



# Results Presentation

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Nine months / October 2016

Iberdrola, “utility of the future”

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# Highlights of the Period

**Net Profit grows 6.4% to Eur 2,042 M**

Recurring Net Profit increases 17.0% to Eur 1,958 M

**EBITDA grows 4.2% to Eur 5,730 M**

**Net Investments of Eur 3,040 M (+45%)**

63.5% for growth

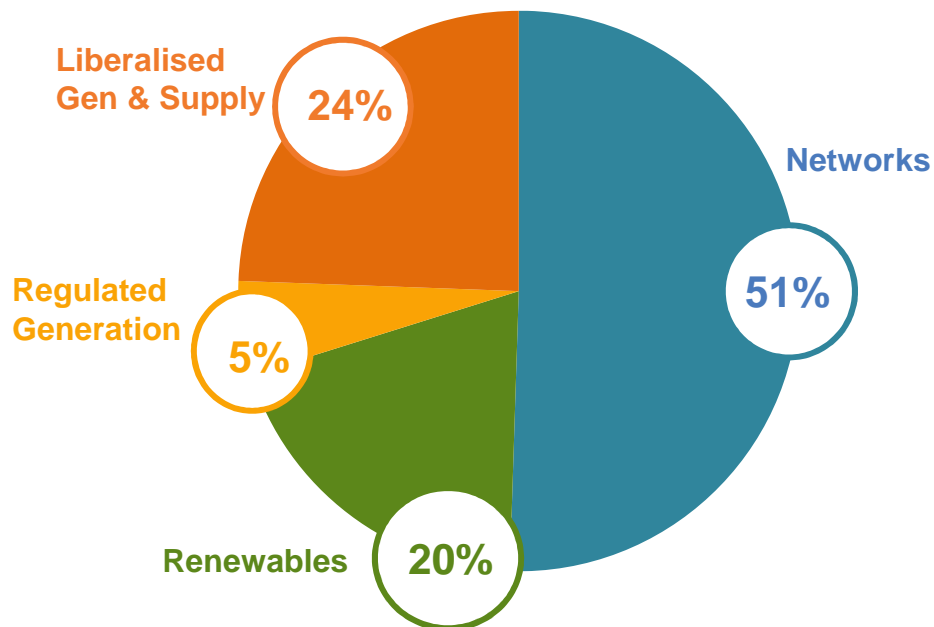
**Operating Cash Flow (FFO) up 9.5% to Eur 4,717 M**

**Interim Shareholder Remuneration increase of 8%**

## EBITDA increases 4.2% to EUR 5,730 M

Excluding FX impact, EBITDA grows 6.7%

### EBITDA by business



### Operating Highlights

#### Networks

- Business performance improvement in Spain and US

#### Renewables

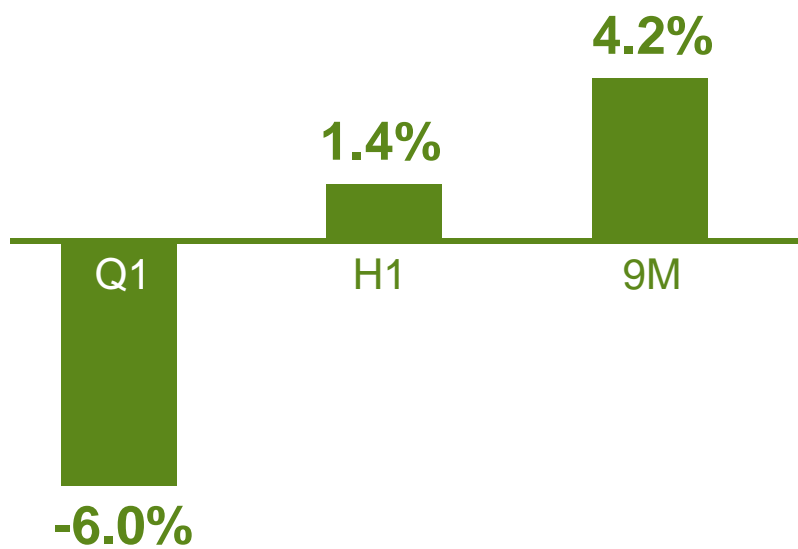
- Higher output in Spain and US
- Lower output in UK

#### Liberalised Generation and Supply

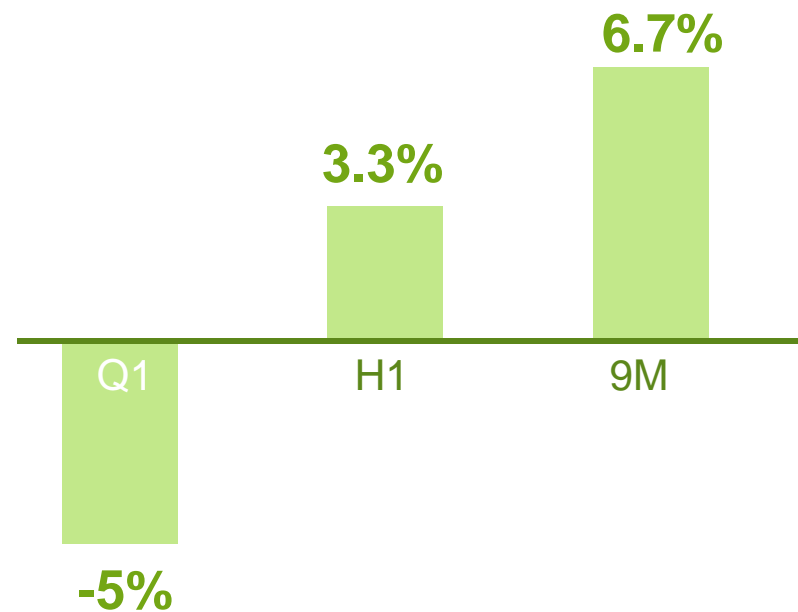
- Spain: higher output and retail activity
- UK: higher spot market activity compensates Longannet closure

Results ratify Investors' Day EBITDA Outlook, despite fx impact

EBITDA Evolution 2016 vs 2015 (%)  
including fx impact



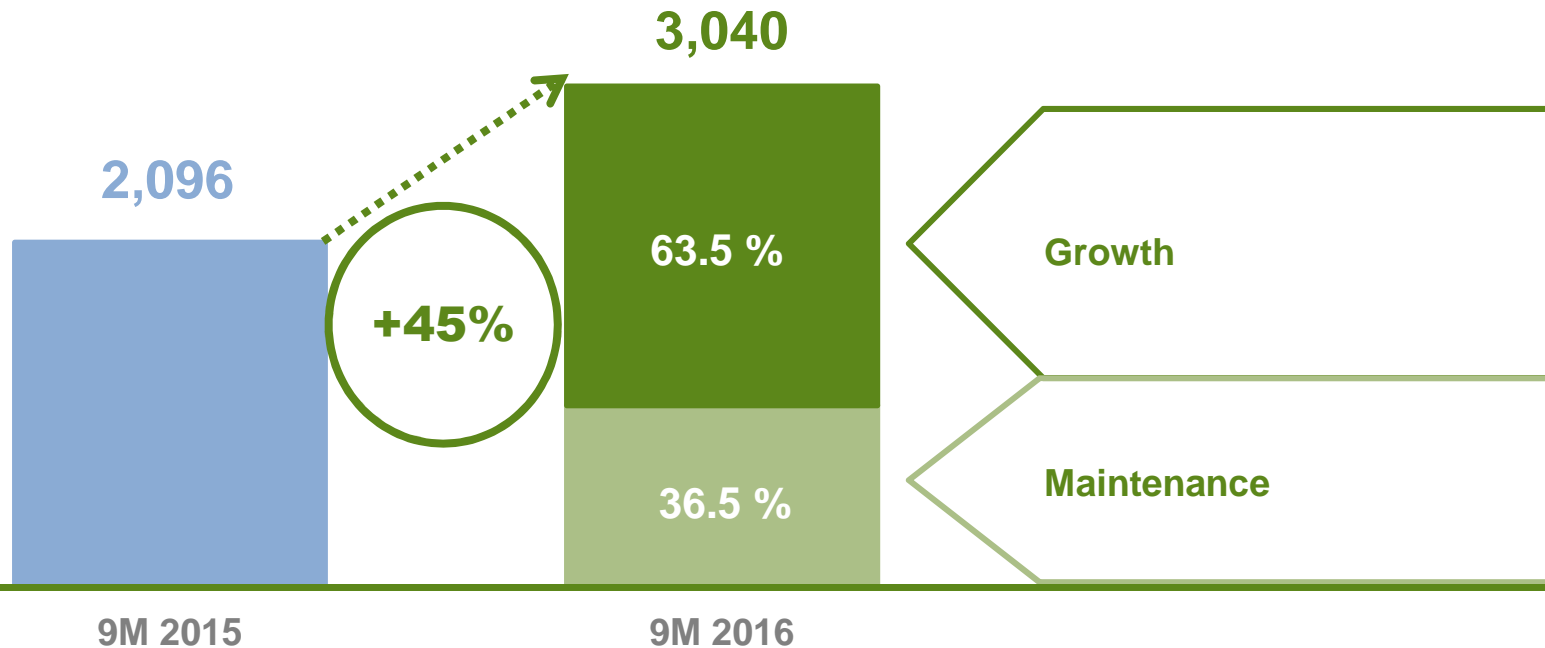
EBITDA Evolution 2016 vs 2015 (%)  
excluding fx impact



**Net Investments increase 45% to Eur 3,040 M**

91% in regulated and long term contracted businesses

Net Investments / Eur M

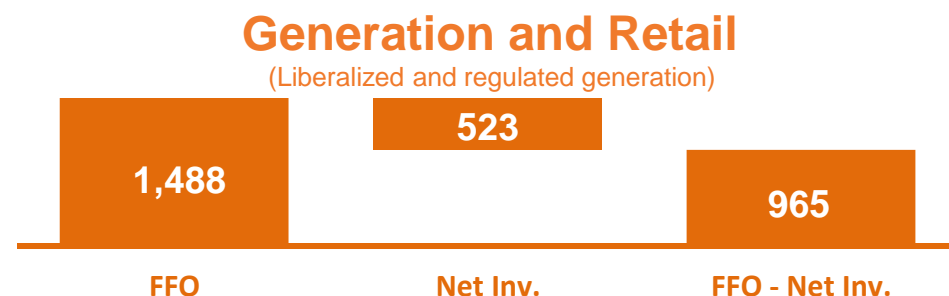
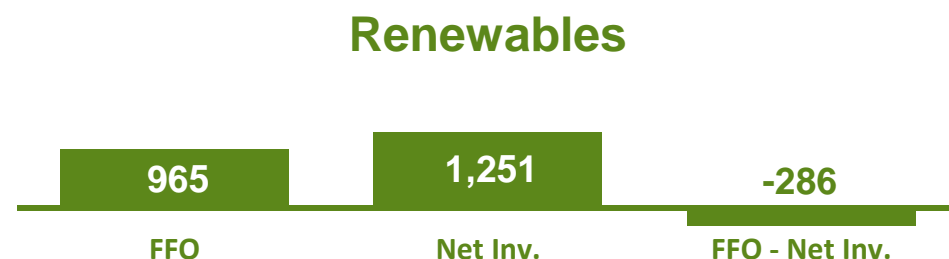
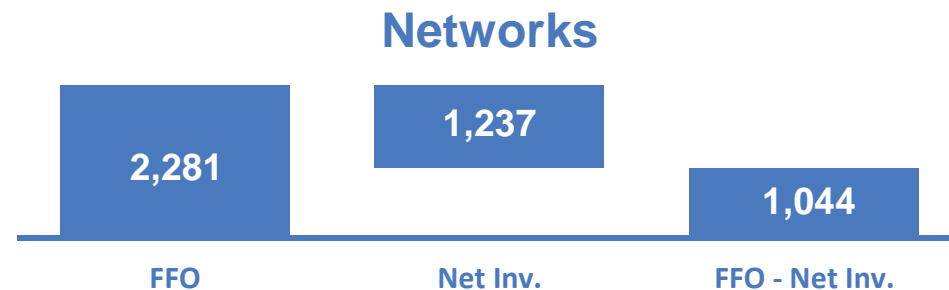
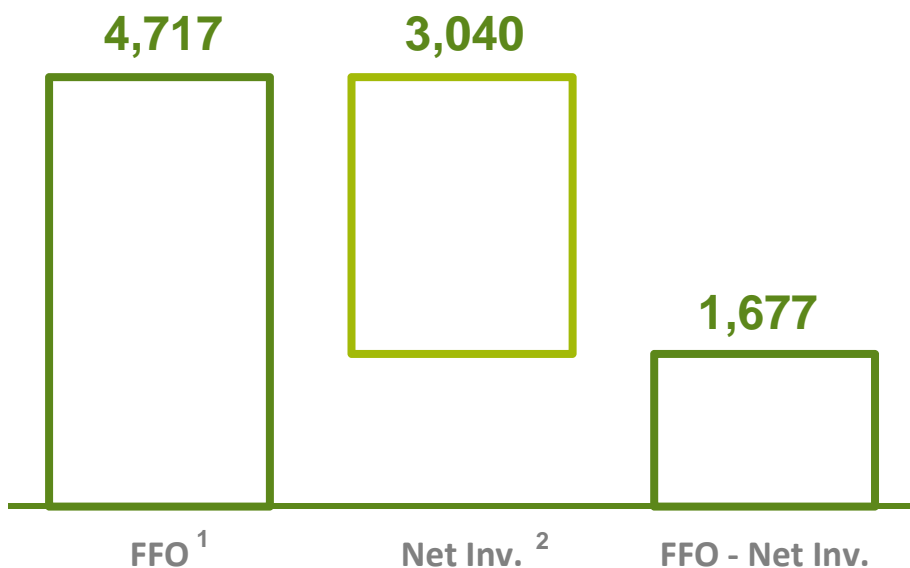


**63.5% of total investments allocated to growth**



## Operating Cash Flow (FFO) up 9.5% to Eur 4,717 M

Eur M



Global figures include Corporation and Other Businesses

<sup>1</sup> FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision

<sup>2</sup> Investment net of grants and ex-capitalised costs.

## Active role in the financial markets

**Over EUR 2.7 Bn of long term debt issued in 2016**

**Almost 90% at fixed rates with very competitive levels (<1%)**

## Leading Green financing in bond markets

**Cost of debt down from 4.10% to 3.46%**

UK



- **Stable long term returns in Distribution and Transmission**
- **In construction:**
  - ✓ Western Link High Voltage DC Line
  - ✓ South West Scotland High Voltage Line
  - ✓ Beaulieu Denny Line
  - ✓ ...

US



- **Rate Cases:**
  - ✓ New York: effective from May (2016-2019)
  - ✓ Connecticut (2017-2020): expected decision by Dec.2016
- **Ongoing Transmission projects in New York, Connecticut and Maine**

Spain



- **Distribution RAB approved:** effective from 1<sup>st</sup> January 2016
- **Smart Grid development - “Star Project”:**
  - ✓ **159,100 Km of lines:** 65% of our medium and low voltage lines
  - ✓ **Over 50,000 Secondary Substations (CTs) installed**

Brazil



- **Over 9% tariff increase for Elektro distribution** effective from August 2016

## Offering unique products and services to our customers

- ✓ **16M customers**
- ✓ **Pioneer in digitization: over 9 million smart meters deployed and ongoing**

### Continuous innovation in products and services:

- ✓ **Tailored tariffs:** only utility able to offer time of use tariffs
- ✓ **Remote heating control:** 'Smart Home'
- ✓ **Distributed generation and storage:** 'Smart Solar'
- ✓ **Green mobility:** electrical vehicle chargers
- ✓ **Energy management:** 'Power-Up' (app)
- ✓ ...





### Offshore

1,064MW  
in construction

- **Winger (350MW)**, Germany  
Initial output in 2017.
- **East Anglia 1 (714MW)**, UK.  
70% of equipment and services contracted  
Initial output in 2019.
- **St. Brieuc (496MW)**, France  
Preliminary works - Initial output in 2022



### Onshore

1,923MW  
in construction

- **US (744MW)** commissioning 200MW in 2016, remaining 2017-2018.
- **UK (398MW)** commissioning in 2016.
- **Mexico (325MW)** commissioning in 2019.
- **Brazil (424MW)** commissioning 84MW in 2016, 340MW in 2017-2018.
- **Spain (32MW)** commissioning in 2017.



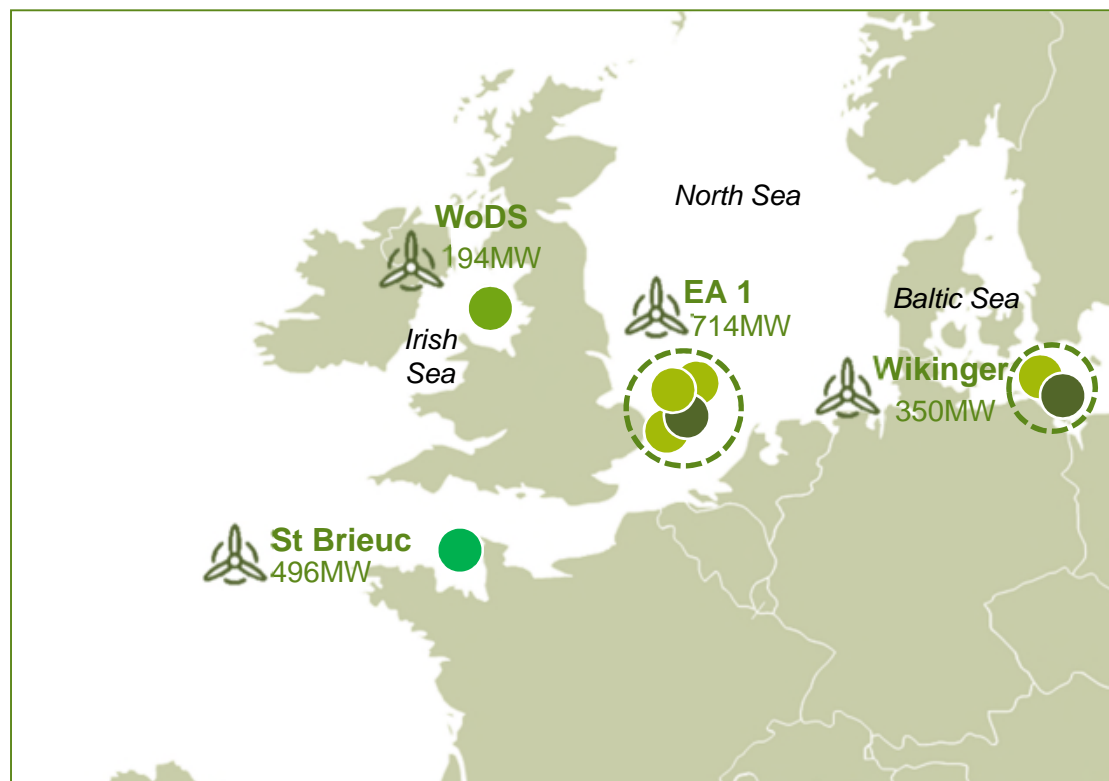
### Solar PV

336MW  
in construction

- **Mexico (270MW)** commissioning in 2018.
- **US (66MW)** commissioning in 2017.

**2,284MW to be commissioned  
between Q4 2016 and 2018**

### European Offshore windfarms and pipeline



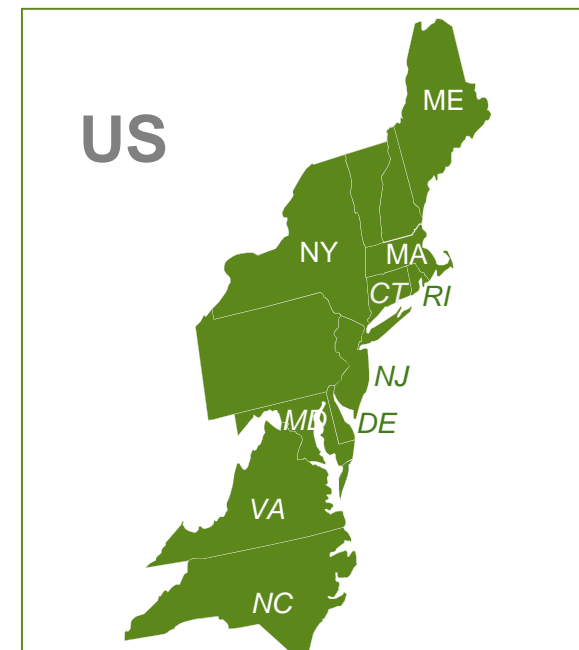
**Current projects: Total 1,754MW**

- In operation (194MW)
- In construction (1,064MW)
- Preliminary works (496MW)

**Future projects: Total 3,130MW**

- East Anglia 3 (1,200MW)
- East Anglia 2 & 1N (1,600MW)
- Windanker/Wikingen Süd (330MW)

### Other opportunities in offshore



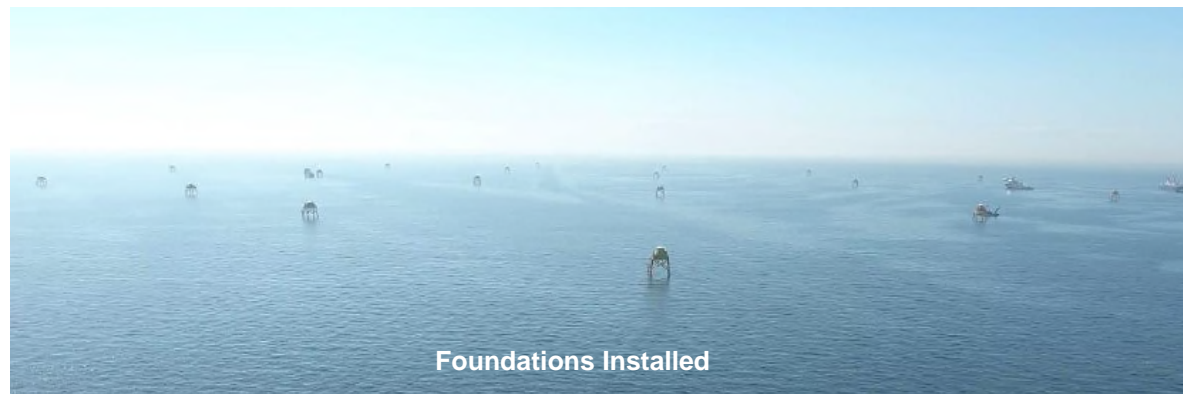
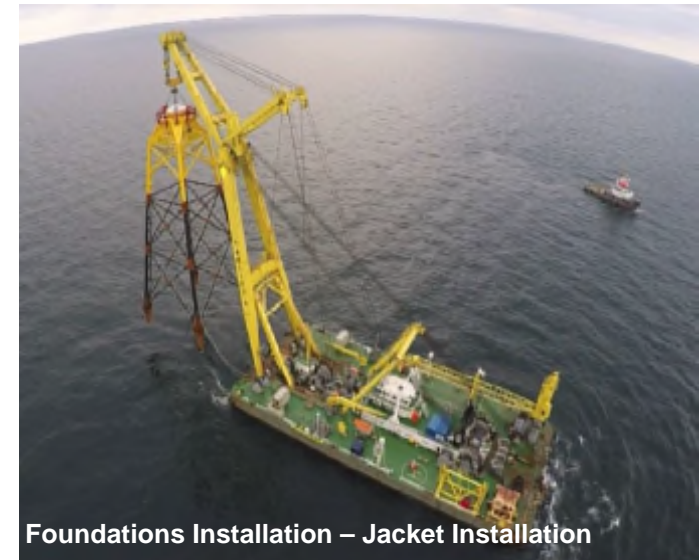
**Federal Government and States are taking significant steps to support offshore:**

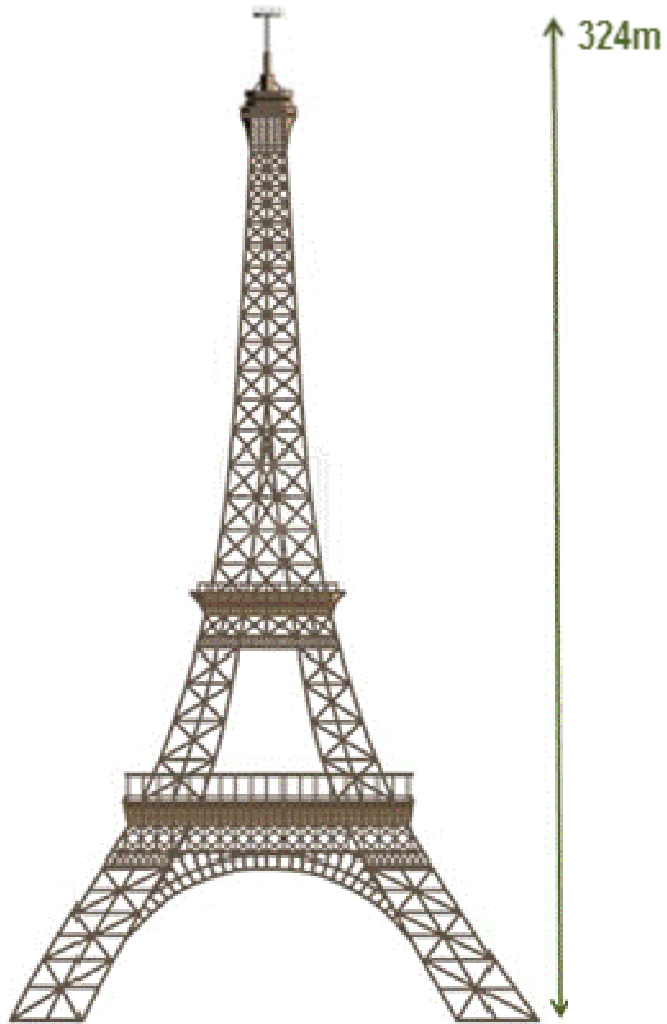
- Previous auctions of areas: NJ, MA, MD, RI, VA, ...
- **Massachusetts**: Legislation for 1.6GW in 2017-27
- Next auctions of areas: **New York, North Carolina, ...**

Our expertise enables the development of complex facilities with high added value

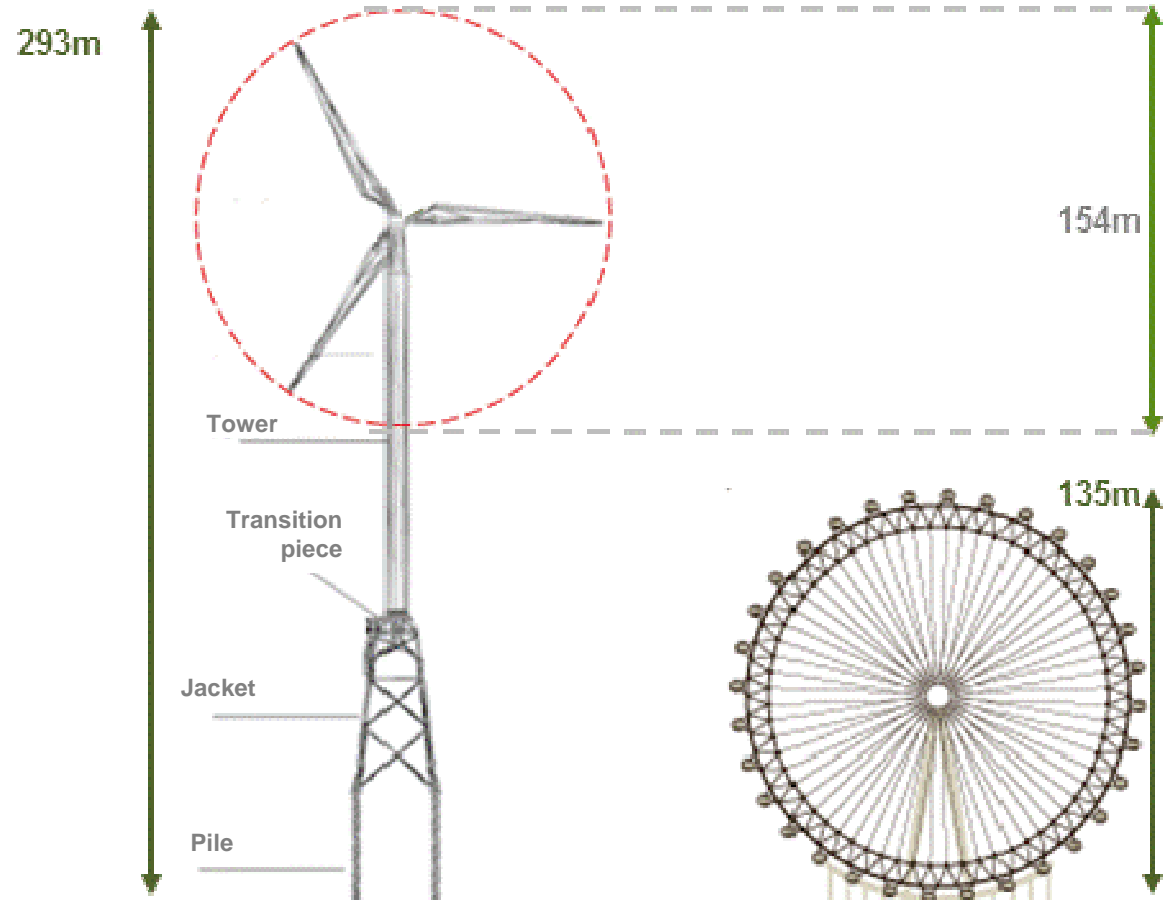


Wikinger  
2016

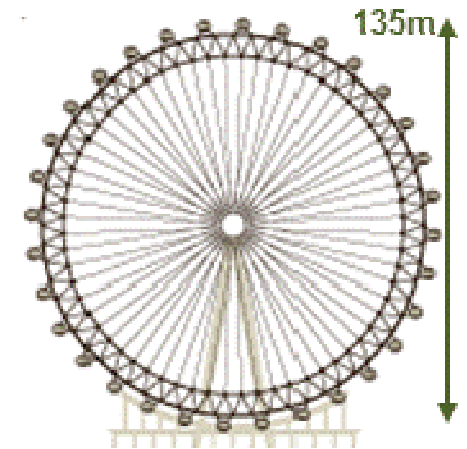




Eiffel Tower



East Anglia WTG & Foundation  
Turbines 7MW



London Eye

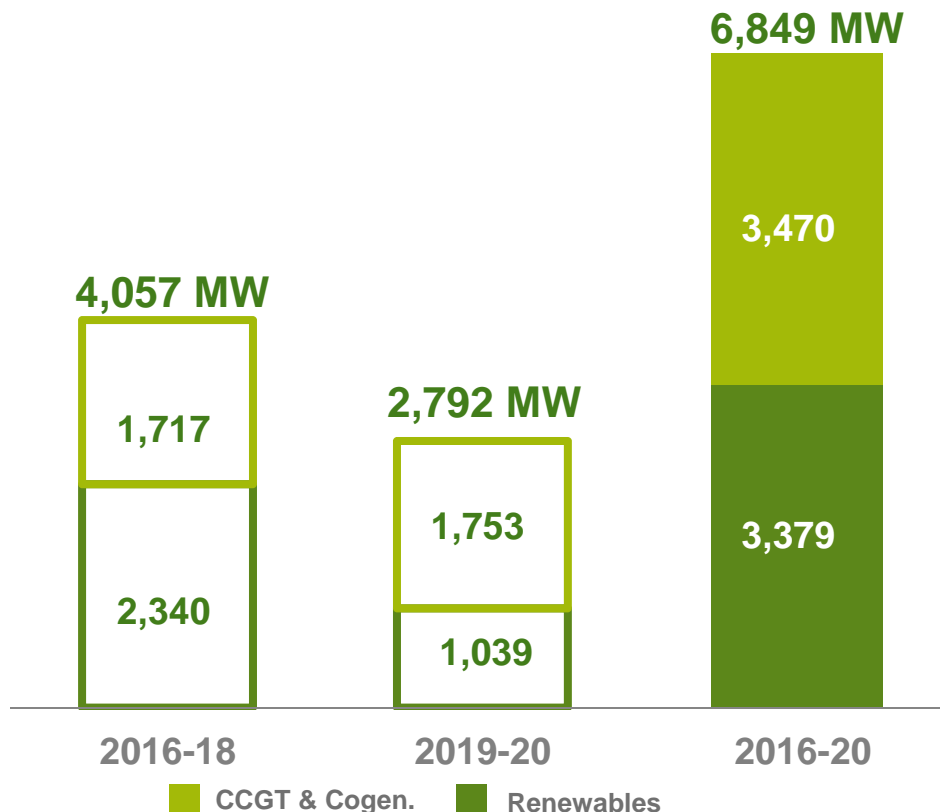


Close to 10,000MW of total installed capacity by 2020 driven by almost 4,000MW in construction



By 2019 output (GWh) in Mexico will exceed our current production in Spain

Current capacity (MW) in construction secures growth, adding 4GW in 2018 and almost 7GW by 2020 in regulated and contracted generation



And more capacity could be added, mainly from Mexico and the US

**9M 2016 Adjusted Net Income<sup>1</sup>: USD 404 M (+45% like for like)**

**2016 Net Income Guidance: USD 604 - 634M**

**EPS USD 1.95 – 2.05**

**Maintaining total annual dividend of \$1.728/share**

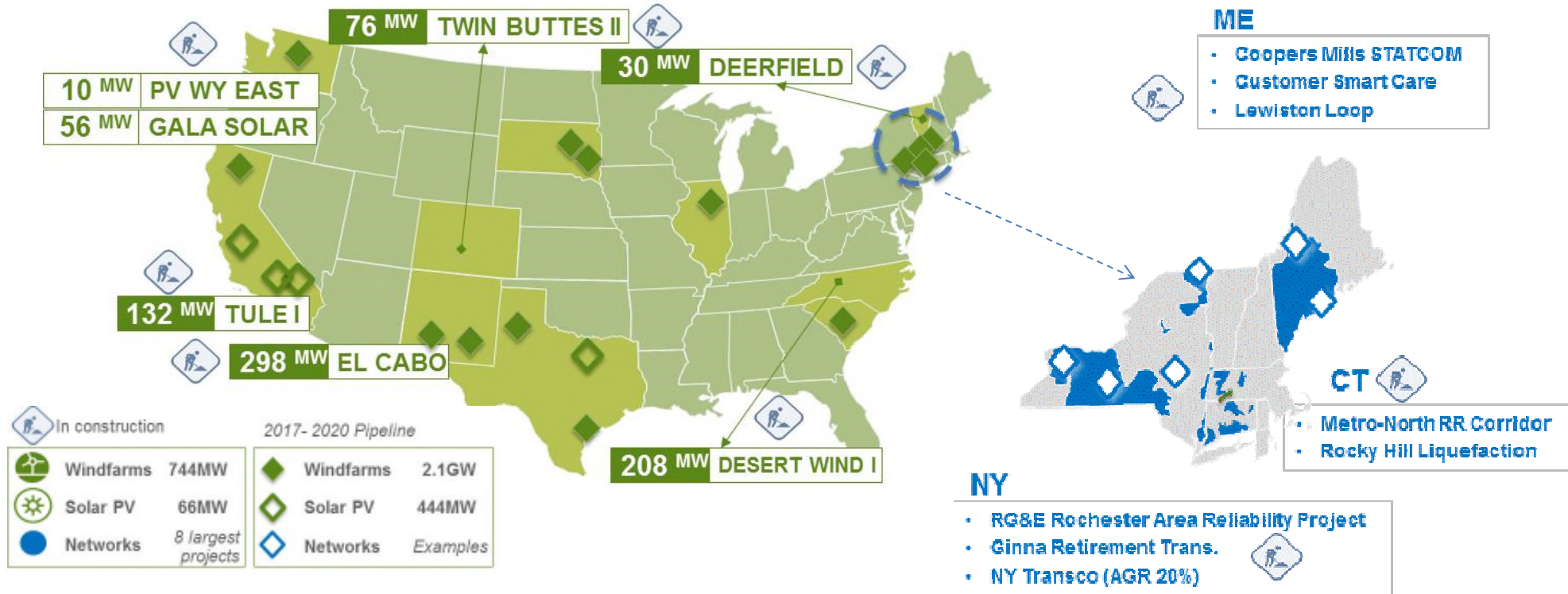
**Quarterly dividend: \$0.432/share**

**Total yield of 4.5%<sup>2</sup>**

<sup>1</sup> Adjusted Net Income is a non-GAAP financial measure and has been adjusted to include the impact of the first nine months of UIL and merger costs for 2015, and the sale of equity method investment and impairment of investment for 2016.

<sup>2</sup> At Madrid Stock Exchange closure on 25<sup>th</sup> October 2016

## Continuous growth opportunities in Renewables, Transmission and Distribution



Turbines contracted for up to 2 GW new wind projects and repowering of 350 MW until 2020

Paris Agreement to tackle climate change, entering into force Nov. 4th 2016, requires an energy transition to a more decarbonized model

### Utility of the future

**More clean energy**

**More and smarter networks**

**More storage**



### Iberdrola today

**N.1 Renewables producer among European utilities**

leading lowest-emission companies in the sector

**Cleanest US integrated utility and 2<sup>nd</sup> wind producer**

almost zero emissions

**Leading digitization:**

160.000KM of smart grids

>9M smart meters

**Over 4GW of Storage Capacity**

**Iberdrola, World's N.1 utility in the  
2016 Dow Jones Sustainability Index ranking**

## 1,917 new persons employed during 9M 2016

### Commitment with training and development



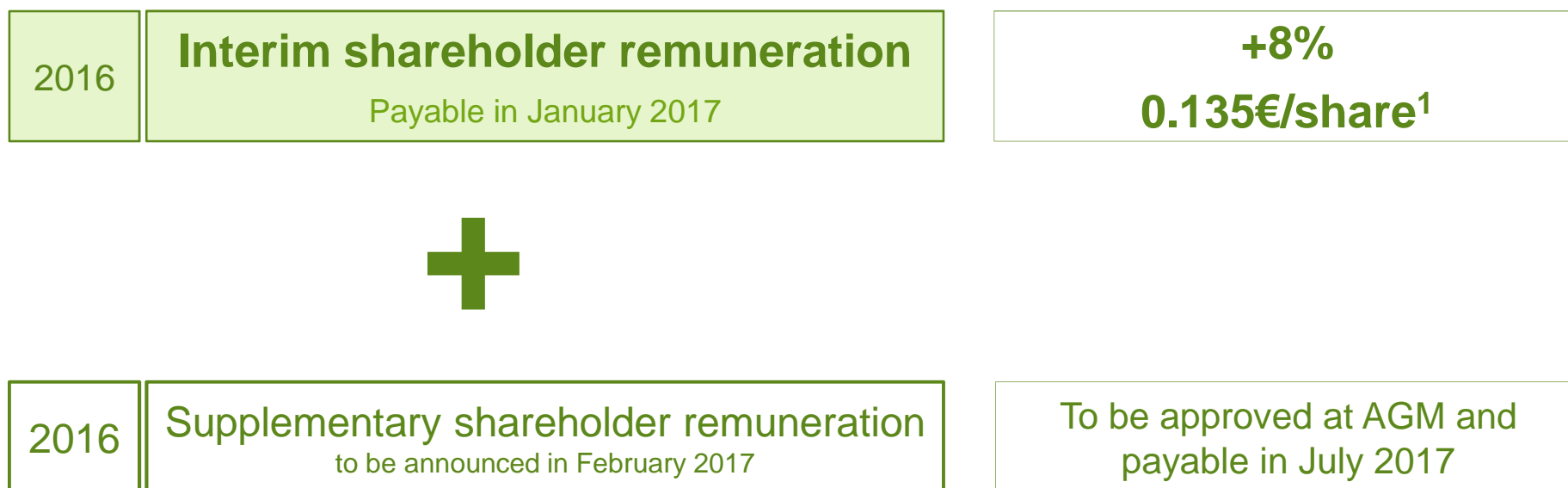
#### New Corporate Campus in Madrid

180,000 m<sup>2</sup> with large accommodation facilities

- Over 1M hours of annual training capacity
- Laboratories and training rooms: electro mechanics, smart grids, wind, solar, cyber security, digital, IT, O&M substations, drones...
- Management training: finance, treasury, marketing, ...

### Increase in Interim Shareholder Remuneration by 8% to 0.135€/share<sup>1</sup>

Reaffirming commitment to increase shareholder remuneration in line with results...



<sup>1</sup>Through the "Iberdrola Dividendo Flexible" program. Final guaranteed price expected to be announced on January 2017

### ... and improving Outlook announced at our February's Investor Day

9M 2016 results confirm:



**Increase in shareholder remuneration  
in the short, medium and long term**

**Reaffirming 2016 EBITDA Outlook and increasing at Net Profit level**



# Analysis of Results

# Income Statement / Group

Results Presentation

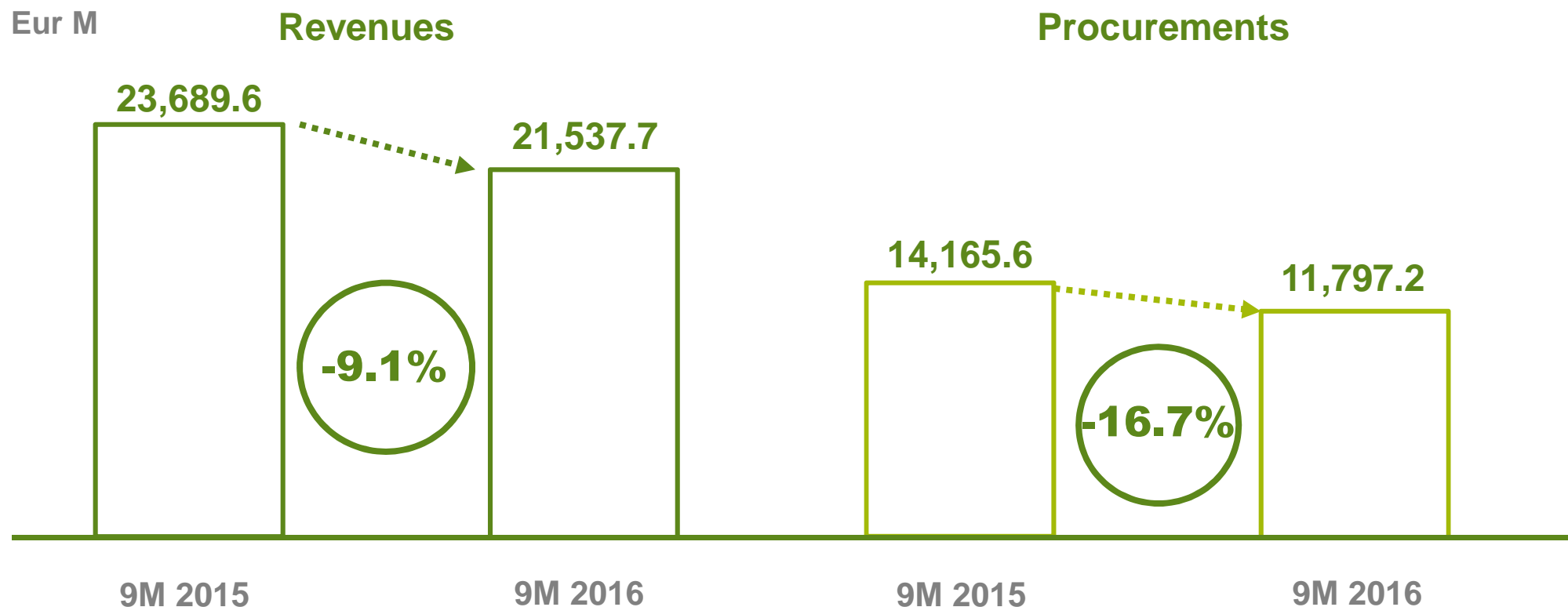
Eur M	9M 2016*	9M 2015*	Var.	%
Revenues	21,537.7	23,689.6	-2,151.9	-9.1
<b>Gross Margin</b>	<b>9,740.5</b>	<b>9,523.9</b>	<b>+216.5</b>	<b>+2.3</b>
Net Operating Expenses	-2,711.5	-2,654.1	-57.4	+2.2
Levies	-1,299.5	-1,371.9	+72.4	-5.3
<b>EBITDA</b>	<b>5,729.5</b>	<b>5,497.9</b>	<b>+231.6</b>	<b>+4.2</b>
EBIT	3,257.3	3,027.7	+229.6	+7.6
Net Financial Expenses	-583.8	-748.3	+164.6	-22.0
<b>Recurring Net Profit</b>	<b>1,957.6</b>	<b>1,672.8</b>	<b>+284.8</b>	<b>+17.0</b>
<b>Reported Net Profit</b>	<b>2,041.7</b>	<b>1,919.7</b>	<b>+122.0</b>	<b>+6.4</b>
<b>Operating Cash Flow**</b>	<b>4,717.2</b>	<b>4,308.9</b>	<b>+408.3</b>	<b>9.5</b>

\* 9M 2016 results include UIL contribution. 9M 2015 results do not include any UIL contribution

\*\* Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision

**Strong operating results (EBITDA +4.2%) drive up  
Recurring Net Profit (+17.0%) and Reported Net Profit (+6.4%)**

Gross Margin up 2.3%, to Eur 9,740.5 M,  
as UIL consolidation (Eur 601 M) more than compensates fx impact (Eur -236 M)



Revenues -9.1% (Eur 21,537.7 M)  
and Procurements -16.7% (Eur -11,797.2 M) due to better generation mix

**Net Operating Expenses up 2.2% (Eur -57.4 M), to Eur -2,711.5 M, driven by the consolidation of UIL (Eur -207 M)**

Eur M

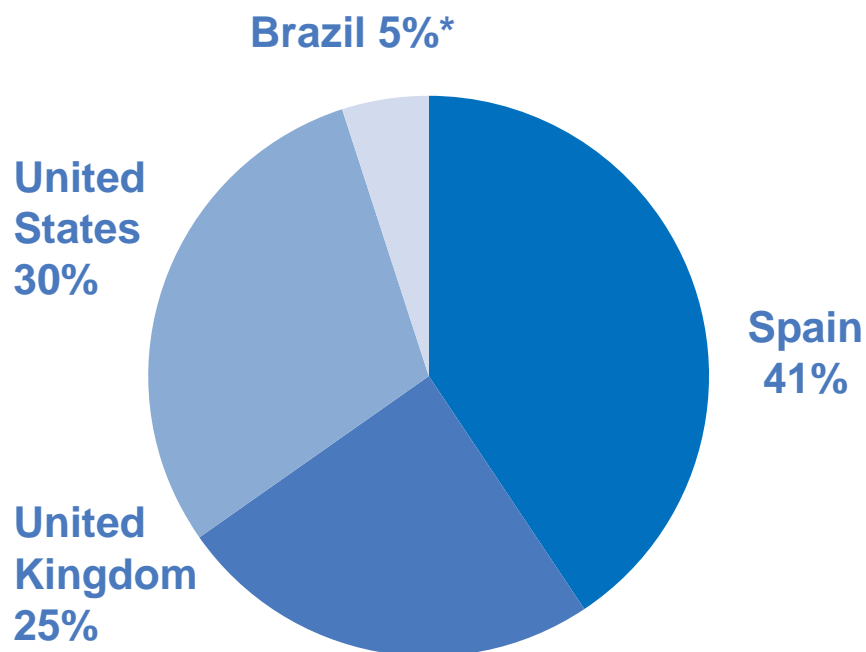
### Net Operating Expenses

	9M 2016	9M 2015	% vs 9M 15	% vs 9M 15 (ex-UIL and fx impact)
Net Personnel Expenses	-1,431.9	-1,394.4	+2.7	-4.2
Net External Services	-1,279.5	-1,259.7	+1.6	-0.7
<b>Total Net Op. Expenses</b>	<b>-2,711.5</b>	<b>-2,654.1</b>	<b>+2.2</b>	<b>-2.6</b>

**On a like-for-like basis and excluding fx impact (Eur +82 M), Net Operating Expenses improve by 2.6%**

Networks EBITDA up 8.6% to Eur 2,935.0 M (vs +4.3% in H1 2016)...

### EBITDA by Geography (%)



\*Brazil accounts for less than 3% of total Group EBITDA

### Key Figures (Eur M)

	9M 2016	vs 9M '15	vs 9M '15 (%)
Gross Margin	4,575.4	+437.5	+10.6%
Net Op. Exp.	-1,138.3	+148.7	+15.0%
<b>EBITDA</b>	<b>2,935.0</b>	<b>+232.2</b>	<b>+8.6%</b>

... driven by the US and Spain

### Spain

**EBITDA Eur 1,192.6 M (Eur +73.9 M; +6.6%)**, as the 2.5% remuneration increase under the new framework. Cost control and incentives (Eur 28 M) more than compensate the Eur -29 M impact due to Q1 2015 positive settlements

### UK

**EBITDA GBP 580.9 M (GBP -16.5 M; -2.8%)**, impacted by revenue profiling as a consequence of the implementation of RIIO-ED1 in April 2015

### US

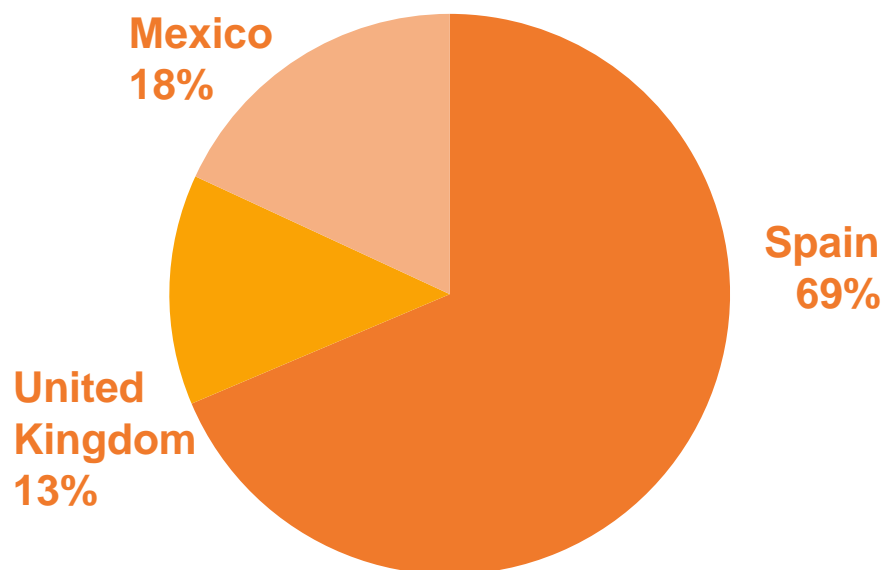
**EBITDA USD 973.5 M (USD +327.2 M; +50.6%)**, driven by UIL consolidation (USD 371.6 M) and the normalisation of certain seasonal impacts

### Brazil

**EBITDA BRL 579.0 M (BRL -67.2 M; -10.4%)**, impacted mainly by 2.1% lower demand and lower tariff due to August 2015 review (-5%), that will improve as a consequence of August 2016 tariff review (+9%)

**Generation & Supply EBITDA falls 0.1% to Eur 1,733.8 M  
(vs -3.0% in H1 2016)**

**EBITDA by Geography (%)**



**Key figures (Eur M)**

	9M 2016	vs 9M '15	vs 9M '15 (%)
Gross Margin	3,476.0	-88.9	-2.5%
Net Op. Exp.	-1,130.1	-21.3	+1.9%
<b>EBITDA</b>	<b>1,733.8</b>	<b>-1.6</b>	<b>-0.1%</b>

**Better operating performance and net positive Court rulings accounted for in Spanish Levies (Eur +64 M) compensate fx and other geographies**

### Spain

#### EBITDA Eur 1,200.2 M (Eur +18.7 M; +1.6%)

- + Higher output\* (+15.9%) due to increase in hydro (+56.2%) and nuclear (+4.6%)
- + Higher Retail activity (volumes and Products & Services)
- Lower Gas results vs 9M 2015 (Eur -51 M)
- Net Operating Expenses (+24.8%) affected by Eur 104 M of positive non recurring results in 2015
- + Lower Levies due to Eur 116 M of positive impact of Court rulings in 9M 2016 vs Eur 52 M in 9M 2015

### UK

#### EBITDA GBP 187.1 M (GBP +4.8 M; +2.6%)

- + Wholesale & Generation improves GBP 22 M as lower Net Operating Expenses linked to the closure of Longannet more than compensate lower output and higher Carbon Tax
- Retail decreases GBP 17 M driven by lower sales due to milder weather conditions, higher non energy costs (ROCs) and OFGEM ruling on customer compensation

### Mexico

#### EBITDA USD 350.6 M (USD -29.1 M; -7.7%)

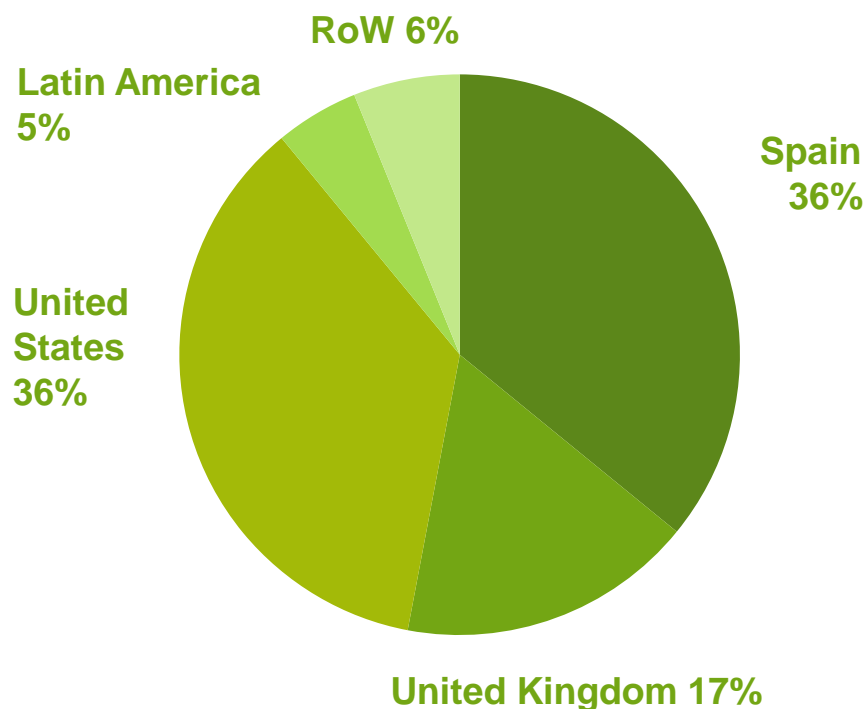
- Lower tariffs and delays in some plants COD, but all of them will enter into operation by year end

\* Includes cogeneration



**EBITDA down 3.3% (vs -3.0% in H1 2016), to Eur 1,143.1 M...**

**EBITDA by Geography (%)**



**Key figures (Eur M)**

	9M 2016	vs 9M '15	vs 9M '15 (%)
Gross Margin	1,659.0	-69.8	-4.0%
Net Op. Exp.	-1,130.1	-20.2	-4.9%
<b>EBITDA</b>	<b>1,143.1</b>	<b>-39.2</b>	<b>-3.3%</b>

**...as fx and weaker performance in the UK more than compensate improvement in Spanish operations**

Spain

**EBITDA Eur 410.2 M (Eur +56.4 M; +15.9%)**, driven by higher output and cost control.

Includes Eur +43 M of accounts receivable due to low prices in the market

UK

**EBITDA GBP 156.9 M (GBP -62.8 M; -28.6%)**, as a consequence of lower output (-18%), lower prices and removal of LECs from Q3 2015

US

**EBITDA USD 459.6 M (USD +3.4 M; +0.8%)**, with better performance due to the increase in output, despite lower prices

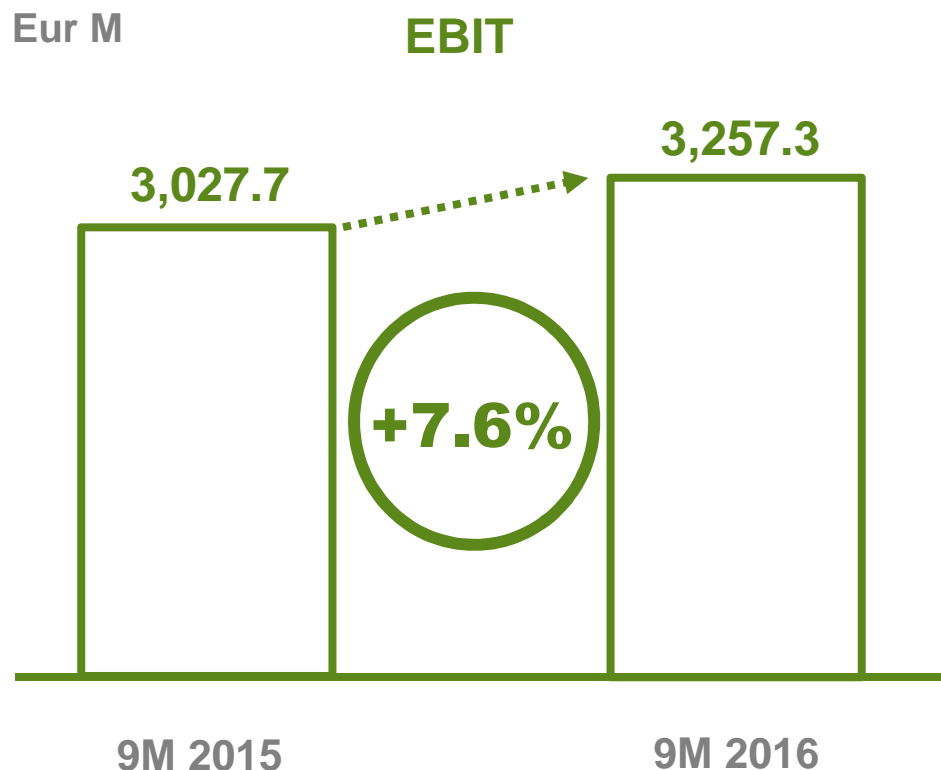
Latam

**EBITDA EUR 55.1 M (Eur +9.5 M; +20.9%)**, Mexico improves 41.7% due to additional capacity and Brazil declines 1.4% due to BRL devaluation

RoW

**EBITDA EUR 70.2 M (Eur -2.2 M; -3.0%)**, driven by 10.4% lower output partially compensated by lower Net Operating Expenses

## Group EBIT totals Eur 3,257.3 M (+7.6%)

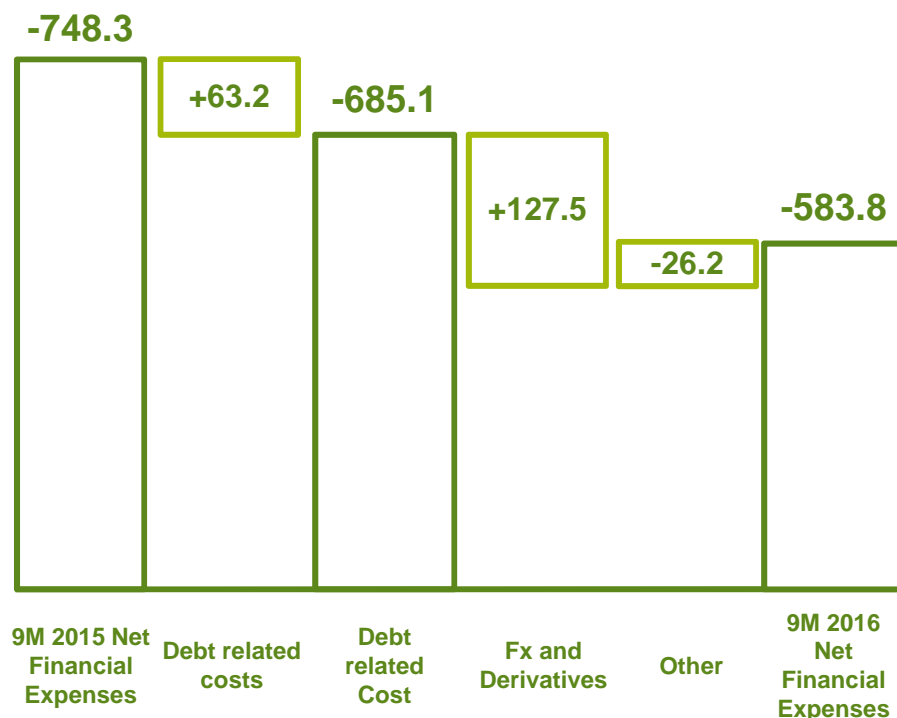


	9M 16	9M 15	9M 16 vs 9M 15 (%)
D & A	-2,302.9	-2,311.0	-0.3%
Provisions	-169.2	-159.1	+6.3%
<b>TOTAL</b>	<b>-2,472.2</b>	<b>-2,470.2</b>	<b>+0.1%</b>

Amortisations fall 0.3% due to Longannet closure (Eur +100 M), life extension of renewable assets (Eur +107 M) and fx, more than compensating UIL consolidation (Eur -142 M) and increase in investments

Net Financial Expenses improve 22.0%, to Eur 583.8 M ...

### Net Financial Exp. evolution (Eur M)



### Financial Highlights

- Cost reduction of 64 bp to 3.46% improves debt related cost by Eur 63.2 M despite higher average debt balance (Eur 2.3 bn)
- In 9M Fx Hedges amount to MtM Eur +106 M, mainly due to GBP depreciation
- Other: Eur 26.2 M

... due to improvement in derivatives and debt-related costs, despite increase in debt

Recurring Net Profit up 17.0%, to Eur 1,957.6 M due to improvement in operating results and lower Financial Expenses

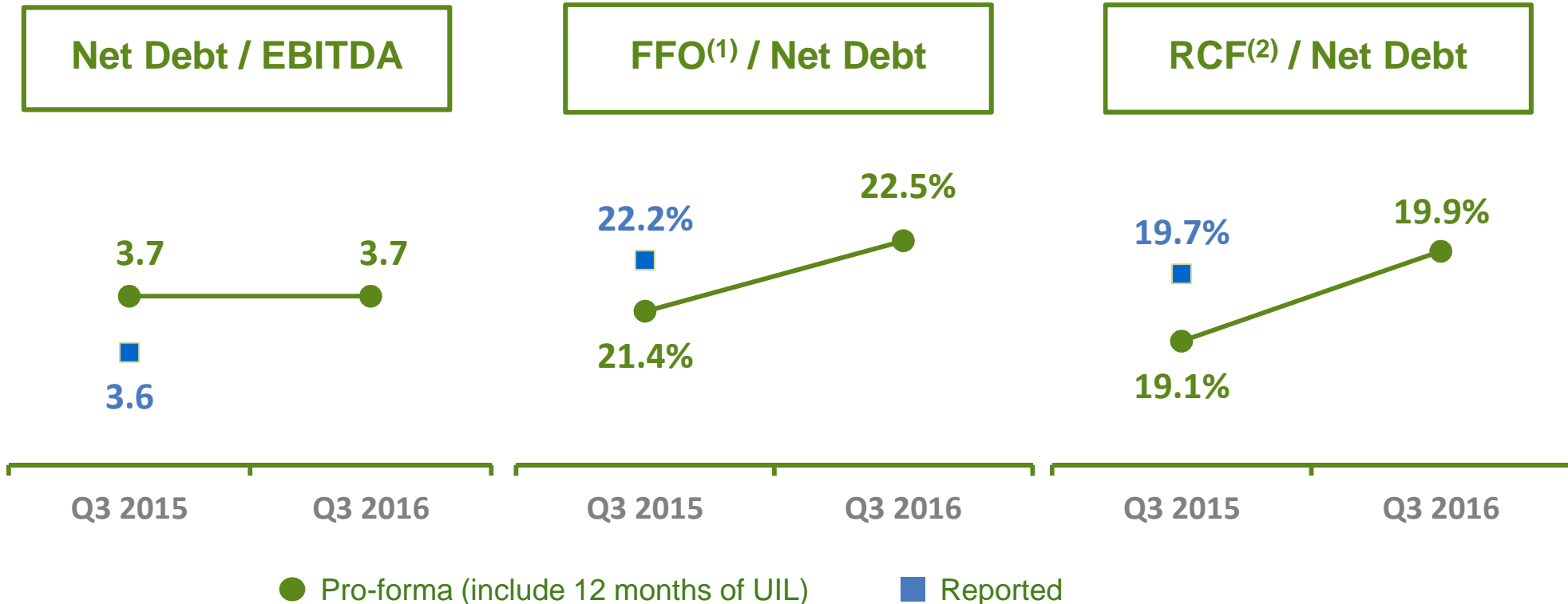
Eur M

	9M 2016	9M 2015	vs 9M 2015	vs 9M 2015 (%)
<b>Recurring Net Profit</b>	<b>1,957.6</b>	<b>1,672.8</b>	<b>+284.8</b>	<b>+17.0%</b>
<b>Non Recurring Results</b>	<b>84.1</b>	<b>240.9</b>	<b>-156.8</b>	
<b>Reported Net Profit</b>	<b>2,041.7</b>	<b>1,919.7</b>	<b>+122.0</b>	<b>+6.4%</b>

Reported Net Profit up 6.4%, to Eur 2,041.7 M, despite Eur 220 M non recurring positive tax reversion in H1 2015 partially compensated by lower tax in the UK in 2016 (Eur +80 M)

# Financing

The Group maintains solid credit metrics with improvement in FFO/Net Debt ...



(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Financial Prov.+ Goodwill deduction + Dividends from companies accounted via equity method – /+ reversion of extraordinary tax provision . It includes TEI but excludes Rating Agencies Adjustments.

(2) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue.

... and Leverage at 41.9%

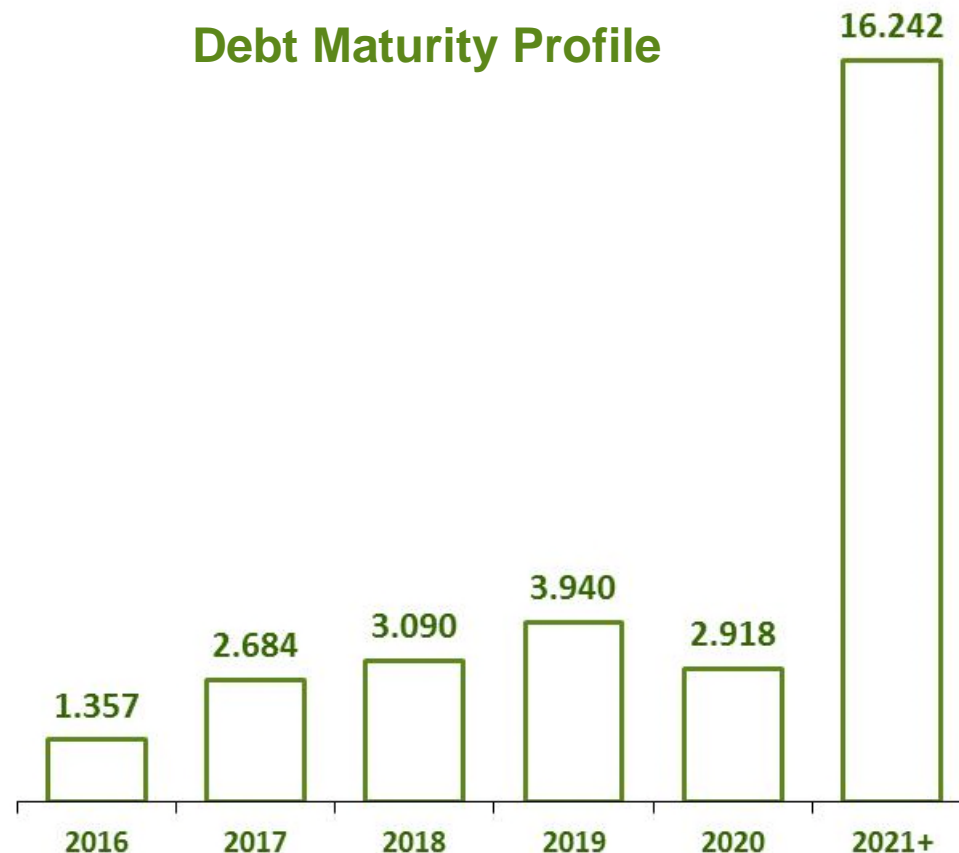
Strong liquidity position covering 24 months of financing needs

Total adjusted Liquidity      Eur 8,863 M

Average Debt Maturity      6.3 years

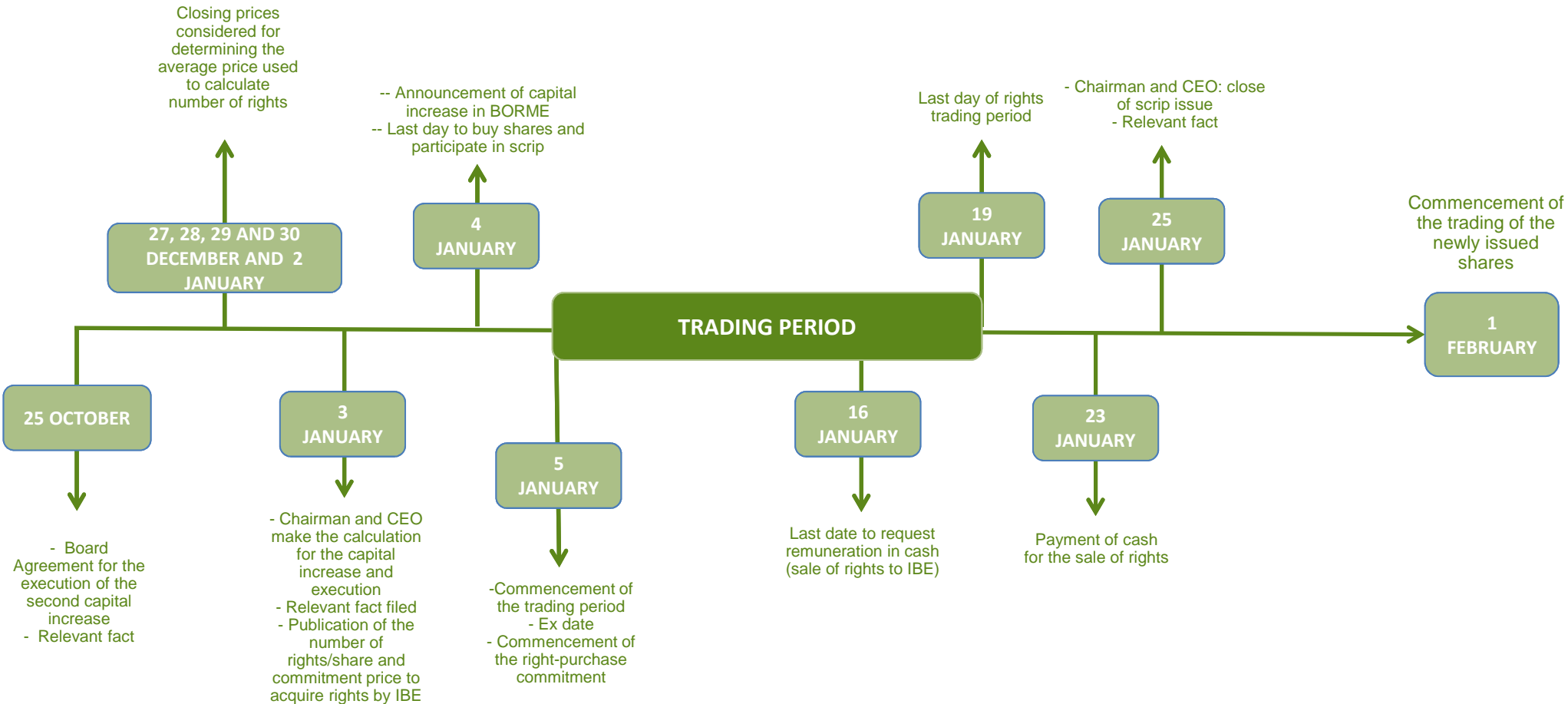
Taking advantage of low interest rate levels to issue long term now at fixed rates below 1%

### Debt Maturity Profile





# Annex: Scrip dividend calendar: January 2017



(\* ) Calendar already approved by Iberclear

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