



IBERDROLA

OUTLOOK 2016/2020 Update

London / 22nd February

Iberdrola, “utility of the future”



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Strategic overview

Increasing energy demand

Need to reduce emissions



More electrification of the economy

- More **low carbon sources** will be needed: Utility scale / distributed
- **Storage capacity** required
- **Digitized Grids** will be crucial to manage a more complex energy system
- **Active customer management**

The utility of the future...



More renewables

More storage

More and smarter networks

More and smarter customer solutions

...is Iberdrola today

Iberdrola has anticipated the global energy transition

More RENEWABLES

Almost 60% Renewable capacity (2015) in operation: 27.4GW¹

+ 7GW in construction (1.65GW to be commissioned after 2020)

World leader in onshore wind and strongly investing in offshore



West of Duddon Sands, Irish Sea, UK

¹ Managed capacity including 100% Neoenergia

Iberdrola has anticipated the global energy transition

More STORAGE

4.5GW Hydro pumped storage in operation and construction

Equivalent to ~5M domestic batteries of 13.5kWh



Cortes la Muela, Spain

Iberdrola has anticipated the global energy transition

More and SMARTER NETWORKS

Further improvement of operations and efficiency

HV & MV Smart Grid

- ✓ 100% digitalized Spain, UK and Brazil
- ✓ US automation plan (2016-2021)

LV Smart Grid & Smart Meters

- ✓ Spain: 200,000 km of smart grids and 9M smart meters
- ✓ UK: beating 2016 regulatory objectives on smart meters
- ✓ US: 100% smart meters Maine, 63% Connecticut and NY AMI Plan

Digitalized generation operations

- ✓ 100% Renewables (CORE), Hydro, Nuclear, CCGT and Cogeneration

Iberdrola has anticipated the global energy transition

Smart Customer Solutions

Added Value / Personalization / Energy efficiency
to increase customer satisfaction and loyalty

Development of new solutions through Big Data:

- ✓ Tailored tariffs
- ✓ Remote heating control
- ✓ Distributed generation and storage
- ✓ Multichannel
- ✓ Energy management
- ✓ Energy bank
- ✓ ...



A model that combines geographic diversification with focus on energy transition businesses...



...providing attractive shareholder remuneration today with future growth visibility mainly in **countries with A rating**

US (AVANGRID): platform to meet growth opportunities in energy infrastructure



Networks

- **Eight regulated utilities** in NY, CT, ME and MA investing in networks improvement and expansion
- **New three-year rate cases** in New York and Connecticut
- **2015 RAV USD 8,700M** and **expected 2020 USD 11B¹**



AVANGRID, Connecticut Headquarters, US

Renewables

- **Almost zero emissions** in power generation
- **2nd wind producer** and growing renewables footprint
- **5,700MW¹ of renewable capacity in operation (2015)** and **7,700MW¹ expected by 2020**

¹ US GAAP

UK (Scottish Power): Leading renewables and growing in networks



Renewables

- 1st wind producer
- Existing offshore wind hub for future growth
- 2,360MW of renewable capacity in operation (2015) and 3,550MW expected by 2020

Networks

- Networks growth
- Smart meters and digitization ongoing
- 2015 RAV GBP 5,400M GBP 6,800M expected by 2020

Generation and supply

- Hydro pumped storage in operation (440MW)
- Smart customer solutions



Whitelee windfarm, UK

Continental Europe: One of the lowest emissions utilities, leading renewables and smart grids



Renewables

- 67% less emissions than peer average
- 16,400MW of renewable capacity in operation (2015) and 16,800MW expected by 2020
- 1st wind producer in Spain
- Existing offshore wind hubs for future growth in Germany and France

Networks

- Almost full network digitization
- 2015 RAV EUR 9,000M; EUR 9,100M expected by 2020

Generation and supply

- Leader in hydro pumped storage:
3,200MW in operation and 880MW in construction
- Smart customer solutions



Compact Substation Benifaio, Spain

Mexico: 'First mover' to take advantage of the energy reform



Generation and supply

- Largest private producer: 10,000MW greenfield capacity in operation and construction
- Regulated generation average 25 years PPA, dollarized



Combined Cycle Dulces Nombres, Mexico

Renewables

- 370MW of renewable capacity in operation (2015) and 1,065MW expected by 2020

Brazil: Well positioned for potential sector restructuring



Networks

- 1st distributor by number of customers (13.4M)¹
- Widespread geographical presence: Bahía, Pernambuco, Río Grande do Norte and Sao Paulo
- 2015 RAV R\$12,400M¹; R\$23,300M¹ expected by 2020

Renewables

- 2,500MW¹ of renewable capacity in operation (2015) and 4,770MW¹ expected by 2020

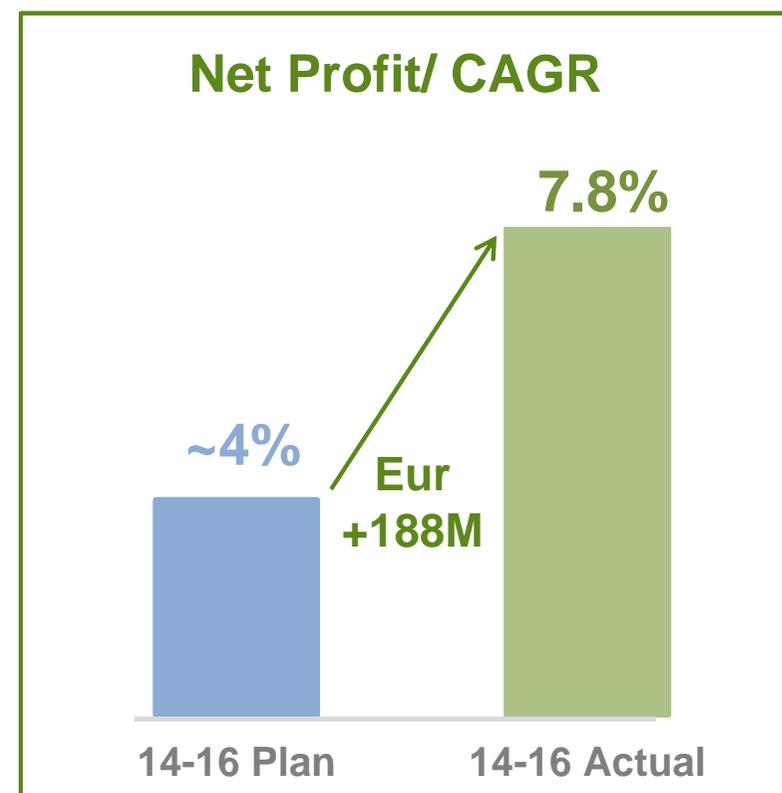
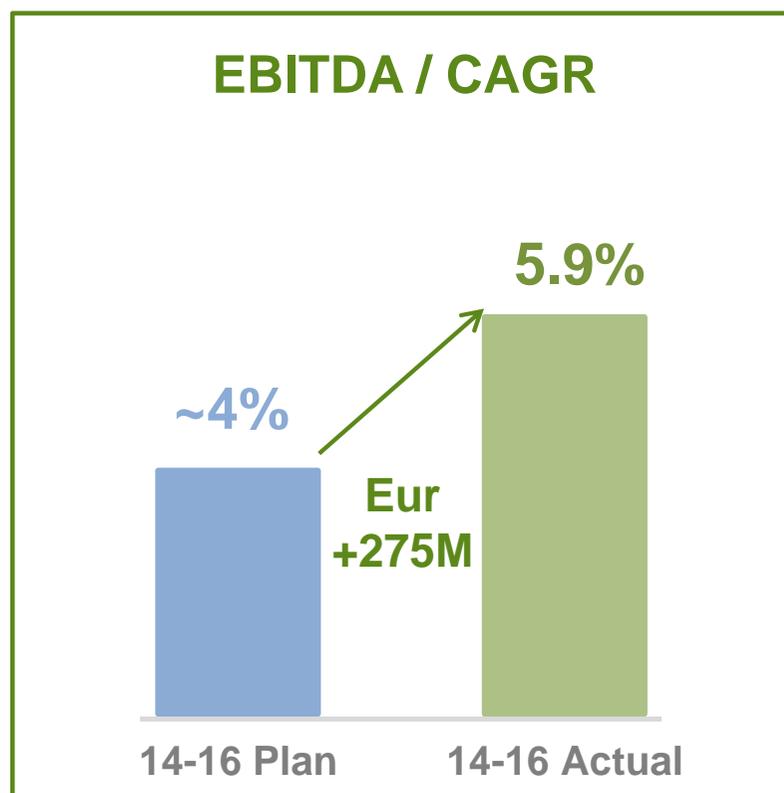


Hydroelectric facility of Itaipu, Brazil

¹ Managed capacity including 100% Neoenergia

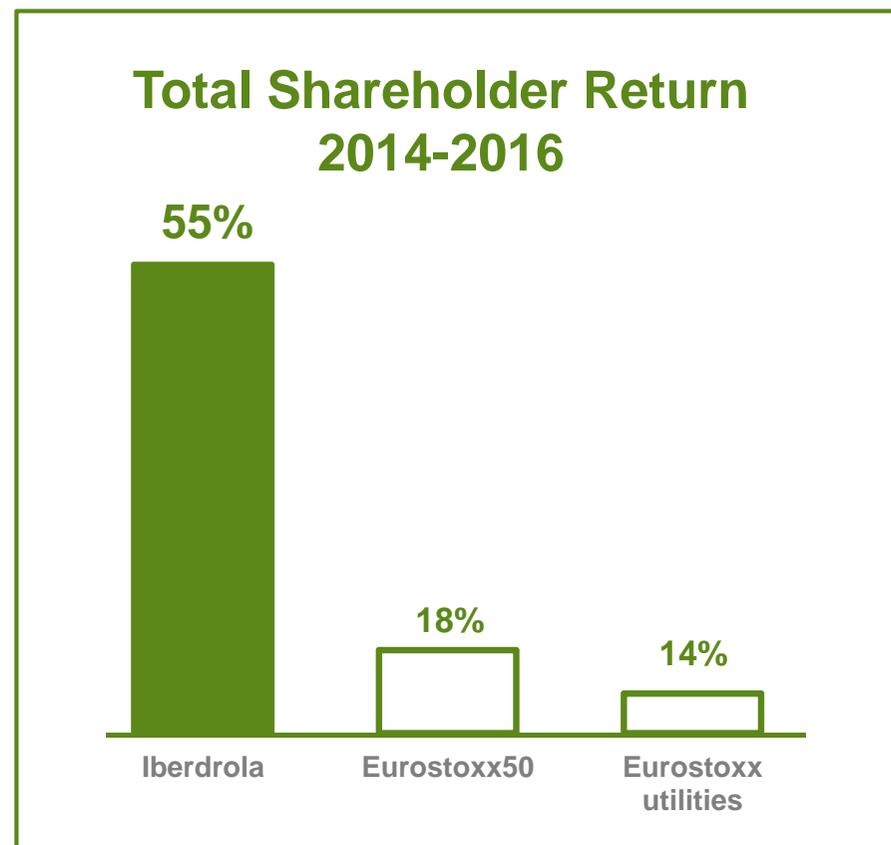
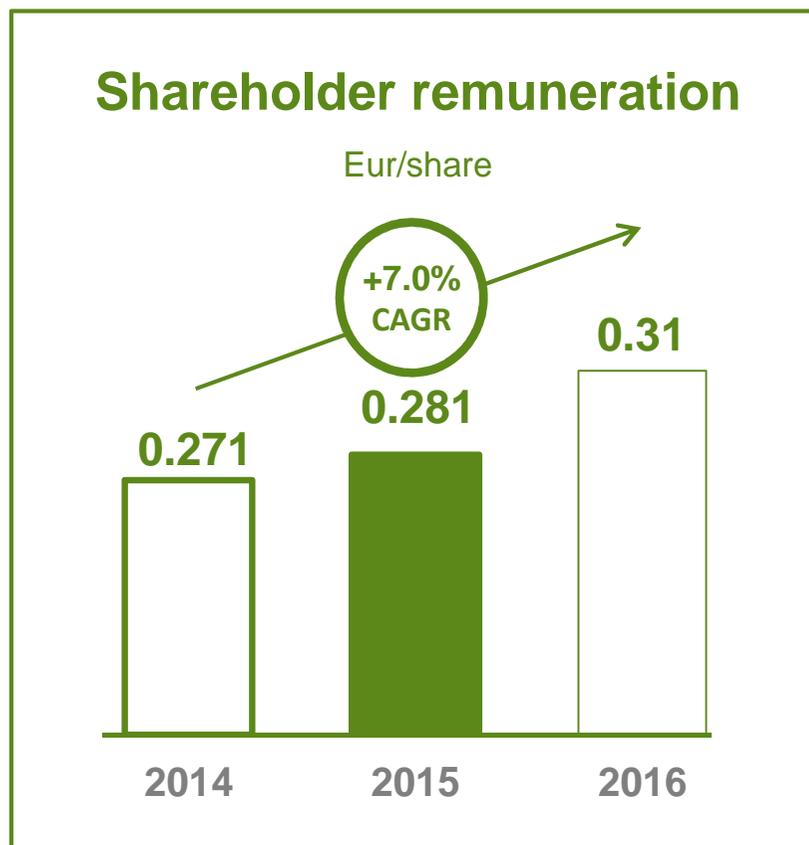
Delivery of 2014-2016 Plan

Beating our 2014-2016 Plan estimates...



Net Profit grew above expectations by Eur 188M in 2016

...and increasing shareholder return



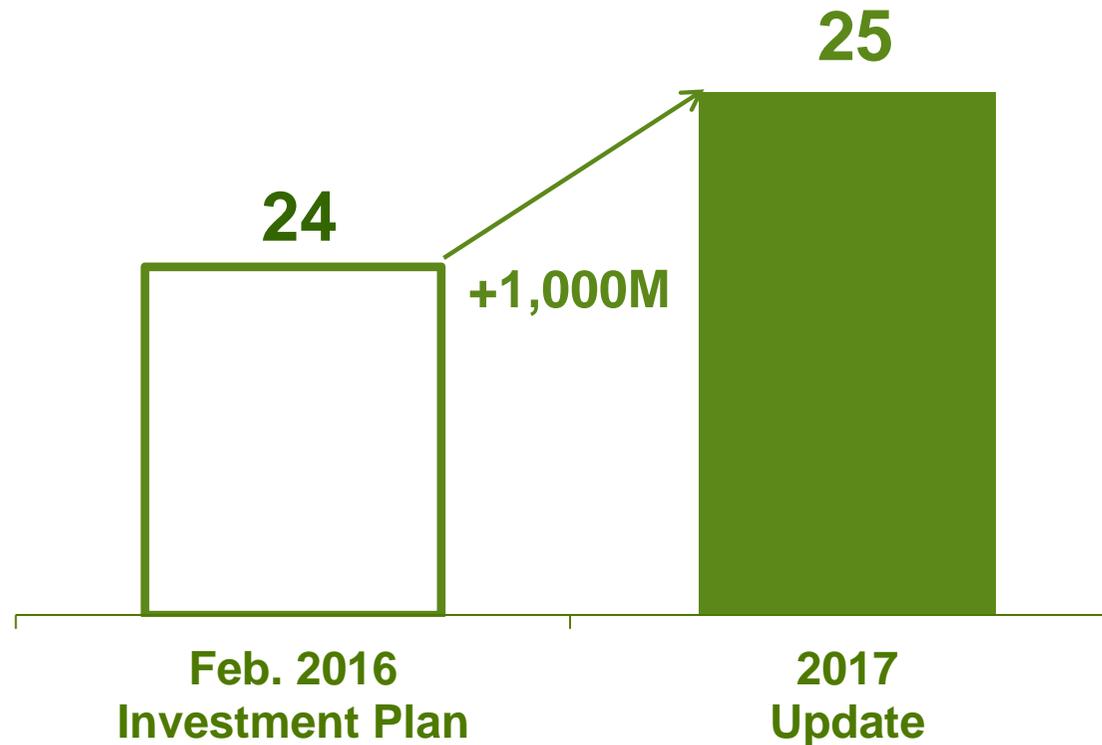
Outlook

2016 – 2020

Update

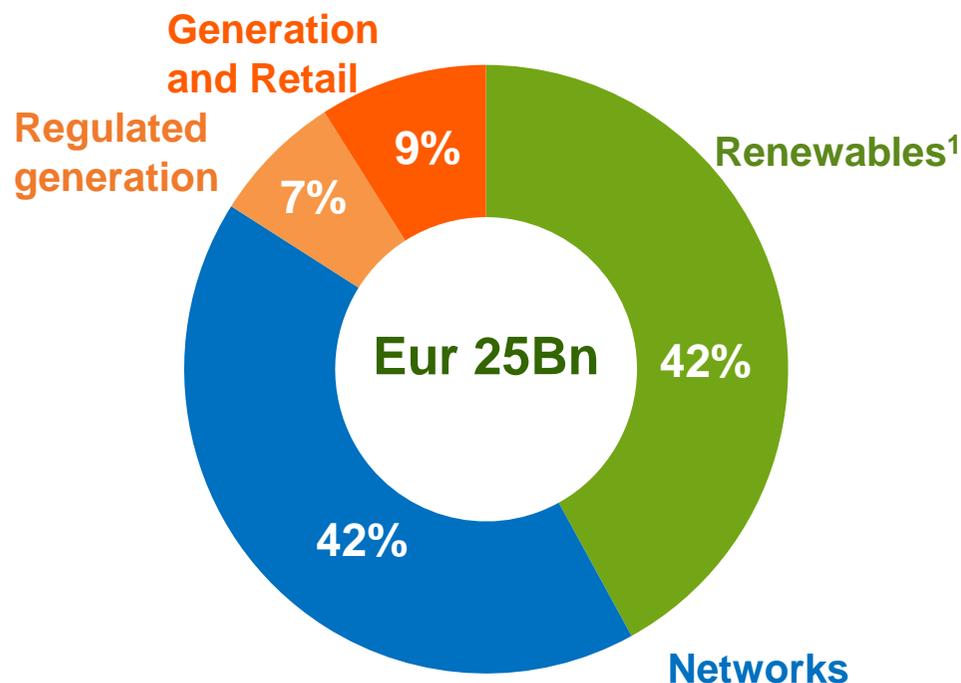
Increase in Net investments to Eur 25,000M

Eur Bn Investments 2016 – 2020 update



**Around 90% of investment:
regulated or long-term contracted activities**

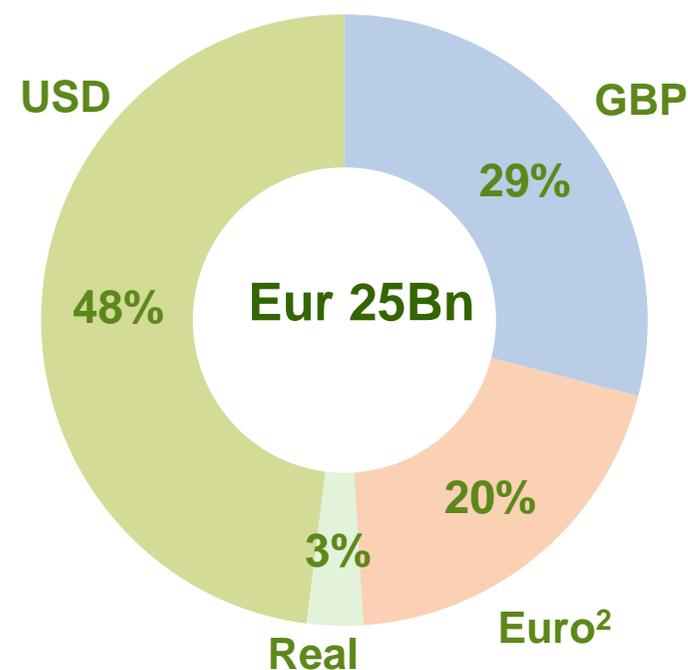
Investment by business



¹Including hydro

²Including German offshore windfarm: Wikinger

Investment by currency

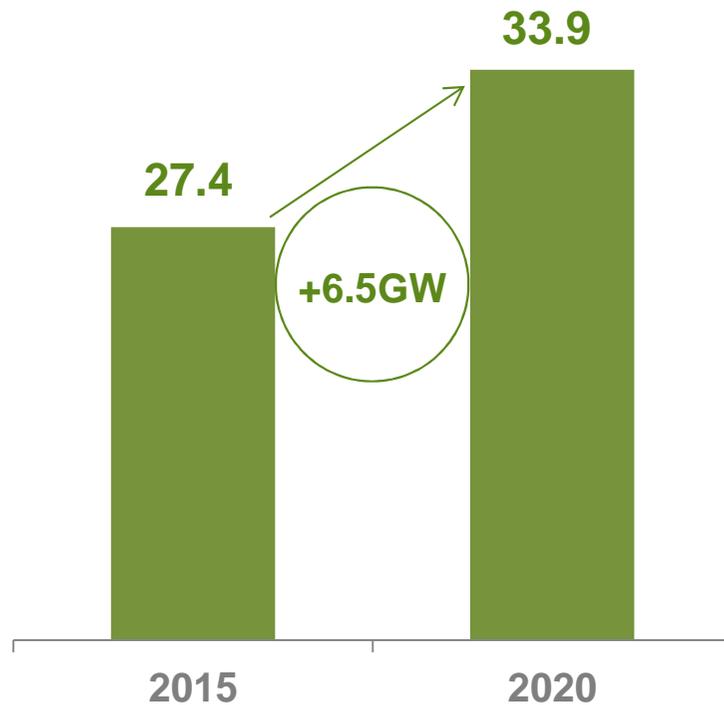


Currency diversification

71% allocated to countries with A rating

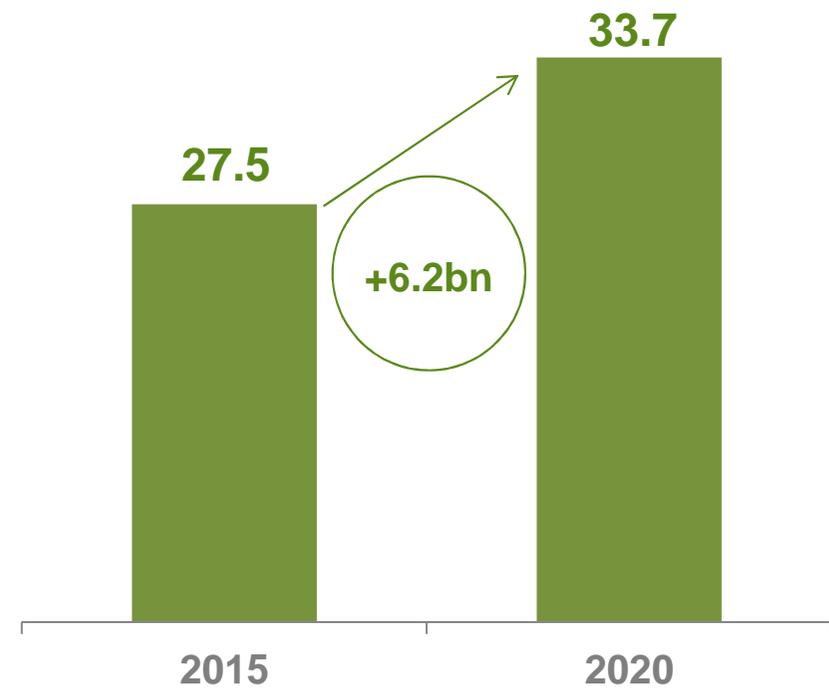
Investments will lead to growth of 6,5GW in renewable capacity and Eur 6.2Bn RAV by 2020

Renewable capacity¹ evolution
(GW)



¹ Managed capacity including 100% Neoenergia

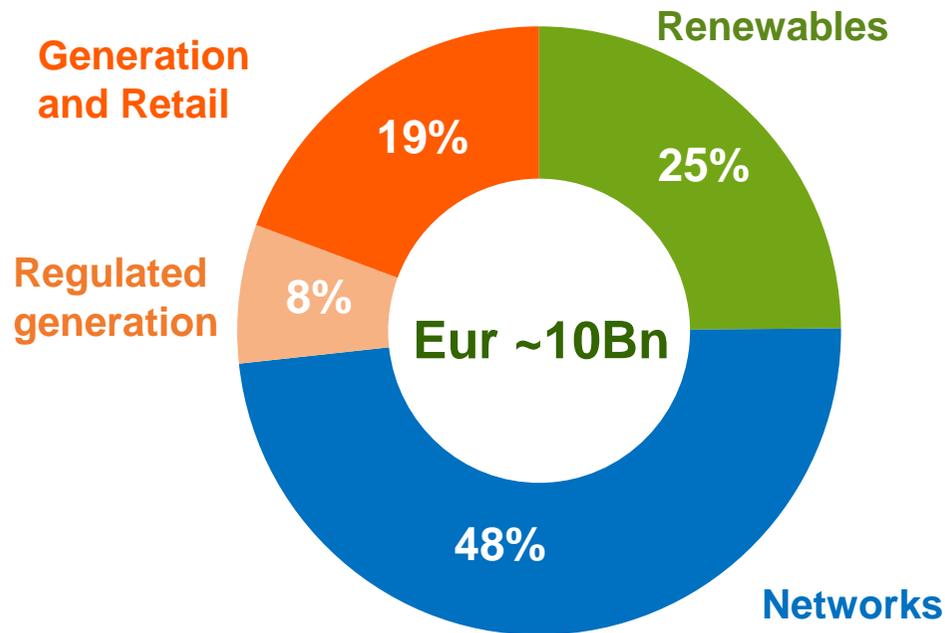
RAV² evolution
(Bn Eur)



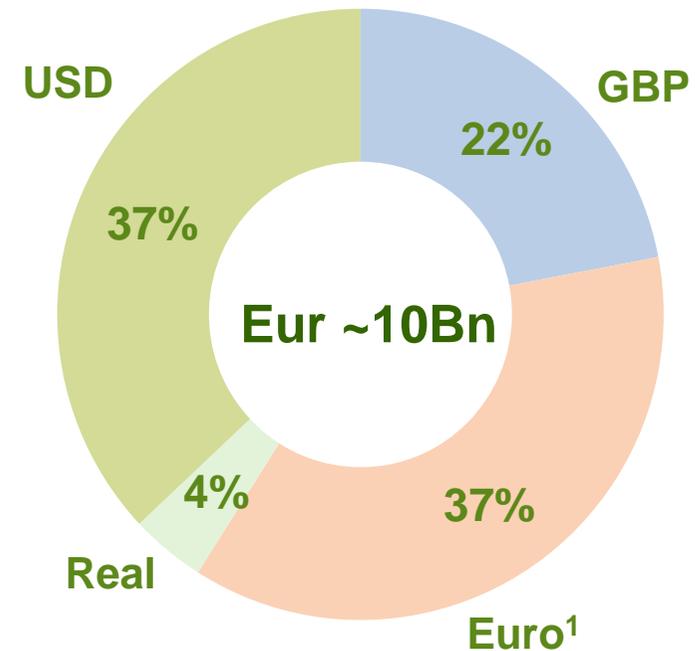
¹ Including hydro and 100% Neoenergia

2020: 81% of EBITDA coming from regulated or long-term contracted activities

EBITDA by business



EBITDA by currency

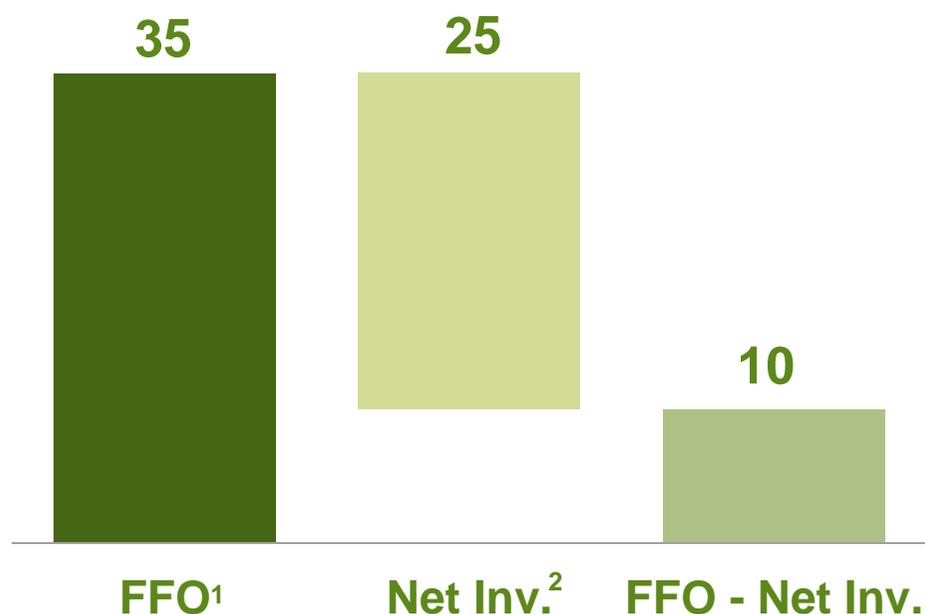


¹ Including German offshore windfarm: Wikingen

~60% of EBITDA coming from **A rating countries**

Operating Cash Flow (FFO) of Eur 35 Bn

Eur Bn



Global figures include Corporation and Other Businesses

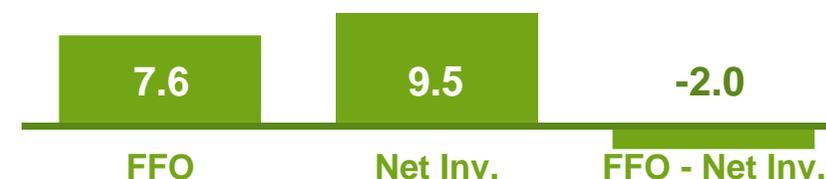
¹ FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision

² Investment net of grants and excluding capitalised costs.

Networks

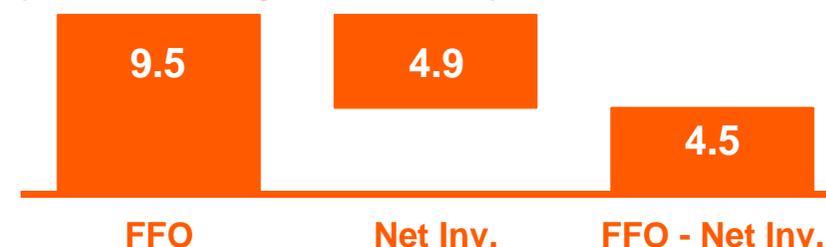


Renewables



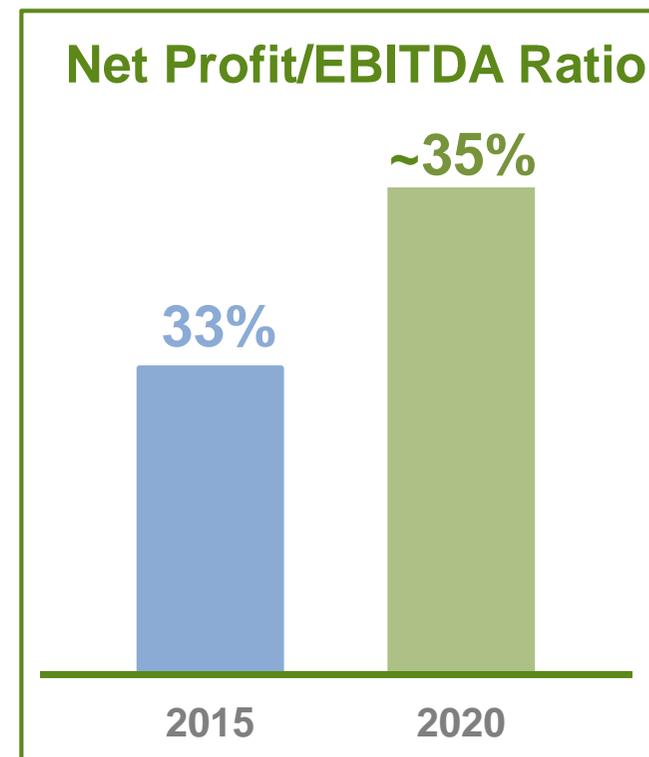
Generation and Retail

(Liberalized and Regulated Generation)



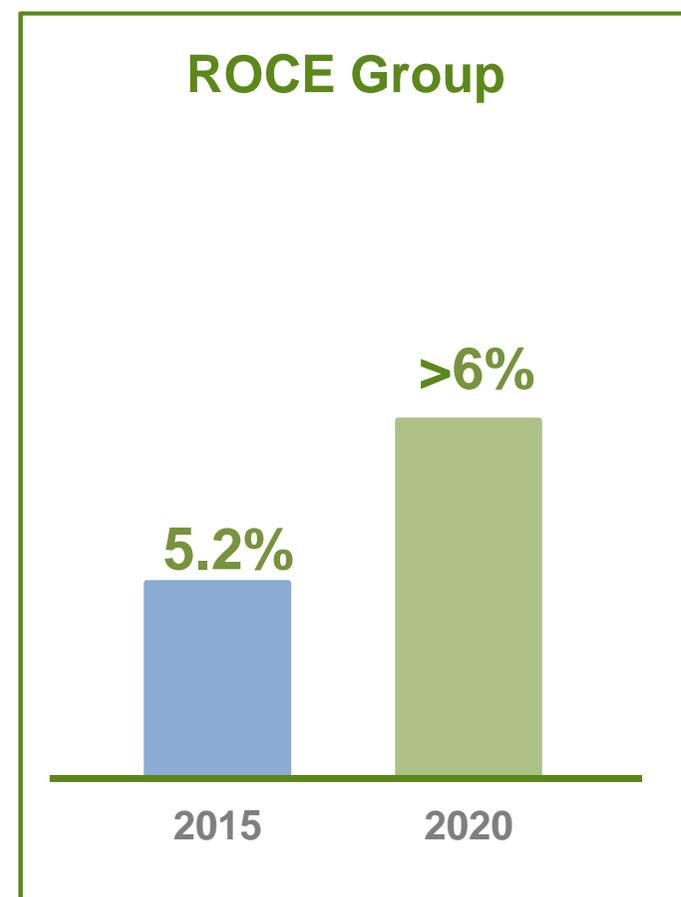
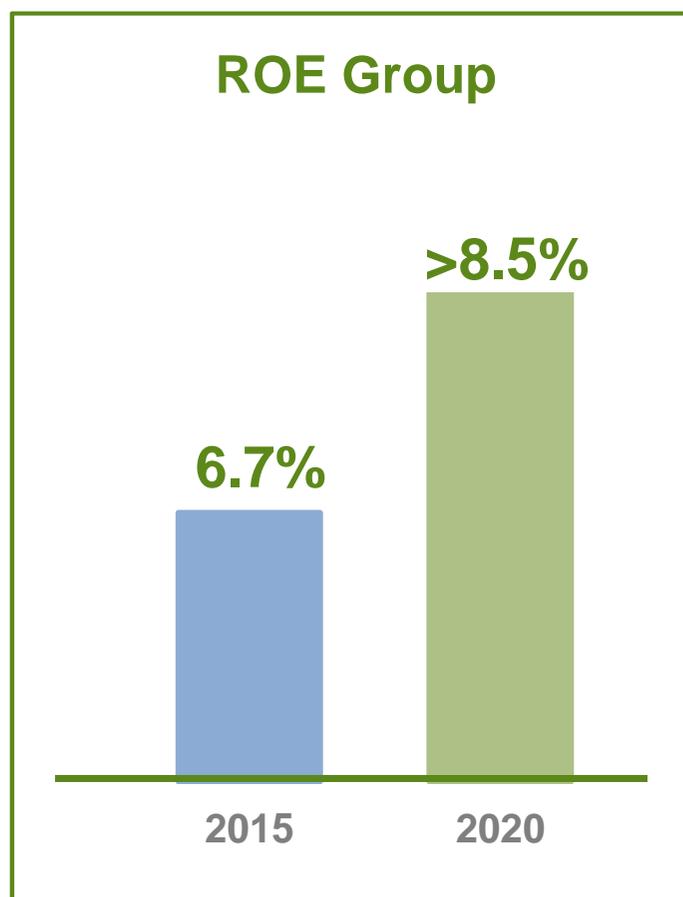
Increasing annual average net profit growth...

Update	2020 Eur	2015 – 2020 CAGR
EBITDA	~10Bn	>6%
Net profit	~3.5Bn	~7.5%



... and keeping growth expectations post-2020
due to contribution from new investments

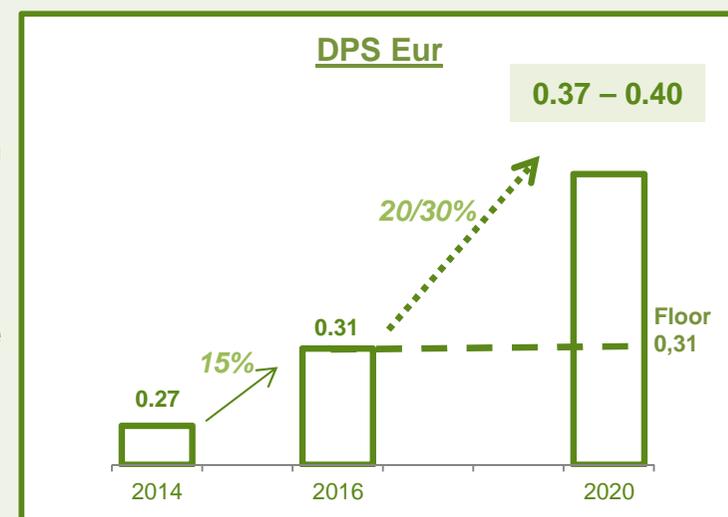
Maintaining financial strength and improving return on investments



Shareholder remuneration growing in line with results

Shareholder remuneration

- Growing in line with results (pay-out between 65% and 75%) driving 2020 DPS between 0.37-0.40 Eur
- Establishing a floor of Eur 0.31/share during the period



Scrip Dividend & Share buy-back

Maintaining scrip dividend
Share buy-back to avoid dilution

Number of shares

Maintaining current number of shares at 6,240 million

Anticipating the energy transition...

Vision

Strategy

Delivery

Sustainable growth



...to increase shareholder return and long-term growth visibility