



Fruit of investments totalling more than €25 billion in 2007

IBERDROLA ENDS STELLAR YEAR WITH NET PROFIT OF €2,353.7 MILLION (+41.8%)

- Ends 2007 as world's 4th largest electricity company by market capitalization (nearly €51.3 billion) and close to €28 billion in shareholder funds

A PROJECT FOUNDED ON SUCCESS

- **ScottishPower** successfully integrated, now accounting for 24% of Group Ebitda (€1,351.6 million)
- **Iberdrola Renovables** IPO completed and world leadership in wind power* reinforced, with renewables capacity of over 7,700 MW and a project pipeline of more than 42,000 MW
- Friendly acquisition of **Energy East** (U.S.) to strengthen presence in this market
- **2008-2010 Strategic Plan** sets investments at €24.2 billion in Spain and abroad

KEY ASPECTS OF 2007

- Electricity production up 34.2% at 123,460 million kWh, driven by cleaner technology
- CO₂ emissions in Spain reduced (to 187 gr/kWh), confirming company as one of the cleanest energy producers
- Continued growth amid an environment in Spain of low tariffs (-26%) and modest demand growth (+3%), with a positive contribution from international business

2007 RESULTS

- **IBERDROLA** Group Ebitda rose 42.4% to €5,538.2 millones, helped by business in the UK and U.S.
- Efficiency ratio improved 6 percentage points, with strong performance in gross margin (+ 42.9%) compared to costs

The international growth strategy initiated by IBERDROLA at the end of 2006 began to bear fruit in 2007. The Group is the world's 4th largest electricity group with a market capitalization of nearly €51.3 billion, and has secured a privileged position in the Atlantic Area. With the integration of ScottishPower, which consolidated accounts from April 23 last year, and investments of more than €25 billion in the year, the Company achieved a record net profit of €2,353.7 million (+41.8%).

Underpinned by its €27,832 million in shareholder equity, IBERDROLA in 2007 continued to cement the foundations of future growth: successful integration with ScottishPower and progress towards closing the friendly acquisition of Energy East – projected for the end of the first half of 2008 – as well as the stock market listing of its renewable energy subsidiary. It also put into effect its new 2008-10 Strategic Plan with investments of €24.2 billion, whose objective is to consolidate the Company as a world energy leader.

	<i>Eur MM</i>	2007	2006	Change %
Gross Margin		8,290.9	5.800,3	+42.9
Net Op. Expenses		-2,436.9	-1,804.9	+35.0
EBITDA		5,538.2	3,889.7	+42.4
Operating Profit (EBIT)		3,697.5	2,654.5	+39.3
Net Finance Cost		-900.9	-519.0	+73.6
Exceptional Items + Equity-accounted Income		-745.1	-725.9	+2.6
Net Profit		2,353.7	1,660.3	+41.8

IBERDROLA's strategic focus was positively reflected in 2007 results, despite the impact in Spain of low pool prices (-26%) and a modest increase in demand (+3%). Revenues rose 58.5% to €17,468 million, Ebitda by 42.4% to €5,538.2 million, net operating profit by 39.3% to €3,697.5 million, and net profit by 41.8% to €2,353.7 million.

These figures are the result of the major investment effort undertaken by IBERDROLA last year – more than €25 billion – both in organic growth and also in acquisitions. Market support and confidence has been vital in order to successfully complete the four capital increases carried out last year to finance the acquisitions of ScottishPower and Energy East.

The results are also the fruit of a six point improvement in efficiency, thanks to strong performance in gross margin that rose 42.9% to €8,290.9 million while costs rose 35% to €2,436.9 million. It should be stressed that despite the high level of investments, IBERDROLA has reinforced its balance sheet strength with a gearing that declined from 55.4% at the end of 2006 to 42.4% a year later and has consolidated its "A" rating.

These results, with cash flow rising 47.2% to €3,892.3 million, reflect the earnings potential of a new world energy leader with a strategic focus on the Atlantic Area (Europe-North America-Latin America). IBERDROLA is already among the world's top four electricity companies, with a market capitalization of nearly €51.3 billion, compared with the 19th position it occupied in 2001, and is the Spanish company that ranks highest in its sector (4th) at an international level. It is the fourth largest in the IBEX-35 by market capitalization, 21st in the DJ Euro Stoxx 50 and 65th in the DJ Stoxx Global 1800.

IBERDROLA began this century with a new strategy that sought to create value for its shareholders – reflected in Total Shareholder Return (TSR) of 250% between January 2000 and December 2007 – and last year it continued to forge the foundations for future growth.

SCOTTISHPOWER

IBERDROLA completed its friendly integration with ScottishPower in a record five months. Valued at €17.1 billion, the transaction was one of the largest of its type ever undertaken by a Spanish company. In just eight months, the Scottish power company has contributed 24% of Group Ebitda (€1,351.6 million).

IBERDROLA RENOVABLES

At the end of last year, the Group listed 20% of its renewable energy subsidiary on the Spanish stock market, with the goal of realizing value from this energy source and obtaining funds to finance future development without affecting IBERDROLA group finances. At yesterday's market close, the Company was 7th in the IBEX-35 ranking, with a market capitalization of nearly €19.4 billion.

IBERDROLA RENOVABLES is the world leader in wind power, with a renewable energy capacity of more than 7,700 MW and huge potential for growth. It has a project pipeline of more than 42,000 MW, more than half of which is in the United States, 17% in Spain and 13% in the UK.

ENERGY EAST

The friendly acquisition of Energy East, announced last June and expected to close at the end of the first half of 2008, will enhance IBERDROLA's penetration of the U.S. market. As of today, the Company has obtained all the required federal authorizations (Hart-Scott-Rodino, Federal Communications Commission, Exon-Florio and the Federal Energy Regulatory Commission) and all but one the state approvals – Connecticut, New Hampshire y Maine- with only New York still pending.

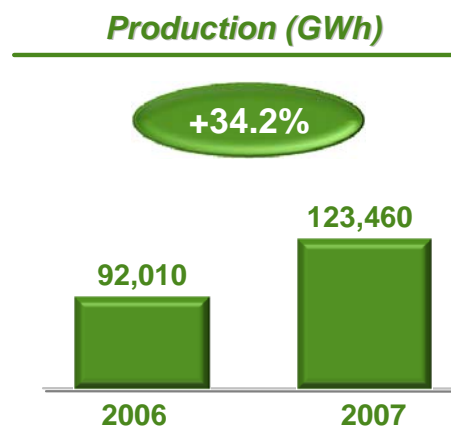
This transaction, valued at €6.4 billion (including €3.0 billion in debt), will increase IBERDROLA Group points of supply by 1.8 million and gas by 0.9 million, as well as augment installed generation capacity and total distributed energy.



Electricity production rises 34.2%

With the integration with ScottishPower, IBERDROLA has diversified and expanded its generating capacity around the world. It ended 2007 with an installed capacity of 42,516 megawatts (MW), 39.9% higher than the previous year. By energy source, combined cycles accounted for 30.8% of the total, hydro plants for 22.8%, renewable energy for 18.1%, thermal plants for 11.1%, nuclear installations for 7.9%, fuel oil for 6.8% and co-generation plants for 2.5%. Installed capacity in Spain rose 5.6% last year to 26,987 MW from 25,551 MW. In the UK, it stood at 6,418 MW, in Latin America at 5,554 MW, in the U.S. at 2,951 MW and 607 MW in the rest of the world.

Production came to 123,460 million kilowatt hours (kWh), a rise of 34.2% over 2006. Spain accounted for 65,893 million kWh (-2.6%), with a notable rise in hydro (+17.7% to 13,981 million kWh) and renewables (+6.3% to 7,611 million kWh). Output in Latin America was 32,956 million kWh (+39.4%), 18,279 million kWh in the UK, 5,321 million kWh in the U.S. (77.5% of which renewable energy) and 1,011 million kWh in the rest of the world (+ 43.2%).

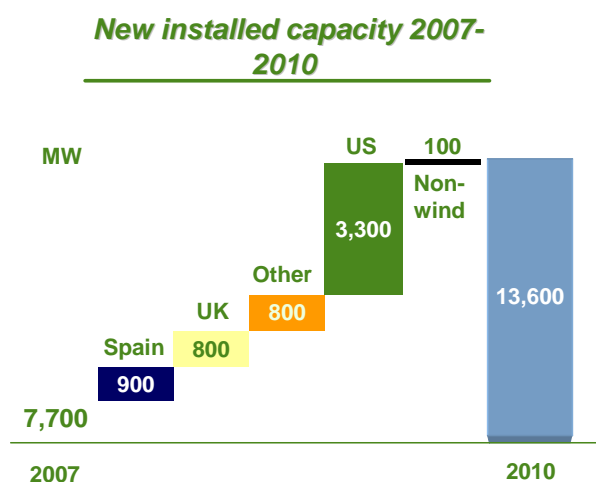


Emissions at Group level came to 289 grammes of CO₂ per kWh and to 187 grammes of CO₂ per kWh in Spain (compared to a European average of 380 grammes/kWh), which consolidates IBERDROLA's position as one of the cleanest energy companies in Europe. Without the Company's contribution, average emissions per kWh in Spain would jump to 410 grammes. This reflects the fact that around half of IBERDROLA's production is emission free, a level that rise to 67% in Spain as a result of its focus on clean energy systems.

IBERDROLA RENEWABLES enhances leadership

IBERDROLA RENEWABLES' installed capacity rose 74% in 2007 to 7,704 MW from 4,434 MW in 2006, consolidating its leadership in world wind power. Of the total, 7,362 MW was from wind farms and 342 MW from mini-hydro plants. Renewables capacity in Spain was 4,570 MW, of which 4,228 MW was wind power.

Installed capacity abroad multiplied by seven, rising from 440 MW in 2006 to 3,134 MW at the end of last year. Of this, 2,145 MW** was in the U.S., from the contribution of PPM Energy, and 382 MW in the UK from ScottishPower.



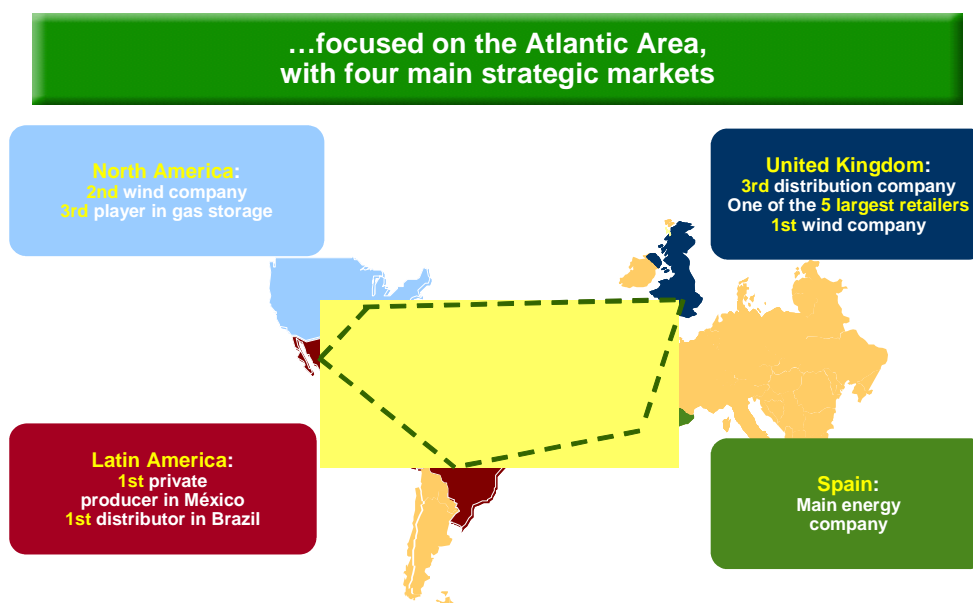
The remaining 607 MW is almost all in Europe, notably from Greece with 217 MW, France 126 MW, Poland 105 MW, Germany 60 MW and Portugal 50 MW.

IBERDROLA RENEWABLES had a Project pipeline of 42,053 MW at the end of 2007, 2.3 times the 18,431 MW in 2006 and an excellent platform for future growth. More than half the projects are located in the United States (21,991 MW in wind power). Spain accounts for 17% of the total (6,397 MW in wind power and 809 MW from other renewables sources such as biomass and solar energy), the UK for 13% (5,412 MW from wind) and the rest of the world for 18% (7,346 MW wind and 98 MW from other renewable technologies).

2008-2010 Strategic Plan

The goals of IBERDROLA's ambitious international Project have been cemented in the 2008-10 Strategic Plan, unanimously approved by the Board last October and which has recently entered effect. The Company ratifies its commitment to investors, customers, employees and society in general, with a growth model based on developing renewable energy, especially wind power, and optimizing quality of supply.

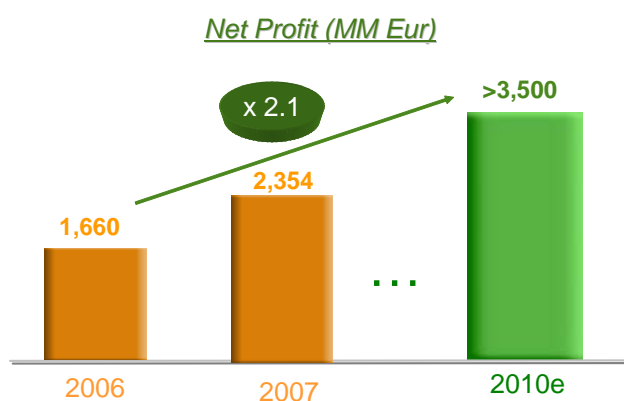
IBERDROLA's new strategy, continuing the path begun successfully more than six years ago, involves a new investment cycle in which €24.2 billion is being assigned to basic energy business, both in Spain and abroad. Of this figure, the Company plans to invest €17.8 billion (2.4 times more than between 2004-2006) on organic growth and another €6.4 billion to acquire Energy East.



The Company plans to invest €8.6 billion, representing 48% of total organic investment, on continued growth in the renewables sector where the objective is to achieve installed capacity of 13,600 MW in 2010 and thus consolidate world leadership in this sector. More than €4.6 billion (54%) will be in the United States, €1.2 billion in Spain (14%), another €1.2 billion in the United Kingdom and more than €1.5 billion in other countries.

One third of investments over the next three years (32%) will be in regulated business, with a view to improving quality of service. Of this €5.8 billion, the UK will account for 36% in activities of transmission and distribution, Spain for 35% (distribution), the United States for 24% (electricity and gas distribution) and Latin America for 5%. IBERDROLA will invest €2.5 billion on traditional generation activities (15% of the total), with the following breakdown: 52% in Spain, 35% in the UK and 13% in Latin America.

As a result both of the €24.2 billion to be invested between 2008 and 2010 and also of continuing efficiency gains, the Company projects net profit to more than double to €3.5 billion in 2010 compared to the €1.66 billion recorded in 2006. The catalysts of this growth will be IBERDROLA RENOVABLES and consolidation of ScottishPower and Energy East.



IBERDROLA: a model of sustained growth

IBERDROLA, a private sector company with 106 years of history, has in a very short period of time become a model of successful growth in which everybody wins – shareholders, employees, customers and society in general.

- Shareholders have seen IBERDROLA shares rise by 205% between January 2001 and December 2007 (against 66% for the IBEX-35 and 94% for the DJ Euro Stoxx).
- Customers, which increased in numbers last year to more than 24 million, have seen improved quality of supply during the period, with €1.3 billion invested in this area in 2007)
- Employees have benefitted, among other aspects, from the Group's focus on training (800,000 hours last year and €54 million invested) and work-family conciliation (continuous and flexible working day, family and maternity support).
- Society has benefitted from the Company's commitment to sustainable development – it is the cleanest company in Spain's electricity sector – and from purchases mainly from Spanish and UK suppliers last year of €5.5 billion, as well as from investments of €65 million in R+D+i and €50 million spent on social projects.

* Source: New Energy Finance (May 2007)

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



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

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