IBERDROLA

Investors´ Day 2008

Gleneagles, Scotland

SP Energy Networks

July 2nd 2008

Legal Notice

ScottishPower

DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the 5th. investor day of the year 2008 in presentations about the company to analysts and investors. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.
Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above.
The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.
Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.
Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or any other type of agreement.
Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.

IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Securities Market Law (Law 24/1988, of July 28, as amended and restated from time to time), Royal Decree-Law 5/2005, of March 11, and/or Royal Decree 1310/2005, of November 4, and its implementing regulations.
In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.
In particular, this document does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

Legal Notice

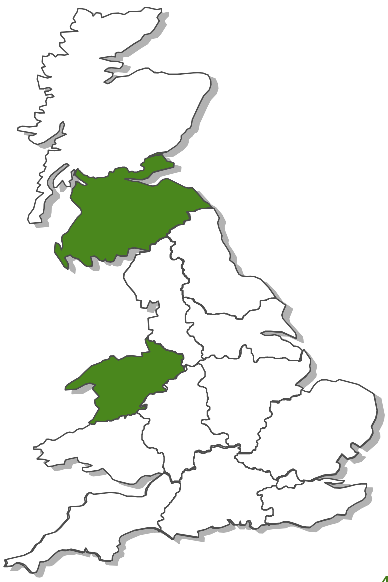
FORWARD-LOOKING STATEMENTS

This document contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.
In this regard, although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of 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 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 documents sent by Iberdrola, S.A. to the National Securities Market Commission (Comisión Nacional del Mercado de Valores), which are accessible to the public.
Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

3

ScottishPower Regulated Business

- Transmission and Distribution in Scotland
- Distribution in Merseyside and North Wales
- 3.4 million points of connection
- 111,000 km network (42% overhead)
- 92,000 electricity substations
- Home to huge potential renewable generation
- 1,300 MW connected
  5,000 MW contracted



4

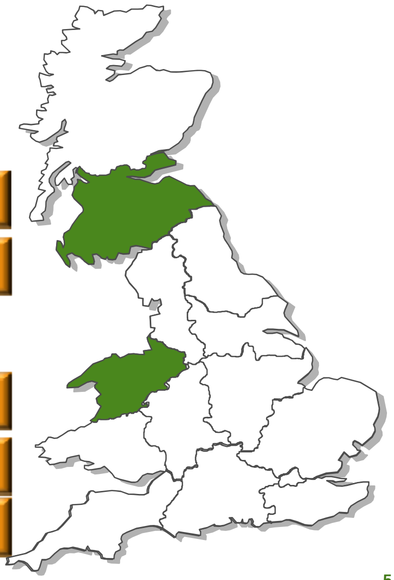
ScottishPower Regulated Business

REGULATORY FINANCIALS £m

(all numbers are calendar year unless stated otherwise)

	REVENUE 2007	INVESTMENT 2007	ASSETS (Mar08) RAV
SCOTLAND			
Distribution	222	107	1,372
Transmission	116	95	1,032
ENGLAND & WALES			
Distribution	132	103	1,034
Other	38		
Total	508*	305	3,438

*Excludes £26M of external non regulated turnover



5

ScottishPower Regulated Business

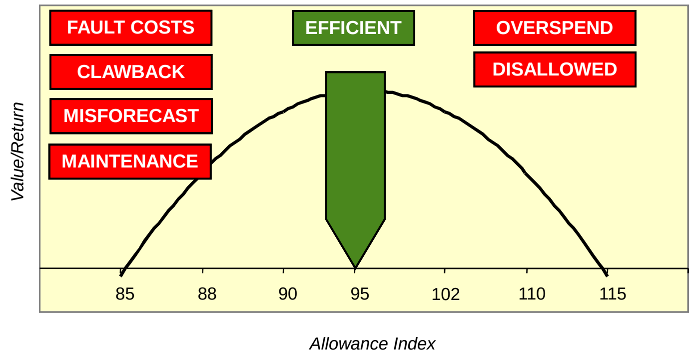
Strategy	Value creation based on regulatory outperformance
Value Levers	Capital investment – deliver programme efficiently Operating costs – outperform Industry benchmark Incentives – win fair reward for performance
Progress	Distribution investment meeting regulatory forecasts Benchmark operating plan delivering results Maximising group synergies and best practice Improving incentivised service while lobbying Ofgem
Future Agenda	Winning fair 2010-2015 Distribution Price Control Achieving upside from new business opportunities

6

Investment – Efficiency Incentive

ScottishPower
IBERDROLA Investors' Day 2008

Investment Allowance: Optimisation Curve *(Illustrative)*



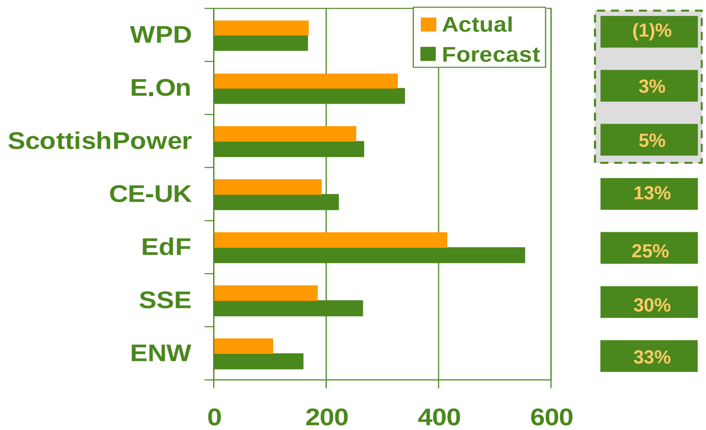
SP is seeking to achieve approximately 5% efficiency savings

7

Investment meeting regulatory forecasts

ScottishPower
IBERDROLA Investors' Day 2008

DISTRIBUTION REGULATORY INVESTMENT – UNDER/(OVER) SPEND TO ALLOWANCE 2006/07*



ScottishPower well placed to demonstrate investment track record during negotiations on DPC5

**source the Electricity Distribution Cost Review 2006 – 2007, table 2.4*

8

ENERGY NETWORKS TOTAL CAPEX
12 mths to DEC 2008 plan = £515m

SPD 128	SPM 137	SPT 250

27	Customer Performance	1500 NCPs to be commissioned
48	TIRG	•Planning consents now rec'd for Inverarnan Substation •Completion of works at Coalburn and Elvanfoot
52	Cables	•Replace 23km gas compression cables •Replace 32km 11/33kV cable
71	Substations	•Replace 2 SGT, 3 GT, 4 x 132kV, 3 x 275kV CBs •Edinburgh Transmission projects ongoing •700 11/33kV switchgear units, 13 Primary Transformers
79	Overhead Lines	•Refurbish 15 Transmission Routes •Modernise >600km 11&33kV OHL •Remove >7500 low clearances •Replace 1160 ABSDs
105	Renewable Generation	• > 417MW of Dist Generation connections in progress •Further 765MW of Trans connections progressing

9

Investment - DGIM
DISTRIBUTED GENERATION INCENTIVE MECHANISM

Enables superior returns through portfolio incentive

Key features of portfolio return:
- **Portfolio contains MW connected after April 2005**
- **80% of investment earns regulated return (6.9%)**
- **20% of investment earns at £1500/MW incentive rate**
- **Cap (13.8%) and Floor (4.1%) on portfolio return**
- **Potential portfolio investment – £90m**

DGIM - Connected Generation (MWs)		
	As at Mar 2008	Offers Accepted
SPD	106	424
SPM	22	560

UK model for future incentive mechanisms

Cefn Croes *Wind farm* – Wales

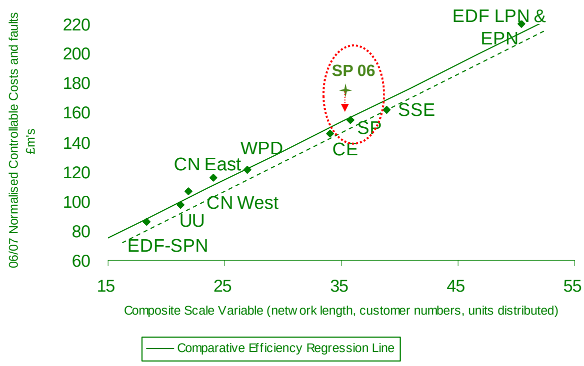
Table shows DGIM connections post April 2005 and number of connection and additional connection offers accepted to date

10

Operating Costs – Industry benchmark

SPW vs. Efficiency Frontier

(Most efficient Quartile)



Regulatory opex is not the same as statutory opex

It is defined by Ofgem to includes certain capitalised costs

Operating plan delivering results

UK-SPAIN FOCUS

- **Joint Purchasing**
  - **Transformers**
  - **Cables**
- **Iberinco Project Management**
- **Gas Insulated Switchgear (GIS)**
- **Overhead Line Protection**
- **Research and Development**

DNO BENCHMARK FOCUS

- **Existing Benchmark Efficiency Plan**
  - **Transport**
  - **IT/Telecoms**
  - **Maintenance**
  - **Incident Management Centres**
- **Work Delivery Process Improvement**
  - **New Connections**
  - **Construction**
  - **Overhead Lines**
  - **Substations**

Incentives – improving performance

In 2006/07 Customers in SP areas received the 2nd & 4th most reliable supplies in the UK respectively

Despite this SP paid a £8.5m penalty

Investment in control/automation and improved field operations

Penalty reduced by 80% to £1.5m

2006/07 Customer Interruptions	Including exceptional events	Excluding exceptional events
EDF LPN	37.30	36.9
SP Manweb	60.62	46.1
UU	60.77	54.4
SP Distribution	73.40	64.9
CE NEDL	80.97	74.0
SSE Southern	85.93	75.3
EDF EPN	89.06	77.2
EDF SPN	91.48	85.9
CE YEDL	94.83	84.8
WPD S West	97.92	80.3
WPD S Wales	100.68	83.4
CN East	114.64	83.8
SSE Hydro	121.79	78.6
CN West	135.96	119.3

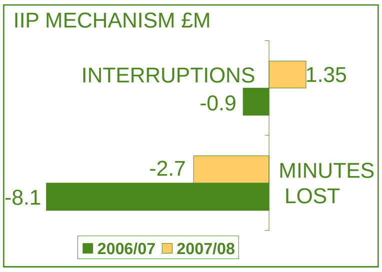
Regulatory goal to win fair recognition for underlying performance

13

Incentives – improving performance

CUSTOMER PERFORMANCE 1 Apr 2007- 31 Mar 2008

		Actual	Target	Prior Year
Interruptions	SPD	58.7	60.8	64.9
	SPM	43.1	46.7	46.1
Restoration Time	SPD	103	95	119
	SPM	127	103	136
Minutes Lost	SPD	60.6	57.6	77.5
	SPM	54.7	48.0	62.7



AUTOMATION AND IMPROVED FIELD RESPONSE

	2006	2007	2008F	2009F
POINTS OF AUTOMATION	690	2,180	3,654	4,980

Deployment of SatNav and mobile IT

Control Centre – Real-time systems and customer information

14

Future - Distribution Price Control 5

KEY DATES

2008

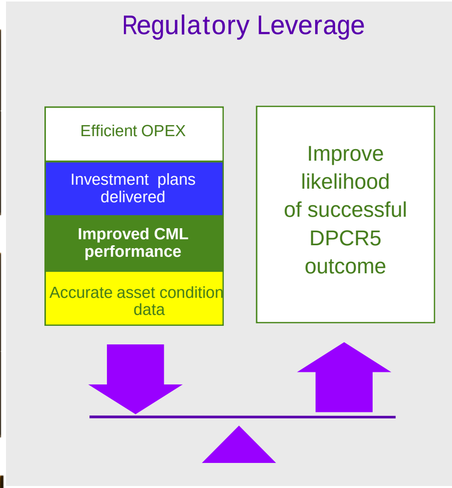
May	Initial 2010-2015 plans
June	Consultation response
July	07/08 regulatory report
Aug	High level plan to Ofgem

2009

Jan	Detailed plan to Ofgem
June	Initial Ofgem Proposals
July	08/09 regulatory report
Dec	Final Ofgem proposals

2010

Jan	Acceptance/Competition referral
Apr	New price controls start



Future DPC 5 – Key Drivers

ILLUSTRATION FOR EXISTING CONTROLS FOR SCOTLAND AND MANWEB DISTRIBUTION

KEY: Driver / Revenue

Regulatory Asset Value €3100M

Investment €1400m total

Driver	Revenue	% of Revenue
Regulatory Asset Lives: New Assets — Scotland = 38yrs, E&W = 20yrs; Pre-Privatisation — Scotland = 20yrs	Depreciation Allowance: New Assets — Scotland = €51m, E&W = €105m; Pre-Privatisation — Scotland = €118m	39%
Cost of Capital: 4.8% post-tax real	Return €227m	32%
Operating Costs	Allowance €201m	29%
Quality Incentives	Reward/Penalty +/- €25m	

Annual Revenue TOTAL € 701m

Five main battlegrounds - wide range of possible outcomes

Future Offshore Opportunities

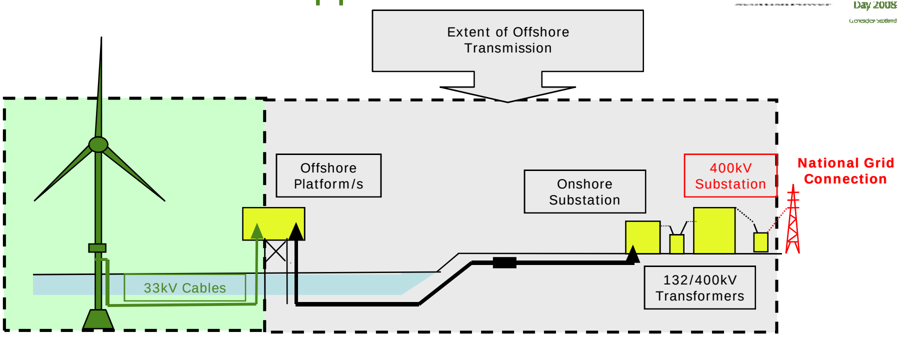
Crown Estates – Round 1 & Round 2
- 8GW of offshore wind farm capacity
- Estimated £2bn of offshore infrastructure

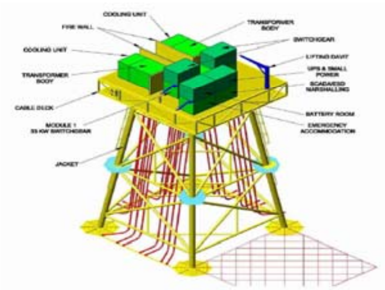
Crown Estates by 2020
- Government has announced a further 25GW
- Estimated £10bn of offshore infrastructure

Other Projects
- Crown Estates study into East Coast HVDC (£5bn)
- Sub sea transmission interconnectors
  - Scotland-Norway, Scotland-Ireland
  - Ireland-England/Wales
- National Grid review of transmission 2020+
- Large potential for marine and tidal

17

Future Offshore Opportunities





18

Future Offshore Opportunities

Licences will be awarded competitively to Offshore Transmission Owner (OFTO)

OFTO secures return via predetermined 20 year revenue stream

As an already active player we have the opportunity to further shape Ofgem thinking

Key Dates
'Go-active' – December 08 – rules and guidelines to allow tendering to proceed
'Go-live' – December 09 – all offshore assets (≥132kV) come under regulatory regime

Alternative financing models being developed

SP Energy Networks has proven track record in delivering Transmission projects

Offshore opens up further potential to bypass on-shore constraints

Wider potential for Iberdrola Group

19

Conclusion

Value creation based on regulatory out-performance

Delivering capital programme efficiently and in line with forecast

Making necessary improvements in operating costs and performance

Maximising group synergies and best practice

Targeting fair outcome of DPC5

Significant potential upside from new business

Improving operational efficiency whilst
developing further value creating opportunities

20