





IBERDROLA

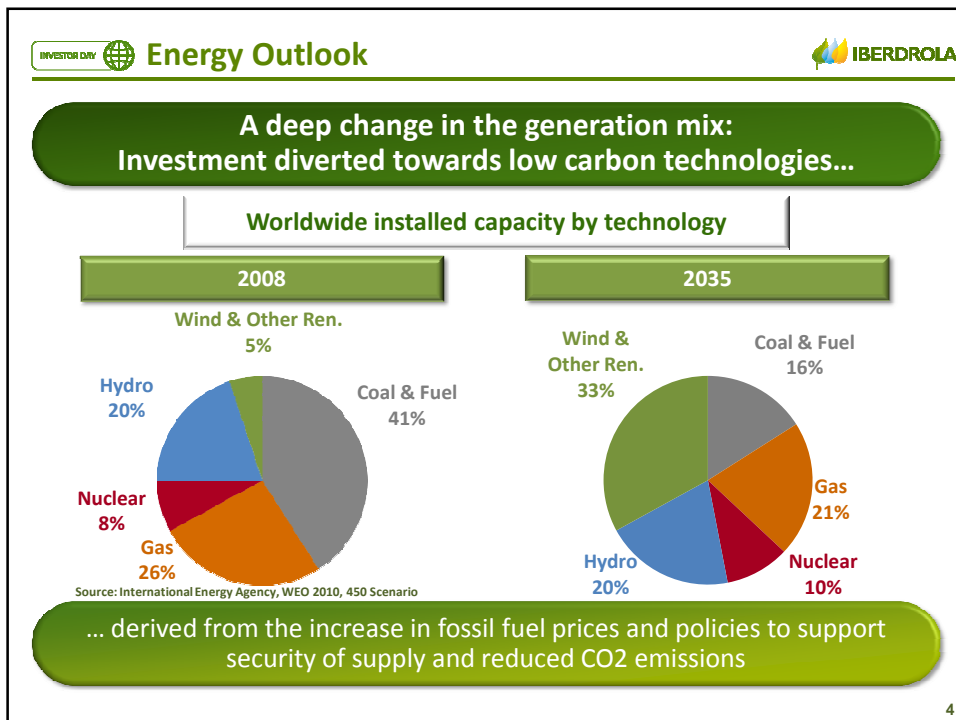
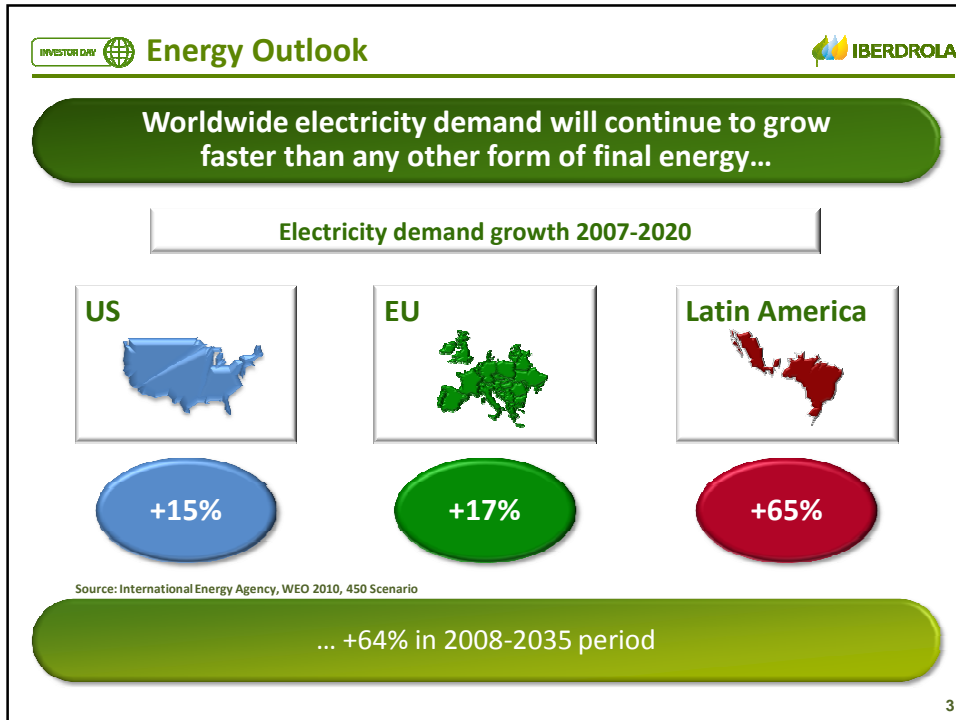
INVESTOR DAY
Madrid / March 2nd / 2011





Ignacio S. Galán
Chairman & CEO

INVESTOR DAY  **Agenda** 

- Energy and Macro Outlook**
- Financial Projections**
- Organisation and Corporate Governance**



INVESTOR DAY  **Energy Outlook** 

Requirement to continue working to ensure a predictable regulatory framework

Worldwide investments in electricity could reach USD 17 trillion by 2035

Predictability is key to encourage investments in capital intensive technologies

The elimination of fossil fuel subsidies provides a triple solution:



Guarantees security of supply

Reduces greenhouse gas emissions and air pollution




Provides economic benefits

In 2010 there have been important steps in developing policies to ensure security of supply and to fight climate change

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INVESTOR DAY  **2010-2012 Macro Outlook** 



Economic situation has improved considerably over the past 12 months in our core markets...

GDP – Annual change	2009	2010	2011E	2012E
EU 	-4.1%	+1.8%	+1.6-1.8%	+1.8-2.0%
US 	-2.6%	+2.8%	+2.8-3.0%	+2.7-2.9%
Latam 	-1.8%	+5.9%	+4.0-4.3%	+4.0-4.3%

Source: International Monetary Fund, January 2011; World Bank, January 2011



...and is expected to continue improving in 2011-2012

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INVESTOR DAY  **2010-2012 Regulatory Outlook** 



Spain	<ul style="list-style-type: none"> • Economic projections in the medium term in line with the Euro Zone (+1.5% in 2012) • Impact from adopted reforms on economic growth • 2011: +1% electricity demand; wholesale energy prices of Eur 45-50/MWh
UK	<ul style="list-style-type: none"> • Stable economic growth in 2011 and 2012 (+2.0% and +2.3% respectively) • 2011: stable electricity demand and energy prices of around GBP 45-50/MWh
US	<ul style="list-style-type: none"> • Stable economic growth in 2011 and 2012 (+3.0% and +2.7% respectively) • Lower gas prices due to "shale gas" impacting electricity prices
Latam	<ul style="list-style-type: none"> • Economic growth above 4% in Mexico and Brazil • Brazil: Growth in electricity demand over 4% in 2011

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INVESTOR DAY  **2010-2012 Regulatory Outlook** 



Spain (measures already developed)	<ul style="list-style-type: none"> • Distribution: more predictable and stable profitability • Measures to solve the tariff deficit: <ul style="list-style-type: none"> • Maximum number of hours for renewables • Revision of tariff deficit limits for 2010-2012 in order to eliminate deficit in 2013 • Other system costs contained • Consolidation of the wind framework without a significant impact on results
UK	<ul style="list-style-type: none"> • Main highlights from the Electricity Market Reform: <ul style="list-style-type: none"> • Minimum CO2 price • Feed in tariffs for low-emission generation technologies • Capacity payment mechanism • Standards for emission control • Transitional period • New remuneration framework for Distribution, effective until 2015 • Ongoing Transmission regulatory review

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INVESTOR DAY  **Regulatory Outlook 2010-2012** 

United States (measures already approved)	<ul style="list-style-type: none"> • Networks: <ul style="list-style-type: none"> • Improvement in tariffs in New York effective until 2014 • Tariff stability in Maine until 2014 Renewables: Extension of the construction commencement deadline for the grant program until end 2011
Latam	<ul style="list-style-type: none"> • Brazil: <ul style="list-style-type: none"> • Tariff stability until 2013 (Coelba, Cosern y Celpe) • Elektro will be integrated post regulatory review • Contracts for new investments in hydro generation set through 30-year PPAs • New renewable energy auctions during the year

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INVESTOR DAY  **Agenda** 

Energy and Macro Outlook

Financial Projections

Organisation and Corporate Governance

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INVESTOR DAY  **Projections 2010-2012** 


Reaffirming our presence in the Atlantic Area...

United States

- Wind generation
- Networks

United Kingdom

- Wind generation
- Networks
- Opportunities in W&R



Latam

- Increased focus on networks: Elektro
- Large hydro projects
- Operational excellence in CCGTs



Spain & Portugal

- Hydro and wind generation
- Networks

Continental Europe

- Wind generation


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INVESTOR DAY  **Projections 2010-2012** 

... and the financial principles of the period ...

Growth in Core Business



Increase in shareholder remuneration




Balanced risk profile

Sound Balance Sheet

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INVESTOR DAY  **Projections 2010-2012** 



... after 2010, a year where growth expectations were exceeded



Results above growth targets

EBITDA increases 10.5%
Recurring Net Profit up 5.6%



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INVESTOR DAY  **Projections 2010-2012** 

Most of the hypotheses presented a year ago remain valid for 2011-2012



		<i>Original hypothesis projections 2010-2012</i>	<i>Hypothesis validity for 2011-2012</i>
Demand	Spain	CAGR ~1%	✓
	UK	CAGR ~0.5%	✓
	USA	CAGR ~1%	✓
	Latam	CAGR ~3%	✓
2012 Wholesale Prices	Spain	42-51 Eur/MWh	✓
	UK	44-50 GBP/MWh	✓
2012 Exchange rates	GBP/Eur	0.82-0.80	Slight GBP revaluation
	USD/Eur	1.45-1.34	Higher USD revaluation

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INVESTOR DAY  **Business Highlights** 

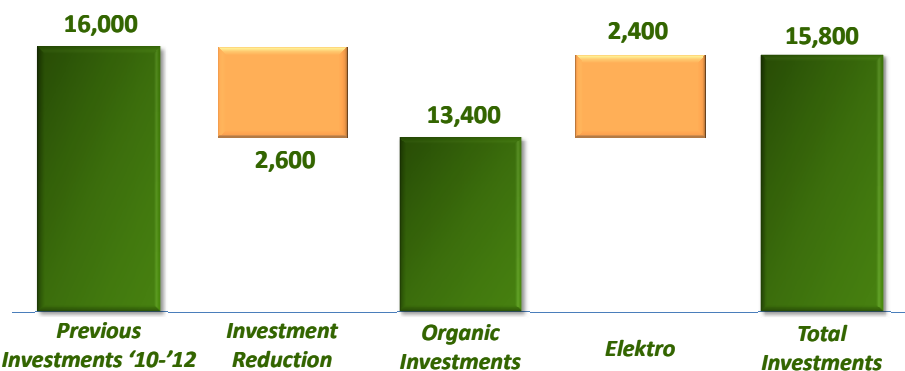
Liberalised Businesses	<ul style="list-style-type: none"> • Recovery in wholesale prices (Spain) and thermal spreads (UK) • Income from capacity payments in Spain and opportunities arising from System Operator needs in UK • Capitalising on forward sales • Improvement in customer portfolio • Completion of new hydro plants in Spain in 2012 (1,100 MW)
Regulated Businesses	<ul style="list-style-type: none"> • More predictable and stable regulatory frameworks • Increased investment in Transmission (UK, USA) • Maximising incentives under "DPCR5" framework • Operational optimisation and efficiency improvements
Iberdrola Renewables	<ul style="list-style-type: none"> • Selective growth: Adding a total of 2,200 MW in 2011-2012 • Operational efficiency • Focus on project profitability and cash flow generation • Gas business rationalisation to reduce risk and volatility
Iberdrola Engineering & Construction	<ul style="list-style-type: none"> • Continuation and completion of major projects • Expansion in core geographical areas (USA, Mexico, UK) • Increased order book to c. Eur 3.0 bn

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INVESTOR DAY  **Investments 2010-2012** 

Maintaining investment levels: Organic investment plan is reduced from Eur 16.0 bn to 13.4 bn ...

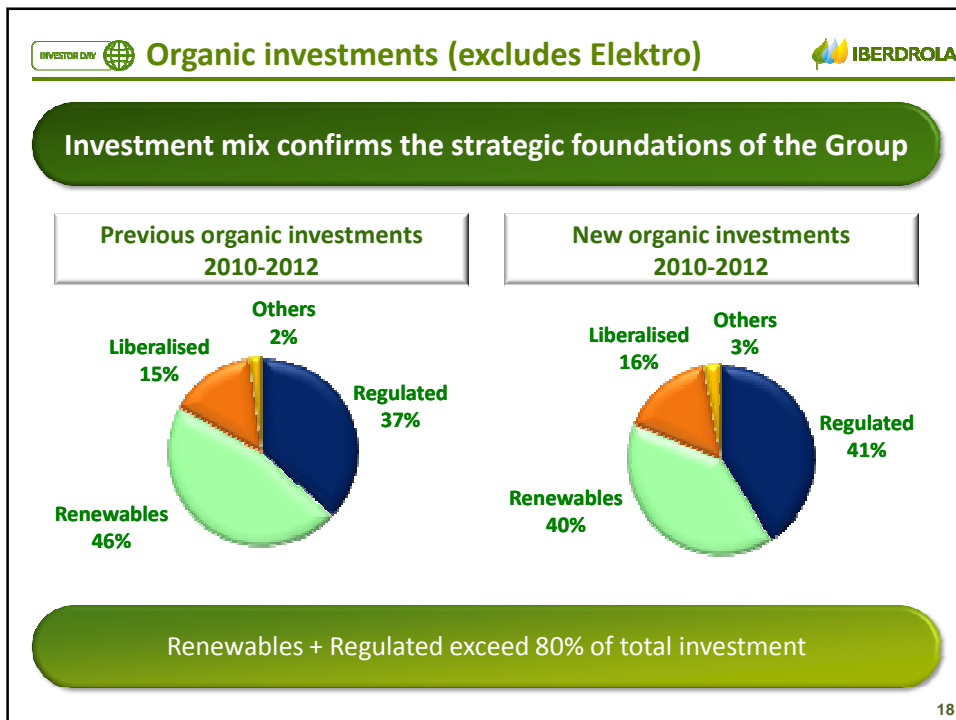
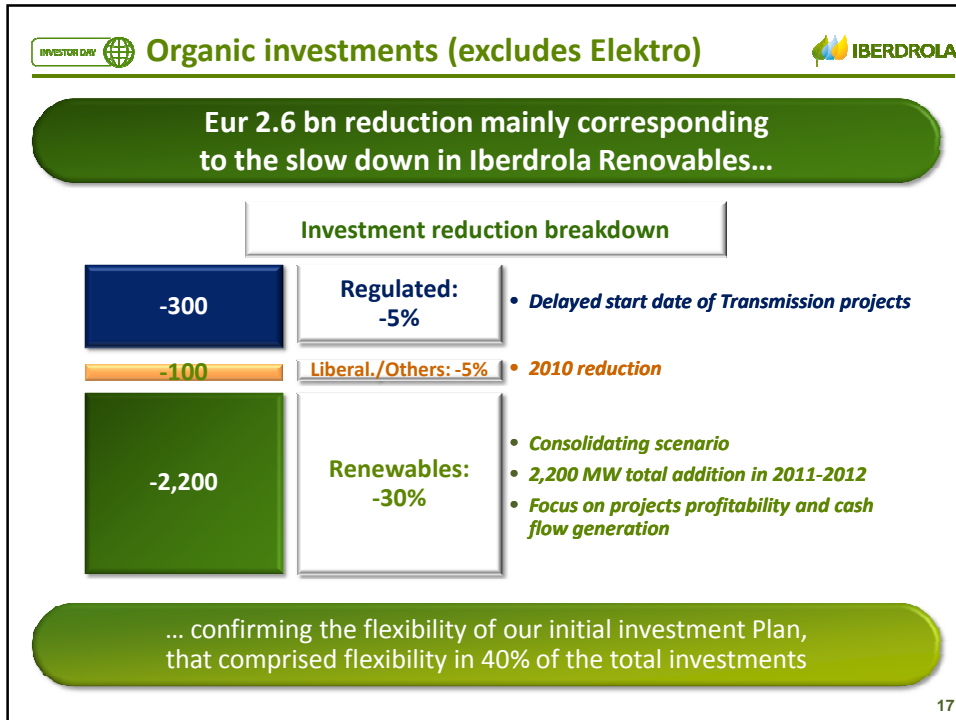
Eur MM

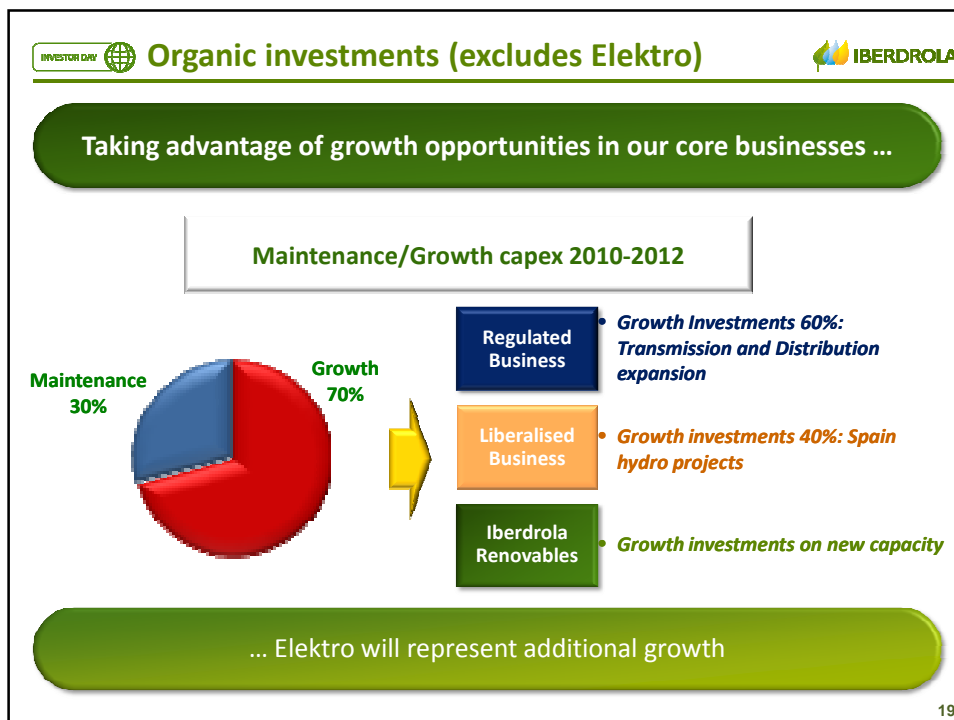




16,000	2,600	13,400	2,400	15,800
<i>Previous Investments '10-'12</i>	<i>Investment Reduction</i>	<i>Organic Investments</i>	<i>Elektro</i>	<i>Total Investments</i>

... in addition to Eur 2.3 bn for acquisition of Elektro and Eur 100 MM of recurring Capex in the Brazilian company

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INVESTOR DAY  **Total investments** 

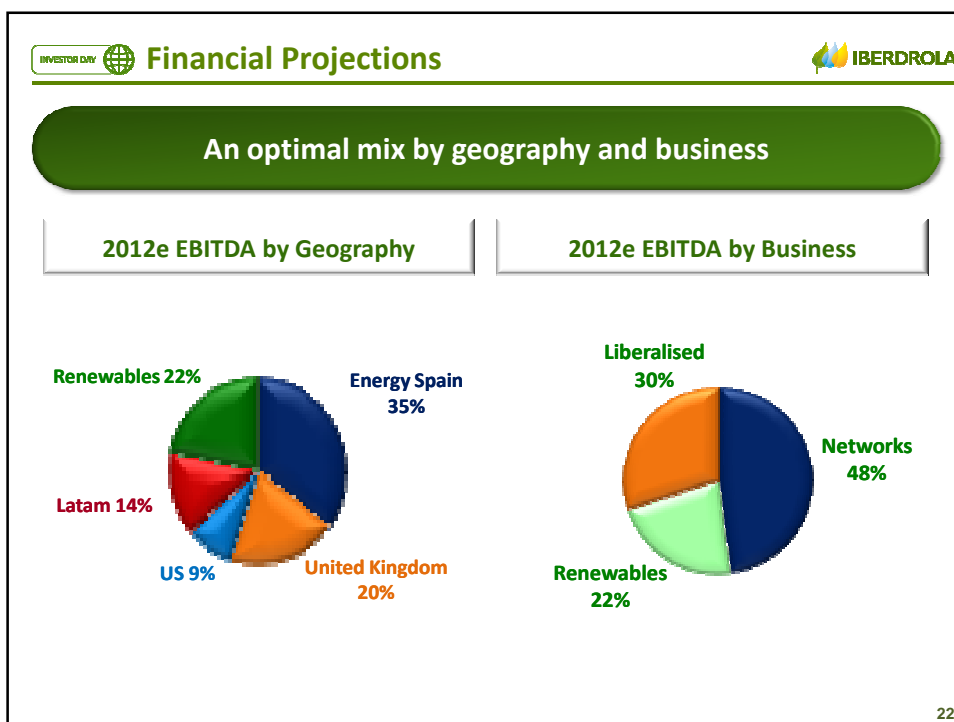
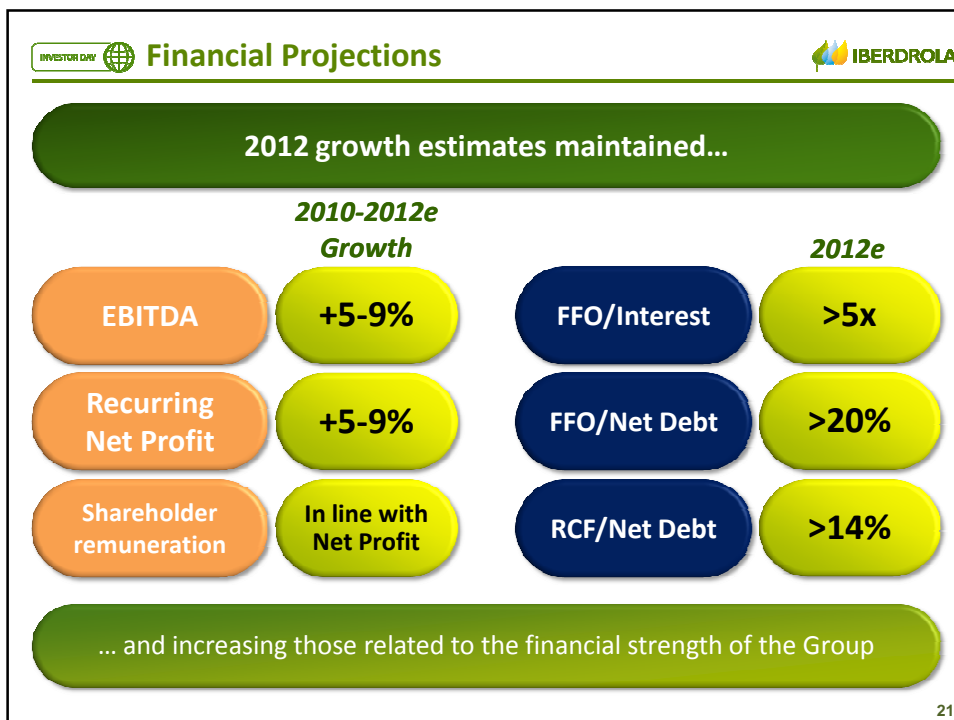
2010-2012 total investments will still total circa Eur 16 bn ...



Eur MM

	ORGANIC	ELEKTRO	TOTAL
Liberalised Businesses	2,200	---	2,200
Regulated Businesses	5,600	+2,400	8,000
Iberdrola Renovables	5,300	---	5,300
Others	300	---	300
Total	13,400	+2,400	15,800
Divestments	3,000	---	3,000

... Eur 12.8 bn of investments net of divestments
70% of the planned divestments already accomplished

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INVESTOR DAY  **Index** 

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INVESTOR DAY  **Corporate Governance** 

A Corporate Governance system based on the defence of the social interest

- Fulfilling the recommendations of good Corporate Governance practices at international level
- Maximising long term economic value along with the interests of all stakeholders
- Four Board Committees: Executive and Investments, Audit and Risk Supervision, Nominations and Compensation and Corporate Social Responsibility
- 13 Board meetings and 24 of the Executive Committee
34 meetings in aggregate of the other Committees
- Majority of Directors are independent
All Directors are members of a Committee
- Strict rules and procedures for preventing and solving conflicts of interest or competition
- Separation between management and supervision functions

Iberdrola, a national and international reference for Corporate Governance:
Fulfilment of 56 of 58 recommendations of the Unified Code

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INVESTOR DAY  **Organisation** 

Development of an organisational model that responds to Iberdrola Group's global dimension...

- Creation of Global Business Areas**
- Full development of the One Corporate Centre**
- Coordination of activities in each geography with local approach**

...whilst respecting the unique characteristics of each area

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INVESTOR DAY  **Organisation** 

A natural step in the internationalisation process started in 2007 ...

Integration

➤

One Corporate Centre

➤

Organisation by Global Businesses

Treasury, Purchases, Communication, IT

Human Resources, Corporate Resources

Businesses Processes Designs

... with the aim of maximising cost savings and synergies

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