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Results are driven by the positive international business performance, the €20 billion invested over the past five years, improved efficiency and the normalisation of operating conditions

Iberdrola obtains an ordinary net profit of €1.368 billion in the first half of 2018, an increase of 27%

- **Strong operating performance:** Ebitda grows 17% to €4.436 billion. The increase reaches 24% if foreign exchange effects are excluded (-€260 million)
- **More revenue:** €17.58 billion in the first half, a 17.5% hike versus the same period the previous year
- **Improved efficiency:** operating growth and cost containment allowed the company to improve efficiency by 100 basis points with a net operating expenses to gross margin ratio of 27.5%
- **More investments:** amounting to €2.478 billion up to June, 78% of which were destined to networks and renewables
- **Higher cash flow:** funds from operations grow by 5.6% to €3.49 billion. Excluding the one-off cash dividend paid by Gamesa in 2017, they are up by 12.3%
- **Positive growth despite the absence of extraordinary items:** the six-month performance described has offset impacts of the foreign exchange account (-€69 million) and the absence of the €442 million of after-tax extraordinary items posted in 2017 (due to the Siemens-Gamesa transaction and the price review of gas contracts in Spain). Thus, reported net profit diminished by just 7% to €1.41 billion
- **Iberdrola confirms its end-of-year results guidance:** given the good business forecast for the second half. Ebitda will exceed €9 billion and net profit will be around €3 billion. Shareholder remuneration is expected to continue to grow in line with the results
- **Plan implementation:** Iberdrola's investment plan, which involves €32 billion between 2018 and 2022, is thus moving forward as pledged, with 86% of the total already under construction or firmly committed



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Madrid. Iberdrola obtained a net ordinary profit¹ of €1.367 billion in the first half of 2018, 27% more than in the same period of the previous year. This increase is due to the positive performance of international business, the growing return from the €20 billion invested over the past five years, improved efficiency and the normalization of the operating conditions in its core markets.

The absence of extraordinary impacts over the period, vis-à-vis 2017, explains a reported net profit of €1.41 billion, just down by 7.1%. During the previous year, after-tax extraordinary items amounting to €442 million were reported, related to the Siemens-Gamesa transaction and the price correction of the company's gas contract portfolio in Spain. Also, it is important to emphasise the negative impact of changing exchange rates on the net profit for 2018 which in the first half of the year amounted to €69 million.

Iberdrola's revenues were €17.586 billion in the first half, an increase of 17.5% versus first half 2017.

The group's gross operating profit (Ebitda) increased by 17.1% to reach €4.435 billion. Excluding the foreign exchange effect, which had a negative impact of €260 million, the rise would have been 24%.

In addition, Ebitda shows a positive trend in all businesses. Thus, Renewables Ebitda grew 25.5% to €1.184 billion; Networks rose by 20.7% to €2.387 billion and that of Generation and Supply by 1.7% to €877.6 million.

The company continued to improve efficiency thanks to operating growth and cost containment, bringing down its net operating expenses to gross margin ratio by 100 basis points to 27.5% from 28.5% in 2017.

Besides the €20 billion invested throughout the past five years, Iberdrola's net investments amounted to €2.478 billion in the first half of 2018, with 42% of the total allocated to Networks, 36% to Renewables and 22% to Generation and Supply, in line with the group's strategy of focusing on regulated businesses with predictable returns.

² This excluded positive adjustments in 2017 from the Gamesa merger and the revision of the price of gas in Spain.



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Iberdrola also installed 423 new megawatts (MW) of renewable capacity between the months of January and June. In the second half of 2018, the company plans to commission another 2,326 MW of new capacity, out of which 537 MW will be renewables and 1,789 MW of gas combined cycles in Mexico.

Funds from operations stood at €3.493 million, up 5.6% vis-à-vis the same period in 2017. If the one-off dividend paid in cash by Gamesa (€198 million) in 2017 is excluded homogenous stands at 12.3%.

The group's debt stands at €34.03 billion as opposed to €29.47 billion in June 2017. This increase is due to the consolidation of Neoenergia in Brazil – which contributes to more than €2.6 billion of debt –, and the investments made during the period.

Also, the group continued to lead the sustainable financing market. In the first six months, it got €11.8 billion in new financing and credit lines: €4.45 billion in green financing plus €5.3 billion and US\$2.5 billion of credit lines linked to sustainability criteria. The latter being the first sustainable credit agreement concluded by subsidiary Avangrid. Thus, 23% of Iberdrola's liabilities are 'green' and 75% of the credit lines are linked to sustainability criteria.

Performance by business and country: growth in all areas

All of Iberdrola's business areas registered a positive performance during the first half of the year.

The Network business Ebitda increased in all countries and grew by 20.7% to stand at €2.387 billion, despite the negative impact of the costs caused by storms in the United States.

In Renewables, Ebitda reached €1.184 billion up to June, representing an increase of 25.5% over the same period in 2017. This result was driven by increased production and the contribution of Wikinger offshore wind farm in German waters of the Baltic Sea.

Generation and Supply Ebitda grew 1.7% to €877.6 million, despite the extraordinary impact of the gas business in Spain in the first half of the previous year.

Avangrid, the North American subsidiary listed on the New York Stock Exchange and of which the group has a controlling 81.5% stake, posted



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a net profit of US\$371 million. In addition, it will increase its third quarter dividend to \$0.44 per share, from \$0.432 per share.

In Brazil, Neoenergia's Ebitda stood at R\$2.159 billion, up 43%, while its net profit recorded R\$671 million (144% more than in the first half of 2017), taking into account the 100% consolidation of the company as of the second half of last year.

Delivering the 2018-2022 Strategic Outlook

After the investments made, Iberdrola has continued meeting the targets of its 2018-2022 Strategic Outlook.

In Networks, the NECEC project developed by Avangrid has been selected to implement the interconnection between Canada and Massachusetts. In addition, the tariffs of Neoenergia distribution companies Coelba and Cosern have been revised for a five-year period.

In Renewables, Iberdrola has stepped up its commitment to offshore wind energy. During the first six months of the year, the company installed the first jacket foundations at the 714-MW East Anglia One wind farm in UK North Sea waters while taking delivery of the offshore substation, Andalucía II. Moreover, Iberdrola was awarded new offshore wind capacity: 486 MW in Germany's Baltic Sea and 800 MW off the coast of Massachusetts in the United States, through the company Vineyard Wind. In France, tariffs have been approved for the future offshore wind farm in Saint Briec, with a capacity of nearly 500 MW.

The company has also been awarded 471 MW of onshore wind power to develop in Paraiba and has completed 122 MW new capacity at Belo Monte hydroelectric plant, both in Brazil. With regard to solar energy, Iberdrola has completed installation at the photovoltaic plants of Santiago (150 MW) and Hermosillo (77 MW) in Mexico while in Spain it announced the construction of the 391-MW Núñez de Balboa PV plant, in Extremadura.

In Generation and Supply, the group has already installed one million smart meters in the United Kingdom while in Mexico it has repowered the Monterrey combined cycle plant and renegotiated tariffs with the Federal Electricity Commission (CFE).

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under construction or firmly committed. Networks (with a total of €15 billion) and Renewables (with a total of €12 billion) represent already 90% of planned investments in February this year.

Iberdrola reaffirms the results guidance for 2018

The solid business performance expected for the second half of the year allows Iberdrola to reaffirm its guidance for 2018.

In Networks, returns will improve in the United States and Brazil. In Renewable Energy, new onshore wind capacity will be developed in Mexico, offshore wind in Germany and hydroelectric in Brazil. Likewise, the high water reserves used for hydroelectric generation will also have a positive effect, with increased production.

In Generation and Retail, the company expects an improvement in prices in Europe and Mexico, as well as the normalisation of nuclear production and the contribution of the new capacity to results in Mexico. All of this will be combined with higher levels of efficiency.

Thus, on this scenario, Iberdrola expects to close 2018 with an Ebitda of more than €9 billion and a reported net profit of close to €3 billion, which will allow it to continue increasing the dividend in line with results.

About Iberdrola

Iberdrola is a global energy leader, the main wind power producer and one of the world's largest electric utilities by market capitalization. The group operates in many countries and supplies power to nearly 100 million people, mainly in Spain, the United Kingdom (ScottishPower), the United States (AVANGRID), Brazil (Neoenergia) and Mexico. With a workforce of 34,000 people and assets worth €110 billion, it filed a turnover of €31.2 billion and a net profit of €2.8 billion in 2017.

Iberdrola leads the energy transition towards a sustainable 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, it is one of the companies with the lowest emissions and an international benchmark for its contribution to the fight against climate change and the sustainability of the planet, all of which have placed the group in prominent positions on indexes such as the Dow Jones Sustainability Index and FTSE4Good. Iberdrola is considered as one of the world's most sustainable electricity companies.

IMPORTANT INFORMATION



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This communication includes certain alternative performance measures (“APMs”), as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es). The APMs are performance measures that have been calculated using the financial information from Iberdrola, S.A. and the companies within its group, but that are not defined or detailed in the applicable financial information framework. These APMs are being used to allow for a better understanding of the financial performance of Iberdrola, S.A. but should be considered only as additional information and in no case as a substitute of the financial information prepared under IFRS. Moreover, the way Iberdrola, S.A. defines and calculates these APMs may differ from the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Finally, please consider that certain of the APMs used in this communication have not been audited. Please refer to the corporate website (www.iberdrola.com) for further details of these matters, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS.

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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.

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