

OUTLOOK 2018 / 2022

London / 21 February



IBERDROLA

Iberdrola, “utility of the future”:

Building the foundations for growth in the next decade

Francisco Martínez Córcoles

Business CEO

LEGAL NOTICE

DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation “Outlook 2018-2022”. 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. The shares of Iberdrola, S.A. may not be offered or sold in Brazil except under the registration of Iberdrola, S.A. as a foreign issuer of listed securities, and a registration of a public offering of depositary receipts of its shares, pursuant to the Capital Markets Act of 1976 (Federal Law No. 6,385 of December 7, 1976, as further amended), or pursuant to a valid exemption from registration of the offering.

This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the presentation “Outlook 2018-22”. 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.

In addition to the financial information prepared under IFRS, this presentation includes certain alternative performance measures (“**APMs**”), as defined in the *Guidelines on Alternative Performance Measures* issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es). The APMs and are performance measures that have been calculated using the financial information from Iberdrola, S.A. and the companies within its group, but that are not defined or detailed in the applicable financial information framework. These APMs are being used to allow for a better understanding of the financial performance of Iberdrola, S.A. but should be considered only as additional information and in no case as a substitute of the financial information prepared under IFRS. Moreover, the way Iberdrola, S.A. defines and calculates these APMs and may differ from the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Finally, please consider that certain of the APMs used in this presentation have not been audited. Please refer to this presentation and to the corporate website (www.iberdrola.com) for further details of these matters, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS.

This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Neoenergia S.A. (“**Neoenergia**”) or Neoenergia's financial results. Neither Neoenergia nor its subsidiaries assume responsibility for the information presented herein. For financial information regarding Neoenergia, please see the Neoenergia's investor relations website at www.ri.neoenergia.com and the Brazilian *Comissão de Valores Mobiliários* (“**CVM**”) website at www.cvm.gov.br.

LEGAL NOTICE

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.

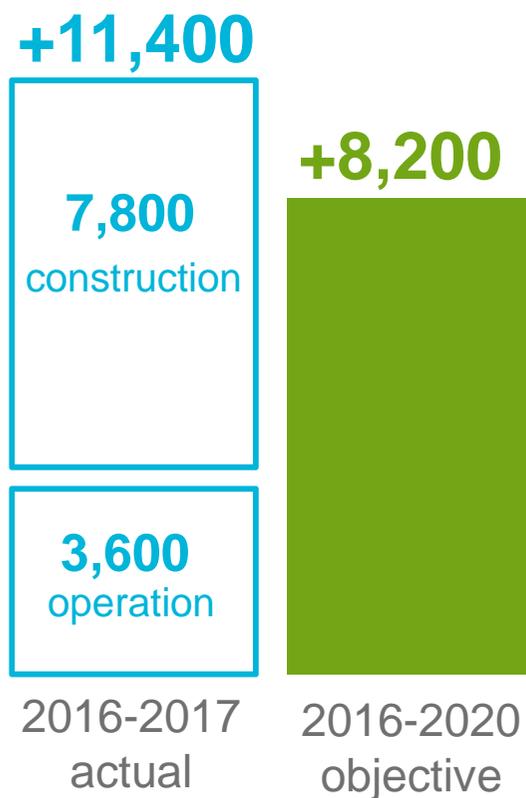
Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult 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.

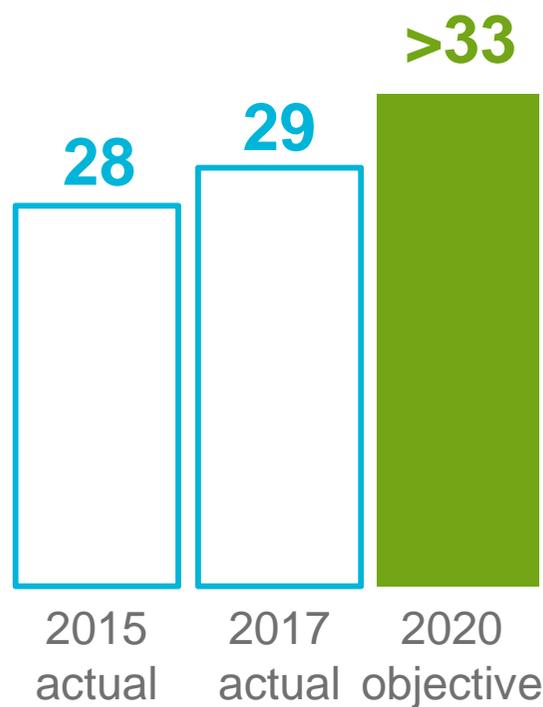
Outlook 2020 update: objectives

2020 objectives on track to be achieved

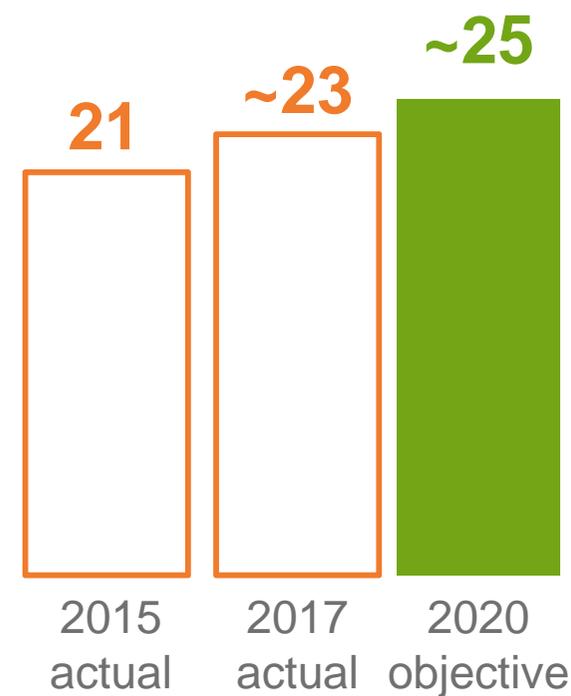
New Capacity (MW)



RAV (EUR Bn)



Services to Customers (Mill)



Outlook

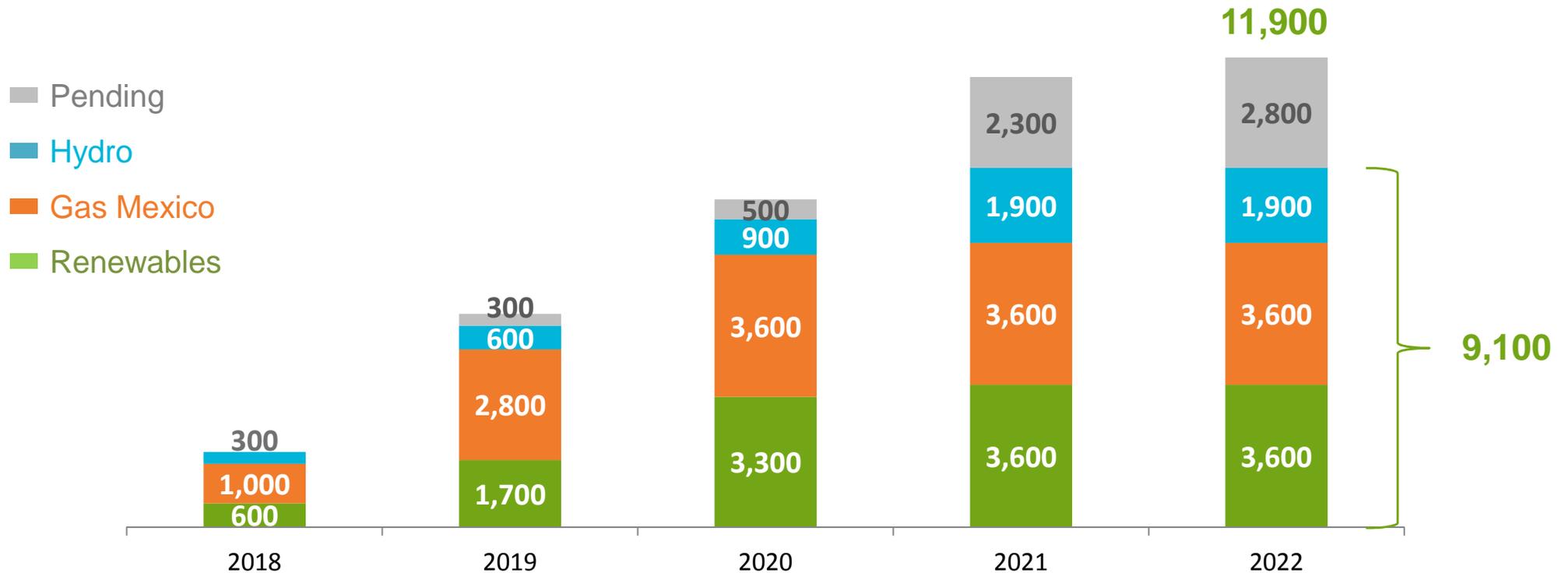
2018-2022:

Profitable growth

Profitable growth: Capacity under development

Commissioning 11,900 MW* by 2022, with EUR 11.4 Bn of net growth investments.
9,100 MW (76%) already in construction, +496 MW Offshore St Brieuc COD 2023.

Cumulative new capacity in construction (MW)

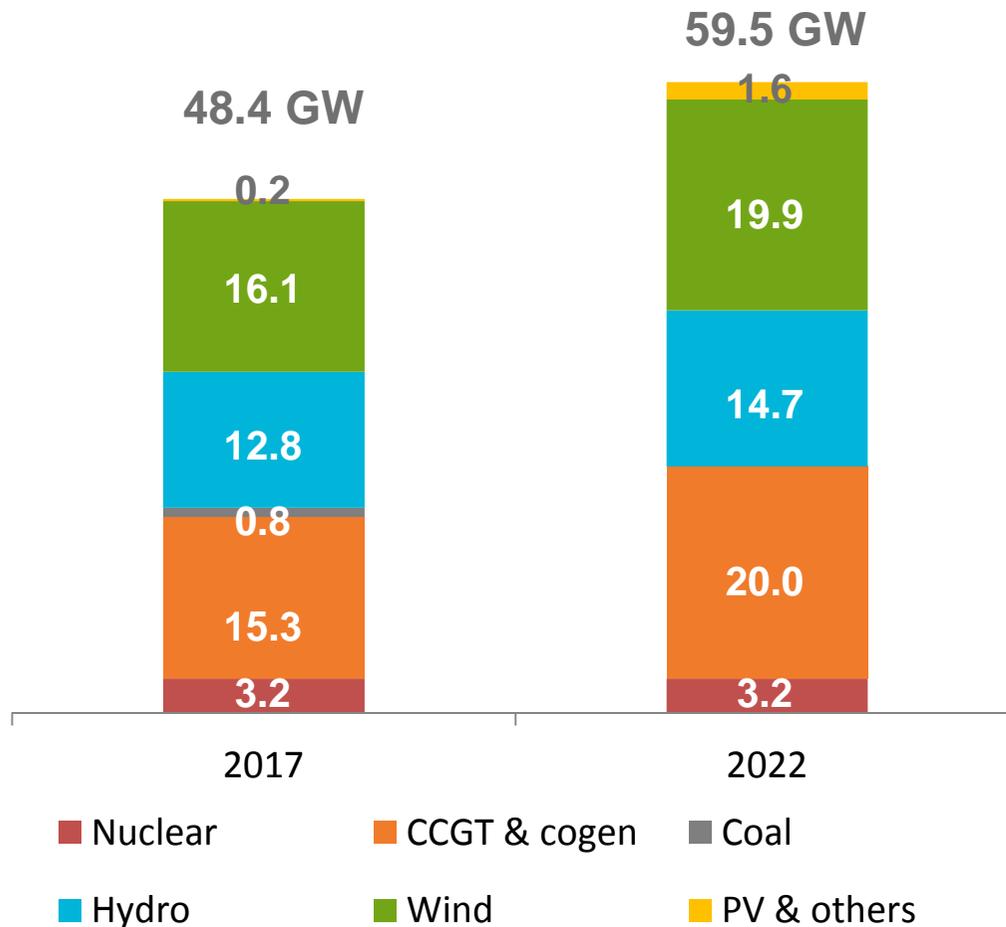


* Includes Belo Monte, that is consolidated via the equity method

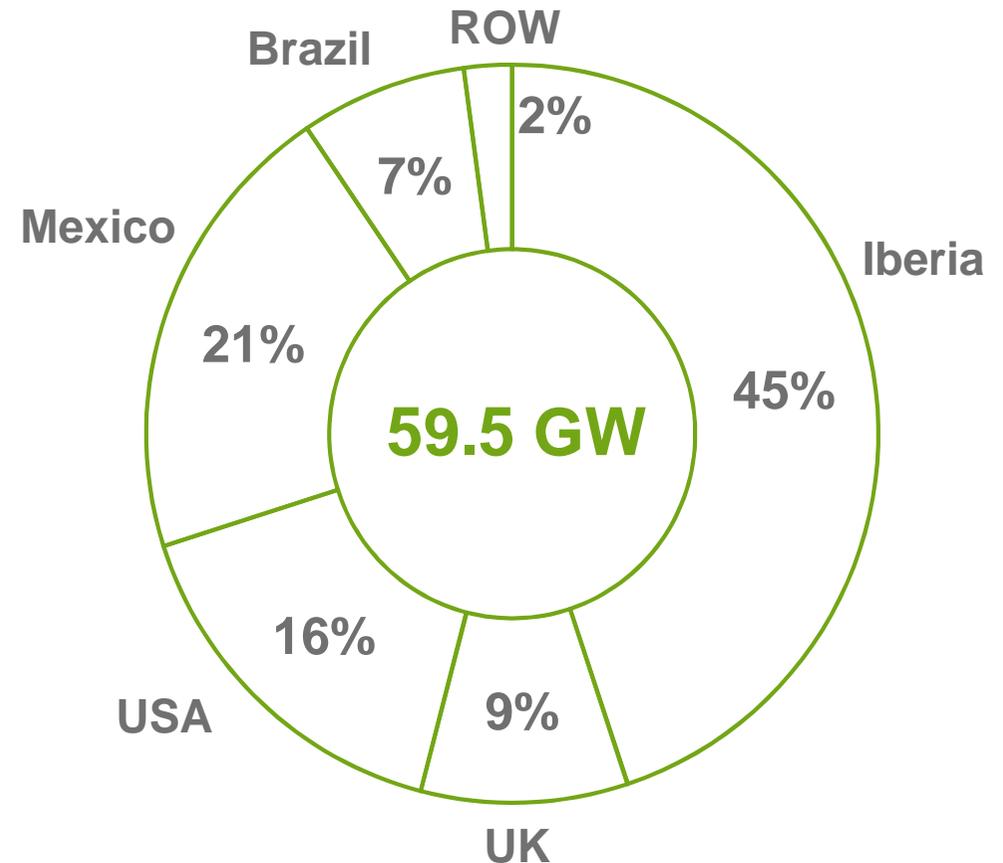
Profitable growth: Capacity Mix

59.5 GW installed by 2022, with a diversified mix by technology and country.

Capacity mix by technology (GW)



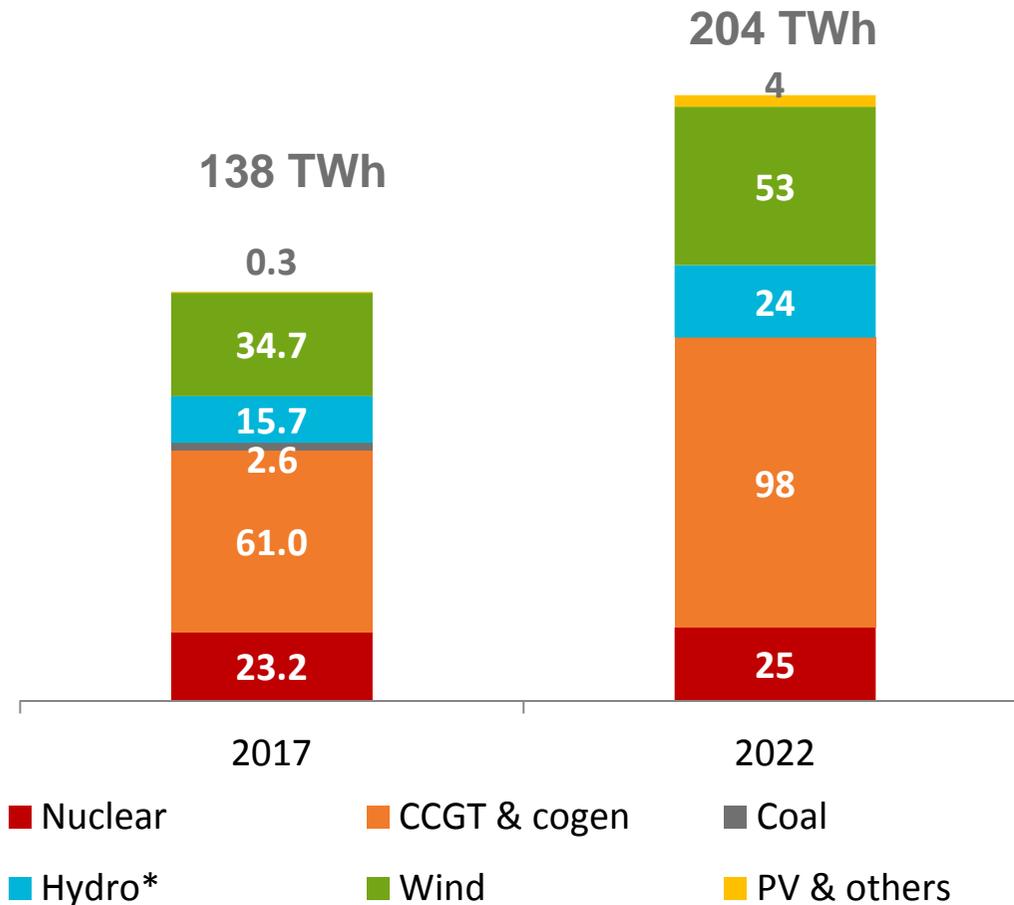
Capacity mix by country (GW)



Profitable growth: Production

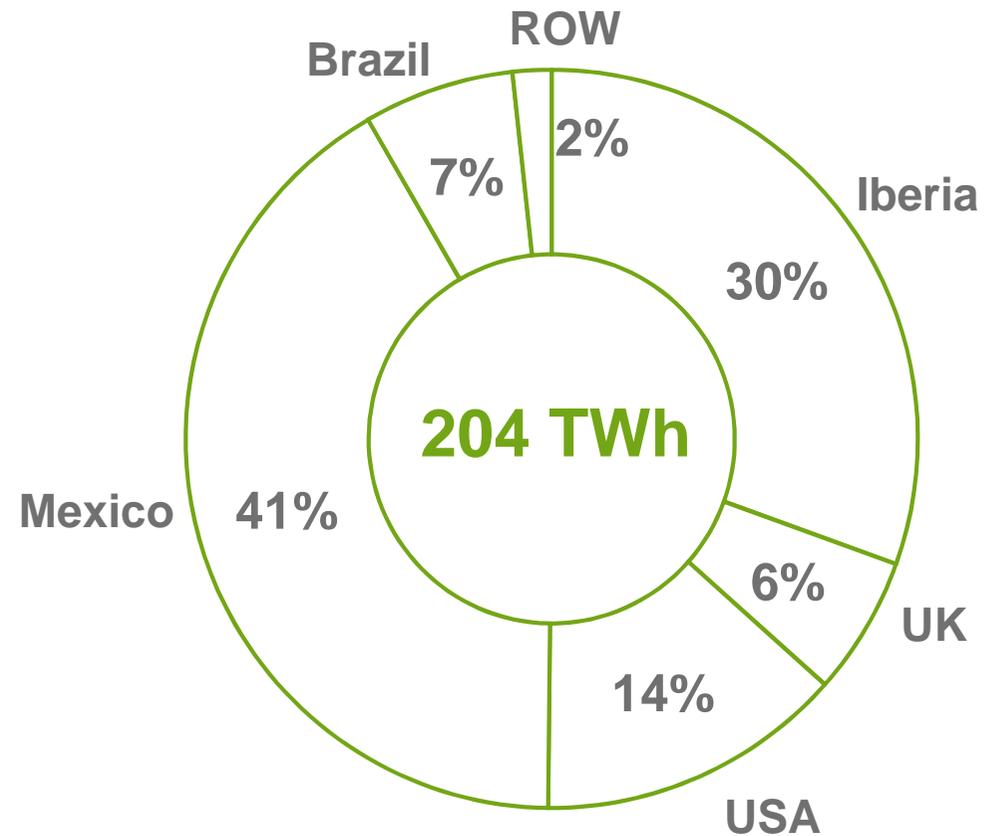
Production increases by 48%, exceeding 200 TWh in 2022

Production by technology (TWh)



*Hydro average year for 2022

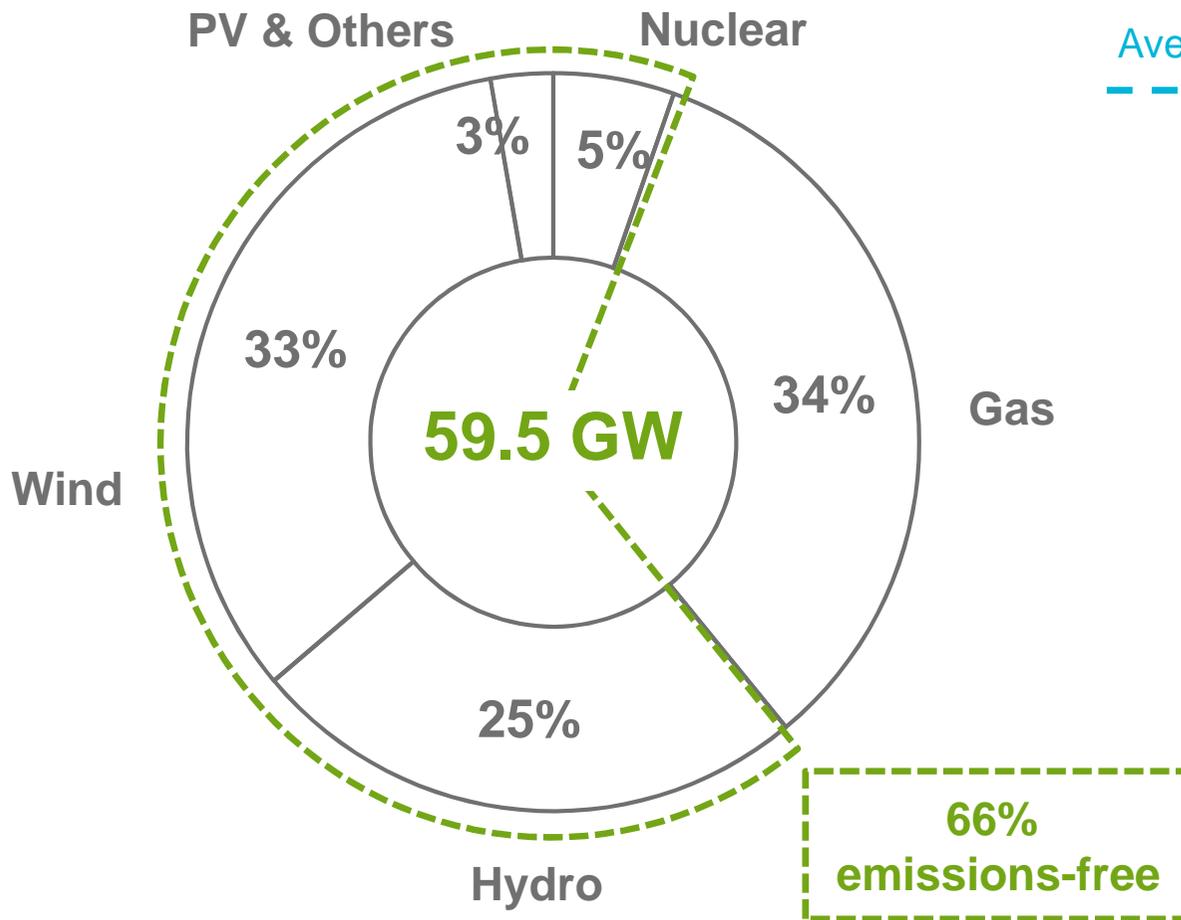
2022 Production by country (TWh)



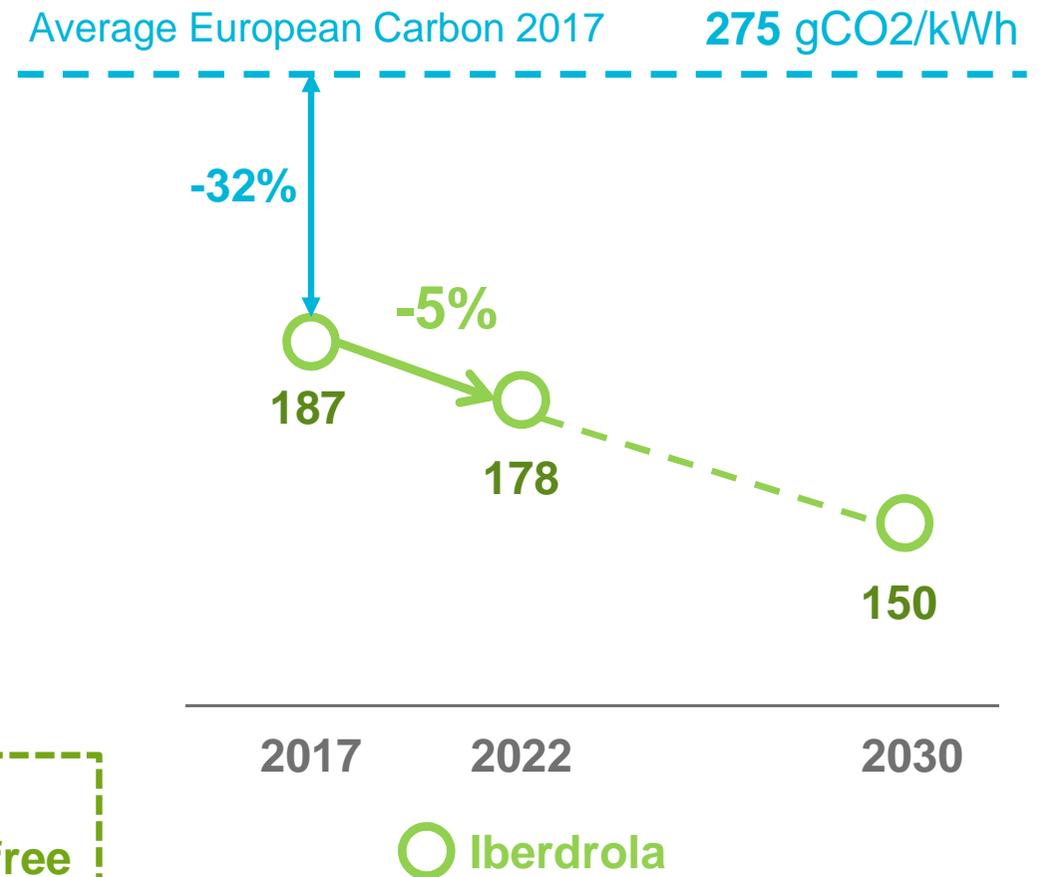
Profitable growth: Emissions

Iberdrola will maintain one of the lowest emissions levels in the industry.

2022 Technology mix (GW)



Unitary emissions (gCO₂/kWh)

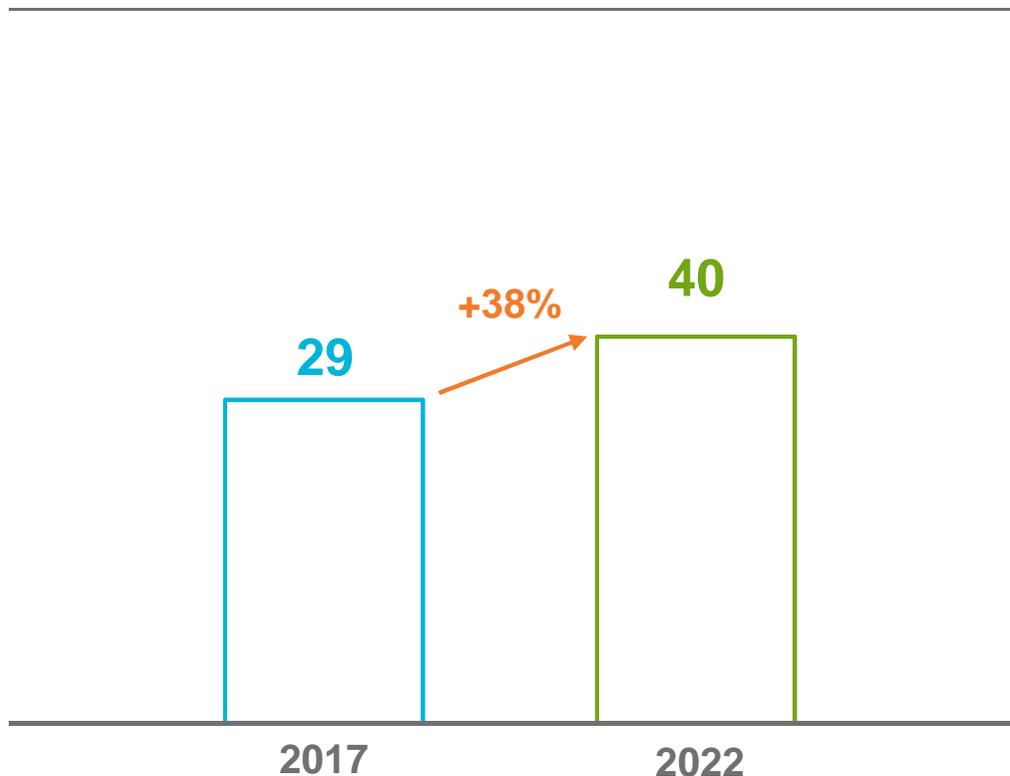


Profitable growth: Regulated Asset Value

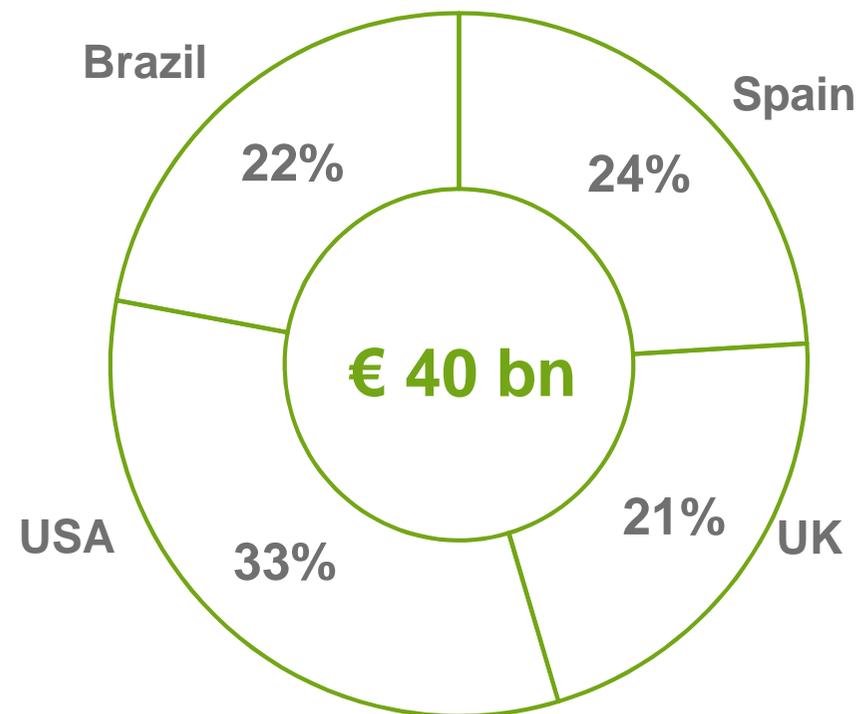
Net Investments of EUR 15.5 Bn.

38% increase of RAV, reaching EUR 40 Bn by 2022.

RAV* (EUR Bn)



2022 RAV breakdown



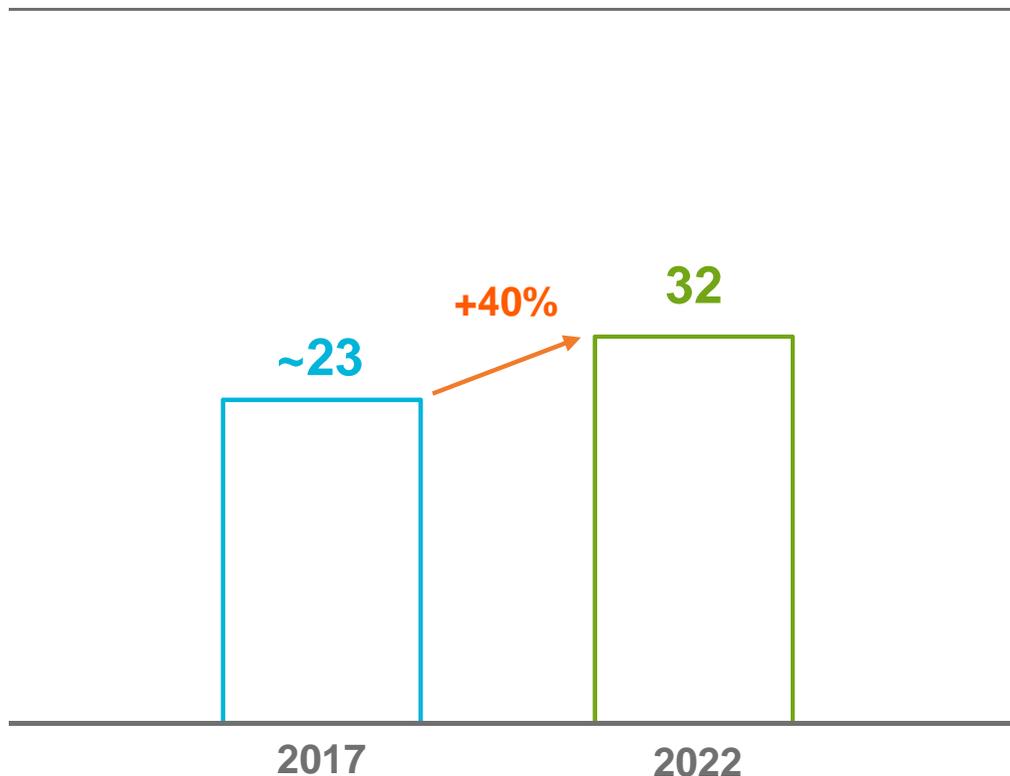
* Includes new transmission assets with regulated remuneration

Profitable growth: Customers

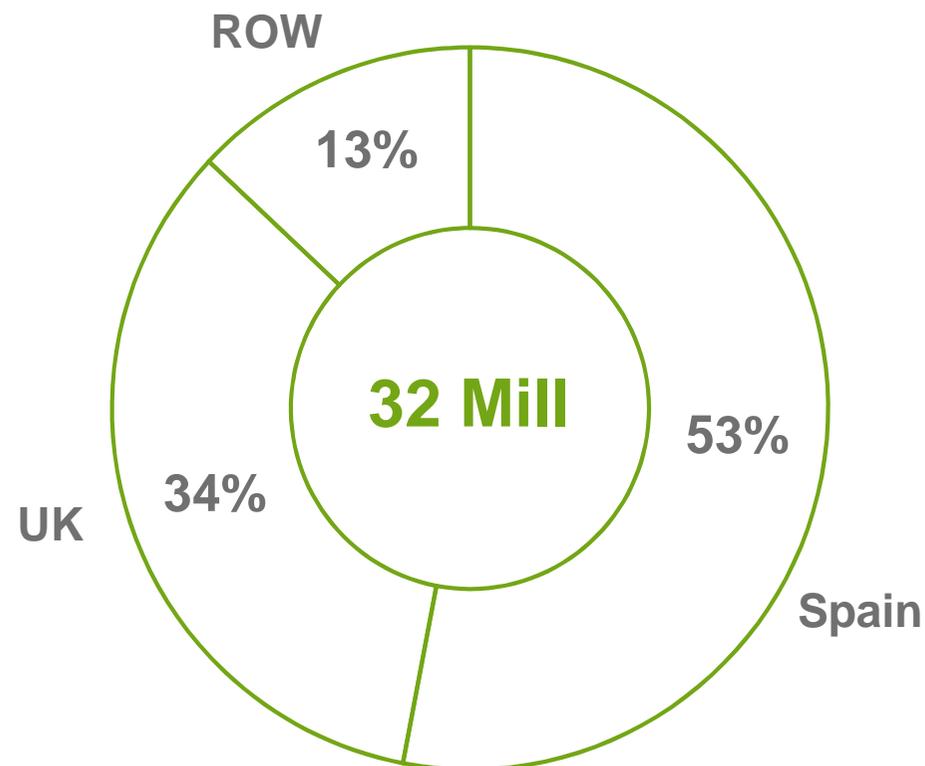
Investments of EUR 1.9 Bn.

32 million services to customers by 2022, +9 million vs 2017.

Services to customers (Mill)



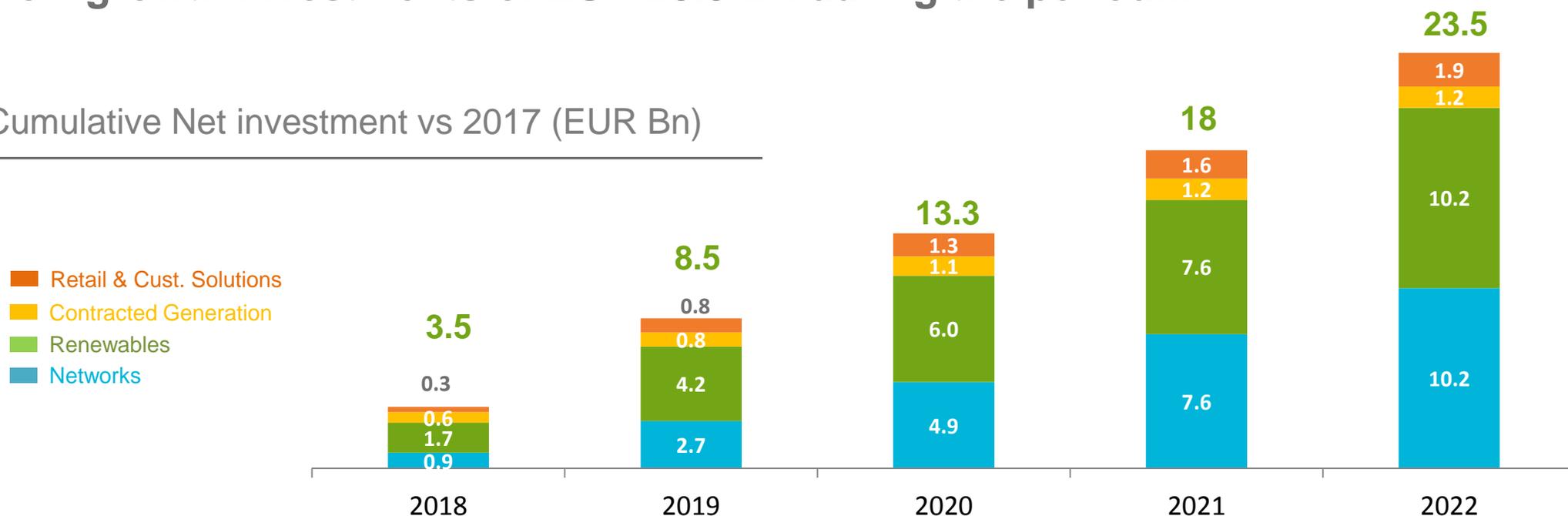
2022 services to customer asset base



Profitable growth: New investments

New growth investments of EUR 23.5 Bn during the period...

Cumulative Net investment vs 2017 (EUR Bn)

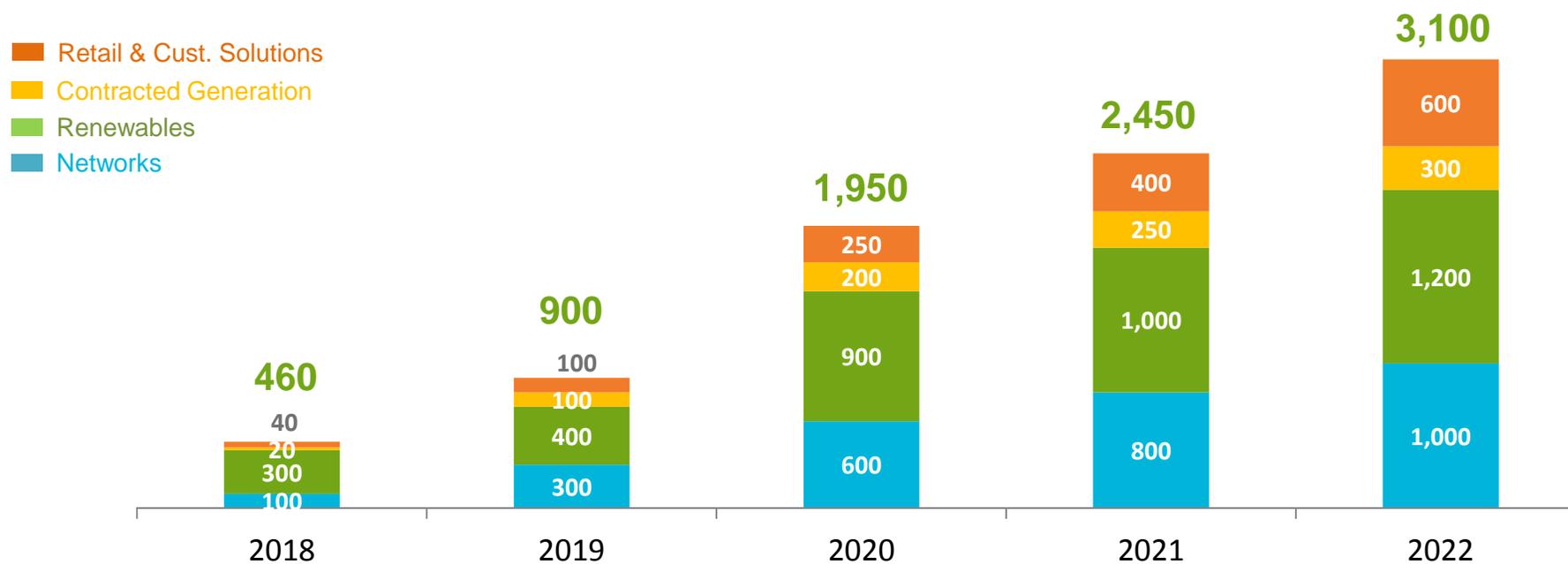


Networks RAV increase	EUR 0.8 Bn	EUR 3 Bn	EUR 5.3 Bn	EUR 8.3 Bn	EUR 11 Bn
Renewables New Capacity	900 MW	2,650 MW	4,650 MW	6,650 MW	7,100 MW
Contracted Generation New Capacity	1,000 MW	2,800 MW	3,650 MW	4,750 MW	4,800 MW
Retail & Cust. solutions: No. of services	0.6 M	1.5 M	3.8 M	5.9 M	9.0 M

Profitable growth: New EBITDA from investments

... to achieve EUR 3,100 M of additional EBITDA by 2022.

Cumulative additional EBITDA vs 2017 (EUR M)



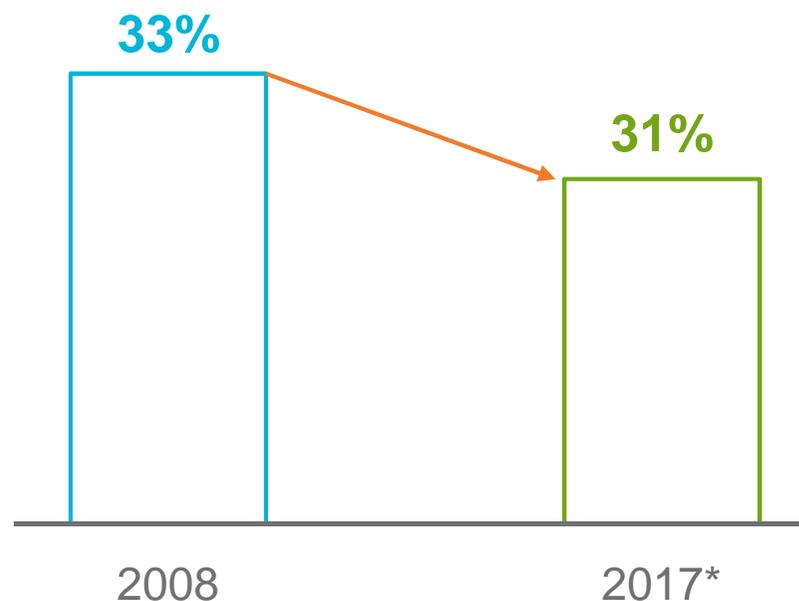
Outlook

2018-2022:

Operational Excellence

Efficiency gains driven by the transformation of processes through technology

NOE / Gross Margin (%)



EUR 5.6 Bn invested in digitalisation in the past years

- ✓ Centralised assets management (DCG, CORE, CODs)
- ✓ 100% automated Generation
- ✓ O&M: Independent Service Providers, drones...
- ✓ 13 Million Smart Meters
- ✓ 100% automated HV grid in Spain, UK and Brazil, 80% in USA
- ✓ 100% automated customer back office

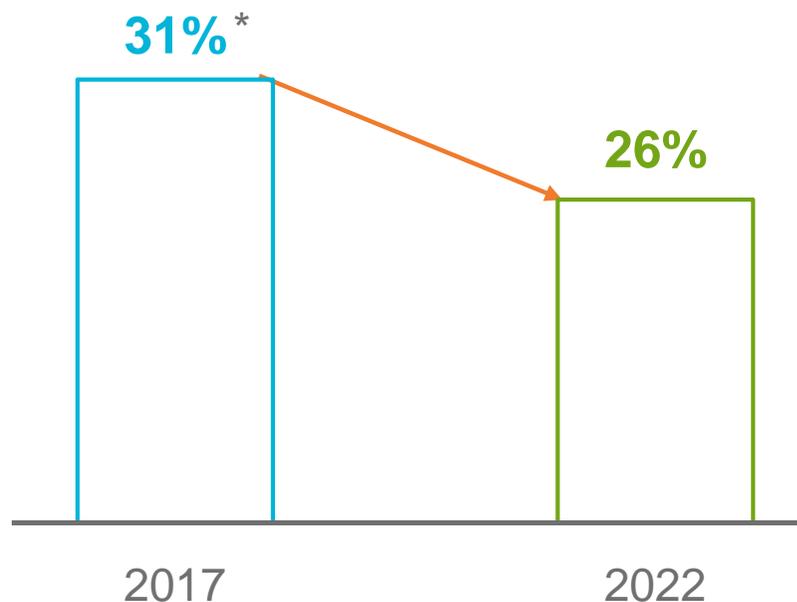
50 Innovation projects / year

* 2017 impacted by negative hydro conditions and restructuring costs

Operational Excellence: Outlook 2018-2022

**Further efficiencies derived from data analytics and artificial intelligence.
Specific plans to transfer best practices into USA & Brazil networks processes.**

NOE / Gross Margin (%)



* 28% in a 2022 like for like basis

EUR 4.8 Bn investments in digitalisation

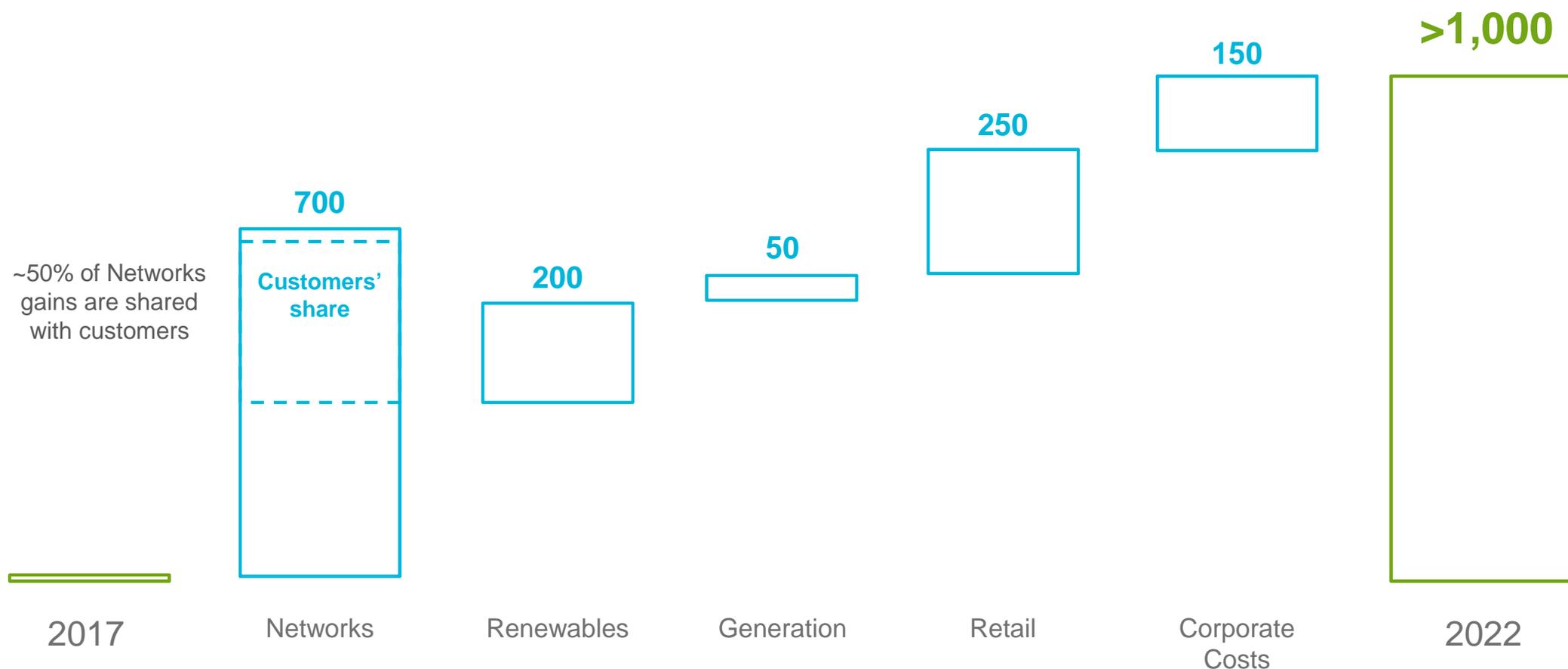
- ✓ Predictive O&M: data analytics and AI
- ✓ Improvement in generation availability
- ✓ 20 Million Smart Meters (100% Spain, UK and USA)
- ✓ 100% automated HV grid in USA
- ✓ 50% increase in MV automation
- ✓ Early detection of fraud, losses and grid faults
- ✓ DSO functions
- ✓ Digitalisation of customer front office

75 Innovation projects / year

Operational Excellence: Outlook 2018-2022

Cumulative Efficiency gains over EUR 1,000 M on a like for like basis, to achieve an additional EBITDA of EUR ~ 350 M by 2022.

Gains in efficiency (EUR M)



Outlook

2018-2022:

Customer at the centre

All businesses devoted to meet customers' requirements

Artificial intelligence to enhance tariff personalisation



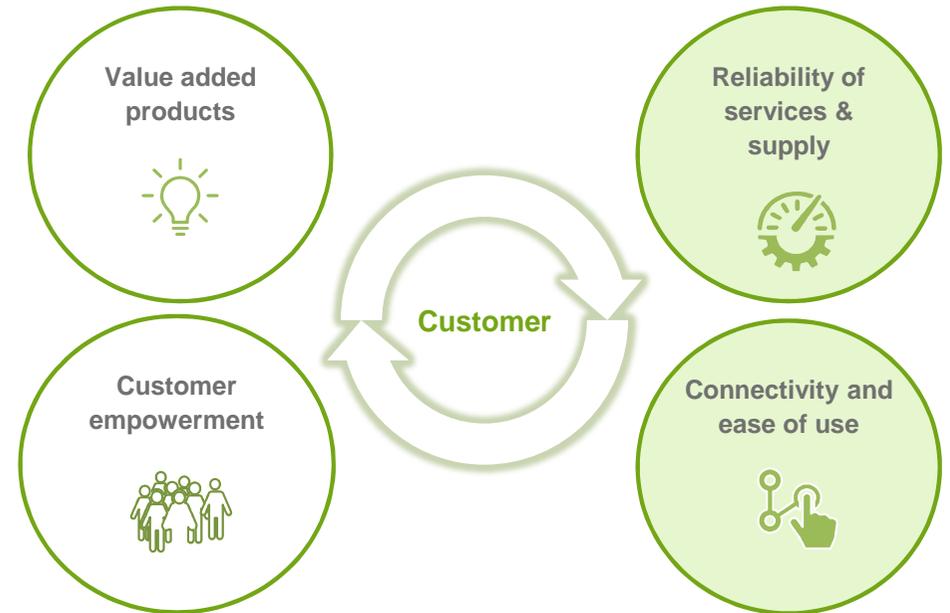
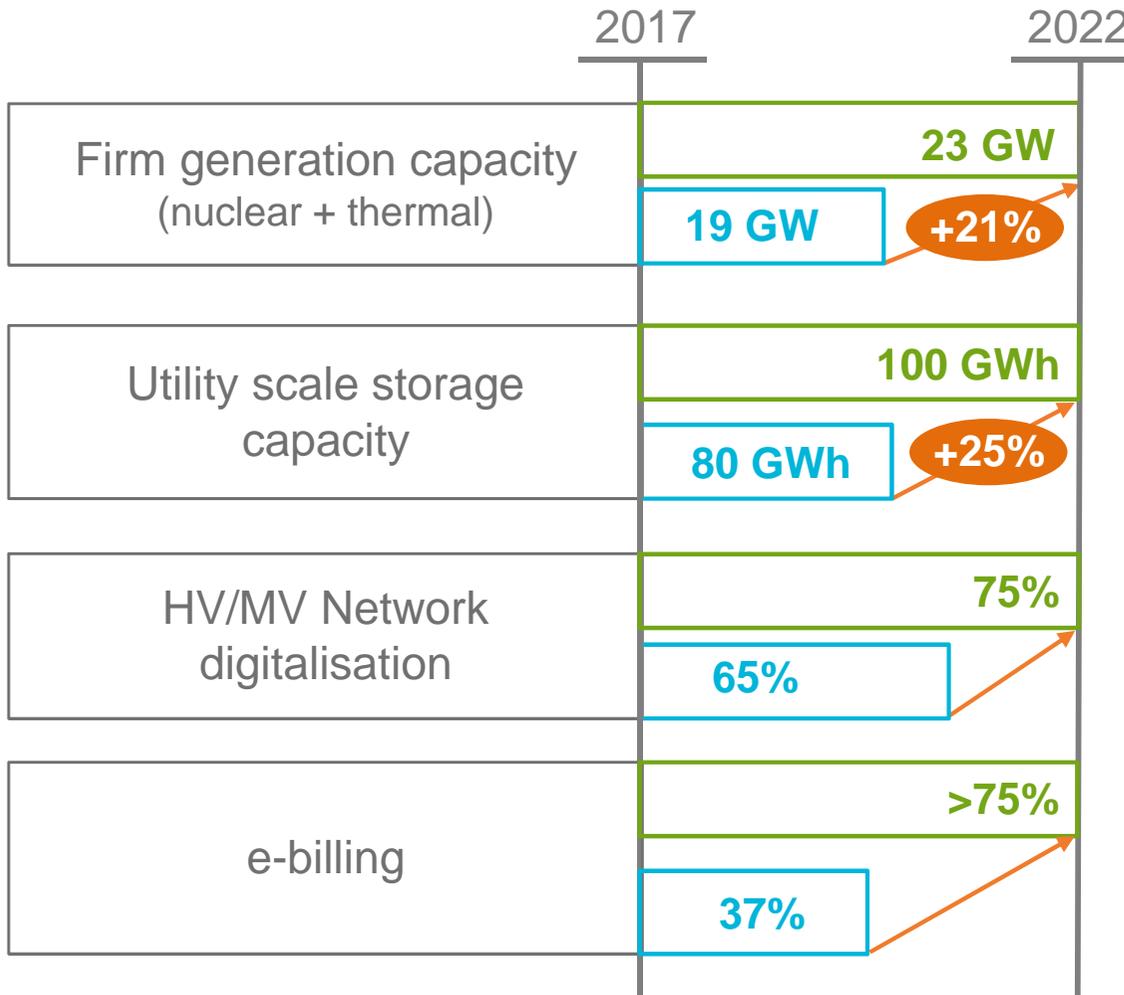
24/7 service and excellent customer service

Decision making thanks to bidirectional solutions

Multichannel platforms

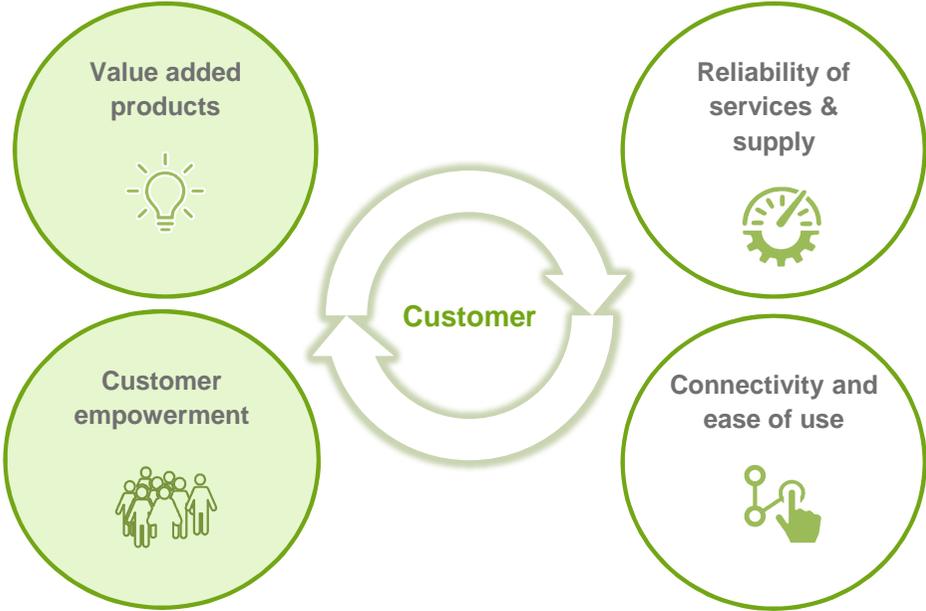
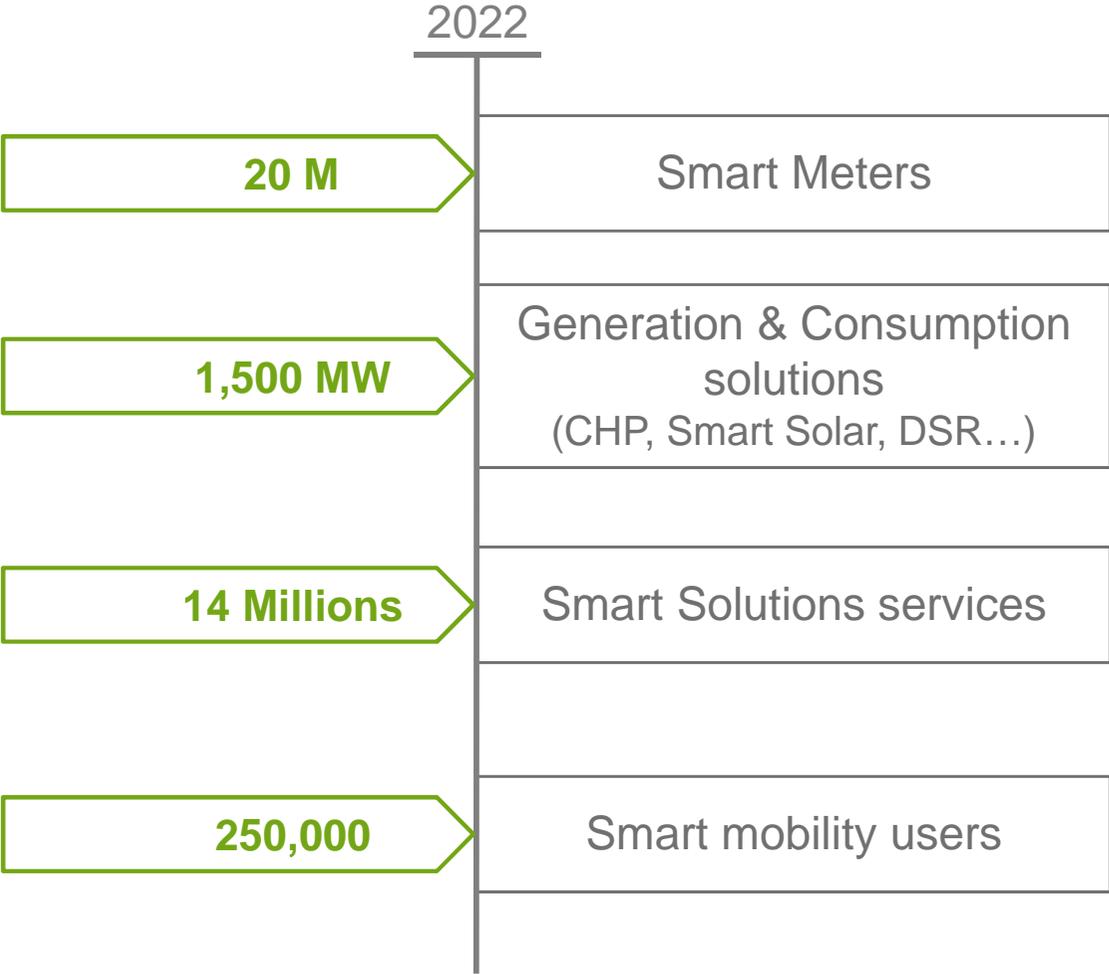
Smart energy: Customers' requirements

Investments to improve the resilience of the system and to transform our processes...



Smart energy: Customers' requirements

... in order to maximise customers' choices



Outlook

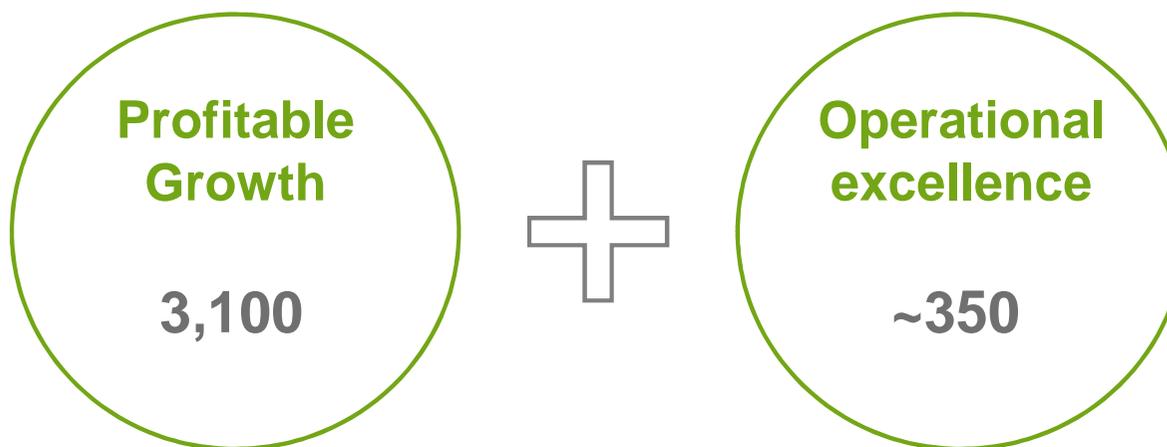
2018-2022:

Conclusions

Outlook 2018 – 2022: Conclusions

EUR 31 Bn of investments* to achieve EUR ~ 3,500 M of additional EBITDA by 2022...

Incremental EBITDA 2022 (EUR M)



	Networks	+ EUR 11 Bn RAV	+1,000	~200
	Renewables	+ 7,100 MW	+1,200	~50
	Contracted Generation	+ 4,800 MW	+300	~100
	Retail & Customer solutions	+ 9 M Services	+600	

* Business Net investments only

... and pursuing further growth opportunities beyond 2022

Potential additional EBITDA >2022 (EUR M/yr)



Hydro capacity:

160 MW Tâmega commissioning in 2023



Transmission:

6 lots from Brazil 2017 auctions, commissioning in 2023



Onshore + PV:

6,000 MW highly likely / likely portfolio



Offshore:

2,500 MW highly likely / likely portfolio
(France St. Brieuc 490 MW, USA, UK)



Contracted Generation / PPA:

+2,600 MW portfolio

**Potential
Growth
>2022
+EUR 1,600
M/yr**