

Results nine months / 2017

Results **nine months** **/** **2017**

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Core --- Business --- figures ---

Networks

		December 2016	December 2015	
RAB (Local currency)				
Spain	(EUR MM)	9.1	9.1	
United Kingdom	(GBP MM)	5.7	5.4	
United States	(USD MM)	8.7	8.7	
Brazil *	(BRL MM)	14.7	12.4	
Distributed Electricity				
		9M 2017	9M 2016	vs. 2016
ELECTRICITY (GWh)				
Spain		70,023	69,537	0.7%
United Kingdom		25,503	26,154	-2.5%
United States		28,739	29,646	-3.1%
Brazil *		49,091	46,614	1.0%
Total		171,357	171,951	-0.3%
GAS (GWh)				
United States		41,579	41,970	-0.9%
Total		41,579	41,970	-0.9%
Managed supply points				
		9M 2017	9M 2016	vs. 2016
ELECTRICITY (Millions)				
Spain		10.95	10.88	0.6%
United Kingdom		3.52	3.51	0.2%
United States		2.21	2.20	0.6%
Brazil *		13.57	13.36	1.5%
Total		30.25	29.96	1.0%
GAS (Millions)				
United States		1.01	1.02	-0.6%
Total		1.01	1.02	-0.6%
TOTAL SUPPLY POINTS		31.26	30.98	0.9%

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

*Includes 100% of Neoenergia

Generation business and Customers

	9M 2017	9M 2016	vs. 2016
TOTAL GROUP			
Net Production (GWh)	102,494	107,084	-4.3%
Renewables	38,428	43,760	-12.2%
Onshore	24,687	24,382	1.3%
Offshore	565	527	7.1%
Hydro	12,600	18,027	-30.1%
Minihydro	332	597	-44.3%
Solar and others	243	227	7.1%
Nuclear	18,383	18,614	-1.2%
Gas combined cycle	39,071	36,810	6.1%
Cogeneration	5,016	5,077	-1.2%
Coal (*)	1,596	2,822	-43.4%
Installed Capacity (MW)	48,062	46,282	3.8%
Renewables	28,778	27,344	5.2%
Onshore	15,383	14,419	6.7%
Offshore	519	194	167.2%
Hydro	12,452	12,309	1.2%
Minihydro	304	303	0.5%
Solar and others	120	120	-
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	13,992	13,338	4.9%
Cogeneration	1,241	1,316	-5.7%
Coal (*)	874	874	-
Electricity customers (No mill.)	13.31	13.47	-1.2%
Gas customers (No mill.)	3.05	3.07	-0.6%
Gas Supplies (GWh)	41,074	45,162	-9.1%
Gas Storage (bcm)	2.53	2.55	-0.5%

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

	9M 2017	9M 2016	vs. 2016
SPAIN			
Net Production (GWh)	38,713	48,252	-19.8%
Renewables	15,079	25,019	-39.7%
Onshore	8,227	9,130	-9.9%
Hydro	6,455	15,227	-57.6%
Minihydro	332	597	-44.3%
Solar and others	65	65	0.6%
Nuclear	18,383	18,614	-1.2%
Gas combined cycle	1,652	1,831	-9.8%
Cogeneration	2,003	1,685	18.9%
Coal	1,596	1,102	44.8%
Installed Capacity (MW)	25,933	26,162	-0.9%
Renewables	15,821	15,820	-
Onshore	5,752	5,752	-
Hydro	9,715	9,715	-
Minihydro	304	303	0.5%
Solar and others	50	50	-
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	5,695	5,695	0.0%
Cogeneration	367	364	0.7%
Coal	874	874	-
Electricity customers (No mill.)	10.17	10.26	-0.8%
Gas customers (No mill.)	0.97	0.93	4.3%
Gas Supplies (GWh)	9,394	11,132	-15.6%
Users	5,171	6,201	-16.6%
Gas Combined Cycle	4,223	4,931	-14.4%

	9M 2017	9M 2016	vs. 2016
UNITED KINGDOM			
Net Production (GWh)	8,514	10,008	-14.9%
Renewables	3,420	2,630	30.0%
Onshore	2,381	1,677	42.0%
Offshore	565	527	7.1%
Hydro	475	426	11.6%
Gas combined cycle	5,094	5,658	-10.0%
Cogeneration	-	-	N/A
Coal (*)	-	1,719	-100.0%
Installed Capacity (MW)	4,667	4,396	6.2%
Renewables	2,666	2,395	11.3%
Onshore	1,906	1,635	16.6%
Offshore	194	194	-
Hydro	566	566	-
Gas combined cycle	2,000	2,000	-
Cogeneration	1	1	-
Electricity customers (No mill.)	3.14	3.21	-2.3%
Gas customers (No mill.)	2.08	2.13	-2.7%
Gas Supplies (GWh)	31,680	34,030	-6.9%
Users	20,575	21,441	-4.0%
Gas Combined Cycle	11,105	12,588	-11.8%
Gas Storage (bcm)	0.09	0.11	-11.0%

* Longanet closure at the end of March 2016

	9M 2017	9M 2016	vs. 2016
EE.UU.			
Net Production (GWh)	13,136	13,263	-1.0%
Renewables	11,648	11,357	2.6%
Onshore	11,183	10,962	2.0%
Hydro	294	240	22.4%
Solar and others	171	155	10.1%
Gas combined cycle	7	23	-67.9%
Cogeneration	1,481	1,883	-21.3%
Installed Capacity (MW)	7,267	6,740	7.8%
Renewables	6,419	5,895	8.9%
Onshore	6,237	5,713	9.2%
Hydro	118	118	-
Solar and others	63	63	-
Gas combined cycle	212	209	1.1%
Cogeneration	636	636	-
Gas Storage (bcm)	2.44	2.44	-

	9M 2017	9M 2016	vs. 2016
MEXICO			
Net Production (GWh)	31,583	28,274	11.7%
Renewables	608	742	-18.2%
Onshore	608	742	-18.2%
Gas combined cycle	29,534	26,356	12.1%
Cogeneration	1,441	1,175	22.7%
Installed Capacity (MW)	6,157	5,506	11.8%
Renewables	367	367	-
Onshore	367	367	-
Gas combined cycle	5,553	4,901	13.3%
Cogeneration	237	237	-

	9M 2017	9M 2016	vs. 2016
BRAZIL (**)			
Net Production (GWh)	9,538	6,218	53.4%
Renewables	6,664	2,942	126.5%
Onshore	1,288	808	59.3%
Hydro	5,376	2,134	152.0%
Gas combined cycle	2,784	2,941	-5.4%
Cogeneration	91	335	-73.0%
Installed Capacity (MW)	3,101	2,856	8.6%
Renewables	2,568	2,246	14.3%
Onshore	516	337	52.9%
Hydro	2,052	1,909	7.5%
Gas combined cycle	533	533	-
Cogeneration	-	77	-100.0%

** Includes 100% of Neoenergia

	9M 2017	9M 2016	vs. 2016
REST OF THE WORLD			
Net Production (GWh)	1,009	1,070	-5.7%
Renewables	1,009	1,070	-5.7%
Onshore	1,001	1,062	-5.7%
Offshore	-	-	N/A
Solar and others	7	7	1.3%
Installed Capacity (MW)	936	621	50.7%
Renewables	936	621	50.7%
Onshore	605	615	-1.6%
Offshore	325	-	N/A
Solar and others	6	6	-

Stock Market Data

		9M 2017	9M 2016
Market capitalisation	EUR MM	41,518.7	38,509.4
Earnings per share (6,362,079,000 shares at 09/30/16 and 6,317,515,000 shares, at 09/30/17)	€	0.38	0.32
Net operating cash flow per share	€	0.63	0.48
P.E.R.	Times	13.48	15.14
Price/Book value (capitalisation to NBV at the end of the period)	Times	0.98	0.95

Economic/Financial Data*

Income Statement		9M 2017	9M 2016
Revenues	EUR (MM)	22,284.7	21,537.7
Gross Margin	EUR (MM)	9,760.4	9,740.5
EBITDA	EUR (MM)	5,440.0	5,729.5
EBIT	EUR (MM)	2,953.7	3,257.3
Net Profit	EUR (MM)	2,416.6	2,041.7
Net Operating Expenses / Gross Margin	%	29.30	27.84

Balance Sheet

		September 2017	December 2016
Total Assets	EUR (MM)	114,047	106,706
Adjusted Shareholders' Equity ⁽¹⁾	EUR (MM)	42,625	40,687
Adjusted Net Financial Debt	EUR (MM)	33,698	29,230
ROE	%	7.5	6.6
Adjusted Financial Leverage ⁽²⁾	%	44.2	41.8
Adjusted Net Financial Debt / Adjusted Equity	%	79.1	71.8

Others

		September 2017	September 2016
Investments	EUR (MM)	3,997.1	3,040.1
Employees	No.	34,459	28,298

Credit rating of Iberdrola Senior Debt

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

(*) Financial terms are defined in the "Glossary"

(1) Adjusted by market value of treasury stock cumulative hedges

(2) Adjusted Net Financial Debt/(Adjusted Net Financial Debt + Adjusted Shareholder's Equity).

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Operating highlights for the period

The merger of Elektro and Neoenergia was completed on 24 August, having obtained approval from ANEEL (Agência Nacional de Energia Elétrica), from BNDES (Banco Nacional de Desenvolvimento Econômico e Social) and from CADE (Conselho Administrativo de Defesa Econômica). With this merger, Neoenergia incorporates the activity and business of Elektro, creating a leading utility in Brazil and Latin America focused on the Networks and Renewables businesses. Following this operation, Iberdrola owns a 52.45% stake in the resulting company, which has 13.6 million supply points, 585,000 km. of distribution network and more than 3,500 MW of capacity under contract, in operation and under construction, mainly in renewable energies. The transaction has been carried out maintaining the Group's financial solidity: with no cash component, and no capital increase, and strengthening our position in an already known company.

The results for the first nine months of 2017 are framed within extremely complicated operating conditions, with Spain suffering one of the driest years on record (in the nine-month period, the company produced 9 TWh less than in the same period of the previous year). This difficult situation is partly offset by the good performance of the Networks business in the United States and the Generation and Supply business in Mexico, as a result of new capacity coming on line in accordance with the Growth Plan for the 2016-2020 period

In the general scope of the systems, it is worth noting the following:

- In Spain, the period has been characterised by a significant drop in hydroelectric output (-49.4%), and lower production of the remaining renewable technologies (-6.1%) as a result of the weather conditions. Coal and gas station production has offset the aforementioned drops, with increases of 39.5% and 42.6% respectively. Electricity demand is slightly above that of the first half of 2016 (+0.5%), although in terms adjusted to the number of working days and temperature, demand increased by 1.0%.

- In the United Kingdom, electricity demand dropped by 1.7% compared to 2016. Customer gas demand (does not include generation consumption) also dropped by 5.3%, a result of a milder climate in 2017 (-1.2% in terms adjusted to number of working days and temperature).
- In the area of influence of Avangrid in the East coast of the USA, electricity demand dropped by -3.1%, whereas gas demand remained practically the same (-0.9%) as in the nine-month period of 2016
- Demand in Iberdrola's area of influence in Brazil grew by 1.0% compared to last year, with a 3.1% growth in Elektro's demand, and 0.1% growth in the case of Neoenergia.

During the first nine months of 2017, international commodities markets have evolved as follows:

- The average price of Brent oil is USD 51.9 per barrel compared with USD 41.8 per barrel in the same period of last year (+24%).
- The average price of gas (TTF) over the period is EUR 16.7/MWh compared with 13.0/MWh in the first half of 2016 (+31%).
- The average price of API2 coal is USD 81.5/MT, compared with USD 51.3/MT (+59%) last year.
- The average cost of CO2 rights stayed at EUR 5.3/MT.

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

- The Pound Sterling depreciated by 9.2%.
- The Brazilian Real appreciated by 10.0%.
- The US Dollar depreciated by 0.3%.

At Iberdrola Group level, the impact of the exchange rate was EUR 63 million in the Ebitda.

The following exceptional highlights should be noted regarding the period analysed and the performance, compared to the same period of 2016:

- Net investment for the January to September 2017 period came to EUR 3,997.1 million, exceeding by 31.5% the net investment made in the same period of 2016. Of this investment, 81.8% focused on the Networks and Renewables businesses.
- Consolidated EBITDA dropped by 5.1% to EUR 5,440.0 million, with good performance of the Networks business thanks to the United States and Brazil (affected positively by the incorporation of Neoenergia) and the contracted generation in Mexico, which is exceeded by the negative effect of Spain's weather conditions and the performance of the liberalised business of the United Kingdom.
- Net Profit increased by 18.4% to EUR 2,416.6 million. The results of non-current assets total EUR 759.3 million compared with EUR 48.6 million in the nine month period of 2016, thanks to the merger operation of Gamesa with Siemens Wind, which has provided EUR 255 million, including EUR 198 million corresponding to the extraordinary merger dividend (charged on April 11), and the company reorganisation in Brazil, which entails capital gains of EUR 521 million as a result of the listing at market value of the 39% stake that Iberdrola used to have in Neoenergia. For the close of the year, it is expected that said capital gains will be offset with internal efficiency measures which improve the business profile of the Group and will have their positive impact in future financial years.
- Net Financial Debt is at EUR 33,698 million, mainly as a result of the integration of Neoenergía and the investment made in 2017. As a result, financial leverage is at 44.2% compared to 41.8% recorded in 31 December 2016.
- Funds from Operations in the first nine months of 2017 were EUR 4,625.6 million, a drop of 1.9% compared to the same period of the previous year.
- Neoenergía's contribution to the debt totals EUR 2,965 million, with the total amount of debt being consolidated, whereas EBITDA (EUR 73 million) for the group only includes the contribution from 24 August.

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

EUR Million	9M 2016	Vs 9M 2017
GROSS MARGIN	9,760.4	0.2%
EBITDA	5,440.0	-5.1%
EBIT	2,953.7	-9.3%
NET PROFIT	2,416.6	+18.5%

The key financial figures for the period are as follows:

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Operational performance for the period

1. Distributed energy and supply points

The Group's Regulatory Asset Base (RAB) stood at over €27.5 billion at the close of 2016.

		December 2016	December 2015
RAB (local currency)			
Spain	(EUR billions)	9.1	9.1
United Kingdom	(GBP billions)	5.7	5.4
United States	(USD billions)	8.7	8.7
Brazil *	(BRL billions)	14.7	12.4

During the first nine months of 2017, electrical energy distributed by the Group was 171,357 GWh, 0.3% lower than in 2016, offsetting the drop in United Kingdom and the United States with the growth in Spain and Brazil. Distributed gas (United States) in these last nine months totalled 41,579 GWh, which is a 0.9% drop compared to the same period of 2016.

The total supply points of the Group total 30.3 million in electricity and 1.01 million in gas, with the following breakdown by countries:

Supply points managed	Sep 2017	Sep 2016	vs. 2016
Electricity (Millions)			
Spain	11	10.9	0.6%
United Kingdom	3.5	3.5	0.2%
United States	2.2	2.2	0.6%
Brazil *	13.6	13.4	1.5%
Total Electricity	30.3	30.0	1.0%
Gas (Millions)			
USA	1.0	1.0	-0.6%
Total Gas	1.0	1.0	-0.6%
Total supply points	31.3	31.0	0.9%

* Includes 100% of Neoenergia

1.1. Spain

At the end of September, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.6% increase compared with 2016, and its energy distribution since the beginning of the year so far amounted to 70,023 GWh, a 0.7% increase compared with the previous year.

At the end of September, the SAIDI indicator for Supply Quality stood at 58.6 minutes, greatly impacted by the wind and snow storm in January in Castilla La Mancha, the Region of Valencia and Murcia, which caused numerous issues.

The table shows the evolution of the SAIDI (System Average Interruption Duration Index in average voltage in minutes) and SAIFI (System Average Interruption Frequency Index in average voltage):

Year	SAIDI At 30 Sep	SAIFI As at Sept 30
2015	47.9	0.93
2016	40.19	0.78
2017	58.6	0.92

During the current financial period, the investment made by the business in Spain made it possible to commission the facilities included in the following table:

Physical Units commissioned (January to September 2017)		Voltage				
		Total	Very High	High	Medium	Low
Lines	Overhead (km) ⁽¹⁾	178.8	-40.9	55.8	-21.0	184.9
	Underground (km)	447.1	2.9	2.4	205.6	236.2
Substations	Transformers (units)	11	10	0	1	
	Capacity increase (MVA)	1312.5	1255.5	22	35	
	Substations (units) ⁽²⁾	3				
Secondary substations	Secondary substations (units)	381				
	Capacity increase (MVA)	145.6				

(1) Reduction in km of HV lines by substitution with VHV lines (some owned by REE) and, in addition, VHV/HV transformation is being replaced by VHV/MV, resulting in the elimination of some HV circuits. In June 2017, in the province of Valencia, the transformation works on 132kV to 220kV lines connecting the substations of Catadau, Valle del Cárcer, Vallidigna and Gandia were completed, becoming part of the Transmission Network.

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

Within the smart networks STAR project, Iberdrola has exceeded 10 million installed digital meters, coupled with the infrastructure that supports them adapted to smart networks, which means that 955 of the company's meters in Spain have been modernised. Furthermore, a total of 67,000 transformer substations distributed across the Spanish geography have been adapted to incorporate remote management, supervision and automation. So far during this year, a total of 1,257,431 smart meters have been installed, and 95% of these have been integrated into the network. According to the CNMC report of 23 February 2017, monitoring the effective integration of smart meters in Spain, Iberdrola is the leading distributor in quality remote management reading.

1.2. United Kingdom

On 30 September, Scottish Power Energy Networks (SPEN) exceeded 3.52 million supply points. The volume of energy distributed during the first nine-month period was 25,503 GWh, down 2.5% from the same period of 2016, mainly on the back of moderate winter temperatures (-1.2% adjusted for working days and temperature).

All service quality indicators improved compared with the same period of 2016.

Customer Minutes Lost (CML) was as follows:

CML (min)	Jan-Sep 2017	Jan-Sep 2016
Scottish Power Distribution (SPD)	22.32	24.40
Scottish Power Manweb (SPM)	25.41	29.44

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

CI (n° of interruptions)	Jan-Sep 2017	Jan-Sep 2016
Scottish Power Distribution (SPD)	31.59	36.14
Scottish Power Manweb (SPM)	22.94	32.74

In the United Kingdom, the Western Link project continues to develop positively; the underwater interconnection project between Scotland, Wales and England, which will be commissioned by the end of 2017. In August, offshore works ended, after laying and burying more than 380 km of underwater cable.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of September 2017, Avangrid Networks had 2.2 million electricity supply points. The electricity distributed in the first nine months of the year was 28,739 GWh, a 3.1% drop compared with the previous year. Adjusted by the effect of the temperature it implies a 1.2% decrease.

Supply quality indicators improved except for slight deviations due to the wind and snow storms and tornadoes, mainly affecting the New York area.

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

CAIDI (h)	Jan-Sep 2017	Jan-Sep 2016
Central Maine Power (CMP)	1.86	1.96
NY State Electric & Gas (NYSEG)	2.15	2.10
Rochester Gas & Electric (RGE)	1.88	1.83

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

SAIDI (min)	Jan-Sep 2017	Jan-Sep 2016
United Illuminating Company (UI)	21.71	38.20

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

SAIFI	Jan-Sep 2017	Jan-Sep 2016
Central Maine Power (CMP)	1.30	1.27
NY State Electric & Gas (NYSEG)	0.84	1.00
Rochester Gas & Electric (RGE)	0.43	0.48
United Illuminating Company (UI)	0.27	0.45

1.3.3 Gas

The number of gas users in the United States is more than one million. In 2017, at the end of September, they had been supplied 41,579 GWh, which entails 0.9% less than during the same period of the previous year.

1.4. Brazil

At the end of September, Neoenergia had 13.6 million electricity supply points. The volume of distributed electricity for the first nine months of 2017 was 47,091 GWh, a 1.0% drop compared to the previous year.

The supply quality indicators improved in all companies except in Celpe, which suffered a slight drop as a result of the strong wind during the June and July months.

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

DEC (h)	Jan-Sep 2017	Jan-Sep 2016
Elektro	5.13	5.74
Coelba	14.28	16.17
Cosern	9.94	9.94
Celpe	12.58	12.08

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

FEC	Jan-Sep 2017	Jan-Sep 2016
Elektro	3.19	3.25
Coelba	5.85	6.27
Cosern	5.24	5.44
Celpe	5.46	5.21

In September, Elektro was been recognised as the best company of the energy sector in the occupational health and safety area, with the Eloy Chaves medal awarded by the Brazilian Association of Electrical Companies. Elektro has been recognised as the best in the category of companies with more than 2,000 employees.

Likewise, Elektro was chosen for the seventh consecutive time as Brazil's best company to work for. Great Place to Work has created a special category,

GPTW Legends, which includes Elektro and which will be a reference category for the companies.

On 31 July 2017, Elektro signed with the National Agency of Electrical Energy (ANEEL) the contracts of the four transmission projects which had been awarded to it in April in the auctions organised by said Agency. The projects comprise a 580 km line and 3 static compensators, with an estimated investment of BRL 900 million.

On the other hand, ANEEL has recognised the effort and the advances made in Supply Quality by Celpe and Coelba during the last year.

2. Electricity production and customers

At the end of the nine-month period of 2017, Iberdrola's installed capacity amounted to 48,062 MW, 60% of which from renewable sources:

MW	9M 2017	vs.9M 2016
Renewables	28,778	5.2%
Onshore wind	15,383	6.7%
Offshore wind*	519	167.2%
Hydroelectric	12,452	1.2%
Minihydro	304	0.5%
Solar and others	120	-
Nuclear	3,177	-6.8%
Gas combined cycle	13,992	4.9%
Cogeneration	1,241	-5.7%
Coal	874	-
Total	48,062	3.8%

Note: Includes 100% of Neoenergia

* Includes 325 MW of Wikinger in the testing phase

Net electricity production during the period was 102,494 GWh, with 37.5% derived from renewable sources:

GWh	9M 2017	vs. 9M 2016
Renewables	38,428	-12.2%
Onshore wind	24,687	1.3%
Offshore wind	565	7.1%
Hydroelectric	12,600	-30.1%
Minihydro	332	-44.3%
Solar and others	243	7.1%
Nuclear	18,383	-1.2%
Gas combined cycles	39,071	6.1%
Cogeneration	5,016	-1.2%
Coal	1,596	-43.4%
Total	102,494	-4.3%

* Includes 100% of Neoenergia

2.1 Spain and Portugal

In the nine-month period of 2017, the **Energy Balance of the peninsular system** was characterised by a significant increase in thermal production compared with the same period of the previous year (+41%), mainly due to the drop in hydroelectric output (-49%), having been a very dry year. The remaining production from renewable sources decreased by -6.1% as a result of lower wind generation (-10%). Coal production increased with respect to 2016 by 39% and combined cycle by 43%. Demand increased by 0.5% compared to the same period of 2016, whilst it grew by +1.0% after adjusting for working days and temperature. The evolution of electricity consumption of the group of companies and industries shows that, over the last 12 months, consumption increased by 0.3%, growing by 0.8% for industrial consumers and decreasing by -1.3% for service consumers.

Renewable capacity and production

Regarding **Iberdrola**, at the close of the third quarter of 2017, it had a renewable capacity installed

in Spain and Portugal of 15,229 MW, with the following breakdown:

SPAIN AND PORTUGAL	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind (***)	8,070	307	8,377
Hydroelectric	6,455	-	6,455
Mini-hydroelectric	329	3	332
Solar and others	65	-	65
Total capacity(***)	14,919	310	15,229

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

(***) Includes 92MW from Portugal

Of the renewable installed capacity at the end of the third quarter of 2017 Iberdrola consolidates 15,667 MW and manages 246 MW through its investee companies.

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

Renewable production totalled GWh, as follows:

SPAIN AND PORTUGAL	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind (***)	8,070	307	8,377
Hydroelectric	6,455	-	6,455
Mini-hydroelectric	329	3	332
Solar and others	65	-	65
Total production	14,919	310	15,229

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional GWh share

(***) Includes 150 Gwh in Portugal

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

- Onshore wind production dropped by 9.9% to 8,377 GWh.
- Hydroelectric production was 6,455 GWh, which implies a 57.6% drop compared to the same period of last year, given that we have gone from an exceptionally wet year to an exceptionally dry one. At 30 September 2017, hydroelectric reserve levels were at 31% (equivalent to 3,449 GWh).
- On the other hand, minihydro production reached 332 GWh, 44.3% less than in the same period of the previous year.

In Portugal, the work carried out in the Tâmega hydroelectric complex stood out. The Tâmega complex, located in the north of Portugal, will consist of three large dams: Alto Tâmega, Daivões and Gouvães. The electrical energy generation capacity associated to these installations will amount to 1,158 (MW). With an investment of EUR 1.5 billion, the facility will generate more than 1,760 GWh of energy per year. 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. The works will continue until 2023. Iberdrola aims to revitalise the project environment by creating 13,500 jobs and assigning EUR 50 million to social, cultural and environmental actions.

The development of this pumped-storage infrastructure shows Iberdrola's commitment to this technology, the most efficient large-scale energy storage method currently available. In fact, Iberdrola is already a leader in energy storage, with 4,400 MW installed by means of pumped-storage hydroelectric technology, and also has the largest plant of these characteristics in Europe: the Cortes-La Muela complex, in Valencia.

Thermal capacity and production

Thermal capacity of the Iberdrola Group in Spain and Portugal, at the end of September 2017, was 10,112 MW, with the following breakdown:

SPAIN AND PORTUGAL	Consolidated installed MW	MW Investee companies (**)	Total
Nuclear*	3,166	11	3,177
Gas combined cycles	5,695	-	5,695
Cogeneration	301	66	367
Coal	874	-	874
Total capacity	10,036	77	10,112

(*) Includes the closure of Garoña

(**) Includes the proportional MW share

During the nine-month period of 2017, Iberdrola's thermal production increased by 1.7% to 23,634 GWh. The trend broken down by types of technology is as follows:

Of the 23,634 GWh produced, Iberdrola consolidated 23,237 GWh at EBITDA level, with 397 GWh being consolidated by the equity method in accordance with the IFRS 11. The breakdown is as follows:

SPAIN AND PORTUGAL	GWh Consolidated at EBITDA level	GWh Investee companies (*)	Total
Nuclear	18,325	58	18,383
Gas combined cycles	1,652	-	1,652
Cogeneration	1,664	339	2,003
Coal	1,596	-	1,596
Total production	23,237	397	23,634

(*) Includes the proportional MW share

Retail business

As regards the retail business, as at 30 September 2017, the portfolio managed by Iberdrola included 16,470,760 contracts, a total of 347,833 more contracts than in the same period in 2016 (+2.8%). The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity contracts	10,172,729	113,837	10,286,566
Gas contracts	970,975	3,298	974,273
Contracts for others prod. & serv.	5,089,724	120,197	5,209,921
Total	16,233,428	237,332	16,470,760

By market type they can be split into the following:

	Spain	Portugal	%
Liberalized market	12,641,658	237,332	78%
Last resort	3,591,770	-	22%
Total	16,233,428	237,332	100%

Iberdrola's electricity sales in the nine-month period of 2017 amounted to 62,200 GWh, measured at power station busbars, of which 45,300 GWh were sold on the liberalised market, 6,800 GWh corresponded to energy at the voluntary price for small consumers (PVPC) and 10,100 GWh to other markets.

With regard to gas, in the nine-month period of 2017 Iberdrola has managed a total gas production of 2.35 bcm, of which 1.13 bcm were sold in wholesale transactions, 0.44 bcm were sold to end customers and 0.78 bcm went towards electricity production.

2.2. United Kingdom

Renewable capacity and production

At the end of the third quarter of 2017, the renewable capacity installed in the United Kingdom amounted to 2,666 MW, with an increase of 16.6 MW in wind energy compared with the first nine months of 2016.

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

(*) IFRS11, figures rounded to the nearest unit

(**) 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.

During financial year 2016 and the first nine months of 2017, work was carried out on the construction of 473.78 MW that are subject to the ROCs system. Of this projects portfolio, work was completed for a total of 234.78 MW:

- 146.23 MW completed in 2016: 13.8 MW in May at Ewe Hill Phase 1, 45.06 MW in December at Black Law Ext. Phase 1, 69 MW in October in Dersalloch and 18.37 MW in November in Black Law Ext. Phase 2.
- 88.55 MW during the first half of 2017: 36.8 MW at Ewe Hill Phase 2 and 29.75 MW at Hare Hill Extension, both in February, and 22 MW at Glen App in April.

In addition, the works for the 239 MW of the Killgallioch wind farm are in progress, of which all the turbines have been installed and a just 2.5 MW is pending of commissioning, which is programmed to take place in October.

In terms of **renewable production**, this amounted to 3,421 GWh in the United Kingdom with the following breakdown:

UNITED KINGDOM	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Wind	2,928	17	2,945
Onshore wind	2,363	17	2,381
Offshore wind (***)	565	-	565
Hydroelectric	475	-	475
Total production	3,403	17	3,421

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

(***) Only includes West of Duddon Sands

- Onshore wind production reaches 2,381 GWh up 42.0% compared to the same period of 2016, with a greater average operating power (+20%, +302.7 MW) as well as other effects of the wind.
- Offshore wind production increased by 7.1%, amounting to 565 GWh.
- Hydroelectric production increased by 11.6% to 475 GWh from 426 GWh in the first nine months of 2016.

The Renewables business is currently **developing offshore wind projects** in the United Kingdom.

In 2014, the company started the **West of Duddon Sands project** in the United Kingdom, located in the Irish Sea, with an installed attributable capacity of 194 MW.

Iberdrola is also developing the **East Anglia projects** on the North Sea. The **East Anglia 1** project is in the construction phase, with on-site works having started and manufacturing activities ongoing in several locations in and outside of Europe. Works are making progress on the cabling and onshore substation works, which will connect the project with the National Grid.

Manufacturing works are taking place in several locations in and outside of Europe. Navantia is manufacturing the offshore substation and 42 jackets

on which the turbines will be installed. The first jacket is expected to be completed in October 2018. Lamprell has started manufacturing on the remaining 60 jackets, 24 of which will be assembled in Harland & Wolff, in Belfast. Nexans is finalising the design of the details and will start to produce the sub-sea cabling, whereas Prysmian has already produced more than 50% of the onshore cabling.

The project is making progress with the aim of starting the sub-sea works in 2018, starting by the foundation works by van Oord, and continuing with the installation of the offshore substation by Seaway Heavy Lifting, and the installation of the sub-sea cabling, for its connection with the onshore substation, by Nexans and DeepOcean. Siemens Gamesa will manufacture and install the 102 turbines of 7MW; installation of these is expected to start in mid-2019.

The other three Iberdrola-owned projects in progress in the East Anglia area, with a cumulative capacity of 2,800 MW, are being processed in accordance with the plans agreed with The Crown Estate. For the **East Anglia 3 project**, and according to plan, on 7 August a go-ahead was received for the environmental side of the construction of its 1,200 MW of power, by the Secretary of State for BEIS (Department for Business, Energy and Industrial Strategy of the United Kingdom). The next step for this project will be to garner a contract for the sale of production (CfD: Contract for Difference) to ensure its viability.

Thermal capacity and production

Thermal capacity in the United Kingdom, at the end of September 2017, was 2,001 MW, with the following breakdown:

UNITED KINGDOM (SPW)	MW
Gas combined cycle	2,000
Cogeneration	1
Total	2,001

As regards **production** from **thermal** generation in the United Kingdom, during the nine-month period of 2017, it dropped by 31% to 5,094 GWh, compared

with 7,378 GWh of the previous year, due to the closure of the Longannet coal plant.

The market share of the generation business in the nine-month period of 2017 was 4.7%, compared to 5.3% in the previous year.

Retail business

Regarding retail, in the nine-month period of 2017, customers were sold 17,015 GWh of electricity in station busbars and 20,575 GWh of gas, compared to the same period of Q3 of 2016: 16,269 GWh of electricity in station busbars and 21,441 GWh of gas.

During Q3 of 2017, Scottish Power had 3.1 million electricity customers and 2.1 million gas customers, a small drop compared to last year (-2.3% and -2.7% respectively)

In addition, the Smart Meter Plan was launched during 2016, which will deploy more than 5 million by 2021, carried out by retailers in the United Kingdom. There are currently over 600,000 meters and the installation rate continues to increase to meet the scheduled programme.

2.3. United States (AVANGRID)

Renewable capacity and production

At the end of the nine-month period of 2017, the renewable capacity installed in the United States totalled 6,418 MW, broken down as follows:

USA	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind	6,076	161	6,237
Hydroelectric	118	-	118
Solar (PV+TM)	50	-	50
Other	13		13
Total capacity	6,257	161	6,418

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

The Company is present in 21 states, with a total of 6,237 MW of onshore wind capacity, of which 161 MW are managed through investee companies.

Installed capacity has increased by 8.9%, due to the increase in onshore wind capacity after completion of the works at Desert Wind (208 MW), which has a PPA signed with Amazon in North Carolina. Furthermore, the turbine installation works in two projects have finished, El Cabo (298 MW) in New Mexico and Deerfield (30 MW) in Vermont, both projects continue with the commissioning tasks, which are expected to be completed in the next months of October and December respectively. In addition, the Tule works (131.1 MW) in California and Twin Buttes II (75 MW) in Colorado are making progress with the installation of the first turbines, and in September the works in Montague (201.1MW), in Oregon started. At the end of September, a total of 388.7 MW had been installed, with the remaining 145.4 MW onshore wind energy planned to be installed before the end of 2017.

The construction of a total of 66 MW with photovoltaic technology has been approved: Gala (56 MW), for which the installation works have already been completed, and the commissioning works planned to finish in October, although for reasons of consolidation said power will not enter until the next month of October, and W'y East (10 MW), both in the state of Oregon.

As for **renewable production** in the United States, this amounts to 11,648 GWh, of which 11,360 GWh are consolidated by Iberdrola at EBITDA level and 288 GWh by the equity method.

USA	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	10,895	288	11,183
Hydroelectric	294	-	294
Solar and others	171	-	171
Total production	11,360	288	11,648

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

In terms of trends broken down by technologies:

- Onshore wind production amounted to 11,183 GWh, 2% higher than that recorded in the same period of 2016.
- Hydroelectric production increased significantly by 22.4% to 294 GWh from 240 GWh corresponding to the first nine months of 2016.
- Production of solar power and others (including fuel cells) increased by 9.9%, to 171 GWh.

2.4. Mexico

Renewable capacity and production

In Mexico, installed renewable **capacity** reached 367 MW of wind power, with no changes compared with the third quarter of 2016.

The construction of a total of 270 MWn with photovoltaic technology has commenced: Santiago (170 MWn) in San Luis de Potosí and Hermosillo (100 MWn) in Sonora. In addition, in Puebla works have also started on the Pier project (220,5 MW), a wind technology project.

Furthermore, the construction of a total of 105 MW of onshore wind energy in Santiago (105 MW), in the state of San Luis de Potosí, has been approved.

The **renewable production** generated in the period was 608 GWh, 18.2% lower than in the same period of 2016, due to a lower load factor (-5.5 bp vs. 9M 2016) because of worse wind conditions.

Thermal capacity and production

On its part, the **thermal capacity** at the end of the nine-month period of 2017 was 5,790 MW, broken down as follows:

MEXICO	MW
Gas combined cycles	5,553
Cogeneration	237
Total	5,790

In these first nine months of the year, highlights include the entry into commercial operation of the Baja California III plant at the end of January 2017 and the entry into commercial operation of MXL of

Monterrey III, providing more than 22 MW extra to the plant for its sale to private clients. One must remember that in the third quarter of 2016, the cogeneration of Ramos entered into operation, as well as an extension of power in the combined cycle of Altamira III and IV.

The following plants are currently in the implementation process:

MEXICO	Total MW implemented
Cogeneration	107
Altamira	57
San Juan del Río	50
Combined cycle plants	3,376
Escobedo	857
Topolobampo II	887
El Carmen	866
Topolobampo III	766
Total	3,483

The Altamira cogeneration plant has already been started up in September, and San Juan del Río will follow its steps in October, to be integrated operationally in the generation portfolio before the end of 2017. The combined cycle plants will be added to the power available between 2018 and 2019.

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

The electricity sold in Mexico during the third quarter of the year was 11,364 GWh, up 19% on the same quarter of the previous year. These sales, compounded by the 20,127 GWh from the first half of the year, consolidate a total of 31,490 GWh for the nine-month period, an increase of 14% compared with the same period of the previous year.

2.5. Brazil

Renewable capacity and production

In Brazil, Iberdrola has a renewable capacity of 2,568 installed MW, broken down as follows:

BRAZIL	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind	516	-	516
Hydroelectric	2,052	-	2,052
Total capacity	2,568	-	2,568

(*) IFRS11, figures rounded to the nearest unit

(**) Includes 100% of Neoenergia

On 24 August Iberdrola closed the merger between Neoenergia and Elektro. With this merger, Neoenergia incorporates the activity and business of Elektro, and Iberdrola owns a controlling stake in the resulting company. As a result, Iberdrola goes on to consolidate at EBITDA level the MW that were managed by the investee companies, including 150 MW of 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 of the wind farms of Calango 6 (30 MW), Santana I (30 MW) and Santana II (24 MW), which finished their installation in 2016, and an additional 94.5 MW corresponding to the wind farms of Canoas (31.5 MW) and Lagoa 1 (31.5 MW) and Lagoa 2 (31.5 MW), whose commissioning works continue and are expected to be completed for its entry into commercial operation before the end of the year.

Regarding **renewable production**, this amounted to 6,664 GWh during the nine-month period of 2017, an increase of 126.5% (59.3% in onshore wind energy and 152.0% in hydroelectric energy due to the company reorganisation in Brazil).

BRAZIL	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind	620	668	1,288
Hydroelectric	5,376	-	5,376
Total production	5,996	668	6,664

(*) IFRS11, figures rounded to the nearest unit

(**) Until the merger between Elektro and Neoenergia (August 24th). After that date, it goes on to consolidate at the EBITDA level

2.6. Rest of the world

Renewable capacity and production

Installed **renewable capacity** in the rest of the world totals 844 MW with the following breakdown (this includes the Wikingen offshore project, previously considered as part of the United Kingdom):

Rest of the World	MW
Onshore wind (*)	513
Offshore wind (**)	325
Solar	6
TOTAL	844

(*) Excludes Portugal

(**) Wikingen in the testing phase

There is a 10 MW drop in onshore wind production, following the sale in July of the company Eolica Lucana, in Italy.

The Renewables business is currently developing offshore wind projects in Germany and France.

In the Baltic Sea, Iberdrola continued with construction works on the **Wikingen wind farm**, with its MWs already installed and in testing phase.

Proactive work is being carried out to increase the portfolio of projects in the German Baltic Sea, near the Wikingen wind farm, through participation in the auctions to be organised by the German regulator in April 2018.

In April 2012, the consortium formed by Iberdrola and the French company EOLE-RES was awarded by the French Government the exclusive rights for the

operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 500 MW. The application for the building permit was submitted by the project in October 2015 and was granted in April 2017. This gives way to the pre-FID phase, with the geotechnical studies campaign currently in progress as the first milestone in the construction process.

Onshore wind power is broken down as follows:

REST OF THE WORLD	MW consolidated at EBITDA level	MW managed by investee companies (**)	Total
Greece	255	-	255
Cyprus	20	-	20
Hungary	158	-	158
Romania	80	-	80
Total	513	-	513

In terms of **renewable production** this amounted to 1,008 GWh during the nine-month period of 2017, with the following breakdown:

REST OF THE WORLD	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind	1,001	-	1,001
Solar	7	-	7
Total production	1,008	-	1,008

3. Other aspects

1. Shareholder remuneration

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

It is worth noting the approval of item 11 on the Agenda, regarding the proposal of allocation of profit/loss and distribution of the dividend corresponding to the year 2016.

Remuneration corresponding to Financial Year 2016

Annual remuneration increased by over 11%, due to positive trends for profits during financial year 2016 – with a net profit of EUR 2,705 million, 11.7% more than in 2015.

Therefore, remuneration recognised in 2016 amounted to EUR 0.312 gross per share, compared with EUR 0.28 gross per share for 2015.

The first part of this remuneration EUR 0.135 gross per share, was already paid out last January via the "Iberdrola Scrip Dividend" programme. Furthermore, in July, EUR 0.03 gross per share in cash was paid out, as well as a new payment of EUR 0.147 gross per share through the "Iberdrola Scrip Dividend" programme, also in July.

Iberdrola, in accordance with the targets of its 2016-2020 Plan, estimates an increase in the dividend for the coming years, reaching an annual shareholder remuneration of between EUR 0.37 and EUR 0.40 per share in 2020, while always maintaining a minimum of EUR 0.31 gross per share. The pay-out will range between 65% and 75%.

New remuneration formula corresponding to financial year 2017

Iberdrola offers four shareholder remuneration options; three of which are through the 'Iberdrola Scrip Dividend' and the fourth through the traditional cash dividend formula.

Thus, Iberdrola's shareholders may choose between:

- Iberdrola Scrip Dividend, where, via an increase in share capital, the shareholder receives rights to each share, which they may either sell on the market, sell to Iberdrola at a guaranteed fixed price, or exchange for free company shares.
- Cash dividend : in this case, this is a traditional remuneration formula whereby the amount is equivalent to the fixed price of the right guaranteed by Iberdrola via the "Iberdrola Scrip Dividend" programme.

This last option is conceived especially for institutional non-resident shareholders, however, any shareholder may choose one of the four remuneration options or a combination of them.



Analysis of the consolidated profit and loss account

The most notable results figures for the nine-month period of 2017 are as follows:

EUR million	Jan-Sept 2017	Jan-Sept 2016	%
REVENUES	22,284.7	21,537.7	3.5
GROSS MARGIN	9,760.4	9,740.5	0.2
EBITDA	5,440.0	5,729.5	-5.1
EBIT	2,953.7	3,257.3	-9.3
NET PROFIT	2,416.6	2,041.7	18.4
OPERATING CASH FLOW	4,625.6	4,717.2	-1.9

The results for the period have been affected by the following significant impacts:

- Extremely adverse hydrological conditions in Spain, making hydroelectric production in Spain drop by 9.000 GWh compared to that generated in the same period of last year (EUR -400 million in EBITDA due to a lower hydro load factor and a higher mix energy cost).
- The global consolidation of Neoenergia since 24 August, following the closure of the merger of this company and Elektro, where Iberdrola goes on to own a stake of 52% in the new group. At close of September, Neoenergia provided EUR 134 million to the gross margin, EUR 73 million to the EBITDA and EUR 508 million to Net Income. The corporate reorganisation in Brazil entails capital gains of EUR 521 million recorded in the extraordinary results item, a result of the listing at market value of the 39% stake that Iberdrola previously had in Neoenergia. For the close of the year, these non-recurring results are expected to be offset with measures that improve the Group's business profile in the next years.
- The extraordinary effect of the merger operation of Gamesa and Siemens, which provides EUR 255 million to the Net Profit.

1. Gross Margin

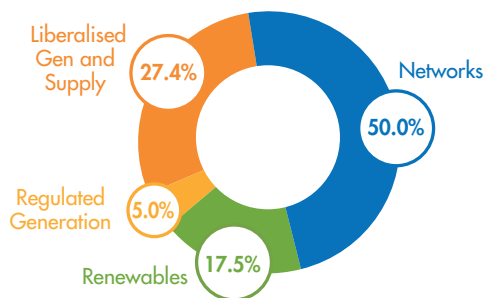
Gross margin was at EUR 9,760.4 million, with a 0.2% increase compared to that obtained in the same period of the same year, mainly due to the worse performance of the Generation and Supply business, both in Spain, affected by a production mix with a greater thermal component as a result of the lower rainfall during the period (-9 TWh), and in the United Kingdom, as the result of lower production due to the closure of Longannet last year, lower gas demand and greater non-energy costs. The overall exchange rate effect is EUR -118 million and Brazil corporate reorganization EUR 134 million.

This performance is mainly the result of the following:

- **The Networks business** increased by 6.2% with regard to the nine-month period of 2016, to EUR 4,857.8 million.
 - In Spain it reached EUR 1,493.2 million (-1.3%), affected by lower incentives and investment.
 - The United Kingdom's gross margin stood at EUR 860.4 million (-9.6%) primarily because of a weakening of the pound sterling. This business was also affected by a drop in demand in 2017 due to the weather; the effect of which will be corrected over the next two years, and due to settlements of previous years for investment lower than expected.
 - The United States' contribution over the period was EUR 2,093.2 million (+11.8%), driven up by the new rate cases in force and the positive IFRS adjustments.
 - Gross margin in Brazil was at EUR 411.0 million (+71.4%), influenced by the corporate reorganisation with the integration of the Elektro and Neoenergia activities since last 24 August. Furthermore, this business is affected positively by the appreciation of the Real, the increase of distributed energy and the annual tariff review of 9.1% in August 2016 (compared to -4% in August 2017 due to lower inflation rates).
- **The Generation and Supply Business** dropped by 9.2% to EUR 3,156.0 million.

- It totalled EUR 2,083.3 million (-9.7%) in Spain, due to a production mix with a greater share of thermal output and lower rainfall during the period, offset by the uptick in the results of the gas business (EUR +96 million) after the last contract price review.
- The United Kingdom's gross margin amounts to EUR 533.2 million (-29.9%), negatively affected by the depreciation of the pound (EUR -49 million), lower output following the closure of Longannet, an increase in regulatory costs (ROCs), poorer gas sales and narrowing profit margins.
- Mexico contributes EUR 488.8 million to the gross margin (+27.9%) thanks to the increase in capacity after commissioning the new power plants for CFE (Baja California, 314 MW) and for private customers (Module V Monterrey, 300 MW; Ramos cogeneration, 50 MW).
- The US contribution was EUR 615.1 million (+2.7%) as a result of a greater production due to the increase in capacity (208 MW of the Amazon park in North Carolina).
- The United Kingdom posted a 19.7% increase to EUR 333.8 million driven by a higher wind output and increase in average operating capacity (302.7 MW; +18.5%), despite a weakening of the pound.
- Latin America increased up to EUR 83.4 million (+13.0%), with Mexico worsening slightly due to lower production despite higher prices, and Brazil growing, by the consolidation of Neoenergia following the closure of its merger with Elektro in August.
- The contribution of **Other Businesses** totalled EUR 168.1 million (+23.7%).

Gross Margin by business



- **The Renewables business (wind, solar and others)** had a gross margin of EUR 1,705.2 million (+2.8%).
 - In Spain, it totalled EUR 580.9 million (-5.8%), primarily due to a drop in wind output (-9.9%) with an exceptionally strong first quarter in 2016, which normalised during the year. The positive impact of the investment incentive review (Rinv) was offset by a lower regulatory asset than in 2016 because of higher market prices.

2. Gross Operating Result - EBITDA

Consolidated EBITDA dropped 5.1% versus the first nine months of 2016, to EUR 5,440.0 million.

Aside from the gross margin performance explained above, Net operating expenses rose by 5.5% to EUR 2,859.5 million due to the recognition under IFRS of EUR 73 million of storm costs in the US Networks business (with no impact under US GAAP), which will be recovered in forthcoming years, and due to the corporate reorganisation, with the consolidation of Neoenergia (EUR 61 million). Excluding these costs and the exchange rate effect, net operating expenses increased by 1.4%.

Taxes increased by 12.4% up to EUR 1,460.9 million, with a 29.7% increase in the Generation and Supply business in Spain resulting from the accounting in 2016 of favourable rulings (EUR 8 million of the 2014-2016 Catalonia Ecotax and EUR 103 million of the territorial supplement) that impact on the year-on-year comparison. In addition, in the networks business in the United States there is an increase in taxes of EUR 19 million.

3. Net Operating Result - EBIT

EBIT was EUR 2,953.7 million, 9.3% lower in comparison with the nine month period of 2016.

Amortisations and Provisions increased by 0.6%, totalling EUR 2,486.3 million:

- Amortisations rose by 0.8% to EUR 2,321.6 million, positively affected by the extension of the useful life of combined cycle plants from 35 to 40 years and of hydroelectric plant electromechanical equipment from 35 to 50 years, almost offsetting the higher amortisation charges stemming from the increase in the group's activity and the consolidation of Neoenergia.
- Provisions amounted to EUR 164.5 million, with a lower expense of EUR 4.5 million, by reversal of provisions made in previous years.

4 Financial Result

The net financial result was EUR -648.9 million compared to EUR -583.8 million a year earlier.

- The drop in the average cost of debt to 3.02% (44 b.p. lower than last year) has contributed to improving by EUR 42.1 million the result associated to debt, despite the average debt increasing by EUR 2,275 million.
- The result of derivatives and exchange differences dropped, largely due to the valuation of the exchange rate hedging (extraordinarily high for GBP in 2016). On the other hand, several non-recurring contingencies (mainly interest on arrears recognised in court decisions) result in a higher financial revenue. The net interannual impact of both effects amount to EUR -84.1 million.
- The contribution to the financial result of Neoenergia's integration since 24 August amounts to a net expense of EUR 23.2 million.

	9M 2017	9M 2016	Diff
Debt Result	-688.5	-730.6	+42.1
Derivatives and exchange differences	62.7	146.8	-84.1
Neoenergy	-23.2	-	-23.2
Financial result	-648.9	-583.8	-65.1

5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method totalled EUR 19.0 million compared to EUR 41.7 million for the same period of 2016, affected by Neoenergia's change to consolidating globally rather than by the equity method, since 24 August.

6. Income from Non-Current Assets

The results of Non-Current Assets total EUR 759.3 million compared with EUR 48.6 million in the nine month period of 2016, thanks to the merger operation of Gamesa with Siemens Wind, which has contributed EUR 255 million, including EUR 198 million corresponding to the extraordinary merger dividend (charged on April 11), and the corporate reorganisation in Brazil, which brings capital gains of EUR 521 million as a result of the listing at market value of the 39% stake that Iberdrola used to have in Neoenergia.

7. Net Profit

Net Profit amounts to EUR 2,416.6 million with an increase of 18.4 % compared to that obtained in the nine month period of 2016, thanks to the aforementioned extraordinary results of Gamesa and Neoenergia.



Results

by business

1. Networks business

The key figures for the Networks business are as follows:

(EUR million)	9M 2017	vs. 9M 2016
Revenues	7,040.4	8.5%
Gross margin	4,857.8	6.2%
EBITDA	3,092.1	5.4%
EBIT	1,961.2	4.8%

The Networks business saw its contribution to the gross margin rise by EUR 282 million (+6.2%), driven by the improvement of Networks USA (+11.8%) and Brazil (+71.4%) which offset a worse performance in the United Kingdom due mainly to the exchange rate and in Spain, due to lower incentives and investment.

1.1 Spain

(EUR million)	9M 2017	vs. 9M 2016
Revenues	1,499.5	-1.8%
Gross margin	1,493.2	-1.3%
EBITDA	1,184.5	-0.7%
EBIT	796.6	-3.9%

a) Gross Margin

The gross margin of the Networks Business in Spain dropped by 1.3% to EUR 1,493.2 million, due to lower incentives, having recognised last year positive settlements from previous financial years, as well as lower investment than in 2016.

b) Operating Profit / EBIT

EBITDA in this Business amounted to EUR 1,184.5 million, with a 0.7% decline.

Net operating expenses decreased by 4.6% to EUR 241.1 million. This performance can be explained by the reversal of a provision (EUR 12 million).

EBIT of the Networks Business in Spain amounts to EUR 796.6 million (-3.9%). Amortisations and provisions amount to EUR 387.9 million (+6.8%), due to the new assets put in operation.

1.2 United Kingdom

(EUR million)	9M 2017	vs. 9M 2016
Revenues	896.4	-9.6%
Gross margin	860.4	-9.6%
EBITDA	645.9	-10.6%
EBIT	440.7	-13.2%

a) Gross Margin

The gross margin of the Networks business in the United Kingdom (ScottishPower Energy Networks-SPEN) reached EUR 860.4 million (-9.6%), negatively affected by a depreciation of the Pound by 9.2% that drops by EUR 79.1 million (in local currency, the gross margin drops by 1.2%), as well as due to a 1.7% drop in the demand (GBP 14 million) which we expect will recover in the next 2 years in accordance with the current remuneration framework.

b) Operating Profit / EBIT

EBITDA totalled EUR 645.9 million (-10.6%; -2.4% in local currency), with a drop of net operating expense of 7.9% up to EUR 138.7 million (+0.5% in local currency). Taxes dropped by 3.2% to EUR 75.9 million, also affected by the exchange rate.

Amortisation and provisions totalled EUR 205.2 million (-4.4%), mainly due to the change in the exchange rate. In local currency, amortisation and provisions increased, due to the new assets commissioned.

1.3 United States-AVANGRID

(EUR million)	9M 2017	vs. 9M 2016
Revenues	3,054.1	4.5%
Gross margin	2,093.2	11.8%
EBITDA	1,008.9	15.5%
EBIT	595.2	26.9%

a) Gross Margin

Gross margin grew by 11.8% to EUR 2,093.2 million thanks to the new rate cases in force in New York and Connecticut, as well as positive IFRS adjustments.

b) Operating Profit / EBIT

EBITDA increased by 15.5% to EUR 1,008.9 million. Aside from the change in gross margin, there was a 10.4% (EUR 709.4 million) rise in net operating expenses, affected by the excess cost of the storms (EUR 73 million).

The Taxes item increased by 5.4%, totalling EUR 374.8 million due to the increase in fees.

EBIT was at EUR 595.2 million (+26.9%), following the deduction of Amortisations and Provisions totalling EUR 413.7 million, which increased by 2.3% due to the greater assets put in operation.

1.4. Brazil

EUR million	9M 2017	vs. 9M 2016
Revenues	1,590.5	52.1%
Gross margin	411.0	71.4%
EBITDA	252.8	72.4%
EBIT	128.7	94.6%

From 24 August 2017, Neoenergia goes on to consolidate globally following the closure of the integration of its activities with Elektro. As a result of the operation, Iberdrola goes on to have 52% of the resulting company. At close of September, Neoenergia provided EUR 106 million to the Networks Business and EUR 56 million to EBITDA

a) Gross Margin

The gross margin reached EUR 411.0 million (+71.4%) in the nine month period, of which EUR 41 million are due to the appreciation of the Real and EUR 130.3 million to the business's performance thanks to the corporate reorganisation (EUR 106 million), to the increase in energy distributed and the positive impact of the review of tariffs (+9.1% in August in 2016 compared to -4% in August 2017 due to the lower inflation).

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 252.8 million – a 72.4% improvement.

Net operating expenses totalled EUR 157.0 million and increased by 70.4% with regard to the same period of 2016 due to the appreciation of the Brazilian Real and the corporate reorganisation (EUR 50 million).

Amortisations and Provisions amount to EUR 124.1 million (+54.2%), affected also by the exchange rate (EUR 8.5 million) and the corporate reorganisation (EUR 38.4 million).

As a consequence of this, EBIT came to EUR 128.7 million (+94.6%).

2. Generation and supply business

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

(EUR million)	9M 2017	vs. 9M 2016
Revenues	13,788.3	0.2%
Gross margin	3,156.0	-9.2%
EBITDA	1,241.0	-28.4%
EBIT	588.9	-42.9%

The Generation and Supply business saw its contribution to the gross margin decline (-9.2%) due mainly to a lower hydroelectric production and greater Taxes in Spain, the latter deriving from the registration in 2016 of favourable rulings (2014-2016 Catalonia Ecotax and 2012-2013 Territorial Supplement), and a poorly performing UK business. All of the aforesaid could not be offset by the decent performance of Mexican operations.

2.1 Spain

(EUR million)	9M 2017	vs. 9M 2016
Revenues	8,908.8	3.7%
Gross margin	2,083.3	-9.7%
EBITDA	791.9	-34.0%
EBIT	418.4	-48.0%

a) Gross Margin

Iberdrola's Generation and Supply business in Spain has recorded a drop of 9.7% to EUR 2,083.3 million. The following can be highlighted:

- A lower production of 21.8% caused by a drop in hydroelectric (-57.6%, -8.8 TWh less than in 9M 2016) and combined gas cycle (-9.8%) outputs, and nuclear (+4.7%), which could not be offset by the cogeneration and coal-fired output. As a result of this generation mix, the cost of materials consumed rose 8.6%, absorbing the higher prices and uptick in sales.

- As at 30 September 2017, hydroelectric reserves were at 3,448.8 GWh, which means that reservoirs were at 31% of their capacity.
- Of the energy generated, 79% was distributed through forward sales while 21% was sold on the spot market.
- Greater commercial activity due to a greater sales volume in electricity as well as products and services.
- Positive impact of the gas business compared to the same period of 2016 (EUR +96 million), primarily off the back of the extraordinary price review of our portfolio of supply agreements.

b) Operating Profit / EBIT

EBITDA decreased by 34.0% to EUR 791.9 million. Operating expenses, meanwhile, rose 4.6% to EUR 602.7 million, basically because of the positive impact in 2016 of the compensation received from various insurance claims.

Additionally, the Taxes item increased by 29.7% to EUR 688.7 million, as a result of the accounting in 2016 of the favourable rulings of the 2014-2016 Catalonia Ecotax 2014-2016 (EUR 8 million) and the territorial Supplement (EUR 103 million). Following the enactment of RDL 7/2016, the Social Bonus started to be recognised in this business as from December 2016 (previously it was recognised under Corporation). This is because the RDL requires suppliers to fund the subsidy, which implies an impact of EUR -52 million compared to the first nine months of the previous year.

The Amortisations and Provisions item dropped by 5.8% to EUR 373.5 million as a result of the extension of the useful life of the combined gas cycle plants (35 to 40 years) and of the electromechanical equipment of the hydroelectric station (35 to 50 years).

As a result of all of the above, EBIT recorded a drop of 48.0% compared to the same period of 2016, down to EUR 418.4 million.

2.2. United Kingdom

(EUR million)	9M 2017	vs.	9M 2016
Revenues	3,340.9		-19.2%
Gross margin	533.2		-29.9%
EBITDA	53.0		-77.2%
EBIT	-125.8		N/A

a) Gross Margin

The gross margin of ScottishPower's Energy Wholesale and Retail business was EUR 533.2 million (-29.9%). In local currency, this item dropped by 23.5%.

The Energy Wholesale business saw its contribution to the gross margin decline (GBP -44.6 million) due to the more limited output of the plants and lower margins on ancillary services and bottleneck management. In both instances, the closure of the Longannet coal-fired power station in March 2016 played a major role.

- The Retail business also made a smaller contribution to the gross margin, GBP -84.5 million:
 - The electricity margin declined, despite the 10.8% rate rise in April 2017, affected by higher energy costs and, above all, non-energy costs: higher cost of ROCs (+21%) due to a rise in both the unit price and the fact a large percentage of renewable energy had to be purchased (29.0% in 15/16, 34.8% in 16/17 and 40.9% in 17/18), and higher transmission costs (up from 19% to 22% in April 2016, with a slight decrease in April 2017 of -1.7%).
 - The gas business also posted poorer results because of narrower margins and volumes (-6.6%) – the latter due to warmer weather – which could not be offset by the 4.7% rate rise in force since April.

b) Operating Profit / EBIT:

EBITDA for the Liberalised business in the United Kingdom reached EUR 53.0 million (-77.2%), due to the depreciation of the Pound by -9.2% and the decline in the gross margin described beforehand. In the local currency this item decreased by 75.1%.

Net operating expenses totalled EUR 384.9 million, improving by 14.8%, benefiting from a favourable exchange rate and lower costs due to the previously mentioned closure of the Longannet plant, and also given that the 2016 figure included a fine imposed by Ofgem (EUR -25 million).

Taxes totalled EUR 95.3 million (+24.6%), primarily due to EUR -17.5 million of costs associated with the Warm Home Discount (WHD) efficiency programme – costs that were not accrued between April and August 2016 as the renewal conditions for this programme had not been defined.

Amortisations and Provisions amount to EUR 178.8 million and are down EUR 36.7 million, of which EUR 16.4 million are due to the depreciation of the pound against the Euro.

As a result, contribution at EBIT level was negative, totalling EUR 125.8 million compared to the positive contribution of EUR 17.2 million in the same period of 2016.

2.3 Mexico

(EUR million)	9M 2017	vs.	9M 2016
Revenues	1,482.9		36.2%
Gross margin	488.8		27.9%
EBITDA	398.4		26.7%
EBIT	326.9		32.3%

a) Gross Margin

In Mexico, the gross margin climbed to EUR 488.8 million (+27.9%), primarily thanks to new capacity coming on line. On the one hand, the Baja California combined cycle plant (314 MW), under an IPP (Independent Energy Producer) scheme with the Mexican Federal Electricity Commission (CFE), and on the other, the supply of energy to private customers, the commissioning of Module V of the Monterrey combined cycle plant (300 MW) and the Ramos cogeneration plant (53 MW).

b) Operating Profit / EBIT

EBITDA totalled EUR 398.4 million (+26.7%). Net operating expenses were up EUR 22.7 million (+34.4%) to EUR 88.9 million, mainly because of the higher maintenance costs associated to the new installed capacity. The Amortisations and Provisions item increased by 6.1% to EUR 71.5 million due to the greater number of assets in operation mentioned above, which offset the extension of the useful life of the combined cycles.

As a result of the aforesaid, the business's EBIT reached EUR 326.9 million, a rise of 32.3% compared to the nine month period of last year.

3. Renewables*

(EUR million)	2017	vs. 2016
Revenues	1,874.9	2.9%
Gross margin	1,705.2	2.8%
EBITDA	1,142.8	0.0%
EBIT	495.0	-0.7%

a) Gross Margin

During the nine months of 2017, the gross margin totalled EUR 1,705.2 million, an amount 2.8% higher than that for the previous year. As described below, this trend is mainly explained by the good result recorded in the United Kingdom, which is due to the greater average operating capacity (+20.9%) and the increased load factor (+17.8%), and to a lesser extent, to the United States and Brazil, both countries in which the good wind results are supported by the increase in average operating capacity. On the other hand, the lower wind resource recorded in Spain in 2017 compared with 2016 decreases the total result.

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

- The average selling price of renewable output is EUR 67.8/MWh, up 2.7% on the same period of the previous year.
- Average operating capacity during the period was up 4.0% thanks to the increases in the United Kingdom, Brazil and the United States. However, output remained practically flat (-0.5%), at around 24,478 GWh, due to lower average load factors, primarily in Spain and Mexico.
- The consolidated load factor was 25.3%; lower by 1 percentage point than that of the same period of the previous year, and down from current long-term benchmark values.
 - The wind load factor in Spain dropped 2.3 percentage points compared to the first nine months of 2016, placing the factor at 21.9%, below the historical average.
 - In the United States, a wind load factor of 29.1% was posted; lower than that of the same period a year earlier (-0.6 pp), but down on the forecast.
 - In the United Kingdom (onshore wind power), a load factor of 20.6% was recorded, significant higher than the equivalent period of the previous year (+3.2 pp), but still lower than historical averages.
 - On their part, in Mexico and Brazil, both countries with a strong wind resource, load factors reached 25.3% and 43% respectively with opposite effects: much above the average in the case of Brazil and much below the average in Mexico.
 - The Rest of the World (RoW) registered a load factor of 25.0%.
 - The company's first offshore farm, West of Duddon Sands, reached a load factor of slightly lower than 45%, in line with historical averages.

* The Renewables Business includes wind, solar and minihydro

By business, the gross margin¹ has been as follows:

- **Wind Energy Spain:** The gross margin for the period is at EUR 542.5 million, dropping by 5.5% due to a 9.8% year-on-year decline in output, which is due to the lower wind resource in Spain compared to the previous year. The 4.7% increase in average price partly offsets the lower production.
- **Wind Energy United States:** The gross margin grew by 1.2% reaching a total of EUR 555.3 million, due to a +1.9% increase in output, a +4.3% increase in average capacity in operation, which offsets the 2.3% drop in operating hours compared to the same period in 2016. The average price in dollars did not change compared to the previous year.
- **Wind United Kingdom - Onshore:** The gross margin increased by 24.3% to EUR 255.3 million thanks to the 42.4% increase in output, fostered both by the 20.9% growth in average operating capacity and the improvement of the wind conditions. This significant improvement offsets the fall in prices in the local currency (-4.7%) due to the elimination of LECs and a weakening of the pound (-8.4%).
- **Wind Energy United Kingdom - Offshore:** The West of Duddon Sands farm has contributed EUR 78 million to the gross margin for the period, up 6.9% from the previous period despite the depreciation of the pound (-8.4%). This is a result of a greater output compared to the previous year (+7.1%) and the increase of the sale price in local currency (+9%), (due to the greater value of the ROCs and the greater sale price).
- **Wind Energy Mexico:** The wind resource was exceptionally high last financial year. Consequently, that and the fact that load factors were below average in 2017 have contributed to the output dropping by 18.2% compared to last year. The price in local currency rose by 21.6% as a result of the increase in prices of commodities that form part of the benchmark index (CFE) of the sale contracts under the category of 'self-procurement'. Affected by all of these factors, the gross margin was at EUR 46.4 million, in line with the first six nine months of 2016.
- **Wind Energy Brazil:** The gross margin grew significantly (+36.5%) to EUR 37 million, despite the slight drop in price in EUR/MWh (-4.1%), a result of the drop recorded in local currency (-13.7%) and offset by the appreciation of the Brazilian Real (although this is distorted by settlements that adjust the energy actually produced in the previous year compared to the standard output). This drop is offset by the effect of the integration of Neoenergia and Elektro on the average operating capacity (+17.4%) together with the normalisation of its load factor during 2017.
- **Wind Energy Rest of the World:** Output increased by 1% due to greater load factors, which exceed the slight drop in average operating capacity (-0.5%). Average prices were up slightly, making the gross margin increase by 1.5% to EUR 90.1 million.
- **Minihydro and Other Renewables:** The gross margin was at EUR 53.6 million (-7.6%), a result of the 44.9% drop in minihydro output and partly offset by the positive effect in 2017 (approximately EUR 10 million) of the negative settlements in 2016 of the revenues of 2009-2011 of the Puertollano thermal solar plant.

b) Operating Profit / EBIT

- EBITDA remained stable compared to 2016, totalling EUR 1,143 million. In addition to the aforementioned gross margin trend (+2.8%), there was an 8.7% rise in net operating expenses due to the recognition in 2016 of non-recurring operating income of EUR 17 million. Stripping out atypical items, the figure stands at 4.4% – in line with the average increase in capacity in operation.
- Amortisation and provisions totalled EUR 647.8 million, remaining stable compared to the same period in 2016.
- Lastly, taking into account all of the above, EBIT reached the figure of EUR 495.0 million, slightly down compared to last year, at 0.7%.

¹ The average prices referred to in the following paragraphs are calculated as gross margin/output.

4. Other business

(EUR million)	9M 2017	vs. 9M 2016
Revenues	752.6	33.9%
Gross margin	168.1	23.7%
EBITDA	12.7	-148.9%
EBIT	4.0	-111.1%

a) Gross Margin

The gross margin was at EUR 168.1 million, up 33.9% from 2016 due to the sale of real estate (Hotel Hilton in Barcelona EUR +42.4 million) and improvements in the real estate business.

b) Operating Profit /EBIT

EBITDA totalled EUR 12.7 million. Net operating expenses of these businesses amounted to EUR 154.5 million (-4%).

Amortisations and Provisions totalled EUR 8.7 million and EBIT was EUR 4.0 million.

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. Taxes were down in the year-on-year comparison as in 2017 the Social Bonus in Spain was reclassified to the Generation and Supply business.



Balance Sheet

Analysis

January - September 2017

	Sept 2017	vs Dic. 2016
TOTAL ASSETS	114,047	6.9%
Fixed assets	64,070	0.4%
Intangible assets	23,708	18.9%
Long-term investments	5,079	30.1%
Shareholders' equity	42,162	3.6%

On 30 September 2017, the Iberdrola financial statements showed Total Assets of EUR 114,047 million. The increase in the Consolidated Balance Sheet shows the integration of Neenergia, result of the merger between Elektro and said Company completed on 24 August 2017.

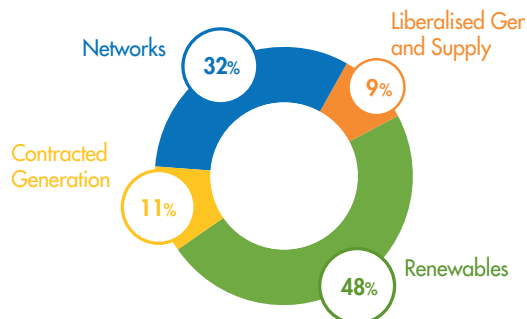
1. Fixed assets

Total net investment for the January to September 2017 period reached EUR 3,997.1 million. This can be broken down as follows:

(EUR M)	Jan-Sept 2017	%
Networks Business	1,310.8	32
Spain	210.7	
UK	439.6	
USA	546.6	
Brazil	114.0	
Generation and Supply Business	770.2	20
Spain	206.5	
UK	130.2	
Mexico	424.2	
Brazil	4.2	
USA and Canada	5.2	
Renewables Business	1,957.9	48
Spain	17.2	
UK	387.6	
USA	672.4	
Brazil	11.6	
Mexico	326.6	
RoW	542.6	
Total investment	3,997.1	100

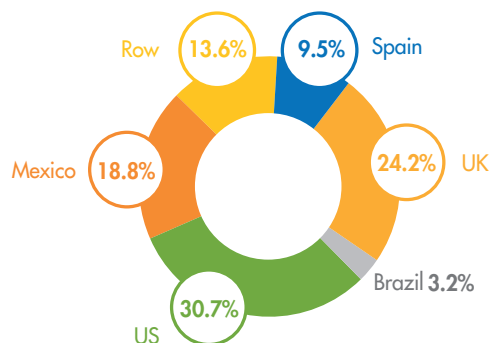
Investments in the period focused on the Renewables and Networks Businesses, in line with our strategy 2016-2020. These two businesses in combination with the Contracted Generation Business in Mexico accounted for 91% of total investments made during the period running from January to September 2017.

Investments by Business (Jan-Sept 2017)



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

Investments by geographical areas (Jan.-Sept. 2017)



(*)Wikinger changed from UK to RoW

Investments in the Renewables business totalled EUR 1,219 million, making for 48% of the total. The EUR 672.4 million invested in the US are particularly

noteworthy and the EUR 542.6 million in RoW, as Wikinger project is now included in this line (previously included in United Kingdom).

In the section on the "Networks Business", most of the investments were made in the United Kingdom and the USA, for a total of EUR 439.6 million and EUR 546.6 million, respectively.

2. Share capital

After the implementation of the paid-up capital increase for the Scrip Dividend on July 2017, Share Capital of the company on 30 September 2017 amounted to 6,317,515,000 bearer shares with a nominal value of EUR 0.75 each.

3. Financial Debt

Adjusted net financial debt on 30 September 2017 rose by EUR 4,468 million to EUR 33,698 million as compared with the EUR 29,230 million booked on 31 December 2016, due to Neoenergia integration (EUR 2,965 million) and the investments made in 2017.

Consequently, adjusted financial leverage increased to 44.2% with respect to the 41.7% booked at 31 December 2016. Excluding Neoenergia effect adjusted financial leverage was 43.8% on 30 September 2017.

On the other hand, financial ratios have been affected mainly by the temporary effect of the Spanish hydro situation in 2017 and the integration of Neoenergía.

The ratings issued by rating agencies are as follows:

Credit rating of Iberdrola Senior Debt

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

Regarding the trend of the Company's financial cost, it was at 3.11% on 30 September 2017, 35 bp below the 3.46% on 30 September 2016. Excluding Neoenergia effect, Company's financial cost will reduce 44 bp to 3.02%.

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

	Sep. 17	Sep. 17 (ex. NEO)	Sep. 16
Euro	43.4%	47.6%	49.2%
British Pound	19.5%	21.3%	21.1%
Dollar	26.7%	29.3%	28.2%
Brazilian Real and other currencies	10.4%	1.8%	1.5%
Fixed Rate	48.1%	53.3%	49.1%
Variable Rate	51.9%	46.7%	50.7%
Capped Rate	0.0%	0.0%	0.2%

(*) Net Financial Debt including forwards and swaps.

(**) Gross Financial Debt

In accordance with the policy of minimising the financial risks of the Company, the foreign currency risk has continued to be mitigated through the financing of international businesses in local currencies (British Pound, Brazilian Real, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico). The percentage of financial debt in Fixed Rate was also increased to 48.1%. If we add EUR 3,550 million of forward swap, fixed rate debt amount to 59.4%.

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

	Sep. 17	Sep. 17 (ex. NEO)	Sep. 16
Corporation	65.4%	73.0%	71.0%
UK	6.1%	6.8%	8.0%
USA	13.8%	15.3%	13.9%
Brazil	12.6%	2.7%	2.8%
Mexico	0.8%	0.9%	2.6%
Others	1.3%	1.4%	1.7%
Total	100.0%	100.0%	100.0%

(*) Gross Financial Debt without project finance

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

	Sep. 17	Sep. 17 (ex. NEO)	Sep. 16
Euro Bond	37.1%	41.6%	39.6%
Dollar Bond	17.5%	19.6%	20.8%
British Pound Bond	8.0%	9.0%	10.4%
Remaining bonds	3.5%	1.1%	1.1%
Notes	5.9%	6.6%	4.0%
EIB	5.7%	6.4%	6.6%
Project Finance	1.3%	0.8%	2.5%
Bank loans	21.0%	14.9%	15.0%
Total	100.0%	100.0%	100.0%

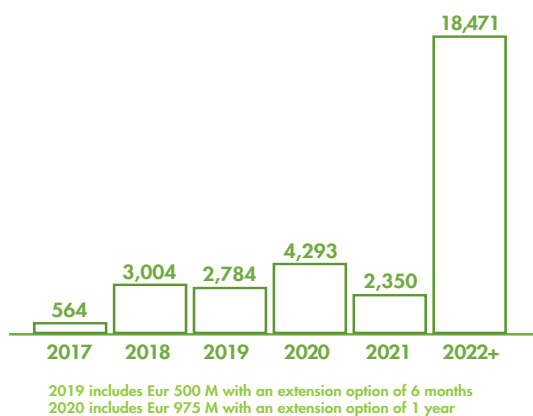
(*) Gross Financial Debt.

At the end of the first quarter, Iberdrola has a strong liquidity position with a total of EUR 7,389^(*) million, equivalent to 20 months of the company's financing needs.

EUR million	
Credit Lines Maturity	Available (Ex. Neo)
Total credit line	6,469
Cash and IFT	920
Total Adjusted Liquidity^(*)	7,389

(*) Not taking into account NEO needs

Iberdrola has a good debt maturity profile, with approximately 6.1 years of average debt life, as a result, among other factors, of the management of liabilities carried out throughout this financial year. The following chart shows the debt maturity profile^(*).



* Excluding Neoenergía

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

	Sep. 17	Sep. 17 (ex. NEO)	Dec. 16
Adjusted(*) Shareholders' Equity	42,625	39,413	40,871
Adjusted(*) Gross Financial Debt	36,986	33,012	31,842
Cash flow	2,190	1,318	1,493
Derivative assets	1,098	952	1,119
Adjusted(*) Net Financial Debt	33,698	30,742	29,230
Leverage	44.2%	43.8%	41.7%
Funds from Operations (FFO)**/Net Financial Debt	19.7%	20.1%	21.5%
Retained Cash Flow (RCF)***/Net Financial Debt	17.1%	17.0%	18.8%
Net Financial Debt / EBITDA	4.1x	4.1x	3.8x

(*) Adjusted by market value of treasury stock cumulative hedges

(**) FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies consolidated by the Equity Method - Net Non-recurring Results - Financial Prov. Activation + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects

(***) RCF = FFO - Cash paid dividends - Net interest hybrid issuance

4. Working capital

The working capital recorded a rise of EUR 475 million over the last 12 months, as a result of several effects:

- An EUR 1,052 million increase in commercial debtors and Other accounts receivable (increased working capital), offset by an increase in commercial creditors and other accounts payable by EUR 1,079 million which decreased working capital.
- An increase in public administrations by EUR 464 million that increased working capital.
- Other effects to a lesser extent.

CURRENT ASSETS	Sept. 17	Sept. 16	Variation
Nuclear Fuel	338	319	19
Inventories	1,824	1,583	241
Commercial debtors and Other accounts receivable	6,426	5,374	1,052
Current financial investments	758	811	(53)
Asset derivative financial instruments	166	151	15
Public Administrations	1,019	535	484
TOTAL CURRENT ASSETS*:	10,531	8,773	1,758

*Does not include cash or debt asset derivatives

CURRENT LIABILITIES	Sept. 17	Sept. 16	Variation
Provisions	431	120	311
Liability derivative financial instruments	130	217	(87)
Commercial creditors and other accounts payable	7,747	6,668	1,079
Public Administrations	1,570	1,590	(20)
TOTAL CURRENT LIABILITIES**:	9,878	8,595	1,284

**Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	653	179	475
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5. Funds from operations

Funds from Operations as at 30 September 2017 have decreased by 1.9% to EUR 4,625.5 million.

	Jan-Sept 2017	Jan-Sept 2016	Var.
Net Profit (+)	2,416.6	2,041.7	18.4%
Depreciations (-)	2,486.3	2,472.2	0.6%
P/L Equity (-)	-19.0	-41.7	-54.3%
Extraordinary results (-)	-759.3	-48.6	1,461.4%
Non-recurring corporate taxes (-)	-0.1	11.3	-101.2%
Financial provisions capitalized (-)	84.1	80.7	4.2%
Minorities P/L (-)	93.3	83.7	11.5%
Adjustment tax deductible items (+) *	134.6	134.6	0.0%
Dividends Equity consolidated subsidiaries (+)	249.8	44.3	464.0%
Allocation of capital subsidies to income (-)	-60.7	-60.9	-0.4%
FFO	4,625.6	4,717.2	-1.94%

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

*Cash flow.

6. Financial transactions

Main new financing operations made in 2017

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola Finanzas	Private green issue	100	EUR	Euribor3m+0.67%	7 years
Iberdrola Finanzas	Private issue	50	EUR	1.667%	12 years
Iberdrola Financiación*	Bilateral green loan	500	EUR	-	1.5 years
Iberdrola Finanzas	Green bond	1,000	EUR	1.00%	8 years
Iberdrola Finanzas	Extension private issue	50	EUR	1.667%	12 years
Iberdrola Finanzas	Private issue	60	EUR	1.782%	13 years
Iberdrola Finanzas**	Private issue	1,000	NOK	2.70%	10 years
RG&E	US Bond market	300	USD	3.10%	10 years
Iberdrola Finanzas	Extension private green issue	150	EUR	Euribor3m+0.67%	7 years
Elektro**	4131 Loan	50	USD	2.315%	3 years
Iberdrola Financiación	EIB loan	500	EUR	To be defined	To be defined
Elektro	Notes	350	BRL	105% CDI	1 year
Iberdrola Finanzas	Green bond	750	EUR	1.25%	10 years
Cosern	Debentures infra	370	BRL	IPCA+4.7%	5 / 7 Years
Iberdrola Financiación	Bilateral loan	300	EUR	-	5 years
Iberdrola***	Bilateral loan	350	EUR	-	4 years
Coelba / Celpe **	4131 Loan	235	USD	Libor+1.9%	3 years

* Option to extend by 6 + 6 months at Iberdrola's choice

** Operations subsequently swapped to the currency of each company

*** Reconfiguration operation, does not imply inflow of funds

Main operations to extend existing financing made in 2017

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola SA	Syndicated loan	1,900	EUR	+1 year	5 years
Iberdrola SA	Syndicated loan	2,500	EUR	+1 year	5 years
Iberdrola Financiación	Syndicated loan	900	EUR	+1 year	3 years
Iberdrola Financiación	Bilateral loan	75	EUR	+1 year	3 years
Iberdrola SA	Syndicated loan	500	EUR	+1 year	5 years
Iberdrola Financiación*	Green bilateral loan	500	EUR	+6 months	2 years
Iberdrola Financiación	Bilateral loan	600	EUR	+1 year	3 years

Third Quarter Financing

Capital market

On 8 August, Elektro, a subsidiary of the Iberdrola Group in Brazil, proceeded to formalise a note issuance for a maximum amount of BRL 350 million at a variable rate indexed by 105% to the CDI and maturing in August 2018.

On 13 September, Iberdrola issued a green bond on the Euromarket for the amount of EUR 750 million with a coupon of 1.25% and maturing in September 2027. The funds will be used to finance and refinance the investment in on-shore wind farms in the UK and off-shore farms in Germany (Wikinger).

On 29 September, Cosern, a company of the Iberdrola Group in Brazil, formalised the first issue of infrastructure debentures of a distributor of the Neoenergia Group for the amount of BRL 370 million implemented in two tranches: BRL 271 million initially taken with a margin of 4.641% over the HICP rate and a maturity of five years, and BRL 99 million with a margin of 4.9102% above the HICP with a 7-year maturity.

Banking market

On 10 July, Iberdrola proceeded to sign a bilateral loan for the amount of up to EUR 300 million, and with a validity of five years.

On 24 July, Iberdrola carried out the first of the two six-month extensions corresponding to the bilateral green loan of EUR 500 million, signed in February 2017, reaching maturity in February 2019.

On 27 July, Iberdrola reconfigured the bilateral loan of EUR 600 million signed in 2014, including the extension by one year to July 2020 and with an option to extend by an additional year.

On 27 July, Iberdrola formalised a bilateral loan for the amount of EUR 350 million, reaching maturity in four years. At the same time, Iberdrola proceeded to the early amortisation of three loans signed with the same entity in June 2015 that totalled the same amount. This reconfiguration implies improving the financing conditions, increasing the maturity and reducing the cost of the operation.

On 30 August, Coelba and Celpe, companies of the Iberdrola Group in Brazil, formalised a syndicated bank loan under Law 4131, for a total amounting to USD 235 million (equivalent to BRL 740 million) with a cost in BRL of 124% of the CDI index, maturing in three years.

7. Credit ratings

	Moody's			Standard and Poor's			Fitch Ibc		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola S.A.	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	March 2014
Iberdrola Finance Ireland Ltd.(*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U.(*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U. (Escala Nacional)(*)	Aaa(mex)	Stable	Nov. 2012	mxAAA		April 2016	AAA (mex)	Stable	March 2014
Iberdrola International B.V.(*)	Baa1	Positive	April 2016	BBB+		April 2016	BBB+	Stable	March 2014
Avangrid	Baa1	Stable	April 2016	BBB+	Stable	April 2016	BBB+	Stable	Sept. 2016
CMP	A2	Stable	April 2016	A-	Stable	April 2016	BBB+	Stable	Nov. 2013
NYSEG	A3	Stable	April 2016	A-	Stable	April 2016	BBB+	Stable	Nov. 2013
RG&E	A3	Stable	May 2017	A-	Stable	April 2016	BBB+	Stable	Sept. 2016
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. 2016
SCG	Baa1	Positive	April 2016	A-	Stable	Sept. 2016	BBB+	Positive	Sept. 2017
BCG	Baa1	Positive	April 2016	A-	Stable	Sept. 2016	A-	Stable	Sept. 2016
Scottish Power Ltd	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	March 2014
Scottish Power UK Plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016	BBB+	Stable	March 2014
Scottish Power UK Holdings Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Scottish Power Energy Networks Holdings Ltd				BBB+	Stable	April 2016			
ScottishPower Generation Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Transmission Ltd	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Manweb plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
SP Distribution plc	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
ScottishPower Energy Management Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
ScottishPower Energy Retail Ltd.	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Scottish Power Investment Ltd	Baa1	Positive	April 2016	BBB+	Stable	April 2016			
Neoenegia S.A.				BB	Negative	Feb 2016			
Coelba				BB	Negative	Feb 2016			
Celpe				BB	Negative	Feb 2016			
Cosern				BB	Negative	Feb 2016			
Neoenegía (Escala nacional)				brAA-	Negative	Feb 2016			
Coelba (Escala nacional)				brAA-	Negative	Feb 2016			
Celpe (Escala nacional)				brAA-	Negative	Feb 2016			
Cosern (Escala nacional)				brAA-	Negative	Feb 2016			
Elektro (Escala nacional)				brAA-	Negative	Feb 2016			

(*) Guaranteed by Iberdrola S.A.



Financial --- Statements --- Tables ---

Balance Sheet (Unaudited)**Eur M****Assets**

	September 2017	December 2016	Variation
NON-CURRENT ASSETS	100,816	95,980	4,836
Intangible assets	23,708	19,934	3,774
Goodwill	8,902	8,711	191
Other intangible assets	14,805	11,223	3,582
Real Estate properties	412	462	-50
Property, plant and equipment	64,070	63,834	235
Property, plant and equipment in use	55,782	57,343	-1,561
Property, plant and equipment in the course of construction	8,288	6,491	1,797
Non current financial investments	5,079	3,904	1,175
Investments accounted by equity method	1,808	2,240	-432
Non-current financial assets	60	59	-
Other non-current financial assets	2,544	696	1,849
Derivative financial instruments	667	909	-242
Non-current receivables	875	887	-12
Deferred tax assets	6,673	6,958	-285
CURRENT ASSETS	13,231	10,726	2,505
Nuclear fuel	338	323	15
Inventories	1,824	1,634	191
Current trade and other receivables	7,445	5,862	1,582
Tax receivables	508	503	5
Other tax receivables	511	143	367
Trade and other receivables	6,426	5,216	1,210
Current financial assets	1,494	1,475	19
Current financial assets	2	5	-3
Other current financial assets	756	776	-20
Derivative financial instruments	736	694	42
Cash and cash equivalents	2,130	1,433	697
TOTAL ASSETS	114,047	106,706	7,341

Eur M

Equity and Liabilities

	September 2017	December 2016	Variation
EQUITY:	42,162	40,687	1,475
Of shareholders of the parent	35,716	36,691	-975
Share capital	4,738	4,772	-33
Share premium	14,668	14,668	-
Unrealised assets and liabilities revaluation reserve	-70	-149	79
Other reserves	-688	-1,083	395
Treasury stock	-2,467	-1,059	-1,408
Translation differences	17,119	16,839	281
Net profit of the year	2,417	2,705	-288
Hybrid Capital	543	551	-8
Of minority interests	5,903	3,446	2,458
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	17	44	-27
NON-CURRENT LIABILITIES	54,859	51,900	2,959
Deferred income	6,330	6,590	-260
Provisions	4,944	4,905	39
Provisions for pensions and similar obligations	2,339	2,381	-41
Other provisions	2,604	2,524	80
Financial Debt	30,252	26,927	3,325
Loans and others	29,947	26,509	3,438
Derivative financial instruments	305	418	-113
Other non-current payables	888	737	151
Deferred tax liabilities	12,446	12,741	-295
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	52	93	-41
CURRENT LIABILITIES	16,958	13,982	2,976
Provisions	431	144	287
Provisions for pensions and similar obligations	11	10	1
Other provisions	420	134	286
Financial Debt	7,209	5,404	1,805
Loans and others	6,815	4,712	2,103
Derivative financial instruments	395	692	-298
Trade and other payables	9,318	8,434	884
Trade payables	5,587	5,491	96
Current tax liabilities and other tax payables	292	237	55
Other tax payables	1,278	914	364
Other current liabilities	2,162	1,792	370
TOTAL EQUITY AND LIABILITIES	114,047	106,706	7,341

Profit and Loss (Unaudited)**Eur M**

	September 2017	September 2016	%
REVENUES	22,284.7	21,537.7	3.5
PROCUREMENTS	(12,524.3)	(11,797.2)	6.2
GROSS MARGIN	9,760.4	9,740.5	0.2
NET OPERATING EXPENSES	(2,859.5)	(2,711.5)	5.5
Net Personnel Expense	(1,468.3)	(1,431.9)	2.5
Personnel	(1,956.6)	(1,883.3)	3.9
Capitalized personnel costs	488.2	451.3	8.2
Net External Services	(1,391.2)	(1,279.5)	8.7
External Services	(1,787.3)	(1,687.6)	5.9
Other Operating Income	396.1	408.1	(2.9)
LEVIES	(1,460.9)	(1,299.5)	12.4
EBITDA	5,440.0	5,729.5	(5.1)
AMORTISATIONS AND PROVISIONS	(2,486.3)	(2,472.2)	0.6
EBIT	2,953.7	3,257.3	(9.3)
Financial Expenses	(1,248.7)	(1,489.4)	(16.2)
Financial Income	599.8	905.6	(33.8)
FINANCIAL RESULT	(648.9)	(583.8)	11.2
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	19.0	41.7	(54.3)
RESULTS FROM NON-CURRENT ASSETS	759.3	48.6	1,461.4
PBT	3,083.1	2,763.9	11.5
Corporate Tax	(573.2)	(638.5)	(10.2)
Minorities	(93.3)	(83.7)	11.5
NET PROFIT	2,416.6	2,041.7	18.4

Results by Business (Unaudited)

Eur M

September 2017	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	7,040.4	13,788.3	1,874.9	752.6	(1,171.6)
Procurements	(2,182.6)	(10,632.3)	(169.7)	(584.5)	1,044.9
GROSS MARGIN	4,857.8	3,156.0	1,705.2	168.1	(126.7)
NET OPERATING EXPENSES	(1,246.2)	(1,125.9)	(428.9)	(154.5)	96.0
Net Personnel Expense	(701.2)	(347.3)	(143.1)	(105.0)	(171.7)
Personnel	(1,075.5)	(372.0)	(168.0)	(105.0)	(236.1)
Capitalized personnel costs	374.3	24.7	24.9	-	64.4
Net External Services	(545.0)	(778.6)	(285.8)	(49.5)	267.7
External Services	(802.4)	(853.7)	(354.8)	(50.3)	274.0
Other Operating Income	257.4	75.1	69.0	0.9	(6.3)
Levies	(519.6)	(789.1)	(133.4)	(0.9)	(17.9)
EBITDA	3,092.1	1,241.0	1,142.8	12.7	(48.6)
Amortisation and Provisions	(1,130.8)	(652.1)	(647.8)	(8.7)	(46.8)
EBIT/Operating Profit	1,961.2	588.9	495.0	4.0	(95.5)
Financial Result	(299.0)	(102.9)	(96.9)	0.9	(151.0)
Results of companies consolidated by equity method	17.7	9.2	(1.3)	16.5	(23.0)
Results of non-current assets	2.2	(2.1)	(1.1)	240.0	520.2
PBT	1,682.2	493.1	395.8	261.3	250.7
Corporate tax and minority shareholders	(527.9)	(43.1)	(61.7)	(6.7)	(27.1)
NET PROFIT	1,154.3	449.9	334.1	254.6	223.6

Eur M

September 2016	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	6,487.9	13,763.1	1,821.8	561.9	(1,096.9)
Procurements	(1,912.4)	(10,287.1)	(162.8)	(426.1)	991.2
GROSS MARGIN	4,575.4	3,476.0	1,659.0	135.9	(105.8)
NET OPERATING EXPENSES	(1,138.3)	(1,130.1)	(394.5)	(160.9)	112.4
Net Personnel Expense	(677.2)	(352.8)	(132.3)	(114.8)	(154.9)
Personnel	(1,027.7)	(376.9)	(152.2)	(114.8)	(211.7)
Capitalized personnel costs	350.5	24.1	19.9	-	56.8
Net External Services	(461.1)	(777.4)	(262.2)	(46.1)	267.2
External Services	(708.3)	(869.0)	(340.1)	(47.6)	277.4
Other Operating Income	247.2	91.7	77.9	1.5	(10.2)
Levies	(502.1)	(612.1)	(121.4)	(0.9)	(63.0)
EBITDA	2,935.0	1,733.8	1,143.1	(26.0)	(56.4)
Amortisation and Provisions	(1,062.9)	(703.0)	(644.6)	(9.8)	(51.8)
EBIT/Operating Profit	1,872.0	1,030.7	498.5	(35.7)	(108.3)
Financial Result	(320.9)	(67.6)	(106.6)	(0.4)	(88.2)
Results of companies consolidated by equity method	34.9	8.9	(17.9)	39.8	(23.9)
Results of non-current assets	3.2	(4.7)	(1.6)	16.5	35.1
PBT	1,589.2	967.3	372.4	20.2	(185.3)
Corporate tax and minority shareholders	(378.9)	(192.2)	(58.7)	12.9	(105.4)
NET PROFIT	1,210.3	775.1	313.7	33.1	(290.7)

Networks Business (Unaudited)

Eur M

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

Eur M

September 2016	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,526.9	991.6	2,923.6	1,045.7
Procurements	(14.5)	(40.3)	(1,051.7)	(806.0)
GROSS MARGIN	1,512.4	951.3	1,872.0	239.7
NET OPERATING EXPENSES	(252.7)	(150.6)	(642.9)	(92.2)
Net Personnel Expense	(168.1)	(71.7)	(378.8)	(58.6)
Personnel	(247.7)	(178.6)	(525.9)	(75.5)
Capitalized personnel costs	79.6	106.8	147.1	16.9
Net External Services	(84.6)	(78.8)	(264.1)	(33.6)
External Services	(217.3)	(131.1)	(313.3)	(47.3)
Other Operating Income	132.7	52.3	49.2	13.7
Levies	(67.1)	(78.4)	(355.6)	(1.0)
EBITDA	1,192.6	722.3	873.4	146.6
Amortisation and Provisions	(363.3)	(214.6)	(404.6)	(80.5)
EBIT/Operating Profit	829.3	507.7	468.9	66.1
Financial Result	(51.2)	(96.3)	(141.3)	(32.1)
Results of companies consolidated by equity method	1.9	-	9.0	24.0
Results of non-current assets	0.4	0.5	2.4	-
PBT	780.3	411.9	339.0	58.0
Corporate tax and minority shareholders	(198.9)	(36.2)	(131.0)	(12.7)
NET PROFIT	581.4	375.7	208.0	45.3

Generation and Supply Business (Unaudited)

Eur M

September 2017	SPAIN	UNITED KINGDOM	MEXICO	BRAZIL	OTHERS
Revenues	8,908.8	3,340.9	1,482.9	164.0	(108.3)
Procurements	(6,825.5)	(2,807.8)	(994.1)	(130.7)	125.7
GROSS MARGIN	2,083.3	533.2	488.8	33.3	17.4
NET OPERATING EXPENSES	(602.7)	(384.9)	(88.9)	(18.0)	(31.3)
Net Personnel Expense	(220.6)	(95.6)	(12.7)	(5.0)	(13.4)
Personnel	(233.5)	(100.9)	(18.9)	(5.0)	(13.6)
Capitalized personnel costs	12.9	5.3	6.3	-	0.2
Net External Services	(382.1)	(289.3)	(76.3)	(13.0)	(17.9)
External Services	(410.0)	(328.9)	(89.7)	(12.8)	(12.3)
Other Operating Income	27.9	39.6	13.4	(0.2)	(5.6)
Levies	(688.7)	(95.3)	(1.4)	0.1	(3.7)
EBITDA	791.9	53.0	398.4	15.4	(17.7)
Amortisation and Provisions	(373.5)	(178.8)	(71.5)	(4.7)	(23.7)
EBIT/Operating Profit	418.4	(125.8)	326.9	10.7	(41.3)
Financial Result	(35.5)	(.8)	(46.1)	(1.4)	(19.0)
Results of companies consolidated by equity method	(5.2)	(0.1)	-	14.4	-
Results of non-current assets	(2.3)	0.2	0.1	-	-
PBT	375.4	(126.5)	280.9	23.7	(60.4)
Corporate tax and minority shareholders	(46.4)	28.1	(53.1)	(1.5)	29.8
NET PROFIT	329.0	(98.4)	227.8	22.2	(30.6)

Eur M

September 2016	SPAIN	UNITED KINGDOM	MEXICO	BRAZIL	OTHERS
Revenues	8,593.8	4,135.3	1,088.9	50.5	(105.5)
Procurements	(6,286.7)	(3,374.6)	(706.8)	(46.3)	127.2
GROSS MARGIN	2,307.1	760.8	382.2	4.2	21.7
NET OPERATING EXPENSES	(576.1)	(451.7)	(66.2)	(7.0)	(29.3)
Net Personnel Expense	(215.6)	(108.8)	(12.9)	(2.5)	(13.0)
Personnel	(229.8)	(112.9)	(18.1)	(2.5)	(13.5)
Capitalized personnel costs	14.2	4.2	5.2	-	0.5
Net External Services	(360.5)	(342.9)	(53.3)	(4.5)	(16.2)
External Services	(400.6)	(386.1)	(63.0)	(4.9)	(14.5)
Other Operating Income	40.2	43.2	9.6	0.5	(1.8)
Levies	(530.9)	(76.5)	(1.4)	-	(3.3)
EBITDA	1,200.2	232.6	314.6	(2.8)	(10.8)
Amortisation and Provisions	(396.3)	(215.4)	(67.4)	(0.1)	(23.8)
EBIT/Operating Profit	803.9	17.2	247.2	(2.9)	(34.6)
Financial Result	(36.1)	(1.4)	(14.1)	0.4	(16.3)
Results of companies consolidated by equity method	(14.5)	(0.3)	-	23.7	-
Results of non-current assets	(5.8)	1.2	(0.2)	-	-
PBT	747.6	16.7	232.8	21.2	(50.9)
Corporate tax and minority shareholders	(137.8)	5.7	(78.4)	(0.2)	18.5
NET PROFIT	609.7	22.4	154.5	21.0	(32.4)

Renewables Business (Unaudited)

Eur M

September 2017	SPAIN	UNITED KINGDOM	US	LATAM	RoW
Revenues	591.0	365.6	737.3	88.3	92.7
Procurements	(10.1)	(31.8)	(122.2)	(4.9)	(0.7)
GROSS MARGIN	580.9	333.8	615.1	83.4	92.0
NET OPERATING EXPENSES	(138.8)	(78.9)	(166.7)	(26.1)	(18.4)
Net Personnel Expense	(41.2)	(14.8)	(79.6)	(3.7)	(4.9)
Personnel	(41.2)	(25.7)	(91.9)	(3.7)	(5.5)
Capitalized personnel costs	-	10.9	12.3	-	0.6
Net External Services	(97.6)	(64.1)	(87.2)	(22.4)	(13.5)
External Services	(125.9)	(69.4)	(142.4)	(22.9)	(15.8)
Other Operating Income	28.3	5.3	55.3	0.4	2.3
Levies	(76.6)	(14.1)	(39.6)	(0.5)	(2.7)
EBITDA	365.6	240.9	408.8	56.8	70.8
Amortisation and Provisions	(180.7)	(104.7)	(308.8)	(28.6)	(25.0)
EBIT/Operating Profit	184.9	136.2	100.0	28.1	45.8
Financial Result	(37.0)	(17.3)	(17.8)	(22.1)	(2.7)
Results of companies consolidated by equity method	2.9	(0.9)	(7.2)	4.0	-
Results of non-current assets	(0.1)	-	-	-	(0.9)
PBT	150.6	117.9	75.0	10.1	42.1
Corporate tax and minority shareholders	(45.1)	(23.7)	7.1	13.4	(13.4)
NET PROFIT	105.5	94.2	82.1	23.5	28.7

Eur M

September 2016	SPAIN	UNITED KINGDOM	US	LATAM	RoW
Revenues	627.1	306.5	719.0	77.7	91.4
Procurements	(10.3)	(27.7)	(120.2)	(3.9)	(0.8)
GROSS MARGIN	616.8	278.9	598.8	73.8	90.6
NET OPERATING EXPENSES	(142.5)	(70.0)	(146.6)	(17.9)	(17.4)
Net Personnel Expense	(38.7)	(10.6)	(76.6)	(1.7)	(4.7)
Personnel	(38.7)	(23.9)	(83.2)	(1.7)	(4.7)
Capitalized personnel costs	-	13.3	6.6	-	-
Net External Services	(103.8)	(59.4)	(70.0)	(16.2)	(12.7)
External Services	(125.2)	(68.3)	(132.2)	(16.2)	(14.6)
Other Operating Income	21.4	8.9	62.1	-	1.9
Levies	(64.1)	(13.7)	(39.9)	(0.8)	(3.0)
EBITDA	410.2	195.2	412.3	55.1	70.2
Amortisation and Provisions	(183.6)	(104.3)	(305.8)	(26.5)	(24.4)
EBIT/Operating Profit	226.6	91.0	106.5	28.6	45.8
Financial Result	(57.3)	(16.8)	(21.3)	(7.0)	(4.2)
Results of companies consolidated by equity method	(1.2)	(1.7)	(7.9)	1.7	(8.8)
Results of non-current assets	(1.7)	-	-	-	-
PBT	166.5	72.5	77.3	23.4	32.8
Corporate tax and minority shareholders	(49.5)	0.5	11.3	(5.5)	(15.4)
NET PROFIT	116.9	73.0	88.6	17.8	17.4

Quarterly Results (Unaudited)

Eur M

	JAN-MARCH 2017	APR-JUNE 2017	JULY-SEPT 2017
Revenues	8.289,5	6.879,4	7.115,9
Procurements	(4.723,1)	(3.594,8)	(4.206,5)
GROSS MARGIN	3.566,4	3.284,6	2.909,4
NET OPERATING EXPENSES	(940,9)	(1.001,5)	(917,1)
Net Personnel Expense	(493,2)	(509,7)	(465,5)
Personnel	(650,6)	(671,7)	(634,3)
Capitalized personnel costs	157,4	162,0	168,8
Net External Services	(447,7)	(491,9)	(451,6)
External Services	(573,3)	(625,5)	(588,5)
Other Operating Income	125,6	133,6	136,9
Levies	(763,9)	(392,9)	(304,1)
EBITDA	1.861,6	1.890,1	1.688,2
AMORTISATIONS AND PROVISIONS	(834,6)	(800,7)	(851,0)
EBIT	1.027,0	1.089,4	837,2
Financial Expenses	(505,7)	(196,8)	(546,2)
Financial Income	299,8	(10,9)	310,8
FINANCIAL RESULT	(205,9)	(207,6)	(235,4)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	28,0	17,8	(26,8)
RESULTS FROM NON-CURRENT ASSETS	256,2	(15,2)	518,3
PBT	1.105,3	884,5	1.093,3
Corporate Tax	(250,1)	(166,1)	(157,0)
Minorities	(27,6)	(27,6)	(38,2)
NET PROFIT	827,6	690,77	898,2

Eur M

	JAN-MARCH 2016	APR-JUNE 2016	JULY-SEPT 2016
Revenues	8,184.8	6,713.3	6,639.6
Procurements	(4,534.9)	(3,586.9)	(3,675.5)
GROSS MARGIN	3,649.9	3,126.4	2,964.2
NET OPERATING EXPENSES	(931.4)	(929.3)	(850.8)
Net Personnel Expense	(511.2)	(464.6)	(456.1)
Personnel	(648.0)	(619.1)	(616.2)
Capitalized personnel costs	136.8	154.5	160.0
Net External Services	(420.2)	(464.7)	(394.7)
External Services	(574.4)	(594.8)	(518.5)
Other Operating Income	154.2	130.1	123.8
Levies	(691.5)	(332.0)	(276.0)
EBITDA	2,027.1	1,865.1	1,837.4
AMORTISATIONS AND PROVISIONS	(777.6)	(860.9)	(833.7)
EBIT	1,249.5	1,004.1	1,003.7
Financial Expenses	(470.2)	(448.3)	(570.9)
Financial Income	330.0	227.3	348.3
FINANCIAL RESULT	(140.1)	(221.1)	(222.6)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	10.0	21.7	10.0
RESULTS FROM NON-CURRENT ASSETS	29.1	17.8	1.7
PBT	1,148.5	822.6	792.8
Corporate Tax	(254.3)	(212.1)	(172.1)
Minorities	(25.5)	(22.4)	(35.8)
NET PROFIT	868.7	588.02	584.9

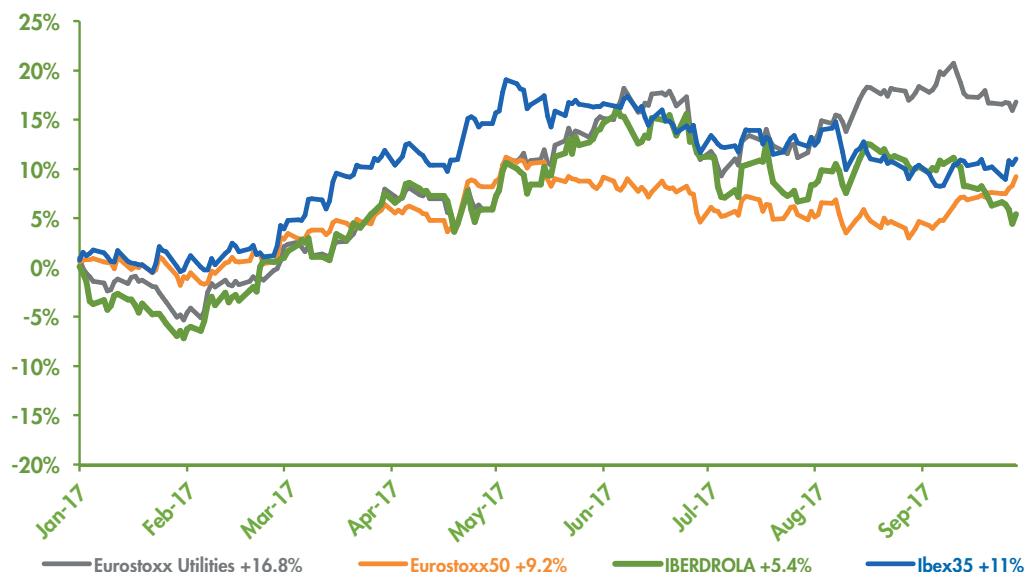
Statement of Origin and Use of Funds (Unaudited)

	September 2017	September 2016	Variation
EBITDA	5,440.0	5,729.5	(289.5)
Adjustments to results and others	(674.1)	(634.7)	(39.4)
Financial payments and cash receipts	(556.5)	(603.5)	47.0
Corporate Tax Payment	(450.8)	(59.4)	(391.5)
Provision payments (net of normal expenses)	(264.3)	(197.6)	(66.8)
Operating Cash Flow	3,494.2	4,234.3	(740.1)
Dividends Paid	(832.9)	(701.0)	(131.9)
Retained Cash Flow	2,661.4	3,533.4	(872.0)
Total Cash Flow allocations:	(4,595.0)	(3,946.4)	(648.6)
Net Investments	(3,997.1)	(3,040.1)	(957.0)
Divestments	315.6	110.9	204.7
Treasury stock	(882.4)	(986.0)	103.6
Capital issue	(0.9)	(0.9)	0.1
Hybrid	(30.2)	(30.2)	-
Exchange rate differentials	1,289.7	837.1	452.5
Change in regulatory receivables	(10.3)	(90.7)	80.4
Brazil reorganization	(3,800.4)	-	(3,800.4)
Working capital variations and other variations	(164.0)	(684.4)	520.4
Decrease/(Increase) in net debt	(4,618.7)	(350.9)	(4,267.8)

8

Stock Market Evolution

Iberdrola stock price performance vs Index



Iberdrola's share

	9M 2017	9M 2016
Number of outstanding shares	6,317,515,000	6,362,079,000
Price at the end of the period	6.5720	6.0520
Average price of the period	6.7440	6.0322
Average daily volume	22,349,503	26,208,969
Maximum volume (04-06-2017/01-04-2016)	122,920,322	86,439,332
Minimum volume (08-28-2017/05-16-2016)	4,636,525	4,444,650
Dividends paid (€) ⁽¹⁾	0.3170	0.2860
Gross Final dividend (01-23-2017 /01-29-2016)	0.1350	0.1270
Gross Interim (07-07 and 21-07-2017/07-08 and 07-22-2016) ⁽²⁾	0.1770	0.1540
Shareholder's Meeting attendance bonus	0.0050	0.0050
Dividend yield ⁽³⁾	4,82%	4,72%

(1) Iberdrola fixed guaranteed price for the rights.

(2) Iberdrola fixed guaranteed price for the rights + 0.03€ gross per share in cash.

(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 2017, a group of provisions has been approved which affect the energy sector. This section presents the most significant regulatory changes.

1. Regulation in the European Union

Publication of the new emissions limits for large combustion plants (LCP): On 17/08/17, the DOUE published the Decision of the CE 2017/1442 of 31/07 by which the emission limits applicable to large combustion plants (>50MW) based on BAT – Best Available Technologies, are established.

- The States must adapt to these new limits on acid emissions (nitrogen oxides (NO_x), sulphur dioxide (SO₂), particulate matter (PM) and for the first time, mercury) before 2021.
- The technical references were approved by the committees (Board and EC) on 28/04, having previously been strongly opposed within the Board (Germany Poland, Czech Republic, Finland, Hungary, Slovakia, Bulgaria and Romania).

Entry into force of the **Directive on the management of the electricity transmission network:** On 14/09/17, Regulation (UE) 2017/1485 entered into force, establishing a directive regarding the management of the electricity transmission network (published in the DOUE of the 28/08). The Directive requires the development of specific procedures for the different network operators. ENTSOE must draft a proposal in the next six months, as well as adapt to each State and be ratified by the Regulators, before September 2018. These procedures will determine the roles of the Transmission and Distribution networks, their responsibilities and the data exchange methodology. Following the publication of this Directive, only the Emergency and Replacement Network Code and the Balancing Directive are pending.

2. Regulation in Spain

Spanish Electricity Sector

Constitutional Court Judgement on RD 900/2015, regarding self-consumption: In the month of July, the BOE published the Constitutional Court Judgement by which several precepts of RD 900/2015 regarding self-consumption are nullified, in the lawsuit filed by the Regional Government of Catalonia, and in line with the Supreme Court Judgement published in June. Specifically, it nullifies article 4.3 making it possible for a generator to connect to an internal network of several consumers, with the TC understanding “internal network of several consumers” as “linking installations” (the common part of the building, before the meters). It also nullifies several articles relating to the obligation to register in a nationwide registry.

Auction on new renewable capacity: On 1 July, the Resolution of the call for the third auction on new photovoltaic and wind renewable capacity in mainland Spain was published, following the publication in June of the RD to call it, and the Ministerial Order establishing its compensation parameters.

The auction took place on 26 July, with the assignment of 3,909 MW of photovoltaic power and 1,128 MW of wind power. The applicable procedure and rules were the same as for the auction in May. However, the maximum reduction percentages increased, compared with the previous auction. The maximum discount was applied, which means the awardees will not receive any additional compensation to market compensation levels, except under any reviews that may be conducted during subsequent regulatory periods if the market price drops below a certain level.

Closure of Garoña: In August, the BOE published the Order establishing the definitive closure of Garoña. The Government estimates that, in the current context of reviewing Energy Planning, the lack of electrical energy production of this plant has had

no significant repercussion on the electrical supply, due to its low power (466 MW) in comparison to other nuclear plants, and that the effective return to operation could be delayed by more than one year, as a result of the investment and actions of the central relating to nuclear safety and radiation protection.

Coal aid: In August, the BOE included an Order with the integrated annual MINETAD (Spain's Ministry of Energy, Tourism and the Digital Agenda) aid plan, which includes subsidies for the coal sector in 2017. The amounts published are not binding, and are dependent on the effective implementation of the different lines of subsidy. These programmes include help to offset the closure of coal plants (EUR 25 million).

Royal Decree Project Subsidised Rate: In early October, "*Royal Decree 897/2017, on vulnerable consumers, social bonus and other protection measures for domestic consumers of electrical energy*" and the Ministerial Order relating to it, applicable from 09/10/2017 (with a transition period of six months for those subscribed to the current subsidised rate). Criteria and procedures to access the subsidised rate are revised based on criteria of income, number of minors in the home and other conditions, up to a consumption limit. The subsidised rate will apply for 2 years, except for large families, for which it extends until the expiry of the title. Additionally, the process of suspending the supply for physical persons in their primary residence is also reviewed. Furthermore, consumers are obliged to terminate any additional services hired by them upon termination of the electricity supply. Lastly, the method of calculation of the distribution percentages among electricity providers based on their client quota and the procedure of settlement of the amounts to be financed is established.

Spanish Gas Sector

Last resort gas tariffs for Q3 2017: The Resolution of 28 June by the Directorate General of Energy Policy and Mines publishes the last resort tariff for natural gas valid starting as of 1 July 2017. Prices

experience an average drop of 1% compared with those of the previous quarter. The drop is due to the reduction in the cost of commodities resulting from the improved exchange rate, within a setting in which the Brent price is similar to that of the previous quarter. Therefore, prices are 7% lower than in January 2015, when they reached record highs.

3. Regulation in the United Kingdom

Retail Prices: On 3 July 2017, Ofgem responded to the Government pressure for more action, beyond the decisions and recommendations of the Competition and Markets Authority (CMA) as set out in its final report. It announced that it was proposing to extend the CMA remedies to provide a price cap for certain vulnerable customers. The Government continues to signal that it wants to see wider action across the whole market, for example welcoming Eon's announcement on 21 September to stop using the standard variable tariff for certain customers. ScottishPower continues to believe that a phase-out of the standard variable tariff is the right answer for industry and consumers alike.

RIIO2: On 12 July 2017, Ofgem published an open letter on the development of the RIIO framework, signalling that the new controls would be tougher and consulting on a number of specific details. They plan to consult on proposals for the structure of RIIO 2 in early 2018. They have also consulted on proposals to simulate competition on very large new network projects that would have fallen into the compulsory tender approach by offering the transmission owner the choice of tendering the project or accepting a lower return. At present, no ScottishPower projects fall within the scope of this.

Capacity Market: On 24 July 2017, the Government launched a consultation on proposals to improve the capacity market (CM), including more realistic de-rating factors for short duration battery installations so as to prevent over-payment of CM fees to units that could only output for say 30 minutes. The consultation also

floated ideas for more stringent monitoring of unproven demand side management. The Government is yet to announce its decisions following the consultation. Meanwhile the necessary Statutory Instrument improve the way CM costs are levied to avoid over-rewarding embedded generators is awaiting a Parliamentary slot but expected to pass this autumn.

The 2017/18 capacity market delivery plan continues to be implemented. It envisages the T-1 auction for 2018/19 starting on 30 January 2018 and the T-4 auction for 2021/22 starting on 6 February 2018. This later date for the T-4 auction (which took place in the previous December in earlier years) may give more time to address some of the issues mentioned above.

Renewable auctions: On 11 September 2017, the results of the second round of auctions for contracts for differences (CFDs) for offshore wind and other less established technologies were announced. Over 3GW of offshore wind was procured, with some 2.3 GW set for a 2022/23 delivery year at a price of £57.50/MW (2012 money). It is unclear at this stage how the Government will react to this major reduction in costs.

4. Regulation in US

Paris Agreement. On August 4, the Trump Administration sent formal notice to the UN outlining the U.S.' intention to withdraw from the Paris Agreement. The Agreement allows any party to provide to the UN written notice of intent to withdraw three years after the Agreement becomes effective. Withdrawal becomes effective one year after notice is received, expected November 2020. On Sept 20 the bipartisan U.S. Climate Alliance, which formed in response to President Trump's announcement that he would withdraw from the global climate pact (which includes a coalition of 14 states and the territory of Puerto Rico) announced they are on target to meet their share of the U.S. commitment under the international Paris climate accord to reduce emissions linked to global warming. The Alliance co-chairs

said the group is on track to reach a 24 to 29 percent reduction below 2005 carbon emission levels by 2025 — a target of the Paris Agreement.

Environmental Protection Agency: The Clean Power Plan is currently on hold, following a stay from the Supreme Court. On August 8 the D.C. Circuit Court granted an additional 60-day suspension of litigation on the CPP. EPA is expected to take the first step toward replacing the Clean Power Plan by the first week of October.

PTI/ITC: In December 2015 Congress enacted legislation extending and phasing-out the renewable production tax credit (PTC) and extending and phasing-down the solar investment tax credit. Developers that start construction on a wind project before 2017 will qualify for the full credit, while those starting construction between 2017-2019 will qualify for a reduced-value credit. Developers that start construction on a solar project before 2020 will qualify for a 30% investment tax credit (ITC). Projects for which construction begins after 2019 are eligible for a lower ITC. The Treasury Department subsequently issued guidance implementing the PTC, which is generally quite favorable. Wind developers will have at least four years from the start of construction, or until December 31, 2018, to complete a project under the "safe harbor" qualifying rules. Some members of the Trump Administration and Congress have defended maintaining the PTC phase-out as is, lowering the likelihood of changes to the PTC and ITC, although changes may be made through comprehensive tax reform.

DOE: On Aug 23 DOE released its anticipated grid study analyzing the impact of policies on the availability of baseload generation. In general, the report provides a reasonable overview of the factors contributing to coal and nuclear plant retirements, the evolution of electricity markets, and the services the grid needs to remain reliable and resilient. Recent coal and nuclear plant closures are attributed mainly to low natural gas prices, as well as low electricity demand growth, government regulations, and to some extent, an influx of renewable energy. The

report includes areas for further study, with much of the follow-up falling on FERC. Recommendations include valuing reliability services, like baseload, through pricing mechanisms; minimizing regulatory barriers to energy production; and accelerating infrastructure and transmission development.

Renewables: The Nevada Legislature passed an Renewable Portfolio Standard increase to 40% by 2030 but it is unclear whether Gov. Sandoval will sign vetoed the bill into law

Transmission: On March 22, 2016 a FERC Administrative Law Judge issued an initial decision in Complaint II and III on the New England ROE finding that the existing base ROE for each of the periods at issue was unjust and unreasonable but that “anomalous capital market conditions” were at play that warranted a higher base ROE than proposed by complainants. The ALJ recommended a base ROE of 9.59% with a maximum ROE of no more than 10.42% for the second complaint, December 2012 complaint. For the 2014-2015 complaint no. three, he recommended a base ROE of 10.90% with an incentive cap of 12.19%. The decision is subject to Commission approval, which is expected in 2017.

On April 29, 2016, a fourth complaint was filed at FERC by the Eastern Massachusetts Consumer-Owned Systems recommending a base ROE 8.93%. On September 20, 2016, FERC issued an Order allowing Complaint IV to proceed. On September 21, the FERC Staff filed testimony proposing a base ROE of 7.72%. The NETO's will file rebuttal testimony in November 2017, hearings will be held in December 2017. We do not expect a decision on Complaint IV until 2018.

On April 17, the US Court of Appeals issued an opinion directing FERC to reconsider its order on the 2011 complaint (First Complaint) concerning the ROE for transmission facilities in New England. The FERC order under review had lowered the ROE from 11.14 to 10.57 percent. The Court found that FERC had acted improperly because it did not first find the 11.14 percent to be unreasonable before determining

a new ROE. The Court also found that FERC had failed to use reasoned decision making in selecting 10.57 percent as the new ROE. The proceeding is again before FERC for further consideration. The Court's opinion was also raised in the ongoing administrative hearing at FERC concerning the ROE complaint filed in April 2016 (Fourth Complaint).

5. Regulation in Brazil

Excess contracting of distributors: The Ministry of Mines and Energy (MME) published Decree 9,143/2017 on 23 August, with modifications affecting the contracting of energy to distributors. The main changes are:

- The excess contracting deriving from the migration of special clients (0.5 to 3 MW) to the free market is recognised as involuntary, provided the company has participated in all rounds of the *centralised mechanism of compensation of excess and deficit* of energy between distributors and generators. Thus, the transfer to a tariff of said excess contracting amounts is guaranteed.
- It defines rules for the distributor to be able to return any contract arising from auctions of existing energy in the event of migration of special clients (previously it was only possible to return contracts entered into prior to 2017).
- It establishes clearer rules for the auctions, anticipating the contract periods and guaranteeing foreseeability. It establishes the obligation of publishing an annual calendar of auctions at the start of each year.
- It allows distributors to sell its excess energy to generators, sellers and free clients (> 3 MW) in specific auctions.
- It reduces the physical guarantee to 90% for generators selling their energy in a quota regime. (This is a positive measure for distributors, given that it reduces its risk of excess contracting)

In addition, on 24 July the Chamber of Electric Energy Commercialization in Brazil published the

result of a new round of the centralised mechanism for compensation of excess and deficits of energy between distributors and generators for the July to December 2017 contracting period.

Annual Tariff Readjustment (readjustment of tariffs due to inflation rate and competitiveness and efficiency factor. The tariff is also readjusted to the real costs of the purchase of energy, transmission costs and system charges): Approved by ANEEL on 22 August. It implies an average increase of 10.40% for consumers (+10.27% for HV and 10.47% for LV). The new tariffs have been applied since 27 August. In this case, despite involving an increase in the final tariff, distributor compensation drops by 2.1% as a result of the reduction in the inflation rate and the application of the factor of productivity, efficiency and quality.

Public Consultation regarding regulatory improvements of the Electricity Sector CP 33/2017: From 5 July to 17 August, the Ministry of Mines and Energy promoted this public consultation with the aim of compiling contributions from the agents to improve the regulatory framework of the electricity sector. The technical note includes proposals regarding the different issues debated by the sector, such as the extended liberalisation of the retail market, separation of ballast (supply safety) and energy (up to now both priced together in distributors' long-term contracts) in auctions, binomial tariff, end of the quota regime, bringing forward the calendar to standardise regulated charges (Energy Development Account or CDE) between the different areas. It also proposes solutions to eliminate the high level of judicialization in the sector.

New auction for electricity transmission asset: On 30 August, ANEEL opened a public hearing to determine the conditions of the second transmission auction in 2017. The auction is planned for 15 December and will entail investment of around BRL 8,800 million distributed across 11 projects in the states of Bahia, Ceará, Minas Gerais, Pará, Paraíba, Paraná, Piauí, Pernambuco, Rio Grande do Norte and Tocantins.

Distributors are released from having to return revenues for selling energy on the market between 2002 and 2008. On 5 July, the finance and taxation commission (CFT) of the Federal Chamber ruled that Legislative Decree Project PDC 10, which aimed to make the distributors compensate consumers for amounts charged in their tariffs between 2002 and 2008, was inadmissible. The excess amounts charged are due to part A of the tariff (Costs not generated by the distributors, such as the cost of energy purchase and payment of transmission networks) not being neutral and allowing distributors to make profit, as long as the real demand was higher than its initial estimations. Up until that moment, there had been a latent risk for distributors with an impact of MR\$ 13,000 for the sector as a whole. The decision of the CFT is final, and the political climate is not conducive to reopening this matter in the plenary session of Congress.

6. Regulation in Mexico

Long-Term Auction 2017: on 14 August, the National Centre for Energy Control (CENACE) published the accumulated volume of accepted Purchase Offers, resulting in three buyers with the following purchase volumes: 1.414 MW Power, 6.1 TWh Energy and 6.1 million Clean Energy Certifications (CEL in its Spanish acronym). Of these volumes, Iberdrola Clientes participates with 8.6% of the total of products. Furthermore, on 15 August the CENACE published the threshold percentage of the maximum economic value (23.47%) under which an iteration should be made in the auction. On the part of the generators, on 22 September the term for pre-qualifying the Sale Bid ended; up until 23 October, the Bid Bonds associated to said offers may be submitted, these being essential to obtain the pre-qualification certificate by CENACE that would allow them to submit an economic bid on 13 November.

Medium Term Auction 2017: on 16 August, the CENACE called the Medium-Term Auction, and published a preliminary version of the Bidding Bases. This Auction will award contracts of 1 to 3 years

(2018 -9 months from April to December-, 2019 and 2020) for Energy and Power, with any Load Responsible Entity being eligible to participate on the demand side. Furthermore, a calendar is included, with the following dates being especially relevant:

- 25 October: publication of final Bidding Bases (following queries and clarifications process)
- 2 and 3 November: submission of the Request for registration as Potential Buyer (applies to all Load Responsible Entities)
- 29 and 30 November: submission of Purchase Offers
- 1 December (deadline date): submission of Bid Bonds for the Purchase Offers
- 11 December: publication of amount, prices and parameters of Accepted Purchase Offers
- 18 and 19 December: submission of the Request for Pre-qualification of Sale Offers by Potential Buyers
- 29 January: submission of definitive prices of Purchase Offers by Potential Buyers
- 31 January: reception of Sale Bid
- 2 February: assessment of the Sale Bid by the CENACE (execution of mathematical model) and publication of preliminary results
- 12 February: Auction decision and assignment of contracts
- 1 April: Start date of Delivery of Products

Transmission Lines: on 18 September, the Secretary of Energy (SENER) published the new Model Contract for Electrical Transmission Lines that will serve as the basis for any future tenders for the financing, installation, maintenance, management and operation of transmission lines. On 17 October, a workshop will be held to integrate the observations received with regard to the model contract, with a view to launching the pre-bidding phase for the selected projects for 2017-2018 on 15 December.

Basic Supply: on 25 August, the SENER published in the Official Federation Bulletin (DOF), the *Conditions, terms, criteria, bases and methodologies of the Legacy Contracts for the Basic Supply and*

mechanisms for its assessment, as well as the Annexes mentioned. The plants that generated a greater value for the system were selected, as well as the mechanisms to oblige the legacy thermal power stations to deliver the energy when the plant is cheaper than the price of the Wholesale Electricity Market (MEM in its Spanish acronym), respecting costs and associated contracts. The document covers the following Legacy Contracts:

- Model of Legacy Contract for the Basic Supply for Legacy Power Stations,
- Model of Legacy Contract for the Basic Supply for Legacy Renewable Power Stations (purchase of Energy and Clean Energy Certifications or CELs),
- Model of Legacy Contract for the Basic Supply for Legacy Power Stations with Related Services (purchase of Energy, Power and Related Services, associated to an External Legacy Thermal Power Station).

Energy Transition: on 21 August, the SENER published the Programme of Smart Electric Grids (PREI), which defines a short-, medium- and long-term road map, and describes projects linked to the development of smart networks that may be developed by the CENACE, the Transmission Companies and/or the Distribution Companies.



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 2017	9M 2016
Contribution to GDP (Gross Margin) (*)	0.53%	0.55%
Contribution to GDP (Net revenues) (*)	1.14%	1.20%
Net Profit (EUR million)	2,416.6	2,041.7
Dividend yield (%)(**)	4.82%	4.72%
CO ₂ emissions over the period (gr. CO ₂ /kWh): Total	177	173
CO ₂ emissions over the period (gr. CO ₂ /kWh): Spain	86	60
CO ₂ emissions over the period (gr. CO ₂ /kWh): UK	240	385
CO ₂ emissions over the period (gr. CO ₂ /kWh): USA	45	57
CO ₂ emissions over the period (gr. CO ₂ /kWh): Brazil	103	175
CO ₂ emissions over the period (gr. CO ₂ /kWh): Mexico	360	357
Emission-free production: Total (GWh)	56,832	62,375
Emission-free production: Spain (GWh)	33,462	43,633
Ratio emission-free production to total production: Total (%)	55%	58%
Ratio emission-free production to total production: Spain (%)	86%	90%
Emission-free installed capacity: Total (MW)	31,954	30,754
Emission-free installed capacity: Spain (MW)	18,998	19,229
Emission-free installed capacity: Total (%)	66%	66%
Emission-free installed capacity: Spain (%)	73.3%	73.5%
Ratio high-emission technologies production: Total (%)	2%	3%
Ratio low-emission technologies production: Total (%)	43%	39%

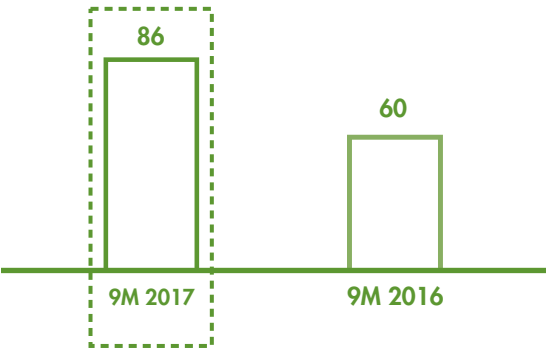
(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Last data published in Q2 2017).

(**) 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.

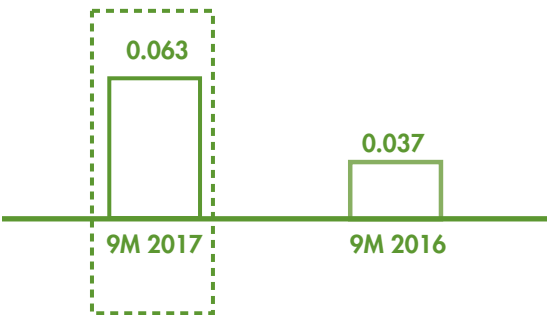
CO₂ specific emissions mix, GLOBAL

(g/kWh)



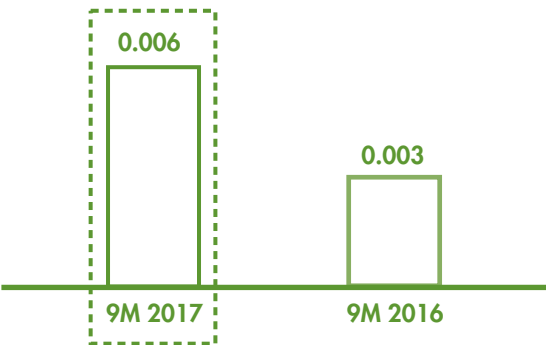
SO₂ specific emissions mix, GLOBAL

(g/kWh)



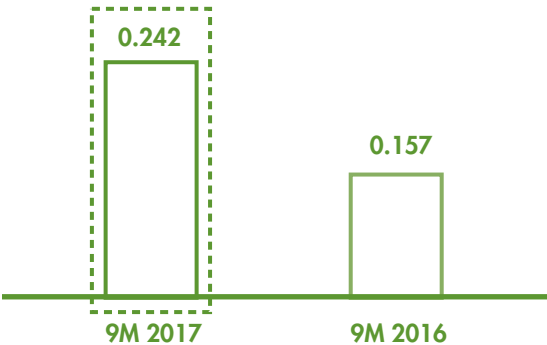
Specific particulate emissions Mix GLOBAL

(g/kWh)



NO_x specific emissions mix, GLOBAL

(g/kWh)

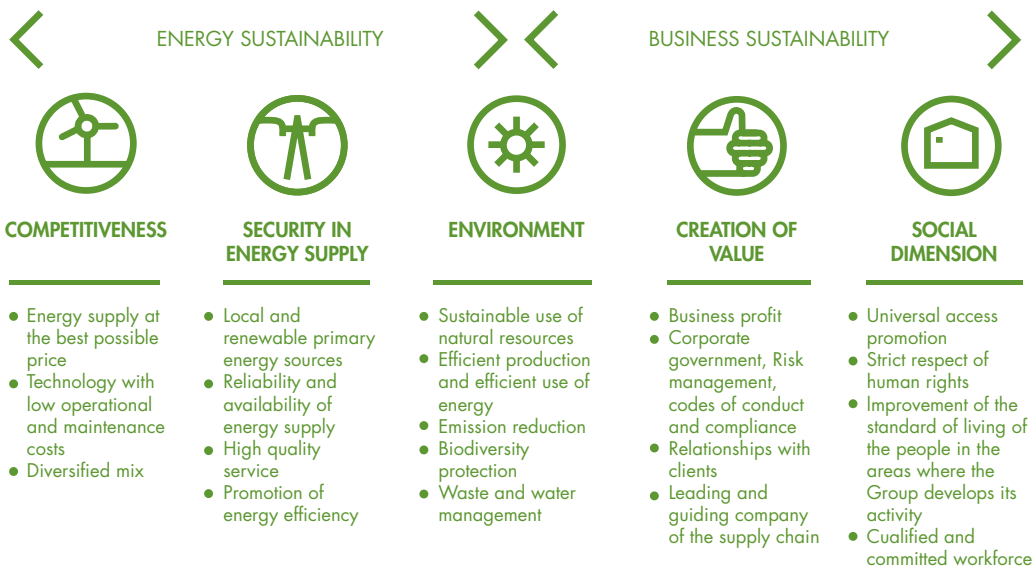


2. Indices, rankings and recognitions

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

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

Sustainability Policy



3. Contribution to social development

IBERDROLA's most significant actions with regard to social commitment in the Jan.-Sept. 2017 period were as follows:

3.1.- Corporate Social Responsibility Recognition

- **IBERDROLA once again makes it into the Dow Jones Sustainability Index (DJSI)**

Our Company is the only European electricity provider selected in all 18 editions of the prestigious DJSI, considered to be one of the world's eight most sustainable electricity companies. The DJSI index is a world reference in measuring the results achieved by the companies in economic, environmental and social terms.

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

IBERDROLA has been included in the 2017 World's Most Ethical Company ranking, made by the Ethisphere Institute, which recognises leading organisations in the internal and external promotion of ethical practices. This ranking assesses the integration of ethical values in corporate culture and decision-making, as well as the influence companies have on improving society. Furthermore, IBERDROLA has been the first Spanish company and one of the first companies in the world to obtain the UNE-ISO37001 certification, in recognition of its system which fosters best practices in Corporate Governance.

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

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

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

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

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

IBERDROLA was the first Spanish company and the first electricity utility among the world's 10 largest 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 2017, these certificates were again issued for the General Meeting.

- **IBERDROLA leads the IBEX 35 in terms of fiscal transparency**

Our Company was the IBEX 35 leader in terms of fiscal transparency in 2016, according to the *Transparency Report on the Fiscal Responsibility of Companies*, drafted by the *Fundación Compromiso y Transparencia* (Commitment and Transparency Foundation).

- **Elektro, best power distributor in Brazil**

For the eighth time, Elektro received the *Abradee* Award for the Best Power Distributor in Brazil, granted by the Brazilian Association of Electric Power Distributors.

- **Elektro chosen as Latin America's best company to work for**

Elektro was awarded the prize for the 'Best Company to work for in Latin America' for the third year in a row, according to a study carried out by *Great Place to Work*. It has also received the award for Best Company to work for in Brazil, for the fifth consecutive year.

NeoEnergia has been chosen as one of the best companies at which to start a professional career in Brazil for the third consecutive year.

- **IBERDROLA receives the “Mujer, Empresa y Deporte” Award**

The Company has received the *Mujer, Empresa y Deporte* (Woman, Company and Sport) award organised by the “*Patrocina un deportista*” (Sponsor a Sports person) initiative, for its unconditional support to women’s sport as part of its strategy to support women.

- **IBERDROLA México acknowledged as a Socially Responsible Company**

IBERDROLA México was awarded the ‘Socially Responsible Company’ title by the Centro Mexicano de la Filantropía, for the fifth consecutive year.

3.2.- Contribution to Society and Stakeholders

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

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

- **ScottishPower, customer care award.**

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

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

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

- **Iberdrola and the Club de Excelencia en Sostenibilidad organise the Awards to the best practices in International Energy Cooperation,**

with the cooperation of the Spanish Ministry of Foreign Affairs and Cooperation. These awards will recognise leading initiatives in energy cooperation carried out by companies, public administrations and the third sector that prove an active commitment in terms of universal access to energy.

- **IBERDROLA’s support to the victims of the Mexico earthquake:**

The company announced that it will donate 6 million pesos to the towns of Oaxaca and Chiapas, the worst hit by the earthquake on September 7. Furthermore, it will coordinate efforts with these authorities to continue supporting those who suffered losses in the areas affected by the earthquake.

- **Initiatives to help disadvantaged people.**

Different actions 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 mitigate the difficult economic situation of vulnerable families. Distribution is carried out through various aid organisations.
- **‘Solidarity Recycling’ Initiative.** The goal of this initiative is to raise funds for social and charitable purposes by collecting and reclaiming diverse types of used objects at corporate offices.
- **IBERDROLA with refugees:** IBERDROLA joined the first public-private alliance to bring electricity to refugee camps: *Alianza Shire*. Our volunteers have been in charge of providing training about the use and maintenance of electrical facilities.
- In Brazil, the initiatives include “*Meninos ecológicos*”, which offers environmental training and awareness-raising opportunities, as well as professional development, to young people from the neighbouring areas (Araras, Pariqueira-Açu and Eldorado).

3.3.- Support to Volunteers

• Cultural Exchange Programmes.

The new editions of the cultural exchange programmes Hello-Hola and Mi Invitado were launched. These are offered to children of employees to provide them with a chance to experience an international stay in different 'Iberdrola countries'.

• International Volunteer Programme

Within IBERDROLA's Volunteer Programme, implemented through the *International Volunteer Portal*, the following actions stand out during this period:

- **10th IBERDROLA Tree Day.** The ninth edition of Tree Day was held in Muxika (Vizcaya), in collaboration with the Gorabide Association and the Lurguia Foundation.
- **Volunteer Days.** Volunteer days devoted to games and sports and environmental-awareness, aimed at people with disabilities, have been held in several Autonomous Communities. These included International Volunteer Day on 7 October, held in five countries simultaneously, which exceeded 1,300 participants.
- **INVOLVE (INternational VOLunteering Vacation for Education) Initiative.** The sixth edition of this corporate volunteering programme was held, in which IBERDROLA employees from other regions travelled 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.

3.4 Community Action

One of the most significant goals of the Iberdrola Foundations is harnessing the company's capacity and experience to offer added value to the group's social action. It should be noted that the foundation activities include promoting and developing social programmes and projects that can be categorised into four priority lines of industry-related work: art and culture, training, biodiversity and social action. Its specific strategic goals and activities in the third

quarter of 2017 are detailed below:

- a) **Training and Research:** this line of work aims to create and transfer knowledge through training or research and to contribute to the development of a sustainable energy model.

Iberdrola Grants Programme

The aim of **Iberdrola Foundation's Research Scholarships and Grants Programme** is to promote a new generation of professionals to contribute to a more sustainable energy model. In the 2017 edition, students from five countries (Spain, United Kingdom, United States, Mexico and Brazil) participate to study at leading universities in energy technology, environmental science and information technology. Thanks to this programme, over 600 students have been able to study in master's or research programmes since 2010. This programme has awarded a total of 115 scholarships: 40 master's in Spain, 37 master's in United Kingdom, 15 master's in United States and 20 research grants. This quarter has marked the start of the academic years, and the Foundation has supported the students in this initial phase.

This programme includes **scholarships for specialisation in restoration and conservation**, to train at the highest level at the technical office and restoration and sculpture workshops at the Prado Museum. In addition to these scholarships, another has been set up at the Bilbao Fine Arts Museum workshop. In this third quarter of 2017, there has been an exchange of scholarship holders between both museums. This initiative has allowed the scholarship holders to find out and share experiences with professionals from both museums.

The Foundations support other academic institutions with 2 **Fullbright** scholarships and 10 **Fundación Carolina** scholarships as well as 9 **ICAI Comillas** scholarships. The foundation in Mexico supports aid for graduate studies, with 6 scholarships at the **Monterrey Institute of Technology**.

Collaborations with academic bodies to promote training and aid for studies

Language immersion programmes in Spain. This programme aims to encourage bilingualism (Spanish-English), by means of courses for students and specialised training courses for secondary school teachers, providing Iberdrola's own facilities to carry them out during holiday periods.

This initiative has the support of the Regional Department of Education in Castilla-la Mancha, Castilla-León, Extremadura and Valencia, incorporating low-income students in the case of the courses for students. All of the courses have been carried out during the month of August, with more than twenty teachers and more than one hundred students participating in them.

In the United Kingdom, Scottish Power Foundation has renewed its professional training programmes for another year, as well as the "Children University" training project for the construction industry. The company's collaboration with the Engineering Education Centre supports the next generation of scientists, engineers and innovators through experimental learning. Advanced Higher Hub contributes to offering an opportunity to the students of Glasgow's most vulnerable communities, facilitating their access to university studies.

Avangrid Foundation also cooperates with university or vocational training academic institutions within the electricity industry. These initiatives are completed with financial aid for low-income students to complete their studies, and thus facilitate their inclusion in the job market.

- b) Sustainability and Biodiversity:** Fostering protection of the environment and helping to enhance biodiversity, studying the impact of climate change on nature, is the aim of this line of work by the Iberdrola Group Foundations.

The Iberdrola Foundation Spain collaborates with Sociedad Española de Ornithología (Spanish Society of Ornithology), **SEO/BirdLife**, in the **MIGRA project**, aimed at studying the migratory movements of birds present in Spain in order to come up with a scientific basis for the movements of

each species over several years, to find out about their habits, migratory routes, resting areas during the journey and hibernation areas. Over the six years that the programme has been implemented, a total of 809 birds of 28 different species have been tagged. Up to the third quarter of 2017, 17 birds have been tagged (2 red kites, 29 lesser kestrels and 13 common swifts). A total of 48 birds taggings are programmed for 2017. In addition to scientific articles and publications in specialised media, there are plans to present a specific monograph on the Booted Eagle in Spain.

In the field of biodiversity, Scottish Power Foundation continues to support the **Royal Society of Protection of Birds of Scotland** promoting a project to improve access to the Loch Lomond reservoir. The aim is to promote the **Young Scots Climate 2050** initiative, an association of young leaders carrying out studies and awareness-raising actions regarding climate change and defending the necessary protection of the environment.

Avangrid Foundation collaborates with several non-profit organisations in the environmental sector, including the **Will Steger Institute**, **Oregon Environmental Council**, the **Raptor Center** and the **Cooperative Forestry Research Unit in Maine**.

There are two highly interesting initiatives that combine academic training with benefits for the environment or direct social action in Brazil. "*Cuida Colmena*" involves bee breeding and farming in the area of Elektro, training around twenty young people carrying out internships for the project in 2017. *In collaboration with Save Brazil*, the company supports the conservation of endangered birds in the North-east region of the country, having completed the first census in the Rio Grande do Norte region and hiring local staff.

- c) Art and Culture:** In this area, the company works together with relevant institutions to promote programmes that help preserve artistic and cultural heritage.

Restoration Programme

The Foundation in Spain supports the **Atlantic Romanesque Programme**, for the restoration and conservation of Romanesque Churches located in

the north of Portugal, Salamanca and Zamora.

The programme was started in 2010 and since then, work has been carried out on over ten religious buildings. The primary aim is to lay the foundations for a sustainable social-economic growth, with an engine for growth based on the best resources in the territory: the people who inhabit the area, their cultural heritage and their natural surroundings. During this quarter, work has been carried out in the churches of these three municipalities of Castilla-León: Muga de Alba (efficient lighting and preventative conservation), San Martín de Tours (efficient lighting and preventative conservation) and San Martín de Castañeda (creation of an information point and preventative conservation).

On 26 and 27 September, Iberdrola organised a visit for shareholders in the province of Zamora, in which technical staff of the programme took part, and complementary information material was offered regarding the Atlantic Romanesque Plan.

Restoration Workshop Museums Programme and Exhibitions

The Foundation in Spain promotes a strategic alliance with two very relevant Museum Restoration Workshops. Throughout this third quarter of 2017, there have been public presentations of the sculpture of Demetrio Poliorcetes, whose exhibition has been extended until 15 October at the **Prado Museum** and the sculpture of Eduardo Chillida “*Lugar de encuentros IV*” at the **Bilbao Fine Arts Museum**.

Within the framework of the special collaboration between Iberdrola and the **Museo Guggenheim Bilbao**, an exclusive collaborative exhibition of great artistic relevance with large influx of visitors is held each year. The retrospective exhibition on American artist Bill Viola continues open to the public until November 9, having received great critical and public acclaim.

Scottish Power Foundation consolidates its alliance with the **National Museum of Scotland**, supporting the ‘Energy’ gallery and an educational programme with secondary school pupils to

disseminate information relating to science, technology, engineering and mathematics.

In Mexico, the Foundation supports the Museo Nacional de Arte (MUNAL), for the preservation and conservation of the artistic heritage of the country’s most important Museum.

Lighting programme

During this third quarter the new lighting of **Valencia Cathedral and its Holy Chalice Chapel**, built between 1365 and 1369, was unveiled. The lighting project has installed a total of 38 projectors and 28 metres of LED strips, more efficient and sustainable, substantially improving the general lighting of the hall. Two specific spotlights have been added for the reading area, and the fluorescent lighting in the niche of the Holy Chalice. Following the renovations, consumption has been reduced by 60%. Furthermore, the versatility of this new installation allows for partial illumination of the chapel, thereby lowering the daily use of power. A touch-screen control system has also been installed, making it possible to programme the lighting of the altarpiece by scenes or areas of the chapel. In the project, an ornamental design has been carried out which is centred on a series of elements: ribbed vaulting, front of the alabaster altarpiece, niche of the Holy Chalice, contrast lighting from the altarpiece, lighting of the altar area and general lighting in the chapel. This design combines cool white and warm white lighting to bring out specific elements, and the existing rails have been reused, respecting their location, which means that the walls have been affected minimally. The project has also included the cleaning of the alabaster altarpiece prior to its lighting. This new lighting project was unveiled by the Chairman of Iberdrola, Ignacio Galán.

Other collaborations to support cultural actions:

ScottishPower supports different cultural institutions in the sphere of music, theatre and dance, such as: National Theatre of Scotland, Llangollen International Musical Eisteddfod, Clwyd Theatr Cymru and National Library of Wales. It also supports the Pipe Band, one of the world’s leading

bagpipe bands, recognised with international and Scottish awards.

The Avangrid Foundation supports several not-for-profit institutions such as Mass MoCA, Science Museums, Rochester Jazz Festival, International Festival of Arts and Ideas, Portland Art Museum, Wadsworth Museum, Yale Gallery, etc.

d) Cooperation and Solidarity: solidarity initiatives are promoted that aim to help improve the quality of life of the most vulnerable people.

The Fundación Iberdrola España, through its social grant programme, selects initiatives that promote overcoming situations of poverty and social exclusion. In the 2017 edition, the focus of the Sustainable Development Goals (SDG) has been included, defining specific shared objectives geared toward achieving Goals 1, 3, 4, 5 and 10. In the month of October, a committee of experts will meet to select the best quality projects.

In the United Kingdom, Scottish Power Foundation supports different social entities to promote said projects:

- O Ddrws I Ddrws: young carers to offer a residential course in an Outward-Bound centre, helping them to develop their confidence and skills.
- The Prince & Princess of Wales Hospice: provide affordable transport to society's most vulnerable members in remote communities of North Wales.
- Erskine: Support the construction of three therapy rooms in the new hospice, which will constitute a great step forward in the provision of palliative care in Scotland.
- Maggie's: Creation of two new dementia-friendly gardens in the Erskine home, which will improve attention for people with dementia and disabilities.
- National Society for the Prevention of Cruelty to Children (NSPCC): "Be All You Can Be" project offers specialised early intervention support for children with Spina Bifida and Hydrocephalus, with attention for their family and carers.
- Trinity Mirror: provides support to cancer patients in poverty

In the United States, Avangrid Foundation will promote new collaborations with social institutions to facilitate aid such as power supply to people in disadvantaged situations, collaboration in fighting against diseases such as cancer, heart disease, fibrosis and leukaemia and receiving donations for social centres and facilities for the disadvantaged or at risk of exclusion to continue operating. These include the following institutions:

- Operation Fuel: cooperation with the local government and base community organisations at more than one hundred towns throughout Connecticut to ensure that vulnerable families have access to energy assistance throughout the year. In addition, food, clothing, health services, childcare etc. are distributed.
- All Hands Raised: collaboration with the Comprehensive Musculoskeletal Center (CMC). Project aimed at young athletes, adults and patients.
- Matching Gifts to Education: donations by employees to educational institutions.
- Saint Patrick's Church: Charity run to raise funds for the South Tier Food Bank.
- United Way Worldwide – Truist: Employee donations campaign.

In Mexico, the Foundation's social aid activities focus on initiatives in the context of production plants, through the programme of actions to improve nearby schools in collaboration with non-profit organisations such as Cruz Roja, Hábitat para la humanidad, Mercy House and United Way.

In Brazil, the Instituto Elektro supports the following non-profit institutions: Instituto Phi, Shelters-CAMID, Fundac and Recanto do Bom Velhinho. The aim is to promote human development in isolated communities with structural poverty, through educational projects of a social nature. Solar panels are also provided and installed to allow access to electricity in orphan care institutions.

Sustainable Human Development:

The electrification and drinking water supply project of the rural communities of Oaxaca (Mexico) has now been completed. Studies are

being carried out to start a second phase. This working model of Iberdrola Foundation with “Save The Children” and “Energías sin Fronteras” has been deemed to be a good practice, given that it includes a focus on the Sustainable Development Objectives (ODS), to encourage the achievement of these:

- Objective 1: end poverty
- Objective 4: encourage quality education
- Objective 5: contribute to eradicating gender inequalities
- Objective 6: develop clean water and sanitation systems relating to energy
- Objective 7: guarantee access to affordable, non-polluting energy in isolated areas
- Objective 13: awareness-raising and prevention of the effects of climate change

Institutional Collaborations in Spain

Lastly, the Fundación Iberdrola España continues to support and collaborate with prominent cultural, social, scientific and cooperation institutions in Spain. During the first quarter of 2017, over 45 institutional collaborations were monitored, most notably: Instituto Elcano, Baluarte Foundation, COTEC, Royal Spanish Academies of Language, History and Medicine, Instituto Cervantes, Awards by Princesa de Asturias and Princesa de Girona, Rey Jaime I Awards, Atapuerca Foundation, Energy Foundation of the Regions of Madrid and Asturias, Casa de América, Spanish Red Cross Foundation, Energy without Borders, Scientific and Literary Circles, Victims of Terrorism Foundation, General Foundation of the University of Salamanca, among others.

Humanitarian Emergencies:

On the occasion of hurricane Harvey, which last September battered the coasts of Florida in the US, Avangrid Foundation has made a donation to American Red Cross Disaster Relief to aid those affected and help rebuild.

Also notable is the donation of Iberdrola México to help those affected by the earthquake in Oaxaca, which left more than one hundred people

dead. The company, which has four wind farms in that area, distributed food rations with basic products in the town of Juchitán in the immediate aftermath. In addition, together with the Mexican authorities, it is analysing the most pressing needs of the population in order to continue providing support through the Foundation.

Sustainable Development Goals (SDG):

The 2030 Agenda entails a call to global action to tackle the main environmental, social and economic challenges threatening the future of our planet. Iberdrola has incorporated the Sustainable Development Goals (SDG) within its company strategy, and the foundations are broaching the design of their new strategic plan with the aim of incorporating specific goals in all of their work areas to contribute to the scope of the SDG.

4. Corporate governance

The Corporate Governance highlights during the first nine months of financial year 2017 were as follows:

- On 25 October 2016, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2016 General Shareholders’ Meeting and, on 25 January 2017, it reported the implementation.
- On 09 January 2017, IBERDROLA published the financial calendar for financial year 2017.
- The IBERDROLA Board of Directors, at its meeting of 21 February 2017, prepared the individual financial statements and management reports of the Company and the consolidated statements and reports with its subsidiaries, corresponding to the financial year ended 31 December 2016, as well as the proposals to distribute a cash dividend of EUR 0.030 gross per share with rights to such payment, and to approve an increase of paid-up capital for the free-of-charge allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named *Iberdrola Scrip Dividend*.

Likewise, the CNMV was notified of the offer to workers of Iberdrola Group in Spain to receive shares, in full or in part, of the annual variable

- compensation corresponding to financial year 2016.
- Also on 21 February, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury shares in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014, under point nine on the agenda. In relation with this, since that date, IBERDROLA periodically reported to the CNMV on the share buyback programme until 22 May 2017, the date when it ended. As a result, the Company acquired a total of 31,035,687 treasury shares, representing approximately 0.480%.
 - On 22 February 2016, the Company submitted to the CNMV its Presentation of Results for the financial year ending on 31 December 2016.
 - On 24 February 2017, IBERDROLA sent the *Annual Corporate Governance Report*, the *Annual Report on Remuneration of Directors* and the statistical information corresponding to financial year 2016 to the CNMV.
 - On 12 April 2017, the Company submitted its energy production figures for the first quarter of 2017.
 - On 24 May 2017, IBERDROLA reported the execution of the reduction in share capital through the redemption of treasury stock approved by the General Shareholders' Meeting held on 31 March 2017.
 - In addition, on 26 April 2017, IBERDROLA notified the CNMV of the agreement on the implementation of the first increase in paid-up share capital approved by the 2017 General Shareholders' Meeting, publishing the corresponding memorandum on the same date.
On 3 July, the Company published an appendix to the memorandum regarding the first increase of paid-up capital approved by the General Shareholders' Meeting of 31 March 2017.
Finally, on 21 July 2017, the implementation of the first increase in paid-up capital was completed, through which the *Iberdrola Scrip Dividend* is implemented.
 - On 26 April 2017, the Company submitted to the CNMV its Presentation of Results for the first quarter of 2017.
 - On 8 June 2017, the CNMV was notified of the agreement reached on 7 June by the shareholders of Neoenergía, S.A. (BB Banco de Investimento S.A., Caixa de Previdência dos Funcionários do Banco do Brasil and Iberdrola Energía, S.A.) regarding the consolidation of Elektro Holding, S.A. in Neoenergía.
IBERDROLA informed the CNMV that on 24 August 2017, having complied with the conditions precedent which had come to apply to the operation, the incorporation of the activity and the business of Elektro Holding, S.A. into Neoenergía, S.A. was completed. Following the effect of said operation, BB Banco do Investimento, S.A. and Caixa de Previdência dos Funcionários do Banco do Brasil are owners of, approximately, 9.35% and 38.21%, respectively, with Iberdrola Energia, S.A. being the owner of the remaining 52.45% of the capital share of Neoenergía, S.A.
 - On 07 July 2017, the Company submitted its energy production figures for the first half of 2017.
 - On 20 July 2017, the Company submitted to the CNMV its presentation of results for the first half of 2017.

General Shareholders' Meeting

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

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

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

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

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

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

Agreement regarding the updating of the Corporate Governance system

The General Shareholders' Meeting approved:

- i. The preamble to the *Articles of Association*.
- ii. The amendment to Articles 7 and 8 of the *Articles of Association* to reflect the Company's commitment to maximising company dividends and to the *Mission, Vision and Values of Iberdrola Group*.
- iii. The amendment to Article 14 of the *Regulations of the General Shareholders' Meeting* to bolster the shareholders' right to information and to introduce technical improvements.
- iv. The amendment to Articles 19 and 39 of the *Regulations of the General Shareholders' Meeting* to expand the channels of participation for shareholders in the General Shareholders' Meeting.

Agreement regarding the renewal of the Board of Directors

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

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

The General Shareholders' Meeting approved:

- i. Under point eleven on the agenda, the appropriation of earnings proposed by the Board of Directors, which includes the payment of a dividend corresponding to financial year 2016 of EUR 0.03 gross per share.
- ii. Under points twelve and thirteen on the agenda, two increases in paid-up share capital by issuing new ordinary shares of the Company, with a maximum reference market value of EUR 1,032 million and EUR 1,168 million, respectively, for the free-of-charge allocation of the new shares to the Company's shareholders. Said agreements include the delegation to the Board of Directors, with full powers of substitution, of the powers required to execute capital increases, including that of newly drafting the article in the *Articles of Association* that regulates the share capital.

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

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

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

and cancellation of the accounting records of the amortised shares.

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

Agreement regarding authorisation to issue fixed income securities

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

Agreement regarding general matters

The General Shareholders' Meeting agreed, notwithstanding the delegations included in the previous agreements, to grant the relevant powers jointly and severally to the Board of Directors, the Delegate Executive Committee, the Chairman and CEO and the Secretary of the Board of Directors to enable any of them, with any powers required by Law, to execute the agreements adopted.

Agreement regarding the agreement put to advisory vote

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

Board of Directors

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

to committees on 31 March:

- i. Appointment of Ms Samantha Barber as a new member of the Delegate Executive Committee to fill the vacancy left by outgoing member Mr José Luis San Pedro Guerenabarrena.
- ii. Appointment of Mr Juan Manuel González Serna as a member of the Remuneration Committee, thus filling the vacancy left by Mr Santiago Martínez Lage.

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 internal corporate governance regulations and other internal codes and procedures approved by the competent governing bodies of the Company. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

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

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

- On 21 February 2017, a reform of the Corporate Governance System was approved, which sought to develop the content of the *Corporate Fiscal Policy* within the framework of the corporate and governance structures, reinforce Iberdrola Group's commitment to human rights, introduce other improvements in corporate governance that affect the *Policy for Selecting Candidates to be Directors*, and the *Regulations of the Board of Directors*, among others, and to update the contents of the *Risk Policies* as a result of the annual review thereof, after receiving the report from the Audit and Risk Supervision Committee.
- As mentioned in the section on the agreements of the General Shareholders' Meeting, on 31 March 2017, the amendment of the *Articles of Association*

and the *Regulations of the General Shareholders' Meeting* was approved.

On the same date, the Board of Directors of IBERDROLA agreed on a reform aimed at (i) updating the text in the Introduction to the Corporate Governance System to include the amendments to the Articles of Association approved by the General Shareholders' Meeting and to introduce other new contents and improvements, and (ii) to adapt the contents of several rules in light of the appointment of Business CEO of Iberdrola Group, Mr Francisco Martínez Córcoles, as executive director, whose position shall henceforth be Business COO - Executive Director of Iberdrola Group.

- On 19 June 2017, a reform of the Corporate Governance System was approved, the aim of which was (i) to amend the *Regulations of the Board of Directors* in order to standardise the definition of senior management, (ii) to amend the regulations on the duties of the secretary of the Board of Directors and of meetings and appearances of their advisory committees to strengthen their coordination, (iii) to amend Article 32 of the *Regulations of the Board of Directors* so that, when the minutes as a whole are approved in the following session, part of the minutes can be approved at the end of the meeting and, finally, (iv) to amend the *Internal Regulations for Conduct in the Securities Markets* to clarify that communications between directors and the Company must be channelled through the Secretary of the Board of Directors.
 - On 19 July 2017, the Board of Directors approved a new revision of the Corporate Governance System to modify the content of the *Cybersecurity Risks Policy* with a view to including express references to the risks of cybersecurity and cyberattack, to the promotion of a culture of cybersecurity among the professionals off the group, to develop the functions of the Security Committee before incidents, to be included as a tool for the protection of personal data and to incorporate a disaster recovery plan.
- All documents that comprise the Corporate

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

Information Transparency

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

On-Line Shareholders (OLS)

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

CNMV: Relevant Events from July to September 2017

Date	Event	Registration No.
03/07/2017	Increases and reductions of share capital, complement to the information document regarding the first increase in paid-up share capital approved by the General Shareholders' Meeting of Iberdrola, S.A. of 31 March 2017.	254134
07/07/2017	The Company reports its Energy Production figures as at the end of the first half of 2017.	254382
10/07/2017		254389
10/07/2017	The Company reports the date for submitting results of the first half of 2017.	254390
20/07/2017	The Company reports on the Results of the First Half of 2017.	254727
20/07/2017	The Company issues the presentation of the Results from the First Half of 2017.	254728
21/07/2017	Within the framework of the execution of the first increase in paid-up share capital approved by the General Shareholders' Meeting of Iberdrola, S.A. of 31 March 2017, a total of 77,515,000 new shares will be issued.	254790
21/07/2017	The Company issues interim financial information on the Results of the first half of 2017.	254842
25/08/2017	Completion of the incorporation by Neoenergia, S.A. of the activity and business of Elektro Holding, S.A.	255938
06/09/2017	Bond issue on the Euromarket for the amount of EUR 750 million in the Euromarket by Iberdrola Finanzas, S.A. (Sociedad Unipersonal), guaranteed by Iberdrola S.A.	256101

11

Glossary

of terms

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

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