



IBERDROLA

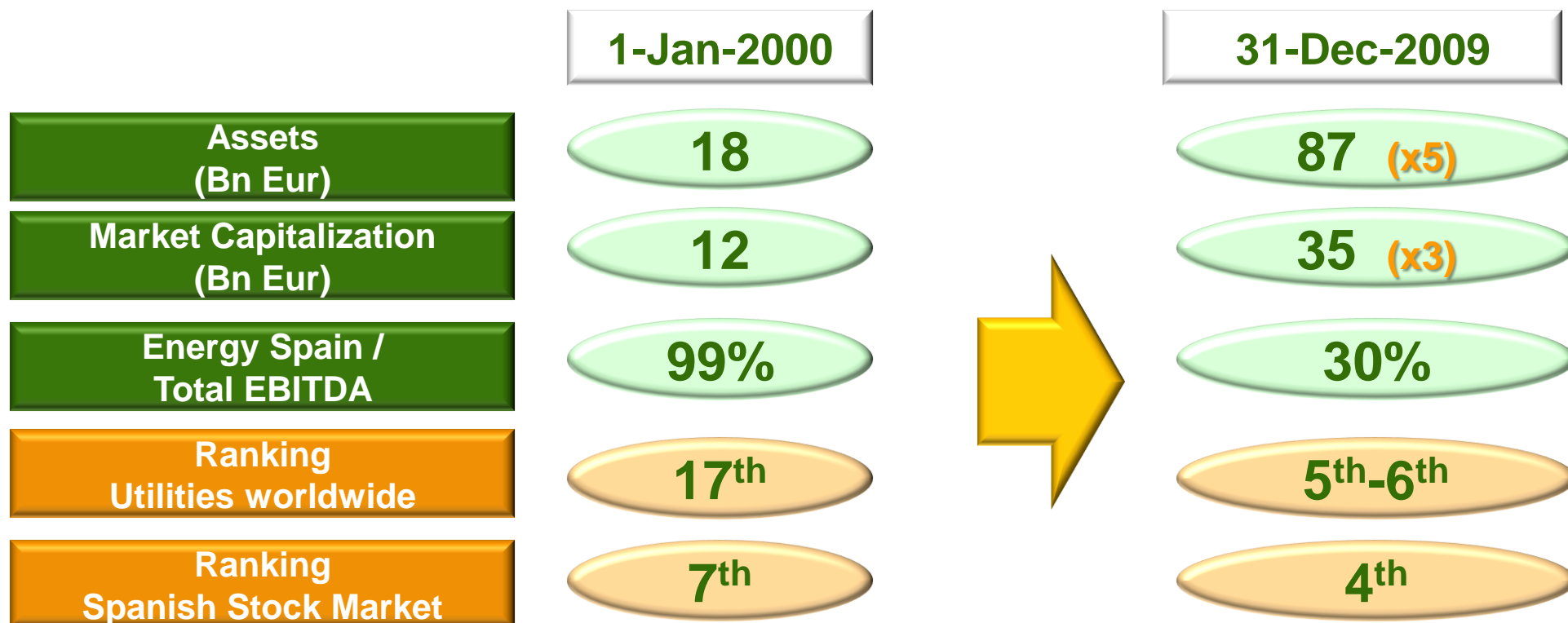
**Ongoing Corporate
Governance System**

**DSW's Seventh International Investors' Conference on
'Impacts of the Crisis'**

Wiesbaden, 7 December 2010



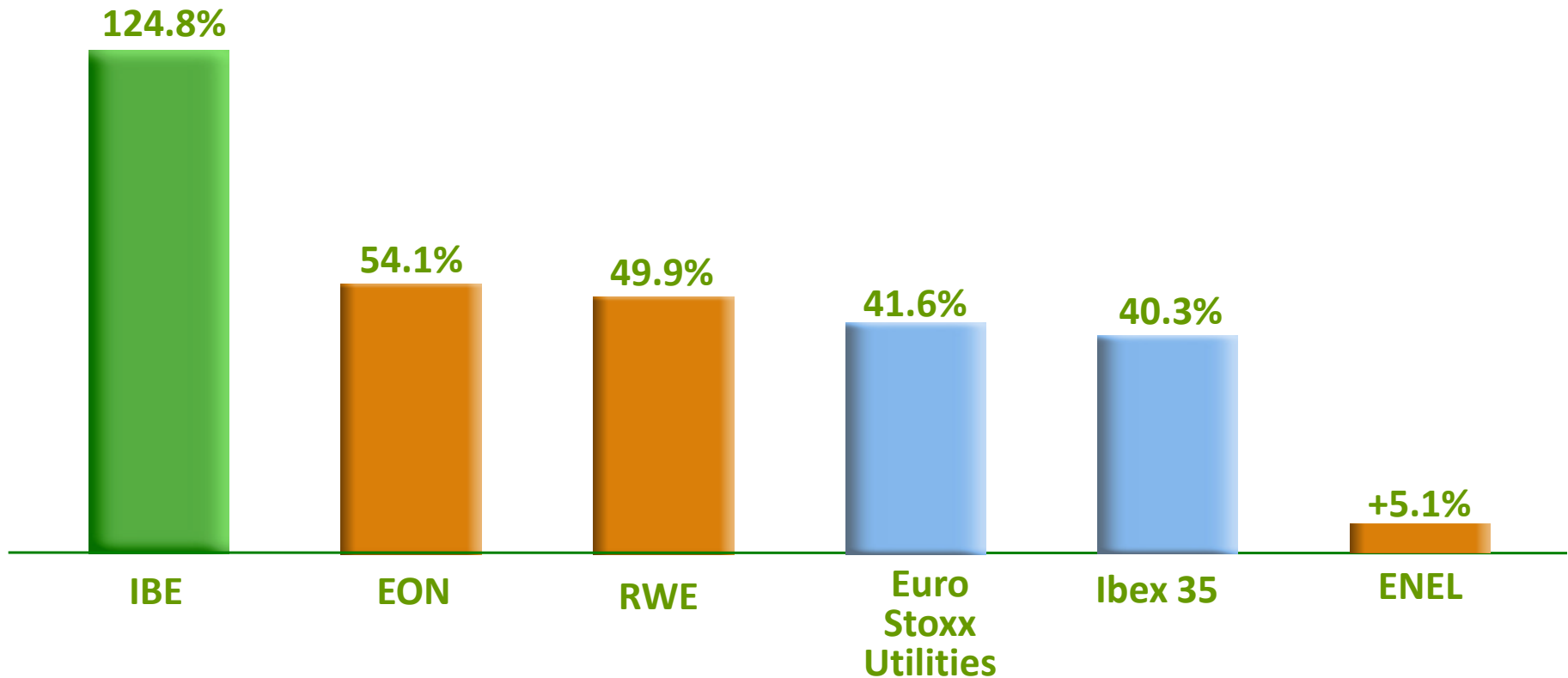
Iberdrola: one of the leading utilities worldwide,
that has significantly improved its position



A successful industrial enterprise and long term business model backed by a corporate governance system that has consistently evolved to comply with the Spanish Unified Code and international best practices

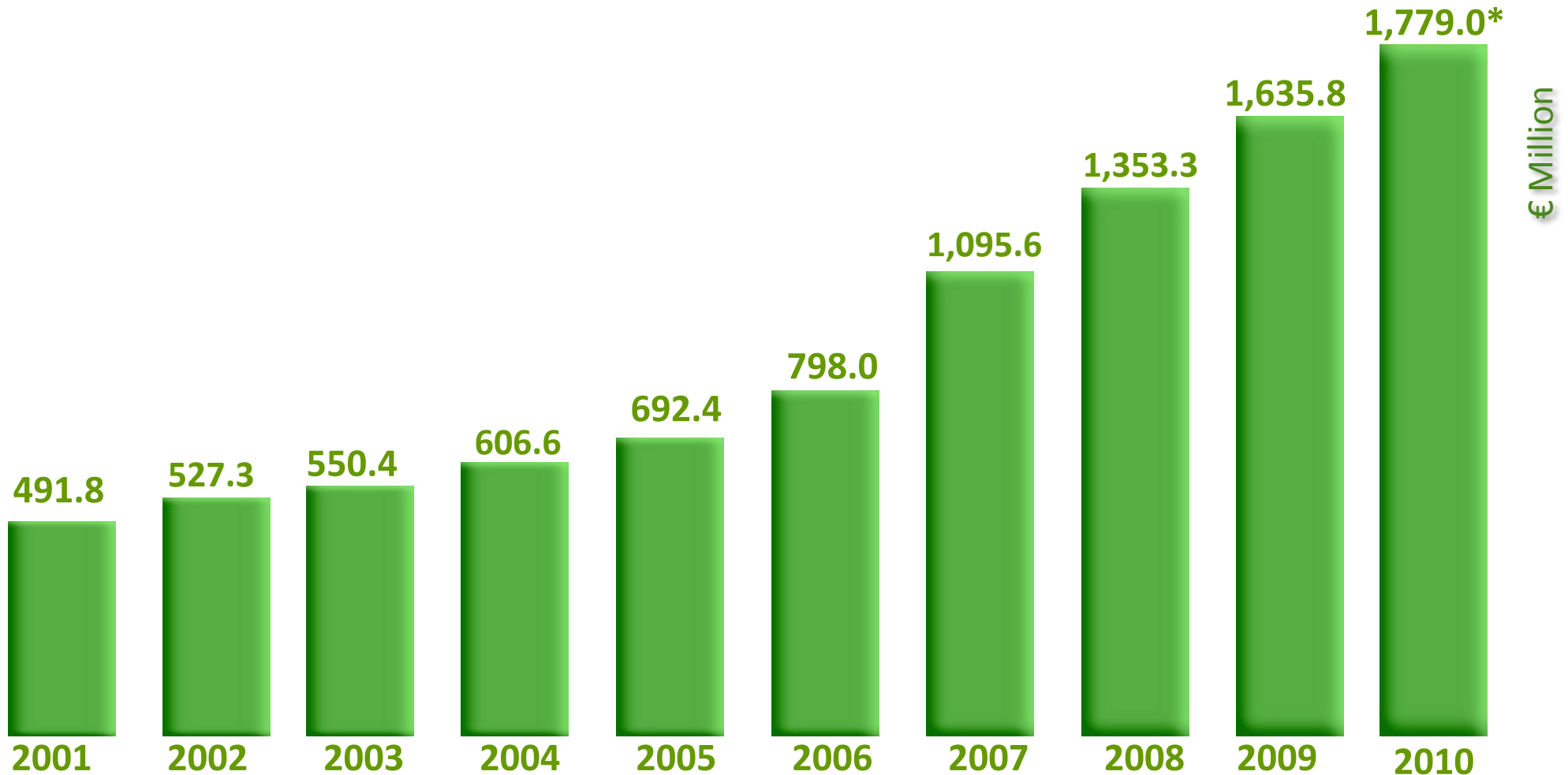


**Solid track record and strong commitment with our shareholders:
value creation since 2001 higher than Utilities and Indexes of reference**





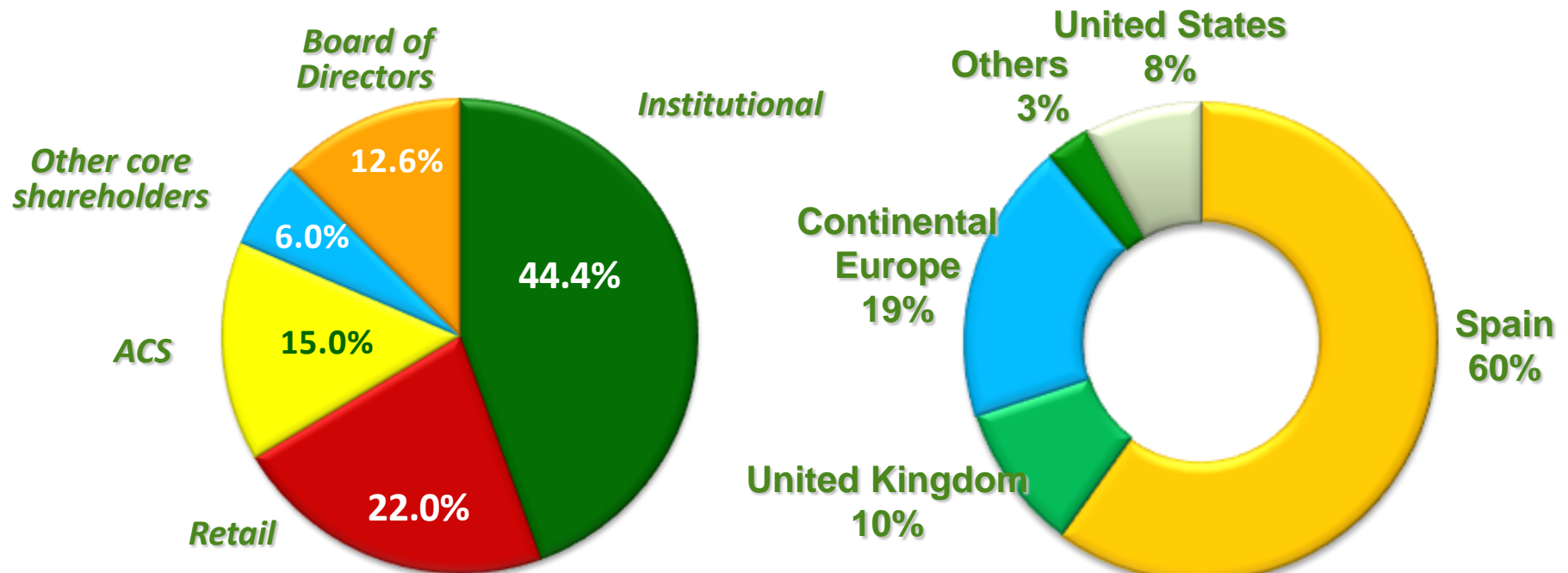
More than 9,500 MM€ of dividends paid since 2001
5.7% Dividend Yield and 57% Pay-out ratio



* Includes July Scrip Dividend. Cash Equivalent to 0.191 €/share

Independent and private company with no single controlling shareholder in our history

Over 400,000 shareholders worldwide



BBK and BANCAJA are minority shareholders with long-standing links to the company - no control capacity, and few related-party transactions as financial services providers

Iberdrola's Management focus on full coverage of the shareholders community, regardless of the size of their stake

Investor Relations

Institutional shareholder

Equity

- Meetings with more than 900 Investors
- Institutional investors
 - "Long-only" funds
 - Hedge funds
- Non-institutional investors
- Spanish and Overseas based

Fixed Income

- Close relationship with Rating Agencies
- Meetings with more than 200 Investors
- Investors in Iberdrola debt
 - Bonds
 - Commercial Paper

Retail shareholder

Annual General meeting

- Campaigns to increase voting: 80% participation achieved
- PR Activities

Shareholders Club

- Quarterly Reports
- Exclusive on-line access
- Dividend Reinvestment Plan
- Membership campaign

"Large" Shareholders Club

- More than 80.000 shares
- More than 15 specific events / year
- Personal attention: specialist team

Current regulation prevents companies like Iberdrola to know who their shareholders are



One of the best teams in Europe, recognized by the Markets Awards include **Best CEO, Best CFO, and Best IR Professional**

**Platts Global Energy Awards
(2006)**

- Best Utility of the Year
- Best Executive of the Year (I. Galán)

**Institutional Investor
(2004, 2005, 2006, 2007, 2008, 2010)**

- Best European Utility IR
- Best Spanish Company IR
- Best Executive of the Year (I. Galán)
- Best CFO (J. Sainz Armada)
- Best IR Professional (I. Cuenca)

**Thompson Extel Survey
(2004, 2005, 2006, 2008, 2009, 2010)**

- Best European Utility IR
- Best Spanish Company IR
- Best Executive of the Year (I. Galán)
- Best Spanish Utilities CFO (J. Sainz Armada)
- Best IR Professional (I. Cuenca)

**IR Magazine
(2003, 2004, 2007, 2008)**

- Best Spanish Company IR
- Best Practice of Corporate Social Responsibility



Proactive behavior facing Corporate Governance challenge



Non mandatory recommendations of the Spanish Unified Code and international standards have been incorporated into the By-Laws and the Governance Rules of IBERDROLA



Continuous Board refreshment:

	1991	2001	2007	2010
Directors	38	21	15	14
Independent / < 12 years	-	-	5/33%	8/57%
Women (1)	0	0	1/6%	3/21%



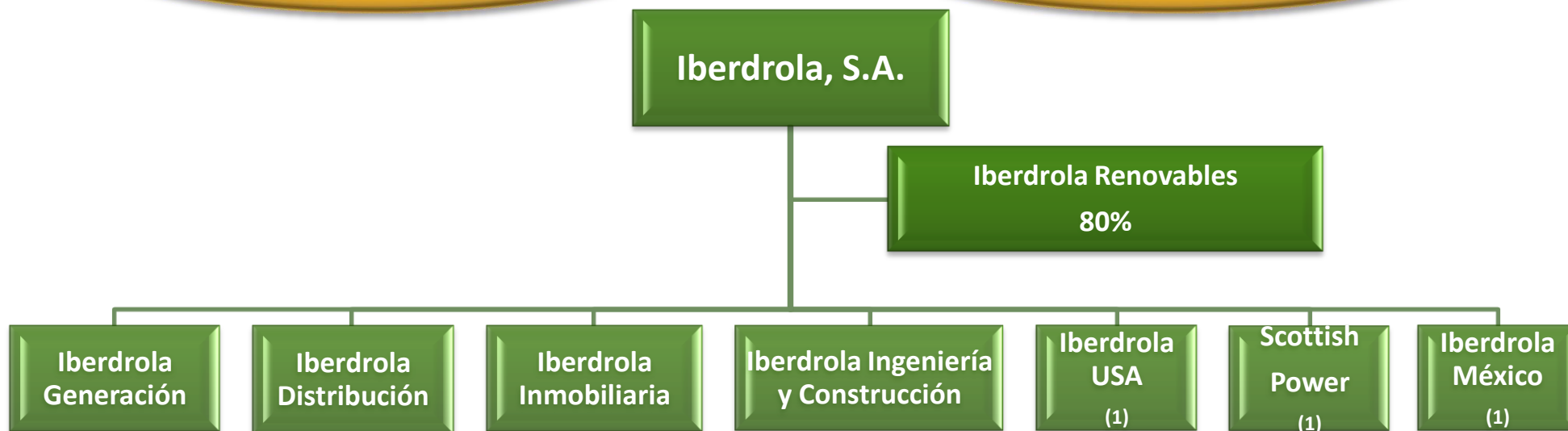
IBERDROLA is on a continuous engagement with investors, financial analysts and proxy advisors

Decentralized corporate structure, avoiding the accumulation of power

IBERDROLA, as a holding company, formulates the corporate strategy and policies and supervises the management of the Group

Each business is managed by a lead company with its own Board and Committees

Independent directors have joined the boards of these leading companies



Management structure

Description

Chairman & CEO: Ignacio Galán
(decision-making body)

A Lead Independent Director has been appointed to mitigate the risk of accumulation of powers:

Executive Committee
(decision-making body):

6 members (1 executive, 3 independent and 2 proprietary)

Audit & Compliance Committee
(consultative body):

3 members (all independent)

Nominating & Compensation Committee
(consultative body):

3 members (all independent)

Corporate Social Responsibility Committee:

4 members (all independent)



Board of Directors
14 members

Inés Macho Stadler is the Lead Independent Director

Composition of the Board:

1 Executive Director

2 External Proprietary Directors
(representing BBK and BANCAJA)

11 External Independent Directors
(8 of them with less than 12 years in office; 2 women)

Strict rules and procedures for the treatment of conflicts of interest within the Board of Directors

Specific conflicts of interest with respect to a director are resolved by:

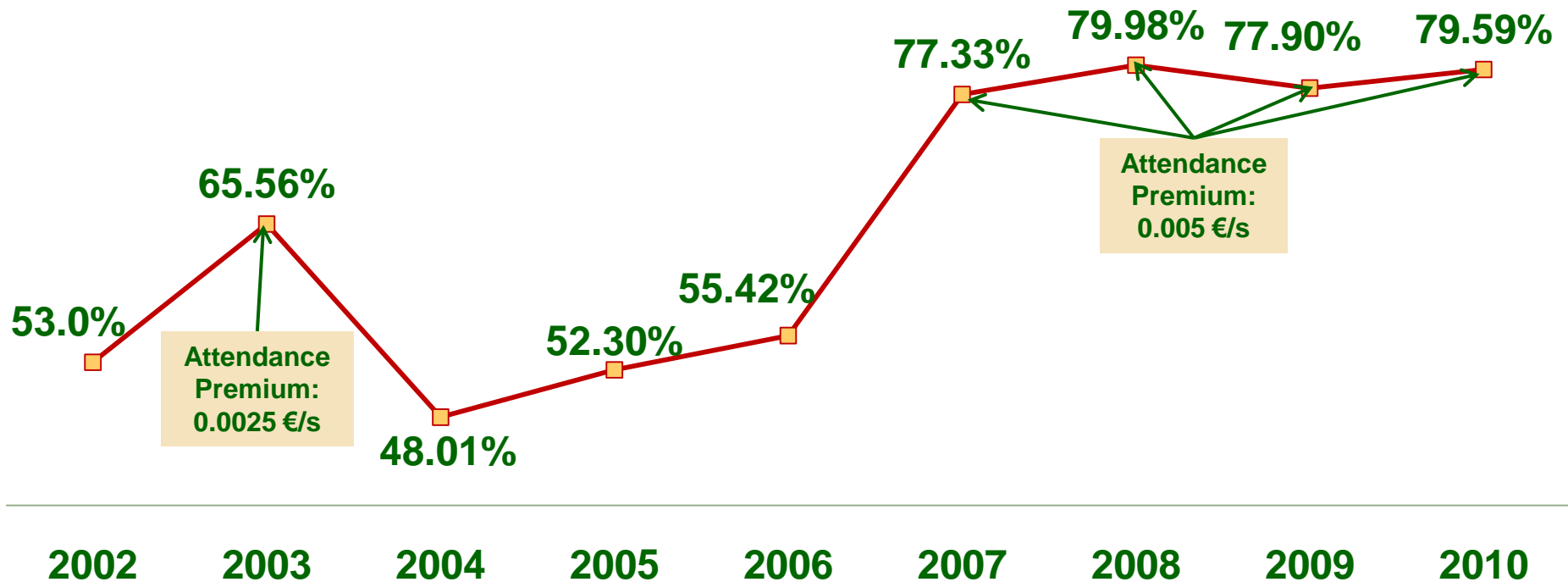
The director's obligation to give notice of the conflict and to refrain from negotiation of or deliberation regarding the matter

The company's obligation to notify the market of the conflict in the annual corporate governance report and in the semi-annual information regarding related-party transactions

Ongoing conflicts of interest, such as situations of structural competition, bar access to the Board of Directors pursuant to the provisions of the Spanish Companies Law and the internal regulations of IBERDROLA

Transactions with significant shareholders are subject to authorization of the Board, after a report from the Audit and Compliance Committee

Incentivising shareholders activism: quorum above 75% in last four Annual Shareholders Meetings



Attendance Premium helps to improve final quorum above 65-70%

Massive shareholder support for voting proposals



No special supermajorities required in the Shareholders Meeting

All shareholders may attend the GSM, regardless of the number of shares held

Right to be represented through any person and to cast vote

1 share, 1 vote

Voting rights limited up to 3% for shareholders' of 2 or more Main Operators in the sector

By-Law restrictions: derived from the need of protecting minority shareholders against takeovers without minorities benefits

No shareholder may exercise voting rights above 10% of share capital

No voting rights for shareholders' in conflict of interest (Art. 30)



Never raised in a shareholders' meeting since 1990



Never proposed for debate by any shareholder

Neutralization of limitations in the event of tender offers (Title III of the By-Laws)



Iberdrola's management is strongly committed with value creation for all our shareholders

Two ways of taking control of a company:

1

Tender offer to every shareholder with premium for all shareholders



2

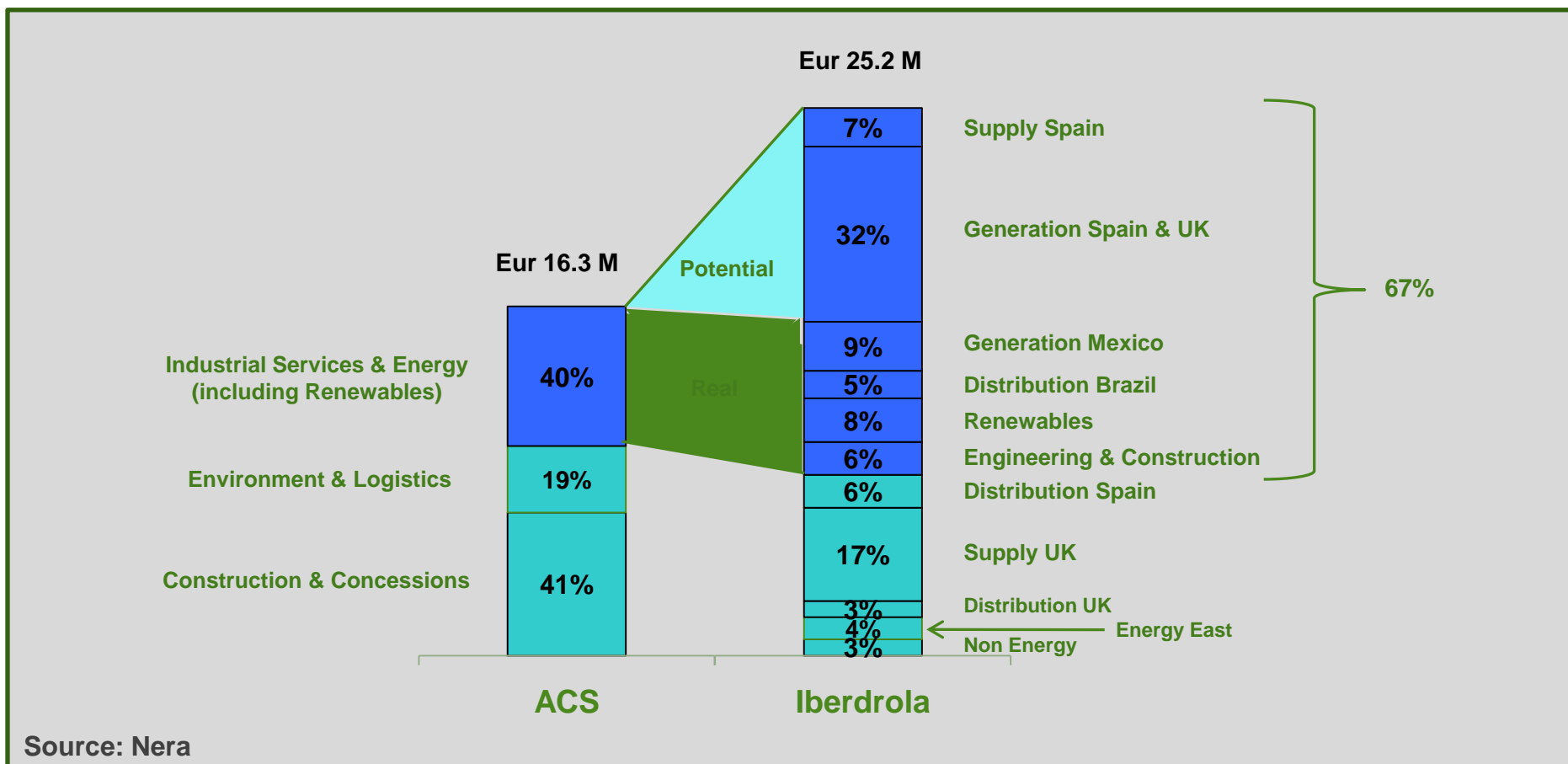
To take a minority stake and gaining control of the Board without paying premium to all shareholders

Iberdrola's By Laws protect minority shareholders and value creation with no voting limitations in case of tender offers

ACS Group and IBERDROLA show structural conflicts in key areas



40% of ACS s Balance Sheet is in competition with 70% of Iberdrola s Balance Sheet



Source: Nera



Renewables and Engineering are the main areas of conflict

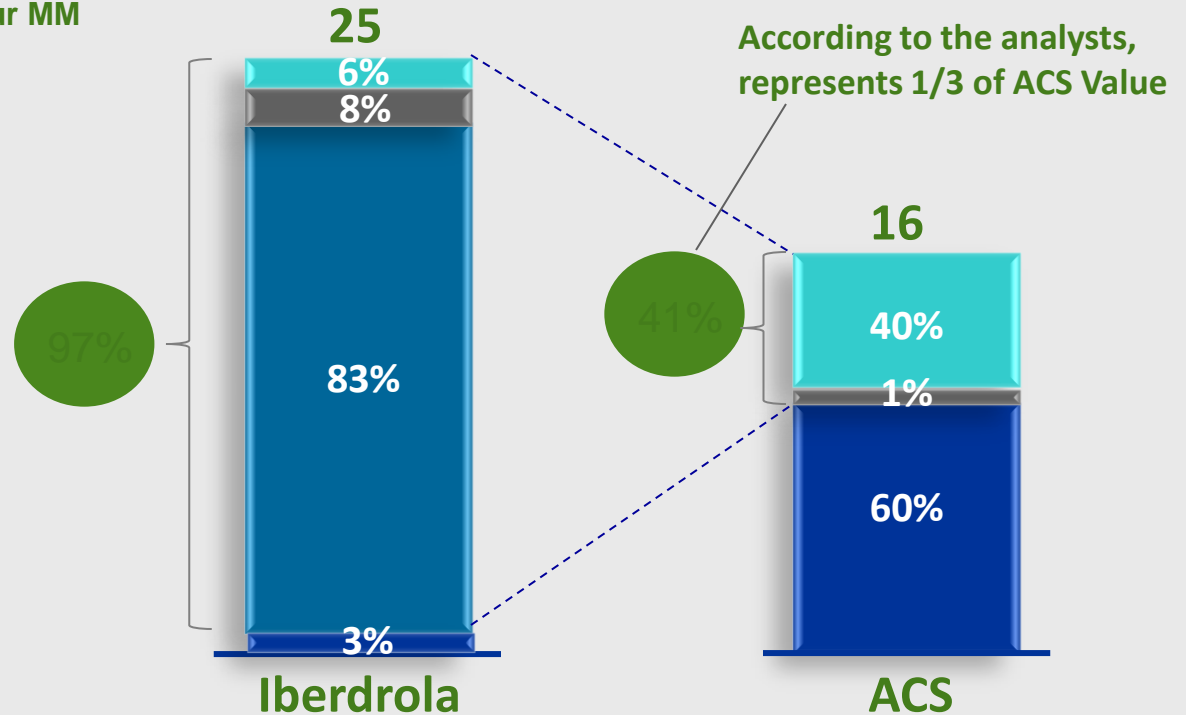
Direct Competition

- ACS Renewables and Engineering areas amount for 41% of total sales and almost one third of the company value.
- In the case of Iberdrola, the technological knowledge related to Engineering area is the strategic basis for the positioning of 97% of the business of Iberdrola Group.

Source: PWC

IB and ACS 2008 Revenues by business areas

Eur MM



Source: PWC

■ Engineering ■ Energy Business
■ Renewables ■ Other non-energy business



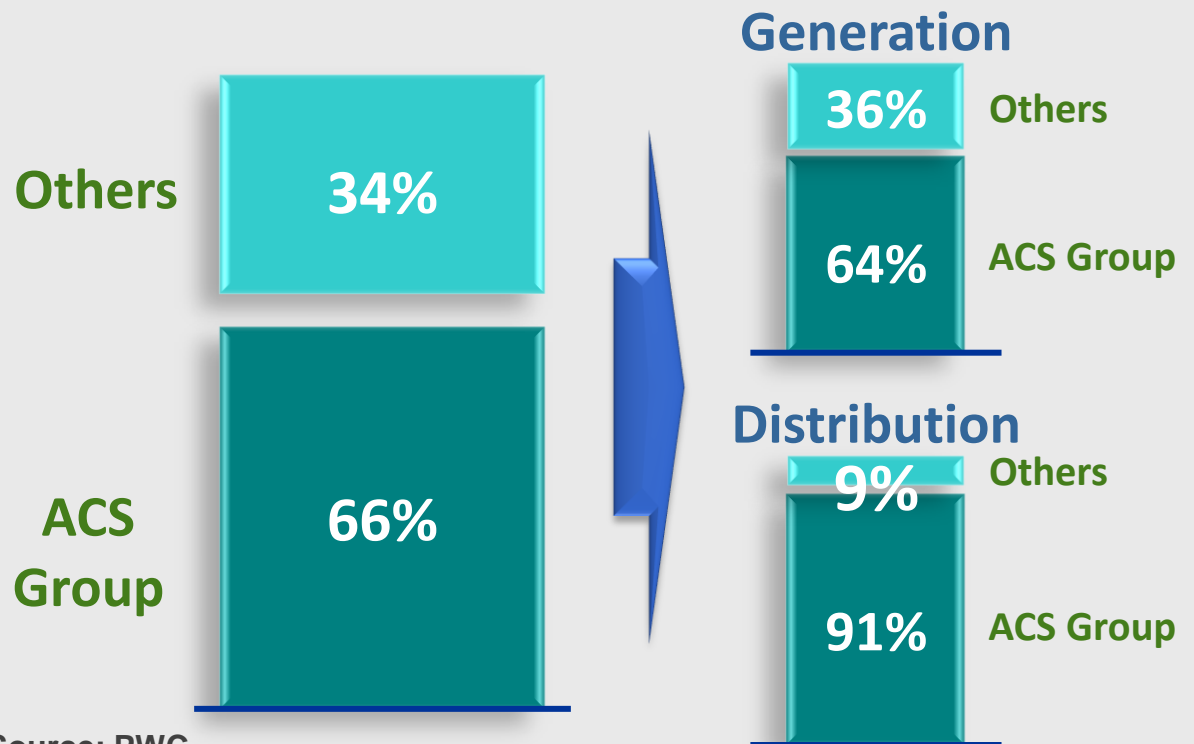
Conflicts of interest arising from customer-supplier relationship

Customer- Supplier

ACS and Iberdrola show structural conflicts of interest arising from the customer-supplier relationship. ACS is one of the main suppliers of Iberdrola in the areas of Generation, Distribution and Engineering & Construction.

Source: PWC

Iberdrola's total purchases to large construction groups (from 2005 - June 2008)



Source: PWC

Appointment and removal of ACS representative as Director: competition conflict

ACS appointed a Director under the proportional representation system, avoiding the need of approval by a majority of the shareholders

Removal of the ACS appointee approved by a majority of the shareholders (81.50%)

ACS has challenged this decision

Independent reports on competition conflict between Iberdrola and ACS, available in the web, consider ACS as Iberdrola competitor

Strategic and economic reports

Price Waterhouse Coopers

Nera

Legal reports

Uría &
Menéndez

Ramón y
Cajal

Cortés
Abogados

There is a legal prohibition against structural competitors being directors of a particular company

Existence of a situation of direct, permanent, stable and current competition between ACS and IBERDROLA in significant and/or strategic sectors



**Proactive Corporate Governance System,
minority shareholder focused**



**Avoiding power accumulation:
decentralized Corporate Structure, Lead Independent Director**



**Strong history of Management support by our shareholders
and recognition in the markets**



**Strong commitment with value creation
for all our shareholders**



Long term industrial independent project



Iberdrola: a successful equity story