



IBERDROLA

OUTLOOK

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2014/16



Networks
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Networks– General Overview

Spain

United Kingdom

United States

Brazil

Key Figures

Supply Points

19.1 M

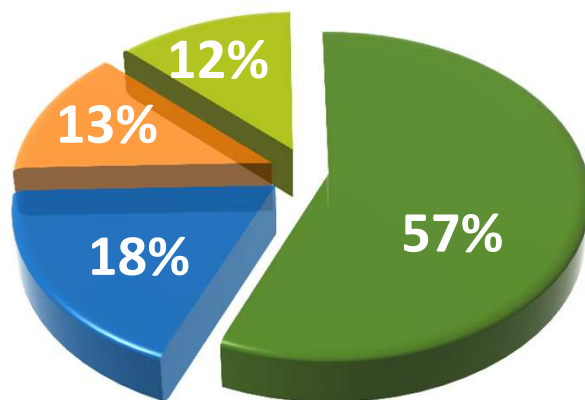
Distributed Energy

175,500 GWh

Employees

15,000

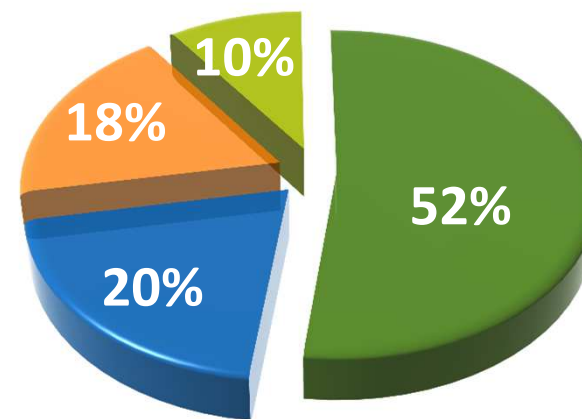
Supply Points



■ Spain

■ U.S.A.

Distributed Energy



■ U.K.

■ Brazil

Key aspects

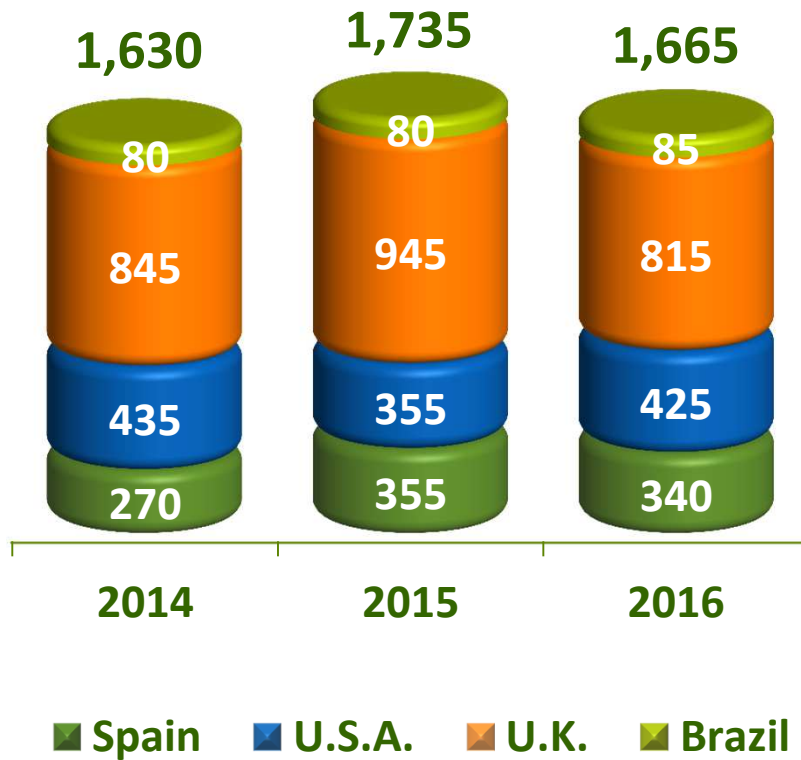
Agreed investment plan with regulatory authorities

Optimization of regulatory frameworks

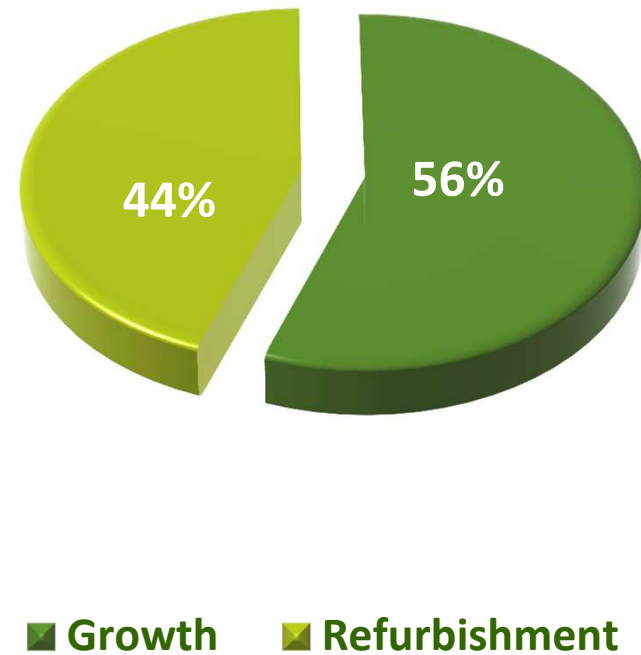
Continuous improvement in operating efficiency

Investments 2014-2016: Eur 5,030 M

Investment Plan (Eur M)

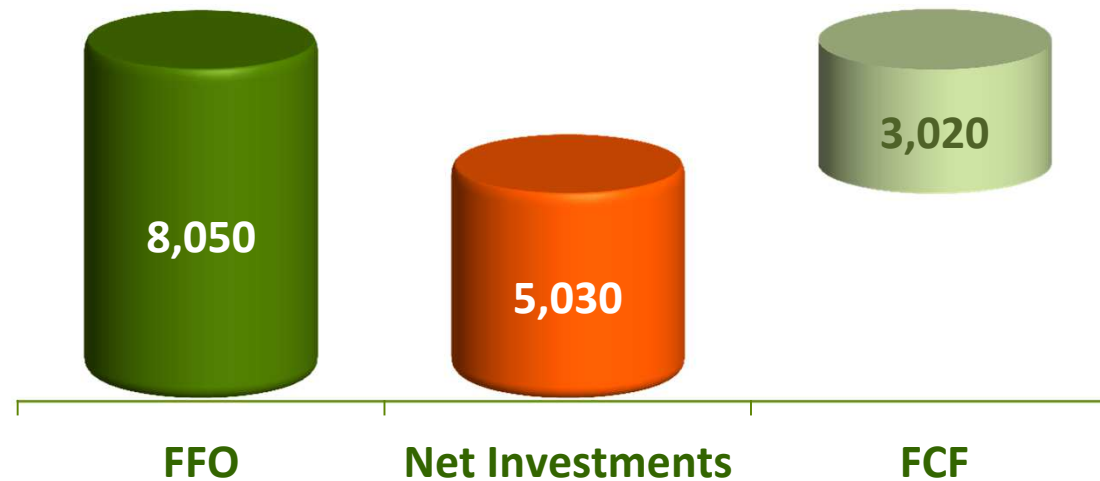


By activity 2014-2016



Cash-flow generation finances investments

Cash-flow generation (Eur M)



Networks– General Overview

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General landscape

Investments adjusted to demand evolution
and quality in accordance to remuneration

Smart Grids development – efficiency key factor

Maximization of operating efficiency – Plan 2020

Defined regulatory framework basis

2014

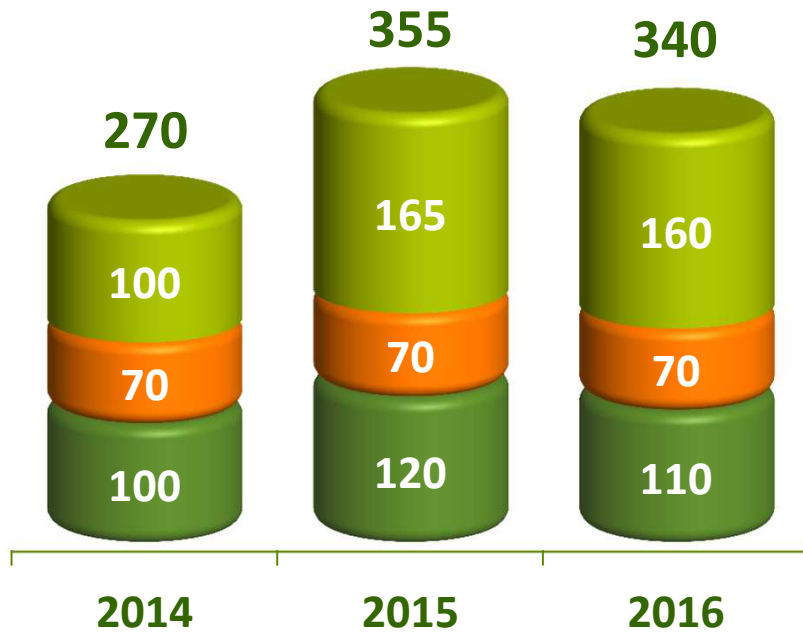
- Investment remuneration rate **6.5%**
(nominal pre-tax)
- Published final amount **Eur 1,591 M**

**2015
to
2019**

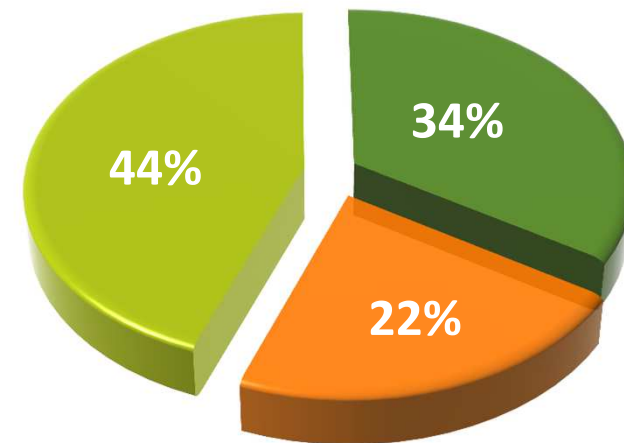
- Remuneration based on standard values for Opex and Capex
- RAV based on physical units and standard costs
- Incentives for quality of supply, losses, fraud and technological innovation

Focussing on deployment of Smart Grids

Investment Plan (Eur M)



By activity 2014-2016



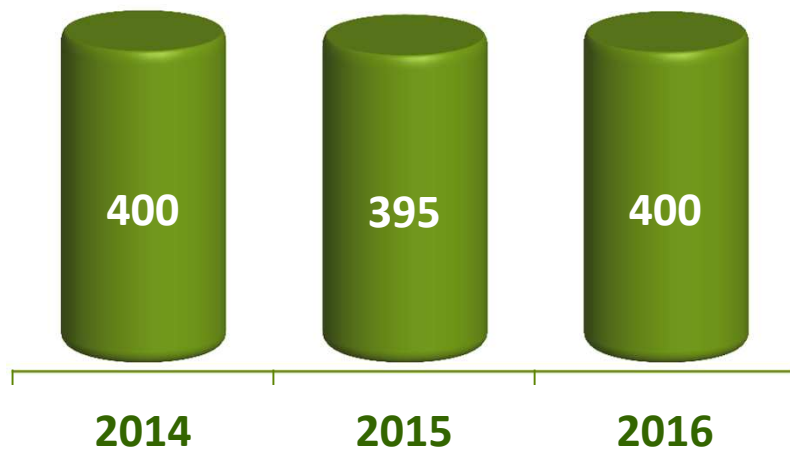
■ Growth

■ Refurbishment

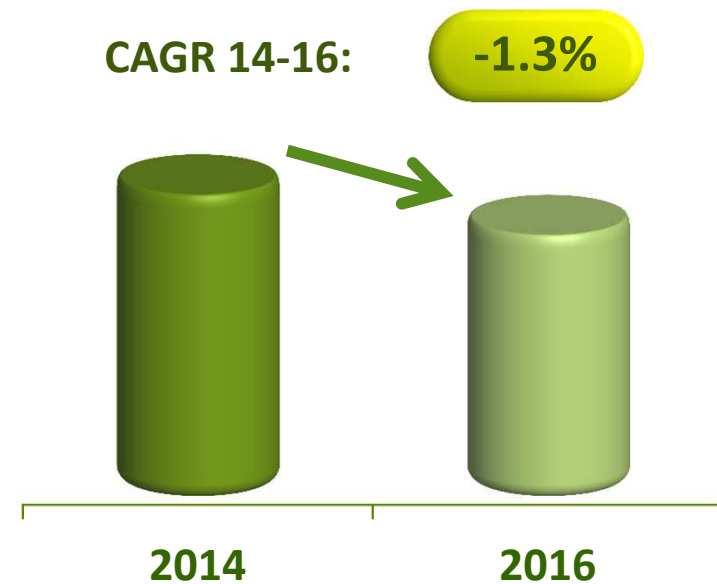
■ Smart Grids

Initiation of Plan 2020

NOE Evolution (Eur M)



NOE / Gross Margin



Maintaining Opex flat over 2014-16

Networks– General Overview

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General landscape

Fulfilment of DPCR5 commitments (March 2015)

Negotiating new regulatory period for distribution
RIIO ED1 (April 2015 - March 2023)

RIIO T1 in force (April 2013 - March 2021)

Current conditions

	Distribution DPCR 5 (April 2015)	Transmission RIIO T1 (April 2021)
Vanilla WACC REAL	4.7%	4.8%
IRR*	7.2%	7.5%
Gearing	65%	55%
Incentives	+90 bps	+40 bps

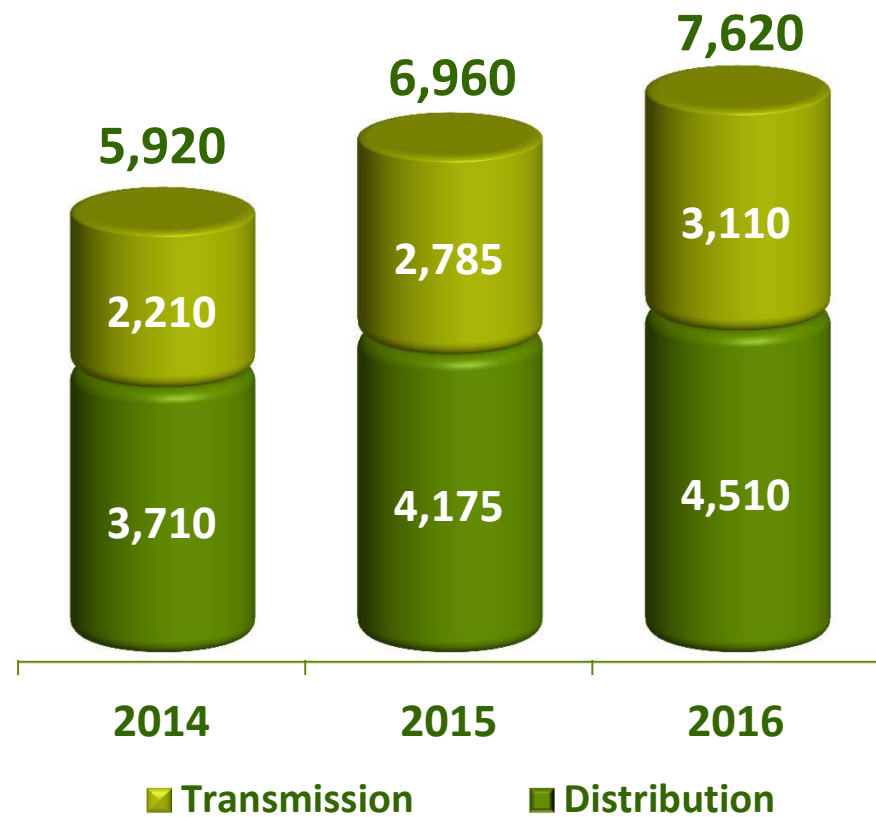
* Nominal post-tax

RAV increase of 1.4x

Investment Plan (Eur M)

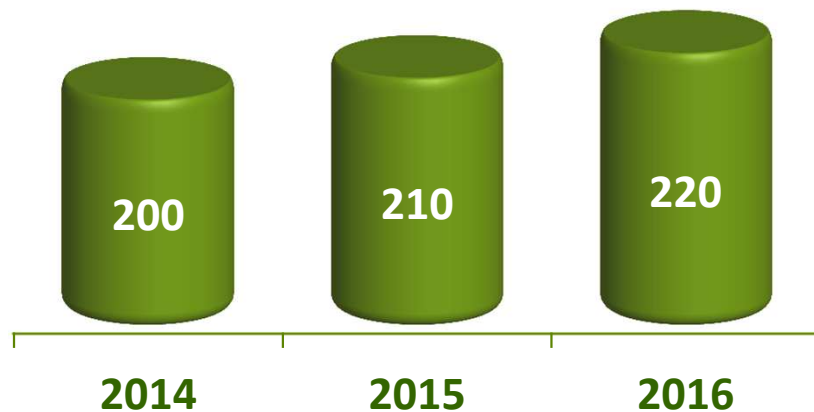


RAV Evolution (Eur M)

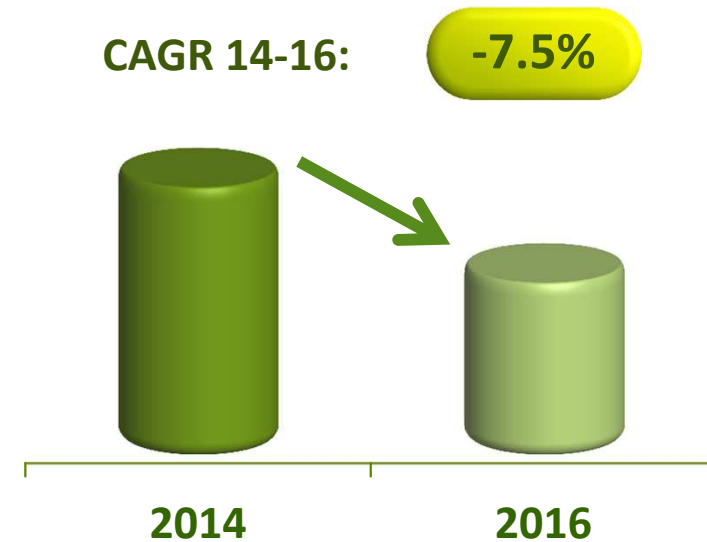


Opex increase is related to new investments

NOE Evolution (Eur M)



NOE /RAV Evolution



Maintaining the NOE/ Gross Margin ratio during 2014-2016

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General landscape

Finalizing transmission project in Maine

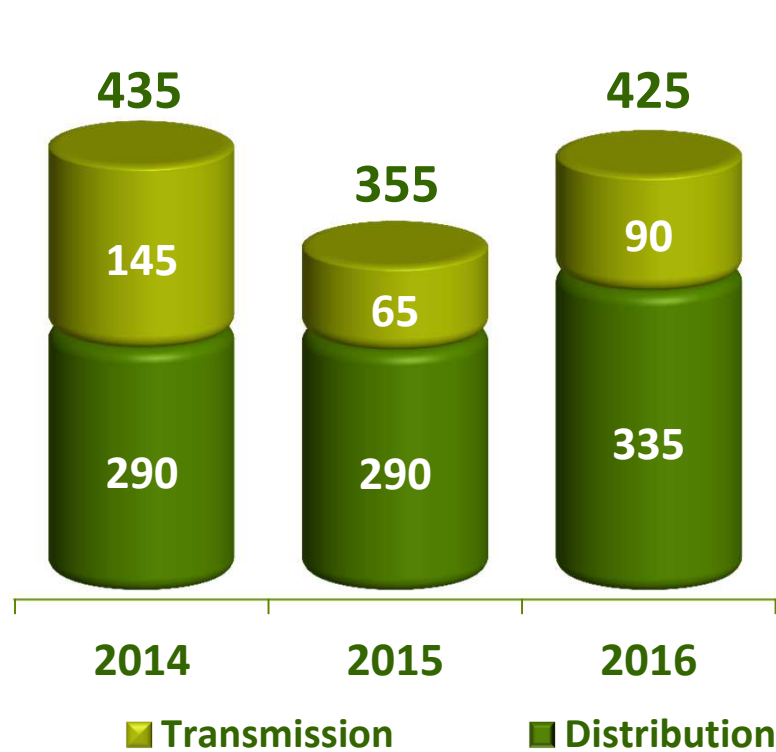
Analysing new transmission project opportunities

Expected ROEs for 2014-2016 period are in the range of
10% for distribution and 11% for transmission

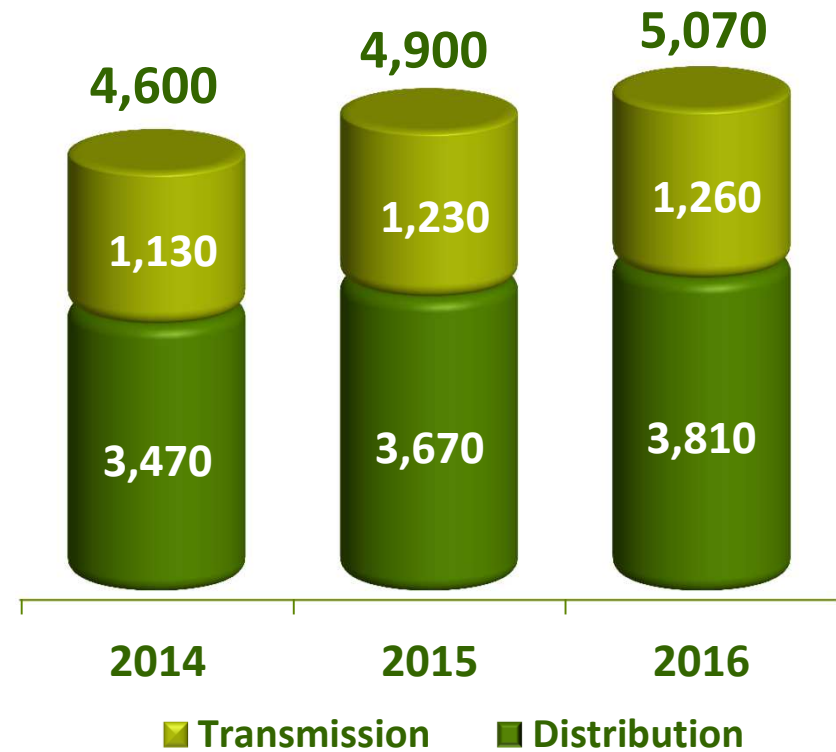
Continuous improvement of NOE/ Gross Margin ratio

RAV increase of 1.2x

Investment Plan (Eur M)

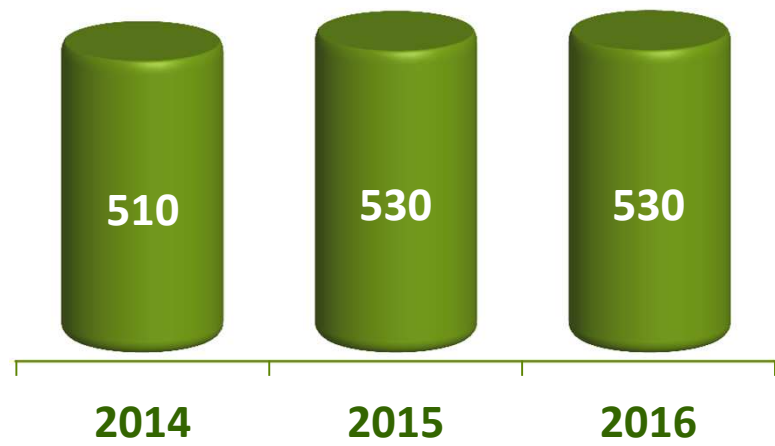


RAV Evolution (Eur M)

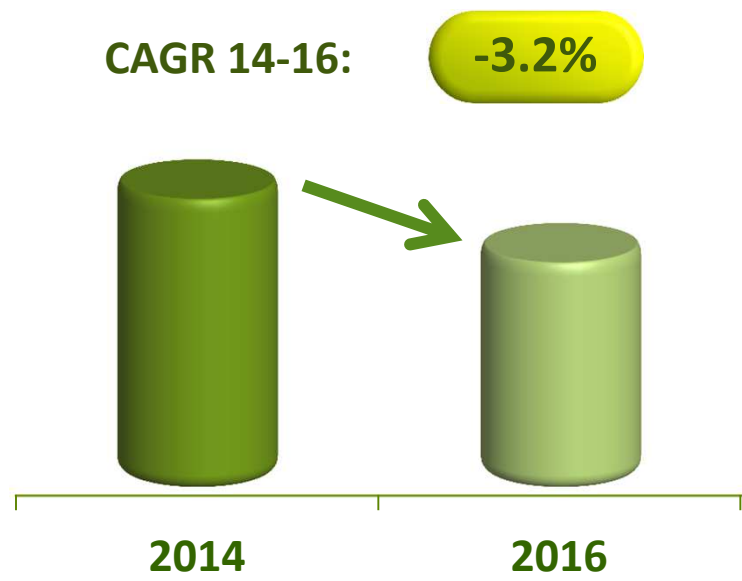


In 2014-16 period OPEX remains flat

NOE Evolution (Eur M)



NOE / Gross Margin



Maintaining the target of reducing the NOE/Gross Margin ratio

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Distribution: 3rd cycle of Tariff Review and Drought

Tariff review

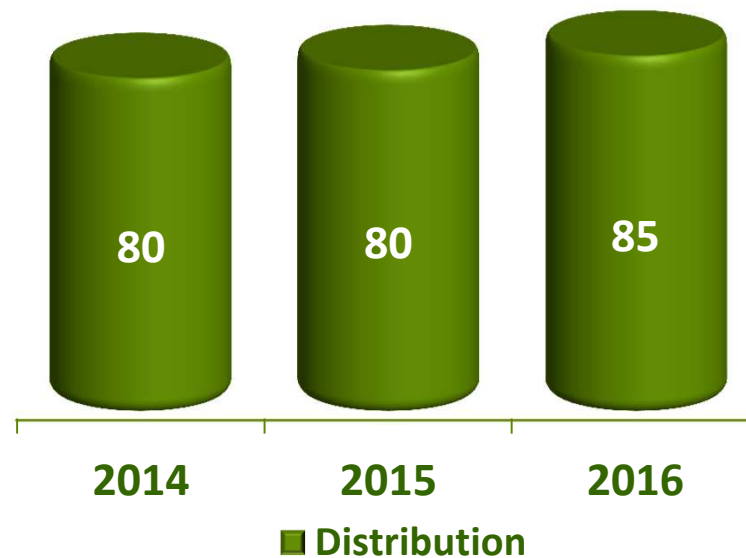
- Current tariff period (2011-2015)
- Tariffs remunerate efficiency

Drought

2013: compensation provided by Treasury
2014: compensation under negotiation

Investment Plan focused on sustainable development,
efficient for the system ...

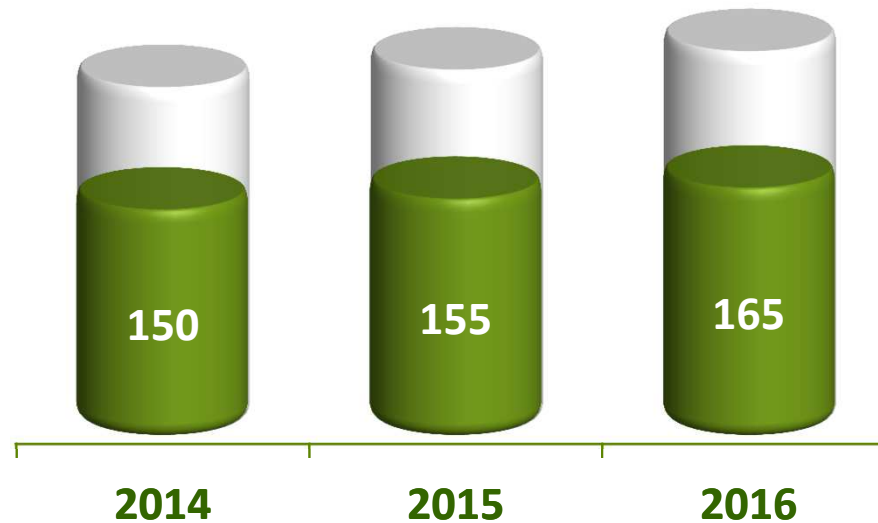
Investment Plan (Eur M)



... granting regulatory commitments

Evolution of expenses below the environmental conditions:
inflation (5-6%) and demand (3-4%)

Evolution NOE (Eur M)



Target: positioning Elektro amongst the most efficient
distribution companies in Brazil

Consolidation by Equity method from 1st January 2014 (Iberdrola stake 39%)

Distribution

Investments 14-16 (100% Neoenergia) Eur 1,400 M

2016 RAV Total Eur 3,850 M