



Results / 2017

Results
twelve months
/
2017

Legal notice

Disclaimer

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation of financial results of the 2017 fiscal year. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.

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

Except for the financial information included in this document (which has been extracted from the annual financial statements of Iberdrola, S.A. corresponding to the fiscal year ended on 31 December 2017, as audited by KPMG Auditores, S.L.), the information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

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

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

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

Important Information

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

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

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

This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the consolidated financial results of Iberdrola, S.A. and was prepared and is presented in accordance with the International Financial Reporting Standards ("IFRS"). This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. ("Avangrid") or Avangrid's financial results. Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid's financial results. For information regarding Avangrid's financial results for the 2017 fiscal year, please see the press release Avangrid issued on 20 February 2018, which is available on its investor relations website at www.avangrid.com and the Securities and Exchange Commission ("SEC") website at www.sec.gov.

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

This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Neoenergia S.A. ("Neoenergia") or Neoenergia's financial results. Neither Neoenergia nor its subsidiaries assume responsibility for the information presented herein. For information regarding Neoenergia's financial results for the 2017 fiscal year, please see the press release Neoenergia issued on 19 February 2018, which is available on its investor relations website at www.ri.neoenergia.com and the Brazilian Comissão de Valores Mobiliários ("CVM") website at www.cvm.gov.br.

Forward-looking statements

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

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

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

Index



1. Core Business figures	4
2. Operating highlights for the period	12
3. Operational performance for the period	16
4. Analysis of the consolidated profit and loss account	30
5. Results by business	36
6. Balance Sheet	44
7. Analysis	44
8. Financial	54
9. Statements	54
10. Tables	54
Balance Sheet	55
Equity and Liabilities	56
Profit and Loss	57
Results by Business	58
Networks Business	59
Generation and Supply Business	60
Renewables Business	61
Quarterly Results	62
Statement of Origin and Use of Funds	63
11. Stock Market Evolution	64
12. Regulation	66
13. Iberdrola and Sustainability	76
14. Glossary of terms	94



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

Networks

		December 2017	December 2016	
RAB (Local currency)				
Spain	(EUR MM)	9.5	9.5	
United Kingdom	(GBP MM)	6.0	5.7	
United States	(USD MM)	9.1	8.7	
Brazil *	(BRL MM)	15.9	14.9	
Distributed Electricity				
		12M 2017	12M 2016	vs. 2016
ELECTRICITY (GWh)				
Spain		93,284	92,307	1.1%
United Kingdom		34,967	35,734	-2.1%
United States		38,349	39,120	-2.0%
Brazil *		63,522	62,759	1.2%
Total		230,122	229,920	0.1%
GAS (GWh)				
United States		59,880	59,585	0.5%
Total		59,880	59,585	0.5%
Managed supply points				
		12M 2017	12M 2016	vs. 2016
ELECTRICITY (Millions)				
Spain		10.97	10.90	0.6%
United Kingdom		3.52	3.52	0.1%
United States		2.23	2.20	1.2%
Brazil *		13.61	13.42	1.4%
Total		30.32	30.04	1.0%
GAS (Millions)				
United States		1.02	1.01	0.4%
Total		1.02	1.01	0.4%
TOTAL SUPPLY POINTS		31.34	31.05	0.9%

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

*Includes 100% of Neoenergia

Generation business and Customers

	12M 2017	12M 2016	vs. 2016
TOTAL GROUP			
Net Production (GWh)	137,632	142,466	-3.4%
Renewables	50,745	56,443	-10.1%
Onshore	33,878	32,162	5.3%
Offshore	821	728	12.7%
Hydro	15,320	22,597	-32.2%
Minihydro	394	686	-42.6%
Solar and others	333	270	23.6%
Nuclear	23,249	24,381	-4.6%
Gas combined cycle	54,144	50,892	6.4%
Cogeneration	6,853	6,947	-1.4%
Coal (*)	2,642	3,803	-30.5%
Installed Capacity (MW)	48,447	47,049	3.0%
Renewables	29,112	27,813	4.7%
Onshore	15,533	14,820	4.8%
Offshore	544	194	180.0%
Hydro	12,513	12,378	1.1%
Minihydro	303	302	0.6%
Solar and others	219	120	82.8%
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	13,985	13,637	2.6%
Cogeneration	1,299	1,315	-1.3%
Coal	874	874	-
Electricity customers (No mill.)	13.24	13.34	-0.8%
Gas customers (No mill.)	3.02	3.08	-1.9%
Gas Supplies (GWh)	62,130	67,840	-8.4%
Gas Storage (bcm)	2.55	2.55	0.2%

Note: Longanet closure at the end of March 2016

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

Includes 100% of Neoenergia

	12M 2017	12M 2016	vs. 2016
SPAIN			
Net Production (GWh)	51,897	62,783	-17.3%
Renewables	19,587	30,319	-35.4%
Onshore	11,216	11,236	-0.2%
Hydro	7,903	18,325	-56.9%
Minihydro	394	686	-42.6%
Solar and others	74	71	4.6%
Nuclear	23,249	24,381	-4.6%
Gas combined cycle	3,812	3,709	2.8%
Cogeneration	2,607	2,290	13.9%
Coal	2,642	2,084	26.8%
Installed Capacity (MW)	25,934	26,161	-0.9%
Renewables	15,821	15,819	-
Onshore	5,752	5,752	-
Hydro	9,715	9,715	-
Minihydro	303	302	0.6%
Solar and others	50	50	-
Nuclear	3,177	3,410	-6.8%
Gas combined cycle	5,695	5,695	0.0%
Cogeneration	368	364	1.0%
Coal	874	874	0.0%
Electricity customers (No mill.)	10,17	10,23	-0.7%
Gas customers (No mill.)	0,99	0,94	5.4%
Gas Supplies (GWh)	16,891	17,901	-5.6%
Users	7,926	8,753	-9.4%
Gas Combined Cycle	8,965	9,148	-2.0%

	12M 2017	12M 2016	vs. 2016
UNITED KINGDOM			
Net Production (GWh)	12,139	13,748	-11.7%
Renewables	4,880	3,688	32.3%
Onshore	3,358	2,370	41.7%
Offshore	820	728	12.7%
Hydro	701	590	18.9%
Gas combined cycle	7,260	8,341	-13.0%
Cogeneration	-	-	-
Coal (*)	-	1,719	N/A
Installed Capacity (MW)	4,667	4,573	2.1%
Renewables	2,666	2,572	3.7%
Onshore	1,906	1,812	5.2%
Offshore	194	194	-
Hydro	566	566	-
Gas combined cycle	2,000	2,000	-
Cogeneration	1	1	-
Coal (*)	-	-	-
Electricity customers (No mill.)	3.07	3.19	-3.8%
Gas customers (No mill.)	2.03	2.13	-4.7%
Gas Supplies (GWh)	45,239	49,939	-9.4%
Users	29,514	31,974	-7.7%
Gas Combined Cycle	15,725	17,965	-12.5%
Gas Storage (bcm)	0.11	0.11	4.6%

* Longanet closure at the end of March 2016

	12M 2017	12M 2016	vs. 2016
EE.UU.			
Net Production (GWh)	18,104	17,891	1.2%
Renewables	15,738	15,320	2.7%
Onshore	15,103	14,803	2.0%
Hydro	385	327	17.9%
Solar and others	250	190	31.5%
Gas combined cycle	12	14	-11.7%
Cogeneration	2,354	2,557	-7.9%
Installed Capacity (MW)	7,472	6,880	8.6%
Renewables	6,625	6,035	9.8%
Onshore	6,387	5,853	9.1%
Hydro	118	118	-
Solar and others	119	63	88.3%
Gas combined cycle	212	209	1.1%
Cogeneration	636	636	-
Gas Storage (bcm)	2.44	2.44	-

	12M 2017	12M 2016	vs. 2016
MEXICO			
Net Production (GWh)	41,866	37,569	11.4%
Renewables	963	1,119	-13.9%
Onshore	963	1,119	-13.9%
Gas combined cycle	39,103	34,795	12.4%
Cogeneration	1,800	1,654	8.8%
Installed Capacity (MW)	6,250	5,804	7.7%
Renewables	410	367	11.7%
Onshore	367	367	-
Solar and others	43	-	N/A
Gas combined cycle	5,546	5,200	6.7%
Cogeneration	294	237	24.1%

	12M 2017	12M 2016	vs. 2016
BRAZIL (**)			
Net Production (GWh)	12,243	9,038	35.5%
Renewables	8,195	4,559	79.8%
Onshore	1,865	1,204	55.0%
Hydro	6,330	3,355	88.7%
Gas combined cycle	3,957	4,033	-1.9%
Cogeneration	91	446	-79.7%
Installed Capacity (MW)	3,162	3,009	5.1%
Renewables	2,629	2,399	9.6%
Onshore	516	421	22.4%
Hydro	2,113	1,978	6.8%
Gas combined cycle	533	533	-
Cogeneration	-	77	N/A

** Includes 100% of Neoenergia

	12M 2017	12M 2016	vs. 2016
REST OF THE WORLD			
Net Production (GWh)	1,382	1,437	-3.9%
Renewables	1,382	1,437	-3.9%
Onshore	1,373	1,429	-3.9%
Offshore	-	-	-
Solar and others	9	9	-
Installed Capacity (MW)	961	621	54.7%
Renewables	961	621	54.7%
Onshore	605	615	-1.6%
Offshore	350	-	N/A
Solar and others	6	6	-

Stock Market Data

		12M 2017	12M 2016
Market capitalisation	EUR MM	40,811.2	39,661.2
Earnings per share (6,362,079,000 shares at 12/31/16 and 6,317,515,000 shares, at 12/31/17)	€	0.44	0.43
Net operating cash flow per share	€	1.026	0.992
P.E.R.	Times	14.55	14.66
Price/Book value (capitalisation to NBV at the end of the period)	Times	0.95	0.97

Economic/Financial Data*

Income Statement		12M 2017	12M 2016
Revenues	EUR (MM)	31,263.3	28,759.1
Gross Margin	EUR (MM)	13,363.8	12,935.4
EBITDA	EUR (MM)	7,318.7	7,933.7
EBIT	EUR (MM)	2,712.6	4,685.9
Net Profit	EUR (MM)	2,804.0	2,705.0
Net Operating Expenses / Gross Margin	%	31.21%	26.79%

Balance Sheet

		December 2017	December 2016
Total Assets	EUR (MM)	110,689	106,706
Adjusted Shareholders' Equity	EUR (MM)	42,774	40,871
Adjusted Net Financial Debt ⁽¹⁾	EUR (MM)	32,856	29,230
ROE	%	7.8%	7.3%
Adjusted Financial Leverage ⁽²⁾	%	43.4%	41.7%
Adjusted Net Financial Debt / Adjusted Equity	%	76.8%	71.5%

Others

		December 2017	December 2016
Investments	EUR (MM)	5,890.9	4,264.3
Employees	No.	33,772	26,396

Credit rating of Iberdrola Senior Debt

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

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

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

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

2

Operating highlights for the period

Global context and general considerations

During 2017, the international commodities markets evolved as follows:

- The average price of Brent oil is USD 54.3 per barrel compared with USD 43.7 per barrel in the same period of last year (+24%).
- The average price of gas (TTF) over the period dropped to 17.4 EUR/MWh, compared with 14.0 EUR/MWh in 2016 (+24%).
- The average price of API2 coal is USD 84.5/t, compared with USD 59.8/mt (+41%) last year.
- The average cost of CO₂ rights is at EUR 5.8/mt compared with EUR 5.3/mt in 2016 (+9%).

As to the main **reference currencies** of Iberdrola, the average evolution against the Euro during 2017 has been as follows:

- The Pound Sterling depreciated by 7.1%.
- The US Dollar depreciated by 1.9%.
- The Brazilian Real appreciated by 6.7%.

As regards **electrical demand and production** for the period in the company's main business areas:

- In Spain, the period has been characterised by a significant drop in hydroelectric production (-48.9%), and lower nuclear production (-0.9%). Production with the rest of renewable technologies, with coal and gas stations, has offset the aforementioned drops, with increases of 1.8%, 21% and 31.8% respectively. Electrical demand grew by 1.1% compared to 2016, although in terms adjusted to number of working days and temperature it grew by 1.6%.
- In the United Kingdom, electricity demand dropped by -1.7% compared to 2016. Customers' gas demand (does not include generation consumption) also dropped by -3.1%.
- In Avangrid's area of influence on the East Coast of the US, electricity demand dropped by 2.0%, whereas gas demand increased by 0.5% compared to 2016.
- As for demand in Iberdrola's area of influence in Brazil, it grew by 1.2%.

Relevant events of the Iberdrola Group

The main event of the period was that on 24 August, having obtained the approval from ANEEL (*Agência Nacional de Energia Elétrica*), the BNDES (*Banco Nacional de Desenvolvimento Econômico e Social*) and CADE (*Conselho Administrativo de Defesa Econômica*), the integration between Elektro and **Neoenergia** was completed, by which Neoenergia incorporates Elektro's activity and business, creating a leading utility company in Brazil and Latin America, focused on the Networks and Renewables businesses. Following this operation, Iberdrola owns a 52.45% stake in the resulting company, which has 13.6 million supply points, 585,000 km. of distribution network and more than 3,500 MW of capacity under contract, in operation and under construction, mainly in renewable energies. The transaction has been carried out maintaining the Group's financial solidity: with no cash component, and no capital increase, and strengthening our position in an already known company. At close of December, Neoenergia contributed EUR 562 million to the Gross Margin and EUR 289 million to the EBITDA.

In addition, the results for 2017 have been affected by a series of **non-recurring impacts**, both negative and positive, with a joint impact on the Net Profit of EUR 1,455 million and EUR 1,544 million, respectively.

The positive non-recurring factors are:

- The fiscal reform approved in the United States has implied a non-recurring positive impact of EUR 1,284 million at Net Profit level. The Company has taken advantage of said extraordinary impact to carry out measures that will improve the Company's business profile, such as the write-off of the gas business in the United States, after considering this business as being available for sale, and the implementation of efficiency plans recorded under the Net Operating Expenses item.
- The non-recurrent effect of the merger operation of Gamesa and Siemens contributes EUR 251 million to the Net Profit.

The negative impacts are brought about by:

- Extremely complicated operating conditions in Spain, which has suffered one of the driest years recorded (there has been a 10.4 TWh drop in production on last year).
- The Generation and Supply business in the United Kingdom has been affected by very mild weather which has led to a drop in demand, operating issues and non-recurrent default cases.
- Storm in the US affecting in EUR 109 million with no impact in US GAAP.
- Discontinuation of the Iberdrola Ingeniería business, whose results are now reported under companies consolidated by the equity method, with losses of more than EUR 200 million.
- The exchange-rate impact is EUR -186.4 million at Ebitda level.

As regards the main items of the **Profit and Loss Account**, these have evolved as follows:

EUR Million	12M 2017	Vs 12M 2016
GROSS MARGIN	13,363.8	3.3%
EBITDA	7,318.7	-7.8%
EBIT	2,712.6	-42.1%
NET PROFIT	2,804.0	3.7%

Consolidated **EBITDA** drops by 7.8% to EUR 7,318.7 million, with a good performance of the Networks business thanks to the United States and Brazil (positively affected by the incorporation of Neoenergía) and the generation contracts in Mexico, which are exceeded by the negative effect of the weather conditions in Spain and the evolution of the liberalised market in the United Kingdom. Furthermore, this item is affected by a greater Net Operating Expense resulting from the mentioned efficiency plans (EUR 203 million).

Net Profit increased by 3.7% to EUR 2,804.0 million, affected by many non-recurring elements, as has been mentioned previously.

As regards the **financial magnitudes** of the period, the following is worthy of note:

- Adjusted Net Financial Debt* is at EUR 32,856 million, mainly due to the integration of Neoenergía and the investments undertaken in 2017. As a result, adjusted financial leverage increased to 43.4% compared to 42% at 31 December 2016.
- Neoenergía's contribution to the debt amounts to EUR 2,817 million, with the total amount of the debt being consolidated, whereas the group's EBITDA only includes the contribution as from 24 August (EUR 289 million).
- Funds Generated from Operations in 2017 were at EUR 6,479.4 million, an increase of 1.1% compared to the previous year.

Lastly, net **investment** for the period amounts to EUR 5,890.9 million, exceeding by 38.1% that made in the previous year. Of this investment, 88% focused on the Networks, Renewables and long-term generation contracts business.*

* Adjusted using market value of accumulator derivatives over treasury stock

3

Operational performance for the period

1. Distributed energy and supply points

The Group's Regulatory Asset Base (RAB) stood at over EUR 40.5 billion at the close of 2017.

		December 2017	December 2016
RAB (local currency)			
Spain	(EUR billions)	9.5	9.5
United Kingdom	(GBP billions)	6.0	5.7
United States	(USD billions)	9.1	8.7
Brazil *	(BRL billions)	15.9	14.9

During the year 2017, the electrical energy distributed by the Group came to 230,122 GWh, 0.1% more than in 2016, offsetting the drop in the United Kingdom and the United States with the growth in Spain and Brazil. Distributed gas (United States) in 2017 was 59,880 GWh, representing a growth of 0.5% compared to 2016.

The Group's total supply points reached 30.3 M in electricity and 1.02 M in gas, with the following breakdown by country:

Supply points managed	2017	2016	vs. 2016
Electricity (Millions)			
Spain	11.0	10.9	0.6%
United Kingdom	3.5	3.5	0.1%
United States	2.2	2.2	1.2%
Brazil	13.6	13.4	1.4%
Total Electricity	30.3	30.0	1.0%
Gas (Millions)			
USA	1.0	1.0	0.4%
Total Gas	1.0	1.0	0.4%
Total supply points	31.3	31.1	0.9%

1.1. Spain

At close of December, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.61% increase compared with 2016, and its energy distribution since the beginning of the year totalled 93,284 GWh, a 1.1% increase compared to the previous year.

At the end of December, the SAIDI indicator for Supply Quality stood at 52.7 minutes, having been considered as force majeure the incidents caused by the strong storms that hit Castilla La Mancha, the Region of Valencia and Murcia during the month of January, which caused numerous issues.

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

Year	SAIDI	SAIFI
2015	61.81	1.20
2016	54.07	1.04
2017	52.70	1.14

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 (2017)	Total	Voltage				
		Very High	High	Medium	Low	
Lines	Overhead (km) ⁽¹⁾	272.5	-36.3	45.6	-28.5	291.7
	Underground (km)	722.1	4.1	8.5	321.7	387.8
Substations	Transformers (units)	18	16	0	2	
	Capacity increase (MVA)	1,816	1,689	82	45	
	Substations (units) ⁽²⁾	6				
Secondary substations	Secondary substations (units)	503				
	Capacity increase (MVA)	216.9				

- (1) Reduction in km of HV lines by substitution with VHV lines (some owned by REE) and, in addition, VHV/HV transformation is being replaced by VHV/MV, resulting in the elimination of some HV circuits. In June 2017, in the province of Valencia, the transformation works on 132kV to 220kV lines connecting the substations of Catadau, Valle del Cárcer, Valldigna and Gandia were completed, becoming part of the Transmission Network.
- (2) New substations commissioned during 2017: Carril (380 kV) in Murcia, Tobarra 132 kV in Albacete, Mudarra Iberdrola 220 kV in Valladolid, Nagalte (132kV) in Murcia, ST Armuña (132kV) in Salamanca and ST Murcia (220kV) in Murcia.

Within the smart network STAR project, Iberdrola has exceeded the figure of 10 million digital meters installed, and the infrastructure supporting them has been adapted to smart networks, which implies the modernisation of 97.7% of the company's meters in Spain. Furthermore, around 73,809 transformer substations distributed across the Spanish territory have been adapted, and now include remote management, supervision and automation capacities. According to the CNMC report of 23 February 2017, monitoring the effective integration of smart meters in Spain, Iberdrola is the leading distributor in quality remote management reading.

1.2. United Kingdom

On 31 December, Scottish Power Energy Networks (SPEN) surpassed 3.52 million supply points. The volume of energy distributed during 2017 was 34,967 GWh, down 3.2% from the same period of 2016, mainly on the back of mild winter temperatures (-1.5% adjusted for working days and temperature).

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

Customer Minutes Lost (CML) was as follows:

CML (min)	2017	2016
Scottish Power Distribution (SPD)	29.4	30.7
Scottish Power Manweb (SPM)	33.2	37.2

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

CI (n° of interruptions)	2017	2016
Scottish Power Distribution (SPD)	40.7	45.3
Scottish Power Manweb (SPM)	29.6	38.9

In the United Kingdom, the Western Link continuous current cable was commissioned, linking Scotland with Wales and England. The double-circuit will be available in 2018.

In addition, the Smart Meter Plan was launched in the United Kingdom in 2016. Currently, there are more than 738,000 smart meters installed and the rate of automation continues to increase, exceeding the commitment established by the British regulatory body Ofgem.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of 2017, Avangrid Networks had 2.2 million electricity supply points. Distributed electrical energy throughout the year came to 38.349 GWh, dropping by 2% compared to the previous year due to the mild temperatures.

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

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

CAIDI (h)	2017	2016
Central Maine Power (CMP)	1.86	1.89
NY State Electric & Gas (NYSEG)	2.06	2.02
Rochester Gas & Electric (RGE)	1.77	1.79

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

SAIDI (min)	2017	2016
United Illuminating Company (UI)	33.5	4.70

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

SAIFI	2017	2016
Central Maine Power (CMP)	1.81	1.89
NY State Electric & Gas (NYSEG)	1.18	1.19
Rochester Gas & Electric (RGE)	0.59	0.58
United Illuminating Company (UI)	0.41	0.53

1.3.3 Gas

The number of gas users in the United States is more than one million. In 2017, as at close of December, a total of 59,880 GWh were supplied, which implies 0.5% more than the previous year.

1.4. Brazil

In 2017, the supply points in Brazil exceed 13.6 million. The distributed electricity volume for 2017 was 63,522 GWh, a 1.2% increase compared with the previous year.

Supply quality indicators improve in all companies except for Celpe, which worsens as a result of the strong winds during the months of June, July and December.

The average customer interruption time (*duraco equivalente de interrupco por unidade consumidora, DEC*) was as follows:

DEC (h)	2017	2016
Elektro	7.43	8.24
Coelba	19.83	22.90
Cosern	12.47	13.52
Celpe	16.97	15.80

The average number of customer interruptions (*freqencia equivalente de interrupco por unidade consumidora, FEC*) was as follows:

FEC	2017	2016
Elektro	4.54	4.59
Coelba	8.23	8.79
Cosern	6.43	7.97
Celpe	7.56	7.13

In 2017, Elektro was recognised as the best company in the energy sector for the health and safety in the workplace category, receiving the Eloy Chaves medal awarded by the Brazilian Association of Electricity Companies. Elektro received the award for best company with more than 2,000 employees.

The company was also chosen for the seventh consecutive time as the best company to work at in Brazil. The result was published in an event that brought together more than 2,000 companies. Great Place to Work has created a special category –GPTW

Legends–, where Elektro is included, and which will be a reference category for the companies.

In other news, ANEEL has recognised the effort and progress made in the field of Supply Quality by Celpe and Coelba throughout the year.

Also in 2017, Grupo Neoenenergia was awarded six transport projects in the auctions organised by the Brazilian Electricity Regulatory Agency (ANEEL) in April and December. The projects comprise 3 static compensators, a 500kV substation and more than 1,650 km of line, with an estimated investment of BRL 2.8 billion.

The contracts for the four projects awarded in the April auction were signed on 31 July.

2. Electricity production and customers

At the end of 2017, Iberdrola's installed capacity totalled 48,447 MW, 60% of which from renewable sources:

MW	12M 2017	Vs. 12M 2016
Renewables	29,112	4.7%
Onshore wind	15,533	4.8%
Offshore wind [†]	544	180.0%
Hydroelectric	12,513	1.1%
Minihydro	303	0.6%
Solar and others	219	82.8%
Nuclear	3,177	-6.8%
Gas combined cycle	13,985	2.6%
Cogeneration	1,299	-1.3%
Coal*	874	-
Total	48,447	3.0%

Note: Includes 100% of Neoenergia

* Closure of Longannet in March 2016

Net electricity production during the period was 137,632 GWh, with 36.9% derived from renewable sources:

GWh	12M 2017	Vs. 12M 2016
Renewables	50,745	-10.1%
Onshore wind	33,878	5.3%
Offshore wind	821	12.7%
Hydroelectric	15,320	-32.2%
Minihydro	394	-42.6%
Solar and others	333	23.6%
Nuclear	23,249	-4.6%
Gas combined cycles	54,144	6.4%
Cogeneration	6,853	-1.4%
Coal	2,642	-30.5%
Total	137,632	-3.4%

* Includes 100% of Neoenergia

2.1 Spain and Portugal

Spanish mainland Energy Production for 2017 is characterised by a significant increase in thermal production compared to the previous year (+26%), mainly as a result of the strong drop in hydroelectric production (-47%), given the dry year. Coal production increased by 21% with respect to 2016, and combined cycle production rose by 32%. The rest of production from renewable sources closed the year up by 2% compared to last year, mainly as a result of the greater wind production recorded in the last quarter (+44% compared to the same period of the previous year).

Demand increased by +1.1% compared to 2016, whilst it grew by +1.6% after adjusting for working days and temperature.

Renewable capacity and production

Regarding Iberdrola, at the close of 2017, it had a renewable capacity installed in Spain and Portugal of 15,912 MW, with the following breakdown:

SPAIN AND PORTUGAL	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind (***)	5,600	244	5,844
Hydroelectric	9,715	-	9,715
Mini-hydroelectric	301	2	303
Solar and others	50	-	50
Total capacity(***)	15,666	246	15,912

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

(***) Includes 92MW from Portugal

Of the renewable installed capacity at the end 2017 Iberdrola consolidates 15,666 MW and manages 246 MW through its investee companies.

The construction of the wind farm with a total capacity of 18.4 MW on the island of Tenerife is at the approval stage: Chimiche II.

Renewable production 19,795 GWh, broken down as follows:

SPAIN AND PORTUGAL	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind (***)	10,973	451	11,424
Hydroelectric	7,903	-	7,903
Mini-hydroelectric	390	4	394
Solar and others	74	-	74
Total production	19,340	455	19,795

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional GWh share

(***) Includes 208 GWh in Portugal

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

- Onshore wind production stays in line with 2016 production (-0.2%), with 11,424 GWh produced in 2017.
- Hydroelectric production totalled 7,903 GWh, which means a drop of 56.9% compared to the previous year, given that we have gone from an exceptionally damp year to an exceptionally dry one. As at 31 December 2017, hydroelectric reserve levels were at 29% (equivalent to 3,308 GWh).
- On the other hand, mini-hydro plant production reached 394 GWh, 42.6% less than in the same period of the previous year.

In Portugal, the work carried out in the Tâmega hydroelectric complex stood out. The Tâmega complex, located in the north of Portugal, will consist of three large dams: Alto Tâmega, Daivões and Gouvães. The electric power generation capacity associated with these facilities will amount to 1,158 megawatts (MW). With an investment of EUR 1.5 billion, the facility will generate more than 1,760 GWh of energy per year. The new capacity contributes the equivalent of 6% of the installed capacity in Portugal, being able to prevent the emission of 1 million tons of CO₂ to the atmosphere. The works will continue until 2023. Iberdrola aims to revitalise the surroundings of the project by creating

13,500 jobs and dedicating 50 million euros to social, cultural and environmental actions.

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

Thermal capacity and production

At close of 2017, Iberdrola group's **thermal capacity** in Spain and Portugal totalled 10,114 MW, broken down as follows:

SPAIN	Consolidated installed MW	MW Investee companies (*)	Total
Nuclear	3,166	11	3,177
Gas combined cycles	5,695		5,695
Cogeneration	302	66	368
Coal	874		874
Total capacity	10,037	77	10,114

(*) Includes the proportional MW share

Iberdrola's thermal production for 2017 dropped by -0.5% to 32,310 GWh. The trend broken down by types of technology is as follows:

- Nuclear production reached 23,249 GWh, representing a decline of -4.6%.
- Combined cycle production rose by +2.8% to 3,812 GWh
- Cogeneration plants registered an +13.9% increase in production, which reached 2,607 GWh.
- Coal-fired thermal power stations reached 2,642 GWh, for an increase of +26.8% compared to the previous year.

Of the 32,310 GWh produced, Iberdrola consolidated 31,808 GWh at EBITDA level, with 502 GWh being consolidated by the equity method. The breakdown is as follows:

	GWh Consolidated at EBITDA level	GWh Investee companies (*)	Total
Nuclear	23,167	82	23,249
Gas combined cycles	3,812		3,812
Cogeneration	2,187	420	2,607
Coal	2,642		2,642
Total production	31,808	502	32,310

(*) Includes the proportional MW share

Retail business

As regards retail, as at 31 December 2017, the portfolio managed by Iberdrola reached 16,601,539 contracts. The breakdown is as follows:

	Spain	Portugal	Spain and Portugal
Electricity contracts	10,166,003	148,712	10,314,715
Gas contracts	989,230	10,306	999,536
Contracts for others prod. & serv.	5,142,729	144,559	5,287,288
Total	16,297,962	303,577	16,601,539

By market type they can be split into the following:

	Spain	Portugal	%
Liberalized market	12,751,627	303,577	79%
Last resort	3,546,335		21%
Total	16,297,962	303,577	100%

Iberdrola's electricity sales in 2017 totalled 86,900 GWh, measured at power substation busbars, of which 60,000 GWh were sold on the liberalised market. 9,000 GWh corresponded to energy at the voluntary price for small consumers (PVPC) and 17,900 GWh to other markets.

With regard to gas, in 2017 Iberdrola managed a total gas production of 3.54 bcm, of which 1.52 bcm were sold in wholesale transactions, 0.69 bcm were

sold to end customers and 1.33 bcm went towards electricity production.

2.2. United Kingdom

Renewable capacity and production

At the end of 2017, the renewable capacity installed in the United Kingdom amounted to 2,666 MW, with an increase of 94 MW in wind energy compared with the close of 2016.

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

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

(***) Only includes West of Duddon Sands

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

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

- 146.23 MW completed in 2016: 13.8 MW in May at Ewe Hill Phase 1, 45.06 MW in December at Black Law Ext. Phase 1, 69 MW in October in Dersalloch and 18.37 MW in November in Black Law Ext. Phase 2.
- 88.55 MW during the first half of 2017: 36.8 MW at Ewe Hill Phase 2 and 29.75 MW at Hare Hill Extension, both in February, and 22 MW at Glen App in April.
- In the last quarter of 2017 (October) the last 2.5 MW turbine of the Kilgallioch (239 MW) wind farm was commissioned and entered into commercial operation.

In terms of **renewable production**, this amounted to 4,879 GWh in the United Kingdom with the following breakdown:

UNITED KINGDOM	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Wind	4,152	26	4,178
Onshore wind	3,332	26	3,358
Offshore wind (***)	820	-	820
Hydroelectric	701	-	701
Total production	4,853	26	4,879

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

(***) Only includes West of Duddon Sands

- Onshore wind production reached 3,358 GWh, increasing by 42% compared to the previous year, with a greater average operating capacity (+21%, +311 MW) as well as other effects of the wind.
- Offshore wind production increased by 13%, amounting to 820 GWh.
- Hydroelectric production increased by 19% to 701 GWh, compared to 590 GWh corresponding to the close of 2016.

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

Iberdrola is also developing the **East Anglia projects** in the United Kingdom, in the North Sea.

Regarding East Anglia I (744MW) the manufacturing works are taking place in several locations in Europe; Navantia is manufacturing the offshore substation and 42 jackets on which the turbines will be installed. The first jacket is expected to be completed in October 2018. Lamprell has started manufacturing the remaining 60 jackets, 24 of which will be assembled in Harland & Wolff, in Belfast. Nexans is finishing the design of the details, and will start to produce the sub-sea cabling, and Prysmian has already produced more than 50% of the onshore cabling.

The project is making progress, and the aim is to commence marine works in 2018, starting with the foundations work by van Oord, and continuing with the installation of the marine substation by Seaway Heavy Lifting, and the installation of the marine cabling, for its connection to the onshore substation, by Nexans and DeepOcean. Siemens Gamesa 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 approval was obtained from an environmental point of view for the construction of its 1,200MW capacity, by the Secretary of State for 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 production (CfD: Contract for Difference) to ensure its viability, likely in April 2019.

Thermal capacity and production

In the United Kingdom thermal capacity at the end of December 2017 was of 2,001 MW with the following breakdown:

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

With regard to **production** from **thermal** generation in the United Kingdom, this fell by 13% over the twelve month period of 2017 to 7,259 GWh, compared to 10,060 GWh of the previous year, due to the closure of the Longannet coal-fired plant.

The market share of the generation business in the twelve-month period of 2017 was 5.0%, compared to 5.3 % in the previous year.

Retail business

Regarding retail sales, in the fourth quarter of 2017 customers were sold 21,591 GWh of electricity at power substation busbars and 29,514 GWh of gas, compared with the figures for the last quarter of 2016: 20,951 GWh of electricity and 31.974 GWh of gas.

At 31 December 2017, Scottish Power had 3.1 million electricity customers and 2 million gas customers.

Furthermore, the roll-out of smart meters in the United Kingdom has increased in pace, and now exceeds the commitment established with the British regulator Ofgem, reaching a total accumulated number of 738,184 meters as at 31 December 2017.

2.3. United States (AVANGRID)

Renewable capacity and production

At the end of 2017, the **renewable capacity** installed in the United States totalled 6,177 MW, could be broken down as follows:

	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
USA			
Onshore wind	6,145	242	6,387
Hydroelectric	118	-	118
Solar (PV+TM)	119	-	119
Other	6,382	242	6,624
Total capacity	6,257	161	6,418

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

The Company is present in 21 states, with a total of 6,387 MW of installed onshore wind capacity, of which 242 MW are managed through investee companies, which in December included 50% (81 MW) of the USA Colorado Green JV project, with a total of 162 MW, which are no longer attributable to the company.

The installed capacity has increased by 9.8%, due to the increase in onshore wind capacity, having finished the works on Desert Wind (208 MW), which

has a PPA signed with Amazon in North Carolina, on El Cabo (298 MW) in New Mexico, and in December on the farms of Deerfield (30 MW) in Vermont and Twin Buttes II (75 MW) in Colorado. In California, the commissioning and entry into operation of the Tule wind farm (131.1 MW) is expected to be completed in January.

In September, the works on Montague (200.85 MW) in Oregon started. In addition, in 2017, the construction of a total of 66 MW with photovoltaic technology in Oregon was approved: Gala (56 MW), for which works were concluded in October, with the commissioning, and W'y East (10 MW) for which works will start during the first quarter of 2018. Also approved is the construction of a total of 645 MW with wind technology: Karankawa (286 MW) in Texas, Coyote Ridge (96.7 MW) and Tatanka (96.7 MW) in South Dakota, as well as La Joya (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 for at least +2 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 for at least +1.5 GW of generation projects.

For the Vineyard Wind project, Iberdrola, together with its partner in the project, Copenhagen Infrastructure Partners, took part in December 2017 in a competition organised by the State of Massachusetts, which should lead to the award of energy sale contracts for a capacity of between 400 and 800MW, with the communication regarding the awarded projects expecting to be issued at the end of April 2018. If awarded, the Vineyard Wind project would enter into construction phase in 2019 with the aim of having 400 MW operational before the end of 2021.

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 15,738 GWh, of which 15,343 GWh are consolidated by Iberdrola at EBITDA level and 395 GWh by the equity method.

USA	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind power	14,708	395	15,103
Hydroelectric	385	-	385
Solar and others	250	-	250
Total production	15,343	395	15,738

(*) IFRS11, figures rounded to the nearest unit

(**) Includes the proportional MW share

In terms of trends broken down by technologies:

- Onshore wind production amounted to 15,103 GWh, 2% higher than that recorded in 2016.
- Hydroelectric production increased significantly by 17.9% to 385 GWh compared to 327 GWh in 2016.
- Production of solar power and others (including batteries 86 GWh) increased by 31.5%, to 250 GWh.

2.4. Mexico

Renewable capacity and production

At close of 2017, the renewable capacity installed in Mexico totalled 410 MW, broken down as follows:

MEXICO	MW
Onshore wind	367
Solar and others	43
Total Production	410

The construction of a total of 270 MWn with photovoltaic technology has commenced: Santiago (170 MWn) in San Luis de Potosí and Hermosillo (100 MWn) in Sonora, for which the panel installation already started in the last quarter of the year. Works have also started in Puebla on the Pier project (220.5 MW), a wind technology project.

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

Renewable production generated during the period came to 963 GWh, about 13.9% lower than 2016, due to a lower load factor (-4.8 p.p) than in the same period of 2016, due to worse conditions for wind energy.

Thermal capacity and production

In Mexico, thermal capacity at the end of 2017 was 5,840 MW, broken down as follows:

MEXICO	MW
Gas combined cycles	5,546
Cogeneration	294
Total	5,840

During these 12 months, it is worth noting the entry into commercial operation of the Baja California III (324 MW) plant at the end of January 2017, and the entry into commercial operation of MXL of Monterrey III, providing more than 22 MW extra to the plant for its sale to private customers. During the last quarter of the year, Altamira's cogeneration plant entered into operation. Since 27 December, this plant has been providing steam to Dynasol. As regards the last quarter of 2016, the entry into operation of MXL of Monterrey I and II are especially worthy of note.

The following combined cycle plants are currently in the implementation process:

MEXICO	MW
Escobedo	878
Topolobampo II	911
El Carmen	866
Topolobampo III	779
Total	3,434

The Escobedo combined cycle plant and the Bajío cogeneration plant will be added to the power available for 2018. The cycles of Carmen and Topolobampo II will do the same in 2019, while the combined cycle plant of Topolobampo III will do so in 2020.

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

The electricity sold in Mexico during the last quarter of the year came to 10,223 GWh, up 13.5% on the same quarter of the previous year. These sales, added to previous quarters, consolidate a total of 41,601 GWh for the 12 months of the year, an increase of 13.7 % compared with the same half of the previous year.

2.5. Brazil

Renewable capacity and production

In Brazil, Iberdrola has a renewable capacity of 2,629 MW installed, according to the following breakdown:

BRAZIL	MW
Onshore wind	516
Hydroelectric	2,113
Total Capacity	2,629

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

On 24 August, the integration between Elektro and Neoenergia was completed, with Neoenergia incorporating Elektro's activity and business, and Iberdrola going on to have a majority percentage in the new company as a result of the integration. As a result, Iberdrola goes on to consolidate at EBITDA level the MW that were managed in investee companies, with 150 MW corresponding to the wind farms of Calango I (30 MW), Calango IV (30 MW), Calango V (30 MW), Caetité I (30 MW) and Caetité II (30 MW), installed during 2012 and 2013; 84 MW corresponding to the wind farms of Calango 6 (30 MW), Santana I (30 MW) and Santana II (24 MW), for which installations were completed in 2016, and an additional 94.5 MW corresponding to the wind farms of Canoas (31,5 MW), Lagoa 1 (31.5 MW) and Lagoa 2 (31.5 MW) for which the works of commissioning and commercial operation took place this year.

In addition, nine projects, for a total of 295 MW wind energy, have become the winners of the December 2017 auction.

Regarding renewable production, this amounted to 8,195 GWh during 2017, an increase of 79.7% (55% in onshore wind energy and 89% in hydroelectric energy as a result of the corporate restructuring in the country.

BRAZIL	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Onshore wind	1,197	668	1,865
Hydroelectric	6,330	-	6,330
Total capacity	7,527	668	8,195

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

(**) Up to the date of closure of the merger of Elektro and Neoenergia (24 August). From here, they move to consolidating at EBITDA level

2.6. Rest of the world

Renewable capacity and production

Installed renewable capacity in the rest of the world totalled 869 MW with the following breakdown (included here is the offshore project of **Wiking** (350MW), before considered as part of the United Kingdom):

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

(*) Excluding 92 MW Portugal

There is a 10 MW drop in onshore wind energy, the sale of the company Eolica Lucana in Italy having been made effective in July.

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

In the Baltic sea, Iberdrola has finished installing and commissioning the turbines of the Wiking wind farm, focusing at this time on the activities of connecting the turbines to the grid.

In April 2012, the consortium formed by Iberdrola and the French company EOLE-RES was awarded by the French Government the exclusive rights for the operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 500 MW. The application for the building permit was submitted by the project in October 2015 and was granted in April 2017. This gives way to the pre-FID phase, with the geotechnical studies campaign currently in progress as the first milestone in the construction process.

Onshore wind power is broken down as follows:

Rest of the World	MW
Greece	255
Cyprus	20
Hungary	158
Romania	80
Total	513

In terms of **renewable production** this amounted to 1,174 GWh in 2017 with the following breakdown:

Rest of the World	GWh
Onshore wind (*)	1,165
Solar	9
Total production	1,174

(*) Excludes 208 GWh in Portugal

3. Other aspects

1. Shareholder remuneration

New remuneration formulae charged to financial year 2017

In the last edition of Iberdrola Scrip Dividend, approved by the Board of Directors last November Iberdrola offers four options of shareholder remuneration; three of them through "Iberdrola Scrip Dividend" and a fourth through the traditional cash dividend payment.

Thus, Iberdrola's shareholders were able to choose between:

- Iberdrola Scrip Dividend where, through a capital extension, shareholders receive a right per each share that they may: sell on the market, sell to Iberdrola at a guaranteed fixed price or exchange for free company shares.
- Cash dividend: in this case it is the traditional remuneration formula where the amount is equivalent to the fixed price of the right guaranteed by Iberdrola through the programme "Iberdrola Scrip Dividend".

This last option is especially conceived for non-resident institutional shareholders, although any shareholder can choose one of the four remuneration options or combine them with each other.

Remuneration charged to financial year 2017

Last 29 January 2018, Iberdrola finalised the last edition of its Iberdrola Scrip Dividend programme, corresponding to the dividend on account of financial year 2017.

The amount due, both for those selling their rights to Iberdrola and for those opting for the cash dividend, was EUR 0.14 gross per share, 3.7% more than that paid out in January 2017.

On this occasion, 88% of Iberdrola's share capital opted to receive new company shares.

To meet the results of this edition, Iberdrola will issue 120,859,000 new shares, which means

extending the Company's capital stock by 1.913%, which will be reduced during the year as per the commitment of maintaining the number of shares at 6,240,000,000.



Analysis of the consolidated profit and loss account

The most notable figures for 2017 are as follows:

EUR million	Jan-Dec 2017	Jan-Dec 2016	%
REVENUES	31,263.3	28,759.1	8.7%
GROSS MARGIN	13,363.8	12,935.4	3.3%
EBITDA	7,318.7	7,933.7	-7.8%
EBIT	2,712.6	4,685.9	-42.1%
NET PROFIT	2,804.0	2,705.0	3.7%

The results at the end of the year have been affected by a series of non-recurring impacts, both negative and positive, with a joint impact on the Net Profit of EUR 1,445 million and EUR 1,544 million, respectively.

Firstly, the fiscal reform approved in the United States, that has meant a non-recurring positive impact of EUR 1,284 million at Net Profit level, as a result of three elements registered in different lines of the profit and loss account

- Taxes: EUR 2,026 million of gross impact in deferred taxes, with the rate having dropped from 35% to 21%.
- Provisions: EUR -450 million due to adjusting the value of the renewables business in the United States as a result of the payback period for the tax credits having been extended.
- Minority: EUR -292 million due to the adjustment of the minority interest in Avangrid (18.5%).

The Company has taken advantage of said extraordinary impact to carry out measures that will improve the Company's business profile, such as the implementation of efficiency plans recorded under the Net Operating Expenses item and the write-off of the gas business in the United States, after considering this business as being available for sale.

Other non-recurring factors that have affected the results for 2017 are:

- The non-recurrent effect of the merger of Gamesa and Siemens contributes EUR 251 million to the Net Profit.

- Neoenergía's global consolidation as from 24 August, following the completion of its integration with Elektro, for which Iberdrola now has a 52% stake in the new group. At close of December, Neoenergia contributed EUR 562 million to the Gross Margin and EUR 289 million to the EBITDA. The corporate reorganisation in Brazil entails a surplus of EUR 44 million, registered in the extraordinary results item as a result of marking to market the 39% stake owned by Iberdrola in Neoenergia. Said amount is lower than that considered initially, having made a valuation more in line with market perception..
- Extremely adverse hydrological conditions in Spain, which made hydroelectric production in Spain drop by 10,400 GWh compared to last year.
- The Generation and Supply business in the United Kingdom has been affected by very mild weather which has led to a drop in demand, mostly in gas, together with operating and bad debt problems.
- Discontinuation of the Iberdrola Ingeniería business, whose results are now reported under companies consolidated by the equity method, with an impact of Eur 89 M at Net Profit level.
- Storm costs registered in the United States Networks business.

1. Gross Margin

Gross Margin rose to EUR 13,363.8 million, up by 3.3% compared to last year, given that the consolidation of Neoenergia (EUR 561.9 million) offsets the negative impact of the exchange rate (EUR 186.4 million). This item is affected by a poorer performance of the Generation and Supply business both in Spain, due to a production mix with a greater share of thermal output resulting from lower rainfall in 2017 (-10.4 TWh), and in the United Kingdom, due to a lower production resulting from the closure of Longannet last year, a lower gas demand and higher governmental obligations in electricity.

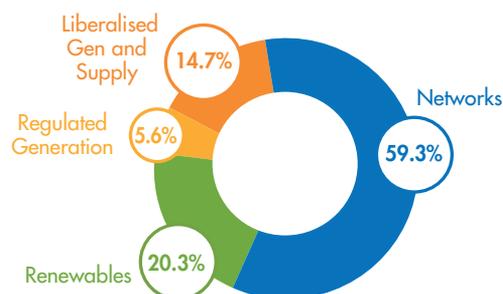
This performance is mainly the result of the following:

- **The Networks business** increased by 10.2% compared to 2016, to EUR 6,786.7 million.

- In Spain it totalled EUR 2,002.9 million (-1.2%), affected by lower incentives, due to including the positive re-settlements of previous financial years in 2016.
- In the United Kingdom it totalled EUR 1,173.6 million (-7.4%) mainly as a result of the depreciation of the pound. This business was also affected by a drop in demand in 2017 due to the weather, the effect of which will be corrected over the next two years, and to re-settlements of previous years for investments that were lower than expected.
- The contribution of the United States for this period was EUR 2,754.0 million (+8.5%), thanks to the new rate cases in force and positive IFRS adjustments.
- Gross Margin in Brazil reached EUR 856.2 million (+160.7%) influenced by the integration of Elektro and Neoenergia which became effective on 24 August. Furthermore, this business was positively affected by the appreciation of the Real, the increase of distributed energy and a positive net impact due to the annual tariff reviews.
- **The Generation and Supply Business** dropped by 8.6% and totalled EUR 4,237.8 million.
 - In Spain, it totalled EUR 2,690.0 million (-12.4%) as a result of a production mix with a greater share of thermal output and a smaller contribution from hydroelectric during the period, offset by the uptick in the results of the gas business (EUR +83 million) after a contract price review.
 - Gross Margin in the United Kingdom was EUR 796.1 million (-20.4%), being negatively affected by the depreciation of the pound (EUR -56 million), lower production due to the closure of Longannet, higher costs of provisioning, increased costs of renewable certificates (ROCs), lower gas sales and narrower profit margins, operating and default costs.
 - Mexico contributed EUR 646.0 million to the gross margin (+26.9%) thanks to the increase in capacity after commissioning the new power

plants for CFE (Baja California, 314 MW) and for private customers (Module V Monterrey, 300 MW; Ramos cogeneration, 53 MW), and also thanks to higher prices resulting from the increase of the CFE tariff.

Gross Margin by business



- **The Renewables business (wind, solar and others)** posted a Gross Margin in EUR 2,326,5 million (+6.7%).
 - In Spain, it totalled EUR 777.1 million (+1.8%) due to the fact that the lower wind production (-0.8%) and a lower regulatory asset than in 2016 as a result of higher market prices are offset by the positive impact of the review of the investment incentive (Rinv).
 - A contribution by the US of EUR 782.8 million (-2.4%) affected by the depreciation of the dollar and by the positive impact of hedging registered in 2016, which are not compensated by the higher production (+2.0%).
 - The United Kingdom posted a 28.0% increase to EUR 493.1 million, driven by a higher wind output, both onshore (+3.2 pp) and offshore (+5.5 pp), and an increase in average operating capacity (+311 MW; +21.1%), despite the depreciation of the pound.
 - Latin America's contribution increased to EUR 148.9 million (+41.3%) with Mexico improving

slightly due to higher prices, and Brazil growing due to the consolidation of Neoenergia following the completion of the integration with Elektro in August.

- The Rest of the World contributed EUR 124.6 million (+1.4%) due to a greater production.
- The contribution of **Other Businesses** totalled EUR 53.4 million compared to EUR 5.1 million at close of 2016.

2. Gross Operating Result - EBITDA

Consolidated EBITDA dropped by 7.8% compared to the close of 2016, to EUR 7,318.7 million.

In addition to the already mentioned Gross Margin, Net Operating Expenses increased by 20.3% (EUR 704.6 million) to EUR 4,170.6 million, mainly affected by the consolidation of Neoenergia (EUR 259.3 million), storm-related costs in the United States (EUR 106.5 million) and the efficiency plans carried out (EUR 203 million). Excluding said impacts, Operating Expenses increased by 3.1%.

The Taxes item increased by 22.1% to EUR 1,874.5 million, a result of the accounting in 2016 of EUR 269 million related to favourable rulings in Spain (EUR 8 million from the Ecotax in Catalonia 2014-2016, EUR 119 million from the Regional Supplement and EUR 142 million from the Social Bonus) that affect the year-on-year comparison, as well as the Social Bonus expense corresponding to 2017 recorded in the Liberalised Business as from December 2016, following publication of Royal Decree RDL 7/2016 that imposes its financing on retailers (EUR 68 million). Furthermore, within the Generation and Supply business in the United Kingdom, the Taxes item increased by EUR 30 million, mainly due to the regulatory cost of the Warm Home Discount programme.

3. Net Operating Result - EBIT

EBIT was EUR 2,712.6 million, representing a 42.1% drop compared with 2016, affected by non-recurring write-offs. Excluding these impacts, EBIT fell by 16.7% to EUR 3,905.4 million.

Amortisations and Provisions increased by 41.8%, totalling EUR 4,606.1 million:

- Amortisations rose by 3.5% to EUR 3,183.6 million, positively affected by the exchange rate and the extension of the useful life of combined cycle plants from 35 to 40 years, and of hydroelectric plant electromechanical equipment from 35 to 50 years, partially offsetting the higher amortisation charges stemming from the increase in the group's activity and the consolidation of Neoenergia.
- Provisions totalled EUR 1,422.5 million, compared to EUR 173.1 million accounted in 2016, as a result of the write-off of the gas business in United States (EUR 743 million) and the adjustment of the value of the renewables business in that country following the fiscal reform (EUR 450 million).

4 Financial Result

The net financial result was EUR -937.1 million, compared to EUR -903.4 million a year earlier, mainly due to the consolidation of Neoenergia.

- The average cost of debt in comparable terms (not including Neoenergia) dropped to 2.99% (50 b.p. lower than last year), which has contributed to improving the result by EUR 65.6 million.
- The result of derivatives and exchange differences worsened largely due to the valuation in foreign currency hedges to protect net profit (extraordinarily high in GBP for 2016). On the other hand, several non-recurring contingencies (primarily interest on arrears recognised in legal decisions) result in greater financial revenue. The net impact of both effects is EUR -13.6 million.
- The contribution to the financial result of the integration of Neoenergia on 24 August totals a net expenditure of EUR 85.7 million.

	12M 2017	12M 2016	Diff
Debt Result	-920.1	-985.7	+65.6
Derivatives and exchange differences	68.7	82.2	-13.6
Neoenergy	-85.7	-	-85.7
Financial result	-937.1	-903.4	-33.7

5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method item reached EUR -281.7 million, compared to EUR -53.4 million in 2016, affected by the fact that since 24 August Neoenergia has gone on to consolidate globally rather than by the equity method, as well as by the discontinuation of the Iberdrola Ingeniería business, which is now reported in this item and with losses of Eur -138 M vs. 2016, and by the worse results of Gamesa (Eur -47 M vs. 2016).

6. Income from Non-Current Assets

Income from Non-Current Assets amounts to EUR 279.1 million compared to EUR 48.7 million in financial year 2016, thanks to the merger between Gamesa and Siemens Wind, which has provided EUR 251 million, including EUR 198 million corresponding to the extraordinary merger dividend (collected on 11 April), as well as the corporate reorganisation in Brazil, given that the initial 39% stake that Iberdrola had in Neoenergia must be marked to market, which entails a surplus of EUR 44 million.

7. Net Profit

Lastly, Net Profit came to EUR 2,804.0 million, representing an increase of 3.7% compared to that obtained in 2016, thanks to the impact of the fiscal reform in the United States (Eur 2,026 M at the corporate taxes level) driving total amount of taxes from Eur -935.2 M in 2016 to Eur +1,397.1 M in 2017.



Results

by business

1. Networks business

The key figures for the Networks business are as follows:

(EUR million)	12M 2017 vs.	12M 2016
Revenues	10,694.1	21.4%
Gross margin	6,786.7	10.2%
EBITDA	4,228.1	3.6%
EBIT	2,659.7	0.4%

The Networks business increased its contribution to the Gross Margin by EUR 626 million (+10.2%), supported by the improvement of USA Networks (+8.5%) and the incorporation of Brazil (+160.7%) which offset a worse performance in the United Kingdom, mainly due to the exchange rate, and in Spain, due to lower incentives in 2017.

1.1 Spain

(EUR million)	12M 2017 vs.	12M 2016
Revenues	2,017.2	-1.6%
Gross margin	2,002.9	-1.2%
EBITDA	1,519.5	-5.2%
EBIT	1,001.3	-9.0%

a) Gross Margin

Gross Margin for the Networks Business in Spain dropped by 1.2% to EUR 2,002.9 million, mainly due to lower incentives (EUR -16 million) during 2017, as a result of having recognised last year positive re-settlements of previous financial years.

b) Operating Profit / EBIT

EBITDA in this Business amounted to EUR 1,519.5 million, representing a 5.2% drop. Net Operating Expenses increased by 16.5% to EUR 394 million, mainly due to the efficiency plan. EBITDA adjusted by said efficiency plan dropped by 0.7%.

EBIT for the Networks business in Spain totalled EUR 1,001.3 million (-9,0%). Amortisations and Provisions amounted to EUR 518.2 million (+3.1%), due to the new assets commissioned

1.2 United Kingdom

(EUR million)	12M 2017 vs.	12M 2016
Revenues	1,222.0	-7.4%
Gross margin	1,173.6	-7.4%
EBITDA	886.1	-9.2%
EBIT	603.0	-12.9%

a) Gross Margin

The Gross Margin for the Networks business in the United Kingdom (ScottishPower Energy Networks-SPEN) totalled EUR 1,173.6 million (-7.4%), negatively affected by the depreciation of the pound, which accounts for a drop of EUR 83 million (in local currency, the Gross Margin dropped by 0.8%), the lower volume of energy distributed due to warmer temperatures in 2017, and the re-settlement of previous years due to lower investment.

b) Operating Profit / EBIT

EBITDA totalled EUR 886.1 million (-9.2%; -2.8% in local currency), with Net Operating Expenses dropping by 1% to EUR 185.6 million due to the exchange rate, whereas in local currency they increased by 6%, affected by greater provisions associated to the efficiency plan. Taxes dropped by 1.2% to EUR 101.9 million, also affected by the exchange rate.

Amortisations and Provisions totalled EUR 283 million (-0.3%) mainly due to the change in the exchange rate, given that in local currency amortisation and provisions increased by EUR 19.2 million (+6.8%), due to the new assets commissioned.

1.3 United States-AVANGRID

(EUR million)	12M 2017	vs. 12M 2016
Revenues	4,083.2	2.6%
Gross margin	2,754.0	8.5%
EBITDA	1,334.0	5.1%
EBIT	778.6	6.7%

a) Gross Margin

The Gross Margin increased by 8.5% to EUR 2,754.0 million, thanks to the new rate cases in force in New York and Connecticut (EUR +108 million), as well as for positive IFRS adjustments despite the depreciation of the dollar (EUR -53 million).

b) Operating Profit / EBIT

EBITDA increased by 5.1% to EUR 1,334.0 million. In addition to the Gross Margin evolution, there were Net Operating Expenses of EUR 975.6 million, that increased by 18.9% affected by the excess costs of the storms in New York and Maine (EUR 109 million which do not have an impact under US GAAP). For its part, the taxes item dropped by 0.5% (+1.4% in local currency due to the tax increase).

EBIT was at EUR 778.6 million (+6.7%), after deducting the Amortisations and Provisions item, which accounts for EUR 555.4 million and which increased by 2.8% (4.8% in local currency) due to the increase in the provisions for insolvencies.

1.4. Brazil

EUR million	12M 2017	vs. 12M 2016
Revenues	3,371.7	131.2%
Gross margin	856.2	160.7%
EBITDA	488.5	109.9%
EBIT	276.8	118.0%

Since 24 August 2017, Neoenergia consolidates globally, following the completion of its integration of its business with Elektro. As a consequence of the operation, Iberdrola now owns 52% of the resulting company. At close of 2017, the consolidation of Neoenergia without the exchange rate effect contributes EUR 451.7 million to the Networks business at Gross Margin level, and EUR 223.4 million at EBITDA level.

a) Gross Margin

The Gross Margin reached EUR 856.2 million (+160.7%) at the end of 2017, of which EUR 57.6 million are due to the appreciation of the Real and EUR 470.2 million are due to the evolution of the business itself, thanks to the integration of both companies, the increase of distributed energy (+1.2%) and the positive impact of the tariff review in Elektro.

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 488.5 million – a 109.9% improvement.

Net Operating Expenses totalled EUR 366.6 million, and increased with regard to 2016 due to the appreciation of the Brazilian Real and the company reorganisation (EUR 227.9 million, excluding the exchange rate).

Amortisations and Provisions totalled EUR 211.7 million (+100.2%), also affected by the exchange rate (EUR 14.2 million) and the consolidation of Neoenergia.

As a consequence of this, EBIT was at EUR 276.8 million (+118%).

2. Generation and supply business

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

(EUR million)	12M 2017	vs.	12M 2016
Revenues	19,484.8		4.1%
Gross margin	4,237.8		-8.6%
EBITDA	1,600.6		-29.0%
EBIT	(33.1)		-102.5%

The Generation and Supply business dropped its contribution to the Gross Margin (-8.6%) mainly due to the lower hydroelectric production and higher taxes in Spain, the result of the favourable decisions obtained in 2016 (Ecotax in Catalonia 2014-2016 and Regional Supplement 2012-2013) and the accounting of the Social Bonus under this business as from December 2016, together with a weak performance of the British business. All of the above factors could not be offset by the decent performance of Mexican operations or by the consolidation of Neoenergia in Brazil

2.1 Spain

(EUR million)	12M 2017	vs.	12M 2016
Revenues	12,079.3		1.7%
Gross margin	2,690.0		-12.4%
EBITDA	901.9		-40.7%
EBIT	403.2		-59.1%

a) Gross Margin

Iberdrola's Generation and Supply business in Spain recorded a 12.4% drop in its Gross Margin to EUR 2,690.0 million. The following can be highlighted:

- A 20.8% decline in output caused by the drop in hydroelectric (-56.9%, -10.4 TWh less than in 2016) and nuclear (-4.6%) output, which could not be offset by the combined gas cycles, cogeneration and coal-fired output. As a result of this generation

mix, the supply cost rose by 6.6%, absorbing the higher prices and uptick in sales.

- Greater commercial activity due to a greater sales volume in electricity as well as products and services.
- Positive impact of the gas business compared to 2016 (EUR +83 million), due to the price review of our portfolio of supply agreements

b) Operating Profit / EBIT

EBITDA decreased by 40.7% to EUR 901.9 million. Operating Expenses increased by 10.0% to EUR 873.3 million, affected by the efficiency plans.

Additionally, the taxes item increased by 20.9% to EUR 914.8 million, as a result of the accounting in 2016 of the favourable decisions of the Ecotax in Catalonia 2014-2016 (EUR 8 million) and the Regional Supplement 2012-2013 (EUR 103 million). The Social Bonus started to be recognised under this business as from 2016 (previously it was recognised under Corporation), following the enactment of RDL 7/2016, which requires sellers to fund the subsidy, which implies a higher expenditure of EUR 68 million compared to last year.

The Amortisations and Provisions item dropped by 6.6% to EUR 498.7 million, the result of the extension of the useful life of the gas combined cycle plants (from 35 to 40 years) and of the electromechanical equipment of the hydroelectric power installations (from 35 to 50 years).

As a result of all of the above, EBIT recorded a drop of 59.1% compared to the same period of 2016, reaching EUR 403.2 million.

2.2. United Kingdom

(EUR million)	12M 2017	vs.	12M 2016
Revenues	4,875.3		-10.8%
Gross margin	796.1		-20.4%
EBITDA	139.1		-52.6%
EBIT	(104.7)		N/A

a) Gross Margin

Gross Margin for ScottishPower's Energy Wholesale and Retail business was EUR 796.1 million (-20.4%). In local currency this item decreased by 14.7%.

- The Energy Wholesale business saw its contribution to the Gross Margin decline by -23.6% due to the more limited output of the plants and lower margins on ancillary services and bottleneck management. In both instances, the closure of the Longannet coal-fired power station in March 2016 played a major role.
- The Retail business also reduced its contribution to the Gross Margin by 13.3%:
 - The margin of electricity contribution declined, despite the 10.8% rate rise in April 2017, affected by higher energy costs and, above all, non-energy costs: higher cost of ROCs (+21%) due to a rise in both the unit price and the fact that a large percentage of renewable energy had to be purchased (29.0% in 15/16, 34.8% in 16/17 and 40.9% in 17/18).
 - The gas business also posted poorer results because of narrower margins and volumes (-7.7%) – the latter due to warmer weather during 2017.

b) Operating Profit / EBIT:

EBITDA for the Liberalised Business in the United Kingdom reached EUR 139.1 million (-52.6%), affected by the depreciation of the pound and due to the mentioned evolution of the Gross Margin.

Net Operating Expenses totalled EUR 521.9 million (improving by -11.8%), pared back by a favourable exchange rate and lower costs due to the previously mentioned closure of the Longannet plant, and also

given that the 2016 figure included a fine imposed by Ofgem (EUR -25 million).

Taxes totalled EUR 135.1 million (+18.1%), primarily due to costs associated with the Warm Home Discount (WHD) efficiency programme – costs that were not accrued between April and August 2016 as the renewal conditions for this programme had not been defined.

Amortisations and Provisions amounted to EUR 243.8 million and were down EUR 32.6 million; EUR 17.2 million of which being due to a weakening of the pound against the euro.

As a result, the EBIT level contribution is negative and reaches EUR 104.7 million compared to the positive contribution of EUR 17.2 million during 2016.

2.3 Mexico

(EUR million)	12M 2017	vs.	12M 2016
Revenues	2,315.0		54.9%
Gross margin	646.0		26.9%
EBITDA	525.4		20.5%
EBIT	429.5		27.0%

a) Gross Margin

In Mexico, the Gross Margin reached EUR 646.0 million (+26.9), thanks to the commissioning of new capacity. On the one hand, we should highlight the Baja California combined cycle plant (314 MW), under an IPP (Independent Power Producer) scheme with the Mexican Federal Electricity Commission (CFE), whereas on the other hand, in the supply of power to private customers, the commissioning of Module V of the Monterrey combined cycle plant (300 MW) and the Ramos cogeneration plant (53 MW) also stand out. Additionally, prices have improved due to the evolution of the reference index of the IPP contracts and the increase in the CFE tariff.

b) Operating Profit / EBIT

EBITDA totalled EUR 525.4 million. (+20.5%). Net Operating Expenses were up EUR 46.8 million (+66.0%) to EUR 117.5 million, mainly because of

the higher maintenance costs associated with the new installed capacity. The Amortisations and Provisions item dropped by 2.2% to EUR 95.8 million due to the exchange rate, given that the extension of the useful life of the combined cycles (35 to 40 years) is offset by the increase in amortisations for greater assets in operation.

As a result of the above, the EBIT for the business reached EUR 429.5 million, representing a 27.0% increase compared to last year.

2.4 Brazil

(EUR million)	12M 2017	vs.	12M 2016
Revenues	368.2		71.7
Gross margin	89.2		6.4
EBITDA	60.0		-3.1
EBIT	39.5		-3.2

In the Generation and Supply business, Brazil is affected by the consolidation of Neoenergia which became effective on 24 August.

3. Renewables*

(EUR million)	2017	vs.	2016
Revenues	2,585.3		7.7%
Gross margin	2,326.5		6.7%
EBITDA	1,592.1		6.1%
EBIT	287.8		-59.1%

a) Gross Margin

At the close of 2017, the Gross Margin was at EUR 2,326.5 million, a 6.7% increase compared to last year. As described below, this evolution can be explained mainly by the growth of the result in the United Kingdom due to the greater average operating capacity and the increase in the load factor; as well as by the corporate reorganisation in Brazil, which raises the average operating capacity in that country.

* The Renewables business includes the wind, solar and minihydro business

For its part, the low hydroelectric output in Spain compared to last year is a negative trend in the business.

The main explanatory factors for the variation in the consolidated gross margin show the following evolution.

- The average selling price of renewable output is EUR 67.5/MWh, up 2.8% on the previous year.
- Average operating capacity during the period grew by 5.1% thanks to the increases in the United Kingdom and the United States, and the corporate restructuring in Brazil. This growth drove up production by 4.6% to 33,797 GWh. The average load factor did not undergo significant changes compared to 2016 (-0.5%).
- The consolidated load factor was 25.8%, in line with the value for the previous year, and down from current long-term benchmark values.
 - The wind load factor in Spain did not change with regard to 2016, staying at 22.3%.
 - United States recorded a wind load factor of 29.0%, slightly under the load factor corresponding to the same period last year (-0.9 pp), and lower than expected.
 - As to onshore wind power in the United Kingdom, a load factor of 21.3% was recorded, significantly higher than for the equivalent period in the previous year (+3.2 pp), but still lower than historical averages.
 - For their part, in Mexico and Brazil, both countries with strong wind resources, the load factors reached 30.0% and 46.9% respectively, but with opposite effects in the year-on-year comparison: considerably higher in the case of Brazil (+8,1 pp) and lower in the case of Mexico (-4.8 pp).
 - The Rest of the World (RoW) recorded a load factor of 25.7%, in line with, though slightly higher, than the figure for 2016 (+0.6 pp).
 - The company's first offshore farm, 'West of Duddon Sands' reached a load factor of more than 48%.
 - The construction of the Wiking offshore wind farm (350 MW), in the Batic sea, was completed in 2017.

The trend of the results must be analysed separately for each market in which the Company operates. By business, the gross margin* has been as follows:

- **Wind Energy Spain:** The Gross Margin stood at EUR 729.5 million, up 2.6% despite a slight year-on-year fall in output by 0.3%, offset by the 2.9% increase in the average price.
- **Wind Energy United States:** The Gross Margin dropped by 1.1% to EUR 720.7 million, mainly due to the drop in local currency prices (-1.2%) and the depreciation of the USD (-1.9%), despite the increase in production (+2.0%). This increase is a result of the 5.5% increase in the average operating capacity, which more than offsets the drop in the number of operating hours (-3.4%).
- **Wind United Kingdom - Onshore:** The Gross Margin increased by 33.5% to EUR 375.3 thanks to the increase in production (+42.0%), which is driven both by the growth in the average operating capacity (+21.1%) and by the improvement in wind conditions (+17.2%). This significant increase easily offsets the depreciation of the GBP (-6.5%), given that the price evolution in local currency is practically flat.
- **Wind Energy United Kingdom - Offshore:** The West of Duddon Sands farm has contributed EUR 117.8 million to the gross margin for the period; this figure is 13.3% higher than the figure for 2016 despite the depreciation in the pound. This is a consequence of a higher output than the previous year (+12.7%) and the rise in the sale price in local currency (+7.6%), due to the increase in the price of energy (in the price of the ROC).
- **Wind Energy Mexico:** The wind resource was exceptionally high during the previous financial year. As a result, that and the fact that load factors were below average in 2017 meant that output is down by 13.9% in year-on-year terms, exclusively due to wind power conditions. The price in local currency rose by 22.4% as a result of the increase in commodities prices that form part of the benchmark index (CFE) of the sale contracts under the category of 'self-procurement'. Taking into account all these effects, the gross margin should

be at EUR 71,2 million, exceeding the previous year by 3.4%.

- **Wind Energy Brazil:** Gross Margin increased significantly (+112.6%) to EUR 77 million. This pronounced increase is due to the spike in production in 2017, resulting from an increase in average operating capacity and corporate reorganisation (+55.7%) and from the improvement of wind conditions (+20,5%). In addition, the increase in prices in local currency (+5.8%) and the appreciation of the Brazilian Real have contributed to the result.
- **Wind Energy Rest of the World:** Production increased by 1.1% due to higher load factors, that exceed the slight drop in average operating capacity (-0.8%) due to the divestment in Italy. Prices hardly varied, making the gross margin grow by 1.3% to EUR 122.29 million.
- **Minihydro and Other Renewables:** The Gross Margin is at EUR 67,1 million (-6.1%), as a result of the 43.4% drop in minihydro output, and partially offset by the positive effect in 2017 (approximately EUR 10 million) of the negative re-settlements in 2016 relating to the revenue of 2009-2011 for the thermal solar plant in Puertollano.

b) Operating Profit / EBIT

EBITDA increased by 6.1% to EUR 1,592.1 million. The aforementioned Gross Margin trend (+6.7%) is partially compensated by a 9.1% rise in Net Operating Expenses (with no exchange rate effect) as a result of the non-recurring operating income of EUR 17 million recorded in 2016 the new installed capacity in the United States and the United Kingdom, and the company reorganisation in Brazil. The Amortisations and Provisions item totalled EUR 1,304.4 million, increasing by 63.6% with regard to the previous year. This is mainly due to an increase in expenses for provisions for the deterioration caused by the US fiscal reform to the country's renewable assets as the period to recover tax credits is extended (EUR 203 million). On the other hand, amortisation expenses rise in line with the increase in average installed power (mainly United States and the United Kingdom).

* The average prices referred to in the following paragraphs are calculated as Gross Margin / Output.

Lastly, taking into account all of the above, EBIT reached the figure of EUR 287.8 million. (-59.1%).

4. Other business

(EUR million)	12M 2017	vs.	12M 2016
Revenues	199.3		72.3%
Gross margin	53.4		5.1%
EBITDA	38.8		-7.0%
EBIT	3.0		-14.7%

a) Gross Margin

Gross Margin totalled EUR 53.4 million, 5.1% higher than in 2016 due to the sale of buildings (Hotel Hilton in Barcelona EUR +42.4 M) and improvements in the real estate business.

b) Operating Profit /EBIT

EBITDA totalled EUR 38.8 million. Net Operating Expenses of these businesses amounted to EUR 13.7 million (-20.9%).

Amortisations and Provisions totalled EUR 35.8 million and EBIT was EUR 3.0 million.

5. Corporation

The Corporation item includes the Group's overheads and the cost of administration services of the corporate areas that are subsequently billed to the other companies. Taxes were down in the year-on-year comparison as in 2017 the Social Bonus in Spain was reclassified under the Generation and Supply business.



Balance Sheet

Analysis

January - December 2017

	Dec 2017	vs Dec 2016
TOTAL ASSETS	110,689	3.7%
Fixed assets	64,082	0.4%
Intangible assets	21,148	6.0%
Long-term investments	5,014	28.4%
Shareholders' equity	42,733	5.0%

Iberdrola's Balance Sheet at 31 December 2017 shows Total Assets of EUR 110,689 million. The growth of all the items in the consolidated balance sheet reflects the consolidation of Neoenergía resulting from the integration of that company with Elektro, effective from 24 August 2017.

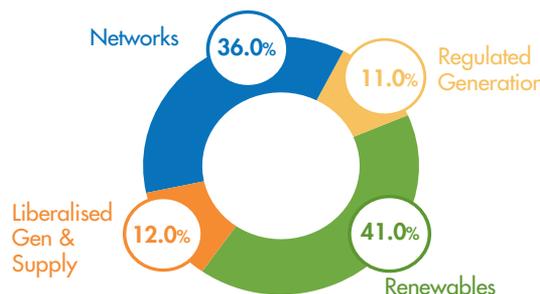
1. Fixed assets

Total net investment for 2017 amounted to EUR 5,890.9 million, 38.1% higher than the investment for 2016. This can be broken down as follows:

M Eur	Jan-Dec 2017	%
Networks business	2,085.6	35.4
Spain	351.6	
UK	560.7	
USA	860.7	
Brazil	312.6	
Generation and supply business	1,322.5	22.5
Spain	350.5	
UK	224.8	
Mexico	693.9	
Brazil	48.3	
USA and Canada	5.0	
Renewables business	2,380.3	40.4
Spain	18.4	
UK	793.1	
USA	857.3	
Brazil	105.4	
Mexico	322.6	
RoW	283.6	
Corporation and Other Businesses	102.5	1.7
Total Net Investment	5,890.9	100%

Investment for the period is concentrated in the Renewables and Networks businesses, in line with our strategy. These two regulated businesses together with the long-term generation contracts in Mexico account for 89% of the total investment for 2017.

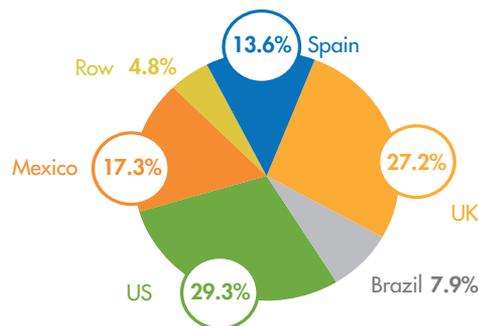
Investments by business* (Jan-Dec 2017)



(* Excluding Corporation and Other Businesses)

The investment made in A-rating countries (US and the United Kingdom) stands out especially. The following figure shows the geographical distribution of the investment during the period.

Investments by geographical areas (Jan-Dec 2017)



(* Wikingær changed from UK to RoW)

Investment in the Renewables business amounted to EUR 2,380.3 million, equivalent to 40.4% of the total. Worthy of note are the EUR 857.3 million invested in the US and EUR 793.1 million in the United Kingdom.

In the section corresponding to the 'Networks Business', most investment was made in the United Kingdom and the US, EUR 560.7 million and EUR 860.7 million respectively.

2. Share capital

Following the implementation of the paid-up capital increase for the Scrip Dividend in July 2017, as at 31 December 2017, Iberdrola's Share Capital amounted to 6,317,515,000 bearer shares, each with a nominal value of EUR 0.75.

Likewise, as a result of the paid-up capital increase on 29 January 2018 for the Scrip Dividend, the company's Share Capital amounts to 6,438,374,000 bearer shares with a nominal value of EUR 0.75 each.

In line with the commitment announced in the 2016-2020 Plan to keep the number of shares stable at 6,240 million, the redemption of 198,374,000 treasury shares (3.08% of the capital) will be proposed in the next General Shareholders' Meeting.

3. Financial Debt

Adjusted net financial debt at 31 December 2017 increased by EUR 3,626 million to EUR 32,856 million compared to EUR 29,230 million at 31 December 2016, mainly as a consequence of the integration of Neoenergía, which entails an increase of EUR 2,817 million, and the investments undertaken in 2017.

As a result, adjusted financial leverage increased to 43.4% compared to 42% at 31 December 2016. However, it dropped by 80 bp compared to the 44.2% recorded in the nine-month period of 2017. Excluding the effect of Neoenergía, the adjusted leverage would be 42.9% at the close on 31 December 2017.

The ratings issued by rating agencies are as follows:

Credit rating of Iberdrola Senior Debt

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

As regards the evolution of the Company's financing cost, at 31 December 2017 it was at 3.18%, 31 bp below 3.49%, which was registered at 31 December 2016. In comparable terms, excluding the impact of Neoenergía, the financing cost has dropped by 50 bp to 2.99%.

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

	Dec 17	Dec 17 (ex. NEO)	Dec 16
Euro	40.9%	44.8%	46.6%
British Pound	20.1%	21.9%	21.4%
Dollar	28.5%	31.1%	30.2%
Brazilian Real and other currencies	10.6%	2.2%	1.9%
Fixed Rate	65.0%	70.9%	62.5%
Variable Rate	35.0%	29.1%	37.3%
Capped Rate	-	-	0.2%

(*) Net Financial Debt including forwards and swaps.

(**) Net Financial Debt including Forwards Start Swaps. (2016: Eur 3,150 Mn; 2017: Eur 3,600 Mn)

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). Furthermore, the weight of the fixed rate debt has increased to 70.9%, in terms comparable to 2016, adding the EUR 3,600 million forward swap already fixed at 31/12/17 (12.0%) to the fixed rate debt.

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

	Dec 17	Dec 17 (ex. NEO)	Dec 16
Corporation	65.9%	73.2%	71.3%
UK	5.9%	6.5%	8.0%
USA	14.2%	15.8%	15.8%
Brazil	12.1%	2.3%	2.6%
Mexico	0.8%	0.9%	1.1%
Others	1.2%	1.3%	1.2%
Total	100.0%	100.0%	100.0%

(*) Gross Financial Debt

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

	Dec 17	Dec 17 (ex. NEO)	Dec 16
Euro Bond	37.7%	42.1%	39.1%
Dollar Bond	17.5%	19.6%	21.4%
British Pound Bond	7.8%	8.8%	10.4%
Remaining bonds	3.7%	0.7%	2.6%
Notes	5.6%	6.2%	4.7%
EIB	7.9%	8.4%	6.0%
Project Finance	1.1%	0.6%	1.1%
Bank loans	18.7%	13.6%	14.7%
Total	100.0%	100.0%	100.0%

(*) Gross Financial Debt.

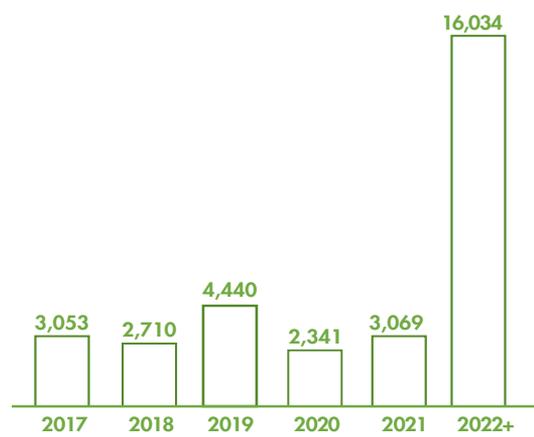
At close of the last quarter, Iberdrola has a strong liquidity position, with a total of EUR 8,616(*) million, equivalent to 24 months of the company's financing needs.

EUR million

Credit Lines Maturity	Available (Ex. Neo)
Total credit line	6,401
Cash and IFT	2,215
Total Adjusted Liquidity^(*)	8,616

(*) Does not include Neoenergia credit lines

Iberdrola has a good debt maturity profile, with approximately 6 years of average life, as a result, among other factors, of the management of liabilities carried out throughout this financial year. The following figure shows the debt maturity profile(*).



(*) Excluding credit lines and Neoenergia
 2019 includes Eur 50 Mn with an extension option for 1+1 years
 2020 includes Eur 975 and 600 Mn with an extension option for 1 year
 2021 includes Eur 350 Mn with an extension option for 1 year

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

	December 2017	December 2017 (proforma: 12 months Neoenergia)	December 2017 (ex. Neo)	December 2016
Adjusted(*) Shareholders' Equity	42,774	42,774	40,273	40,871
Adjusted(*) Gross Financial Debt	37,086	37,086	33,233	31,842
Cash flow	3,261	3,261	2,429	1,493
Derivative assets	969	969	765	1,119
Adjusted(*) Net Financial Debt	32,856	32,856	30,039	29,230
Leverage	43.4%	43.4%	42.7%	41.7%
Funds from Operations (FFO)**/Net Financial Debt	20.2%	21.1%	21.6%	21.6%
Retained Cash Flow (RCF)***/Net Financial Debt	17.3%	18.2%	18.4%	18.9%
Net Financial Debt / Adjusted EBITDA	4.37x	4.06x	4.15x	3.74x

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

(**) FFO = Net Profit + Minority Results + Amort. and Prov. - Profit of Companies consolidated by the Equity Method - Net Non-recurring Results - Financial Prov. Activation + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects: FFO 2017 figures adjusted by Provisions for efficiency plans.

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

4. Working capital

The working capital recorded an increase of EUR 731 million over the last 12 months, as a result of several effects:

- An increase in the balance of commercial debtors by EUR 641 million, which in turn increases the working capital.
- A net increase of working capital by assets held for sale, of EUR 221 million.
- An increase of the short-term provisions by EUR 483 million, which reduces the working capital.
- An increase in working capital by EUR 237 million as a result of the increase in inventories.
- Other effects to a lesser extent.

CURRENT ASSETS	Dec 17	Dec 16	Variation
Assets held for sale	356	-	356
Nuclear Fuel	332	323	9
Inventories	1,870	1,634	237
Commercial debtors and Other accounts receivable	5,856	5,216	641
Current financial investments	601	781	(180)
Asset derivative financial instruments	175	322	(147)
Public Administrations	865	647	218
TOTAL CURRENT ASSETS*:	10,054	8,921	1,133

* Does not include cash or debt asset derivatives

CURRENT LIABILITIES	Dec 17	Dec 16	Variation
Liabilities held for sale	135	-	135
Provisions	627	144	483
Liability derivative financial instruments	136	339	(204)
Commercial creditors and other accounts payable	7,173	7,282	(109)
Public Administrations	1,249	1,152	97
TOTAL CURRENT LIABILITIES**:	9,319	8,917	402

** Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	735	4	731
---------------------------	------------	----------	------------

5. Funds from operations

Funds from Operations as at 31 December 2017 have increased by 1.14% to EUR 6,479.4 million.

	Jan-Dec 2017	Jan-Dec 2016	Variation
Net Profit (+)	2,804.0	2,705.0	99.0
Depreciations (-)	4,606.1	3,247.8	1,358.2
P/L Equity (-)	281.7	53.4	228.3
Extraordinary results (-)	-279.1	-48.7	-230.3
Non-recurring corporate taxes (-)	-1.1	12.0	-13.1
Financial provisions capitalized (-)	158.5	111.5	47.0
Minorities P/L (-)	366.0	137.9	228.1
Adjustment tax deductible items (+) *	179.5	179.5	-
Dividends Equity consolidated subsidiaries (+)	255.5	90.9	164.5
Allocation of capital subsidies to income (-)	-79.8	-82.7	2.8
Tax Reform USA (-)	-2,025.5	-	-2,025.5
Negative fiscal items (non cash) (+)	213.7	-	213.7
FFO	6,479.4	6,406.7	72.8

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

* Cash flow

6. Financial transactions

Main new financing transactions carried out in 2017

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola Finanzas	Private green bond issue	100	EUR	Euribor 3m + 0.67%	7 years
Iberdrola Finanzas	Increase	150	EUR	Euribor 3m + 0.67%	7 years
Iberdrola Finanzas	Private issue	50	EUR	1.667%	12 years
Iberdrola Finanzas	Increase	50	EUR	1.667%	12 years
Iberdrola Financiación *	Bilateral green loan	500	EUR	-	18 months
Iberdrola Finanzas	Green bonds	1,000	EUR	1.00%	8 years
Iberdrola Finanzas	Private issue	60	EUR	1.782%	13 years
Iberdrola Finanzas **	Private issue	1,000	NOK	2.70%	10 years
RG&E	USA bonds market	300	USD	3.10%	10 years
Elektro **	Loan 4131	50	USD	2.315%	3 years
Iberdrola Financiación	EIB loan	500	EUR	-	Up to 7 Years
Elektro	Notes	350	BRL	105% CDI	1 year
Iberdrola Finanzas	Green bonds	750	EUR	1.25%	10 years
Cosern	Debentures infra	370	BRL	IPCA + 4.7%	5 / 7 Years
Iberdrola Financiación	Bilateral loan	300	EUR	-	5 years
Iberdrola ***	Bilateral loan	350	EUR	-	4 years
Iberdrola Financiación ****	Bilateral loan	600	EUR	-	3 years
Coelba / Celpe **	Loan 4131	235	USD	Libor + 1.9%	3 years
Iberdrola Internacional	Hybrid green bonds	1,000	EUR	1.875%	Undated
Avangrid	Green bonds	600	USD	3.15%	7 years
Iberdrola Finanzas	Private issue	300	EUR	1.621%	12 years
Termopernambuco	Debentures 476	200	BRL	118.4% CDI	5 years
Itapebi	Debentures 476	100	BRL	119.2% CDI	5 years
Lagoa I	BNDES loan	330	BRL	TJLP + 2.12%	16 years
Neoenergia Redes **	Loans 4131	315	USD	-	3 years
Iberdrola Financiación	Bilateral loan	100	EUR	-	18 months

* With an extension option of up to 12 months

** Transaction subsequently swapped to the currency of each company

*** Reconfiguration transaction, does not involve cash inflow

Main new transactions for extension of existing financing made in 2017

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola SA	Syndicated loan	1,900	EUR	+1 year	5 years
Iberdrola SA	Syndicated loan	2,500	EUR	+1 year	5 years
Iberdrola Financiación	Syndicated loan	900	EUR	+1 year	3 years
Iberdrola Financiación	Bilateral loan	75	EUR	+1 year	3 years
Iberdrola SA	Syndicated loan	500	EUR	+1 year	5 years
Iberdrola Financiación*	Green bilateral loan	500	EUR	+6 months	18 months

* With Iberdrola having the option to extend by 6 + 6 months

Fourth Quarter Financing

Capital market

On 14 November, Iberdrola closed its first issue of hybrid green bonds on the Euromarket for the value of EUR 1,000 million, with a coupon set at 1,875% and no maturity date, and with the company having the option to amortise the bonds after five and a half years. This issue, the first of its kind made by a Spanish company, was well received by the market, with strong demand that exceeded the offer more than threefold. The funds obtained will be used to refinance the company's investment in several renewable projects in the United Kingdom.

On 21 November Avangrid, Iberdrola's subsidiary in the US, issued its first green bond for the amount of USD 600 million with a maturity of 7 years and a coupon of 3.15%. The significant volume of orders received made it possible to close the operation at a competitive price, and with a book of quality investors. The funds will be used to finance and refinance solar and wind assets in the US.

On 22 November Iberdrola closed a private bond issue under the EMTN programme for the amount of EUR 300 million, with a maturity of 12 years and a fixed coupon of 1.621%.

In December, two companies of the liberalized business within Grupo Neoennergía in Brazil closed two bond issues in the form of ICVM 476 debentures with a maturity of five years:

- Termopernambuco: BRL 200 million with a margin of 118.4% over the CDI; and
- Itapebi: BRL 100 million with a margin of 119.2% over the CDI.

Banking market

On 10 November, the company Lagoa I, part of the Brazilian subsidiary Neoennergía, signed a loan with the BNDES for the amount of BRL 330 million for a term of 16 years and a margin of 2.12% above the TJLP index. The funds obtained will be used for the construction and establishment of a wind farm complex and its corresponding transmission system.

During December, several companies in Grupo Neoennergía's networks business signed a total of five bilateral loans under the regulations of decree 4131 for a total equivalent to BRL 1,000 million, with a term of three years and a margin of 110-120% above the CDI.

On 21 December, Iberdrola signed a bilateral loan for the amount of EUR 100 million, with a term of 18 months.

Main new financing transactions made in 2018

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola Finanzas	Private issue	200	EUR	Euribor 3m + 0.35%	2 years
Iberdrola Finanzas	Increase	200	EUR	1.621%	11.75 years
Celpe *	Loan 4131	46	USD	Libor 3m +1.5%	3 years
Iberdrola SA **	Syndicated credit line	5,300	EUR	-	5 years

* Transaction subsequently swapped to the currency of the company

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

Main new extension transactions for existing financing made in 2018

Borrower	Transaction	Amount	Currency	Extension	Maturity date
Iberdrola Financiación	Green bilateral loan	500	EUR	+6 months	18 months

First Quarter 2018 Financing

Capital market

On 24 January, Iberdrola closed the private issue of two EUR 200 million bonds, each under the EMTN programme:

- the first for a term of 2 years and a 0.35% margin above the three-month Euribor rate; and
- the second – an extension of a private issue made in February 2017 – for a term of 11 years and 9 months, and a coupon of 1.621%.

Banking market

On 4 January, the company Celpe, part of the Brazilian subsidiary Neoenergía, signed a bilateral loan under the regulations of decree 4131 for an amount equivalent to BRL 150 million, for a term of three years and a cost of 119.8% above the CDI.

On 19 January Iberdrola agreed the second of the two six-month extensions corresponding to the bilateral green loan of EUR 500 million signed in February 2017, with its maturity date extended to August 2019.

On 29 January Iberdrola reconfigured two syndicated revolving credit lines improving their conditions:

- in the line granted in November 2013 and reconfigured in February 2015 for the amount of EUR 2,500 million, maturing in February 2020, the available credit was extended to EUR 2,979 million, and its maturity was extended to February 2023 (with an option to extend it by 1+1 years)
- in the line granted in April 2014 and reconfigured in February 2015 for the amount of EUR 1,900 million, maturing in February 2020, the available credit was extended to EUR 2,321 million, and its maturity was extended to February 2023 (with an option to extend it by 1+1 years)

7. Credit ratings

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

(*) Guaranteed by Iberdrola S.A.



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

Balance Sheet (Unaudited)**Eur M**

	December 2017	December 2016	Variation
ASSETS			
NON-CURRENT ASSETS	96,889	95,980	909
Intangible assets	21,148	19,934	1,214
Goodwill	7,932	8,711	-779
Other intangible assets	13,216	11,223	1,993
Real Estate properties	424	462	-38
Property, plant and equipment	64,082	63,834	248
Property, plant and equipment in use	57,301	57,343	-42
Property, plant and equipment in the course of construction	6,781	6,491	290
Non current financial investments	5,014	3,904	1,110
Investments accounted by equity method	1,791	2,240	-449
Non-current financial assets	65	59	6
Other non-current financial assets	2,613	696	1,917
Derivative financial instruments	545	909	-364
Non-current receivables	839	887	-48
Deferred tax assets	5,382	6,958	-1,576
CURRENT ASSETS	13,800	10,726	3,073
Assets held for sale	356	-	356
Nuclear fuel	332	323	9
Inventories	1,870	1,634	237
Current trade and other receivables	6,721	5,862	859
Tax receivables	546	503	43
Other tax receivables	319	143	175
Trade and other receivables	5,856	5,216	641
Current financial assets	1,323	1,475	-152
Current financial assets	2	5	-3
Other current financial assets	599	776	-177
Derivative financial instruments	723	694	29
Cash and cash equivalents	3,197	1,433	1,765
TOTAL ASSETS	110,689	106,706	3,982

Eur M

Equity and Liabilities

	December 2017	December 2016	Variation
EQUITY:	42,733	40,687	2,046
Of shareholders of the parent	35,509	36,691	-1,182
Share capital	4,738	4,772	-33
Share premium	14,668	14,668	-
Unrealised assets and liabilities revaluation reserve	-42	-149	107
Other reserves	16,768	16,839	-71
Treasury stock	-598	-1,083	486
Translation differences	-2,828	-1,059	-1,769
Net profit of the year	2,804	2,705	99
Hybrid Capital	1,553	551	1,002
Of minority interests	5,671	3,446	2,225
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	15	44	-29
NON-CURRENT LIABILITIES	51,215	51,900	-685
Deferred income	6,379	6,590	-211
Provisions	5,487	4,905	582
Provisions for pensions and similar obligations	2,533	2,381	153
Other provisions	2,953	2,524	429
Financial Debt	29,785	26,927	2,858
Loans and others	29,466	26,509	2,957
Derivative financial instruments	319	418	-99
Other non-current payables	1,006	737	269
Deferred tax liabilities	8,558	12,741	-4,182
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	33	93	-61
CURRENT LIABILITIES	16,693	13,982	2,711
Liabilities held for sale	135	-	-
Provisions	627	144	483
Provisions for pensions and similar obligations	41	10	31
Other provisions	586	134	452
Financial Debt	7,510	5,404	2,106
Loans and others	7,225	4,712	2,513
Derivative financial instruments	285	692	-407
Trade and other payables	8,423	8,434	-11
Trade payables	5,309	5,491	-182
Current tax liabilities and other tax payables	260	237	23
Other tax payables	989	914	74
Other current liabilities	1,866	1,792	74
TOTAL EQUITY AND LIABILITIES	110,689	106,706	3,982

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

	December 2017	December 2016*	%
REVENUES	31,263.3	28,759.1	8.7
PROCUREMENTS	(17,899.5)	(15,823.7)	13.1
GROSS MARGIN	13,363.8	12,935.4	3.3
NET OPERATING EXPENSES	(4,170.6)	(3,466.0)	20.3
Net Personnel Expense	(2,171.6)	(1,809.9)	20.0
Personnel	(2,776.0)	(2,367.1)	17.3
Capitalized personnel costs	604.4	557.2	8.5
Net External Services	(1,999.0)	(1,656.1)	20.7
External Services	(2,578.7)	(2,263.9)	13.9
Other Operating Income	579.6	607.8	(4.6)
LEVIES	(1,874.5)	(1,535.8)	22.1
EBITDA	7,318.7	7,933.7	(7.8)
AMORTISATIONS AND PROVISIONS	(4,606.1)	(3,247.8)	41.8
EBIT	2,712.6	4,685.9	(42.1)
Financial Expenses	(1,858.9)	(1,944.2)	(4.4)
Financial Income	921.8	1,041.0	(11.5)
FINANCIAL RESULT	(937.1)	(903.2)	3.8
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	(281.7)	(53.4)	427.6
RESULTS FROM NON-CURRENT ASSETS	279.1	48.7	472.9
PBT	1,772.8	3,778.0	(53.1)
Corporate Tax	1,397.1	(935.2)	(249.4)
Minorities	(366.0)	(137.9)	165.5
NET PROFIT	2,804.0	2,705.0	3.7

* Restated

Results by Business (Unaudited)

Eur M

December 2017	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	10,694.1	19,484.8	2,585.3	199.3	(1,700.3)
Procurements	(3,907.4)	(15,247.0)	(258.8)	(145.9)	1,659.7
GROSS MARGIN	6,786.7	4,237.8	2,326.5	53.4	(40.6)
NET OPERATING EXPENSES	(1,921.9)	(1,580.1)	(574.4)	(13.7)	(80.5)
Net Personnel Expense	(1,085.0)	(527.0)	(194.2)	(11.0)	(354.4)
Personnel	(1,604.8)	(566.5)	(228.8)	(11.0)	(365.0)
Capitalized personnel costs	519.8	39.4	34.6	-	10.6
Net External Services	(836.9)	(1,053.0)	(380.3)	(2.8)	273.9
External Services	(1,223.9)	(1,174.0)	(478.7)	(2.8)	300.7
Other Operating Income	387.0	120.9	98.5	0.1	(26.8)
Levies	(636.8)	(1,057.1)	(160.0)	(0.9)	(19.8)
EBITDA	4,228.1	1,600.6	1,592.1	38.8	(140.9)
Amortisation and Provisions	(1,568.3)	(1,633.7)	(1,304.4)	(35.8)	(63.9)
EBIT/Operating Profit	2,659.7	(33.1)	287.8	3.0	(204.8)
Financial Result	(468.3)	(146.0)	(111.9)	8.0	(218.9)
Results of companies consolidated by equity method	23.9	(5.9)	(32.0)	(212.6)	(55.2)
Results of non-current assets	2.6	(1.5)	(0.9)	236.0	42.8
PBT	2,217.9	(186.5)	143.0	34.4	(436.0)
Corporate tax and minority shareholders	548.4	123.9	376.5	(5.2)	(12.4)
NET PROFIT	2,766.3	(62.6)	519.5	29.2	(448.4)

Eur M

December 2016*	Networks	Generation and Supply	Renewables	Other Business	Corp. and adjustments
Revenues	8,806.7	18,723.4	2,399.6	72.3	(1,242.9)
Procurements	(2,646.2)	(14,089.4)	(220.1)	(67.2)	1,199.2
GROSS MARGIN	6,160.5	4,634.0	2,179.5	5.1	(43.8)
NET OPERATING EXPENSES	(1,440.8)	(1,504.6)	(536.9)	(11.4)	27.7
Net Personnel Expense	(866.8)	(497.4)	(174.2)	(6.5)	(265.0)
Personnel	(1,358.8)	(530.3)	(201.8)	(6.5)	(269.6)
Capitalized personnel costs	492.0	33.0	27.6	-	4.6
Net External Services	(574.1)	(1,007.2)	(362.7)	(4.8)	292.7
External Services	(947.5)	(1,146.1)	(475.3)	(5.5)	310.5
Other Operating Income	373.4	138.9	112.6	0.7	(17.8)
Levies	(638.0)	(876.1)	(142.3)	(0.8)	121.5
EBITDA	4,081.7	2,253.3	1,500.2	(7.0)	105.4
Amortisation and Provisions	(1,432.5)	(940.2)	(797.5)	(7.7)	(70.0)
EBIT/Operating Profit	2,649.2	1,313.1	702.8	(14.7)	35.5
Financial Result	(444.4)	(149.6)	(135.0)	(3.3)	(170.8)
Results of companies consolidated by equity method	55.4	(6.2)	(13.4)	(27.8)	(61.4)
Results of non-current assets	3.9	(7.1)	(1.3)	17.6	35.7
PBT	2,264.1	1,150.2	553.0	(28.3)	(161.0)
Corporate tax and minority shareholders	(567.0)	(278.4)	(139.8)	2.9	(90.8)
NET PROFIT	1,697.1	871.8	413.2	(25.3)	(251.8)

* Restated

Networks Business (Unaudited)

Eur M

December 2017	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	2,017.2	1,222.0	4,083.2	3,371.7
Procurements	(14.4)	(48.4)	(1,329.2)	(2,515.5)
GROSS MARGIN	2,002.9	1,173.6	2,754.0	856.2
NET OPERATING EXPENSES	(394.0)	(185.6)	(975.6)	(366.6)
Net Personnel Expense	(292.9)	(91.8)	(515.1)	(185.1)
Personnel	(407.6)	(230.1)	(747.6)	(219.5)
Capitalized personnel costs	114.7	138.3	232.5	34.4
Net External Services	(101.1)	(93.8)	(460.5)	(181.5)
External Services	(280.1)	(154.0)	(554.7)	(235.1)
Other Operating Income	179.0	60.2	94.2	53.7
Levies	(89.4)	(101.9)	(444.3)	(1.1)
EBITDA	1,519.5	886.1	1,334.0	488.5
Amortisation and Provisions	(518.2)	(283.0)	(555.4)	(211.7)
EBIT/Operating Profit	1,001.3	603.0	778.6	276.8
Financial Result	(70.0)	(122.0)	(155.9)	(120.5)
Results of companies consolidated by equity method	2.9	(0.1)	14.7	6.4
Results of non-current assets	1.4	0.3	0.9	-
PBT	935.6	481.2	638.3	162.7
Corporate tax and minority shareholders	(194.3)	(91.4)	907.9	(73.8)
NET PROFIT	741.3	389.8	1,546.2	89.0

Eur M

December 2016	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	2,049.7	1,319.1	3,979.4	1,458.5
Procurements	(21.5)	(52.2)	(1,442.3)	(1,130.1)
GROSS MARGIN	2,028.2	1,266.9	2,537.1	328.4
NET OPERATING EXPENSES	(338.2)	(187.4)	(820.9)	(94.3)
Net Personnel Expense	(231.2)	(90.3)	(465.0)	(80.2)
Personnel	(336.9)	(228.9)	(689.2)	(103.9)
Capitalized personnel costs	105.7	138.5	224.2	23.7
Net External Services	(107.0)	(97.1)	(355.8)	(14.1)
External Services	(285.7)	(168.5)	(456.9)	(36.8)
Other Operating Income	178.7	71.4	101.1	22.7
Levies	(86.9)	(103.2)	(446.6)	(1.4)
EBITDA	1,603.1	976.2	1,269.6	232.8
Amortisation and Provisions	(502.8)	(283.8)	(540.2)	(105.8)
EBIT/Operating Profit	1,100.3	692.4	729.5	127.0
Financial Result	(77.9)	(135.5)	(189.9)	(41.1)
Results of companies consolidated by equity method	1.8	0.1	11.7	41.8
Results of non-current assets	0.7	0.5	2.6	-
PBT	1,024.9	557.6	553.9	127.6
Corporate tax and minority shareholders	(266.0)	(63.5)	(217.4)	(20.1)
NET PROFIT	759.0	494.1	336.5	107.6

Generation and Supply Business (Unaudited)

Eur M

December 2017	SPAIN	UNITED KINGDOM	MEXICO	BRAZIL	OTHERS
Revenues	12,079.3	4,875.3	2,315.0	368.2	(152.9)
Procurements	(9,389.3)	(4,079.2)	(1,668.9)	(279.0)	169.4
GROSS MARGIN	2,690.0	796.1	646.0	89.2	16.5
NET OPERATING EXPENSES	(873.3)	(521.9)	(117.5)	(29.1)	(38.3)
Net Personnel Expense	(332.9)	(145.5)	(19.3)	(11.5)	(17.9)
Personnel	(353.7)	(155.6)	(27.7)	(11.5)	(18.0)
Capitalized personnel costs	20.7	10.1	8.4	-	0.2
Net External Services	(540.3)	(376.5)	(98.2)	(17.6)	(20.4)
External Services	(596.4)	(429.3)	(118.2)	(22.5)	(7.4)
Other Operating Income	56.1	52.9	20.0	4.9	(13.0)
Levies	(914.8)	(135.1)	(3.2)	(0.1)	(4.0)
EBITDA	901.9	139.1	525.4	60.0	(25.8)
Amortisation and Provisions	(498.7)	(243.8)	(95.8)	(20.5)	(775.0)
EBIT/Operating Profit	403.2	(104.7)	429.5	39.5	(800.7)
Financial Result	(65.1)	(1.1)	(37.3)	(21.6)	(20.9)
Results of companies consolidated by equity method	(4.3)	(0.1)	-	(1.5)	-
Results of non-current assets	(1.6)	0.1	0.1	-	-
PBT	332.2	(105.8)	392.3	16.4	(821.7)
Corporate tax and minority shareholders	(57.4)	26.4	(106.4)	(0.5)	261.8
NET PROFIT	274.8	(79.3)	285.9	15.9	(559.9)

Eur M

December 2016	SPAIN	UNITED KINGDOM	MEXICO	BRAZIL	OTHERS
Revenues	11,880.5	5,468.3	1,495.0	71.7	(192.1)
Procurements	(8,809.1)	(4,468.8)	(985.9)	(65.3)	239.7
GROSS MARGIN	3,071.5	999.5	509.0	6.4	47.6
NET OPERATING EXPENSES	(794.2)	(591.6)	(70.7)	(9.5)	(38.5)
Net Personnel Expense	(295.1)	(163.5)	(18.1)	(3.5)	(17.1)
Personnel	(315.6)	(169.9)	(23.4)	(3.5)	(17.9)
Capitalized personnel costs	20.5	6.4	5.3	-	0.7
Net External Services	(499.0)	(428.2)	(52.7)	(6.0)	(21.4)
External Services	(565.1)	(486.2)	(72.4)	(6.5)	(15.9)
Other Operating Income	66.1	58.0	19.7	0.6	(5.5)
Levies	(756.8)	(114.3)	(2.1)	-	(2.9)
EBITDA	1,520.5	293.6	436.2	(3.1)	6.1
Amortisation and Provisions	(534.1)	(276.4)	(98.0)	(0.1)	(31.6)
EBIT/Operating Profit	986.5	17.2	338.2	(3.2)	(25.5)
Financial Result	(84.5)	(2.7)	(41.7)	0.4	(21.2)
Results of companies consolidated by equity method	(25.7)	(0.1)	-	19.6	-
Results of non-current assets	(5.8)	1.2	(2.6)	-	-
PBT	870.5	15.6	293.8	16.8	(46.7)
Corporate tax and minority shareholders	(181.9)	3.4	(117.6)	(0.1)	17.8
NET PROFIT	688.6	19.0	176.3	16.7	(28.9)

Renewables Business (Unaudited)

Eur M

December 2017	SPAIN	UNITED KINGDOM	US	LATAM	RoW
Revenues	790.2	539.9	971.1	158.2	126.0
Procurements	(13.1)	(46.8)	(188.3)	(9.2)	(1.4)
GROSS MARGIN	777.1	493.1	782.8	148.9	124.6
NET OPERATING EXPENSES	(187.9)	(114.2)	(213.4)	(37.2)	(21.7)
Net Personnel Expense	(58.6)	(23.3)	(100.4)	(6.0)	(5.9)
Personnel	(59.6)	(36.8)	(115.6)	(7.7)	(9.0)
Capitalized personnel costs	1.0	13.5	15.2	1.7	3.1
Net External Services	(129.3)	(90.9)	(113.0)	(31.2)	(15.9)
External Services	(168.7)	(100.0)	(190.1)	(31.7)	(19.2)
Other Operating Income	39.4	9.1	77.1	0.5	3.4
Levies	(96.1)	(18.3)	(39.7)	(2.3)	(3.6)
EBITDA	493.1	360.6	529.7	109.4	99.3
Amortisation and Provisions	(242.6)	(143.2)	(827.3)	(43.4)	(47.8)
EBIT/Operating Profit	250.4	217.4	(297.6)	66.0	51.5
Financial Result	(47.8)	(27.1)	(4.5)	(29.9)	(2.6)
Results of companies consolidated by equity method	6.8	1.1	(43.9)	4.0	-
Results of non-current assets	(0.1)	-	0.1	-	(0.9)
PBT	209.4	191.4	(345.9)	40.1	47.9
Corporate tax and minority shareholders	(58.9)	(37.6)	517.9	(14.1)	(30.8)
NET PROFIT	150.5	153.9	172.0	26.1	17.1

Eur M

December 2016	SPAIN	UNITED KINGDOM	US	LATAM	RoW
Revenues	777.2	423.6	964.0	110.9	123.9
Procurements	(13.6)	(38.5)	(161.6)	(5.5)	(1.0)
GROSS MARGIN	763.7	385.1	802.3	105.4	122.9
NET OPERATING EXPENSES	(186.7)	(100.1)	(198.6)	(27.9)	(23.7)
Net Personnel Expense	(51.6)	(14.8)	(98.6)	(2.4)	(6.9)
Personnel	(51.6)	(30.8)	(110.1)	(2.4)	(6.9)
Capitalized personnel costs	-	16.1	11.5	-	-
Net External Services	(135.1)	(85.3)	(100.0)	(25.4)	(16.8)
External Services	(169.1)	(98.2)	(191.6)	(25.4)	(19.0)
Other Operating Income	33.9	12.9	91.6	-	2.2
Levies	(79.6)	(18.1)	(40.1)	(0.7)	(3.9)
EBITDA	497.4	267.0	563.6	76.9	95.3
Amortisation and Provisions	(246.8)	(140.2)	(345.4)	(36.0)	(29.1)
EBIT/Operating Profit	250.6	126.8	218.2	40.9	66.2
Financial Result	(72.4)	(24.6)	(24.4)	(8.8)	(4.9)
Results of companies consolidated by equity method	0.4	1.1	(9.4)	3.4	(8.9)
Results of non-current assets	(1.4)	-	-	-	-
PBT	177.2	103.4	184.5	35.5	52.5
Corporate tax and minority shareholders	(58.5)	(5.1)	(38.1)	(20.4)	(17.7)
NET PROFIT	118.7	98.3	146.3	15.1	34.8

Quarterly Results (Unaudited)

	Eur M			
	JAN-MAR 2017	APR-JUN 2017	JUL-SEPT 2017	OCT-DEC 2017
Revenues	8,289.5	6,879.4	7,115.9	8,978.6
Procurements	(4,723.1)	(3,594.8)	(4,206.5)	(5,375.1)
GROSS MARGIN	3,566.4	3,284.6	2,909.4	3,603.4
NET OPERATING EXPENSES	(940.9)	(1,001.5)	(917.1)	(1,311.1)
Net Personnel Expense	(493.2)	(509.7)	(465.5)	(703.2)
Personnel	(650.6)	(671.7)	(634.3)	(819.4)
Capitalized personnel costs	157.4	162.0	168.8	116.2
Net External Services	(447.7)	(491.9)	(451.6)	(607.9)
External Services	(573.3)	(625.5)	(588.5)	(791.4)
Other Operating Income	125.6	133.6	136.9	183.5
Levies	(763.9)	(392.9)	(304.1)	(413.6)
EBITDA	1,861.6	1,890.1	1,688.2	1,878.7
AMORTISATIONS AND PROVISIONS	(834.6)	(800.7)	(851.0)	(2,119.8)
EBIT	1,027.0	1,089.4	837.2	(241.1)
Financial Expenses	(505.7)	(196.8)	(546.2)	(610.2)
Financial Income	299.8	(10.9)	310.8	322.0
FINANCIAL RESULT	(205.9)	(207.6)	(235.4)	(288.2)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	28.0	17.8	(26.8)	(300.8)
RESULTS FROM NON-CURRENT ASSETS	256.2	(15.2)	518.3	(480.2)
PBT	1,105.3	884.5	1,093.3	(1,310.2)
Corporate Tax	(250.1)	(166.1)	(157.0)	1,970.3
Minorities	(27.6)	(27.6)	(38.2)	(272.7)
NET PROFIT	827.6	690.77	898.2	387.4

	Eur M			
	JAN-MAR 2017	APR-JUN 2017	JUL-SEPT 2017	OCT-DEC 2017
Revenues	8,184.8	6,713.3	6,639.6	7,221.5
Procurements	(4,534.9)	(3,586.9)	(3,675.5)	(4,026.5)
GROSS MARGIN	3,649.9	3,126.4	2,964.2	3,194.9
NET OPERATING EXPENSES	(931.4)	(929.3)	(850.8)	(754.5)
Net Personnel Expense	(511.2)	(464.6)	(456.1)	(377.9)
Personnel	(648.0)	(619.1)	(616.2)	(483.8)
Capitalized personnel costs	136.8	154.5	160.0	105.9
Net External Services	(420.2)	(464.7)	(394.7)	(376.6)
External Services	(574.4)	(594.8)	(518.5)	(576.3)
Other Operating Income	154.2	130.1	123.8	199.7
Levies	(691.5)	(332.0)	(276.0)	(236.3)
EBITDA	2,027.1	1,865.1	1,837.4	2,204.2
AMORTISATIONS AND PROVISIONS	(777.6)	(860.9)	(833.7)	(775.7)
EBIT	1,249.5	1,004.1	1,003.7	1,428.5
Financial Expenses	(470.2)	(448.3)	(570.9)	(454.8)
Financial Income	330.0	227.3	348.3	135.4
FINANCIAL RESULT	(140.1)	(221.1)	(222.6)	(319.4)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	10.0	21.7	10.0	(95.1)
RESULTS FROM NON-CURRENT ASSETS	29.1	17.8	1.7	0.1
PBT	1,148.5	822.6	792.8	1,014.1
Corporate Tax	(254.3)	(212.1)	(172.1)	(296.6)
Minorities	(25.5)	(22.4)	(35.8)	(54.2)
NET PROFIT	868.7	588.02	584.9	663.3

Note: 2016 Restated

twelve months

Statement of Origin and Use of Funds (Unaudited)

	December 2017	December 2016*	Variation
EBITDA	7,318.7	7,933.7	-615.0
Adjustments to results and others	(854.0)	(804.2)	(49.8)
Financial payments and cash receipts	(805.7)	(802.2)	(3.5)
Corporate Tax Payment	(542.2)	(426.8)	(115.4)
Provision payments (net of normal expenses)	(89.7)	(265.5)	175.8
Operating Cash Flow	5,027.1	5,635.0	(607.9)
Dividends Paid	(936.9)	(778.6)	(158.3)
Retained Cash Flow	4,090.2	4,856.4	(766.2)
Total Cash Flow allocations:	(5,404.5)	(5,571.4)	166.9
<i>Net Investments</i>	<i>(5,890.9)</i>	<i>(4,264.3)</i>	<i>(1,626.6)</i>
<i>Divestments</i>	<i>309.2</i>	<i>112.1</i>	<i>197.1</i>
<i>Treasury stock</i>	<i>(791.7)</i>	<i>(1,388.0)</i>	<i>596.3</i>
<i>Capital issue</i>	<i>(-0.9)</i>	<i>(-1.0)</i>	<i>0.1</i>
<i>Hybrid</i>	<i>969.8</i>	<i>(-30.2)</i>	<i>1,000</i>
Exchange rate differentials	1,655.0	140.8	1,514.2
Change in regulatory receivables	19.6	(90.4)	110.0
Integration of UIL net debt into perimeter	-	(22.1)	22.1
Brazil reorganization	(3,800.4)	-	(3,800.4)
Working capital variations and other variations	(30.5)	(660.3)	629.8
Decrease/(Increase) in net debt	(3,470.6)	(1,347.0)	(2,123.6)

* Restated

8

Stock Market Evolution

Iberdrola stock price performance vs Index



Iberdrola's share

	12M 2017	12M 2016
Number of outstanding shares	6,317,515,000	6,362,079,000
Price at the end of the period	6.460	6.234
Average price of the period	6.603	6.008
Average daily volume	21,480,335	25,843,622
Maximum volume (04-06-2017/12-16-2016)	122,920,322	117,034,016
Minimum volume (08-28-2017/05-16-2016)	4,636,525	4,444,650
Dividends paid (€) ⁽¹⁾	0.317	0.286
Gross Final dividend (01-23-2017 /01-29-2016)	0.165	0.127 ⁽²⁾
Gross Interim (07-07 and 21-07-2017/07-08 and 07-22-2016)	0.147	0.154 ⁽³⁾
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield ⁽⁴⁾	4.90%	4.59%

(1) Dividends paid in the last 12 months

(2) Iberdrola fixed guaranteed price for the rights

(3) Iberdrola fixed guaranteed price for the rights + 0.03E gross per share in cash

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



Regulation

In the fourth quarter of 2017, a group of provisions was approved affecting the energy sector. This section presents the most significant regulatory changes.

1. Regulation in the European Union

Security of Gas Supply: On 30 October the new Regulation 2017/1938 on Security of Gas Supply was published, which repeals Regulation 994/2010. Following the gas crisis of 2006 and 2009, the first Regulation (994/2010) on security of gas supply in the EU was adopted (which demanded member states to have in place national plans for gas crisis and prevention, obliging companies to guarantee supply to protected customers and anticipating the installation of bidirectional gas capacity). In February 2016, as part of the Energy Security Package, the EC presented a new Regulation, due to the EU being highly dependent on gas imports and many member states continued to be vulnerable to interruptions in the supply. The main improvements in the new Regulation are as follows:

- **Principle of solidarity:** In the case of severe gas crises, the member states will help their neighbouring states to guarantee gas supply to homes and essential social services.
- **Reinforcement of regional cooperation:** Regional Groups will jointly evaluate the common risks of supply security and will agree on common preventive and emergency measures.
- **Greater transparency:** Gas companies must inform of long-term contracts that are relevant to the security of the supply (those representing 28% of the annual gas consumption in the member State).

Electricity Balancing: On 28 November, Regulation CE 2195/2017 was published, which establishes a Directive on electricity balancing including the establishment of common principles for the procurement and the settlement of frequency containment reserves, frequency restoration reserves and replacement reserves and a common methodology for the activation of said reserves. It is applicable to all transmission systems and interconnections of the Union, except the transmission systems on islands that are not connected with other transmission networks via interconnections.

Network code on emergencies and service restoration:

This network code published on 28 November establishes a) the management on the part of Transmission Network Managers of the 'emergency', 'outage' and 'restoration' services; b) the coordination of the system's operation across the Union in the 'emergency', 'outage' and 'restoration' services; c) the simulations and tests to guarantee a reliable, effective and fast restoration of the interconnected transmission networks to 'normal' status following an 'emergency' or 'outage' status.

Aid to renewable energies: In December, Decision CE SA.40348 (2015/NN) was published, authorising the Spanish regime of aid for renewable energies. The European Commission has reached the conclusion that the Spanish regime supporting electricity production from renewable energy sources, high efficiency cogeneration of heat and electricity and waste is in accordance with EU regulations on state aid.

2. Regulation in Spain

Spanish Electricity Sector

Vulnerable Consumers: In October, the Royal Decree and the Order regulating vulnerable consumers, the Social Bonus and other protection measures for domestic consumers of electrical energy were published.

The Social Bonus rates subsidy is defined as a discount in electricity bills of 25% or 40% on the voluntary price for small consumers (PVCP) up to a limit of consumption, based on the income and characteristics of the family unit. The characterisation takes into account the number of members in the family unit, income, as well as some special groups: disabled people and victims of gender violence or terrorism.

Consumers are responsible for requesting the Social Bonus to a reference seller. The seller must check the details for the request through an online platform managed by the Ministry of Energy, Tourism and Digital Agenda (MINETAD), except for the Basque Country and Navarre, where consumers must

generally provide proof of their income. A transitory period of 6 months is established for those benefiting from the previous Social Bonus to provide proof that they fulfil the new conditions.

All sellers are obliged to finance the rates subsidy according to distribution percentages calculated based on the number of customers (in the liberalized or regulated market), and also to inform all consumers on the right to enter the contract under the PVPC regime or under the Social Bonus.

Furthermore, the processes of suspending supply for individuals in their main residence are reviewed:

- The terms for supply suspension due to default are made equal for the liberalized and regulated markets (2 months from notification or 4 in the case of vulnerable households), and the number of certified notifications due to default is increased (2 to 4 notifications), which must follow established models.
- Furthermore, the supply to consumers at risk of social exclusion (severely vulnerable households in the social services protocol, which pay for at least 50% of their bill at PVPC cost), is considered to be essential supply, and therefore cannot be interrupted. The rest of the bill will be financed by the same companies as the Social Bonus.

The same Royal Decree includes the obligation to withdraw the additional services contracted by the consumer when the electricity supply is withdrawn.

Return of 2014-2016 financed amounts from Social Bonus: In October, a return Order was published, charged to the accumulated settlement surplus, of the Social Bonus amounts corresponding to 2015 and 2016, together with their corresponding interests. The return was made effective in November, with Iberdrola receiving EUR 120 million (EUR 114 million in principal and EUR 6 million in interest).

Subsequently, in December, the Order for returning the amounts corresponding to 2014, recognised in a ruling of November, was published. As in the previous case, this includes the applicable interest, and will also be paid charged to the accumulated surplus. Iberdrola will receive EUR 77 million (EUR 70 million in principal and EUR 7 million in interest).

Availability and interruptibility incentive: In November, an Order was published by which the incentive for availability will be extended only for half a year up to June 2018 (usually it was extended for one year), with hydro plants being excluded. The interruptibility mechanism is also modified, and now will be awarded by auction for 5 months (previously 1 year), with modifications being introduced to flexibilise its application.

During the week from 18 to 22 December, the interruptibility auction was held for the period of delivery comprised between 1 January and 31 May 2018. In contrast to previous years, no additional auctions have been held, given that the conditions to do so as established in the confidential are not met. A capacity of 2,600 MW was awarded (-12.6% vs. 2,975 MW of 2017) at a total annualised cost of EUR 372.8 million (-29% vs. EUR 524.8 million in 2017).

Renewables, Cogeneration and Waste (RECORE): An Order has been published reviewing return on operations (RO) for the second half of 2017, based on the evolution of the cost of raw materials and the Euro/Dollar exchange rate. Return levels have stayed at similar levels to those of the previous half of the year.

In this Order, five new model installations are created, which establish the return for some of the real installations that showed inaccuracies in their inscription on the register.

Also published were the Rulings of the Supreme Court annulling the changes to the useful life that affected mini-hydro installations prior to 2014 and the slurry plants, making it mandatory to maintain regulatory useful life at 25 years. In the case of slurry, there is also an obligation to review the equivalent hours to calculate the production of the installations.

2018 Tariffs: The Order setting the Electricity Tariffs for 2018 has been published.

- It freezes all tariffs and payments for capacity currently in force.
- It provisionally freezes compensation for transport and distribution up until the publication of the Orders containing the definitive values for 2018.
- It establishes the possibility of using part of the historical surplus to ensure there are no imbalances in financial years 2017 and 2018 (up to EUR 200 million in 2017 and EUR 500 million in total).
- Taxable income for 2017 is considered to include the balances of the accounts to be used for plans to improve quality and service and vegetation clearing, for an amount of EUR 54 million.
- It modifies aspects relating to the processes for requesting and checking conditions to access the Social Bonus for pensioners and large families.
- It flexibilises the meter replacement plan to admit exceptions: Distributors can have up to 2% of meters that have not been replaced as from January 2019.
- It establishes the provisional return of OS and OM, recognising an additional EUR 9 million and EUR 5 million respectively, for the adaptation of systems to the European market, which increases the prices to be paid by generators and sellers.

Distribution Compensation: Several rulings have been published that affect the compensation of past financial years, as well as the calculation of the compensation for the next financial years:

- Ruling of the Supreme Court that makes it necessary to review the coefficient (ibase) that represents the percentage of installations that form part of each company's assets, and that have been financed by the company itself, not counting those transferred by third parties and the volume of public aid received.
- Decision favourable to Iberdrola in the appeal against the losses incentive of 2012 and 2013.
- Decision unfavourable to Iberdrola in the appeal against the losses incentive of 2010 and 2011.
- Rulings of the SC that accept the use of accounting information for the calculation of the average residual life.

Interests deficit 2013: A ruling has been published that makes it mandatory to compensate interest to

companies that finance the 2013 deficit, from the effective moment of making the contributions. For Iberdrola, this amounts to around EUR 5 million.

Electrical vehicle aid: Aid programmes have been published, for up to EUR 20 million for the purchase of electrical vehicles and other kinds of vehicles operating on alternative energies, as well as EUR 15 million for the development of recharging infrastructure, managed by the Institute for Diversification and Saving of Energy (IDAE).

Spanish Gas Sector

Winter Action Plan: A Resolution has been published which obliges gas sellers to keep a "winter reserve" (November to March) using own or third parties LNG stock equivalent to 3.5 days of its transmission network entry capacity (up to now this was for 2 days), which it may only mobilise in the event of a cold snap or a relevant increase in electricity demand, following a statement from the System's Technical Manager. Exceptionally, during the 2017-2018 winter period, the part of the reserve that does not exceed the obligation in force up to now may also be kept in underground storage.

Market makers: A Resolution has been published establishing the conditions for the provision of the market creator service, mandatory for the main operators in the natural gas market (Endesa and GNF). They are obligated to maintain a minimum volume of purchase or sales offers up to a maximum annual volume of 5.68% of its gas provisioning volume to Spain. The separation of prices between the purchase and sale offers must be equal or lower than EUR 0.50 /MWh.

2018 Gas Tariffs: The Order establishing gas Tariffs and fees for 2018 has been published, in which all tariffs and fees in force are frozen.

It also recognises the annuity corresponding to the cost of storage of Castor, of EUR 80.7 million (recently cancelled by the Constitutional Court), and recognises an imbalance between revenues and expenses for 2016 of EUR 90 million, to recover charging against the 2018-2022 tariffs (which allows its securitisation).

Last resort gas tariffs for Q1 2018: The last resort natural gas tariff has been published, applicable

as from 1 January 2018. Prices increase by an average of 6% compared with those of the previous quarter. The increase is due to the higher cost of the commodities, Brent (+12%) and NPB (+25%).

3. Regulation in the United Kingdom

Brexit: On 8 December 2017, the UK and EU negotiators agreed a Joint Report on the subjects of a separation payment, citizen's rights and Northern Ireland. This enabled the European Council to conclude that sufficient progress had been made to move to the next phase of negotiations, which is expected to be agreement of a transition phase of around 2 years during which most EU arrangements would continue unchanged and during which the UK would make budget contributions. In addition, work would start on the future relationship between the UK and EU, though this would not be complete by March 2019.

Retail prices: In her Conservative Party Conference Leader's Speech on 4 October 2017, Prime Minister Theresa May announced consultation on a Bill requiring Ofgem to cap standard variable tariffs (SVTs) and default tariffs across the market. The draft Bill was subject to pre-legislative scrutiny by the Select Committee and is expected to be introduced into Parliament in early 2018. In autumn 2017 Ofgem confirmed its decision to extend the existing price cap for prepayment meters (PPMs), so that it applies to non-PPM recipients of the Warm Homes Discount (this comes into effect on 2 Feb 2018). Ofgem also consulted on widening this cap to a broader group of vulnerable customers, with a target implementation date of autumn 2018.

Capacity Markets: The Government continued to work on proposals to improve the capacity market (CM), and on 4 December 2017 announced more realistic de-rating factors for short duration battery installations. The necessary Statutory Instrument to improve the way CM costs are levied to avoid over-rewarding embedded generators was made on 1 November. Defra continued to work on restrictions to the emissions of diesel generators with a view to requiring environmental upgrades to any that participate in the CM. The 2017/18 capacity market delivery plan continues to be implemented.

It envisages the T-1 auction for 2018/19 starting on 30 January 2018 and the T-4 auction for 2021/22 starting on 6 February 2018.

Cost revision study: On 25 October 2017, Professor Dieter Helm reported on his independent review into the cost of energy, looking at how the energy industry, government and regulators can keep the cost of electricity as low as possible, while ensuring the UK meets its domestic and international climate targets. The review produced a wide ranging list of ambitious proposals upon which the Government issued a call for evidence.

Renewables auction: Following on from the results of the latest wind auction in September 2017, the Government confirmed a budget of £557 million for future contracts for differences (CFDs) for offshore wind and other less established technologies. This is enough for a very large programme of offshore wind through the 2020s.

Coal closure: The Government reconfirmed its intention to remove unabated coal generation from the system by 2025 and in Autumn Budget 2017, it confirmed that the carbon floor price would be retained, so that the sum of it and ETS would be broadly at current levels, at least until unabated coal was off the system.

4. Regulation in US

Tax Reform: On Dec. 22 the President signed the \$1.5 trillion Tax Cuts and Jobs Act into law. It does the following:

- Permanently lowers corporate tax rate from 35 percent to 21 percent, effective in 2018.
- Repeals the corporate AMT.
- Maintains the corporate deduction for state and local taxes.
- Limits interest deductibility.
- Excludes regulated utilities from full expensing and exempts them from the limitation on interest deduction.
- Includes normalization and excess deferred tax provisions.
- Maintains dividend and capital gains tax.
- Maintains current law PTC phase out and ITC phase down, without modification.

- Imposes a base erosion and anti-abuse tax on deductions for amounts paid or accrued to a foreign related party.

The Department of Treasury will issue guidance and regulations as needed to implement the bill.

Environmental Protection Agency: The EPA is conducting a proceeding to terminate the Clean Power Plan. EPA is also reviewing its options concerning a replacement program that would impose a lighter regulatory impact.

In November 2018 Congress passed and the President signed into law the FY2018 annual defense authorization legislation, which included language addressing siting wind farms near military bases. The legislation made minor changes to the current process but the company and allies prevailed in fending off harmful siting limits.

Renewables: California legislators approved and Gov. Brown signed Assembly Bill 398, extending and expanding the State's greenhouse gas regulations and authorizing the use of the cap-and-trade program through 2030.

Texas legislators passed and Gov. Abbott signed a bill to deny property tax incentives to new wind projects near certain military facilities.

An 18-month wind-siting moratorium provision was added by the North Carolina Senate to a popular solar bill passed by the House. Gov. Cooper signed the bill into law. It specifically exempts Desert Wind II from the moratorium.

Solar panels tariffs: On September 22 the U.S. International Trade Commission (ITC) ruled that imported solar panels and modules are causing "serious injury" to U.S. manufacturers. Suniva and SolarWorld Americas petitioned the ITC claiming that an influx of cheap solar cells and modules largely from Asian countries is harming the U.S. manufacturing market and putting the companies out of business.

On January 22 President Trump approved recommendations to place tariffs on imports of solar panels and cells. The tariffs will start at 30 percent in the first year and step down over the next three

years, and exclude the first 2.5 gigawatts of imports each year. It is lower than the levels sought by the two companies that filed the complaint accusing China's solar companies of undercutting the market.

Transmission: FERC's review of the return-on-equity ("ROE") rates for the New England transmission facilities continues. The initial ROE of 11.14 percent continues to be challenged, and the outcome is uncertain. While the Court of Appeals has reviewed and rejected some aspects of the proceeding that lowered the ROE to 10.57 percent, a final determination on the ROE remains unresolved.

System resiliency: FERC is also examining the role of resiliency attributes in the context of the bulk power system. In September 2017 the Secretary of Energy proposed that certain generators featuring resilience properties could qualify for cost-of-service revenue payments. FERC declined to move forward with the Secretary's proposal; rather, the Commission continues to examine resilience properties on a region-by-region basis.

5. Regulation in Brazil

Regulatory Resolution no. 787/2017 regarding the quality of the corporate governance systems applicable to the electrical energy distributors (published on 8/11/2017): Corporate governance is measured by five variables: transparency, top management structure, property and control relationship, internal control and regulatory compliance. These variables make it possible to classify the distributors in different levels of compliance: high, medium, insufficient and non-viable. If the distributor has a low level of compliance, it should be included in audit programmes in order to promote improvements, assess its financial and economic situation, and its governance system quality.

This resolution entered into force on 01/01/2018 but has a trial period of 2 years, during which time distributors will not have any advantages if their governance is good, nor will they have penalties otherwise.

Liability exclusion of the hydro plant of Baixo Iguaçu due to delay in its works. The Baixo Iguaçu

plant had requested to receive a liability exclusion of 104 days during which the construction works were stopped as a result of the invasion promoted by the Movement of People Affected by Dams throughout 2016. On 13/11/2017, Dispatch no. 3770/2017 was published, recognising a liability exclusion of 46 days due to the delays, and maintaining the validity period of the contract at 35 years. Also published was Resolution no. 6712/2017 which changes and postpones the implementation time line for this hydro plant.

Regulatory Resolution no. 791/2017 which regulates the acceptance of orders requesting extraordinary tariff reviews (RTE) by the electrical energy distribution concession companies. The electricity distribution concession contracts state that ANEEL may review the tariffs to maintain the economic-financial balance of the contract in the event of significant alterations in the costs of the concession company.

In May 2017, public consultation no. 22/2017 was opened with the aim of improving the regulations that establish the criteria to admit for processing an extraordinary tariff review order and the applicable procedures. ANEEL recommended making explicit in a regulation that the concession company is entitled to appeal, in the event that its ETR order is not accepted, during the requirement verification phase.

For an extraordinary tariff review request to be admitted 1) the concession company must present the details causing the economic-financial imbalance and the actions carried out by the concession company to face the imbalance in Plot B, 2) it may not be able to offset imbalances caused by inefficiency on the part of the concession company and 3) consumer associations must be notified.

The pertinent administration must state within a maximum of 45 days if it admits the ETR request or not. The need to carry out an ETR will be determined after a public hearing.

Auction of new A-4 energy of 2018: The Ministry of Mines and Energy published on 1 December in the Official Gazette Portaria 465 the guidelines for carrying out the auction of A-4 energy in 2018,

with contracts starting in June 2022. The auction will take place on 4 April. Distributors must submit their statements of need to purchase energy for this auction on 6 February 2018.

The term to deliver the technical qualifications and documentation expired on 5 January 2018. The projects that took part in the December 2017 auctions (A-4 and A-6 2017) are exempt from presenting the documentation again provided their technical characteristics and other information of the project remain unaltered.

In the auction, CCEARs (regulated contracts) will be negotiated with a 30 year supply term for hydraulic projects, and 20 years for generation projects from biomass, wind and solar photovoltaic.

Result of the auction of transmission lines no. 2/2017: On 15 December, an auction of the transmission lines was held in which all 11 lots offered were allocated, with an average discount of 40.46% above the expected market price. This auction implies an investment of BRL 8,700 million in 10 states (Bahia, Ceará, Minas Gerais, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Tocantins). The lots comprise transmission lines and substations, specifically a total of 4,919 km of transmission line were allocated, as well as 10,416 MVA in substations. It is expected that they will enter into commercial operation within a term of 36 to 60 months as from the date of signing the concession contracts. The duration of said contracts will be 30 years.

Neoenergía was the main winner of this auction, being awarded 1,074 km and a substation of 500 kV in 2 lots, which were among the most disputed projects.

- The first project has 729 km in the states of Piauí, Tocantins and Bahia. With an annual income of BRL 126 million, which implies a discount of 46.62%.
- The second is a line of 345 km in the States of Paraíba, Rio Grande do Norte and Ceará. With an annual income of BRL 57.3 million and a discount of 44.56% (14 corporate groups were competing for this line). It is important to highlight that the

substation of Santa Luzia will be the future point of connection with the Basic Network for two Wind Farms that were auctioned in auction A-6, which took place on 20 December.

Results of auction A-4/2017: Held on 18 December 2017, the following was contracted in this auction: 674.5 MW of installed capacity from 25 projects of which 85% correspond to solar energy (574 MW); 9.5% correspond to wind projects (64 MW), 3.7% to biomass (25 MW) and 1.7% to mini hydro (11.5 MW).

On the buyers' side, a total of 7 distributors have participated, awarding energy contracts to supply their customers. These distributors are: CEA, CEAL, Cepisa, Coelba, Copel D, EDP Espírito Santo (de EDP Energias do Brasil) and Elektro. Specifically Coelba has acquired 23.3 MW (average) and Elektro 9.3 MW (average) to supply energy as from January 2022 with PPAs of 20 to 30 years.

Neoenergia did not participate in this auction with generation projects, its objective in auction A-6.

Regulatory Resolution no. 796/2017 regarding the hydrological risk forecast in distributors' tariff processes. Published on 19/12/2017 to approve modifications in the submodules on the *Other Financial Components in the Tariff Regulation Procedures* (PRORET). The adjustments carried out in these submodules establish that the hydrological risk forecast must be considered in the distributors' tariff processes like a financial component, specifically in the energy purchase account of Plot A. Also, it establishes that a change in that forecast will modify the parameters and therefore the balance to offset in the energy purchase account.

Regulatory Resolution no. 797/2017 which establishes the procedure to share infrastructures (published on 19/12/2017) Establishes the procedures to share infrastructures of the electrical energy concessions with agents of the same sector or with agents in the telecommunications, oil and gas sectors (this resolution has been published after Public Hearing no. 96/2016 and a long debate between ANEEL and the regulating agencies of the telecommunications sectors).

One of the improvements that it introduces is the treatment of irregular occupation, with the establishment of two concepts: *occupation by absence* (when there is no previously approved technical project available) and *clandestine occupation* (without previously approved shared technical project or contract that is identified and in force). In the case of *occupation by absence*, disconnection demands prior authorisation from the Committee for the Resolution of Conflicts between regulating bodies. In the case of *clandestine occupation* the distributor may remove the equipment without prior authorisation.

Despite this resolution, ANEEL and the *Council of the National Telecommunications Agency* consider it necessary to have more effective actions to regulate this. To do so, they have decided to bring forward to 2018 the review of Joint Resolution no. 4 of 16/12/2014 which establishes the reference price for sharing the posts between electrical energy distributors and telecommunications companies, to be used in the conflict resolution processes and the establishment of rules for the use and occupation of points of attachment.

Result of the auction A-6 of 2017. On 20 December 2017, auction A-6 of 2017 was held, where the following was contracted: 3,841 MW installed capacity from 63 projects of which 49 projects are wind (1,386 MW), 6 projects from mini hydro plants (139 MW), 6 biomass plants (177.05 MW) and 2 gas thermal plants (2.138 MW). No coal fired plants were allocated.

All distributors that participated in the auction received double the energy requested due to the large size of the last plant awarded. Coelba acquired 250 MW (average), Elektro 220 MW (average), Celpe 24 MW (average) and Cosern 54 MW (average) with contracts whose supply start will take place as from January 2023.

Wind power reached an average price of R\$ 98.62/MWh with a discount of 64.47% compared to the initial ceiling price of R\$ 276/MWh. Biomass ended with a discount of 34.10% and an average

price of R\$ 216.82/MWh. The average price of the natural gas plants was R\$ 213.46/MWh (discount of 33.08%) finally, the average price for hydro plants was R\$ 219.20/MWh (which implies a discount of 22%).

Neoenergia has awarded itself 281 MW of wind capacity from 9 farms in the area of Santa Luzia in the state of Paraíba, at an average price of 100,01 R\$/MWh. The farms are the following: EOL Canoas 2; EOL Canoas 4; EOL Chafariz 1; EOL Chafariz 2; EOL Chafariz 3; EOL Chafariz 6; EOL Chafariz 7; EOL Lagoa 3 and EOL Lagoa 4.

Result of auction A-1 2017. Carried out on 22 December. In this auction, 288 MW (average) were awarded at an average price of 177.46 R\$/MWh (with a discount of 18.2% above the ceiling price). The resulting supply contracts will be from 1/01/2018 to 31/12/2019. Of the Grupo Neoenergia distributors, only Coelba participated, acquiring 34 MW (average).

Result of auction A-2 2017: Carried out on 22 December. In this auction, 423 MW (average) were awarded at an average price of 174.52 R\$/MWh (with a discount of 9.6% above the ceiling price). The supply contracts will be from 01/01/2019 to 31/12/2020. Of the Grupo Neoenergia distributors, only Coelba participated, acquiring 127 MW (average).

Interim Measure 814/2017: Published on 29 December in the Official Gazette. It repeals the provisions of Law 10.848/2004 through which Eletrobrás and its subsidiary companies were exempt from the *National Privatisation Programme*. With this measure, the Government unblocks the sale of Eletrobrás distributors. In addition, it modifies the legislation of the isolated systems (North regions not connected to the National Interconnected System), establishing the right conditions for Eletrobras to guarantee the collection of sector fund credits for the distributors, which minimises indebtedness, as it is assumed by the holding company.

In January 2018, this measure was suspended by the Federal Justice of the state of Pernambuco. Faced with this official block, the President of the

Government has presented a Draft Bill that makes it possible to carry out capital stock extensions to allow inflow of private capital, thus diluting the State stake (funds collected will not go to the company but to the State's treasury). The draft bill proposes to alter the articles of association of Eletrobrás, making it impossible for any shareholder to have more than 10% of voting shares. This limit avoids market concentration and hostile takeovers by other companies. Furthermore, following the privatisation, the Government will have a Golden Share that will grant it exclusive powers in the administration of the company, such as the indication of the additional member of the Board of Directors. The text also proposes a corporate restructuring to keep control of the nuclear plant and Itaipú Binacional (hydro plant managed jointly between Brazil and Paraguay).

6. Regulation in Mexico

Long Term Auctions: On 22 November, the Decision of the Auction was published, as a result of the 392 Sale Offers presented by 46 Bidders. A total of 16 winning offers were selected, for a total of 2,562 MW (52% PV solar, 27% wind and 21% turbogas). A total of 5.95 million CEL (Clean Energy Certificates) were assigned (97.8% over the total offered), 5.49 TWh of energy (90.2% over the total offered) and 592.61 MW capacity (41.9% over the total offered). Via the Auction, Iberdrola Clientes acquired 8.64% of said volume adjusted to extremely competitive prices: the weighted average of the energy + CEL package is USD 20.5/MWh; and the weighted average of the capacity is USD 35.4/kW.

Medium Term Auction 2017: on 22 December, the Purchase Offers for the First Medium Term Auction were presented. This Auction will award contracts between 1 and 3 years (2018 -8 months from May to December-, 2019 and 2020) for Energy and Capacity, with any Load Responsible Entity being able to participate on the demand side. Furthermore, a calendar is presented, including the following dates:

- 10 January: Publishing of the amount, prices and parameters of the Accepted Purchase Offers

- 21 February: Publishing of definitive prices of Purchase Offers
- 22 February: Receipt of economic offer of the selling bid
- 5 March: Decision of the Auction and assignment of contracts

Electricity tariffs for the Basic Supply: on 23 November, the Governing Body of the CRE approved and published the *Agreement by which it issues the methodology to determine the calculation and adjustment of the final tariffs as well as the operating tariffs, that will be applicable to the Empresa Productiva Subsidiaria CFE Suministrador de Servicios Básicos (CFE SSB) during the period comprised between 1 December 2017 and up to 31 December 2018*. The Agreement details the components that make up the final Basic Supply tariffs, which are the charges for transmission, distribution, operation of CFE SSB, operation of the National Centre for Energy Control (CENACE), non MEM (Wholesale Electricity Market) connected services and the cost of energy and associated products. To this aim, twelve new tariff categories are established, as well as seventeen Tariff Divisions. There will be a period of transition for the application of the tariff, and therefore the new methodology will not fully apply until April 2018 for medium and high voltage supply. For domestic consumers, the old methodology still applies (all-inclusive tariff) without a defined date for the new criteria to apply for said customers.



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	12M 2017	12M 2016
Contribution to GDP (Gross Margin) (*)	0.42%	0.52%
Contribution to GDP (Net revenues) (*)	1.15%	1.20%
Net Profit (EUR million)	2,804.0	2,705.0
Dividend yield (%)(**)	4.90%	4.59%
CO₂ emissions over the period (gr. CO₂ /kWh): Total	187	177
CO₂ emissions over the period (gr. CO₂ /kWh): Spain	108	80
CO₂ emissions over the period (gr. CO₂ /kWh): UK	237	357
CO₂ emissions over the period (gr. CO₂ /kWh): USA	53	58
CO₂ emissions over the period (gr. CO₂ /kWh): Brazil	119	136
CO₂ emissions over the period (gr. CO₂ /kWh): Mexico	362	356
Emission-free production: Total (GWh)	73,993	80,823
Emission-free production: Spain (GWh)	42,836	54,700
Ratio emission-free production to total production: Total (%)	54%	57%
Ratio emission-free production to total production: Spain (%)	83%	87%
Emission-free installed capacity: Total (MW)	32,288	31,223
Emission-free installed capacity: Spain (MW)	18,998	19,229
Emission-free installed capacity: Total (%)	67%	66%
Emission-free installed capacity: Spain (%)	73,3%	73,5%
Ratio high-emission technologies production: Total (%)	2%	3%
Ratio low-emission technologies production: Total (%)	44%	41%

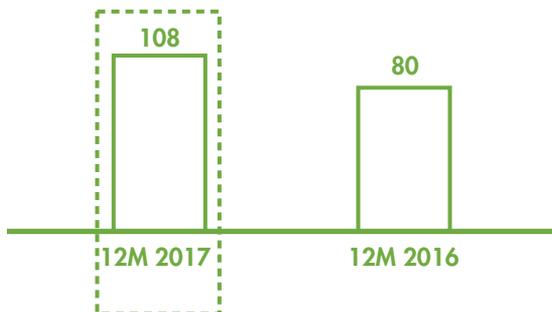
(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Last data published in Q3 2017).

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

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

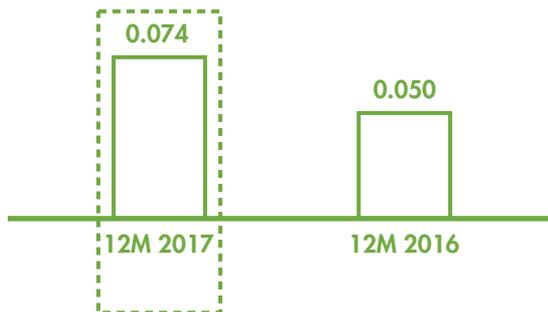
CO₂ specific emissions mix, GLOBAL

(g/kWh)



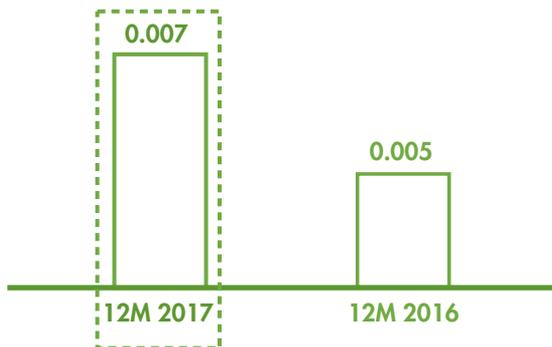
SO₂ specific emissions mix, GLOBAL

(g/kWh)



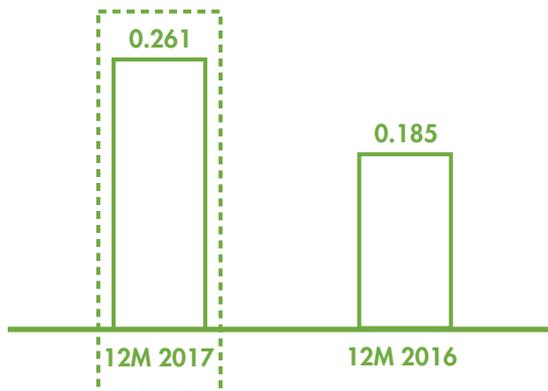
Specific particulate emissions Mix GLOBAL

(g/kWh)



NO_x specific emissions mix, GLOBAL

(g/kWh)

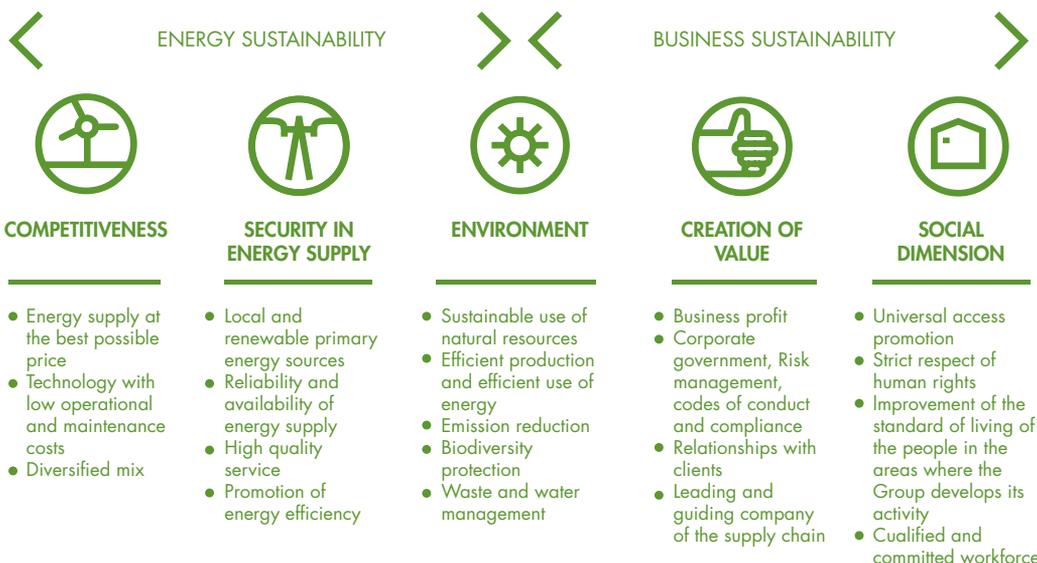


2. Indices, rankings and recognitions

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

Sustainability	
Ranking	
Dow Jones Sustainability World Index 2017	Selected in the utility sector. Iberdrola member in all editions
Global 100	Selected in 2017
FTSE4Good	First utility with nuclear assets to meet standards for FTSE 4Good. 7 years in a row selected
CDP Index 2017	A
Global Roundtable on Climate Change	IBERDROLA one of the developers
Sustainability Yearbook Robeco Sam 2017	Classified as "Gold Class" in the electricity sector.
MERCO 2017	Leader among Spanish utilities: 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 ESG Leaders/Eurostoxx Sustainability 40	Iberdrola selected
Influence Map	Iberdrola selected
OEKOM	Iberdrola Prime
Carbon Clear	Iberdrola first utility in the ranking
2017 ET Carbon Rankings	Iberdrola selected

Sustainability Policy



3. Contribution to social development

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

3.1.- Corporate Social Responsibility Recognition

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

Our Company is the only European electricity provider 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 acknowledged as one of the World's Most Ethical Companies**

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

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

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

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

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

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

IBERDROLA was the first Spanish company and the first electricity utility among the world's 10 largest companies to be awarded the ISO 20121 Sustainable Event certification for its General Shareholders' Meeting, as well as the *Erronka Garbia* environmental label awarded by the Basque Regional Government. In 2017, these certificates were again issued for the General Meeting.

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

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

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

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

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

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

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

- **IBERDROLA receives the “Mujer, Empresa y Deporte (Woman, Company and Sport) Award**

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

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

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

- **Ignacio Galán receives the Vocento award to Company Leadership**

The capacity to anticipate and innovate, exemplariness, commitment, a combination of generosity and austerity and teamwork, are just a few of the qualities that the Chairman of Vocento, Santiago Bergareche, noted about Ignacio Galán, who received the Award to Company Leadership.

- **Iberdrola, recognised as a global leader in the fight against climate change by CDP**

The company has obtained the best classification for the Iberia region, and has been included in the Climate Performance Leadership index, known as List A. A total of 193 companies across the world –including Iberdrola– fulfil the requirements necessary to be on the index.

- **Iberdrola, awarded the Stadium Cup in the Premios Nacionales del Deporte (National Sports Awards)**

The Consejo Superior de Deportes (Higher Sports Council) has recognised Iberdrola for its contribution to promoting sports activities and especially promoting women’s sports.

- **Iberdrola, receiver of Vocento's Prize for Work-Life Balance**

The company has received the Prize for Work-Life Balance for investing in the quality of life of its employees and promoting a work-life balance, by means of more than 70 measures included in the Handbook on Work-Life Balance Policies.

- **Iberdrola, the only Spanish energy company included in the “2018 Bloomberg Gender-Equality Index”**

Iberdrola has been 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.

3.2.- Contribution to Society and Stakeholders

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

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

- **ScottishPower, customer care award**

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

• Avangrid earns the Utility Customer Champion award

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

• IBERDROLA's support to the victims of the Mexico earthquake:

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

• Initiatives to help disadvantaged people

Different actions were launched in countries where the company is established, such as:

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

• International Energy Cooperation awards ceremony held

Called by Iberdrola and the Club de Excelencia en Sostenibilidad (Sustainability Excellence Club), in cooperation with the Ministry for External Affairs and Cooperation, the Awards for Energy Cooperation have been held. Galán stated that the "shared responsibility" required by the principle of "solidarity, commitment to vulnerable people and the environment" is something that can be "better fulfilled thanks to these public-private alliances".

• The ScottishPower Energy Networks Engagement Team receives recognition

The Engagement Team of SP Energy Networks (SPEN) has received an important award from the Utility Week Awards, for its way of interacting with Stakeholders with innovative strategies.

3.3.- Support to Volunteers

• Cultural Exchange Programmes

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

• Corporate Volunteer Programme

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

- **10th IBERDROLA Tree Day.** The ninth edition of Tree Day was held in Muxika (Vizcaya), in collaboration with the Gorabide Association and the Lurgaia Foundation.
- **Volunteer Days.** Volunteer days devoted to games and sports and environmental-awareness, aimed at people with disabilities, have been held in several Autonomous Communities. These included International Volunteer Day on 7 October, held in five countries simultaneously, which exceeded 1,300 participants.

- **INVOLVE (International VOLunteering Vacation for Education) Initiative.** The sixth edition of this corporate volunteering programme was held, in which IBERDROLA employees from other regions travelled to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion improve their employability, by means of IT and web application training.
- **CFE and Iberdrola México set up an alliance to carry out social volunteering actions.** Through the Comisión Federal de Electricidad (CFE), the company held a first session to reinforce values such as honesty, respect and tolerance

3.4 Community Action

One of the most significant goals of the Iberdrola Foundations is harnessing the company's capacity and experience to offer added value to the group's social action. It should be noted that the foundation activities include promoting and developing social programmes and projects that can be categorised into four priority lines of industry-related work: art and culture, training, biodiversity and social action. Its specific strategic goals and activities in the fourth quarter of 2017 are detailed below:

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

Iberdrola Scholarship and Grants Programme

The Scholarship and Grants Programme for research into energy and the environment by the Fundación Iberdrola annually announces scholarships for masters degrees in energy and the environment in Spain, United Kingdom, United States, Mexico and Brazil, as well as research grants in Spain. This programme seeks to achieve excellence in applied higher education in order to train high level professionals who can contribute to meeting the population's energy needs and to the protection of the environment, with a comprehensive, global concept of sustainability. In 2017, a total of 146 scholarships have been awarded, geared to masters degrees in energy and the environment, conservation and restoration in

museums, research grants, Fullbright Scholarships and Fundación Carolina Scholarships. In December 2017, the Diploma presentation ceremony was held in the central offices of the Company in Madrid. The students and the chairman of Iberdrola, Ignacio Galán, were received in the Palacio de la Zarzuela by HM the King of Spain.

Another initiative by the Foundation in Spain is the training programme in English by means of immersion courses aimed at students with limited financial resources, using the Company's available facilities as much as possible during holiday periods. In 2017, courses have been carried out in four Autonomous Communities in which 140 students and 32 teachers have participated.

The United Kingdom and United States Foundations have highlighted the collaboration programmes with local universities for the professional training of technicians and young people, as well as support for innovation projects and outreach programmes of research and training centres for different vulnerable groups.

The Fundación Iberdrola México has a collaboration programme with Tecnológico de Monterrey University at its Altamira campus for the education of young people with limited financial resources, in high school diploma (*bachillerato*) and engineering degrees.

b) **Sustainability and Biodiversity:** The aim of this line of work by the Iberdrola Group Foundations is to foster environmental protection and help enhance biodiversity, studying the impact of climate change on nature.

The Fundación Iberdrola España has worked with the Bird Migration Programme (MIGRA), in the tagging of 83 new birds with GPS transmitters. All the information regarding 809 birds of 28 species can be found at www.migraciondeaves.org. In 2017, the first case study on the migrations of booted eagles was published, a scientific paper based on the data provided by the Programme. The Foundation in Spain also collaborates in a habitat conservation and improvement project in the Tagus International Nature Reserve, to promote the conservation of steppe birds.

In the United Kingdom, through the ScottishPower Foundation, collaboration has continued with the Young Scots Climate 2050 programme to train future environmental leaders. 129 young people have developed skills for leadership in areas such as climate change and sustainability.

In the United States, through the Avangrid Foundation, there have been multiple collaborations with institutions, scientific museums and environmental centres, such as projects aimed at achieving an efficient use of energy, promoting electrical vehicles and smart communities, efficient and sustainable construction, projects to improve riverside and marine habitats, and bird conservation projects. Especially worthy of note are the special collaborations with the leading research institute of the Peabody Museum and the Natural History Museum at Yale.

The Neoenergia Institute in Brazil has continued collaborating with the Flyways projects, which undertake census work relating to endangered wader birds. Also, together with the Instituto de Permacultura y Ecoaldeas de la Mata Atlántica (IPEMA), the Eco Ciudadano project has started: building a sustainable future, with free courses for the training of professionals in sustainable building through the use of new technologies. Likewise, 2017 marked the end of the Cuida Colmena project, dedicated to the conservation of bees and to promoting productive projects for a hundred young people at risk of social exclusion.

In Mexico, support has continued for the campaign 'Limpiemos el mundo' (Let's Clean the World) in the municipality of La Laguna, and the company has promoted a new project called Felino, for the protection of endangered animals.

c) Art and Culture: In this field, the company collaborates with relevant institutions to promote programmes that contribute to the conservation of artistic and cultural heritage, and for these initiatives to function as driving forces for the local development and sustainable tourism.

The Iberdrola Restauración Programme in Spain supports the workshops at the Prado Museum and the Museo de Bellas Artes (Museum of Fine Arts) in Bilbao. In the case of the Prado Museum,

in 2017 the study and restoration of 276 works was completed, including a painting of Philip II offering Infante don Ferdinand to Victory, by Titian, and the monumental Hellenistic bronze of Demetrius Poliorcetes. On its part, the Workshop of the Museo de Bellas Artes in Bilbao, has carried out the restoration of a total of 13 works, with the Chillida sculpture 'Lugar de Encuentros IV' being the most complex project. The restoration activities are rounded off with the conservation project of the Library at the Monastery of San Millán de la Cogolla and the completion of work on the last two Flemish tapestries of the collection in Colegio del Patriarca in Valencia. The Romanesque-Atlantic Plan has continued with improvement work in the Romanesque churches. In 2017, the following churches were restored: the Church of Muga de Alba in Zamora, and the Church of San Martín and the Hermitage of Yecla de Yeltes, both in Salamanca. In Portugal, restoration work has been carried out on the churches of Boticas and Guimarães.

Via its Exhibitions Programme, the Foundation in Spain has collaborated with other museums in 2017, such as the Reina Sofía Museum for the exhibition on the occasion of the 80th Anniversary of Picasso's Guernica, or the Sorolla Museum with Sorolla in Paris. Iberdrola joined the celebration of the 20th Anniversary of the Guggenheim Museum at Bilbao with the Bill Viola exhibition: a retrospective dedicated to the New York artist, who was a pioneer in developing video art.

The Lighting Programme aims to showcase historical-artistic heritage and promote local development, incorporating new LED technology. In 2017, a total of 6 projects were completed, including: the renovation of the lighting in the Holy Chalice Chapel in Valencia Cathedral and the 2nd Phase of the renovation of the rooms of the Museum of the Royal Academy of Fine Arts of San Fernando. This year has also marked the completion of the significant "Lighting the Prado" project in the rooms of the Prado Museum. Five projects which will be completed in 2018 are still ongoing.

In the United Kingdom, financed by the ScottishPower Foundation, 2017 was the year of a special collaboration to celebrate the 70th anniversary of the Llangollen International Musical Eisteddfod, with a project in which four choir and dance groups made up of vulnerable people participated. The groups reflected the diversity of society, with the aim of promoting tolerance and plural coexistence through art and culture. The foundation also supports the National Museum of Scotland and the ScottishPower Pipe band. In 2017, the ScottishPower Foundation received the Wales Arts & Business Award for its continuous support and promotion of art and culture.

The focus on arts and culture as a driver for sustainable communities is a priority of the Avangrid Foundation in the US, which continues to support restoration projects such as Rochester's Eastman School of Music and other historical community theatres such as the Colonial Theater Augusta in Maine and the Convoy Theater in Convoy, Ohio. The aim is to help revitalise urban centres in a sustainable manner, while at the same time providing art and culture to communities in difficulties. During 2017, Avangrid has collaborated with many cultural bodies, such as: Abyssinian Meeting House, Binghamton Philharmonic, Eastman Theatre, Maine Irish Heritage Center, Maine State Ballet, Memorial Art Gallery, Portland Museum of Art, Rochester International Jazz festival, Tompkins Country Library, Tri-cities Opera, etc.

In Brazil, the Foundation's cultural activity focused on continuing the outdoor lighting project for the Forte das Cinco Pontas in Pernambuco, which is due to be completed in 2018. Work is also being carried out on an outdoor lighting project for the Fortaleza da Barra Grande, in Guarujá, on the coast of Sao Paulo state. The fortress is the only Spanish building on the Brazilian coast, which aims to become a UNESCO world heritage site.

In Mexico, the Lighting Project for the Museo Nacional de Arte (National Art Museum) in Mexico City is worthy of note, which aims to foster energy efficiency and contribute to the conservation of the works exhibited at this museum.

d) Cooperation and Solidarity: Isolidarity initiatives are promoted with a view to helping improve the quality of life of the most vulnerable people.

In Spain, the Fundación has a Social Programme through which it collaborates with social institutions in the country and an international line for humanitarian aid and human development.

The aim of the Social Programme is to contribute to the improvement of the quality of life of the most vulnerable groups, paying special attention to children, young people and women. The programme collaborates with non-profit organisations that contribute to eradicating child poverty, promoting education as a useful tool for young people, foster social inclusions of people with disabilities, and improve the quality of life of seriously ill people and their families. In 2017, a total of 32 projects have been supported in different regions in Spain, with an investment in excess of one million euro. These projects benefit more than 45,000 people and create around one hundred direct jobs. The line of international cooperation contributes to the access to electricity and drinking water in areas of extreme poverty or humanitarian emergency. In 2017, the Foundation has joined the SHIRE Alliance, driven by the Universidad Politécnica de Madrid and formed by UNHCR and the EU, among other organisations. The aim of this initiative is to provide electricity to common areas and schools in refugee camps throughout 2018. In 2017, the Foundation held a Meeting with Social Organisations, which was attended by around one hundred representatives and users of more than 20 NGOs. In different work groups, participants shared best practices, and analysed actions for improvement and future challenges.

In the United Kingdom, the ScottishPower Foundation has promoted a dozen collaborations with social projects, prioritising programmes for people with illnesses and their families. The music in the programme Singing Together aimed to reduce the feelings of isolation and loneliness experienced by hospital patients. Other social projects worthy of note are the installation of palliative care services in leading hospitals, a rural transport service to help isolated communities

to access sanitary services, and a mental health service for pregnant women, as well as support for autism, among others. The annual ScottishPower Foundation Awards were held in Glasgow on 7 November, recognising six renowned social and cultural organisations.

In the United States, the Avangrid Foundation carried out more than 60 collaborations with social organisations during 2017, including: Aid funds for electricity supply and efficiency (American Red Cross SHARE Heating Found, Broome Country Habitat for Humanity, Working cities, Lifespan, etc.), aid for fighting illnesses such as cancer, heart disease, fibrosis and leukaemia, as well as social collaborations such as United Ways, Bike Coalition, Habitat for Humanity, Food Processing, Kids First Center, Maine General Hospital, etc.

In Mexico, the company has an educational infrastructure project, through which social support actions have been carried out in 9 school and elderly centres, managing to improve the installations during 2017. In addition, collaborations with other social organisations such as: Civil Protection, Fire Department, Red Cross and Down Foundation, among others. Following the earthquake which affected several areas of the country, the Foundation in Mexico mobilised the donation of resources for this humanitarian emergency. The funds were used to obtain medication for the victims affected, removal of rubble, paving, rehabilitation and extension of the drainage network, extension and rehabilitation of the drinking water network and building roofs on social infrastructures, etc.

In 2017, the Fundación Iberdrola in Mexico and Spain have both jointly collaborated on the project to provide electricity and drinking water to the rural community of Catecas Altas in the state of Oaxaca (Mexico). This initiative, included in Iberdrola's 'Electricity for all' programme has been developed by Energy Without Borders and Save the Children. The first phase consisted in identifying the needs, studying viability and facilitating a participative process with the communities affected. Since then, work is being carried out on the project and its different interventions in the area of electrification,

improvement of electrical infrastructure and water supply to basic community centres.

The Instituto Neoenergia in Brazil financed the installations of photovoltaic panels in shelters in the concession area. The aim was to generate savings for the institutions and improve on environmental friendliness. Another project started in 2017, which entered via the call for Social Aid projects, was 'Mentes brillantes' (Brilliant minds). The initiative will boost the academic performance of students in the public school network of three cities of the Institute's concession area, providing skills development, vocational orientation and psychopedagogical support.

e) **New Master Plan and SDG:** The 2030 Agenda entails a call to global action to tackle the main environmental, social and economic challenges threatening the future of our planet. Iberdrola has incorporated the Sustainable Development Goals (SDG) to its company strategy and the foundations have identified specific targets for all of their fields of work.

In December 2017, the Foundations Committee approved a new Master Plan for the 2018-2021 period, which reflects a commitment to consolidate the foundations' transforming focus centred on social action, representative of Iberdrola's stakeholders and relevant for society in general. This Plan also includes a guide for all foundations, which will make it possible to contribute to reaching specific targets of these common goals:

- Goal 1: End Poverty
- Goal 3: Good Health and Well-being
- Goal 4: Quality Education
- Goal 10: Gender Equality
- Goal 11: Sustainable Cities and Communities
- Goal 13: Climate Action
- Goal 17: Partnerships for the Goals

4. Corporate governance

The Corporate Governance highlights during financial year 2017 were as follows:

- On 25 October 2016, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2016 General

Shareholders' Meeting and, on 25 January 2017, it reported the implementation.

- On 09 January 2017, IBERDROLA published the financial calendar for financial year 2017.
- The IBERDROLA Board of Directors, at its meeting of 21 February 2017, prepared the individual financial statements and management reports of the Company and the consolidated statements and reports with its subsidiaries, corresponding to the financial year ended 31 December 2016, as well as the proposals to distribute a cash dividend of EUR 0.030 gross per share with rights to such payment, and to approve an increase of paid-up capital for the free-of-charge allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named *Iberdrola Scrip Dividend*.
Likewise, the CNMV was notified of the offer to workers of Iberdrola Group in Spain to receive shares, in full or in part, of the annual variable compensation corresponding to financial year 2016.
- Also on 21 February, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury shares in accordance with the authorisation conferred by the General Shareholders' Meeting held on 28 March 2014, under point nine on the agenda. In relation with this, since that date, IBERDROLA periodically reported to the CNMV on the share buyback programme until 22 May 2017, the date when it ended. As a result, the Company acquired a total of 31,035,687 treasury shares, representing approximately 0.480%.
- On 22 February 2016, the Company submitted to the CNMV its Presentation of Results for the financial year ending on 31 December 2016.
- On 24 February 2017, IBERDROLA sent the *Annual Corporate Governance Report*, the *Annual Report on Remuneration of Directors* and the statistical information corresponding to financial year 2016 to the CNMV.
- On 12 April 2017, the Company submitted its energy production figures for the first quarter of 2017.

- On 24 May 2017, IBERDROLA reported the execution of the reduction in share capital through the redemption of treasury stock approved by the General Shareholders' Meeting held on 31 March 2017.

- On 26 April 2017, IBERDROLA notified the CNMV of the agreement on the implementation of the first increase in paid-in share capital approved by the 2017 General Shareholders' Meeting, publishing the corresponding memorandum on the same date.

On 3 July, the Company published an appendix to the memorandum regarding the first increase of paid-up capital approved by the General Shareholders' Meeting of 31 March 2017.

Finally, on 21 July 2017, the implementation of the first increase in paid-up capital was completed, through which the *Iberdrola Scrip Dividend* is implemented.

- On 26 April 2017, the Company submitted to the CNMV its Presentation of Results for the first quarter of 2017.
- On 8 June 2017, the CNMV was notified of the agreement reached on 7 June by the shareholders of Neoenergia, S.A. (BB Banco de Investimento S.A., Caixa de Previdência dos Funcionários do Banco do Brasil and Iberdrola Energía, S.A.) regarding the consolidation of Elektro Holding, S.A. in Neoenergia.

IBERDROLA informed the CNMV that on 24 August 2017, having complied with the conditions precedent which had come to apply to the operation, the incorporation of the activity and the business of Elektro Holding, S.A. into Neoenergia, S.A. was completed. Following the effect of said operation, BB Banco de Investimento, S.A. and Caixa de Previdência dos Funcionários do Banco do Brasil are owners of, approximately, 9.35% and 38.21%, respectively, with Iberdrola Energía, S.A. being the owner of the remaining 52.45% of the capital share of Neoenergia, S.A.

- On 07 July 2017, the Company submitted its energy production figures for the first half of 2017.
- On 20 July 2017, the Company submitted to the CNMV its presentation of results for the first half of 2017.

- On 24 October 2017, the Company submitted its energy production figures for the first nine months of financial year 2017.
- Furthermore, on 7 November 2017, the CNMV was informed of the terms and conditions of the second edition of the "Iberdrola Scrip Dividend" compensation system corresponding to financial year 2017, publishing the relevant information document on that date.
Subsequently, on 19 December, IBERDROLA's Board of Directors reported its ratification of said agreement, regarding the distribution of an amount on account of the dividend corresponding to financial year 2017.
- On 9 January 2018, the Company published an addendum to the information document regarding the terms and conditions of the second edition of the 'Iberdrola Scrip Dividend' compensation system.
- 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 7 November, the Company submitted to the CNMV its Presentation of Results for the third quarter of financial year 2017.
- On 19 December, the CNMV was notified of the offer to workers of Iberdrola Group in Spain to receive shares, in full or in part, of the annual variable compensation corresponding to financial year 2017.
- On 28 December 2017, the Company issued a communication regarding the impact on IBERDROLA of the fiscal reform in the United States of America.
- On 12 January 2018, IBERDROLA published the financial calendar for financial year 2018.

General Shareholders' Meeting

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

General Shareholders' Meeting.

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

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

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

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

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

Agreement regarding the updating of the Corporate Governance system

The General Shareholders' Meeting approved:

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

- iv. The amendment to Articles 19 and 39 of the *Regulations of the General Shareholders' Meeting* to expand the channels of participation for shareholders in the General Shareholders' Meeting.

Agreement regarding the renewal of the Board of Directors

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

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

The General Shareholders' Meeting approved:

- i. Under point eleven on the agenda, the appropriation of earnings proposed by the Board of Directors, which includes the payment of a dividend corresponding to financial year 2016 of EUR 0.03 gross per share.
- ii. Under points twelve and thirteen on the agenda, two increases in paid-up share capital by issuing new ordinary shares of the Company, with a maximum reference market value of EUR 1,032 million and EUR 1,168 million, respectively, for the free-of-charge allocation of the new shares to the Company's shareholders. Said agreements include the delegation to the Board of Directors, with full powers of substitution, of the powers required to execute capital increases, including that of newly drafting the article in the *Articles of Association* that regulates the share capital.
These capital increases were agreed in order to implement the two new editions of the "Iberdrola Scrip Dividend" system and offer all the Company's shareholders newly issued paid-up shares or, eventually, the purchase of free-of-charge allocation rights that shareholders receive for the shares they hold, for a guaranteed fixed price, in accordance with the Company's *Shareholder Remuneration Policy*.
- iii. Under point fourteen on the agenda, a decrease in share capital through the amortisation of a maximum of 219,990,000 treasury shares,

representing 3.41% of the Company's share capital, by means of the amortisation of 188,954,313 treasury shares currently in the portfolio, and of a maximum of 31,035,687 treasury shares acquired through a repurchase programme for their amortisation.

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

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

Agreement regarding authorisation to issue fixed income securities

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

Agreement regarding general matters

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

Agreement regarding the agreement put to advisory vote

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

Board of Directors

In addition to the appointments of Mr Juan Manuel González Serna, as an independent director, and Mr Francisco Martínez Córcoles, as executive director, mentioned above, it must be noted that the Board of Directors also agreed on the following appointments to committees on 31 March:

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

Corporate Governance System

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the *Articles of Association*, the *Mission, Vision and Values of Iberdrola Group*, the *Corporate policies*, the internal corporate governance regulations and other internal codes and procedures approved by the competent governing bodies of the Company. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

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

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

- On 21 February 2017, a reform of the Corporate Governance System was approved, which sought to develop the content of the *Corporate Fiscal Policy* within the framework of the corporate and governance structures, reinforce Iberdrola Group's commitment to human rights, introduce other improvements in corporate governance that affect the *Policy for Selecting Candidates to be Directors*, and the *Regulations of the Board of Directors*, among others, and to update the contents of the *Risk Policies* as a result of the annual review thereof, after receiving the report from the Audit and Risk Supervision Committee.
- As mentioned in the section on the agreements of the General Shareholders' Meeting, on 31 March 2017, the amendment of the *Articles of Association* and the *Regulations of the General Shareholders' Meeting* was approved.
On the same date, the Board of Directors of IBERDROLA agreed on a reform aimed at (i) updating the text in the Introduction to the Corporate Governance System to include the amendments to the Articles of Association approved by the General Shareholders' Meeting and to introduce other new contents and improvements, and (ii) to adapt the contents of several rules in light of the appointment of Business CEO of Iberdrola Group, Mr Francisco Martínez Córcoles, as executive director, whose position shall henceforth be Business COO - Executive Director of Iberdrola Group.
- On 19 June 2017, a reform of the Corporate Governance System was approved, the aim of which was (i) to amend the *Regulations of the Board of Directors* in order to standardise the definition of senior management, (ii) to amend the regulations on the duties of the secretary of the Board of Directors and of meetings and appearances of their advisory committees to strengthen their coordination, (iii) to amend Article 32 of the *Regulations of the Board of Directors* so that, when the minutes as a whole are approved in the following session, part of the minutes can be approved at the end of the meeting and, finally, (iv) to amend the *Internal*

Regulations for Conduct in the Securities Markets to clarify that communications between directors and the Company must be channelled through the Secretary of the Board of Directors.

- On 19 July 2017, the Board of Directors approved a new revision of the Corporate Governance System to modify the content of the *Cybersecurity Risks Policy* with a view to including express references to the risks of cybersecurity and cyberattack, to the promotion of a culture of cybersecurity among the professionals off the group, to develop the functions of the Security Committee before incidents, to be included as a tool for the protection of personal data and to incorporate a disaster recovery plan.
- On 24 October 2017, a modification to the Corporate Governance System was approved to (i) incorporate the best practices included in the Technical Guide 3/2017 on auditing committees of public interest entities in the Regulations of the Board of Directors and in the Regulations of the Risk Auditing and Supervision Committee, (ii) introduce improvements in the operation of the consulting committees to standardise their regulations and incorporate the recommendations of the aforementioned Technical Guide 3/2017, (iii) also add the best practices suggested by the Compliance Unit in the Internal Conduct Regulations in the Securities Markets, and (iv) add in the General Corporate Governance Policy new limitations regarding trips of members of the Board of Directors taken in the same means of transport.
- Lastly, on 19 December 2017 a reform of the Corporate Governance System was approved with a view to (i) underscore the criteria of diversity and transparency that must govern the process of selection of candidates for director positions, (ii) increase the autonomy of listed subholding companies so that they approve their own corporate social responsibility policies, (iii) update the principles governing the strategy of stakeholder relations, and (iv) develop the regulations of Iberdrola's compliance system and of the Compliance Unit Office.

All documents that comprise the Corporate

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

Information Transparency

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

On-Line Shareholders (OLS)

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

CNMV: Relevant Events from October to December 2017

Date	Event	Registration No.
10/10/2017	The Company reports the date for submitting the results corresponding to the nine month period of 2017.	257231
24/10/2017	The Company reports its energy production figures for the nine month period of 2017.	257736
07/11/2017	Iberdrola reports the terms and conditions of the second edition of the "Iberdrola Scrip Dividend" system corresponding to financial year 2017 and publishes the information document.	258278
07/11/2017	The Company issues information regarding the results of the third quarter of 2017.	258282
07/11/2017	The Company publishes the Results corresponding to the nine month period of 2017.	258290
14/11/2017	The Company reports on the issue of undated subordinated securities by Iberdrola International, B.V. with the subordinated guarantee by Iberdrola, S.A. for an amount of EUR 1 billion.	258519
19/12/2017	Offer to the employees of the Iberdrola group in Spain of the possibility to receive the variable annual remuneration corresponding to financial year 2017 in Iberdrola shares and partial reform of the Company's Corporate Governance System.	259721
19/12/2017	Ratification of the agreement regarding the distribution of an amount on account of the dividend of financial year 2017 within the framework of a second edition of the 'Iberdrola Scrip Dividend'.	259722
28/12/2017	The Company publishes the impact of the Fiscal Reform in the United States of America on Iberdrola, S.A.	260026

11

Glossary

of terms

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

IBERDROLA informs you that the data used to send you this information are included in a file property of IBERDROLA, S.A., with the only purpose of sending you financial information about the Company. Such data were included in our file either at your request or due to previous relations held between you and **IBERDROLA**.

As stated by the Organic Law 15/1999 of 13 December on the Protection of Personal Data (Ley Orgánica de Protección de Datos de Carácter Personal, LO 15/1999), you can at any time exercise your rights of access, rectification, objection and cancellation on your personal data. Should this be the case, you must send a letter, with a photocopy of your identity card or passport attached, to the following address:

IBERDROLA, S.A.
Investor relations
C/ Tomás Redondo, 1
28033 - Madrid (Spain)

Notwithstanding this, if you are not interested in receiving any more information related to **IBERDROLA**, please let us know by calling the toll free line +34 900 10 00 19.

Download the IBERDROLA Investor Relations app:



Available on
**Google
Play**



Available on the
App Store
(iPad)



Available on the
App Store
(iPhone)

www.iberdrola.com

IBERDROLA, S.A.

Investor relations

Phone: 00 34 91 784 2804

Fax: 00 34 91 784 2064

investor.relations@iberdrola.es