

Shareholder's bulletin First half /July 2019

> Net profit increased by 16.6% to EUR 1,644 billion





Ignacio Galán Chairman & CEO of Iberdrola



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"In the first half of the year, Iberdrola increased its net profit by 16.6% to EUR 1,644 billion as a result of the strong increase in investments and efficiencies that the company continues to pursue.

In July, a new "Iberdrola Flexible Remuneration" system was released, which amounts to EUR 0.2 per share. With this dividend, total shareholder remuneration for the year is EUR 0.351 per share, 7.7% higher than the previous year.

Improved business development forecast for the second half of the year enables net profit growth projections for 2019 to be improved from high single-digit to low double digit."

Sustainable remuneration

Iberdrola forecast a growing annual minimum remuneration to its shareholders. The company forecasts a minimum dividend increase of 23% in the 2017-2022 period, reaching EUR 0.4 gross per share, always in line with results and in accordance with its remuneration policy, which establishes a payout of between 65% and 75% of the consolidated net profit, maintaining the options of the *"Iberdrola Remuneración Flexible"* system.



In this sense, Iberdrola reaffirms its commitment to shareholders and is increasing shareholder compensation by 7.7%

As part of the agreements approved at the General Meeting held in the first quarter, Item 7 of the agenda, corresponding to shareholders' remuneration attributable to the 2018 financial year with payment in 2019, was approved with 99.77% of votes in favour. Thus, the total minimum shareholder remuneration was set at EUR 0.351 gross per share, an increase of 7.7% compared to the previous year. Of this amount, EUR 0.151 gross per share was already distributed in January and the remaining EUR 0.200 per share will therefore be distributed in July 2019 as a supplemental dividend.

The *"Iberdrola Remuneración Flexible"* system allows shareholders to choose their form of remuneration: receive free new shares; receive cash by selling rights on the market or requesting supplemental dividends; or combining the various alternatives.

As a result of this edition, it has been established that 43 rights are required to obtain one share.

The Supplemental Cash Dividend will be paid on 1 August 2019, which is the expected registration date for new shares.

To avoid diluting shareholders, Iberdrola is reaffirming its commitment to maintain the number of shares at 6,240 billion.

In this respect, during the last Shareholders' Meeting, the amortisation of shares necessary to meet this objective was approved, amounting to 280,457,000 shares (4.30% of capital) and was carried out on 28 June 2019.

Period highlights

Net profit increased by 16.6%

Iberdrola's net profit has grown by 16.6% at the end of the first half of the year to reach EUR 1,644 billion. The corporate tax rate has returned to more normal levels and stands at 22.9%, compared to 20.8% last year, due to positive final adjustments from the United States tax reform being recorded in this period.



Operating profit (EBITDA) grew by 12.5%



Operating profit (Earnings Before Interest, Taxes, Depreciation, and Amortisation – EBITDA) from the first half of 2019 reached EUR 4.99 billion (+12.5%) thanks to good progress of the Networks, and Generation and Supply lines of business, despite difficult hydraulic conditions in Spain.

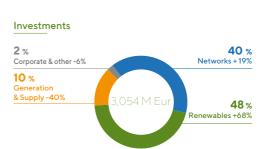
EBITDA from the **Networks** line of business increased by 8.6% to EUR 2,594 billion, driven by higher rates and increased demand and efficiencies in Brazil and the US. With regard to **Renewables**. EBITDA stands at EUR 1.165 billion

and decreased slightly due to the lower wind and hydroelectric generation in Spain, which was almost offset by higher prices and higher production abroad thanks to new capacity installed in Mexico, Brazil and the United States. EBITDA from **Generation and Supply** increased by 34.8% to EUR 1,183 billion, mainly due to better performance in Spain and Mexico, which offset lower production due to the sale of thermal generation assets and price ceilings in the United Kingdom.

Investments total EUR 3,054 billion

Thanks to the significant cash contribution of the Networks, and Generation and customers lines of business, the Group was able to fully finance the investments made in the period, which increased by 23% year-on-year and surpassed EUR 3 billion.

By line of business, 48% for Renewables, with almost 70% of the increase driven mainly by offshore and onshore wind energy in the United States, the United Kingdom and Spain.



An additional 40% corresponds to investments in

Networks, which increased in all countries with a total growth of 19%, and the remaining 10% to Generation and Supply.

According to the projected investment plan, Iberdrola will add 5.2 GW of new generation capacity throughout 2019, which means increasing total generation capacity by 11% in just one year.

Financial strength

Operating cash flow grew by 11.1% and stands at EUR 3,881 billion. Iberdrola's financial position continues to strengthen, with a cash generation ratio (FFO - funds from operations) over net debt of 21.2%, which improves the value recorded in the first half of 2018.

Adjusted Credit Metrics	June 2018*	June 2019
Net Debt / Operating Profit	4.10x	3.67x
FFO / Net Debt	20.2%	21.2%
RCF / Net Debt	17.7%	20.1%
Leverage	43.7%	44.5%

* June 2018: Pro forma credit metrics exclude provisions for efficiency plans

Outlook

Strong results obtained in the first six months of the year, together with the new generation capacity planned for the second half of the year, cost savings and non-recurring revenues, will strengthen the financial structure and future results.

The company is ready to capitalise on the opportunities presented by the energy transition in its major markets:

- Enhance plans and measures to boost the decarbonisation of the economy in Europe and the United States.
- Great potential for developing offshore wind energy, mainly in the United States and the United Kingdom.
- The need to develop new network infrastructures in the United States, Brazil and Spain.
- In Mexico, the National Energy Plan 2019–2033 sets the goal of installing 70 GW of new capacity.

Asset rotation 2019

On 6 March, an agreement was reached with Lyntia Networks regarding the long-term transfer of the right to use surplus capacity from the fibre-optic network. Finalising the transaction is subject to approval by the Spanish National Commission on Markets and Competition (CNMC). Total remuneration (subject to the usual adjustments for this type of transaction) amounts to EUR 260 million, and the impact on the year's results (not included in the first half) will be determined once more information on said adjustments is available.

Furthermore, an agreement was reached with Pavilion Energy Trading & Supply Pte. Ltd. on 20 June for the transfer of Iberdrola's contractual position in its portfolio of contracts for the long-term supply of liquefied natural gas (LNG), maritime shipping and the use of gas infrastructures, as well as other ancillary contracts related to the supply of LNG. In terms of remuneration, Pavilion will pay Iberdrola an amount of EUR 115 million, payable at the close of the transaction, which is expected to take place on 1 January 2020.

Successful Public Stock Listing of Brazilian subsidiary Neoenergia

On 1 July 2019, Neoenergia completed the initial public offering of shares on the B3 market in São Paulo. Under this process, the indicative and non-binding price band of the shares in the offer contained in the process announcement was between BRL 14.42 and BRL 16.89 per share, equivalent to EUR 3.32 and EUR 3.89 respectively.

Finally, it was agreed to set the final share price at BRL 15.65, equivalent to EUR 3.576 per share.

Following this transaction, Iberdrola remains Neoenergia's majority shareholder, with a stake of 50% plus one share. The Bank of Brazil, which has had holdings in the company's capital since 1997, sold its 9.3% stake in Neoenergia. Previ reduced its stake to 30.29%, leaving it as a significant shareholder and a long-term investor.



This is the biggest placement in Brazil's energy sector since 2000, which shows that the market values Neoenergia's strategy.

The transaction can be described as a success, as demand has been five times higher than supply and provides a diversified shareholder base.

Furthermore, shares have performed outstandingly well during the first three weeks of trading, increasing in value by more than 13% and reaching a capitalisation of more than EUR 5 billion.



IBERDROLA and the stock market

Iberdrola stock performance vs. Indexes



	H1 2019	H1 2018
Number of outstanding shares	6,240,000,000	6,438,374,000
Price at the end of the period	8.766	6.624
Average price of the period	7.827	6.311
Average daily volume	17,806,527	20,434,325
Maximum volume (03-15-2019/01-04-2018)	57,141,894	74,718,387
Minimum volume (02-18-2019/01-26-2018)	8,100,534	9,111,678
Dividends paid (\in) ⁽¹⁾	0.156	0.145
Gross Final dividend (01-29-2019 /01-23-2018) ⁽¹⁾	0.151	0.140
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield ⁽²⁾	3.90%	4.86%

Purchase price of rights guaranteed by Iberdrola

Purchase price of rights guaranteed by Iberdrola
Dividends paid in the last 12 months and attendance/listing premium at the close of period.

		H1 2019	H1 2018
Market capitalisation	EUR (MM)	54,699	41,338
Earnings per share (6,240,000,000 shares at 06/30/19 and 6,438,374,000 shares, at 06/30/18)	€	0.26	0.22
Net operating cash flow per share (*)	€	0.62	0.54
P.E.R.	Times	17.27	15.57

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