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IBERDROLA COMPLETES FRIENDLY ACQUISITION OF ENERGY EAST

- **The Company, which last year arranged financing for the transaction through a €3,400 billion capital increase, thus consolidates its ranking as 4th largest electricity company worldwide by market capitalisation**
- **IBERDROLA closes the largest industrial acquisition by a Spanish company in the United States, and achieves one of the main objectives of its 2008-10 Strategic Plan, which identifies the United States as a key market for the Group's future growth**
- **With the integration of ScottishPower and Energy East, IBERDROLA now expects to exceed €3 billion in net profit in 2008, maintaining financial gearing below 50%**

IBERDROLA, S.A. today closed the friendly acquisition of U.S. company Energy East Corporation, a transaction finally valued at €3,222 billion* in cash plus another €2,869 billion* in debt, a total of €6,091 billion* which compares to the €6,400 billion initially estimated.

The Company had already arranged financing for the acquisition through a €3,400 billion capital increase, raised via an Accelerated Bookbuilding Offer (ABO) in June last year.

As foreseen when the acquisition was announced on 25 June 2007, the transaction is being effected through a merger by absorption of Green Acquisition Capital Inc. into Energy East Corporation, valuing each Energy East share at \$28.50. This represents a premium of 20.2% over the average share price for the 30 days prior to the offer announcement.

The smaller debt amount to be assumed enhances the Company's strong financial position, in line with the goal of consolidating its 'A' category rating and keeping gearing below 50%. IBERDROLA, whose equity funds total €30 billion, expects to close 2008 with liquidity of more than €4 billion and lines of credit for another €10 billion.

With this transaction, the second major international operation undertaken by IBERDROLA in the current strategic plan period, after the €17.2 billion acquisition of ScottishPower in April 2007, the Company fulfills one of the main objectives of the current Strategic Plan which identifies the U.S. as a key market for the Group's future expansion.

** Based on an Exchange rate of 1 US \$ = 0.7066 € (15-9-2008)*

With the integration of ScottishPower and Energy East, IBERDROLA expects to exceed €3 billion in net profit in 2008, compared to €2,354 million in 2007.

With the acquisition of Energy East, the largest industrial transaction ever carried out by a Spanish company in the United States, IBERDROLA increases its assets in the United States to around \$20 billion. It expects the U.S. to contribute 10% to total Group EBITDA within three years, according to objectives set by the 2008-10 Strategic Plan.

With Energy East, IBERDROLA enhances its presence in the U.S. market, where it is already the second largest in wind power through its renewable energy subsidiary with nearly 2,000 MW in operating capacity. Plans are to reach 6,900 MW in operating capacity by 2012.

IBERDROLA today achieves one of the principal goals of the 2008-10 Strategic Plan, which calls for 10% of Group EBITDA to come from the United States at the end of this period, with around €13 billion in investments.

Energy East principally distributes and markets electricity and natural gas to five states in the northeast of the United States: New York, Maine, New Hampshire, Massachusetts and Connecticut. The Company has 1.83 million electricity customers and 919,000 gas customers. Sales last year were 39,000 GWh for electricity and 5.7 bcm (billion cubic metres) for gas.

As a result of the acquisition, IBERDROLA increases its volume of electricity distributed by 24.7% to 198.4 TWh and its customers by 8.1% to 24 million, while raising the number of gas customers by 42.9% to 3 million. Overall installed capacity rises 0.2% to 42,650 MW.

Energy East will also contribute to continue diversifying the origin of IBERDROLA Group results, both geographically and operationally, as well as representing a stable and predictable source of revenues as a company whose business is in large part regulated.

IBERDROLA has a presence in more than 40 countries, with a special interest in more developed and de-regulated markets, such as Spain, the United Kingdom and the United States, where demand for electricity continues to grow and prices are increasingly more in line with costs.

The acquisition has received broad support in recent months in the U.S. from consumer groups, unions and political leaders from both the Democrat and Republican parties, as well as obtaining a vote in favour from 93% of Energy East shareholders last November.

IBERDROLA and Energy East also obtained all the administrative authorisations required for the acquisition, both at the state level – the state public service commissions of Maine, New Hampshire, Connecticut and New York – as well as at the federal level (the Federal Energy Regulatory Commission, the Federal Communications Commission, the Committee on

Foreign Investment in the United States, the Department of Justice and the Federal Trade Commission).

The transaction that closes today, announced in June last year by the Boards of IBERDROLA and Energy East, has taken just 15 months, comparing favorably to other similar recent transactions in the United States: Great Plains Energy/Aquila (17 months), National Grid/KeySpan (18 months), Babcock & Brown/Northwestern Corp (cancelled), Exelon/PSEG (cancelled) and FPL/Constellation (cancelled).

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FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola, S.A. and Energy East Corporation and otherwise, 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.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. or Energy East Corporation. 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 to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.