



# **Iberdrola – ScottishPower** **A worldwide leader emerges**

November 28<sup>th</sup>, 2006



# Legal Note



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If and when Iberdrola S.A. commences the Acquisition for the ordinary shares of ScottishPower plc and the Acquisition is implemented by way of a scheme of arrangement under the U.K. Companies Act 1985, as amended (the "Scheme"), any securities of Iberdrola S.A. will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), but will be issued in reliance on the exemption provided by Section 3(a)(10) thereof, and ScottishPower plc will furnish the acquisition document to the SEC under cover of a Form 6-K. If and when Iberdrola S.A. determines to commence the Acquisition by way of a takeover offer under The City Code on Takeovers and Mergers of the United Kingdom (the "Offer") rather than the Scheme, Iberdrola S.A. will, to the extent that the shares issued in connection with the proposed Acquisition are required to be registered in the United States, file a registration statement on Form F-4, which will include a prospectus, with the United States Securities and Exchange Commission ("SEC"). Investors are strongly advised to read the documents that will be made available to them, including the registration statement and prospectus, if and when available, and any other relevant documents made available to them and/or the SEC or other applicable regulatory authorities, as well as any amendments or supplements to those documents, because they will contain important information regarding Iberdrola S.A., ScottishPower plc, the Acquisition and any Offer.

ScottishPower plc shareholders should also read the related solicitation/recommendation statement on Schedule 14D-9 that may be filed with the SEC by ScottishPower plc relating to the Acquisition. If and when filed, investors may obtain free copies of the registration statement, the prospectus as well as other relevant documents filed with the SEC, at the SEC's web site at [www.sec.gov](http://www.sec.gov) and will receive information at an appropriate time on how to obtain these transaction-related documents for free from the parties involved or a duly appointed agent.

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The shares to be issued in connection with the proposed Acquisition may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

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## FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about ScottishPower plc and Iberdrola S.A. and their combined businesses after completion of the proposed Acquisition. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. Although the managements of ScottishPower plc and Iberdrola S.A. believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of ScottishPower plc and 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 ScottishPower plc and 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 public documents sent by ScottishPower plc and Iberdrola S.A. to the Comisión Nacional del Mercado de Valores and under "Risk Factors" in the annual report on Form 20-F for the year ended March 31, 2006 filed by ScottishPower plc with the SEC on June 30, 2006. Except as required by applicable law, neither ScottishPower plc nor Iberdrola S.A. undertakes any obligation to update any forward-looking information or statements.

# Agenda



## **Strategic rationale**

## **Accelerating the Strategic Plan**

## **Terms of the Agreement**

## **Value Creation**

## **Financing**

## **Conclusion**

# Strategic rationale



**A unique consolidation aligned with the principles of Iberdrola 2007-2009 Strategic Plan ...**

**Strategic Plan acceleration**

**Increasing size and generating more value for shareholders**

**Leading Group in high growth businesses and regions**

**Boost to internationalization**

# Strategic rationale



**... that provides access  
to new opportunities for long term growth ...**

**Delivers hard synergies to the bottom line**

**Immediately earnings accretive**

**Maintaining the financial solidity and  
the commitment to shareholders**

**Diversified sources of earnings reduces risk**

# Agenda



**Strategic rationale**

**Accelerating the Strategic Plan**

**Terms of the Agreement**

**Value Creation**

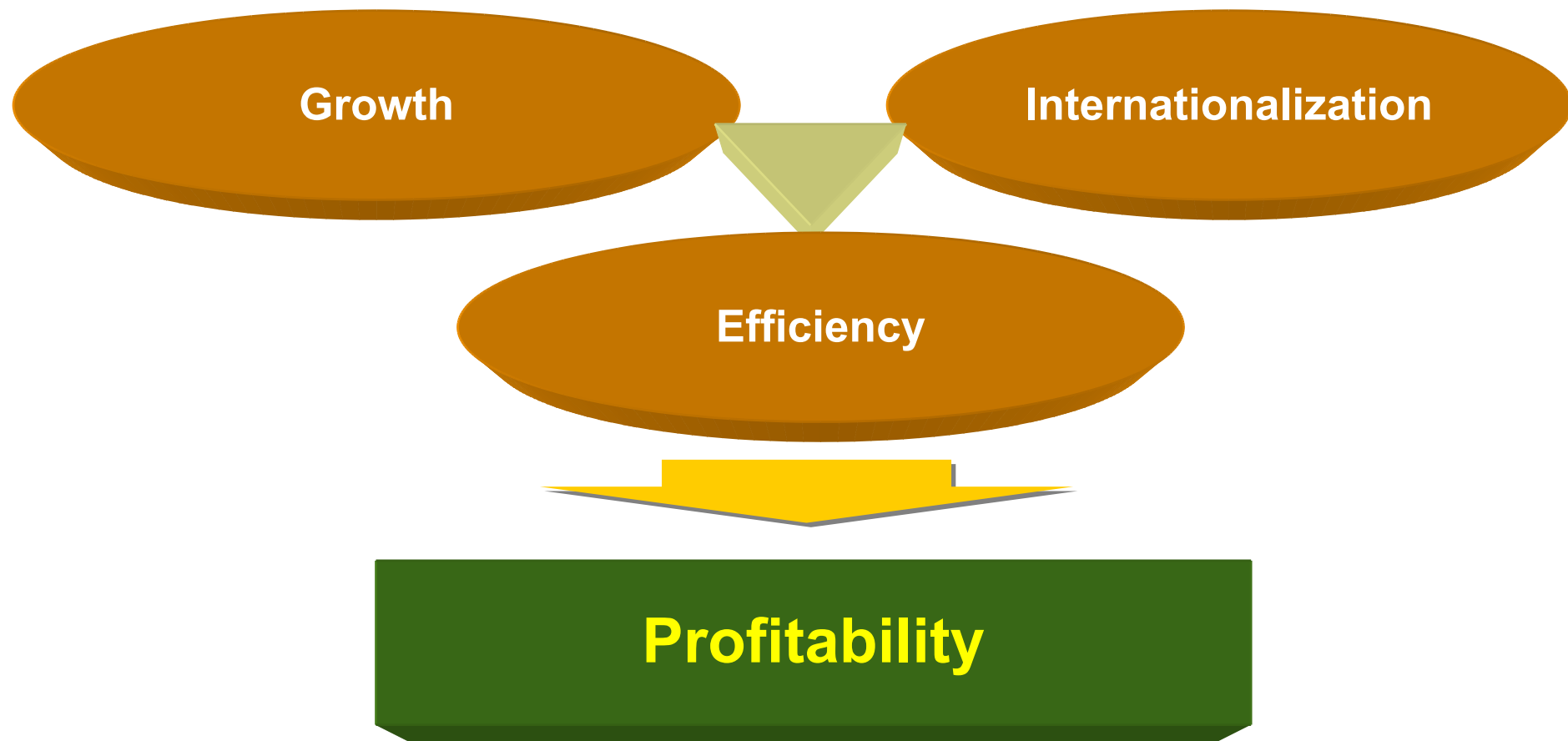
**Financing**

**Conclusion**



# Accelerating the Strategic Plan

**A further step based on the principles  
of the 2007-2009 Strategic Plan ...**



# Accelerating the Strategic Plan



**... and fulfilling the established criteria for non-organic growth**

**Strategic  
Criteria**

**Countries with liberalized markets**

**Integrated businesses**

**Operating & technological synergies and  
complimentary businesses**

**Financial  
Criteria**

**No dilution of EPS and CPS**

**Maintaining financial solidity**

**Form**

**Through a friendly agreement  
between both parties**

## Significant expansion in all business areas ...

	IBE	SPW	IBE + SPW*	
Conventional Generation 2006 (MW)	23,989	6,574	30,563	+27%
Renewables** (MW)	4,076	1,964	6,040	+48%
Total Installed Capacity 2006 (MW)	28,065	8,538	36,603	+30%
Points of Supply 2006	18.1	3.3	21.4	+18%

... creates platform for synergies,  
best practice transfer and enhanced growth

\* September 2006 results for Iberdrola and ScottishPower

\*\* Renewables includes wind and mini-hydro

# Growth: Europe



## A Group prepared for the European energy market ...

- An integrated Group leader in two of the five largest markets in Europe
- Diversified clean generation mix, well positioned for capacity growth
- Consolidation as leader in renewables
- Scale benefits & pan-Atlantic presence in gas procurement
- Possibility of access to new markets
- Complementary skills in network businesses

	Spain	U.K.	Rest
Traditional Generation	20,692 MW	6.036 MW	-
Renewables in operation	3,728 MW	344 MW	281 MW
Renewables pipeline	6,140 MW	2,260 MW <sup>(1)</sup>	5,000 MW
Distribution	9.7 Mill. S.P.	3.3 Mill. S.P.	-
Gas	New entrant	1.9m customers; Storage: 0,1 bcm	-
Others	Real Estate, Engineering	-	-

Source: September 2006 Results for Iberdrola and ScottishPower

(1) ScottishPower 2010 targets of the 2006 First Half Results presentation and Iberdrola's wind farms acquisition (in development phase)

# Growth: America



## North America: 2nd group in wind energy, with high growth potential

- **Creates leading pan-Americas renewables group**
  - SPW position as #2 developer in US enhances IBE’s portfolio
  - Spans large/attractive US market and fast growth LatAm markets
  - Accesses SPW innovative Wind Portfolio Structure to recycle capital
- **Expansion into gas storage and energy management activities**
- **Adds new capabilities in gas & energy management to LatAM platform**

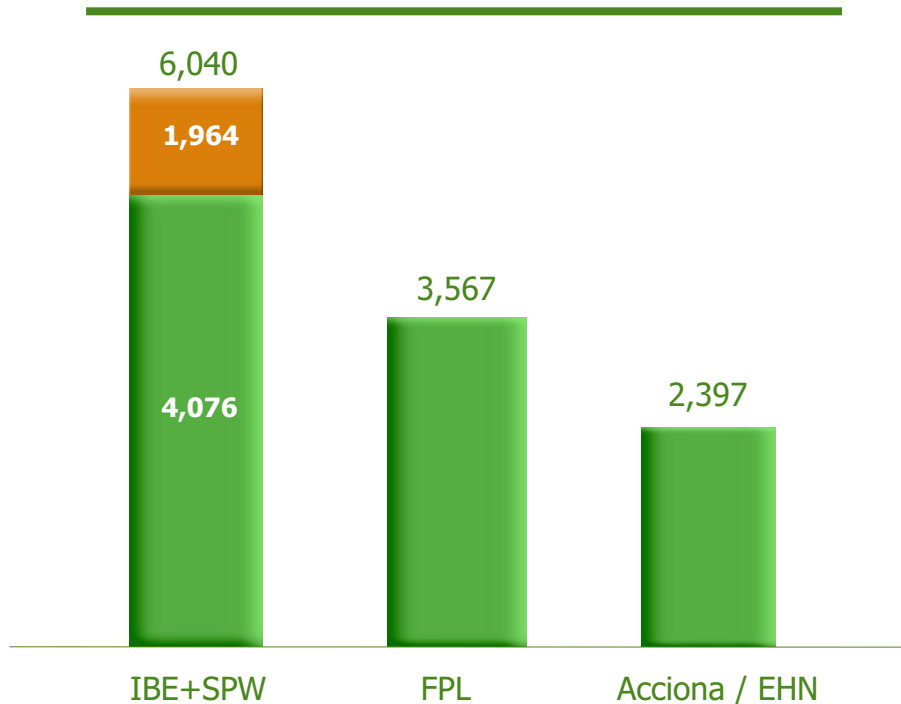
	North America	LatAm
<b>Traditional Generation</b>	538 MW	3,297 MW
<b>Renewables in operation</b>	1,620 MW	67 MW
<b>Renewables pipeline</b>	14,200 MW <sup>(1)</sup>	400 MW
<b>Distribution</b>	-	8.4 Mill. S.P.
<b>Gas</b>	Storage 2.6 bcm	-

## LatAm: Focused in Mexico and Brazil

Source: September 2006 Results for Iberdrola and ScottishPower  
 (1) PPM Roundtable presentation

## Significant growth opportunities

### *Installed capacity (MW)\**



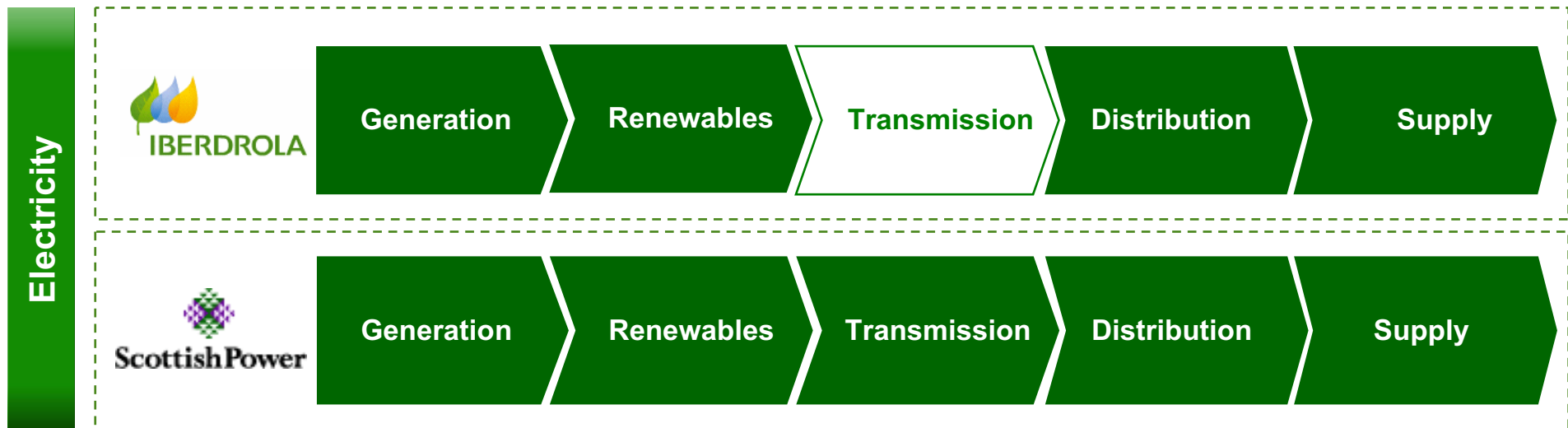
- Leading expertise in site selection, procurement, construction & marketing
- Significant scale benefits
  - Turbine procurement
  - Specialist skills
- Supported by local energy management platforms
- Unparallel pipeline for future development
- Increased diversification of wind portfolio reduces risk
- Strong US demand driven by Renewable Portfolio Standards

**Unrivalled scale and expertise to successfully capitalise on fast growth worldwide market**

# Based on the energy business



## Complementary business model ...

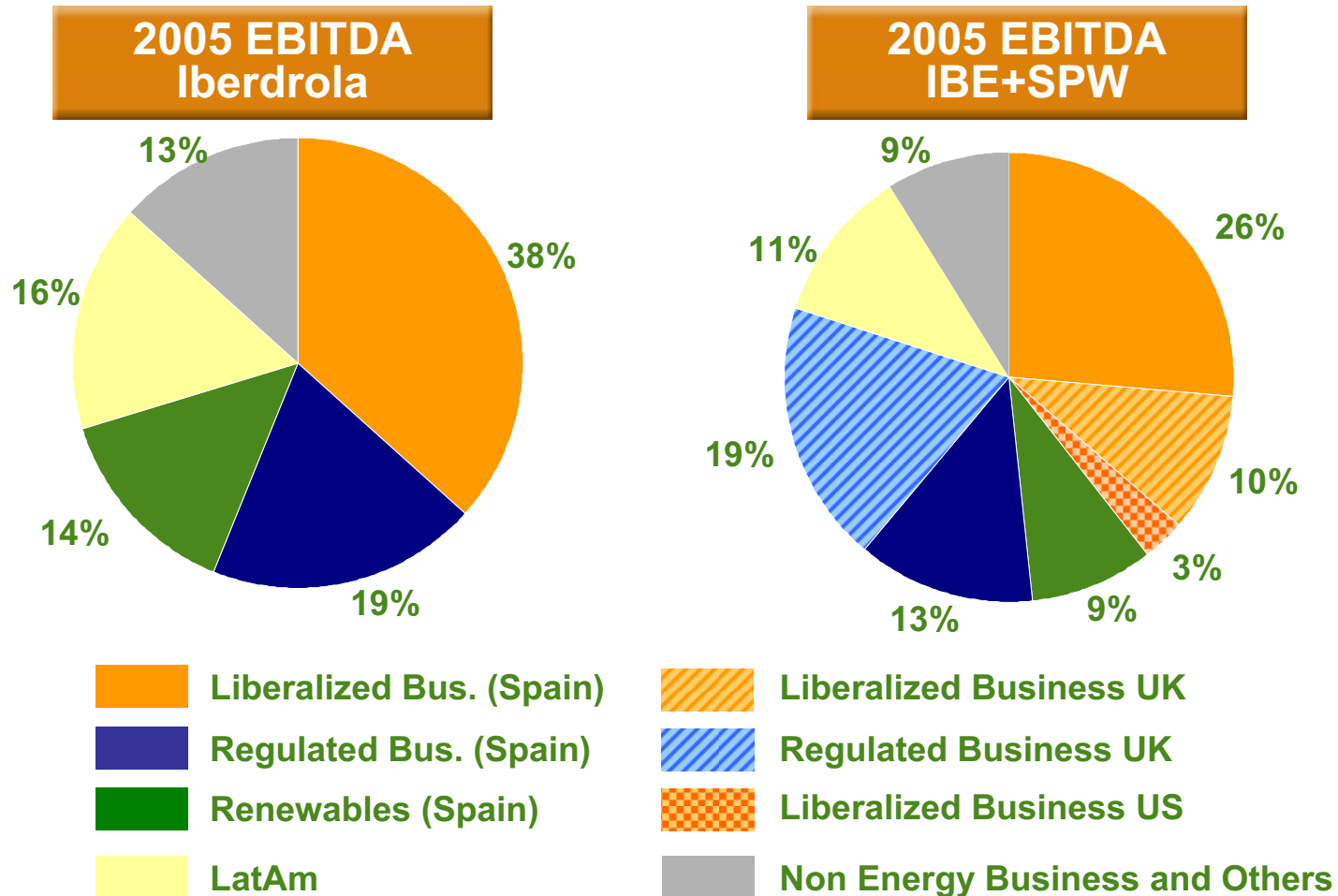


... better positioned in the value chain

# Based on the energy business



## Balanced business portfolio between liberalized and regulated businesses



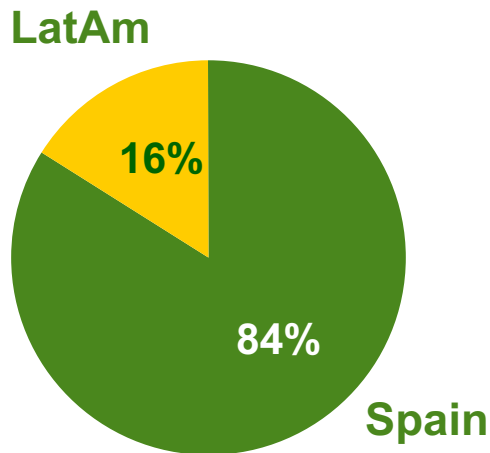


# More internationalization: a global group

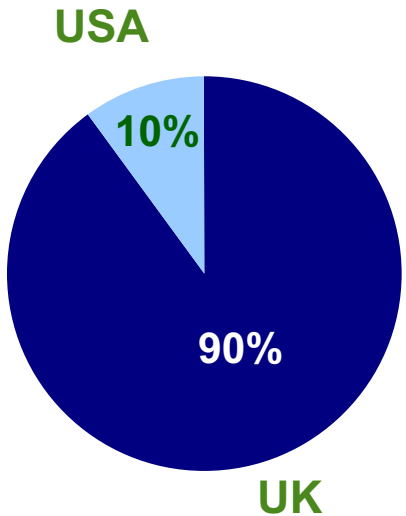


## Presence in the largest markets worldwide ...

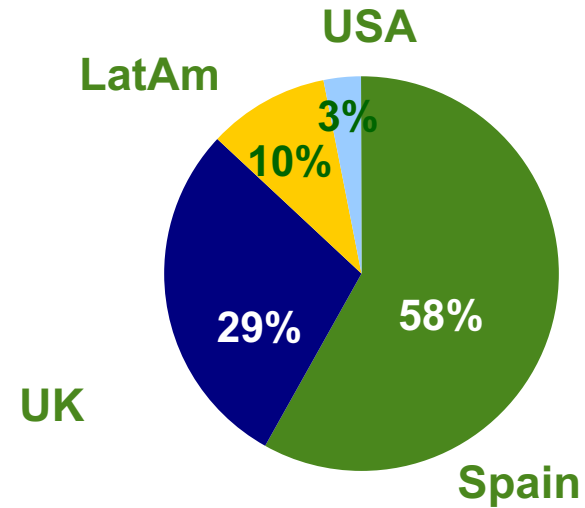
2005 EBITDA  
IBE



2005 EBITDA  
SPW

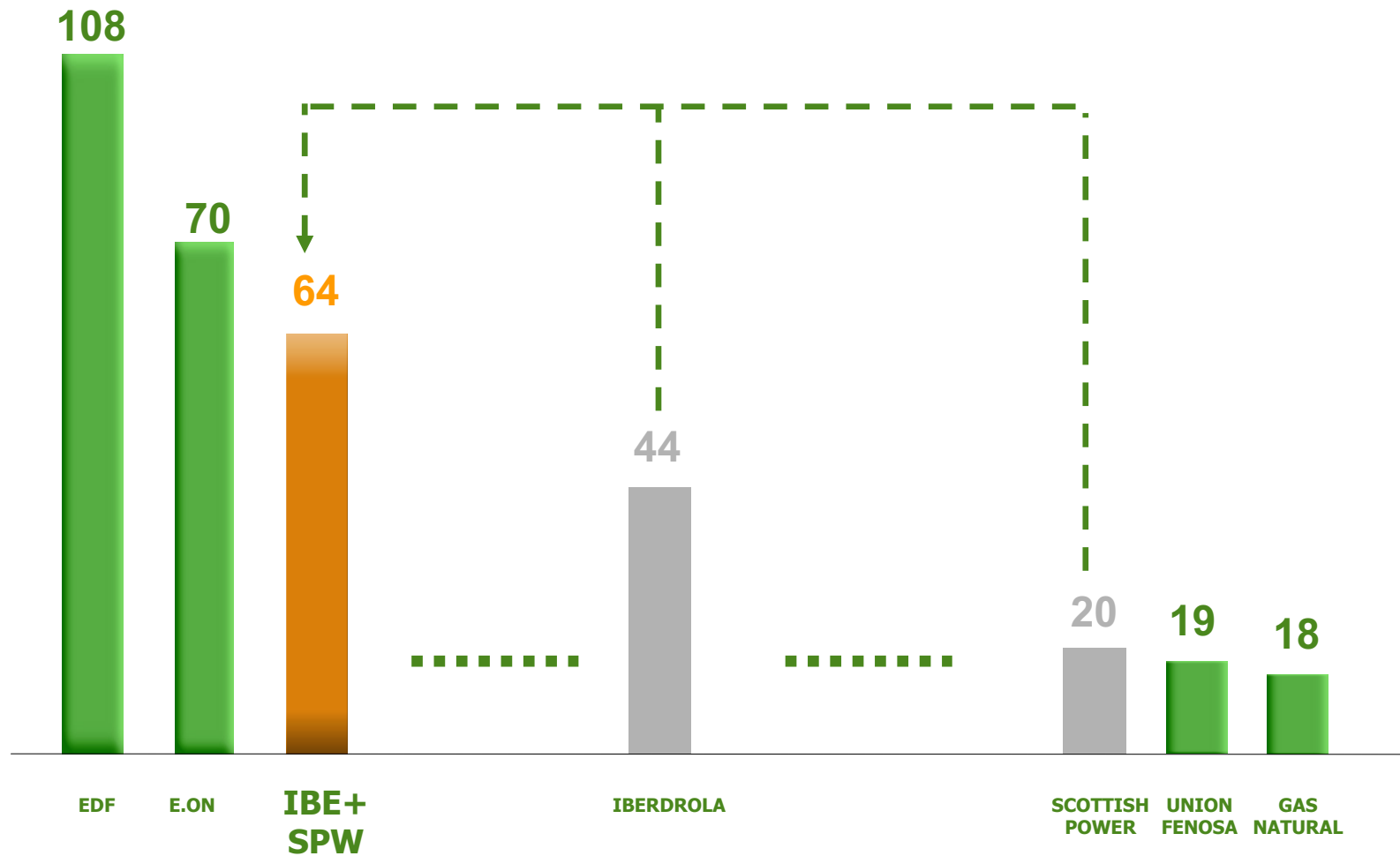


2005 EBITDA  
IBE + SPW



... and reduction of the exposure risk  
High rating countries

# Creation of an European leader (Enterprise Value, Eur Thousand MM)



Source: Market capitalization and exchange rate as of November 27, 2006. Net Debt excludes provisions and includes minority interests.  
 Source: Reported Net Debt. Market Capitalization based on number of shares without dilution

## Financial criteria



### Fulfilment of the financial criteria set in the '07-'09 Strategic Plan ...

Positive impact in cash flow per share



Positive impact in EPS from first year



Improving ROCE vs. Iberdrola stand alone



Maintaining leverage and “single A” rating



... honoring the commitment to shareholders

# Agenda



**Strategic rationale**

**Accelerating the Strategic Plan**

**Terms of the Agreement**

**Value Creation**

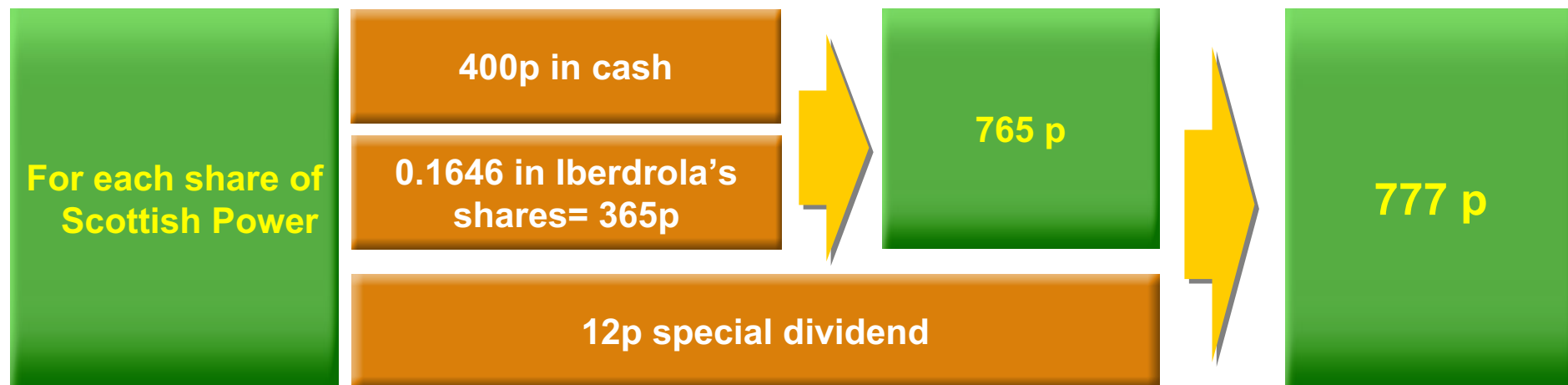
**Financing**

**Conclusion**

# Terms of the agreement



Under this agreement the value of ScottishPower is 777p per share:  
400p in cash + 365p in Iberdrola's shares + 12p in special dividend,  
being Eur 17,100 MM the value of the issued Shareholders' Equity



**It is expected to issue approximately 245 millions of new Iberdrola shares, representing 21.4% of the new share capital**

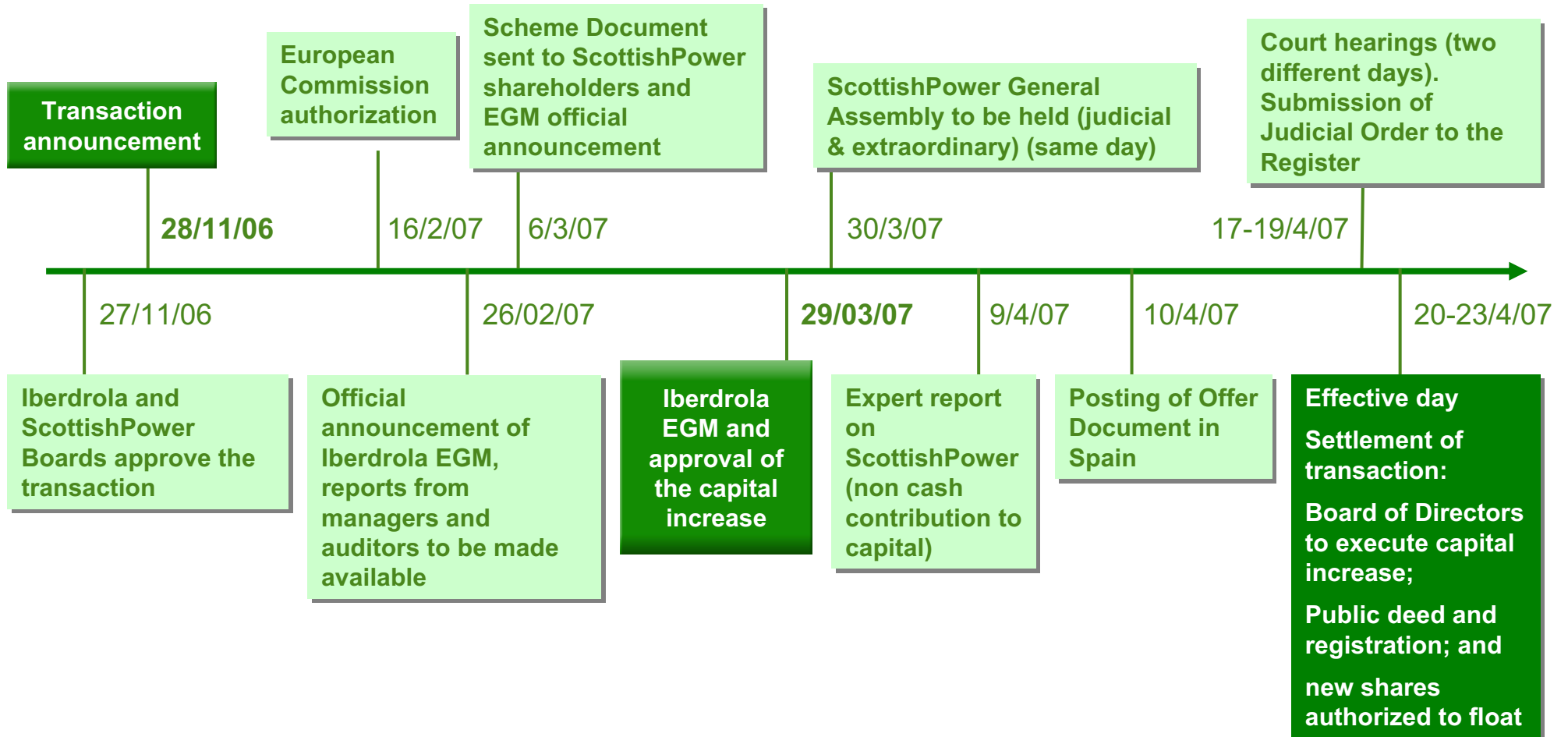
Note: The terms of the agreement are based on Iberdrola's closing prices as of November 27, 2006

\* Based on undiluted number of shares

# Proposed timetable



**Maximum period of execution of 5 months starting with the announcement of the transaction...**



Note: Estimated calendar, subject to authorizations in EU, USA and UK Court sanction (regarding the Scheme process), among other issues

## Other considerations



### Recommended by ScottishPower Board

**Scheme acceptance: majority in number  
representing 75% by value**

**Subject to EGM approval of Iberdrola's  
and ScottishPower's shareholders**

**Subject to other common conditions,  
including regulatory issues**

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# Profit & Loss (Proforma)



Eur MM	IBE 2005	IBE+SPW 2005 PROFORMA
<b>Sales</b>	11,738	19,464
<b>EBITDA</b>	3,378	4,861
<b>EBIT</b>	2,262	3,368
<b>Profit before taxes</b>	1,958	2,876
<b>Net Profit</b>	1,382	2,078

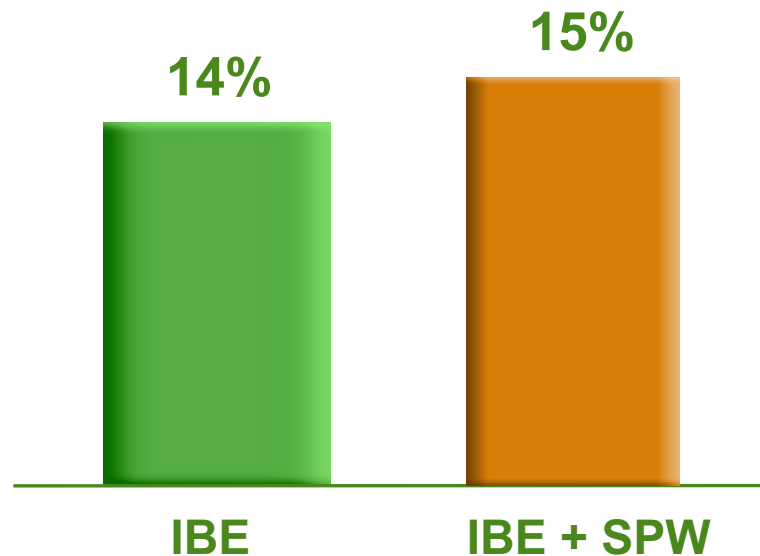
Source: Iberdrola Annual Report December 2005. ScottishPower Annual Report March 2006  
 Eur/GBP exchange rate assumed as of close of 24 November. 1.4755

# Market estimates

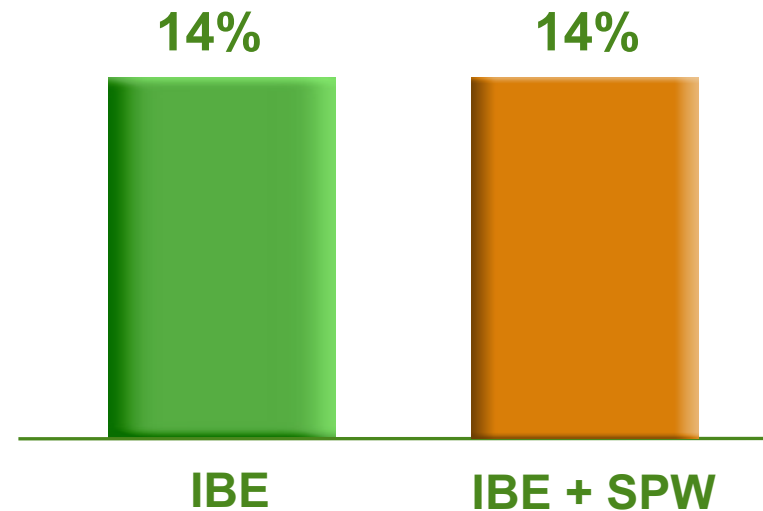


According to analysts estimates ...

EBIT CAGR ('05 - '09)



Net Profit CAGR ('05 - '09)



**... EBIT & Net Profit of the new Group maintain strong growth**

Source: 2005 data: Iberdrola stand alone, Annual Report December 2005; IBE+SPW Annual Report (Proforma).  
2009 data: analysts estimates (Lehman Brothers, Merrill Lynch, Citigroup and JP Morgan) IBE Dec. 2009 and SPW March 2010, where available

# Synergies



**Recurrent potential OPEX synergies of Eur 130 MM per year and average annual capex synergies of Eur 44\* MM**

<b>Costs synergies</b>	<ul style="list-style-type: none"> <li>• Group integration                     <ul style="list-style-type: none"> <li>- Central services</li> <li>- Shared services, including IT systems</li> </ul> </li> </ul>	<b>Centre costs</b>
	<ul style="list-style-type: none"> <li>• OPEX Synergies                     <ul style="list-style-type: none"> <li>- Supply: workforce optimization and processes</li> <li>- Generation: workforce optimization and reduction of gas procurement costs</li> <li>- Renewables: offices optimization in US</li> </ul> </li> </ul>	<b>Operating efficiencies</b>
<b>Capex synergies</b>	<ul style="list-style-type: none"> <li>- Renewables: turbines costs reduction and savings due to the use of Iberinco in engineering and construction</li> <li>- Distribution and Supply: Capex optimization</li> </ul>	
<b>Additional synergies not quantified</b>	<ul style="list-style-type: none"> <li>• Efficiency in generation and processes</li> <li>• Option of a new nuclear plant and entrance in LNG</li> <li>• Loss reduction in supply business contracts</li> </ul>	

\* Average for initial five years

# OPEX Synergies



## Annual estimates of Eur 130 MM ...

Area	Description	Estimated annual savings (Eur MM)
Corporate centre	<ul style="list-style-type: none"> <li>Efficiency improvements due to consolidation</li> </ul>	31
Shared services	<ul style="list-style-type: none"> <li>Integration and optimization of IT areas and purchases</li> </ul>	27
Wind US	<ul style="list-style-type: none"> <li>Efficiency improvements due to consolidation</li> </ul>	5
Generation, Supply and other	<ul style="list-style-type: none"> <li>Generation: Efficiency improvements in CCGTs and coal and gas procurements</li> <li>Supply: Efficiency improvement due to consolidation</li> </ul>	67
		<b>130</b>

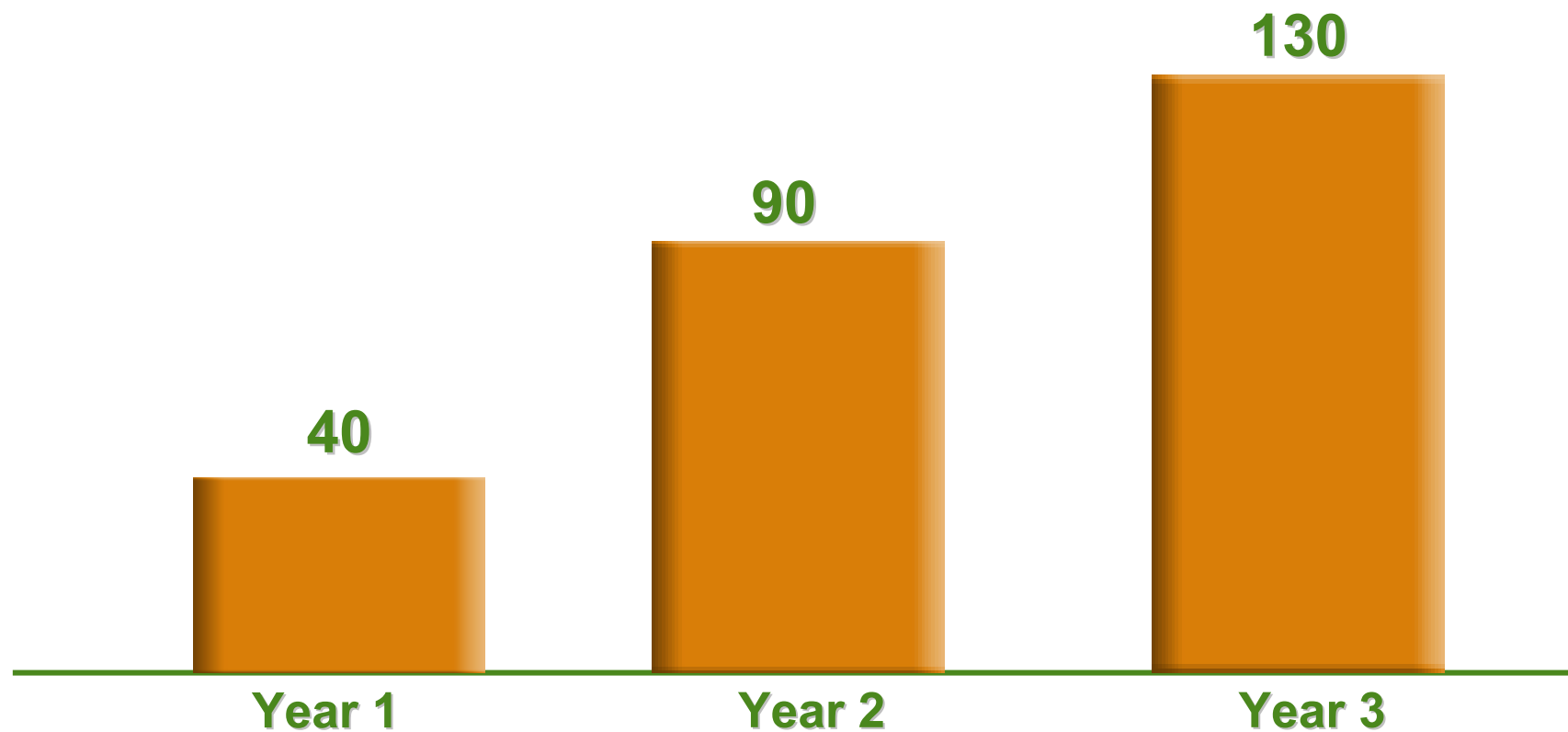
... less than 5% of combined Group expenses

# OPEX synergies implementation schedule



## Growing synergies

Eur MM



\* Run rates by year end

# CAPEX synergies





**Total of Eur 192 MM over 5 years in Wind and Generation and Eur 6 MM per annum recurrent capex savings**

Areas	Description	Estimated savings (Eur MM)
UK Wind / CCGT	<ul style="list-style-type: none"> <li>• Turbine supply from Gamesa to ScottishPower</li> <li>• Use of Iberinco in the construction of wind farms</li> <li>• Optimization of CCGT pipeline</li> </ul>	58
US Wind	<ul style="list-style-type: none"> <li>• Turbine supply from Gamesa to ScottishPower</li> <li>• Use of Iberinco in the construction of wind farms</li> </ul>	134
<b>Subtotal non-recurrent savings (five years)</b>		<b>192</b>
<b>Distribution and Supply (recurrent savings)</b>	<ul style="list-style-type: none"> <li>• Material savings in distribution purchases</li> <li>• Efficiency improvements in billing system</li> </ul>	<b>6 p.a.</b>

# Depreciation of assets revaluations

## IAS Initial estimates

Eur 7.3 bn	<b>Tangible assets</b>	 <ul style="list-style-type: none"><li>• 20 years depreciation</li></ul>
Eur 1.0 bn	<b>Intangible assets</b>	 <ul style="list-style-type: none"><li>• Typical value for concessions</li><li>• To be depreciated in a longer period or without depreciation</li></ul>
Eur 5.0 bn	<b>Goodwill</b>	 <ul style="list-style-type: none"><li>• Not to be depreciated</li><li>• Eur 6.1 bn according to Spanish tax law to be depreciated in 20 years for tax purposes: savings treated as deferred taxes. Consultation to tax authorities</li><li>• Positive impact in cash flow</li></ul>

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# Financing



## Bank financing

- Syndicated credit facility up to GBP 7,955 MM (Eur 11,738 MM) maturing in 364 days
- 1 year term out option
- Fully committed & underwritten in equal amounts by ABN, Barclays and RBS (to be syndicated post-announcement)
- Spread determined by ratings\*: forecast  $\leq$  20 b.p.
- To be mostly refinanced in 2007 post-transaction closing

## Breakdown of amount

	<i>GBP MM</i>
• Cash offer to SPW shareholders (including ADS)**	5,953
• Cash offer to convertible bondholders	735
• Hedge for potential repayment of SPW debt	713
• Other	554
	<b>7,955</b>

\* An A3 rating by Moody's is expected

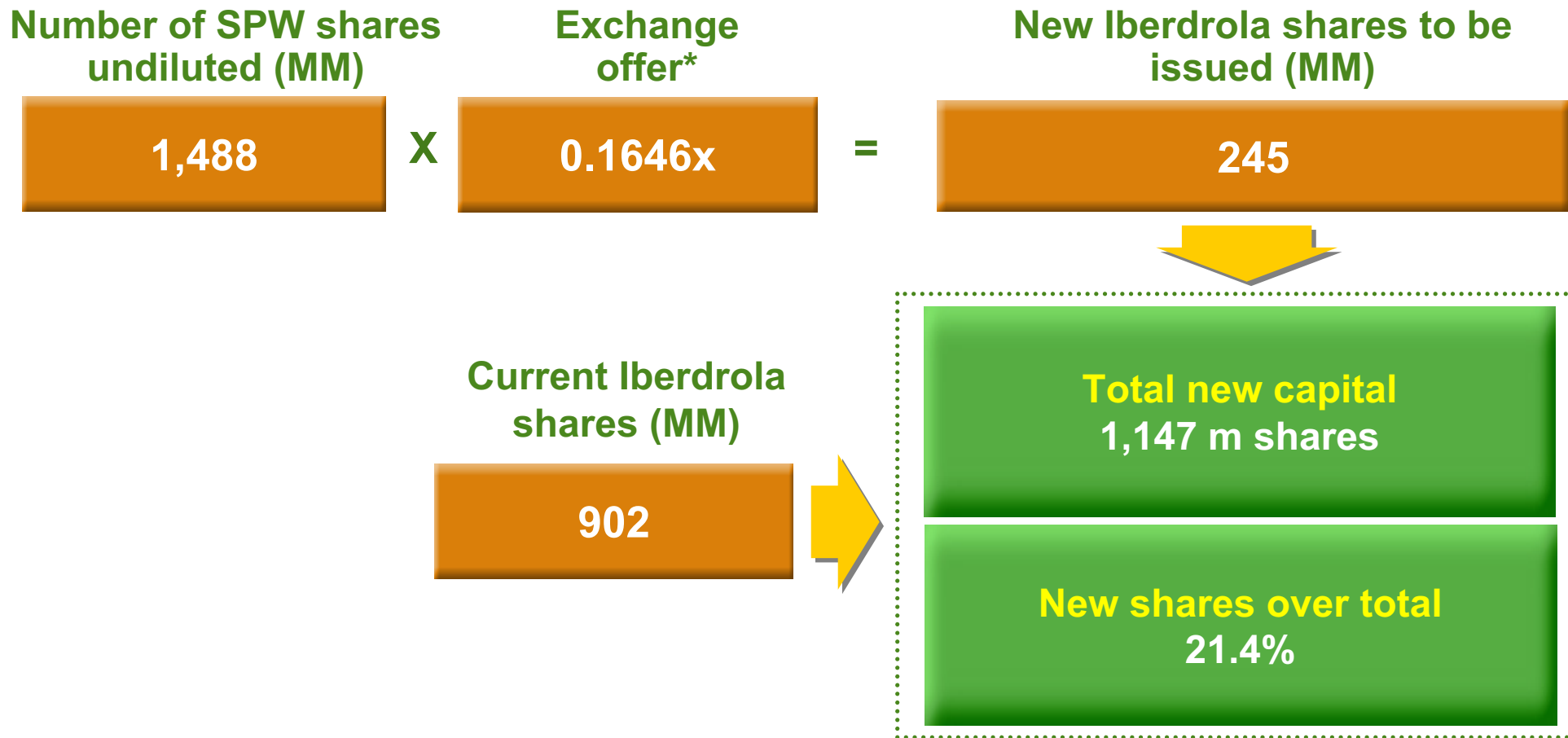
\*\* 400p per SPW/ share; 1,600p per ADS

Eur/GBP exchange rate assumed as of close of 24 November. 1.4755

# Capital increase



**The shares to be issued account for 21.4% of the total new capital**



Note: Price of Iberdrola shares and assumed as of close of 27 November: Eur 32.75 & EUR/GBP exchange rate of 1.4755

\* Exchange offer for ADS: 0.6584 new shares per ADS

# Credit ratios & financing policy



## Maintaining a solid financial position

### Ratios

	2005 (IBE)	2005 (SPW)	Rating "A" range
<b>RCF / Net debt</b>	18.4%	31.9%	13-25%
<b>FFO / Net debt</b>	12.6%	15.6%	16-30%
<b>Net debt / EBITDA</b>	3.7x	2.5%	2.5-4.5x
<b>FFO / Gross interest coverage</b>	3.3x	3.6x	3.0-5.5x
<b>Total debt / Capital</b>	58.6%	44.0%	40-60%

### Financing policy

- Minimize structural subordination in the new company
- High liquidity: 12 months of refinancing needs covered in advance

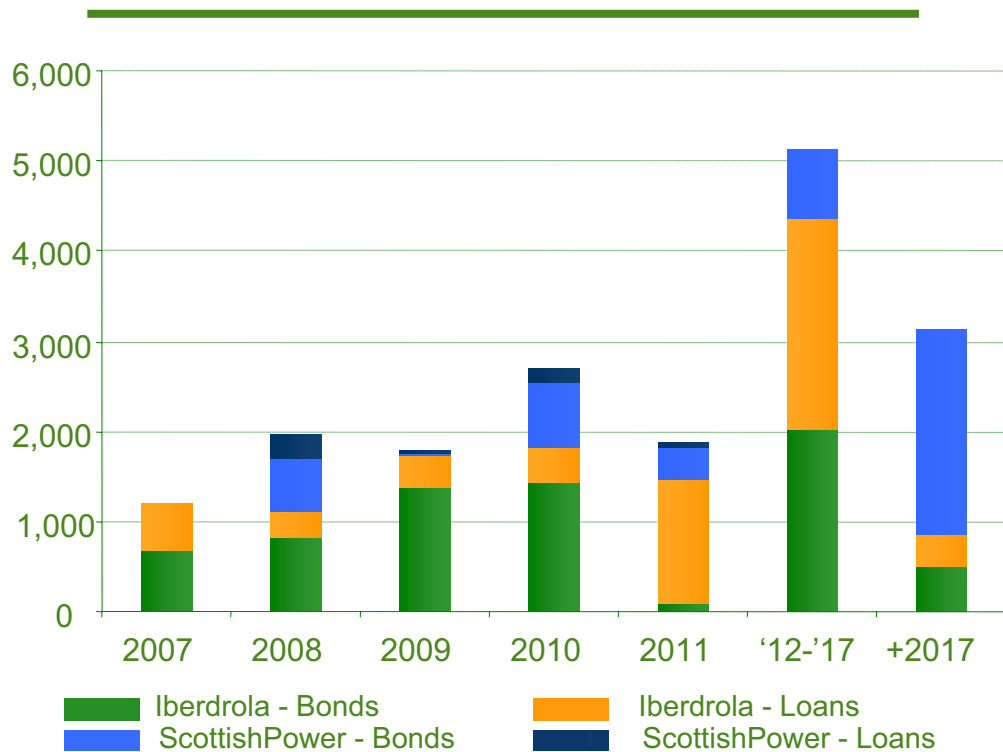
## Ratios that allow a "single A" rating

# Refinancing plan & Maturity profile pre-financing



**Target: over 5 years average maturity of Group's debt**

*Debt maturities\* IBE+SPW*



*Refinancing plan*

- Long term refinancing post transaction closing
- Potential Loan Note up to GBP 500 MM
- Using capital markets and bank debt
- In the same currency as cash flows to minimize exchange rate risk
- Mostly at fixed rate
- Adequate maturity profile to limit refinancing risk

\* Consolidated debt IBE+SPW pre-consolidation

# Dividends & divestments



## Maintaining DPS target announced in '07-'09 Strategic Plan

### *Dividends*

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**Eur 1.50 / share  
(GBP 1.017 / share\*)  
in 2009**

### *Additional divestments from Iberdrola assets*

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**Over Eur 1,000 MM  
within 12 months post  
transaction closing**

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# Conclusion



**Strategic Plan '01-'06 allowed for a significant value creation for Iberdrola ...**



**... the integration represents a solid base to further value creation for IBE & SPW shareholders**

# Conclusion

**The integration fulfils all the criteria set,  
In an scarce opportunities environment ...**

**Strategic fit**

**+**

**Value creation**

**More internationalization**



**Liberalized markets,  
growing and stable**



**Integrated business**



**Focus on renewables**



**Obtaining synergies  
and costs savings**



**Increase of EPS and CPS**



**Maintaining leverage:  
Solid Credit Rating**



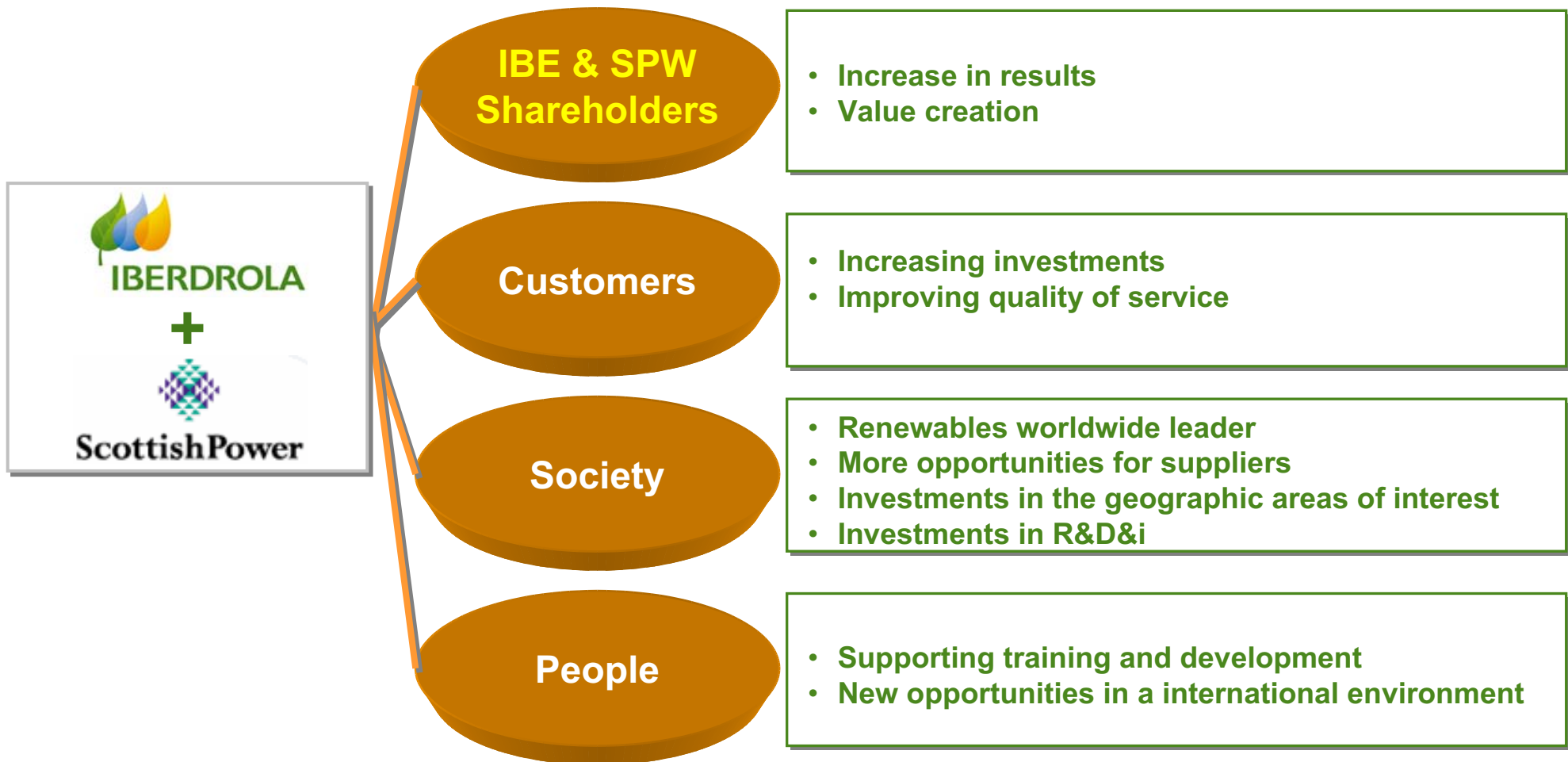
**No change in DPS**





# Conclusion

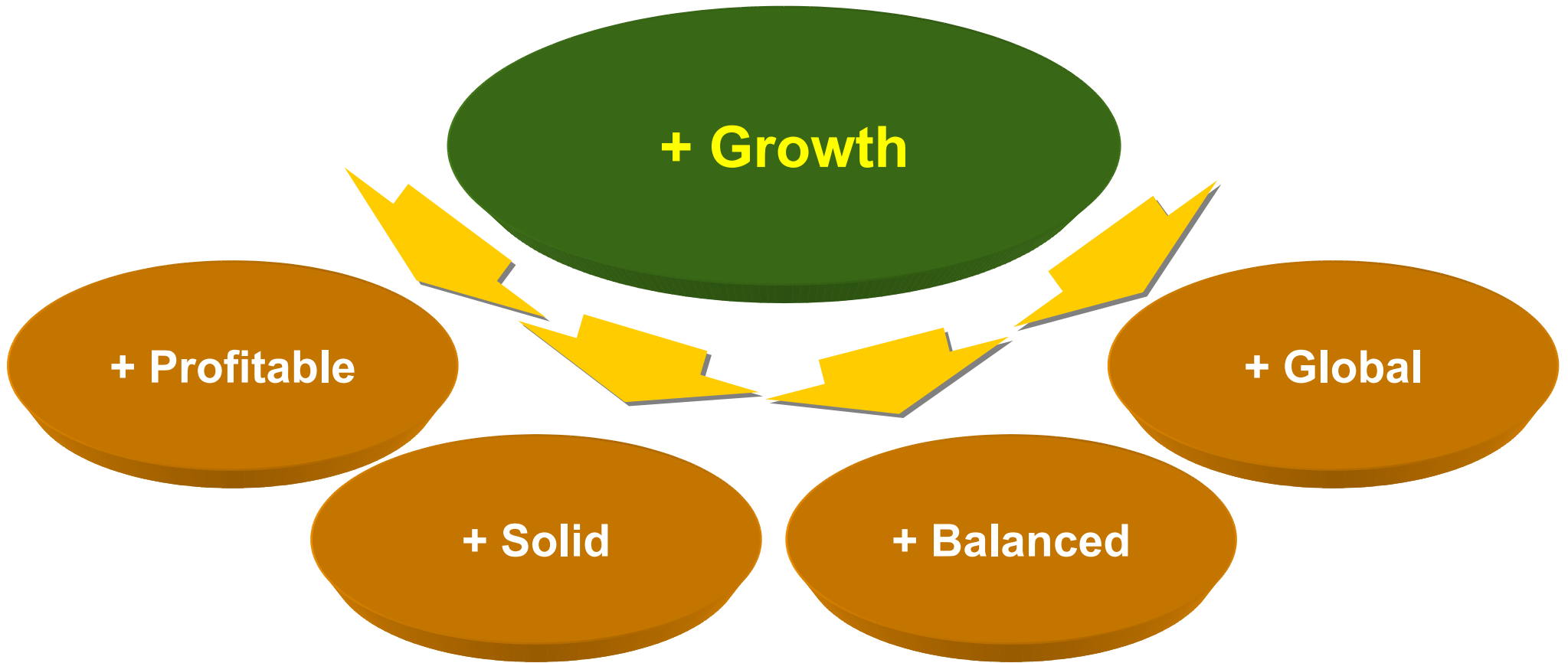
## ... and reinforcing our commitments



# Conclusion



## Iberdrola + ScottishPower



**A worldwide leader emerges**



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November 28<sup>th</sup>, 2006

