



IBERDROLA

Results

2009

Quarterly report



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OPERATING RESULT UP 6.3% IN COMPLEX ENVIRONMENT

Production Increases despite weak demand

- Production increases to 142,776 GWh (+1.1%) in the face of a 5% average decline in demand in the countries where Iberdrola is present.
- Wind energy generation – the engine of growth – increases 26%.

Solid business model

- EBITDA increases to EUR 6,815 million (+6.3%).
- Iberdrola Renewables and regulated businesses drive operating growth.
- Excluding consolidation of Iberdrola USA (formerly Energy East), EBITDA grew 1% in euros.

Focus on generating cash

- Operating Cash Flow is up 11.2% to reach EUR 4,873 million.
- Leverage* improves from 50.3% to 46.2%.

Iberdrola's management is enabling improvement in results

- Efficiency management: Operating Expenses are down 4.1%, excluding consolidation of IBERDROLA USA.
- Balance sheet management: Improvement of the financial structure, control of investments and execution of divestment plan.

Recurring Net Profit is up 7.2%

- Net Profit of EUR 2,824 million, slightly below 2008 (-1.3%) due to a lower Non Recurrent Results (EUR -329.9 MM, -59.4%).
- Dividend per share maintained charged against financial year 2009**.

(*) Excluding tariff deficit and adjusted for the additional dividend payment

(**) Pending approval in the General Shareholders' Meeting

Basic Figures for the businesses

Operating Data		12 M 2009	12 M 2008	%
Net Production	GWh	142,776	141,269	1.1
Hydro	GWh	11,970	11,600	3.2
Nuclear	GWh	22,830	24,751	-7.8
Coal	GWh	13,237	13,177	0.5
Fuel-Oil	GWh	34	107	-68.7
Combined Cycle	GWh	66,827	67,771	-1.4
Cogeneration	GWh	6,390	6,865	-6.9
Renewables	GWh	21,490	16,998	26.4
Installed capacity	MW	43,667	43,327	0.8
Hydro	MW	9,816	9,837	-0.2
Nuclear	MW	3,344	3,344	0
Coal	MW	4,689	4,709	-0.4
Fuel-Oil	MW	710	1,786	-60.2
Combined Cycle	MW	13,173	13,172	0
Cogeneration	MW	1,182	1,176	0.5
Renewables	MW	10,752	9,302	15.6
Electrical power distributed	GWh	204,826	183,236	11.8
Electricity customers (supply points managed)	No (M)	24.7	24.5	0.8
Gas customers (supply points managed)	No (M)	3.17	3.09	2.59
Gas supplies	GWh	162,893	172,791	-5.7
Gas storage	bcm	2.15	2.11	1.9
Employees	No	32,424	32,993	-1.7

Operating Data		12 M 2009	12 M 2008	%
Spain				
Net Production	GWh	65,316	67,626	-3.4
Hydroelectric	GWh	9,633	9,140	5.4
Nuclear	GWh	22,830	24,751	-7.8
Coal	GWh	2,059	2,322	-11.4
Fuel-oil	GWh	34	107	-68.7
Gas combined cycle	GWh	18,122	19,646	-7.8
Cogeneration	GWh	2,432	2,619	-7.1
Renewables	GWh	10,208	9,041	12.9
Installed capacity	MW	25,705	26,369	-2.5
Hydroelectric	MW	8,847	8,847	0
Nuclear	MW	3,344	3,344	0
Coal	MW	1,253	1,253	0
Fuel-oil	MW	710	1,786	-60.2
Gas combined cycle	MW	5,893	5,893	0.0
Cogeneration	MW	381	377	1.1
Renewables	MW	5,276	4,868	8.4
Energy distributed	GWh	99,642	105,113	-5.2
Gas Supplies	GWh	47,385	52,700	-10.1
Consumers	GWh	12,610	14,794	-14.8
Gas combined cycle	GWh	34,775	37,906	-8.0
Electricity Users (managed supply points)	No (M)	10	10	-
Gas Users (managed supply points)	No (M)	0.27	0.19	42.1
United Kingdom				
Production	GWh	26,264	26,534	-1.0
Hydroelectric	GWh	878	1,153	-23.9
Coal	GWh	11,178	10,855	3.0
Gas combined cycle	GWh	12,017	12,600	-4.6
Cogeneration	GWh	427	699	-38.9
Renewables	GWh	1,764	1,227	43.8
Installed capacity	MW	6,818	6,701	1.7
Hydroelectric	MW	563	566	-0.5
Coal	MW	3,436	3,456	-0.6
Gas combined cycle	MW	1,915	1,914	0.1
Cogeneration	MW	102	100	2.0
Renewables	MW	802	665	20.6
Energy distributed	GWh	36,503	38,103	-4.2
Gas storage	bcm	0.1	0.1	-
Gas supplies	GWh	62,488	66,657	-6.3
Consumers	GWh	33,892	36,813	-7.9
Gas Combined Cycle	GWh	28,596	29,844	-4.2
Electricity Users (managed supply points)	No (M)	3.2	3.4	-5.9
Gas Users (managed supply points)	No (M)	2.0	2.0	-

Operating Data		12 M 2009	12 M 2008	%
United States⁽¹⁾				
Production	GWh	11,249	8,565	680.7
Hydroelectric	GWh	409	101	304.8
Gas combined cycles	GWh	63	15	332.8
Cogeneration	GWh	3,046	3,040	0.2
Renewables*	GWh	7,731	5,409	42.9
Installed capacity	MW	4,525	3,810	18.8
Hydroelectric	MW	116	116	0.0
Gas combined cycles	MW	212	212	0.0
Cogeneration	MW	606	606	0.0
Renewables*	MW	3,591	2,876	24.9
Gas storage USA	bcm	1.4	1.36	2.94
Gas storage Canada (SPW)	bcm	0.65	0.65	0
Energy distributed	GWh	36,786	36,555	0.6%
Gas supplies	GWh	53,020	53,434	-0.8%
Electricity Users (managed supply points)	No (M)	1.8	1.8	0.3%
Gas Users (managed supply points)	No (M)	0.9	0.9	0.3%
Latin America				
Production	GWh	38,160	37,224	2.5
Hydroelectric	GWh	1,050	1,206	-12.9
Gas combined cycles	GWh	36,625	35,511	3.1
Cogeneration	GWh	485	507	-4.3
Installed capacity	MW	5,536	5,554	-0.3
Hydroelectric	MW	290	307	-5.7
Gas combined cycles	MW	5,153	5,153	0
Cogeneration	MW	93	93	0.0
Energy distributed (under management)	GWh	31,895	30,880	3.3
Customers (supply points managed)	No (M)	9.7	9.3	4.3
Rest of the word				
Production	GWh	1,787	1,321	35.3
Renewable	GWh	1,787	1,321	35.3
Installed capacity	MW	1,083	893	21.3
Renewable	MW	1,083	893	21.3

(1) Includes Iberdrola USA (Energy East) from October 2008.

Note: Installed capacity, production and number of employees according to consolidation criteria.

Market Data		12 M 2009	12 M 2008
Market capitalisation (31/12/09)	Million€	35,033	32,715
Market capitalisation (5,252,323,716 acc. a 31/12/09)	€	0.54	0.57
Operative net cash flow per share	€	0.93	0.88
P.E.R	Times	12.40	11.40
Price/Book value (capitalisation to NBV at end of period)	Times	1.21	1.24

Economic/Financial Data			
Income Statement		12 M 2009	Vs.12 M 2008
Revenues	Million€	24,558.9	25,196.2
EBITDA	Million€	6,815.3	6,412.5
EBIT	Million€	4,509.2	4,261.5
Net Profit	Million€	2,824.3	2,860.6
Net Operating Expenses/Gross Margin	%	32.38	31.34

Balance sheet		Dec 2009	Dec. 2008
Total Assets	Million€	87,367	85,837
Shareholders' Equity	Million€	29,030	25,708
Net Adjusted Financial Debt ⁽¹⁾	Million€	29,161	28,363
ROE	%	10.3%	10.7%
Financial Leverage ⁽²⁾	%	50.1%	52.5%
Net Debt/Equity Ratio	Times	1.00	1.10

(1) Includes amount corresponding to the tariff deficit 2006,2008 y 2009. Excludes TEI.

(2) Net Debt/ Net Debt+FL. Includes tariff deficit financing. Without tariff deficit december 's 2009 leverage would be 46.2%

Credit rating of IBERDROLA Senior Debt		
Agency	Rating	Outlook
Standard & Poors	A-	Stable
Moody's	A3	Stable
Fitch IBCA (unsecured debt)	A	Stable

Operating Highlights

- Iberdrola's results during 2009 were obtained in a macroeconomic and energy environment characterised by the following factors, among others:
 - A slowdown in the economies where the Company operates, which has had a strong impact on the development of electricity demand, -4.5% in Spain and -5.0% in United Kingdom.
 - A decline in the prices of energy commodities throughout the financial year, with an inflection point in the last quarter in comparison with the fourth quarter of 2008, when the prices of raw materials fell sharply:
 - The average price of coal at the end of 2009 was USD 71.89/t compared to USD 95.34/t in 2008 (-24.6%).
 - The average price of oil at December 2009 was USD 62.36 per barrel, compared to USD 98.33 per barrel at the end of the previous financial year (-36.6%).
 - A lower cost of CO₂ rights, decreasing from EUR 21.3/t in 2008 to EUR 14.2/t in 2009 (-33%).

All of this has translated into lower energy prices, as reflected in the following table:

Spot Market EUR/MWh	2009 average	2008 average
Spain	37.9	65.4
United Kingdom	42.3	93.4
Germany	39.9	66.9
France	43.8	68.6

- The average devaluation of both the British pound (-11.8%) and the Brazilian real (-3.1%) against the euro, in contrast to the US dollar's increase value against the euro (+5.2%).
- Iberdrola Group's total production during 2009 increased 1.1% to reach 142,776 GWh. These figures include 65,316 GWh (-3.4%) generated in Spain; 26,264 GWh (-1.0%) for the United Kingdom; 11,249 GWh for the United States (without comparison for 2008 because Iberdrola USA was consolidated from 1 October 2008); 38,160 GWh in Latin America (+2.5%) and the remaining 1,787 GWh in various countries with renewable energies. At the end of 2009, Iberdrola had 43,667 MW installed generation capacity, of which 55% produces emission-free energy with low variable cost.
- In relation to the results for 2009, despite the general declines in energy prices and in demand for electricity and gas, the Gross Operating Profit (EBITDA) increased 6.3% to reach EUR 6,815.3 million. The most notable aspects of its development are:
 - 0.7% increase in EBITDA in the Energy Business (ex-Renewables) in Spain. These results have been achieved in a market

characterised by lower energy prices (-24.2%) and a strong decline in demand (-4.5%), reflected in the decline in EBITDA for the Deregulated Business (-12.4%) and offset by the performance of the Regulated business (+12.9%).

- The EBITDA of Iberdrola Renewables has reached EUR 1,325.3 million (+11.8%). The higher generation output (+26%), the result of greater installed operating capacity (10,284 MW; +27%), was able to offset the effect of the average lower energy prices attained (EUR 73.8/MWh; -9.3%) due to the impact of the wind energy price in Spain, which declined 16%.
- ScottishPower's EBITDA totalled EUR 1,451.2 million (-3.5%). Among the main causes for its change, of note is the acute loss of value of the British pound (-11.8%). Without the impact of the loss of value, EBITDA would have increased 7.9% to 1,293.5 MM British pound.
- Latin America: A reduction of 3.7% in EBITDA to EUR 859.7 million. Brazil recorded a 1.0% drop in EBITDA, partially resulting from write-downs of regulatory assets at the three distributors in this country and partially from the Brazilian real's devaluation (-3.1%) and the divestments in Chile. The Operating Profit for Mexico declined 7.1% to reach EUR 357.5 million, the result of a lower energy margin, tariff revisions in Guatemala and the sale of Navega, which were not offset by the year-on-year increase in the value of the dollar (+5.2%). Brazil has contributed 58% to Latin American EBITDA, with Mexico contributing the remaining 42%.
 - The Engineering and Non-Energy Businesses have reached an EBITDA of EUR 335.8 million, a decrease of 7.7%, essentially caused by the business decline in Spain, particularly within the Real Estate Business.
 - IBERDROLA USA's contribution reached EUR 451.3 million without impacted by the operational restructuring carried out in the fourth quarter, as further detailed in the respective section.
- Net Profit reached EUR 2,824.3 million, a decrease of 1.3% compared to the figure in 2008. It is of note that, during financial year 2008, asset disposals were carried out which generated EUR 555.2 million in gains, compared to the EUR 225.3 million in 2009 (-59.4%). The recurring Net Profit increases by 7.2%.
- Operating Cash Flow increased 11.2% in 2009 to EUR 4,872.7 million, when compared with 2008.

Operating Evolution of the Period

1. ENERGY BUSINESS: SPAIN

1.1 Deregulated Business

1.1.1 Generation

At the end of 2009, the installed capacity of IBERDROLA in Spain (ex-Iberdrola Renewables) totalled 20,429 MW. This can be broken down by technology as follows:

SPAIN	MW
Hydro	8,847
Nuclear	3,344
Coal	1,253
Fuel-Oil	710
Gas combined cycle	5,893
Cogeneration	381
TOTAL	20,429

In cumulative terms, at the end of financial year 2009, production under the Ordinary Regime declined by 5.9%. The annual change per technology is as follows:

- Hydroelectric production reached 9,633 GWh, representing an increase of 5.4% over the same period in the previous year, affected by the good level of hydroelectric energy of the fourth quarter (+32.7%).
- Nuclear production totalled 22,830 GWh, a decline of 7.8% when compared to 2008 due to planned outages for scheduled maintenance work and refuelling of all of

the plants (except Ascó II) in which Iberdrola holds a stake: Vandellos II, Garoña, Trillo, Cofrentes and Almaraz I and II.

- The coal thermal plants recorded a decline of 11.4%.
- Finally, combined-cycle production experienced a small decline of 7.8% to reach 18,122 GWh.
- As of 31 December 2009, the hydroelectric reserves level is equivalent to 5,938 GWh (52.7%).

Spanish Mainland Energy Production is characterised by a 4.5% decline in system wide electricity demand, having a strong impact on the Ordinary Regime production (-13.4%).

Comparatively speaking, energy production can be broken down as follows:

	12 M 2009	12 M 2008
Hydro	17.5%	15.6%
Nuclear	41.4%	42.2%
Coal	3.7%	4.0%
Fuel-Oil	0.1%	0.2%
Gas combined cycle	32.9%	33.5%
Cogeneration	4.4%	4.5%
TOTAL	100%	100%

CO₂ emissions in Spain have remained stable in relation 2008 due to a similar production mix.

1.1.2 Supply

Spain

2009 was characterised by the elimination of integral tariffs and the entry into force of the last resort tariff for customers with contracted power less than or equal to 10 kW. As a result, more than 70% of energy does not have a reference tariff and, currently, more than 60% of energy is supplied under market conditions. Furthermore, the last resort tariffs that residential customers may adopt reflect the cost of the supply, given that they are established on an additive basis from the half yearly energy auctions (June and December).

For the High Voltage and Low Voltage customers with power higher than 10 kW, a transition period has been established to facilitate the change to a deregulated market, along with the creation of the “Bono Social” social benefit for the most vulnerable customers, by means of which such consumers can take advantage of a freeze on their electricity bills until 2012.

The electrical energy supplied on the deregulated market during 2009 reached 25,348 million kWh, compared to the 15,409 million kWh supplied in the same period of 2008 (which represents an increase of 65%).

1.1.3 Gas

Procurement

- 2009 was characterised by a reduction in natural gas demand due to lower end user demand and consumption by combined-cycle plants.

- IBERDROLA has been awarded reserve capacity in the future Spain-France gas interconnection, convened by means of an Open Season process by the gas transporter companies under the supervision of the ERGEG European regulators with the leadership of the Spanish CNE and the French CRE. The decision on the construction of the gas pipelines in France by the transporters continues.
- IBERDROLA has ensured direct access to the American gas market through the Sabine Pass regasification terminal (Louisiana - USA) by means of an agreement with Chevron. The Company will have its guaranteed access serving the British market through the Isle of Grain terminal near London from the end of 2010.

Supply

On 1 July 2009 the last resort tariffs disappeared for low voltage customers having consumption greater than 50,000 kWh/year and less than 3 GWh/year, customers for whom a transitional period was established to facilitate the change to the unregulated market. Furthermore, the last resort tariffs for customers with consumption lower than or equal to 50,000 kWh/year are revised quarterly with formulaic adjustments that reflect the cost of supply.

Therefore, despite the fact that 2009 was characterised by an economic and energy environment where there was a decline in the energy sold in the industrial segment, the favourable gas regulatory framework, along with the marketing activities developed by IBERDROLA, helped our portfolio reach 278,217 contracts

as of 31 December 2009, compared to 190,389 contracts as of 31 December 2008.

During 2009 IBERDROLA supplied energy on the deregulated market totalling 12,288 million kWh of gas, compared to 14,927 million kWh in 2008. By segment, energy sold during 2009 was made up of 11,015 million kWh for the industrial segment and 1,273 million kWh for the residential segment.

1.2 Regulated Business

1.2.1 Electricity

At the close of financial year 2009, IBERDROLA had more than 10 million customers in Spain, and the total energy distributed in the network was 65,316 GWh, a decline of 5.2% when compared with the same period in the previous year.

With respect to the quality of the service, the monthly interruption time (TIEPI in Spanish) for December was 1.38 hours (ex Klaus cyclone effects), this is Iberdrola's best ever performance, and an improvement on 2008 of 15%.

1.2.2 Gas

Regasification Plants

With regard to the agreement that IBERDROLA reached on 30 June 2009 to sell its stakes in Saggas and BBG to RREEF Infrastructure, within the framework of the Group's divestment plan, the process of obtaining the applicable regulatory authorisations and approvals from third parties is proceeding as envisioned.

The Company closed the sale of 25% of BBG and of 30% of Saggas, which were valued at EUR 200

million, including debt, resulting in capital gains of approximately EUR 27 million for Iberdrola.

Petroceltic

In mid January 2010 IBERDROLA agreed the sale of the 15.68% stake in the Irish hydrocarbon exploration and production company Petroceltic International for a total amount of GBP 34.5 million (EUR 39.2 million), about 23% above the acquisition price for the stake in local currency.

Simultaneously with this sale, it was agreed to cancel the purchase option for the acquisition of 49% of one of Petroceltic's assets in the Algerian Isarene block. IBERDROLA will thus recover the USD 7.3 million (EUR 5.1 million) that it had initially paid for the mentioned option. Combined, these transactions will represent net proceeds of EUR 43.9 million.

2. SCOTTISHPOWER

2.1 Deregulated Business

• Generation

At the end of 2009, installed capacity of Scottish Power in the UK (ex-Iberdrola Renewables) amounted to 6,016 MW.

UNITED KINGDOM (SPW)	MW	% Weight
Hydro	563	9.4%
Coal	3,436	57.1%
Gas combined cycle	1,915	31.8%
Cogeneration	102	1.7%
TOTAL	6,016	100%

With respect to the production deriving from Iberdrola's traditional generation in the United Kingdom, in 2009 there was a decline of 3.2%, to reach 24,499 GWh, compared to 25,307 GWh during 2008. The decrease in generation is largely driven by a reduction in CCGT production as a result of managing generation output to maximise returns and also due to reduced plant availability.

IBERDROLA's generation in 2009 represents a UK market share of 7.8%, compared to 7.7% for the equivalent period in 2008. By technology the highlights are as follows:

- Coal plant production increased 3.0% in 2009 to 11,178 GWh from 10,855 GWh in 2008. Coal generation has been influenced by commercial contracts that restrict generation output in order to meet system operator requirements.
- Gas plant production decreased 4.6% from 12,600 GWh to 12,017 GWh.
- Hydroelectric production of 878GWh was lower than 2008's output of 1,153 GWh, primarily due to increased outage work

during 2009. The pumped storage facility continues to make a positive contribution through its activities in the Balancing Mechanism and Ancillary Services.

- Cogeneration production has decreased by 39% from 539 GWh to 699 GWh due to less favourable market conditions during 2009.

• Supply

During 2009, 23,432 GWh of electricity and 33,892 GWh of gas were sold, representing a decline of 2.7% in the electricity sold and of 7.9% in gas from the same period in the previous year, compared to the 2008 data at 24,076 GWh and 36,812 GWh, respectively, and compared to the wide declines in demand for electricity and gas in the United Kingdom, at 5% and 8%, respectively.

As of 31 December 2009, the company has 3.2 million electricity customers and 2 million gas customers. The improvement in the effectiveness of handling customers is one of the key objectives, leading to the successful outcome of the "Project Pearl" Efficiency Programme and translating into a savings of GBP 112 million, which exceeds the initial annual target for the programme at GBP 100 million.

Tight credit control continues to be of high importance within Energy Retail. Cash management continues to improve with 34% reduction in debtors days compared to December 2008. Bad debt cost has fallen 12% in 2009. These improvements have been driven by a number of initiatives which have, for example, lead to our industry leading penetration of customers paying by secure payment, with 75% of customers now

paying by direct debit or utilising a prepayment meter.

2.2 Regulated Business

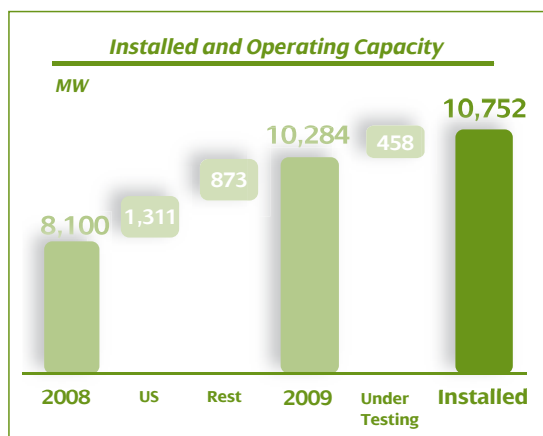
As of 31 December 2009, IBERDROLA had 3.5 million distribution customers in the United Kingdom. The volume of energy distributed during 2009 was 36,503 GWh, representing a decline of 4.2% in relation to the same period of the previous year.

Quality of service has improved, with a decrease in interruption time (TIEPI) of 18% compared to the same period in the previous year.

Following careful consideration, on 22 December IBERDROLA accepted Ofgem's final proposals for the next distribution regulatory price control period, Distribution Price Control 5, which will run from 1 April 2010 to 31 March 2015. In a response to Ofgem, Iberdrola still expressed concern that the 4% headline rate of return is inadequate to encourage and stimulate the investment that the UK's infrastructure requires. Iberdrola does not view this rate of return to be consistent with the level of investment required in order to support the delivery of the UK's energy policy and EU carbon reduction targets, especially given the global competition for investment. However after looking at the proposals in detail as an overall package, Iberdrola believes that, by fully implementing the Group's global model for excellence an acceptable level of return can be achieved.

3. IBERDROLA RENEWABLES

At the end of the fourth quarter of 2009, IBERDROLA RENEWABLES had 10,752 MW of installed capacity and 10,284 MW of operating capacity.



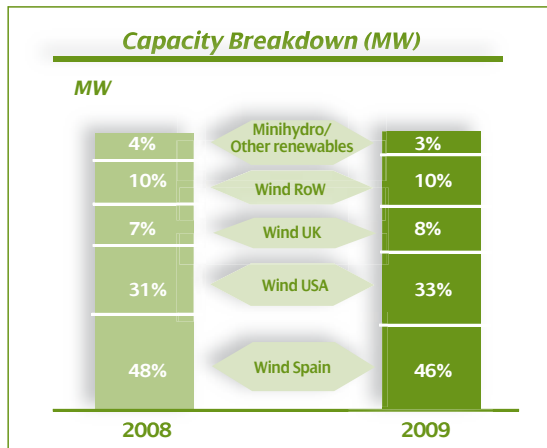
In year-on-year terms, the additional installed capacity represented an increase of 15.6%, or 1,450 MW, from 9,302 MW at the end of 2008.

Operating capacity grew by 2,184 MW (+27%), of which 1,311 MW was in the United States, where 33% of total operating capacity is located.

The 72.4% of the additional capacity installed during the fourth quarter was outside of Spain, additional evidence of the process of internationalisation in which the company is engaged.

Of the total 10,284 MW currently in operation, 49.6% is already located outside of Spain.

As a result of this additional capacity, the Company improved the geographic diversification of its assets, as shown in the following chart, with 51% of total installed capacity located outside of Spain.



IBERDROLA RENEWABLES has a global project pipeline of 58,416 MW (including the projects covered by the strategic agreement with Gamesa) at various stages of development, both in Spain as well as in other countries.

MW	Total Pipeline	Strategic Agreement	Probable	Likely	Highly Confident
Wind	56,864	~ 10,000	31,107	13,388	2,369
Spain	13,446	-4,750	5,904	2,129	663
US	24,498	0	14,973	8,652	873
UK	5,143	0	4,017	762	364
RoW	13,777	- 5,250	6,213	1,845	469
Other Renewables	1,552	0	1,148	353	51
Spain	950	0	616	284	50
US	503	0	498	35	0
UK	1	0	0	1	0
RoW	98	0	64	33	1
TOTAL	58,416	~ 10,000	32,255	13,741	2,420

NOTES:

Potential: With identification of site, request for first licence, estimate of resource or first configuration of capacity development agreement; probability of success and achievement: 20%

Probable: With installation of measurement systems, basic engineering, resolution of competition or auction procedure, with the principal licences and necessary interconnections; probability of success and achievement: 40-50%

Practically Certain: With key authorisations already obtained, available connection, approved investment portfolio and turbines available; probability of success and achievement: 95%

Contribution of Strategic Agreement: This incorporates the initial estimate for the contribution of Gamesa projects under the strategic agreement reached on 13 June 2008

3.1 Wind Energy

After adding 1,396 MW during 2009, IBERDROLA RENEWABLES continues to display world leadership in the wind energy business, with total capacity of 10,356 MW. The geographic breakdown is as follows: 4,882 MW in Spain, 3,591 MW in the United States, 802 MW in the United Kingdom and 1,081 MW in the Rest of the World.

3.1.1 Spain

The installed capacity at the close of 2009 was 4,882 MW, 8.0% greater than at the close of the previous year.

The new capacity installed in Spain during 2009 reached a total of 356 MW, with the installation of the following: 186 MW in Castile and Leon, 98 MW in Andalusia, 70 MW in Murcia and 2 MW in Galicia.

At the end of the third quarter of 2009, the project pipeline totalled 13,446 MW.

3.1.2 United States

The Company has a presence in 16 States, with a total of 3,591 MW installed. This installed capacity represents growth of 24.8% in relation to 2008.

During 2009, 714 MW was installed, representing 49.2% of the total capacity installed by IBERDROLA RENEWABLES during 2009. It is worth noting that, during this fourth quarter of 2009, 132 MW was installed, pertaining to 3 wind farms.

The project pipeline amounts to 24,498 MW, approximately 41% of the total project pipeline of the company.

3.1.3 United Kingdom and Republic of Ireland

The Company has 802 MW in operation, with the Company as onshore installed capacity leader in the United Kingdom, with 787 MW in the United Kingdom and 15 MW in the Republic of Ireland.

At the end of the third quarter of 2009, the project pipeline in the UK totalled 5,143 MW.

3.1.4 Rest of the World

Greece

At the end of financial year 2009, the Company had 217 MW in operation in Greece.

On 17 March 2009, IBERDROLA RENEWABLES became 100% owner of the Rokas Group, upon completing the squeeze-out process (process of the forced sale of ordinary and preferred shares that Iberdrola did not own following the voluntary takeover bid).

France

During 2009, an additional 61 MW was installed in France. Thus, the total installed capacity increased at the end of the period to reach 275 MW, 28.3% more than at the end of 2008. The growth in the last quarter of 2009 is significant, due to the entry into operation of 5 wind farms with a combined total capacity of 30 MW.

Poland

At the end of 2009, the installed capacity reached 161 MW, by virtue of the installation of 30 MW in the period.

IBERDROLA RENEWABLES thus became one of the top wind energy generators in Poland, a country where it is envisioned that wind energy will develop significantly in the coming years.

Portugal

The Company is availed of 92 MW installed, with the notable amount of 42 MW pertaining to the Alvao wind farm.

Germany

The company had a total of 63 MW installed as of the end of 2009.

Italy

During 2009 there was continued development of the agreement described previously, with the start-up of two more new wind energy projects during the fourth quarter, with a combined total

capacity of 9 MW. These projects, added to the start-ups during the remainder of 2009, mean that the total installed capacity as of the end of financial year 2009 reached 66 MW.

Mexico

At the end of 2009, the installed capacity reached 80 MW, attributable to the La Ventosa wind farm in the State of Oaxaca.

During the second quarter of 2009, the Comisión Federal de Electricidad de México (CFE) awarded IBERDROLA RENEWABLES the construction of the La Venta III wind farm, with total capacity of 103 MW, through an international public bid invitation process.

Hungary

During 2009, 42 MW was installed in Hungary, 28 MW of which pertains to the wind farms installed during the fourth quarter of 2009, thus increasing the total capacity in that country to a total of 78 MW.

3.2 Offshore Wind Energy

IBERDROLA RENEWABLES is presently developing offshore wind projects in the United Kingdom, Germany, France and Spain.

In the UK area, development of the West of Duddon project is continuing, located in the Irish Sea, with forecast capacity of 500 MW, is expected to come into operation in 2012.

During 2009, IBERDROLA RENEWABLES was awarded exclusivity in investigating the installation of an offshore wind energy farm, Argyll Array, in the west of the Isle of Tiree in Scotland. It is estimated that between 500 and 1,800 MW could be installed at the site, and supply energy to between 270,000 and a million families.

In December of 2009, as part of the “Round 3” United Kingdom Offshore Wind Energy Programme, the Crown Estate – the agency owning the property – granted to a 50/50 joint venture composed of IBERDROLA RENEWABLES and Vattenfall the exclusive right to develop offshore wind farms in the East Anglia zone of the North Sea (Zone 5). The project covers an area of almost 6,000 km², the project benefits from its relatively close proximity to the mainland and the water depth. The zone has installation capacity of 7,200 MW.



Zone	Potential (MW)	Average Distance to shore (km)	Depth (m)
1. Moray firth	1,300**	28.0	30-57
2. Firth of Forth	500*	54	30-80
3. Dogger Bank	9,000	125-195	18-63
4. Hornsea	3,000*	34-190	30-70
5. Norfolk	7,200*	55	5-70
6. Hastings	500*	13-26	19-62
7. Isle of Wight	900	21	28-56
8. Bristol Channel	1,500	24	20-61
9. Irish Sea	4,000	15-40	28-78

This installation, awarded within the framework of the third round of the bidding held by the British government, could obtain its first permits in 2012 with the possibility of construction starting in 2015. The installed capacity forecast will enable electricity to be supplied to about five million homes and will substantially contribute to the renewable energy objectives of the United Kingdom in the fight against climate change.

3.3 Other Renewable Technologies

3.3.1 Thermo-Solar Energy

During 2009, the first plant of 50 MW in Puertollano (Ciudad Real) was synchronised and brought on line. IBERDROLA RENEWABLES has a 90% interest in this facility, and Instituto para la Diversificación y Ahorro de la Energía (IDEA) has 10%.

3.3.2 Photovoltaic Energy

During 2009, a 2 MW installation was brought into service in Greece.

3.3.3 Biomass

During 2009, the biomass plant at Corduente (2 MW) entered into operation; this is the first facility in Spain to exclusively use forest residues deriving from fire prevention and clean-up campaigns to generate electrical energy.

3.3.4 Marine Energy

Among the marine energy development projects, during 2008 the first wave energy pilot plant buoy at Santoña (Cantabria) was launched and it will become the first of its kind to be brought into service in Europe.

During 2008, detailed research started on developing a marine energy project west of the Scottish coast, called Sound of Islay. This project will consist of 10 marine turbines and its start-up in operation is planned for 2012 or 2013, using Hammerfest Storm technology that has gone through a rigorous testing process throughout 2009 in Norway. The Sound of Islay marine project will be one of the first of its type in the world.

3.3.5 Mini Hydroelectric

IBERDROLA RENEWABLES has installed capacity of 342 MW, all of it in Spain. Within the project pipeline, the company has 172 MW in Spain and 88 MW in Greece.

Of the 342 MW that IBERDROLA RENEWABLES has installed, 211 MW pertain to the Ordinary Regime for the Production of electrical energy and the rest pertain to the Special Regime.

3.4 Combined Cycle Thermal Plants

IBERDROLA RENEWABLES is availed of 2 gas cycle plants located in the USA, adding up to a total of 621 MW and broken down as shown in the following table:

USA	MW
Klamath Generating Plant	100
Klamath Cogeneration	521
TOTAL MW	621

The total capacity has increased since the third quarter of 2009 due to the installation of a serie

of components that have improved the yield of the Klamath Cogeneration Plant to reach 521 MW, from the 506 MW available previously.

3.5 Gas Storage

The Company has four installations totalling 1.40 bcm and, in addition, 2.73 bcm of capacity contracted or under management.

USA/CANADA	BCM
Enstor Katy Storage	0.59
Enstor Grama Ridge Storage	0.22
Freebird	0.22
Caledonia	0.37
TOTAL OWNED CAPACITY	1.40
TOTAL CAPACITY UNDER MANAGEMENT OR CONTRACTED	2.73
TOTAL CAPACITY	4.13

The Company also holds two storage facilities in development: (i) Enstor Waha Storage and Transportation, L.P. ('Waha'), a facility located in West Texas, and (ii) Enstor Houston Hub Storage and Transportation, L.P. ('Houston Hub'), a facility located near Houston, Texas.

4. LATIN AMERICA

In Latin America, total production has increased in relation to last year, reaching 38,160 GW.

	Production	Evolution
Mexico	35,070	3.29%
Latin America (IBERDROLA share)	3,090	25.9%
Combined Cycle	1,554	33.2%
Hydroelectric	1,050	16.0%
Cogeneration	485	27.3%
TOTAL	38,160	4.8%

At the close of the quarter, IBERDROLA handled 9.7 million users in the region, and the energy distributed reached 31,895 GWh, a slight increase of 4.8% compared to 2008.

4.1 Mexico

IBERDROLA's production in Mexico during the year was 35,070 GWh, representing a slight increase of 3.29% in relation to 2008.

IBERDROLA is the leading private electricity producer in Mexico. Installed capacity has reached 4,950 MW, broken down as follows:

Name	Capacity (MW)
Monterrey	1,040
Altamira	1,036
Enertek	120
La Laguna	498
Golfo	1,121
Tamazunchale	1,135
TOTAL	4,950

4.2 Brazil

Through the company Neoenergía, Iberdrola is making investments in hydroelectric plants that will increase its installed capacity by 630 MW.

In addition, the trend for demand at the three distributors in which IBERDROLA has an interest in Brazil is reflected in the following table:

Energy Distributed (GWh) Managed	12M 2009	vs. 12M 2008
Coelba	6,302	4.1%
Cosern	1,796	1.6%
Celpe	3,849	4.6%
TOTAL	11,946	3.9%

5. IBERDROLA USA (formerly Energy East)

5.1 Electricity

At 31 December 2009, IBERDROLA USA had 1.84 million electricity supply points in the United States. The volume of energy distributed in the year was 36,786 GWh.

The average interruption time for the American utilities is 1.1 interruptions per user in a period of 12 months. As of 31 December 2009, the System Average Interruption Frequency Index (SAIFI) for the various IBERDROLA USA businesses is as follows:

Central Maine Power (CMP)	2.03
NY State Electric & Gas (NYSEG)	1.08
Rochester Gas & Electric (RGE)	0.59

Central Maine Power (CMP) was affected by strong storms during the first and fourth quarters of 2009, which negatively influenced the SAIFI.

5.2 Gas

The number of gas users in the United States as of 31 December was 0.93 million and supply during the year was 53,020 GWh.

6. NON-ENERGY BUSINESSES

6.1 IBERDROLA Engineering and Construction

IBERDROLA Engineering and Construction has projects under development in more than 25 countries and it has 25 subsidiaries and branches in a total of 22 countries.

The **principal milestones** of the activities carried out by IBERDROLA Engineering in 2009 were the following:

- IBERDROLA ENGINEERING participates in certain phases of nuclear energy projects, the key projects are works at the Bohunice V1 nuclear power plant in Slovakia, the installation of a radioactive residue incineration treatment system at the Zaporozhye Nuclear Plant in Ukraine, modernisation of the Angra nuclear plant in Brazil (consisting of replacing the steam generators of Unit 1) and finally, in consortium with the European companies Tractebel and AMEC, IBERDROLA was awarded engineering works for the Cernavoda nuclear plant (Romania).

- IBERDROLA Engineering and Construction won the Prince Felipe Award for Business Excellence in the category of Industrial Quality and Innovation, as announced in December by the Ministry of Industry, Tourism and Trade.

7. SHAREHOLDER COMPENSATION

Payment of Interim Dividend

On 30 December 2009 Iberdrola paid an interim dividend on the results of financial year 2009 amounting to a gross EUR 0.143 per share, earlier than the usual date (January).

Dividend Reinvestment Plan

The dividend reinvestment plan is an initiative by which the company offers its shareholders the option to reinvest the net dividend (the gross dividend minus the legally established withholding) that they may receive from Iberdrola in shares of the company itself. Among non-financial companies of the Ibx-35, this was a pioneering programme in its day, created as an incentive meant to be permanent with the purpose of promoting loyalty among its shareholders, particularly minority ones.

A total of 36,933 shareholders chose to participate in the Eighth Dividend Reinvestment Plan (DRP) launched by Iberdrola for the payment of a dividend charged against financial year 2009, which became effective this past 30 December.

In absolute terms, the shareholders who have signed on to the seventh DRP have received more than 6.5 million shares of Iberdrola, representing an increase of 24.8% compared to June 2009

and an increase of 138% in relation to the same period in the previous year.

Scrip Dividend

Iberdrola's Board of Directors has analysed the possibility of offering a new compensation system for the Company's shareholders. This new system would be implemented, if ultimately approved, on the occasion of the traditional supplementary payment of the dividend, which is usually distributed in the second half of each financial year.

According to the system under analysis, Iberdrola would offer its shareholders a new alternative that would enable them to receive fully paid-up shares of the Company without limiting their ability to instead receive a cash equivalent amount for the supplementary dividend payment pertaining to financial year 2009, which, following the practice of past years, would be distributed in the second half of financial year 2010.

This option would be implemented by means of an increase in share capital, which would have to be subject to approval by Iberdrola's General Shareholders' Meeting.

Depending on the alternative chosen by each Iberdrola shareholder, they could receive either new fully paid-up shares of the Company or else an amount in cash as a result of the sale of the bonus share rights to Iberdrola (by virtue of the commitment that the Company would make, at a guaranteed fixed price) or on the market (in which case the valuable consideration would vary depending on the quoted price for the bonus share rights).

The fiscal treatment under the scrip dividend scheme is attractive for the small shareholder and

allows shareholders to receive shares in lieu of the dividend. Unlike the cash dividend, these new shares to be issued will not incur withholding tax, thereby increasing the remuneration received by the shareholder equivalent to the applicable tax rate. Withholding tax is only payable upon their disposal.

The capital increase would be carried out free of expenses and commissions for subscribers for the allotting of the new shares issued. Iberdrola would assume the expenses of issuance, subscription, circulation, listing and others relating to the capital increase.

8. OTHER SIGNIFICANT EVENTS

8.1 Regulation: Spain

In the fourth quarter of 2009 two provisions were approved that affect both the electricity industry as well as the natural gas industry. This section presents the most significant changes.

Electricity – Tariff deficit

According to Royal Decree Law 6/2009, "The growing tariff deficit, i.e. the gap between, on the one hand, the revenues collected from the regulated tariffs set by the Administration and paid by consumers for their regulated supplies and from the access charges established on the liberalised market, and, on the other hand, the real costs associated with those tariffs, is causing serious problems which, in the current context of international financial crisis, are profoundly affecting the system and threatening not only the financial situation of companies in the electricity sector, but also the very sustainability of the system. This discrepancy is unsustainable and is having serious consequences, adversely affecting

the security and financing capacity of the investments necessary for the supply of electricity at the levels of quality and safety demanded by Spanish society”.

Thus, *Royal Decree Law 6/2009 of 30 April, under which certain measures have been adopted in the energy sector and approval has been given for the “bono social” social benefit*, established limits to contain the growth of the tariff deficit and sets out a path for the progressive adjustment of the access charges, as well as introducing a mechanism to finance the tariff deficit. It was thus established that the tariff deficit will be eliminated as of 1 January 2013, so that the access charges will be adequate to cover the full costs of regulated activities without allowing the appearance of any ex-ante deficit, regulating the transitional period until that date and reducing the tariff deficit from payments in the regulated activities of the electricity sector, which for 2009, 2010, 2011 and 2012 will not exceed 3,500, 3,000, 2,000 and 1,000 million euros respectively.

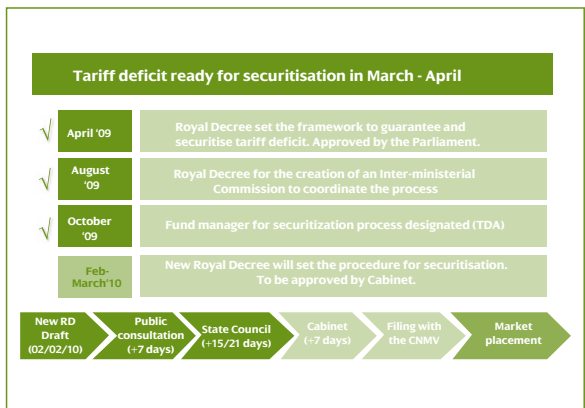
The Decree Law also established that if the payments received from regulated activities in each period leave a tariff deficit exceeding the fixed threshold, that excess will be recognised in the provisions approving the access charges for the following period.

In parallel with these measures, provision was also made for the current and future collection rights to be transferred to a securitisation fund set up for this purpose, which will issue its corresponding liabilities by means of a competitive mechanism on the financial market, backed by a government guarantee. The legislation allowing this transfer to be effected is currently at an advanced stage of preparation, and

is expected to be approved in the first quarter of 2010.

In October 2009, a specially created interministerial committee selected, from five bids received, the company *Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A., (TdA)* as manager of the Electricity System Deficit Securitisation Fund after analysing the valuation report prepared by the Expert Appraisal Group, consisting of representatives from the Ministry of Economy, the Ministry of Industry, Tourism and Trade, the National Energy Commission (CNE), the National Securities Market Commission (CNMV) and the Official Credit Institute (ICO).

Finally, during the first quarter of 2010 approval will be given to the last administrative measures required (Council of State and Council of Ministers) in advance of the securitisation, namely the Royal Decree which will govern the financial aspects of the securitisation, and it is hoped that the reimbursement of the contributions made to finance past tariff deficits will be completed during the first half of the current financial year.



Electricity

By Decision of 17 November 2009, the Office of the Secretary of State for Energy established the maximum quantities for auction for each type of product (base load and peak load for the first two quarters of 2010), the trading period and the date of the auction, as well as the content of the rules for the auctions, the Master Agreement and the other conditions relating to the **tenth CESUR auction** governed by Order ITC/400/2007.

The Decision of 19 November 2009 of the Office of the Secretary of State for Energy promulgated the **Resolution of the Council of Ministers of 13 November 2009**, which establishes:

- Determination of the **sequence of the projects** and facilities submitted to the administrative register and for **preliminary allocation of compensation for electrical energy production facilities** as provided for in Royal Decree-Law 6/2009 of 30 April.
- Decision on the start-up in operation of the facilities in successive phases.
- Setting of the administrative authorization date as the criterion of priority for the establishment of the timetable of restrictions on the start-up in operation of the facilities entered in the administrative register for preliminary allocation of compensation.

On the last day of the year Order ITC/3519/2009 was published, revising **the access fees starting from 1 January 2010 and the tariffs and premiums for facilities under the special regime**. Under this rule, the electricity access fees rise an average of 14.5%, approximately, although

the rise in the high voltage tariffs, about 22%, nearly doubles the rise in low voltage tariffs.

In addition, **the compensation for distribution for 2009 and 2010 is established in a provisional manner**, giving a mandate to the National Energy Commission, which is to provide to the Office of the Secretary of State for Energy the results of application of the Reference Grid Model for the year 2009 and subsequent years, once validated and checked with the distribution companies.

On the last day of the year the Decision of 29 December of the General Administration of Energy Policy and Mines was also published, establishing the **electrical energy production cost and the prices for the fixed charge for power and energy that will include the last resort tariffs during the first half of 2010**. The values for the fixed charge for power will reflect an average rise close to 2.6%; the fixed charge for energy at peak time is increasing 1.2% and is reducing 3.5% for off-peak time.

Gas

In parallel with the electricity tariffs, on the last day of the year Order ITC/3520/2009 was published, **establishing the fees and royalties associated with the access by third parties to gas facilities for 2010** and certain features are updated involving the **compensation for regulated activities of the gas industry**. In this revision, the fees and royalties for the use of the gas facilities increase an average of 2%. Furthermore, the possibility of revising these fees and royalties on 1 July 2010 is envisioned, in the event of significant discrepancies between costs and income.

On 31 December, a Decision of the General Administration of Energy Policy and Mines was published that promulgates the **last resort tariff for natural gas**, which keeps the values in force up to now in line with the LRT1 method (for consumptions lower than 5,000 kWh/year) and LRT2 (for consumption between 5,000 and 50,000 kWh/year).

8.2 8.2 Regulation: United States

Electricity

Tariff Revisions in Connecticut

The rate order of Southern Connecticut Gas was issued on 23 July and represents a rate reduction of 3.2% effective 19 August 2009. The rate order of Connecticut Natural Gas was issued on 23 July and represents a rate reduction of 4.2% effective 31 July 2009. Both orders have been appealed.

Tariff Revisions in New York

New York State Electric and Gas (NYSEG) and Rochester Gas and Electric (RGE) have asked the New York State Public Service Commission to approve an increase in tariffs for both electricity and gas so that the two companies can thus cover the rising costs of the services and achieve an adequate return on investment. These tariff increases would be the first to be approved since the middle of the decade of the 1990's, we expect this will be effective from September 2010.

Analysis of the Consolidated Income Statement

1. RELEVANT INFORMATION

1.1 Energy Business: Spain

Tariff Deficit

The tariff deficit as estimated at the end of 2009, sector-wide, and once the value of the emission rights consumed during the period up to 30th of June is deducted, totals EUR 3,959.3 million. In accordance with Royal Decree Law 5/2005 of 11 June, the provisional percentage corresponding to Iberdrola for financing the tariff deficit amounts to 35.38%, which results in a deficit of EUR 1,401.0 million.

1.2 IBERDROLA USA

Is fully consolidated from 1 October 2008, the date on which it starts to contribute to Group results.

2. ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

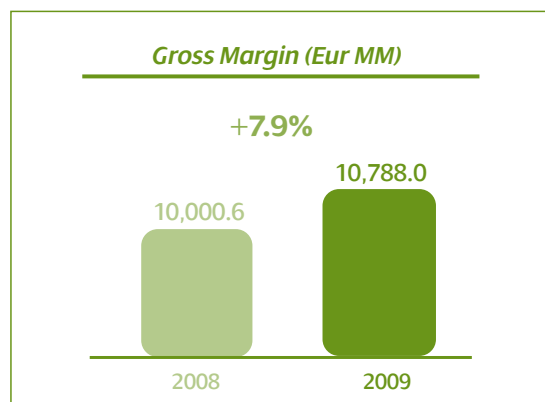
The most notable figures of the Results for financial year 2009 are as follows:

Eur. Mil	12 M 2009	vs 12 M 2008
GROSS MARGIN	10,788.0	7.9
BASIC MARGIN	11,088.2	6.3
EBITDA	6,815.3	6.3
EBIT	4,509.2	5.8
NET PROFIT	2,824.3	-1.3

2.1 Gross Margin

Gross Margin was EUR 10,788.0 million, up 7.9% from the same period in 2008. We point out the following, business by business:

- With respect to the domestic Spanish electricity business (EUR 3,855.1 million; -5.0%), the good performance of the Regulated Business, which improved 4.9% by virtue of the higher amount of income recognised, was insufficient to offset the performance in the Deregulated Business (-11.5%) caused by the current economic climate which has resulted in demand destruction at a domestic level (-4.5%), affecting prices (-24%) and volumes produced (-5%).



- Iberdrola Renewables has increased its Gross Margin by 12% to reach EUR 1,815.5 million, resulting from greater production (+26%), the effect of higher installed operating capacity (2,184 MW; +27%), which has been partially offset by the lower average prices obtained (-9.3%), mainly in Spain.

- ScottishPower delivered a gross margin of EUR 1,980.3 million, representing a reduction of 6.6%. This strong decline was due to loss of value in the British pound (EUR -226 million). On a constant currency basis, the improved operating performance of the activities amounted to EUR 86 million (+4.1%).
- The contribution from IBERDROLA USA (formerly Energy East) during the year reached EUR 1,367.1 million (EUR +990 million), as a result of the differing consolidation periods during the two financial years.
- Within Latin American the Gross Margin declined 5.5% as a result of the tariff reviews, mainly in Brazil, and due to weakening of the Brazilian real (-3.1%), representing an impact of EUR -18 million. In addition, there was a deconsolidation of the assets of Ibener (Chile) and Navega (Guatemala), resulting from divestments carried out with a differential effect of EUR 38 million.
- Finally, it is worth noting that the contribution from the Non-Energy Businesses reached EUR 707.9 million (+0.9%), which has been affected by the condition of the Spanish real estate market.

With regard to CO₂ emission rights consumed, these have reached 10.6 million tonnes in Spain and 15.2 million tonnes in the United Kingdom, amount to EUR 420.7 million, declining by EUR 179.4 million (-30%) compared to 2008.

2.2 Basic Margin

This item is obtained by adding the effect of the revenues derived from the freely allocated

emission rights to the Gross Margin, thus reflecting the net effect of said rights in the Company accounts, which reached EUR -120.5 million for this period. This figure is the result of:

- An expense, as already mentioned, for the consumption of emission rights totalling EUR 420.7 million recorded at the Gross Margin level included within procurements.
- An income for the free emission rights allocated amounting to EUR 300.2 million, which is accounted for under “Other operating revenues”.

Thus, the Basic Margin for the period increased 6.3% to EUR 11,088.2 million, as can be seen in the following table:

	12 M 2009	12 M 2008	%
GROSS MARGIN	10,788.0	10,000.6	7.9
Emission rights income	300.2	429.8	-30.2
BASIC MARGIN	11,088.2	10,430.4	6.3

2.3 Gross Operating Result - EBITDA

Consolidated EBITDA increased 6.3% to EUR 6,815.3 million.

In addition to the movements outlined in the Gross and Basic Margins, one should note that Net Operating Expenses reached EUR 3,590.1 (+9.8%), a change which was the direct result of the consolidation of IBERDROLA USA, representing an increase in operating costs of EUR 445.9 million. Discounting this effect, the Net Operating Expenses of the Group declined 4.1%, a

result of the policies of cost containment and the benefits derived from the efficiency improvement programmes in progress.

The Net Operating Expenses break down as follows:

- Net Personnel Expenses have increased by 14.4%. Excluding the impact of Iberdrola USA, net personnel expenses declined 4.1%.
- Net External Services have increased 6%. Excluding the impact the USA, this item would be 4.2% below the preceding financial year.

<i>Net Operating Expenses</i>		
	2009	% v 2008
Net Personnel Expenses ex IBE USA	1,334.8	-4.1%
Net External Services ex IBE USA	1,573.5	-4.2%
Total ex IBE USA	2,908.3	-4.1%
EAS Net Operating Expenses	681.7	N/A
Total	3,590.1	+9.8%

In addition, the Taxes item declined 8.8% to reach EUR 682.8 million. The consolidation of IBERDROLA USA again represents a key driver (EUR +185.5 million). On the other hand, the application of Royal Decree 6/2009 and the lower market prices for CO₂ has reduced this cost to EUR 82 million for 2009 (EUR -287 million in relation

to 2008). It should be remembered that this item has ceased to occur from 1 July as a result of application of Royal Decree Law 6/2009, which establishes the distribution of the additional cost of the “bono social” social benefit among the players on the market and, in this regard, 35% of the financing of the sector total pertains to Iberdrola, with an impact of EUR 7.2 million.

The negative impact on EBITDA due to changes in foreign currencies movements over the course of the year (dollar, pound and real) amounts to EUR 156 million.

2.4 Net Operating Result - EBIT

EBIT totalled EUR 4,509.2 million, an increase of 5.8% on that of 2008.

Amortisations and Provisions rose 7.2% to reach EUR 2,306.1 million. Due primarily to:

- Amortisation recorded an increase of 15.4%, to EUR 2,194.9 million. Of note is the increase experienced by Iberdrola Renovables (EUR +170 million; +36.5%) resulting from the greater installed capacity and the impact of the full year consolidation of IBERDROLA USA during 2009, EUR 136 million. In addition, the amount pertaining to the Purchase Price Allocation (PPA) has reached EUR 221 million.
- Provisions totalled EUR 111.1 million.

2.5 Financial Result

The Financial Result was EUR 1,109.4 million, an increase of 8.1% in comparison with 2008. The following are of note:

- The increase in the gross debt balance (+22.5%), to which a contribution was made by the financing of the accumulated tariff deviation (EUR 3,618 million).
- The average cost of debt financing went down to 4.5%, compared to 5.0% in the previous financial year.

2.6 Results of Companies Consolidated by the Equity Method

Results from Companies Consolidated by the Equity Method declined 55.8% to EUR 32.4 million. With a key reason for this decline is the impact of the disposal of 10% of the stake in Gamesa in June 2009.

The breakdown is as follows:

Eur. M	12 M 2009	vs 12M 2008
Equity interests	13.6	-76.3%
Rest	18.8	7.5%
TOTAL	32.4	-55.8%

2.7 Income from Non-Current Assets

Income from Non-Current Assets reached EUR 225.3 million, resulting from the gains from the EUR 2,500 million divestment plan, nearly EUR 1,600 million of the divestment plan has already been executed. The main disposals were carried out in the companies Navega, Gamesa, Ibener, stakes in the regasification plants of Sagunto and BBG, and Real Estate. In comparison with financial year 2008, when disposals were done with a positive result of EUR 555.2 million, is to be noted.

2.8 Net Profit

Pre-tax earnings reached EUR 3,657.5 million. The resulting tax rate is 19.7%, lower than the 23.2% reported in December 2008. Finally, Net Profit reached EUR 2,824.3 million, a slight decline of 1.3% compared to the figure obtained in 2008 due to lower results from Non Current Assets as mentioned above.

At December 2009, cash flow* totalled EUR 4,872.7 million, representing an increase of 11.2% compared to 2008.

(*) Net Profit + Amortisations – Companies by the equity method – Income from non-current assets

Results by business

1. ENERGY BUSINESS IN SPAIN

The key figures for the energy business in Spain are as follows:

Energy Business in Spain (Eur Millions)	12M 2009	vs.12M 2008
Revenues	7,038.5	-17.2%
Gross Margin	3,855.1	-5.0%
Basic Margin	3,985.3	-6.5%
EBITDA	2,391.9	0.7%
EBIT	1,687.8	0.1%

1.1 Deregulated Business

LIBERALISED Business (Eur Millions)	12 M 2009	vs.12M 2008
Revenues	5,860.4	-16.1%
Gross Margin	2,191.7	-11.5%
Basic Margin	2,321.9	-13.5%
EBITDA	1,330.6	-12.4%
EBIT	869.1	-20.3%

a) Gross Margin and Basic Margin

In analysing the trends in this business, the following aspects occurring in the Spanish Mainland Electricity System must be kept in mind:

- A 4.5% decline in mainland demand.
- A reduction in the sales price for energy on the wholesale market (-24.2%) as a result of the development of declining demand and

the reduction in economic activity already mentioned.

- The decline in the price of emission rights, falling from a supply cost of EUR 21.33 per tonne to EUR 14.22 per tonne in 2009.

Under these economic circumstances, the Gross Margin in the Deregulated Business (Generation+Commercial+Gas) registered a decline of 11.5%, amounting to EUR 2,191.7 million. Within the context of this development, we highlight the following:

- Total Revenues of the business declined 16.1% as a result of a reduction of volumes sold on the Wholesale Market and lower prices.
- Procurement costs dropped 17.5% to EUR 3,517.2 million because of the decline in the average weighted cost for fuel from the general price reduction for commodities and the lower production.
- CO₂ rights consumed has fallen to EUR 151.5 million, 37.8% lower than what was incurred in 2008.

The Basic Margin totalled EUR 2,321.9 million, a decline of 13.5%. In addition to the change in Gross Margin, EUR 130.2 million should be added under the category of subsidies received for allocated CO₂ rights.

b) Operating Profit/EBIT

EBITDA fell -12.4% to reach EUR 1,330.6 million and the reasons for the Gross Margin evolution equally apply here.

In addition to what relates to Gross Margin (-11.5%) and Basic Margin (-13.5%), Net Operating Expenses saw an increase of 10.4%, due to the expenses associated with greater sales activity. This can be broken down by item as follows:

- Net External Services rose 11.2%.
- Net Personnel Expenses increased 9.1%.

On the other hand, Deregulated Business Taxes declined EUR 248 million due to the impact of the lower cost of CO₂ emission rights (decline in the prices from EUR 21.33/T to EUR 14.22/T in 2009) resulting from the application of Royal Decree 11/2007. This impact ceased from 1 July 2009 as a result of the application of Royal Decree Law 6/2009.

The item Amortisation and Provisions increased 7.6% to reach EUR 461.5 million, as a result, among other reasons, of the implementation of environmental investments and accelerated depreciation of assets.

Overall, EBIT is down 20.3% in relation to the same period in the previous year, reaching EUR 869.1 million.

1.2 Regulated business

REGULATED (Eur Millions)	12 M 2009	vs.12 M 2008
Revenues	1,685.7	4.9%
Gross Margin	1,685.4	4.9%
EBITDA	1,118.9	12.9%
EBIT	892.0	16.9%

a) Gross Margin

The Gross Margin of the Regulated Business of Distribution improved by 4.9% to reach EUR 1,685.4 million, primarily resulting from the positive effect of EUR 59 million deriving from the increase in compensation for regulated activities (+4%) in accordance with the Royal Decree on Tariffs which was approved during 2009.

b) Operating Profit/EBIT:

EBITDA in totalled EUR 1,118.9 million, an increase of 12.9%. In addition to the movement in Gross Margin, there was a decline of 5.9% in Net Operating Expenses, despite the expenses arising from damage caused by cyclone Klaus during this past winter.

Regulated Business EBIT totalled EUR 892.0 million (+16.9%). From the EBITDA figure, one must subtract EUR 226.9 million (-0.6%) in amortisations, in line with the greater regulated assets in operation.

1.3 CORPORATION

This basically includes the elimination of inter-group expenses between the corporation and the businesses. The EBITDA of the period amounts to EUR -57.6 million.

2. IBERDROLA RENOVABLES

RENEWABLES (Eur Millions)	12 M 2009	vs.12M 2008
Revenues	2,009.1	-1.0%
Gross Margin	1,815.5	+12.0%
EBITDA	1,325.3	+11.8%
EBIT	688.9	-3.3%

a) Gross Margin

The Gross Margin totalled EUR 1,815.6 million with an increase of 12% resulting from:

- An increase in operating capacity resulting in greater production (+26.4%) to achieve generation of 21,490 GWh (+2,184 MW).
- A slight decline from 2008 in the load factors figures, which are approximately 26%.
- A reduction in the average price of renewables of around 9.3%, recorded at EUR 73.8/ MWh, basically due to the conditions of the generation market in Spain (-16.4%). In the other zones, the prices in euros and local currencies have also gone up, the Rest of the World and the United Kingdom, have increased local currency prices of 9.8% and 19.4%, respectively, while the increase in the USA was 5.6%.

By geographic area, the Gross Margin trend has been as follows:

- Spain: The Wind Energy Gross Margin in the period amounted to EUR 802.9 million, down 5.4% in relation to the same period in 2008, due to the mentioned 17.4% reduction in prices. Production rose 13.2%.
- The Mini-Hydroelectric Gross Margin amounted to EUR 34.0 million, down 16.8%, basically due to a significant reduction in sales prices by 20.3%, despite the 4.5% production increase in relation to the same period of the previous year.
- United States: The Gross Margin grew 50.9%, amounting to EUR 376.4 million thanks to the increase in production (+42.9%), the increase in prices in euros of 5.6%, assisted by the 5.2% increase in the value of the dollar during 2009.
- United Kingdom: The Gross Margin rose 53.5% to reach EUR 212.6 million, reflecting higher production and a 6.8% higher price in euros than in the same period of the previous year, all of this diminished by the effect of the 11.7% loss of value suffered by the GBP in relation to the euro.
- Rest of the World: The increase in production (+35.2%) and the higher prices (+9.8%) proportionally drove up the Gross Margin by 48.4% to EUR 157.1 million.

The rest of the businesses reached EUR 232.6 million, with a 2.2% decline from the previous year. This performance was due to the fact that the development of the business during 2009

was strongly affected by the change in the gas spreads, which declined to almost zero at points during 2008-2009. Despite that, the results show significant growth since the close of the third quarter of 2009 thanks to the recovery of the spreads in winter 2009-2010.

b) Operating Profit/EBIT:

- EBITDA rose 11.8% to EUR 1,325.3 million. In addition to the change in Gross Margin mentioned above, it should be added that the increase in the Net Operating Expenses was 8.2% (up EUR +34 million), with such expenses amounting to EUR 448.2 million, a result of new farms coming on line. This increase arose mostly in the international portion, with cost increases greater than the increases in capacity, due to the significant weight of expenses in the early financial years and to capacity that had not yet been put into operational exploitation (in tests). EUR 23 million of this increase is attributed to international business and 11 to domestic business.
- Finally, the EBIT has registered a decline of 3.3%, reaching EUR 688.9 million, due to the impact of some higher Amortisations and Provisions, up 34.4%, caused by the mentioned addition of new capacity installed primarily in the international area.

3. SCOTTISHPOWER

SCOTTISHPOWER (Eur Million)	12 M 2009	vs. 12 M 2008
Revenues	7,555.6	-5.3%
Gross Margin	1,980.3	-6.6%
Basic Margin	2,150.2	-8.2%
EBITDA	1,451.2	-3.5%
EBIT	899.6	-3.9%

a) Gross Margin and Basic Margin

ScottishPower has contributed EUR 1,980.3 million (-6.6%) to the Group's Gross Margin and EUR 2,150.2 million (-8.2%) to the Basic Margin. This negative development is to be attributed almost exclusively to factors unrelated to the business, such as the due to the decline in demand and the loss of value suffered by the British pound (-11.8%). The effect of the British pound on the Gross Margin amounted to EUR 233 million.

Below is an analysis of the different businesses:

- The Basic Margin of the Deregulated Business (Energy Wholesale & Retail) reached EUR 1,288.3 million, 12% below the previous financial year, mainly deriving from the exchange rate, as well as from a higher fuel cost. If one excludes the impact of the exchange rate, the Basic Margin would be 2% lower than that generated in the same period in 2008.
- The Networks gross margin (Energy Networks) was 8% lower than in the prior financial year (EUR 837.4 million), due to the loss in value of the British pound. Excluding the impact of the exchange rate, Energy Networks' gross margin would be 3% higher than that achieved in 2008, despite the decline in

energy distributed. In the United Kingdom, unlike the Spanish electricity sector, until April 2010 remuneration is affected by the volume of electricity distributed. This factor will be removed with the entry into effect of the regulatory revision known as DPCR5.

b) Operating Profit/EBIT:

The EBITDA of ScottishPower has reached EUR 1,451.2 million (-3.5%). The impact of the exchange rate movement amounts to EUR 165.4 million. In local currency the EBITDA grows 7.9%.

Net Operating Expenses totalled EUR 616.9 million (-17.5%). The Personnel Expense items totalled EUR 286.2 million (-12.7%) and External Services totalled EUR 330.7 million (-21.2%).

The Recurring Net Operating Expenses in local currency declined 7.7% from the previous financial year.

Finally, Amortisations and Provisions represented EUR 551.6 million. As a consequence of the above factor EBIT fell 3.9%.

4. IBERDROLA USA

IBERDROLA USA has consolidated its results within the Iberdrola Group since 1 October 2008. Several aspects are important to point out:

- US GAAP-IFRS conversion: The inability to recognise tariff assets under the IFRS accounting standards increases the volatility of the IBERDROLA USA contribution when preparing the accounts under IFRS, utilising the cash basis for certain items. During the financial year, its contribution was affected by several adjustments under IFRS which make it unable to be compared with previous periods,

the effects of which, at the end of the financial year, have been EUR 27 million.

Eur Millions	12 M 2009 MM USD - IFRS	12 M 2009 MM USD- US GAAP
Revenues	4,210.3	4,299.9
Gross Margin	1,919.4	1,973.7
EBITDA	642.7	666.1
EBIT	299.3	347.0

a) Gross Margin

The Gross Margin of IBERDROLA USA totalled EUR 1,367.1 million. This contribution has been influenced by some higher transmission costs which cannot be billed and the increase in the cost of electricity. The results can be broken down as follows:

- **By business**

€ M	12 M 2009
Electricity	850.3
Gas	462.5
Corporation and others	54.3
TOTAL	1,367.1

- **By company**

€ M	12 M 2009
NYSEG	542.2
RGE	310.8
CMP	231.7
SCG	98.6
CNG	105.9
BGC	23.5
Corporation and Other	54.3
TOTAL	1,367.1

b) Operating Profit / EBIT

The EBITDA amounted to EUR 451.3 million.

To the Gross Margin figures one should add the figures resulting under Net Operating Expenses of EUR 681.7 million, with personnel expenses of EUR 367.6 million, while External Services amounted to EUR 314.1 million.

Additionally the EBIT of Iberdrola USA has been impacted by non-recurring items in the fourth quarter amounting to 67 MM\$ than can be broken down as follows:

- Exceptional employee costs 29 MM\$
- Adjustments to receivables and others 17 MM\$
- Conversion from US GAPP to IFRS 20 MM\$

5. LATIN AMÉRICA

Eur M	12 M 2009	vs. 12 M 2008
Revenues	2,652.2	-23.2%
Gross Margin	1,062.1	-5.5%
EBITDA	859.7	-3.7%
EBIT	758.8	10.7%

a) Gross Margin

The Gross Margin of the Latin America business declined 5.5% to reach EUR 1,062.1 million. The key events which affected the change in this item are broken down in the following manner, by area:

In South America, the Gross Margin reached EUR 606.3 million (-5.1%). The factors behind this change were:

- There was a slight increase (+4.1%) in distributed energy in relation to the same period in 2008 (Coelba +4.3%; Cosern +1.7%; Celpe +4.8%).
- Offset by the negative impact of the movement in the Brazilian real exchange rate on gross margin of EUR 18 million.
- Tariff revisions of April 2008 pertaining to the Parcel B category of Coelba and Cosern (2008-2012 tariff revision) and Celpe in April 2009.
- Contribution from Chile decreased following the disposal of Ibener (-20 MM €)

In Mexico, the Gross Margin amounted to EUR 484.9 million (-6.0%). Driven by:

- The impact in the business due to the lower energy margin (EUR -51 million) and the tariff revision in Guatemala, as well as the sale of Navega.
- The year-on-year increase in the value of the US dollar and the loss in value of the Guatemalan quetzal has had a net positive impact of EUR 22 million on the gross margin.

b) Operating Profit/EBIT

The EBITDA for Latin America amounted to EUR 859.7 million, a decline of 3.7%. In light of the performance of the Gross Margin, the Net Operating Expenses declined 12.5% to reach EUR 200.2 million. This improvement is basically attributable to Brasil (EUR 24 MM operational impact and EUR 3 MM currency impact).

By region, EBITDA declined by 7.1% in Mexico, totalling EUR 357.5 million, and declined slightly by 1.0% in South America to reach EUR 502.2 million.

The EBITDA is broken down as follows:

• Total Latin América

Eur Million	12 M 2009	vs. 12 M 2008
Generation	432.9	1.7%
Distribution	426.8	-8.5%
TOTAL	859.7	-3.7%

• Mexico

Eur Million	12 M 2009	vs. 12 M 2008
Generation	339.9	4.4%
Distribution	17.6	-70.4%
TOTAL	357.5	-7.1%

• South America

Eur Million	12 M 2009	vs. 12 M 2008
Generation	93.0	-7.2%
Distribution	409.2	0.5%
TOTAL	502.2	-1.1%

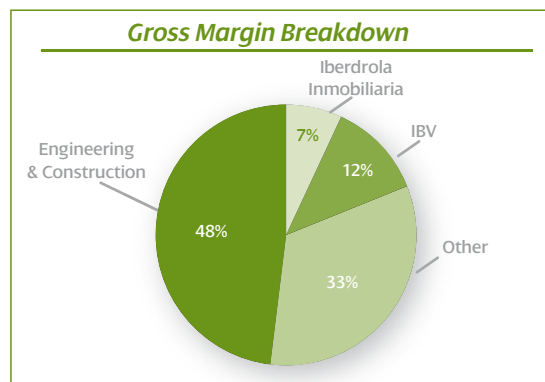
Amortisations and provisions represented EUR 100.9 million (-51.2%), resulting from the reversal of several provisions recorded during the previous financial year. For that reason, the EBIT for Latin America reached EUR 758.8 million, 10.7% higher than for the same period in the previous year.

6. NON-ENERGY AND ENGINEERING BUSINESSES

Eur Million	12 M 2009	vs. 12 M 2008
REVENUES	2,293.4	0.6%
GROSS MARGIN	707.9	0.9%
EBITDA	335.8	-7.7%
EBIT	225.0	6.8%

a) Gross Margin

The Gross Margin reached EUR 707.9 million, increasing slightly by 0.9% compared to the same period in 2008. Iberdrola Inmobiliaria was negatively affected in the period as a result of the current economic conditions of the business, reflected in a 46.4% decline in its Gross Margin. At such a time as this, it is rental income which is of special significance to the Inmobiliaria margin.



The sum for the rest of the non-energy businesses grew 47% in terms of Gross Margin.

Its breakdown is as follows:

Eur Millions	12 M 2009 vs. 12 M 2008	
Engineering and Construction	293.7	7.7%
IBERDROLA Inmobiliaria	50.0	-46.4%
IBV Corporation	88.2	-0.3%
Other services	276.2	35%
TOTAL	707.9	0.9%

b) Operating Profit / EBIT

The EBITDA decreased 7.7% to EUR 335.8 million, affected by the 57.4% fall in the real estate business.

The principal aspects by business can be broken down as follows:

- The contribution by Inmobiliaria was EUR 33.7 million, in line with the Gross Margin trend.
- In terms of the contribution by Iberdrola Engineering and Construction, the EBITDA was EUR 62.3 million, 13.2% lower than the contribution in the past financial year. The basic reason stems from the increase in operating expenses arising from business growth, although in line with the previous quarter.
- Corporación IBV, which is consolidated by proportionate consolidation under IFRS, has contributed EUR 25.7 million through its various industrial businesses.
- The contribution by Other Services was EUR 214.1 million.

The Net Operating Expenses of these businesses amount to EUR 359.8 million, an increase of 8.9%, with the most significant relating to an increase of 13.5% within Engineering and Construction.

Amortisations and provisions went down 27.7% due to a lower charge in the real estate business because of lower activity, resulting in an EBIT for the Non-Energy Businesses of EUR 225.0 million, an increase of 6.8%.

Analysis of the Balance Sheet

Period of January-December 2009

EUR Million	Dec. 2009	vs Dec 2008
TOTAL ASSETS	87,367	1.8%
TANGIBLE ASSETS	47,018	7.4%
INTANGIBLE FIXED ASSETS	18,042	1.0%
LONG-TERM INVESTMENTS	2,983	-54.5%
SHAREHOLDERS EQUITY	29,030	12.9%
NET ADJUSTED DEBT ⁽¹⁾	29,161	2.8%

(1) Includes amounts corresponding to the tariff deficiency of 2006, 2008 and 2009 and payment of the ordinary dividend on 30 December 2009. Excludes TEI

The balance sheet of Iberdrola at 31 December 2009 presents Total Assets of EUR 87,367 million, noting the maintenance of its solid asset strength.

IBERDROLA's Board of Directors agreed to advance the payment of the ordinary dividend against the results of 2009 to 30 December 2009. This dividend traditionally would have been paid in early January 2010. However as an exception, and to benefit shareholders we advanced the dividend payment date to before the end of 2009. The figures on net debt and the leverage shown in the following are not comparable to 2008. The impact of advancing the payment of the dividend to December 2009 on IBERDROLA's net debt is EUR 649 million.

Leverage was 50.1% at the end of financial year 2009, compared to 52.5% at December 2008. If financing of the tariff insufficiency is not taken into account, along with payment of the dividend made on 30 December 2009, the adjusted leverage at the end of financial year

2009 would be 46.2% (at December 2008 it would have been 50.3%). Of note in the financial year are the divestments totalling more than EUR 1,696 million, in conjunction with the EUR 1,325 million from the capital increase in June 2009.

The adjusted financing of the tariff deficit corresponding to Iberdrola reached EUR 3,618 million at December 2009.

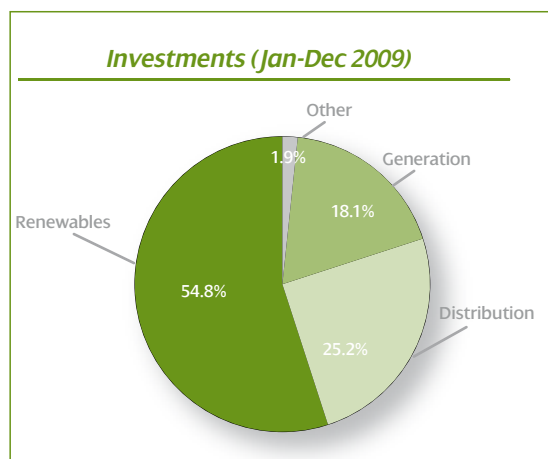
1. FIXED ASSETS

Total investments in the period from January to December 2009 reached EUR 4,072 million, in line with the trend followed during 2009. They can be broken down as follows:

EUR Millions	Jan-Dec. 2009	%
Spain	953	23.4%
Generation	436	
Distribution	456	
Other	61	
Renovables	2,230	54.8%
ScottishPower	468	11.5%
Grids	270	
Generation & Commercial	182	
Gas Canada	0	
Corporation	16	
Mexico	28	0.7%
Generation	22	
Distribution	6	
South America	193	4.7%
Generation	99	
Distribution	95	
IBERDROLA USA	199	4.9%
TOTAL	4,072	100%

With respect to the investments in Spain, of note are those made in the Company's core business, in both production and distribution, totalling EUR 892 million, broken down as follows:

- EUR 436 million destined for the Generation business.
- EUR 456 million dedicated to the Distribution business.



As for ScottishPower, the most significant entries in the period have been invested in the United Kingdom businesses, for a total of EUR 468 million, of which 182 million was dedicated to Generation and Commercial and EUR 270 million to the Networks business.

In Brazil, investments have been aimed both at the distribution business as well as the generation business, financed to a great extent by funds generated in Brazil. The entry into service of the entirety of the combined cycles

envisioned in Mexico has translated into a significant decline in investments in the area.

In the "Renewables" division, of note are the investments in the United States for a total of EUR 1,123 million, and in the United Kingdom for EUR 213 million, as well as those made in Spain for EUR 559 million.

Finally, with respect to Iberdrola USA, the investments have been directed at electricity and gas distribution, amounting to EUR 199 million in the period.

Divestments made in the year amount to Eur. 1,696 MM with the following breakdown:

Divestments	
Guatemala	54
EDP	298
Gamesa	391
Treasury stock	459
Ibener	201
Regasification plants Spain	190
Real state	24
Others	79
TOTAL	1,696

2. SHARE CAPITAL

After the capital increase carried out on 17 June 2009 amounting to 250 million new shares, the Share Capital at 31 December 2009 is composed of 5,252,323,716 bearer shares with a par value of EUR 0.75 each.

On 2 January 2009 a dividend to the amount of EUR 0.143 per share was paid and charged to financial year 2008. IBERDROLA also paid a gross attendance bonus of EUR 0.005 per share for

the shares present or represented in the General Meeting of Shareholders on 24 April 2009. On 1 July 2009 a supplementary dividend was paid to the amount of EUR 0.183.

Finally, as indicated earlier, on 30 December 2009 IBERDROLA paid an interim dividend of EUR 0.143 per share charged against the results of financial year 2009.

3. EQUITY INSTRUMENTS WITH THE CHARACTER OF FINANCIAL LIABILITY

Equity instruments with the character of financial liability (TEI) are financial instruments with the purpose of optimising the tax incentive which rewards investment in renewable energies in the United States, IBERDROLA enters into such arrangements because it does not yet have a sufficiently large tax base in this country.

The figure of EUR 561 million (net amount) at 31 December 2009 is therefore a result of the business conducted in the United States.

4. FINANCIAL DEBT

The adjusted net financial debt at 31 December 2009 amounted to EUR 29,161 million and the financial leverage was situated at 50.1%. If the payment of the ordinary dividend advanced to December 2009, as well as the financing of the tariff deficit which amounted to EUR 3,618 million at 31 December 2009 in Iberdrola's case, are not taken into account, the adjusted net financial debt would be EUR 24,894 million and the adjusted leverage would be 46.2%.

With respect to the change in the Company's financing cost, at the end of financial year 2009 this was situated at 4.5%, displaying a decline

in relation to that cost in the same period in the previous year, which was at 5.1%, despite the worsening in the conditions for financing and the consolidation of IBERDROLA USA.

The debt* structure can be broken down by currency** and interest rate as follows:

	Dec. 2009	Dec. 2008
Euro	48.6%	43.1%
Dolar	21.2%	30.9%
British pound	27.2%	23.8%
Brazilian real and other currencies	3.0%	2.1%
<hr/>		
Fixed Rate	50.1%	59.1%
Capped Rate	1.0%	-
Floating Rate ⁽¹⁾	48.9%	40.9%

(*) Gross Debt. Excluding TEI.

(**) Includes net investment hedge derivatives

(1) Without the deficit (EUR 3,618 million), the floating rate % would be reduced to 40.9% in December 2009.

In line with the policy of minimising the financial risks of the Company, one must remember that the foreign currency risk has continued to be mitigated through the financing of the international businesses in local currencies (British pound, Brazilian real, US dollar, etc.) or in their functional currencies (the US dollar, in the case of Mexico).

The debt* structure per company is shown in the following table:

	Dec. 2009	Dec. 2008
IBERDROLA S.A.	77.2%	73.1%
IBERDROLA USA	6.6%	10.4%
Scottish Power	7.9%	7.4%
Renovables	2.8%	2.9%
South America	2.7%	2.1%
Mexico	2.0%	2.8%
Others	0.8%	1.3%
Total	100%	100%

(*) Gross Debt. Excluding TEI.

This debt* can be broken down by source of financing as follows:

	Dec. 2009	Dec. 2008
Euro Market	31.9%	25.3%
Dollar market	19.2%	15.3%
British pound market	8.8%	5.6%
Rest of Bonds	2.3%	2.3%
Domestic commercial paper	2.0%	5.5%
Euro commercial paper (ECP)	5.7%	3.3%
Euro loans	16.9%	20.4%
Loans in other currencies	13.2%	22.3%
Total	100%	100%

(*) Gross Debt. Excluding TEI.

Lastly, the change in **financial leverage** has been as follows:

MM de euros	Dec. 2009	Dec. 2008
Shareholders' Equity	29,030	25,708
Gross Debt*	31,427	31,946
Cash	1,091	2,087
Asset Derivatives	1,175	1,496
Adjusted Net Debt	29,161	28,363
Leverage	50.1%	52.5%
Dividend december 2009	649	-
Tariff deficit	3,618	2,365
Adjusted Net Debt (excludes deficit and Dividend)	24,894	25,998
Leverage (excludes deficit and Dividend)	46.2%	50.3%

(*) Excluding TEI

5. WORKING CAPITAL

Net Working Capital increased by EUR 4,417 million compared to December 2008, driven by a series of factors including, among others, the reclassification of the Tariff Deficit (EUR 3,618 MM) as a current asset, given that it is expected to be recovered during financial year 2010.

6. FUNDS GENERATED FROM OPERATIONS¹

The Funds Generated from Operations at 31 December 2009 amounted to EUR 4,873 million, compared to 4,383 for 2008.

¹ Net Profit + Amortisations – Companies by the equity method – Income from non-current assets.

7. FINANCIAL OPERATIONS

Summary of main financial transactions carried out in 2009

Issuer	Transaction	Market	Amount in millions	Currency	Maturity
Iberdrola Finanzas	Bond	Euromarket	450	EUR	3 Years
	Bond	Euromarket	550	EUR	7 Years
	Bond	British	500	GBP	15 Years
	Bond	Euromarket	1,500	EUR	5 Years
	Bond	Euromarket	120	EUR	10 Years
	Bond	Euromarket	50	EUR	10 Years
	Bond	Euromarket	125	EUR	10 Years
	Bond	Euromarket	350	NOK*	7 Years
	Bond	British	200	GBP	13 Years
	Bond	Euromarket	70	EUR	5 Years
Iberdrola Finance Ireland	Structured bond	Euromarket	229.3	EUR	Various
	Bond	American	1,000	USD	5 Years
	Bond	American	1,000	USD	10 Years
Iberdrola, S.A.	EIB loan	Banking	300	GBP	10 Years
	Reconfiguration and extension of SPW acquisition bridge loan		5,200	EUR	Various/Up to 3 years
	Credit line	Banking	130**	EUR	3 Years
	Credit line	Banking	45	EUR	3 Years
	EIB loan	Banking	300	EUR	To be defined
	Reconfiguration and extension of line of credit		3,000	EUR	3 Years/Up to 5 years
Iberdrola Internacional	Line of credit	Banking	150	EUR	3 Years
	Line of credit	Banking	125	EUR	3 Years
Iberdrola USA	Bond	American (144-A)	150	USD	10 Years
	Bond	American	150	USD	10 Years

* With swap to EUR at the time of issue

** Extension from EUR 30 million to EUR 160 million

Q4 Financing

Bond issues on the Euromarket

Iberdrola carried out a bond issue on the Euromarket during Q4. The issue, carried out in November, was for a nominal amount of EUR 70 million, and has a maturity date of November 2014.

Structured bond issues

In this quarter 3 structured issues were carried out (in addition to the 18 carried out over the first three quarters of the year) for a combined amount of EUR 8.6 million, with an average maturity of approximately 6.5 years.

Financing from the EIB

In December a loan was signed with the European Investment Bank (EIB) to finance the expansion of the San Esteban II, San Pedro II and Muela II hydroelectric plants. The amount granted is EUR 300 million over a period yet to be decided, with a maximum maturity of 2020.

Reconfiguration and extension of the October 2007 line of credit of EUR 3,000 million

In December the credit line signed in October 2007 for EUR 3,000 million was reconfigured, and its maturity extended to December 2012, with the possibility of requesting an extension of a further one or two years.

The agreement was reached with a pool of 15 top-level national and foreign banks. The original maturity of the loan, signed under the “Club Deal” approach, was 30 October 2010.

Balance Sheet

December 2009 (Unaudited)

Eur M

	December 2009	December 2008	Change
FIXED ASSETS	67,746	68,211	(465)
Tangible assets	47,018	43,787	3,231
Intangible assets	18,042	17,870	172
Long-term financial investments	2,686	6,554	(3,868)
DEFERRED TAX	3,142	3,243	(101)
LONG TERM RECEIVABLES	487	338	149
CURRENT ASSETS	15,992	14,045	1,947
Nuclear fuel	287	294	(7)
Inventories	2,151	2,331	(180)
Accounts receivable	5,103	5,127	(24)
Short-term financial investments	7,360	4,206	3,154
Cash and banks	1,091	2,087	(996)
TOTAL ASSETS	87,367	85,837	1,530

	December 2009	December 2008	Change
SHAREHOLDERS EQUITY	29,030	25,708	3,322
Subscribed capital	3,939	3,752	187
Reserves and other	23,104	21,104	2,000
Profits and losses	2,824	2,861	(37)
Dividend advances	(751)	(715)	(36)
Treasury stock	(233)	(916)	683
Exchange rate differentials	(2,246)	(2,722)	476
Minority shareholders	2,393	2,344	49
LONG-TERM PROVISIONS	3,462	3,544	(82)
DEFERRED INCOME	4,065	3,088	977
CAPITAL INST. w/NATURE OF FIN. LIABILITY	671	798	(127)
FINANCIAL DEBT	31,428	31,947	(519)
OTHER LONG-TERM DEBT	8,504	8,075	429
OTHER SHORT-TERM DEBT	9,739	11,996	(2,257)
INTERCOMPANY AND RELATED PARTIES DEBT	468	681	(213)
TOTAL LIABILITIES	87,367	85,837	1,530

Profit and loss account
December-2009
NIIF Format (Audited)

	Eur M		
	2009	2008	%
REVENUES	24,558.9	25,196.2	(2.5)
PROCUREMENTS	(13,350.2)	(14,595.4)	(8.5)
Emission rights consumed	(420.7)	(600.2)	(29.9)
GROSS MARGIN	10,788.0	10,000.6	7.9
Emission rights allocated	300.2	429.8	(30.2)
BASIC MARGIN	11,088.2	10,430.4	6.3
NET OPERATING EXPENSES	(3,590.1)	(3,269.2)	9.8
Net Personnel Expense	(1,702.3)	(1,488.2)	14.4
Personnel	(2,161.4)	(1,842.5)	17.3
In-house Works	459.1	354.3	29.6
Net External Services	(1,887.8)	(1,781.0)	6.0
External Services	(2,205.9)	(2,145.1)	2.8
Other Operating Income	318.1	364.1	(12.6)
LEVIES	(682.8)	(748.7)	(8.8)
EBITDA	6,815.3	6,412.5	6.3
AMORTISATIONS AND PROVISIONS	(2,306.1)	(2,151.0)	7.2
EBIT	4,509.2	4,261.5	5.8
Financial Income	(2,469.6)	(2,576.3)	(4.1)
Financial Expenses	1,360.2	1,550.2	(12.3)
FINANCIAL RESULTS	(1,109.4)	(1,026.1)	8.1
RESULTS FROM CO. CONSOLIDATED BY EQUITY METHOD	32.4	73.4	(55.9)
RESULTS FROM NON-RECURRING ASSETS	225.3	555.2	(59.4)
PBT	3,657.5	3,864.0	(5.3)
Corporate Tax	(718.8)	(895.3)	(19.7)
Minorities	(114.4)	(108.1)	5.8
NET PROFIT	2,824.3	2,860.6	(1.3)

Results by business (Unaudited)

Eur M

December 2009	Energy Spain	Iberdrola Renovables	Scottish Power	IBERDROLA USA	Latin America	Non-energy
Revenues	7,038.5	2,009.1	7,555.6	3,010.2	2,652.2	2,293.4
Procurement	(3,031.9)	(193.6)	(5,306.1)	(1,643.1)	(1,590.1)	(1,585.5)
EMISSION RIGHTS CONSUMED	(151.5)		(269.2)			
GROSS MARGIN	3,855.1	1,815.5	1,980.3	1,367.1	1,062.1	707.9
EMISSION RIGHTS ALLOCATED	130.2		169.9			
BASIC MARGIN	3,985.3	1,815.5	2,150.2	1,367.1	1,062.1	707.9
NET OPERATING EXPENSES	(1,283.2)	(448.2)	(616.9)	(681.7)	(200.2)	(359.8)
Net Personnel Expense	(639.8)	(134.7)	(286.2)	(367.6)	(76.1)	(198.0)
Personnel	(781.4)	(191.5)	(423.6)	(429.5)	(104.3)	(231.1)
In-house works	141.6	56.8	137.4	61.9	28.2	33.1
Net External Services	(643.4)	(313.5)	(330.7)	(314.1)	(124.1)	(161.8)
External Services	(726.5)	(339.6)	(479.1)	(315.1)	(162.2)	(183.3)
Other operating income	83.1	26.1	148.4	1.0	38.1	21.5
Levies	(310.2)	(42.0)	(82.1)	(234.1)	(2.2)	(12.3)
EBITDA	2,391.9	1,325.3	1,451.2	451.3	859.7	335.8
Amortisation and Provisions	(704.1)	(636.4)	(551.6)	(202.3)	(100.9)	(110.8)
EBIT / Operating Profit	1,687.8	688.9	899.6	249.0	758.8	225.0
Financial Result	(681.4)	(167.7)	(44.5)	(162.2)	(40.6)	(13.1)
Results of companies consolidated by equity method	3.1	0.0	0.1	3.0	7.2	19.0
Results of non-current assets	7.1	3.1	(2.1)	(0.2)	100.6	116.9
PBT	1,016.7	524.3	853.1	89.6	826.0	347.8
Corporate tax and minority shareholders	(246.2)	(222.7)	(165.8)	(14.3)	(158.1)	(26.0)
Net Profit	770.5	301.6	687.3	75.3	667.9	321.8

December 2009	Energy Spain	Iberdrola Renovables	Scottish Power	IBERDROLA USA	Latin America	Non-energy
Revenues	8,503.7	2,030.3	7,977.8	951.7	3,452.3	2,280.5
Procurement	(4,203.4)	(409.1)	(5,500.8)	(574.7)	(2,328.4)	(1,579.1)
EMISSION RIGHTS CONSUMED	(243.7)	0.0	(356.4)			
GROSS MARGIN	4,056.6	1,621.2	2,120.6	377.0	1,123.9	701.4
EMISSION RIGHTS ALLOCATED	207.6	0.0	222.1			
BASIC MARGIN	4,264.2	1,621.2	2,342.7	377.0	1,123.9	701.4
NET OPERATING EXPENSES	(1,312.5)	(414.3)	(747.6)	(235.8)	(228.7)	(330.4)
Net Personnel Expense	(658.7)	(150.0)	(328.0)	(96.6)	(85.2)	(169.8)
Personnel	(769.1)	(188.9)	(466.1)	(114.0)	(99.1)	(205.3)
In-house works	110.4	38.9	138.1	17.4	13.9	35.5
Net External Services	(653.8)	(264.3)	(419.6)	(139.2)	(143.5)	(160.6)
External Services	(755.7)	(298.4)	(590.3)	(137.3)	(179.9)	(183.3)
Other operating income	101.9	34.1	170.7	(1.9)	36.4	22.7
Levies	(577.3)	(21.4)	(91.2)	(48.7)	(2.8)	(7.1)
EBITDA	2,374.4	1,185.5	1,503.9	92.5	892.4	363.9
Amortisation and Provisions	(689.0)	(473.4)	(567.5)	(60.9)	(206.9)	(153.3)
EBIT / Operating Profit	1,685.4	712.1	936.4	31.6	685.5	210.6
Financial Result	(787.8)	(121.8)	(10.7)	(39.8)	(100.3)	34.1
Results of companies consolidated by equity method	2.0	0.1	0.3	0.8	1.1	69.1
Results of non-current assets	385.0	(5.6)	(5.2)	0.2	30.7	150.2
PBT	1,284.6	584.8	920.8	(7.2)	617.0	464.0
Corporate tax and minority shareholders	(480.7)	(270.7)	(11.0)	1.4	(142.9)	(99.5)
Net Profit	803.9	314.1	909.8	(5.8)	474.1	364.5

Domestic energy business

(Unaudited)

Eur M

December 2009	LIBERALISED BUS.	DISTRIBUTION	STRUCTURE
Revenues	5,860.4	1,685.7	(507.6)
Procurement	(3,517.2)	(0.3)	485.6
EMISSION RIGHTS CONSUMED	(151.5)		
GROSS MARGIN	2,191.7	1,685.4	(22.0)
EMISSION RIGHTS ALLOCATED	130.2		
BASIC MARGIN	2,321.9	1,685.4	(22.0)
NET OPERATING EXPENSES	(775.2)	(477.7)	(30.3)
Net Personnel Expense	(283.7)	(198.7)	(157.4)
Personnel	(304.7)	(312.5)	(164.2)
In-house works	21.0	113.8	6.8
Net External Services	(491.5)	(279.0)	127.1
External Services	(528.9)	(342.8)	145.2
Other operating income	37.4	63.8	(18.1)
Levies	(216.1)	(88.8)	(5.3)
EBITDA	1,330.6	1,118.9	(57.6)
Amortisation and Provisions	(461.5)	(226.9)	(15.7)
EBIT / Operating Profit	869.1	892	(73.3)
Financial Result	(95.7)	(81.6)	(504.1)
Results of companies consolidated by equity method	0.2	3.1	(0.2)
Results of non-current assets	(4.0)	(0.3)	11.4
PBT	769.7	813.2	(566.2)
Corporate tax and minority shareholders	(222.0)	(237.3)	213.1
Net Profit	547.7	575.9	(353.1)
December 2008	LIBERALISED BUS.	DISTRIBUTION	STRUCTURE
Revenues	6,985.1	1,606.9	(88.3)
Procurement	(4,264.1)	(0.4)	61.1
EMISSION RIGHTS CONSUMED	(243.7)		
GROSS MARGIN	2,477.3	1,606.5	(27.2)
EMISSION RIGHTS ALLOCATED	207.6		
BASIC MARGIN	2,684.9	1,606.5	(27.2)
NET OPERATING EXPENSES	(701.9)	(507.4)	(103.2)
Net Personnel Expense	(260.1)	(214.1)	(184.5)
Personnel	(282.5)	(296.1)	(190.5)
In-house works	22.4	82.0	6.0
Net External Services	(441.8)	(293.3)	81.3
External Services	(478.7)	(371.4)	94.4
Other operating income	36.9	78.1	(13.1)
Levies	(463.8)	(108.0)	(5.5)
EBITDA	1,519.1	991.1	(135.9)
Amortisation and Provisions	(428.8)	(228.3)	(31.9)
EBIT / Operating Profit	1,090.3	762.8	(167.8)
Financial Result	(156.2)	29.6	(661.2)
Results of companies consolidated by equity method	(0.8)	3.1	(0.3)
Results of non-current assets	(5.5)	0.3	390.2
PBT	927.8	795.8	(439.1)
Corporate tax and minority shareholders	(277.0)	(342.6)	138.9
Net Profit	650.8	453.2	(300.2)

Quarterly results of 2009 (Unaudited)

Eur M

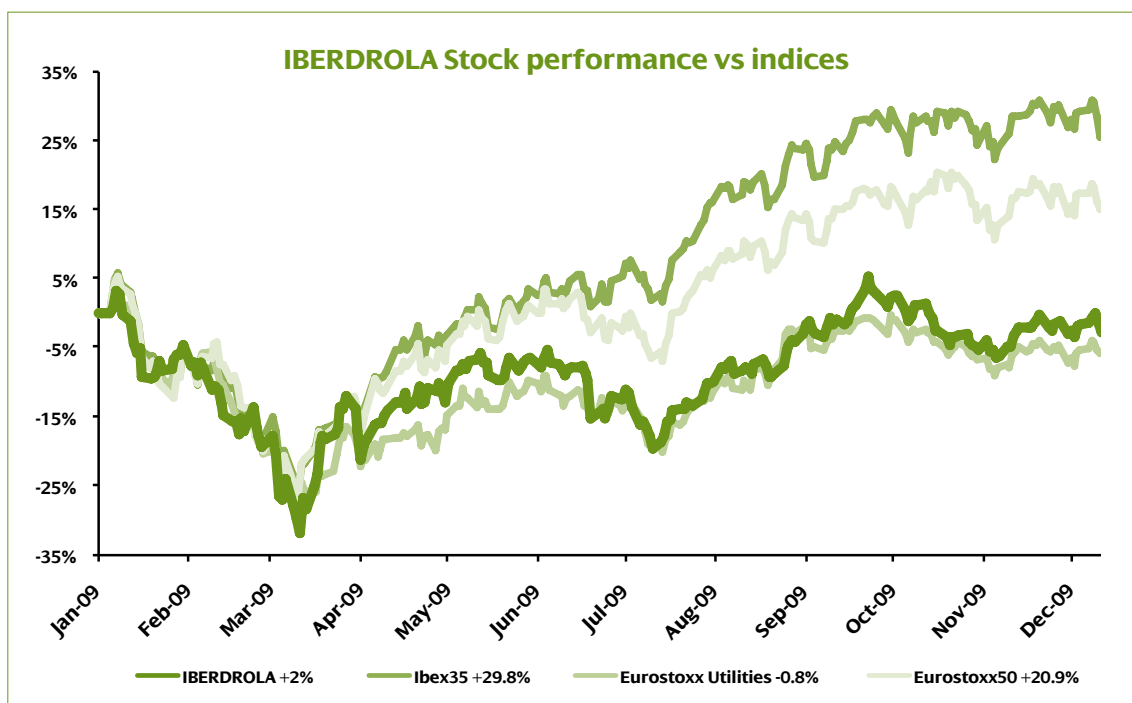
2009	Jan-Mar 2009	April-June 2009	Jul-Sept 2009	Oct-Dec 2009
REVENUES	7,642.5	5,466.5	6,676.7	4,773.2
PROCUREMENTS	(4,535.7)	(2,879.2)	(4,091.8)	(1,843.5)
EMISSION RIGHTS CONSUMED	(153.8)	(89.0)	(93.8)	(84.1)
GROSS MARGIN	2,953.0	2,498.3	2,491.1	2,845.6
EMISSION RIGHTS ALLOCATED	85.3	59.2	67.5	88.2
BASIC MARGIN	(887.4)	(888.4)	(861.4)	(952.9)
NET OPER. EXPENSES	(199.1)	(185.9)	(181.1)	(116.7)
EBITDA	1,951.8	1,483.2	1,516.1	1,864.2
AMORTISATIONS & PROV.	(527.0)	(570.2)	(584.2)	(624.7)
EBIT	1,424.8	913.0	931.9	1,239.5
FINANCIAL REVENUES	141.9	529.8	760.3	563.4
FINANCIAL EXPENSES	(468.2)	(808.7)	(1,210.0)	(509.5)
COMPANIES BY EQUITY METHOD	19.4	5.5	6.6	0.9
NON-CURRENT ASSETS	26.6	196.7	(1.4)	3.4
PROFIT BEFORE TAX	1,144.5	836.3	679.8	996.9
Corporate income tax	(321.7)	(95.6)	(134.8)	(166.7)
Minorities	(30.0)	(27.1)	(22.4)	(34.9)
GROSS MARGIN	792.9	713.5	522.6	795.3

2008	Jan-Mar 2009	April-June 2009	Jul-Sept 2009	Oct-Dec 2009
REVENUES	6,302.7	5,719.0	5,786.3	7,388.2
PROCUREMENTS	(3,596.2)	(3,200.4)	(3,167.9)	(4,630.9)
EMISSION RIGHTS CONSUMED	(154.5)	(154.9)	(146.1)	(144.7)
GROSS MARGIN	2,552.0	2,363.7	2,472.3	2,612.6
EMISSION RIGHTS ALLOCATED	107.3	115.9	94.2	112.4
BASIC MARGIN	(695.0)	(794.2)	(731.6)	(1,048.4)
NET OPER. EXPENSES	(174.3)	(195.0)	(193.4)	(186.0)
EBITDA	1,790.0	1,490.4	1,641.5	1,490.6
AMORTISATIONS & PROV.	(471.9)	(441.5)	(691.9)	(545.7)
EBIT	1,318.1	1,048.9	949.6	944.9
FINANCIAL REVENUES	366.4	150.8	771.5	753.4
FINANCIAL EXPENSES	(592.2)	(396.7)	(954.7)	(1,019.6)
COMPANIES BY EQUITY METHOD	20.7	37.9	12.5	2.3
NON-CURRENT ASSETS	535.9	(0.7)	32.2	(12.2)
PROFIT BEFORE TAX	1,648.9	840.2	706.1	668.8
Corporate income tax	(402.9)	(69.5)	(173.5)	(249.4)
Minorities	(41.8)	(15.7)	(10.5)	(40.1)
GROSS MARGIN	1,204.2	755.0	522.1	379.3

Statement of origin and use of funds 2009

	December 2009	December 2008	Difference
EBIT	4,509	4,262	247
Amortisations	2,195	1,902	293
Provisions	111	249	(138)
Pension fund allocation	(319)	(255)	(64)
MtM derivatives	12	24	(12)
Operating Cash Flow	6,508	6,182	326
Interest paid	(1,486)	(1,531)	45
Interest received	243	182	61
Dividends received from affiliates	24	26	(2)
Tax	(617)	(470)	(147)
Cash Flow	4,672	4,389	283
Dividends paid	(2,369)	(1,328)	(1,041)
Retained Cash Flow	2,303	3,061	(758)
Total Cash Flow allocations:			
<i>Investments</i>	<i>(4,307)</i>	<i>(6,963)</i>	<i>2,656</i>
<i>Treasury stock reduction</i>	<i>471</i>	<i>221</i>	<i>250</i>
<i>Non core divestments</i>	<i>48</i>	<i>645</i>	<i>(597)</i>
<i>Asset divestments</i>	<i>686</i>	<i>313</i>	<i>373</i>
<i>Taxes on interest</i>	<i>(5)</i>	<i>(122)</i>	<i>117</i>
<i>Pension</i>	<i>(329)</i>	<i>(213)</i>	<i>(116)</i>
Total cash Flow allocations	(3,436)	(6,119)	2,683
Capital subsidies	589	169	420
Change in working capital and others	407	(1,713)	2,120
Decrease/(Increase) in debt	(137)	(4,602)	4,465
Exchange rate differentials	(524)	760	(1,284)
Iberdrola USA acquisition financing		(3,194)	3,194
Capital Increase	1,306		1,306
Change in consolidation perimeter		(2,949)	2,949
Decrease/(Increase) in debt	645	(9,985)	10,630
Financial debt	519	(10,103)	10,622
Capital inst. w/nature of financial liability	126	118	8

Market Trend



IBERDROLA Share	12 M 2009	12 M 2008
Number of shares outstanding	5,252,323,716	4,993,742,040
Price at the end of the period	6.670	6.54
Average Price of the period	6.0109	8.2953
Average daily volume	43,907,929	47,062,863
Maximum volume (18-12-09 / 20-06-08)	306,926,682	187,292,851
Minimum Volume (10-08-09 / 25-08-08)	12,909,094	8,246,289
Dividends paid (€)	0.327	0.27
Interim (2009 2nd January / 2008 2nd January)	0.143	0.115
Complementary (2009 1st July / 2008 2nd July)	0.184	0.156
Attendance premium	0.005	0.005
Yield per share (Dividend year / closing Price previous year)	5%	3.8%

APPENDIX.- Iberdrola and Sustainability

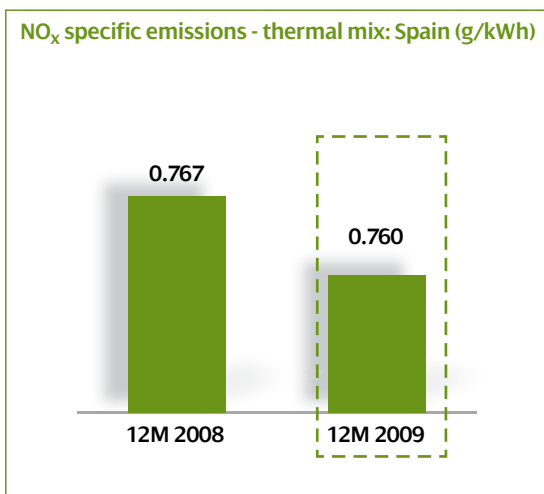
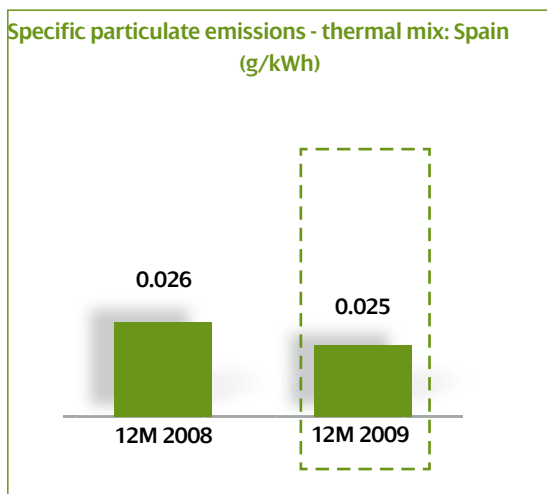
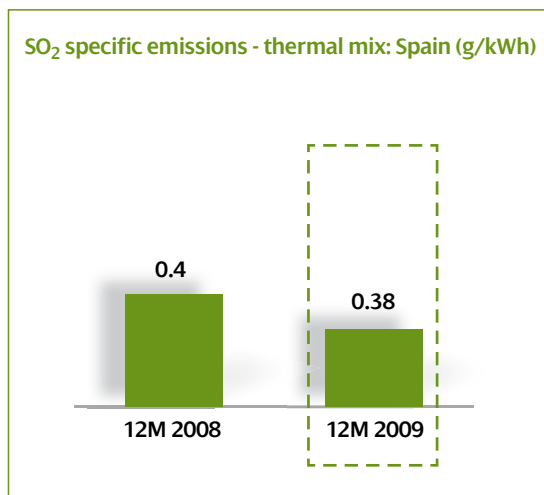
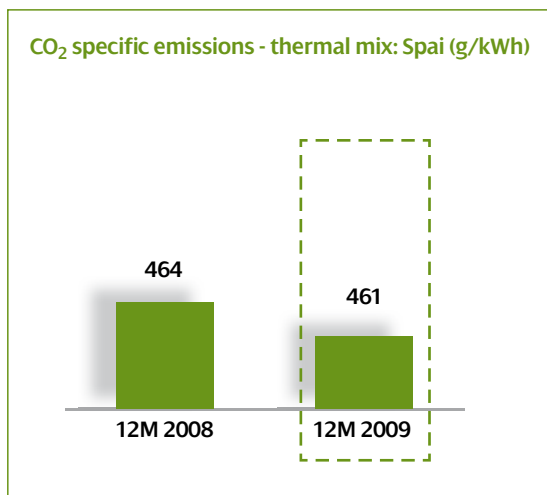
Iberdrola's contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels and dialogue. These channels are designed for: the communication of goals, activities and successes achieved in the three areas of sustainable development (economic, environmental and social), as well as receiving evaluations and requests from the parties involved.

1. SUSTAINABILITY INDICATORS

Sustainability Indicators	12 MONTHS 2009	12 MONTHS 2008
Contribution to GDP (Gross Margin) (*)	0.51%	0.52%
Contribution to GDP (Net Revenues) (*)	1.18%	1.09%
Investments in equipment (EUR million)	4,072	6,581
Investment in clean generation (EUR million)	65%	66%
Net profit (EUR million)	2,824	2,860
Dividend yield (%)	5%	3.8%
CO ₂ emissions in the period (gr. CO ₂ /kWh). Total	279	289
CO ₂ emissions in the period (gr. CO ₂ /kWh). Spain	164	170
Total emission-free production (GWh)	56,289	53,349
Spain emission-free production (GWh)	42,670	42,932
Emission-free production out of total production (%)	39.4%	37.8%
Spain emission-free production out of total production (%)	65.3%	63.5%
Total emission-free installed capacity (MW)	23,912	21,552
Spain emission-free installed capacity (MW)	17,467	16,983
Total emission-free installed capacity (%)	54.8%	51.1%
Spain emission-free installed capacity (%)	68.0%	64.5%






(*) Source: Results of Iberdrola and Spain National Quarterly Accounting – INE. Most recent data published 22 January 2010

Development of specific thermal mix emissions: CO₂, SO₂, particles and NO_x.



2. INDEXES, RANKINGS AND RECOGNITIONS

Presence of Iberdrola in Indexes and Rankings of Sustainability, Reputation and Corporate Governance

Sustainability		Rating / Ranking
	Dow Jones Sustainability World Index 09	82 points / only utility chosen for tenth consecutive year
	Dow Jones Sustainability Stoxx Index 09	82 points / only utility chosen for tenth consecutive year
	Storebrand Investment SRI	Number two electricity company worldwide
	Global 100 Most Sustainable Corp. in the World 2009	IBERDROLA among the 100 most sustainable companies in the world for fourth consecutive year
	Global Roundtable on Climate Change	IBERDROLA is among the promoters
	Business Week, Climate Group	Group of Leaders: Top 3 ranking of outstanding companies in the management of greenhouse gases and Top 10 companies that have contributed the most to reduction of greenhouse gases and have lead environmental management in the last 10 years
Corporate reputation		
	MERCO 2009	Leader in Spain in the utilities sector: electricity, gas and water
Corporate Social Responsibility		
	Corporate Responsibility Index 2008	ScottishPower achieves Platinum Status (June 2009)

3. CONTRIBUTION TO SOCIAL DEVELOPMENT

During 2009 IBERDROLA's key activities in social development have been:

3.1. Corporate Social Responsibility Bodies, Policies and Plans

- **IBERDROLA RENEWABLES Corporate Responsibility and Reputation Committee**
IBERDROLA RENEWABLES installed its Corporate Responsibility and Reputation Committee, chaired by the Managing Director of the Company. Its objective is to be a driving force for the Corporate Responsibility policy and, among its main functions, prioritisation of the most appropriate action in the social and environmental areas, evaluation of business ethics principles, and transparency in all areas of activity stand out.

- **IBERDROLA Foundation 2010-2014 Master Plan**
The IBERDROLA Foundation has presented a new Master Plan with a view to optimising the management of the IBERDROLA Group's social actions and achieving greater consistency with the Company's goals and strategies.

The proposed areas to work on include:

- Grants for excellence and research in energy and the environment.
- IBERDROLA annual report and international forum on Energy Safety.
- Social assistance and development cooperation projects in the energy field.

- Exhibitions presenting IBERDROLA's industrial and artistic heritage.

- **Policies for Knowledge Management and against Climate Change**

IBERDROLA's Board of Directors has approved the Policy Against Climate Change to move forward toward a more sustainable economy and world.

IBERDROLA's Board of Directors has also approved the IBERDROLA Group's Knowledge Management Policy, laying the foundations for a coordinated implementation of incentives to empower our Company's intellectual capital.

These Policies supplement those already approved, configuring IBERDROLA's overall Social Responsibility Policies.

3.2. Relationships with Interest Groups

- **Suppliers**

The conditions for contracting with providers that supply IBERDROLA have been approved, including clauses on Social Responsibility based on the Universal Declaration of Human Rights, the Principles of the United Nations Global Compact and the International Labour Organisation Conventions.

- **Customers**

IBERDROLA has signed various framework agreements with consumer organisations – FACUA (Consumidores en Acción) and FUCI (Federación de Usuarios Consumidores Independientes) – in order to promote a more efficient use of energy resources by electricity users as a way of contributing to sustainable development. These agreements follow on from other similar ones already entered into with

UCE (Unión de Consumidores de España) and UNAE (Federación Unión Cívica Nacional de Consumidores y Amas de Hogar de España).

Furthermore, our Company has held conference days for information dissemination in 16 Spanish cities, gathering more than 500 representatives from consumer associations and municipal consumer information offices (OMICs in Spanish) throughout Spain, to present the main news on the deregulation of the electricity market.

It has also sent information to 300 consumer associations and to 800 OMICs, providing them a dedicated telephone number and email address for inquiries.

3.3. Staff

• Commitment to Equality

The IBERDROLA Group Equality Plan has been signed, setting out advanced measures for equal opportunities, harassment prevention and assistance for victims of gender-based violence.

In addition, IBERDROLA has signed the “Diversity Charter” document, a commitment on hiring to promote equal treatment and diversity inspired by the Fundación para la Diversidad, Fundación Alares and the European Institute for Diversity Management.

• Family Plan

The IBERDROLA Family Plan, focused on improving possibilities for hiring disabled relatives of our Company’s employees, has benefited 38 people since its launch (Oct. 08).

• Awards Received

IBERDROLA has received the National Prevention Award given by the Spanish Ministry for Employment in conjunction with the Fundación para la Prevención de Riesgos Laborales (Occupational Risk Prevention Foundation), the National Institute for Health and Hygiene at Work and the European Agency for Safety and Health at Work. This award recognises our Company’s reputation, commitment and progress on the prevention of occupational hazards.

Furthermore, our Company has been ranked as the 3rd best company to work for in Spain, according to the “MERCOPersonas” study, which analyses the one hundred companies with the best reputations. IBERDROLA is ranked first in its industry.

In addition, IBERDROLA has won the *Premio Nacional Alares a la Conciliación de la Vida Laboral, Familiar y Personal* national award – for work life, family life, and personal life balance – in the Large Companies category.

Lastly, IBERDROLA Engineering has also obtained the Family Responsibility Business Certificate (*Certificado de Empresa Familiarmente Responsable*) given by the Fundación +Familia and supported by the Spanish Ministry for Employment and Social Affairs.

• The “Comparte” Programme

The “Comparte” Programme aims to facilitate communications and involvement among all IBERDROLA employees on the Company’s current situation and outlook. All IBERDROLA “geographies” have been covered in this new feature, bringing together 33,000 employees from more than 40 countries over 4 weeks.

• Volunteer Activities

IBERDROLA has launched its *Iberdrola Volunteers* Intranet Portal, intended as a meeting point for solidarity among Company employees.

Furthermore, IBERDROLA Volunteer Days have been celebrated in various Autonomous Communities. The objective of these Volunteer Days has been to help disabled people enjoy some days of recreation and festivities adapted to their needs.

3.4. Community Action

a) Energy Sustainability

- Scholarships Programme: design of IBERDROLA Foundation Scholarships Offering I for masters and doctorate studies in energy and the environment that, in its first version, contemplates an offering of programmes in Spain and the United Kingdom.
- Biodiversity: continuation of the project carried out in cooperation with the Biodiversity Foundation and SEO/BirdLife for the recovery and conservation of the Cantabrian *Capercaillie* (*Tetrao urogallus cantabricus*) grouse in various sectors of the Picos de Europa National Park.
- The Power Academy: in cooperation with the Institution of Engineering and Technology (IET), major universities dedicated to the energy and the energy companies of the United Kingdom, with the objective of attracting graduates with the necessary qualifications to the industry.
- Scottish Green Awards: an event that celebrates individuals, companies, community

groups, schools and hospitals that have developed ecological initiatives and performed exceptional work in this area.

- Climate Change Exposition: sponsorship of the exposition on Climate Change held in Mexico City.

b) Art and Culture

- Illumination projects: among others, the illumination and restoration of the El Escorial Monastery Basilica, the design of the next and final phase of the project of illuminating the banks of the Tajo river where it passes through Toledo and illumination of the Yuso monastery (La Rioja) stand out.
- Exhibitions: the exhibition “Luces del Duero” held in Valladolid and Zamora for promoting awareness, using the Company’s historical archive, of the feat represented by the development of hydroelectric power in the Duero basin in the first half of the 20th Century.
- The “Románico del Duero Atlántico” project: with the objective of restoring a significant group of Romanesque churches in the Tamega river area of influence in northern Portugal and in the provinces of Salamanca and Zamora.
- Celtic Connections (Glasgow): sponsorship of the top music festival in Scotland, involving educational activities in academic centres.
- National Theatre of Scotland: Transform is a cooperation project of ScottishPower Learning with local authorities with the objective of

promoting new educational concepts through theatre.

c) Cooperation for Development and Solidarity

- Social Assistance Programme: design of the programme that the IBERDROLA Foundation will launch in the first quarter of 2010 to pool assistance for social/labour integration incentives and access to basic services.
- IMPLICA2 Project: development of the various agreements signed within the framework of this Project has continued with the aim of promoting access to the labour market for disabled people under competitive conditions so that they can achieve full social integration.
- ScottishPower Learning: an initiative focusing on promoting access to jobs for unemployed youths and disadvantaged people by means of training.
- Prince´s Trust Team Programmes: 12-month programmes aimed at youths from 16 to 25 years old (United Kingdom) having different social environments and with various capabilities with the aim of improving their qualifications.
- Local cooperation in Latin America: Numerous local cooperation activities have been carried out (assistance to academic centres, etc.) in Mexico, Brazil, Guatemala and Bolivia.

4. CORPORATE GOVERNANCE

The Corporate Governance highlights during financial year 2009 were as follows:

General Shareholders' Meeting Held

On 20 March 2009, a general meeting of the company's shareholders, duly convened, was held at the Euskalduna Palace in Bilbao.

The Meeting, which went into session with a quorum of 77.90% of the share capital (24.20% present and 53.70% represented), discussed and resolved the following matters:

- (i) the annual accounts, appropriation of earnings, management report, approval of management and the re-election of Ernst & Young as the company's auditor,
- (ii) ratification of the appointment of Ms. Samantha Barber as a Director, treasury stock, authorisation for issuing bonds, warrants and notes, as well as convertible bonds and warrants, admission and exclusion for trading on secondary markets, creation and endowment of associations and foundations, and
- (iii) amendment of the Corporate Articles of Association and the General Shareholders' Meeting Rules.

All of the resolutions were approved by a majority of the capital present and represented.

Share Capital

On 16 June 2009, IBERDROLA's Board of Directors, as authorised by the General Shareholders' Meeting on 30 March 2006, agreed to increase shareholders' equity by EUR 1,250 million in order to strengthen and optimise the Company's capital structure. It was resolved to implement this increase with a private placement reserved for qualified and institutional investors using an accelerated placement process

(Accelerated Book Building) coordinated by J.P. Morgan Securities Ltd., Merrill Lynch International and Morgan Stanley & Co. International Plc.

This capital increase was completed on 17 June 2009, as reported to the Spanish securities regulator (CNMV). The actual total amount of the increase reached EUR 1,325 million, representing an increase of 4.9977% over the previous share capital.

Lastly, on 18 June, IBERDROLA announced the execution of the capital increase based on the issuing and circulation of 250 million shares.

As of that date, IBERDROLA's share capital therefore totalled EUR 3,939,242,787, represented by 5,252,323,716 shares with a par value of EUR 0.75.

Directors

IBERDROLA's Board of Directors reported to the CNMV, effective 27 April 2009, on the reclassification of the status of the director Iñigo de Oriol e Ibarra as an independent director, having previously been considered as an "other external advisor". This change in status is due to the fact that more than three years have passed since his labour relationship with IBERDROLA ended, as provided for in the Unified Code of Good Governance, while he also fulfils all of the other requirements under the law and articles of association for obtaining this status.

Also, on 22 September 2009 the IBERDROLA Board of Directors resolved to modify Article 18.3 of the Rules of the Board of Directors, now providing as follows: "In the event that the Chairman of the Board of Directors is also the Managing Director of the Company, the Board

of Directors shall empower an independent director, upon the proposal of the Appointments and Remuneration Committee, to request of the Chairman that he call a meeting of the Board of Directors when he may deem appropriate and to coordinate and to reiterate the concerns of the external advisors."

On that same date, upon the proposal of the Appointments and Remuneration Committee, the Board of Directors approved the designation of Ms. Inés Macho Stadler as Independent Director with special powers to request of the Chairman that he call a meeting of the Board of Directors when he may deem appropriate and to coordinate and to reiterate the concerns of the external advisors, thus fulfilling Recommendation 17 of the Unified Code of Good Governance.

Standards

On 27 January 2009, IBERDROLA's Board of Directors resolved to confirm the amendment to the Audit and Compliance Committee Rules, adapting the text in line with the modifications introduced into the Board of Directors Rules and including technical and operational improvements.

On 4 May 2009, the new Revised Text of the Internal Rules of Conduct on Securities Markets for IBERDROLA and its Group Companies took effect, in line with the recommendations on best practices published by the CNMV for managing the dissemination of news and rumours on listed securities and the disclosure of privileged information to third parties.

In addition, on 16 June 2009, IBERDROLA's Board of Directors approved the proposal to amend the new Revised Text of the Audit and Compliance

Committee Rules approved by its Committee on 19 May.

On 16 June, the Board of Directors approved the Action Plan for the Management of News and Rumours concerning IBERDROLA S.A. and its Group Companies, as well as the Internal Rules for the Treatment of Privileged Information for IBERDROLA S.A. and its Group Companies, both of which took effect on 29 June 2009.

On 22 September 2009, the Board of Directors approved a new, revised text of the Rules of the Board of Directors. The modification that was approved, which affects various articles and eliminates the second transitional provision, was made within the context of the usual review of the rules of the IBERDROLA Corporate Governance System, with the aim of constantly perfecting it and adapting it to the best practices in the area of corporate governance. In particular, the modification that was approved provides more flexibility to the regime for designating an independent director with special powers in the event that the Chairman of the Board of Directors is also the Managing Director of the Company.

Lastly, it is noted that on 26 January 2010 IBERDROLA's Board of Directors resolved to confirm the Revised Text of the Rules of the Committee on Appointments and Remuneration approved by that committee on 15 December 2009. It also resolved to modify the Activities Segregation Code to update its content in line with the rule changes made since its previous modification on 27 January 2009 and to embody the recommendations made as a result of its evaluation, seeking greater understanding of these rules by everyone bound to comply with the legal obligations involving segregation

between regulated and deregulated activities of the IBERDROLA Group.

Significant Shareholders

On 2 March 2009, the company Actividades de Construcción y Servicios, S.A. (ACS) informed the CNMV that it holds (directly and indirectly) a percentage of IBERDROLA's voting rights that now amounts to 12% of the share capital.

Other Significant Events

On 6 February 2009, IBERDROLA and a syndicate of domestic and foreign credit institutions signed a reconfiguration of the bridge loan dated 28 November 2006 for the acquisition of Scottish Power, extending the term of its outstanding balance with three instalments due between 2009 and 2012.

In its meeting of 16 February 2009, IBERDROLA's Board of Directors adopted the following resolutions, among others:

- Draft the annual accounts (balance sheet, income statement and report), the management report and the proposed appropriation of earnings, as well as the annual accounts (balance sheet, income statement, statement of changes in equity, cash flow statement and report) and the report on the consolidated management of IBERDROLA and its controlled companies, all referring to financial year 2008.
- Convene the General Shareholders' Meeting to be held at the first session on 19 March 2009, or, if the necessary quorum is not attained, at the second session held on the following day, 20 March 2009.

- Approve the agreement proposals and the reports from the Board of Directors regarding the Agenda from the General Shareholders' Meeting, the annual report on corporate governance, the annual report on the compensation policy and the explanatory report on aspects of the capital structure and the Company's system of governance and control as provided in article 116 bis of the Securities Market Law, all of the above corresponding to the financial year 2008.
- Approve the payment of a gross attendance bonus of EUR 0.005 per share for the shares present or represented at the General Shareholders' Meeting.

On 18 February 2009, IBERDROLA issued the Company's Annual Report on Corporate Governance for the financial year ended 31 December 2008.

On 24 April 2009 IBERDROLA published its presentation of earnings for the first quarter of 2009.

On 8 April 2009, with the unconditional and irrevocable guaranty of IBERDROLA, Iberdrola International B.V., a fully owned subsidiary of IBERDROLA, took on Energy East Corporation bonds issued on the United States domestic market for USD 1,300 million.

On 2 June 2009, IBERDROLA sold 10% of the share capital of Gamesa Corporación Tecnológica, S.A. to qualified and institutional investors in a private placement carried out by Morgan Standley [sic] & Co. International Plc. The sale of this stake generated approximately EUR 112 million in capital gains for IBERDROLA. Following this

transaction, IBERDROLA continues to hold a 14.10% stake in Gamesa Corporación Tecnológica, S.A.

In addition, on 24 June, Iberdrola Energía, S.A., a fully owned subsidiary of IBERDROLA, signed an agreement with CGE Generación, S.A. for the sale of 94.74% of Iberoamericana de Energía Ibener, S.A. and 55% of Empresa Eléctrica Licán, S.A. The sale of Iberoamericana de Energía Ibener, S.A. was successfully executed on 8 October 2009, while the conditions to which the effectiveness of the sale of the Empresa Eléctrica Licán, S.A. stake was subject were not entirely fulfilled, and therefore the sale ultimately did not take effect. These disposals generated approximately EUR 85 million in capital gains for IBERDROLA.

On 1 July 2009, IBERDROLA informed the CNMV of the agreement reached with RREEF Infraestructure for the sale of its indirect 30% stake in Planta de Regasificación de Sagunto, S.A. by means of the disposal of the 60% stake in Iniciativas de Gas, S.L. and its 25% stake in Bahía de Bizkaia Gas, S.L. These divestments, materialising in December 2009, generated approximately EUR 27 million in capital gains for IBERDROLA.

On 22 July 2009 IBERDROLA published its presentation of earnings for the first half of 2009.

On 8 September, Iberdrola Finance Ireland Limited, a fully owned subsidiary of IBERDROLA, issued notes, with the irrevocable and unconditional guaranty of IBERDROLA, amounting to USD 2 million among qualified institutional US investors.

On 21 October 2009 IBERDROLA published its presentation of earnings for the third quarter of 2009.

On 22 December 2009 IBERDROLA signed – with the same pool of domestic and foreign credit institutions – a reconfiguration of the credit facility that had been signed on 30 October 2007 [sic] under the Club Deal approach.

In its meeting on 15 December 2009, the Board of Directors approved the Dividend Reinvestment Plan as well as the distribution of amounts against dividends, pertaining to financial year 2009 (EUR 0.143 per share).

Furthermore, within the framework of the 2008-2010 Strategic Plan and the Company's vision and values, IBERDROLA's Board of Directors approved the following corporate policies. A specific section has been created for them on the corporate website:

Corporate Governance Policies
<ul style="list-style-type: none"> • Corporate governance policy • Dividend policy • Shareholder relations policy • Information policy for shareholders and markets • Definition and coordination policy for the Iberdrola Group and basic rules for the Corporate Organisation • Compensation policy for directors • Compensation policy for senior management • Auditor hiring policy (approved by the Audit and Compliance Committee)
Risk Policies
<ul style="list-style-type: none"> • General policy on risk control and management • Investment policy • Financing and financial risk policy • Treasury stock policy • Listed company equity risk policy • Corporate credit risk policy • Corporate market policy • Insurance policy • Reputation risk framework policy • Specific risk policies for different businesses
Corporate Social Responsibility Policies
<ul style="list-style-type: none"> • Corporate social responsibility policy • Innovation policy • Quality policy • Knowledge management policy • Environmental policy • Policy against climate change • Biodiversity policy • Recruitment and selection policy • Policy on equal opportunities and home-work life balance • Workplace risk prevention policy • Anti-fraud policy • Provider hiring and relationship policy

Director evaluation

Pursuant to article 26.1 of the Directors' Rules, this board must evaluate annually (i) each board member's performance and the quality of their work, (ii) the fulfilling of their duties by the Chairman of the Board and, in turn, by the Managing Director, based on the report prepared by the Committee on Appointments and Remuneration regarding the Director and (iii) the performance of their Committees, based on the report they prepare.

The process for evaluating Iberdrola, S.A. Directors was initiated by agreement of the Company's Board of Directors on 20 October 2009. The evaluation process, coordinated by the Chairman of the Board of Directors in conjunction with the chairmen of the Board's advisory committees, was structured in two phases: (i) a first phase consisting in gathering information from the Directors and (ii) a second phase in which said information is analysed and conclusions are drawn primarily by the Committee on Appointments and Remuneration with the purpose of identifying certain potential areas of improvement and implementing specific measures that might contribute to continual improvement of the corporate governance system of Iberdrola, S.A.

Finally, once all of the steps were carried out, in a meeting held on 26 January 2010 the Board of Directors completed this evaluation process with regard to financial year 2009, following the presentation of the reports of the Executive Committee of 26 January 2010, of the Appointments and Remuneration Committee of 25 January 2010 and of the Audit and Compliance Committee of 14 December 2009.

Information Transparency

One of our Company's core corporate governance principles is to promote maximum transparency in the information – financial and otherwise – provided to shareholders, investors and markets. In this regard, there has been a high level of activity during the year 2009 involving face-to-face information sessions with institutional investors and financial analysts.

Furthermore, since the General Shareholders' Meeting was convened, the following documentation has been made available on the corporate website (www.iberdrola.es) :

- Proposed resolution and reports.
- Annual reports:
 - 2008 Annual Corporate Governance Report.
 - Report on Activities of the Audit and Compliance Committee.
 - Report on the Compensation Policy for Directors.
 - Report on the Capital Structure and Control and Governance System (Article 116 ii of the Securities Market Law (LMV)).
- 2008 Annual Report, which includes the annual accounts and the management report of the Company, as well as consolidated with its controlled companies, and the corresponding auditor reports.
- Other documents:
 - Professional and biographical profile of Ms. Samantha Barber, whose ratification

is being proposed to the General Shareholders' Meeting.

- Revised text of the General Shareholders' Meeting Rules.
- Revised text of the Board of Directors Rules
- Revised text of the Audit and Compliance Committee Rules.
- Revised text of the Appointments and Remuneration Committee Rules.
- Revised text of the Internal Rules of Conduct on Securities Markets of Iberdrola, S.A. and its Group Companies.
- Revised text of the Procedure for Conflicts of Interest and Related Transactions of Directors, Significant Shareholders and Senior Management of Iberdrola, S.A.
- Revised text of the IBERDROLA Group's Code of Professional Conduct
- Activities Segregation Code for IBERDROLA Group Companies with Regulated Activities in Spain

The most significant events concerning the Company and all the relevant information it discloses (with a possible impact on the share price) have been reported first to the CNMV as a relevant event.

CNMV: Relevant Events and Other Announcements from October to December 2009

Date	Event	Registration No.
09/10/2009	The company reports the completion of the sale of the stake in Iberoamericana de Energía Ibener and cancellation of the sale for Empresa Eléctrica Licán, S.A.	114702
13/10/2009	The company reports its Energy Production figures for the first nine months of 2009.	29749
14/10/2009	The company issues information on the results of the third quarter of 2009.	29758
21/10/2009		29805
21/10/2009		29813
21/10/2009		115112
15/12/2009	The company reports the resolutions of the Board of Directors relating to compensation of the shareholders of Iberdrola, S.A.	117704
22/12/2009	The Company reports the reconfiguration of the Club Deal loan of EUR 3,000 million dated 30 October 2007.	118125
30/12/2009	The company reports the reinvestment price for each Iberdrola, S.A. share subject to reinvestment under the Dividend Reinvestment Plan.	118353



IBERDROLA, S.A.
Investor relations
Phone: 00 34 91 784 2804
Fax: 00 34 91 784 2064
investor.relations@iberdrola.es