


IBERDROLA
Investors'
Day 2008

Gleneagles, Scotland



Strategic Plan and Valuation Update

July 2nd 2008

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Agenda



Plan 2008-2010: One year of delivery

Trading multiples update

Potential value inconsistencies

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Strategic Plan 2008-2010 principles



The Plan aims to consolidate Iberdrola as a world energy leader in its core markets...

Renewable energy	Plan's key growth driver, aiming to maintain leadership position in wind-power energy
Traditional energy	Consolidation of relevant positions in core markets around the Atlantic Basin:
Generation	<ul style="list-style-type: none"> • Repowering, flexibility and environmental efficiency
Distribution	<ul style="list-style-type: none"> • Quality of service-driven investments based on adequate regulatory incentives
Retail	<ul style="list-style-type: none"> • Maximise value and profitability of client base in accordance with prevailing market conditions
Other actions	Efficiency, synergies and search for new growth opportunities

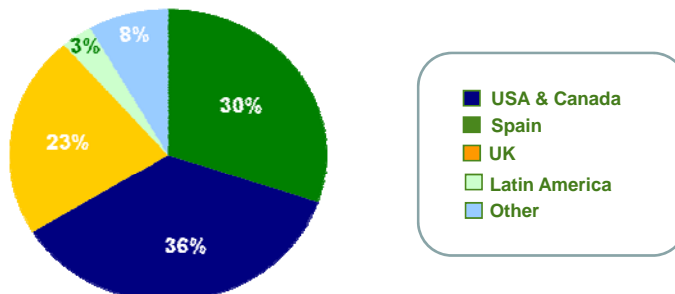
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Strategic Plan 2008-2010 investments



...supported by a Eur 25 bn capex program including Energy East acquisition, of which c.Eur 19 bn to organic growth projects...

*Organic investments
2008-2010*



... focused on the core international markets

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Strategic Plan 2008-2010 progress report - ScottishPower



Different initiatives launched aligned with the strategic objectives ...

FGD installation program under way and other investments to improve CCGT's and coal fleet flexibility levels

Retail's quality of service levels rising, collections improvement and Pearl Project initiatives in implementation phase

Networks improving performance and completing investment program, ready for DPCR 5 discussions

Integration completed and organisational model being rolled out will support synergies and other cost efficiency targets

... aiming to improve ScottishPower's operational efficiency and financial performance

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Strategic Plan 2008-2010 progress report - Energy Spain



Adapting to changing market and regulatory conditions...

Generation investments to increase CCGT's fleet flexibility, coal environmental performance and life extension in rest

Quality of service driven investments in Networks, considering various other options under the new regulatory scheme

Retail shifting to more aggressive growth-oriented stance as new opportunities emerge due to regulatory changes

... preserving value and defending domestic leadership position

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Strategic Plan 2008-2010 progress report - Other



Consolidating Iberdrola's position as Atlantic player ...

Energy East authorisation in final lap

Options in gas equity investments

Other opportunities in generation and distribution under consideration

... and keeping a pipeline of investment opportunities to sustain Iberdrola's growth strategy beyond 2010

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Strategic Plan 2008-2010 targets



The Strategy Plan 2010 targets are on track

Renewable growth

+

Operational improvements

+

Options beyond 2010

Eur3.5 bn Net income by 2010...

.. double-digit EPS growth...

... 50% pay-out policy...

... and strict financial leverage discipline

A winning model of low risk and sustained earnings growth

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- Reaffirming the Strategic Plan
- Trading multiples update
- Potential value inconsistencies

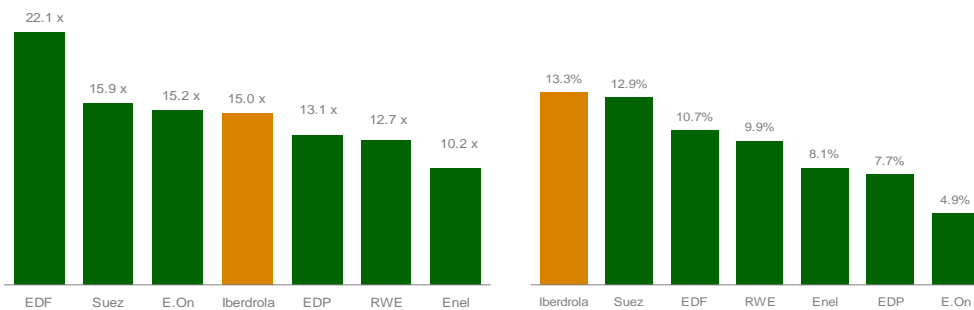
Iberdrola's current valuation



Iberdrola vs. major integrated European utilities

P/E (2008)

EPS CAGR '07-'10



Iberdrola trades in line with the European P/E multiple. However, this does not fully capture its significant growth potential

Note: based on Bloomberg consensus earnings forecasts (30/06/08)

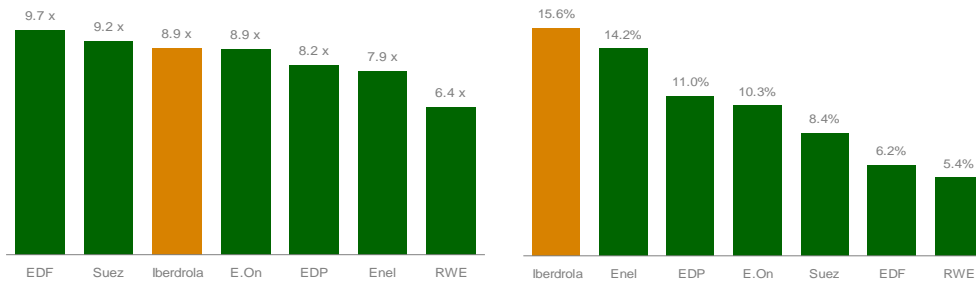
Iberdrola's current valuation (cont.)



Iberdrola vs. major integrated European utilities

EV/EBITDA (2008)

EBITDA CAGR '07-'10



Similarly, Iberdrola's EV/EBITDA multiple falls to reflect significant earnings growth potential

Note: based on Bloomberg consensus EBITDA forecasts (30/06/08)

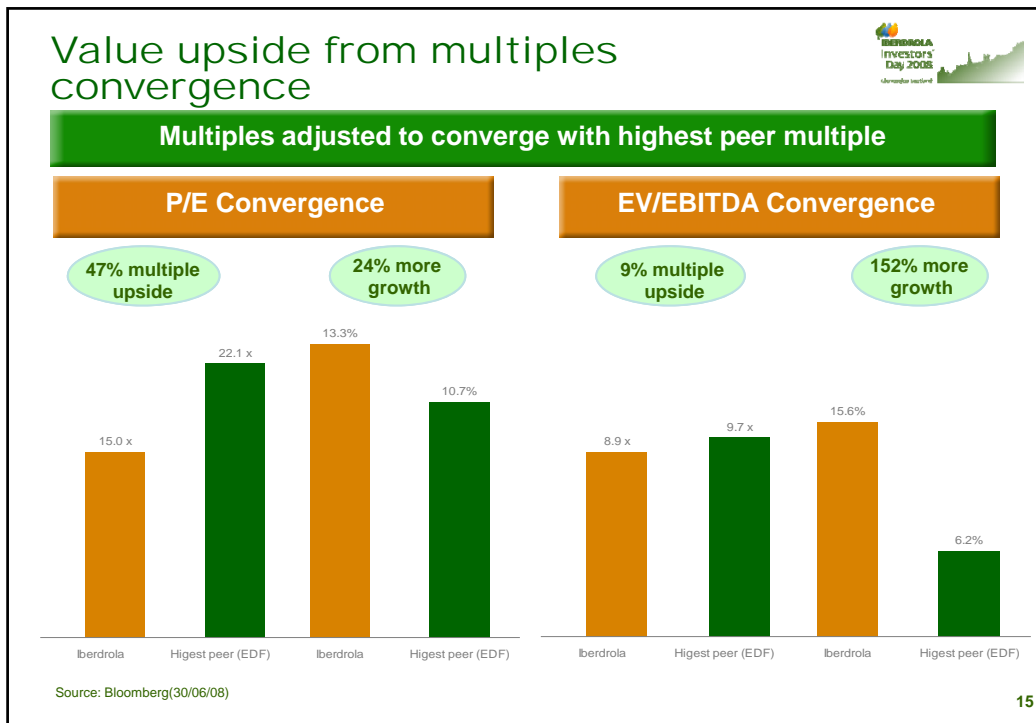
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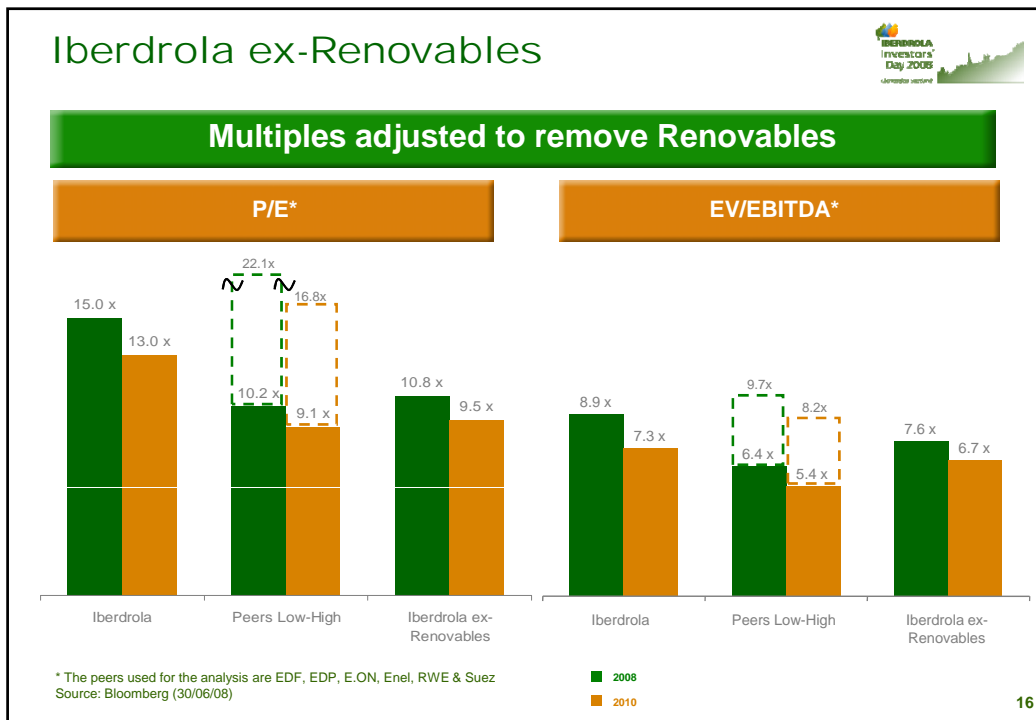


- Reaffirming the Strategic Plan
- Trading multiples update
- Potential value inconsistencies

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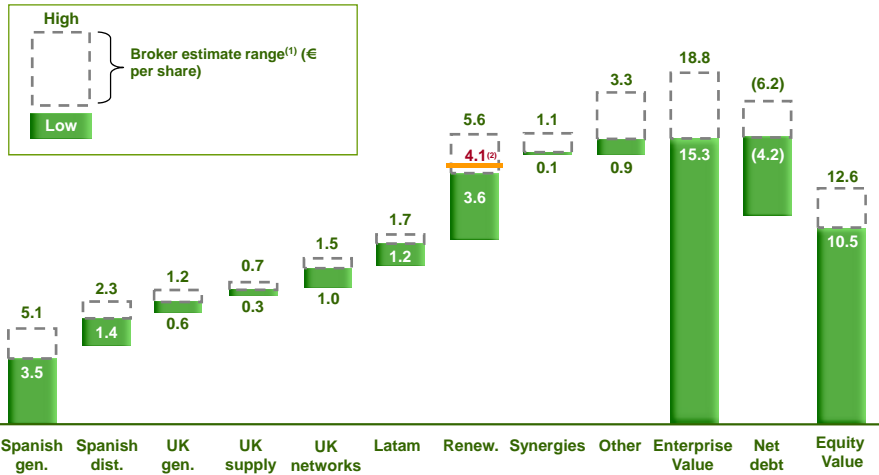


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Equity research sum-of-the-part valuation



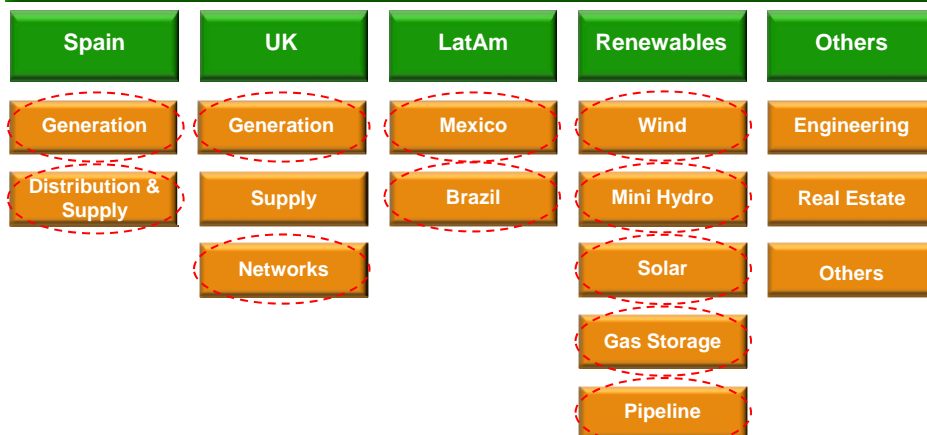
Note: (1) Based on the following reports: ABN AMRO 11 Jun 08, Credit Suisse 07 Feb 08, DrKW 11 Apr 08, Fortis 22 Apr 08, Goldman Sachs 02 Apr 08, JP Morgan 14 Feb 08, Morgan Stanley 07 Feb 08, Santander 01 Apr 08, UBS 09 Apr 08
 (2) Implied EV from IBR share price

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Key Iberdrola Business Units

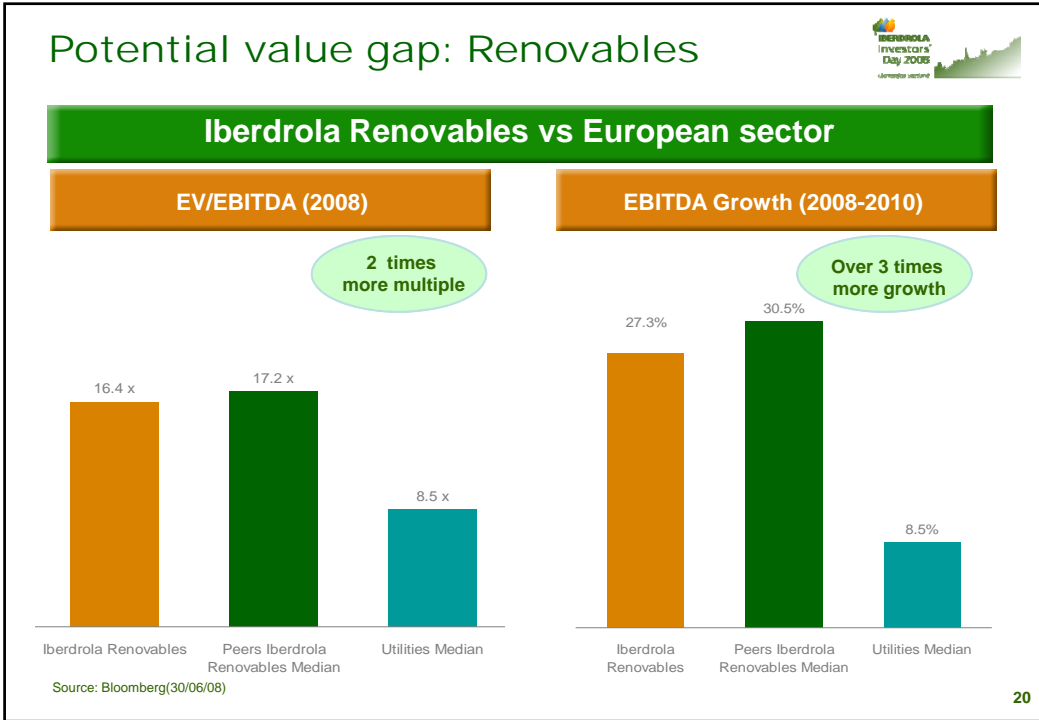
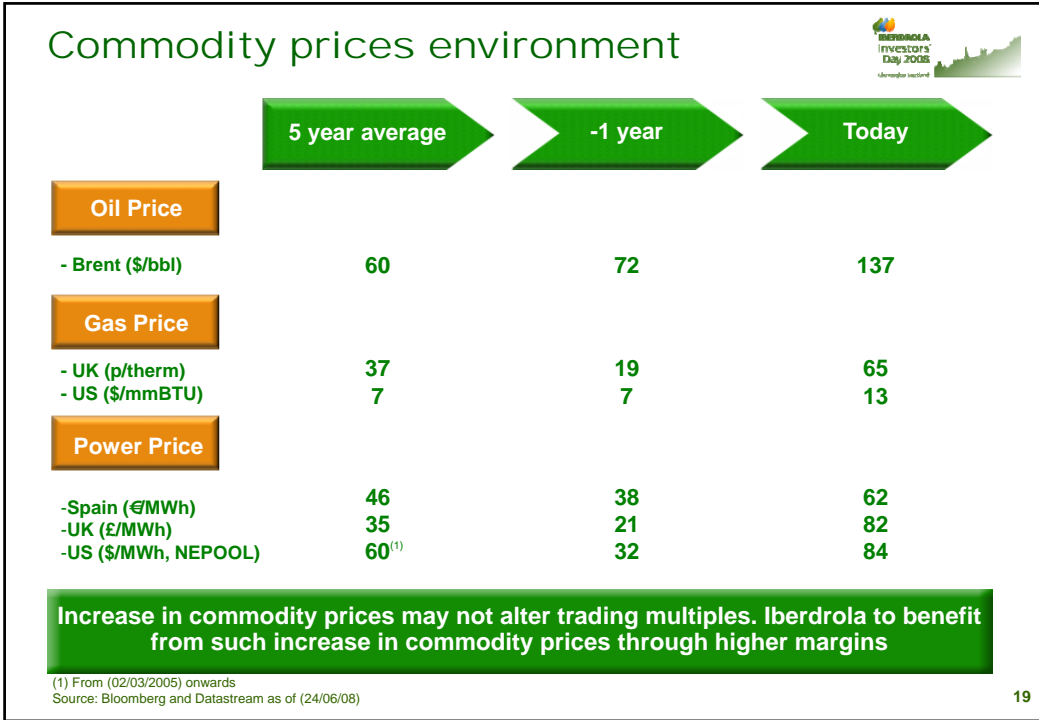


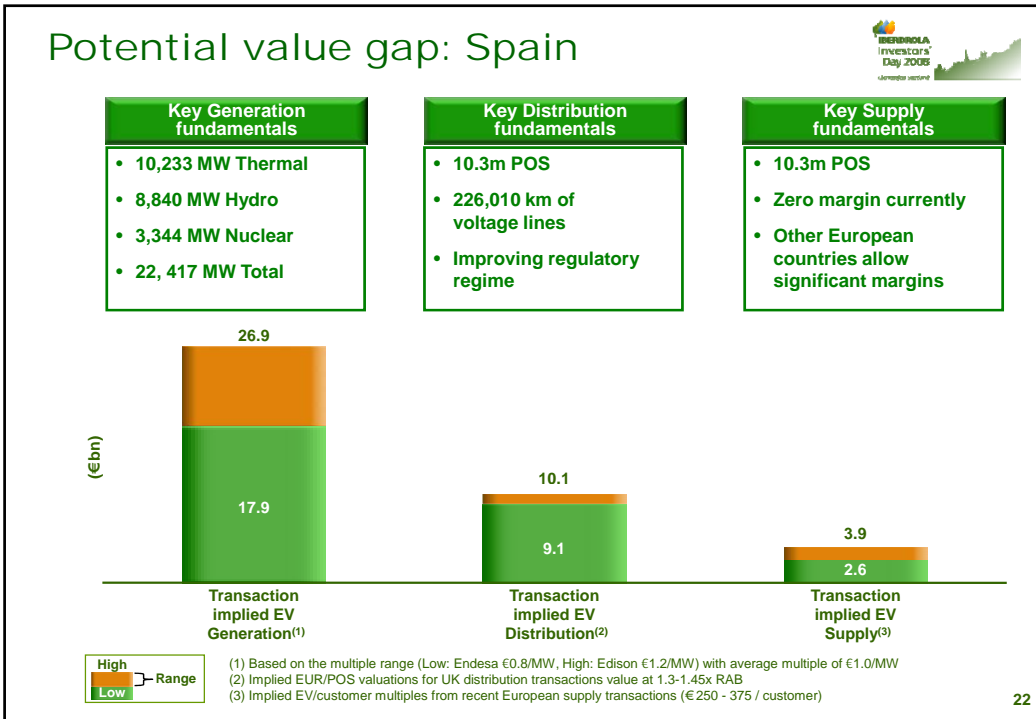
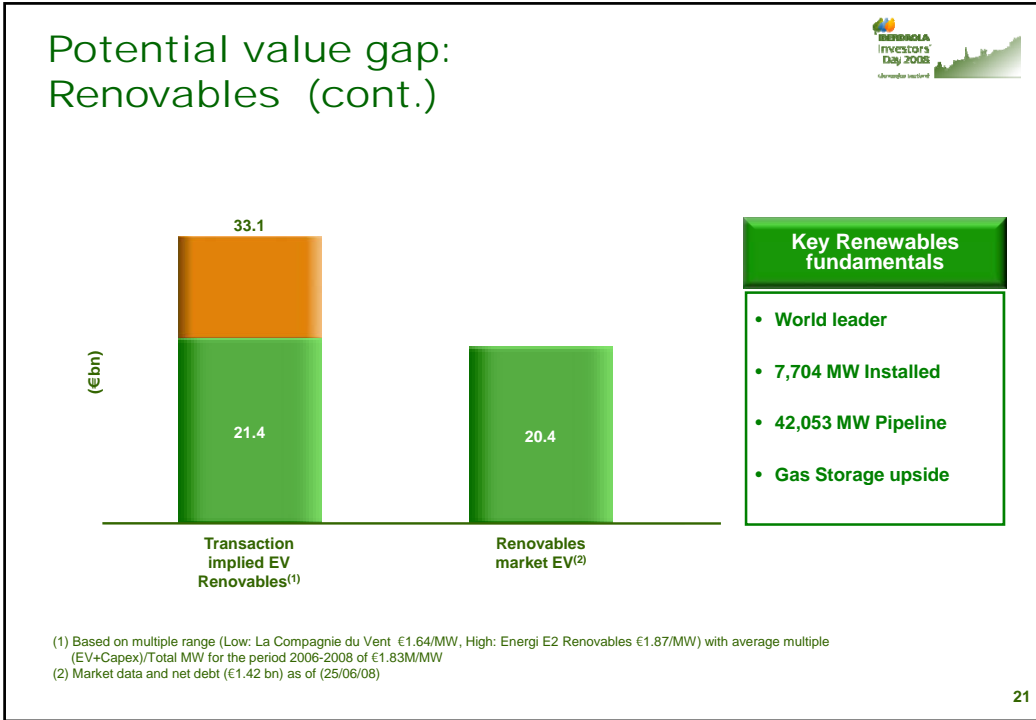
Strong global presence with high growth profile

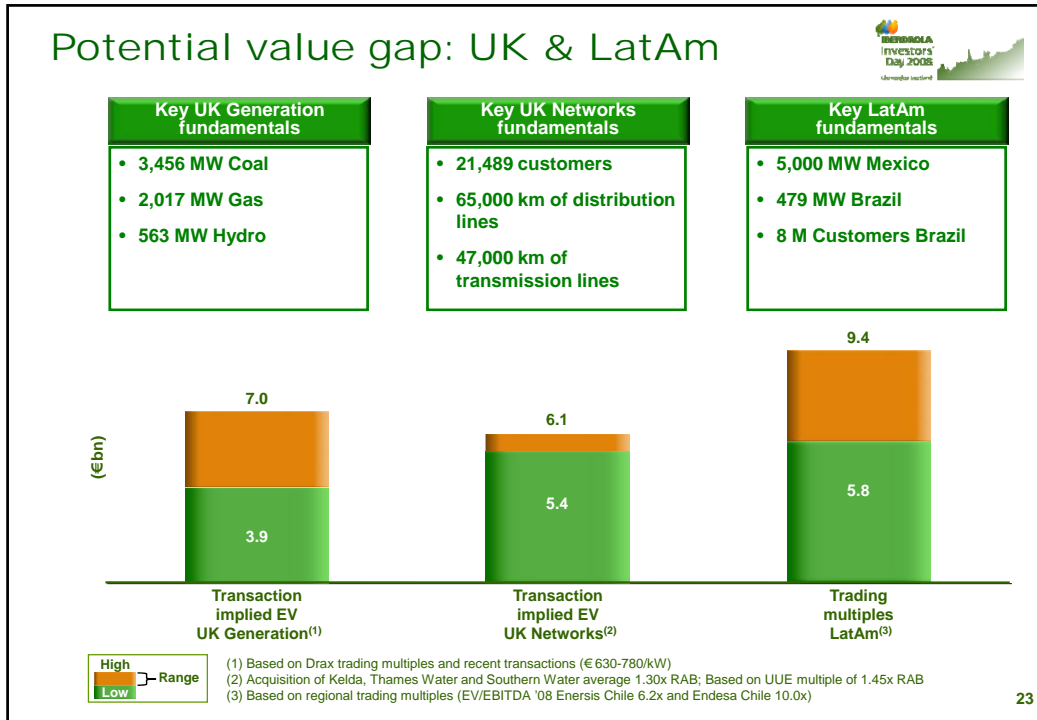


Areas of potential value inconsistency in Iberdrola's core businesses

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Conclusion

Key Iberdrola strengths	Valuation considerations
#1 renewables company worldwide	Multiples not reflective of sector leading growth profile
Best asset mix in Spain	
Strong presence in UK, US and Latin American markets	Significant discount to analysts' sum of the parts valuations
[25] million customers	
Fastest EBITDA and earnings growth of any major utility	Significant discount to comparable trading and M&A multiples

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