

PRESS

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The increase of 28.5% in ordinary net profit more than makes up for the €255 million of capital gains realised in the same period of 2017

Iberdrola improves its net profit to €838 million in the first quarter

- **All businesses are growing: gross operating profit (EBITDA) is up by 24% to €2.323 billion, despite the negative impact of the exchange rate**
- **More investments: Capital expenditure to March amounted to €1.185 billion (+14%), of which 77% was for the networks and renewable energy businesses**
- **More efficiency: Growth and cost containment enabled us to improve the ratio of net operating costs to gross margin by 80 basis points to 25%**
- **More cash-flow: Operating cash flow exceeded €1.877 billion in the first quarter, representing an increase of 13%**

FORECASTS FOR 2018

- **The good performance of the businesses expected for the remainder of the year allow us to anticipate that Iberdrola Group's EBITDA will exceed €9 billion and that net profit will be close to €3 billion by the close of 2018**
- **As agreed by Iberdrola's General Shareholders' Meeting, its Board of Directors has approved the execution in July of a new edition of the 'Iberdrola Flexible Remuneration' scheme (scrip dividend) of at least €0.153 gross per share, plus €0.03 gross in cash, bringing total shareholder remuneration to €0.183 gross per share This means that the returns paid against last year's earnings increase 4.2% amounting to €0.323 gross per share.**



PRESS

RELEASE

Iberdrola obtained a net profit of €838 million in the first quarter of the year, representing a 1.2% increase on the same period of last year. This result was driven by the improvement in ordinary net profit, which increased by 28.5% to €769.9 million, which more than made up for the €255 million of capital gains recognised in the first three months of 2017.

The group's gross operating profit (EBITDA) came to €2.3235 billion, 24% more than in the same period of 2017. The good operating performance of all the businesses offset the negative impact of the exchange rate and allowed all areas to grow: generation and retail (+51.6%), networks (+17.5%) and renewables (+13.9%).

Greater investment effort

Investments also increased, by 14.1%, to reach €1.1853 billion. Of this, 40% was for networks, 37% for renewable energy and 23% for generation and retail, in accordance with Iberdrola's Strategic Outlook for 2018-2022. In this, the group envisages carrying out investments worth €32 billion over the period, more than 90% of which are earmarked for regulated activities or those with long-term contracts.

So far in 2018, the company has commissioned 1,905 new megawatts (MW) of renewables and contracted generation, of a total of 7,790 MW currently in development which will be operational by 2020, as well as another 1,301 MW for 2022.

The group's operating efficiency has also continued to improve, thanks to growth and cost containment, and at the end of March the efficiency ratio was 25%, as a result of the improvement – 80 basis points – in the relationship between net operating costs and gross margin. The positive effects of the efficiency plan implemented in 2017 will be felt basically from the second quarter on.

Operating cash flow amounted to €1.8771 billion in the three months to the end of March, representing an increase of 12.9% compared with the same period of last year.

The US subsidiary Avangrid, which is listed on the New York stock exchange and in which Iberdrola holds an 81.5% stake, posted net profit of US\$243 million (+7%), confirming its adjusted EPS forecast for 2018 of between US\$2.22 and US\$2.50 per share.



PRESS

RELEASE

Neoenergia, the Brazilian subsidiary of which Iberdrola holds 52.45% of the capital, obtained a net profit of 288 million reais, which is almost double that of the first quarter of 2017 (+98%).

Results by business: all areas improved

The quarter was marked by good performances from all the businesses. Group EBITDA to the end of March was €2.3235 billion, representing an increase of 24% relative to the same period of last year. More than 75% of this result came from regulated businesses and businesses with long-term contracts.

The networks business posted EBITDA of €1.2 billion (+17.5%), with improvement in all countries except the UK, where it was affected by fluctuations in the value of the sterling pound.

The renewables area also performed positively, with an increase of 13.9% in its EBITDA, to €603.5 million. This growth was driven by improved wind conditions and the increase in installed capacity, to 29,275 MW (+5%), including the offshore wind farm in Germany, Wikingen, in operation since last December.

The generation and retail business also increased its results, driven by the operating recovery in Spain and the UK thanks to the return to normal of the weather conditions experienced in those countries compared with the first quarter of 2017.

Iberdrola reaffirms its forecasts for 2018

First quarter results clearly reflect the positive impact already as a result of the new investments undertaken by the company, the efficiency plans and the return to normal of operating conditions in Spain and the UK, which offset the negative effect of the exchange rate.

In this context, Iberdrola can anticipate EBITDA of more than €9 billion and net profit of close to €3 billion for full year 2018.

These results will be underpinned by strong growth in all businesses: new tariff frameworks in the US and Brazil and efficiency plans will boost the networks business; new operating capacity, higher output and an increase in hydroelectric reserves and wind conditions will improve the



PRESS

RELEASE

performance of the renewables area, while generation and retail activities will benefit from the positive effects of the increased demand, the new capacity, and higher output.

New edition of 'Iberdrola Flexible Remuneration'

Following the resolution of the AGM held on 13 April last, with an attendance of 76.1 % and average support of more than 98.5% for all the agenda items, the Iberdrola Board of Directors has approved the execution of a new edition of the 'Iberdrola Flexible Remuneration' scheme (scrip dividend).

On this occasion Iberdrola shareholders will be able to receive, in July, an amount of €0.183 gross per share – €0.153 gross per share plus €0.03 gross per share in cash. Thus total remuneration charged to 2017 will come to €0.323 gross per share, an increase of 4.2% compared with the previous year.

As a new feature in this year's edition of "Iberdrola Flexible Remuneration", shareholders will be able to receive their remuneration entirely in cash or put the free allocation rights on the market, instead of receiving paid-up shares of the Company. As a result, the possibility of transferring to Iberdrola free-of-charge allocation rights at a fixed guaranteed price in whole or in part disappears.

The group also continues to move ahead with its programme of buying back shares for subsequent cancellation, which was also approved by the General Shareholders' Meeting, with a view to holding the total number of shares at 6.24 billion. The cancellation will be carried out at the end of June and will amount to 3.08% of the capital (198,374,000 shares).

IMPORTANT INFORMATION

This release does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities in the United States of America or in any other jurisdiction. IBERDROLA, S.A. shares may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or a valid exemption from registration

FORWARD-LOOKING STATEMENTS



PRESS

RELEASE

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.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA S.A. and AVANGRID Inc. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA S.A. and AVANGRID Inc., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA S.A. to the Comisión Nacional del Mercado de Valores and by AVANGRID Inc. to the Securities and Exchange Commission, which are available to the public.

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