

IBERDROLA

OUTLOOK
2012/14

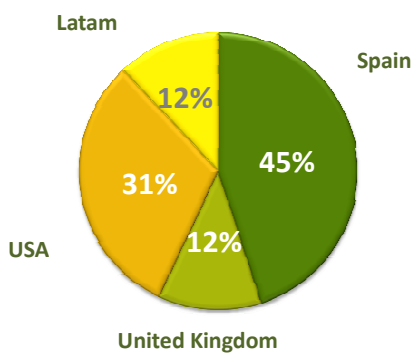
24th OCTOBER
LONDON

Renewables Business

Renewables Key Figures

2011 KEY FIGURES

2011 EBITDA Breakdown



Region	Percentage
Spain	45%
USA	31%
Latam	12%
United Kingdom	12%

Operating Data

Installed Capacity (MW)	13,690
<i>Spain</i>	<i>5,875</i>
<i>USA</i>	<i>5,284</i>
<i>United Kingdom</i>	<i>1,041</i>
<i>Latam & Others</i>	<i>1,489</i>
Production (GWh)	28,721
Employees	2,185
EBITDA (Eur M)	1,456
Capex (Eur M)	1,169

2

OUTLOOK 2012/14 **Renewables Strategic Fit** **IBERDROLA**

General Performance Criteria

- Moderation of growth and capex volume
- Focus investments on strategic markets
- Strong cash flow generation
- New areas crystallization
Launching offshore business
- Efficiency in operations: Income & Expenditure

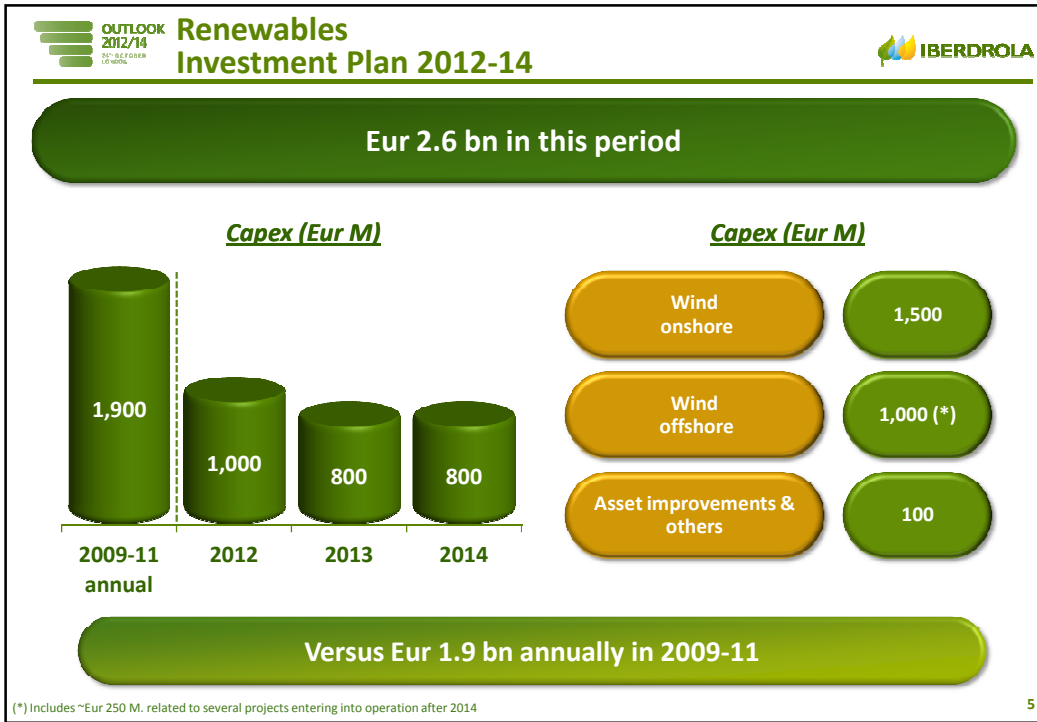
3

OUTLOOK 2012/14 **Renewables Regulatory Environment** **IBERDROLA**

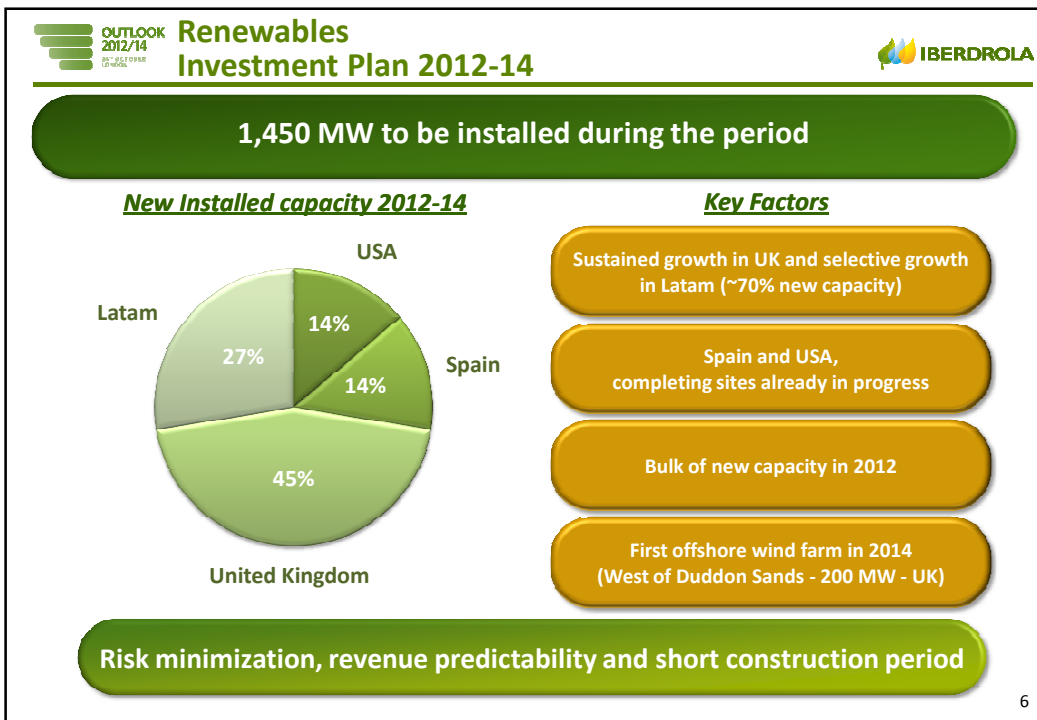
Regulatory environment

Spain	<ul style="list-style-type: none"> Moratorium declared for new investments Lower needs to fulfil 2020 emission targets
United States	<ul style="list-style-type: none"> Post 2013 regulatory framework pending Energy prices pressured by Shale Gas
United Kingdom	<ul style="list-style-type: none"> Renewable Obligation defined until 2017 Post 2017 regulatory framework pending (EMR)
Latam	<ul style="list-style-type: none"> Brazil: Renewable target 27 GW in 2020 Mexico: Opportunities in competitive conditions

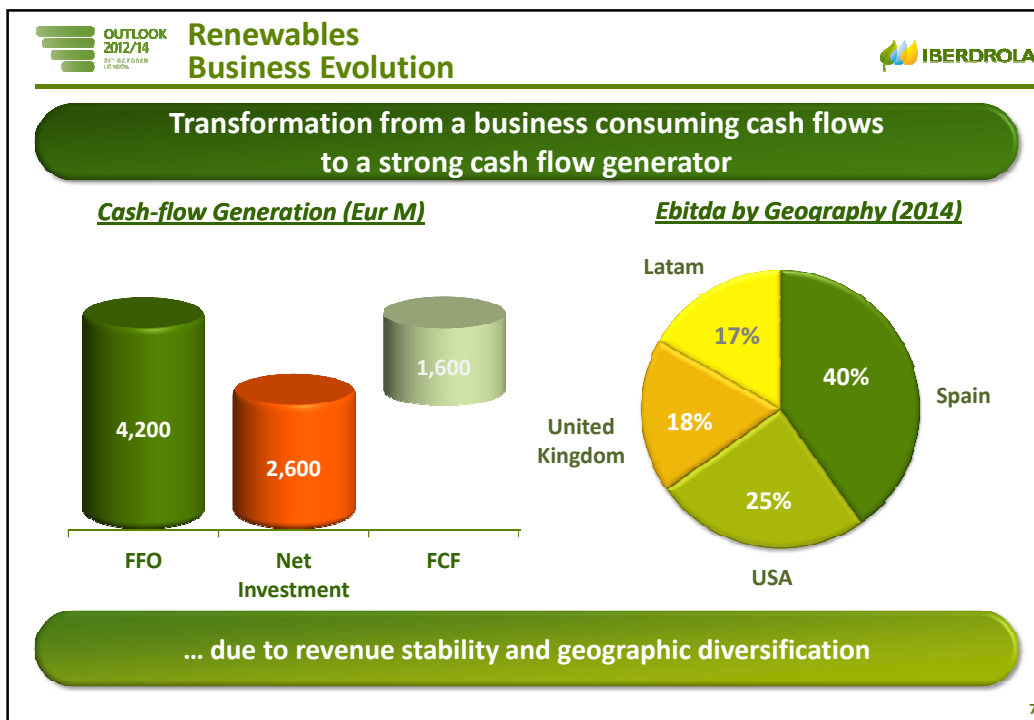
4



5



6




Renewables Business Evolution

Strong revenue stability results in a quasi-regulated business


	Production (%)		Hedge or fixed price (%)		Market (%)
Spain	37%	=	37%	+	---
USA	46%	=	41%	+	5%
UK	8%	=	8%	+	---
Latam & Others	9%	=	8%	+	1%
TOTAL	100%	=	94%	+	6%

94% of estimated production is covered by fixed tariffs, long term contracts or hedges

8



**Renewables
Spanish Business**



Consolidation of leadership position

Vision

- Moratorium declared for new investments
- Demand decrease and lower needs to fulfil 2020 emissions target
- Long term, place for renewables with higher competitiveness requirements (competition with rest of technologies)

Actions


Growth limitation
RAIPRE 2012 finalization

New Capacity 2012-14: 200 MW
Capex 2012-2014: Eur 300 M


Project Pipeline rationalization:
1.5 GW reduction

Focus on higher quality projects, more
competitive in market conditions

9



**Renewables business
USA Business**



Consolidation of second operator position

Vision

- Post 2013 regulatory framework pending
- Energy prices pressured by Shale Gas
- Long term growth potential maintained

Actions

Limitation of growth to profitable
projects with PPA


New capacity 2012-14: 200 MW

2012-14 Capex is basically offset
by ITC incomes


Project Pipeline rationalization:
10 GW reduction

Focus on projects in states
with better outlook

10



**Renewables
United Kingdom Business**




Growing and stable market


<u>Vision</u>	<u>Actions</u>
<div style="background-color: #4F81BD; color: white; padding: 10px; border-radius: 10px;"> <ul style="list-style-type: none"> Renewable Obligation defined until 2017 Grandfathering mechanism for investments already made Efforts to provide regulatory visibility for future investments Renewable target 38 GW in 2020 </div>	<div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">2.1 GW onshore pipeline with high quality and higher success rate than average</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">New Capacity 2012-14: 650 MW Capex 2012-14: Eur 1,500 M</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">First off-shore wind farm in 2014: 200 MW Round 3 Development</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">Operating cost improvement and maximization of availability</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px;">Other renewable technologies development: wave, tidal, ...</div>

First onshore renewable operator

11



**Renewables
Latam Business**



Selective growth in countries with potential in the short term

<u>Vision</u>	<u>Actions</u>
<div style="background-color: #4F81BD; color: white; padding: 10px; border-radius: 10px;"> <ul style="list-style-type: none"> Brazil and Mexico, countries with higher potential Brazil: Renewable Target 27 GW in 2020 Mexico: Opportunities in competitive conditions </div>	<div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">New Capacity 2012-14: 400 MW Capex 2012-14: Eur 600 M</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px; margin-bottom: 5px;">Higher Load factor for new capacity (34%) versus 24% average in 2007-2011</div> <div style="background-color: #FFC000; padding: 5px; border-radius: 10px;">Operating cost improvement and maximization of availability</div>

12

OUTLOOK 2012/14
RENEWABLES
OFF-SHORE BUSINESS

Offshore technology has already taken off

Offshore installed capacity (GW)

Year	Capacity (GW)
2007	1.1
2008	1.5
2009	2.1
2010	3.1
2011	4.2
2012E	5.5-6
2013E	7.5-8

Key markets

United Kingdom

- First mover
- 2020 target: +11-15 GW

Germany

- Strong future development
- 2020 target: +10 GW

13

OUTLOOK 2012/14
RENEWABLES
OFF-SHORE BUSINESS

Prudent Strategy Technology efficiency + Investments profitability

Total Pipeline 4.8 GW*

1.7 GW in key projects

Developing jointly with partners

Projects with exclusive rights,
guaranteed fixed tariffs, located in
countries with strong offshore position

Key Projects 2020 (GW)

Country	Capacity (GW)
U. K.	0.8
France	0.5
Germany	0.4
Wikingier	0.1

2012-2014: Installation of first 200 MW

14

* Consolidated Capacity. There are additional 1.3GWs in earlier stages of development

OUTLOOK 2012/14 **Renewables Efficiency** **IBERDROLA**

EBITDA improvement through revenue improvement...

	<i>Trigger</i>	<i>Target</i>
Load factor	<ul style="list-style-type: none"> • Geographic diversification • Focus investments in higher load factor countries • Offshore 	From 26% today to ~30% new capacity
Availability	<ul style="list-style-type: none"> • Homogeneous management • Assets motorization 	-25% unavailability to <2% levels
Prices	<ul style="list-style-type: none"> • Minimize risks through hedges • Maximization due to demand increase and mix 	+ 7%

15


OUTLOOK 2012/14 **Renewables Efficiency** **IBERDROLA**

... and costs optimization ...


	<i>Trigger</i>	<i>Target</i>
O&M 75% total cost	<ul style="list-style-type: none"> • Standardization of practices • Contract management 	5-6% efficiency
Project Pipeline	<ul style="list-style-type: none"> • Rationalisation of growth and development costs 	- 30%

... in operation, growth & development and overheads

16



Legal Notice



DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation "Outlook 2012-2014". As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.

Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above.

The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.

Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.


IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Securities Market Law (Law 24/1988, of July 28, as amended and restated from time to time), Royal Decree-Law 5/2005, of March 11, and/or Royal Decree 1310/2005, of November 4, and its implementing regulations.


In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration.

1



Legal Notice



FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents sent by Iberdrola, S.A. to the Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2