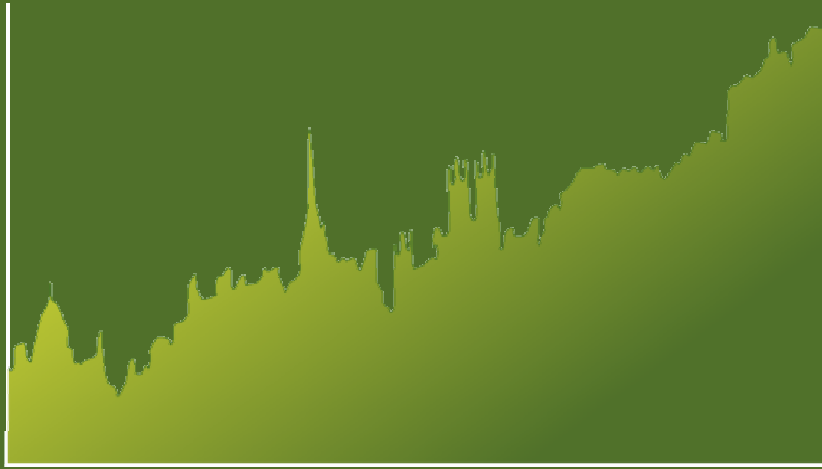




IBERDROLA Investors' Day 2008

Gleneagles, Scotland

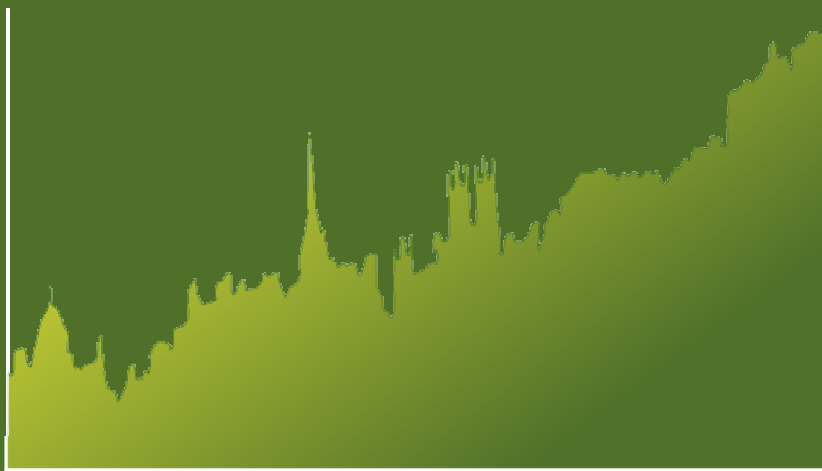


2nd July 2008



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Gleneagles, Scotland



Iberdrola, a value creation model

2nd July 2008

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Agenda



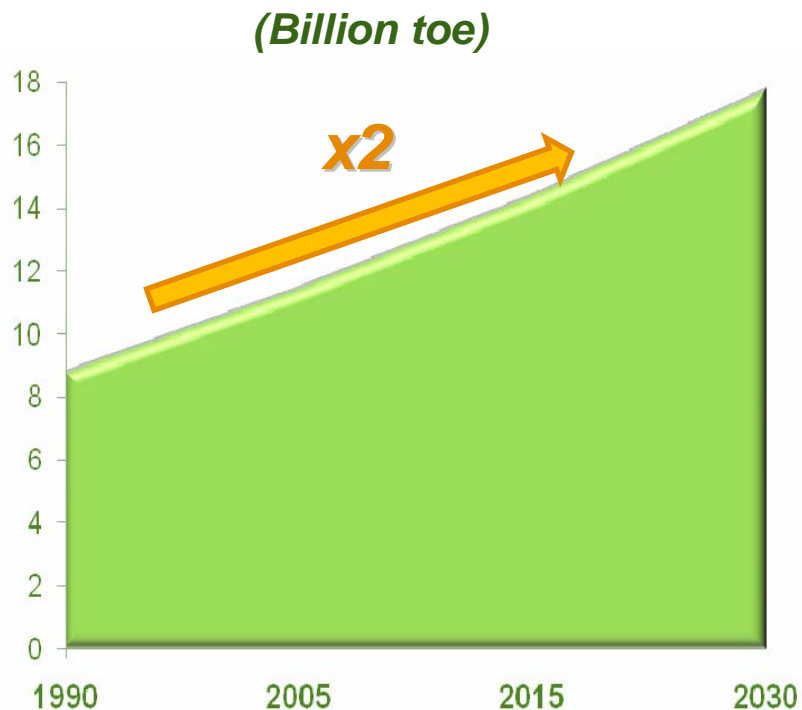
Energy industry: Vision

Iberdrola, a value creation model

Regulatory developments

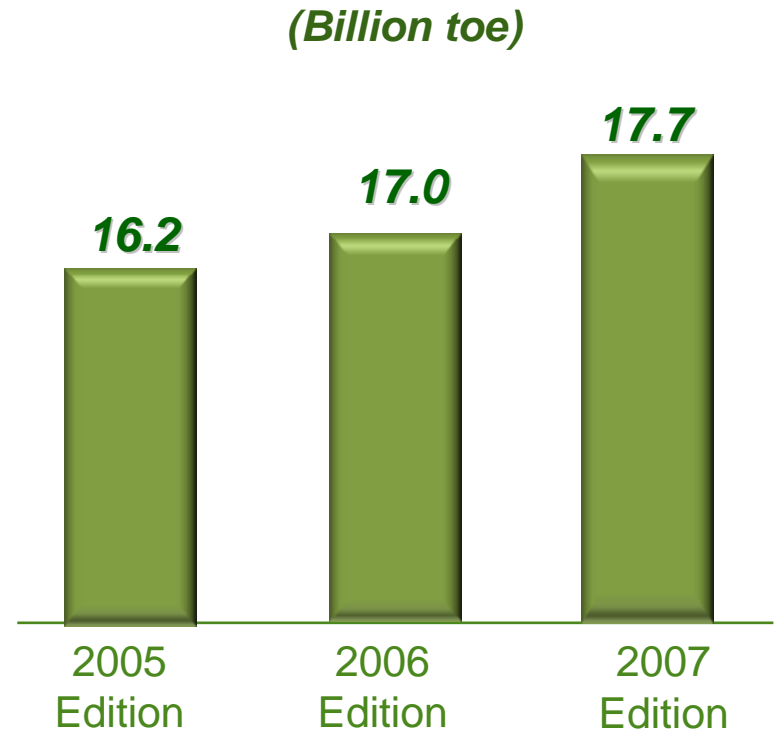
Energy consumption estimates indicate a sustained demand growth for next years...

World Primary Energy Demand



Source: IEA, World Energy Outlook 2007

2030 Scenario: Evolution of estimates



Source: IEA, World Energy Outlook

... long term projections increase year by year

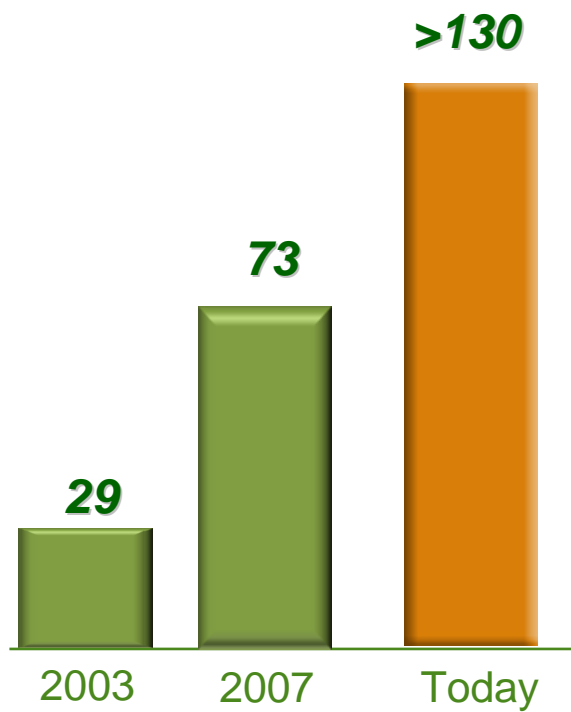
Reserves of energy commodities
grow at lower rates than consumption...

Reserves of energy commodities

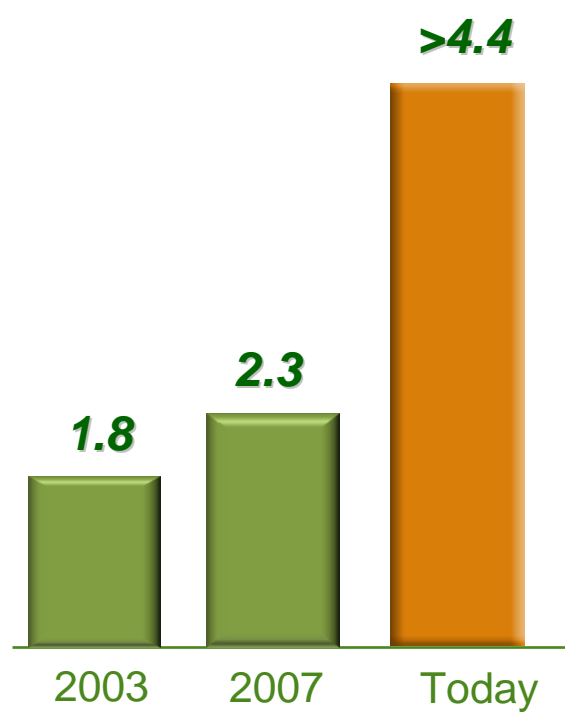
Brent	40 years (drop from 41 in 1996)
Gas	63 years (drop from 66 in 1996)
Coal	147 years (drop from 224 in 1996)

...driving prices up

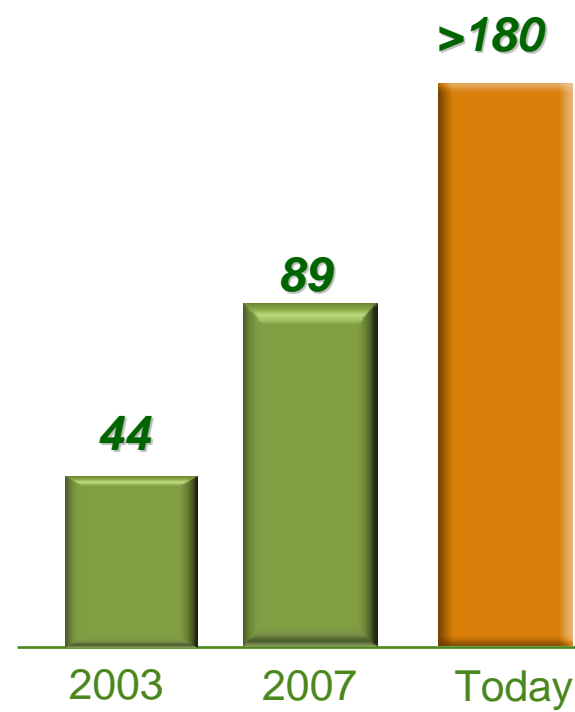
Brent Oil (\$/bbl)



Gas (\$/kWh)



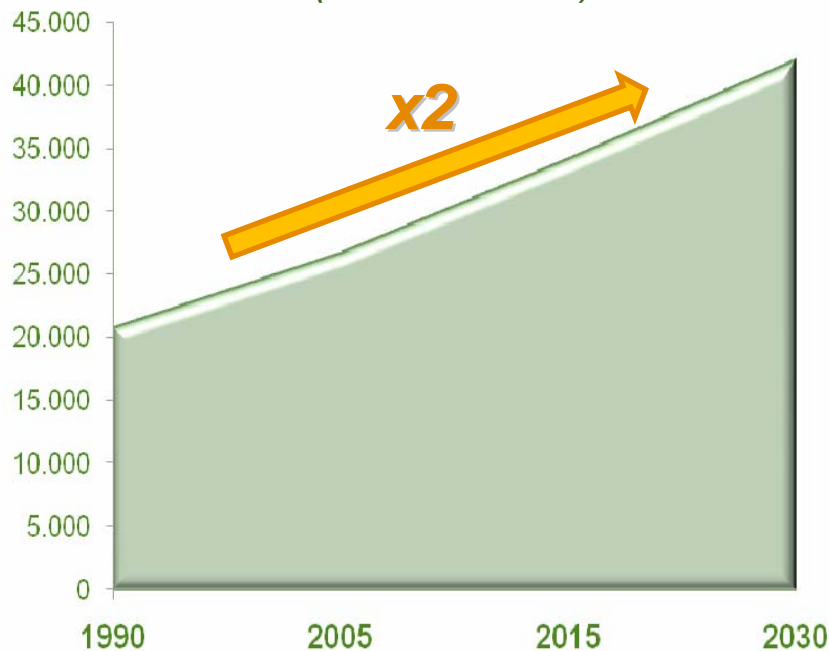
Coal (\$/ton)



Despite social awareness,
emissions growth estimates continue on the rise...

World CO₂ Emissions

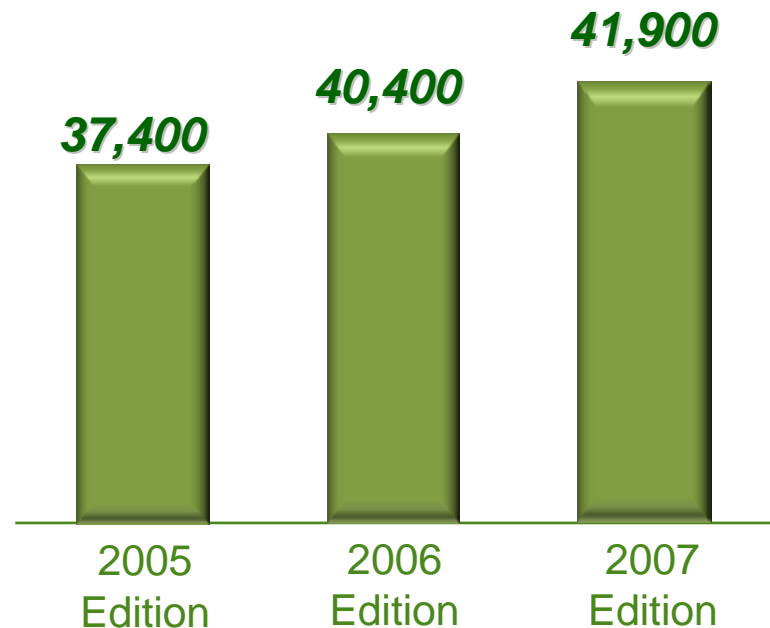
(Billion tonnes)



Source: IEA, World Energy Outlook 2007

2030 Scenario Evolution of estimates

(billion tonnes)



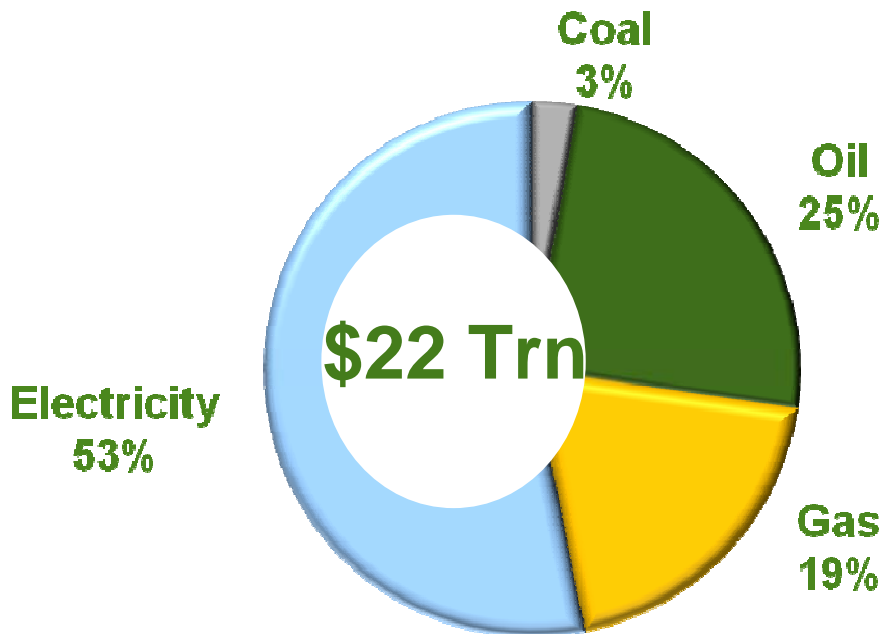
Source: IEA, World Energy Outlook

... CO₂ prices will increase to revert this trend

2006-2030 investment needs
in energy infrastructures reach \$ 22 Trillion ...

2006-2030 Investments needs

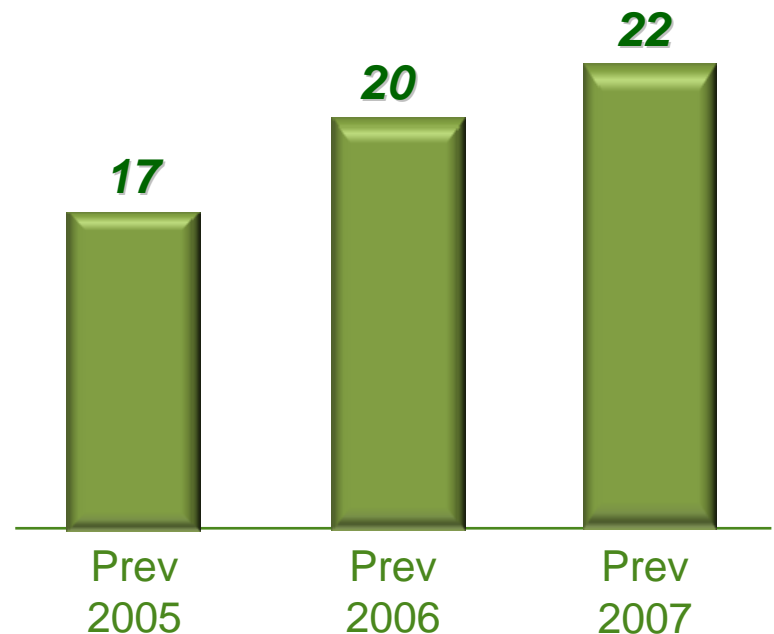
(trillion dollars)



Source: IEA, World Energy Outlook 2007

2030 Scenario Evolution of estimates

(trillion dollars)



Source: IEA, World Energy Outlook

... more than 50% to be invested in electricity

New energy scenario: Electricity sector

Need to ensure environmental efficiency
and quality in energy supply

Security of
supply

Environmental
protection

Quality of
supply

Installed capacity to
guarantee a reliable real-time
supply

Energy to meet demand rise
with no incremental
emissions

Newtorks to transport energy
from new plants

Networks to distribute
energy to consumers
efficiently

Investments in hydro
and combined cycle
plants

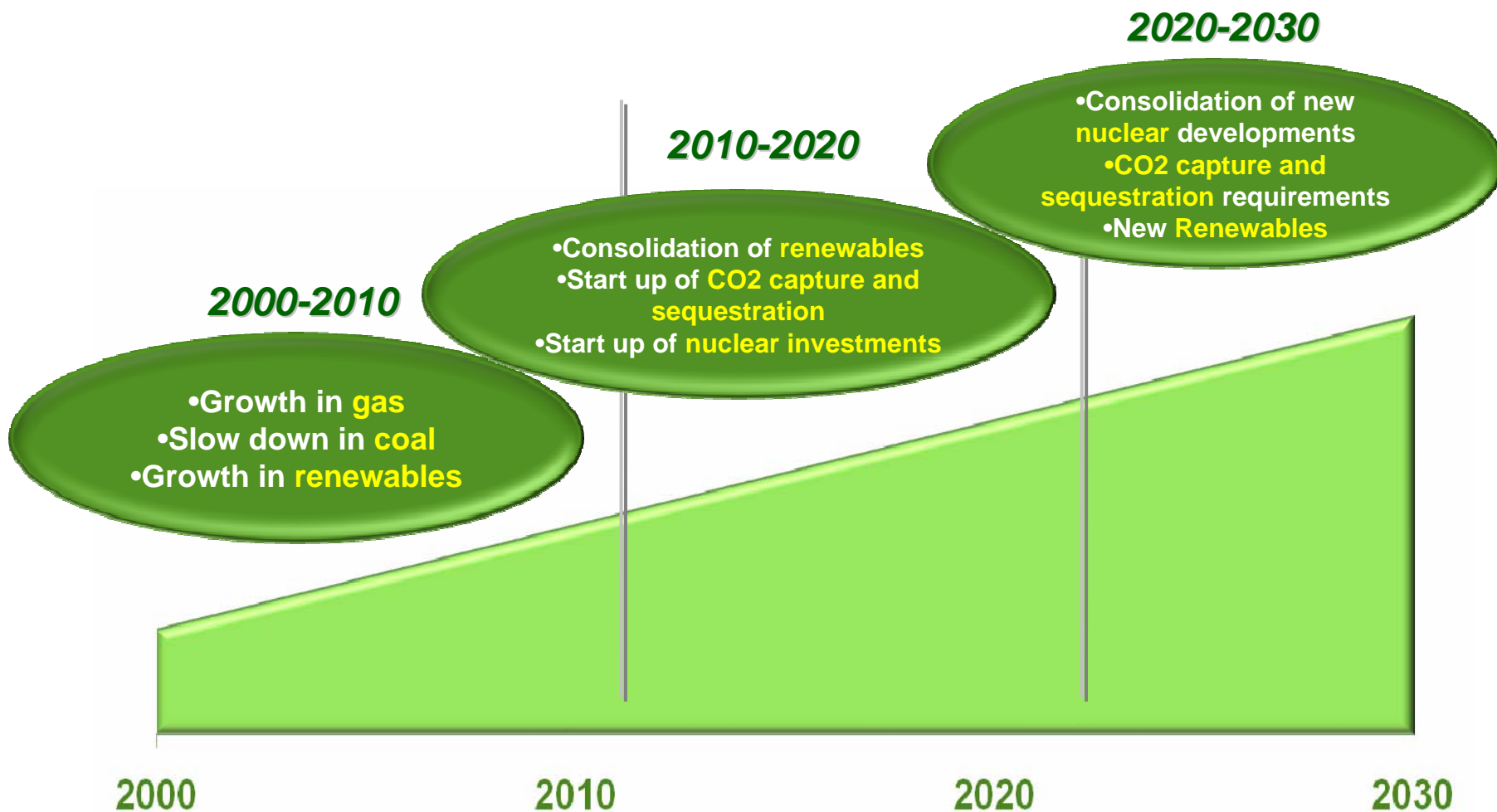
Renewables and nuclear

Investments in
transmission

Investments in
distribution

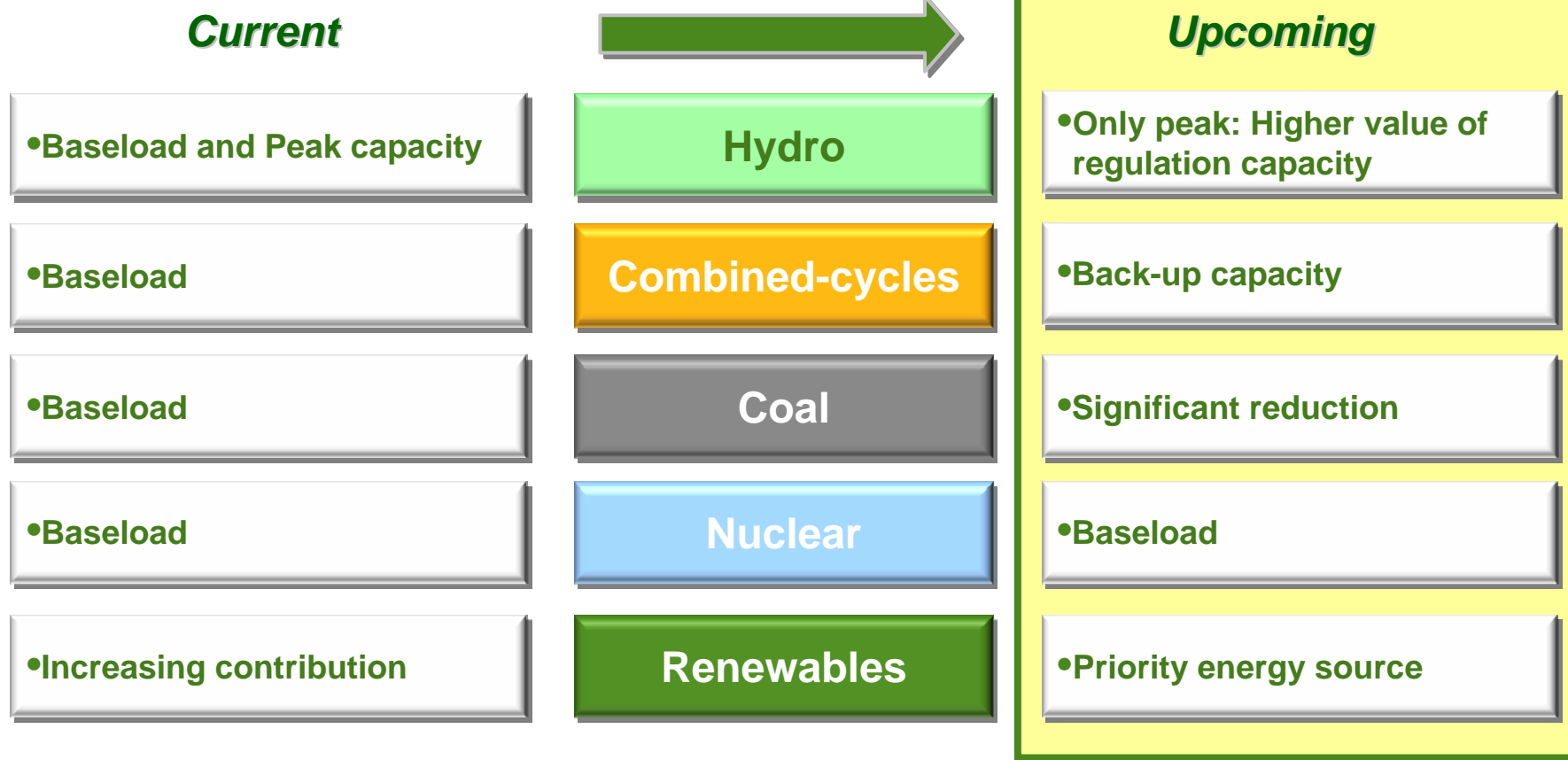
New energy scenario: European electricity sector

Gradual change in fuel mix to meet energy policy requirements



Medium-term scenario: Spain

System operation is being modified...



...higher value of baseload nuclear energy
and peak hydro capacity

Medium-term scenario: United Kingdom

44,000 MW required:
Investments in additional capacity or refurbishment of existing plants

Current coal stations require environmental investments
or will be decommissioned by 2016...

...this, together with demand rise, will make
strong investments necessary...

Renewable
energy

New combined
cycles

CO₂ capture
and
sequestration

...before new nuclear capacity is commissioned

...renewables, combined cycles and CCS under way, with
New nuclear plants to come on stream by 2015-2020

Medium-term scenario: United States

USD 2.7 trillion to be invested between 2010 and 2030*

Boost in wind energy to reach 100,000 MW in 2015**

Focus on CO2 capture and sequestration and nuclear energy

Need for heavy investment in electricity and gas infrastructures

*Source: FERC

** 96,000 MW estimated in 2016 by BTM; "World Market Update, 2006";

Medium term scenario: Latin America

Investments needed to meet sustained growth in demand

Brazil

- Expected demand growth: > 5%
- Annual investments in generation and networks will exceed USD 10 Bn

México

- Expected demand growth: >5%
- Capacity requirements: 26,000 MW
- Opportunity for the development of renewables

Agenda



Energy industry: Vision

Iberdrola, a value creation model

Regulatory developments

Strategic focus on the Atlantic Area

United States:

2nd wind producer
3rd independent gas storage
player

United Kingdom:

3rd distribution company
One of the *top 5* suppliers
1st wind producer



Latin America:

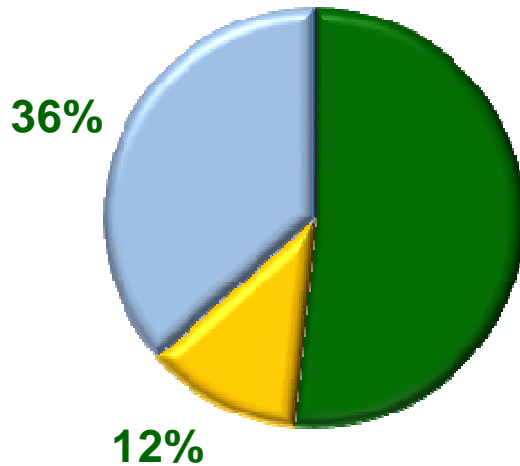
1st private producer in México
1st distribution company in Brazil

Spain:

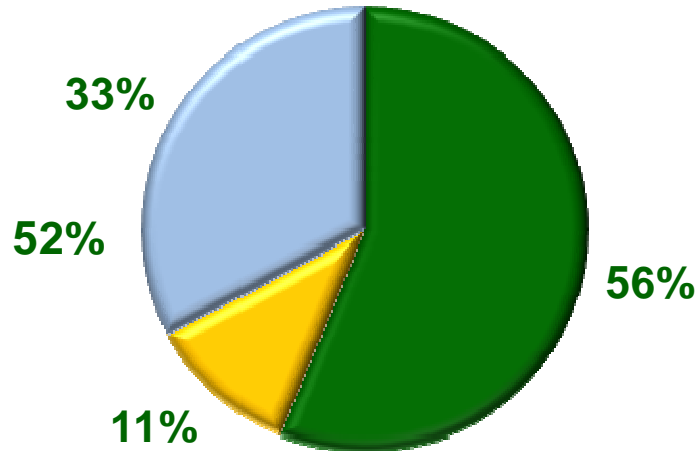
Main energy company

Generation of clean competitive energy: Unique positioning in baseload and peak capacity

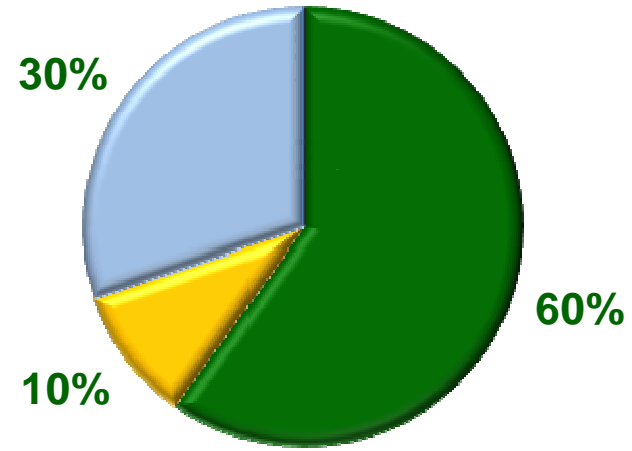
Capacity 2008



Capacity 2010e



Capacity 2012e



■ Low variable cost capacity with no emissions (Hydro, renewable, nuclear) ■ Capacity subject to PPAs (Mexico) ■ Rest

2012e: 60% low cost and emission-free capacity
Additional 10% subject to PPA contracts

Significant presence in supply and networks

Access to over 25 million customers in Spain,
United Kingdom and Latin America:
Positioned for full market liberalisation

Infrastructure businesses in Spain, U. Kingdom. U.S., and Latin
America **Growth and stability**

A model of high growth at low risk

Iberdrola, a value creation model

Strategic Plan 2008-2010

Investing Eur ~25 Bn in the energy business
and increasing Group's internationalisation...

Organic investments
Eur ~19 Bn

By region

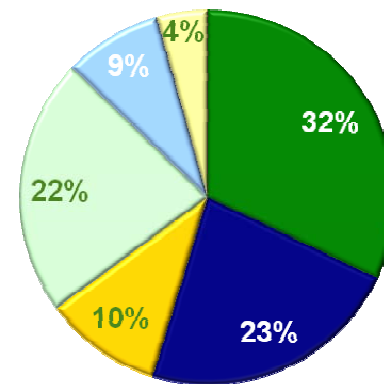
- *Spain*
- *US and Canada*
- *United Kingdom*
- *Latin America*

By business

- *Renewables*
- *Networks*
- *Generation*

Non organic investments
Eur ~6 Bn

EBITDA 2010e

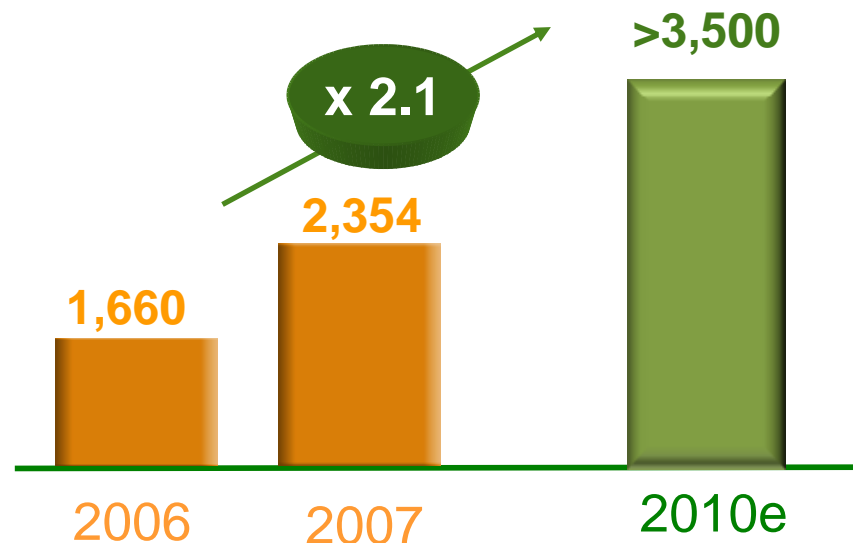


- Energy Spain
- ScottishPower
- Renewables
- US and Canada
- Latin America
- Rest

Iberdrola, a value creation model Strategic Plan 2008-2010

Net Profit to exceed Eur 3.5 Bn in 2010e,
with a 16% average growth in EPS ...

Net Profit (Eur MM)

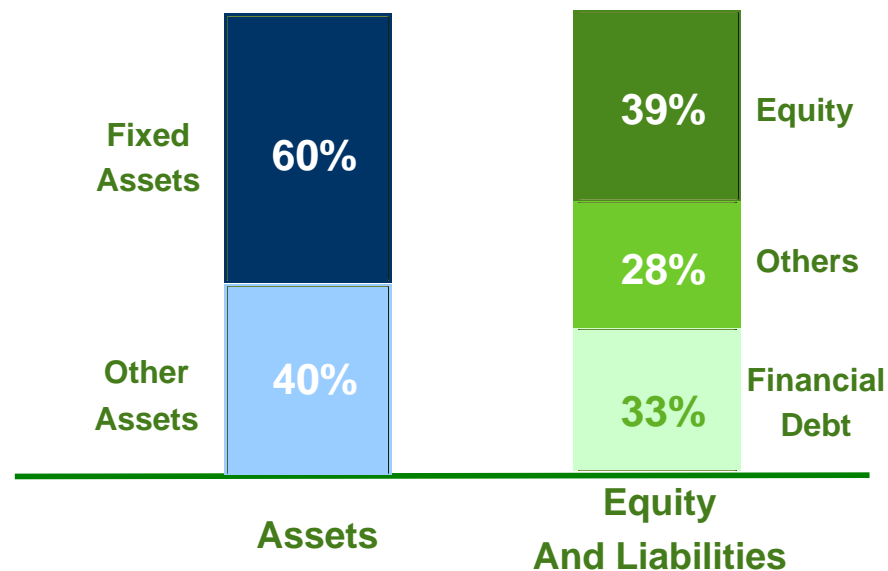


... and maintaining dividend policy

Increasing the Company's size and maintaining financial strength

2010e Balance Sheet

Eur ~90 Bn



Leverage to remain below 50%

Guaranteeing growth in the medium-term



Generation

- Unique position in **baseload nuclear** and **peak hydro** capacity
- **Flexibility** in **gas procurement**

Renewables

- Largest player in **renewable energies**

Supply

- Quick **growth ahead of liberalisation**: Elimination of barriers
- Focus on **margin**

Networks

- Enhancement of **stability and predictability**
- Increase in **remuneration**



Generation

- Investment in **CO2 capture and sequestration**
- Growth in **combined cycles**

Renewables

- Largest player **in wind energy**

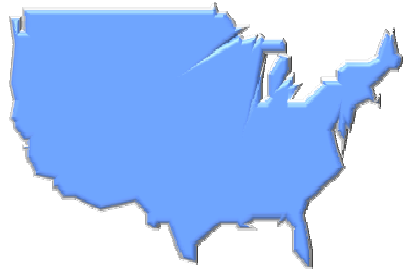
Supply

- More than **5.2 million customers**

Networks

- **Stable and predictable** framework based on rewarding investment

Guaranteeing growth in the medium-term



Renewables

- Main **growth area**

Infrastructures

- Need for new **gas infrastructures** and improvements in **electricity networks**



Generation

- Strong position in **Mexico**
- Selective investments in **Brazil**

Renewables

- Positioned for **capacity increase**

Networks

- Investments based on **demand growth**

Ready to profit form long term opportunities...

Technology

- Know-how and expertise in **nuclear energy**
- Investment in **CO2 capture and sequestration**
- Renewables: Leading company in consolidated technology (**wind**) and new developments (solar...)

Geographic Areas

- Positioning in areas with higher **awareness** of **security of supply** and **environmental protection** as drivers of energy policy

Agenda



Energy industry: Vision

Iberdrola, a value creation model

Regulatory developments

Regulatory frameworks must anticipate and face energy challenges in the medium and long term

Iberdrola, leading the process of regulatory change

Positive regulatory developments in all areas with presence of Iberdrola



- Increase of stability and market mechanisms; price signals to consumers
- Total support to renewable industry: targets & system
- Industrial tariffs already eliminated, with increases in the remaining



- Price increases
- Distribution price review on track
- Ambitious renewable targets



- Political support to renewable energies



- Tariff reviews better than expected



- Stability derived from PPA contracts

Spain's regulatory developments: Based on the National Reform Program approved by EU

Transparent framework: consolidate liberalisation and guarantee security of supply & new investments

Price formation:
market mechanisms and environmental cost internalisation

New tariff methodology:
Account for all costs and allow supply competition (price signals)

Individual remuneration system for distribution companies

Latest news point in the right direction: **STABILITY AND SECURITY**

**Statements made by the *Minister of Industry, Commerce and Tourism*
and the *Secretary General of Energy***

Principles of Energy Policy

- Three premises: “**Security of supply, competitiveness and sustainability**”
- A main instrument: “**A predictable, stable and transparent regulation**”

Generation

- **Transparency and competition in the wholesale market:** efficient pricing”.
- **Strengthening of MIBEL:** a larger and more liquid market

Renewable Energy

- **Reinforce** current **stable and favourable framework**
- **New Plan 2011-2020:** Renewables, **40% to electricity consumption**”.

Networks

- Increase capacity for **transmission of renewable energy**
- Increase **interconnection capacity**

Latest news point in the right direction: **STABILITY AND SECURITY**

**Statements made by the *Minister of Industry, Commerce and Tourism*
and the *Secretary General of Energy***

Liberalisation of Supply

- Spain has the **conditions required** :
 - 2007: HHI index is equivalent to **10 players with similar shares, better than most EU countries**
- Several **measures are being taken** : **Elimination of integral tariffs**
 - **Industrial tariffs** : **Already disappeared** (July 1st 2008).
 - **1-1-2010**: Elimination of **general last resort supply**
- Full development of a **liberalised market**:
 - Price signals to **incentive efficient consumption**
- **Progressive tariffs**

2008 target: >50% of total energy to be already in the market

Appropriate measures are being taken already

Tariff increases

- **+3.3% in January and additional quarterly review of +5.6% in July**

Social tariffs

- Only for **1st residence** and **low consumption**
- **Increases** in other **consumers' segments**
- Model **similar** to **other countries** in which Iberdrola operates (UK, Brazil, Guatemala)

Industrial customers

- Iberdrola is signing contracts with large industrial consumers (**18,000 contracts for 10,000 GWh** signed)

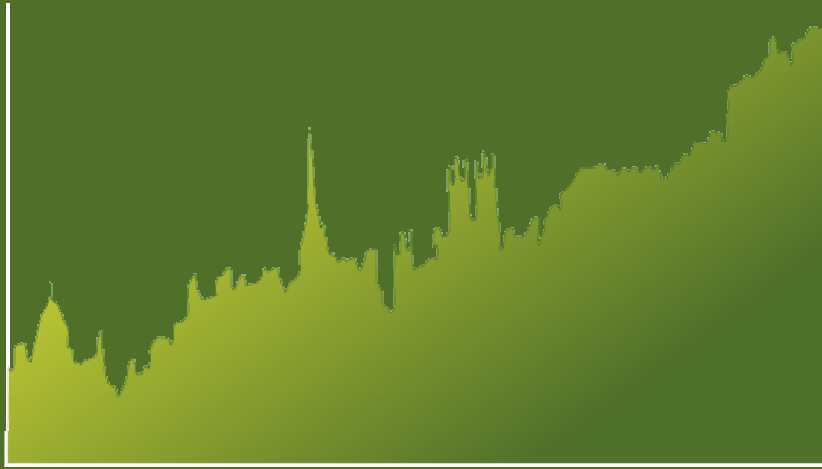
Tariff deficit

- **Securitised up to 2007**
- **2008 securitisation** under way
- Government's commitment for a **solution before 2011**



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