

Rating object	Rating information	
Iberdrola S.A. Creditreform ID: 2000000597 Incorporation: 1992 Based in: Bilbao, Spain (Main) Industry: Energy distribution, generation and transmission CEO: José Ignacio Sánchez Galán <u>Rating objects:</u> Long-term Corporate Issuer Rating: Iberdrola S.A. Long-term Corporate Issuer Rating: Iberdrola International B.V. Long-term Corporate issuer Rating: Iberdrola Finanzas S.A.U. Long-term Corporate Issuer Rating: Iberdrola Finance Ireland DAC Long-term Local Currency Senior Unsecured Issues issued by Iberdrola International B.V., Iberdrola Finanzas S.A.U. Long-term Local Currency Senior Unsecured Issues issued by Iberdrola Finance Ireland DAC	Corporate Issuer Rating: BBB+ / stable	Type: Initial rating unsolicited
	LT Senior Unsecured Issues, LC: BBB+ / stable	Other: n.r.
	Rating Date: 03.05.2019 Monitoring until: Rating is withdrawn Initial rating: 03.05.2019 Rating Methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de	

Abstract

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Company

IBERDROLA S.A. – hereinafter also referred to as "Iberdrola", or "the Group" – is a multinational energy corporation based in Bilbao, Spain. The Group was established in 1992 and has since then grown into one of the largest energy groups globally. The Group's activities range from the production of electricity from conventional and renewable resources, the sale and purchase of electricity and gas in the wholesale markets, to the transmission and distribution of electricity. It is predominantly active in Brazil, Mexico, Spain, United Kingdom, and the United States of America, but also has a smaller presence in other European countries.

Iberdrola has a leading position in the generation of emission-free electricity. At the end of 2018 the Group had 47,448 MW of installed capacity, of which 32,354 MW (renewables 29,177 MW and nuclear energy 3,177 MW) produces emission free energy, which corresponds to 68.2% of the Group's production capacity. The Group set up an investment plan covering the years 2018 to 2022, where it plans to invest an amount of EUR 34,000 million, mainly into its networks and renewables infrastructure.

During the business year 2018 Iberdrola generated revenues of EUR 35,076 million (2017: 31.263 million), an EBITDA of 9,094 (2017: EUR 7,381 million), and an EAT of EUR 3,015 million (2017: EUR 2,804 million).

Rating Result

The rating of BBB+ attests Iberdrola S.A. a good level of creditworthiness representing a low to medium default risk. The main positive factors contributing to the rating are the Group's solid financial profile, its high degree of regulated revenues which generate approximately 86% of the EBITDA, its geographically diversified asset and concession base, and its diversified income and cash generation. Another positive rating driver is the relatively high degree of CO₂-neutral

energy the Group already produces, thus reducing the need for investment in the restructuring of its generation capacity towards different energy sources in the future. Regulatory risks which stem from the high degree of regulated EBITDA in the Renewables and Network business divisions, exposure to adverse weather conditions (wind and water resources), its activities in developing countries, exposure to market price and volume risk, and its 2018-2022 investment plan which will cause large cash outflows over the coming years have a dampening effect on the rating.

Outlook

The one-year outlook of the rating is stable. We expect a stable development of the Group with continuing strong EBITDA and cash flow generation. This outlook is based on the assumption of stable regulatory frameworks in the countries where Iberdrola operates, combined with its high degree of regulated revenues and EBITDA.

Relevant rating factors

Table 1: Financials of Iberdrola S.A.(Group) | Source: Iberdrola S.A. consolidated annual report 2018, standardized by CRA

Excerpts from the financial ratios analysis 2018

- + Increasing EBTDA and EBIT
- + Strong equity ratio
- + Sufficient Liquidity

- Increasing ratio of interest expense to debt
- Increase in net debt

Iberdrola S.A. Selected key figures of the financial statement analysis Basis: Annual accounts of 31.12. (IFRS, Group)	CRA Standardized Figures	
	2017	2018
Sales (million EUR)	31,263	35,076
EBITDA (million EUR)	7,381	9,094
EBIT (million EUR)	2,972	5,438
EAT (million EUR)	2,804	3,014
Total assets (million EUR)	101,382	103,665
Equity ratio (%)	42.90	43.53
Capital lock-up period (days)	60.93	56.49
Short-term capital lock-up (%)	34.06	28.55
Neb Debt / EBITDA adj. (Factor)	7.70	6.14
Return on investment (%)	4.03	4.33
Ratio of interest expense to debt (%)	2.42	2.82

Note:

General Rating Factors summarize key issues which – in the view of the analysts as of the date of the rating – have a significant or long-term impact on the rating, positive (+) as well as negative (-).

General Rating Factors

- + Diversified geographical asset and concession base
- + Diversified income generation
- + High degree of CO₂ free electricity generation
- + High degree of regulated revenues and EBITDA
- + Good access to financial markets
- + Sound financial profile

- Capital-intensive business
- Exposure to market prices
- Exposure to currency fluctuations (especially in emerging markets)
- Increased country risks

Current Rating Factors are the key factors that have, in addition to the Underlying Rating Factors, an impact on the current rating.

Prospective Rating Factors are factors and possible events which – in the view of the analysts on the date of the rating – would most likely have a stabilizing or positive effect (+) or a weakening or negative effect (-) on future ratings if they occurred. This is not a full list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Best case: A-

Worst case: BBB

Note:

The scenarios are based on the information available at the time of the rating. Within the forecasted horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

- Demand and price risk mainly in the Deregulated business
- Weather-dependent (water and wind resources)
- Regulatory risks

Current Rating Factors 2018

- + Strong operational performance
- + Effects of the incorporation of Neoenergia
- + Ahead of its targets in the 2018 - 2022 Investment plan
- Currency devaluations against the EUR affecting consolidated revenues and profit

Prospective Rating Factors

- + Realizing the goals set in the investment plan 2018 - 2022
- + Improvement of financial key figures
- + Improved market conditions
- Decreasing operative margins
- Negative regulatory developments
- Deteriorating financial key figures

Best-case scenario

In our best case scenario for one year, we assume a rating of A-. This could be the case if the investment plan is executed as foreseen, the operating performance remains strong, and the financial key figures such as Net debt / EBITDA adj. improve.

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of BBB. This could be the case if operational margins deteriorate and if the investment plan 2018 – 2022 falls behind schedule, resulting in cost overruns which might result in a higher leverage.

Business development and outlook

During the 2018 business year Iberdrola generated revenues of EUR 35,076 million (2017: 31,263 million), a gross margin of EUR 15,435 million (2017: EUR 13,364 million), an EBITDA adj. of 9,094 million (2017: EUR 7,381 million), and an EAT of EUR 3,015 million (2017: EUR 2,804 million). The increase in revenues, gross margin, EBITDA adj., EBIT and EAT in comparison to the previous business year was mainly due to strong operational performance in all segments and due to the incorporation of Neoenergia in 2017. All three major segments reported double-digit growth figures. As a result, the gross margin grew by 15.5% from last year's figure.

The Networks business is the largest contributor to the gross margin with EUR 7,641 million, with a reported growth of 12.6%. The segment experienced growth in all of the countries where it operates (Spain +5.3%, United Kingdom +4.1%, United States +0.9%), the biggest contributor being Brazil due to the incorporation of Neoenergia in the third quarter of 2017, which increased its gross margin by 78.8% to EUR 1.530 million. The incorporation of Neoenergia

caused a positive effect of EUR 784 million, reduced by EUR 145 million due to the depreciation of the Brazilian Real against the Euro.

The gross margin in the Renewables business segment increased by 29.4% to EUR 3,611 million. This was the result of positive development in its markets. The growth was primarily generated by positive development in Spain (+34,6%) to EUR 1,580 million and the U.S. (+17,7%) to EUR 644 million, largely due to an increase in production of hydroelectric and wind power. Furthermore, the Deregulated business segment (+10.9%) grew to EUR 4,168 million due to positive performance in all of the countries. Better margins were realized in Spain (+5.3%, up to EUR 2,415 million) and in the U.K (+16.2%, up to EUR 863 million). Sales margins recovered in Mexico (+ 17%, up to EUR 756 million) due to the progress of IPP projects, and in Brazil (+78.7%, up to EUR 134 million) mainly due to the incorporation of Neoenergia. Growth in all three segments was dampened by the negative currency effects of the Brazilian Real, the U.S. Dollar and the Pound Sterling against the Euro.

Table 2: The Development of individual corporate divisions | Source: Consolidated annual accounts of Iberdrola S.A:

Iberdrola S.A. according to individual corporate divisions in 2018				
In million. EUR	Networks business	Renewables business	Deregulated business	Other businesses
Gross Margin	7,641	3,611	4,168	58
EBITDA	4,915	2,445	2,038	29

The good performance of all segments resulted in an increase of EBITDA by 27.7% to EUR 9,349 million. The incorporation of Neoenergia as of September 2017 increased the EBITDA in total by 570 million during the 2018 business year. Negative currency effects decreased the EBITDA by EUR 252 million. Adjusted by these effects, EBITDA increased by 23.4%. The EAT of the Group rose to EUR 3,014 million, an increase of EUR 210 million despite several positive non-recurring events during the 2017 business year that favorably affected net profit in comparison to the same period last year.

Also during the first quarter of 2019 the Group reported growth in all of its segments. The gross margin and EBITDA grew by 17.8% and 11.9% respectively year-on-year to EUR 2,599 million. Net profit also rose by 15.0%. The Networks business segment improved its gross margin by 9.6% mainly due to higher demand and to tariff revisions in Brazil (Coelba and Cosern) which were implemented in May 2018. The Renewable business segment increased its gross margin by 6.6% to EUR 1,007 million despite the decrease of 13.8% in Spain due to lower wind and hydroelectric output. This was offset by good operational performance in the other countries. The Deregulated business segment increased its growth by 7.3% to EUR 1,158 million. The higher gross margin was mainly a result of an increase of 21.4% in Spain due to increased production and income, and as a result of an increase in Mexico due to higher installed capacity, partially offset by the sale of thermal generation assets in the UK in 2018 and a non-recurring effect in Brazil.

The Group updated its investment plan for the period of 2018 - 2022, during which it intends to invest EUR 34,000 million to increase and solidify its regulatory and long-term contracted EBITDA base and to further increase its emissions-free production of electricity. During the 2018 business year the Group invested EUR 5,320 million. During the period 2018 - 2022 the Company plans to allocate approximately 86% of its investments in to regulated or long-term

contracted activities. EUR 16,000 million (47%) is to be invested in Networks, EUR 13.300 million (39%) in Renewables, EUR 3,800 million (11%) in the Deregulated business segment, and EUR 900 million (3%) into the Corporation and Others segment. During the first quarter of 2019 the Group's investments amounted to EUR 1,190 million, of which 86% was invested in the Networks and Renewable business segments which is in line with the Group's strategy.

The Company has projected that its EBITDA will exceed EUR 12,000 million by 2022 and its net profit is projected to range between EUR 3.700 and EUR 3.900 million. The investment plan and the projected dividends for the period until 2022 will be largely funded by its cash flows from operations (82%), 11% by taking up some additional debt, and 7% by asset rotation.

We believe that the Group has developed favorably over the course of the last two years. The Group generated organic growth due to strong operational performance, but also inorganic growth due to the incorporation of Neoenergia S.A. The incorporation of Neoenergia caused the Networks business segment to grow significantly, thereby increasing its regulatory EBITDA base, which is in line with the Group's strategy.

Structural Risk

Iberdrola S.A. is a public limited company under Spanish law and is headquartered in Bilbao, Spain. The Company is listed on the IBEX-35 and the European EURO-Stoxx-50 index under Iberdrola, and is also listed through Avangrid on the New York Stock Exchange. The Group counted 34,078 employees at the end of 2018.

The Group's holding company (Iberdrola S.A.) determines the overall strategy of the Group. These sub-holding companies are mainly organized by the country in which they operate. These (national) sub-holding companies have their own Board of Directors, CEOs and internal auditing processes. Their main task is to implement and to monitor the general policies, strategies and directives ordered by the Group in accordance with the country-specific legislation in which the sub-holding operates. The Group mainly operates in six countries: Spain, Brazil, United Kingdom, United States of America, Mexico and Portugal, through their national sub-holdings which in turn hold the regional operative entities.

The Group's sub-holding Companies are:

- Iberdrola España S.A.U. (100% ownership)
- Scottish Power Ltd. (100% ownership)
- Avangrid Inc. (81,50% ownership)
- Neoenergia S.A. (52,45% ownership)
- Iberdrola México S.A. de C.V. (100% ownership)
- Iberdrola Participaciones S.A.U. (100% ownership)
- Iberdrola energía Internacional S.L.U.(100% ownership)

During the 2017 business year, the Group incorporated Neoenergia S.A. into its scope of consolidation by raising its shareholding to 52.45% from 39%. The Group incorporated all of the activities and assets of ELEKTRO Holding into Neoenergia S.A. Simultaneously, Neoenergia executed a capital increase which was fully subscribed by the Iberdrola Group, thereby raising its shareholding in Neoenergia to 52.45%. Neoenergia is a Brazilian integrated energy company which is active in the distribution, generation, trading and transmission of energy.

The largest shareholders as of 31.12.2018 were Qatar Investment authority (8.65% of direct voting rights), Norges Bank (3.33% of direct voting rights), and Blackrock Inc. (5.13% indirect voting rights).

We consider the structural risk profile of Iberdrola to be stable. The activities of the group are generally guided by regulatory requirements and frameworks. We therefore believe that the fact that the Group has a decentralized corporate governance structure with sub-holding companies at a national level which implement and monitor group level strategies in accordance with the countries' specific legislation and regulatory frameworks is positive. The incorporation of Neoenergia into the Group is in line with its strategy, seeing that the Company is predominantly involved in regulated activities. We do not see any risks that could arise from the Company's corporate structure.

Business Risks

The Company operates in the energy industry, and its main activities are the production of electricity from both renewable and conventional energy sources, the sale and purchase of electricity and gas in wholesale markets, the transmission and distribution of electricity, retailing of electricity and gas, as well as related activities, mainly in the energy sector. The Group divided its activities into four different business segments: Network business, Deregulated business, Renewable business, and Other businesses, which includes non-power businesses.

In the Networks business segment the Company operates in Brazil, the United Kingdom, the United States of America and Spain. The Group's activities comprise the distribution and transmission of mainly electricity and the distribution of gas in the United States. The Networks business is regulated by regulatory cycles which determine the tariffs for the distribution and transmission of energy and gas. The duration and conditions of all regulatory cycles differ per country, which reduces the risk of regulatory changes in the framework. The average duration of regulatory cycles amounts to 5.5 years.

The Renewables segment had a capacity of 29,177 MW (2017: 29,113 MW) as of 31.12.2018, of which 16,215 MW was wind-energy (56%, onshore and offshore), 12,555 MW hydroelectric (43%), and 406 MW (1%) solar and other renewable energy sources. The existing installed renewable capacity is geographically diversified. The majority of electricity from renewable sources is sold through long-term contracts (PPA's – Power Purchase Agreements) where volumes and prices are agreed upon for longer periods of time, thereby reducing market price and volume risk.

As of 31.12.2018, the Deregulated business segment had an installed capacity of 18,271 MW (2017: 19,334 MW), of which 12,885 MW (71%) was gas combined cycle, 3,177 MW (17%) nuclear power, 1,335 MW (7%) from cogeneration, and 874 MW (5%) from coal. The Deregulated business is, in contrast to the Renewables and Networks business segments, more exposed to general market conditions (volume and price risks) and commodity risks (coal, nuclear fuel etc.) The reduction of 1,814 MW is mainly due to the sale of the UK asset Drax representing 2,000 MW.

The Group generates 86% of its EBITDA from regulatory activities or long-term contracts (PPA's), which significantly reduces its exposure to general market conditions such as price and volume risks. Additionally, the Group's EBITDA is well-diversified both geographically and by its activities. Iberdrola generates approximately 38% of its EBITDA in Spain, 19% in the UK, 21% in

the US, 13% in Brazil and 8% in Mexico, which reduces its exposure to regulatory changes. During the 2018 business year the Group generated adj. EBITDA of EUR 9,094 million, of which EUR 4,915 million was generated by the Network business and EUR 2,445 million by the Renewables business. As of 31.12.2018 the Group had 44,104 MW installed generation capacity, of which 68.2% was emission-free energy, while operating at a very low variable cost.

According to a peer comparison published by PWC France in December 2018, the Group has one of the lowest CO₂ emissions per MWh in the industry. According to Iberdrola's updated 2018 - 2022 business plan, the majority (86%) of the scheduled capex will be allocated to Networks and Renewables, thereby further reducing its output of CO₂ per MWh.

In the event of a hard Brexit, the United Kingdom would leave the European Union without an agreement and it would become subject to cross-border WTO regulations. What the exact long-term implications will be for Britain and Iberdrola remains unclear until there is a final decision. To prepare for these events, IBERDROLA has implemented a number of measures, and monitors the ongoing developments with regard to Brexit. According to the plan update of Iberdrola, a hard Brexit would have no direct or immediate material impact on its updated investment plan 2019 - 2022. The currency translation risks caused by Brexit have already been hedged for 2019.

We assess Iberdrola's business risk profile as low to moderate; the main reason for this is its high proportion of EBITDA generated by regulated business activities and through long term contracts, which reduces the exposure to general market risks significantly. Having a high degree of regulatory activities, however, exposes Iberdrola to political and regulatory changes which could adversely affect the Group. The risk profile of the Group is also increased due to its relatively high percentage of activities in emerging economies. The Group's EBITDA and asset base are geographically well-diversified, thus mitigating the potential impact of these risk factors. The Group is well-positioned in its energy mix, with one of the lowest CO₂ output per unit of MWh, thereby lowering the risks of being required to modernize its entire energy mix in order to comply with regulations.

Financial risks

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from equity only by 50%, suggesting a certain recoverability of goodwill. The following descriptions and indicators are based primarily on these adjustments.

The group has a solid adjusted equity ratio of 43.53% (2017:42.90%). The inherently high capital intensity of its assets (84.97%) is customary in the industry. Due to the Group's high capital intensity, ongoing capital expenditure is required. For the period of 2018 - 2022 the Group foresees to invest EUR 6,800 million on average per year.

The Group has a solid financing structure with a well-diversified maturity and currency profile. The Group strives to ensure funding of the business in the currency of the countries where it operates. This method of natural hedging reduces its exposure to currency risks. As of 31.12.2018, the Group's financial debt amounted to EUR 37,327 million (2017: EUR 36,690 million). The Group has a well-diversified maturity profile. During the 2019 financial year, EUR 6,575 million will reach maturity, EUR 15,949 million will mature between 2020 and 2023, and EUR 14.803 million will mature in 2024 or later. 28% of the outstanding debt of the Group

currently has a subordinated status. The Group aligned its debt maturity profile with an average of 6 years to the regulatory cycles which have an average cycle of 5.5 years, to be able to react timely to any possible changes in the market.

The Group has strong cash flow generation with a positive cash flow after investments of EUR 1,536 million (2017: EUR 493 million), which demonstrates the Company's capability to finance its investments through its operating business. The Group's investment plan of EUR 34,000 million 2018-2022 is planned to be mainly financed from funds from operations (82%), 7% of the investment plan will be funded through asset rotation, and 11% through an additional debt. Though the plan seems plausible, we cannot rule out a higher-than-anticipated increase in debt which could have an adverse effect on the key financial figures. Moreover, the Group disposed over cash and cash equivalents of EUR 2,801 million and undrawn credit facilities of EUR 10,211 million as of 31.12.2018. At the end of the first quarter of the Group's 2019 business year, the Group had liquidity headroom of EUR 14,220 million, covering the Group's financing needs for the next 18 months.

We believe the financial risk profile of the Group to be sound. This assessment is based on Iberdrola's solid assets and financing structure, and its strong cash-generation capacity. The Company's financial needs for ongoing operations and the envisaged investments according to the capex plan until 2022 can be largely covered from its operating cash flow. Iberdrola's debt maturity profile is well distributed; the Company has enough undrawn credit facilities and liquidity reserves, making liquidity problems unlikely in the short- to mid-term.

Issue Rating

In addition to the rating of Iberdrola S.A. the following issuers and their issues (see below), have been rated.

- Iberdrola International B.V.
- Iberdrola Finanzas S.A.U
- Iberdrola Finance Ireland DAC
- Long-Term Local Currency Senior Unsecured issues by Iberdrola International B.V. and Iberdrola Finanzas S.A.U.
- Long term local currency senior unsecured issues by Iberdrola Finance Ireland DAC

Issuer Rating of Iberdrola International B.V.

Iberdrola International B.V. is a company with limited liability under the laws of the Netherlands and was incorporated in 1992. The company is wholly owned by Iberdrola S.A. and its financial statements are fully consolidated in the financial statements of the Group. The issuer's principal activity is the provision of treasury services to the Iberdrola Group. The parent company issued an unconditional and irrevocable guarantee on a full-recourse basis with respect to its obligations arising out of the outstanding bonds. The corporate issuer rating of Iberdrola International B.V. is therefore equal to the rating of Iberdrola S.A. The rating result is **BBB+** with **stable** outlook.

Issuer Rating of Iberdrola Finanzas S.A.U.

Iberdrola Finanzas S.A.U. is a company operating under Spanish law and was incorporated in 2005. The company is wholly owned by Iberdrola S.A. and its financial statements are fully consolidated in the financial statements of the Group. The issuer's principal activity is the issuance of preferential shares and other marketable debt instruments in Spanish and foreign organised and secondary markets. Iberdrola S.A. has guaranteed all existing bond issuances amounting to EUR 6.659 million (as of 31.12.2017). Since the guaranteed bond issuances represent all issued debt, the rating of Iberdrola Finanzas S.A.U. is set equal to the rating of Iberdrola S.A. The rating result is therefore **BBB+** with **stable** outlook.

Issuer Rating of Iberdrola Finance Ireland DAC

Iberdrola Finance Ireland DAC is an Irish registered company and was incorporated in 2008. The company is wholly owned by Iberdrola S.A. and its financial statements are fully consolidated in the financial statements of the Group. The issuer's principal activity is to raise financing for the Group by way of debt securities issuances. All the notes issued by Iberdrola Finance Ireland DAC are guaranteed by Iberdrola S.A. The guarantee on the notes by Iberdrola S.A. leaves no net credit risk for the issuer. The corporate issuer rating of Iberdrola Finance Ireland DAC is therefore set equal to the rating of Iberdrola S.A. The rating result is therefore **BBB+** with **stable** outlook.

Issue Rating of the Long Term Local Currency Senior Unsecured Issues by Iberdrola International B.V. and Iberdrola Finanzas S.A.U.

This issue rating is exclusively valid for the long-term senior unsecured issues denominated in euros, issued by Iberdrola International B.V. and Iberdrola Finanzas S.A.U. and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The Notes have been issued within the framework of Iberdrolas S.A.'s EMTN-Program, most recently renewed in August 2018. The issuers in the framework of this program are both Iberdrola International B.V. and Iberdrola Finanzas S.A.U. The total nominal value of the bonds issued must not exceed EUR 20,000 million.

According to the prospectus as of August 2018, the notes benefit from a negative pledge provision, and a cross default clause. A change of control clause is optional in the final terms of the notes. We have assigned the long-term senior unsecured issues issued by Iberdrola International B.V. and Iberdrola Finanzas S.A.U. a rating of **BBB+** with **stable** outlook. This decision is mainly based on the corporate rating of Iberdrola S.A. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Issue Rating of the Long-Term Local Currency Senior Unsecured Issues by Iberdrola Finance Ireland DAC

This issue rating is exclusively valid for the long-term senior unsecured issues denominated in euros, issued by Iberdrola Finance Ireland DAC and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued within the framework of Iberdrola's Global Medium Term Note Program. The last prospectus dates from 29 July 2015 and is currently not valid anymore. The maximum amount issued under this program cannot exceed EUR 1.500 thousand; the issuer in the context of this program is Iberdrola Finance Ireland DAC.

According to the last prospectus, dating from 29 July 2015, the notes benefit from a negative pledge provision and a cross default clause. We have assigned the long-term senior unsecured notes issued by Iberdrola Finance Ireland DAC a rating of **BBB+** with **stable** outlook. This decision is mainly based on the corporate rating of Iberdrola S.A.. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information please consult the website of Creditreform Rating AG.

Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating objects	Detailed Information	
	Date	Rating
Iberdrola S.A.	03.05.2019	BBB+ / stable
Iberdrola International B.V.	03.05.2019	BBB+ / stable
Iberdrola Finanzas S.A.U.	03.05.2019	BBB+ / stable
Iberdrola Finance Ireland DAC	03.05.2019	BBB+ / stable
Long-Term-Local-Currency Senior Unsecured Issues issued by Iberdrola International B.V. and Iberdrolas Finanzas S.A.U.	03.05.2019	BBB+ / stable
Long-Term-Local-Currency Senior Unsecured Issues, issued by Iberdrola Finance Ireland DAC	03.05.2019	BBB+ / stable
Other	--	n.r.

Table 4: overview of Iberdrola International B.V. and Iberdrola Finanzas S.A.U.'s EMTN Program | Source: Iberdrola S.A.

Issue Details			
Volume	EUR 20.000.000.000	Maturity	Depending on the respective bond
Issuer	Iberdrola International B.V. Iberdrola Finanzas S.A.U.	Coupon	Depending on the respective bond
Arrangers	Barclays	Currency	Depending on the respective bond
Credit Enhancement	Unconditional and irrevocable guarantee by Iberdrola S.A.	ISIN	Depending on the respective bond

Table 5: overview of Iberdrola Finance Ireland's GMTN Program | Source: Iberdrola S.A.

Issue Details			
Volume	EUR 1.500.000.000	Maturity	Depending on the respective bond
Issuer	Iberdrola Finance Ireland DAC.	Coupon	Depending on the respective bond
Arrangers	Santander Global Banking & Markets	Currency	Depending on the respective bond
Credit Enhancement	Unconditional and irrevocable guarantee by Iberdrola S.A.	ISIN	Depending on the respective bond

All future LT LC senior unsecured Notes that will be issued by Iberdrola International B.V., Iberdrola Finanzas S.A.U. or Iberdrola Finance Ireland DAC under the current Guaranteed EMTN and GMTN program, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN and GMTN program. Notes issued under the program in any currency other than Euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Financial ratio analysis

Table 6: Financial key ratios | Source: Iberdrola S.A. consolidated annual report 2018, structured by CRA

Asset Structure	2015	2016	2017	2018
Fixed asset intensity (%)	86.90	86.74	84.98	84.97
Asset turnover	0.37	0.31	0.32	0.35
Asset coverage ratio (%)	65.55	66.29	66.20	65.09
Liquid funds to total assets (%)	1.24	1.50	3.16	2.70
Capital Structure				
Equity ratio (%)	44.75	44.31	42.90	43.53
Short-term-debt ratio (%)	22.44	21.53	21.30	15.55
Long-term-debt ratio (%)	12.21	13.19	13.36	11.77
Capital lock-up period (in days)	62.33	67.36	60.93	56.49
Trade-accounts-payable ratio (%)	5.73	5.55	5.15	5.24
Short-term capital lock-up (%)	26.86	28.25	34.06	28.55
Gearing	1.21	1.22	1.26	1.24
Leverage	2.37	2.25	2.29	2.31
Financial Stability				
Cash flow margin (%)	18.75	20.33	25.18	19.34
Cash flow ROI (%)	6.39	6.24	7.92	6.67
Debt / EBITDA adj.	7.07	6.60	8.15	6.44
Net Debt / EBITDA adj.	6.91	6.43	7.70	6.14
ROCE (%)	6.63	8.29	4.52	9.00
Debt repayment period	2.33	8.04	6.35	6.75
Profitability				
Gross profit margin (%)	42.46	46.92	44.68	45.88
EBIT interest coverage	2.63	2.50	2.12	3.29
EBITDA interest coverage	5.05	4.17	5.27	5.51
Ratio of personnel costs to total costs (%)	7.61	8.07	8.71	7.50
Ratio of material costs to total costs (%)	58.20	53.98	56.17	54.96
Cost income ratio (%)	89.53	85.44	92.73	86.77
Ratio of interest expenses to debt (%)	2.85	3.65	2.42	2.82
Return on investment (%)	3.64	4.05	4.03	4.33
Return on equity (%)	6.72	6.75	7.39	7.53
Net profit margin (%)	7.71	9.70	9.95	9.34
Operating margin (%)	12.13	16.57	9.33	15.22
Liquidity				
Cash ratio (%)	5.49	6.96	14.81	17.38
Quick ratio (%)	40.63	43.36	53.91	67.81
Current ratio (%)	58.35	61.60	70.52	96.69

Appendix

Rating history

The rating history is available under <https://www.creditreform-rating.de/de/ratings/published-ratings/>

Table 7: Corporate issuer Rating of Iberdrola S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	03.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 8: Corporate issuer Rating of Iberdrola International B.V.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	03.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 9: Corporate Issuer Rating of Iberdrola Finanzas S.A.U.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	03.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 10: LT LC Senior Unsecured issues issued by Iberdrola International B.V. and Iberdrola Finanzas S.A.U

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	03.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 11: LT LC Senior Unsecured issues issued by Iberdrola Finance Ireland DAC

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	03.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Regulatory requirements

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the Issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the Issuer, the basis prospectuses, and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology and the "Corporate Issuer Rating" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page: www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Rudger van Mook (r.vanmook@creditreform-rating.de) and Elena Alexeenco (e.alexenco@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 03 May 2019. The Company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to non-rated (n.r.).

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This report exists in an English version only. This is the only binding version.

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No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

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The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our 'Rating Committee' policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

Corporate Issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate Issue rating:

1. Issuer corporate rating incl. information used for the Issuer corporate rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

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