Results Presentation 2016

London / 22nd February

Iberdrola, "utility of the future"

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Highlights of the Period

Highlights of the period

Net Profit grows 11.7% to Eur 2,705 M, driven by the US business contribution (grows 53%[1])

EBITDA grows 5.5% to Eur 7,808 M

Excluding fx impact, EBITDA grows 8.2%

5% Improvement in operational efficiency

Net Investments of Eur 4,264 M (+32.3% vs 2015)

Maintaining financial strength (FFO/Net Debt 21.5%)

Proposed Shareholder Remuneration increase of close to 11%[2] to Eur 0.31/share

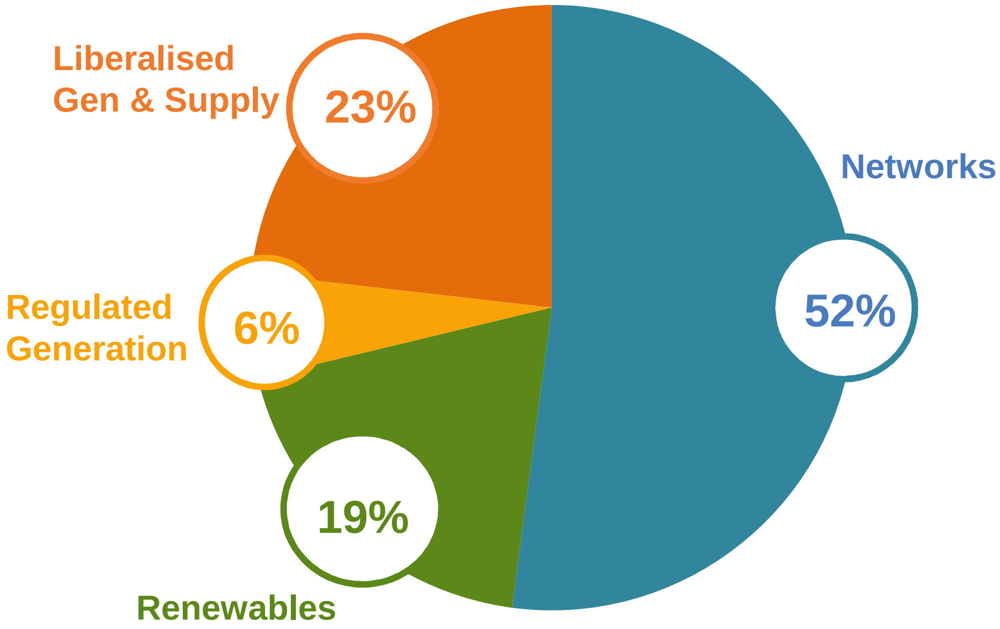
[1] IFRS, includes 81.5% share in the company

[2] Versus minimum shareholder remuneration of Eur 0.28/share proposed for 2015. Subject to approval at Annual General Meeting (AGM)

EBITDA increases 5.5% to EUR 7,808 M

Excluding FX impact, EBITDA grows 8.2%

EBITDA by business



Operating Highlights

Networks

- US: UIL contribution and new NY rate case
- Spain: new remuneration and incentives

Renewables

- UK: lower output, LECs elimination and negative fx impact

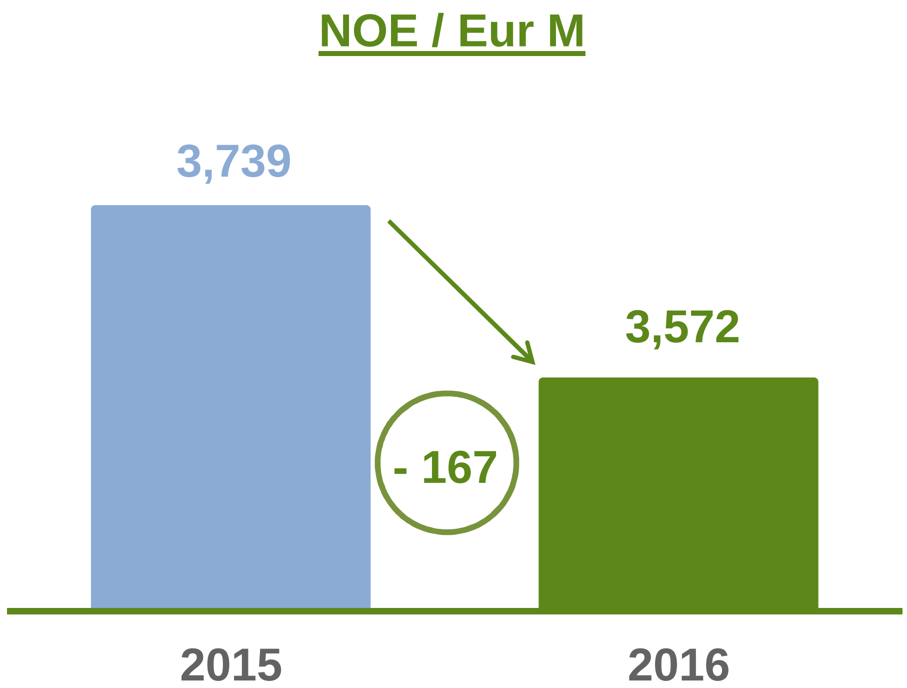
Regulated Generation

- Lower CFE tariffs and small delay in new power plants

Liberalised Generation and Supply

- Spain: higher output and retail activity
- UK: lower contribution and negative fx impact

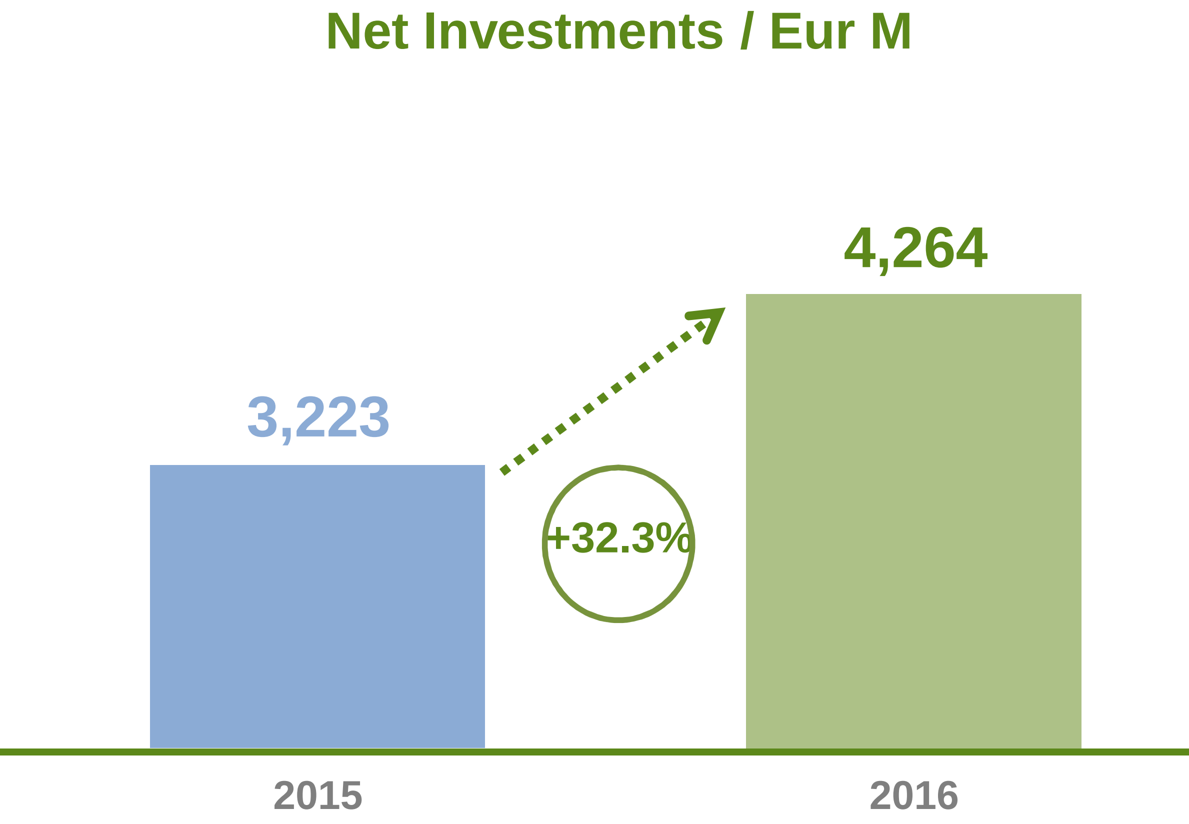
Net Operating Expenses decrease by Eur 167M (-4.5%)…



…leading to 5% improvement in NOE/Gross Margin ratio from 29.1% to 27.7%

Net Investments increase 32.3% to Eur 4,264 M

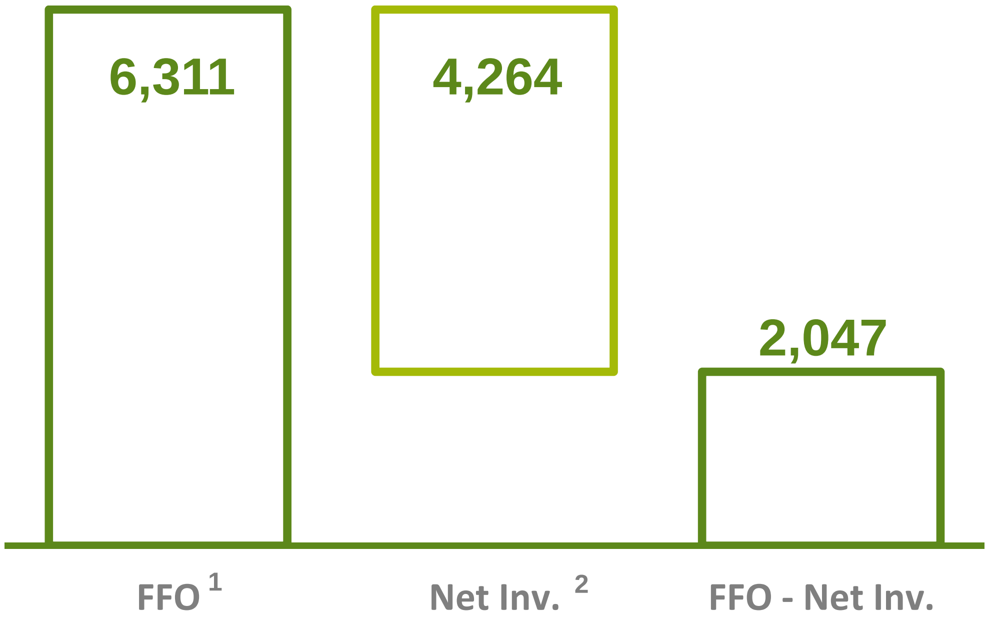
90% in regulated and long term contracted businesses



61% allocated to growth

Operating Cash Flow (FFO) up 6.8% to Eur 6,311M

Eur M

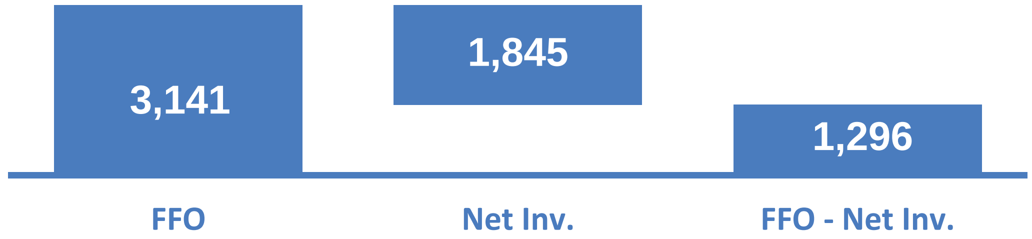


Global figures include Corporation and Other Businesses

[1] 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

[2] Investment net of grants and ex-capitalised costs.

Networks



Renewables

Generation and Retail

(Liberalized and regulated generation)

Proposed increase in Shareholder Remuneration of close to 11%[1] to Eur 0.31/share

2016	Interim shareholder remuneration[2] Paid in January 2017	**Eur 0.135/share[2]** ✓
2016	Supplementary shareholder remuneration Subject to approval at 2017 AGM **payable in July 2017**	**Eur 0.175/share:** Eur 0.03/share in cash Scrip dividend:estimated to be at least Eur 0.145/share

[1]*Versus minimum shareholder remuneration of Eur 0.28/share proposed for 2015. Subject to approval at Annual General Meeting (AGM)*
[2]Through the scrip dividend "Iberdrola Dividendo Flexible" program approved by 2016 AGM.

Scrip dividend demand: 68% of total shareholders and 85% of retail

Avoiding shareholder dilution through share buy-back

Creating stable and high quality employment, and contributing to sustainable economic development

2,638 new recruits

288,000 jobs generated worldwide[1]

Training hours per employee: x3 European average[1]

New Corporate Education Campus in Madrid

Employee safety: 58% reduction in incidence rate in the last five years

World's Nº1 utility in 2016 Dow Jones Sustainability Index

31% emission reduction in the last five years

75% emission reduction since 2000[2]

4th worldwide utility by level of investment in R+D+I[1]

Investment **R+D+i**: **Eur 211M**

Tax contribution[3] of **Eur 5,750M** at a global level

[1] According to PwC, based on Iberdrola's activity in 2015, Jobs worldwide include indirect and induced impact
[2] In Europe
[3] Including company due taxes and collected taxes

Iberdrola USA (AVANGRID) results FY 2016 (US GAAP)

Net Income[1]: USD 630 M

Integration and best practices implementation ongoing

5.6% improvement in NOE/Gross Margin ratio

Gross Investments increase 64% to USD 1.9 Bn

Renewables: 5,900MW in operation and 800MW in construction or secured

New York & Connecticut 3-year Rate Cases signed

Annual dividend floor of $1.728/share

[1] In IFRS, Total Net Income attributable to Iberdrola Eur 434 M (+53%)

Good operational performance

Forecast operational evolution

Forecast operational evolution		Outlook 2017 vs FY 2016
Networks	+	- New York rate case full year contribution - New UI Connecticut rate case from January 2017
Generation & Supply	=	- New 717 MW in operation full year - Additional 130 MW to be commissioned during the second half of 2017
Renewables	+	- New 467 MW in operation full year - Additional 1,484 MW to be commissioned during the second half of 2017

Mid single-digit growth at EBITDA and Net Profit level

Analysis of Results

Income Statement / Group

Strong operating results (EBITDA +5.5%) and lower financial expenses drive up Reported Net Profit (+11.7%)

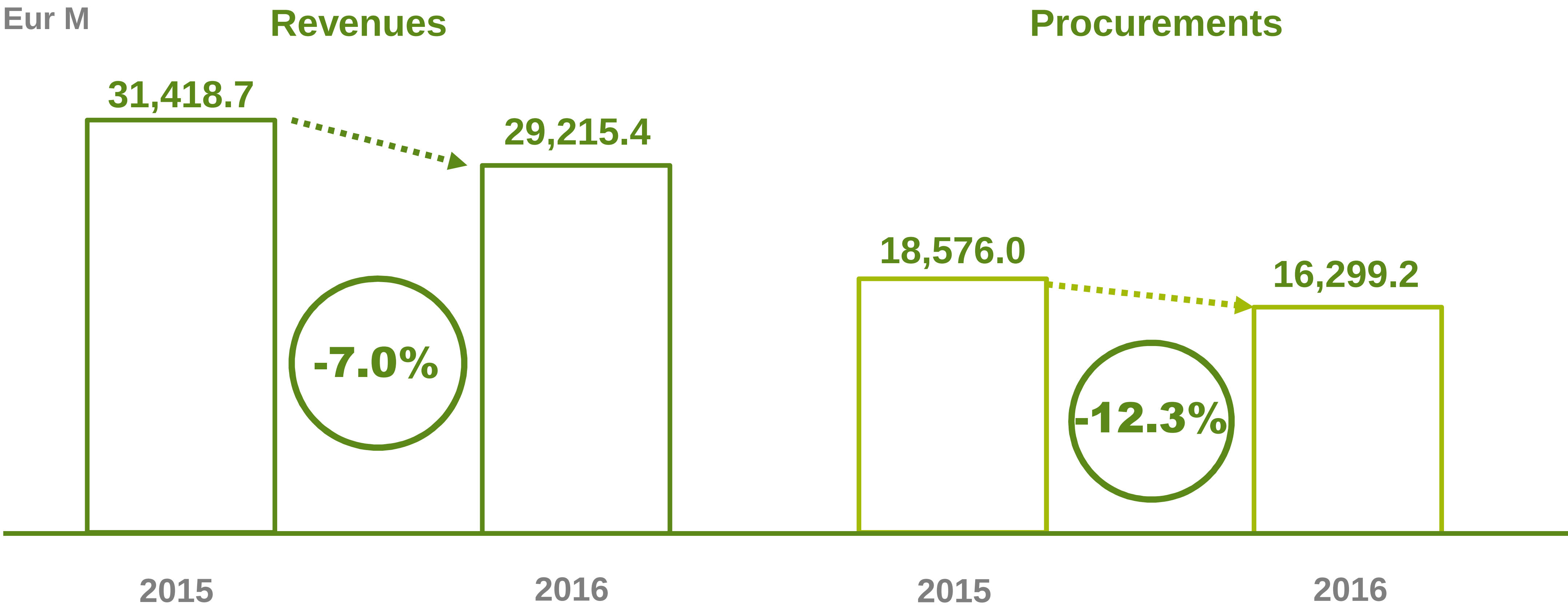
Eur M	2016*	2015*	Var.	%
Revenues	29,215.4	31,418.7	-2,203.3	-7.0
Gross Margin	**12,916.2**	**12,842.7**	**+73.5**	**+0.6**
Net Operating Expenses	-3,571.7	-3,738.8	+167.1	-4.5
Levies	-1,536.7	-1,706.5	+169.7	-9.9
EBITDA	**7,807.7**	**7,397.4**	**+410.3**	**+5.5**
EBIT	4,554.0	3,829.3	+724.7	+18.9
Net Financial Expenses	-903.4	-1,023.1	+119.6	-11.7
Reported Net Profit	**2,705.0**	**2,421.6**	**+283.4**	**+11.7**
Operating Cash Flow *	6,310.8	5,906.7	+404.1	+6.8

** 2016 results include UIL contribution. 2015 results include UIL contribution from 16th of December, 2015 / ** 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*

In 2016, GBP devalued 12.7%, BRL -4.6% and USD flat vs Euro Hedged at Net Profit level

Gross Margin / Group

Gross Margin up 0.6%, to Eur 12,916.2 M,
as UIL consolidation (Eur 770 M) more than compensates fx impact (Eur -339 M)



Revenues -7.0% (Eur 29,215.4 M)
and Procurements -12.3% (Eur -16,299.2 M) due to better generation mix

Net Operating Expenses / Group

Net Operating Expenses fall 4.5% (Eur 167.1 M), to Eur 3,571.7 M, and 6.9% excluding UIL contribution and fx

Eur M

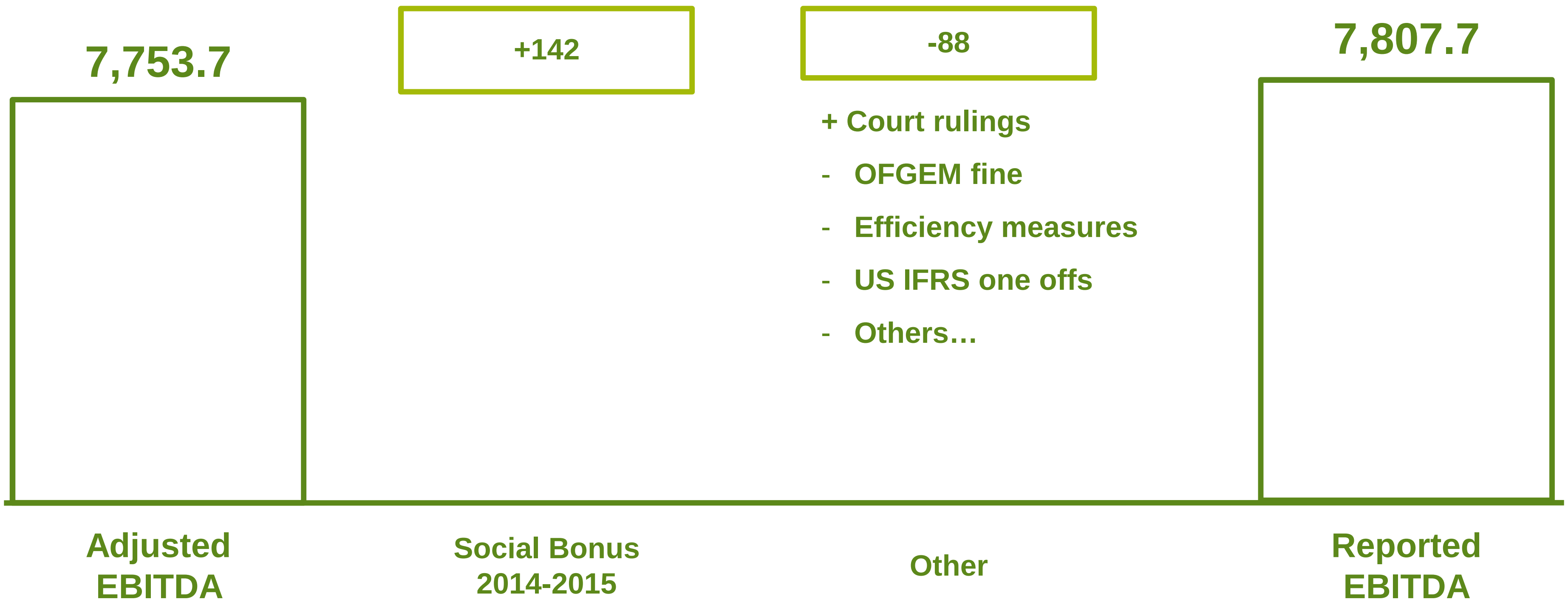
Net Operating Expenses

	2016	2015	% vs 2015	% vs 2015 (ex-UIL and fx impact)	vs 2015 (ex-UIL and fx impact)
Net Personnel Expenses	-1,884.5	-1,933.1	-2.5	-7.5	+143.9
Net External Services	-1,687.3	-1,805.7	-6.6	-6.2	+108.7
Total Net Op. Expenses	**-3,571.7**	**-3,738.8**	**-4.5**	**-6.9**	**+252.6**

Driven by cost control and Longannet closure

EBITDA / Group

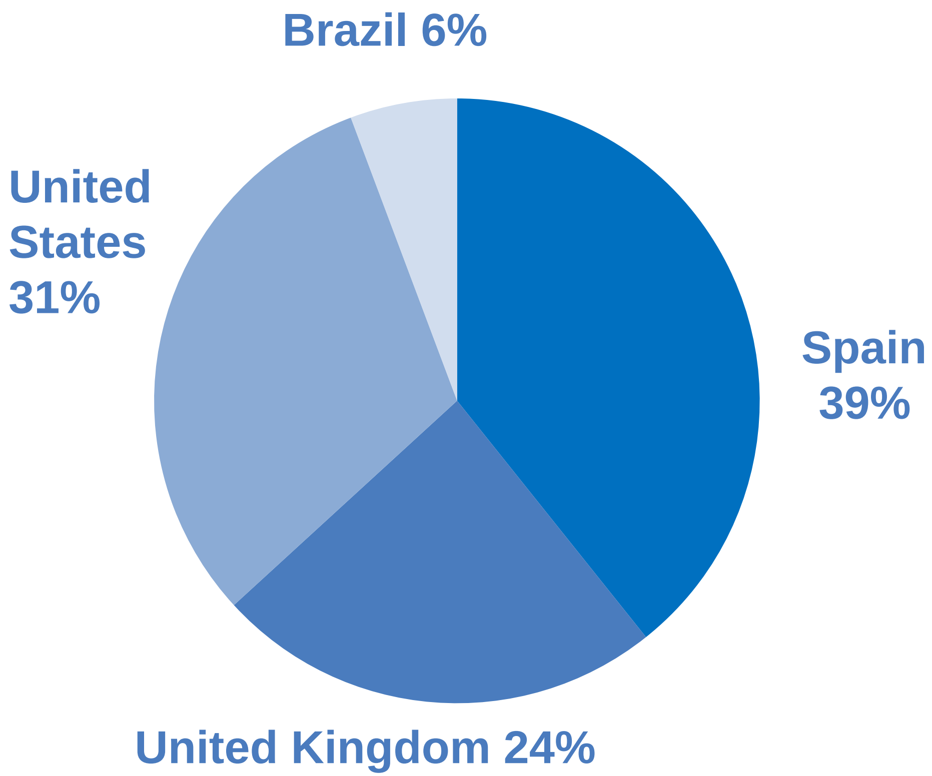
Group EBITDA up 5.5%, to Eur 7,807.7 M …



Positive net impact of Eur 54 M due to reversal of Social Bonus partially offset by other impacts

Networks EBITDA up 12.5% to Eur 4,081.7 M …

EBITDA by Geography (%)



Key Figures (Eur M)

	2016	vs 2015	vs 2015 (%)
Gross Margin	6,160.5	+648.7	+11.8%
Net Op. Exp.	-1,440.8	+55.9	+4.0%
EBITDA	**4,081.7**	**+453.7**	**+12.5%**

… driven by the US and Spain, that compensate weaker performance in UK and Brazil, and currency depreciation (Eur –135 M) in both countries

Results by Business / Networks

Spain

EBITDA Eur 1,603 M (Eur +146 M; +10%), 2.5% remuneration increase under the new framework. Cost control and incentives (Eur +31 M) more than compensate the Eur -33 M impact of 2015 positive settlements

UK

EBITDA GBP 799 M (GBP –27 M; -3%), impacted by revenue profiling as a consequence of the implementation of RIIO-ED1 on April 2015 and delay in planned investments

US

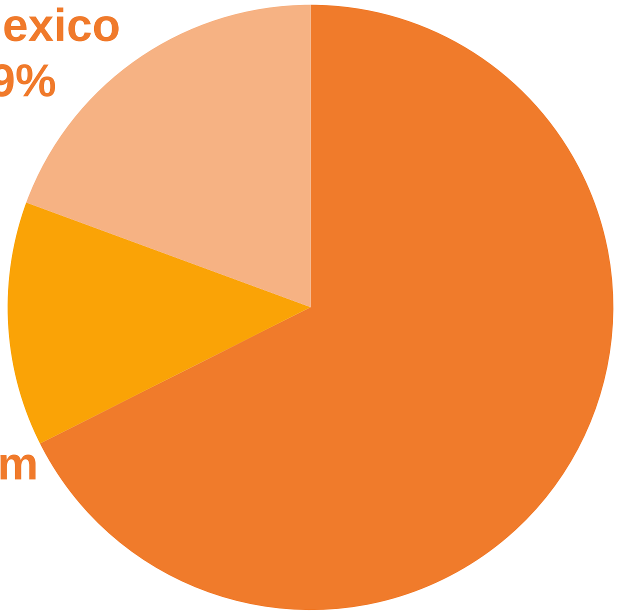
EBITDA USD 1,406 M (USD +539 M; +62%), driven by UIL consolidation (USD +477 M) and better margins

Brazil

EBITDA BRL 899 M (BRL –34 M; -4%), consequence of a 1.4% lower demand and lower tariff due to August 2015 review (-5%), partially compensated by August 2016 tariff review (+9%)

Generation & Supply EBITDA falls 3.0% to Eur 2,253.3 M

EBITDA by Geography (%)



Key figures (Eur M)

	2016	vs 2015	vs 2015 (%)
Gross Margin	4,634.0	-88.9	-4.3%
Net Op. Exp.	-1,504.6	-21.3	-3.9%
EBITDA	**2,253.3**	**-1.6**	**-3.0%**

**Better operating performance in Spain (+1.1%)
is offset by UK, also affected by fx, and weaker performance in Mexico**

Results by Business / Generation and Supply

Spain

EBITDA Eur 1,521 M (Eur +16 M; +1%)

+ Higher output* (+16%) due to increase in hydro (+48%) and nuclear (+5%)
+ Higher Retail activity (volumes and Products & Services)
- Lower Gas results vs 2015 (Eur -74 M)
- Net Operating Expenses (+16%) affected by Eur 103 M of positive non recurring results in 2015
+ Lower Levies due to Eur 117 M of positive impact of Court rulings in 2016 vs Eur 53 M in 2015

UK

EBITDA GBP 240 M (GBP -66 M; -22%)

- *Retail* decreases GBP 92 M driven by higher non energy costs (+13%) and OFGEM ruling on customer compensation
+ *Wholesale & Generation* improves GBP 26 M as lower Net Operating Expenses linked to the closure of Longannet more than compensate lower output and higher Carbon Tax

Mexico

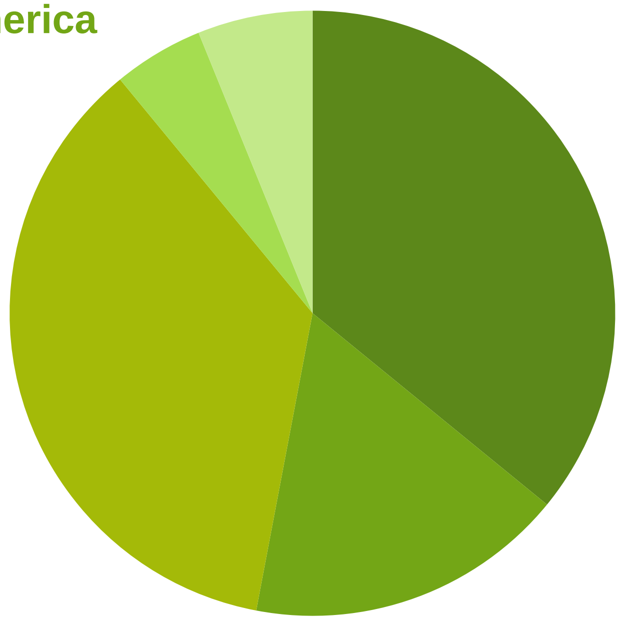
EBITDA USD 483 M (USD –23 M; -5%)

- Lower tariffs to private customers and delays in Monterrey V (300 MW) and Baja California (300 MW), now in operation

** Includes cogeneration*

EBITDA down 8.9%, to Eur 1,500.2 M …

EBITDA by Geography (%)



Key figures (Eur M)

	2016	vs 2015	vs 2015 (%)
Gross Margin	2,179.5	-181.3	-7.7%
Net Op. Exp.	-536.9	+23.0	-4.1%
EBITDA	**1,500.2**	**-147.0**	**-8.9%**

… driven by weaker performance in the UK due to fx and wind conditions (Eur -171 M)

Results by Business / Renewables

Spain

EBITDA Eur 497 M (Eur +24 M; +5%), driven by higher output. Includes Eur +45 M of accounts receivable due to low market prices

UK

EBITDA GBP 219 M (GBP –100 M; -31%), as a consequence of lower output (-17%), lower prices and removal of LECs from Q3 2015

US

EBITDA USD 624 M (USD -10 M; -2%), Recurring result up USD 20 M**,** with better performance due to the increase in output (+5%) partially offset by lower prices (-3%). Non recurring impact of Eur -31 M as a consequence of lower market value of electricity derivatives

Latam

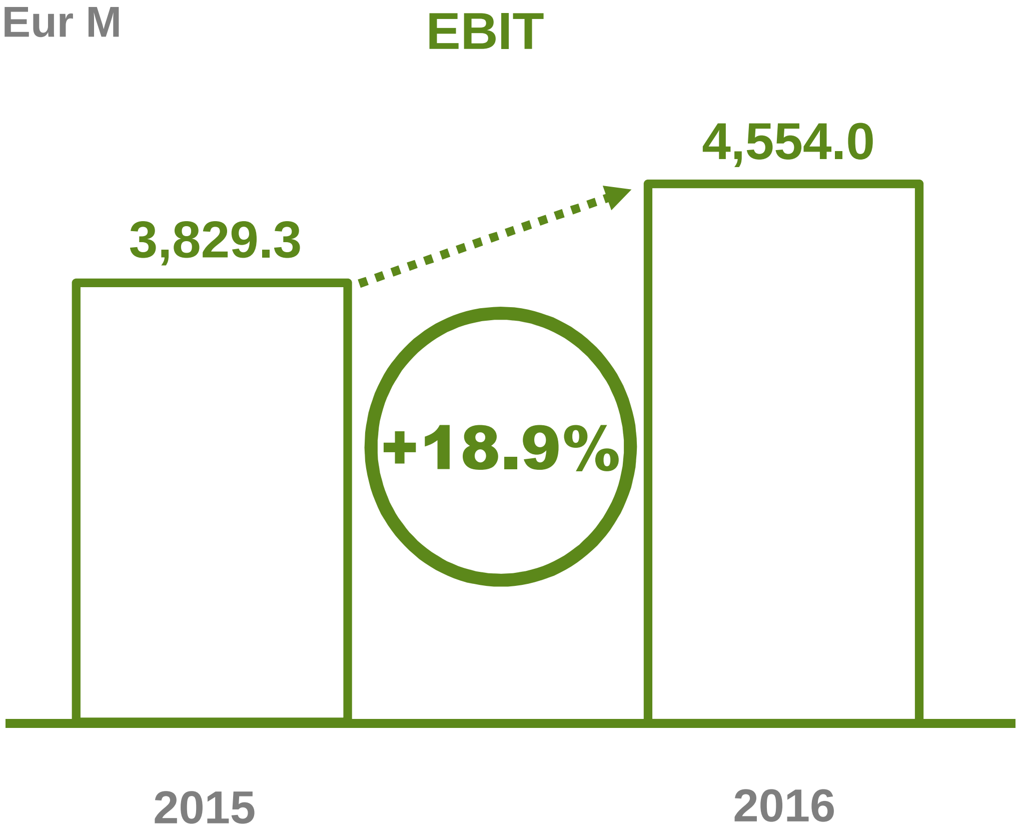
EBITDA EUR 77 M (Eur +7 M; +10%), Mexico improves 21% due to additional capacity and Brazil falls 7% driven by BRL devaluation and higher costs

RoW

EBITDA EUR 95 M (Eur +0.3 M; +0.3%), due to slightly higher prices

Group EBIT totals Eur 4,554.0 M (+18.9%)

Eur M



	2016	2015	2016 vs 2015
D & A	-3,076.0	-3,074.2	-1.8
Provisions	-177.7	-493.9	+316.2
TOTAL	**-3,253.7**	**-3,567.1**	**+314.4**

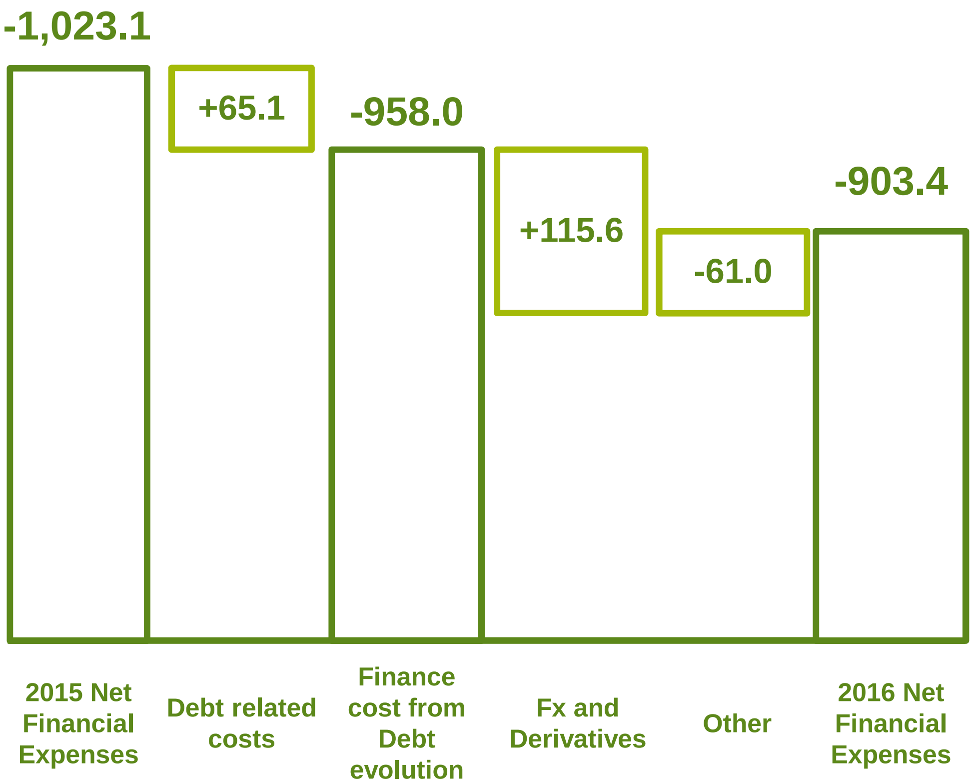
D&A flat, with Longannet closure, renewables life extension and fx compensating UIL consolidation

Provisions decrease 64% due to Longannet impairment accounted for in Q4 2015

Net Financial Expenses / Group

Net Financial Expenses improve 11.7%, to Eur 903.4 M due to gains in derivatives and lower debt-related costs, despite increase in average debt balance

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Cost reduction of 57 bp to 3.49% improves debt result by Eur 65.1 M despite higher average debt (Eur 2.4 bn) due to UIL consolidation and increase in investments
- Fx hedges amount to a MtM Eur +100 M, mainly due to GBP depreciation
- Other: Lower results due to 2015 positive one-offs

3.49% Cost of Debt, which would have been 3.44% if excluding increased cost of bond repurchases in Q4 2106

Net Profit / Group

Reported Net Profit up 11.7%, to Eur 2,705.0 M due to improvement in operating results and lower Financial Expenses …

Eur M

	2016	2015	vs 2015
EBIT	**4,554.0**	**3,829.3**	**+18.9%**
Net Financial Result	-903.4	-1,023.1	-11.7%
Equity and Non Rec. results	+96.8	+180.4	-46.3%
Taxes	-904.6	-527.1	+71.6%
Minorities	-137.9	-38.0	n/a
Reported Net Profit	**2,705.0**	**2,421.6**	**+11.7%**

… despite lower Non Recurring Results and higher taxes: non recurring tax gains of Eur +102 M in 2016 vs Eur +295 M in 2015

Net Debt / Group

Net Debt totals Eur 29,414 M due to Eur 1.05 bn of non recurring payments: the anticipation of renewable investments (Offshore advanced payments and Safe Harbour: Eur +328 M) and one-off tax payments in Spain (Eur +720 M), not affecting the P&L…

… partially compensated by fx positive impact on Debt (Eur -490 M)

Net Debt (Eur M)

29,414

Credit Metrics

Net Debt/EBITDA	3.77x
FFO/Net Debt	21.5%
RCF/Net Debt	18.8%
Leverage	42%

Credit metrics at solid levels

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