

Results

Nine months

October 24 / 2018



Iberdrola,
“utility
of the
future”

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IBERDROLA

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1.

Core business figures

Networks

	December 2017	December 2016	
RAV (Local currency)			
Spain	(EUR billion)	9.5	9.5
United Kingdom	(GBP billion)	6.0	5.7
United States	(USD billion)	9.1	8.7
Brazil	(BRL billion)	15.9	14.9
Elektro		3.3	3.0
Neoenergia		12.6	11.9
Distributed Electricity			
	9M 2018	9M 2017	vs. 2017
ELECTRICITY (GWh)			
Spain	70,847	69,994	1.2%
United Kingdom	25,496	25,559	-0.2%
United states	29,894	28,741	4.0%
Brazil	48,271	47,113	2.5%
Total	174,507	171,407	1.8%
GAS (GWh)			
United States	45,198	41,581	8.7%
Total	45,198	41,581	8.7%
Managed supply points			
	9M 2018	9M 2017	vs. 2017
ELECTRICITY (Millions)			
Spain	11.01	10.95	0.5%
United Kingdom	3.52	3.52	-
United States	2.25	2.23	0.6%
Brazil	13.74	13.54	1.4%
Total Electricity	30.52	30.25	0.9%
GAS (Millions)			
United States	1.0	0.99	0.4%
Total Gas	1.0	0.99	0.4%
TOTAL SUPPLY POINTS	31.52	31.24	0.9%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period). Differences may arise due to rounding

Generation business and Customers

	9M 2018	9M 2017	vs. 2017
TOTAL GROUP			
Net Production (GWh)	109,522	102,472	6.9%
Renewables	46,874	38,432	22.0%
Onshore	27,051	24,687	9.6%
Offshore	1,082	565	91.6%
Hydro	17,841	12,605	41.5%
Minihydro	562	332	69.2%
Solar and others	337	243	38.4%
Nuclear	17,390	18,387	-5.4%
Gas combined cycle	38,340	39,082	-1.9%
Cogeneration	5,582	4,975	12.2%
Coal	1,336	1,596	-16.3%
Installed Capacity (MW)	48,985	48,052	1.9%
Renewables	29,592	28,778	2.8%
Onshore	15,654	15,383	1.8%
Offshore	544	519	4.8%
Hydro	12,635	12,452	1.5%
Minihydro	303	304	-0.2%
Solar and others	456	120	280.8%
Nuclear	3,177	3,177	-
Gas combined cycle	14,007	13,983	0.2%
Cogeneration	1,335	1,241	7.6%
Coal	874	874	-
Electricity customers (No mill.)	13.02	13.12*	-0.8%
Gas customers (No mill.)	2.92	2.89*	1.0%
Gas Supplies (GWh)	43,500	41,071	5.9%
Gas Storage (bcm)	0.11	2.50	-95.7%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period).

Differences may arise due to rounding.

(*) UK customer data as of 06/30/2018.

	9M 2018	9M 2017	vs. 2017
SPAIN			
Net Production (GWh)	43,710	38,673	13.0%
Renewables	20,239	15,078	34.2%
Onshore	8,561	8,227	4.1%
Hydro	11,062	6,454	71.4%
Minihydro	562	332	69.2%
Solar and others	54	65	-17.5%
Nuclear	17,390	18,387	-5.4%
Gas combined cycle	2,923	1,650	77.2%
Cogeneration	1,822	1,962	-7.1%
Coal	1,336	1,596	-16.3%
Installed Capacity (MW)	25,934	25,933	-
Renewables	15,836	15,821	0.1%
Onshore	5,768	5,752	0.3%
Hydro	9,715	9,715	-
Minihydro	303	304	-0.2%
Solar and others	50	50	-
Nuclear	3,177	3,177	-
Gas combined cycle	5,695	5,695	-
Cogeneration	353	367	-3.8%
Coal	874	874	-
Electricity customers (No mill.)	10.13	10.17	-0.4%
Gas customers (No mill.)	1.02	0.97	4.6%
Gas Supplies (GWh)	14,277	9,388	52.1%
Users	7,607	5,171	47.1%
Gas Combined Cycle	6,670	4,217	58.2%

	9M 2018	9M 2017	vs. 2017
UNITED KINGDOM			
Net Production (GWh)	7,964	8,518	-6.5%
Renewables	3,540	3,425	3.4%
Onshore	2,647	2,381	11.2%
Offshore	506	565	-10.4%
Hydro	387	480	-19.3%
Gas combined cycle	4,424	5,093	-13.1%
Installed Capacity (MW)	4,666	4,666	-
Renewables	2,666	2,666	-
Onshore	1,906	1,906	-
Offshore	194	194	-
Hydro	566	566	-
Gas combined cycle	2,000	2,000	-
Electricity customers (No mill.)^(*)	2.88	2.95^(*)	-2.4%
Gas customers (No mill.)^(*)	1.90	1.92^(*)	-1.0%
Gas Supplies (GWh)	29,223	31,683	-7.8%
Users	19,859	20,575	-3.5%
Gas Combined Cycle	9,364	11,107	-15.7%
Gas Storage (bcm)	0.11	0.10	4.9%

(*) As of 06/30/2018

	9M 2018	9M 2017	vs. 2017
USA			
Net Production (GWh)	14,818	13,138	12.8%
Renewables	13,127	11,649	12.7%
Onshore	12,648	11,183	13.1%
Hydro	203	295	-31.1%
Solar and others	276	171	61.6%
Gas combined cycle	8	8	1.6%
Cogeneration	1,683	1,481	13.6%
Installed Capacity (MW)	7,561	7,264	4.1%
Renewables	6,713	6,419	4.6%
Onshore	6,466	6,237	3.7%
Hydro	118	118	-
Solar and others	129	63	104.1%
Gas combined cycle	212	209	1.1%
Cogeneration	636	636	-
Gas Storage (bcm)	-	2.40	-100.0%

	9M 2018	9M 2017	vs. 2017
MEXICO			
Net Production (GWh)	30,803	31,597	-2.5%
Renewables	795	608	30.7%
Onshore	795	608	30.7%
Gas combined cycle	27,932	29,548	-5.5%
Cogeneration	2,077	1,442	44.0%
Installed Capacity (MW)	6,577	6,150	6.9%
Renewables	663	367	80.7%
Onshore	393	367	7.2%
Solar and others	270	-	N/A
Gas combined cycle	5,568	5,546	0.4%
Cogeneration	346	237	46.0%

	9M 2018	9M 2017	vs. 2017
BRAZIL			
Net Production (GWh)	10,731	9,538	12.5%
Renewables	7,679	6,664	15.2%
Onshore	1,489	1,287	15.6%
Hydro	6,190	5,376	15.1%
Gas combined cycle	3,053	2,783	9.7%
Cogeneration	-	91	-100.0%
Installed Capacity (MW)	3,284	3,101	5.9%
Renewables	2,751	2,568	7.1%
Onshore	516	516	-
Hydro	2,236	2,052	8.9%
Gas combined cycle	533	533	-
Cogeneration	-	-	N/A

	9M 2018	9M 2017	vs. 2017
REST OF THE WORLD			
Net Production (GWh)	1,494	1,009	48.2%
Renewables	1,494	1,009	48.2%
Onshore	912	1,001	-9.0%
Offshore	576	-	N/A
Solar and others	7	7	-3.8%
Installed Capacity (MW)	961	936	2.7%
Renewables	961	936	2.7%
Onshore	605	605	-
Offshore	350	325	7.7%
Solar and others	6	6	-

Stock Market Data

		9M 2018	9M 2017
Market capitalisation	EUR (MM)	40,548	41,519
Earnings per share (6,240,000,000 shares at 06/30/18 and 6,240,000,000 shares, at 06/30/17)	€	0.106	0.142
Net operating cash flow per share ^(*)	€	0.275	0.216
P.E.R.	Times	16.27	13.54
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.15	1.16

* FFO 9M 2017 Restated

Economic/Financial Data^(*)

Income Statement		9M 2018	9M 2017
Revenues	EUR (MM)	26,282.6	21,955.9
Gross Margin	EUR (MM)	11,336.1	9,740.6
EBITDA	EUR (MM)	6,719.7	5,486.4
EBIT	EUR (MM)	3,836.4	3,001.3
Net Profit	EUR (MM)	2,090.9	2,416.6
Net Operating Expenses / Gross Margin	%	27.28	28.68

Balance Sheet

		Sept. 2018	Dec. 2017
Total Assets	EUR (MM)	112,494	110,689
Equity	EUR (MM)	42,540	42,733
Net Financial Debt	EUR (MM)	34,801	32,884
ROE	%	6.99	8.51
Financial Leverage (Net Financial Debt/(Debt Financial Debt + Equity))	%	45.0	43.5
Net Financial Debt / Equity	%	81.8	77.0

* Financial terms are defined in the "Glossary"

Others

		Sept. 2018	Sept. 2017*
Investments	EUR (MM)	3,644.8	4,057.5
Employees	Nº.	33,368	33,100

* Restated

Credit rating of Iberdrola Senior Debt

Agency	Rating	Outlook	Date of latest rating action
Moody's	Baa1	Stable	14 march 2018
Fitch IBCA	BBB+	Stable	8 july 2016
Standard & Poor's	BBB+	Stable	22 april 2016

2.

Highlights for the period

Global environment and general considerations

During the nine month period of 2018, international commodity markets have evolved as follows:

- The average price of Brent oil is USD 72.3 per barrel compared with USD 52.0 per barrel in the same period of last year (+39%).
- The average price of gas (TTF) over the period is EUR 22.4/MWh compared with EUR 16.7/MWh in the same period of 2017 (+34%).
- The average price of API2 coal is USD 91.5/MT, compared with USD 79.9/MT (+15%) in the same period of last year.
- The average price of CO2 emission rights is EUR 14.4/MT compared with EUR 5.3/MT in the same period of last year (+173%).

As regards Iberdrola's main **reference currencies**, the average depreciation against the Euro during the nine month period of 2018 has been as follows:

- Sterling pound by 0.8%.
- The US dollar by 6.9%.
- The Brazilian real by 20.8%.

As regards the performance of **electricity demand and output** for the period, these are the highlights for the company's main business areas:

- The Energy Production figures for the Iberian Peninsula in the nine month period of 2018 are characterised by a notable increase in hydroelectric production (+72%) compared with the same period of last year. The increase in rainfall in 2018 has raised hydroelectric reservoir levels to 41.8% compared with 27.7% at the close of the third quarter of last year. Coal production dropped by -16% with respect to the same period of 2017, and combined cycle production dropped by -19%. The rest of the

production from renewable sources closed the nine month period with levels similar to those of the same period of last year, due to a greater wind energy production (+3% compared with the same period in 2017), offset by lower solar energy production (-9%).

Demand increased by +1.0% compared with the first nine months of 2017, whereas it grew by +1.2% after adjusting for working days and temperature.

- In the United Kingdom, electricity demand increased by +0.3% compared with 9M 2017. Customers' gas demand (not including generation consumption) also increased by +8.4%.
- In Avangrid's area of influence on the East Coast of the US, electricity demand increased by 4.0%, whereas gas demand did so by 8.7%, compared with 2017.
- As for demand in Neoenergia's areas of influence in Brazil, it grew by 2.5%.

Significant events for the Iberdrola Group

- Since 1 January 2018, the **results from the hydroelectric generation have been reclassified**, from the Generation and Supply business to the Renewables business. Furthermore, since the close of 2017, the Engineering business has been discontinued and goes on to be recognised under Companies Consolidated by the Equity Method. The accounts for the nine month period of 2017 have been restated taking into account these two effects.
- As of 1 January 2018, the Iberdrola Group has adopted **IFRS 15** and **IFRS 9**. The first refers to the ordinary revenues originating from contracts with customers and assumes that the customer attraction costs are activated (lower Net Operating Expenses and higher amortisation).

IFRS 9, on the other hand, refers to the calculation of debt restructuring interest, and has the effect of a greater negative financial result.

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

EUR million	9M 2018	vs. 9M 2017
GROSS MARGIN	11,336.1	16.4%
EBITDA	6,719.7	22.5%
EBIT	3,836.4	27.8%
NET PROFIT	2,090.9	-13.5%

Consolidated EBITDA rose by 22.5%, to EUR 6,719.7 million, supported by double digit growth in all businesses, and showing an acceleration since the close of June (17.1%). Neoenergia's consolidation contributed EUR 571.3 million*, whereas the exchange rate effect reduced consolidated EBITDA by EUR 312.4 million.

From an operating point of view, we should highlight the positive effect of the rate improvements in the United States and Brazil, the increase in onshore wind energy production (both in terms of a greater operating capacity and a greater load factor) and hydroelectric production, the normalisation of the liberalised business conditions in the United Kingdom and the higher CFE rate in Mexico.

Negative effects include the impact of storms in the United States and primarily, for comparative purposes, the recognition in 2017 of extraordinary income in the Gas business in Spain because of the extraordinary increase in supply contract prices, not repeated in the nine month period of 2018.

Operational efficiency continued its positive trend, and improved by 180 b.p., compared with

80 b.p. registered in the first quarter of the year. Thus, Net Operating Expenses over Gross Margin were at 27.3% compared with 29.1% last year.

For its part, **Ordinary Net Profit** rose by 38%, to EUR 2,051.3 million, whereas Reported Net Profit dropped by 13.5% to EUR 2,090.9 million due to the fact that extraordinary impacts for the amount of for the amount of EUR 759.3 million were accounted for last year, corresponding to the Siemens-Gamesa merger and the surplus of EUR 520 million due to the reorganisation in Brazil, given that Iberdrola's initial 39% stake in Neoenergia had to be listed at market value. This surplus was adjusted in the accounts for the close of the financial year, and accounted for a final amount of EUR 44 million.

The key **financial figures** for the period are as follows:

- Adjusted Net Financial Debt** is at EUR 34,379 million, mainly as a result of the strong investment process that the group is currently carrying out.
- Funds from Operations in the nine month period of 2018 stood at EUR 5,255.6 million, an increase of 12.5% compared with the same period of the previous year.

Lastly, net investment for the period was EUR 3,645 million. Of this investment, 78% was focused on the Networks and Renewables businesses.

* Including FX

** Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 422 million at 09/30/2018)

Divestments 2018

As part of the asset rotation plan contemplated in the Strategic Perspectives for 2018-2022, on 16 October Iberdrola, through its subsidiary ScottishPower, has agreed to sell its traditional generation assets in the United Kingdom to Drax Smart Generation, a subsidiary of the Drax Group for £702 million (EUR 801 million). Thus, the company becomes the first 100% renewable integrated energy business in the UK, as it disposes of 2,566 megawatts (MW) of traditional generation power, which includes mainly combined cycle gas plants. As a result of the transaction, it is estimated that Iberdrola will have a positive impact on the 2018 consolidated results, which will be quantified and communicated at the close of the operation.

On the other hand, on 18 October, Iberdrola has agreed to divest its 90% stake in solar thermal power asset located in the town of Puertollano (50 MW) by selling it to ENCE for a total amount EUR 181.1 million. In addition, payment of a EUR 6.3 million earn-out has been agreed.

With these transactions, the total amount of divestments reached in 2018 is close to EUR 1.2 billion.

3.

Operational performance for the period

1. Distributed energy and supply points

The Group's Regulatory Asset Base (RAB) stood at EUR 29 billion at the close of 2017:

		Dec. 2017	Dec. 2016
RAB (Local currency)			
Spain	(EUR billion)	9.5	9.5
United Kingdom	(GBP billion)	6.0	5.7
United States	(USD billion)	9.1	8.7
Brazil	(BRL billion)	15.9	14.9
Elektro		3.3	3.0
Neoenergia		12.6	11.9

During the first nine months of 2018, the electrical energy distributed by the Group totalled 174,507 GWh, a 1.8% increase compared with 2017.

Distributed gas (United States) reached 45,198 GWh, up 8.7% compared with the same period of 2017, mainly due to the effect of the temperatures.

The Group's total supply points reached 30.5 M in electricity and 1.0 M in gas, with the following breakdown by country:

Managed supply points

Electricity (Millions)	9M 2018	9M 2017	Vs. 2017
Spain	11.0	10.9	0.5%
United Kingdom	3.5	3.5	-
United States	2.2	2.2	0.6%
Brazil	13.7	13.5	1.4%
Total Electricity	30.5	30.2	0.9%
GAS (Millions)			
USA	1.0	1.0	0.4%
Total Gas	1.0	1.0	0.4%
Total supply points	31.5	31.2	0.9%

(*) Discrepancies possible due to rounding.

1.1. Spain

At the September close, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.5% increase compared with September 2017, and its energy distribution since the beginning of the year totalled 70,847 GWh, a 1.2% increase compared with the previous year.

At the end of September, the SAIDI Supply Quality indicator is at 35.08 minutes, the lowest in recent years.

The table shows the change in the SAIDI (System Average Interruption Duration Index) and the SAIFI (System Average Interruption Frequency Index):

Year	SAIDI (min)	SAIFI (no. inter.)
9M 2016	40.19	0.78
9M 2017	39.38	0.89
9M 2018	35.08	0.71

(*) In the SAIDI for 2017, a total of 18.8 min are excluded due to the strong storm in Spain in January being considered as force majeure.

Within the smart grid STAR project, Iberdrola has exceeded the figure of 10.8 million digital meters installed, and the infrastructure supporting them has been adapted to smart grids, which implies the modernisation of 98.8% of the company's meters in Spain.

In July, works started in Caravaca de la Cruz on the first storage system with 2 MWh batteries in the distribution network, which will guarantee supply to the area in the event of breakdowns, will improve the control of the voltage in the area and will facilitate the integration of distributed renewable generation.

1.2. United Kingdom

On 30 September, Scottish Power Energy Networks (SPEN) surpassed 3.5 million supply points. The energy volume distributed so far during 2018 has been 25,496 GWh, an increase of -0.2% compared with the same period in 2017.

The service quality indicators this quarter were affected by the effects of storm Ali and other

minor storms. Finally, Storm Ali has been excluded for quality indicators.

Customer Minutes Lost (CML) was as follows:

CML (min)	9M 2018	9M 2017
Scottish Power Distribution (SPD)	27.28	22.61
Scottish Power Manweb (SPM)	25.44	25.43

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

CI (no. of interruptions)	9M 2018	9M 2017
Scottish Power Distribution (SPD)	39.39	31.52
Scottish Power Manweb (SPM)	27.25	22.88

The Fusion project, which consists in the commissioning of a DSO model integrating the latest information and trade technologies in the East Fife area (Scotland), was selected last year to receive funding of GBP 5.1 million from the Scottish Flexibility Marketplace fund. Ofgem has just formally confirmed that the project complies with all of the requirements.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of September 2018, Avangrid Networks had 2.2 million electricity supply points. Distributed electricity in the first nine months of the year totalled 29,894 GWh, up by 4.0% compared with the same period of last year, due to mild temperatures in 2017.

All distribution areas in the United States were hit by harsh winter and spring storms that lashed the east coast of the continent and have impacted on quality indicators.

In Maine, a severe wind storm in April affected CMP's customers and negatively affected its indicators versus 2017. On the other hand, CMP has been praised for its extraordinary response to the major storms in October last year; it has also been handed the EEI Emergency Recovery

Award by Edison Electric Institute for the seventh consecutive year. This award recognises the big effort by utilities to restore electricity supplies as quickly as possible after large storms and natural disasters.

In Connecticut, the quality indicators of the distribution area of UIL have been affected by an incident on the grid, coinciding with the works to renovate equipment in the same area.

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

CAIDI (h)	9M 2018	9M 2017
Central Maine Power (CMP)	2.15	1.81
NY State Electric & Gas (NYSEG)	2.11	2.14
Rochester Gas & Electric (RGE)	1.82	1.87

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

SAIDI (min)	9M 2018	9M 2017
United Illuminating Company (UI)	51.98	24.00

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

SAIFI	9M 2018	9M 2017
Central Maine Power (CMP)	1.39	1.35
NY State Electric & Gas (NYSEG)	0.94	0.85
Rochester Gas & Electric (RGE)	0.61	0.44
United Illuminating Company (UI)	0.57	0.29

The New England Clean Energy Connect (NECEC) project put forward by Avangrid, CMP and Hydro-Québec, was selected in March as the best solution for supplying clean energy to Massachusetts. With an investment of USD 950 million, the project entails installing a 233 km long HVDC power line between Canada and New England, supplying 1,200 MW of 100% hydroelectric power over 20 years to customers in Massachusetts. During 2018 work is being

carried out towards obtaining the necessary permits to start building in 2019. Most of them have already been requested, and only the local/municipal approval is pending, so it is expected that construction of the line will begin within the planned time frame.

1.3.2 Gas

The number of gas users in the United States is just over one million. At the end of September, 45,198 GWh had been supplied so far in 2018, up 8.7% year on year. This increase was due to lower temperatures than in the previous year.

1.4. Brazil

At the September close, supply points in Brazil reached 13.7 million (+1.4%). The volume of distributed electricity for the first nine months of 2018 was 48,271 GWh, an 2.5% increase compared with last year.

Energy Distributed (GWh)	9M 2018	9M 2017	%
Elektro	13,861	13,426	3.2%
Coelba	17,547	17,098	2.6%
Cosern	4,622	4,608	0.3%
Celpe	12,240	11,981	2.2%

The supply quality indicators of all companies in Brazil have improved compared with 2017. The average customer interruption time (duração equivalente de interrupção por unidade consumidora, DEC) was as follows:

DEC (h)	9M 2018	9M 2017
Elektro	4.82	5.13
Coelba	10.60	14.26
Cosern	8.68	9.98
Celpe	9.78	12.60

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

FEC	9M 2018	9M 2017
Elektro	2.89	3.19
Coelba	4.60	5.88
Cosern	4.13	5.24
Celpe	4.44	5.49

This quarter, work has started on the extension of the SE Fernão Dias for the installation of a 500kV static compensator. It is one of the projects won in the transmission auction of April 2017, which will make it possible to strengthen the stability of the electric capacity flow through the National Interconnected System, from the North of the country to the South-east region. In total, Neoenergia will carry out six projects over the coming years which comprise three static compensators, a 500 kV substation and more than 1,650 km of line, with an estimated investment of BRL 2,800 million.

2. Electricity production and customers

At the end of the third quarter of 2018, Iberdrola's installed capacity totalled 48,985 MW (+1.9%), 60.4% of which is from renewable sources:

MW	9M 2018	Vs. 9M 2017
Renewables	29,592	2.8%
Onshore wind	15,654	1.8%
Offshore wind	544	4.8%
Hydroelectric	12,635	1.5%
Mini-hydroelectric	303	-0.2%
Solar and others	456	280.8%
Nuclear	3,177	-
Gas Combined Cycles	14,007	0.2%
Cogeneration	1,335	7.6%
Coal	874	-
Total	48,985	1.9%

(*) Discrepancies possible due to rounding.

Net electricity production during the period was 109,552 GWh, a 6.9% increase compared with last year, with 42.8% derived from renewable sources:

GWh	9M 2018	Vs. 9M 2017
Renewables	46,874	22.0%
Onshore wind	27,051	9.6%
Offshore wind	1,082	91.6%
Hydroelectric	17,841	41.5%
Mini-hydroelectric	562	69.2%
Solar and others	337	38.4%
Nuclear	17,390	-5.4%
Gas Combined Cycles	38,340	-1.9%
Cogeneration	5,582	12.2%
Coal	1,336	-16.3%
Total	109,522	6.9%

(*) Discrepancies possible due to rounding.

2.1 Spain and Portugal

At the close of the third quarter of 2018, Iberdrola had an installed **renewable capacity** in Spain and Portugal of 15,928 MW, with the following breakdown:

Spain and Portugal	Installed MW Consolidated at EBITDA level ^(*)	MW managed by investee companies ^(**)	Total
Onshore wind ^(***)	5,615	244	5,860
Hydroelectric	9,715	-	9,715
Mini-hydroelectric	301	2	303
Solar and others	50	-	50
Total Capacity^(***)	15,682	246	15,928

[*] IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding.

[**] Includes the proportional MW share

[***] Includes 92 MW from Portugal

Of the renewable installed capacity at the end of the third quarter, Iberdrola consolidates 15,682 MW and manages 246 MW through its investee companies.

Work has continued on the Chimiche II (Tenerife) wind farm, with a capacity of 18 MW, of which a total of 15.8 MW have already been installed, and which is expected to be commissioned before the end of the year.

Elsewhere, approval has been given for the construction of the 391 MW Núñez de Balboa solar PV plant in Badajoz, where work is set to start in the last quarter of 2018.

Renewable output reaches 20,390 GWh, as follows:

Spain and Portugal	GWh Consolidated at EBITDA level ^(*)	GWh managed by investee companies ^(**)	Total
Onshore wind ^(***)	8,397	315	8,712
Hydroelectric	11,062	-	11,062
Mini-hydroelectric	556	6	562
Solar and others	54	-	54
Total Production	20,069	321	20,390

[*] IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

[**] Includes the proportional GWh share

[***] Includes 151 GWh in Portugal

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

- Onshore wind production increased by 4.0% compared with the nine month period of 2017, totalling 8,712 GWh produced.
- Hydroelectric production amounted to 11,062 GWh, representing a growth of 71.4% compared with the same period of the previous year, returning to production levels similar to those of the last 18 years. As at 30 September 2018, hydroelectric reserve levels were at 41.3% (equivalent to 4,655 GWh), up by 11 bp compared with the nine month period of 2017.
- On the other hand, mini-hydro plant production totalled 562 GWh, up 69.2% from the same period of the previous year.

In Portugal, the work carried out at the Tâmega hydroelectric complex stands out, which is now due to be completed in 2023. Located in the north of Portugal, it will comprise three large dams: Alto Tâmega, Daivões and Gouvães, and will have an electrical energy generation capacity of 1,158 MW, producing more than 1,766 GWh of energy per year. With an investment of EUR 1,500 million, the new capacity contributes the equivalent of 6% of the installed capacity in Portugal, being able to prevent the emission of 1 million tons of CO₂ to the atmosphere. Iberdrola aims to revitalise the surroundings of the project by creating 13,500 jobs and dedicating EUR 50 million to social, cultural and environmental actions.

The concreting work for the Daivões dam is going to schedule, with more than 20% of the concrete already having been laid. Furthermore, work has started on the assembly of the turbines at the plant.

At the Gouvães site, the excavation work is practically finished, and assembly has started on the four reversible pump turbines.

At the Alto Tâmega site, more than 50% of the excavation for the dam has been completed, and

there are plans to divert the river Tâmega over the next few days.

The development of this pumping infrastructure shows Iberdrola's commitment to this technology, the most efficient, large-scale energy storage method currently available. Iberdrola is a leader in energy storage, with 4,400 MW installed using hydroelectric pumped storage technology.

Thermal capacity and production

At close of the third quarter of 2018, Iberdrola Group's **thermal capacity** in Spain and Portugal totalled 10,098 MW, broken down as follows:

Spain	MW Consolidated installed ^(*)	MW Investee companies ^(**)	Total
Nuclear	3,166	11	3,177
Gas Combined Cycles	5,695	-	5,695
Cogeneration	302	51	353
Coal	874	-	874
Total Capacity	10,036	62	10,098

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

(**) Includes the proportional MW share

Iberdrola's **thermal production** during the nine month period of 2018 dropped by -0.5% compared with the same period last year, to 23,471 GWh. The trend broken down by types of technology is as follows:

- Nuclear production reached 17,390 GWh, representing a decline of -5.4%.
- Combined cycle production rose by +77.2% to 2,923 GWh.
- Cogeneration plants registered a drop in production of -7.1% to 1,822 GWh.
- Coal-fired thermal power stations reached 1,336 GWh, a drop of -16.3% compared with the same period of last year.

Of the 23,471 GWh produced, Iberdrola consolidated 23,181 GWh at EBITDA level, with 289 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	17,333	57	17,390
Gas Combined Cycles	2,923	-	2,923
Cogeneration	1,590	232	1,822
Coal	1,336	-	1,336
Total Production	23,181	289	23,471

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

(**) Includes the proportional MW share

Retail business

As regards retail, as at 30 September 2018, the portfolio managed by Iberdrola totalled 16,969,925 contracts. The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity Contracts	10,134,682	227,723	10,362,405
Gas Contracts	1,015,956	28,661	1,044,617
Contracts for other products and services	5,276,437	286,466	5,562,903
Total	16,427,075	542,850	16,969,925

By market type they can be split into the following:

	España	Portugal	%
Liberalised market	12,945,394	542,850	79%
Last Resort	3,481,681	-	21%
Total	16,427,075	542,850	100%

Iberdrola's electricity sales in Spain and Portugal in the nine month period of 2018 came to 73,900 GWh, of which 46,300 GWh were sold on the deregulated market, 6,500 GWh correspond to energy at the voluntary price for small consumers (PVPC) and 21,100 GWh to other markets.

With regard to gas, in the nine-month period of 2018 Iberdrola managed a total gas production of 3.43 bcm, of which 1.76 bcm were sold in wholesale

transactions, 1.08 bcm were sold to end customers and 0.59 bcm went towards electricity production.

2.2. United Kingdom

Renewable capacity and production

At the end of the third quarter of 2018, the installed renewable capacity in the United Kingdom totalled 2,666 MW:

United Kingdom	Installed MW Consolidated at EBITDA level ^(*)	MW managed by investee companies ^(**)	Total
Wind	2,085	15	2,100
Onshore wind	1,891	15	1,906
Offshore wind ^(***)	194	-	194
Hydroelectric	566	-	566
Total Capacity	2,651	15	2,666

^(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding.

^(**) Includes the proportional MW share.

^(***) Only includes West of Duddon Sands.

Of this capacity, 2,651 MW were consolidated and 15 MW were managed through investee companies.

In terms of **renewable production**, this totalled 3,540 GWh in the United Kingdom with the following breakdown:

United Kingdom	GWh Consolidated at EBITDA level ^(*)	GWh managed by investee companies ^(**)	Total
Wind	3,138	16	3,153
Onshore wind	2,631	16	2,647
Offshore wind ^(***)	506	-	506
Hydroelectric	387	-	387
Total Production	3,524	16	3,540

^(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding.

^(**) Includes the proportional GWh share.

^(***) Only includes West of Duddon Sands.

- Offshore wind production reached 2,647 GWh, up 11.2% compared with the previous year, with a greater average operating capacity (+8.1%, +142 MW) as well as a higher load factor (+0.6 bp).
- Offshore wind production dropped by 10.4%, amounting to 506 GWh, due to a lower load factor (+0.6 bp).
- Hydroelectric production dropped by 19.3% to 387 GWh, compared with 480 GWh for the same period of 2017.

Currently, the renewables business is **developing offshore wind projects** in the United Kingdom, with the **East Anglia projects** on the North Sea standing out especially.

The **East Anglia 1** project is fully in the construction phase. Progress is being made on the onshore substation that will connect the project to the national grid. Prysmian (Italy) has already completed the production of the onshore cable, and installation works have already started on site.

The manufacturing works have been completed in several locations: Navantia (Spain) has manufactured the offshore substation and 42 jackets together with Windar (Spain), on which the turbines will be installed. The remaining jackets are being completed in the Netherlands and Belfast. On the other hand, the installation process for the first marine cable continues its course, and will be completed in 2018.

Preparation work has started for the commissioning of the offshore substation once it has been installed. Furthermore, works continue on the installation of the foundations, which will finish in 2019, and on which Siemens Gamesa (Spain) will install the 102 turbines of 7MW, expecting to start in mid-2019. Also, during 2019, work will start on the marine cable installation between turbines.

Thermal capacity and production

In the United Kingdom **thermal capacity** at the end of September 2018 was of 2,000 MW in combined gas cycles.

With regard to **production** from Iberdrola's electricity generation using gas in the United Kingdom, it rose by -13.1% during the nine month period of 2018 to 4,424 GWh, compared with 5,093 GWh in the same period of the previous year.

The market quota of the generation business in the nine month period continued at similar levels to those of last year, at 4%.

Retail business

As regards **retail**, in Q3 customers were supplied 15,919 GWh of electricity and 19,859 GWh of gas, compared with 17,015 GWh of electricity and 20,575 GWh of gas supplied in the same period of 2017.

At end of Q3 2018, Scottish Power had 2.88 million electricity customers and 1.90 million gas customers.

Also, smart meters continue to be installed across the United Kingdom, reaching an accumulated total of more than 1,080,000 meters installed as at 30 September 2018.

2.3. United States (AVANGRID)

Renewable capacity and production

At the end of the third quarter of 2018, the **renewable capacity** installed in the United States totalled 6,713 MW, broken down as follows:

USA	Installed MW Consolidated at EBITDA level ^(*)	MW managed by investee companies ^(**)	Total
Onshore wind	6,305	161	6,466
Hydroelectric	118	-	118
Solar (PV+TM) & others	129	-	129
Total Capacity	6,552	161	6,713

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

(**) Includes the proportional MW share

The Company is present in 21 states, with a total of 6,713 MW installed onshore wind capacity, of which 161 MW are managed through investee companies.

Installed capacity increased by 4.6%, due to additional capacity brought on line after finishing the Desert Wind project (208 MW), which has a PPA signed with Amazon in North Carolina; El Cabo (298 MW) in New Mexico; and the wind farms of Deerfield (30 MW) in Vermont and Twin Buttes II (75 MW) in Colorado, in December. In California, the Tule wind farm (131 MW) entered into commercial operation in the month of January 2018.

During this quarter, works started on Montague wind farm (201 MW, Oregon), Otter Creek (158.2 MW, Illinois), Karankawa (288 MW, Texas), Coyote Ridge (97.4 MW, South Dakota), and the projects of Tatanka (97 MW, South Dakota) and La Joya (166 MW, New Mexico). Lastly, Patriot's works in Texas (226 MW), whose consolidation will be effective on the date of commercial operation (COD).

As regards photovoltaic energy, in 2017 works finished in the state of Oregon on Gala wind farm (56 MW), and in the third quarter of this year, works on W'y East, with a capacity of 10 MW, were also completed. Both installations are now in commercial operation.

Regarding **developing offshore wind projects** in the United States, Iberdrola entered the North American offshore wind market beginning of 2017 through its subsidiary Avangrid Renewables, through two operations. On the one hand, the purchase of 50% of the company Vineyard Wind, owner of the rights to a wind farm on the coast of Massachusetts, 15 miles south of Martha's Vineyard Island, with a potential of up to 3 GW of generation projects. On the other hand, with the award of rights for the development of another project called Kitty Hawk, on the North Carolina coast, with a potential of up to 2.5 GW of generation projects.

Iberdrola, together with its partner in the project (Copenhagen Infrastructure Partners), participated in December 2017 in the tender organized by the State of Massachusetts for the award of PPAs with local distributors for the Vineyard Wind project. This project was the only one selected last May 23 to negotiate the PPAs with the Massachusetts distributors for a total capacity of 800MW. Most of the licences have been obtained, with only the following outstanding:

APPROVAL	Beginning	End (expected)
Environmental Protection Agency Air Permit	August 2018	Q3-Q4 2019
Federal Aviation Administration - No Hazard Determination	December 2018	Q1-Q2 2019
U.S. Army Corps of Engineers Section 10/404 Permit	November 2018	Q3-Q4 2019
Environmental Impact Report (EIR) FINAL	November 2108	January 2019
MA Energy Facilities Siting Board (EFSB)	December 2017	April 2019
Natural Heritage & Endangered Species Program - conservation	February 2018	May 2019
Other state permits	October 2018	July 2019
Grid Connection Application - Barnstable 800 MW	November 2106	Q1-Q2 2019

These PPAs are pending the approval of the American regulator, which is expected in the first quarter of 2019.

The wind farm would enter the construction phase in 2019 with the goal of having 400MW operational before the end of 2021 and the second 400MW during the first half of 2022.

Vineyard Wind would thus become the first large-scale offshore wind farm in the United States.

As for **renewable production** in the United States, this amounts to 13,127 GWh, of which 12,734 GWh are consolidated at EBITDA level and 393 GWh by the equity method.

USA	GWh Consolidated at EBITDA level ^(*)	GWh managed by investee companies ^(**)	Total
Onshore wind	12,255	393	12,648
Hydroelectric	203	-	203
Solar (PV+TM) & others	276	-	276
Total Production	12,734	393	13,127

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

(**) Includes the proportional GWh share

In terms of trends broken down by technologies:

- Onshore wind production totalled 12,648 GWh, increasing by 13.1% compared with that recorded in 2017.
- Hydroelectric production dropped by 31.1% to 203 GWh, from 295 GWh in the 9M period of 2017.
- Production of solar power and others (including 61 GWh of fuel cells) increased by 61.6%, to 276 GWh.

2.4. Mexico

Renewable capacity and production

At the September 2018 close, the **renewable capacity** installed in Mexico totalled 663 MW, broken down as follows:

Mexico	MW ^(*)
Onshore wind	393
Solar and others	270
Total Production	663

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

Construction of a total of 270 MW of solar PV capacity has been ongoing: Santiago (170 MW) in San Luis de Potosí and Hermosillo (100 MW) in Sonora; panels have been installed and are currently being brought on line. It is expected that the plant will begin sending power to the grid in the last quarter of 2018.

Turning to wind energy, work has started on the Pier project (221 MW) in Puebla, with the first wind turbines now in place (26 MW). Additionally, construction was approved for a total of 105 MW of onshore wind energy in Santiago, in the state of San Luis de Potosí, the works for which started in April, expected to be completed before the end of the year.

Furthermore, two PV projects have been approved: Cuyoaco, 200 MW in the state of Puebla, and Apaxco, 190 MW in the state of Mexico, with works for these starting in the first half of 2019.

The **renewable production** generated during the period was 795 GWh, up 30.7% from the nine month period of 2017, due to an improvement in operating conditions compared with last year.

Thermal capacity and production

In Mexico, **thermal capacity** at the end of the third quarter of 2018 was 5,914 MW, broken down as follows:

Mexico	GWh ^(*)
Gas Combined Cycles	5,568
Cogeneration	346
Total	5,914

(*) IFRS 11, figures rounded to the nearest unit

In 2018, it is worth noting the entry into commercial operation of the Bajío cogeneration plant (52 MW) on 1 February 2018, and the entry into commercial operation of MXL at Monterrey IV, providing more than 22 MW extra to the plant for its sale to private customers.

The following combined cycle plants are currently being implemented:

Mexico	MW
Escobedo	878
Topolobampo II	911
El Carmen	866
Topolobampo III	779
TOTAL	3,434

Of these plants, the Escobedo combined cycle plant will be added to the installed capacity available before the end of 2018. Likewise, for the cycles at Carmen and Topolobampo II in 2019, and for the combined cycle plant at Topolobampo III in 2020.

The development of the new projects consolidates Iberdrola's position in Mexico as the second company after the CFE, and the first private company.

Thermal production in Mexico during the nine month period of 2018 has been higher than 30 TWh, with levels slightly below those of the previous year (-4.7%).

2.5. Brazil

Renewable capacity and production

In Brazil, Iberdrola has an installed **renewable capacity** of 2,751 MW, broken down as follows:

Brazil	MW ^(*)
Onshore wind	516
Hydroelectric	2,236
Total Capacity	2,751

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

At the end of August 2017, the corporate restructuring of Elektro and Neoenergia was completed, with Iberdrola obtaining a majority stake in the new incorporated company. As a result, Iberdrola went on to consolidate at EBITDA level the 276 MW that were managed in investee companies, with 150 MW corresponding to the wind farms of Calango I (30 MW), Calango IV (30 MW), Calango V (30 MW), Caetité I (30 MW) and Caetité II (30 MW), installed during 2012 and 2013; 84 MW corresponding to the wind farms of Calango VI (30 MW), Santana I (30 MW) and Santana II (24 MW) and an additional 42 MW corresponding to the wind farms of Canoas (31.5 MW), and Lagoa 1 (10.5 MW). To this must be added an additional 21 MW of Lagoa 1 and 31.5 MW of Lagoa 2, which came into commercial operation at the end of 2017.

Furthermore, approval was obtained for the construction of a total of 15 projects, for a total of 472 MW of wind energy in the state of Paraíba.

As for hydroelectric energy, the Baixo Iguaçú power plant in the state of Paraná, in the south of the country, is in the final stage of construction. The plant has an installed capacity of 350.2 MW with three generators and an average generation power of 171.3 MW. The works are progressing as expected for its commissioner in the first quarter of 2019

As regards the **renewable production** during the nine month period of 2018, it totalled 7,679 GWh, increasing by 15.2%.

Brazil	GWh ^(*)
Onshore wind	1,489
Hydroelectric	6,190
Total Production	7,679

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding.

2.6. Rest of the World

Renewable capacity and production

Installed **renewable capacity** in the rest of the world totalled 869 MW with the following breakdown (included here is the offshore project of Wiking):

Rest of the World	MW ^(*)
Onshore wind ^(**)	513
Offshore wind	350
Solar	6
TOTAL	869

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

(**) Excludes 92 MW from Portugal

In the Baltic Sea, at the beginning of the year Iberdrola completed the installation and commissioning of the Wiking wind farm with an installed capacity of 350 MW, which is already in operation.

In France and Germany, the renewable business is developing **offshore wind projects**. With respect to projects in France, in April 2012, the consortium formed by Iberdrola, RES and Caisse des Dépôts (“Ailes Marines”), received from the French Government the concession of exclusive rights for the operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 496 MW. In April 2017, the project was granted all the necessary permits, allowing the pre-FID phase to begin with the geotechnical studies campaign (already completed). At the end of 2017, the project received approval from the statutory bodies for the use of Siemens-Gamesa D8 wind turbines instead of Adwen AD8. Finally, in 2018, the French Government decided to negotiate the feed-in tariff for the 6 offshore wind projects under development in France, including Saint-Brieuc. This process has already concluded and the agreement reached between the French State and Ailes Marines will be formalized in the coming weeks. As for the projects in Germany, in April of this year, Iberdrola participated in the 2018 offshore wind auction, submitting bids for its **Baltic Eagle**, **Wiking Süd** and **Windanker** projects, being awarded 476 MW in Baltic Eagle and 10 MW in Wiking Süd. In this way, it ensures about a third of the total capacity auctioned (1,600 MW), whose entry into operation is expected to be in 2023.

Furthermore, approval has been granted for the construction of the onshore wind farm of Pyrgari, with a capacity of 16 MW, in Greece.

Onshore wind power is broken down as follows:

Rest of the World	MW ^(*)
Greece	255
Cyprus	20
Hungary	158
Romania	80
Total	513

(*) IFRS 11, figures rounded to the nearest unit. Discrepancies possible due to rounding

In terms of **renewable production** in the nine month period of 2018, this came to 876 GWh with the following breakdown:

Rest of the World	GWh ^(*)
Onshore wind ^(**)	761
Offshore wind	576
Solar	7
Total Production	1,343

(*) Discrepancies possible due to rounding

(**) Excludes 151 Gwh in Portugal

3. Other aspects

3.1. General Shareholders' Meeting

Iberdrola's General Shareholders Meeting held on 13 April 2018 was constituted with the attendance of a total of 4,898,755,240 shares (299,309,603 in person and 4,599,445,637 represented), reaching a quorum of 76.1% of the share capital (4.65% present and 71.44% represented).

All resolutions proposed by the Board of Directors were approved, with an average approval rate of 98.5%.

3.2. Shareholder remuneration

On 23 October 2018, the Board of Directors of Iberdrola agreed to implement the second edition of the "Iberdrola Retribución Flexible" program corresponding to fiscal year 2018.

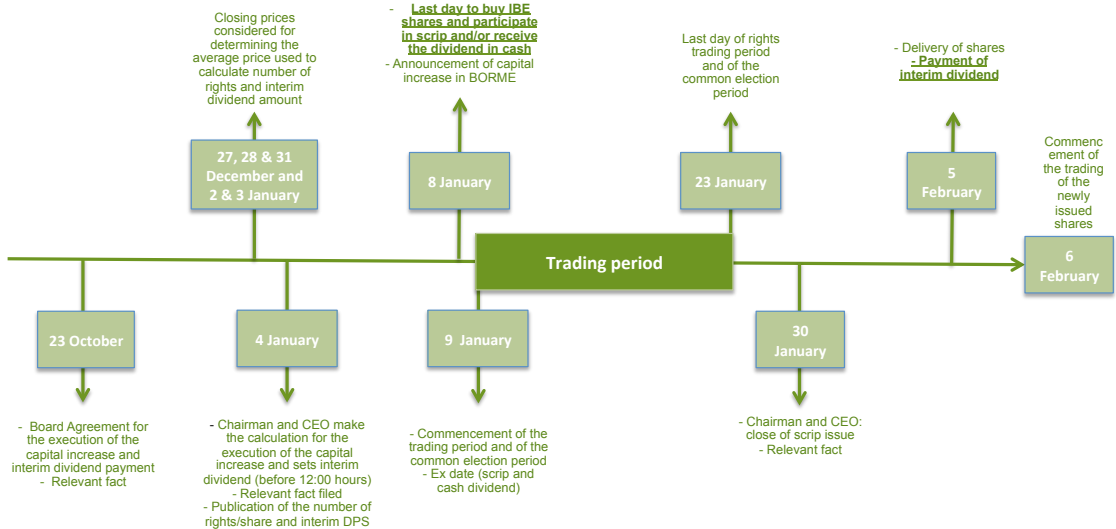
To this end, the Company's Board of Directors has set the gross amount of the interim dividend per share at at least 0.150 euros (7.1% higher than in 2017). To this amount will be added the Gross Interim dividend, once approved at the General Shareholders' Meeting (to be paid in July 2019).

This "Iberdrola Retribución Flexible" system allows Iberdrola shareholders to choose between the following options (or combine them, the value of the remuneration to be received being equivalent):

- i. Receive newly issued Iberdrola shares;
- ii. Sell all or part of the free allocation rights in the market;
- iii. Receive cash by means of the payment of the Supplementary Dividend.

Iberdrola also reaffirms its commitment to keep the number of shares at 6,240 million to avoid the dilution of shareholders' stock. In this respect, approval was given at the last General Shareholders' Meeting to redeem the assets shares needed to achieve this objective.

“Iberdrola Retribución Flexible” program: January 2019





Analysis of the consolidated profit and loss account

The most notable Results figures for the nine month period of 2018 are as follows:

EUR million	Jan-Sept 2018	Jan-Sept 2017	%
REVENUES	26,282.6	21,955.9	19.7%
GROSS MARGIN	11,336.1	9,740.6	16.4%
EBITDA	6,719.7	5,486.4	22.5%
EBIT	3,836.4	3,001.3	27.8%
NET OPERATING PROFIT	2,051.3	1,481.3 ^(*)	38.5%
NET PROFIT	2,090.9	2,416.6	-13.5%

(*) 2017 excludes positive one off net of taxes impacts of Gamesa merger, Brazil corporate reorganisation capital gain and portfolio price revision in Spain

In the nine month period of the 2018, the operating results show an acceleration since the first half of the year, with a 22.5% growth of the EBITDA compared with 17.1% at the end of June, thanks to the good performance of all businesses.

Neoenergía's global consolidation as from 24 August 2017, following the completion of its merger with Elektro, through which Iberdrola now has a 52% stake in the new group, provided EUR 571.3 million* to the EBITDA in the nine month period. On the other hand, the exchange rate deducts a total of EUR 312.4 million.

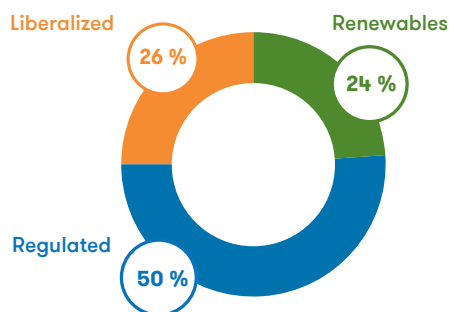
From an operational perspective, the Networks business benefits from the positive rate agreements in the United States and Brazil. The Renewables business has improved its results thanks to a rise in onshore wind production in all countries, with a higher average installed capacity and greater wind resource, as well as the contribution of the Wikinger offshore wind farm, which is now fully operational following the gradual entry into operation during the first quarter. The increase in hydroelectric production in Spain and Brazil also played a part. For its part, the Generation and Supply business accelerated its growth since the close of June thanks to the improvement of the business in the United Kingdom and Mexico, which offsets the extraordinary positive impact accounted for in

2017 due to the review of the gas contracts.¹

Gross Margin

Gross Margin rose to EUR 11,336.1 million, up by 16.4% compared with that obtained in the nine month period of last year, given that the consolidation of Neoenergía (EUR 975 million) offsets the negative impact of the exchange rate (EUR 324 million).

Gross Margin by business



This performance is mainly the result of the following:

- **The Networks business** increased by 17.4% compared with 2017, to EUR 5,705.0 million.
 - In Spain it totalled EUR 1,609.4 million (+7.8%), due to higher recognised income (+EUR 109 million) deriving from the positive re-settlements of previous years and a higher level of compensation in connection with the favourable court ruling on facilities transferred to customers (ICAs), including a positive extraordinary impact of EUR 53 million from the amount corresponding to 2016.
 - The United Kingdom contributed EUR 896.9 million (+4.2%) thanks to the rise in transmission and distribution revenues, despite being negatively affected by the depreciation of the pound.

* Includes fx rate

- The United States' contribution during the period is EUR 2,068.7 million (-1.2%), due to the depreciation of the dollar – given that in local currency it increased by 5.7%, as the rate agreements in force and positive IFRS adjustments offset the negative impact of rate adjustments corresponding to the tax reform and storms cost.
- The Gross Margin in Brazil is at EUR 1,130.0 million (EUR +718.9 million); this increase is due to the merger of the businesses of Elektro and Neoenergia (EUR +598 million) as from 24 August 2017, and includes the rate review of Coelba (+16.95%) and Cosern (+15.61%) since May 2018, as well as a greater demand in Elektro (+3.5%). This business is also negatively affected by the depreciation of the Brazilian real (EUR -71 million).
- **The Renewables business (wind, solar and others)** posted a Gross Margin of EUR 2,679.8 million (+29.7%).
 - In Spain, it totalled EUR 1,220.5 million (+34.8%) thanks to greater wind production (+4.1%) and hydroelectric production (+71.4%).
 - The Gross Margin in the United Kingdom was up by 11.7% to EUR 409.0 million, due to an increased onshore wind production (+19.8%) and load factor (+0.6 p.p.), together with better prices and higher ROCs.
 - United States contributed EUR 651.2 million (+5.9%) as a result of the greater production (+12.7%) thanks to the higher average operating capacity (+8.0%, +459.7 MW) and load factor (+1.2 p.p.) and some positive one-off effects, affected by the depreciation of the dollar (EUR -45 million).
 - Brazil contributed 149.1 M Eur due to the increase in onshore wind and hydroelectric production, thanks to the new power commissioned and to the corporate reorganisation (920 MW overall).
 - Mexico increased by 23.2% to EUR 57.1 million, thanks to a higher production (+30.7%) which exceeds the depreciation of the dollar.
- The Rest of the World's contribution totals EUR 192.9 million (+109.8%) thanks to an increase in production as Wikinger was gradually brought on stream in the first quarter. This wind farm is now fully operational (350 MW).
- **The Generation and Supply business** increased by 5.7%, totalling EUR 2,936.3 million.
 - Spain's contribution came to EUR 1,736.1 million (-1.3%) because of the recognition of a positive impact in the nine month period of 2017 of the extraordinary price review of gas contracts that lead the Gross Margin of this activity to be reduced by EUR 91.3 million, as recurrent activity is developing favourably.
 - The United Kingdom's Gross Margin totalled EUR 625.2 million (+24.7%) due to the normalisation of margins and operating conditions, the continued roll-out of smart meters, and the contribution of capacity payments, despite it being affected negatively by the depreciation of the pound (25.7% increase in local currency).
 - Mexico contributed EUR 491.0 million to the Gross Margin (0.5%) due to the depreciation of the dollar (-6.9%), given that stripping out this effect, the contribution was up 7.4% thanks to an improvement in performance of the generation assets, the recovery of the CFE rate and the new installed capacity for cogeneration (Altamira and Bajío).
 - Brazil's contribution to the Gross Margin was at EUR 84.0 million compared with EUR 29.0 million a year earlier. This difference is due to the consolidation of Neoenergia.
- The contribution of **Other Businesses** stands at EUR 47.8 million versus EUR 72.5 million in the nine month period of 2017, following the discontinuation of the Engineering business at year-end 2017 and the sale of the gas trading and storage business in the United States during 2018.

2. Gross Operating Result - EBITDA

Consolidated EBITDA rise by 22.5% versus the nine month period of 2017, to EUR 6,719.7 million.

In addition to the previously mentioned Gross Margin, we have to add the Net Operating Expense which increased by 10.7% (EUR 298.3 million) to EUR 3,092.1 million, mainly affected by the consolidation of Neoenergia (EUR 400 million), partly offset by the change in exchange rate (EUR 102 million). Stripping out these impacts, the Net Operating Expense remains unchanged (EUR 0.4 million; +0.0%).

The Taxes item increased by 4.4% to EUR 1,524.4 million, due to higher taxes on generation in Spain as a result of higher production, which more than offset the effect of the exchange rate (EUR 28.4 million) and lower taxes in US networks (EUR 8 million).

3. Net Operating Result - EBIT

EBIT was EUR 3,836.4 million, 27.8% higher in comparison with the nine month period of 2017

Amortisation and Provisions increased by 16.0%, totalling EUR 2,883.3 million:

- Amortisation grew by 14.6% to EUR 2,659.6 million, due to the increase in the Group's activity and the consolidation of Neoenergia.
- Provisions totalled EUR 223.7 million (+36.2%), primarily because of the corporate reorganisation in Brazil (EUR 32 million).

4. Financial result

The net financial result was EUR -863.6 million compared with EUR -639.2 million a year earlier:

1. The average cost of debt on a comparable basis (not considering the restructuring in Brazil) stayed at similar levels, although the increase in average debt to EUR 1,204 million translates into a debt result that is EUR 26.2 million higher than that of last year, of which EUR 19 million are due to the accounting reclassification of IFRS 9.
2. The positive result for exchange differences, derivatives and others decrease, largely because of several non-recurring contingencies recorded last year (mainly default interest recognised in legal decisions) resulting in lower results.

3. The higher contribution to the financial result of the restructuring in Brazil accounts for an impact of EUR -148.8 million.

Financial result	9M 2018	9M 2017	Diff.
Debt result	-714.7	-688.5	-26.2
Exchange differences, derivatives and others	23.1	72.4	-49.4
Restructuring Brazil	-172.0	-23,2	-148.8
Total	-863.6	-639.2	-224.4

5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method improved and increased to EUR 0.3 million compared with EUR -28.9 million as at close of September 2017 due to the improvement of the Engineering result compared with last year, accounted for in this item after having discontinued this activity at close of 2017. Neoenergia went on to consolidate globally rather than by the equity method on 24 August 2017.

6. Income from Non-current Assets

Income from Non-current Assets totalled EUR 22.6 million compared with EUR 759.3 million in the nine month period of 2017, which registered the merger operation of Gamesa and Siemens Wind (EUR 255 million), including EUR 198 million corresponding to the extraordinary merger dividend, as well as the surplus of EUR 520 million due to the reorganisation in Brazil.

7. Net Profit

Lastly, Net Profit stood at EUR 2,090.9 million, down 13.5% compared with the close of September 2017, because of the aforementioned recognition of the extraordinary impact of the Gamesa-Siemens merger and the Neoenergia surplus, which has not had any effect in this financial year. **Net Ordinary Profit**, excluding Gamesa and Neoenergía's non-recurring results, as well as the gas contracts review, went up by 38% to EUR 2,051.3 million

5.

Results by business

1. Networks Business

The key figures for the Networks business are as follows:

(EUR million)	9M 2018	vs 9M 2017
Revenues	9,854.2	40.0%
Gross margin	5,705.0	17.4%
EBITDA	3,642.3	17.8%
EBIT	2,285.4	16.5%

The Network business's EBITDA is up 40.0% at EUR 9,854.2 million, increasing its contribution by EUR 550.2 million thanks to an improvement across all geographical areas, after stripping out the exchange rate effect.

1.1 Spain

(EUR million)	9M 2018	vs 9M 2017
Revenues	1,622.4	8.2%
Gross margin	1,609.4	7.8%
EBITDA	1,313.1	10.9%
EBIT	920.3	15.5%

a) Gross Margin

The Gross Margin of the Networks Business in Spain has risen 7.8% to EUR 1,609.4 million. This is primarily due to higher recognised income (+EUR +109 million) deriving from the positive re-settlements of previous years and a higher level of compensation in connection with the favourable court ruling on facilities transferred to customers (ICAs), including a positive extraordinary impact of EUR 53 million from the amount corresponding to 2016.

b) Operating Profit / EBIT

EBITDA in this business amounted to EUR 1,313.1 million, representing a 10.9% increase. Net Operating Expenses dropped by 5.8% to EUR 227.1 million, mainly due to the efficiency plan.

EBIT for the Networks Business in Spain totalled EUR 920.3 million (+15.5%). Amortisation and Provisions totalled EUR 392.8 million (+1.3%) due to new assets commissioned.

1.2 United Kingdom

(EUR million)	9M 2018	vs 9M 2017
Revenues	936.5	4.5%
Gross margin	896.9	4.2%
EBITDA	667.8	3.4%
EBIT	438.9	-0.4%

a) Gross Margin

The Gross Margin of the Networks business in the United Kingdom (ScottishPower Energy Networks-SPEN) totalled EUR 896.9 million (+4.2%), due to greater revenue from transmission and distribution. The effect of the exchange rate deducted EUR 7 million, with the increase in Gross Margin in local currency being 5%.

b) Operating Profit / EBIT

EBITDA totalled EUR 667.8 million (3.4%; +4.2% in local currency), with a rise in Net Operating Expenses of 8.4% to EUR 150.3 million, due to increased business activity and less capitalizable costs. Taxes rose by 3.8% to EUR 78.8 million, with higher expenses influenced by greater activity.

Amortisation and Provisions totalled EUR 229.0 million (+11.6%, +12.5% in local currency), mainly due to the new assets commissioned, especially the Western Link undersea interconnection project.

1.3 United States-AVANGRID

(EUR million)	9M 2018	vs 9M 2017
Revenues	3,095.0	1.3%
Gross margin	2,068.7	-1.2%
EBITDA	968.1	-4.0%
EBIT	535.7	-10.0%

a) Gross Margin

The Gross Margin fell by 1.2% to EUR 2,068.7 million because of a sharp depreciation of the dollar; stripping out the exchange rate effect, the Gross Margin would have risen 5.7% thanks to higher revenues due to the rate agreements in New York and Connecticut and positive IFRS adjustments. In the third quarter, the rate adjustment resulting from the tax reform starts to be accounted for.

b) Operating Profit / EBIT

EBITDA of the Networks Business in the United States stands at EUR 968.1 million (-4.0%, +2.6% in local currency). Aside from the aforesaid change in Gross Margin, there was a rise in the Net Operating Expense of EUR 757.1 million (6.7%) because of the cost of the storms during the year (EUR 50 million), partly offset by the depreciation of the dollar (EUR 52 million). On the other hand, Taxes fell by 8.3% to EUR 343.6 million off the back of the dollar's depreciation, and a property tax timing difference in the US, which will be adjusted over the year, and by a decrease in taxes in New York.

EBIT totalled EUR 535.7 million (-10.0%), following the deduction of Amortisation and Provisions totalling EUR 432.4 million and increasing (+4.5%) due to the greater number of assets in operation and to the adjustment in the accounting criteria for bad debt provisions.

1.4. Brazil

(EUR million)	9M 2018	vs 9M 2017
Revenues	4,200.2	164.1%
Gross margin	1,130.0	174.9%
EBITDA	693.2	174.2%
EBIT	390.5	203.5%

At the end of the nine-month period of 2018, the consolidation of Neoenergía, stripping out the exchange rate effect, contributed EUR 786.3 million to the Networks Business at Gross Margin level, and EUR 468.8 million at EBITDA level.

a) Gross Margin

The Gross Margin increased by EUR 718.9 million to EUR 1,130.0 million at close of September 2018, thanks to the consolidation of Neoenergía, including the positive impact of the rate review of Coelba and Cosern since May 2018 (+16.95% and +15.61% respectively), as well as the greater demand in Elektro (+3.5%). The effect of the exchange rate deducted EUR 71.3 million.

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 693.2 million, a EUR 440.5 million improvement.

Net Operating Expenses totalled EUR 433.1 million, affected by the corporate reorganisation (EUR 314 million), which are offset by the achieved efficiencies and the impact of the depreciation of the real (EUR 24.6 million).

Amortisation and Provisions amounted to EUR 302.8 million (EUR 178.7 million), also affected by the consolidation of Neoenergía (EUR 203.9 million).

As a consequence of this, EBIT was at EUR 390.5 million.

2. Renewables Business

(EUR million)	9M 2018	vs 9M 2017
Revenues	3,007.2	29.6%
Gross margin	2,679.8	29.7%
EBITDA	1,756.7	38.1%
EBIT	945.1	69.9%

a) Gross Margin

At the close of the nine month period of 2018, the Gross Margin stood at EUR 2,679.8 million, a 29.7% increase compared with the same period of 2017.

By technologies, this increase is mainly explained by the increase in the contribution of hydroelectric power, thanks to the normalisation of its production during 2018, and a greater wind energy production in all our countries, as well as the contribution of Wikinger´s offshore wind farm which is already fully operational after the progressive entry into operation during the quarter semester.

The main explanatory factors for the variation in the consolidated Gross Margin show the following changes:

- **Average operating capacity** during the period grew by 4.9% thanks to the increases in the wind capacity in the United States (459.7 MW) and the United Kingdom (142.3 MW), and the increase in onshore wind and hydroelectric capacity in Brazil (920 MW overall, both as a result of the new capacity put into operation and the reorganisation of the company). This growth, coupled with the greater number of hours in operation of most renewable technologies (+23.7% compared with the same period of 2017), boosted production by 29.7% more than that of the nine month period of 2017, to 40,236.2 GWh (excluding production in farms from investee companies).
- The **average sale price worldwide of renewable production** stands at 66.6 EUR/MWh, staying at the same level as last year, and primarily affected by the sharp depreciation of the Brazilian real

(-17.2%) and US dollar (-6.4%), and to a lesser extent, the British Pound (-0.8%).

- The consolidated **load factor** is at 22.8% at this point in the year, higher compared with the nine month period of 2017 by 4.4 percentage points (p.p.), although with differences according to the technology:

Technology	2018
Onshore wind	26.7%
Offshore wind	33.3%
Hydroelectric	16.8%
Other technologies	27.4%

While the results for the first and second quarters highlighted the recovery and consolidation of the level of hydroelectric reserves in Spain, during this quarter the trend has continued, reaching 41.3% by 30 September 2018.

The trend of the results must be analysed separately for each market in which the Company operates. By geographical area, the Gross Margin has been as follows:

- **Renewables, Spain:** The contribution of the hydroelectric (71.4%) and wind (4.1%) segments in Spain to the Gross Margin is up by 34.8% versus the same period in 2017 at EUR 1,220.5 million. This growth is due to the increase in production (+38.6%) thanks to the normalisation during 2018 of both hydroelectric and wind energy (load factor +0.9 p.p.) production.
- **Renewables, USA:** Gross Margin grew by 5.9% to EUR 651.2 million, thanks to the increase in average operating capacity, both in onshore and solar PV energy (+517.2 MW, +9.0%) and to the increase in operating hours (+4.0%) that boosted total production by 13.4% and positive one-off effects, which offset the depreciation of the US dollar.
- **Renewables, United Kingdom:** The contribution to the Gross Margin of the UK renewables business is up 11.7% on the previous year, to EUR 409.0 million, thanks to the mainly contribution of onshore wind and

hydroelectric, due to a 3.4% rise in production and 8.0% higher average price (8.9% in local currency), despite the depreciation of the pound (-0.8%).

The increase in production is mainly explained by the addition of onshore wind energy capacity, which increased average operating capacity (+142.3 MW, +8.1%), given that the lower wind resource observed in WoDS made the total load factor drop (-0.4 p.p.).

- **Renewables Mexico:** The recovery of wind energy in Mexico during the nine month period of 2018 (+7.8 p.p.) strongly boosts production, which increased by 30.7% compared with last year. In addition to this improvement, the price in local currency also increased (+1.3%), effects that takes the gross margin to EUR 57.1 million, higher by 23.2% compared with the same period of 2017.
- **Renewables, Brazil:** The gross margin grew significantly (+260.4%) to EUR 149.1 million due mainly to corporate reorganisation. On the opposite side of the scale we have the depreciation of the Brazilian real (-17.2%).
- **Renewables, Rest of the World:** The contribution to the Gross Margin to the renewables business reached EUR 192.9 million (+109.8%) due to the increase in total production (+48.2%) resulting from the entry into operation of Wikinger in Germany.

b) Operating Profit / EBIT

EBITDA increased by 38.1% to EUR 1,756.7 million. As well as the aforementioned rise in the Gross Margin (+29.7%), Net Operating Expenses were up 7.7% because of higher personnel expenses and operation and maintenance costs, caused by the growth in the business, along with the corporate reorganisation in Brazil.

Amortisation and Provisions totalled EUR 811.6 million, up 13.4% on the same period in 2017, due to the increase in average wind capacity (8.3%) in the United States, in the United Kingdom and in offshore wind energy in the rest of the world (Wikinger), in addition to the effect of the full consolidation of Neoenergía's wind capacity.

Lastly, taking into account all of the above, EBIT reached the figure of EUR 945.1 million (+69.9%).

3. Generation and supply business

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

(EUR million)	9M 2018	vs 9M 2017
Revenues	15,396.1	11.5%
Gross margin	2,936.3	5.7%
EBITDA	1,325.5	17.4%
EBIT	668.5	17.5%

The Generation and Supply business increased its contribution to the Gross Margin (5.7%) supported by the improvement in the operating environment in the United Kingdom and the recovery of the business in Mexico despite the exchange rate effect. These effects more than offset the accounting of the second quarter of 2017 of a positive impact resulting from the extraordinary price review of gas contracts. On the other hand, corporate restructuring in Brazil had a positive effect on the business accounts.

3.1 Spain and Portugal

(EUR million)	9M 2018	vs 9M 2017
Revenues	9,603.4	7.0%
Gross margin	1,736.1	-1.3%
EBITDA	668.6	-1.6%
EBIT	277.6	-23.6%

a) Gross margin

Iberdrola's Generation and Supply Business in the Iberian Peninsula recorded a 1.3% decline in its Gross Margin to EUR 1,736.1 million, principally due to:

- a 0.5% decline in output caused by the drop in nuclear (-5.7%) and thermal (-17.7%) output,

which could not be offset by the combined gas cycles (+69.3%). In addition, procurement costs go up by 9.0% affecting the gross margin.

- Of the energy generated, 79% was distributed through forward sales while 21% was sold on the spot market.
- The negative impact of the gas business compared with the nine month period of 2017 (EUR -91 million), primarily off the back of the extraordinary price review of our portfolio of supply agreements during 2017.

These effects are partially offset by the increased in the commercial activity, higher electricity sales volume, and a greater contribution from Products and Services.

b) Operating Profit / EBIT

EBITDA fell by 1.6% to EUR 668.6 million. Operating Expenses dropped by 4.1% to EUR 520.9 million, affected by the capitalisation of the costs of attracting new customers, by virtue of the application of the IFRS 15, and lower advertising costs.

Furthermore, the Taxes item increased 1.9%, to EUR 546.7 million, an effect of the generation taxes that do not offset the lower Enresa tax, in line with nuclear production.

The Amortisation and Provisions item increased by 23.7% to EUR 391.0 million, mainly due to the effect of the application of IFRS 15 mentioned above.

As a result of all of the above, EBIT recorded a drop of 23.6%, compared with the same period of 2017, to EUR 277.6 million.

3.2. United Kingdom

(EUR million)	9M 2018	vs 9M 2017
Revenues	3,648.6	9.8%
Gross margin	625.2	24.7%
EBITDA	192.0	N/A
EBIT	16.4	N/A

a) Gross margin

The gross margin of ScottishPower's Energy Wholesale and Retail business was EUR 625.2 million (+24.7%), of which EUR 583 million correspond to the Retail business, EUR 45 million to the Wholesale business and EUR -3 million to the Corporation.

The main reasons for this operating improvement compared with the nine month period of 2017 are as follows:

- Recovery of margins compared with the compression experienced during the same period of 2017
- Positive impact of the smart meters installation process
- Contribution of the payments for capacity

b) Operating Profit / EBIT

EBITDA for the Deregulated Business in the United Kingdom reached EUR 192.0 million, compared with EUR 37.9 million of 2017, boosted by the mentioned movement in the Gross Margin. Furthermore, Net Operating Expenses dropped by 8.0%, favoured by the efficiency measures adopted and the application of IFRS 15, which sees the costs of attracting customers being recognised under Amortisation. As regards Taxes, these remain in line with 2017 (+0.2% in local currency), decreasing slightly when the exchange rate is applied (-0.6%).

Amortisation and Provisions totalled EUR 175.6 million (3.3%), an increase due to a great extent by the application of the aforementioned IFRS 15, and partially offset by the depreciation of the Pound.

As a result, the EBIT contribution totalled EUR 16.4 million compared with the negative contribution of EUR 132.1 million in the nine month period of the previous year.

3.3 Mexico

(EUR million)	9M 2018	vs 9M 2017
Revenues	1,586.8	7.0%
Gross margin	491.0	0.5%
EBITDA	410.2	3.0%
EBIT	335.3	2.6%

a) Gross margin

In Mexico, the Gross Margin totalled EUR 491.0 million (+0.5%), dropping due to the weakening of the dollar, which affects the business by EUR 33.9 million. Eliminating the exchange rate effect, the business grew by 7.4%, supported to a great extent by the good progress of the PIE projects with the CFE, the expected recovery in the private customers rate in 2018 and the entry into operation of the Altamira and Bajío cogeneration plants.

b) Operating Profit / EBIT

EBITDA totalled EUR 410.2 million (3.0%). Net Operating Expenses dropped to EUR 79.2 million (-10.9%), mainly as a result of the exchange rate. The Amortisation and Provisions item increased by 4.8% to EUR 75.0 million. due to the new assets in operation.

As a result of the above, the EBIT for the business reached EUR 335.3 million, representing an 2.6% increase compared with last year.

3.4 Brazil

(EUR million)	9M 2018	vs 9M 2017
Revenues	597.9	N/A
Gross margin	84.0	N/A
EBITDA	54.7	N/A
EBIT	39.3	N/A

The Generation and Supply Business, Brazil has been affected mainly by the consolidation of Neoenergía since 24 August 2017, making it impossible to analyse year-on-year figures.

4. Other Business

In 2017, it was decided to discontinue Engineering and during 2018 the trading and storage division in the USA was sold. Other Businesses include the relevant months for trading and storage in the USA and the entire nine month period for the rest of the gas business in Canada, along with the real estate businesses.

(EUR million)	9M 2018	vs 9M 2017
Revenues	133.2	-34.9%
Gross margin	47.8	-34.0%
EBITDA	22.6	-10.8%
EBIT	15.5	N/A

a) Gross Margin

The Gross Margin was down 34.0% to EUR 47.8 million because of a poorer contribution by the real estate business, the depreciation of the dollar, and the sale of part of the North American business in the first half of the year.

b) Operating Profit / EBIT

EBITDA dropped to EUR 22.6 million, with Net Operating Expenses some 43.7% lower. Amortisation and Provisions fell significantly versus the nine month period of the previous year (-77.2%) because of write-offs in 2017 of the gas business in the USA and Canada. For this reason, the resulting EBIT is EUR 15.5 million compared with EUR -5.8 million at the end of September 2017 (15.5%).

5. Corporation

The Corporation item includes the Group's overheads and the cost of administration services of the corporate areas that are subsequently billed to the other companies.



Balance Sheet Analysis

January-September 2018

	Sept. 2018	Vs. Dec. 2017
TOTAL ASSETS	112,494	1.6%
Fixed assets	65,455	2.1%
Intangible assets	20,478	-3.2%
Long-term investments	4,957	-1.1%
Asjusted net debt	42,540	-0.5%

At 30 September 2018, Iberdrola's Balance Sheet shows Total Assets of EUR 112,494 million, up EUR 1,805 million versus December 2017.

1. Fixed assets

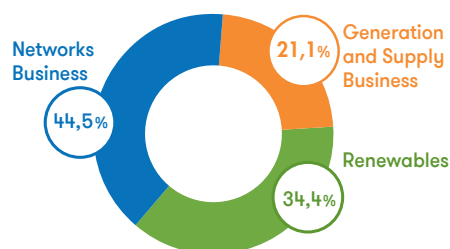
Total net investments for the first nine months of 2018 totalled EUR 3,645 million. The breakdown is as follows:

(EUR Million)	Jan-Sept 2018	%
Networks business	1,576	43.3
Spain	209	
UK	319	
USA	592	
Brazil	457	
Generation and Supply	746	20.5
Spain	153	
UK	147	
Mexico	434	
Brazil	12	
Renewables	1,220	33.5
Spain	173	
UK	415	
USA	235	
Brazil	126	
Mexico	133	
RoW	138	
Corporation and Other Businesses	102	2.7
Total Net Investment	3,645	100%

Investment for the period concentrated on the Networks and Renewables Business^(*), in line with

our strategy. These two businesses account for 78% of the total investment

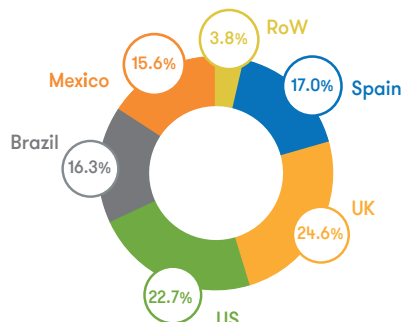
Investments by business* (January-September 2018)



* Excluding Corporate and Other Businesses

The following figure shows the geographical distribution of the investment for the period:

Investments by geographical areas (January-September 2018)



The investment in the Renewables business reached EUR 1,220 million, equivalent to 34% of the total^(*). It is worth noting the EUR 414.7 million invested in the United Kingdom, mainly in the East Anglia 1 offshore wind project.

In the section corresponding to the "Networks Business", most investments were made in the USA and Brazil, affected by the integration of Neoenergía, for total amounts of EUR 591.7 million and EUR 456.7 million, respectively.

2. Share capital

After the implementation of the paid-up capital increase for the Scrip Dividend on July 2018, Share Capital of the Company at 30 September 2018 amounted to 4,798,221,750.00 euros, which consists of 6,397,629,000 shares having a nominal value of 0.75 euro each. It is totally subscribed and paid up.

3. Financial Debt

Adjusted net financial debt at 30 September 2018 is up EUR 681 million at EUR 34,379 million compared to EUR 33,698 million at 30 September 2017, mainly as a result of the strong investment process that the Group is developing.

As a result, adjusted financial leverage increases to 44.5% compared to 44.2% registered at 30 September 2017.

The ratings issued by rating agencies are as follows:

Credit rating of Iberdrola Senior Debt

Agency	Rating	Outlook	Last rating date
Moody's	Baa1	Stable	14 March 2018
Fitch IBCA	BBB+	Stable	8 July 2016
Standard & Poor's	BBB+	Stable	22 April 2016

Regarding the trend in the Company's financial cost, at 30 September 2018 it was at 3.43%, up 32 b.p. from the 3.11% registered as at 30 September 2017.

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

	Sept 2018	June 2017
Euro	43.0%	43.4%
British Pound	19.6%	19.5%
Dollar	28.5%	26.7%
Brazilian Real and other currencies	8.9%	10.4%
Fixed Rate	75.6%	61.9%
Variable Rate	24.4%	38.1%

(*) Net Financial Debt including forwards and swaps.
 (**) Net Financial Debt including Forward Start Swaps (Q3 2018: EUR 4,802 million; Q3 2017: EUR 3,632 million)

In accordance with the policy of minimising the Company's financial risks, the foreign currency risk has continued to be mitigated through the financing of the 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 share of fixed-rate debt continues to rise, sitting at 76% at the end of the first nine months of 2018.

The debt structure* by subordination is shown in the following Table:

	Sept 2018	June 2017
Corporation	66.1%	65.4%
UK	5.6%	6.1%
USA	14.4%	13.8%
Brazil	11.5%	12.6%
Mexico	1.1%	0.8%
Others	1.3%	1.3%
Total	100.0%	100.0%

(*) Gross Financial Debt.

This debt* can be broken down by financing source as follows:

	Sept 2018	June 2017
Euro market	36.7%	37.1%
Dollar market	17.8%	17.5%
British pound market	7.5%	8.0%
Remaining bonds	5.1%	3.5%
Notes	6.3%	5.9%
EIB	6.7%	5.7%
Structured financing	2.0%	1.3%
Bank financing	17.9%	21.0%
Total	100.0%	100.0%

(*) Gross Financial Debt.

At the close of the six-month period, Iberdrola has a robust liquidity position totalling EUR 10,398^(*) million, which is equivalent to 24 months of the Company's financing needs.

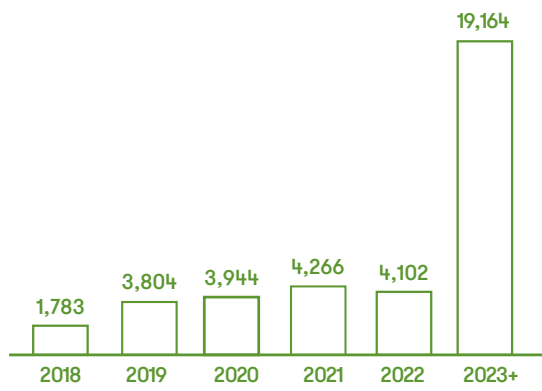
	M Eur
Credit lines	Available (Ex. Neo)
Total credit line	8,979
Cash and IFT	1,419
Total Adjusted Liquidity^(*)	10,398

(*) Does not include Neoenergia credit lines

Iberdrola has a good debt maturity profile, with an average term of six years, primarily due to the management of liabilities carried out throughout this financial year. The following table shows the debt maturity profile^(*).

Debt maturity profile

MM Eur



(*) Excludes credit lines and Neoenergía
 2019 includes EUR 50 million with an extension option of 1 + 1 years
 2023+ includes USD 400 million with a 1-year extension option of 1 + 1 years

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

	September 2018	September 2017*
Adjusted Net Equity*	42,962	42,497
Adjusted Gross Financial Debt*	38,229	36,986
Derivative debt asset instruments	2,812	2,190
Cash and cash equivalents	1,038	1,098
Adjusted Net Financial Debt**	34,379	33,698
Adjusted Leverage	44.5%	44.2%
Adjusted Funds from Operations (FFO)***/ Adjusted Net Financial Debt**	21.0%	19.9%
Adjusted Retained Cash Flow (RCF)****/ Adjusted Net Financial Debt**	19.5%	17.2%
Adjusted Net Financial Debt*/Adjusted EBITDA*****	3.9x	4.1x

[*] Restated

[**] Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 422 million at 09/30/2018 and EUR 335 million at 09/30/2017)

[***] Adjusted FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies Consolidated by the Equity Method - Net Non-recurring Results - Financial Prov. Capitalisation + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects Adjusted by "Exit Plan" (EUR 152.7 million at 09/30/2018 and EUR 0 million at 09/30/2017)

[****] Adjusted RCF = Adjusted FFO - Cash dividends - Hybrid issue interest

[*****] Adjusted by the "Exit Plan" (EUR 203.3 million at 09/30/2018 and EUR 0 million a 09/30/2017)

4. Working capital

The working capital recorded an increase of EUR 539 million over the last 12 months, as a result of several effects:

- An increase in working capital as a result of the rise financial derivative instruments (EUR 299 million) and the reduction of Trade and other payables (EUR 931million).
- A reduction in working capital because of the drop in Trade and other receivables (EUR 258 million) and net increase in payables to public administrations (EUR 382 million).
- Other effects to a lesser extent.

Current Assets

CURRENT ASSETS	Sept-18	Sept-17	Variation
Assets held for sale	35	0	35
Nuclear Fuel	291	338	(47)
Inventories	1.885	1.824	60
Trade and other receivables	6.168	6.426	(258)
Current financial investments	770	758	12
Asset derivative financial instruments	465	166	299
Public Administrations	1.017	1.019	(2)
TOTAL CURRENT ASSETS*:	10.631	10.531	100

* Does not include cash or debt asset derivatives

Current Liabilities

CURRENT LIABILITIES	Sept-18	Sept-17	Variation
Liabilities held for sale	1	0	1
Provisions	448	431	18
Liability derivative financial instruments	222	130	91
Trade and other payables	6.816	7.747	(931)
Public Administrations	1.952	1.570	382
TOTAL CURRENT LIABILITIES**:	9.439	9.878	(439)

** Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	1.192	653	539
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5. Funds From Operations

Funds from Operations at 30 September 2018 are up 12.5% at EUR 5,255.6 million.

	Jan-Sept 2018	Jan-Sept 2017 (*)	Variation
Net Profit	+2,090.9	+2,416.6	-325.6
Amortisations	+2,883.3	+2,485.0	+398.2
P/L, Equity Accounted Companies	-0.3	+28.9	-29.2
Non-recurring	-22.6	-759.3	+736.7
Non-recurring taxes	+4.1	-0.1	+4.3
Financial provisions capitalised	+104.6	+84.1	+20.5
P/L, Minority Interests	+242.6	+93.3	+149.2
Goodwill tax deductibility (**)	-	134.6	-134.6
Dividends, Equity Accounted Companies	+10.4	+249.8	-239.4
Allocation of capital subsidies to income	-57.3	-60.7	+3.4
FFO	5,255.6	4,672.2	583.4

(*) Restated
 (**) Cash flow

6. Financial transactions

Main new financing transactions carried out in 2018

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Celpe *	Loan 4131	46	USD	3m+1.50%	Jan-21
Iberdrola Finanzas	Private placement extension	200	EUR	1.621%	Nov-29
Iberdrola Finanzas	Private placement	200	EUR	3m+0.35%	Feb-20
Iberdrola S.A.	Sustainable syndicated credit line	2,979	EUR	-	Feb-23
Iberdrola S.A.	Sustainable syndicated credit line	2,321	EUR	-	Feb-23
Celpe	Debentures	500	BRL	119.6% CDI	Feb-23
Iberdrola International	Hybrid green bonds	700	EUR	2.625%	Undated
Iberdrola Finanzas *	Private placement	800	NOK	3.010%	May-28
Iberdrola Finanzas	Private placement	30	EUR	1.128%	Jun-25
Iberdrola Finanzas	Green bonds	750	EUR	1.250%	Oct-26
Coelba ***	Debentures 476	1,200	BRL	117.05% CDI	Oct-22/Apr-23
Elektro ***	Debentures 476	1,300	BRL	113.0% CDI	May-21/May-23/May-25
NYSEG	Tax-exempt bonds	174	USD	3.000%	Jun-23/Oct-29
RG&E	Tax-exempt bonds	152	USD	3.000%	Jun-25
Iberdrola México ****	Syndicated green loan	400	USD	-	May-23
El Cabo	Tax equity investment	213	USD	-	-
Elektro *	Loan 4131	100	USD	3.6937%	May-22
Celpe *	Loan 4131	80	EUR	1.679%	Jul-22
Avangrid ****	Sustainable syndicated credit line	2,500	USD	-	Jun-23
Cosern	Debentures 476	130	BRL	IPCA + +5.970%	Jul-23
Termopernambuco	Debentures 476	300	BRL	117.4% CDI	Aug-23
Celpe	Debentures 476	600	BRL	IPCA + +6.0352%	Jul-25
Coelba	Debentures 476	800	BRL	IPCA + +6.2214%	Jul-25
United Illuminating	Tax-exempt bonds	64.5	USD	2.80%	Oct-23
United Illuminating	Private placement	100.0	USD	4.070%	Oct-28
Berkshire Gas	Private placement	20.0	USD	4.070%	Jan-29
United Illuminating	Private placement	50.0	USD	4.520%	Jan-49
Connecticut Natural Gas	Private placement	50.0	USD	4.520%	Jan-49
Southern Connecticut Gas	Private placement	75.0	USD	4.420%	Jan-49

* Transaction subsequently swapped to the currency of the company

** Reconfiguration transaction of EUR 4,400 million, already existing, and EUR 900 million of new financing, totalling EUR 5,300 million with an extension option of 1+1 years.

*** Average cost of different bonds expressed as a reference to the CDI at the date of issue

**** New transaction with the option to extend for 1+1 years

***** Reconfiguration transaction of USD 1,500 million, already existing, and USD 1,000 million of new financing, totalling USD 2,500 million with an extension option of 1+1 years.

Main financing extension transactions carried out in 2018

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola Financiación	Bilateral green loan	500	EUR	6 months	19 Aug
Iberdrola Financiación	Syndicated loan	900	EUR	1 year	21 Mar
Iberdrola Financiación	Bilateral loan	75	EUR	1 year	21 Mar
Iberdrola, S.A.	Syndicated credit line	500	EUR	1 year	23 Jun
Iberdrola, S.A.	Bilateral loan	350	EUR	1 year	22 Jun
Iberdrola Financiación	Bilateral loan	600	EUR	1 year	21 Jul

Third quarter 2018 financing

Capital Market

During the third quarter of 2018, four companies of the Neoenergia Group closed the issue of four public offers of debentures under the CVM 476 regulation, for a total amount of BRL 1,830 M.

- With a five-year maturity: an issue by Cosern of BRL 130 million at an equivalent* cost of 109.8% of the CDI and an issue by Termopernambuco of BRL 300 million at a rate of 117.4% of the CDI.
- With a seven-year maturity: an issue by Celpe of BRL 600 million at an equivalent* cost of 108% of the CDI and an issue by Coelba of BRL 800 million at an equivalent* cost of 108% of the CDI.

* Equivalent cost on date when application was closed.

Likewise, four utilities of Avangrid Group made the issue of four private placements, totalling USD 395 million.

- With a 10-year maturity: a bond of United Illuminating for USD 100 M and a bond of Berkshire Gas for USD 20 M, both with a coupon rate of 4.07%.
- With a 30-year maturity: a bond of United Illuminating for USD 50 million, a bond of Connecticut Natural Gas for USD 50 million, both with a coupon rate of 4.52%, and a bond of Southern Connecticut Gas for USD 75 million with a coupon rate of 4.42%.

In September, United Illuminating, the company belonging to the subsidiary Avangrid, carried out the issue of a tax exempt bonus of USD 64.5 million with a coupon of 2.80% and a 5-year maturity.

Banking market

During the third quarter, Iberdrola exercised the extension for one year of a bilateral loan of EUR 600 million, extending its maturity to July 2021.

7. Credit ratings

	Moody's			Standard and Poor's			Fitch Ibcá		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola, S.A.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Iberdrola Finance Ireland, Ltd. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Iberdrola Finanzas, S.A.U. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Iberdrola Finanzas, S.A.U. (Escala Nacional) (*)	Aa1(mex)	Stable	March 2018	mxAAA		April 2018	AAA (mex)	Stable	March 2018
Iberdrola International, B.V. (*)	Baa1	Stable	March 2018	BBB+		April 2018	BBB+	Stable	March 2018
Avangrid	Baa1	Stable	Dic. 2016	BBB+	Stable	April 2016	BBB+	Stable	Sept. 2017
CMP	A2	Stable	April 2016	A-	Positive	Jan 2018	BBB+	Stable	Sept. 2017
NYSEG	A3	Stable	April 2016	A-	Stable	April 2016	BBB+	Stable	Sept. 2017
RG&E	A3	Stable	May 2017	A-	Stable	April 2016	BBB+	Stable	Sept. 2017
UI	Baa1	Stable	April 2016	A-	Stable	Sept. 2016	BBB+	Positive	Sept. 2017
CNG	A3	Stable	April 2016	A-	Stable	Sept. 2016	A-	Stable	Sept. 2017
SCG	A3	Stable	Dec. 2017	A-	Stable	Sept. 2016	BBB+	Positive	Sept. 2017
BGC	A3	Positive	June 2018	A-	Stable	Sept. 2016	A-	Stable	Sept. 2017
Scottish Power, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Scottish Power UK, Plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018	BBB+	Stable	March 2018
Scottish Power UK Holdings, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
Scottish Power Energy Networks Holdings, Ltd.				BBB+	Stable	April 2018			
ScottishPower Generation, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
SP Transmission, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
SP Manweb, Plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
SP Distribution, Plc.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
ScottishPower Energy Management, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
ScottishPower Energy Retail, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
Scottish Power Investment, Ltd.	Baa1	Stable	March 2018	BBB+	Stable	April 2018			
Neoenegia, S.A.				BB-	Stable	Jan 2018			
Coelba				BB-	Stable	Jan 2018			
Celpe				BB-	Stable	Jan 2018			
Cosern				BB-	Stable	Jan 2018			
Neoenegía (Escala nacional)				brAA-	Stable	Jan 2018			
Coelba (Escala nacional)				brAA-	Stable	Jan 2018			
Celpe (Escala nacional)				brAA-	Stable	Jan 2018			
Cosern (Escala nacional)				brAA-	Stable	Jan 2018			

Date related to latest review

(*) Guaranteed by Iberdrola, S.A.

7.

Financial Statements Tables

Balance Sheet *(Unaudited)***ASSETS**

	September 2018	December 2017	Variation
NON-CURRENT ASSETS	98,672	96,889	1.783
Intangible assets	20,478	21,148	-670
Goodwill	7,781	7,932	-152
Other intangible assets	12,697	13,216	-518
Real Estate properties	426	424	2
Property, plant and equipment	65,455	64,082	1.373
Property, plant and equipment in use	57,914	57,301	613
Property, plant and equipment in the course of construction	7,541	6,781	760
Non current financial investments	4,957	5,014	-57
Investments accounted by equity method	1,656	1,791	-135
Non-current financial assets	70	65	4
Other non-current financial assets	2,478	2,613	-134
Derivative financial instruments	754	545	209
Non-current receivables	1,396	839	557
Deferred tax assets	5,960	5,382	578
CURRENT ASSETS	13,822	13,800	23
Assets held for sale	35	356	-320
Nuclear fuel	291	332	-41
Inventories	1,885	1,870	14
Current trade and other receivables	7,185	6,721	464
Tax receivables	416	546	-130
Other tax receivables	601	319	282
Trade and other receivables	6,168	5,856	312
Current financial assets	1,680	1,323	357
Current financial assets	-	2	-2
Other current financial assets	770	599	171
Derivative financial instruments	910	723	188
Cash and cash equivalents	2,745	3,197	-452
TOTAL ASSETS	112,494	110,689	1.805

Equity and Liabilities

	Sept. 2018	Dec. 2017	Variation
EQUITY:	42,540	42,733	-193
Of shareholders of the parent	35,373	35,509	-136
Share capital	4,798	4,738	60
Share premium	14,668	14,668	-
Unrealised assets and liabilities revaluation reserve	295	-42	337
Other reserves	18,077	16,768	1,309
Treasury stock	-1,059	-598	-462
Translation differences	-3,496	-2,828	-668
Net profit of the year	2,091	2,804	-713
Hybrid Capital	1,716	1,553	164
Of minority interests	5,451	5,671	-220
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	145	15	131
NON-CURRENT LIABILITIES	51,862	51,215	647
Deferred income	6,359	6,379	-20
Provisions	5,379	5,487	-108
Provisions for pensions and similar obligations	2,387	2,533	-146
Other provisions	2,991	2,953	38
Financial Debt	30,117	29,785	332
Loans and others	29,787	29,466	321
Derivative financial instruments	330	319	11
Other non-current payables	666	1,006	-340
Deferred tax liabilities	9,341	8,558	783
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	41	33	8
CURRENT LIABILITIES	17,906	16,693	1,213
Liabilities held for sale	1	135	-134
Provisions	448	627	-178
Provisions for pensions and similar obligations	11	41	-30
Other provisions	438	586	-148
Financial Debt	8,688	7,510	1,179
Loans and others	8,327	7,225	1,103
Derivative financial instruments	361	285	76
Trade and other payables	8,770	8,422	348
Trade payables	5,025	5,308	-283
Current tax liabilities and other tax payables	497	260	238
Other tax payables	1,455	989	466
Other current liabilities	1,793	1,866	-73
TOTAL EQUITY AND LIABILITIES	112,494	110,689	1,805

Profit and Loss (Unaudited)

	M Eur		
	September 2018	September 2017^(*)	%
REVENUES	26,282.6	21,955.9	19.7
PROCUREMENTS	(14,946.5)	(12,215.3)	22.4
GROSS MARGIN	11,336.1	9,740.6	16.4
NET OPERATING EXPENSES	(3,092.1)	(2,793.8)	10.7
Net Personnel Expense	(1,534.3)	(1,431.5)	7.2
Personnel	(2,000.9)	(1,859.4)	7.6
Capitalized personnel costs	466.6	427.8	9.1
Net External Services	(1,557.8)	(1,362.3)	14.4
External Services	(2,013.8)	(1,757.5)	14.6
Other Operating Income	456.0	395.3	15.4
LEVIES	(1,524.4)	(1,460.4)	4.4
EBITDA	6,719.7	5,486.4	22.5
AMORTISATIONS AND PROVISIONS	(2,883.3)	(2,485.0)	16.0
EBIT	3,836.4	3,001.3	27.8
Financial Expenses	(1,610.2)	(1,228.1)	31.1
Financial Income	746.5	588.8	26.8
Financial Result	(863.6)	(639.2)	35.1
Results of Companies Consolidated by Equity Method	0.3	(28.9)	(101.0)
Results from Non-Current Assets	22.6	759.3	(97.0)
PBT	2,995.6	3,092.5	(3.1)
Corporate Tax	(662.2)	(582.6)	13.6
Minorities	(242.6)	(93.3)	159.9
NET PROFIT	2,090.9	2,416.6	(13.5)

(*) Restated

Results by Business (Unaudited)

M Eur

September 2018	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	9,854.2	15,396.1	3,007.2	133.2	(2,108.0)
Procurements	(4,149.2)	(12,459.8)	(327.4)	(85.3)	2,075.2
GROSS MARGIN	5,705.0	2,936.3	2,679.8	47.8	(32.8)
NET OPERATING EXPENSES	(1,567.6)	(970.4)	(545.2)	(24.2)	15.3
Net Personnel Expense	(791.1)	(312.5)	(195.1)	(15.5)	(220.0)
Personnel	(1,163.8)	(334.6)	(248.2)	(15.5)	(238.8)
Capitalized personnel costs	372.6	22.1	53.1	-	18.7
Net External Services	(776.5)	(657.9)	(350.1)	(8.7)	235.3
External Services	(1,097.7)	(749.4)	(413.3)	(9.1)	255.7
Other Operating Income	321.2	91.5	63.3	0.4	(20.4)
Levies	(495.1)	(640.5)	(377.9)	(1.0)	(9.9)
EBITDA	3,642.3	1,325.5	1,756.7	22.6	(27.4)
Amortisation and Provisions	(1,356.9)	(657.0)	(811.6)	(7.1)	(50.6)
EBIT/Operating Profit	2,285.4	668.5	945.1	15.5	(78.1)
Financial Result	(412.3)	371.6	(150.9)	(1.2)	(670.8)
Results of companies consolidated by equity method	9.0	4.5	11.7	(14.4)	(10.5)
Results of non-current assets	4.9	30.1	(0.3)	(12.8)	0.8
PBT	1,886.9	1,074.6	805.7	(12.9)	(758.6)
Corporate tax and minority shareholders	(570.0)	(247.3)	(207.1)	(14.7)	134.4
NET PROFIT	1,316.8	827.3	598.6	(27.6)	(624.2)

M Eur

September 2017	Networks	Generation and Supply ^(*)	Renewables ^(*)	Other Business ^(*)	Corp. and adjustments
Revenues	7,040.4	13,813.8	2,321.0	204.6	(1,423.9)
Procurements	(2,182.6)	(11,036.0)	(254.8)	(132.1)	1,390.2
GROSS MARGIN	4,857.8	2,777.8	2,066.2	72.5	(33.8)
NET OPERATING EXPENSES	(1,246.2)	(1,017.7)	(506.0)	(43.0)	19.1
Net Personnel Expense	(701.2)	(292.4)	(184.7)	(21.2)	(232.1)
Personnel	(1,075.5)	(310.4)	(216.0)	(21.4)	(236.1)
Capitalized personnel costs	374.3	18.0	31.3	0.2	4.0
Net External Services	(545.0)	(725.4)	(321.3)	(21.8)	251.2
External Services	(802.4)	(818.7)	(393.0)	(22.7)	279.4
Other Operating Income	257.4	93.4	71.7	1.0	(28.2)
Levies	(519.6)	(630.6)	(288.2)	(4.2)	(17.9)
EBITDA	3,092.1	1,129.4	1,272.1	25.4	(32.6)
Amortisation and Provisions	(1,130.8)	(560.4)	(715.8)	(31.1)	(46.8)
EBIT/Operating Profit	1,961.2	569.0	556.3	(5.8)	(79.4)
Financial Result	(299.0)	(73.8)	(107.1)	(8.5)	(151.0)
Results of companies consolidated by equity method	17.7	3.7	4.2	(19.5)	(35.1)
Results of non-current assets	2.2	(2.1)	(1.0)	240.0	520.2
PBT	1,682.2	496.9	452.4	206.4	254.7
Corporate tax and minority shareholders	(527.9)	(62.7)	(71.9)	17.6	(31.1)
NET PROFIT	1,154.3	434.2	380.5	224.0	223.6

(*) Restated

Networks Business (Unaudited)

M Eur

September 2018	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,622.4	936.5	3,095.0	4,200.2
Procurements	(13.0)	(39.7)	(1,026.3)	(3,070.2)
GROSS MARGIN	1,609.4	896.9	2,068.7	1,130.0
NET OPERATING EXPENSES	(227.1)	(150.3)	(757.1)	(433.1)
Net Personnel Expense	(152.4)	(66.6)	(376.8)	(195.3)
Personnel	(236.0)	(177.2)	(516.1)	(234.5)
Capitalized personnel costs	83.6	110.7	139.3	39.1
Net External Services	(74.7)	(83.7)	(380.2)	(237.8)
External Services	(212.1)	(119.2)	(451.4)	(315.0)
Other Operating Income	137.4	35.5	71.2	77.1
Levies	(69.1)	(78.8)	(343.6)	(3.6)
EBITDA	1,313.1	667.8	968.1	693.2
Amortisation and Provisions	(392.8)	(229.0)	(432.4)	(302.8)
EBIT/Operating Profit	920.3	438.9	535.7	390.5
Financial Result	(46.4)	(98.8)	(115.5)	(151.7)
Results of companies consolidated by equity method	2.2	-	6.8	-
Results of non-current assets	3.3	-	1.6	-
PBT	879.4	340.1	428.6	238.8
Corporate tax and minority shareholders	(207.0)	(66.8)	(153.1)	(143.1)
NET PROFIT	672.4	273.3	275.5	95.7

M Eur

September 2017	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,499.5	896.4	3,054.1	1,590.5
Procurements	(6.3)	(36.0)	(960.9)	(1,179.5)
GROSS MARGIN	1,493.2	860.4	2,093.2	411.0
NET OPERATING EXPENSES	(241.1)	(138.7)	(709.4)	(157.0)
Net Personnel Expense	(162.8)	(67.2)	(382.2)	(89.1)
Personnel	(246.1)	(166.3)	(552.9)	(110.2)
Capitalized personnel costs	83.4	99.1	170.7	21.2
Net External Services	(78.3)	(71.5)	(327.2)	(68.0)
External Services	(207.9)	(114.4)	(388.2)	(92.1)
Other Operating Income	129.6	42.9	61.0	24.1
Levies	(67.6)	(75.9)	(374.8)	(1.2)
EBITDA	1,184.5	645.9	1,008.9	252.8
Amortisation and Provisions	(387.9)	(205.2)	(413.7)	(124.1)
EBIT/Operating Profit	796.6	440.7	595.2	128.7
Financial Result	(52.2)	(84.6)	(120.9)	(41.4)
Results of companies consolidated by equity method	2.3	-	8.9	6.5
Results of non-current assets	1.3	0.2	0.7	-
PBT	748.0	356.3	484.1	93.8
Corporate tax and minority shareholders	(172.5)	(71.4)	(242.5)	(41.6)
NET PROFIT	575.5	284.9	241.6	52.2

Renewables Business (Unaudited)

	M Eur					
September 2018	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	1,299.7	447.6	805.9	199.5	59.2	195.2
Procurements	(79.3)	(38.7)	(154.7)	(50.3)	(2.1)	(2.3)
GROSS MARGIN	1,220.5	409.0	651.2	149.1	57.1	192.9
NET OPERATING EXPENSES	(203.0)	(90.2)	(166.6)	(36.9)	(19.6)	(28.9)
Net Personnel Expense	(82.4)	(18.6)	(76.9)	(14.2)	(3.7)	(5.0)
Personnel	(99.6)	(33.4)	(87.6)	(14.4)	(4.0)	(9.3)
Capitalized personnel costs	17.2	14.8	10.6	0.1	0.3	4.3
Net External Services	(120.6)	(71.6)	(89.6)	(22.7)	(15.9)	(23.9)
External Services	(157.8)	(86.1)	(135.0)	(18.5)	(17.2)	(27.1)
Other Operating Income	37.2	14.5	45.4	(4.2)	1.3	3.3
Levies	(315.8)	(17.5)	(41.9)	(.1)	(.3)	(2.4)
EBITDA	701.7	301.3	442.7	112.2	37.2	161.6
Amortisation and Provisions	(245.4)	(121.4)	(301.2)	(35.7)	(18.8)	(89.1)
EBIT/Operating Profit	456.3	179.9	141.5	76.5	18.4	72.5
Financial Result	(46.0)	(29.4)	(27.0)	(23.6)	(12.5)	(12.5)
Results of companies consolidated by equity method	1.7	(1.6)	(2.2)	13.8	-	-
Results of non-current assets	(0.3)	-	-	-	-	-
PBT	411.8	148.9	112.3	66.8	6.0	60.0
Corporate tax and minority shareholders	(113.4)	(30.0)	(14.4)	(36.6)	4.1	(16.6)
NET PROFIT	298.4	118.8	97.8	30.2	10.0	43.3

	M Eur					
September 2017 ^(*)	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	991.1	403.7	737.3	48.5	47.8	92.7
Procurements	(85.8)	(37.5)	(122.2)	(7.1)	(1.4)	(0.7)
GROSS MARGIN	905.3	366.2	615.1	41.4	46.4	92.0
NET OPERATING EXPENSES	(198.4)	(93.6)	(166.7)	(12.6)	(16.1)	(18.4)
Net Personnel Expense	(76.8)	(19.7)	(79.6)	(2.6)	(2.1)	(4.9)
Personnel	(82.9)	(30.9)	(91.9)	(2.6)	(2.1)	(5.5)
Capitalized personnel costs	6.2	11.2	12.3	-	-	0.6
Net External Services	(121.7)	(73.9)	(87.2)	(10.0)	(14.0)	(13.5)
External Services	(152.3)	(79.5)	(142.4)	(10.5)	(14.0)	(15.8)
Other Operating Income	30.6	5.6	55.3	0.4	-	2.3
Levies	(228.7)	(16.6)	(39.6)	(0.2)	(0.3)	(2.7)
EBITDA	478.1	255.9	408.8	28.5	29.9	70.8
Amortisation and Provisions	(238.0)	(113.4)	(308.8)	(10.7)	(19.9)	(25.0)
EBIT/Operating Profit	240.1	142.5	100.0	17.8	10.1	45.8
Financial Result	(48.1)	(18.0)	(17.8)	(3.5)	(17.0)	(2.7)
Results of companies consolidated by equity method	2.9	(0.9)	(7.2)	9.5	-	-
Results of non-current assets	(0.1)	-	-	-	-	(0.9)
PBT	194.7	123.6	75.0	23.8	(6.9)	42.1
Corporate tax and minority shareholders	(57.6)	(24.8)	7.1	(1.2)	17.9	(13.4)
NET PROFIT	137.1	98.8	82.1	22.7	11.0	28.7

(*) Restated

Generation and Supply Business (Unaudited)

	M Eur				
September 2018	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	9,603.4	3,648.6	1,586.8	597.9	(40.5)
Procurements	(7,867.2)	(3,023.5)	(1,095.7)	(513.9)	40.5
GROSS MARGIN	1,736.1	625.2	491.0	84.0	-
NET OPERATING EXPENSES	(520.9)	(340.9)	(79.2)	(29.3)	-
Net Personnel Expense	(200.6)	(92.1)	(14.3)	(5.5)	-
Personnel	(209.4)	(96.5)	(23.3)	(5.5)	-
Capitalized personnel costs	8.8	4.4	8.9	-	-
Net External Services	(320.3)	(248.8)	(64.9)	(23.9)	-
External Services	(364.6)	(289.9)	(87.2)	(24.8)	17.0
Other Operating Income	44.3	41.1	22.3	0.9	(17.0)
Levies	(546.7)	(92.2)	(1.6)	-	-
EBITDA	668.6	192.0	410.2	54.7	-
Amortisation and Provisions	(391.0)	(175.6)	(75.0)	(15.4)	-
EBIT/Operating Profit	277.6	16.4	335.3	39.3	-
Financial Result	(45.7)	461.0	(17.1)	(26.7)	-
Results of companies consolidated by equity method	4.5	-	-	-	-
Results of non-current assets	28.7	1.4	-	-	-
PBT	265.1	478.8	318.2	12.6	-
Corporate tax and minority shareholders	(63.9)	(96.8)	(79.0)	(7.7)	-
NET PROFIT	201.2	382.0	239.2	4.9	-
					M Eur
September 2017 ^(*)	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	8,978.0	3,323.1	1,482.9	156.1	(126.3)
Procurements	(7,219.1)	(2,821.9)	(994.1)	(127.1)	126.1
GROSS MARGIN	1,759.0	501.2	488.8	29.0	(0.2)
NET OPERATING EXPENSES	(543.1)	(370.5)	(88.9)	(15.3)	0.2
Net Personnel Expense	(185.1)	(90.6)	(12.7)	(4.0)	-
Personnel	(191.8)	(95.7)	(18.9)	(4.0)	-
Capitalized personnel costs	6.7	5.1	6.3	-	-
Net External Services	(358.0)	(279.9)	(76.3)	(11.3)	0.2
External Services	(399.6)	(325.0)	(89.7)	(11.2)	6.8
Other Operating Income	41.6	45.1	13.4	(0.2)	(6.6)
Levies	(536.5)	(92.7)	(1.4)	0.1	-
EBITDA	679.4	37.9	398.4	13.7	-
Amortisation and Provisions	(316.1)	(170.0)	(71.5)	(2.8)	-
EBIT/Operating Profit	363.2	(132.1)	326.9	11.0	-
Financial Result	(24.4)	(.2)	(46.1)	(3.0)	-
Results of companies consolidated by equity method	(5.2)	(0.1)	-	9.0	-
Results of non-current assets	(2.3)	0.2	0.1	-	-
PBT	331.3	(132.2)	280.9	16.9	-
Corporate tax and minority shareholders	(33.9)	29.2	(53.1)	(4.9)	-
NET PROFIT	297.4	(103.0)	227.8	12.0	-

(*) Restated

Quarterly Results 2018 (Unaudited)

	M Eur		
	Jan-Mar 2018	April-June 2018	July-Sept 2018
Revenues	9,343.5	8,243.1	8,696.0
Procurements	(5,334.7)	(4,583.5)	(5,028.3)
GROSS MARGIN	4,008.8	3,659.6	3,667.7
NET OPERATING EXPENSES	(1,000.4)	(1,110.8)	(980.8)
Net Personnel Expense	(522.6)	(521.3)	(490.4)
Personnel	(669.7)	(689.4)	(641.7)
Capitalized personnel costs	147.1	168.1	151.4
Net External Services	(477.8)	(589.6)	(490.5)
External Services	(624.9)	(757.3)	(631.6)
Other Operating Income	147.1	167.7	141.2
LEVIES	(684.9)	(436.4)	(403.1)
EBITDA	2,323.5	2,112.4	2,283.8
Amortisation and Provisions	(936.3)	(972.3)	(974.7)
EBIT/Operating Profit	1,387.2	1,140.1	1,309.1
Financial Expenses	(626.5)	(358.2)	(625.5)
Financial Income	337.9	83.6	325.0
Financial Result	(288.6)	(274.6)	(300.5)
Results of companies consolidated by equity method	0.6	(8.3)	8.1
Results of non-current assets	0.5	21.5	0.6
PBT	1,099.7	878.7	1,017.3
Corporate tax	(175.4)	(236.9)	(249.9)
Minorities	(86.3)	(69.3)	(86.9)
NET PROFIT	838.0	572.52	680.4

	M Eur		
	Jan-Mar 2017 ^(*)	April-June 2017 ^(*)	July-Sept 2017 ^(*)
Revenues	8,195.4	6,770.5	6,990.0
Procurements	(4,640.0)	(3,493.3)	(4,082.1)
GROSS MARGIN	3,555.4	3,277.2	2,907.9
NET OPERATING EXPENSES	(918.0)	(971.0)	(904.7)
Net Personnel Expense	(480.5)	(490.5)	(460.5)
Personnel	(615.5)	(633.3)	(610.6)
Capitalized personnel costs	135.0	142.8	150.0
Net External Services	(437.5)	(480.6)	(444.2)
External Services	(562.7)	(614.0)	(580.8)
Other Operating Income	125.2	133.5	136.6
LEVIES	(763.8)	(392.5)	(304.0)
EBITDA	1,873.6	1,913.6	1,699.2
Amortisation and Provisions	(834.0)	(800.4)	(850.7)
EBIT/Operating Profit	1,039.6	1,113.3	848.5
Financial Expenses	(503.2)	(186.4)	(538.5)
Financial Income	297.0	(14.2)	306.0
Financial Result	(206.2)	(200.6)	(232.5)
Results of companies consolidated by equity method	20.2	(9.1)	(40.0)
Results of non-current assets	256.2	(15.1)	518.3
PBT	1,109.8	888.5	1,094.3
Corporate tax	(254.6)	(170.1)	(157.9)
Minorities	(27.6)	(27.6)	(38.2)
NET PROFIT	827.6	690.77	898.2

(*) Restated

Statement of Origin and Use of Funds (Unaudited)

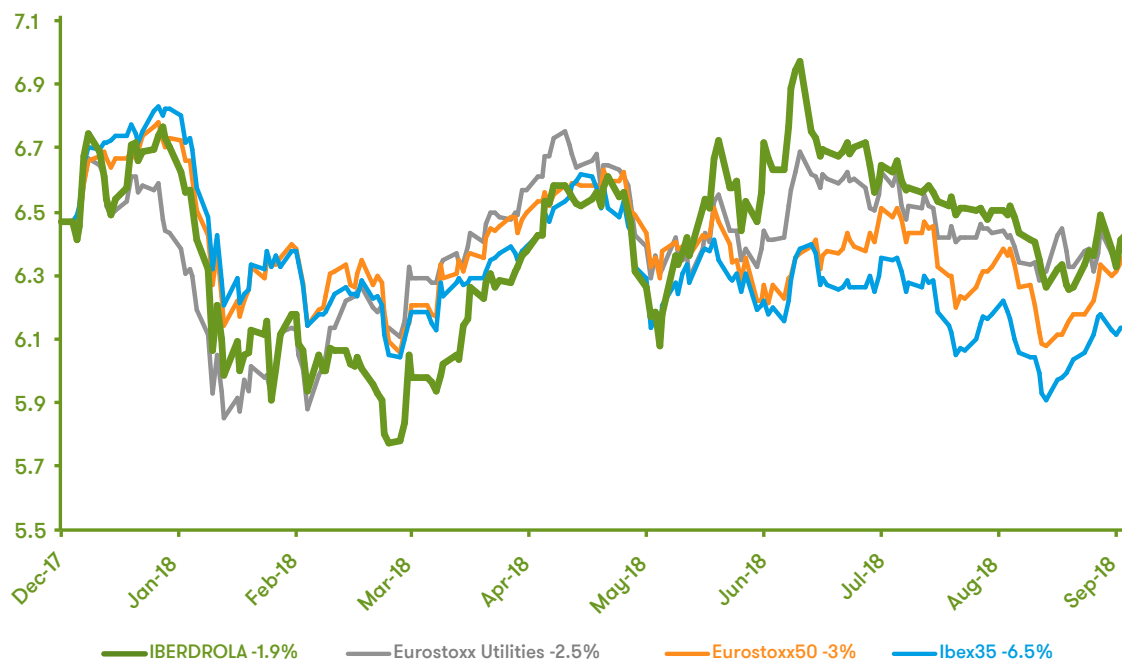
M Eur

	9M 2018	9M 2017	Variation
EBITDA	6,719.7	5,486.4	1,233.3
Adjustments to results and others	(654.8)	(613.7)	(41.1)
Financial payments and cash receipts	(715.2)	(556.5)	(158.7)
Corporate Tax Payment	(75.3)	(450.8)	375.6
Provision payments (net of normal expenses)	(253.5)	(264.3)	10.9
Operating Cash Flow	5,020.9	3,601.0	1,419.9
Dividends Paid	(365.1)	(904.1)	538.9
Total Cash Flow allocations:	(5,011.2)	(4,595.0)	(409.8)
<i>Net Investments</i>	(3,644.8)	(3,997.1)	352.3
<i>Divestments</i>	207.3	315.6	(101.9)
<i>Treasury stock</i>	(1,708.4)	(882.4)	(826.0)
<i>Capital issue</i>	(0.8)	(0.9)	0.1
<i>Hybrid</i>	135.4	(30.2)	166-
Exchange rate differentials	513.4	867.8	(948.9)
Brazil's reorganization	-	(3,800.4)	3,800.-
Working capital variations and other variations	(2,074.5)	(209.9)	(1,871.1)
Decrease/(Increase) in net debt	(1,916.6)	(4,618.7)	2,702.1

8.

Stock Market Evolution

Iberdrola stock performance vs Index



Iberdrola's share

	9M 2018	9M 2017
Number of outstanding shares	6,397,629,000	6,317,515,000
Price at the end of the period	6.3380	6.5720
Average price of the period	6.3797	6.7440
Average daily volume	19,306,561	22,349,503
Maximum volume (06-15-2018/04-06-2017)	74,718,387	122,920,322
Minimum volume (08-27-2018/08-28-2017)	5,643,283	4,636,525
Dividends paid (€) ⁽¹⁾	0.3310	0.3170
Gross Final dividend (01-29-2018 /01-23-2017) ⁽¹⁾	0.1400	0.1350
Gross Interim (07-25-2018 /07-07-2017 and 07-21-2017) ⁽¹⁾	0.186	0.177 ⁽²⁾
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield ⁽³⁾	5.22%	4.82%

(1) Iberdrola fixed guaranteed price for the rights

(2) Iberdrola fixed guaranteed price for the rights and 0.03 € in cash in 2017, in 2018 no cash is paid, so it is included in the final dividend.

(3) Dividends paid in the last 12 months and Shareholder's Meeting attendance bonus / price at the end of period.



Regulation

In the third quarter of 2018, a group of provisions was approved affecting the energy sector. This section sets out the most significant developments.

1. Regulation in the European Union

Austria takes on the Presidency of the EU Council for the 2nd half of 2018. As regards energy and climate, its aim is to approve the last part of the Clean Energy Package (Directive and Regulation on Electricity Market Design, Regulation on risk-preparedness in the electricity sector, ACER Regulation and Gas Directive amendment) and make progress in the processing and even approve some of the dossiers of the Clean Mobility Package.

2. Regulation in Spain

Energy Transition: On 6 October, Royal Decree-Law 15/2018 on urgent measures for energy transition and the protection of consumers was published in the Official State Bulletin (BOE). The measures can be grouped in five sections:

1. Vulnerable customers:

- Inclusion of single-parent families and families with grade II and III dependent persons in special groups (income limit increases by 0.5 x IPREM - Public Income Indicator of Multiple Effects).
- Increase in annual consumption limit by 15%, flexibilising the monthly calculation.
- Prohibition of cutting supply in homes that include children under the age of 16, or disabled or dependent persons. In the event of default, this is covered by all retailers.
- Thermal social bonus for heating for beneficiaries of the electricity social bonus, charged to the General State Budget.
- Sanctions for Retailers of Reference that make the application process difficult for consumers
- Presentation of a National Strategy to Combat Energy Poverty within 6 months.

2. Consumer Protection:

- Prohibition of door-to-door selling (electricity and gas) at customers' homes, except where an appointment has been requested previously.
- Improvement of information included on bill: adding COR (retailer of reference) information about the price that would have been applied with a time discriminating rate.
- Increase in penalty for fraudulent behaviour on the part of the retailers.
- Facilitate rate changes and capacity contracts that better adjust to real consumption.

3. Self-consumption:

- Eliminate charges for self-consumed energy.
- Eliminate generation meter, which increased the price of installations.
- Facilitate administrative and technical procedures for small installations.
- Allow shared self-consumption for customers who are linked via direct lines or connected to the low voltage network derived from the same transformer substation, with the possibility of applying network charges (subject to development).
- Remuneration for surplus as for the rest of production. A simplified mechanism may be developed for small installations.

4. Promotion of Renewables and Electrical Mobility:

- Extension to 31 March 2020 of permits for rights of access and connection awarded prior to the approval of Law 24/2013 (9,000 MW Renewable energy from auctions and rest of projects).
- Legal authorization for consumers to purchase power via a bilateral contract with a producer (Power Purchase Agreement - PPA), subject to regulatory development.
- Elimination of load manager. Any consumer can install charging points at their own or a third party's expense. This is not considered as energy resale.

- The development of the charging network is enabled via the DSO in cases where there is no private interest.

5. Taxation and sustainability of the electricity system:

- Suspension during 6 months of the Tax on the value of electrical energy production - IVPEE (7%).
- Exemption from the special tax on hydrocarbons for gas to be used in electrical production (Green Cent).
- Increase in the contribution limit of CO₂ auctions to EUR 750 million in 2018 (from the EUR 369 million limit specified in the 2018 General State Budget).
- Authorisation to use the accumulated surplus to offset possible deficits in 2018 and 2019.

Deficit 2013 interest: A Royal Decree has been published, recognising the interest for the provisional contributions to the deficit of 2013 made by the electricity companies until its transfer in December in 2014, in compliance with several Rulings of the Supreme Court.

The Royal Decree recognises for Iberdrola a total of EUR 5.6 million (EUR 5.2 million corresponding to the interest for the provisional financing of the 2013 deficit and an additional EUR 0.4 million for accrued interest). The total amount for the sector comes to EUR 15.3 million (EUR 14.7 million interest + EUR 0.6 million accrued interest).

3. Regulation in the United Kingdom

Retail. The Government of the United Kingdom introduced the Tariff Cap bill to Parliament, which was approved on 19 July, with the aim of implementing the cap by the end of 2018. The cap will be temporary and will be applied up to the end of 2020, as of when there will be a review process that will allow its extension on an annual basis up to 2023. Furthermore, the law includes an amendment that imposes on Ofgem the obligation to review the pricing practices of suppliers before the end of the Tariff Cap period,

and to identify whether there are any customers (such as those who are vulnerable) that need to continue with protection. Simultaneously, Ofgem published a general consultation on 25 May and a further consultation on 6 September which established proposals for the tariff cap level and design. It proposes a cap up to 31 March 2019 of 1,136 pounds for dual fuel customers (gas and electricity) paying by direct debit, and 1,219 pounds for those paying a fixed amount per month. These caps will be reviewed every 6 months (April and October)

Capacity Market. The T-1 auction (delivery in 2018/9) of the Capacity Market closed at a price of GBP 6/kW. The T-4 auction (delivery in 2021/22) closed at GBP 8.40 / kW. The next T-1 and T-4 auctions will be held at the start of 2019.

The Government has started with the 5-year Review of the Capacity Market (as required by the Energy Act 2013), with a view to introducing the possible reforms as of winter 2019/20.

RIIO-2. Ofgem launched a consultation regarding the RIIO-2 framework (both transmission and distribution) seeking lower returns for the sector, and wishing to ensure that all incentives that are awarded are genuinely deserved. Ofgem published its decision on 30 July 2018 confirming it will be a 5-year regulatory framework (instead of the 8 years of the current framework, RIIO1). Ofgem plans to publish the specific consultation for RIIO-T2 (transmission) in December 2018, expecting to reach a decision in May 2019.

Vulnerable customers. During the summer, the government has published consultations on the next phase of the program “Energy Company Obligation” (ECO3, 2018-22) and the extension of the “Warm Home Discount” (WHD) for 2018-19. As expected, ECO3 will be focused entirely on low income and vulnerable homes. The WHD will continue to apply, with minor changes. The government has also confirmed that it will reduce the exemption of smaller suppliers in a staggered way, with suppliers with fewer than 150,000 customers (rather than the current figure of 250,000) being exempt by 2020/21.

Offshore Wind Energy. Preparations continue for the next round offshore wind energy auctions for CfD (Contracts for Differences), which will start in May 2019.

4. Regulation in the USA

State legislation. Several states have contemplated raising their Renewable Portfolio Standard (RPS) in 2018. California and Massachusetts have joined Connecticut and New Jersey, specifying increases: California requires 50% by 2026 and 60% by 2030; Massachusetts establishes 25 to 35% by 2030; Connecticut will reach 40% by 2030; and New Jersey established an RPS of 50% by 2030.

Clean Power Plan. The EPA (Environmental Protection Agency) is carrying out a procedure to end the Clean Power Plan and has proposed a regulation called “Affordable Clean Energy” (ACE) where it establishes guidelines for the states that allow them to develop plans to reduce greenhouse emission gases for existing coal plants.

The ACE, which is based mainly on making efficiency improvements in generation plants and on applying new technologies, gives states the flexibility to carry out their own plans to regulate the emissions of plants, establishing a term of 3 years to send said plans to the EPA for their review. This new regulation is now subject to a public comment period of 60 days.

5. Regulation in Mexico

Transmission Line Tender Processes: during the third quarter of the year, the preliminary terms and conditions and timing for the two transmission-line tender processes currently in progress were variously amended. Seven bidders obtained the qualification certificate for the tender process that seeks to connect the Baja California Peninsula with the National Interconnected System (SIN), which is still awaiting the receipt of the technical and financial bids, scheduled for 1 February 2019. The date set for SENER to issue the decision regarding this process is 20 February 2019. As regards the

tender process called by the Federal Electricity Commission (CFE), which will link the region of Ixtepec (Oaxaca) with the Valley of Mexico, the presentation of technical bids will be made on 20 November. The decision regarding this auction will be made on 14 December 2018.

Long-Term Auctions (LTA): On 1 June, the CENACE published the definitive Bidding Terms and Conditions for the fourth LTA that awards long term contracts for energy (15 years), capacity (15 years) and Clean Energy Certificates (20 years). As in the previous auction, the purchase offers were presented by CFE Suministro Básico and by other Load Management Bodies (ERC). Thus, a total of 6 different Load Management Bodies (ERC) proved that they were able to acquire a total annual volume of 5.9 million CEL, 5.9 TWh and 1.7MW of capacity in the National Interconnected System (SIN). The pre-qualification phase of sale bids has ended, and those that have obtained a favourable decision and have presented bid bonds correctly and in good time are now awaiting to receive the Qualification Certificate for the tender process. The financial offer of the sale bids will be presented on 5 November. The execution of the selection algorithm for the LTA will take place on 7 November, for which the winners will be known preliminarily, with the official Decision being made public on 14 November.

Industrial electrical rates for the Basic Supply: for commercial and industrial rates, the application of the new electrical rate continues based on the methodology presented in November 2017 by the Energy Regulation Commission (CRE). The third quarter of 2018 showed monthly increases in these rates, with an extraordinary increase in September, justified by the publication of a modification of the methodology inputs, which recognises a 6.7% increase (from 293.7 to 313.3 thousand million pesos) of the cost of annual generation, which is based on an increase in fuel costs and a generation mix different to that expected during 2018. It is expected that the methodology to be applied at the end of the year, which will complement the current transitional

methodology, will be published in the last quarter of 2018.

Reliability Auctions: on 12 July the CRE published the criteria that the Centro Nacional de Control de Energía (CENACE) must follow for the purchase of capacity via Reliability Auctions of the National Electricity System (SEN). These auctions will be proposed by the CENACE whenever it expects a deficit in generation capacity within a three to twelve month horizon, contracting capacity for a maximum term of one year. The contracts will be paid at the offer price and the cost will be divided between the Load Management Bodies in accordance with the capacity not covered by Power Purchase Agreements (Contratos de Cobertura Eléctrica, CCE).

6. Regulation in Brazil

Resolution 2.437/2018 regarding the annual rate readjustment of Elektro On 21 August, ANEEL approved Elektro's annual rate readjustment, which entered into force on 27 August. The average increase for consumers was of 24.4% with the following breakdown: 26.75% for high voltage customers and 23.20% for low voltage customers.

The rate readjustment is made annually by each distributor and serves to:

- Update the distribution rate components based on the inflation and the productivity, efficiency and quality factor.
- Readjust the energy rate based on the real costs of the purchase of energy, transmission costs and system charges.

The remuneration of the distributor increases by 5.85% as a result of the inflation rate (8.24%) and the application of the productivity, efficiency and quality factor (-2.38%).

Draft law No. 77/2018 (formerly No. 10.332/2018) regarding the sale of Eletrobras distributors:

The draft law also includes an amendment to eliminate from the calculation of the hydrological risk (GSF) those factors that are not related to the hydrological situation of the country. The draft law is pending a vote before the full Senate, and is planned to take place after the first round of the presidential elections.

During the months of July and August the following distributors have been privatised: Companhia de Energia do Piauí (Cepisa) acquired by Equatorial Energia (the only company who presented an offer); Companhia de Eletricidade do Acre (Eletoacre) and Centrais Elétricas de Rondônia (Ceron) both bought by Energisa; and Boa Vista Energia acquired by the Consórcio Oliveira Energia.

The next auction will take place on 25 October to privatise Amazonas Energia. With this only CEAL would be left to privatise, but this is suspended due to a court ruling.

New energy auction (A-6 of 2018): On 31 April, there was an auction in Brazil for new generation plants with an energy delivery date as of January 2024. Hydroelectric projects with 30-year supply periods and wind energy projects with 20-year supply periods participated in this auction.

This is the first time that wind energy projects sign contracts under the “amount” mode (the peculiarity of these contracts lies in the fact that the wind energy generator runs the risk of a generation deficit, in such a way that if it doesn't produce the MWh stipulated in the contract, it must purchase the remaining energy on the spot market, to subsequently deliver it to the distributor). Thermal generation projects with a 25-year supply period also took part, under the “availability” mode (here the buyer, i.e. the distributor, runs the risk of generation deficit).

At the auction, 168 TWh from a total of 62 projects were contracted, broken down as follows: 11 hydroelectric (107.5 MW), 48 wind energy projects (1,250 MW), 2 biomass thermal plants (28.4 MW) and a natural gas plant (363.3 MW).

The average sale price was set at R\$140.87 /MWh which represents an average discount of 46.89% compared with the maximum output prices.

Neoenergia participated with 30% of the generation from the hydroelectric plant of Baixo Iguaçu (joint venture of Neoenergia (70%) and Copel-GT (30%)). The rest of the generation was matched in the A-5 auction of 2008. At the current auction, a total of 23.4 MW were sold for an average of R\$151,68 /MWh (maximum price for large hydro).

The next auction of transmission lines is planned for 20 December to contract 43 transmission lines and 23 substations totalling 7,186 km and 15,519 MVA in transformation capacity.

Public consultation no. 15/2018 to review the calculation methodology of the WACC that will apply to the electrical energy distribution, transmission and generation sectors. The resulting WACC will be applicable as of January 2020. Until then, the current value of 8.09% will be maintained for the distribution.

Resolution no. 2.421/2018 on yearly generation income of the plants under the quota regime. The resolution published on 19/07/2018 approves an increase of the income of these plants of 45.5%; thus the annual recognised income is 7,900 million Brazilian Reals. The new value will be in force for one year, that is, from July 2018 to 30 June 2019. (During the first half of the year, the average rate of the quotas was R\$/64.62/MWh. With this increase, a rate of R\$101.18 is expected in the second half of this year).

It is estimated that this increase plus the reduction of the physical guarantee of the plants under the quota regime will imply an increase in the energy rate of these plants of 56.6%. This directly affects the contracts signed with the distributors as of July 2018 and has a significant impact on the cash flow of the distributors

and on the annual readjustment of their rates. ANEEL has estimated an average increase of 1.54% in the rates of distributors on the National Interconnected System as a result of the increase in rates of the quotas.

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

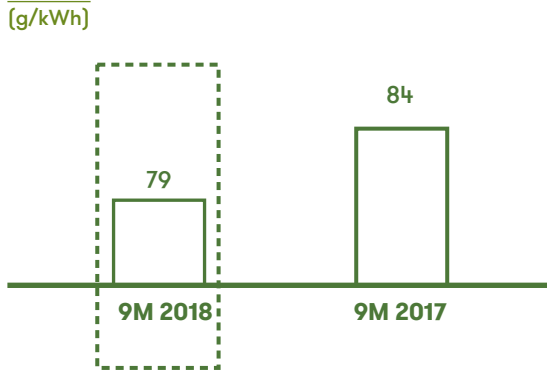
Sustainability Indicators	9M 2018	9M 2017
Contribution to GDP (Gross Margin) (*)	0.47%	0.52%
Contribution to GDP (Net revenues) (*)	1.06%	1.13%
Net Profit (EUR million)	2,090.9	2,416.6
Dividend yield (%) (**)	5.22	4.82
CO ₂ emissions over the period (gr. CO ₂ /kWh): Total	165	177
CO ₂ emissions over the period (gr. CO ₂ /kWh): España	79	84
CO ₂ emissions over the period (gr. CO ₂ /kWh): SPW	221	237
CO ₂ emissions over the period (gr. CO ₂ /kWh): EE.UU.	46	46
CO ₂ emissions over the period (gr. CO ₂ /kWh): Brasil	106	110
CO ₂ emissions over the period (gr. CO ₂ /kWh): México	359	360
Emission-free production: Total (GWh)	64,264	56,819
Emission-free production: Spain (GWh)	37,629	33,465
Ratio emission-free production to total production: Total (%)	59%	55%
Ratio emission-free production to total production: Spain (%)	86%	87%
Emission-free installed capacity: Total (MW)	32,869	31,955
Emission-free installed capacity: Spain (MW)	19,013	18,998
Emission-free installed capacity: Total (%)	67%	66%
Emission-free installed capacity: Spain (%)	73%	73%
Ratio high-emission technologies production: Total (%)	1%	2%
Ratio low-emission technologies production: Total (%)	40%	43%

(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Last data published in Q2 2018)

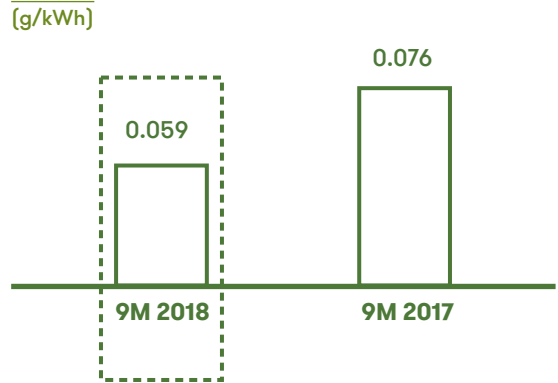
(**) Dividends paid in the last 12 months and Shareholder Meeting attendance bonus/price at the end of period.

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

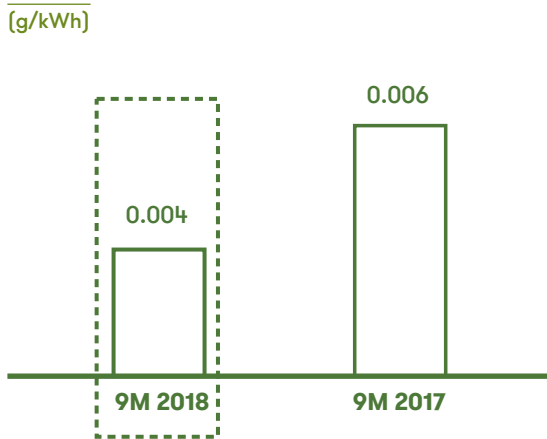
CO₂ specific emissions mix, GLOBAL



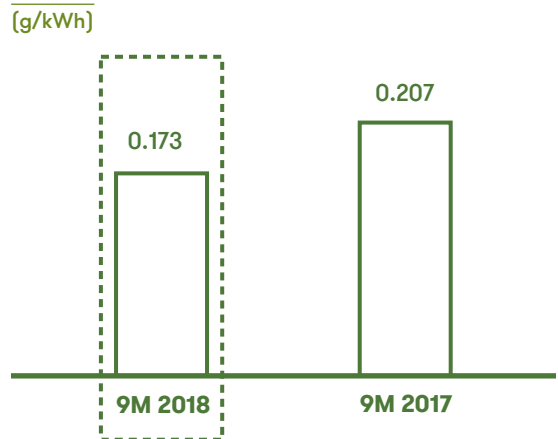
SO₂ specific emissions mix, GLOBAL



Specific particulate emissions Mix GLOBAL



NO_x specific emissions mix, GLOBAL

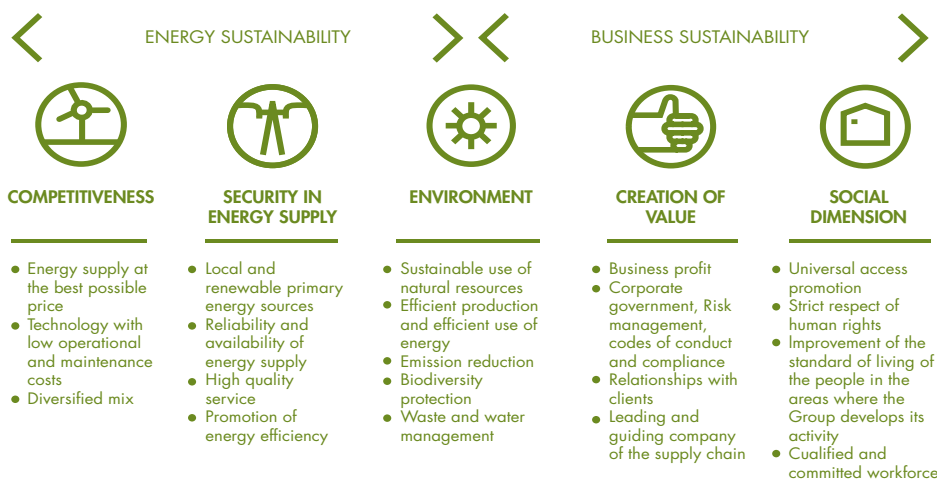


2. Index, rankings and recognitions

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

Sustainability	
	Ranking /Situation
Dow Jones Sustainability World Index 2018	Selected in the utility sector. Iberdrola member in all editions
FTSE4Good	First utility with nuclear assets to meet standards for FTSE4Good. 8 years in a row selected
CDP Index 2017	A
2018 World's Most Ethical Company	Iberdrola selected. Only Spanish utility
Bloomberg Equality Index 2018	Iberdrola selected
Sustainability Yearbook ROBECOSAM 2018	Classified as "Silver Class" in the electricity sector.
ISS-oekom	Iberdrola selected Prime
Euronext Vigeo Eiris index: World 120, Eurozone 120 & Europe 120	Iberdrola selected
Nesweek and Green Rankings 2017	Iberdrola fifth utility worldwide
MSCI Global Sustainability Index Series	Iberdrola selected AAA
EcoAct	Iberdrola first utility in the ranking
Forbes	Iberdrola selected in Forbes 2018: GLOBAL World's Largest Public Companies 2000
MERCO 2018	mercoEmpresas: Leader among Spanish utilities: energy, gas, and water industry
Stoxx Global ESG Leaders/Eurostoxx Sustainability 40/Eurostoxx ESG Leaders 50	Iberdrola selected
Influence Map	Iberdrola selected
2017 ET Carbon Rankings	Iberdrola selected
ECPI	Iberdrola lected in several Sustainability Indices
Fortune Global 500	Iberdrola selected

Sustainability Policy:



3. Contribution to social development

IBERDROLA's most significant actions during the period from January to September 2018, with regard to social development, have been:

3.1.- Corporate Social Responsibility Recognition

- **Iberdrola once again makes it into the Dow Jones Sustainability Index**

Iberdrola has once again been included in the prestigious Dow Jones Sustainability Index (DJSI), the global indicator of reference for measuring the contribution of companies to sustainable development. The company has been awarded an overall score of 87 points in the 2018 edition. Furthermore, it is the only European electricity company to have been included in all 19 editions of the DJSI, which is clear evidence of its firm commitment to sustainability and of its strategy, which is designed to respond to the main financial, environmental and social challenges it faces.

- **Iberdrola's volunteer programme, winner at the Innovation Awards at the United Nations**

The Corporate Volunteering programme was recognised at the Innovation Awards presented at the IMPACT2030 Summit held at the United Nations Headquarters in New York.

This is the leading award in this field, and is presented every two years. The award recognises innovative approaches of companies that make the most of their human capital through corporate volunteering programmes, in order to promote the Sustainable Development Goals (SDG). Specifically, Iberdrola has been recognised as a company that innovates to educate, inspire and unite its employees around the SDG in their community, and provides opportunities for them to be agents for change. It has also been recognised for its exceptional commitment to activating volunteers towards achieving the SDG. The recognition of the jury was unanimous, and they highlighted the great work being carried out by Iberdrola in this field.

- **Iberdrola, the only continental European electricity company included in the '2018 Bloomberg Gender-Equality Index'**

Iberdrola is the only continental European electricity company to be included in the '2018 Bloomberg Gender-Equality Index (GEI)' created by Bloomberg to recognise companies that have undertaken a firm and solid commitment to gender equality. This first index includes a total of 104 companies from 24 countries and 10 business sectors with a market capitalisation of at least USD 1,000 million, and with securities listed on the US stock market.

- **IBERDROLA, one of the most transparent companies that provides the most information about its fiscal responsibility**

According to the "Contribution and Transparency 2017" report, created by the Fundación Compromiso y Transparencia, only two IBEX35 companies have been recognised as the most transparent companies when it comes to providing information on fiscal responsibility. Iberdrola is the only energy company that leads the group of IBEX35 'Transparent' companies, which provide detailed information regarding their fiscal responsibility.

- **Iberdrola, recognised with the award for Most Impressive Corporate Green in financial markets**

International magazine Global Capital, a publication specialising in the analysis of financial markets, has recognised the company's green, sustainable financing with the Most Impressive Corporate Green/SRI Debt Issuer award. Since 2014, Iberdrola has issued more than EUR 8 billion in green financing, and is the world's largest corporate issuer.

- **Iberdrola receives European Environment Award**

Ignacio Galán was presented with the European Environment Award by His Majesty King Felipe VI. The award went to our Company in the Spanish section and was awarded under the category for environmental management in major corporates. This acknowledges the Group's efforts to feed the results of its environmental management system into the business decision-making process. These results include calculating the corporate environmental

footprint in line with the United Nations Sustainable Development Goals for 2030.

- **Iberdrola, the first energy company to receive the Premio Nacional de Calidad (National Quality Award) in Mexico**
Iberdrola's chairman, Ignacio Galán, visited Mexico to collect the 2017 National Quality Award in the Energy category, recognising excellence in the areas of business competitiveness and quality. The award was given to the company to acknowledge its "notable track record in this country", where it has become the leading private company in the electricity sector.
- **IBERDROLA's 2018 Shareholders' Meeting is once again certified as a Sustainable Event**
IBERDROLA was the first Spanish company and the first electricity utility from among the world's 10 largest utility companies 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 2018, these certificates were again issued for the General Meeting.
- **Iberdrola renews its Compliance Leader Verification certificate awarded by the Ethisphere Institute**
The company has renewed its 'Compliance Leader Verification', certificate awarded by the Ethisphere Institute to businesses that not only fulfil prevailing laws and regulations but go a step further, demonstrating the existence of an internal and leadership culture that champions adherence to ethical values when doing business. The Ethisphere Institute – a US company that is a leader in defining ethical business practices – wanted to recognise the Iberdrola Group's compliance system that the Company uses to develop best practices in this area.
- **IBERDROLA acknowledged as one of the World's Most Ethical Companies for the fifth consecutive year**
IBERDROLA has been included in the 2018 World's Most Ethical Company ranking, drawn up by the Ethisphere Institute, which recognises leading companies in the internal and external promotion of ethical practices. According to the Institute's criteria, the companies included in the ranking have record levels of involvement with their

stakeholders and are really committed to maximum levels of transparency, diversity and inclusion. It is the only Spanish company included in the ranking, within the Energy and Utilities category, which only includes five other multinationals.

- **Award to Best Electrical Energy Distributor in Brazil**
Iberdrola's distributor companies in Brazil, Cosern and Elektro, have been recognised at the 20th edition of the Abradee Awards 2018 held in Brasilia. The award, one of the industry's most prestigious, is presented by Associação Brasileira de Distribuidores de Energia Elétrica (Abradee). This is the ninth time that Elektro, which serves 228 cities, receives the award for Best Electrical Energy Distributor in the country.
- **Neoenergia, Brazil's most transparent company**
The Brazilian company of IBERDROLA leads the ranking of the 100 most transparent Brazilian companies, created by NGO Transparency International. Iberdrola has received the highest rating, fulfilling 100% of the requirements.
- **Elektro, the best workplace in Latin America for the fourth year running**
For the fourth consecutive year, the distribution company of the Neoenergia Group has received the Best Workplace in Latin America Award from the Great Place to Work Institute. In the survey, staff gave the company the highest satisfaction score (100%) for the second year running. Elektro has therefore once again topped this prestigious ranking of 1,383 businesses from 22 countries.

3.2.- Contribution to society and stakeholders

- **Iberdrola will supply electricity to 16 million vulnerable people who currently have no access to electricity**
Iberdrola's chairman announced at the first Ibero-American Conference on Sustainable Development Goals (SDGs) that, by 2030, the Company will supply electricity through modern and environmentally sustainable energy pathways to 16 million vulnerable people from developing or emerging countries who currently have no access. This will happen after reaching the previous target of 4 million people. This action is part of the Electricity for All campaign launched by the Company in 2014.

- **Ibero-American Summit on Sustainable Development Goals (SDGs)**

Iberdrola co-hosted the first Ibero-American Summit on SDGs held in Salamanca, which culminated in the signing of the Salamanca Statement: a shared pledge by all stakeholders in society to fulfil the United Nations SDGs for 2030. The summit focused on how to transform our surroundings to achieve the SDGs, since the complexity of the task requires it to be jointly approached by all sectors of society.

- **Iberdrola announces more than 100 Master's degree scholarships and research grants in five countries**

Iberdrola launched two new calls for Master's degree scholarships and research grants, respectively, for the year 2018-2019, with the aim of promoting excellence in the training of new generations and their employability in strategic spheres of innovation and technological development within the Company. This year, the Group will award a total of 108 grants, aimed at Spanish, British, American, Mexican and Brazilian students.

- **Iberdrola joins a platform to improve air quality in cities**

The Company joined forces with other public and private organisations from different sectors to form the Plataforma x Aire Limpio (Platform for Clean Air), the objective of which is to improve air quality in Spanish cities. The key aim of the project is to work with local authorities to roll out more effective policies that are better tailored to the specific circumstances of each urban area.

- **Recognition for workplace risk prevention**

Iberdrola's commitment to workplace risk prevention has been recognised with a new award within the 'Prever 2017' National and International Awards. These awards, given yearly to companies or bodies that have carried out significant risk-prevention work, are the highest official recognition to dedication, efficacy and contribution to the development of safety in the workplace.

- **Iberdrola, recognised at the World Football Summit 2018 for its support to women's football**

Iberdrola has received the Best Women's Football Initiative award at the world summit on the football industry. Specifically, the award recognises the

company's outstanding contribution to fostering the growth and development of football practised by women as professionals, achieving visibility and giving a name to the national league, as well as promoting this sport for future generations.

- **Presentation of the Mujeres que brillan (Women who shine) awards**

Our company presented the "Mujeres que brillan" (Women Who Shine) awards to different personalities who made an outstanding contribution to gender equality, through the Gente que brilla (People Who Shine) project. The aim of the Mujeres que brillan meeting has been to vindicate work that defends equality, and the work they carry out on a daily basis.

- **Scottish Power takes part in POWERful Women initiative to encourage gender diversity**

Representatives of Scottish Power attended a reception at the House of Lords along with Greg Clark, the UK's Secretary of State for Business, Energy and Industrial Strategy, to promote the launch of the Energy Leaders Coalition. The initiative forms part of the POWERful Women campaign focusing on direct measures to encourage gender equality and diversity, specifically in the UK's energy sector.

- **First edition of the Mujeres con Energía (Women with Energy) forum in Mexico**

A group of 40 leading women in Iberdrola México have taken part in the first edition of the 'Mujeres con Energía' (Women with Energy) forum. In line with Iberdrola's commitment to people, the key piece for achieving the Company's objectives and the execution of the Strategic Plan 2018-2022, "Mujeres con Energía" is an initiative of Iberdrola México to strengthen equal opportunities for women and reiterating the company's commitment towards the development of inclusive environments that favour a greater gender equity in positions of leadership in the sector.

- **Iberdrola, the world's first company to certify customer claim management**

The company has obtained from AENOR the international Claims and Complaints Management System certification, in accordance with the new version of ISO 10002 Standard. Thus, it has

become the world's first company to certify its customer claim management system, via Iberdrola España retailers. AENOR has verified that both retailers have processes adapted to the guidelines of the new version of the ISO 10.002:2018 Standard. Following several days of auditing, the certified processes have proven to be solid, consistent and efficient in their operations.

- **Initiatives to help disadvantaged people.** Various events were 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 situation that many people are going through.
 - IBERDROLA starts the second phase of the public-private alliance to take electricity to the refugee camps in Ethiopia --**Shire Alliance**, which is extended to four refugee camps
 - In Brazil, **Neoenergia, Unicef** and musician **Carlinhos Brown** have renewed their collaboration on the “Sello Unicef Aprobado” and “Paxuá and Paramim” projects supporting children and teenagers.

3.3.- Support to volunteers

Within IBERDROLA's Corporate Volunteering Programme, articulated through the International Volunteer Portal, the following activities stand out this period:

- **International Corporate Volunteer Day.** Iberdrola brought together more than 1,800 volunteers on its International Volunteer Day for the different initiatives carried out in the countries where the Company has the greatest presence: Spain, United Kingdom, United States, Mexico and Brazil. Under the slogan ‘Together we build the world we want!’, this year the company wanted to dedicate this solidarity event to the fight against climate change and has directed its volunteer activities at caring for the environment, as well as at the inclusion of vulnerable groups and raising awareness regarding diversity.

- **11th IBERDROLA Tree Day.** The 11th edition of the Tree Day was held in Muxika (Biscay), within the Biosphere Reserve of Urdaibai, in collaboration with Asociación Gorabide and Fundación Lurgaia, thus continuing with the project ‘Bosque Iberdrola’ (Iberdrola Forest).
- **INVOLVE Initiative** (INternational VOLunteering Vacation for Education). The seventh edition of this corporate volunteering programme has now ended, in which IBERDROLA employees from other regions travel to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion improve their employability, by means of IT and web application training.
- **Volunteers in Action** Iberdrola's volunteers have worked alongside Fundación Sonrisas in Mexico to distribute food to the families of children undergoing medical treatment at the Siglo XXI Medical Centre and the Santa María de Guadalupe Shelter.
- **Volunteering in the fight against climate change** in schools. The project, which was created in Spain in 2017 to raise awareness about the consequences of climate change through talks and workshops in schools and institutions, has also been launched in Mexico.

3.4.- Community action

Scottish Power Foundation, Avangrid Foundation, Fundación Iberdrola México, Instituto Neoenergia and Fundación Iberdrola España represent Iberdrola's commitment to the development of the countries where it operates, as well as to solidarity with those people who are most vulnerable. In the new Master Plan for the Foundations for 2018-2021, they commit to the Sustainable Development Goals (SDG) in order to contribute to tackling social and environmental challenges affecting the future of the planet in a positive way. In line with the above, this new plan establishes the following aims for each work area for the next four years:

GENERAL TARGETS (GT)	WORK AREAS	SDG
1. Support training and research in general, prioritising innovation to contribute to energy sustainability.	Training and Research	 4 QUALITY EDUCATION
2. Support environmental protection and the improvement of biodiversity, to actively contribute in the fight against climate change.	Biodiversity and Climate Change	 15 LIFE ON LAND
3. Protect and safeguard artistic and cultural heritage: promoting conservation and restoration, as well as supporting local development.	Art and Culture	 11 SUSTAINABLE CITIES AND COMMUNITIES
4. Contribute to sustainable human development, supporting the most vulnerable people and groups	Social Action	 1 NO POVERTY
5. Encourage alliances that make it possible to carry out actions to reach the SDG associated to the activities of the Foundations in the Local Context.	Alliances to achieve the SDG	 17 PARTNERSHIPS FOR THE GOALS

These are the highlights of the initiatives carried out from January to October 2018:

a) **Training and Research:** this work area focuses on young students, by supporting their degree courses, technical training or language studies. Education is a useful tool for promoting sustainable development and these initiatives offer opportunities for young people with good academic records and no financial resources for studying. These projects by Fundación Iberdrola relating to training contribute to achieving SDG 4 Quality Education.

Avangrid Foundation works with the following academic bodies:

KVCC Lineworkers in the training of electricians in Maine, through **Scholarships at the Lineworker CMP Technology Programs**, to train specialists, prioritising the inclusion of young women in the energy sector.

Rochester Museum and Science Center (New York) to support practical learning in issues such as clean energy, climate change and sustainability.

Monroe Community College Foundation - Salute to Excellence. Scholarships to provide underprivileged students in Rochester with the opportunity to complete their higher education and overcome barriers to finish their university studies.

Binghamton University Foundation The two semester course brings together non-profit sponsors and students who apply technical knowledge to challenges in the real world. The students participated in engineering and problem-solving projects, with Binghamton University, the Kopernik Observatory and Science Park, the Chesapeake Alliance Discovery Centre for the Protection of Alaska Malamute, Broome Humane Society and

Willow's Wings Animal Sanctuary & Rescue.

The Community Foundation Greater New Haven (acting as administrator of the Board of Education of New Haven). This project backs an effective transformation and leadership development plan for the State Schools of New Haven. The NHPS system is one of the largest and poorest in New England, attending to 21,000 students in around 50 institutions from PreK to Secondary Education and Adult Education. This project also involves the community in general in the process of strategic planning and transformation.

Fundación Iberdrola México has awarded a total of **13 scholarships at the Altamira Technical Training centre** for underprivileged students, with the aim of achieving the inclusion of these vulnerable youths.

Instituto Neoenergía has awarded a total of **9 research grants**. The aim of this initiative is to get young professionals to complete an international master's degree, promoting the training of high level professionals who are capable of contributing to the development of a sustainable energy service.

Fundación Iberdrola España has awarded a total of **56 scholarships and grants**:

- 20 grants for energy and environmental research
- 10 Fundación Carolina scholarships for energy and environment master's degrees at Spanish universities
- 2 Fullbright scholarships for energy and environmental master's degrees
- 9 scholarships to undergraduate students to help with their studies at ICAI – Universidad de Comillas
- 3 scholarships for restoration and conservation at the Prado Museum
- 2 scholarships for restoration and conservation at the Bellas Artes de Bilbao Museum
- 10 support grants for bachelor's degree students for Paralympic sportspeople

A further relevant initiative related to training is the **Linguistic Immersion Programme** in English which aims to teach English to school students in their 3rd and 4th years of Compulsory Secondary Education. The selection of the students is made by the Department of Education of several Autonomous Communities that participate in the programme, according to objective criteria of academic excellence and financial resources. The programme also promotes and facilitates the participation of students in rural areas, given that this is the profile of student that finds it most difficult to access this kind of training. Iberdrola offers its installations over the summer and Easter periods, as a venue for these courses. A total of 80 students and 22 teachers have participated in the summer courses of Castilla-León, Extremadura and the Valencian Community.

b) Biodiversity and Climate Change: in this area of work, we are collaborating with public institutions and bodies devoted to the protection of the environment, contributing to reaching specific aims of the SDG 13 Climate Action and 15 Life on Land Ecosystems.

The **Iberdrola Foundation in Spain** collaborates with the Sociedad Española de Ornitología (Spanish Ornithological Society), **SEO/BirdLife on the MIGRA Project** aimed at studying the migratory patterns of birds. As at the end of September 2018, the Migra programme has a total of 946 birds tagged, from 32 different species.

	Origin			Total
	Fundación Iberdrola España	Otras entidades	Antes del Migra	
Birds N.º	371	444	131	946
Species marked N.º	17	23	13	32
Bird useful data N.º	147	246	131	524
Spaces useful data N.º	16	23	13	31
Active birds N.º	56	136	3	195

Table 1: Birds marked and with data available in the MIGRA program according to origin

Another significant initiative is the signing of a collaboration agreement with the **Fundación de Conservación del Quebrantahuesos** (Bearded Vulture Conservation Foundation) with a view to studying the influence of climate change on this and other alpine birds.

In the United Kingdom, the **Scottish Power Foundation** supports the project **Dolphin Watch** for the protection of dolphins – **Sussex Wildlife Trust**. The Foundation supports the 50th anniversary of this education centre and nature reserve with outreach and awareness-raising projects regarding the conservation and care of the habitats.

The **Avangrid Foundation** has championed **Riverkeeper** in New York, to transform the four-acre Jettie S. Tisdale, Johnson Oak Park in the impoverished neighbourhood of East End in Bridgeport. It highlights the importance of parks in terms of urban biodiversity, human health, access and equality, the economy and other benefits. In partnership with the City of Bridgeport and other key stakeholders, efforts have centred around engaging the community in designing the restored green space known as Park City.

Fundación Iberdrola México is promoting a project devoted to the **Conservation of Felines**, on the land located in the Industrial Port zone of Altamira, which aims to guarantee survival of a number of jaguars, *jaguarundis*, ocelots and bobcats that inhabit the region. Contributing to the **Conservation of the mangrove**, is another of the projects promoted to protect and conserve the flora and fauna that inhabit this ecosystem. The goal is to ensure the survival and encourage the growth of flora and fauna in the mangrove ecosystem through constant monitoring, research and categorisation. Another interesting initiative is the conservation project **Parque Estatal Cañón de Fernández**, in partnership with PRONATUR in the Fernández Canyon, to protect biological and ecological processes and provide environmental services in the ecosystems of the state park.

Two interesting initiatives that combine academic training with benefits for the

environment are promoted by the **Neoenergía Institute in Brazil**. First, the **Flyways** project to protect endangered wader birds in Brazil. In collaboration with **Save Brazil**, support is also given to a project devoted to the conservation of endangered birds in the area of Río Grande do Norte. The last census carried out in August counted 4 species of endangered wader birds, a total of 306 specimens.

Finally, outreach activities have been developed regarding wader birds and the importance of their habitat conservation, for students and teachers of the Maria Salete Martins School. In the activities, the SAVE professionals provided information regarding their work and recreational painting activities were carried out.

Eco-cidadão: Construindo um futuro sustentável (Eco-citizen: building a sustainable future), is another professional training initiative that focuses on sustainable technology systems and their roll-out in communities that are socially at risk. The project includes training activities for professionals in the area of eco-construction, through free courses for training and implementation of sustainable technology systems in socially vulnerable communities. In order to promote this social initiative, a community vegetable garden was started, using sustainable techniques. In October, diplomas will be presented to the students that have taken part in the project.

c) Art and Culture: in this field, the company works together with cultural bodies, renowned museums, public institutions and religious bodies in order to promote culture as well as restore and conserve artistic heritage, favouring local development. Thus, there is a direct impact on SDG 8 Economic Growth and 11 Sustainable Cities and Communities.

The main aim of Iberdrola's **Foundations Lighting Programme** is to improve the interior and/or exterior lighting of remarkable buildings, to showcase the historical-artistic heritage. The use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75%

more than incandescent bulbs) and reducing maintenance expenses thanks to a much longer lasting useful life. In addition to the artistic, economic and environmental benefits, one must add the potential of these lighting projects, which manage to favour economic activity, facilitating the local development around the historical-artistic heritage.

In the United States, the **Avangrid Foundation** has promoted lighting projects in the Morgan, Hilles, Austin and Wadsworth 301-303 galleries, replacing 2,625 bulbs with LED technology.

The **Foundation in Mexico** champions the **MUNAL** (Museo Nacional de Arte de la Ciudad de México) Programme to light halls in Mexico's National Museum of Art (MUNAL), improve energy efficiency and play a role in conserving the works of art in the museum.

During the nine-month period of 2018, the **Foundation Spain** launched and completed these important projects: exterior lighting on the façade of the Monastery of Uclés, decorative lighting of the Royal Pantheon at San Isidoro de León Collegiate Church, the Military Museum in Toledo and the restoration workshop at the Royal Tapestry Factory using the latest LED technology. Throughout the year, work continues on the projects of Ávila Cathedral (scheduled to be opened at the end of 2018), Salamanca Cathedral, the Fonseca School, the Talavera Basilica, the Barrena Palace in Ordizia, Valdepeñas Church and the Supreme Court in Madrid.

Instituto Neoenergía has been the driving force behind the following projects: lighting of the Cinco Pontas Fort in Recife and restoration of the Barra Grande Fort in Guarujá.

The **Iberdrola Museum Programme** collaborates with the Prado Museum and the Museo de Bellas Artes de Bilbao Restoration Workshops for the conservation of paintings, sculptures and works of art on paper at their art galleries. Throughout 2018 the museums and the Iberdrola Foundation in Spain will showcase the works restored by these workshops. Another

significant restoration initiative is the Atlantic Romanesque Plan involving church buildings in the north of Portugal, Salamanca and Zamora.

The **Exhibitions Programme of the Foundations** has had two main initiatives: in Spain, the exhibition **'Sorolla and Fashion'** with simultaneous and complementary exhibits at the Sorolla Museum and the Thyssen-Bornemisza Museum. The exhibition brings together more than seventy paintings from museums and national and international private collections, some of them never previously publicly exhibited, together with a significant collection of period dresses and accessories, with valuable pieces also loaned by prominent institutions and private collections, many of them previously unseen. The following work has been carried out in support of a number of museum restoration workshops:

- **Prado Museum:** completion of restoration and conservation of works currently being exhibited, such as:
 - "Dauphin's Treasure"
 - "The Triumph of Death", by Bruegel the Elder
 - "IN LAPIDE DEPICTUM" Italian painting on stone, 1530-1555
 - Religious works of Antonio María Esquivel: Fernando García, Chairman of Fundación Iberdrola España spoke at the opening of the exhibition, in Room 60 of the Museum.

The following projects have been completed in the area of restoration: Tapestries of the Royal College of the Patriarch, the altarpiece of Cuenca Cathedral, the codices of the Yuso Monastery Library and the restoration of the three flags of Saigon owned by the Naval Museum of Madrid. In the last months of 2018, work has started on a project to restore the altarpiece of the church of San Martín de Tours, in Villarmentero de Campos, Palencia.

The following exhibitions have been run in

Mexico:

- **MUNAL:** a temporary exhibition of European and Novohispanic paintings promoted by the Foundation in Mexico and the MUNAL Museum under the title “**Caravaggio. A work, a legacy**”.
- “**Nahui Olin. La mirada infinita**” showcasing a representative collection of the Mexican avant-garde artist, María del Carmen Mondragón, with collaborators being invited to the opening and enjoying a guided tour round the temporary exhibition.

The **Art and Culture Outreach Programme** has the **Scottish Power Foundation** as a point of reference. In 2018, the following initiatives have been supported:

The international scenic arts festival, **Futureproof**, aimed at young people from different backgrounds and communities. This is a multi-artistic and multi-platform space that will be set up in ten areas in Scotland and will be shared with the rest of the United Kingdom via social networks.

Art Promotion Llangollen International Musical Eisteddfod is based on previous work to promote art education, reduce unequal opportunities and make Eisteddfod a truly inclusive event. This project will improve the skills and confidence of participants that face difficult circumstances and will result in the creation of a unique music and dance presentation that celebrates diversity. The project explores the dimension of culture, beliefs and community commitment, and will promote respect and understanding.

National Museums Scotland. Powering Up 2.0. Financing will make it possible to improve the successful Get Energized programme, recognised by teachers as an excellent and attractive initiative to promote and disseminate cultural activities in Edinburgh.

Key cultural events backed by the **Avangrid Foundation** include: The International Festival of Arts & Ideas [Connecticut] aimed at creating and producing plays with a special focus on

community education and engagement; and the Rochester Area Community Foundation/ Rochester International Jazz Festival (New York), which is internationally acclaimed, attracts a large and diverse audience and celebrates and develops the local community.

Barrington Stage Company (Massachusetts), has the **Playwright Mentoring** theatre programme that offers teenagers at risk (13 to 19) a safe place where they can talk about the serious challenges in their daily life, using their own life stories as a basis for creating original plays. The project provides participants a protective space for young people.

- a) Social Action:** within this area of work, the Company collaborates with non-profit bodies, foundations and development agencies to promote social and humanitarian projects geared towards those who are most vulnerable, and which contribute to reaching specific targets of SDG 1 No Poverty, 3 Good Health and well-being, 5 Gender Equality, 7 Affordable and clean energy and 10 Reduced inequalities (1.1, 1.2, 3.2, 3.5, 5.1, 5.5, 7.b and 10.2).

The **Social Programme of the Foundations** is carried out in all five countries, providing support to projects that promote overcoming situations of infant poverty, support for the inclusion of disabled people, and improvement of the quality of life of people with serious illnesses, prioritising care for the most vulnerable groups. Below, we detail the most relevant partnerships:

United Kingdom:

- **Alzheimer Scotland:** The Dementia Friends programme aims to foster the public’s understanding of and empathy towards the patients, so that sufferers feel supported, accepted and welcome in their communities.
- **Bangor University:** The association ReachingWider focusses on higher education for vulnerable people in Wales. Its Bright Sparks initiative aims to encourage and inspire students and help

them achieve their potential in science, technology, engineering and mathematics (STEM) schools across the six regions in North Wales.

- **Adventure for All:** The Bendrigg Trust is an outdoor education centre specifically for disabled people. Its goal is to help them integrate into society, achieve independence and become healthier through adventure activities and spending time away from home.
- **Live Music Off the Grid!** The project involves providing live music at health centres and hospitals in remote areas such as the Scottish Highlands & Islands, Dumfries & Galloway, Kintyre, Cumbria, Northern Ireland, Wales Devon and Cornwall.
- **Prince & Princess of Wales Hospice:** provides specialised and free palliative care in Glasgow to terminally ill patients, offering support to their families and carers.
- **The Manchester Young Men's Christian Association:** backing of the Mental Health Champions project targeting young men to halt the rise in mental health problems.
- **The Outward Bound Trust:** This project enables young people to get involved in community activity days at the Loch Eil centre. Everyone taking part is to attend an event to share their experiences with friends and families, and six young people will be chosen to take part in a summer programme.
- **The Great Steward of Scotland's Dumfries House Trust. Engineering Education Programme.** The Engineering Education Centre provides indoor and outdoor experience-based learning for primary school and secondary school students. The financing will help subsidise students' school visits in South West Scotland and will help their development and growth. It will also support family/public participation events. The aim of the programme is to reach a wider

geographical area and also encourage the participation of schools that have not have the chance to take part in STEM activities in the past.

United States:

- **Operation Fuel:** ensures that struggling families have access to year-round energy assistance in more than one hundred towns across Connecticut. Local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such distribution of food, clothes, etc.
- **Yale New-Haven Hospital (Connecticut)** On-going support for the Yale-New Haven Hospital McGivney Center for Musculoskeletal Care, which provides specialist care and the best relief possible for patients with chronic illnesses. The hospital has a specific mission to meet the needs of the most vulnerable members of society.
- **United Way Worldwide - Truist - Employee Match (Connecticut & Massachusetts)** Support for organisations that encourage volunteering for the common good.
- **Working for Worcester (Massachusetts)** Improvements to school installations and recreational facilities, parks, community centres, sports fields, and other leisure spaces in Worcester.
- **Urban League of Rochester:** Early acquisition programme for transition from secondary school to university, aimed at young people from minority and disadvantaged groups. The mission of the Urban League of Rochester, New York, is to enable disadvantaged communities to secure economic self-reliance and parity.
- **Chelsea Hicks Foundation:** therapeutic play project for more than 2,400 children and their families every year in local hospitals.
- **Progress Center:** the Project offers students at risk or from low income

households in the Oxford Hills area new backpacks and school materials to start the new school year.

- **Food Bank of Western Mass**, to significantly reduce food insecurity among residents of the counties of Berkshire, Franklin and Hampden.
- **Ronald McDonald House of Connecticut and Western Massachusetts**: Refuge homes for children receiving medical treatment and their families.

Mexico:

Asociación Civil Excelencia Educativa, which offers girls and boys a participative space where they can be active subjects in the learning process, enjoying new ways of approaching knowledge. This initiative will be carried out throughout 2018 in 11 schools located near Iberdrola plants and installations.

Brazil:

Childhood Social Programme: Jovens Brilhantes project (Young People who Shine) to help children and adolescents in the state school system develop the skills and competencies needed for the 21st century. Target subjects are STEM (science, technology, engineering and mathematics) and a nurturing and interactive approach is taken to meet the real challenges faced in society. The institute also collaborates with UNICEF and the Ayrton Senna Foundation on projects helping infants at risk.

Spain:

Social Programme with 35 social initiatives, that were approved in the annual call for projects and are carried out across the territory where Iberdrola operates, with a positive impact on 45,000 people, and the creation of 120 direct job positions in the third sector.

- **Education and the fight against child poverty**: Caritas Diocesana (Cartagena and Plasencia), Save the Children, Asociación Ciudad Joven, Fundación Candelita, Altius, Tomillo, Fundación Amigó, Balía por la infancia, Illundai Haritz Berri, Ayuda en

Acción, Etorokintza,

- **Training for the inclusion of people with disabilities**: ADSIS, AMICOS, ANFAS, ASIDO, Down (Asturias and Madrid)
- **Improving the quality of life of vulnerable people with serious illnesses**: AECC, ASOCIDE, Asociación Corazón Vida, Aspanion, Pequeño deseo, Menudos Corazones, Upace Sur, Feclém, Bizitegi, Nupa, Proyecto Hombre (Alicante, Biscay, Cadiz, Guadalajara, Salamanca and Valladolid).

The Social Programme also includes 22 institutional collaborations or donations to renowned social agencies. In this third quarter of 2018 the call for projects for 2019 has resulted in an investment of one million euros and the selection of 32 social projects.

The Cooperation Programme for Human Development, promotes projects to overcome situations of extreme poverty through the electrification of basic social infrastructures (schools, health centres or community centres, etc.), with the components of education and technical training that promote productive and local development action.. This programme also covers projects providing help in humanitarian emergency crises.

In **Spain**, the SHIRE Alliance stands out especially, promoting access to electricity in refugee camps. This initiative is promoted by the Universidad Politécnica de Madrid, and also has the support of the UNHCR and the European Union.

The cooperation with ILUMEXICO contributes to the development of marginalised communities in **México** where there is no access to the national electricity grid, or where the service they receive is deficient. Infrastructure and community work programme relating to renewable energy.

Hurricane Harvey affected Florida's most vulnerable population. In the **United States**, the Company continues to collaborate with the Red Cross (American Red Cross Disaster Relief) to help victims and contribute to reconstruction in the affected areas of Puerto Rico.

Priority SDGs for the Iberdrola Foundations



4. Corporate Governance

The Corporate Governance highlights during the first nine months of financial year 2018 were as follows:

- On 9 January 2018, the Company published an addendum to the information booklet regarding the terms and conditions of the second edition of the 'Iberdrola Scrip Dividend' compensation scheme. Finally, on 29 January 2018, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2017 General Shareholders' Meeting.
- On 12 January 2018, IBERDROLA published the financial calendar for financial year 2018.
- On 9 February 2018, the Company submitted its energy production figures for financial year 2017.
- On 20 February 2018, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury stock in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014. Up until 15 June 2018, the end date of the programme, the Company acquired 78,562,182 treasury shares, equating to 1.220 % of such shares.
- On 21 February 2018, the Company submitted its results for the financial year ending on 31 December 2017 to the CNMV.
- On 23 February 2018, IBERDROLA sent the *Annual Corporate Governance Report*, the *Annual Director Remuneration Report* and the financial information for financial year 2017 to the CNMV.
- On 16 April 2018, the Company submitted its energy production figures for the first quarter of financial year 2018.
- On 17 April 2018, IBERDROLA notified the CNMV that its subsidiary Neoenergia, S.A. (in which it has a 52.45% stake) had signed an investment agreement with Eletropaulo Metropolitana Electricidade de São Paulo, S.A. (Eletropaulo), under which Neoenergia, S.A. undertook to subscribe 100% of any shares Eletropaulo may issue in this company's public share offering.

Subsequently, on 23 April, Neoenergia, S.A.'s Board of Directors ratified this investment agreement and made a rival bid for between 51% and 100% of Eletropaulo's shares.

Neoenergia, S.A. opted to improve the conditions of its bid on two occasions. Nonetheless, as IBERDROLA notified the CNMV on 31 May 2018, Neoenergia, S.A. was not successful in the competitive process.

- On 24 April 2018, the Company submitted its results for the first quarter of financial year 2018 to the CNMV.
- On the same date, IBERDROLA announced the first edition of its new optional dividend scheme, 'Iberdrola Scrip Dividend', for financial year 2018. It was also agreed to implement the increase in paid-up share capital approved by the General Shareholders' Meeting on 13 April 2018 and the supplementary dividend payment for financial year 2018.
- On 3 May 2018, IBERDROLA informed the CNMV that at the ordinary general meeting of Siemens Gamesa Renewable Energy, S.A. held on 23 March, the partner Siemens Aktiengesellschaft blocked the approval of the two proposals by Iberdrola Participaciones, S.A.U. concerning corporate governance and maintenance of head offices, by voting against them. Specifically, votes in favour of the corporate governance proposal were submitted by voters holding or representing 75% of the share capital present at the general meeting held by third parties other than Siemens Aktiengesellschaft and Iberdrola Participaciones, S.A.U.
- On 21 June 2018, IBERDROLA notified the CNMV of the implementation of the capital reduction through the redemption of treasury stock approved at the General Shareholders' Meeting on 13 April 2018, entered in the Companies Register of Biscay on 28 June.
- On 5 July 2018, IBERDROLA published an addendum to the information booklet regarding the terms and conditions of the first edition of the optional dividend system,

'Iberdrola Scrip Dividend', corresponding to financial year 2018.

Subsequently, on 24 July 2018, the Company approved the execution of the increase in paid-up capital approved by the General Shareholders' Meeting held on 13 April 2018.

- On 13 July 2018, the Company submitted its energy production figures for the first half of financial year 2018.
- On 25 July 2018, the Company submitted, to the CNMV, its Presentation of Results for the first half of 2018.

General Shareholders' Meeting

The IBERDROLA Board of Directors, in its meeting of 20 February 2018, agreed to convene the General Shareholders' Meeting to be held at first call on 13 April 2018, or at second call on 14 April 2018. 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 on its corporate website (www.iberdrola.com) and in the Official Bulletin of the Companies Register on 23 February 2018.

On 13 April 2018, the Company's General Shareholders' Meeting was held at first call, with a quorum of 76.09% of the share capital (4.65% present and 71.44% represented) and each and every resolution put to vote that had been included in the meeting agenda was approved, as detailed below:

Resolutions regarding annual accounts and company management

- i. Approval of the annual accounts for financial year 2017.
- ii. Approval of the management reports for financial year 2017.
- iii. Approval of the corporate management and performance of the Board of Directors during financial year 2017.

Resolutions regarding the composition of the Board of Directors

- i. Appointment of Mr Anthony L. Gardner as independent director.
- ii. Re-election of Ms Georgina Kessel Martínez as independent director.

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

- i. Approval of the proposed allocation of profits and losses and distribution of dividends for financial year 2017, the supplementary payment of which will be made within the framework of the 'Iberdrola Scrip Dividend' compensation scheme.
- ii. Approval of a first increase of paid-up capital for a maximum reference market value of EUR 1,310 million with the aim of implementing the 'Iberdrola Scrip Dividend' compensation scheme.
- iii. Approval of a second increase of paid-up capital for a maximum reference market value of EUR 1,140 million, with the aim of implementing the 'Iberdrola Scrip Dividend' compensation scheme.
- iv. Approval of a reduction of capital by means of the redemption of a maximum of 198,374,000 treasury shares (3.08 % of the share capital).
- v. Advisory vote on the *Annual Director Remuneration Report* for financial year 2017.
- vi. Approval of a new *Director Remuneration Policy*.

Resolution regarding treasury stock

Authorisation for Board of Directors to acquire treasury shares.

Resolution regarding general matters

Delegation of powers for the formalisation and notarisation of any resolutions adopted.

Board of Directors

On 21 June 2018, the Company announced the resolutions concerning changes to the composition of the advisory committees and members of the Board of Directors.

- i. Appointment, as proposed by the Appointments Committee, of Mr Juan Manuel González Serna as lead director and chair of the Remuneration Committee replacing Ms Macho Stadler, whose status changed from 'independent director' to 'other external director' on 7 June 2018 as a result of having occupied the post of independent director for an uninterrupted period of 12 years.
- ii. Appointment, as proposed by the Appointments Committee, of Ms Inés Macho Stadler as non-executive vice-chair of the Board of Directors.
- iii. Appointment, as proposed by the Appointments Committee, of Mr Manuel Moreu Munaiz as member of the Remuneration Committee, replacing Mr Íñigo Víctor de Oriol Ibarra.
- iv. Appointment, as proposed by the Appointments Committee, of Mr Oriol Ibarra as member of the Corporate Social Responsibility Committee, replacing Mr Manuel Moreu Munaiz.
- v. Re-election, as proposed by the Appointments Committee, of Ms Denise Mary Holt as member of the Audit and Risk Supervision Committee.

Corporate governance system

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the *Articles of Association*, the *Mission, Vision and Values of Iberdrola Group*, the *Corporate Policies*, the governance regulations of the corporate bodies and the internal committees and the Company's compliance. 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.

In this regard, on 20 February 2018, a reform of the Corporate Governance System was approved,

with the aim, among others, of including the improvements introduced in relation to the operation of the General Shareholders' Meeting, such as the possibility of delegating or telephone voting and adapting its content to the new EU regulations regarding personal data protection (new Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016).

On 12 April 2018, a new reform was approved to: (i) include new preambles to the Corporate Governance System and documents comprising it (except the Articles of Association which already has its own preamble); (ii) acknowledge the existence of chief executives in sub-holding companies; (iii) incorporate the specific corporate governance matters concerning Neoenergia, S.A.; and (iv) incorporate the latest cyber-security guidelines approved by the US. Securities and Exchange Commission (SEC).

On 24 April, the *Human Resources Framework Policy* was amended to allow for the incorporation of global committees specialising in their areas of responsibility as tools for standardising the guidelines for managing the Group's human resources.

Subsequently, on 21 June, a new reform of the Corporate Governance System was approved to: (i) include a new section on the *General Corporate Governance Policy* regarding the post of vice-chair as a mechanism for bolstering the counterweight system; (ii) create a new Title I ("Principles of conduct") in the *Regulations of the Board of Directors*; and (iii) include technical improvements in the aforesaid regulations, simplifying the contents and improving the layout thereof.

On 24 July 2018, the Board of Directors of the Company approved a new reform with a view to, firstly, (i) approving the new *Policy on drafting the financial information of the Iberdrola Group*, aligned with incorporating the best international practices as regards transparency and (ii) reviewing the content of the *Basic Norms of Internal Auditing*, which has been incorporated into the Corporate Governance System.

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 so far during financial year 2018 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: Relevant Events from July to September 2018

Date	Event	Registration No.
05/07/2018	The Company notifies the announcement for submitting results for the first half of 2018.	267595
05/07/2018 24/04/2018	Increases and reductions in share capital, addendum to the information booklet regarding the first edition of the 'Iberdrola Scrip Dividend' optional dividend system corresponding to financial year 2018.	267601 264545
13/07/2018	The Company reports its energy production figures as at the end of the first half of 2018.	267891
24/07/2018	The Company reports on the increase in share capital framed within the first edition of the "Iberdrola Scrip Dividend" system of 2018, for which 157,629,000 new shares will be issued, and a complementary dividend will be paid, corresponding to financial year 2017, for a total gross amount of EUR 134,475,204.79	268232
25/07/2018	The Company reports on the results of the first half of 2018.	268271
25/07/2018	The Company issues the presentation of the results of the first half of 2018.	268272
27/07/2018	The Company issues interim financial information on the results of the first half of 2018.	268572
25/09/2018	The Company reports the date for submitting the results corresponding to the nine month period of 2018.	269871

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
Adjusted Gross Operating Profit (EBITDA)	Gross Operating Profit (EBITDA) adjusted by provisions for efficiency plans
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 / Equity
Financial leverage	Net Financial Debt/(Net Financial Debt + Equity)
Adjusted Equity	Shareholders' Equity adjusted by the market value of the accumulators
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
Adjusted Net Financial Debt	Net Financial Debt adjusted by market value of treasury stock cumulative hedges
Net Financial Debt / Equity	Net Financial Debt / 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

(*) Included in the Balance Sheet in "Other current financial assets"

Alternative Performance Measures	Definition
Adjusted Funds from Operations (Adjusted FFO)	Funds from Operations adjusted by provisions for efficiency plans
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

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