OUTLOOK 2018 / 2022
London / 21 February

Iberdrola, “utility of the future”:

Building the foundations for growth in the next decade

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Overall Strategy
Current Situation Overview

Iberdrola: consolidated leading position in the renewable sector...

Capacity installed*

<table>
<thead>
<tr>
<th>Region</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>23%</td>
</tr>
<tr>
<td>Spain</td>
<td>54%</td>
</tr>
<tr>
<td>RoW</td>
<td>10%</td>
</tr>
<tr>
<td>Mex &amp; Bra</td>
<td>10%</td>
</tr>
<tr>
<td>UK</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Hydro 44% of total capacity

...with more than 29.1 GW installed and over 5.6 GW under construction

As of today we are already 13% above the 2016-2020 growth Plan commitments
Strategic pillars

**Profitable growth**
Significant growth in core markets and expanding Iberdrola’s capabilities across further geographies

**Operational excellence**
Best in class through Iberdrola’s O&M model
Asset life cycle management through digitalization

**Customer at the centre**
State of the art products to meet customers’ needs

**Capital Optimisation**
Opportunity to co-invest in projects to improve competitiveness
Agenda

2018 – 2022 Plan: Profitable growth
Profitable growth

Growth key drivers

- MATURE TECHNOLOGIES
- OFFSHORE BUSINESS
- STORAGE
- NEW GEOGRAPHIES
Profitable growth

Mature renewable technologies: consolidating leadership in core areas with attractive returns

Strategy focus on auction processes with acceptable levels of return...

Brazil
295 MW awarded in December 2017 in Leilão A-6 at the highest price.

...and taking advantage of Iberdrola’s capabilities to achieve attractive IRRs when auction prices do not provide reasonable returns

Spain  Mexico  Portugal
844 MW of wind and solar PV and 1,158 MW of hydro & storage being constructed under internal schemes.
Profitable growth

Wind Offshore: selective growth...

- 3 key hubs in quality areas
  
  Project pipeline by hubs
  
  Baltic Sea: 900 MW
  
  North Sea: 2,800 MW
  
  US East Coast: 4,000 MW

- Strong and extensive pipeline: over 7.5 GW

... consolidating as core business
Profitable growth

Successful experience in already materialized projects

Operating wind offshore facilities with high EBITDA/MW ratio

**West of Duddon Sands - 389 MW (50% IBR)**

- **Location:** Irish Sea, UK
- **WTG:** 108 turbines (Siemens)
- **Investment:** GBP 1,250 M

**Wikinger - 350 MW**

- **Location:** Baltic Sea, Germany
- **WTG:** 70 turbines (Siemens Gamesa)
- **Investment:** EUR 1,400 M
Profitable growth

... increasing capacity by 24% to reach a total of 36.2 GW by 2022

2018-2022 Plan Capacity installed (GW) by geography

- USA: 29%
- Mexico: 16%
- USA: 17%
- Brazil: 11%
- Rest of the World: 4%
- Iberia: 23%

* Includes Belo Monte, that is consolidated via the equity method

2018-2022 Plan Capacity installed (GW) by technology

- Onshore: 43%
- Offshore: 10%
- PV: 20%
- Hydro: 27%
- Wind: 43%
Profitable growth

... investing EUR 11.5 Bn during the period, 90% allocated to growth

2018-2022 Investments (EUR Bn) by geography

- **EUR11.5Bn**
  - 31% USA
  - 16% Iberia
  - 20% UK
  - 9% Mex
  - 4% Bra
  - RoW 20%

2018-2022 Investments (EUR Bn) by technology

- **EUR11.5Bn**
  - Offshore 32%
  - Hydro Storage 10%
  - Onshore Wind 44%
  - PV 14%

* EUR 10.2 Bn growth investment
Profitable growth

... to increase EBITDA by EUR 1,200 M in 2022
Agenda

2018 – 2022 Plan: Operational Excellence
Operational excellence

Digital Innovation

CAPEX OPTIMISATION

GROSS MARGIN IMPROVEMENT

O&M COSTS REDUCTION

Operational efficiency
Operational excellence

Asset life cycle management through digitalization...

- Reduce corrective
- Reduce unavailability
- Maximize power curve

Zero unplanned events target

- Diagnosis
- Prognosis
- Conditions Monitoring
  - System + Sensors

Optimize operations
- O&M scheduling
- Digital plan of the day

Reduce deviation
- Cyber security

... maximizing revenues

Initiatives will allow EBITDA cumulative increase of EUR 130 M during the period
Operational excellence

Continue being O&M best in class demands…

DELIVERING an ADVANCED O&M MODEL

<table>
<thead>
<tr>
<th>Health &amp; Safety First</th>
<th>Digital Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Contractors +</td>
</tr>
<tr>
<td></td>
<td>Operational tools</td>
</tr>
<tr>
<td></td>
<td>Asset performance management</td>
</tr>
</tbody>
</table>

**Strong internal capabilities**
- Field Services deep technical knowledge
- GEMA Advance Maintenance Program
- Global Efficiency Practices

**Smart Operations**
- Remote Diagnosis & troubleshooting
- Detailed maintenance resource planning
- Condition based maintenance program

**Supply Chain optimisation**
- Service & maintenance contracts diversification
- Parts & components self-supply → centralised logistic system

-50,000 man-hours/year
-10% major correctives

Focus on strategic fleet

-20% in parts supply
Spain maintenance tender: 6 main suppliers

A Global Plan that will allow EUR 70 M of cumulative savings during the period
Operational excellence

Capex optimization

-5% 2017 2022

-10% 2017 2022

-25% 2017 2022

Gross margin improvement

NCF*% 2017 2022

+15%

Energy loss

-15% 2017 2022

O&M cost reduction

-5% 2017-2022

-25% 2017-2022

EUR 200 M* of accumulated efficiency gains through digitalization and O&M best practices

*~EUR 50 M in 2022
2018 – 2022 Plan: Customer at the centre
Customer at the centre

Service portfolio built-up...

OPTIMIZING INTEGRATION

STORAGE & HYBRID TECHNOLOGIES

... around market and customer needs
Customer at the centre – Reliability of services & Value added products

Self Supply. Balancing Authority

Long term certainty: time & energy

- Improved Operational Flexibility
- Long term integration cost certainty
- Services to customers, 3rd parties & load serving entities
- 1,300 MW of wind balanced

  Backed-up by:
  - Owned Combined Cycle Gas
  - Slice of third party Hydroelectric Power
Customer at the centre – Reliability of services & Value added products

Ancillary & Energy Services

Ancillary Services

- Provision of synthetic inertia
- Islanding
- Black Start

Energy Services: Customized “GREEN” solutions

![Diagram showing C&I DIRECT RETAIL SERVICE]

Avangrid Renewables Projects

Transmission Grid

MWh

Avangrid Renewables ESS

PPA

$$

Bundled Renewable Energy + Additional MWh to meet C&I demand from Avangrid's Green Merchant Portfolio

MWh

Corporate Partner
Customer at the centre – Reliability of services & Value added products

Massive storage (~24 hours)

Hydro pumped storage

- Total installed capacity of 4.5 GW
- Cost efficient → 1/3 of battery systems’ cost
- Flexible system: additional services to the grid
- Regulates excess energy

Iberdrola leader with 100,000 MWh storage

3.192 MW  
70 GWh

440 MW  
10 GWh

880 MW  
20 GWh

(COD in 2021)
Battery Energy Systems (<4 hours)

Battery System within the US Balancing Authority

- Lithium-ion energy storage system operating as part of the Balancing Authority in US NW
- Replaces more expensive technologies

10 MW | 2-hour Battery to be implemented:

- Improves the reliability of the electrical grid
- Provides additional services to the system
- Reduces risk of non-compliance in the BA
Customer at the centre – Reliability of services & Value added products

**Hybrid products**
Firmed shaped products designed to meet the customers’ needs

**Storage to optimize renewable production**

- Moves solar generation to higher priced hours
- Opportunities in certain areas of the US → over 200 MW

**Incremental cost of adding batteries to a standard PV plant**
more than covered by PPA price

**Combined product: wind + PV**

- Firmed shaped product in growing demand
800 MW favourable returns

<table>
<thead>
<tr>
<th>PV plants</th>
<th>MW PV</th>
<th>Batt size (MW/MWh)</th>
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<tbody>
<tr>
<td>PV plant 1</td>
<td>44</td>
<td>11/44</td>
</tr>
<tr>
<td>PV plant 2</td>
<td>120</td>
<td>30/120</td>
</tr>
<tr>
<td>PV plant 3</td>
<td>46</td>
<td>5/20</td>
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<table>
<thead>
<tr>
<th>Wind plants</th>
<th>MW Wind</th>
<th>MW PV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind farm 1</td>
<td>304</td>
<td>20</td>
</tr>
<tr>
<td>Wind farm 2</td>
<td>63</td>
<td>32</td>
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<tr>
<td>Wind farm 3</td>
<td>200</td>
<td>101</td>
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<tr>
<td>Wind farm 4</td>
<td>189</td>
<td>44</td>
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<tr>
<td>Wind farm 5</td>
<td>150</td>
<td>75</td>
</tr>
</tbody>
</table>
Agenda

2018 – 2022 Plan: Capital Optimisation
Capital Optimisation – Partnering Green

+ Experience in partnering today

<table>
<thead>
<tr>
<th>Country</th>
<th>Capacity (MW)</th>
<th>% partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1,800</td>
<td>5% – 50%</td>
</tr>
<tr>
<td>US</td>
<td>800</td>
<td>50%</td>
</tr>
<tr>
<td>UK</td>
<td>400</td>
<td>50%</td>
</tr>
<tr>
<td>ROW</td>
<td>700</td>
<td>25% - 50%</td>
</tr>
</tbody>
</table>

+ Strong and diversified pipeline

Spain  2 GW  
US    12 GW  
UK    4 GW   
ROW   7 GW   

~25 GW

Partnering in selected projects increases competitiveness through access to lower cost of capital
Agenda

2018-2022 Plan: Flagship projects
Flagship projects

Alto Tâmega hydro power and storage complex

Largest hydroelectric project in the history of Portugal

- The project will give Iberdrola a 15% market share in Portugal
- Construction of 3 reservoirs: Gouvães (880 MW), Daivôes (118 MW) and Alto Tâmega (160 MW).

Location: North Portugal
Installed capacity: 1,158 MW
Storage capacity: 20 GWh
Investment: EUR 1,500 M
Flagship projects

East Anglia ONE offshore windfarm

First Round-3 Project awarded with a CfD

- Engineering work and supplier activities ongoing
- Construction ongoing
- First output expected during 2019

Location: North Sea, UK
Capacity: 714 MW - 102 x 7 MW Siemens WTG
Investment: GBP 2.5 Bn
Flagship projects

Santiago Solar PV plant

PV facility in Mexico coming on line in 2018

- Technology: monocristaline module, single axis tracking

Location: San Luis Potosí, MEXICO
Extension: 750 hectares
Capacity: 232 MW
2018 – 2022 Plan: Conclusions
Conclusions

- Leading core markets and continue developing storage capacity
- Leveraging on internal capabilities to achieve attractive returns
- Developing offshore business centered in 3 high quality hubs

Growth investments of EUR 10.2 Bn to install 7.1 GW* and 20 GWh storage, generating an additional EBITDA of EUR 1.2 Bn by 2022

EUR 50 M of efficiencies contribution in 2022

Reaching a total EBITDA of EUR 3.1 – 3.3 Bn at the end of the period

* Includes Belo Monte, that is consolidated via the equity method