Iberdrola, “utility of the future”

Building the foundations for growth in the next decade

Ignacio Galán
Chairman & CEO
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Vision
Industry trends and businesses

The energy sector continues to transform

- Decarbonisation and electrification
  - Driving more electricity demand, renewables and networks

- Technological progress
  - Driving cost reductions and creating new business opportunities

- Increased customer connectivity
  - Creating opportunities for further customer empowerment through enhanced interactions and services
Industry trends and businesses

Decarbonisation and electrification are driving substantial demand growth

World electrification¹
Electricity demand, TWh

- 2016: 21,000 TWh
- 2030: 29,000 TWh
- 2040: 34,000 TWh

% electricity in final energy demand
- 2016: 19%
- 2030: 21%
- 2040: 23%

Paris Agreement reinforces emissions reduction targets

Industry trends and businesses

Creating opportunities for further customer empowerment

Smart meter growth
Global 2020 smart meter stock, M

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>132</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe²</td>
<td>151</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>313</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Electric Vehicle growth
Global stock, M³

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td>280</td>
</tr>
</tbody>
</table>

% EV / Total car fleet

- 2016: ~0.2%
- 2030: ~15%
- 2040: ~15%

Increased EV penetration leads to growth in peak and total demand, requiring investments in Networks and Renewables

1Navigant Research  
2Includes France, Italy, Germany, UK and Spain  
3Global EV Outlook 2017 (Reference Technology Scenario), International Energy Agency
Industry trends and businesses

Technological progress is enabling efficiency opportunities and fostering renewables and networks growth

Renewables cost reduction
LCOE evolution, Δ 2010-18

- Solar PV: -83%
- Onshore wind: -58%
- Offshore wind: -38%

1IRENA
Industry trends and businesses

These trends reinforce the focus of our three businesses

More and smarter renewable energy

Decarbonisation and electrification

Technological progress

Increased customer connectivity

More and smarter networks

More and smarter customer solutions

Iberdrola, “utility of the future”
Utility of the future – U-Tech

We will accelerate value creation of our businesses through five strategic pillars

- More and smarter renewable energy
- More and smarter networks
- More and smarter customer solutions

Our strategic pillars

- Operational excellence
- Value creation
- Profitable growth
- Customers at the centre
- Capital optimisation

Digitalisation and Innovation
Outlook 2018-2022

- Adapt the grid to integrate customer needs
- Tailored wind/solar for customers
- Seize the opportunities of energy reform
- Develop new solutions adapted to customer needs

Grid
- 100% smart grids by 2030
- Electric Vehicle integration

Renewables
- New PPAs globally
- New markets
- Services to industrial customers

Contracted generation
- Growth in direct sales to private companies (10TWh in 2017)

Retail
- Smart energy
- Smart mobility
- Smart solar
Investments 2018 – 2022

Net investments of EUR 32 Bn: building the foundations for growth in the next decade

EUR Bn

2016-2020 Plan

- Neoenergia* (fully integrated since Q3 '17)
  - 3
  - +2Bn

- Iberdrola ex-Neoenergia
  - 25

2018-2022 Plan

- 3
  - +4Bn
- 5
  - 27

* Excluding Elektro
Investments 2018 – 2022

Over 90% allocated to regulated or long-term contracted activities

Business investments

- Generation and Retail: \(\text{EUR 2.8Bn}\) (37%)
- Networks: \(\text{EUR 15.5Bn}\) (50%)
- Contracted generation: \(\text{EUR 1.4Bn}\) (9%)

Renewables: \(\text{EUR 11.5Bn}\) (4%)

Investment by currency

- USD: 38%
- EUR: 25%
- GBP: 19%
- BRL: 18%

38% of total investments in dollars

1. Excluding Corporate investments
2. Including hydro
Investments 2018 – 2022

75% of 2018-2022 Plan investments secured or highly likely

<table>
<thead>
<tr>
<th>EUR Bn</th>
<th>Networks</th>
<th>Renewables</th>
<th>Contracted Generation, Retail &amp; Customer Solutions</th>
<th>2018-2022 investment plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Secured</td>
<td>Likely</td>
<td>Highly likely</td>
<td>Secured</td>
</tr>
<tr>
<td></td>
<td>86%</td>
<td>6%</td>
<td>8%</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>57%</td>
<td>42%</td>
<td>57%</td>
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<tr>
<td></td>
<td></td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>4</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>57%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>6%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Corporation & other
- Secured: 4%
- Likely: 21%
- Highly likely: 6%
- Likely: 21%
- Secured: 4%

Iberdrola, “utility of the future”
Investments 2018 – 2022

Renewable capacity and energy storage

Capacity: (GW)
- 2017: 29.1
- 2022: 36.2
- Increase: +7.1* (+24%)

Energy storage: (GWh)
- 2017: 80
- 2022: 100
- Increase: +20 (+25%)

RAV (EUR Bn)
- 2017: 2.1
- 2022: 4.7
- Increase: +11 (+38%)

Capital 'in progress' (EUR Bn)
- 2017: 4.3
- 2022: 4.1

Storage, onshore and offshore

Mostly Brazil & US

*Including 670 MW of Belo Monte which consolidate through Equity
Investments 2018 – 2022

Contracted generation capacity (GW)

- 2017: 5.8 GW
- 2022: 10.6 GW
- Growth: +4.8 GW (+82%)

Services to customers (M)

- 2017: ~23 M
- 2022: 32 M
- Growth: +9 M (+40%)

Capital ‘in progress’ (EUR Bn)

- 2017: 0.8 EUR Bn
- 2022: 0 EUR Bn

Offering more services to a larger number of customers
Operational excellence

Iberdrola, front-runner on efficiency

### 2017 Performance vs European peers

<table>
<thead>
<tr>
<th>Iberdrola figures vs Market Average²</th>
<th>NOE / GM evolution, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M per MW¹</td>
<td>~40</td>
</tr>
<tr>
<td>- 15%</td>
<td></td>
</tr>
<tr>
<td>OpEx per Customer</td>
<td></td>
</tr>
<tr>
<td>- 40%</td>
<td>-23%</td>
</tr>
</tbody>
</table>

- 15% Iberdrola O&M per MW
- 40% Iberdrola OpEx per Customer

1 Only for Onshore business
2 Average of main peers, elaborated based on external reports
Operational excellence

We will continue to push the efficiency frontiers

2017-2022 plan savings

Iberdrola NOE/GM evolution, %

2017: 31  2022: 26  -5 pp

Enhanced efficiency plan leveraging

- Synergies
- Digitalisation
- Implementation of Group best practices:
  - Purchasing model
  - Continuous Operational improvement
  - Control and Administration model
  - ...

>1,000 M EUR of savings in the period
Digitalisation and innovation

Digital is transforming the way we operate and will generate EUR 600 M additional EBITDA by 2022

Automation
- Advanced O&M model
- Preventive maintenance
- Big data
- Digitalisation of customer services
- New e-solutions

Operational improvements
- Transformation of processes
- New products and services

EUR 600 M additional EBITDA in 2022
2022 Results

EBITDA between EUR 11.5 and 12 Bn by 2022
Over 80% coming from regulated or long-term contracted activities

**EBITDA by business**
- Generation and Retail: 50%
- Renewables\(^1\): 27%
- Contracted generation: 16%
- Networks: 7%

**EBITDA by currency**
- EUR: 20%
- USD: 29%
- BRL: 16%
- GBP: 35%

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2022 Net Profit will reach between EUR 3.5 and 3.7 Bn under current Fx rate estimates

\(^1\)Including hydro
Operating Cash Flow 2018-2022

Operating Cash Flow (FFO) of EUR 42 Bn
Exceeding investments in all businesses

At the end of 2018-2022 Plan, Capital ‘in progress’ will total EUR 9 Bn
(vs EUR 7 Bn at the beginning of the plan)

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 ex-capitalised costs
Capital optimisation

Enhancing our capital optimisation programme to grow and maintain a solid credit rating

- Asset rotation plan
- EUR ~3 Bn asset rotation plan execution
- Partnering Green as an option for future projects
- Continue active debt management
Financial strength

Maintaining financial strength and improving return on investments

**FFO/Net Debt**
- 2017: 21%
- 2022: 24%

**Return on Equity**
- 2017: 7.8%
- 2022: 8.5% - 9%
Shareholder remuneration

Maintaining shareholder remuneration policy

Growing in line with results (pay-out between 65% and 75%)…
…which would imply reaching EUR ~0.4/share in 2022

Maintaining the scrip dividend…

…and current number of shares at 6,240 million
Corporate Social Responsibility

Our purpose is to deliver an increasing, inclusive, and sustainable social dividend

<table>
<thead>
<tr>
<th>Employees</th>
<th>Shareholders</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>We help our team to develop talent within an inclusive and balanced work environment</td>
<td>We develop a resilient business model to assure long term profitability of invested capital</td>
<td>We apply innovation to provide our customers with sustainable, efficient and quality energy solutions</td>
</tr>
<tr>
<td>x4 European average training hours per employee</td>
<td>Total shareholder return</td>
<td>Investment R+D+i: EUR 246M in 2017</td>
</tr>
<tr>
<td>Diversity: sole continental European utility in 2018 Bloomberg Gender-Equality Index</td>
<td>Promoting engagement</td>
<td>Smart grids to boost service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Widening products portfolio</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Society and environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>We contribute to our communities through local procurements, engagement and a global decarbonisation plan</td>
</tr>
</tbody>
</table>

Emissions reduction: 2017 carbon intensity 32% below European average with an objective of 150 g CO2/kWh in 2030

Local commitment: purchases of EUR 8,700 M² in 2017

Tax contribution²: EUR 7,100 M in 2017

Economic growth¹: ~400,000 jobs generated worldwide

¹ According to PwC report, based on Iberdrola’s activity in 2016, jobs include direct, indirect and induced.
² Excluding fuel procurements
³ Taxes include due and collected taxes
Iberdrola has linked the Sustainable Development Goals to its business strategy

Main Focus

Direct contribution

Indirect contribution to all other SDGs

Long-term incentive plan
linked to contribution to SDGs 7 and 13

First credit line
launched with sustainable indicators, aligned with SDGs
### 2018 – 2022 Conclusions

#### Reinforcing growth at current Fx rates...

<table>
<thead>
<tr>
<th>Investments</th>
<th>EUR 32 Bn</th>
<th>2018 – 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>EUR 1 Bn</td>
<td>2018 – 2022</td>
</tr>
<tr>
<td>Digitalisation &amp; New customer solutions</td>
<td>EUR 0.6 Bn</td>
<td>2022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2022 EBITDA</th>
<th>11.5 – 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 Net Profit</td>
<td>3.5 – 3.7</td>
</tr>
<tr>
<td>Equity remuneration in the period</td>
<td>12</td>
</tr>
<tr>
<td>FFO in the period</td>
<td>42</td>
</tr>
<tr>
<td>2022 FFO/Net Debt</td>
<td>24%</td>
</tr>
</tbody>
</table>

*Holding dividend: Eur 11 Bn, Dividend to minority stakeholders: Eur 1 Bn

...and maintaining financial strength