

Results Presentation

First Quarter

April 24
/ 2018



Iberdrola,
“utility
of the
future”

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Agenda

Highlights of the Period

Highlights of the period

Operating Net Profit grows 28.5% driven by:

EBITDA
Totals Eur
2,323 M
(+24%)

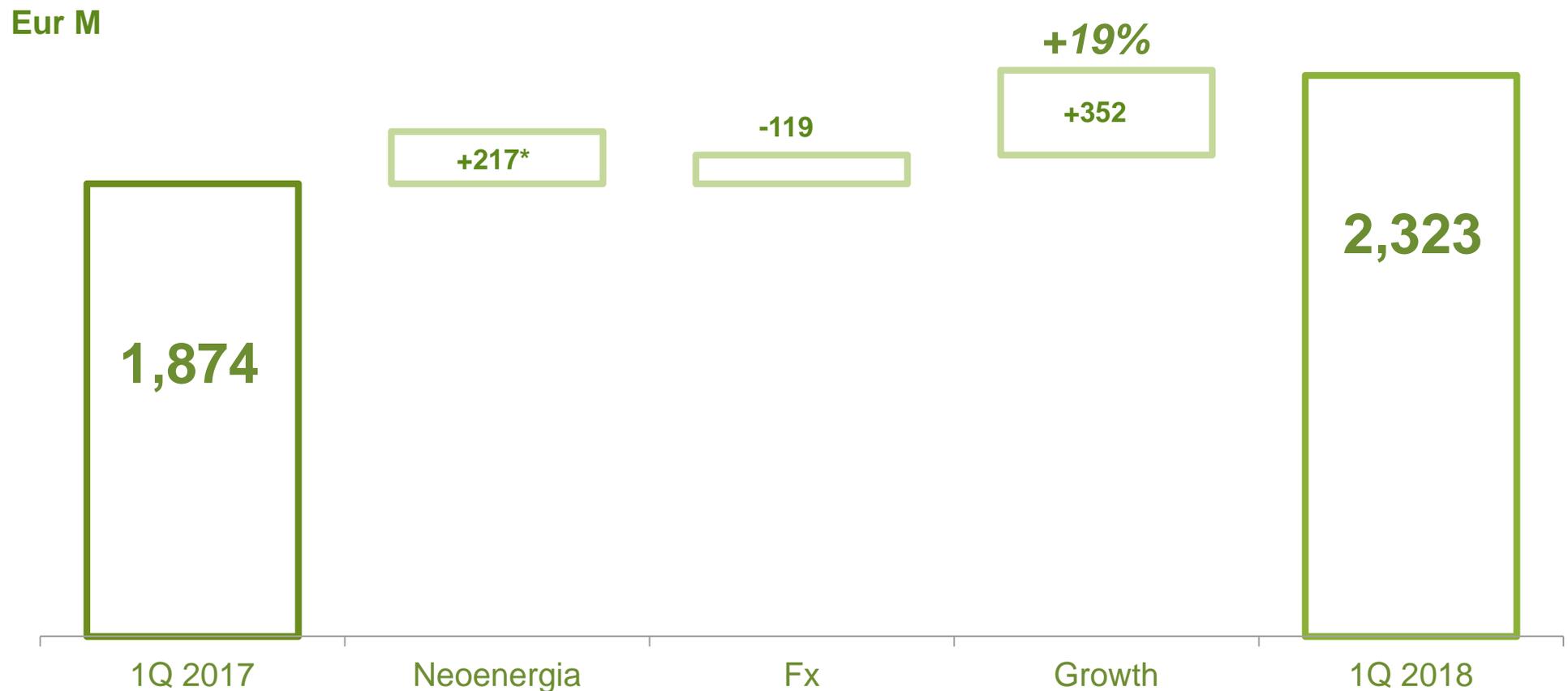
Net
Investments
up to Eur
1,185 M
(+14.1%)

Operational
efficiency
improvement
NOE/GM
down 80 b.p.

Reported **Net Profit** reaches Eur 838 M

1Q 2018 EBITDA

EBITDA totals Eur 2,323 M, growing 24%, despite fx impact

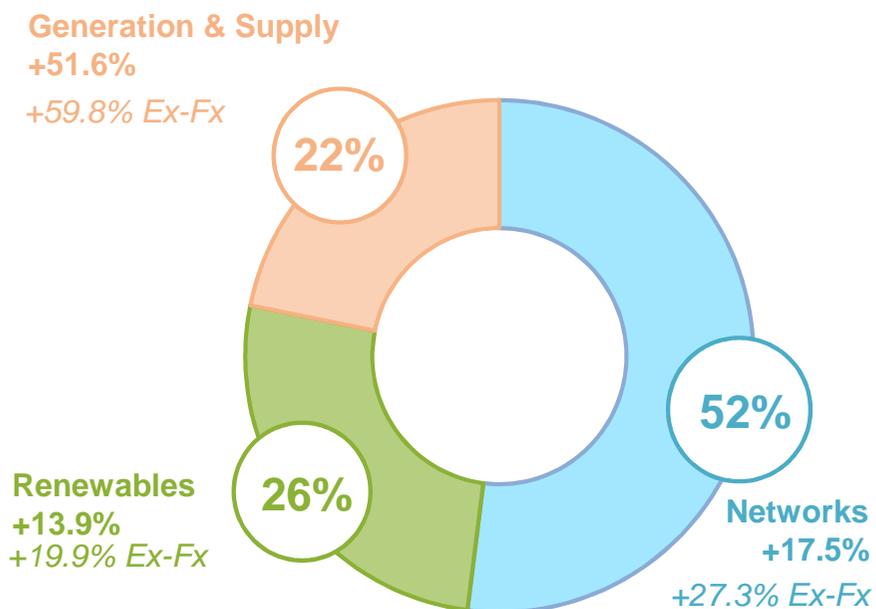


*Including fx impact of Neoenergia

Amounts may not add due to rounding.

EBITDA grows in all businesses

EBITDA by business



Operating Highlights

Networks

- Brazil: consolidation of Neoenergia.
- US: rate plans of New York and Connecticut.



Renewables

- Spain: higher output
- UK: higher output and new capacity (+242 MW in average).
- Germany: Wikinger offshore windfarm in operation (+350 MW).



Generation and Supply

- Spain: higher retail activity.
- UK: higher demand & normalisation of conditions.
- Mexico: temporary lower margin due to lower CFE tariff.



Fx

- Negative evolution of USD and BRL

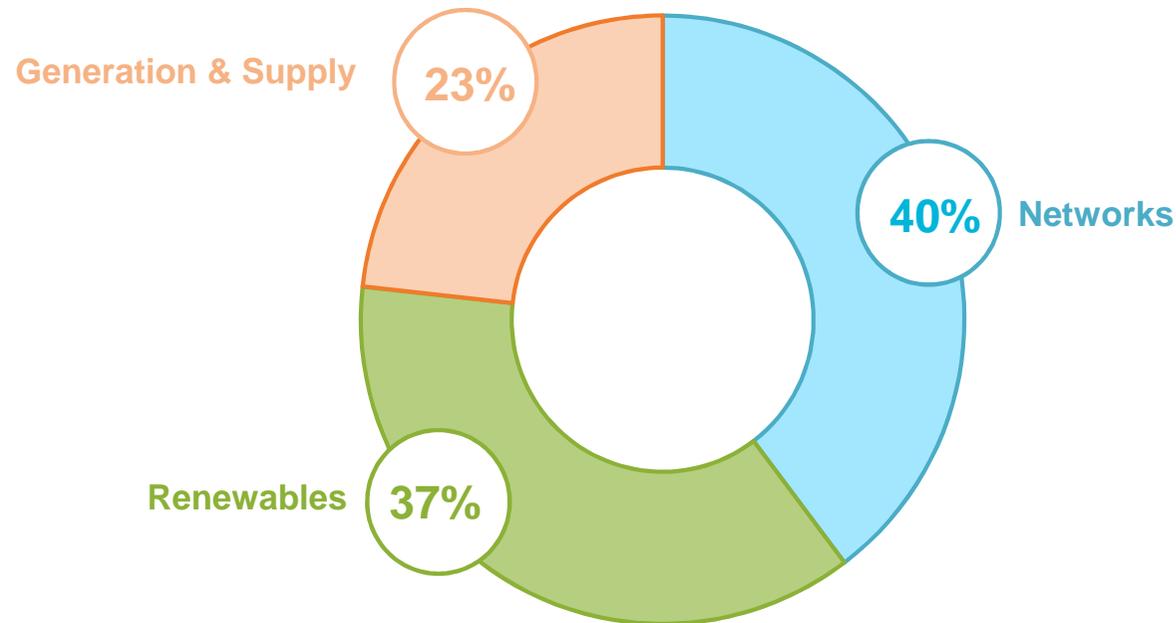


Net Investments

Net Investments increase 14.1% to Eur 1,185 M

77% in networks and renewables

Business investments¹



¹ Excluding Corporate and other

Commissioning a total of 1,905 MW

in renewables and contracted generation during 2018...

2018 – 2022 Plan: generation capacity

...from a total of 7,790 MW committed to be commissioned by 2020...

| MW | | Capacity committed – Commissioning date | | | | |
|------------|-------------------------------|---|-------|-------|-----------|------------------------|
| | | 2018 ¹ | 2019 | 2020 | 2021-2022 | New capacity 2018-2022 |
| Renewables | Offshore | | 490 | 224 | | 714 |
| | Onshore | 344 | 717 | 465 | 295 | 1,827 |
| | Solar PV | 237 | | 821 | | 1,058 |
| | Hydro | 306 | 245 | 367 | 1,006 | 1,924 |
| | Contracted generation | | | | | |
| | Combined cycle & Cogeneration | 1,018 | 1,777 | 779 | | 3,574 |
| | | 1,905 | 3,229 | 2,656 | | |
| | | | 7,790 | | 1,301 | 9,091 |

...and an additional 1,301 MW by 2022

¹ Includes MW already commissioned in Q1

2018 – 2022 Plan milestones

Networks

- US: NECEC transmission project selected for interconnection between Canada and Massachusetts.
Start of new Southern Connecticut Gas rate plan (January 2018-2020).
- Spain: Smart Grids Project (STAR) 99% smart meters installed.

Renewables

- Germany: Wikinger offshore windfarm (350 MW) in full operation.
- UK: East Anglia One onshore civil works and offshore construction started.
- Brazil: 61 MW of additional capacity.

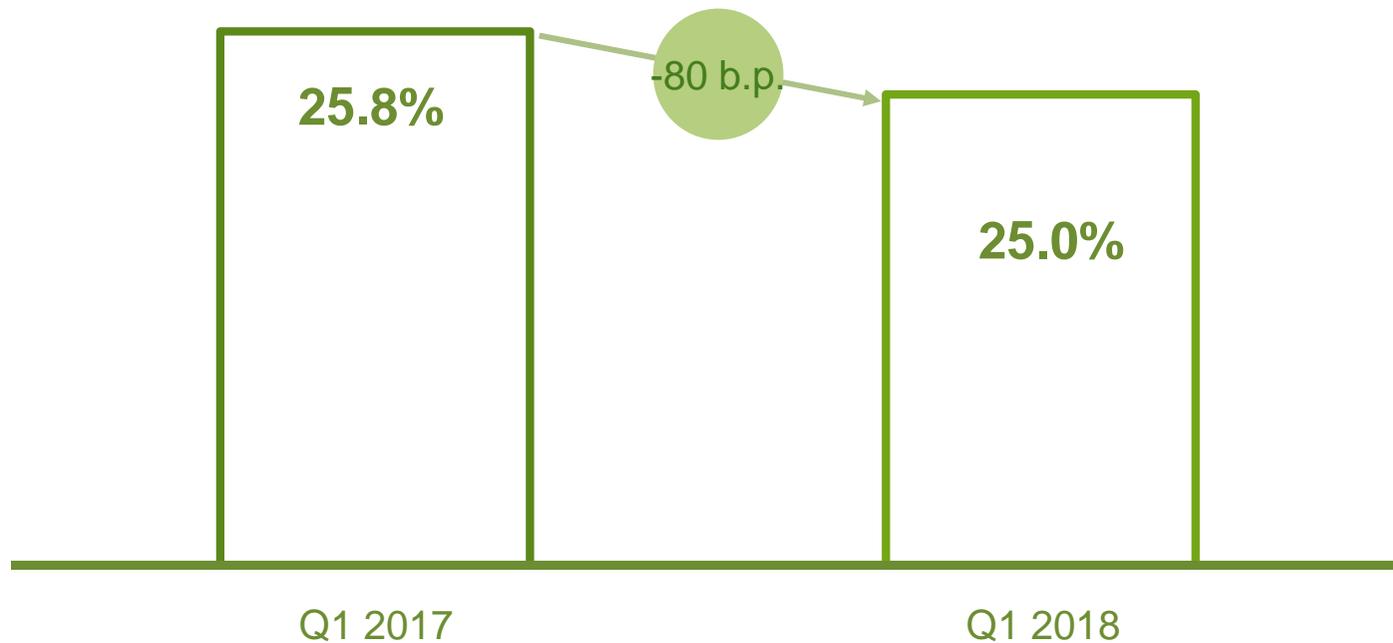
Generation & Supply

- US: divestment of gas trading and storage businesses.
- UK: 20% smart meters installed.
- Mexico: commissioning of San Juan Cogeneration and repowering of Monterrey during Q1.

Operational efficiency

Operational efficiency continues improving

Net Operating Expenses to Gross Margin



AVANGRID's Adjusted Net Profit grows +7% to USD 243 M

Strategic plan execution

- Investments total USD 289 M.
- Divestment of gas trading and storage businesses.

New opportunities in progress

- NECEC transmission project selected for interconnection between Canada and Massachusetts.
- Other offshore wind: submitted bid in Connecticut RFP for 190 MW.

**Affirming 2018 EPS Outlook: EPS \$2.16-\$2.46 &
Adjusted EPS \$2.22-\$2.50 (2018 Guidance based on Adjusted EPS)**

Neoenergia results (Local GAAP)

Neoenergia's EBITDA grows 34% to BRL 1,034 M
Net Profit reaches BRL 288 M, +98%

Strategic plan execution

- ✓ Tariff reviews in Coelba and Cosern (April 2018-2023):
 - Increasing revenues by more than BRL 700 M/year.
 - Allowed returns of 8.09% real post-tax.
- ✓ 2 new transmission projects awarded. Commissioning date: 2021-2022.
- ✓ 9 windfarms awarded with an estimated total capacity of 295 MW. Commissioning date: 2022.

Synergies identified exceed initial expectations.

Neoenergia: offer for Eletropaulo

Eletropaulo, a strategic fit for Neoenergia in Brazil

Neoenergia

13.6M

Points of supply

34M

Service area population

608,822

km Power Lines

3,162

Renewable/contracted capacity in operation (MW)

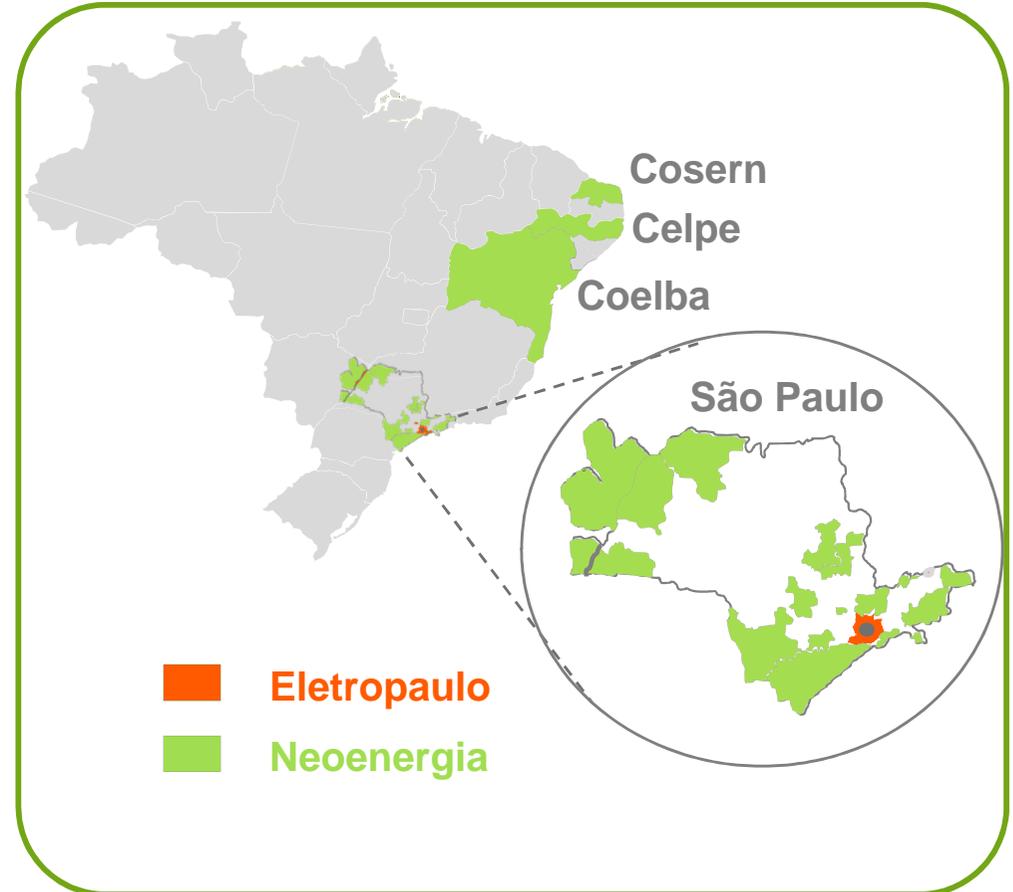
Eletropaulo

7.2M

~18M

43,432

0



Increasing presence in State of São Paulo

Spain: Experts' Commission Report

Experts' Commission

- ❑ **Objective:** created by the Minister of Energy, Tourism and Digital Agenda to advise on the Energy Transition Law within the National Plan of Energy and Climate Change, required by the European Commission.
- ❑ 14 members appointed by the Government, Parliamentary Groups and social agents.

Recommendations adopted with a broad consensus...

Maintenance of nuclear generation under a framework that guarantees **economic viability**

2030 scenario: closure of coal facilities

Creation of a **capacity market**

Fiscal reform to distribute environmental costs: “polluter pays” principle

Elimination of non-energy related costs from **tariff**

Encourage investment in **smart networks** (in line with Deloitte report)

...and aligned with European policies and directives

Other milestones

Annual General Meeting

Quorum of **76.1%**

Average support of **98.5%** for all the items on the Agenda

99.1% Group 1: Financial statements and corporate management

98.6% Group 2: Board of Directors

97.7% Group 3: Remunerations

97.6% Group 4: Treasury Stock

99.9% Group 5: Resolutions

Dividend

The Board of Directors has approved today (24th April 2018), the execution in July 2018 of “Iberdrola Retribución Flexible” program of **at least Eur 0.183 per share in cash or shares** to reach an annual shareholder remuneration of

Eur 0.323 per share (+4.2%)

Share buy-back program, to **maintain the number of shares at 6,240 M and avoid dilution.**

Agenda

Analysis of Results

Income Statement / Group

Hydro results included in Renewables Business (vs Liberalised Business until 2017)*

Discontinuing operations of **Engineering:** results accounted for using the Equity Method line from FY 2017*

IFRS 15: Customer acquisition costs are now capitalised (Lower NOE, Higher D&A)
IFRS 9: Higher Interest Expenses linked to liability management

** 2017 restated accordingly*

Income Statement / Group

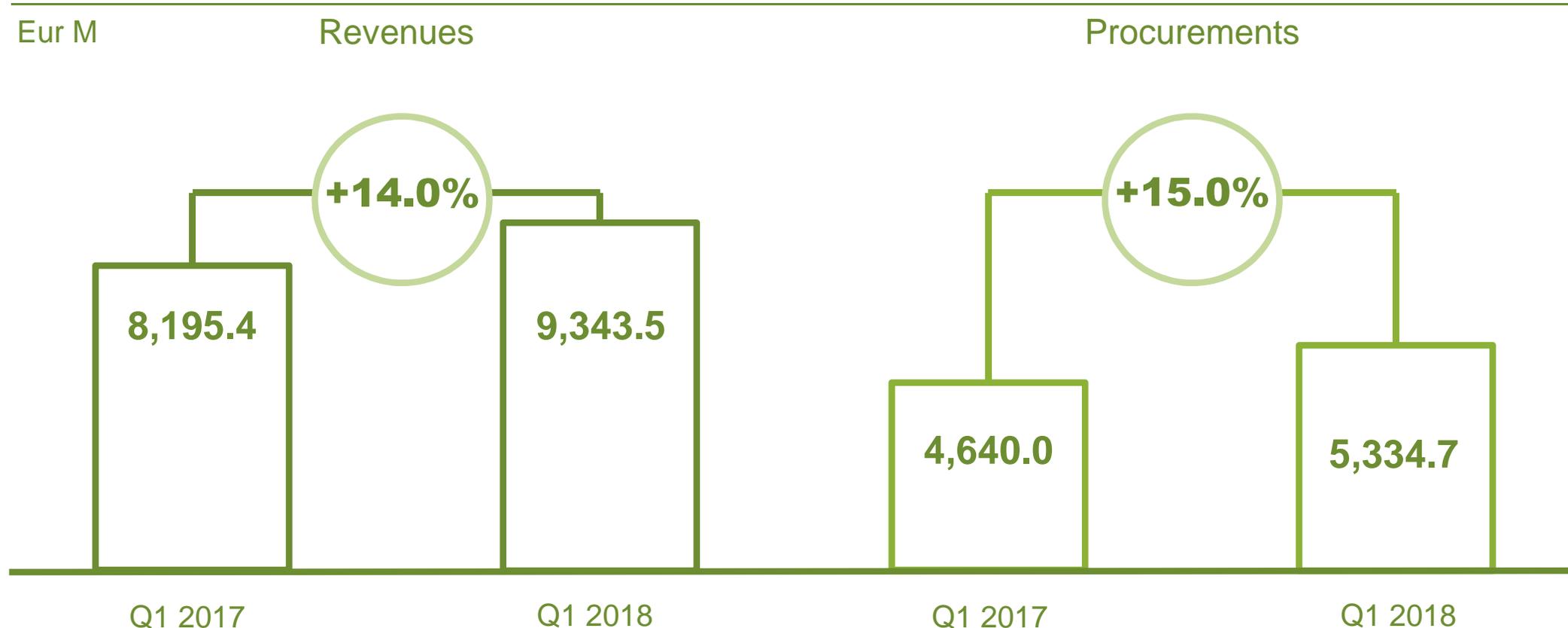
EBITDA up 24.0%, to Eur 2,323.5 M, +18.7% excluding NEO and fx impact

| Eur M | Q1 2018 | Q1 2017 | Var. | % |
|-----------------------------|----------------|----------------|---------------|--------------|
| Revenues | 9,343.5 | 8,195.4 | +1,148.1 | +14.0 |
| Gross Margin | 4,008.8 | 3,555.4 | +453.4 | +12.8 |
| Net Operating Expenses | -1,000.4 | -918.0 | -82.4 | +9.0 |
| Levies | -684.9 | -763.8 | +79.0 | -10.3 |
| EBITDA | 2,323.5 | 1,873.6 | +449.9 | +24.0 |
| EBIT | 1,387.2 | 1,039.6 | +347.6 | +33.4 |
| Net Financial Expenses | -288.6 | -206.2 | -82.4 | +40.0 |
| Non Recurring Results | +0.5 | +256.2 | -255.7 | -99.8 |
| Taxes and Minorities | -261.7 | -282.1 | +20.4 | -7.2 |
| Reported Net Profit | 838.0 | 827.6 | +10.3 | +1.2 |
| Operating Net Profit | 769.9 | 599.4 | +170.5 | +28.5 |
| Operating Cash Flow | 1,877.1 | 1,661.9 | +215.2 | +12.9 |

Operating results compensate Q1'17 non recurring profit: Reported Net Profit up +1.2%, to Eur 838.0 M

Gross Margin / Group

Gross Margin up 12.8%, to Eur 4,008.8 M, with NEO consolidation (Eur +380 M) more than compensating fx impact (Eur -221 M)



Revenues grew +14.0% (Eur 9,343.5 M) and Procurements +15.0% (Eur -5,334.7 M)

Net Operating Expenses / Group

Net Operating Expenses up 9.0% (Eur -82.4 M), to Eur 1,000.4 M, driven by NEO consolidation (Eur -161 M), partially compensated by fx (Eur +59 M)

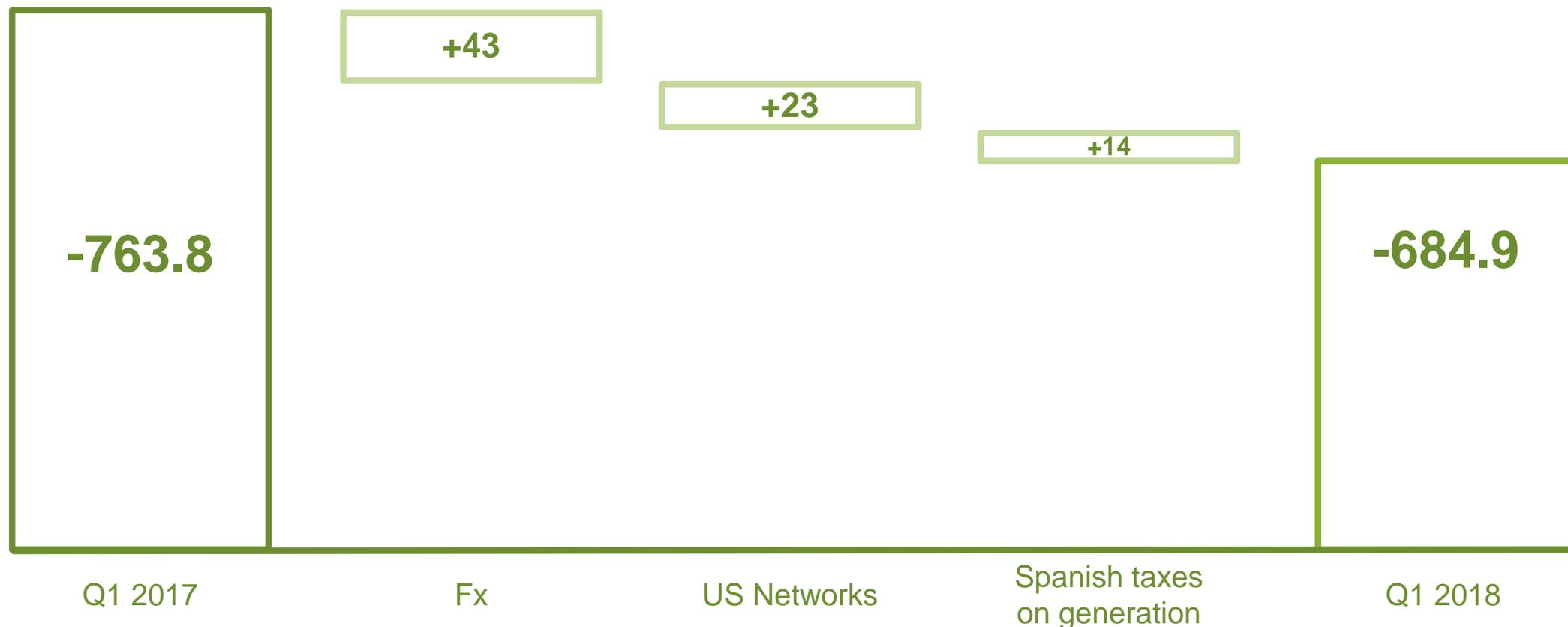
| Eur M | Net Operating Expenses | | | |
|-------------------------------|------------------------|---------------|--------------|--------------------------------|
| | Q1'18 | Q1'17 | vs Q1'17 (%) | vs Q1'17 (%) Like for like* |
| Net Personnel Expenses | -522.6 | -480.5 | +8.8% | +3.6% |
| Net External Services | -477.8 | -437.5 | +9.2% | -8.4% |
| Total Net Op. Expenses | -1,000.4 | -918.0 | +9.0% | -2.0% |

On a like for like basis, Net Operating Expenses down 2.0%

* Net Operating Expenses – fx impact – NEO contribution

Levies / Group

Levies fall 10.3%, to Eur 684.9 M as a consequence of ...

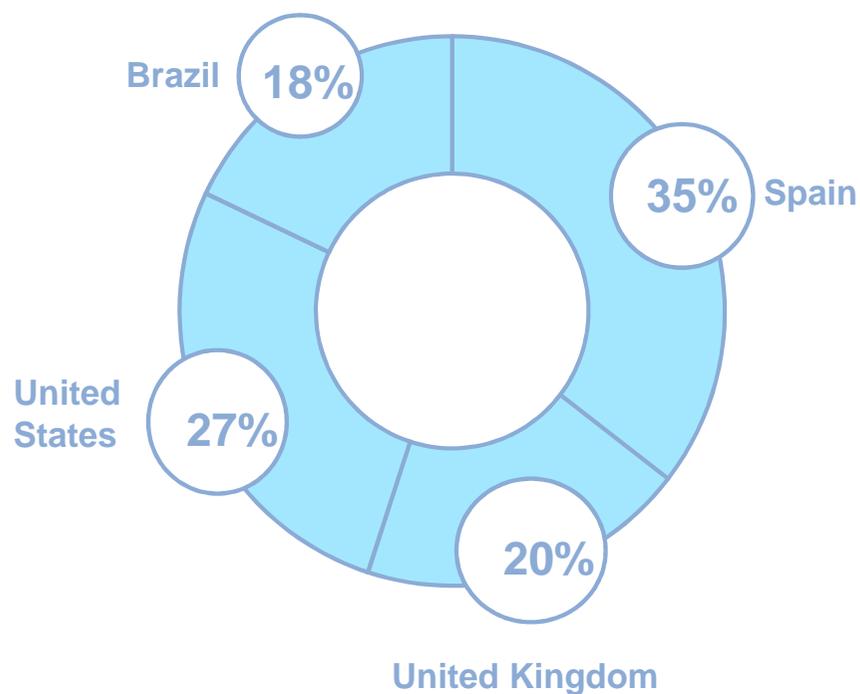


... fx and lower taxes in Networks US and Spanish generation

Results by Business / Networks

Networks EBITDA up 17.5%, to Eur 1,200.0 M, ...

EBITDA by Geography (%)



Key Figures (Eur M)

| | Q1'18 | Q1'17 | vs Q1'17 (%) |
|---------------------|---------|---------|-----------------|
| Gross Margin | 1,975.3 | 1,737.1 | +238.2 (+13.7%) |
| Net Op. Exp. | -503.1 | -387.8 | -115.3 (+29.8%) |
| Levies | -272.1 | -328.5 | +56.4 (-17.2%) |
| EBITDA | 1,200.0 | 1,020.9 | +179.1 (+17.5%) |

... with positive evolution in most of the geographies

Results by Business / Networks

Spain EBITDA Eur 425.4 M (Eur +38.0 M; +9.8%), due to positive settlements of previous years and the impact of 2017 positive court ruling on ICAs*

US EBITDA USD 389.3 M (USD +62.9 M; +18.8%), driven by:
+ Rate plans
+ Positive IFRS impact
+ Lower Levies in NY

Under IFRS the negative impact from the tariff adjustments corresponding to the tax reform is not yet included

Brazil EBITDA BRL 855.9 M (BRL +620.9 M; n/a), as a consequence of NEO consolidation (BRL 861.4 M)

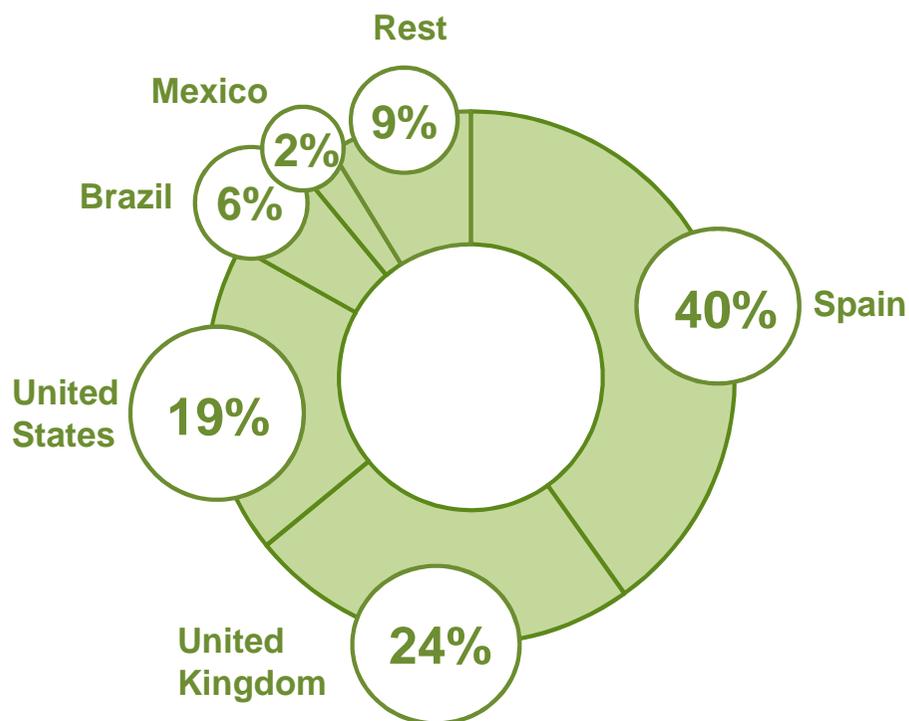
UK EBITDA GBP 207.1 M (GBP -3.4 M; -1.6%), with higher revenues in transmission offset by lower revenues in distribution

* Instalaciones Cedidas de Abonados / Assets given by customers

Results by Business / Renewables

EBITDA up 13.9%, to Eur 603.5 M, with output increasing by 14.8% ...

EBITDA by Geography (%)



Key Figures (Eur M)

| | Q1'18 | Q1'17 | vs Q1'17 (%) |
|---------------------|--------|--------|----------------|
| Gross Margin | 944.5 | 857.4 | +87.1 (+10.2%) |
| Net Op. Exp. | -180.8 | -165.9 | -14.9 (+9.0%) |
| Levies | -160.3 | -161.8 | +1.5 (-0.9%) |
| EBITDA | 603.5 | 529.7 | +73.8 (+13.9%) |

... driven by better wind conditions (+2.4 p.p.) and higher installed capacity (+5%, reaching 29,275 MW, including German Wikinger offshore wind farm), despite lower prices

Results by Business / Renewables

Spain EBITDA Eur 242.1 M (Eur +11.4 M; +4.9%), driven by higher output in wind (+24.4%) and hydro (+6.0%), partially compensated by lower prices vs Q1'17 (price spike)

US EBITDA USD 140.7 M (USD +5.8 M; +4.3%), affected by lower prices and the positive impact of some power hedges accounted for in 2017, despite higher output (+14.3%)

UK EBITDA GBP 127.7 M (GBP +28.7 M; +29.0%), higher output (22.7%) due to an increase in the average operating capacity (+14.7%, +242 MW) and higher load factor (+4.0 p.p onshore, +6.5 p.p offshore)

Brazil EBITDA BRL 140.2 M (BRL +111.2 M; n/a), due to corporate restructuring. Hydro contributes with BRL 63.6 M and wind with BRL 76.6 M

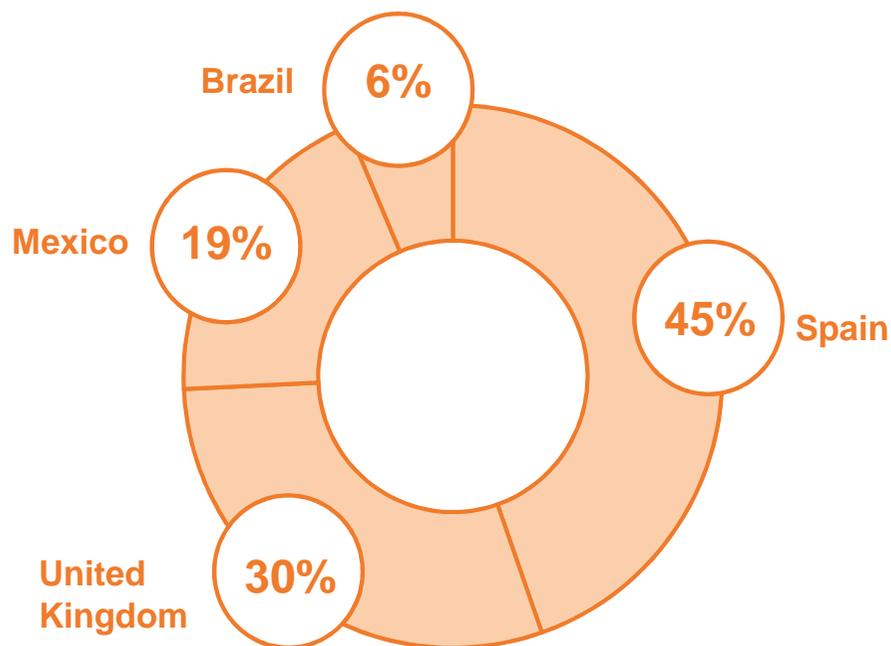
Mexico EBITDA USD 16.5 M (USD -5.1 M; -23.8%), with higher output (+12.7%) not compensating lower prices

RoW EBITDA Eur 53.3 M (Eur +26.6 M; +99.3%) due to the gradual entry into service of German Wikinger offshore wind farm during Q1'18

Results by Business / Generation and Supply

Generation & Supply EBITDA up 51.6% to Eur 503.6 M ...

EBITDA by Geography (%)



Key Figures (Eur M)

| | Q1'18 | Q1'17 | vs Q1'17 (%) |
|---------------------|---------|--------|-----------------|
| Gross Margin | 1,079.4 | 946.9 | +132.5 (+14.0%) |
| Net Op. Exp. | -325.7 | -351.6 | +25.9 (-7.4%) |
| Levies | -250.1 | -263.0 | +12.9 (-4.9%) |
| EBITDA | 503.6 | 332.3 | +171.3 (+51.6%) |

... as a consequence of the recovery in the UK and Spain from the adverse operating environment in 2017

Results by Business / Generation and Supply

Spain EBITDA Eur 224.8 M (Eur +71.3 M; +46.4%)

- Output* decreases -6.7% due to lower nuclear (-8.8%) and coal (-15.4%), with gas combined cycles up +37.3%
 - + Higher margins due to the fall of procurement costs
 - + Levies decrease (Eur +10.5 M; -4.8%) affected by lower generation taxes
 - + Higher Retail activity (volumes and Products & Services)
-

UK EBITDA GBP 131.7 M (GBP +93.7 M; n/a)

- + Better demand
 - + Normalisation of margins, smart meters and capacity payments
 - + Better operational conditions
 - + Customer acquisition costs now accounted for in D&A (IFRS 15)
-

Mexico EBITDA USD 119.5 M (USD -22.4 M; -15.8%): Affected by lower tariffs to private customers, expected to recover during the year

Brazil EBITDA BRL 128.2 M (n/a), due to NEO consolidation

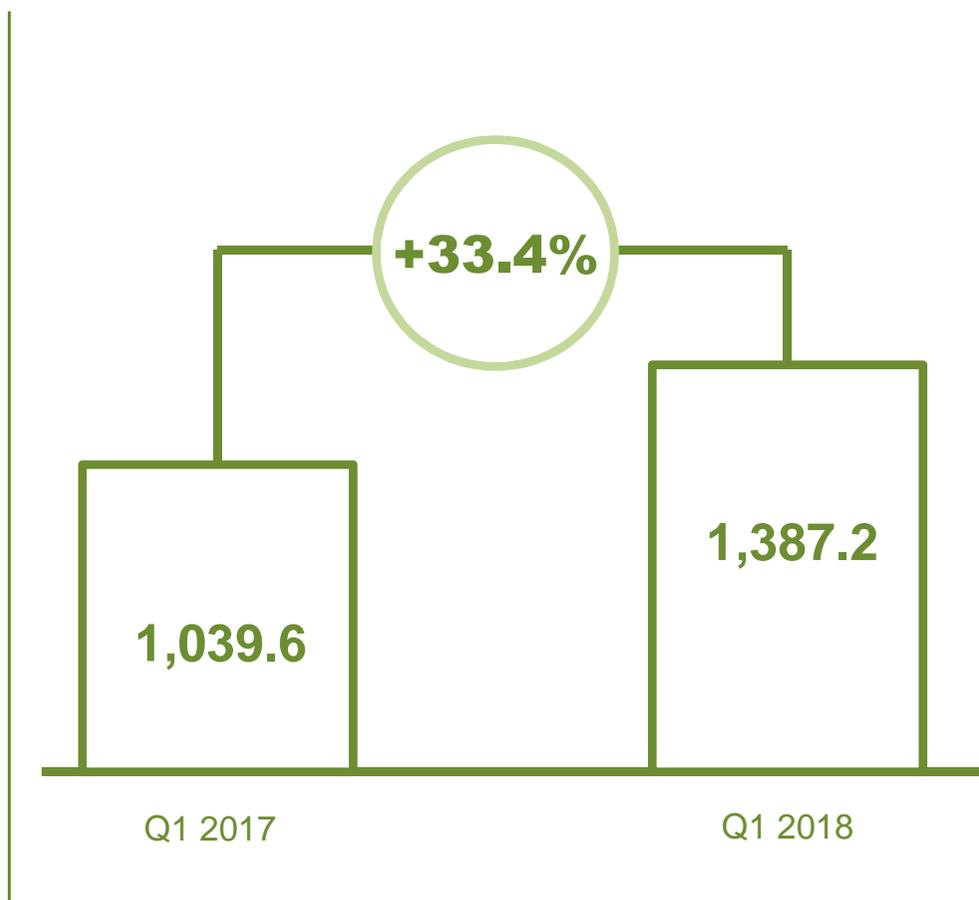
** Includes cogeneration*

EBIT / Group

Group EBIT up 33.4%, to Eur 1,387.2 M

Eur M

EBIT



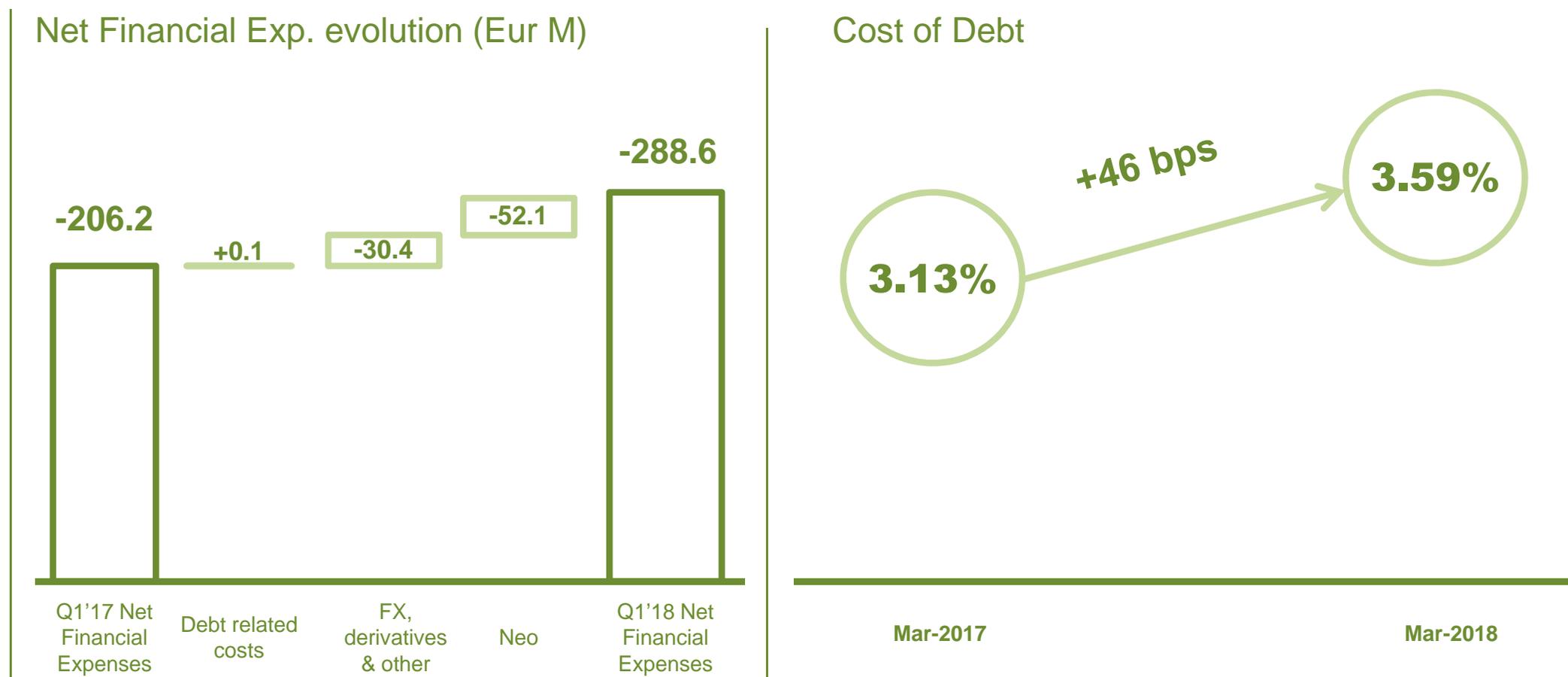
D&A and Provisions

| | Q1'18 | Q1'17 | Q1'18 vs Q1'17 (%) |
|--------------|---------------|---------------|-----------------------|
| D & A | -871.1 | -779.3 | +11.8 |
| Provisions | -65.2 | -54.8 | +19.1 |
| TOTAL | -936.3 | -834.0 | +12.3 |

D&A and Provisions increase 12.3%, basically due to Brazil consolidation and higher activity

Net Financial Expenses / Group

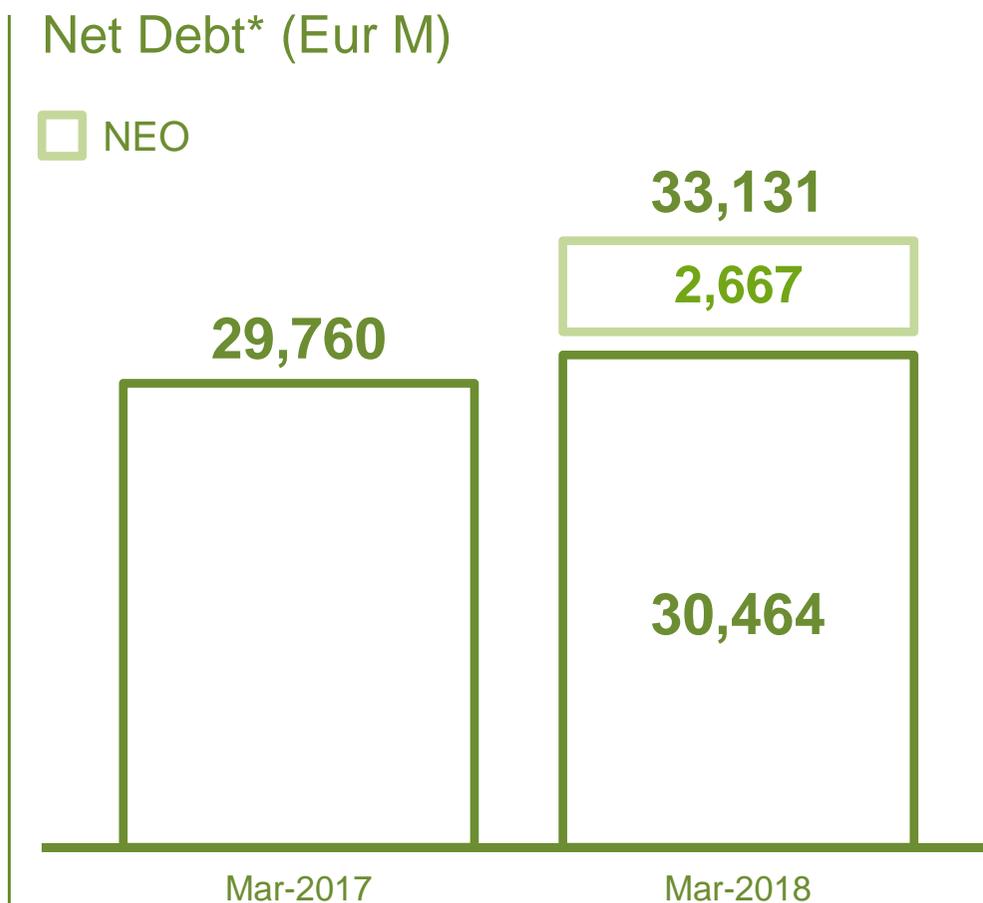
NEO integration, along with non-debt results and IFRS 9 ...



... drive Net Financial Expenses up Eur 82.4 M to Eur 288.6 M

Net Debt / Group

Net Debt* increases to Eur 33,131 M, affected by corporate reorganisation in Brazil and investments, partially compensated by fx



Pro forma adjusted credit metrics**

Net Debt / EBITDA **3.9x**

FFO / Net Debt **21.4%**

RCF / Net Debt **19.0%**

Leverage **43.6%**

* Adjusted by market value of treasury stock cumulative hedges (EUR 167 M at 31/03/2018 and 0 at 31/03/2017)

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

Net Profit / Group

Operating Net Profit up 28,5%, to Eur 770 M, and Reported Net Profit up 1.2%, to Eur 838 M, as Q1 2017 already included Eur 255 M non recurring net after taxes positive result

| Eur M | Q1'18 | Q1'17 | vs Q1'17 |
|---|--------------|--------------|---------------|
| Operating Net Profit | 769.9 | 599.4 | +28.5% |
| Non Recurring Results | +0.5 | +256.2 | n/a |
| Other non recurring: Taxes and Minorities | +67.6 | -28.0 | n/a |
| Reported Net Profit | 838.0 | 827.6 | +1.2% |

Taxes improve, to Eur -175.4 M, due to lower corporate rates in US and final positive adjustments of tax reform accounted for in Q1'18

Agenda

Conclusions

2018 Outlook

Positive impact of new investments, efficiency plan and normalisation of output...

Visibility for **2018 results**



...despite exchange rate impact...

2018 Outlook

...lead to 2018 outlook of **above Eur 9 Bn** at EBITDA level and **close to Eur 3 Bn** at Reported Net Profit level...

...driven by **better performance** in all businesses

Forecast operational evolution

Networks

- New rate plans US and Brazil
- Efficiency improvements



Renewables

- New capacity
- Higher output
- Increase in hydro reserves



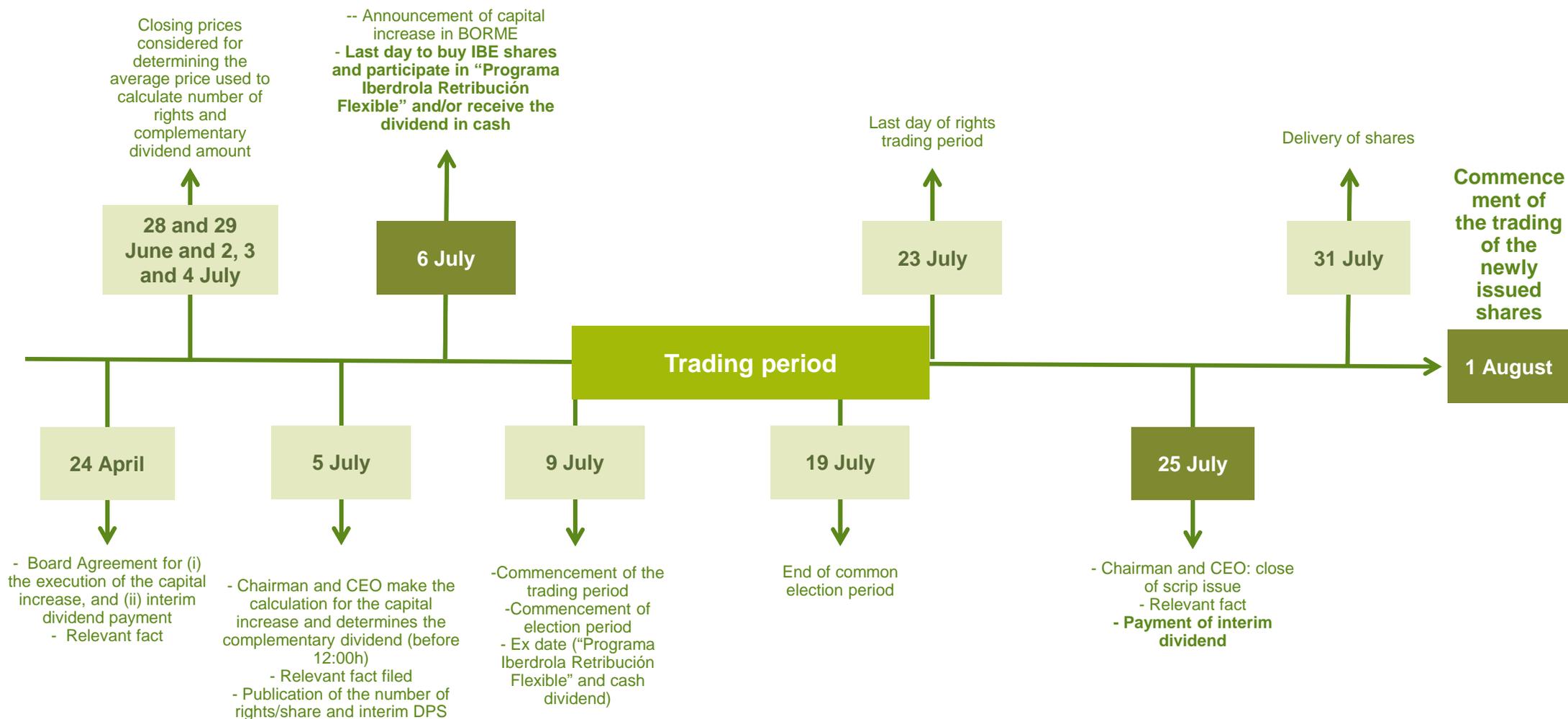
Generation & Supply

- New capacity
- More demand: higher output and improved prices



Annex: “Iberdrola Retribución Flexible” program July 2018

“Iberdrola Retribución Flexible” program: July 2018 ⁽¹⁾



(1) Calendar already approved by Iberclear

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