

24 February 2010

# IBERDROLA

*The Company sets the strategic foundations for growth to 2012 after recording €2.8 billion net profit in 2009*

## **IBERDROLA EXPECTS TO INVEST €18 BILLION IN 3-YEAR PERIOD 2010-2012**

- **By business area, €9 billion will be invested in renewable energy, €6.3 billion in networks and €2.7 billion in generation and supply**
- **The United States will receive 39% of total investments, the United Kingdom 25%, Spain 24%, and Latin America and other markets 12%**
- **Average annual growth of 5-9% in Ebitda and recurring net profit is projected, with an increase in shareholder remuneration in line with net profits**

IBERDROLA projects investments totalling **€18 billion in the three-year period 2010-2012** with a goal of pursuing organic growth and consolidating its international expansion, built on net earnings that last year surpassed €2.8 billion.

By business area, **€9 billion is slated for renewable energy**, €6.3 billion for networks and €2.7 billion for generation and supply. By markets, **the United States will receive €7 billion (39% of the total)**, the United Kingdom €4.5 billion (25%), Spain €4.3 billion (24%), Latin America and other areas €2.2 billion (12%).

This major effort in organic investment, in a difficult business environment, will be carried out while minimizing risk and maintaining financial ratios that enable the Company to conserve its A credit rating while growing its core businesses and increasing shareholder remuneration. **The Company also estimates cost savings of more than €300 million a year by 2012.**

IBERDROLA **projects annual growth of 5-9% in Ebitda and net recurring profit (ex extraordinary), with an increase in shareholder remuneration in line with net profit.** The projection remains valid also in an environment of flat demand, stable electricity prices stagnation and highly conservative exchange rates scenarios for the currencies in which the Company operates.



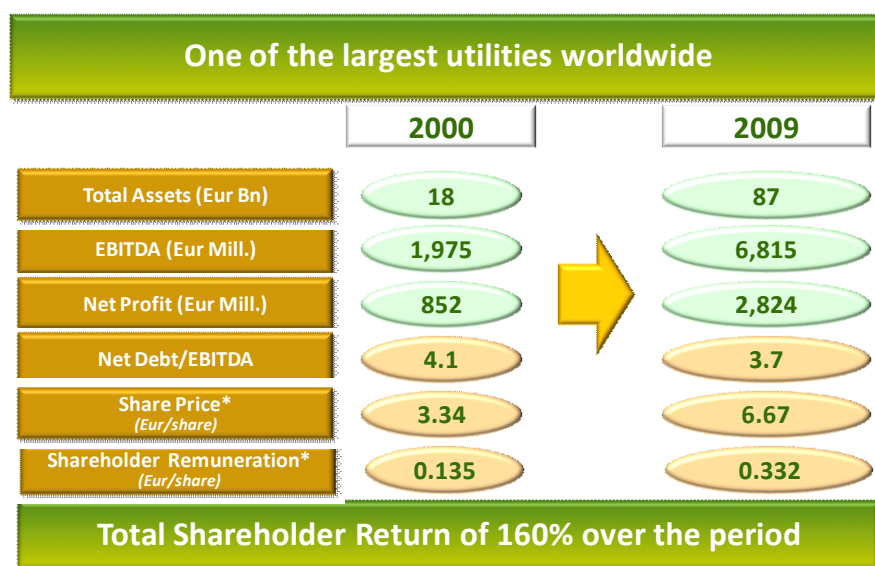
**IBERDROLA will also further diversify internationally and will increase Ebitda obtained from regulated businesses (networks and renewables) to 70% of the total from 64% now.** In 2012, the Company expected traditional business in Spain to provide 33% of operating profits, the United Kingdom 21%, Latin America 10%, the United States 8%, and renewables 28%. The investments projected by the Company will enable it to face the future with optimism, offering a valid option for driving economic growth and recovery.

## **2001-2009: Transformation**

IBERDROLA's rapid expansion in the past decade to become Spain's leading energy group, 4th largest in the IBEX 35 by market capitalization and world leader in wind power, has been made possible by a strategic vision that saw it anticipate trends in the energy sector, **investing more than €62 billion between 2001-2009**. This has been centred on two distinct phases:

- 2001-2006: Planning during this period focused on energy business in Spain and Latin America. By the end of 2006, **the Company had achieved its goal of doubling both in size and earnings**. Installed capacity rose from 16,500 MW to 30,500 MW, while net profit came to €1.66 billion in 2006.
- 2007-2009: Strategy has been reflected in **strong international expansion**. IBERDROLA completed the integration of ScottishPower and Energy East, while managing a rapid expansion at IBERDROLA RENEWABLES which today leads the world wind power sector and is the third largest energy company in Spain by market cap. The Group raised capacity to nearly 45,000 MW, establishing itself as one of the world's largest electricity groups.

As a result of growth during the decade, IBERDROLA has been able to maintain net profit last year at €2,824 million, in line with the previous year, and to **increase Ebitda by 6.3% to €6,815.3 million**.



## **Future projects**

IBERDROLA's current strategic focus is on **consolidating its international presence in the Atlantic area** (U.S., UK, Brazil) and cementing the foundations for future growth, based principally on networks and renewable projects around the world.

United Kingdom: The Company will strengthen its presence through growth mainly in renewables. **Iberdrola Renovables** –with 802 MW operational and 5,250 MW projected- **has been awarded a zone for offshore wind development with potential to be among the largest in the world (up to 7,200 MW)**. IBERDROLA is also participating in a new nuclear build programme in the country, having acquired a site at Sellafield where it is evaluating the possibility of building a 3.600 MW power station. Its ScottishPower subsidiary has started up a carbon capture test unit at its Longannet power station.

United States: The energy policy followed by the Obama administration has endorsed IBERDROLA's plans in a country that is key to its growth plans. **The Group has obtained \$703 million in U.S. Treasury grants in 2009**, of which \$577 million correspond to renewables, \$96 million to smart grids and \$30 million to investigating energy storage. IBERDROLA RENOVABLES is the second largest wind power operator with 3,500 MW installed and a project pipeline of 23,500 MW.

Hydroelectricity: The Company is building some of the largest projects in the world, which will come on stream this decade. **In Spain it will add 1,050 MW by 2012**, expanding the La Muela, San Esteban and San Pedro plants. **In Portugal it will build the Alto Tâmega complex**, one of the largest under construction in Europe in the past 25 years. In Brazil, it is developing a dozen power stations with a total capacity of 1,000 MW.

Networks: IBERDROLA will continue to invest in improving and extending energy distribution networks already in operation, **as well as in new facilities including smart grids to meet future demands**. The objective is to guarantee the highest possible quality, support increasing access to the grid for renewable energy installations and provide infrastructure for the mass-scale introduction of electric vehicles.

### IMPORTANT INFORMATION

This communication does not constitute an offer of purchase, sale or exchange or a request for an offer of purchase, sale or exchange of values. The shares of Iberdrola S.A. cannot be offered or sold in the United States, except if this is carried out through a declaration of effective notification of what is laid out in the Securities Act or under the protection of a valid exemption of the need for notification.

