



IBERDROLA

Results Presentation First Quarter 2011

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3

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

4

Highlights of the period



Net Profit up 10.1% and for the first time exceeds Eur 1 bn in one quarter

Efficiency improves 13%
First results of the organisational change

Operating Cash Flow up 11% to Eur 1,678 M

Improvement in the financial profile

EBITDA up 4.4% to Eur 2,273 M

5

Highlights of the period



Ratifying Iberdrola's business model ...

A business model ...

Focus on core business

International diversification

Prioritising green energies

Focus on operating efficiency

Optimisation of financial resources

... for a Global Group

45,000 MW and 30 M customers

Only 40% EBITDA
in Spanish traditional energy business

Worldwide leading wind company

Obtaining synergies and economies of
scale (expenses, procurements)

Access to financing
at very favourable conditions

... and the internationalisation process developed in recent years ...

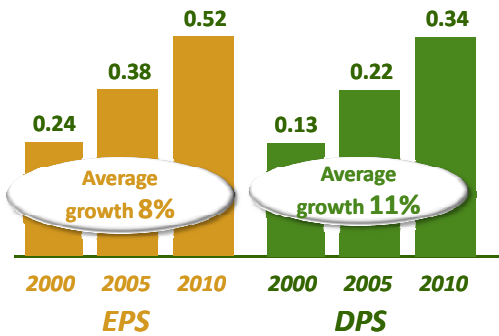
6

Highlights of the period

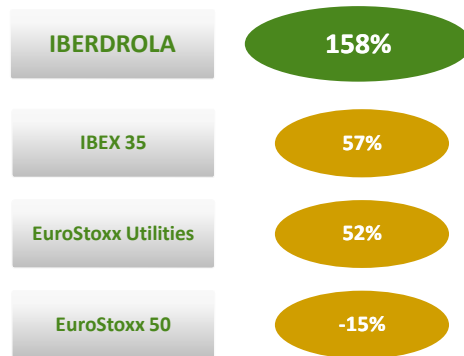


... that has permitted sustainable value creation in the last decade

Results and Dividends evolution*



Total Shareholder Return since 2000**



Over Eur 10 bn in dividends of the last ten years***

*Dividends paid in the fiscal year. Includes attendance premium

**Source: Bloomberg

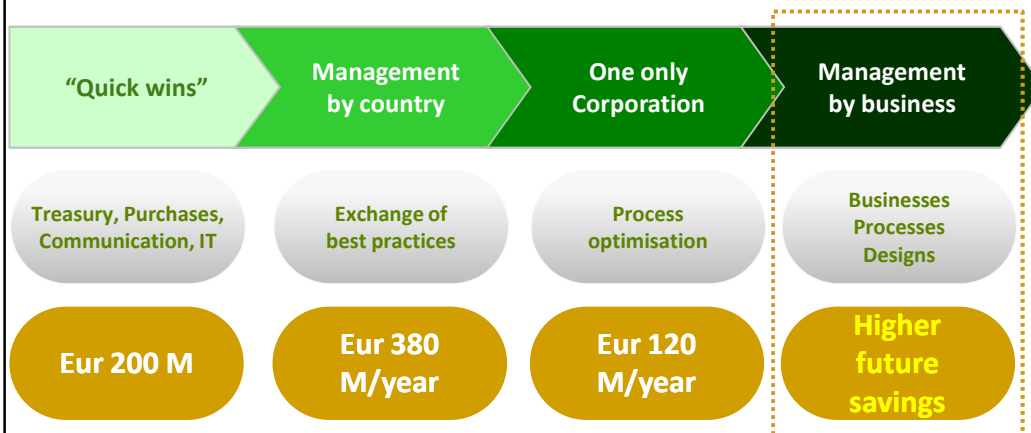
*** Assuming that all the holders of the freely assigned rights opted to receive cash dividends under the two issuances carried out by Iberdrola under the "Iberdrola Scrip Dividend" programme

7

Highlights of the period



The new organisational model will further boost synergy levels, efficiencies and best practice sharing



8

Highlights of the period



The optimisation process of Iberdrola Group continues

Agreement with
Qatar Holding



Elektro acquisition
in Brazil



Merger proposal with
Ibe. Renovables



Improving
business portfolio

Continued
internationalisation

Increased
financial strength

9

Highlights of the period



Reinforcing the strength of the Group taking into account the announced transactions

Rights issue proceeds



Elektro acquisition
in Brazil



Merger transaction
with Iberdrola
Renovables*



Closed April 27

Cash outflow**

Share
buy back program

* Subject to the approvals of Iberdrola and Iberdrola Renovables Annual Shareholders Meetings

** In case the General Shareholders Meeting of Iberdrola Renovables approves the distribution in cash of the extraordinary dividend

10

Highlights of the period



Improving the financial strength
and consolidating at the A rating level

Eur 1.5 bn of bonds issued in the capital markets

Improving debt profile and financial ratios

Eur 10.7 bn liquidity after Elektro payment
18 months of financial needs covered

Tariff deficit securitisation process on track:
Eur 1.8 bn already cashed

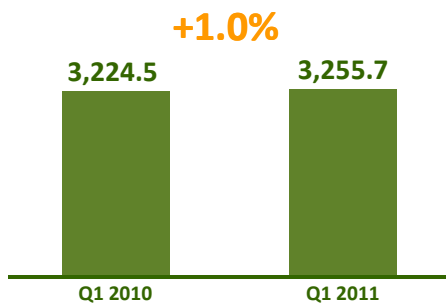
11

Gross Margin

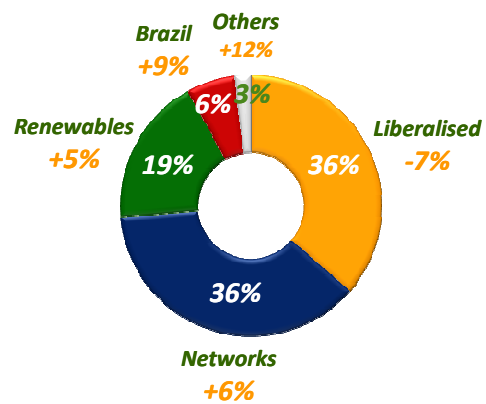


Gross Margin up 1% to Eur 3,256 M ...

Gross Margin (Eur M)



Gross Margin by business



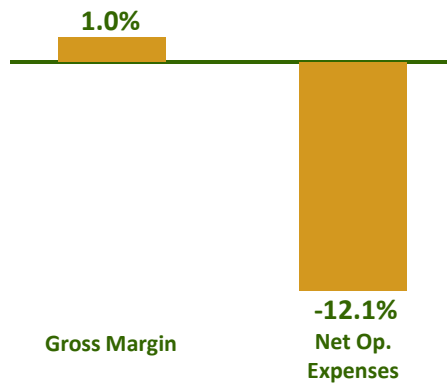
12

Efficiency

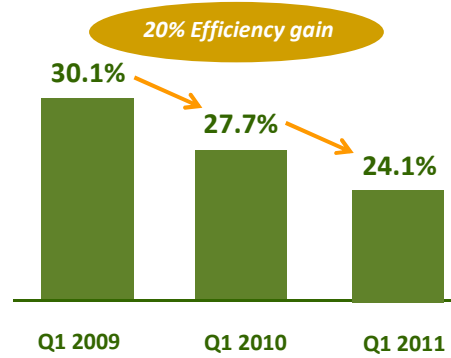


Efficiency improves by 13% ...

Q1 2011 v Q1 2010 increase



Net Op. Expenses over Gross Margin



... and 20% since ScottishPower and Iberdrola USA transactions were completed in Q1 2009

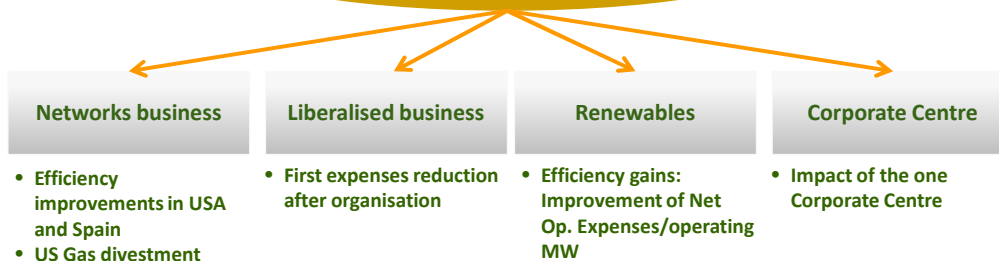
13

Efficiency



Q1 2011: First effects of the organisational change

Net Op. Expenses fall 12%
Eur 108 M lower expenses



Savings concentrated in Iberdrola USA and the Corporate Centre

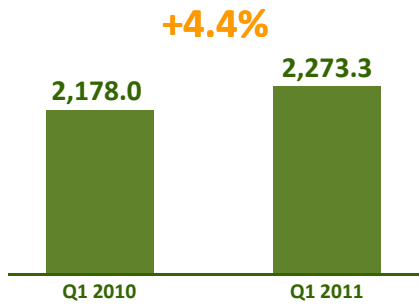
14

EBITDA

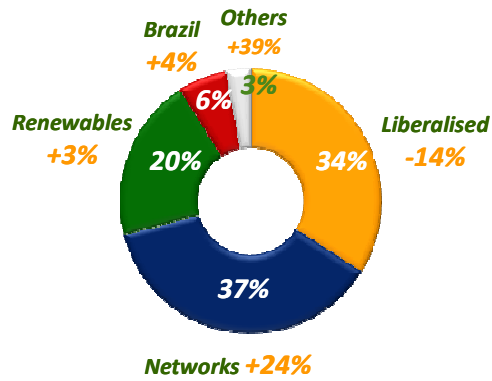


EBITDA up 4.4% to Eur 2,273 M
thanks to the Group's diversified business portfolio

EBITDA (Eur M)



EBITDA by business



Networks and Renewables
compensate the performance of Liberalised business

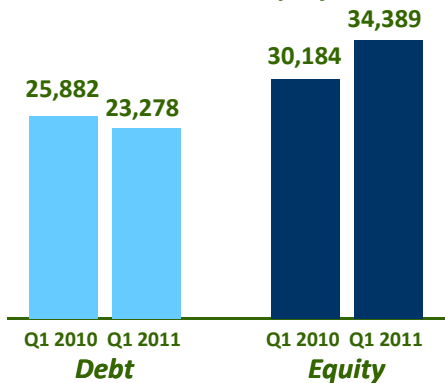
15

Balance Sheet management

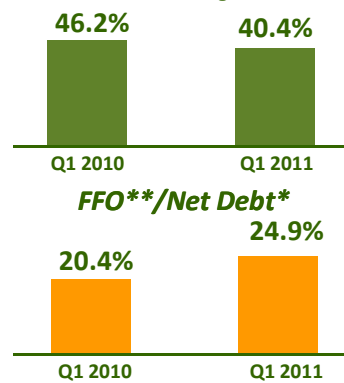


Improvement of the Balance Sheet structure

Debt* and Equity



Leverage*



Solid credit metrics within the A level

*Excluding tariff deficit and TEI ** FFO = Net Profit + Amortiz.&Prov. - Equity Income - Net Non Recurring Results - Fin. Prov.

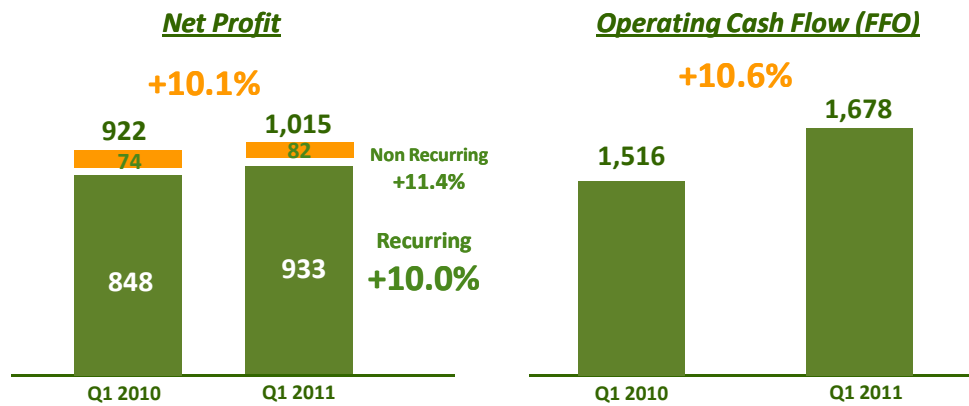
16

Net Profit and Operating Cash Flow



Double digit growth
in Net Profit and Operating Cash Flow

Eur M



17

Agenda



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Financing

Conclusion

18

Income Statement – Group



Double digit growth in Recurring Net Profit and Operating Cash Flow

<i>Eur M</i>	Q1 2011	Q1 2010	Var. %
Revenues	8,483.7	7,687.9	+10.4
Gross Margin	3,255.7	3,224.5	+1.0
Net Op. Expenses*	-784.7	-893.2	-12.1
EBITDA	2,273.7	2,178.0	+4.4
Operating Profit (EBIT)	1,602.9	1,535.9	+4.4
Net Finance Cost	-226.5	-297.5	-23.9
Recurring Net Profit	932.5	847.8	+10.0
Reported Net Profit	1,014.8	921.7	+10.1
Operating Cash Flow	1,677.7	1,516.4	+10.6%

*Excludes Levies

19

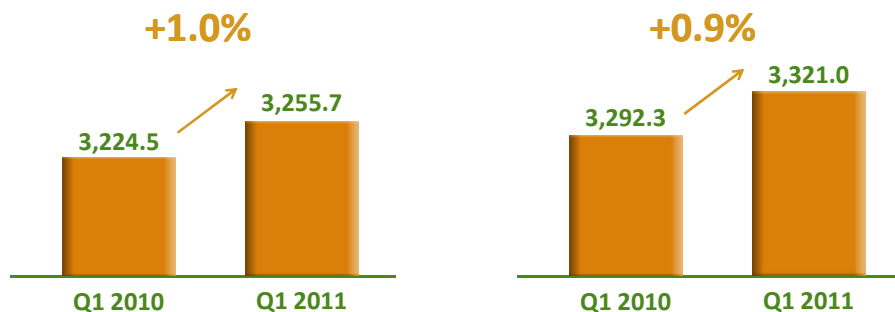
Gross Margin - Group



Gross Margin up 1.0% to Eur 3,255.7 M and Basic Margin up 0.9% to Eur 3,321.0 M

Gross Margin (Eur M)

Basic Margin (Eur M)



Revenues increase 10.4% to Eur 8,483.7 M, and Procurements up 18.0% to Eur 5,149.3 M

20

Net Operating Expenses - Group



Net Operating Expenses* improve by 12.1% to Eur 784.7 M and Recurring Net Operating Expenses by 7% driven by cost control and efficiency gains

Net Operating Expenses

<i>Eur M</i>	Q1 2011	% v Q1 2010
Net Personnel Expenses	407.8	-5.1%
Net External Services	376.9	-18.7%
Total	784.7	-12.1%

Operating Highlights

Net Personnel Expenses:
Cost control

External Services:
Cost reduction basically in US Networks
AGM attendance premium to be paid in Q2

Other Operating Income:
Positively affected by IFRIC 18

Levies up 18.9% to Eur 262.9 M due to the Spanish Liberalised Business

*Excludes Levies

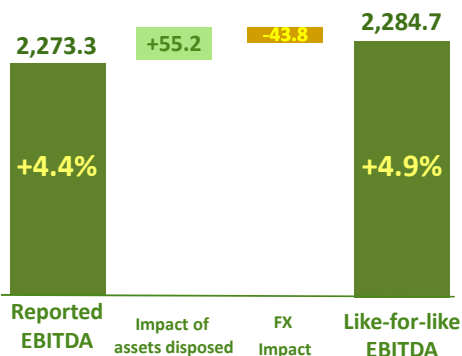
21

EBITDA - Group



Higher margin (+0.9%) and cost improvements (-12.1%) drive EBITDA up 4.4% (Eur 2,273.3 M) ...

Eur M



	Q1 2011	% v Q1 2010
Basic Margin	3,321.0	+0.9%
Net. Op. Exp.	-784.7	-12.1%
Levies	-262.9	+18.9%
EBITDA	2,273.3	+4.4%

... and up 4.9% on a like-for-like basis, considering the impacts of the assets disposed and exchange rate movements

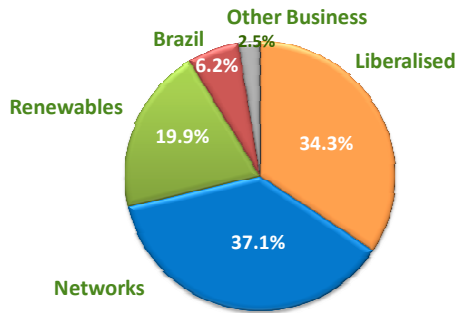
22

EBITDA - Business



Group EBITDA up 4.4% as Iberdrola's diversified business model delivers low risk growth ...

EBITDA Breakdown



Q1'11 EBITDA (Eur M)

Networks	843.8	+23.8%
Liberalised	779.1	-14.1%
Renewables	452.7	+2.6%
Brazil	140.3	+4.0%

... as more stable businesses (Networks and Renewables) compensate for the more volatile businesses (Liberalised)

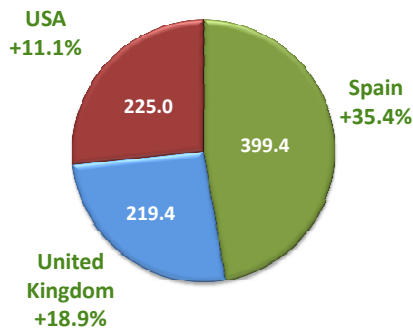
23

Results By Business Networks



Networks EBITDA up 23.8% to Eur 843.8 M ...

EBITDA Breakdown



Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	1,161.2	+5.9%
Net Op. Exp.	-217.5	-29.8%
EBITDA	843.8	+23.8%

... with significant growth in all geographies

24

Results By Business Networks Spain



**EBITDA up 35.4% to Eur 399.4 M
due to new regulatory framework ...**

Operating Highlights

**Higher regulated revenues:
+19.2% v Q1 2010**

**Lower Net Op. Expenses due to:
Cost control and IFRIC 18**

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	508.8	+15.8%
Net Op. Exp.	-89.2	-28.6%
EBITDA	399.4	+35.4%

... that will be homogenized by Q4

25

Results By Business Networks United Kingdom



**EBITDA up 18.9% to Eur 219.4 M
due to higher investments (+16%) and efficiencies**

Highlights of the Period

Operating Highlights	Higher revenues due to higher Investments
	Lower energy distributed
FX Impact	GBP: +4.0%

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	277.3	+22.2%
Net Op. Exp.	-34.6	+38.9%
EBITDA	219.4	+18.9%

**Net Operating Expenses up 38.9% as cost capitalisation is impacted
by capex timing differences, which will unwind during 2011**

26

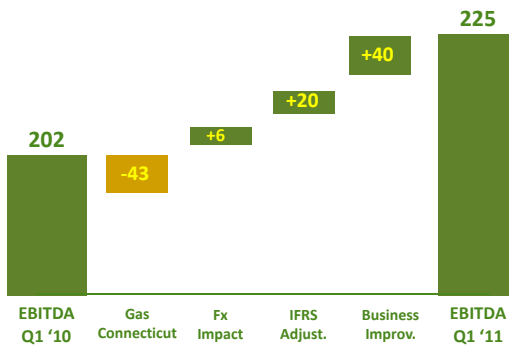
Results By Business Networks USA



EBITDA in Euros under IFRS up 11.1% to Eur 225.0 M ...

Eur M

EBITDA Impacts



Financial Highlights

	Q1 2011	% v Q1 2010
Gross Margin	375.1	-12.8%
Net Op. Exp.	-93.7	-41.4%
EBITDA	225.0	+11.1%

... as positive evolution of the business, especially due to efficiency measures, offsets the sale of Connecticut gas companies

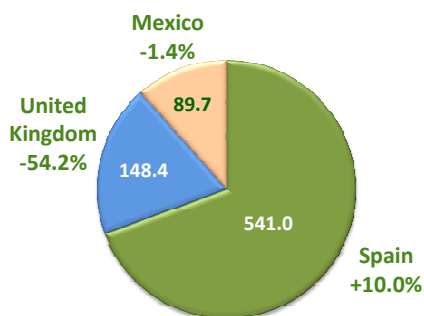
27

Results By Business Liberalised Business



Liberalised Business EBITDA down 14.1% to Eur 779.1 M as strong performance in Spain ...

EBITDA Breakdown



Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Basic Margin	1,254.4	-6.8%
Net Op. Exp.	-335.1	-2.3%
Levies	140.3	+45.8%
EBITDA	779.1	-14.1%

... does not compensate weak UK results

28

Results by Business Liberalised Business Spain



**EBITDA increases 10.0% to Eur 541.0 M
due to better margins (+12.4%) and cost control (+1.6%)**

Operating Highlights

-15% lower output due mainly to
-25% lower hydro production
Hydro reserves close to 80%

82% of Q1'11 ordinary regime output
is emission free

Margin improvement: Higher prices
(Achieved Price* Eur 60/MWh)
more than offset higher Procurement costs

2012 Spanish forward** at Eur 53/MWh
10% below European average

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Basic Margin	859.7	+12.4%
Net. Op. Exp.	-183.6	+1.6%
EBITDA	541.0	+10.0%

**2011: 64 TWh of production already sold above Eur 56/MWh
2012: 26 TWh of production already sold above Eur 60/MWh**

*Iberdrola average power price for the Spanish System includes spot and forward sales and retail margin for Q1 2011
** As of 31 March 2011

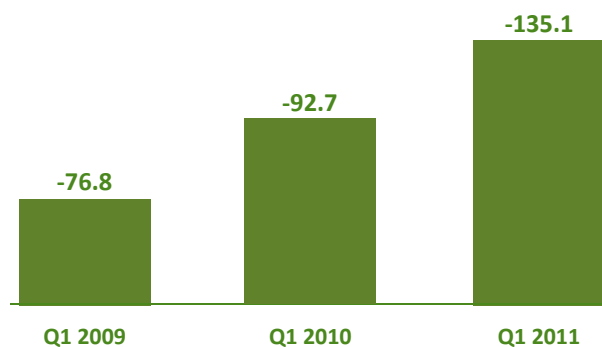
29

Liberalised Business Spain - Levies



**Levies up 45.7% v Q1'10 to Eur 135.1 M (25% of EBITDA), due to
Social Bonus, nuclear taxes and energy saving and efficiency plan**

Eur M



**Levies in Spanish Liberalised Business
have almost doubled in 2 years**

30

Results By Business Liberalised Business United Kingdom



EBITDA is down 54.2% to Eur 148.4 M
due to lower output and margins ...

Operating Highlights

↓	Lower sales v Q1 2010 (-11%): Power -4% Gas -12%
↓	Lower Power&Gas margins as higher commodity costs are not offset by prices Situation should improve during 2011
↑	Net Operating Expenses improve 6.8% due to External Services and maintenance costs reduction

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Basic Margin	281.8	-39.4%
Net Op. Exp.	-128.8	-6.8%
EBITDA	148.4	-54.2%

... as Q1 '10 showed strong results especially from retail gas due to the cold winter

Forward curves indicate possible tariff increases during 2011

31

Results By Business Liberalised Business Mexico



Mexico EBITDA is down -1.4% to Eur 89.7 M ...

Highlights of the Period

Operating Highlights	↑	Higher availability
	↓	Asset Sales
FX Impact	↑	USD: +2.8%

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	112.9	-2.2%
Net Op. Exp.	-22.7	-5.7%
EBITDA	89.7	-1.4%

... as improved operating results (+9.0%)
are offset by the sale of Guatemala in 2010

32

Results By Business Renewables



Renewables EBITDA up 9.3% to Eur 428.3 M,
due to 12.1% higher output (7,636 GWh) ...

Operating Highlights

Operating Capacity +16.6% to 12,584 MW
Installed Capacity +13.6% to 12,834 MW

Average price*
Eur 71.6/MWh v Eur 73.5/MWh in Q1 '10

OPEX per average operating MW
improves by 1.5%

Financial Highlights (Eur M)

	Renewables		Gas		TOTAL	
Gross Margin	569	+11%	35	-42%	604	+5%
Net Op. Expenses**	-140	+14%	-11	0%	-151	+13%
EBITDA	428	+9%	24	-50%	453	+3%

... that is partially offset by weak contribution of Gas Business (-50.4%),
driving Iberdrola Renewables EBITDA up 2.6% to Eur 452.7 M

*Homogeneous, net of PTCs ** Include Levies

33

Results By Business Brazil



Brazil EBITDA increases 4.0% to Eur 140.3 M ...

Highlights of the Period

Operating Highlights	↑ Brazil Demand: +7.5%
	↑ New hydro capacity
	↓ Lower settlements in Q1'11
FX Impact	↑ Brz Real: +10.2%

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	192.4	+8.7%
Net Op. Exp.	-51.4	+24.8%
EBITDA	140.3	+4.0%

... due to good operating performance, as Real revaluation (Eur +14 M)
is more than offset by lower settlements in Q1'11 (Eur -21 M)

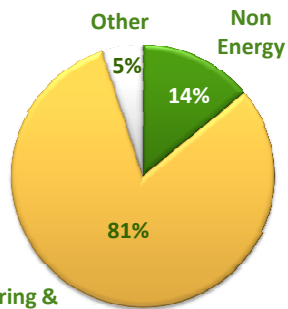
34

Results By Business Other Businesses



EBITDA up 38.6% to Eur 55.6 M driven by a strong margin improvement in Engineering&Construction in Q1 ...

Gross Margin Breakdown



Engineering & Construction

Financial Highlights (Eur M)

	Q1 2011	% v Q1 2010
Gross Margin	124.1	+12.0%
Net Op. Exp.	-65.4	-5.3%
EBITDA	55.6	+38.6%

... that compensates the weakness in other businesses

35

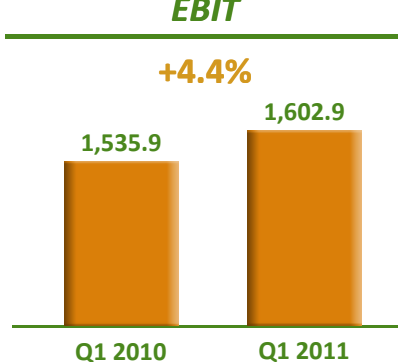
EBIT - Group



Group EBIT up 4.4% to Eur 1,602.9 M

Eur M

EBIT



	Q1 2011	% v Q1 2010
D&A	-635.7	+5.2%
Provisions	-34.7	-7.7%
Total	-670.4	+4.4%

D&A and Provisions up 4.4% to Eur 670.4 M due to renewables and IFRIC 18

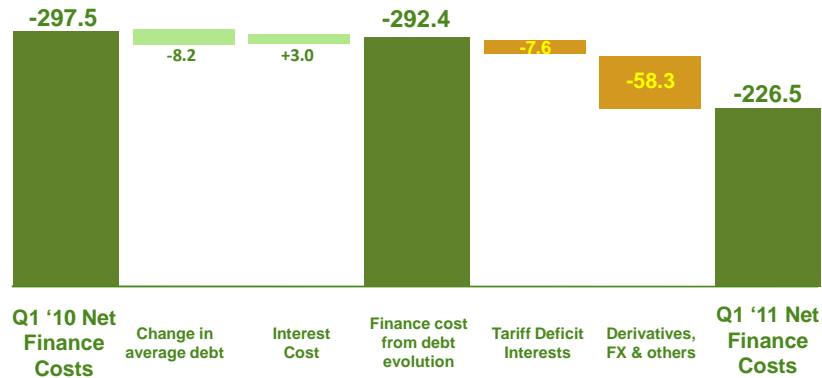
36

Net Finance Costs - Group



FX derivatives due to P&L hedging policy are behind the financial expenses improvement (23.9%) ...

Eur M



... as debt related cost improves slightly due to stable interest cost (4.28%) and average debt

37

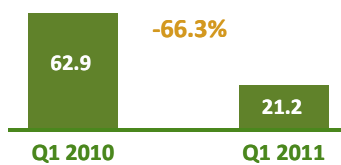
Reported Net Profit - Group



Recurring Net Profit is up 10.0% to Eur 932.5 M ...

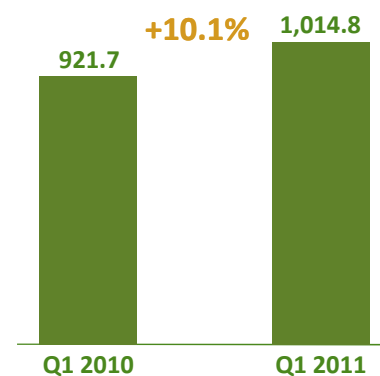
Eur M

Gross Non Recurring Results



Taxes down 6.4% basically due to the lower Corporate Tax Rate in UK

Net Profit



... as lower taxes compensate lower Non Recurring Results Reported Net Profit is up 10.1% to Eur 1,014.8 M

38

Agenda



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Financing

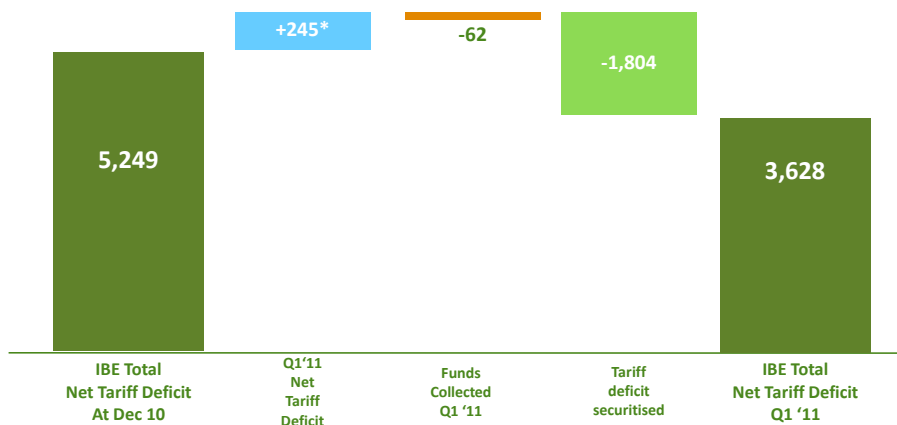
Conclusion

39

Tariff Deficit



Tariff Deficit falls to Eur 3,628 M at the end of Q1 2011



We expect the process to restart in May, with issues every 5/6 weeks

* Includes interest of Eur 14 M relating to the 2006, 2008, 2009 & 2010 tariff deficits

40

Financing – Adjusted Leverage

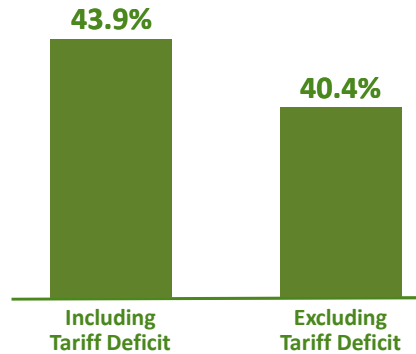


Leverage improves to 40.4% at March 2011 v 46.2% at March 2010 excluding tariff deficit and to 43.9% at Q1 '11 v 49.6% at Q1 '10 including tariff deficit ...

Q1 2011 Net Debt and Equity

	Q1 '11	Q1 '10
Adjusted Net Debt	26,906	29,666
Tariff Deficit	3,628	3,784
Adjusted Net Debt Ex deficit	23,278	25,882
Equity	34,389	30,184

Q1 2011 Leverage



... Equity rose 14.1% to Eur 34.4 bn

Note all debt figures include TEI

41

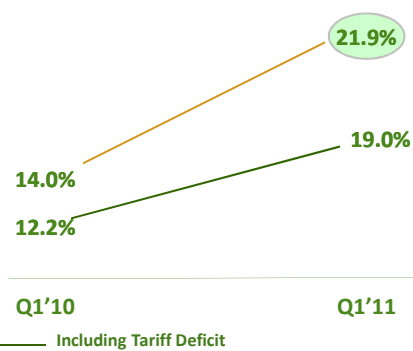
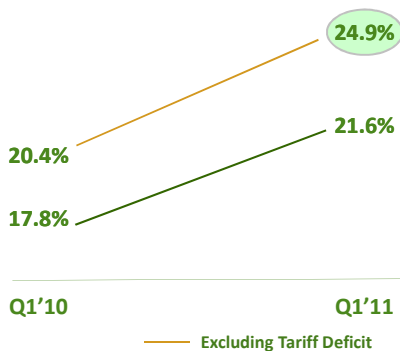
Financing – Financial Ratios



Credit metrics improve strongly, even including the tariff deficit, ...

FFO⁽²⁾/Net Debt⁽¹⁾ (%)

RCF⁽³⁾/Net Debt⁽¹⁾ (%)



... and are well positioned within the A-/A3 rating bands

(1) Including TEI but excluding Rating Agencies Adjustments / (2) FFO = Net Profit + Amortiz.&Prov. – Equity Income – Net Non Recurring Results – Fin. Prov. / (3) RCF = FFO – Dividends

42

Financing – Liquidity



Eur 10.7 bn Liquidity after Elektro payment ...

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2011	1,101	60	1,041
2012	2,279	145	2,134
2013	2,950	-	2,950
2014+	2,150	-	2,150
Total Credit Lines	8,480	205	8,275
Cash & Short Term Fin. Invest.			3,378
March EMTN (April settlement)			750
Elektro payment (April 27)			-1,666
Total Adjusted Liquidity			10,737

... enough to cover 18 months financing needs including Treasury Stock buy-back for IBR shareholders*

* Subject to the approval of the merger by the General Shareholders Meetings of Iberdrola and Iberdrola Renovables

43

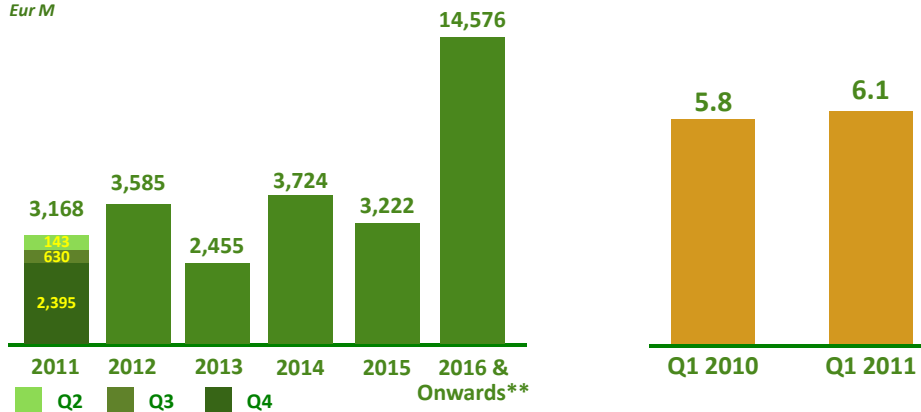
Financial Profile



Iberdrola debt maturity profile*

Average maturity of debt

Eur M



In Q1 Iberdrola has raised Eur 1.5 bn through two successful bond issues plus Eur 1.8 bn collected from tariff deficit securitisation

*Does not include drawn credit lines
**Includes commercial paper outstanding balance and March 2011 6 year EMTN bond (April settlement)

44

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

45

Conclusion: Q1 2011 Results



Gross Margin
growth in a
complex
environment

+

Operating efficiency
improvement

+

Financial Expenses
reduction

Operating Cash Flow up 11%

Reaffirming 2011 outlook

46

Conclusion



A business model where everybody wins

Shareholders

2000-2010 Total Return: 158%
Eur 10 bn in dividends*

Employees

Training: 1 M hours in 2010



Customers

45% improvement in quality of
service in the 2000-2010 period

Suppliers

Purchases for over Eur 14 bn in 2010

Society

2010: Eur 3.5 bn in Tax
contribution and Eur 130 M in
R+D+i

* Assuming that all the holders of the freely assigned rights opted to receive cash dividends under the two issuances carried out by Iberdrola under the "Iberdrola Scrip Dividend" programme

47