



**IBERDROLA**

## **OUTLOOK**

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**Renewables Business**

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**Background**

**Current status**

**2014-2016 perspectives**

**Performance criteria defined for the period 2012-2014...  
...accomplished or on-track**

## 2012-2013

✓ Moderation of growth and capex volume	Average annual CAPEX of 750 M€
✓ Focus investments in strategic markets	95% in core countries + divestments in Fra, Ger, Pol
✓ FCF generation	€ 1,600 M reached in 2012-13
✓ New areas crystallization Offshore business launch	WoDS construction on-track. First export January 2014

## 2012-2013

✓  
**Operational  
improvement**

**>29% load factor in new  
capacity**

**>20% unavailability  
reduction**

✓  
**Costs optimization**

**>10% O&M cost efficiency**

**~35% G&D\* cost reduction**

**...as a result of the efficiency measures**

Background

**Current status**

2014-2016 perspectives

## Solid and focused business: 14.1 GW in operation

Full control of  
efficient  
operating assets

- Global monitoring of unavailability and power curve
- Functionality extension of CORE, DOMINA and Meteoflow
- O&M optimization projects (Golden Eagle)
- Best practices standardization project (OPTIMA)

Deep knowledge  
of G&D markets  
and projects

- Growth based on acknowledged markets with track record
- Development efforts concentrated on strategic markets
- Rationalized pipeline enabling a deep knowledge and technical specification of the projects

Offshore track-  
record and  
experience

- Construction of first offshore project
- Deeper knowledge of the offshore sector (technology, supply-chain and regulation)
- Advanced development of pipeline projects in key markets



**Background**

**Current status**

**2014-2016 perspectives**

## Strong cash-flow generation

### Cash-flow Generation 2014-16 (Eur M)



Increasing load factor



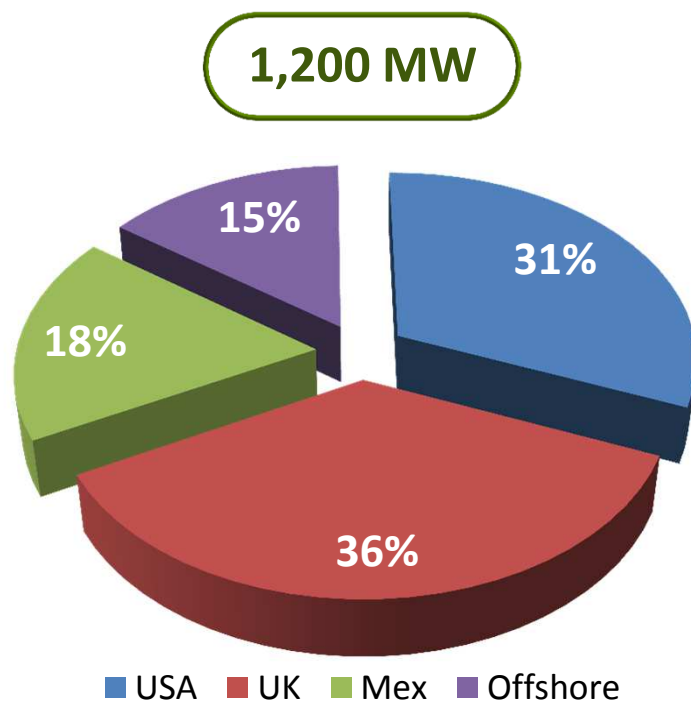
Efficiency improvement



EBITDA grows more than Gross Margin

## Moderating growth...

### New installed capacity 2014-16 (MW)



### Key Factors

Mature projects offering attractive returns

€ 2,400 M to be invested for onshore/offshore new capacity and other opportunities

WODS offshore capacity fully installed in 2014

...with potential for further attractive investment opportunities in our core countries and technologies

**With 6\* GW in operation...**

**New regulation impact on  
onshore wind (MW)**



**Outlook**

Negative impact of new regulation on existing assets

Premium payment lost for ~2,800 MW

No new investments

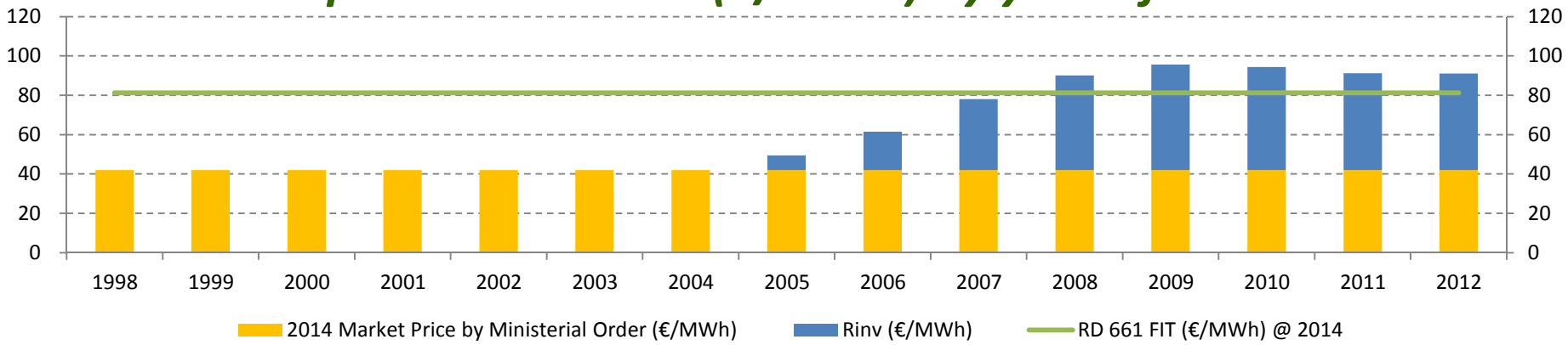
**...focused on efficiency, to optimize asset returns**

\* Including wind, mini-hydro and other technologies

## Negative impact of the regulatory changes (RDL 9/2013) on wind: - € 200 M

Previous tariff (*) (RDL 2/2013)	~ € 81 /MWh	Achieved wholesale price	~ € 42 /MWh
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**Total Equivalent Income (€/MWh) by year of installation**



Investment remuneration (RDL 9/2013)	~€ 230 M
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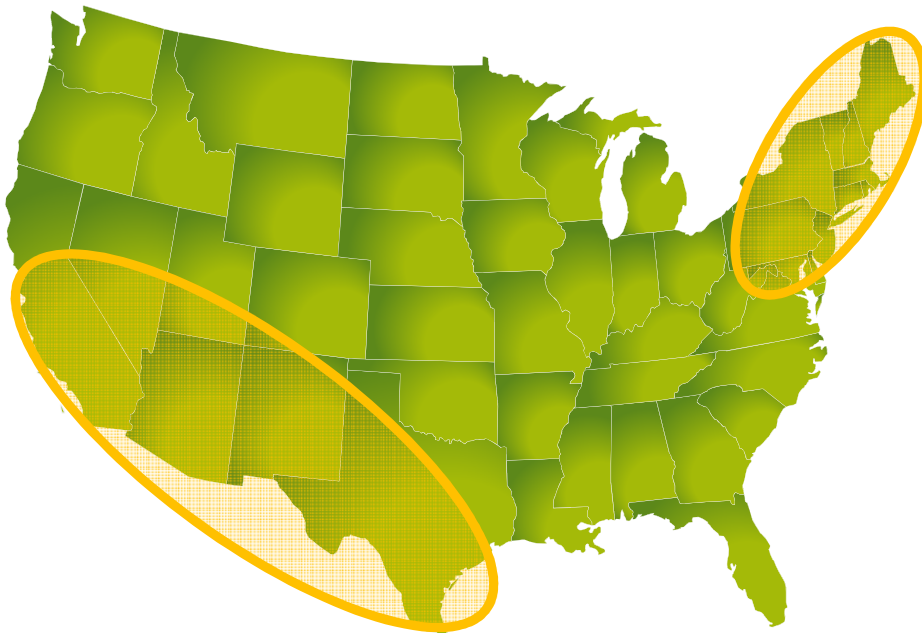
2014 EBITDA total impact**	~ €(200) M
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(\*) Excluding tolls and balancing costs

(\*\*) Impact on wind assets. Considering all technologies ~ € (205) M

### Short term opportunities based on PTC qualified projects

#### Main development areas



#### Outlook

~700 MW qualified for PTC's

Wind energy increasing competitiveness, despite low current PPA levels

Conservative investment requirements to maximize returns

PTC timeframe extension expected

Development of selected PTC projects. Maintaining additional growth capacity and long term potential

### Promising market for growth in wind...

#### Increasing load factors

- WTG progress facilitates the reduction of wind energy cost
- Transmission line upgrades are allowing access to high-resource areas

#### Regulatory environment

- PTC framework expected to be extended
- Stable RPS and carbon-regulation risk may increase demand for renewables

### ...overshadowed by low prices

#### Energy prices

- Current offtake opportunities at low prices...
- ...however, support levels of gas and electricity prices reached as of market consensus

## Regulatory visibility allows sustained growth

### Installed capacity (MW)



### Outlook

Stable and favourable long term framework  
RO up to 2017 and strike prices from 2017 onwards

High success ratio in pipeline development  
Consents obtained in 2013 for 339 MW

Execution of project repowering  
Carland Cross from 6 to 20 MW  
Coal Clough from 9.6 to 16 MW

Maintain growth levels

Improve O&M efficiency



## New energy reform to support renewable growth Solid experience to secure offtake

### New development areas



### Outlook

PPA opportunities in competitive conditions

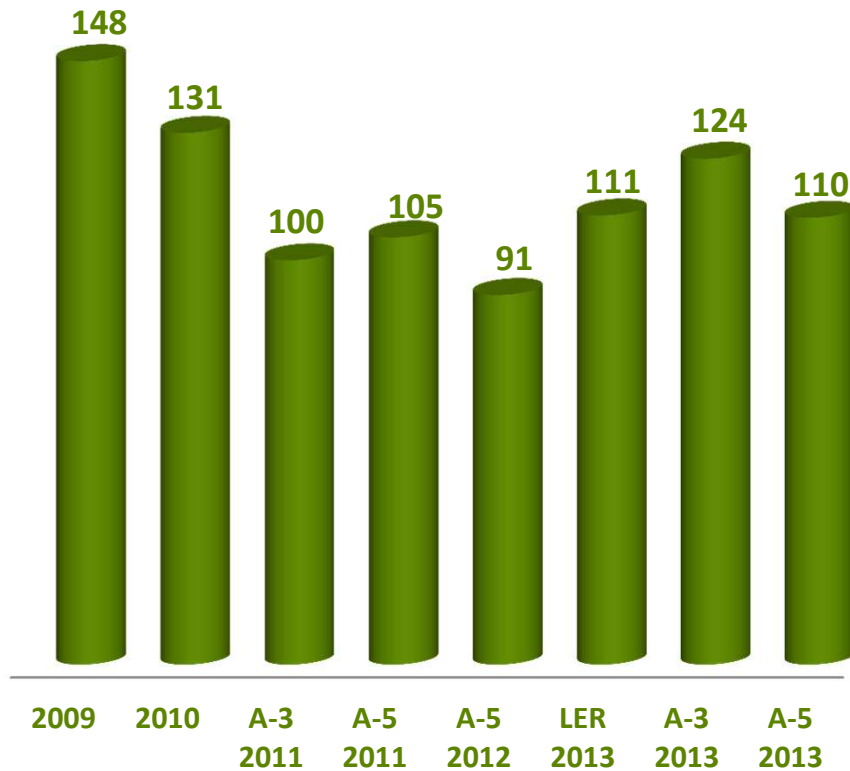
New sector regulation under development  
bringing private investment into the energy  
sector

PPA negotiations to empower short term  
growth

Significant efforts in pipeline development

## Interconnection and low prices are the main challenges for growth in Brazil

Leilao Avg. Price  
(R\$/MWh)



Outlook

- Very competitive market  
Low prices make long term competitiveness unsustainable
- Significant pipeline development.  
~900 MW through own projects and co-development agreements
- Growing bilateral contracts market
- Growth opportunities based on a strong and attractive pipeline

**Gain operating and development experience**  
**Capture regulatory value of project pipeline**

### Outlook

Successful construction and start of operation of first project

Projects qualified under current regulation in Germany and UK

Technological efficiency is still a challenge to make offshore competitive

Gain operating experience in offshore through an active role in WoDS operation

Evaluate partnership structures in advanced pipeline projects  
Wikinger (GER) and East Anglia One (UK)

### West of Duddon Sands (WoDS)



First WTG installation

389 MW project in UK (Irish Sea)

Total investment ~1,450 M€

Joint Venture (50-50) with DONG

First export January 2014

COD Q4 2014

CAPEX efficiencies obtained during construction

O&M strategy defined

Full Service O&M contract with WTG supplier

## Opportunities for growth with high regulatory value

### Wikinger

350/400 MW Offshore Wind Project in  
Baltic Sea (Germany)

Project permitting and supply-chain  
allow investment decision to be made in  
the near future

High regulatory value.  
Access to compressed tariff regulation

### East Anglia One

1,200 MW Offshore Wind Project in UK

Joint Venture agreement with Vatenfall

High regulatory value.  
Visibility of UK Offshore regulation

## Analysing potential partnering

## Flexible strategy... based on solid fundamentals

