Results Presentation
Nine months / Roadshow

Iberdrola, “utility of the future”
The Global Scenario
The world needs more energy, cleaner and more sustainable (+30% 2040)

... moreover, **Electricity Demand** to increase through **population growth**, **increased urbanization** and **extension of power supply**

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**Further Electrification of the Economy (70% 2040)***

Through...

**More Renewable Energy and Energy Efficiency**

- **Storage and more Back-up**
- **More and Smarter Networks**

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The electricity sector contributes only 25% of emissions but has the technological potential for decarbonization

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The Electricity Sector, one of the few that will grow in investments in the coming years

Total Global investment in the electricity sector

(USD Tn)

OECD

Non-OECD

Networks

7

37%

46%

Renewables

42%

32%

Conventional Generation

21%

22%

Europe

USD 2.7 trillion

United States

USD 2.2 trillion

Latin America

USD 1.1 trillion

Transition to clean energy

Demand increase (+115%)

Investment in the sector

USD 440 Bn/year\(^1\) investment in Renewables and Conventional Generation (+70% of current capacity)

Total Investment Breakdown between 2015 and 2040\(^1\)
(USD Trillion)

Renewables
- Wind: 2.5
- Solar: 2.0
- Hydro: 1.5
- Other: 1.1

Nuclear & Gas
- Nuclear: 1.5
- Gas: 1.1

Coal & Fuel: 1.7

62%
23%
15%

75% Distribution
25% Transmission

55% System extension
45% Refurbish assets

70% Emerging economies
30% OECD

USD 320 Bn/year investment in Networks, doubling the current length of installed power lines

\(^1\) International Energy Agency: World Energy Outlook 2015
Strategic Pillars
In the years to come, we maintain a sustainable growth strategy, financial strength and shareholder remuneration...

... with high long-term visibility
Geographic Diversification focused on four areas

- **US**
  - Networks
  - Renewables with PPAs

- **UK**
  - Networks
  - Onshore wind
  - Offshore wind
  - Retail

- **Mexico**
  - Regulated Generation with PPAs
  - Renewables with PPAs

- **Brazil**
  - Networks
  - Regulated Generation
  - Renewables with PPAs

- **Iberia**
  - Networks
  - Storage
  - Retail
Net investments of over Eur 24 Bn during the period with approximately Eur 22.4 Bn already committed …

**Eur Bn**

**Investments 2016 – 2020**

- **Total Investments**
  - 30% Maintenance
  - 70% Growth

- **Committed Investments**
  - 43% Allocated
  - 57% Under construction

... and Eur 17 Bn assigned to growth
Investments 2016 – 2020

88% of investment: regulated or long-term contracted activities

Investment by business

- **Regulated generation**: 9%
- **Renewables**: 33%
- **Networks**: 46%
- **Generation and Retail**: 12%

**Eur 24Bn**

Investment by currency

- **USD**: 43%
- **GBP**: 35%
- **Real**: 2%
- **Euro**: 20%

78% in dollars and sterling

1 Including German offshore windfarm: Wikinger
Distributed energy increases by 17% in 2020, up to 246,000 GWh
RAV grows 22% in the period, exceeding Eur 30 bill
## Main committed investments

### UK
- Already approved **Rate Cases** for **networks** infrastructure:
  - ✓ RIIO-T1 transmission (until 2021)
  - ✓ RIIO-ED1 distribution (until 2023)
- **Renewables under construction:**
  - ✓ Onshore: +450 MW
  - ✓ Offshore: +1,070 MW

### USA
Through **Avangrid**:
- **Rate cases approved**: New York, Maine, Connecticut and Massachusetts
- **Transmission projects**: NY Transco …
- **Renewables projects**: +750 MW

### Iberia
- **Rate Cases** Spain until 2019
- **Hydro pumped storage** under construction: +1,160 MW

### Mexico
- **CCGTs and Cogeneration with PPAs under construction/awarded**: +2,400 MW

### Brazil
- **Rate cases approved**: Elektro (until 2019), Celpe (until 2017), Coelba and Cosern (until 2018)
- **Renewables** under construction +180 MW
- **Hydro power through** Neoenergía
2020: 81% of EBITDA coming from regulated or long-term contracted activities

**EBITDA by business**

- Generation and Retail: 19%
- Regulated generation: 8%
- Networks: 50%
- Renewables: 23%

**EBITDA by currency**

- USD: 36%
- GBP: 25%
- Real: 3%
- Euro: 36%

Geographically balanced contribution: dollar and sterling will represent over 60% of EBITDA

1 Including German offshore windfarm: Wikinger
All businesses to improve results

**Networks**
- Improved contribution from USA
- Moderate growth in the rest of the countries
- Results increase of mid single digit

**Renewables**
- Strong growth in offshore
- Growth in onshore: USA and UK
- Results increase of high single digit

**Generation & Supply**
- Growth in Mexico
- Stability in the rest of the countries
- Results increase of low single digit
Outlook 2016/20: Sources and uses of funds

93% of the needs in the plan funded with operating cash flow

<table>
<thead>
<tr>
<th>Sources</th>
<th>2016 – 2018</th>
<th>Uses</th>
<th>2016 – 2020</th>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Debt</td>
<td>12%</td>
<td>25%</td>
<td>Dividends</td>
<td>5%</td>
<td>26%</td>
</tr>
<tr>
<td>FFO</td>
<td>88%</td>
<td>10%</td>
<td>Capitalized costs</td>
<td>93%</td>
<td>Capitalized costs</td>
</tr>
<tr>
<td>Investments</td>
<td>65%</td>
<td></td>
<td>Investments</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
Annual average results growth of around 6% until 2020...

... with accelerated growth during the second half of the period, due to contribution from new investments.
Financial position 2016 – 2020

Financial strength improvement during the period

<table>
<thead>
<tr>
<th>2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt / EBITDA</td>
</tr>
<tr>
<td>≤ 3.6x</td>
</tr>
<tr>
<td>FFO / Net Debt</td>
</tr>
<tr>
<td>≥ 22%</td>
</tr>
</tbody>
</table>

Expected Net Debt/EBITDA ratio of 3.1x in 2020
Increasing shareholder remuneration in line with growth in results

- Shareholder remuneration: Growing, with pay-out between 65% and 75%
- Scrip Dividend & Share buy-back: Maintaining scrip dividend. Share buy-back to avoid dilution
- Number of shares: Maintaining current number of shares at 6,240 million

Paid shareholder remuneration for the year 2015: +4% increase (Total, Eur 0.28 per share)
Highlights of the Period
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

- **Liberalised Gen & Supply**: 24%
- **Regulated Generation**: 5%
- **Renewables**: 20%
- **Networks**: 51%

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**
  - Q1: -6.0%
  - H1: 1.4%
  - 9M: 4.2%

- **Excluding fx impact**
  - Q1: -5%
  - H1: 3.3%
  - 9M: 6.7%
Net Investments increase 45% to Eur 3,040 M
91% in regulated and long term contracted businesses

Net Investments / Eur M

9M 2015 | 2,096
9M 2016 | 3,040

63.5% of total investments allocated to growth
Operating Cash Flow (FFO) up 9.5% to Eur 4,717 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.
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%
• Stable long term returns in Distribution and Transmission
• In construction:
  ✓ Western Link High Voltage DC Line
  ✓ South West Scotland High Voltage Line
  ✓ Beauly Denny Line
  ✓ …

• Rate Cases:
  ✓ New York: effective from May (2016-2019)
• Ongoing Transmission projects in New York, Connecticut and Maine

• Distribution RAB approved: effective from 1\textsuperscript{st} 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

• 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)
✓ …
2016 – 2020 Strategic Plan execution: Renewable Generation

Offshore

1,064MW in construction

- Wikinger (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

- UK (398MW) commissioning in 2016.
- Mexico (325MW) commissioning in 2019.
- Spain (32MW) commissioning in 2017.

Solar PV

336MW in construction

- Mexico (270MW) commissioning in 2018.

2,284MW to be commissioned between Q4 2016 and 2018
2016 – 2020 Strategic Plan execution: Offshore renewables

European Offshore windfarms and pipeline

- **WoDS**: 194MW
- **Irish Sea**: 496MW
- **St Brieuc**: 350MW
- **North Sea**: 1,944MW
- **Baltic Sea**: 714MW
- **St Brieuc**: 496MW
- **Wikinger**: 1,064MW
- **Future projects: Total 3,130MW**
  - East Anglia 3 (1,200MW)
  - East Anglia 2 & 1N (1,600MW)
  - Windanker/Wikinger Süd (330MW)

Current projects: Total 1,754MW
- **In operation (194MW)**
- **In construction (1,064MW)**
- **Preliminary works (496MW)**

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, …
2016 – 2020 Strategic Plan execution: Offshore renewables

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

Wikinger 2016

Foundations Installed
2016 – 2020 Strategic Plan execution: Offshore renewables

- Eiffel Tower
- East Anglia WTG & Foundation Turbines 7MW
- London Eye

Tower
Transition piece
Jacket
Pile

324m
293m

154m
135m
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$^1$: 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%$^2$

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$^1$ Adjusted Net Income is a non-GAAP financial measures 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.

$^2$At Madrid Stock Exchange closure on 25th October 2016
Continuous growth opportunities in Renewables, Transmission and Distribution

AVANGRID Investment Plan

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

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 2nd 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 m² 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

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

<table>
<thead>
<tr>
<th>2016</th>
<th>Interim shareholder remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payable in January 2017</td>
</tr>
<tr>
<td></td>
<td>+8%</td>
</tr>
<tr>
<td></td>
<td>0.135€/share^1</td>
</tr>
</tbody>
</table>

^1Through the “Iberdrola Dividendo Flexible” program. Final guaranteed price expected to be announced on January 2017

<table>
<thead>
<tr>
<th>2016</th>
<th>Supplementary shareholder remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>to be announced in February 2017</td>
</tr>
<tr>
<td></td>
<td>To be approved at AGM and payable in July 2017</td>
</tr>
</tbody>
</table>

... and improving Outlook announced at our February’s Investor Day
9M 2016 results confirm:

- Growth
- Sustainability
- Predictability

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

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

* 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

### Notes
- 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 / Group

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)

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

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 5%*
- United States 30%
- Spain 41%
- United Kingdom 25%

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

Key Figures (Eur M)

<table>
<thead>
<tr>
<th></th>
<th>9M 2016</th>
<th>vs 9M ‘15</th>
<th>vs 9M ’15 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>4,575.4</td>
<td>+437.5</td>
<td>+10.6%</td>
</tr>
<tr>
<td>Net Op. Exp.</td>
<td>-1,138.3</td>
<td>+148.7</td>
<td>+15.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,935.0</td>
<td>+232.2</td>
<td>+8.6%</td>
</tr>
</tbody>
</table>

... driven by the US and Spain
Results by Business / Networks

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 (%)

- Spain 69%
- Mexico 18%
- United Kingdom 13%

Key figures (Eur M)

<table>
<thead>
<tr>
<th></th>
<th>9M 2016</th>
<th>vs 9M ‘15</th>
<th>vs 9M ’15 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>3,476.0</td>
<td>-88.9</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Net Op. Exp.</td>
<td>-1,130.1</td>
<td>-21.3</td>
<td>+1.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,733.8</td>
<td>-1.6</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

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…

...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.

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**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.

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**US**

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

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**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.

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**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%)

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 / Group

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

Net Financial Exp. evolution (Eur M)

-748.3

-748.3

+63.2

+63.2

-685.1

-685.1

+127.5

+127.5

-26.2

-26.2

-583.8

-583.8

9M 2015 Net Financial Expenses

Debt related costs

Debt related Cost

Fx and Derivatives

Other

9M 2016 Net Financial Expenses

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

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring Net Profit</td>
<td>1,957.6</td>
<td>1,672.8</td>
<td>+284.8</td>
<td>+17.0%</td>
</tr>
<tr>
<td>Non Recurring Results</td>
<td>84.1</td>
<td>240.9</td>
<td>-156.8</td>
<td></td>
</tr>
<tr>
<td>Reported Net Profit</td>
<td>2,041.7</td>
<td>1,919.7</td>
<td>+122.0</td>
<td>+6.4%</td>
</tr>
</tbody>
</table>
Financing
Financing / Financial Ratios

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

### Net Debt / EBITDA

- **Q3 2015**: 3.7
- **Q3 2016**: 3.7
- **Pro-forma (include 12 months of UIL)**: 3.6

### FFO(1) / Net Debt

- **Q3 2015**: 22.2%
- **Q3 2016**: 22.5%
- **Q3 2015**: 21.4%

### RCF(2) / Net Debt

- **Q3 2015**: 19.7%
- **Q3 2016**: 19.9%
- **Q3 2015**: 19.1%

---

(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%
Financing / Liquidity and Debt Maturity

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.357</td>
</tr>
<tr>
<td>2017</td>
<td>2.684</td>
</tr>
<tr>
<td>2018</td>
<td>3.090</td>
</tr>
<tr>
<td>2019</td>
<td>3.940</td>
</tr>
<tr>
<td>2020</td>
<td>2.918</td>
</tr>
<tr>
<td>2021+</td>
<td>16.242</td>
</tr>
</tbody>
</table>
Annex:

Scrip dividend calendar:
January 2017
Scrip dividend calendar: January 2017*

- Chairman and CEO make the calculation for the capital increase and execution.
- Relevant fact filed.
- Publication of the number of rights/share and commitment price to acquire rights by IBE.

27, 28, 29 AND 30 DECEMBER AND 2 JANUARY

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

16 JANUARY

Payment of cash for the sale of rights.

23 JANUARY

Commencement of the trading period.

19 JANUARY

- Chairman and CEO: close of scrip issue.
- Relevant fact.

25 JANUARY

TRADING PERIOD

Closing prices considered for determining the average price used to calculate number of rights.

-- Announcement of capital increase in BORME.
-- Last day to buy shares and participate in scrip.

27, 28, 29 AND 30 DECEMBER AND 2 JANUARY

25 OCTOBER

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

3 JANUARY

1 JANUARY

5 JANUARY

23 JANUARY

25 JANUARY

Commencement of the trading of the newly issued shares.

1 FEBRUARY

(*) Calendar already approved by Iberclear.
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