

PRESS RELEASE

25 June 2007



IBERDROLA



ScottishPower



EnergyEast

The Board of Directors of the Spanish company unanimously endorsed the offer, which has already been approved by Energy East's Board

IBERDROLA REACHES FRIENDLY AGREEMENT TO ACQUIRE 100% OF U.S. UTILITY ENERGY EAST

KEY ASPECTS

- Energy East operates in the distribution, generation and supply businesses in five U.S. States: New York, Maine, Massachusetts, New Hampshire and Connecticut
- IBERDROLA will pay 3.4 billion euros in cash (28.50 US\$ per share), as well as assume Energy East's debt of 3 billion euros
- The transaction, subject to approval by Energy East's shareholders and to receipt of the necessary authorizations, is expected to close in 2008
- IBERDROLA Chairman Ignacio Galán said "the transaction enhances our international expansion and consolidates our position as one of the world's leading electricity companies"

IBERDROLA GROWTH

- As a result of this transaction, for which contacts began in the summer of 2006, IBERDROLA will become one of the largest electricity operators in the world with an enterprise value, as of today, of approximately €83 billion
- IBERDROLA will also increase its distributed energy volumes by 25%, with its customer base rising to over 27 million and will enhance its generating capacity to nearly 42,000 MW

IBERDROLA



The Boards of IBERDROLA and US company Energy East, meeting today in Madrid and New York, respectively, have agreed on the integration of Energy East in the Group IBERDROLA, whereby IBERDROLA will acquire 100% of Energy East. The Board of IBERDROLA has unanimously endorsed the proposal of its Chairman and CEO, Ignacio Galán, to make an offer for the US utility, immediately approved afterwards by Energy East's Board.

For the purpose of integrating Energy East in the Group, IBERDROLA will provide the necessary financial resources to its subsidiary in the United States Green Acquisition Capital Inc..

This friendly transaction, which will be effected via a merger of Green Acquisition Capital Inc. into Energy East, values each Energy East share at 28.50 dollars (€21.08) and the ordinary share capital at approximately 4,500 million dollars (€3,400 million). This represents a premium of 20.2% over the average share price of the company over the past 30 days (27.4% over last Friday's closing price). The transaction is valued at €3.4 billion, which added to a debt of €3 billion gives Energy East an enterprise value of €6.4 billion.

The Board of IBERDROLA, which today unanimously approved the transaction, praised the capacity of the Chairman and the management team not only in agreeing two consecutive friendly transactions in less than a year but also in improving the profile of the Company. The Board will analyze different financing alternatives for the transaction and select the one which best meets the Company's requirements from the point of view of maintaining its financial solidity and ratings.

The IBERDROLA Board highlighted the achievements of a management team that has in a very few years succeeded in driving the Company's transition from a Spanish group to a multinational company. From €12 billion in market capitalization it has grown to €50 billion with a more balanced mix of activities between regulated and non-regulated business and with a geographical diversity.

The agreement between IBERDROLA and Energy East, for which Banc of America Securities and ABN AMRO acted as advisers to IBERDROLA, is subject to approval by the Shareholders of Energy East. Due to the fact that Energy East and its subsidiaries operate in a regulated sector, the relevant authorizations will be required. This process is expected to be completed during 2008.

Platform for growth

IBERDROLA chairman Ignacio Galán said that "the transaction with Energy East fits with the philosophy of our Strategic Plan, will serve to enhance the international expansion we initiated several years ago, essentially in deregulated markets with stable growth, and consolidate our position as one of the world's leading electricity companies."



Galán said “the United States represent an important opportunity for growth, and the acquisition of Energy East is a step forward in our strategy of building an Atlantic platform.”

Galán said “the acquisition of Energy East will allow IBERDROLA to strengthen its commitment to shareholders, improving Group results, dividend and profitability. It will also enhance its commitment to customers, through improved quality of supply, and to society, contributing to sustainable development thanks to our world leadership in renewable energy and to increased investments devoted to reducing emissions”.

“IBERDROLA has a strong record of working with local communities to address their energy needs and reach their renewable targets; we welcome Energy East’s employees and look forward to leveraging our combined experience to help to address some of the most challenging energy and environmental issues in the Northeastern U.S.,” he said.

Wesley von Schack, Chairman and Chief Executive Officer of Energy East, said “this transaction is a unique opportunity to deliver enhanced value to Energy East’s shareholders, and to build a stronger future for our company, employees and the States we serve.”

“Policymakers now recognize the need for our industry to make significant investments in our energy infrastructure. Our objective is to team with the States in which we do business to help meet the goals they have established to increase renewable sources of energy, improve energy efficiency and invest in a secure and reliable energy infrastructure. “We believe our combination with IBERDROLA will not only accelerate our progress but will transform the way we do business,” he said.

Von Schack added that “furthermore, while IBERDROLA is a global energy company, its operations are managed locally; I’m therefore delighted to assure Energy East’s 3 million customers that they can continue to rely on the same local people whom they’ve come to know and trust to provide exceptional customer service,” he said.

An integrated company

Energy East is a company incorporated under New York State law and its shares trade on the New York Stock Exchange. It is the parent company for a group of companies dedicated to production, distribution and sales of electricity and natural gas in five states in the northeast of the United States: New York, Maine, Massachusetts, New Hampshire and Connecticut.

Energy East has 1,825,000 electric points of supply, a transmission network of 13,243 kilometers and 125,613 kilometers in distribution, and in 2006 it distributed a total of 40,450 gigawatt hours (GWh). The company has a generation capacity of 555 megawatts (MW).



Energy East also carries out gas distribution, with 920,300 points of supply. It has a distribution network amounting to 39,657 kilometers and last year distributed 5.20 bcm. It also has a gas transport network of 295 kilometers.

Exceptional opportunity

The transaction accelerates the achievement of the internationalization objective in IBERDROLA's Strategic Plan and fits with its objective of expanding its presence in the U.S. market, especially in the wind power sector, approved in October 2006. The acquisition of Energy East builds on the recent purchase of ScottishPower. Preliminary work related to the transaction began in early 2006 and contacts started last summer have continued until the present date due to the prior need to complete the acquisition of the Scottish company.

The integration of Energy East, with over three million customers, in the IBERDROLA group enhances the Spanish Company's position in the world energy market and in the United States in particular, a country where the Company is already the second largest operator in wind energy, one of the most relevant agents in the gas storage business and with operations in thermal generation. Furthermore, it will strengthen IBERDROLA's position in gas trading, as well as increase the number of electricity points of supply by 1,825,000 and gas points of supply by 920,300, while increasing the Group's generating capacity.

The operation gives IBERDROLA an excellent opportunity to acquire a vertically integrated company with complementary capacities in the U.S. market and significant scope for future investment in generating capacity and in new networks. The agreement will allow IBERDROLA to diversify not only geographically (Spain, UK, North America and Latin America), but also in generating technologies (nuclear, coal, wind, hydro and gas), and will allow the Group to combine a better mix of regulated and non regulated businesses.

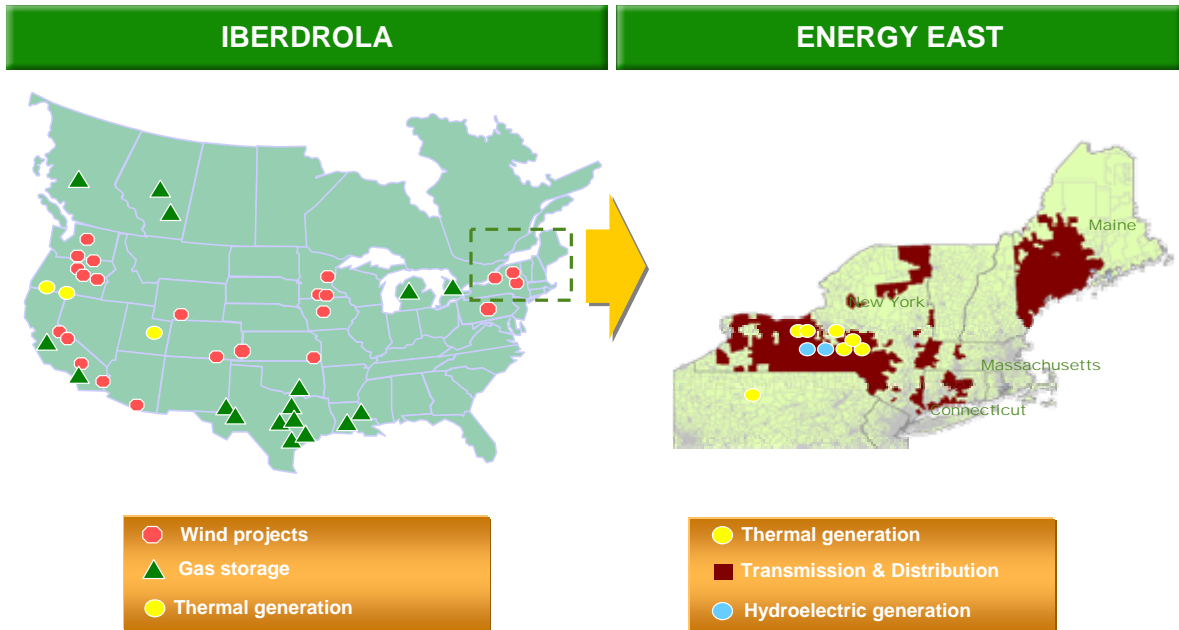
IBERDROLA believes that the friendly agreement with Energy East will be strategically attractive and contribute to the Company's development in the U.S. market. Following the acquisition, the new IBERDROLA group will consolidate its position as one of the largest electricity operators in the world, with an enterprise value, as of today, of over 83 billion euros.

The Company will also increase its distributed energy to 210 terawatts hour (TWh) a year, an increase of 25% over the 170 TWh currently distributed, enhance its number of customers to 27 million worldwide: 24 million electricity customers (+8% from the 22 million currently) and three million gas customers (+40%), as well as increasing its electricity generating capacity to close to 42,000 MW.

The transaction will allow IBERDROLA the tax optimization of its current position in renewable energy in the U.S. With the integration of ScottishPower and the acquisition of other companies, IBERDROLA is the second largest wind energy operator in the United States with close to 1,700 MW of operating capacity and a pipeline in development of more than 19,000 MW in renewables.



IBERDROLA acquired three renewable energy companies in the United States over the last twelve months: in May 2006 it bought Pennsylvania-based Community Energy (CEI), in October it bought MREC Partners (as well as Midwest Renewable Energy Projects, a company in which MREC has a shareholding) of Iowa, and in April 2007 it bought control of CPV Wind Ventures LLC, headquartered in Maryland. In addition it also incorporated Oregon-based PPM, a subsidiary of ScottishPower.



In connection with the proposed transaction, IBERDROLA may be required to file relevant documents with the SEC. Such documents, however, are not currently available. INVESTORS ARE URGED TO READ ANY DOCUMENTS REGARDING THE POTENTIAL TRANSACTION IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors will be able to obtain a free copy of such documents without charge, at the SEC's website (<http://www.sec.gov>) once such documents are filed with the SEC.

In connection with the proposed transaction, Energy East will file a proxy statement with the Securities and Exchange Commission. **Before making any voting or investment decision, investors and security holders of Energy East are urged to carefully read the entire proxy statement, when it becomes available, and any other relevant documents filed with the Securities and Exchange Commission, as well as any amendments or supplements to those documents, because they will contain important information about the proposed transaction. A definitive proxy statement will be sent to the shareholders of Energy East in connection with the proposed transaction.** Investors and security holders may obtain a free copy of the proxy statement (when available) and other documents filed by Energy East at the Securities and Exchange Commission's Web site at <http://www.sec.gov>. The proxy statement and such other documents may also be obtained for free from Energy East by directing such request to Energy East, 52 Farm View Drive, New Gloucester, ME 04260, Attention Marc Siwak.



Energy East, its directors, executive officers and other members of its management, employees, and certain other persons may be deemed to be participants in the solicitation of proxies from Energy East shareholders in connection with the proposed transaction. Information about the interests of Energy East's participants in the solicitation is set forth in Energy East's proxy statements and Annual Reports on Form 10-K, previously filed with the Securities and Exchange Commission, and in the proxy statement relating to the transaction when it becomes available

FORWARD LOOKING STATEMENTS

This communication contains forward-looking information and statements about Energy East and Iberdrola S.A. and their combined businesses after completion of the proposed transaction. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. Although the managements of Energy East Corporation and Iberdrola, S.A. believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Energy East Corporation and 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 Energy East Corporation and 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 public documents sent by Energy East and Iberdrola, S.A. to their regulators and under "Risk Factors" in their annual and quarterly reports filed with the SEC. Except as required by applicable law, neither Energy East nor Iberdrola, S.A. undertakes any obligation to update any forward-looking information or statements.

In addition to the risks and uncertainties set out in SEC reports or periodic reports, the proposed transaction described in this release could be affected by, among other things, the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the outcome of any legal proceedings that may be instituted against Energy East Corporation and others related to the merger agreement; failure to obtain shareholder approval or any other failure to satisfy other conditions required to complete the merger, including required regulatory approvals; risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger; and the amount of the costs, fees, expenses and charges related to the merger.

About Iberdrola: Iberdrola is a global utility with activities in the full value chain of the electricity business from generation to distribution. The main markets where the company operates are Spain, the UK, the US, Mexico and Brazil. Globally the company has approximately 22 million electricity points of supply and almost 40,000 MW of generation capacity of which over 6,500 MW are from renewable energies, showing the strong commitment of the company to the environment.

About Energy East: Energy East Corporation is a respected super-regional energy services and delivery company serving about 3 million customers in the US throughout upstate New York and New England. By providing outstanding customer service and meeting customers' energy requirements in an environmentally-responsible manner, Energy East will continue to be a valuable asset to the communities it serves.

