IBERDROLA

OUTLOOK 2016/2020 Update

London / 22nd February

Iberdrola, “utility of the future”
DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation “Outlook 2016-2020 update”. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.
Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above.
The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.
Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.
Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.
Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.

IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of (i) the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October; (ii) Royal Decree-Law 5/2005, of 11 March; (iii) Royal Decree 1310/2005, of 4 November; (iv) and their implementing regulations.
In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.
The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration.
This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the presentation “Outlook 2016-20 update”. The financial information contained in this document has been prepared and is presented in accordance with the International Financial Reporting Standards (“IFRS”). This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. (“Avangrid”) or Avangrid's financial results. Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid's financial results. For financial information regarding Avangrid, please visit its investor relations website at www.avangrid.com and the Securities and Exchange Commission (“SEC”) website at www.sec.gov.
FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates” and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents sent by Iberdrola, S.A. to the Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
Strategic overview
Global energy scenario

Increasing energy demand
Need to reduce emissions

More electrification of the economy

- More low carbon sources will be needed: Utility scale / distributed
- Storage capacity required
- Digitized Grids will be crucial to manage a more complex energy system
- Active customer management
The utility of the future…

More renewables

More storage

More and smarter networks

More and smarter customer solutions

…is Iberdrola today
Iberdrola has anticipated the global energy transition

More RENEWABLES

Almost 60% Renewable capacity (2015) in operation: 27.4GW

+ 7GW in construction (1.65GW to be commissioned after 2020)

*World leader in onshore wind* and *strongly investing in offshore*

West of Duddon Sands, Irish Sea, UK

1 Managed capacity including 100% Neoenergia
Iberdrola has anticipated the global energy transition

More STORAGE

4.5GW Hydro pumped storage in operation and construction

Equivalent to ~5M domestic batteries of 13.5kWh

Cortes la Muela, Spain
The utility of the future

Iberdrola has anticipated the global energy transition

More and SMARTER NETWORKS

Further improvement of operations and efficiency

- **HV & MV Smart Grid**
  - 100% digitalized Spain, UK and Brazil
  - US automation plan (2016-2021)

- **LV Smart Grid & Smart Meters**
  - Spain: 200,000 km of smart grids and 9M smart meters
  - UK: beating 2016 regulatory objectives on smart meters
  - US: 100% smart meters Maine, 63% Connecticut and NY AMI Plan

- **Digitalized generation operations**
  - 100% Renewables (CORE), Hydro, Nuclear, CCGT and Cogeneration
Iberdrola has anticipated the global energy transition

**Smart Customer Solutions**

*Added Value / Personalization / Energy efficiency to increase customer satisfaction and loyalty*

**Development of new solutions through Big Data:**
- Tailored tariffs
- Remote heating control
- Distributed generation and storage

- Multichannel
- Energy management
- Energy bank
- ...
Iberdrola business model

A model that combines geographic diversification with focus on energy transition businesses...

...providing attractive shareholder remuneration today with future growth visibility mainly in countries with A rating
Iberdrola business model

US (AVANGRID): platform to meet growth opportunities in energy infrastructure

Networks

- Eight regulated utilities in NY, CT, ME and MA investing in networks improvement and expansion
- New three-year rate cases in New York and Connecticut
- 2015 RAV USD 8,700M and expected 2020 USD 11B¹

Renewables

- Almost zero emissions in power generation
- 2nd wind producer and growing renewables footprint
- 5,700MW¹ of renewable capacity in operation (2015) and 7,700MW¹ expected by 2020

¹ US GAAP

AVANGRID, Connecticut Headquarters, US
Iberdrola business model

UK (Scottish Power): Leading renewables and growing in networks

**Renewables**
- 1\textsuperscript{st} wind producer
- Existing offshore wind hub for future growth
- 2,360MW of renewable capacity in operation (2015) and 3,550MW expected by 2020

**Networks**
- Networks growth
- Smart meters and digitization ongoing
- 2015 RAV GBP 5,400M GBP 6,800M expected by 2020

**Generation and supply**
- Hydro pumped storage in operation (440MW)
- Smart customer solutions

Whitelee windfarm, UK
Iberdrola business model

Continental Europe: One of the lowest emissions utilities, leading renewables and smart grids

Renewables

• 67% less emissions than peer average
• 16,400MW of renewable capacity in operation (2015) and 16,800MW expected by 2020
• 1\(^{st}\) wind producer in Spain
• Existing offshore wind hubs for future growth in Germany and France

Networks

• Almost full network digitization
• 2015 RAV EUR 9,000M; EUR 9,100M expected by 2020

Generation and supply

• Leader in hydro pumped storage:
  3,200MW in operation and 880MW in construction
• Smart customer solutions
Iberdrola business model

Mexico: ‘First mover’ to take advantage of the energy reform

Generation and supply
- Largest private producer: 10,000MW greenfield capacity in operation and construction
- Regulated generation average 25 years PPA, dollarized

Renewables
- 370MW of renewable capacity in operation (2015) and 1,065MW expected by 2020

Combined Cycle Dulces Nombres, Mexico
Brazil: Well positioned for potential sector restructuring

Networks
- 1st distributor by number of customers (13.4M)
- Widespread geographical presence: Bahía, Pernambuco, Río Grande do Norte and São Paulo
- 2015 RAV R$12,400M; R$23,300M expected by 2020

Renewables
- 2,500MW of renewable capacity in operation (2015) and 4,770MW expected by 2020

1 Managed capacity including 100% Neoenergia
Delivery of 2014-2016 Plan
Delivery of 2014-2016 Plan

Beating our 2014-2016 Plan estimates...

Net Profit grew above expectations by Eur 188M in 2016
Delivery of 2014-2016 Plan

...and increasing shareholder return

Shareholder remuneration

Eur/share

2014 0.271
2015 0.281
2016 0.31

Total Shareholder Return 2014-2016

55%
18%
14%

Iberdrola Eurostoxx50 Eurostoxx utilities

+7.0% CAGR

2014 2015 2016

2014-2016

Shareholder remuneration

Total Shareholder Return
Outlook
2016 – 2020 Update
Increase in Net investments to Eur 25,000M

Investments 2016 – 2020 update

Eur Bn

Feb. 2016 Investment Plan

24

+1,000M

2017 Update

25
Investments 2016 – 2020 update

Around 90% of investment: regulated or long-term contracted activities

Investment by business

- **Generation and Retail**: 42%
- **Regulated generation**: 7%
- **Renewables**: 9%
- **Networks**: 42%

**Total**: Eur 25Bn

Investment by currency

- **USD**: 48%
- **GBP**: 29%
- **Real**: 3%
- **Euro**: 20%

**Total**: Eur 25Bn

Currency diversification

71% allocated to countries with A rating

1 Including hydro
2 Including German offshore windfarm: Wikinger
Investments will lead to growth of 6.5GW in renewable capacity and Eur 6.2Bn RAV by 2020

Renewable capacity\(^1\) evolution (GW)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed capacity including 100% Neoenergia</td>
<td>27.4</td>
<td>33.9</td>
</tr>
</tbody>
</table>

+6.5GW

RAV\(^2\) evolution (Bn Eur)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.5</td>
<td>33.7</td>
</tr>
</tbody>
</table>

+6.2bn

\(^1\) Managed capacity including 100% Neoenergia

\(^2\) Including hydro and 100% Neoenergia
EBITDA 2020 update

2020: 81% of EBITDA coming from regulated or long-term contracted activities

EBITDA by business

- Generation and Retail: 8%
- Renewables: 25%
- Networks: 48%

EBITDA by currency

- USD: 22%
- GBP: 37%
- Real: 4%
- Euro: 37%

~60% of EBITDA coming from A rating countries

1 Including German offshore windfarm: Wikinger
Operating Cash Flow (FFO) of Eur 35 Bn

Global figures include Corporation and Other Businesses

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

2 Investment net of grants and excluding capitalised costs.

Networks

<table>
<thead>
<tr>
<th>FFO</th>
<th>Net Inv.</th>
<th>FFO - Net Inv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.0</td>
<td>10.3</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Renewables

<table>
<thead>
<tr>
<th>FFO</th>
<th>Net Inv.</th>
<th>FFO - Net Inv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.6</td>
<td>9.5</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

Generation and Retail

(Liberalized and Regulated Generation)

<table>
<thead>
<tr>
<th>FFO</th>
<th>Net Inv.</th>
<th>FFO - Net Inv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.5</td>
<td>4.9</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Evolution of results 2016 – 2020 update

Increasing annual average net profit growth...

<table>
<thead>
<tr>
<th>Update</th>
<th>2020</th>
<th>2015 – 2020 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>~10Bn</td>
<td>&gt;6%</td>
</tr>
<tr>
<td>Net profit</td>
<td>~3.5Bn</td>
<td>~7.5%</td>
</tr>
</tbody>
</table>

Net Profit/EBITDA Ratio

2015: 33%
2020: ~35%

... and keeping growth expectations post-2020 due to contribution from new investments
Return on investments

Maintaining financial strength and improving return on investments

**ROE Group**
- 2015: 6.7%
- 2020: >8.5%

**ROCE Group**
- 2015: 5.2%
- 2020: >6%
Shareholder remuneration growing in line with results

- Growing in line with results (pay-out between 65% and 75%) driving 2020 DPS between 0.37-0.40 Eur
- Establishing a floor of Eur 0.31/share during the period

Scrip Dividend & Share buy-back
- Maintaining scrip dividend
- Share buy-back to avoid dilution

Number of shares
- Maintaining current number of shares at 6,240 million

Shareholder remuneration
Conclusion

Anticipating the energy transition…

Vision

Strategy

Delivery

Sustainable growth

…to increase shareholder return and long-term growth visibility