Iberdrola, “utility of the future”:

Building the foundations for growth in the next decade

Aitor Moso
Liberalised Business Managing Director
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## Generation & Retail: 2017

**Competitive portfolio and consolidated customer base in our core countries**

<table>
<thead>
<tr>
<th>Services to Customers (M)</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>13</td>
</tr>
<tr>
<td>Gas</td>
<td>3</td>
</tr>
<tr>
<td>Smart Solutions</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy supplied (TWh)</th>
<th>179</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>139</td>
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<tr>
<td>Gas</td>
<td>40</td>
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</table>

<table>
<thead>
<tr>
<th>Capacity (GW)</th>
<th>18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (TWh)</td>
<td>85</td>
</tr>
</tbody>
</table>
Generation & Retail (average 2018 – 2022)

Strong retail position allows optimisation of the generation portfolio with energy procurement

Spain

UK

Mexico

Purchases 16% 10% Tariff customers
Generation 56% 90% Customers
Renewable 29%

Purchases 50% 21% Generation
Renewable 29% Customers

Generation 29%

6% 97% Customers PPA

Renewable 29% 71% Sales to CFE

85% - 95% of the production closed before the start of each year
Agenda

Outlook

2018 / 2022
Energy markets: Outlook 2022

Electricity demand growth, CAGR 2017-22
- Spain: 0.9%
- UK: -0.2%
- Mexico: 2.6%
- Brazil: 3.7%

Commodity prices

Power prices (average)

Prices derived from market quotations and estimates of commodities from analysts (PIRA, WoodMac, Aurora, CERA-IHS)
Growing in contracted generation and services to customers...

- **Services to Customers** (M services)
  - 2017: 23
  - 2022: 32
  - Increase: +40%

- **Smart Solutions to Customers** (M services)
  - 2017: 6
  - 2022: 14
  - Increase: x 2.2

- **Installed capacity (GW)**
  - 2017: 18.5
  - 2022: 22.3
  - Increase: +21%

- **Production (TWh)**
  - 2017: 85.4
  - 2022: 119.4
  - Increase: +40%
Profitable growth: EBITDA

... to achieve a total EBITDA of EUR 2.6 - 2.7 Bn by 2022

Incremental EBITDA from growth investment and efficiencies by 2022 (EUR Bn)

- 0.3
- 0.6
- 0.1
- 0.3

Cumulative efficiencies of EUR 300 M in the period

EUR 1.0 Bn of incremental EBITDA from growth and efficiencies
Profitable growth: Net Business Growth Investment

EUR 4.2 Bn Net Investment, 75% (EUR 3.1 Bn) in growth allocated to Mexico and Retail

Net Growth Investment (2018 - 2022)

- **Retail**
  - Services to Customers
    - Sustained growth in core markets
    - European expansion

- **Generation**
  - Gas Mexico
    - CCGT Escobedo (IPP 878 MW - 2018)
    - CCGT El Carmen (PPA 866 MW - 2019)
    - CCGT Topolobampo II (IPP 911 MW – 2019)
    - CCGT Topolobampo III (IPP 779 MW – 2020)
    - New capacity & repowering (1.3 GW)

- **Smart Meters**
  - Roll out in UK
    - 5 M smart meters (voluntary ownership)

EUR 3.1 bn
2018 – 2022 Plan: Generation
Generation: Key figures 2017

18,487 MW of installed capacity

MEXICO
5,840 MW Gas - Mostly regulated with CFE. Significant growth with PPA

BRAZIL
533 MW Gas - Regulated PPA with Distribution companies

UK
2,001 MW Gas - Capacity payments secured up to 2022

SPAIN
874 MW Coal
6,062 MW Gas - Capacity payments required
3,177 MW Nuclear

Iberdrola, “utility of the future”
Generation: Positioning

**Profitable Growth**

+4.8 GW in **Mexico** (3.6 GW in construction)
  - More capacity in projects with high growth, high return and long term contracts

**Cost Efficiency, Knowledge & Capabilities**

- Spain & UK: improvement of Thermal flexibility and competitiveness
- Mexico: enhanced performance through technology upgrades

**Digital and Innovation**

100% digital & automated fleet (Nuclear, CCGT and CHP)
  - Digital automation and preventive maintenance based on AI and data analytics
Generation: Profitable Growth

Net investment in growth of EUR 1.2 Bn in contracted generation to provide an incremental EBITDA of EUR 300 M by 2022

Installed Capacity 2022

- Brazil: 22.3 GW
  - 2.0
  - 0.5
- Mexico: 10.6
- Spain: 9.2
- UK: 2.0

Incremental EBITDA from growth investment (EUR M)

- 2018: 20
- 2019: 100
- 2020: 200
- 2021: 250
- 2022: 300
Generation: Profitable Growth in Mexico

**4.8 GW of new capacity during the period, reaching 10.6 GW by 2022**

+845 MW vs. former plan by 2020

**Installed capacity (GW)**

- **5.8** 2017
- **3.6** Under construction
- **1.2** Planning phase
- **10.6** 2022

**x1.8**

**Portfolio of 4 GW under development**

**Long term contracts**

**Production allocation**

- **29%** I&C PPAs
- **71%** CFE PPAs
Generation: Profitable Growth in Mexico

75% of the new capacity already under construction

CC Escobedo - 878 MW, 2018

CC Topolobampo II - 911 MW, 2019

CC El Carmen - 866 MW, 2019

CC Topolobampo III - 779 MW, 2020
Generation: Cost efficiency and digital

EUR 50 M cumulative efficiency gains 2018 – 2022 through further operational efficiencies and overall fleet performance enhancement

CCGT optimisation

- 2% efficiency increase
- 35% turndown reduction
- 60% start up time reduction

Asset life cycle management, predictive analysis and machine learning based on data analytics

- 14 GW of CCGT’s and CHP in Spain, Mexico, UK and Brazil

100% digital & automated fleet (Nuclear, CCGT and CHP)
2018 – 2022 Plan: Retail & Smart Solutions
Retail & Smart Solutions: Key figures 2017

23 M services to customers

**MEXICO**

- 2k I&C services to customers
- 42.3 TWh energy sales

**BRAZIL**

- 1k I&C services to customers
- 12.7 TWh energy sales

**UK**

- 6 M services to customers
- 53 TWh energy sales

**SPAIN & CE**

- 16.6 M services to customers
- 71.4 TWh energy sales
Retail & Smart Solutions: Positioning

Profitable growth based on strong emphasis on smart solutions while expanding existing successful retail model

+9 M services to customers by 2022:
  • Expansion based on successful retail model
  • Sustained growth in core geographies

Cost to serve (-9%) and acquisition cost (-6%) reductions:
  • Digital channels
  • Data analytics

Customer centered product portfolio:
  • Smart Energy Services
  • Smart Home
  • Smart Mobility
  • Smart Solar

Integrated management of customer needs and lifestyle changes while maximising the value for Iberdrola
Retail & Smart Solutions: Profitable Growth

32 M services to customers by 2022, with incremental EBITDA of EUR 600 M

2022 Services to Customers

- **RoW**: 13%
- **UK**: 34%
- **Spain**: 53%

Incremental EBITDA from growth (EUR M)

- 2018: 40
- 2019: 100
- 2020: 250
- 2021: 400
- 2022: 600
Retail & Smart Solutions: Profitable Growth

Additional 9 M services to customers in Europe leveraging Iberdrola’s retail platform for growth

Effective and efficient retail platform

- **Unique and effective retail model:**
  - Lowest cost to serve in Spain and the UK
  - High penetration of smart solutions (~60% in Spain)

- Replicable in new countries and markets
  - Italy market entry example:
    - <EUR 1 M Capex
    - <6 months roll-out

Replicable to accelerate entry into new geographies

No. of services to customers (M)

- Sustained growth in core markets
- European expansion

Smart solutions in Mexico and Brazil
Leadership in costs and efficiency in all countries

Cost to Serve

<table>
<thead>
<tr>
<th>Country</th>
<th>Iberdrola Competitors</th>
<th>Iberdrola</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain (€/Contract)</td>
<td>-60%</td>
<td>-27%</td>
</tr>
<tr>
<td>UK (£/Contract)</td>
<td></td>
<td></td>
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</tbody>
</table>

Initiatives to date

- Development of digital channels and products (e.g., Time of Use tariffs, Power-Up, Energy Wallet)
- Digitalization of back office processes
- Widespread use of data analytics

* Estimation based on UK segmental accounts
Going forward, digitalization of processes and sales will contribute with additional EUR 250 M of cumulative efficiencies 2018 – 2022

2018 - 2022 Plan

- Further development of digital initiatives:
  - e-Billing
  - New digital products
  - Digital customer service and optimization of customer journeys
- ... leveraging on smart meters and data analytics
- Roll-out of best practices across geographies
Retail & Smart Solutions: Digital

**SPAIN: Personalized plans**

- Giving customers control to personalize their energy plan
- Customer advice about consumption based on data analytics
- Focus on simplicity

~1 M customers already saving on their electricity bill

**SPAIN & UK: Easy quote**

- Industry first Machine Learning algorithm to predict consumption for every household
- Simplified checkout process

+40% online conversions
Smart Solutions

Solving new needs of customers

Smart Energy Services

Smart Solar

Smart Home

Smart Mobility
Smart Energy Services & Smart Home

From 6 M to 14 M customer smart solutions

**Smart Energy Services**
- Installation, maintenance and protect services
- Energy Efficiency and Demand Response (Residential & SME)
  - Integrated portfolio of tailor-made solutions to improve energy efficiency and management

**Smart Home**
- Digitally controlling the use of energy and insights to customers to better manage their energy requirements
- Smart Devices and Services
- Voluntary ownership
  - Smart Meters UK
  - Allows for differentiation and personalized energy plans
Smart Solar & Smart Mobility

More than 250,000 users by 2022

Smart Solar

- Residential and SME
  - Integrated solutions: personalized analysis, PV + storage, installation, maintenance, financing, insurance and digital management

- I&C
  - PV on-site or utility scale solutions with PPA

Smart Mobility

- Private Charging Solutions
  - Integrated solutions: Smart Charging + Green tariff + Maintenance

- Public Charging Solutions
  - Public facilities + digital solutions

- Industry Charging Solutions
  - Smart charging for fleets, employees and customers + digital solutions
Committed to excellence

Looking after our customers and committed to society

Excellence in Customer Service

- “Best call center in Spain” by Spanish Call Centre Association.
  - Global resolution (FCR): 82%
- “Supplier of the Year” in the UK.
  - Global resolution (FCR): ↑ 7 p.p. up to 73%

Committed to society

- Supporting women’s sport in Spain and sponsorship of Cancer Research UK and Spanish Cancer Association
- Vulnerable customers: 100% covered in Spain, contribution to financial and non-financial schemes in the UK
Agenda

Closing remarks
Retail & Generation: Closing remarks

Total EBITDA of EUR 2.6 - 2.7 Bn by 2022

EUR 4.2 Bn Net Investments to achieve incremental EBITDA of EUR 1.0 Bn by 2022

- +EUR 0.3 Bn in contracted generation: high return with long term contracts
- +EUR 0.6 Bn in Retail & Smart Solutions: core geographies, expansion into Europe and Smart Solutions
- +EUR 0.1 Bn in efficiencies

Customer at the centre, achieving 32 M services by 2022

- 14 M customer smart solutions
- Connectivity and focus on simplicity: digitalization, data analytics, omnichannels and customer empowerment through personalized products and services
- Integrated management of customer needs and committed to society