





IBERDROLA

INVESTOR DAY
Madrid / March 2nd / 2011



Liberalised Business
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Director - Group Liberalised Business



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Agenda

- Global Business**
- 2010 Results
- 2011 Key Drivers & Outlook
- Conclusions

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INVESTOR DAY  **Global Business: Business Integration Plan** 

Since January 1st the Liberalised Businesses in: Spain, Portugal, United Kingdom, México and Continental Europe have been integrated



The integration focuses on the optimisation of the organizations, delivery of additional synergies and increased operational efficiency


- Potential for additional margins by reallocating resources to new business
- Increased efficiency is the main component of the integration benefits

Efficiency improvements through applying the expertise of each of the local organizations in new investments

Manage a single P & L account and a single investment portfolio

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INVESTOR DAY  **Global Business: A single business unit** 



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Liberalised
Business*



Spain, Portugal, United Kingdom and Mexico are part of a single business unit

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INVESTOR DAY  **Global Business: Key figures** 

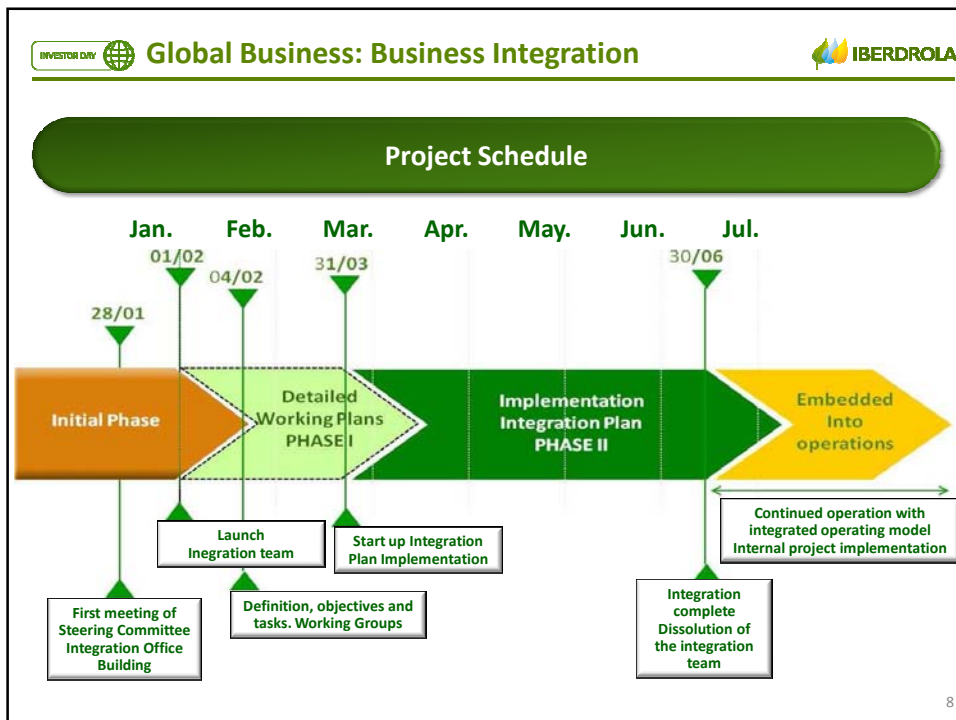
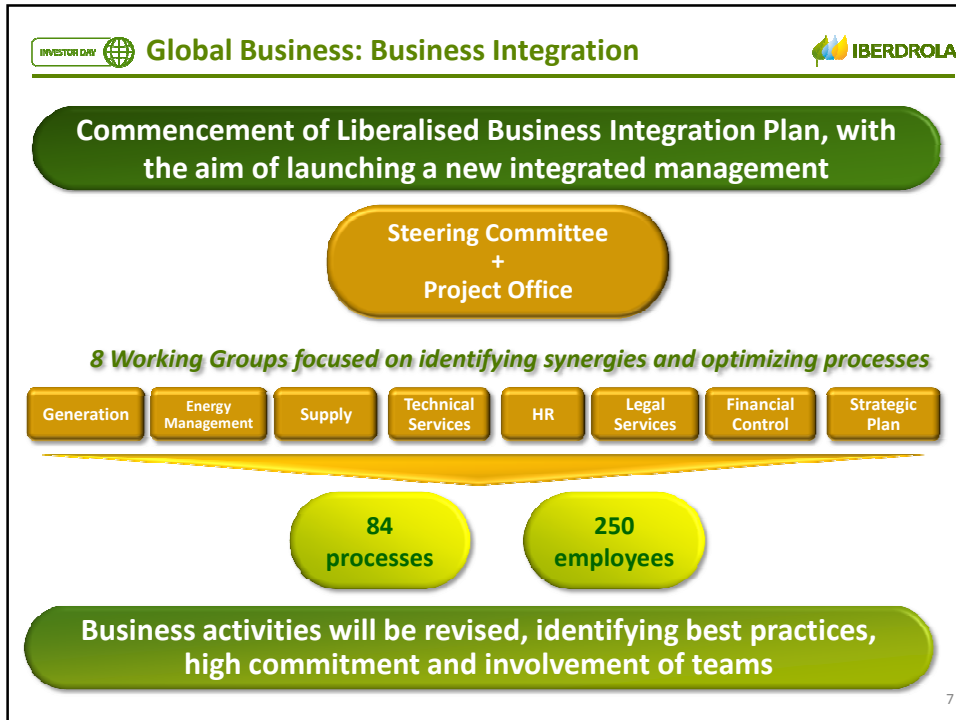
FY 2010		Spain & Portugal	UK	Mexico	TOTAL
Installed Capacity		19.9 GW	6.0 GW	5.0 GW	30.9 GW
Production		60.9 TWh	26.5 TWh	34.5 TWh	121.9 TWh
Sales to final customers	Electricity	74.1 TWh	25.2 TWh	5.7 TWh	105.0 TWh
	Gas	9.9 TWhg	35.1 TWhg		45.0 TWhg
Customers (electricity & gas)		12.8 MM	5.2 MM		18.0 MM

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INVESTOR DAY  **Global Business: Income Statement 2010** 

	Spain & Portugal	UK	Mexico	TOTAL
Revenues	10,545	7,585	1,444	19,574
Procurements	- 7,978	- 6,674	- 981	-15,633
Gross Margin	2,568	910	463	3,941
Net Operating Expenses	- 688	- 350	- 105	- 1,143
Taxes	- 397	- 16	- 1	- 413
EBITDA	1,483	545	357	2,385
Amortisations & Provisions	- 530	- 315	- 61	- 906
EBIT	953	230	296	1,479

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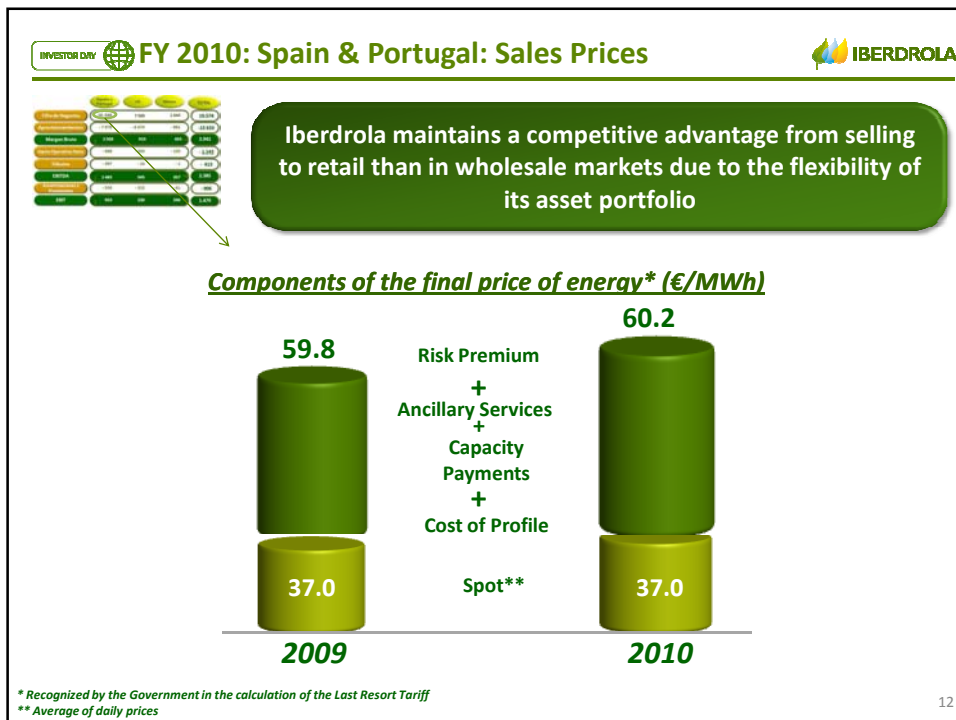
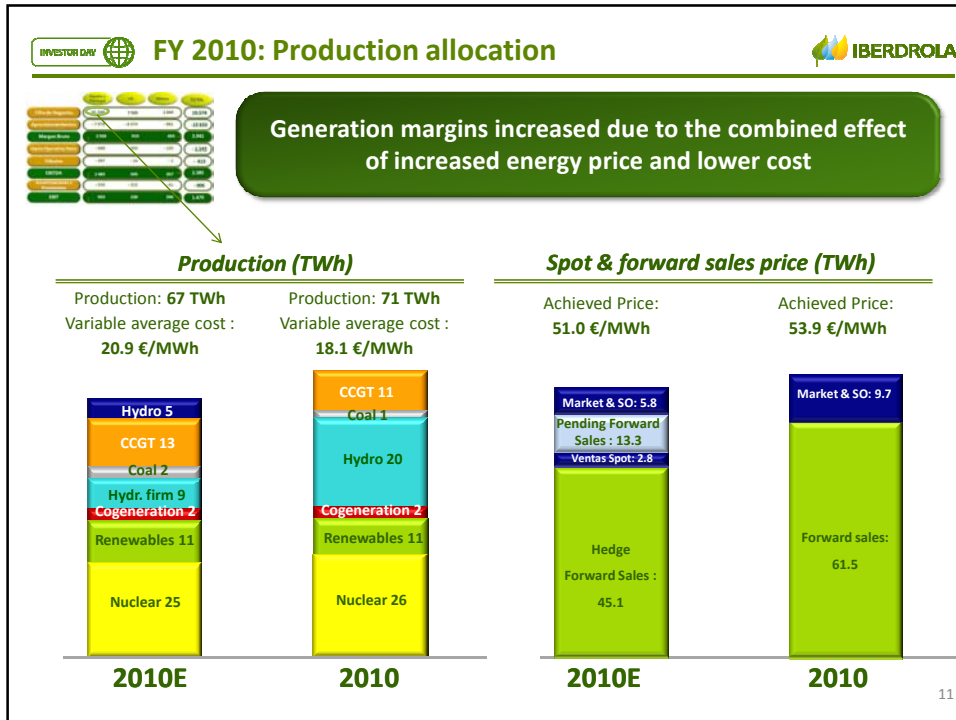
INVESTOR DAY  **FY 2010: Spain and Portugal: Liberalisation** 

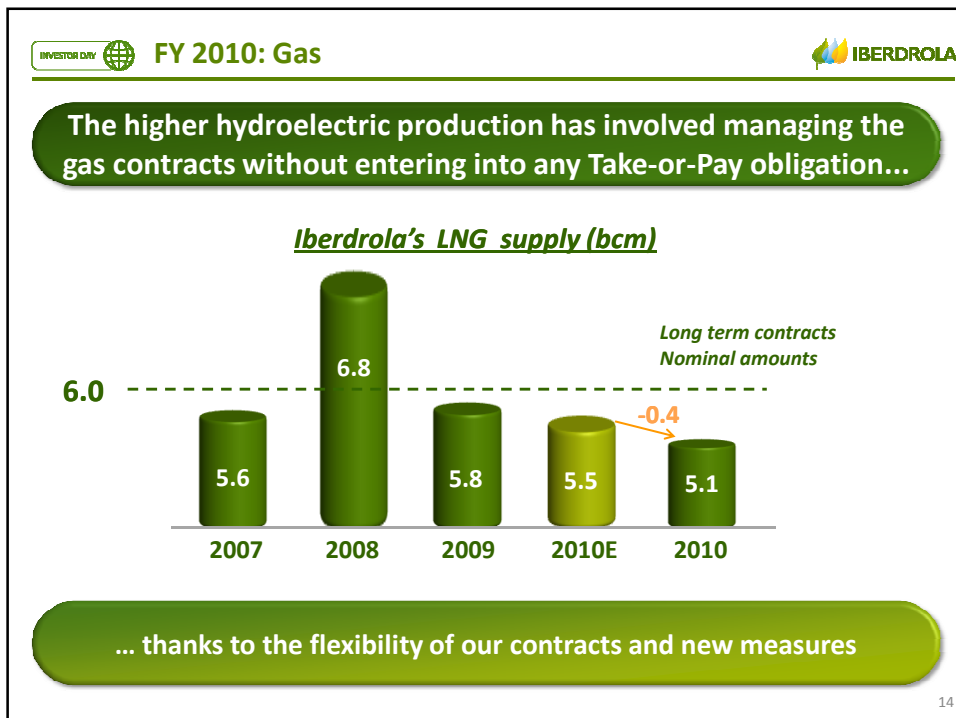
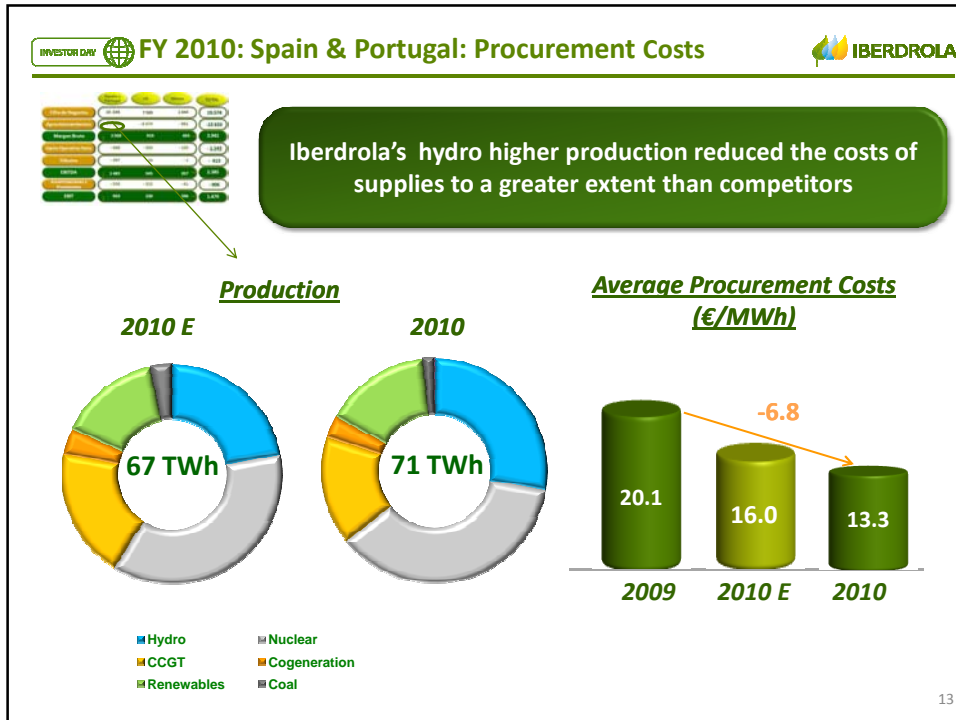
Category	2010 E	2010
System Operator	10%	10%
Spot	10%	4%
Forward Sales	80%	86%

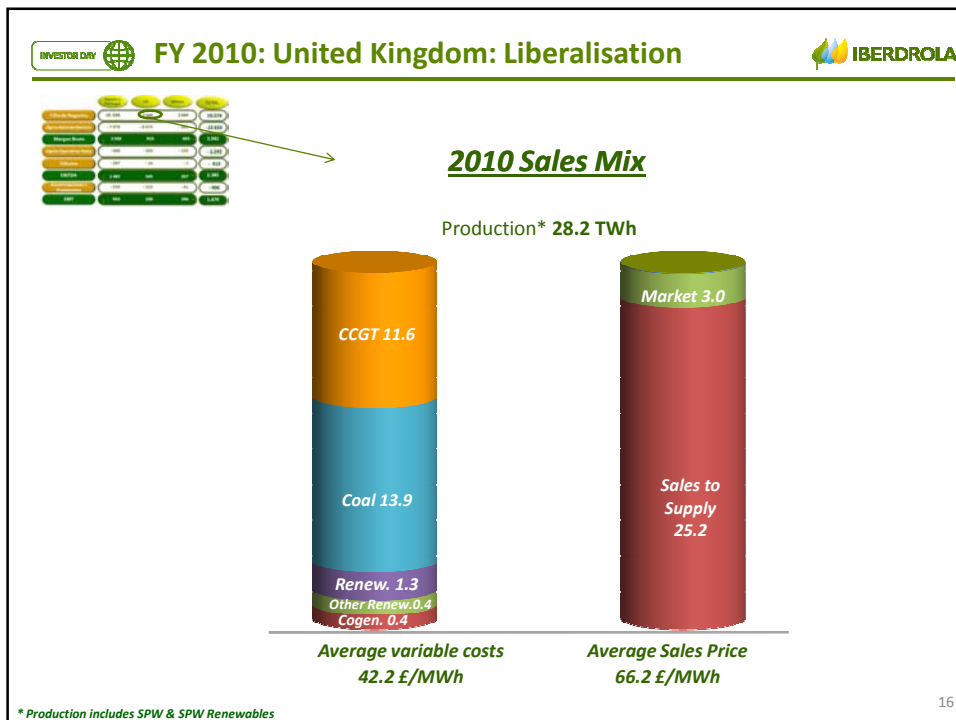
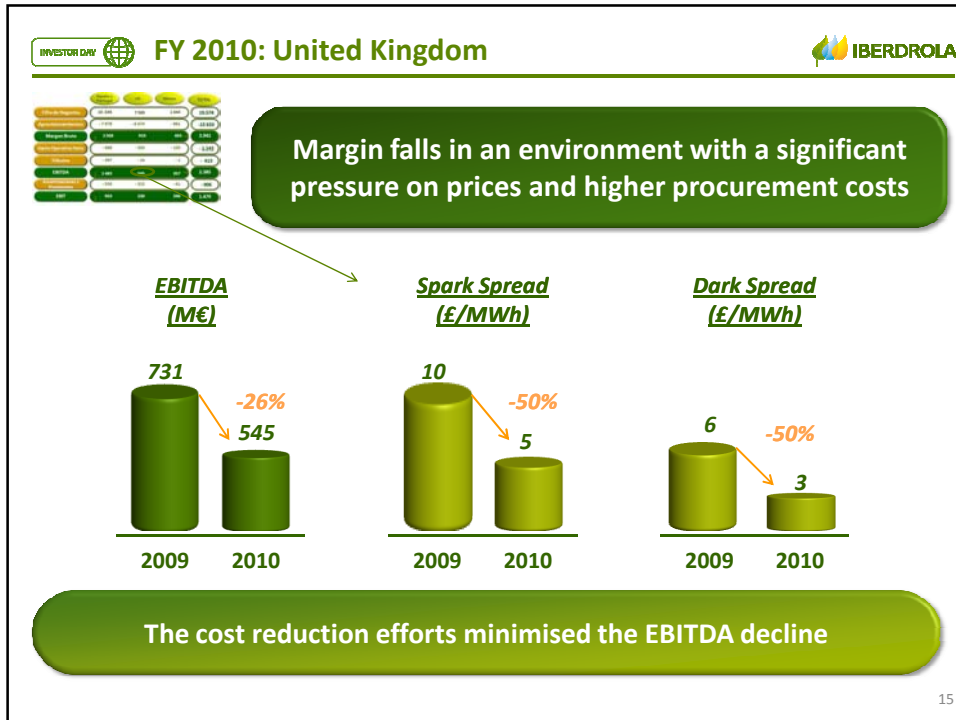
-  System Operator
-  Spot
-  Forward Sales

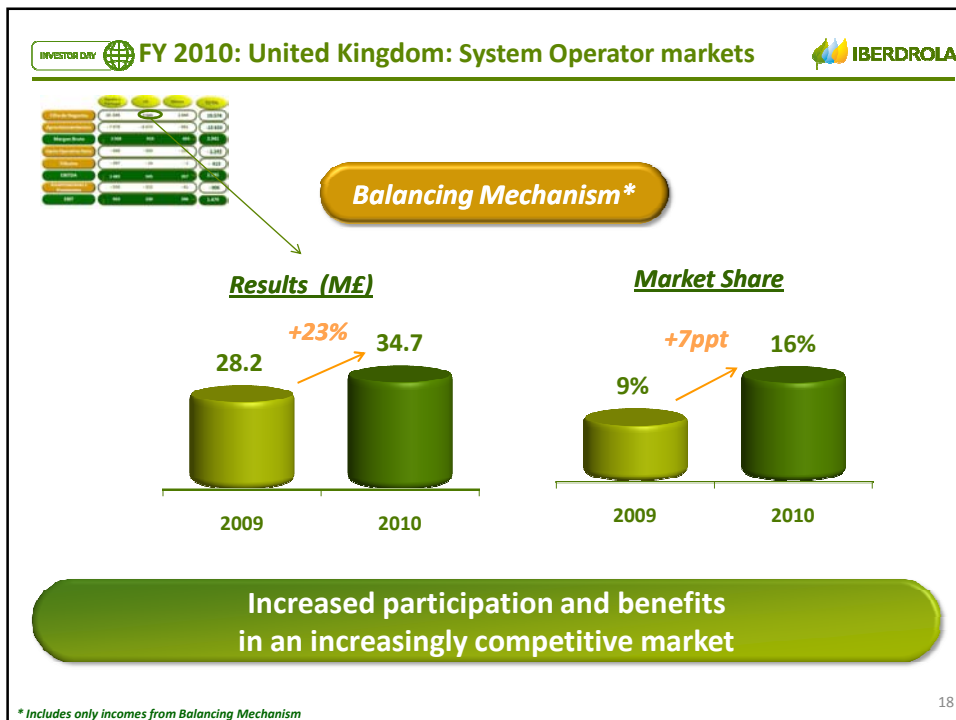
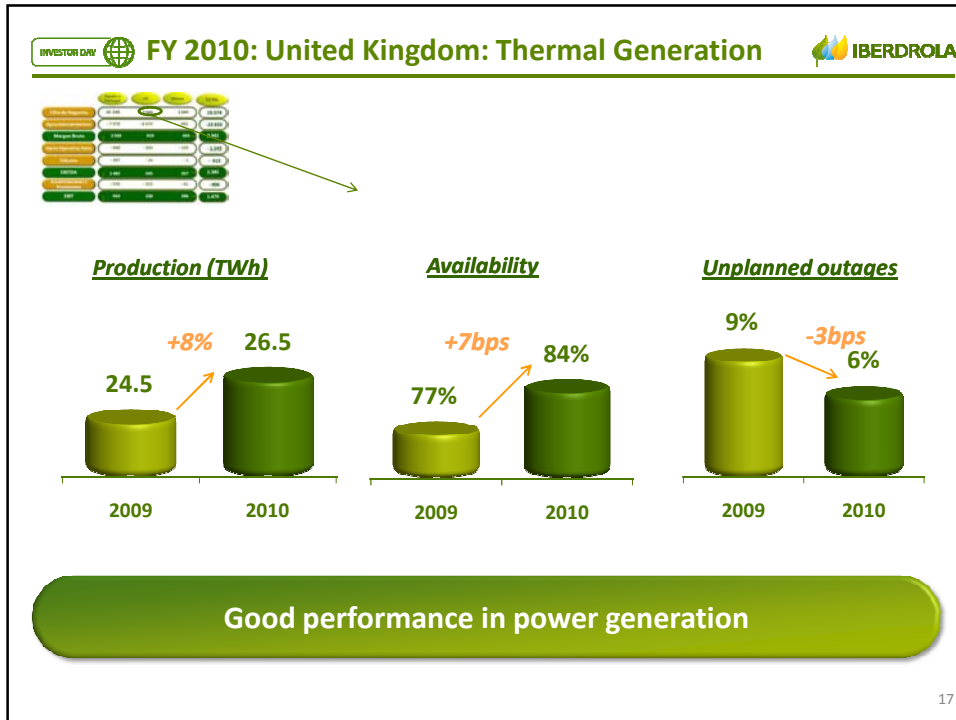
Increased sales in 2010 by 4 TWh especially in the forward market, and with higher prices

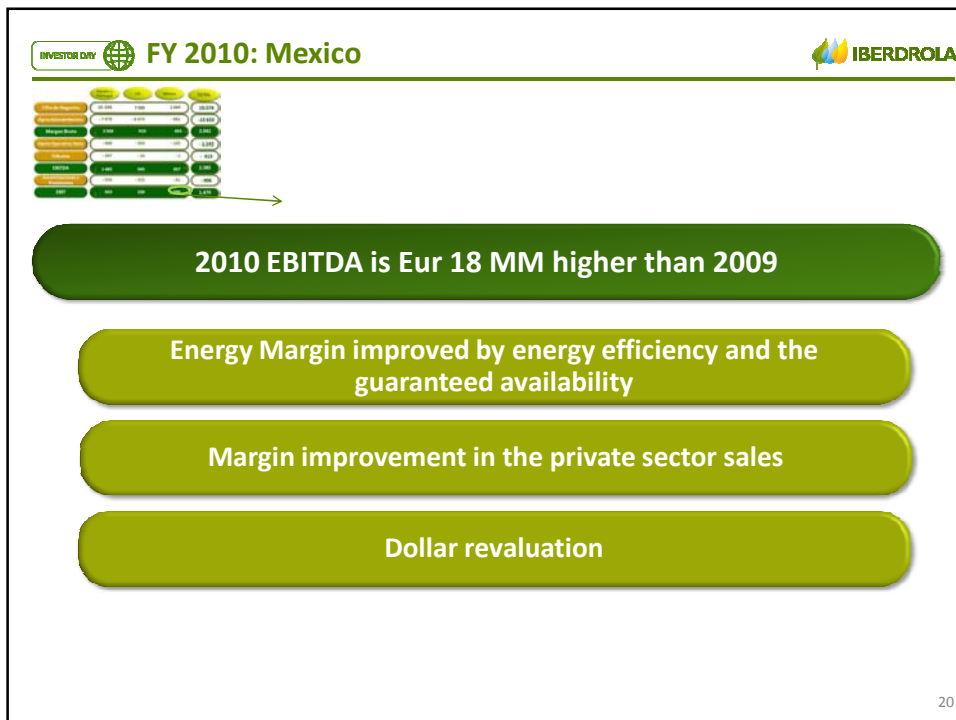
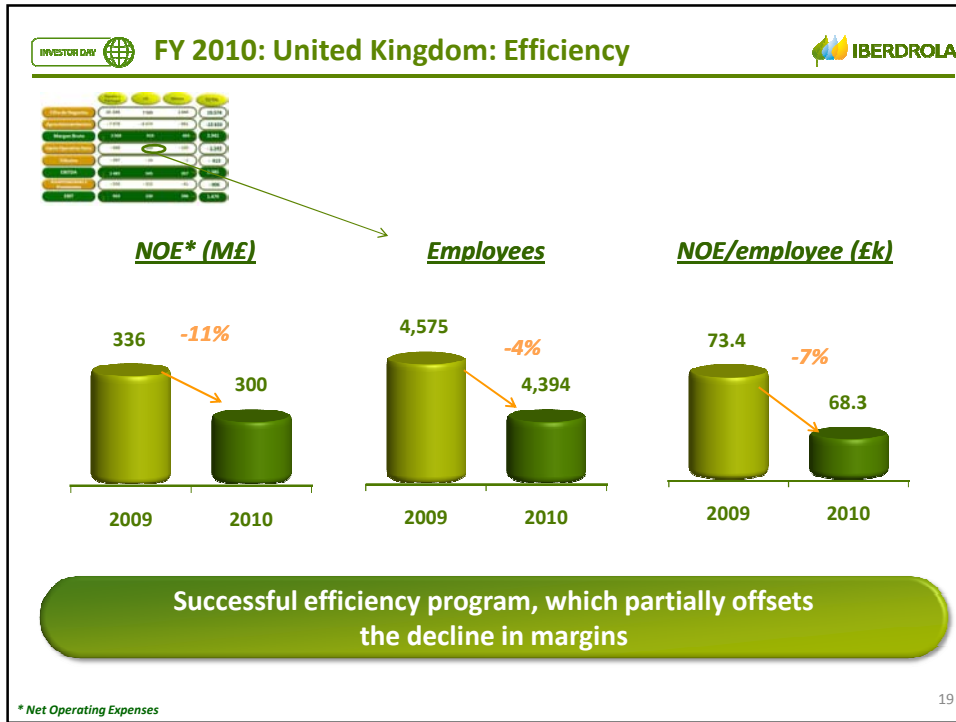
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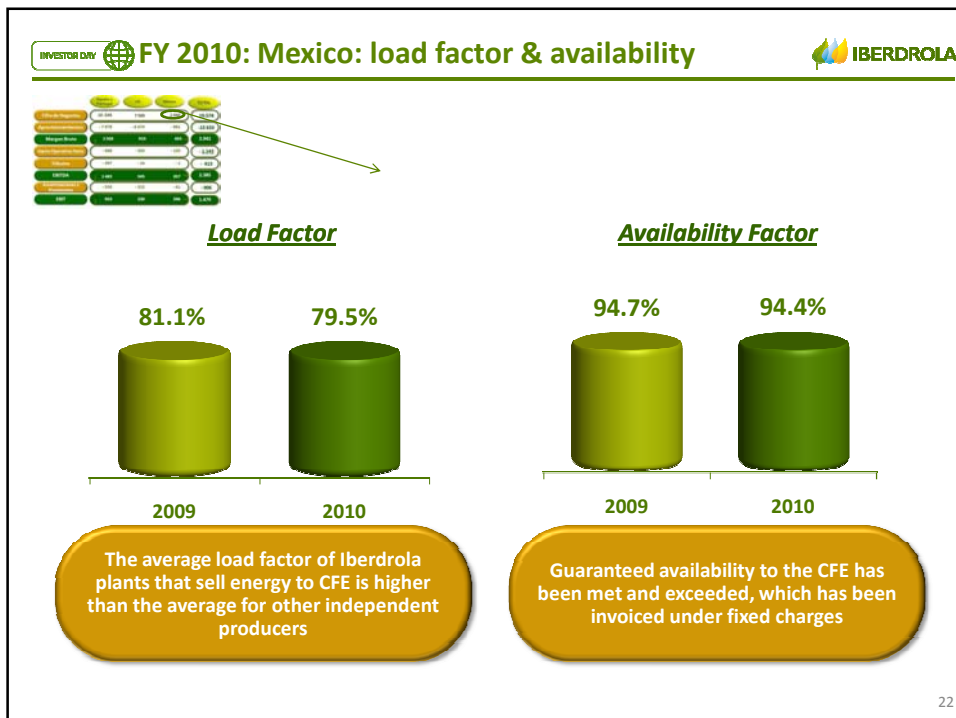
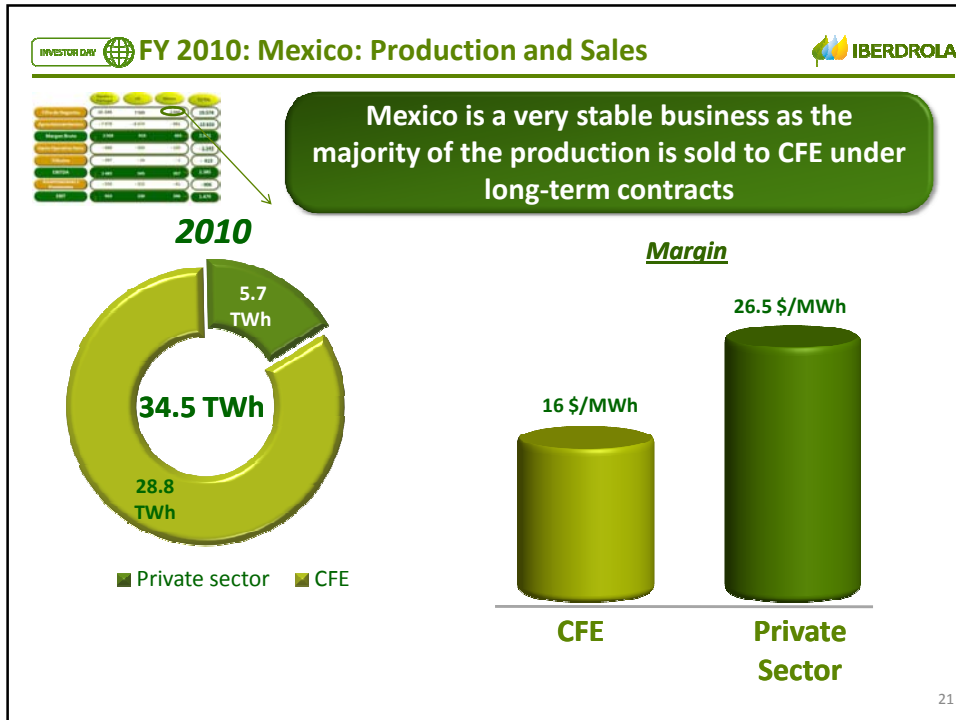












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Agenda

Global Business

2010 Results

2011 Key Drivers & Outlook

Conclusions

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INVESTOR DAY
2011 Key Drivers & Outlook. Demand

Demand recovers ...

Electricity Demand

Spain

Year	Demand (TWh)	Annual Growth (%)
2004	236	4.5%
2005	246	4.3%
2006	259	2.9%
2007	261	1.1%
2008	263	0.8%
2009	251	-4.5%
2010	260	3.5%

Gas Demand

United Kingdom

Year	Demand (bcm)	Annual Growth (%)
2004	28	14.7%
2005	31	8.3%
2006	33	1.0%
2007	34	2.7%
2008	39	13.7%
2009	35	-12.6%
2010	34	-3.3%

Electricity Demand

Spain

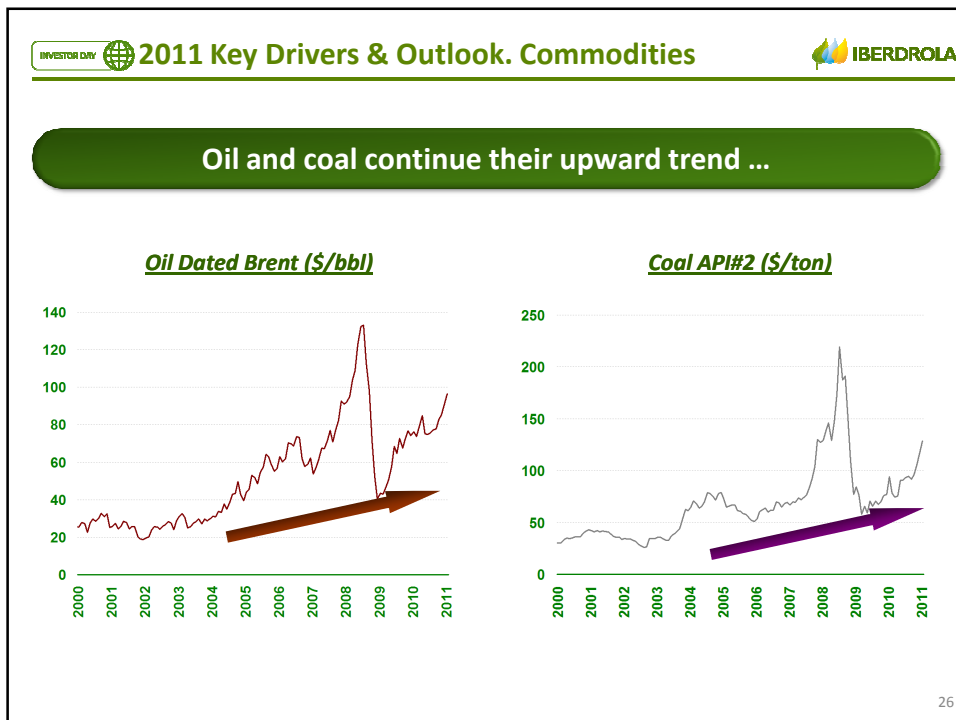
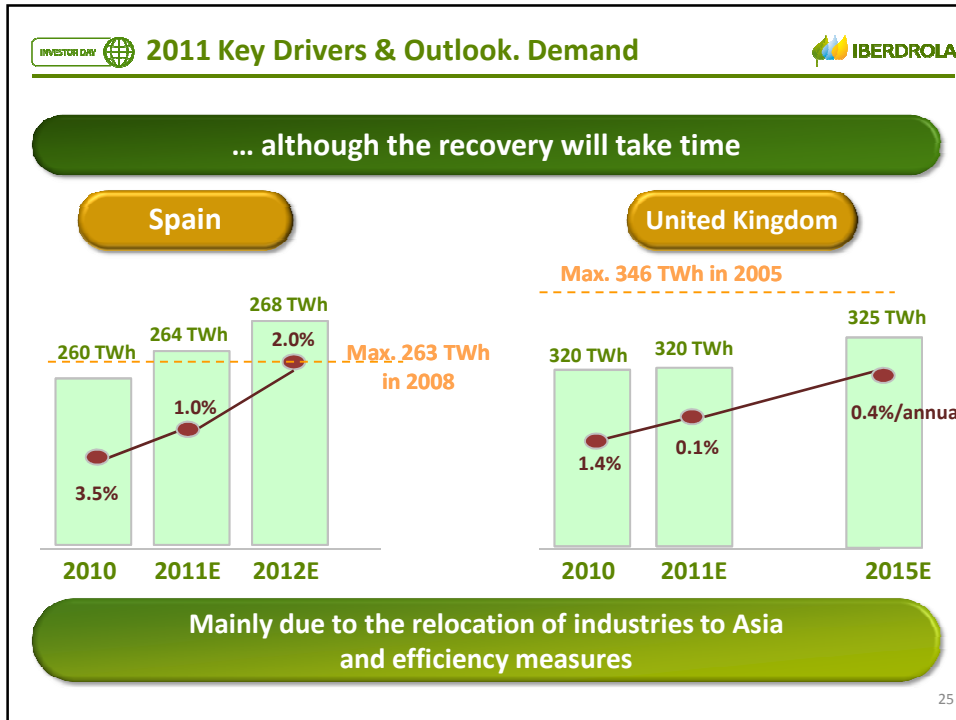
Year	Demand (TWh)	Annual Growth (%)
2004	339	0.8%
2005	346	2.0%
2006	345	-0.5%
2007	342	-0.8%
2008	340	-0.5%
2009	315	-7.3%
2010	320	1.4%



Gas Demand

United Kingdom

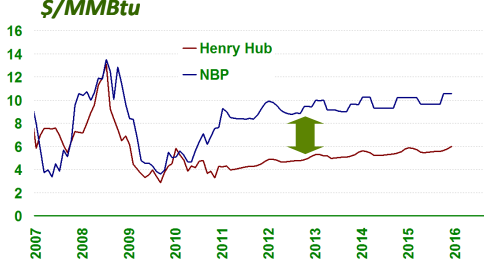
Year	Demand (bcm)	Annual Growth (%)
2004	103	2.2%
2005	100	-2.4%
2006	95	-5.2%
2007	98	1.1%
2008	100	4.1%
2009	99	-1.1%
2010	111	12.6%

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INVESTOR DAY  **2011 Key Drivers & Outlook. Commodities** 

... while gas evolution affected by the sharp change in market fundamentals





Recent and future new LNG production trains (Qatar, Peru, Angola, Australia)

Shale gas in USA has decoupled the US market from the global gas market

These factors, together with the fall in demand and uncertainty about more non conventional gas in other countries, will affect prices in the coming years

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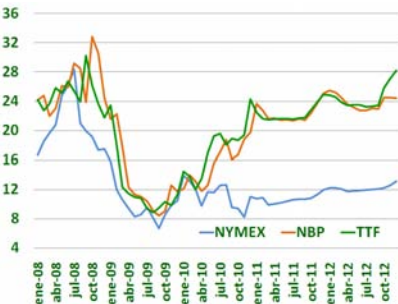
INVESTOR DAY  **2011 Key Drivers & Outlook. Gas and electricity prices** 

Expectations are that electricity prices will recover slightly, as will gas supply prices

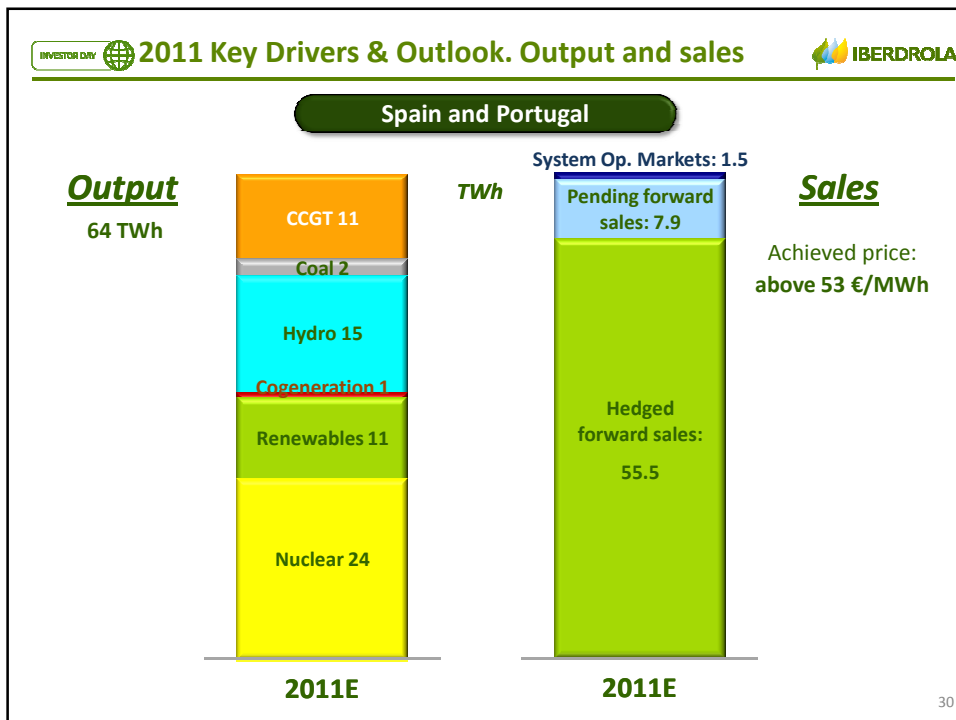
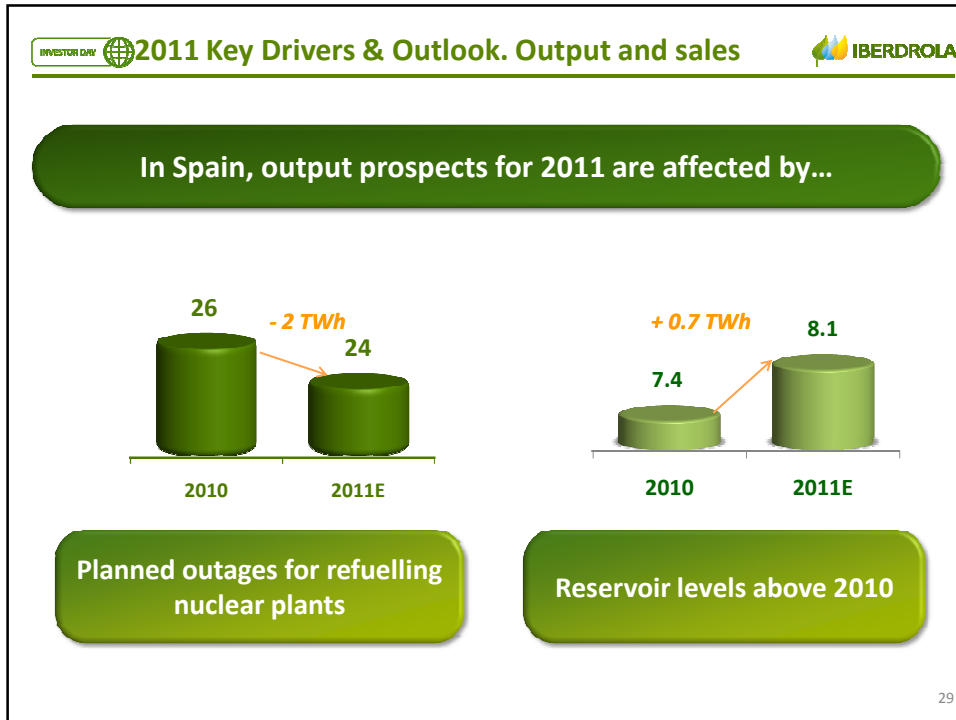
Electricity prices (€/MWh)



	2009	2010	2011	2012
Spain	37.0	37.0	47.5	48.1
U. Kingdom	39.6	48.2	56.1	57.0
France	43.0	47.5	51.1	53.1
Germany	38.9	44.5	50.8	51.5
Italy	63.8	64.1	67.6	71.0

Gas prices (€/MWh)



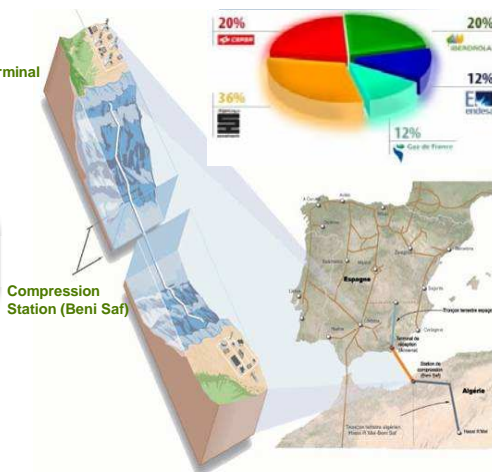
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INVESTOR DAY  **2011 Key Drivers & Outlook. MedGaz** 

Reception Terminal (Almeria)



Compression Station (Beni Saf)




- **CAPACITY: 8 bcm yearly**
- **PIPELINE:**
 - Length: 210 km
 - Maximum Depth: 2,160 m
 - Diameter 24''
 - Investment: € 900 M

After a considerable delay in the construction phase, commercial operation is expected to commence in April 2011

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INVESTOR DAY  **2011 Key Drivers & Outlook. Spain: Obligation of domestic coal consumption** 



After negotiations with the Ministry, a scheme that does not affect market price formation has been achieved

Natural gas and imported coal procurements have been modified in order to avoid fuel logistic problems due to the entry into force of the obligations


With the tests carried out in recent months, the plant is ready to produce the committed coal amounts

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2011 Key Drivers & Outlook.
Spain: Thermal restructuring project

In 2010, the RETO project has been launched with the aim of optimizing internal and external resources dedicated to the operation of the thermal plants due to the new operating environment

- > Optimization of maintenance contracts
- > Reducing the scope of maintenance contracts in plants with low load factors
- > Reducing outsourcing: maintenance works with own personnel or transfers to other organizations
- > Incentives to personnel around 60 years for agreed early retirement



Reduction of between 10% and 40% in O&M contract costs

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2011 Key Drivers & Outlook.
Spain: Capacity payments

Ministry of Industry is developing a new Ministerial Order to modify the current framework of capacity payments ...

<p>Investment Incentive</p> <p>Only for CCGTs. Increasing current payment</p> <p>Aprox. + €34 M/year</p>	<p>Capacity payments</p>	<p>Availability Service</p> <p>For imported coal plants and CCGTs.</p> <p>Aprox. + €35 M/year</p>
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... that could increase revenues by almost € 70 M

<p>Availability Service could also be increased by the following amounts</p>	<p>Aprox. + € 10 M</p>	Participation of hydro plants
	<p>Aprox. + € 6 M</p>	Participation of fuel oil plants

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2011 Key Drivers & Outlook.
Spain and Portugal: Ongoing investments and without delays

Iberdrola continues with planned investments ...

<p>San Esteban II Hydro plant (Spain) 176 MW</p> 	<p>La Muela II Hydro plant (Spain) 850 MW</p> 	<p>Tamega Hydro (Portugal) 1,154 MW</p> 
<p>San Pedro Hydro plant (Spain) 23 MW</p>		

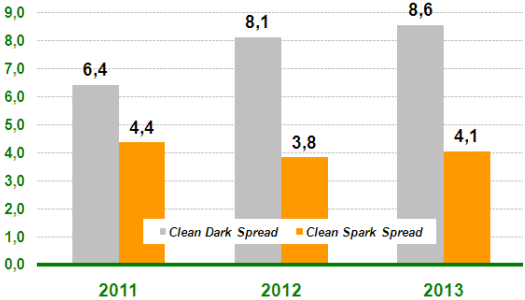
... that, with the exception of Tamega, will come into operation during 2012

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2011 Key Drivers & Outlook.
United Kingdom: Spreads

Markets suggest better thermal spreads, especially in coal ...

UK Spreads (£/MWh)





Year	Clean Dark Spread (£/MWh)	Clean Spark Spread (£/MWh)
2011	6.4	4.4
2012	8.1	3.8
2013	8.6	4.1

... unless supply problems occur again

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2011 Key Drivers & Outlook. Mexico: Focus on availability

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Power sales contracts to CFE have fixed payments directly related to plant availability, so it is key to maintain this income stream

Availability Factor



Year	Availability Factor (%)
2010	94.4%
2011E	94.3%

Availability variations are due to the planned maintenance program, established upon signing of the contract with CFE and do not affect the profitability of the installations

Average fleet availability in 2011 is expected to be very high and similar to 2010 (94%)

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2011 Key Drivers & Outlook. Mexico: private sector

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Electricity sales mix to private sector (GWh)



Category	Value (GWh)
Sales to private sector through long term PPAs	4,255
Other sales to private sector	1,434
Total sales	5,689

Margin: 26 USD/MWh

Sales margin to private sector will increase due to the higher competitiveness of Iberdrola's production mix versus CFE (who fixes the reference prices)

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2011 Key Drivers & Outlook.
Changes in gas contracts

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Iberdrola adjusts its gas balance to the new environment

- Renegotiation of contracts for more than 1 bcm → Announced in February 2010
- Long-term sale of 1 bcma → Contract signed in 2010 for the sale of long-term gas in Rotterdam (deliveries scheduled in Q4 2011)
- 3 contracts in advanced negotiations to provide greater flexibility → Obtaining higher flexibility for Iberdrola and incorporating spot references

Iberdrola anticipated the new market conditions collaborating with suppliers and buyers


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2011 Key Drivers & Outlook.
Opening new markets for gas

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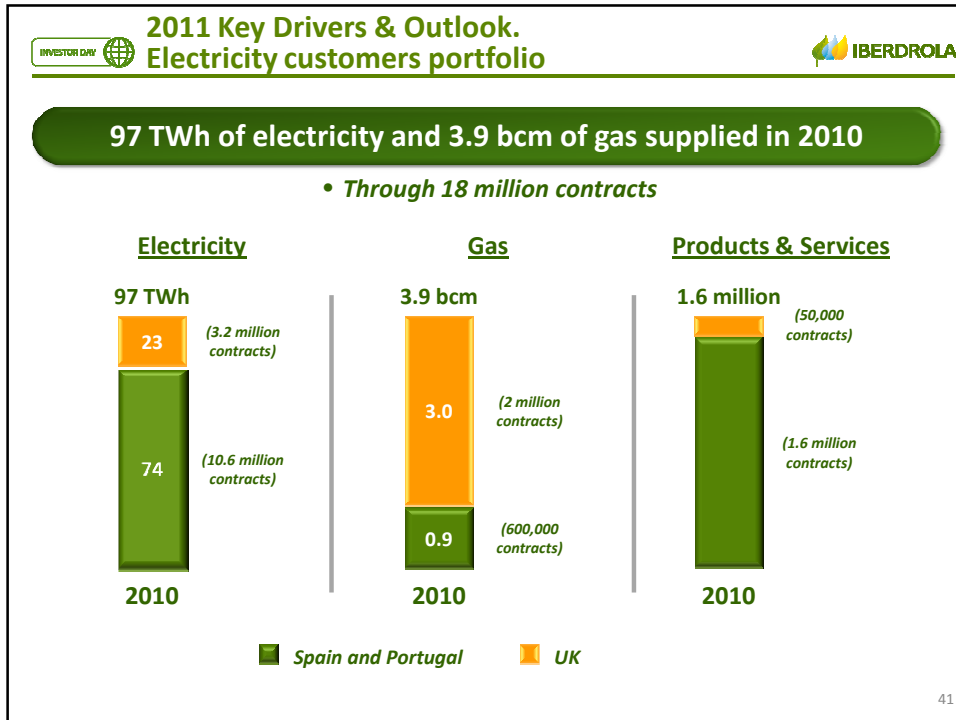
Phase 3 of Isle of Grain regasification plant (near London) received the first ship in October. Iberdrola has used all of its slots

- High prices in winter and competitive the rest of the year
- Savings in TPA Transportation Costs for CCGTs in UK
- LNG will replace the flexibility of domestic production in UK
- NBP liquidity and LNG portfolio allow global optimization



Entry into operation in December 2010, providing greater flexibility and a link to our Liberalised Business in UK

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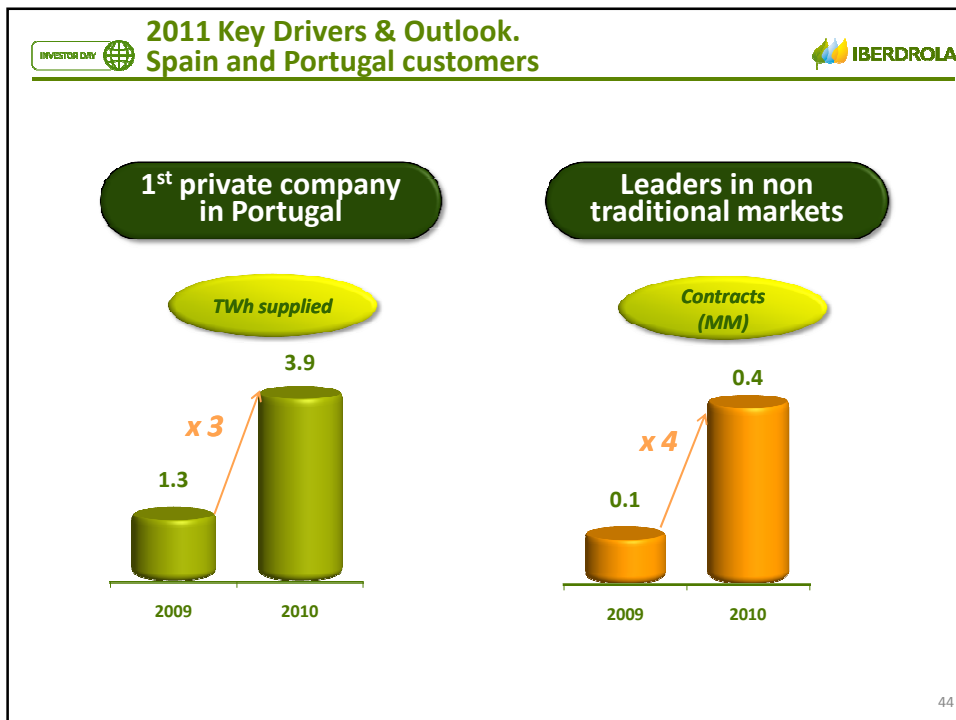
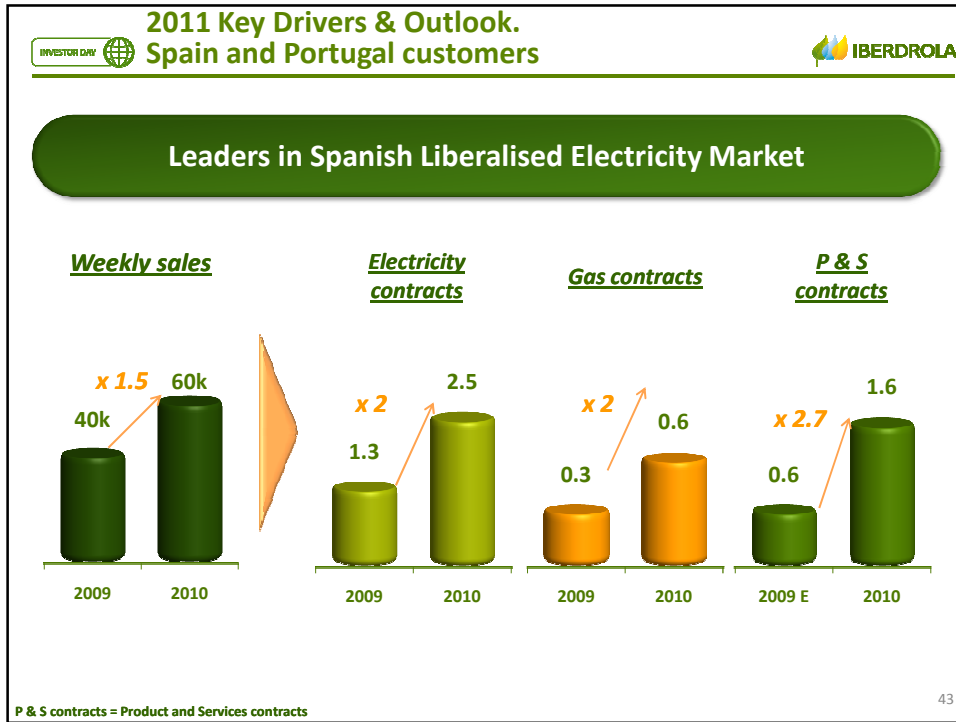
2011 Key Drivers & Outlook.
Electricity customers portfolio

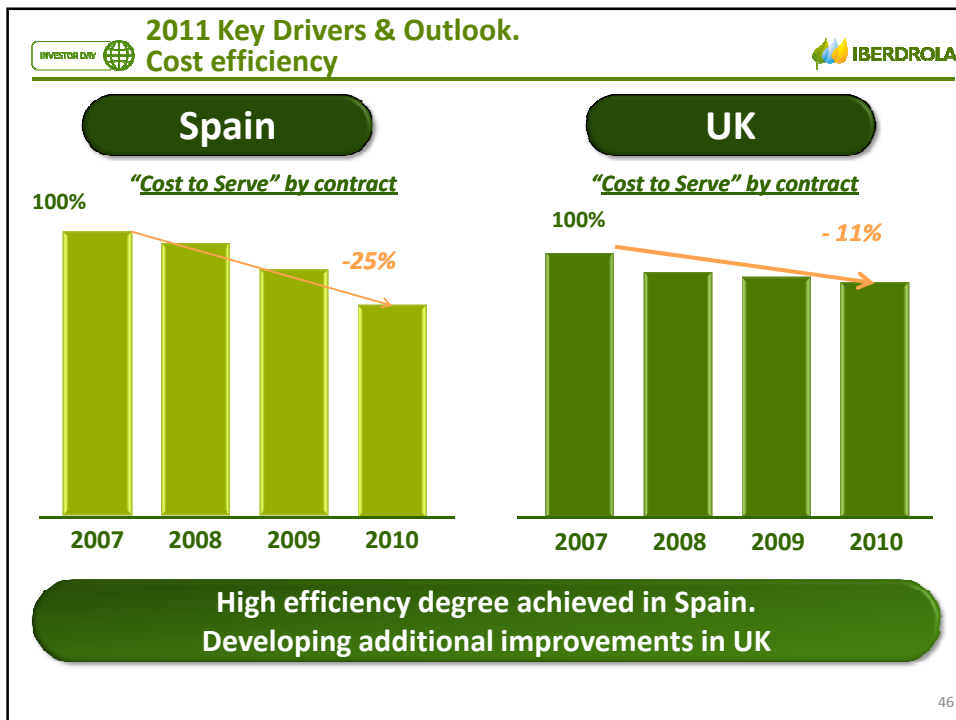
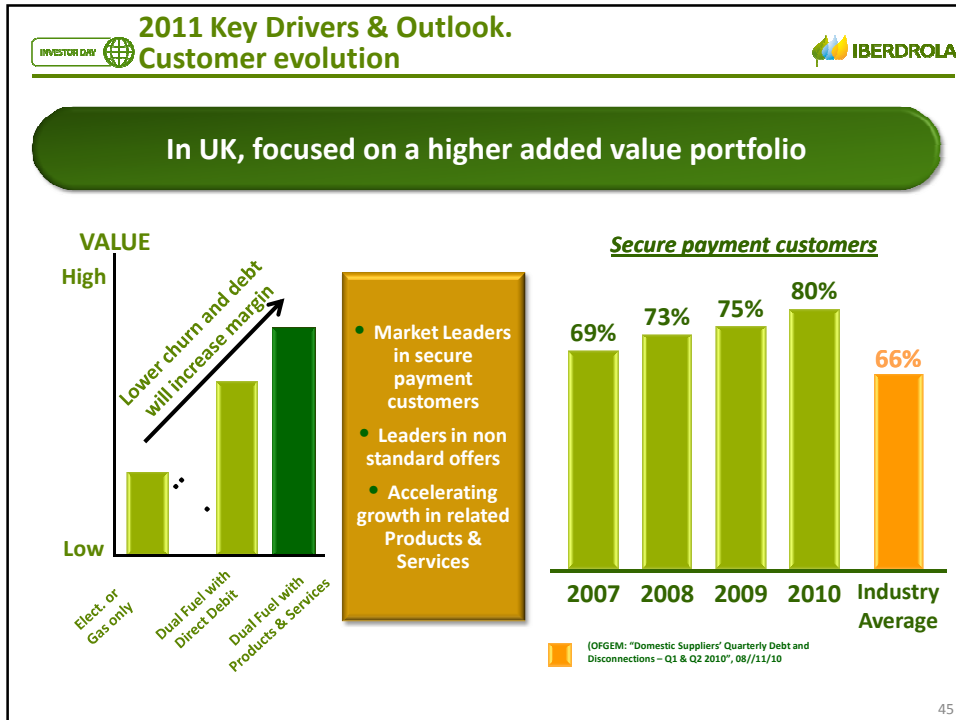
Stable customer portfolio focused on SME and Residential
 • Acting also in the higher consumption customer segment

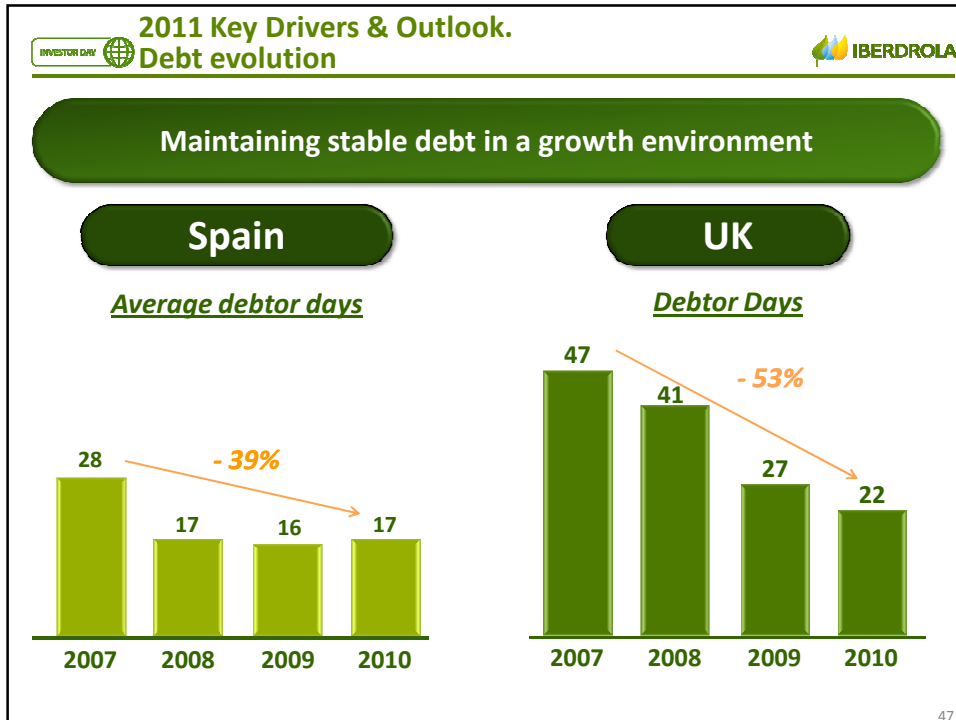
	<u>Spain</u>		<u>United Kingdom</u>	
	Contracts	TWh	Contracts	TWh
<i>Industry and Commercial</i>	150,000	20	50,000	7
<i>SME</i>	500,000	21	135,000	3
<i>Residential</i>	9.9 Mill.	33	3.0 Mill.	14
Total	10.6 Mill.	74	3.2 Mill.	23

More than 60% of electricity committed for 2011 is also committed for 2012

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INVESTOR DAY  **Conclusions** 

After an exceptional 2010, 2011 is a challenging year

First signals of good performance

- In Spain, higher prices and a strong hydro year could compensate the planned nuclear outages
- In UK, more production opportunities due to lower operation of plants under GIC directive and reducing programmed outages
- In Mexico, margin obtained in Private Sector is positively impacted by our generation mix.

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INVESTOR DAY  **Conclusiones** 

Longer term, the same factors that allowed us to face changes in the global economic situation are maintained

- In Spain: supporting markets and increasing liberalisation of customer supply
- In UK: offering higher added value services to our customers
- In a global market: developing a generation mix and a flexible fuel supply that suits our customer needs

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Integration of Group's Liberalised Businesses, that will allow us to face the future with ...

A team motivated and focused on the use of best practices that yield better results

A new dimension that allows for additional efficiencies

A global view to undertake the most profitable investments according to each country's prospects