



IBERDROLA



Net profit rose 13.6% to €458.2 million  
in the first quarter of 2007

**IBERDROLA IS NOW ONE OF THE WORLD'S  
LARGEST ELECTRICITY COMPANIES WITH  
THE SCOTTISHPOWER OPERATION**

INTEGRATED GROUP

- **GROWTH:** With an enterprise value of more than €67 billion and a project pipeline in renewables of 37,700 MW, the combination of Iberdrola and ScottishPower represents a platform for future growth in Europe and the Americas

FIRST QUARTER: KEY DATA

- **HIGHER PRODUCTION:** Electricity production rose 6.9% to 24,750 GWh; the increase in Spain is 2.5% compared to a fall of 0.5% for the rest of the sector
- **LOWER EMISSIONS:** CO<sub>2</sub> emissions per kWh were reduced by 37.1% in Spain from 212 to 133 grammes, increasing the ratio of clean energy production to 76%
- **WIND POWER:** World leadership consolidated in this sector, with an operational capacity in renewables of 4,552 MW at the close of the quarter, of which 459 MW was outside Spain

RESULTS

- **FACTORS:** Group EBITDA rose 2.9% in the period to €1,087.1 million, in a context of lower prices and lower energy demand in Spain
- **STRATEGY:** International and non-energy businesses increased their contributions to gross operating profit by 41% and 40%, respectively

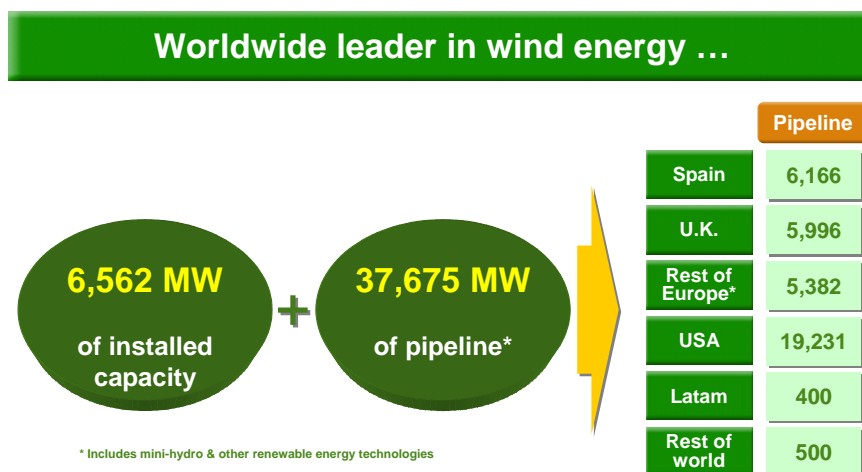
**IBERDROLA** has become one of the largest electricity companies in the world having last Monday completed the transaction with **ScottishPower** for €17.1 billion, one of the biggest in Spanish corporate history. With an enterprise value of more than €67 billion, the combination of the two companies creates a platform for future growth in Europe and the Americas.

During the first quarter of the year, **IBERDROLA** has continued the strategy initiated in 2001 that has enabled it to successfully face this large-scale operation in record time. Net profit rose 13.6% to €458.2 million, in a difficult context of low electricity prices and lower energy demand in Spain.

Completion of the **IBERDROLA-ScottishPower** transaction, valued at €17.1 billion and announced in November 2006, is a milestone in the Company's 100-year history. It creates a world electricity giant, leader in renewable energy and an enterprise value of more than €67 billion.

This operation, in line with the strategy drawn up by **IBERDROLA** last October for the period 2007-09, will enable the group to accelerate planned growth, offer new long-term business opportunities, diversify risk and maintain financial strength with a view to creating value for shareholders.

The operation, which is among the largest in Spanish business history, has been strongly endorsed by shareholders of both companies – 99.5% at the **IBERDROLA** Shareholders Meeting and 97.6% at the **ScottishPower** EGM – as well as by the markets. Between 27 November 2006 and April 23 more than €4 billion in value was created.



The geographical footprint of **IBERDROLA** and **ScottishPower** is now of significant proportions, creating an Atlantic platform. It has operations in Spain, the UK, the United States, Mexico, Brazil, Greece, Portugal, France, Germany, Italy, Poland, Guatemala, Bolivia and Chile. The group also has a substantial project pipeline that will enable it to continue growing in the future.



The combined group has a total installed capacity of around 40,000 megawatts (MW) compared with the 30,500 MW of **IBERDROLA** alone (a rise of 28%). Of this new capacity, 32,500 MW relates to conventional generation, an increase of 25% over IBERDROLA's current level of 26,000 MW.

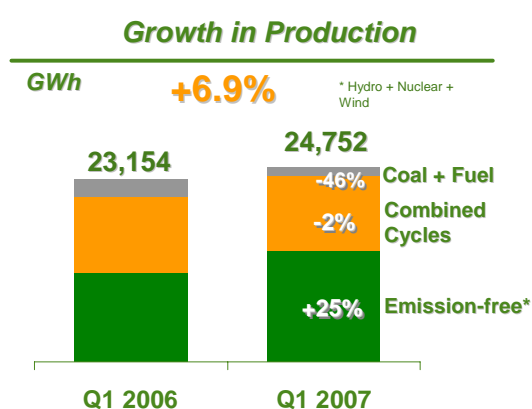
The new integrated group will consolidate **IBERDROLA**'s world leadership in renewable energy, especially in wind power. Added to the more than 4,500 MW of **IBERDROLA** are over 2,000 MW from **ScottishPower**, mostly from U.S. company PPM, increasing capacity by 44% to 6,562 MW.

The combined project pipeline of **IBERDROLA** and **ScottishPower** in renewable energy stands at 37,675 MW: approximately 6,000 MW are in Spain and another 6,000 MW in the UK, nearly 5,400 MW in the rest of Europe, more than 19,200 MW in the United States, 400 MW in Latin America, and 500 MW in the rest of the world.

The new Group has a significantly larger consumer base, with the 3.3 million customers of **ScottishPower** adding to the 18.4 million of **IBERDROLA** to total 21.7 million in Europe and the Americas, a rise of 18%.

The Company now has 2.7 billion cubic metres of gas storage capacity in the UK and the United States, with significant expansion potential.

The integration of **IBERDROLA** and **ScottishPower** also represents a strengthening of the commitment of both companies with shareholders, customers, employees and communities where they operate, thanks to their powerful business platform. The Group is a leader in renewable energy, with a balanced generation mix, low dependence on foreign supplies, excellent efficiency levels and financially sound.



### **Net profit rose 13.6% in the first quarter**

**IBERDROLA**'s strategic decision to invest in basic energy, and its progressive international expansion, have once again been reflected in results for the first quarter of 2007 with a double digit rise in net profit (13.6%) to €458.2 million, in line with expectations for the year as a whole.

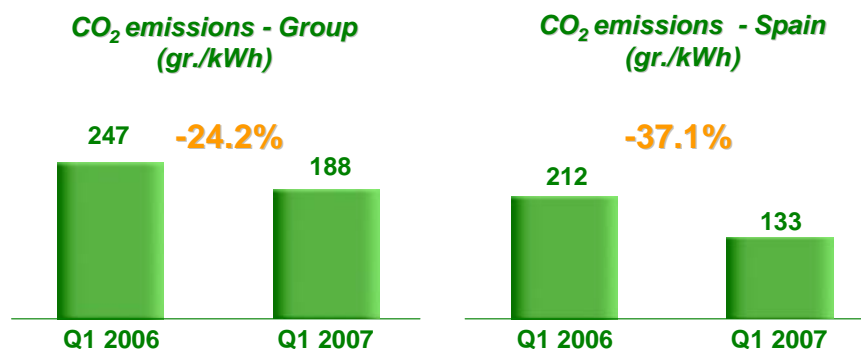
In a difficult context in Spain, with falling energy prices (-41%) and modest growth in electricity demand (1.8%), the Company has succeeded in increasing gross operating profit (EBITDA) by 2.9% €1,087.1 million.

**IBERDROLA** has assigned the bulk of investments over the past few years to increasing electricity production capacity via combined cycles and wind farms. Over the past 12 months it has started up 2,607 megawatts (MW) to achieve



total capacity of 30,502 MW at March 31, of which 26,084 MW was in Spain (85.2% of the total).

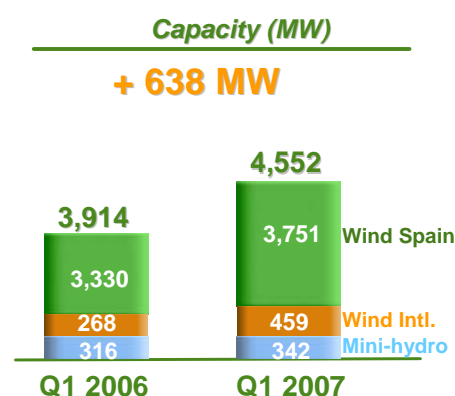
The **IBERDROLA** group has increased output in the first three months of the year by 6.9% to 24,752 million kWh, as a result of new capacity. In Spain, the Company generated 18,208 million kWh in the period, a rise of 2.5% over the same period of 2006.



Increased output from clean energy technology has allowed **IBERDROLA** to substantially reduce its emissions during the period, both at Group level (24.2% less from 247 grammes of CO<sub>2</sub> per kWh to 188 grammes) and in Spain (37.1% lower from 212 grammes of CO<sub>2</sub> per kWh to 133 grammes, a third the level for the rest of the sector of 378 grammes). As a result, emission free production came to 76% of the total.

These figures again underline that new investments in generation have not only allowed **IBERDROLA** to balance and diversify its production mix, placing a limit on traditional technologies, but also to continue contributing to meeting the goals of the Kyoto protocol, to which it is firmly committed.

**World leadership in wind power.** The Company has continued to strengthen its leadership in renewable energy with new installations and a number of transactions outside Spain in the first three months of the year.



The most significant of these was the acquisition of CPV Wind Ventures LLC of the United States for €55 million, in line with **IBERDROLA's** plans to increase its presence in the wind power market in this country where it already has a project pipeline of 8,500 MW. It also signed an agreement in Italy with API Group to develop wind farms, increased its stake in Greek company Rokas to 52.7% and started work on two wind farms in France.

The Company incorporated 638 MW in new wind power capacity over the past 12 months, to a total of 4,552 MW, an increase of 16.3% over the 3,914 MW in



March 2006. Of total installed capacity, 4,210 MW relates to wind power – 459 MW outside Spain – and 342 to mini hydro plants.

Renewable energy plants achieved a production of 2,725 million kWh in the first three months (+21%), accounting for 11% of total output, with a significant (23.2%) increase in wind power to 2,578 million kWh.

**IBERDROLA** envisages renewable energy capacity of 7,000 MW on stream in 2009, almost entirely wind power, and more than 10,000 MW in 2011.

**The largest combined cycle operator in Spain.** Consistent with its focus on clean energy, **IBERDROLA** continues to build combined cycle gas plants in Spain and manages a total installed capacity of 5,600 MW. It has plans to bring the Castellón 4 combined cycle on stream this year with installed capacity of 800 MW.

Project	Capacity (MW managed)	Startup
Castellón	800	Operative 2002
Castejón	400	Operative 2003
Bahía Bizkaia Electricidad	800	Operative 2003
Tarragona	400	Operative 2003
Santurce	400	Operative 2004
Arcos Group I & II	800	Operative 2004
Aceca	400	Operative 2005
Arcos Group III	800	Operative 2005
Escombreras	800	Operative 2006
<b>Total 2002-2005</b>	<b>5,600</b>	<b>2006</b>
Castellón 4	800	Projected 2007
<b>Total 2002-2007</b>	<b>6,400 (5,600 owned)</b>	<b>2007</b>

In this context, a contract was signed recently to acquire the site for **IBERDROLA'S** first combined cycle plant in Portugal (Figueira da Foz), with a capacity of 850 MW and which could start up operations in 2009.

At the same time, and meeting strategic goals of starting up power stations capable of covering increased demand, **IBERDROLA** has received approval from the Environment Ministry for two hydroelectric plants: a new complex at La Muela (Valencia) to double its capacity to 630 MW and a 175 MW expansion of the San Esteban plant in the Sil basin.

**Increase in international contribution** First quarter results were supported substantially by the fruits of investments in business outside Spain, where EBITDA rose 41% to €200.5 million.

Electricity production in Latin America rose 21.5% over the same period of 2006 to 6,544 million kWh (26.4% of Group total), with a significant contribution from combined cycles which generated 22.4% more to 6,161 million kWh



accounting for 94.1% of electricity produced by the Company in the region. Energy distributed there by **IBERDROLA** increased 6.2% to 7,254 kWh.

**IBERDROLA** confirmed its position as the number one privately owned energy producer in Mexico, with an installed capacity of 3,814 MW. In February, it began tests at the combined cycle plant at Tamazunchale (1,135 MW) in the State of San Luis Potosí, the largest to be put in operation in this country.

### **IBERDROLA THERMAL GENERATION PROJECTS IN MEXICO**

Project	Capacity (MW)	Status
Enertek	120	100% operative
Monterrey III	1,037	100% operative
Altamira III y IV	1,036	100% operative
La Laguna II	500	100% operative
Altamira V	1,121	100% operative
<b>Tamazunchale</b>	<b>1,135</b>	<b>Operational 2007</b>
<b>TOTAL</b>	<b>4,949</b>	<b>2007</b>

**Progressive contribution from non-energy business.** These businesses, in particular the engineering and construction along with the real estate subsidiaries, played an important part in the first quarter registering a 40% rise in EBITDA to €122.5 million.

- Iberdrola Ingeniería y Construcción. The subsidiary has projects under way in more than 25 countries, and during the first quarter won a major contract worth 605 million dollars to modernise and increase capacity of the Laguna Verde nuclear plant in Mexico.
- Iberdrola Inmobiliaria. The company delivered 351 houses during the period and has a total of 16 housing projects under way (1,154 units) and another 20 under negotiation (1,498 homes). In the non-residential sector, it is promoted an office building in Málaga con 1,152 m<sup>2</sup> and the Porta Firal project in Barcelona, with 91,111 m<sup>2</sup> above street level and 42,363 m<sup>2</sup> below street level, due to start construction this summer.

### **Positive results in a difficult scenario**

	<i>Eur MM</i>	Q1 2007	Q1 2006	Change %
Gross Margin		1,572.4	1,493.9	+5.3
Net Op. Expenses		-439.3	-391.2	+12.3
EBITDA		1,087.1	1,056.6	+2.9
Operating Profit (EBIT)		794.8	788.4	+0.8
Financial Result		-163.5	-163.4	+0.1
Non-recurrent assets +Equity Income		29.3	5.7	N/M
Net Profit		458.2	403.2	+13.6







## FORWARD-LOOKING STATEMENTS

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