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Net profit reflects a €153 million COVID-19 adverse impact

Iberdrola speeds up investment to €3.58 billion and posts €1.84 billion net profit in the first half, up by 12.2%

Ignacio Galán, Group Chairman: “We are making steady progress in our commitment to invest €10 billion by 2020, demonstrating that the only way to a rapid and sustained recovery is the green economy.”

MANAGEMENT OF COVID-19

- **Commitment to its stakeholders:**

- **Employees:** with an impact on its workforce well below the average for the countries in which it operates, the company has obtained AENOR certification for its global protocol against the pandemic and is progressing de-escalation plans in accordance with the legislation of each constituency, with 100% of the team now back at the offices in continental Europe
- **Suppliers and industry:** Iberdrola has brought forward orders worth €7 billion in the first half of the year, helping to sustain a supply chain that generates 400,000 jobs worldwide
- **Customers:** the group continues to maintain quality and security of electricity supply while keeping measures to protect the most vulnerable customers
- **Shareholders:** Iberdrola reaffirms its dividend policy with a new edition of the *Iberdrola Retribución Flexible* (Flexible Remuneration) plan, offering €0.232 gross per share as supplementary remuneration to complete a shareholder dividend of €0.40 gross per share against 2019 earnings

HALF YEAR RESULTS AND GUIDANCE FOR 2020

- **A resilient business model in the current complex environment:** despite a 13.6% downturn in the second quarter as a result of the lockdown, net profit for the half year grew by 12.2%. Key to the good results up to June were: the steady flow of activity over the past twelve months, with €8.23 billion investment and 4,900 new megawatts in operation; the group's geographical and business diversification; and improved efficiency
- **COVID-19 adverse impact over the first half of the year:** EBIT and net profit stood at €228 million and €153 million respectively, due to the effects on demand and the provision for insolvencies. Demand and prices are gradually returning back to normal in Spain and the United Kingdom while countries such as the United States and Brazil are progressing the implementation of regulatory recovery measures
- **Currently building 7,500 new megawatts:** investments for the period amount to €3.58 billion (+2.3%), in line with the objective of investing €10 billion by the end of 2020. Iberdrola ensures its expansion in the coming years with a renewable project pipeline of 58,000 000 megawatts



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- **The strategy of creating platforms for renewable energy growth in new markets is underway:** corporate operations in Australia, Sweden and France
- **Maintaining financial strength:** cash flow generation amounted to €3.92 billion, improving its solvency ratios with its credit rating being reaffirmed by S&P, Moody's and Fitch. In 2020, the company has issued €2.6 billion green finance instruments, consolidating as the world leader in green and sustainable financing, with well over €22 billion issued
- **Guidance for 2020:** in an uncertain environment due to the pandemic effects, the group maintains its guidance for net profit growth at levels ranging from 'mid' to 'high single digit', and its shareholder remuneration policy

Madrid. Iberdrola has accelerated its investments to €3.58 billion in the first half of the year, 2.3% more than in the same period in 2019 and despite the lockdown situation due to the COVID-19. Driven by this investment effort and despite an adverse impact of €153 million from the pandemic, net profit stood at €1.84 billion at the end of June, up by 12.2%. The group's gross operating profit (Ebitda) amounted to €4.91 billion, 1.4% below that of the first six months of the previous year, posting growth in renewables (+5.3%) and generation and supply (+14.3%) but a lower contribution from the networks business (-10.6%). Adjusted Ebitda, after removing the pandemic impacts on this account (€157 million), grew by 4.2% to €5.07 billion.

The Chairman of Iberdrola, Ignacio Galán, commenting on the first six months, said that "we are making firm progress in our commitment to invest €10 billion in 2020, demonstrating that the way to a rapid and sustained recovery is the green economy".

With regard to the management of the pandemic, Iberdrola has put all its stakeholders at the centre of its strategy. The group's action protocols for COVID-19 have been the first to be certified by AENOR worldwide and the incidence rate of the disease among its employees is much lower than the average for the countries where Iberdrola operates, with the company's professionals in continental Europe already working from offices. In the rest of the countries, progress is being made in accordance with current regulations.

As for suppliers, Iberdrola has advanced orders for €7 billion in the first half of the year, helping to sustain a supply chain that generates 400,000 jobs worldwide. Customers have also remained at the centre of the company's strategy, maintaining security of supply at all times while guaranteeing special measures to help out the most vulnerable customers.

Shareholders, for their part, have benefited from a remuneration of €0.40 gross per share against 2019 earnings, once the new edition of the 'Iberdrola Flexible Remuneration' programme was launched, by which they will receive €0.232 gross per share as a supplementary dividend, to be paid on 4 August. This completes the €0.168 gross per share paid last February as an interim dividend. All this while avoiding the dilutive effect through the execution of an own shares buy-back programme, to maintain the share capital in 6,240 million shares.

Moving forward with a renewable pipeline of 58,000 MW

These results show the resilience of Iberdrola's business model, even after the pandemic had an adverse impact on its net operating profit (EBIT) of €228 million and €153 million on its net profit. Likewise, in the second quarter of the year, net profit fell by 13.6% to €587.9 million, although, overall in the first half of the year, it grew by 12% to €1.84 billion. Meanwhile, demand is beginning to recover in



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Spain and the UK, while countries such as the US and Brazil are beginning to implement regulatory compensation measures, with which the company expects to recover around €70 million.

Regarding its €3.58 billion investments in the period, 90% was allocated to the networks and renewable energy businesses. Taking into account the past twelve months, this amount already stands at €8.23 billion. As a result, Iberdrola installed around 1,600 megawatts (MW) of capacity in the first half of the year and over 4,900 MW the last year. This investment effort is in addition to the 7,500 MW currently under construction.

The company also continues to increase its project pipeline with its strategy of growth in renewables, through corporate operations in Australia (bid for Infigen Energy), Sweden (agreement with Svea Vind Offshore for the development of up to 9 gigawatts of offshore wind) and France (acquisition of Aalto Power).

This brings Iberdrola's renewable pipeline to 58,000 MW, 60% of which are located in the US and Spain. Particularly noteworthy are the opportunities in offshore wind, with 12,000 MW under development, in addition to the 9,000 MW of options in Sweden. The new projects are supported by the different plans towards a green recovery approved in Spain, the United Kingdom, the United States, Brazil and the European Union.

This development is being carried out while improving efficiency, with a 3.3% reduction in net operating expenses up to June, and increasing cash flow generation to €3.92 billion in the first half, a 1.1% growth.

Also, in line with its commitment to maintain a strong balance sheet, Iberdrola had liquidity of €14.6 billion at the end of June, sufficient to cover 30 months' financing needs in a normalised context. The company has had its credit ratings reaffirmed by S&P, Moody's and Fitch and has once again shown the confidence that investors have in it, with €2.6 billion issued in the first half of the year on the best conditions and well over €22 billion in green and sustainable financing. Iberdrola thus confirms its global leadership in this field.

Guidance for 2020: Iberdrola maintains forecasts

The investments planned for the year, up to €10 billion; the new capacity that will be brought into operation over the year, nearly 4,000 MW; the rate cases in Brazil and the United States, and the continuous cost savings and efficiency improvements mean that Iberdrola can reaffirm its guidance for the end of the year, in an environment that is still uncertain as a result of COVID-19.

Therefore, the company maintains its net profit growth forecast ranging from 'mid' to 'high single digit', with the dividend increasing along the same line. All of this will depend on external factors such as demand, the evolution of electricity prices, debt maturities and the implementation of measures to offset the effects of the pandemic.



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About Iberdrola

[Iberdrola](#) is a global energy leader, the number-one producer of wind power, and one of the world's biggest electricity utilities by market capitalisation. The group supplies energy to almost 100 million people in dozens of countries including Spain, the United Kingdom (ScottishPower), the United States (AVANGRID), Brazil (Neoenergia), Mexico, Germany, Portugal, Italy and France. With a workforce of more than 35,000 and assets in excess of €122 billion, it achieved a turnover of €36.4 billion and a net profit of over €3.4 billion in 2019.

Iberdrola is leading the transition towards a sustainable energy model through its investments in renewable energy, smart grids, large-scale energy storage and digital transformation, to offer the most advanced products and services to its customers. Thanks to its commitment to clean energy, Iberdrola is one of the companies with the lowest emissions and an international benchmark for its contribution to sustainability and the fight against climate change.

