

# OUTLOOK 2018 / 2022

London / 21 February



IBERDROLA

Iberdrola, “utility of the future”:

**Building the foundations for growth in the next decade**

## Aitor Moso

Liberalised Business Managing Director

# 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](http://www.avangrid.com) and the Securities and Exchange Commission (“SEC”) website at [www.sec.gov](http://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](http://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](http://www.ri.neoenergia.com) and the Brazilian *Comissão de Valores Mobiliários* (“**CVM**”) website at [www.cvm.gov.br](http://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.

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



**Services to Customers (M)** **23**

---

Electricity 13

Gas 3

Smart Solutions 6

**Energy supplied (TWh)** **179**

---

Electricity 139

Gas 40

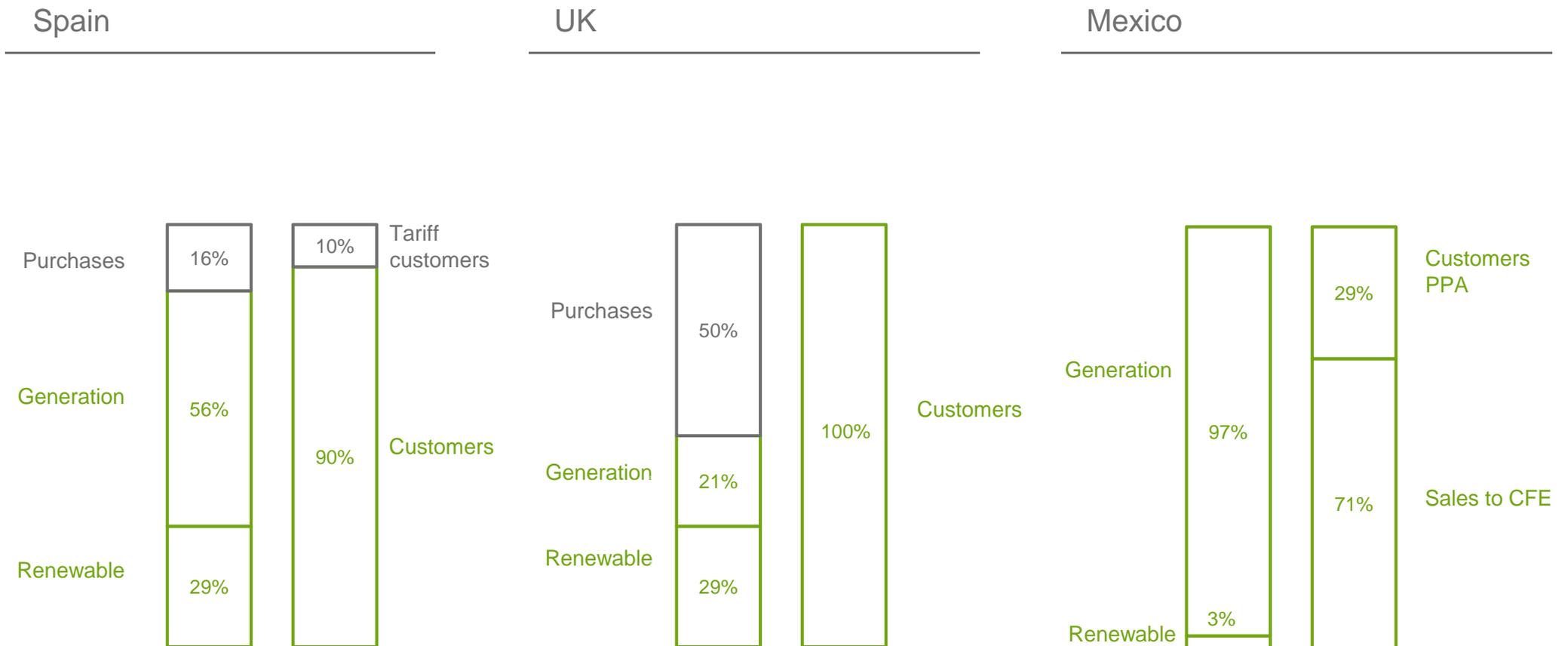
**Capacity (GW)** **18**

---

**Production (TWh)** **85**

# Generation & Retail (average 2018 – 2022)

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



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

Agenda

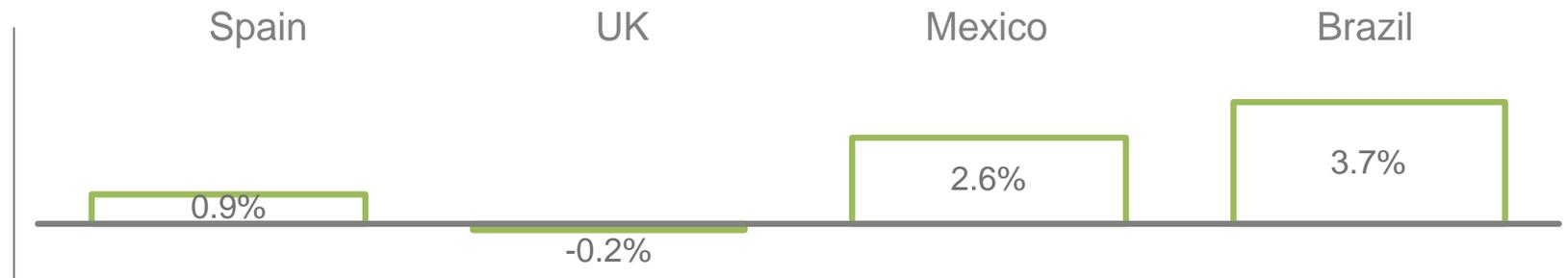
---

# Outlook

## 2018 / 2022

# Energy markets: Outlook 2022

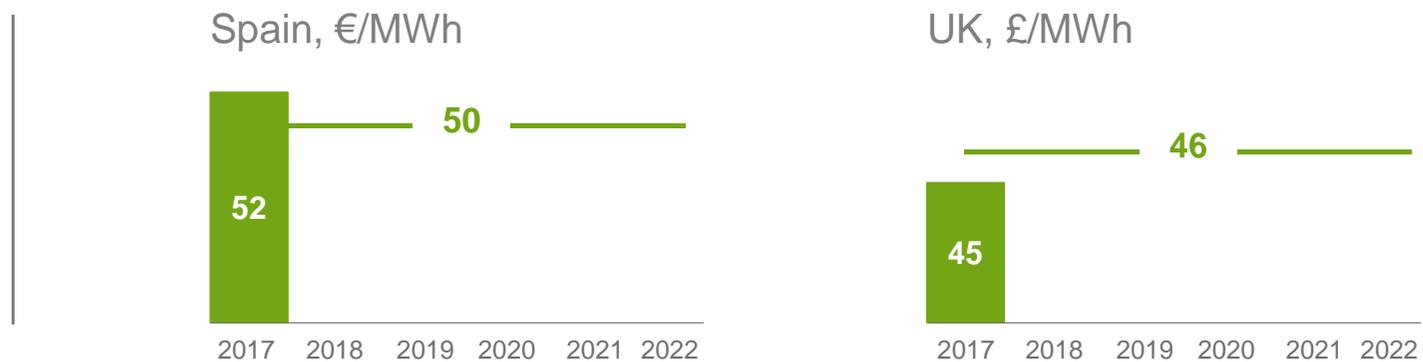
## Electricity demand growth, CAGR 2017-22



## Commodity prices



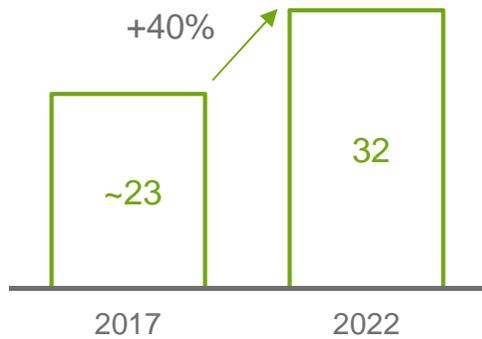
## Power prices (average)



Prices derived from market quotations and estimates of commodities from analysts (PIRA, WoodMac, Aurora, CERA-IHS)

## Growing in contracted generation and services to customers...

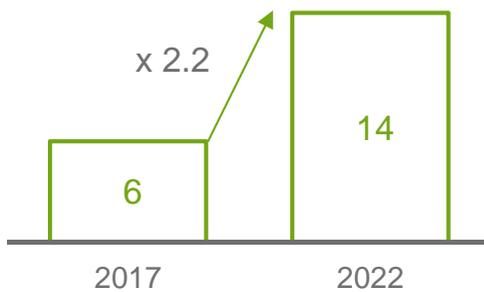
Services to Customers  
(M services)



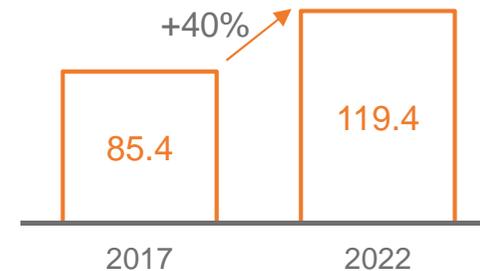
Installed capacity (GW)



Smart Solutions to  
Customers (M services)



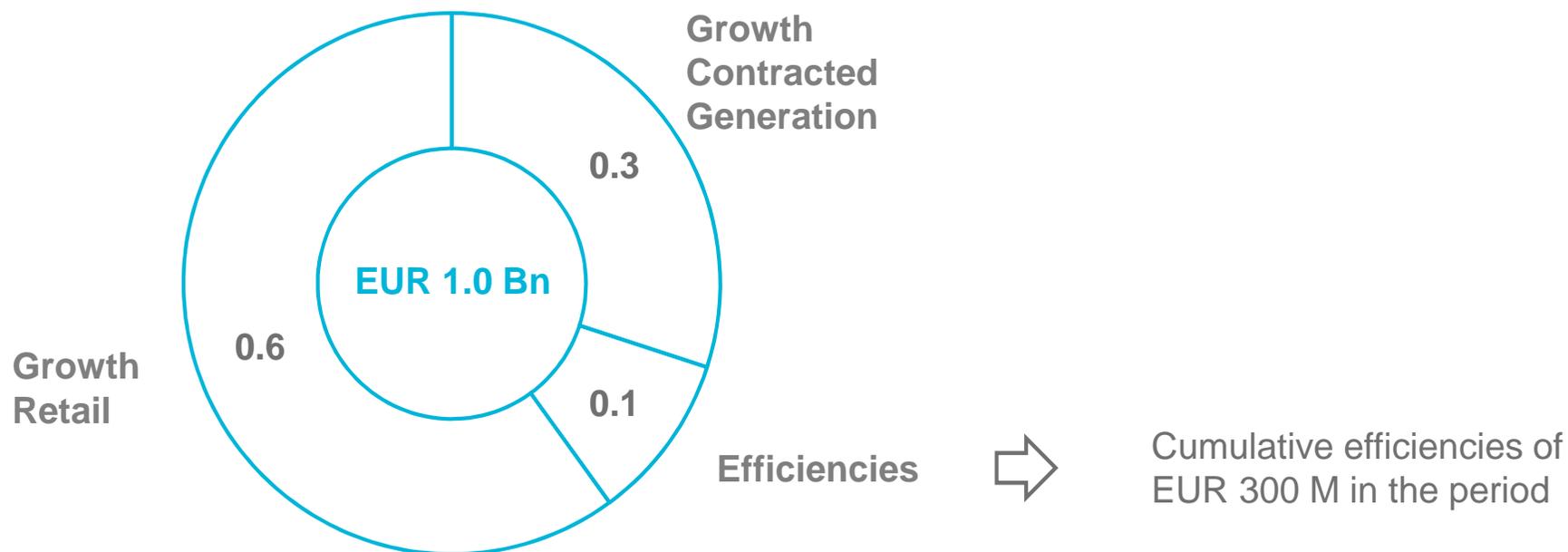
Production (TWh)



## 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)

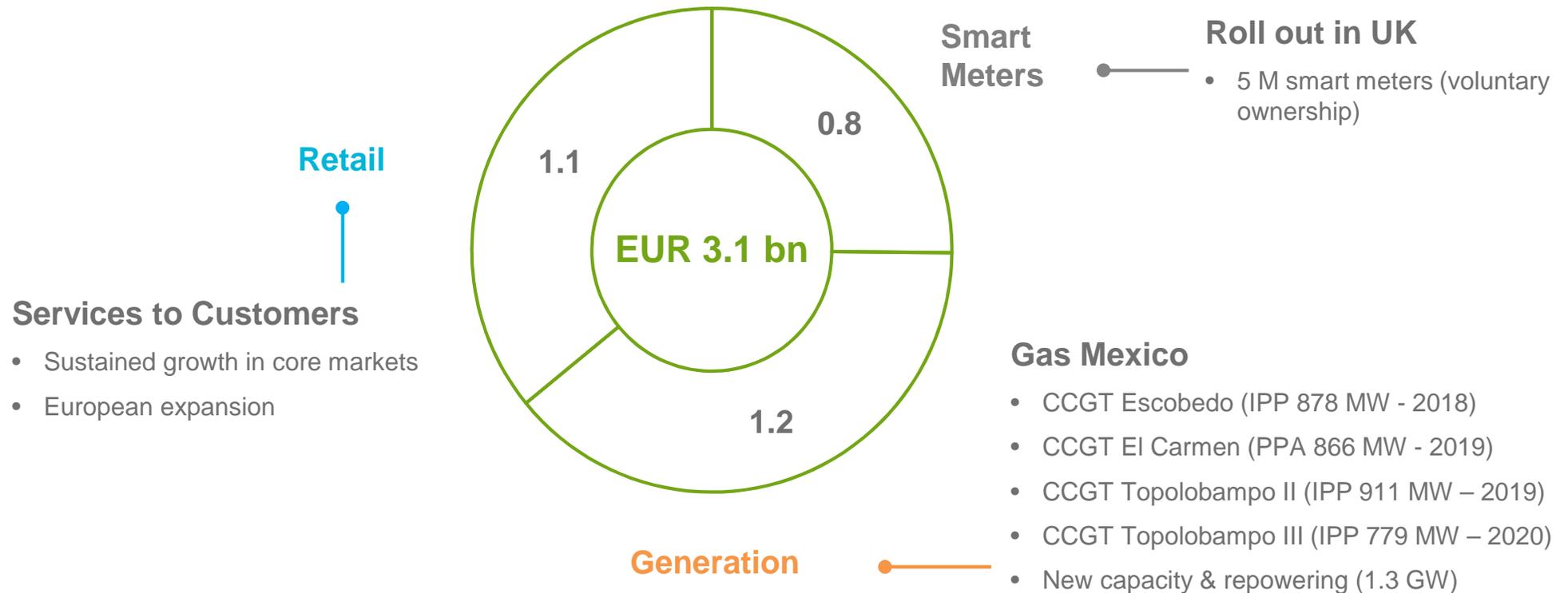


EUR 1.0 Bn of incremental EBITDA from growth and efficiencies

# 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)



# 2018 – 2022 Plan: Generation

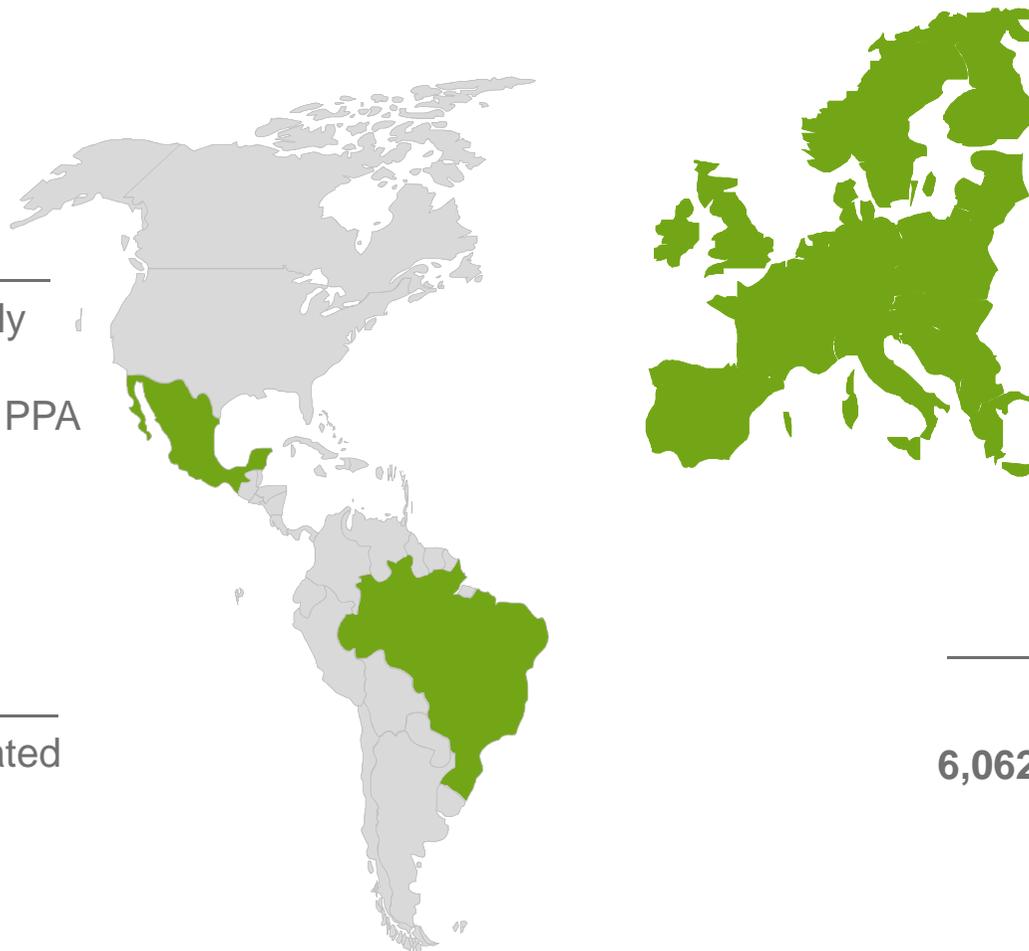
## 18,487 MW of installed capacity

### 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**

## 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

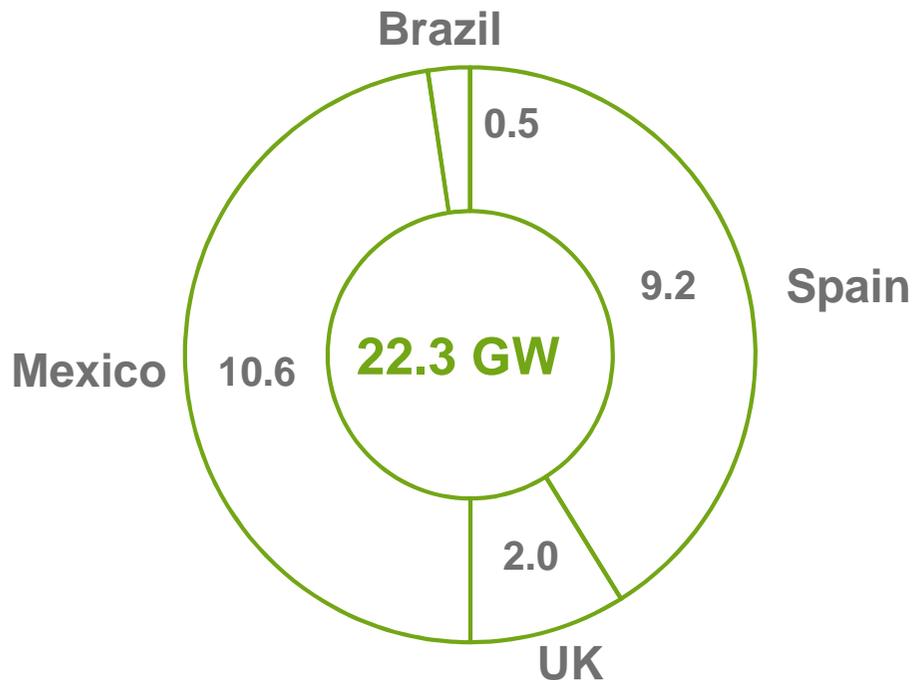
**100% digital & automated** fleet (Nuclear, CCGT and CHP)

- Digital automation and preventive maintenance based on AI and data analytics

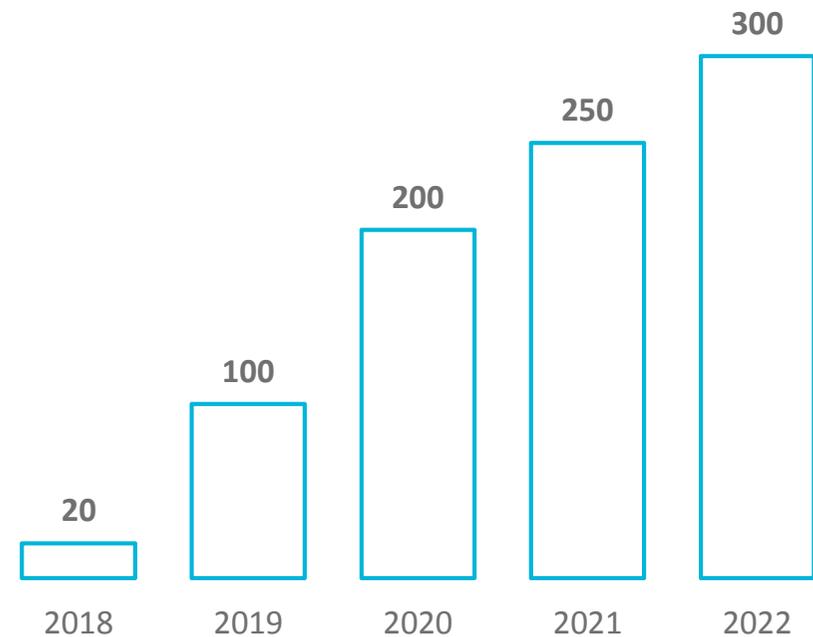
## Generation: Profitable Growth

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



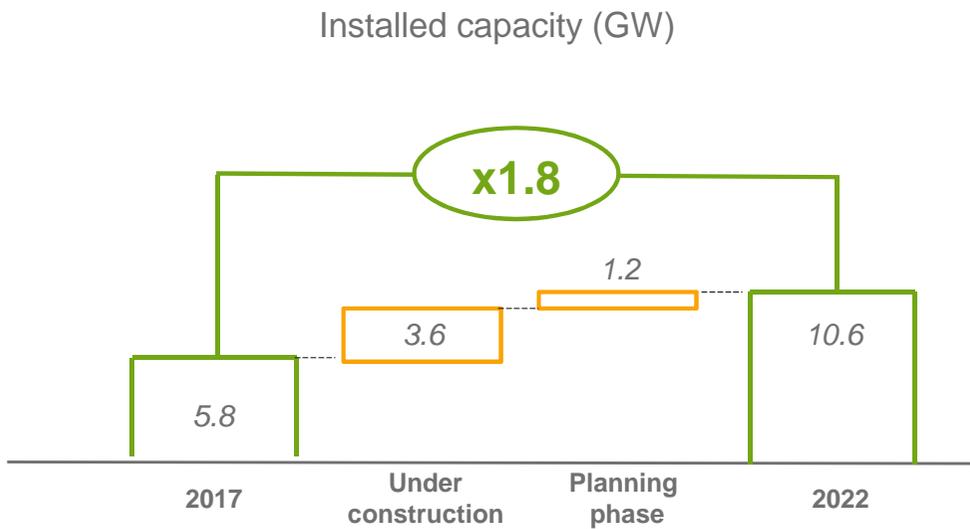
Incremental EBITDA from growth investment (EUR M)



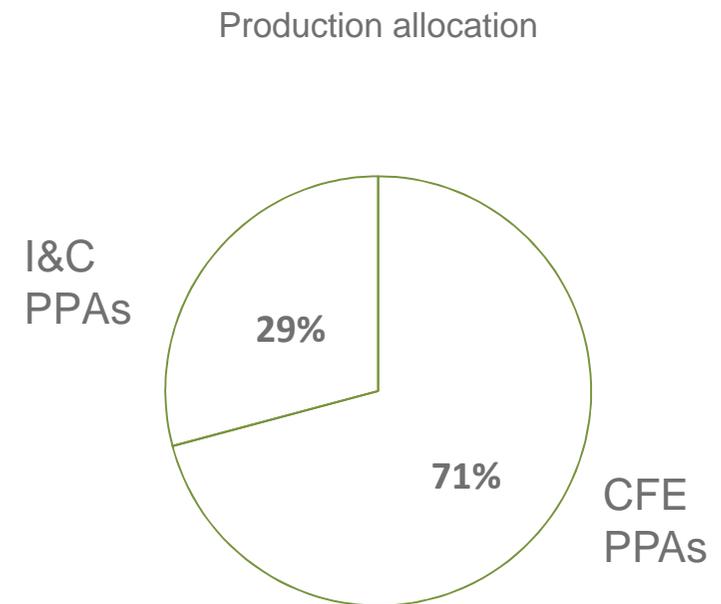
# Generation: Profitable Growth in Mexico

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

+845 MW vs. former plan by 2020



Long term contracts



## Portfolio of 4 GW under development

## Generation: Profitable Growth in Mexico

75% of the new capacity already under construction



CC Escobedo - 878 MW, 2018



CC Topolobampo II - 911 MW, 2019

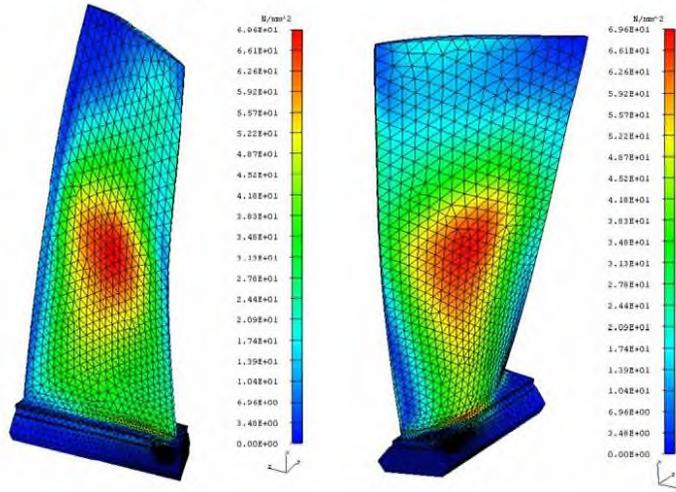


CC El Carmen - 866 MW, 2019



CC Topolobampo III - 779 MW, 2020

**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

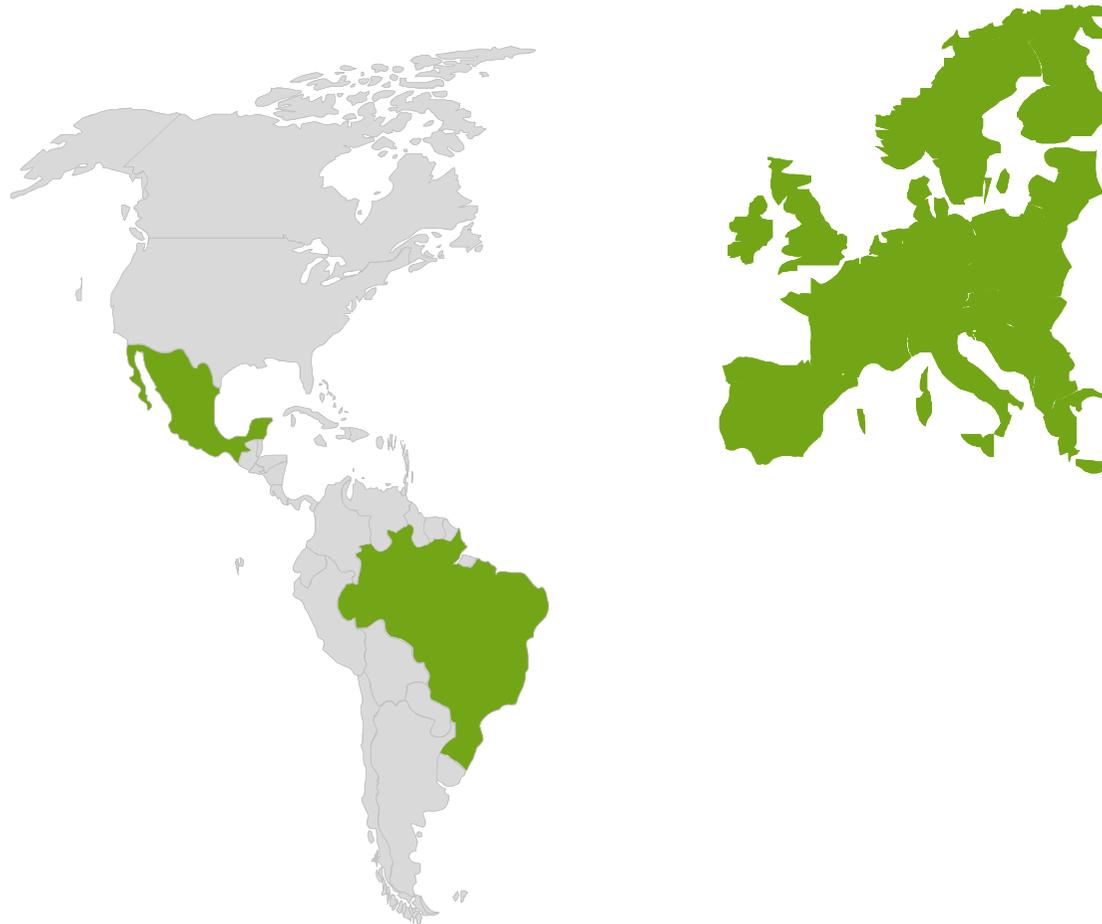
## 23 M services to customers

### 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**



**Profitable Growth**

**+9 M services to customers by 2022:**

- Expansion based on successful retail model
- Sustained growth in core geographies



**Cost Efficiency, Knowledge & Capabilities**

**Cost to serve (-9%) and acquisition cost (-6%) reductions:**

- Digital channels
- Data analytics



**Smart Solutions**

**Customer centered product portfolio:**

- Smart Energy Services
- Smart Home
- Smart Mobility
- Smart Solar



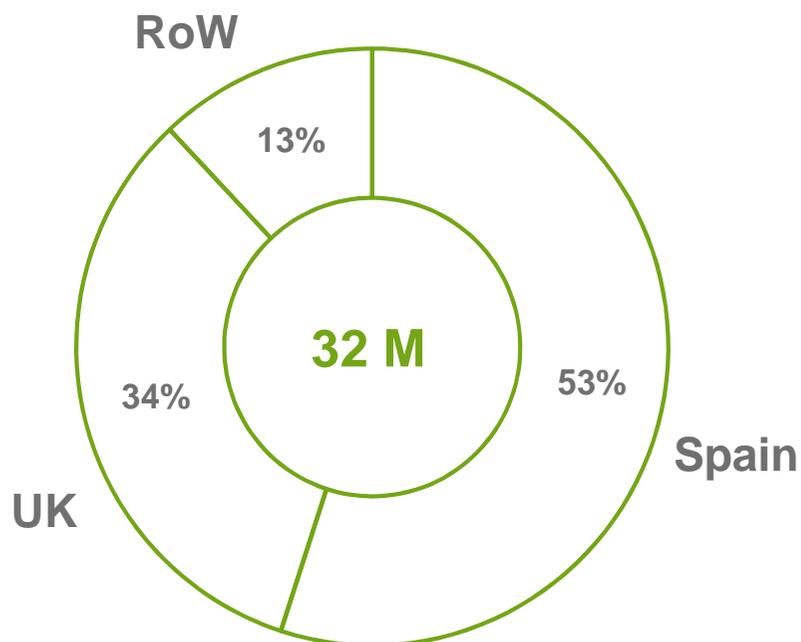
**Digital and Innovation**

**Integrated management of customer needs and lifestyle changes while maximising the value for Iberdrola**

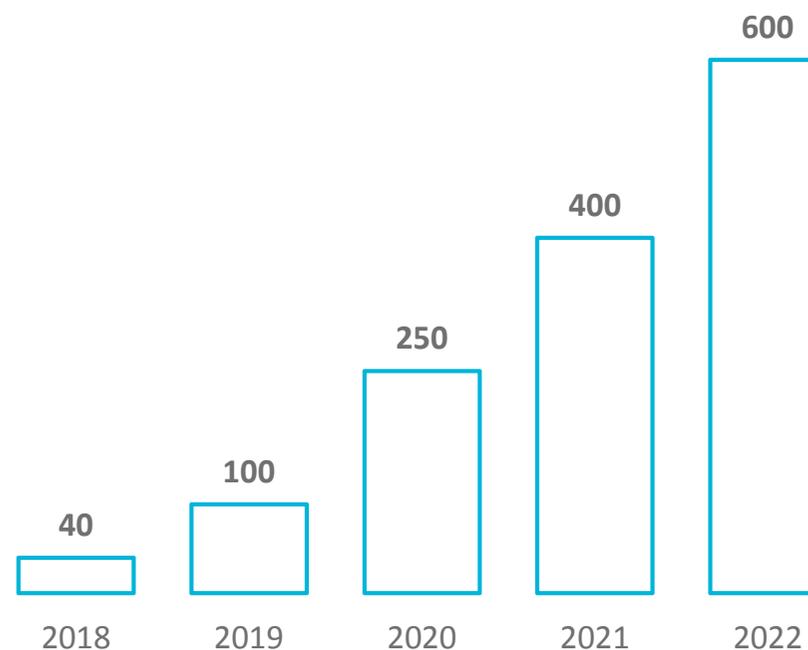
## Retail & Smart Solutions: Profitable Growth

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

2022 Services to Customers



Incremental EBITDA from growth (EUR M)



# 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

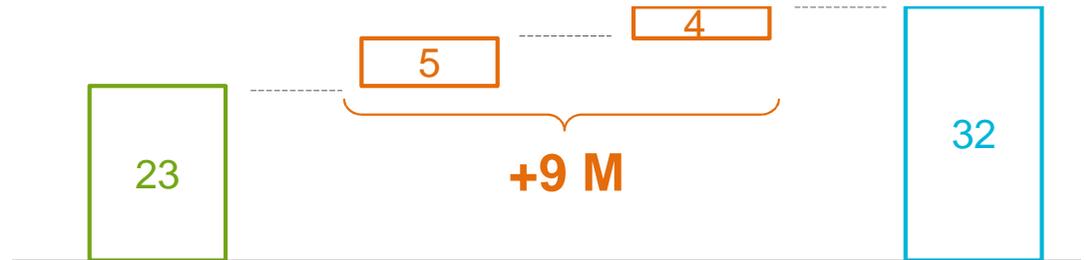


<6 months roll-out



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



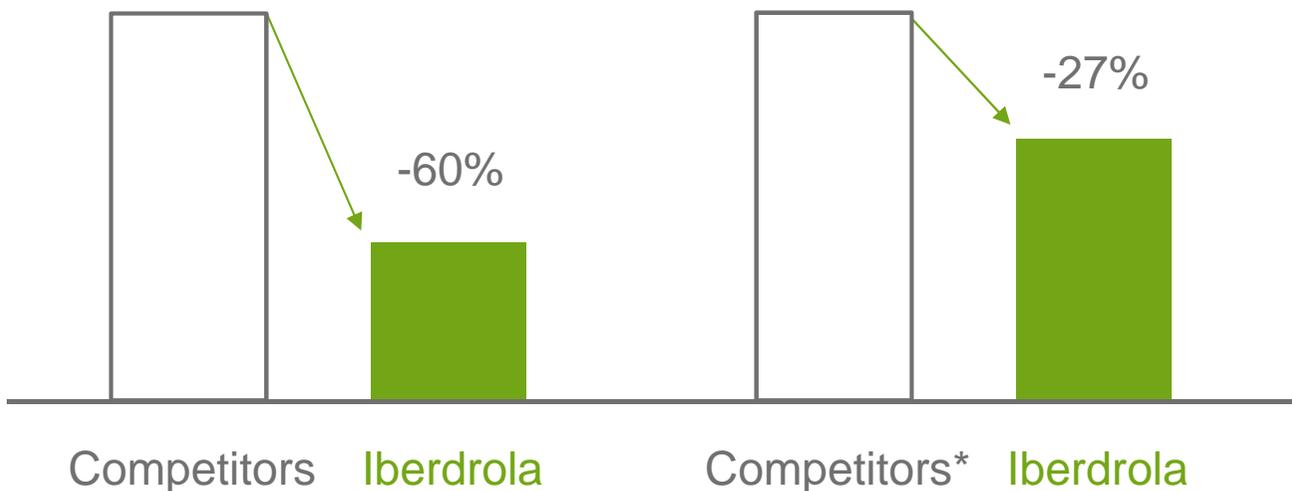
## Leadership in costs and efficiency in all countries

### Cost to Serve

### Initiatives to date

Spain (€/Contract)

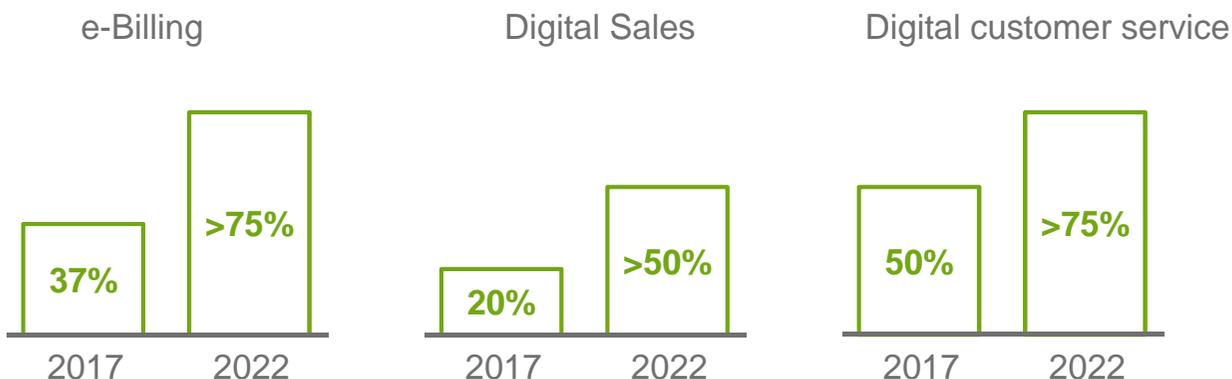
UK (£/Contract)



- **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**

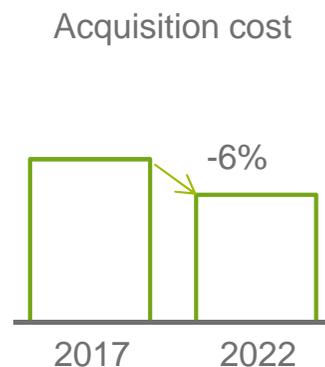
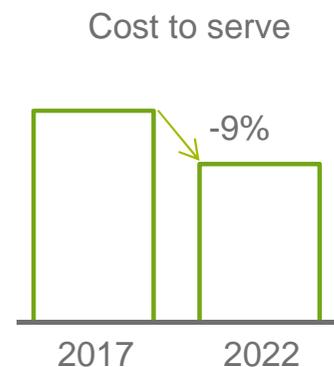
\* Estimation based on UK segmental accounts

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



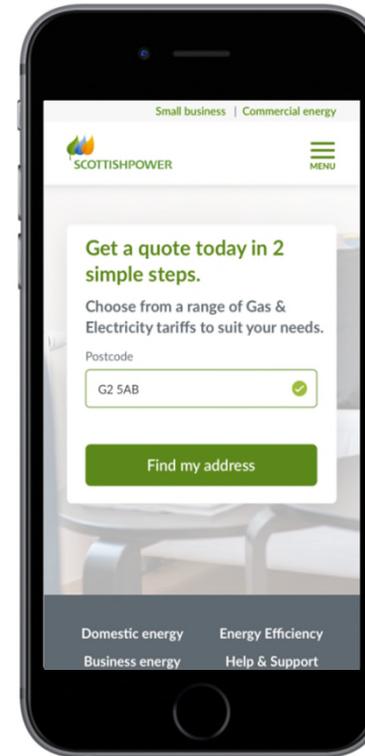
## SPAIN: Personalized plans



**~1 M customers  
already saving  
on their  
electricity bill**

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

## SPAIN & UK: Easy quote



**+40% online  
conversions**

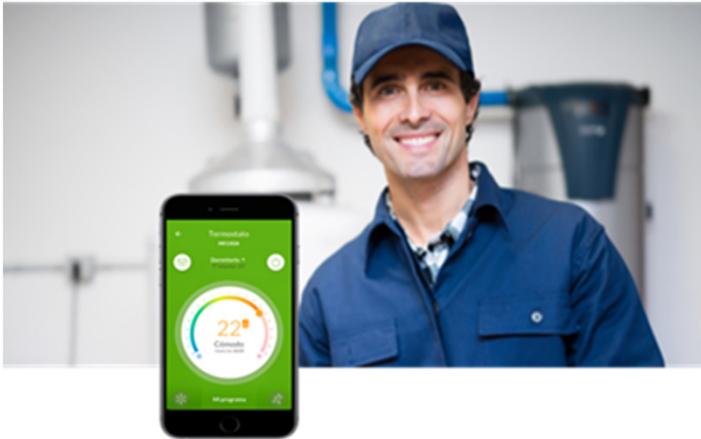
- Industry first Machine Learning algorithm to predict consumption for every household
- Simplified checkout process

# 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

#### Smart Energy Services (Residential & SME)

Installation, maintenance and protect services

#### Energy Efficiency and Demand Response (Residential, SME & I&C)

Integrated portfolio of tailor-made solutions to improve energy efficiency and management



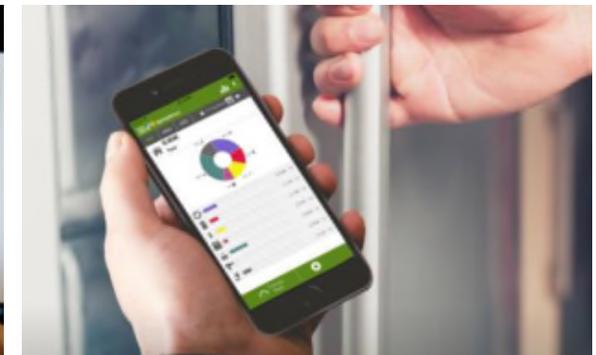
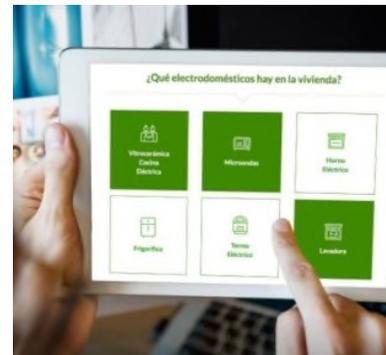
### Smart Home

#### Smart Devices and Services

Digitally controlling the use of energy and insights to customers to better manage their energy requirements

#### 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

<p><b>Residential and SME</b></p>	<p>Integrated solutions: personalized analysis, PV + storage, installation, maintenance, financing, insurance and digital management</p>
<p><b>I&amp;C</b></p>	<p>PV on-site or utility scale solutions with PPA</p>



## Smart Mobility

<p><b>Private Charging Solutions</b></p>	<p>Integrated solutions: Smart Charging + Green tariff + Maintenance</p>
<p><b>Public Charging Solutions</b></p>	<p>Public facilities + digital solutions</p>
<p><b>Industry Charging Solutions</b></p>	<p>Smart charging for fleets, employees and customers + digital solutions</p>



### 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



# 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**