

PRESS release

17 February 2009

IBERDROLA

Thanks to €36 billion invested between 2007 and 2008 and to the Company's international and diversification policy

IBERDROLA NET PROFIT TOTALLED €2,860.6 MLN IN 2008, DRIVEN BY INTERNATIONAL BUSINESS AND RENEWABLES

- Earnings per share rose 21.3% to €0.57

POSITIVE BUSINESS TRENDS

- More than half of Ebitda generated by international business and renewables
- Installed capacity was 43,000 MW, contributing to a 14% rise in production
- The Company continued to focus on clean energy, with 52% of world-wide installed capacity emission free

A SOLID BUSINESS MODEL

- Group liquidity exceeded €8 billion, thanks to a forward-looking financial strategy
- Dividend policy maintained, with a 20% rise in proposed payment (€0.332 per share)
- The third largest company in the IBEX 35 and one of the five largest world-wide by market capitalization

FUTURE GROWTH ASSURED

- Efficiency improvement measures will continue in all businesses
- Positive regulatory prospects in Spain, the UK and the U.S. (support for renewable and new infrastructure)
- Well placed to meet future challenges: assured growth deriving from new projects in wind, hydroelectric and nuclear generation



IBERDROLA's focus on new businesses, in particular renewable energy, as well as its international expansion and sustained investments (€36 billion between 2007 and 2008), were the main factors behind Group net profit rising 21.3% over the previous year to €2,860.6 million, and earnings per share by the same amount to €0.57.

These results, the best in the history of the Company, follow the integrations of ScottishPower in April 2007 and Energy East in September 2008, which have helped it become the world's 5th largest power company and the third largest in Spain's IBEX-35 share index by market capitalization. The Group has accumulated €8 billion in liquidity, enough to cover its financial requirements for nearly two years.

IBERDROLA's strategic focus on a growth model based on international and business diversification, was reflected positively in 2008 results, despite a deterioration in world economic conditions that was especially marked in the fourth quarter.

Ebitda rose 15.8% to €6,412.4 million, of which more than half (57%) was contributed by renewable energy and international businesses. Traditional activity in Spain accounted for 37% of Ebitda (€2,372.5 million), against 99% in the year 2000. Sales rose 44.2% to €25,196.1 million; net operating profit (Ebit) rose 15.3% to €4,261.5 million and gross margin increased 20.6% to €10,000.5 million.

Group distributed energy rose 13% to 181,794 million kilowatt hours and production by 14% to 141,268 million kWh in 2008, of which more than half was generated abroad. The Company continued to diversify and expand its generating assets around the globe, with a low level of CO₂ emissions and a flexible cost structure. Installed capacity rose 3% to 43,300 megawatts (MW).

IBERDROLA took further steps to strengthen its financial base in 2008, achieving a leverage ratio of 50.2% (excluding the impact of the tariff deficit) at the end of the year. As of today, it not only enjoys a solid A credit rating but also can count on more than €8 billion in liquidity to meet its financing and investment needs for the next 20 months.

This was made possible by capital market issues over the past three months which raised more than €3.2 billion, and by a refinancing of €3.8 billion of a loan signed in November 2006 to part finance the acquisition of ScottishPower, thereby lengthening the average life of its debt to 5.9 years.

In Spain, the year was featured by a modest rise in demand (0.9%), high pool prices and elimination in July of official electricity tariffs for large industrial clients, which account for nearly 50% of the total market. This elimination will help offset the impact of the tariff deficit, a debt whose repayment is sanctioned according to law.

Company performance in 2008 validates IBERDROLA's strategy over the past few years, particularly from 2007 when it established itself as one of the world's largest electricity companies with a focus on the Atlantic area (Europe, Latin America and the United States), underlined by the friendly integrations of ScottishPower and Energy East and the IPO for IBERDROLA RENOVABLES.

The Company will maintain its shareholder remuneration policy and will submit for shareholder approval a €0.332 per share payment against 2008 results (dividend plus premium for attending the Shareholders Meeting), a rise of 20% over the previous year, in line with net profit growth.

An engine for employment and the economy

IBERDROLA faces the current year with the challenge of consolidating its position in the United States and the UK, reinforcing the international footprint it has built up in recent years with activities in 44 countries today.

The Company intends to drive growth and employment in its markets, with the objective of becoming an engine for these economies: It will maintain a high level of investments (€4.2 billion), in line with the availability of internally generated funds and will continue with efficiency goals and reducing costs. Among cost savings, the Company has frozen earnings of Board Directors and senior executives.

IBERDROLA expects improvements in the regulatory field in all its markets, especially in the United States, where it expects new incentive plans for network upgrades and to promote renewable energy, and in Spain where there has been progress toward a global agreement to securitize the outstanding tariff deficit and provide regulatory stability.

The Company has created the basis for growth in the coming decade with several projects envisaged in hydroelectric and nuclear generation, in addition to positive prospects in renewables, especially in the United States. Specifically, it is developing hydro installations totalling more than 3,000 MW, of which 1,050 MW is in Spain, 1,000 MW in Brazil and 1,134 MW in Portugal, and has reached agreement with GDF-Suez y Scottish and Southern Energy to jointly participate in the construction of new nuclear plants in the UK and potentially in other countries.

Investments since 2000 have exceeded €53 billion, generating wealth and employment. It has created 35,000 indirect jobs, made purchases valued at €21 billion, has total assets of nearly €86 billion and shareholder funds of around €26 billion.

Key aspects of 2008

1) INCREASED POWER, PRODUCTION AND DISTRIBUTION

Following the integration with ScottishPower and with Energy East, IBERDROLA has diversified and expanded its generating assets, ending 2008 with an installed capacity of 43,311 MW, a rise of 3%. By technology, combined cycles accounted for 30.4% of total capacity, hydroelectricity for 22.7%, renewable energy for 21.5%, thermal for 10.9%, nuclear for 7.7%, fuel oil for 4.1% and cogeneration for 2.7%.



The Company grew notably in capacity abroad, where it has 6,701 MW in the UK, 3,794 MW in the United States, 5,554 MW in Latin America and 893 MW in the rest of the World. In Spain, IBERDROLA closed the year with 26,369 MW in capacity.

As a product of this increase in capacity, the Group increased electricity output by 13.5% to 141,268 million kWh in 2008. Outside Spain it rose 52% to 73,643 million kWh: in Latin America it rose 12.9% to 37,223 million, in the UK by 45.2% to 26,534 million, in the United States by 185.5% to 8,565 million, and elsewhere by 69.6% to 1,321 million kWh. In Spain, production rose 0.8% to 67,626 million kWh.

Emissions in the year came to 303 grammes of CO₂ per kWh at Group level, in line with the previous year, while in Spain they fell 20% to 160 grammes of CO₂ per kWh. Nearly 40% of all IBERDROLA production was free of CO₂ emissions, a figure that rises to 63.5% in Spain thanks to application of clean energy technologies.

The Company's decision to grow in basic energy through power plants that respect the environment has led it to become a reference player in combating climate change***. It will continue in coming years to bring more renewable energy and hydro plants on stream in Spain and abroad.

The Group increased electricity distributed through the year by 13% to 181,794 million kWh.

2) IBERDROLA RENOVBABLES

The Company consolidated its leadership in the world wind power sector in 2008*, with a net profit of €390.2 million, 3.3 times the previous year's figure. Ebitda came to €1,185.5 million, a rise of 109.5%.

IBERDROLA RENOVBABLES added 2,204 MW in generating capacity in 2008, surpassing its objectives for the year and accumulating a total of 9,302 MW. Of this, 8,960 MW – 96.3% of the total- relate to wind farms and the other 342 MW to mini hydro plants.

The Company last year intensified its international activity last year, with strong growth in the United States, where installed capacity rose 86.9% to 2,876 MW and in the UK where it rose 74.3% to 665 MW. In Spain it added 297 MW for a total of 4,868 MW.

Production rose 27.7%** to 16,998 million kWh, with most growth in its two main international markets: in the U.S. it came to 5,409 million kWh, 31.8% of the total, and in the United Kingdom to 1,227 million kWh.

The Company runs a flexible business model, able to adapt to varying scenarios and in particular to the current market situation. IBERDROLA RENOVBABLES has the largest project portfolio in its sector, with around 55,000 MW well diversified geographically, and has signed flexible turbine supply contracts that will enable it to optimize its investment plan in order to maximize value for shareholders.

3) SCOTTISHPOWER

With the integration process completed, the company has become one of the main drivers of growth in IBERDROLA. ScottishPower Ebitda came to €1,504 million, or 23% of Group gross operating profit 2008, the first complete year in which it has consolidated results. Improved efficiency since the integration has accelerated synergies and cost savings.

4) ENERGY EAST

IBERDROLA, which completed the acquisition of Energy East last September, has consolidated the U.S. company's results for the first time in the fourth quarter.

5) LATIN AMERICA

Ebitda rose 0.3% to €892.4 million, of which €507.6 million came from Brazil, where demand rose 5.2% last year, and €348.8 million from Mexico where production rose 14% in the year. Latin America contributed 14% of total Group Ebitda.

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* Source: New Energy Finance.

** Taking account of production from ScottishPower renewable energy installations since April 2007.

*** In September 2008 it was named best utility in the World for its strategy in combating climate change, by the Climate Leadership Index.



IMPORTANT INFORMATION

This announcement is not an offer for sale of securities in the United States, nor in any other jurisdiction. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended.

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola S.A. and its subsidiary IBERDROLA RENOVABLES, S:A: , including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of 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 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 Iberdrola, S.A. to the *Comisión Nacional del Mercado de Valores*.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. and IBERDROLA RENOVABLES, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A., or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available on the date hereof. Except as required by applicable law, Iberdrola, S.A. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

