IBERDROLA

Results Presentation
Nine Months 2011

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Agenda

Highlights of the period: Results

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Net Profit up 3.5%
to Eur 2,143 M

EBITDA amounts to Eur 5,586 M

Optimisation of financial strength continues
“A” Rating confirmed with outlook improvement

Operating efficiency continues to improve

Cash Flow up 2.3% to over Eur 4.3 bn

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Gross Margin

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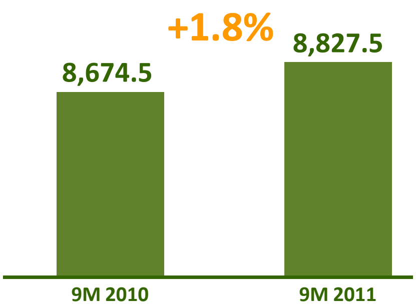
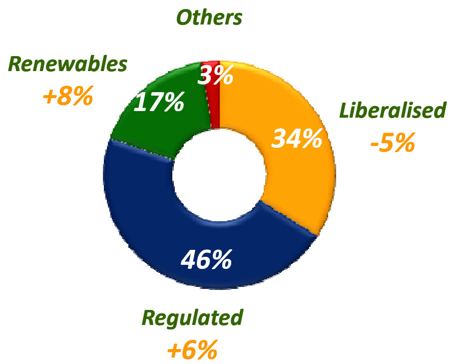
Gross Margin up 1.8% to Eur 8,827 M

Gross Margin (Eur M)



Gross Margin by business



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Efficiency

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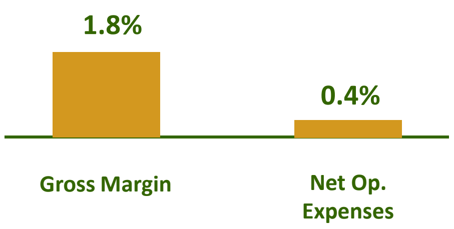
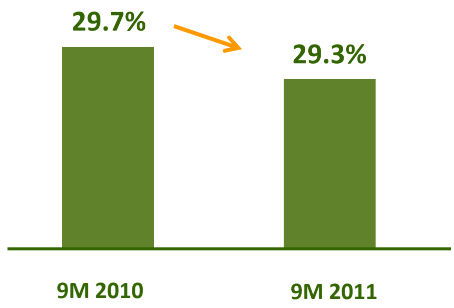
Efficiency continues to improve

9M 2011 v 9M 2010 increase



Net Op. Expenses/Gross Margin



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EBITDA

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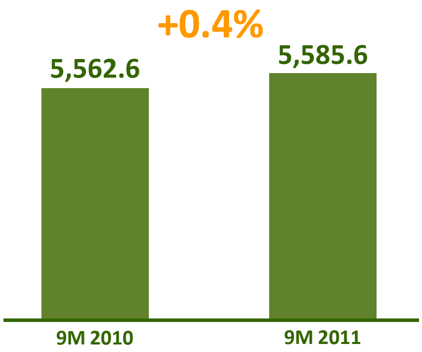
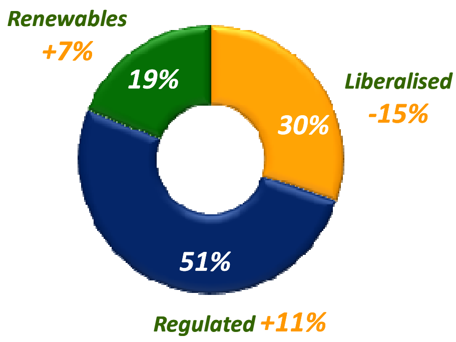
EBITDA reaches Eur 5,586 M, a 0.4% increase ...

EBITDA (Eur M)



EBITDA by business



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EBITDA

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... affected by a challenging market environment, especially in the Third Quarter...

	Positive impacts in 9M results	Negative impacts in 9M results
Networks	• Regulatory improvements in US, UK and Spain • Elektro consolidation	• Q3 2010 settlements • Connecticut divestment effect • Hurricane Irene impact
Renewables	• Capacity increase	• Lower wind resource in Spain
Liberalised	• Prices improvement in Spain	• Lower hydro and nuclear output in Spain • Lower output and sales in UK (with improvement in Q3) • Guatemala divestment effect • Significant increase in Levies (+51%)

...and exchange rates, that reduce Q3 EBITDA by 4.2%
Recovery expected in the Fourth Quarter

Balance Sheet management

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Optimising financial strength and liquidity ...

Active presence in capital and bank markets
Transactions in Euros, USD, Sterling and Reales for a total equivalent of Eur 6.5 bn

Improvement in Debt profile: Average life of Debt 6.4 years

Eur 9.6 bn of liquidity
24 months of financial needs covered

Strong financial ratios
47.2% Leverage and 17.5% RCF/Net Debt

**Excludes tariff deficit and includes TEI*
*** RCF = FFO – Dividends;*
FFO = Net Profit + Minority Results + Amortisations&Provisions – Equity Income – Net Non-Recurring Results + Financial Prov.+ Goodwill deduction

Balance Sheet management

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Consolidating "A" rating level in a period characterised by the downgrade of peers' ratings

Rating December 2010

	Moody's	S&P
EDF	Aa3	A+
GDF	Aa3 (neg)	A (neg)
E.On	A2	A
RWE	A2	A
Enel	A2 (neg)	A-
SSE	A3	A-
Centrica	A3	A-
Iberdrola	A3 (neg)	A- (neg)
EDP	A3 (neg)	A- (neg)

Rating October 2011

	Moody's	S&P
EDF	Aa3	AA-
GDF	A1	A
E.On	A3	A (neg)
Iberdrola	A3	A-
SSE	A3	A-
Centrica	A3	A-
RWE	A3 (neg)	A- (neg)
Enel	A3 (neg)	A- (neg)
EDP	Baa3 (neg)	BBB (neg)

The two rating reviews of Iberdrola in 2011 have been positive

Source: Bloomberg and Rating Agencies

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Net Profit and Cash Flow

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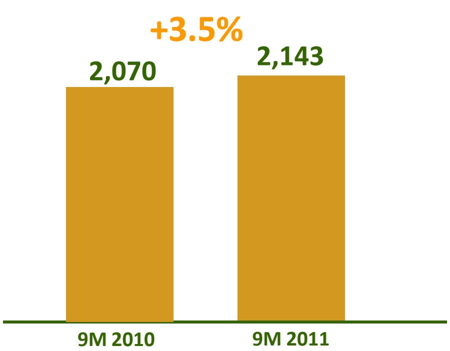
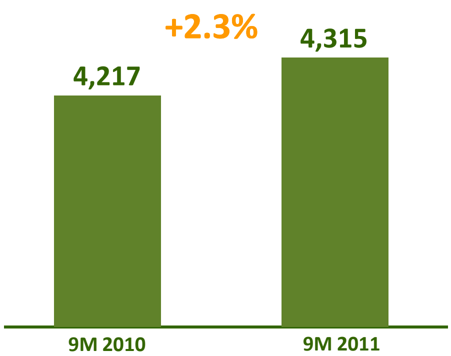
Net Profit up 3.5% to Eur 2,143 M

Eur M

Net Profit



Operating Cash Flow (FFO)



Stable cash generation:
FFO up 2.3% to over Eur 4.3 bn

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Highlights of the period

Regulation

Analysis of results

Financing

Conclusion

Annex: Iberdrola Renovables information

Regulation

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Achieving energy policy targets requires significant investments …

	Needs	Key issues
Traditional generation	• Replacement of obsolete plants • Emissions reduction	• Investment cost of technologies • Fossil fuel dependence • System operation: Base capacity v peak, reserve margin
Renewable energies	• Achievement of energy contribution targets • Emissions reduction	• Maturity level of technologies: Cost v energy contribution • Integration in global energy mix
Networks	• Expansion/Replacement of networks • Smart grids	• Regulatory stability and predictability • Promote efficiency and quality
Supply	• Customer service improvement • Promote energy efficiency	• Promote liberalisation

… that demand careful planning and a stable and predictable framework

Regulation: Spain

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Need to rationalize the system

- End of the tariff deficit
- Rationalize investments in the most expensive renewables (solar)
- Rationalize external charges included in the tariff
- Need for back up capacity for the output of non predictable technologies to ensure supply

Regulation: Spain

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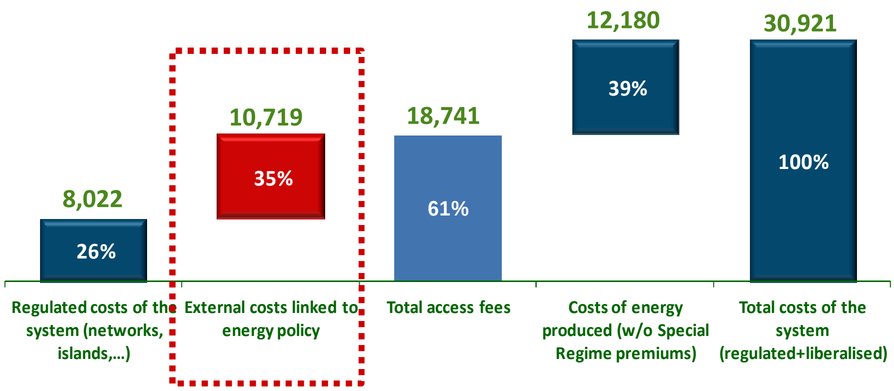
35% of the system's costs are linked to energy policy decisions

Breakdown of 2010 total costs of the electricity system

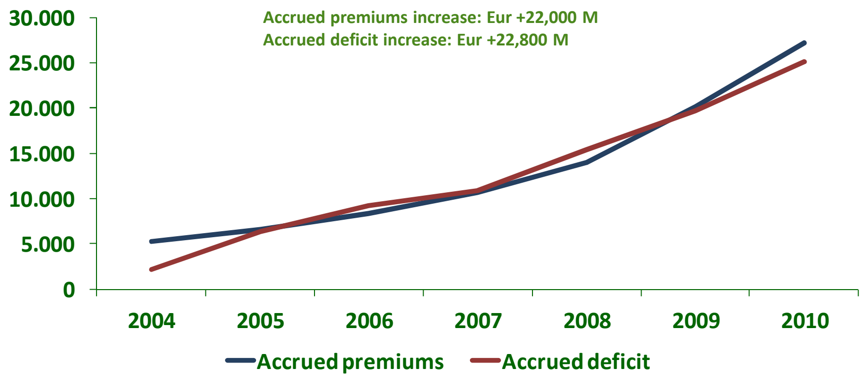


Source: 14/2010 CNE settlement, REE Advance 2010 OMEL and SO

Regulation: Spain

Special Regime premiums have grown massively since 2000, increasing directly the generation of tariff deficit …

Tariff deficit evolution (total recognised)
and Special Regime premiums (accrued Eur M)



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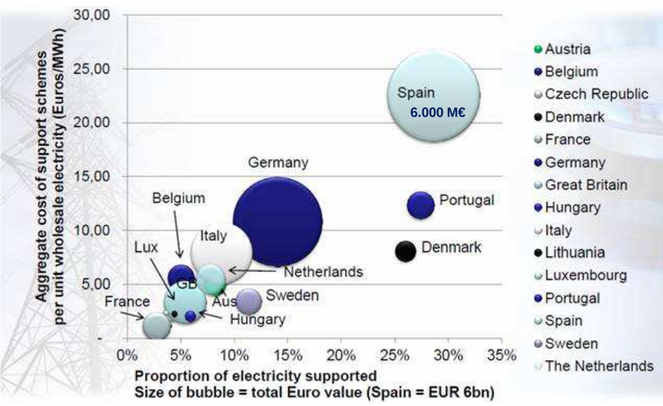
Regulation: Spain

… making the Spanish system one where the support to these energies impose the highest cost per MWh across Europe: Eur 22.5 /MWh

Proportion of energy subject to subsidies v unitary cost of support by MWh (2009)



- Spain leads the European ranking of Special Regime support.
- In Spain, the amount of subsidies reached Eur 6 bn in 2009, a unitary overcost for the customer of Eur 22.5/MWh.

Source *CEER* (European Energy Regulators Council) *report on Renewable Energy Support in Europe.* Ref: C10-SDE-19-04a. 4-May-2011.

Special Regime premiums represent an annual cost of Eur 250 per customer per year

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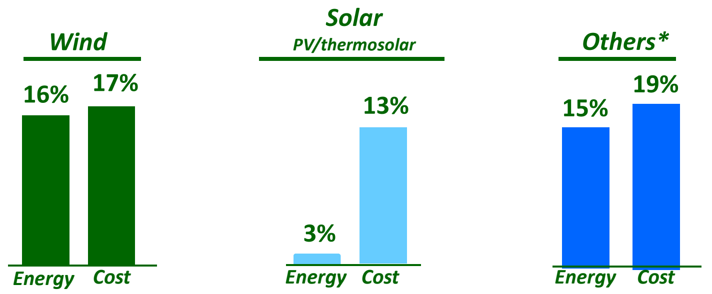
Regulation: Spain

The explanation is in the massive development of solar plants, that represent a cost significatly higher than their energy contribution …

Energy contribution v costs 2011e



** Cogeneration, biomass and others*

… a situation that could worsen in the following years with thermosolar

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Regulation: Spain

Repeating with thermosolar the mistakes made with the deployment of solar PV will result in an important economic cost …

	Annual premium per each Eur 1 M invested	*Environmental impact*
Wind	Eur 35,000-45,000	• No CO_2 emission • No water consumption
PV new regime	Eur 70,000-80,000	• No CO_2 emission • Reduced water consumption (only pannel cleaning)
PV previous regime	Eur 150,000-250,000	
Thermosolar	Eur 200,000-300,000	• Emission of 150-220 gr CO_2/kWh (half of a CCGT) • Consumption: 10 cubic meters/MWh (cooling, cleaning, water-steam cycle)

… with an environmental impact far from being neutral

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Regulation: Spain

To avoid higher price increases,
the real causes of the deficit should be tackled …

Moratorium on solar plants until deficit is eliminated

Remove externalities from the tariff

Revenues from CO2 auctions assigned to reduce deficit

… preventing customers from paying more
due to the massive development of non mature technologies

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Regulation: United Kingdom

Up to GBP 200 bn of investments in the next 10 years:
Need to take key decisions in the short term …

Transmission Networks	• Under negotiation remuneration framework until 2021: ScottishPower, candidate for Fast Track approval process	RIIO
Renewable energies	• New framework for investments from 2015: First proposal already published • Maintaining conditions to previous investments	Electricity Market Reform
Traditional generation	• Remuneration model for nuclear • Capacity payment for thermal • Transmission charges	Project Transmit
Supply	• More control over channels • Poor or negative profitability	Retail Market Reform

… the result of the ongoing processes will determine
the future achievement of energy policy targets

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Income Statement – Group

EBITDA up 0.4% to Eur 5,585.6 M
Net Profit up 3.5% to Eur 2,142.9 M

Eur M

	9M 2011	9M 2010	Var. %
Revenues	23,368.2	22,978.5	+1.7
Gross Margin	8,827.5	8,674.5	+1.8
Net Op. Expenses*	-2,589.2	-2,578.3	+0.4
EBITDA	5,585.6	5,562.6	+0.4
Operating Profit (EBIT)	3,515.1	3,568.4	-1.5
Net Financial Expenses	-797.8	-993.9	-19.7
Recurring Net Profit	1,882.2	1,834.5	+2.6
Reported Net Profit	2,142.9	2,069.6	+3.5
Operating Cash Flow	4,315.3	4,217.1	+2.3

**Excludes Levies*

Gross Margin - Group

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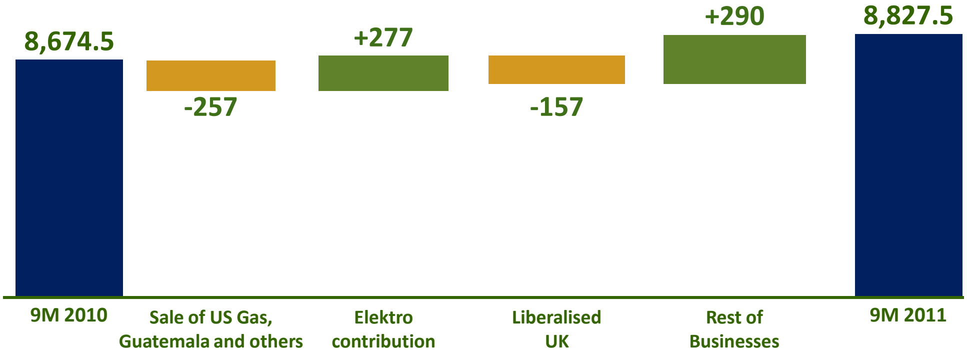
Gross Margin up 1.8% to Eur 8,827.5 M, as the diversified business portfolio of the Group more than offsets the weak performance of Liberalised UK, …



Elektro consolidation compensates the contribution of assets sold in 2010

… and Basic Margin up 1.9% (Eur 9,002.8 M), in line with Gross Margin

**Regulated business includes Brazil*

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Net Operating Expenses - Group

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Net Operating Expenses* up 0.4% to Eur 2,589.2 M

Net Operating Expenses

Eur M	9M 2011	% v 9M 2010
Net Personnel Expenses	1,280.5	-1.1%
Net External Services	1,308.7	+2.0%
Total	2,589.2	+0.4%

Operating Highlights

- Net Personnel Expenses down despite Elektro consolidation
- Net External Services Control

Recurring Net Operating Expenses up 0.1%

Levies up 19.1% to Eur 828.1 M due to the Spanish Liberalised Business

**Excludes Levies*

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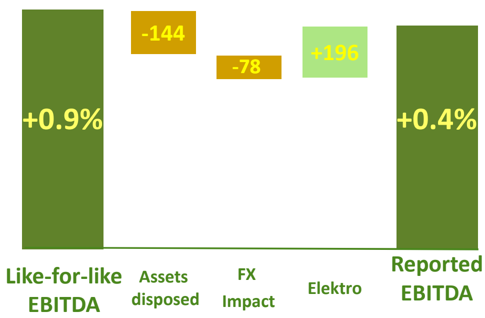
EBITDA - Group

Like-for-like EBITDA up 0.9% and reported EBITDA up 0.4%

Eur M



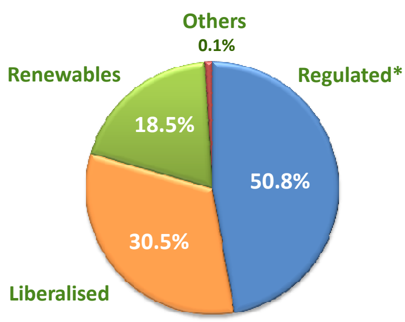
	9M 2011	% v 9M 2010
Basic Margin	9,002.8	+1.9%
Net. Op. Exp.	-2,589.2	+0.4%
Levies	-828.1	+19.1%
EBITDA	5,585.6	+0.4%

The incorporation of Elektro is compensated by assets disposed and fx impact

EBITDA - Business

Group EBITDA up 0.4% due to Iberdrola's diversified business model …

EBITDA Breakdown



9M'11 EBITDA (Eur M)

Regulated*	2,839.9	+11.5%
Liberalised	1,706.3	-14.6%
Renewables	1,035.8	+6.6%

… where more stable businesses (Regulated and Renewables) offset the more volatile businesses (Liberalised)

*Regulated business includes Brazil

Results By Business
Regulated

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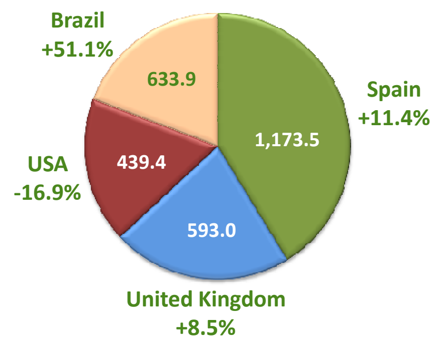
Regulated EBITDA up 11.5% to Eur 2,839.9 M, …

EBITDA Breakdown



Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	4,086.6	+6.4%
Net Op. Exp.	-956.3	-1.2%
EBITDA	2,839.9	+11.5%

… taking advantage of regulatory improvements, cost savings, synergies and best practices

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Results By Business
Regulated Spain

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EBITDA up 11.4% to Eur 1,173.5 M …

Operating Highlights

- ↑ Higher regulated revenues: +19% v 9M 2010
- ↑ Lower Net Op. Expenses: Due to efficiency gains
- ↓ Positive settlements 9M'10: Eur 100 M

Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	1,523.1	+7.2%
Net Op. Exp.	-290.5	-6.2%
EBITDA	1,173.5	+11.4%

… due to new regulatory framework that will be homogenized by Q4

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Results By Business
Regulated United Kingdom

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EBITDA up 8.5% to Eur 593.0 M

Highlights of the Period

Operating Highlights	Higher revenues (+8%) due to higher investments (+8%)
	Efficiency improvement: Gross Margin growth > Net Op. Exp. growth
FX Impact	GBP: -1.4%

Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	742.9	+7.4%
Net Op. Exp.	-81	+4.9%
EBITDA	593.0	+8.5%

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Results By Business
Regulated USA

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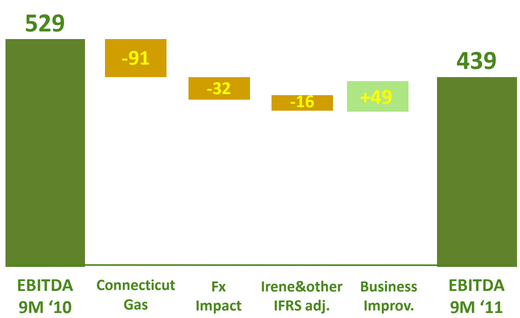
EBITDA in Euros under IFRS down 16.9% to Eur 439.4 M …

Eur M

EBITDA Impacts



Financial Highlights

	9M 2011	% v 9M 2010
Gross Margin	952.9	-18.8%
Net Op. Exp.	-353.8	-21.0%
EBITDA	439.4	-16.9%

… as business improvements are more than offset by the sale of Connecticut Gas, exchange rate effect and Irene costs

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Results By Business
Brazil

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Brazil EBITDA increases 51.1% to Eur 633.9 M, due to Elektro consolidation (Eur +196 M), Real revaluation (Eur +13 M) and operating improvements …

Highlights of the Period

Operating Highlights	Brazil Demand (+3.3%) and operating improvements
	Elektro consolidation
	New hydro capacity
FX Impact	Real: +2.9%

Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	867.8	+56.6%
Net Op. Exp.	-231.0	+73.3%
EBITDA	633.9	+51.1%

… excluding Elektro EBITDA up 4.5%

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Results By Business
Liberalised Business

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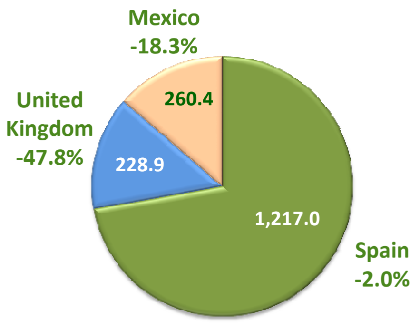
Liberalised Business EBITDA down 14.6% to Eur 1,706.3 M …

EBITDA Breakdown



Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Basic Margin	3,179.3	-3.9%
Net Op. Exp.	-1,003.7	+0.4%
Levies	-469.3	+50.7%
EBITDA	1,706.3	-14.6%

… due to lower output, weak performance of UK business, sale of Guatemala and higher Levies

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Results by Business
Liberalised Business Spain

EBITDA down 2.0% to Eur 1,217.0 M due to lower output and rise in Levies despite improvement in margins

Operating Highlights

- -13% lower output due mainly to -27% lower hydro production
  Hydro reserves over 60%
  (+15% above average historical level)
- 78% of 9M'11 ordinary regime output is emission free
- Margin improvement: Higher prices
  (Achieved Price* Eur 60/MWh)
  more than offset higher Procurement costs

Financial Highlights (Eur M)

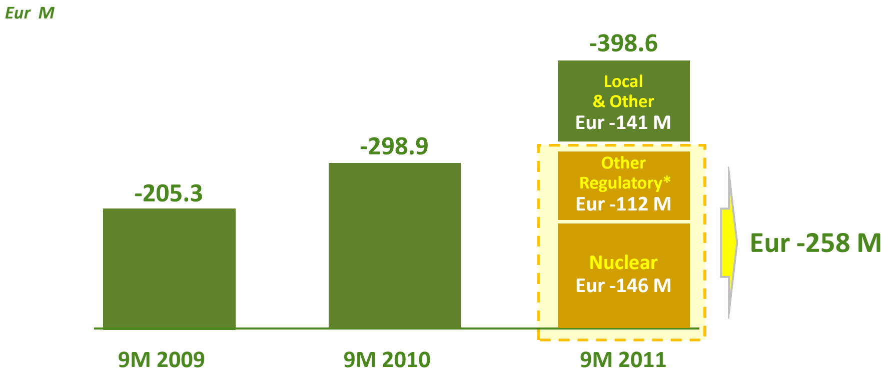
	9M 2011	% v 9M 2010
Basic Margin	2,182.0	+4.5%
Net. Op. Exp.	-566.5	+3.6%
Levies	-398.6	+33.3%
EBITDA	1,217.0	-2.0%

2011: The whole production already sold above Eur 58/MWh
2012: 40 TWh of production already sold above Eur 60/MWh

**Iberdrola average power price for the Spanish system includes spot and forward sales and retail margin for 9M 2011*

Liberalised Business Spain - Levies

Levies circa Eur 400 M (33% of EBITDA), due to Social Bonus, nuclear taxes and energy saving and efficiency plan



Levies in Spanish Liberalised Business have almost doubled in 2 years
This results in Levies on nuclear production of Eur 13/MWh

**Includes Energy Efficiency and Social Bonus*
*** Includes direct Levies associated with nuclear production (CSN, Enresa, IBI, IAE,…) plus proportional part of other regulatory measures applicable to the generation business*

Results By Business
Liberalised Business United Kingdom

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EBITDA is down 47.8% to Eur 228.9 M due to less production/sales in electricity and gas and lower electricity margins

Operating Highlights

- Lower Retail sales v 9M 2010:
  Power -3%
  Gas -15%
- Lower Retail Power margins
  as higher commodity costs
  are not offset by prices

CERT/CESP reclassification as Levies from Operating Expenses
Net effect = 0 at Expenses and EBITDA level

Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Basic Margin	664.7	-18.5%
Net Op. Exp.	-365.9	-0.1%
Levies	-70.0	n/a
EBITDA	228.9	-47.8%

Results have slightly improved during Q3 and will show further improvement in Q4 due to tariff increases (applicable 1st August)

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Results By Business
Liberalised Business Mexico

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Mexico EBITDA is down -18.3% to Eur 260.4 M due to the sale of Guatemala assets in 2010 and exchange rate impact

Highlights of the Period

Operating Highlights	Guatemala Asset Sales
	Operating improvements
FX Impact	USD: -7.2%

Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	332.5	-18.2%
Net Op. Exp.	-71.4	-17.4%
EBITDA	260.4	-18.3%

Underlying EBITDA improves by 3.4%

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Results By Business
Renewables

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Operating capacity up 12% to 12,801 MW…

Installed capacity: +12.0% to 13,450 MW

Average load factor: 24.9% v 25.0% in 9M 2010
Load factor in Q3 2011 3.3% lower than in Q3 2010

Average price*: Eur 68.5/MWh v Eur 72.3/MWh in 9M 2010
Due to the higher weight of US production

… and production increasing 14.5% to 20.7 TWh in the nine months

*Excludes PTCs

Results By Business
Renewables

IBERDROLA

Total EBITDA up 6.6% to Eur 1,035.8 M …

Financial Highlights (Eur M)

	Renewables		Gas		TOTAL	
Gross margin	1,482	+5%	36	n/a	1,518	+8%
Net Op. Expenses	-403	+14%	-26	-28%	-429	+10%
Levies	-50	+5%	-3	0%	-53	+5%
EBITDA	1,029	+6%	7	n/a	1,036	+7%

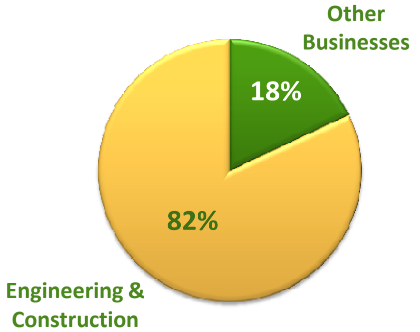
… and Renewable* EBITDA growing 6.2%

*Excluding in 2010 EBITDA the result of selling contracts of energy

Results By Business
Other Businesses

EBITDA down 22.4% to Eur 57.6 M …

Gross Margin Breakdown



Financial Highlights (Eur M)

	9M 2011	% v 9M 2010
Gross Margin	257.8	-14.5%
Net Op. Exp.	-191.6	-14.3%
EBITDA	57.6	-22.4%

… due to the weakness in the Real Estate business and the sale of Neosky and IBV stakes

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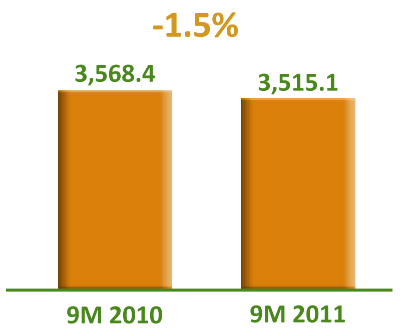
EBIT - Group

Group EBIT down 1.5% to Eur 3,515.1 M

Eur M

EBIT



	9M 2011	% v 9M 2010
D&A	-1,983.6	+4.4%
Provisions	-86.6	-7.9%
Total	-2,070.5	+3.8%

D&A up 3.8% to Eur 2,070.5 M due to investments in Renewables and Regulated Provisions down 7.9%

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Net Financial Expenses - Group

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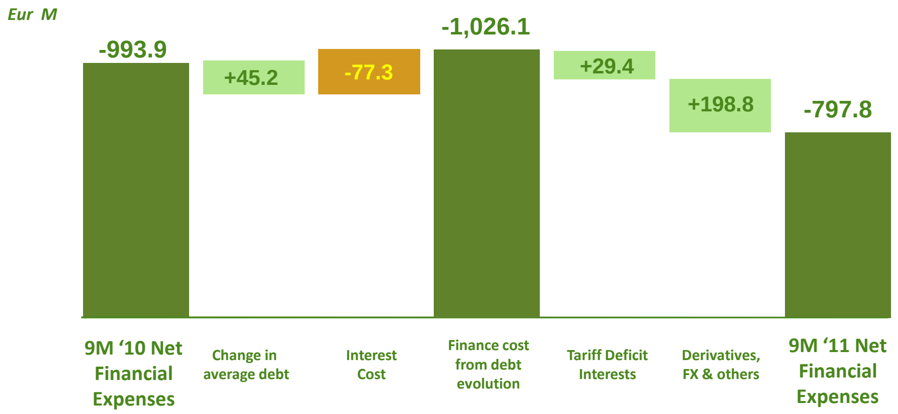
FX derivatives due to P&L hedging policy are behind the financial expenses improvement, Eur -797.8 M (-19.7%) …



… while debt related expenses increase 3.2% due to higher interest cost (+0.2%), including Elektro's new debt in Reales (+5 bps), partially offset by lower average debt (-4.5%)

Reported Net Profit - Group

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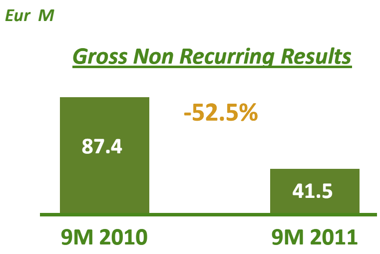
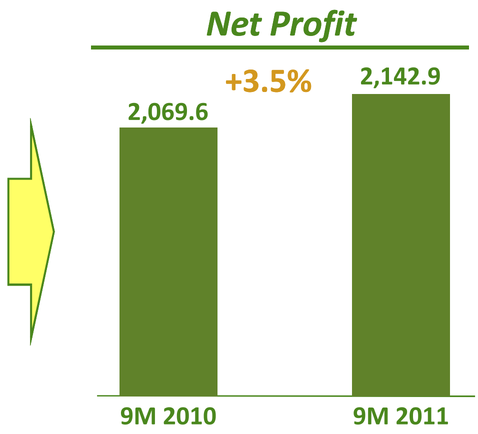
Net Profit is up 3.5% to Eur 2,142.9 M as Effective Corporate Tax Rate falls from 21.5% to 19.8% due to a 2% lower UK Corporate Tax in 2011



Lower Gross Non Recurring Results offset improvement in Net Financial Expenses



Recurring Net Profit up 2.6% to Eur 1,882.2 M

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Tariff Deficit

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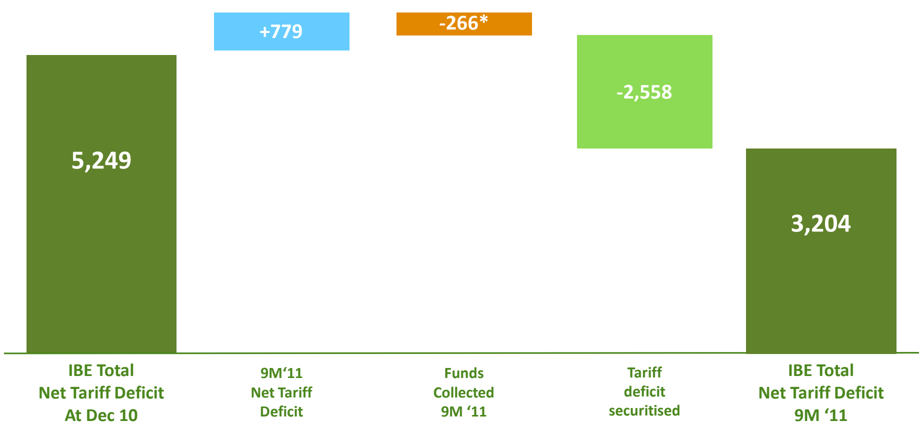
Tariff Deficit falls to Eur 3,204 M at the end of Q3 2011
Eur 8.5 bn of tariff deficit already placed by FADE in the first 5 tranches



Currently in the process of issuing the next tranche
Private placements recently approved

** Includes interest of Eur 48 M relating to the 2006, 2008, 2009 & 2010 tariff deficits*

Financing – Adjusted Leverage

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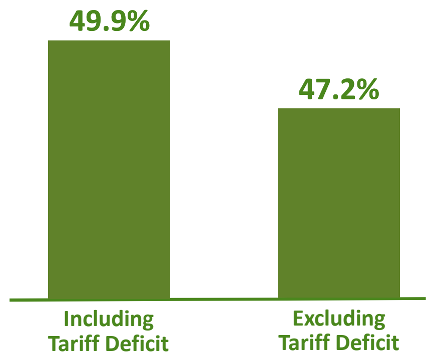
Leverage stands at 47.2% at Sept 2011 excluding tariff deficit and 49.9% including tariff deficit

9M 2011 Net Debt and Equity

Eur M

	9M '11	9M '10
Adjusted Net Debt	31,514	30,644
Tariff Deficit	3,204	4,421
Adjusted Net Debt Ex deficit	28,310	26,223
Equity	31,664	31,041

9M 2011 Leverage



Debt increase in Q3 is related to the payment to IBR minority shareholders (Eur 2.4 bn)

Note all debt figures include TEI

Financing – Financial Ratios (Pro-forma, includes 1 year of Elektro and Renewables: Results and Debt)

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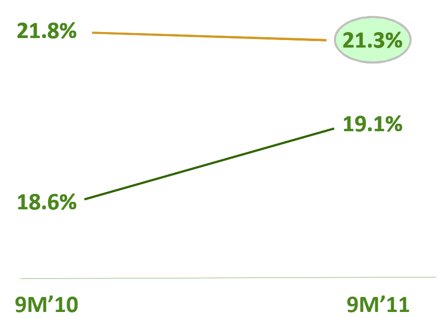
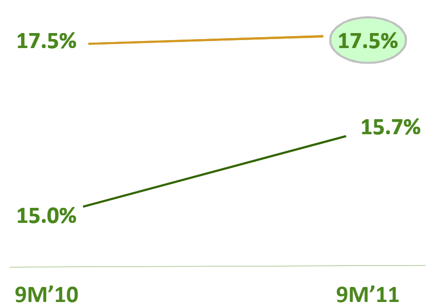
Maintaining its improved credit metrics ...

FFO[1]/Net Debt[2] (%)



RCF[3]/Net Debt[2] (%)



Excluding Tariff Deficit — Including Tariff Deficit

... solidly positioned within the A-/A3 rating bands

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

Financing – Liquidity*

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Group's Liquidity in excess of Eur 9.6 bn …

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2011	482	59	423
2012	1,937	986	951
2013	2,950	300	2,650
2014+	3,582	1,013	2,569
Total Credit Lines	**8,951**	**2,358**	**6,593**
Cash & Short Term Fin. Invest.			1,784
452M€ Tariff Deficit, EIB Loan 200M€, 600 M€ EMTN			1,252
Total Adjusted Liquidity			**9,629**

… enough to cover up to 24 months financing needs

**As of today, including Eur 200 M EIB Loan and Eur 600 M EMTN*

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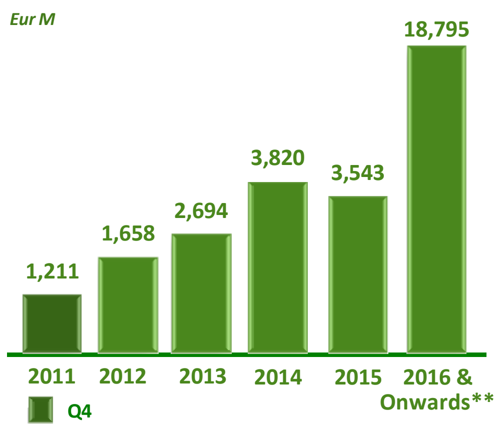
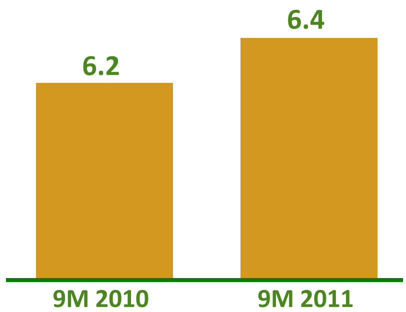
Financial Profile

IBERDROLA

Iberdrola debt maturity profile*



Average maturity of debt



Increasing debt maturity to 6.4 years

**Does not include drawn credit lines*
***Includes commercial paper outstanding balance, Eur 600 M October bond and Eur 200 M EIB loan.*

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Scrip Dividend

Iberdrola Board approved the implementation of a scrip dividend to be paid in January 2012 as the interim dividend of 2011

3 January	Start of the trading period Start of the right purchase commitment
20 January	Cash payment for the sale of rights
25 January	Start of the trading of the new ordinary shares

The price at which IBE will purchase the rights will be at least Eur 0.143/share

Note: Complete calendar expected to be published after Board meeting to be held in November

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Conclusion: 9M 2011 Results

IBERDROLA

**In a complicated environment,
Iberdrola continues improving its results**

Balanced business portfolio → Gross Margin growth

+

Management model → Optimising operating and financial expenses

**Net Profit increases by 3.5%
and Operating Cash Flow by 2.3%**

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Conclusion: Outlook 2011

IBERDROLA

Results improving in the last quarter of the year

			Q4	12M
Networks	*Spain*	Impact of extraordinary income of 2010	=	+
	UK	Higher results due to DPCR5 implementation		
	USA	Good operating performance		
	Latam	Positive impact from Elektro consolidation		
Renewables	*Spain*	Q4 2010 affected by reduced wind conditions	+	+
	USA	Maintaining growth		
	Rest	Improvement in UK due to wind conditions and aditional capacity, and growing in Rest of World		
Liberalised	*Spain*	Better prices	= / +	-
	UK	Margin recovery		
	Latam	Maintaining the performance		

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Conclusion: Outlook 2011

IBERDROLA

Maintaining the range of compound annual growth of EBITDA and Recurring Net Profit for the period 2010-2012e between 5 and 9%

Maintaining shareholder remuneration at least in line with prior year's

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Results Presentation
Nine Months 2011

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Highlights of the period

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Installed capacity reaches 13,450 MW

Operating capacity increases 12.0% and output by 14.5% to 20,712 GWh

Consolidated EBITDA reaches Eur 1,035.8 M (+6.7%)

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Installed capacity

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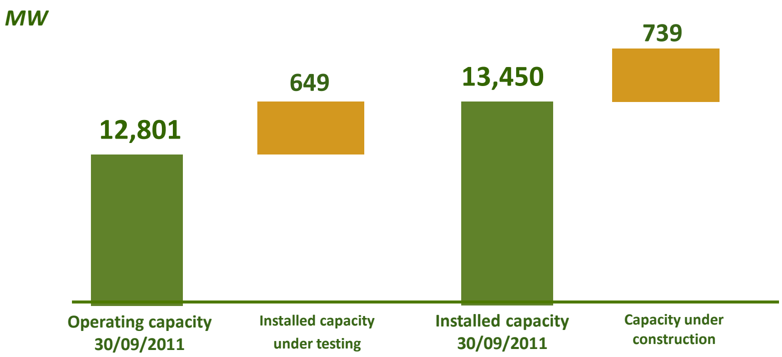
Installed capacity up 12.0% to 13,450 MW…



… with 739 MW under construction

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Operating capacity

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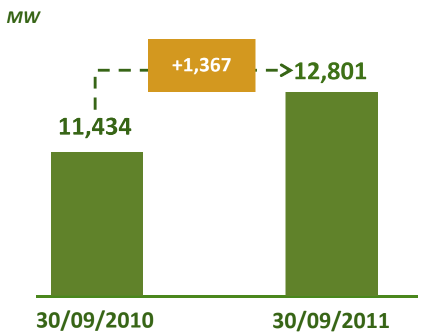
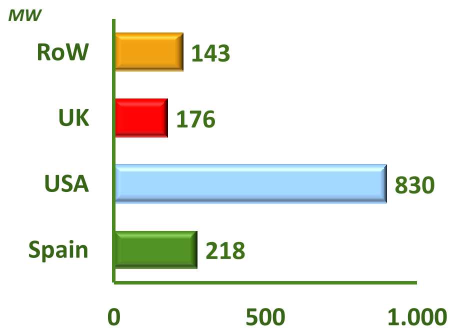
Operating capacity up 12.0% to 12,801 MW…

YoY operating capacity increase



Operating capacity breakdown



… with 60.7% of the increase in US

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Load factors of the period

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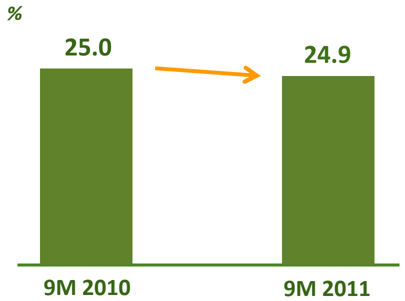
Average load factor of 24.9% ...

Wind resource



	Load factor 9M 2011	Load factor 9M 2010
Wind US	30.9%	30.1%
Wind Spain	20.9%	22.6%
Wind UK	21.1%	18.7%
Wind RoW	22.1%	21.8%
Minih. & Others	26.8%	28.8%

... due lo lower wind resource in Spain

Renewable output

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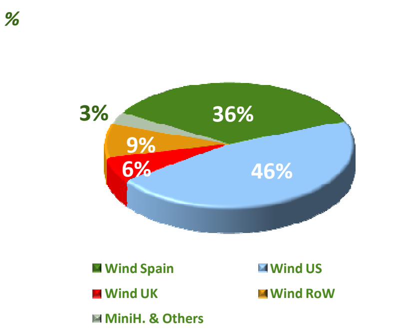
Output reaches 20,712 GWh (+14.5%) ...

Breakdown by geography



9M 2011 Renewable output

GWh	9M 2011	% v 9M 2010
Wind USA	9,534	+28.3%
Wind Spain	7,405	-1.3%
Wind UK	1,305	+32.6%
Wind RoW	1,787	+20.8%
Minih. & Others	681	-3.0%
TOTAL	20,712	+14.5%

... showing significant growth in US (+28.3) and UK (+32.6)

Renewable output prices

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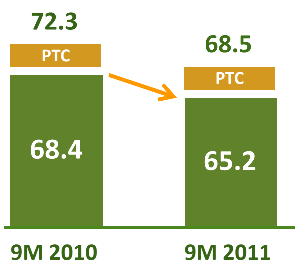
Larger contribution from the US business reduces the average price …

Renewable average price

Eur/MWh



Prices in local currency

	Var %	Var. v 9M 2010	
USA*	-2.4%	-1.25 $/MWh	Long term PPA
UK	-5.0%	-4.8 £/MWh	Medium term PPA
RoW	+7.70%	+6.9 €/MWh	Mainly feed-in tariffs
Spain	+0.3%	+0.3 €/MWh	Medium term hedged

… effect increased by collection of grants and fx

* Average selling price excluding PTC and sale of contracts effect

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