Results Presentation

First Quarter

April 26

/ 2017

IBERDROLA

Iberdrola, “utility of the future”

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Highlights of the period

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Net Profit reaches Eur 828 M

EBITDA totals Eur 1,862 M

Net Investments up to Eur 1,016 M

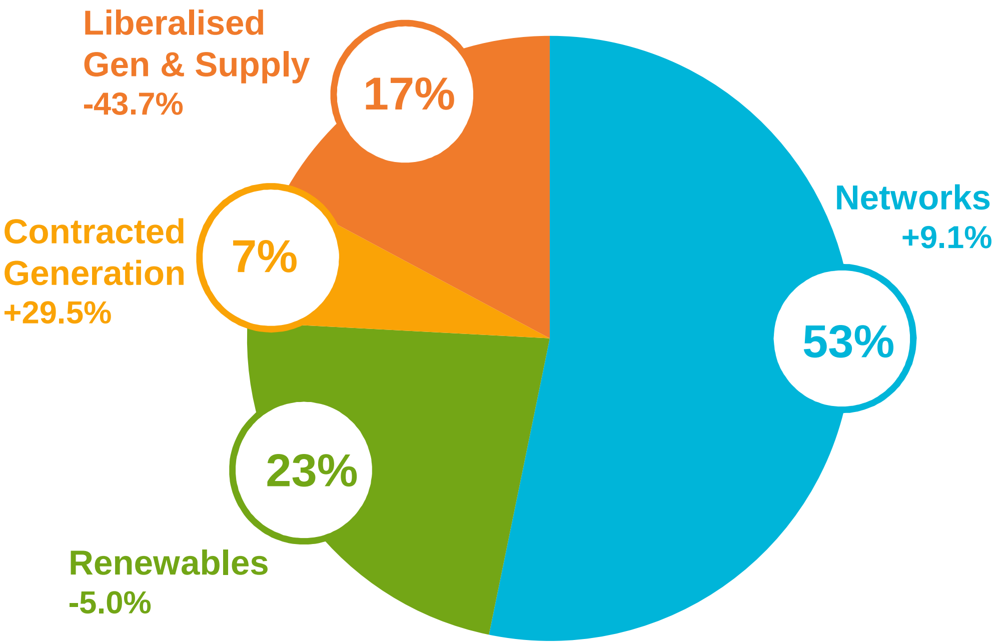
Operating Cash Flow (FFO) of Eur 1,655 M

Gamesa-Siemens Wind merger completed

EBITDA

EBITDA reaches Eur 1,862 M

EBITDA by business



Operating Highlights

Networks

- US: rate cases of New York and Connecticut

Renewables

- Spain: lower output vs exceptionally high 2016

Contracted Generation

- New power plants contribution (+740 MW vs Q1 2016)

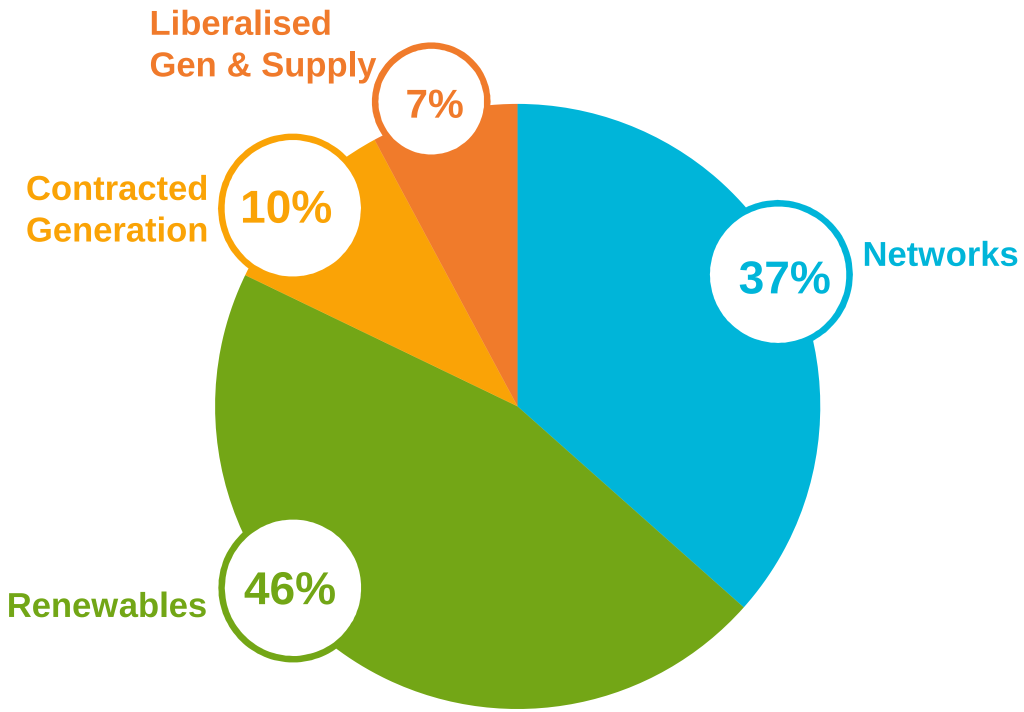
Liberalised Generation and Supply

- Spain: lower hydro production vs exceptionally high 2016
- UK: low prices, higher regulated obligation costs and lower output (Longannet closure)

Net Investments increase 13.4% to Eur 1,016 M

93% in networks, renewables and contracted generation

Investment by business



Commissioning a total of 2,011MW[1]

in renewables and contracted generation during 2017…

[1] Including 150MW to be consolidated as a result of the acquision of Força Eolica do Brasil

2016 – 2020 Plan: capacity in construction

…with a total of almost 6.5GW[1] to be commissioned by 2020…

Capacity in construction/committed – Commissioning date

MW			*Commissioned Q1 2017*	Q2-Q4 2017	2018	2019	2020	Additional capacity
Renewables	Offshore	Germany		350				1,064
		UK				448	266	
	Onshore	USA		534	201			1,546
		UK	*83*	208				
		Mexico				326		
		Brazil	*84*	245[2]				
		Spain			32			
	Solar PV	USA		56	10			336
		Mexico			270			
Contracted generation	Combined cycle	Mexico	*314*	22	879	1,753	766	3,527
	Cogeneration	Mexico		107				
			481	1,522	1,392	2,527	1,032	6,473

…in addition to the 1,298MW put in operation during 2016 and Q1 2017

[1] Excluding Tamega and St Brieuc (expected commissioning post-2020)
[2] Including 150MW to be consolidated as a result of the acquision of FEB

2016 – 2020 Plan: Q1 milestones

Networks

- **UK: Western Link Cable Wales-Scotland (2 GW)** Cable manufacturing and testing in Q1 2017. Expected commissioning in Q4 2017
- **US: Energization** of **GRTA project in NY** (Ginna project) – 2 new large substations and 3 secondary substations (440-115kV) in operation
- **Spain: Smart Grids Project** (STAR) **88% smart meters** installed (+490,000 in Q1)
- **Brazil (Celpe-Neoenergia):** 4th regulatory cycle (April 2017-2021), increasing CELPE results by >50%

Renewables

Offshore

- **Wikinger (350MW): all jackets** and **12 turbines** already **installed.**

  First export in **Q3** and **Full export** in **Q4**

Onshore

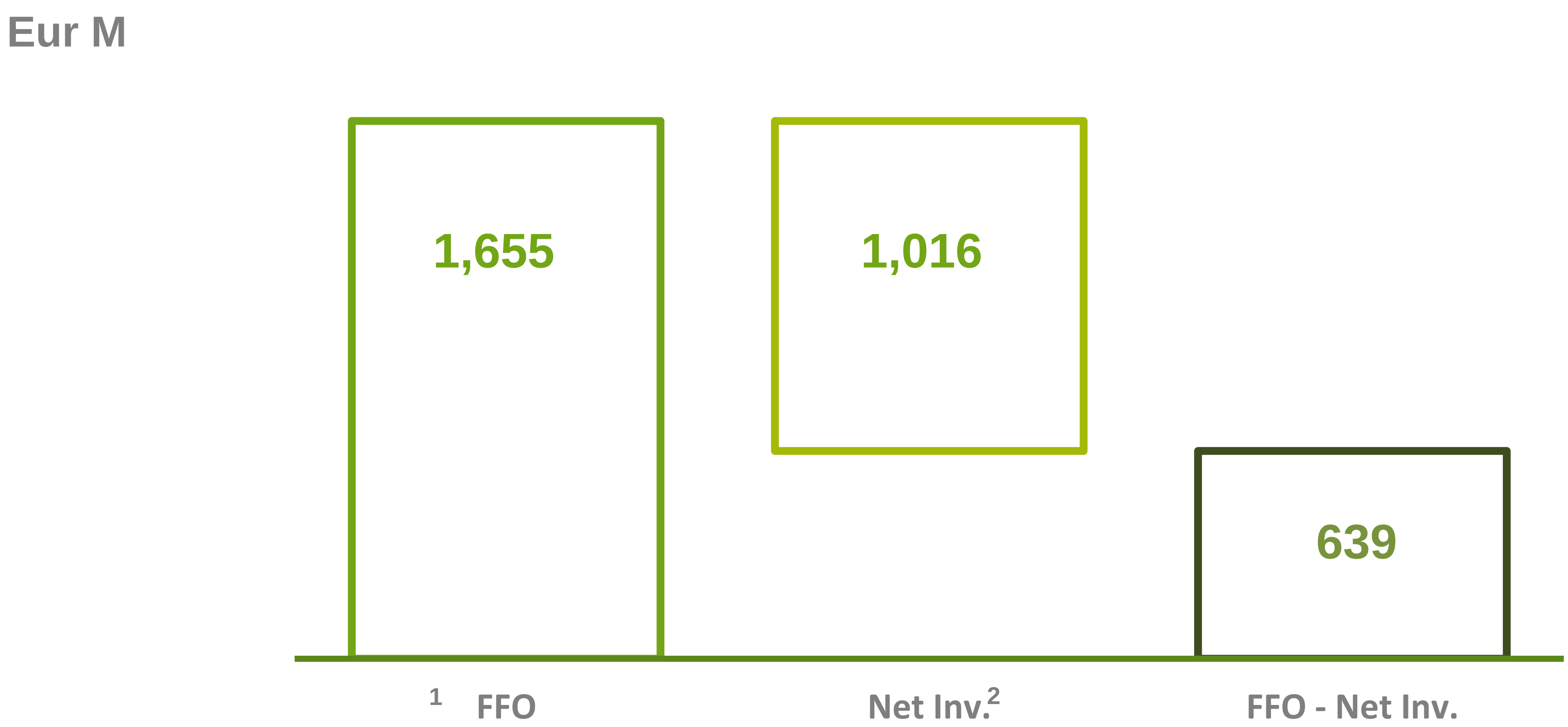
- **UK: 83 MW commissioned** during Q1
- **US: new PPAs** signed for new **Montague (201MW)** and **80MW of Barton** (160MW)
- **Brazil: 84 MW commissioned** during Q1

Contracted Generation Mexico

- **Baja California 3** combined cycle (314 MW) **commissioned** during Q1
- **Awarded** combined cycle **Topolobampo III (766MW)** –to be **commissioned January 2020…**

…to reach over **10 GW installed capacity** by **2020**

Operating Cash Flow (FFO) totals Eur 1,655 M



[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.

AVANGRID results (USD, US GAAP)

AVANGRID's Net Income grows 13% to USD 239 M

Strong performance confirms commitment to deliver 8-10% CAGR through '20

Good business performance in Core businesses

Networks: improving results in NY & Connecticut

Renewables: higher production due to additional installed capacity

Best practices implementation: *Forward 2020* Plan

1st quarter dividend of $0.432/share paid on April 3, 2017
2nd quarter dividend of $0.432/share declared by Board, payable July

2017 Total Shareholder Return of AVANGRID >15%, more than doubling that of S&P 500 Utilities

Other milestones

Annual General Meeting

- ✓ **Quorum of 77.2%**
- ✓ **Average support of over 99% for all the items on the Agenda**

Dividend

- ✓ The Board of Directors has approved (25th April 2016) **Execution in July of scrip dividend program of at least Eur 0.145 per share + Eur 0.03 per share in cash to reach an annual shareholder remuneration of Eur 0.31 per share (+11%)**
- ✓ **Execution of share buy-back program, to maintain the number of shares at 6,240 M and avoid dilution**

Analysis of Results

Income Statement / Group

Q1 EBITDA -8.2% and Net Profit -4.7%, to recover during 2017
Operating Cash Flow down 2.4%

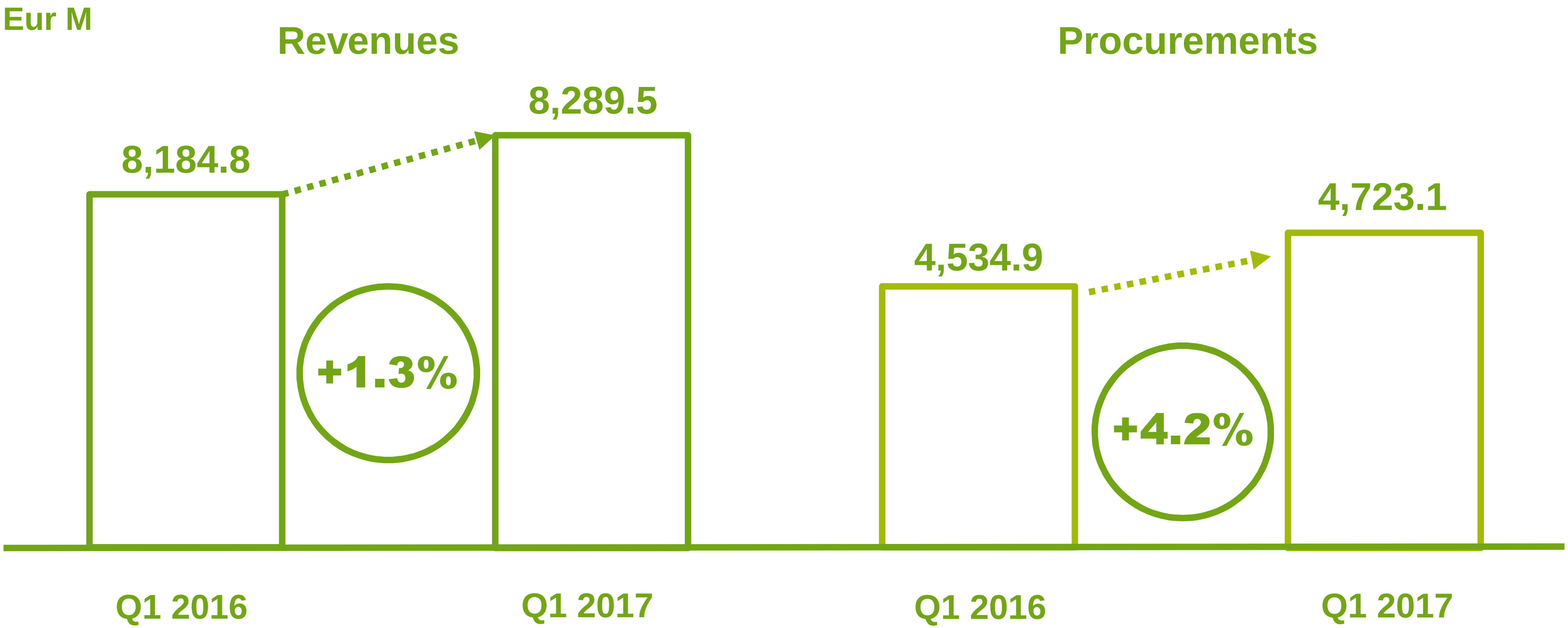
Eur M	Q1 2017	Q1 2016*	Var.	%
Revenues	8,289.5	8,184.8	+104.7	+1.3
Gross Margin	3,566.4	3,649.9	-83.5	-2.3
Net Operating Expenses	-940.9	-931.4	-9.5	+1.0
Levies	-763.9	-691.5	-72.4	+10.5
EBITDA	**1,861.6**	**2,027.1**	**-165.5**	**-8.2**
EBIT	1,027.0	1,249.5	-222.4	-17.8
Net Financial Expenses	-205.9	-140.1	-65.8	+47.0
Reported Net Profit	**827.6**	**868.7**	**-41.1**	**-4.7**
Operating Cash Flow **	1,654.7	1,695.9	-41.2	-2.4

** Q1 2016 re-stated due to the change in the accounting treatment of subsidies. Eur 19 M of higher EBITDA compensated at Depreciation and Amortization. No impact at Net Profit level.*
***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*

Limited fx impact as USD and BRL almost compensate lower GBP (EBITDA Eur -2 M; Net Profit Eur -31M)

Gross Margin / Group

Gross Margin falls 2.3%, to Eur 3,566.4 M …



… as Revenues +1.3% (Eur 8,289.5 M)
and Procurements +4.2% (Eur -4,723.1 M) due to higher input costs

Net Operating Expenses / Group

Net Operating Expenses up 1.0%, to Eur 940.9 M
Excluding non recurring impacts and fx, Net Operating Expenses improve 0.3%

Eur M

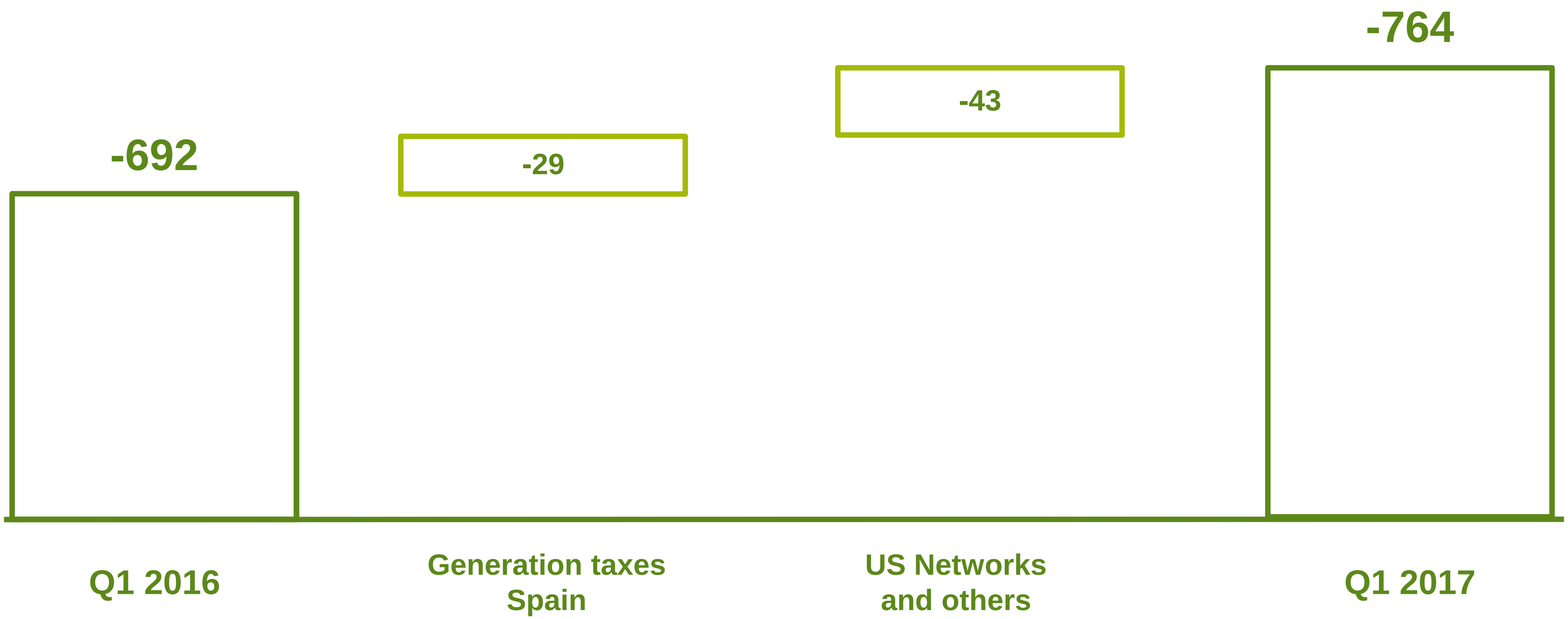
Net Operating Expenses

	Q1 2017	Q1 2016	% vs Q1 '16	% vs Q1 '16 (ex non recurring and fx)
Net Personnel Expenses	-493.2	-511.2	-3.5	-5.1
Net External Services	-447.7	-420.2	+6.5	+4.8
Total Net Op. Expenses	**-940.9**	**-931.4**	**+1.0**	**-0.3**

… due to cost control

Levies / Group

Levies up 10.5%, to Eur 763.9 M, as a consequence of …

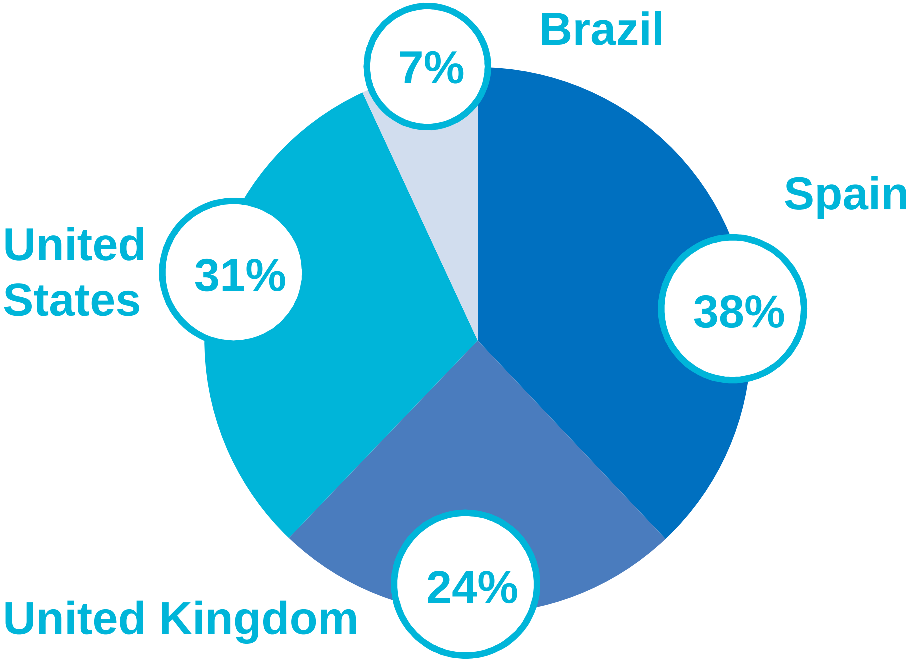


… higher generation taxes in Spain, linked to energy price and nuclear output increase, and higher taxes in Networks US, affected additionally by seasonality

Results by Business / Networks

Networks EBITDA up 9.1% to Eur 1,020.9 M …

EBITDA by Geography (%)



Key figures (Eur M)

	Q1 2017	vs Q1 '16	vs Q1 '16 (%)
Gross Margin	1,737.1	+101.8	+6.2%
Net Op. Exp.	-387.8	+26.0	-6.3%
Levies	-328.5	-42.6	+14.9%
EBITDA	1,020.9	+85.2	+9.1%

… as the good operational performance in US and Brazil more than compensates the results in the UK

Results by Business / Networks

Spain

EBITDA Eur 387.4 M (Eur -1.8 M; -0.5%), due to lower investments recognized in Q1 2017 vs Q1 2016

UK

EBITDA GBP 210.5 M (GBP -12.4 M; -5.6%), due to lower energy distributed and settlements of previous years

US

EBITDA USD 335.4 M (USD +107.2 M; +46.9%), driven by the implementation of new rate cases and positive IFRS impacts to be adjusted during the year.
NY tariff to be increased in May 2017 by ~4.5%

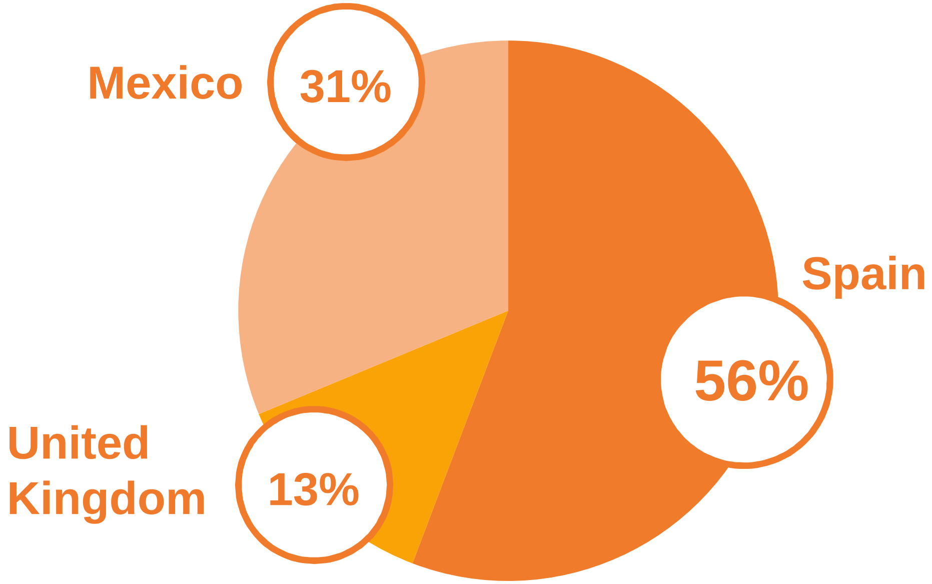
Brazil

EBITDA BRL 235.8 M (BRL +14.7 M; +6.7%), with higher energy distributed (+1.8%) and Elektro's annual tariff revision in August 2016

Results by Business / Generation and Supply

Generation & Supply EBITDA falls 32.0% to Eur 436.3 M …

EBITDA by Geography (%)



Key figures (Eur M)

	Q1 2017	vs Q1 '16	vs Q1 '16 (%)
Gross Margin	1,171.7	-172.3	-12.8%
Net Op. Exp.	-386.4	+15.2	-3.8%
Levies	-349.0	-47.8	+15.9%
EBITDA	436.3	-204.9	-32.0%

… as a consequence of the adverse operating situation in the UK during Q1, weather conditions and higher Levies in Spain, that will recover during the year

Results by Business / Generation and Supply

Spain

EBITDA Eur 238.4 M (Eur -58.2 M; -19.6%)

- Lower output* (-6.1%) due to decrease in hydro (-41%) after an exceptional Q1'16. Impact will be diluted during the year
- Lower Gas results vs Q1 2016 (Eur -11 M) due to higher procurement costs
- Higher Levies Eur 52 M (+21.1%) affected by increase in generation taxes: higher power prices and nuclear output. This increase will moderate as prices normalise during the year
- Higher Retail activity (volumes and Products & Services)

Mexico

EBITDA USD 141.9 M (USD +28.8 M; +25.4%)

- Higher results due to additional capacity in operation:
  - CFE: Baja California CCGT (314MW) (COD Q1 2017)
  - Private customers: Monterrey V CCGT (300MW), Ramos cogeneration (56MW) and repowering (73 MW) (COD during 2016)
- Higher CFE tariff as oil prices have recovered from Q1 2016 lows

** Includes cogeneration*

Results by Business / Generation and Supply

EBITDA GBP 47.2 M (GBP -126.3 M; -72.8%)

UK

- *Wholesale & Generation* decreases GBP 45 M as a consequence of lower output (-47.5%) due to Longannet closure (GBP -29 M, as Q1 was historically the strongest quarter in terms of results contribution)
- *Retail* decreases GBP 81 M:
  - Power: Lower demand, Government Obligations and margin compression
  - Gas : Lower margins and volumes

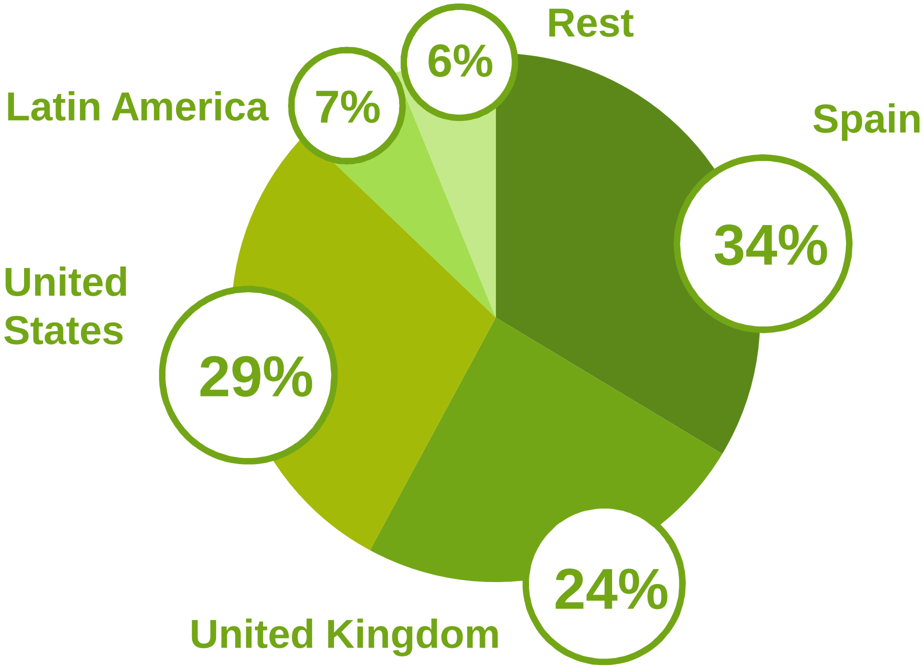
Performance of the business will improve in the year due to:

- ✓ Longannet closure in March 2016 will dilute the full year impact
- ✓ Improvement in margins due to tariff increase (10.8% elect., 4.7% gas), effective from April 2017
- ✓ Efficiency measures underway

Results by Business / Renewables

EBITDA down 5.0%, to Eur 434.0 M …

EBITDA by Geography (%)



Key figures (Eur M)

	Q1 2017	vs Q1 '16	vs Q1 '16 (%)
Gross Margin	655.0	+7.6	+1.2%
Net Op. Exp.	-141.6	-30.8	+27.9%
Levies	-79.3	+0.4	-0.5%
EBITDA	434.0	-28.8	-5.0%

… mainly driven by lower wind resource in Spain

Results by Business / Renewables

Spain

EBITDA Eur 145.9 M (Eur -28.4 M; -16.3%), due to lower output (-17.3%), after an exceptional Q1 2016 that normalised thereafter

UK

EBITDA GBP 89.8 M (GBP +6.0 M; +7.2%), higher output (26.8%) due to increase in average capacity (+16.2%, +229 MW) drove Gross Margin +22%. NOE increase GBP -15 M due to GBP -12 M non recurring results, that will improve during the year

US

EBITDA USD 134.9 M (USD +3.7 M; +2.8%), due to output increase (+3.9%), in line with additional capacity installed (+208MW Amazon wind farm) and MtM of merchant prices hedges, driving Gross Margin up 9%. NOE up USD -16 M (USD -12 M of which are non recurring)

Latam

EBITDA EUR 29.1 M (Eur +4.6 M; +18.9%), mainly as a consequence of higher prices and revaluation of the BRL

RoW

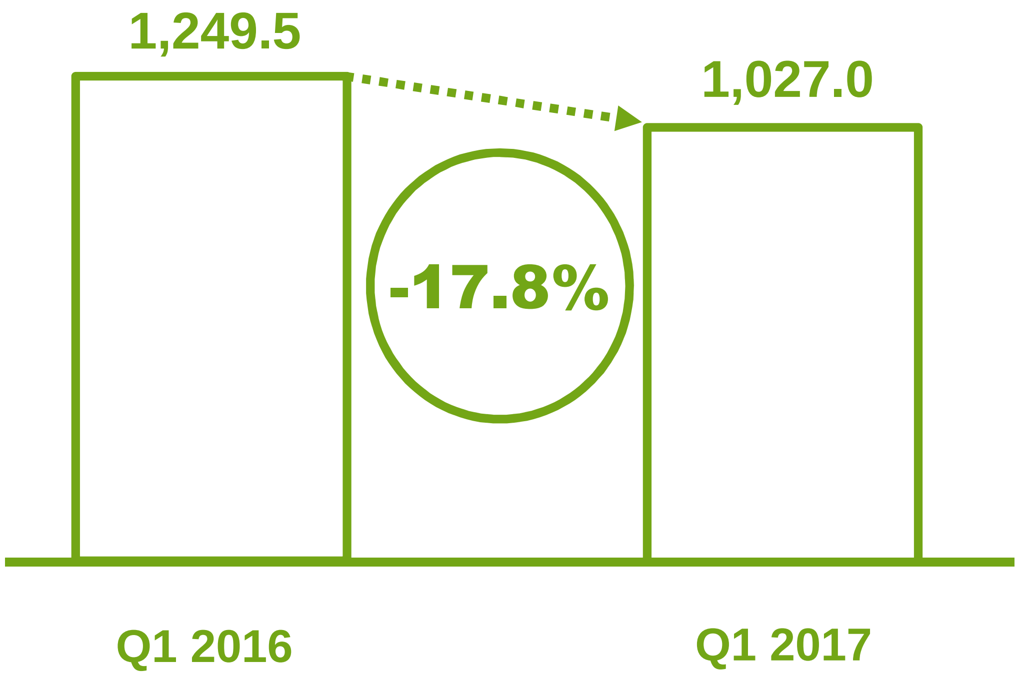
EBITDA EUR 26.7 M (Eur -3.3 M; -11.0%) due to lower output

EBIT / Group

Group EBIT totals Eur 1,027.0 M (-17.8%), …

Eur M

EBIT



	Q1 2017	Q1 2016	Q1 '17 vs Q1 '16
D & A	-779.5	-726.7	-52.9
Provisions	-55.1	-50.9	-4.1
TOTAL	**-834.6**	**-777.6**	**-57.0**

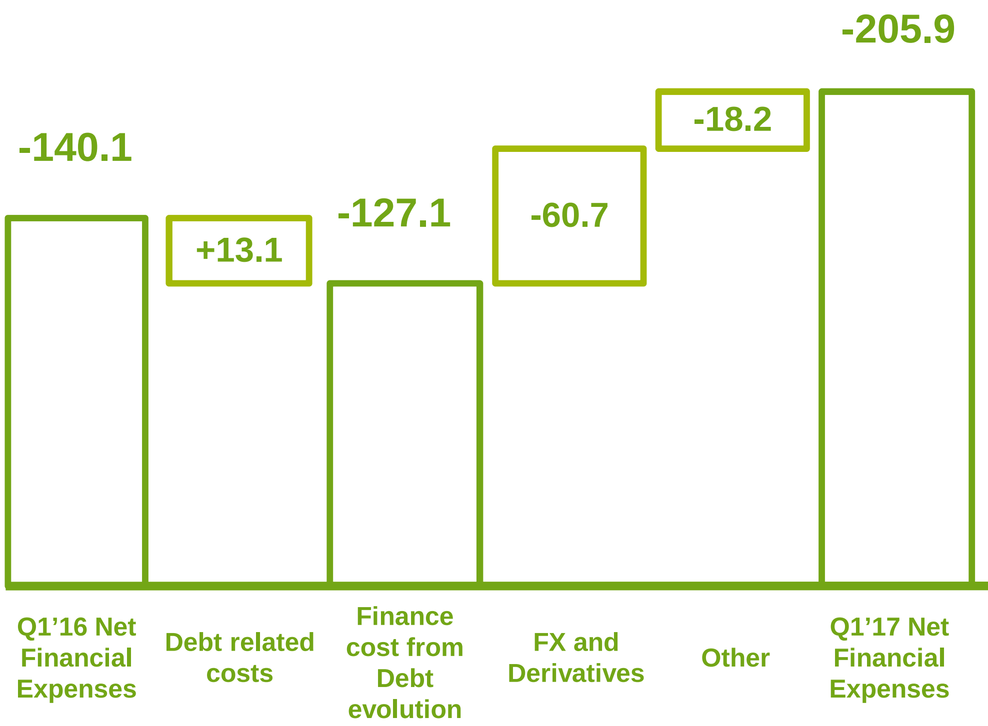
… with D&A +7.3% due to change to 23 years amortization in Networks Spain* according to new regulation, to be adjusted during the year, and additional investments

** Change in place from June 2016 for assets in operation before 31/12/2014. 40 years for the rest*

Net Financial Expenses / Group

Impact of 2016 positive FX hedges drives Net Financial Expenses up Eur -65.8 M, to Eur 205.9 M

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Cost reduction of 42 bp, to 3.13%, improves Debt expense by Eur 13.1 M despite higher Debt average balance (Eur 2.3 bn) driven by increased investments
- Eur -60 M impact mainly due to positive results of GBP hedges accounted for in Q1 2016

Debt-related expenses improve (Eur +13.1 M) due to 42 bp lower cost of debt (down to 3.13% in Q1'17), despite 8% higher Debt average balance

Net Profit / Group

Reported Net Profit falls 4.7%, to Eur 827.6 M, due to lower operating results partially compensated by …

Eur M	Q1 2017	Q1 2016	vs Q1 2016
EBIT	**1,027.0**	**1,249.5**	**-17.8%**
Net Financial Result	-205.9	-140.1	+47.0
Equity and Non Rec. results	+284.8	+39.1	n/a
Taxes	-250.1	-254.3	-1.7%
Minorities	-27.6	-25.5	+8.2%
Reported Net Profit	**827.6**	**868.7**	**-4.7%**

… Eur 255 M net after taxes positive result of the Gamesa merger, out of which, Eur 198 M are cash

Financing

Net Debt / Group

Net Debt totals Eur 29,760 M, increasing Eur 350 M from Dec 2016

Net Debt (Eur M)

29,760*

Credit Metrics

Net Debt/EBITDA	3.89x
FFO/Net Debt	21.1%
RCF/Net Debt	18.9%
Leverage	42.1%

Q1 credit metrics affected by lower results in the period but will reach the targets at year end due to earnings recovery

** Not including Gamesa special dividend*

Financing / Liquidity and Debt Maturity

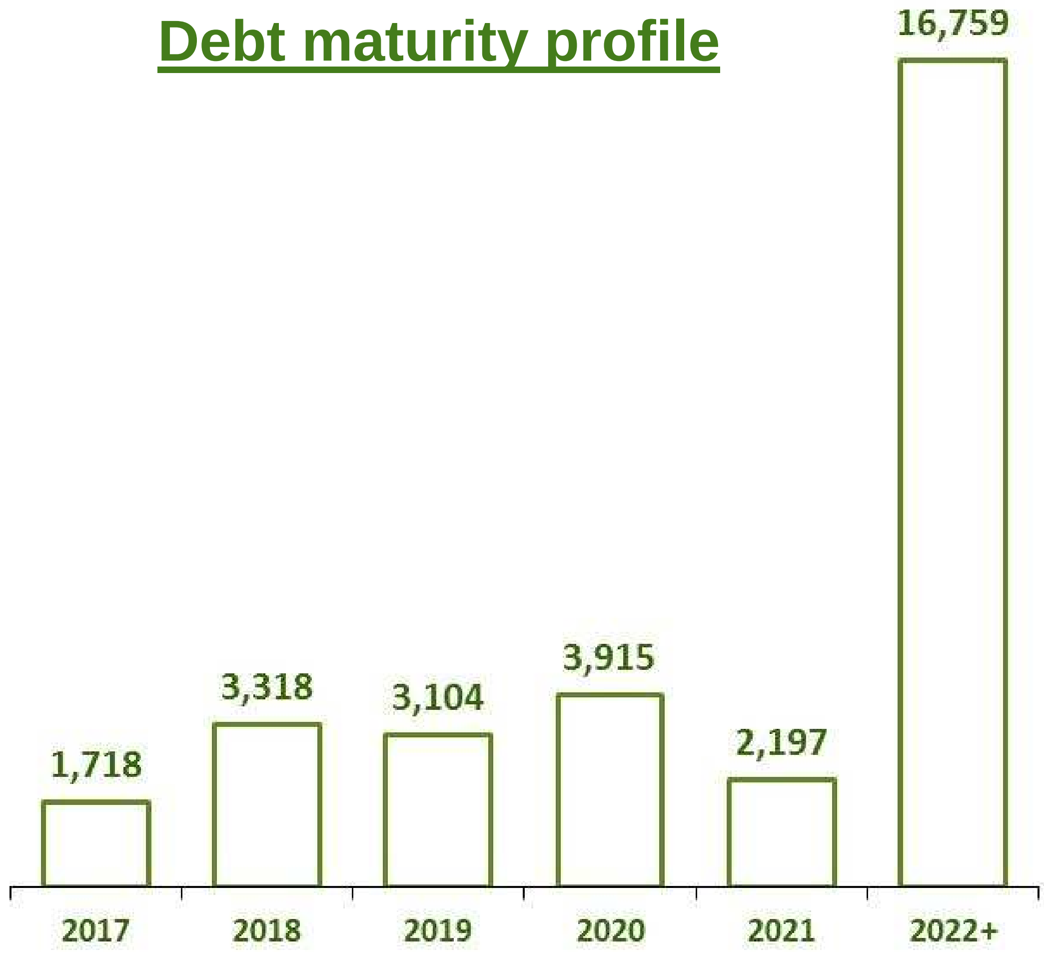
Strong liquidity position covering 20 months of financing needs in stressed scenario

Liquidity and Average Maturity

Total adjusted Liquidity: Eur 8,493 M

Average Debt maturity: 6.4 years

Debt maturity profile



Conclusions

2017 Guidance

The positive impacts of the following three quarters...

Networks

- ✓ **Full Year Rate Cases Connecticut and NY (additional tariff increase from May 2017)**
- ✓ **Brazil: CELPE 4th regulatory cycle and tariff increase for Coelba and Cosern (from 22nd April)**

Renewables

- ✓ **+1.393 MW[1] to be installed** during **next 3 quarters**
- ✓ **Normalization of wind conditions** (exceptionally high Q1 2016)

Contracted Generation

- ✓ **+129 MW to be installed** during **next 3 quarters**
- ✓ **Mexico CFE tariff increase (+18% vs 2016)**

Liberalised Generation and Supply

- ✓ **Output normalization vs 2016** (Longannet closure Q1 2016)
- ✓ **UK retail:** effect of **tariff increase** from **April**

Additional measures

- ✓ **Best practices implementation in US: *Forward 2020* Plan**
- ✓ **Efficiency measures** in **UK**

[1] Including 150MW to be consolidated as a result of the acquision of Força Eolica do Brasil

…lead to 2017 outlook of mid single-digit growth

Forecast operational evolution

Networks	+
Renewables	+
Contracted Generation	+
Liberalised Generation & Supply	-

New shareholder remuneration program

New “Iberdrola Dividendo Flexible” (Scrip dividend)

***Scrip dividend:** historically high demand*

A
Sell rights in stock market

B
Receive new shares

In response to some institutional investor needs…

C
Cash dividend
New

…substituting the sale of rights to Iberdrola at guaranteed price

Maintaining…

✓ **…share buy-back program to avoid dilution**

✓ **…two periods of payment: interim and supplementary shareholder remuneration**

Subject to approval at Shareholders’ General Meeting

Annex

Scrip dividend: Estimated calendar*

25 APRIL
- Board Agreement for the execution of the second capital increase
- Relevant fact

26, 27, 28, 29 & 30 JUNE
Closing prices considered for determining the average price used to calculate number of rights

3 JULY
-Chairman and CEO make the calculation for the capital increase and execution
-Publication of the number of rights/share and commitment price to acquire rights by IBE

4 JULY
- Announcement in BORME of capital increase
- Last day to purchase shares and participate in scrip and cash dividend

5 JULY
-Commencement of the trading period
-Ex date (scrip and cash dividend)
- Commencement of the right-purchase commitment

Trading period

7 JULY
Payment of dividend in cash

14 JULY
Last date to request remuneration in cash (sale of rights to IBE)

19 JULY
End of the trading period

21 JULY
Payment of cash for the sale of rights

28 JULY
Commencement of the ordinary trading of the new shares

(*) Estimated calendar approved by Iberclear

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