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Investment grows 13.4% to €1.016 billion

Iberdrola posts first quarter net profit of €828 million

- Net operating profit (Ebitda) stands at €1.86 billion, driven by network business contribution, mainly in the US, and affected by poor performance of liberalised business in the UK and Spain. Expected performance for the rest of the year allows the company to maintain growth outlook for 2017
- 93% of €1 billion investment in the period focused on networks, renewables and contracted generation businesses
- The company has nearly 6,500 MW under construction in renewable energy and contracted generation projects, and will commission over 2,000 MW in 2017
- US affiliate AVANGRID, listed on the New York Stock Exchange and of which Iberdrola owns 81.5%, maintains operating strength while increasing net profit by 13% to \$239 million. Positive stock market performance in the period brings total shareholder remuneration to 17%, doubling the appreciation of S&P 500 Utilities benchmark
- As agreed at the General Shareholders Meeting, the Board of Directors approved execution in July of a new edition of *Iberdrola Flexible Dividend* programme with a guaranteed right acquisition price of at least €0.145 gross per share – up 16.9% on July 2016 – plus €0.03 gross in cash, bringing total shareholder remuneration to €0.175 gross per share
- As a result, annual remuneration against 2016 earnings stands at €0.31 gross per share, nearly 11% higher year on year. The company is implementing its treasury buy-back scheme for subsequent amortisation, so that the number of shares in the Company remains at 6,240 million, thus avoiding dilution



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- **Subject to approval by the General Shareholders Meeting in 2018, the group is analysing a new shareholder remuneration scheme by which, in addition to existing alternatives of receiving bonus shares or selling free allocation rights on the market, shareholders would be offered a new option of receiving dividend payment in cash to replace the sale of rights to Iberdrola at a fixed, guaranteed price**
- **The Gamesa-Siemens merger, effective since 3rd April, has built a leader in the renewable energy industry, headquartered in Spain, with over €11 billion in sales, €1.1 billion operating profit and 26,000 employees. Iberdrola, having pushed for the creation of the world's largest manufacturer of wind turbines, is committed as a solid partner through its 8.1% stake in the new company which is listed in the Spanish stock exchange and has a market cap of €13 billion**

Iberdrola posted net profit of €827.6 million in the first quarter of 2017, (4.7% down on the same period last year).

Net operating profit (Ebitda) attained €1.86 billion (-8.2%). The company expects to offset lower figures reported in the first quarter as the year progresses, in line with estimates.

In particular, Ebitda was supported by the networks business performance whose contribution rose by 9.1% to €1.02 billion, benefiting from US operations. Balance sheet was affected by lower rain and wind resource during the quarter, by increased taxes in Spain and the poor performance of liberalised business in the UK.

Iberdrola continued making progress towards delivering its 2016-2020 Outlook. Throughout the quarter, investment grew by 13.4% to €1.02 billion. Of that amount, 93% was allocated to renewables (46%), networks (37%) and contracted generation (10%). As a result of its investment strength, the company plans to commission a total 2,011 megawatts (MW) in renewables and regulated generation in 2017.

Also, the group currently has a project pipeline of 6,500 MW scheduled to be commissioned by 2020, out of which 3,527 MW are contracted



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generation; 1,546 MW onshore wind power; 1,064 MW offshore wind, and 336 MW photovoltaic solar projects.

The main business highlights between January and March include: in networks, progress on the subsea cable between Wales and Scotland; and, in the renewables area, installation of all jackets plus 12 turbines at Wikingier offshore wind farm and commissioning of new onshore wind facilities in the UK, US and Brazil.

In the contracted generation business, Baja California III CCGT plant was commissioned and the company was awarded the Topolobambo III combined-cycle plant, which will see Iberdrola's installed capacity in Mexico jump to 10,000 MW by 2020.

One of the highlights of the period was good performance at NYSE-listed US affiliate AVANGRID, of which the company owns an 81.5% stake, with net profit at \$239 million, up by 13%. Positive stock market performance in the past twelve months brings total shareholder remuneration to 17%, doubling the appreciation of S&P 500 Utilities benchmark

Gross margin was €3.566 billion (-2.3%), with revenue rising 1.3% to €8.29 billion. However, production costs have risen, subsequently increasing provisions.

Levies and taxes were also higher (+10.5%), at €763.9 million, mainly as a result of higher generating taxation in Spain linked to higher energy retail prices, and increased nuclear output.

Funds from operations stood at €1.65 billion (-2.4%), rising above total investment figures.

Results by business

The networks business performed well in the first quarter of 2017, with Ebitda of €1.02 billion, up 9.1% year on year. It was supported by progress at US businesses (up 46.9% to \$335.4 million) and in Brazil (up 6.7% to R\$235.8 million).



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Lower rain and higher taxation in Spain as well as poorer operating performance in the UK resulted in an Ebitda for generation and retail of €436.3 million, 32% down year on year. Iberdrola expects the business to recover as the year progresses. Nevertheless, quarterly Ebitda for generation under long-term contract in Mexico rose 25.4% to US\$141.9 million.

Renewables Ebitda was €434 million (-5%). The first three months of the year have seen reduced wind availability in Spain, which makes for 34% of overall figures. However, business progressed well in the UK, US and Latin America, where renewables Ebitda rose 7.2%, 2.8% and 18.9% respectively, vis-à-vis an exceptional 2016.

Iberdrola confirms 2017 outlook

Business performance expected for the rest of the year allows the group to confirm growth outlook for the group with improved operating results in the networks, renewables and contracted generation areas.

To make this forecast, Iberdrola has taken into account a range of positive impact which will materialise over the coming months:

- Networks: tariff review in the US and in Brazil for Neoenergia's Coelba, Cosern and Celpe affiliates – where Iberdrola holds a 39% stake.
- Renewables: over the upcoming quarters some 1,400 MW of new capacity will be commissioned and wind conditions are expected to normalise.
- Contracted Generation (Mexico): the Federal Electricity Commission (CFE) has revised tariffs and Iberdrola will install a further 129 MW.
- Generation and Retail: both output alongside results from the UK energy retail business are expected to rebalance compared to 2016.
- Additional measures: best practices will be implemented in the US, known as *Forward 2020* plan, and improved efficiency in the UK.



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Shareholder remuneration

Yesterday, the Board of Directors approved a new edition of *Iberdrola Flexible Dividend* programme beginning in July, following the decision at the General Shareholders Meeting held in Bilbao on 31 March.

In this instance, shareholder remuneration will amount to, at least, € 0.145 gross per share for shareholders opting to sell their allocation rights to the company – up 16.9% on July 2016 – in addition to €0.03 gross per share to be paid in cash.

All in all, shareholder remuneration will reach €0.175 gross per share. If the €0.135 gross per share paid last February is added, total shareholder remuneration against 2016 earnings stands at €0.31 gross per share, up nearly 11% year on year.

The company is implementing its treasury buy-back scheme for subsequent amortisation, so that the number of shares in the company remains at 6,240 million, thus avoiding dilution derived from the *Iberdrola Flexible Dividend* programme.

Also, Iberdrola is analysing a new remuneration programme to be enacted if approved by the General Shareholders Meeting.

This new *Iberdrola Flexible Dividend* will continue to offer a choice between receiving new group shares free of charge or payment in cash. Under the second option, Iberdrola shareholders are entitled to sell their free subscription rights on the market or receive a cash dividend, in lieu of selling their rights to the company at a fixed, guaranteed price.



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Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, Iberdrola, S.A. and AVANGRID, Inc. investors and shareholders 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 filed by Iberdrola, S.A. with the **Comisión Nacional del Mercado de Valores** (the Spanish securities regulator, or the CNMV for its initials in Spanish) and by AVANGRID, Inc. to the Securities and Exchange Commission and are accessible to the public.

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