

Results Presentation

First
Quarter

April 25
/ 2019



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Agenda

Highlights of the Period

Highlights of the period

Net Profit grows 15% reaching EUR 964 M, thanks to:

EBITDA totals EUR 2,599 M, up 11.9%
increasing in all businesses

Ongoing improvement in operational efficiency

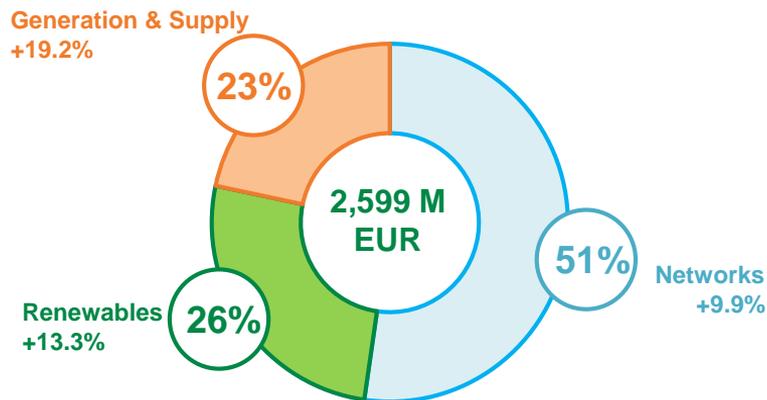
Operating Cash Flow grows 8.5% to EUR 2,037 M

Maintaining financial strength

EBITDA

Strong growth in all businesses...

EBITDA by business



Operating Highlights

Networks

- Brazil: tariff increases, higher demand and efficiencies
- US: higher tariffs



Renewables

- Higher prices and higher offshore production
- New installed capacity in Mexico
- Higher onshore production in the UK and lower in Spain and in the US



Generation and Supply

- Better performance in Spain and Mexico
- Lower production in the UK (thermal assets sale)
- UK price cap



Ex

- Positive evolution of USD and GBP, more than compensates BRL negative evolution (EUR +28M)

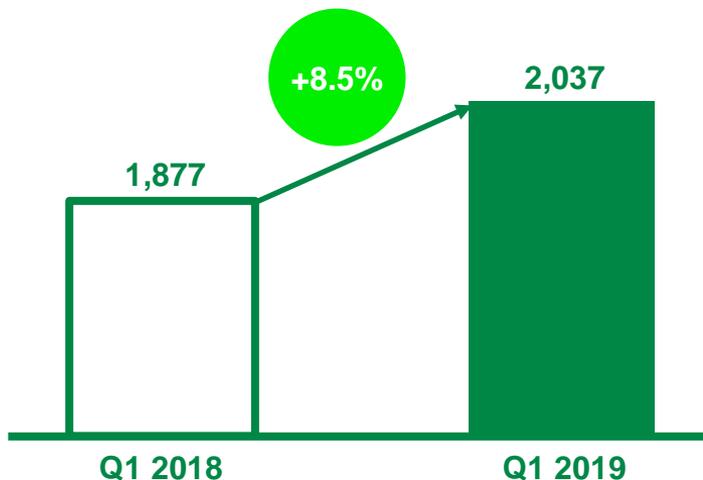


...to reach an EBITDA of EUR 2,599 M (+11.9%)

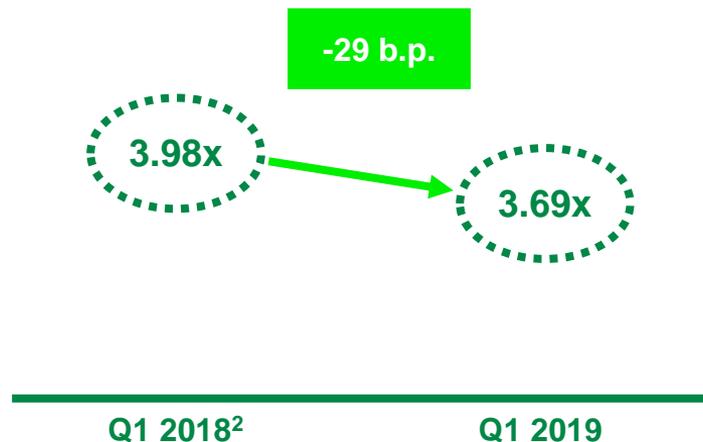
Operating Cash Flow

Operating Cash Flow up 8.5%...

Operating Cash Flow (FFO¹)



Net Debt / EBITDA



...while maintaining financial strength

¹ FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision.

² Pro forma credit metrics include Neo from April 1st. 2017 and exclude provisions for efficiency plans

Net Investments: Generation capacity

Adding 4.1 GW of capacity during 2019 and reaching 12.9 GW by 2022 ...

MW	Installed capacity	Capacity – Commissioning date					New capacity 2019-2022
		Q1 2019	Q2-Q4 2019	2020	2021	2022	
Renewables	Offshore 		490	224	800		1,514
	Onshore 	14	975	321	122	200	3,273
		70	214		202		
			68	135		100	
		Others	4	126	100	150	
	Solar PV 						2,791
			274	117	1,200	1,200	
	Hydro 	245		367			1,630
		2			998	8	
					10		
Total Renewables	331	2,025	1,290	3,433	2,130	9,208	
Combined cycle & cogeneration 		1,777	779	1,135		3,691	
	331	3,802	2,069	4,568	2,130	12,899	

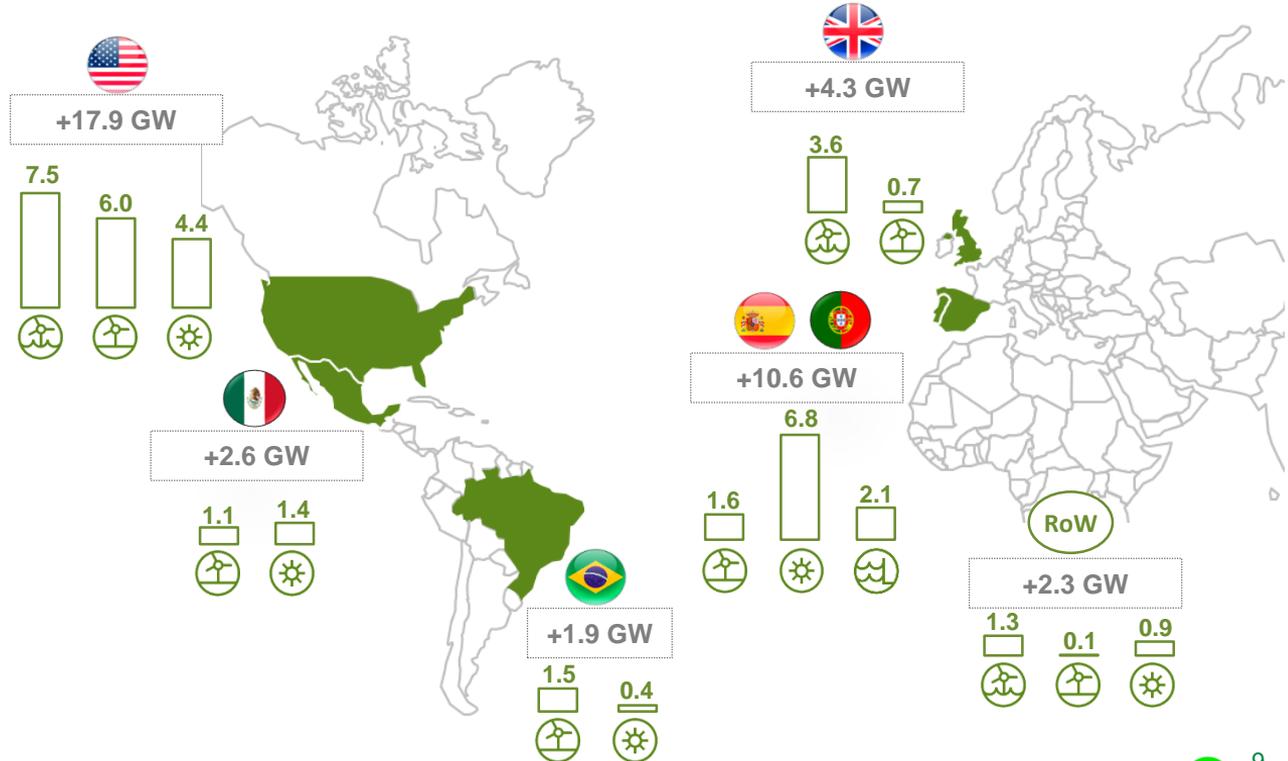
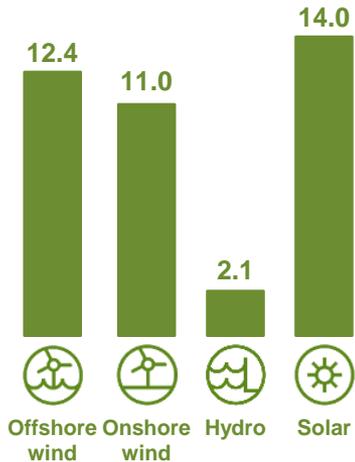
...with 9.7 GW currently in advanced construction

Renewable Pipeline

The largest renewable pipeline in the industry: more than 39.5 GW...

Total Pipeline

+39.5 GW



Renewables technologies comparison

A balanced mix of technologies including high-value offshore wind...

	Total IBERDROLA Pipeline (GW)	EBITDA contribution per MW (x times solar based)
 Solar	14.0	1
 Onshore wind	11.0	1.4x
 Offshore wind	12.4	5x

...equals ~90 GW of solar pipeline in terms of EBITDA contribution

Other milestones I



- ✓ **Agreement for the sale of the long-term rights of use for the excess capacity of optical fibre network. Positive impact not included in Q1**
- ✓ **Transfer to CNMC of the responsibility to set up electricity tariffs from 2020**
- ✓ **Agreement for an orderly phase out of the Spanish nuclear plants**



- ✓ **Increase of the energy price cap for the April- September 2019 period**



- ✓ **New rate plans in Gas companies in Connecticut (CNG) and Massachusetts (BGC) effective January 2019**
- ✓ **New England Clean Energy Connect (NECEC): Maine Public Utilities Commission Certificate of Public Convenience & Necessity, granted (COD 2022)**
- ✓ **Vineyard offshore wind project (800 MW) on track for COD 2021.**
 - **~70% of supply chain already secured.** Including WTG and foundations
 - **Received Massachusetts Department of Public Utilities approval**



- ✓ **Baixo Iguaçu Hydro plant (350MW) in operation**
- ✓ **Annual tariff reviews in Bahia, Rio Grande do Norte and Pernambuco.**
- ✓ **Neoenergia Board of Directors will recommend to the Company's AGM the approval of an IPO**



- ✓ **CFE price tariff normalization vs Q1 2018**



- ✓ **WTG supplier for Baltic Eagle offshore wind farm (476 MW) already selected**

Other milestones II

Annual General Meeting

Quorum of **74.12%**

Average support of over **98%** for the items on the Agenda

99.2% Group 1: Financial statements and corporate management

99.9% Group 2: Corporate Governance System

98.3% Group 3: Remunerations

98.2% Group 4: Board of Directors

Dividend

The Board of Directors approved yesterday (24th April 2019), the **execution in July 2019** of “**Iberdrola Retribución Flexible**” program of **at least EUR 0.2 per share in cash or shares** to reach an annual shareholder remuneration of

EUR 0.351 per share (+7.7%)

- Share buy-back to **maintain the number of shares at 6,240 M and avoid dilution**
 - ✓ Program **under execution** will finalize by **July 2019**

Agenda

Analysis of Results

Income Statement / Group

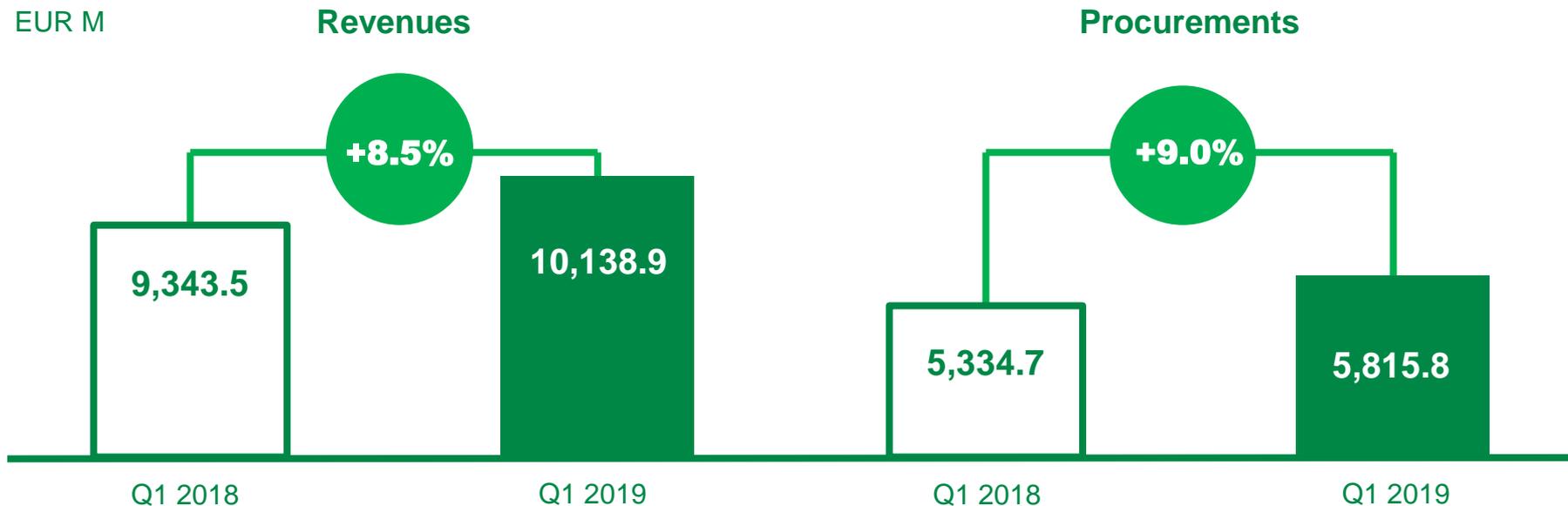
Reported Net Profit up +15.0%, to EUR 963.9 M

EUR M	Q1 2018	Q1 2019	Var.	%
Revenues	9,343.5	10,138.9	+795.4	+8.5
Gross Margin	4,008.8	4,323.1	+314.3	+7.8
Net Operating Expenses	-1,000.4	-1,081.3	+80.8	+8.1
Levies	-684.9	-642.5	+42.4	-6.2
EBITDA	2,323.5	2,599.4	+275.9	+11.9
EBIT	1,387.2	1,632.2	+245.1	+17.7
Net Financial Expenses	-288.6	-298.3	-9.7	+3.4
Non Recurring Results	+0.5	+0.3	-0.2	-41.1
Taxes and Minorities	-261.7	-372.0	-110.3	+42.1
Reported Net Profit	838.0	963.9	+126.0	+15.0
Operating Cash Flow	1,877.1	2,036.7	+159.6	+8.5

IFRS 16 new accounting treatment for operating leases: higher debt (EUR 408 M in Q1 2019), higher depreciation and Financial Expenses, and lower Net Operating Expenses

Gross Margin / Group

Gross Margin up +7.8%, to EUR 4,323.1 M,...



Revenues grew +8.5% (EUR 10,138.9 M) and **Procurements** +9.0% (EUR 5,815.8 M)

Net Operating Expenses / Group

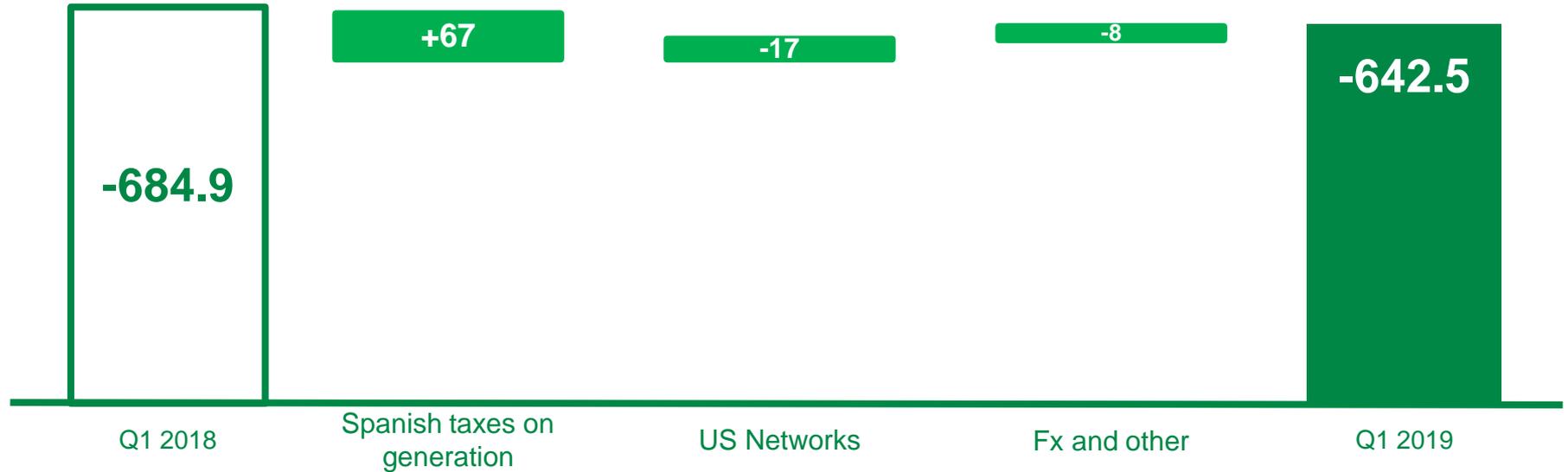
Net Operating Expenses up +8.1%, to EUR 1,081.3 M, affected by fx and AGM attendance premium (paid in Q1'19 vs Q2'18)

EUR M	Net Operating Expenses			
	Q1 2018	Q1 2019	vs Q1 2018 (%)	vs Q1 2018 (%) (ex fx and AGM premium)
Net Personnel Expenses	-522.6	-553.4	+5.9%	+4.2%
Net External Services	-477.8	-527.9	+10.5%	+3.9%
Total Net Op. Expenses	-1,000.4	-1,081.3	+8.1%	+4.1%

...and +4.1% excluding fx and AGM attendance premium driven by higher activity

Levies / Group

Levies fall -6.2%, to EUR 642.5 M, as a consequence of...

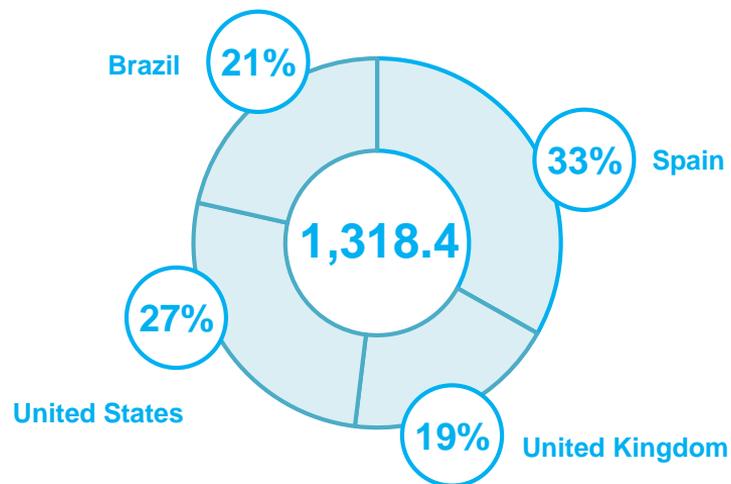


... lower taxes in Spain, due to lower hydro production and the suspension of 7% generation tax in Q1 2019, in effect again from April 2019

Results by Business / Networks

Networks EBITDA up +9.9%, to EUR 1,318.4 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2018	Q1 2019	vs Q1 2018
Gross Margin	1,975.3	2,165.1	+189.8 (+9.6%)
Net Op. Exp.	-503.1	-536.6	-33.5 (+6.7%)
Levies	-272.1	-310.1	-38.0 (+14.0%)
EBITDA	1,200.0	1,318.4	+118.4 (+9.9%)

... with growth in all geographies

Results by Business / Networks

Spain **EBITDA EUR 436.8 M (EUR +11.4 M; +2.7%),** due to CNMC adjustments

US **EBITDA USD 398.7 M (USD 0.3 M; +0.1%),** due to:
+ Higher contribution from rate plans
- Tariff adjustments corresponding to tax reform, in effect under IFRS from Q3'18, compensated by lower taxes. Neutral at Net Income level

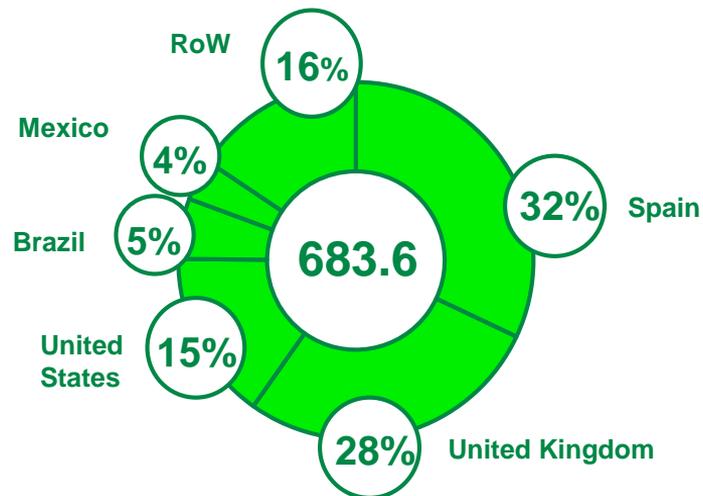
Brazil **EBITDA BRL 1,209.7 M (BRL +353.9 M; +41.3%),** with positive tariff revisions from May 2018, increasing contribution from transmission assets, positive impact from higher efficiencies and increase in demand (+5.0%)

UK **EBITDA GBP 216.6 M (GBP +9.6 M; +4.6%),** with higher revenues both in transmission and distribution as a consequence of the growing asset base due to investments

Results by Business / Renewables

Renewables EBITDA up +13.3%, to EUR 683.6 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2018	Q1 2019	vs Q1 2018
Gross Margin	944.5	1,006.8	+62.3 (+6.6%)
Net Op. Exp.	-180.8	-197.1	-16.3 (+9.0%)
Levies	-160.3	-126.1	+34.2 (-21.4%)
EBITDA	603.5	683.6	+80.1 (+13.3%)

... as UK, Latam and offshore contribution more than compensates lower production in Spain and US. Installed capacity reaches 29,502 MW

Results by Business / Renewables

Spain EBITDA EUR 218.9 M (EUR -23.2 M; -9.6%), as a consequence of lower output (-22.8%), driven by hydro (-24.2%) and wind (-23.0%), partially compensated by lower taxes

UK EBITDA GBP 165.9 M (GBP +38.2 M; +29.9%), higher onshore output (+3.7%) and better prices more than compensate the sale of hydro capacity in Q4 2018

US EBITDA USD 119.4 M (USD -21.3 M; -15.1%), driven by lower output (-11.5%) and lower prices

Brazil EBITDA BRL 159.6 M (BRL +19.4 M; +13.8%), due to higher output (+14.3%), mainly as a consequence of new hydro capacity in operation

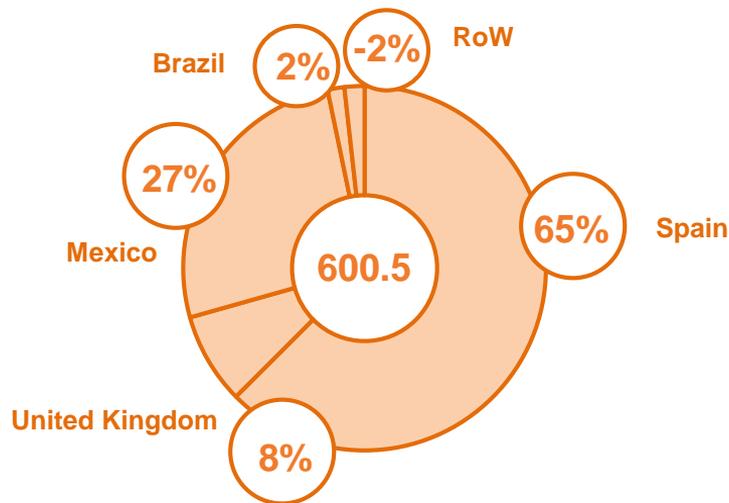
Mexico EBITDA USD 29.1 M (USD +12.6 M; +76.6%), as a consequence of higher output (+43.8%), primarily due to additional Solar PV capacity installed (+270 MW)

RoW EBITDA EUR 106.9 M (EUR +53.6 M; +100.8%) due to Wiking contribution

Results by Business / Generation and Supply

Generation & Supply EBITDA up +19.2% to EUR 600.5 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2018	Q1 2019	vs Q1 2018
Gross Margin	1,079.4	1,157.8	+78.4 (+7.3%)
Net Op. Exp.	-325.7	-344.8	-19.1 (+5.9%)
Levies	-250.1	-212.5	+37.6 (-15.0%)
EBITDA	503.6	600.5	+96.9 (+19.2%)

... driven by Spain and Mexico, more than offsetting the sale of generation assets and tariff cap in the UK

Results by Business / Generation and Supply

Spain **EBITDA EUR 389.5 M (EUR +157.6 M; +67.9%)**

- Higher production: 8,863 GWh (+10.5%)
 - Revenues increase
 - Levies decrease as a consequence of suspension of 7% generation tax
-

Mexico **EBITDA USD 184.9 M (USD +65.4 M; +54.7%):** Higher Sales driven by production increase due to new installed capacity in 2018 (Escobedo CCGT, Bajío cogeneration and Monterrey IV repowering), with full contribution in 2019, and normalisation of tariffs

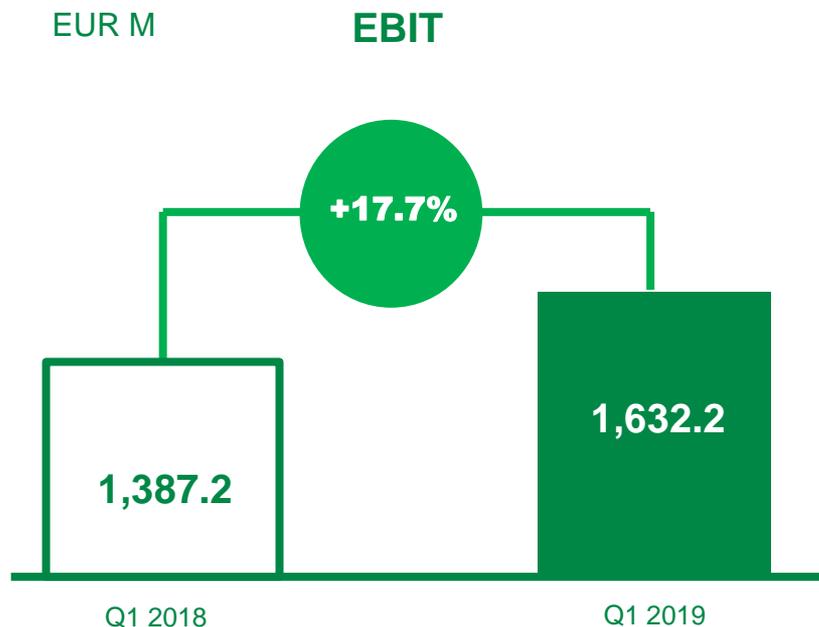
UK **EBITDA GBP 44.1 M (GBP -87.6 M; -66.5%):** caused by lower revenues due to thermal assets sale in Q4 2018, price cap and lower demand in gas as a consequence of milder weather

Brazil **EBITDA BRL 39.6 M (BRL -88.6 M; -69.1%):** supply business affected by one-off effect

RoW **EBITDA EUR -11.1 M (EUR -3.9 M; -54.2%):** driven by initial development costs

EBIT / Group

Group EBIT up +17.7%, to EUR 1,632.2 M



D&A and Provisions

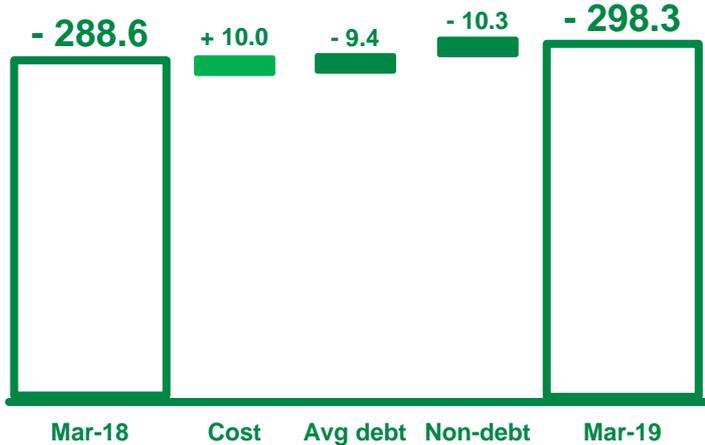
	Q1 2018	Q1 2019	vs Q1 2018 (%)
D & A	-871.1	-897.7	+3.1%
Provisions	-65.2	-69.4	+6.4%
TOTAL	-936.3	-967.1	+3.3%

D&A and Provisions up 3.3% due to higher activity and IFRS 16 impact, partially compensated by lower nuclear depreciation (EUR +27 M) and the sale of UK generation assets (EUR +12 M)

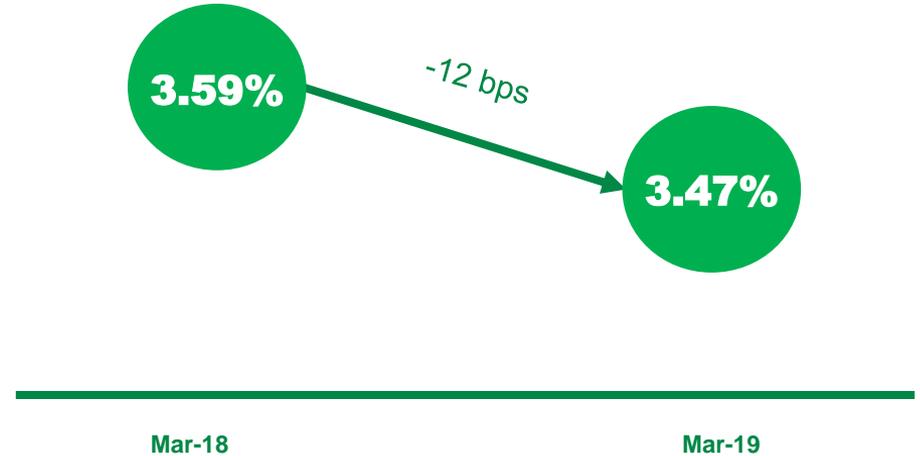
Net Financial Expenses / Group

Net Financial Expenses up EUR 9.7 M, to EUR 298.3 M ...

Net Financial Exp. evolution (EUR M)



Cost of Debt



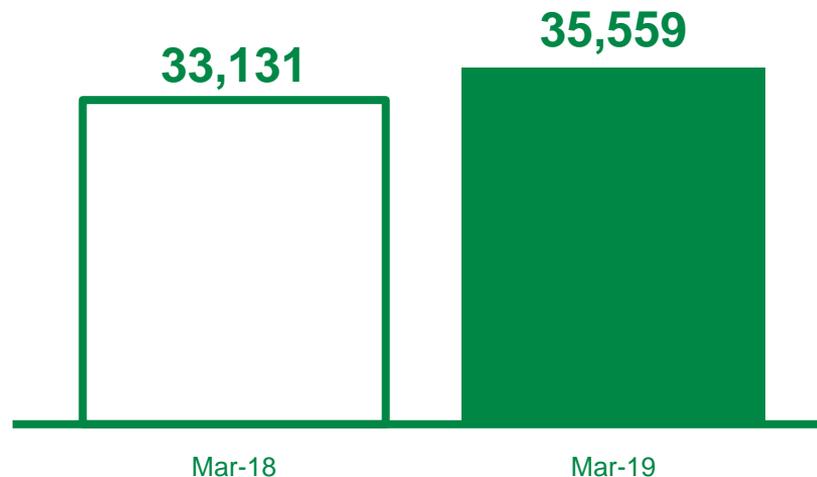
Net Debt / Group

Credit metrics remain robust

Pro forma adjusted credit metrics*

	Mar-18**	Mar-19
Net Debt / EBITDA	3.98x	3.69x
FFO / Net Debt	21.4%	21.1%
RCF / Net Debt	19.0%	19.7%
Leverage	43.6%	43.7%

Net Debt* (EUR M)



Net Debt grows due to IFRS 16 (EUR 408 M), fx (EUR 969 M) and investments

* Adjusted by market value of treasury stock cumulative hedges (EUR 105.0 M at Mar-2019 and EUR 167.4 M at Mar-2018)

** Pro forma credit metrics include Neo from April 1st, 2017 and exclude provisions for efficiency plans

Net Profit / Group

Profit Before Tax grows +21.5% with no relevant Non Recurring Results in the quarter, and **Reported Net Profit** up +15%, to EUR 963.9 M, as ...

EUR M	Q1 2018	Q1 2019	vs Q1 2018 (%)
PBT	1,099.7	1,335.9	+21.5%
- Corporate Tax	-175.4	-277.7	+58.3%
- Minorities	-86.3	-94.3	+9.2%
Reported Net Profit	838.0	963.9	+15.0%

... **Corporate tax rate** normalizes reaching 20.8%, vs 16.0% in Q1 2018, due to it being positively affected by final adjustments of US tax reform accounted for in that quarter

Agenda

Conclusions

Outlook 2019

Networks

More **REGULATED** assets
with **HIGHER** tariffs...

Generation
& Supply

Renewables

...More **CAPACITY**
(+13% more production
on annual basis)...

...with Further
EFFICIENCY gains...

...maintaining
FINANCIAL STRENGTH
non-core divestments
and **sale of minority stakes**...

...moving from mid to high single-digit growth
in net profit and dividend in 2019

Agenda

Annex: “*Iberdrola Retribución Flexible*” program July 2019

“Iberdrola Retribución Flexible” program July 2019

