

**Following €18 billion investment in organic growth since 2001 plus €17.1 billion on the ScottishPower acquisition**

## **IBERDROLA ANNOUNCES RECORD 9-MONTH PROFIT OF €1,613 MILLION, +30.5%**

### **2008-10 STRATEGIC PLAN PRESENTED TODAY**

- **ScottishPower** has contributed 21.5% (€818.5 million) to Group Ebitda since it was incorporated on April 23
- Closure of the friendly acquisition of **Energy East**, expected in the first half of 2008, will facilitate penetration of the U.S. market
- The IPO of **Iberdrola Renewables**, which has installed capacity of more than 7,300 MW and a pipeline of 41,200 MW, will reinforce leadership in wind power

### **KEY ASPECTS IN THE PERIOD**

- Electricity output rose 30.3% to 86,800 million kWh, driven by cleaner energy technology
- CO<sub>2</sub> emissions in Spain cut by 15%, consolidating position as one of the least contaminating power companies
- Continued growth in environment of low tariffs (-33%) and modest growth in electricity demand (+1.7%), thanks to the contribution of international business

### **RESULTS**

- Cash flow rose 34.1% to €2,854.1 million
- IBERDROLA Group Ebitda rose 29.9% in the first nine months to €3,811.6 million
- Organic and corporate investments have exceeded €35 billion, while gearing has declined to 47.6%



The international expansion strategy undertaken by IBERDROLA a year ago has seen it become the world's fourth largest electricity company in 2007 with a market capitalization of almost €55 billion, and become a company of reference in the Atlantic area. This strategy has borne fruit with record nine months profits, having consolidated ScottishPower for only 162 days, of €1,613 million, a rise of 30.5%.

IBERDROLA has been laying the foundations during these first nine months for its future growth. It successfully concluded the first phase of its integration with ScottishPower and is advancing towards the completion of its friendly acquisition of U.S. company Energy East, expected in the first half of 2008. At the same time it is on track to finalise the IPO of its renewables subsidiary before the end of the year. The Company today presents its new Strategic Plan 2008-2010, with the goal of ratifying its position as one of the world's energy leaders.

<i>Eur MM</i>	9M 2007	9M 2006	Change %
Gross Margin	5,726.7	4,284.6	+33.7
Net Op. Expenses	-1,717.5	-1,223.5	+40.4
EBITDA	3,811.6	2,934.9	+29.9
Operating Profit (EBIT)	2,522.4	1,997.0	+26.3
Net Finance Cost	-620.6	-371.6	+67.0
Exceptional Items +Equity Income	262.0	224.7	+16.6
Net Profit	1,613.0	1,236.4	+30.5

IBERDROLA's current strategic focus has been positively reflected in results for the first nine months of 2007, where accounts of ScottishPower have been integrated for a second quarterly period, although for just 162 days since the acquisition was completed on April 23.

The headline results, achieved in an environment of low pool prices (-33%) and modest demand growth in Spain (+1.7%), have increased significantly. Sales rose 39.5% to €11,376.5 million, Ebitda by 29.9% to €3,811.6 million, net operating profit by 26.3% to €2,522.4 million and net profit by 30.5% to €1,613 million. Earnings per share rose 8.6% and cash flow/share by 11.7%.

These figures bear witness to the intensive investment effort by IBERDROLA in the past few years – more than €35 billion – both in organic growth and corporate transactions. It invested more than €18 billion in organic growth, nearly €2.8 billion of which in 2007 alone, and €17.1 billion in the acquisition of ScottishPower. The support of the markets has been key to successfully completing various capital increases this year, to finance the ScottishPower and Energy East acquisitions. At the same time, IBERDROLA has maintained its financial strength with a debt-equity ratio that has declined to 47.6% by September 30 from 54.9% for the same period last year.



These initiatives have made possible the birth of a world energy leader, with its sights set on the Atlantic area (Europe-North America-Latin America) and which between January and September increased cash flow by 34.1 to €2,854.1 million, building the future growth of the IBERDROLA group.

The goals of this ambitious international project for the next few years have been crystallised in the new 2008-2010 Strategic Plan, presented today by Chairman Ignacio Galán.

### **ScottishPower**

IBERDROLA has successfully completed the first phase of the friendly integration with ScottishPower, an operation valued at €17.1 billion which has been one of the largest carried out by a Spanish company. The Scottish company has contributed 21.5% of Group Ebitday (€818.5 million) since April 23.

### **Energy East**

The friendly acquisition of Energy East, announced at the end of June, and which is expected to complete in the first half of 2008, will help IBERDROLA consolidate in the U.S. market. At this moment, the first two regulatory authorizations have been obtained: the competition authorities (Hart-Scott-Rodino) and telecommunications (FCC).

This transaction, valued at €6.4 billion (including €3 billion in debt), will increase IBERDROLA Group points of supply by 1.8 million in electricity and 0.9 million in gas, as well as increase installed generating capacity and distributed energy.

### **IBERDROLA Renewables**

The Group is finalizing the IPO of its renewables subsidiary, planned to take place before the end of the year, with the goal of realizing value from this energy source and capture resources necessary to finance growth, while conserving the financial strength of the group as a whole.

IBERDROLA is today the world leader in wind energy, with an installed capacity in renewables of 7,342 MW. It has an enormous growth potential, founded on a project pipeline of more than 41,200 MW, of which 51% is in the United States, 16% in Spain and 15% in the UK.

### **Installed capacity stands at 40,800 MW**

Following the integration with ScottishPower, IBERDROLA has diversified and broadened its generating capacity throughout the world. It ended the first nine months of the year with a capacity of 40,749 MW, 45.2% more than in the same period last year. By technology, combined cycles accounted for 29.9% of the total, hydroelectricity for 23.8%, renewable energy and cogeneration for 19.5%, thermal for 11.6%, nuclear for 8.2%, and fuel oil for 7.1%.

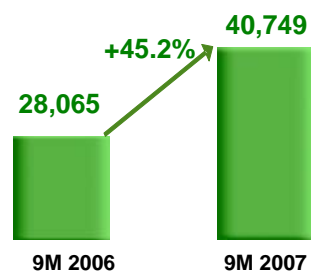


In Spain, the Company has increased capacity from 24,768 MW at the end of September 2006 to 26,509 MW at the close of the same month this year, an increase of 7%. Capacity in the UK came to 6,408 MW in Latin America to 5,553 MW, and in the U.S. to 2,279 MW.

This significant increase in capacity has enabled the IBERDROLA Group to achieve total electricity production of 86,800 million kilowatt hours (kWh) in the first nine months, an increase of 30.3% over the same period last year.

In Spain, IBERDROLA production came to 48,623 million kWh (-2.5%), with a significant rise in hydroelectricity (+66.4% to 11,002 million kWh) and renewables (+17.4% to 6,586 million kWh). Elsewhere, it generated 23,301 million kWh in Latin America (+39.2%), 11,785 million kWh in the UK and 3,091 million kWh in the U.S. (81.2% from renewable sources).

**Total Installed Capacity (MW)**



Carbon emissions came to 280 grammes of CO<sub>2</sub> per kWh at Group level and 179 grammes of CO<sub>2</sub> per kWh in Spain where there was a drop of nearly 15% compared to the same period last year. Nearly half IBERDROLA's production (43%) is free of CO<sub>2</sub> emissions, a figure that rises to nearly three quarters in Spain (69%), reflecting the priority focus on clean generating technology.

**Leadership in renewables consolidated**

IBERDROLA achieved installed capacity of 7,342 MW at the end of September 2007, a rise of 80% over the same date last year, and 17.4% of total operational capacity of the Group, consolidating the company's leadership in the world wind energy sector.\*

Thanks to the new capacity put on stream between January and September this year (516 MW in the third quarter), the Company now has a total of 7,000 MW from wind farms - 2,965 MW from outside Spain – and 342 MW from mini-hydro plants.

IBERDROLA's renewable energy capacity in Spain, which is distributed among 13 regions in Spain, added 162 MW from wind power between July and September, of which 98 MW came from Andalusia, 48 MW from Castilla-León, 12 MW from Murcia and 4 MW from the Basque Country.

In the international arena, the Company installed an additional 103 MW in the third quarter. It currently has 2,046 MW operative in the U.S.\*\*, 372 MW in the UK, 214 MW in Greece, 89 MW in Poland, 86 MW in France, 60 MW in Germany, 50 MW in Portugal, and 49 MW in Brazil.



## The largest combined cycle operator

In line with its focus on clean generating technology, IBERDROLA now operates more than 12,000 MW through gas combined cycles around the world, of which 5,600 MW is in Spain where it expects to start up the Castellón 4 plant at the end of this year, with a 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>

## Latin America's contribution continues to rise

Group results in the first nine months have been driven to a large extent by investments in Latin America, principally in Mexico and Brazil, whose contribution to EBITDA rose 29.3% to €648 million.

This positive performance reflects both an increase in electricity production – a rise of 39,2% to 23,301 million kWh- and also in distributed energy which rose 5.4% 21,713 million kWh among 8.7 customers in the region

IBERDROLA has consolidated its position as the leading private producer of electricity in Mexico, with an installed capacity of about 5,000 MW. The Company in June started up the combined cycle plant at Tamazunchale (1,135 MW) in San Luis Potosí state, which is the largest in the 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
Tamazunchale	1,135	100% operative
<b>TOTAL</b>	<b>4,949</b>	<b>2007</b>



## **Increasing contribution of non-energy businesses**

The contribution of IBERDROLA's non-energy businesses, led by the engineering and construction and real estate subsidiaries, was also significant in the period, with EBITDA rising 37.8% to €353.2 million.

- Iberdrola Ingeniería y Construcción. With projects under way in more than 25 countries, this subsidiary was awarded two power station contracts during the period that reinforce its strategy international expansion and seeking new clients outside the IBERDROLA Group: one in Russia to start up a 403 MW combined cycle plant at a cost of €311 million and another in Egypt for a 150 MW thermosolar plant costing €150 million.
- Iberdrola Inmobiliaria. Together with its parent company, it managed 13 residential promotions in execution representing 893 homes, and another nine residential projects under development representing 1,084 units. In the first nine months 689 housing units were completed and the projection for the year as a whole is to deliver another 258 units. Investments in new land came to €330.1 million, to acquire 1,222,124 m<sup>2</sup>.



\* Source: New Energy Finance (Mayo 2007)

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