IBERDROLA

Results Presentation
Full Year 2012

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Agenda

Highlights of the period

Regulation

Analysis of results

Financing

Conclusion

Annex 1

Annex 2: Renewables information

Highlights of the Period

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On track to achieve the Outlook 2012-2014

- Revenue increases by 8.1% to Eur 34.2 bn
- EBITDA up 1.0% to Eur 7.7 bn
  FFO reaches Eur 6.2 bn, an increase of 2.5%
- Investments of Eur 3.2 bn and divestments of Eur 850 M[1]
- Net debt reduced by almost Eur 1.4 bn

Net Profit amounts to Eur 2,841 M (+1.3%)

1. Eur 450 M to be cashed in 2013

Revenue and Gross Margin

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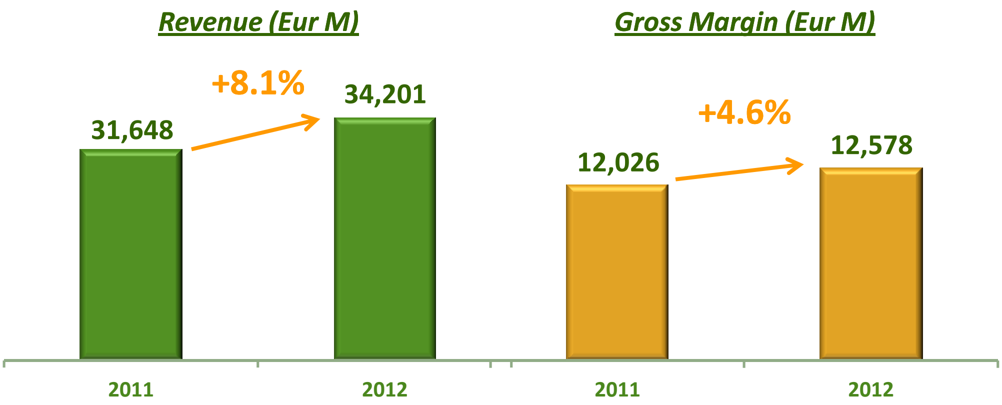
Revenue up 8.1% to Eur 34,201 M…



… boosting Gross Margin to Eur 12,578 M (+4.6%)

EBITDA

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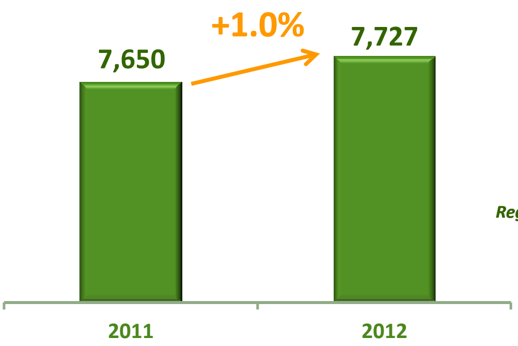
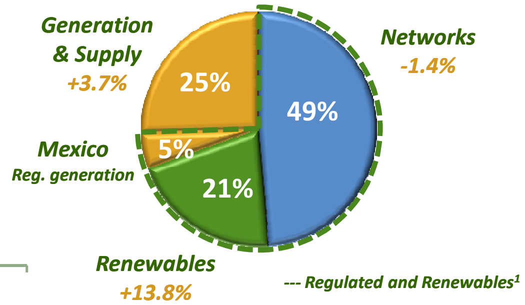
EBITDA up 1.0% to Eur 7,727 M,
with significant growth in Renewables…

EBITDA (Eur M)



EBITDA by business



… while Networks negatively affected by regulation in Spain
Regulated and Renewables amount to 75%[1] of total EBITDA

1. Including Networks (49%), Mexico regulated generation (5%) and Renewables (21%)

EBITDA by Business vs. European Peers

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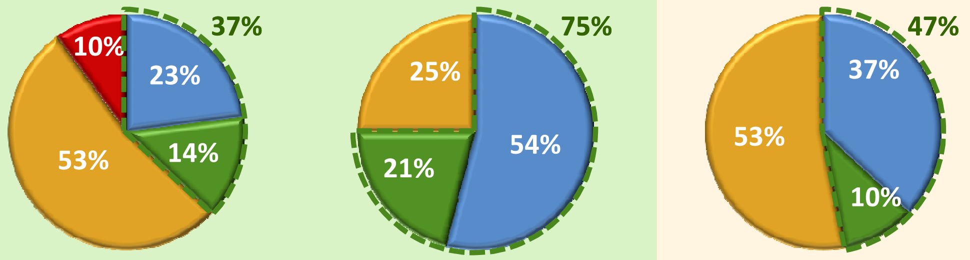
A unique business mix, compared to our European peers,…

Iberdrola 2006 | *Iberdrola 2012* | *European Peers Average[1]*



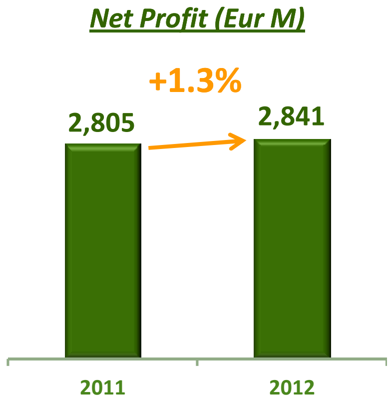
Regulated | Renewables | Liberalised | Other Non-Energy

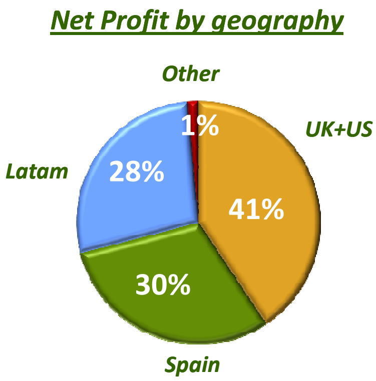
… more stable and predictable, with higher percentage of
Regulated and Renewables contribution to EBITDA (75% vs. 47%)

1. Includes E.On, RWE, GDF-Suez, EDF and Enel. Own estimates according to latest available disclosures corresponding to FY2011

Net Profit

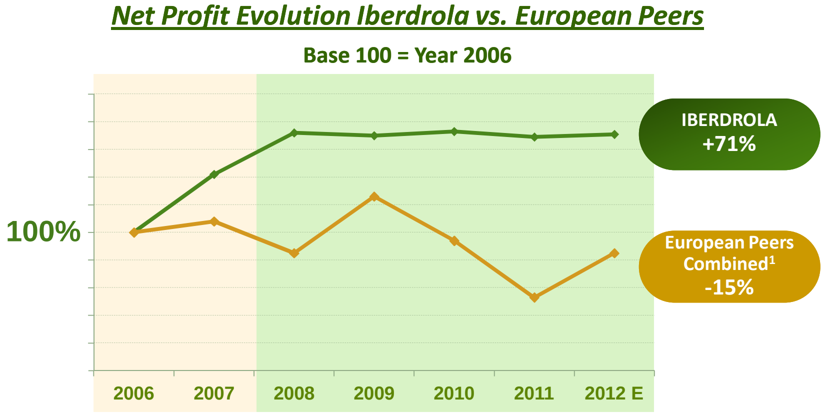
Net Profit amounts to Eur 2,841 M (+1.3%)





Net Profit Evolution vs. European Peers

The diversified low risk business mix achieved through the 2006-2008 internationalisation phase ...



... allows Iberdrola to deliver stable and solid results, while peers have declining profits throughout the crisis

1. Includes E.On, RWE, GDF-Suez, EDF and Enel. 2012E according to Bloomberg consensus

Operating Cash Flow

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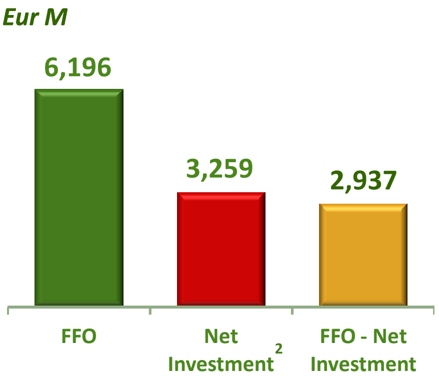
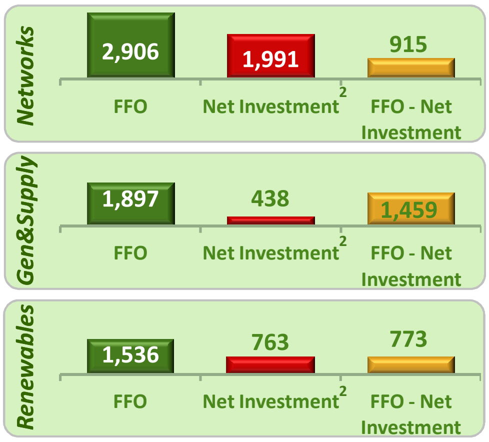
Operating Cash Flow (FFO[1]) increases by 2.5% to Eur 6,196 M...



Global figures include Other businesses and Corporation



... exceeding investments across all businesses

1. FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill Deduction – /+ Reversion of Extr. Tax Provision
2. Investment net of grants and capitalised costs

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Investments

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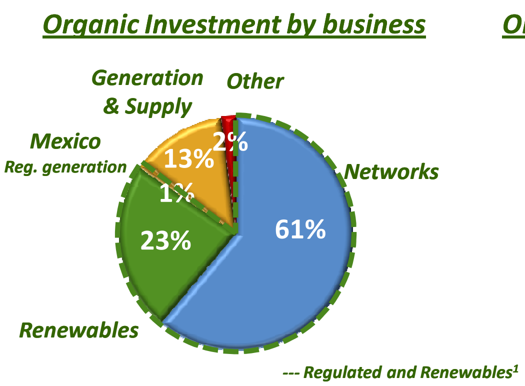
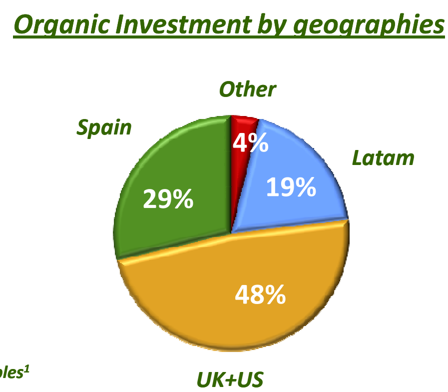
Total investment of Eur 3,259 M...





... focusing on Regulated and Renewables (85%), and UK and US (48%)

1. Including Networks (61%), Mexico regulated generation (1%) and Renewables (23%)

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Divestments

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Divestments amounting to Eur 850 M[1]
with more than 40% of Divestment Plan already achieved

Divestments of non core assets

Eur 390 M

- Hartford Steam
- US Gas Suppliers
- Gas distributors in Spain
- Gas Natural México
- Medgaz
- Euskaltel
- GH Electrotermia

Divestments in non core countries

Eur 460 M

- Renewables Germany
- Renewables France

Confident that fulfilment of Eur 2 bn Divesment Plan
will be sufficient to meet 2012-2014 objectives

1. Proceeds of Eur 450 M to be received in 2013

Balance Sheet Management

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Strong financial position

Net debt reduced by almost Eur 1.4 bn
or by Eur 2.2 bn considering cash receivables from deficit securitisation in 2013 and from divestments announced in December 2012

Leverage improves from 48.8% at FY 2011 to 47.1% at FY 2012
(45.0% excluding tariff deficit)

More than Eur 12,000 M of liquidity,
covering more than 3 years of financing needs

Average debt maturity of 6.2 years
after liability management transaction in Jan 2013

Agenda

Regulation in Spain

2012 Regulatory measures to reduce tariff deficit

Royal Decree-Law 1/2012

Moratorium on new renewable and cogeneration facilities with financial incentives

Royal Decree-Law 13/2012

Adjustment in the remuneration of Transmission, Distribution and other regulated activities

Law 15/2012

Fiscal measures for energy sustainability

Regulation in Spain

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Effects on Iberdrola / electricity sector (Eur M)

	IBE	Sector
RD-L 1/2012 – Renewables (s/t)	N/A	N/A
RD-L 13/2012 - Distribution	234	689
Law 15/2012 – Generation and gas sector	690	3,630

Regulation in Spain

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Measures for the electricity sector included in the Royal Decree-Law 29/2012

Modifies the deficit limit in 2012

- *2012 excess deficit is recognized; allows its securitization and transfer to the FADE*

Eliminates the zero-deficit commitment from 2013

- *But with the 2013 Tariff Order, deficit is expected to be zero*

Regulation in Spain

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Royal Decree-Law 2/2013 of urgent measures in the electricity and the financial sectors

Measures (with effect from 01.01.2013)

Amendment of the index used to update the remuneration
of regulated activities in the electricity sector
(transmission, distribution, special regime or islands compensation)

New remuneration system for the Special Regime:
option to choose a regulated tariff or market without premium

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Regulation in Spain

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Royal Decree-Law 2/2013 effect in the tariff deficit

	IBE	*Sector*
Distribution - Transmission	10	70
Special Regime	100	600
TOTAL	110	670

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Regulation in Spain

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Tariff Order (draft): proposes freezing tariffs for all consumers and no tariff deficit for 2013…

Additional REVENUES	COSTS increases: Eur 1,305 M
+ Eur 2,921 M from Law on Fiscal Measures for Energy Sustainability	+ Eur 732 M for the Transmission and Distribution remuneration
+ Eur 450 M from CO2 auctions	+ New regulation for interruptibility
+Eur 2,200 M from extraordinary loan	+ Eur 308 for provisions: interest rate update for past tariff deficit since 2009 and others
+Eur 1,755 M for 2013 islands compensation	

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Regulation in Spain

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2013 Tariff deficit forecast

	Eur M
Regulated revenues (access tariff)	14,364
Other system revenues	5,571
CO2 auctions	450
Fiscal Measures Law	2,921
Extraordinary loan	2,200
Access costs	- 19,936
Especial Regime	- 8,913
Transmission and Distribution	- 7,237
Deficit annuities	- 2,662
Others	- 1,123
DÉFICIT	0

Source: Access Tariff Order proposal

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Regulation in Spain

Measures included in RD-L 2/2013 and Tariff Order proposal have an overall neutral effect on IBERDROLA …

… and seem to be correct from a conceptual point of view

Tariff Order proposal has a realistic goal of zero tariff deficit for 2013

It is reasonable to think that these measures will definitely end with the tariff deficit during 2013

Agenda

Income Statement – Group

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Eur M	2012	2011	Var. %
Revenues	34,201.2	31,648.0	+8.1
Gross Margin	12,578.1	12,025.8	+4.6
Net Op. Expenses*	-3,789.3	-3,517.2	+7.7
EBITDA	7,726.6	7,650.5	+1.0
Operating Profit (EBIT)	4,376.9	4,505.1	-2.8
Net Financial Expenses	-1,100.3	-1,061.9	+3.6
Recurring Net Profit	2,464.8	2,613.8	-5.7
Reported Net Profit	2,840.7	2,804.5	+1.3
Operating Cash Flow**	6,196.4	6,047.3	+2.5%

**Excludes Levies*

***Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction – /+ reversion of extraordinary tax provision*

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Gross Margin - Group

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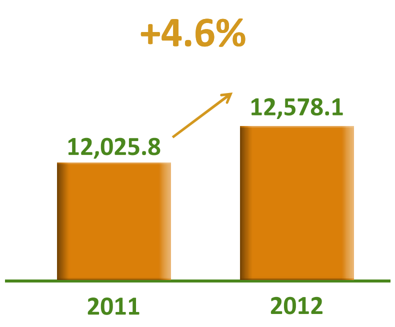
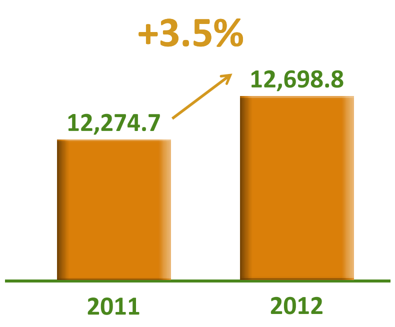
Gross Margin up 4.6% to Eur 12,578.1 M, with Revenues +8.1% (Eur 34,201.2 M), and Procurements +11.2% (Eur 21,458.8 M), due to higher international activity and fx

Gross Margin (Eur M)



Basic Margin (Eur M)



Basic Margin up 3.5% to Eur 12,698.8 M due to lower CO_2 prices

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Net Operating Expenses - Group

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Net Operating Expenses up 7.7% to Eur -3,789.3 M, and Recurring Net Operating Expenses up 1.5%

Eur M

	Recurring	% v 2011	Non Recurring	TOTAL	% v 2011
Net Personnel Expenses	-1,679.5	+1.7%	-160.1	-1,839.6	+11.9%
Net External Services	-1,972.6	+1.3%	-22.9	-1,949.7	+4.0%
Total	-3,652.1	+1.5%	-183.0	-3,789.3	+7.7%

Higher Net Personnel Expenses: Eur -160 M of non recurring costs related to the implementation of efficiency plans and plant closures

Net External Services: Net non recurring of Eur -23 M, that includes penalties paid in 2012

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Levies- Group

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Levies are up 6.9%, to Eur 1,182.9 M, despite Spanish Supreme Court ruling impact, due to rise in local taxes in Spain and CERT/CESP in the UK

United Kingdom	CERT/CESP program: Eur -134 M (v 2011)	−
Spain	Higher Levies (excluding court rulings): Eur -652.5 M in 2012 (+12.3% v 2011)	−
Spain: Court rulings	Supreme Court ruling on Social Bonus: Eur +161 M (v 2011)	+
	Ruling against Castilla La Mancha ecotax: Eur +27 M (v 2011)	+

Several levies still pending of court rulings

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EBITDA - Business

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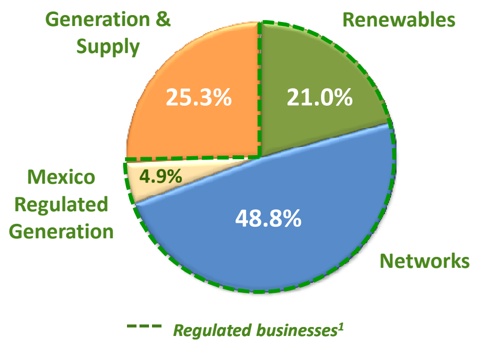
Group EBITDA up 1.0% to Eur 7,726.6 M, with 75% coming from regulated businesses …

EBITDA Breakdown



2012 EBITDA (Eur M)

Networks	3,773.7	-1.4%
Generation & Supply	2,355.2	+3.7%
Renewables	1,620.3	+13.8%

3.7% growth in Generation & Supply, 13.8% in Renewables and 1.4% decline in Networks …

1. Regulated business includes Networks (48.8%), Renewables (21.0%) and Mexico regulated generation (4.9%)

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Results By Business
Networks

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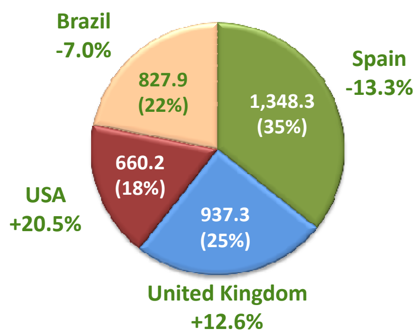
… to Eur 3,773.7 M, with growth in UK and US business (+15.8%) …

EBITDA Breakdown



Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	5,667.9	+2.2%
Net Op. Exp.	-1,444.2	+9.0%
EBITDA	3,773.7	-1.4%

… partially offsetting the cuts imposed on Spanish Networks remuneration under RDL 13/2012 and Q4 negative impacts …

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Results By Business
Networks

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… the most important factors to be considered are:

United States	Impact of hurricane Sandy: Eur -48 M To be recovered in the next Rate Case
Brazil	Impact of Eur -74 M: Thermal capacity dispatched at higher prices, not included in tariffs, to be recovered through annual tariff reviews, but with P&L and CF impact, as it is accounted under IFRS
	2013 will still be affected by: - Drought: Recovered through annual tariff reviews (Neo in April, Elektro in August) - Involuntary lack of access to generation PPAs, that forces Elektro to buy 8% of its needs in the spot market (with same accounting impact as the drought)

**2013 will be affected as well by tariffs reviews in Brazil:
Elektro from August 2012 and Neoenergia starting April 2013**

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Results By Business
Networks Spain

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EBITDA down 13.3% to Eur 1,348.3 M …

Operating Highlights

- **Lower regulated revenues:** -8.5% v 2011
- **Higher Net Operating Exp.:** Non recurring personnel expenses related to efficiency gains
- **Higher Levies:** +20.9% due to rise in local levies

Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	1,856.7	-8.2%
Net Op. Exp.	-414.9	+6.5%
EBITDA	1,348.3	-13.3%

… due to a revenue cut of Eur 233 M following RDL 13/2012

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Results By Business
Networks United Kingdom

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EBITDA in GBP up 5.2%

Highlights of the Period

Operating Highlights
- Higher revenues due to higher asset base
- Higher Net Operating Expenses to meet regulatory targets

FX Impact
- GBP: +6.6%

Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	1,152.3	+14.3%
Net Op. Exp.	-114.1	+36.9%
EBITDA	937.3	+12.6%

EBITDA in Euros up 12.6% to Eur 937.3 M with record investments of Eur 516 M

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Results By Business
Networks USA

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EBITDA in Euros under IFRS up 20.5% to Eur 660.2 M, due to higher revenues from current rate cases and transmission line contribution, and despite …

Eur M

Highlights of the Period

Operating Highlights
- Higher revenues from rate cases
- Increased contribution from Maine Transmission Line
- Lower NOE* due to efficiency gains and non recurring items

FX Impact
- US dollar: +7.7%

Financial Highlights

	2012	% v 2011
Gross Margin	1,422.4	+10.0%
Net Op. Exp.	-510.4	-2.6%
EBITDA	660.2	+20.5%

… the sale of non regulated companies and the impact of hurricane Sandy (Eur -48 M)

**Net Operating Expenses*

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Results By Business
Brazil

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Brazil EBITDA down 7.0%, to Eur 827.9 M

Highlights of the Period

Operating Highlights	↑	- Brazil Demand (+4.6%) - Full consolidation of Elektro in 2012 v 2011 (from 1st May)
	↓	- Elektro tariff review from August 2012 - Drought impact
FX Impact	↓	Real: -7.8%

Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	1,236.6	+1.3%
Net Op. Exp.	-404.8	+23.6%
EBITDA	827.9	-7.0%

Elektro's tariff review, drought impact and lower Real offset higher demand and full year consolidation of Elektro

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Results By Business
Generation & Supply Business

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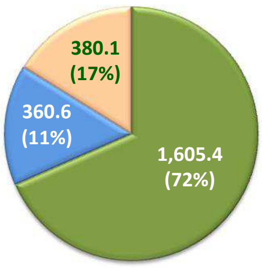
Generation & Supply Business EBITDA up 3.7% to Eur 2,355.2 M …

EBITDA Breakdown



Financial Highlights (Eur M)

	2012	% v 2011
Basic Margin	4,537.7	+6.2%
Net Op. Exp.	-1,548.6	+12.3%
Levies	-633.9	+1.4%
EBITDA	2,355.2	+3.7%

… with good performance in all areas, as lower output is more than offset by higher prices

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Results by Business
Generation & Supply Business Spain

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EBITDA up 2.2% to Eur 1,605.4 M, affected by 0.5% lower Basic Margin, …

Operating Highlights

- -15.5% lower output due mainly to -39.9% lower hydro
- Higher prices together with positive impact of gas management
- 2013: 45 TWh production already sold above Eur 60/MWh

Financial Highlights (Eur M)

	2012	% v 2011
Basic Margin	2,832.8	-0.5%
Net. Op. Exp.	-838.0	+10.2%
Levies	-389.5	-24.8%
EBITDA	1,605.4	+2.2%

… offset by lower levies due to the impact of the Supreme Court Ruling (Eur +161 M)

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Results By Business
Generation & Supply Business United Kingdom

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EBITDA up 4.5% in GBP, as customer base has increased by 7.7%, to almost 5.6 million, …

Operating Highlights

- Lower procurement costs compensate 20% lower output
- Tariff increase: In order to reflect higher non energy costs, including CERT/CESP programs (Eur -134 M v 2011)
- FX Impact: GBP: +6.6%

Financial Highlights

	2012	% v 2011
Basic Margin	1,152.2	+23.3%
Net. Op. Exp.	-551.2	+8.2%
Levies	-240.4	+134.5%
EBITDA	360.6	+11.8%

… and up 11.8% in Euros (Eur 360.6 M)

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Results By Business
Regulated Generation Business Mexico

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Mexico EBITDA is up 5.0% to Eur 380.1 M …

Highlights of the Period

Operating Highlights	↑	Margin improvement
	↓	Plant outages
FX Impact	↑	USD: +7.7%

Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	496.5	+9.5%
Net Op. Exp.	-115.4	+27.4%
EBITDA	380.1	+5.0%

… with Net Operating Expenses affected by non recurring items: lower compensations to suppliers and others

Results By Business
Renewables

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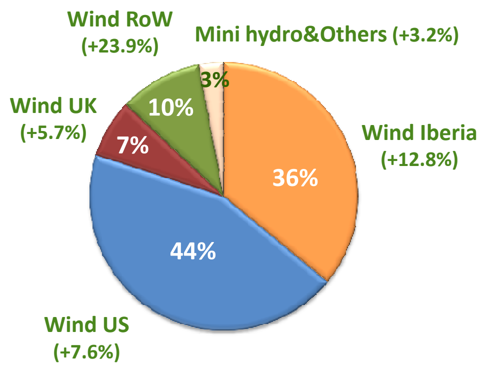
Improved performance in Renewables, as higher operating capacity of 13,735 MW (+4.0%) and load factor (+0.6 p.p.) …

Load factors of the Period

	2011 Load factor	2012 Load factor
Wind US	31.1%	30.4%
Wind Iberia	21.5%	23.6%
Wind UK	25.8%	23.9%
Wind RoW	23.8%	24.8%
Minih.&Others	23.6%	22.8%
Total	25.7%	26.3%

Output by Geography



… results in higher output 31,784 GWh (+10.7%), driving …

Results By Business
Renewables

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… EBITDA up 13.8% to Eur 1,620.3 M, Renewable(1) EBITDA grows 15.8%

Highlights of the Period

- Operating capacity(2): +4.0% to 13,735 MW
  Installed capacity(2): +2.5% to 14,034 MW
- Average load factor:
  26.3% v 25.7% in 2011
- Average price:
  Eur 71.0/MWh v Eur 69.6/MWh in 2011
- Efficiency:
  Improving Net Op. Expenses/MW by 4.6%

Financial Highlights (Eur M)

	2012	% v 2011
Gross Margin	2,284.7	+10.5%
Net Op. Exp.	-576.0	+0.1%
EBITDA	1,620.3	+13.8%

With higher prices and improved efficiency

(1) Excluding results from Thermal Power business in US
(2) Including the impact of disposals of French and German assets

EBIT - Group

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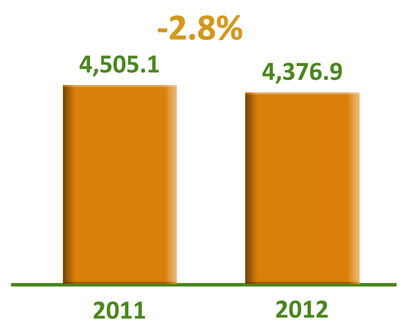
Group EBIT down 2.8% to Eur 4,376.9 M, with D&A up due principally to Elektro integration

Eur M

EBIT



	2012	% v 2011
D&A	-2,815.8	+7.6%
Provisions	-533.9	+1.1%
Total	-3,349.7	+6.5%

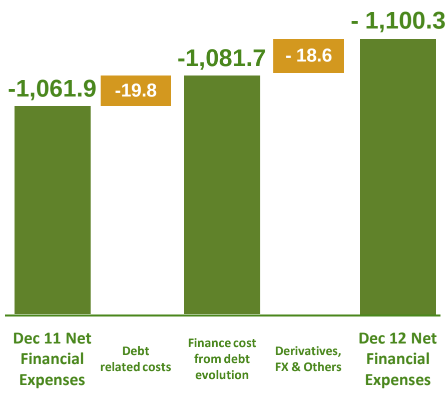
Provisions up mainly as a consequence of non recurring items in Brazil, Renewables development costs and US gas assets

Net Financial Expenses - Group

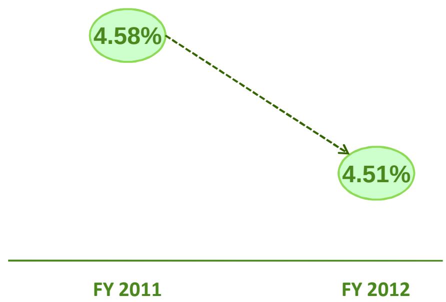
IBERDROLA

Moderate increase in net financial costs of 3.6% to Eur –1,100.3 M, including a positive effect of Medgaz sale agreement (Eur +105 M)

Net Financial Exp. evolution (Eur M)



Cost of Debt



Debt cost decreases -7 bp to 4.51%, including Elektro's debt in Reais (+7 bp)

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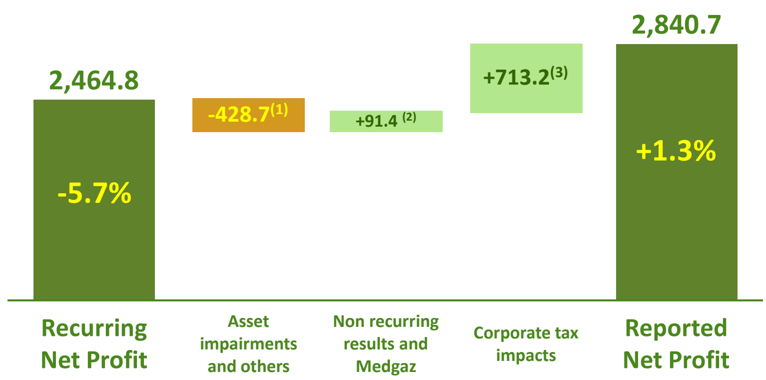
Net Profit - Group

IBERDROLA

Net Profit up 1.3% to Eur 2,840.7 M as tax recoveries more than offset asset impairments



FFO up 2.5% to Eur 6,196.4 M
Recurring Net Profit down 5.7% to Eur 2,464.8 M

(1) *Includes Renewables, Gamesa, US gas assets and others (Gross amounts)*
(2) *Includes the results of the disposals and sale agreements of wind assets in Germany and France, US non regulated companies and Medgaz stake (Gross amounts)*
(3) *Includes UK corporate tax reduction, deductibility of Elektro's goodwill and reversal of provisions in the US after positive ruling in tax lawsuit*

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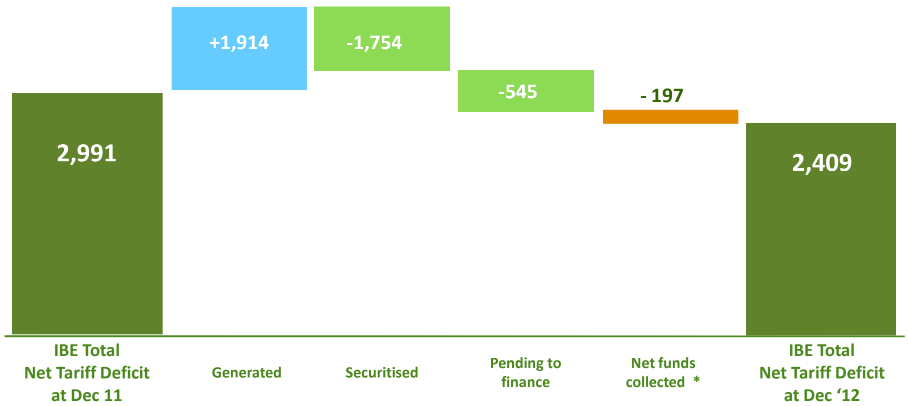
Tariff Deficit

For Iberdrola, tariff deficit totals Eur 2,409 M at the end of 2012



For the sector, at the end of 2012, Eur 4.8 bn pending to be securitised out of the Eur 7 bn already transferred (Eur 3.6 bn pending as of today). 2012 excess tariff deficit of additional Eur 3.6 bn entitled to be securitised as well

** Includes 2011 financed deficit, 2012 settlements and interests*

Financing – Adjusted Leverage

IBERDROLA

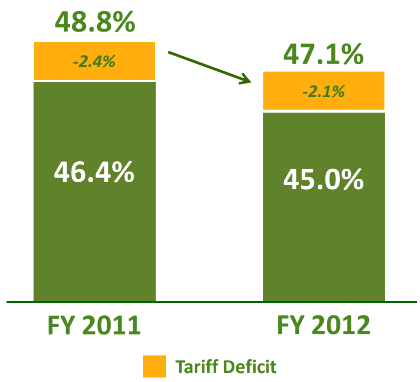
Group management improves debt level:
to Eur 27.9 bn in FY '12 excluding deficit and to Eur 30.3 bn including deficit

FY2012 Net Debt and Equity

Eur M

	FY'11	FY'12
Adjusted Net Debt	31,705	30,324
Tariff Deficit	2,991	2,409
Adjusted Net Debt Ex deficit	28,714	27,915
Equity	33,208	34,085

Leverage



Leverage stands at 47.1% in FY 2012 v 48.8% in FY 2011

Note all debt figures include TEI

Financing – Financial Ratios

(2011 Pro-forma, includes 1 year of Elektro and Renewables: Results and Debt)

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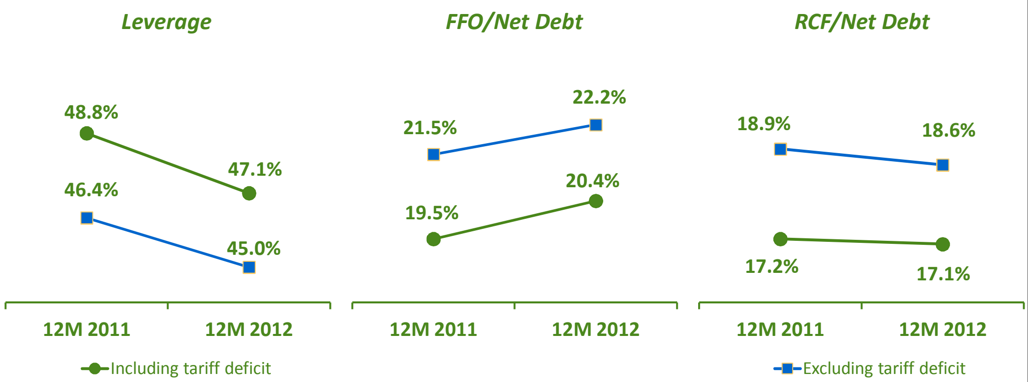
Credit metrics improvement reflect debt reduction and cash flow growth



(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction – /+ reversion of extraordinary tax provision
(2) Including TEI but excluding Rating Agencies Adjustments
(3) RCF = FFO – Dividends

Net Debt

IBERDROLA

2012 Net debt proforma of Eur 29,458 M, including pending proceeds from closed divestments and FADE securitisations in 2013, …

Eur M

	2011	2012	2012 Proforma
Net Debt	31,705	30,324	30,324
Divestments			450
Funds from securitizations			416
Net Debt	31,705	30,324	29,458
Tariff Deficit	-2,991	-2,409	-1,993
Adjusted Net Debt	28,714	27,915	27,465
FFO/Net debt (incl. deficit)	19.5%*	20.4%	21.0%
RCF/Net debt (incl. deficit)	17.2%*	17.1%	17.6%
Leverage (incl. deficit)	48.4%*	47.1%	46.4%

… further improving credit metrics

** 2011 Pro-forma ratios includes full-year Elektro contribution*

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Financing – Liquidity

IBERDROLA

Strong Liquidity position amounting to Eur 12 bn …

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2013	1,426	4	1,422
2014	2,550	0	2,550
2015&onwards	5,212	185	5,027
Total Credit Lines	9,188	189	8,999
Cash & Short Term Fin. Invest.			3,044
Total Adjusted Liquidity			12,043

… covering more than 36 months of financing needs, without including pending proceeds from announced divestments and cash due from FADE securitizations in 2013

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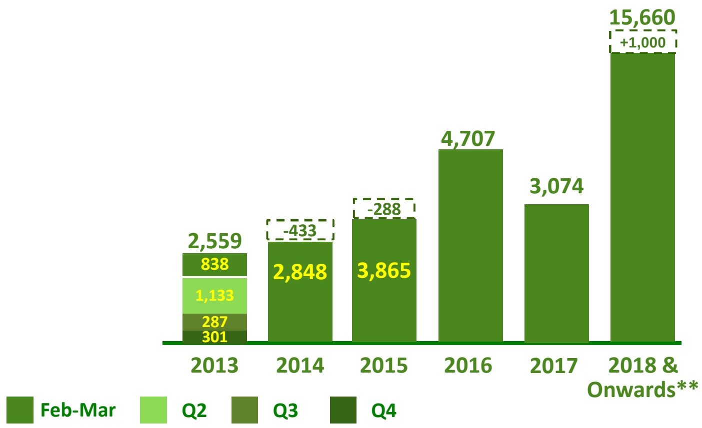
Financing - Financial Profile (as of today)

IBERDROLA

Average maturity of 6.2 years after liability management transactions in Jan'13: Eur 1 bn issued and Eur 721 M repurchased

Eur M

Debt maturity profile*



*Does not include drawn credit lines. Includes Eur1bn issued in January 2013 and Eur721M of 2014 and 2015 notes exchanged in January 2013.
**Assumes rollover of commercial paper outstanding balance of Eur 1,053 M

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IBERDROLA

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Conclusion

IBERDROLA

In a very complex environment, Iberdrola's management model...

International diversification

+

Low risk business mix (75% Regulated and Renewables)

Balance Sheet strengthening

... enables to reach...

EBITDA up 1.0% to Eur 7.7 bn

Net Profit up 1.3% to Eur 2.8 bn

Net debt reduced by Eur 1.4 bn

Liquidity exceeding Eur 12.0 bn

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Outlook 2013

IBERDROLA

On track to achieve the Outlook 2012-2014, despite 2013 challenges

Macro environment	• Market growth in UK, USA and Latam • FX management through debt structure and hedging
Regulatory issues	• Spain: steps forward to eliminate Tariff Deficit • UK: EMR and RMR to be defined

Balance Sheet strengthening	• Net debt reduction faster than expected:
	  • Cash Flow generation capacity in all businesses
	  • Divestment program underway
	  • Securitisation in process
	• At least 2 years of financial needs covered at any time

Business outlook	• Growth in Regulated businesses in UK and US • Customer base and retail sales increased in UK • Negative impact of drought in Brazil and levies in Spain • Higher wind and hydro output in Spain to date

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Capital reduction and Dividends Policy

After achieving EUR 2 bn debt decrease in roughly 4 months, the Board will submit to AGM the following two proposals:

2013 Dividends
In line with dividend policy as disclosed during last investors day (Oct. 12)

- ✓ Jan. 2013, interim dividend payment equivalent to Eur 0.143/share through scrip dividend
- ✓ July 2013, complementary dividend composed of:
  - Eur 0.03/share in cash
  - Scrip dividend: Estimated to be at least Eur 0.127/share
- ✓ AGM attendance premium: Eur 0.005/share
- ✓ 2013 total remuneration will amount approximately Eur 0.305/share

+

Capital reduction: up to 2.4%
-Existing* treasury stock: 1.4%
-Share buy-back program**: up to 1.0%

- ✓ Contributes to offset the scrip dividend impact while keeping its fiscal advantages
- ✓ Strengthens total remuneration to shareholders by ~ Euro 0.087/share
- ✓ Improves EPS and makes future pay-out ratio more sustainable

Capital reduction will be offset by a Hybrid issue

* 1.4% as of 14th Feb. 2013. The Treasury Stock as of 31st Dec. 2012 amounted to 83.2 Mill. shares, equivalent to 1.32% of Capital
** Share buy-back program will finish before 31st May 2013 and Capital decrease will be executed before next dividend payment

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Annex: Hybrid issue

IBERDROLA

Capital reduction will be offset by a Hybrid instrument for an estimated amount of EUR 500 -550 Mill…

Accounting and fiscal advantages

- ✓ Perpetual maturity allows an accounting as Equity
- ✓ Interest costs are deductible

1.32% of Treasury Stock already in Dec. 2012 balance sheet and paid. Additional 0.08% acquired during 2013 up to date	+	1.0% share buy- back program*	=	✓ Neutral impact on solvency ratios** ✓ Accretive in EPS ✓ Slightly positive impact on Agencies Debt estimation**
+ Hybrid Issuance				

… to be issued at the appropriate time

* Total share buy-back program will be equivalent to 1.1% of capital, of which 0,1% is related to employees variable compensation
** The instrument has 50% Equity credit under Agencies methodologies. Estimation based on 2013 ratios

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Annex: Terms of the Hybrid issue

IBERDROLA

Hybrid instrument accounted as Equity and with credit for 50% Equity by Rating Agencies

Issuer	Iberdrola International B.V. (Netherlands)
Guarantor	Iberdrola, S.A.
Maturity	Perpetual
Equity content for RAs	50% (Moody's / S&P / Fitch)
Accounting under IFRS	Equity
Tax deductibility	Yes
Issuer's Call Options	Redeemable at Par at Year 5 and every 5 years thereafter
Ranking	Deeply subordinated, senior to Ordinary Shares of the Issuer or the Guarantor
Interest	• Fixed coupon for life • Interest rate Reset every 5 years
Coupon Step-up	• 25bp if not called on Year 10 • Additional 75bp if not called on Year 25 (20-yr from 1st call date)
Early Redemption Events	• Withholding Tax Event at Par • Tax Event (loss of deductibility) at 101% • Capital Event (rating methodology) at 101% • Accounting Event (loss of equity accounting) at 101% • Repurchase Event (repurchase of residual 20%) at 101%
Optional Coupon Deferral	Payment of coupons will be optional on any interest payment date
Deferred Interest	• Deferred interest to become payable in case of 'Mandatory Settlement Event', i.e. (i) a dividend or distribution in respect of any Junior or Parity Obligations or (ii) repurchase of any Junior or Parity Obligations, subject to certain exceptions • Cash-cumulative and compounding
Change of Control Protection	• Issuer's call option following a Change of Control Event (change of control + senior ratings downgrade below investment grade) • Coupon increase by 500bp if not redeemed following Change of Control Event
Replacement language	Intentional replacement language

Perpetual, Callable after 5Y, step up of 25bp after 10Y

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Highlights of the period

Installed capacity reaches 14,034 MW

Operating capacity increases 4.0%...

… and production reached 31,784 GW (+10.7%), underpinned by a strong wind resource in all areas.

Improvement in O&M efficiency of 4.6%

Renewable division EBITDA reached 1,620.3 MM Eur (+13.8%)

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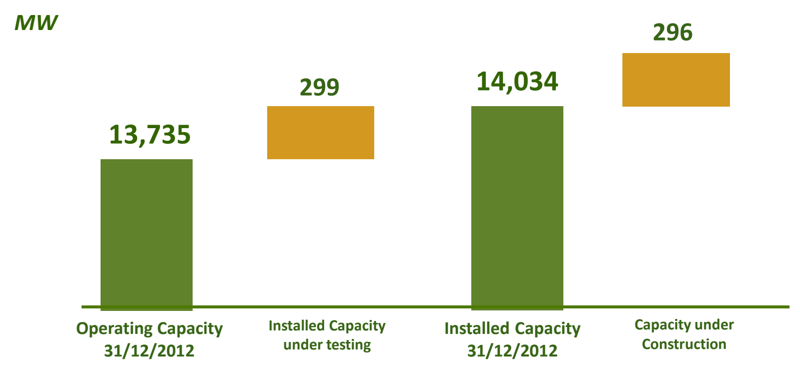
Installed Capacity

Installed capacity up 2.5% to 14,034 MW…



… with 296 MW under construction: UK (193 MW) and Brazil (103 MW)

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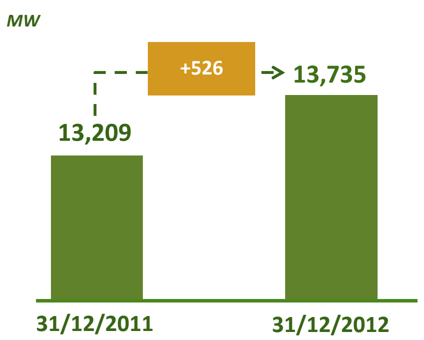
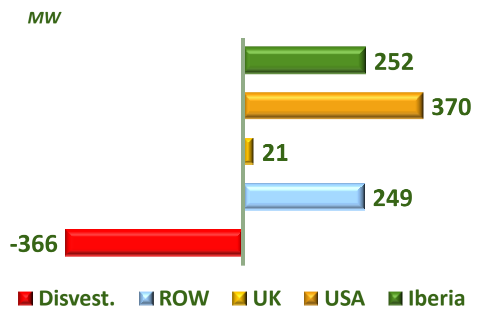
Operating Capacity

Operating capacity up 4.0% to 13,735 MW…

YoY operating capacity increase



Operating capacity breakdown



… despite the sale of operating assets in France and Germany totalling 366 consolidated MW

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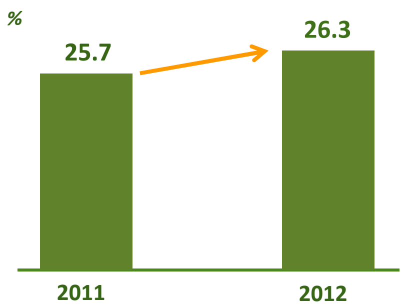
Load factors of the period

Average load factor improves 0.6 pp, reaching 26.3%...

Wind resource



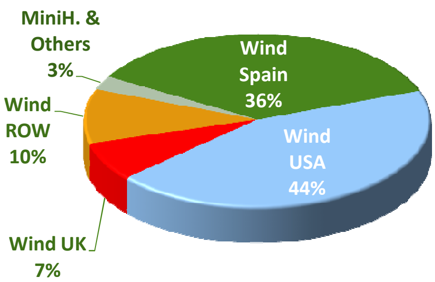
	Loadfactor 2012	Loadfactor 2011
Wind USA	30.4%	31.1%
Wind Spain	23.6%	21.5%
Wind UK	23.9%	25.8%
Wind ROW	24.8%	23.8%
Minih. & Others	22.8%	23.6%

... due to a strong wind resource in all areas

Renewable Production

Output reaches 31,784 GWh (+10.7%)...

Breakdown by geography



2012 Renewable output

GWh	2012	% v 2011
Wind USA	13,928	+7.6%
Wind Spain	11,521	+12.8%
Wind UK	2,277	+5.7%
Wind ROW	3,226	+23.9%
Minih. & Others	832	+3.2%
TOTAL	31,784	+10.7%

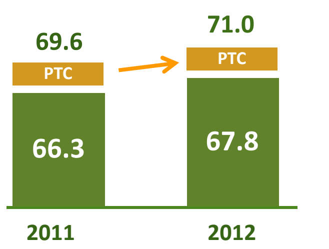
... with growth in all areas, specially ROW (+23.9%), Spain (+12.8%) and USA (+7.6%).

Renewable production prices

The average price* increases 2.0% due to RoW prices increase…

Renewable average price

€/MWh



Prices in local currency

	Var %	Var. v 2011	Selling modaliity
USA**	-7.1%	-3.6 $/MWh	Long term PPA
UK*	-7.0%	-6.7 £/MWh	Medium term PPA
RoW	+3.6%	+3.5 €/MWh	Mainly feed-in tariffs
Spain	-0.2%	-0.1 €/MWh	Regulatory Floor

… as dollar and pound appreciation have offset the price decrease in local currency in the USA and UK

** The variation of the average price excludes the effect on UK price derived from reclassifying transmission cost from Net Op. Expenses to Procurements*

*** Average sale price excluding PTC and the effect of contracts sold*

Renewable business Results

Renewable EBITDA grows 15.8%

Eur M	Wind Spain	Wind USA	Wind UK	Wind ROW	Other Ren.	Ren.
Gross Margin	992.7	608.9	237.8	322.0	82.9	2,244.3
EBITDA	746.0	385.0	173.8	241.4	51.2	1,597.4
Gross Margin Growth	12.6%	7.9%	0.2%	28.4%	28.0%	12.3%
EBITDA Growth	20.4%	2.2%	-1.0%	34.5%	80.3%	15.8%