

Results

First Quarter

April 24 / 2018



Iberdrola,
“utility
of the
future”

Results

First Quarter

April 24 / 2018



IBERDROLA

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1.

Core business figures

Networks

| | | December 2017 | December 2016 |
|---------------------------|----------|---------------|---------------|
| RAV (Moneda local) | | | |
| Spain | (MM EUR) | 9.5 | 9.5 |
| United Kingdom | (MM GBP) | 6.0 | 5.7 |
| United states | (MM USD) | 9.1 | 8.7 |
| Brazil | (MM BRL) | 15.9 | 14.9 |
| Elektro | | 3.3 | 3.0 |
| Neoenergia | | 12.6 | 11.9 |

| Distributed Electricity | 1Q 2018 | 1Q 2017 | vs. 2017 |
|--------------------------|---------------|---------------|-------------|
| ELECTRICITY (GWh) | | | |
| Spain | 24,306 | 23,727 | 2.4% |
| United Kingdom | 9,832 | 9,617 | 2.2% |
| United states | 9,993 | 9,742 | 2.6% |
| Brazil | 16,564 | 16,434 | 0.8% |
| Total | 60,696 | 59,519 | 2.0% |
| GAS (GWh) | | | |
| United states | 25,778 | 24,325 | 6.0% |
| Total | 25,778 | 24,325 | 6.0% |

| Managed supply points | 1Q 2018 | 1Q 2017 | vs. 2017 |
|-------------------------------|-------------|-------------|-------------|
| ELECTRICITY (Millions) | | | |
| Spain | 11.0 | 10.9 | 0.6% |
| United Kingdom | 3.5 | 3.5 | 0.1% |
| United states | 2.2 | 2.2 | 0.9% |
| Brazil | 13.6 | 13.4 | 1.4% |
| Total Electricity | 30.4 | 30.1 | 0.9% |
| GAS (Millions) | | | |
| United states | 1.0 | 1.0 | 0.4% |
| Total Gas | 1.0 | 1.0 | 0.4% |
| TOTAL SUPPLY POINTS | 31.4 | 31.1 | 0.9% |

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

Generation business and Customers

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|---|---------------|---------------|---------------|
| TOTAL GROUP | | | |
| Net Production (GWh) | 40,004 | 37,539 | 6.6% |
| Renewables | 18,749 | 16,325 | 14.8% |
| Onshore | 11,320 | 9,501 | 19.1% |
| Offshore | 407 | 218 | 86.9% |
| Hydro | 6,790 | 6,407 | 6.0% |
| Minihydro | 159 | 142 | 11.8% |
| Solar and others | 73 | 57 | 27.4% |
| Nuclear | 5,979 | 6,555 | -8.8% |
| Gas combined cycle | 13,083 | 12,087 | 8.2% |
| Cogeneration | 1,733 | 1,949 | -11.0% |
| Coal | 460 | 623 | -26.1% |
| Installed Capacity (MW) | 48,683 | 47,352 | 2.8% |
| Renewables | 29,275 | 27,870 | 5.0% |
| Onshore | 15,533 | 14,878 | 4.4% |
| Offshore | 544 | 239 | 127.4% |
| Hydro | 12,574 | 12,330 | 2.0% |
| Minihydro | 303 | 304 | -0.2% |
| Solar and others | 321 | 119 | 168.3% |
| Nuclear | 3,177 | 3,410 | -6.8% |
| Gas combined cycle | 14,007 | 13,961 | 0.3% |
| Cogeneration | 1,350 | 1,237 | 9.0% |
| Coal | 874 | 874 | - |
| Electricity customers (No mill.) | 13.15 | 13.27 | -0.9% |
| Gas customers (No mill.) | 3.00 | 2.98 | 0.6% |
| Gas Supplies (GWh) | 24,601 | 22,016 | 11.7% |
| Gas Storage (bcm) | 0.06 | 2.46 | -97.7% |

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

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|---|---------------|---------------|--------------|
| SPAIN | | | |
| Net Production (GWh) | 16,091 | 15,591 | 3.2% |
| Renewables | 8,096 | 7,018 | 15.4% |
| Onshore | 4,402 | 3,539 | 24.4% |
| Hydro | 3,529 | 3,330 | 6.0% |
| Minihydro | 159 | 142 | 12.0% |
| Solar and others | 6 | 7 | -14.3% |
| Nuclear | 5,979 | 6,555 | -8.8% |
| Gas combined cycle | 978 | 712 | 37.4% |
| Cogeneration | 578 | 683 | -15.4% |
| Coal | 460 | 623 | -26.2% |
| Installed Capacity (MW) | 25,934 | 26,164 | -0.9% |
| Renewables | 15,820 | 15,821 | - |
| Onshore | 5,752 | 5,752 | - |
| Hydro | 9,715 | 9,715 | - |
| Minihydro | 303 | 304 | -0.3% |
| Solar and others | 50 | 50 | - |
| Nuclear | 3,177 | 3,410 | -6.8% |
| Gas combined cycle | 5,695 | 5,695 | - |
| Cogeneration | 368 | 364 | 1.1% |
| Coal | 874 | 874 | - |
| Electricity customers (No mill.) | 10.15 | 10.20 | -0.5% |
| Gas customers (No mill.) | 1.00 | 0.95 | 5.1% |
| Gas Supplies (GWh) | 6,654 | 5,144 | 29.4% |
| Users | 4,455 | 3,360 | 32.6% |
| Gas Combined Cycle | 2,200 | 1,784 | 23.3% |

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|---|---------------|----------------|--------------|
| UNITED KINGDOM | | | |
| Net Production (GWh) | 3,918 | 3,237 | 21.0% |
| Renewables | 1,684 | 1,372 | 22.7% |
| Onshore | 1,250 | 947 | 32.0% |
| Offshore | 245 | 218 | 12.4% |
| Hydro | 189 | 207 | -8.7% |
| Gas combined cycle | 2,234 | 1,865 | 19.8% |
| Installed Capacity (MW) | 4,666 | 4,630 | 0.8% |
| Renewables | 2,666 | 2,630 | 1.4% |
| Onshore | 1,906 | 1,870 | 1.9% |
| Offshore | 194 | 194 | - |
| Hydro | 566 | 566 | - |
| Gas combined cycle | 2,000 | 2,000 | - |
| Electricity customers (No mill.) | 3,00 | 3,07(*) | -2.3% |
| Gas customers (No mill.) | 2,00 | 2,03(*) | -1.5% |
| Gas Supplies (GWh) | 17,947 | 16,872 | 6.4% |
| Users | 13,222 | 12,891 | 2.6% |
| Gas Combined Cycle | 4,725 | 3,981 | 18.7% |
| Gas Storage (bcm) | 0.06 | 0.06 | -6.7% |

(*) Last 3 months

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|--------------------------------|--------------|--------------|----------------|
| USA | | | |
| Net Production (GWh) | 5,275 | 4,873 | 8.2% |
| Renewables | 4,772 | 4,175 | 14.3% |
| Onshore | 4,625 | 4,009 | 15.4% |
| Hydro | 82 | 118 | -30.5% |
| Solar and others | 65 | 48 | 35.4% |
| Gas combined cycle | 3 | 2 | 50.0% |
| Cogeneration | 500 | 696 | -28.2% |
| Installed Capacity (MW) | 7,472 | 6,880 | 8.6% |
| Renewables | 6,625 | 6,035 | 9.8% |
| Onshore | 6,387 | 5,853 | 9.1% |
| Hydro | 119 | 119 | - |
| Solar and others | 119 | 63 | 88.9% |
| Gas combined cycle | 211 | 209 | 1.0% |
| Cogeneration | 636 | 636 | - |
| Gas Storage (bcm) | - | 2.40 | -100.0% |

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|--------------------------------|--------------|--------------|-------------|
| MEXICO | | | |
| Net Production (GWh) | 9,727 | 9,364 | 3.9% |
| Renewables | 338 | 300 | 12.7% |
| Onshore | 338 | 300 | 12.7% |
| Gas combined cycle | 8,734 | 8,585 | 1.7% |
| Cogeneration | 655 | 479 | 36.7% |
| Installed Capacity (MW) | 6,427 | 6,128 | 4.9% |
| Renewables | 513 | 367 | 39.8% |
| Onshore | 367 | 367 | - |
| Solar and others | 146 | - | N/A |
| Gas combined cycle | 5,568 | 5,524 | 0.8% |
| Cogeneration | 346 | 237 | 46.0% |

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|--------------------------------|--------------|--------------|--------------|
| BRAZIL(*) | | | |
| Net Production (GWh) | 4,467 | 4,104 | 8.8% |
| Renewables | 3,333 | 3,090 | 7.9% |
| Onshore | 343 | 338 | 1.5% |
| Hydro | 2,990 | 2,752 | 8.6% |
| Gas combined cycle | 1,134 | 923 | 22.9% |
| Cogeneration | - | 91 | N/A |
| Installed Capacity (MW) | 3,223 | 2,884 | 11.8% |
| Renewables | 2,690 | 2,351 | 14.4% |
| Onshore | 516 | 421 | 22.6% |
| Hydro | 2,174 | 1,930 | 12.6% |
| Gas combined cycle | 533 | 533 | - |
| Cogeneration | - | - | N/A |

(*) Includes 100% of Neoenergia

| | 1Q 2018 | 1Q 2017 | vs. 2017 |
|--------------------------------|------------|------------|--------------|
| REST OF THE WORLD | | | |
| Net Production (GWh) | 526 | 370 | 42.2% |
| Renewables | 526 | 370 | 42.2% |
| Onshore | 362 | 368 | -1.6% |
| Offshore | 162 | - | N/A |
| Solar and others | 2 | 2 | - |
| Installed Capacity (MW) | 961 | 666 | 44.3% |
| Renewables | 961 | 666 | 44.3% |
| Onshore | 605 | 615 | -1.6% |
| Offshore | 350 | 45 | 677.8% |
| Solar and others | 6 | 6 | - |

Stock Market Data

| | | 1Q 2018 | 1Q 2017 |
|--|----------|---------|---------|
| Market capitalisation | EUR (MM) | 38,450 | 43,314 |
| Earnings per share (6,438,374,000 shares at 03/31/18 and 6,459,990,000 shares, at 03/31/17) | € | 0.130 | 0.128 |
| Net operating cash flow per share | € | 0.292 | 0.256 |
| P.E.R. | Times | 13.44 | 16.02 |
| Price/Book value (capitalisation to NBV at the end of the period) | Times | 1.09 | 1.17 |

Economic/Financial Data*

| Income Statement | | 1Q 2018 | 1Q 2017 |
|---------------------------------------|----------|---------|---------|
| Revenues | EUR (MM) | 9,343.5 | 8,195.4 |
| Gross Margin | EUR (MM) | 4,008.8 | 3,555.4 |
| EBITDA | EUR (MM) | 2,323.5 | 1,873.6 |
| EBIT | EUR (MM) | 1,387.2 | 1,039.6 |
| Net Profit | EUR (MM) | 838.0 | 827.6 |
| Net Operating Expenses / Gross Margin | % | 24.96 | 25.82 |

Balance Sheet

| | | March 2018 | Dec. 2017 |
|--|----------|------------|-----------|
| Total Assets | EUR (MM) | 112,224 | 110,689 |
| Equity | EUR (MM) | 42,677 | 42,733 |
| Net Financial Debt | EUR (MM) | 33,299 | 32,884 |
| ROE | % | 7.95 | 7.77 |
| Financial Leverage (Net Financial Debt/(Debt Financial Debt + Equity)) | % | 43.8 | 43.5 |
| Net Financial Debt / Equity | % | 78.0 | 77.0 |

Others

| | | 1Q 2018 | 1Q 2017 |
|-------------|----------|---------|---------|
| Investments | EUR (MM) | 1,185.3 | 1,026.0 |
| Employees | No. | 33,271 | 26,275 |

* Financial terms are defined in the "Glossary",

Credit rating of Iberdrola Senior Debt

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

2.

Operating highlights for the period

Global environment and general considerations

During the first quarter of 2018, international commodities markets performed as follows:

- The average price of Brent oil is USD 66.8 per barrel compared with USD 53.8 per barrel in the same period of last year (+24%).
- The average price of gas (TTF) over the period is EUR 21.3/MWh compared with EUR 18.5/MWh in the same period of 2017 (+15%).
- The average price of API2 coal is USD 86.8/MT, compared with USD 81.4/MT (+7%) for the same period of last year.
- The average price of CO2 emission rights is EUR 9.8/MT compared to EUR 5.2/MT in the same period of last year (+90%).

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

- The Pound Sterling depreciated by 3.5%.
- The US Dollar depreciated by 15.6%.
- The Brazilian Real depreciated by 19.1%.

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

- In Spain, the period is characterised by a notable increase in hydro production (+29%) compared to the same period of last year, mainly due to the wet weather in February and March. Coal production dropped by -23% with respect to the first quarter of 2017, and combined cycle production dropped by -7%. The rest of production from renewable sources closed the quarter up by +19% compared to the same period last year, mainly as a result of the greater

wind production recorded in March (+64% compared to the same period of the 2017).

- Demand increased by +2.9% compared to the first quarter of 2017, whilst it grew by +2.0% after adjusting for working days and temperature.
- In the United Kingdom, electricity demand increased by +2.4% compared to Q1 2017. Customers' gas demand (not including generation consumption) also increased by +14%.
- In Avangrid's area of influence on the East Coast of the US, electricity demand increased by 2.6%, whereas gas demand does so by 6.0% compared to the first quarter of 2017.
- As for demand in Neoenergia's area of influence in Brazil, it grew by 0.8%.

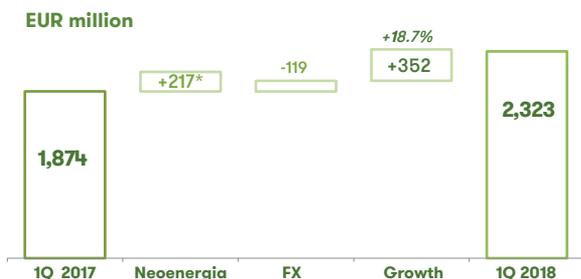
Significant events for the Iberdrola Group

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

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

| EUR million | 1Q 2018 | vs. 1Q 2017 |
|---------------------|---------|-------------|
| GROSS MARGIN | 4,008.8 | 12.8% |
| EBITDA | 2,323.5 | 24.0% |
| EBIT | 1,387.2 | 33.4% |
| NET PROFIT | 838.0 | 1.2% |

Consolidated **EBITDA** increased by 24.0% to EUR 2,323.5 million, with growth in all businesses. The consolidation of Neoenergia contributes EUR 217 million, whereas the exchange rate has a negative effect of EUR -119 million, with the growth excluding the previous effects reaching 19%, thanks to the rate plans in force in New York and Connecticut in the Networks business, the increase in renewable production both due to the greater operating capacity and to a greater wind resource, an increased commercial activity in Spain and the normalisation of conditions in the United Kingdom, together with an increase in demand and better operating conditions in Spain.



*Includes the effect of the exchange rate (FX) of Neoenergia

On its part, the **Operating Net Profit** was up 28.5% to EUR 769.9 million, whereas the Reported

Net Profit grew by 1.2% due to the fact that last year's accounts included the extraordinary impact of the Siemens-Gamesa merger (EUR 255 million), which has no correspondence in this financial year.

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

- Adjusted Net Financial Debt* is at EUR 33,131 million, mainly due to the integration of Neoenergia (EUR 2,667 million) and the investment made in the first quarter of 2018. As a result, adjusted financial leverage increases to 43.6% compared to 42% registered at 31 March 2017.
- Funds Generated from Operations in the first quarter of 2018 stood at EUR 1,877.1 million, an increase of 12.95% compared to the previous year.

Lastly, net investment in the period amounts to EUR 1,185.3 million, exceeding by 15.5% the investment made in the previous financial year. Of this investment, 77% was focused on the Networks and Renewables businesses.

(*) Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 167 million at 31/03/2018)

3.

Operational performance for the period

1. Distributed energy and supply points

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

| | | Dec. 2017 | Dec. 2016 |
|---------------------------|----------|-----------|-----------|
| RAB (Moneda local) | | | |
| Spain | (MM EUR) | 9.5 | 9.5 |
| United Kingdom | (MM GBP) | 6.0 | 5.7 |
| United States | (MM USD) | 9.1 | 8.7 |
| Brazil | (MM BRL) | 15.9 | 14.9 |
| Elektro | | 3.3 | 3.0 |
| Neoenergia | | 12.6 | 11.9 |

During the first quarter of 2018, the electrical energy distributed by the Group totalled 60,696 GWh, a 2.0% increase compared to 2017. Distributed gas (United States) reached 25,778 GWh, up 6.0% compared to the same period of 2017.

The Group's total supply points reached 30.4 M in electricity and 1.02 M in gas, with the following breakdown by country:

Managed supply points

| Electricity (Millions) | 1Q 2018 | 1Q 2017 | Vs 2017 |
|----------------------------|-------------|-------------|-------------|
| Spain | 11.0 | 10.9 | 0.6% |
| United Kingdom | 3.5 | 3.5 | 0.1% |
| United States | 2.2 | 2.2 | 0.9% |
| Brazil | 13.6 | 13.4 | 1.4% |
| Total Electricity | 30.4 | 30.1 | 0.9% |
| GAS (Millions) | | | |
| USA | 1.0 | 1.0 | 0.4% |
| Total Gas | 1.0 | 1.0 | 0.4% |
| Total supply points | 31.4 | 31.1 | 0.9% |

1.1. Spain

At close of March, Iberdrola Distribución Eléctrica had 11 million supply points, a 0.6% increase compared with the same period of 2017, and its energy distribution since the beginning of the year totalled 24,306 GWh, a 2.4% increase compared to the previous year.

At the end of March, the SAIDI indicator of Supply Quality was at 13.58 minutes, due to the snow and wind storms in January and March.

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 |
|---------|--------|-------|
| 1Q 2016 | 13.94 | 0.25 |
| 1Q 2017 | 14.98* | 0.35 |
| 1Q 2018 | 13.58 | 0.23 |

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

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

| Physical Units commissioned (first quarter of 2018) | Total | Voltage | | | | |
|--|---------------------------------|-----------|------|--------|------|------|
| | | Very High | High | Medium | Low | |
| Lines | Overhead (km) ⁽¹⁾ | 98.5 | 4 | -4.6 | 38.3 | 60.8 |
| | Underground (km) | 194.7 | -0.3 | 17 | 97.2 | 80.8 |
| Substations | Transformers (ud) | 1 | 1 | 0 | 0 | |
| | Capacity increase (MVA) | 71.2 | 40 | 7.5 | 23.7 | |
| | Substations (ud) ⁽²⁾ | 1 | | | | |
| Transformer substations | Secondary substations (ud) | 111 | | | | |
| | Capacity increase (MVA) | 55.0 | | | | |

(1) Reduction in km of HV lines by substitution with VHV lines (some owned by REE) and, in addition, VHV/HV transformation is being replaced by VHV/MV, resulting in the elimination of some HV circuits.

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

Within the smart network STAR project, Iberdrola has exceeded the figure of 10.6 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.

1.2. United Kingdom

On 31 March, Scottish Power Energy Networks (SPEN) surpassed 3.5 million supply points. The volume of energy distributed during the quarter was 9,832 GWh, up 2.2% from the same period of 2017, mainly on the back of mild temperatures of the previous winter (-1.0% adjusted for working days and temperature).

The service quality indicators were affected by Storm Emma during the first days of March, although it is expected that this event will be considered as force majeure.

Customer Minutes Lost (CML) was as follows:

| CML (min) | 1Q 2018 | 1Q 2017 |
|-----------------------------------|---------|---------|
| Scottish Power Distribution (SPD) | 8.99 | 7.59 |
| Scottish Power Manweb (SPM) | 12.54 | 8.67 |

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

| CI (no. of interruptions) | 1Q 2018 | 1Q 2017 |
|-----------------------------------|---------|---------|
| Scottish Power Distribution (SPD) | 10.58 | 9.78 |
| Scottish Power Manweb (SPM) | 9.87 | 7.06 |

In December the Western Link continuous current cable was commissioned, linking Scotland with Wales and England. This makes it possible for the System Operator to have 1,000 MW of additional interconnection capacity, which is key in moments of high wind production in Scotland. During 2018, the double circuit will be commissioned, thus completing the project.

1.3 United States - AVANGRID

1.3.1 Electricity

At the close of March 2018, Avangrid Networks had 2.2 million electricity supply points. Distributed electricity in the first quarter of the year totalled 9,993 GWh, up by 2.6% with regard to the first quarter of the previous year, due to mild temperatures in 2017 (adjusted to +0.8% for temperature and working days).

Supply quality indicators improve in the New York area compared to 2017 except for slight deviation in the SAIFI of RG&E. In Connecticut, the quality indicators of the distribution area of UIL have been affected by an incident on the grid, coinciding with the works to renovate equipment in the same area.

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

| CAIDI (h) | 1Q 2018 | 1Q 2017 |
|---------------------------------|---------|---------|
| Central Maine Power (CMP) | 2.27 | 1.97 |
| NY State Electric & Gas (NYSEG) | 1.83 | 1.94 |
| Rochester Gas & Electric (RGE) | 1.62 | 2.27 |

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

| SAIDI (min) | 1Q 2018 | 1Q 2017 |
|----------------------------------|---------|---------|
| United Illuminating Company (UI) | 23.04 | 6.70 |

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

| SAIFI | 1Q 2018 | 1Q 2017 |
|----------------------------------|---------|---------|
| Central Maine Power (CMP) | 0.42 | 0.38 |
| NY State Electric & Gas (NYSEG) | 0.20 | 0.24 |
| Rochester Gas & Electric (RGE) | 0.11 | 0.09 |
| United Illuminating Company (UI) | 0.24 | 0.10 |

1.3.2 Gas

The number of gas users in the United States is more than one million. In 2018, as at close of March, a total of 25,778 GWh were supplied, up 6.0% from the previous year.

1.4. Brazil

At close of March, supply points in Brazil reached 13.6 million (+1.4%). The volume of distributed electricity for the first quarter of 2018 was 16,564 GWh, an 0.8% increase compared to the previous year.

| Energy Distributed (GWh) | 1Q 2018 | 1Q 2017 |
|--------------------------|---------|---------|
| Elektro | 4,762 | 4,644 |
| Coelba | 5,987 | 5,969 |
| Cosern | 1,582 | 1,567 |
| Celpe | 4,233 | 4,254 |

Supply quality indicators of the companies in the north-east of Brazil have been affected by the strong rains, significantly above the average for the region. The average customer interruption time (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

| DEC (h) | 1Q 2018 | 1Q 2017 |
|---------|---------|---------|
| Elektro | 2.15 | 2.61 |
| Coelba | 5.54 | 4.70 |
| Cosern | 3.61 | 3.46 |
| Celpe | 4.72 | 3.74 |

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

| FEC | 1Q 2018 | 1Q 2017 |
|---------|---------|---------|
| Elektro | 1.30 | 1.50 |
| Coelba | 2.17 | 1.88 |
| Cosern | 1.64 | 1.75 |
| Celpe | 1.85 | 1.95 |

During this quarter, ANEEL has confirmed the award of two transmission projects won by Neoenergia in the auction held in December. In total, Neoenergia will carry out six projects over the next years which comprise 3 static compensators, a 500kV Substation and more than 1,650 km of line, with an estimated investment of 2.8 billion BRL.

2. Electricity production and customers

At the end of the first quarter of 2018, Iberdrola's installed capacity totalled 48,683 MW, 60% of which is from renewable sources:

| MW | 1Q 2018 | Vs. 1Q 2017 |
|----------------------------|---------------|--------------|
| Renewables | 29,275 | 5.0% |
| Onshore wind | 15,533 | 4.4% |
| Offshore wind | 544 | 127.6% |
| Hydro | 12,574 | 2.0% |
| Mini-hydro | 303 | -0.3% |
| Solar and others | 321 | 169.7% |
| Nuclear | 3,177 | -6.8% |
| Gas Combined Cycles | 14,007 | 0.3% |
| Cogeneration | 1,350 | 9.1% |
| Coal | 874 | 0.0% |
| Total | 48,683 | 2.8% |

Net electricity production during the period was 40,004 GWh, with 46.9% derived from renewable sources:

| GWh | 1Q 2018 | Vs. 1Q 2017 |
|----------------------------|---------------|---------------|
| Renewables | 18,749 | 14.8% |
| Onshore wind | 11,320 | 19.1% |
| Offshore wind | 407 | 86.7% |
| Hydro | 6,790 | 6.0% |
| Mini-hydro | 159 | 12.0% |
| Solar and others | 73 | 28.1% |
| Nuclear | 5,979 | -8.8% |
| Gas Combined Cycles | 13,083 | 8.2% |
| Cogeneration | 1,733 | -11.1% |
| Coal | 460 | -26.2% |
| Total | 40,004 | 6.6% |

2.1 Spain and Portugal

The **Energy Production** figures for the **Iberian Peninsula** in the first quarter of 2018 are characterised by a notable increase in hydro production (+29%) compared to the same period of last year, mainly due to the wet weather in February and March. Coal production dropped by -23% with respect to the first quarter of 2017, and combined cycle production dropped by -7%. The rest of production from renewable sources closed the quarter up by +19% compared to the same period last year, mainly as a result of the greater wind production recorded in March (+64% compared to the same period of the 2017).

Demand increased by +2.9% compared to the first quarter of 2017, whilst it grew by +2.0% after adjusting for working days and temperature.

Renewable capacity and production

At the close of the first quarter of 2018, Iberdrola had an installed renewable capacity 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 |
| Hydro | 9,715 | - | 9,715 |
| Mini-hydro | 301 | 2 | 303 |
| Solar and others | 50 | - | 50 |
| Total Capacity (***) | 15,666 | 246 | 15,912 |

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

(**) Includes the proportional MW share

(***) Includes 92MW from Portugal

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

The construction of the wind farm at Chimiche II (Tenerife), with a capacity of 18,375 MW.

Renewable production totalled 8,241 GWh, broken down as follows:

| Spain and Portugal | GWh Consolidated at EBITDA level(*) | GWh managed by investee companies(**) | Total |
|-------------------------|-------------------------------------|---------------------------------------|--------------|
| Onshore wind (***) | 4,327 | 156 | 4,483 |
| Hydro | 3,529 | - | 3,529 |
| Mini-hydro | 157 | 2 | 159 |
| Solar and others | 6 | - | 6 |
| Total Production | 8,019 | 158 | 8,177 |

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

(**) Includes the proportional GWh share

(***) Includes 81 GWh in Portugal

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

- Onshore wind production increased by 29.6% compared to the first quarter of 2017, reaching 4,483 GWh produced.
- Hydro production amounted to 3,529 GWh, representing a growth of 6.0% compared with the same period of the previous year. As at 31 March 2018, hydro reserve levels were at 54.6% (equivalent to 6,154 GWh).
- On the other hand, mini-hydro plant production reached 159 GWh, 12.0% more than in the same period of the previous year.

In Portugal, the work carried out in the Tâmega hydro 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.

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

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

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

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

Thermal capacity and production

At close of the first quarter of 2018, Iberdrola Group's thermal capacity in Spain and Portugal totalled 10,113 MW, broken down as follows:

| | MW Consolidated installed | MW Investee companies ^(*) | Total |
|---------------------------|---------------------------------|--|---------------|
| SPAIN | | | |
| 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 during the first quarter of 2018 dropped by -7% compared to the first quarter of last year, to 7,995 GWh. The trend broken down by types of technology is as follows:

- Nuclear production reached 5,979 GWh, representing a decline of 8.8%.
- Combined cycle production rose by 37.4% to 978 GWh

- Cogeneration plants registered a drop in production by 15.4% to 578 GWh.
- Coal-fired thermal power stations reached 460 GWh, for a drop of 26.2% compared to the same quarter of last year.

Of the 7,995 GWh produced, Iberdrola consolidated 7,904 GWh at EBITDA level, with 91 GWh being consolidated by the equity method in accordance with the IFRS 11. The breakdown is as follows:

| | GWh Consolidated at EBITDA level | GWh Investee companies ^(*) | Total |
|-----------------------------|---|---|--------------|
| Nuclear | 5,957 | 22 | 5,979 |
| Gas Combined Cycles | 978 | - | 978 |
| Cogeneration | 509 | 69 | 578 |
| Coal | 460 | - | 460 |
| Total Production | 7,904 | 91 | 7,995 |

^(*) Includes the proportional MW share

Retail business

As regards retail, as at 31 March 2018, the portfolio managed by Iberdrola reached 16,699,605 contracts. The breakdown is as follows:

| | Spain | Portugal | Spain and Portugal |
|---|-------------------|----------------|-----------------------|
| Electricity Contracts | 10,147,162 | 170,562 | 10,317,724 |
| Gas Contracts | 996,201 | 15,494 | 1,011,695 |
| Contracts for other products and services | 5,192,196 | 177,990 | 5,370,186 |
| Total | 16,335,559 | 364,046 | 16,699,605 |

By market type they can be split into the following:

| | Spain | Portugal | % |
|--------------------|-------------------|----------------|-------------|
| Liberalised market | 12,817,511 | 364,046 | 79% |
| Last Resort | 3,518,048 | - | 21% |
| Total | 16,335,559 | 364,046 | 100% |

Iberdrola's electricity sales in the first quarter of 2018 amounted to 27,400 GWh of which 15,900 GWh were sold on the liberalised market. 2,500 GWh corresponded to energy at the voluntary price for small consumers (PVPC) and 9,000 GWh to other markets.

With regard to gas, in the first quarter of 2018 Iberdrola managed a total gas production of 1.52 bcm, of which 0.78 bcm were sold in wholesale transactions, 0.54 bcm were sold to end customers and 0.20 bcm went towards electricity production.

2.2. United Kingdom

Renewable capacity and production

At the end of the first quarter of 2018, the renewable installed capacity in the United Kingdom totalled 2,666 MW.

| 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 |
| Hydro | 566 | - | 566 |
| Total Capacity | 2,651 | 15 | 2,666 |

^(*) IFRS 11, 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.

In terms of renewable production, this amounted to 1,684 GWh in the United Kingdom with the following breakdown:

| UNITED KINGDOM | GWh Consolidated at EBITDA level ^(*) | GWh managed by investee companies ^(**) | Total |
|--------------------------------|--|--|--------------|
| Wind | 1,486 | 9 | 1,495 |
| Onshore wind | 1,241 | 9 | 1,250 |
| Offshore wind ^(***) | 245 | 0 | 245 |
| Hydro | 189 | 0 | 189 |
| Total Production | 1,675 | 9 | 1,684 |

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

^(**) Includes the proportional GWh share

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

- Offshore wind production reached 1,250 GWh, increasing by 32.0% compared to the previous year, with a greater average operating capacity (+14.7%, +242 MW) as well as other effects of the wind.
- Offshore wind production increased by 12.4%, amounting to 245 GWh.
- Hydro production dropped by 8.7% to 189 GWh, compared to 207 GWh corresponding to the first quarter of 2017.

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

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

Iberdrola is also developing the **East Anglia projects** in the United Kingdom, in the North Sea. The **East Anglia 1** project is currently under construction, having started the on-site works and the manufacturing activities in several locations inside and outside Europe. Progress is being

made on the cable laying works and the online substation that will connect the project to the national grid.

The manufacturing works are taking place in several locations: Navantia is manufacturing the offshore substation and 42 jackets together with Windar, Lamprell has started manufacturing the remaining 60 jackets, 18 of which are being finished in Harland & Wolff, Belfast, Nexans is in the process of manufacturing the first marine cable, which will be installed throughout 2018, and Prysmian has already concluded the production of the onshore cable and is about to start the installation works. The aim is to commence marine works in 2018.

Siemens Gamesa will manufacture and install 102 turbines with a capacity of 7MW, with installation works for these due to start in mid 2019.

Thermal capacity and production

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

With regard to **production** from Iberdrola's **thermal** electricity generation in the United Kingdom, this increased by 19.8% in the first three months of 2018 to 2,234 GWh, compared to 1,866 GWh in the previous year.

The market share of the UK generation business in 1Q of 2018 was 5.4%, compared to 4.7% in the previous year.

Retail business

Regarding sales, in 1Q 2018 customers were supplied with 6.366 GWh of electricity and 13.222 GWh of gas, compared to the figures for 1Q 2017: 6.793 GWh of electricity and 12.891 GWh of gas.

As of 31 March 2018, Scottish Power had 3.0 million electricity customers and 2.0 million gas customers.

In the first quarter of 2018, progress has been made on the smart meter plan in the United Kingdom. Currently, there are more than 873,000 smart meters installed and the rate of automation

continues to increase, exceeding the commitment established by the British regulatory body Ofgem.

2.3. United States (AVANGRID)

Renewable capacity and production

At the end of the first quarter of 2018, the installed **renewable capacity** in the United States is 6,625 MW, broken down as follows:

| USA | Installed MW Consolidated at EBITDA level ^(*) | MW managed by investee companies ^(**) | Total |
|-----------------------|--|--|--------------|
| Onshore wind | 6,145 | 242 | 6,387 |
| Hydro | 118 | - | 118 |
| Solar (PV+TM) | 106 | - | 106 |
| Other | 13 | - | 13 |
| Total Capacity | 6,383 | 242 | 6,625 |

(*) IFRS 11, 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 installed onshore wind capacity, of which 242 MW are managed through investee companies.

The installed capacity has increased by 9.5%, due to the addition of new 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 on the farms of Deerfield (30 MW) in Vermont and Twin Buttes II (75 MW) in Colorado, in December. In California, the Tule wind farm (131.1 MW) entered into commercial operation in the month of January in 2018. As regards photovoltaic energy, works concluded in 2017 on the Gala plant (56MWac), located in the state of Oregon.

In September, the works on Montague wind farm (200.85 MW) in Oregon started. Furthermore, in 2017 construction was approved for an additional 10 MW of photovoltaic technology in W'y East (Oregon), for which the works started in 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 +2GW 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 +1.5GW 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 400MW operational before the end of 2021.

As for **renewable production** in the United States, this amounts to 4,772 GWh, of which 4,596 GWh are consolidated by Iberdrola at EBITDA level and 176 GWh by the equity method.

| USA | GWh Consolidated at EBITDA level ^(*) | GWh managed by investee companies ^(**) | Total |
|-------------------------|---|---|--------------|
| Onshore wind | 4,449 | 176 | 4,625 |
| Hydro | 83 | - | 83 |
| Solar and others | 66 | - | 66 |
| Total Production | 4,596 | 176 | 4,772 |

[*] IFRS 11, figures rounded to the nearest unit

[**] Includes the proportional GWh share

In terms of trends broken down by technologies:

- Onshore wind production amounted to 4,625 GWh, increasing by 15.4% compared to that recorded in 2017.
- Hydro production dropped by 30,5% to 82 GWh, from 118 GWh in the first quarter of 2017.
- Production of solar power and others (including fuel cells, 21 GWh) increased by 35.4%, to 65 GWh.

2.4. Mexico

Renewable capacity and production

At close of the first quarter of 2018, the **renewable capacity** installed in Mexico totalled 513 MW, broken down as follows:

| MEXICO | Installed MW Consolidated at EBITDA level ^(*) | MW managed by investee companies ^(**) | Total |
|-------------------------|--|--|------------|
| Onshore wind | 367 | - | 367 |
| Solar and others | 146 | - | 146 |
| Total Production | 513 | - | 513 |

[*] IFRS 11, figures rounded to the nearest unit

[**] Includes the proportional MW share

The construction of a total of 270 MWn with photovoltaic technology has commenced: Santiago (170 MWac) in San Luis de Potosí and Hermosillo (100 MWac) 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, construction was approved for onshore wind energy farm in Santiago, in the state of San Luis de Potosí, the works for which are expected to start at the beginning of the second quarter of the year.

The **renewable production** generated during the period has come to 338 GWh, up 12.7% from the first quarter of 2017, due to an improvement in the wind conditions compared to the same period of 2017.

Thermal capacity and production

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

| Mexico | MW |
|---------------------|--------------|
| Gas Combined Cycles | 5,568 |
| Cogeneration | 346 |
| Total | 5,914 |

During these first 3 months of the year, it is worth noting the entry into commercial operation of the Bajío (52 MW) cogeneration plant on 1 February 2018, and the entry into commercial operation of MXL of Monterrey IV, providing more than 22 MW extra to the plant for its sale to private customers.

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 will be added to the power available at the end of 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 company after the CFE, and the first private company in the country.

The electricity produced in Mexico during the first quarter of the year came to 9,389 GWh, up 3.6 % on the same quarter of the previous year.

2.5. Brazil

Renewable capacity and production

In Brazil, Iberdrola has an installed renewable capacity of 2,690 MW, according to the following breakdown:

| | Installed MW Consolidated at EBITDA level ^(*) | MW managed by investee companies ^(**) | Total |
|-----------------------|--|--|--------------|
| BRAZIL | | | |
| Onshore wind | 516 | - | 516 |
| Hydro | 2,174 | - | 2,174 |
| Total Capacity | 2,690 | - | 2,690 |

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

^(**) Includes the proportional MW share

On 24 August 2017, the merger between Elektro and Neoenergia was completed, with Neoenergía incorporating Elektro's activity and business, and Iberdrola going on to have a majority percentage in the new company as a result of the merger. As a result, Iberdrola went 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 were completed in 2017.

Furthermore, approval was obtained for the construction of a total of 9 projects that won the auction in December 2017, for a total of 295 MW of wind energy.

As regards the renewable production during the first quarter of 2018, it reached 3,333 GWh, increasing by 7.9%

| Brazil | GWh consolidated at EBITDA level^(*) | GWh managed by investee companies^(**) | Total |
|-------------------------|---|---|--------------|
| Onshore wind | 343 | - | 343 |
| Hydro | 2,990 | - | 2,990 |
| Total Production | 3,333 | - | 3,333 |

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

(**) Includes the proportional MW share

2.6. Rest of the World

Renewable capacity and production

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

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

(*) Excluding 92 MW Portugal

In the Baltic Sea, Iberdrola has completed the installation and commissioning of the Wikinger wind farm turbines, with 340 MW installed and average operating capacity during the quarter of 208.5 MW, and a production of 161.9 GWh.

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

In April 2012, the consortium formed by Iberdrola, RES and Caisse des Dépôts was awarded by the French Government the exclusive rights for the operation of the **offshore wind farm of Saint-Brieuc**, with a capacity of 496 MW. All permits have been granted to the project in April 2017, which makes it possible to initiate the pre-FID phase, with the geotechnical study campaign currently in progress as the first milestone of the construction. At the end of 2017 the project received the approval of the statutory bodies for the use of Siemens-Gamesa D8 wind turbines, instead of Adwen AD8 turbines.

Onshore wind power is broken down as follows:

| Rest of the World | MW consolidated at EBITDA level^(*) | MW managed by investee companies^(**) | Total |
|--------------------------|--|--|--------------|
| Greece | 255 | - | 255 |
| Cyprus | 20 | - | 20 |
| Hungary | 158 | - | 158 |
| Romania | 80 | - | 80 |
| Total | 513 | - | 513 |

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

(**) Includes the proportional MW share

In terms of **renewable production** in 2017, this amounted to 445 GWh with the following breakdown:

| Rest of the World | GWh |
|-----------------------------|------------|
| Onshore wind ^(*) | 281 |
| Offshore wind | 162 |
| Solar | 2 |
| Total Production | 445 |

(*) Excludes 81 Gwh in Portugal

3. Other aspects

1. Annual General Shareholders' Meeting

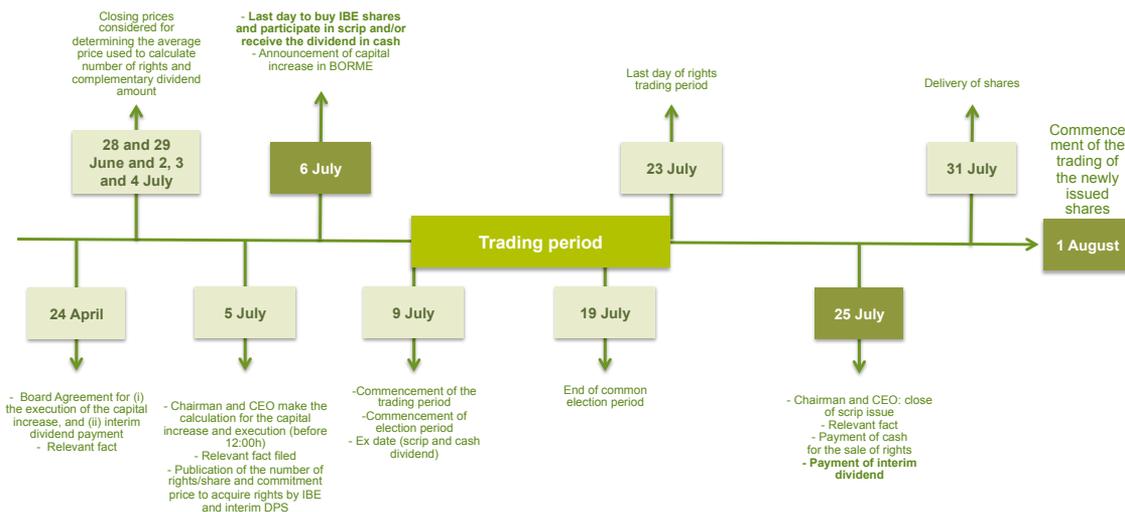
The General Shareholders' Meeting of Iberdrola was held on 13 April 2018 with the attendance of a total of 4,898,755,240 shares (299,309,603 in person and 4,599,445,637 by proxy), reaching a quorum of 76.09% of the share capital (4.65% in person and 71.44% by proxy).

All of the proposed by the Board of Directors were approved with 98.5% of success.

2. Shareholder's remuneration

In April 13 2018, during The General Shareholders' Meeting, the Executive Committee proposed a new execution in July of "The Iberdrola Retribución Flexible" program of at least Eur 0.153 per share, plus Eur 0.03 per share in cash to reach an annual shareholder remuneration of Eur 0.323 per share (+4.2% vs. 2017).

The "Iberdrola Retribución Flexible" program for July 2018⁽¹⁾ is as follow:



⁽¹⁾ Calendar already approved by Iberclear

Also the Share buy-back program, to maintain the number of shares at 6,240 M and avoid dilution, was reaffirmed. In this sense, during the last General Shareholders' Meeting the amortization of assets necessary to meet this objective was approved.

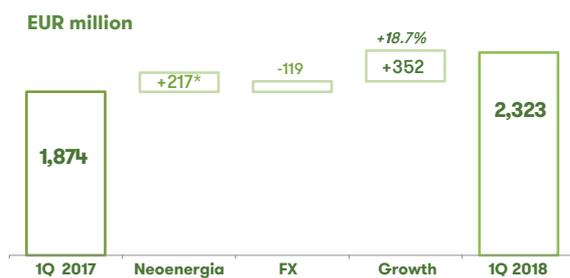


Analysis of the consolidated profit and loss account

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

| EUR million | Jan.-March 2018 | Jan.-March 2017 | % |
|----------------------|-----------------|-----------------|------|
| REVENUES | 9,343.5 | 8,195.4 | 14.0 |
| GROSS MARGIN | 4,008.8 | 3,555.4 | 12.8 |
| EBITDA | 2,323.5 | 1,873.6 | 24.0 |
| EBIT | 1,387.2 | 1,039.6 | 33.4 |
| NET OPERATING PROFIT | 769.9 | 599.4 | 28.5 |
| NET PROFIT | 838.0 | 827.6 | 1.2 |

The results of the first quarter of the year show growth compared to the same period of the previous year, thanks to the good performance of all the businesses.



*Includes the effect of the exchange rate (FX) of Neoenergia

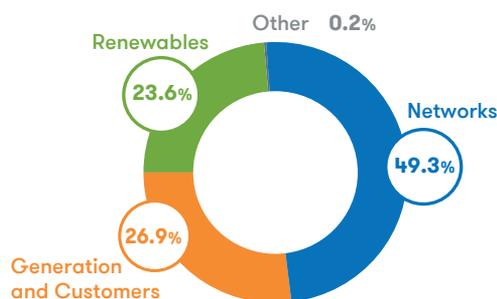
Neoenergía's global consolidation as from 24 August, following the completion of its merger with Elektro, through which Iberdrola now has a 52% stake in the new group, provides EUR 216.8 million to the Ebitda in the first quarter. FX reduces EBITDA in EUR 119 million.

As a result, the growth of the rest of the businesses, excluding the exchange rate, reaches EUR 352 million. (+19%) thanks to the actual rate cases in the US, the normalisation of weather conditions in Spain, the increase in wind capacity and output, as well as greater commercial activity in Spain, the improvement of the demand and the normalisation of conditions in the Generation and Supply business in the United Kingdom.

1. Gross Margin

Gross Margin rose to EUR 4,008.8 million, up by 12.8% compared to that obtained in the first quarter of last year, given that the consolidation of Neoenergia (EUR 379.8 million) offsets the negative impact of the exchange rate (EUR -293 million).

Gross Margin by business



This performance is mainly the result of the following:

- **The Networks business** increased by 13.7% compared to 2017, to EUR 1,975.3 million.
 - In Spain, it totalled EUR 530.6 million (+6.8%), affected by greater regulatory revenues, and by re-settlements for previous financial years, as well as greater remuneration due to the favourable ruling regarding financed installations (ICAs).
 - The United Kingdom contributed EUR 309.5 million (-4.1%), mainly as a result of the depreciation of the pound. Furthermore, this business is affected by greater transmission revenues, which partially offsets the lower revenues for distribution.
 - The contribution of the United States business for this period was EUR 756.2 million (-6.2%), due to the depreciation of the dollar, given that in local currency it increased by 8.4% thanks to the actual rate cases and positive IFRS adjustments,

as it does not yet include the impact, as yet to be determined, of the rate adjustments corresponding to the tax reform.

- Gross Margin in Brazil reached EUR 379.0 million (+240.3%) influenced by the integration of the businesses of Elektro and Neoenergia (+293.8) since last 24 August. In addition, this business is negatively affected by the appreciation of the Real (EUR -72 million.).
- **The Renewables business (wind, solar and others)** posted a Gross Margin of EUR 944.5 million (+10.2%).
 - In Spain, it reached EUR 429.8 million (+4.5%) thanks to greater wind production (25.1%). Hydro production increases 6%, but it was affected by lower prices, impacting on the average price by 2.6%.
 - Gross Margin in the United Kingdom increased by 20.2% to EUR 185.0 million thanks to a greater production both onshore (+32.3%) and offshore (+12.5%), as a result of the average operating capacity (+242 MW; +14.7%), and a greater wind resource (+4.0 p.p. onshore and +6.5 p.p. offshore) that more than offset the exchange rate effect of the depreciation of the pound.
 - The US contributed EUR 197.3 million (-11.3%), affected by the depreciation of the dollar (EUR -30.8 million) and by a positive impact in 2017 of the hedging derivatives of electricity and gas, which had an effect on the comparison (EUR -20 million). The greater production resulting from greater average operating capacity (455 MW) and better wind resources (+1.9 p.p) was not enough to offset these effects.
 - Latin America increased up to EUR 68.5 million (+87.2%), with Mexico dropping slightly due to the depreciation of the dollar and lower prices despite the higher production (+12.7%), and Brazil growing due to the consolidation of Neoenergia following the closure of the integration with Elektro last August.
- The Rest of the World contributed EUR 63.9 million (+91.7%), due to greater production with the progressive entry into operation of Wikinger, which has an average operating capacity of 209 MW.
- **The Generation and Supply business** increased by 14.0% and totalled EUR 1,079.4 million:
 - In Spain, it totalled EUR 597.8 million (+9.6%), a result of better margins due to the drop in provisioning costs and greater commercial activity.
 - Gross Margin in the United Kingdom was EUR 307.5 million (+32.6%) despite the depreciation of the pound (EUR -10.7 million), and thanks to the lower provisioning costs, the greater demand and the normalisation of the margins.
 - Mexico contributed EUR 130.7 million to the Gross Margin (-21.9%) affected by lower rates to private customers, which is expected to be recovered throughout the year.
 - Brazil's contribution to the Gross Margin reaches EUR 43.4 million compared to EUR 2.1 million at close of the first quarter of 2017, due to Neoenergia integration.
- Contribution from **Other Businesses** totalled EUR 21.3 million compared to EUR 25.3 million at close of the first quarter of 2017.

2. Gross Operating Result - EBITDA

Consolidated EBITDA dropped by 24.0% versus the first quarter of 2017, to EUR 2,323.5 million.

In addition to the already mentioned Gross Margin, Net Operating Expenses increased by 9.0% (EUR 82.4 million) to EUR 1,000.4 million, mainly affected by the consolidation of Neoenergia (EUR -161 million), partly offset by the evolution of the exchange rate (EUR +59 million). In recurring terms, Net Operating Expenses dropped by 2%.

Levies dropped by 10.3% to EUR 684.9 million, resulting from the exchange rate (EUR +43 million), the property tax accounting in the United States in the first quarter (EUR +23 million) and lower taxes

in Spain deriving from the new energy prices (EUR +14 million).

3. Net Operating Result - EBIT

EBIT was EUR 1,387.2 million, up 33.4% from the first quarter of 2017.

Amortisations and Provisions increased by 12.3%, totalling EUR 936.3 million:

- The Amortisations item grew by 11.8% to EUR 871.1 million, due to the increase in the group's activity and the consolidation of Neoenergia.
- The Provisions item totals EUR 65.2 million, compared with EUR 54.7 million recorded in the first quarter of 2017, a result of the corporate reorganisation in Brazil (EUR -10 million).

4. Financial result

The net financial result was EUR -288.6 million compared to EUR -206.2 million a year earlier.

- The average cost of debt on a comparable basis (not considering the restructuring in Brazil) dropped by 4 bp to 3.09%, an improvement partially offset by the increase in average debt of EUR 392 million.
- The positive result due to differences in foreign currency valuation and derivatives drops mainly as a result of the valuation of net profit currency hedges. Furthermore, several non-recurring contingencies recorded last year (mainly default interest recognised in legal decisions) result in lower results. The net impact of both effects is EUR -30.4 million.
- The contribution to the financial result of the restructuring in Brazil accounts for a net expenditure of EUR -52.1 million.

| Financial result | Q1 2018 | Q1 2017 | Diff. |
|--|---------------|---------------|--------------|
| Debt result | -236.4 | -236.5 | 0.1 |
| Exchange differences, derivatives and others | -0.2 | 30.2 | -30.4 |
| Restructuring Brazil | -52.1 | - | -52.1 |
| Total | -288.6 | -206.2 | -82.4 |

5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method item reached EUR 0.6 million, compared to EUR 20.2 million in the first quarter of 2017, 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 since 2017, as well as the worse results of Gamesa.

6. Income from Non-current Assets

Income from Non-Current Assets amounts to EUR 0.5 million versus EUR 253.2 million in the first quarter of 2017, which registered the merger of Gamesa and Siemens Wind that contributed EUR 255 million, including EUR 198 million corresponding to the extraordinary merger dividend.

7. Net Profit

Lastly, Net Profit totalled EUR 838.0 million, with an increase of 1.2% compared to that obtained in the first quarter of 2018, thanks to the operating improvement that increases the Net Operating Profit by 28.5% to EUR 769.9 million and despite the extraordinary results of Gamesa in 2017 which have no correspondence in 2018.

5.

Results by business

1. Networks Business

The key figures for the Networks business are as follows:

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 3,389.3 | 34.4% |
| Gross margin | 1,975.3 | 13.7% |
| EBITDA | 1,200.0 | 17.5% |
| EBIT | 758.4 | 15.3% |

The Networks business increases its contribution to Gross Margin by EUR 238.1 million (+13.7%), supported by the improvement of Networks Spain (+6.8%) and the incorporation of Brazil (+240.3%), which offset a worse performance in the United Kingdom and the US, mainly due to the exchange rate.

1.1 Spain

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 536.6 | 7.7% |
| Gross margin | 530.6 | 6.8% |
| EBITDA | 425.4 | 9.8% |
| EBIT | 295.8 | 12.9% |

a) Gross Margin

The Gross Margin of the Networks Business in Spain increased by 6.8% to EUR 530.6 million, mainly due to higher regulated revenues (EUR +31 million) during the quarter, a result of the recognition in 2017 of positive re-settlements from previous financial years and the impact of a ruling regarding financed installations ICAs of EUR 8 million.

b) Operating Profit / EBIT

EBITDA in this Business amounted to EUR 425.4 million, representing a 9.8% increase. Net

Operating Expenses dropped by 5.2% to EUR 79.3 million, mainly due to the efficiency plan.

EBIT for the Networks Business in Spain totalled EUR 295.8 million (+12.9%). Amortisations and Provisions totalled EUR 129.6 million (+3.4%) due to new assets commissioned.

1.2 United Kingdom

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 322.6 | -3.7% |
| Gross margin | 309.5 | -4.1% |
| EBITDA | 234.7 | -4.9% |
| EBIT | 160.4 | -9.7% |

a) Gross Margin

Gross Margin for the Networks business in the United Kingdom (Scottish Power Energy

Networks-SPEN) reaches EUR 309.5 million (-4.1%), negatively affected by the depreciation of the Pound, which reduces it by -10.2% (in local currency, Gross Margin drops by 0.7%). In addition, there are higher transmission revenues which almost offset the negative effect of the process of redistribution of the distribution and metering revenues.

b) Operating Profit / EBIT

EBITDA reached EUR 234.7 million (-4.9%; -1.6% in local currency), with Net Operating Expenses dropping by 3.5% to EUR 49.0 million due to the exchange rate, whereas in local currency they stayed in line with the previous year (-0.1%). Taxes dropped by 3.6% to EUR 25.8 million, also affected by the exchange rate.

Amortisation and Provisions totalled EUR 74.4 million (7.3%), mainly due to the change in the exchange rate given that in local currency they increased by EUR 7.7 million; and due to the new assets commissioned.

1.3 United States-AVANGRID

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 1,201.7 | -5.5% |
| Gross margin | 756.2 | -6.2% |
| EBITDA | 324.4 | 2.7% |
| EBIT | 193.4 | 8.3% |

a) Gross Margin

Gross Margin dropped by 6.2% to EUR 756.2 million due to the evolution of the dollar mentioned previously. Without this impact, this item grew by 8.4% basically due to the greater revenues of actual rate cases in force in New York and Connecticut and lower operating costs compared to 2017.

b) Operating Profit / EBIT

EBITDA increased by 2.7% to EUR 324.4 million. In addition to the Gross Margin evolution, there were Net Operating Expenses of EUR 213.8 million, that increased slightly (0.1%) affected by the excess costs of the storms in New York and Maine (EUR 22 million which do not have an impact under US GAAP). Meanwhile, the Taxes item dropped by 21.3% to EUR 218.0 million for a time difference of tax property recognition in the United States, that will be corrected throughout the year.

EBIT totalled EUR 193.4 million (+8.3%), following the deduction of Amortisations and Provisions totalling EUR 130.9 million, which dropped by 4.6% due to the exchange rate, given that without this they would grow by 10.3% due to the increase in the provisions for insolvencies.

1.4. Brazil

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 1,328.4 | 218.6% |
| Gross margin | 379.0 | 240.3% |
| EBITDA | 215.5 | 204.9% |
| EBIT | 108.8 | 174.2% |

At close of the first quarter of 2018, the consolidation of Neoenergia without the exchange rate effect contributes EUR 293.8 million to the Networks Business at Gross Margin level, and EUR 160.9 million at EBITDA level.

a) Gross Margin

Gross Margin reaches EUR 379.0 million (+240.3%) in the first quarter of 2018, of which EUR -72 million are due to the depreciation of the Real and EUR 340 million are due to the performance of the business, thanks to the integration of the businesses of both companies and to the increase in distributed energy (+0.8%) despite the negative impact of the review of Elektro's rates by the correction mechanisms due to deflation.

b) Operating Profit / EBIT

EBITDA for the area reached EUR 215.5 million – an improvement of 204.9%.

Net Operating Expenses reached EUR 161.1 million and increased with regard to the same period of 2017 due to the corporate reorganisation (EUR 131.1 million excluding the exchange rate) and despite the depreciation of the Brazilian Real.

Amortisations and Provisions amount to EUR 106.7 million (+244.1%), affected by the exchange rate (EUR +20 million) and by the consolidation of Neoenergia (EUR -80 million).

As a consequence of this, EBIT came to EUR 108.8 million (+174.2%).

2. Renewables Business

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 1,049.8 | 9.3% |
| Gross margin | 944.5 | 10.2% |
| EBITDA | 603.5 | 13.9% |
| EBIT | 344.1 | 20.3% |

a) Gross Margin

At the close of the first quarter of 2018, Gross Margin was at EUR 944.5 million, a 10.2% increase compared to the same period of the year 2017. As will be described further below in detail, this increase is mainly explained by the increase in the contributions to the Gross Margin of onshore and offshore wind energy. Geographically, Spain, United Kingdom and Brazil stand out especially, more than offsetting the worse results in the US and Mexico resulting from the depreciation of the dollar.

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

- Average operating capacity during the period grew by 7.5% thanks to the increases in the United Kingdom (242 MW) and the United States (455 MW), and the corporate reorganisation in Brazil, which means an addition of 328.5 MW of average operating capacity. This growth, coupled with the greater number of hours in operation of all renewable technologies (+10.1% compared to the same period of 2017), boosted production by 18.4% more than that of the first quarter of 2017, to 15,284 GWh.
- The average sale price in euros of renewable production is at EUR 61.8/MWh, dropping by 7.0% compared to last year, due to the combination of a drop of prices in local currency and a significant depreciation of the Brazilian real, the US dollar and the pound.
- The consolidated load factor is at 26.4%, higher compared to the first three months of 2017 by

2.4 percentage points (p.p.), although with differences according to the technology:

| Technology | 2018 |
|--------------------|-------|
| Onshore wind | 33.8% |
| Offshore wind | 58.3% |
| Hydro | 15.6% |
| Other technologies | 20.9% |

It is worth noting the fast increase in Spain of the hydro level reserves in the first quarter (+25.6 b.p.), up from 29% registered on 31 December 2017 to 54.6% on 31 March 2018, a very similar value to the historical average that will continue to increase. At the end of April 22, hydro reserves stood at 65% (7,385 GWh), compared to 43.7% (4,923 GWh) of the previous year.

The trend of the results must be analysed separately for each market in which the Company operates. By business, the Gross Margin¹ has been as follows:

- **Wind Energy Spain:** Gross Margin for the period was EUR 258.4 million, increasing by 21.9% thanks to a 25.1% increase in production which more than offsets the drop in the average price (-2.6%).
- **Wind Energy United States:** Gross Margin dropped by 3.0% to EUR 188.9 million, mainly due to the average price drop in local currency (-2.1%) and especially due to the depreciation of the USD (-13.5%), and despite the increase in production (+14.5%). This increase is a result of the 8.0% increase in the average operating capacity and the improvement of the load factor (6%).
- **Wind United Kingdom - Onshore:** Gross Margin increased by 20.5% to EUR 128.5 million thanks to the increase in production (+32.3%), which is driven both by the growth in the average operating capacity

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

(+14.7%) and by the improvement in wind conditions (+15.3%). This significant increase more than offsets the drop in the price in local currency (-5.7%) and the depreciation of the pound (-3.4%).

- **Wind Energy United Kingdom - Offshore:** The West of Duddon Sands farm has contributed EUR 36.4 million to the Gross Margin for the period, an increase of 18.9% compared to the first quarter of 2017, thanks to the greater production (+12.5%) and the increase of the sale price in local currency (+9.4%), due to the increase in the price of energy (a result of the greater value of the ROCs), which more than offsets the depreciation of the pound.
- **Wind Energy Mexico:** In Mexico, the recovery of the wind conditions during the first quarter of 2018 has brought about an increase in the production of 12.7%. Despite this, the drop in the price of the local currency (-17.2%) due to the change in the methodology of CFE tariff calculation that affects indexed contracts, and the depreciation of the US dollar (-13.5%). Gross Margin is at EUR 20.2 million, 19.3% lower year on year.
- **Wind Energy Brazil:** Gross Margin increased significantly (+96.6%) to EUR 22.8 million. This pronounced increase is due to the spike in production, resulting from an increase in average operating capacity due to the corporate reorganisation (+175.4%), despite the worse wind conditions (-6.8%). In addition, the drop in prices in local currency (-8.8%) and the depreciation of the Brazilian real (-16.0%) reduce the positive effect of the increase in production.
- **Wind Energy Rest of the World - Onshore:** Production dropped by 1.6% due to the lower average operating capacity due to divestment in Italy, given that the load factor is already in line with the same period of 2017. The prices do not manage to fully offset the drop in production, and therefore the Gross Margin drops by 1.4% to EUR 32.53 million.
- **Wind Energy Rest of the World - Offshore:** The Wikingier farm contributes to the Gross

Margin with EUR 31.0 million after starting its commissioning.

- **Hydro Spain:** Gross Margin declines by 15.5% to EUR 157.0 million, since the fall in prices could not be offset by the increase in production. Despite of, is noteworthy the fast increase of hydro reserves in Spain, which has been most pronounced in March, so it will affect more hydro production for the rest of the year.
- **Hydro Brazil:** Gross Margin reaches EUR 25.67 million, mainly due to the corporate reorganization of the business in the country in August 2017.
- **Hydro United Kingdom:** The gross margin increased by 20.9% to EUR 20.1 million thanks to the increase in the price achieved by this technology (+ 87.8%), which more than offsets the drop in production (-35.6%).
- **Minihydro and Other Renewables:** Gross Margin was at EUR 18.9 million (+9.9%), a result of the increase in minihydro production (+11.9%), and the increase in average operating capacity of photovoltaic solar energy in the US (+112%)

b) Operating Profit / EBIT

- EBITDA increased by 13.9% to EUR 603.5 million. The mentioned evolution of the Gross Margin (+10.2%) is coupled with a 9.0% increase in Net Operating Expenses, due to higher average operating capacity, higher operating costs resulting from greater wind resources and the incorporation by global consolidation of the Neoenergia farms.
- The Amortisations and Provisions item is at EUR 259.3 million, increasing by 6.5% compared to the same period of 2017, in line with the increase in average operating capacity, given that this increase is mainly due to the higher wind capacity in UK, Brazil and the Rest of the World.
- Lastly, taking into account all of the above, EBIT reached the figure of EUR 344.1 million (+20,3%).

3. Generation and supply business

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

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 5,654.4 | 6.0% |
| Gross margin | 1,079.4 | 14.0% |
| EBITDA | 503.6 | 51.6% |
| EBIT | 286.8 | 118.8% |

The Generation and Supply business increased its contribution to Gross Margin (+14.0%) due to the improvement of the complex operating environment that affected this business in 2017, mainly in the United Kingdom and Spain. The main reasons for this improvement are the normalisation of weather conditions, greater demands, improvement of margins and lower costs, together with lower taxes. Corporate reorganisation in Brazil also has a positive effect on the business accounts. On the downside, Mexico's performance dropped, a result of the evolution of the dollar and lower electricity rates, with this last effect expecting to be recovered throughout the year.

3.1 Spain and Portugal

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 3,395.2 | -1.7% |
| Gross margin | 597.8 | 9.6% |
| EBITDA | 224.8 | 46.4% |
| EBIT | 94.4 | 128% |

a) Gross margin

Iberdrola's Generation and Supply business in the Iberian Peninsula recorded a 9.6% improvement in its Gross Margin to EUR 597.8 million. The following can be highlighted:

- A 6.7% decline in output caused by the drop in nuclear (-8.8%), cogeneration (-15.4%) and

coal-fired (-26.2%) output, which could not be offset by the combined gas cycles (+37.4%). In addition, provisioning costs dropped by 3.8%, compared to the drop in Revenues (-1.7%).

- Of the energy generated, 81% was distributed through forward sales while 19% was sold on the spot market.
- Greater commercial activity due to a greater sales volume in electricity (488 GWh) as well as products and services.
- Positive impact of the gas business compared to 2017 (EUR +33 million), due to the improvement in margins both of the wholesale operations and the commercial activity.

b) Operating Profit / EBIT

EBITDA increased by 46.4% to EUR 224.8 million. Operating Expenses dropped by 4.8% to EUR 166.5 million, affected by the capitalisation of the costs for attracting new clients, by virtue of the application of the IFRS 15, and lower costs of advertising campaigns.

In addition, the Taxes item dropped by a further 4.8% to EUR 206.5 million, an effect of the drop in taxes on generation in Spain, resulting from the drop in pool prices, and the lower Enresa tax, in line with nuclear output.

The Amortisations and Provisions item increased by 16.3% to EUR 130.4 million, mainly due to the application of the IFRS 15 mentioned above.

As a result of all of the above, EBIT recorded an increase of 128% compared to the same period of 2017, to EUR 94.4 million.

3.2. United Kingdom

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 1,602.2 | 4.0% |
| Gross margin | 307.5 | 32.6% |
| EBITDA | 149.2 | 235.1% |
| EBIT | 91.9 | N/A |

a) Gross margin

Gross Margin for Scottish Power's Energy Wholesale and Retail business was EUR 307.5 million (+32.6%).

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

- Normalisation of the operation of plants as well as lower costs of provisioning
- Normalisation of margins compared to the compression experienced during the same period of 2017

b) Operating Profit / EBIT

EBITDA for the Liberalised business in the United Kingdom reached EUR 149.2 million, compared to EUR 44.5 million of 2017, boosted by the mentioned evolution of the Gross Margin. Furthermore, Net Operating Expenses dropped by 18.9%, favoured by the efficiency measures adopted and the application of the IFRS 15, for which the costs of attracting clients were recorded under the Amortisations item. Taxes, on their part, totalled EUR 44.9 million (-5.2%), affected mainly by the depreciation of the pound.

Amortisations and Provisions totalled EUR 57.4 million (-3.1%), due to a great extent by the IFRS 15 regulations which have been mentioned before.

As a result, EBIT totalled EUR 91.9 million compared to the negative contribution of

EUR 14.7 million in the first quarter of 2017.

3.3 Mexico

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 488.7 | 22.9% |
| Gross margin | 130.7 | -21.9% |
| EBITDA | 97.3 | -27.2% |
| EBIT | 73.9 | -28.7% |

a) Gross margin

In Mexico, the Gross Margin reached EUR 130.7 million (EUR -36 million), due to the combined effect of the depreciation of the dollar (EUR 20 million) and a lower sale margin with a segment of private customers.

b) Operating Profit / EBIT

EBITDA totalled EUR 97.3 million. (-27.2%). Net Operating Expenses dropped to EUR 32.4 million (-1.1%) to EUR 117.5 million, mainly as a result of the exchange rate. The Amortisations and Provisions item dropped by 21.8% to EUR 23.4 million due again to the depreciation of the US Dollar.

As a result of the above, the EBIT for the business reached EUR 73.9 million, representing a 28.7% drop compared to last year.

3.4 Brazil

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 189.8 | N/A |
| Gross margin | 43.4 | N/A |
| EBITDA | 32.3 | N/A |
| EBIT | 26.6 | N/A |

In the Generation and Supply business, Brazil is affected mainly by the consolidation of Neoenergia which became effective on 24 August 2017.

4. Other Business

With the engineering activity having been discontinued and the US trading division having been sold as at 1 March, Other Businesses includes two months of US trading and the full quarter of gas storage in the US, as well as the real estate businesses.

| (EUR million) | 1Q 2018 | vs 1Q 2017 |
|---------------|---------|------------|
| Revenues | 31.7 | -18.9% |
| Gross margin | 21.3 | -15.9% |
| EBITDA | 5.4 | -31.0% |
| EBIT | 3.0 | N/A |

a) Gross Margin

Gross Margin dropped by 15.9% to EUR 21.3 million, due to the lower contribution of the real estate business and the lower result of gas storage in the US, as a consequence of the depreciation of the dollar and the sale of the trading activity in March.

b) Operating Profit / EBIT

EBITDA dropped to EUR 5.4 million, with Net Operating Expenses up 5.1%.

Amortisations and Provisions significantly drop compared to the first quarter of last year (-76.7%) due to the write-off recorded in 2017 of the gas business in the US and Canada, with the EBIT going from losses of EUR 2.4 million in the first quarter of 2017 to a positive result of EUR 3 million in 2018.

5. Corporation

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



Balance Sheet Analysis

January - March 2018

| | March 2018 | Vs. Dec. 2017 |
|-----------------------|------------|---------------|
| TOTAL ASSETS | 112.224 | 1.4% |
| Fixed assets | 63.776 | -0.5% |
| Intangible assets | 20.958 | -0.9% |
| Long-term investments | 5.450 | 8.7% |
| Asjusted net debt | 42.677 | -0.1% |

Iberdrola's Balance Sheet at 31 March 2018 shows Total Assets of EUR 112,224 million.

1. Fixed assets

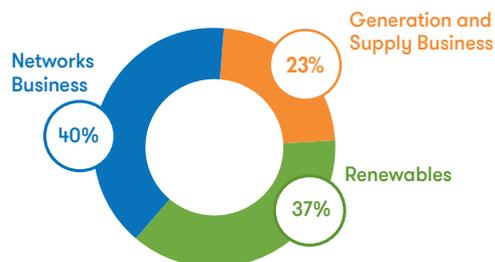
Total net investment for the first quarter of 2018 rose to EUR 1,185.3 million, up 15.5% from the investment for the same period in 2017. The breakdown is as follows:

| (EUR Million) | Jan-March 2018 | % |
|---|----------------|-------------|
| Networks business | 440.2 | 37.1 |
| Spain | 54.0 | |
| UK | 80.7 | |
| USA | 124.6 | |
| Brazil | 180.9 | |
| Renewables business | 410.5 | 34.6 |
| Spain | 51.8 | |
| UK | 150.5 | |
| USA | 59.5 | |
| Brazil | 21.2 | |
| Mexico | 3.4 | |
| RoW | 124.1 | |
| Generation and supply business | 257.9 | 21.8 |
| Spain | 33.2 | |
| UK | 49.4 | |
| Mexico | 168.9 | |
| Brazil | 6.4 | |
| Corporation and Other Businesses | 76.7 | 6.5 |
| Total Net Investment | 1,185.3 | 100% |

Investment for the period concentrated on the Networks and Renewables Business, in line with

our strategy. These two regulated businesses account for 77% of the total investment for the first quarter 2018.

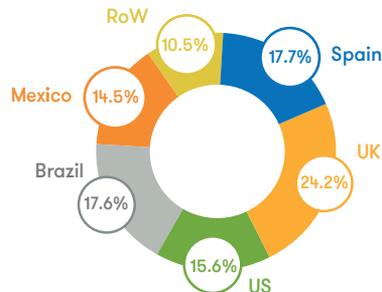
Investments by business* (January-March 2018)



(* Excluding Corporate and Other Businesses)

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

Investments by geographical areas (Jan.-March 2018)



The investment in the Renewables business reached EUR 410.5 million, equivalent to 34.6% of the total. It is worth noting the EUR 150.5 million invested in the United Kingdom, mainly in the East Anglia 1 offshore wind project.

In the section corresponding to the "Networks Business", most investments were made in the USA and Brazil, for total amounts of EUR 124.6 million and EUR 180.9 million, respectively.

2. Share capital

After the implementation of the paid-up capital increase on occasion of the Scrip Dividend in January 2018, Share Capital of Iberdrola as at 31 March amounted to EUR 4,828,780,500 euros, represented by 6,438,374,000 bearer shares with a nominal value of EUR 0.75 each.

In line with the commitment announced in the 2018-2022 Plan concerning keeping the number of shares stable at 6,240 million, and following its approval by the General Shareholders' Meeting, the redemption of 198,374,000 shares (3.08% of the share capital) will take place.

3. Financial Debt

Net financial debt adjusted to 31 March 2018 increased by EUR 3,371 million to EUR 33,131 million compared to EUR 29,760 million as at 31 March 2017, mainly as a result of the integration of Neoenergía, which implies an increase of EUR 2,667 million, and of the investment made in the first quarter of 2018.

As a result, adjusted financial leverage increases to 43.6% compared to 42% registered at 31 March 2017.

The ratings issued by rating agencies are as follows:

Credit rating of Iberdrola Senior Debt

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

Regarding the trend of the Company's financial cost, at 31 March 2018 it was at 3.59%, up 46 bp from the 3.13% registered as at 31 March 2017. In comparable terms, excluding the impact of the corporate reorganisation in Brazil, the financial cost is at 3.09% at close of March 2018 (a 4 bp drop).

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

| | March 2018 | March 2017 |
|-------------------------------------|------------|------------|
| Euro | 40.5% | 45.9% |
| British Pound | 20.7% | 22.1% |
| Dollar | 28.6% | 29.8% |
| Brazilian Real and other currencies | 10.1% | 2.2% |
| Fixed Rate | 74.3% | 64.6% |
| Variable Rate | 25.7% | 35.2% |
| Capped Rate | - | 0.2% |

(*) Net Financial Debt including forwards and swaps.

(**) Net Financial Debt including Forward Start Swaps (Q1'2017: Eur 3.550 M; Q1'2018: Eur 5.981 M).

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, in terms comparable to Q1 2017, to 80.4% excluding Neoenergía and to 74.3% including Neoenergía, adding the equivalent of EUR 5,981 million in forward swap already fixed at close of the first quarter of 2018 (19.6%) to the fixed rate debt.

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

| | March 2018 | March 2017 |
|--------------|---------------|---------------|
| Corporation | 66,6% | 72,0% |
| UK | 6,1% | 7,5% |
| USA | 13,3% | 15,6% |
| Brazil | 11,9% | 2,7% |
| Mexico | 1,0% | 1,1% |
| Others | 1,1% | 1,2% |
| Total | 100.0% | 100.0% |

(*) Gross Financial Debt.

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

| | March 2018 | March 2017 |
|----------------------|---------------|---------------|
| Euro market | 38.1% | 40.7% |
| Dollar market | 16.7% | 21.2% |
| British pound market | 7.9% | 9.4% |
| Remaining bonds | 3.9% | 1.1% |
| Notes | 6.5% | 6.2% |
| EIB | 7.7% | 5.7% |
| Structured financing | 1.0% | 1.0% |
| Bank financing | 18.2% | 14.7% |
| Total | 100.0% | 100.0% |

(*) Gross Financial Debt.

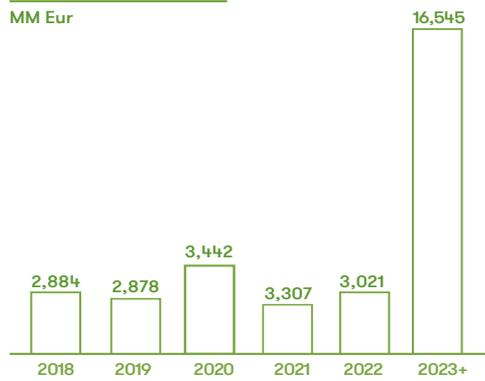
At close of the quarter, Iberdrola has a strong position of liquidity, with a total of EUR 9,579^(*) million, which is equivalent to 17 months of the company's financing needs.

| | M Eur |
|---|----------------------------|
| Credit Lines | Available (Ex. Neo) |
| Total credit line | 7,602 |
| Cash and IFT | 1,977 |
| Total Adjusted Liquidity^(*) | 9,579 |

(*) Does not include Neoenergia credit lines

Iberdrola has a good debt maturity profile, with approximately 6.1 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^(*).

Debt maturity profiles



(*) Excluding credit lines and Neoenergia
 2019 includes Eur 50 Mn with an extension option for 1+1 years
 2020 includes 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:

| | March 2018 | March 2018 (proforma: 12 months Neoenergia) | March 2017 ⁽¹⁾ |
|---|---------------|--|---------------------------|
| Adjusted Equity (*) | 42,844 | 42,844 | 40,847 |
| Adjusted (*) Gross Financial Debt | 37,229 | 37,229 | 32,747 |
| Cash flow | 3,173 | 3,173 | 2,032 |
| Derivative assets | 924 | 924 | 954 |
| Adjusted Net Financial Debt (*) | 33,131 | | 29,760 |
| Adjusted Leverage (*) | 43.6% | 43.6% | 42.1% |
| Adjusted Funds from Operations (FFO)**/ Adjusted Net Financial Debt (*) | 20.7% | 21.4% | 21.1% |
| Adjusted Retained Cash Flow (RCF)***/ Adjusted Net Financial Debt (*) | 18.2% | 19.0% | 18.9% |
| Adjusted Net Financial Debt (*) / Adjusted EBITDA (***) | 4.1x | 3.9x | 3.9x |

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

(**) Adjusted 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. Adjusted by provisions for Efficiency Plans (EUR 152.7 million at 03/31/2018 and no impact at 03/31/2017)

El FFO 2017 está ajustado por provisiones para planes de eficiencia

(***) Adjusted RCF = Adjusted FFO - Cash paid dividends - Interest hybrid issuance

(****) Adjusted by provisions for Efficiency Plans (EUR 203.3 million at 03/31/2018 and no impact at 03/31/2017)

(1) Restated

4. Working capital

The working capital recorded a drop of EUR 154 million over the last 12 months, as a result of several effects:

- An increase in the balance of commercial debtors by EUR 777 million, which in turn increases the working capital.
- A net drop of EUR 378 million in working capital due to current financial investment.
- An increase in short-term provisions by EUR 540 million, which reduce the working capital.
- The drop of EUR 204 million in working capital as a result of the net increase in accounts payable to Public Administrations.
- Other effects to a lesser extent.

Current Assets

| | March-18 | March-17 | Variation |
|--|---------------|---------------|------------|
| Assets held for sale | 109 | 0 | 109 |
| Nuclear Fuel | 310 | 359 | (49) |
| Inventories | 1,879 | 1,701 | 178 |
| Commercial debtors and Other accounts receivable | 6,809 | 6,031 | 777 |
| Current financial investments | 580 | 959 | (378) |
| Asset derivative financial instruments | (75) | 181 | (256) |
| Public Administrations | 1,406 | 973 | 433 |
| TOTAL CURRENT ASSETS*: | 11,018 | 10,205 | 814 |

* Does not include cash or debt asset derivatives

Current Liabilities

| | March-18 | March-17 | Variation |
|---|---------------|--------------|------------|
| Liabilities held for sale | 9 | 0 | 9 |
| Provisions | 692 | 152 | 540 |
| Liability derivative financial instruments | (113) | 113 | (226) |
| Commercial creditors and other accounts payable | 7,338 | 7,330 | 8 |
| Public Administrations | 2,436 | 1,799 | 637 |
| TOTAL CURRENT LIABILITIES**: | 10,362 | 9,394 | 968 |

** Does not include financial debt or debt liabilities derivatives

| | | | |
|---------------------------|------------|------------|--------------|
| NET WORKING ASSETS | 657 | 811 | (154) |
|---------------------------|------------|------------|--------------|

5. Funds From Operations

Funds from Operations as at 31 March 2018 have increased by 12.95% to EUR 1,877.1 million.

| | Jan-March 2018 | Jan-March 2017 | Variation |
|--|----------------|----------------|---------------|
| Net Profit (+) | 838.0 | 827.6 | 1.2% |
| Depreciations (-) | -936.3 | -834.0 | 12.3% |
| P/L Equity (-) | 0.6 | 20.2 | -97.2% |
| Extraordinary results (-) | 0.5 | 256.2 | -99.8% |
| Financial provisions capitalized (-) | -35.5 | -27.0 | 31.4% |
| Minorities P/L (-) | -86.3 | -27.6 | 213.4% |
| Adjustment tax deductible items (+) * | - | 44.9 | -100.0% |
| Dividends Equity consolidated subsidiaries (+) | 0.8 | 197.8 | -99.6% |
| Allocation of capital subsidies to income (-) | 18.8 | 20.7 | -9.3% |
| FFO | 1,877.1 | 1,661.9 | 12.95% |

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 2018

| Borrower | Transaction | Amount | Currency | Interest rate | Maturity date |
|-------------------------|-------------------------|--------|----------|--------------------|---------------|
| Celpe * | Loan 4131 | 46 | USD | Libor 3m +1.5% | Jan - 21 |
| Iberdrola Finanzas | Private issue extension | 200 | EUR | 1.621% | Nov - 29 |
| Iberdrola Finanzas | Private issue | 200 | EUR | Euribor 3m+ +0.35% | Feb - 20 |
| Iberdrola SA ** | Syndicated credit line | 2,979 | EUR | - | Feb - 23 |
| Iberdrola SA ** | Syndicated credit line | 2,321 | EUR | - | Feb - 23 |
| Celpe | Debentures | 500 | BRL | 119.6% CDI | Feb - 23 |
| Iberdrola International | Hybrid green bonds | 700 | EUR | 2.625% | Undated |

* Transaction subsequently swapped to the currency of the company

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

Main financing extension transactions carried out in 2018

| Borrower | Transaction | Amount | Currency | Extension | Maturity date |
|------------------------|----------------------|--------|----------|-----------|---------------|
| Iberdrola Financiación | Bilateral green loan | 500 | EUR | +6 months | Aug - 19 |
| Iberdrola Financiación | Syndicated loan | 900 | EUR | 1 year | Mar - 21 |
| Iberdrola Financiación | Bilateral loan | 75 | EUR | 1 year | Mar - 21 |

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%

On 30 January, the company Celpe, part of the Brazilian subsidiary Neoenergía, closed the issue of debentures for amount equivalent to BRL 500 million, for a term of five years and a cost of 119.6% above the CDI.

On 19 March, Iberdrola International closed the issue with a green hybrid bond of EUR 700 M with a coupon of 2.625% and no maturity date, with the company entitled to choose to amortise the amount after 6 years. The funds will be used for re-financing the offshore wind farm of East Anglia in the United Kingdom.

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 of USD 46 million for a term of three years, converted to BRL 46 million, with a cost of 119.8% above the CDI.

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 2022, 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 2022, 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)

On 20 February Iberdrola Financiación agreed the second of the two six-month extensions corresponding to the bilateral green loan of EUR 500 million signed in February 2017, its maturity date being extended to August 2019.

On 23 March Iberdrola Financiación agreed the second of the two one-year extensions corresponding to the syndicated loan of EUR 900 million signed in March 2015, its maturity date being extended to March 2021.

On 31 March Iberdrola agreed the second of the two one-year extensions corresponding to the bilateral loan of EUR 75 million signed in March 2015, its maturity date being extended to March 2021.

7. Credit ratings

| | Moody's | | | Standard and Poor's | | | Fitch Ibc | | |
|--|----------|----------|------------|---------------------|----------|------------|-----------|----------|------------|
| | Rating | Outlook | Date | Rating | Outlook | Date | Rating | Outlook | Date |
| Iberdrola, S.A. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | BBB+ | Stable | March 2014 |
| Iberdrola Finance Ireland, Ltd. (*) | Baa1 | Stable | March 2018 | BBB+ | | April 2016 | BBB+ | Stable | March 2014 |
| Iberdrola Finanzas, S.A.U. (*) | Baa1 | Stable | March 2018 | BBB+ | | April 2016 | BBB+ | Stable | March 2014 |
| Iberdrola Finanzas, S.A.U. (Escala Nacional) (*) | Aa1(mex) | Stable | June 2016 | mxAAA | | April 2016 | AAA (mex) | Stable | March 2014 |
| Iberdrola International, B.V. (*) | Baa1 | Stable | March 2018 | BBB+ | | April 2016 | BBB+ | Stable | March 2014 |
| Avangrid | Baa1 | Stable | Dic. 2016 | BBB+ | Stable | April 2016 | BBB+ | Stable | Sept. 2016 |
| CMP | A2 | Stable | April 2016 | A- | Positive | Jan 2018 | 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 | A3 | Stable | Dec. 2017 | A- | Stable | Sept. 2016 | BBB+ | Positive | Sept. 2017 |
| BGC | Baa1 | Positive | April 2016 | A- | Stable | Sept. 2016 | A- | Stable | Sept. 2016 |
| Scottish Power, Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | BBB+ | Stable | March 2014 |
| Scottish Power, UK Plc. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | BBB+ | Stable | March 2014 |
| Scottish Power UK Holdings Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| Scottish Power Energy Networks Holdings Ltd | | | | BBB+ | Stable | April 2016 | | | |
| ScottishPower Generation Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| SP Transmission, Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| SP Manweb, plc. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| SP Distribution, plc. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| ScottishPower Energy Management, Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| ScottishPower Energy Retail, Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| Scottish Power Investment, Ltd. | Baa1 | Stable | March 2018 | BBB+ | Stable | April 2016 | | | |
| Neoenegia, S.A. | | | | BB- | Stable | Jan 2018 | | | |
| Coelba | | | | BB- | Stable | Jan 2018 | | | |
| Celpe | | | | BB- | Stable | Jan 2018 | | | |
| Cosern | | | | BB- | Stable | Jan 2018 | | | |
| Neoenegía (Escala nacional) | | | | brAA- | Stable | Jan 2018 | | | |
| Coelba (Escala nacional) | | | | brAA- | Stable | Jan 2018 | | | |
| Celpe (Escala nacional) | | | | brAA- | Stable | Jan 2018 | | | |
| Cosern (Escala nacional) | | | | brAA- | Stable | Jan 2018 | | | |
| Elektro (Escala nacional) | | | | brAA- | Stable | Jan 2018 | | | |

(*) Guaranteed by Iberdrola, S.A.

7.

Financial Statements Tables

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

| | March 2018 | December 2017 | Variation |
|---|----------------|------------------|--------------|
| NON-CURRENT ASSETS | 97,493 | 96,889 | 604 |
| Intangible assets | 20,958 | 21,148 | -190 |
| Goodwill | 7,898 | 7,932 | -35 |
| Other intangible assets | 13,060 | 13,216 | -155 |
| Real Estate properties | 425 | 424 | 1 |
| Property, plant and equipment | 63,776 | 64,082 | -306 |
| Property, plant and equipment in use | 57,669 | 57,301 | 368 |
| Property, plant and equipment in the course of construction | 6,107 | 6,781 | -674 |
| Non current financial investments | 5,450 | 5,014 | 436 |
| Investments accounted by equity method | 1,771 | 1,791 | -20 |
| Non-current financial assets | 63 | 65 | -2 |
| Other non-current financial assets | 3,198 | 2,613 | 585 |
| Derivative financial instruments | 418 | 545 | -127 |
| Non-current receivables | 836 | 839 | -3 |
| Deferred tax assets | 6,048 | 5,382 | 666 |
| CURRENT ASSETS | 14,731 | 13,800 | 932 |
| Assets held for sale | 109 | 356 | -246 |
| Nuclear fuel | 310 | 332 | -22 |
| Inventories | 1,879 | 1,870 | 9 |
| Current trade and other receivables | 8,215 | 6,721 | 1,493 |
| Tax receivables | 371 | 546 | -175 |
| Other tax receivables | 1,035 | 319 | 716 |
| Trade and other receivables | 6,809 | 5,856 | 952 |
| Current financial assets | 1,115 | 1,323 | -209 |
| Current financial assets | - | 2 | -2 |
| Other current financial assets | 580 | 599 | -19 |
| Derivative financial instruments | 534 | 723 | -188 |
| Cash and cash equivalents | 3,103 | 3,197 | -94 |
| TOTAL ASSETS | 112,224 | 110,689 | 1,536 |

Equity and Liabilities

| | March 2018 | Dec. 2017 | Variation |
|---|----------------|----------------|--------------|
| EQUITY: | 42,677 | 42,733 | -56 |
| Of shareholders of the parent | 35,322 | 35,509 | -187 |
| Share capital | 4,829 | 4,738 | 91 |
| Share premium | 14,668 | 14,668 | - |
| Unrealised assets and liabilities revaluation reserve | -73 | -42 | -31 |
| Other reserves | 19,602 | 16,768 | 2,834 |
| Treasury stock | -1,294 | -598 | -696 |
| Translation differences | -3,247 | -2,828 | -418 |
| Net profit of the year | 838 | 2,804 | -1,966 |
| Hybrid Capital | 1,707 | 1,553 | 154 |
| Of minority interests | 5,648 | 5,671 | -24 |
| EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY | 15 | 15 | - |
| NON-CURRENT LIABILITIES | 51,709 | 51,215 | 494 |
| Deferred income | 6,291 | 6,379 | -88 |
| Provisions | 5,477 | 5,487 | -9 |
| Provisions for pensions and similar obligations | 2,493 | 2,533 | -40 |
| Other provisions | 2,984 | 2,953 | 31 |
| Financial Debt | 30,011 | 29,785 | 226 |
| Loans and others | 29,693 | 29,466 | 227 |
| Derivative financial instruments | 318 | 319 | -1 |
| Other non-current payables | 754 | 1,006 | -251 |
| Deferred tax liabilities | 9,175 | 8,558 | 616 |
| EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY | 23 | 33 | -9 |
| CURRENT LIABILITIES | 17,801 | 16,693 | 1,107 |
| Liabilities held for sale | 9 | 135 | -125 |
| Provisions | 692 | 627 | 65 |
| Provisions for pensions and similar obligations | 23 | 41 | -18 |
| Other provisions | 669 | 586 | 83 |
| Financial Debt | 7,326 | 7,510 | -184 |
| Loans and others | 7,217 | 7,225 | -8 |
| Derivative financial instruments | 109 | 285 | -176 |
| Trade and other payables | 9,774 | 8,422 | 1,352 |
| Trade payables | 5,220 | 5,308 | -87 |
| Current tax liabilities and other tax payables | 700 | 260 | 441 |
| Other tax payables | 1,735 | 989 | 747 |
| Other current liabilities | 2,118 | 1,866 | 252 |
| TOTAL EQUITY AND LIABILITIES | 112,224 | 110,689 | 1,536 |

Profit and Loss (Unaudited)

| | M Eur | | |
|---|-------------------|-----------------------|---------------|
| | March 2018 | March 2017 (*) | % |
| REVENUES | 9,343.5 | 8,195.4 | 14.0 |
| PROCUREMENTS | (5,334.7) | (4,640.0) | 15.0 |
| GROSS MARGIN | 4,008.8 | 3,555.4 | 12.8 |
| NET OPERATING EXPENSES | (1,000.4) | (918.0) | 9.0 |
| Net Personnel Expense | (522.6) | (480.5) | 8.8 |
| Personnel | (669.7) | (615.5) | 8.8 |
| Capitalized personnel costs | 147.1 | 135.0 | 9.0 |
| Net External Services | (477.8) | (437.5) | 9.2 |
| External Services | (624.9) | (562.7) | 11.1 |
| Other Operating Income | 147.1 | 125.2 | 17.5 |
| LEVIES | (684.9) | (763.8) | (10.3) |
| EBITDA | 2,323.5 | 1,873.6 | 24.0 |
| AMORTISATIONS AND PROVISIONS | (936.3) | (834.0) | 12.3 |
| EBIT | 1,387.2 | 1,039.6 | 33.4 |
| Financial Expenses | (626.5) | (503.2) | 24.5 |
| Financial Income | 337.9 | 297.0 | 13.8 |
| Financial Result | (288.6) | (206.2) | 40.0 |
| Results of Companies Consolidated by Equity Method | 0.6 | 20.2 | (97.2) |
| Results from Non-Current Assets | 0.5 | 256.2 | (99.8) |
| PBT | 1,099.7 | 1,109.8 | (0.9) |
| Corporate Tax | (175.4) | (254.6) | (31.1) |
| Minorities | (86.3) | (27.6) | 213.4 |
| NET PROFIT | 838.0 | 827.6 | 1.2 |

(*) Restated

Results by Business (Unaudited)

M Eur

| March 2018 | Networks | Renewables | Generation and Supply | Other Business | Corp. and adjustments |
|--|----------------|----------------|-----------------------|----------------|-----------------------|
| Revenues | 3,389.3 | 1,049.8 | 5,654.4 | 31.7 | (781.7) |
| Procurements | (1,414.1) | (105.3) | (4,575.0) | (10.4) | 770.1 |
| GROSS MARGIN | 1,975.3 | 944.5 | 1,079.4 | 21.3 | (11.6) |
| NET OPERATING EXPENSES | (503.1) | (180.8) | (325.7) | (14.1) | 23.3 |
| Net Personnel Expense | (274.1) | (67.1) | (104.9) | (7.6) | (69.0) |
| Personnel | (393.9) | (79.9) | (112.9) | (7.6) | (75.4) |
| Capitalized personnel costs | 119.9 | 12.9 | 8.0 | - | 6.4 |
| Net External Services | (229.1) | (113.7) | (220.8) | (6.5) | 92.2 |
| External Services | (339.9) | (132.1) | (252.9) | (6.9) | 106.8 |
| Other Operating Income | 110.8 | 18.4 | 32.1 | 0.4 | (14.6) |
| Levies | (272.1) | (160.3) | (250.1) | (1.7) | (0.7) |
| EBITDA | 1,200.0 | 603.5 | 503.6 | 5.4 | 11.0 |
| Amortisation and Provisions | (441.6) | (259.3) | (216.8) | (2.4) | (16.2) |
| EBIT/Operating Profit | 758.4 | 344.1 | 286.8 | 3.0 | (5.2) |
| Financial Result | (138.7) | (48.4) | (37.9) | 0.2 | (63.7) |
| Results of companies consolidated by equity method | 3.0 | 9.5 | 0.9 | (7.6) | (5.2) |
| Results of non-current assets | 3.3 | - | 1.3 | (4.1) | - |
| PBT | 626.0 | 305.2 | 251.1 | (8.5) | (74.1) |
| Corporate tax and minority shareholders | (177.1) | (61.4) | (62.5) | (1.1) | 40.5 |
| NET PROFIT | 448.8 | 243.8 | 188.7 | (9.7) | (33.7) |

M Eur

| March 2017 | Networks | Renewables (*) | Generation and Supply (*) | Other Business (*) | Corp. and adjustments |
|--|----------------|----------------|---------------------------|--------------------|-----------------------|
| Revenues | 2,522.4 | 960.8 | 5,333.1 | 39.1 | (660.0) |
| Procurements | (785.3) | (103.4) | (4,386.2) | (13.8) | 648.7 |
| GROSS MARGIN | 1,737.1 | 857.4 | 946.9 | 25.3 | (11.3) |
| NET OPERATING EXPENSES | (387.8) | (165.9) | (351.6) | (13.4) | 0.7 |
| Net Personnel Expense | (237.1) | (62.6) | (100.1) | (6.6) | (74.1) |
| Personnel | (355.1) | (72.2) | (105.5) | (6.8) | (75.8) |
| Capitalized personnel costs | 118.0 | 9.7 | 5.4 | 0.1 | 1.8 |
| Net External Services | (150.6) | (103.3) | (251.6) | (6.8) | 74.8 |
| External Services | (235.8) | (127.6) | (279.4) | (6.8) | 86.9 |
| Other Operating Income | 85.2 | 24.3 | 27.8 | 0.1 | (12.1) |
| Levies | (328.5) | (161.8) | (263.0) | (4.0) | (6.6) |
| EBITDA | 1,020.9 | 529.7 | 332.3 | 7.9 | (17.2) |
| Amortisation and Provisions | (362.9) | (243.6) | (201.2) | (10.3) | (16.0) |
| EBIT/Operating Profit | 658.0 | 286.2 | 131.1 | (2.4) | (33.2) |
| Financial Result | (104.2) | (31.1) | (18.2) | (7.8) | (44.8) |
| Results of companies consolidated by equity method | 17.7 | 5.4 | 0.1 | 5.6 | (8.6) |
| Results of non-current assets | 0.4 | - | 0.3 | 255.2 | 0.2 |
| PBT | 571.9 | 260.5 | 113.3 | 250.6 | (86.4) |
| Corporate tax and minority shareholders | (151.0) | (67.3) | (38.7) | 3.3 | (28.4) |
| NET PROFIT | 420.9 | 193.1 | 74.6 | 253.9 | (114.8) |

(*) Restated

Networks Business (Unaudited)

M Eur

| March 2018 | SPAIN | UNITED KINGDOM | US | BRAZIL |
|--|--------------|----------------|--------------|--------------|
| Revenues | 536.6 | 322.6 | 1,201.7 | 1,328.4 |
| Procurements | (6.0) | (13.1) | (445.6) | (949.4) |
| GROSS MARGIN | 530.6 | 309.5 | 756.2 | 379.0 |
| NET OPERATING EXPENSES | (79.3) | (49.0) | (213.8) | (161.1) |
| Net Personnel Expense | (52.3) | (23.0) | (127.3) | (71.5) |
| Personnel | (80.4) | (59.8) | (169.2) | (84.6) |
| Capitalized personnel costs | 28.1 | 36.8 | 41.8 | 13.1 |
| Net External Services | (27.0) | (26.0) | (86.5) | (89.6) |
| External Services | (72.3) | (36.5) | (114.4) | (116.6) |
| Other Operating Income | 45.4 | 10.5 | 27.9 | 27.0 |
| Levies | (25.9) | (25.8) | (218.0) | (2.4) |
| EBITDA | 425.4 | 234.7 | 324.4 | 215.5 |
| Amortisation and Provisions | (129.6) | (74.4) | (130.9) | (106.7) |
| EBIT/Operating Profit | 295.8 | 160.4 | 193.4 | 108.8 |
| Financial Result | (15.9) | (30.9) | (36.0) | (56.0) |
| Results of companies consolidated by equity method | 0.7 | - | 2.3 | - |
| Results of non-current assets | 3.2 | - | 0.1 | - |
| PBT | 283.8 | 129.5 | 159.8 | 52.9 |
| Corporate tax and minority shareholders | (74.5) | (25.5) | (42.2) | (34.9) |
| NET PROFIT | 209.3 | 104.0 | 117.6 | 17.9 |

M Eur

| March 2017 | SPAIN | UNITED KINGDOM | US | BRAZIL |
|--|--------------|----------------|--------------|--------------|
| Revenues | 498.3 | 334.9 | 1,272.3 | 416.9 |
| Procurements | (1.4) | (12.3) | (466.0) | (305.5) |
| GROSS MARGIN | 496.9 | 322.6 | 806.3 | 111.4 |
| NET OPERATING EXPENSES | (83.7) | (50.7) | (213.5) | (39.9) |
| Net Personnel Expense | (55.1) | (23.1) | (132.7) | (26.3) |
| Personnel | (82.0) | (56.9) | (184.3) | (31.9) |
| Capitalized personnel costs | 26.9 | 33.8 | 51.7 | 5.6 |
| Net External Services | (28.6) | (27.6) | (80.9) | (13.6) |
| External Services | (72.4) | (39.6) | (104.9) | (19.0) |
| Other Operating Income | 43.8 | 11.9 | 24.0 | 5.5 |
| Levies | (25.8) | (24.9) | (277.0) | (0.8) |
| EBITDA | 387.4 | 247.0 | 315.8 | 70.7 |
| Amortisation and Provisions | (125.4) | (69.3) | (137.2) | (31.0) |
| EBIT/Operating Profit | 262.1 | 177.7 | 178.6 | 39.7 |
| Financial Result | (21.6) | (24.3) | (44.6) | (13.6) |
| Results of companies consolidated by equity method | 0.8 | - | 3.0 | 13.9 |
| Results of non-current assets | 0.4 | - | - | - |
| PBT | 241.6 | 153.3 | 137.0 | 40.0 |
| Corporate tax and minority shareholders | (58.0) | (30.3) | (53.0) | (9.7) |
| NET PROFIT | 183.5 | 123.0 | 84.0 | 30.3 |

Renewables Business (Unaudited)

| | M Eur | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|--------------|
| March 2018 | SPAIN | U.K. | U.S. | BRAZIL | MEXICO | RdM |
| Revenues | 466.8 | 199.4 | 240.4 | 57.6 | 20.9 | 64.6 |
| Procurements | (37.0) | (14.5) | (43.1) | (9.1) | (0.8) | (0.7) |
| GROSS MARGIN | 429.8 | 185.0 | 197.3 | 48.5 | 20.0 | 63.9 |
| NET OPERATING EXPENSES | (71.3) | (34.0) | (46.4) | (12.9) | (6.4) | (9.7) |
| Net Personnel Expense | (28.1) | (8.5) | (22.3) | (5.9) | (1.0) | (2.3) |
| Personnel | (33.2) | (11.4) | (25.0) | (5.9) | (1.2) | (3.2) |
| Capitalized personnel costs | 5.1 | 2.9 | 2.7 | - | 0.2 | 0.9 |
| Net External Services | (43.2) | (25.5) | (24.1) | (7.0) | (5.4) | (7.4) |
| External Services | (52.0) | (27.0) | (39.4) | (6.9) | (5.7) | (8.4) |
| Other Operating Income | 8.8 | 1.4 | 15.3 | (0.1) | 0.3 | 0.9 |
| Levies | (116.4) | (6.2) | (36.3) | (0.3) | (0.2) | (0.9) |
| EBITDA | 242.1 | 144.8 | 114.6 | 35.3 | 13.4 | 53.3 |
| Amortisation and Provisions | (81.5) | (39.3) | (98.4) | (8.1) | (5.8) | (26.2) |
| EBIT/Operating Profit | 160.6 | 105.5 | 16.1 | 27.2 | 7.6 | 27.1 |
| Financial Result | (15.0) | (10.4) | (6.8) | (8.4) | (4.8) | (3.0) |
| Results of companies consolidated by equity method | 2.4 | (0.2) | (2.5) | 9.8 | - | - |
| Results of non-current assets | - | - | - | - | - | - |
| PBT | 148.0 | 94.9 | 6.8 | 28.6 | 2.8 | 24.1 |
| Corporate tax and minority shareholders | (39.8) | (18.9) | 19.5 | (16.9) | 1.2 | (6.5) |
| NET PROFIT | 108.2 | 76.0 | 26.3 | 11.8 | 4.0 | 17.5 |

| | M Eur | | | | | |
|--|---------------|---------------|---------------|--------------|--------------|--------------|
| March 2017 (*) | SPAIN | U.K. | U.S. | BRAZIL | MEXICO | RdM |
| Revenues | 452.8 | 164.2 | 271.8 | 12.7 | 25.7 | 33.6 |
| Procurements | (41.6) | (10.4) | (49.5) | (1.1) | (0.7) | (0.2) |
| GROSS MARGIN | 411.2 | 153.9 | 222.4 | 11.6 | 25.0 | 33.4 |
| NET OPERATING EXPENSES | (62.7) | (32.5) | (57.6) | (2.8) | (4.5) | (5.8) |
| Net Personnel Expense | (25.5) | (6.5) | (28.3) | (0.1) | (0.6) | (1.6) |
| Personnel | (27.6) | (10.8) | (31.5) | (0.1) | (0.6) | (1.6) |
| Capitalized personnel costs | 2.1 | 4.4 | 3.2 | - | - | - |
| Net External Services | (37.2) | (26.0) | (29.3) | (2.7) | (3.9) | (4.2) |
| External Services | (48.5) | (26.4) | (47.5) | (2.7) | (3.9) | (5.0) |
| Other Operating Income | 11.2 | 0.4 | 18.2 | - | - | 0.9 |
| Levies | (117.7) | (5.1) | (37.8) | (0.1) | (0.1) | (0.9) |
| EBITDA | 230.7 | 116.2 | 127.0 | 8.7 | 20.4 | 26.7 |
| Amortisation and Provisions | (84.3) | (37.3) | (104.1) | (2.5) | (7.1) | (8.2) |
| EBIT/Operating Profit | 146.4 | 78.9 | 22.9 | 6.2 | 13.3 | 18.5 |
| Financial Result | (15.6) | (5.4) | (5.6) | (1.9) | (2.0) | (0.6) |
| Results of companies consolidated by equity method | 2.3 | (0.2) | (4.5) | 7.8 | - | - |
| Results of non-current assets | - | - | - | - | - | - |
| PBT | 133.2 | 73.3 | 12.8 | 12.0 | 11.3 | 17.9 |
| Corporate tax and minority shareholders | (36.4) | (14.9) | (5.9) | (1.0) | (4.1) | (5.0) |
| NET PROFIT | 96.7 | 58.4 | 7.0 | 11.0 | 7.1 | 13.0 |

(*) Restated

Generation and Supply Business (Unaudited)

| | M Eur | | | | |
|--|----------------|----------------|---------------|---------------|----------|
| March 2018 | SPAIN | U.K. | MEXICO | BRAZIL | Others |
| Revenues | 3,395.2 | 1,602.2 | 488.7 | 189.8 | (21.5) |
| Procurements | (2,797.4) | (1,294.7) | (358.0) | (146.4) | 21.5 |
| GROSS MARGIN | 597.8 | 307.5 | 130.7 | 43.4 | - |
| NET OPERATING EXPENSES | (166.5) | (115.6) | (32.4) | (11.1) | - |
| Net Personnel Expense | (68.0) | (30.1) | (4.8) | (2.0) | - |
| Personnel | (71.0) | (31.7) | (8.2) | (2.0) | - |
| Capitalized personnel costs | 3.0 | 1.6 | 3.4 | .0 | - |
| Net External Services | (98.6) | (85.5) | (27.6) | (9.1) | - |
| External Services | (119.3) | (101.1) | (30.0) | (9.1) | 6.6 |
| Other Operating Income | 20.7 | 15.6 | 2.4 | (.0) | (6.5) |
| Levies | (206.5) | (42.6) | (1.0) | (.0) | - |
| EBITDA | 224.8 | 149.2 | 97.3 | 32.3 | - |
| Amortisation and Provisions | (130.4) | (57.4) | (23.4) | (5.7) | - |
| EBIT/Operating Profit | 94.4 | 91.9 | 73.9 | 26.6 | - |
| Financial Result | (16.2) | (2.9) | (6.9) | (11.9) | - |
| Results of companies consolidated by equity method | 0.9 | - | - | - | - |
| Results of non-current assets | - | 1.3 | - | - | - |
| PBT | 79.1 | 90.3 | 67.0 | 14.7 | - |
| Corporate tax and minority shareholders | (19.3) | (18.5) | (16.7) | (8.0) | - |
| NET PROFIT | 59.8 | 71.8 | 50.3 | 6.7 | - |

| | M Eur | | | | |
|--|----------------|----------------|---------------|--------------|----------|
| March 2017 (*) | SPAIN | U.K. | MEXICO | BRAZIL | Others |
| Revenues | 3,453.8 | 1,540.8 | 397.6 | 18.9 | (78.0) |
| Procurements | (2,908.4) | (1,308.8) | (230.1) | (16.8) | 78.0 |
| GROSS MARGIN | 545.4 | 231.9 | 167.4 | 2.1 | - |
| NET OPERATING EXPENSES | (174.9) | (142.5) | (32.8) | (1.5) | - |
| Net Personnel Expense | (61.0) | (33.6) | (4.4) | (1.2) | - |
| Personnel | (63.2) | (34.9) | (6.3) | (1.2) | - |
| Capitalized personnel costs | 2.3 | 1.2 | 1.9 | - | - |
| Net External Services | (113.9) | (108.9) | (28.4) | (0.3) | - |
| External Services | (124.9) | (122.7) | (31.8) | (0.4) | 0.4 |
| Other Operating Income | 11.0 | 13.8 | 3.3 | 0.1 | (0.4) |
| Levies | (217.0) | (44.9) | (1.0) | - | - |
| EBITDA | 153.5 | 44.5 | 133.6 | 0.6 | - |
| Amortisation and Provisions | (112.1) | (59.2) | (29.9) | - | - |
| EBIT/Operating Profit | 41.4 | (14.7) | 103.8 | 0.6 | - |
| Financial Result | (20.1) | 0.3 | 1.5 | 0.1 | - |
| Results of companies consolidated by equity method | (2.1) | - | - | 2.2 | - |
| Results of non-current assets | 0.2 | 0.1 | - | - | - |
| PBT | 19.4 | (14.2) | 105.3 | 2.8 | - |
| Corporate tax and minority shareholders | (4.0) | 2.4 | (36.9) | (0.2) | - |
| NET PROFIT | 15.4 | (11.8) | 68.4 | 2.6 | - |

(*) Restated

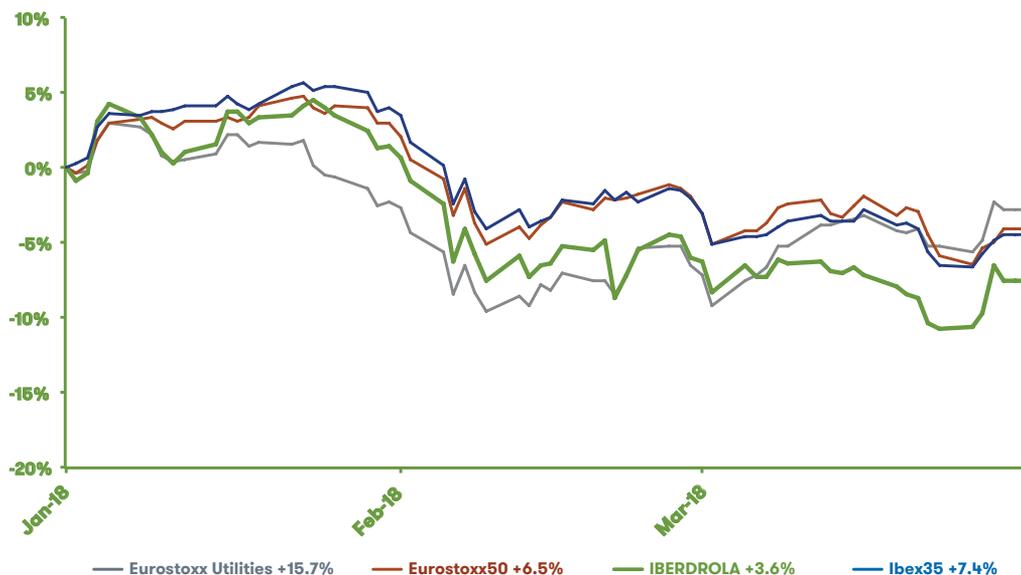
Statement of Origin and Use of Funds (Unaudited)

| | March 2018 | March 2017 | Variation |
|--|------------------|------------------|----------------|
| EBITDA | 2,323.5 | 1,873.6 | 449.9 |
| Adjustments to results and others | (208.8) | (196.6) | (12.2) |
| Financial payments and cash receipts | (252.4) | (210.1) | (42.3) |
| Corporate Tax Payment | 310.5 | (13.7) | 324.3 |
| Provision payments (net of normal expenses) | (31.8) | (60.0) | 28.2 |
| Operating Cash Flow | 2,141.0 | 1,393.2 | 747.8 |
| Dividends Paid | (126.3) | (287.4) | 161.1 |
| Total Cash Flow allocations: | (1,624.2) | (1,099.9) | (524.4) |
| Net Investments | (1,185.3) | (1,026.0) | (159.3) |
| Divestments | 113.6 | 0.6 | 113.0 |
| Treasury stock | (697.0) | (44.0) | (653.0) |
| Capital issue | (-0.4) | (-0.3) | (-0.1) |
| Hybrid | 144.8 | (-30.2) | 175- |
| Exchange rate differentials | 338.8 | 264.1 | 74.7 |
| Working capital variations and other variations | (1,143.6) | (616.3) | (527.2) |
| Decrease/(Increase) in net debt | (414.3) | (346.3) | (67.9) |

8.

Stock Market Evolution

Iberdrola stock performance vs Index



Iberdrola's share

| | Q1 2018 | Q1 2017 |
|--|---------------|---------------|
| Number of outstanding shares | 6,438,374,000 | 6,459,990,000 |
| Price at the end of the period | 5.97 | 6.70 |
| Average price of the period | 6.23 | 6.17 |
| Average daily volume | 21,277,919 | 22,985,407 |
| Maximum volume (01-04-2018/01-18-2017) | 54,392,699 | 65,417,308 |
| Minimum volume (01-26-2018/01-02-2017) | 11,015,146 | 7,817,961 |
| Dividends paid (€) ⁽¹⁾ | 0.140 | 0.135 |
| Gross Final dividend (01-23-2017 /01-29-2016) ⁽¹⁾ | 0.140 | 0.135 |
| Dividend yield ⁽²⁾ | 5.39% | 4.38% |

(1) Iberdrola fixed guaranteed price for the rights

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



Regulation

In the first quarter of 2018, a group of provisions affecting the energy sector was approved. This section presents the most significant regulatory changes.

1. Regulation in the European Union

Directive regulating emissions trading up to 2030 in Europe: on 14 March, the Official Journal of the European Union published Directive 2018/410 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments. The highlights of this amendment are:

- **From 2021 onwards, the reduction factor will be 2.2%** (this refers to the reduction rate year after year following the cap on emission allowances – previously 1.74% and usually associated to the concept of ‘ambition’ in the ETS).
- Increase of the **MSR’s** allowance withdrawal rate **to 24% from 2019 to 2023** (duplication of the withdrawal rate compared to previous 12% between 2019-23 with the aim of accelerating the reduction of the oversupply of allowances).
- **Annual cancellation of the allowances within the MSR as from 2023** (guarantee of non-return of withdrawn allowances to the market).
- Allow Member States to voluntarily cancel allowances to be auctioned so as to offset climate policies (renewables, energy efficiency) that reduce the demand of allowances in the ETS market.
- Revision processes and terms are introduced for the allocations to the **sectors at risk of carbon leakage**.
- Provisions are made for **help to modernise the electricity sector** for the countries with lower GDP, but **these must not be used for carbon**.

2. Regulation in Spain

Spanish Electricity Sector

Law of urgent measures against the drought:

The Law, published in March, validates the

increase of the fee on hydro production (25.5%), approved via Royal Decree Law. It also opens up the possibility of farmers with irrigation rights being able to contract 2 different capacities in the year, subject to regulatory development. On the other hand, self-consumption charges and fees may be reduced for sectors requiring intensive energy consumption, or whose activity is subject to seasonality (irrigated lands), also subject to regulatory development. Furthermore, the Government may adopt measures to encourage efficiency in irrigated lands by replacing conventional sources with renewable sources, including self-consumption installations.

National Energy Efficiency Fund: An Order has been published, setting the financial contributions to the National Energy Efficiency Fund for 2018.

It applies to electricity and gas sellers, and oil product operators proportionally to their sales in 2016 (year n-2). The yearly contribution is set at EUR 204.9 million, similar to that of previous years, for sales of 793.7 TWh, which means approximately EUR 0.26 /MWh of electricity, gas or oil product.

The fee calculated for IBERDROLA is 7.4%, for sales of 58.5 TWh and the payment obligation is around EUR 15.2 million, an increase of EUR 0.4 million compared to last year, due to a higher growth of our energy sales compared to the total for the system.

Territorial supplements: In January, an Order was published establishing the taxes and surcharges applicable for the purposes of setting the territorial supplements of 2013.

Territorial supplements are surcharges that should have been included (and were not included) in the charges for year 2013, to recover taxes and fees established by the Autonomous Communities on electricity sector activities, with the aim of compensating the payers of said charges. Electricity companies claimed the rebilling of the charges for 2013 with the inclusion of these supplements and the subsequent settlement of the amounts paid as taxes, which

the Supreme Court (SC) has ruled in favour of in different decisions.

In January 2017, via a Ministerial Order, the rebilling of the territorial supplements of four Autonomous Communities was approved, but in a Motion for Clarification the SC considered the execution of the rulings to be incomplete and has required the MINETAD to rebill all of the territorial supplements not included in the mentioned Order, which affect almost all of the Autonomous Communities.

In order to comply with the SC's Motion, this Order establishes the taxes and surcharges that must be taken into account for the purposes of setting the territorial supplements and imposes on the passive subjects the duty to present certificates issued by the Autonomous Communities, which state what taxes were borne in 2013.

Of the EUR 65 million paid by Iberdrola in regional taxes in 2013, EUR 8 million are in the process of being recovered via this means.

Slurry Cogeneration Plants remuneration:

The Order of Ruling Enforcement of the SC that annuls part of the revision of the slurry parameters contained in the Ministerial Order of remuneration published in July 2017 has been published. The SC considers that the useful life must remain at 25 years and enforces the calculation of equivalent hours in line with expected production.

Law on energy efficiency and accessibility to electrical energy in Galicia: The law establishes measures to promote Galicia's energy efficiency and reduce its energy dependency and adapts the local regulations for protecting vulnerable customers to the state regulations in force.

Spanish Gas Sector

El Castor: In January, the SC published a Ruling that leaves the compensation of El Castor's underground gas storage facility without any legal cover.

Following the impossibility of activating the underground storage facility, the RDL 13/2014 regulated the hibernation of Castor, the

completion of the concession and the transfer of the management to Enagás, as well as payment of compensation to ACS. Compensation was set at EUR 1,350 million, an amount that was securitised between 3 banks, to be collected via annuities in the gas tariffs. Up until the Ruling, a total of EUR 240 million had been collected.

The SC annulled the RDL articles referring to compensation via concession, and recovery charged to gas tariffs, leaving the compensation with no legal cover. It considers it necessary to duly calculate the compensation and process it, together with its method of recovery via a Law (not via a Royal Decree-Law).

The CNMC has stopped paying compensation to the owners of the debt.

Last resort gas tariffs for the second quarter of 2018: The last resort gas tariff in force as from 1 April 2018 has been published. Prices experience an average drop of 3% compared with those of the previous quarter. The increase is due to the reduction in the cost of the commodity (-9%).

3. Regulation in the United Kingdom

Brexit. On 23 March 2018 the EU-27 Council adopted guidelines for the negotiation of the future relationship between the UK and EU, aiming for the closest possible partnership in the future, compatible with the UK's wish to exit the Single Market and Customs Union. In the meantime, a transition period until the end of 2020, during which the status quo will be largely maintained, has been agreed in principle.

Retail: The UK Government introduced the Tariff Cap Bill into Parliament. The Government has said it is targeting enactment of the Bill by the Parliamentary summer recess (24 July) with a view to having the cap in place by the end of the year. The Bill has progressed through the Second Reading and Committee stages in the House of Commons at great speed (without changes) In the meantime, on 2 February 2018, Ofgem extended the CMA's price cap for prepayment meters (PPMs), so that it applies to non-PPM recipients of the existing Warm Home Discount.

A possible widening of this cap to a broader group of vulnerable customers, with a target implementation date of autumn 2018, seems likely to be shelved because of the progress with the general price cap legislation.

Vulnerable customers: In late March, BEIS published its long-awaited consultations on the next phase of the Energy Company Obligation (ECO3, 2018-22) and the extension to the Warm Home Discount (WHD) for 2018-19. As expected, ECO3 is proposed to be wholly focused on low income and vulnerable households. WHD is proposed to roll on for a year with only minor changes.

Capacity Market: The T-1 Capacity Market (CM) auction for 2018/19 delivery cleared at a price of £6/kW. The T-4 auction for delivery in 2021/22 also cleared at £8.40/kW.

RIIO-2. Ofgem has launched a consultation on the high level framework for the RIIO-2 series of price controls. Ofgem has also consulted on a 'competitive proxy' model for a new onshore transmission project (Hinkley-Seabank), where Ofgem would set a cost of capital for National Grid based on its assessment of what would have been achieved via competition.

Offshore wind. Preparations continue for the next round of the CfD offshore wind auctions, likely to start in 2019.

4. Regulation in the United States

Budgets. \$1.3 trillion omnibus spending bill signed into law by President Trump on March 23rd.

The omnibus will fund the government through September 30, 2018. Highlights of the package:

- \$700 billion for defense funding, the biggest increase in 15 years (~\$61 billion)
- \$591 billion for domestic programs, including \$21 billion for infrastructure projects, repair and improvements
- \$1.6 billion for border security
- Low Income Home Energy Assistance Program (LIHEAP) funded at \$3.64 billion, a \$250 million increase from last year.
- FERC \$367.6 million up from \$346.8 million

- Department of Energy received \$248 million for research and investments to protect electric grid infrastructure from cyber and other attacks.

Tariffs and Trade

- On March 8th, President Trump announced his intent to impose tariffs on imported steel of 25% and imported aluminum of 10%.
- After consultation with the energy industry it was determined that specialty steel used for transformers and pipeline valves were made in South Korea and Italy. The Department of Commerce agreed with the energy industry that no domestic replacement is available.
- On March 22nd, President Trump announced that Australia, Argentina, Brazil, South Korea, European Union countries, Mexico and Canada would be exempt from the tariff at this time. The President indicated that he would continue treaty negotiations with these countries.
- The President has announced increased tariffs with China.
- On January 22 President Trump approved recommendations to place 30% tariffs on solar panel and cell imports for 3 years.

Clean Power Plan. 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.

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. As an interim step, on March 27 a FERC administrative law judge issued an initial decision finding that the challengers failed to show that the current ROE of 10.57 percent is unjust and unreasonable.

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

State Legislation. Many state legislatures have completed relatively brief 2018 general sessions and made few or no substantive changes in energy policy, though work on energy issues continues in states including New Jersey, New York, Connecticut, Massachusetts, Maryland, Ohio, and California.

5. Regulation in Mexico

Tender Process for Transmission Lines: on 29 January the Secretariat of Energy (SENER) called the first tender process for the HVDC transmission lines under the new scheme presented by said Secretariat. This tender process will award the infrastructure that will link the peninsula of Baja California with the National Interconnected System (SIN, in its Spanish acronym). The call for tenders includes the calendar and the requirements for participants to register in the tender.

Additionally, on 8 February the Federal Electricity Commission (CFE, in its Spanish acronym) published the Tendering Terms and Conditions for the direct current transmission line (HVDC) that will link up the region of Ixtepec (Oaxaca) with the Valley of Mexico. This tender will follow a different scheme to that called by the SENER.

Industrial electricity rates for Basic Supply: for industrial customers, the company continues to progressively apply the new electrical rate based on the methodology presented in November 2017 by the Energy Regulation Commission (CRE, in its Spanish acronym), although it has not yet been successfully completed due to inaccuracies in the calculations during the first quarter of 2018. Therefore, this continues to be a transitory period between rate methodologies, which is expected to conclude in 2018, until the full

application of the additional rate deriving from the Electricity Industry Law. Throughout the first quarter of 2018 a series of regulatory texts were published, aimed at progressively eliminating this uncertainty in rate calculations. On their part, domestic customers continue to be subject to the methodology used prior to the electricity reform (comprehensive rate); it is not yet known when this profile of customers will be migrated to the new rate scheme.

Long-Term Auctions (LTA): on 15 March, the Call for a new LTA was published, with a view to awarding long-term contracts for energy (15 years), capacity (15 years) and Clean Energy Certificates (20 years), the result of which will be known on 2 November 2018. The CENACE published on 28 March the Preliminary Terms and Conditions of the Auction and its annexes, marking the start of the process. There are no relevant changes relating to the Terms and Conditions of the LTA that took place in 2017, although minor adjustments are introduced in the process of presentation of the Sale Bids, in the presentation of the Guarantees and in the mechanism for the Bid Evaluation.

Medium Term Auctions (MTA): on 23 January, a calculation was made of the result of the first MTA, which awards 1-3-year contracts for energy and capacity. In general, the auctions were disappointing compared to what was expected of this mechanism: only 3.98% of the total power purchase offer and 0% of the total energy purchase offer was awarded; with 50 MW/year of Power in the National Interconnected System for the year 2018, at a price of 746 pesos/kW/year. In total, 41 bids were received for the purchase of energy, and for the purchase of capacity, although only 3 energy sale bids and a further 3 for the sale of capacity.

Capacity Balancing Market: on 28 February the Capacity Balancing Market was executed, which puts a price on the available capacity during the year 2017. Said availability is recognised for the 100 critical hours in the week. The resulting price was of USD 37.7/kW year (709.6 pesos/kW/year) for the National Interconnected

System (SIN); USD 31.4/kW/year for the Baja California system; and USD 146.3/kW/year for the Baja California Sur system.

6. Regulation in Brazil

The WACC for the remuneration of distribution investments: ANEEL has approved maintaining the current WACC (8.09%) to 31/12/2019 to use it in the calculation of the remuneration of distribution investments. This WACC will be applicable in the following rate reviews of Coelba and Cosern (April 2018) and Elektro (August 2019). Additionally, provisions have been made for a methodological review of the calculation of the WACC in 2019, which will be effective as from 1 January 2020.

Fourth Rate Cycle of COELBA and COSERN (entering into force on 22 April): the new rates should enter into force as from 22 April 2018. The Rate Review (every 5 years for these distributors) is a process during which there is an update of the rate parameters directly related to the distribution activity (Plot B) which are mainly the WACC, the Asset Base, the operation and maintenance expenses, the volume of non-technical recognised losses and the distributor's quality and efficiency objectives. Additionally, there is an update of the cost of the purchase of energy, transmission network costs, sectorial expenses and taxes (Plot A). These costs are not manageable by the distributor and are fully passed on to the end rate.

Result of Public Consultation no. 32/2017 with the principles for the reorganisation of the electricity sector: On 13 March the Ministry of Mines and Energy approved *Portaria* (Ordinance) no. 86/GM with the "Principles for the Reorganisation of the Brazilian Electricity Sector". These are 10 principles based on efficiency, equality and sustainability of the regulator's actions. The principles are the following: 1- respect for property rights, respect for contracts and minimum intervention; 2- economy, cost efficiency and socio-environmental responsibility, 3- transparency and stakeholder participation, 4- equality; 5- prioritising market solutions instead of centralised decision models; 6- capacity for adaptation and flexibility; 7- coherence; 8-

simplicity; 9- predictability and 10- clear definition of competencies and respect for the role of institutions.

Technical Note regarding Public Consultation MME no. 33/2017: Draft Bill on improvements of the legal framework of the electricity sector. The main points it includes are the liberalisation of the electricity market up to 2026, the separation of capacity (*Iastro*) and energy as from 2021. On the other hand, the draft bill eliminates some proposals included initially in the public consultation such as the standardisation of distributor prices and the provision for the standardisation of sectorial positions (CDE) between the different regions or the reassessment of the MRE. Lastly, the draft bill includes proposals made during the public consultation such as the limitation of the fines imposed on the distributors, the possibility of carrying out bilateral agreements between distributors and the elimination of the limit for foreign companies to acquire rural lands.

Implementation of the hourly price in the short-term market: the main issues dealt with are: 1) the convenience or lack of convenience of maintaining the current submarkets for the calculation of the PLD or the Marginal Operation Cost, 2) mode of provision by cost or by price, 3) presentation of financial guarantees to operate on the market, 4) calculation of the price *ex ante* or *ex post*, 5) analysis of rate structure, etc.

On 28 March, three associations of generators sent a joint letter to the Ministry, the System Operator, the CCEE and the EPE setting out the necessary stages for the implementation of the hourly price and requesting the delay of the implementation to January 2020 (instead of January 2019 proposed by the Ministry)

Modernisation of Eletrobrás: there are two regulations regarding the modernisation and privatisation of Eletrobrás:

1. Provisional Measure 814/2017: Published on 29 December through which Eletrobrás and its controlled companies may be included in the *National Privatisation Programme*.

On 26 March the Chairman of the National Congress Board extended by 60 days the

term of validity of this measure. Following this extension, this Congress has up to 1 June to vote on it and sign it into law.

During its processing, this measure has undergone a series of amendments, among them several related to the solution to a range of issues relating to the hydrological risk.

2. Draft bill on the modernisation and democratisation of the share capital of Eletrobras:

it makes it possible to extend the share capital to open it up to private capital, thus diluting the State's stake; however, it prevents any private shareholders from having more than 10% of voting shares. This limit avoids market concentration and hostile takeovers by another company. Additionally, following the privatisation the Government would have a Golden Share that would award it exclusive powers in the administration of the company, such as the appointment of the additional member of the Board.

On 13 March a Special Commission was set up to process this draft bill. This draft bill must be voted on 23 April.

Results of Auction A-4 2018. On 4 April, there was an auction in Brazil for new generation plants with an energy delivery date as from January 2022. A total of 1,024.56 MW has been contracted, originating from 39 projects of which 29 are solar projects representing almost 80% of the total of energy sold (806.66 MW); 4 projects were hydraulic (41.7 MW), 2 biomass projects (61.8 MW) and 4 wind projects (114.4 MW). These projects will require an investment of 6,748 million Brazilian Reals. The average sale price was set at R\$ 124.75 /MWh, which represents an average discount of 59.07% compared to maximum output prices, thus registering the lowest historical prices in Brazil for wind and solar energy.

Next auctions: On 28 June there will be another auction for electricity transmission assets, in which a total of 3,954 km of grid distributed in 18 states, as well as 13,866 MVA of transformation capacity will be auctioned.

On 31 August, auction A-6 of 2018 will be held, which will result in regulated contracts (CCEARs)

with a duration of 30 years for hydro projects, 25 years for biomass and natural gas, and 20 years for wind projects.

Provision for payment of CDE sectorial fee during the current month: On 14 February, resolution no. 2.368/2018 was published, which makes it possible to provide for the payment of the CDE in the current month. Upon request of ABRADÉE (Association of Distributors), ANEEL proposed the following calendar of payments of the CDE: the January 2018 fee must be recognised before 10/03/2018; the February fee will be divided into two payments (the first carried out on 16/02/2018 and the second on 22/02); the monthly fees from March to December 2018 must be paid on the 10th day of each month.

Annual Reference Values for Distributed Generation ordinance no. 65/2018 of the Ministry of Mines and Energy: current legislation makes it possible for distributors to buy a limited amount of energy from distributed generators located in their concession area, by means of public auction. Since 2015, these generators are allowed to sell their energy at a price that covers all generation costs, that the distributors will then pass on to the rate of their final customer, limited to the *Annual Specific Reference Value* (VRES in its Portuguese acronym). For 2018 the VRES or maximum costs transferable to the rate are: Biogas: R\$ 390,00/MWh; Residual biomass: R\$ 349,00/MWh; Cogeneration: R\$ 451,00/MWh; Wind: R\$ 296,00/MWh; Small hydroelectric plants: R\$ 360,00/MWh; Solar photovoltaic: R\$ 446,00/MWh

Regulatory Resolution no. 806/2018- update to the Historic Regulatory Operating Costs: the update of these costs represents an intermediate phase between methodology revisions. Furthermore, with the aim of reflecting the most recent performance of the distributors, an update has also been made to the parameters associated to the calculation of the efficiency of distributor operating costs.

10.

Iberdrola and Sustainability

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

1. Sustainability Indicators

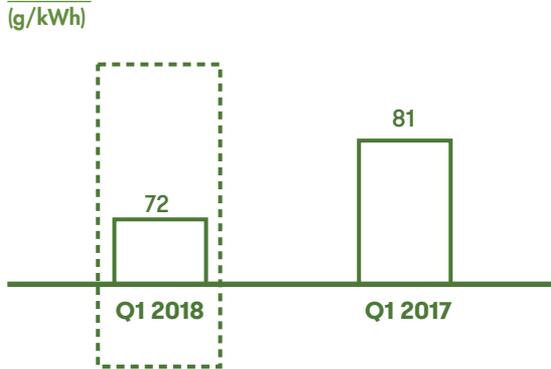
| Sustainability Indicators | Q1 2018 | Q1 2017 |
|--|---------|---------|
| Contribution to GDP (Gross Margin) [*] | 0.45% | 0.51% |
| Contribution to GDP (Net revenues) [*] | 1.27% | 1.36% |
| Net Profit (EUR million) | 838.0 | 827.6 |
| Dividend yield (%) [**] | 5.39% | 4.38% |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): Total | 153 | 157 |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): España | 72 | 81 |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): SPW | 223 | 228 |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): EE.UU. | 39 | 58 |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): Brasil | 94 | 86 |
| CO ₂ emissions over the period (gr. CO ₂ /kWh): México | 355 | 356 |
| Emission-free production: Total (GWh) | 24,728 | 22,879 |
| Emission-free production: Spain (GWh) | 14,075 | 13,573 |
| Ratio emission-free production to total production: Total (%) | 62% | 61% |
| Ratio emission-free production to total production: Spain (%) | 87% | 87% |
| Emission-free installed capacity: Total (MW) | 31,491 | 30,614 |
| Emission-free installed capacity: Spain (MW) | 18,997 | 19,231 |
| Emission-free installed capacity: Total (%) | 66% | 66% |
| Emission-free installed capacity: Spain (%) | 73.3% | 73.5% |
| Ratio high-emission technologies production: Total (%) | 1% | 2% |
| Ratio low-emission technologies production: Total (%) | 37% | 37% |

[*] Source: Iberdrola Results and National Quarterly Accounting for Spain - INE (Base 2010. Last data published in 4Q 2017)

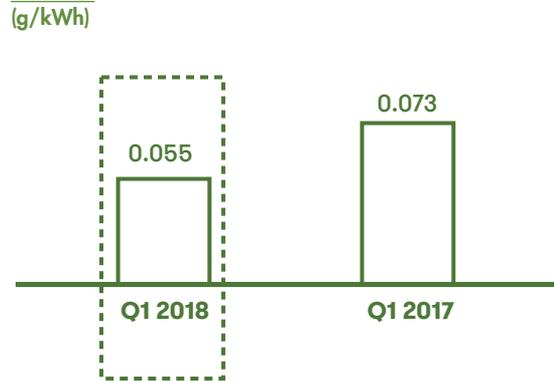
[**] Dividends paid in the last 12 months and Shareholder Meeting attendance bonus/price at the end of period.

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

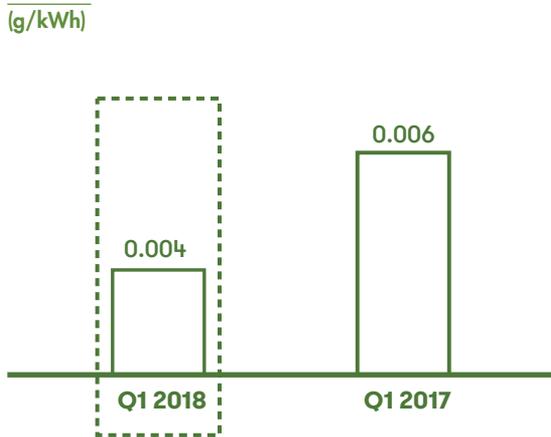
CO₂ specific emissions mix, GLOBAL



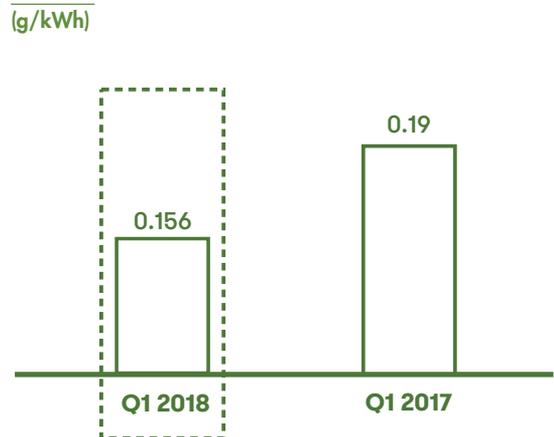
SO₂ specific emissions mix, GLOBAL



Specific particulate emissions Mix GLOBAL



NO_x specific emissions mix, GLOBAL

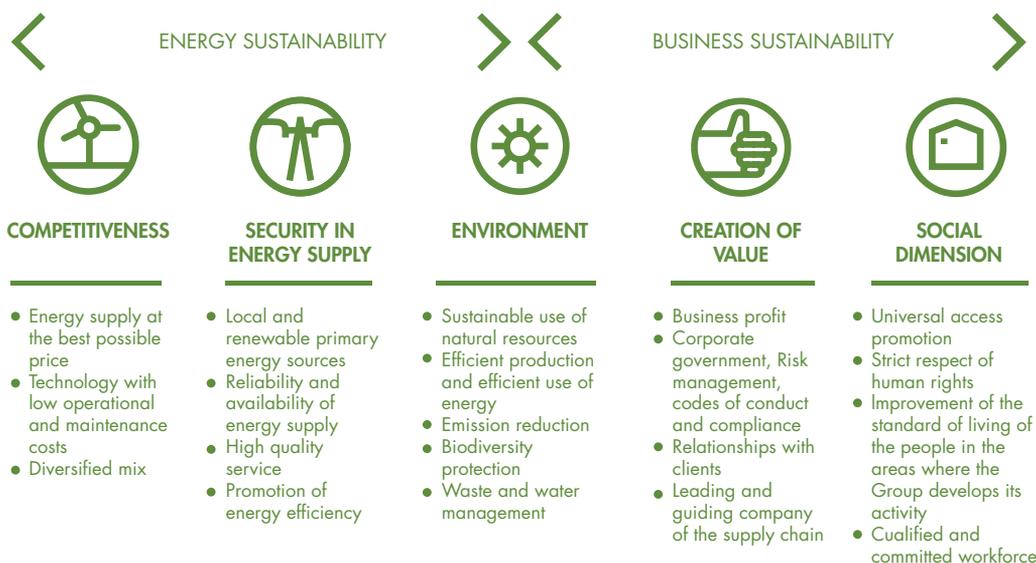


2. Index, rankings and recognitions

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

| Sustainability | |
|--|---|
| | Ranking / Situation |
| Dow Jones Sustainability World Index 2017 | World Leader utility sector. Iberdrola member in all editions |
| Global 100 | Selected in 2017 |
| FTSE4Good | First utility with nuclear assets to meet standards for FTSE 4Good. 7 years in a row selected |
| CDP Index 2016 | A category |
| Global Roundtable on Climate Change | IBERDROLA one of the developers |
| Sustainability Yearbook Robeco Sam 2017 | Classified as "Gold Class" in the electricity sector |
| MERCO 2017 | Leader among Spanish utilities: electricity, gas, and water industry |
| Euronext Vigeo Eiris index: World 120, Eurozone 120 y Europe 120 | Iberdrola selected |
| Nesweek and Green Rankings 2016 | Iberdrola first Spanish utility and fourth 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 primera <i>utility</i> del indice |
| 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.-Mar. 2018 period were as follows:

3.1. Corporate Social Responsibility Recognition

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

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

- **IBERDROLA, one of the most transparent companies that provides the most information on their fiscal responsibility**

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

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

Our Company is the only European electricity provider to have been selected in all 18 editions of the prestigious DJSI and is considered one of world's eight most sustainable electricity companies. The DJSI is a global benchmark for

measuring the results achieved by companies in economic, environmental and social terms.

- **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 2018 Shareholders' Meeting publishes the Sustainable Event certification again**

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

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

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

- **Neoenergia, Brazil's most transparent company**

The Brazilian company of IBERDROLA leads the ranking of the 100 most transparent Brazilian

companies, created by NGO Transparency International. Iberdrola has received the highest rating, fulfilling 100% of the requirements.

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

The King and Queen of Spain presented to Ignacio Galán one of the *Premios Nacionales del Deporte* (National Sports Awards) 2016, given by the *Consejo Superior de Deportes* or CSD (High Council of Sports). Iberdrola obtained the Stadium Cup, which recognises Iberdrola for its special contribution during the year to promoting and fostering sports. Iberdrola has recently renovated its collaboration agreement with the CSD, by which the company has become the main driver of this body's 'Universo Mujer' programme, whose aim is to promote female participation in this field. This comprehensive programme is aimed at promoting women's development and their personal progress within society.

3.2. Contribution to Society and Stakeholders

• **Iberdrola announces more than 100 masters scholarships and research grants in five countries**

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

• **Annual Iberdrola employee meeting**

Under the motto *Commitment leads to action*, Ignacio Galán has met with more than 300 employees of the group at the Campus Iberdrola, where he highlighted that human capital is the decisive factor for overcoming any challenges. Furthermore, he underlined

the commitment to equal opportunities, the importance of training, talent management and the commitment to consolidate the company as the utility of the future, in a context of greater digitalisation and new customer needs.

• **Iberdrola starts a road show to encourage vulnerable customers to request the new social bonus**

The road show will tour the main cities and will serve as a framework for showcasing the new features of the electricity social bonus to consumer information bodies and the Public Administration's social services. This action responds to Iberdrola's firm commitment to protecting customers who are in a vulnerable situation, and to collaborating, according to the policies established by the relevant competent Public Administrations, to provide continued access to electricity and gas supply. Iberdrola already protects 100% of its vulnerable customers in Spain.

• **Recognition for labour risk prevention**

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

• **Presentation of the Mujeres que brillan awards**

Our company has presented the *Mujeres que brillan* (Women Who Shine) awards to different personalities who have shone in their defence of equality, through the *Gente que brilla* (People Who Shine).project. The aim of the *Mujeres que brillan* meeting has been to vindicate work that defends equality, and the work they carry out on a daily basis, which has led them to be *brillantes* or brilliant.

• **Scottish Power hosts the meeting of Scottish corporate leaders to create the Powerful Women programme**

The electricity company forms part of the mentoring programme POWERful Women, where it will work with Scotland's most important company leaders to offer professional advice, share viewpoints and provide guidance, with the aim of increasing the number of women in executive positions.

• **Iberdrola, on World Cancer Day**

Iberdrola has joined the celebration of World Cancer Day with a joint initiative with the Spanish Association Against Cancer (AECC). Recently Iberdrola has renewed the campaign Juntos contra el cáncer (Together against cancer) up to 2020. This is an initiative through which the company offers its customers the chance to donate to the AECC on a monthly basis via their electricity or gas bill. Furthermore, Iberdrola commits to matching the monthly donation amount chosen by the customer. So far, 45,000 customers have joined this initiative in Spain.

• **The Scottish Power Energy Networks Engagement Team receives recognition**

The Engagement Team of SP Energy Networks (SPEN) received an important award from the Utility Week Awards, for its way of interacting with Stakeholders with innovative strategies. During a ceremony in London, the team received the title of Team of the Year for customer orientation.

• **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 various types of used objects at corporate offices.
- **IBERDROLA starts the second phase of the public-private alliance to take electricity to the refugee camps in Ethiopia --Shire Alliance.** Our volunteers were in charge of providing training on the use and maintenance of electrical facilities in the refugee camps in Ethiopia.
- **In Brazil the company's initiatives include Meninos ecológicos,** which offers environmental training and awareness-raising opportunities, as well as professional development, to young people from the areas where the initiative is carried out (Araras, Pariquera-Açu and Eldorado).

• **Cultural Exchange Programmes**

A new edition has started of the cultural exchange programmes Hello-Hola and Mi Invitado. These are offered to children of employees to provide them with a chance to experience an international stay in different 'Iberdrola countries'. Thanks to these initiatives promoted by Social Projects, participants will have the chance to live a unique summer in contact with people from other countries.

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

Iberdrola and the University of Salamanca promote the next Ibero-American Summit on SDG, thus strengthening their collaboration in the field of sustainability, training and research. The summit, which will take place on 28 and 29 June in the town of Salamanca, aims to become the benchmark summit for the study and dissemination of the Sustainable Development Goals.

3.3. Support to Volunteers

• Corporate Volunteer Programme

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

- **11th IBERDROLA Tree Day.** The 11th edition of the Tree Day was held in the Biosphere Reserve of Urdaibai Muxika (Biscay), in collaboration with Asociación Gorabide and Fundación Lurgaia, thus continuing with the project 'Bosque Iberdrola' (Iberdrola Forest).
- **INVOLVE (International Volunteering Vacation for Education) Initiative.** The seventh edition of this corporate volunteering programme has started, in which IBERDROLA employees from other regions travel to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion improve their employability, by means of IT and web application training.
- **CFE and Iberdrola México have created 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.
- **Volunteering for the fight against climate change in school centres.** The project, which was created in Spain in 2017 to raise awareness about the consequences of climate change through talks and workshops in schools and institutions, has started to operate in Mexico.

3.4 Community Action

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

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

These are the most relevant initiatives on this first quarter of 2018 by work areas:

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

Avangrid Foundation works together with **KVCC Lineworkers** to hire workers in Maine, through **CMP Lineworker Technology Program Scholarships**. These scholarships aim to train specialists in the departments of Commerce and Technology, prioritising the selection of young female students for their inclusion in the energy sector.

Fundación Iberdrola España and the Prado Museum have selected the scholarship recipients for training at the highest level in the museum's technical department and the restoration and sculpture workshops. In addition to these scholarships, there is a further one for the **Bilbao Fine Arts Museum** workshop, which is currently in the selection phase. Another line of work in this field in Spain is the support given to young researchers via a call that promotes innovation in sustainable energy models, which also in the selection process. The Company also collaborates with the **Department of Education and Employment of the Regional Government of Extremadura**, jointly carrying out an intensive English course for primary and secondary school teachers in the region at Iberdrola's offices in Alcántara for the fourth consecutive year. Lastly, a total of 9 scholarships were awarded this quarter to undergraduate students to help with their studies at **ICAI - Universidad de Comillas**.

The **Scottish Power Foundation** has renewed its professional training programmes for a further year. These include the **Children University** training project for the construction industry and the collaboration with the

Engineering Education Centre which supports the next generation of scientists, engineers and innovators through experimental learning. Aid is also offered to students from Glasgow's most vulnerable communities, facilitating their access to university degree studies.

Fundación Iberdrola México is in the process of examining the applications of students who have limited resources and proven educational excellence to obtain undergraduate degrees.

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

Fundación Iberdrola España collaborates with the Spanish Society of Ornithology, **SEO/BirdLife, in the MIGRA project**, aimed at studying the movements of migratory birds. Over the programme's six years of study, a total of 856 birds from 32 different species have been tagged, and a total of 17 taggings are planned for 2018. Another significant initiative is the signing of a collaboration agreement with the **Fundación de Conservación del Quebrantahuesos** (Bearded Vulture Conservation Foundation) for a new project about the study of the influence of climate change on this and other alpine birds.

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

In the lands located in the Industrial Port of Altamira, **Fundación Iberdrola México** promotes a project devoted to the **Conservation of Felines**, which aims to guarantee survival of specimens of jaguars, jaguarundis, ocelots and bobcats that inhabit the region. In this quarter, progress has

been made in the creation and delimitation of biological corridors that facilitate safe movement for these endangered animals. Contributing to the **Conservation of the mangrove**, is another of the projects promoted to protect and conserve the flora and fauna that inhabit this ecosystem.

There are two interesting initiatives that combine academic training with benefits for the environment, promoted by **Instituto Neoenenergía in Brazil: Cuida Colmena** consists in the breeding and rearing of bees, with around twenty young people doing internships in these projects. In collaboration with **Save Brazil**, support is also given to a project devoted to the conservation of endangered birds in the area of Río Grande do Norte.

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

The main aim of Iberdrola's **Foundations Lighting Programme** is to improve the interior and/or exterior lighting of singular buildings, to showcase the historical-artistic heritage. The use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75% more than incandescent bulbs) and reducing maintenance expenses thanks to a much longer lasting useful life. In addition to the artistic, economic and environmental benefits, one must add the potential of these lighting projects, which manage to favour economic activity, facilitating the local development around the historical-artistic heritage.

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

Fundación Iberdrola España renewed all of the lighting system in the restoration workshop of the **Real Fábrica de Tapices** with LED technology and new modern equipment that offers the same level of intensity in all work areas of the workshop, making it possible to appreciate the nuances of all of the colours of the fabrics for optimal restoration.

Fundación Iberdrola México has signed a collaboration agreement with the Museo Nacional de Arte (MUNAL) to renew the lighting system of this renowned museum, and the work has started over these first months of 2018.

The **Iberdrola Museum Programme** collaborates with the Prado Museum and the Bilbao Fine Arts Museum Restoration Workshops for the conservation of paintings, sculptures and works on paper of its art collections. Throughout 2018 the museums and the Fundación Iberdrola España will showcase the works restored in these workshops. Another significant restoration initiative is the Romanesque Atlantic Plan, for the intervention in churches located in the north of Portugal, Salamanca and Zamora.

The **Exhibitions Programme of the Foundations** has had two main initiatives at the start of 2018: in **Spain**, the exhibition '**Sorolla and Fashion**' which can be visited simultaneously and in a complementary manner at the Sorolla Museum and the Thyssen-Bornemisza Museum. The exhibition brings together more than seventy paintings from museums and national and international private collections, some of them never previously publicly exhibited, together with a significant collection of period dresses and accessories, with valuable pieces also loaned by prominent institutions and private collections, many of them previously unseen. In **Mexico**, a temporary exhibition of European and Novohispanic paintings has been promoted by the Foundation in Mexico and the MUNAL under the title '**Caravaggio. A work, a legacy**'.

The **Art and Culture Outreach Programme** has the **Scottish Power Foundation** as a point of reference. In 2018, the company is supporting the international

scenic arts festival, **Futureproof**, aimed at young people from different backgrounds and communities. This is a multiartistic and multiplatform space that will be set up in ten areas in Scotland and will be shared with the rest of the United Kingdom via social networks.

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

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

United Kingdom:

- **Ddrws I Ddrws** made up of young carers that offer a residential course at the Outward Bound centre.
- **The Prince & Princess of Wales Hospice**, providing affordable transport for society's most vulnerable people in remote communities in North Wales.
- **Erskine** which supports the construction of three therapy rooms in a new hospice, which will offer palliative care in Scotland.
- **Maggie's** has created two new dementia-friendly gardens in the Erskine home, which will improve attention to disabled people.
- **The National Society for the Prevention of Cruelty to Children (NSPCC)** manages the Be All You Can Be project, which offers specialised early intervention support for children with Spina Bifida and Hydrocephalus, providing help to families and carers.

- **Trinity Mirror**: a project that supports cancer patients in situations of poverty.

United States:

- **Operation Fuel**: assures that struggling families have access to year-round energy assistance in more than one hundred towns across Connecticut. The local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such distribution of food, clothes, ... etc.
- **All Hands Raised**: project aimed at young athletes, adults and patients in collaboration with the Centre for Musculoskeletal Care (CMC).
- **Saint Patrick's Church**: support for the solidarity run to raise funds for the Food Bank of the Southern Tier.

Mexico:

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

Brazil:

collaborations with UNICEF and the Fundación Aitor Sena.

Spain:

35 social initiatives were approved in the annual call for projects and have started in January 2018 their activities with a positive impact on 45,000 people.

- **Education and the fight against child poverty**: Caritas Diocesana (Cartagena and Plasencia), Save the Children, Asociación Ciudad Joven, Fundación Candelita, Altius, Tomillo, Fundación Amigó, Balia por la infancia, Illundai Haritz Berri,

Ayuda en Acción, Etorikintza,

- **Training for the inclusion of people with disabilities:** ADSIS, AMICOS, ANFAS, ASIDO, Down (Asturias and Madrid)
- **Improving the quality of life of vulnerable people with serious illnesses:** AECC, ASOCIDE, Asociación Corazón Vida, Aspanion, Pequeño deseo, Menudos Corazones, Upace Sur, Feclém, Bizitegi, Nupa, Proyecto Hombre (Alicante, Bizkaia, Cádiz, Guadalajara, Salamanca and Valladolid).

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

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

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

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

4. Corporate governance

The Corporate Governance highlights during the first quarter of financial year 2018 were as follows:

- 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 memorandum 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.
Finally, on 29 January 2018, IBERDROLA approved the second implementation of the increase in paid-up share capital approved by the 2017 General Shareholders' Meeting.
- On 12 January 2018, IBERDROLA published the financial calendar for financial year 2018.
- On 9 February 2018, the Company submitted its energy production figures for financial year 2017.
- On 20 February 2018, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury stock in accordance with the authorisation conferred by the General Shareholders Meeting held on 28 March 2014. In this regard, since that date, IBERDROLA periodically submits to the CNMV information regarding the share buyback programme that may be in force until 15 June 2018 (though it may be concluded prior to said date in the event that the maximum number of shares is acquired, or if there is any other circumstance that makes this advisable).
- On 21 February 2018, the Company submitted to the CNMV its presentation of results for the financial year ending on 31 December 2017.
- On 23 February 2018, IBERDROLA sent the Annual Corporate Governance Report, the Annual Report on Remuneration of Directors and the financial information corresponding to financial year 2017 to the CNMV.

General Shareholders' Meeting

The IBERDROLA Board of Directors, in its meeting of 20 February 2018, agreed to convene the General Shareholders' Meeting to be held at the first session on 13 April 2018, or at the second session on 29 March 2014. 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 notice of the meeting of the General Shareholders' Meeting was published by the Company in the corporate website (www.iberdrola.com) and in the Official Bulletin of the Companies Register on 23 February 2018, with the following order of the day:

- ii. Approval of a first increase of paid-up capital for a maximum reference market value of EUR 1,310 million with the aim of implementing the 'Iberdrola Flexible Remuneration' system.
- iii. Approval of a second increase of paid-up capital for a maximum reference market value of EUR 1,140 million with the aim of implementing the "Iberdrola Flexible Remuneration" system.
- iv. Approval of a reduction of capital by means of the redemption of a maximum of 198,374,000 treasury shares (3.08 % of the share capital).
- v. Advisory vote on the Annual Report on Remunerations of Directors corresponding to financial year 2017.
- vi. Approval of a new Policy of director remuneration.

Agreements regarding annual accounts and social management

- i. Approval of annual accounts of financial year 2017.
- ii. Approval of management reports of financial year 2017.
- iii. Approval of the corporate management and the performance of the Board of Directors during financial year 2017.

Agreements regarding the composition of the Board of Directors

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

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

- i. Approval of the proposal of appropriation of earnings and dividend distribution corresponding to financial year 2017, whose complementary payment will be made within the framework of the 'Iberdrola Flexible Remuneration' system.

Agreement regarding treasury stock

Authorisation for Board of Directors to acquire treasury.

Agreement regarding general matters

Delegation of powers for the formalisation and notarisation of any agreements adopted

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 governance regulations of the corporate bodies and the internal committees, and the Company's compliance. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

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

In this regard, on 20 February 2018, a reform of the corporate governance system was approved, with the aim, among others, of including the improvements

introduced in relation to the operation of the General Shareholders' Meeting, such as the possibility of delegating or telephone voting, and adapting its content to the new EU regulations regarding personal data protection (new Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016).

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 so far during financial year 2018 to ensure that institutional investors and financial analysts are kept fully informed.

On-Line Shareholders (OLS)

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

CNMV: Significant Events from January to March 2018

| Date | Event | Registration No. |
|------------|--|------------------|
| 09/01/2018 | The Company publishes an addendum to the memorandum regarding the second edition of the 'Iberdrola Scrip Dividend' compensation system corresponding to financial year 2017. | 259722 260474 |
| 12/01/2018 | Iberdrola published the Financial Calendar for 2018. | 261064 |
| 29/01/2018 | Signing of a series of modificatory and non-extinctive novations of two syndicated loans taken out by Iberdrola, S.A. and a bank syndicate, in which Banco Bilbao Vizcaya Argentaria, S.A. acts as the agent body. | 260643 |
| 29/01/2018 | The Company reports on the second edition of the 'Iberdrola Scrip Dividend' of 2017, for which 120,859,000 new shares will be issued, and an amount will be distributed on account of the dividend of 2017 for a total amount of EUR 8,220,427.60 gross. | 261067 |
| 09/02/2018 | Iberdrola publishes the energy production figures of 12 M 2017. | 261497 |
| 14/02/2018 | The Company makes public the details of the presentation of the Results for 2017. | 261555 |
| 20/02/2018 | Iberdrola announces the call of the General Shareholders' Meeting (agenda). | 261746 |
| 20/02/2018 | Buyback programme for Iberdrola, S.A. shares, representative of a maximum of 1.543% of the share capital for their amortisation. | 261747 |
| 21/02/2018 | Iberdrola issues information on the presentation of results for 2017. | 261772 |
| 21/02/2018 | Presentation of Results 2017. | 261773 |
| 21/02/2018 | Outlook 2018-2022. 01 - Strategic Vision. | 261774 |
| 21/02/2018 | Outlook 2018-2022. 02 - Business Outlook. | 261776 |
| 21/02/2018 | Outlook 2018-2022. 03 - Resources Outlook. | 261778 |
| 21/02/2018 | Outlook 2018-2022. 04 - Networks Outlook. | 261779 |
| 21/02/2018 | Outlook 2018-2022. 05 - Renewals Outlook. | 261780 |
| 21/02/2018 | Outlook 2018-2022. 06 - Liberalised Business Outlook. | 261781 |
| 21/02/2018 | Outlook 2018-2022. 07. Financial Management Outlook. | 261783 |
| 23/02/2018 | The Company publishes the notice of the call to meeting of the General Shareholders' Meeting and of the documents put at the disposal of shareholders. | 261908 |
| 23/02/2018 | Proposal of supplementary payment of the dividend corresponding to financial year 2018 to be distributed within the framework of the first edition of the 'Iberdrola Flexible Remuneration' system. | 261909 |
| 23/02/2018 | The company publishes the Annual Corporate Governance Report for financial year 2017. | 261967 |

| Date | Event | Registration No. |
|------------|--|------------------|
| 23/02/2018 | The company publishes the Annual Report on Remuneration of Directors in financial year 2017. | 261968 |
| 23/02/2018 | The Company reports on the results of the second quarter of 2017. | 261969 |
| 01/03/2018 | The Company reports on the operations carried out under its share buyback programme between the 21 and 28 February 2018. | 262444 |
| 09/03/2018 | The Company reports on the operations carried out under its share buyback programme between the 1 and 8 March 2018. | 262683 |
| 19/03/2018 | The Company reports on the operations carried out under its share buyback programme between the 9 and 16 March 2018. | 263048 |
| 19/03/2018 | The Company reports the issue of undated subordinated securities by Iberdrola International, B.V. with the subordinated guarantee by Iberdrola, S.A. for an amount of EUR 700 million. | 263092 |
| 27/03/2018 | The Company reports on the operations carried out under its share buyback programme between the 19 and 26 March 2018. | 263473 |

11.

Glossary of terms

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

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

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