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*Accelerating value creation through five strategic pillars: profitable growth, operational excellence, customer empowerment, capital optimisation, and digitilisation and innovation*

### Iberdrola will invest €32 billion between 2018 and 2022, building the foundations for sustainable growth in the next decade

Ignacio Galán, the group's Chairman, said: "Overall, the plan we are presenting today is fully consistent with our strategy over recent years, while seizing the opportunities provided by the new digital environment. In essence, it is a plan that maintains focus on growth in specific opportunities in regulated and long-term contracted businesses which offer earnings visibility, while maintaining a geographically balanced portfolio and exploring growth beyond those frontiers."

- Over 90% of capex will be allocated to networks (50%), renewables (37%) and contracted generation in Mexico (4%), business areas which will represent over 80% of Ebitda in 2022
- Iberdrola's capital 'in progress' will stand at €9 billion at the end of the period, enabling further growth beyond 2022
- The plan includes growth of Neoenergia in Brazil, a developing area along with the United States, improving the balance of EBITDA by currency: 35% in euros, 29% in dollars, 20% in pounds sterling and 16% in Brazilian reais
- In 2022, net profit is forecast to be between €3.5bn and €3.7bn and the company's shareholder remuneration policy will be maintained, growing in line with results. Expected net income would imply reaching a dividend of €0.4 per share

#### 2017 Earnings

- Iberdrola posted net profit of €2.804 billion (+3.7%) driven by the networks business – mainly in US – renewables and the integration of Brazil's Neoenergia as of September, despite poor performance of generation in Spain which was impacted by drought



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- Net investments reached €5.891 billion (+38%), focused in regulated businesses, renewable energy and long-term contracted generation. 72% was allocated to growth
- Tax reform in the US, announced in December, meant a non-cash net positive impact of €1.284 billion which the company dedicated almost entirely to impairments and value adjustments of certain assets, thus improving its business profile
- In 2017, Iberdrola's subsidiary in the United States (AVANGRID) saw a rise of 6% in adjusted net income to \$682 million
- These results make it possible to propose to the General Shareholders' Meeting (scheduled for 13 April) an annual remuneration against 2017 earnings of €0.32 gross per share, an increase of 3.2% from 2016

### Commitment to society: social dividend

- Iberdrola maintains its commitment to job creation, generating 400,000 jobs globally through its activity
- The company hired 4,103 persons in 2017 and continued to offer four times more training hours than European average <sup>1</sup>
- The group asserts its strong commitment to emissions reduction – already 32% below its European competitors – and pledges to reach 150 gr CO<sub>2</sub>/kWh in 2030
- Purchases made to its 22,000 suppliers were €8.7 billion in 2017
- Over €7.1 billion in taxes and levies were paid by Iberdrola during the period

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<sup>1</sup> According to latest reported figures



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Iberdrola will invest €32 billion over the period between 2018-2022, setting solid foundations for sustainable growth in the next decade. More than 90% of total amount will be allocated to regulated activities or long-term contracts, in line with the group's strategy of investing in businesses with stable and predictable returns. Thus, €15.5 billion (nearly 50% of total) will be invested in networks, €11.5 billion (37% of total) in renewables and €2.8 billion (9%) in generation and retail. The remaining 4%, some €1.4 billion will be allocated to contracted generation<sup>2</sup>.

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The bulk of planned investments – 75% – are already committed or practically secured. By currency, 38% will be in US dollar, 25% in euro, 19% in British pound and 18% in Brazilian reais.

Thanks to these investments, the company expects renewable capacity to increase by 24% from 2017 year-end to 36,200 megawatts (MW). Its storage capacity will also grow from the current 80 gigawatt/hour (GWh) to 100 GWh at the end of the period (+25%).

In networks, the company's regulated asset base will increase to €40 billion mainly in Brazil and US, a 38% growth from year-end 2017.

Also, contracted generation capacity will grow to 10,600 MW, over 82% above current figures. In retail, the number of customer services will expand by 9 million to 32 million in 2022 (+40%).

As a result, the group expects that 35% EBITDA in 2022 will be generated in euros, 29% in dollars, 20% in sterling pounds and the remaining 16%, in Brazilian reais.

The company's plans are fully in line with the three main vectors of the transformation process that the energy sector is currently experiencing: decarbonisation, which entails a strong electrification process for the economy; technological advances, which are helping reduce costs and

<sup>2</sup> Investment figures by business exclude corporate investments



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create new business opportunities; and greater consumer connectivity, which gives consumers more importance and capacity for interaction.

These three trends strengthen Iberdrola's focus on its three core businesses: more renewable, more and smarter networks and more smart-solutions for the consumer. The company will accelerate the creation of value in these three areas through five strategic pillars:

- Profitable growth: investments will target a portfolio of projects that combine the creation of long-term value with obtaining cash flows in the short- and medium-term.
- Operating Excellence: With net operating expenses already 23% below the average for its European competitors, Iberdrola will continue enhancing its efficiency levels. In this regard, Iberdrola will implement a €1 billion savings plan, executed through synergies, digitilisation and the implementation of best practices in areas such as procurement, operation and control.
- Customers at the focal point of all activities: networks will be increasingly smarter, adapting to the new needs of consumers, such as the incorporation of electric vehicles. In renewables, tailor-made renewable generation contracts will be implemented for these technologies, new technology solutions will be promoted to best adapt to customer habits, and energy sales contracts to industrial consumers will be shored up.
- Capital optimisation: the group will implement an asset rotation plan in the amount of €3 billion euros, open to possible agreements with partners for renewable projects ("partnering green"). This will all be combined with active management of its debt, as the company has been doing.
- Digitilisation and Innovation: Iberdrola expects digitilisation-related initiatives to contribute an additional €600 million to its Ebitda for 2022. This growing contribution will be possible thanks to operational improvements, the transformation of processes and new products and services.

### Profit outlook 2018-2022



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Iberdrola's plans for 2018-2022 will let the company continue increasing its profits. According to the group's plans, Ebitda will be between €11.5 billion and €12 billion at the end of the period. It is expected that 84% of the group's gross operating profit (Ebitda) for 2022 will come from regulated activities or with long-term contracts.

By business, and above the mentioned range of €11bn-12bn the contribution to the Group's Ebitda is at 50% for networks, 27% for renewables, with the contribution from the wholesale and retail at 16% and contracted generation at 7%.

The company expects that efficiency, measured by net operating expense ratio over gross margin, will improve from 31% in 2017 to 26% in 2022, assuming an accumulated savings of over €1 billion during the period.

Additionally, the workforce will remain stable with around 35,000 employees, although a 10% turnover is foreseen, where natural retirements will allow the organisation to be updated, to attract young talent and to continuously train its professionals to successfully address the demands of the new competitive environment and digitalisation.

With regard to funds from operations (FFO), they will reach €42 billion in the period, which will exceed the investments made in all businesses. The group's financial solidity measured with the ratio of funds from operations (FFO) over net debt will reach 24%, up from 21.5% in 2017.

At the end of the period, Iberdrola will keep ongoing investments in the amount of €9 billion which will ensure the sustainable generation of results beyond 2022 and will lay the foundations for its growth in the next decade.

Por su parte, y como consecuencia de todo lo anterior, el beneficio neto se situará entre 3.500 y 3.700 millones de euros en 2022. Therefore, as a result of the foregoing, net profit will be between €3.5 billion and €3.7 billion in 2022.

This positive trend will let the company maintain its shareholder remuneration policy, which will grow in line with the group's results, sustaining a pay out between 65% and 75%. According to the company's estimates, this would imply a dividend of around €0.4 gross per share in 2022.



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Iberdrola plans to maintain its scrip dividend program, maintaining the number of shares in the group at 6,240 million through a share buyback program similar to those of recent years.

### **2017 Results: net profit of €2.804 billion (+3.7%)**

In 2017, Iberdrola posted net profit of €2.804 billion, a 3.7% increase compared with the previous year. Net operating profit (Ebitda) was €7.319 billion during the period (-7.3%), due to the poor performance of business in Spain as a result of the low hydroelectric production during the period.

Likewise, this figure includes an extraordinary expense item for efficiency plans, in the amount of €203 million, which will contribute to the group's future efficiency. Excluding this item, the group's adjusted Ebitda would have been €7.522 billion.

By business, networks Ebitda increased 3.6% to €4.288 billion, and renewables grew 6.1%, to €1.592 billion. However, the generation and retail area reduced their Ebitda by 29%, to €1.601 billion due to the mentioned low hydroelectric production in Spain as a result of the drought, as well as the low margins and high expenses of government obligations in the United Kingdom.

The group's investments continued to grow reaching €5.891 billion, 38% more than in the previous year. Of this amount, 90% was allocated to regulated businesses or long-term contracts and 72% was in growth projects.

### **AVANGRID: 6% growth in adjusted profits**

With regard to AVANGRID, the American subsidiary traded on the New York Stock Exchange where Iberdrola holds 81.5%, it has also delivered positive earnings. Its adjusted net profit reached US\$682 million, 6% more than in 2016.

The company maintains a minimum annual dividend of 1.728 dollars per share and plans to increase the remuneration to its shareholders in 2018, thanks to the expected growth in profits.



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Regarding the implementation of its Strategic Plan, AVANGRID has made investments worth US\$2.262 billion (+ 18%) in the areas of networks and renewables.

It is important to note, in addition, that the tax reform approved by the US government had a net positive impact of €1.284 billion for Iberdrola group. This amount was almost fully allocated to provisions and value adjustments for certain assets, further strengthening and optimising its business profile.

### Shareholder remuneration

The results have allowed the group's Board of Directors to propose a complementary remuneration for 2017 of up to €0.18 gross per share, pending approval by the upcoming General Shareholders' Meeting on 13 April

This amount is added to the €0.14 gross per share paid in January as the interim dividend payment against 2017, so total shareholder remuneration for the past year will reach €0.32 gross per share, i.e., 3.2% higher than in 2016.

### Commitment to society: Social dividend

During the year, Iberdrola continued to contribute to the social development of the regions where it operates. The purpose of the group is to maintain this path by offering, in addition to the dividend to shareholders, a growing, inclusive and sustainable social dividend.

With regard to its employees, just in 2017, Iberdrola has made 4,103 hires and has maintained its commitment to the development of its human team, offering four times more hours of training per employee than the average of European companies<sup>3</sup>. Likewise, Iberdrola is the only European utility included in the 2018 Bloomberg Gender-Equality Index, in recognition for its equal opportunity and gender equality policies. Through its activity, the company generates 400,000 jobs worldwide.

Throughout 2017, the group made purchases from 22,000 suppliers for a value of €8.7 billion. Also, Iberdrola has contributed more than €7.1 billion in taxes and levies during the past year<sup>4</sup>. Also worth noting is the

<sup>3</sup> 2016 figures

<sup>4</sup> Según informe PwC, basado en la actividad de Iberdrola en 2016.



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company's commitment to innovation with investments in R&D&i of €246 million in 2017, 17% more than in the previous year.

Lastly, Iberdrola reaffirms its commitment to reducing emissions which, at present, are already 32% below the average of its European competitors and aims to reach 150 grams of CO<sub>2</sub>/kWh for 2030, which entails a 50% reduction compared to 2007 levels.

All these activities show how Iberdrola has incorporated the United Nations Sustainable Development Goals (SDG) for 2030 into its strategy. In this regard, the company has linked its long-term incentive plan to its contribution to SDGs 7 and 13 - affordable and non-polluting energy, and climate action respectively. In addition, Iberdrola is one of the leading global issuers of green bonds and has recently closed two lines of credit worth €5.3 billion whose conditions are linked to compliance with sustainability indicators.

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### FORWARD LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola, S.A. and AVANGRID, Inc. ("Avangrid"), including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

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Avangrid to the Securities and Exchange Commission, which are accessible to the public.

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### INFORMATION ABOUT AVANGRID, INC.

This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the consolidated financial results of Iberdrola, S.A. and was prepared and is presented in accordance with the International Financial Reporting Standards ("IFRS"). **This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. ("Avangrid") or Avangrid's financial results.** Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid's financial results. For information regarding Avangrid's financial results for the 2017 fiscal year, please see the press release Avangrid issued on 20th February, 2018, which is available on its investor relations website at [www.avangrid.com](http://www.avangrid.com) and the Securities and Exchange Commission ("SEC") website at [www.sec.gov](http://www.sec.gov).

