Outlook 2018 – 2022 Update

London

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Ignacio Galán
Chairman & CEO

IBERDROLA

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Strategic Overview

A new energy context

#1 Industry Trends

#2 Energy Transition

#3 Iberdrola's Approach

#Business Units → #Strategic Pillars → #Value Creation

SUSTAINABLE DEVELOPMENT GOALS

#1 Industry Trends

The World faces the need for...

1 **…Decarbonisation**

Climate change and **air pollution** lead to severe **impacts** on **ecosystems, infrastructure** and **social systems**

+30% emissions to 2040 under current policies scenario[1]

2 **…More Energy**

Population growth, increased **urbanisation** and extension of power **supply**

+30% energy demand by 2040 (NPS)[1]

3 **…Optimised Processes**

Increased competitiveness and complexity requires enhanced **efficiency** and an **agile** culture

Global corporate spending on energy R&D USD 88 Bn (2017)[2]

4 **…A New Customer Approach**

A more **informed and pro-active** customer with **new habits and behaviour** and **smarter tools**

Internet of Things devices worldwide to grow from ~27 Bn in 2017 to 125 Bn in 2030[3]

…requiring a new and sustainable model

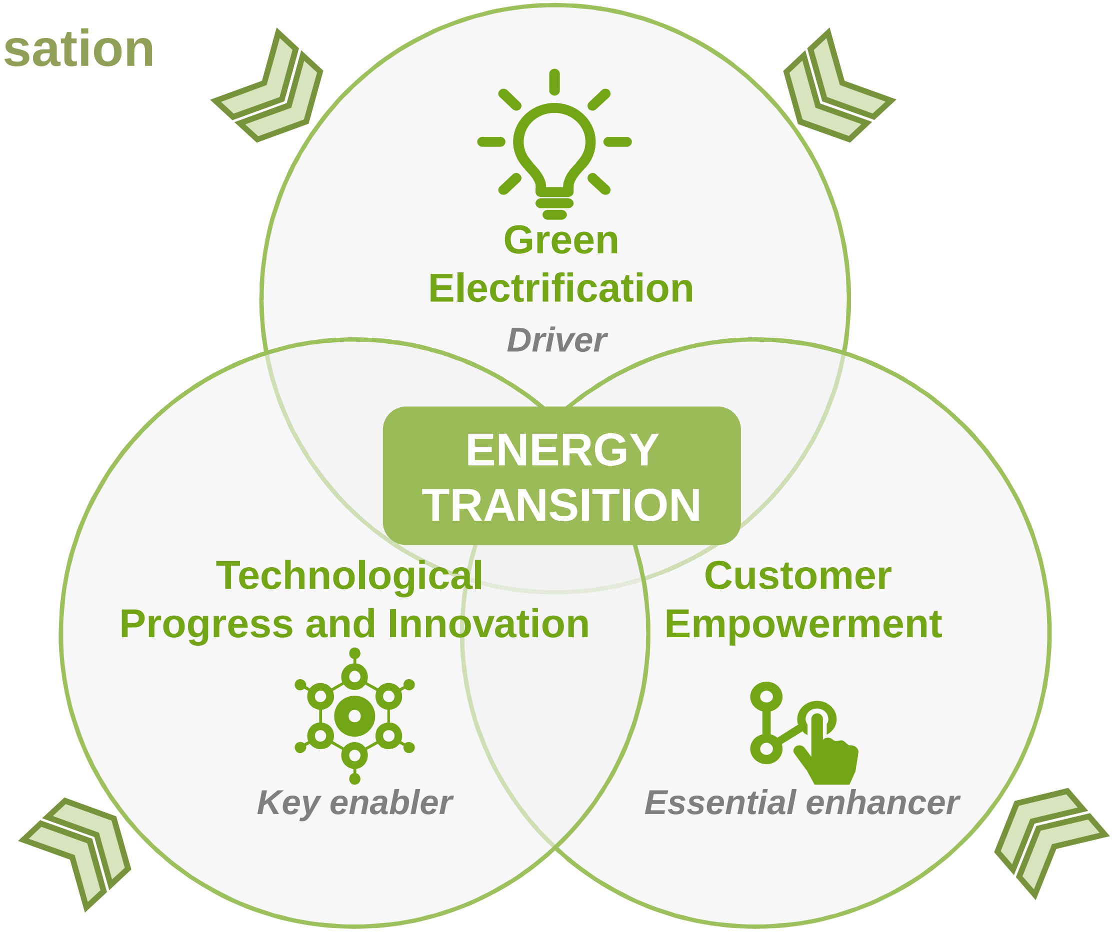
[1] IAE: WEO 2018, New Policies Scenario (NPS)
[2] IAE: World Energy Investment 2018
[3] IHS Markit: The Internet of Things: A movement, not a market (2017)

#2 Energy Transition

A clean, reliable and smart model

1 Decarbonisation

2 More Energy



3 Optimised Processes

4 A New Customer Approach

#2 Energy Transition

Green Electrification

Driver

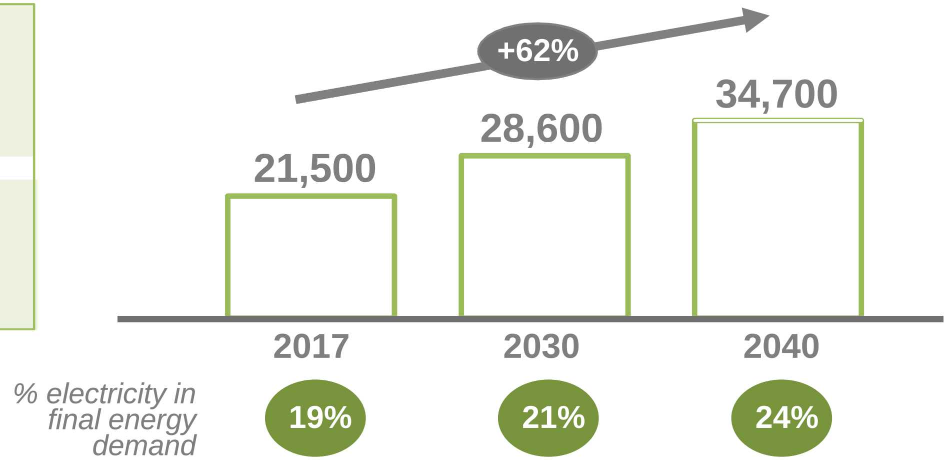
Increased GREEN ELECTRIFICATION based on…

- …more and better ENERGY POLICIES
- …enhanced PRIVATE INITIATIVES
- …sophisticated GREEN FINANCING tools (i.e. TFCD)
- …stronger PUBLIC AWARENESS
- …improved AUDITING & TRACEABILITY mechanisms

2018 - 2040	*Renewable generation growth: +164%, Total electricity demand increase: +62%[1]*
	USD 16,300 Bn investments in Renewables & Networks[1]

World electrification[1]

Electricity demand, TWh



…to support the upcoming global electricity demand growth

[1] IEA: World Energy Outlook 2018, New Policies Scenario (NPS)

#2 Energy Transition

Technological Progress and Innovation

Key enabler

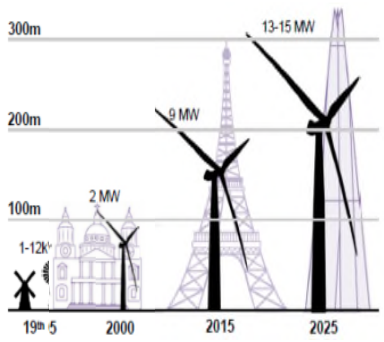
TECHNOLOGICAL PROGRESS & INNOVATION allow…

…a continuous COST REDUCTION in green technologies

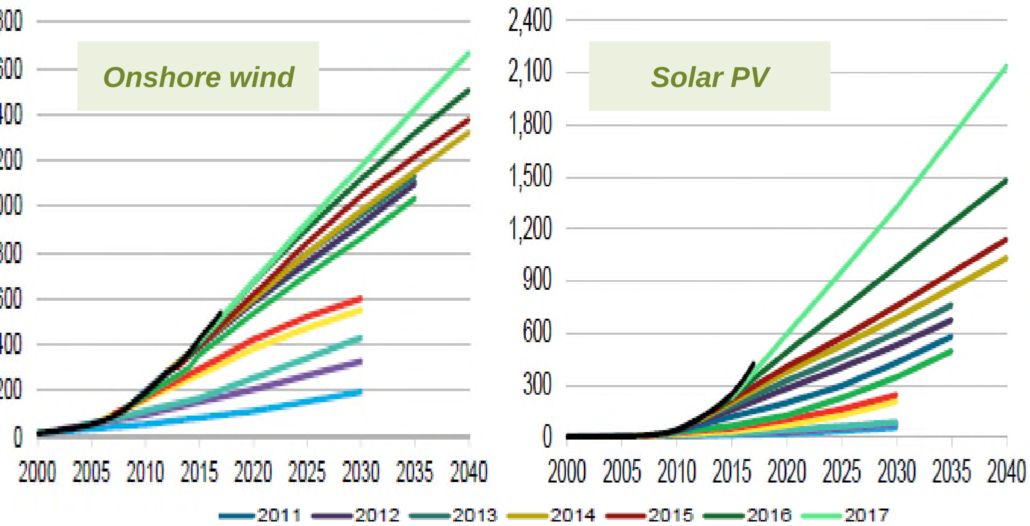
…developing enhanced CAPABILITIES

…reaching improved ACCESIBILITY

Wind turbine size



Global cumulative capacity forecasts (installed GW)[1]



Solar PV evolution

Bi-facial PV solar panels: ***up to 25% yield***

…estimates to be consistently exceeded and recalculated

[1] *IEA: World Energy Outlook 2018, New Policies Scenario (NPS)*

#2 Energy Transition

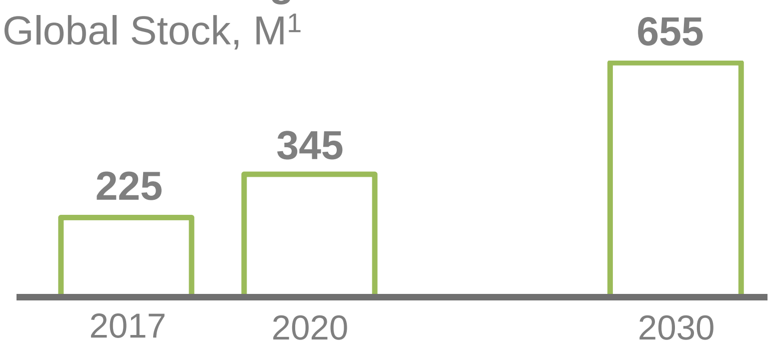
Customer Empowerment

Essential enhancer

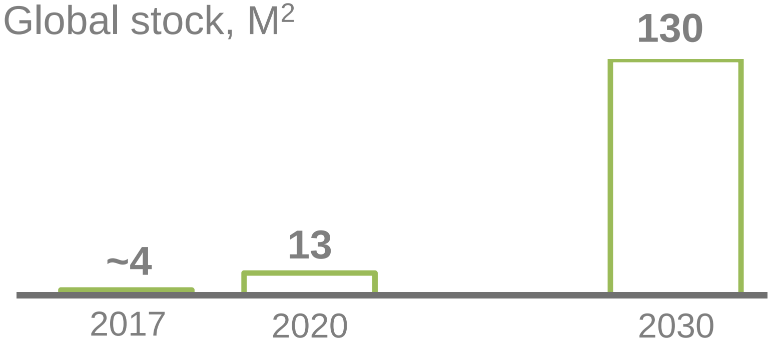
CUSTOMER EMPOWERMENT focused on…

- …new PRODUCTS & SERVICES
- …evolved RESPONSIBLE CONSUMPTION habits
- …increased CUSTOMISED energy demand
- …a growing PROSUMER approach

Smart Meters growth
Global Stock, M[1]



Electric Vehicle growth
Global stock, M[2]

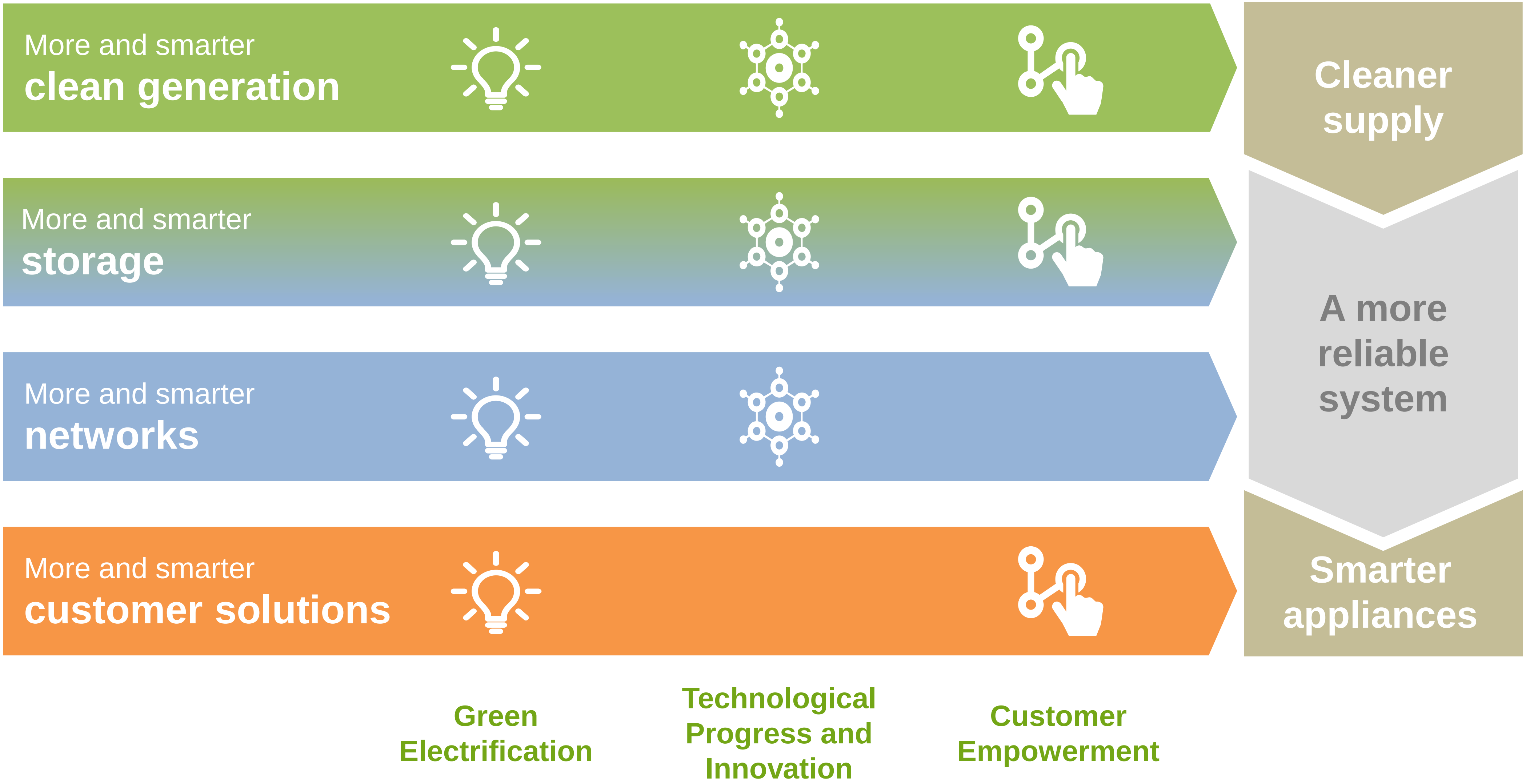


…making forecasts to be exceeded in the future

[1] *BNEF. Includes only Europe, US and Latin America*
[2] *IAE: Global Electric Vehicle Outlook 2018, New Policies Scenario (NPS)*

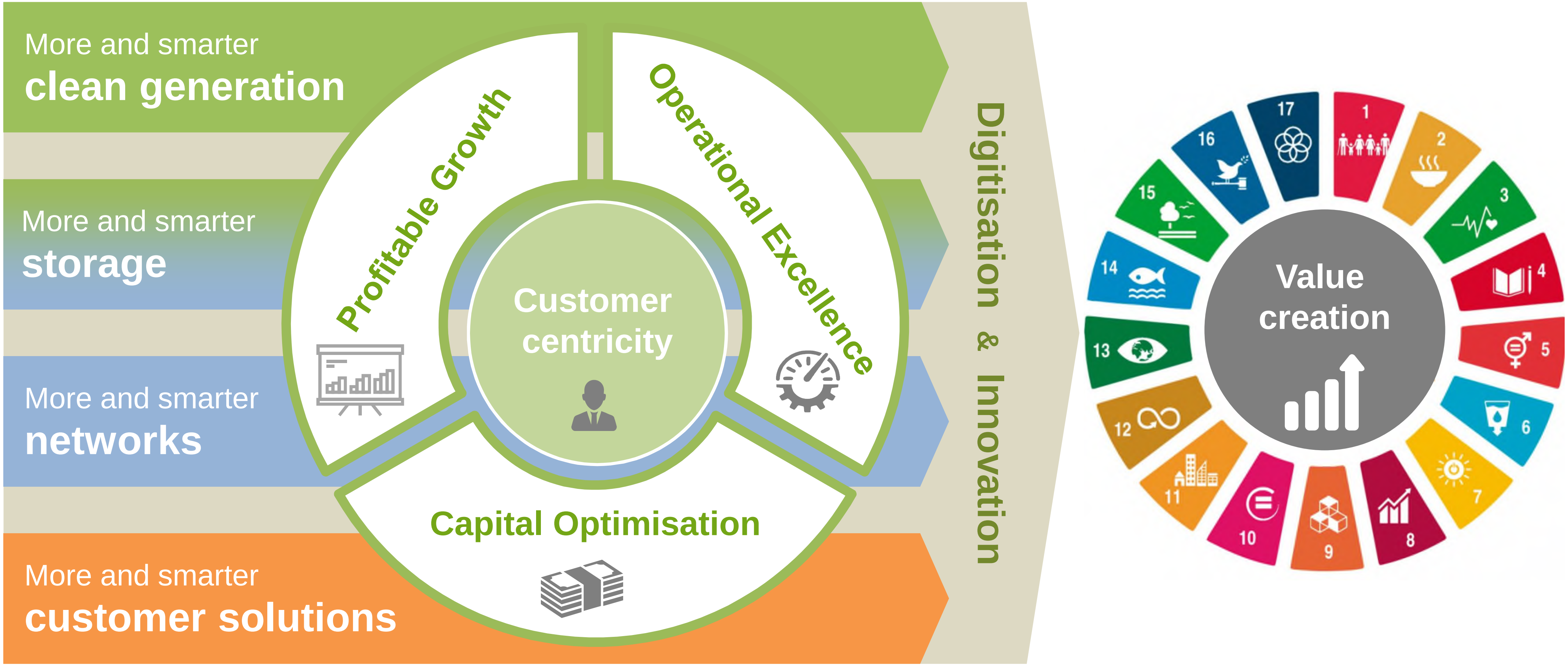
#3 Iberdrola's Approach

The Energy Transition is an opportunity Iberdrola is ready to continue seizing in all its businesses



#3 Iberdrola's Approach

Our strategic pillars, combined with digitisation and innovation...



...will continue delivering sustained value creation for all our stakeholders

Outlook 2018-2022 Update

Accelerating the delivery of the 2018-2022 plan: ahead of the initial schedule

7.5% Growth in Net Profit to EUR 3,014 M ✓

EUR 9,349 M EBITDA (+27.7%) ✓

EFFICIENCY improvement (>10%) ✓

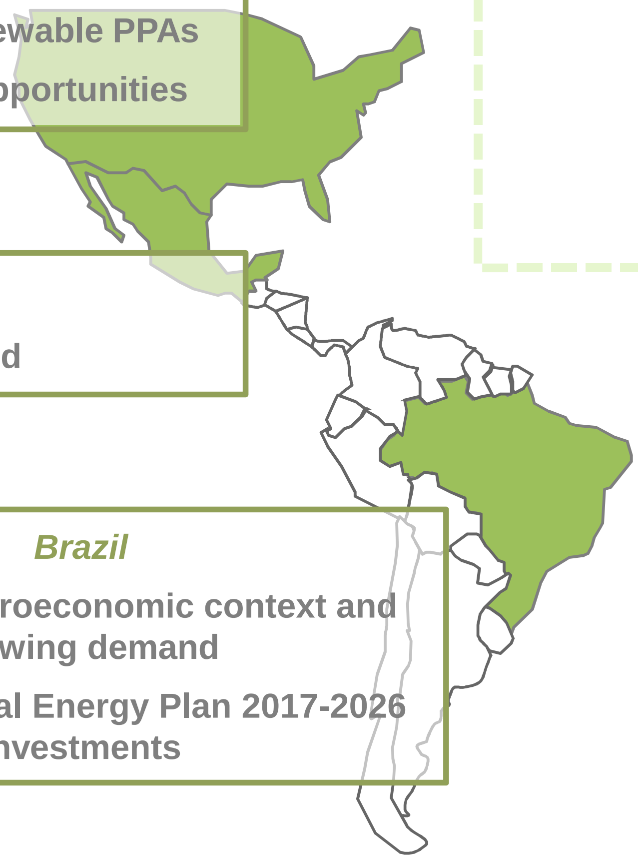
EUR 5,320 M INVESTMENTS ✓

7.7% growth in shareholder remuneration[1] ✓

[1] Subject to approval at Annual General Meeting (AGM)

Context update

New opportunities and challenges arise in the current context



United States

Offshore wind State objectives

Networks resiliency plans and rate plans

Corporate appetite for renewable PPAs

Transmission networks opportunities

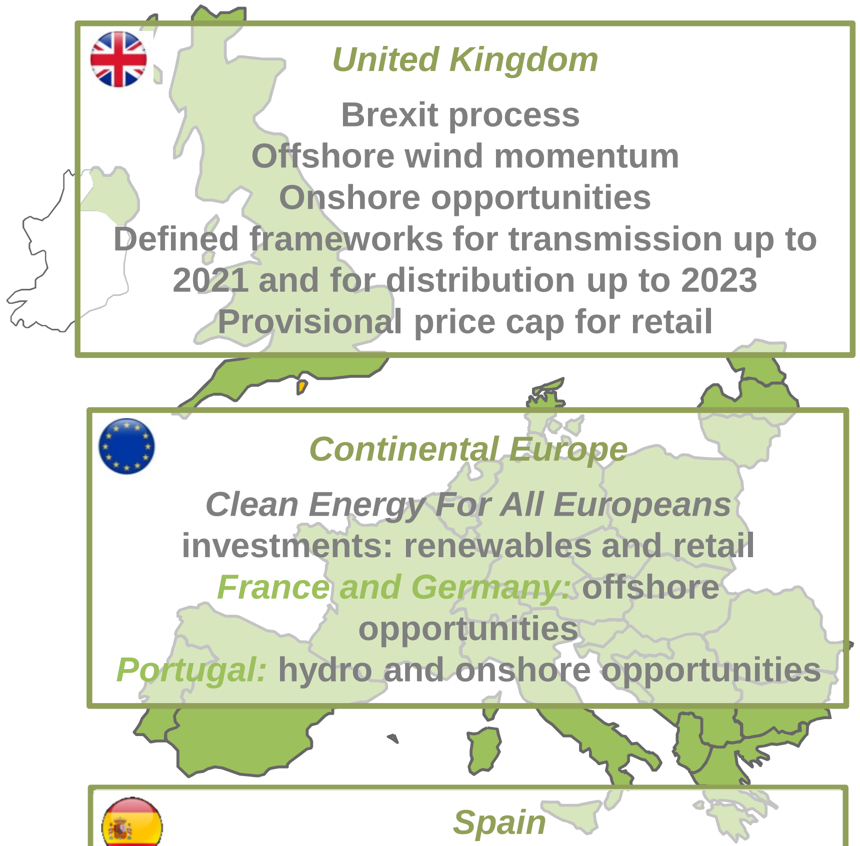
Mexico

Growing demand

Brazil

Improved macroeconomic context and growing demand

10-year National Energy Plan 2017-2026 investments



United Kingdom

Brexit process
Offshore wind momentum
Onshore opportunities
Defined frameworks for transmission up to 2021 and for distribution up to 2023
Provisional price cap for retail

Continental Europe

Clean Energy For All Europeans investments: renewables and retail
France and Germany: offshore opportunities
Portugal: hydro and onshore opportunities

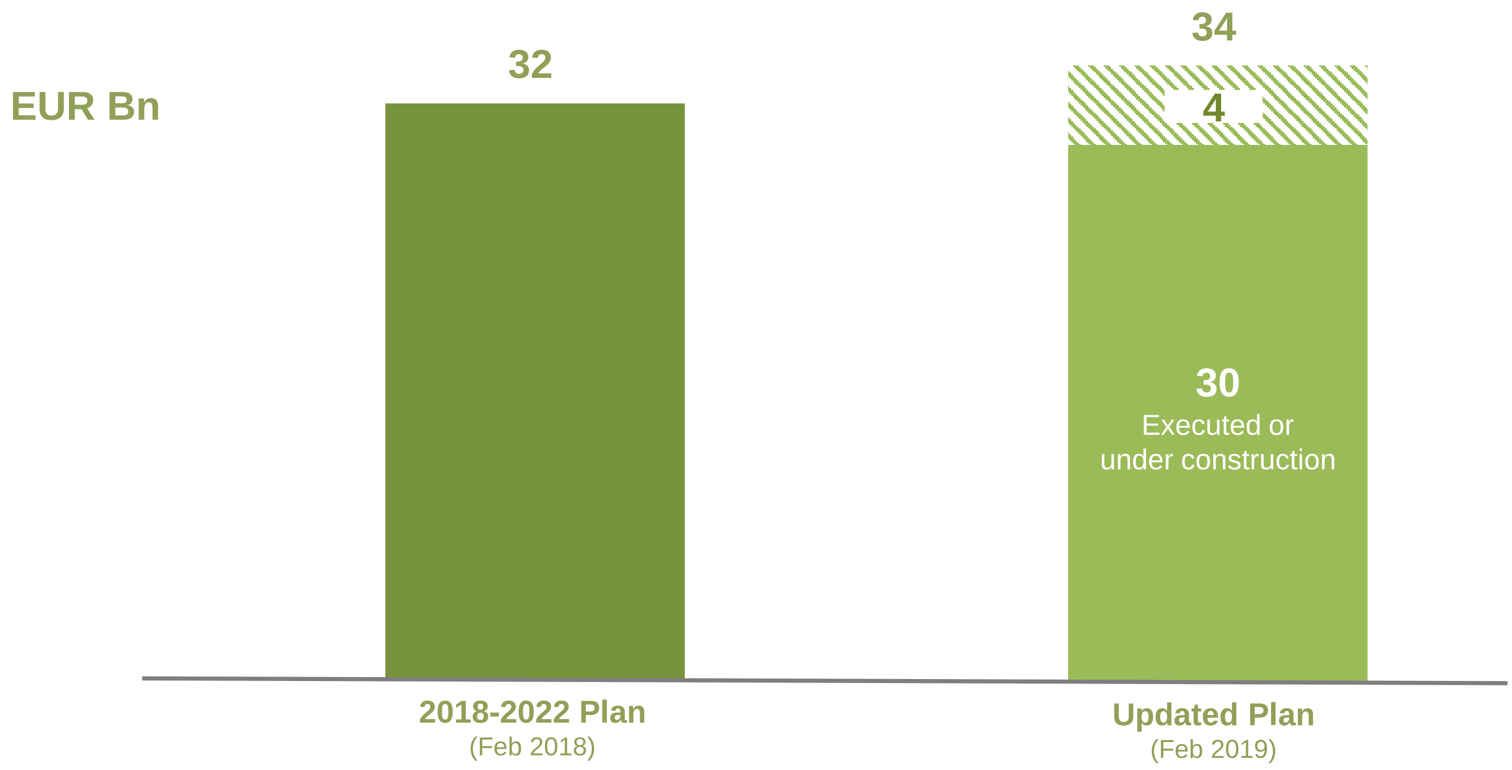
Spain

National Integrated Energy and Climate Plan 2021 – 2030 investments
Renewables opportunities
More clarity about future of traditional energy sources

Investments 2018 – 2022

Profitable Growth

Accelerating investments to reach EUR 34 Bn, with EUR 30 Bn already executed or under construction

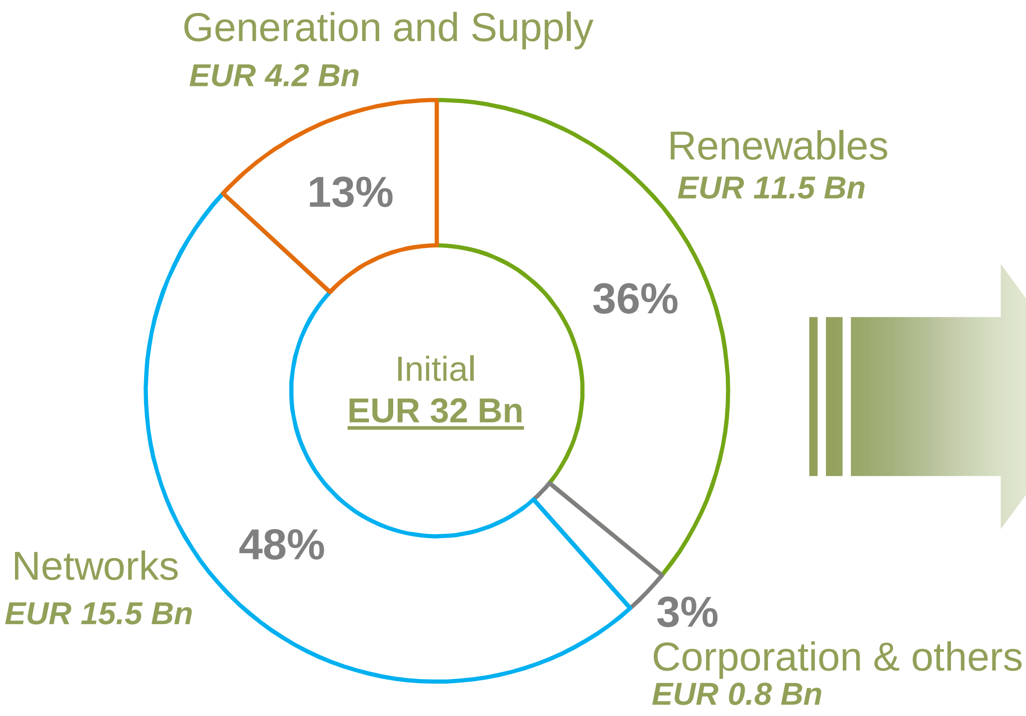


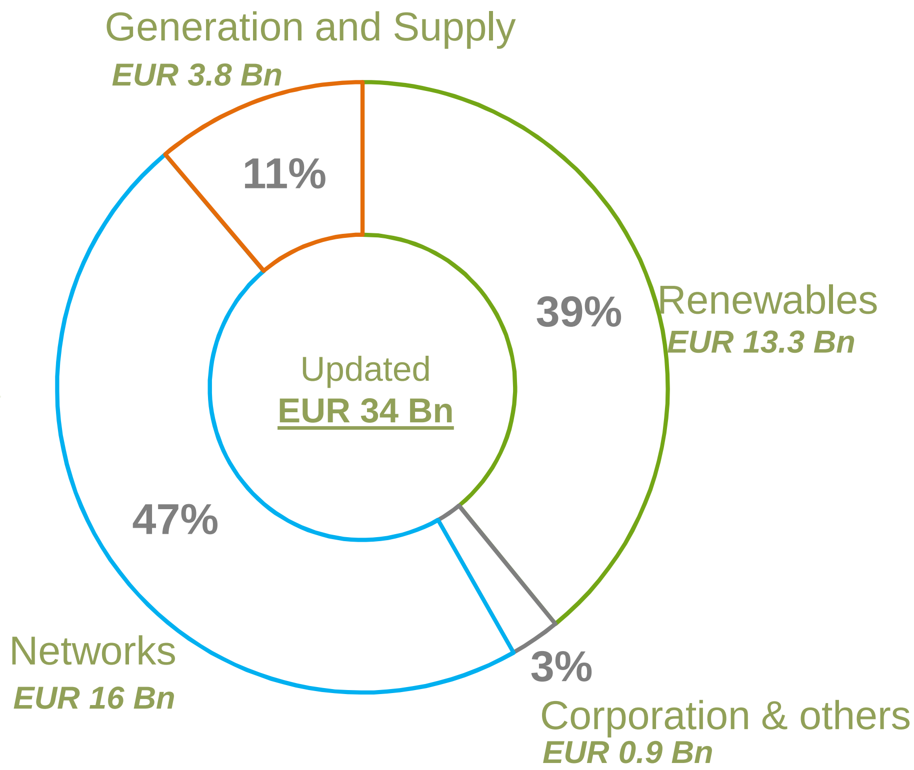
Investments 2018 – 2022: investments by business

Profitable Growth

Increasing the investments in regulated or long-term contracted activities, up to 86%...

Initial **EUR 32 Bn** Plan	Updated **EUR 34 Bn** Plan





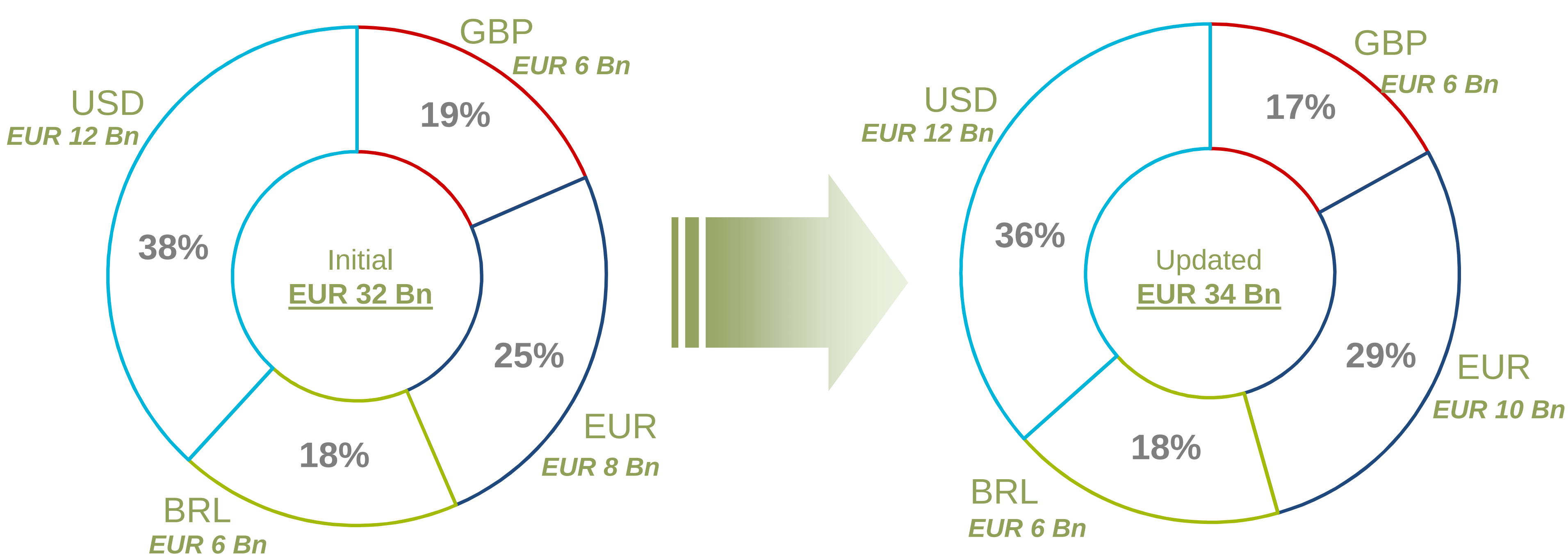
...due to new opportunities in Renewables or Networks in most of geographies

Investments 2018 – 2022: investments by currency

Profitable Growth

Maintaining currency diversification…

Initial **EUR 32 Bn** Plan	Updated **EUR 34 Bn** Plan



…with a slight increase in the Euro share and decrease of British Pounds

Investments 2018 – 2022: Networks assets

Profitable Growth

98% of EUR 16 Bn investments in networks in progress, based on existing regulatory schemes, increasing networks assets by 34%...

Networks investments driven by regulatory schemes

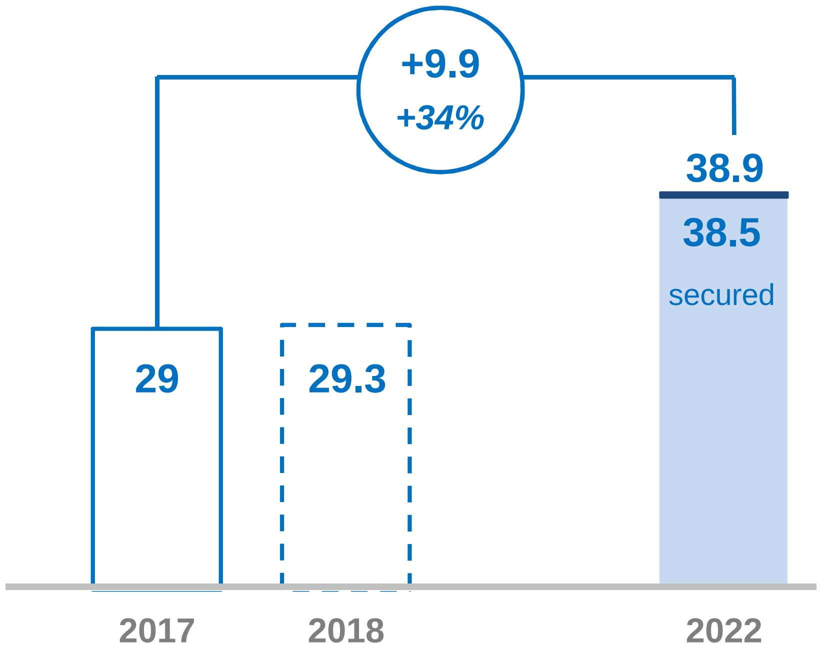
- Distribution – New York & Connecticut: up to 2019
- Distribution – Maine: up to fourth quarter 2020*
- Transmission Maine and Connecticut: FERC regulated
- NECEC transmission: COD December 2022
- Gas - Connecticut: up to 2020 (SCG) and up to 2021 (CNG)
- Gas – Massachusetts: up to 2021

- Sao Paulo: up to 2019
- Pernambuco: up to 2021
- Bahía: up to 2023
- Rio Grande do Norte: up to 2023
- Transmission lines: from 2018 to 2048

- Transmission RIIO T1: up to 2021
- Distribution RIIO ED1: up to 2023

- Distribution: up to 2020

Total Regulated Networks Assets (EUR Bn)



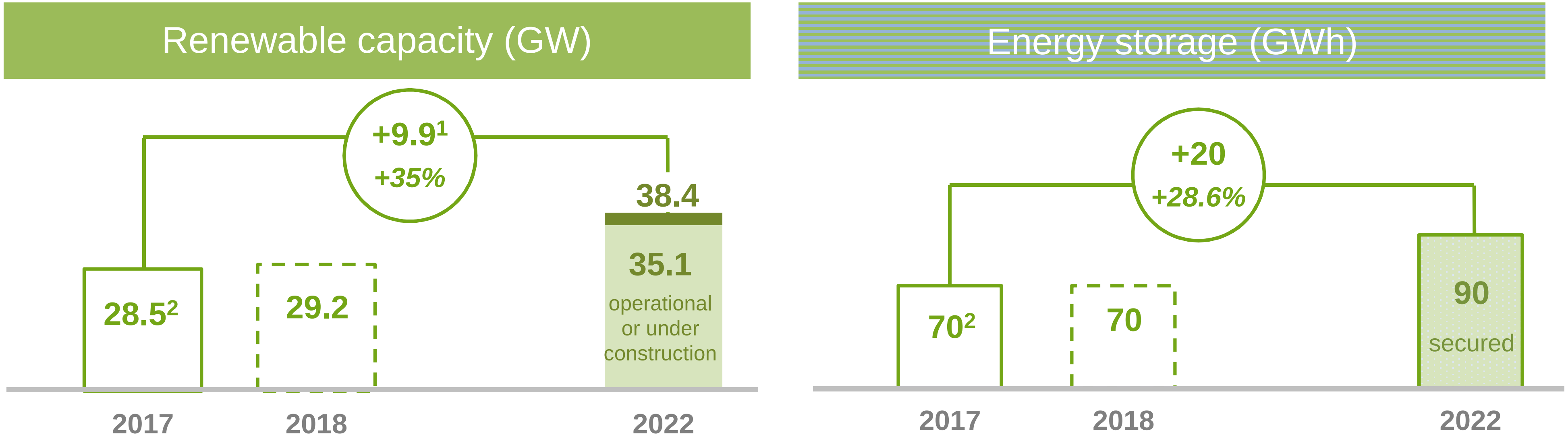
...with capital in progress mostly in the US and the UK, to reach EUR 3.7 Bn by the end of 2022 (vs EUR 2.1 Bn by the end of 2017)

*Pending approval

Investments 2018 – 2022: Renewable capacity

Profitable Growth

EUR 13.3 Bn of renewable investments: 70% executed or under construction to add +6.6 GW of capacity and +20 GWh of energy storage...



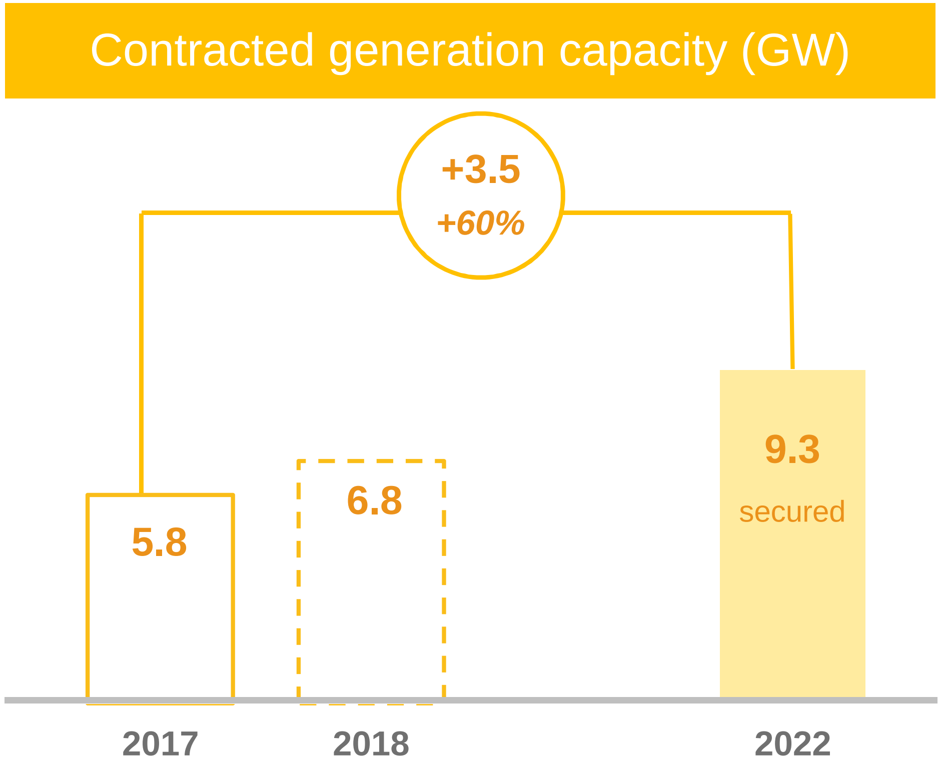
…and remaining 30% for +3.3 GW identified projects in Spain, the UK and the US during the plan. EUR 5.3 Bn capital in progress end of 2022

[1] Including 670 MW of Belo Monte which consolidate through equity
[2] Excluding pumped-hydro divestment in the UK (566 MW)

Investments 2018 – 2022: Contracted generation capacity

Profitable Growth

Also in contracted generation, 100% of the EUR 3.8 Bn investments in progress…



…representing +3.5 GW by 2022

Investments 2018 – 2022: Generation capacity

Profitable Growth

As a result, over 13 GW in progress will raise installed capacity by 39% during the plan…

Commissioning date

	Capacity in progress (MW)	2018 - 2019	2020	2021	2022	New capacity 2018 - 2022	Additional Projects
Renewables	Offshore	490	224			1,514	+3.3 GW to be operational by 2022
				400	400		
	Onshore	1,049	263			2,548	
		326	202				
		155	66				
					471		
			16				
	Solar PV	10				628	
		227					
		274	117				
	Hydro	612	306			1,916	
				998			
Combined Cycle & Cogeneration		2,729	779			3,508	
		5,871	1,973	1,398	871	10,113	13,413

…and capital in progress, mainly from offshore wind and hydro projects, to reach EUR 5.3 Bn by the end of 2022 (vs EUR 5.1 Bn by the end of 2017)

Capital Optimisation

Capital Optimisation

EUR 3.5 Bn of capital optimisation through asset rotation

Capital Optimisation

✓ 2018

EUR 1.2 Bn

- UK Conventional Generation: EUR 0.7 Bn
- Other non-core Spain: EUR 0.3 Bn
- US Gas Business: EUR 0.2 Bn

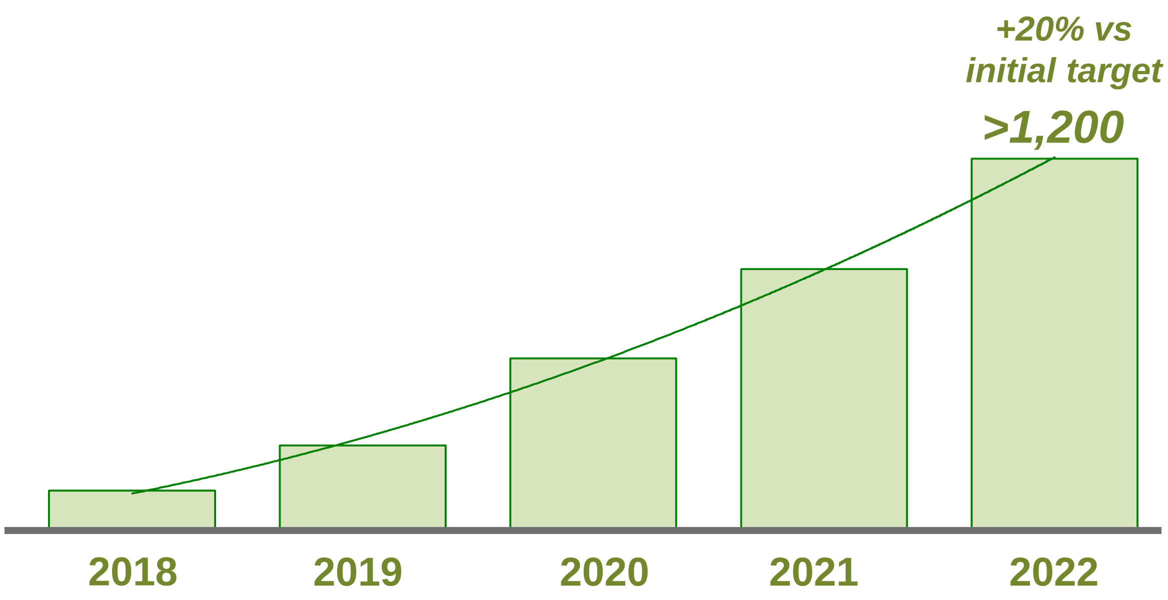
2019 - 2022

EUR 2.3 Bn

Operational Excellence

Measures executed and in progress will lead to an improvement of the initial target to over EUR 1,200 M…

2018-2022 plan efficiencies (accumulated EUR M)



Synergies

Digitisation

Best practices

Assets and processes optimisation

…

…of operational efficiencies during the period (EUR ~350 M in 2022)

Growth: 2022 Results

Updated plan results exceed the upper limits of the previous plan...

	Initial Plan (February 2018)	Updated Plan (February 2019)
Investments	EUR 32 Bn	EUR 34 Bn
EBITDA	EUR 11.5 - 12 Bn	EUR >12 Bn
Net Profit	EUR 3.5 - 3.7 Bn	EUR 3.7 - 3.9 Bn
Dividend	EUR 0.4/share	Floor EUR 0.4/share

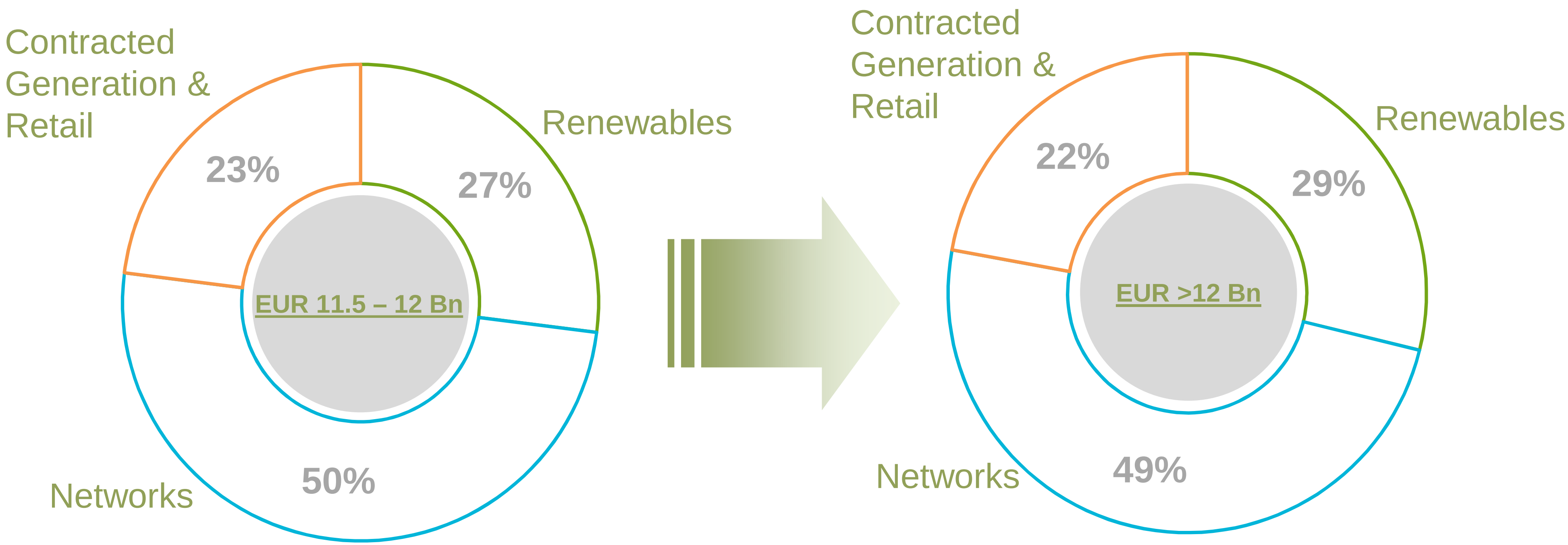
...becoming the new floor figures

Growth: 2022 Results

Improved estimated results by 2022 with EBITDA over EUR 12 Bn in the EUR 34 Bn investments scenario

EBITDA by business:
Initial **EUR 32 Bn** Plan

EBITDA by business:
Updated **EUR 34 Bn** Plan

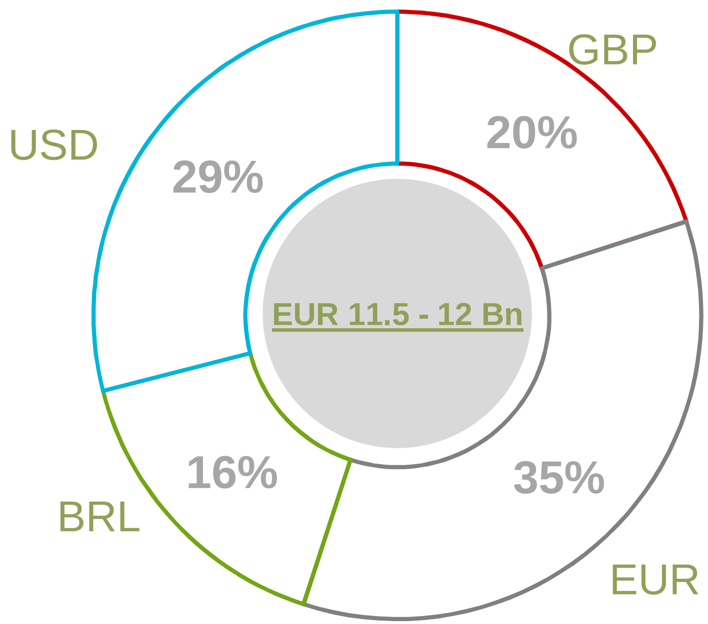


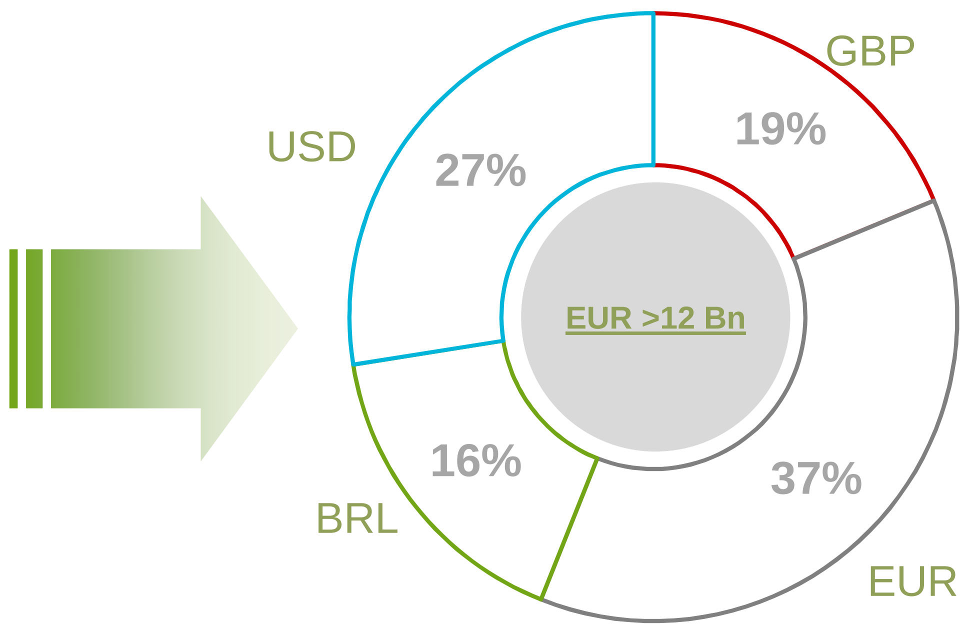
With renewables and networks share to increase up to circa 80%

Growth: 2022 Results

By currency, EBITDA distribution remains balanced

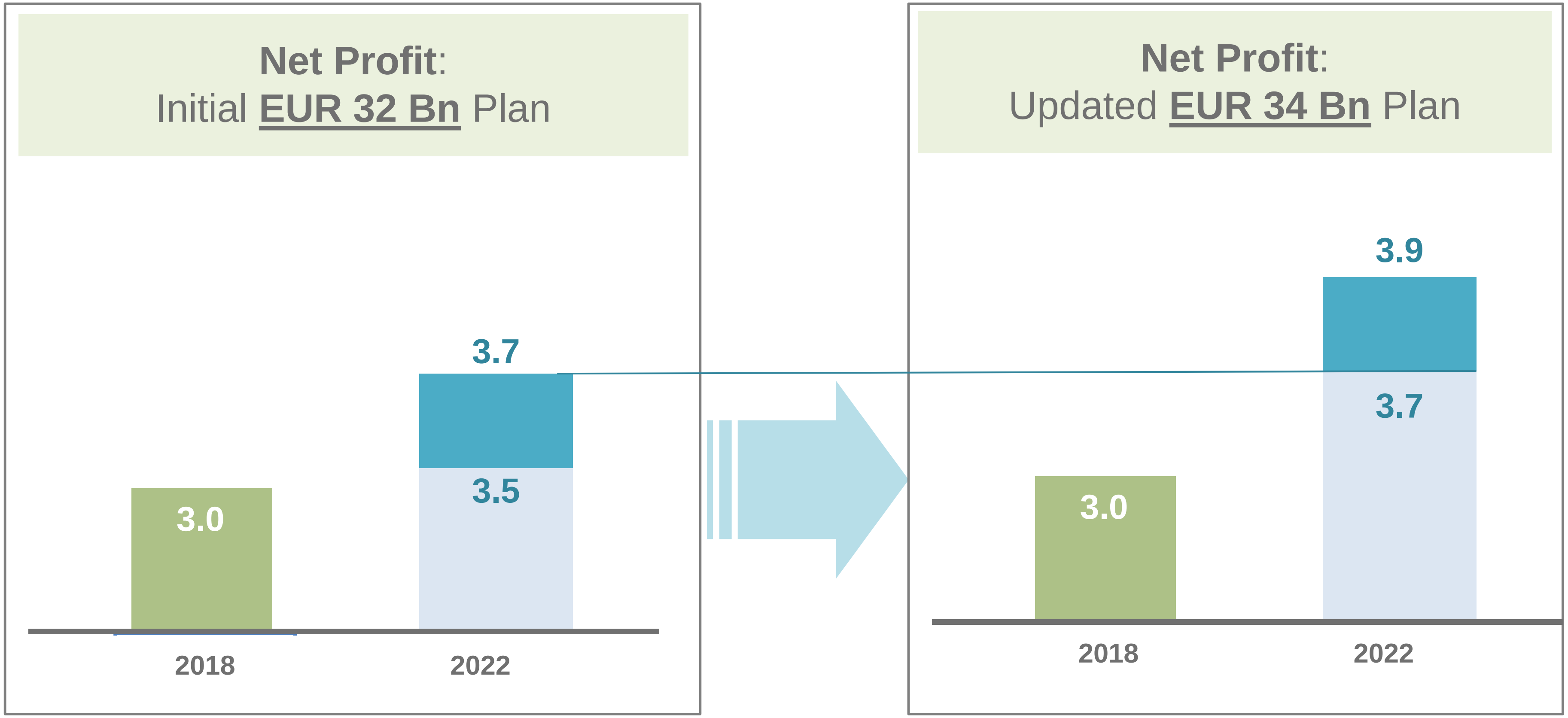
EBITDA by currency: Initial **EUR 32 Bn** Plan	**EBITDA by currency:** Updated **EUR 34 Bn** Plan





Growth: 2022 Results

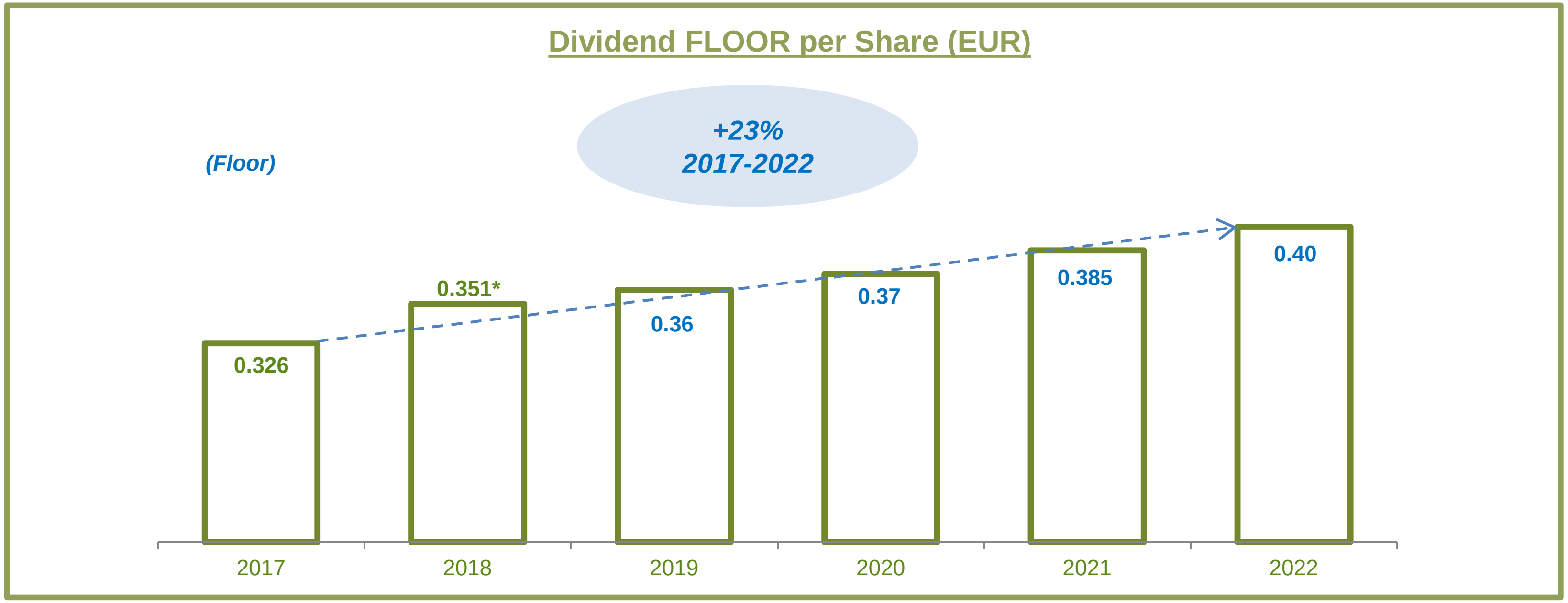
Net Profit by 2022 between EUR 3.7 - 3.9 Bn
Upper part of the range becomes the lower part of the new range…



…with a Net Profit increase of up to 30% vs 2018

Sustainable shareholder remuneration

Growing dividend in line with results…



…with a growing floor, maintaining the shareholder remuneration policy:

Pay-out between 65% and 75%…

…maintaining optionality with the "Iberdrola Retribución Flexible" program…

… and the current number of shares at 6,240 million

*Subject to approval at the Annual Shareholder Meeting 2019 (ASM)

Sustainable growth

Our social dividend, based on the SDGs, will create value for our stakeholders

Social Value

Environmental Value

Contributing to all SDGs

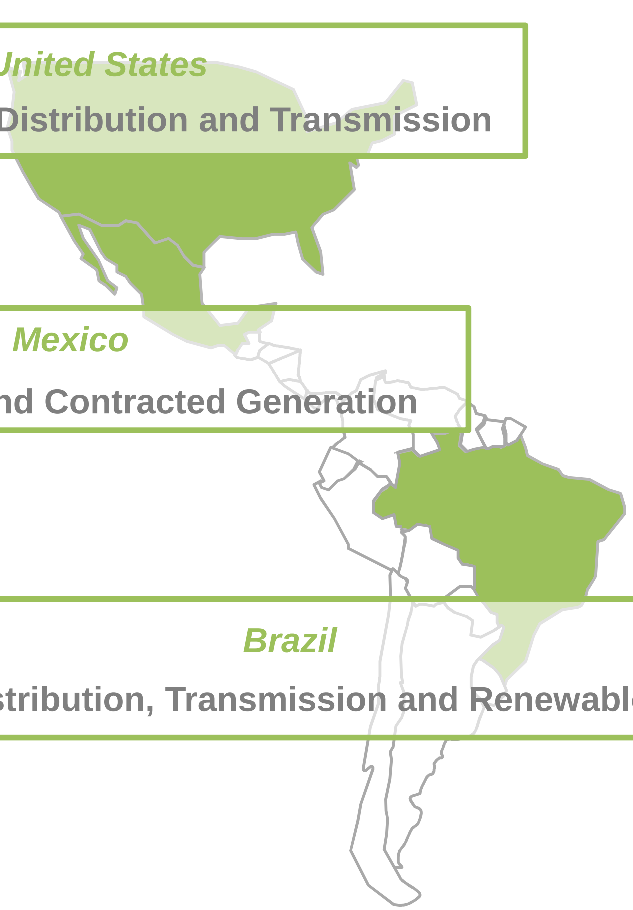
- Health and Safety
- Innovation, digitisation and quality for our customers
- Contribution to the well-being of our communities
- Good governance, transparency and commitment with stakeholders
- Training and development for our employees
- Promotion of Corporate Social Responsibility in the supply chain

WITH FOCUS ON:

- Action against climate change and protection of biodiversity

Additional growth opportunities: post 2022

Accelerating growth during the plan and beyond



United States

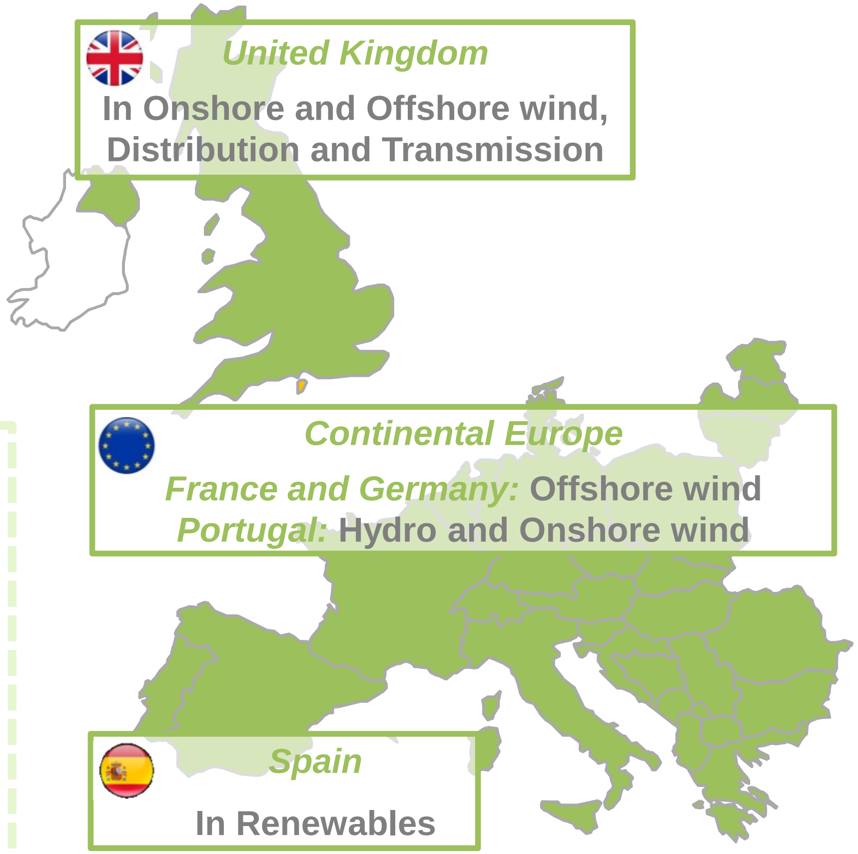
In Offshore wind, Distribution and Transmission

Mexico

In Renewables and Contracted Generation

Brazil

In Distribution, Transmission and Renewables



United Kingdom

In Onshore and Offshore wind, Distribution and Transmission

Continental Europe

France and Germany: Offshore wind
Portugal: Hydro and Onshore wind

Spain

In Renewables

With over EUR 9.0 Bn of capital in progress by the end of 2022

Additional growth opportunities in Spain

In the context of the National Integrated Energy and Climate Plan 2021–30…

Plan aligned with EU energy and climate policies

74% renewable generation share by 2030:
adding 64 GW of renewable capacity *(Solar: 37 GW, Wind: 27 GW)* and 6 GW of storage

Retirement of 4 GW of nuclear capacity by 2030 and all by 2035

Retirement of 6 GW of coal capacity by 2025 and all by 2030

5 million Electric Vehicles by 2030 (16% of the fleet) and only zero-emission vehicles sales from 2040

Electrification of the economy

…coherent with the full decarbonisation of the Spanish economy by 2050, with a 21% reduction of CO_2 emissions by 2030 (vs 1990)

Additional growth opportunities in Spain: solar PV and onshore wind

Iberdrola to continue leading the energy transition…

…maintaining our leadership in renewables...

…replacing coal and nuclear with renewable output…

…generating enough energy to supply our customers

Iberdrola, best positioned with key strengths

- ✓ Expertise
- ✓ Grid connection
- ✓ Sites
- ✓ Customer base
- ✓ Financial strength

>700 MW in construction
+
> 2,500 MW in progress
+
> 7,000 MW of pipeline

…with over 30 projects in all regions to add +3 GW by 2022…

…and additional pipeline to reach at least +10 GW in operation by 2030

Additional growth opportunities: offshore wind in Europe and the US

Increasing our current installed capacity in the UK and Germany to reach >2GW by 2022, with additional +1 GW secured post 2022…

		Pending Targets	Total Iberdrola Capacity by 2022	Iberdrola Capacity post 2022	Additional Pipeline
Europe	United Kingdom	16,000 MW	**909 MW**		
	Germany	5,100 MW	**350 MW**	**486 MW**	3,500 MW
	France	2,000 MW		**496 MW**	
US	Massachusetts	2,400 MW	**800 MW**		
	New York	9,000 MW	***Bids delivered***		
	Rhode Island	600 MW	***Bids delivered***		4,200 MW
	New Jersey	3,500 MW	***Bids to be delivered***		
	Connecticut	2,000 MW	-		
	North Carolina	-	-		
	Virginia	2,000 MW	-		2,500 MW
	Maryland	~1,500 MW	-		
		~45 GW	**>2 GW**	**~1 GW**	**>10 GW**

Iberdrola, solid track record

- ✓ Global team with regional branches
- ✓ Development sites
- ✓ Financial strength

…and a >10GW pipeline for further opportunities

Conclusions

Accelerating growth, transforming initial caps in updated floors…

	Initial Plan (February 2018)	Updated Plan (February 2019)
Investments	**EUR 32 Bn**	**EUR 34 Bn**
Results	2022 **EBITDA EUR 11.5 - 12 Bn** 2022 **Net Profit EUR 3.5 - 3.7 Bn**	2022 **EBITDA EUR >12 Bn** 2022 **Net Profit EUR 3.7 - 3.9 Bn** (c. +30% vs 2018)
Dividend policy	Growing in line with results (pay-out 65%-75%) reaching EUR 0.4/share in 2022	Growing in line with results (pay-out 65%-75%) reaching **Floor EUR 0.4/share in 2022**
Financing	2022 **FFO/Net Debt 24%**	2022 **FFO/Net Debt >24%**

…with additional organic growth opportunities driven by financial strength

Outlook 2018 – 2022 Update

London

26 February

José Sáinz Armada
Chief Financial & Resources Officer

IBERDROLA

Financial Management

Plan Hypothesis

2018 Financial performance

Financial strategy 2019-2022

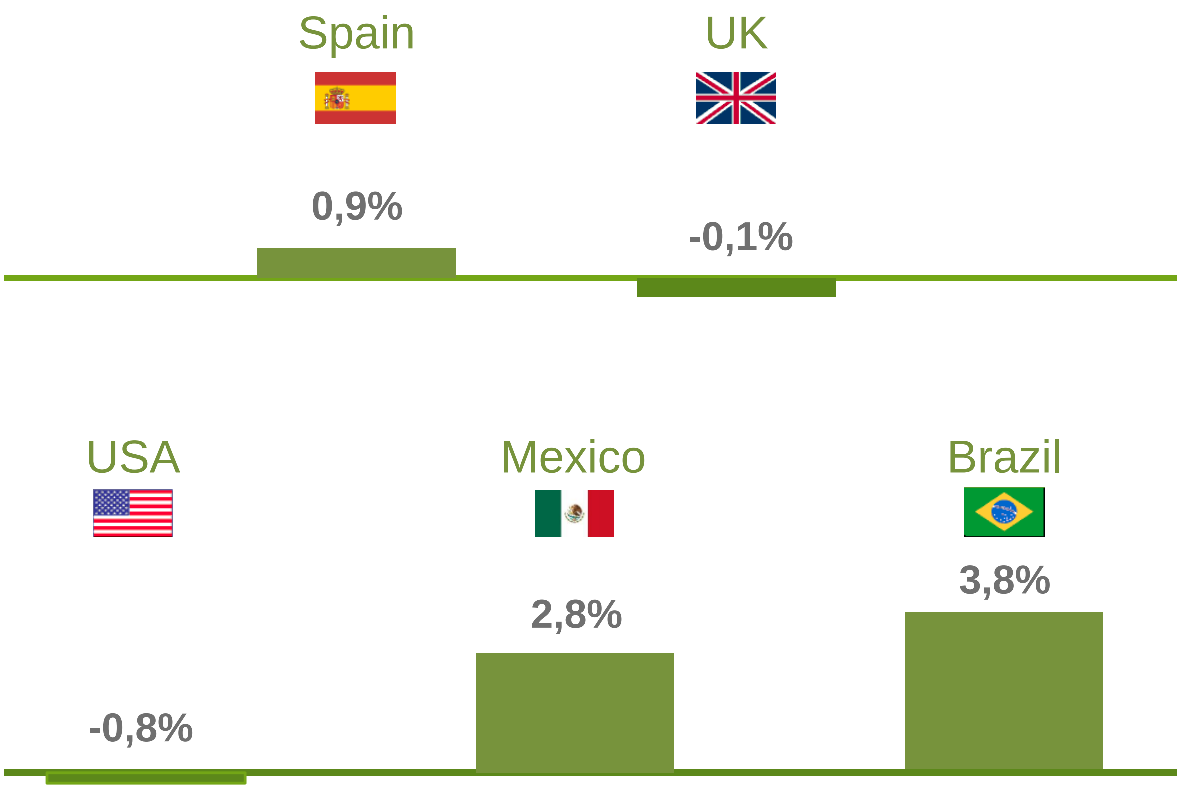
Plan

Hypothesis

Outlook 2022 update: Demand

Flat demand in Spain, UK and USA and more growth in Mexico and Brazil

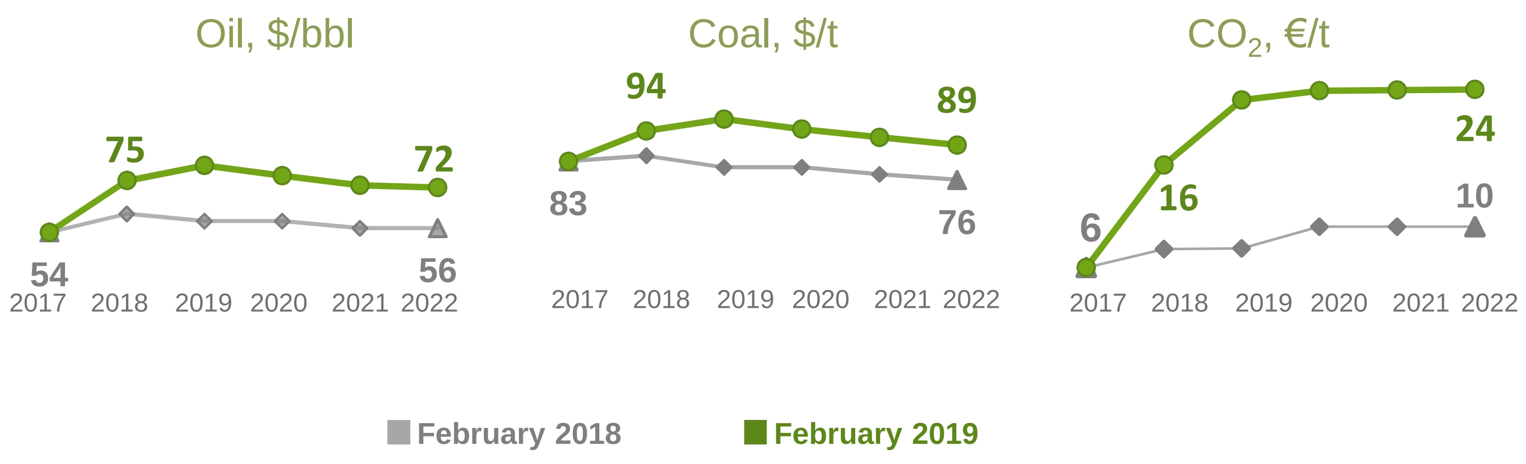
Electricity demand growth
CAGR 2017-22



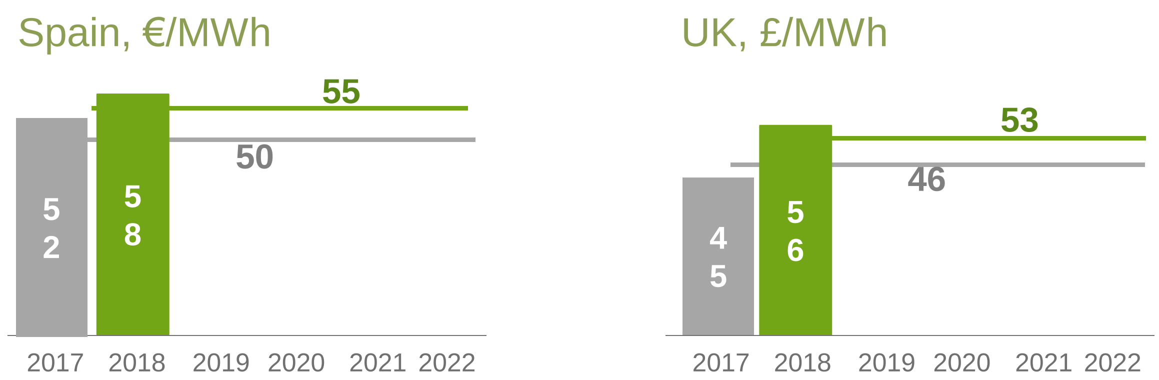
Outlook 2022 : Prices hypothesis

Price increase derived from a higher CO2 cost

Commodity Prices



Power Prices



Prices derived from market quotations and estimates from analysts (PIRA, WoodMac, Aurora, CERA-IHS)

Macro hypothesis for 2019-2022

Modest increase in interest rates in US and Brazil, and higher in the Eurozone and UK as monetary policies normalize

New forecast slightly lower than last years' in the long part of the curve and similar in the short part
Forecasts based on market consensus

	Interest rates							
	Average 2019-22		(Feb,20th)		2022 End of year			New financing average spreads
	3M	10Y[1]	3M	10Y[1]	3M	10Y[1]		
€	**0.63%**	**1.30%**	-0.31%	0.34%	1.25%	1.73%	❯	0.88% Swap 7 years
$	**2.86%**	**3.00%**	2.64%	2.64%	2.85%	3.00%	❯	1.25% Treas. 10 years
£	**1.78%**	**2.11%**	0.87%	1.17%	2.30%	2.30%	❯	1.46% Treas. 10 years
R$	**7.38%**	**-**	6.50%	-	7.50%		❯	115% CDI 5 years

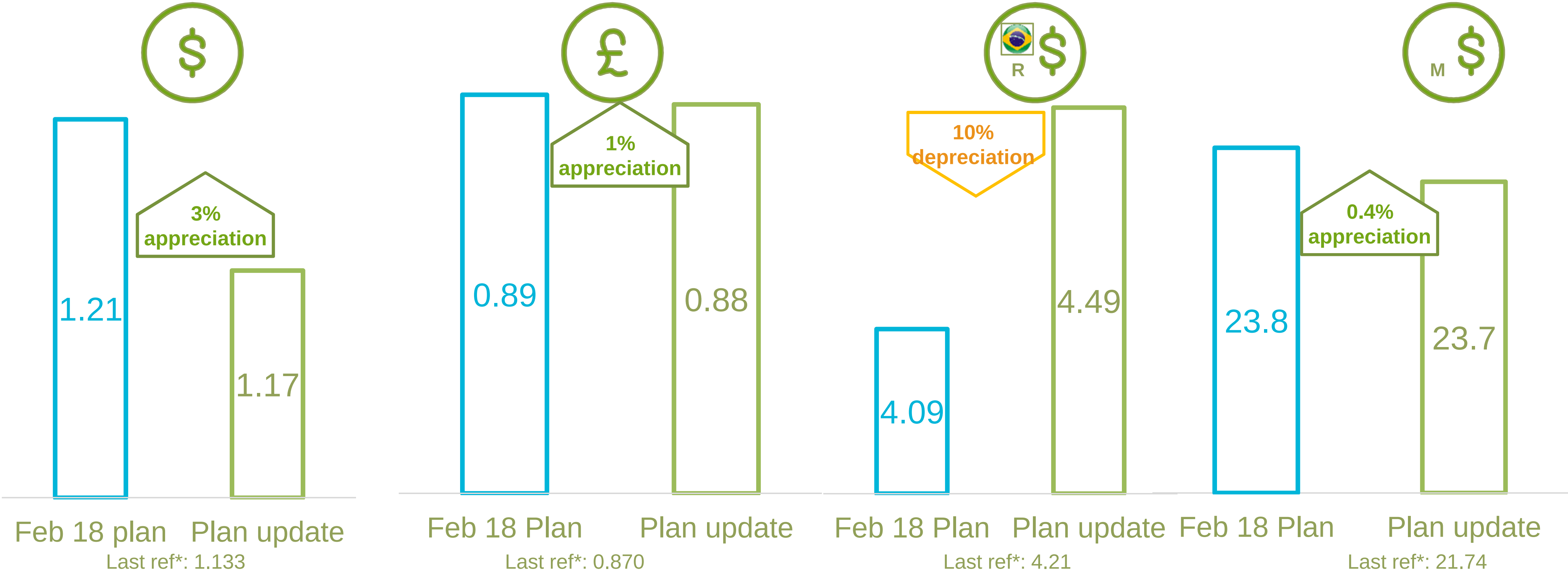
[1]/ Swap 7 years for EUR, Treasury 10 years for USD and GBP

Interest rates estimates slightly below last year Plan, partially offset by slightly higher spreads

Macro hypothesis for 2019-2022

Plan update assumes no change in average FX rates, appreciation of $ and £ compensates BRL depreciation FX estimates up to 2022 assumes 2019 forward levels versus EUR

Average FX rates vs. Euro



2019 Net Profit mostly hedged

Old plan refers to the Revision of the Strategic Plan in February 2018 while New Plan refers to Long Term forecast January 2019 (5 years average)
* February 20th 2019

Impact of new accounting standard for leases

Iberdrola criteria for IFRS16 in line with current accounting standard definition

New IFRS 16 standard from 2019

- Main differences with respect to previous standards are:
  - Leases net present value considered as debt
  - Leases costs removed from External Services (EBITDA) to increase depreciation & financial costs

Iberdrola Accounting criteria

- Accounting standards definition for Leases is the same under US GAAP and IFRS
- In the US the "big-four" audit firms & companies apply the US GAAP criteria: land lease definition fulfilled by those agreements that grant the exclusive use of the land during the term of the contract
- Iberdrola also applies this criteria. Lease definition under IFRS is the same as under US GAAP
- Criteria pending to be ratified by IASB

Main impact of new accounting criteria for IFRS16

IFRS 16 impacts 2019 onwards

Balance Sheet	P&L	Cash Flow
Net Debt: +EUR 0.4 Bn	EBITDA: +EUR 68 M Net Profit: ~ 0	FFO: +EUR 50 M RCF: +EUR 50 M

	Net Debt / EBITDA	FFO / Net Debt	RCF / Net Debt
Impact	~ + 0.02	~ - 0.1 p.p.	~ - 0.1 p.p.

Increase in Net Debt ~EUR 0.4 Bn and reduction in FFO/Net Debt ratio by ~0.1 p.p.

2018 Financial performance

Increase in fixed-rate structure in 2018 to 78% to take advantage of low interest rates and reduce volatility in financial expenses

As December 2018

Floating
35%

Fixed
65%

- **IRS Fw start already signed:**

€
1,250 M in 2019
900 M in 2020

$
1,300 M in 2019
550 M in 2020

£
400 M in 2019
380 M in 2020

Including forwards swaps

Floating
22%

Fixed
78%

Fixed rate structure of 65% excluding forward swaps

2018 Financing activity

EUR 6.8 Bn of new financing and EUR 7.4 Bn credit lines renegotiated, diversifying markets at very competitive levels, continuing with green/sustainable strategy (65%)

Total financing EUR M	Green / Sustainable financing Amounts (M)	Details
Hybrid 700	**EUR 700**	▪ **Second issuance, after 2017's, of a green hybrid issue in the Spanish Market**
Bond market 3,270	**EUR 750** **$ 50**	▪ **Public Euro market:** Public Bond issued in Green Format ▪ **Private Eur market: USD** 50 M issue
Bank market Loans 960	**$ 400**	▪ **First green loan in Mexico** ▪ **First corporate deal in Latam under sustainable criteria**
Bank market Credit lines 7,450	**EUR 5,300** **$ 2,500**	▪ **Extended maturity to Feb 2023** (EUR 900 M new financing) ▪ **Sustainable format**
Multilateral 1,575	**EIB, BNB and BNDES**	▪ **European and Brazilian Markets**

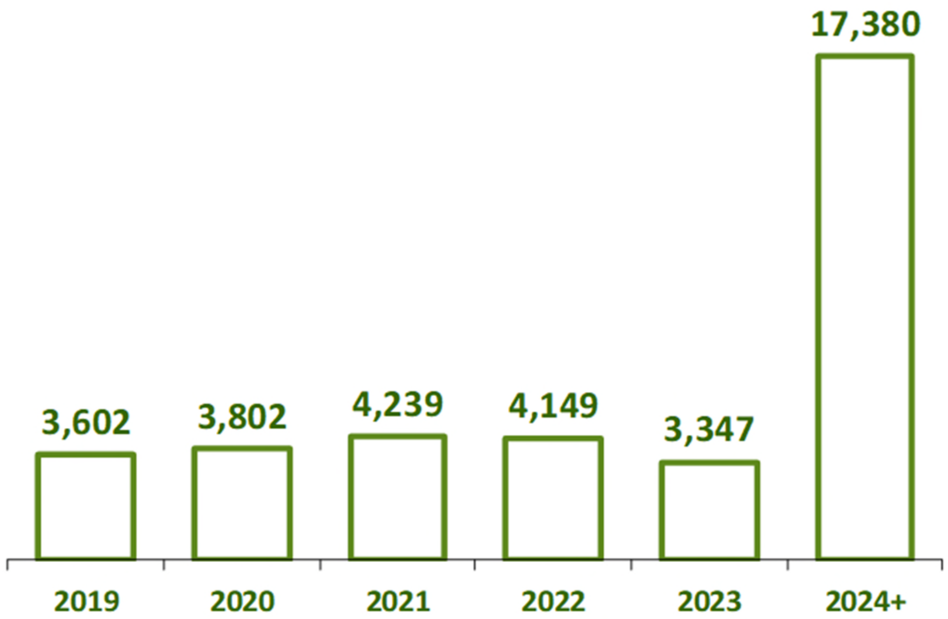
- **65% of funds raised in green / sustainable markets**
- **All syndicated credit activity signed in sustainable format**
- **EUR 9.8 Bn of green financing outstanding**

World leading private company in green bonds

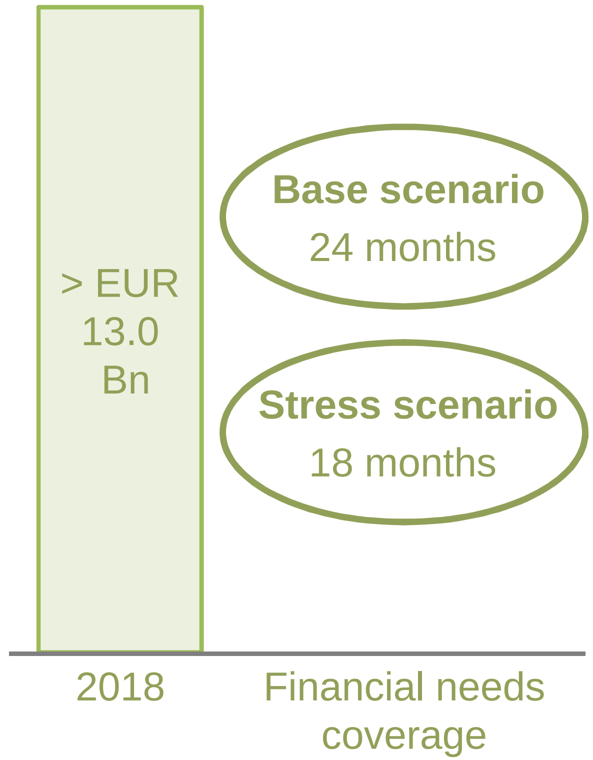
2018 Financial activity

A comfortable debt maturity profile
and sufficient liquidity to fulfill Rating Agencies requirements

Debt Maturity Profile (EUR M)

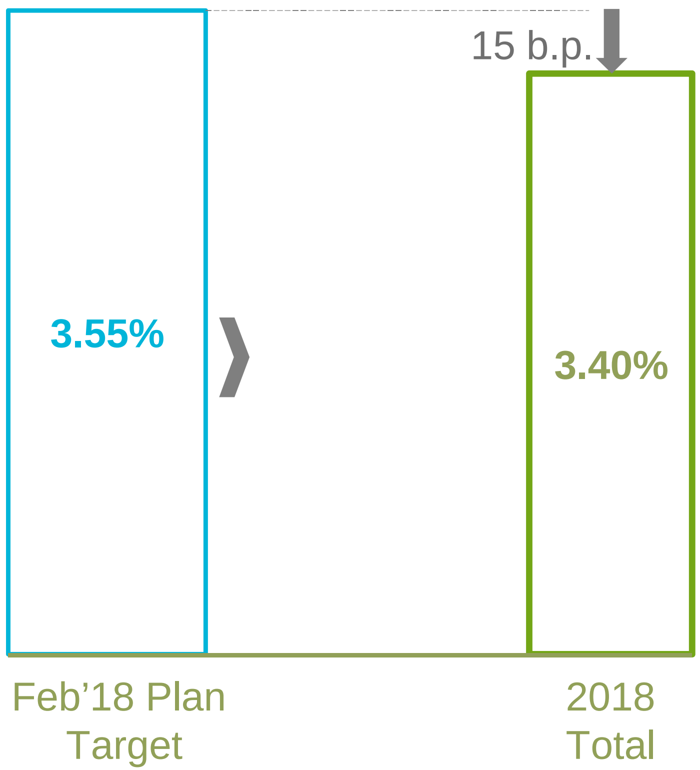


Liquidity



2018 net debt financial cost 15 b.p. better than Plan

Financial cost



Competitive financing conditions achieved during the year ✓

Excluding IFRS9 change of criteria, 2018 cost of debt would have been 10 b.p. lower ✓

EUR 1.2 Bn of divestments already achieved in 2018

2018 Divestments: EUR 1.2 Bn

Other non core Spain EUR 0.3 Bn
US Gas Business EUR 0.2 Bn
UK Conventional Generation EUR 0.7 Bn

Reducing 2018 Net Debt ✓

Positive impact on ratios due to their low / negative earnings contribution ✓

During 2018, we have improved significantly the financial profile of NEO

- **Net Debt / EBITDA ratio improves from 3.9x prior to 2017 equity injection to 3.49x at 2018 year-end** ✓
- **Increased liquidity from 7 months to 20 months** ✓
- ***Average life of Debt improved from 3.0 to 3.9 years*** ✓
- ***Prefunded Brl 4.8 Bn 2019 needs*** ✓
- ***Rating from AA- to AAA (Brazil Ratings)*** ✓

As a consequence, NEO reduced new financing credit spreads on CDI from 125% to 115% on average (around 65 bp at current CDI)

Financial strategy for the 2019-2022 period

Financial Management Strategy for 2019-2022

Main financial guidelines for 2019-2022 period

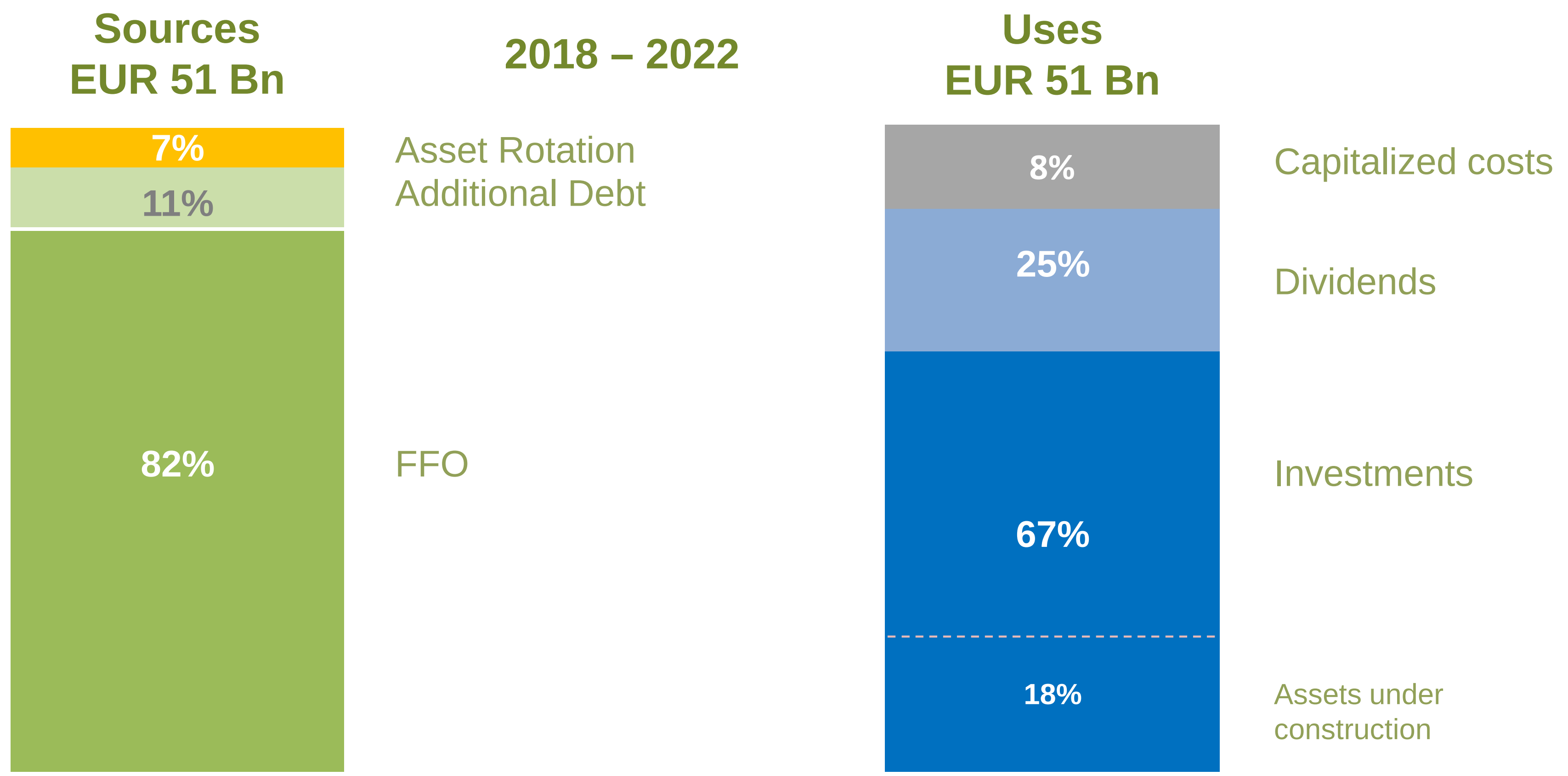
Financing growth Capex …

…maintaining a strong financial position …

… permitting a growing and sustainable dividend policy

Sources and uses of funds

EUR 51 Bn of funds, 82% coming from FFO, allows an increasing and sustainable dividend policy up to EUR 12.5 Bn remuneration on top of EUR 34 Bn of investments

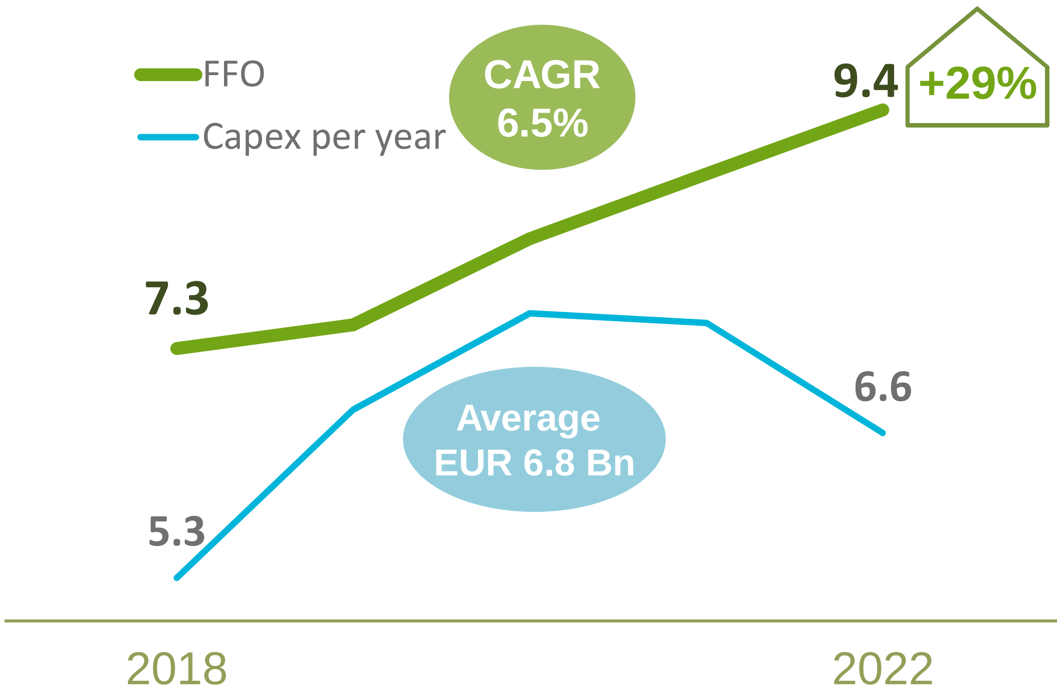


Out of Eur 34 Bn, >EUR 9 Bn assets under construction at the end of the plan

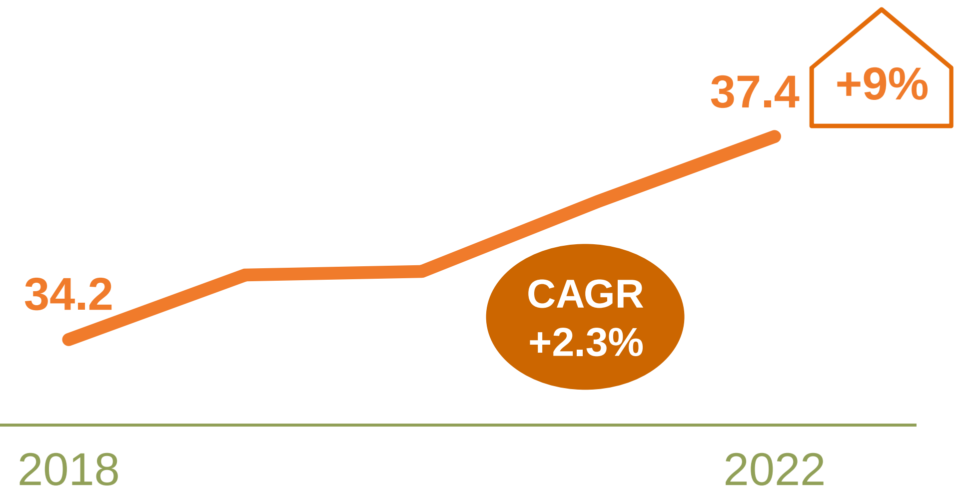
Outlook: FFO, Capex and Net Debt

Average investments will increase 5%, to an average of EUR 6.8 Bn vs. 2018 Plan
FFO grows 29% vs. 2018 to EUR 9.4 Bn while Net Debt increases 9% to over 37 Bn

Investments vs. FFO (EUR Bn)

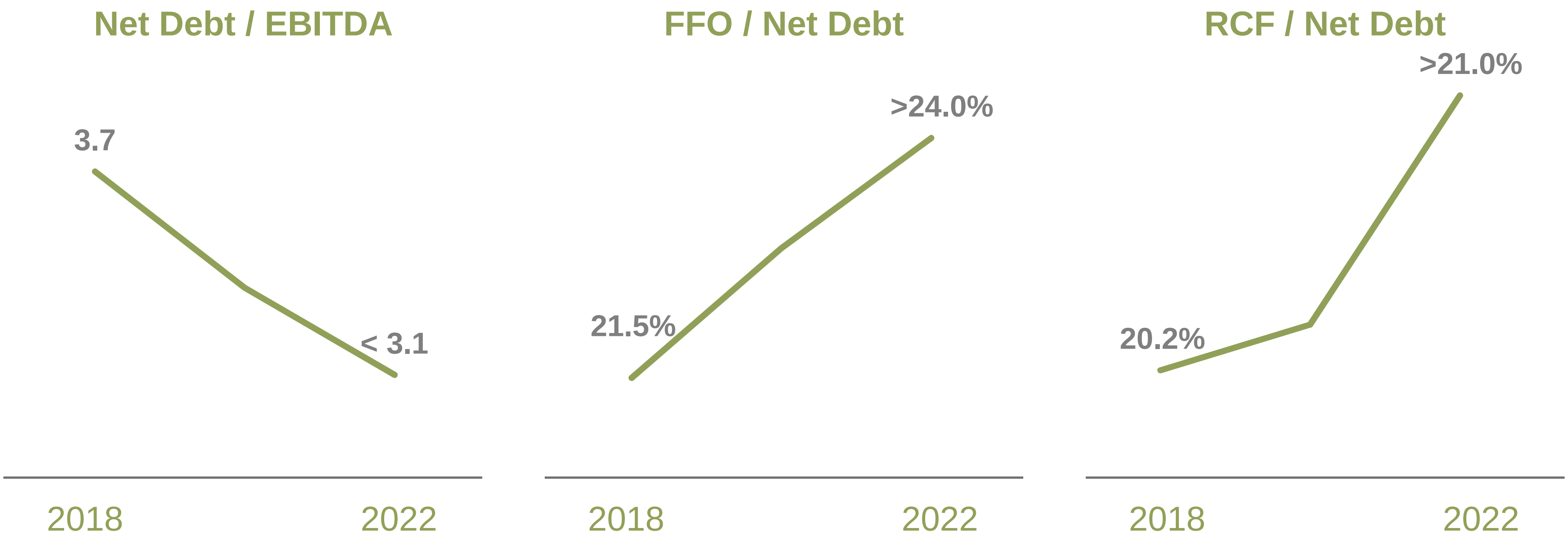


Net Debt (EUR Bn)



Solvency ratios

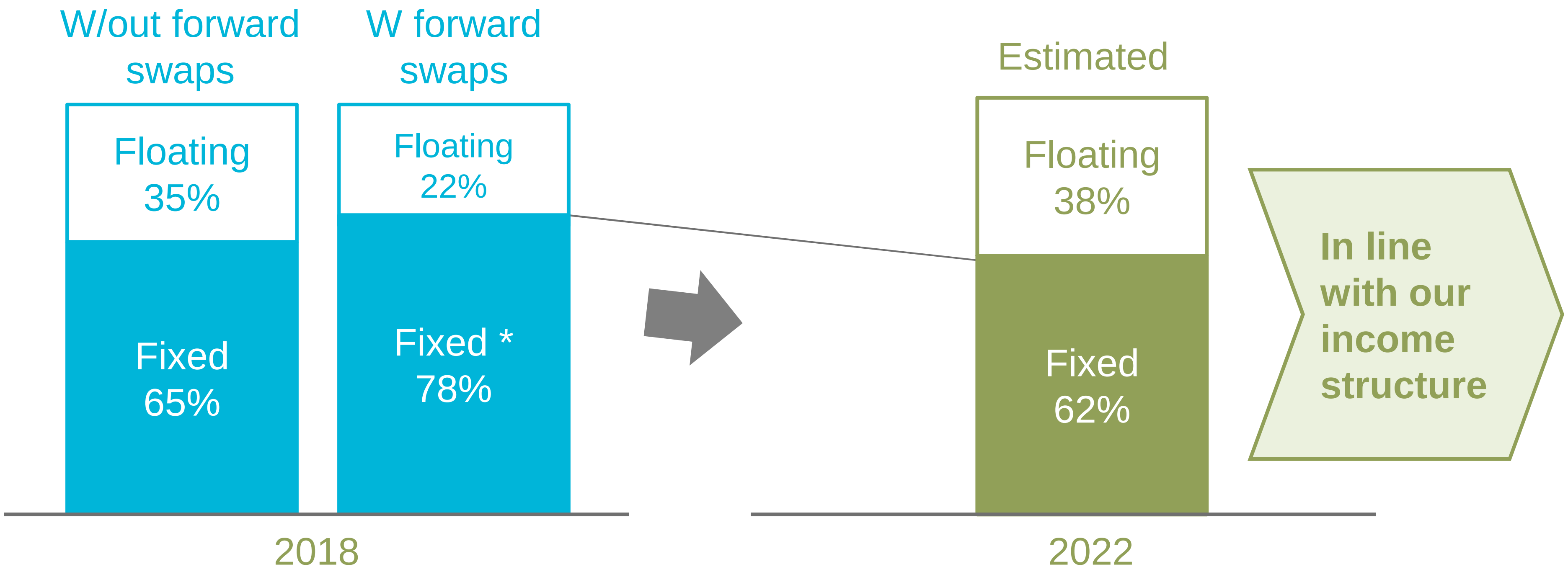
Financial ratios will improve throughout the Plan …



… allowing for further organic investment growth in 2021 and 2022 as they exceed our 22% FFO / Net Debt target

High fixed rate structure anticipating possible rate hikes in the future

Debt structure



** Forward swaps: EUR 4.6 Bn*

Demanding investment plan requires financial costs to be under control fixing a greater percentage of our debt portfolio

Interest rate risk management

Debt structure by currency

- Duration of regulatory cycles: on average ~5.5 years
- Average debt maturity of 6 years guarantees re-pricing of debt to regulatory changes to reflect new interest rate environment

	Debt weighting*	% fixed current**	% fixed estimated range
€	46%	69%	65-75%
$	24%	85%	80-90%
£	16%	66%	55-70%
R$	12%	4%	0-10%
M$	2%	-%	46-56%

** Over net debt 2018/2022 average*
*** Not including Forward IRS*

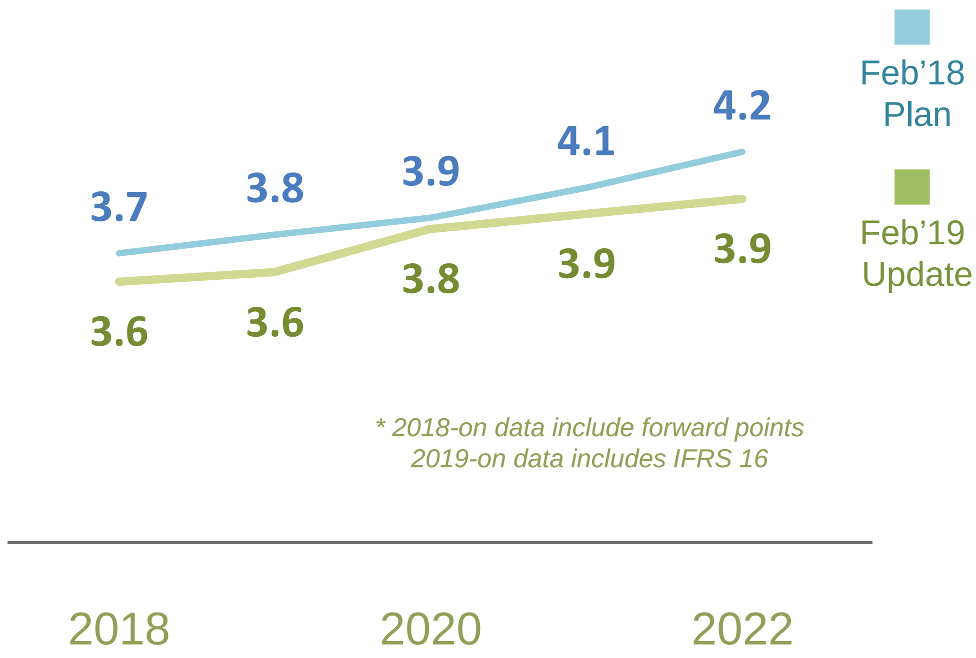
Cost of Debt

Average cost of net debt will remain below 4% despite larger investments in BRL and US$

Gross debt financial cost by currencies

	2018	2022
€	1.7%	1.5%
$	4.0%	4.3%
£	3.3%	3.5%
R$	7.8%	8.4%
M$	-	9.0%

Net financial cost *

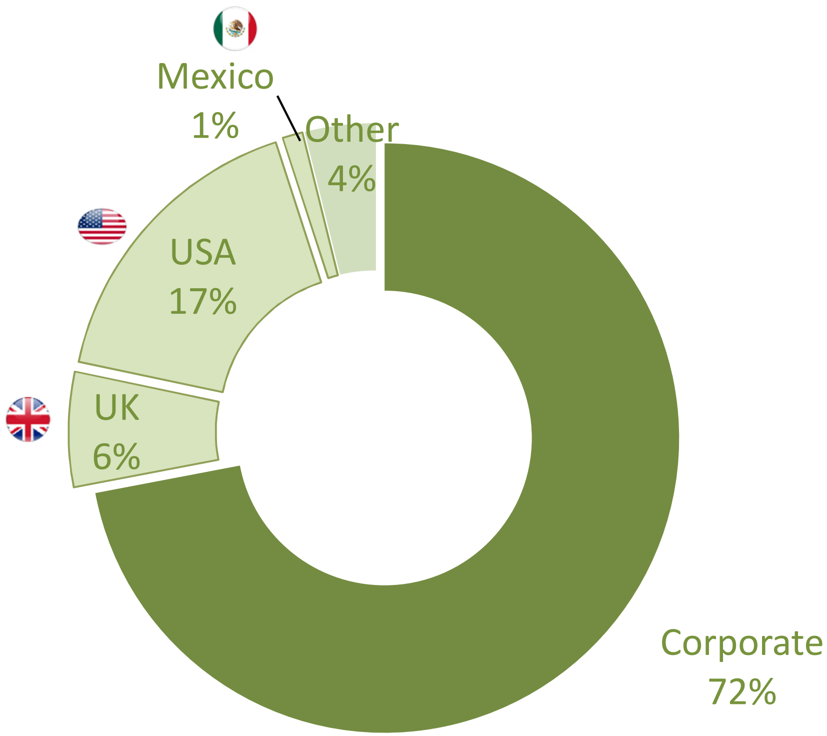


** 2018-on data include forward points*
2019-on data includes IFRS 16

On average 0.20 p.p below Plan'18

Financial model designed to follow current structural subordination guidance (ex Neo)

Current situation



Subordination during the plan

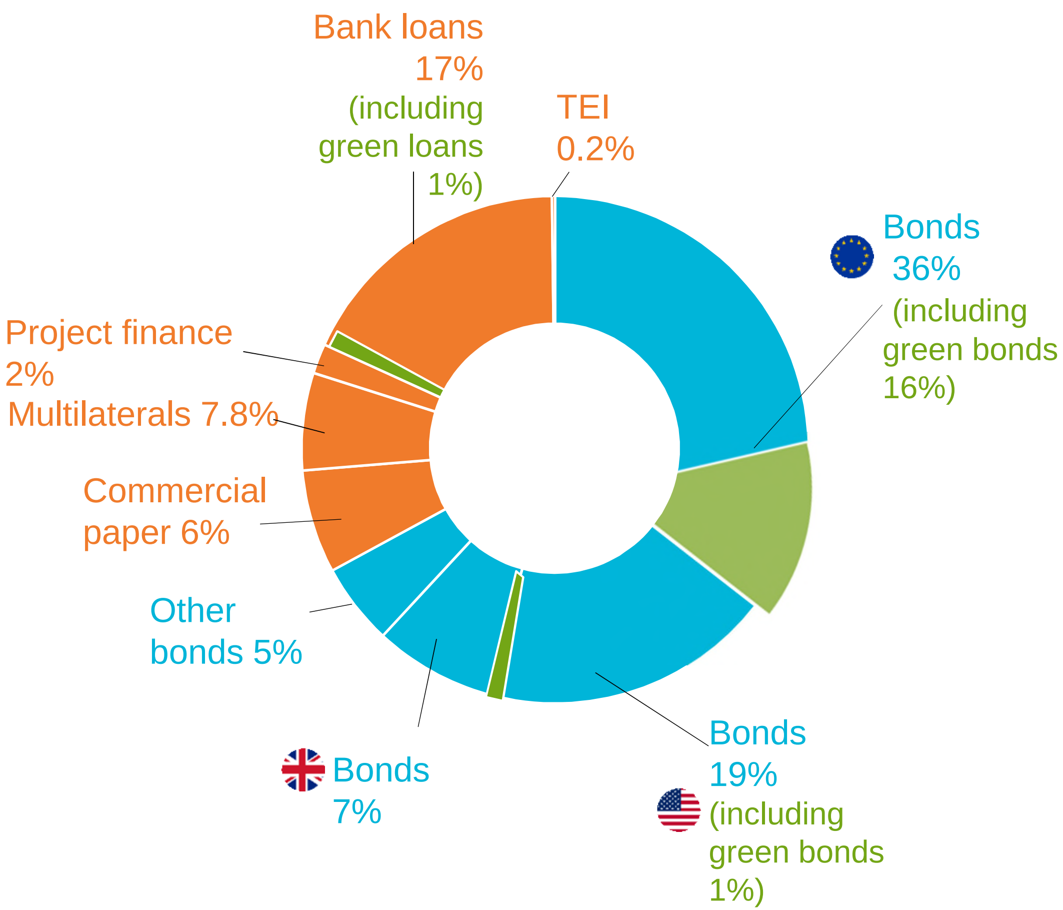
	Average	Target
USA	21%	To be kept ~30% threshold
UK	6%	
Mexico	1%	
Other	2%	

Our model gives us flexibility to optimize non-holding company level debt based on country situation and regulatory requirements

Debt structure per markets

Strong diversification in sources of finance, with low bank risk
Access to many markets
Maintaining leadership in sustainable / green markets

Current debt structure by market



During the plan

Green financing

- Consolidating green financing strategy:
  - The leading private company
  - New green financing to be done in Brazil

Bond market

- Eurobond will be our main source of financing
- Main source of financing in all countries

Multilateral lenders & TEI

- Iberdrola considered strategic partner (EIB, BNB, BNDES…)
- Taking advantage of Tax Credits in the US

Liquidity

Active liquidity management, keeping ~ EUR 12-14 Bn, with ability to increase if required

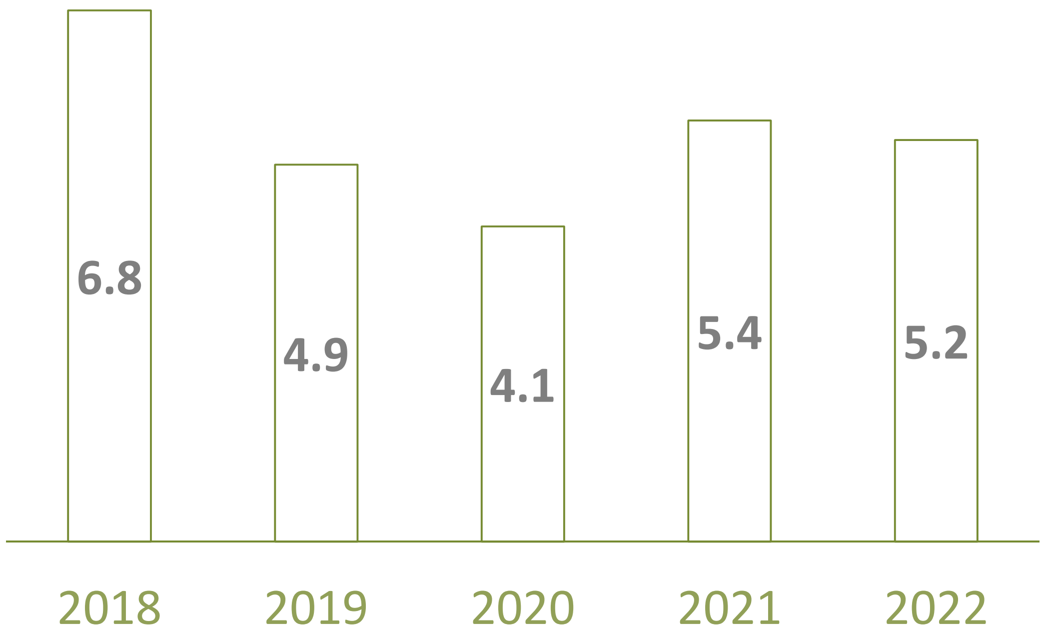
Target	Liquidity management criteria	
Cover 18 months in stress scenario	**Rating agencies' requirements**	▪ **S&P: 12 Months Sources / Uses > 1.2** ▪ **Moodys: 18 Months in risk scenario** ▪ **Fitch: (Liquidity + FCF post dividend and Capex) / 12 months maturities > 1,25x**
	Cost	▪ **Minimize:** Reduce cash and increase credit lines
	Allocation	▪ Maintain **sufficient liquidity in each country**

Neoenergia has its own liquidity policy that requires covering 12 months of financing needs

Financing Policy

Moderate financial needs over the period …

Financial needs (EUR Bn)



- **2018 financing higher than required due to pre funding of 2019 NEO financing needs**
- Moderate financial needs thanks to a **comfortable debt** maturity profile and **strong generation of funds**
- **In 2019/2022 period, the main source of financing** will be **Holding** but **USA and Brazil** will **access** financing markets too

Financed mainly from the Holding

… considering EUR 3.5 Bn of divestments over 2018-2022

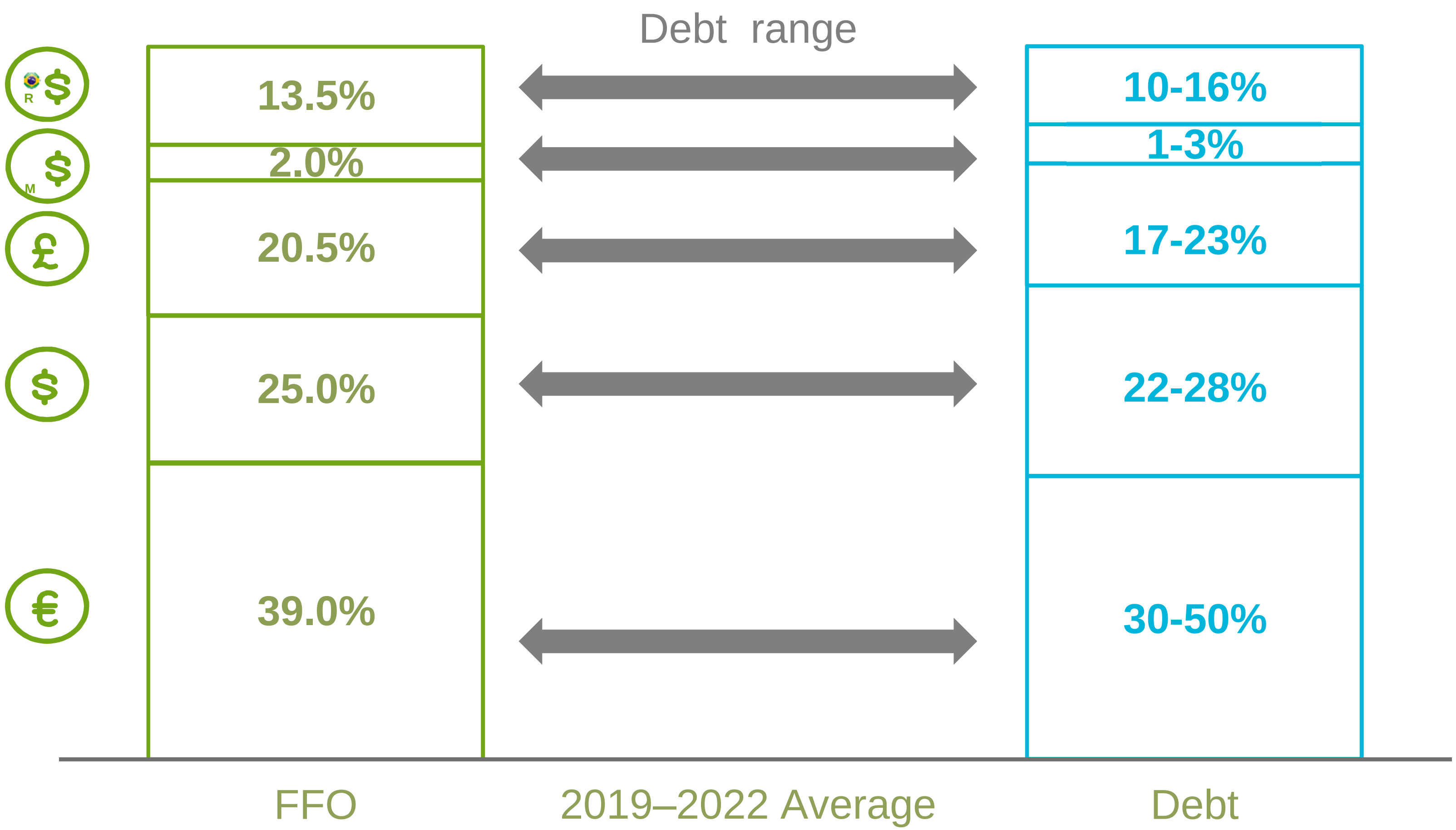
Asset rotation 2018-2022 (EUR Bn)

- Minority stakes & non core assets
- Low strategic fit assets
- Low EBITDA / FFO contribution assets

Flexible approach depending on investment opportunities

Structural FX hedge is taken by having the debt in the same currency and similar % as the funds from operations

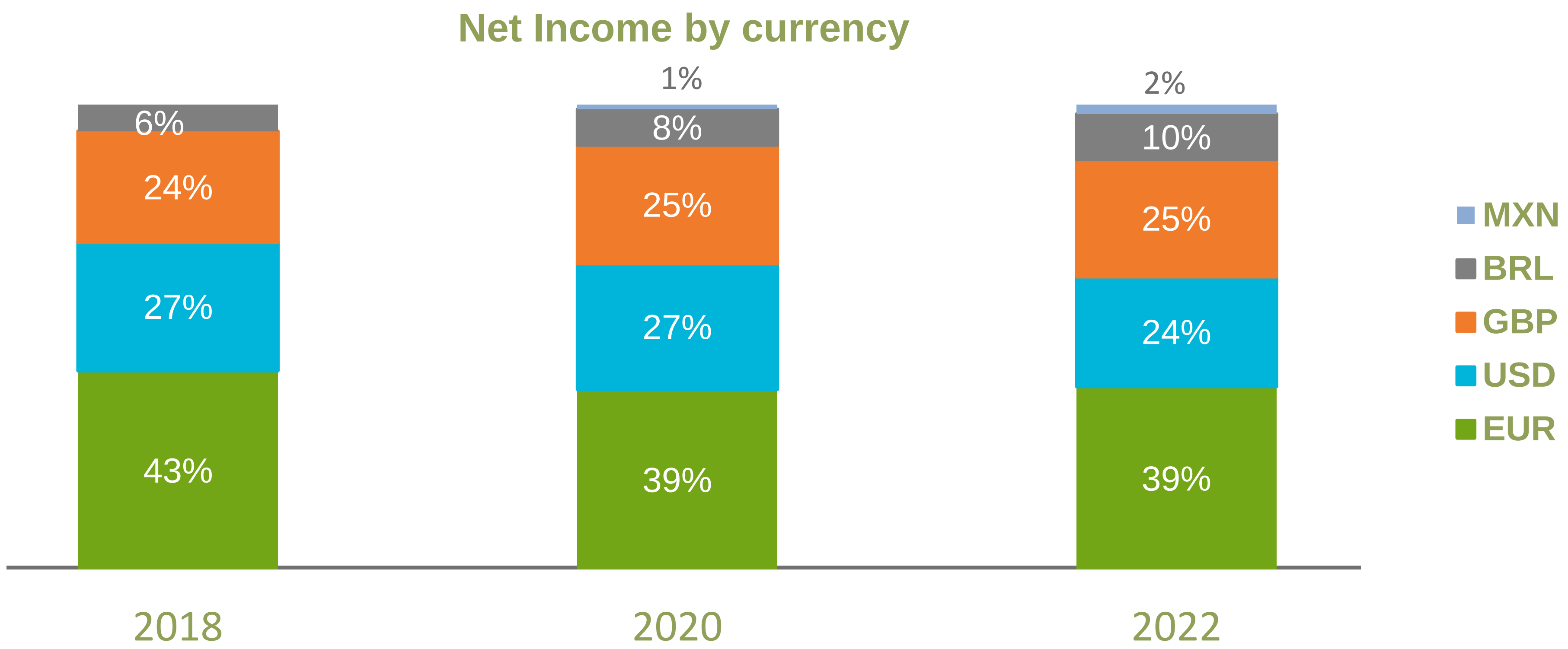
Minimize FFO / Net Debt ratio volatility



FX risk management: yearly

FX risk in the Profit & Loss account is minimized through derivatives

Hedging Net Income FX exposure in currencies against the Euro



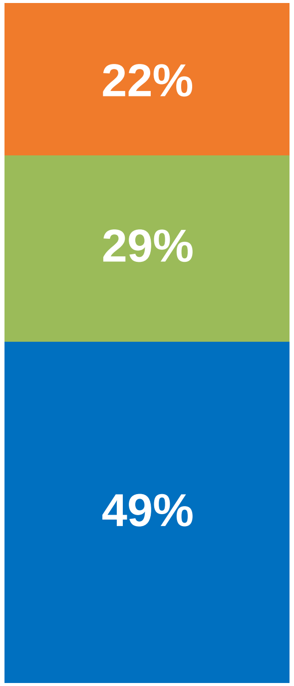
Almost 100% of the 2019 risk position already hedged: USD, GBP and BRL

Business risk- Average 2019-2022

80% of average annual EBITDA comes from Renewables & Networks Businesses with ~4.3% EBITDA at risk in an adverse scenario

Total correlated Business risks is ~6%

Average annual EBITDA share 19-22



Risk as % of annual EBITDA 19-22 (non correlated)

Risk as % of annual EBITDA 19-22 (correlated)

Contracted Generation & Retail: 2% – 3%, 2.5% average

Renewables: 2.6% – 3.4%, 3% average

Networks: 1.1% – 1.7%, 1.3% average

Contracted Generation & Retail + Renewables (correlated): 4.1% – 5.9%, 5% average

Non measurable political & macro risk could also impact the Plan

Brexit

Hard Brexit would have no direct immediate material impact on 19-22 Plan update, except for currency translation, hedged for 2019

- Increases in FX will impact in future translation of results, although 2019 already hedged
- Interest rate and CPI increases naturally hedged through different regulatory mechanisms: RAV in Networks, CFDs in Offshore and costs in SVT cap

Key equipment and materials purchased ahead to mitigate risk to avoid potential import custom delays	✓
No material impact of tariffs expected on East Anglia 1 but additional administration burden	✓
Other areas analyzed with no material impacts (HR, GDPR, Insurance, commodity trading procurement…)	✓

Indirect impact would be related to macroeconomics

Cybersecurity

Ensuring the protection of assets, systems and information across the entire Group

Global Comprehensive Cybersecurity Program based on risk management approach with standard rules deployed in all countries and businesses

Reinforced security measures for critical infrastructures and personal data protection

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