IBERDROLA

Investor Day

London. 24th February, 2010

ScottishPower

Nick Horler

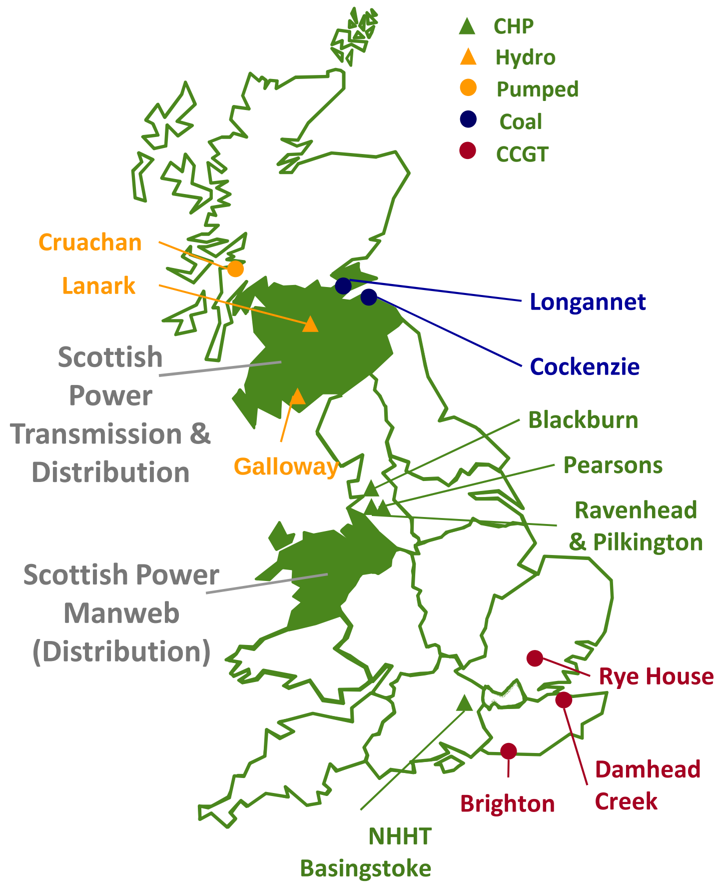
John Campbell

Frank Mitchell

ScottishPower Overview

SCOTTISHPOWER

SCOTTISHPOWER Energy Wholesale	SP ENERGY NETWORKS	SCOTTISHPOWER The Energy People
3.5GW Coal 2GW CCGT/CHP 0.5GW Hydro Energy Trading	2 Dist Licences 1 Trans Licence ~£3.3Bn RAV 110,000km of Wires	Electricity & Gas Supply 5.25 million Customers

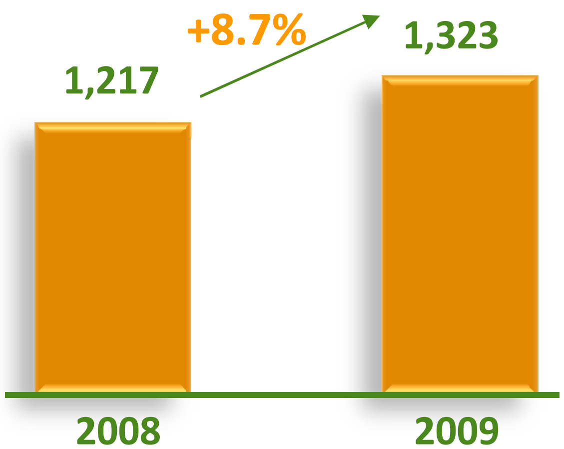


Financial Performance

IBERDROLA Investor Day

Annual EBITDA growth of 8.7%

EBITDA* (£m)



	2008	2009
Oil ($ Brent)	98	62
GDP (YoY)	0.5%	-4.5%

Very tough conditions

- UK market contracted by ~4%
- Power demand reduced by ~5%
- Commodity prices fell by 30-50%

Delivered profit increases through:

- Tight cost and capital control
- Commodity hedging strategy
- Reshaping our customer base
- Delivering group synergies

… despite the very challenging economic conditions

** Excluding MtM*

Operational Performance

IBERDROLA Investor Day

Operational highlights

- **Health & Safety performance** - 12 Loss Time Accidents - a 60% improvement on 2008
- **Cost and capital discipline**
  - Non-operating expenses decreased 7.3% yoy, beating anticipated merger benefits
  - 25% reduction in capital expenditure and a 13% saving on group procurement
  - Strong working capital improvement driven by focus on retail debt
- **Regulatory milestones**
  - Successful completion and acceptance of DPCR5
  - Moved to FEED stage of Carbon Capture project

Delivery of strategic corporate initiatives in the UK

- **Global benchmarking and procurement**
  - Formalise intra-company benchmarking for identification of efficiencies
  - £300m passed through group procurement process with significant savings
- **Systems** - Launch of SAP for finance, purchase to pay, treasury and Energy Networks
- **Technology and innovation** - Formation of international expert teams on Smart grids and electric vehicles

Insight to 2010 and Beyond

IBERDROLA Investor Day

2010 expectations

Political/regulatory

- Disturbance from General Election and pressure on retail tariffs
- Ongoing scrutiny of market structure (Project Discovery)

Economic

- Lack-lustre economic recovery (~1% GDP growth)
- Unemployment, debt and default likely to still be an issue for 2010

Commodity

- Forward power and gas markets softer but rising through 2011
- Historic buying still working through retailers' portfolios

Action underway

Efficiency

- Identified new cost savings for 2010
- Reorganised Energy Networks
- Optimised commodity procurement
- Continue to use group leverage

Growth

- UK Generation "gap" still a reality - expanded our options for future CCGT and coal investment (4 potential sites)
- Networks growth largely through expansion of transmission investment

Innovation and Change

- Smart metering pilot
- Electric vehicle trials
- Carbon capture and storage

Operational Performance - Energy Wholesale

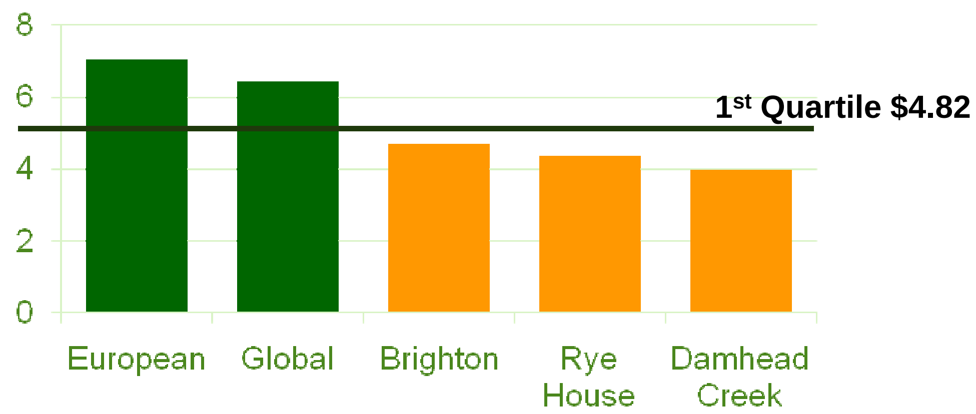
Excellent safety performance – zero Lost Time Accidents in 2 years

Industry best practice Asset Management PAS 55 award

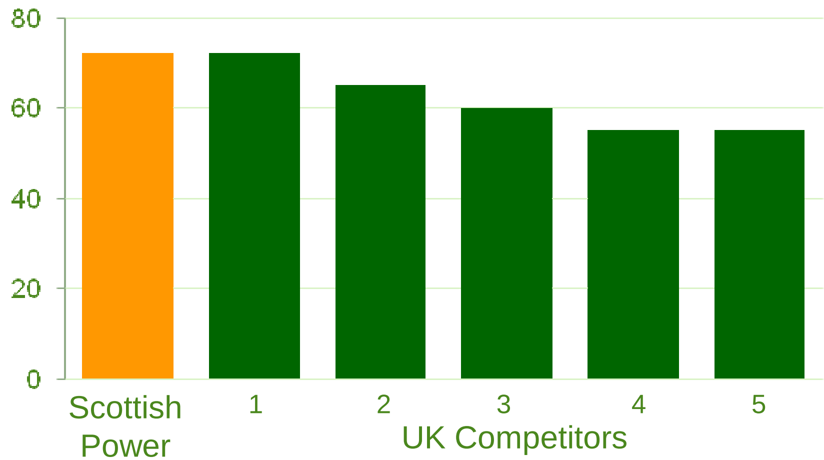
Plant availability up 12.5ppt and increased flexibility

Trading to optimise generation, manage price volatility & secure retail margins

Benchmarked plant O&M costs* ($/MWh)



2009 Plant & trading contribution (£/kW)**



Significant financial contribution from plant and trading performance

** Solomon Associates ** BMRA database and SP data*

Operational Performance - Energy Retail

5.25m customers - targeting higher value segments & secure payment customers

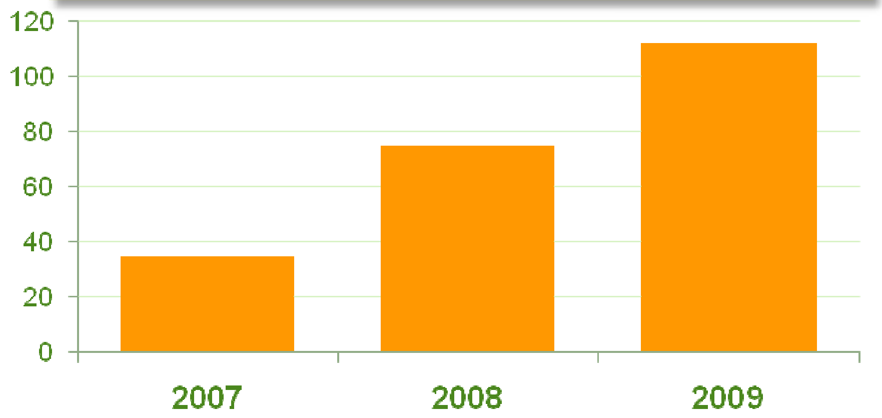
Competitive product range - well positioned across key segments

Tackling debt risk throughout customer lifecycle - 34% debtor day improvement

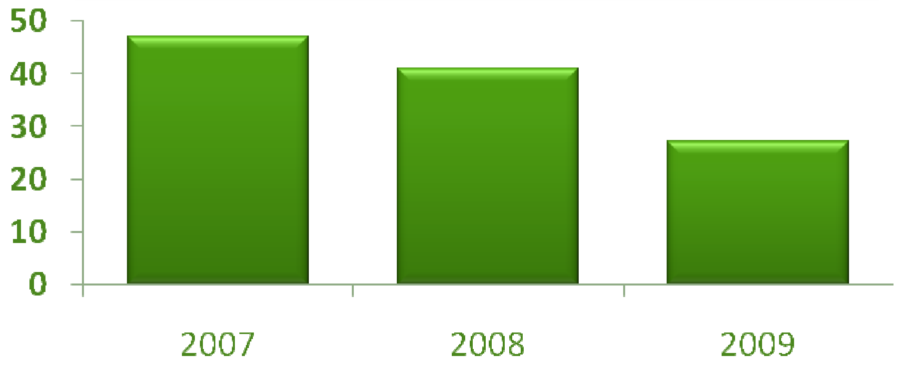
Delivered £112m annualised cost savings - ahead of target

Deploying energy services & smart meter capability

Efficiency Programme Run Rate (£m)



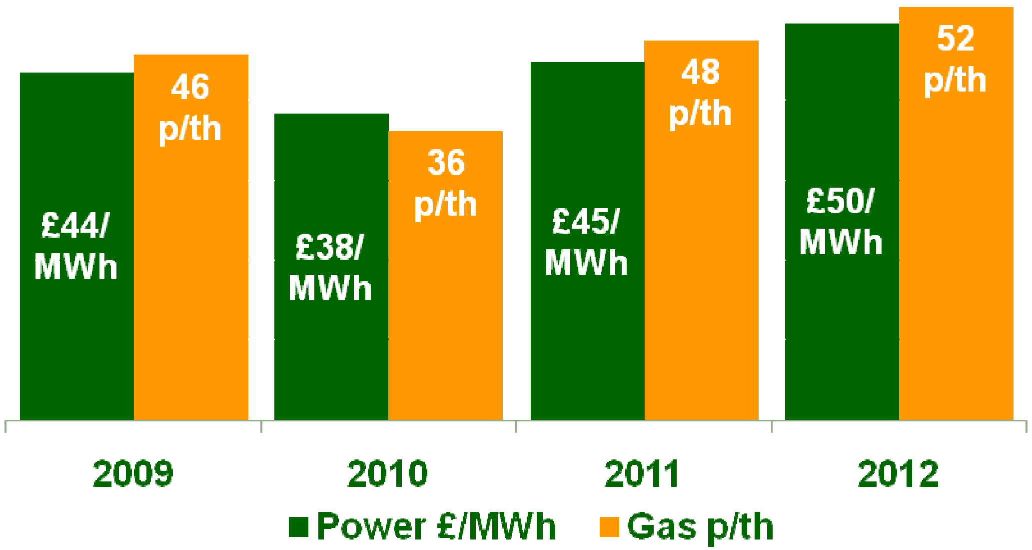
Debtor Days



Delivering profitability improvements by reducing controllable costs

Commodities and Optimisation

Energy prices expected to recover gradually*



Forward Prices		
Year	Dark Spread	Spark Spread
2010	£5.00	£7.00
2011	£5.00	£6.00
2012	£6.00	£7.00

Generation / Retail integration mitigates market risk

Shorter term rolling purchases for retail; delta approach to capture best generation spreads

Optimisation of long term contracts and storage

Upward pressure on tariffs from non-energy costs and demand destruction

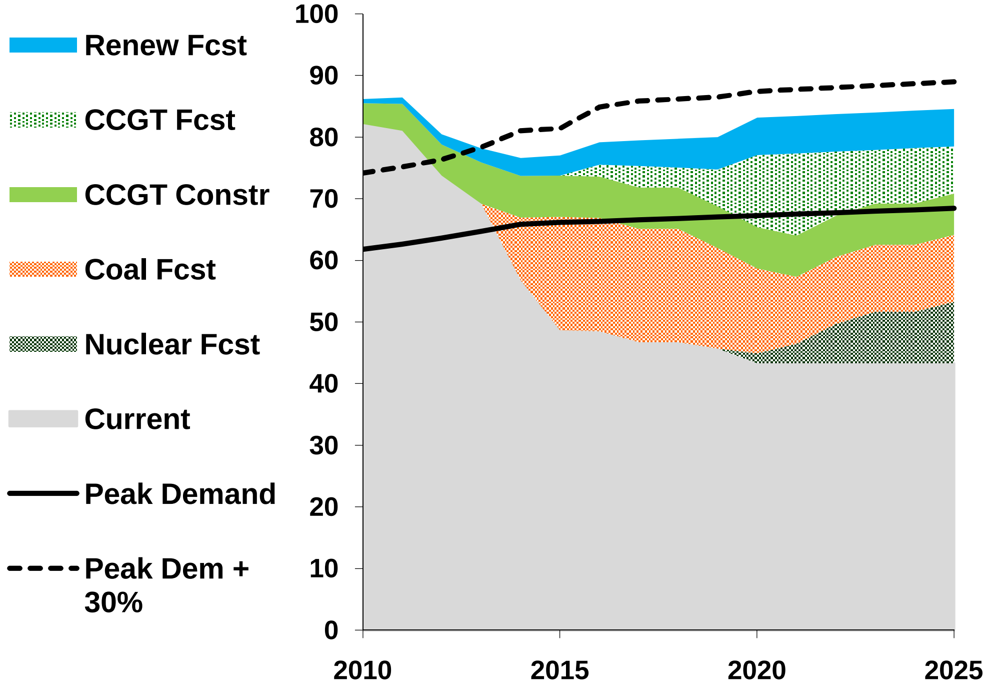
Hedging strategies continually reviewed and fine tuned to optimise returns

** ICE, TFS and SP data*

Generation Portfolio

IBERDROLA Investor Day

Generation gap delayed – not removed



SP view of GB plant margin (GW)

Portfolio strengths in diversity, security, flexibility and emission reduction

Coal plant life extension options at Longannet

Progressing CCGT build options at 3 excellent sites – Damhead Creek II, Cockenzie & South West England

Strong consortium for nuclear – low upfront purchase price

UK's largest trader of operational wind - PPA with ScottishPower Renewables

Strong diverse set of portfolio investment options
Well placed to invest when time is right

Carbon Capture & Storage

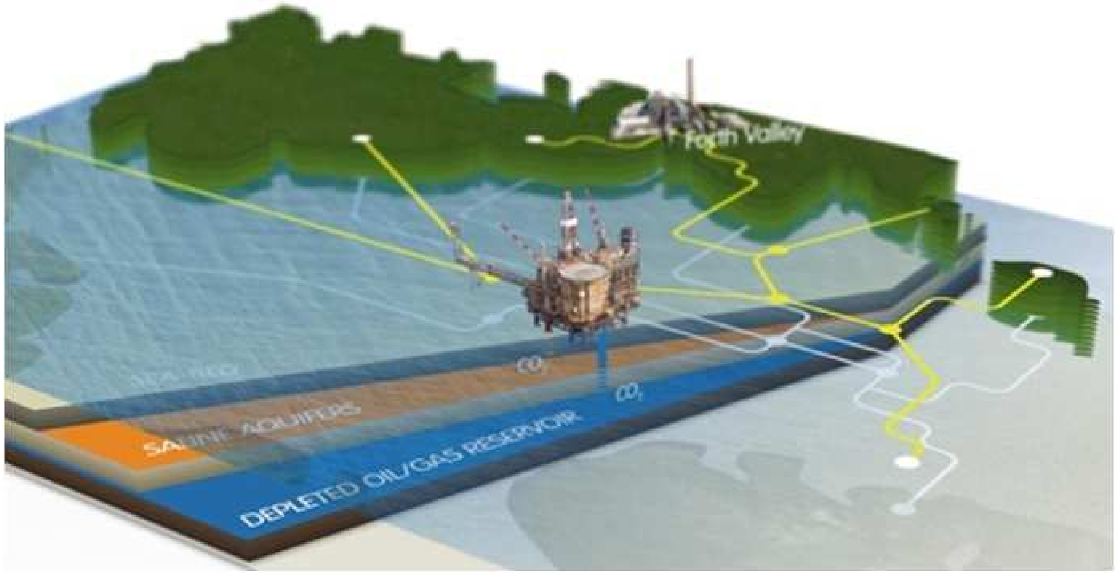
Down to last two in UK CCS competition and only site able to deliver by 2014

Strong consortium to drive project forward – FEED study is next stage

Mobile Test Unit in situ – already driving improvement in technology

Retro-fit system - environmental & commercial opportunities in an emerging global market

Any investment will be subject to obtaining an appropriate return



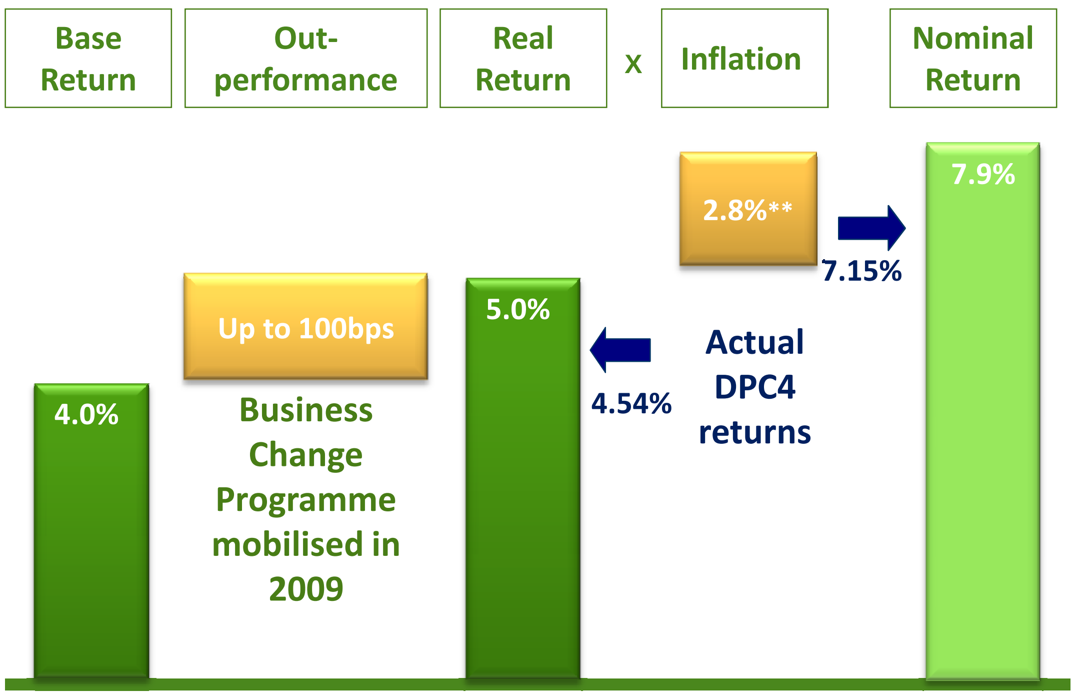
Longannet ideally situated for CCS

Leading the race in the UK to deliver CCS

UK Regulated Business has agreed 5-year Price Control*

IBERDROLA Investor Day

Distribution Price Control Forecast Returns ***



Headline WACC below expectations but:

Increased scope for out-performance

Reduced downside exposure

Distribution pension deficit allowed in full

Implementing IBE model means higher rate of return achievable

1 April 2010 - 31 March 2015 **Average of independent forecasters as quoted in HMT Forecast for UK Economy (Nov 2009) * Post Tax*

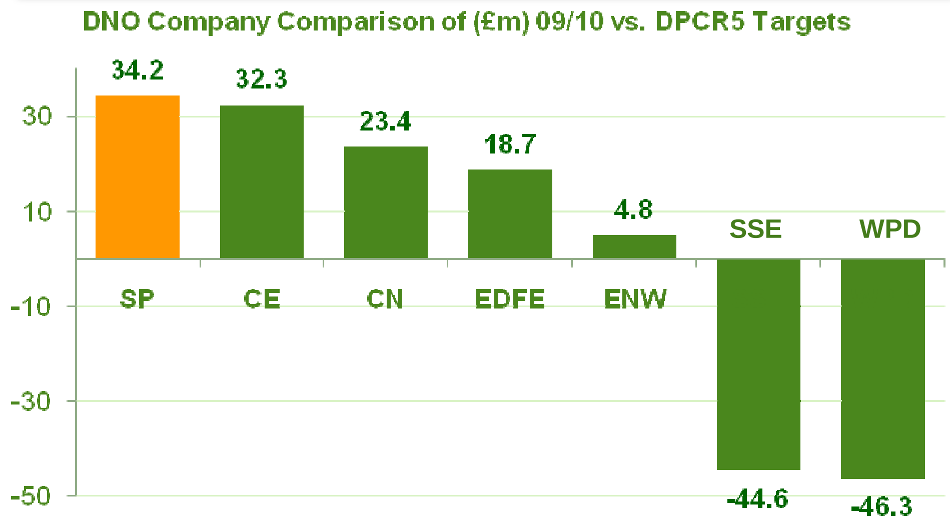
Targeting Out-Performance

IBERDROLA Investor Day

Some out-performance secured within baseline	45 bps
+	
Driving through a new customer service strategy	50-60 bps
Implement global model to drive efficiency across network operations	
Realising opportunities from Low Carbon, Innovation and Distributed Generation incentives	

100 bps of out performance (£120m)

***Quality of service – scope for return relative to 09/10 target**



Distribution business in UK targeting real post tax returns of 5%

**Using Ofgem Published Data*

Building Modern Infrastructure to Support UK & EU Goals

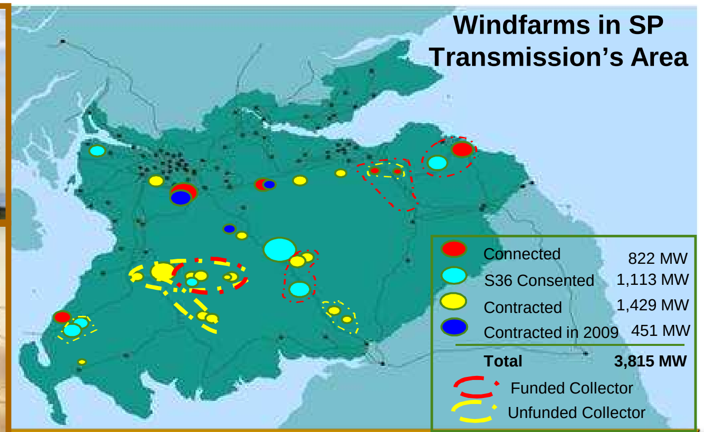
Investing over £3 billion by 2015, over 40% in SP Transmission

Key drivers:

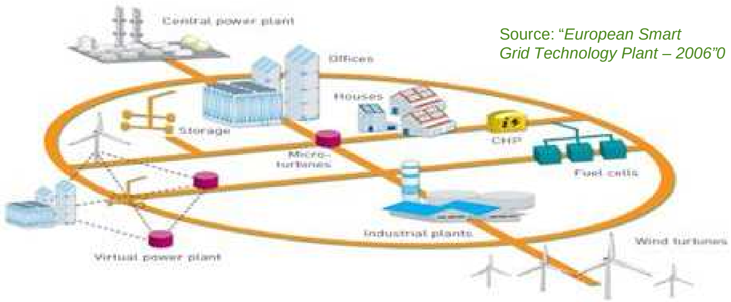
- Rebuilding ageing networks
- Investing for safe, secure supplies
- Facilitate delivery of low carbon targets

Transmission strategically important :

- Price control funds £1bn of investment (headline returns of 4.4% to 4.85% post tax real*)
- Good progress on major upgrades
- A/S Interconnector on target for 3.3GW transfer capability by 2012
- UK Government's commitment to renewables brings increased opportunities for Transmission in the medium to long term
- Existing Price Control subject to 1-year roll-over to allow Ofgem RPI @ 20 project to conclude



Facilitating renewable / clean generation



Source: "*European Smart Grid Technology Plant – 2006*"0

Investing in the move towards a smarter grid

Major investment over next five years with stable returns

**Excludes any out-performance: 4.4% is current TPC return, 4.85% is the implied post tax real return from the TIRG mechanism*

ScottishPower Well Placed to Leverage Group Strengths

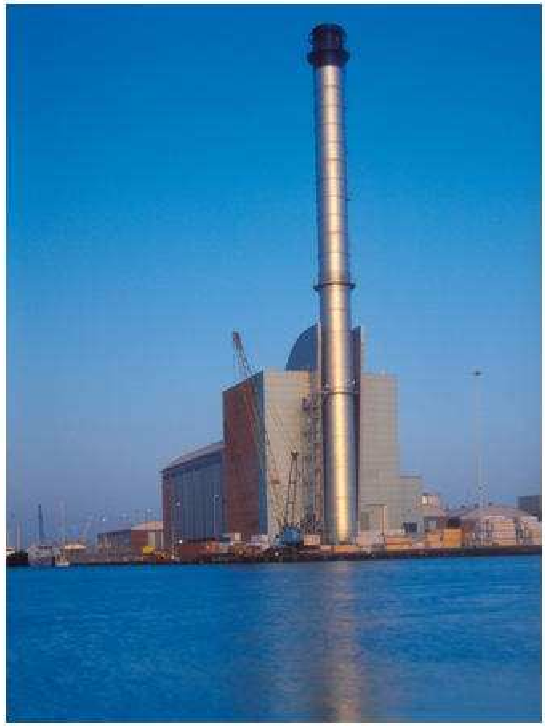
Significant infrastructure investments allow leverage for Iberdrola to realise economies of scale and synergies

Iberdrola Engineering & Construction established in UK

Order book growth with IEC delivering high voltage network projects

Further growth in Wholesale with involvement in all major projects

Example of series compensation planned for Anglo Scottish Interconnector allowing additional 1GW of capacity



Brighton Power Station

Increasing profitability through extending our value chain