

OUTLOOK 2018 / 2022

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IBERDROLA

Iberdrola, “utility of the future”:

Building the foundations for growth in the next decade

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Networks Today: 2017 Key figures

Geographically diversified business with regulated revenues and strong cash flow performance in all countries



Electricity	38 TWh
Gas	60 TWh
Connections	3.2 mill



Electricity	64 TWh
Connections	13.6 mill



Electricity	35 TWh
Connections	3.5 mill



Electricity	93 TWh
Connections	11.0 mill

Electricity 230 TWh

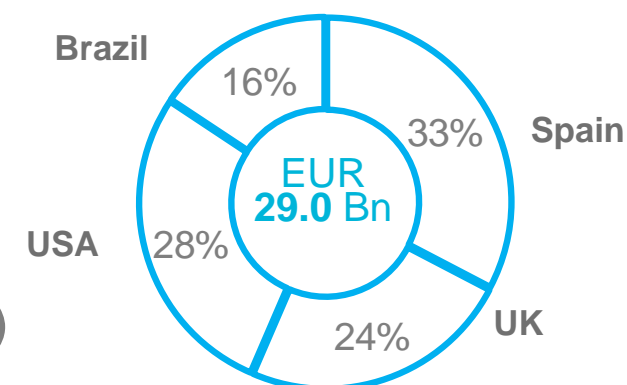
Gas 60 TWh

Connections 31.3 mill

Net Capex EUR 2.1 Bn

EBITDA EUR 4.2 Bn (EUR 4.6 Bn with 12m Neoenergia)

RAV



Key Business Areas

Long term Regulatory frameworks deliver transparent and secure revenues in all geographic areas



Delivering value to **customers** with best-in-class customer service through quality of supply and new smart grid services



Profitable **growth** based on T&D investments in core areas

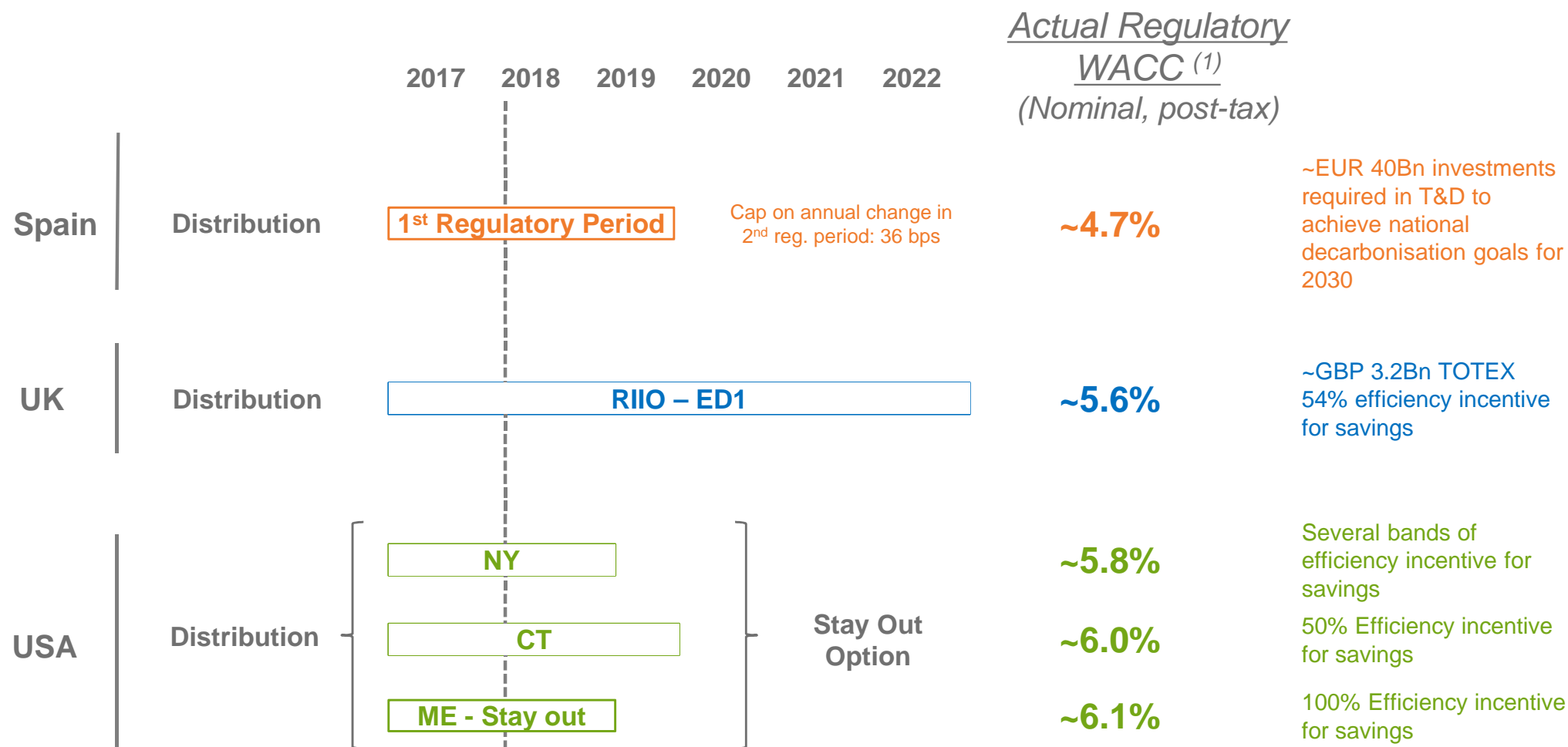


Improving operational **efficiency**

Driven by innovation, technology and global best practices

Visibility of Revenues (1/2)

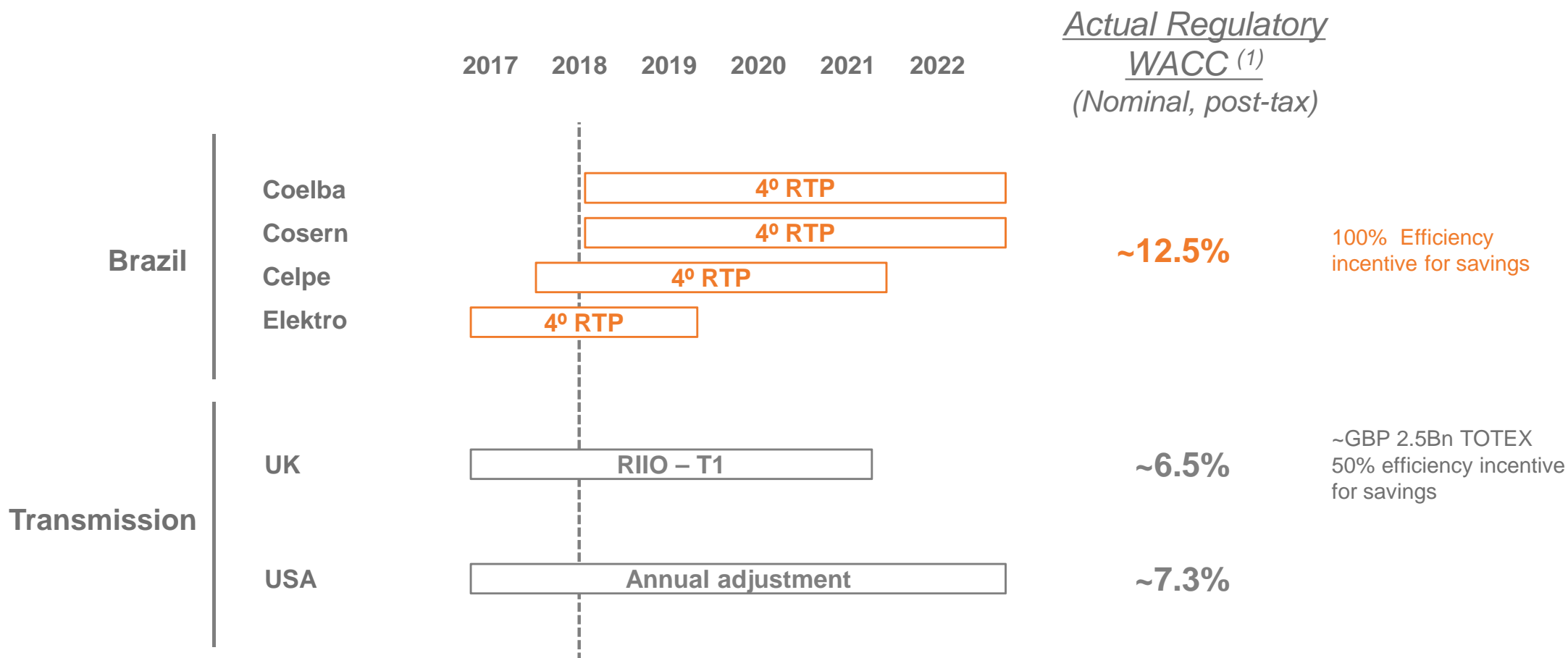
Long term regulatory frameworks and reasonable rates of return in all jurisdictions are the foundations of a balanced investment mix in T&D across countries



(1) Nominal WACC post-tax has been calculated based on each country's specific remuneration framework. ESP: 6.5% Nominal WACC pre-tax; UK: 6% Real COE post-tax; USA-NY 9% USA-CT 9.15% USA-ME 9.45% Nominal ROE post-tax.

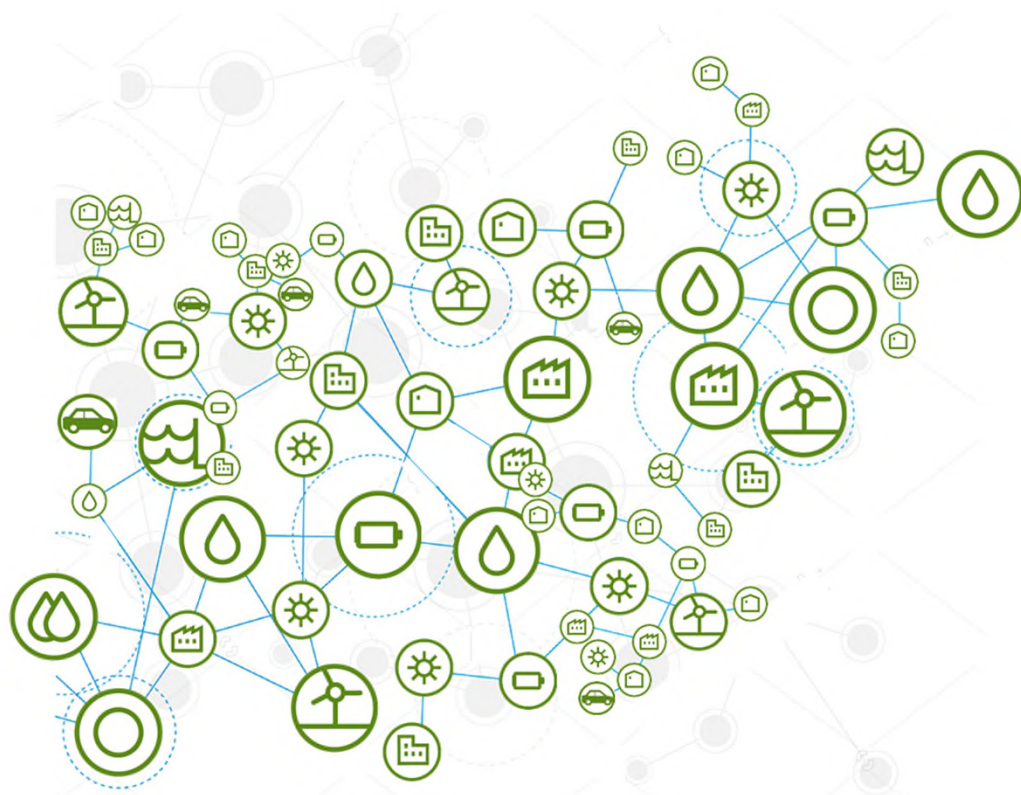
Visibility of Revenues (2/2)

Long term regulatory frameworks and reasonable rates of return in all jurisdictions are the foundations of a balanced investment mix in T&D across countries



(1) Nominal WACC post-tax has been calculated based on each country's specific remuneration framework. BRA: 8.09% Real WACC post-tax; Transmission UK: 7% Real COE post-tax; Transmission USA: 10.57% Nominal ROE post-tax

Distribution Networks have the central role in energy transition and need to adapt to new challenges



Optimise planning and Network deployment in a context of electrification of transport and heat

Ensure system operability and reliability with large penetration of intermittent generation






Integrate Distributed Energy Resources (Renewables, EV, storage)

Facilitate **active demand response** and supply balancing services

Investments on Distribution Networks are key for an efficient, safe and reliable Energy Transition

Smarter Networks: A history of continuous improvement (1/2)








EUR 3 Bn invested in networks digitalization to date, with projects delivered setting the blueprint for a global Smart Grid model...

Achievements			
Network Operation	Virtual operation. Patented self healing AI algorithm.	↑ Reliability ↑ Safety ↓ Costs	 Mobility: Digital field forces management 1.8X improvement on fault recovery 59% load recovery < 3min vs 33% in 2010
Advanced Analytics	70+Tb of data analyzed	Big data tools for decision making	 Demand Forecasting 85% new connections allowed automatically vs 50% in 2016 EUR 17M/y due to fraud reduction 60% efficiency on field activities BRL 8M/y OPEX savings in field activities
Smart Meters*	 10.4M Smart Meters in service in 2017  1.3M Smart Meters in CT/ME	↑ Prosumer LV monitoring	 240M of hourly customer load curves per day

* 0.8 Million of smart meters deployed by Retail in the UK

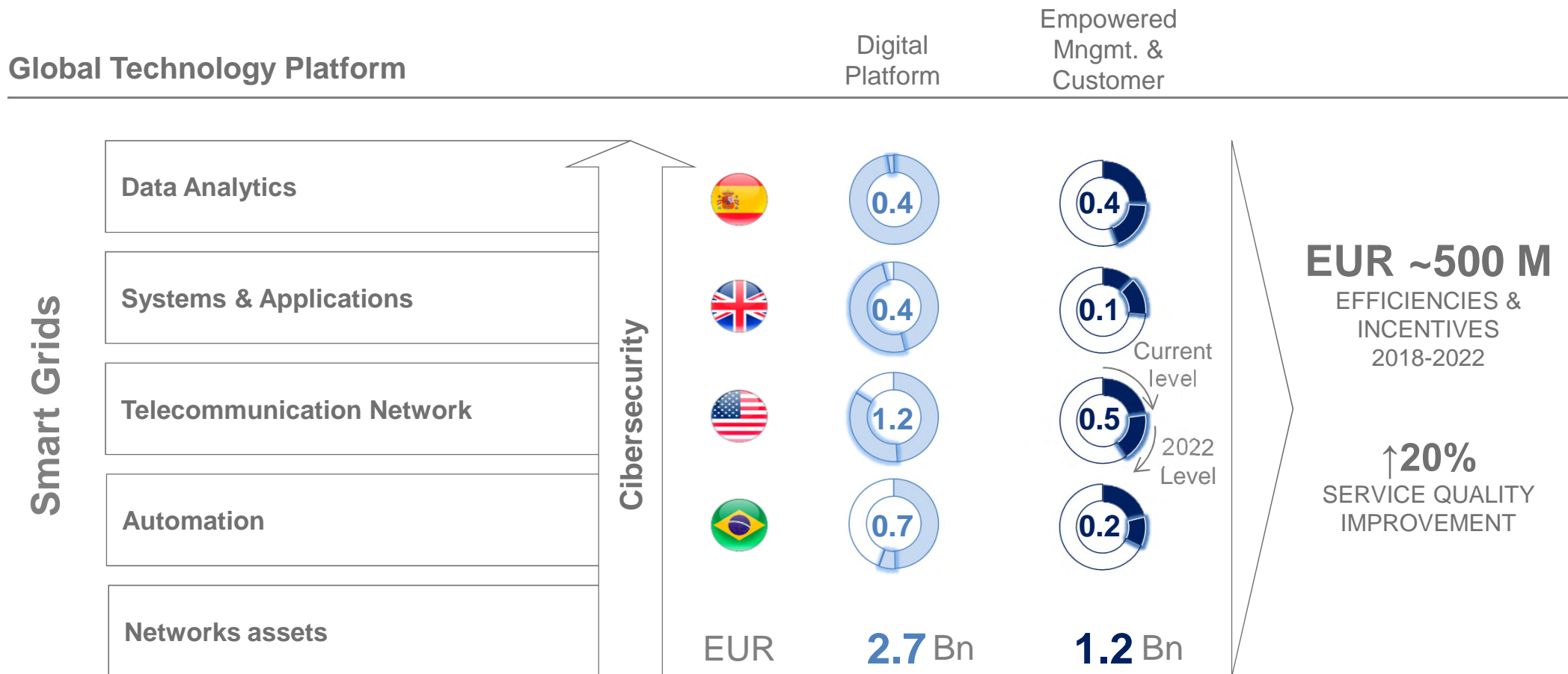
Smarter Networks: A history of continuous improvement (2/2)

EUR 3 Bn invested in networks digitalization to date, with projects delivered setting the blueprint for a global Smart Grid model...

		Achievements	
DER integration	Integrate & control intermittent renewable capacity within distribution Network	MW integrated ↑ Quality	 2.4GW in central region (1.6GW Peak) Interruptions ↓57%, 131 to 57 min 2007-17
			 150MW in Dunbar & Berwick (25MW Peak)
District Storage	Utility scale storage projects to provide network services	New Services: Balancing, Flexibility	 5 Projects in NY / CT on line in 2018
			 2 Projects on line in 2018
Microgrids	Solution to improve resiliency or electrify isolated areas	New Services	 Woodbridge →to harden local network
			 S. Agustín →to test DER control
			 21k customers electrified in State of Bahia (“Luz para todos”)

Moving forward: Global Technology Platform 2018-2022

+ EUR 3.9 Bn net investments for growing and expanding our global technology platform...



Global development adapted to local environments



Customer at the Center: Today and expected results

Improving best-in-class quality of supply

Minutes interruption vs peers average

Spain **-25%** vs peers avg

Source: Minetad

UK **-6%** vs peers avg

Source: Ofgem

USA **-39%** vs peers avg

Source: internal calculations for urban areas

Brazil **-21%** vs peers avg **ELEKTRO**

-12% COSERN

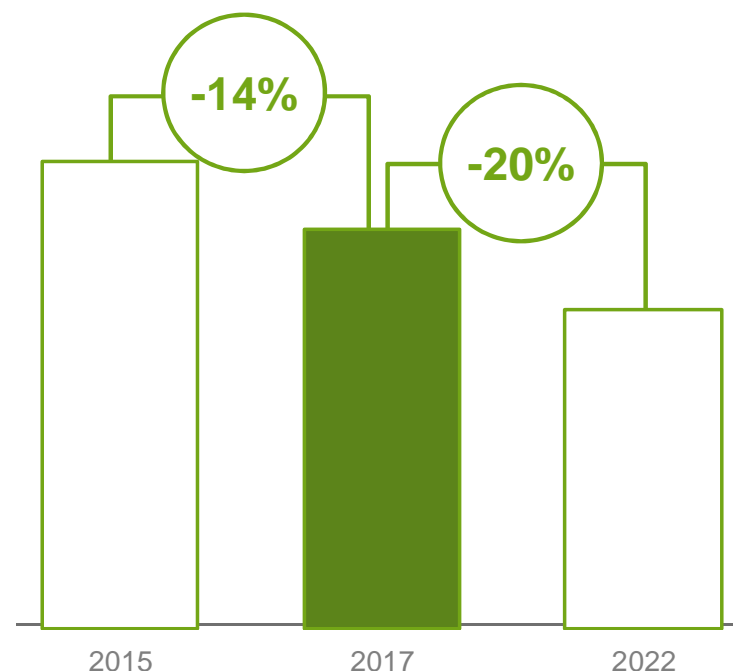
-11% COELBA

+17% CELPE

Source: Ranking ANEEL

Room to improve

Minutes interruption



Note: US comparison only with urban OpCos (RGE and UI)

Operational Efficiency: Today and expected results

Total cumulative efficiencies of EUR 700 M during the period, partially shared with customers

Cost to serve vs peers average

Spain **-32% vs peers avg**

Source: CNMC

UK **-20% vs peers avg**

Source: Ofgem

USA **-6% vs peers avg**

Source: based on S&P Global Market Intelligence

Brazil **↓ 28% vs peers avg** ELEKTRO

↓ 3% COSERN

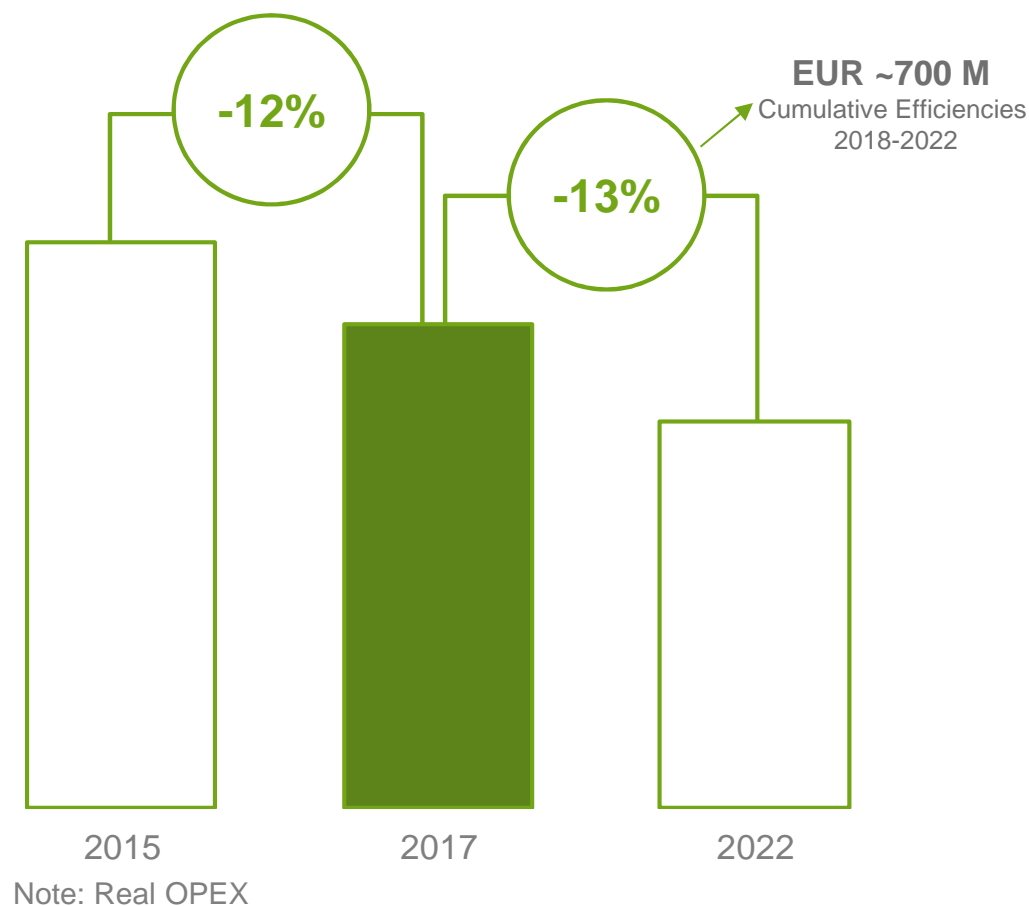
↓ 3% COELBA

↑ 11% CELPE

Source: Ranking ANEEL

Room to improve

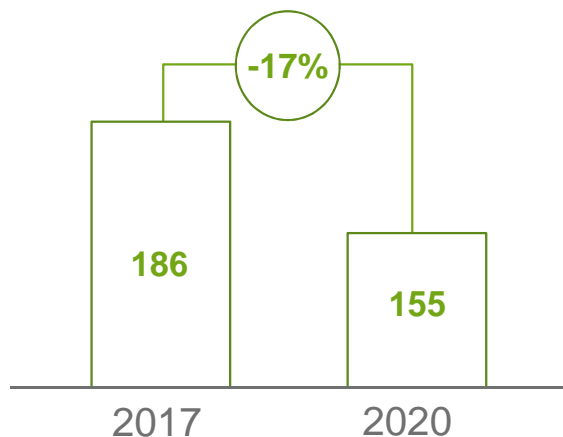
OPEX



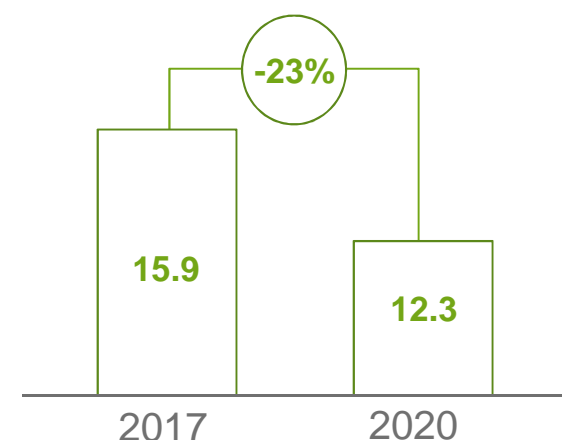
... and are key to foster business integration and best practice sharing

Ambitious plan for the integration of Neoenergia: improving efficiency, service quality and losses based on Iberdrola's global networks expertise

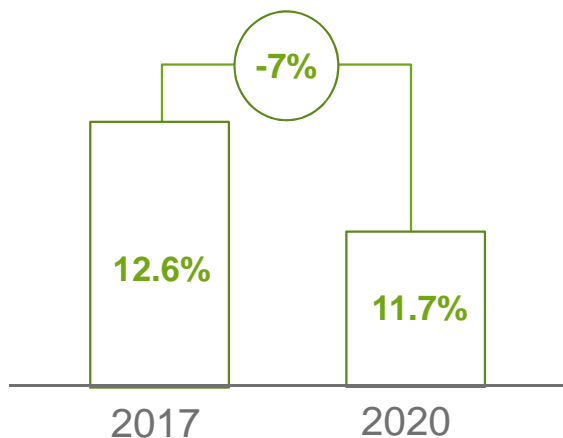
Cost to serve (BRL / customer)



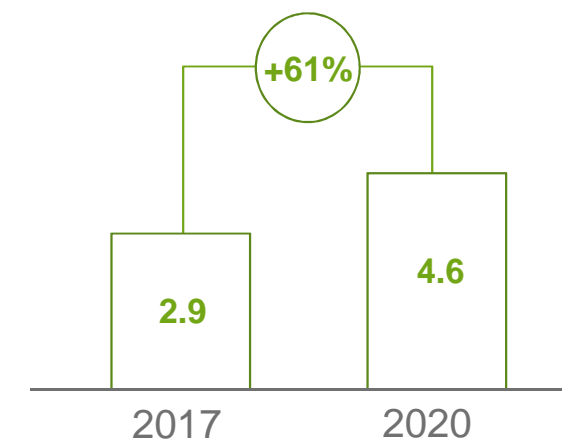
DEC (hours interruption)



Losses (%)



Net CAPEX (BRL Bn)



Profitable Growth 2017-2022: Transmission

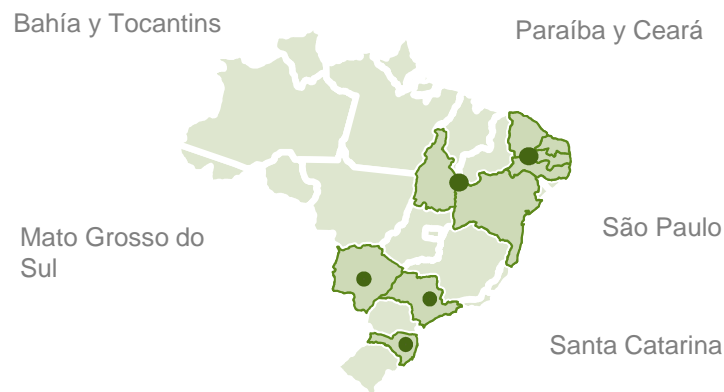
Solid background as transmission operator in UK and US subsidiaries...

... that allows growth opportunities in core areas with T&D synergies


2017 New Projects

NEOENERGIA **BRL 2.7 Bn**
Reg CAPEX AWARDED


4 lots awarded in Apr-17 + 2 lots in Dec-17



Potential Transmission Projects up to 2030

USA **USD 10 Bn** **New England & New York**
USD 75 Bn **Other regions in USA** 
Source: Brattell Group

Brazil **BRL 90 Bn** **ANEEL auctions**
Source: ANEEL

Mexico **USD 7 Bn** **New HVDC transmission projects** 
Source: Prodesen

**Transmission Projects in or close to our
Service Areas**

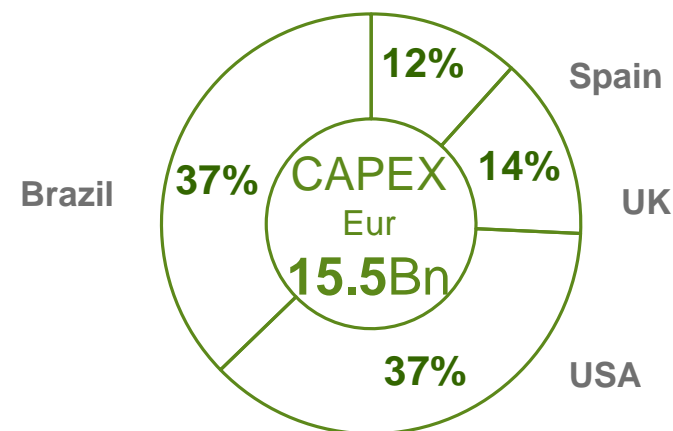
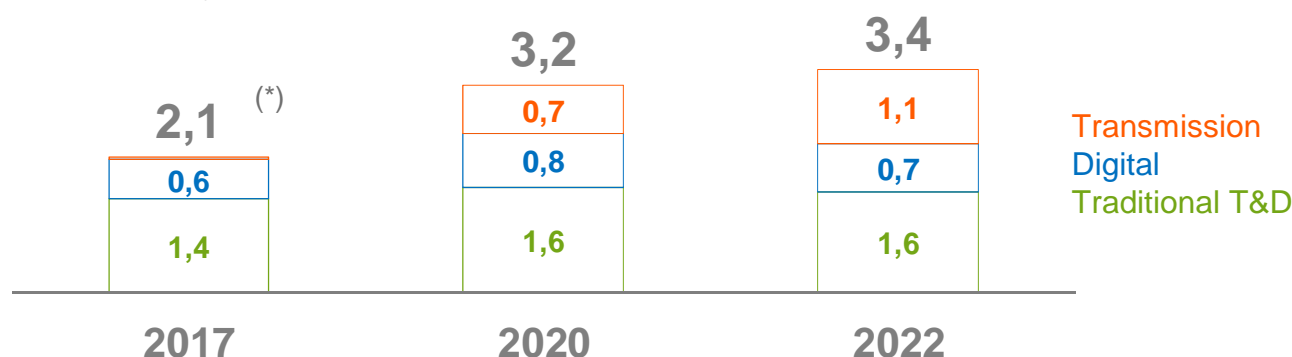
**> EUR 100 Bn
opportunities in Core Areas**

Profitable Growth: CAPEX and EBITDA

EUR 15.5 Bn of CAPEX during the period, providing EUR 11 Bn RAV growth and EUR 1,000 M additional EBITDA by 2022

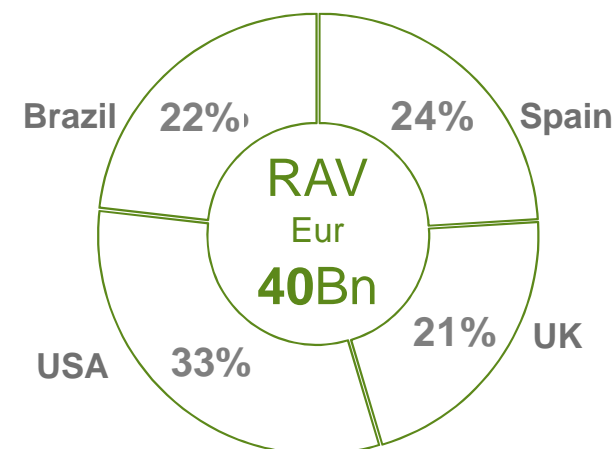
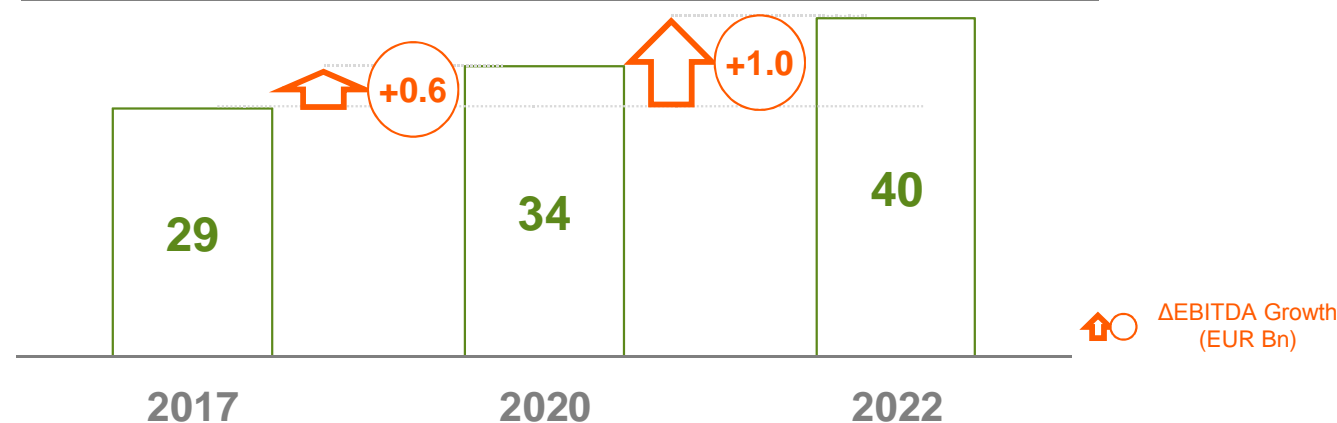
Net Capex (EUR Bn)

* Includes only 4m of Neo



2018-2022

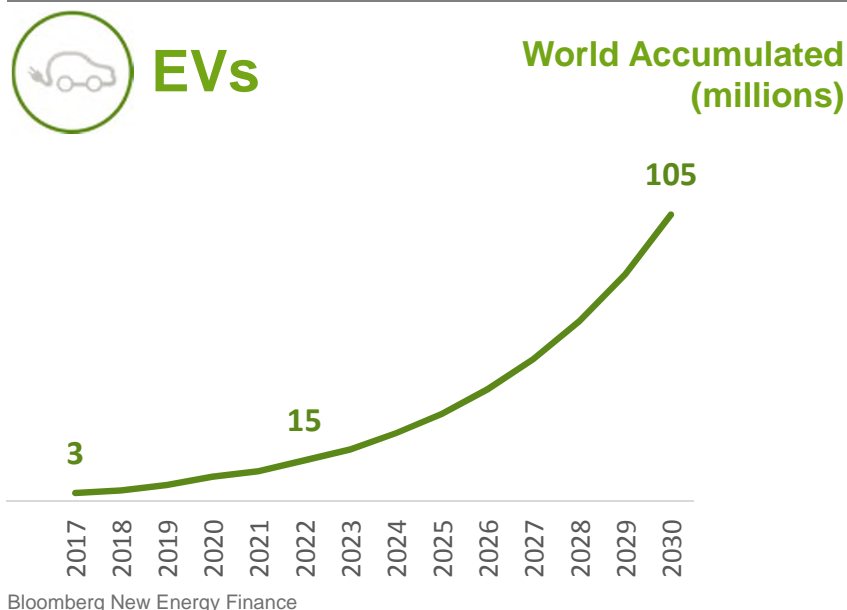
RAV (EUR Bn)



Further Opportunities: EV

DSOs will play a key role as enabler of electro-mobility, managing smart charging processes and thus, reducing investments in grid reinforcement

Perspective



~270M EV in 2035

~280M EV in 2040

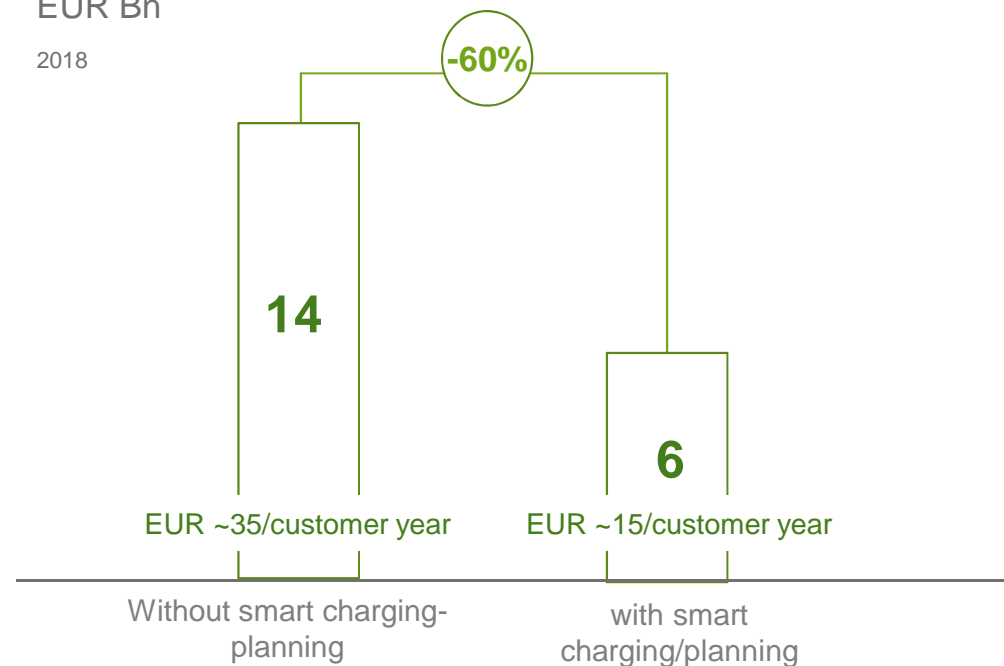
(New Energy Policies Scenario EIA)

What is IBERDROLA doing?

Required investments in distribution networks to accommodate full EV deployment⁽¹⁾ in IBE core markets

EUR Bn

2018



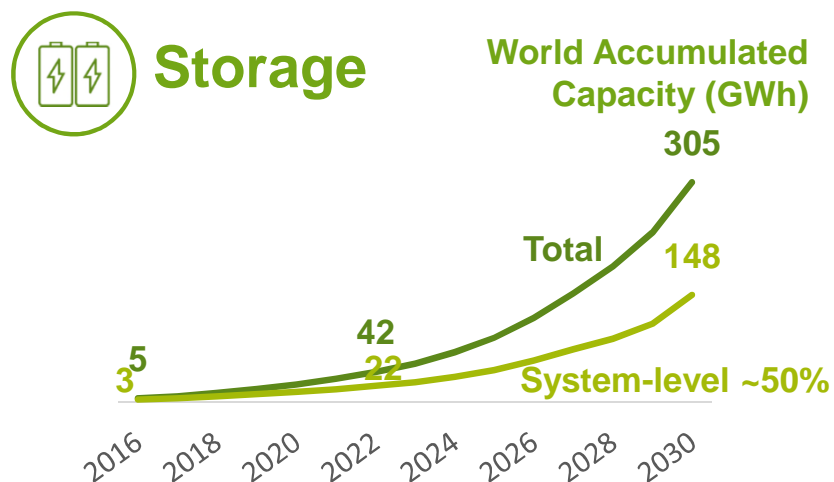
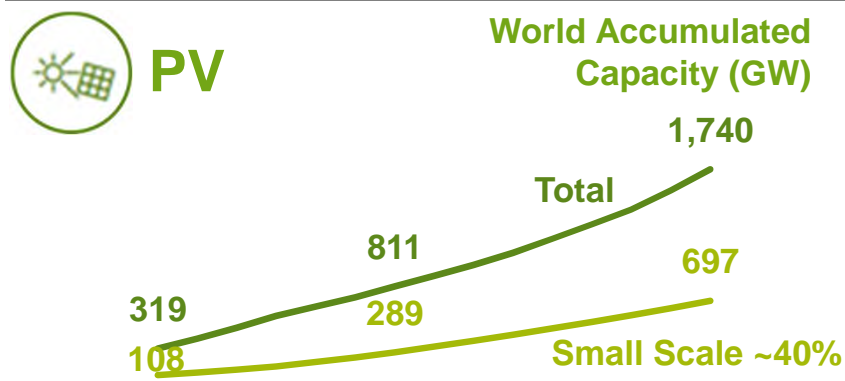
(1) 100% of EV in SP, UK and US, 30% in BRA.

Early planning and smart technology are key for an efficient deployment

Further Opportunities: LV DER Integration and Flexibility Services

Networks will be the key enabler in all scenarios of DER penetration at Low Voltages, integrating at least ~50% of batteries and ~40% of PV

Perspective



Source: Bloomberg New Energy Finance

What is IBERDROLA doing?

Spain

Since 2008, **2.4GW intermittent generation integrated** in Central Region (1.6GW Peak demand)

» **ALOIS 2018-2021**: Islanding. Safe & Reliable operation in islands within distribution networks

UK

Since 2012, with up to **150MW intermittent generation ANM** (Active Network Management) in Dunbar & Berwick (25MW peak demand)

» **ANM 2018-20**: Scheme to facilitate ANM roll-out

» **FUSION 2018-2022**: Local flexibility balancing market

Investments in low voltage Network development are key for efficient DER integration

Innovation



100+ Innovation Projects Launched

A fully functional in-house innovation model, solving real problems today

Conclusions

Geographically diversified business with regulated revenues in all areas and strong cash flow generation



20% increase in quality of supply from a best-in-class networks business in all areas



Net investments of EUR 15.5 Bn drive an increase in RAV of EUR 11 Bn, **with a related EBITDA growth of EUR ~1,000 M**



EUR ~700 M of accumulated efficiency gains, providing EUR ~200 M EBITDA in 2022

EBITDA 2022

EUR 5.8-6.0 Bn

And further opportunities for growth through the Energy Transition