IBERDROLA
Investors´ Day 2008
Gleneagles, Scotland

Iberdrola Engineering & Construction

July 2nd 2008

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Key Decisions (2003 – 2004)

2003-2004 as the turning point in the strategy of Iberdrola Engineering & Construction

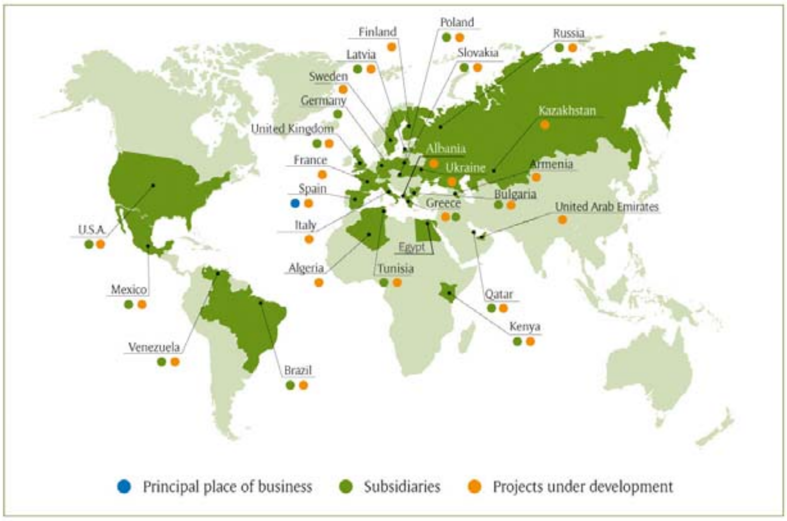
Defined as a new business line

Focused on energy infrastructures (Electricity & Gas)

Management team with market experience

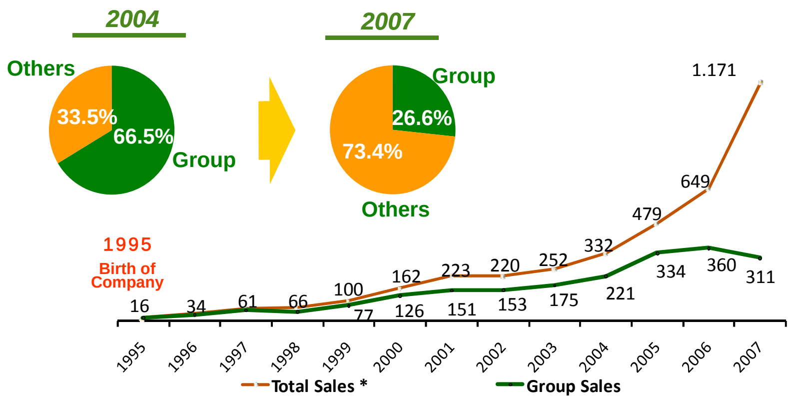
Global Presence

A solid international presence with projects in over 25 countries …



Sales by customer

… with growth coming from the diversification of activities outside of Iberdrola's Group …

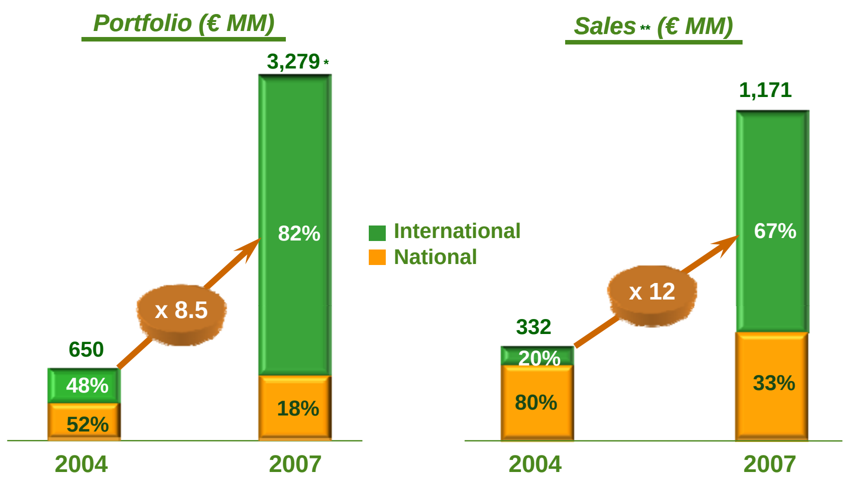


Sales to third parties represented over 70% of total in 2007

(*) This figure does not reflect the works done for REE and the consolidation adjustments in Iberdrola's Group accounts related to transactions between the unit and the Group

Geographical breakdown of portfolio & sales

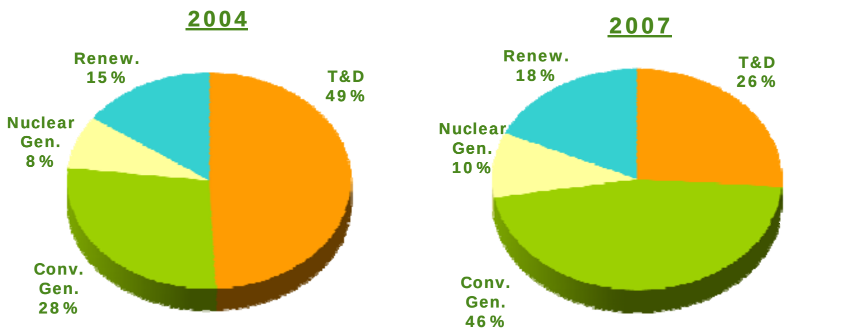
… and the international expansion



(*) Includes the Koudiet Project (Algeria), awarded on January 2008
(**) This figure does not reflect the works done for REE and the consolidation adjustments in Iberdrola's Group accounts related to transactions between the unit and the Group

Sales by product

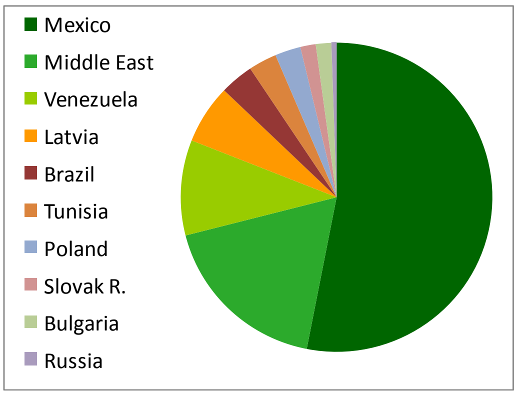
From a "T&D business" to a more diversified focus on conventional and nuclear generation



Workforce

In 2007, 20% of the workforce is based in countries outside of Spain

Employees by country (2007)



Operating & financial highlights: evolution since 2004

Achieving targets well ahead of schedule …

	2004	2007	Increase
Total Sales*	€ 332.4 MM	€ 1,171.0 MM	x 3.5
EBITDA*	€ 30.4 MM	€ 77.8 MM	x 2.6
Services	Engineering and Consultancy	Engineering and Construction	
International Sales	€ 65 MM (2 countries)	€ 786 MM (+20 Countries)	x 12.1
% of Sales to third parties	33.5%	73.4%	x 7.7
Areas of activity	Networks, Conventional and Nuclear Generation	+ Renewables	
Workforce	1,000	1,743	x 1.7
Backlog	650	3,279	x 5

… with € 3,279 MM of backlog as of 2007:x 5 in just 3 years

(*) This figure does not reflect the works done for REE and the consolidation adjustments in Iberdrola's Group accounts related to transactions between the unit and the Group

Nuclear Generation

One of the leading nuclear engineering company worldwide …

Engineering & construction of new plants

Modernization of existing plants

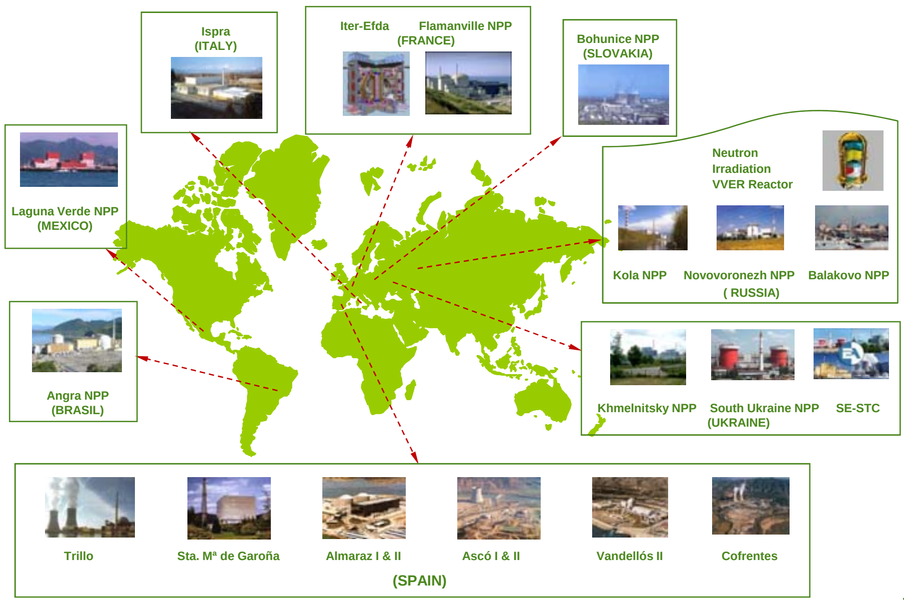
Providing Iberdrola with the highest level of nuclear energy know-how

Operating & maintenance support

Decommissioning & dismantling and waste management

… well positioned for the nuclear energy renaissance

Nuclear projects: a worldwide presence



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Renewables

Strong capabilities in design engineering, construction and commissioning of renewable energy projects

Relevant experience in wind power generation, solar generation (PSP / CSP), with a total capacity built of 3,000 MW

	Engineered (MW)	Built in Spain (MW)	International (MW)
Wind Power	> 4,000	2,455	412
Photovoltaic	> 300	70	-
Thermo solar	> 600	50	-

Deep knowledge of emerging technologies (wave and tidal, fuel cells) through participation in R&D programs and “first of a kind” prototypes

Taking advantage of the know-how of the Group

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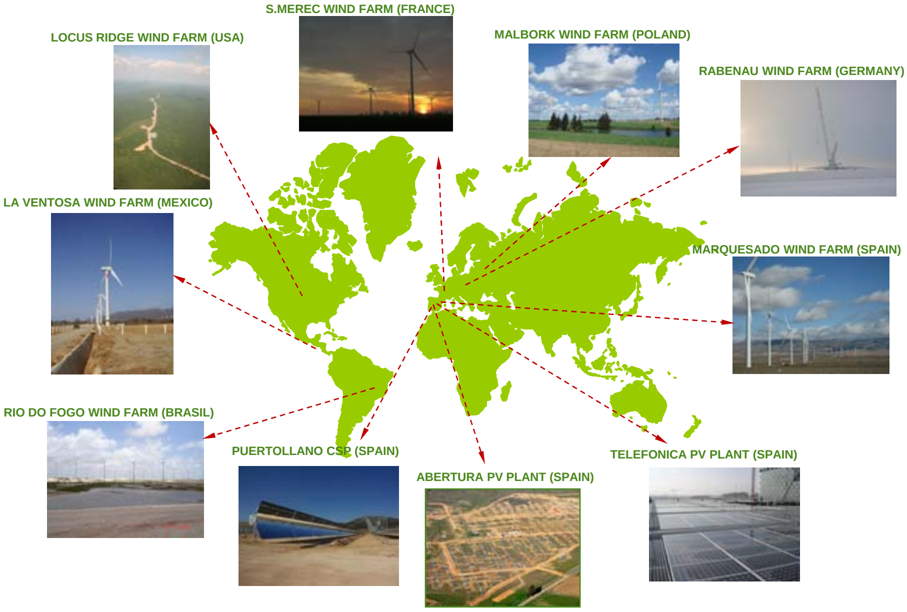
Renewables projects



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Generation

High expertise in thermal and hydro projects

Relevant experience: 26,720 MW

		Total (MW)	Spain (MW)	Intl. (MW)
Thermal	Operational	11,878	6,547	5,331
	Under construction	4,398	-	4,398
Hydro	Operational	9,349	8,580	769
	Under construction	1,095	1,095	-

Engineering capabilities as a reference in the sector

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Generation projects

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Networks

Strong expertise in EPC* projects

Three main activities:

Substations	Power Lines	Telecom
• 35 new substations per year, capacity ranged between 132 to 400kV • 3,000 MVA in 2008	Overhead lines: 450 km of 132, 220, 400 kV in the last two years	Fiber Optics: 15,200 Km installed with associated communication equipment
World leader in totally underground V.H.V GIS modern installations	Large experience in 220 & 400 kV underground power cable projects	Largest Renewable Control Center development

EPC: Engineering, Procurement & Construction

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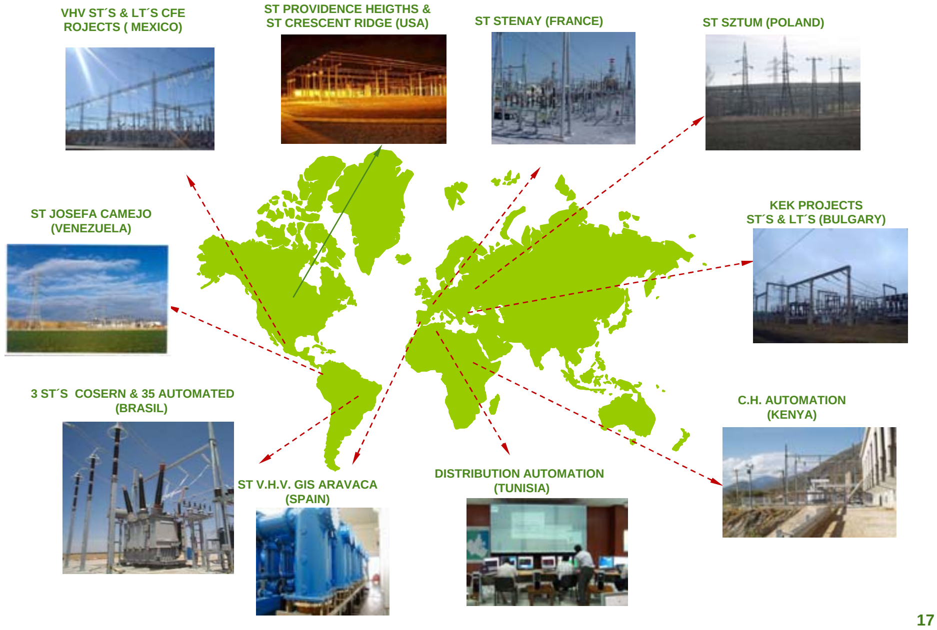
Networks projects



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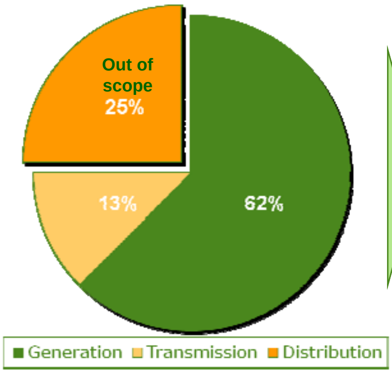
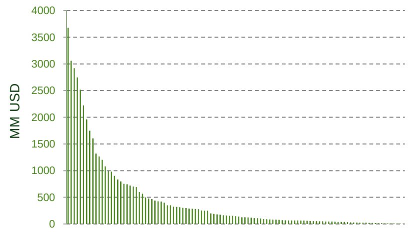
World market

Power sector (T&D and generation) investments are estimated at ~ $ 400 Bn per year

Yearly investment in power sector($ 400 billion)



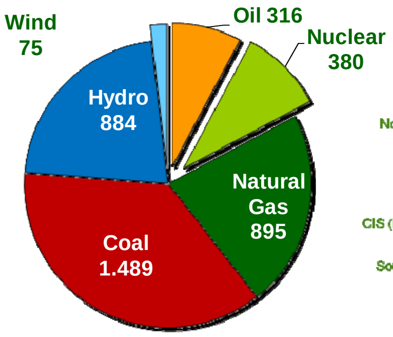
- 2007 ENR ranking of 225 global contractors: 100 contractors have ~ $48 billion of the market …
- … of which 30 have an 80% share



1. Source: ABS T & D database 2006, IEA World Energy Outlook 2006, EIA Energy outlook 2007, GWEC, ABS Generation capacity forecast, ENR 225 global constructor ranking (2005) Analysis
2. The IEA world energy outlook forecasts an average world wide investment of $ 430 billion per year until 2030; this is ~ 0.8% of current world GDP
3. The power sector includes thermal and hydroelectric power plants, waste-to-energy plants, transmission lines, substations, cogeneration plants, etc.

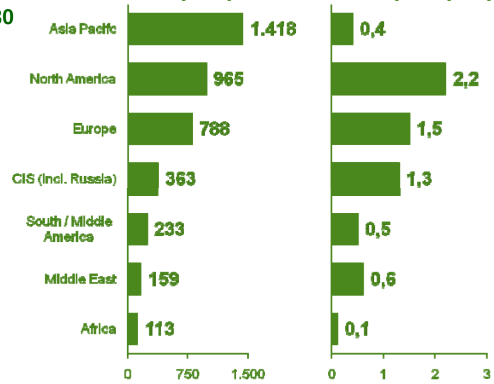
Generation sources

There are ~4,000 GW of capacity installed world wide, more than 85% is coal, gas and hydro



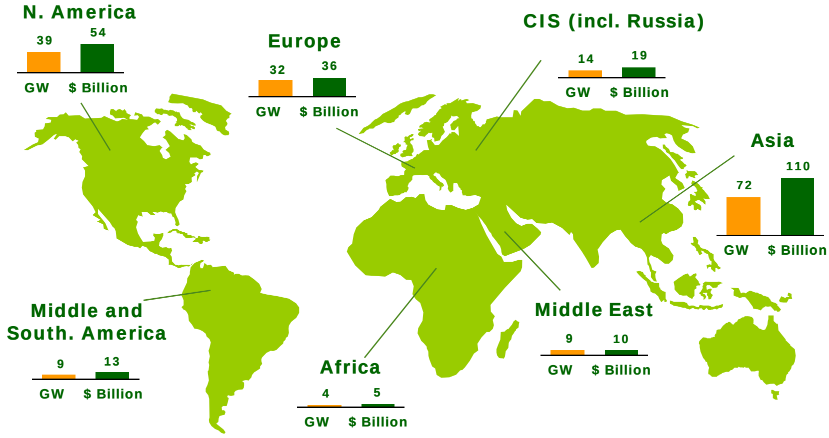
Total = 4,038 GW

Installed capacity by region



Generation market areas

Iberdrola Engineering covers 30% of the total market, 65% in gas and 45% in hydro …



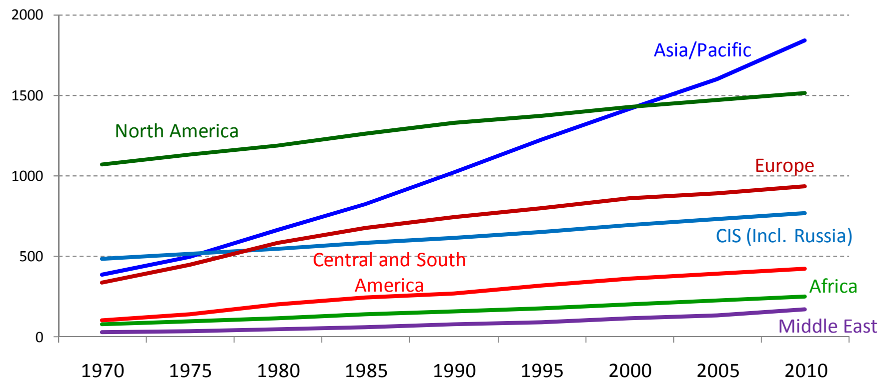
… representing a ~ 1% market share

Source: IEA World Energy Outlook 2006, EIA Energy outlook 2007, GWEC, ABS Generation capacity forecast, Analysis
Note: New generating capacity includes replacement(40–50% in Europe, CIS and North America);

Transmission market areas

Annual growth of 2% in new lines expected till 2011: 500,000 km of new lines in 2011

The geographical market for Iberdrola Engineering represents 40% of the total: $ 20 Bn



Transmission is defined as high voltage electricity transmission infrastructure; It includes power lines as well as high voltage substations.
The length of installed transmission lines is taken as a proxy for the growth of the transmission infrastructure
Source: ABS T & D database 2006

Market conclusions

Huge growth potential:
1% market share target

Iberdrola Engineering is present in key market areas

Need to be selective in new projects

Financial situation & lack of reliable contractors: a competitive advantage for Iberdrola Engineering

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Strengths of Iberdrola Engineering & Construction

Strong expertise of specialized engineering capabilities in the energy sector

Large number of references, leading national and international rankings

International diversification provides low risk exposure

Part of a world leader utility company

- Sharing know-how from both activities
- Represents a competitive advantage over our competitors

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Geographical markets

Consolidating the already strong international presence

Target regions for our growth

- *Middle East*
- *Latin America*
- *Eastern Europe & Russia*
- *North Africa*
- *United Kingdom*
- *USA*

USA & UK as new developing areas

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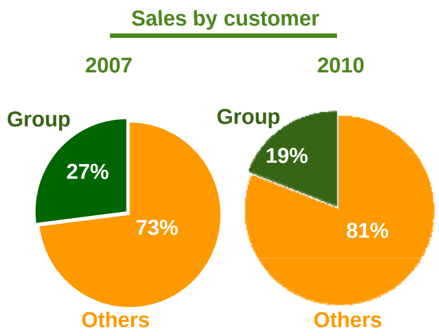
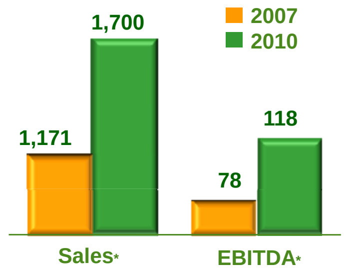
Strategic Plan 2008-2010

Steady growth in EBITDA: CAGR +14.8%, while consolidating margins …





… through international expansion and increased activities with third parties

(*) This figure does not reflect the works done for REE and the consolidation adjustments in Iberdrola's Group accounts related to transactions between the unit and the Group

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Peers

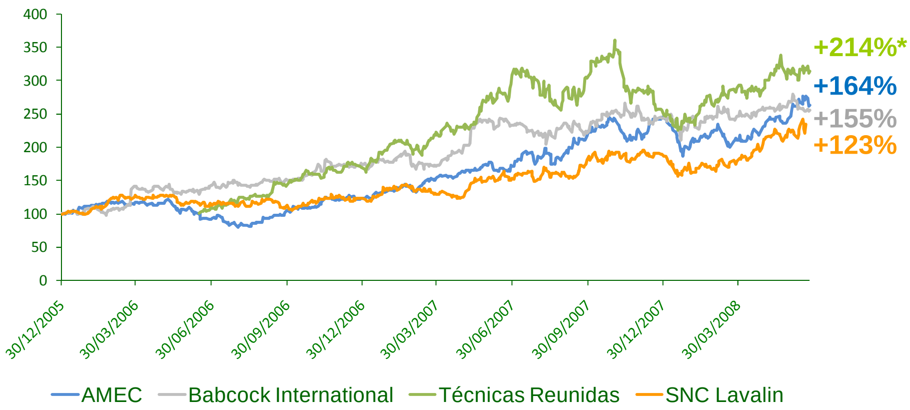
Only engineering company making EPC in all electricity fields: renewables, nuclear & conventional generation

Peer	Renewables	Conventional Generation	Nuclear Generation	Networks	Oil & Gas
Abengoa	EPC	EPC		EPC	
AMEC	ENG		ENG	ENG	ENG
Babcock International			ENG	EPC	
Pike Electric				EPC	
Spice	ENG			EPC	
Técnicas Reunidas		EPC	EPC		EPC
SNC Lavalin		EPC	EPC	EPC	EPC
Technip					EPC
Linde					EPC
IBERDROLA Ingeniería	EPC	EPC	EPC	EPC	

EPC: Engineering, Procurement & Construction ENG: Engineering, Consultancy & Project Management

Market performance

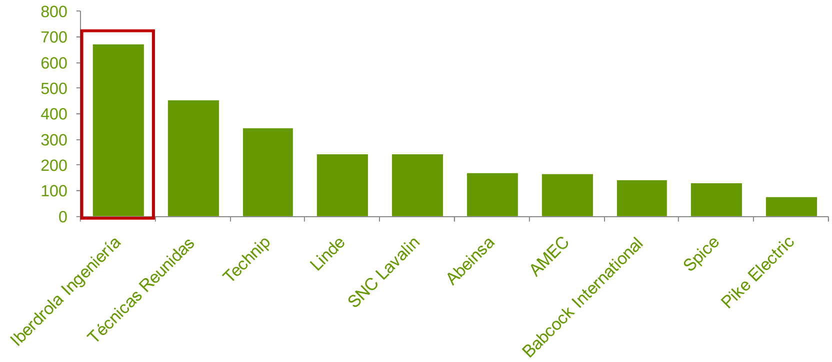
Strong revaluation since January 2006 for companies present in nuclear, renewables & CCGTs



* Listed on 20-jun-06

Net sales / employee

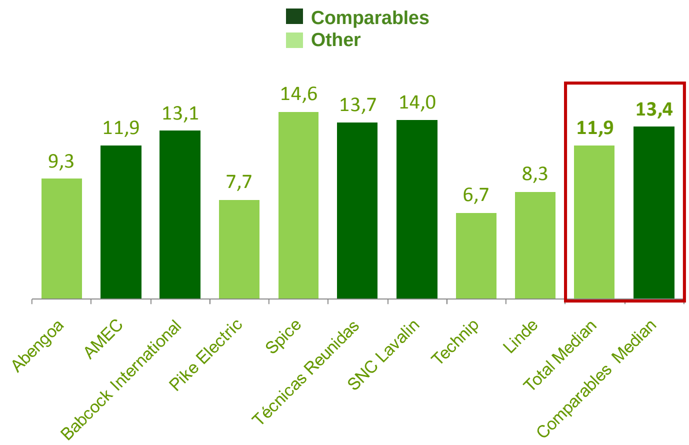
Sector leader in Net Sales / employee



*Thousands Euros / employee

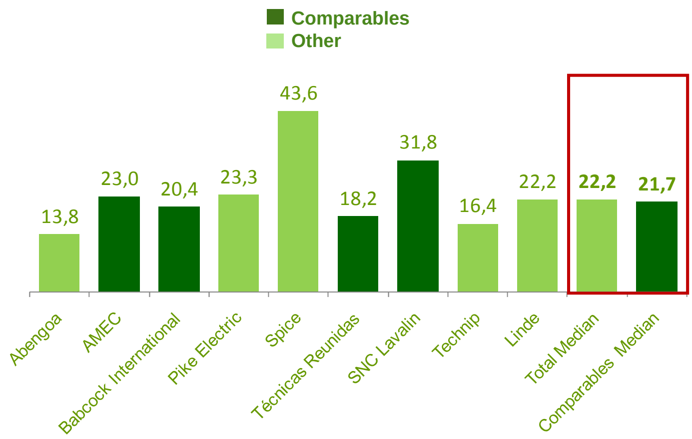
EV / EBITDA 08

Comparables median EV / EBITDA 08: 13.4 x



PER 08

Comparables median PER 08: 21.7 X



Valuation conclusions

Iberdrola Engineering & Construction deserves a premium on comparables

Unique position: EPC* in all electricity fields

Present in strong growth sectors as nuclear & renewables

Sector leader in Net Sales / employee

EPC: Engineering, Procurement & Construction