

Results Presentation / 2017

London / 21 February



Iberdrola, “utility of the future”

Legal Notice

DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation of financial results of the 2017 fiscal year. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.

Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above.

Except for the financial information included in this document (which has been extracted from the annual financial statements of Iberdrola, S.A. corresponding to the fiscal year ended on 31 December 2017, as audited by KPMG Auditores, S.L.), the information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.

Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.

IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of (i) the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October; (ii) Royal Decree-Law 5/2005, of 11 March; (iii) Royal Decree 1310/2005, of 4 November; (iv) and their implementing regulations.

In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration. The shares of Iberdrola, S.A. may not be offered or sold in Brazil except under the registration of Iberdrola, S.A. as a foreign issuer of listed securities, and a registration of a public offering of depositary receipts of its shares, pursuant to the Capital Markets Act of 1976 (Federal Law No. 6,385 of December 7, 1976, as further amended), or pursuant to a valid exemption from registration of the offering.

This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the consolidated financial results of Iberdrola, S.A. and was prepared and is presented in accordance with the International Financial Reporting Standards ("IFRS"). This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. ("Avangrid") or Avangrid's financial results. Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid's financial results. For information regarding Avangrid's financial results for the 2017 fiscal year, please see the press release Avangrid issued on 20th February, 2018, which is available on its investor relations website at www.avangrid.com and the Securities and Exchange Commission ("SEC") website at www.sec.gov.

In addition to the financial information prepared under IFRS, this presentation includes certain alternative performance measures ("APMs"), as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es). The APMs and are performance measures that have been calculated using the financial information from Iberdrola, S.A. and the companies within its group, but that are not defined or detailed in the applicable financial information framework. These APMs are being used to allow for a better understanding of the financial performance of Iberdrola, S.A. but should be considered only as additional information and in no case as a substitute of the financial information prepared under IFRS. Moreover, the way Iberdrola, S.A. defines and calculates these APMs and may differ from the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Finally, please consider that certain of the APMs used in this presentation have not been audited. Please refer to this presentation and to the corporate website (www.iberdrola.com) for further details of these matters, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS.

This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Neoenergia S.A. ("Neoenergia") or Neoenergia's financial results. Neither Neoenergia nor its subsidiaries assume responsibility for the information presented herein. For information regarding Neoenergia's financial results for the 2017 fiscal year, please see the press release Neoenergia issued on 19th February, 2018, which is available on its investor relations website at www.ri.neoenergia.com and the Brazilian Comissão de Valores Mobiliários ("CVM") website at www.cvm.gov.br.

Legal Notice

FORWARD-LOOKING STATEMENTS

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

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

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Highlights of the Period



Highlights of the period

Net Profit grows 3.7% to EUR 2,804 M

Adjusted EBITDA reaches EUR 7,522 M¹ (reported EBITDA EUR 7,319 M)

Net Investments of EUR 5,891 M (+38% vs 2016)

US tax reform has a net positive impact of EUR 1,284 M,
which has been applied to provisions & efficiency measures
to increase future resilience

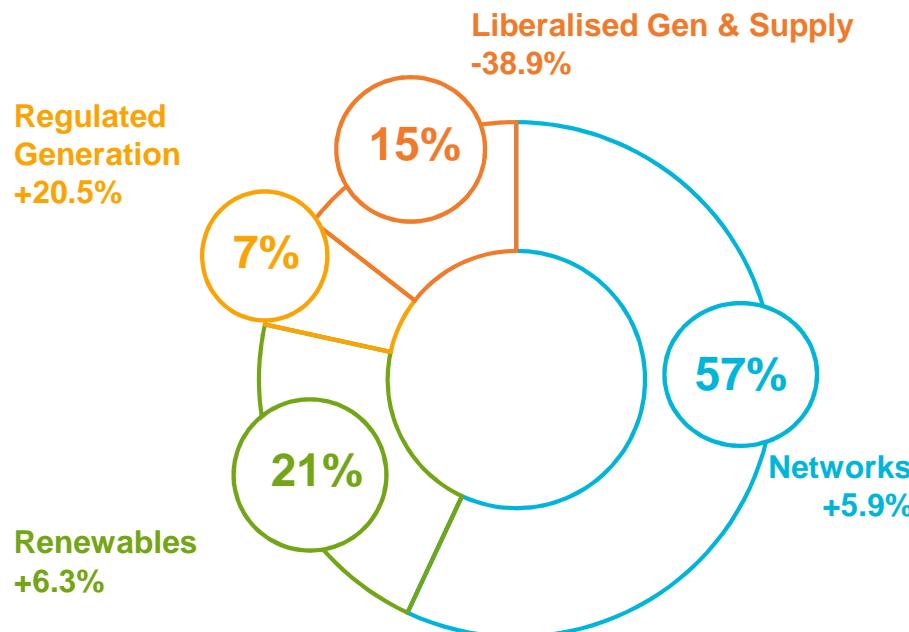
Proposed increase in Shareholder Remuneration to EUR 0.32/share (+3.2%²)

¹Adjusted EBITDA excludes EUR -203 M costs related to restructuring.

² Versus minimum shareholder remuneration of EUR 0.31/share proposed for 2016. Subject to approval at Annual General Meeting (AGM)

Adjusted EBITDA reaches EUR 7,522 M¹ (reported EBITDA EUR 7,319 M)

EBITDA by business



Operating Highlights

↑ Networks

- US: rate cases of New York & Connecticut.
- Brazil: Neoenergia consolidation.

↑ Renewables

- UK: higher output and new capacity.

↑ Regulated Generation

- Contribution of new capacity in operation.

↓ Liberalised Generation and Supply

- Spain: record lowest hydro output.
- UK: lower margins & higher government obligations.

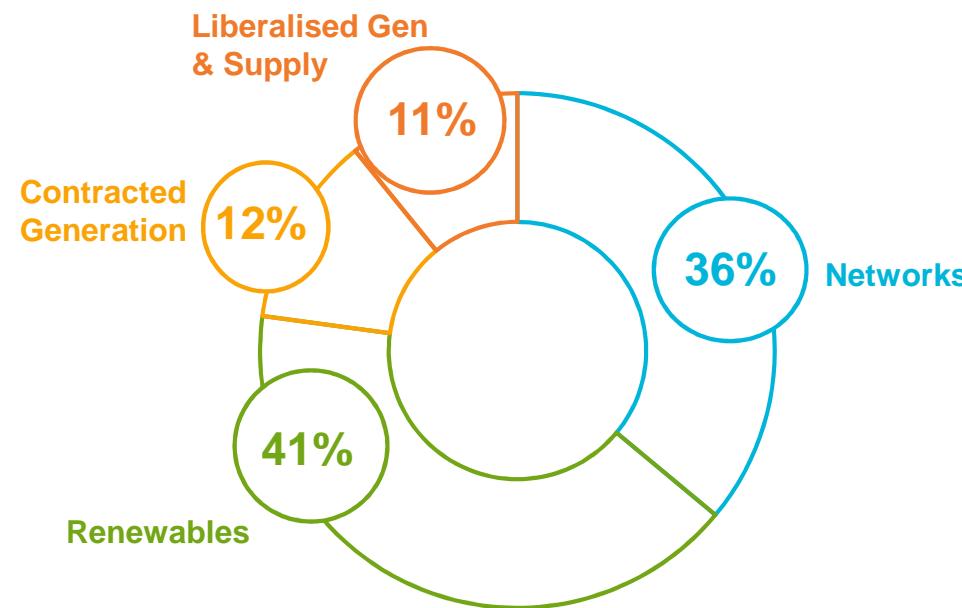
¹Adjusted EBITDA excludes EUR -203 M costs related to restructuring.

Investments

Net Investments increase 38% to EUR 5,891 M

89% in regulated and long term contracted businesses

Business Investments¹



72% allocated to growth

¹ Excluding Corporate and other

Adjusted Net Profit¹: USD 682 M (+6%)

Executing on the growth on our Strategic Plan

- Investments of USD 2.3 Bn (+18% vs 2016)
- Executed 846 MW of new wind PPAs in 2017
- Settled Southern Connecticut Gas distribution 3-year rate case
- Sale of the Gas Trading business and Gas Storage facilities in 1Q 2018

Annual dividend floor of \$1.728/share

Planning to increase dividend in 2018

¹ In IFRS, Total Net Income attributable to Iberdrola EUR 1,294 M (+198.5%)

Shareholder Remuneration

**Proposed increase in Shareholder Remuneration to EUR 0.32/share
(+3.2%¹)...**

2017	Interim remuneration ² Paid in January 2018	EUR 0.140/share ²	
88% of share capital chose the Scrip Dividend option			



2017	Supplementary remuneration Subject to approval at AGM payable in July 2018	EUR 0.180/share
------	--	-----------------

...fulfilling our commitment with shareholders

¹ Versus minimum shareholder remuneration of EUR 0.31/share proposed for 2016. Subject to approval at Annual General Meeting (AGM)

² Through the scrip dividend "Iberdrola Dividendo Flexible" program approved by 2017 AGM.

Analysis of Results



Results / Group

Several non recurring factors have affected 2017 results ...

Negative

Hydro situation Spain

US storms

Liberalised Business UK

Provisions for efficiency plans

Discontinuing operations of Engineering

Write down of North American Gas assets

TOTAL: Eur 1,489 M*

Positive

US Tax reform net impact

Gamesa capital gain

NEO integration

TOTAL: Eur 1,544 M*

.... and the Group has managed to compensate negative impacts
with positive measures that improve the business profile of the Company

* Impacts at Net Profit level

US Tax Reform / Group

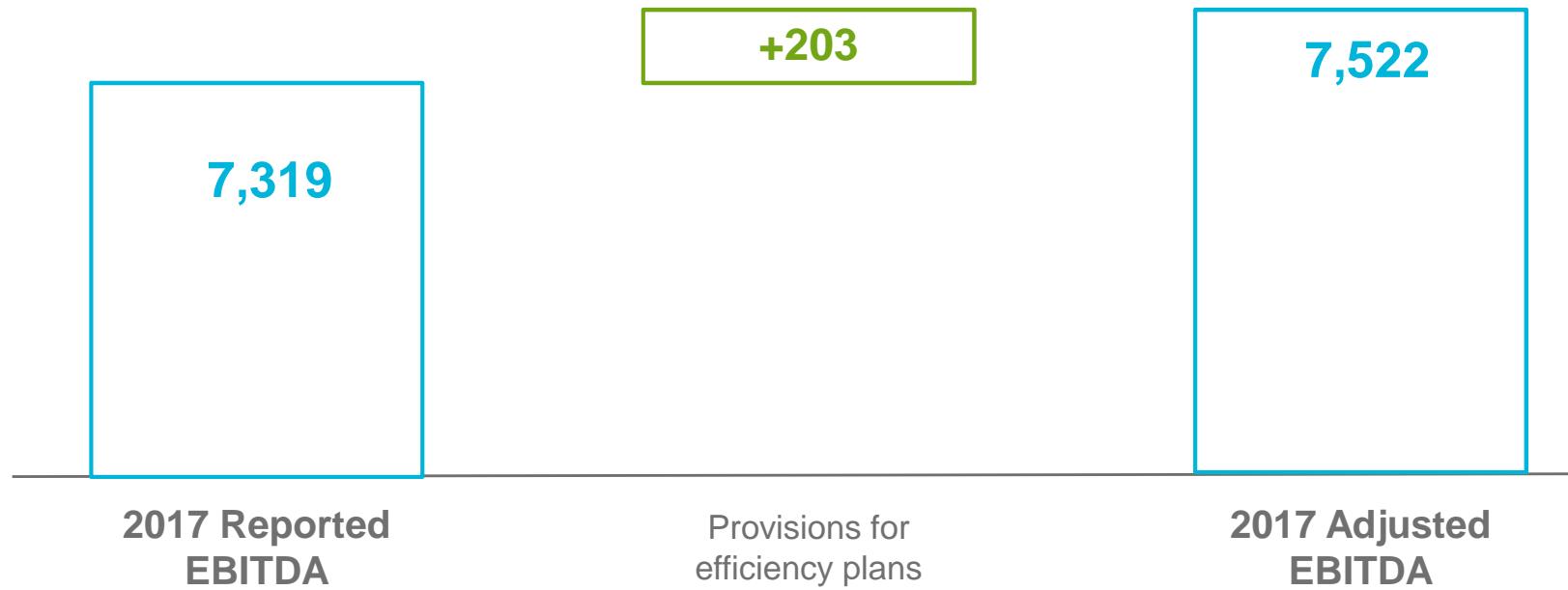
US Tax Reform has a total net positive impact of Eur 1,284 M ...

Taxes	Gross impact on deferred taxes due to lower Corporate Tax Rate (from 35% to 21%)	Eur 2,026 M
Provisions	Adjustment to the value of US Renewables assets due to the extension in time for recovery of tax credits	Eur -450 M
Minorities	Adjustment for 18.5% Avangrid Minorities	Eur -292 M

**... as a result of the effect of three elements,
accounted for in different parts of the income statement**

From Reported EBITDA to Adjusted EBITDA

2017 Reported EBITDA includes, as Net Op. Expenses, provisions for efficiency plans, benefitting 2018 results, as they have been mostly executed in Q1'18



Adjusted EBITDA considers those provisions as Non Recurring Results

Income Statement / Group

Net Profit up 3.7%, to Eur 2,804.0 M

Eur M	2017	2016*	Var.	%
Revenues	31,263.3	28,759.1	+2,504.1	+8.7
Gross Margin	13,363.8	12,935.4	+428.4	+3.3
Net Operating Expenses	-4,170.6	-3,466.0	-704.6	+20.3
Levies	-1,874.5	-1,535.8	-338.7	+22.1
Reported EBITDA	7,318.7	7,933.7	-615.0	-7.8
EBIT	2,712.6	4,685.9	-1,973.2	-42.1
Net Financial Expenses	-937.1	-903.2	-33.9	+3.8
Reported Net Profit	2,804.0	2,705.0	+99.0	+3.7
Operating Cash Flow **	6,479.4	6,406.7	78.8	+1.1

* 2016 restated considering discontinuing operations of Engineering business

** Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision

Reported EBITDA -7.8%, to Eur 7,318.7 M

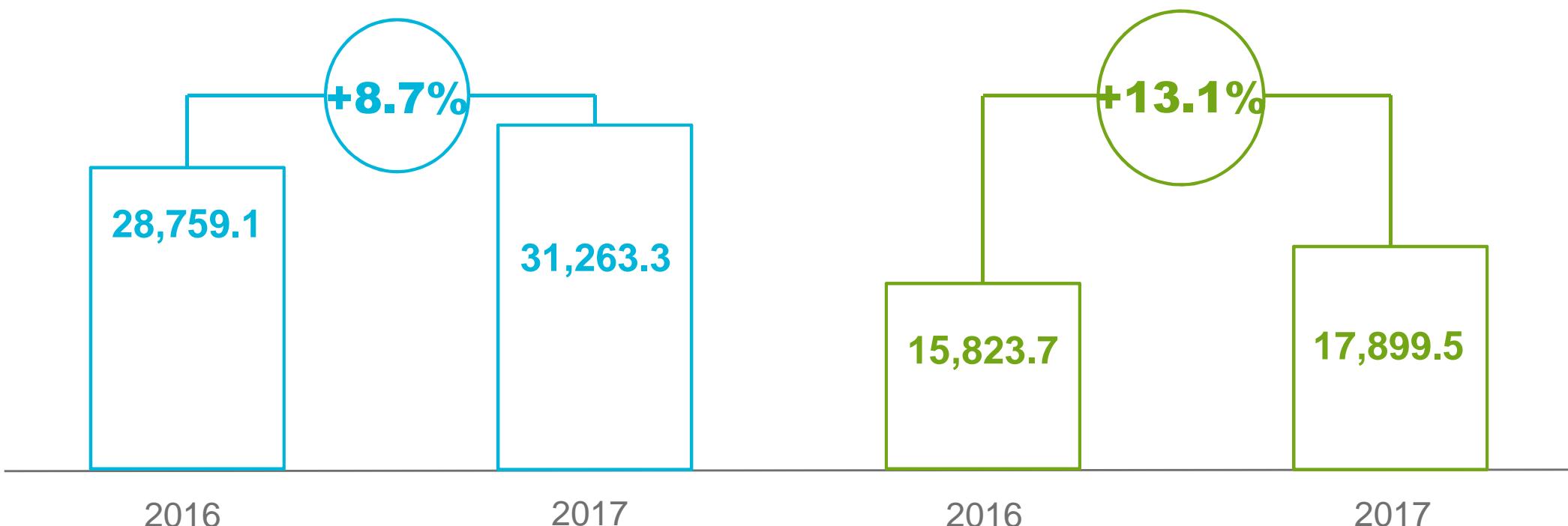
Gross Margin / Group

Gross Margin up 3.3%, to Eur 13,363.8 M, as NEO consolidation (Eur +561.9 M) more than compensates fx impact (Eur -186.4 M)

Eur M

Revenues

Procurements



Revenues grew +8.7% (Eur 31,263.3 M) and Procurements +13.1% (Eur -17,899.5 M) due to a worse generation mix

Net Operating Expenses / Group

Net Operating Expenses up 20.3% (Eur -704.6 M), to Eur 4,170.6 M, driven by NEO consolidation, US storm costs, provisions for efficiency plans and other, partially compensated by fx

Eur M

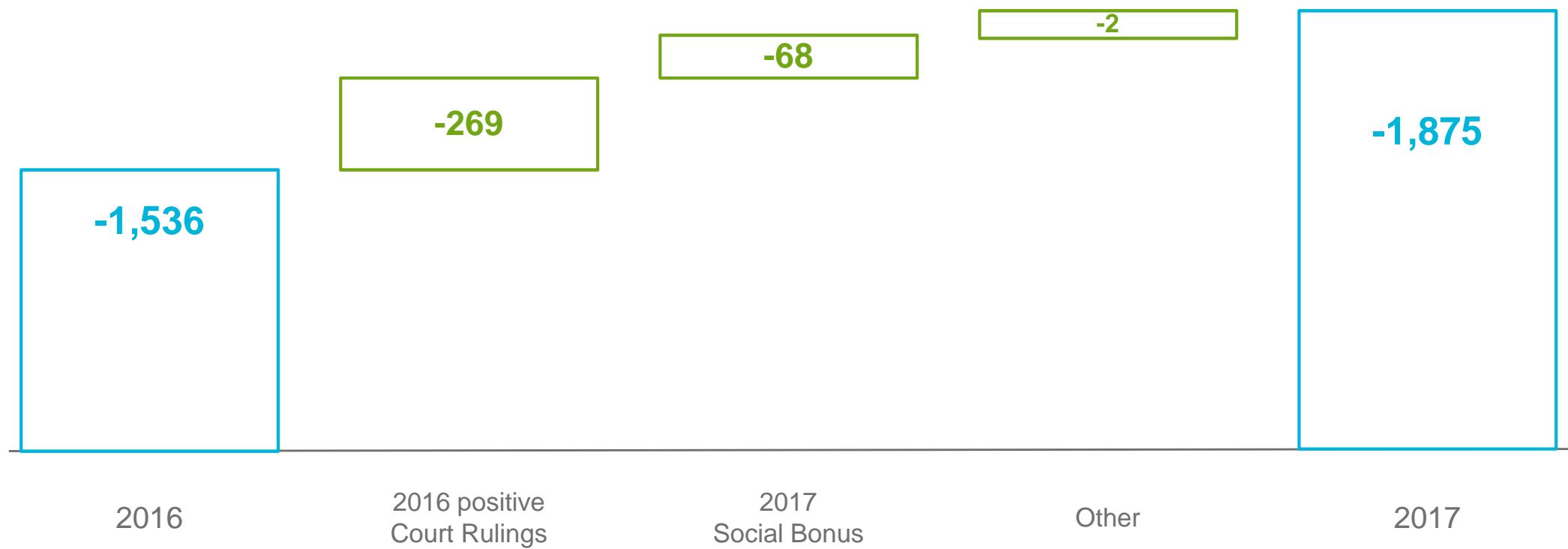
Net Operating Expenses

	2017	2016	vs 2016 (%)	vs 2016 (%) Like for like
Net Personnel Expenses	-2,171.6	-1,809.9	+20.0%	+3.1%
Net External Services	-1,999.0	-1,656.1	+20.7%	+3.1%
Total Net Op. Expenses	-4,170.6	-3,466.0	+20.3%	+3.1%

On a like for like basis, Net Operating Expenses are up 3.1%

Levies / Group

Levies up 22.1%, to Eur 1,874.5 M as a consequence of ...

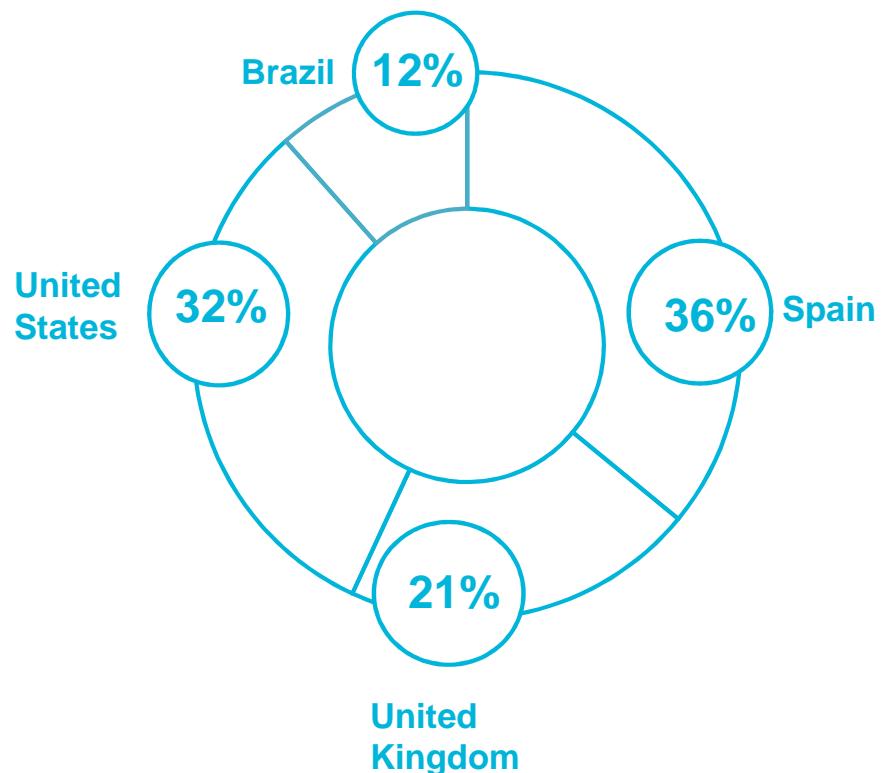


... 2016 positive Court rulings in Spain and impact of 2017 Social Bonus

Results by Business / Networks

Networks Adjusted EBITDA up 5.9%, to Eur 4,328.4 M

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	6,786.7	6,160.5	+626.2 (+10.2%)
Net Op. Exp.	-1,921.9	-1,440.8	-481.1 (+33.4%)
Levies	-636.8	-638.0	+ 1.2 (-0.2%)
Reported EBITDA	4,228.1	4,081.7	+146.4 (+3.6%)
Adjusted EBITDA	4,328.4	4,088.3	+240.1 (+5.9%)

Reported EBITDA up 3.6% to Eur 4,228.1 M, affected by efficiency plans in Spain, UK and Brazil

Results by Business / Networks

Spain

EBITDA Eur 1,520 M (Eur -84 M; -5%), due to lower incentives (Eur -16 M) and provisions for efficiency plans. **Adjusted EBITDA falls 0.7%**

US

EBITDA USD 1,505.5 M (USD +99.7 M; +7.1%), driven by:

- + New Rate Cases (USD +120 M)
- + Positive IFRS impact
- Storm costs one off negative effect of USD 146 M, with no impact under US GAAP

Brazil

EBITDA BRL 1,760.0 M (BRL +861.0 M; +95.8%), as a consequence of:

- + NEO consolidation (BRL 1,042 M)
- + Higher energy distributed (+1.2%)
- + Net effect of Elektro annual tariff revisions
- Provisions for efficiency plans

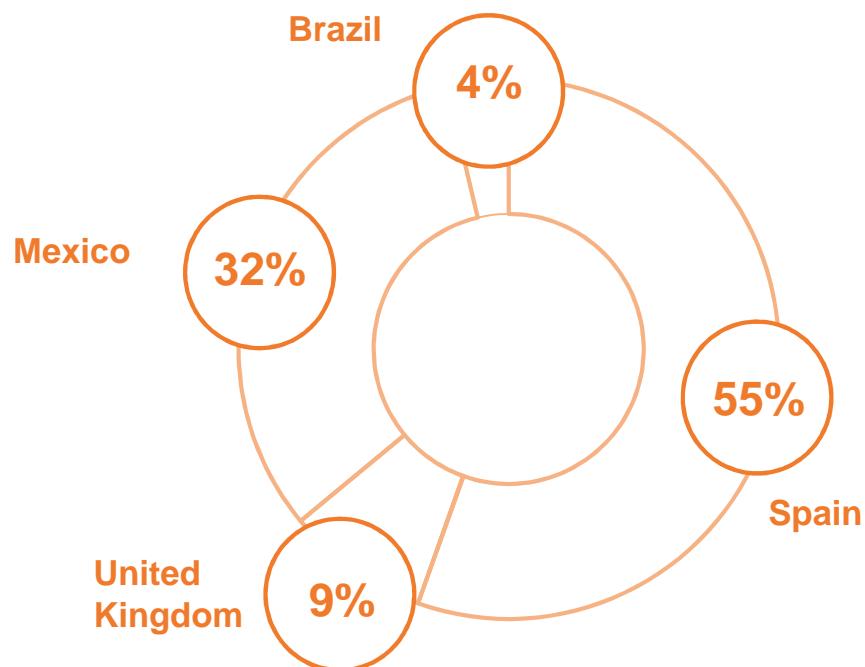
UK

EBITDA GBP 776.6 M (GBP -22.6 M; -2.8%), due to lower energy distributed (GBP -22 M), due to milder weather (to be recovered), settlements of previous years due to lower investments (GBP -9 M) and provisions for efficiency plans

Results by Business / Generation and Supply

Generation & Supply EBITDA falls 29.0% to Eur 1,600 M ...

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	4,237.8	4,634.0	-396.2 (-8.6%)
Net Op. Exp.	-1,580.1	-1,504.6	-75.5 (+5.0%)
Levies	-1,057.1	-876.1	-181.0 (+20.7%)
EBITDA	1,600.6	2,253.3	-652.7 (-29.0%)

... as a consequence of the adverse operating environment in Spain, due to lower hydro output, positive Spanish Court rulings accounted for in 2016 and weak UK performance

Results by Business / Generation and Supply

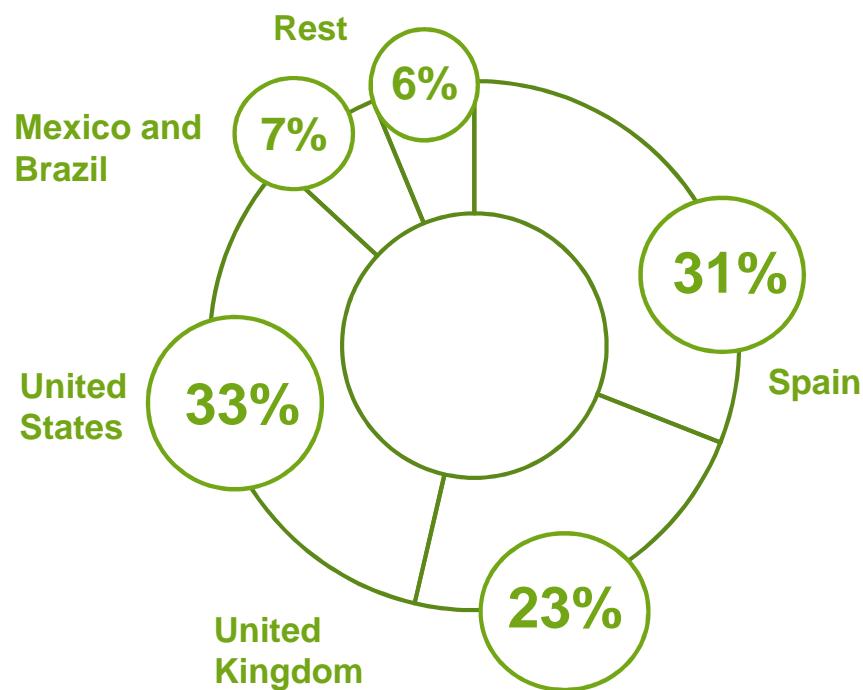
Spain	EBITDA Eur 902 M (Eur -619 M; -41%) <ul style="list-style-type: none">- Output* decreases -20.8% due to record low hydro production (7.9 TWh) against previous record high year (-56.9%, or -10.4 TWh)+ Better Gas results (Eur +83 M) due to the price revision for the portfolio- Levies increase (Eur -158 M; +20.9%) affected by positive Court rulings in 2016+ Higher Retail activity (volumes and Products & Services)
Mexico	EBITDA USD 592.9 M (USD +110.0 M; +22.8%) <ul style="list-style-type: none">+ Additional capacity in operation:<ul style="list-style-type: none">• CFE: Baja California CCGT (314MW)• Private customers: Monterrey V CCGT (300MW) and Ramos Cogen (53 MW)+ Better prices
UK	EBITDA GBP 121.9 M (GBP –118.4 M; -49.3%) <ul style="list-style-type: none">- <u>Wholesale & Generation</u> decreases GBP -13 M, to GBP -23 M, as a consequence of lower output (-31%), due to Longannet closure (GBP -30 M), and higher procurement cost- <u>Retail</u> decreases GBP -105.1 M, to GBP 98.5 M:<ul style="list-style-type: none">• Power: Government Obligations (GBP -110 M) and margin compression• Gas : Lower margins and volumes, due to milder weather
Brazil	EBITDA BRL 216.1 M (n/a) , due to NEO consolidation

* Includes cogeneration

Results by Business / Renewables

**EBITDA up 6.1%, to Eur 1,592.1 M,
with installed capacity growing 7.5% to 16.6 GW***

EBITDA by Geography (%)



Key Figures (Eur M)

	2017	vs 2016	vs 2016 (%)
Gross Margin	2,326.5	2,179.5	+147.0 (+6.7%)
Net Op. Exp.	-574.4	-536.9	-37.5 (+7.0%)
Levies	-160.0	-142.3	-17.7 (+12.4%)
EBITDA	1,592.1	1,500.2	+91.9 (+6.1%)

**UK and Brazil driving growth
and US being the largest contributor with 33% of the EBITDA**

* Excluding hydro

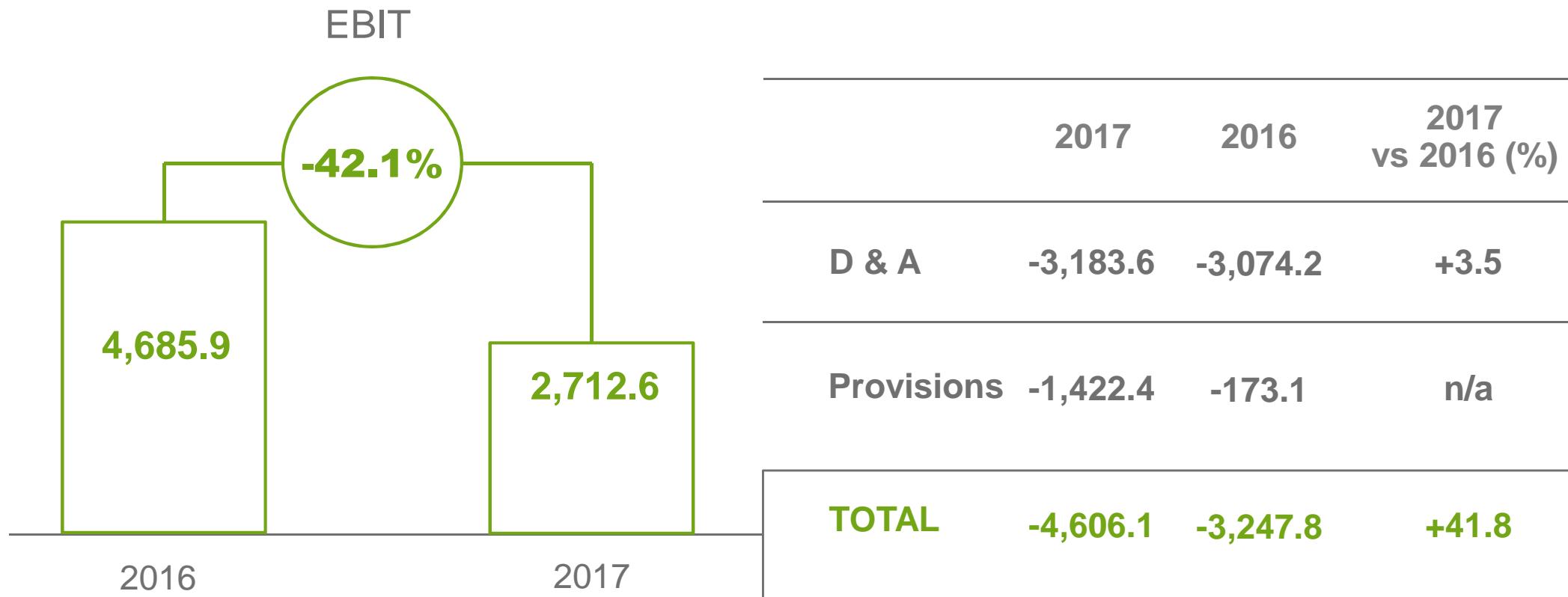
Results by Business / Renewables

US	EBITDA USD 597.8 M (USD -26.2 M; -4.2%) , affected by the positive impact of some power hedges accounted for in 2016 and higher development costs, despite higher output (+2.0%)
Spain	EBITDA EUR 493.1 M (EUR -4.3 M; -0.9%) , driven by lower output (-2.6%). Positive adjustment of investment incentive compensated by lower regulatory asset due to higher energy prices vs 2016
UK	EBITDA GBP 316.1 M (GBP +97.5 M; +44.6%) , higher output (34.9%) due to an increase in the average operating capacity (+21.1%, +311.0 MW) and higher load factor (+3.2 p.p onshore, +5.5 p.p offshore)
Mexico and Brasil	EBITDA EUR 109.4 M (Eur +32.5 M; +42.2%) , Mexico grows (+1.0%) due to better prices and Brazil improves significantly (+128%) driven by NEO consolidation
RoW	EBITDA EUR 99.3 M (Eur +4.0 M; +4.2%) due to higher output (+1.1%)

EBIT / Group

Group EBIT, adjusted for North America Gas business write down (Eur 743 M) and reduction of the value of US renewables due to tax reform (Eur 450 M), falls 16.7%, to Eur 3,905.4 M

Eur M



Group EBIT totals Eur 2,712.6 M (-42.1%)

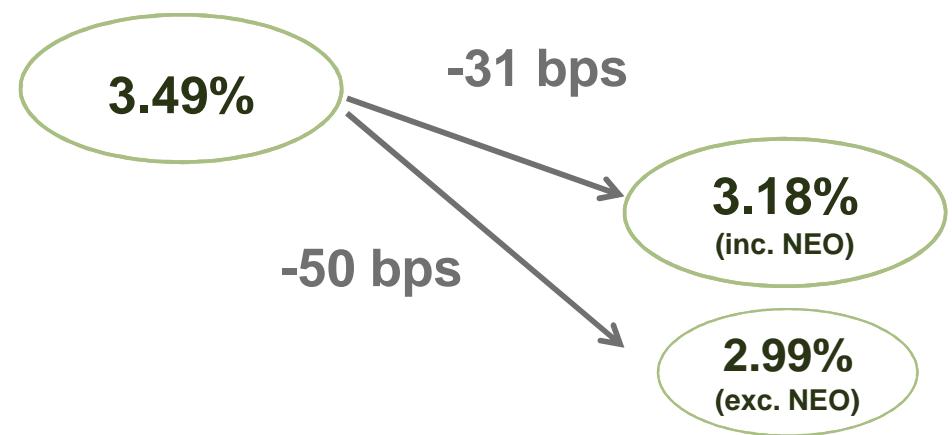
Net Financial Expenses / Group

NEO integration, partially compensated by lower cost of debt, drives Net Financial Expenses up Eur 33.7 M to Eur 937.1 M

Net Financial Exp. evolution (Eur M)



Cost of Debt *



Debt-related expenses (excluding Neo) reduced by Eur 66 M due to 50 bp lower cost despite the 9% higher debt average balance

Net Profit / Group

Reported Net Profit up 3.7%, to Eur 2,804.0 M

Eur M	2017	2016	vs 2016
EBIT	2,712.6	4,685.9	-42.1%
Net Financial Result	-937.1	-903.2	+3.8%
Equity	-281.7	-53.4	n/a
Non Rec. results	+279.1	+48.7	n/a
Taxes	+1,397.1	-935.2	n/a
Minorities	-366.0	-137.9	n/a
Reported Net Profit	2,804.0	2,705.0	+3.7%

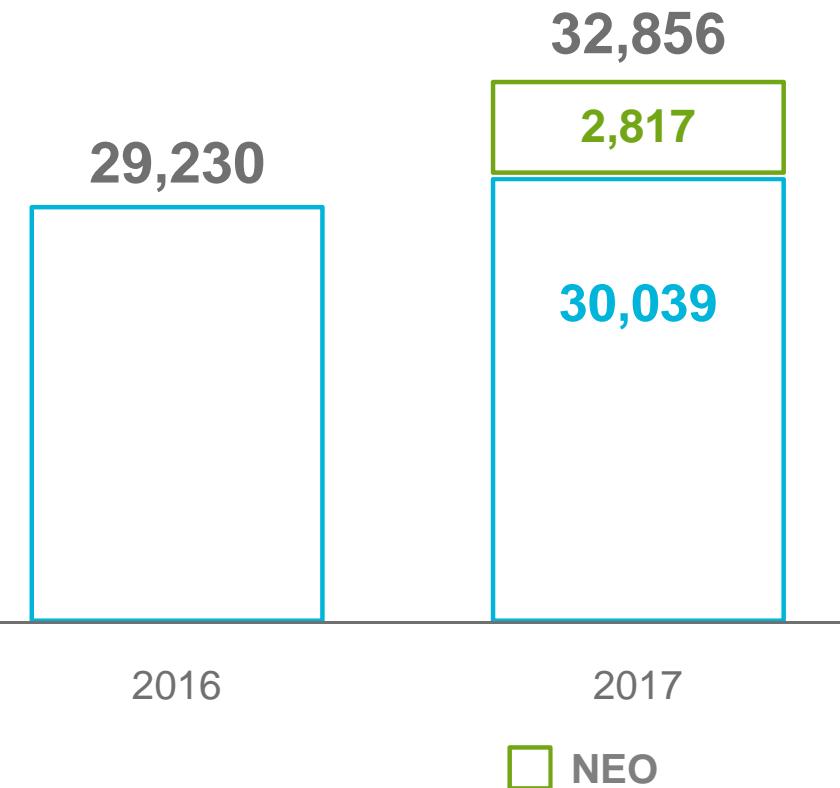
Equity Method mainly driven by discontinuing operations of Engineering, NEO global consolidation from 24th August, lower results from Gamesa and other

Non Recurring Results (Eur 279 M) includes Gamesa capital gain (Eur 250 M)

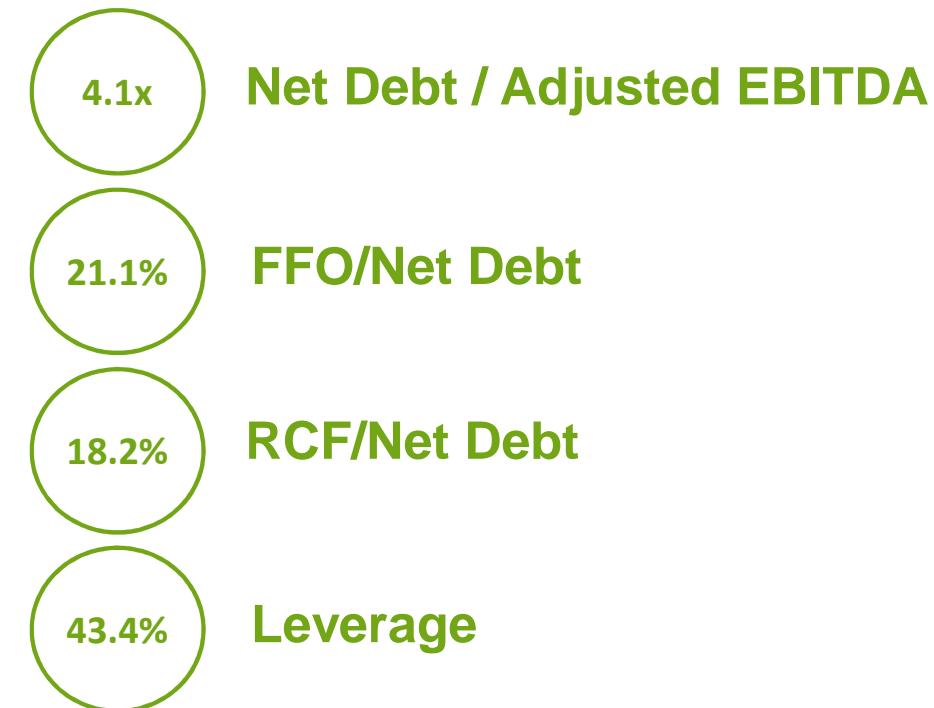
Net Debt / Group

Net Debt increases to Eur 32,856 M, affected by the consolidation of NEO

Net Debt (Eur M)



Credit Metrics



Pro forma credit metrics include Neo from January 1st 2017 and exclude provisions for efficiency plans

Investor Relations app

Download now the Iberdrola Investor Relations app



IBERDROLA IR



Available on
**Google
Play**



Available on the
App Store
(iPhone)



Available on the
App Store
(iPad)

www.iberdrola.com