



# IBERDROLA

## Results Presentation Nine Months 2012

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## Agenda



### Highlights of the period

### Analysis of results

### Annex: Renewables information

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## Highlights of the Period



**EBITDA increases 3.4%, to Eur 5,778 M**

**Renewables and International Networks businesses growing above 15% at EBITDA level**

**Operating Cash Flow increases by 6.5%, to Eur 4,709 M**

**Investment slowdown (-67%) and Divestment close to Eur 300 M in order to strengthen our financial position**

**Net profit amounts to Eur 2,401 M (+12%), down 36% in Spain and up 52% in International**

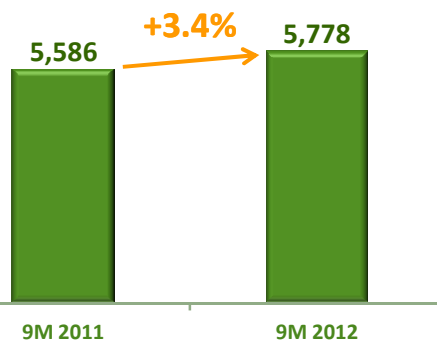
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## EBITDA

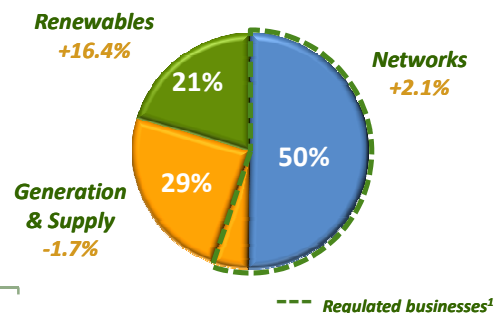


**EBITDA up 3.4% to Eur 5,778 M, with a significant growth in Renewables...**

**EBITDA (Eur M)**



**EBITDA by business**



**... and an increasing weight from most stable businesses: Regulated and Renewables amount to 76%<sup>1</sup> of total EBITDA**

1. Regulated business includes Networks (50%) and Mexico regulated generation (5%)

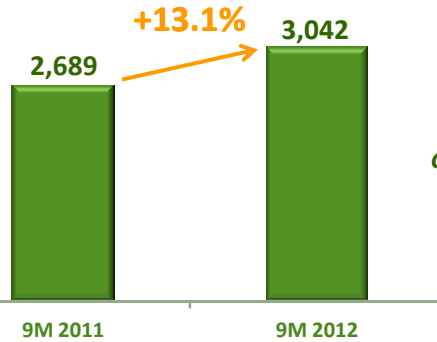
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## EBITDA International

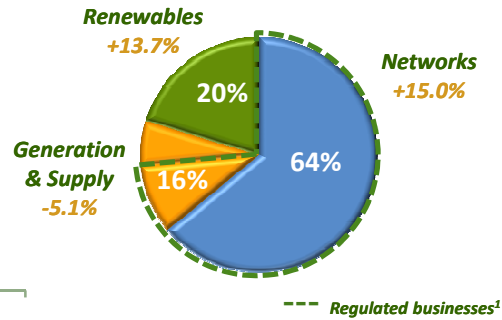


**International EBITDA increases by 13.1%,  
boosted by Regulated and Renewables businesses (93%<sup>1</sup>)**

**International EBITDA (Eur M)**



**International EBITDA by business**



**Generation business affected by a non-recurring increase  
in CERT/CESP taxes in UK during third quarter**

1. Regulated business includes Networks (64%) and Mexico regulated generation (9%)

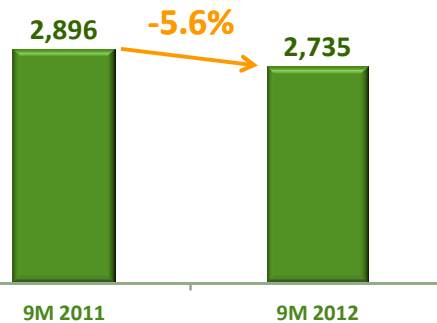
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## EBITDA in Spain

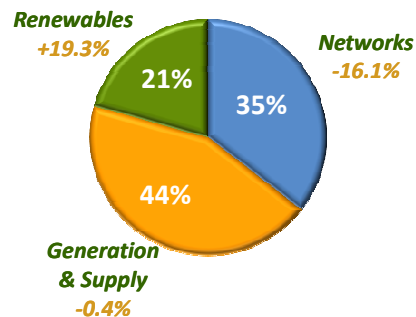


**EBITDA in Spain down 5.6%, affected by regulatory measures<sup>1</sup>,  
lower output and headcount adjustment...**

**EBITDA in Spain (Eur M)**



**EBITDA in Spain by business**



**... partially mitigated by Renewables business**

1. Regulatory measures approved during first half 2012: Royal Decree-Law 13/2012

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## Operating Cash Flow and Net Profit

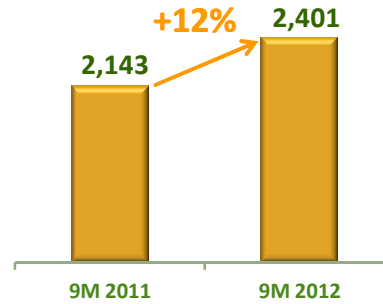


**Operating Cash Flow amounts to Eur 4,709 M (+6.5%),  
more than doubling 2011 growth rate**

Operating Cash Flow (Eur M)



Net Profit (Eur M)



**Net Profit amounts to Eur 2,401 M (+12%),  
positively impacted by lower non-recurring taxes in International**

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## Net Profit by Geographies

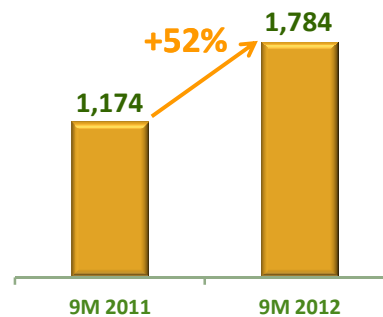


**Net Profit down 36% in Spain to Eur 616 M...**

Net Profit - Spain  
(Eur M)



Net Profit - International  
(Eur M)



**... and up 52% in International to Eur 1,784 M,  
amounting to nearly 75% of total Net Profit**

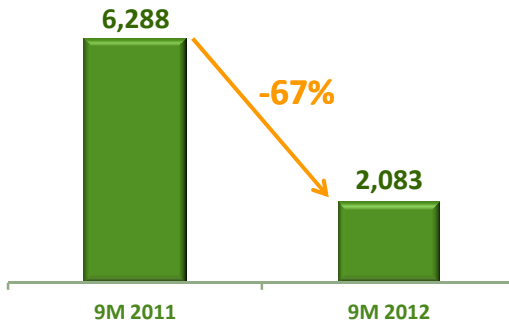
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## Investments

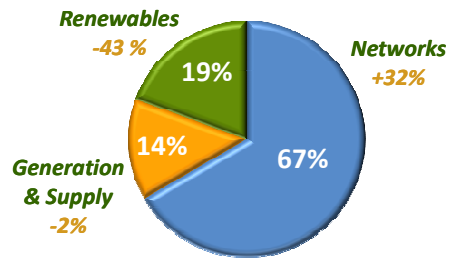


**Total investment reduced by 67%,  
focusing on Networks, more than 2/3 of total investment**

Total Investment (Eur M)



Organic Investment by business



**Divestment program already launched  
with closed transactions amounting close to Eur 300 M**

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## Agenda



Highlights of the period

**Analysis of results**

Annex: Renewables information

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## Income Statement – Group



EBITDA up 3.4% to Eur 5,777.8 M  
Net Profit up 12.0% to Eur 2,400.7 M

<i>Eur M</i>	9M 2012	9M 2011	Var. %
Revenues	25,235.6	23,368.2	+8.0
Gross Margin	9,291.6	8,827.5	+5.3
Net Op. Expenses*	-2,728.8	-2,589.2	+5.4
EBITDA	5,777.8	5,585.6	+3.4
Operating Profit (EBIT)	3,430.5	3,515.1	-2.4
Net Financial Expenses	-896.1	-797.8	+12.3
Recurring Net Profit	1,849.7	1,882.2	-1.7
Reported Net Profit	2,400.7	2,142.9	+12.0
Operating Cash Flow	4,709.0	4,423.0	+6.5%

\*Excludes Levies

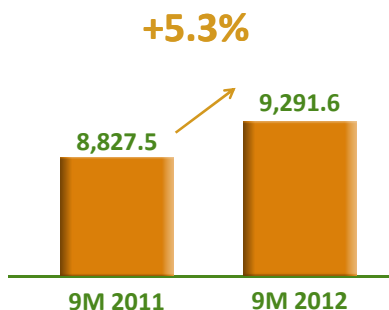
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## Gross Margin - Group

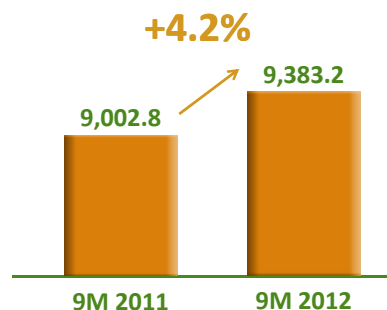


Gross Margin up 5.3% to Eur 9,291.6 M and Basic Margin up 4.2% to Eur 9,383.2 M, due to higher international activity, Elektro consolidation and exchange rate

### Gross Margin (Eur M)



### Basic Margin (Eur M)



Revenues increase 8.0% to Eur 25,235.6 M,  
and Procurements up 10.6% to Eur 15,821.5 M

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## Net Operating Expenses - Group



Net Operating Expenses\* up 5.4% to Eur 2,728.8 M

### Net Operating Expenses

Eur M	9M 2012	% v 9M 2011
Net Personnel Expenses	1,366.4	+6.7%
Net External Services	1,362.4	+4.1%
<b>Total</b>	<b>2,728.8</b>	<b>+5.4%</b>
Recurring NOE (ex FX impact)	2,541.2	-0.3%

### Operating Highlights

#### Higher Net Personnel Expenses

Non recurring costs related to the implementation of efficiency plans

#### Exchange rate impact

Affecting both Net Personnel Expenses and Net External Services

Levies are up 5.9%, to Eur 876.6 M, despite Spanish Supreme Court's ruling impact (Eur +154 M), due to rise in local taxes in Spain and higher CERT/CESP in the UK

\*Excludes Levies

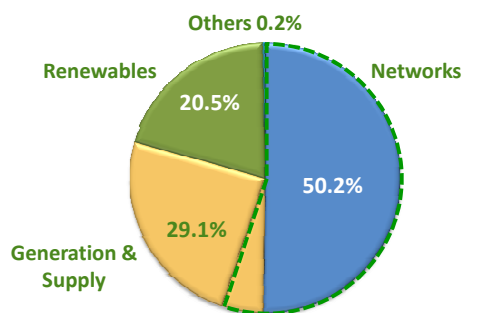
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## EBITDA - Business



Group EBITDA up 3.4% to Eur 5,777.8 M driven by Iberdrola's international activities ...

### EBITDA Breakdown



--- Regulated businesses<sup>1</sup>

### 9M'12 EBITDA (Eur M)

Networks	2,899.8	+2.1%
Generation & Supply	1,681.5	-1.7%
Renewables	1,181.8	+16.4%

... with growth in Networks and Renewables businesses, and decline in Generation business

1. Regulated business includes Networks (50%) and Mexico regulated generation (5%)

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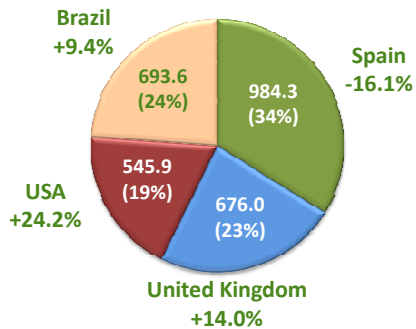


## Results By Business Networks



Networks EBITDA up 2.1% to Eur 2,899.8 M, with growth in international business (+15.0%) ...

### EBITDA Breakdown



### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	4,292.2	+5.0%
Net Op. Exp.	-1,067.0	+11.6%
EBITDA	2,899.8	+2.1%

... offsetting the cuts imposed on Spanish Networks remuneration under RDL 13/2012

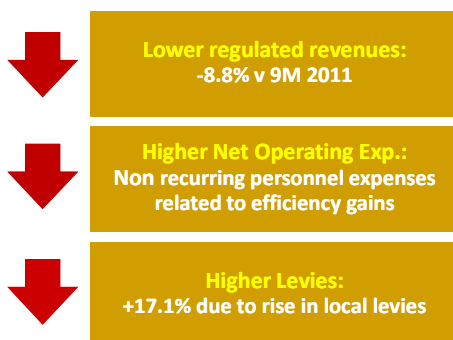
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## Results By Business Networks Spain



EBITDA down 16.1% to Eur 984.3 M ...

### Operating Highlights



### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	1,392.8	-8.6%
Net Op. Exp.	-339.3	+16.8%
EBITDA	984.3	-16.1%

... due to a revenue cut of Eur 175 M following RDL 13/2012

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## Results By Business Networks United Kingdom



EBITDA up 14.0% to Eur 676.0 M ...

### Highlights of the Period

Operating Highlights	↑ Higher revenues due to higher asset base
	↓ Higher Net Operating Expenses to meet regulatory targets
FX Impact	↑ GBP: +6.7%

### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	842.7	+13.4%
Net Op. Exp.	-94.5	+16.7%
EBITDA	676.0	+14.0%

... due to increased investments

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## Results By Business Networks USA



EBITDA in Euros under IFRS up 24.2% to Eur 545.9 M,  
due to higher revenues from rate cases in place 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 storm costs in 9M'11 and certain non recurring items
FX Impact	↑ US dollar: +9.3%

### Financial Highlights

	9M 2012	% v 9M 2011
Gross Margin	1,058.9	+11.1%
Net Op. Exp.	-331.8	-6.2%
EBITDA	545.9	+24.2%

... the sale and deconsolidation of some subsidiaries during this quarter

\*Net Operating Expenses

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## Results By Business Brazil



**Brazil EBITDA increases 9.4%, to Eur 693.6 M**

### Highlights of the Period

Operating Highlights	↑ Brazil Demand (+5.7%)
	↑ Full consolidation of Elektro in 2012 v 2011 (from 1 <sup>st</sup> May)
	↑ Positive settlements & tariff adjustments
	↓ Elektro tariff review since August 2012
FX Impact	↓ Real: -7.2%

### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	997.9	+15.0%
Net Op. Exp.	-301.4	+30.5%
EBITDA	693.6	+9.4%

**Elektro consolidation, higher settlements and positive effects of tariff adjustments compensate lower Real**

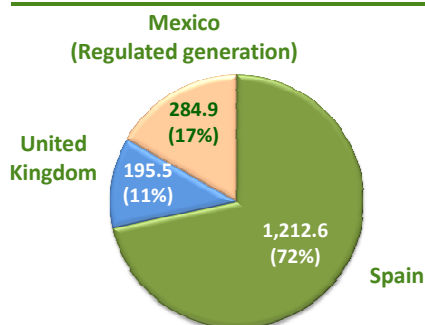
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## Results By Business Generation & Supply Business



**Generation & Supply Business EBITDA down 1.7% to Eur 1,681.5 M**

### EBITDA Breakdown



### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Basic Margin	3,299.7	+3.2%
Net Op. Exp.	-1,133.6	+11.7%
Levies	-484.7	+2.6%
EBITDA	1,681.5	-1.7%

**Good performance in Mexico and lower decrease in Spain partially compensates weak performance in UK due to Non Recurring impacts**

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## Results by Business Generation & Supply Business Spain



EBITDA down 0.4% to Eur 1,212.6 M, affected by lower output ...

### Operating Highlights

-19.2% lower output  
due mainly to -48.7% lower hydro

Higher prices reflect higher procurement  
costs due to lower hydro

2013: 30 TWh production  
already sold above Eur 60/MWh

### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Basic Margin	2,092.5	-4.1%
Net. Op. Exp.	-586.5	+3.5%
Levies	-293.4	-26.4%
EBITDA	1,212.6	-0.4%

... offset by lower levies due to the impact of the Supreme Court Ruling  
of lower levies (Eur +154 M)

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## Results By Business Generation & Supply Business United Kingdom



EBITDA down 14.6%, to 195.5 M, ...

### Operating Highlights

↑ Lower procurement costs and better  
prices compensate 23% lower output:  
due to plant outages  
and lower spark spreads

↓ Higher Levies due to CERT/CESP costs  
In order to fulfil commitments with  
OFGEM (Eur -117 M v 9M'11)

### Financial Highlights

	9M 2012	% v 9M 2011
Basic Margin	812.1	+22.2%
Net. Op. Exp.	-428.9	+17.2%
Levies	-187.7	+168.2%
EBITDA	195.5	-14.6%
EBIT	-47.9	-163.1%

... due to CERT/CESP program, that has forced Iberdrola to raise tariffs  
Margins remain at very depressed levels: -0.8% EBIT/Sales

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## Results By Business Regulated Generation Business Mexico



Mexico EBITDA is up 9.4% to Eur 284.9 M

### Highlights of the Period

Operating Highlights	Margin improvement
	Plant outages
FX Impact	USD: +9.3%

### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	372.4	+12.0%
Net Op. Exp.	-31.5	+21.3%
EBITDA	284.9	+9.4%

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

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## Results By Business Renewables



EBITDA up 16.4% to Eur 1,181.8 M, Renewable\* EBITDA grows 22.0%

### Highlights of the Period

	Operating capacity: +7.5% to 13,760 MW Installed capacity: +6.5% to 14,319 MW
	Average load factor: 26.1% v 24.9% in 9M 2011 (Due mainly to better wind conditions in Spain)
	Average price: Eur 71.1/MWh v Eur 68.5/MWh in 9M 2011
	Efficiency: Improving Net Op. Expenses/MW by 4.6%

### Financial Highlights (Eur M)

	9M 2012	% v 9M 2011
Gross Margin	1,668.6	+12.4%
Net Op. Exp.	-423.7	+1.3%
EBITDA	1,181.8	+16.4%

With higher output in all geographies, better load factors, higher prices and improved costs

\*Excluding results from Thermal Power business in US

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## EBIT - Group



Group EBIT down 2.4% to Eur 3,430.5 M ...

Eur M

### EBIT



	9M 2012	% v 9M 2011
D&A	-2,073.4	+4.5%
Provisions	-273.9	+216.1%
<b>Total</b>	<b>-2,347.3</b>	<b>+13.4%</b>

D&A up due principally to Elektro integration and Provisions up mainly as a consequence of non recurring items in Brazil and Renewables development costs

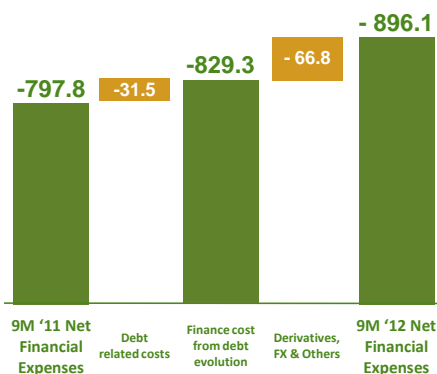
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## Net Financial Expenses - Group

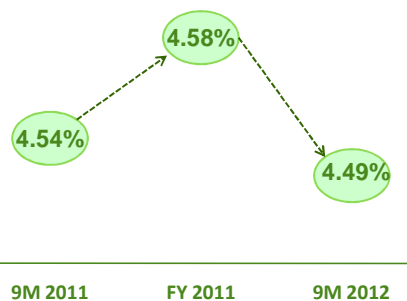


Debt and derivatives drive financial expenses up 12.3% to Eur -896.1 M

### Net Financial Exp. evolution (Eur M)



### Cost of Debt



Debt cost decreases -5 bp to 4.49%, including Elektro's debt in Reais (+6 bp)

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## Financing – Adjusted Leverage



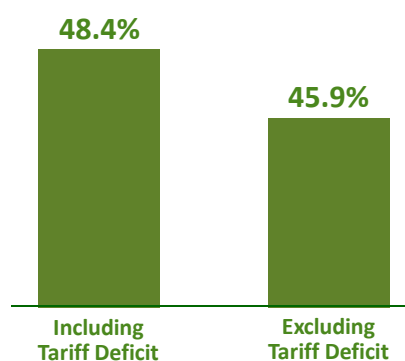
Leverage stands at 45.9% at 9M 2012 excluding tariff deficit ...

### 9M 2012 Net Debt and Equity

Eur M

	9M'12	FY'11
Adjusted Net Debt	31,860	31,705
Tariff Deficit	3,022	2,991
Adjusted Net Debt Ex deficit	28,839	28,714
Equity	33,959	33,208

### 9M 2012 Leverage



... and 48.4% including tariff deficit

Note all debt figures include TEI

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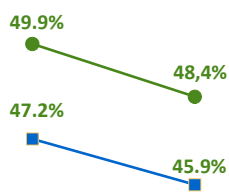
## Financing – Financial Ratios

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

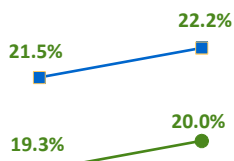


Credit metrics reflect leverage reduction and strong financial position, even including tariff deficit, that reaches Eur 3,022 M at 9M 2012

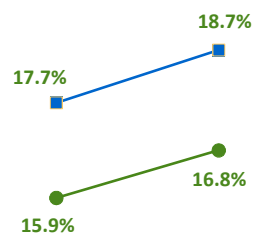
### Leverage



### FFO/Net Debt



### RCF/Net Debt



Eur 7 bn tariff deficit prospectus approved on the 5<sup>th</sup> of October  
Securitization underway

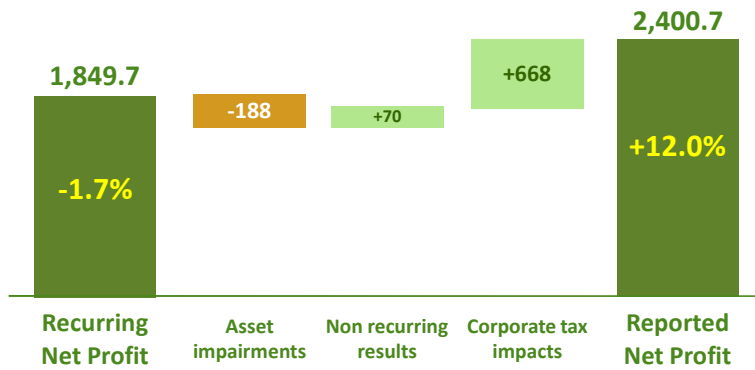
(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction –/+ reversion of extraordinary tax provision  
(2) Including TEI but excluding Rating Agencies Adjustments  
(3) RCF = FFO – Dividends

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## Net Profit - Group



FFO up 6.5% to Eur 4,709.0 M  
Recurring Net Profit down 1.7% to Eur 1,849.7 M



Net Profit up 12.0% to Eur 2,400.7 M  
as tax recoveries more than offset asset impairments

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## Agenda



Highlights of the period

Analysis of results

**Annex: Renewables information**

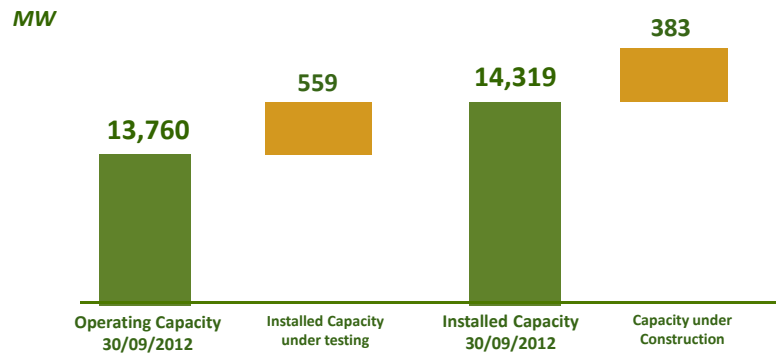
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## Installed Capacity



Installed capacity up 6.5% to 14,319 MW...



... with 383 MW under construction

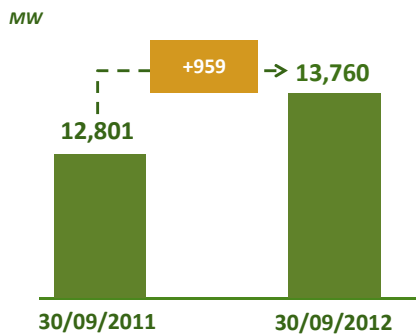
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## Operating Capacity

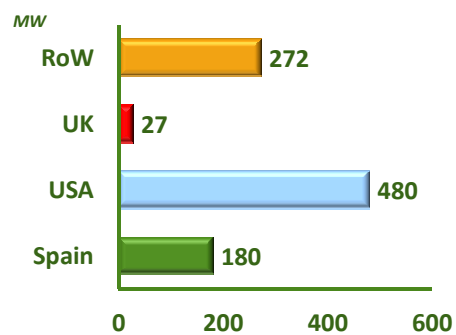


Operating capacity up 7.5% to 13,760 MW...

### YoY operating capacity increase



### Operating capacity increase breakdown

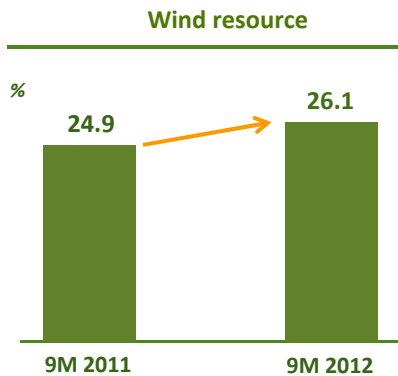


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## Load factors during the period



Average load factor of 26.1%...



	Load factor 9M 2012	Load factor 9M 2011
Wind US	30.7%	30.9%
Wind Spain	23.0%	20.9%
Wind UK	23.5%	21.1%
Wind ROW	23.4%	22.1%
Minih. & Others	25.1%	26.8%

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

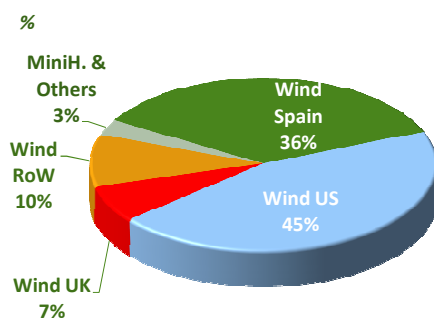
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## Renewable Production



Output reaches 23,309 GWh (+12.5%) ...

### Breakdown by geography



### 9M 2012 Renewable output

GWh	9M 2012	% vs. 9M 2011
Wind US	10,445	+9.6%
Wind Spain	8,320	+12.4%
Wind UK	1,604	+23.0%
Wind RoW	2,255	+26.2%
Minih. & Others	685	+0.4%
<b>TOTAL</b>	<b>23,309</b>	<b>+12.5%</b>

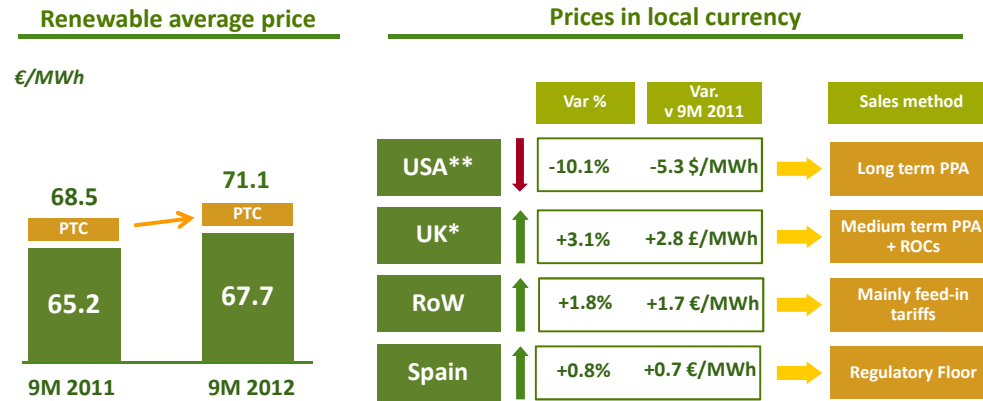
... with growth in all areas, in particular RoW (+26.2%), UK (+23.0%) and Spain (+12.4%)

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## Renewable production prices



The average price\* increases by 3.7% due to UK and RoW prices increases...



... positively impacted by the appreciation of the dollar and the pound that has more than offset the reduction in price in local currency in the U.S.

\* The variation of the average price excludes the effect on UK price derived from reclassifying transmission costs from Net Op. Expenses to Procurements  
 \*\* Average sale price excluding PTC and the effect of contracts sold

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## Renewable business Results



Renewable EBITDA grows 22.0%

<i>Eur M</i>	Wind Spain	Wind USA	Wind UK	Wind RoW	Other Ren.	Ren.
Gross Margin	718.8	460.8	175.1	220.8	70.5	1,645.9
EBITDA	528.2	299.8	127.6	169.1	47.5	1,172.1
Gross Margin Growth	13.3%	9.0%	28.5%	28.5%	30.4%	16.0%
EBITDA Growth	20.5%	9.8%	33.3%	39.3%	46.4%	22.0%

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