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Driven by group investments over the past four years, international growth, the normalization of operating conditions in Spain and good business performance

Iberdrola exceeds €3 bn net profit for the first time in 2018, up by 7.5%

Ignacio Galán said: "The results that we present today allow us to implement our 2018-2022 strategic objectives one year early"

"The profit generated is proof of the success of a sustainable model and it encourages us to continue pushing for the transition to a low carbon economy. The fight against climate change is an opportunity," added Galán

- **Investment effort:** investments of nearly €20 billion over the past four years – €5.32 billion in 2018 alone – have allowed the group to reach over €29.25 billion in regulated assets at the year-end (+5.6%) and 47,448 megawatts (MW) of total installed capacity¹
- **Improved operating profit:** due to the good performance of all businesses, which posted double-digit growth, gross operating profit (EBITDA) stood at €9.349 billion, 27.7% up on the previous year. Regulated businesses or with long-term contracts account for 78% of this amount, in line with the group's strategic approach
- **Increased financial strength:** the company's funds from operations (FFO) increased by 13.1% to €7.328 billion, improving the operating cash to net debt ratio to 21.5%
- **Shareholder remuneration grows by 7.7% to €0.351 gross per share:** the company's Board of Directors will ask its General Shareholders' Meeting to approve a complementary dividend of €0.20 gross per share in addition to the €0.151 gross per share paid on 5th February last by way of interim dividend for 2018
- **Outlook for 2019:** the increased weight of regulated network assets, the new installed capacity and efficiency improvements will enable Iberdrola to deliver mid-single digit growth for 2019, both in terms of net profit and EBITDA

SOCIAL DIVIDEND

¹ Includes 2018 and first quarter of 2019.



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- **Stable & quality jobs:** having recruited 3,400 new professionals during the year, Iberdrola's staff exceeds 34,000 people – 99% with permanent contracts – while generating a total of 425,000 jobs
- **Supplier contracts:** group procurement, excluding energy supplies, reached €8 billion in 2018, contracted out to thousands of suppliers, 85% of which were local companies
- **Emissions reduction:** specific CO₂ emissions in Spain sank to 82 gr CO₂/kWh as opposed to 302 gr CO₂/kWh for the European industry average
- **Equal opportunities:** having incorporated to its strategy the UN Sustainable Development Goals (SDGs) for 2030, Iberdrola has become the Ibex35 blue-chip index company with the highest percentage of women on its Board of Directors (42.8%)

Madrid. Iberdrola achieved a net profit of €3.014 billion in 2018, 7.5% more than in the previous year. It is the first time the group's earnings have exceeded €3bn and was achieved due to investments carried out over the past few years, international growth, the normalization of operating conditions in Spain and good performance across all businesses. These engines for growth were more than enough to offset the negative impact of exchange rate movements (€-363 million) and the fall in non-recurring income compared with the previous year.

The Chairman of Iberdrola, Ignacio Galán, assessed group results by saying that “the earnings are proof of the success of a sustainable model and they encourage us to continue pushing for the transition to a low carbon economy.” “The fight against climate change is an opportunity,” he added.

Capital expenditure undertaken by the company amounted to €5.32 billion in the year, with total investments reaching €20 billion over the past four-year period. In addition, under construction are 6,606 MW renewable capacity (1,514 MW of offshore wind capacity, 2,548 MW onshore wind, 628 MW of solar technology and 1,916 MW of hydroelectric power), and 3,508 MW in new gas combined-cycle plants.

Iberdrola's revenues in 2018 amounted to €35.075 billion, representing an increase of 12.2% relative to 2017. Gross profit also improved, reaching €15.435 billion, up 15.5% year on year.



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Gross operating profit (EBITDA) was €9.348 billion, up by 27.7% year on year. Performance has been positive in all businesses, with over 10% growth. Regulated businesses and with long-term contracts now contribute to 77% of global EBITDA, in line with the company's strategy.

In Networks, EBITDA stood at €4.915 billion, representing an increase of 16.2% from previous year, with improvements in all countries. In Renewables, EBITDA amounted to €2.444 billion, a 39.3% increase, driven by growth in all markets thanks to higher production (+21.7%) and increased installed capacity, which now stands at 29,177 MW worldwide. Generation and Supply also posted improved results in all geographical regions, reaching EBITDA of €2.038 billion, up by 39.3%, driven by the return to normal conditions in the UK retail market, increased generation capacity in Mexico and increased demand in Spain.

Iberdrola continued to improve its efficiency levels throughout the year, thanks in particular to the measures applied in Brazil and the United States. Specifically, the ratio of operating costs to gross margin was reduced by 429 basis points to 26.9% at the year end.

Neoenergia, Iberdrola's Brazilian subsidiary, fully consolidated since the second half of 2018, posted a net profit of R\$ 1.536 billion, up by 278%. In the United States, subsidiary company AVANGRID, which is listed on the New York stock exchange and in which Iberdrola holds an 81.5% stake, obtained a net profit of US\$684 million for the year.

Funds from operations (FFO) reached €7.328 billion in 2018, up 13.1%. Iberdrola thus continues to improve its credit ratios: the ratio of net debt (which stood at €34.14 billion at year-end) to EBITDA is 3.65, while the ratio of FFO to net debt stands at 21.5%, thus meeting the objectives set for the end of 2018.

Record results allow for a 7.7% rise in dividend

The profit obtained by Iberdrola over the course of 2018 allows it to meet its commitment to increasing shareholders' remuneration in line with results. Thus the company's dividend for the financial year last ended will amount to €0.351 gross per share, 7.7% more than what was paid against 2017 earnings.

This amount is obtained by adding the interim dividend for 2018 – €0.151 euros gross per share – paid on 5 February last to the €0.20 gross per share of complementary dividend to be paid in July if it's approved by Iberdrola's upcoming Shareholders' Meeting, called for 29 March.



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For this purpose, shareholders will also be asked to vote on a capital increase, so that a new edition of 'Iberdrola Flexible Remuneration' can be implemented. This system offers shareholders a choice between receiving their dividend in cash or in free, fully paid up company shares.

The Board of Directors of Iberdrola has also approved a new edition of the share buy-back programme, which cancels out the dilutive effect of the scrip dividend while holding the number of company shares at 6.24 billion.

Total shareholder return (TSR) in 2018 stood at 14% vis-à-vis -11.5% of Ibex35 and +5.2% of the Eurostoxx Utilities benchmark index.

Iberdrola, driving economic and social development

Iberdrola continues to act as a driver for economic and social development in the countries where it operates, in line with the UN Sustainable Development Goals (SDGs) for 2030 which the group has incorporated to its strategy.

Iberdrola provides direct jobs to 34,000 people – 99% with permanent contracts – and provides some 1.6 million hours of training to its employees throughout the year. In the course of 2018 3,414 new recruits joined the company. The group generates 425,000 indirect jobs worldwide².

In 2018, procurement of goods and services by Iberdrola to thousands of companies across the entire supply chain stood at €7.75 billion, 85% of which were awarded to local suppliers in accordance with the company's commitment to enrich the social and economic fabric in the areas where it operates.

The company advances its pledge to become carbon neutral by 2050: specific emissions sank to 82 grams of CO₂ per kilowatt hour (kWh) in Spain, as opposed to 302 gr CO₂/kWh for the European industry average³.

On equal opportunity issues, Iberdrola has approved the *Board of Directors Diversity and Director Candidate Selection Policy* and has become the first Ibex35 blue-chip index company by percentage of women on its Board of Directors⁴ which stands at 42.8%.

² Direct, indirect and induced jobs

³ Latest available data for 2017

⁴ Subject to the approval by the AGM of the appointment of Sara de la Rica as an independent Board member



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Growth outlook for 2019

Iberdrola has attained the objectives set for 2018 while at the same time accelerating fulfilment of the Strategic Outlook for 2018-2022, which will be updated on 26 February in London. In this sense, the group's Chairman, Ignacio Galán, highlighted that "the results that we present today allow us to implement our strategic objectives one year earlier."

At the end of 2019, the growth of network assets with regulated revenues, the enhanced generation capacity and improved efficiency allow the company to maintain a mid-single-digit growth rate in both EBITDA and net profit.



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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 posted revenues 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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This communication includes certain Alternative Performance Measures (APMs) as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en). APMs are measures of financial performance developed from the financial information of Iberdrola, S.A. and its group companies but not defined or detailed in the applicable financial reporting framework. These APMs help ensure a better understanding of Iberdrola S.A.'s financial performance, but should only be seen as additional information. They do not replace the financial information prepared in accordance with IFRS. The way in which Iberdrola, S.A. defines and calculates these APMs may also differ from that of other entities using similar measures and therefore not be comparable with them. Finally, it should be borne in mind that some of the APMs used in this communication have not been audited. For more information on these matters, including their definition or the reconciliation between the corresponding management indicators and the consolidated financial information prepared in accordance with IFRS, please refer to the information available on the corporate website (www.iberdrola.com).

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about IBERDROLA S.A. and AVANGRID Inc, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions.

Although IBERDROLA, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA S.A. and AVANGRID Inc. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA S.A. and AVANGRID Inc., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA S.A. to the **Comisión Nacional del Mercado de Valores** and by AVANGRID Inc. to the Securities and Exchange Commission, which are available to the public.

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