

Shareholder newsletter first half of the year / 2017

**Iberdrola's Net Profit
increased 4.2% to
€1,518 million**

Chairman's key points



Ignacio Galán Iberdrola's chairman

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“In the first half of the year, the Company's Net Profit increased 4.2% to €1,518 million”

In the first half of the year, the Company's Net Profit increased 4.2% to €1,518 million.

Investment reached 2,512 billion euros, 35% more, of which more than 91% is destined for growth in networks projects, renewables and generation with long-term contracts

Iberdrola has completed a new edition of the 'Iberdrola Scrip Dividend' program (Iberdrola Dividendo Flexible) with a remuneration of 0.117 euros per share. Last 7 July 0.03 euros per share were paid in cash to which another 0.147 euros per share (18.5% more than in 2016) will be added before 28 July. With this dividend, the annual remuneration to the shareholder amounts to a total of 0.317

euros per share, almost 11% more than in the previous year.

Finally, the performance outlook for the businesses during the second half of the year lets us expect a growth in income for 2017 in line with the results achieved in this first half of the year, and enabling us to continue with our policy of increasing dividends in line with the results.

Ignacio Galán
Chairman

Shareholder returns

Iberdrola increases shareholder remuneration by over 11% to €0.317 gross per share

Iberdrola has increased its annual remuneration by over 11% on the strength of the group's good performance in 2016 (with a net profit of €2,705 million), up 11.7% on 2015.

The company's planned shareholder remuneration for 2016 will thus bring gross per-share dividends to 0.312 euros, compared to 0.28 euros in 2015. To which a premium of 0.005 euros per share (gross) for attendance of the annual general meeting must be added.

The first payment of this remuneration of 0.135 gross euros per share took place in January through the "Iberdrola Dividendo Flexible (Iberdrola Scrip Dividend)" scheme. In July the gross €0.03 gross per share paid in cash and a new payment of €0.147 gross per right through the "Iberdrola Dividendo Flexible (Iberdrola Scrip Dividend)" scheme have been paid.

Iberdrola has also raised its profit target for the year 2020. The new forecast has led the company to anticipate dividend growth for the coming years, which is expected to yield annual gross dividends per share of between 0.37 and 0.40 euros in 2020, with a minimum of no less than 0.31 euros per share. The payout will vary between 65% and 75%.

A total remuneration of Eur 0.317 per share in 2017 (+11%)

July 2017 Dividend: EUR 0.177 per share ...

Scrip dividend (to be paid before 28th July)

Eur 0.147/share

+18,5%

Cash dividend (paid on 7th July)

Eur 0.03/share

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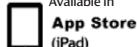
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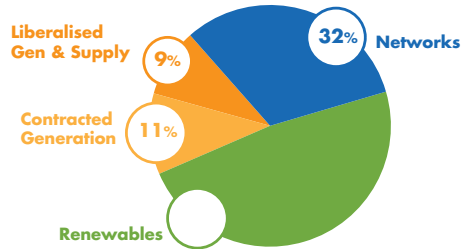
Highlights

Iberdrola invests €2,512 million in the period. (+35%)

The net investments in the first six months of 2017 rose to €2,512 million, exceeding the previous period's figure by 35.2%. 80.1% of the investments were made in the Networks and Renewable Energies Business areas.

Of the €25,000 million in investments expected in the Plan, 90% are already assigned to construction projects or committed.

Investment by business



Between January and June 2017, the Group hired 1,500 professionals

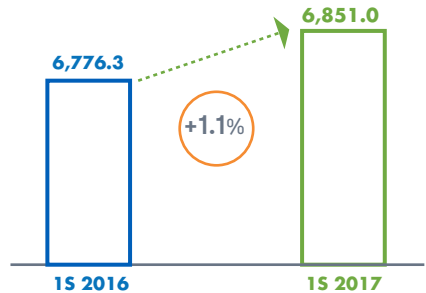
As a result of this investment activity, the Group hired 1,500 new professionals between January and June 2017, whereby raising its workforce to nearly 30,000 persons. Additionally, the company made purchases from 13,800 supplier that amounted to €3,187 million, 11.6% greater than the first six months of 2016.

The Gross Margin increased slightly to €6,851 million

The Gross Margin increased by 1.1%, affected by the weather conditions in Spain (low rainfall and wind power production), the closure of the Longannet thermal power plant in the United Kingdom (March 2016), which affects the comparative figures for the quarter, and the harsh competitive conditions in the country.

Gross Margin

Eur M





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