

Shareholder Information Bulletin

First Half

/ july 2018

**Iberdrola's operating
net profit reaches
€1.37 billion,
an increase of 27%**

Iberdrola,
“utility
of the
future”



IBERDROLA

www.iberdrola.com



Ignacio Galán
Iberdrola's chairman

In the first half of the year, Operating Net Profit amounted to €1.37 billion, thanks to the group's capital expenditure and the normalisation of conditions in our key markets.

In July the "Iberdrola Retribución Flexible" programme was carried out, in the amount of €0.186 per share. With this dividend, total shareholder return in the year reaches €0.326 per share, 4.5% more than last year.

The improved performance of the businesses expected during the second half of the year allows us to reaffirm our profit target for 2018 and to continue our policy of increasing the dividend in line with results.

Ignacio Galán

Chairman

Shareholder return

Iberdrola has increased shareholder remuneration for 2017 to €0.326 gross per share, an increase of 4.5% compared with the previous year.

The first part of this remuneration, €0.140 gross per share, was paid in January through the “Iberdrola Dividendo Flexible” scrip dividend programme. In July we paid €0.186 gross per share through the new “Iberdrola Remuneración Flexible” programme, 35 free allocation rights being needed to acquire one share in this edition of the programme.

In this new programme, the traditional option of receiving the supplementary dividend in cash is replaced by the sale of rights to Iberdrola at a guaranteed price, leaving open the option of receiving free newly issued shares and the possibility of selling the rights in the market.

Furthermore, Iberdrola reaffirms its commitment to maintaining the number of shares at 6.24 billion to avoid dilution of shareholder’s equity.

Dividend increased by 4.5% vs previous year

Iberdrola Dividendo Flexible (paid in january 2018)	Eur 0.140 per share
Iberdrola Retribución Flexible (payed in july 2018)	Eur 0.186 per share
Remuneración con cargo a 2017	Eur 0.326 per share

Download the **IBERDROLA** Investor Relations app:



Available on
Google
Play



Available on
App Store
(iPad)



Available on
App Store
(iPhone)

Highlights of the period

EBITDA grew by 17% to €4.44 billion.

Consolidated EBITDA increased by 17% to €4.44 billion (or by 24% excluding the exchange rate effect), with all the Group's businesses contributing to the growth.

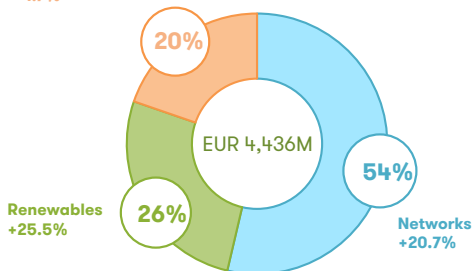
EBITDA of the **Networks** business increased by nearly 21%, driven by the improvement in all countries where it operates, and despite the costs of the storms in the United States. The tariff updates in New York and Connecticut, together with the tariff revisions in Bahia and Rio Grande do Norte (Brazil) and the consolidation of Neoenergia, contributed to pushing this growth.

EBITDA of the **Renewables** business increased by 25.5%, with production increasing by more than 20%.

The **Generation and Retail** business increased its EBITDA by 1.7%, recovering from the adverse operating situation it went through last year, which had more than offset the exceptional positive effect recognised in Gas España in 2017.

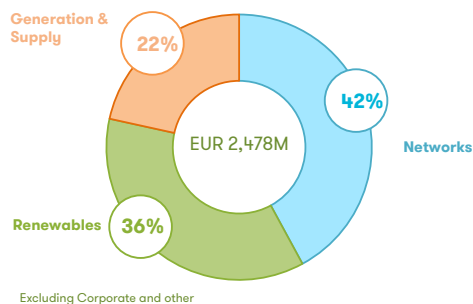
EBITDA by Business

Generation & Supply
+1.7%



Iberdrola invested €2.48 billion in the period

Business investments in H1'



Net capital expenditure in the first half of 2018 amounted to €2.48 billion, in line with that of the same period of 2017.

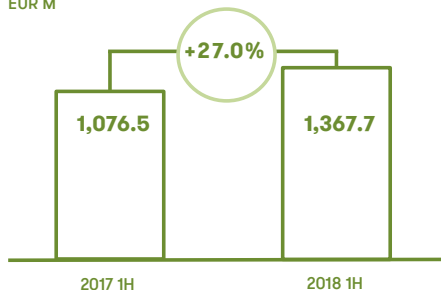
42% of these investments were in the Networks business; 36% in Renewables and the remaining 22% in Generation and Retail.

In the first half of the year, Iberdrola installed 423 MW of renewable capacity, and over the course of the second half of the year it plans to incorporate a further 2,326 MW in renewables and combined cycles. Thus, total new capacity incorporated by the Group into its generating facilities in 2018 will amount to 2,749 MW.

Highlights of the period

Operating Net Profit*

EUR M



* 2017 excludes positive one off impacts of Gamesa merger and portfolio price revision in Gas Spain

Operating Net Profit amounted to €1.37 billion.

Operating Net Profit, which excludes non-recurring results of Gamesa and of the revision of gas contracts, increased by 27% to reach €1.37 billion.

Reported Net Profit amounted to €1.41 billion, down by 7.1% relative to the first half of 2017 due to the recognition in H1 2017 of the exceptional impact of the Gamesa-Siemens merger, there being no such item this year.

Iberdrola has continued to increase its liquidity, improving its debt profile and leading the market in sustainable financing.

Sustainable financing

During the first half of the year, the Group obtained new financing and lines of credit for €11.8 billion: €4.45 billion of financing, and €5.3 billion and US\$2.5 billion in credit lines linked to sustainability criteria. In this way, 23% of Iberdrola's liabilities are now "green" and 75% of its credit lines are linked to environmental criteria.

Net indebtedness has been maintained in line with the Plan and amounted to €34 billion at the end of the period, due basically to the consolidation of Neoenergia in Brazil and the capital expenditure undertaken in the period.

Net Debt / EBITDA	4.1x
FFO / Net Debt	20.2%
RCF / Net Debt	17.6%
Leverage	43.7%

* Pro forma: including Neo from 1st July 2017. Adjusted: excluding provisions for efficiency plans

Outlook for 2018

Iberdrola reaffirm the 2018 outlook...

EBITDA

Above
EUR 9,000 M

**Reported
Net Profit**

Close to
EUR 3.000M

...leading to dividend growth in line with results

Iberdrola reaffirms its forecasts for 2018 given the solid development of the businesses expected in the second half of the year: improved returns in the United States and Brazil; new renewable capacity in Mexico, Germany and Brazil; greater hydroelectric reserves; improvement in prices in Europe; normalisation of nuclear production and contribution of the new capacity in Mexico. All this will be combined with higher levels of efficiency.

Iberdrola expects to close 2018 with EBITDA of more than €9 billion and a reported net profit of close to €3 billion, which will allow it to continue to increase the dividend in line with its results.

Main projects under way

Investment in profitable long-term growth projects is one of the strategic pillars of Iberdrola's Prospects for 2018-2022. Of the €32 billion of investments envisaged for this period, 86% relates to projects that are already under construction or assured, prominent among which are:

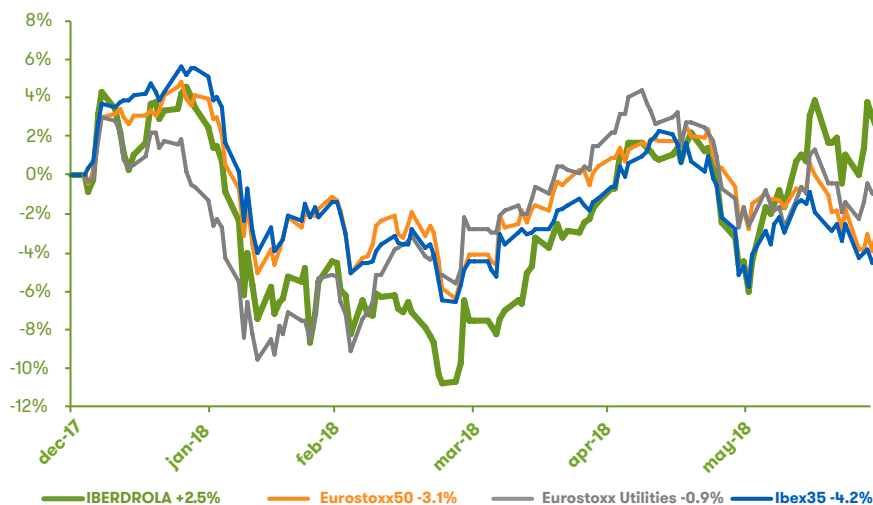
- **Offshore wind power:** Construction work continues on the East Anglia One project, which will be the world's biggest offshore wind farm when it comes on stream in 2020. This facility, situated in the North Sea, will have an installed capacity of 714 MW and will supply clean energy to 600,000 households.
- **Hydroelectric power:** The company continues to develop the Tâmega complex in the north of Portugal, the biggest hydroelectric project undertaken in the country in recent years and one of the biggest energy projects in its history, in which it will invest more than €1.5 billion. This major project involves the construction of three hydroelectric power stations, which will be operational between 2021 and 2023 and will have a total capacity of 1,158 MW.
- **Photovoltaic energy:** In 2018 the commissioning will take place of the Santiago and Hermosillo photovoltaic power plants, situated in the Mexican states of San Luis Potosí and Sonora respectively, with a combined capacity of 270 MW.
- **Networks:** During 2018, Iberdrola will complete Western Link, the world's longest subsea electricity interconnection project, which will connect Scotland, England and Wales. With capital expenditure of €1.2 billion and measuring 850 kilometres in length, the project will bring renewable energy from Scotland to homes and businesses in England and Wales and will increase the interconnection capacity by more than 2,200 MW, enough to meet the demand for power from more than four million households each year. Apart from this, Iberdrola has already surpassed the figure of 10.7 million digital meters in Spain and has also installed one million smart meters in the United States, more than 220,000 in Brazil and nearly a million in the United Kingdom.
- **Regulated generation in Mexico:** Iberdrola is constructing four combined cycle power stations that will go into operation between 2018 and 2020 with a total capacity of approximately 3,500 MW. The development of these projects will consolidate Iberdrola's position as Mexico's leading private-sector energy producer.



Western link, the world's longest subsea interconnection

IBERDROLA and the stock market

Iberdrola stock price performance vs Index



Iberdrola's share price performance

	H1 2018	H1 2017
Number of shares outstanding	6,240,000,000	6,240,000,000
Share price at the end of the period	6.624	6.933
Average share price for the period	6.311	6.531
Average daily trading volume	20,434,325	25,070,750
Maximum trading volume (15-06-2018/06-04-2017)	74,718,387	122,920,322
Minimum trading volume (06-04-2018 / 29-05-2017)	9,111,678	5,568,159
Dividends paid (€)	0.145	0.140
Gross interim (29-01-2018/ 23-01-2017) ⁽¹⁾	0.140	0.135
AGM attendance premium	0.005	0.005
Dividend yield ⁽²⁾	4.86%	4.24%

(1) Rights purchase price guaranteed by Iberdrola.

(2) Dividends paid in last 12 months and attendance premium/ share price at the close of the period.

Stock market data

		H1 2017	H1 2016
Market Capitalisation	MM€	42,647.8	43,261.9
Earnings per share (6,240,000,000 shs. at 30/06/2018 and 6,240,000,000 shs. at 30/06/2017)	€	0.23	0.24
Net operating cash flow per share ^(*)	€	0.56	0.53
P.E.R.	Times	15.82	15.64

(*) OCF 1H 2017 restated.



Legal Notice

Disclaimer

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation of financial results of the first semester of the 2018 fiscal year. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.

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

The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

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

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

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

Important information

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

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

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

This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the consolidated financial results of Iberdrola, S.A. and was prepared and is presented in accordance with the International Financial Reporting Standards ("IFRS"). This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. ("Avangrid") or Avangrid's financial results. Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid's financial results. For information regarding Avangrid's financial results for the first semester of the 2018 fiscal year, please see the press release Avangrid issued on 24th July, 2018, which is available on its investor relations website at www.avangrid.com and the Securities and Exchange Commission ("SEC") website at www.sec.gov.

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

This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Neoenergia S.A. ("Neoenergia") or Neoenergia's financial results. Neither Neoenergia nor its subsidiaries assume responsibility for the information presented herein. For information regarding Neoenergia's financial results for the first semester of the 2018 fiscal year, please see the press release Neoenergia issued on 23rd July, 2018, which is available on its investor relations website at www.ri.neoenergia.com and the Brazilian Comissão de Valores Mobiliários ("CVM") website at www.cvm.gov.br.

Forward-looking statements

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

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

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



For further information on Iberdrola, please visit: www.iberdrola.com
Access to the Shareholders
Quarterly Bulletins and Iberdrola
Group quarterly information
by capturing the corresponding
QR code through your
smartphone or tablet

Number for Shareholders (in Spain) / 900 10 00 19 (toll free)
Number for Shareholders (UK) Calls to this number are charged at 8p per minute
from a BT landline. Other telephony providers costs may vary / (0) 871 384 2936
Number for Shareholders (US) / 1 (866) 726 8237 (toll free)
E-mail / accionistas@iberdrola.com
Web site / www.iberdrola.com