

# Results

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# First Half

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# July 25 / 2018

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Iberdrola,  
“utility  
of the  
future”



# Results

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IBERDROLA

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1.

# Core business figures

## Networks

		December 2017	December 2016
<b>RAV (Local currency)</b>			
Spain	(EUR billion)	9.5	9.5
United Kingdom	(GBP billion)	6.0	5.7
United States	(USD billion)	9.1	8.7
Brazil	(BRL billion)	15.9	14.9
Elektro		3.3	3.0
Neoenergia		12.6	11.9

Distributed Electricity	H1 2018	H1 2017	vs. 2017
<b>ELECTRICITY (GWh)</b>			
Spain	46,712	46,354	0.8%
United Kingdom	17,796	17,671	0.7%
United states	19,052	18,651	2.2%
Brazil	32,318	31,959	1.1%
<b>Total</b>	<b>115,879</b>	<b>114,635</b>	<b>1.1%</b>
<b>GAS (GWh)</b>			
United States	37,388	34,479	8.4%
<b>Total</b>	<b>37,388</b>	<b>34,479</b>	<b>8.4%</b>

Managed supply points	H1 2018	H1 2017	vs. 2017
<b>ELECTRICITY (Millions)</b>			
Spain	11.0	10.9	0.6%
United Kingdom	3.5	3.5	-
United States	2.2	2.2	1.7%
Brazil	13.7	13.5	1.4%
<b>Total Electricity</b>	<b>30.5</b>	<b>30.2</b>	<b>1.0%</b>
<b>GAS (Millions)</b>			
United States	1.0	1.0	0.8%
<b>Total Gas</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8%</b>
<b>TOTAL SUPPLY POINTS</b>	<b>31.5</b>	<b>31.2</b>	<b>1.0%</b>

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

## Generation business and Customers

	H1 2018	H1 2017	vs. 2017
<b>TOTAL GROUP</b>			
<b>Net Production (GWh)</b>	<b>75,559</b>	<b>70,957</b>	<b>6.5%</b>
Renewables	35,127	29,254	20.1%
Onshore	19,991	17,789	12.4%
Offshore	729	387	88.3%
Hydro	13,807	10,669	29.4%
Minihydro	403	257	56.9%
Solar and others	197	152	29.5%
Nuclear	11,022	12,573	-12.3%
Gas combined cycle	25,442	24,934	2.0%
Cogeneration	3,382	3,079	9.8%
Coal	586	1,117	-47.6%
<b>Installed Capacity (MW)</b>	<b>48,871</b>	<b>47,780</b>	<b>2.3%</b>
Renewables	29,479	28,273	4.3%
Onshore	15,541	15,099	2.9%
Offshore	544	359	51.5%
Hydro	12,635	12,391	2.0%
Minihydro	303	304	-0.2%
Solar and others	455	120	280.0%
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	14,007	13,983	0.2%
Cogeneration	1,335	1,241	7.6%
Coal	874	874	-
<b>Electricity customers (No mill.)</b>	<b>13.09</b>	<b>13.19<sup>(*)</sup></b>	<b>-0.8%</b>
<b>Gas customers (No mill.)</b>	<b>2.92</b>	<b>2.94<sup>(*)</sup></b>	<b>-0.7%</b>
<b>Gas Supplies (GWh)</b>	<b>35,804</b>	<b>32,155</b>	<b>11.3%</b>
<b>Gas Storage (bcm)</b>	<b>0.06</b>	<b>2.49</b>	<b>-97.5%</b>

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

Differences may arise due to rounding.

(\*) UK customer data as of 03/31/2018.

	H1 2018	H1 2017	vs. 2017
<b>SPAIN</b>			
<b>Net Production (GWh)</b>	<b>29,445</b>	<b>27,731</b>	<b>6.2%</b>
Renewables	15,097	11,658	29.5%
Onshore	6,814	6,076	12.1%
Hydro	7,857	5,290	48.5%
Minihydro	403	257	56.9%
Solar and others	23	34	-34.4%
Nuclear	11,022	12,573	-12.3%
Gas combined cycle	1,522	1,064	43.1%
Cogeneration	1,219	1,319	-7.6%
Coal	586	1,117	-47.6%
<b>Installed Capacity (MW)</b>	<b>25,919</b>	<b>26,166</b>	<b>-0.9%</b>
Renewables	15,821	15,821	-
Onshore	5,752	5,752	-
Hydro	9,715	9,715	-
Minihydro	303	304	-0.2%
Solar and others	50	50	-
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	5,695	5,695	-
Cogeneration	353	367	-3.8%
Coal	874	874	-
<b>Electricity customers (No mill.)</b>	<b>10.14</b>	<b>10.18</b>	<b>-0.4%</b>
<b>Gas customers (No mill.)</b>	<b>1.00</b>	<b>0.96</b>	<b>4.7%</b>
<b>Gas Supplies (GWh)</b>	<b>9,900</b>	<b>7,377</b>	<b>34.2%</b>
Users	6,341	4,642	36.6%
Gas Combined Cycle	3,559	2,736	30.1%

	H1 2018	H1 2017	vs. 2017
<b>UNITED KINGDOM</b>			
<b>Net Production (GWh)</b>	<b>6,469</b>	<b>5,673</b>	<b>14.0%</b>
Renewables	2,683	2,398	11.9%
Onshore	2,038	1,701	19.8%
Offshore	366	387	-5.4%
Hydro	279	311	-10.2%
Gas combined cycle	3,786	3,275	15.6%
<b>Installed Capacity (MW)</b>	<b>4,666</b>	<b>4,666</b>	<b>-</b>
Renewables	2,666	2,666	-
Onshore	1,906	1,906	-
Offshore	194	194	-
Hydro	566	566	-
Gas combined cycle	2,000	2,000	-
<b>Electricity customers (No mill.) (*)</b>	<b>2.95</b>	<b>3.01<sup>(*)</sup></b>	<b>-2.0%</b>
<b>Gas customers (No mill.) (*)</b>	<b>1.92</b>	<b>1.98<sup>(*)</sup></b>	<b>-3.0%</b>
<b>Gas Supplies (GWh)</b>	<b>25,904</b>	<b>24,778</b>	<b>4.5%</b>
Users	17,881	17,704	1.0%
Gas Combined Cycle	8,023	7,074	13.4%
<b>Gas Storage (bcm)</b>	<b>0.06</b>	<b>0.09</b>	<b>-28.4%</b>

(\*) As of 03/31/2018

	H1 2018	H1 2017	vs. 2017
<b>USA</b>			
<b>Net Production (GWh)</b>	<b>10,309</b>	<b>9,257</b>	<b>11.4%</b>
Renewables	9,506	8,539	11.3%
Onshore	9,174	8,193	12.0%
Hydro	162	232	-30.3%
Solar and others	170	113	50.2%
Gas combined cycle	5	6	-15.9%
Cogeneration	798	712	12.0%
<b>Installed Capacity (MW)</b>	<b>7,479</b>	<b>7,023</b>	<b>6.5%</b>
Renewables	6,631	6,177	7.3%
Onshore	6,385	5,996	6.5%
Hydro	118	118	-
Solar and others	128	63	102.5%
Gas combined cycle	212	209	1.1%
Cogeneration	636	636	-
<b>Gas Storage (bcm)</b>	<b>-</b>	<b>2.40</b>	<b>-100.0%</b>

	H1 2018	H1 2017	vs. 2017
<b>MEXICO</b>			
<b>Net Production (GWh)</b>	<b>19,890</b>	<b>20,128</b>	<b>-1.2%</b>
Renewables	503	438	14.8%
Onshore	503	438	14.8%
Gas combined cycle	18,021	18,732	-3.8%
Cogeneration	1,365	958	42.5%
<b>Installed Capacity (MW)</b>	<b>6,562</b>	<b>6,150</b>	<b>6.7%</b>
Renewables	648	367	76.4%
Onshore	378	367	2.9%
Solar and others	270	-	-
Gas combined cycle	5,568	5,546	0.4%
Cogeneration	346	237	46.0%

	H1 2018	H1 2017	vs. 2017
<b>BRAZIL(*)</b>			
<b>Net Production (GWh)</b>	<b>8,447</b>	<b>7,504</b>	<b>12.6%</b>
Renewables	6,339	5,555	14.1%
Onshore	829	719	15.3%
Hydro	5,510	4,836	13.9%
Gas combined cycle	2,108	1,858	13.5%
Cogeneration	-	91	-100.0%
<b>Installed Capacity (MW)</b>	<b>3,284</b>	<b>2,987</b>	<b>9.9%</b>
Renewables	2,751	2,454	12.1%
Onshore	516	463	11.3%
Hydro	2,236	1,991	12.3%
Gas combined cycle	533	533	-
Cogeneration	-	-	-

(\*) Includes 100% of Neoenergia

	H1 2018	H1 2017	vs. 2017
<b>REST OF THE WORLD</b>			
<b>Net Production (GWh)</b>	<b>999</b>	<b>665</b>	<b>50.2%</b>
Renewables	999	665	50.2%
Onshore	632	661	-4.3%
Offshore	363	-	N/A
Solar and others	4	4	-3.2%
<b>Installed Capacity (MW)</b>	<b>961</b>	<b>786</b>	<b>22.3%</b>
Renewables	961	786	22.3%
Onshore	605	615	-1.6%
Offshore	350	165	112.1%
Solar and others	6	6	-

## Stock Market Data

		H1 2018	H1 2017
Market capitalisation	EUR (MM)	41,333.8	43,261.9
Earnings per share (6,240,000,000 shares at 06/30/18 and 6,240,000,000 shares, at 06/30/17)	€	0.23	0.24
Net operating cash flow per share <sup>(*)</sup>	€	0.56	0.53
P.E.R.	Times	15.57	15.64
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.13	1.10

\* FFO H1 2017 Restated

## Economic/Financial Data\*

Income Statement		H1 2018	H1 2017
Revenues	EUR (MM)	17,586.6	14,965.9
Gross Margin	EUR (MM)	7,668.4	6,832.6
EBITDA	EUR (MM)	4,435.9	3,787.2
EBIT	EUR (MM)	2,527.3	2,152.9
Net Profit	EUR (MM)	1,410.5	1,518.4
Net Operating Expenses / Gross Margin	%	24.96	25.82

## Balance Sheet

		March 2018	Dec. 2017
Total Assets	EUR (MM)	112,649	110,689
Equity	EUR (MM)	43,786	42,733
Net Financial Debt	EUR (MM)	34,068	32,884
ROE	%	7.5	7.5
Financial Leverage (Net Financial Debt/(Debt Financial Debt + Equity))	%	43.8	43.5
Net Financial Debt / Equity	%	77.8	77.0

\* Financial terms are defined in the "Glossary"

## Others

		H1 2018	H1 2017*
Investments	EUR (MM)	2,478.0	2,554.1
Employees	No.	33,087	26,109

\* Restated

## Credit rating of Iberdrola Senior Debt

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

# 2.

## Highlights for the period

## Global environment and general considerations

During the first quarter of 2018, international commodities markets performed as follows compared to the same period last year:

- The average price of Brent oil is USD 70.8 per barrel compared with USD 52.0 per barrel (+36%).
- The average price of gas (TTF) over the period is EUR 21.2/MWh compared with EUR 17.1/MWh (+24%).
- The average price of API2 coal is USD 88.0/MT, compared with USD 76.7/MT (+15%) in the same period of last year.
- The average price of CO<sub>2</sub> emission rights is EUR 12.1/MT compared to EUR 5.0/MT (+142%).

As regards Iberdrola's main **reference currencies**, the average performance against the Euro during the first half of 2018 has been as follows:

- The Pound Sterling depreciated by 2.2%.
- The US Dollar depreciated by 11.7%.
- The Brazilian Real depreciated by 19.5%.

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

- The Energy Production figures for the Iberian Peninsula in the first half of 2018 are characterised by a notable increase in hydroelectric production (+68%) compared to the same period of last year. The increase in rainfall in 2018 has raised reservoir levels to 64.6% compared to 40.5% at the June 2017 close.

Coal production dropped by -31% with respect to the first half of 2017, and combined cycle production dropped by -8.5%. The rest of

- production from renewable sources closed the six-month period up by +5% compared to the same period last year, mainly as a result of the greater wind production recorded in March (+63% compared to the same month in 2017). Demand increased by +1.2% compared to the first half of 2017, whilst it grew by +1.1% after adjusting for working days and temperature.
- In the United Kingdom, electricity demand increased by +1.0%. Customers' gas demand (not including generation consumption) also increased by +10.6%.
  - In Avangrid's area of influence on the East Coast of the US, electricity demand increased by 2.2%, whereas gas demand does so by 8.4% compared to 2017.
  - As for demand in Neoenergia's area of influence in Brazil, it grew by 1.1%.

## Significant events for the Iberdrola Group

- Since 1 January 2018, the **results from the hydroelectric generation have been reclassified**, from the Generation and Supply business to the Renewables business. Furthermore, since the close of 2017, the **Engineering business has been discontinued** and goes on to be recognised under Companies Consolidated by the Equity Method. The accounts for the first half of 2017 have been restated taking into account these two effects.
- As from 1 January 2018, the Iberdrola Group has adopted IFRS 15 and IFRS 9. The first refers to the ordinary revenues originating from contracts with customers and assumes that the customer attraction costs are activated (lower Net Operating Expense and higher amortisations). IFRS 9, on the other hand, refers to the calculation of interest of debt restructuring, and has the effect of a greater negative financial result.

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

EUR million	1H 2018	vs. 1H 2017
GROSS MARGIN	7,668.4	12.2%
EBITDA	4,435.9	17.1%
EBIT	2,527.3	17.4%
NET PROFIT	1,410.5	-7.1%

Consolidated EBITDA increased by 17.1% to EUR 4,435.9 million, with growth in all businesses. Neoenergia's consolidation contributed EUR 428 million, while the exchange rate effect reduced consolidated EBITDA by EUR 177 million; stripping out these effects, the increase would be 10.5%.

From an operational perspective, the most notable positive effects were: the tariff improvements in Brazil and the United States; the increase in wind production (due to both a higher operating capacity and a higher load factor) and hydroelectric production; a better operating environment in Spain and more buoyant sales; a normalisation of operating conditions in the Generation and Supply business in United Kingdom.

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

Meanwhile, **Operating Net Profit** was up 27.0% to EUR 1,368 million, whereas Reported Net Profit fell by 7.1% due to the fact that last year's accounts included the extraordinary impact of the Siemens-Gamesa merger (EUR 420 million) and the renegotiation of gas contracts, which has not had any effect this financial year.

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

- Adjusted Net Financial Debt\* is at EUR 34,037 million, mainly due to the integration of Neoenergia (EUR 2,606 million) and the strong investment process that the Group is developing.
- Funds generated from operations in the first half of 2018 amounted to EUR 3,493.5 million, an increase of 5.6% compared to the same period of the previous year, which would have been 12.3% excluding the extraordinary dividend received from the Siemens-Gamesa merger in 2017.

Lastly, net investment in the period amounts to EUR 2,478 million. Of this investment, 78% was focused on the Networks and Renewables businesses.

[\*] Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 30.6 million at 06/30/2018)



3.

# Operational performance for the period

## 1. Distributed energy and supply points

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

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

During the first six months of 2018, the electrical energy distributed by the Group totalled 115,879 GWh, a 1.1% increase compared to 2017. Distributed gas (United States) reached 37,388 GWh, up 8.4% compared to the same period of 2017.

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

### Managed supply points

Electricity (Millions)	1H 2018	1H 2017	Vs. 2017
Spain	11.0	10.9	0.6%
United Kingdom	3.5	3.5	-
United States	2.2	2.2	1.7%
Brazil	13.7	13.5	1.4%
<b>Total Electricity</b>	<b>30.5</b>	<b>30.2</b>	<b>1.0%</b>
GAS (Millions)			
USA	1.0	1.0	0.8%
<b>Total Gas</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8%</b>
<b>Total supply points</b>	<b>31.5</b>	<b>31.2</b>	<b>1.0%</b>

(\*) Discrepancies possible due to rounding.

## 1.1. Spain

At the June close, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.6% increase compared with the June 2017, and its energy distribution since the beginning of the year totalled 46,712 GWh, a 0.8% increase compared to the previous year.

At the end of June, the System Average Interruption Duration Index (SAIDI) was at 24.3 minutes, the highest in recent years.

The table shows the change in the SAIDI and System Average Interruption Frequency Index (SAIFI) for medium voltage supply:

Year	SAIDI (min)	SAIFI (no. inter.)
1H 2016	26.87	0.49
1H 2017	27.27	0.61
1H 2018	24.30	0.46

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

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 (first six months of 2018)	Total	Voltage			
		Very High	High	Medium	Low
Lines					
Overhead (km) <sup>(1)</sup>	160.2	2.7	-13.5	24.8	146.2
Underground (km)	369.5	1.4	-6.8	180.8	194.1
Transformers (units)	4	4	1.0	-1.0	
Substations					
Capacity increase (MVA)	265.2	233.0	23.5	8.7	
Substations (units) <sup>(2)</sup>	1				
Transformer substations					
Secondary substations (units)	222				
Capacity increase (MVA)	133.4				

(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.

(2) New substation commissioned during the first quarter of 2018: Lentisco (132 kV) in Murcia

Within the smart grid STAR project, Iberdrola has exceeded the figure of 10.7 million digital meters installed, and the infrastructure supporting them has been adapted to smart grids, which implies the modernisation of 98% of the company's meters in Spain.

The ALETEO project (involving the modification of power lines to avoid electrocutions) was launched in 2018 to reduce the risk of bird deaths due to overhead power lines. Some 234,000 power lines are planned to be modified over the next 10 years, primarily in areas of special protection for bird life.

## 1.2. United Kingdom

On 30 June, Scottish Power Energy Networks (SPEN) surpassed 3.5 million supply points. The energy volume distributed during the half-year was 17,796 GWh, an increase of 0.7% compared with the same period in 2017.

The first six months service quality indicators for the area of operations of Scottish Power Distribution (SPD) continued to be slightly affected by Storm Emma in March. The event is deemed to be exclusionary in Scottish Power Manweb (SPM) because of its major impact in this distribution area.

Customer Minutes Lost (CML) was as follows:

CML (min)	1H 2018	1H 2017
Scottish Power Distribution (SPD)	18.08	15.18
Scottish Power Manweb (SPM)	17.24	17.18

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

CI (no. of interruptions)	1H 2018	1H 2017
Scottish Power Distribution (SPD)	23.68	20.20
Scottish Power Manweb (SPM)	17.28	15.62

In December the first circuit of the Western Link continuous current cable was commissioned,

linking Scotland with Wales and England. This has made it possible for the System Operator to have 1,000 MW of additional interconnection capacity, which is key to evacuating electricity in moments of high wind production in Scotland. Work continued throughout 2018 on commissioning the dual circuit, which will complete the project.

The South West Scotland project was completed in 2018. This project involved constructing six new substations and 87 km of power lines to connect 1,000 MW of new wind turbines in what is an extremely poorly connected area of Scotland.

During the first six months, the assets reinforcing the electricity interconnection between Scotland and England were also brought on stream. The project involved installing four 400 kV reactive compensators, five mechanically switched capacitors with damping networks (MSCDNs) at several points on the grid, a new substation, and a revamping of four substations and 75 km of new power lines. Along with the work performed by National Grid south of the border, this has increased interconnection capacity from 2,800 MW to 4,400 MW.

### 1.3 United States - AVANGRID

#### 1.3.1 Electricity

At close of June 2018, Avangrid Networks had 2.2 million electricity supply points. Distributed electricity in the first six months of the year totalled 19,052 GWh, up by 2.2% compared with the first six months of the previous year, due to mild temperatures in 2017.

All areas of distribution in the United States were hit by harsh winter and spring storms that lashed the east coast of the continent. Supply quality indicators are better in the area of New York versus 2017, except RG&E's SAIFI, which was affected by storms Riley and Quinn, which are considered partially exclusionary from these indicators.

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

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

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

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

CAIDI (h)	1H 2018	1H 2017
Central Maine Power (CMP)	2.04	1.83
NY State Electric & Gas (NYSEG)	1.91	2.10
Rochester Gas & Electric (RGE)	1.70	1.98

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

SAIDI (min)	1H 2018	1H 2017
United Illuminating Company (UI)	35.40	13.80

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

SAIFI	1H 2018	1H 2017
Central Maine Power (CMP)	0.85	0.83
NY State Electric & Gas (NYSEG)	0.51	0.58
Rochester Gas & Electric (RGE)	0.32	0.24
United Illuminating Company (UI)	0.38	0.19

In order to bolster resilience and supply quality in adverse climatic conditions, a USD 2.5 billion, ten-year investment plan was announced in June under the name "Transforming Energy" to modernise transmission assets in the states of Maine and New York.

Project Woodbridge was also officially brought on stream in May. This important innovative project is a microgrid connected to a fuel cell,

ensuring the supply of electricity for municipal services at all times, even during emergencies or major storms. In normal supply conditions, the 2.2 MW fuel cell sends generated energy to the grid as a source of clean power.

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

### 1.3.2 Gas

The number of gas users in the United States is just over one million. In 2018, at the end of June, 37,388 GWh has been supplied, up 8.4% year on year. This increase was due to lower temperatures than in the previous year.

### 1.4. Brazil

At the June close, supply points in Brazil reached 13.7 million (+1.4%). The volume of distributed electricity for the first six months of 2018 was 32,318 GWh, an 1.1% increase compared to the previous year.

Energy Distributed (GWh)	1H 2018	1H 2017
Elektro	9,281	8,943
Coelba	11,739	11,667
Cosern	3,065	3,106
Celpe	8,233	8,243

The supply quality indicators of all companies in Brazil are better than in 2017. The average customer interruption time (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	1H 2018	1H 2017
Elektro	3.25	3.98
Coelba	8.45	9.40
Cosern	6.32	6.98
Celpe	7.67	8.15

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

FEC	1H 2018	1H 2017
Elektro	1.97	2.36
Coelba	3.53	3.89
Cosern	2.79	3.53
Celpe	3.12	3.67

During this first six-month period of 2018, ANEEL confirmed the award of two transmission projects won by Neoenergia in the auction held in December 2017. In total, Neoenergia will carry out six projects over the coming years which comprise three static compensators, a 500 kV substation and more than 1,650 km of line, with an estimated investment of BRL 2.8 billion.

The “Luz para Todos” (Electricity for All) project was extended to 2022 in April. The project aims to speed up providing electricity to the entire population and is partially funded by the Brazilian government. Over 770,000 supply points in the Neoenergia Group’s distribution area have been connected since the project was launched.

Elektro has once again received the Great Place to Work award as the best employer in Latin America. This is the fourth year in a row the company has been given this award.

## 2. Electricity production and customers

At the end of the second quarter of 2018, Iberdrola's **installed capacity** totalled 48,871 MW (+2,3%), 60.3% of which is from renewable sources:

MW	1H 2018	Vs. 1H 2017
<b>Renewables</b>	<b>29,479</b>	<b>4.3%</b>
Onshore wind	15,541	2.9%
Offshore wind	544	51.5%
Hydroelectric	12,635	2.0%
Mini-hydroelectric	303	-0.2%
Solar and others	455	280.0%
<b>Nuclear</b>	<b>3,177</b>	<b>-6.8%</b>
Gas Combined Cycles	14,007	0.2%
Cogeneration	1,335	7.6%
Coal	874	0.0%
<b>Total</b>	<b>48,871</b>	<b>2.3%</b>

(\*) Discrepancies possible due to rounding.

**Net electricity production** during the period was 75,559 GWh, 6.5% more than last year, with 46.5% derived from renewable sources:

GWh	1H 2018	Vs. 1H 2017
<b>Renewables</b>	<b>35,127</b>	<b>20.1%</b>
Onshore wind	19,991	12.4%
Offshore wind	729	88.3%
Hydroelectric	13,807	29.4%
Mini-hydroelectric	403	56.9%
Solar and others	197	29.5%
<b>Nuclear</b>	<b>11,022</b>	<b>-12.3%</b>
Gas Combined Cycles	25,442	2.0%
Cogeneration	3,382	9.8%
Coal	586	-47.6%
<b>Total</b>	<b>75,559</b>	<b>6.5%</b>

(\*) Discrepancies possible due to rounding.

## 2.1 Spain and Portugal

The Energy Production figures for the Iberian Peninsula in the first six months of 2018 are characterised by a notable increase in hydroelectric production (+68%) compared to the same period of last year. The half-year has been wet and reservoirs at 64.6% compared to 40.5% reserves at the end of the first six-month period of the previous year.

Coal production dropped by -31% compared with the first half of 2017, and combined cycle production dropped by -8.5%. The rest of production from renewable sources closed the six-month period up +5% compared to the same period last year, mainly as a result of the greater wind production recorded in March (+63% compared to the same period of the 2017).

Demand increased by +1.2% compared to the first half of 2017, whilst it grew by +1.1% after adjusting for working days and temperature.

### Renewable capacity and production

At the close of the second quarter of 2018, Iberdrola had an installed **renewable capacity** in Spain and Portugal of 15,912 MW, with the following breakdown:

	Installed MW Consolidated at EBITDA level <sup>(*)</sup>	MW managed by investee companies <sup>(**)</sup>	Total
<b>Spain and Portugal</b>			
Onshore wind <sup>(***)</sup>	5,600	244	5,844
Hydroelectric	9,715	-	9,715
Mini-hydroelectric	301	2	303
Solar and others	50	-	50
<b>Total Capacity<sup>(***)</sup></b>	<b>15,666</b>	<b>246</b>	<b>15,912</b>

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

(\*\*) Includes the proportional MW share

(\*\*\*) Includes 92 MW from Portugal

Of the renewable installed capacity at the end of the first quarter, Iberdrola consolidates 15,666 MW and manages 246 MW through its investee companies.

Work has started on the Chimiche II wind farm (Tenerife), which has a capacity of 18 MW and is expected to be brought on line before the end of the year.

Elsewhere, approval has been given for the construction of the 391 MW Núñez de Balboa solar PV plant in Badajoz (work is set to commence in the last quarter of the year).

**Renewable output** reaches 15,220 GWh, as follows:

Spain and Portugal	GWh Consolidated at EBITDA level <sup>(*)</sup>	GWh managed by investee companies <sup>(**)</sup>	Total
Onshore wind <sup>(***)</sup>	6,781	156	6,937
Hydroelectric	7,857	-	7,857
Mini-hydroelectric	399	4	403
Solar and others	23	-	23
<b>Total Production</b>	<b>15,060</b>	<b>160</b>	<b>15,220</b>

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

(\*\*) Includes the proportional GWh share

(\*\*\*) Includes 123 GWh in Portugal

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

- Onshore wind production increased by 12.1% compared to the first six months of 2017, reaching 6,937 GWh produced.
- Hydroelectric production amounted to 7,857 GWh, representing a growth of 48.5% compared with the same period of the previous year, returning to the average production levels of the last 18 years. As at 30 June 2018, hydroelectric reserve levels were at 63.9% (equivalent to 7,211 GWh), a 69% increase compared with the first half of 2017.
- On the other hand, mini-hydro plant production reached 403 GWh, 56.9% more than in the same period of the previous year.

In Portugal, the work carried out in the Tâmega hydroelectric complex stands out. The Tâmega complex, located in the north of Portugal, will consist of three large dams: Alto Tâmega, Daivões and Gouvães. The electric power generation capacity associated with these facilities will

amount to 1,158 MW. With an investment of EUR 1.5 billion, the facility could 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 CO<sub>2</sub> to the atmosphere. The works will continue until 2023. Iberdrola aims to revitalise the surroundings of the project by creating 13,500 jobs and dedicating EUR 50 million to social, cultural and environmental actions.

Following the excavation of the dam of Daivões, the concreting work will start for the first of the dams.

At the Gouvães site, assembly and concreting works of the penstock are making good progress, and two thirds of the adduction tunnel have already been excavated.

In Alto Tâmega, excavations for the dam have started, and excavation of the access tunnel to the plant has finished.

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

### Thermal capacity and production

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

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

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

(\*\*) Includes the proportional MW share

Iberdrola's **thermal production** during the first six months of 2018 dropped by -11% compared to the same period last year, to 14,348 GWh. The breakdown is as follows:

	GWh Consolidated at EBITDA level <sup>(*)</sup>	GWh Investee companies <sup>(**)</sup>	Total
Nuclear	10,987	35	11,022
Gas Combined Cycles	1,522	-	1,522
Cogeneration	1,067	152	1,219
Coal	586	-	586
<b>Total Production</b>	<b>14,162</b>	<b>186</b>	<b>14,348</b>

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

(\*\*) Includes the proportional MW share

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

- Nuclear production reached 11,022 GWh, representing a decline of -12.3%.
- Combined cycle production rose by +43.1% to 1,522 GWh
- Cogeneration plants registered a drop in production of -7.6% to 1,219 GWh.
- Coal-fired thermal power stations reached 586 GWh, a drop of -47.6% compared to the same six months of the previous year.

### Retail business

As regards **retail**, as at 30 June 2018, the portfolio managed by Iberdrola amounted to 16,834,672 contracts. The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity Contracts	10,139,554	207,039	10,346,593
Gas Contracts	1,002,101	22,393	1,024,494
Contracts for other products and services	5,226,539	237,046	5,463,585
<b>Total</b>	<b>16,368,194</b>	<b>466,478</b>	<b>16,834,672</b>

By market type they can be split into the following:

	España	Portugal	%
Liberalised market	12,864,359	466,478	79%
Last Resort	3,503,835	-	21%
<b>Total</b>	<b>16,368,194</b>	<b>466,478</b>	<b>100%</b>

Iberdrola's electricity sales in the first semester of 2018 amounted to 49,700 GWh of which 30,400 GWh were sold on the liberalised market. 4,400 GWh corresponded to energy at the voluntary price for small consumers (PVPC) and 14,900 GWh to other markets.

With regard to gas, in the first six months of 2018 Iberdrola managed a total gas production of 2.48 bcm, of which 1.31 bcm were sold in wholesale transactions, 0.85 bcm were sold to end customers and 0.32 bcm went towards electricity production.

## 2.2. United Kingdom

### Renewable capacity and production

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

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

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

(\*\*) Includes the proportional MW share

(\*\*\*) Only includes West of Duddon Sands

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

During financial years 2016 and 2017, work was carried out and completed on the construction of 473.78 MW that are subject to the ROCs system.

In terms of **renewable production**, this amounted to 2,683 GWh in the United Kingdom with the following breakdown:

United Kingdom	GWh Consolidated at EBITDA level <sup>(*)</sup>	GWh managed by investee companies <sup>(**)</sup>	Total
Wind	2,392	12	2,404
Onshore wind	2,025	12	2,038
Offshore wind <sup>(***)</sup>	366	-	366
Hydroelectric	279	-	279
<b>Total Production</b>	<b>2,671</b>	<b>12</b>	<b>2,683</b>

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

(\*\*) Includes the proportional GWh share

(\*\*\*) Only includes West of Duddon Sands

- Offshore wind production reached 2,038 GWh, increasing by 19.8% compared to the previous year, with a greater average operating capacity (+11.5%, +195 MW) as well as other effects of the wind.
- Offshore wind production dropped by 5.4%, amounting to 366 GWh.
- Hydroelectric production dropped by 10.2% to 279 GWh, compared to 311 GWh corresponding to the same period of 2017.

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

Highlighting **East Anglia projects** in the United Kingdom, in the North Sea. The **East Anglia 1** project is currently under construction, with in situ work under way. Progress is being made on the cable laying works and the onshore substation that will connect the project to the national grid.

The manufacturing works are taking place in several locations: Navantia (Spain) is manufacturing the offshore substation and 42 jackets together with Windar (Spain), on which

the turbines will be installed. Lamprell (United Arab Emirates) has started manufacturing the remaining 60 jackets, 18 of which are being finished at Harland & Wolff (Northern Ireland), Belfast. The piles and jackets are already starting to be stored in the construction port near the site. Nexans (France) is in the process of manufacturing the first marine cable, which will be installed throughout 2018, and Prysmian (Italy) has already concluded the production of the onshore cable and begun installation works.

The project is making progress with marine works in 2018, starting with the foundations work by Van Oord (the Netherlands), and continuing with the installation of the marine substation by Seaway Heavy Lifting (Cyprus), and the installation of the marine cabling, for its connection to the onshore substation, by Nexans (France) and DeepOcean (Norway). Siemens Gamesa (Spain) will manufacture and install 102 turbines with a capacity of 7MW, with installation works for these due 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, according to plans, on 7 August 2017 approval was obtained from an environmental point of view for the construction of its 1,200 MW capacity, by the BEIS (Department of Business, Economy and Industrial Strategy of the United Kingdom). The next step for this project will be to win a contract for the sale of energy (CfD: Contract for Difference) to ensure its viability. The next CfD auction is expected to take place in spring 2019. **East Anglia 2** and **East Anglia 1 North** continue being developed. The planning application for **East Anglia 2** and **East Anglia 1 North** will be submitted in October 2019.

## Thermal capacity and production

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

With regard to **production** from Iberdrola's electricity generation using gas in the United Kingdom, it rose by 15.6% during the first half of 2018 to 3,786 GWh, compared to 3,275 GWh in the same period of the previous year.

The market share of the UK generation business in this six-month period was 4.7%, compared to 6.3% in the previous year.

## Retail business

Regarding **retail sales**, customers were supplied with 11,485 GWh of electricity and 17,881 GWh of gas, compared to the 11,970 GWh of electricity and 17,704 GWh of gas in 2017.

In 2018, Scottish Power had 2.95 million electricity customers and 1.92 million gas customers.

Furthermore, Iberdrola continues with the roll-out of smart meters in the United Kingdom reaching a total accumulated number of more than 980,000 meters as at 30 June 2018.

## 2.3. United States (AVANGRID)

### Renewable capacity and production

At the end of the second quarter of 2018, the **renewable capacity** installed in the United States totalled 6,631 MW, broken down as follows:

USA	Installed MW Consolidated at EBITDA level <sup>(*)</sup>	MW managed by investee companies <sup>(**)</sup>	Total
Onshore wind	6,143	242	6,385
Hydroelectric	118	-	118
Solar (PV+TM) & others	128	-	128
<b>Total Capacity</b>	<b>6,389</b>	<b>242</b>	<b>6,631</b>

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

(\*\*) Includes the proportional MW share

The Company is present in 21 states, with a total of 6,385 MW installed onshore wind capacity, of which 242 MW are managed through investee companies.

The installed capacity has increased by 7.3%, due to additional capacity brought on line after finishing the Desert Wind project (208 MW), which has a PPA signed with Amazon in North Carolina; El Cabo (298 MW) in New Mexico; and the wind farms of Deerfield (30 MW) in Vermont and Twin Buttes II (75 MW) in Colorado, in December. In California, the Tule wind farm (131 MW) entered service in January 2018, whilst in Oregon 9 MW of the 10 MW of the W'y East PV plant approved for construction in 2017 have already been installed. As regards photovoltaic energy, works concluded in 2017 on the Gala plant (56 MW), located in the state of Oregon.

In September, the works on Montague wind farm (201 MW) in Oregon started. Construction of the 151 MW Otter Creek wind farm in the state of Illinois was recently approved. This comes off the back of the previous approvals of the Karankawa wind farm (286 MW) in Texas, the Coyote Ridge wind farm (97 MW) and Tatanka wind farm (97 MW) in South Dakota, and the La Joya wind farm (166 MW) in New Mexico.

The renewables business is currently **developing offshore wind projects** in the United States. Iberdrola entered the North American Market of offshore wind energy at the start of 2017, through its subsidiary in the country, Avangrid Renewables, by means of two operations. On the one hand the purchase of 50% of the company Vineyard Wind, owner of the rights to a wind farm on the coast of Massachusetts, 15 miles south of the island of Martha's Vineyard, with a potential of up to 3 GW of generation projects. On the other hand, with the award of the rights for the development of another project called Kitty Hawk, on the coast of North Carolina, with a potential of up to 2.5 GW of generation projects.

Regarding the Vineyard Wind project, Iberdrola and its project partner, Copenhagen Infrastructure Partners, submitted a bid in December 2017 held in the state of Massachusetts

for PPAs with local distribution companies. On 23 March, the Vineyard Wind project was the only project selected to negotiate these PPAs with the Massachusetts distribution companies for a total capacity of 800 MW. It is expected that these PPAs will be signed in July. Construction of the wind farm will commence in 2019 with a view to bringing 400 MW on stream by the end of 2021 and the second batch of 400 MW during the first half of 2022. Vineyard Wind will be the first large-scale offshore wind farm in the United States.

Kitty Hawk signed the leasing contract on the marine area awarded in November 2017, and in 2018 it will start to plan and carry out the environmental impact studies necessary for the future request of permits within the processing procedure established in the United States.

As for **renewable production** in the United States, this amounts to 9,506 GWh, of which 9,180 GWh are consolidated by Iberdrola at EBITDA level and 326 GWh by the equity method.

USA	GWh Consolidated at EBITDA level <sup>(*)</sup>	GWh managed by investee companies <sup>(**)</sup>	Total
Onshore wind	8,848	326	9,174
Hydroelectric	162	-	162
Solar (PV+TM) & others	170	-	170
<b>Total Production</b>	<b>9,180</b>	<b>326</b>	<b>9,506</b>

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

(\*\*) Includes the proportional GWh share

In terms of trends broken down by technologies:

- Onshore wind production amounted to 9,174 GWh, increasing by 12.0% compared to that recorded in 2017.
- Hydroelectric production dropped by 30.3% to 162 GWh, from 232 GWh in the first six months of 2017.
- Production of solar power and others (including fuel cells, 40 GWh) increased by 50.2%, to 170 GWh.

## 2.4. Mexico

### Renewable capacity and production

At close of the first quarter of 2018, the **renewable capacity** installed in Mexico totalled 648 MW, broken down as follows:

Mexico	MW <sup>(*)</sup>
Onshore wind	378
Solar and others	270
<b>Total Production</b>	<b>648</b>

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

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

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

The **renewable production** generated during the period was 503 GWh, up 14.8% from the first six months of 2017, due to an improvement in operating conditions compared to the same period of 2017.

### Thermal capacity and production

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

Mexico	GWh <sup>(*)</sup>
Gas Combined Cycles	5,568
Cogeneration	346
<b>Total</b>	<b>5,914</b>

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

During the first quarter of the year, it is worth noting the entry into commercial operation of the

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

The following combined cycle plants are currently being implemented:

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

The Escobedo combined cycle plant will be added to the installed capacity at the end of 2018. Similarly, for the cycles at Carmen and Topolobampo II in 2019, and for the combined cycle plant at Topolobampo III in 2020.

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

The electricity produced in Mexico during the first six months of the year came to 19.4 GWh – similar to the level generated in the previous year.

## 2.5. Brazil

### Renewable capacity and production

In Brazil, Iberdrola has an installed **renewable capacity** of 2,751 MW, according to the following breakdown:

Brazil	MW <sup>(*)</sup>
Onshore wind	516
Hydroelectric	2,236
<b>Total Capacity</b>	<b>2,751</b>

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

At the end of August 2017, the corporate restructuring of Elektro and Neoenergia was

completed, with Iberdrola obtaining a majority stake in the new incorporated company. As a result, Iberdrola went on to consolidate at EBITDA level the 276 MW that were managed in investee companies, with 150 MW corresponding to the wind farms of Calango I (30 MW), Calango IV (30 MW), Calango V (30 MW), Caetitê I (30 MW) and Caetitê II (30 MW), installed during 2012 and 2013; 84 MW corresponding to the wind farms of Calango VI (30 MW), Santana I (30 MW) and Santana II (24 MW), for which installations were completed in 2016, and an additional 42 MW corresponding to the wind farms of Canoas (31.5 MW) and Lagoa 1 (10.5 MW). At the end of 2017, an additional 21 MW of Lagoa 1 and 31.5 MW of Lagoa 2 came into commercial operation.

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

As regards the **renewable production** during the first six-month period of 2018, it reached 6,339 GWh, increasing by 14.1%.

Brazil	GWh <sup>(*)</sup>
Onshore wind	829
Hydroelectric	5,510
<b>Total Production</b>	<b>6,339</b>

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

## 2.6. Rest of the World

### Renewable capacity and production

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

Rest of the World	MW <sup>(*)</sup>
Onshore wind <sup>(**)</sup>	513
Offshore wind	350
Solar	6
<b>TOTAL</b>	<b>869</b>

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

(\*\*) Excludes 92 MW from Portugal

Iberdrola has finished installing and commissioning the Wikinger wind farm in the Baltic Sea, which is now operational.

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

In April 2012, the consortium formed by Iberdrola, RES and Caisse des Dépôts was awarded, by the French Government, the exclusive rights for the operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 496 MW. All permits have been granted for the project in April 2017, which makes it possible to initiate the pre-FID (Final Investment Decision) phase, with the geotechnical study campaign now completed as the first milestone in the construction. At the end of 2017 the project received the approval of the statutory bodies for the use of Siemens-Gamesa D8 wind turbines, instead of Adwen AD8 turbines. In the first half of 2018, the French government decided to negotiate the feed-in tariff for the six offshore projects in development in France, including Saint-Brieuc. On 20 June, President Emmanuel Macron announced the agreement between the State and the developers, therefore confirming the Saint-Brieuc project would go ahead.

In April this year, Iberdrola took part in the 2018 offshore wind power auction 2018, submitting bids for its **Baltic Eagle**, **Wikinger Süd** and **Windanker** projects. Iberdrola was awarded 476 MW for Baltic Eagle and 10 MW for Wikinger Süd, thereby securing a third of the total capacity auctioned (1,600 MW), in a very competitive auction. The award includes access to the grid connection that will be brought on line in 2021-2022, whereby the project will be built and commissioned in 2023. Projects were required to be at a highly mature stage during the consenting period to be eligible for the auction. Iberdrola must apply for final permission before April 2019 and is currently working to achieve this. Work has also started on the main tasks to prepare the FID (Final Investment Decision), such as basic and detailed engineering and calls for bids from suppliers of the main components.

Onshore wind power is broken down as follows:

Rest of the World	MW <sup>(*)</sup>
Greece	255
Cyprus	20
Hungary	158
Romania	80
<b>Total</b>	<b>513</b>

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

In terms of renewable production in the first semester 2018, this amounted to 876 GWh with the following breakdown:

Rest of the World	GWh <sup>(*)</sup>
Onshore wind <sup>(**)</sup>	509
Offshore wind	363
Solar	4
<b>Total Production</b>	<b>876</b>

(\*) Discrepancies possible due to rounding

(\*\*) Excludes 123 Gwh in Portugal

### 3. Other aspects

#### 3.1. General Shareholders' Meeting

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

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

#### 3.2. Shareholder remuneration

During the same General Shareholders' Meeting, approval was given for the Board's proposal to increase shareholder remuneration with a charge to 2017 profits to EUR 0.326 gross per share, which is some 4.5% higher than last year.

The first part of this payout of EUR 0.140 gross per share was paid last January through the "Iberdrola Dividendo Flexible" (scrip dividend) programme. The other part of EUR 0.186 gross per share will be paid through the new "Iberdrola Retribución Flexible" programme; 35 cost-free allocation rights are required to acquire one share under this edition of the programme.

Under this new programme, the option of selling rights to Iberdrola at a guaranteed price is replaced with the traditional option of collecting the final dividend in cash; the option of receiving new cost-free shares and selling rights on the open market is also retained.

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



# Analysis of the consolidated profit and loss account

The most notable figures for the first half of 2018 are as follows:

EUR million	Jan.-June 2018	Jan.-June 2017	%
REVENUES	17,586.6	14,965.9	17.5%
GROSS MARGIN	7,668.4	6,832.6	12.2%
EBITDA	4,435.9	3,787.2	17.1%
EBIT	2,527.3	2,152.9	17.4%
NET OPERATING PROFIT	1,367.7	1,076.5	27.0%
NET PROFIT	1,410.5	1,518.4	-7.1%

The first half-year results show a sharp rise compared to the same period in the previous year, with the Group's EBITDA up 17% thanks to a decent performance by all the businesses.

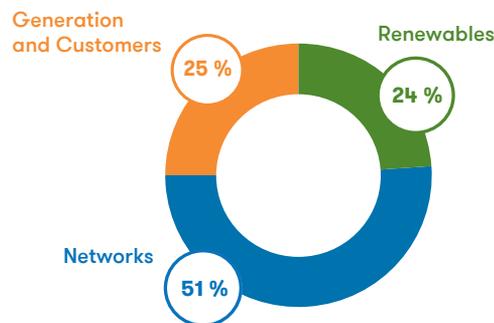
Neoenergia's full consolidation as of 24 August 2017, following the completion of its merger with Elektro, through which Iberdrola now has a 52% stake in the new group, provides EUR 428 million to the EBITDA in the first six months, while the exchange rate effect is a negative EUR 177 million.

From an operational perspective, the Networks business benefits from the positive tariff arrangements in the United States and Brazil. The Renewables business has improved its results thanks to a rise in onshore wind production in all countries, with a higher average installed capacity and greater wind resource, as well as the contribution of the Wikingen offshore wind farm which is now fully operational as it was gradually brought on stream during the first quarter. The increase in hydroelectric production in Spain has also played a part. Meanwhile, the Generation and Supply business has enjoyed more buoyant sales in Spain and a normalisation of operating conditions in the United Kingdom.

### 1. Gross Margin

The Gross Margin rose to EUR 7,668.4 million, up by 12.2% compared to that obtained in the first half of last year, given that the consolidation of Neoenergia (EUR 741.5 million) offsets the negative impact of the exchange rate (EUR -319.6 million).

### Gross Margin by business



This performance is mainly the result of the following:

- **The Networks business** increased by 18.2% compared to 2017, to EUR 3,873.5 million.
  - The Gross Margin in Spain hit EUR 1,100.3 million (+10.6%), and by re-settlements for previous financial years of which EUR 50 million are a one-off, as well as greater remuneration due to the favourable court ruling regarding facilities transferred to customers (ICAs).
  - The United Kingdom contributes EUR 613.5 million (+2.7%) thanks to the rise in distribution and transport revenues, despite being negatively affected by the devaluation of the pound.
  - The United States' contribution during the period is EUR 1,395.7 million (-5.8%), due to the depreciation of the dollar – given that in local currency it increased by 5.2% thanks to the tariff agreements in force and positive IFRS adjustments, as it does not yet include the impact, as yet to be determined, of the tariff adjustments corresponding to the tax reform.
  - The Gross Margin in Brazil stands at EUR 764.0 million (+EUR 562.5 million), affected by the consolidation of the activities of

Elektro and Neoenergia (+EUR 598 million) since 24 August 2017. In addition, this business is negatively affected by the appreciation of the Brazilian real (EUR -32 million).

- **The Renewables business (wind, solar and others)** posted a Gross Margin of EUR 1,823.5 million (+20.7%).
  - In Spain, it reached EUR 847.7 million (+24.3%) thanks to greater wind production (12.1%) and hydroelectric production (+48.5%).
  - The Gross Margin in the United Kingdom is up 16.2% at EUR 303.8 million due to higher onshore wind production (+19.8%) thanks to both an increase in average operating capacity (+194.9 MW, +11.5%) and load factor (+1.7 p.p.), along with higher prices.
  - The United States' contribution totals EUR 427.3 million (-4.8%), affected by the depreciation of the dollar (EUR -49.9 million), as it increased by 6.3% in local currency as production rose (+11.3%) because of an increase in average operating capacity (+11.5%, +195 MW) and wind resource (+0.9 p.p.), partially offset by lower prices.
  - Brazil contributes EUR 87.8 million following the corporate reorganisation.
  - Mexico's contribution dropped by 12.3% to EUR 30.2 million because of the depreciation of the dollar and lower prices, not offset by an increase in production (+14.8%).
  - The Rest of the World's contribution totals EUR 126.8 million (+107.0%) thanks to an increase in production as Wikinger was gradually brought on stream in the first quarter. This wind farm is now fully operational (350 MW) at the end of the semester.
- **The Generation and Supply business** dropped by 2.1% and totalled EUR 1,951.7 million.
  - Spain's contribution totalled EUR 1,100.3 million (-14.2%) because of the recognition of a positive impact in the second quarter of 2017 of the extraordinary price review of gas contracts.

- The United Kingdom's Gross Margin totals EUR 488.5 million (+29.2%) because of a normalisation of margins and operating conditions, the continued roll-out of smart meters, and the contribution of capacity payments.
- Mexico contributes EUR 298.2 million to the Gross Margin (-9.3%) due to the devaluation of the dollar, given that stripping out this effect, the contribution is up 1.3% thanks to an improvement in performance of the generation assets and prices compared to the first quarter of the year.
- Brazil's contribution to the Gross Margin is EUR 64.7 million compared to EUR 3.5 million a year earlier. This difference is due to the consolidation of Neoenergia.
- Contribution from **Other Businesses** stands at EUR 41.3 million versus EUR 73.8 million in the first six months of 2017, following the discontinuation of the Engineering business at year-end 2017 and the sale of the Gas Trading and Storage business in the United States during 2018.

## 2. Gross Operating Result - EBITDA

Consolidated EBITDA rose by 17.1% versus the first half of 2017, to EUR 4,435.9 million.

In addition to the previously mentioned Gross Margin, we have to add the Net Operating Expense which increased by 11.8% (EUR 222.2 million) to EUR 2,111.3 million, mainly affected by the consolidation of Neoenergia (EUR -310.6 million), partly offset by the change in exchange rate (EUR +97.9 million). Stripping out these impacts, the Net Operating Expense remains practically unchanged (+0.5%).

Taxes are down 3% at EUR 1,121.3 million, as the exchange rate effect (EUR +44.6 million) and lower taxes of US networks (EUR +10 million) more than offset the increase in taxes in Spain because of increased production.

### 3. Net Operating Result - EBIT

EBIT was EUR 2,527.3 million, up 17.4% from the first half of 2017.

Amortisation and Provisions increased by 16.8%, totalling EUR 1,909 million:

- Amortisation grew by 14.9% to EUR 1,757.2 million, due to the increase in the Group's activity and the consolidation of Neoenergia.
- Provisions amounted to EUR 151.4 million (+43.5%), primarily because of the corporate reorganisation in Brazil (EUR -26 million).

### 4. Financial result

The Financial Result was EUR -563.1 million compared to EUR -406.8 million a year earlier due to:

1. The standardised average cost of debt (not including the restructuring in Brazil) is down 3 p.p. at 3.06%, although the EUR 1,209 million increase in average debt – due to the investment drive – has led to a slightly lower result.
2. The result not related with debt is worst, largely because of several non-recurring contingencies recorded last year (mainly default interest recognised in legal decisions) resulting in lower results.
3. The contribution to the financial result of the restructuring in Brazil accounts for a net expenditure of EUR -115.1 million higher compared to the first semester of 2017.

Financial result	1H 2018	1H 2017	Diff.
Debt result	-477.6	-463.9	-13.7
Exchange differences, derivatives and others	29.6	57.1	-27.5
Restructuring Brazil	-115.1	-	-115.1
<b>Total</b>	<b>-563.1</b>	<b>-406.8</b>	<b>-156.3</b>

### 5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method item reached EUR -7.8 million, compared to EUR 11.1 million in the first half of 2017, affected by the fact that since 24 August 2017 Neoenergia has gone on to consolidate globally rather than by the equity method, as well as the worse results of Gamesa. This item includes the result of the Engineering business, following the discontinuation of this activity at the end of 2017.

### 6. Income from Non-current Assets

Income from Non-current Assets totalled EUR 22.4 million versus EUR 241.1 million in the first half of 2017, thanks to the merger of Gamesa and Siemens Wind (EUR 255 million), including an extraordinary merger dividend of EUR 198 million.

### 7. Net Profit

Lastly, **Net Profit** stands at EUR 1,410.5 million, down 7.1% compared to the first half of 2018, because of the aforementioned recognition of the extraordinary impact of the Gamesa-Siemens merger, which has not had any effect in this financial year. **Net Operating Profit**, excluding Gamesa's non-recurring results and the gas contracts review, is up 27.0% at EUR 1,368 million.

5.

# Results by business

## 1. Networks Business

The key figures for the Networks business are as follows:

(EUR million)	1H 2018	vs 1H 2017
Revenues	6,533.6	41.7%
Gross margin	3,873.5	18.2%
EBITDA	2,387.8	20.7%
EBIT	1,485.2	19.3%

The Network business's EBITDA is up 20.7% at EUR 2,387.2 million, increasing its contribution by EUR 409.5 million thanks to an improvement across all geographical areas, after stripping out the exchange rate effect.

### 1.1 Spain

(EUR million)	1H 2018	vs 1H 2017
Revenues	1,110.6	11.4%
Gross margin	1,100.3	10.6%
EBITDA	893.6	15.9%
EBIT	632.6	22.9%

#### a) Gross Margin

The Gross Margin of the Networks Business in Spain has risen 10.6% to EUR 1,100.3 million. This is primarily due to higher recognised income (+EUR 97 million) deriving from the positive re-settlements of previous years and a higher level of compensation in connection with the favourable court ruling on facilities transferred to customers (ICAs), including a positive extraordinary impact of EUR 53 million from the higher amount corresponding to 2016.

#### b) Operating Profit / EBIT

EBITDA in this business amounted to EUR 893.6 million, representing a 15.9% increase. Net

Operating Expenses dropped by 9.8% to EUR 159.7 million, mainly as a result of the efficiency plan and the negative impact in 2017 of storms during that year.

EBIT for the Networks Business in Spain totalled EUR 632.6 million (+22.9%). Amortisation and Provisions totalled EUR 261.0 million (+1.8%) due to new assets commissioned.

### 1.2 United Kingdom

(EUR million)	1H 2018	vs 1H 2017
Revenues	639.8	2.9%
Gross margin	613.5	2.7%
EBITDA	455.1	0.8%
EBIT	303.1	-3.2%

#### a) Gross Margin

The Gross Margin of the Networks Business in the United Kingdom (ScottishPower Energy Networks-SPEN) amounted to EUR 613.5 million (+2.7%), primarily affected by the devaluation of the pound with a negative impact of EUR 14 million, given that in the local currency, the Gross Margin is up 5% due to higher transmission and distribution revenues.

#### b) Operating Profit / EBIT

EBITDA totalled EUR 455.1 million (+0.8%; +3.1% in local currency), with a rise in Net Operating Expenses of 11.1% to EUR 105.9 million, due to increased business activity. Taxes rose by 3.0% to EUR 52.6 million, with a higher property tax expense because of the greater number of assets in operation.

Amortisation and Provisions totalled EUR 152.0 million (+10.0%, +12.4% in local currency), mainly due to the new assets commissioned, especially the Western Link undersea interconnection project.

### 1.3 United States-AVANGRID

(EUR million)	1H 2018	vs 1H 2017
Revenues	2,101.1	-3.6%
Gross margin	1,395.7	-5.8%
EBITDA	584.1	-7.2%
EBIT	303.7	-13.2%

#### a) Gross Margin

The Gross Margin fell by 5.8% to EUR 1,395.7 million because of a sharp devaluation of the dollar; stripping out the exchange rate effect, the Gross Margin would have risen 5.2% thanks to higher revenues due to the tariff agreements in New York and Connecticut and positive IFRS adjustments.

#### b) Operating Profit / EBIT

EBITDA of the Networks Business in the United States stands at EUR 584.1 million (-7.2%, +3.6% in local currency). Aside from the aforesaid change in Gross Margin, there was a rise in the Net Operating Expense of EUR 499.9 million (1.3%) because of the cost of the storms (EUR +31 million) during the year partially offset by the devaluation of the dollar (EUR -58 million). On the other hand, Taxes fell by 13.1% to EUR 311.7 million off the back of the dollar's devaluation, and a property tax timing difference in the US, which will be adjusted over the year, and a decrease in taxes in New York.

EBIT totalled EUR 303.7 million (-13.2%), following the deduction of Amortisation and Provisions totalling EUR 280.4 million and remained stable (+0.3%) due to the exchange rate effect, given that without this they would be up 12.0% due to the adjustment in the accounting criteria for bad debt provisions.

### 1.4. Brazil

(EUR million)	1H 2018	vs 1H 2017
Revenues	2,682.1	231.0%
Gross margin	764.0	279.2%
EBITDA	455.1	260.0%
EBIT	245.9	269.0%

At the end of the first six months of 2018, the consolidation of Neoenergía, stripping out the exchange rate effect, contributes EUR 597.6 million to the Networks Business at Gross Margin level, and EUR 346.7 million at EBITDA level.

#### a) Gross Margin

The Gross Margin increases by EUR 563 million Eur compared to the first half of 2017, reaching EUR 764.0 million in the first half of 2018, of which EUR 597,6 million are due to the integration of the businesses of Neoenergia and Elektro (including the positive impact of the tariff revision of Coelba and Cosern since May), and EUR 32 million correspond to the devaluation of the Real.

#### b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 455.1 million – a EUR 328.7 million improvement.

Net Operating Expenses totalled EUR 305.6 million, affected by the corporate restructuring (+EUR 248.4 million) and the impact of the devaluation of the Brazilian Real (EUR -11 million)..

Amortisation and Provisions amounted to EUR 209.2 million (+EUR 149.4 million), also affected by the consolidation of Neoenergía (-EUR 158.6 million).

As a consequence of this, EBIT was at EUR 245.9 million

## 2. Renewables Business

(EUR million)	1H 2018	vs 1H 2017
Revenues	2,057.2	22.5%
Gross margin	1,823.5	20.7%
EBITDA	1,184.1	25.5%
EBIT	646.7	39.6%

### a) Gross Margin

At the close of the first half of 2018, the Gross Margin stood at EUR 1,823.5 million, a 20.7% increase compared to the same period of 2017. By technology segment, this rise primarily stems from the higher contribution from the hydroelectric segment, as well as the onshore and offshore wind segments. Geographically, Spain, the United Kingdom, and Brazil, along with the commissioning of Wikinger in Germany, stand out more than offsetting the poorer results in the US and Mexico resulting from the depreciation of the dollar.

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

- **Average operating capacity** during the period grew by 7.6% thanks to the increases in onshore wind capacity in the United States (451.8 MW) and the United Kingdom (194.9 MW) and the increase of both onshore wind and hydro capacity in Brazil (920 MW in total, due to both the new installed capacity and the corporate reorganization), as well as the gradual entry into commercial operation of Wikinger during the first quarter of the year. This growth, coupled with the greater **number of hours in operation** of most renewable technologies (+18.9% compared to the same period of 2017), boosted production by 27.9% more than that of the first quarter of 2017, to 29,276.5 GWh.
- The **average sale price** in Euro of renewable production stands at 65.9 EUR/MWh, down 2.3% year on year, and primarily affected

by the sharp devaluation of the Brazilian real (-19.5%) and US dollar (-11.7%).

- The consolidated **load factor** is at 25.1%, higher compared to the first six months of 2017 by 4.0 percentage points (p.p.), although with differences according to the technology:

Technology	2018
Onshore wind	29.7%
Offshore wind	35.5%
Hydroelectric	18.2%
Other technologies	27.6%

While the rapid increase in hydroelectric reserves played a major role in Spain in the first quarter (+25.6 p.p. from 31 December 2017 to 31 March 2018), these have risen further over the last three months to 63.9% at 30 June 2018.

The trend of the results must be analysed separately for each market in which the Company operates. By geographical area, the Gross Margin has been<sup>1</sup> as follows:

- **Renewables, Spain:** The contribution of the hydroelectric and wind segments in Spain to the Gross Margin is up 24.3% versus the same period in 2017 at EUR 847.7 million. This rise stems from a hike in production (+33.2%) thanks to a normalisation of hydroelectric production during 2018 and a higher load factor of wind farms (+3.0 p.p.) compared to 2017.
- **Renewables, United States:** The Gross Margin dropped by 2.8% to EUR 412.0 million, mainly due to the average price drop in local currency (-2.4%) and the significant depreciation of the US dollar (-11.7%), which could not be offset by the increase in production (11.6%). This rise in production derives from the increase in average operating capacity of both wind and solar PV (+8.8%, 507.8 MW) and the facilities operating for a greater number of hours (+2.5%).

<sup>1</sup> The average prices referred to in the following paragraphs are calculated as Gross Margin / Output.

- **Renewables, United Kingdom:** The contribution to the Gross Margin of the UK renewables business is up 16.2% on the previous year thanks to the contributions of all technologies (onshore wind, offshore wind and hydroelectric) and a 13.0% rise in production and 2.8% higher average price (+5.1% in local currency), despite the pound weakening (-2.2%).
- **Renewables Mexico:** In Mexico, the recovery of wind conditions during the first half of 2018 has brought about an increase in production of 14.8%. Despite the improvement, the drop in price in local currency (-13.3%) due to a change in the tariff calculation of the Mexican Federal Electricity Commission (CFE), affecting contracts linked to this tariff, and the US dollar depreciation (-10.5%) have brought down the Gross Margin to EUR 30.7 million – some 10.9% lower than in the same period of 2017.
- **Renewables, Brazil:** The Gross Margin increased significantly (+282.7%) to EUR 87.8 million. This significant rise stems from the effect of the corporate reorganisation on the increase in average operating capacity (+491.1%) which, along with the improved wind conditions (+3.6 p.p.) drove up production by 385.6%. On the other hand, a weakening of the Brazilian real (-19.5%) has somewhat offset the rise in production.
- **Renewables, Rest of the World:** Total production is up 50.2% thanks to a higher average operating capacity (+43.1%) off the back of the entry into service of Wikinger in Germany, given that wind production in the other geographical areas was down 4.3% following a decrease in average operating capacity because of the divestment of 10 MW in Italy and a lower load factor (-0.7 p.p.).

## b) Operating Profit / EBIT

EBITDA increased by 25.5% to EUR 1,184.1 million. As well as the aforementioned rise in the Gross Margin (+20.7%), Net Operating Expenses are up 8.9% because of higher personnel expenses and

operation and maintenance costs caused by the growth in the business and a higher share of wind energy, along with the corporate reorganisation in Brazil.

Amortisation and Provisions total EUR 537.4 million, up 11.9% on the same period in 2017, due to the increase in average wind capacity (13.6%) in the United Kingdom and the United States, and offshore wind in the rest of the world (Wikinger), in addition to the effect of the full consolidation of Neoenergía's wind capacity.

Lastly, taking into account all of the above, EBIT reached the figure of EUR 646.7 million (+39.6%).

### 3. Generation and supply business

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

(EUR million)	1H 2018	vs 1H 2017
Revenues	10,368.9	8.8%
Gross margin	1,951.7	-2.1%
EBITDA	877.6	1.7%
EBIT	446.7	-9.7%

The Generation and Supply Business's contribution to the Gross Margin is down (-2.1%) because of the recognition of a positive impact in the second quarter of 2017 of the extraordinary price review of gas contracts in Spain (EUR 201 million). This effect is offset by an improvement in the operating environment affecting this business in 2017, primarily in the United Kingdom and Spain. The corporate reorganisation in Brazil also has a positive effect on the business's accounts. Lastly, the Mexican business has begun to pick up, as foreseen in the previous quarter, although the weak dollar is still a drag.

#### 3.1 Spain and Portugal

(EUR million)	1H 2018	vs 1H 2017
Revenues	6,282.0	1.8%
Gross margin	1,100.3	-14.2%
EBITDA	397.0	-27.5%
EBIT	138.8	-59.7%

#### a) Gross margin

Iberdrola's Generation and Supply Business in the Iberian Peninsula recorded a 14.2% decline in its Gross Margin to EUR 1,100.3 million, principally due to:

- A decline of 10.7% in output caused by the drop in nuclear (-12.3%), cogeneration (-7.6%) and coal-fired (-47.6%) output, which could not be offset by the combined gas cycles (+43.1%). In

addition, provisioning costs climbed by 6.0%, compared to the increase in revenues (+1.8%).

- Of the energy generated, 80% was distributed through forward sales while 20% was sold on the spot market.
- The negative impact of the gas business compared to the first half of 2017 (-EUR 164 million), primarily off the back of the extraordinary price review of our portfolio of supply agreements during 2017.
- Increased trading activity due to higher sales of electricity, increased by 633 GWh, as well as of products and services.

#### b) Operating Profit / EBIT

EBITDA fell by 27.5% to EUR 397.0 million. Operating Expenses dropped by 2.8% to EUR 347.4 million, affected by the capitalisation of the costs of attracting new customers, by virtue of the application of the IFRS 15, and lower advertising costs.

In addition, the Taxes item fell by a further 5.5% to EUR 355.9 million – an effect of the decrease in taxes on generation in Spain, resulting from the aforesaid dip in production, and the lower Enresa tax, in line with nuclear output.

The Amortisations and Provisions item increased by 26.8% to EUR 258.2 million, mainly due to the application of IFRS 15 mentioned above.

As a result of all of the above, EBIT recorded a drop of 59.7%, compared to the same period of 2017, to EUR 138.8 million.

#### 3.2. United Kingdom

(EUR million)	1H 2018	vs 1H 2017
Revenues	2,791.9	11.9%
Gross margin	488.5	29.2%
EBITDA	188.7	N/A
EBIT	75.4	N/A

### a) Gross margin

Gross Margin for ScottishPower's Energy Wholesale and Retail business was EUR 488.5 million (+29.2%).

The main reasons for this operating improvement compared with the first quarter of 2017 are as follows:

- Normalisation of margins compared to the compression experienced during the same period of 2017
- Return to normal operating conditions
- Positive impact of the smart meters installation process
- Contribution of the payments for capacity

### b) Operating Profit / EBIT

EBITDA for the Deregulated Business in the United Kingdom reached EUR 188.7 million, compared to EUR 47.4 million of 2017, boosted by the mentioned movement in the Gross Margin. Furthermore, Net Operating Expenses dropped by 10.6%, favoured by the efficiency measures adopted and the application of IFRS 15, which sees the costs of attracting customers being recognised under Amortisation. Taxes, on their part, totalled EUR 68.5 million (-4.9%), affected mainly by the depreciation of the Pound.

Amortisation and Provisions totalled EUR 113.3 million (-1.8%), due to a great extent by IFRS 15 mentioned before.

As a result, the EBIT contribution totalled EUR 75.4 million compared to the negative contribution of EUR 67.9 million in the first half of the previous year.

### 3.3 Mexico

(EUR million)	1H 2018	vs 1H 2017
Revenues	956.1	2.8%
Gross margin	298.2	-9.3%
EBITDA	247.2	-7.6%
EBIT	198.7	-8.9%

### a) Gross margin

In Mexico, the Gross Margin totalled EUR 298.2 million (EUR -31 million), dropping due to the weakening of the dollar (EUR 35 million). Stripping out the exchange rate effect, the business grew 1.3%, boosted by the decent performance of the PIE projects with the CFE and a rise in contracts with private customers, in the first quarter and that it will continue to arise. At the beginning of July, the CFE tariff for July 2018 was also announced, which is 10.7% higher than the June 2018 tariff.

### b) Operating Profit / EBIT

EBITDA totalled EUR 247.2 million (-7.6%). Net Operating Expenses dropped to EUR 49.7 million (-17.0%), mainly as a result of the exchange rate. Amortisation and Provisions fell by 2.0% to EUR 48.5 million, due again to the depreciation of the dollar.

As a result of the above, the EBIT for the business reached EUR 198.7 million, representing an 8.9% drop compared to last year.

### 3.4 Brazil

(EUR million)	1H 2018	vs 1H 2017
Revenues	373.1	N/A
Gross margin	64.7	N/A
EBITDA	44.7	N/A
EBIT	33.8	N/A

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

#### 4. Other Business

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

(EUR million)	1H 2018	vs 1H 2017
Revenues	112.0	-43.5%
Gross margin	41.3	-44.0%
EBITDA	20.1	-52.0%
EBIT	15.3	-28.3%

##### a) Gross Margin

The Gross Margin is down 44.0% to EUR 41.3 million because of a poorer contribution by the real estate business, a weakening of the dollar, and the sale of part of the North American business in the first half of the year.

##### b) Operating Profit / EBIT

EBITDA dropped to EUR 20.1 million, with Net Operating Expenses some 27.8% lower.

Amortisation and Provisions fell significantly versus the first quarter of the previous year (-76.6%) because of the clean-up in 2017 of the gas business in the USA and Canada. The resulting EBIT is EUR 15.3 million compared to EUR 21.3 million at the end of June 2017 (-28.3%).

#### 5. Corporation

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



# Balance Sheet Analysis

## January - June 2018

	June 2018	Vs. Dec. 2017
TOTAL ASSETS	112,649	1.8%
Fixed assets	65,817	2.7%
Intangible assets	21,206	0.3%
Long-term investments	5,088	1.5%
Asjusted net debt	43,786	2.5%

At 30 June 2018, Iberdrola's Balance Sheet shows Total Assets of EUR 112,649 million, up EUR 1,960 million versus December 2017.

### 1. Fixed assets

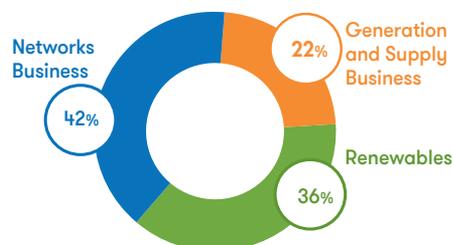
Total net investments for the first half of 2018 totalled EUR 2,478 million. The breakdown is as follows:

(EUR Million)	Jan-June 2018	%
<b>Networks business</b>	<b>1,014</b>	<b>40.9</b>
Spain	133	
UK	199	
USA	342	
Brazil	340	
<b>Renewables business</b>	<b>876</b>	<b>35.4</b>
Spain	115	
UK	336	
USA	154	
Brazil	45	
Mexico	98	
RoW	128	
<b>Generation and supply business</b>	<b>520</b>	<b>21.0</b>
Spain	115	
UK	90	
Mexico	306	
Brazil	9	
<b>Corporation and Other Businesses</b>	<b>68</b>	<b>2.7</b>
<b>Total Net Investment</b>	<b>2,478</b>	<b>100%</b>

Investment for the period concentrated on the Networks and Renewables Business<sup>(1)</sup>, in line with

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

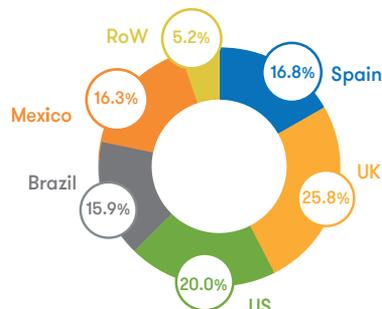
### Investments by business\* (January-June 2018)



\* Excluding Corporate and Other Businesses

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

### Investments by geographical areas (January-June 2018)



The investment in the Renewables business reached EUR 876.3 million, equivalent to 36% of the total<sup>(1)</sup>. It is worth noting the EUR 336 million invested in the United Kingdom, mainly in the East Anglia 1 offshore wind project.

In the section corresponding to the "Networks Business", most investments were made in the USA and Brazil, affected by the integration of Neoenergía, for total amounts of EUR 341.8 million and EUR 340.3 million, respectively.

## 2. Share capital

In line with the commitment announced in the 2018-2022 Plan concerning keeping the number of shares stable at 6,240 million; and following its approval by the General Shareholders' Meeting on 21 June 2018, 198,374,000 shares (3.08% of the share capital) were redeemed for a total of EUR 148,780,500. Following the reduction, share capital stands at EUR 4,680,000,000, represented by 6,240,000,000 bearer shares with a par value of EUR 0.75 each.

## 3. Financial Debt

Adjusted net financial debt at 30 June 2018 is up EUR 4,563 million at EUR 34,037 million compared to EUR 29,474 million at 30 June 2017, mainly as a result of the corporate reorganisation in Brazil (resulting in an increase of EUR 2,606 million), and the strong investment process that the Group is developing.

As a result, adjusted financial leverage increases to 43.7% compared to 42.4% registered at 30 June 2017.

The ratings issued by rating agencies are as follows:

### Credit rating of Iberdrola Senior Debt

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

Regarding the trend in the Company's financial cost, at 30 June 2018 it was at 3.49%, up 40 b.p. from the 3.09% registered as at 30 June 2017. In comparable terms, excluding the impact of the corporate reorganisation in Brazil, the financial cost is at 3.06%, 3 b.p. lower than in the six months of 2017.

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

	June 2018	June 2017
Euro	39.9%	47.2%
British Pound	20.5%	21.6%
Dollar	30.1%	29.7%
Brazilian Real and other currencies	9.6%	1.5%
Fixed Rate	76.0%	65.8%
Variable Rate	24.0%	34.2%

(\*) Net Financial Debt including forwards and swaps.  
(\*\*) Net Financial Debt including Forward Start Swaps (Q2 2018: EUR 4,827 million; Q2 2017: EUR 3,550 million)

In accordance with the policy of minimising the Company's financial risks, the foreign currency risk has continued to be mitigated through the financing of the international businesses in local currencies (British pound, Brazilian real, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico). The share of fixed-rate debt continues to rise, sitting at 76% at the end of the first six-month period of 2018 (82.2% in like-for-like terms versus the first six months of 2017, stripping out the corporate restructuring in Brazil). These shares include the forward swap fixed at the close of each period (EUR 4,827 million in the first six months of 2018 and EUR 3,550 million in the first half of 2017).

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

	June 2018	June 2017
Corporation	66.0%	72.9%
UK	5.9%	7.0%
USA	13.6%	15.5%
Brazil	12.2%	2.4%
Mexico	0.9%	0.8%
Others	1.4%	1.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(\*) Gross Financial Debt.

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

	June 2018	June 2017
Euro market	36.9%	41.2%
Dollar market	18.0%	21.1%
British pound market	7.7%	9.2%
Remaining bonds	4.2%	1.0%
Notes	5.6%	6.0%
EIB	6.9%	6.5%
Structured financing	1.5%	0.8%
Bank financing	19.1%	14.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(\*) Gross Financial Debt.

At the close of the six-month period, Iberdrola has a robust liquidity position totalling EUR 10,742<sup>(\*)</sup> million, which is equivalent to 24 months of the Company's financing needs.

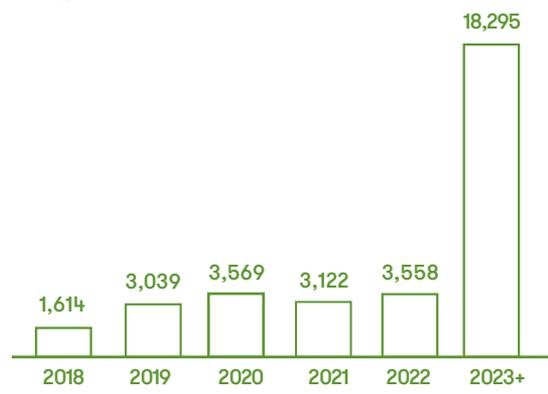
	M Eur
<b>Credit lines</b>	<b>Available (Ex. Neo)</b>
<b>Total credit line</b>	<b>8,992</b>
Cash and IFT	1,750
<b>Total Adjusted Liquidity<sup>(*)</sup></b>	<b>10,742</b>

(\*) Does not include Neoenergia credit lines

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

### Debt maturity profiles

MM Eur



(\*) Excludes credit lines and Neoenergía

2019 includes EUR 50 million with an extension option of 1 + 1 years

2020 includes EUR 600 million with a 1-year extension option

2023+ includes USD 400 million with a 1-year extension option of 1 + 1 years

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

	June 2018	June 2018 (proforma: 12 Months Neoenergía)	June 2017
<b>Adjusted Net Equity<sup>*</sup></b>	<b>43,817</b>	<b>43,817</b>	<b>39,978</b>
Adjusted Gross Financial Debt <sup>*</sup>	38,149	38,149	32,215
Derivative debt asset instruments	1,016	1,016	933
Other short-term loans	113	113	59
Cash and cash equivalents	2,984	2,984	1,749
<b>Adjusted Net Financial Debt<sup>*</sup></b>	<b>34,037</b>	<b>34,037</b>	<b>29,474</b>
Adjusted Leverage	43.7%	43.7%	42.4%
Adjusted Funds from Operations (FFO) <sup>**</sup> / Adjusted Net Financial Debt <sup>*</sup>	20.0%	20.2%	21.7%
Adjusted Retained Cash Flow (RCF) <sup>***</sup> / Adjusted Net Financial Debt <sup>*</sup>	17.4%	17.6%	19.5%
Adjusted Net Financial Debt <sup>*</sup> / Adjusted EBITDA <sup>****</sup>	4.17x	4.10x	3.83x

(\*) Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 30,6 million at 30/06/2018 and EUR 469 million at 30/06/2017)

(\*\*) Adjusted FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies Consolidated by the Equity Method - Net Non-recurring Results - Financial Prov. Capitalisation + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects Adjusted by "Exit Plan" (EUR 152.7 million at 30/06/2018 and EUR 0 million at 30/06/2017)

(\*\*\*) Adjusted RCF = Adjusted FFO - Cash dividends - Hybrid issue interest

(\*\*\*\*) Adjusted by the "Exit Plan" (EUR 203.3 million at 30/06/2018 and EUR 0 million at 30/06/2017)

## 4. Working capital

The working capital recorded a drop of EUR 166 million over the last 12 months, as a result of several effects:

- An increase in working capital as a result of the rise in trade receivables (EUR 288 million) and financial derivative instruments (EUR 178 million); and
- A reduction in working capital because of the growth in current provisions of EUR 307 million and net increase in payables to public administrations (EUR 225 million).
- Other effects to a lesser extent.

### Current Assets

CURRENT ASSETS	Jun-18	Jun-17	Variation
Assets held for sale	36	-	36
Nuclear Fuel	303	332	(29)
Inventories	2,090	1,994	96
Trade and other receivables	5,662	5,374	288
Current financial investments	659	682	(24)
Asset derivative financial instruments	335	156	178
Public Administrations	1,048	1,045	3
<b>TOTAL CURRENT ASSETS*:</b>	<b>10,132</b>	<b>9,583</b>	<b>549</b>

\* Does not include cash or debt asset derivatives

### Current Liabilities

CURRENT LIABILITIES	Jun-18	Jun-17	Variation
Provisions	809	503	307
Liability derivative financial instruments	178	114	64
Trade and other payables	6,414	6,299	116
Public Administrations	2,110	1,882	228
<b>TOTAL CURRENT LIABILITIES**:</b>	<b>9,512</b>	<b>8,798</b>	<b>715</b>

\*\* Does not include financial debt or debt liabilities derivatives

<b>NET WORKING ASSETS</b>	<b>620</b>	<b>786</b>	<b>(166)</b>
---------------------------	------------	------------	--------------

## 5. Funds From Operations

Funds from Operations at 30 June 2018 are up 5.58% (12.3%, stripping out the EUR 198-million impact of the Siemens-Gamesa merger in 2017) at EUR 3,493.5 million.

	Jan-Jun 2018	Jan-Jun 2017 (*)	Variation
Net Profit (+)	1,410.5	1,518.4	-107.9
Amortisations (-)	-1,908.6	-1,634.4	-274.3
P/L, Equity Accounted Companies (-)	-7.8	11.1	-18.9
Non-recurring (-)	22.0	241.1	-219.1
Non-recurring taxes (-)	1.6	-0.1	1.7
Financial provisions capitalised (-)	-66.6	-55.2	-11.4
P/L, Minority Interests (-)	-155.6	-27.6	-100.5
Goodwill tax deductibility (+) (**)	-	89.8	-89.8
Dividends, Equity Accounted Companies (+)	5.7	249.7	-243.9
Allocation of capital subsidies to income (-)	37.8	41.5	-3.8
<b>FFO</b>	<b>3,493.5</b>	<b>3,308.9</b>	<b>184.6</b>

Note: the signs of the figures (positive or negative) refer to whether they are booked as income or expense.

(\*) Restated

(\*\*) Cash flow

## 6. Financial transactions

### Main new financing transactions carried out in 2018

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Celpe <sup>*</sup>	Loan 4131	46	USD	Libor 3m +1.50%	21 Jan
Iberdrola Finanzas	Private issue extension	200	EUR	1.621%	29 Nov
Iberdrola Finanzas	Private issue	200	EUR	Euribor 3m +0.35%	20 Feb
Iberdrola, S.A.**	Sustainable syndicated credit line	2,979	EUR	-	23 Feb
Iberdrola, S.A.**	Sustainable syndicated credit line	2,321	EUR	-	23 Feb
Celpe	Debentures	500	BRL	119.6% CDI	23 Feb
Iberdrola International	Hybrid green bonds	700	EUR	2.625%	Undated
Iberdrola Finanzas <sup>*</sup>	Private issue	800	NOK	3.010%	28 May
Iberdrola Finanzas	Private issue	30	EUR	1.128%	25 Jun
Iberdrola Finanzas	Green bonds	750	EUR	1.250%	26 Oct
Coelba**	Debentures 476	1,200	BRL	117.05% CDI	22 Oct/23 Apr
Elektro***	Debentures 476	1,300	BRL	113.0% CDI	21 May/23 May/25 May
NYSEG	Tax-exempt bonds	174	USD	3.000%	23 Jun/29 Oct
RG&E	Tax-exempt bonds	152	USD	3.000%	25 Jun
Iberdrola México****	Syndicated green loan	400	USD	-	23 May
El Cabo	Tax equity investment	213	USD	-	-
Elektro <sup>*</sup>	Loan 4131	100	USD	3.6937%	22 May
Celpe <sup>*</sup>	Loan 4131	80	EUR	1.679%	22 Jul
Avangrid****	Sustainable syndicated credit line	2,500	USD	-	23 Jun

\* Transaction subsequently swapped to the currency of the company

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

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

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

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

### Main financing extension transactions carried out in 2018

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

## Second quarter 2018 financing

### Capital Market

In the second quarter, Iberdrola completed two private placements under the EMTN programme.

- On 3 May, a NOK 800 million bond for a term of 10 years and with a coupon of 3.01%, along with a derivative to convert this amount to EUR, resulting in a final cost of 1.597%.
- On 6 June, a EUR 30 million bond for a term of seven years and with a coupon of 1.128%.

On 21 June, Iberdrola completed its ninth public issue of green bonds under the EMTN programme for EUR 750 million. Strong demand led to a competitive coupon being established of 1.25% over a term of more than eight years. The funds generated will be used to finance or refinance part of the investment in the East Anglia offshore wind farm in the United Kingdom.

Meanwhile, two Neoenergía Group companies completed two public issues of debentures in accordance with the Brazilian Securities Market Commission (CVM) rule 476:

- Coelba: a BRL 1,200 million placement in two tranches of BRL 900 million and BRL 300 million at an average cost of 117.05% above the CDI over five and four and a half years.
- Elektro: a BRL 1,300 million placement in three tranches of BRL 661 million, BRL 339 million and BRL 300 million at an average cost of 113% above the CDI over three (with an option to extend to five years), five and seven years.

Two Avangrid Group companies also issued eight series of tax-exempt bonds:

- NYSEG: three series totalling USD 174 million with an average coupon of 3.0% over eleven and five years.
- RG&E: five series totalling USD 152 million with an average coupon of 3.0% over seven years.

### Banking market

During the second quarter, Iberdrola agreed to extend the terms of two bank finance arrangements:

- Extension of the maturity date of a syndicated credit line of EUR 500 million obtained in June 2016 to June 2023.
- Extension of the maturity date of a bilateral loan of EUR 350 million obtained in July 2017 to July 2022.

On 20 April, Iberdrola México obtained the first green business loan by a company in Latin America. The loan was for USD 400 million over five years, with an extension option of 1+1 years. The funds obtained will be used to finance wind farms in the country.

On 3 May, El Cabo – integrated in the North American subsidiary Avangrid – obtained finance in the form of a tax equity investment for an initial sum of USD 213 million. The funds obtained will be used to build a wind farm with the same name in the state of New Mexico.

During this quarter, two Neoenergía Group companies obtained two bilateral loans pursuant to the regulations laid down in Brazilian Decree 4131:

- Elektro: 11 May for an amount of USD 100 million over four years, converted to BRL 415 million, at a cost of 111.3% above the CDI.
- Celpe: 26 May for an amount of EUR 80 million over four years, converted to BRL 350 million, at a cost of 117.2% above the CDI.

On 29 June, the North American subsidiary Avangrid restructured the USD 1,500 million revolving credit line obtained in April 2016, increasing the limit thereof to USD 2,500 million and extending the term to June 2023, with an extension option of 1+1 years. This is the first arrangement by Avangrid with a bank subject to sustainability criteria and the largest of its kind in the United States to date.

## 7. Credit ratings

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

Date related to latest review

(\*) Guaranteed by Iberdrola, S.A.



# Financial Statements Tables

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

	June 2018	December 2017	Variation
<b>NON-CURRENT ASSETS</b>	<b>99,114</b>	<b>96,889</b>	<b>2,225</b>
<b>Intangible assets</b>	<b>21,206</b>	<b>21,148</b>	<b>58</b>
Goodwill	8,022	7,932	90
Other intangible assets	13,183	13,216	-32
<b>Real Estate properties</b>	<b>427</b>	<b>424</b>	<b>3</b>
<b>Property, plant and equipment</b>	<b>65,817</b>	<b>64,082</b>	<b>1,735</b>
Property, plant and equipment in use	58,518	57,301	1,217
Property, plant and equipment in the course of construction	7,299	6,781	518
<b>Non current financial investments</b>	<b>5,088</b>	<b>5,014</b>	<b>75</b>
Investments accounted by equity method	1,767	1,791	-24
Non-current financial assets	65	65	-
Other non-current financial assets	2,512	2,613	-101
Derivative financial instruments	744	545	199
<b>Non-current receivables</b>	<b>1,404</b>	<b>839</b>	<b>565</b>
<b>Deferred tax assets</b>	<b>5,174</b>	<b>5,382</b>	<b>-209</b>
<b>CURRENT ASSETS</b>	<b>13,534</b>	<b>13,800</b>	<b>-265</b>
<b>Assets held for sale</b>	<b>36</b>	<b>356</b>	<b>-320</b>
<b>Nuclear fuel</b>	<b>303</b>	<b>332</b>	<b>-29</b>
<b>Inventories</b>	<b>2,090</b>	<b>1,870</b>	<b>220</b>
<b>Current trade and other receivables</b>	<b>6,710</b>	<b>6,721</b>	<b>-11</b>
Tax receivables	466	546	-80
Other tax receivables	582	319	263
Trade and other receivables	5,662	5,856	-194
<b>Current financial assets</b>	<b>1,412</b>	<b>1,323</b>	<b>89</b>
Current financial assets	-	2	-2
Other current financial assets	659	599	60
Derivative financial instruments	753	723	31
<b>Cash and cash equivalents</b>	<b>2,984</b>	<b>3,197</b>	<b>-213</b>
<b>TOTAL ASSETS</b>	<b>112,649</b>	<b>110,689</b>	<b>1,960</b>

## Equity and Liabilities

	June 2018	Dec. 2017	Variation
<b>EQUITY:</b>	<b>43,786</b>	<b>42,733</b>	<b>1,053</b>
<b>Of shareholders of the parent</b>	<b>36,417</b>	<b>35,509</b>	<b>908</b>
Share capital	4,680	4,738	-58
Share premium	14,668	14,668	-
Unrealised assets and liabilities revaluation reserve	138	-42	180
Other reserves	18,314	16,768	1,546
Treasury stock	-119	-598	479
Translation differences	-2,674	-2,828	154
Net profit of the year	1,410	2,804	-1,394
<b>Hybrid Capital</b>	<b>1,707</b>	<b>1,553</b>	<b>154</b>
<b>Of minority interests</b>	<b>5,662</b>	<b>5,671</b>	<b>-9</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>199</b>	<b>15</b>	<b>184</b>
<b>NON-CURRENT LIABILITIES</b>	<b>52,972</b>	<b>51,215</b>	<b>1,757</b>
<b>Deferred income</b>	<b>6,405</b>	<b>6,379</b>	<b>26</b>
<b>Provisions</b>	<b>5,434</b>	<b>5,487</b>	<b>-53</b>
Provisions for pensions and similar obligations	2,435	2,533	-98
Other provisions	2,999	2,953	45
<b>Financial Debt</b>	<b>31,920</b>	<b>29,785</b>	<b>2,136</b>
Loans and others	31,564	29,466	2,098
Derivative financial instruments	356	319	37
<b>Other non-current payables</b>	<b>640</b>	<b>1,006</b>	<b>-366</b>
<b>Deferred tax liabilities</b>	<b>8,573</b>	<b>8,558</b>	<b>15</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>19</b>	<b>33</b>	<b>-13</b>
<b>CURRENT LIABILITIES</b>	<b>15,672</b>	<b>16,693</b>	<b>-1,021</b>
<b>Liabilities held for sale</b>	<b>-</b>	<b>135</b>	<b>-134</b>
<b>Provisions</b>	<b>809</b>	<b>627</b>	<b>183</b>
Provisions for pensions and similar obligations	17	41	-23
Other provisions	792	586	206
<b>Financial Debt</b>	<b>6,338</b>	<b>7,510</b>	<b>-1,172</b>
Loans and others	5,913	7,225	-1,312
Derivative financial instruments	425	285	140
<b>Trade and other payables</b>	<b>8,525</b>	<b>8,422</b>	<b>103</b>
Trade payables	4,621	5,308	-687
<b>Current tax liabilities and other tax payables</b>	<b>665</b>	<b>260</b>	<b>406</b>
Other tax payables	1,445	989	456
Other current liabilities	1,795	1,866	-71
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>112,649</b>	<b>110,689</b>	<b>1,960</b>

**Profit and Loss (Unaudited)**

	<b>M Eur</b>		
	<b>June 2018</b>	<b>June 2017<sup>(*)</sup></b>	<b>%</b>
<b>REVENUES</b>	<b>17,586.6</b>	<b>14,965.9</b>	<b>17.5</b>
PROCUREMENTS	(9,918.2)	(8,133.2)	21.9
<b>GROSS MARGIN</b>	<b>7,668.4</b>	<b>6,832.6</b>	<b>12.2</b>
<b>NET OPERATING EXPENSES</b>	<b>(2,111.3)</b>	<b>(1,889.0)</b>	<b>11.8</b>
<b>Net Personnel Expense</b>	<b>(1,043.9)</b>	<b>(971.0)</b>	<b>7.5</b>
Personnel	(1,359.1)	(1,248.8)	8.8
Capitalized personnel costs	315.2	277.8	13.5
<b>Net External Services</b>	<b>(1,067.4)</b>	<b>(918.1)</b>	<b>16.3</b>
External Services	(1,382.2)	(1,176.7)	17.5
Other Operating Income	314.8	258.7	21.7
<b>LEVIES</b>	<b>(1,121.3)</b>	<b>(1,156.4)</b>	<b>(3.0)</b>
<b>EBITDA</b>	<b>4,435.9</b>	<b>3,787.2</b>	<b>17.1</b>
AMORTISATIONS AND PROVISIONS	(1,908.6)	(1,634.4)	16.8
<b>EBIT</b>	<b>2,527.3</b>	<b>2,152.9</b>	<b>17.4</b>
<b>Financial Expenses</b>	<b>(984.7)</b>	<b>(689.6)</b>	<b>42.8</b>
<b>Financial Income</b>	<b>421.6</b>	<b>282.8</b>	<b>49.1</b>
<b>Financial Result</b>	<b>(563.1)</b>	<b>(406.8)</b>	<b>38.4</b>
<b>Results of Companies Consolidated by Equity Method</b>	<b>(7.8)</b>	<b>11.1</b>	<b>(169.8)</b>
<b>Results from Non-Current Assets</b>	<b>22.0</b>	<b>241.1</b>	<b>(90.9)</b>
<b>PBT</b>	<b>1,978.4</b>	<b>1,998.2</b>	<b>(1.0)</b>
Corporate Tax	(412.3)	(424.7)	(2.9)
Minorities	(155.6)	(55.1)	182.3
<b>NET PROFIT</b>	<b>1,410.5</b>	<b>1,518.4</b>	<b>(7.1)</b>

(\*) Restated

## Results by Business (Unaudited)

M Eur

June 2018	Networks	Renewables	Generation and Supply	Other Business	Corp. and adjustments
Revenues	6,533.6	2,057.2	10,368.9	112.0	(1,485.0)
Procurements	(2,660.1)	(233.7)	(8,417.2)	(70.6)	1,463.4
<b>GROSS MARGIN</b>	<b>3,873.5</b>	<b>1,823.5</b>	<b>1,951.7</b>	<b>41.3</b>	<b>(21.6)</b>
<b>NET OPERATING EXPENSES</b>	<b>(1,071.1)</b>	<b>(365.5)</b>	<b>(648.4)</b>	<b>(20.2)</b>	<b>(6.2)</b>
Net Personnel Expense	(542.5)	(133.3)	(207.0)	(13.0)	(148.2)
Personnel	(793.4)	(168.7)	(223.8)	(13.0)	(160.2)
Capitalized personnel costs	250.9	35.5	16.8	-	12.1
Net External Services	(528.6)	(232.2)	(441.3)	(7.3)	142.0
External Services	(740.5)	(278.7)	(521.0)	(7.7)	165.8
Other Operating Income	212.0	46.5	79.6	0.4	(23.8)
Levies	(414.6)	(273.9)	(425.7)	(1.0)	(5.9)
<b>EBITDA</b>	<b>2,387.8</b>	<b>1,184.1</b>	<b>877.6</b>	<b>20.1</b>	<b>(33.7)</b>
Amortisation and Provisions	(902.6)	(537.4)	(430.9)	(4.8)	(32.9)
<b>EBIT/Operating Profit</b>	<b>1,485.2</b>	<b>646.7</b>	<b>446.7</b>	<b>15.3</b>	<b>(66.6)</b>
Financial Result	(273.2)	(96.5)	(64.7)	(1.0)	(127.7)
Results of companies consolidated by equity method	5.8	13.0	3.2	(21.6)	(8.1)
Results of non-current assets	3.4	-	30.1	(12.1)	0.5
<b>PBT</b>	<b>1,221.2</b>	<b>563.2</b>	<b>415.3</b>	<b>(19.4)</b>	<b>(201.9)</b>
Corporate tax and minority shareholders	(350.1)	(133.3)	(109.1)	(2.0)	26.5
<b>NET PROFIT</b>	<b>871.1</b>	<b>429.8</b>	<b>306.3</b>	<b>(21.4)</b>	<b>(175.3)</b>

M Eur

June 2017	Networks	Renewables (*)	Generation and Supply (*)	Other Business (*)	Corp. and adjustments
Revenues	4,609.6	1,679.9	9,531.6	198.3	(1,053.6)
Procurements	(1,333.8)	(168.8)	(7,539.0)	(124.6)	1,033.0
<b>GROSS MARGIN</b>	<b>3,275.8</b>	<b>1,511.1</b>	<b>1,992.6</b>	<b>73.8</b>	<b>(20.6)</b>
<b>NET OPERATING EXPENSES</b>	<b>(840.1)</b>	<b>(335.6)</b>	<b>(679.2)</b>	<b>(28.0)</b>	<b>(6.1)</b>
Net Personnel Expense	(473.3)	(126.4)	(196.0)	(13.6)	(161.7)
Personnel	(716.9)	(146.2)	(207.8)	(13.8)	(164.1)
Capitalized personnel costs	243.6	19.8	11.8	0.2	2.4
Net External Services	(366.8)	(209.2)	(483.2)	(14.4)	155.6
External Services	(533.7)	(256.6)	(548.6)	(15.1)	177.3
Other Operating Income	167.0	47.4	65.4	0.6	(21.8)
Levies	(457.4)	(232.2)	(450.2)	(4.0)	(12.6)
<b>EBITDA</b>	<b>1,978.3</b>	<b>943.3</b>	<b>863.2</b>	<b>41.8</b>	<b>(39.3)</b>
Amortisation and Provisions	(733.8)	(480.1)	(368.6)	(20.5)	(31.3)
<b>EBIT/Operating Profit</b>	<b>1,244.5</b>	<b>463.2</b>	<b>494.6</b>	<b>21.3</b>	<b>(70.7)</b>
Financial Result	(198.5)	(71.5)	(48.0)	(13.9)	(74.7)
Results of companies consolidated by equity method	24.1	10.0	7.2	(1.7)	(28.5)
Results of non-current assets	0.3	(0.1)	0.4	240.0	0.5
<b>PBT</b>	<b>1,070.4</b>	<b>401.5</b>	<b>454.1</b>	<b>245.7</b>	<b>(173.4)</b>
Corporate tax and minority shareholders	(294.0)	(60.0)	(47.6)	3.1	(81.4)
<b>NET PROFIT</b>	<b>776.4</b>	<b>341.6</b>	<b>406.4</b>	<b>248.8</b>	<b>(254.8)</b>

(\*) Restated

## Networks Business (Unaudited)

M Eur

June 2018	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,110.6	639.8	2,101.1	2,682.1
Procurements	(10.3)	(26.2)	(705.4)	(1,918.1)
<b>GROSS MARGIN</b>	<b>1,100.3</b>	<b>613.5</b>	<b>1,395.7</b>	<b>764.0</b>
<b>NET OPERATING EXPENSES</b>	<b>(159.7)</b>	<b>(105.9)</b>	<b>(499.9)</b>	<b>(305.6)</b>
<b>Net Personnel Expense</b>	<b>(102.7)</b>	<b>(47.2)</b>	<b>(257.3)</b>	<b>(135.3)</b>
Personnel	(158.6)	(119.1)	(353.6)	(162.1)
Capitalized personnel costs	55.9	71.9	96.2	26.8
<b>Net External Services</b>	<b>(57.1)</b>	<b>(58.7)</b>	<b>(242.5)</b>	<b>(170.3)</b>
External Services	(148.3)	(80.6)	(289.3)	(222.3)
Other Operating Income	91.2	21.9	46.8	52.0
Levies	(46.9)	(52.6)	(311.7)	(3.4)
<b>EBITDA</b>	<b>893.6</b>	<b>455.1</b>	<b>584.1</b>	<b>455.1</b>
Amortisation and Provisions	(261.0)	(152.0)	(280.4)	(209.2)
<b>EBIT/Operating Profit</b>	<b>632.6</b>	<b>303.1</b>	<b>303.7</b>	<b>245.9</b>
<b>Financial Result</b>	<b>(30.8)</b>	<b>(64.6)</b>	<b>(74.7)</b>	<b>(103.1)</b>
Results of companies consolidated by equity method	1.4	-	4.4	-
Results of non-current assets	3.3	-	0.2	-
<b>PBT</b>	<b>606.5</b>	<b>238.5</b>	<b>233.5</b>	<b>142.7</b>
Corporate tax and minority shareholders	(149.9)	(46.8)	(70.4)	(83.0)
<b>NET PROFIT</b>	<b>456.6</b>	<b>191.6</b>	<b>163.1</b>	<b>59.8</b>

M Eur

June 2017	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	997.0	622.0	2,180.4	810.3
Procurements	(1.9)	(24.4)	(698.7)	(608.8)
<b>GROSS MARGIN</b>	<b>995.1</b>	<b>597.6</b>	<b>1,481.6</b>	<b>201.5</b>
<b>NET OPERATING EXPENSES</b>	<b>(177.1)</b>	<b>(95.3)</b>	<b>(493.5)</b>	<b>(74.1)</b>
<b>Net Personnel Expense</b>	<b>(109.1)</b>	<b>(45.3)</b>	<b>(270.1)</b>	<b>(48.8)</b>
Personnel	(163.0)	(111.6)	(381.6)	(60.7)
Capitalized personnel costs	53.9	66.3	111.5	11.9
<b>Net External Services</b>	<b>(68.0)</b>	<b>(50.0)</b>	<b>(223.4)</b>	<b>(25.3)</b>
External Services	(154.0)	(78.5)	(264.6)	(36.8)
Other Operating Income	86.0	28.5	41.2	11.4
Levies	(46.8)	(51.1)	(358.6)	(.9)
<b>EBITDA</b>	<b>771.1</b>	<b>451.3</b>	<b>629.5</b>	<b>126.4</b>
Amortisation and Provisions	(256.3)	(138.2)	(279.5)	(59.8)
<b>EBIT/Operating Profit</b>	<b>514.8</b>	<b>313.1</b>	<b>349.9</b>	<b>66.6</b>
<b>Financial Result</b>	<b>(37.1)</b>	<b>(56.1)</b>	<b>(82.8)</b>	<b>(22.6)</b>
Results of companies consolidated by equity method	1.4	-	5.6	17.0
Results of non-current assets	0.3	-	-	-
<b>PBT</b>	<b>479.5</b>	<b>257.1</b>	<b>272.7</b>	<b>61.1</b>
Corporate tax and minority shareholders	(114.4)	(51.6)	(110.0)	(18.0)
<b>NET PROFIT</b>	<b>365.1</b>	<b>205.4</b>	<b>162.7</b>	<b>43.1</b>

## Renewables Business (Unaudited)

	M Eur					
June 2018	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	913.8	330.0	543.7	110.0	31.5	128.3
Procurements	(66.1)	(26.2)	(116.4)	(22.1)	(1.2)	(1.5)
<b>GROSS MARGIN</b>	<b>847.7</b>	<b>303.8</b>	<b>427.3</b>	<b>87.8</b>	<b>30.2</b>	<b>126.8</b>
NET OPERATING EXPENSES	(138.0)	(59.2)	(110.3)	(25.7)	(13.2)	(19.0)
Net Personnel Expense	(55.1)	(12.1)	(52.2)	(11.7)	(2.3)	(3.1)
Personnel	(66.9)	(22.6)	(58.7)	(11.7)	(2.6)	(6.3)
Capitalized personnel costs	11.8	10.5	6.5	-	0.3	3.2
Net External Services	(82.9)	(47.1)	(58.1)	(14.1)	(10.9)	(15.9)
External Services	(106.6)	(59.9)	(88.9)	(14.1)	(11.7)	(17.6)
Other Operating Income	23.7	12.8	30.7	-	0.8	1.7
Levies	(218.9)	(11.2)	(41.2)	(0.6)	(0.2)	(1.8)
<b>EBITDA</b>	<b>490.8</b>	<b>233.4</b>	<b>275.7</b>	<b>61.5</b>	<b>16.8</b>	<b>106.0</b>
Amortisation and Provisions	(163.6)	(79.3)	(200.9)	(24.8)	(12.0)	(56.7)
<b>EBIT/Operating Profit</b>	<b>327.1</b>	<b>154.1</b>	<b>74.8</b>	<b>36.7</b>	<b>4.7</b>	<b>49.2</b>
Financial Result	(30.4)	(19.4)	(16.8)	(16.8)	(5.0)	(8.1)
Results of companies consolidated by equity method	1.6	(0.9)	(2.3)	14.5	-	-
Results of non-current assets	-	-	-	-	-	-
<b>PBT</b>	<b>298.4</b>	<b>133.8</b>	<b>55.8</b>	<b>34.4</b>	<b>(0.3)</b>	<b>41.1</b>
Corporate tax and minority shareholders	(80.1)	(26.4)	3.2	(19.4)	0.3	(10.9)
<b>NET PROFIT</b>	<b>218.3</b>	<b>107.4</b>	<b>58.9</b>	<b>15.0</b>	<b>-</b>	<b>30.2</b>

	M Eur					
June 2017 <sup>(*)</sup>	SPAIN	U.K.	U.S.	BRAZIL	MEXICO	RoW
Revenues	747.3	285.6	524.9	25.0	35.6	61.6
Procurements	(65.2)	(24.1)	(76.0)	(2.0)	(1.1)	(0.4)
<b>GROSS MARGIN</b>	<b>682.1</b>	<b>261.5</b>	<b>448.8</b>	<b>22.9</b>	<b>34.4</b>	<b>61.3</b>
NET OPERATING EXPENSES	(130.5)	(62.9)	(113.9)	(6.1)	(9.4)	(12.8)
Net Personnel Expense	(51.2)	(13.8)	(56.5)	(0.3)	(1.5)	(3.2)
Personnel	(55.3)	(21.1)	(64.9)	(0.3)	(1.5)	(3.2)
Capitalized personnel costs	4.1	7.3	8.3	-	-	-
Net External Services	(79.3)	(49.1)	(57.3)	(5.8)	(7.9)	(9.6)
External Services	(100.0)	(51.4)	(94.2)	(5.9)	(7.9)	(10.6)
Other Operating Income	20.7	2.2	36.9	0.1	-	0.9
Levies	(179.7)	(10.6)	(39.9)	(0.1)	(0.2)	(1.7)
<b>EBITDA</b>	<b>371.9</b>	<b>188.0</b>	<b>295.0</b>	<b>16.7</b>	<b>24.9</b>	<b>46.7</b>
Amortisation and Provisions	(157.9)	(75.9)	(212.3)	(4.9)	(13.7)	(15.5)
<b>EBIT/Operating Profit</b>	<b>214.1</b>	<b>112.1</b>	<b>82.8</b>	<b>11.9</b>	<b>11.2</b>	<b>31.2</b>
Financial Result	(30.5)	(11.0)	(13.0)	(3.1)	(11.7)	(2.2)
Results of companies consolidated by equity method	2.7	(0.6)	(5.5)	13.4	-	-
Results of non-current assets	(0.1)	-	-	-	-	-
<b>PBT</b>	<b>186.1</b>	<b>100.6</b>	<b>64.2</b>	<b>22.2</b>	<b>(0.5)</b>	<b>29.0</b>
Corporate tax and minority shareholders	(53.2)	(20.5)	16.1	(2.9)	9.3	(8.7)
<b>NET PROFIT</b>	<b>132.9</b>	<b>80.0</b>	<b>80.4</b>	<b>19.2</b>	<b>8.8</b>	<b>20.3</b>

(\*) Restated

## Generation and Supply Business (Unaudited)

	<b>M Eur</b>				
June 2018	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	6,282.0	2,791.9	956.1	373.1	(34.3)
Procurements	(5,181.7)	(2,303.4)	(658.0)	(308.4)	34.3
<b>GROSS MARGIN</b>	<b>1,100.3</b>	<b>488.5</b>	<b>298.2</b>	<b>64.7</b>	-
<b>NET OPERATING EXPENSES</b>	<b>(347.4)</b>	<b>(231.3)</b>	<b>(49.7)</b>	<b>(20.0)</b>	-
Net Personnel Expense	(135.1)	(62.3)	(5.8)	(3.8)	-
Personnel	(141.5)	(64.9)	(13.6)	(3.8)	-
Capitalized personnel costs	6.4	2.6	7.8	-	-
<b>Net External Services</b>	<b>(212.3)</b>	<b>(169.0)</b>	<b>(43.9)</b>	<b>(16.2)</b>	-
External Services	(251.7)	(197.2)	(64.6)	(16.7)	9.2
Other Operating Income	39.4	28.2	20.7	0.5	(9.2)
Levies	(355.9)	(68.5)	(1.3)	-	-
<b>EBITDA</b>	<b>397.0</b>	<b>188.7</b>	<b>247.2</b>	<b>44.7</b>	-
Amortisation and Provisions	(258.2)	(113.3)	(48.5)	(10.9)	-
<b>EBIT/Operating Profit</b>	<b>138.8</b>	<b>75.4</b>	<b>198.7</b>	<b>33.8</b>	-
Financial Result	(30.3)	(4.3)	(12.2)	(17.8)	-
Results of companies consolidated by equity method	3.2	-	-	-	-
Results of non-current assets	28.8	1.3	-	-	-
<b>PBT</b>	<b>140.5</b>	<b>72.4</b>	<b>186.5</b>	<b>16.0</b>	-
Corporate tax and minority shareholders	(25.9)	(17.2)	(57.7)	(8.3)	-
<b>NET PROFIT</b>	<b>114.6</b>	<b>55.2</b>	<b>128.8</b>	<b>7.6</b>	-
					<b>M Eur</b>
June 2017 <sup>(*)</sup>	SPAIN	U.K.	MEXICO	BRAZIL	Other
Revenues	6,170.8	2,496.0	929.7	38.7	(103.6)
Procurements	(4,888.5)	(2,117.8)	(600.9)	(35.2)	103.4
<b>GROSS MARGIN</b>	<b>1,282.3</b>	<b>378.1</b>	<b>328.8</b>	<b>3.5</b>	<b>(0.2)</b>
<b>NET OPERATING EXPENSES</b>	<b>(357.6)</b>	<b>(258.6)</b>	<b>(59.9)</b>	<b>(3.4)</b>	<b>0.2</b>
Net Personnel Expense	(122.4)	(62.1)	(9.1)	(2.4)	-
Personnel	(126.8)	(65.4)	(13.2)	(2.4)	-
Capitalized personnel costs	4.3	3.3	4.2	-	-
<b>Net External Services</b>	<b>(235.1)</b>	<b>(196.5)</b>	<b>(50.8)</b>	<b>(0.9)</b>	<b>0.2</b>
External Services	(259.6)	(227.6)	(61.4)	(1.1)	1.0
Other Operating Income	24.4	31.1	10.6	0.1	(0.8)
Levies	(376.7)	(72.1)	(1.4)	-	-
<b>EBITDA</b>	<b>548.0</b>	<b>47.4</b>	<b>267.6</b>	<b>0.2</b>	-
Amortisation and Provisions	(203.7)	(115.3)	(49.5)	(0.1)	-
<b>EBIT/Operating Profit</b>	<b>344.3</b>	<b>(67.9)</b>	<b>218.1</b>	<b>0.1</b>	-
Financial Result	(4.9)	(0.1)	(43.1)	0.1	-
Results of companies consolidated by equity method	(3.9)	(0.1)	-	11.1	-
Results of non-current assets	0.2	0.1	-	-	-
<b>PBT</b>	<b>335.7</b>	<b>(67.9)</b>	<b>175.0</b>	<b>11.3</b>	-
Corporate tax and minority shareholders	(37.5)	15.8	(25.9)	(0.1)	-
<b>NET PROFIT</b>	<b>298.2</b>	<b>(52.1)</b>	<b>149.1</b>	<b>11.2</b>	-

(\*) Restated

## Quarterly Results 2018 (Unaudited)

	M Eur	
	Jan-Mar 2018	April-June 2018
<b>Revenues</b>	<b>9,343.5</b>	<b>8,243.1</b>
Procurements	(5,334.7)	(4,583.5)
<b>GROSS MARGIN</b>	<b>4,008.8</b>	<b>3,659.6</b>
<b>NET OPERATING EXPENSES</b>	<b>(1,000.4)</b>	<b>(1,110.8)</b>
<b>Net Personnel Expense</b>	<b>(522.6)</b>	<b>(521.3)</b>
Personnel	(669.7)	(689.4)
Capitalized personnel costs	147.1	168.1
<b>Net External Services</b>	<b>(477.8)</b>	<b>(589.6)</b>
External Services	(624.9)	(757.3)
Other Operating Income	147.1	167.7
<b>LEVIES</b>	<b>(684.9)</b>	<b>(436.4)</b>
<b>EBITDA</b>	<b>2,323.5</b>	<b>2,112.4</b>
Amortisation and Provisions	(936.3)	(972.3)
<b>EBIT/Operating Profit</b>	<b>1,387.2</b>	<b>1,140.1</b>
<b>Financial Result</b>	<b>(626.5)</b>	<b>(358.2)</b>
<b>Results of companies consolidated by equity method</b>	<b>337.9</b>	<b>83.6</b>
<b>Results of non-current assets</b>	<b>(288.6)</b>	<b>(274.6)</b>
<b>PBT</b>	<b>0.6</b>	<b>(8.3)</b>
<b>Corporate tax and minority shareholders</b>	<b>0.5</b>	<b>21.5</b>
<b>NET PROFIT</b>	<b>1,099.7</b>	<b>878.7</b>
Revenues	(175.4)	(236.9)
Procurements	(86.3)	(69.3)
<b>GROSS MARGIN</b>	<b>838.0</b>	<b>572.52</b>

	M Eur	
	Jan-Mar 2017 <sup>(*)</sup>	April-June 2017 <sup>(*)</sup>
<b>Revenues</b>	<b>8,195.4</b>	<b>6,770.5</b>
Procurements	(4,640.0)	(3,493.3)
<b>GROSS MARGIN</b>	<b>3,555.4</b>	<b>3,277.2</b>
<b>NET OPERATING EXPENSES</b>	<b>(918.0)</b>	<b>(971.0)</b>
<b>Net Personnel Expense</b>	<b>(480.5)</b>	<b>(490.5)</b>
Personnel	(615.5)	(633.3)
Capitalized personnel costs	135.0	142.8
<b>Net External Services</b>	<b>(437.5)</b>	<b>(480.6)</b>
External Services	(562.7)	(614.0)
Other Operating Income	125.2	133.5
<b>LEVIES</b>	<b>(763.8)</b>	<b>(392.5)</b>
<b>EBITDA</b>	<b>1,873.6</b>	<b>1,913.6</b>
Amortisation and Provisions	(834.0)	(800.4)
<b>EBIT/Operating Profit</b>	<b>1,039.6</b>	<b>1,113.3</b>
<b>Financial Result</b>	<b>(503.2)</b>	<b>(186.4)</b>
<b>Results of companies consolidated by equity method</b>	<b>297.0</b>	<b>(14.2)</b>
<b>Results of non-current assets</b>	<b>(206.2)</b>	<b>(200.6)</b>
<b>PBT</b>	<b>20.2</b>	<b>(9.1)</b>
<b>Corporate tax and minority shareholders</b>	<b>256.2</b>	<b>(15.1)</b>
<b>NET PROFIT</b>	<b>1,109.8</b>	<b>888.5</b>
Revenues	(254.6)	(170.1)
Procurements	(27.6)	(27.6)
<b>GROSS MARGIN</b>	<b>827.6</b>	<b>690.77</b>

(\*) Restated

## Statement of Origin and Use of Funds (Unaudited)

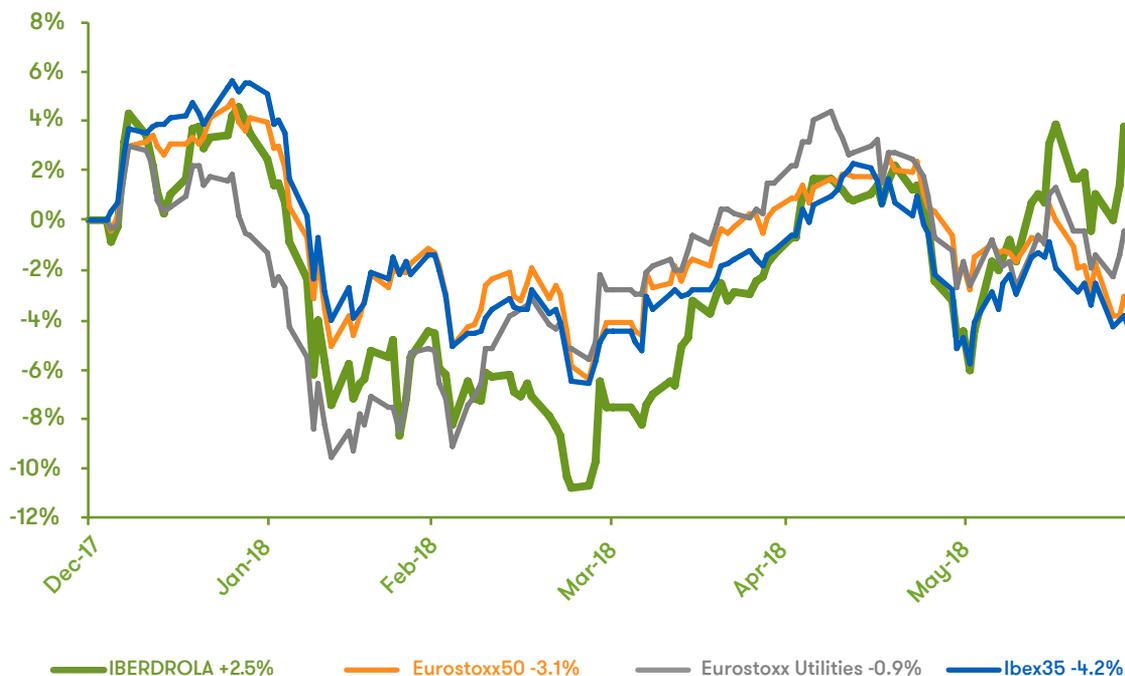
M Eur

	June 2018	June 2017	Variation
EBITDA	4,435.9	3,787.2	648.7
Adjustments to results and others	(439.3)	(401.9)	(37.4)
Financial payments and cash receipts	(471.4)	(350.1)	(121.3)
Corporate Tax Payment	235.3	(143.8)	379.1
Provision payments (net of normal expenses)	(225.4)	(229.5)	4.1
<b>Operating Cash Flow</b>	<b>3,535.1</b>	<b>2,661.9</b>	<b>873.2</b>
Dividends Paid	(206.2)	(310.9)	104.7
Total Cash Flow allocations:	(2,905.4)	(2,943.7)	38.3
<i>Net Investments</i>	(2,478.0)	(2,512.5)	34.5
<i>Divestments</i>	206.6	313.9	(107.3)
<i>Treasury stock</i>	(769.0)	(714.5)	(54.5)
<i>Capital issue</i>	(0.4)	(0.4)	-
<i>Hybrid</i>	135.4	(30.2)	165.6
Exchange rate differentials	(81.2)	867.8	(948.9)
Working capital variations and other variations	(1,525.7)	(803.6)	(722.1)
<b>Decrease/(Increase) in net debt</b>	<b>(1,183.3)</b>	<b>(528.5)</b>	<b>(654.8)</b>

8.

# Stock Market Evolution

## Iberdrola stock performance vs Index



## Iberdrola's share

	H1 2018	H1 2017
Number of outstanding shares	6,240,000,000	6,240,000,000
Price at the end of the period	6.624	6.933
Average price of the period	6.311	6.531
Average daily volume	20,434,325	25,070,750
Maximum volume (06-15-2018/04-06-2017)	74,718,387	122,920,322
Minimum volume (04-06-2018/05-29-2017)	9,111,678	5,568,159
Dividends paid (€) <sup>(1)</sup>	0.145	0.140
Gross Final dividend (01-29-2018 / 01-23-2017) <sup>(1)</sup>	0.140	0.135
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield <sup>(2)</sup>	4.86%	4.24%

(1) Iberdrola fixed guaranteed price for the rights

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



# Regulation

In the second quarter of 2018, a number of new regulatory changes affecting the energy sector were approved. This section sets out the most significant ones.

## 1. Regulation in the European Union

### Effort Sharing Regulation (EU) 842/2018:

Regulates the binding annual greenhouse-gas emission targets for EU Member States for 2021-2030, contributing to climate action and with a view to honouring the commitments undertaken in the Paris Accord. Establishes measures for non-ETS sectors to reduce their emissions by 30% by 2030 compared to 2005. National targets have been set linked to GDP per capita to establish a pathway for Member States to cut emissions, along with a safety reserve of 105 million tonnes of CO<sub>2</sub> to help struggling Member States achieve the 2030 targets.

### Commission Delegated Regulation (EU) 2018/540 on projects of common interest:

Regulation (EU) No 347/2013 establishes a framework for the identification, planning and implementation of projects of common interest which are required to implement the nine strategic geographical energy infrastructure priority corridors identified in the fields of electricity, gas and oil, and the three Union-wide energy infrastructure priority areas for smart grids, electricity highways and carbon dioxide transportation networks.

## 2. Regulation in Spain

**Social Bonus:** Ministerial Order ETU/361/2018 has been published amending how to apply for the Social Bonus. The six-month transitional period for beneficiaries of the old Social Bonus to establish their status as vulnerable consumers with a view to renewing their entitlement to receive the new Social Bonus has been extended (until October 2018) and the application forms have been changed.

**Disruptibility supply mechanism:** Ministerial Order ETU/362/2018 has been published

reviewing the disruptibility supply mechanism. The disruptibility supply service was reviewed in October last year, with its application being restricted to the first five months of 2018. The application period has been extended in the ministerial order to 31 December, the disruptibility product of 90 MW is replaced by another of 40 MW, and a requirement has been included for applicants not to have any debt outstanding in relation to providing the uninterrupted service.

**Distribution fee:** A supreme court ruling has been issued granting Endesa compensation because of the review of  $\lambda$  coefficient in the 2016 distribution fee.

The method for calculating the fee applicable since 2016 includes a coefficient (baseline  $\lambda$ ) representing the percentage of facilities comprising part of each company's assets and that have been financed by the company itself, less third-party finance and any public aid received.

Endesa lodged an appeal against the method for calculating this coefficient considering that it did not duly reflect the volume of investment made. In October, the Supreme Court upheld Endesa's claim, ordering the Ministry of Energy, Tourism and Digital Agenda (MINETAD) to publish a new calculation method for 2017 and thereafter for all companies (a proposed method has been drawn up as of the date of this report). Endesa also contested the fee for 2016, and the Supreme Court has now recognised its right to compensation by revising the  $\lambda$  coefficient for that year.

**Day-ahead and intraday market rules:** A resolution has been passed approving day-ahead and intraday market rules to fulfil the obligation to transpose European regulation on the integration of intraday markets (Commission Regulation (EU) 2015/1222). This regulation lays down an obligation to adapt previous intraday markets for a continuous market. A ministerial order has also been issued authorising the submission of portfolio bids on the European intraday

continuous market. The intraday continuous markets started operating on 12 June.

### 3. Regulation in the United Kingdom

**Brexit.** On 23 March 2018, the European Council of the EU-27 adopted guidelines on negotiating the future relationship between the United Kingdom and the EU. The aim is to achieve the closest possible future partnership that is compatible with the United Kingdom's decision to leave the single market and customs union. Meanwhile, a transition period until 2020 has been agreed, during which the current status quo will, on the whole, be maintained.

**RIO-2.** Ofgem has launched the first consultation on the RIO-2 price control framework. Ofgem has also inquired on a competition model for a new onshore transmission project (Hinkley-Seabank cable), under which Ofgem would set a cost of capital for the National Grid.

### 4. Regulation in the USA

**Investment Tax Credits (ITCs).** On 22 June, the Department of the Treasury issued guidance on applying solar ITCs. In general, the guidance is similar to that for wind PTCs. In order to be eligible for the safe harbour, evidence must be provided that construction has started in terms of physical work of a significant nature and a committed investment of 5% of capex. A four-year period is also allowed to prove that the continuity requirement has been satisfied.

**Clean Power Plan.** The Environmental Protection Agency (EPA) is currently amending the Clean Power Plan. The EPA is also reviewing the options for replacing the programme, that will reduce the regulatory burden.

**State legislation.** Several states have contemplated raising their Renewable Portfolio Standard (RPS) in 2018. Connecticut and New Jersey have already specified RPS increases: Connecticut to 40% for 2030, and New Jersey to 50% for 2030.

**Transmission.** The Federal Energy Regulatory Commission (FERC) is continuing its review of returns on equity (ROE) for transmission facilities in New England. The court of appeals issued a ruling ordering the FERC to reconsider its order on the 2011 claim ("First Claim") cutting the initial ROE from 11.14% to 10.57%. The final ROE figure has still not been determined. As a provisional measure, a FERC judge issued an initial ruling on 27 March on the basis that the plaintiffs had not demonstrated that the current ROE of 10.57% is unreasonable and unfair.

### 5. Regulation in Mexico

**Transmission line tender processes:** during the second quarter of the year the preliminary terms and conditions and timing for the two transmission-line tender processes currently in progress were amended. The tender process to award the contract to connect the Baja California peninsula with the National Interconnected System (SIN) is currently at the pre-qualified bidder registration phase, which will end on 20 July. A decision will be issued on 28 September. Regarding the tender process launched by the Federal Electricity Commission (CFE) for the contract to connect the region of Ixtepec (Oaxaca) with the Valley of Mexico, technical bids will be accepted on 19 July and financial bids on 27 July, with a decision on the winning bidder being announced on 3 August.

**Long-Term Auctions (LTA):** on 15 March, the Call for a new LTA was published, with a view to awarding long-term contracts for energy (15 years), capacity (15 years) and Clean Energy Certificates (20 years), the result of which will be known on 14 November 2018. The CENACE published on 1 June the Final Terms and Conditions of the Auction and its annexes, marking the start of the process. There are no notable changes relating to the Terms and Conditions of the LTA implemented in 2017, although minor adjustments have been introduced in the Sales Bids submission process, in the submission of the Guarantees and in the mechanism for the Bid Evaluation. The following key milestones will be

pre-qualification of generation projects until 6 September, publication of purchase bids (12 July to 2 August), and submission of financial bids in October.

## 6. Regulation in Brazil

**Joint processing of Bill 1,917/2015 and Public Consultation 033/2017.** The bill on electricity market deregulation proposed in 2015 (Bill 1,917/2015) is being drafted alongside the bill to modernise the electricity sector and deregulate the electricity market (which started with Public Consultation 033 of July 2017). On 23 April, a special commission comprising members of Congress and the Senate was established for this process.

The aim of drafting the bills jointly is to speed up the deregulation and implementation of measures to mitigate the risk of this process for distribution companies. The bills have been amended during the process aimed at making current arrangements concerning hydrological risk and withdrawing the restriction on rural land acquisitions by foreign companies no longer a legal matter.

**Decree 9,357/2018 – extension of the Luz para Todos (Electricity for All) programme until 2022.** The Electricity for All programme was established in 2003 to bring electricity to rural, isolated and economically-disadvantaged areas. The programme is coordinated by the Ministry of Mines and Energy, operated by Electrobrás, and executed by rural electrification cooperatives and energy concession holders.

This programme is generally financed jointly through: 1) sector funds such as the Energy Development Account (CDE) and Global Reversion Fund (RGR); 2) state governments; and 3) electricity distribution companies (subsequently, distribution companies will recoup their investments through tariff reviews every five years).

**ANEEL approves regulation on electric vehicle charging.** On 19 June, ANEEL ruled that electric vehicle charging is a free-market activity and

not included in any of the existing generation, transmission and distribution activities. The resolution was approved by the regulator but is yet to be officially published.

ANEEL allows distribution companies to install charging points on the following basis:

- The CAPEX of charging points is not included as assets and in the remuneration base.
- As with other additional activities, distribution companies must pay part of their revenues from this activity into a sector account to reduce the general tariffs.
- Charging prices will be freely negotiated by distribution companies and customers (the price distribution companies can charge for the charging service is not regulated).
- The income and expenses of activities must be recognised separately.
- No compensation will be paid for financial losses deriving from the charging activity.
- Energy used in charging will not be classified as energy for own use but will be subject to its own specific valuation.

10.

# Iberdrola and Sustainability

Iberdrola's contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels are used for communicating goals, activities and successes achieved in the three areas of sustainable development (economic, environmental and social), as well as receiving evaluations and requests from the parties involved.

## 1. Sustainability Indicators

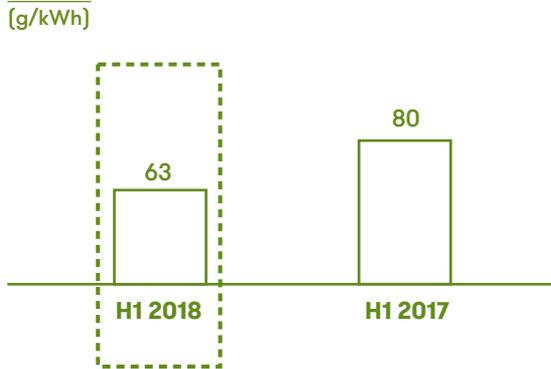
Sustainability Indicators	H1 2018	H1 2017
Contribution to GDP (Gross Margin) (*)	0.54%	0.52%
Contribution to GDP (Net revenues) (*)	1.34%	1.40%
Net Profit (EUR million)	1,410.5	1,518.4
Dividend yield (%) (**)	4.86%	4.24%
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): Total	153	164
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): España	63	80
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): SPW	231	229
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): EE.UU.	32	31
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): Brasil	93	95
CO <sub>2</sub> emissions over the period (gr. CO <sub>2</sub> /kWh): México	359	359
Emission-free production: Total (GWh)	46,149	41,827
Emission-free production: Spain (GWh)	26,118	24,231
Ratio emission-free production to total production: Total (%)	61%	59%
Ratio emission-free production to total production: Spain (%)	89%	87%
Emission-free installed capacity: Total (MW)	32,655	31,683
Emission-free installed capacity: Spain (MW)	18,997	19,231
Emission-free installed capacity: Total (%)	67%	66%
Emission-free installed capacity: Spain (%)	73.30%	73.50%
Ratio high-emission technologies production: Total (%)	1%	2%
Ratio low-emission technologies production: Total (%)	38%	39%

(\*) Source: Iberdrola Results and National Quarterly Accounting for Spain - INE (Last data published in Q1 2018)

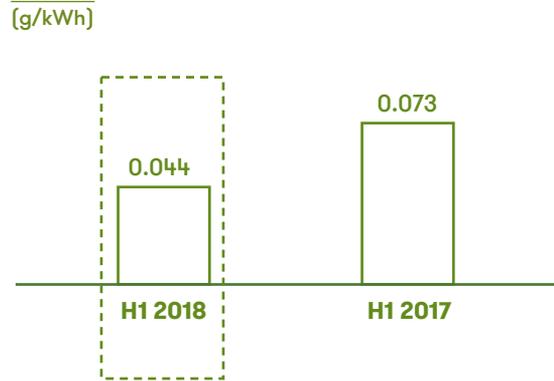
(\*\*) Dividends paid in the last 12 months and Shareholder Meeting attendance bonus/price at the end of period.

**SPAIN: Development of specific thermal mix emissions, Global: CO<sub>2</sub>, SO<sub>2</sub>, particles and NO<sub>x</sub>.**

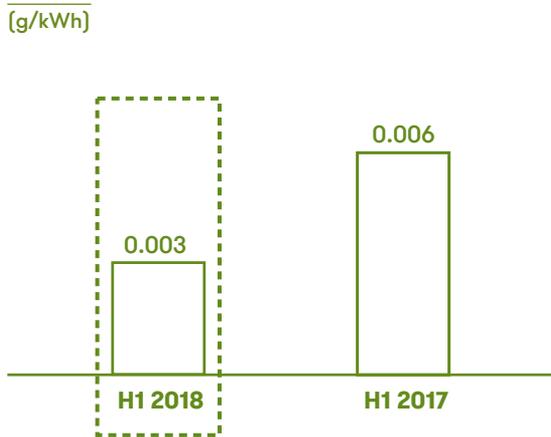
CO<sub>2</sub> specific emissions mix, GLOBAL



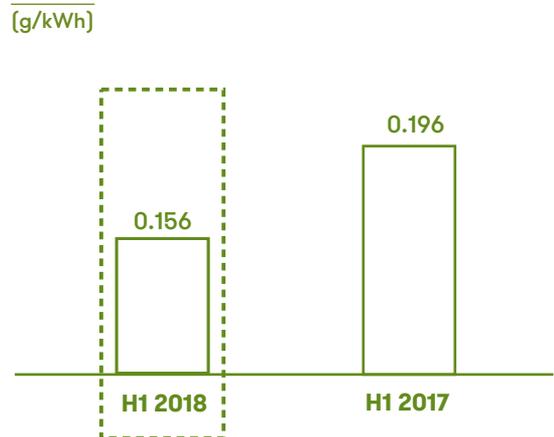
SO<sub>2</sub> specific emissions mix, GLOBAL



Specific particulate emissions Mix GLOBAL



NO<sub>x</sub> specific emissions mix, GLOBAL



## 2. Index, rankings and recognitions

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

Sustainability	
	Ranking /Situation
Dow Jones Sustainability World Index 2017	Selected in the utility sector. Iberdrola member in all editions
Sustainability Yearbook RobecoSam 2018	Classified as "Silver Class" in the electricity sector.
FTSE4Good	First utility with nuclear assets to meet standards for FTSE 4Good. 8 years in a row selected
CDP Index 2017	A
MERCO 2017	Leader among Spanish utilities: energy, gas, and water industry
Euronext Vigeo Eiris index: World 120, Eurozone 120 & Europe 120	Iberdrola selected
Nesweek and Green Rankings 2017	Iberdrola fifth utility worldwide
MSCI Global Sustainability Index Series	Iberdrola selected AAA
2017 World's Most Ethical Company	Iberdrola selected. Only Spanish utility
Fortune Global 500	Iberdrola selected
Stoxx Global ESG Leaders/Eurostoxx Sustainability 40/Eurostoxx ESG Leaders 50	Iberdrola selected
Influence Map	Iberdrola selected
OEKOM	Iberdrola Prime
Carbon Clear	Iberdrola first utility in the ranking
2017 ET Carbon Rankings	Iberdrola selected
Bloomberg Equality Index	Seleccionada
Forbes	Iberdrola selected in Forbes 2017: GLOBAL World's Largest Public Companies 2000

### Sustainability Policy:



#### ENERGY SUSTAINABILITY



##### COMPETITIVENESS

- Energy supply at the best possible price
- Technology with low operational and maintenance costs
- Diversified mix



##### SECURITY IN ENERGY SUPPLY

- Local and renewable primary energy sources
- Reliability and availability of energy supply
- High quality service
- Promotion of energy efficiency



#### BUSINESS SUSTAINABILITY



##### ENVIRONMENT

- Sustainable use of natural resources
- Efficient production and efficient use of energy
- Emission reduction
- Biodiversity protection
- Waste and water management



##### CREATION OF VALUE

- Business profit
- Corporate government, Risk management, codes of conduct and compliance
- Relationships with clients
- Leading and guiding company of the supply chain



##### SOCIAL DIMENSION

- Universal access promotion
- Strict respect of human rights
- Improvement of the standard of living of the people in the areas where the Group develops its activity
- Qualified and committed workforce

### 3. Contribution to social development

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

#### 3.1. Corporate Social Responsibility Recognition

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

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

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

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

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

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

- **IBERDROLA recognised in the National Sports Awards**

In February, the King and Queen of Spain presented Ignacio Galán with one of the 2016 Premios Nacionales del Deporte (National Sports Awards), awarded by the Consejo Superior de Deportes or CSD (High Council of Sports). Iberdrola succeeded with the Stadium Cup, which recognises Iberdrola for its special contribution during the year to promoting and fostering sports.

- **Iberdrola, the first energy company to receive the Premio Nacional de Calidad (National Quality Award) in Mexico**

Iberdrola's chairman, Ignacio Galán, visited Mexico to collect the 2017 National Quality Award in the Energy category, recognising excellence in the areas of business competitiveness and quality. The award was given to the company to acknowledge its "notable track record in this country", where it has become the leading private company in the electricity sector.

- **IBERDROLA's 2018 Shareholders' Meeting reissues the Sustainable Event certification**

IBERDROLA was the first Spanish company and the first electricity utility from among the world's 10 largest utility companies to be awarded the ISO 20121 Sustainable Event certification for its General Shareholders' Meeting, as well as the Erronka Garbia environmental label awarded by the Basque Regional Government. In 2018, these certificates were again issued for the General Meeting.

- **Iberdrola renews its Compliance Leader Verification certificate awarded by the Ethisphere Institute**

The Company has renewed its Compliance Leader Verification certificate awarded by the Ethisphere Institute to businesses that not only fulfil prevailing laws and regulations but go a step further, demonstrating the existence

of an internal and leadership culture that champions adherence to ethical values when doing business. The Ethisphere Institute – a US company that is a leader in defining ethical business practices – wanted to recognise the Iberdrola Group’s compliance system that the Company uses to develop best practices in this area.

• **IBERDROLA acknowledged as one of the World’s Most Ethical Companies for the fifth consecutive year**

IBERDROLA has been included in the 2018 World’s Most Ethical Company ranking, drawn up by the Ethisphere Institute, which recognises leading companies in the internal and external promotion of ethical practices. According to the Institute’s criteria, the companies included in the ranking have record levels of involvement with their stakeholders and are really committed to maximum levels of transparency, diversity and inclusion. It is the only Spanish company included in the ranking, within the Energy and Utilities category, which only includes five other multinationals.

• **Iberdrola named one of the top Spanish corporates that have a real impact on society through their corporate responsibility and sustainability programmes**

The Instituto Coordinadas de Gobernanza y Economía Aplicada (Coordinadas Institute of Applied Economics and Governance) has conducted a study to determine which companies are leaders in corporate responsibility and sustainability, ranking Iberdrola among them. In particular, the specialist consultants acknowledged how the new stakeholder engagement model has been implemented, how stakeholder needs and expectations are identified, and how these expectations are fulfilled through specific action plans. Lastly, they highlighted that the Company has taken on a public commitment to have the lowest CO<sub>2</sub> emissions per kWh of the major European corporates.

• **Neoenergia, Brazil’s most transparent company**

The Brazilian company of IBERDROLA leads the ranking of the 100 most transparent Brazilian companies, created by NGO Transparency International. Iberdrola has received the highest rating, fulfilling 100% of the requirements.

• **Elektro, the best workplace in Latin America for the fourth year running**

For the fourth consecutive year, the distribution company of the Neoenergia Group has received the Best Workplace in Latin America Award from the Great Place to Work Institute. In the survey, staff gave the company the highest satisfaction score (100%) for the second year running. Elektro has therefore once again topped this prestigious ranking of 1,383 businesses from 22 countries.

**3.2. Contribution to society and stakeholders**

• **Iberdrola will supply electricity to 16 million vulnerable people who currently have no access**

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

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

Iberdrola co-hosted the first Ibero-American Summit on SDGs held in Salamanca, which culminated in the signing of the Salamanca Statement: a shared pledge by all stakeholders in society to fulfil the United Nations SDGs for 2030. The summit focused on how to transform our society to achieve the SDGs, since the transformation needed to do so is

complex and must involve a group effort from all sectors of society.

#### • **Iberdrola continues to support Spanish paralympic sport**

Iberdrola chairman, Ignacio Galán, ratified Iberdrola's commitment to Spanish paralympic sport ahead of the Tokyo 2020 Games; the Company's support goes back some 12 years. Since 2010, Iberdrola has also awarded nine annual university scholarships to paralympic athletes to better prepare them for entering the workplace in the future.

#### • **Iberdrola receives European Environment Award**

Ignacio Galán was handed the European Environment Award by His Majesty King Felipe VI. The award went to our Company in the Spanish section and was awarded under the category for environmental management in major corporates. This acknowledges the Group's efforts to feed the results of its environmental management system into the business decision-making process. These results include calculating the corporate environmental footprint in line with the United Nations Sustainable Development Goals for 2030.

#### • **Iberdrola announces more than 100 master's degree scholarships and research grants in five countries**

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

#### • **Iberdrola establishes platform to improve air quality in cities**

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

#### • **Electrical engineering students from the Massachusetts Institute of Technology (MIT) choose Iberdrola to further their training**

A group of electrical engineering students from the famous Massachusetts Institute of Technology (MIT) will be completing their summer internships at the Iberdrola Group to further their training over the course of 10 weeks. Brazil has also welcomed students in Sao Paulo State and Rio de Janeiro.

#### • **Recognition for workplace risk prevention**

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

#### • **Iberdrola rewarded for its health promotion plan**

Iberdrola has been handed the Reconocimiento 2017 Award for its best business practices to promote health. The award was granted by Instituto Nacional de Seguridad, Salud y Bienestar en el Trabajo (INSSBT) (Spain's National Institute of Safety, Health and Well-being at Work) in recognition of Iberdrola's employee-focused campaigns to prevent illness and improve health. The Company also signed

the Luxembourg Declaration drawn up by the European Network for Workplace Health Promotion, which sets out the fundamental principles for good work practices in managing employee health.

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

Our company presented the Mujeres que brillan (Women Who Shine) awards to different personalities who made an outstanding contribution to gender equality, through the Gente que brilla (People Who Shine) project. The aim of the Mujeres que brillan meeting was to acknowledge the efforts of individuals who defend gender equality, and the work they carry out on a daily basis, which has led them to stand out or shine.

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

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

#### • **Iberdrola, on World Cancer Day**

Iberdrola took part in the celebration of World Cancer Day with a joint initiative with the Spanish Association Against Cancer (AECC). Recently Iberdrola has renewed the campaign Juntos contra el cáncer (Together against cancer) up to 2020. This is an initiative through which the company offers its customers the chance to donate to the AECC on a monthly basis via their electricity or gas bill. Furthermore, Iberdrola commits to matching the monthly donation amount chosen by the customer. So far, 75,000 customers have joined this initiative in Spain.

#### • **Initiatives to help disadvantaged people**

Various events were launched in countries where the company is established, such as:

- **'IBERDROLA Operation Kilo' initiative.** A new edition of this solidarity initiative was held to collect food with the aim of helping to mitigate the difficult economic situation of vulnerable families. Distribution is carried out through various aid organisations.
- IBERDROLA has begun the second phase of the public-private alliance to take electricity to the refugee camps in Ethiopia –**Shire Alliance**.
- In Brazil, **Neoenergía, Unicef and Carlinhos Brown** have renewed their collaboration on the “Sello Unicef Aprobado” and “Paxuá y Paramim” projects supporting young children and teenagers.

#### • **“Manuel Marín” Iberdrola Energy Policy Chair at the College of Europe**

The energy policy Chair at the College of Europe will be named the Manuel Marín Iberdrola Chair next academic year in honour of the former chairman of the Iberdrola Foundation in Spain. The aim of the Chair is to provide classes, conduct research and debate energy policies in the European Union at this prestigious post-graduate university institution specialising in European issues.

### 3.3. Support to volunteers

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

- **11th IBERDROLA Tree Day** The 11th edition of the Tree Day was held in the Biosphere Reserve of Urdaibai Muxika (Vizcaya), in collaboration with Asociación Gorabide and Fundación Lurgaia, thus continuing with the project 'Bosque Iberdrola' (Iberdrola Forest).
- **INVOLVE** (INternational VOLunteering Vacation for Education) Initiative. The seventh edition of this corporate volunteering programme has started, in which IBERDROLA employees

from other regions travel to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion improve their employability, by means of IT and web application training.

- **Volunteers in Action** Iberdrola's volunteers have worked alongside Fundación Sonrisas in Mexico to distribute food to the families of children undergoing medical treatment at the Siglo XXI Medical Centre and the Santa María de Guadalupe Shelter.
- **Volunteering in the fight against climate change in schools** The project, which was created in Spain in 2017 to raise awareness about the consequences of climate change through talks and workshops in schools and institutions, has been launched in Mexico.
- **Volunteer Day in Madrid and Castile-Leon** Around a 100 people took part in Iberdrola's volunteer day in partnership with the ANDE Foundation to promote social integration, with

an Integration Olympics event being held. Given the need to help protect natural spaces and raise awareness of the importance of environmental conservation, an environmental initiative was also held on the Volunteer Day in Castile-Leon to build and install nest boxes.

### 3.4 Community action

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

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

These are the most notable initiatives in this first half of 2018 by work area:

**a) Training and research:** this work area focuses on the group of young students, by supporting their degree courses, technical training or language studies, offering opportunities to those who have fewer resources. It also includes notifications of support for research and grants for restoration and conservation with museums. These initiatives contribute to reaching specific targets of SDG 4 Quality Education (4.4, 4.b and 4.c).

**Avangrid Foundation** works together with **KVCC Lineworkers** to hire electricians in Maine, through **CMP Lineworker Technology Program Scholarships**. These scholarships aim to train specialists in technology departments, focusing especially on attracting young women into the energy sector.

**Iberdrola Foundation in Spain:** a total of 46 scholarships and grants have been awarded over the last six months:

- 20 grants for energy and environmental research.
- 10 Carolina Foundation scholarships for energy and environment master's degrees at Spanish universities.
- Two Fullbright scholarships for energy and environmental master's degrees.
- Nine scholarships to undergraduate students to help with their studies at ICAI – Universidad de Comillas.
- Three scholarships for restoration and conservation at the Prado Museum.
- Two scholarships for restoration and conservation at the Bellas Artes de Bilbao Museum.

**Iberdrola Foundation in Mexico** – a total of 13 scholarships and grants have been awarded over the last six months: Seven grants for energy and environmental research, and six scholarships for students with excellent academic results facing financial hardship in Altamira.

**Neoenergía Institute** – a total of nine research

grants have been awarded in Brazil over the last half-year.

**b) Biodiversity and Climate Change:** in this area of work, we are collaborating with public institutions and bodies devoted to the protection of the environment, contributing to reaching specific aims of the SDG 13 Climate Action and 15 Life on Land Ecosystems (13.3, 15.4 and 15.5).

The **Iberdrola Foundation in Spain** collaborates with the Sociedad Española de Ornitología (Spanish Ornithological Society), **SEO/BirdLife on the MIGRA Project**, aimed at studying the migratory patterns of birds. Over the six years that the programme has been implemented, a total of 856 birds of 32 different species have been tagged.

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

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

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

On the land located in the Industrial Port zone of Altamira, **Fundación Iberdrola México** is promoting a project devoted to

the **Conservation of Felines**, which aims to guarantee survival of a number of jaguars, jaguarundis, ocelots and bobcats that inhabit the region. In this quarter, progress has been made in the creation and delimitation of biological corridors that facilitate safe movement for these endangered animals. Contributing to the **Conservation of the mangrove**, is another of the projects promoted to protect and conserve the flora and fauna that inhabit this ecosystem. The goal is to ensure the survival and encourage the growth of flora and fauna in the mangrove ecosystem through constant monitoring, research and categorisation. Another interesting initiative is the conservation project **Fernández Canyon State Park**, in partnership with PRONATUR in the Fernández Canyon, to protect biological and ecological processes and provide environmental services in the state park's boundaries.

Two interesting initiatives that combine academic training with benefits for the environment are promoted by the **Neoenergía Institute in Brazil**. First, the **Flyways** project to protect endangered wader birds in Brazil. In collaboration with **Save Brazil**, support is also given to a project devoted to the conservation of endangered birds in the area of Río Grande do Norte. **Eco-cidadão: Construindo um futuro sustentável** (Eco-city: building a sustainable future) is another professional training initiative that focuses on sustainable technologies and its roll-out in communities that are socially at risk.

**c) Art and Culture:** in this field, the company works together with cultural bodies, renowned museums, public institutions and religious bodies in order to promote culture as well as restore and conserve artistic heritage, favouring local development. Thus, there is a direct impact on specific targets of SDG 8 Economic Growth and 11 Sustainable Cities and Communities (8.9 and 11.4).

The main aim of Iberdrola's **Foundations Lighting Programme** is to improve the interior and/or exterior lighting of remarkable buildings, to showcase the historical-artistic heritage. The

use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75% more than incandescent bulbs) and reducing maintenance expenses thanks to a much longer lasting useful life. In addition to the artistic, economic and environmental benefits, one must add the potential of these lighting projects to promote economic activity, facilitating local development around historical-artistic heritage.

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

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

During the first six months of 2018, the **Foundation in Spain** launched and completed the following three important projects: decorative lighting of the Royal Pantheon at the San Isidoro de León Collegiate Church, the Military Museum, and the restoration workshop at the Royal Tapestry Factory using the latest LED technology. A further eight lighting projects are being considered or developed.

The **Neoenergia Institute** has been the driving force behind the following projects: lighting of the Cinco Pontas Fort in Recife, and restoration of the Barra Grande Fort in Guarujá.

The **Iberdrola Museum Programme** collaborates with the Prado Museum and the Bilbao Fine Arts Museum Restoration Workshops for the conservation of paintings, sculptures and works of art on paper at their art galleries. Throughout 2018 the museums and the Iberdrola Foundation in Spain will showcase the works restored by these workshops. Another significant restoration initiative is the Atlantic Romanesque Plan involving church buildings in the north of Portugal, Salamanca and Zamora.

The **Exhibitions Programme of the Foundations** has had two main initiatives

at the start of 2018: in **Spain**, the exhibition **‘Sorolla and Fashion’** which can be visited simultaneously and as an added extra at the Sorolla Museum and the Thyssen-Bornemisza Museum. The exhibition brings together more than seventy paintings from museums and national and international private collections, some of them never previously publicly exhibited, together with a significant collection of period dresses and accessories, with valuable pieces also loaned by prominent institutions and private collections, many of them previously unseen. The following work has been carried out in support of a number of museum restoration workshops:

- Prado Museum: completion of restoration and conservation of works currently being exhibited, such as: *“Treasure of the Dolphin”* and *“Triumph of Death by Bruegel the Elder”*; and the *“IN LAPIDE DEPICTUM, an Italian painting on stone, 1530-1555”*, a new exhibition at the Prado Museum.
- Bellas Artes de Bilbao Museum: completed restoration of a painting by Dario Urzay titled *“El vientre del observador (Umbral de atención) (Afterimages)”*, which was the result of the museum commissioning Darío Urzay (Bilbao, 1958) in 2001 to create a piece for the *Gaur, Hemen, Orain* exhibition on Basque contemporary art.

The following projects have been completed in the area of restoration: The Patriarca tapestries, the alterpiece at Cuenca Cathedral, and some of the manuscripts of the Yuso Monastery Library.

The following exhibitions have been run in

#### **Mexico:**

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

being invited to the opening and enjoying a guided tour round the temporary exhibition.

The **Art and Culture Outreach Programme** has the **Scottish Power Foundation** as a point of reference. In 2018, the company is supporting the international scenic arts festival, Futureproof, aimed at young people from different backgrounds and communities. This is a multi-artistic and multi-platform space that will be set up in ten areas in Scotland and will be shared with the rest of the United Kingdom via social networks.

Key cultural events backed by the **Avangrid Foundation** include: The International Festival of Arts & Ideas (Connecticut) aimed at creating and producing plays with a special focus on community education and engagement; and the Rochester Area Community Foundation/ Rochester International Jazz Festival (New York), which is internationally acclaimed, attracts a large and diverse audience and celebrates and develops the local community.

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

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

#### **United Kingdom:**

- **Alzheimer Scotland:** The Dementia Friends programme aims to foster the public’s understanding of and empathy regarding this disease, so that sufferers feel

supported, accepted and welcome in their communities.

- **Bangor University:** The association ReachingWider focusses on higher education for vulnerable people in Wales. Its Bright Sparks initiative aims to encourage and inspire students and help them achieve their potential in science, technology, engineering and mathematics (STEM) schools across the six regions in North Wales.
- **Adventure for All:** The Bendrigg Trust is an outdoor education centre specifically for disabled people. Its goal is to help them integrate into society, achieve independence and become healthier through adventure activities and spending time away from home.
- **Live Music Off the Grid!** The project involves providing live music at health centres and hospitals in remote areas such as the Scottish Highlands & Islands, Dumfries & Galloway, Kintyre, Cumbria, Northern Ireland, Wales Devon and Cornwall.
- **Prince & Princess of Wales Hospice:** provides specialised and free palliative care in Glasgow to terminally ill patients, offering support to their families and carers.
- **The Manchester Young Men's Christian Association:** backing of the Mental Health Champions project targeting young men to halt the rise in mental health problems. It also supports the parents, teachers and case workers of the young men.
- **The Outward Bound Trust:** This project enables young people to get involved in community activity days through a five-day stay at the Loch Eil centre. Everyone taking part is to attend an event to share their experiences with friends and families, and six young people will be chosen to take part in a summer programme.

#### United States:

- **Operation Fuel:** assures that struggling families have access to year-round energy

assistance in more than one hundred towns across Connecticut. Local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such distribution of food, clothes, etc.

- **Yale New-Haven Hospital (Connecticut)** On-going support for the Yale-New Haven Hospital McGivney Center for Musculoskeletal Care, which provides specialist care and the best relief possible for patients with chronic illnesses. The hospital has a specific mission to meet the needs of the most vulnerable members of society.
- **United Way Worldwide - Truist - Employee Match (Connecticut & Massachusetts)** Support for organisations that encourage volunteering for the common good.
- **Working for Worcester (Massachusetts)** Improvements to school installations and recreational facilities, parks, community centres, sports fields, and other leisure spaces in Worcester.

#### Mexico:

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

#### Brazil:

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

## Spain:

Thirty-five social initiatives were approved in the annual call for projects and are being run in the areas served by Iberdrola with a positive impact on 45,000 people.

- **Education and the fight against child poverty:** Caritas Diocesana (Cartagena and Plasencia), Save the Children, Asociación Ciudad Joven, Fundación Candelita, Altius, Tomillo, Fundación Amigó, Balía por la infancia, Illundai Haritz Berri, Ayuda en Acción, Etorikintza,
- **Training for the inclusion of people with disabilities:** ADSIS, AMICOS, ANFAS, ASIDO, Down (Asturias and Madrid)
- **Improving the quality of life of vulnerable people with serious illnesses:** AECC, ASOCIDE, Asociación Corazón Vida, Aspanion, Pequeño deseo, Menudos Corazones, Upace Sur, Feclém, Bizitegi, Nupa, Proyecto Hombre (Alicante, Vizcaya, Cádiz, Guadalajara, Salamanca and Valladolid).

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

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

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

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

## 4. Corporate Governance

Highlights for the first half of financial year 2018 were as follows:

- On 7 November 2017, the CNMV (Spanish National Stock Market Commission) was informed of the terms and conditions of the second edition of the 'Iberdrola Scrip Dividend' compensation scheme for the financial year 2017, publishing the relevant information booklet on that date. Subsequently, on 19 December, IBERDROLA's Board of Directors reported its ratification of said agreement, regarding the distribution of an amount of dividend for the financial year 2017. On 9 January 2018, the Company published an addendum to the information booklet regarding the terms and conditions of the second edition of the 'Iberdrola Scrip Dividend' compensation scheme. Finally, on 29 January 2018, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2017 General Shareholders' Meeting.
- On 12 January 2018, IBERDROLA published the financial calendar for financial year 2018.
- On 9 February 2018, the Company submitted its energy production figures for financial year 2017.
- On 20 February 2018, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury stock in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014. Up until 15 June 2018, the end date of the programme, the Company acquired

- 78,562,182 treasury shares, equating to 1.220 % of such shares.
- On 21 February 2018, the Company submitted its results for the financial year ending on 31 December 2017 to the CNMV.
  - On 23 February 2018, IBERDROLA sent the *Annual Corporate Governance Report*, the *Annual Director Remuneration Report* and the financial information for the financial year 2017 to the CNMV.
  - On 16 April 2018, the Company submitted its energy production figures for the first quarter of financial year 2018.
  - On 17 April 2018, IBERDROLA notified the CNMV that its subsidiary Neoenergia, S.A. (in which it has a 52.45% stake) had signed an investment agreement with Eletropaulo Metropolitana Electricidade de São Paulo, S.A. (Eletropaulo) under which Neoenergia, S.A. undertook to subscribe 100% of any shares Eletropaulo may issue in this company's public share offering. Subsequently, on 23 April, Neoenergia, S.A.'s Board of Directors ratified this investment agreement and made a rival bid for between 51% and 100% of Eletropaulo's shares. Neoenergia, S.A. opted to improve the conditions of its bid on two occasions. Nonetheless, as IBERDROLA notified the CNMV on 31 May 2018, Neoenergia, S.A. was not successful in the competitive process.
  - On 24 April 2018, the Company submitted its results for the first quarter of financial year 2018 to the CNMV.
  - On the same date, IBERDROLA announced the first edition of its 'Iberdrola Scrip Dividend' (Retribución Flexible) - its new optional dividend scheme for the financial year 2018. It was also agreed to implement the increase in paid-up share capital approved by the General Shareholders' Meeting on 13 April 2018 and the supplementary dividend payment for financial year 2018.
  - On 3 May 2018, IBERDROLA informed the CNMV that at the ordinary general meeting of Siemens Gamesa Renewable Energy,

S.A. on 23 March, the partner Siemens Aktiengesellschaft blocked, through its "No" vote, the approval of the two proposals by Iberdrola Participaciones, S.A.U. concerning corporate governance and maintenance of head offices. In particular, votes in favour of the corporate governance proposal were submitted by voters holding or representing 75% of the share capital present at the general meeting held by third parties other than Siemens Aktiengesellschaft and Iberdrola Participaciones, S.A.U.

- On 21 June 2018, IBERDROLA notified the CNMV of the implementation of the capital reduction through the redemption of treasury stock approved at the General Shareholders' Meeting on 13 April 2018, entered in the Companies Register of Vizcaya on 28 June.

### General Shareholders' Meeting

The IBERDROLA Board of Directors, in its meeting of 20 February 2018, agreed to convene the General Shareholders' Meeting to be held at first call on 13 April 2018, or at second call on 14 April 2018. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share for the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the call to the General Shareholders' Meeting was published by the Company on its corporate website ([www.iberdrola.com](http://www.iberdrola.com)) and in the Official Bulletin of the Companies Register on 23 February 2018.

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

#### Resolutions regarding annual accounts and company management

1. Approval of the annual accounts for financial year 2017.
2. Approval of the management reports for financial year 2017.

3. Approval of the management and activities of the Board of Directors during financial year 2017.

### **Resolutions regarding the composition of the Board of Directors**

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

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

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

### **Resolution regarding treasury stock**

Authorisation for Board of Directors to acquire treasury shares.

### **Resolution regarding general matters**

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

## **Board of Directors**

On 21 June 2018, the Company announced the resolutions concerning changes to the

composition of the advisory committees and members of the Board of Directors.

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

## **Corporate governance system**

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the *Articles of Association*, the *Mission, Vision and Values of the Iberdrola Group*, the *Corporate Policies*, the governance regulations of the corporate bodies and the internal committees, and the Company's compliance. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

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

In this regard, on 20 February 2018, a reform of the Corporate Governance System was approved, with the aim, among others, of including the improvements introduced in relation to the operation of the General Shareholders' Meeting, such as the possibility of delegating or telephone voting, and adapting its content to the new EU regulations regarding personal data protection (new Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016).

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

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

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

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](http://www.iberdrola.com), which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

## Information transparency

One of the core principles underlying IBERDROLA's corporate governance practices is to ensure maximum transparency in financial and non-financial information provided to shareholders, investors and markets. In this respect, there has been a high level of activity so far during financial year 2018 to ensure that institutional investors and financial analysts are kept fully informed.

## On-Line Shareholders (OLS)

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

**CNMV: Significant Events from April to June 2018**

<b>Date</b>	<b>Event</b>	<b>Registration No.</b>
06/04/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 27 March and 5 April 2018.	263771
13/04/2018	Resolutions approved by the General Shareholders' Meeting on 13 April 2018 and appointment of new member of the Corporate Social Responsibility Committee.	264148
16/04/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 6 and 13 April 2018.	264157
16/04/2018	The Company reported its energy production figures for the first quarter of 2018.	264193
17/04/2018	Iberdrola announced the date of the submission of results for the first quarter of 2018.	264210
17/04/2018	Resolution for Neoenergia, S.A. to acquire all or part of the share capital of Eletropaulo Metropolitana Electricidade de São Paulo, S.A.	264221
19/04/2018	The Company made public the details of the results submitted for the first quarter of 2018.	264318
23/04/2018	Iberdrola revised information on the resolution passed for Neoenergia, S.A. to acquire the share capital of Eletropaulo Metropolitana Electricidade de São Paulo, S.A.	264459
24/04/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 16 and 23 April 2018.	264523
24/04/2018	The Company issued information regarding the results of the first quarter of 2018.	264542
24/04/2018	Submission of results for the first quarter of 2018.	264543
24/04/2018	Terms and conditions of the first round of the 'Iberdrola Scrip Dividend' compensation scheme for financial year 2018 and publication of corresponding memorandum.	264545
26/04/2018	Increase in bid price offered by Neoenergia, S.A. to acquire the share capital of Eletropaulo Metropolitana Electricidade de São Paulo, S.A.	264702
03/05/2018	Transactions carried out by Iberdrola, S.A. under its share repurchasing programme between 24 April and 02 May 2018.	265075
03/05/2018	Communiqué sent by Spain's National Securities Market Commission (CNMV) to Iberdrola, S.A. in connection with Siemens Gamesa Renewable Energy, S.A.	265099
11/05/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 3 and 10 May 2018.	265489
21/05/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 11 and 18 May 2018.	265829
29/05/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 21 and 28 May 2018.	266183

Date	Event	Registration No.
31/05/2018	Revision of information on the public bid by Neenergia, S.A. to acquire the share capital of Eletropaulo Metropolitana Electricidade de São Paulo, S.A.	266294
07/06/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 29 May and 6 June 2018.	266480
18/06/2018	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 7 and 15 June 2018. End of programme. Acquisition of treasury stock as a result of the settlement of derivatives.	266872
21/06/2018	Changes in the composition of the Corporate Social Responsibility Committee and Remuneration Committee, and appointment of a new lead director and non-executive vice-chair. Partial reform of the Company's Corporate Governance System.	267029
21/06/2018	Implementation of the reduction in share capital through the redemption of treasury stock, approved by the General Shareholders' Meeting held on 13 April 2018, under point nine on the agenda.	267030
21/06/2018	Issuance of bonds on the Euromarket by Iberdrola Finanzas, S.A. (Sociedad Unipersonal) secured by Iberdrola, S.A.	267053
28/06/2018	Inscription of the deed of reduction in share capital through redemption of treasury stock executed by the Board of Directors on 21 June 2018.	267278



11.

# Glossary of terms

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

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

Alternative Performance Measures	Definition
Adjusted Funds from Operations (Adjusted FFO)	Funds from Operations adjusted by provisions for efficiency plans
Funds From Operations (FFO) / Net Financial Debt	FFO for the last four quarters / Net Financial Debt
Net Operating Cash Flow per Share	FFO for the quarter / Number of shares at close of the period
Retained Cash Flow (RCF) / Net Financial Debt	RCF for the last four quarters / Net Financial Debt

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