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Record €3 billion investment up to June (+23%) allows Iberdrola to obtain net profit of €1.644 billion in the first half of 2019 (+16.6%)

Ignacio Galán, Group Chairman, said: “This double-digit growth highlights the success of our business model, based on a commitment to clean energy, regulated assets with stable and predictable returns, and a well-judged geographical diversification”

“We’re delivering on our Strategic Outlook faster than expected, which allows us to announce an upward revision of our full-year net profit guidance higher than 10%,” Galán stated

- **€3.054 billion investment:** the group’s largest figure over a six-month period. 48% of capital expenditure was allocated to renewable energy and 40% to regulated transmission and distribution networks. Over the past 18 months, investment reached a record €8.375 billion
- **Increased capacity:** 75% of the new 5,250 megawatts (MW) expected to come on stream over the course of 2019 will do so in the second half of the year. Thus, the target of installing 13,000 MW new capacity by 2022 could be exceeded
- **Good performance of international businesses:** gross operating profit (EBITDA) grew by 12.5% to €4.99 billion, due to the positive performances in the United States, Mexico and Brazil and the contribution of the Wikingen offshore wind farm, which amply offset lower contribution from the Networks and Renewables businesses in Spain and the Generation and Retail business in the UK
- **Iberdrola, the world’s largest corporate green bond issuer:** during the first half of the year, the group issued €4 billion in green and sustainable finance, thus continuing to improve its financial solidity. The average cost of borrowing has been reduced by six basis points, to 3.43%, and the ratio of net debt to EBITDA stands at 3.67
- **2019 guidance:** net profit growth for the year is to be revised upwards to double-digit levels. This follows the good results for the first six months, the new capacity coming on stream, cost savings and divestments, and efficiency measures



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Madrid. Iberdrola obtained a net profit of €1.644 billion in the first half of 2019, representing an increase of 16.6% from the same period last year. This strong result reflects the record investments made by the group.

The company invested €3.054 billion in the first six months, up 23.2% year on year, 88% of which was allocated to renewable energy projects, and transmission and distribution network assets (48% the former and 40% the latter). This amount represents the group's largest investment figure over a six-month period. In addition, over the past 18 months, Iberdrola's investment totaled €8.375 billion, another record figure for the company.

Group Chairman Ignacio Galán explained that "this double-digit growth highlights the success of our business model, based on a commitment to clean energy, regulated assets with stable and predictable returns, and a well-judged geographical diversification."

From investments during the first half, he highlighted the 68% rise in clean generation investments, as reflected by the good progress of works at East Anglia One offshore wind farm in the North Sea.

Due to this investment, the company expects 5,250 MW of new capacity to be commissioned during 2019, out of which 75% will come on stream in the second half of the year. The acceleration in the pace of investment signals that the target of developing 13,000 MW in new capacity during the 2018 to 2022 period will be exceeded. This would mean an increase in the group's installed capacity of more than 40% relative to the start of the Plan.

The increase in investments is also a response to the business opportunities presented by the transition to a low carbon economy.

Decarbonisation strategies are being implemented in both the US and Europe. These include the EU's Clean Energy for All Europeans package, Spain's Integrated National Energy and Climate Plan, the UK's Net Zero Emissions by 2050 Plan and the New York Climate and Community Protection Act, among other initiatives.

At the same time there are opportunities in offshore wind and network infrastructure in US, UK and Brazil. Mexico is also seeking to commission 70,000 new megawatts of capacity by 2033.



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Good operating performance of international businesses

Operating performance of Iberdrola's international businesses was very positive, as reflected by revenue increasing to €18.28 billion in the six months to the end of June – up by 3.9% from the first half of 2018. Gross margin also improved, by 7.3%, to reach €8.23 billion.

Gross operating profit (EBITDA) reached €4.989 billion for the half-year, representing an increase of 12.5%. This result was driven by positive performances in US, Mexico and Brazil, and the contribution of the Wikingen offshore wind farm, comfortably offsetting the decline in contribution from the Networks and Renewables businesses in Spain and the Generation and Retail business in the UK.

By business area, Networks posted EBITDA of €2.593 billion, up by 8.6%, driven by Brazil and US, which saw operating results growing by 36.1% and 10.7% respectively. The UK also improved, growing by 4.3%. In Spain, EBITDA shrank by 6.4%.

Generation and Retail EBITDA stood at €1.182 billion for the January to June period, up 34.8% from same period of 2018. This growth was largely due to generation output increase in Spain (+27.4%), enhanced revenue in Mexico. The good performance in these two countries offsets the lesser contribution of the retail business in the United Kingdom as a consequence to the complex operating environment in that country.

Renewables posted €1.165 billion EBITDA, down by 1.6%, affected by lower wind and hydro production in Spain resulting from meteorological conditions, which translate into a 22.6% decline in operating profit. However, the business performed well in Brazil (+21.5%), the UK (+4%) and Mexico, which increased its output thanks to the commissioning of new photovoltaic capacity. Also significant was the contribution of Wikingen offshore wind farm, improving the performance of Iberdrola Energía Internacional¹. The Group's renewable capacity now exceeds 30,300 megawatts (MW).

¹ This company brings together the businesses previously referred to as "Rest of the World" (ROW).

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Constant improvement of financial strength

During the first half of the year, Iberdrola continued to implement its financing strategy, with €5.5 billion of new resources, focusing on sustainable and green formats that amounted to €4 billion. The group continues to be world leader in the placement of corporate green bonds. This has also contributed to the improvement of the group's financial solidity.

Iberdrola's cash generation for the period grew by 11.1% to €3.88 billion.

Thus, the group has improved all its financial ratios. Average cost of borrowing was reduced by six basis points to 3.43%. The ratio of net debt to EBITDA came to 3.67 at the end of the period and the ratio of cash generation to net debt increased to 21.2%.

Improved full-year guidance

"I'm pleased to confirm that we are delivering on our Strategic Outlook faster than expected, which allows us to announce an upward revision of our full-year net profit guidance higher than 10%," said Ignacio Galán.

This revision in guidance follows the solid results for the first six months, the commissioning of new capacity as well as cost savings.

The company now expects to achieve low double-digit percentage growth in net profit for 2019, rather than the high single-digit increase previously forecasted.



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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 is present in numerous countries and supplies energy to over 100 million people mainly in Spain, the United Kingdom (Scottish Power), the USA (AVANGRID), Brazil (Neoenergia) and Mexico. With a workforce of 34,000 and assets in excess of Euros 113 billion, it achieved a turnover of Euros 35,075.9 million and a net profit of Euros 3,014 million in 2018.

Iberdrola is leading the transition towards a sustainable energy model through investments in renewable energy, smart grids, large-scale energy storage and digital transformation, offering 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 the fight against climate change and for sustainability.



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