

# Results Presentation

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First Quarter  
April 29, 2020

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Committed to:



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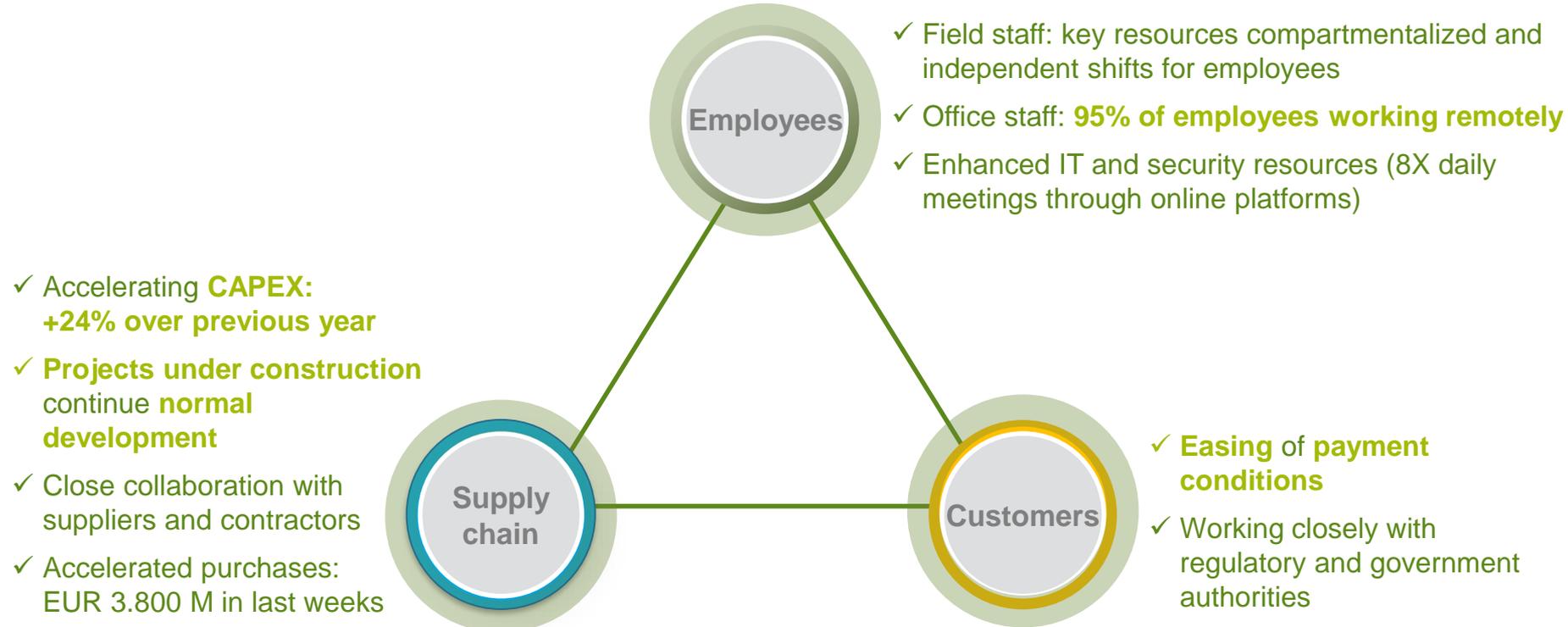
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# Agenda

## COVID-19 update

# COVID 19 management

A comprehensive set of measures to ensure safety of our people and security of supply



# COVID 19 management: Impacts and mitigation factors

## Networks



- Stable remuneration: new regulatory framework in place up to 2026
- Revenue decoupled from demand



- Revenues and demand decoupled in all distribution companies (US GAAP)
- New York new rate case from September
- New tariffs in Maine since March
- Connecticut regulator establishes deferral mechanism for incremental costs and lost revenues



- RIIO T1 and ED1 include demand adjustment mechanisms
- In close collaboration with Ofgem to implement temporary measures to relieve COVID-19 impacts



- Annual tariff adjustments effective from July, compensating April to July impact before year end
- Continuous dialogue with government and regulators:
  - Measures approved to provide funds into distribution companies

# COVID-19 management: Impacts and mitigation factors

## Liberalized & Renewables

### Demand

- ✓ **Rising residential demand** with **drops in commercial and industrial demand**
- ✓ **Short position** on generation

### Prices

- ✓ Hedged position: **100% volumes sold in 2020** and over 75% in 2021
- ✓ **Flexible portfolio** thanks to storage capacity: hydro reserves close to 70%

### Receivables

- ✓ **Easing of payment conditions** to alleviate COVID-19 burden on customers
- ✓ **Protection** measures against non-payment:
  - High level of direct debit
  - Regulatory proposals approved or under discussion to compensate the bad debt increase

# Financial COVID-19 management

## Sound business model and prudent financial management

### Liquidity

- ✓ EUR 14.4 Bn liquidity position:  
30 months under normal scenario

### Financial markets

- ✓ Proven access to capital markets:  
Green bonds issued by Iberdrola (EUR 750 M)  
and Avangrid (USD 750 M) in April

### FX exposure

- ✓ 90% hedged at net profit level

...committed to our  
CAPEX and DIVIDEND  
strategy while  
maintaining credit  
ratings

## Growing consensus about the role climate action can play in this crisis

### EU Green Deal:

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- ✓ “Unlocking massive investment (...) will kick-start our economies and drive our recovery towards a more resilient, green Europe. “It also means doubling down on our growth strategy by investing in the European Green Deal”. “As the global recovery picks up, global warming will not slow down” (**Ursula von der Leyen**)
- ✓ “The EU Green Deal is a way to prepare our society for the future”. “For this generation and the next, employment will depend on creating sustainable jobs”. (**Frans Timmermans**)
- ✓ National statements (France, Germany, Spain among others) asking for the European Green Deal to be placed at the heart of the recovery plan
- ✓ Green alliance launched in European Parliament bringing together politicians, business associations and NGOs in a call towards a green recovery

### Spain

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- ✓ National Energy and Climate Plan<sup>1</sup> submitted to Brussels reaffirming commitment with energy transition
- ✓ Vice President and Minister for Ecological Transition, in charge of the Spanish recovery plan

Green investment,  
a key contributor  
to accelerate the  
recovery

# Agenda

## Highlights of the Period

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**Adjusted Net Profit grows 5.3% reaching EUR 968 M, thanks to:**

**EBITDA totals EUR 2,751 M, up 5.8%**

Gross Investment increases by 24.2%, up to EUR 1,729 M

Ongoing improvement in operational efficiency

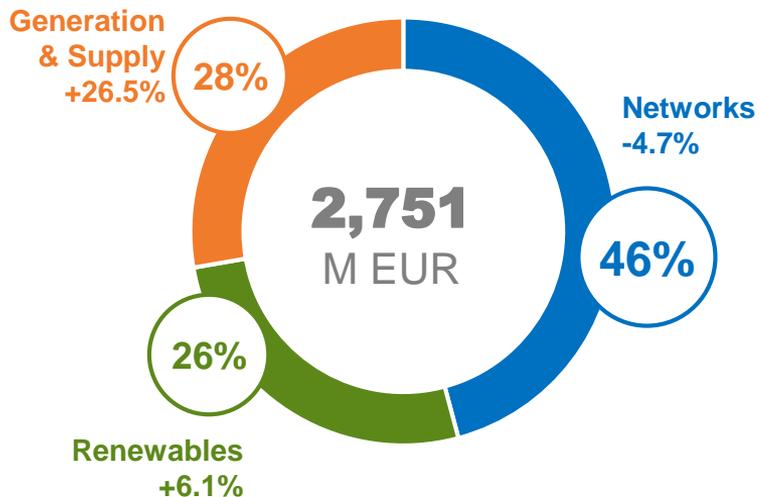
**Maintaining financial strength**

Non-recurrent results with an impact of EUR 289 M on Reported Net Profit: Divestment of Siemens-Gamesa and UK government decision to maintain corporate tax rate at 19%

77% Quorum in Annual General Meeting with over 98% average favorable vote  
Annual shareholder remuneration of EUR 0.40 per share

## EBITDA reaches EUR 2,751 M (+5.8%)

### EBITDA by business



#### Networks

- New regulatory period in Spain, as expected
- Results in US negatively affected by non reconcilable items in IFRS
- Higher revenues in UK (larger rate base) and Brazil (impact of tariff reviews)

#### Renewables

- New capacity in all countries: +2,8 GW y-o-y
- Wind: higher volumes in UK (EA1) and availability in United States
- Hydro: normalization of production in Spain and storage level recovered (reserve levels ~8TWh, 50% above previous year)

#### Generation and supply

- Higher production, lower commodity prices with prices hedged
- Retail: lower procurements and new methodology in cap tariffs (UK)

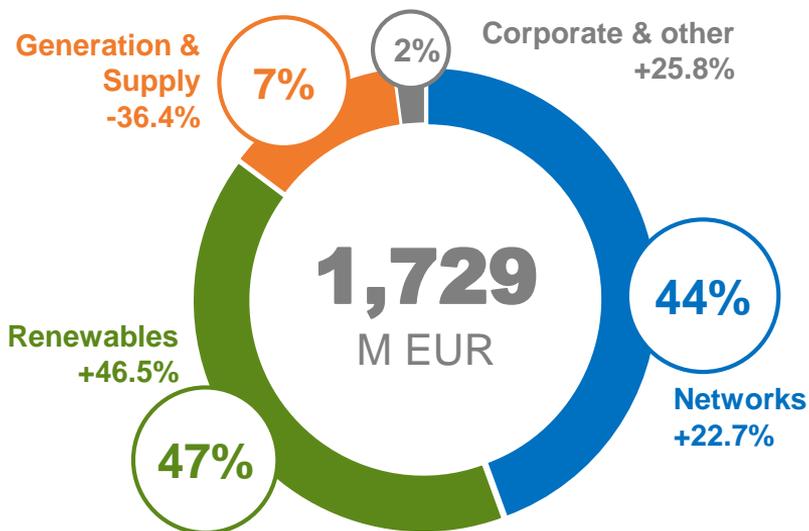
#### FX

- USD and GBP appreciation compensate BRL negative performance
- FX impact: 90% hedged at net profit level

# Gross Investments

Continuous gross investments acceleration despite restrictions (+24%)

Q1 Gross Investments by business



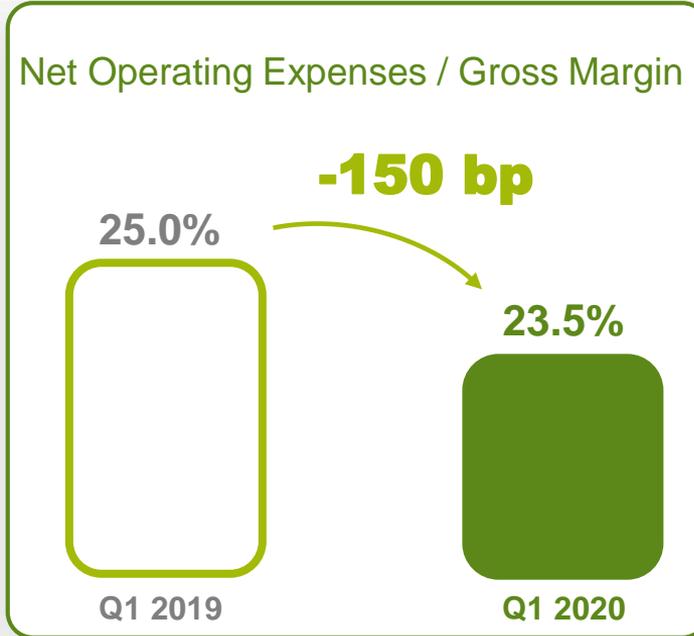
~1.200 MW of new installed capacity in Q1

+5.5 GW installed capacity y-o-y

More than 8.5 GW under construction

# Operational efficiency

Ongoing focus on operational efficiency...

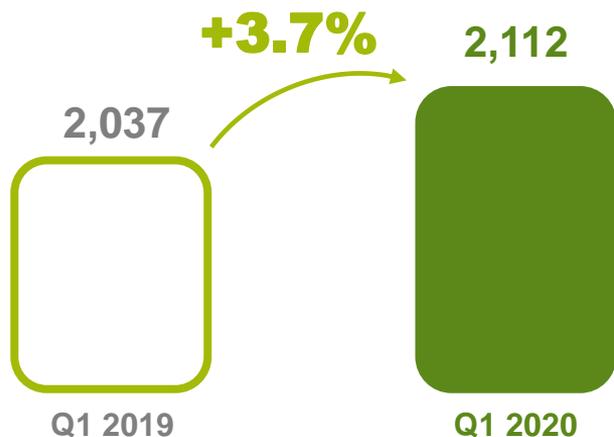


...drives a 150 bp improvement in NOE / Gross Margin ratio

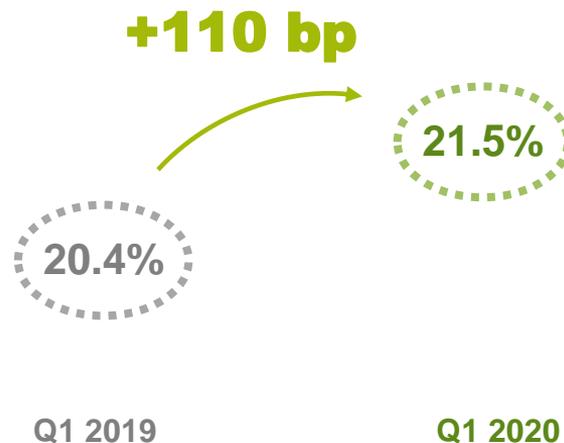
# Cash Flow Generation

Maintaining financial strength and improving cash flow generation (+4%)

Operating Cash Flow (FFO<sup>1</sup>)



FFO / Adjusted Net Debt



<sup>1</sup> 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.

EUR 14.4 Bn of liquidity available

# Annual General Meeting

**Quorum of 77.04%**

Over 98% average favorable vote for all the items on the Agenda

**99.0%**

Group 1: Financial statements and corporate management

**99.9%**

Group 2: Corporate Governance System

**97.8%**

Group 3: Remunerations

**97.9%**

Group 4: Board of Directors

# Shareholder remuneration

Approval by the Board of Directors of the execution  
of a new “*Iberdrola Retribución Flexible*” program

Supplementary dividend of **EUR 0.232 per share**...

...to reach an **annual shareholder remuneration** of **EUR 0.40 per share**

Reaching **2022 floor** three years in advance

- Share buy-back to maintain the number of shares at 6,240 M and avoid dilution
- Program under execution will finalize by July 2020

<sup>1</sup> Versus shareholder remuneration of EUR 0.351/share for 2018. Subject to approval at Annual General Meeting (AGM)

# Agenda

# Analysis of Results

# Income Statement / Group

Adjusted Net Profit up 5.3%, to EUR 968.1 M

EUR M	Q1 2019	Q1 2020	Var.	%
Revenues	10,138.9	9,425.9	-712.9	-7.0
<b>Gross Margin</b>	<b>4,323.1</b>	<b>4,544.8</b>	<b>+221.6</b>	<b>+5.1</b>
Net Operating Expenses	-1,081.3	-1,067.7	+13.6	-1.3
Levies	-642.5	-726.5	-84.0	+13.1
<b>EBITDA</b>	<b>2,599.4</b>	<b>2,750.6</b>	<b>+151.3</b>	<b>+5.8</b>
EBIT	1,632.2	1,642.6	+10.4	+0.6
Net Financial Expenses	-298.3	-180.3	+118.0	-39.6
Non Recurring Results	0.3	505.4	+505.1	n/a
Taxes and Minorities	-371.9	-711.8	-339.9	+91.4
<b>Non Recurring Adjustments</b>	<b>-44.8</b>	<b>-288.9</b>		
<b>Adjusted Net Profit</b>	<b>919.2*</b>	<b>968.1</b>	<b>+48.9</b>	<b>+5.3</b>
Operating Cash Flow	2,036.7	2,111.9	+75.2	+3.7

Fx as follows USD +3.3%, GBP +3.0% and BRL -10.5%

# From Adjusted to Reported Net Profit

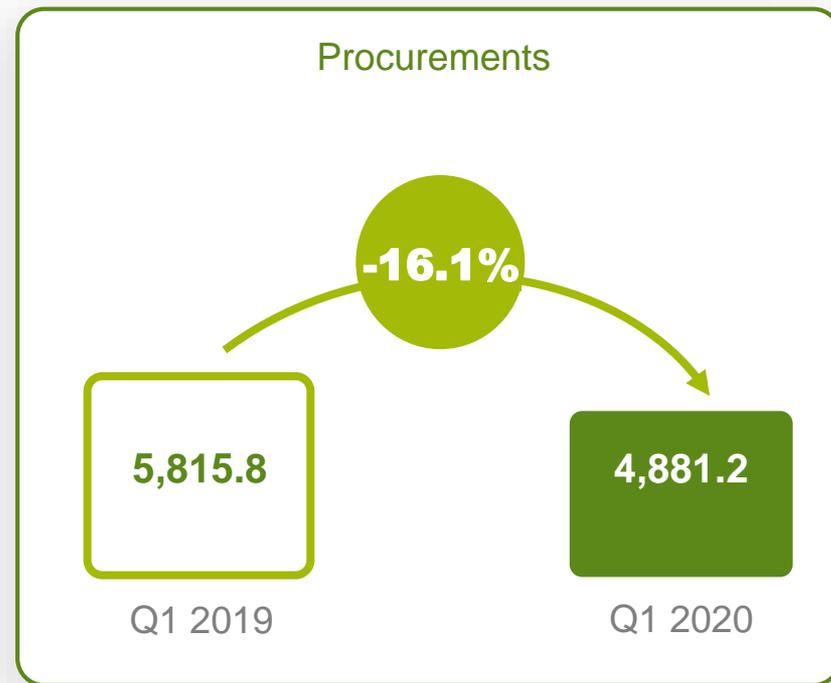
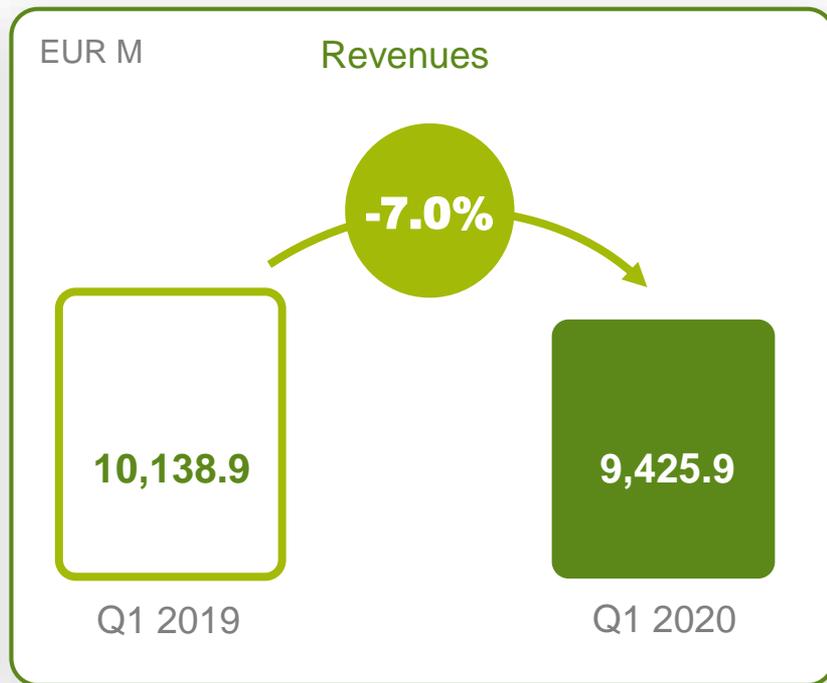
Adjusted Net Profit excludes Siemens Gamesa capital gain, ...



... non recurring impacts in taxes, mainly in UK as Corporate Tax was maintained at 19% vs the initially planned 17%, and extra bad debt provisions attributable to COVID

# Gross Margin / Group

Gross Margin up 5.1%, to EUR 4,544.8 M



**Revenues** fall 7.0% (EUR 9,425.9 M) and **Procurements** fall 16.1% (EUR 4,881.2 M)

# Net Operating Expenses / Group

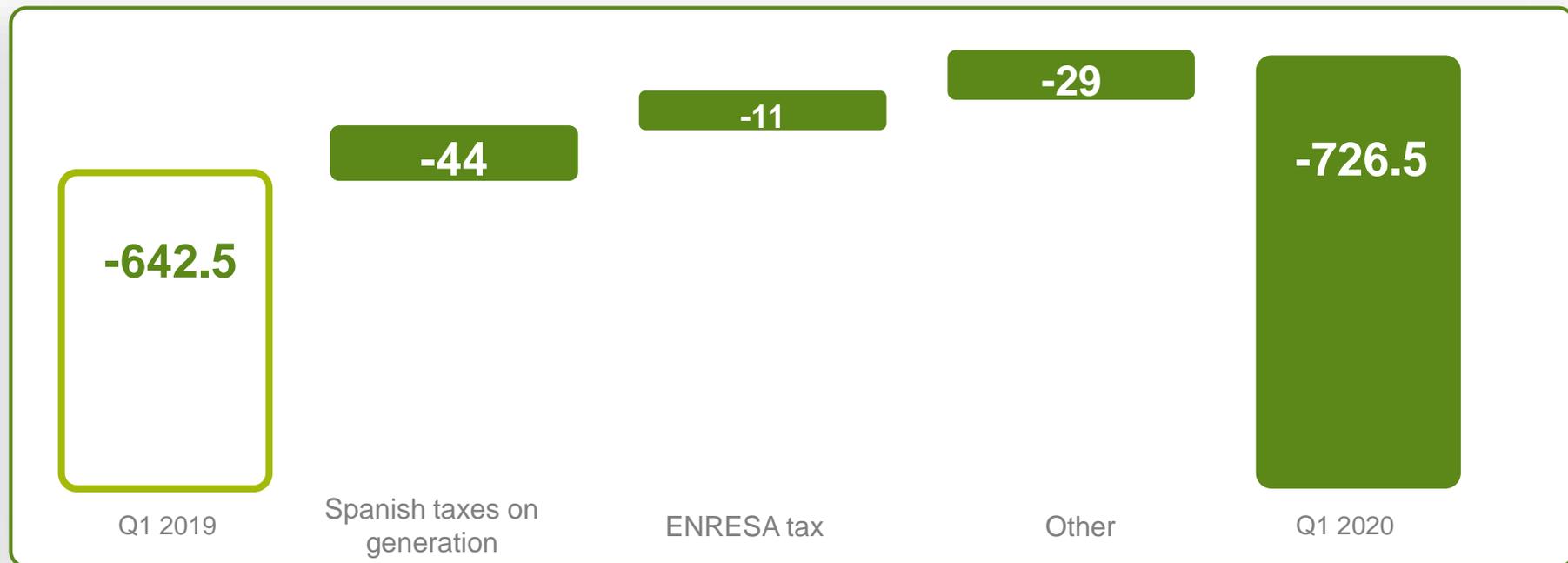
Net Operating Expenses fall 1.3%, to EUR 1,067.7 M, ...

EUR M	Net Operating Expenses		
	Q1 2019	Q1 2020	vs Q1'19 (%)
Net Personnel Expenses	-553.4	-557.7	+0.8%
Net External Services	-527.9	-510.0	-3.4%
<b>Total Net Op. Expenses</b>	<b>-1,081.3</b>	<b>-1,067.7</b>	<b>-1.3%</b>

... with efficiency improving by 150 bps, driven by cost containment and Gross Margin improvement.  
AGM premium paid in Q1 in 2019 and in Q2 in 2020

# Levies / Group

Levies increase 13.1%, to EUR 726.5 M, due to ...

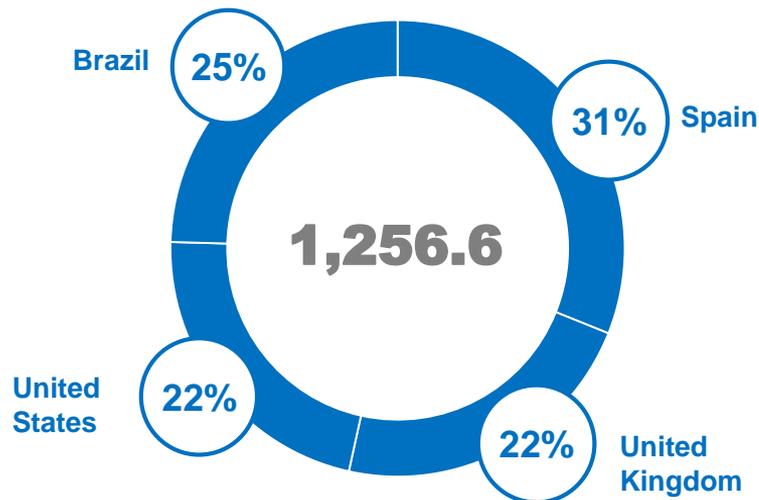


... higher taxes on Spanish generation, as 7% general tax was temporary suspended during Q1'19, and the increase of the ENRESA tax as a consequence of the nuclear agreement in Spain

# Results by Business / Networks

**Networks EBITDA** falls 4.7%, to EUR 1,256.6 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2019	Q1 2020	vs Q1 2019
<b>Gross Margin</b>	2,165.1	2,099.4	-65.7 (-3.0%)
<b>Net Op. Exp.</b>	-536.6	-523.9	+12.7 (-2.4%)
<b>Levies</b>	-310.1	-318.9	-8.7 (+2.8%)
<b>EBITDA</b>	1,318.4	1,256.6	-61.8 (-4.7%)

... as growth in the UK and Brazil, despite fx impact, are more than compensated by IFRS temporary adjustments in the US (EUR -79 M) and lower revenues in Spain (EUR -37 M)

# Results by Business / Networks

**Spain**

**EBITDA EUR 390.4 M (EUR -46.4 M; -10.6%)**, due to the 50 bps lower remuneration established for 2020 in the regulatory framework (EUR -14 M) and positive settlements accounted for in Q1 2019 (EUR -23 M)

**US**

**EBITDA IFRS USD 304.6 M (USD -94.0 M; -23.6%)**, driven by USD -91 M of adjustments under IFRS as a consequence of differences in volumes and energy costs that will be recovered during 2020 and following years

**Brazil**

**EBITDA BRL 1,471.9 M (BRL +262.1 M; +21.7%)**, as positive tariff review occurred in April and August 2019, the increasing contribution from transmission assets and positive impact from efficiencies

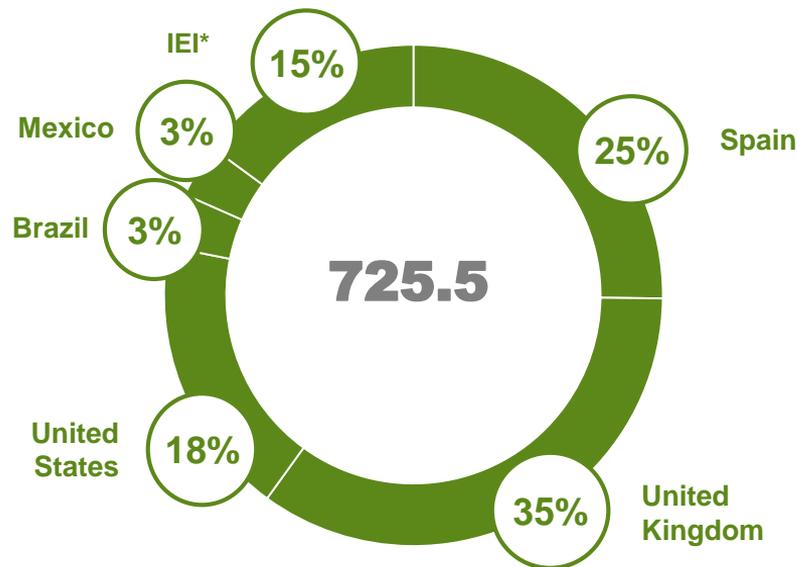
**UK**

**EBITDA GBP 238.6 M (GBP +21.9 M; +10.1%)**, 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 6.1%, to EUR 725.5 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2019	Q1 2020	vs Q1 2019
<b>Gross Margin</b>	1,006.8	1,100.2	+93.4 (+9.3%)
<b>Net Op. Exp.</b>	-197.1	-211.5	-14.4 (+7.3%)
<b>Levies</b>	-126.1	-163.2	-37.1 (+29.4%)
<b>EBITDA</b>	683.6	<b>725.5</b>	<b>+41.9 (+6.1%)</b>

... driven by the US and the UK

\*Iberdrola Energía Internacional, formerly RoW

# Results by Business / Renewables

Spain	<b>EBITDA EUR 182.8 M (EUR -36.1 M; -16.5%)</b> , despite higher output (17.5%), driven by lower prices in sales to the Supply business and higher levies due to the reinstatement of the 7% general tax on generation after Q1 2019
US	<b>EBITDA USD 144.9 M (USD +25.5 M; +21.4%)</b> , driven by higher output (+29.6%), explained by higher wind resource vs Q1'19 and increase in average operating capacity (739 MW)
UK	<b>EBITDA GBP 214.2 M (GBP +48.2 M; +29.0%)</b> , with higher production both in onshore (+12.9%) and offshore (+203.4%), as a consequence of the contribution of East Anglia 1
Brazil	<b>EBITDA BRL 120.0 M (BRL -39.6 M; -24.8%)</b> , with higher output (+13.7%) but prices normalizing vs last year's extraordinary high levels
Mexico	<b>EBITDA USD 27.6 M (USD -1.5 M; -5.2%)</b> , as a consequence of lower output (-6.8%)
IEI**	<b>EBITDA EUR 108.5 M (EUR +1.6 M; +1.5%)</b> , with slightly higher contribution from Wikinger

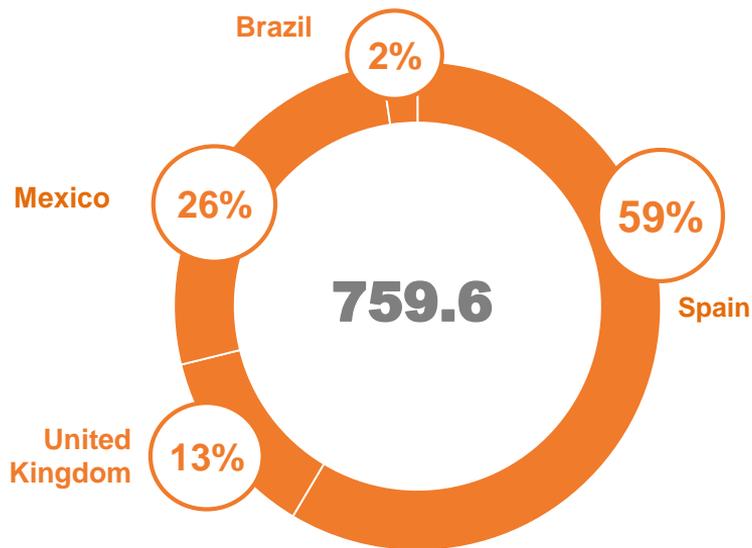
\* Total installed capacity

\*\* Iberdrola Energía Internacional, formerly RoW

# Results by Business / Generation and Supply

Generation & Supply EBITDA up 26.5% to EUR 759.6 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	Q1 2019	Q1 2020	vs Q1 2019
<b>Gross Margin</b>	1,157.7	1,353.4	+195.7 (+16.9%)
<b>Net Op. Exp.</b>	-344.7	-352.3	-7.6 (+2.2%)
<b>Levies</b>	-212.5	-241.4	-28.9 (+13.6%)
<b>EBITDA</b>	600.5	<b>759.6</b>	<b>+159.1 (+26.5%)</b>

... with all core geographies growing

# Results by Business / Generation and Supply

## Spain

**EBITDA EUR 445.6 M (EUR +56.2 M; +14.4%)**

- Lower output 8,356 GWh (-5.7%), higher purchases at lower prices vs Q1 2019
- Active management of customer portfolio: Energy + Smart Solutions

## Mexico

**EBITDA USD 221.9 M (USD +37.0 M; +20.0%):** Higher Sales driven by production increase (+11.0%), due to 1,777 MW of new installed capacity in 2019 (Topo II and El Carmen CCGTs)

## UK

**EBITDA GBP 81.4 M (GBP +37.4 M; +84.8%):** driven by SVT tariff cap methodology review and lower procurement costs

## Brazil

**EBITDA BRL 86.6 M (BRL +46.9 M; +118.4%):** business normalization after the one-off effect that impacted results during 2019

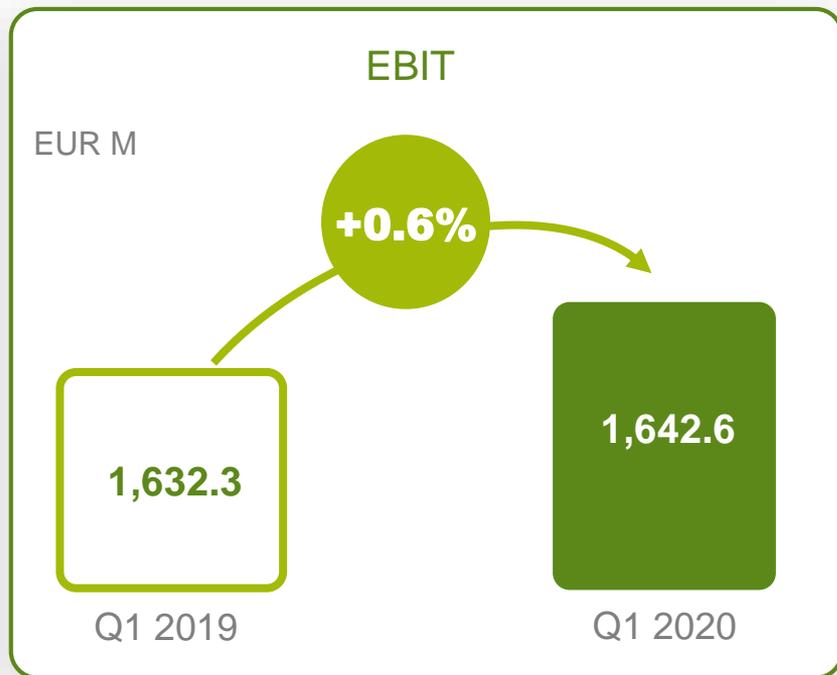
## IEI\*

**EBITDA EUR -1.4 M (EUR +9.7 M; +87.2%):** improving but still affected by initial development costs. Reaching 1,650,000 contracts, +88.5% vs Q1 2019

\* Iberdrola Energía Internacional, formerly RoW

# EBIT / Group

Group EBIT up 0.6%, to EUR 1,642.6 M



## D&A and Provisions

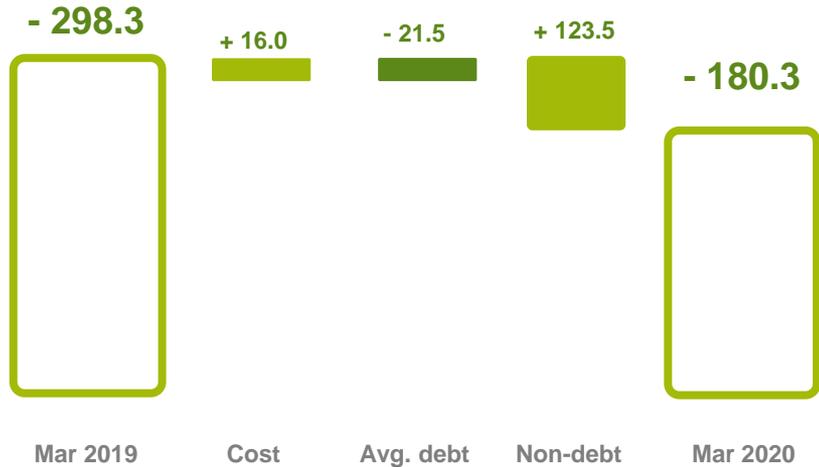
	Q1 2019	Q1 2020	vs Q1 2019 (%)
D & A	-897.7	-1,012.6	+8.1%
Provisions	-69.4	-95.5	+37.6%
<b>TOTAL</b>	<b>-967.1</b>	<b>-1,108.0</b>	<b>+14.6%</b>

**D&A and Provisions** up 14.6% due to the increase of the asset base and activity (EUR -86 M), EUR -14 M of IFRS 16 impact and higher provisions as bad debt increased due to COVID

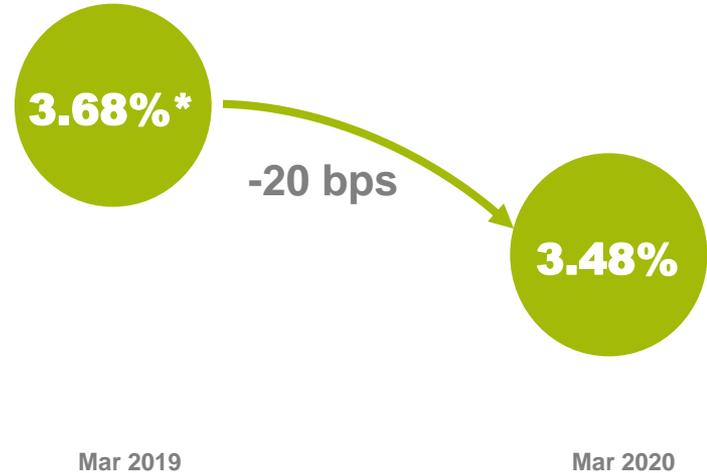
# Net Financial Expenses / Group

**Net Financial Expenses** improve by EUR 118.0 M to EUR 180.3 M, due to one-off fx hedges and lower cost, ...

Net Financial Exp. evolution (EUR M)



Cost of Debt



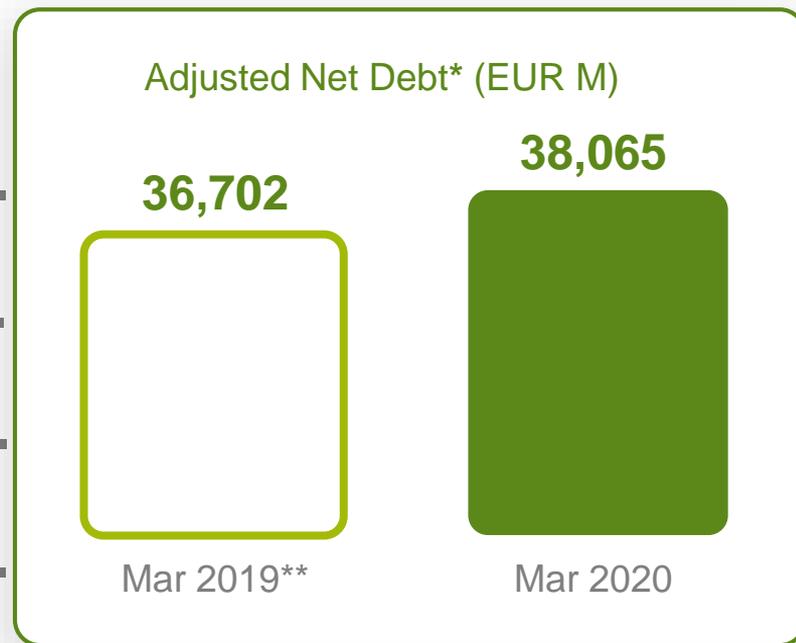
.... despite higher average debt

\* Mar19 restated including the cost of currency swaps linked to debt already included in Mar20

# Adjusted Net Debt / Group

## Stronger Credit metrics

Adjusted credit metrics	Mar 2019**	Mar 2020***
Adjusted Net Debt* / EBITDA	<b>3.8x</b>	<b>3.7x</b>
FFO / Adjusted Net Debt*	<b>20.4%</b>	<b>21.5%</b>
RCF / Adjusted Net Debt*	<b>19.1%</b>	<b>19.7%</b>
Adjusted Leverage*	<b>44.5%</b>	<b>44.6%</b>



On a like-for-like basis, FFO / Adjusted Net Debt improves 1.1 p.p. vs 2019

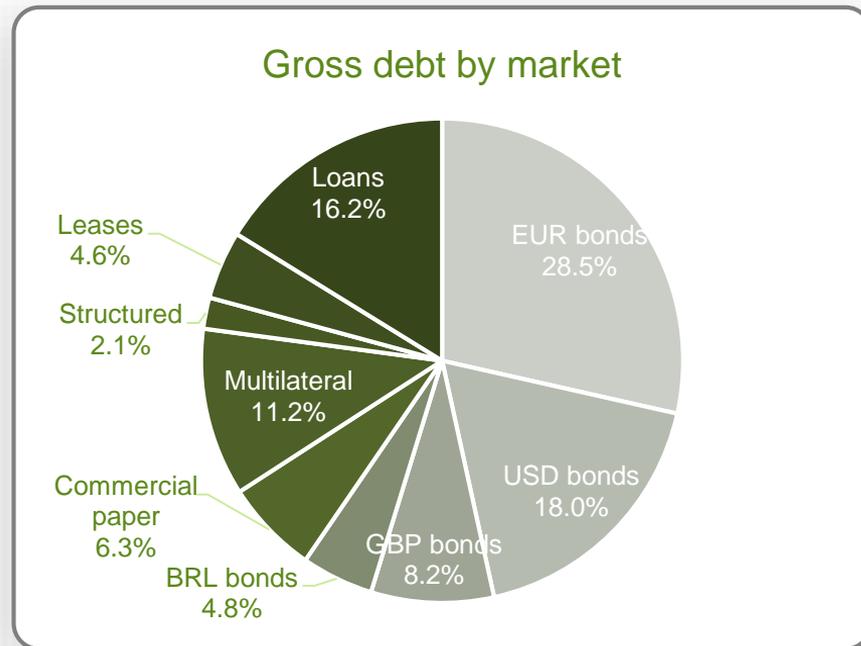
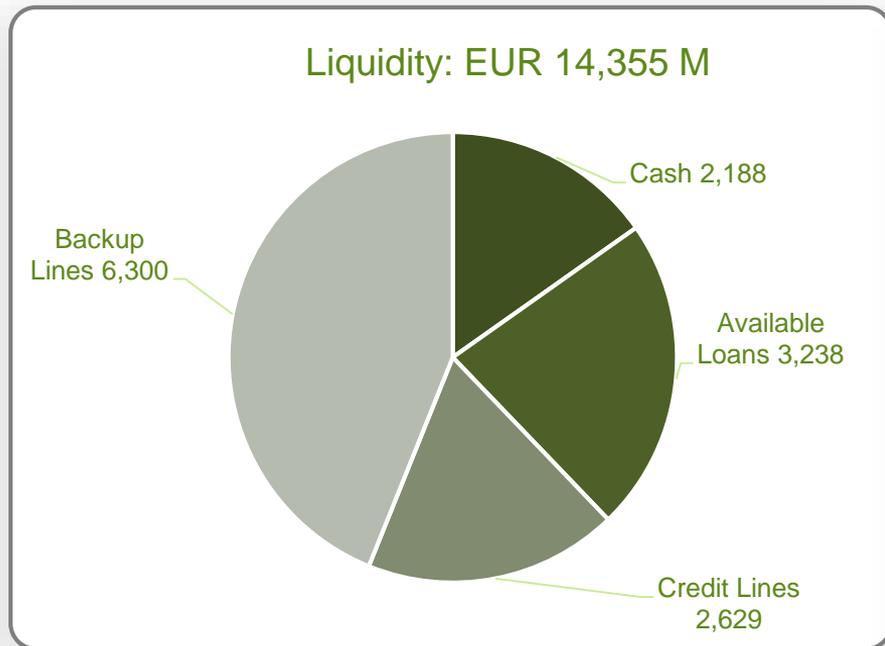
\* Adjusted by market value of potential treasury stock cumulative hedges (EUR 105.0 M at Mar 2019 and EUR 140.1 M at Mar 2020).

\*\* Restated including full IFRS16 criteria as considered in Dec19

\*\*\* Excluding provisions for efficiency plans.

# Liquidity and debt diversification / Group

As of 29 of April, **Liquidity** totals EUR 14.4 bn, covering 30 months of financing needs



Diversification in financing sources facilitates access to the market

NOTE: Liquidity as of 31 March was EUR 12,273 M

# Main financial transactions in Q1 2020

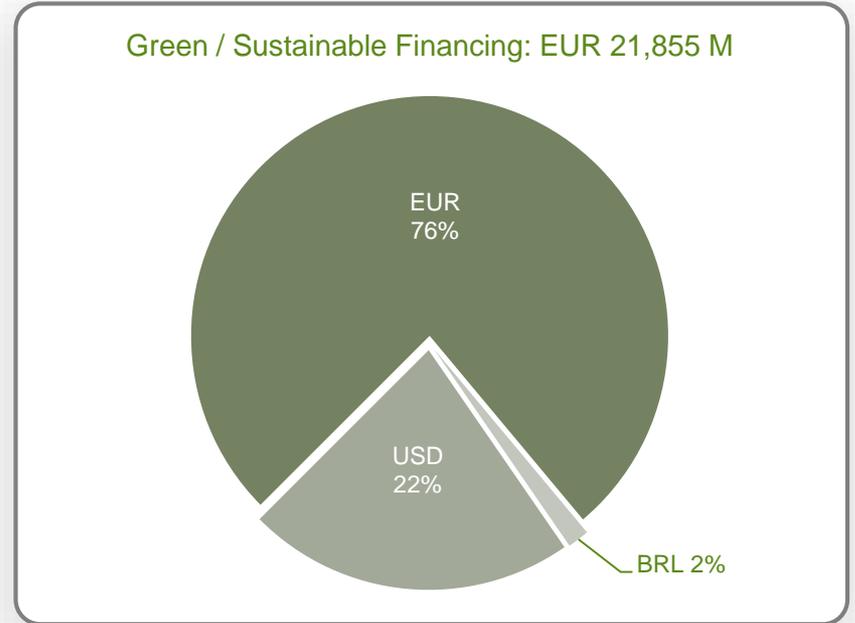
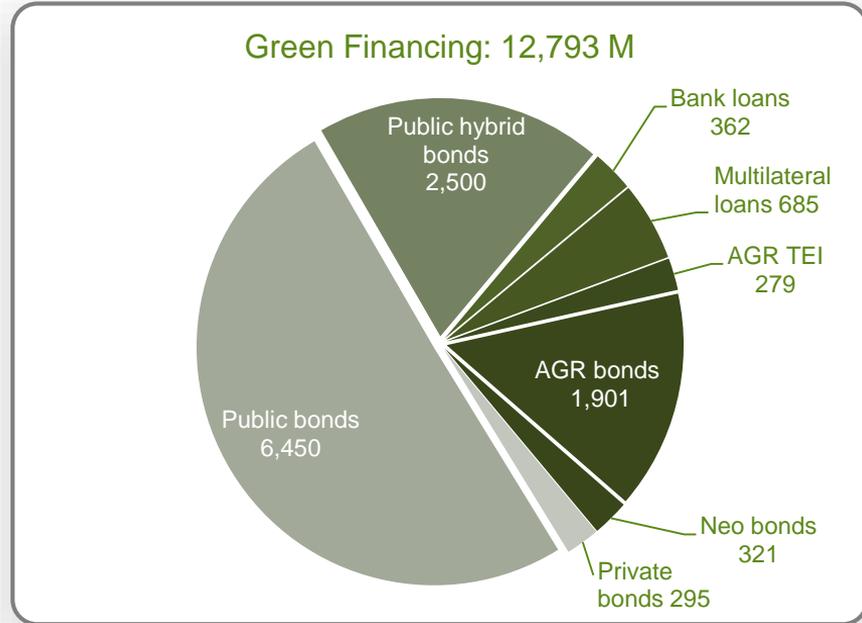
Group's solid and sustainable profile allows Iberdrola to raise financing in all markets even in the current environment. Equivalent to EUR 3,827 M raised in 2020

Market	Amount	Remarks
EUR bonds	EUR 910 M	Cheapest operation for a Spanish company with no issuance premium. Reopened the Spanish market
USD bonds	USD 750 M	Public issuance with demand over USD 2.0 bn
BRL bonds	BRL 300 M	Green infrastructure bond
Multilateral	EUR 885 M*	→ EIB reference partner over the past 20 years, ICO very active in green financing
	BRL 778 M	→ Long-term commitment with BNDES and other Brazilian development banks
Structured	USD 308 M	Green TEI
Bank loans	EUR 650 M BRL 1.0 bn	Pool of banks offered more than EUR 3.0 bn of liquidity in all different markets

\* Transactions signed in 2019 and disbursed in 2020

# Green/sustainable financing

Iberdrola remains the **world leading private group** in green bonds issued



In 2020 Iberdrola signed new transactions totaling EUR 1.8 bn of green financing, including EUR 1.5 bn in bonds\*, for a total of EUR 21.9 bn green/sustainable financing\*\*

\*Includes bonds denominated in EUR, USD and BRL

\*\*Includes sustainable credit lines

Agenda

Conclusions

## Conclusions: First quarter results

**Gross investments acceleration +24% to EUR 1,729 M**

**5.500 MW installed in the last 12 months to reach 53.270 MW**

**EBITDA up 5,8% to EUR 2,751 M**

**Adjusted Net Profit grows 5.3% reaching EUR 968 M**

# Conclusions: 2020 Outlook

## COVID-19 impacts...

**Lower Demand**  
**Prices**

**Receivables**  
**Bad Debt**

**Workforce**  
**mobility**  
**Supply chain**  
**disruption**

**Exchange rate**  
**Liquidity**

# Conclusions: 2020 Outlook

## Mitigation measures ...

### Financial

- Around 30 months of liquidity
- Diversified currency mix: 90% hedged at net profit level

### Networks

- Revenue decoupling mechanisms offset lower demand
- Additional recovery measures under negotiation

### Liberalized

- Short position on generation provides flexibility vs. lower demand
- Hedged position on prices
- Larger hydro reserves
- Managing impact of deferred payments on receivables

### Renewables

- No impact on production of operation assets
- Constructions activities on track

# Conclusions: 2020 Outlook

..together with execution and our resilient business model...

## Improvement in operating results

Investment  
acceleration

New rate cases

Cost savings



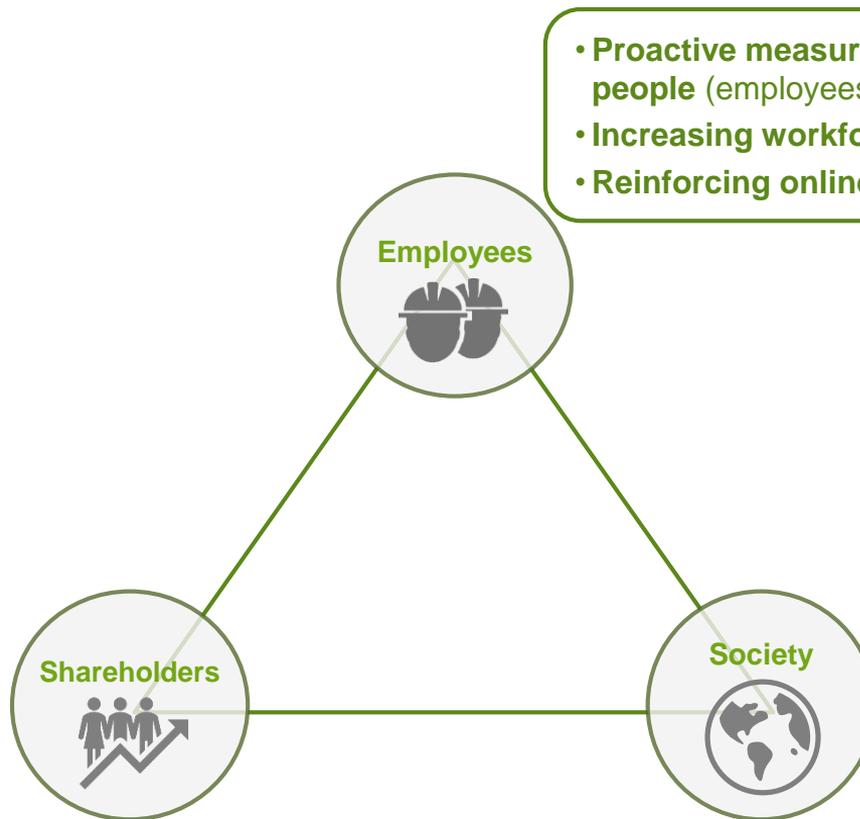
Financial strength and liquidity



Non-recurrent results (Siemens-Gamesa divestment)

...allow us to maintain our Net Profit outlook  
with dividend growing in line with Net Profit

# Environmental, Social and Governance (ESG)



- Proactive measures to protect our people (employees and contractors)
- Increasing workforce
- Reinforcing online training

- Annual remuneration of EUR 0.40 per share
- Financial strength
- Liquidity
- Maintaining 2020 Outlook

- Securing supply
- Supporting jobs in suppliers by accelerating purchases
- Flexible payment plans to customers
- Eur 30 M donations in medical and sanitary supplies for **face COVID-19**

## Annex: “*Iberdrola Retribución Flexible*” program July 2020

# “Iberdrola Retribución Flexible” program July 2020

