



IBERDROLA

Results Presentation First Half 2012

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Annex: Renewables information

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Highlights of the Period



Net Profit amounts to Eur 1,801 M,
up 74% in International, to Eur 1,363 M,
and down 44% in Spain to Eur 438 M

All businesses growing, except for Liberalised Spain (lower production) and Networks Spain (RDL 13/2012 impact)

Strong group's Liquidity position of close to Eur 10 bn,
covering more than 2 years of financing needs

Operating Cash Flow increases by 5.8%,
up to Eur 3,300 M

EBITDA increases 2%, up to Eur 4,087 M

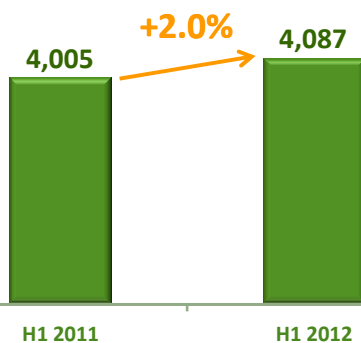
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EBITDA

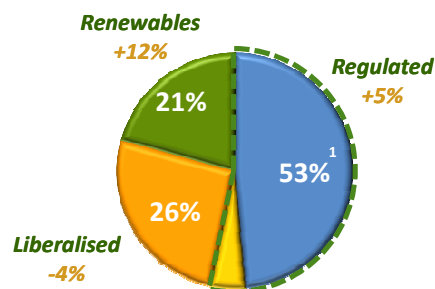


EBITDA up 2.0% to Eur 4,087 M,
due to the diversified business model

EBITDA (Eur M)



EBITDA by business



With a growing contribution of most stable businesses:
Regulated and Renewables contributing 75%¹ of total EBITDA

1. Includes Mexico regulated generation (for reporting purposes included in Liberalized Business)

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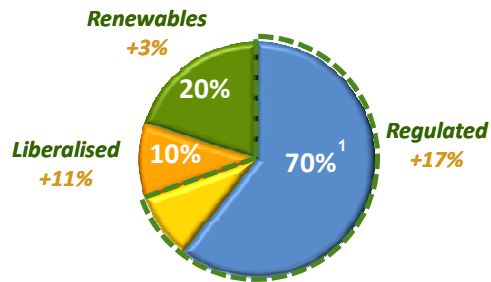
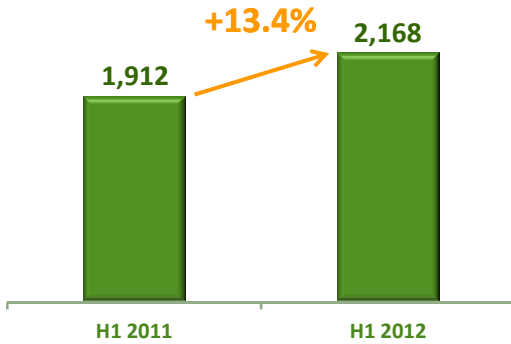
EBITDA International



**International EBITDA increases by 13.4%,
boosted by Regulated business**

International EBITDA (Eur M)

International EBITDA by business



Still growing 6.6% without considering Elektro (Brazil) contribution

1. Includes Mexico regulated generation (for reporting purposes included in Liberalized Business)

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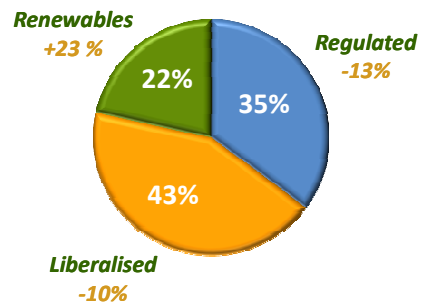
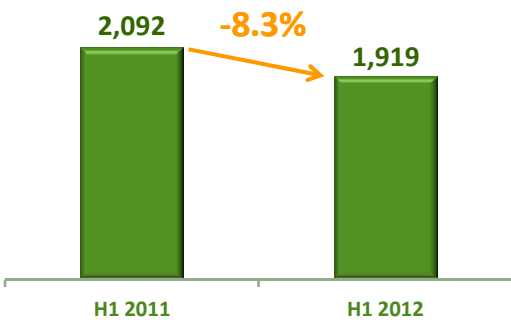
EBITDA in Spain



**EBITDA in Spain down 8.3%,
affected by regulatory measures¹ and low output...**

EBITDA in Spain (Eur M)

EBITDA in Spain by business



... partially mitigated by Renewables business

1. Regulatory measures approved during first half 2012

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Financing



Maintaining a strong financial position

Strong group's Liquidity position of Eur 9,551 M,
enough to cover 24 months of financing needs

Leverage¹ improves from 46.4% at FY 2011 to 46.1% at 1H 2012

Stable credit metrics,
even including tariff deficit

Average debt maturity remains at 6.3 years

1. Excluding tariff deficit

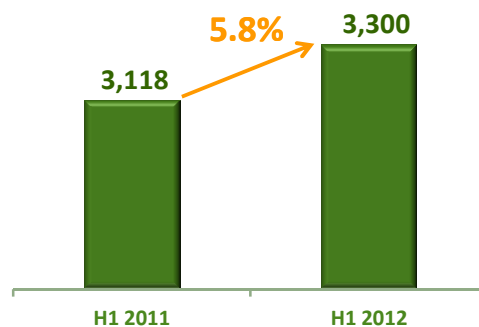
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Operating Cash Flow



Operating Cash Flow totals Eur 3,300 M,
a 5.8% increase

Operating Cash Flow (Eur M)



... maintaining 2011 growth rate

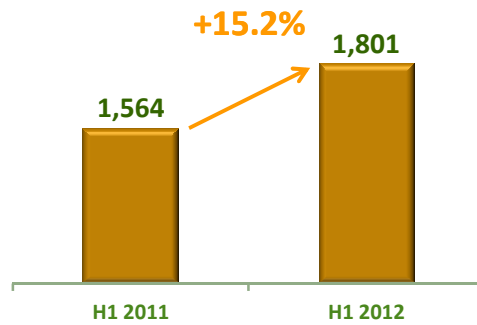
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Net Profit



Net Profit amounts to Eur 1,801 M...

Net Profit (Eur M)



... positively impacted by lower non-recurring taxes in International business (Eur 553 M) and with Eur 171 M of impairments

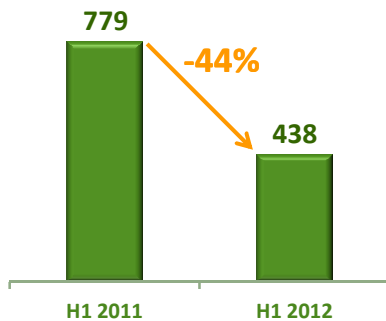
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Net Profit by Areas

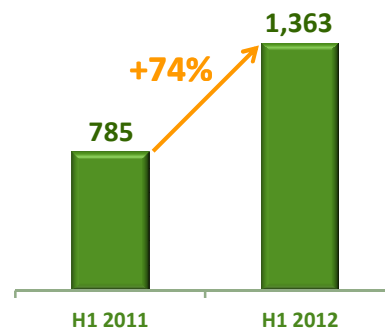


Net Profit down 44% in Spain to Eur 438 M...

Net Profit - Spain (Eur M)



Net Profit - International (Eur M)



... and up 74% in International to Eur 1.363 M

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Key Regulatory Issues Spain



The tariff deficit can be solved through a model based on...

A clear and defined objective
(system optimisation, tax collection, etc.)

Non-discriminatory applicable criteria
(revenues, unitary costs, availability, profitability, etc.)

Use of verified data

A transparent and interactive procedure

Law enforcement (RD 661/2007) and court's rulings

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Key Regulatory Issues United Kingdom



Stable regulation in Networks

Transmission: defined framework until 2021 (RIIO-T1)
GBP 2,600 M investments

Distribution: defined framework until 2015 (DPCR5)
GBP 2,000 M investments

Regulatory definition in Generation business

Pending remuneration framework for new low emissions capacity (nuclear, gas, renewables) from 2014 (EMR)

Remuneration framework for new renewable capacity between 2013 and 2017 (Banding Review) released today

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Income Statement – Group



EBITDA up 2.0% to Eur 4,086.8 M
Net Profit up 15.2% to Eur 1,800.5 M

<i>Eur M</i>	H1 2012	H1 2011	Var. %
Revenues	16,992.6	15,550.1	+9.3
Gross Margin	6,309.2	6,113.6	+3.2
Net Op. Expenses*	-1,801.2	-1,704.7	+5.7
EBITDA	4,086.8	4,004.8	+2.0
Operating Profit (EBIT)	2,539.9	2,626.7	-3.3
Net Financial Expenses	-615.5	-524.2	+17.4
Recurring Net Profit	1,401.9	1,448.1	-3.2
Reported Net Profit	1,800.5	1,563.6	+15.2
Operating Cash Flow	3,299.9	3,118.3	+5.8%

*Excludes Levies

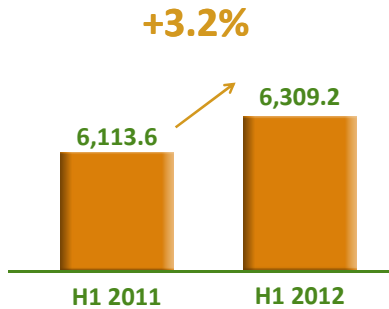
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Gross Margin - Group

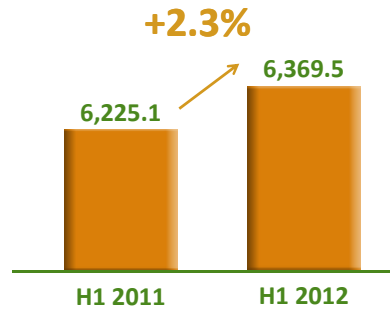


Gross Margin up 3.2% to Eur 6,309.2 M and Basic Margin up 2.3% to Eur 6,369.5 M, due to higher international activity, Elektro consolidation and exchange rate

Gross Margin (Eur M)



Basic Margin (Eur M)



Revenues increase 9.3% to Eur 16,992.6 M, and Procurements up 14.0% to Eur 10,595.2 M

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Net Operating Expenses - Group



Net Operating Expenses* up 5.7% to Eur 1,801.2 M

Net Operating Expenses

	H1 2012	% v H1 2011
Net Personnel Expenses	886.7	+4.8%
Net External Services	914.5	+6.5%
Total	1,801.2	+5.7%

Operating Highlights

Seasonal factors
affecting Net Operating Expenses

Other effects:
Exchange rate and Elektro consolidation

Despite rise in local taxes in Spain and CERT/CESP in the UK, Levies are down 6.6%, to Eur 481.5, due to Spanish Supreme Court's ruling impact (Eur +136 M)

*Excludes Levies

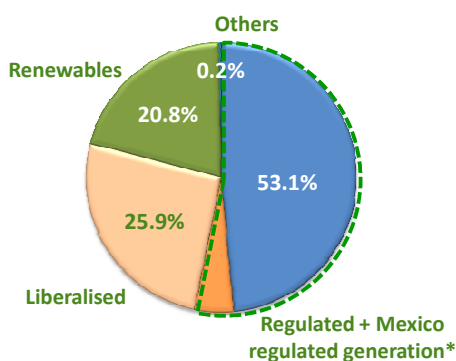
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EBITDA - Business



Group EBITDA up 2.0% to Eur 4,086.8 M
due to Iberdrola's diversified business model ...

EBITDA Breakdown



H1'12 EBITDA (Eur M)

Regulated	1,980.6	+4.7%
Liberalised	1,248.2	-4.2%
Renewables	848.5	+12.2%

... with growth in Regulated and Renewables businesses, and fall in Liberalised business, helped by FX and Elektro consolidation

*For reporting purposes Mexico included in Liberalised Business

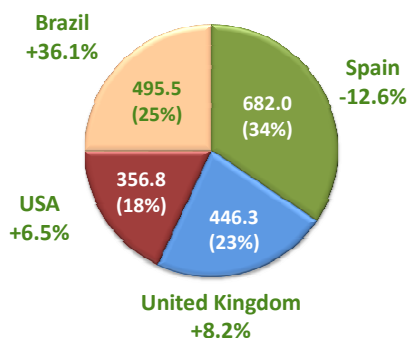
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Results By Business Regulated



Regulated EBITDA up 4.7% to Eur 1,980.6 M, ...

EBITDA Breakdown



Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	2,899.7	+8.6%
Net Op. Exp.	-705.6	+20.9%
EBITDA	1,980.6	+4.7%

... with growth in international business offsetting the cuts imposed in Spanish Networks remuneration according to RDL 13/2012

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Results By Business Regulated Spain



EBITDA down 12.6% to Eur 682.0 M ...

Operating Highlights

↓	Lower regulated revenues: -8.8% v H1 2011
↓	Higher Net Operating Exp.: Increased maintenance and efficiency measures with impact accounted in 2012
↓	Higher Levies: +13.7% due to higher local levies

Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	928.9	-8.3%
Net Op. Exp.	-202.6	+4.5%
EBITDA	682.0	-12.6%

... due to Eur 117 M of revenues cut following RDL 13/2012

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Results By Business Regulated United Kingdom



EBITDA up 8.2% to Eur 446.3 M ...

Highlights of the Period

Operating Highlights	↑	Higher revenues due to higher asset base
	↓	Higher Net Operating Expenses to meet regulatory targets
FX Impact	↑	GBP: +4.9%

Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	559.0	+9.1%
Net Op. Exp.	-64.8	+20.3%
EBITDA	446.3	+8.2%

... due to increased investments

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Results By Business Regulated USA



**EBITDA in Euros under IFRS up 6.5% to Eur 356.8 M,
due to higher revenues from rate cases in place ...**

Eur M

Highlights of the Period

Operating Highlights	Higher revenues from rate cases
	Increased contribution from Maine Transmission Line
FX Impact	US dollar: +6.9%

Financial Highlights

	H1 2012	% v H1 2011
Gross Margin	710.3	+9.7%
Net Op. Exp.	-234.7	+14.9%
EBITDA	356.8	+6.5%

... despite increase in expenses related to fuel costs and works done due to previous storms

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Results By Business Brazil



**Brazil EBITDA increases 36.1% to Eur 495.5M, due to Elektro consolidation ,
higher settlements and positive effects of tariff adjustments...**

Highlights of the Period

Operating Highlights	Brazil Demand (+6.1%)
	Elektro consolidation (from 1 st May 2011)
	Positive settlements & tariff adjustments April '11 & '12
FX Impact	Real: -4.6%

Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	701.5	+41.0%
Net Op. Exp.	-203.6	+54.3%
EBITDA	495.5	+36.1%

... excluding Elektro, EBITDA up 2.6 %

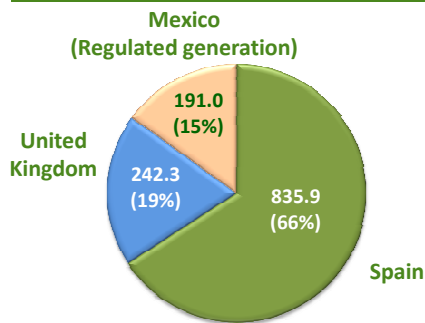
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Results By Business Liberalised Business



Liberalised Business EBITDA down 4.2% to Eur 1,248.2 M ...

EBITDA Breakdown



Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Basic Margin	2,220.2	-3.1%
Net Op. Exp.	-746.1	+5.2%
Levies	-225.8	-18.8%
EBITDA	1,248.2	-4.2%

... recovery in the UK business and good operating performance in Mexico partially compensates weak performance in Spain

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Results by Business Liberalised Business Spain



EBITDA down 10.3% to Eur 835.9 M, affected by lower output ...

Operating Highlights

-24.4% lower output due mainly to -57.1% lower hydro
Higher prices more than offset higher procurement costs
2012: The whole production already sold above Eur 60/MWh

Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Basic Margin	1,374.5	-13.1%
Net. Op. Exp.	-381.1	-0.7%
Levies	-157.6	-40.7%
EBITDA	835.9	-10.3%

... with lower capacity payments (Eur -7.5 M) due to RDL 13/2012 and impact of Supreme Court Ruling of lower levies (Eur +136 M)

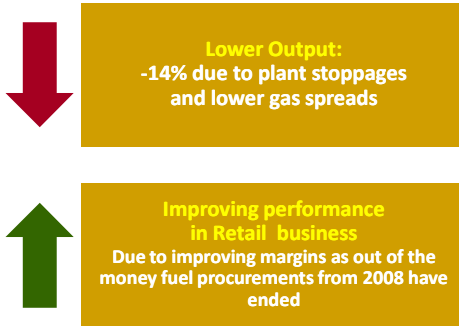
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Results By Business Liberalised Business United Kingdom

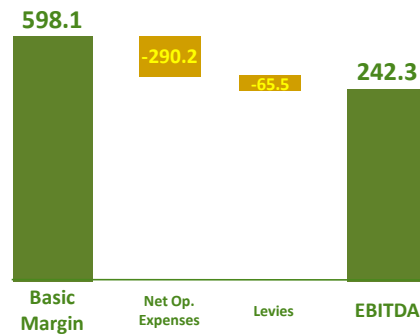


EBITDA reaches Eur 242.3 M, still well below pre-2011 results

Operating Highlights



Financial Highlights (Eur M)



Very tight margin level, 2.1% EBIT/Sales

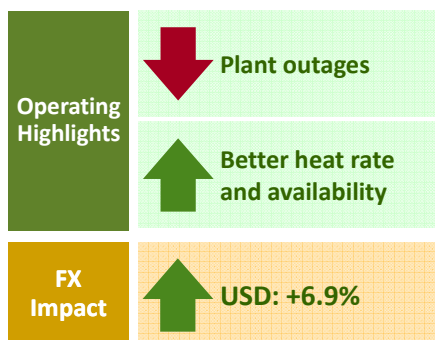
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Results By Business Regulated generation business Mexico



Mexico EBITDA is up 8.4% to Eur 191.0 M

Highlights of the Period



Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	246.7	+10.6%
Net Op. Exp.	-54.9	+18.9%
EBITDA	191.0	+8.4%

... with Net Operating Expenses affected by non recurring items in H1 2012 due to plant outages

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Results By Business Renewables



**EBITDA up 12.2% to Eur 848.5 M,
with higher output in all geographic areas**

Highlights of the Period

Operating capacity: +6.0% to 13,560 MW
Installed capacity: +9.2% to 14,171 MW

Average load factor:
28.7% v 27.4% in H1'11

Average price*:
Eur 69.1/MWh v Eur 67.9/MWh in H1 2011

Efficiency:
Improving Net Op. Expenses/MW by 4%

Financial Highlights (Eur M)

	H1 2012	% v H1 2011
Gross Margin	1,171.6	+9.1%
Net Op. Exp.	-281.8	-0.9%
EBITDA	848.5	+12.2%

Renewable ** EBITDA grows 19.7% underpinned by better loadfactors

*Excludes PTCS

**Excluding results from Thermal Power business in US

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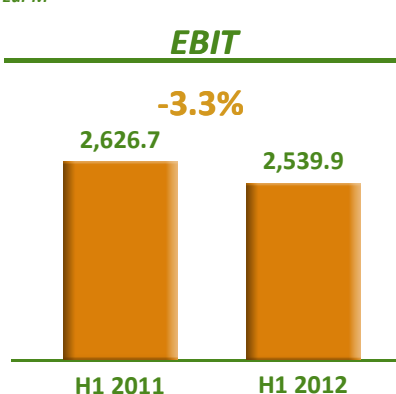
EBIT - Group



Group EBIT down 3.3% to Eur 2,539.9 M ...

Eur M

EBIT



	H1 2012	% v H1 2011
D&A	-1,360.2	+4.6%
Provisions	-186.7	+142%
Total	-1,546.9	+12.3%

Provisions: Renewables development costs relating to cancelled projects (Eur -44M)

D&A up due basically to Elektro integration and Provisions up mainly as a consequence of some non recurring items in Brazil and Renewables development costs

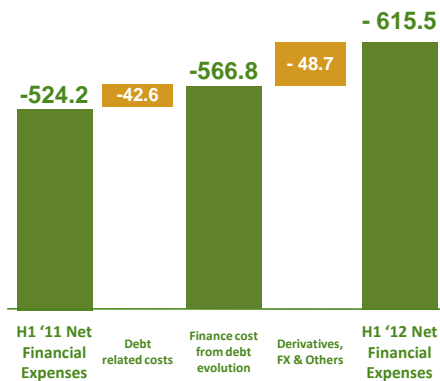
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Net Financial Expenses - Group

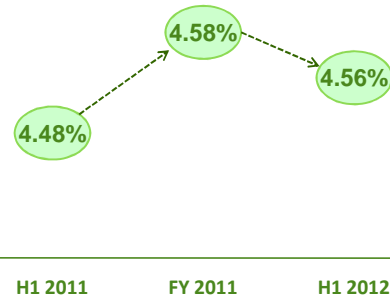


Debt and derivatives drive financial expenses up 17.4% to Eur –615.5 M

Net Financial Exp. evolution (Eur M)



Cost of Debt



Debt cost increases +8bp to 4.56%, including Elektro's debt in Reais (+8 bp).
On homogeneous basis debt cost remains flat

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Net Profit - Group



Net Profit up 15.2% to Eur 1,800.5 M
as tax recoveries more than offset asset impairments

Asset impairments

Renewables: Development costs relating to cancelled projects
(Provision of Eur -44 M)

Gamesa: New valuation due to business plan outlook
(Less Equity Eur -127 M)

TOTAL ASSET IMPAIRMENTS (Gross): Eur -171 M

Corporate Tax

Deductibility of Elektro's goodwill
(Eur +288 M)

Reversal of provisions in the US after positive ruling in tax lawsuit
(Eur +142 M)

Recurring Net Profit down 3.2% to Eur 1,401.9 M,
but FFO up 5.8% to Eur 3,299.9 M

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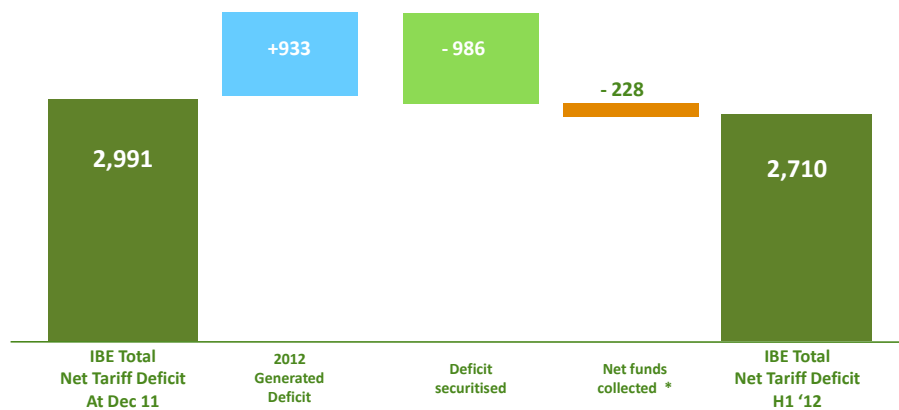
Annex: Renewables information

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Tariff Deficit



Tariff deficit reaches Eur 2,710 M at the end of H1 2012



We expect the securitisation process to restart after Eur 7 bn have already been transferred to FADE

* Includes 2012 deficit pending financing, 2011 financed deficit, 2012 settlements and interest related to the 2006 - 2011 tariff deficits

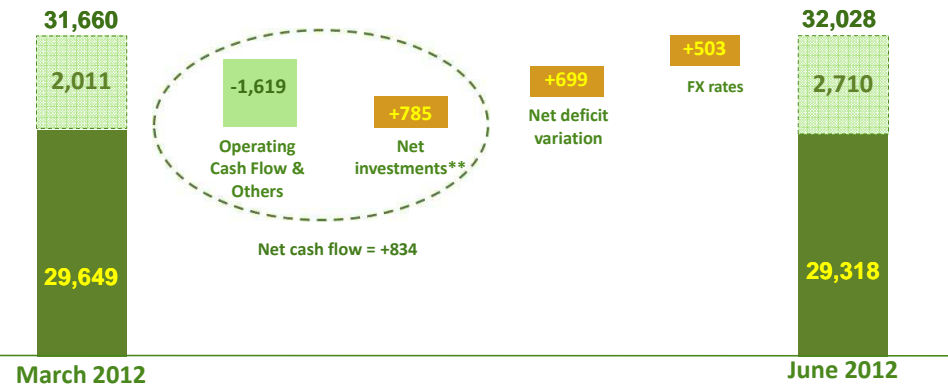
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Financial Debt – Adjusted Net Debt Evolution



Adjusted Net Debt* evolution: Q1 '12 v. H1 '12

Eur M



Excluding FX and deficit impacts, the Group is able to generate Eur 834 M of funds

*Including TEI
** Investments – divestments - grants

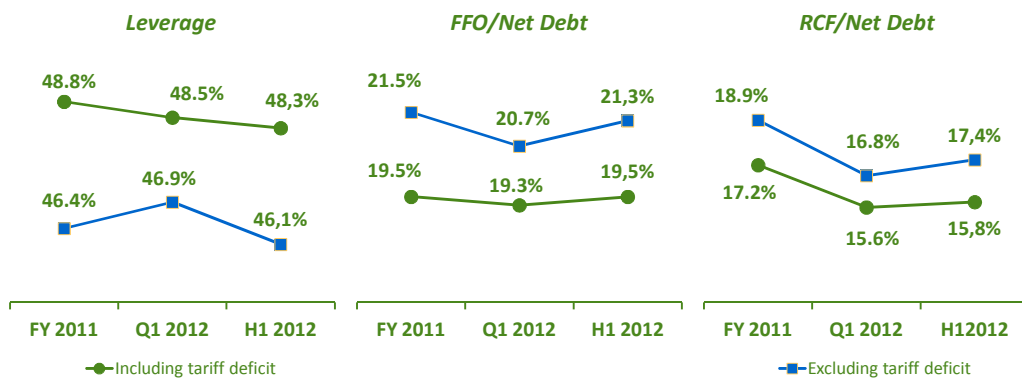
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Financing – Financial Ratios

(2011 Pro-forma, includes 1 year of Elektro and Renewables: Results and Debt)



Credit metrics reflect leverage reduction and solid financing position ...



... even including tariff deficit

(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction – Unwind of tax provision in Renewables USA
(2) Including TEI but excluding Rating Agencies Adjustments
(3) RCF = FFO – Dividends

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Financing – Liquidity



Strong group's Liquidity position amounting to Eur 10 bn ...

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2012	613	28	585
2013	1,186	304	882
2013+	8,274	2,324	5,950
Total Credit Lines	10,073	2,656	7,417
Cash & Short Term Fin. Invest.			2,134
Total Adjusted Liquidity			9,551

... covering more than 24 months* of financing needs

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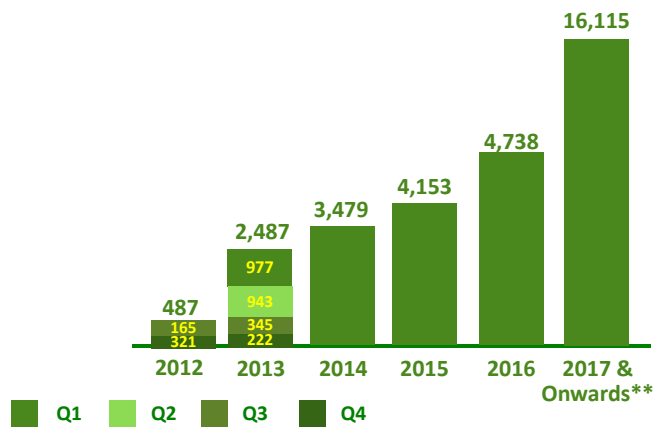
Financing - Financial Profile



Iberdrola Average maturity of 6.3 years

Eur M

Iberdrola debt maturity profile*



*Does not include drawn credit lines

**Assumes rollover of commercial paper outstanding balance for an amount of Eur 1,376 M

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Conclusion



Under current environment, the Company's Internationalisation process boosts growth of Group's results

Operating Cash Flow up to Eur 3,300 M (+5.8%)

Net profit amounts to Eur 1,801 M
International Business already representing 75% of total

Net Profit Spain
-44%

Net Profit International
+74%

Future investments will be focused on areas with objective and stable regulation

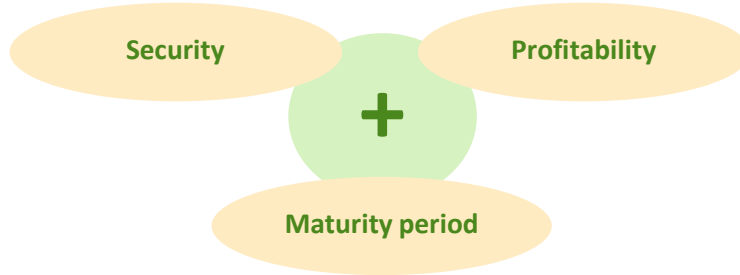
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Conclusion



General guidelines of our investment plan

Priority to investments based on...



... and mainly allocated to
Regulated and Renewables businesses

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Conclusion



A strategy focused on optimising our financial position ...

Free Cash Flow generation

CAPEX reduction

Asset management /
Divestments

Cost cutting

Reducing debt

Improving financial ratios

... and maintaining our shareholders remuneration policy

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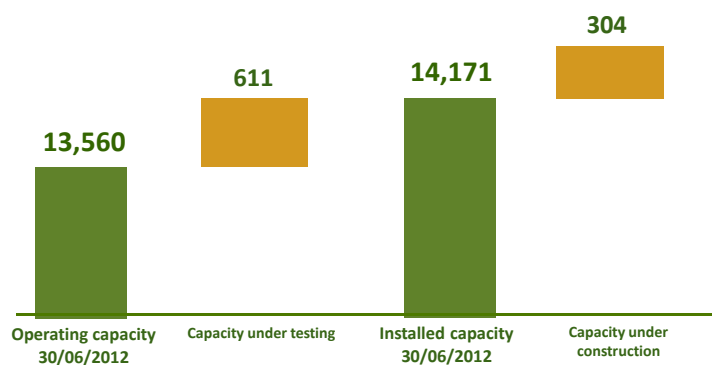
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Installed capacity



Installed capacity increases 9.2% to 14,171 MW...

MW



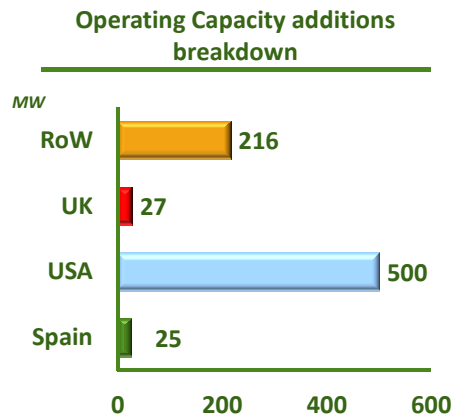
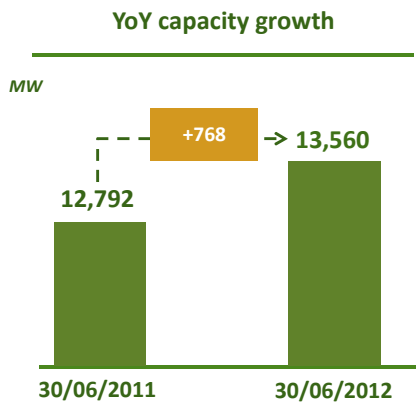
... with 304 MW under construction

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Operating capacity



Operating capacity increases 6.0% to 13,560 MW...

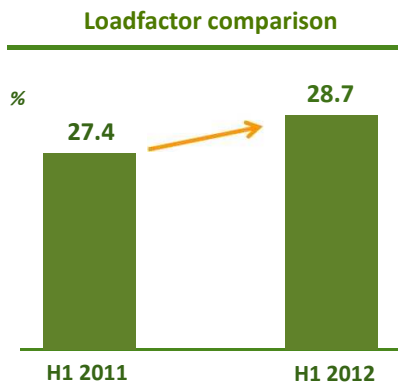


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Loadfactors



28,7% average loadfactor ...



	Loadfactor H1 2012	Loadfactor H1 2011
Wind USA	34.4%	34.2%
Wind Spain	25.2%	23.1%
Wind UK	25.3%	24.5%
Wind RoW	24.9%	22.7%
Minihydro & Others	24.4%	25.9%

... with better wind resource in all areas

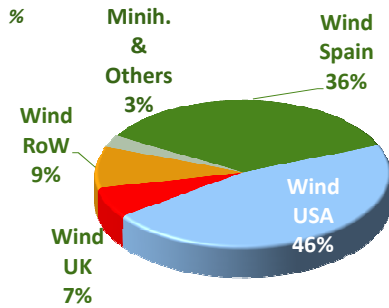
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Renewable output



Output reaches 16,911 GWh (+12.6%...)

Breakdown by geography



Renewable output 1H 2012

GWh	H1 2012	% v. H1 2011
Wind USA	7,779	+11.7%
Wind Spain	6,018	+11.2%
Wind UK	1,118	+13.3%
Wind RoW	1,554	+28.5%
Minihydro & Others	442	-0.7%
TOTAL	16,911	+12.6%

... with double digit growth in all areas, highlighting RoW (+28.5%) and UK (+13.3%)

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Renewables output prices



Average price* increases 1.9% due to higher prices in Spain, ...

Average Renewable Price

Eur/MWh



Prices in local currency

	Var %	Var. v. 2011	Selling modality
USA**	-9.1%	-4.6 \$/MWh	Long Term "PPA"
UK*	+0.8%	+0.7€/MWh	Medium term "PPA"
RoW	-0.4%	-0.4 €/MWh	Mainly "feed in tariffs"
Spain	+1.5%	+1.3 €/MWh	"Regulatory Floor"

... the US dollar performance and the larger contribution of other technologies with higher selling price

*Average price variation excludes the impact on UK prices derived from the reclassification of Transmission costs from Net Operating Expenses to Procurements.
 **Average sale price excludes PTC and impact from PPA contracts sold

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Renewables P&L



Renewables EBITDA up 19,7%

<i>Eur M</i>	Wind Spain	Wind US	Wind UK	Wind RoW	Other Ren.	TOTAL
Gross Margin	524.3	327.3	117.5	151.9	41.7	1,162.7
EBITDA	394.8	221.4	87.3	118.9	25.8	848.2
Gross Margin growth	12.8%	8.9%	13.5%	28.0%	32.3%	14.1%
EBITDA growth	22.0%	7.1%	15.9%	38.0%	53.4%	19.7%

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