

Failor, Debra L

Subject: Mtg w/ Iberdrola
Location: DCED Conf Room, 4th Floor Keystone Bldg

Start: Thu 2/16/2006 8:30 AM
End: Thu 2/16/2006 9:30 AM
Show Time As: Out of Office

Recurrence: (none)

Meeting Status: Meeting organizer

Required Attendees: McGinty, Kathleen; Desmond, Daniel
Optional Attendees: DePasquale, Eugene

We need to schedule this one. I'll reply to Wilfred and include you. Thanks!

-----Original Message-----

From: McGinty, Kathleen
Sent: Monday, February 06, 2006 10:44 AM
To: Failor, Debra L
Cc: DePasquale, Eugene
Subject: RE: Meeting with Iberdrola (Spain)
Sensitivity: Confidential

i wd definitely like to meet w them. dan desmond shld be there.

-----Original Message-----

From: Failor, Debra L
Sent: Monday, February 06, 2006 10:39 AM
To: McGinty, Kathleen
Cc: DePasquale, Eugene
Subject: FW: Meeting with Iberdrola (Spain)
Importance: High
Sensitivity: Confidential

Are you interested in this meeting? If so, we will try to schedule.

-----Original Message-----

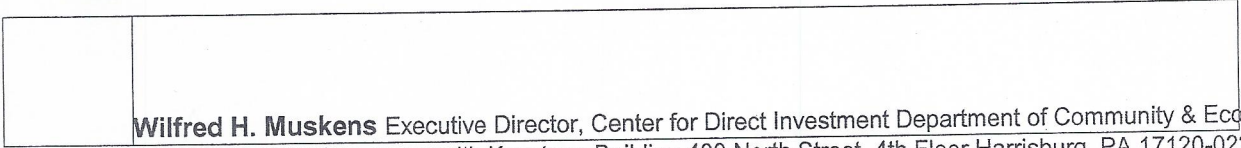
From: Muskens, Wilfred
Sent: Monday, February 06, 2006 8:55 AM
To: DePasquale, Eugene; Failor, Debra L
Subject: Meeting with Iberdrola (Spain)
Importance: High
Sensitivity: Confidential

Eugene and Deb:

I just learned that representatives from Iberdrola (Spain) will be available for a meeting with Katie on Thursday, February 16 in Harrisburg. FYI, I had met with this company during my last trip to Madrid (November) and learned that they have an interest in PPL (this is very confidential). Katie knows about this as Dennis Yablonsky had briefed her on my contact with the company after my trip. She told Dennis that she would like to meet with them. Can you give me a time that works for her on Feb 16? Please let me know if you need any additional information.

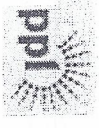
Thanks,

Wilfred



Wilfred H. Muskens Executive Director, Center for Direct Investment Department of Community & Economic Development (717)346-4089 Commonwealth Keystone Building 400 North Street, 4th Floor Harrisburg, PA 17120-0225
www.newPA.com <<http://www.newPA.com/>> | www.visitPA.com <<http://www.visitPA.com/>> **Confidentiality Notice:** This electronic communication is privileged and confidential and is intended only for the party to whom it is addressed. If received in error, please return to sender.

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SEARCH GO

CORPORATE GOVERNANCE

- Introduction
- Guidelines for Corporate Governance (PDF)
- Board of Directors
- Board Committees
- Additional Policies

- Standards of Conduct and Integrity (PDF)
- Articles of Incorporation (PDF)
- PPL Bylaws (PDF)
- Annual Report
- Proxy Statement

MARKETING & GENERATING ENERGY

- Overview
- PPL Generating Plants
- Spot Market Power

ORGANIZATION CHART

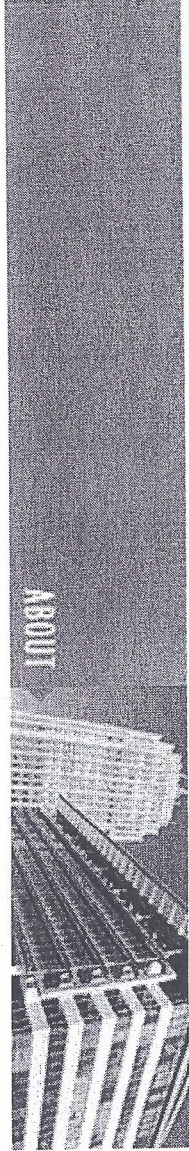
Who We Are

OUR HISTORY

PPL Corporation Timeline

OUR MANAGEMENT TEAM

Overview



ABOUT

[ppl corporation](#) > [about](#) > [organization chart](#) > [who we are](#)

PPL Corporation

FORTUNE 500® global energy holding company.

Headquarters: Allentown, Pa.

PPL Corporation includes:

- PPL Generation LLC
- PPL EnergyPlus LLC
- PPL Electric Utilities Corp.
- PPL Global LLC
- PPL Gas Utilities Corp.
- PPL Services Corp.

PPL Generation

This business line controls about 12,000 megawatts in the United States. Its portfolio includes power plants in Arizona, Connecticut, Illinois, Maine, Montana, New York and Pennsylvania.

Headquarters: Allentown, Pa.

Power plants:

- Brunner Island (York Haven, Pa.)
- Colstrip (Colstrip, Mont.)
- Conemaugh (Johnstown, Pa.)
- Corette (Billings, Mont.)
- Griffith Energy (Kingman, Ariz.)
- Holtwood (Holtwood, Pa.)
- Keystone (Johnstown, Pa.)
- Long Island Power Projects (New York)
- Maine Hydro (operates eight hydroelectric facilities in the state of Maine)
- Martins Creek (Martins Creek, Pa.)

- Montana Hydro (operates 11 hydroelectric facilities in the state of Montana)
- Montour (Washingtonville, Pa.)
- Safe Harbor (Conestoga, Pa.)
- Susquehanna (Berwick, Pa.)
- University Park (University Park, Ill.)
- Wallenpaupack (Hawley, Pa.)
- Wallingford Energy (Wallingford, Conn.)
- Wymann (Yarmouth, Maine)

PPL EnergyPlus

One of the leading suppliers of competitively priced electricity and energy services in the mid-Atlantic region. The company sells wholesale and retail electricity in key U.S. states.*

Headquarters: Allentown, Pa.

- PPL EnergyPlus includes:
- Wholesale Marketing and Trading
 - End-User Energy
 - Distributed Generation
 - Energy Services
 - Mechanical Services

PPL Electric Utilities

The electric delivery business line serves 1.3 million customers in Pennsylvania.

Headquarters: Allentown, Pa.

PPL Global

PPL Global owns and operates distribution businesses in the United Kingdom and Latin America that deliver electricity to 3.5 million customers.

Headquarters: Allentown, Pa.

- Energy delivery companies:
- Western Power Distribution (United Kingdom)
 - Emel (Chile)
 - Efec (Bolivia)
 - Delsur (El Salvador)

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International generation facilities:
• Aguaytia Energy (Peru)

* PPL EnergyPlus, LLC, is an unregulated subsidiary of PPL Corporation. PPL EnergyPlus is not the same company as PPL Electric Utilities or PPL Gas Utilities. The prices of PPL EnergyPlus are not regulated by the Pennsylvania Public Utility Commission. You do not have to buy PPL EnergyPlus electricity, natural gas or other products in order to receive the same quality regulated services from PPL Electric Utilities or PPL Gas Utilities.

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CUSTOMERS

INVESTORS

BUSINESS EMPLOYMENT
PARTNERS
COMMUNITY

NEWSROOM ABOUT CONTACT CAREERS PPL COMPANIES
PPL \$29.90



SEARCH

GO

CORPORATE GOVERNANCE

Introduction

Guidelines for Corporate Governance (PDF)

Board of Directors

Board Committees

Additional Policies

Standards of Conduct and Integrity (PDF)

Articles of Incorporation (PDF)

PPL Bylaws (PDF)

Annual Report

Proxy Statement

MARKETING & GENERATING ENERGY

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PPL Generating Plants

Spot Market Power

ORGANIZATION CHART

Who We Are

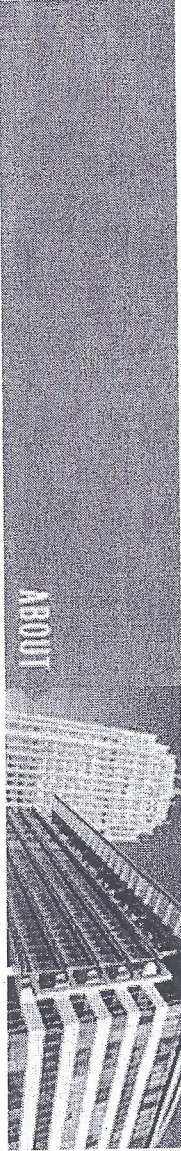
OUR HISTORY

PPL Corporation Timeline

OUR MANAGEMENT TEAM

Overview

ppl corporation > about > our management team > overview



Meet the Top Management of PPL's Family of Companies

PPL Corporation

- Chairman and Chief Executive Officer – William F. Hecht
- President and Chief Operating Officer – James H. Miller
- Executive Vice President and Chief Financial Officer – John R. Biggar
- Sr. Vice President, General Counsel and Secretary – Robert J. Grey
- Sr. Vice President and Chief Nuclear Officer – Britt T. McKinney
- Sr. Vice President-Financial and Controller – Paul A. Farr
- Vice President-Finance and Treasurer – James E. Abel
- Vice President-Risk Management – Vijay Singh
- Vice President-External Affairs – Joanne H. Raphael

PPL Development

- President – Roger L. Petersen

PPL EnergyPlus

- President – Paul T. Champagne
- Sr. Vice President-Energy Marketing – C. Joseph Hopf

PPL Electric Utilities

- President – John F. Siplics

PPL Global

- President – Rick L. Klingensmith

PPL Generation

- President – Bryce L. Shriver

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SEARCH

RESEARCH TOOLS

- Financial Highlights
- Recent Earnings Report
- Key Dates
- Conference Calls and Webcasts
- Financial Presentations
- Annual Report
- Proxy Statement
- Form 10K
- PPL Newsroom
- PPL Stock Performance
- Transition Bond Company
- SEC Documents
- Subscribe to PPL News

Financial Highlights

For the 12-month period ending Dec. 31 (unaudited)

(pdf) Click here for Reconciliation of PPL's reported Earnings from Ongoing Operations for the Fourth Quarter and 12 Months Ended Dec. 31, 2005, compared with 2004.

SHAREOWNER SERVICES

- Stock Transfer Instructions
- Lost Stock Certificates
- Dividend Reinvestment
- Direct Deposit of Dividends
- Online Access to Your Accounts

ABOUT

- Corporate Governance
- Marketing and Generating Energy
- Organization Chart
- Our History
- Our Management Team

CONTACT

| | 2005 | 2004 |
|---|----------|----------|
| FINANCIAL (a) | | |
| Operating revenues (millions) | \$6,219 | \$5,794 |
| Net income (millions) | \$678 | \$698 |
| Earnings from ongoing operations (millions) (a) | \$798 | \$690 |
| Total assets (millions) ^(b) | \$18,040 | \$17,761 |
| Earnings per share - Basic ^(e) | \$1.79 | \$1.89 |
| Earnings per share - Diluted ^(e) | \$1.77 | \$1.89 |
| Earnings from ongoing operations per share - Basic ^(d,e) | \$2.10 | \$1.87 |
| Earnings from ongoing operations per share - Diluted ^(d,e) | \$2.08 | \$1.87 |
| Dividends declared per share ^(e) | \$0.96 | \$0.82 |
| Book value per share ^(b,e) | \$11.64 | \$11.21 |
| Market price per share ^(b,e) | \$29.40 | \$26.64 |

Contacts for Shareowners
Contacts for the Financial
Community

| | | |
|--|--------|--------|
| Dividend yield (b) | 3.3% | 3.1% |
| Dividend payout ratio (c) | 54% | 44% |
| Dividend payout ratio - Earnings from ongoing operations (c,d) | 46% | 44% |
| Market price/Book value ratio (b) | 253% | 238% |
| Price/earnings ratio (b,c) | 16.6 | 14.1 |
| Price/earnings ratio - Earnings from ongoing operations (b,c,d) | 14.1 | 14.2 |
| Return on average common equity | 15.65% | 18.14% |
| Return on average common equity - Earnings from ongoing operations (d) | 18.15% | 18.09% |

OPERATING - DOMESTIC ENERGY

| | | |
|--|--------|--------|
| Total retail electricity delivered (millions of kwh) | 37,358 | 35,834 |
| Total retail electricity supplied (millions of kwh) | 39,413 | 37,673 |
| Total wholesale electricity supplied (millions of kwh) | 33,768 | 37,394 |

OPERATING - INTERNATIONAL DELIVERED

| | | |
|----------------------------------|--------|--------|
| United Kingdom (millions of kwh) | 28,884 | 28,847 |
| Latin America (millions of kwh) | 4,262 | 3,999 |

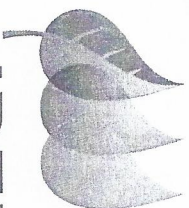
(a) Earnings and certain financial ratios were affected by several unusual charges or credits. Earnings from ongoing operations excludes the impact of unusual items. Click on the link at the top of this schedule to reference a reconciliation of net income, or reported earnings, and earnings from ongoing operations. Earnings from ongoing operations should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with Generally Accepted Accounting Principles (GAAP). PPL believes that earnings from ongoing operations, although a non-GAAP measure, is also useful and meaningful to investors because it provides them with PPL's underlying earnings performance as another criterion in making their investment decisions. PPL's management also uses earnings from ongoing operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

- (b) End of period.
- (c) Results based on diluted earnings per share.
- (d) Calculated using earnings from ongoing operations.
- (e) Prior period data have been adjusted to reflect the Aug. 2005 2-for-1 stock split.

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Iberdrola: First class energy company

February 2006



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Profile of Iberdrola



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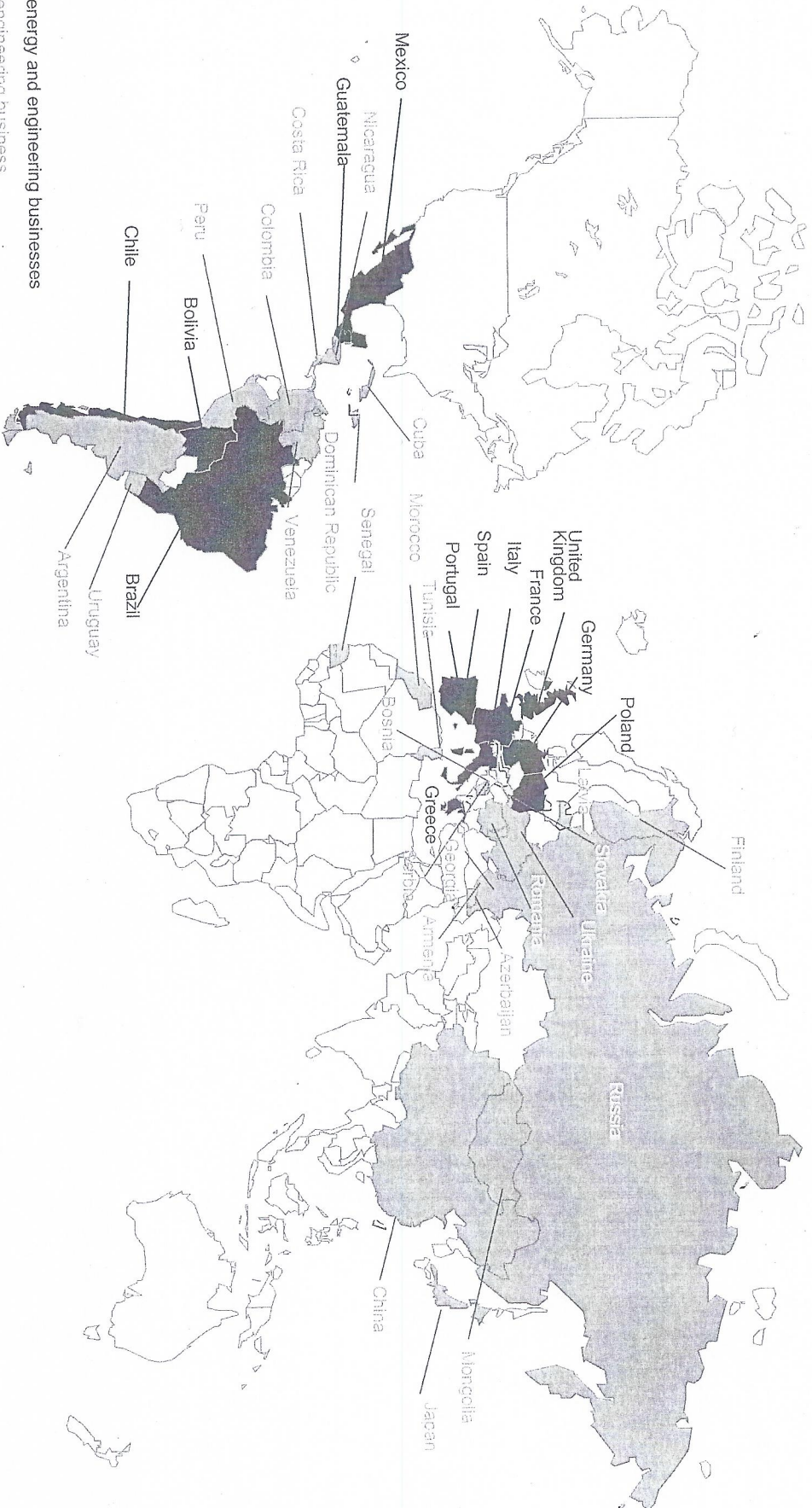
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Worldwide presence



 Presence in energy and engineering businesses
 Presence in engineering business

Iberdrola: First class global energy company

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Company data



Financial data 2005 (MM Eur)

| | |
|-------------------------------|--------|
| Total assets | 30,479 |
| EBITDA | 3,378 |
| Net income | 1,382 |
| Cash-Flow | 2,497 |
| Market value (February, 2006) | 21,997 |
| Rating | A+ |

Operational data December 2005

| | |
|-----------------------------------|---------|
| Installed capacity (MW) | 27,791 |
| Capacity under construction* (MW) | 6,093 |
| Customers (million) | 17.8 |
| Produced energy (GWh, 2005) | 83,009 |
| Distributed energy (GWh, 2005) | 122,904 |

Solid Euro Stoxx 50 company focused on energy business

* Includes CCGTs in Spain and Mexico and renewables to become operational until 2008

Solid financials: Investment Plan



Figures in Eur Bn

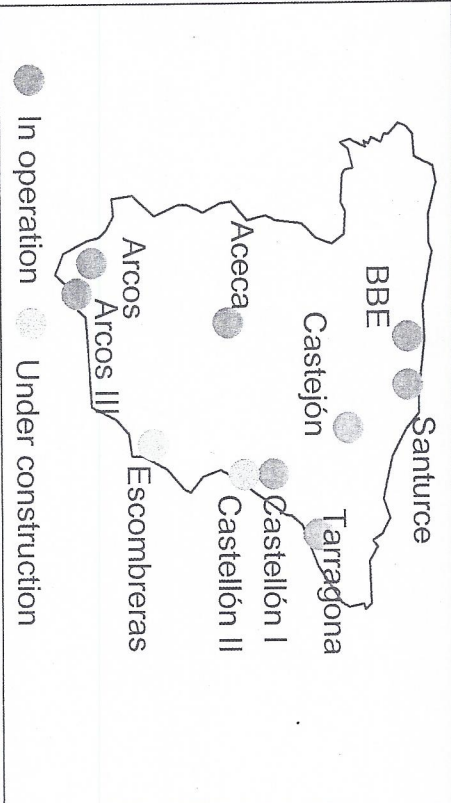
| | 2001-2008 |
|----------------------|-------------|
| Generation | 4.3 |
| Renewables | 3.1 |
| Distribution | 3.7 |
| Other | 0.8 |
| Spain | 11.9 |
| Mexico | 3.1 |
| S. America | 0.7 |
| Other | 0.5 |
| International | 4.3 |
| Total | 16.2 |

Total investments of Eur 16.2 bn for the period 2001-08 (73% in Spain)

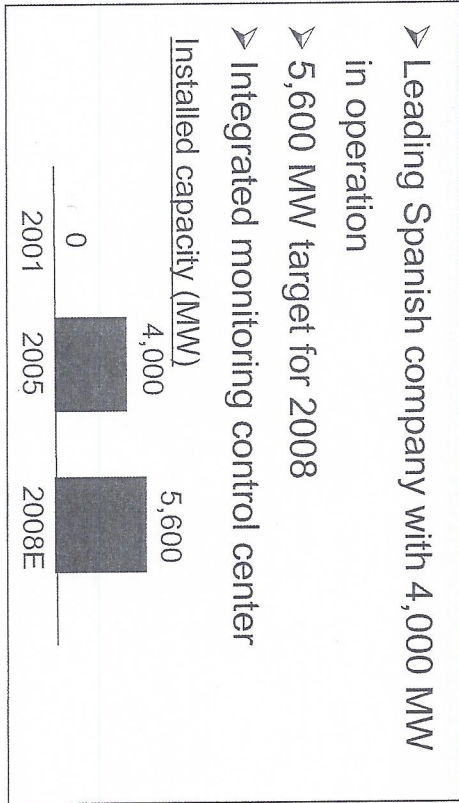
TIER I in CCGTs



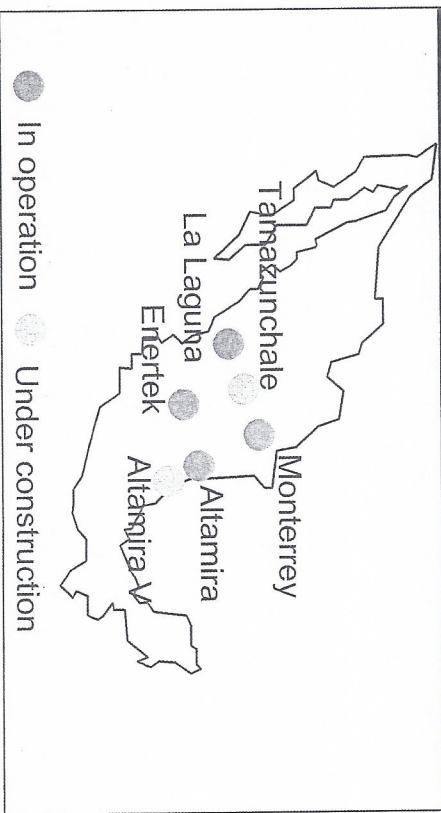
Spain



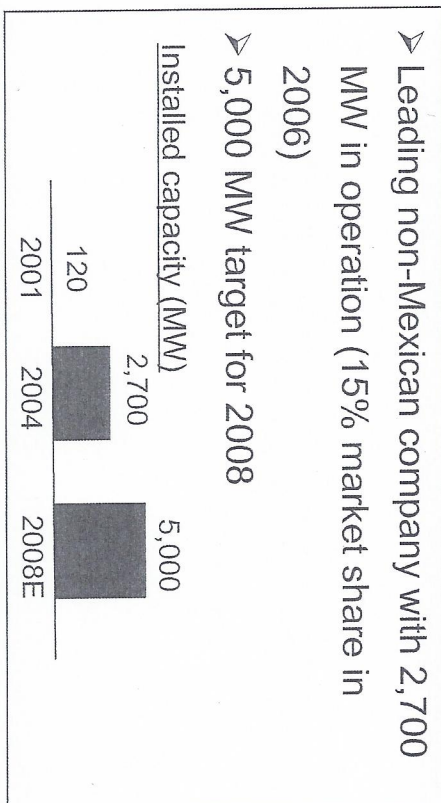
Spain



Mexico



Mexico



**Commitment to new & efficient technologies:
Over 10,000 MW in CCGTs**

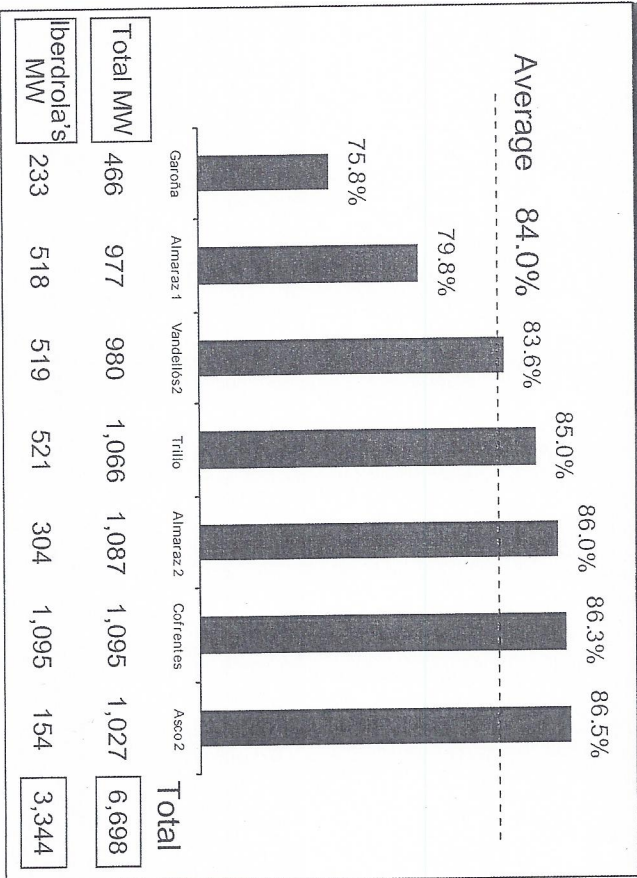
Best practices in nuclear



Nuclear assets

- Installed capacity of 6,698 MW
- Owned portfolio of 3,344 MW
- Iberdrola in charge of O&M activities
- Best in class lifetime load factors

Lifetime load factor* (2005)



World leader in nuclear power plants efficiency

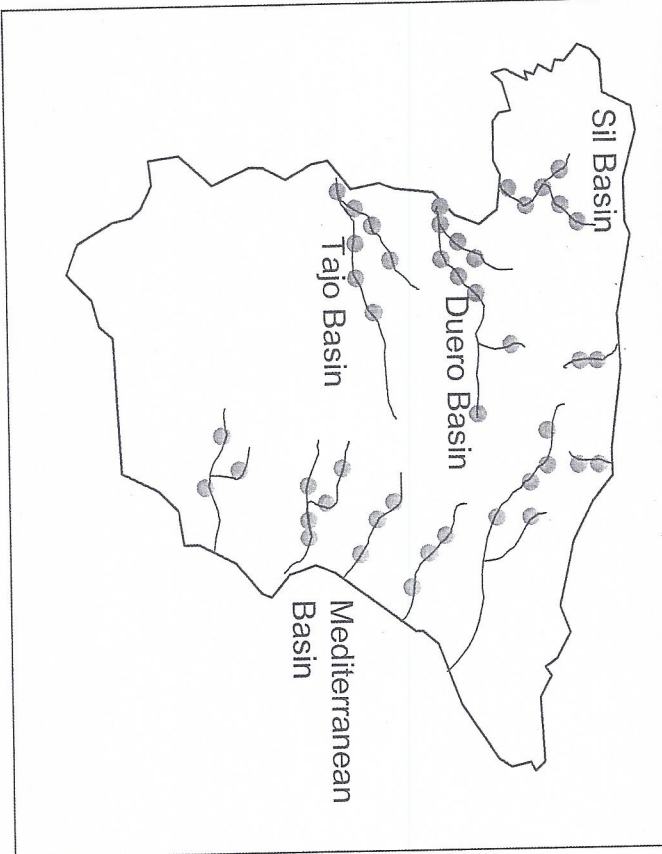
*Source: Spanish National Nuclear Society

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100 years experience in hydro



Hydro plants in Spain



Experience

➤ 8,776 MW of installed capacity in Spain

| <u>Assets</u> | <u>Capacity MW</u> |
|---------------|--------------------|
| River Sii | 1,273 |
| River Duero | 3,327 |
| River Tajo | 2,144 |
| Mediterranean | 1,495 |
| Other* | 580 |
| Total | 8,819 |

- 450 MW in Brazil (175 MW attributable)
- 124 MW in Chile (Ibener power plant)

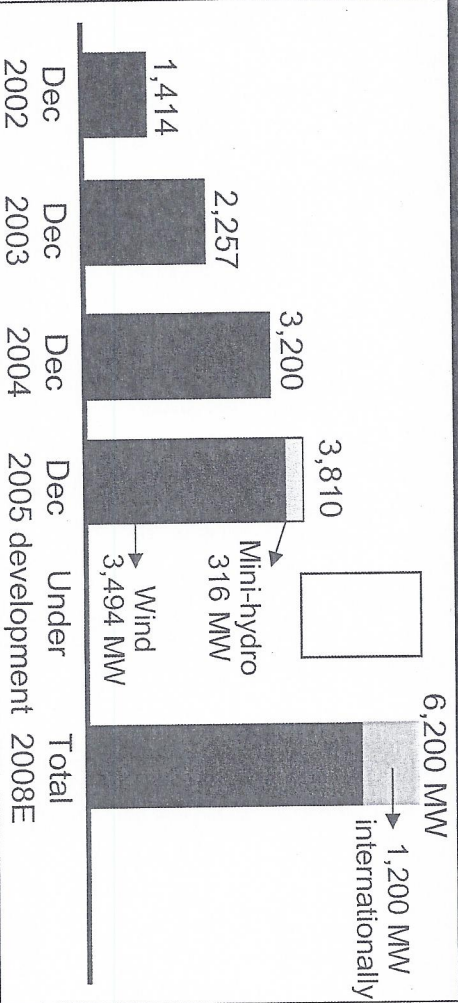
Over 100 years experience in hydro power plants

* Facilities under 10 MW

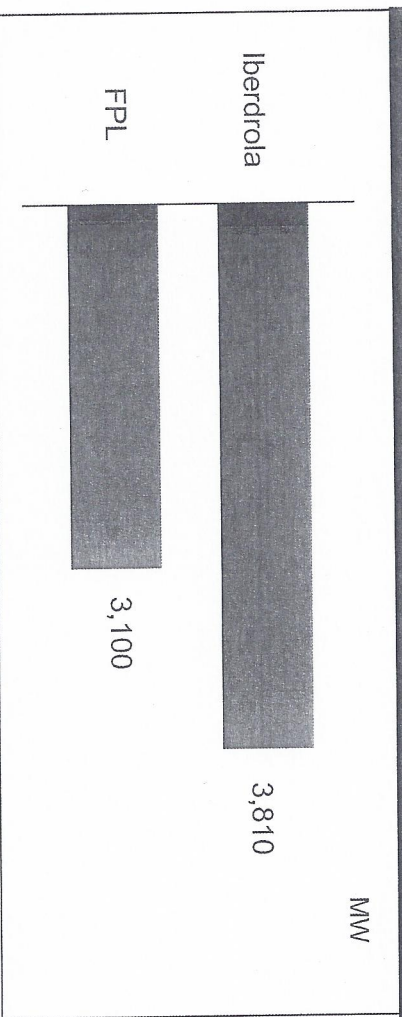
Leadership in Renewables



Installed capacity (MW)



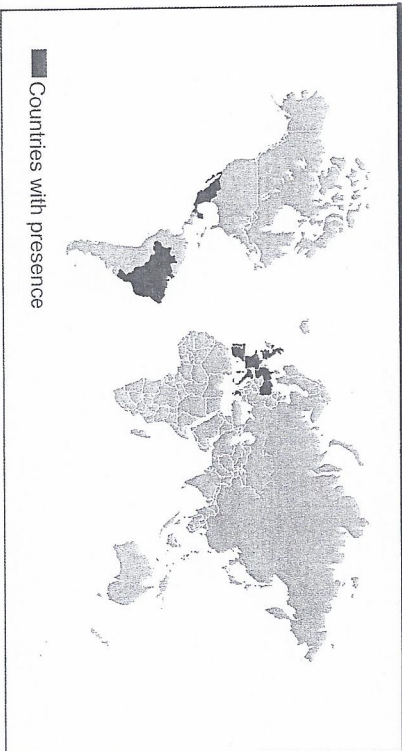
Worldwide leaders (2005)



Key information

- Total investment 2001-08: 3.1 Euro bn
- Market leader in Spain, Greece, Portugal, Italy, France, United Kingdom, Germany, Poland, Mexico and Brazil
- EBITDA 2005: 466 Euro million

Global presence

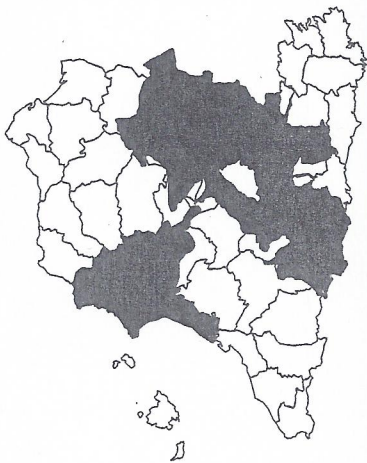


Worldwide leader in renewables

Top quality in distribution & supply



Spain

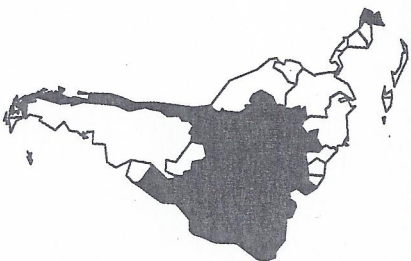


■ Distribution areas

Key Information (2005)

- Customer base: 9.8 million
- Energy distributed: 96,295 GWh
- Quality of supply and efficiency ratio: ICEIT* of 1.68 hours
- 38,485 GWh supplied in the liberalised electricity market
- Liberalised gas market share: 13.9% (first operator excluding incumbent)
- Additional products: PLC

Latam



■ Countries with presence

Key Information

- Customer base: 8.1 million
- 2005 energy distributed: 26,609 GWh
- Largest distributor in North Eastern Brazil (40% market share)
- Track record optimizing companies: 33% reduction of electrical losses (Cosern in Brazil, 1997-2003 figure)
- Cosern selected as "Best Electricity Company in Northern Brazil" for the year 2004

Almost 18 million customers under management

* Installed Capacity Equivalent Interruption Time

Global engineering company



Iberdrola's engineering business profile

- Developed through 100% subsidiary, Iberdrola engineering and construction, founded in 1995
- Incorporates all engineering and construction activities within the Iberdrola Group
- Capable of providing integrated solutions for the whole areas of the energy business
- Team of >1,000 high qualified professionals
- Revenues (2005) of 479 €MM; EBITDA 89 €MM
- Presence in 33 countries



■ Countries with presence

Experience

Energy business

Power plants 36,000 MW developed
Substations 890 developed with 70,000 MVA capacity

Control and protection systems

Installed in 220 high and medium voltage substations
Automation of Iberdrola's basin control centers (>8,000 MW)

Other businesses

Telecoms 14,000 km of optic fiber cable installed in high voltage networks

Global company with ten years experience



IBERDROLA about our group

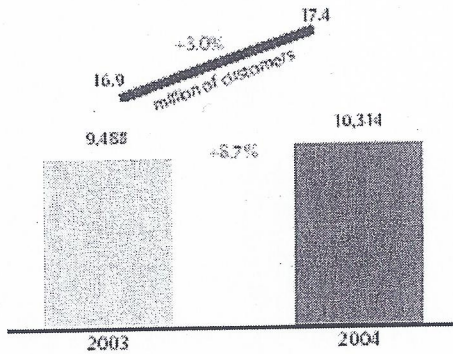
economic and financial data (mill. euros)

| Results | 2004 | 2003 | % Variation 04/03 |
|-------------------------------------|--------|-------|-------------------|
| Sales | 10,314 | 9,488 | +8.7 |
| EBITDA | 2,858 | 2,617 | +9.2 |
| EBIT | 2,019 | 1,823 | +10.7 |
| Ordinary profit | 1,699 | 1,473 | +15.3 |
| Net profit | 1,211 | 1,060 | +14.2 |
| Net operating expenses/gross margin | 27.1% | 27.8% | -70 b.p. |
| Sales per employee (thousand €)* | 996.4 | 914.4 | +9.0 |

(*) Business in Spain

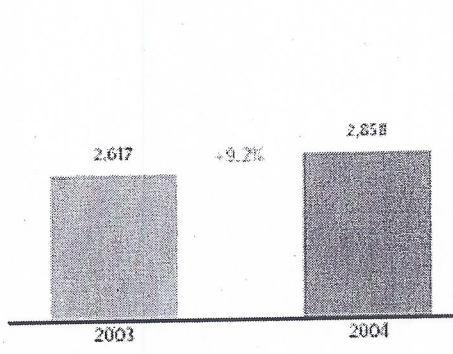
Sales and customers

(€ millions)



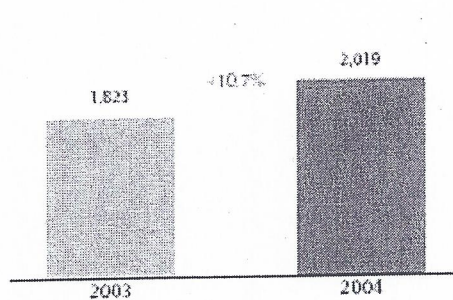
Gross operating profit (EBITDA)

(€ millions)



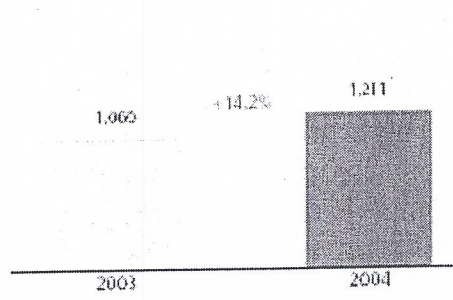
Net operating profit (EBIT)

(€ millions)



Net profit

(€ millions)



Balance sheet

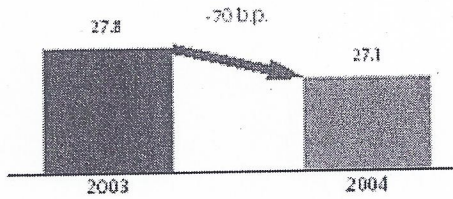
| | 2004 | 2003 | % Variation 03/02 |
|------------------------|--------|--------|-------------------|
| Total assets | 25,934 | 24,433 | +6.1 |
| Shareholders' equity | 8,717 | 8,225 | +6.0 |
| Net financial debt | 10,569 | 10,378 | +1.8 |
| Return on equity (ROE) | 13.9% | 12.9% | +100 b.p. |

Financial leverage
(Net debt/Net debt+Equity)
Fund from operations

| | | |
|-------|-------|-----------|
| 54.8% | 55.8% | -100 b.p. |
| 1,919 | 1,812 | +5.9 |

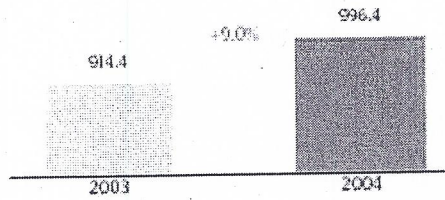
Net operating expenses/Gross margin

(%)



Sales per employee*

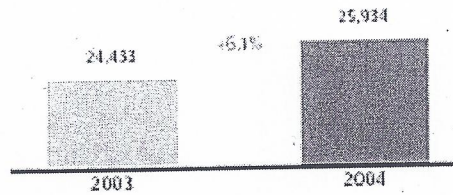
(€ thousands)



* Business in Spain

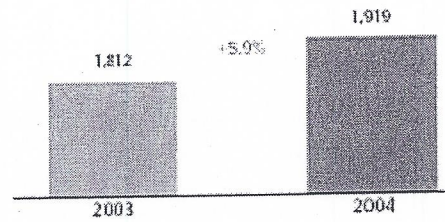
Total assets

(€ millions)



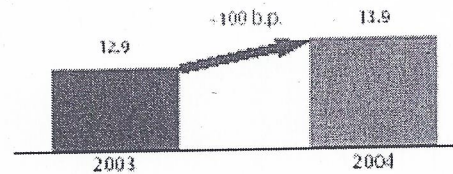
Cash flow provided by operations

(€ millions)



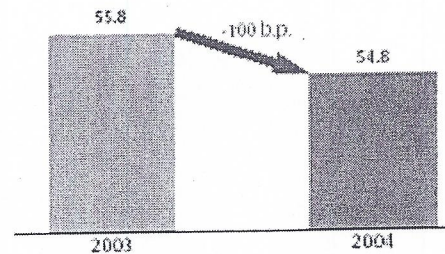
ROE

(%)



Financial leverage

(%)



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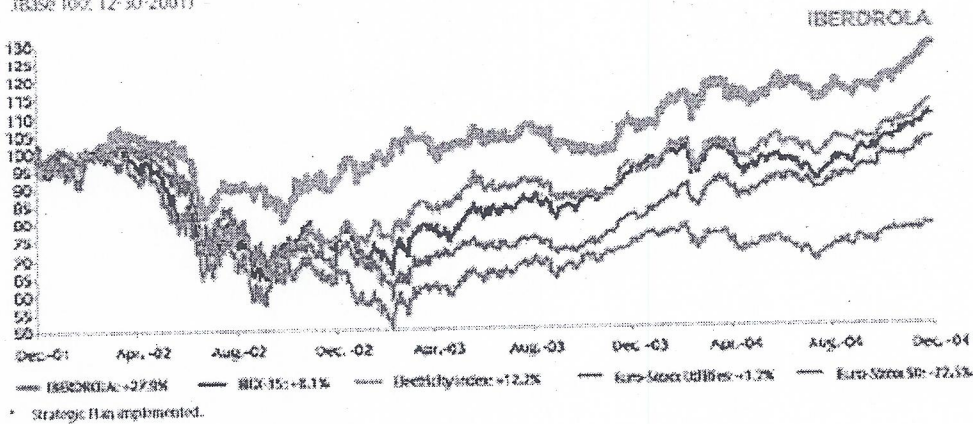


IBERDROLA about our group

iberdrola on the stock market

Iberdrola on the Stock Market 2002-2004

Performance of IBERDROLA* shares compared with Ibx-35, the Electricity Industry, Euro-Stoxx Utilities and Euro Stoxx 50 (Base 100: 12-30-2001)



| DIVIDEND | 2004 | 2003 | 2002 | 2001 | 2000 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Number of shares | 901,549,181 | 901,549,181 | 901,549,181 | 901,549,181 | 901,549,181 |
| Total(*) (million €) | 692.39 | 605.75 | 549.95 | 520.91 | 482.41 |
| Interim (January) | 293.83 | 257.32 | 234.08 | 217.85 | 202.93 |
| Additional (July) | 398.56 | 348.43 | 315.87 | 303.06 | 279.49 |
| Dividen paid (*) (€) | 0.76 | 0.67 | 0.61 | 0.58 | 0.54 |
| Interim (January) | 0.32 | 0.28 | 0.26 | 0.25 | 0.23 |
| Additional (July) | 0.44 | 0.38 | 0.35 | 0.33 | 0.31 |
| % over par | 25.6 | 22.4 | 20.3 | 19.3 | 18.0 |
| Pay-out (%) | 57.2 | 57.1 | 57.1 | 57.5 | 57.1 |

* Pending approval by the General Meeting of Shareholders according to the Proposed Distribution of Profit

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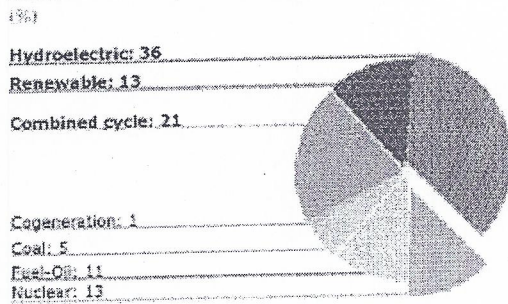


IBERDROLA about our group

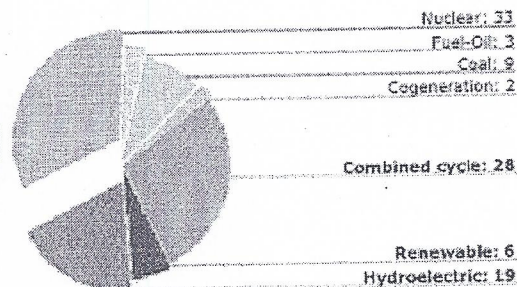
electric system

| MAIN DATA | 2004 | 2003 | %Variation 04/03 |
|---|----------------|----------------|---------------------|
| Installed capacity (MW) | 25,237 | 22,788 | +10.7 |
| Gas combined cycle | 5,183 | 3,793 | +36.6 |
| Renewable energy | 3,206 | 2,257 | +42.0 |
| Hydroelectric | 9,083 | 8,969 | +1.3 |
| Nuclear | 3,335 | 3,331 | +0.1 |
| Fuel oil | 2,888 | 2,902 | -0.5 |
| Coal | 1,247 | 1,247 | - |
| Cogeneration | 295 | 289 | +2.1 |
| Gross production(GWh) | 84,373 | 74,104 | +13.8 |
| Gas combined cycle | 23,357 | 12,091 | +93.1 |
| Renewable energy | 5,413 | 3,923 | +37.9 |
| Hydroelectric | 16,031 | 21,840 | -26.5 |
| Nuclear | 27,580 | 25,874 | +6.6 |
| Fuel oil | 2,528 | 2,437 | +3.7 |
| Coal | 7,499 | 6,058 | +23.8 |
| Cogeneration | 1,965 | 1,881 | +4.4 |
| Total demand (GWh) | 117,092 | 110,878 | +5.8 |
| Customers under management no. (million) | 17.4 | 16.9 | +3.0 |
| Workforce (parent co.+proportional) No. | 11,139 | 11,503 | -3.2 |

IBERDROLA Group installed capacity (%)



IBERDROLA Group gross production (%)



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IBERDROLA, named one of the world's 100 most sustainable corporations

- *The first time a Spanish electricity company is included in the index, which is compiled by the Canadian magazine Corporate Knights and Innovest, an investment research firm*
- *This new recognition of IBERDROLA abroad confirms the company's commitment to sustainable development, which has made it world leader in installed wind energy capacity*
- *According to the Global 100 Most Sustainable Corporations in the World, announced today in Davos, Switzerland*

IBERDROLA is one of the world's 100 most sustainable companies, according to the Global 100 Most Sustainable Corporations in the World, a list announced today in Davos, Switzerland; where the World Economic Forum is being held this week.

This marks the first time that a Spanish electricity company has appeared on the index. The annual list was drawn up for the second year by Canadian magazine Corporate Knights, which specializes in corporate responsibility, and investment research firm Innovest Strategic Value Advisors, which analyzes drivers of risk and shareholder value and their links to corporate performance on environmental, social and strategic governance issues.

The Global 100 Most Sustainable Corporations in the World are chosen from among 2,000 companies traded on the most important equity indexes, such as the MSCI World Index, S&P 500, EuroStoxx or the FTSE 350- and that have shown the best ability to manage risks and opportunities they faced in environmental, social responsibility and corporate governance issues.

"The Global 100 is the definitive annual list of large blue-chip companies around the world that demonstrated the strongest sustainability performance", according to Corporate Knights and Innovest.

"The Global 100 are sustainable in the sense that they stand the best chance of being around in 100 years because of their demonstrated performance and strategic ability to manage the triple bottom line (society, environment, and economy)," said Toby Heaps, editor and publisher of Corporate Knights. The Global 100 "are trailblazers who are potential allies in making the world a better place," he said.

This international recognition follows others awarded to IBERDROLA in recent months by the energy industry and corporate social responsibility experts, and confirm the company's commitment to sustainable development, a commitment that has seen IBERDROLA become, among other things, world leader in installed wind energy capacity.

In this sense, it is worth pointing out that IBERDROLA has remained, for the sixth consecutive year, in the Dow Jones Sustainability indexes, the international benchmark for measuring companies' contributions to sustainability in economic, environmental and social responsibility issues.

In the current indexes, made public in early September 2005, the company is once again one of the top-ranked members, with the second-highest score among the world's electricity companies, and with the top score in environmental reporting, investor relations and social reporting.

IBERDROLA is one of the leading energy companies and utilities worldwide in transparency of reporting, according to the Pacific Sustainability Index (PSI) of the Roberts Environmental Center, of Claremont McKenna College (USA). IBERDROLA ranks first in Environmental and Social Reporting and second in the overall ranking of 46 companies, behind only National Grid Transco (Great Britain).

The company in December was distinguished with two Platts Global Energy Awards, the most prestigious awards in the global energy industry. During a gala in New York, Platts named IBERDROLA Power Company of the Year and Energy Investor of the Year, praising its commitment to renewable energies and the meeting of its Strategic Plan targets ahead of schedule.

PRESS RELEASE

Feb. 9, 2006

Investments of 12,400 million euros in the past four years boost net profit by 15.6%

IBERDROLA EARNS 1,382 MILLION EUROS IN 2005, BOOSTED BY THE RENEWABLE ENERGIES AND INTERNATIONAL UNITS

- Earnings growth allows the company to propose to the General Shareholders Meeting an increase of 15.2% in the dividend for 2005, to 0.885 euro per share

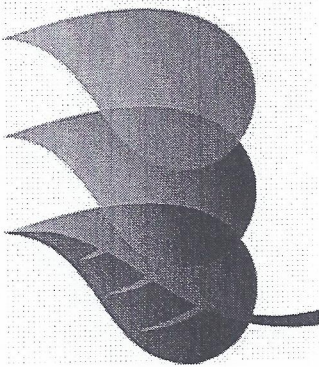
HIGHLIGHTS IN THE PERIOD

- **HIGHER PRODUCTION:** The company increases its output to 83,000 million kWh, thanks to new installed capacity and despite the drought
- **RENEWABLE ENERGIES:** The company, which continues as world leader in wind energy, ends 2005 with installed capacity of 3,810 MW
- **INTERNATIONAL:** The Latin American business boosts its contribution to earnings thanks to greater electricity output in Mexico and higher energy sales in Brazil
- **RECORD SERVICE QUALITY:** Iberdrola beats its supply quality record, with an ICEIT of 1.68 hours (101 minutes), vs. an industry average of 2.74 hours (164 minutes) in 2004

RESULTS

- **EFFICIENCY IMPROVEMENT:** The basic margin in 2005 rises by 13.6% from a year earlier, more than net operating costs, which increase only 8.5%
- **GROWTH:** EBITDA climbs 16% in 2005, to 3,377.6 million euros, and EBIT rises 13.7% to 2,262.2 million euros

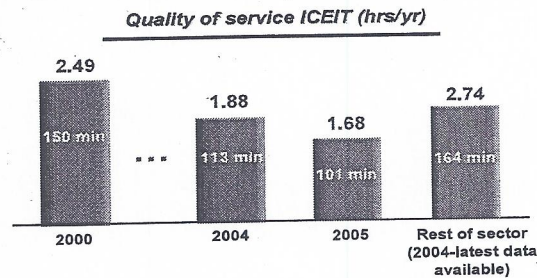
IBERDROLA



These figures again show that the new investments in generation IBERDROLA has made in recent years have allowed the company to further balance and diversify its production mix, limiting the decrease in margins in traditional technologies.

Quality of Service (ICEIT)

Year 2005: Best quality of service ever recorded



In the distribution business, IBERDROLA posted record levels of electricity service quality, with an Installed Capacity Equivalent Interruption Time (ICEIT) of 1.68 hours (101 minutes), compared with an industry average of 2.74 hours (164 minutes) in 2004. The company has 219,000 kilometers of lines, 847 substations and 75,000 transformation centers.

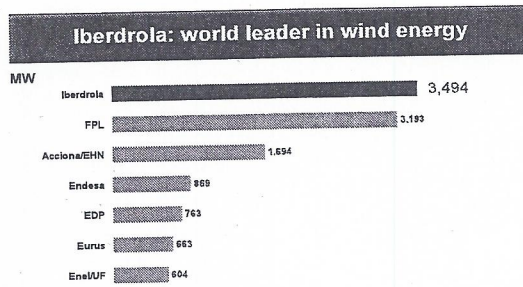
IBERDROLA, which distributes electricity to more than 9.7 million clients in 4,000 towns occupying an area of more than 270,000 square kilometers, was able to achieve this record while experiencing four record demand peaks – three in winter (Jan. 11, 12 and 13) and the most recent on June 22 – and accumulated demand growth of 4.4% in its areas, reaching 96,295 million kWh.

All of this was accomplished despite a decrease of 18% in the EBITDA of the traditional business in Spain, that is, the generation, supply and distribution activities. This drop was offset by the new businesses, mainly combined cycle plants, renewable energies and the international business:

Biggest combined cycle operator. IBERDROLA continued its program of construction of combined cycle plants in Spain in 2005 and met a year ahead of schedule the target for installed capacity set out in its Strategic Plan: 4,000 MW.

The Aceca power station, with capacity of 400 MW, was commissioned in July, and in December the 800-MW Grupo III of the Arcos de la Frontera plant was commissioned. It is worth pointing out that generation with combined cycles in Spain increased 60.4% in the year, to 13,819 million kWh, and that these now represent 21.7% of the company's total production in Spain, more than coal-fired and fuel-oil plants combined.

Renewable energy

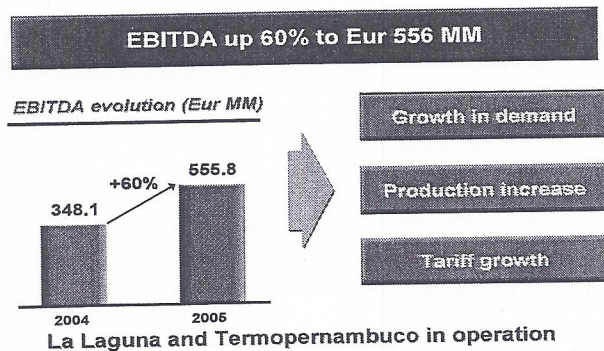


More than double that of its closest competitor in Spain
*Dec. 2006

It is likewise worth pointing out that the new National Renewable Energies Plan, which foresees Spain's installed capacity in wind energy rising to 20,155 MW in 2010 (compared with the previous target of 13,000 MW in 2011), affirms IBERDROLA's strategy.

International earnings increase. The financial results for 2005 are also the fruit of substantial investments made in the business outside of Spain. The international business's EBITDA rose 59.7%, to 555.8 million euros. Electricity production in Latin America increased 18.2% from the same period a year earlier, to 19,427 million kWh (23.4% of the group total), mainly because of the contribution from combined cycle plants in Mexico and Brazil, which generated 22.9% more electricity (17,874 million kWh) and which represent 92% of the energy generated in the region.

International business



IBERDROLA in Mexico has capacity of 2,696 MW, divided between the combined cycles at Monterrey III (1,040 MW), Altamira III and IV (1,036 MW) and La Laguna II (500 MW) – which started operation in March 2005 – and the Enertek cogeneration plant (120 MW), which have made the company the country's biggest private electricity producer. In Brazil, it manages facilities with a combined capacity of 1,063 MW (471 MW attributable).



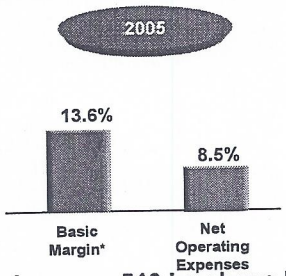
The company is building another two combined cycles in Mexico: Altamira V, with 1,121 MW, which will be commissioned in November 2006, and Tamazunchale, of 1,135 MW, which will start in June 2007, the two largest generation projects ever awarded in that country. It has also taken its first steps in renewables: it is developing wind projects in the Mexican state of Oaxaca with combined capacity of 150 MW, and has commissioned 6.4 MW at the Rio do Fogo wind farm, in the Brazilian state of Rio Grande do Norte.

Cost containment. In addition to the growing contribution from combined cycles, renewable energies and the international business, the other key in 2005 was containment of net operating costs, which increased only 8.5%, a lower figure than the 13.6-percent increase in the basic margin, which was 5,081.1 million euros.

In addition, meeting the targets in the Strategic Plan has allowed IBERDROLA to boost its total assets by 55%, from 19,500 million euros in 2000 to 30,500 million euros at the end of 2005. Worth highlighting are the large increase in fixed assets on the balance sheet, thanks to new investments in combined cycles and renewables, and those used to boost service quality.

Net Operating Expenses - Group

2005 continues the trend of efficiency improvements



Basic margin grows 510 bp above Net. Op. Exp.

* Includes the net effect of emission allowances



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