

Shareholder's bulletin Nine months /October 2019

> Net profit grew by 20.4%, reaching 2,517 million as a result of the 30% increase in investments (Euro 4,727 million)





**Ignacio Galán** Chairman & CEO of Iberdrola



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"Acceleration of investments, which grew by 30%, together with good business results, have allowed Iberdrola to increase its net profits by 20.4% to 2,517 million, confirming the trend previously noted during the first half of the year.

Due to these positive results, the company has confirmed its growth prospects for the end of the year, which has allowed the Board of Directors to increase the interim dividend for 2019 by 10.6%, to 0.167 Euros per share. "

# Iberdrola shareholder Remuneration "Iberdrola Retribución Flexible"

The solid results achieved during the nine months of 2019 will allow Iberdrola to reassert its double-digit growth in net profit in 2019.

#### Iberdrola increases interim dividend by 10.6%

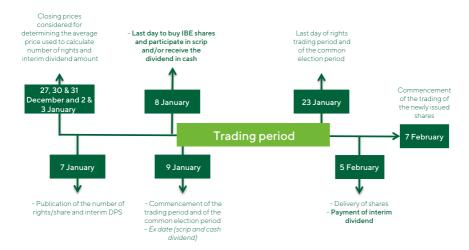
This has allowed the Board of Directors to fix the gross amount of the Interim Dividend per share at **a minimum of 0.167 Euros** (10.6% higher than the final Interim Dividend submitted in 2018). To this amount will be added the Complementary Dividend, once approved at the General Shareholders' Meeting (to be paid in July 2020).

#### At least €0.167 gross per share (+10.6%)

As usual, this remuneration will be carried out through the scrip dividend *"Iberdrola Remuneración* Flexible" system, through which Iberdrola's shareholders can choose between the following options (or combine them, if the value of the remuneration to be received is the same):

- A. Receive free newly issued shares;
- B. Receive cash by selling all of a portion of the free allocation rights in the market;
- C. Receive cash by means of the payment of the Interim Dividend for 2019.

### Calendar January 2020



#### Maintaining the number of shares

Furthermore, and to avoid diluting shareholders, Iberdrola will honour its commitment to keep the number of shares at 6,240 million. Accordingly, on 28 June 2019 the 280,457,000 shares necessary to honour this commitment were redeemed (4.30% of capital).

#### Sustainable remuneration

Iberdrola has a dividend policy which has set a sustainable remuneration level, in anticipation of growth in the minimum annual dividend (floor) until it reaches at least 0.40 Euros per share in 2022, which is an increase of 23% on 2017.

# Highlights of the period

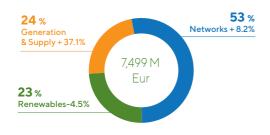
# Net profit increased up 20.4%

Iberdrola's net profit grew by 20.4% at the end of the nine-month period, rising to Euro 2,517 million. The tax rate returned to more standard levels (24%).



# The Operating Profit (EBITDA) grew by 11.6%

### EBITDA by business



The operating profit (EBITDA) for the nine-month period in 2019 reached Euro 7,499 million (+11.6%) thanks to the healthy performance of the Networks and Generation and Clients businesses, and despite the difficult hydraulic conditions in Spain.

The EBITDA of the **Networks** business grew by 8.2% to Euro 3,942 million, boosted by improvements to the business in Brazil, the USA and the United Kingdom. With regard to **Renewables**, the EBITDA was around Euro 1,678.3 million, falling slightly as a result

of a decrease in output, which reached 35,858.0 GWh (-10.9%). This was due to lower levels of hydraulic activity in Spain, and was in spite of the additional capacity installed in Mexico, Brazil and the USA. The EBITDA for Generation and Clients improved by 18.6% to Euro 1,817.7 million, principally due to improved performance in Spain and Mexico, which compensated the lower output in sales of thermal generation assets and the price cap in the United Kingdom.

# Acceleration in investments rising to Euro 4,727 million

Investments made over the period, rising by 30% year-on-year and reaching Euro 4,727 million. These investments were concentrated on the Networks and Renewables Business, in line with the Group's strategy, with 87% of the total annual investment concentrated in these two businesses.

With regard to the Renewable business, the Euro 1,104.7 million invested in four new onshore wind farms in the United States are of particular note, as are the new solar and wind developments in Spain, and the offshore wind projects in the United Kingdom.

#### Net Investments by business



In line with the investment plan, 5.2GW of new generating capacity will be added, 11% only during 2019, reaching 13,000 MW of capacity in 2022.

# Highlights of the period

# Financial strength

The increase in operating cash flow and the asset turnover plan led to an improvement in financial ratios. Thus the ratio of cash flow generation (FFO) to net debt improved, reaching 22.2%, with the cost of the debt falling by two basis points.

Financial leverage, meanwhile, also improved, falling to 43.2%.

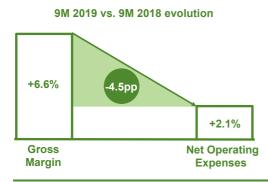
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	Sept 2018*	Sept. 2019		
Net Debt / EBITDA	3.9x	3.5x		
FFO / Net Debt	21.0%	22.2%		
RCF / Net Debt	19.5%	21.0%		
Leverage	44.5%	43.2%		
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Pro forma adjusted credit matrics\*\*

(\*) September 2018: Pro forma credit metrics exclude provisions for efficiency plans

(\*\*) Adjusted by market value of treasury stock cumulative hedges (EUR 422.0 M at September 2018 and EUR 700.5 M at September 2019)

# Operational Excellence



In line with what was estimated in our strategy, which has operational efficiency as one of its pillars, efficiency continued to improve during the last quarter. As a result, net operating costs rose by 2.1%, with an increase of 6.6% in the gross margin.

As a consequence, the ratio of net operating costs/gross margin improved by 120 basis points on the previous year to 26.1%, thus reaching the goal for 2022.

## Asset rotation plan

In terms of asset rotation, in this quarter operations were completed with a value exceeding Euro 2,000 million, mainly through:

- The sale of a minority holding of 40% in our offshore wind project, East Anglia One, in the United Kingdom for around Euro 1,700 million.
- The long-term distribution of rights in relation to the fibre optic network in Spain for Euro 300 million.

### **Asset Rotation Plan**



These operations, together with others that were carried out during the first half of the year, represented a total value of Euro 3,500 million, thus meeting the goals of the efficiency and asset turnover plans set for 2022, more than three years early.

By December, we hope to have put 7,000MW into operation in just two years, which represents over 50% of the five-year plan.

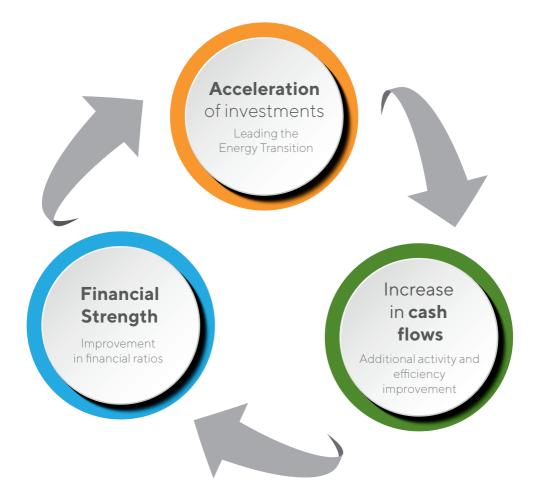
# A model for creating sustainable value

The positive results of the past nine months demonstrate the benefits linked to the model the company has been using for the past twenty years, and which is now more valid than ever.

Based on the opportunities derived from the transition to clean energy, a process in which we have played a leading role, the Group is accelerating its investments in Networks, Renewables and Storage.

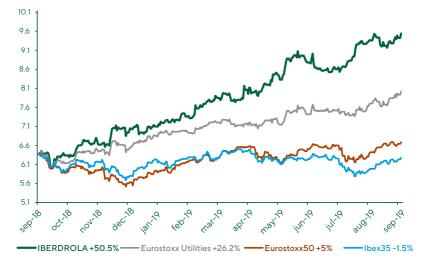
The efficiency and asset turnover plans are also ahead of what was initially forecast, with both having already reached their goals for 2022. This was demonstrated by the increase of 120 basis points in the ratio of net operating costs/gross margin which rose to 26.1%, while the goal of Euro 3,500 million in asset turnover was also reached.

This provides an additional margin for new investments, creating a virtuous circle that we hope will continue to accelerate and, as a result, boost the company's future results.



# **IBERDROLA** and the stock market

# Iberdrola stock performance vs. Indexes



	9M 2019	9M 2018
Number of outstanding shares	6,362,072,000	6,397,629,000
Price at the end of the period	9.5360	6.3380
Average price of the period	9.3264	6.3797
Average daily volume	17,106,457	19,306,561
Maximum volume (09-20-2019/06-15-2018)	63,687,471	74,718,387
Minimum volume (08-26-2019/08-27-2018)	5,654,457	5,643,283
Dividends paid ( $\in$ ) <sup>(1)</sup>	0.3560	0.3310
Gross Final dividend (02-05-2019 / 01-29-2018)	0.151	0.140
Gross interim (08-01-2019 / 07-25-2018) <sup>(2)</sup>	0.200	0.186
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield (3)	3.73%	5.22%

(1) Dividends paid in the last 12 months

Purchase price of rights guaranteed by Iberdrola Dividends paid in the last 12 months and Shareholder´ Meeting attendance bonus / price at the end of period

# Stock Market Data

		9M 2019	9M 2018
Market capitalisation	EUR (billion)	60,668	40,548
Earnings per share (6,362,072,000 shares at 30/09/19 and 6,397,629,000 shares, at 30/09/18)	€	0.396	0.322
Net operating cash flow per share	€	0.306	0.275
P.E.R.	Times	17.72	16.27

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