

# PRESS Release

IBERDROLA



**Asset sales carried out under the 2008-10 Strategic Plan realized capital gains in excess of initial estimates**

**IBERDROLA 1ST QUARTER NET PROFIT ROSE 162% TO €1,204 MILLION, REFLECTING THE INCORPORATION OF SCOTTISHPOWER AND RENEWABLES PERFORMANCE**

- Company lifts earnings per share by 90% to €0.24 and consolidates as world's 4th largest electricity group with market cap of more than €49 billion

**FIRST FRUITS OF STRATEGIC PLAN**

- Solid operating performance and increased efficiency at ScottishPower led to the company contributing 28.3% to Group Ebitda (€507.2 million)
- Strong contribution from Iberdrola Renovables, whose net profit (€126.4 million) for the quarter surpassed the entire amount for 2007

**KEY OPERATING ASPECTS IN THE FIRST QUARTER**

- Electricity production rose 43.2% to 35,822 million kWh, of which 39% was emission free
- Distributed electricity increased 33% in the period, rising from 34,436 to 45,800 million kWh

**STRONG GROWTH IN THE QUARTER**

- IBERDROLA Group Ebitda rose 64.7% to €1.79 billion, reflecting strong performance in the UK and the U.S. Traditional business in Spain grew 4% in an environment of low rainfall and high prices for fuel and emission rights
- Efficiency gains were reflected in growth in basic margin (+68.9%) as compared to net operating costs (+58.1%)

**The international expansion policy initiated at the end of 2006, which has made IBERDROLA the world's 4<sup>th</sup> largest electricity by market capitalization (€49 billion at the end of March) bore fruit with a 162.8% rise in first quarter net profit to €1,204.2 million.**

**The record result is more than the entire profit for 2004, and comes after the major achievements of the ScottishPower transaction, the IPO for IBERDROLA RENOVABLES and launching the 2008-10 Strategic Plan. This envisages investments of €24.2 billion both in organic growth and corporate transactions, as well as €3 billion in asset sales that began this year with higher capital gains than initially estimated.**

First quarter results reflected higher prices for fuel, energy and CO<sub>2</sub> emission rights and, in Spain, lower hydroelectric production and moderate increase in demand. The main income statement lines showed strong growth: sales rose 132% to €6,302.7 million, Ebitda 64.7% to €1,790 million, gross operating profit 65.8% to €1,318.1 million and net profit 162.8% to €1,204.2 million. Earnings per share rose 90% to €0.24.

The net profit was made possible by strong contributions from ScottishPower, which accounted for 28.3% of Ebitda with €507.2 million, from the renewable energy subsidiary which increased both capacity and production by 80% and lifted Ebitda by 123% to €357 million, and from asset sales envisaged under the 2008-10 Strategic Plan which generated capital gains of €535.9 million in the quarter, above initial estimates.

Also playing a part were continued efficiency gains helped by a 68.9% rise in basic margin to €2,659.3 million as against a 58.1% rise in net operating costs to €694.9 million.

Despite the heavy investments - €1,061 million in the first quarter alone, IBERDROLA reinforced its sound financial underpinning with a decline in gearing ratio from 52.7% to 39% excluding the impact of the tariff shortfall. The Company not only enjoys a solid A rating but also a comfortable treasury and liquidity situation that at the end of March stood at €10,785 million, with which to face the demands of the 2008-10 Strategic Plan.

The Company's performance in 2008 underlines the success of IBERDROLA's strategy over the past few years, in particular 2007 when it established itself as one of the largest electricity companies in the world. First quarter results, with cash flow up 55% at €1,119.6 million, underline the potential of the Company whose strategic focus is on the Atlantic Area (Europe-North America and Latin America).

This potential has been built on the platform created in 2007 with the friendly acquisition of ScottishPower, agreement to buy Energy East (with the transaction expected to close this summer provided conditions required by regulators are reasonable), and the IPO of IBERDROLA RENOVABLES. Also important was announcement of the 2008-10 Strategic Plan with investments totalling €24.2 billion.

## **Key aspects of the first quarter of 2008**

### **1) SCOTTISHPOWER**

With the integration phase completed, the company has increased its contribution to Group Ebitda to €507.2 million, representing 28.3% of the total for the first quarter. Also significant has been the steady reduction in personnel and external service costs at ScottishPower since the integration with IBERDROLA.

### **2) IBERDROLA RENOVABLES**

The Company has consolidated its leadership in the world wind power sector\*, recording a net profit of €126.4 million in the first quarter, an increase of 170% over the same period last year and more than for the entire 2007 year. One of the key aspects has been an 80% increase in both capacity and production.

IBERDROLA RENOVABLES incorporated 460 MW in new capacity between January and March, at a rate of construction higher than the historical average, bringing the total installed to 8,164 MW\*\*. The project pipeline has increased by 1,227 MW worldwide, now standing at 43,300 MW. Production came to 4.898 billion kilowatt hours (kWh) \*\*\*, with load factors far in excess of the previous quarter.

The IBERDROLA subsidiary has thereby laid the foundations to meet the objectives of the 2008-10 Strategic Plan, which sets investments of €8.6 billion in order to achieve installed capacity of 13,600 MW at the end of the period. Currently, the Company is building 1,367 MW and will start construction on another 643 MW in the second quarter, in line with the objective of installing 2,000 MW in 2008.

### **3) MORE CAPACITY, PRODUCTION AND DISTRIBUTION**

Following the integration with ScottishPower, IBERDROLA has diversified and expanded its generation capacity throughout the world. It ended the first quarter of 2008 with a total of 41,892 MW installed, 37% more than at the same time last year. Combined cycles accounted for 31.2% of the total, hydro for 23.2%, renewables for 19.5%, thermal generation for 11.2%, nuclear for 8%, fuel for 4.3% and co-generation for 2.6%.

In Spain, the Company raised capacity to 26,013 MW at the end of March from 25,638 MW at the same time last year, an increase of 1.4%. In the UK, it stood at 6,464 MW, in Latin America at 5,554 MW, in the United States at 3,199 MW and in the rest of the world 663 MW.

As a result of this major growth in capacity, Group production rose 43.2% in the first quarter to 35,822 million kilowatt hours (kWh), with 39% free of emissions: nuclear (19%), wind power (14%) and hydro (6%).



In Spain, production declined 8.9% to 16,587 million kWh, reflecting a 65% drop in hydro output and a 49% increase from combined cycles to 4,053 million kWh. Wholesale market share was 23.4%. In Latin America, the Company generated 9,131 million kWh (+39.5%), 7,251 million kWh in the UK, 2,516 million kWh in the United States (65% of which in renewables), and 337 million kWh in the rest of the world (+34%).

Electricity distributed by the IBERDROLA Group rose 33% in the period, rising from 34,436 million kWh to 45,800 million, with 27,622 GWh in Spain, 10,477 GWh in the UK and 7,701 GWh in Latin America.

### **Future Project: 2008-10 Strategic Plan**

IBERDROLA's ambitious international objectives for the next few years are contained in the 2008-10 Strategic Plan, approved unanimously by the Board last October and which recently came into effect. The Company has ratified its commitment to investors, customers, employees and society in general with respect to a growth model based on renewable energy, in particular wind power, and on maximizing quality of supply.

IBERDROLA's new strategy, which continues the path successfully initiated more than six years ago, envisages €24.2 billion in investment on basic energy. The Company plans to invest €17.8 billion of this in organic growth (2.4 times more than that invested between 2004-06), and €6.4 billion to acquire Energy East.

The Company plans to invest over €8.6 billion on renewable energy, 48% of the total in organic growth, with the goal of reaching capacity of 13,600 MW in 2010 and consolidating world leadership in this sector. More than €4.6 billion (54%) will be invested in the United States, more than €1.2 billion in Spain, another €1.2 billion in the UK and more than €1.5 billion in the rest of the world.

A third of all investments will be in regulated business with a view to maximizing quality of service. Of the €5.8 billion, the UK will receive 36% (electricity transmission and distribution), Spain 35% (electricity distribution), the United States 24% (electricity and gas distribution) and Latin America 5%. In traditional generation, IBERDROLA will invest €2.5 billion (15% of the total), broken down into Spain (52%), the UK (35%) and Latin America (13%).

With implementation of the Strategic Plan and continuing efficiency improvements, the Company expects to more than double the main lines of its income statement with net profit exceeding €3.5 billion in 2010, multiplying by 2.1 the €1.66 billion recorded in 2006. The main drivers will be IBERDROLA RENOVABLES and the consolidation of ScottishPower and Energy East.

\* Source: New Energy Finance (May 2007)

\*\* Includes 606 MW owned by a third party under energy sales contract

\*\*\* Includes 400 MWh acquired from a third party under energy sales contract

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