



IBERDROLA

INVESTOR DAY

Madrid / March 2nd / 2011



IBERDROLA RENEWABLES

Xabier Viteri, CEO
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Executive Summary

2011-2012 Strategic guidelines

Mid term growth opportunities

Conclusions

**Renewable sector,
significant growth during 2005-2009 period...**

Markets with high growth potential such as Spain, US and U.K.

Stable regulation and robust incentives

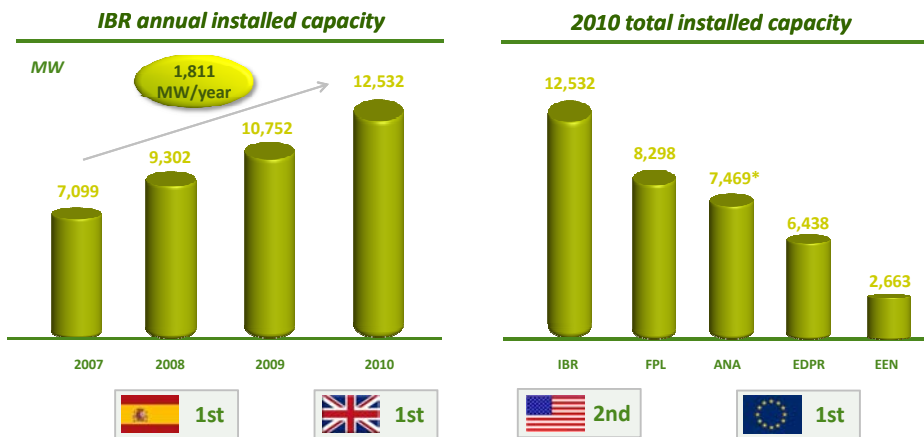
IBR develops a pioneer strategy in order to reach 12.532 MW

... but we predict a period of consolidation for 2012-13 period

Economic crisis has impacted negatively prices and demand

Regulatory definition needed for 2012 onwards
in some important markets

**IBR has lead the renewable sector since the beginning
reaching a total installed capacity of 12,532 MW...**

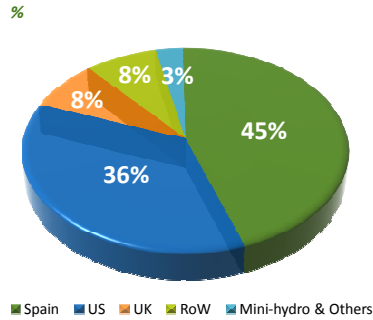


* Installed capacity at the end of third quarter 2010

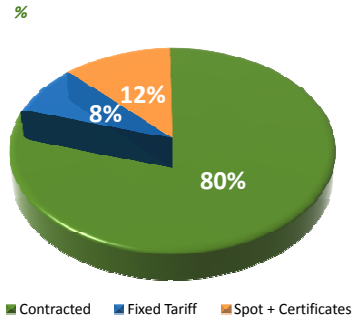
... installing more than 1,800 MW/year in last 3 years

Operating asset base geographically well diversified...

2010 installed capacity breakdown by regions

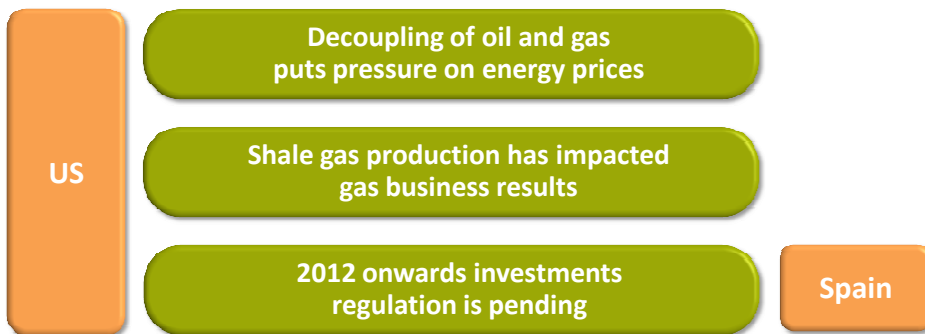


Installed capacity breakdown by economic regime



... with an 88% of its 2011 production covered in prices

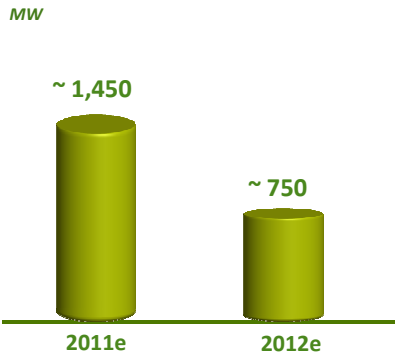
Recent evolution of business fundamentals brings some uncertainties to the short term..



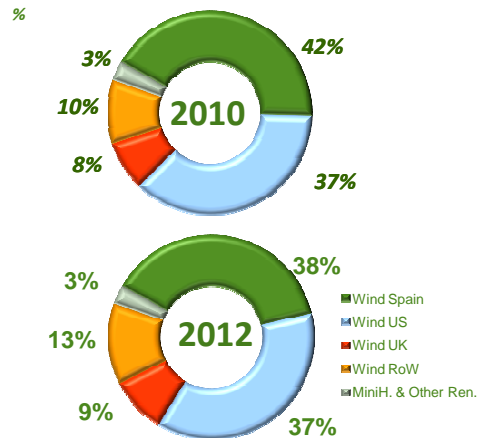
... mainly due to the macroeconomic crisis

**Lower investments mainly in US and Spain,
cap 2012 investments additions to 750 MW**

2011-2012 new installed capacity

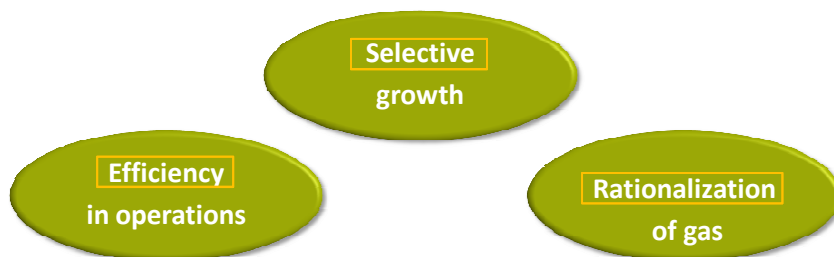


Geographical breakdown of installed capacity



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We take the following Strategic Guidelines for 2011-2012 period...



... with the target of maximizing Net Profit evolution

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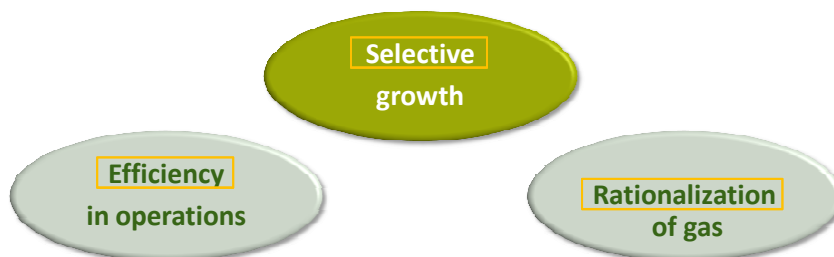
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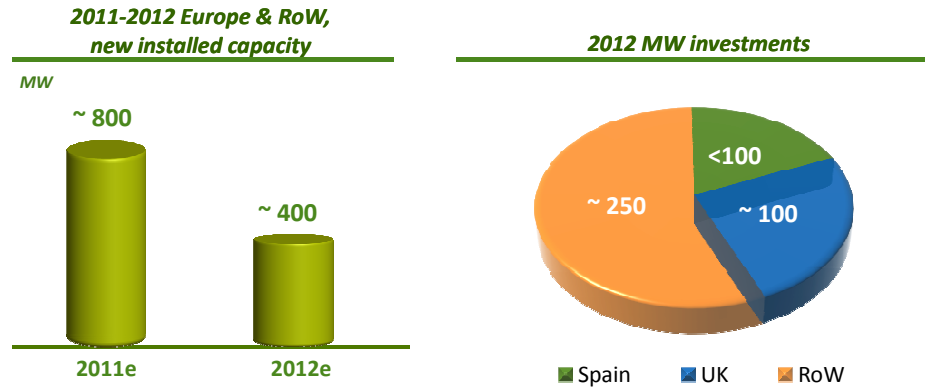
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Spain and U.K. reduce their contribution in 2012...

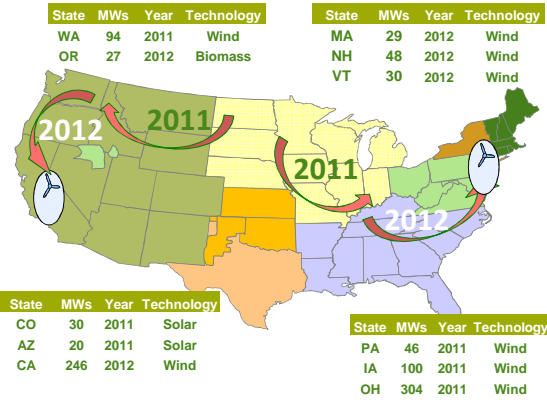
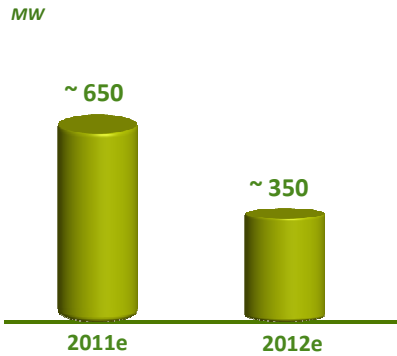


... but we forecast an increase in these regions in 2013, and RoW will maintain its contribution between 200 & 300 MW

- With 4,634 MW, IBR holds the second position in US market...**
- Some states close to fulfill midterm RPS objectives
- PTC-Grants expire at the end of 2012
- Demand and electricity prices impacted by shale gas
- ... where we have signed 743 MW of PPAs despite US market growth slowdown in 2010

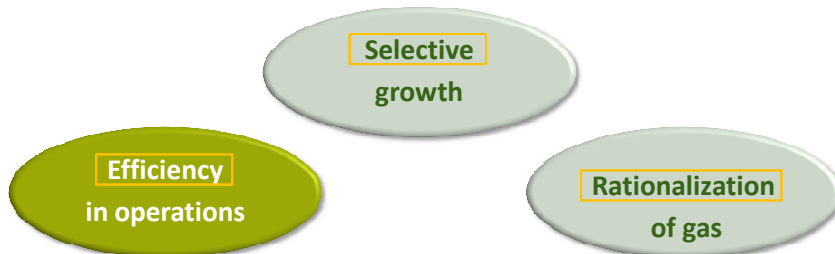
In order to assure our profitability targets, we are going to limit the 2012 investment objective to 350 MW

2011-2012 new installed capacity



Focusing new investments in California and NE of the country

Strategic guidelines for 2011-2012 period



Every new investment must provide a minimum of 300 bp of value creation...

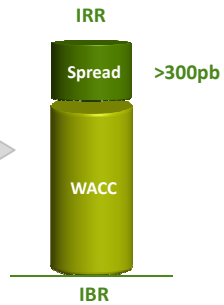
Key factors on TIR numbers



Capital cost (WACC)



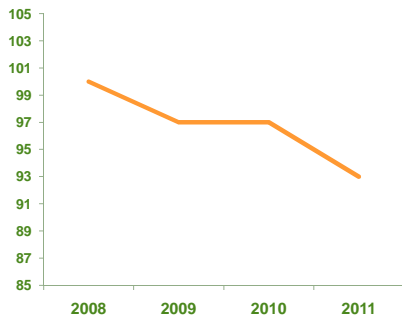
IBR value creation profile



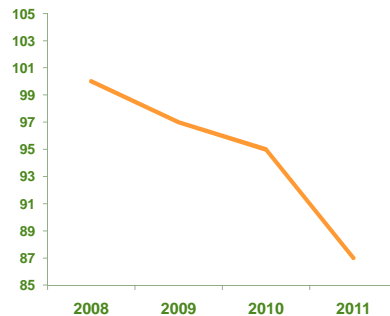
... applying different WACCs by region and currency

Cost of turbines has decreased during last 3 years...

UE Turbine (Index 2008=100)



EEUU Turbine (Index 2008=100)



... and additionally, the CAPEX/MWh in 2011 will be improved by more efficient turbines

New projects for EBITDA improvement

Availability

- Availability analysis
- Detection of common causes and corrective actions
 - Especial focus on windfarms with less availability
 - Centralization and homogenization of information and analysis

1,0% increase in availability

Power curve

- Power curve proprietary system
- Implemented in IBR portfolio
 - Setting different alarm levels
 - Integrated daily management

0,5% long term performance optimization

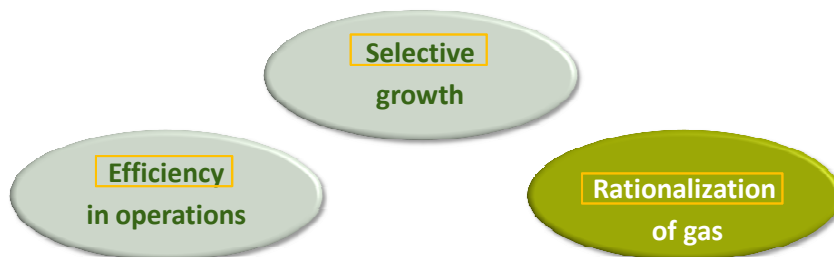
Operation & Maintenance

- Efficiency in O&M
- Maintenance best practices
 - Synergies in operation
 - Maintenance practices standardization

Saving 2-3 €/kW in windfarms out of guarantee

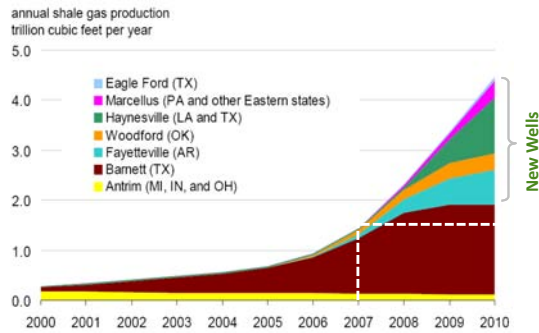
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2011-2012 Strategic Guidelines



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Shale gas has increased its stake in gas production well over the expectations ...



... affecting gas prices and seasonal spreads

*Source: Energy Information Administration (EIA)

Consensus forecast for 2011-2012 are very similar to last year ones...

- ... high level of shale gas production...
- ... low gas storage requirements...
- ... no adverse meteorology forecast...

Sensitivity of IBR results to gas spreads



2011-12 scenario	Spread (\$/MM BTU)	EBITDA (MM€)
Bear	~0.5	~5
Base	~0.75	~55
Bull	~1.0-1.5	> 100-150
2006-09 Average	~1.6	

IBR is analyzing different alternatives for gas assets...

Targets

Remove results volatility

Reduce working capital and credit risk

...that will be defined during the year

2011-2012 Strategic Guidelines

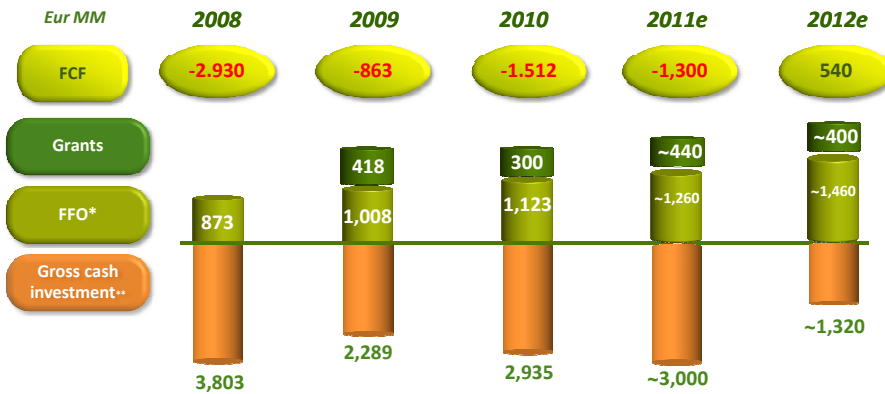
Selective
growth

Efficiency
in operations

Rationalization
of gas

Results optimization

Positive Free Cash Flow in 2012...

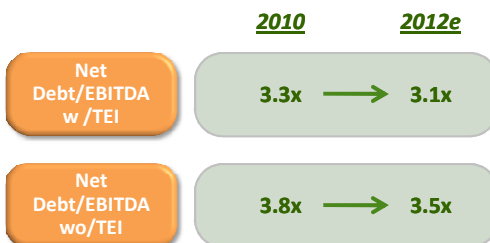


... thanks to larger operating asset base and lower level of investments

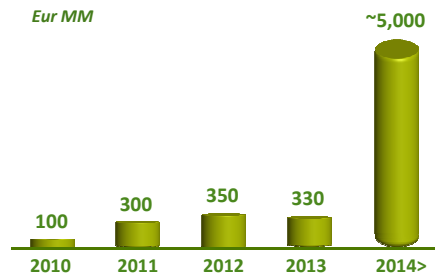
*FFO = Net Income + Amortizations - Equity income - Results from non recurrent assets
 ** Includes variation in working capital

Net Debt/EBITDA ratio reaching around 3x by 2012 year end...

2010 - 2012e Net Debt/EBITDA



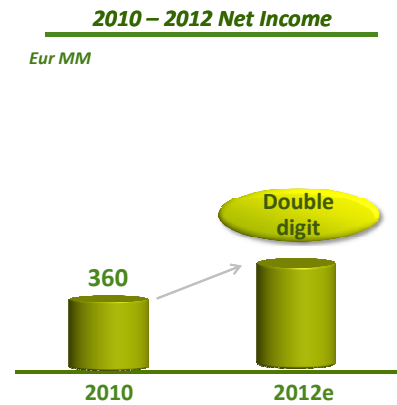
Debt+TEI repayment calendar



... with a comfortable repayment calendar and no significant payments before 2014

* Excluding TEI

Double digit growth in results for 2010-2012 period



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Our position in countries that developed more wind capacity, of lower risk profile assures in the medium term:

Maintaining a stable investment level...

... with an important and recurrent cash flow generation

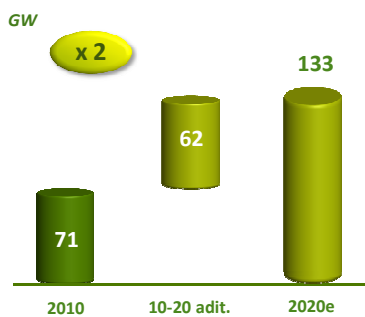
Less mature markets allow us to:

Additional growth, increasing diversification...

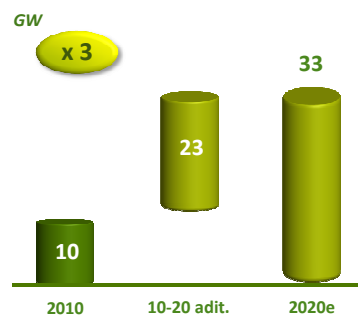
... through investments that create value

We keep positive long term perspectives, specially in EU...

Western EU wind onshore*



*Eastern EU** wind onshore*




... that has a public planning until 2020 derived from the Renewable Directive

* Western Europe includes: Germany, Spain, France, Italy, UK, Holland, Luxemburg, Belgium, Portugal and Ireland

** Eastern, Northern and Central Europe includes: Greece, Poland, Sweden, Rumania, Denmark, Austria, Finland, Bulgaria, Hungary, Czech, Lithuania, Estonia, Slovakia, Cyprus, Latvia, Slovenia, Malta.





Long term sustainable growth in western European countries...

Countries	Country		IBR	
	2010 MW	2020 MW Obj. <small>(CAGR 5,4%)</small>	2010 MW	Pipeline*
Spain 	20,700	35,000 <small>(CAGR 5,4%)</small>	5,303	2,920
France, Greece, Germany, Portugal, Hungary and Italy	45,000	82,000 <small>(CAGR 6,2%)</small>	954	1,130

... where IBR has more than 4,000 MW of advanced degree of development pipeline

* Pipeline Highly Confident and Likely

We are expecting high growth rates in areas like UK, eastern Europe and LATAM ...

Countries	Country		IBR	
	2010 MW	2020 MW Obj. <small>(CAGR 14%)</small>	2010 MW	Pipeline*
UK onshore 	4,000	14,800 <small>(CAGR 14%)</small>	932	1,050
Poland 	1,000	6,000 <small>(CAGR 18%)</small>	161	405+ 400 <small>Quick development</small>
Rumania 	500	4,000 <small>(CAGR 22%)</small>	0	
Mexico and Brazil 	1,500	20,000 <small>(CAGR 30%)</small>	155	

... where IBR has a fast maturing pipeline

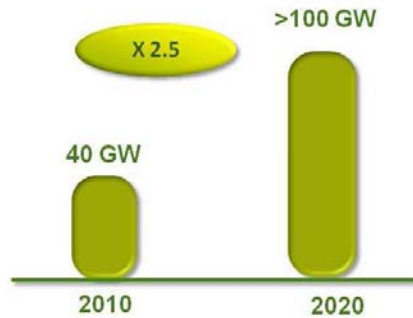
* Pipeline Highly Confident and Likely

**29 states with RPS
(obligation to buy renewable production)...**

RPS at state level



US wind installed capacity



... setting targets for 2020,
that would take installed capacity over 100 GW

**New energy policy proposed by US government sets a 80% clean
energy objective by 2035...**

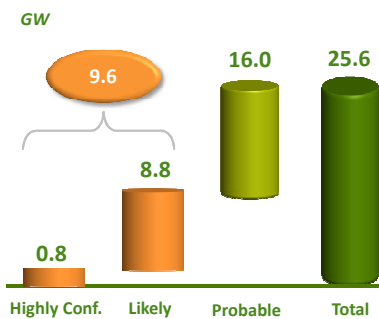
Nuclear: long period for
administrative procedures
and investment

CO2 capture and storage:
under development

Wind will have a relevant
role in contributing to
common targets

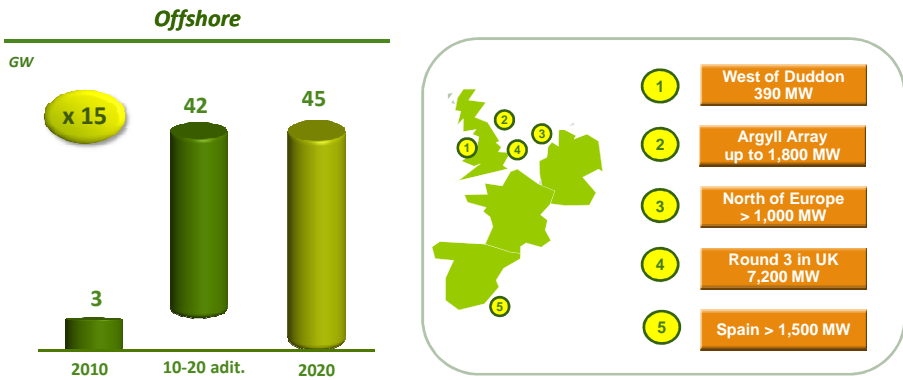


IBR pipeline in US by categories



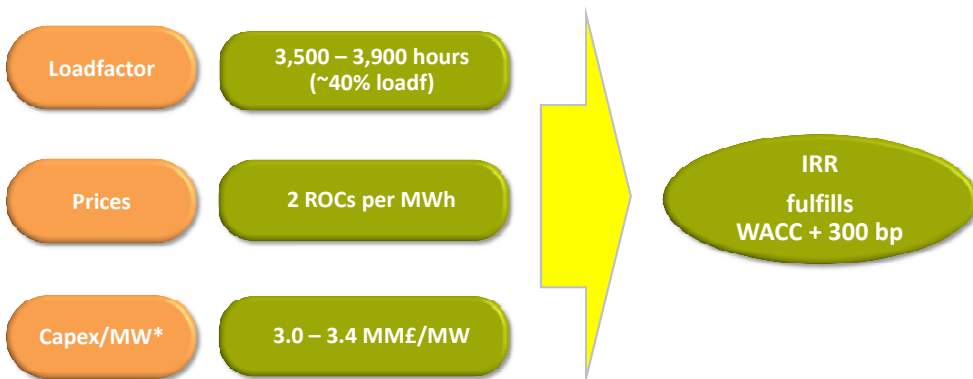
... and IBR has a wide and diversified pipeline

Expecting the development of offshore technology during current decade...



... segment in which IBR has a strong pipeline in key areas such as UK and north of Europe



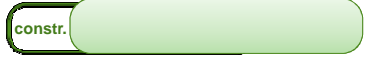

West of Duddon project provides required profitability...



... under current investment hypothesis

* Includes grid connection capex that will be repaid by system operator.

Company offshore development provides an investment option...

Projects	Potential MW	Investment decision	2013	2014	2015	2016	2017	2018	2019	>2020
West of Duddons	390*	June 2011	constr. 							
Wikingen	400	Pending profitability analysis	constr. 							
Round 3	7,200**		constr. 							
Argyll Array	Up to 1,800		constr. 							

... that will be executed following strict profitability requirements

* Joint Venture with Dong.
** Joint Venture with Vattenfall.

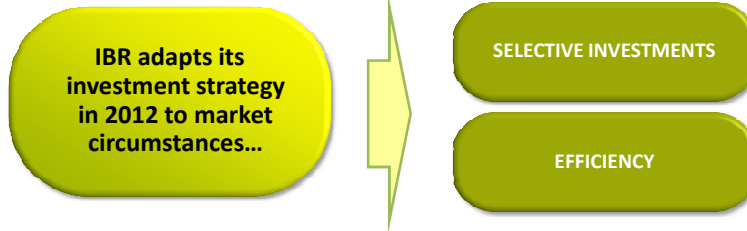
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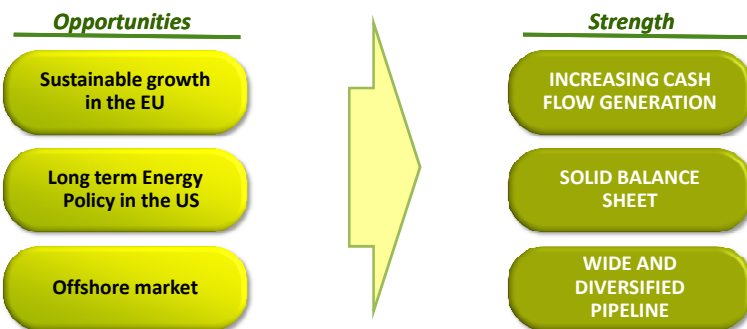
Conclusions

2011-2012 strategy focus on assets and investments optimization...



... reaching a positive Free Cash Flow over Eur 500 MM in 2012

Renewable sector still offers a solid growth potential for the long term...



... and IBERDROLA RENOVABLES strengths will allow us to optimize profitable growth opportunities