for the period January to September came to €5.25 billion, representing an increase of 12.5% over the same period last year.

Regarding progress with its investment plan, by September the group had made net investments of €3.64 billion. Of this amount, 45% was allocated to Networks and 34% to Renewables, in line with its Strategic Outlook for 2018-2022, which envisage total investment of €32 billion in the period. Also, 85% is destined to international projects.

As a result of the investments already made, Iberdrola will have 2,752 new megawatts (MW) in operation before the end of the year. By 2022, the company will have commissioned around 12,000 MW of additional capacity, whereby increasing 20% its global installed capacity.

Specifically, Iberdrola will continue to reaffirm its commitment to offshore wind both in Europe and in the US, with the objective of attaining 3,000 MW of installed capacity with this technology by 2023. Necessary investment to deliver it stands at close to €9 billion.

Also, after planned investments in the Networks area, driven by predictable regulatory frameworks, the group expects its regulatory asset base to increase by 38% between now and 2020.

At the same time, the company continues to move ahead with its plan to rotate €3 billion worth of non-strategic assets by 2022. So far this year the company has made divestments of nearly €1.2 billion, including the recently announced sale of conventional generation assets in the UK and the solar-thermal power plant in Puertollano, Spain.

The group's net debt stands at €34.37 billion at the end of September. The ratio of FFO to net debt improved by 80 basis points in the third quarter alone, to 21%. In addition, 76% of the group's debt is at fixed rates, thus protecting the company against potential episodes of interest rate volatility.

### Business performance: all areas post double-digit growth



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All of Iberdrola's businesses performed well in the first nine months of the year, with operating results showing double-digit growth.

Networks posted EBITDA of €3.64 billion, up by 17.8%, with growth in all countries – Spain, the US, Brazil and the UK - if we exclude the exchange rate effect.

In Renewables, EBITDA grew by 38.1% to €1.27 billion, thanks to the positive performance of all geographical areas: Spain, United States, United Kingdom, Brazil, Mexico and the rest of the world (ROW). Increased production in all regions and the coming on stream of Wikinger, Iberdrola's offshore wind park in German waters of the Baltic Sea, have driven results in this area.

Operating profit of the Generation and Supply business also improved by 17.4% to reach €1.32 billion. This growth has been on the back of growth in the United Kingdom, thanks to the normalisation of market conditions, and from Mexico, with the new capacity from Altamira and Bajío plants coming on stream.

### Iberdrola reaffirms guidance and increases dividend

The positive evolution in operating results, driven by the acceleration of growth in all businesses, the increase in Networks' regulated tariffs, new installed capacity, increased output and improved efficiency allow Iberdrola to reaffirm its guidance for the year-end.

Thus, the group expects to exceed €9 billion in EBITDA for 2018 and to obtain a net profit of €3 billion, without taking into account capital gains on recent divestments.

In line with these results, the company's Board of Directors has approved an interim dividend of at least €0.15 gross per share, under the new edition of the *Iberdrola Flexible Remuneration* programme, allowing the more than 600,000 Iberdrola shareholders to choose between receiving payment in cash or in free new shares. This amount represents a 7.1% increase of from the interim dividend for 2017 (€0.14 gross per share).



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In addition to the above, there is also the complementary dividend for 2018, to be paid in July 2019 following its approval by the company's General Shareholders' Meeting.

### **About Iberdrola**

Iberdrola is a global energy leader, the number one producer of wind power and one of the world's biggest electric utilities by market capitalisation. The group is present in numerous countries and supplies power to around 100 million people, mainly in Spain, the UK (ScottishPower), the US (Avangrid), Brazil (Neoenergia) and Mexico. With a workforce of 34,000 and assets in excess of €110 billion, it posted revenues of €31.26 billion and net profit of €2.80 billion in 2017.

Iberdrola is leading the energy transition towards a sustainable model through its investments in energy from renewable sources, smart grids, large-scale energy storage and digital transformation in order to offer its customers the most advanced products and services. Thanks to its commitment to clean energy, Iberdrola is one of the companies with the lowest emissions and it is an international benchmark due to its contribution to the fight against climate change and for the sustainability of the planet. Iberdrola is listed on numerous international sustainability indices, among them the Dow Jones Sustainability Index and the FTSE 4Good, and it is considered one of the most sustainable electric utilities in the world.



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### FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about IBERDROLA S.A. and AVANGRID Inc, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions.

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