



 **OUTLOOK** 2016 / 20
 **LONDON** / 24th February





Business Overview





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Business CEO

Global outlook

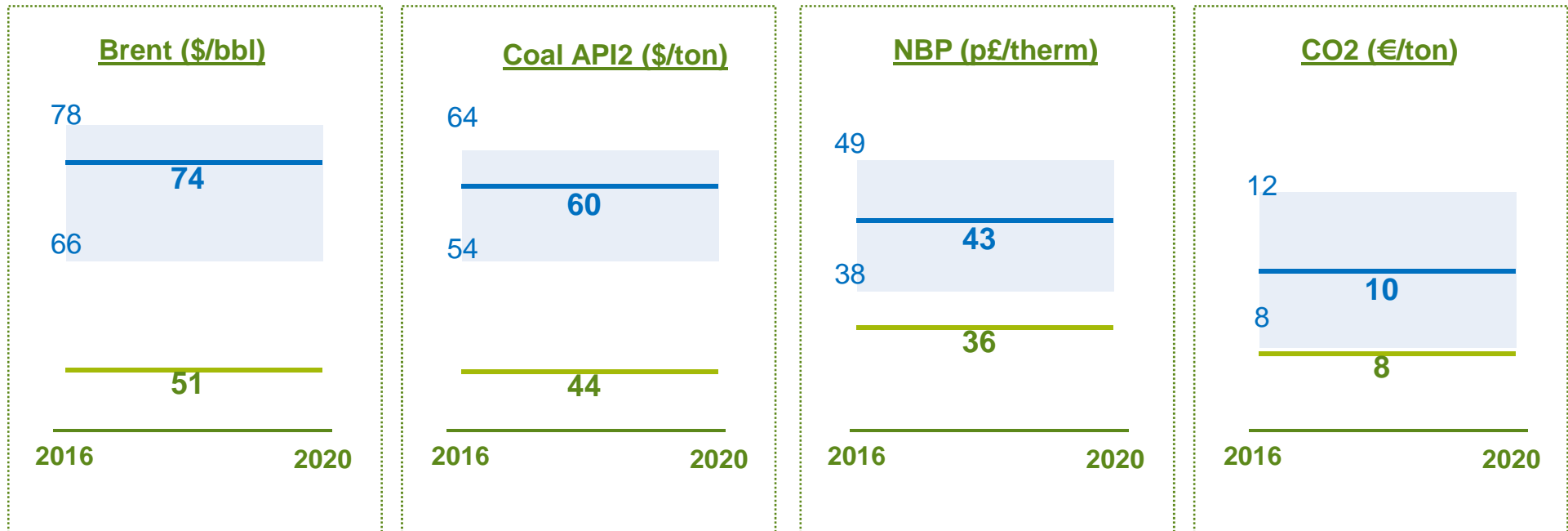
Developments to encourage economic and environmental sustainability in the industry

USA	<ul style="list-style-type: none">• Networks Rate Cases stability• PTC extension• EPA proposal on emissions
Spain	<ul style="list-style-type: none">• Tariff deficit removal• Networks unitary costs• Auctions for new renewable capacity
United Kingdom	<ul style="list-style-type: none">• Capacity auctions, RO removal• Long term frameworks for Networks• CMA conclusions in 2016
Mexico	<ul style="list-style-type: none">• Energy Reform, competence and market• Energy & CELs auctions
Brazil	<ul style="list-style-type: none">• Transfer of drought costs, red flags• GSF

Visibility and stability in the main countries

	2016	2017	2018	2019	2020																																				
	RD 1048/2013 – Unitary Costs																																								
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Lower commodities forecast is constant, although some analysts' forecasts point to strong recovery



 Iberdrola
  Commodities range and average from analysts
 (PIRA, WoodMac, Aurora, CERA-IHS, Pointcarbon)

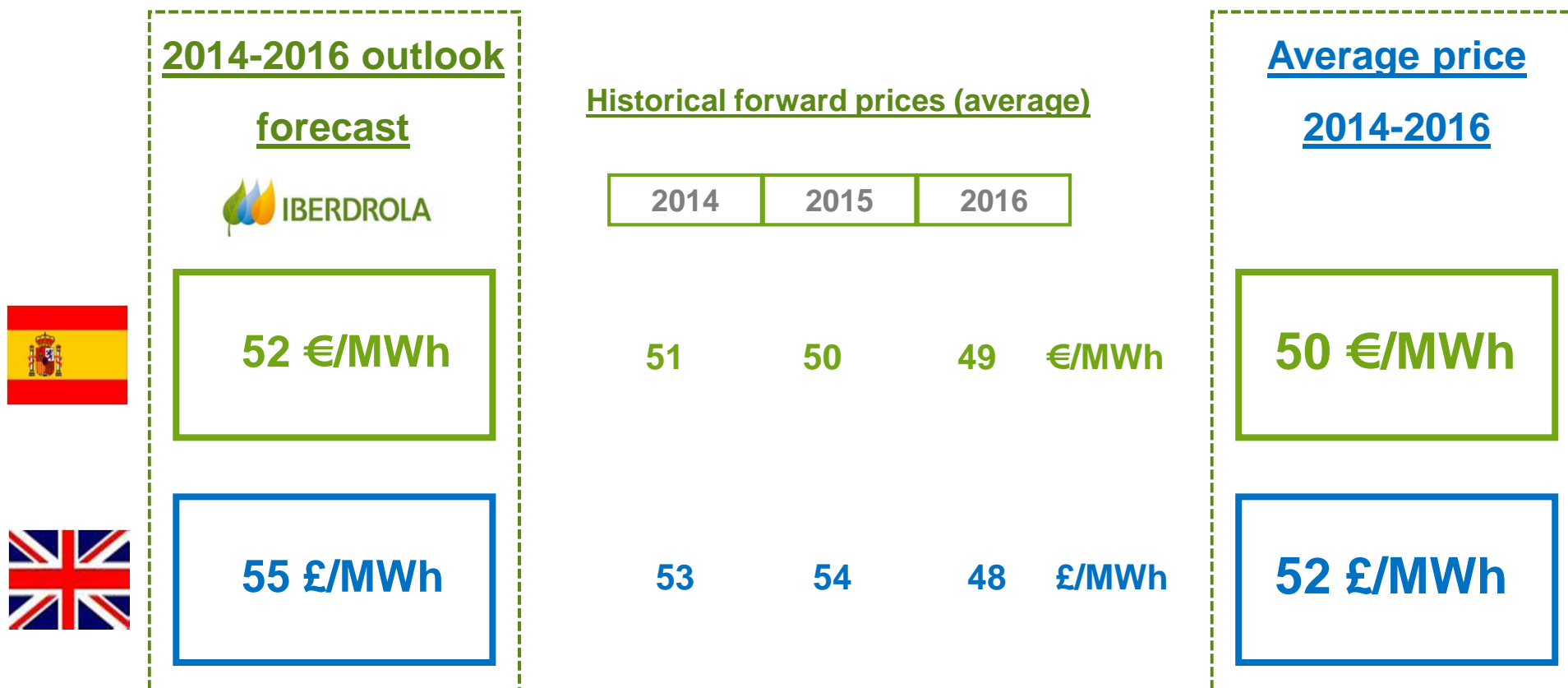
Europe: stressed markets and prices

New capacity in United Kingdom to replace inefficient power plants

			
Electricity demand	+1.8% annual	+0.5% annual	+3.4% annual
New Capacity CCGTs & Ren	Isolated renewable auctions	+ 10 GW	+ 23 GW
Constant wholesale prices	≈48 €/MWh	≈40 £/MWh	≈60 \$/MWh

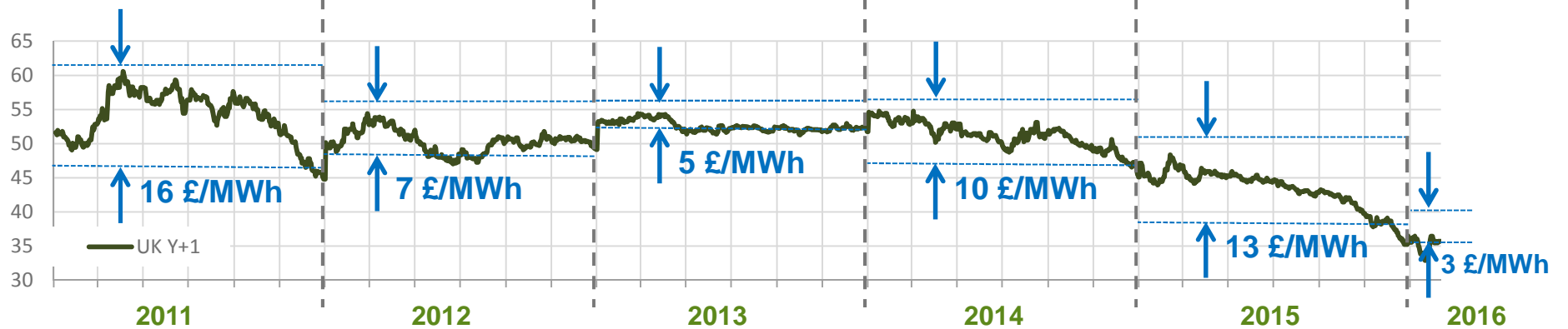
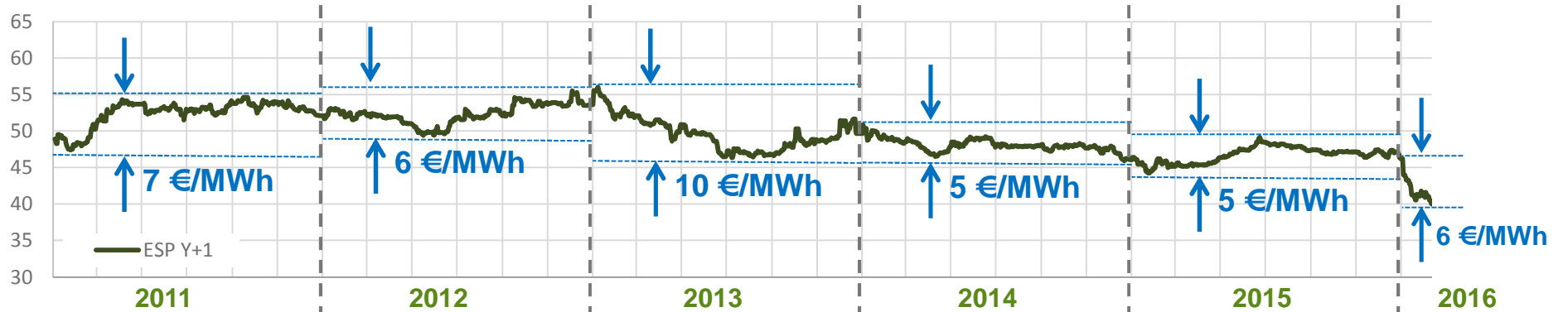
Mexico: industry growth and market consolidation across the period

Despite the remarkable fall of commodities, prices forecast for the 2014-2016 period are within the range of forward prices

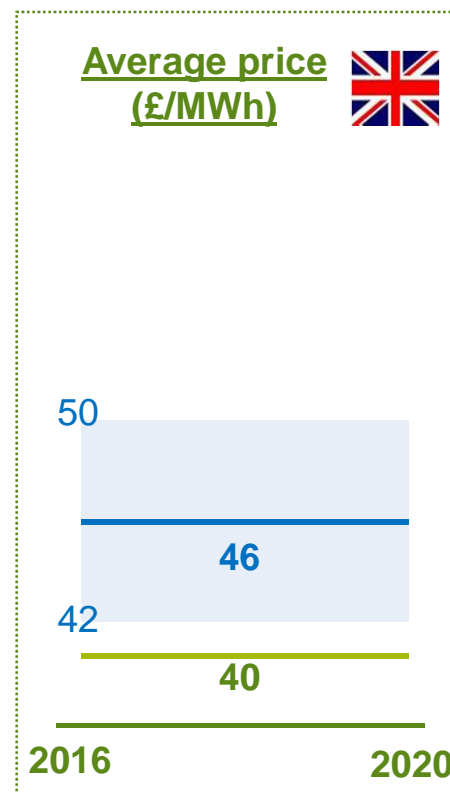
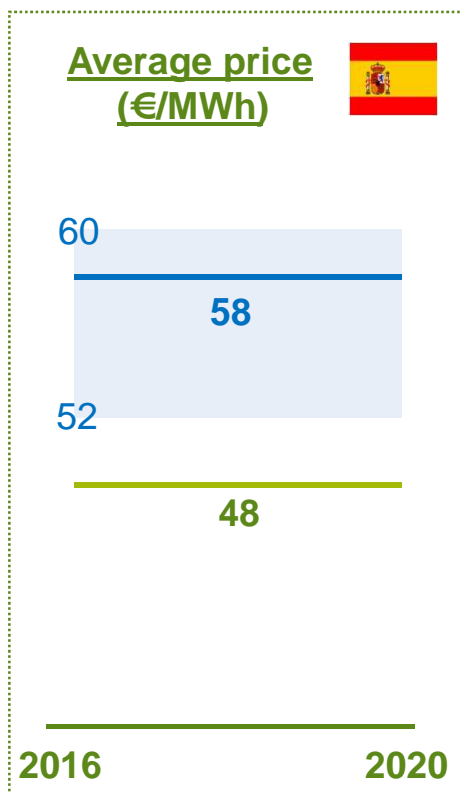


Our experience in the markets, together with the variation of forward prices, allows position optimization

Historical forward prices



Iberdrola's forecast is constant and below industry estimates








 Iberdrola  Range and average prices derived from analyst's estimations of commodities (PIRA, WoodMac, Aurora, CERA-IHS, Pointcarbon)

Strong competence in mature markets: customer's loyalty with better service and lower cost

			
Competence increase	Small suppliers / Massive auctions		Market opening
New customer's needs	Customized products / Distributed generation		Activity boost
Larger regulatory scrutiny	Stress on margins / Protection of vulnerable customers		New rules implementation

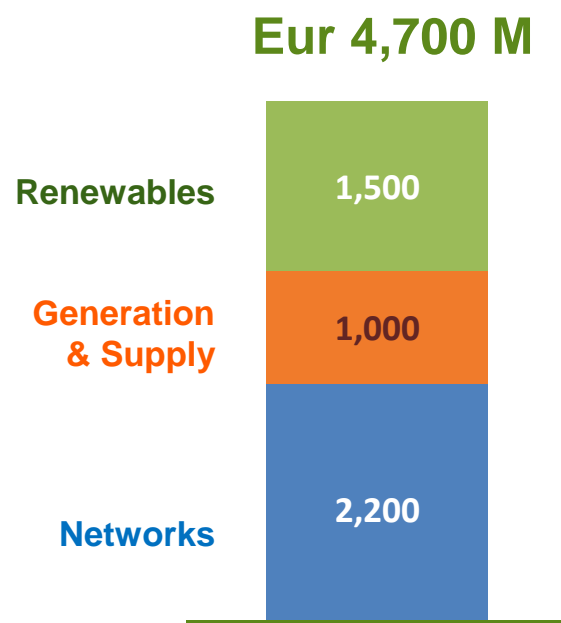
Competition in all markets for new capacity

	2016	2017	2018	2019	2020
		RO removal from 2017 Auction (CfDs)			
		Market or PPAs (stressed by gas prices) Production Tax Credits up to 2020			
		Auctions (% discount on RINV) Market + RINV			
		Energy & CELs auctions			
		Auctions			

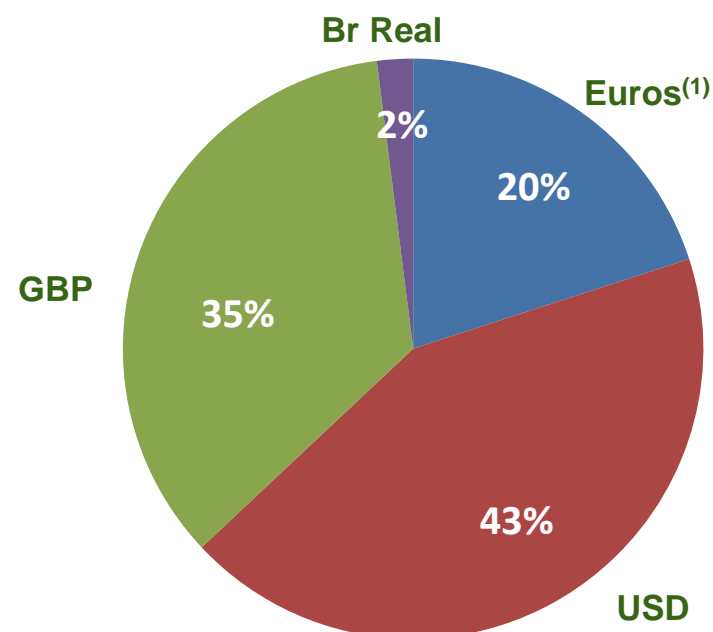
Strategic Plan 2016-2020

Strong period of investment on regulated business and clean energies: Eur 23,700 M* of investment

Annual investment aver.* 2016-2020



Investment by currency 2016-2020



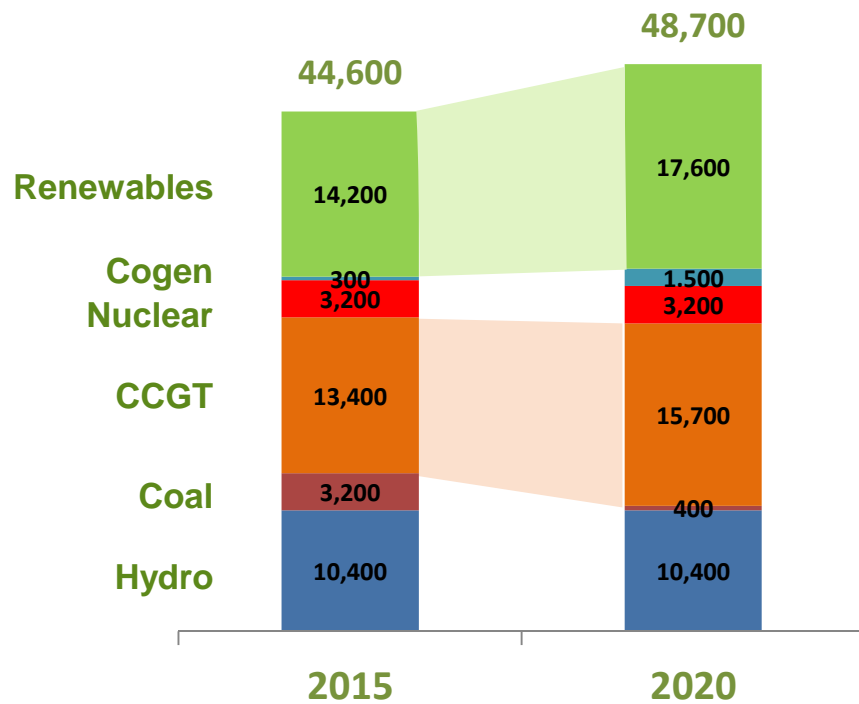
* Corporate investments non included (systems, buildings...)

(1) Including Wikinger, offshore windfarm in Germany

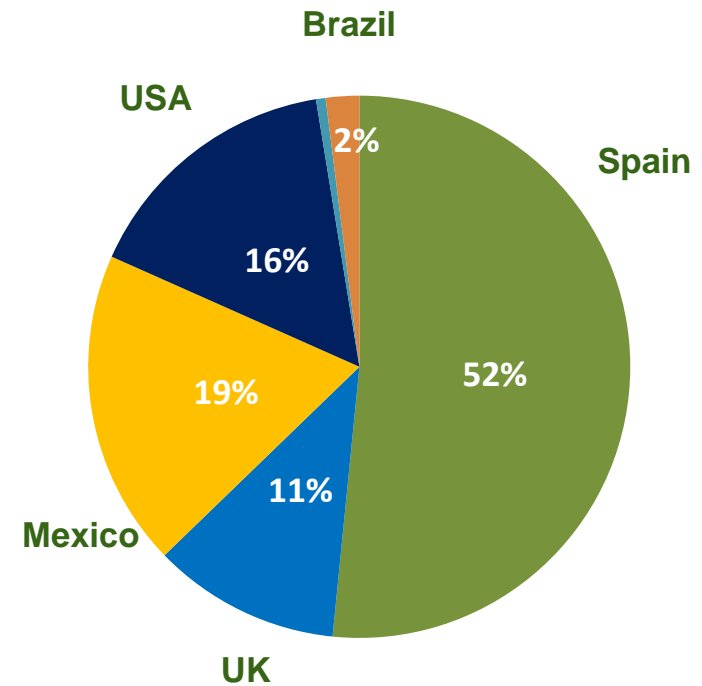
Capacity

6,900 MW of clean and efficient technologies, achieving 48,700 MW by 2020 (only 1% coal)

Technology mix (MW)

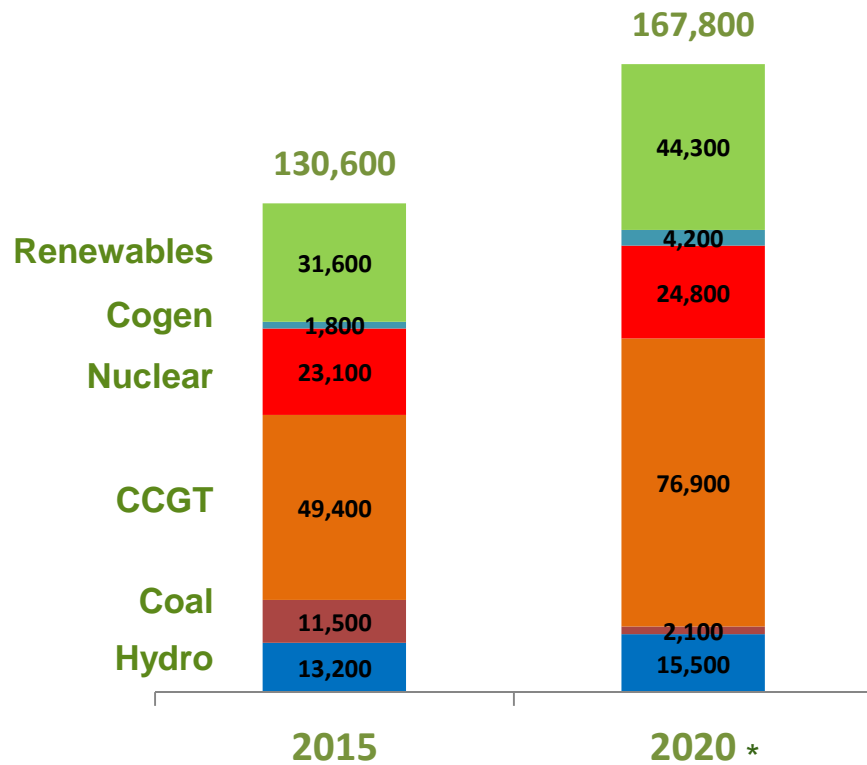


Installed Capacity 2020 (MW)



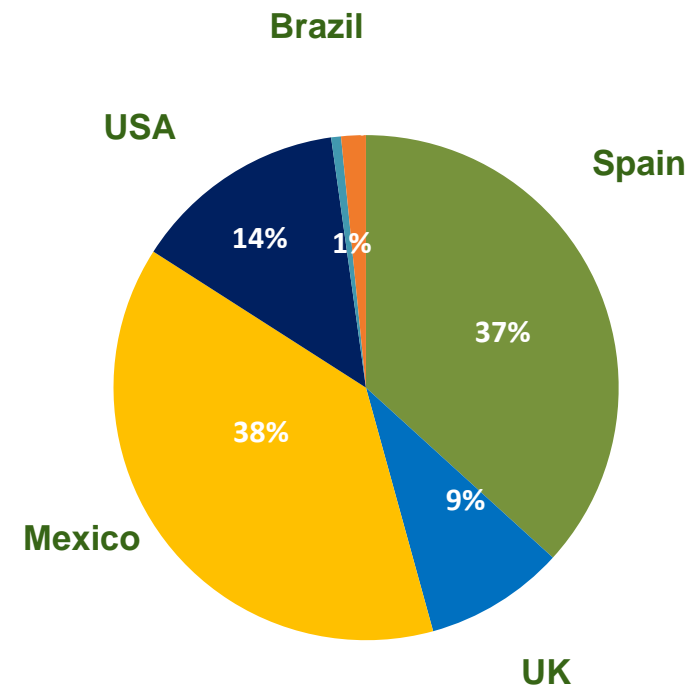
Production increases by 28%, up to 168,000 GWh

Production by technology (GWh)



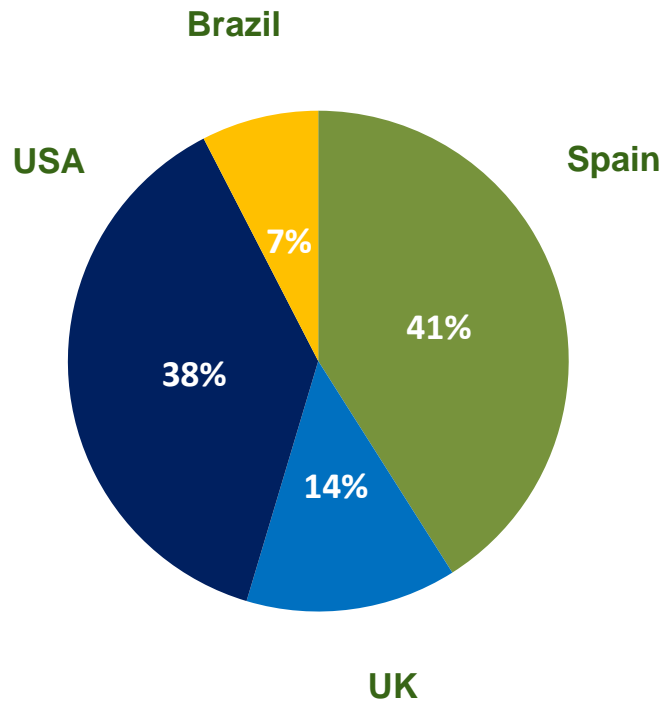
* Average hydro year

Production 2020 (GWh)

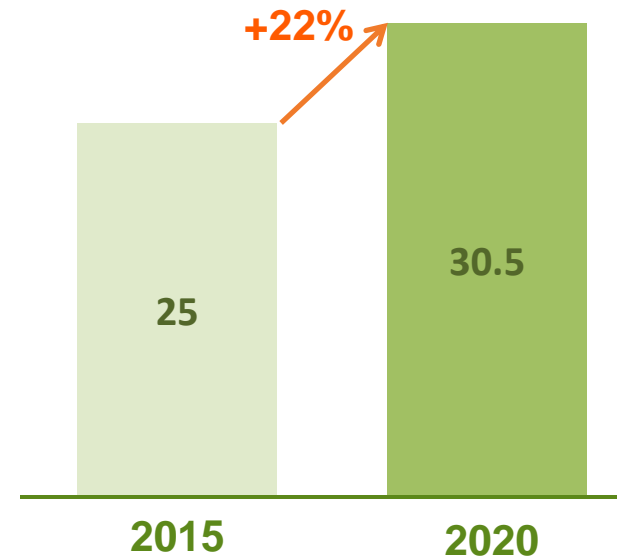


Distributed energy increases by 17% in 2020, up to 246,000 GWh
RAV grows 22% in the period, exceeding Eur 30 bill

Distributed energy 2020



RAV (Eur bill)



All businesses would improve results

Networks



- Increased contribution from USA
- Moderate growth in the rest of the countries
- Results increase of mid single digit

Renewables



- Strong growth in offshore
- Growth in onshore: USA and UK
- Results increase of high single digit

Generation & Supply



- Growth in Mexico
- Stability in the rest of the countries
- Results increase of low single digit

Iberdrola's positioning




Iberdrola is a pioneer in energy transition

- 1 **Increasing electrification of economy**
- 2 **Decarbonization: replacement of polluting energy by clean energy**
- 3 **The networks is the essential system integrator**
- 4 **Digitalization and commercial products sophistication**
- 5 **Efficiency as the basis to compete**

1 Increasing electrification of economy

Generation: 8,060 MW under development, of which 5,200 MW under construction
Networks: +18,600 km of lines and +30,400 STs & TCs*

Generation Growth committed

		<u>MW construction</u>	<u>Year</u>
	Onshore	450 MW	2016-2017 2019-2020
	Offshore	710 MW	
	Onshore	744 MW	2016-2017
	Offshore	350 MW	2017
	CCGTs Cogen	1,450 MW 160 MW	2016-2018 2016-2017
	Onshore	180 MW	2016-2020
	Hydro	1,160 MW	2021

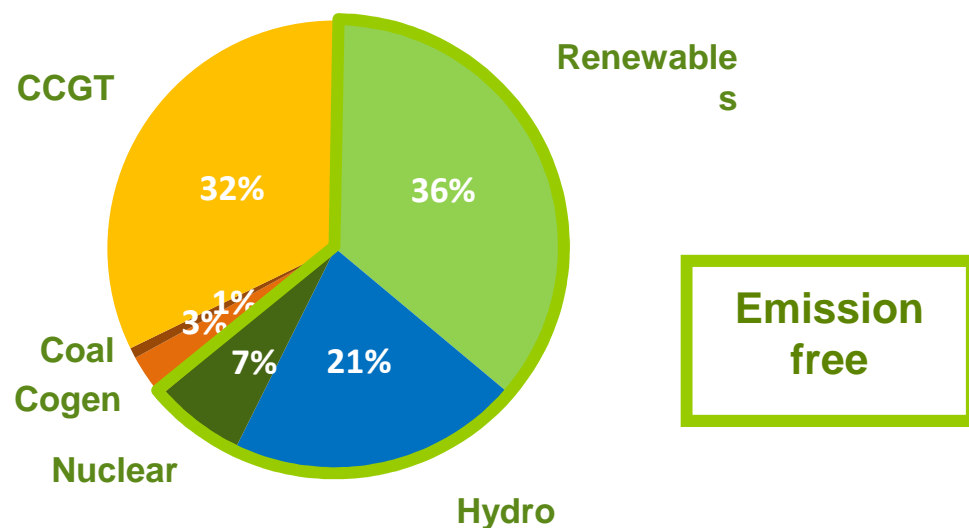
Networks Growth committed

	<u>km of lines</u>	<u>ST & TC</u>
	6,650	2,275
	2,100	2,100
	4250	16,000
	6,100	10,000

* Substations and Transformation Centers

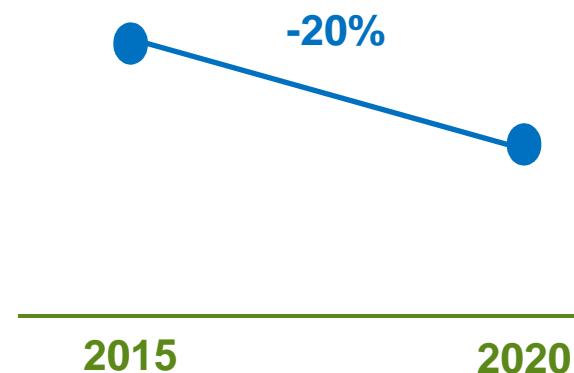
Iberdrola continues investing in clean and efficient energy 64% of the mix is emission free...

Capacity mix 2020



Unitary emission

(gr CO2/kWh)



... and unitary emission will be reduced by 20% thanks to our coal production of only 1%

Larger digitalization and automation of the network



Smart Grids

Smart Meters

Total capex	Eur 1,200 M	GBP 1,000 M
Type of Meter	Electricity	Gas + Electricity
Number of meters	10.7 Millions	5.6 Millions
Deployment period	2011-2018	2015-2020

Iberdrola is already positioned to meet the new customer reality

Digitalization

Customer web improved
(customized use)

Multichannel
(Web, email, mobile, mail..)

Customer information improved
(App, social networks)

Products

Time of Use Tariffs

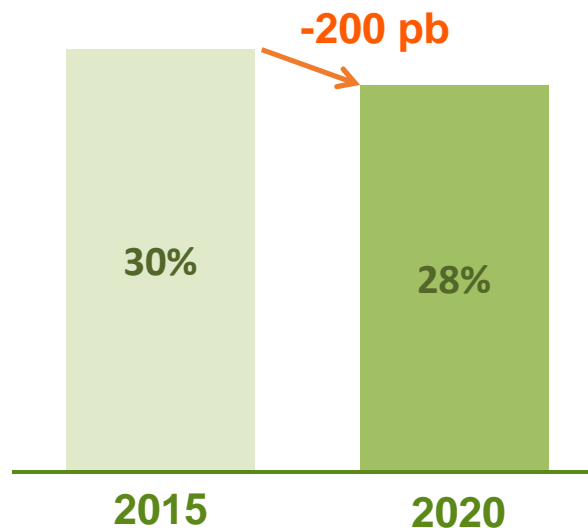
Smart Home

Smart Solar

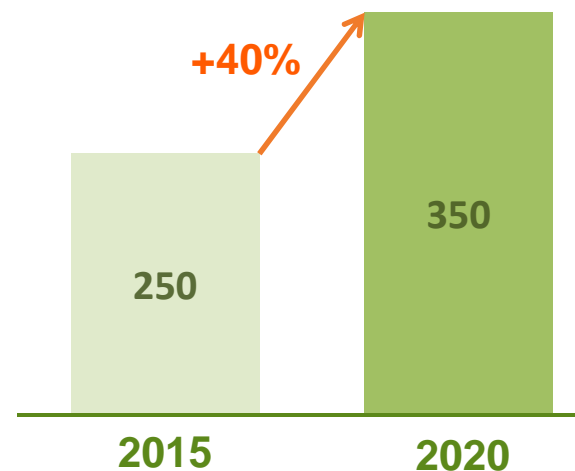
5 Efficiency as the basis to compete

Continuous improvement in operating efficiency and productivity...

NOE / Gross Margin



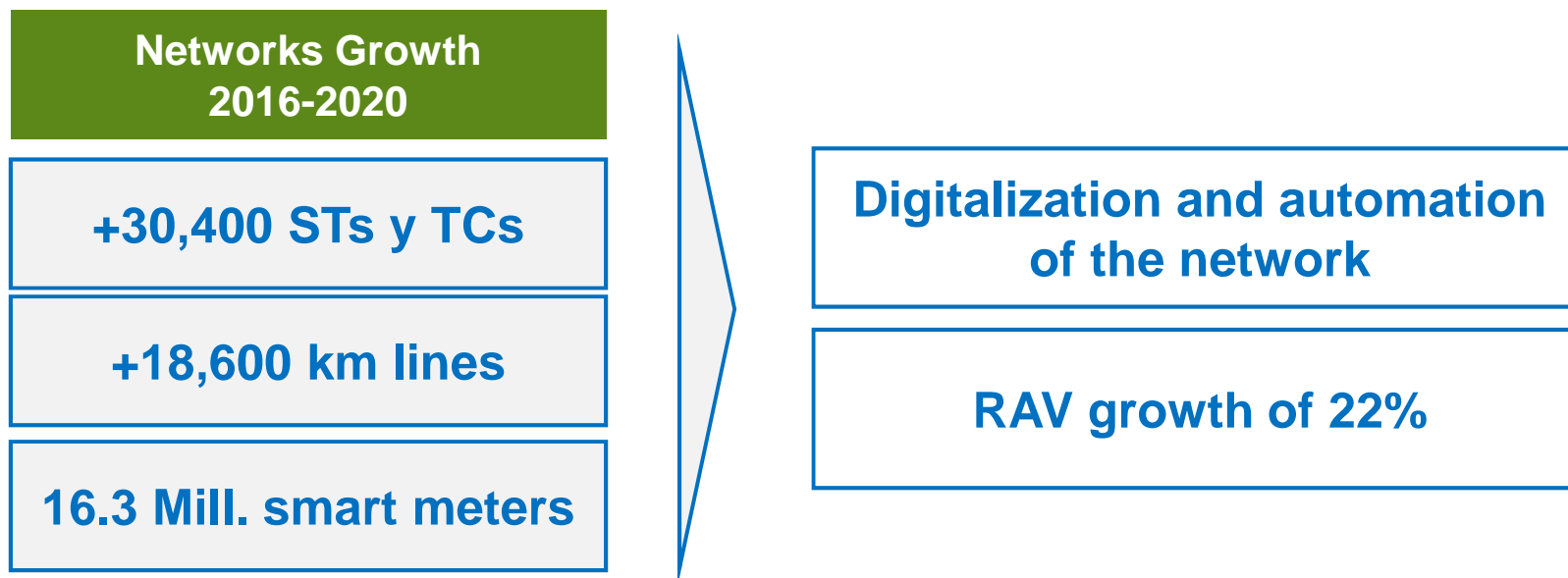
EBITDA / employees (k Eur)



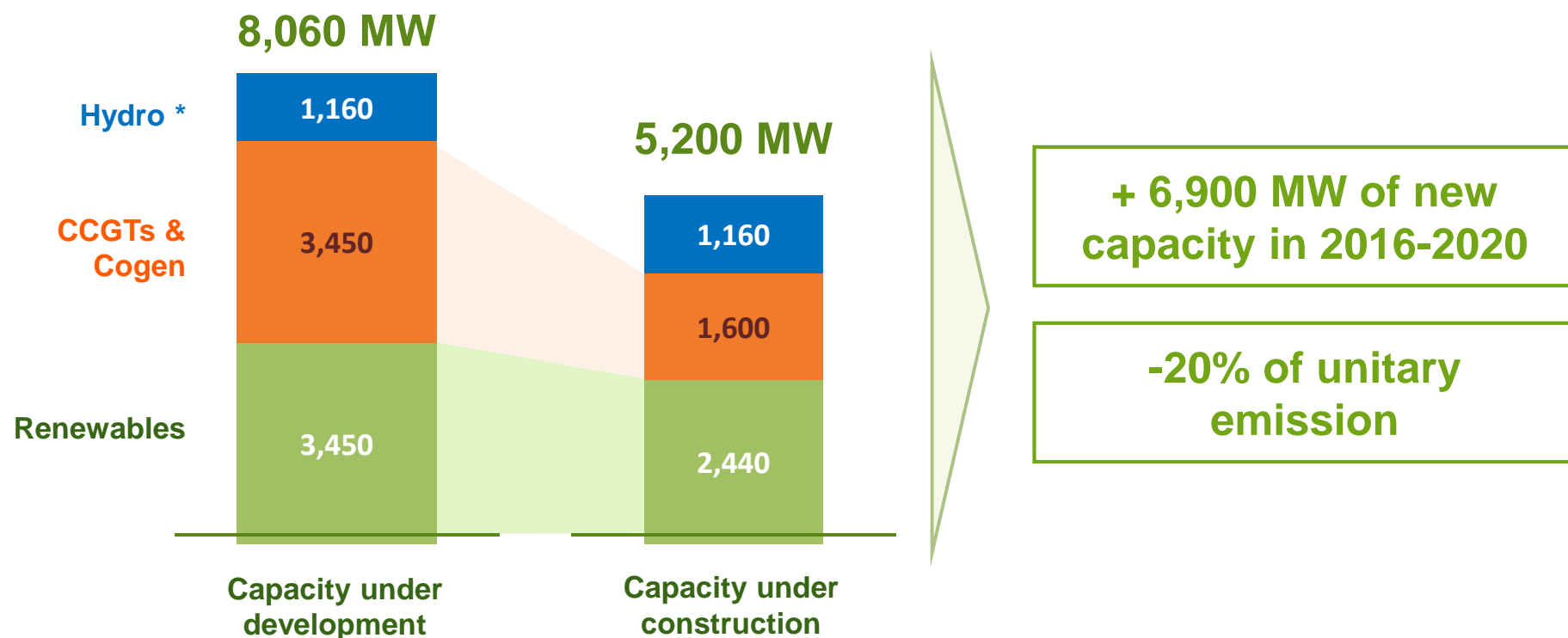
... thanks to digitalization, innovation and process optimization

Conclusions

Strong period of investment on regulated business (Eur 11,000 M)...



... and clean energies (Eur 12,700 M)...



* Tâmega commissioning beyond 2020

... investing in digitalization & customer...



... and improving operating efficiency and productivity by 40%

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