



IBERDROLA

INVESTOR DAY
Madrid / March 2nd / 2011





Financial Profile
José Sáinz Armada
CFO

INVESTOR DAY  **Agenda** 

- Tariff Deficit**
- 2010 Financial Activity**
- 2011 Financial Profile**
- Dividends**
- Conclusion**
- Risk Management**

2

INVESTOR DAY  **Tariff deficit** 

What has changed

New limits recognized until 2012, but 2013 dead line for tariff deficit elimination maintained

2010: From Eur 3.0 bn to Eur 5.5 bn / 2011: From Eur 2.0 bn to Eur 3.0 bn
2012: From Eur 1.0 bn to Eur 1.5 bn / 2013 onwards: No tariff deficit

Differences between 2011 and 2012 estimated and real tariff deficits are settled through next year's tariffs

Securitization fund is obliged to acquire pending rights (Eur 9.7 Bn)* from utilities before 12 months



2006-2008, 2009 and Eur 3.0 Bn of 2010 Tariff deficit before July 2011

Better conditions for tariff deficit cost of carry:

From Euribor 3 months + defined spread (0 bp 2006-2008, 20 bp 2009) to Euribor 3M + spread at market conditions (for 2010 to be defined)

(*) After securitisation of Eur 4 Billion

3

INVESTOR DAY  **Tariff deficit** 

2010 net tariff deficit generated to Iberdrola: Eur 1,630 MM (Eur 1,933 MM generated in 2010 less Eur 303 MM already collected), resulting in an accrued tariff deficit of Eur 5,249 MM

Tariff deficit securitisation now underway, 23%* already done

- First tranche (Jan '11): Eur 2.0 Bn (Iberdrola: Eur 600 MM)
- Second tranche (Feb '11): Eur 2.0 Bn (Iberdrola: Eur 600 MM)

Banks to be appointed for next two securitization tranches



(*) Over 2010 Iberdrola's final tariff deficit

4

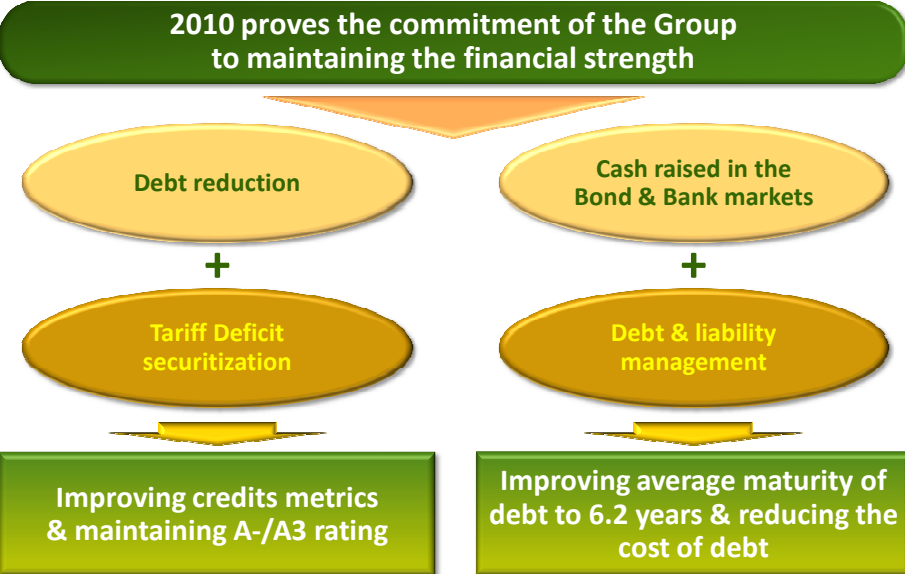
INVESTOR DAY  **Agenda** 

- Tariff Deficit
- 2010 Financial Activity**
- 2011 Financial Profile
- Dividends
- Conclusion
- Risk Management

5

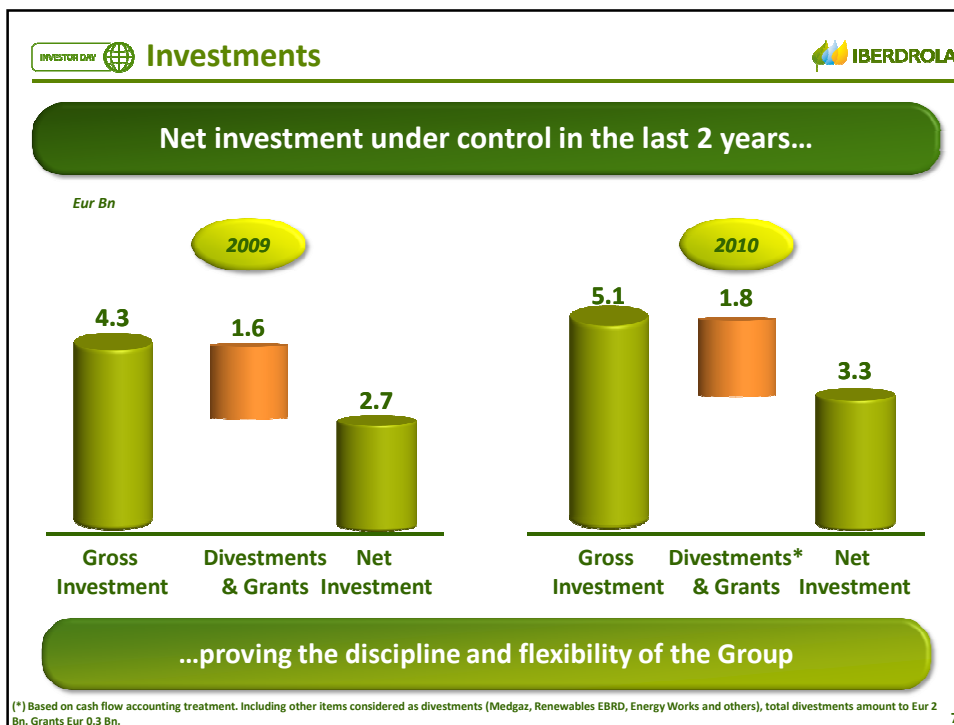
INVESTOR DAY  **2010 Iberdrola financial activity highlights** 



2010 proves the commitment of the Group to maintaining the financial strength



```
graph TD; A[2010 proves the commitment of the Group to maintaining the financial strength] --> B[Debt reduction]; A --> C[Cash raised in the Bond & Bank markets]; B --> D[+]; C --> D; D --> E[Tariff Deficit securitization]; D --> F[Debt & liability management]; E --> G[Improving credits metrics & maintaining A-/A3 rating]; F --> H[Improving average maturity of debt to 6.2 years & reducing the cost of debt];
```

6



INVESTOR DAY  **Divestments** 

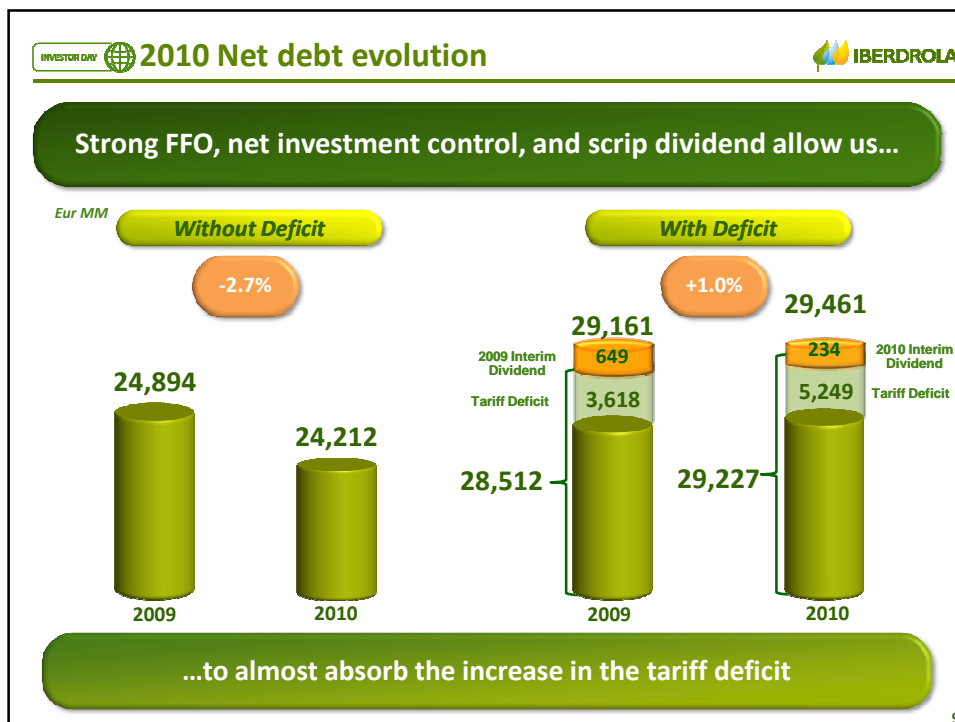
Eur 1.5 Bn Divestments in 2010

Eur MM

2010 Divestments*	
Guatemala	233
Petroceltic	39
Gas USA	977
EDP	240
Neo Sky	31
Various	18
Total divestments	1,538

Total Divestments in 2009-2010 of Eur 2.8 Bn

(*) Based on cash flow accounting treatment. Including other items considered as divestments (Medgaz, Renewables EBRD, Energy Works and others), total divestments amount to Eur 2 Bn.



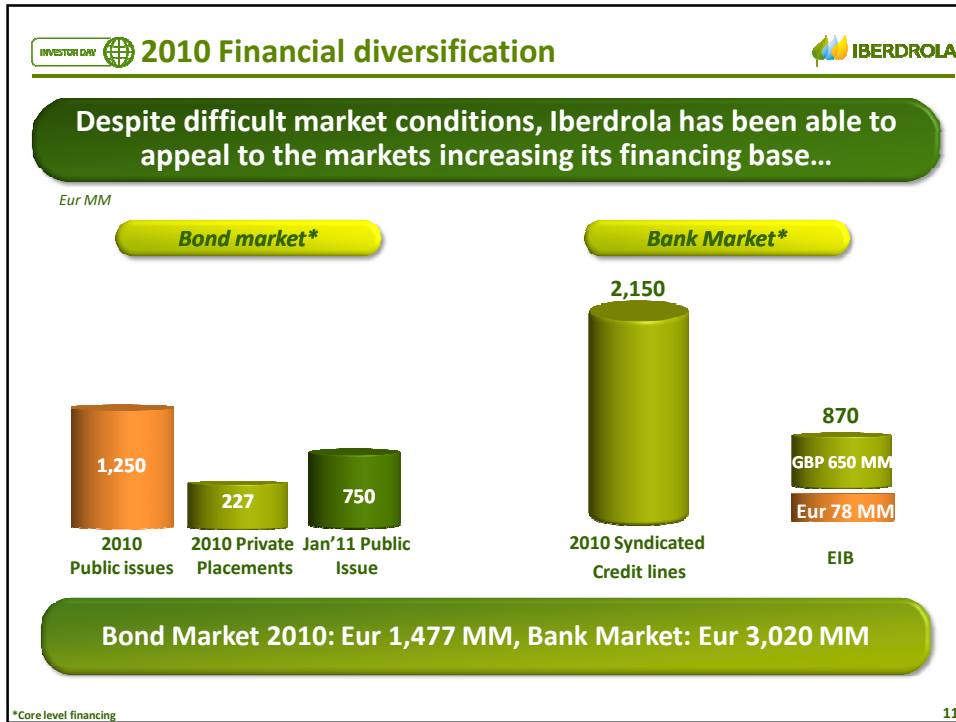
2010 Financial ratios evolution

As a result, all the 2010 financial ratios are well ahead of the committed targets...

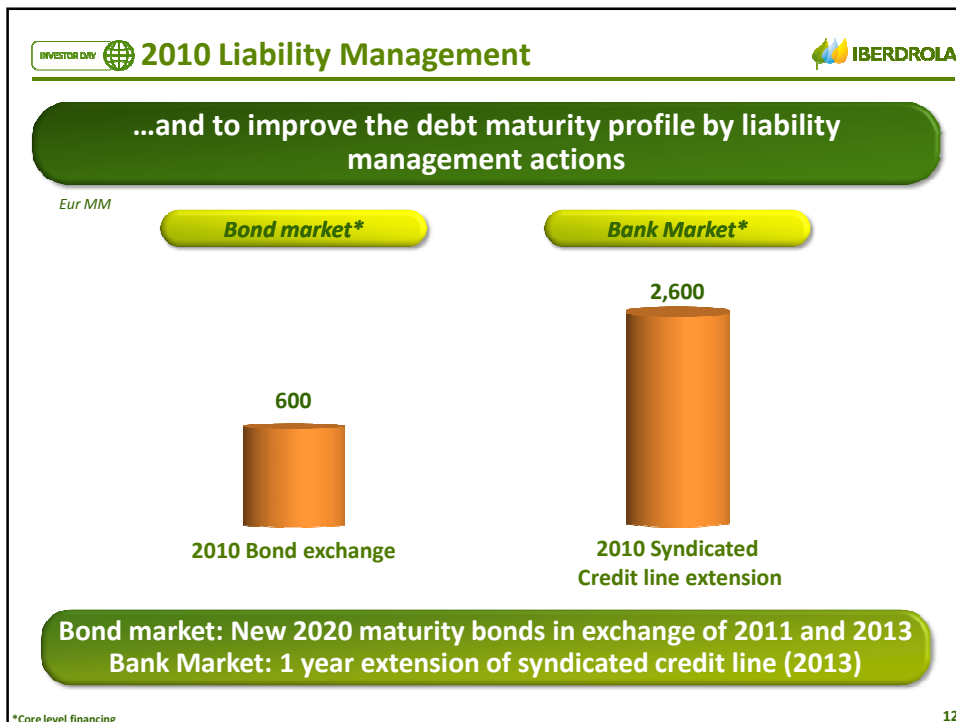
	2010		2009		Committed targets
	Excluding tariff deficit	Including tariff deficit	Excluding tariff deficit	Including tariff deficit	
Leverage	43.3%	48.2%	46.2%	49.6%	<48.0%
FFO/Net debt	23.0%	18.9%	20.1%	17.5%	>19.0%
FFO/Interest	5.3x	5.2x	4.8x	4.6x	>4.5
RCF/Net debt	20.1%	16.5%	13.6%	11.9%	>12.5%

...and strongly improving 2009 metrics and reaffirming current rating level

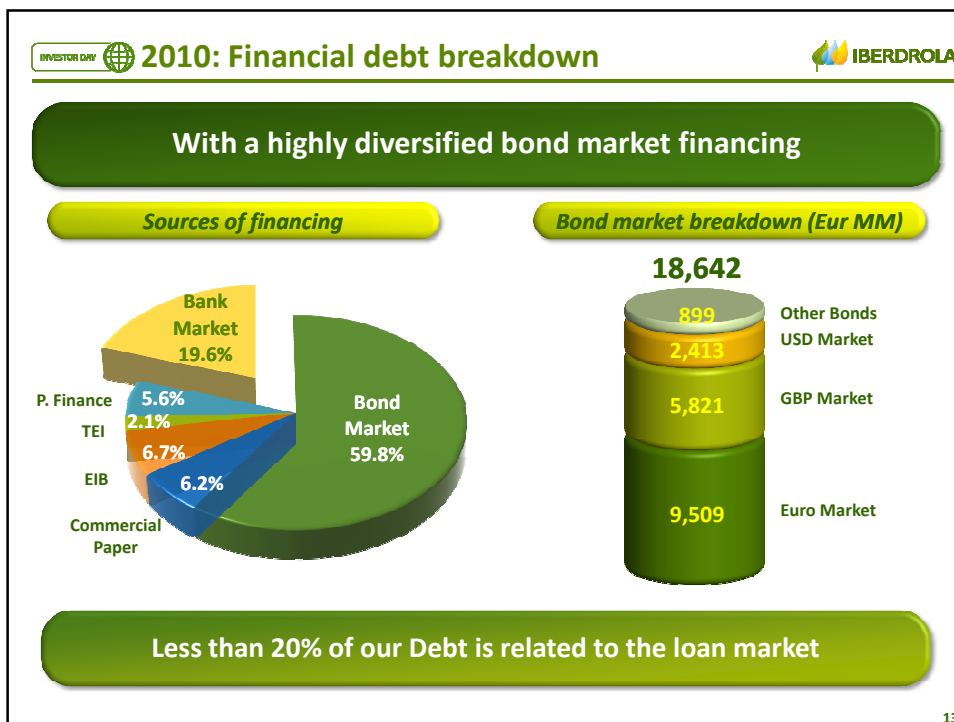
Note: Debt figures and ratio calculations exclude the impact of TEI. 2009 ratios are pro forma (excluding '09 dividend)





11



12



INVESTOR DAY  **Financing – Liquidity (As of today)** 

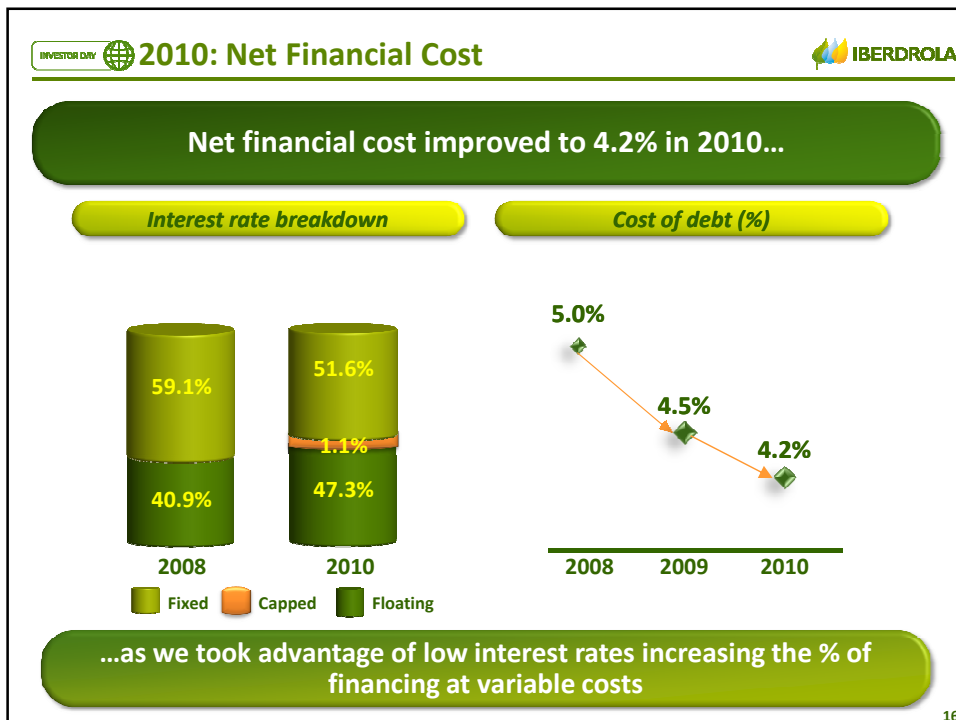
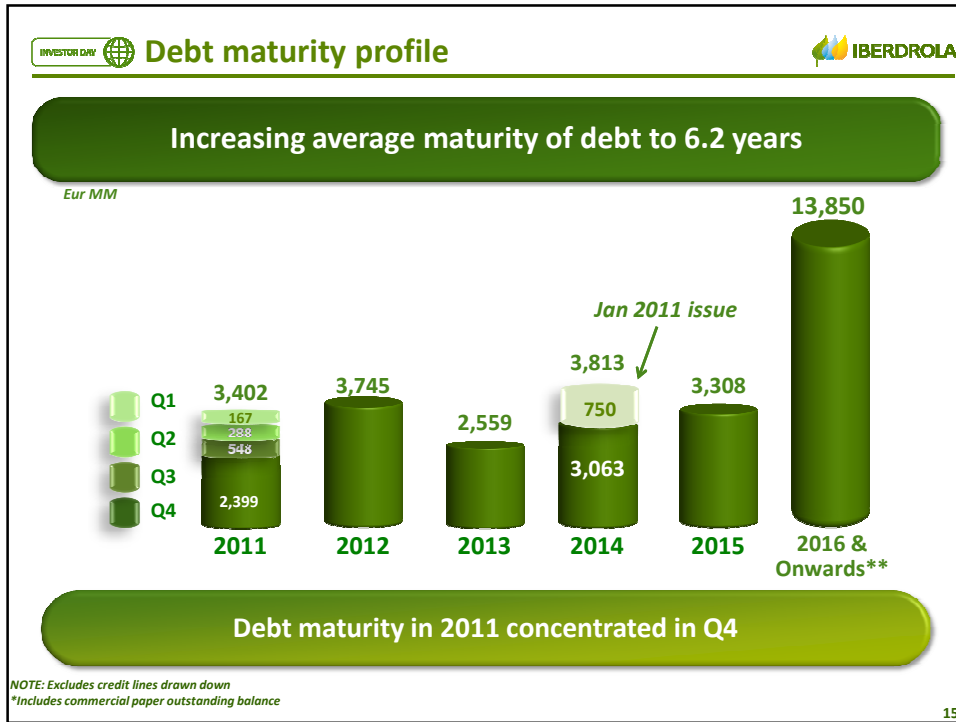
In addition, strong liquidity with Eur 10,562 MM...


Eur MM

Credit Line Maturities	Limit	Withdrawn	Available
2011	1,345	240	1,105
2012	2,150	1,225	925
2013+	5,080	600	4,480
Total Credit Lines	8,575	2,065	6,510
Cash & Short Term Fin. Inv.			2,102
EMTN Jan. '11			750
Tariff Deficit Securitized			1,200
Total Liquidity			10,562



...that covers more than 18 months' needs (excluding Elektro)

14

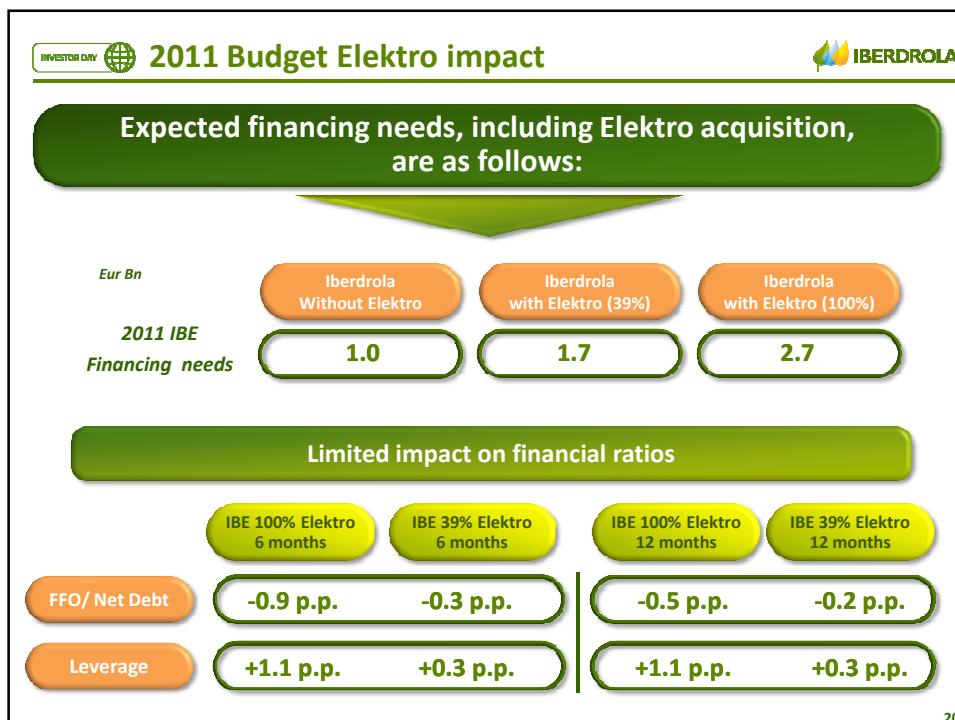
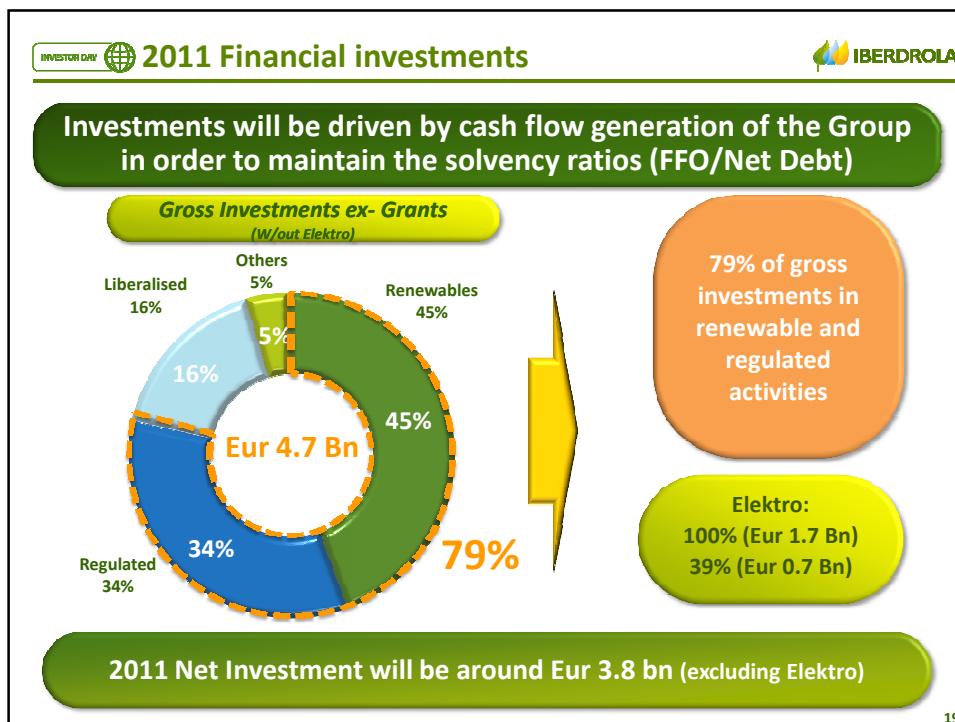


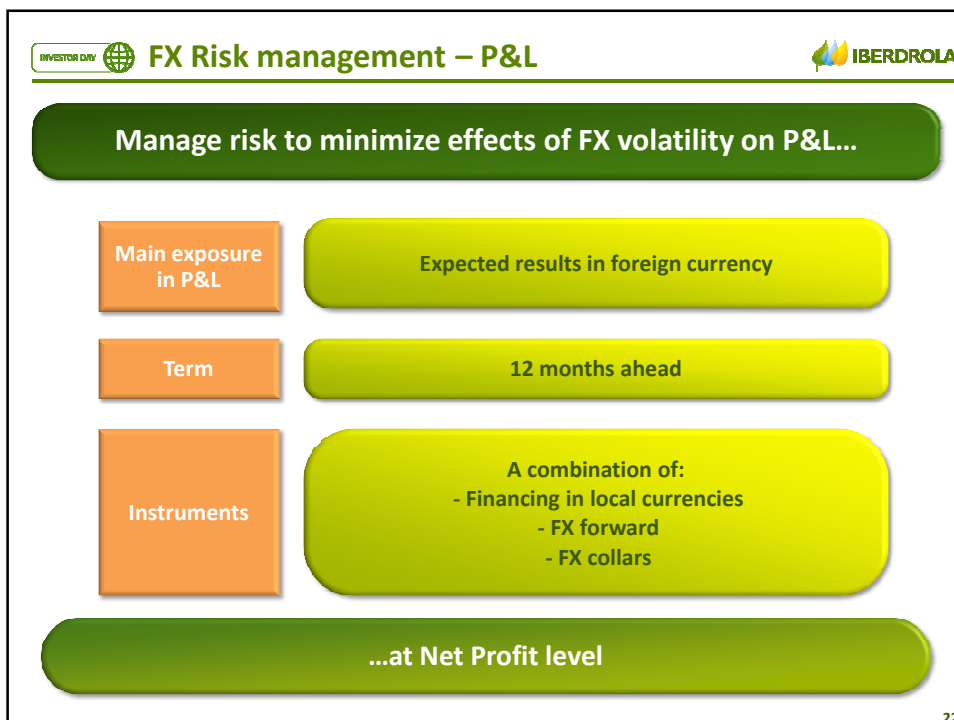
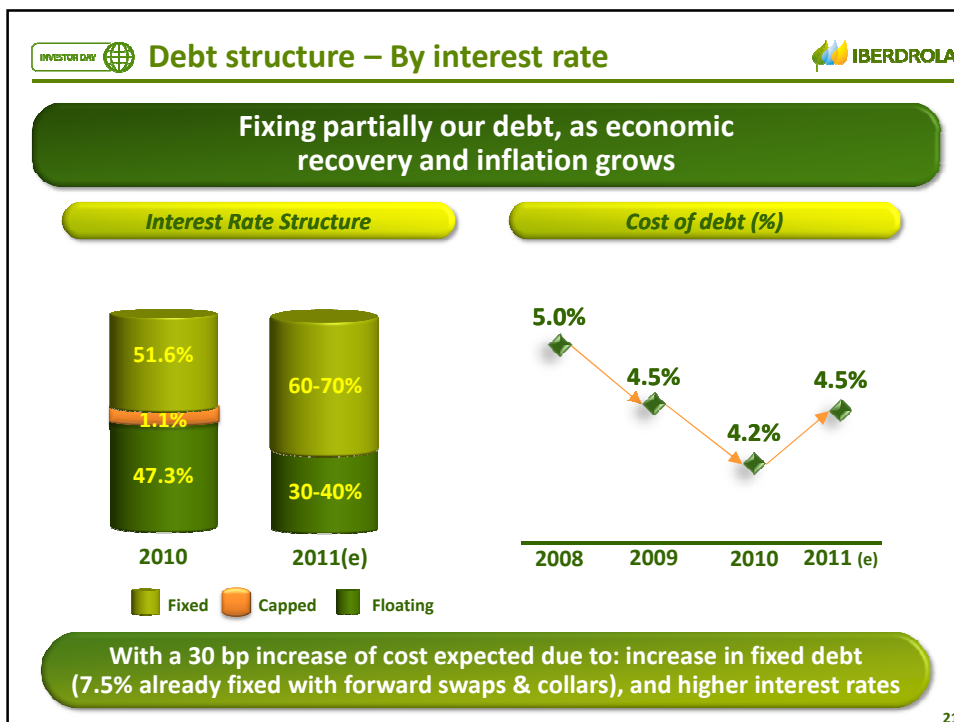
INVESTOR DAY  Agenda	
Tariff Deficit	
2010 Financial Activity	
2011 Financial Profile	
Dividends	
Conclusion	
Risk Management	

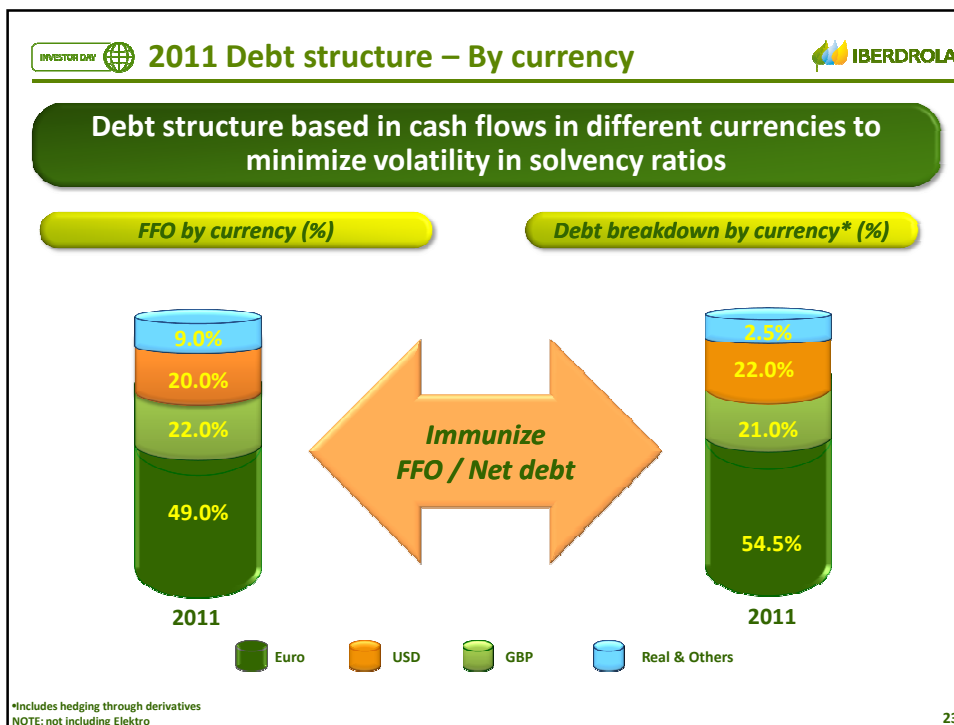
17

INVESTOR DAY  2011 Financial perspectives																
2011 economic outlook																
Improvement in market situation	Iberdrola 5 year CDS expected to improve from 192 bp (End-10) to 130 bp in 2011															
Tariff deficit securitisation	Up to 2010 deficit will be securitised in 2011 and Eur 1.2 Bn already done. 2011 tariff deficit will be securitised in 2012															
Moderate increase in interest rates	Short-term rates to go upward modestly Long-term rates: to increase towards historical average															
	<table border="1"> <thead> <tr> <th></th> <th>€</th> <th>US\$</th> <th>GBP</th> <th>BRL</th> </tr> </thead> <tbody> <tr> <td>2011 3 months average</td> <td>1.32</td> <td>0.85</td> <td>0.84</td> <td>12.04</td> </tr> <tr> <td>2011 5 year average</td> <td>2.72</td> <td>2.75</td> <td>2.46</td> <td></td> </tr> </tbody> </table>		€	US\$	GBP	BRL	2011 3 months average	1.32	0.85	0.84	12.04	2011 5 year average	2.72	2.75	2.46	
	€	US\$	GBP	BRL												
2011 3 months average	1.32	0.85	0.84	12.04												
2011 5 year average	2.72	2.75	2.46													
FX rates	No strong movements expected															
	<table border="1"> <thead> <tr> <th></th> <th>US\$/€</th> <th>GBP/€</th> <th>\$/Brl</th> </tr> </thead> <tbody> <tr> <td>2011 average</td> <td>1.338</td> <td>0.847</td> <td>1.73</td> </tr> </tbody> </table>		US\$/€	GBP/€	\$/Brl	2011 average	1.338	0.847	1.73							
	US\$/€	GBP/€	\$/Brl													
2011 average	1.338	0.847	1.73													

18









INVESTOR DAY **Agenda** **IBERDROLA**

- Tariff Deficit
- 2010 Financial Activity
- 2011 Financial Profile
- Dividends**
- Conclusion
- Risk Management

24

INVESTOR DAY  **Dividends** 

Shareholders to receive at least 0.326 Eur/s¹



**0.146 €/s for the 2010 interim dividend² under the scrip format
(+2.1% vs. 2009 interim dividend of 0.143 Eur/s)**

0.03 Eur/s of 2010 final dividend in cash³

At least 0.15 Eur/s of 2010 final dividend under the scrip format³

(1) Not including the possibility of attendance premium at the AGM
(2) Final price of right-purchase commitment by Iberdrola
(3) Pending shareholders' approval at AGM

25

INVESTOR DAY  **Scrip Dividends 2010** 

The scrip dividends in 2010 have allowed an increase of 3.1% vs. the dividends paid in July and December 2009: 0.337 Eur/s vs. 0.327 Eur/s



**High acceptance level from shareholders:
64.12% in July and 68.22% in December elected to receive shares**

Cash savings of Eur 1,143 MM ...

... that reduces the financial expense

A capital increase of 4.4% (231.5 MM new shares)

26

INVESTOR DAY  **Scrip Dividend** 

Scrip dividend has proven very beneficial for shareholders, not only for tax reasons (No withholding tax)...

July 2010 (2009 Final Dividend)


Minimum guaranteed:	VWAP of the rights in the market:	0.2025 €/s	+10.0%
0.184 €/s	Iberdrola guaranteed purchase price of the rights:	0.191 €/s	+3.8%

December 2010 (2010 Interim Dividend)

Minimum guaranteed:	VWAP of the rights in the market:	0.1524 €/s	+6.6%
0.143 €/s	Iberdrola guaranteed purchase price of the rights:	0.146 €/s	+2.1%

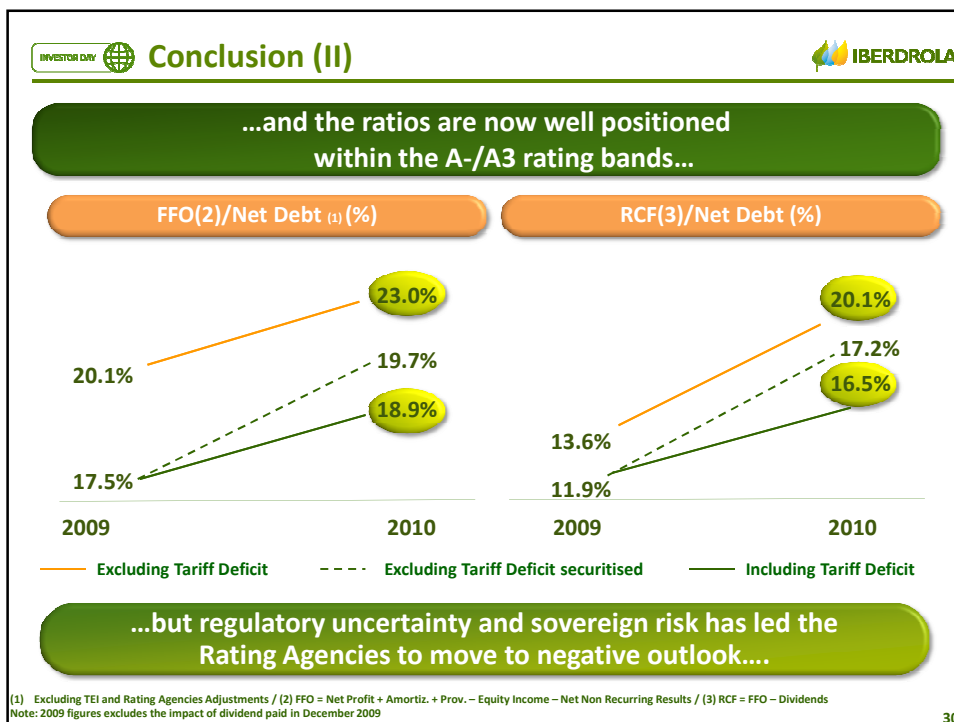
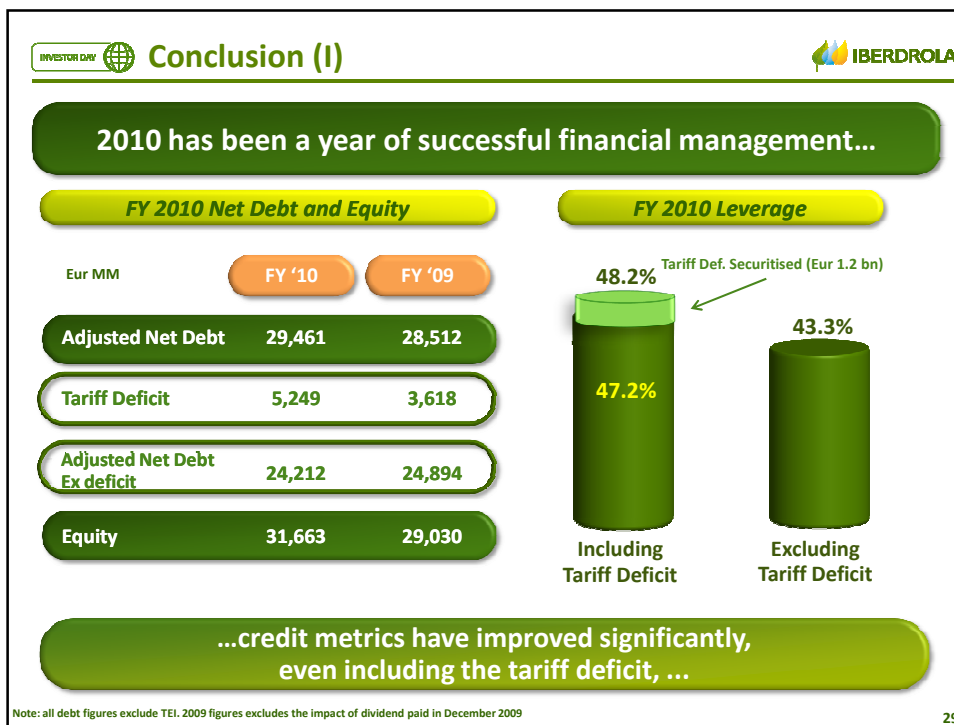
...as investors have benefited from the free option that the product offers



27

INVESTOR DAY  **Agenda** 

- Tariff Deficit
- 2010 Financial Activity
- 2011 Financial Profile
- Dividends
- Conclusion**
- Risk Management

28





INVESTOR DAY  **Conclusion (III)** 

...therefore in 2011 we need to continue to maintain the strong financial profile to affirm the A-/A3 rating

Main 2011 goals

- Complete tariff deficit securitisation
- Maintain solvency ratios
- Continue diversifying funding sources

31

INVESTOR DAY  **Conclusion (IV)** 


Our 2011 solvency targets will be:

2011 Iberdrola targets

FFO/Net debt	>20%
FFO/Interest	>5x
RCF/Net debt	>16%


A-/A3-rating continues to be a cornerstone of Iberdrola's financial strategy

32

INVESTOR DAY  **Agenda** 

- Tariff Deficit
- 2010 Financial Activity
- 2011 Financial Profile
- Dividends
- Conclusion
- Risk Management**

33

INVESTOR DAY  **Risk Management in Iberdrola** 

Risk Management is a key element at the Iberdrola Group

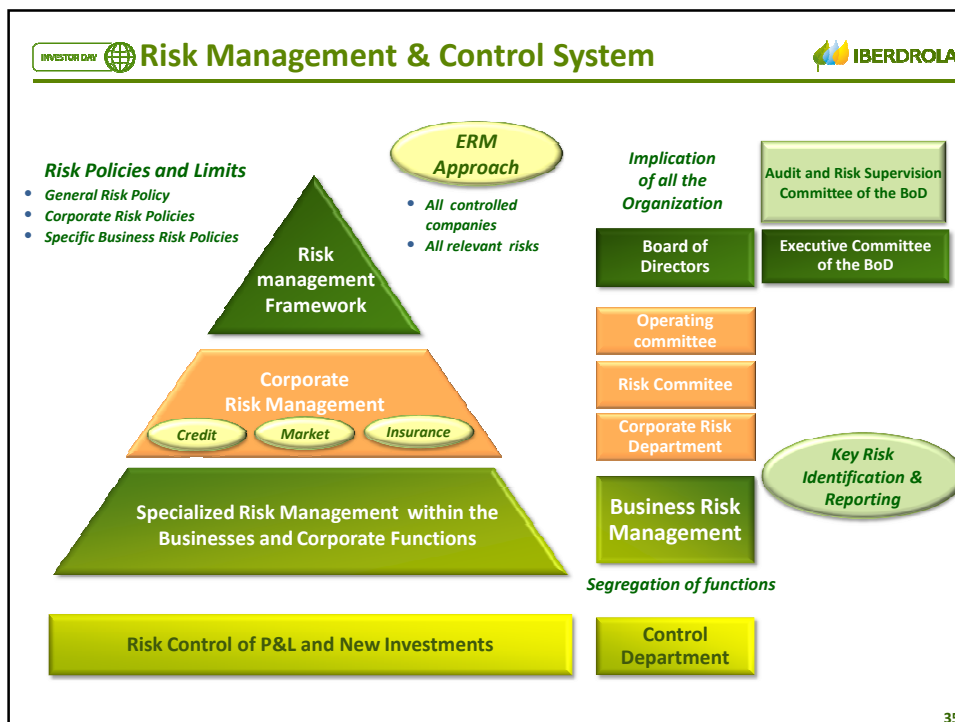
Involvement of all levels of the organization: Board of Directors, Top Management of the Group and the Businesses

Iberdrola has a risk management system under the approach of Enterprise Risk Management "ERM" to ensure that all relevant risks of the Group are identified, controlled and reported on a regular basis...

...to ensure the stability, reputation and financial strength of the Group in the long term

Risk Management & Control System

34



INVESTOR DAY **Credit risk management** **IBERDROLA**

Scope: credit counterparties for energy & financial management, customers, suppliers, etc

Centralized analysis / approval of banks, common counterparties and counterparties of PPAs and other long term contracts. Control of aggregated exposure

Credit risk management in Businesses under delegated authority (credit capacity matrices). Credit risk control in trading rooms. Customer debt management.

High credit quality of counterparties. Zero credit cost in 2010

Type of exposure	Average exposure (Eur Mn.)	Ratings
Cash Placement	500	95% ≥ A-
Financial Derivatives	450	100% ≥ A-
PPAs IBR USA	900	90% ≥ A-
Energy Management	900	60% ≥ A-

Retail Credit cost in 2010 under control

Country	Amount (Eur. Mn)	% Annual Billing
Spain	32	0.28%
Scottish Power	70	1.56%
IBE-USA	33	1.33%

36

