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Iberdrola investment in the first half reaches €2.512 billion (+ 35%)

During the period, the company hired 1,500 new professionals

The group's net profit stands at €1.518 billion
(+4.2%)

- 90% of investments – some €22 billion – planned for the 2016-2020 Strategic Outlook are already completed or under construction
- Between January and June 2017, the group has hired 1,500 professionals bringing total number of employees close to 30,000
- It has closed purchases amounting to €3.187 billion (+11.6%) with 13,800 suppliers
- As a key part of the group, AVANGRID, affiliate of Iberdrola in the US, contributed to the company's net profit with \$359 million (+14%). Thanks to its positive performance in the New York Stock Exchange throughout the year, total shareholder return (TSR) exceeds 21%, twice that of the benchmark S&P 500 Utilities index
- *Iberdrola Flexible Dividend* programme: final amount reaches €0.177 net per share. On 7 July, €0.03 gross per share was paid in cash with an additional €0.147 gross per share, in cash or new shares, to be paid before 28 July (+18.5% over July 2016). Thus, total shareholder remuneration for the year will reach €0.317 gross per share, nearly 11% more than previous year
- Elektro's integration into Neoennergia, the Brazilian companies in which Iberdrola has a stake, will give rise to the largest electricity utility in Brazil, of which Iberdrola will own 52.45%



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- **The transaction was approved by CADE, Brazil's competition authority, with approvals by the National Agency for Electricity (ANEEL) and the National Development Bank (BNDES) scheduled for August**
- **Expected business performance for the second half of the year anticipates net profit growth for 2017 consistent with that of the first half and maintaining the policy of increased shareholder remuneration in line with results**

Iberdrola continued to expand investments to €2.512 billion during the first six months of 2017, up 35% from the same period the previous year. Out of that amount, over 91% was allocated to networks, renewables and long-term generation contracts.

Accordingly, 90% – some €22 billion – of investments planned for the 2016-2020 Outlook, which amount to €25 billion, has been earmarked for projects already installed, under construction or committed.

Iberdrola currently has more than 6,300 megawatts (MW) of renewables and contracted generation under construction, of which 1,350 MW will be in operation during the second half of the year, mainly renewables. By business units, main milestones of this first half year include:

- **Networks:** Western Link, the subsea connection between Wales and Scotland, continues to advance its construction to be completed in the last quarter of the year. In Spain, 92% of smart meters for the STAR project have already been installed. For its part, Brazilian subsidiary Elektro was awarded six new transmission lines and three substations.
- **Renewables:** half of the wind turbines and the first export cable have already been installed in the 350-MW Wikingen offshore wind farm, which will be operational by the end of the year in German waters of the Baltic Sea. In addition, the group is advancing the development of East Anglia One, its third offshore wind facility, for which 80% of the supply work has now been contracted. Also, it is working on its first offshore wind developments in the United States, after the acquisition of sites off the coasts of Massachusetts and North Carolina. In onshore wind, AVANGRID has signed long-term contracts for 501 MW – 401 MW for new



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projects and 100 MW for repowered facilities – as well as 589 MW in fixed price contracts for existing capacity.

- Regulated generation in Mexico: the company has commissioned 336 MW of combined cycles in the first half of the year and is currently building a total of 3,505 MW; aiming at bringing total capacity in the country will to 10,000 MW by 2020.

As a consequence of all this activity, the group has hired 1,500 new professionals between January and June 2017, bringing total number of employees to 30,000. In addition, the company has made purchases worth €3.817 billion, +11.6% year on year, to 13,800 suppliers.

Improved profit

Iberdrola posted a net profit of €1.518 billion in the first half of 2017, an increase of 4.2% over the same period in the previous year.

Net operating profit (EBITDA) attained €3.752 billion, down 3.6% year on year. Compared to the 8.2% decrease in the first quarter of 2017, Ebitda shows signs of recovery throughout the year. Of the total amount, more than 80% comes from regulated businesses or from long-term contracts.

Ebitda for the period was underpinned by the networks business performing particularly well in the United States, while it was affected by the liberalised business in the United Kingdom and low hydroelectric and wind resources in Spain.

AVANGRID performance

The group's US subsidiary, AVANGRID, 81.5% owned by Iberdrola and listed on the New York Stock Exchange, recorded a net profit of \$359 million up until June, an increase of 14% (US GAAP).

As a result of the positive evolution of its share price over the year, total shareholder return (TSR) of the subsidiary exceeds 21%, twice that of the benchmark S&P 500 Utilities index.

It should be noted the good performance of AVANGRID in both networks and renewables, which have increased their net profit by 10% and 19%, respectively. These results confirm third quarter dividend for this company shareholders of \$0.432 per share, payable on October 2.



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Results by business: improvement in networks

Group revenue reached €15.167 billion euros, up 1.8% year on year while gross margin was €6.851 billion, up 1.1%. Operating cash flow was €3.275 billion, up 1.7%, with taxes growing 13% to €1.156 billion.

By businesses, networks achieved an Ebitda of €1.978 billion, up by 4.4% from the first half of 2016.

This good performance is mainly due to the area's results in the United States and Brazil –which account for about 40% of the business– and compensates for the United Kingdom where earnings were impacted by milder weather conditions. In Spain, networks Ebitda fell 1.6% to €771 million due to lower recognised investments and €7 million cost resulting from storms during the period.

The generation and retail business has been affected by a worsening operating situation in Spain, with lower water levels and higher taxes, as well as weaker performance in the United Kingdom; resulting in an Ebitda of €984 million (-19.7%).

Performance has been very positive in Mexico, where Ebitda grew by 23.4% to \$289.8 million, thanks to the additional operating capacity: 314-MW Baja California combined cycle for the Federal Electricity Commission (CFE), over 300 MW from the Monterrey V combined cycle plant for private customers and the Ramos Arizpe cogeneration plant.

The renewable business recorded €819 million Ebitda, down by 2% in a period marked by low wind power generation in Spain, which was largely compensated by the good performance in the United Kingdom and United States where Ebitda grew by 31.7% and 2.8%, respectively (in local currency). Higher prices and the revaluation of the Brazilian real have also boosted renewables business Ebitda in Latin America by 13%.

Shareholder remuneration and confirmation of outlook

Iberdrola has completed a new edition of the *Iberdrola Flexible Dividend*, what would have been the complementary dividend against 2016 earnings. The company has undertaken a purchase commitment of €0.147 gross per free allotment right, 18.5% more than the committed price in July 2016.



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This amount, added to the gross €0.03 per share paid in cash, make total dividend for the month of July €0.177 gross per share. Together with the €0.135 paid in January and the General Shareholders' Meeting attendance premium of €0.005 gross per share, annual shareholder remuneration against 2016 earnings is €0.317 gross per share, up by 11% from the previous year.

Expected business performance for the second half of the year allows for a similar net profit growth estimate and the continuation of the policy of increased shareholder remuneration in line with results.

Meanwhile, Iberdrola keeps delivering on its 2016-2020 Outlook with over 90% of investments already committed and new growth projects beyond 2020 focused on renewables, storage, and transmission and distribution networks.

Neoenergia – Elektro integration

Neoenergia shareholders (Iberdrola, Previ and Banco do Brasil) have reached an agreement by which the company integrates Elektro's business and activities, creating a leading utility in Brazil and Latin America which will be focused on networks and renewables.

After completion, Iberdrola will hold a 52.45% stake in the resulting company that will have 13.4 million supply points and around 3,500 MW of contracted generation capacity in operation or under construction, mainly renewable energy.

The operation preserves the financial strength of the group, with no cash outflow and no capital increase, while strengthening Iberdrola's position in a reputed company.

The transaction will be concluded after receiving the approval of the National Energy Agency (ANEEL) and the National Bank for Economic and Social Development (BNDES) estimated for August, having already secured the approval of the Administrative Council for Economic Defence (CADE).



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