

# Shareholder's Bulletin

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nine  
months

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/ October 2018

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Due to the positive end  
of year outlook, the  
company has decided  
to increase the interim  
dividend by 7.1%

Iberdrola,  
“utility  
of the  
future”



IBERDROLA

[www.iberdrola.com](http://www.iberdrola.com)



**Ignacio Galán**  
Iberdrola's chairman

## Chairman's key points...

“Despite the good results in the first 9 months of the year, the Board of Directors has approved an increase of 7.1% in the interim dividend for 2018”.

**Ignacio Galán**  
Chairman

A handwritten signature in dark ink, which appears to read 'Ignacio Galán', with a long, sweeping horizontal line extending from the end of the signature.

# Shareholder return

## Iberdrola increases interim dividend by 7.1%

On October 23, 2018, the Board of Directors of Iberdrola agreed to carry out the second “Iberdrola Flexible Remuneration” optional dividend system for 2018.

The Board of Directors has fixed the gross amount of the interim dividend per share of at least **0.150 euros** (7.1% higher than in 2017). In addition to this amount, which will be paid in February, we have the Final Dividend, once it is approved at the General Shareholders’ Meeting (payable in July 2019).

Under the “Iberdrola Flexible Remuneration” system, Iberdrola shareholders can choose between the following **options** (or combine them, providing the value of the remuneration to be received matches):

- a. receive their remuneration through the delivery of new fully released shares (without withholding tax);
- b. sell all or part of their free allocation rights on the market (with withholding tax. Subject to market fluctuations);
- c. receive their remuneration in cash by receiving the Interim Dividend (with withholding tax).

## Calendario previsto

DATE	ACTIVITY
27, 28 and 31 December 2018 and 2 and 3 January 2019	Days calculated to determine the number of free allocation rights required to receive a new share and the gross amount of the Interim Dividend.
4 January 2019	Notice of significant event ( <i>hecho relevante</i> ), of the number of free-of-charge allocation rights needed in order to receive a share and the amount of the gross Interim Dividend.
8 January 2019	Last trading date on which the shares of Iberdrola are traded with the right to participate in the "Iberdrola Retribución Flexible" system
9 January 2019	Ex-dividend date from which Iberdrola shares are traded without the right to participate.
9 - 23 January 2019	Common Election Period and the trading period for free allocation rights.
5 February 2019	Interim Dividend Payment
6 February 2019	Expected date for the trading of the new shares.

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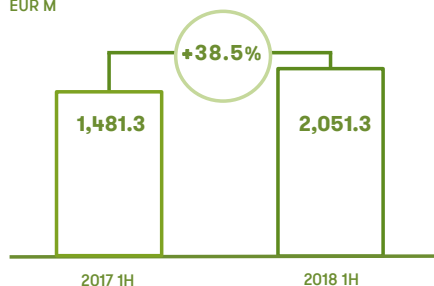


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# Highlights of the period

## Operating Net Profit\*

EUR M

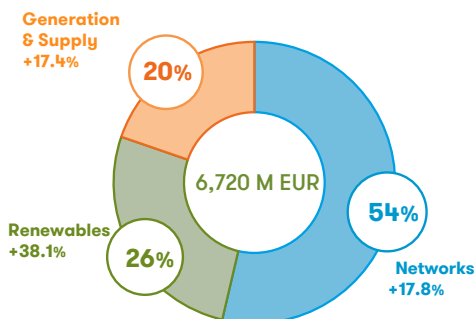


\* 2017 excludes positive one off impacts of Gamesa merger, Brazil corporate reorganisation capital gain and portfolio price revision in Spain.

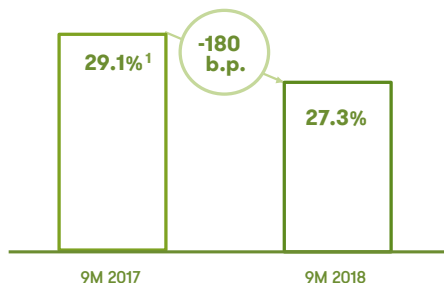
## EBITDA climbed 22.5% to reach €6,720 billion

Consolidated EBITDA increased by 22.5% to euro 6,720 billion, despite a negative impact of 312 million euros due mainly to the changes in the dollar and Brazilian real exchange rates. All Group businesses recorded double-digit growth. From an operational standpoint, the **Networks** business stands to benefit from positive tariff agreements in both the United States and Brazil. Revenue in **Renewables** has improved due to higher onshore wind production in all countries, with higher average installed power and increased wind power, as well as the contribution of Wikinger's offshore wind farm, which is already fully operational, and higher hydroelectric production in Spain and Brazil. Growth in the **Generation and Supply** business accelerated thanks to improved business in the United Kingdom and Mexico.

## EBITDA by business



## Net Operating Expenses to Gross Margin



1. Excluding positive non-operating portfolio price revision in Gas Spain in 2017.

## Operating net profit rose by 38.5%

Operating Net Profit increased by 38.5% to €2.051,3 billion, while Reported Net Profit fell to €2.091 billion, due to the extraordinary impacts of €759.3 million recorded last year from the Siemens-Gamesa merger and the capital gain of 520 million euros from the reorganisation of Brazil.

## Enhanced operating efficiency

Iberdrola has also continued to improve its efficiency ratio over the course of the year. The ratio of net operating expenses to gross operating income was 27.3%, a year-on-year improvement of 180 basis points from 80 basis points in the first quarter. Excluding Neoenergia and the impact of exchange rates, net operating expenses remained flat.

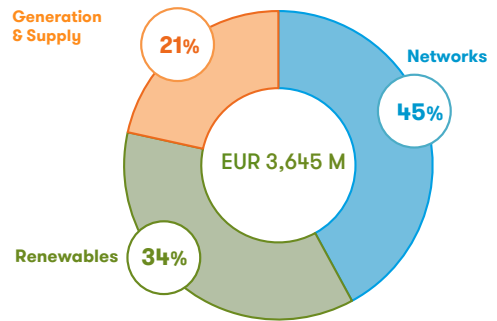
Efficiency will continue to improve in the coming months thanks to further measures implemented by Neoenergia, while the rest of the Group will continue to benefit from synergies and the rollout of good practices.

## Highlights of the period

### Investments reach Eur. 3,645 billion

Net investments during the first nine months of 2018 amounted to €3,645 billion, divided as follows: 44.5% were allocated to the Networks business; 34.4% to Renewables and the remaining 21.1% to Generation and Supply. As a result of the investments already made, Iberdrola will have 2,752 MW of new capacity in operation before the end of the year. By 2022, the company will have commissioned around 12,000 additional MW of power, increasing its installed capacity worldwide by more than 20%.

### Investments by business



### Pro forma adjusted credit metrics\*

	9M'17	9M'18
Net Debt / EBITDA	4.1x	3.9x
FFO / Net Debt	19.9%	21.0%
RCF / Net Debt	17.2%	19.5%
Leverage	44.2%	44.5%

\* Adjusted: excluding provisions for efficiency plans

### Financial soundness

Net debt stands at €34,379 billion euros, as a result of the Group's heavy investment.

The Funds From Operations (FFO) during the period amount to €5,2556 billion, up 12.5% against the same period of the previous year.

76% of the debt is held at a fixed rate, thus safeguarding the company from a potential scenario of rising interest rates.

### Asset turnover plan

As part of the asset turnover plan outlined in the Strategic Outlook until 2022, Iberdrola agreed on 16 October, through its subsidiary ScottishPower, to sell its traditional generation assets in the United Kingdom to Drax Smart Generation, a subsidiary of the Drax Group, for 702 million pounds (801 million euros).

This makes the company the first integrated energy company in the country to be 100% renewable, through shedding 2,566 megawatts (MW) of traditional generation power- mainly combined cycle gas plants. This deal is expected to have a positive impact on the 2018 consolidated results, which will be quantified and reported once it is completed.

On 18 October Iberdrola, agreed to sell its 90% stake in the solar thermal plant in Puertollano (50 MW) to Ence for 181.1 million euros. It was also agreed to pay an earn-out price of up to 6.3 million euros.

This brings the total amount of divestments reached in 2018 to close to €1,200 million.

## Outlook for 2018

The good results obtained - driven by the acceleration in operating improvement in all businesses -, the increase in regulated network tariffs, new installed capacity, increased production and improved efficiency allow Iberdrola to reaffirm its outlook for the whole year.

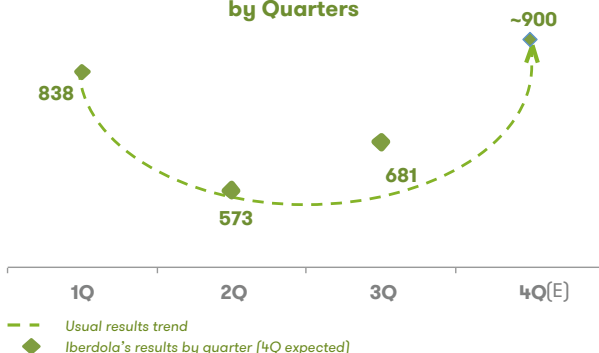
Thus the group expects to surpass Eur 9 billion in EBITDA for 2018 and to obtain a net profit of Eur 3 billion, without taking into account capital gains on recent divestments.

### Reaffirm 2018 EBITDA Outlook of over EUR 9 Bn... with FY2018 Reported Net Profit reaching EUR 3 Bn...

2018  
Reported  
Net Profit  
Outlook:

EUR 3 Bn

#### 2018 Reported Net Profit Evolution by Quarters



“Allowing Iberdrola to maintain our commitment of increasing shareholder remuneration in line with results”

The 2018-2020 Plan is well on track since all businesses and geographies are growing despite the exchange rate impacts, efficiency continues to improve, the investment plan continues as planned, maintaining our financial soundness and leading the green financial market.

## 2018-2022 Plan

### Organic growth

- All businesses
- All geographies
- Efficiency gains

### Investment plan delivery

- **Investments : 86%** in construction (~10 GW capacity & EUR ~14 Bn investments in networks)
- **Asset rotation of EUR 1.2 Bn**
- **Offshore growth** opportunities (2.5 GW in progress & 7.7 GW of pipeline)

### Financial strength

- **Solid financial ratios**
- **Active debt management: 76% at long-term fixed rates**
- **Leading green financing**

# IBERDROLA and the stock market

## Iberdrola stock price performance vs Index



## Iberdrola's share price performance

	9M 2018	9M 2017
Number of shares outstanding	6,397,629,000	6,317,515,000
Share price at the end of the period	6.3380	6.5720
Average share price for the period	6.3797	6.7440
Average daily trading volume	19,306,561	22,349,503
Maximum trading volume [06-15-2018 / 04-06-2017]	74,718,387	122,920,322
Minimum trading volume [08-27-2018 / 08-28-2017]	5,643,283	4,636,525
Dividends paid [€] <sup>(1)</sup>	0.3310	0.3170
Gross interim [01-29-2018 / 01-23-2017]	0.1400	0.1350
Gross final dividend [07-25-2018 / 07-07-2017 and 07-21-2017]	0.1860	0.1770 <sup>(2)</sup>
AGM attendance premium	0.0050	0.0050
Dividend yield <sup>(3)</sup>	5.22%	4.82%

(1) Dividends paid in the last 12 months.

(2) Purchase price of rights guaranteed by Iberdrola and € 0.03 in cash in 2017. No cash payment is made in 2018 as it is included in the final dividend.

(3) Dividends paid in the last 12 months and Shareholder Meeting attendance bonus / price at the end of period.

## Stock Market Data

		9M 2018	9M 2017
Market Capitalisation	Eur M	40,548	41,519
Earnings per share (6,397,629,000 sh. as of 30/09/2018 and 6,317,515,000 sh. as of 30/09/2017)	Eur	0.106	0.142
Net operating cash flow per share	Eur	0.275	0.216
P.E.R.	Times	16,27	13.54



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