

Results

First half

July 24 /2019



First Half Results 2019 / July 24, 2019

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Core business figures

		December 2018	December 2017
RAV (Local currency)			
Spain	(EUR billion)	9.3	9.3
United Kingdom	(GBP billion)	6.5	6.0
United States	(USD billion)	9.7	9.1
Brazil	(BRL billion)	19.0	16.4

Distributed Electricity	H1 2019	H1 2018	vs. 2018
ELECTRICITY (GWh)			
Spain	46,487	46,748	-0.6%
United Kingdom	17,077	17,807	-4.1%
United states	18,687	19,057	-1.9%
Brazil	34,012	32,334	5.2%
Total	116,263	115,947	0.3%
GAS (GWh)			
United States	37,651	37,386	0.7%
Total	37,651	37,386	0.7%

Differences may arise due to rounding.

Managed supply points	H1 2019	H1 2018	vs. 2018
ELECTRICITY (Millions)			
Spain	11.12	11.06	0.5%
United Kingdom	3.53	3.52	0.2%
United States	2.26	2.25	0.5%
Brazil	13.94	13.68	1.9%
Total Electricity	30.85	30.51	1.1%
GAS (Millions)			
United States	1.01	1.00	0.7%
Total Gas	1.01	1.00	0.7%
TOTAL SUPPLY POINTS	31.86	31.52	1.1%

Note: In terms of operational data, IFRS11 do not apply (see details under Operational Performance for the period).
Differences may arise due to rounding.

Generation business and Customers

	H1 2019	H1 2018	vs. 2018
TOTAL GROUP			
Net Production (GWh)	75,599	75,574	0.0%
Renewables	31,371	35,127	-10.7%
Onshore	18,611	19,991	-6.9%
Offshore	1,024	729	40.6%
Hydro	10,790	13,807	-21.8%
Minihydro	366	403	-9.2%
Solar and others	580	198	193.6%
Nuclear	12,375	11,021	12.3%
Gas combined cycle	27,337	25,457	7.4%
Cogeneration	4,166	3,382	23.2%
Coal	349	586	-40.4%
Installed Capacity (MW)	48,632	48,871	-0.5%
Renewables	30,362	29,479	3.0%
Onshore	16,422	15,541	5.7%
Offshore	572	544	5.1%
Hydro	12,620	12,635	-0.1%
Minihydro	306	303	0.8%
Solar and others	442	455	-2.8%
Nuclear	3,177	3,177	-
Gas combined cycle	12,885	14,007	-8.0%
Cogeneration	1,335	1,335	-
Coal	874	874	-
Electricity customers (N° mill.)	13.38	13.31	0.6%
Gas customers (N° mill.)	3.05	3.86	-21.1%
Gas Supplies (GWh)	30,011	35,930	-16.5%
Gas Storage (bcm)	0.11	0.06	83.3%

Note: In terms of operational data, IFRS11 do not apply see details under Operational Performance for the period). Differences may arise due to rounding.

Spain



	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	28,830	29,443	-2.1%
Renewables	10,933	15,097	-27.6%
Onshore	6,252	6,814	-8.3%
Hydro	4,315	7,857	-45.1%
Minihydro	366	403	-9.2%
Solar and others	0	23	-99.6%
Nuclear	12,375	11,021	12.3%
Gas combined cycle	3,849	1,520	153.2%
Cogeneration	1,323	1,219	8.5%
Coal	349	586	-40.4%
Installed Capacity (MW)	25,926	25,919	0.0%
Renewables	15,828	15,821	0.0%
Onshore	5,770	5,752	0.3%
Hydro	9,715	9,715	-
Minihydro	306	303	0.8%
Solar and others	37	50	-27.0%
Nuclear	3,177	3,177	-
Gas combined cycle	5,695	5,695	-
Cogeneration	353	353	-
Coal	874	874	-
Electricity customers (Nº mill.)	10.11	10.14	-0.3%
Gas customers (Nº mill.)	1.04	1.00	3.6%
Gas Supplies (GWh)	14,159	10,061	40.7%
Users	5,899	6,502	-9.3%
Gas Combined Cycle	8,260	3,558	132.2%

Differences may arise due to rounding.

United Kingdom

	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	2,152	6,504	-66.9%
Renewables	2,152	2,682	-19.8%
Onshore	1,823	2,038	-10.5%
Offshore	329	366	-10.1%
Hydro	-	278	-100.0%
Gas combined cycle	-	3,822	-100.0%
Installed Capacity (MW)	2,128	4,666	-54.4%
Renewables	2,128	2,666	-20.2%
Onshore	1,906	1,906	-
Offshore	222	194	14.4%
Hydro	-	566	-100.0%
Gas combined cycle	-	2,000	-100.0%
Electricity customers (Nº mill.)	2.85	2.95	-3.4%
Gas customers (Nº mill.)	1.90	1.92	-1.3%
Gas Supplies (GWh)	15,852	25,869	-38.7%
Users	15,852	17,881	-11.3%
Gas Combined Cycle	-	7,988	-100.0%
Gas Storage (bcm)	0.11	0.06	83.3%

Differences may arise due to rounding.

USA

	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	10,399	10,309	0.9%
Renewables	8,923	9,507	-6.1%
Onshore	8,633	9,174	-5.9%
Hydro	112	162	-30.8%
Solar and others	178	171	4.1%
Gas combined cycle	1	5	-78.6%
Cogeneration	1,475	798	84.8%
Installed Capacity (MW)	8,183	7,479	9.4%
Renewables	7,335	6,631	10.6%
Onshore	7,087	6,385	11.0%
Hydro	118	118	-
Solar and others	129	128	0.8%
Gas combined cycle	212	212	-
Cogeneration	636	636	-

Differences may arise due to rounding.

Mexico

	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	24,623	19,871	23.9%
Renewables	850	503	68.9%
Onshore	452	503	-10.2%
Solar and others	398	-	N.A.
Gas combined cycle	22,404	18,002	24.5%
Cogeneration	1,369	1,365	0.2%
Installed Capacity (MW)	7,599	6,562	15.8%
Renewables	807	648	24.6%
Onshore	537	378	42.3%
Solar and others	270	270	-
Gas combined cycle	6,446	5,568	15.8%
Cogeneration	346	346	-

Differences may arise due to rounding.

Brazil

	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	8,192	8,447	-3.0%
Renewables	7,110	6,339	12.1%
Onshore	747	829	-10.0%
Hydro	6,363	5,510	15.5%
Gas combined cycle	1,083	2,108	-48.6%
Installed Capacity (MW)	3,835	3,284	16.8%
Renewables	3,302	2,751	20.0%
Onshore	516	516	-
Hydro	2,786	2,236	24.6%
Gas combined cycle	533	533	-

Differences may arise due to rounding.

Iberdrola Energía Internacional (IEI)*

	H1 2019	H1 2018	vs. 2018
Net Production (GWh)	1,403	999	40.4%
Renewables	1,403	999	40.4%
Onshore	704	632	11.3%
Offshore	695	363	91.7%
Solar and others	4	4	3.0%
Installed Capacity (MW)	961	961	-
Renewables	961	961	-
Onshore	605	605	-
Offshore	350	350	-
Solar and others	6	6	-
Electricity customers (Nº mill.)	0.42	0.22	93.7%
Gas customers (Nº mill.)	0.11	0.94	-88.0%
Gas Supplies (GWh)	203.89	3.03	N.A.

Differences may arise due to rounding.

(*) Former Rest of the World

Stock Market Data

		H1 2019	H1 2018
Market capitalisation	EUR (billion)	54,699	41,338
Earnings per share (6,240,000,000 shares at 30/06/19 and 6,438,374,000 shares, at 30/06/18)	€	0.26	0.22
Net operating cash flow per share (*)	€	0.62	0.54
P.E.R.	Times	17.27	15.57
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.50	1.14

Economic/Financial Data (*)

Income Statement		H1 2019	H1 2018
Revenues	EUR (million)	18,281.0	17,586.6
Gross Margin	EUR (million)	8,230.0	7,668.4
EBITDA	EUR (million)	4,989.8	4,435.9
EBIT	EUR (million)	2,990.7	2,527.3
Net Profit	EUR (million)	1,644.4	1,410.5
Net Operating Expenses / Gross Margin	%	26.1	27.5
Balance Sheet		June 2019	Dec. 2018
Total Assets	EUR (million)	116,438	113,038
Equity	EUR (million)	44,846	43,977
Net Financial Debt	EUR (million)	36,792	34,199
ROE	%	8.9	7.5
Financial Leverage (Net Financial Debt/(Debt Financial Debt + Equity))	%	45.1%	43.7%
Net Financial Debt / Equity	%	82.0%	77.8%

(*) Financial terms are defined in the "Glossary"

Others

		H1 2019	H1 2018
Investments	EUR (million)	3,053.9	2,478.0
Employees	N°	34,210	33,087

Iberdrola's Credit Rating

Agency	Rating	Outlook	Date of latest rating action
Moody's	Baa1	Stable	14 march 2018
Fitch IBCA	BBB+	Stable	8 july 2016
Standard & Poor's	BBB+	Stable	22 april 2016



Highlights for the period

Global environment and general considerations

During the first half of 2019, international commodities markets performed as follows:

- The average price of Brent oil is USD 66.0 per barrel compared with USD 70.8 per barrel in the first half of last year (-7%).
- The average price of gas (TTF) over the period dropped to EUR 15.7/MWh, compared with EUR 21.2/MWh in the first six months of 2018 (-26%).
- The average price of API2 coal was USD 66.4/t, compared with USD 88.0/t (-25%) in 2018.
- The average price of CO2 emission rights is EUR 23.9/t compared with EUR 12.1/t in the same period of 2018 (+97%).

As regards Iberdrola's main **reference currencies**, the change against the euro was as follows:

- The British pound gained 0.7%, with the GBP-EUR rate standing at 0.873.
- The US dollar appreciated 7.1%, with the USD-EUR rate standing at 1.129.
- The Brazilian real appreciated 5.3%, with the BRL-EUR rate reaching 4.355.

As regards the performance of **electricity demand and output** for the period, these are the highlights for the company's main business areas:

- The energy balance of the Spanish mainland system in the first half of 2019 was characterised by the increase in combined cycle (+81%), nuclear (+12%) and solar (+27%) production compared to the same period in the previous year, as well as a drop in coal (-44%) and renewables: hydroelectric (-41%) and wind (-4%) output.

The quarter was dry, with a producibility index of 0.7-, and hydroelectric reserves at 51.2% compared to an index of 1.4 and reserves at 64.1% at the end of the first half of 2018.

Demand decreased by 2.2% compared to the same half of the previous year; falling by 2.4% after adjusting for working days and temperature.

- In the United Kingdom, electricity demand dropped by 3.5% compared to the first half of 2018. Customer gas demand fell by 6.7% year on year.
- In Avangrid's area of influence on the East Coast of the US, electricity demand went down by 1.9% compared with the first half of 2018, whereas gas demand ticked up 0.7%.
- Demand in Neoenergia's areas of influence in Brazil grew by 5.2%.

Significant events for the Iberdrola Group

- On 1 January 2019, the Iberdrola Group adopted **IFRS 16**, which changes the prior treatment of leases that were considered operating leases, and requires that assets and debt for future lease payments be recorded in the same way as with finance leases. This new standard (From January 2019) led to debt increasing by EUR 399 million in the first six months of 2019, greater depreciation (EUR 32 million) and finance costs (EUR 6 million), and a lower net operating expense (EUR 33 million).
- The Generation and Supply business in Spain has been affected by the non-recurring impact of recognising at market value long-term LNG supply agreements (EUR +89 million) following the deal with Pavilion Energy Trading & Supply to transfer the contractual position in these agreements, which will take effect on 1 January 2020. On the other hand, the Networks business in Spain recognised last year a non-recurring impact of EUR +53 million - negatively affecting the year-on-year comparison - as a result of the favourable court ruling on facilities transferred to customers (ICAs).

The main items of the **Profit and Loss Account** were as follows:

M Eur	H1 2019	vs H1 2018
GROSS MARGIN	8,230.0	+7,3%
EBITDA	4,989.8	+12,5%
EBIT	2,990.7	+18,3%
NET PROFIT	1,644.4	+16,6%

Consolidated **EBITDA** is up 12.5%, at EUR 4,990M million, underpinned by the decent performance of the Networks and Generation and Supply businesses.

Noteworthy from an operational standpoint are: the tariff improvements in Brazil alongside the efficiencies achieved and the increase in demand; the increase in offshore wind production thanks to Wikinger's contribution over the full six-month period this year; a greater installed capacity in Mexico and Brazil; and the strong performance of the Generation and Supply business in Spain. On the downside, hydroelectric production fell in Spain, and there is less demand in the United Kingdom and lower prices due to the imposition of the cap on certain electricity and gas tariffs.

The **Net Operating Expense** is 1.6% higher due to exchange rates, demonstrated by the fact that the expense would have remained flat year on year if this impact is stripped out, although it should be noted that the effect of IFRS 16 improves the Net Operating Expense by Eur 33 Million.

Taxes decreased by 2.4% as a result of the lower hydroelectric production and the suspension of the 7% tax on generation during the first half-year, which is in force once again as of April.

Depreciation and amortisation charges and provisions increased by 4.7% due to the Group's increased activity and the effect of IFRS 16, partially offset by lower nuclear asset depreciation following the agreement reached with the authorities, ENRESA and the other shareholders of the facilities.

Net profit is up 16.6% to EUR 1,644 million, without recognising the significant gains/(losses) on non-current assets. The tax rate reached more normal levels, standing at 22.9%, compared to 20.8% the previous year, as positive final adjustments relating to the US tax reform were recognised in 2018.

The **key financial figures** for the period are as follows:

- Adjusted Net Financial Debt* stands at EUR 36,335 million, up EUR 2,298 million year on year, primarily because of the application of IFRS 16 (EUR 399 million), the exchange rate effect (EUR 284 million), and the major investments drive by the Company. The adjusted financial leverage increased to 44.5% from 43.7% in the same period of the previous year.
- Funds generated from operations in the first half of 2019 stood at EUR 3,494 million – up 11.1% year on year.

Lastly, investments for the period totalled EUR 3,054 million (+23.2%). Of this investment, 88% was concentrated in the Networks and Renewables businesses.

* Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 31 million at 30/06/2018 and EUR 457 million at 30/06/2019).

Disposals in 2019

On 6 March, an agreement was reached with Lyntia Networks for the long-term assignment of the rights of use for the excess capacity of its Spanish optical fibre network. The operation will be finalised once the CNMC has given its authorisation. The transaction amounts to a total of EUR 260 million, subject to the usual adjustments for transactions of this kind, and the impact on the results for the financial year, not included in the first half-year, will be determined once further information is obtained on those adjustments.

Moreover, on 20 June an agreement was reached with Pavilion Energy Trading & Supply Pte. Ltd. for the transfer of its contractual position in its portfolio of long-term liquefied natural gas supply, sea freight and gas infrastructure usage contracts, and other supplementary contracts related with the supply of liquefied natural gas. In return, Pavilion will pay Iberdrola EUR 115 million when the sale is completed, estimated to be on 1 January 2020.

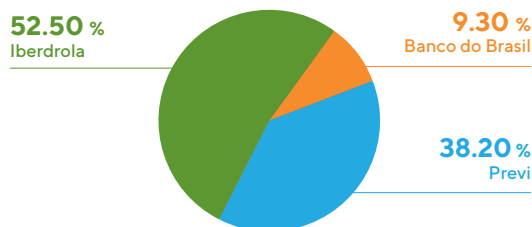
Neoenergia IPO

On 1 July 2019, Neoenergia completed the public offering of shares on the B3 Market in São Paulo. In this process, the indicative and non-binding range of prices of the shares in the offer included in the flotation announcement was between BRL 14.42 and BRL 16.89 – equivalent to EUR 3.32 and EUR 3.89 per share, respectively. Lastly, the definitive price per share in the offer was set at BRL 15.65 – equivalent to EUR 3.576 per share. A market cap of over EUR 5,000 million was achieved in the first three months of trading.

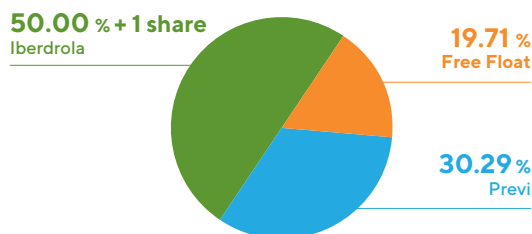
Following this operation, Iberdrola is still Neoenergia's majority shareholder, holding a stake of 50% plus one share. Banco do Brasil, which

has invested in the company since 1997, sold its 9.3% stake in Neoenergia, while Previ reduced its shareholding to 30.29% but still remains a significant shareholder and long-term investor (50% + 1 acción).

Shareholder structure prior to public share offering



Shareholder structure after public share offering





Operational performance for the period

1. DISTRIBUTED ENERGY AND SUPPLY POINTS

The Group's Regulatory Asset Base (RAB) stood at EUR 29.3 billion at the close of 2018:

Dec. 2018 Dec. 2017			
RAB (Local currency)			
Spain	(EUR billion)	9.3	9.3
United Kingdom	(GBP billion)	6.5	6.0
United States	(USD billion)	9.7	9.1
Brazil	(BRL billion)	19.0	16.4

During the first six months of 2019, electricity distributed by the Group totalled 116,263 GWh – up 0.3% on the same period in 2018.

The Group had 31.9 million electricity and gas supply points, with the following breakdown by country:

MANAGED SUPPLY POINTS	H1 2019	H1 2018	Vs. 2018
ELECTRICITY (Millions)			
Spain	11.12	11.06	0.5%
United Kingdom	3.53	3.52	0.2%
United States	2.26	2.25	0.5%
Brazil	13.94	13.68	1.9%
Total Electricity	30.85	30.51	1.1%
GAS (Millions)			
USA	1.01	1.00	0.7%
Total Gas	1.01	1.00	0.7%
TOTAL SUPPLY POINTS	31.86	31.52	1.1%

Discrepancies possible due to rounding.

1.1. Spain

In May 2019, the new company name of Iberdrola Distribución Eléctrica: i-DE, Redes Eléctricas Inteligentes, S.A.U., was launched. This will help bolster the company's image in this new period focused on customers, environmental protection and the energy transition to smart grids and sustainable mobility.

At the June close, i-DE boasted 11.1 million supply points (a 0.5% increase compared with June 2018), distributing a total of 46,487 GWh since the start of the year – down 0.6% on the same six months of the previous year.

The table shows the change in the SAIDI (System Average Interruption Duration Index) and System Average Interruption Frequency Index (SAIFI) for medium voltage supply:

Year	SAIDI (min)	SAIFI (nº. inter.)
H1 2018	24.29	0.46
H1 2019	18.38	0.36

At the end of June, the System Average Interruption Duration Index (SAIDI) was 18.38 minutes: a record low.

1.2. United Kingdom

On 30 June, the supply points of Scottish Power Energy Networks (SPEN) surpassed 3.5 million. The volume of energy distributed during the six months was 17,077 GWh, down 4.1% on the same period in 2018, mainly off the back of mild winter temperatures (the fall would have been 1.4% adjusting for the effect of temperature).

Distributed Energy (GWh)	H1 2019	H1 2018	%
Scottish Power Distribution (SPD)	9,263	9,671	-4.2
Scottish Power Manweb (SPM)	7,814	8,136	-4.0

The service quality indicators have been affected by storms Erik in February, Gareth in March and Hannah in April, which mostly affected SPM.

Customer Minutes Lost (CML) was as follows:

CML (min)	H1 2019	H1 2018
Scottish Power Distribution (SPD)	15.17	18.42
Scottish Power Manweb (SPM)	18.20	17.72

The number of Customer Interruptions (CI) per 100 customers (was as follows):

CI (nº. of interruptions)	H1 2019	H1 2018
Scottish Power Distribution (SPD)	19.48	24.11
Scottish Power Manweb (SPM)	17.45	17.83

1.3 United States (AVANGRID)

1.3.1 Electricity

At the end of June 2019, Avangrid Networks had more than 2.26 million supply points. The electricity distributed in the first half of the year came to 18,687 GWh – down 1.9% compared to the first six months of the previous year.

Distributed Energy (GWh)	H1 2019	H2 2018	%
Central Maine Power (CMP)	4,666	4,684	-0.4%
NY State Electric & Gas (NYSEG)	8,036	8,202	-2.0%
Rochester Gas & Electric (RGE)	3,542	3,632	-2.5%
United Illuminating Company (UI)	2,443	2,538	-3.7%

Avangrid's distribution area suffered the effects of February's winter storm Quiana, particularly in the state of New York. This combined with the extreme winter cold and several electrical storms in May and June led to a number of supply outages for NYSEG customers, negatively affecting the quality indicators.

The Customer Average Interruption Duration Index (CAIDI) was as follows:

CAIDI (h)	H1 2019	H1 2018
Central Maine Power (CMP)	2.04	2.04
NY State Electric & Gas (NYSEG)	1.88	1.91
Rochester Gas & Electric (RGE)	1.80	1.70

The System Average Interruption Duration Index (SAIDI) for UIL was as follows:

SAIDI (min)	H1 2019	H1 2018
United Illuminating Company (UI)	14.49	35.40

The comparative information is affected by a one-off fault at a transformer station in 2018. The System Average Interruption Duration Index (SAIDI) returned to normal levels in 2019.

The System Average Interruption Frequency Index (SAIFI) was as follows:

SAIFI	H1 2019	H1 2018
Central Maine Power (CMP)	0.76	0.85
NY State Electric & Gas (NYSEG)	0.65	0.51
Rochester Gas & Electric (RGE)	0.31	0.32
United Illuminating Company (UI)	0.21	0.38

Also in 2019, the Massachusetts state regulator (MA DPU) issued a favourable ruling on the NECEC (New England Clean Energy Connect) project being developed by CMP, given all the benefits of the project. These include the fact that once on

stream, the project will avoid the emission of over 3 Mt of CO₂ per annum, displacing highly polluting energy sources such as coal, fuel oil and natural gas, and providing a more reliable and affordable supply for customers, especially in winter when gas prices can spike. The DPU has approved twenty-year contracts between Hydro Québec and Massachusetts distribution companies (Eversource, National Grid and Unitil) to supply energy imported through the NECEC.

1.3.2 Gas

Avangrid supplies gas to just over 1 million customers. At the end of June 2019, 37,651 GWh had been distributed, which is 0.7% more than in the first half of the previous year.

Distributed Energy (GWh)	H1 2019	H1 2018	%
NY State Electric & Gas (NYSEG)	10,027	10,015	0.1%
Rochester Gas & Electric (RGE)	10,844	10,424	4.0%
Maine Natural Gas (MNG)	1,448	1,683	-14.0%
Berkshire Gas (BGC)	1,781	1,775	0.4%
Connecticut Natural Gas (CNG)	6,946	6,932	0.2%
Southern Connecticut Gas (SCG)	6,605	6,557	0.7%

1.4. Brazil (NEOENERGIA)

At 30 June, Neoenergia had 13.9 million supply points – an increase of 1.9% compared to June 2018. The volume of electricity distributed in the first six months of 2019 was 34,012 GWh – up 5.2% year on year, thanks to a more buoyant economy an increase in customer numbers and higher temperatures than last year.

Energy Distributed (GWh)	H1 2019	H1 2018	%
Elektro	9,562	9,295	2.9%
Coelba	12,582	11,741	7.2%
Cosern	3,143	3,065	2.5%
Celpe	8,726	8,234	6.0%

The efforts to improve supply quality led to enhanced indicators at Coelba and Celpe in the first half of 2019 compared to the same period in 2018. The indicators of Elektro and Cosern are above those from last year, affected by heavy rain and other weather events in these areas. The average customer interruption time (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	H1 2019	H1 2018
Elektro	4.12	3.25
Coelba	6.67	8.45
Cosern	6.46	6.32
Celpe	6.87	7.69

The average number of customer interruptions (*frequência equivalente de interrupção por unidade consumidora*, FEC) was as follows:

FEC	H1 2019	H1 2018
Elektro	2.25	1.97
Coelba	3.05	3.53
Cosern	2.95	2.79
Celpe	3.11	3.14

The Brazilian Electricity Distribution Association (ABRADEE) has published the results of its assessment of distribution companies in Brazil. Elektro was named Best Electricity Distribution Company in the country (for the third year running), followed by Cosern. Elektro also achieved: second place in the Budget and Financial Management category (third year in the top two slots); first for Management Quality (third year in a row); and third in the Socio-environmental Responsibility category. Cosern was also recognised with a second place in the Socio-environmental Responsibility category and third in the Management Quality category. Coelba and Celpe took third and fourth places, respectively, for Performance Improvement.

The Brazilian Electricity Regulatory Agency (ANEEL) also named Cosern as the distribution company in Brazil with the best claims management process (> 400 thousand customer category), for the second year in a row.

During this half-year, work continued as planned on building the 10 transmission projects allocated in the 2017 and 2018 auctions. Two of the six projects allocated in 2017 are expected to enter service at the end of 2019; the remainder will come on stream between 2020 and 2021. The estimated amount invested in the 10 projects is around BRL 7 billion.

2. ELECTRICITY PRODUCTION AND CUSTOMERS

At the end of the first half of the year, Iberdrola's **installed capacity** amounted to 48,632 MW (-0.5%), 62.4% of which from renewable sources:

MW	H1 2019	vs. H1 2018
Renewables	30,362	3.0%
Onshore wind	16,422	5.7%
Offshore wind	572	5.1%
Hydroelectric	12,620	-0.1%
Mini-hydroelectric	306	0.8%
Solar and others	442	-2.8%
Nuclear	3,177	-
Gas Combined Cycles	12,885	-8.0%
Cogeneration	1,335	-
Coal	874	-
Total	48,632	-0.5%

Discrepancies possible due to rounding.

The fall in Iberdrola's total installed capacity is due to the asset rotation included in the Strategic Plan, with some transactions already carried out, such as the sale of traditional generation assets in the United Kingdom and the thermo-solar plant in Spain.

Net electricity production during the period was 75,599 GWh – in line with the first half of 2018, with 41.5% derived from renewable sources:

GWh	H1 2019	vs. H1 2018
Renewables	31,371	-10.7%
Onshore wind	18,611	-6.9%
Offshore wind	1,024	40.6%
Hydroelectric	10,790	-21.8%
Mini-hydroelectric	366	-9.2%
Solar and others	580	193.6%
Nuclear	12,375	12.3%
Gas Combined Cycles	27,337	7.4%
Cogeneration	4,166	23.2%
Coal	349	-40.4%
Total	75,599	0.0%

Discrepancies possible due to rounding.

2.1 Spain

Renewable capacity and production

At the close of the first half of 2019, Iberdrola had an installed **renewable capacity** in Spain of 15,828 MW, with the following breakdown:

Spain	Installed MW Consolidated at EBITDA level	MW managed by investee companies(*)	Total
Onshore wind	5,526	244	5,770
Hydroelectric	9,715	-	9,715
Mini-hydroelectric	303	2	306
Solar PV	37	-	37
Total Capacity	15,581	246	15,828

Discrepancies possible due to rounding

(*) Includes the proportional MW share

Work continues on the 391 MW Núñez de Balboa solar PV plant (Badajoz) with the installation of the first panels. Furthermore, in the second quarter of the year, construction work started at two wind farms: Cavar (111 MW) in Navarra and Pradillo (23 MW) in Zaragoza.

Renewable output totalled 10,933 GWh, as follows:

Spain	GWh Consolidated at EBITDA level	GWh managed by investee companies(*)	Total
Onshore wind	5,984	267	6,252
Hydroelectric	4,315	-	4,315
Mini-hydroelectric	362	4	366
Total Production	10,661	272	10,933

Discrepancies possible due to rounding

(*) Includes the proportional GWh share

The trend broken down by types of technology is as follows:

- Onshore wind production totalled 6,252 GWh over the period – down 8.3% on the first half of 2018 due to low recorded wind levels.
- Hydroelectric production fell to 4,315 GWh, a 45.1% decrease, due to below average rainfall this year and much less than last year. At the close of the first six months of 2019, hydroelectric reserve levels were at 44% (equivalent to 4,987 GWh), up 1 percentage point compared to the close of the first quarter.
- Production at the mini-hydroelectric plants increased by 9.2% compared to the same period in the previous year, reaching 366 GWh.

Work also continued in Portugal on the **Tâmega hydroelectric complex**:

- Almost 78% of the concrete has been poured at the **Daivões** dam, while the spiral chambers at the plant have also been cast in concrete.
- At the **Gouvães** dam, 50% of the excavations of the reservoir are complete, the adduction tunnel has been lined, the penstock is 60% complete, and work is to start on the turbine and alternator assemblies once the concreting work for the major components is finished.

- At **Alto Tâmega**, the concrete production facilities are close to being readied for use.

Thermal capacity and production

At the end of the first half of 2019, Iberdrola Group's **thermal capacity** in Spain totalled 10,098 MW, broken down as follows:

Spain	MW Consolidated installed	MW Investee companies(*)	Total
Nuclear	3,166	11	3,177
Gas Combined Cycles	5,695	-	5,695
Cogeneration	302	51	353
Coal	874	-	874
Total Capacity	10,036	62	10,098

Discrepancies possible due to rounding

(*) Includes the proportional MW share

Iberdrola's **thermal production** during the first half of 2019 was up 24.7% compared to the same half of the previous year, spurred by greater production of the combined cycle and nuclear plants.

Of the 17,896 GWh produced, Iberdrola consolidated 17,657 GWh at EBITDA level, with 239 GWh being consolidated using the equity method. The breakdown is as follows:

Spain	GWh Consolidated at EBITDA level	GWh Investee companies(*)	Total
Nuclear	12,339	37	12,375
Gas Combined Cycles	3,849	-	3,849
Cogeneration	1,121	202	1,323
Coal	349	-	349
Total Production	17,657	239	17,896

Discrepancies possible due to rounding.

(*) Includes the proportional MW share

Sales: Spain

As regards retail, as at 30 June 2019 the portfolio managed by Iberdrola in Spain totalled 16,525,327 contracts. The breakdown is as follows:

Thousands of contracts	Spain
Electricity Contracts	10,108
Gas Contracts	1,038
Contracts for other products and services	5,379
Total	16,525

By market type they can be split into the following:

Thousands of contracts	Spain
Free market	13,054
'Last Resort'	3,471
Total	16,525

Iberdrola's electricity sales in the first six months of 2019 are broken down as follows.

	GWh Spain
Free market	26,688
Regulated market (PVPC)	4,291
Other markets	12,403
Total	43,382

With regard to gas, in the first six months of 2019 Iberdrola managed total gas production of 3.11 bcm, of which 1.61 bcm were sold in wholesale transactions, 0.78 bcm were sold to end customers and 0.72 bcm went towards electricity production.

On 20 June, Iberdrola has agreed the transfer to Pavilion Energy Trading & Supply Pte. of its portfolio of gas and sea freight contracts and gas supply contracts in the UK, along with other gas supply contracts with effect from 1 January 2020.

2.2. United Kingdom

Renewable capacity and production

At the end of the first half of 2019, Iberdrola had a **renewable installed capacity** in the United Kingdom of 2,128 MW:

United Kingdom	Installed MW Consolidated at EBITDA level	MW managed by investee companies(*)	Total
Onshore wind	1,891	15	1,906
Offshore wind	222	-	222
Total Capacity	2,113	15	2,128

Discrepancies possible due to rounding.

(*) Includes the proportional MW share

Renewable production in the United Kingdom came to 2,152 GWh, with the following breakdown:

United Kingdom	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Onshore wind	1,812	11	1,823
Offshore wind	329	-	329
Total Capacity	2,141	11	2,152

Discrepancies possible due to rounding.

^(*) Includes the proportional GWh share

^(**) Production associated with the capacity sold to Drax on 31 December 2018

- Onshore wind output totalled 1,823 GWh – down 10.5% year on year because of lower recorded wind resources.
- Offshore wind production dropped by 10.1%, amounting to 329 GWh, due to lower wind energy levels.

Currently, the renewables business is developing **offshore wind projects** in the United Kingdom, notably the East Anglia projects in the North Sea.

The **East Anglia 1** project is in the latter stages of construction and it is expected that the first phase of energisation will take place in the third quarter of the year. Work continues to install jackets, 90 of which have been fitted, and the cabling and wind turbines are being installed (nine already in place).

Elsewhere, the onshore substation at Bramford has recently been connected to the national electricity network (*National Grid*) by two 400-kV cables.

The **East Anglia 3** project is in the process of attempting to win a Contract for Difference (CfD) to ensure its viability. The next auction is expected to be held in the summer. Following approval by the Department for Business, Energy & Industrial Strategy (BEIS) in June, the capacity of this auction has been increased to 1,400 MW.

The **East Anglia 2** and **East Anglia 1 North** projects are ongoing, and planning applications for both projects will be submitted in October 2019.

Thermal capacity and production

On 31 December 2018, the agreement with Drax came into effect for the sale of the entire thermal capacity in the UK (2,000 MW of combined cycles), as well as 566 MW of renewable capacity.

UK Retail business

As at 30 June 2019, the portfolio managed in the UK is broken down as follows:

Thousands of contracts	UK
Electricity Contracts	2,848
Gas Contracts	1,895
Contracts for other products and services	319
Total	5,061

Also, smart meters continue to be installed, reaching a total of 1.4 million installs as at 30 June 2019.

Moreover, at the June 2019 close, 10,283 GWh of electricity and 15,852 GWh of gas had been supplied to customers – down 10% and 11%, respectively, on the first half of 2018 because of lower demand due to high temperatures and smaller customer base.

2.3. United States (AVANGRID)

Renewable capacity and production

At the close of the first half of 2019, Iberdrola had an installed **renewable capacity** in the United States of 7,335 MW, with the following breakdown:

USA	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Onshore wind	6,926	161	7,087
Hydroelectric	118	-	118
Solar (PV+TM) & others	129	-	129
Total Capacity	7,174	161	7,335

Discrepancies possible due to rounding.

(*) Includes the proportional MW share

The Company is present in 21 states. Work is under way on new wind energy projects with a total capacity of over 900 MW, and works for an additional 450+ MW are in the initial phase.

With regard to the development of **offshore wind projects** in the United States, work is ongoing on the Vineyard Wind project off the coast of Massachusetts. A supplier has already been selected for the project for most of the key wind farm components, and further progress has been made obtaining the requisite construction permits, with the Energy Facilities Siting Board (EFSB) greenlighting the onshore electricity connection project and the first local and regional permits being procured.

The Kitty Hawk project on the coast of North Carolina is also making headway, through the procurement of geophysical studies and marine fauna analyses, which will begin in early July.

Renewable production in the United States came to 8,923 GWh, with the following breakdown.

USA	GWh Consolidated at EBITDA level	GWh managed by investee companies ^(*)	Total
Onshore wind	8,430	203	8,633
Hydroelectric	112	-	112
Solar (PV+TM) & others	178	-	178
Total Production	8,720	203	8,923

Discrepancies possible due to rounding.

(*) Includes the proportional GWh share

As regards trends broken down by technologies:

- Onshore wind production reached 8,633 GWh, down 5.9% compared to the first half of 2018, due to the lower wind load factor.
- Hydroelectric production fell 30.8% to 112 GWh from 162 GWh in the first six months of the previous year.
- Production of solar power and others (including 39 GWh of fuel cells) increased by 4.1%, to 178 GWh.

2.4. Mexico

Renewable capacity and production

At the close of the first six months of 2019, Iberdrola had an installed **renewable capacity** in Mexico of 807 MW, with the following breakdown:

Mexico	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Onshore wind	537	-	537
Solar and others	270	-	270
Total Capacity	807	-	807

Discrepancies possible due to rounding.

(*) Includes the proportional MW share

In **wind technology**, the works for the Pier project (221 MW) and Santiago Eólico project (105 MW) in the state of San Luis de Potosí are ongoing.

The **renewable production** generated during the period was 850 GWh, up 68.9% from the first half of 2018, due to an increase in average solar photovoltaic capacity in operation (+270 MW).

Mexico	GWh Consolidated at EBITDA level	GWh managed by investee companies ^(*)	Total
Onshore wind	452	-	452
Solar and others	398	-	398
Total Production	850	-	850

Discrepancies possible due to rounding.

(*) Includes the proportional GWh share

As regards trends broken down by technologies:

- Onshore wind production reached 452 GWh, down 10.2% compared to the first half of 2018, due to lower recorded wind resources.
- With regard to solar energy production, the Hermosillo (100 MW) and Santiago (170 MW) farms, installed in 2018, generated 398 GWh in the first six months.

Thermal capacity and production

In Mexico, **thermal capacity** at 30 June 2019 was 6,792 MW and thermal production in the first half of 2019 reached 23,773 GWh – 23% higher than the same half of the year before, due to the commissioning of the Escobedo combined cycle plant in late 2018, with an 878 MW capacity, and the contributions during the entire six-month period of the Bajío cogeneration plant (52 MW) and the repowering of the Monterrey IV cogeneration plant (22 MW).

Mexico	MW	GWh
Gas Combined Cycle	6,446	22,404
Co-generation	346	1,369
Total Producción	6,792	23,773

Discrepancies possible due to rounding

In addition to these plants, during 2019 the Topolobampo II (911 MW), El Carmen (866 MW), and Topolobampo III (779 MW) combined cycle plants will come into operation.

Retail in Mexico

Electricity sales commitments at the end of June 2019 amounted to 25,553 GWh, broken down as follows:

Mexico	GWh
CFE (Federal Electricity Commission)	19,012
Private	5,541
Total Sales	24,553

2.5. Brazil (NEOENERGIA)

Renewable capacity and production

At the close of the first half of 2019, Iberdrola had an installed **renewable capacity** in Brazil of 3,302 MW, with the following breakdown:

Brazil	Installed MW Consolidated at EBITDA level	MW managed by investee companies ^(*)	Total
Onshore wind	516	-	516
Hydroelectric	836	1,950	2,786
Total Capacity	1,352	1,950	3,302

During the first half of 2019, installation and commissioning of Baixo Iguaçu hydroelectric plant (350 MW) has been completed.

Renewable production in the first six months of 2019 amounted to 7,110 GWh, with the following breakdown.

Brazil	Installed MW Consolidated at EBITDA level	MW managed by investee companies(*)	Total
Onshore wind	747	-	747
Hydroelectric	742	5,621	6,363
Total Production	1,488	5,621	7,110

Discrepancies possible due to rounding.

As regards trends broken down by technologies:

- Onshore wind production reached 747 GWh, down 10.0% compared to the first half of 2018, due to lower recorded wind resources.
- Hydroelectric production reached 6,363 GWh (up 15.5%) due to new operating installed capacity (Baixo Iguazú, with a total of 350 MW).

Thermal capacity and production

In Brazil, thermal capacity at the end of June 2019 remained at 533 MW and thermal production during the first half was 1,083 GWh.

Brazil	MW	GWh
Gas Combined Cycle	533	1,083
Total Producción	533	1,083

Retail business

Electricity sales commitments at the end of June 2019 amounted to 7,345 GWh, broken down as follows:

Brazil	GWh
PPA	5,136
Free market	2,209
Total Sales	7,345

2.6. Iberdrola Energía Internacional (IEI)*

Renewable capacity and production

Installed **renewable capacity** in Iberdrola Energía Internacional* reached the 961 MW mark, broken down as follows:

Iberdrola Energía Internacional (IEI)*	MW
Onshore wind	605
Offshore wind	350
Solar	6
TOTAL	961

Discrepancies possible due to rounding

The development of **offshore wind projects** continues.

In Germany, with **Baltic Eagle** and **Wikinger Süd**, the geotechnical work is complete for Baltic Eagle and Wikinger Süd, while the environmental impact assessments and engineering works prior to construction of these wind farms are progressing as planned. Additional calls for tender have been issued for the main wind farm components, such as connector cables.

Onshore wind power is broken down per country as follows:

Iberdrola Energía Internacional (IEI)*	MW
Greece	255
Portugal	92
Cyprus	20
Hungary	158
Romania	80
Total	605

Discrepancies possible due to rounding

* Previously Rest of the World

Renewable production in the first half of 2019 reached 1,403 GWh, up 40.4% from the first six months of 2018, with the following breakdown by technology:

Iberdrola Energía Internacional (IEI)*	GWh
Onshore wind	704
Offshore wind	695
Solar	4
Total Production	1,403

Discrepancies possible due to rounding

* Former Rest of the World

By technology, onshore wind production is up (+11.3%), as is solar PV output (+3.0%) and offshore wind production (Wikinger) (91.7%).

Retail business

As regards retail, at 30 June 2019, the portfolio managed by Iberdrola in Portugal, France, Italy and Germany totalled 1,070,689 contracts. The breakdown is as follows:

Thousands of contracts	IEI*
Electricity Contracts	423
Gas Contracts	113
Smart Solutions Contracts	535
Total	1,071

* Former Rest of the World

3. OTHER ASPECTS

3.1. General Shareholders' Meeting

Among the resolutions approved at the General Meeting during the first six months, the resolution included as agenda point 7 was approved with 99.77% of votes in favour of the shareholder remuneration with a charge to 2018 profit and pay-out in 2019. The minimum total remuneration per shareholder was also set at EUR 0.351/share (gross), which is 7.7% up year on year. Of this amount, EUR 0.151/per share (gross) was already distributed as an interim dividend in January, whereby a final dividend of EUR 0.200/per share (gross) will be distributed in July 2019.

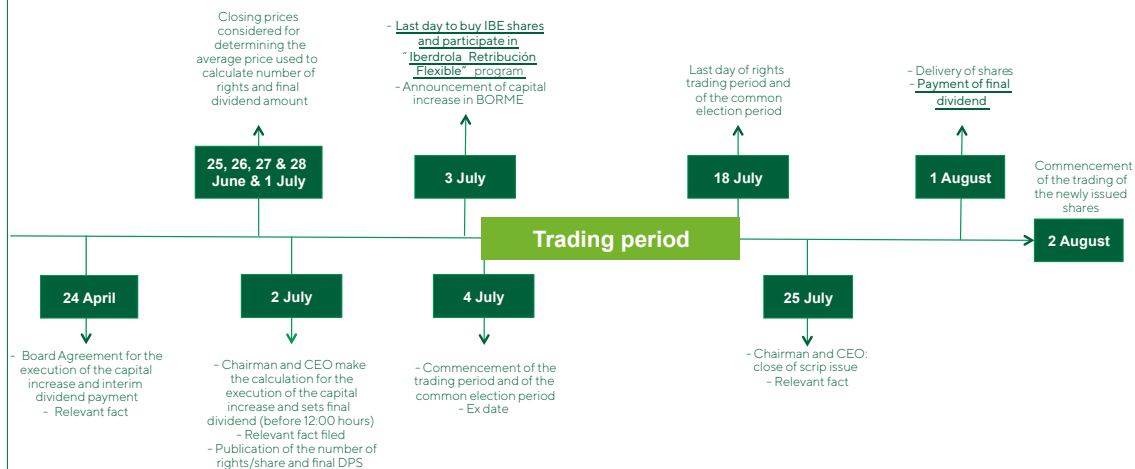
The "Iberdrola Retribución Flexible" scheme allows shareholders to choose from among the following options to collect the dividend (or to combine them, with the value of the remuneration to be received being equivalent):

- receive their remuneration in the form of fully paid-up new shares;
- sell all or part of their free allocation rights in the market;
- receive their remuneration in cash via the final dividend payment.

Forty-three rights are needed to obtain a share.

On the other hand and to avoid stock dilution, Iberdrola reaffirms its commitment to keep the number of shares at 6,240 million. In this regard, at the last General Meeting shareholders approved the redemption of shares needed to fulfil this objective, totalling 280,457,000 shares (4.30% of capital), which was performed on 28 June 2019.

"Iberdrola Retribución Flexible" program July 2019



4

Analysis of the consolidated profit and loss account

The most notable figures of the results for the first half of 2019 are as follows:

EUR million	Jan-Jun 2019	Jan-Jun 2018	%
REVENUES	18,281.0	17,586.6	3.9
GROSS MARGIN	8,230.0	7,668.4	7.3
EBITDA	4,989.8	4,435.9	12.5
EBIT	2,990.7	2,527.3	18.3
REPORTED NET PROFIT	1,644.4	1,410.5	16.6

At the close of the first half of 2019, EBITDA had increased 12.5% compared to the same period in the previous year, driven by growth across the Networks and Generation and Supply businesses.

The **Networks** business has benefited especially from the decent performance in Brazil (with positive tariff revisions approved in May 2018, an increase in the contribution of transmission assets, the positive impact of efficiencies, and higher demand) as well as growth in IFRS terms of the business in the United States, thanks to the tariff agreements in force, the recovery from storms in previous years, and lower storm costs in 2019.

In the **Renewables** business, greater offshore wind production due to the contribution of Wikingier (last year it gradually became operational during the first half of the year) and the new installed capacity in Mexico and Brazil almost offset the lower production in Spain and the United States.

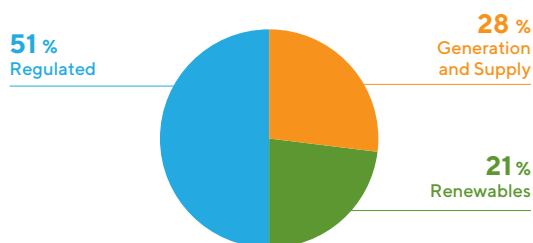
The **Generation and Supply** business is benefiting from the strong performance in Spain and Mexico, even with UK's smaller contribution due to lower prices and demand.

On the other hand, the exchange rate trend for the main currencies added EUR 58.2 million to EBITDA.

1. Gross Margin

The gross margin was EUR 8,230.0 million, up 7.3% from the same period in 2018.

Gross Margin by business



This performance is the result of the following:

- **The Networks** business increased 7.0% compared to the first half of 2018, reaching EUR 4,144.5 million.
 - It stood at EUR 1,060.2 million (-3.6%) in Spain because of the recognition of a non-recurring positive impact of EUR 53 million as a result of the favourable court ruling on facilities transferred to customers (ICAs).
 - The United Kingdom contributed EUR 649.4 million (up +5.8%) due to the rise in transmission and distribution revenues as a result of a greater asset base owing to the investments made. The appreciation of the pound is EUR +4 M.
 - The contribution of the United States in the period stood at EUR 1,552.1 million (+11.2%), as the tariff agreements in force and recovery of prior years' storm costs offset the negative impact of tariff adjustments to pass on to customers the effect of the tax reform as from the third quarter of 2018. In addition, the appreciation of the dollar contributed EUR 103 million.
 - Brazil's gross margin amounted to EUR 882.9 million (up +15.6%), due to the positive tariff revisions of Coelba and Cosern from May 2018, the greater contribution of transmission assets and an increase in demand (up +5.2%). However, this business was negatively affected by the depreciation of the Brazilian real, with a reduction of EUR 50 million.

- **The Renewables** business had a gross margin of EUR 1,749.9 million (up -4.0%).
 - In Spain, it came to EUR 661.3 million (-22.0%) due to lower wind output (-8.3%) and hydroelectric output (-45.1%).
 - The gross margin in the United Kingdom is up 6.5% at EUR 323.5 million because the lower wind production (-10.5%) has been offset by higher prices. The appreciation of the pound has added EUR 2 million.
 - The US's contribution is down at EUR 409.6 million (-4.1%) as a result of a drop in output (-6.1%) and lower prices. Exchange rate variations contributed EUR 27 million.
 - Brazil contributed EUR 93.7 million (+6.7%) despite the depreciation of the real (down EUR 5 million), due to the increase in hydroelectric output following the commissioning of Baixo Iguaçu.
 - Mexico's contribution increased by 91.7% to EUR 57.9 million thanks to higher production (up +68.9%) due to an increase in the average solar capacity in operation (270 MW). Exchange rate variations added EUR 4 million.
 - Iberdrola Energía Internacional (IEI) – formerly the Rest of the World – added EUR 203.8 million (up 60.8%), driven by the contribution of the Wikingen offshore wind farm, which last year gradually became operational and whose production has increased to 695 GWh, from 363 GWh over the same period in 2018.
- **The Generation and Supply** business's margin increased by 19.2%, totalling EUR 2,327.3 million.
 - In Spain, it climbed to EUR 1,480.1 million (+35.7%) as a result of higher production (+24.7%), higher revenues and the effect of recognising at market value (selling price) the transfer of long-term LNG supply agreements (EUR 89 million), as per the prevailing accounting standards.
 - The United Kingdom's gross margin stands at EUR 339.5 million (-30.5%), affected by lower prices and lower sales of electricity (-10%) and gas (-11%).
 - Mexico contributed EUR 454.4 million (+52.4%) to the gross margin due to higher income from the increase in capacity during 2018, with a full contribution in 2019 (Escobedo combined cycle, Bajío cogeneration and the repowering of Monterrey IV). The revaluation of the dollar has an impact of EUR+30 million
 - Brazil's contribution to the gross margin reached EUR 33.9 million (down 47.6%) due to a non-recurring impact on the commercial business.
 - Iberdrola Energía Internacional (IEI), formerly the Rest of the World, added EUR 19.4 million to the gross margin which comes from commercial activity in Europe..
- The contribution of **Other Businesses** stands at EUR 28.5 million versus EUR 41.3 million in the same period in 2018, following the sale of the gas trading and storage business in the United States during 2018.

2. Gross Operating Result – EBITDA

Consolidated EBITDA rose by 12.5% versus the first half of 2018, to EUR 4,989.8 million.

In addition to the already explained gross margin, net operating expenses increased by 1.6% (EUR 34.5 million) to EUR 2,145.8 million, affected by the exchange rate, given that excluding this effect, it would have remained stable (+0.1%), although it should be noted that the effect of IFRS 16 improves the Net Operating Expense by EUR 33 million.

Taxes decreased by 2.4% to EUR 1,094.5 million as a result of the lower hydroelectric production and the suspension of the 7% tax on generation during the first quarter, which is in force once again as of April.

3. Net Operating Result – EBIT

EBIT was EUR 2,990.7 million, 18.3% higher compared with same period of 2018.

Depreciation and amortisation charges and provisions increased by 4.7%, totalling EUR 1,999.0 million:

- Depreciation and amortisation charges rose 3.6% to EUR 1,821.0 million, due to the Group's increased activity and increase in assets, and the effect of IFRS 16 (EUR 32 million), partially offset by lower nuclear asset depreciation (EUR 56 million) and the sale of the generation assets in the United Kingdom (EUR 29 million).
- Provisions amounted to EUR 178.0 million, up by EUR 26.6 million due to higher levels of delinquency.

4. Financial Result

The net financial result was an excess of expenditure over income of EUR 610.9 million, EUR 47.8 million (8.5%) more than in the first six months of 2018.

1. The cost of debt is EUR 9.7 million higher due to the EUR 1,130 million increase in the average balance (to fund investments), despite the six p.p. decrease in the average interest rate through the optimisation and diversification of funding sources.
2. Income from derivatives and others is EUR 38.1 million lower, primarily because of the tax hedges.

	Jun-19	Jun-18	Diff.
Debt result	-602.4	-592.7	-9.7
Average balance	35,383	34,253	
Interest rate	3.43%	3.49%	
Derivatives and others	-8.5	29.6	-38.1
Financial Result	-610.9	-563.1	-47.8

5. Result of Companies Accounted for Using the Equity Method

Result of companies accounted for using the equity method reached EUR -8.2 million compared to EUR -7.8 million at the close of the first six-month period of 2018.

6. Gains on Disposal of Non-Current Assets

Gains on disposal of non-current assets do not include any significant transactions in this half year, standing at EUR 6.8 million compared to EUR 22.0 million in the same period of 2018.

7. Net Profit

Lastly, net profit stood at EUR 1,644.4 million, a 16.6% rise compared to the figure obtained in the first half of 2018. The tax rate returned apparently to more normal levels and stood at 22.9%, compared to 20.8% last year, when positive final adjustments were recorded in relation to the US tax reform. Non-controlling interests increased by 21.1% to EUR 188.5 million, mainly due to the higher result in Brazil.



Results by business

1. NETWORKS BUSINESS

The key figures for the Networks business are as follows:

EUR million	H1 2019	vs H1 2018
Revenues	6,970.6	6.7%
Gross margin	4,144.5	7.0%
EBITDA	2,593.5	8.6%
EBIT	1,647.9	11.0%

The Networks business's EBITDA is up 8.6% to EUR 2,593.5 million, improving its contribution by EUR 205.7 million, driven by increased business in Brazil and the US.

1.1 Spain

EUR million	H1 2019	vs H1 2018
Revenues	1,060.5	-4.5%
Gross margin	1,060.2	-3.6%
EBITDA	836.6	-6.4%
EBIT	568.3	-10.2%

a) Gross Margin

The Gross Margin of the Networks business in Spain has fallen by 3.6% to EUR 1,060.2 million because of the recognition in 2018 of a non-recurring positive impact of EUR 53 million as a result of the favourable court ruling on facilities transferred to customers (ICAs).

b) Operating Profit / EBIT

This business's EBITDA totalled EUR 836.6 million, representing a 6.4% drop because a 10.4% higher Net Operating Expenses of EUR 176.4 million has to be added to the decrease in the Gross Margin due to the cost of efficiency measures rolled out in 2019, which will not have an impact until future years. Taxes increased slightly by 0.6% to EUR 47.2 million.

EBIT for the Networks business in Spain totalled EUR 568.3 million (-10.2%). Depreciation and Amortisation charges and Provisions amounted to EUR 268.3 million (+2.8%) due to investments made and the effect of IFRS 16.

1.2 United Kingdom

EUR million	H1 2019	vs H1 2018
Revenues	676.4	5.7%
Gross margin	649.4	5.8%
EBITDA	477.9	5.0%
EBIT	315.0	4.0%

a) Gross Margin

The Gross Margin of the Networks business in the United Kingdom (ScottishPower Energy Networks - SPEN) reached EUR 649.4 million (+5.8%) due to higher revenues from transmission and distribution as a result of a larger asset base, arising from investment in the business.

b) Operating Profit / EBIT

EBITDA totalled EUR 477.9 million (+5.0%, +4.3% in local currency), with a rise in Net Operating Expenses (+10.4% to EUR 116.8 million), mainly due to increased business activity. Taxes increased by 3.8% to EUR 54.6 million due to inflation.

Depreciation and Amortisation charges and Provisions totalled EUR 162.9 million (+7.2%) because of the new assets brought into use.

1.3 United States-AVANGRID

EUR million	H1 2019	vs H1 2018
Revenues	2,290.8	9.0%
Gross margin	1,552.1	11.2%
EBITDA	692.7	18.6%
EBIT	401.6	32.3%

a) Gross Margin

The Gross Margin increased by 11.2% to EUR 1,552.1 million, mainly due to the greater contribution of tariff agreements in New York and Connecticut, recovery from the prior years' storms and the exchange rate effect (EUR +103.5 million). On the negative side, tariff adjustments were made as of the third quarter of 2018, to pass on to customers the effect of the tax reform (EUR 50 million), with no impact on net profit because of the lower tax rate resulting from the reform.

b) Operating Profit / EBIT

EBITDA of the Networks business in the United States reached EUR 692.7 million (+18.6%, +10.7% in local currency). Aside from the aforesaid change in the Gross Margin, there was a 1.7% rise in Net Operating Expenses to EUR 508.3 million, driven by appreciation of the dollar. If this effect is stripped out, Net Operating Expenses would be lower because of fewer storm costs this year. Meanwhile, Taxes increased by 12.6% to EUR 351.1 million, also affected by the exchange rate and by the increase in the property tax rate in New York and the larger asset base.

EBIT totalled EUR 401.6 million (+32.3%), following the deduction of Depreciation and Amortisation charges and Provisions totalling EUR 291.1 million, which increased by 3.8% mainly due to the exchange rate effect and larger asset base.

(+22.1% in local currency). The increase is due to higher income following the tariff review of Coelba and Cosern in May 2018 and to the larger contribution of transmission assets and increased demand (+5.2%).

b) Operating Profit / EBIT

EBITDA in the area totalled EUR 586.3 million (+28.8%). Net Operating Expenses fell by 4.1% to EUR 293.1 million due to the effect of the exchange rate and efficiencies.

Depreciation and Amortisation charges and Provisions amounted to EUR 223.4 million (+6.8%) due to the increase in assets in operation, partially offset by Depreciation of the Brazilian real.

1.4 Brazil

EUR million	H1 2019	vs H1 2018
Revenues	2,942.9	9.7%
Gross margin	882.9	15.6%
EBITDA	586.3	28.8%
EBIT	362.9	47.6%

a) Gross Margin

The Gross Margin increased by 15.6%, reaching EUR 882.9 million in the first half of the year, though affected by the devaluation of the Brazilian real

2. RENEWABLES BUSINESS

The key figures for the Renewables business are as follows:

EUR million	H1 2019	vs H1 2018
Revenues	1,923.3	-6.5%
Gross margin	1,749.9	-4.0%
EBITDA	1,165.2	-1.6%
EBIT	591.7	-8.5%

The EBITDA contribution of the renewables business in the UK, Brazil and Mexico, as well as the contribution of offshore wind, almost offset the lower earnings in Spain and the United States. The key factors behind this are as follows:

- The **average operating power** during the period was up slightly versus the first half of 2018 (+95 MW, +0.4% to 26,931 MW) as more solar PV capacity in Mexico (+270 MW), onshore wind capacity in the United States (+160.2 MW), and hydroelectric capacity in Brazil (+175.6 MW) – following the commissioning of Baixo Iguazú – became available. Wikinger was also fully available in 2019 (+72 MW). These effects more than offset the sale of hydroelectric capacity in the United Kingdom (-563 MW), included in the sale agreement reached with Drax at the end of 2018. That said, lower onshore wind load factors across the main geographies where the Company operates, plus less rainfall in Spain, drove down production to 25,113.3 GWh (-14.2%).
- The **average sale price of renewable output across the world** stood at EUR 69.7/MWh – an increase on the previous year due to the general rise in energy prices across all geographical areas with the exception of US.
- The consolidated **load factor** was 21.5% at the end of June, under the 25.1% recorded in the first half of 2018, although with differences according to the technology:

Technology	H1 2019	vs. H1 2018
Onshore wind	27.4%	-7.7%
Offshore wind	43.3%	+22.0%
Hydroelectric	11.1%	-39.0%
Other Technologies	29.9%	+8.2%

2.1 SPAIN

EUR million	H1 2019	vs H1 2018
Revenues	702.0	-23.2%
Gross margin	661.3	-22.0%
EBITDA	380.0	-22.6%
EBIT	226.2	-30.9%

a) Gross Margin

The Gross Margin fell to EUR 661.3 million (-22.0%) due to lower renewables output (-28.1%), as a consequence of less rainfall and wind resources (-2.5 p.p.) in 2019. The higher average price obtained during the year did not offset this situation.

b) Operating Profit / EBIT

EBITDA slumped 22.6% to EUR 380.0 million. Aside from the aforesaid change in Gross Margin, Net Operating Expenses decreased (-6.0%) because of lower expenditure on operation and maintenance and other services provided to third parties. Meanwhile, Taxes fell by 30.7% thanks to a 7% lower tax charge on electricity generation because of lower volumes and the temporary suspension during the first six months, as well as the smaller hydroelectric levy paid because less of this energy was produced.

Depreciation and Amortisation charges and Provisions decreased to EUR 153.8 million (-6.0%) compared to the first half of 2018 because of the sale of the Puertollano thermosolar plant in 2018, with EBIT shrinking by 30.9%.

2.2 UNITED KINGDOM

EUR million	H1 2019	vs H1 2018
Revenues	348.2	5.5%
Gross margin	323.5	6.5%
EBITDA	244.4	4.7%
EBIT	170.2	10.5%

a) Gross Margin

The United Kingdom business saw its Gross Margin increase by 6.5% (+5.8% in local currency) compared to the first six months of the previous year to EUR 323.5 million. The main drivers of this were a better average price and the higher value of recycled ROCs, which offset the lower wind load factor (-2.6 p.p.) and the effect of the sale of hydroelectric capacity at the end of 2018 to the British company Drax.

b) Operating Profit / EBIT

Net Operating Expenses rose 15.2% (EUR +9 million) because of the non-recurring positive offsets in 2018, partially mitigated by the sale of hydroelectric capacity, while Taxes fell 2.1% (EUR -0.2 million), leaving EBITDA at EUR 244.4 million (+4.7%).

Depreciation and Amortisation charges and Provisions dropped by 6.5% to EUR 74 million thanks to the 2018 sale of hydroelectric capacity, and therefore EBIT increased 10.5% to EUR 170.2 million.

2.3 UNITED STATES

EUR million	H1 2019	vs H1 2018
Revenues	493.1	-9.3%
Gross margin	409.6	-4.1%
EBITDA	246.4	-10.6%
EBIT	12.1	-83.8%

a) Gross Margin

The Gross Margin is down 4.1% at EUR 409.6 million because of lower production due to less wind (-2.4 p.p.) and a reduction in the local price as merchant prices fell.

b) Operating Profit / EBIT

Net Operating Expense is EUR 12 million higher (+10.6%), primarily due to the exchange rate effect (EUR 8.5 million) and uptick in activity in this business, while Taxes remained stable versus 2018. As a result, EBITDA stands at EUR 246.4 million (-10.6 million).

Depreciation and Amortisation charges and Provisions increased by EUR 33 million, affected by the exchange rate (EUR 15.6 million) and by new capacity coming on line (EUR 17.8 million). As a result of all this, EBIT amounted to EUR 12.1 million in the first half of 2019.

2.4 MEXICO

EUR million	H1 2019	vs H1 2018
Revenues	59.7	89.9%
Gross margin	57.9	91.7%
EBITDA	40.0	139.0%
EBIT	19.9	321.8%

a) Gross Margin

The Gross Margin stood at EUR 57.9 million (+91.7%), mainly due to the 270 MW of solar photovoltaic capacity commissioned at the end of 2018.

b) Operating Profit / EBIT

Net Operating Expenses rose by 23.3% (EUR 3 million) due to more installed capacity and without the exchange rate effect. EBITDA shot up 139.0% in the first half of 2019 versus the same period in 2018.

EBIT rose to EUR 19.9 million (+321.8%) in the first six months of 2019, after deducting Depreciation and Amortisation charges and Provisions, which were 67.3% (EUR +8.1 million) higher year on year because of new solar PV capacity coming on stream.

2.5 BRAZIL

EUR million	H1 2019	vs H1 2018
Revenues	112.7	2.5%
Gross margin	93.7	6.7%
EBITDA	70.8	15.1%
EBIT	43.5	18.4%

a) Gross Margin

The Gross Margin is up 6.7% (12.7% in local currency) to EUR 93.7 million due to higher production in 2019 as the average capacity in operation rose (+176 MW, +29.7%) after Baixo Iguazú (350 MW) was commissioned. This offset the lower onshore wind production affected by a lower load factor (-3.7 p.p.) and Depreciation of the Brazilian real (-5.6%).

b) Operating Profit / EBIT

Net Operating Expense has fallen by EUR 3.1 million (-12.1%), principally due to the exchange rate and higher capitalisations related with the new construction projects in the country; this led to EBITDA of EUR 70.8 million (+15.1%).

Depreciation and Amortisation charges and Provisions are up EUR 2.5 million (+10.1%) at EUR 27.3 million, mainly because of the entry into operation of the Baixo Iguazú hydroelectric plant; EBIT therefore ended the period at EUR 43.5 million (+18.4%).

2.6 BERDROLA ENERGÍA INTERNACIONAL (IEI)*

EUR million	H1 2019	vs H1 2018
Revenues	207.5	61.7%
Gross margin	203.8	60.8%
EBITDA	183.5	73.2%
EBIT	119.0	141.7%

a) Gross Margin

The Gross Margin of Iberdrola Energía Internacional reached EUR 203.8 million (+60.8%) thanks to the increase in total production (+40.4%), principally deriving from the contribution of Wikinger in Germany and onshore wind because of a higher load factor (+2.7 p.p.).

b) Operating Profit / EBIT

EBITDA rose by 73.2% to EUR 183.5 million, after deducting the Net Operating Expenses, which fell 4.6% due to a non-recurring effect relating to claims. Depreciation and Amortisation charges and Provisions rose to EUR 64.5 million (+13.8%) once Wikinger came on stream, leaving EBIT at EUR 119.0 million (+141.7%).

* Former Rest of the World

3. GENERATION AND SUPPLY BUSINESS

The key figures for the Generation and Supply business are as follows:

EUR million	H1 2019	vs H1 2018
Revenues	10,571.7	2.0%
Gross margin	2,327.3	19.2%
EBITDA	1,182.7	34.8%
EBIT	759.0	69.9%

The Generation and Supply business increased its contribution to the Gross Margin (+19.2%) underpinned essentially by the performance of Spain and Mexico. United Kingdom, was negatively affected by the entry into force in January 2019 of the cap on certain gas and electricity tariffs and the sale of thermal generating assets at the end of last year.

3.1 Spain

EUR million	H1 2019	vs H1 2018
Revenues	6,500.0	7.5%
Gross margin	1,480.1	35.7%
EBITDA	753.6	84.9%
EBIT	536.4	n/a

a) Gross Margin

Iberdrola's Generation and Supply Business in Spain recorded a 35.7% increase in its Gross Margin to EUR 1,480.1 million, principally due to:

- A rise in production of 24.7% compared with the same period the previous year to 17,896 GWh, mainly due to Nuclear (+12.3%) and CCTG (+153.2%)
- Higher income, driving up margins.
- Impact of recognising at market value long-term LNG supply agreements (EUR +89 million) following the deal with Pavilion Energy Trading & Supply to transfer the contractual position in these agreements, which will take effect on 1 January 2020.

b) Operating Profit / EBIT

EBITDA is up 84.9% at EUR 753.6 million thanks to the aforementioned higher Gross Margin and despite the increase in Net Operating Expenses (+9.8%) to EUR 359.6 million. This increase stems from the cost of efficiency plans put in motion this half year (EUR 15 million), which will not have an impact until future years, and greater expenditure on campaigns and sponsorships (EUR 10 million). Taxes are up 3.1% at EUR 366.9 million, despite the suspension of certain production taxes, and due to:

- A higher Enresa tax because of the increase in nuclear output (EUR 10 million); and
- Higher ecotaxes following the settlement of items affecting a number of autonomous communities (EUR 33 million).

Depreciation and Amortisation charges and Provisions reduced by 14.0% to EUR 217.2 million, mainly as a result of the lower Depreciation and Amortisation associated with the nuclear facilities following the agreement reached with ENRESA (EUR 56 million) and the other partners in those facilities, for an orderly shutdown of the nuclear plants in Spain. In practice, this will mean operating the plants for an average of 46-47 years, compared to the 40 years considered for accounting purposes to date.

As a result of all of the above, EBIT rose by EUR 381.3 million compared to the first half of 2018, reaching EUR 536.4 million.

3.2 United Kingdom

EUR million	H1 2019	vs H1 2018
Revenues	2,413.1	-13.6%
Gross margin	339.5	-30.5%
EBITDA	55.9	-70.4%
EBIT	-63.4	n/a

a) Gross Margin

ScottishPower's liberalised business recorded a Gross Margin of EUR 339.5 million (-30.5%), all due to the Retail business, after the agreement with Drax

for the sale of the generation business (thermal and hydroelectric capacity) in the UK took effect on 31 December 2018. As such, ScottishPower's capacity is now 100% renewable.

The main reasons for the operational decline compared to the first half of 2018, in addition to the sale of the thermal generation assets mentioned previously, are as follows:

- Impact of the cap on SVTs (Standard Variable Tariffs) of EUR 43 million. In force since January 2019, this limits the maximum tariffs for certain types of customer, which in the case of ScottishPower account for around 30% of the total;
- Lower energy sales due to a drop in demand and loss of customers of both electricity (-10%) and gas (-11%); and
- Higher supply costs due to a rise in the cost of energy and of Renewables Obligation Certificates (ROCs).

b) Operating Profit / EBIT

EBITDA for the Liberalised business in the United Kingdom was EUR 55.9 million compared to EUR 188.7 million in the first half of 2018, as a result of the change in the Gross Margin described above. Net Operating Expenses also fell (-5.9%), as did Taxes (-3.7%); both due to the aforementioned asset sale.

Depreciation and Amortisation charges and Provisions rose by 5.4% because of the increase in smart meter installs and customer acquisition costs despite the sale of the generation business (+ Eur 21 M).

As a result of all of the above, the EBIT contribution was EUR -63.4 million compared with the contribution of EUR 75.4 million in 2018.

3.3 Mexico

EUR million	H1 2019	vs H1 2018
Revenues	1,166.9	22.0%
Gross margin	454.4	52.4%
EBITDA	361.0	46.0%
EBIT	299.8	50.9%

a) Gross Margin

In Mexico, the Gross Margin rose to EUR 454.4 million – an increase of 52.4% explained by the higher sales resulting from:

- Increased production (23,773 GWh, +22.7%) due to the contribution of the new capacity commissioned in 2018: the Escobedo combined cycle plant, the Bajío cogeneration facility and the repowering of Monterrey IV (+952 MW, +16%);
- Normalisation of tariffs in comparison to the first half of 2018; and
- Appreciation of the dollar, contributing EUR 30 million.

b) Operating Profit / EBIT

EBITDA rose 46% to EUR 361.0 million versus the same period in 2018. Net Operating Expenses rose by 84.3% to EUR 91.5 million, principally due to the uptick in activity and the exchange rate effect. Depreciation and Amortisation charges and Provisions increased by 26.2% to EUR 61.2 million due to the aforementioned new assets commissioned.

As a result of the above, EBIT for the business reached EUR 299.8 million (+50.9%).

3.4 Brazil

EUR million	H1 2019	vs H1 2018
Revenues	281.8	-24.5%
Gross margin	33.9	-47.6%
EBITDA	19.0	-57.5%
EBIT	8.3	-75.5%

The Generation and Supply business in Brazil was affected not only by various temporary restrictions on gas at the Termopernambuco combined cycle, but also by a non-recurring effect of EUR 26 million recorded in commercial activity during this six-month period.

3.5 IBERDROLA ENERGÍA INTERNACIONAL (IEI)*

EUR million	H1 2019	vs H1 2018
Revenues	558.8	21.1%
Gross margin	19.4	n/a
EBITDA	-6.8	n/a
EBIT	-22.1	n/a

IEI's results show a negative contribution at EBITDA and EBIT level as they reflect the initial development costs that the business inevitably incurs in the different countries when it is establishing operations.

4. OTHER BUSSINESS

Following the 2018 sale of the trading and storage division in the United States, Other Businesses includes the gas business in Canada and the real estate activity.

EUR million	H1 2019	vs H1 2018
Revenues	129.4	15.6%
Gross margin	28.5	-31.1%
EBITDA	20.9	4.2%
EBIT	15.4	1.2%

a) Gross Margin

The Gross Margin decreased by 31.1% to EUR 28.5 million due to the lower turnover resulting from the aforementioned sale in 2018 of the trading and storage division in the US, which could not be offset by the improved results of the real estate business.

b) Operating Profit / EBIT

EBITDA rose 4.2% to EUR 20.9 million, with a Net Operating Expense 64.7% lower. Depreciation and Amortisation charges and Provisions climbed by 13.8% compared to the same period in the previous year, with EBIT standing at EUR 15.4 million.

* Former Rest of the World

5. CORPORATION

The Corporation item includes the Group's overheads and the cost of administration services of the corporate areas that are subsequently billed to the other companies.

At the end of June, the Corporation shows a positive contribution to the Ebitda of Eur 27.5 M due to the reduction in Net Operating Expenses by IFRS 16 (+Eur 14 M) and to a positive effect related to pensions in the United Kingdom (Eur +30 M).



Balance Sheet Analysis

January-June 2019

	June 2019	Vs. Dec. 2018
TOTAL ASSETS	116,438	3.0%
FIXED ASSETS	67,797	2.6%
INTANGIBLE ASSETS	21,134	0.6%
LONG-TERM INVESTMENTS	5,791	11.6%
NET EQUITY	44,846	2.0%

At 30 June 2019, Iberdrola's balance sheet shows total assets of EUR 116,438 million, up EUR 3,400 million versus December 2018.

1. Fixed Assets

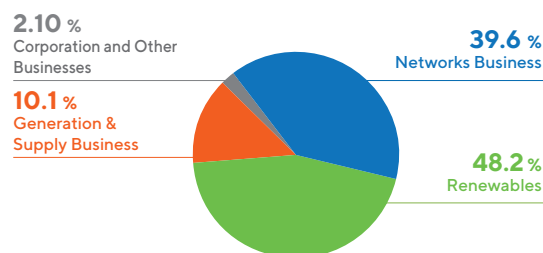
Total net investments in the first half of 2019 amounted to EUR 3,053.9 million (+23.2%). The breakdown is as follows:

EUR million	Jan-Jun 2019	%
Networks business	1,208.3	39.6%
Spain	171.6	
United Kingdom	219.6	
United States	424.3	
Brazil	392.8	
Renewables Business	1,471.9	48.2%
Spain	254.3	
United Kingdom	285.2	
United States	862.8	
Brazil	26.2	
Mexico	23.5	
Iberdrola Energía Internacional (IEI)*	20.0	
Generation and Supply	309.4	10.1%
Spain	61.1	
United Kingdom	103.6	
Mexico	98.7	
Brazil	15.1	
Iberdrola Energía Internacional (IEI)*	30.9	
Corporation and other businesses	64.3	2.1%
Total Net Investment	3,053.9	100.0%

* Formerly "Rest of the World"

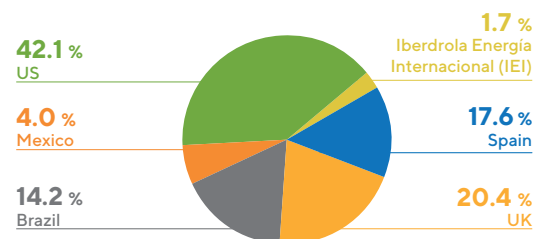
Investments during the period were concentrated in the Networks and Renewables business, in line with the Group's strategy. These two businesses account for 88% of the total investment in 2019.

Investment by Business (January-June 2019)



The following figure shows the geographical distribution of investments over the period:

Investments by Networks (January-June 2019)



Investment in the Renewables business totalled EUR 1,471.9 million, equivalent to 48.2% of the total. The EUR 728.4 million invested in the United States, primarily for the new Karankawa, Montague, Otter Creek and Patriot Wind wind farms, stands out.

In the "Networks business" section, most investments were made in the USA and Brazil, for total amounts of EUR 424.3 million and EUR 392.8 million, respectively.

2. Share capital

Iberdrola's share capital totalled EUR4,680 million at 30 June 2019, represented by 6,240,000,000 shares with a par value of EUR 0.75 each, fully subscribed and paid.

3. Financial Debt

Adjusted net financial debt at 30 June 2019 amounted to EUR 36,335 million, up EUR 2,298 million from EUR 34,037 million at June 2018, primarily due to the application of IFRS 16 (EUR 399 million), exchange rate effects (EUR 284 million) and the Company's major investment drive.

The adjusted financial leverage is up 80 b.p. to 44.5% versus 43.7% at 30 June 2018.

The ratings issued by rating agencies are as follows:

Iberdrola's Credit Rating

Agency	Rating	Outlook	Last rating date
Moody's	Baa1	Stable	14 March 2018
Fitch IBCA	BBB+	Stable	8 July 2016
STANDARD & POOR'S	BBB+	Stable	22 April 2016

The Company's cost of borrowing was 3.43% at 30 June 2019, down 6 b.p. from the 3.49% registered as at 30 June 2018.

The financial debt structure can be broken down by currency* and interest rate** as follows:

	Jun. 2019	Jun. 2018
Euro	42.6%	39.9%
British Pound	17.7%	20.5%
Dollar	28.5%	30.1%
Brazilian Real and other currencies	11.1%	9.6%
Fixed Rate	59.4%	56.8%
Variable Rate	40.6%	43.2%

(*) Net financial debt including interco hedging and derivatives on net investment

(**) Gross financial debt. If forward start swaps are included (Q2 2019: EUR 4,134 million; Q2 2018: EUR 4,827 million), fixed-rate debt would increase to 70.3% (June 2019) and 69.7% (June 2018)

In accordance with the policy of minimising the Company's financial risks, the exchange rate risk has continued to be mitigated through the financing of the international businesses in local currencies (British pound, Brazilian real, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico). At the June 2019 close, 59.4% of debt is at a fixed rate (70.3% including 10.9% of forward start swaps).

The debt structure* by country is shown in the following table:

	Jun. 2019	Jun. 2018
Corporate	70.4%	75.2%
United Kingdom	7.1%	6.7%
United States	19.4%	15.5%
Brazil	0.0%	0.0%
Mexico	1.5%	1.0%
Other	1.6%	1.6%
Total	100.0%	100.0%

(*) Gross Financial Debt excluding Neenergia

This debt* can be broken down by financing source as follows:

	Jun. 2019	Jun. 2018
Euro Bond Market	34.2%	36.9%
Dollar Bond Market	20.7%	18.0%
British Pound Bond Market	7.5%	7.7%
Other Bond Markets	5.0%	4.2%
Notes	6.8%	5.6%
Multilaterals	8.5%	6.9%
Structured financing	2.0%	1.6%
Bank financing	15.3%	19.1%
Total	100.0%	100.0%

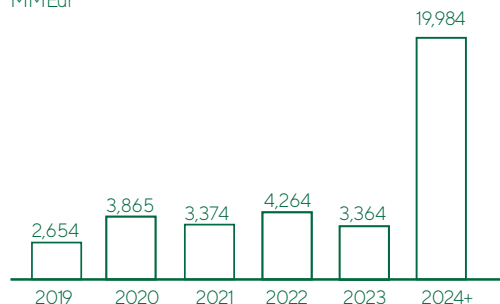
(*) Gross Financial Debt

At the June 2019 close, Iberdrola has a robust liquidity position totalling EUR 17,350 million, which is equivalent to 18 months of the Company's financing needs.

	EUR million
Credit lines	Available
Total credit line	15,627
Cash and cash equivalents	1,722
Total Adjusted Liquidity	17,350

Iberdrola has a comfortable debt maturity profile with an average term of six years. The following table shows the financial debt maturity profile (*).

MMEur



(*) Excludes credit lines

2023 includes USD 400 million with a 1+1 year extension option

2024 includes EUR 125 million with a 1+1 year extension option

Lastly, the change in **financial leverage and ratios** was as follows:

	Jun. 2019	Jun 2018*
Adjusted Net Equity**	45,304	43,817
Adjusted Financial Debt **	37,505	36,895
Use of credit lines	528	430
Unpaid accrued interest	381	339
Derivative liabilities	663	485
Adjusted Gross Financial Debt **	39,077	38,149
Cash and cash equivalents	1,850	3,097
Derivative debt asset instruments	891	1,016
Adjusted Net Financial Debt **	36,335	34,037
Adjusted Leverage	44.5%	43.7%
Adjusted Funds from Operations (FFO)*** / Adjusted Net Financial Debt**	21.2%	20.2%
Adjusted Retained Cash Flow (RCF)**** / Adjusted Net Financial Debt**	20.1%	17.7%
Adjusted Net Financial Debt ** / Adjusted EBITDA (*****)	3.67x	4.10x

(*) Proforma, including Neoenergia for an entire year

(**) Adjusted by the effect of potential accumulator derivatives over treasury stock (EUR 457.2 million at 30/06/2019 and EUR 30.6 million at 30/06/2018)

(***) Adjusted FFO = Net profit + Minority results + Dep. and amort. charges and prov. - Profit of companies consolidated using the equity method - Net non-recurring results - Financial prov. capitalisation + Dividends of companies consolidated using the equity method - Adjustment of tax deductible items and other effects Adjusted by "Exit Plan" (EUR 0 million at 30/06/2019 and EUR 152.7 million at 30/06/2018 recognised in Q4 2017)

(****) Adjusted RCF = Adjusted FFO - Cash dividends - Hybrid issue interest

(*****) 2018 Adjusted by "Exit Plan" (EUR 203.3 million at 31/12/2018 recognised in Q4 2017)

4. Working capital

Working capital rose by EUR 928 million over the last 12 months, as a result of several effects:

- The increase in working capital as a result of stockpiling (EUR 385 million), mainly due to the East Anglia 1 OFTO* (Offshore Transmission Owner).
- The net increase of EUR 732 million in trade accounts receivable (EUR 785 million of trade receivables, net of trade payables totalling EUR 52 million) as a result of the variation in liquid positions of the discontinued engineering operation and increase in customers due to greater commercial activity; and.
- Other more minor effects.

Current Assets	Jun-19	Jun-18	Variation
Assets held for sale	66	36	30
Nuclear Fuel	286	303	-17
Inventories	2,474	2,090	385
Trade and other receivables	6,447	5,662	785
Current financial investments	681	659	22
Asset derivative financial instruments	170	335	173
Public Administrations	1,337	1,048	288
TOTAL CURRENT ASSETS*:	11,460	10,132	1,328

(*) Does not include cash or debt asset derivatives

Current Liabilities	Jun-19	Jun-18	Variation
Liabilities held for sale	1	-	-
Provisions	881	809	72
Liability derivative financial instruments	240	178	62
Trade and other payables	6,466	6,414	52
Public Administrations	2,324	2,110	214
TOTAL CURRENT LIABILITIES**:	9,912	9,512	400

(**) Does not include financial debt or debt liabilities derivatives

NET WORKING ASSETS	1,547	620	928
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* OFTO: in UK, the builder of the offshore wind farm is responsible for the construction of the transmission network to the mainland. These assets are then sold through a competitive process with standards set by Ofgem.

5. Funds From Operations

Funds from operations at 30 June 2019 have increased by 11.1% to EUR 3,880.9 million.

	Jan-Jun 2019	Jan-Jun 2018	Variation
Net profit (+)	1,644.4	1,410.5	233.9
Amortisations and provisions (-)	-1,999.0	-1,908.6	-90.4
P/L, Equity Accounted Companies (-)	-8.2	-7.8	-0.5
Non-recurring (-)	6.8	22.0	-15.2
Non-recurring corporate income tax (-)	-0.3	1.6	-1.8
Financial provisions capitalised (-)	-73.5	-66.6	-6.9
P/L, Minority Interests (-)	-188.5	-155.6	-32.9
Dividends, equity accounted companies (+)	13.2	5.7	7.4
Allocation of capital subsidies to income (-)	39.4	37.8	1.6
FFO	3,880.9	3,493.5	387.4

6. FINANCIAL TRANSACTIONS

Main new financing transactions carried out in 2019.

New financing

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola Finanzas	Bond	50	EUR	1.782%	Oct-30
Iberdrola International	Hybrid green bond	800	EUR	3.250%	Perpetual
Iberdrola Financiación *	Sustainable syndicated credit facility	1,500	EUR	-	Mar-24
Iberdrola Financiación *	Bank loan	125	EUR	-	Feb-24
Iberdrola Financiación	Bank loan	200	EUR	-	Mar-26
Iberdrola Financiación **	Bank loan	75	EUR	-	Mar-26
Iberdrola Financiación	EIB loan	150	EUR	-	-
Termopernambuco	Issue 476	500	BRL	CDI + 0.76%	Apr-24
Celpe	Issue 476	300	BRL	CDI + 0.63%	Apr-24
Celpe	Issue 476	200	BRL	CDI + 0.73%	Apr-26
Coelba	Issue 476	309	BRL	CDI + 0.53%	Apr-24
Coelba	Issue 476	391	BRL	CDI + 0.68%	Apr-26
Cosern	Infrastructure issue 476	180	BRL	IPCA+4.254%	Apr-26
Cosern	Infrastructure issue 476	38	BRL	IPCA+4.499%	Apr-28
Cosern	Issue 476	282	BRL	CDI + 0.48%	Apr-24
Neoenergia	Green infrastructure issue 400	804	BRL	IPCA+4.07%	Jun-29
Neoenergia	Green infrastructure issue 400	492	BRL	IPCA+4.22%	Jun-33
Avangrid	Green bonds	750	USD	3.80%	Jun-29
Elektro	Loan 4131	45	EUR	-	May-24
Itapebi	Loan 4131	25	USD	-	May-24
Coelba	Loan 4131	34	EUR	-	May-24
Coelba	Loan 4131	89	USD	-	Jun-24
Coelba	Loan 4131	84	USD	-	Jul-22
Iberdrola Financiación	ICO green loan	400	EUR	-	May-26
Iberdrola Financiación	EIB green loan	145	EUR	-	-
Iberdrola Financiación	ICO green loan	140	EUR	-	Jul-26
Chafariz 3	BNB Loan	93	BRL	IPCA+2.303%	May-40
Chafariz 6	BNB Loan	80	BRL	IPCA+2.304%	May-40
Chafariz 7	BNB Loan	93	BRL	IPCA+2.281%	Jun-40
Patriot	Tax equity investment	128	USD	-	Dec-28

(*) New transactions with a 1+1 extension option

(**) Restructuring transaction, does not involve net cash inflow

Issue 476: debentures issued under the Brazilian securities market regulator's regulation CVM 476 between qualified investors

Issue 400: public debentures issued under regulation CVM 400 between qualified investors and individuals

Loan 4131: bank loan in foreign currency to finance working capital requirements

Throughout the first half of 2019, financial transactions have been carried out for the equivalent of 5,500 million euros, diversifying markets and optimizing the conditions: cost reduction and increased of average maturity. In addition to the 5,500 million euros previously mentioned, 72% have been made through green / sustainable transactions, which establish ourselves as the world leader in this kind of transactions.

Extension of existing financing

Borrower	Transaction	Amount	Currency	Interest rate	Maturity date
Iberdrola S.A.	Sustainable syndicated credit facility	2,979	EUR	1 year	Feb-24
Iberdrola SA	Sustainable syndicated credit facility	2,321	EUR	1 year	Feb-24
Avangrid	Sustainable syndicated credit facility	2,500	USD	1 year	Jun-24

Second quarter transactions

Capital Market

During the second quarter, several Neoenergia Group companies closed eight placements of debentures under regulation CVM 476, for a total amount of BRL 2.2 billion.

- A five-year placement of BRL 500 million in Termopernambuco with a margin of 0.76% over and above the local interbank deposit certificate (CDI) rate.
- Two five- and seven-year placements of BRL 500 million in Celpe with an average margin of 0.67% over and above the CDI rate.
- Two five- and seven-year placements of BRL 700 million in Coelba with an average margin of 0.61% over and above the CDI rate.
- Three placements of BRL 500 million in Cosern: two bonds with an average maturity of seven years and a margin of 4.3% over and above Brazil's National Consumer Price Index (IPCA); and a third at five years with a margin of 0.48% over and above the CDI rate.

Meanwhile, in June Neoenergia launched its first issue of green infrastructure debentures under regulation CVM 400 totalling BRL 1.296 billion. These are grouped in two series with maturities of 10 and 14 years and a margin equivalent to 4.13% of the IPCA.

In May, Avangrid completed its second green bond placement of USD 750 million at 10 years with a coupon of 3.8%.

Banking market

During the second quarter, several companies in the Neoenergia Group's networks business signed a total of five bilateral loans under the regulations of Decree 4131 for a total equivalent to BRL 1.125 billion, with an average term of five years.

In June, Avangrid rolled over for another year the syndicated finance arranged in 2016 and totalling USD 1.5 billion and increased in June 2018 to USD 2.5 billion. The new maturity date is in June 2024.

Multilateral finance

Iberdrola Financiación signed three financing transactions in the second quarter:

- A seven-year green loan of EUR 400 million with Spain's Official Credit Institute (ICO) to finance the construction of the Támega hydroelectric project.
- Two loans totalling EUR 285 million for the Nuñez de Balboa solar PV plant: EUR 140 million from the ICO with a maturity of 12 years and EUR 145 million from the European Investment Bank, the repayment terms of which will be determined on the settlement date.

In June, the Neoenergia Group agreed finance with Banco do Nordeste do Brasil comprising three loans of BRL 266 million, repayable over 20 years and with an average spread of 2.3% on the IPCA rate to construct two wind farms.

Structured financing

On 28 June, the Avangrid Group signed and paid out finance in the form of a tax equity investment of USD 128 million to monetise the tax credits of the Patriot wind farm.

7. CREDIT RATINGS

	Moody's			Standard and Poor's			Fitch Ibca		
	Calificación	Perspectiva	Fecha	Calificación	Perspectiva	Fecha	Calificación	Perspectiva	Fecha
Iberdrola S.A.	Baa1	Stable	May 2019	BBB+	Stable	April 2018	BBB+	Stable	May 2019
Iberdrola Finance Ireland Ltd. (*)	Baa1	Stable	May 2019	BBB+		April 2018	BBB+	Stable	May 2019
Iberdrola Finanzas S.A.U. (*)	Baa1	Stable	May 2019	BBB+		April 2018	BBB+	Stable	May 2019
Iberdrola International B.V. (*)	Baa1	Stable	May 2019	BBB+		April 2018	BBB+	Stable	May 2019
Avangrid	Baa1	Stable	July 2018	BBB+	Stable	March 2018	BBB+	Stable	April 2019
CMP	A2	Stable	June 2018	A	Stable	June 2019	BBB+	Stable	April 2019
NYSEG	A3	Stable	June 2018	A-	Stable	March 2018	BBB+	Stable	April 2019
RG&E	A3	Stable	June 2018	A-	Stable	March 2018	BBB+	Stable	April 2019
UI	Baa1	Stable	June 2018	A-	Stable	March 2018	A-	Stable	April 2019
CNG	A3	Stable	June 2018	A-	Stable	March 2018	A-	Stable	April 2019
SCG	A3	Stable	June 2018	A-	Stable	March 2018	A-	Stable	April 2019
BGC	A3	Positive	June 2018	A-	Stable	March 2018	A-	Stable	April 2019
Scottish Power Ltd	Baa1	Stable	April 2019	BBB+	Stable	August 2018	BBB+	Stable	March 2018
Scottish Power UK Plc	Baa1	Stable	April 2019	BBB+	Stable	August 2018	BBB+	Stable	March 2018
Scottish Power Energy Networks Holdings Ltd				BBB+	Stable	August 2018			
SP Transmission Ltd	Baa1	Stable	April 2019	BBB+	Stable	August 2018			
SP Manweb plc	Baa1	Stable	April 2019	BBB+	Stable	August 2018			
SP Distribution plc	Baa1	Stable	April 2019	BBB+	Stable	August 2018			
ScottishPower Energy Management Ltd.	Baa1	Stable	April 2019	BBB+	Stable	August 2018			
ScottishPower Energy Retail Ltd.	Baa1	Stable	April 2019	BBB+	Stable	August 2018			
ScottishPower Renewables (WODS) Limited	Baa1	Stable	April 2019						
Neoenegía				BB-	Stable	Jan 2019			
Elektro				BB-	Stable	Jan 2019			
Coelba				BB-	Stable	Jan 2019			
Celpe				BB-	Stable	Jan 2019			
Cosern				BB-	Stable	Jan 2019			
Neoenegía (Escala nacional)				brAAA	Stable	Jan 2019			
Coelba (Escala nacional)				brAAA	Stable	Jan 2019			
Celpe (Escala nacional)				brAAA	Stable	Jan 2019			
Cosern (Escala nacional)				brAAA	Stable	Jan 2019			
Elektro (Escala nacional)				brAAA	Stable	Jan 2019			

(*) Guaranteed by Iberdrola S.A.
Date related to latest review



Financial Statements Tables

Balance Sheet *(Unaudited)*

	M Eur		
	June 2019	December 2018	Variation
NON-CURRENT ASSETS	102,917	99,696	3,222
Intangible assets	21,134	21,000	134
Goodwill	7,937	7,838	99
Other intangible assets	13,197	13,162	35
Real Estate Property	355	429	-73
Property, plant and equipment	67,797	66,109	1,687
Property, plant and equipment	59,258	58,518	741
Property, plant and equipment in progress	8,538	7,592	947
Rights of use	575	0	575
Non-current financial investments	5,791	5,191	600
Investments accounted for using the equity method	1,873	1,710	163
Non-current financial assets	88	69	19
Other non-current financial investments	3,067	2,685	381
Derivative financial instruments	764	727	36
Non-current receivables	1,653	1,480	173
Deferred tax assets	5,612	5,486	126
CURRENT ASSETS	13,520	13,342	178
Assets held for sale	66	62	3
Nuclear fuel	286	273	13
Inventories	2,474	2,174	300
Current trade and other receivables	7,784	6,855	929
Tax assets	650	253	398
Other tax receivables	686	503	183
Trade and other receivables	6,447	6,098	349
Current financial investments	1,188	1,178	11
Other current financial investments	681	572	109
Derivative financial instruments	507	606	-99
Cash and cash equivalents	1,722	2,801	-1,079
TOTAL ASSETS	116,438	113,038	3,400

Equity and Liabilities

M Eur

	Jun 2019	December 2018	Variation
EQUITY:	44,846	43,977	870
Of shareholders of the parent	36,399	36,582	-183
Share capital	4,680	4,798	-118
Unrealised assets and liabilities revaluation reserve	-402	-32	-370
Other reserves	33,640	32,732	909
Treasury shares	-553	-1,010	458
Translation differences	-2,611	-2,919	308
Net profit/(loss) for the year	1,644	3,014	-1,370
Of minority interests	5,931	5,669	262
Hybrid Capital	2,517	1,726	791
NON-CURRENT LIABILITIES	52,917	52,945	-28
Deferred income	6,318	6,301	16
Provisions	5,351	5,448	-96
Provisions for pensions and similar obligations	2,326	2,420	-94
Other provisions	3,025	3,028	-2
Non-current financial payables	31,522	31,779	-256
Financial Debt- Loans and other	29,720	30,752	-1,032
Derivative financial instruments	590	387	203
Equity Instruments having the substance of a financial liability	213	141	72
Leases	445	0	445
Other financial liabilities	555	499	55
Other non-current payables	415	375	40
Deferred tax liabilities	9,311	9,043	268
CURRENT LIABILITIES	18,675	16,116	2,558
Liabilities held for sale	1	1	0
Provisions	881	580	301
Provisions for pensions and similar obligations	14	23	-9
Other provisions	867	557	310
Current Financial payables	15,000	13,640	1,360
Financial Debt- Loans and other	8,356	6,575	1,781
Derivative financial instruments	507	448	59
Equity Instruments having the substance of a financial liability	74	37	38
Leases	64	0	64
Other financial liabilities	1,456	1,320	136
Trade payables	4,542	5,259	-717
Other current payables	2,792	1,896	896
Current tax liabilities	689	349	339
Other tax payables	1,636	1,039	596
Other current liabilities	468	508	-39
TOTAL NET EQUITY AND LIABILITIES	116,438	113,038	3,400

Profit and Loss *(Unaudited)*

	M Eur		
	June 2019	June 2018	%
REVENUES	18,281.0	17,586.6	3.9
PROCUREMENTS	(10,051.0)	(9,918.2)	1.3
GROSS MARGIN	8,230.0	7,668.4	7.3
NET OPERATING EXPENSES	(2,145.8)	(2,111.3)	1.6
Net Personnel Expense	(1,083.4)	(1,043.9)	3.8
Personnel	(1,412.9)	(1,359.1)	4.0
Capitalized personnel costs	329.4	315.2	4.5
Net External Services	(1,062.3)	(1,067.4)	(0.5)
External Services	(1,390.7)	(1,382.2)	0.6
Other Operating Income	328.3	314.8	4.3
LEVIES	(1,094.5)	(1,121.3)	(2.4)
EBITDA	4,989.8	4,435.9	12.5
AMORTISATIONS AND PROVISIONS	(1,999.0)	(1,908.6)	4.7
EBIT	2,990.7	2,527.3	18.3
Financial Expenses	(1,036.1)	(984.7)	5.2
Financial Income	425.2	421.6	0.9
Financial Result	(610.9)	(563.1)	8.5
Results of Companies Consolidated by Equity Method	(8.2)	(7.8)	6.1
Results from Non-Current Assets	6.8	22.0	(68.9)
PBT	2,378.4	1,978.4	20.2
Corporate Tax	(545.5)	(412.3)	32.3
Minorities	(188.5)	(155.6)	21.1
NET PROFIT	1,644.4	1,410.5	16.6

Results by Business (Unaudited)

M Eur

June 2019	Networks	Renewables	Generation and Supply	Iberdrola Energía Internacional (IEI)*	Corp. and adjustments
Revenues	6,970.6	1,923.3	10,571.7	129.4	(1,313.9)
Procurements	(2,826.1)	(173.4)	(8,244.4)	(100.9)	1,293.7
GROSS MARGIN	4,144.5	1,749.9	2,327.3	28.5	(20.1)
NET OPERATING EXPENSES	(1,094.6)	(378.1)	(709.5)	(7.1)	43.6
Net Personnel Expense	(576.9)	(147.3)	(227.0)	(5.4)	(126.8)
Personnel	(846.6)	(182.6)	(241.8)	(5.4)	(136.5)
Capitalized personnel costs	269.7	35.3	14.7	-	9.7
Net External Services	(517.7)	(230.8)	(482.5)	(1.7)	170.4
External Services	(745.6)	(306.6)	(530.6)	(1.9)	194.0
Other Operating Income	227.9	75.8	48.1	0.1	(23.6)
Levies	(456.3)	(206.6)	(435.1)	(0.5)	4.1
EBITDA	2,593.5	1,165.2	1,182.7	20.9	27.5
Amortisation and Provisions	(945.6)	(573.4)	(423.7)	(5.5)	(50.8)
EBIT/Operating Profit	1,647.9	591.7	759.0	15.4	(23.3)
Financial Result	(297.7)	(91.5)	(67.5)	(.9)	(153.4)
Results of companies consolidated by equity method	5.1	4.0	4.2	(16.7)	(4.8)
Results of non-current assets	2.2	4.1	-	-	0.6
PBT	1,357.5	508.3	695.7	(2.2)	(180.9)
Corporate tax and minority shareholders	(409.2)	(146.8)	(178.6)	(4.2)	4.7
NET PROFIT	948.3	361.5	517.2	(6.3)	(176.2)

M Eur

June 2018	Networks	Renewables	Generation and Supply	Iberdrola Energía Internacional (IEI)*	Corp. and adjustments
Revenues	6,533.6	2,057.2	10,368.9	112.0	(1,485.0)
Procurements	(2,660.1)	(233.7)	(8,417.2)	(70.6)	1,463.4
GROSS MARGIN	3,873.5	1,823.5	1,951.7	41.3	(21.6)
NET OPERATING EXPENSES	(1,071.1)	(365.5)	(648.4)	(20.2)	(6.2)
Net Personnel Expense	(542.5)	(133.3)	(207.0)	(13.0)	(148.2)
Personnel	(793.4)	(168.7)	(223.8)	(13.0)	(160.2)
Capitalized personnel costs	250.9	35.5	16.8	-	12.1
Net External Services	(528.6)	(232.2)	(441.3)	(7.3)	142.0
External Services	(740.5)	(278.7)	(521.0)	(7.7)	165.8
Other Operating Income	212.0	46.5	79.6	0.4	(23.8)
Levies	(414.6)	(273.9)	(425.7)	(1.0)	(5.9)
EBITDA	2,387.8	1,184.1	877.6	20.1	(33.7)
Amortisation and Provisions	(902.6)	(537.4)	(430.9)	(4.8)	(32.9)
EBIT/Operating Profit	1,485.2	646.7	446.7	15.3	(66.6)
Financial Result	(273.2)	(96.5)	(64.7)	(1.0)	(127.7)
Results of companies consolidated by equity method	5.8	13.0	3.2	(21.6)	(8.1)
Results of non-current assets	3.4	-	30.1	(12.1)	0.5
PBT	1,221.2	563.2	415.3	(19.4)	(201.9)
Corporate tax and minority shareholders	(350.1)	(133.3)	(109.1)	(2.0)	26.5
NET PROFIT	871.1	429.8	306.3	(21.4)	(175.3)

(*) Former Rest of the World

Networks Business (Unaudited)

M Eur

June 2019	SPAIN	UNITED KINGDOM	USA	BRAZIL
Revenues	1,060.5	676.4	2,290.8	2,942.9
Procurements	(0.3)	(27.1)	(738.7)	(2,060.0)
GROSS MARGIN	1,060.2	649.4	1,552.1	882.9
NET OPERATING EXPENSES	(176.4)	(116.8)	(508.3)	(293.1)
Net Personnel Expense	(125.8)	(46.4)	(254.8)	(149.9)
Personnel	(182.6)	(121.0)	(364.0)	(179.0)
Capitalized personnel costs	56.8	74.6	109.2	29.0
Net External Services	(50.6)	(70.5)	(253.4)	(143.2)
External Services	(149.5)	(93.4)	(302.0)	(200.8)
Other Operating Income	98.9	22.9	48.6	57.6
Levies	(47.2)	(54.6)	(351.1)	(3.5)
EBITDA	836.6	477.9	692.7	586.3
Amortisation and Provisions	(268.3)	(162.9)	(291.1)	(223.4)
EBIT/Operating Profit	568.3	315.0	401.6	362.9
Financial Result	(30.8)	(63.5)	(68.1)	(135.3)
Results of companies consolidated by equity method	1.1	-	4.0	-
Results of non-current assets	0.5	0.2	0.4	1.1
PBT	539.1	251.7	337.9	228.8
Corporate tax and minority shareholders	(109.7)	(49.3)	(119.3)	(130.9)
NET PROFIT	429.4	202.4	218.6	97.8

M Eur

June 2018	SPAIN	UNITED KINGDOM	USA	BRAZIL
Revenues	1,110.6	639.8	2,101.1	2,682.1
Procurements	(10.3)	(26.2)	(705.4)	(1,918.1)
GROSS MARGIN	1,100.3	613.5	1,395.7	764.0
NET OPERATING EXPENSES	(159.7)	(105.9)	(499.9)	(305.6)
Net Personnel Expense	(102.7)	(47.2)	(257.3)	(135.3)
Personnel	(158.6)	(119.1)	(353.6)	(162.1)
Capitalized personnel costs	55.9	71.9	96.2	26.8
Net External Services	(57.1)	(58.7)	(242.5)	(170.3)
External Services	(148.3)	(80.6)	(289.3)	(222.3)
Other Operating Income	91.2	21.9	46.8	52.0
Levies	(46.9)	(52.6)	(311.7)	(3.4)
EBITDA	893.6	455.1	584.1	455.1
Amortisation and Provisions	(261.0)	(152.0)	(280.4)	(209.2)
EBIT/Operating Profit	632.6	303.1	303.7	245.9
Financial Result	(30.8)	(64.6)	(74.7)	(103.1)
Results of companies consolidated by equity method	1.4	-	4.4	-
Results of non-current assets	3.3	-	0.2	-
PBT	606.5	238.5	233.5	142.7
Corporate tax and minority shareholders	(149.9)	(46.8)	(70.4)	(83.0)
NET PROFIT	456.6	191.6	163.1	59.8

Renewables Business (Unaudited)

M Eur

June 2019	SPAIN	UNITED KINGDOM	USA	BRAZIL	MEXICO	Iberdrola Energía Internacional (IEI)*
Revenues	702.0	348.2	493.1	112.7	59.7	207.5
Procurements	(40.8)	(24.7)	(83.5)	(19.0)	(1.8)	(3.6)
GROSS MARGIN	661.3	323.5	409.6	93.7	57.9	203.8
NET OPERATING EXPENSES	(129.6)	(68.2)	(122.0)	(22.6)	(17.5)	(18.2)
Net Personnel Expense	(62.9)	(11.0)	(63.4)	(9.5)	(1.4)	(5.2)
Personnel	(72.1)	(19.8)	(70.2)	(10.4)	(3.2)	(7.0)
Capitalized personnel costs	9.2	8.8	6.8	0.9	1.8	1.8
Net External Services	(66.7)	(57.2)	(58.6)	(13.1)	(16.0)	(13.0)
External Services	(100.5)	(63.8)	(100.2)	(13.1)	(17.4)	(31.8)
Other Operating Income	33.8	6.7	41.6	-	1.3	18.8
Levies	(151.7)	(10.9)	(41.2)	(0.3)	(0.4)	(2.2)
EBITDA	380.0	244.4	246.4	70.8	40.0	183.5
Amortisation and Provisions	(153.8)	(74.2)	(234.3)	(27.3)	(20.1)	(64.5)
EBIT/Operating Profit	226.2	170.2	12.1	43.5	19.9	119.0
Financial Result	(22.0)	(20.9)	(17.0)	(17.5)	(5.3)	(8.9)
Results of companies consolidated by equity method	5.9	0.3	(4.7)	2.6	-	-
Results of non-current assets	-	-	4.0	-	-	-
PBT	210.1	149.6	(5.6)	28.5	14.6	110.1
Corporate tax and minority shareholders	(75.8)	(29.5)	3.6	(16.8)	1.2	(29.3)
NET PROFIT	134.3	120.1	(2.0)	11.7	15.8	80.9

M Eur

June 2018	SPAIN	UNITED KINGDOM	USA	BRAZIL	MEXICO	Iberdrola Energía Internacional (IEI)*
Revenues	913.8	330.0	543.7	110.0	31.5	128.3
Procurements	(66.1)	(26.2)	(116.4)	(22.1)	(1.2)	(1.5)
GROSS MARGIN	847.7	303.8	427.3	87.8	30.2	126.8
NET OPERATING EXPENSES	(138.0)	(59.2)	(110.3)	(25.7)	(13.2)	(19.0)
Net Personnel Expense	(55.1)	(12.1)	(52.2)	(11.7)	(2.3)	(3.1)
Personnel	(66.9)	(22.6)	(58.7)	(11.7)	(2.6)	(6.3)
Capitalized personnel costs	11.8	10.5	6.5	-	0.3	3.2
Net External Services	(82.9)	(47.1)	(58.1)	(14.1)	(10.9)	(15.9)
External Services	(106.6)	(59.9)	(88.9)	(14.1)	(11.7)	(17.6)
Other Operating Income	23.7	12.8	30.7	-	0.8	1.7
Levies	(218.9)	(11.2)	(41.2)	(0.6)	(0.2)	(1.8)
EBITDA	490.8	233.4	275.7	61.5	16.8	106.0
Amortisation and Provisions	(163.6)	(79.3)	(200.9)	(24.8)	(12.0)	(56.7)
EBIT/Operating Profit	327.1	154.1	74.8	36.7	4.7	49.2
Financial Result	(30.4)	(19.4)	(16.8)	(16.8)	(5.0)	(8.1)
Results of companies consolidated by equity method	1.6	(0.9)	(2.3)	14.5	-	-
Results of non-current assets	-	-	-	-	-	-
PBT	298.4	133.8	55.8	34.4	(0.3)	41.1
Corporate tax and minority shareholders	(80.1)	(26.4)	3.2	(19.4)	0.3	(10.9)
NET PROFIT	218.3	107.4	58.9	15.0	-	30.2

(*) Former Rest of the World

Generation and Supply Business (Unaudited)

M Eur

June 2019	SPAIN	UNITED KINGDOM	MEXICO	BRAZIL	Iberdrola Energía Internacional (IEI)*	Other
Revenues	6,500.0	2,413.1	1,166.9	281.8	558.8	(349.0)
Procurements	(5,019.9)	(2,073.6)	(712.5)	(247.9)	(539.4)	349.0
GROSS MARGIN	1,480.1	339.5	454.4	33.9	19.4	-
NET OPERATING EXPENSES	(359.6)	(217.7)	(91.5)	(14.9)	(25.9)	-
Net Personnel Expense	(151.4)	(50.6)	(15.7)	(3.5)	(5.9)	-
Personnel	(155.8)	(53.4)	(23.1)	(3.6)	(5.9)	-
Capitalized personnel costs	4.4	2.8	7.5	0.1	-	-
Net External Services	(208.2)	(167.0)	(75.8)	(11.4)	(20.0)	-
External Services	(240.2)	(183.7)	(82.3)	(11.8)	(20.0)	7.5
Other Operating Income	32.0	16.6	6.5	0.4	-	(7.5)
Levies	(366.9)	(66.0)	(1.9)	-	(.3)	-
EBITDA	753.6	55.9	361.0	19.0	(6.8)	-
Amortisation and Provisions	(217.2)	(119.4)	(61.2)	(10.7)	(15.3)	-
EBIT/Operating Profit	536.4	(63.4)	299.8	8.3	(22.1)	-
Financial Result	(29.0)	5.7	(32.1)	(12.1)	.1	-
Results of companies consolidated by equity method	4.2	-	-	-	-	-
Results of non-current assets	-	-	-	-	-	-
PBT	511.6	(57.7)	267.7	(3.9)	(22.0)	-
Corporate tax and minority shareholders	(127.4)	10.7	(72.2)	5.4	5.0	-
NET PROFIT	384.2	(47.0)	195.4	1.5	(17.0)	-

M Eur

June 2018	SPAIN(**)	UNITED KINGDOM	MEXICO	BRAZIL	Iberdrola Energía Internacional (IEI)*	Other(*)
Revenues	6,048.4	2,791.9	956.1	373.1	461.6	(262.2)
Procurements	(4,957.6)	(2,303.4)	(658.0)	(308.4)	(451.9)	262.1
GROSS MARGIN	1,090.8	488.5	298.2	64.7	9.7	(0.1)
NET OPERATING EXPENSES	(327.4)	(231.3)	(49.7)	(20.0)	(20.1)	0.1
Net Personnel Expense	(131.0)	(62.3)	(5.8)	(3.8)	(4.1)	-
Personnel	(137.4)	(64.9)	(13.6)	(3.8)	(4.1)	-
Capitalized personnel costs	6.4	2.6	7.8	-	-	-
Net External Services	(196.4)	(169.0)	(43.9)	(16.2)	(16.0)	0.1
External Services	(238.5)	(197.2)	(64.6)	(16.7)	(16.0)	12.0
Other Operating Income	42.1	28.2	20.7	0.5	-	(11.9)
Levies	(355.8)	(68.5)	(1.3)	-	(0.1)	-
EBITDA	407.6	188.7	247.2	44.7	(10.5)	-
Amortisation and Provisions	(252.4)	(113.3)	(48.5)	(10.9)	(5.8)	-
EBIT/Operating Profit	155.1	75.4	198.7	33.8	(16.3)	-
Financial Result	(29.9)	(4.3)	(12.2)	(17.8)	(0.4)	-
Results of companies consolidated by equity method	3.2	-	-	-	-	-
Results of non-current assets	28.8	1.3	-	-	-	-
PBT	157.3	72.4	186.5	16.0	(16.7)	-
Corporate tax and minority shareholders	(30.3)	(17.2)	(57.7)	(8.3)	4.4	-
NET PROFIT	127.0	55.2	128.8	7.6	(12.3)	-

(*) Former Rest of the World

(**) Restated

Quarterly Results 2019 *(Unaudited)*

	M Eur	
	JAN-MAR 2019	APR-JUN 2019
REVENUES	10,138.9	8,142.1
PROCUREMENTS	(5,815.8)	(4,235.3)
GROSS MARGIN	4,323.1	3,906.9
NET OPERATING EXPENSES	(1,081.3)	(1,064.5)
Net Personnel Expense	(553.4)	(530.1)
Personnel	(700.7)	(712.1)
Capitalized personnel costs	147.4	182.1
Net External Services	(527.9)	(534.5)
External Services	(668.4)	(722.3)
Other Operating Income	140.5	187.9
LEVIES	(642.5)	(452.0)
EBITDA	2,599.4	2,390.4
AMORTISATION AND PROVISIONS	(967.1)	(1,031.9)
EBIT/Operating Profit	1,632.2	1,358.5
Financial Expenses	(548.2)	(487.9)
Financial Income	249.9	175.3
FINANCIAL RESULT	(298.3)	(312.6)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	1.6	(9.9)
RESULTS OF NON-CURRENT ASSETS	0.3	6.5
PBT	1,335.9	1,042.6
Corporate tax	(277.7)	(267.9)
Minorities	(94.3)	(94.2)
NET PROFIT	963.9	680.46

	M Eur	
	JAN-MAR 2018	APR-JUN 2018
REVENUES	9,343.5	8,243.1
PROCUREMENTS	(5,334.7)	(4,583.5)
GROSS MARGIN	4,008.8	3,659.6
NET OPERATING EXPENSES	(1,000.4)	(1,110.8)
Net Personnel Expense	(522.6)	(521.3)
Personnel	(669.7)	(689.4)
Capitalized personnel costs	147.1	168.1
Net External Services	(477.8)	(589.6)
External Services	(624.9)	(757.3)
Other Operating Income	147.1	167.7
LEVIES	(684.9)	(436.4)
EBITDA	2,323.5	2,112.4
AMORTISATION AND PROVISIONS	(936.3)	(972.3)
EBIT/Operating Profit	1,387.2	1,140.1
Financial Expenses	(626.5)	(358.2)
Financial Income	337.9	83.6
FINANCIAL RESULT	(288.6)	(274.6)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	0.6	(8.3)
RESULTS OF NON-CURRENT ASSETS	0.5	21.5
PBT	1,099.7	878.7
Corporate tax	(175.4)	(236.9)
Minorities	(86.3)	(69.3)
NET PROFIT	838.0	572.52

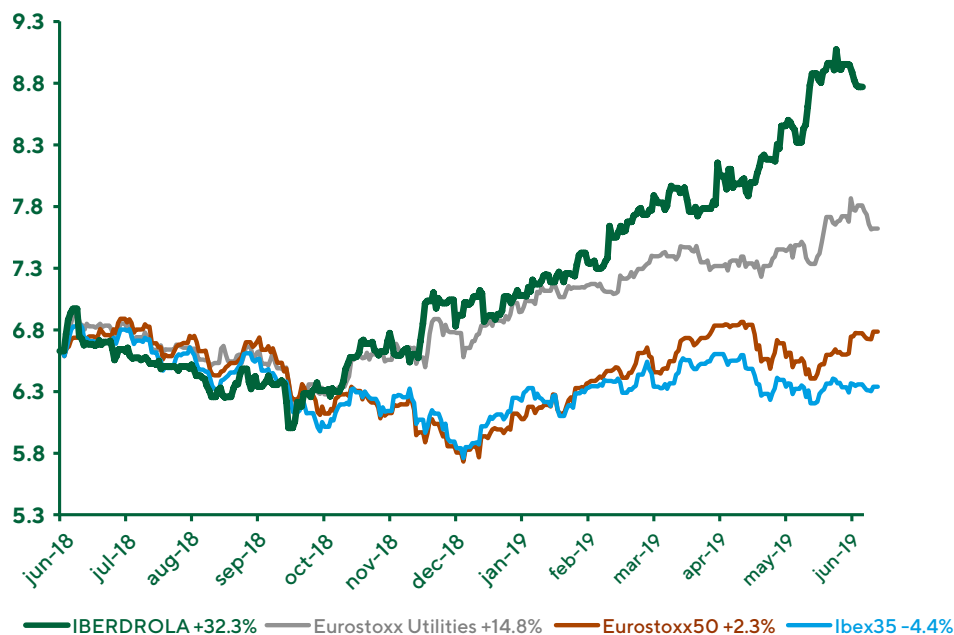
Statement of Origin and Use of Funds *(Unaudited)*

	June 2019	June 2018	Diferencia
Net profit	1,644.4	1,410.5	233.9
Adjustments to Net profit	2,303.3	2,525.8	(222.5)
Minority interests and hybrid	64.1	103.1	(39.0)
Corporate Tax	299.1	600.5	(301.4)
Financials	(73.4)	(82.9)	9.5
Equity Method	21.3	18.5	2.8
Non-Current Assets results	(6.8)	(22.0)	15.2
Amortisation and Provisions	1,999.0	1,908.6	90.4
Adjustments to EBITDA	(657.1)	(722.5)	65.4
Deferred income	(133.5)	(129.0)	(4.5)
Trei	(329.4)	(315.2)	(14.2)
Other non-cash adjustments	(194.2)	(278.3)	84.1
Operating cash flow	3,290.6	3,213.8	76.8
Dividends paid to Iberdrola shareholders	(131.4)	(163.0)	31.6
Total cash flow allocations	(3,807.4)	(2,915.6)	(891.8)
<i>Net investments</i>	<i>(3,053.9)</i>	<i>(2,478.0)</i>	<i>(575.9)</i>
<i>Divestments</i>	<i>6.5</i>	<i>205.4</i>	<i>(198.9)</i>
<i>Treasury stock</i>	<i>(1,560.0)</i>	<i>(769.0)</i>	<i>(791.0)</i>
<i>Issuance/Hybrid</i>	<i>800.0</i>	<i>126.0</i>	<i>674.0</i>
<i>Exchange rate differentials</i>	<i>(318.1)</i>	<i>(81.2)</i>	<i>(236.9)</i>
IFRS 16 (first-time application)	(399.2)	-	(399.2)
Other variations	(1,227.2)	(1,236.9)	9.7
Decrease/(increase) in net debt	(2,593.2)	(1,183.3)	(1,409.9)



Stock Market Evolution

Iberdrola stock performance vs Index



Iberdrola's share

	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 (15-03-2019/15-06-2018)	57,141,894	74,718,387
Minimum volume (03-05-2019/06-04-2018)	8,100,534	9,111,678
Dividends paid (€)	0.156	0.145
Gross Final dividend (05-02-2019/29-01-2018) ⁽¹⁾	0.151	0.140
Shareholder's Meeting attendance bonus	0.005	0.005
Dividend yield ⁽²⁾	3,90%	4,86%

(1) Purchase price of rights guaranteed by Iberdrola

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



Regulation

In the second quarter of 2019, a number of new regulatory changes affecting the energy sector were approved. This section sets out the most significant of these.

1. REGULATION IN SPAIN

Self-consumption Royal Decree 244/2019 has been published, which regulates the administrative, technical and economic conditions for self-consumption, building on Royal Decree-Law 15/2018 (October 2018) which had already eliminated the application of charges and the requirement to install a production meter.

The Royal Decree removes all restrictions on representation (of dominant operators) for any renewable facility for self-consumption. It also defines the concept of close facilities for the purpose of self-consumption, develops community self-consumption, permits payments for excess production, allows production and consumption facilities to have several owners, simplifies the administrative procedures for smaller facilities, and establishes that revenue generated by distributors through reactive energy sales will be classified as taxable income.

Distribution fee The Ministry has published a Ministerial Order amending (to include the Supreme Court ruling on the lambda parameter) the order established in 2015 of unitary distribution units and setting the fee for 2016 and thereafter. This new Ministerial Order will enable the fee for 2016 to be modified, also increasing the initial basis for calculating the final fees in subsequent years, even if they are yet to be published. Applying this parameter would involve around EUR 130 million/year for the sector.

Renewables fee The Ministerial Order has been published revising the fee on operation (RO) for 2H 2018 of renewable energy, cogeneration and waste-to-fuel (RECORE) facilities that also use fuels (biomass, cogeneration, waste-to-energy) for 2H 2018, based on changes in gas tolls and fuel prices. This increases fees by EUR 75 million over the six

months (cost for the System). The parameters in 4Q 2018 still include the green cent and 7% tax on generation, contrary to the stipulations in Royal Decree-Law 15/2018 (applying this would reduce the cost for the System), which is pending review.

Interruptibility The ruling has been published approving the calendar for and characteristics of the interruptibility auctions for 2H 2019. As a result of the auctions held in June, 2,340 MW was allocated across 123 supply points at an average price of EUR 81,220/MW/year. This is up 4% on the result of the previous auction (1H 2019), although for slightly less capacity (-10%). The expected cost for 2H 2019 is EUR 95 million (versus EUR 101 million in the previous auction), bringing the annual cost to EUR 196 million.

2. REGULATION IN THE UNITED KINGDOM

Retail cap: The Competition and Markets Authority (CMA) has published a provisional decision on the review of the cap for customers with prepayment meters in order to align its methodology with that of Ofgem (which imposes a cap on standard variable tariffs (SVTs)). It also recommends that Ofgem should continue capping prices for prepayment customers until the end of 2020 when smart meter roll-out will be substantially complete. Meanwhile, Ofgem has published a consultation document setting out its proposal to assess whether conditions are in place for effective competition in the domestic energy retail market, and to recommend whether or not the cap on SVTs should be kept (Ofgem must issue an annual recommendation as from 2020).

Capacity market: Auction T-1 was held on 11 and 12 June (replacing the auction that should have been held at the beginning of 2019), conditional on the European Commission's reapproval of the Capacity Market, closing with a price of GBP 0.77/kW/year and the allocation of 3.6 GW of capacity.

The UK government has approved new rules allowing suppliers to make voluntary regular

payments to the Electricity Settlement Company corresponding to the currently suspended capacity payments (offset against potential liabilities) to help providers to meet their capacity payment obligations once the Capacity Market stand-still period is lifted by the European Commission.

The Department for Business Energy and Industrial Strategy (BEIS) also conducted a consultation on changes to facilitate holding a T-3 auction to allocate capacity on 2022/23 (replacing the T-4 auction that could not be held) and that will probably be held at the end of 2019 or early 2020.

RIIO-2: On 24 May 2019, Ofgem published its decision on the RIIO-2 transmission methodology, confirming a change from the Retail Price Index (RPI) as the reference inflation index to the Consumer Price Index including Housing costs (CPIH), and revising the estimated range of the real annual cost of equity on a post-tax basis of 4-5%. The Ofgem decision included leverage of 60%. The final values will be set in 2020.

Offshore wind energy: On 1 May 2019, BEIS published the final parameters for the Contracts for Difference (CfD) auction for less mature technologies (including offshore wind). The general budget was increased from GBP 60 million to GBP 65 million (2011/12 prices) for the delivery years of 2023/24 and 2024/25, while the maximum capacity to be auctioned was left the same (6 GW). Bids were accepted between 29 May and 18 June.

3. REGULATION IN THE USA

PTCs and ITCs: Whether or not to continue with some of the tax credits that expire at the end of 2019 is being debated. On 20 June, the House Committee on Ways and Means presented a project to extend the Production Tax Credit (PTC) for wind energy by another year. Meanwhile, the solar industry is also calling for an extension to its Investment Tax Credit (ITC).

Renewables: Colorado, Connecticut, Maine, Maryland, Nevada, New Mexico and Washington enacted laws during the first half of 2019 increasing

the Renewable Portfolio Standard (RPS) requirements, imposing significant CO₂ emission reduction targets and/or the direct acquisition of substantial amounts of offshore wind energy.

4. REGULATION IN MEXICO

2019-2033 National Electricity System

Development Programme (PRODESEN): On 31 May, the Secretariat of Energy (SENER) published the *2019-2033 National Electricity System Development Programme* (PRODESEN) which sets out annually the plans for the next 15 years. It includes the Distribution and Transmission Network Modernisation and Expansion Programmes, and the Indicative Programme for the Commissioning and Decommissioning of Electricity Power Stations (PIIRCE). Subsequently, on 17 June the Federal Electricity Commission's Distribution Subsidiary Productive Enterprise (EPS) published the *2019-2033 General Distribution Networks Modernisation and Expansion Programme* to include important aspects in the PRODESEN. The programme sets out electricity distribution requirements with regard to electricity infrastructure, including technical analysis of the projects included.

Also on 17 June, the National Energy Control Centre (CENACE) published the *2019-2033 General Distribution Network (GDN) and National Transmission Network (NTN) Modernisation and Expansion Programme*. This includes detailed information on the existing electricity system, power stations, load centres and electricity grids that will be commissioned on specific dates. It also includes demand forecasts and the projects to modernise and expand the GDN and NTN forming part of the Wholesale Electricity Market.

5. REGULATION IN BRAZIL

Renewable energy auctions

2019 A-4 auction: on 4 April the Ministry of Mining and Energy published Ministerial Order 186/2019 setting out the guidelines for the 2019 A-4 auction involving wind, PV, small hydro and biomass technologies. The energy sale-purchase contracts negotiated in this auction stipulated supply will commence in January 2023 and as follows:

- By volume and a thirty-year supply period for hydroelectric projects;
- By volume and a twenty-year supply period for wind and PV projects (this is the first time PV has been included in volume contracts)
- By availability and supply for a twenty-year period for biomass projects.

The auction was held on 28 June and 401 MW was contracted (81.1 MW average – 165 MW average of physical collateral) at an average price of BRL 151.15 per MWh. The predominant technologies were PV: 253.6 MW at an average price of BRL 67.48/MWh, and wind: 95.2 MW at an average price of BRL 79.99/MWh.

Generation

Baixo Iguaçu enters commercial operation: In April, the Brazilian Electricity Regulatory Agency (ANEEL) issued Dispatch 1,037/19 authorising the commercial operation of the last generating unit of this hydroelectric plant. In total, Baixo Iguaçu has three units and 350.2 MW of installed capacity (172.40 MW average of physical collateral).

Networks

Rate bands Resolution 2,551 of 21 March 2019 establishes the additional costs for each band to be applied as from 1 June:

- Yellow band: BRL 15/MWh
- Tier 1 red band: BRL 40/MWh
- Tier 2 red band: BRL 60/MWh

6. REGULATION IN THE EUROPEAN UNION

European Commission's assessment of and recommendations for the integrated National Energy and Climate Plan (NECP) projects

The European Commission (EC) has issued its assessment of the NECP projects to achieve the EU's 2030 energy and climate targets and individual recommendations for the 28 Member States.

The Commission finds that the national plans already represent significant efforts but points to several areas where there is room for improvement, notably as concerns targeted and individualised policies to ensure (through an aggregated contribution) the delivery of the 2030 targets and to stay on the path towards climate neutrality in the longer term. Specifically, the shortfalls it has identified are:

- **Renewables:** the EU-wide aggregate contribution will be between 30.4% and 31.9% in 2030 – below the 32% target. Although a third of the countries have set an ambitious contribution (Spain, Denmark, Estonia, Lithuania and Portugal) – above each of their targets in the Governance Regulation – there are 15 countries that are below par.
- **Energy efficiency:** an EU-wide aggregate contribution of 26%–30% of primary energy or 26.5%–30.7% of final energy will be achieved versus the 2030 target of 32.5%. Only Spain, Italy and Luxembourg (in terms of primary and final energy), the Netherlands (primary energy) and France (final energy) have shown enough ambition. The other countries must revise their contributions.
- **Emissions:** it is expected that proper implementation of the legislation on climate, energy and mobility would cut emissions by 45% in 2030 versus 1990 levels. However, the NECPs submitted would see a reduction of 40% – in line with the target. For non-ETS sectors (transport, farming, construction, industry not subject to ETS), the reduction would be 28% versus 1990

levels – 2 points below the 30% target versus 2005 levels. Spain is highlighted as an example given the extent of its transport emission reductions.

- Interconnection capacity: the EC indicates that countries with rates below 15% must set out their objectives for 2030. Spain stands out as a country that has stated its 2030 interconnection goal.

The EC has endorsed Spain's NECP but has also requested more information on certain aspects of it.

- Renewables: the EC has strongly applauded the ambitious objective of 42% for 2030, with detailed and quantified measures and policies, although the energy transition and climate change bill includes a target of 35%. The EC has asked that: (i) an indicative roadmap to reach the target (2022 and 2027) be included; and (ii) additional information to promote self-consumption and renewable energy communities be provided.
- Regarding measures called for by the market, the EC has asked that: (i) future market integration objectives be set, especially measures to tackle the expected changes in electricity and gas tariff deficits and their potential impact; and (ii) a strategy and timetable be defined to move towards solely market-based prices.
- There is a need to enhance cooperation with France and Portugal to improve the domestic energy market, especially interconnections.
- All energy subsidies need to be disclosed, specifically for fossil fuels, along with steps and plans to abolish them.

Next steps: Member States must submit their final NECPs before the end of the year, including the EC's recommendations. Subsequently, in March 2023 and then every two years, Member States will inform the EC of progress implementing their NECPs. A new draft of their updated NECPs must be submitted in June 2023 (unless grounds for not doing this are given).

Publication of market design rules: On 16 June 2019, the **market design rules in the Clean Energy package** were published in the Official Journal of the European Union. The publications comprised:

- The Internal Market in Electricity Directive and Regulation, which must be transposed before 31 December 2020;
- The Agency for the Cooperation of Energy Regulators (ACER) Regulation; and
- The Regulation on risk-preparedness.

The main elements of the **Market Design Directive and Regulation** are:

a. Wholesale market

- Reinforcement of the freedom to **close power stations/put them on standby**.
- **Removal of caps** on market prices.

b. Capacity mechanisms

- Limited to 10 years.
- Open to generators, demand response and storage facilities; both local and in interconnected markets.
- Only allowed if coverage analysis detects an issue with supply security.
- 550 grCO₂/kWh constraint: immediate application for new power plants and as from 2025 for existing assets.
- Obligatory reform of existing capacity mechanisms, upholding capacity contracts in force at 31 December 2019 (grandfathering).
- Strategic reserves: without market participation (only dispatched by TSO to avoid non-supply of energy).
- Coverage analysis: pan-European (ENTSOE) and national; preponderance of the former.

c. Retail market

- Regulated rates:
 - For consumers that are vulnerable or energy poor; households and micro-enterprises.
 - Status quo for Voluntary Price for the Small Consumer (PVPC) until 2025, after which the EC could propose it be abolished.
- Self-consumption (contribution to system costs):
 - Payment of a network toll for energy dispatched and acquired; net balancing prohibited.
 - Excesses remunerated at market prices.
 - Pending implementation nationally vis-à-vis network tolls and taxation.
- Energy communities of citizens:
 - Equal treatment to other agents (access toll/ network usage, balancing responsibility).
 - Respect for consumers' individual rights.
 - Freedom of entry and exit.
- Aggregators: possibility of regulating compensation to suppliers, restricting costs incurred due to aggregators' actions.
- Supplier switching: within 24h in 2026.

d. DSO

- Strengthening of **DSO's role as an active agent**, authorised to contract/use flexibility services.
- Remuneration: inclusion of new incentives to improve efficiency, safety, innovation, etc.
- Storage facilities: TSOs/DSOs may own or develop storage assets in limited circumstances, while assets that can participate in the market are excluded.
- Smart meters: Fourth time-band market as from 2025, requiring smart meters to be adapted. If they do not fulfil the requirements, those installed before 2019 can be kept until the end of their useful life (not beyond 2031).
- EU-DSO Entity: established as a pan-European entity authorised to prepare network codes and act as intermediary with the EC on an equal footing with ENTSO-E for TSOs.



Iberdrola and Sustainability

Iberdrola's contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels are used for communicating goals, activities and successes achieved in the three areas of sustainable development (economic, environmental and social), as well as receiving evaluations and requests from the parties involved.

1. SUSTAINABILITY INDICATORS

Sustainability Indicators	H1 2019	H1 2018
Contribution to GDP (Gross Margin) (*)	0.52%	0.48%
Contribution to GDP (Net revenues) (*)	1.14%	1.07%
Net Profit (EUR million)	1,644.4	1,410.5
Dividend yield (%)(**)	3.90%	4.86%
CO ₂ emissions over the period (gr. CO ₂ /kWh): Total	158	149
CO ₂ emissions over the period (gr. CO ₂ /kWh): Spain	87	65
CO ₂ emissions over the period (gr. CO ₂ /kWh): UK	0	229
CO ₂ emissions over the period (gr. CO ₂ /kWh): US	56	31
CO ₂ emissions over the period (gr. CO ₂ /kWh): Brazil	37	70
CO ₂ emissions over the period (gr. CO ₂ /kWh): Mexico	349	352
Emission-free production: Total (GWh)	43,747	46,149
Emission-free production: Spain (GWh)	23,309	26,118
Ratio emission-free production to total production: Total (%)	58%	61%
Ratio emission-free production to total production: Spain (%)	81%	89%
Emission-free installed capacity: Total (MW)	33,538	32,177
Emission-free installed capacity: Spain (MW)	19,004	18,997
Emission-free installed capacity: Total (%)	69%	66%
Emission-free installed capacity: Spain (%)	73%	73%
Ratio high-emission technologies production: Total (%)	0%	1%
Ratio low-emission technologies production: Total (%)	42%	38%

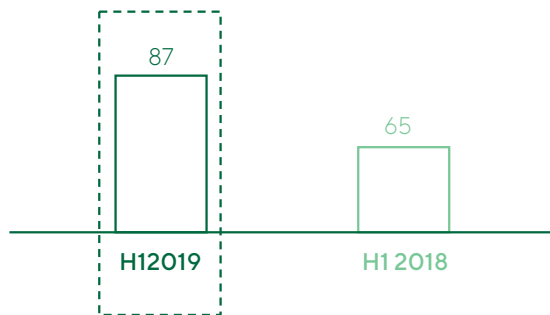
(*) Source: Iberdrola Results and National Quarterly Accounting for Spain - INE (Last data published in Q4 2018)

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

SPAIN: Development of specific thermal mix emissions, Global: CO₂, SO₂, particles and NO_x.

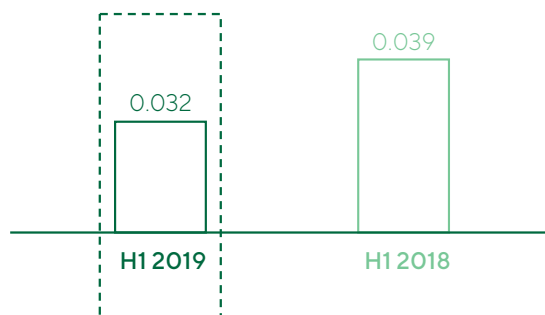
CO₂ specific emissions mix, GLOBAL

(g/kWh)



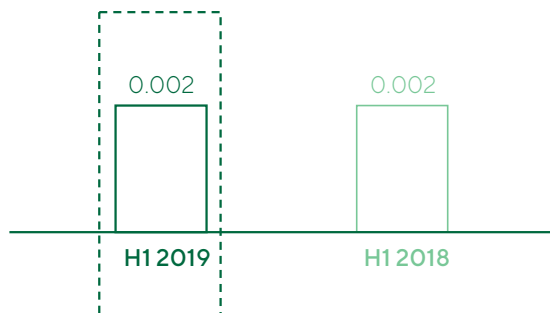
SO₂ specific emissions mix, GLOBAL

(g/kWh)



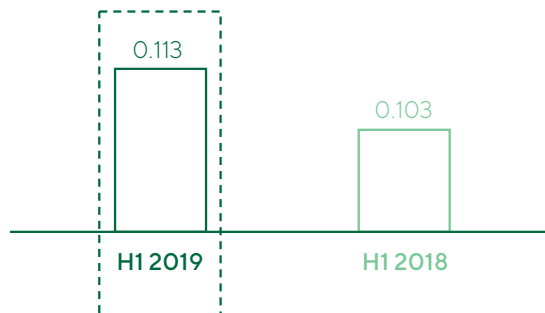
Specific particulate emissions Mix GLOBAL

(g/kWh)



NO_x specific emissions mix, GLOBAL

(g/kWh)

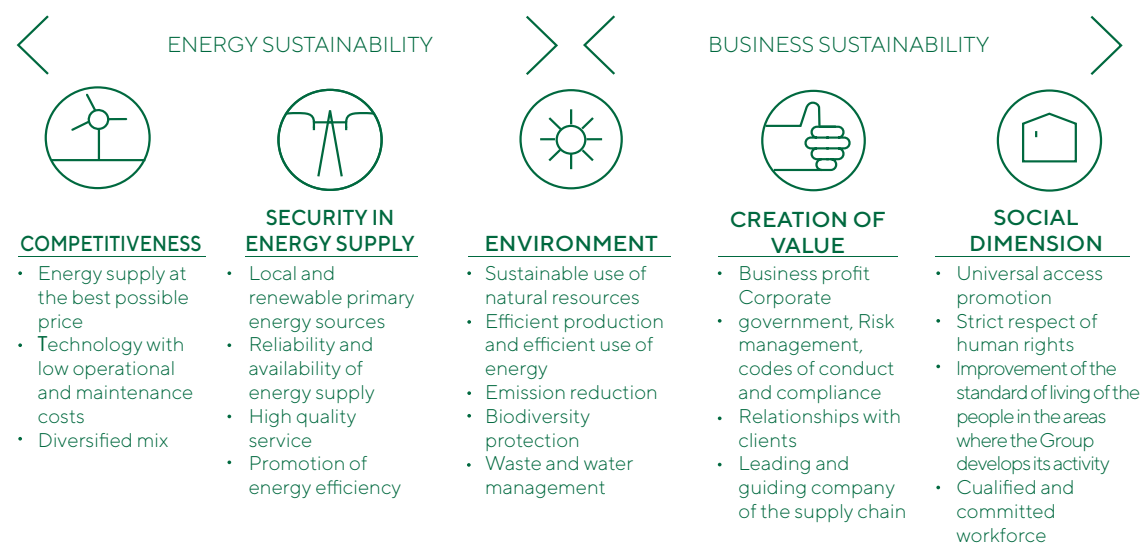


2. INDEX, RANKINGS AND RECOGNITIONS

Presence of Iberdrola in Indices and Rankings of Sustainability, Reputation and Corporate Governance.

Sustainability	
	Ranking/Status
Dow Jones Sustainability World Index 2018	Selected in the utility sector. Iberdrola member in all editions
Sustainability Yearbook ROBECOSAM 2018	Classified as "Silver Class" in the electricity sector.
MSCI Global Sustainability Index Series	Iberdrola selected AAA
CDP Climate Change 2018	A-
Global 100	Iberdrola Selected
Sustainalytics	Iberdrola among the highest rated utilities
ISS-oekom	Iberdrola selected Prime
FTSE4Good	10 years in a row selected
Bloomberg Equality Index 2019	Iberdrola selected
Euronext Vigeo Eiris index: World 120, Eurozone 120 & Europe 120	Iberdrola selected
Ecovadis	Gold
2019 World's Most Ethical Company	Iberdrola selected. Only Spanish utility
ECPI	Iberdrola selected in several Sustainability Indices
Stoxx Global ESG Leaders/Eurostoxx Sustainability 40/ Eurostoxx ESG Leaders 50	Iberdrola selected
EcoAct	Iberdrola first utility in the ranking
Influence Map	Iberdrola selected
MERCO 2019	mercoEmpresas: Leader among Spanish utilities: energy, gas, and water industry
Newsweek and Green Rankings	Iberdrola fifth utility worldwide
Energy Intelligence	Iberdrola among the top three utilities in the EI New Green Utilities Report 2018
Forbes	Iberdrola selected in Forbes 2018: GLOBAL World's Largest Public Companies 2000
ET Carbon Rankings	Iberdrola selected
Fortune Global 500	Iberdrola selected

Sustainability Management Policy



3. CONTRIBUTION TO SOCIETY

Iberdrola's most significant actions during the period from January to June 2019, with regards to social responsibility and sustainable development are described as follows:

3.1.- Acknowledgements of Iberdrola's excellent performance

- **Iberdrola once again makes it into the 2018 Dow Jones Sustainability Index**

Iberdrola has once again been included in the prestigious Dow Jones Sustainability Index (DJSI): the leading global indicator for measuring the contribution of companies to sustainable development. The Company was awarded an overall score of 87 points in the 2018 annual review. Furthermore, it is the only European electricity company to have been included in all 19 versions of the DJSI, which is clear evidence of its firm commitment to sustainability and of its strategy, which is designed to respond to the main financial, environmental and social challenges it faces.

- **Iberdrola is the only Spanish electricity company included in the 2019 Bloomberg Gender-Equality Index**

For the second consecutive year, Iberdrola has been included in the 2018 Bloomberg Gender-Equality Index (GEI), created by Bloomberg to recognise companies that have undertaken a firm and solid commitment to gender equality. This second index includes a total of 230 companies from 36 countries and 10 business sectors with a market capitalisation of USD 9 billion and 15 million employees throughout the world, of whom 7 million are women.

- **Iberdrola ranked in FTSE4Good Index for 10th year in a row**

Iberdrola has been included for the 10th consecutive year in the prestigious FTSE4Good international index, established to drive investments in the most sustainable companies

in the world. The Company fulfilled the requirements set out in 195 indicators, including respect for the environment, commitment to society and good corporate governance. Inclusion in the FTSE4Good Index ratifies Iberdrola's performance in the areas of working standards, human rights, health and safety, biodiversity, climate change, water and responsibility to the customer, as well as supply-chain related social aspects. The Company has also met the organisation's requirements concerning corporate governance, risk management, anti-corruption mechanisms and tax transparency.

- **Iberdrola receives the European Business Award for the Environment**

Ignacio Galán was presented with the European Business Award for the Environment by His Majesty King Felipe VI. The award went to our Company in the Spanish section and was awarded under the category for environmental management by major corporates. This acknowledges the Group's efforts to feed the results of its environmental management system into the business decision-making process. This includes calculating the corporate environmental footprint in line with the United Nations Sustainable Development Goals (SDGs) for 2030.

- **Iberdrola: the Spanish company with the best corporate governance practices**

For the third time Iberdrola has been named the Spanish company with the best corporate governance practices, according to the World Finance publication, which this year held its ninth annual Corporate Governance Awards. The Company's business model is based on ethics and transparency, a long-term vision and the integration of cultures and people, and it has generated financial benefits for all of the Company's stakeholders.

- **Iberdrola selected as one of the World's 100 Most Sustainable Corporations**

The Company has been selected as one of the World's 100 Most Sustainable Corporations, according to this ranking drawn up annually by Corporate Knights. The results of this fifteenth edition were announced at the meeting of the World Economic Forum in Davos (Switzerland). The main conclusion of the ranking is that 'sustainable corporate performance is consistent with equal or better returns for investors and greater corporate longevity', according to Corporate Knights. This is evidenced by the fact that, in terms of profitability, the Global 100 Index performed better in 2018 than others such as the Ibex 35 or the Eurostoxx 50.

- **Iberdrola acknowledged as one of the World's Most Ethical Companies for the sixth consecutive year**

Iberdrola has been included in the World's Most Ethical Company 2019 ranking, created by the Ethisphere Institute, which aims to promote a corporate culture based on ethical standards and the achievement of these aims. According to the Institute's criteria, the companies included in the ranking have record levels of stakeholder engagement and are truly committed to maximum levels of transparency, diversity and inclusion. The Ethisphere Institute's selection process involves evaluating candidates on five categories: compliance and ethics, ethical culture, corporate social responsibility, good governance and reputation and leadership. Iberdrola is the only Spanish company to be included in the Institute's ranking.

- **Neoenergia: winner of the first edition of the SDG Global 2019 Awards**

Iberdrola's subsidiary in Brazil, Neoenergia, has won the first edition of the SDG Global 2019 Awards. The aim of these awards, organised by the Brazilian network of the Global Compact, is to recognise innovative Brazilian projects that

have contributed to achieving one or more of the Sustainable Development Goals. Neoenergia participated in the Energy Efficiency Education Campaigns category with the project Festival Tô Ligado na Energia, which was supported by the singer and musician Carlinhos Brown to encourage the rational and safe use of electricity in schools.

- **Iberdrola's volunteers win at the United Nations Innovation Awards**

The Corporate Volunteering programme was recognised at the Innovation Awards presented at the IMPACT2030 Summit held at the United Nations Headquarters in New York. This is the leading award in the field, and is presented every two years. The award recognises the innovative approaches of companies that make the most of their human capital through corporate volunteering programmes, in order to promote the Sustainable Development Goals (SDG).

- **Iberdrola recognised with award for Most Impressive Corporate Green/SRI Debt Issuers in financial markets**

The international magazine, Global Capital – a publication specialising in the analysis of financial markets – has recognised the Company's green, sustainable financing with a Most Impressive Corporate Green/SRI Debt Issuer award. Since 2014, Iberdrola has issued over EUR 10 billion in green debt, and is the world's largest corporate issuer.

- **Iberdrola's 2019 Shareholders' Meeting is once again certified as a Sustainable Event**

Iberdrola was the first Spanish company and the first among the world's 10 largest electricity companies to be awarded the ISO 20121 Sustainable Event certification for its General Shareholders' Meeting, as well as the Erronka Garbia environmental label awarded by the Basque Regional Government. Iberdrola has repeated these certifications for its 2019 General Meeting.

- **Iberdrola's legal services team awarded for its excellence and best practices**

The Iberdrola Group's Legal Services department has been handed the Forbes Lawyers Award 2019 in the category of Best In-house Legal Advisory Service. This award acknowledges the work of the Company's lawyers and their ability to foresee risk and put forward legal proposals which, as well as being legally viable, also offer commercial opportunities. The awards, in their fifth edition this year, highlight corporate best practice and excellence in what is a crucial area for social development: the law.

- **Neoenergia: Brazil's most transparent company**

The Brazilian company leads the ranking of the 100 most transparent Brazilian companies, created by the NGO, Transparency International. Iberdrola received the highest rating, fulfilling 100% of the requirements.

- **Iberdrola Mexico celebrates its 20th anniversary**

Iberdrola celebrated its 20th anniversary in Mexico and did so in Mexico City by handing out awards to its workers and key teams across 13 states. It also gave awards to its top suppliers, demonstrating its commitment to Mexico's industrial fabric. Iberdrola Mexico's CEO thanked its 1,300-strong workforce for their efforts and dedication shown every day to successfully overcome the challenges faced. He also called on them to redouble their efforts to achieve the company's goals in the country over the coming years. Iberdrola's Chairman, Ignacio Galán, joined Iberdrola Mexico's staff, announcing an investment of USD 5 billion in the next few years.

3.2.- Contribution to achieving the Sustainable Development Goals

SDG 7 (Affordable and clean energy) and SDG ODS 13 (Climate action)

- **Iberdrola to provide electricity to 16 million vulnerable people who currently have no supply**

By the year 2030, Iberdrola will supply electricity through modern and environmentally sustainable energy pathways to 16 million vulnerable people from developing or emerging countries who currently have no access to it. This follows the achievement of the previous target of 4 million people. This action is part of the Electricity for All campaign launched by the Company in 2014. Furthermore, Iberdrola has signed a new sustainable credit facility for EUR 1.5 billion related to SDG 7 on affordable clean energy and to carry out the Electricity for All programme.

- **Iberdrola has begun the second phase of the public-private alliance to supply electricity to refugee camps in Ethiopia –Shire Alliance**

The alliance has been extended to cover four refugee camps. In addition, it has carried out a basic needs workshop on IT for refugees, as part of the 'Iberdrola with refugees' project.

- **Iberdrola completes largest bond placement for green infrastructure in Brazil and obtains 400-million loan for the Tâmega complex**

Neoenergia has successfully completed its first green bond placement totalling BRL 1.296 billion (around EUR 330 million), which was also the largest green bond placement for infrastructure in Brazil's history. It has also obtained the largest green loan ever granted by Spain's Official Credit Institute (ICO), earmarked for the Tâmega hydroelectric complex. The funds obtained will finance renewables and network projects. This green bond issue sees Neoenergia following the Iberdrola Group's strategy of holding an increasingly larger share of its liabilities in the form of green loans, while ensuring the funding of the hydroelectric complex in Portugal. Our Company is now the top corporate issuer of green bonds in the world, after it became the first Spanish company to complete such a placement in April 2014.

SDG 17 (Partnerships for the goals)

- **Iberdrola committed to forging new alliances to fulfil the 2030 Agenda**

Iberdrola's Chairman, Ignacio Galán, has highlighted that the SDGs "should not be seen as a problem rather as an opportunity". He has encouraged every sector, business and stakeholder group to "work in the interests of the world, nature and people; to protect talent and to do the right thing". "This is good for shareholders and for the whole of society," added the Chairman, who participated in the "Inescapable transformation" workshop. Galán was joined by Spain's acting minister for ecological transformation, Teresa Ribera; the special advisor to the United Nations on the SDGs, Jeffrey Sachs; and EIT Climate-KIC's CEO, Kirsten Dunlop, during a workshop to debate the best strategy for achieving the Sustainable Development Goals of the United Nations' 2030 Agenda.

- **Iberdrola signs CEOs' Call for Action agreement with CSR Europe**

Iberdrola's CEO and a hundred other European CEOs have signed an agreement entitled CEOs Call for Action – a call to expedite sustainable growth, tackle climate change and create inclusive prosperity. Brought together by CSR Europe, the CEOs have raised their voices to foster dialogue and strengthen interaction between politicians, civil society and their colleagues in the business and industrial sectors.

- **Iberdrola takes part in Sustainable Energy Week held in Brussels**

Iberdrola has presented its vision on its "Long-term strategy for reducing greenhouse gas emissions in the EU" during Sustainable Energy Week in Brussels. As part of the Company's commitment to corporate responsibility through its climate policy, the Company stated its clear intentions to contribute to achieving the goal of net zero emissions, and has called for greater political ambition concerning climate matters

since active steps to combat global warming are a source of economic and social development.

SDG 12 (Responsible consumption and production)

- **Iberdrola surpass service quality requirements**

As explained in the "Operational performance for the period" chapter, Iberdrola Group companies have surpassed the regulatory requirements regarding service quality in each jurisdiction.

- **Iberdrola presents the Supplier of the Year 2018 award**

The Company has recognised the commitment of its suppliers in fields such as excellence, sustainable development, quality, internationalisation, innovation, corporate social responsibility, job creation and occupational risk prevention. The award for Supplier of the Year 2018 was given to the Brazilian company WEG, which has become 'the Group's main transformer supplier and has production centres in three countries that are especially important for Iberdrola (Brazil, Mexico and the United States). The award in the CSR category went to the Mexican company, FONABEC A.C.

SDG 4 (Quality education)

- **Iberdrola announces more than 100 master's degree scholarships and research grants in five countries**

Iberdrola launched a new call for master's degree scholarships and another for research grants for the 2018-2019 academic year, with the aim of promoting excellence in the education of new generations and their employability in strategic innovation and technological development areas within the Company. This year, the Group will award a total of 108 grants, aimed at Spanish, British, American, Mexican and Brazilian students.

- **Iberdrola launches EducaClima website** as part of World Environment Day. The Company's Chairman, Ignacio Galán, has unveiled at Ciudad Escuela Muchachos (CEMU) School in Leganés (Madrid) a website providing teachers with

educational resources they can use as a tool for teaching children about the causes, impacts and consequences of climate change and make them more aware of looking after and protecting nature.

SDG 5 (Gender equality) and SDG 3 (Good health and well-being)

- **Iberdrola recognised at the 2018 World Football Summit for its support for women's football**

Iberdrola has received the Best Women's Football Initiative award at the world football industry summit. The award recognises the Company's outstanding contribution to fostering the growth and development of women's professional football, achieving visibility and giving its name to the national league, as well as promoting this sport to younger generations.

- **Iberdrola champions first sustainable national football team**

Iberdrola has launched a novel initiative along with the Spanish women's football team to become the first sustainable national team. The project is multifaceted and includes promoting sustainable mobility in sport, in keeping with the Company's undertaking to electrify transport and encourage the use of electric vehicles. It has also pledged to offset the carbon footprint of the Spanish women's football team with green energy, as well as rolling out renewable energy solutions at sports facilities. It is also committed to forging alliances with the different agents involved in sport to achieve sustainability objectives in other institutions.

- **Scottish Power takes part in the POWERful Women initiative to encourage gender diversity**

Representatives of Scottish Power attended a reception at the House of Lords with Greg Clark, the UK's Secretary of State for Business, Energy and Industrial Strategy, to promote the launch of the Energy Leaders Coalition. The initiative forms part of the POWERful Women campaign,

focusing on direct measures to encourage gender equality and diversity in the UK's energy sector.

- **First Mujeres con Energía (Women with Energy) forum takes place in Mexico**

A group of 40 leading women from Iberdrola Mexico have taken part in the first Mujeres con Energía (Women with Energy) forum. In line with Iberdrola's commitment to people – a key component for achieving the Company's objectives and the execution of the new 2018–2022 Strategic Plan – Mujeres con Energía is an initiative of Iberdrola Mexico to strengthen equal opportunities for women and reiterates the Company's commitment to the development of inclusive environments that favour greater gender equality in positions of leadership in the sector.

SDG 6 (Clean water and sanitation)

- **Iberdrola applauded as one of the utilities with the best water productivity**

According to the Global 100 ranking, Iberdrola has been recognised as one of the utilities boasting the best water productivity. The Company is also a signatory of the United Nation's CEO Water Mandate – an initiative that encourages sustainable practices in water use – and has participated in CDP Water since it was launched.

SDG 9 (Industry, innovation and infrastructure)

- **Portuguese Association for Consumer Protection recognises Iberdrola as the best in the industry for resolving complaints**

Putting the customer at the centre of all its activities is one of the pillars upon which Iberdrola is built. The purpose of this focus on customer service is to continuously improve the products and services it offers, and thus, to deal with complaints efficiently, thereby contributing to improving the solutions it provides. Portuguese consumers have given Iberdrola 9 out of 10 for complaint resolution management. According to the Portuguese Association for Consumer

Protection (DECO), the Company has the best rating in the industry in this regard. Companies are ranked taking into account customer evaluations, the rate of successfully resolved complaints, the response rate and the average response time, which is two days in our case – the lowest of all our competitors.

SDG 1 (No poverty), SDG 2 (Zero hunger), SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities)

- **Iberdrola** employs over 34,000 people and generates upwards of 400,000 indirect and induced jobs. In 2017, it contributed more EUR 32.630 billion to gross domestic product (GDP). Each euro the Company invests generates EUR 10.3 in GDP for the regions in which it operates.
- **Iberdrola Operation Kilo initiative:** This charitable initiative was again held in Spain, the United Kingdom, Mexico and Brazil to collect food with the aim of helping those facing financial hardship. Food was also distributed in Madrid and Valencia.
- Iberdrola has partnered with **Carrera de las Capacidades (Capabilities Run)**: a new sporting event in Madrid to help disabled people gain a foothold in society and the workplace.

SDG 11 (Sustainable cities and communities)

- Through its new i-DE electricity distribution brand, **Iberdrola** will invest EUR 600 million over the next 10 years to play a role in the transition of towns and cities across Spain towards smart cities in four areas: **e-mobility, network infrastructures, efficient energy use and citizen awareness**. The funds set aside for this project are primarily earmarked to develop the electricity distribution network and increase the intelligence of the distribution network through digitalisation.

SDG 14 (Life below water) and SDG 15 (Life on land)

- Conserving biodiversity is one of the Group's core corporate values. In its endeavours to boost biodiversity in natural ecosystems, **Iberdrola has allocated EUR 40 million to use air-bubble**

curtains to reduce noise when installing offshore wind turbines. These are produced using circular tubes with micro-perforations connected to a ship with compressors that pump air into them. Air is forced through the holes and rises to the surface creating a curtain of air bubbles.

3.3 Volunteering programme initiatives

Stand-out activities forming part of Iberdrola's Corporate Volunteering Programme, implemented through the International Volunteer Portal in this period include:

- **Lights, camera... action!** A new round of this project, carried out by Iberdrola alongside the Tomillo Foundation since 2011, aimed at improving education and employability among young people studying on basic vocational training programmes at that Foundation, aged between 14 and 18 with a history of academic failure.
- **Ocean Day** has been held in Valencia involving school children collecting litter on La Patacona beach (Valencia) and releasing sea turtles in partnership with Fundación Oceanografic.
- **Volunteer Day in Galicia.** The latest edition of the Volunteer Day has taken place in Galicia with environmental work being carried out with the help of people from the Down's Syndrome association, Asociación Down Vigo, on the Cíes Islands to clear the land of invasive species.
- **Navarra 2019 Forest of Life Volunteer Day.** The Navarra Volunteer Day has once again been held, this time with the planting of indigenous trees as part of the Bizi-Baso project, run by the Ilundain Foundation in collaboration with Iberdrola Foundation Spain.
- **Iberdrola Tree Day.** A new edition of the Tree Day has been held, in collaboration with Asociación Gorabide and the Lurgaia Foundation, thus continuing with the Bosque Iberdrola (Iberdrola Forest) project.
- **INVOLVE Initiative** (INternational VOLunteering Vacation for Education). The Company has

launched a new round of this corporate volunteering programme, in which Iberdrola employees from other countries travel to Brazil and Mexico during their holidays to help teenagers at risk of social exclusion to improve their employability, by means of IT and web application training. The initiative will be expanded to include other locations in 2019.

- **Volunteering in the fight against climate change** in schools. The project, which was created in Spain in 2017 to raise awareness of the consequences of climate change through talks and workshops in schools and institutions, has also been launched in Mexico.
- **The SDGs at school:** Iberdrola has engaged its staff in an awareness-raising project at schools on the United Nations Sustainable Development Goals and its 2030 Agenda. The volunteers

taking part will receive training to run an awareness-raising workshop at schools, using fun audio-visual and hands-on resources to teach children and their teachers about the SDGs and encourage them to help achieve them. The goal is to inform staff about the SDGs and encourage healthy, sustainable and charitable behaviour.

3.4 Community action

The Scottish Power Foundation, Avangrid Foundation, Iberdrola Foundation Mexico, Instituto Neoenergia and Iberdrola Foundation Spain represent Iberdrola's commitment to the development of the countries where it operates, as well as to solidarity with those people who are most vulnerable. The 2018-2021 Foundations Master Plan commits to the SDGs in order to contribute to tackling the planet's social and environmental challenges and establishing the following objectives in each work stream:

GENERAL TARGETS (GT)	WORK AREAS	SDG
1. Support training and research in general, prioritising innovation to contribute to energy sustainability.	Training and Research	
2. Support environmental protection and the improvement of biodiversity, to actively contribute to the fight against climate change.	Biodiversity and Climate Change	
3. Protect and safeguard artistic and cultural heritage, promoting conservation and restoration, as well as supporting local development.	Art and Culture	
4. Contribute to sustainable human development, supporting the most vulnerable individuals and groups.	Social Action	
5. Promote alliances that make it possible to carry out actions to reach the SDGs associated with the activities of the Foundations in the local context.	Alliances to achieve the SDG	

The most significant initiatives in the first six months of 2019 by work stream are as follows:

A. Training and research:

This work stream focuses on young students, by supporting their degree, technical training or language studies, offering opportunities to those who have disabilities and/or fewer resources. It also includes grants for research and for restoration and conservation in partnership with museums. These initiatives contribute to reaching specific targets of SDG 4: Quality education.

Avangrid Foundation: Work has been carried out this half-year on the call for applications for scholarships and grants:

- **Kennebec Valley Community College (Maine):** Three scholarships for eligible students on electrical technology courses.
- **Adirondack Research Consortium (ARC, New York):** This initiative supports several conferences, research projects and academic associations that fulfil the ARC's objectives, involving 350 participants.
- **Ithaca Sciencenter – Sciencenter Discovery Museum (New York):** Specifically supports the Power of the Future field trip series; a programme for students focusing on renewable energy and involving 350 students and 17 teachers.
- **Rochester Museum and Science Center (New York):** Fifty grants for children from the city of Rochester to attend science, technology, engineering and maths (STEM) summer camps.

Iberdrola Foundation Spain: Call for applications for 47 scholarships and grants.

- 20 grants for energy and environmental research. Twenty researchers have been selected.
- Ten Carolina Foundation scholarships for energy and environment master's degrees at Spanish universities.
- Three Fullbright scholarships for energy and environmental master's degrees.
- Nine scholarships for undergraduate students to help with their studies at ICAI-University of Comillas

- Three grants for restoration and conservation at the Prado Museum.
- Two grants for restoration and conservation at the Bilbao Fine Arts Museum.

Iberdrola Foundation Mexico:

- Signing of a collaboration agreement with the **Renewable Energy Institute at the Autonomous National University of Mexico (UNAM)**.
- The young grant recipients will continue their studies over this academic year (five in engineering and one in the high school diploma).

Instituto Neoenergía: a new agreement has been signed with **CIEDS** (Integrated Centre for Sustainable Development Studies and Programmes) to bolster the network for sharing educational solutions and innovative practices in the cities of Franco da Rocha (SP), Francisco Morato (SP), Caieiras (SP), Itaparica (BA), Itapebi (BA) and São Francisco do Conde (BA).

SPW Foundation:

- **The Engineering Education Programme,** conducted alongside The Prince's Foundation, offers an open-air educational experience that puts children and young people in touch with their natural heritage, with the aim of inspiring them to become the future generation of entrepreneurs and innovators in the energy industry.
- The aim of the **Schools Outreach** project is to provide an innovative programme for science, technology, engineering and mathematics (STEM) to 10,000 pupils in deprived areas of Wales, through workshops where they can put their science knowledge into practice.
- In partnership with Bangor University, a project is being rolled out for secondary school pupils in Wales, which uses interactive techniques to develop STEM knowledge and improve personal skills, thereby improving their employability.
- The National Deaf Children's Society and SPW Foundation have launched a project in which a bus will travel around various areas of England

to give young deaf people aged 4-19 a series of workshops to reduce their isolation, thereby improving their academic performance and relational skills.

- Red Balloon of the Air is a project geared towards young people who have abandoned their studies due to cases of bullying or other traumas. This initiative offers an academic and therapeutic programme to get them back to school and reconnect them with society.
- In partnership with the charity, Size of Wales, a programme has been launched engaging young people between 14 and 18 years-old from England and Wales in debates on climate change. The winners will have the opportunity to take part in the national final hosted by the Debating Chamber of the National Assembly of Wales.
- Young Enterprise Scotland's **Circular Economy** (CE) project prepares today's young people for the economy of the future. This programme is aimed at primary and secondary school pupils (over 1,200 young people in Glasgow).
- The **Primary Panathlon** project gives disabled children between the ages of 4 and 11 opportunities to experience the excitement of competitive sports for the first time.

B. Biodiversity and climate change

In this area of work, we are collaborating with public institutions and bodies devoted to the protection of the environment, contributing to achieving specific aims of SDG 13: Climate action and SDG 15: Life on land.

The **Iberdrola Foundation Spain** collaborates with the Sociedad Española de Ornitología (Spanish Ornithological Society - **SEO/BirdLife**) on the **MIGRA project**, aimed at studying the migratory patterns of birds. A total of 51 birds have been ringed in 2019.

The collaboration project with the **Fundación para la Conservación del Quebrantahuesos** (Bearded Vulture Conservation Foundation) is being continued with a view to studying the

influence of climate change on this and other alpine birds. The study will continue with the installation of new traps and the recovery of eggs for breeding and subsequent release. Three birds have been released in the Picos de Europa mountains.

Another key initiative is the signing of the '**Study of thermal stress, immunosuppression and climate change in endangered bird of prey**' with the Aquila Foundation. This is a research project in which the main aim is to determine how thermal stress (increase in temperatures due to climate change) affects the basic humoral immune response in endangered birds of prey.

We are also working with the "salvar nuestras montañas" (save our mountains) workshops in the Valles de Omaña y Luna biosphere reserve. The goal is to establish conservation and sustainable development mechanisms to avoid the **deterioration** and **depopulation** of rural areas that have a high ecological value. The first two workshops have been run in the Picos de Europa mountains and the Pirineo Aragonés mountains, specifically in two biosphere reserves.

A collaboration agreement has been signed with the Spanish Ministry of Defence's Department of Infrastructure in the **Bosque Defensa-Iberdrola** (Forest Defence-Iberdrola) programme, which involves the partial reforestation of shooting ranges and practice grounds of the Spanish military. The first campaign has been at the Renedo Cabezón shooting range in the province of Valladolid, with the reforestation of 49.5 hectares with pine and holm oak, while the new reforestation project at Campo de Maniobra de la Sierra del Retén (Cádiz) has been designed.

In the United Kingdom, **the Scottish Power Foundation** and **Sussex Wildlife Trust** have launched The Wild Side of the Track: an environmental and educational project aiming to enhance the habitat of a large number of species and ensure their survival through the improvements being introduced. It also supports schools in teaching pupils about caring for and respecting wildlife.

The **Avangrid Foundation** has promoted the Riverkeeper project in New York, which highlights the importance of parks for urban biodiversity, health, access and fairness, the economy and other benefits.

Trust for Public Land (Connecticut) is a project that aims to create public access spaces in the largest and most economically disadvantaged city in Connecticut, with a positive impact on the public perception of the river bank and the city.

There is also a collaboration with the **National Fish & Wildlife Foundation (NFWF) (Washington, D.C./National)** in a series of programmes for the protection of important wild animals threatened with extinction, including hibernating bats across North America, as well as grassland-dependent birds and mammals in the west.

Through the **Portland Trail Blazers Foundation**, we are collaborating in the Live Greener grants, which will provide general support and funding for programmes for 501(c)3 organisations that connect young unemployed people in rural communities throughout the entire Pacific Northwest to the environment.

Iberdrola Foundation Mexico has held meetings with the new Secretary for the Environment and Natural Resources (SEMARNAT) to work together on programmes already in motion in the Altamira area, such as the **Conservation of Felines** and the **Conservation of Mangroves**, and in the area of Laredo, the **Conservation of the Cañón de Fernández State Park**, in partnership with PRONATUR.

Instituto Neoenergía Brazil is working with **Save Brasil** to protect at risk wader species in priority areas in Brazil, in the cities of Guamaré (RN), Galinhos (RN), Macau (RN), Mostardas (RS) and Tavares (RS).

The agreement signed by the WWF and Instituto Neoenergía aims to generate a unique map of the deep reefs of the Atol das Rocas (in the state of Rio Grande do Norte) and to assess its potential as an exporter of larvae to recupérate the shallow reefs and thus help conserve the coastline.

C. Art and culture

In this field, the Company works together with cultural bodies, renowned museums, public institutions and religious bodies in order to promote culture, in addition to restoring and conserving artistic heritage, thereby driving local development. These actions have a direct impact on SDGs 8 (Economic growth) and 11 (Sustainable cities and communities).

In the US, the **Avangrid Foundation** has partnered with **Rochester International Jazz Festival** (June 21-29, 2019) to organise a festival comprising more than 300 concerts across 18 venues and attracting over 187,000 visitors from 30 states and 15 countries. Approximately USD 20,000 per year from the festival's takings will be allocated as scholarships for disadvantaged students.

The **Foundation in Spain** has switched on the new lighting of Salamanca Cathedral, the Colegio Mayor del Arzobispo Fonseca Chapel in Salamanca, the Barrena Palace in Ordizia, and the Alcántara Convent.

The **Iberdrola Museum Programme** is collaborating with the Prado Museum and the Bilbao Fine Arts Museum restoration workshops for the conservation of paintings, sculptures and works of art on paper at their art galleries. The restoration of the Royal Drawing Room at the Prado Museum was opened in April 2019. The Prado Museum also opened the exhibition of restored works by Fra Angelico last May.

The Plan Románico Atlántico (Atlantic Romanesque Plan) initiative for works on churches located in the north of Portugal, Salamanca and Zamora is ongoing, having unveiled over the last six months the works carried out on the Muga de Alba Church (Zamora), Ciudad Rodrigo cathedral (Salamanca), and the Church of San Martín de Castañeda (Zamora). Renovation work continues on the Portuguese churches of Boticas and Guimaraes.

The **exhibitions programme** was launched with "El Prado en las calles" (El Prado in the streets) designed to raise awareness of, provide information on and share the collections and the cultural

identity of the Museum's heritage. It especially includes education and cultural promotion activities as part of the institution's bicentenary commemorations programme. This exhibition has only visited Elche so far but will also travel to Éibar, Cartagena, Zamora, Palencia, Jerez de la Frontera, Albacete and Mérida during the rest of the year.

Instituto Neoenergía in partnership with Natal (RN), Brasilis Producciones Culturales, the Jose Augusto Foundation and Neoeluz Ingeniería will begin to light up the Cámara Cascudo Memorial. On 25 April, the new lighting of the Santo Amaro da Barra Grande fort in Guarujá (Sao Paulo) was switched on.

The first class of the **Mentes Brillantes** (Brilliant Minds) project took place on 4 April. This project aims to enhance the socio-emotional skills of school children in state schools in Andradina, Rio Claro and Caieiras (SP), raising their academic performance and offering careers advice and psychopedagogical support. It is expected that 3 thousand children from four schools in each of the towns selected will benefit.

In the **United Kingdom, Scottish Power Foundation**, alongside Bath Philharmonia, launched Listen to Us: a musical development programme for young people in Wiltshire. This project will create a day of musical opportunity for young people between 7 and 18 years of age who have important responsibilities caring for their parents or another member of their family. It will have two intensive phases of music workshops equivalent to a full year of music lessons and will culminate in three live performances in prominent places in the region as part of the prestigious annual Bath International Music Festival.

D. Social action

This work stream has entailed collaborations with NGOs, foundations and development agencies to promote social and humanitarian projects geared towards more vulnerable people, which contribute to achieving specific Sustainable Development Goals 1: Ending poverty; 3: Good health and well-

being; 5: Gender equality; 7: Clean, affordable energy; and 10: Reduced of inequalities.

The **Social Programme of the Foundations** is carried out in all five countries, providing support to projects that help tackle child poverty, promote the inclusion of the disabled, and enhance the quality of life of people with serious illnesses, prioritising care for the most vulnerable groups. Significant partnerships are as follows:

United Kingdom:

- **Inter Madrassah Organisation:** The Junior Citizen Award organises workshops, activities and group work to promote integration, shared values and a sense of belonging to combat extremism and improve self-esteem. The project will involve young people from 10 associated schools, who will form teams to achieve common goals.
- **Theatr Clwyd Development Trust:** A crime prevention programme combining three educational projects: "Justice in a Day", "Connor's Time" and Junior Justice". The programme uses professional actors to create realistic and hard-hitting plays. Each one explores current themes around the justice system that affect young people.
- **Changing Faces:** This young champions project, Face Equality, will identify and support 10-20 young people throughout Scotland, aged up to 25, to lead activities to stop bullying in school.
- **The Customs House Trust Ltd:** The Takeover is a week-long arts festival that aims to develop leadership skills among young people.
- **Youth Focus NW Ltd:** The POSH project has emerged in the last 12 months, led by members of Youthforia to involve young people in raising awareness about caring for the environment to ensure a sustainable future.
- **Bendrigg Trust:** this is an outdoor residential education centre that works with disabled and disadvantaged people. Its goal is to promote inclusion, encourage independence, build self-confidence and improve physical and mental

health and well-being through adventure activities and residential experiences.

- **Hearts & Minds:** The Clowndoctors programme provides unique therapy by supporting children in hospital, hospices and schools for pupils with complex additional support needs. Clowndoctors work to promote creative, physical and mental stimulation adapted to each individual.
- **Birmingham Disability Resource Centre:** The Switched On project will support 200 disabled people to avoid situations of energy poverty.
- **The National Autistic Society:** The Young People's Social Group project is designed to address the isolation of young autistic people and provide them with opportunities for greater integration in their communities, and to improve their quality of life.
- **Music in Hospitals & Care:** The Rhythm for Recovery project holds live music sessions for patients of all ages. The project will involve musicians with prior training over a year and offer new training opportunities to another 12 musicians across the UK.
- **Young Women's Trust (formerly YWCA England):** The aim is to significantly increase the scope and impact of Work it Out: an innovative project promoting employability and confidence, supporting 3,000 disadvantaged young women. It includes two complementary services: self-confidence and employability coaching, and personalising CVs for job applications.
- **Maggie Keswick Jencks Cancer Caring Centres Trust:** The aim of this project is to help vulnerable people with cancer to access aid from the welfare system and provide them with legal defence.
- **Central Eltham Youth Project:** Fresh is Best is an educational project for distributing healthy food aimed at vulnerable young people between 16 and 30 years of age, who live independently but who cannot afford a healthy and balanced diet.

United States:

- **Boy Scouts Seneca Waterway Council (New York):** An event for Boy Scouts Seneca Waterway Council involving company volunteers and executive management. Support is offered to the Scouts movement in low-income neighbourhoods of Greater Rochester, providing an outdoor school that offers a comprehensive education to equip young people with the leadership skills and values that will help them throughout their lives.
- **One City Fun City of Rochester - Cool Sweep (New York):** Support for Cool Sweep: an annual programme in the city of Rochester promoting neighbourhood safety and customer services to help city residents who face difficulties in the summer heat.
- **Rape, Abuse & Incest National Network - RAINN (Washington, D.C./National):** RAINN is the largest anti-sexual violence organisation in the country. It set up and runs the National Sexual Assault Hotline. RAINN is a dynamic non-profit organisation providing support to victims, public education, public policy guidance and training and advice services. The Company is supporting the RAINN programmes, including expanding the direct helpline, education, support services and promotional activities.
- **Ronald McDonald House Charities (RMHCR) of New York - Rochester:** This overarching initiative provides help for families in the complex area of mental health care. Specifically, RMHCR recently launched the first family lounge area specifically for children receiving care in the hospital psychiatric unit, and the partial hospitalisation programme. The Avangrid Foundation sponsors the organisation.
- **United Way Broome County (New York):** Provides backing for local human service and health programmes in Broome County, helping individuals and families to achieve a better quality of life.

#AVANGives is an initiative through which 10 grants are handed out to community organisations with different missions. These organisations have been selected through a competition open to AVANGRID staff:

- **The Center for Grieving Children (Maine)**
- **New Haven Pride Center (Connecticut):** Runs educational, cultural and social enrichment programmes for the LGBTQ+ community, their supporters and members to make a positive contribution to the entire Greater New Haven community.
- **Clifford Beers Child Guidance Clinic (Connecticut):** The Clifford Beers Clinic provides the latest solutions for children and families searching for social, physical and mental well-being, especially in the Greater New Haven region.
- **p: ear (Oregon):** This grant is intended to nurture personal value and build healthier lives and communities. It will be used to provide food every day to 70 young people for three months.
- **Pine Tree Camp (a programme run by the Pine Tree Society):** Known for continuously innovating to meet the needs of people with a wide range of disabilities, Pine Tree Camp has become a place where children and adults can take part in the recreational activities Maine is famous for: camping, hiking, swimming and many more.
- **EmBe – Girls on the Run (South Dakota/ Renewables):** EmBe was the first organisation to respond to women's needs in the area. In its early years as the YWCA, it was a place for girls and women to gather and learn, a place for them to live, find safety and shelter from violence through physical exercise, and a place to develop leadership skills and find friendships. Over the years, many community programmes and services have been developed to create a world in which every girl can be aware of and realise their limitless potential and be free to explore their dreams.

- **The Klein Memorial Auditorium Foundation (Connecticut):** This one-of-a-kind programme in the State of Connecticut provides a safe and nurturing environment with an emphasis on socialisation, team work and personal achievements. The programme aims to create a positive environment to provide students with tools for self-expression, build a community, develop life skills and enhance access to vocational training in theatre arts and learning support. Following six years of growth, Klein Theater Arts currently has 70 students per term from 32 schools in the area.
- **Crime Victims Assistance Center (New York):** This grant will support the Crime Victims Assistance Center (CVAC) to help more young people and provide more accurate data on treatments and outcomes.
- **Compeer (New York):** The Rochester family and youth mentoring programme offers support and guidance to disadvantaged young people who are dealing with mental illness, poverty and low academic performance.
- **Tree Street Youth (Maine):** The grant will help Tree Street Youth to support a marginalised community in Lewiston, Maine, through arts and athletics-based programmes in a safe space. The aim: to encourage physical health and social and educational development.

Mexico:

- **Asociación Civil Excelencia Educativa,** which offers girls and boys a participative space where they can be active subjects in the learning process, enjoying new ways of approaching knowledge. This initiative will be carried out throughout 2019 in 21 schools located near Iberdrola Mexico plants and installations.
- **Tamazunchale Firefighters:** Four grants have been donated for participating in the 'Industrial Firefighter' course for fire brigade training in the city of Celaya (Guanajuato).

Brazil:

- The **infancia** social programme, underpinned by the country's Sports Act, runs basketball classes for 300 children and young people from 6 to 14 years old at risk of social exclusion in the city of Caieiras (SP).

Spain:

- In the first quarter, collaboration agreements were signed with the association, **Ampara**, for integration, leisure and free-time activities for children with incarcerated mothers, and with the **Caballo Amigo Foundation** for a hippotherapy programme geared towards children with disabilities and mental illnesses. Furthermore, the Víctor Ullate Foundation grants have been renewed with an increased number.

The Convocatoria 2020 call for applications for social grants from the Foundation was also published and closed, with 136 entities applying.

The Cooperation Programme for Human Development promotes projects to overcome situations of extreme poverty through the electrification of basic social infrastructure (schools, health centres and community centres, etc.), incorporating education and technical training that promotes productive local development actions. This programme also covers projects providing help in humanitarian emergency crises.

Child exploitation, begging, domestic servitude or child trafficking are some of the circumstances that thousands of children face every day in Mauritania. Many of these children leave their homes and birthplaces to escape from these conditions and many do so alone, running the risk of falling victim to all types of exploitation.

Iberdrola and **Save the Children** are working together in 2019 to build a child protection centre in the city of Nouadhibou, which will provide a home to these children and protect them from the dangers they would face on the street.

The project is part of the European Union's AFIA Programme, which aims to protect children against trafficking and exploitation. The new centre is being

built on land owned by the Ministry of Social Affairs, Childhood and Family (MASEF) in Mauritius.

Iberdrola Foundation Spain is looking at potential ways of working with the Spanish Agency for International Development Cooperation (AECID) and has signed a Humanitarian Framework Agreement or Protocol to jointly and immediately respond to humanitarian emergencies and provide aid. The goal is to protect vulnerable victims of natural disasters and violence and coercion or people with limited access to essential services during emergencies or humanitarian crises, focusing on children and women.

In the United States, the Company continues to collaborate with the Red Cross (American Red Cross Disaster Relief) to contribute towards reconstruction in the areas affected by Hurricane Harvey in Florida.

4. CORPORATE GOVERNANCE

Highlights for the first half of financial year 2019 were as follows:

- On 2 January 2019, Iberdrola informed the Spanish National Securities Market Commission (CNMV) of the completion of the sale, by Scottish Power Generation Holdings Ltd, of 100% of the share capital of Scottish Power Generation Ltd to Drax Smart Generation Holdco Ltd, a company belonging to the group for which the parent company is Drax Group Plc.
- On 4 January 2019, the Company published an addendum to the information booklet regarding the terms and conditions of the second round of the optional dividend system, 'Iberdrola Scrip Dividend', corresponding to 2018.

Subsequently, on 30 January 2019, Iberdrola completed the paid-up capital increase operation approved by the General Shareholders' Meeting of 13 April 2018, as well as the distribution of an interim dividend corresponding to the 2018 financial year agreed on 23 October 2018 by the

Board of Directors, as part of the second edition of the 'Iberdrola Scrip Dividend' for 2018.

- On 8 February 2019, the Company submitted its energy production figures for 2018.
- On 19 February 2019, Iberdrola notified the CNMV of the agreement to carry out a buyback programme of the Company's treasury stock in accordance with the authorisation granted by the General Shareholders Meeting of 13 April 2018, under point 12 of the Agenda. Since that date, Iberdrola periodically submits information to the CNMV regarding the share buyback programme, which may be in force until 14 June 2019 (though it may be concluded prior to said date in the event that the authorised maximum number of shares is acquired, or if there is any other circumstance that makes this advisable).
- On 20 February 2019, the Company submitted its results for the financial year ending on 31 December 2018 to the CNMV.
- On 26 February, the Company submitted the 2018-2022 Outlook update.
- Lastly, on 6 March 2019, the CNMV was informed that Iberdrola España, S.A. (*Sociedad Unipersonal*, sole shareholder company), Iberdrola Distribución Eléctrica, S.A. (*Sociedad Unipersonal*) and Iberdrola Generación, S.A. (*Sociedad Unipersonal*), all belonging to the Iberdrola Group and acting as assignor companies, reached an agreement with Lyntia Networks, S.A. (*Sociedad Unipersonal*) regarding the assignment of the right to use part of its dark fibre-optic network. Furthermore, it was announced that the finalisation of the operation was subject to mandatory authorisation from the CNMV.
- On 12 April 2019, the Company submitted its energy production figures for the first quarter of 2019.
- On 24 April 2019, IBERDROLA informed the CNMV that the Brazilian subholding company, Neoenergia, S.A. ("Neoenergia") (52.45% owned by Iberdrola, S.A.) had announced the

resolutions adopted by its board of directors needed to start this company's stock market flotation in Brazil. Notice was given on 30 April 2019 that Neoenergia's Extraordinary General Shareholders' Assembly had approved the resolutions related with this flotation. Subsequently, on 7 June 2019, IBERDROLA announced the publication of the notice of the public offering of Neoenergia shares as per Brazilian legislation.

Lastly, on 28 June 2019, the Company informed the CNMV that the final price of Neoenergia shares in the public offering in Brazil had been set at BRL 15.65, equivalent to EUR 3.576 per share.

- Meanwhile, on 24 April 2019, IBERDROLA published the prospectus regarding the terms and conditions of the first edition of the optional dividend scheme, 'Iberdrola Scrip Dividend', corresponding to financial year 2019.
- On 25 April 2019, the Company submitted its results for the first quarter of financial year 2019 to the CNMV.
- On the other hand, on 17 June, along with the announcement of the completion of the share buyback programme, the CNMV was informed that on 13 June 2019, IBERDROLA acquired a total of 5,950,803 treasury shares (representing approximately 0.091% of its capital) through the settlement on expiration of certain treasury share derivatives arranged by the Company. This quantity of shares along with those acquired when the buyback programme was executed is sufficient to fulfil the share capital reduction objectives.
- On 18 June 2019, IBERDROLA notified the CNMV of the implementation of the capital reduction through the redemption of treasury stock approved at the General Shareholders' Meeting, entered in the Bizkaia Companies Register on 20 June.
- Lastly, on 20 June 2019, it was announced that IBERDROLA, Iberdrola Generación, S.A. (*Sociedad Unipersonal*) and Iberdrola Generación

España, S.A. (Sociedad Unipersonal), acting as acting as assignor companies, had reached an agreement with Pavilion Energy Trading & Supply Pte. Ltd. ("Pavilion") for the cession of its contractual position in its portfolio of long-term liquefied natural gas supply, sea freight and gas infrastructure usage contracts, and other supplementary contracts related with the supply of liquefied natural gas. It is expected that Pavilion will pay the assignor companies the sum of EUR 115 million, payable as per the transaction schedule and subject to any agreed-upon adjustments. The transaction is due to be closed on 1 January 2020.

General shareholders' meeting

The Board of Directors of Iberdrola, in its meeting of 19 February 2019, agreed to convene the General Shareholders' Meeting to be held at first call on 29 March 2019, or at second call on 30 March 2019. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share for the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the convening of the General Shareholders' Meeting was published by the Company on its corporate website (www.iberdrola.com) and in the Official Bulletin of the Companies Register on 22 February 2019.

On that same date, the Annual Corporate Governance Report, the Annual Director Remuneration Report and the financial information for 2018 were sent to the CNMV.

On 29 March 2019, the Company's General Shareholders' Meeting was held at first call, with a quorum of 74.12% of the share capital (12.72% present and 61.40% represented), with all the proposals included in the meeting agenda being approved, as detailed below:

Resolutions regarding the annual accounts and company management

- i. Approval of the annual accounts for 2018.
- ii. Approval of the management reports for 2018.

- iii. Approval of the non-financial information statement for 2018.
- iv. Approval of the corporate management and performance of the Board of Directors during 2018.

Resolutions regarding the Corporate Governance System

- v. Amendment to the preamble and to Articles 4, 6, 7, 8, 22, 32, 33, 34 and 49 of the Articles of Association in order to reflect the purpose and values of the Iberdrola Group, to formalise its commitment to the Sustainable Development Goals (SDGs) approved by the United Nations and to improve its wording with the use of inclusive language.
- vi. Amendment to Articles 37 and 41 of the Articles of Association to reflect the change in name of the Corporate Social Responsibility Committee, which is now called the Sustainable Development Committee.

Resolutions regarding remuneration

- vii. Approval of the proposed allocation of profits/losses and distribution of dividends for 2018, the supplementary payment of which will be made within the framework of the 'Iberdrola Scrip Dividend' optional dividend scheme.
- viii. Approval of a first increase of paid-up capital for a maximum reference market value of EUR 1,520 million, for the purpose of implementing the 'Iberdrola Scrip Dividend' optional dividend scheme.
- ix. Approval of a second increase of paid-up capital for a maximum reference market value of EUR 1,235 million, for the purpose of implementing the 'Iberdrola Scrip Dividend' optional dividend scheme.
- x. Approval of a capital reduction by means of the redemption of a maximum of 280,457,000 treasury shares (4.30% of the share capital).
- xi. Advisory vote on the Annual Director Remuneration Report for 2018.

Resolutions regarding the Board of Directors

- xii. Appointment of Ms Sara de la Rica Goiricelaya as an independent director.
- xiii. Ratification of the appointment by co-optation and re-election of Mr Xabier Sagredo Ormaza as an independent director.
- xiv. Re-election of Ms María Helena Antolín Raybaud as an independent director.
- xv. Re-election of Mr José W. Fernández as an independent director.
- xvi. Re-election of Ms Denise Holt as an independent director.
- xvii. Re-election of Mr Manuel Moreu Munaiz as an independent director.
- xviii. Re-election of Mr Ignacio Sánchez Galán as an executive director.
- xix. Determination of the number of members of the Board of Directors at fourteen.

Resolution regarding general matters

- xx. Delegation of powers for the formalisation and notarisation of any resolutions adopted.

Board of Directors

On 19 February 2019, the Company announced the resolutions concerning changes to the composition of the advisory committees and members of the Board of Directors.

- i. Reclassification of Mr Xabier Sagredo Ormaza as an independent director. To that end, the Board of Directors recorded the resignation of Mr Sagredo Ormaza and agreed on his appointment, at the proposal of the Appointments Committee and by co-optation, as an independent director.
- ii. Appointment, subject to the favourable report of the Appointments Committee, of Mr Xabier Sagredo Ormaza as the new Chairman of the Audit and Risk Monitoring Committee, replacing Ms Georgina Yamilet Kessel Martínez, after her period in the post expired.
- iii. Re-election of José Walfredo Fernández as a member of the Audit and Risk Monitoring

Committee, of Ms María Helena Antolín Raybaud and Mr Iñigo Víctor de Oriol Ibarra as members of the Appointments Committee, as well as of Ms Inés Macho Stadler as a member of the Remunerations Committee, in all of the cases proposed by the Appointments Committee.

On 28 March 2019, the board member Mr Ángel Jesús Acebes Paniagua submitted his resignation as a director of the Company.

On 29 March 2019, Iberdrola announced that the General Shareholders' Meeting had adopted the following resolutions regarding the composition of the Board of Directors.

- i. Appointment of Ms Sara de la Rica Goiricelaya as an independent director, for a period of four years as stipulated in the Articles of Association.
- ii. Ratification of the appointment by co-optation and re-election of Mr Xabier Sagredo Ormaza as an independent director, for a period of four years as stipulated in the Articles of Association.
- iii. Re-election of Ms María Helena Antolín Raybaud, Mr José Walfredo Fernández, Ms Denise Mary Holt and Mr Manuel Moreu Munaiz as independent directors, all for a period of four years as stipulated in the Articles of Association.
- iv. Re-election of José Ignacio Sánchez Galán as executive director, for a period of four years as stipulated in the Articles of Association.

In its meeting also held on 29 March 2019, and at the proposal of or subject to a report from the Appointments Committee, the Board of Directors approved the resolutions stated below concerning the posts of the Board of Directors and its committees:

- i. Re-election of Mr José Ignacio Sánchez Galán as Chairman and Managing Director.
- ii. Re-election of Mr Sánchez Galán and Mr Manuel Moreu Munaiz as members of the Executive Committee and establishing the number of members of this body at four.
- iii. Appointment of Ms Sara de la Rica Goiricelaya as a member of the Appointments Committee, in order to fill the vacancy left by Mr Acebes Paniagua.

Corporate Governance System

Iberdrola continually updates its Corporate Governance System, comprising the following regulatory documents: *Articles of Association*, the *Purpose and Values of Iberdrola Group*, the *corporate policies*, the governance regulations of the corporate bodies and the other functions and internal committees, and the Company's compliance. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

Corporate governance rules are drawn up, revised and improved in line with the strategy that the Company and the companies forming part of the Iberdrola Group have now been following for years.

In this regard, on 19 February 2019, IBERDROLA's Board of Directors agreed on a reform to its Corporate Governance System in order to: (i) review its corporate vision, drawing up the new Purpose and Values of the Iberdrola Group, replacing the Mission, Vision and Values of the Iberdrola Group; and (ii) carry out the annual review of its risk policies.

On 28 March 2019, the Board of Directors approved a reform of the Company's Corporate Governance System with a view to: (i) including the recommendations of the Technical Guide 1/2019 of the Spanish National Securities Market Commission, on appointments and remunerations committees; (ii) introducing various one-off improvements in cyber resilience; (iii) updating and developing the content of the Quality policy to reflect the Iberdrola Group's new strategic quality guidelines; and (iv) introducing other technical improvements.

On 29 March 2019, the Company's General Shareholders' Meeting approved a reform of the Articles of Association in order to: (i) reflect the purpose and values of the Iberdrola Group, formalise its commitment to the Sustainable Development Goals (SDGs) approved by the United Nations and make improvements to the wording; and (ii) reflect the change in name of the Corporate Social Responsibility Committee, which is now called the Sustainable Development Committee.

Lastly, on 24 April 2019, the Board of Directors approved a new version of the Corporate Governance System in order to: (i) update the content of several sustainable development policies to formalise the commitment to uphold the highest safety standards for assets and people and include more references to the contribution to fulfilment of the SDGs; (ii) make technical improvements to the Code of Ethics, Compliance Unit Regulations and Internal Regulations for Conduct in the Securities Markets; and (iii) revise the description of the Group's governance and corporate structure set out in several corporate governance system rules.

All documents that comprise the Corporate Governance System are published (in their full or summarised version) both in Spanish and in English on the corporate website www.iberdrola.com, which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

Information transparency

One of the core principles underlying Iberdrola's corporate governance practices is to ensure maximum transparency in financial and non-financial information provided to shareholders, investors and markets. In this respect, there has been a high level of activity so far during 2019 to ensure that institutional investors and financial analysts are kept fully informed.

On-Line Shareholders (OLS)

Since January 2012, the interactive On-Line Shareholders system (OLS), accessible via the corporate website, has been operational. This system allows shareholders not only to look up and request information relating to the *Policy on communication and contact with shareholders, institutional investors and voting advisors*, but also to actively take part in meetings with Company representatives appointed by the Board of Directors or its Chairman and CEO, held online, on matters of corporate governance and other relevant issues for the Company as a going concern that impact stakeholders as well as the communities and locations where the Company operates.

CNMV: Significant Events from April to June 2019

Date	Event	Registration N°.
01/04/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 22 and 29 March 2019.	276632
08/04/2019	Presentation of results corresponding to the first quarter of 2019	276892
09/04/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 1 and 8 April 2019.	276936
12/04/2019	Reporting by the Company of its energy production figures for the first quarter of 2019.	277106
16/04/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 9 and 15 April 2019.	277156
23/04/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 16 and 22 April 2019.	277258
24/04/2019	Start of stock market flotation of Neoenergia, S.A. in Brazil.	277326
24/04/2019	Terms and conditions of the first round of the 'Iberdrola Scrip Dividend' compensation scheme for 2019 and the corresponding memorandum. Change in composition of the Sustainable Development Committee and Appointments Committee.	277344
25/04/2019	The Company issued information regarding the results of the first quarter of 2019.	277380
25/04/2019	Presentation of results for the first quarter of 2019.	277385
30/04/2019	Approval by the Extraordinary General Shareholders' Assembly of Neoenergia, S.A. of this company's stock market flotation in Brazil.	277599
30/04/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 23 and 29 April 2019.	277623
07/05/2019	Transactions carried out by Iberdrola, S.A. under its share repurchasing programme between 30 April and 6 May 2019.	277818
14/05/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 7 and 13 May 2019.	278223
21/05/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 14 and 20 May 2019.	278442
28/05/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 21 and 27 May 2019.	278660
04/06/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 28 May and 3 June 2019.	278815
07/06/2019	Publication of announcement of the registration of the public offering of Neoenergia, S.A.'s shares in Brazil.	278904
11/06/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 4 and 10 June 2019.	279017
17/06/2019	Transactions carried out by Iberdrola, S.A. under its share buyback programme between 11 and 14 June 2019. End of programme. Acquisition of treasury stock as a result of the settlement of derivatives.	279208
18/06/2019	Implementation of the reduction in share capital through the redemption of treasury stock, approved by the General Shareholders' Meeting held on 29 March 2019, under point ten on the agenda.	279266
20/06/2019	Cession of the contractual position in the portfolio of long-term LNG supply agreements and other supplementary agreements, and sale of LNG inventory to Pavilion Energy Trading & Supply Pte. Ltd.	279327
21/06/2019	Filing of the deed of reduction in share capital through redemption of treasury stock executed by the Board of Directors on 18 June 2019.	279410
28/06/2019	Establishment of the final price of Neoenergia, S.A.'s shares in the public offering in Brazil.	279656

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Glossary of terms

Alternative Performance Measures	Definition
Market capitalisation	Number of shares at the close of the period x price at the close of the period
Earnings per share	Net profit for the quarter / number of shares at the close of the period
PER	Price at the close of the period / Earnings per share for the last four quarters
Price / Book value	Market capitalisation / Equity of the parent company
Dividend yield (%)	Dividends paid in the last 12 months and attendance bonus / price at close of the period
Gross Margin	Net Revenue - Procurements
Net Operating Expenses	Personnel expense - Capitalized personnel expense + External services - Other Operating Income
Net Operating Expenses / Gross Margin	Net Operating Expenses / Gross Margin
Net Personnel Expense	Personnel Expense - Capitalized Personnel Expense
Net External Services	External Services - Other Operating Income
Gross Operating Profit (EBITDA)	Operating Profit + Depreciations, Amortisations and Provisions
Adjusted Gross Operating Profit (EBITDA)	Gross Operating Profit (EBITDA) adjusted by provisions for efficiency plans
Net Operating Profit (EBIT)	Operating Profit
Financial Result	Financial Revenue - Financial Expenses
Income from Non-Current Assets	Benefits from sale of non-current assets - Losses from sale of non-current assets
ROE	Net Profit of the four last quarters / Equity (average)
Financial leverage	Net Financial Debt/(Net Financial Debt + Equity)
Adjusted Equity	Shareholders' Equity adjusted by the market value of the accumulators
Gross Financial Debt	Financial Debt (loans and other) + equity instruments with certain characteristics of financial liability + Liability derivative debt instruments
Net Financial Debt	Gross Financial Debt - Asset derivative debt instruments - Other short-term credits(*) - Cash and other cash equivalents
Adjusted Net Financial Debt	Net Financial Debt adjusted by market value of treasury stock cumulative hedges
Net Financial Debt / Equity	Net Financial Debt / Equity
Net Financial Debt / EBITDA	Net Financial Debt / EBITDA for the last four quarters
Funds from Operations (FFO)	See section 'Funds From Operations' in the report

(*) Included in the Balance Sheet in "Other current financial assets"

Alternative Performance Measures	Definition
Adjusted Funds from Operations (Adjusted FFO)	Funds from Operations adjusted by provisions for efficiency plans
Funds From Operations (FFO) / Net Financial Debt	FFO for the last four quarters / Net Financial Debt
Net Operating Cash Flow per Share	FFO for the quarter / Number of shares at close of the period
Retained Cash Flow (RCF) / Net Financial Debt	RCF for the last four quarters / Net Financial Debt

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