Results
first quarter / 2017

IBERDROLA

Results
First quarter
/
2017

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Core Business figures

Networks

		December 2016	December 2015
RAB (Local currency)			
Spain	(EUR MM)	9.1	9.1
United Kingdom	(GBP MM)	5.7	5.4
United States	(USD MM)	8.7	8.7
Brazil *	(BRL MM)	14.7	12.4
Elektro		3.3	2.8
Neoenergia		11.4	9.6

Distributed Electricity

	1Q 2017	1Q 2016	vs. 2016
ELECTRICITY (GWh)			
Spain	23,733	23,632	0.4%
United Kingdom	9,628	9,948	-3.2%
United States	9,696	9,687	0.1%
Brazil*	16,413	15,915	3.1%
Elektro	4,630	4,477	3.4%
Neoenergia	11,784	11,439	3.0%
Total	**59,470**	**59,182**	**0.5%**
GAS (GWh)			
United States	24,115	23,390	3.1%
Total	**24,115**	**23,390**	**3.1%**

Managed supply points

	1Q 2017	1Q 2016	vs. 2016
ELECTRICITY (Millions)			
Spain	10.98	10.88	0.9%
United Kingdom	3.52	3.51	0.2%
United States	2.21	2.20	0.4%
Brazil *	13.48	13.22	2.0%
Total	**30.18**	**29.80**	**1.3%**
GAS (Millions)			
United States	1.01	1.01	0.5%
Total	**1.01**	**1.01**	**0.5%**
TOTAL SUPPLY POINTS	**31.19**	**30.81**	**1.3%**

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period)
*Includes 100% of Neoenergia

Generation business and Customers

	1Q 2017	1Q 2016	vs. 2016
TOTAL GROUP			
Net Production (GWh)	**37,565**	**39,425**	**-4.7%**
Renewables	16,332	18,143	-10.0%
Onshore	9,502	9,879	-3.8%
Offshore	218	210	3.7%
Hydro	6,413	7,821	-18.0%
Minihydro	142	187	-23.8%
Solar and others	57	46	25.6%
Nuclear	6,554	5,880	11.5%
Gas combined cycle	12,111	11,725	3.3%
Cogeneration	1,944	1,765	10.2%
Coal	623	1,914	-67.4%
Installed Capacity (MW)	**47,324**	**48,178**	**-1.8%**
Renewables	27,886	27,057	3.0%
Onshore	14,878	14,300	4.0%
Offshore	239	194	23.1%
Hydro	12,327	12,143	1.5%
Minihydro	304	303	0.3%
Solar and others	120	117	2.4%
Nuclear	3,410	3,410	0.0%
Gas combined cycle	13,934	13,248	5.2%
Cogeneration	1,238	1,285	-3.7%
Coal	874	3,178	-72.5%
Electricity customers (No mill.)	**13.49**	**13.52**	**-0.3%**
Gas customers (No mill.)	**3.15**	**3.06**	**3.1%**
Gas Supplies (GWh)	**21,823**	**23,046**	**-5.3%**
Gas Storage (bcm)	**2.50**	**2.49**	**0.2%**

1Q 2017 1Q 2016 vs. 2016

SPAIN	1Q 2017	1Q 2016	vs. 2016
Net Production (GWh)	**15,587**	**17,148**	**-9.1%**
Renewables	7,019	10,076	-30.3%
Onshore	3,539	4,278	-17.3%
Hydro	3,331	5,605	-40.6%
Minihydro	142	187	-23.8%
Solar and others	7	6	9.7%
Nuclear	6,554	5,880	11.5%
Gas combined cycle	713	464	53.6%
Cogeneration	678	534	27.1%
Coal	623	194	220.8%
Installed Capacity (MW)	**26,164**	**26,187**	**-0.1%**
Renewables	15,821	15,818	0.0%
Onshore	5,752	5,753	0.0%
Hydro	9,715	9,712	0.0%
Minihydro	304	303	0.3%
Solar and others	50	50	0.0%
Nuclear	3,410	3,410	0.0%
Gas combined cycle	5,695	5,695	0.0%
Cogeneration	364	390	-6.6%
Coal	874	874	0.0%
Electricity customers (No mill.)	**10.20**	**10.30**	**-1.0%**
Gas customers (No mill.)	**0,95**	**0,92**	**3.4%**
Gas Supplies (GWh)	**5,139**	**5,134**	**0.1%**
Consumers	3,360	3,810	-11.8%
Gas Combined Cycle	1,779	1,324	34.4%

	1Q 2017	1Q 2016	vs. 2016
UNITED KINGDOM			
Net Production (GWh)	**3,224**	**4,842**	**-33.4%**
Renewables	1,364	1,152	18.3%
Onshore	947	708	33.6%
Offshore	218	210	3.7%
Hydro	199	234	-14.9%
Gas combined cycle	1,860	1,971	-5.6%
Cogeneration	0	0	-
Coal	0	1,719	-100.0%
Installed Capacity (MW)	**4,640**	**6,490**	**-28.5%**
Renewables	2,672	2,218	20.5%
Onshore	1,870	1,461	28.0%
Offshore	239	194	23.1%
Hydro	563	563	0.0%
Gas combined cycle	1,967	1,967	0.0%
Cogeneration	1	1	0.0%
Coal	0	2,304	-100.0%
Electricity customers (No mill.)	**3.29**	**3.23**	**2.0%**
Gas customers (No mill.)	**2.21**	**2.14**	**3.0%**
Gas Supplies (GWh)	**16,684**	**17,912**	**-6.9%**
Consumers	12,703	13,350	-4.8%
Gas Combined Cycle	3,981	4,562	-12.7%
Gas Storage (bcm)	**0.06**	**0.05**	**11.1%**

	1Q 2017	1Q 2016	vs. 2016
EE.UU.			
Net Production (GWh)	**4,873**	**4,766**	**2.2%**
Renewables	4,176	4,017	3.9%
Onshore	4,009	3,870	3.6%
Hydro	118	110	7.4%
Solar and others	49	37	30.0%
Gas combined cycle	1	5	-76.3%
Cogeneration	696	744	-6.5%
Installed Capacity (MW)	**6,880**	**6,669**	**3.6%**
Renewables	6,035	5,824	3.6%
Onshore	5,854	5,645	3.7%
Hydro	118	118	0.0%
Solar and others	63	61	4.6%
Gas combined cycle	209	209	0.0%
Cogeneration	636	636	0.0%
Gas Storage (bcm)	**2.44**	**2.44**	**0.0%**
MEXICO			
Net Production (GWh)	**9,380**	**8,994**	**4.3%**
Renewables	300	335	-10.4%
Onshore	300	335	-10.4%
Gas combined cycle	8,602	8,272	4.0%
Cogeneration	478	387	23.7%
Installed Capacity (MW)	**6,135**	**5,395**	**13.7%**
Renewables	367	367	0.0%
Onshore	367	367	0.0%
Gas combined cycle	5,531	4,845	14.2%
Cogeneration	237	184	29.0%

	1Q 2017	1Q 2016	vs. 2016
BRAZIL (*)			
Net Production (GWh)	**4,131**	**3,205**	**28.9%**
Renewables	3,104	2,092	48.3%
Onshore	339	221	53.5%
Hydro	2,765	1,872	47.7%
Gas combined cycle	936	1,013	-7.6%
Cogeneration	92	100	-8.3%
Installed Capacity (MW)	**2,884**	**2,694**	**7.1%**
Renewables	2,351	2,086	12.7%
Onshore	421	337	24.9%
Hydro	1,930	1,749	10.4%
Gas combined cycle	533	533	0.0%
Cogeneration	0	75	-100.0%
REST OF THE WORLD			
Net Production (GWh)	**370**	**470**	**-21.2%**
Renewables	370	470	-21.2%
Onshore	368	468	-21.3%
Solar and others	2	2	-9.9%
Installed Capacity (MW)	**621**	**744**	**-16.4%**
Renewables	621	744	-16.4%
Onshore	615	737	-16.6%
Solar and others	6	6	0.0%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period)
* Includes 100% of Neoenergia
** Longanet closure at the end of March 2016

Stock Market Data

		1Q 2017	1Q 2016
Market capitalisation	EUR MM	43,314.2	37,494.0
Earnings per share (6,397,197,000 shares at 03/31/16 and 6,459,990,000 shares, at 03/31/17)	€	0.13	0.14
Net operating cash flow per share	€	0.26	0.27
P.E.R.	Times	16.26	15.31
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.06	0.92

Economic/Financial Data*

Income Statement		1Q 2017	1Q 2016
Revenues	EUR (MM)	8,289.5	8,184.8
Gross Margin	EUR (MM)	3,566.4	3,649.9
EBITDA	EUR (MM)	1,861.6	2,027.1
EBIT	EUR (MM)	1,027.0	1,249.5
Net Profit	EUR (MM)	827.6	868.7
Net Operating Expenses / Gross Margin	%	-26.4	-25.5

Balance Sheet

		March 2017	Dec. 2016
Total Assets	EUR (MM)	107,829	106,706
Shareholders' Equity	EUR (MM)	40,847	40,687
Net Financial Debt	EUR (MM)	29,760	29,414
ROE	%	6.6	6.3
Financial Leverage (1)	%	42.1	42.0
Net Financial Debt / Equity	%	72.9	72.3

Others

		March 2017	Dec. 2016
Investments	EUR (MM)	1,016.1	895.6
Employees	No.	28,220	28,494

(1) Net Financial Debt/(Net Financial Debt + Shareholder's Equity).
(*) Financial terms are defined in the "Glossary"

Credit rating of Iberdrola Senior Debt

Agency	Rating	Outlook	Date
Moody's	Baa1	Positive	26 April 2016
Fitch IBCA	BBB+	Stable	8 July 2016
Standard & Poor's	BBB+	Stable	22 April 2016

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Operating highlights for the period

The results of the first quarter of 2017 were affected by weather conditions in Spain (with low rain levels in Spain that resulted in lesser hydroelectric production and lesser wind power production), as well as by the March 2016 closing of the thermal plant of Longannet in the United Kingdom, which affected the quarter-on-quarter comparison, and by the competition in the customer market in this country.

Several of these effects will gradually settle down throughout the year, like the closing of Longannet or the comparison with a first quarter of 2016 in which wind power did exceptionally well, and other impacts will be seen, like the rise in tariffs in the United Kingdom starting April and the new capacity that will be started-up both in renewables (1,393 MW) and regulated generation in Mexico (+129 MW), and which are expected to make a positive contribution towards the trend recorded for the rest of the year.

In the general area of the system, the following is worth noting:

- In Spain, the period was marked by a major reduction in hydroelectric production (-44%) and lesser production in other renewable technologies (-12%) caused by the weather conditions. Production using gas and coal-fired plants covered these reductions, with increases respectively coming to 70% and 27%. The demand for electricity is slightly higher than that of the first quarter 2016 (+0.1%), although when adjustments are made for number of working days and temperature, the demand increased by 1%.
- In the United Kingdom, electricity demand dropped by 2.1% compared to 2016. Nonetheless, customers' gas demand (does not include generation consumption) grew by 0.6%.
- In the catchment area of Avangrid on the east coast of the USA, the electricity demand remained basically constant (+0.1%), whilst the demand for gas rose by 3.1% as a consequence of colder temperatures in comparison to last year.
- On its part, the demand in Iberdrola's area of influence in Brazil grew by 3.1% compared to the previous year, with a growth in the demand of Elektro of 3.4% and Neoenergia by 3.0%.

During the first quarter of 2017, international markets of raw materials evolved as follows:

- The average price of Brent oil was fixed at $53.8 per barrel compared with $33.9 per barrel last year (+59%).
- The average price of gas (TTF) over the period dropped to 18.5 EUR/MWh, compared with 12.9 EUR/MWh in 2015 (+44%).
- The average price of API2 coal is at 81.4 USD/MT, compared to 45.5 USD/MT (+79%) last year.
- The average cost of CO2 rights dropped from EUR 5.7/MT in the first quarter of 2016 to EUR 5.2/MT in 2016 (-9%).

The average performance of Iberdrola's main reference currencies against the Euro during the first three months of 2017 compared to the same period of last year was as follows:

- The Pound Sterling depreciated by 10%.
- The Brazilian Real increased in value by 25%.
- The North American Dollar increased in value by 3%.

As far as the Iberdrola Group is concerned, the impact of the depreciation of the pound has almost been offset by the increase in value of the Brazilian Real and the US dollar. The exchange rate effect at EBITDA level amount to EUR 2 million.

The following noteworthy points should be considered with regard to the period analysed and the changes in comparison to the same period of the previous financial year:

- Consolidated EBITDA decreased by 8.2% to EUR 1,861.6 million. As described previously, this result is the consequence of liberalised business in Spain affected by the lesser hydroelectric production and the rise in tax as a result of the high market prices, of liberalised business in the United Kingdom, affected by the March 2016 closure of the Longannet plant and sales business, affected by the lesser demand and higher regulatory costs, as well as the lower wind levels in Spain.

- Reported Net Profit decreased by 4.7% to EUR 827.6 million. Income from Non-Current Assets came to EUR 256.2 million as compared with the EUR 29.1 million in the first quarter of 2016, thanks to the merger of Gamesa with Siemens Wind, which contributed EUR 255 million (after the dilution of Iberdrola´s share from 20% to 8% of the resultant Company), including EUR 198 million of the extraordinary merger dividend (received on April 11).

The main items of the Profit and Loss Account have evolved as follows:

EUR Million	3M 2016	Vs 3M 2017
GROSS MARGIN	3,566.4	-2.3
EBITDA	1,861.6	-8.2
EBIT	1,027.0	-17.8
NET PROFIT	827.6	-4.7

The following points in the financial figures of the period should be noted:

- Net Financial Debt reached EUR 29,760 million, increasing by EUR 346 million since December 2016, as a consequence of the investment process. Financial leverage remains at similar levels to those recorded on 31 December 2016 (42.1% as compared with 42.0%).
- Funds from Operations generated during the first quarter dropped by 2.4% due to the operative scenario described, coming to EUR 1,654.7 million.

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Operational performance for the period

1. Energy distributed and supply points

The Group's Regulatory Asset Base ("RAB") is above EUR 27.5 million at end 2016.

		December 2016	December 2015
RAB (local currency)			
Spain	**(EUR millions)**	**9.1**	**9.1**
United Kingdom	**(GBP millions)**	**5.7**	**5.4**
United States	**(USD millions)**	**8.7**	**8.7**
Brazil *	**(BRL millions)**	**14.7**	**12.4**
Elektro		**3.3**	**2.8**
Neoenergia		**11.4**	**9.6**

During the first quarter of 2017, the Group distributed a total of 59,470 GWh in electricity, 0.5% more than in 2016 thanks to increased demand in Brazil. Gas distributed (in the United States) totalled 24,115 GWh, showing growth of 3.1% on the same period of 2016.

The Group's total supply points amount to 30.2 million in electricity and 1.0 million in gas, with the following breakdown according to country:

Supply points managed	1Q 2017	1Q 2016	vs. 2016
Electricity (Millions)			
Spain	10.98	10.88	0.9%
United Kingdom	3.52	3.51	0.2%
United States	2.21	2.20	0.4%
Brazil *	13.48	13.22	2.0%
Total Electricity	**30.18**	**29.80**	**1.3%**
Gas (Millions)			
USA	1.01	1.01	0.5%
Total Gas	**1.01**	**1.01**	**0.5%**
Total supply points	**31.19**	**30.81**	**1.3%**

* Includes 100% of Neoenergia

1.1. Spain

At close of March, Iberdrola Distribución Eléctrica had 10.98 million supply points, and its energy distribution for the year amounted to 23,733 GWh, a 0.4% increase compared to the previous year.

At end March, the CAIDI indicator of supply quality stood at 33.7 minutes due to the wind and snow experienced in January 2017, which hit the communities of Castilla La Mancha, Comunidad Valenciana and Murcia hardest, causing multiple incidents.

During this financial year the investment made by the business in Spain has made it possible to commission the facilities included in the following table:

Physical Units commissioned (First quarter 2017)		Total	Voltage			
			Very High	High	Medium	Low
Lines	Overhead (km) (1)	60.8	26.5	7	-19.5	46.8
	Underground (km)	125	4.8	-0.5	52.3	68.4
Substations	Transformers (units)	5	5			
	Capacity increase (MVA)	610	610			
	Substations (units) (1)	3				
Secondary substations	Secondary substations (units)	116				
	Capacity increase (MVA)	49.2				

(1) Reduction in km of HV lines due to replacement by MHV lines (some owned by REE) and, moreover, MHV/HV transformation is being replaced by MHV/MV, resulting in the elimination of some HV circuits.

(2) New substations commissioned during the first quarter of 2017: Carril (380 kV) (Murcia), Tobarra 132 kV (Albacete) and Mudarra Iberdrola 220 kV (Valladolid).

As part of the STAR smart network project, during this first quarter, 490,810 smart meters were installed, to reach 88% of meters installed and 82% of meters effectively integrated into the network.

According to the CNMC report of 23 February 2017 monitoring the effective integration of smart meters in Spain, Iberdrola is the top distributor in terms of the quality of remote management readings, with 95% of hourly values captured remotely, of all those possible.

1.2. United Kingdom

On 31 March, Scottish Power Energy Networks (SPEN) exceeded 3.5 million electricity distribution supply points. The volume of distributed electricity during this quarter was 9,628 GWh, representing a 3.2% drop compared to the same period of the previous year.

Customer Minutes Lost (CML) was as follows:

CML (min)	Jan-Mar 2017	Jan-Mar 2016
Scottish Power Distribution (SPD)	8.15	9.24
Scottish Power Manweb (SPM)	8.57	8.74

The number of consumers affected by interruptions per every 100 customers (Customer Interruptions, CI) was as follows:

CI (nº of interruptions)	Jan-Mar 2017	Jan-Mar 2016
Scottish Power Distribution (SPD)	10.77	12.38
Scottish Power Manweb (SPM)	7.04	7.88

There was an improvement across the board in service quality indicators as compared with the first quarter of 2016.

Noteworthy is the progress in the United Kingdom on the undersea interconnection project between Scotland, Wales and England, the Western Link, which will be commissioned towards the end of 2017.

Additionally, 2016 also saw the launch of the smart meter plan, which will stretch to more than 5 million by 2021. The meters are being marketed in the United Kingdom. During this first year, 180,000 meters were installed, more than in the commitment made with the British regulator, Ofgem. In 2017, we will continue to increase the rate of installation so as to comply with the schedule envisaged.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of March 2017, Avangrid Networks had 2.2 million electricity supply points. A total of 9,696 GWh of electricity was distributed in the first quarter of the year, slightly above the figure recorded for the first quarter of 2016 (+0.1%).

The supply quality indicators have improved, save for some slight deviations caused by January's wind and snow storms.

The Customer Average Interruption Duration Index (CAIDI) was as follows:

CAIDI (h)	Jan-Mar 2017	Jan-Mar 2016
Central Maine Power (CMP)	1.97	2.31
NY State Electric & Gas (NYSEG)	1.99	2.24
Rochester Gas & Electric (RGE)	2.26	1.53

The System Average Interruption Duration Index (SAIDI) for UIL was as follows:

SAIDI (min)	Jan-Mar 2017	Jan-Mar 2016
United Illuminating Company (UI)	6.40	12.30

The System Average Interruption Frequency Index (SAIFI) was as follows:

SAIFI	Jan-Mar 2017	Jan-Mar 2016
Central Maine Power (CMP)	0.39	0.38
NY State Electric & Gas (NYSEG)	0.24	0.22
Rochester Gas & Electric (RGE)	0.09	0.12
United Illuminating Company (UI)	0.09	0.13

1.3.3 Gas

The number of gas users in the United States totals one million, who have been supplied with 24,115 GWh in the first quarter of the year, up 3.1% from the same period last year, essentially due to the lower temperatures recorded than in 2016.

1.4. Brazil

At the close of March, Iberdrola had a total of 13.5 million (Neoenergia 10.9 million and Elektro 2.6 million) supply points in Brazil. The distributed electricity volume for the first three months of 2017 was 16,413 GWh, with 11,784 GWh supplied by Neoenergia and 4,630 GWh by Elektro, making for an average increase of 3.1% compared with the previous year.

The average customer interruption time (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	Jan-Mar 2017	Jan-Mar 2016
Elektro	2.62	2.43
Coelba	4.39	7.03
Cosern	3.42	3.53
Celpe	3.63	4.98

The average number of customer interruptions (*freqüencia equivalente de interrupção por unidade consumidora, FEC*) was as follows:

FEC	Jan-Mar 2017	Jan-Mar 2016
Elektro	1.49	1.36
Coelba	1.81	2.10
Cosern	1.68	1.83
Celpe	1.92	1.78

Elektro continues to be one of Brazil's most important distributors in terms of the quality of supply and was rewarded in 2016 by the Brazilian Power Distributors Association (ABRADEE) as best distributor in two categories: Operations Management and best distributor in the South-East Region. It has also received prizes for Quality from the Latin American Foundation for Quality Management (Fundibeq) and the National Quality Foundation (FNQ).

2. Electricity production and customers

At the close of the first quarter of 2017, Iberdrola's **installed capacity** came to 47,326 MW, of which 59% comes from renewable sources:

MW	1Q 2017	vs.1Q 2016
Renewables	**27,868**	**3.0%**
Onshore wind energy	14,878	4.0%
Offshore wind energy	239	23.1%
Hydroelectric	12,327	1.5%
Mini-hydroelectric	304	0.3%
Solar and others	120	2.4%
Nuclear	**3,410**	**0.0%**
Gas combined cycle	**13,934**	**5.2%**
Cogeneration	**1,238**	**-3.7%**
Coal	**874**	**-72.5%**
Total	**47,324**	**-1.8%**

* Includes 100% of Neoenergia

Period **net electricity production** came to 37,564 GWh, with 43% coming from renewable sources:

GWh	1Q 2017	vs.1Q 2016
Renewables	**16,332**	**-10.0%**
Onshore wind energy	9,502	-3.8%
Offshore wind energy	218	3.7%
Hydroelectric	6,413	-18.0%
Mini-hydroelectric	142	-23.8%
Solar and others	57	25.6%
Nuclear	**6,554**	**11.5%**
Gas combined cycle	**12,111**	**3.3%**
Cogeneration	**1,944**	**10.2%**
Coal	**623**	**-67.4%**
Total	**37,564**	**-4.7%**

* Includes 100% of Neoenergia

2.1 Spain and Portugal

The **Energy Balance of the peninsular system** during the first quarter of 2017 stands out for its major increase in thermal production as compared with the same period the previous year (+51%) essentially due to the reduction in hydroelectric production (-44%), as it was a dry quarter, particularly January. The rest of the production from renewables drop by 12% due to lower wind generation (-16%). Carbon production increased by 70% on 2016 and combined cycle by 27%. Demand remained practically identical to that of the first quarter of 2016 (+0.1%), whilst when adjusted for the number of working days and temperature, it grew by +1%. The evolution of the electricity consumption indicator of all businesses and industries shows that in the last 12 months, consumption has declined on 2016 levels by -0.8%, with -0.7% recorded for industrial consumers and -1.2% for the service sector.

Renewable production and capacity

At the close of the first quarter of 2017, Iberdrola has **renewable capacity** installed in Spain and Portugal that totals 15,913 MW, which can be broken down as follows:

USA	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power (***)	**5,600**	**244**	**5,844**
Hydroelectric	**9,715**		**9,715**
Mini-hydroelectric	**302**	**2**	**304**
Solar and others	**50**		**50**
Total capacity(***)	**15,667**	**246**	**15,913**

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW
(***) Includes Portugal

Of the renewable power installed at the close of the first quarter 2017, Iberdrola consolidates 15,667 MW and manages 246 MW through investee companies.

The construction of two wind farms with a total capacity of 32.2 MW on the island of Tenerife, is currently being approved: Chimiche II (18.4 MW) and Las Aulagas (13.8 MW).

Renewable production totals 7,083 GWh (-30.2%), as follows:

	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power (***)	3,460	143	3,603
Hydroelectric	3,331		3,331
Mini-hydroelectric	140	2	142
Solar and others	7		7
Total production	6,938	145	7,083

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW
(***) Includes Portugal

The trend broken down by types of technology is as follows:

- Onshore wind power dropped by 17.3% to 3,603 GWh.
- Hydroelectric production reached 3,331 GWh, representing a reduction of 40.6% over the same period in the previous year. As at 31 March 2017, hydroelectric reserve levels were at 45% (equivalent to 5,050 GWh).
- Mini hydroelectric production came to 142 GWh, 23.8% less than the same period of the previous year.
- Solar and other production increased by 9.7% to 7GWh.

In **Portugal**, a special mention should be given to the work being carried out on the **hydroelectric complex of Támega**. It is one of the most important energy initiatives in the history of Portugal. With an investment of EUR 1,500 million, the installation will produce in excess of 1,760 GWh in energy per year. The new capacity provides the equivalent of 6% of power installed in Portugal, avoiding the emission of 1 million tonnes of CO2 into the atmosphere. The works, which are set to continue through to 2023, are already being carried out on the River Támega.

The Támega complex, situated in the north of Portugal, will consist of three large dams: Alto Támega, Daivões and Gouvães. The electricity generation capacity associated with these installations will come to 1,158 megawatts (MW).

The development of this pumping infrastructure is just one example of Iberdrola's focus on this technology, the most efficient way of storing energy on a large scale currently in existence.

Thermal production and capacity

With regards to the Iberdrola Group's **thermal capacity** in Spain and Portugal, at close of March 2017, this came to 10,343 MW, as follows:

SPAIN	Consolidated installed MW	MW Investee companies (**)	Total
Nuclear*	3,166	244	3,410
Gas combined cycle	5,695		5,695
Cogeneration	298	66	364
Coal	874		874
Total capacity	9,159	310	10,343

(*) Includes Garoña
(**) Includes the proportional part of MW

Iberdrola's **thermal production** increased by 21.2%, up to 8,568 GWh in the first quarter 2017. The trend broken down by types of technology is as follows:

- Nuclear production reached 6,554 GWh, representing an increase of 11.5%.
- Meanwhile, CCGT production rose by 27.1% to 713 GWh
- Cogeneration plants registered a 27.1% increase in production, which reached 678 GWh.

- Coal-fired thermal power plants reached a total of 623 GWh, compared to 194 GWh during the previous year, making for an increase of 220.8%.

Of the 8,568 GWh produced, Iberdrola consolidated 8,436 GWh at EBITDA level, with 132 GWh being consolidated by the equity method in accordance with IFRS 11. The breakdown is as follows:

	GWh Consolidated at EBITDA level	GWh Investee companies (*)	Total
Nuclear	6,533	21	6,554
Gas combined cycle	713		713
Cogeneration	567	111	678
Coal	623		623
Total production	8,436	132	8,568

(*) Includes the proportional part of MW

Retail

As for the **retail** business, as at 31 March 2017, the portfolio managed by Iberdrola included 16,286,526 contracts, a total of 198,295 more contracts on the market than in the same period in 2016 (+1.6%). The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity contracts	10,197,210	106,741	10,303,951
Gas contracts	947,999	1,536	949,535
Contracts for others prod. & serv.	4,957,688	75,352	5,033,040
Total	16,102,897	183,629	16,286,526

By market type they can be split into the following:

	Spain	Portugal	%
Liberalized Market	12,413,522	183,629	77%
Last resort tariff	3,689,375	-	23%
Total	16,102,897	183,629	100%

The electricity supplied on the liberalised market reached 13,736 GWh (12,070 GWh in Spain and 1,166 GWh in Portugal), compared to the 12,394 GWh (10,747 in Spain and 1,647 GWh in Portugal) supplied in the first three months of 2016 (+10.8%).

Iberdrola's electricity sales in the first quarter of 2017 came to 23,000 GWh measured at power substation busbars, of which 15,500 GWh were sold on the liberalised market, 2,600 GWh correspond to energy at the voluntary price for small consumers (PVPC) and 4,800 GTWh to other markets.

With regard to gas, in the first quarter of 2017 Iberdrola managed a total gas production of 1.28 bcm, of which 0.68 bcm were sold in wholesale transactions, 0.31 bcm were sold to end customers and 0.29 bcm went towards electricity production.

2.2. United Kingdom

Renewable production and capacity

At the close of the first quarter of 2017, the renewable capacity installed in the United Kingdom came to 2,672 MW with an increase of 454 MW in wind power.

USA	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Wind	2,094	15	2,109
Onshore wind power	1,854	15	1,870
Offshore wind power (***)	239	0	239
Hydroelectric	563	-	563
Total capacity	2,657	15	2,672

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW
(***) Includes the 45 MW of Wikinger in test period

Of this capacity, 2,657 MW are consolidated and 15 MW are managed through investee companies.

During 2016 and the first quarter of 2017, work was pursued on the construction of 473.78 MW that are subject to the ROCs system. Of this project portfolio, work was completed for a total of 212.78 MW of which 146.23 MW ended in 2016 (13.8 MW in May at Ewe Hill Phase 1, 45.06 MW in December in Black Law Ext. Phase 1, 69 MW in October in Dersalloch and 18.37 MW in November in Black Law Ext. Phase 2) and 66.55 MW in the first quarter of 2017 (36.8 MW in Ewe Hill Phase 2 and 29.75 MW in Hare Hill Extension, both in February) and work is in progress on 261 MW of the wind farms Killgallioch (239 MW of which 202.5 MW have been installed) and Glenapp (22 MW of which have installed all wind turbines and with 10 MW pending start-up and achievement of COD). The average operating power increased by 16.2% (229 MW).

In the United Kingdom, **renewable production** totals 1,364 GWh, as follows:

	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Wind	1,157	8	1,165
Onshore wind power	939	8	947
Offshore wind power	218	0	218
Hydroelectric	199	-	199
Total production	1,356	8	1,364

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW

- Onshore wind power totals 947 GWh, up 33.6% on the first quarter of 2016.
- Offshore wind power, on the other hand, is up 3.7%, to 218 GWh.
- Hydroelectric production dropped by 15% to 199 GWh, compared to 234 GWh in the first quarter of 2016.

The renewables business is currently developing **offshore wind projects**, mainly in the United Kingdom, Germany and France

In 2014, the company started the West of Duddon Sands project in the United Kingdom, located on the Irish Sea. Attributable installed capacity is 194 MW.

Iberdrola continues with its construction works on the Wikinger wind farm in the Baltic Sea (Germany). Once completed the installation campaigns of the jackets, cables and marine substation, the installation of the wind turbines, will continue with the aim of finalizing the installation and commissioning of the 70 turbines at the end of the year. At the end of March, 9 turbines (45 MW) have already been installed and are currently being tested.

First turbine of Wikinger Offshore wind farm in the Baltic Sea

Iberdrola is also developing the East Anglia projects in the United Kingdom, on the North Sea. The East Anglia 1 project closed 2016 with most of the supply contracts of the main packages signed. Of these, it is important to highlight the contract with Siemens for the supply of 102 wind turbines with a capacity of 7 MW, and two contracts with Navantia for the supply of the offshore substation and 42 jacket foundations for the wind turbines; equally worthy of note are the contracts with Lamprell for the supply of the remaining 60 jackets and with Nexans for the supply of the evacuation cable between the farm substation and the land substation. The signing with The Crown Estate of the lease agreement for the maritime domain for the establishment of the farm throughout its useful life, was also a milestone in 2016. During the first quarter of 2017, contracts have been added to these for the supply and installation of medium voltage cables, the supply of the ground evacuation cable and the installation of foundations, as well as several electricity equipment supply contracts for onshore and offshore substations.

The other three projects being developed and owned by Iberdrola in the area of East Anglia, with a total capacity of 2,800MW, continue to progress in accordance with the plans authorised with The Crown Estate. For the East Anglia 3 project, which is at the most advanced stage, it is hoped that environmental approval will be granted for the construction of its 1,200 MW of power, in the second quarter of 2017. The next step in this project will be to be awarded a Contract for Difference (CfD), to ensure its viability.

We are also working hard to increase the portfolio of projects in the German Baltic Sea, near the Wikinger farm, through our participation in the tender to be organised by the German regulator in 2018.

In April 2012, the consortium formed by Iberdrola and the French company EOLE-RES was awarded by the French Government the exclusive rights for the exploitation of the offshore wind farm of Saint-Brieuc, with a capacity of 500 MW. The project was technically redefined in 2013 with the aim of using a more modern machine, with a unit capacity of 8 MW. In October 2015, the project submitted a request for a construction permit. In 2016, the company worked towards answering the requests from the French administration within the process for the approval of said permit, as well as on the consolidation of the main supply agreements for the future farm. It is hoped that the construction permit will come through during the first half of 2017.

Thermal production and capacity

As regards **thermal capacity** in the United Kingdom, at close of March 2017 this came to 1,968 MW, as at end March the previous year, the Longannet coal-fired power station closed down (2,304 MW). The breakdown is:

REINO UNIDO (SPW)	MW
Gas combined cycle	1,967
Cogeneration	1
Total	1,968

Production from thermal electricity generation in the United Kingdom fell by 5.6% in the first quarter of 2017, to 1,860 GWh, compared to 1,971 GWh in the same period of the previous year. The market share of the UK generation business in the period was 4%, compared to 6% in the previous year, due to the elimination of the production from Longannet.

Retail

Regarding **sales**, in the first quarter of 2017 customers were sold 7,000 GWh of electricity and 12,703 GWh of gas, compared to the figures for the first quarter of 2016: 6,634 GWh of electricity and 13,350 GWh of gas. At the end of the first quarter of 2017, Scottish Power had 3.3 million electricity customers and 2.2 million gas customers, in both cases rising by 0.1 million.

2.3. United States (AVANGRID)

Renewable production and capacity

At the close of the first quarter of 2017, **renewable capacity** installed in the United States came to 6,035 MW, which can be broken down as follows.

USA	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	5,693	161	5,854
Hydroelectric	118		118
Solar and others	63		63
Total capacity	5,874	161	6,035

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW

The Company is present in 19 states, with a total of 5,854 MW onshore installed wind capacity, of which 161 MW are managed through investee companies.

Installed capacity has increased by 3.2%, mainly due to the increase in onshore wind capacity, having completed works on Desert Wind (208 MW) with a PPA signed with Amazon in North Carolina. Works have also begun on El Cabo (298.2 MW) in New Mexico, Deerfield (30 MW) in Vermont and Tule (131.1 MW) in California and works are shortly to start on Twin Buttes II (75 MW) in Colorado and Montague (201.1 MW) in Oregon.

Construction has been approved for a total of 66 MWn using photovoltaic technology: Gala (56 MWn) and W'y East (10 MWn), both in the State of Oregon.

Renewable production in the United States comes to 4,176 GWh, of which 4,052 GWh is consolidated by Iberdrola in terms of EBITDA and 124 by the equity method.

	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	3,885	124	4,009
Hydroelectric	118		118
Solar and others	49		49
Total production	4,052	124	4,176

(*) IFRS11, figures rounded to the nearest unit
(**) Includes the proportional part of MW

As regards evolution by technology:

- Onshore wind power totals 4,009 GWh, up 3.6% on the first quarter of 2016.
- Hydroelectric production also increased by 7.4% to 118 GWh, compared to 110 GWh in the first quarter of 2016.
- Solar and other production increased by 30% to 49 GWh.

2.4. Mexico

Renewable production and capacity

In Mexico, installed **renewable capacity** totals 367 MW, with no change from the first quarter of 2016.

During the period, a total of 300 GWh of **renewable production** was generated, 10.4% below the first quarter of 2016.

Construction has also been approved of a total of 325.5 MW in additional onshore wind power: Santiago eólico (105 MW) in San Luis de Potosí and Pier (220.5 MW) in Puebla.

Construction has begun on a total of 270 MWn using photovoltaic technology: Santiago fotovoltaico (170 MWn) in San Luis de Potosí and Hermosillo (100 MWn) in Sonora.

Thermal production and capacity

Thermal capacity at the close of the first quarter of 2017 was 5,768 MW, broken down as shown in the table below:

MEXICO	MW
Gas combined cycle	5,531
Cogeneration	237
Total	5,768

One of the highlights of this first quarter of the year, was the start-up of commercial operation in the Baja California III plant on 31 January 2017. Of its total power (314 MW), 294 MW are associated with an independent electricity production contract with the Federal Committee of Electricity (CFE).

On the other hand, on 1 March, Iberdrola México, through Iberdrola Clientes, became the **first private qualified supplier to sell electricity to qualified users on the new wholesale electricity market.**

In terms of contracts, on 14 March, a PPA (Power Purchase Agreement) was signed for electricity coverage with CFE, for 150 MW of power (which may be extended up to 250 MW), for the new combined cycle plant of El Carmen, Nuevo León, which will have installed power of 866 MW and should start commercial operation in September 2019.

Lastly, Iberdrola has been awarded a large new power generation project in Mexico: the combined cycle plant of Topolobampo III. This new installation will have a power of 766 MW and is situated in the State of Sinaloa. All the energy produced will be sold to the Federal Committee of Electricity (CFE) through a 25-year contract.

In addition to the plants of El Carmen and Topolobampo III, another four thermal plants are currently being executed: Dynasol and San Juan del Río (both cogeneration plants scheduled to start operating in 2017) and Escobedo and Topolobampo II, combined cycle plants set to start commercial operation sometime between 2018 and 2019.

For April, power should be increased in the Monterrey III plant and it is hoped that a further increase will be applied to Monterrey IV in 2018. This will mean that the thermal capacity of Iberdrola México will increase by more than 3,400 MW.

Thermal production generated in Mexico during the first quarter of 2017 by the combined cycle and cogeneration plants came to 9.1 TWh, which makes for a 5% increase on the same quarter of the previous year.

2.5. Brazil

Renewable production and capacity

In Brazil, Iberdrola has **renewable capacity** of 2,351 MW installed, as follows:

	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	187	234	421
Hydroelectric	1,930		1,930
Total capacity	2,117	234	2,351

(*) IFRS11, figures rounded to the nearest unit
(**) Includes 100% Neoenergía

Of the total amount of 421 MW wind power installed, 187 MW is consolidated and 234 MW managed through Neoenergia, which now includes 84 MW from the wind farms of Calongo 6 (30 MW), Santana I (30 MW) and Santana II (24 MW), which were awarded the “Leilãos” (tenders) held in 2014 and for which installation was completed in 2016.

Furthermore, three projects for a total of 94.5 MW of wind power won bids in the “Leilãos” (tenders) that took place in 2014 hope to start commercial operations this coming October.

Last February, Iberdrola agreed to buy 50% of Força Eólica do Brasil (FEB) 1 and 2 with Neoenergia. Through this acquisition, Iberdrola, which already had the other 50% of the capital of both companies, will consolidate at the Ebitda level the 234 MW that are now managed in investees companies. The economic effects of this consolidation will become effective in the last quarter of the year.

During the first quarter of 2017, renewable production came to 3,104 GWh, up 48.3% (53.5% in onshore wind power and 47.7% in hydroelectric power).

	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	134	205	339
Hydroelectric	2,765		2,765
Total production	2,899	205	3,104

(*) IFRS11, figures rounded to the nearest unit
(**) Includes 100% Neoenergía

2.6. Rest of the world

Renewable production and capacity

Renewable capacity installed elsewhere across the globe totals 529 MW, as follows

	MW
Onshore wind power (*)	523
Solar	6
TOTAL	529

(*) Excluye Portugal

Onshore wind power can be broken down as follows:

USA	MW consolidated at EBITDA level	MW managed by investee companies (**)	Total
Italy	10		10
Greece	255		255
Cyprus	20		20
Hungary	158		158
Romania	80		80
Total	523	0	523

3. Other aspects

1. Shareholder remuneration

Iberdrola's General Shareholders' Meeting held on 31 March 2017 was constituted with the attendance of a total of 4,986,855,908 shares (340,885,129 in person and 4,645,970,779 represented), reaching a quorum of 77.2% of the share capital (5.28% present and 71.92% represented). With an average of 99.4%, all resolutions on the Agenda proposed by the Board of Directors, were approved.

Approval of item 11 on the Agenda stands out in particular, regarding the proposed appropriation of earnings and distribution of the dividend corresponding to financial year 2016.

Iberdrola Scrip Dividend

Annual remuneration was increased by almost 11% thanks to the good performance seen in FY 2016, with net profits of EUR 2,705 million, up 11.7% on 2015.

Therefore, remuneration charged to 2016 will come to at least a gross figure of 0.31 euros per share, as compared with the gross 0.28 euros per share recorded for FY 2015.

The first part of this remuneration - 0.135 euros gross per share - was paid last January and this will be essentially completed with a new payment of at least 0.175 euros gross per share this coming July.

Iberdrola has also raised its target results for 2020. The new forecasts have allowed the company to estimate an increase in the dividend for the next few years, reaching annual shareholder remuneration of between 0.37 and 0.40 euros gross per share in 2020 and maintaining a lower limit of 0.31 euros gross per share. Pay out will range between 65% and 75%.

4

Analysis of the consolidated profit and loss account

1. Relevant Information

Reclassification of capital subsidies income. Since May 2016, capital subsidies have been taken to income under Operating Income, not reducing the amortisations as was done previously. The comparative information of March 2016 has been corrected to this effect by EUR 19.1 million. The effect on the Group's Net Profit is nil, as it is corrected with greater amortisations for the same amount.

2. Analysis of the Consolidated Profit and Loss Account

The most notable figures for the first quarter of 2017 are as follows:

EUR million	Jan-Mar 2017	Jan-Mar 2016	%
REVENUES	8,289.5	8,184.8	1.3
GROSS MARGIN	3,566.4	3,649.9	-2.3
EBITDA	1,861.6	2,027.1	-8.2
EBIT	1,027.0	1,249.5	-17.8
NET PROFIT	827.6	868.7	-4.7
OPERATING CASH FLOW	1,654.7	1,695.9	-2.4
FLUJO DE CAJA OPERATIVO	1,654.7	1,695.9	-2.4

The period results have been affected by a series of negative impacts: (1) weak conduct in the Generation and Supply Business in the United Kingdom, which will be gradually recovering throughout the year (due to the closure of Longannet towards the end of the first quarter 2016, which affects above all the comparison with this quarter, and the rise in tariffs announced as from 1 April 2017; (2) Spain has been affected by weather conditions with the hydroelectric production falling by a -41% and wind power by -17%, and the increase of taxes in the Generation and Supply Business due to higher market prices; (3) the net financial result is affected by the positive impact of exchange rate hedges recorded in the first quarter of 2016 (EUR 47 million). On the contrary, it is the positive impact from the good performance of the Networks business of the United States as well as Mexico and Brazil, and the extraordinary effect of the Gamesa operation, which contributes EUR 255 million to the results.

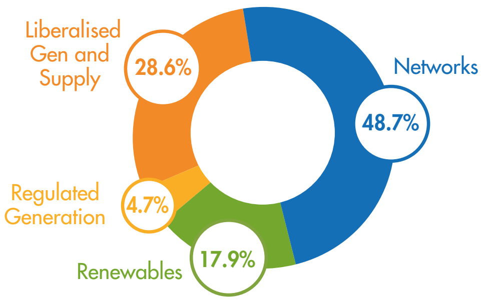
2.1 Gross Margin

The Gross Margin came in at EUR 3,566.4 million, down 2.3% on that booked during the same period the previous year, affected by the poorer performance of the Generation and Supply Business in the United Kingdom as a consequence of lower production due to Longannet closure, lower demand and higher non-energy costs, as well as the renewables business in Spain, which was affected by less wind power. As a whole, the exchange rate effect is EUR -2 million, as the depreciation of the GBP by 10.3% is offset by the appreciation of the dollar (3.2%) and the Brazilian real (24.8%). This performance is mainly the result of the following:

- **The Networks business** increased by 6.2% with regard to the first quarter 2016, to EUR 1,737.1 million.
  - In Spain, it came to EUR 496.9 million (-2.5%), affected by the 2016 recognition of the accrual of investments of Q4 2015, whilst those corresponding to Q4 2016 were recognised during the year.
  - In the United Kingdom, it amounted to EUR 322.6 million (-11.2%) essentially due to the depreciation of the GBP.
  - The contribution of the United States in the period comes in at EUR 806.3 million (+18.2%) thanks to the new rate cases in force and IFRS positive adjustments that will be corrected throughout the year.
  - Brazil's Gross Margin (Elektro) totalled EUR 111.4 million (+39.2%), influenced by the appreciation of the Real, the increase in energy distributed and the annual positive tariff review (+9.1%) in August 2016.
- **The Generation and Supply Business** dropped by 11.6% to EUR 1,171.1 million.

- In Spain, it came to EUR 713.2 million (0.9%) thanks to a greater volume of sales to customers and despite the lower margin as a result of a more thermal production mix due to lower rainfall in the period.
- The United Kingdom's Gross Margin came to EUR 248.4 million (-45.7%), negatively affected by the depreciation of the pound (EUR -26 million), a lower production, the increase in regulatory costs and the lower sales of electricity and gas.
- Mexico contributed EUR 167.4 million to the Gross Margin (+26.3%) thanks to the power increase as a result of the commissioning of new plants both for CFE (Baja California 314 MW), and for private customers (module V of Monterrey 300 MW and the Ramos cogeneration plant 50 MW and 76 MW of repowering).

Gross Margin by business



- **The Renewables Business (Wind power, solar and others)** had a Gross Margin of EUR 655.0 million (1.2%).
  - In Spain, it came to EUR 225.4 million (-12.7%), primarily due to lower wind production (17.3%) with a 1Q 2016 excepcionally good that was normalized during the year.
  - A contribution by the USA of EUR 222.4 million (12.5%) as a result of higher production following the increase in capacity (208 MW of the Amazon farm in North Carolina), offsets the reduction in average price and better results in the mark to market of derivatives for long term wind production in the US Business.
  - In the United Kingdom, the increase comes to 10.7% and takes the result up to EUR 137.2 million, thanks to higher wind levels and the increased of the average operating capacity (229 MW; +16.2%), despite the devaluation of the pound.
  - In Latin America, there was an increase to EUR 36.6 million (+16%) with Mexico improving thanks to the higher prices and Brazil recording slight growth as a result of the greater capacity installed (84 MW), and helped by the Brazilian Real revaluation .
- The contribution of **Other Businesses** totalled EUR 42 million (-3.7%).

2.2 Gross Operating Result - EBITDA

Consolidated EBITDA dropped by 8.2% compared with the first quarter of 2016, to EUR 1,861.6 million.

In addition to the previously outlined Gross Margin trend, it should be noted that Net Operating Expenses increased by 1%, to EUR 940.9 million. Excluding atypical effects and the exchange rate, the net operating expenses dropped by 0.3%.

Tax increased by 10.5% to EUR 763.9 million, making for an increase of 21.1% in the Generation and Supply business in Spain, the result of higher market prices that affect the taxes on generation by 7% and the hydroelectric levy, in addition to higher tax on nuclear fuel as a result of the production increase. There was also an increase in tax in the networks business of the United States, affected by seasonality and which will therefore be corrected over the next few quarters.

2.3 Net Operating Result - EBIT

EBIT was EUR 1,027.0 million, 17.8% lower compared with the first quarter of 2016.

Amortisations and Provisions rose (+7.3%) to total EUR 834.6 million:

- Amortisation grew by 7.3% to EUR 779.5 million due to Networks Spain changing to amortise assets over 23 years, in accordance with Order

IET/980/2016 starting June 2016, and new investments.
- Provisions amounted to EUR 55.1 million, with a greater expense of EUR 4.1 million (+8.1%).

2.4. Financial Result

The net financial result was EUR -205.9 million, compared with EUR -140.1 million recorded last year.

- The drop in the average cost of debt to 3.13% (42 b.p. down from last year) contributed to an improvement of EUR 13.1 million in the result associated to debt, despite the average debt increasing by EUR 2,321 million.
- The result according to exchange differences and derivatives worsened by EUR 60.7 million, largely resulting from the difference in valuing hedges on net profits in foreign currencies, mainly in GBP.
- Various non-recurrent contingencies recorded in 2016 (mainly late payment interest recognised in legal rulings) resulted in a lower financial income of EUR 18.2 million.

	Q1 2016	Q1 2017	Dif
Debt Result	**-249.5**	**-236.5**	**+13.1**
Exchange differences and derivatives	**79.9**	**19.2**	**-60.7**
Others	**29.5**	**11.4**	**-18.2**
Financial result	**-140.1**	**-205.9**	**-65.8**

2.5 Results of Companies Consolidated by the Equity Method

The item corresponding to Results of Companies Consolidated by the Equity Method amounted to EUR 28 million compared with EUR 10 million for the same period in 2016; this was due to the improvement of Neoenergia (Brazil) and the better results recorded by Gamesa.

2.6 Income from Non-Current Assets

Income from Non-Current Assets came to EUR 256.2 million, compared with EUR 29.1 million in the first quarter of 2016, due to the merger of Gamesa with Siemens Wind, which contributed EUR 255 million (after the dilution of Iberdrola´s share from 20% to 8% of the resultant Company), including EUR 198 million of the extraordinary merger dividend (received on April 11).

2.7 Net Profit

Finally, Net Profit came to EUR 827.6 million, down 4.7% compared with the results of the first quarter 2016, due to the lower operating results that partially offsetting the extraordinary result of Gamesa as already described.

Funds Generated from Operations at 31 March 2017 came to EUR 1,654.7 million, a 2.4% increase compared to the same period of the previous year. The performance of the benchmark credit ratios was as follows:

	Q1 2017	Q1 2016 (***)
Funds from Operations (FFO)*/Net Financial Debt	**21.1%**	**21.0%**
Retained Cash Flow (RCF)/ Net Financial Debt**	**18.9%**	**18.4%**
Net Financial Debt/EBITDA	**3.89x**	**3.89x**

(*) FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies consolidated by the equity method - Net Non-Recurring Results - Financial Prov. Activation + Dividends of companies consolidated by the equity method – Adjustment of tax deductible items and other effects
(**) RCF = FFO – Cash paid dividends – Net interest hybrid issuance
(***) Proforma Q1 2016 figures: 21. 8%; 19.2%; 3.9x respectively

5

Results by business

1. Networks business

The key figures for the Networks business are as follows:

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	2,522.4	5.2%
Gross margin	1,737.1	6.2%
EBITDA	1,020.9	9.1%
EBIT	658.0	5.7%

The Networks business increased its contribution made towards the Gross Margin to EUR 102 million (+6.2%), relying on the improvement of the networks in the USA (+18.2%) and Brazil (+39.2%), which offset the poorer performance in the United Kingdom, essentially due to the exchange rate.

1.1 Spain

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	498.3	-2.5%
Gross margin	496.9	-2.5%
EBITDA	387.4	-0.5%
EBIT	262.1	-5.4%

a) Gross Margin

The Gross Margin of the Spain Networks Business dropped by 2.5% to EUR 496.6 million, affected by the 2016 recognition of the accrual of investments of Q4 2015, whilst those corresponding to Q4 2016 were recognised during the year.

b) Operating Profit / EBIT

EBITDA in this business was down 0.5% to EUR 387.4 million.

Net Operating Expenses decreased by 11.5% to EUR 83.7 million. This trend can be explained by the control of costs and booking of Installations Occupied by Customers (Instalaciones Cedidas a Abonados, ICAs), in accordance with the average useful life derived from Order IET/980/2016 (23 years), with the corresponding counter-entry in amortisation, as of June 2016 (affecting the comparison with this quarter).

EBIT for the Networks Business in Spain totalled EUR 262.1 million (-5.4%). Amortisations and provisions totalled EUR 125 million (+11.8%), as a result of the new assets, as well as due to the amortisation of assets according to Order IET/980/2016, as mentioned previously.

1.2 United Kingdom

(EUR million)	Q1 2017	vs Q1 2016
Revenues	334.9	-11.6%
Gross margin	322.6	-11.2%
EBITDA	247.0	-14.4%
EBIT	177.7	-17.3%

a) Gross Margin

The Gross Margin of the Networks Business in the United Kingdom (ScottishPower Energy Networks-SPEN) amounted to EUR 322.6 million (-11.2%), negatively affected by the devaluation of the pound (-10.3%), which leaves EUR 34 million (in local currency Gross Margin falls by 2%), as well as by negative adjustments from previous years.

b) Operating Profit / EBIT

EBITDA totalled EUR 247 million (-14.4% a -5.6% in local currency), with a rise in Net Operating Expenses of 5.1% to EUR 50.7 million, due to higher net external services. Taxes dropped by 6.1% to EUR 24.9 million, also affected by the exchange rate.

Amortisations and Provisions totalled EUR 69.3 million (-5.9%), mainly due to the change in the exchange rate. In local currency, Amortisations and Provisions increased, due to the new assets commissioned.

1.3 United States-AVANGRID

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	1,272.3	8.9%
Gross margin	806.3	18.2%
EBITDA	315.8	51.7%
EBIT	178.6	69.9%

a) Gross Margin

The Gross Margin increased by 18.2% to EUR 806.3 million thanks to the new rate cases in force in New York and Connecticut, the appreciation of the dollar and USGAAP-IFRS adjustments essentially relating to the updating of energy prices and volumes.

b) Operating Profit / EBIT

EBITDA increased by 51.7% to EUR 315.8 million. In addition to the performance of the Gross Margin, Net Operating Expenses reduced by 11.6% to EUR 213.5 million, affected by the USGAAP-IFRS adjustments.

EBIT totalled EUR 178.6 million (+69.9%), following the deduction of Amortisations and Provisions totalling EUR 137.2 million, which increased by 33.2% due to the amortisation of the PPA (in March 2016 was accounted at Gross Margin level and it was in June 2016 when it was reclassified into amortisations) and the updating of UIL amortisation. The Taxes item increased by 19.1% to EUR 277 million, due to an increase in taxes and the exchange rate.

1.4. Brazil - ELEKTRO

EUR million	Q1 2017	vs Q1 2016
Revenues	416.9	22.9%
Gross margin	111.4	39.2%
EBITDA	70.7	41.8%
EBIT	39.7	56.4%

a) Gross Margin

The Gross Margin came to EUR 111.4 million (+39.2%) in the first quarter, of which EUR 27.6 million is due to the appreciation of the real and EUR 3.8 million to the trend of business thanks to the increase in circulated energy and the positive impact of the August tariff review.

b) Operating Profit / EBIT

EBITDA for the area was up 41.8% to EUR 70.7 million.

Net Operating Expenses totalled EUR 39.9 million and increased by 35.4% compared with the same period of 2016, due to the exchange rate effect; without this, there is virtually no change.

Amortisations and Provisions amounted to EUR 31 million (+26.7%), also affected by the exchange rate.

As a consequence of this, EBIT came to EUR 39.7 million (+56.4%).

2. Generation and supply business

The key figures for the Generation and Supply business are as follows:

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	5.329.1	-0.4%
Gross margin	1,171.7	-12.8%
EBITDA	436.3	-32.0%
EBIT	198.9	-51.1%

The Generation and Supply business reduced its contribution to the Gross Margin (-12.8%), essentially due to the weakness seen in the British business, mainly affected by the exchange rate, the lower hydroelectric production and the higher Taxes in Spain, the latter the result of higher energy prices on the system. All these factors cannot be offset by the good performance of operations in Mexico.

2.1 Spain

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	3,418.9	+13.3%
Gross margin	731.2	+0.9%
EBITDA	238.4	-19.6%
EBIT	101.0	-38.1%

a) Gross Margin

Gross Margin for Iberdrola's Generation and Supply Business in Spain recorded a 0.9% rise to EUR 731.2 million. The following can be highlighted:

- Lower production in the amount of 6.1%, caused by lower hydroelectric generation (-41.0%), which could not be offset by the increase in nuclear (+11.5%), gas cycles (+53.6%), cogeneration (+27.1%) and coal (+220.8%). As a result of this production mix, the cost for Procurements rose by 16.6% absorbing higher prices and greater commercial activity.
- As at 31 March 2017, hydroelectric reserves amounted to 5,050 GWh, meaning that reservoirs were at 45.0% of their capacity.
- With regard to the application of the energy, 79% corresponded with forward sales while 21% were spot market sales.
- Increased commercial activity due to a greater sales volume in electricity as well as products and services.
- Negative impact of the gas business compared with the first quarter 2016, due to higher costs of procurement, the differential effect of which amounted to EUR 11 million.

b) Operating Profit /EBIT

EBITDA decreased by 19.6% to EUR 238.4 million. On the one hand, Operating Expenses increased by 6.9% to EUR 194.1 million, basically due to the positive impact recorded in the first quarter of 2016 of indemnities received for various incidents. Not including non-recurring aspects, Net Operating Expenses remained unchanged.

Additionally, the Taxes item increased by 21.1% to EUR 298.7 million, as a consequence of the increase in tax on generation, the result of a hike in market prices and higher nuclear production. The Social Bonus has been accounted for in this Business since December 2016 (previously it was accounted at Corporation level), once the RDL 7/2016 has been published and imposes that the finance corresponds to distributors.

The Amortisations and Provisions item increased by 3.0%, totalling EUR 137.4 million.

As a result of all of the above, EBIT came to EUR 101.0 million, down 38.1% on the first quarter of 2016.

2.2. Reino Unido

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	1,549.0	-23.7%
Gross margin	248.4	-45.7%
EBITDA	55.4	-75.3%
EBIT	-6.7	-104.3%

a) Gross Margin

Gross Margin for ScottishPower's Energy Wholesale and Retail business was EUR 248.4 million (-45.7%). In local currency, this item decreased by 40.1%.

- The Energy Wholesale business lowered its contribution to the Gross Margin (-89.6% in local currency) as a result of lower plant operation and lesser margins for complementary services and restriction management. In both cases, the closure of the Longannet coal-fired plant, in March 2016, played a key role (GBP 29 million).
- As regards the Retail business, the contribution to the Gross Margin also decreased, by 29.3% in local currency:
  - The Power business was affected by the higher non-energy costs: a higher cost of the ROCs (+21%), both due to the increase of the unit price and to the higher percentage of renewable energy that must be bought (from 29.0% to 34.8%), and higher transmission costs (from 19% to 22% in April 2016).
  - As for the gas business, the poorer results were due to smaller margins and volumes (-5%), the latter due to the warmer climate.

These negative impacts will be partially offset during the rest of the year, by the increase in tariffs of 10.8% in electricity and of 4.7% in gas, scheduled to take effect at the start of April.

b) Operating Profit / EBIT:

EBITDA for the Generation and Supply Business in the United Kingdom totalled EUR 55.4 million (-75.3%), due to the depreciation of the Pound by 10.3% and the trend of the Gross Margin, as already described. In local currency, this item decreased by 72.8%.

Net Operating Expenses totalled EUR 147.4 million (-18.8%), affected by the exchange rate and lower costs resulting from the closure of Longannet, as well as by the penalty imposed by Ofgem in 2016 (EUR -23 million). These impacts are partially offset by higher costs in acquiring customers and the outsourcing of the retail business.

Taxes came in at EUR 45.6 million (-10.6%), and of the EUR 5.4 million reduction, EUR 4.7 million was due to the devaluation of the pound. In local currency, the reduction would be 1.3%.

Amortisation and provisions exceeded EUR 62.1 million and were down by EUR 8.3 million, of which EUR 6.4 million was also due to the depreciation of the British currency against the euro during the period.

As a result, the contribution to the EBIT level was EUR -6.7 million compared with EUR 154.2 million in the same period of 2016.

2.3 México

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	397.6	+26.6%
Gross margin	167.4	+26.3%
EBITDA	133.6	+29.5%
EBIT	103.8	+29.1%

a) Gross Margin

In Mexico, the Gross Margin came to EUR 167.4 million (+26.3%), mainly thanks to the commissioning of new capacity. On the one hand, the combined cycle of Baja California (314 MW), under the PIE (Independent Energy Producer) regime with the CFE, and on the other, under the scope of the business supplying energy to private customers, the commissioning of the module V of the combined cycle plant of Monterrey (300 MW) and the cogeneration plant of Ramos (53 MW) and, finally, 73 MW of repowering (EUR 57 million in Altamira III and IV; 16 MW in Monterrey 1 and 2 units), contributed with an increase of EUR 18 million in the gross margin of business in Mexico. The CFE rate is higher as a result of the recovery of oil from the lows of the first quarter of 2016.

b) Operating Profit / EBIT

EBITDA totalled EUR 133.6 million (+29.5%). Net Operating Expenses rose by EUR 4.4 million (15.4%) to EUR 32.8 million, essentially due to the higher maintenance costs associated with the new power installed. The Amortisations and Provisions item increased by 31.3% to EUR 29.9 million due to the greater operating assets described previously.

Lastly, EBIT of the business totalled EUR 103.8 million, with a 29.1% increase.

3. Renewables

(EUR million)	2017	vs. 2015
Revenues	719.5	0.8%
Gross margin	655.0	1.2%
EBITDA	434.0	-5.0%
EBIT	218.5	-11.8%

a) Gross Margin

During the first quarter of 2017, the Gross Margin totalled EUR 655.0 million, an amount 1.2% lower than that for the previous year. As will be described further on, this trend is essentially explained by lower wind power resources in Spain than in 2016, the year in which wind power resources were extraordinarily high; although this was, to a large extent, offset by the United Kingdom due to the normalisation of the load factor in 2017, and the higher average operating capacity in United Kingdom (+16.2%) and United States (+3.7%). The gross margin also includes higher mark to market results of derivatives stipulated to hedge long-term wind production at merchant prices in the US business.

The main explanatory factors for the variation of the consolidated gross margin show the following evolution:

- The average sale price of renewable production stood at approximately 67 EUR/MWh, increasing a 3.1% compared to the first quarter of the previous year.
- The average operating capacity during the period increased by +3.1%. However, production declined by 4.5% to 9,413 due to lower average load factors, mainly in Spain.
- The consolidated load factor was 29.8%, lower by 2 percentage points than that of the same period of the previous year, and down from current long-term benchmark values.
- The wind power load factor in Spain was down on last year, but represents an average value, reaching 28.5%, 5.8 percentage points below that of the same period the previous year, when very high values were recorded.
- United States had a wind load factor of 31.6%, higher (+0.3 pp) than the previous period, despite wind resources being lower than expected for this period of the year.
- In the United Kingdom (onshore wind power), a load factor of 26.3% was recorded, significantly higher than the comparison period (+3.8 pp), but still lower than historical averages.
- In Mexico and Brazil, both countries with strong wind resources, the load factors reached 37.9% and 33.1% respectively.
- The Rest of the World (RoW) registered a load factor of 27.7%.
- The company's first offshore farm, "West of Duddon Sands" reached a load factor of just over 50%.
- The market valuation of the hedging derivatives for production in the United States contributed EUR 19 million to the gross margin; it therefore made a contribution that was EUR 15 million higher than the previous period.

It is necessary to analyse the trend of the results separately for each market in which the Company operates. Thus, the improvement of results in the United Kingdom and United States of America offset the reduction in the results booked by Spain. By business, the Gross Margin trend was as follows:

- **Wind Energy Spain**: The period gross margin came to EUR 212.1 million, down 16% due to an inter-annual drop in production of 18% bigger than the 2.4% increase of the average price.
- **Wind Energy USA**: Gross Margin increased by 4%, totalling EUR 194.8 million. Production increased by 4%. The prices in local currency dropped by 3% but this effect was offset by the appreciation of the dollar.
- **Wind Energy United Kingdom - Onshore**: The Gross Margin increased by 14% to EUR 106.6 million, deriving partly from the 34% increase in production as a result of the better climate conditions and the increase of the average operating capacity. Prices in local currency dropped around 6%, partly due to the disappearance of the LECs, and the pound depreciated by approximately 10%.
- **Wind Energy United Kingdom - Offshore**: The West of Duddon Sands farm has contributed EUR

31 million to the Gross Margin of the period, making for a very similar figure to that of the previous period. Production exceeded that of the previous year (+4%) and the increase in the sale price in local currency (due to the greater value of the ROCs, the higher sale price and lower T&D costs) was offset by the depreciation of the pound.

- **Wind Energy Mexico**: Last year saw an exceptionally high use of wind power and therefore, despite the solid loading factors in 2017, the inter-annual comparison shows a 10% decline in production. The price in local currency grew by 14% as a result of the rise in prices of commodities that form part of the benchmark index (CFE) of the sale contracts under the category of 'self-procurement'. Taking all of these effects into consideration, Gross Margin totalled EUR 24.9 million (+6%).
- **Wind Energy Brazil**: the comparison reflects a higher load factor by 4.5pp, which brought about a 15% increase in production. The average price billed dropped by 4% in local currency, though this is distorted by re-settlements that adjust the energy actually produced over the previous year compared with the standard production. In turn, the Real appreciated an average of 25%. After these effects, Gross Margin in the country rose 47% to EUR 11.6 million.
- **Wind Energy Rest of the World**: Production declined by 7% due to lesser load factors. Average prices remained constant and, as a result, gross margin dropped by 7% to EUR 32.9 million.
- **Minihydro and Other Renewables**: The Gross Margin reached EUR 16.5 million (+58%), a trend that is largely the result of the negative reliquidations in 2016 of income for the years 2009-2011 of the thermosolar plant of Puertollano, which affected the comparison by approximately EUR -10 million.
- **Thermal Business in the United States**: The Gross Margin reached EUR 24.1 million, EUR 17.1 million greater than the previous financial year. This section includes the market valuation of derivatives contracts entered into for the hedging of long term wind energy production. In 2017, this 'mark to market' contributed EUR 19 million; however, in the same period of the previous year, it contributed EUR 4 million, which positively affects the year-on-year comparison.

b) Operating Profit / EBIT

- EBITDA registered an 5% drop, totalling EUR 434.0 million. In addition to the described evolution of the Gross Margin (+1.2%), there is also an increase in net Operating Expenses by 27.9%, due to the recording in 2016 of non-recurring operating income in the amount of EUR 24 million and the specified increase in average power.
- The Amortisation and Provisions item totalled EUR 215.5 million, increasing by 3.1% proportionally to the increase in operative power.
- Lastly, taking into account all of the above, EBIT amounted to EUR 218.5 million, showing a change of -11.8%.

4. Other business

(EUR million)	Q1 2017	vs. Q1 2016
Revenues	150.2	-10.1%
Gross margin	42.0	-3.7%
EBITDA	-10.7	45.6%
EBIT	-13.5	33.1%

a) Gross Margin

The Gross Margin came to EUR 42.0 million, 3.7% below 2016, as a result in the drop in Engineering sales, the lower profitability of certain projects and fewer sales made to third parties (-30.5%).

b) Operating Profit /EBIT

EBITDA totalled EUR -10.7 million. Net Operating Expenses of these businesses amounted to EUR 52.2 million (3.6%).

Amortisations and Provisions totalled EUR 2.8 million and EBIT was EUR -13.5 million.

5. Corporation

The Corporation item includes the costs of the structure of the Group and the administration services of the corporate areas that are subsequently billed to the other companies. Of all its components, net operating expenses is perhaps the most significant, with a change of EUR 25 million brought about by the payment of an attendance bonus at the General Shareholders' Meeting, given that in 2016 this was paid in April, and the Taxes which encompasses the impact of the favourable ruling on the Social Bonus in Spain (EUR 19.5 million).

6

Balance Sheet Analysis

January - March 2017

	Mar. 2017	vs Dec. 2016
TOTAL ASSETS	107,829	1.05%
Fixed assets	64,181	-0.2%
Intangible assets	19,713	-1.1%
Long-term investments	3,890	-0.4%
Shareholders´equity	40,847	0.39%
Asjusted net debt (1)	29,60	1.18%

On 31 March 2017, the Iberdrola financial statements showed Total Assets of EUR 107,829 million, which makes for an increase of 1.05% on close of FY 2016.

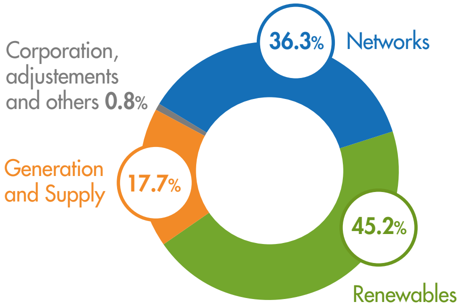
1. Fixed assets

Total net investment for the January to March 2017 period reached EUR 1,016.13 million. This can be broken down as follows:

EUR M	Jan-Mar 2017	%
Networks Business	**368.4**	**36.3%**
Spain	53.3	
UK	153.0	
USA	147.5	
Brazil	14.6	
Renewables Business	**459.2**	**45.2%**
Spain	3.9	
UK	186.0	
USA	159.9	
Brazil	2.5	
Mexico	106.8	
Others	0.0	
Generation and Supply Business	**179.9**	**17.7%**
Spain	43.4	
UK	35.3	
Mexico	100.8	
Brazil	0.0	
USA and Canada	0.5	
Other Business	**-10.9**	**-1.1%**
Corporation and Adjustments	**19.6**	**1.9%**
Total investment	**1,016.1**	**100.0%**

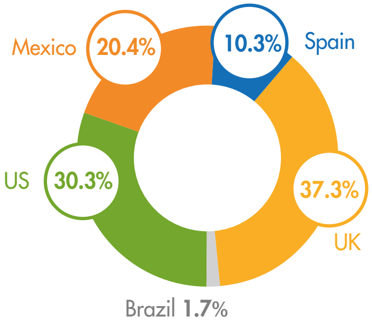
Investments in the period focused on the Renewables and Networks Businesses. These two businesses accounted for 81.4% of total investments made during the period running from January to March 2017.

Investments by Business (Jan-Mar. 2017)



Investments made in countries with an A rating (USA and the United Kingdom) are noteworthy, thereby fulfilling the provisions of the 2016-2020 Strategic Plan. The graph below shows the geographical breakdown of investments over the period:

Investments by geographical areas (Jan-Mar. 2017)



Investments in the Renewables business totalled EUR 459.2 million, making for 45.2% of the total. The EUR 186 million invested in the United Kingdom are particularly noteworthy, which were mainly intended for offshore projects, and the EUR 159.9 million in the USA.

In the section on the "Networks Business", most of the investments were made in the United Kingdom and the USA, for a total of EUR 153 million and EUR 147.5 million, respectively.

2. Share capital

After the implementation of the paid-up capital increase for the Flexible Dividend on 25 January 2017, Share Capital of the company on 31 March 2017 amounted to 6,459,990,000 bearer shares with a nominal value of EUR 0.75 each.

In line with the commitment announced in the 2016-2020 plan, to keep the number of shares stable at 6,240 million, on last 31 March, the General Shareholders' Meeting approved the amortisation of 219,990,000 shares (3.4% of the current share capital).

3. Financial Debt

Adjusted net financial debt on 31 March 2017 rose by EUR 1,487 million to EUR 29,760 million as compared with the EUR 28,274 million booked on 31 March 2016; however, with regard to 31 December 2016, the debt has increased by EUR 346 million. This trend is explained by the company's investments and is as expected.

Consequently, the financial leverage increased to 42.1% with respect to the 41.3% booked at 31 March 2016.

The ratings issued by rating agencies are as follows:

Credit rating of Iberdrola Senior Debt

Agency	Rating	Outlook	Date
Moody´s	Baa1	Positive	26 April 2016
Fitch IBCA	BBB+	Stable	8 July 2016
Standard & Poors	BBB+	Stable	22 April 2016

Regarding the trend of the Company's financial cost, it was at 3.13% on 31 March 2017, 42 bp below the 3.55% on 31 March 2016.

The financial debt structure can be broken down by currency* and interest rate** as follows:

	Mar. 17	Mar. 16
Euro	45.9%	49.0%
British Pound	22.1%	22.0%
Dollar	29.8%	27.8%
Brazilian Real and other currencies	2.2%	1.2%
Fixed Rate	49.3%(***)	44.3%
Variable Rate	50.5%	55.5%
Capped Rate	0.2%	0.2%

(*) Net Financial Debt including forwards and swaps.

(**) Gross Financial Debt

(***) Debt at fixed rate 60.5%, adding EUR 3,550 M of forward swap already fixed at 03/31/17 (11.2%) to fixed rate debt (49.3%)

In accordance with the policy of minimising the financial risks of the Company, the foreign currency risk has continued to be mitigated through the financing of international businesses in local currencies (British Pound, Brazilian Real, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico).

The debt* structure by country is shown in the following table:

	Mar. 17	Mar. 16
Corporation	72.0%	69.3%
UK	7.5%	9.1%
USA	15.6%	15.1%
Brazil	2.7%	2.6%
Mexico	1.1%	2.4%
Others	1,2%	1.5%
Total	100.0%	100.0%

(*) Gross Financial Debt without project finance

Debt* can be broken down by financing source as follows:

	Mar. 17	Mar. 16
Euro Bond	40.7%	33.2%
Dollar Bond	21.2%	24.3%
British Pound Bond	9.4%	11.8%
Remaining bonds	1.1%	1.1%
Notes	6.2%	6.7%
EIB	5.7%	6.6%
Project Finance	0.6%	1.9%
Bank loans	14.7%	13.7%
TEI	0.4%	0.7%
Total	100.0%	100.0%

(*) Gross Financial Debt.

At the end of the first quarter, Iberdrola has a strong liquidity position with a total of EUR 8,493 million, equivalent to more than 24 months of the company's financing needs.

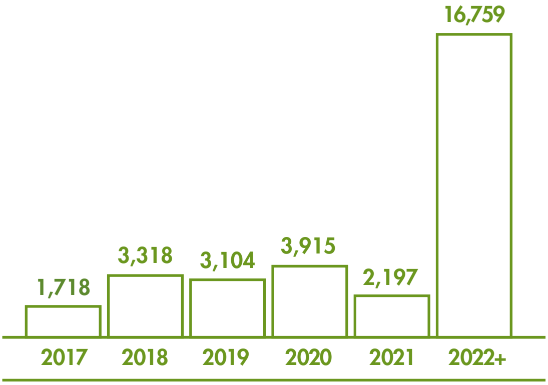
EUR million

Credit Lines Maturity	Available
2018 and onwards	6,077
Total credit line	**6,521**
Cash and IFT	1,972
Total Adjusted Liquidity	**8,493**

Iberdrola has a good debt maturity profile, with approximately 6. years of average debt life, as a result, among other factors, of the management of liabilities carried out throughout this financial year. The following chart shows the debt maturity profile.

Debt maturity profile

Eur M



Lastly, the change in **financial leverage** was as follows:

	Mar. 17	Mar. 16
Shareholders' Equity	**40,847**	**40,167**
Gross Financial Debt	32,747	30,383
Cash flow	2,032	972
Derivative assets	954	1,137
Net Financial Debt	**29,760**	**28,274**
Leverage	42.1%	41.3%

4. Working capital

The working capital recorded a rise of EUR 443 million over the last 12 months, as a result of several effects:

- A net increase in public administrations and financial investments by EUR 204 million and EUR 310 million , respectively, which increased working capital.
- An EUR 108 million reduction in provisions which increased working capital.
- An EUR 197 million reduction in commercial debts which decreased working capital.
- An EUR 118 million increase in commercial creditors payable, which decreased working capital.
- Other effects to a lesser extent.

CURRENT ASSETS	March 17	March 16	Variation
Assets held for sale	0	44	(44)
Nuclear Fuel	359	337	22
Inventories	1,701	1,670	31
Commercial debtors and Other accounts receivable	6,031	6,229	(197)
Current financial investments	959	649	310
Asset derivative financial instruments	181	231	(49)
Public Administrations	973	632	341
TOTAL CURRENT ASSETS*:	**10,205**	**9,791**	**414**

*Does not include cash or debt asset derivatives

CURRENT LIABILITIES	March17	March 16	Variation
Provisions	152	260	(108)
Liability derivative financial instruments	113	291	(177)
Commercial creditors and other accounts payable	7,330	7,211	118
Public Administrations	1,799	1,662	137
TOTAL CURRENT LIABILITIES:**	**9,394**	**9,423**	**(30)**

**Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	811	367	443

5. Funds generated from operations

Funds from Operations as at 31 March 2017 have increased by 2.4% to EUR 1,654.7 million.

	Jan-Mar. 2017	Jan-Mar. 2016	Var.
Net Profit (+)	827.6	868.7	-4.7%
Depreciations (-)	-834.6	-777.6	7.3%
P/L Equity (-)	28.0	10.0	180.3%
Extraordinary results (-)	256.2	29.1	779.7%
Non-recurring corporate taxes (-)	0.0	-10.7	-99.6%
Financial provisions capitalized (-)	-27.0	-26.7	1.2%
Minorities P/L (-)	-27.6	-25.5	8.2%
Adjustment tax deductible items (+) *	44.9	44.9	0.0%
Dividends Equity consolidated subsidiaries (+)	197.8	0.0	n/a
Allocation of capital subsidies to income (-)	20.7	19.1	8.3%
FFO	1,654.7	1,695.9	-2.4%

Note: the signs of the figures (positive or negative) make reference to their condition of income or book expense.
*Cash flow

6. Finance transactions

Main new financing transactions carried out in 2017

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola Finanzas	Green private placement	100	EUR	3m Euribor +0.67%	7 years
Iberdrola Finanzas	Private placement	50	EUR	1.667%	12 years
Iberdrola Financiación *	Bilateral green loan	500	EUR	Euribor +0.30%	1.5 years
Iberdrola Finanzas	Green bonds	1,000	EUR	1.00%	8 years

* With the option of extending by 6 + 6 months, at Iberdrola's discretion

Main financing extension transactions carried out in 2017

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola SA	Syndicated credit	1,900	EUR	+1 year	5 years
Iberdrola SA	Syndicated credit	2,500	EUR	+1 year	5 years
Iberdrola Financiación	Syndicated loan	900	EUR	+1 year	3 years
Iberdrola Financiación	Bilateral loan	75	EUR	+1 year	3 years

1st Quarter Financing

Money market

On 20 February, Iberdrola issued two private bonds under the EMTN programme. The first was for EUR 100 million at a floating interest rate with a margin of 67 basis points over the 3-month Euribor and maturity in seven years, in 'Green Bond' format. The funds received will be used to refinance wind farms in Spain. The second bond issue was carried out for a total of EUR 50 million with a 1.667% coupon and 12-year maturity.

On 7 March, Iberdrola issued a public offering in 'Green Bond' format under the EMTN programme for a total of EUR 1,000 million with a 1.0% coupon and maturity in March 2025. The funds received will be used to finance and refinance the Wikinger offshore wind farm in Germany, as well as wind farms in Spain. This is the fifth public offering made by the company in 'Green Bond' format.

Banking market

On 13 February, Iberdrola extended the term of two syndicated credits totalling EUR 4,188 million, thus extending their maturity by one year until February 2022.

On 16 February, Iberdrola entered into a bilateral green loan for a total of EUR 500 million maturing in August 2018, with the option of extending by 6 + 6 months, at Iberdrola's discretion. This transaction was carried out in favourable conditions, thanks to its green format and to the positive conditions of the market and the Group.

In addition, during the month of March, Iberdrola agreed to extend the terms of a syndicated loan for EUR 900 million and a bilateral loan for EUR 75 million, both of which were signed in March 2015 and matured in 2019, extending their maturity by one year until March 2020.

7. Credit ratings

	Moody's			Standard and Poor's			Fitch Ibca		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola S.A.	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	Mar. 2014
Iberdrola Finance Ireland Ltd.(*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	Mar. 2014
Iberdrola Finanzas S.A.U.(*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	Mar. 2014
Iberdrola Finanzas S.A.U. (Escala Nacional)(*)	Aaa(mex)	Stable	Nov. 2012	mxAAA		April 2016	AAA (mex)	Stable	Mar. 2014
Iberdrola International B.V. (*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	Mar. 2014
Avangrid	Baa1	Stable	April 2016	BBB+	Stable	April 2016	BBB+	Stable	Sept. 2016
CMP	A2	Stable	April 2016	A-	Stable	April 2016	BBB+	Stable	Nov. 2013
NYSEG	A3	Stable	April 2016	A-	Stable	April 2016	BBB+	Stable	Nov. 2013
RG&E	Baa1	Positive	April 2016	A-	Stable	April 2016	BBB+	Stable	Sept. 2016
UI	Baa1	Stable	April 2016	A-	Stable	Sept. 2016	BBB+	Stable	Sept. 2016
CNG	A3	Stable	April 2016	A-	Stable	Sept. 2016	A-	Stable	Sept. 2016
SCG	Baa1	Positive	April 2016	A-	Stable	Sept. 2016	BBB+	Stable	Sept. 2016
BCG	Baa1	Positive	April 2016	A-	Stable	Sept. 2016	A-	Stable	Sept. 2016
Scottish Power Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	Mar. 2014
Scottish Power UK Plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	Mar. 2014
Scottish Power UK Holdings Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Scottish Power Energy Networks Holdings Ltd.				BBB+	Stable	April 2016			
ScottishPower Generation Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Transmission Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Manweb plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Distribution plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
ScottishPower Energy Management Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
ScottishPower Energy Retail Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Scottish Power Investment Ltd	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Neoenergia, S.A.				BB	Stable	Feb. 2016			
Celpe				BB	Stable	Feb. 2016			
Cosern				BB	Stable	Feb. 2016			
Neoenergía (Escala nacional)				brAA-	Stable	Feb. 2016			
Celpe (Escala nacional)				brAA-	Stable	Feb. 2016			
Cosern (Escala nacional)				brAA-	Stable	Feb. 2016			
Elektro (Escala nacional)				brAA-	Stable	Feb. 2016			

(*) Guaranteed by Iberdrola, S.A.

7

Financial Statements Tables

Balance Sheet *(Unaudited)*

Assets

M Eur

	March 2017	December 2016	Variation
NON-CURRENT ASSETS	**95,314**	**95,980**	**-666**
Intangible assets	**19,713**	**19,934**	**-221**
Goodwill	8,690	8,711	-21
Other intagible assets	11,023	11,223	-200
Real Estate properties	**461**	**462**	**-1**
Property, plant and equipment	**63,720**	**63,834**	**-114**
Property, plant and equipment in use	57,219	57,343	-124
Property, plant and equipment in the course of construction	6,501	6,491	10
Non current financial investments	**3,890**	**3,904**	**-14**
Investments accounted by equity method	2,361	2,240	121
Non-current financial assets	58	59	-2
Other non-current financial assets	709	696	13
Derivative financial instruments	762	909	-147
Non-current receivables	**688**	**887**	**-199**
Deferred tax assets	**6,842**	**6,958**	**-116**
CURRENT ASSETS	**12,514**	**10,726**	**1,788**
Assets held for sale	0	0	0
Nuclear fuel	**359**	**323**	**36**
Inventories	**1,701**	**1,634**	**68**
Current trade and other receivables	**7,005**	**5,862**	**1,142**
Tax receivables	706	503	203
Other tax receivables	267	143	123
Trade and other receivables	6,031	5,216	816
Current financial assets	**1,478**	**1,475**	**3**
Current financial assets	5	5	0
Other current financial assets	954	776	178
Derivative financial instruments	519	694	-175
Cash and cash equivalents	**1,972**	**1,433**	**540**
TOTAL ASSETS	**107,829**	**106,706**	**1,123**

Equity and Liabilities

M Eur

	March 2017	Dec. 2016	Variation
EQUITY:	**40,847**	**40,687**	**159**
Of shareholders of the parent	**36,945**	**36,691**	**254**
Share capital	4,845	4,772	73
Unrealised assets and liabilities revaluation reserve	-136	-149	14
Other reserves	33,696	31,506	2,190
Treasury stock	-1,130	-1,083	-47
Translation differences	-1,158	-1,059	-99
Net profit of the year	828	2,705	-1,877
Hybrid Capital	**528**	**551**	**-23**
Of minority interests	**3,374**	**3,446**	**-72**
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	**38**	**44**	**-6**
NON-CURRENT LIABILITIES	**52,908**	**51,900**	**1,008**
Deferred income	**6,532**	**6,590**	**-59**
Provisions	**4,834**	**4,905**	**-71**
Provisions for pensions and similar obligations	2,331	2,381	-49
Other provisions	2,503	2,524	-21
Financial Debt	**28,145**	**26,927**	**1,218**
Loans and others	27,783	26,509	1,274
Derivative financial instruments	362	418	-56
Other non-current payables	**809**	**737**	**72**
Deferred tax liabilities	**12,588**	**12,741**	**-153**
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	**86**	**93**	**-7**
CURRENT LIABILITIES	**13,950**	**13,982**	**-32**
Provisions	**152**	**144**	**8**
Provisions for pensions and similar obligations	8	10	-2
Other provisions	144	134	10
Financial Debt	**4,669**	**5,404**	**-735**
Loans and others	4,268	4,712	-444
Derivative financial instruments	402	692	-291
Trade and other payables	**9,129**	**8,434**	**695**
Trade payables	5,228	5,491	-263
Current tax liabilities and other tax payables	788	237	551
Other tax payables	1,010	914	96
Other current liabilities	2,103	1,792	311
TOTAL EQUITY AND LIABILITIES	**107,829**	**106,706**	**1,123**

Profit and Loss *(Unaudited)*

M Eur

	March 2017	March 2016	%
REVENUES	**8.289,5**	**8.184,8**	**1,3**
Procurements	(4.723,1)	(4.534,9)	4,2
GROSS MARGIN	**3.566,4**	**3.649,9**	**(-2,3)**
NET OPERATING EXPENSES	**(940,9)**	**(931,4)**	**1,0**
Net Personnel Expense	**(493,2)**	**(511,2)**	**(3,5)**
Personnel	(650,6)	(648,0)	0,4
Capitalized personnel costs	157,4	136,8	15,1
Net External Services	**(447,7)**	**(420,2)**	**6,5**
External Services	(573,3)	(574,4)	(0,2)
Other Operating Income	125,6	154,2	(18,6)
LEVIES	**(763,9)**	**(691,5)**	**10,5**
EBITDA	**1.861,6**	**2.027,1**	**(8,2)**
Amortisations and Provisions	(834,6)	(777,6)	7,3
EBIT	**1.027,0**	**1.249,5**	**(17,8)**
Financial Expenses	**(505,7)**	**(470,2)**	**7,6**
Financial Income	**299,8**	**330,0**	**(9,2)**
Financial Result	**(205,9)**	**(140,1)**	**47,0**
Results of Companies Consolidated by Equity Method	**28,0**	**10,0**	**180,3**
Results from Non-Current Assets	**256,2**	**29,1**	**779,7**
PBT	**1.105,3**	**1.148,5**	**(3,8)**
Corporate Tax	(250,1)	(254,3)	(1,7)
Minorities	(27,6)	(25,5)	8,2
NET PROFIT	**827,6**	**868,7**	**(4,7)**

Results by Business *(Unaudited)*

M Eur

March 2017	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	2,522.4	5,329.1	719.5	150.2	(431.7)
Procurements	(785.3)	(4,157.4)	(64.5)	(108.3)	392.4
GROSS MARGIN	**1,737.1**	**1,171.7**	**655.0**	**42.0**	**(39.4)**
NET OPERATING EXPENSES	(387.8)	(386.4)	(141.6)	(52.2)	27.1
Net Personnel Expense	(237.1)	(118.0)	(49.2)	(37.3)	(51.6)
Personnel	(355.1)	(125.7)	(56.7)	(37.3)	(75.8)
Capitalized personnel costs	118.0	7.7	7.5	-	24.2
Net External Services	(150.6)	(268.5)	(92.4)	(14.9)	78.7
External Services	(235.8)	(289.7)	(115.9)	(15.3)	83.5
Other Operating Income	85.2	21.3	23.5	0.4	(4.7)
Levies	(328.5)	(349.0)	(79.3)	(0.5)	(6.6)
EBITDA	**1,020.9**	**436.3**	**434.0**	**(10.7)**	**(18.9)**
Amortisation and Provisions	(362.9)	(237.4)	(215.5)	(2.8)	(16.0)
EBIT/Operating Profit	**658.0**	**198.9**	**218.5**	**(13.5)**	**(34.9)**
Financial Result	(104.2)	(30.0)	(27.2)	0.3	(44.8)
Results of companies consolidated by equity method	17.7	6.2	(0.7)	12.1	(7.3)
Results of non-current assets	0.4	0.3	-	255.2	0.2
PBT	**571.9**	**175.4**	**190.6**	**254.2**	**(86.8)**
Corporate tax and minority shareholders	(151.0)	(51.5)	(51.3)	4.2	(28.0)
NET PROFIT	**420.9**	**123.9**	**139.3**	**258.4**	**(114.8)**

M Eur

March 2016	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	2,397.1	5,349.9	713.8	186.0	(462.0)
Procurements	(761.8)	(4,005.8)	(66.5)	(142.5)	441.7
GROSS MARGIN	**1,635.3**	**1,344.0**	**647.3**	**43.6**	**(20.3)**
NET OPERATING EXPENSES	(413.8)	(401.6)	(110.7)	(50.4)	45.2
Net Personnel Expense	(248.8)	(126.7)	(46.1)	(36.3)	(53.3)
Personnel	(364.2)	(134.0)	(51.5)	(36.3)	(61.8)
Capitalized personnel costs	115.5	7.3	5.4	-	8.5
Net External Services	(165.0)	(274.9)	(64.7)	(14.1)	98.5
External Services	(240.7)	(311.3)	(110.7)	(14.3)	102.7
Other Operating Income	75.7	36.4	46.0	0.3	(4.2)
Levies	(285.9)	(301.2)	(79.7)	(0.5)	(24.1)
EBITDA	**935.7**	**641.1**	**456.9**	**(7.3)**	**0.8**
Amortisation and Provisions	(313.3)	(234.5)	(209.1)	(2.8)	(17.9)
EBIT/Operating Profit	**622.4**	**406.6**	**247.8**	**(10.1)**	**(17.1)**
Financial Result	(105.8)	(2.3)	(38.7)	0.5	6.2
Results of companies consolidated by equity method	11.2	9.4	(14.3)	9.3	(5.6)
Results of non-current assets	-	-	(0.6)	-	29.7
PBT	**527.9**	**413.7**	**194.1**	**(0.4)**	**13.1**
Corporate tax and minority shareholders	(128.4)	(89.2)	(57.9)	5.3	(9.6)
NET PROFIT	**399.5**	**324.5**	**136.3**	**5.0**	**3.5**

Networks Business *(Unaudited)*

M Eur

March 2017	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	498.3	334.9	1,272.3	416.9
Procurements	(1.4)	(12.3)	(466.0)	(305.5)
GROSS MARGIN	**496.9**	**322.6**	**806.3**	**111.4**
NET OPERATING EXPENSES	(83.7)	(50.7)	(213.5)	(39.9)
Net Personnel Expense	(55.1)	(23.1)	(132.7)	(26.3)
Personnel	(82.0)	(56.9)	(184.3)	(31.9)
Capitalized personnel costs	26.9	33.8	51.7	5.6
Net External Services	(28.6)	(27.6)	(80.9)	(13.6)
External Services	(72.4)	(39.6)	(104.9)	(19.0)
Other Operating Income	43.8	11.9	24.0	5.5
Levies	(25.8)	(24.9)	(277.0)	(0.8)
EBITDA	**387.4**	**247.0**	**315.8**	**70.7**
Amortisation and Provisions	(125.4)	(69.3)	(137.2)	(31.0)
EBIT/Operating Profit	**262.1**	**177.7**	**178.6**	**39.7**
Financial Result	(21.6)	(24.3)	(44.6)	(13.6)
Results of companies consolidated by equity method	0.8	-	3.0	13.9
Results of non-current assets	0.4	-	-	-
PBT	**241.6**	**153.3**	**137.0**	**40.0**
Corporate tax and minority shareholders	(58.0)	(30.3)	(53.0)	(9.7)
NET PROFIT	**183.5**	**123.0**	**84.0**	**30.3**

M Eur

March 2016	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	510.9	378.9	1,168.0	339.2
Procurements	(1.1)	(15.6)	(485.9)	(259.2)
GROSS MARGIN	**509.8**	**363.3**	**682.2**	**80.0**
NET OPERATING EXPENSES	(94.5)	(48.3)	(241.6)	(29.4)
Net Personnel Expense	(59.2)	(27.2)	(144.6)	(17.7)
Personnel	(85.8)	(65.4)	(190.3)	(22.8)
Capitalized personnel costs	26.5	38.2	45.6	5.1
Net External Services	(35.3)	(21.1)	(96.9)	(11.8)
External Services	(69.1)	(43.3)	(112.9)	(15.6)
Other Operating Income	33.9	22.2	16.0	3.9
Levies	(26.1)	(26.5)	(232.5)	(0.7)
EBITDA	**389.2**	**288.5**	**208.1**	**49.8**
Amortisation and Provisions	(112.2)	(73.6)	(103.0)	(24.5)
EBIT/Operating Profit	**277.0**	**214.9**	**105.1**	**25.4**
Financial Result	(25.8)	(28.0)	(41.5)	(10.5)
Results of companies consolidated by equity method	0.4	-	3.2	7.7
Results of non-current assets	-	-	-	-
PBT	**251.6**	**186.9**	**66.8**	**22.6**
Corporate tax and minority shareholders	(59.1)	(39.3)	(24.3)	(5.7)
NET PROFIT	**192.5**	**147.6**	**42.4**	**16.9**

Generation and Supply Business *(Unaudited)*

M Eur

March 2017	SPAIN	UNITED KINGDOM	MEXICO	OTHERS
Revenues	3,418.9	1,549.0	397.6	(36.4)
Procurements	(2,687.7)	(1,300.6)	(230.1)	61.1
GROSS MARGIN	**731.2**	**248.4**	**167.4**	**24.7**
NET OPERATING EXPENSES	(194.1)	(147.4)	(32.8)	(12.2)
Net Personnel Expense	(72.7)	(35.3)	(4.4)	(5.6)
Personnel	(77.0)	(36.6)	(6.3)	(5.8)
Capitalized personnel costs	4.3	1.3	1.9	0.1
Net External Services	(121.5)	(112.0)	(28.4)	(6.5)
External Services	(127.9)	(123.8)	(31.8)	(6.3)
Other Operating Income	6.4	11.8	3.3	(0.3)
Levies	(298.7)	(45.6)	(1.0)	(3.6)
EBITDA	**238.4**	**55.4**	**133.6**	**8.9**
Amortisation and Provisions	(137.4)	(62.1)	(29.9)	(8.1)
EBIT/Operating Profit	**101.0**	**(6.7)**	**103.8**	**0.8**
Financial Result	(23.8)	0.1	1.5	(7.8)
Results of companies consolidated by equity method	(2.1)	-	-	8.3
Results of non-current assets	0.2	0.1	-	-
PBT	**75.3**	**(6.4)**	**105.3**	**1.3**
Corporate tax and minority shareholders	(18.5)	0.9	(36.9)	2.9
NET PROFIT	**56.8**	**(5.5)**	**68.4**	**4.2**

M Eur

March 2016	SPAIN	UNITED KINGDOM	MEXICO	OTHERS
Revenues	3,016.3	2,029.4	314.2	(10.0)
Procurements	(2,291.4)	(1,572.2)	(181.6)	39.3
GROSS MARGIN	**724.9**	**457.2**	**132.5**	**29.3**
NET OPERATING EXPENSES	(181.5)	(181.6)	(28.4)	(10.1)
Net Personnel Expense	(73.5)	(43.0)	(5.0)	(5.3)
Personnel	(78.2)	(43.7)	(6.7)	(5.5)
Capitalized personnel costs	4.7	0.8	1.6	0.2
Net External Services	(108.0)	(138.6)	(23.4)	(4.9)
External Services	(128.0)	(153.2)	(25.4)	(4.6)
Other Operating Income	19.9	14.6	2.1	(0.2)
Levies	(246.7)	(51.0)	(1.0)	(2.5)
EBITDA	**296.6**	**224.6**	**103.1**	**16.8**
Amortisation and Provisions	(133.4)	(70.4)	(22.7)	(7.9)
EBIT/Operating Profit	**163.2**	**154.2**	**80.4**	**8.8**
Financial Result	8.0	0.4	(4.4)	(6.3)
Results of companies consolidated by equity method	(3.2)	-	-	12.5
Results of non-current assets	-	-	-	-
PBT	**168.1**	**154.6**	**76.0**	**15.0**
Corporate tax and minority shareholders	(25.0)	(39.0)	(24.1)	(1.1)
NET PROFIT	**143.1**	**115.6**	**51.9**	**13.9**

Renewables Business *(Unaudited)*

M Eur

March 2017	SPAIN	UNITED KINGDOM	US	LATAM	Row
Revenues	229.3	146.4	271.8	38.4	33.6
Procurements	(3.9)	(9.1)	(49.5)	(1.8)	(0.2)
GROSS MARGIN	225.4	137.2	222.4	36.6	33.4
NET OPERATING EXPENSES	(43.5)	(27.4)	(57.6)	(7.3)	(5.8)
Net Personnel Expense	(13.8)	(4.7)	(28.3)	(0.7)	(1.6)
Personnel	(13.8)	(9.1)	(31.5)	(0.7)	(1.6)
Capitalized personnel costs	-	4.3	3.2	-	-
Net External Services	(29.7)	(22.7)	(29.3)	(6.6)	(4.2)
External Services	(40.2)	(23.1)	(47.5)	(6.6)	(5.0)
Other Operating Income	10.5	0.4	18.2	-	0.9
Levies	(36.0)	(4.4)	(37.8)	(0.2)	(0.9)
EBITDA	145.9	105.4	127.0	29.1	26.7
Amortisation and Provisions	(59.1)	(34.5)	(104.1)	(9.6)	(8.2)
EBIT/Operating Profit	86.8	70.9	22.9	19.5	18.5
Financial Result	(11.9)	(5.2)	(5.6)	(4.0)	(0.6)
Results of companies consolidated by equity method	2.3	(0.2)	(4.5)	1.6	-
Results of non-current assets	-	-	-	-	-
PBT	77.2	65.5	12.8	17.1	17.9
Corporate tax and minority shareholders	(21.9)	(13.4)	(5.9)	(5.2)	(5.0)
NET PROFIT	55.3	52.1	7.0	12.0	13.0

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March 2016	SPAIN	UNITED KINGDOM	US	LATAM	Row
Revenues	261.4	136.7	246.6	33.0	36.2
Procurements	(3.3)	(12.7)	(48.9)	(1.4)	(0.2)
GROSS MARGIN	258.1	123.9	197.7	31.5	36.0
NET OPERATING EXPENSES	(46.7)	(10.9)	(41.3)	(6.8)	(5.0)
Net Personnel Expense	(13.6)	(3.8)	(26.7)	(0.6)	(1.3)
Personnel	(13.6)	(8.0)	(28.0)	(0.6)	(1.3)
Capitalized personnel costs	-	4.2	1.3	-	-
Net External Services	(33.1)	(7.1)	(14.5)	(6.3)	(3.7)
External Services	(40.6)	(23.3)	(41.7)	(6.3)	(4.7)
Other Operating Income	7.5	16.2	27.1	-	1.0
Levies	(37.1)	(4.6)	(36.8)	(0.2)	(0.9)
EBITDA	174.3	108.4	119.6	24.5	30.0
Amortisation and Provisions	(58.6)	(35.4)	(96.5)	(9.5)	(9.1)
EBIT/Operating Profit	115.7	73.1	23.1	15.0	20.9
Financial Result	(23.5)	(4.4)	(5.8)	(4.4)	(0.6)
Results of companies consolidated by equity method	(0.2)	0.6	(4.5)	0.9	(11.1)
Results of non-current assets	(0.5)	-	(0.1)	-	-
PBT	91.4	69.3	12.7	11.5	9.2
Corporate tax and minority shareholders	(24.9)	(19.6)	(6.0)	(0.7)	(6.7)
NET PROFIT	66.4	49.8	6.7	10.9	2.5

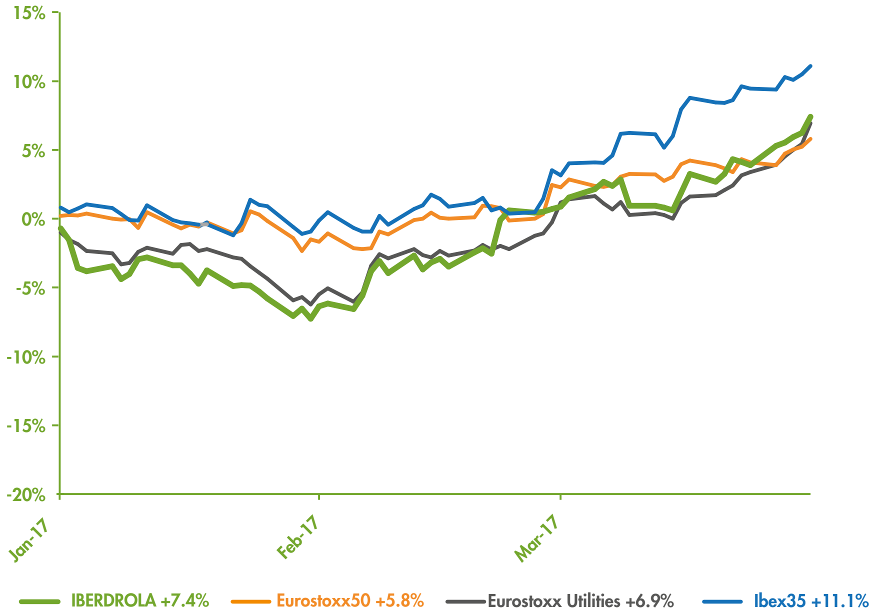
Statement of Origin and Use of Founds *(Unaudited)*

	March 2017	March 2016	Variation
EBITDA	1.861,6	2.027,1	-165,5
Adjustments to results and others	(219,0)	(186,5)	(32,5)
Financial payments and cash receipts	(210,1)	(220,9)	10,8
Corporate Tax Payment	(13,7)	202,4	(216,2)
Provision payments (net of normal expenses)	(60,0)	(39,8)	(20,2)
Operating Cash Flow	**1.358,8**	**1.782,4**	**(423,6)**
Dividends Paid	(264,1)	(421,7)	157,6
Retained Cash Flow	**1.094,7**	**1.360,7**	**(266,0)**
Total Cash Flow allocations:	(1.089,9)	(1.170,3)	80,4
Net Investments	*(1.016,1)*	*(896,0)*	*(120,1)*
Divestments	*0,6*	*49,3*	*(48,7)*
Treasury stock	*(44,0)*	*(293,1)*	*249,1*
Capital issue	*(-0,3)*	*(-0,4)*	*0,1*
Hybrid	*(-30,2)*	*(-30,2)*	*-*
Exchange rate differentials	264,1	458,3	(194,3)
Change in regulatory receivables	25,3	(34,2)	59,5
Working capital variations and other variations	(640,4)	(821,1)	180,6
Decrease/(Increase) in net debt	**(346,3)**	**(206,6)**	**(139,7)**

8

Stock Market Evolution

IBERDROLA Stock Performance vs. index



Iberdrola's share

	1Q 2017	1Q 2016
Number of outstanding shares	6,459,990,000	6,397,197,000
Price at the end of the period	6.70	5.86
Average price of the period	6.17	6.15
Average daily volume	22,985,407	33,252,748
Maximum volume (12-16-2016 / 06-26-2015)	65,417,308	86,439,332
Minimum volume (05-16-2016 / 12-24-2015)	7,817,961	14,176,856
Dividends paid (€) (1)	0.135(1)	0.127(1)
Gross Final dividend (01-23-2017 /01-29-2016)	0.135	0.127
Dividend yield (2)	4.38%	4.51%

(1) Iberdrola fixed guaranteed price for the rights
(2) Dividends paid in the last 12 months and Shareholder´ Meeting attendance bonus/price at the end of period.

9

Regulation

In the first quarter of 2017, a series of provisions was approved affecting the energy sector. This section presents the most significant regulatory changes.

1. Regulation in the European Union

Network codes: Two regulations were published in March: the first is *Regulation EC 2017/459. establishing a network code on capacity allocation mechanisms in gas transmission systems:* It defines the capacity allocation mechanisms in transmission networks for existing and incremental capacity. Furthermore, it also sets out how adjacent TSOs must cooperate in order to facilitate capacity sales.

The second one is *Regulation (EU) 2017/460. establishing a network code on harmonised transmission tariff structures for gas:* It establishes the rules on harmonised transmission tariff structures, including the application of a reference price methodology, the consultation and publication requirements as well as the calculation of reserve prices for standard capacity products.

2. Regulation in Spain

Spanish Electricity Sector

Regulated income and costs in the electricity sector: in late December, the Order was published that establishes the *tariffs for access to electrical energy* for 2017. This Order established that the existing tariffs, payments for capacity and remuneration for distribution from 2016 would remain valid provisionally until a Ministry Order with figures for 2017 is published. The same figure for compensation of non-mainland systems and the 50% contribution to this cost from the State Government Budget also remained in place.

Adjustment of Return on renewables: In February, the Order adjusting returns for renewables, cogeneration and waste was published for 2017-2019. The regulated return in addition to income from the market received by these facilities both on investment (ROI) and operations (ROO) is revised.

Return on investments is adjusted to the changes in energy prices on the market. On the one hand, actual prices attained in the previous half-period (2014-2016) are adjusted, OMIP futures are taken as reference for the next three-year period 2017-2019 (in the vicinity of €42-43/MWh) and a price of €52/MWh is maintained starting in 2020.

On the other, return on operations in the first half of 2017 was adjusted in line with fuel costs.

The total increase in regulated returns in the sector comes to €600 M over the figure from 2016.

Rates subsidy ("Bono Social"): On 24 December, *Royal Decree-Law 7/2016. regulating the funding mechanism of the cost of the rates subsidy ("Bono Social") and other measures protecting vulnerable electricity consumers* was published. This RDL came in response to judgements passed in favour of companies in appeals against "Bono Social" funding. It establishes a new mechanism for funding the "Bono Social", which is charged to sales activities and entered into force on 25 December. As a transitional measure, until the regulations implementing the law are passed, Iberdrola will fund 35.5% instead of the previous 38%. A second group of *"seriously vulnerable consumers"* was also created, entailing a ban on power shutoffs and co-funding of their bills by the competent authorities and the parties financing the "Bono Social".

The RDL was ratified on 31 January, at which time the 3-month term established for implementing the regulations under the RDL began to elapse. On 30 March, the Ministry of Energy, Tourism and Digital Agenda (MINETAD) began the public consultation process for this implementation.

Regional Supplements: In January, the Ministry Order was published by which the Regional Supplements in the Regions of Catalonia, La Rioja, Castilla La Mancha and Valencia, and the re-billing procedure for consumers in said regions, were established.

This Order is the result of Judgements by the Supreme Court, which ruled that supplements must be set on the tariffs applied to consumers in each autonomous region to make up for the regional taxes levied on different electricity activities in 2013.

The approved Order entails re-billing consumers in four autonomous regions where the government has completed the process, and the remaining regions are pending.

National Efficiency Fund: In March, the Order was published that establishes the contributions to the National Energy Efficiency Fund for 2017. Electricity and gas distributors and oil product operators are required to finance this fund in proportion to their revenues from 2015 (year n-2). The weight of these sectors is approx. ¼ electricity, ¼ gas and ½ oil.

The annual provision is set at €205.2 M, similar to previous years. Total sales in these sectors are 777 equivalent TWh, which represents an amount of €0.26 per MWh of electricity, gas or oil product. The calculations are made based on final energy sales declared by each company, adding corrections from previous years. Being retail energy, gas consumption in generation and cogeneration processes is excluded.

The rate calculated for IBERDROLA is 7.2% on sales of 56.3 TWh and the payment obligation comes to some €14.9 M, compared to 15.1 the previous year.

Auctions on new RES capacity: The RD that provides the legal framework for the next renewable energy auction was published in the Spanish Official State Gazette. A maximum of 3,000 MW of renewable power is scheduled to be up for auction on the Spanish mainland, and therefore cogeneration is excluded. One mandatory requirement is that it shall apply to new facilities, and power upgrades on existing plants or projects that have already received authorisation or prior registration shall not be admitted.

The remuneration system shall be determined through a competition procedure, although the details of the auction and the announcement date will be disclosed when the remaining provisions are published (one Order and two Resolutions), foreseeably in the coming weeks.

Announcement of aid for coal mine closure: The Resolution announcing the 2016 aid package for covering costs relating to restoration of natural spaces incurred by mining companies that shut down their coal mines was published in the Official State Gazette. This type of aid is allowed by the EU within the framework of compliance with a Mine Closure Plan approved in advance by the union (Spain's Plan was approved in May 2016).

Judgement by the Constitutional Court repealing several articles of Law 13/2015 of Galicia: The repealed articles regulated several subjects relating to billing electricity to consumers, on the grounds of conflicting competence with the State.

Of relevance are issues relating to billing with new remotely managed meters, given that, on the one hand, the ban on charging rental if they are not yet connected is repealed and, on the other, the ban on billing with estimated readings for these meters, when actual consumption data cannot be attained by remote means, is also repealed. The exemption of extension fees paid by purchasers of developed land on the power already defrayed by the developer of the industrial park is also repealed, regardless of the time that has elapsed since then. State regulations establish an expiry date of 3 years (low voltage) or 5 (high voltage) for this exemption.

Spanish Gas Sector

Gas tariffs for 2017: On 31 December, *Order ETU/1977/2016. by which the tariffs and fees associated with third-party access to gas facilities and remuneration for regulated activities for 2017*, was published. This Order maintains the current tariffs, except in the case of the coefficients applicable to short-term contracts.

Last resort gas tariffs for Q1 2017: The Resolution of 29 December by the Directorate General of Energy Policy and Mines publishes the last resort tariff for natural gas valid starting on 1 January 2017. Prices experience an average increase of 3% compared to those of the previous quarter. The increase is due to the rise in commodities prices, as indexed to the Brent price and as indexed to the NBP. Even so, prices remain 8% lower than in January 2015, when they reached record highs.

3. Regulation in the United Kingdom

Brexit: LEuropean Union Law (Notification of Withdrawal) in 2017 received Royal Assent on 16 March 2017 and notice of invocation of Article 50 by the United Kingdom was delivered on 29 March 2017.

Scottish Referendum: The Scottish Parliament voted on 28 March 2017 to request authorisation from the UK Parliament to hold a second independence referendum. However, the Government of the United Kingdom responded that now is not the time for a referendum and refused to enter into a discussion on a possible date.

Capacity Market: On 1 March 2017, Ofgem issued its decision on industry's proposals known as CMP264 and 265, which favours the so-called "WACM4" option. This would substantially eliminate embedded benefits for distribution-connected generation during a three-year period starting in April 2018. Furthermore, on 22 March 2017, BEIS announced its decision to recover the costs of capacity payments based on the "gross" amount starting in 2018 in an effort to prevent the generation of an embedded subsidy for distribution-connected generation.

The capacity market "Early Auction" for 2017/18 was held in early 2017 and cleared on 3 February at a price of £6.95 per kW with just over 3% new capacity. On the other hand, the "Transitional Auction" for delivery, also for 2017/18, which is specifically for turn-down Demand Side Response (DSR), cleared on 22 March 2017 at £45 per kW.

ECO Scheme: On January 2017, the Government of the United Kingdom confirmed its plans for the Energy Company Obligation (ECO) scheme to reduce fuel poverty and improve insulation in households during the period from April 2017 to September 2018. Suppliers will be required to carry out a series of projects, the costs of which can be recovered through customer billing.

Renewable energy auction: On 13 March 2017, BEIS published the budget and other documents confirming the plans for the next CFD (Contract for Difference) renewable energy auction for offshore wind power and other technologies. The auction will begin on 3 April 2017 with an allocated budget of GBP 290 million.

4. Regulation in the USA

Environmental Protection Agency. On 28 March, president Donald Trump signed an Executive Order aimed at reducing energy dependency on other countries. The Order requires the EPA (Environmental Protection Agency) to review the legislation on greenhouse gas (GHG) emissions by existing power plants (section 111(d), also known as the Clean Power Plan) and to suspend or rescind it if appropriate.

The EPA has also been tasked with reviewing legislation covering GHG emissions by new plants (section 111(b) of the Clean Air Act) and to suspend or rescind it if appropriate. Subsequently, the Department of Justice asked the D.C. Circuit Court of Appeals to suspend the ruling on Sections 111 (b) and 111 (d) while the EPA reconsiders them.

PTC/ITC: In December 2015, Congress approved legislation extending and gradually reducing tax credits for renewable production (PTC) and tax credits for solar investment (ITC). Some members of the Trump Administration and Congress, such as Steve Mnuchin (Treasury Secretary), Paul Ryan (Speaker of the House) and Tom Reed (R-NY, head of the "House Ways & Means" Energy Sub-committee), have supported the gradual elimination of the PTC entirely, thus reducing the likelihood of changes to the PTC and ITC.

NARUC Manual: In November 2016, NARUC (National Association of Regulatory Utility Commissioners) published its manual on Distributed Energy Resources Compensation. The manual provides regulators and stakeholders with information about how to handle Distributed Energy opportunities while also maintaining an affordable, reliable and safe electricity supply. The manual discusses the design of tariffs and compensation, availability and use of new technology, provides an explanation about what Distributed Energy is, and describes some types. NARUC is currently working with public and private stakeholders to put the manual into practice.

NY Net Metering: On 9 March 2017, the NYPSC issued an Order on Net Energy Metering, NEM, known as Phase One of the Value of Distributed Energy Resource (VDER). The Order provides for immediate transition of the NEM to a new distributed resource tariff, but the rights of existing facilities remain untouched. Thus, all existing facilities continue to receive NEM compensation throughout their useful lives, and grandfathering is also guaranteed for 20 years on projects interconnected between 10/03/3017 and 01/01/2020, provided that they do not exceed a maximum limit of MW for internal use established for each utility. Should these limits be reached, the Commission must take the pertinent measures.

Maine Net Metering: On 1 March 2017, the MPUC (Maine Public Utilities Commission) issued an Order with new rules on Net Metering. The new rules eliminate net metering but allow for grandfathering for 15 years to all existing on-site consumption customers. For new installations that deliver their entire production to the grid, on-site metering of the power generated is required as of January 2018, to account for their deliveries to the grid.

5. Regulation in Brazil

Tariff review: Under Resolution 2,214, of 28 March, ANEEL established a revision of the tariff for all distributors, suspending collection of the operating costs of the Angra III nuclear plant included in the 2016 tariffs (specifically in the "Energy Reserve" section). The reason for this revision is that said plant was not in operation in 2016 and therefore, its costs should not be included in the tariff.

The difference between the costs included in the tariff and the actual costs are adjusted in the annual tariff review of each distributor, but because of the media repercussions in relation to this fact, ANEEL decided to adjust the tariff in the month of April as an exception. Besides eliminating this tariff cost, the amounts already collected in previous months shall be refunded. This does not have an impact on the distributors' results, but merely involves temporary imbalances in cash flows.

Transfer of subtransmission assets to distributors: These are assets of less than 138 kV that currently belong to transmission companies (Demais Instalações de Transmissão: DITs). On 7 February, ANEEL approved the conditions for incorporating these assets into the distributors (as a result of Public Hearing 041/2015). Elektro has been assigned 17 km of lines and 2 substations. The inclusion will be made in the 2019 tariff revision and the distributors must financially compensate the electricity transmission companies for the assets they receive. The estimate sum is BRL 2,900 million, although the final value will be calculated during the 2018 tariff revision process.

New values for Tariff Bands in 2017: On 20 February, ANEEL published a resolution containing the variable unit costs that will be used as the basis for triggering the different tariff bands in 2017. The additional cost for each band is also set:

- **Yellow** will be triggered in months in which the Variable Unit Cost (VUC) of the last plant dispatched is equal to 211.28 BRL/MWh and below 422.56 BRL/MWh. This means raising the tariff by 20 BRL/MWh (in 2016, this value was 15)
- **Red Band 1** will be triggered in months in which the VUC of the last plant dispatched is equal to or greater than 422.57 610 BRL/MWh and below 610 BRL/MWh. This means raising the tariff by 30 BRL/MWh (the same as in 2016)
- **Red Band 2** will be triggered in months in which the VUC is greater than 610 BRL/MWh. This means raising the tariff by 35 BRL/MWh (in 2016, this value was 45)

In January and February 2017, the tariff band was green. In March, due to expectations of worsening rainfall, the yellow band was triggered, dispatching more thermal power plants to preserve the water levels in reservoirs.

Conta de Desenvolvimento Energético – CDE: ANEEL established an annual quota of the CDE for 2017: Elektro has been allocated BRL 941 million, which represents an 8.2% decrease from the value for 2016. However, this does not impact results because it is a direct transfer to the end consumer tariff.

Excess contracting of distributors: In January, another round of the centralised mechanism for negotiations was held between overly-contracted distributors and generators, who, as a result of their delays in building plants, want to reduce the volume of energy contracted (Mechanism for Compensation of Surpluses and Deficits of New Energy-MCSD).

6. Regulation in Mexico

Definition of Clean Energy Certificate (CEL) goals for 2020, 2021 and 2022: On 31 March, SENER published the *Notice announcing the requirements for receipt of Clean Energy Certificates in 2020. 2021 and 2022* in the DOF (Official Journal of the Federation), which states that the relevant CEL requirement shall be 7.4% for the 2020 Obligation Period, 10.9% for the 2021 Obligation Period and 13.9% for the 2022 Obligation Period. The goals for 2021 and 2022 could still be adjusted (upwards only) in subsequent publications of goals that take place each year on the same date (end of the first quarter).

Regulation on hydrocarbons (natural gas): On 10 March, CENAGAS closed the application receipt phase for Open Season Service (auction), receiving 759 applications from 24 companies. The award will be published in the coming months.

In addition, on 13 February, CENAGAS published the Call for Bids in the DOF for the First Auction of Intake Pipes (gas pipelines needed to import gas into the country). The Auction was held on 17 February, when just 29% of the auctioned capacity was assigned: 220,741 million BTU/day out of 753,722 million BTU/day.

Regulation on Distributed Generation: On 7 March, the Energy Regulation Committee (CRE) published in the DOF the *Resolution issuing general administrative provisions. contract forms. the method for calculating remuneration and general technical specifications applicable to distributed generation power plants and clean distributed generation plants.* This Resolution, together with the terms of the *Interconnection Manual for plants with a capacity of less than 0.5 MW* published in December 2016, describes the operating and remuneration criteria applicable to small and medium scale distributed generation. Net metering has been approved but is limited to time slots in the case of medium voltage. In addition, on 22 March, SENER published on its website the *First Analysis of the benefits of clean distributed generation and energy efficiency in Mexico* pursuant to the terms of transitional article eighteen of the Energy Transition Act (LTE).

Adjustment of the Total Short-Term Cost (TSTC): On 2 March, the CRE published the *Resolution updating the method for determining the Total Short-Term Cost (TSTC)* in the DOF (RES/143/2017). This Resolution establishes that the TSTC values (the reference for income in the scheme prior to the Reform) shall coincide with the Local Marginal Prices (LMP) resulting from using the models of the Wholesale Electricity Market (WEM). Also in relation to income, it is relevant to note that on 3 March, the CRE cancelled the draft proposal entitled *"Agreement establishing the maximum limit that intermediary generators can pay owners of Legacy Interconnection Contracts (LIC) for affordable energy"*, thus remedying the risk that limited payment of own supply surpluses to 20%.

10

Iberdrola and Sustainability

Iberdrola´s contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels are used for communicating goals, activities and successes achieved in the three areas of sustainable development (economic, environmental and social), as well as receiving evaluations and requests from the parties involved.

1. Sustainability Indicators

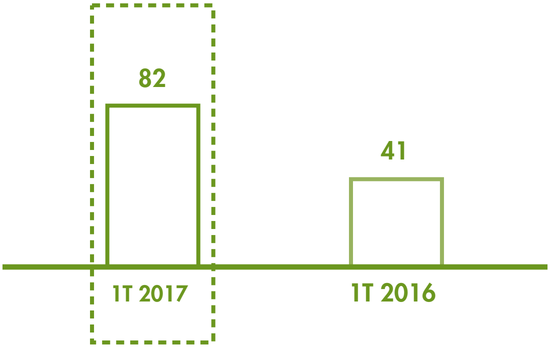
Sustainability Indicators	1Q 2017	1Q 2016
Contribution to GDP (Gross Margin) (*)	0.51%	0.53%
Contribution to GDP (Net revenues) (*)	1.37%	1.37%
Net Profit (EUR million)	827,6	868,7
Dividend yield (%)(**)	4.38%	4.51%
C02 emissions over the period (gr. CO2 /KWh): Total	158	172
C02 emissions over the period (gr. CO2 /KWh): Spain	82	41
C02 emissions over the period (gr. CO2 /KWh): UK	229	476
C02 emissions over the period (gr. CO2 /KWh): USA	58	63
C02 emissions over the period (gr. CO2 /KWh): Brazil	88	120
C02 emissions over the period (gr. CO2 /KWh): Mexico	372	353
Emission-free production: Total (GWh)	22,886	24,023
Emission-free production: Spain (GWh)	13,573	15,956
Ratio emission-free production to total production: Total (%)	61%	61%
Ratio emission-free production to total production: Spain (%)	87%	93%
Emission-free installed capacity: Total (MW)	31,280	30,467
Emission-free installed capacity: Spain (MW)	19,231	19,228
Emission-free instaled capacity: Total (%)	66%	63%
Emission-free instaled capacity: Spain (%)	74%	73%
Ratio high-emission technologies production: Total (%)	2%	5%
Ratio low-emission technologies production: Total (%)	37%	34%

(*) Soruce: Iberdrola Results and National Quarterly Accounting for Spain – INE (Last data published in Q4 2016)
(**) Dividends paid in the last 12 months and Shareholder´ Meeting attendance bonus/price at the end of period.

SPAIN. Development of specific thermal mix emissions, Global: CO2, SO2, particles and NOx.

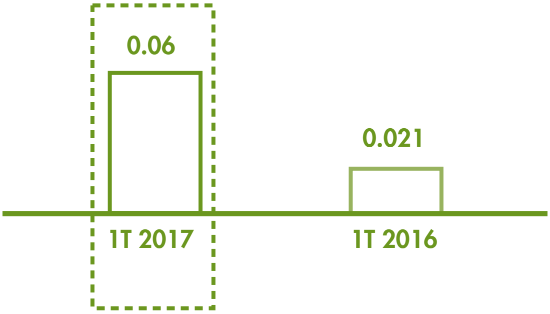
CO2 specific emissions mix, GLOBAL

(g/kWh)



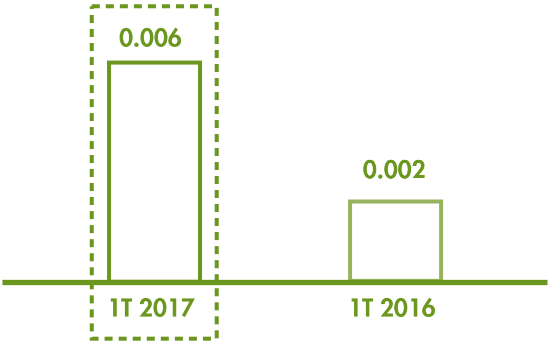
SO2 specific emissions mix, GLOBAL

(g/kWh)



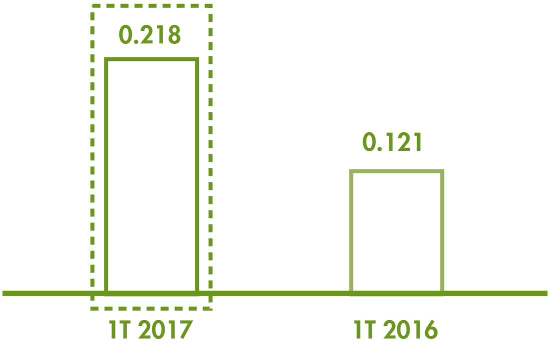
Specific particulate emissions Mix GLOBAL

(g/kWh)



NOx specific emissions mix, GLOBAL

(g/kWh)



2. Índices, rankings and recognitions

Presence of Iberdrola in Indices and Rankings of Sustainability, Reputation and Corporate Governance.

Sustainability	
	Ranking
Dow Jones Sustainability World Index 2016	World Leader utility sector 2016. Iberdrola member in all editions
Global 100	Selected in 2017
FTSE4Good	First utility with nuclear assets to meet standards for FTSE 4Good. 7 years in a row selected
CDP Index 2016	A category
Global Roundtable on Climate Change	IBERDROLA one of the developers
Sustainability Yearbook Robeco Sam 2016	Classified as "Gold Class" in the electricity sector.
MERCO 2016	Leader among Spanish utilities: electricity, gas, and water industry
Euronext Vigeo index: Eurozone 120 & Europe 120	Iberdrola selected
Nesweek and Green Rankings 2015	Iberdrola first Spanish utility and fourth worldwide
MSCI Global Sustainability Index Series	Iberdrola selected AAA
2015 World's Most Ethical Company	Iberdrola selected. Only Spanish utility
Fortune Global 500	Iberdrola selected
Stoxx ESG Leaders/Eurostoxx Sustainability 40	Iberdrola selected

Sustainability Policy:

3. Contribution to social development

IBERDROLA's most significant actions with regard to social commitment in the period Jan-Mar 2017 were:

3.1. Corporate Social Responsibility (CSR) Recognition

- **IBERDROLA recognised as one of the World's Most Ethical Companies**

  IBERDROLA has been included in the 2017 *World's Most Ethical Company* ranking, made by the Ethisphere Institute, which recognises organisations that provide ethical leadership and conduct at corporate level. This ranking assesses the integration of values and corporate culture in decision-making and daily management and the influence that the companies have on improving society.

- **IBERDROLA, the only Spanish power company among the top 100 most sustainable companies in the world**

  IBERDROLA was the only Spanish power company selected among the top 100 most sustainable companies in the world, according to the highly reputable index, *Global 100 Most Sustainable Corporations in the World*, created by Corporate Knights.

- **Ignacio Galán, named the best European Utility Company CEO, and IBERDROLA crowned as the best company for its investor relations**

  IBERDROLA is the winner of all four categories assessed: best investor relations and best CEO, CFO and Director of Investor Relations, according to the *2017 All-European Executive Team* ranking by the prestigious Institutional Investor Research Group.

- **IBERDROLA's 2017 Shareholders' Meeting publishes the Sustainable Event certification again**

  IBERDROLA was the first Spanish company and the first electricity utility, among the world's 10 largest, to be awarded the ISO 20121 Sustainable Event certification for its General Shareholders' Meeting, as well as the *Erronka Garbia* environmental label awarded by the Basque Regional Government. In 2017, these certificates were again issued for the General Meeting.

3.2. Relations with Stakeholders

- **Presentation of the 2017 Together Iberdrola Solidarity Award**

  The Chairman of IBERDROLA, Ignacio Galán, presented the *2017 Together Iberdrola Solidarity Award* during the General Shareholders' Meeting, which went to *Fundación Cadete*, whose goal is to help children with disabilities and their families, fostering their integration in society.

- **ScottishPower, customer care award**

  ScottishPower received the Customer Care Award during the course of *Utility Week Industry*, in acknowledgement of its improved care and commitment to its customers.

- **Avangrid earns the *Utility Customer Champion* award.**

  The AVANGRID subsidiaries, Central Maine Power (CMP) and NYSEG, were honoured as *Utility Customer Champion*, in the residential customer survey *2016 Utility Trusted & Customer Engagement*, conducted by Market Strategies International. This survey measures brand trust, customer commitment, product experience and operational quality.

3.3. Staff

- **Corporate Volunteer Programme**

  With regard to IBERDROLA's Volunteer Programme, organised through the *International Volunteer Portal* (a website that serves as a meeting point to reinforce the Group's global community of volunteers), the following can be highlighted for this period:

  - **10th IBERDROLA Tree Day.** The tenth edition of Tree Day was held in Muxika (Vizcaya), in collaboration with the Gorabide Association and the Lurgaia Foundation.

- **Initiatives to help disadvantaged people.** Different actions have been launched in countries where the company is established, such as:
  - **'IBERDROLA Operation Kilo' initiative.** A new edition of this solidarity initiative was held to collect food with the aim of helping to mitigate the difficult economic situation of vulnerable families. Distribution is carried out through different aid organisations.
  - **'Solidarity Recycling' Initiative.** The goal of this initiative is to raise funds for social and charitable purposes by collecting and reclaiming diverse types of used objects at corporate offices.
  - **IBERDROLA with refugees:** IBERDROLA has joined the first public-private alliance to bring electricity to refugee camps: *Alianza Shire*. Our volunteers have taken on the responsibility of providing training on the use and maintenance of electrical facilities.

3.4 Community Action

The Iberdrola Foundations' greatest challenges include applying the company's abilities and experience to contribute added value to the group's social actions. We note that in the foundation environment, social programmes or projects consolidated into four priority lines of sectoral work are promoted and developed. The Foundation's strategic goals and specific activities during the first quarter of 2017 are described below.

a) **Training and research:** the purpose of this sectoral environment is to create and transmit knowledge, providing added value through training or research, and contributing to the development of a sustainable energy model.

2015 Call for Research Scholarships and Grants

The purpose of the Iberdrola Foundation's Research Scholarship and Assistance Programme is to encourage a new generation of professionals to contribute to a more sustainable energy model. This 2017 edition will see the participation of students from five countries (Spain, United Kingdom, United States, Mexico and Brazil) in studies at leading universities involving energy technology, environmental sciences and information technology. Through this programme, over 600 students have been able to take courses in Master's or research programmes since 2010.

In the first quarter of 2017, scholarship students were selected and their incorporation into Iberdrola's internship programme in Spain was formalised by the various Group foundations. Through this programme, 18 scholarship recipients (five Brazilians, three Mexicans and 10 Spaniards) studying in Spain began an internship period with the goal of supplementing their training development with work experience related to their main areas of interest.

In addition to their own scholarship programme, the Iberdrola Foundations have collaborated by financing scholarships from other academic entities, such as the Fulbright Foundation, Carolina Foundation, University of New Mexico, Technology Institute of Monterrey and the restoration workshops of the Prado Museum in Madrid and the Fine Arts Museum of Bilbao.

In the first quarter, new calls for Master's and research scholarships have been issued for the 2017 edition, when another hundred new students will be selected. These calls will be decided in the first half of the year.

Language immersion programmes in Spain

This programme aims to collaborate in the promotion of bilingualism (Spanish-English) for both students and teachers requiring English training, benefiting from the availability of Iberdrola residences and facilities during the holiday season.

During this first quarter, collaboration agreements have been renewed with the Education Councils of the Autonomous Regions of Castilla León, Extremadura and Valencia, with a view to offering courses again in 2017. New collaboration with the Region of Castilla la Mancha is also anticipated. It is estimated that a total of around twenty teachers and over a hundred students could benefit from these programmes.

In the United Kingdom, Scottish Power Foundation is renewing its professional training programmes to reincorporate reserve service members into civilian employment. Another major project involves "Children's University", which offers training in basic skills and employment qualifications for a thousand young people, for subsequent recruitment into the construction industry.

The Avangrid Foundation also collaborates with university-level or professional training institutions in the electricity sector. These initiatives are also supplemented by financial support for low-income students, to facilitate the continuity and completion of their studies, thus fostering their recruitment in the labour market.

b) **Sustainability and Biodiversity**: the purpose of this line of the Iberdrola Group Foundations is to promote environmental protection and contribute to improving biotechnology.

Bird migration monitoring programme (MIGRA)

The Iberdrola Spain Foundation collaborates with the Spanish Ornithology Society (SEO/BirdLife) on the MIGRA project, which studies movements of migratory birds present in Spain, to develop a scientific basis for the movements of each species over several years, gaining knowledge of their habits, migratory routes, rest areas during the trip and over-wintering sites.

On 9 February, the first scientific monograph prepared based on information provided by MIGRA was presented to the specialised media. It was titled "*Migración y ecología espacial de la gaviota de Audoin en el Mediterráneo occidental y noroeste africano*" ("Migration and spatial ecology of the Audouin's gull in the western Mediterranean and Northeast Africa") and compiled the results of more than 25 years' work on this species, thanks to ringing with metal and PVC rings, and marking using remote monitoring devices. The SEO website offers an interactive edition, with animations and videos that enrich the monograph's information.

Other significant initiatives

In the area of biodiversity, the most relevant Scottish Power Foundation programme comes from collaboration with the Royal Society for the Protection of Birds of Scotland. The programme includes a project to improve access to the Loch Lomond reserve and training of members of Young Scots Climate 2050, an association of youth leaders who engage in studies and measures to raise awareness of climate change and provide needed environmental protection.

For 2017, the Avangrid Foundation anticipates engaging in over 30 collaborations supporting programmes for efficient energy use, environmental protection, the promotion of electric vehicles, developments in construction and efficient homes, and projects to improve marine and river habitats.

Over the course of the year, projects will continue to be executed in Brazil. Two very interesting initiatives combine academic training with environmental benefits or direct social action. "Cuida Colmena" consists in raising and using bees in the Elektro zone, by training some 20 young people during 2017, who will apply the skills they have gained in the project. "Flyways" supports endangered birds in the country's northeast, with completion of the first census in the Río Grande do Norte region and the hiring of local personnel.

c) **Art and Culture**: in this line of work we collaborate with various institutions to promote programmes that contribute to preserving artistic and cultural heritage as an driver of local development.

Restoration Programme

The Foundation supports unique projects for the recovery and conservation of historical-artistic heritage, in collaboration with renowned public and private agencies and institutions.

The **Atlantic Romanesque Programme** is the most important programme in Spain. It is an ambitious project involving the restoration and maintenance of Romanesque Churches in northern Portugal, Salamanca and Zamora. The programme started in 2010 and since then has restored over ten religious buildings, thanks to the joint efforts of government entities, the Church and business initiatives, through the Iberdrola Foundation.

In addition to the artistic restoration dimension, this project also incorporates two very significant elements. On the one hand, the innovation component, with installation of a system to monitor environmental and structural variables. There is also the commissioning of a broadcast programme to help the region's social and economic dynamics, taking advantage of opportunities offered by art, history, nature and tourism to promote local development.

During this first quarter, monitoring has been enhanced by the installation of 35 sensors in the Cathedral of Ciudad Rodrigo and development of a plan for the creation of a fourth Interpretation Centre in that cathedral. The Programme Monitoring Commission also convened to identify new restoration actions to be carried out in 2017.

The restoration programme has also included another significant project since 2013: "**Restoration of the Flemish tapestries of the College of the Patriarch**". January 2017 saw completion of the exhibition at the Chapel of Valencia's College of the Patriarch, involving the first four Flemish tapestries, extraordinary works of the 16th century, which were restored at Madrid's Royal Tapestries Factory. This exhibition received over 9,000 visitors during the short (only one month) period of the showing. February also saw completion of the restoration of the fifth tapestry, which will be presented to the public this year.

Prado Museum of Madrid and Fine Arts Museum of Bilbao

The Iberdrola Spain Foundation is collaborating with the Prado Museum of Madrid and the Fine Arts Museum of Bilbao in support of their respective restoration workshops. During this first quarter of 2017, the works to be restored have been identified through two annual plans for specific actions to be taken at each museum. This programme has a special added value, in that it finances three annual scholarships at the Prado and one at Fine Arts for young restorers.

Lighting programme

New ornamental lighting was inaugurated at the end of this first quarter for the Santa Maria Royal Monastery church at El Paular. The project was undertaken through a collaboration agreement between the Iberdrola Spain Foundation and the General Division of Fine Arts and Cultural Patrimony, with a view to developing and executing a project consistent with the needs and relevance of its cultural assets. The work, which was completed in early 2017, is based on the most advanced LED technology, addressing the sustainability and energy-saving needs of the installation, and offering a 74% reduction in consumption compared to previous equipment. From an environmental standpoint, greater energy efficiency also prevents emissions into the atmosphere of 2.1 tonnes of $CO2$ annually.

This section highlights the foundation's lighting programme in Brazil. Having completed the Cruz de Cabraila lighting, work is being carried out on a second lighting project of the Fuerte de las Cinco Puntas in the state of Pernambuco, which is expected to be completed in 2017.

Programmes in support of exhibitions or music

Guggenheim Museum, Bilbao

As part of Iberdrola's special collaboration with this contemporary art museum, each year an exclusive collaboration exhibition is held, of great artistic importance and with the attendance of a large number of visitors. 2017 will see a retrospective of the US artist Bill Viola, to be held in the second half of this year.

The start of this year saw collaboration at the Sorolla Museum of Madrid, sponsoring the extraordinary exhibition "*Sorolla in París*", which broke the record for the highest number of visits in the museum's history, with over 116,000 visitors.

Following are some of the other one-off collaborations with museums that are scheduled for 2017: The Ramón Gaya Salzillo Museum of Murcia, the Roman Museum of Cartagena and the Ethnographic Museum of Talavera de la

Reina. In the field of music, a significant event is the Foundation's now traditional support (for over a decade) of the Bilbao Opera and Choral Association (ABAO).

As for cultural collaborations by the Scottish Power Foundation, the alliance with the National Museum of Scotland has a new milestone: a hall dedicated to Energy. The inaugural ceremony was attended by the Iberdrola Chairman and Scottish government authorities. Collaboration has also continued with the National Library of Wales and other entities dedicated to music or the scenic arts, such as the Scottish Pipe Band, the Aloud Charity, the Llangollen International Music Eisteddfod and the Citizen Theatre of Glasgow.

The Avangrid Foundation has consolidated its alliance with the Kilbourne Hall of the Eastman School of Music of Rochester, and anticipates collaborating with some thirty cultural entities that will promote events related to music, theatre, literature and art during the year.

d) **Cooperation and Solidarity**: this line of work promotes solidarity efforts aimed at contributing to improving the quality of life of the most vulnerable.

Social Grants

Through its annual convocation of social projects, the Iberdrola Spain Foundation selects initiatives that promote the eradication of poverty and social exclusion, to improve the quality of life of individuals who are seriously ill, dependent or disabled. The selection prioritizes the most vulnerable groups: children and youth.

The first quarter saw the monitoring of 32 projects selected in the 2015 call that were executed throughout 2016, which had been supervised by the relevant Foundation team, to confirm the successful development of projects and promote relationships and closeness with social entities.

Similarly, 1 January saw the development of 30 projects selected in the 2016 Social Assistance convocation, to be executed over the course of the year.

Throughout this year, other collaboration efforts with social entities will be supported on a one-off basis.

In the United Kingdom, the Scottish Power Foundation supports 13 entities in programmes to assist family members and the sick suffering from conditions or serious illnesses such as blindness, cancer, autism and Alzheimer's disease. Actions are also promoted for the educational strengthening of low-income individuals or those at risk of exclusion. The most significant of these are the following:

Venture Scotland: project to support young vulnerable people aged 16 to 30. This is an individualised and flexible personal development programme in the open air which focuses on enabling young people to make real and sustainable changes to their lives.

Music in Hospitals Scotland: Music therapy project to improve the quality of life of hospitalised patients.

The Outward Bound Trust: this Foundation is an educational organisation carrying out leisure and free time projects for children.

Scottish Huntington's Association: project to improve the quality of life of people living with Huntington's disease.

The Prince and Princess of Wales Hospice: assistance to patients to improve the quality of life of young people and children receiving palliative care services.

Erskine: care for veterans with a key focus on ex-service members in Scotland.

In the United States, the Avangrid Foundation will promote new collaborative efforts with social entities to facilitate assistance in providing electricity to low-income people, collaborate in the struggle against diseases such as cancer, heart disease, fibrosis and leukaemia, and encourage donations for the operation of social centres and facilities for low-income people or those at risk of exclusion. The following entities stand out among those that have engaged in activities and renewed their projects in 2017:

Operation Fuel: collaboration with local governments and community-based organisations at over 100 sites throughout Connecticut to ensure that the most vulnerable families have access to energy assistance throughout the year. It also assists them in applying for energy assistance programmes, food, clothing, healthcare, childcare, etc. "All Hands Raised": collaboration with the Centre for Musculoskeletal Care (CMC), a site for young athletes, both adults and patients.

"Matching Gifts to Education": donations by employees to educational institutions.

- Saint Patrick's Church: Solidarity effort to support the Food Bank of the Southern Tier.
- United Way Worldwide - Truist: employee donation campaign.

In Mexico, the Foundation's social assistance activities are focused on environmental initiatives at production centres, through a programme of activities to improve nearby schools, which is expected to be enhanced in coming years.

Cooperation for Development:

In the first quarter of 2017, the electrification and drinking water supply project in rural communities of Oaxaca (Mexico) has made progress, in collaboration with Save the Children and Energy Without Borders. After an initial phase of assessment and awareness-raising in the field, measures are being developed in coordination with the local authorities. This project will extend to at least mid-2017.

Institutional Collaboration.

Finally, the Iberdrola Spain Foundation continues to collaborate and support leading cultural, social, scientific and cooperative institutions in Spain. In the first quarter of 2017, over 45 institutional collaboration actions were renewed, including the following: The Elcano Institute, the Baluarte Foundation, COTEC, the Spanish Royal Academy of Language, History and Medicine, the Cervantes Institute, the Princess of Asturias and Princess of Girona Awards, the King Jaime I Award, the Atapuerca Foundation, the Energy Foundation for the Community of Madrid and Asturias, Casa de América, the Red Cross Foundation, Energy without Borders, Ateneo Científico y Literario, the Alternatives Foundation, Victims of Terrorism, the General University of Salamanca, etc.

TTransparency and good governance:

The report "*Building trust in 2016*: in defence of disinterested action" published by the **Commitment and Transparency Foundation**, recognises yet another year of good work by the Foundation with regard to transparency and good governance. In this edition, the Iberdrola Spain Foundation leads the rankings of almost one hundred business foundations evaluated. It is a very positive rating that affords access to current information on activities, assessments of project impact, financial resources employed and management of good governance that contributes to better performance of the Foundation's social action. This final recognition also includes publication of the "Investment Policy" report, as a key element of innovation.

In recent years, all of Iberdrola's foundations have acquired the commitment and desire to advance in the fields of both transparency and assessment. These factors will allow them to identify positive achievements and improve other measures that have not achieved the desired impact. This is a clear and definitive commitment to quality improvements in all areas of their work and programmes.

4. Corporate Governance

The highlights during the first quarter of financial year 2017 were as follows:

- On 25 October 2016, IBERDROLA approved implementation of the second increase in paid-up share capital approved by the 2016 General Shareholders' Meeting, and on 25 January 2017, implementation was announced.
- On 9 January 2017 IBERDROLA published the financial calendar for financial year 2017.
- The IBERDROLA Board of Directors, at its meeting on 21 February 2017, prepared the separate financial statements and management reports of the Company and the consolidated statements and reports with its subsidiaries, corresponding to

the financial year ending 31 December 2016, as well as the proposals to distribute a cash dividend of EUR 0.030 gross per share with rights to such payment, and to approve an increase of paid-up capital for the free-of-charge allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named *Iberdrola Flexible Dividend*.

Likewise, the CNMV was notified of the offer to workers of the Iberdrola Group in Spain to receive all or part of the annual variable compensation corresponding to financial year 2016 in shares.

- Also on 21 February, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's own shares in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014, under point nine of the agenda. In relation to this, since that date, IBERDROLA has periodically reported to the CNMV on the share buyback programme until 31 May 2017, the date when it ended.
- On 22 February 2016, the Company submitted to the CNMV its Presentation of Results for the financial year ending on 31 December 2016.
- On 24 February 2017, IBERDROLA sent to the CNMV the *Annual Corporate Governance Report, the Annual Report on Remuneration of Directors* and the statistical information corresponding to financial year 2016.

General Shareholders' Meeting

During the meeting held on 21 February 2017, the Board of Directors of IBERDROLA agreed to call a General Shareholders' Meeting for 31 March 2017. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share for the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the call to the General Shareholders' Meeting was published by the Company in the Official Bulletin of the Commercial Registry on 24 February 2017.

On 31 March 2017, the Company's General Shareholders' Meeting was held at first session, with a quorum of 77.20% of the share capital (5.28% present and 71.92% represented), and approved each and every agreement put to vote that had been included in the meeting agenda, as detailed below:

Agreements relating to the annual financial statements, corporate management and Company Auditor

The General Shareholders' Meeting approved the individual financial statements of Iberdrola and the consolidated statements with its subsidiaries, corresponding to financial year 2016, the Company's individual management report and the report on the consolidated management with its subsidiaries, in addition to corporate management and performance of the Board of Directors during financial year 2016.

Furthermore, the General Shareholders' Meeting approved the appointment of KPMG Auditores, S.L. as the accounts auditor of the Company and its consolidated group for financial years 2017, 2018 and 2019, including the delegation in favour of the Board of Directors, with full powers of substitution, of the powers necessary to enter into the corresponding service contract with KPMG Auditores, S.L.

Agreement regarding the update of the Corporate Governance system

The General Shareholders' Meeting approved:

i. The preamble of the *Articles of Association*.

ii. The amendment of Articles 7 and 8 of the *Articles of Association* to reflect the Company's commitment to maximise its social dividend and to the *Iberdrola Group's Mission, Vision and Values*.

iii. The amendment to Article 14 of the *Regulations of the General Shareholders' Meeting* to reinforce shareholders' right to information and to introduce technical improvements.

iv. The amendment to Articles 19 and 39 of the *Regulations of the General Shareholders' Meeting* to expand the channels for participation by shareholders in the General Shareholders' Meeting

Agreement regarding the renewal of the Board of Directors

The General Shareholders' Meeting approved the appointment of Mr Juan Manuel González Serna (as an independent director) and Mr Francisco Martínez Córcoles (as an executive director) as directors for the statutory term of four years.

Agreements relating to remuneration of shareholders, directors and the management team

The General Shareholders' Meeting approved:

i. Under item number eleven on the agenda, the appropriation of earnings proposed by the Board of Directors, which includes the payment of a dividend corresponding to financial year 2016 of EUR 0.03 gross per share.

ii. Under items twelve and thirteen on the agenda, two increases in paid-up share capital by issuing new ordinary shares of the Company, with a maximum reference market value of EUR 1,032 and 1,168 million, respectively, for the free-of-charge allocation of the new shares to the Company's shareholders. Said agreements include the delegation to the Board of Directors, with full powers of substitution, of the powers required to execute capital increases, including that of newly drafting the article in the *Articles of Association* that regulates the share capital.

   These capital increases were agreed in order to implement the two new editions of the "Iberdrola Flexible Dividend" system and offer all the Company's shareholders newly issued paid-up shares or, potentially, the purchase of allocation rights that shareholders receive for the shares they hold, for a guaranteed fixed price, in accordance with the Company's *Shareholder Remuneration Policy*.

iii. Under item fourteen on the agenda, a decrease in share capital through the amortisation of a maximum of 219,990,000 treasury shares, representing 3.41% of the Company's share capital, by means of the amortisation of 188,954,313 own shares currently in the treasury stock, and of a maximum of 31,035,687 own shares acquired through a buyback programme for their amortisation.

   This agreement includes the delegation to the Board of Directors, with full powers of substitution, of the powers necessary for its execution, including, among other questions, the powers to redraft the article of the Articles of Association that regulates the share capital and request the exclusion from trading and cancellation of the accounting records of the amortised shares.

iv. Under item fifteen on the agenda, a strategic bonus aimed at executive directors, senior management and the management team of the Company and its subsidiaries linked to the Company's performance during the period 2017-2019, to be paid through delivery of Iberdrola shares in the three years following the end of said three-year period.

Agreement regarding authorisation to issue bonds

The General Shareholders' Meeting agreed to authorise the Board of Directors to issue simple bonds or obligations, notes and other fixed income securities of a similar nature that are not convertible or redeemable as shares, and to secure issues of securities by the Company's subsidiaries up to a limit of EUR 6,000 million for notes and EUR 20,000 million for other fixed-income securities.

Agreement regarding general matters

The General Shareholders' Meeting agreed, without prejudice to the delegations included in the previous agreements, to grant the relevant powers jointly and severally to the Board of Directors, the Delegate Executive Committee, the Chairman and CEO and the Secretary of the Board of Directors to enable any of them, with any powers required by Law, to execute the agreements adopted.

Agreement regarding the agreement put to advisory vote

PLastly, the *Annual Report Regarding the Remuneration of Directors* corresponding to financial year 2016 was put to advisory vote by the General Shareholders' Meeting.

Board of Directors

In addition to the appointments of Mr Juan Manuel González Serna as independent director and Mr Francisco Martínez Córcoles as executive director mentioned above, it must be noted that, also on 31 March, the Board of Directors agreed to the following committee appointments:

i. Appointment of Ms Samantha Barber as a new member of the Delegate Executive Committee to cover the vacancy left by outgoing director, Mr José Luis San Pedro Guerenabarrena.

ii. Appointment of Mr Juan Manuel González Serna as a member of the Remuneration Committee, thus covering the vacancy left by Mr Santiago Martínez Lage.

Corporate Governance System

IBERDROLA permanently updates its Corporate Governance System, the set of documents comprising the *Articles of Association*, the *Mission, Vision and Values of Iberdrola Group*, the *Corporate policies*, the internal corporate governance regulations and other internal codes and procedures approved by the competent governing bodies of the Company. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

The development, review and continuous improvement of corporate governance rules responds to the strategy that the Company and the companies forming part of the IBERDROLA Group have now been following for years.

Since the start of financial year 2017, the following updates and reviews of the Corporate Governance System of IBERDROLA have been made:

- On 21 February 2017, a reform of the Corporate Governance System was approved, aimed at developing the contents of the *Corporate Fiscal Policy* within the framework of the business and governance structure, strengthening the Iberdrola Group's commitment to human rights, introducing other improvements in corporate governance that affect the *Policy of Recruitment of Candidates to Director* and the *Regulations of the Board of Directors*, among other rules, as well as updating the contents of the *Risk Policies* as a result of the annual review thereof, after receiving the report by the Audit and Risk Supervision Committee.
- As mentioned in the section on the agreements of the General Shareholders' Meeting, on 31 March 2017, the amendment of the *Articles of Association and the Regulations of the General Shareholders' Meeting* was approved.

  On the same date, IBERDROLA's Board of Directors agreed to introduce amendments intended to (i) update the text of the Introduction to the Corporate Governance System so that it includes the amendments to the Articles of Association approved by the General Shareholders' Meeting and in order to introduce other new features and improvements, and (ii) to adapt the contents of several rules in light of the appointment of Iberdrola Group Business COO, Mr Francisco Martínez Córcoles, as executive director, whose position shall henceforth be COO-executive director of Business at Iberdrola Group.

All documents that comprise the Corporate Governance System are published (in their full or summarised version) both in Spanish and in English on the corporate website www.iberdrola.com, which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

Information Transparency

One of the core principles underlying IBERDROLA's corporate governance practices is to ensure maximum transparency in financial and non-financial information provided to shareholders, investors and markets. In this respect, there has been a high level of activity during financial year 2017 to ensure that institutional investors and financial analysts are kept fully informed.

On-Line Shareholders (OLS)

Since January 2012, the On-Line Shareholders (OLS) interactive system has been available through the corporate website, allowing shareholders to make confidential or public enquiries to the other shareholders, with the option of addressing them to any of the committees of the Board of Directors, as well as notifying the Compliance Unit of any conduct that may imply non-compliance with the Corporate Governance System, through the Shareholders' Ethics Mailbox.

CNMV: Significant Events from January to March 2017

Date	Event	Registration Nº
03/01/2017	The Company published the complement to the information document regarding the second increase in paid-up share capital approved by the General Shareholders' Meeting of Iberdrola, S.A. of 8 April 2016	246784 243998
09/01/2017	Iberdrola published the Financial Calendar for 2017	246924
25/01/2017	Within the framework of the execution of the second increase in paid-up share capital approved by the General Shareholders' Meeting of Iberdrola, S.A. of 8 April 2016, a total of 97,911,000 new shares will be issued	247431
02/02/2017	Iberdrola issued the 2016 Energy Production report	247728
07/02/2017	The Company announced the date of Presentation of Results for financial year 2016	247942
21/02/2017	The Company issued the call to the General Shareholders' Meeting and the agenda thereof.	248326 248513
21/02/2017	Iberdrola, S.A. share buyback programme representing up to 0.48% of the share capital for amortisation.	248327 249079
21/02/2017	Offer to employees of the Iberdrola Group in Spain of the option of receiving annual variable compensation corresponding to financial year 2016 in Iberdrola shares.	248328
22/02/2017	The Company announced its financial results for financial year 2016	248348
22/02/2017	Iberdrola published its 2016 financial results	248360
22/02/2017	Updated Outlook 2016/2020 1. Strategic Vision	248367
22/02/2017	Updated Outlook 2016/2020 2. Business Outlook	248369
22/02/2017	Updated Outlook 2016/2020 3. Financial Management	248371
24/02/2017	The Company published the announcement of the call to the General Shareholders' Meeting and the documents put at the disposal of shareholders.	248513 248326
24/02/2017	The company reported on the results of the second half of 2016	248595
24/02/2017	The company published the Annual Corporate Governance Report for financial year 2016	248597
24/02/2017	The company published the Annual Report on Remuneration of Directors for financial year 2016.	248598
28/02/2017	Bond issue on the Euromarket for the amount of EUR 1,000 million by Iberdrola Finanzas, S.A. (Sociedad Unipersonal), guaranteed by Iberdrola S.A.	248957

Date	Event	Registration Nº
02/03/2017	The Company reported on the transactions carried out by Iberdrola, S.A. under its share buyback programme between 22 February and 1 March 2017	249079 248327
09/03/2017	The Company reported on the transactions carried out by Iberdrola, S.A. under its share buyback programme between 2 and 7 March 2017	249352
16/03/2017	The Company reported on the transactions carried out by Iberdrola, S.A. under its share buyback programme between 8 and 9 March 2017	249591
20/03/2017	The Company reported on the transactions carried out by Iberdrola, S.A. under its share buyback programme between 10 and 17 March 2017	249780
27/03/2017	The Company reported on the transactions carried out by Iberdrola, S.A. under its share buyback programme between 20 and 24 March 2017	249996
31/03/2017	Iberdrola reported the resolutions passed by the General Shareholders' Meeting on 31 March 2017 and appointments of both new members of the Delegate Executive Committee and the Remuneration Committee	250215

11

Glossary of terms

Alternative Performance Measures	Definition
Market capitalisation	Number of shares at the close of the period x price at the close of the period
Earnings per share	Net profit for the quarter / number of shares at the close of the period
PER	Price at the close of the period / Earnings per share for the last four quarters
Price / Book value	Market capitalisation / Net equity
Dividend yield (%)	Dividends paid in the last 12 months and attendance bonus / price at close of the period
Gross Margin	Net Revenue - Procurements
Net Operating Expenses	Personnel expense - Capitalized personnel expense + External services - Other Operating Income
Net Operating Expenses / Gross Margin	Net Operating Expenses / Gross Margin
Net Personnel Expense	Personnel Expense - Capitalized Personnel Expense
Net External Services	External Services - Other Operating Income
Gross Operating Profit (EBITDA)	Operating Profit + Depreciations, Amortisations and Provisions
Net Operating Profit (EBIT)	Operating Profit
Financial Result	Financial Revenue - Financial Expenses
Income from Non-Current Assets	Benefits from sale of non-current assets - Losses from sale of non-current assets
ROE	Net Profit of the four last quarters / Net Equity
Financial leverage	Net Financial Debt/(Net Financial Debt + Net Equity)
Gross Financial Debt	Financial Debt (loans and other) + equity instruments with certain characteristics of financial liability + Liability derivative debt instruments
Net Financial Debt	Gross Financial Debt – Asset derivative debt instruments - Other short-term credits - Cash and other cash equivalents
Net Financial Debt / Equity	Net Financial Debt / Net Equity
Net Financial Debt / EBITDA	Net Financial Debt / EBITDA for the last four quarters
Funds from Operations (FFO)	See section 'Funds From Operations' in the report
Funds From Operations (FFO) / Net Financial Debt	FFO for the last four quarters / Net Financial Debt
Net Operating Cash Flow per Share	FFO for the quarter / Number of shares at close of the period
Retained Cash Flow (RCF) / Net Financial Debt	RCF for the last four quarters / Net Financial Debt
Retained Cash Flow (RCF)	See 'Cash Flow Statement' section

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