

Results Presentation



Nine months

November 7

/ 2017

Iberdrola, “utility of the future”

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Highlights of the period

Highlights of the period

Net Profit reaches Eur 2,417 M (+18.4%)...

Good business performance in networks and renewables

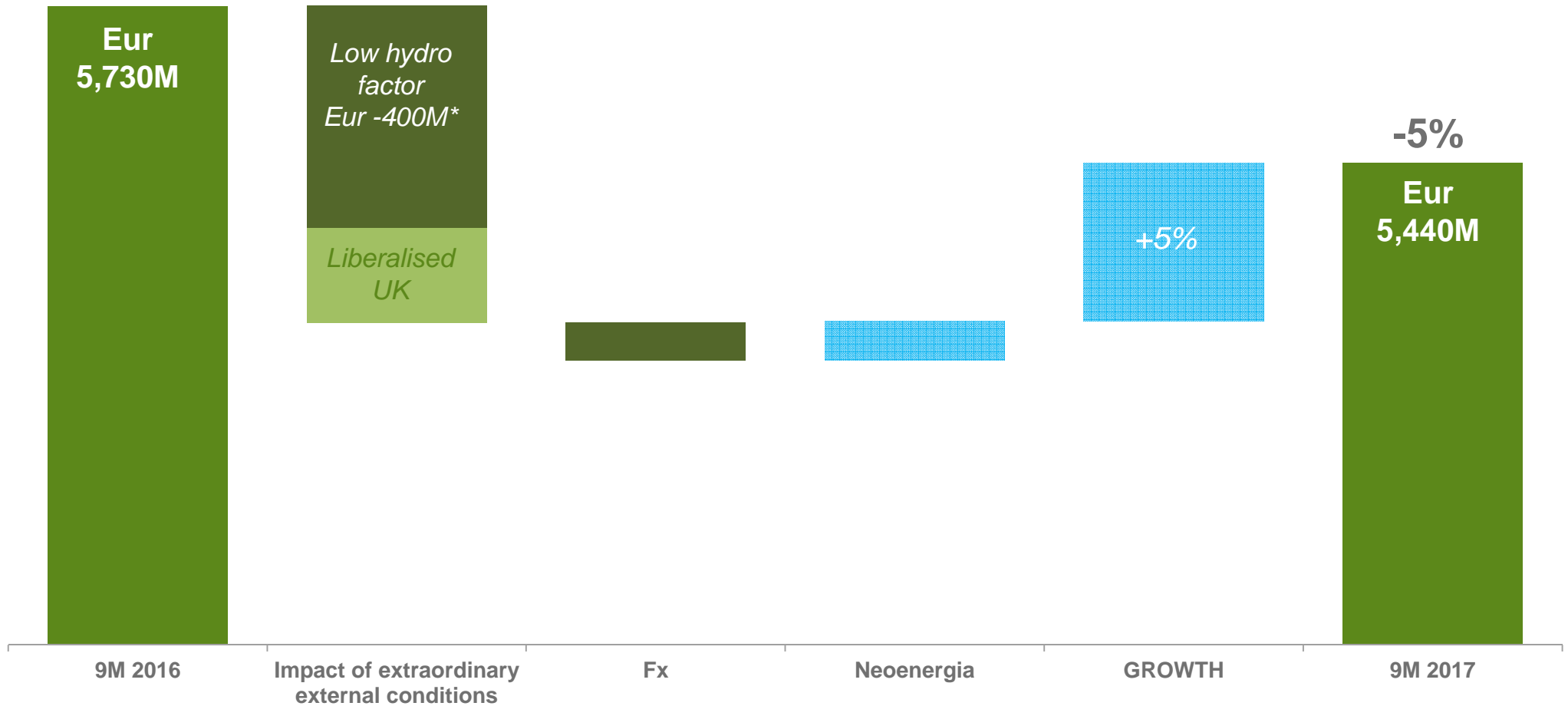
Results affected mainly by lower output in Spain

**Company resilience and international diversification
allows to compensate negative effects**

**...And net investments increase 31.5% to Eur 4 Bn
to drive future growth**

2017 EBITDA

Increasing results from new investments
partially compensate negative extraordinary impacts...

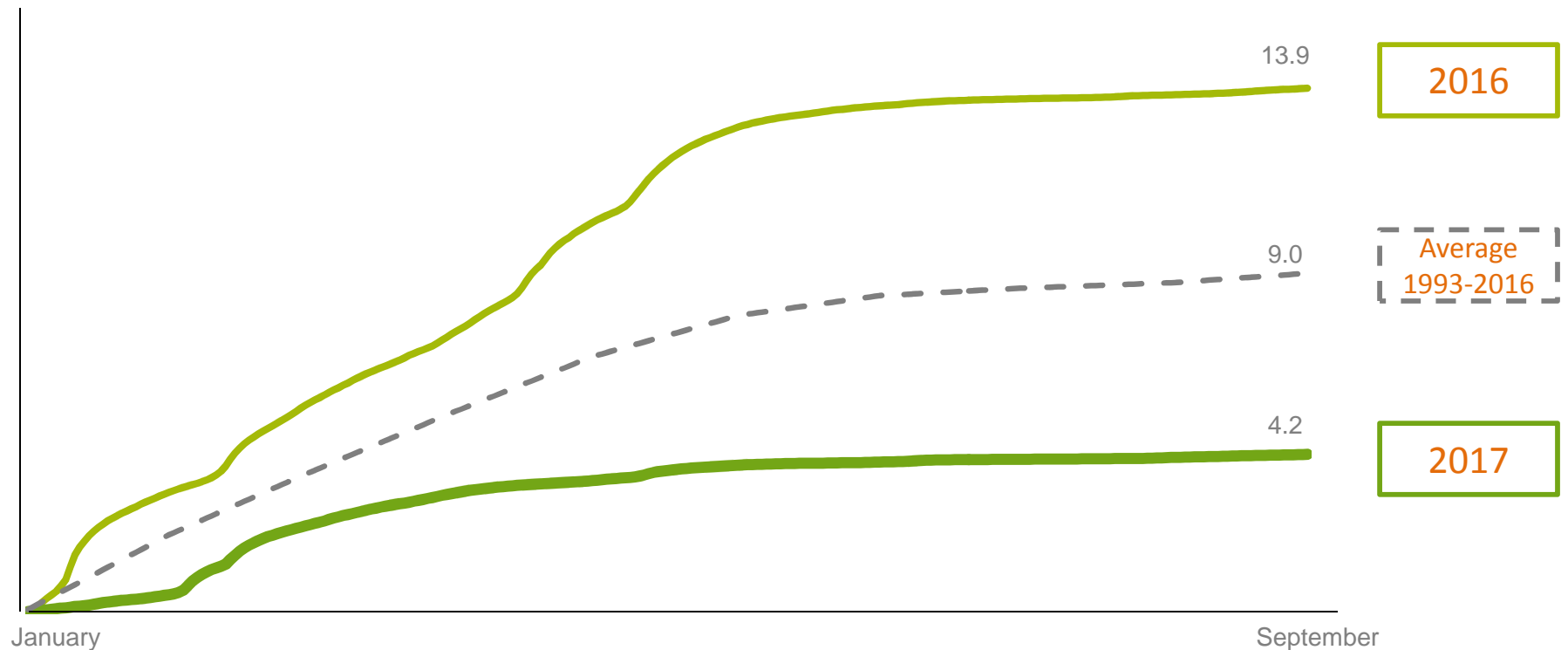


*Includes low hydro factor and higher cost of energy mix



...such as the low hydro factor in Spain...

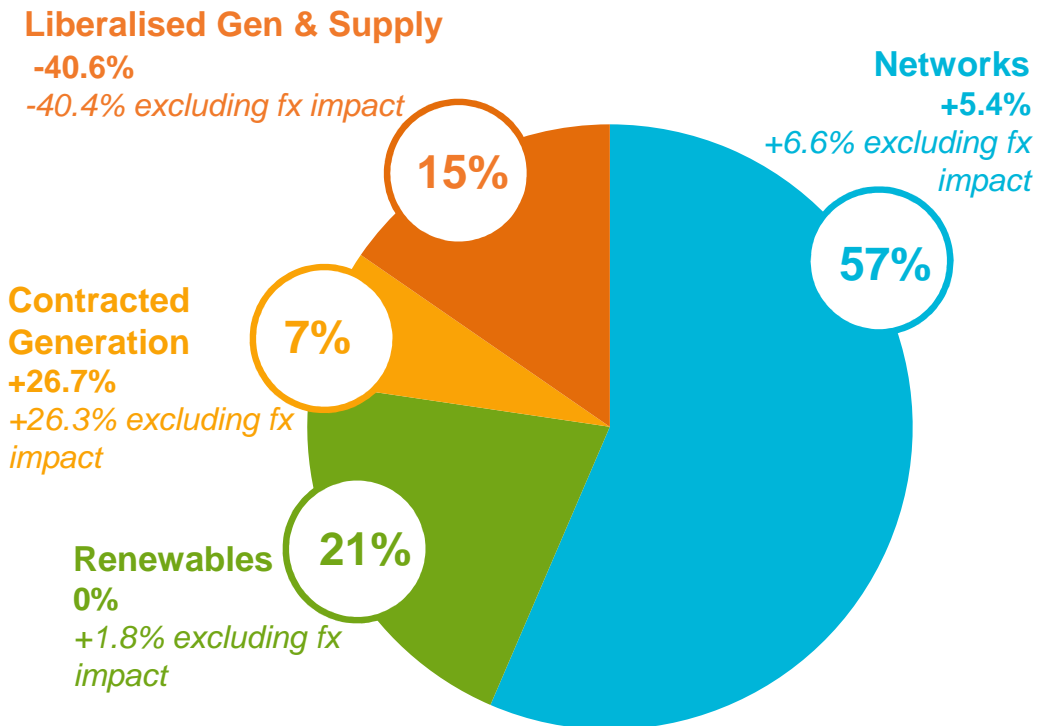
Iberdrola daily accumulated producible energy in Spain (TWh)



...resulting in 8.8 TWh lower hydro output compared to the same period of 2016

EBITDA reaches Eur 5,440 M

EBITDA by business



Operating Highlights

Networks



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

Renewables



- UK: higher output and new capacity, negatively affected by foreign exchange.

Contracted Generation Mexico



- Contribution of new capacity in operation

Liberalised Generation and Supply



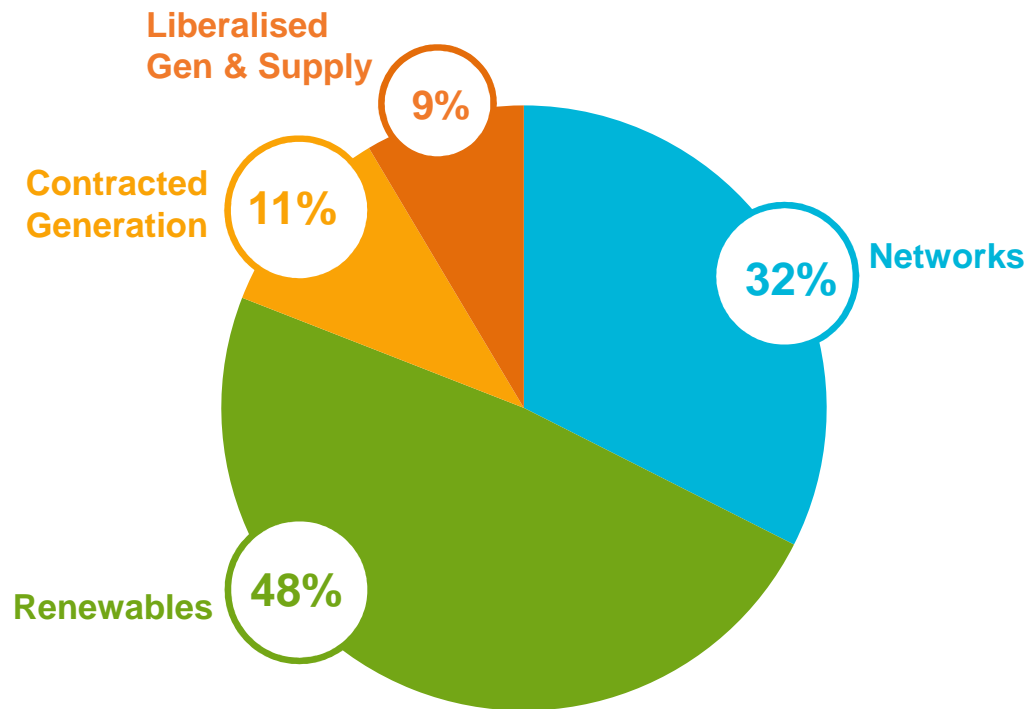
- Spain: exceptionally low hydro output.
- UK: lower demand and lower margin.

Net Investments

Net Investments increase 31.5% to Eur 3,997 M

91% in networks, renewables and contracted generation

Investment by business









77% of total investments allocated to growth





Net investments

Almost 7.4GW to be commissioned by 2020 (2.7GW by 2018)...

Capacity in construction/committed – Commissioning date

MW			Q4 2017-2018	2019	2020	Additional capacity
Renewables	Offshore		350	448 <i>(mostly in 4Q)</i>	266	1,064
	Onshore		522	792 <i>(mostly in 4Q)</i>	97	1,412
	Solar PV		336			336
	Hydro		428	489	61	978
Contracted generation	Combined cycle		945	1,753	766	3,571
	Cogeneration		107			
			2,689	3,482	1,190	7,361

Networks: investment driven by regulatory frameworks

- NYSEG & RGE (NY) & UI (CT): up to 2019 
- Southern Connecticut Gas: from 2018 to 2020
- Elektro: up to 2019 
- Celpe: up to 2021
- Coelba: from 2018 to 2022
- Cosern: from 2018 to 2022
- RIIO T1: up to 2021
- RIIO ED1: up to 2023 
- Distribution: up to 2020 

...and increasing investments in networks, secured by stable frameworks



The UK power market needs to incentivise investments further

Retail:

Government needs to decide between market or regulated tariff

Renewables:

Continue competitive auctions

Back up capacity:

Need to **improve design of capacity mechanisms** to incentivise investments in new power plants

Networks:

Encourage efficiency through incentives and saving sharing mechanisms



AVANGRID's Adjusted Net Profit grows 14% to USD 494 M and 2017 Outlook is reaffirmed

Executing 2020 Plan

- 9M investment increases by 39% to USD 1.6B
- Executed 487 MW of new wind PPAs 9M, including 86 MW in 3Q
- Filed rate settlement for Southern Connecticut Gas

2017 Total Shareholder Return >38%



EBITDA in Mexico increases 23% in the period to USD 480 M (Eur 430 M)



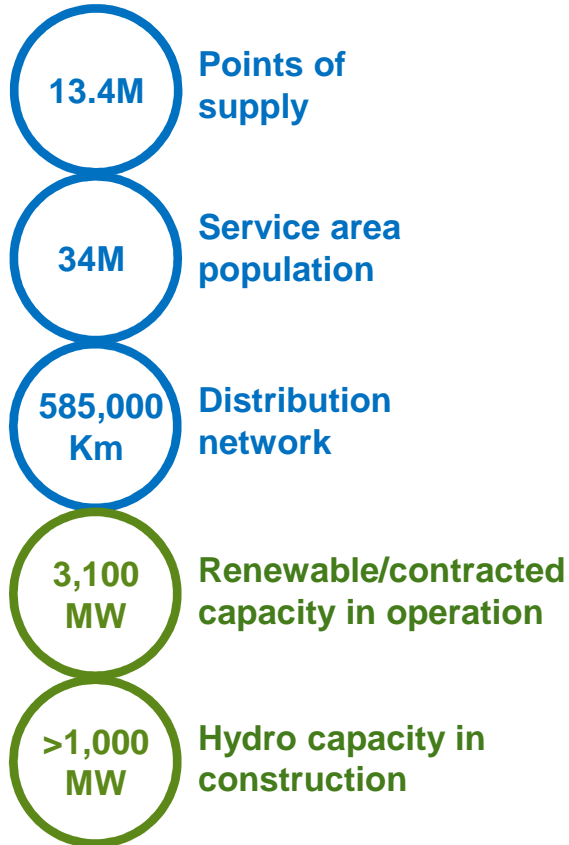
	Operation (MW)	Construction (MW)
Combined cycles	5,553	3,464
Cogeneration	237	107
Onshore wind	367	326
Solar PV	0	270
	6,157	4,167

**By 2020:
10,324 MW**

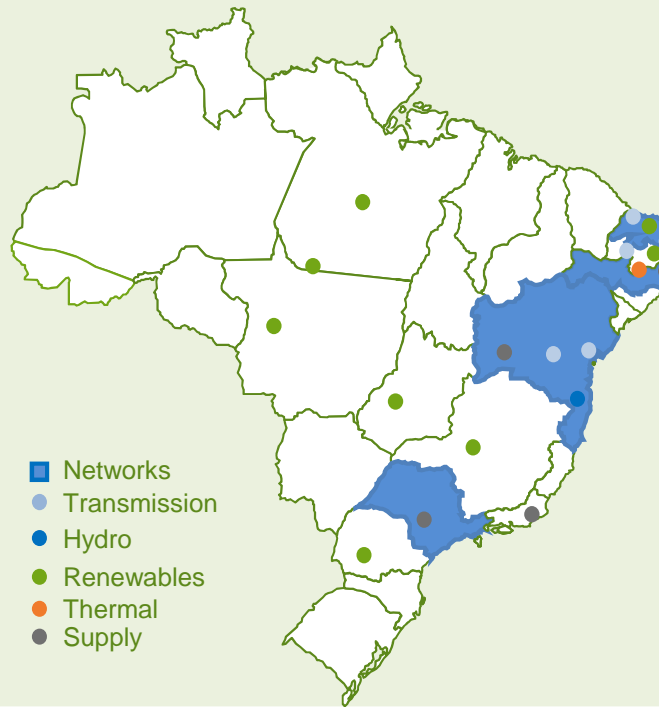
Increased investments demonstrate Iberdrola's strong commitment with the country



Neoenergia's EBITDA grows 6.7% to R\$ 2,122 M* (Eur 597 M)



An industry leader in Brazil



Successful integration process on track

IPO expected before year end

Growth driver focused on networks and renewables

* Like for like (Brazilian GAAP)

Analysis of Results

Income Statement / Group

**Net Profit up +18.4%, to Eur 2,416.6 M,
with Eur 521 M of capital gain due to Brazilian corporate reorganisation**

Eur M	9M 2017	9M 2016	Var.	%
Revenues	22,284.7	21,537.7	+747.0	+3.5
Gross Margin	9,760.4	9,740.5	+19.9	+0.2
Net Operating Expenses	-2,859.5	-2,711.5	-148.0	+5.5
Levies	-1,460.9	-1,299.5	-161.4	+12.4
EBITDA	5,440.0	5,729.5	-289.5	-5.1
EBIT	2,953.7	3,257.3	-303.6	-9.3
Net Financial Results	-648.9	-583.8	-65.1	+11.2
Reported Net Profit	2,416.6	2,041.7	+374.9	+18.4
Funds From Operations*	4,625.6	4,717.2	-91.6	-1.9

**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*

EBITDA falls –5.1%, to Eur 5,440.0 M

NEO main contributions to P&L ...

Eur M

Gross Margin

+134

EBITDA

+73

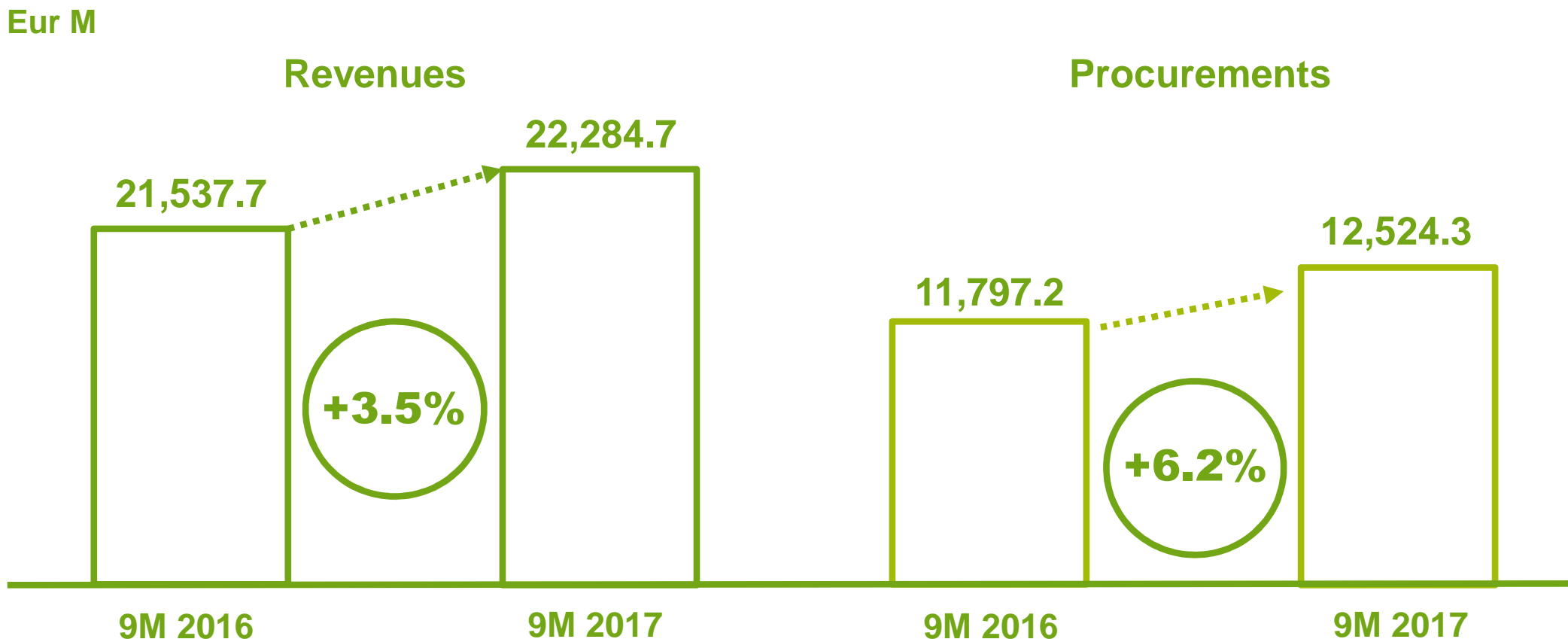
Reported Net Profit

+508

... including Eur 521 M of capital gain at Net Profit level

Gross Margin / Group

Gross Margin up 0.2%, to Eur 9,760.4 M,



**as Revenues +3.5% (Eur 22,284.7 M)
and Procurements +6.2% (Eur -12,524.3 M)**

Net Operating Expenses / Group

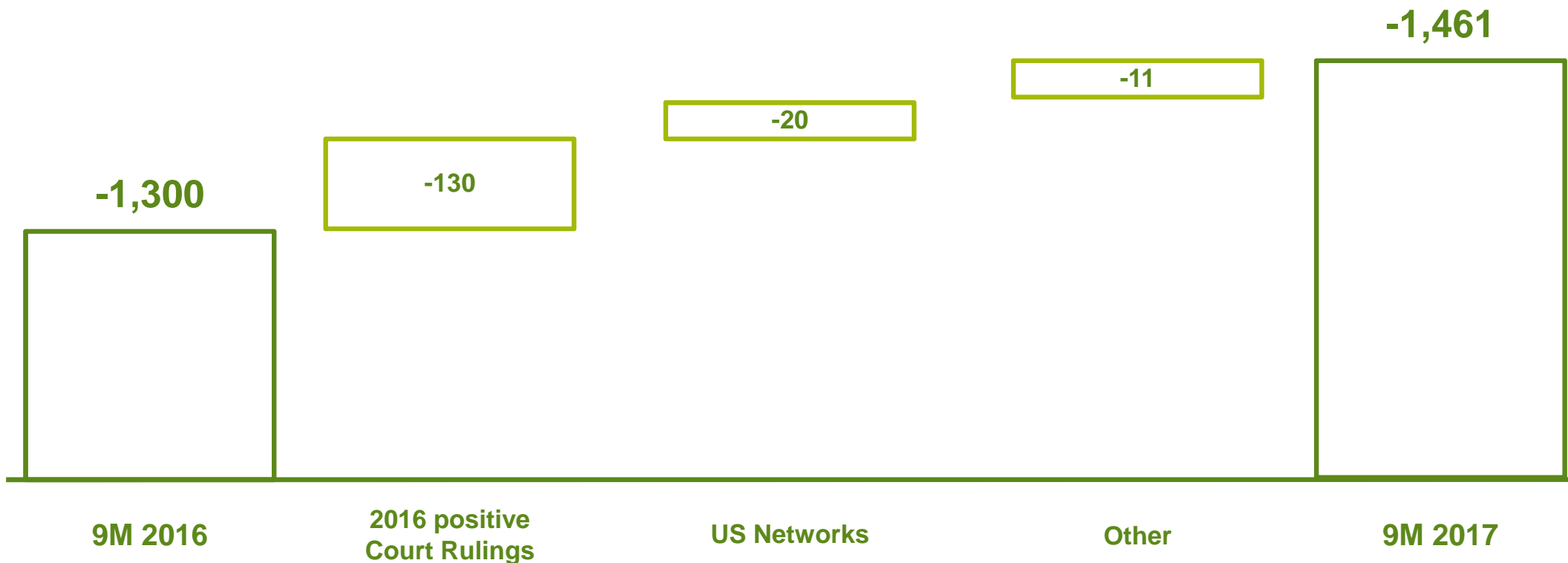
Net Operating Expenses up 5.5%, to Eur 2,859.5 M mainly driven by Eur 73 M of storm costs in Networks US and Eur 61 M for Brazil reorganisation

Eur M	Net Operating Expenses			
	9M 2017	9M 2016	% vs 9M '16	% vs 9M '16 (ex impacts* and fx)
Net Personnel Expenses	-1,468.3	-1,431.9	+2.5%	+0.3%
Net External Services	-1,391.2	-1,279.5	+8.7%	+2.7%
Total Net Op. Expenses	-2,859.5	-2,711.5	+5.5%	+1.4%

**On a like for like basis,
Net Operating Expenses increase 1.4%**

* Storm costs (Eur 73 M) and Brazil Reorganisation (Eur 61 M) in 2017. Fines and compensations (Eur -18 M) in 2016.

Levies up 12.4%, to Eur 1,460.9 M, as a consequence of ...

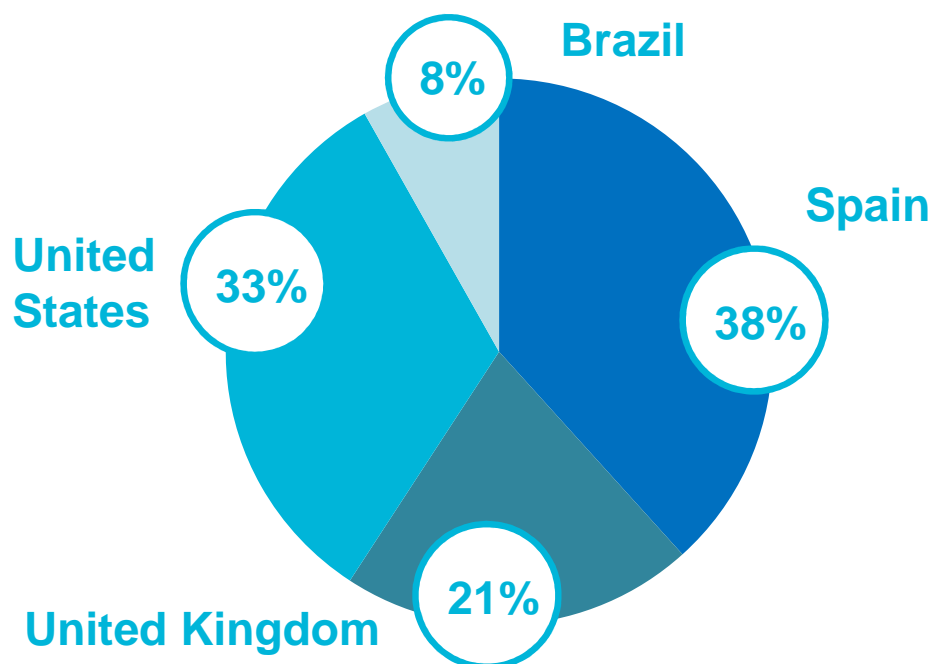


... 2016 positive Court rulings in Spain and increased taxes in US Networks

Results by Business / Networks

Networks EBITDA up 5.4%, to Eur 3,092.1 M, ...

EBITDA by Geography (%)



Key figures (Eur M)

	9M 2017	9M 2016	vs 9M '16 (%)
Gross Margin	4,857.8	4,575.4	+6.2%
Net Op. Exp.	-1,246.2	-1,138.3	+9.5%
Levies	-519.6	-502.1	+3.5%
EBITDA	3,092.1	2,935.0	+5.4%

... due to the strong operational performance in US and Brazil in addition to NEO consolidation

Results by Business / Networks

Spain

EBITDA Eur 1,184.5 M (Eur -8.1 M; -0.7%), due to lower incentives (Eur -13 M) and investments during 9M 2017 vs 9M 2016, that included positive settlements of previous years

US

EBITDA USD 1,127.6 M (USD +154.1 M; +15.8%), driven by:

+ New rate cases (USD +90 M)

+ Positive IFRS impacts

- Storm costs one off negative effect of USD 81 M, with no impact under US GAAP

- USD 23 M of higher Levies

UK

EBITDA GBP 567.2 M (GBP -13.8 M; -2.4%), due to lower energy distributed (GBP -14 M), as a consequence of milder weather, to be recovered in following years, and settlements of previous years due to lower investments (GBP -10 M)

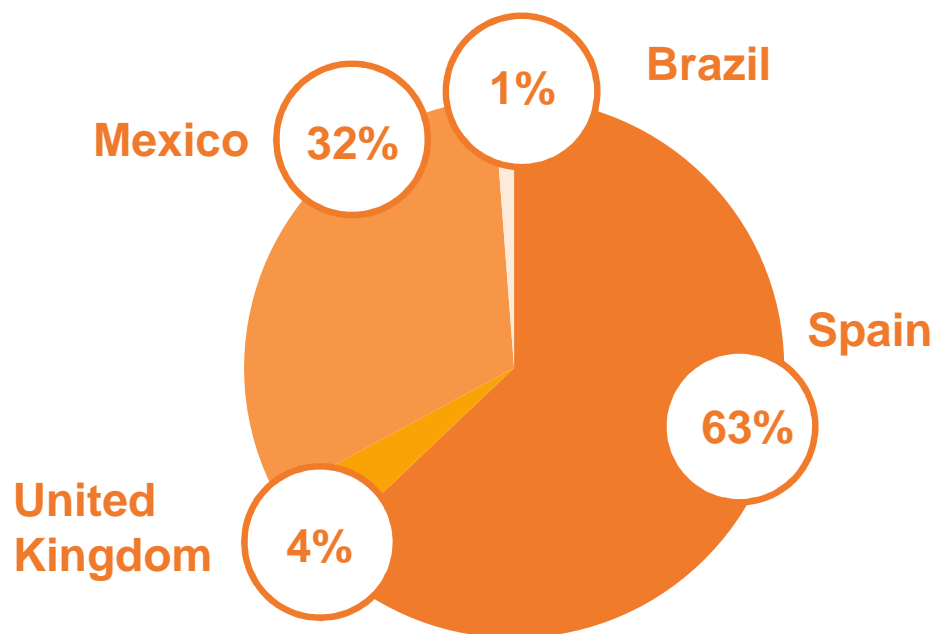
Brazil

EBITDA BRL 898.8 M (BRL +319.8 M; +55.2%), driven by corporate reorganisation (BRL 199 M), higher energy distributed (+1.8%) and net effect of Elektro annual tariff revisions (+9.1% in Aug-2016; -4.0% in Aug-2017 due to lower inflation)

Results by Business / Generation and Supply

Generation & Supply EBITDA falls 28.4% to Eur 1,241.0 M ...

EBITDA by Geography (%)



Key figures (Eur M)

	9M 2017	9M 2016	vs 9M '16 (%)
Gross Margin	3,156.0	3,476.0	-9.2%
Net Op. Exp.	-1,125.9	-1,130.1	-0.4%
Levies	-789.1	-612.1	+28.9%
EBITDA	1,241.0	1,733.8	-28.4%

... as a consequence of the adverse operating environment in Spain, due to lower hydro output, positive Spanish Court rulings accounted for in 2016 and weak UK performance

Results by Business / Generation and Supply

Spain

EBITDA Eur 791.9 M (Eur -408.3 M; -34.0%)

- Output* decreases -21.8% due to record low hydro production against previous record year (-57.6%, -8.8 TWh)
- Higher Gas results (Eur +96 M) due to the latest price revision for the portfolio
- Higher Levies (Eur -158 M; +29.7%) affected by positive Court rulings in 2016
- Higher Retail activity (volumes and Products & Services)

Mexico

EBITDA USD 445.3 M (USD +94.7 M; +27.0%)

- Additional capacity in operation:
 - CFE: Baja California CCGT (314MW)
 - Private customers: Monterrey V CCGT (300MW) and Ramos Cogen (53 MW)

UK

EBITDA GBP 46.5 M (GBP -140.6 M; -75.1%)

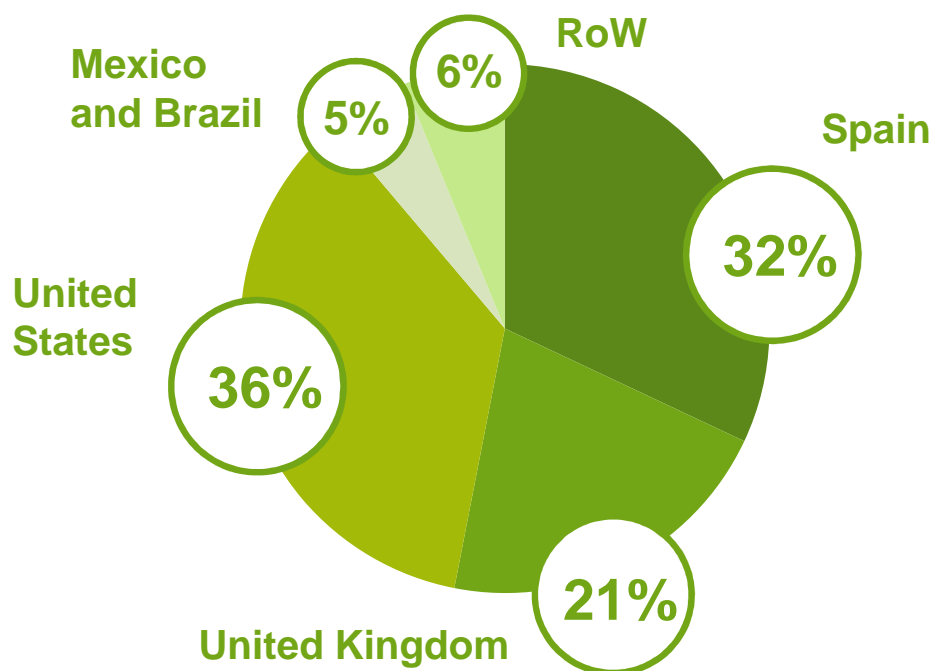
- Wholesale & Generation decreases GBP -48 M, to GBP -13 M, as a consequence of lower output (-28.6%), due to Longannet closure (GBP -30 M), and higher procurement cost
- Retail decreases GBP -93 M, to GBP 59 M:
 - Power: Government Obligations (GBP -70 M) and margin compression
 - Gas : Lower margins and volumes, due to milder weather

* Includes cogeneration

Results by Business / Renewables

EBITDA flat at Eur 1,142.8 M ...

EBITDA by Geography (%)



Key figures (Eur M)

	9M 2017	9M 2016	vs 9M '16 (%)
Gross Margin	1,705.2	1,659.0	+2.8%
Net Op. Exp.	-428.9	-394.5	+8.7%
Levies	-133.4	-121.4	+9.9%
EBITDA	1,142.8	1,143.1	0.0%

... with UK and US partially compensating the lower wind resource in Spain, US being the largest contributor with 36% of the EBITDA

Results by Business / Renewables

US

EBITDA USD 456.9 M (USD -2.7 M; -0.6%), due to -2.3% lower load factor, despite higher operating capacity (+4.3%)

Spain

EBITDA Eur 365.6 M (Eur -44.6 M; -10.9%), due to lower output (-11.9%), normalising after a record wind resource in H1 2016

UK

EBITDA GBP 211.6 M (GBP +54.6 M; +34.7%), higher output (36.6%) due to increase in average operating capacity (+20%, +302.7 MW) and higher load factor (+3.2 p.p onshore, +3.1 p.p offshore)

**Mexico
and Brazil**

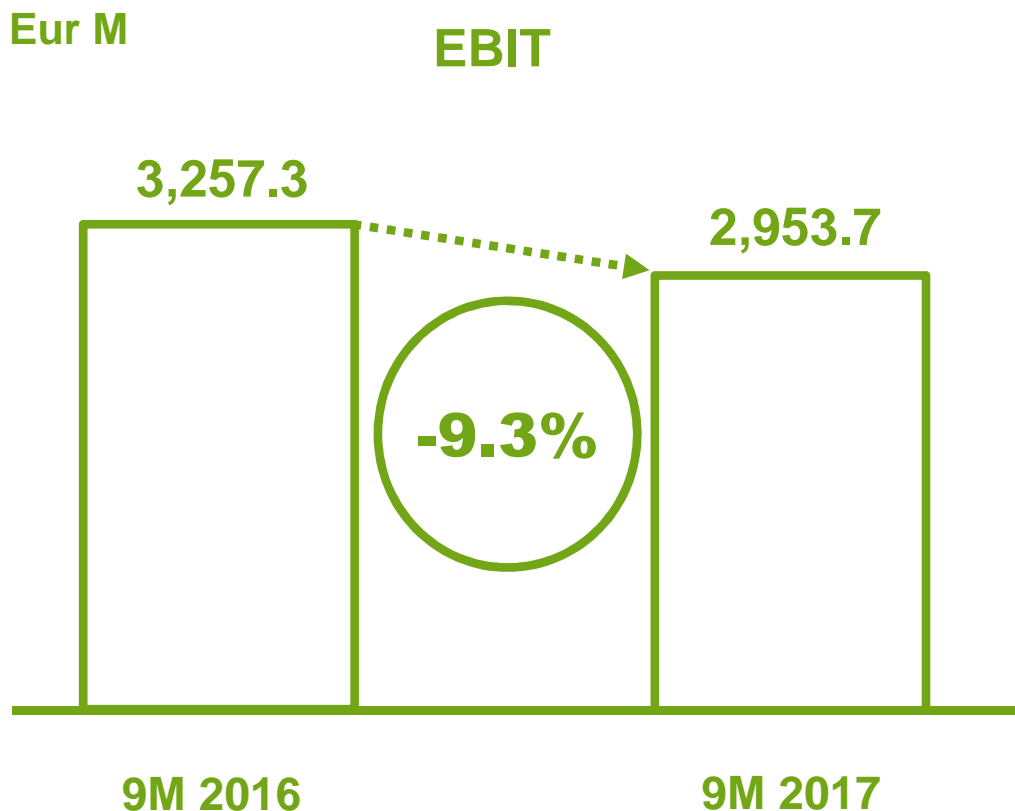
EBITDA EUR 56.8 M (Eur +1.7 M; +3.0%), mainly as a consequence of Brazil corporate reorganisation and revaluation of the BRL

RoW

EBITDA EUR 70.8 M (Eur +0.6 M; +0.8%) due to higher output

EBIT / Group

Group EBIT totals Eur 2,953.7 M (-9.3%)



	9M 2017	9M 2016	9M '17 vs 9M '16 (%)
D & A	-2,321.6	-2,302.9	+0.8%
Provisions	-164.7	-169.2	-2.7%
TOTAL	-2,486.3	-2,472.2	+0.6%

Provisions decrease mainly due to Eur 14 M of reversals

Higher D&A, as useful life extension of CCGTs and hydro plants' electromechanical equipment* (Eur +50 M), is more than compensated with higher asset base and Eur -38 M impact of Brazil reorganisation

* Gas combined cycles useful life from 35 to 40 years and electromechanical equipment from 35 to 50 years

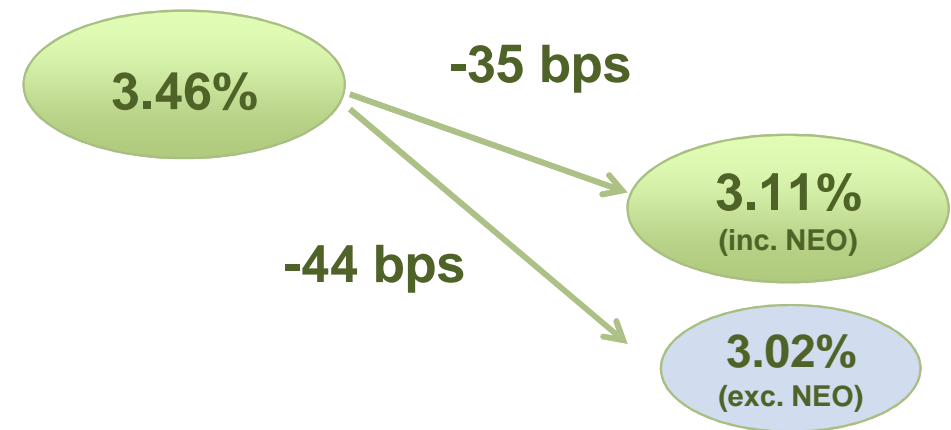
Net Financial Expenses / Group

2016 positive impact of GBP hedges along with NEO integration drive Net Financial Expenses up Eur -65.1 M, to Eur 648.9 M

Net Financial Exp. evolution (Eur M)



Cost of Debt *



* Impact of NEO in Q3'17: 9 bp

Debt-related expenses improve Eur 12.4 M due to 35 bp lower cost of debt (down to 3.11% in Q3'17) despite 7% higher debt average balance (Eur 2.6 bn)

Net Profit / Group

Reported Net Profit up 18.4%, to Eur 2,416.6 M

Eur M	9M 2017	9M 2016	vs 9M 2016 (%)
EBIT	2,953.7	3,257.3	-9.3%
Net Financial Result	-648.9	-583.8	+11.2%
Equity and Non Rec. results	+778.3	+90.3	n/a
Taxes	-573.2	-638.5	-10.2%
Minorities	-93.3	-83.7	+11.5%
Reported Net Profit	2,416.6	2,041.7	+18.4%

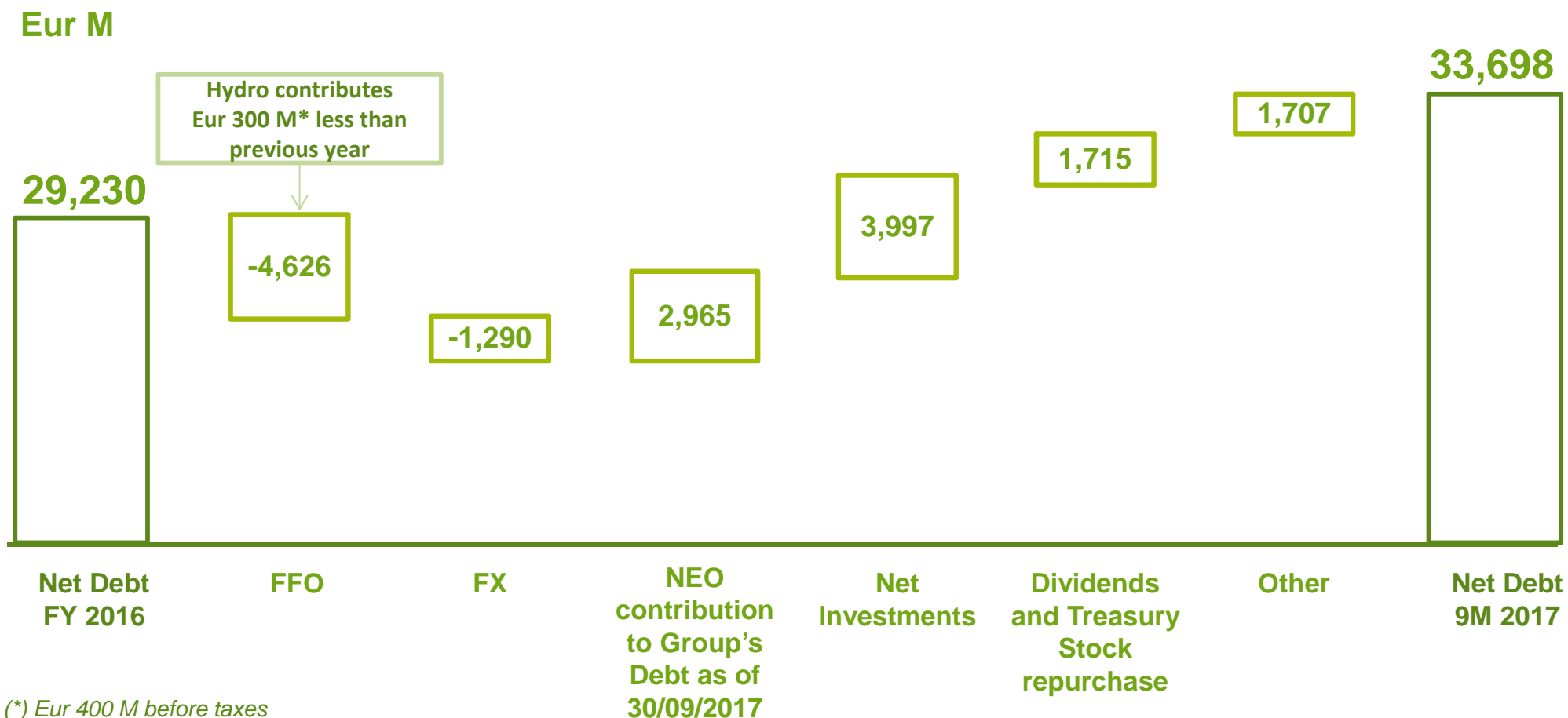
Lower Taxes

Non Recurring Results to be compensated in Q4
by measures to improve the business profile of the Group

Financing

Net Debt / Group

Q3 2017 Net Debt closed almost Eur 4.5 bn higher than Dec'16, mostly due to NEO's integration. Investments +31.5% vs 9M 2016

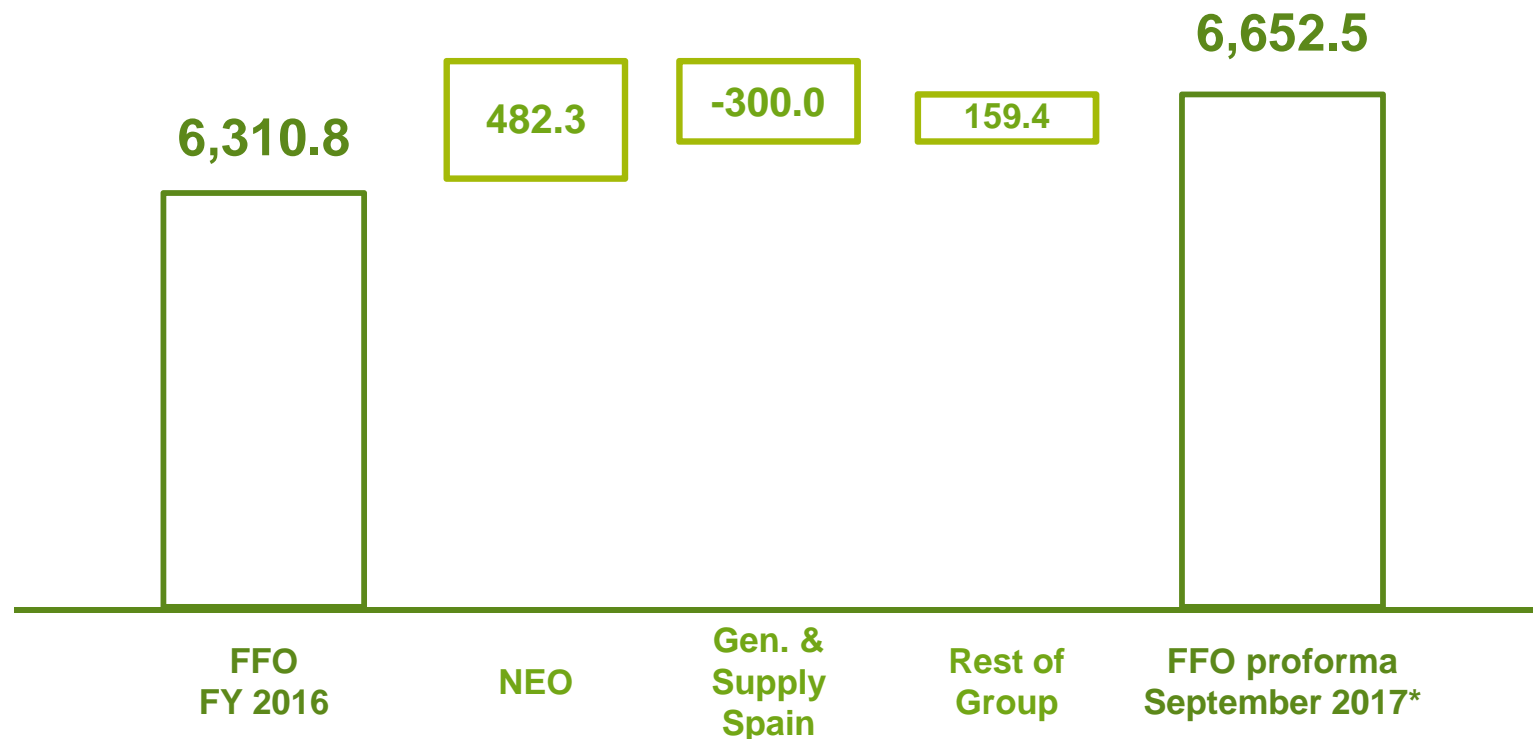


Eur 1,707 M of "Other" include Eur 674 M of capitalised costs and subsidies and Eur 577 M of working capital

FFO / Group

FFO proforma increases 5.4% to Eur 6,652.5 M, but NEO contribution is offset by the impact of extremely low hydro conditions in Spain

Eur M



(*) Last 12 months

Excluding adverse hydro conditions, that impact Gen&Supply in Spain, FFO would have been Eur 300 M higher, reaching Eur 6,952.5 M

Credit metrics / Group

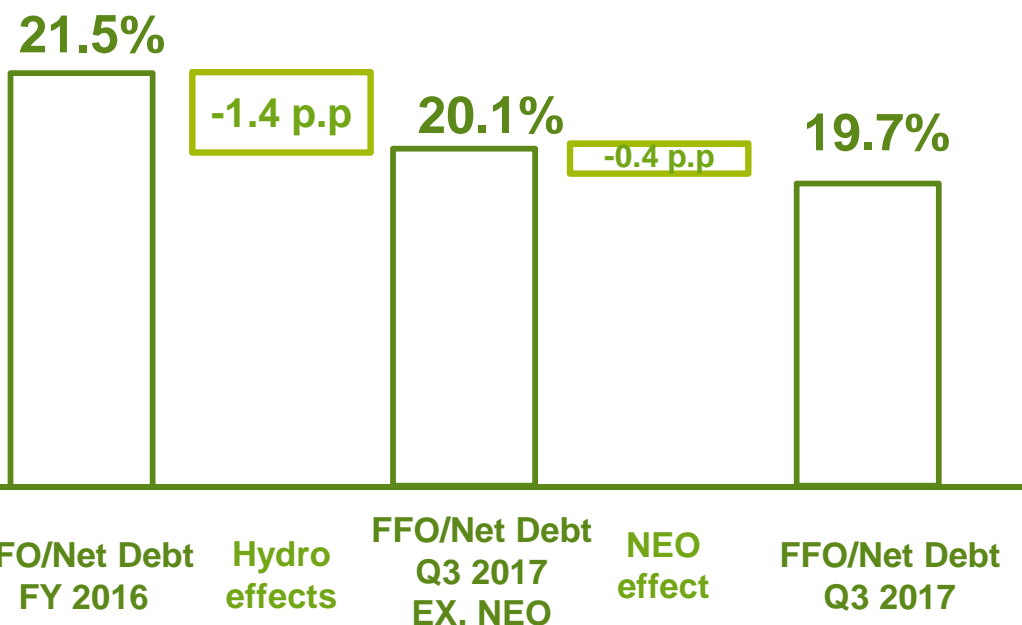
Almost 75% of the impact on FFO/Net Debt (-1.4 p.p.) is driven by the temporary effect of the situation of Spanish hydro in 2017

FFO / Net Debt

Credit Metrics

Proforma: NEO 1 year

Ex. NEO



FFO/Net Debt

19.7%

20.1%

Net Debt/EBITDA

4.1x

4.1x

RCF/Net Debt

17.0%

17.1%

Leverage

44.2%

43.8%

Other credit metrics also impacted

Financing / Liquidity and Debt Maturity

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

Liquidity and Average Maturity

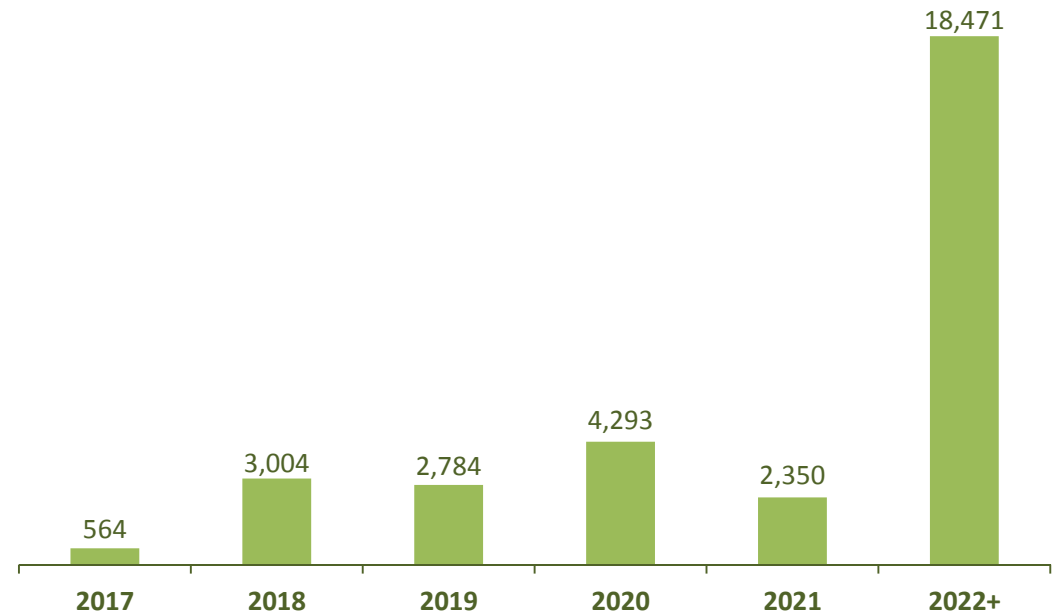
**Total adjusted
Liquidity**

Eur 7,389 M

**Average Debt
maturity**

6.1 years

Debt maturity profile



2019 includes Eur 500 M with an extension option of 6 months
2020 includes Eur 975 M with an extension option of 1 year

Not taking into account NEO, which finances itself on a standalone basis

Conclusions

In spite of a challenging year due to an exceptionally low hydro output...



...2017 Net Profit is expected to continue delivering growth

Shareholder Remuneration

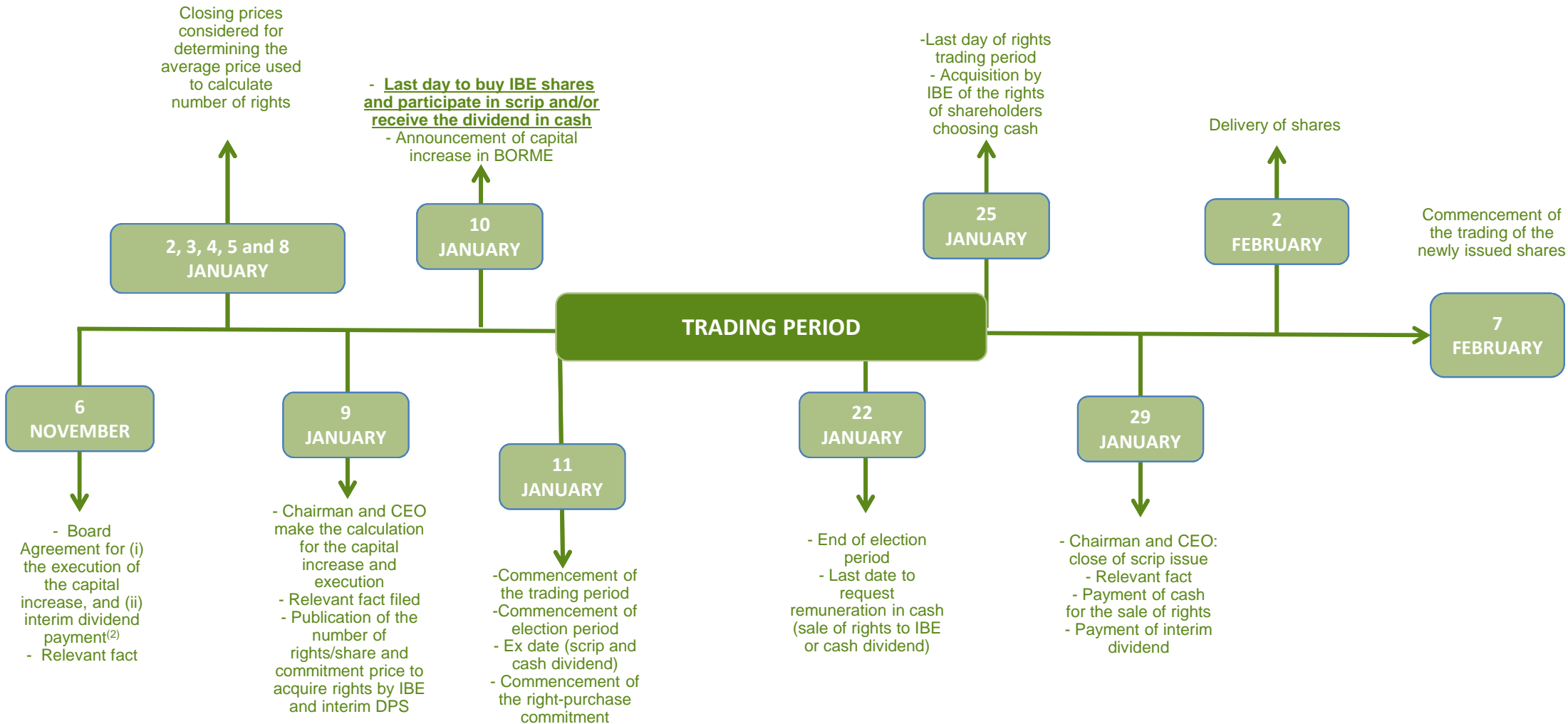
Confident on the long term performance and structural resilience of the Group, shareholder remuneration is increased

2017 Dividend	
Interim shareholder remuneration <i>Payable in January 2018</i>	Eur 0.14/share +3.7%
Supplementary shareholder remuneration <i>To be announced in February 2018</i>	<i>To be approved at AGM and payable in July 2018</i>

In addition to previous options, interim remuneration includes a cash payment option

Annex: Scrip dividend calendar: January 2018

Scrip dividend calendar: January 2018⁽¹⁾



(1) Calendar already approved by Iberclear

(2) Approval subject to fulfilment of requirements provided in article 227 of LSC

Scrip dividend

New remuneration system combining scrip and cash until cash dividend definitively replaces sale of rights to IBE option in July 2018



**Rights purchased in the market
will not be entitled to receive cash dividend**

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