

First Half

Results 2012

Quarterly Report



IBERDROLA

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NET PROFIT REACHES EUR 1,800.5 MILLION

International business was the driving force behind Group results

EBITDA was EUR 4,087 million (+2.0%). International EBITDA grew by 13.4%, whereas in Spain decreased by 8.3%

- EBITDA grew across all businesses except for Liberalised Business in Spain (-10%; due to lower production) and Networks Spain (-13%; due to the impact of of RDL 13/2012).

Net Profit grew by 15.2%

- Tax provisions reversals in US and goodwill deductibility in Brazil reduce the corporate income tax in EUR 430 million.
- Write-offs amounting to EUR 171 million.
- International Net Profit went up by 74% to EUR 1,363 million.
- The Profit generated in Spain fell by 44% to EUR 437 million.

Focus on generating cash and strengthening the Group's financial solidity

- Cash flow increased by 5.8% to EUR 3,300 million.
- Liquidity reached EUR 9,551 million, enough to cover needs for the next 24 months.
- Leverage ratio of 48.3% compared to 48.8% at the end of 2011.

Core Business Figures

Operating Data		H1 2012	H1 2011	%
Net production	GWh	68,794	74,375	-7.5
Hydro	GWh	5,605	10,678	-47.5
Nuclear	GWh	12,603	12,256	2.8
Coal	GWh	8,186	6,114	33.9
Fuel-Oil	GWh	-	-	N/A
Gas Combined Cycle	GWh	22,785	27,950	-18.5
Cogeneration	GWh	2,704	2,361	14.5
Renewables	GWh	16,911	15,017	12.6
Installed capacity	MW	46,489	45,243	2.8
Hydro	MW	9,699	9,682	0.2
Nuclear	MW	3,373	3,373	-
Coal	MW	4,709	4,709	-
Fuel-Oil	MW	157	157	-
Gas Combined Cycle	MW	13,207	13,172	0.3
Cogeneration	MW	1,173	1,173	0.1
Renewables	MW	14,171	12,977	9.2
Energy power distributed	GWh	105,783	100,297	5.5
Electricity customers (supply points managed)	No (mil.)	27.71	27.34	0.6
Gas customers (supply points managed)	No (mil.)	3.35	3.31	1.2
Gas supplies	GWh	50,999	66,498	-23.3
Gas storage	bcm	2.46	2.43	1.2
Employees	No	30,757	31,779	-3.2

Operating Data		H1 2012	H1 2011	%
Spain				
Net production	GWh	28,374	34,503	-17.8
Hydro	GWh	4,133	9,626	-57.1
Nuclear	GWh	12,603	12,256	2.8
Coal	GWh	2,429	841	N/A
Fuel-oil	GWh	0	0	N/A
Gas combined cycle	GWh	1,464	4,551	-67.8
Cogeneration	GWh	1,360	1,372	-0.9
Renewables	GWh	6,386	5,857	9.0
Installed capacity	MW	25,698	25,536	0.6
Hydro	MW	8,619	8,619	-
Nuclear	MW	3,373	3,373	-
Coal	MW	1,253	1,253	-
Fuel-oil	MW	157	157	-
Gas combined cycle	MW	5,893	5,893	-
Cogeneration	MW	401	400	0.2
Renewables	MW	6,001	5,841	2.8
Energy distributed	GWh	48,115	48,729	-1.3
Gas Supplies	GWh	11,141	19,303	-42.3
Consumers	GWh	4,782	6,184	-22.7
Gas combined cycle	GWh	6,359	13,119	-51.5
Electricity Users (managed supply points)	No (mill.)	10.65	10.69	-0.3
Liberalised market	No	4.30	3.18	35.3
Last resort supply	No	6.35	7.51	-15
Gas Users (managed supply points)	No (mill.)	0.79	0.75	5.40
United Kingdom				
Production	GWh	10,171	11,566	-12.1
Hydro	GWh	344	288	19.7
Coal	GWh	5,757	5,273	9.2
Gas combined cycle	GWh	2,908	4,875	-40.4
Cogeneration	GWh	44	143	-69.2
Renewables	GWh	1,118	987	13.3
Installed Capacity	MW	7,247	7,015	3.3
Hydro	MW	566	566	-
Coal	MW	3,456	3,456	-
Gas combined cycle	MW	1,914	1,914	-
Cogeneration	MW	100	100	-
Renewables	MW	1,211	979	23.7
Energy Distributed	GWh	17,940	18,102	-0.9
Gas Storage	bcm	0.05	0.04	12.4
Gas Supplies	GWh	24,072	28,569	-15.7
Consumers	GWh	17,460	16,745	4.3
Gas Combined Cycle	GWh	6,612	11,824	-44.1

Operating Data		H1 2012	H1 2011	%
United Kingdom (Cont.)				
Electricity Users (managed supply points)	No (mill.)	3.4	3.3	3.0
Gas Users (managed supply points)	No (mill.)	2.0	2.0	-2.6
United States				
Production	GWh	9,352	7,895	18.5
Hydro	GWh	201	181	11.0
Gas combined cycle	GWh	103	10	N/A
Cogeneration	GWh	1,196	741	61.4
Renewables	GWh	7,852	6,963	12.8
Installed capacity	MW	6,381	5,770	10.6
Hydro	MW	116	116	-
Gas combined cycle	MW	212	212	-
Cogeneration	MW	636	636	-
Renewables	MW	5,416	4,805	12.7
Gas storage USA	bcm	1.77	1.74	1.7
Gas storage Canada	bcm	0.64	0.65	-1.5
Energy distributed	GWh	15,299	15,276	0.2
Gas supplies	GWh	15,786	18,626	-15.2
Electricity Users (managed supply points)	No (mill.)	1,856	1,854	0.1
Gas Users (managed supply points)	No (mill.)	0,563	0,563	-
Latinamerica				
Production	GWh	19,599	19,372	1.2
Hydro	GWh	927	583	59.0
Gas combined cycle	GWh	18,310	18,514	-1.1
Cogeneration	GWh	104	105	-0.8
Renewables	GWh	258	171	51.1
Installed capacity	MW	5,881	5,756	2.2
Hydro	MW	398	381	4.5
Gas combined cycle	MW	5,188	5,153	0.7
Cogeneration	MW	36	36	-
Renewables	MW	258	186	38.8
Energy distributed (under management)	GWh	24,429	18,189	34.3
Customers (supply points managed)	No (mill.)	11.8	11.5	2.6
Rest of the world				
Production	GWh	1,297	1,040	24.8
Renewables	GWh	1,297	1,040	24.8
Installed capacity	MW	1,284	1,166	10.1
Renewables	MW	1,284	1,166	10.1

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

Market Data		H1 2012	H1 2011
Market capitalisation	€ Million	22,213	35,731
Earnings per share (5,972,865,000 shares at 06/30/12 & 5,822,196,000 shares at 06/30/11)	€	0.30	0.27
Net operating cash flow per share	€	0.552	0.530
P.E.R.	Times	7.30	12.04
Price/Book value (capitalisation to NBV at end of period)	Times	0.65	1.08

Economic/Financial Data			
Income Statement		H1 2012	H1 2011
Revenues	€ Million	16,992.6	15,550.1
EBITDA	€ Million	4,086.8	4,004.8
EBIT	€ Million	2,539.9	2,626.7
Net Profit	€ Million	1,800.5	1,563.6
Net Operating Expenses/Gross Margin	%	28.3	27.4

Balance Sheet		Jun. 2012	Dec. 2011
Total Assets	€ Million	97,151	96,905
Shareholders' Equity	€ Million	34,263	33,208
Net Adjusted Financial Debt ⁽¹⁾	€ Million	32,028	31,705
ROE	%	9.1	9.3
Financial Leverage ⁽²⁾	%	48.3	48.8
Net Debt/Equity Ratio	Times	0.93	0.95

(1) Includes tariff deficit and TEI

(2) Net Debt/ Net Debt+shareholder's equity. Includes tariff deficit financing. Excluding tariff deficit, leverage at June 2012 is 46.1%.

Credit Rating of IBERDROLA Senior Debt			
Agency	Rating	Outlook	Date
Standard & Poors	BBB+	Stable	May 3rd 2012
Moody's	Baa1	Rating Watch negative	June 15th 2012
Fitch IBCA (unsecured debt)	A-	Rating Watch negative	April 3rd 2012

Highlights of the period

Iberdrola's results over the period are to be viewed within a complex operational environment characterised by the difficult macroeconomic situation.

Among the influential factors that can be mentioned is the weak demand for electricity, slightly increasing energy prices, considering the change experienced by the commodities and, finally, the effect of tensions experienced by the fixed income and equity markets. In this respect, it is worth noting the following:

- In Spain, the period has been marked by lower hydro resources compared with the same period of the previous year (-47.4%) and a 0.3% drop in electricity demand, affecting all market segments. In the United Kingdom, electricity demand increased by 0.5%, while gas demand has increased by 4% as a result of the weather. In Iberdrola USA's area of influence in the United States, the demand figures show a +0.2% increase in electricity and 15.2% decrease in gas, mainly due to mild weather conditions than in the previous year. As for Brazil, demand growth rate is 5.6% compared to the same period of the previous year.
- During the first half of 2012, commodities evolved as follows:
 - The average price of Brent oil was \$113.6 per barrel compared with \$111.3 per barrel last year (+2.1%).
 - The average price of gas (Zeebrugge) in the period amounts to 57.5 GBp/therm,

compared to 57.4 GBp/therm in the first half of 2011 (+0.2%).

- The average price of API2 coal is at \$100.3/MT compared with \$125.4/MT for the same period of 2011 (-20.0%).
- The average cost of CO2 rights has gone down from €13.9/MT in the first half of 2011 to €6.9/MT in 2012 (-50.4%).
- All of this has translated into the following change in energy prices, considering the different situations of each reference markets, as reflected in the following table:

Spot Market EUR/MWh	Average 2012	Average 2011
Spain	49.66	47.41
United Kingdom	54.34	57.32
Germany	42.68	53.25
France	50.71	51.20

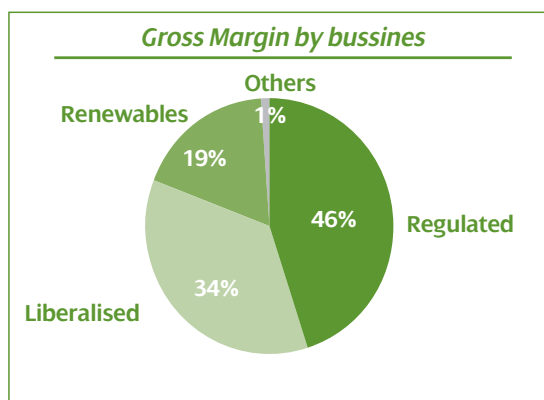
- During the first half of 2012, the average trend of the main foreign currencies of reference for Iberdrola against the Euro has been as follows: The Pound Sterling and the US Dollar have risen by 4.7% and 6.9% respectively, whereas the Brazilian Real has dropped by 4.6%.
- The total production of the Iberdrola Group in the period dropped by 7.5% to 68,794 GWh. This figure includes 28,374 GWh (-17.8%) generated in Spain, 10,171 GWh (-12.1%) in the United Kingdom, 9,352 GWh (+18.5%) in the United States, 19,599 GWh (+1.2%)

in Latin America and the remaining 1,297 GWh in various countries through renewable energies (+24.8%).

- As at the end of the first half of 2012, IBERDROLA has 46,489 MW installed, of which 59% produces emission-free energy at low variable cost.
- The following exceptional highlights should be noted with regard to the period analysed:
 - Royal Decree-Law 13/2012, with a negative impact of EUR 125 million as a result of the reduction of the remuneration for the activity of distribution in Spain (EUR -117 million) and lower capacity payments in the Liberalised Business in Spain (EUR -7.5 million) in the first half of the year, being the estimated impact for 2012 of EUR -256 million.
 - Supreme Court ruling of 7 February, exempting generation companies from financing social bonus and recognising their right to be reimbursed any amounts paid for this item. This has a positive impact of EUR 136 million in terms of Levies for the Liberalised Business in Spain for the first half of 2012. The annualized impact is estimated in EUR +170 million.
 - Write-offs of wind farm promotion costs, which increase the provisions by EUR 44 million, and of the Gamesa stake, with an impact of EUR -127 million on the result through the equity accounting method, being a total of EUR 171 million.
 - Positive impacts on Corporate Income Tax, through reversals of tax provisions

following the agreements reached with the tax authorities in the United States and through the deductibility of the goodwill of Elektro (Brazil), for a total of EUR 430 million.

- The Gross Operating Profit (EBITDA) for the period increased by 2.0% to EUR 4,086.8 million. This change is mainly the result of:
 - A 3.2% growth of the Gross Margin, thanks to the Group's management in a complex operational environment generated by the economic crisis, with declining demand in European regions where the Company operates, and the consolidation of Elektro during five months.
 - A 5.7% increase in Net Operating Expenses based on the consolidation of the Brazilian company Elektro and offset by the reduction of the Levies item a 6.6%, following the application of the Spanish Supreme Court ruling mentioned above.



- Gross Operating Profit (EBITDA) is broken down as follows:

	H1 2012	Weight %	Change %
Regulated	1,980.6	48%	+4.7%
Liberalised	1,248.2	31%	-4.2%
Renewables	848.5	21%	+12.2%
Other Businesses	7.3	-	-91.1%
Corporation and adjustments	2.2	-	-
TOTAL	4,086.8	100%	+2.0%

- Liquidity amounted to EUR 9,551 million, enough to cover treasury needs for more than 2 years.

- Net Profit raised to EUR 1,800.5 million, an increase of 15.2% compared to the figure for the same period of 2011. This item was positively affected by the change in Corporate Income Tax, due to the reversals of tax provisions and by the previously mentioned deducibility of the goodwill, partially offset by the provisions and write-offs mentioned above.
- Recurring Net Profit amounted to EUR 1,401.9 million (-3.2%)
- The optimisation of financial soundness and liquidity as strategic priorities can be summarised as follows:
 - As of June 2012, Funds Generated from Operations came to EUR 3,299.8 million, reflecting an increase of 5.8% compared with the same period in 2011.

Operational performance for the period

1. REGULATED BUSINESS

1.1. Spain

As at June 2012, IBERDROLA had more than 10.7 million supply points and the total energy distributed amounted to 48,115 GWh, a 1.3% decreased compared with the same period of the previous year.

The TIEPI supply quality indicator (Interruption Time Equivalent to the Installed Capacity) corresponding to the first half of 2012, indicates a value of 27.1 minutes. The table below shows the TIEPI values compared with the previous years:

Year	TIEPI
2009	42.3
2010	39.9
2011	27.6
2012	27.1

During this period the investment made by the business in Spain is summarized in the following table:

	Physical Units (june 2012)	TOTAL
	Electrical Substations brought into service	7
	Overhead line (km)	90.3
Extra-high Voltage	Underground line (km)	4.8
	Number of Transformers	2
	Capacity Increase (MVA)	366
	Overhead line (km)	37.6
High Voltage	Underground line (km)	24.1
	Number of Transformers	6
	Capacity Increase (MVA)	95

	Physical Units (june 2012)	TOTAL
	Overhead line (km)	115.2
Medium Voltage	Underground line (km)	436.9
	Number of Transformers	0
	Capacity Increase (MVA)	13
	Number of Secondary Substations	715
Secondary Substations	Capacity Increase (MVA)	394
	Overhead line (km)	135.3
Low Voltage	Underground line (km)	224.2

1.2. United Kingdom

As at 30 June 2012, Iberdrola distributed to more than 3.4 million customers. The volume of energy distributed in the first half of 2012 was 17,940 GWh, representing a decline of 0.9% in relation to the same period of the previous year.

During regulatory year 2011-2012 Scottish Power Distribution and Scottish Power Manweb have improved their service levels, receiving an economic incentive for this reason. The mechanism that incentivises network reliability changed on 01 April 2012, incorporating different aspects of customer service that affect all network areas.

1.3. UNITED STATES

1.3.1. Electricity

At the end of June 2012, Iberdrola USA had 1.86 million electricity supply points in the United States. The energy volume distributed to date was 15,299 GWh, an increase of +0.2% compared with the same period of the previous year.

The frequency index of average interruptions per consumer (System Average Interruption

Frequency Index, SAIFI) of the various businesses of IBERDROLA USA is as follows:

	Cumulative SAIFI (number of times)
Central Maine Power (CMP)	0.68
NY State Electric & Gas (NYSEG)	0.33
Rochester Gas & Electric (RGE)	0.21

The Customer Average Interruption Duration Index (CAIDI) is as follows:

	Cumulative CAIDI
Central Maine Power (CMP)	1.67
NY State Electric & Gas (NYSEG)	1.99
Rochester Gas & Electric (RGE)	2.01

1.3.2. Gas

The number of gas users in the United States as at the end of June 2012 was 0.56 million and with 15,786 GWh supplied during the period, a decrease of 15.2% compared with the same period of the previous year, mainly due to the mild weather during this time.

1.3.3. Others

Transmission Line in Maine

The project's construction works continue, amounting to USD 1,400 million when finalised, and the investments associated with the project amounted to USD 175 million during the financial year.

1.4. Brazil

The increase in power demand of Brazilian distribution companies during the first half of the year is as follows:

Energy Distributed (GWh) 100% of business	1H 2012	v. 1H 2011
Coelba	8,284	6.4%
Cosern	2,391	6.1%
Celpe	5,826	5.9%
Elektro	7,928	4.5%
TOTAL	24,429	5.6%

The following table shows the number of customers served by the distributors at the end of the first half of the year, and the increase compared with the same period of the previous year:

Number of customers (million)	H1 2012	v. H1 2011
Coelba	5.1	2.6%
Cosern	1.2	3.0%
Celpe	3.2	1.9%
Elektro	2.3	3.6%
TOTAL	11.8	2.6%

Regarding the electricity generation activity, the power of the projects in operation at the end of the first half of the year is:

Plant	MW *	Attributable MW **
Termope	520	203
Itapebi	450	175
Aflente	18	8
Rio PCH	39	15
Sitio Grande	25	10
Baguari	140	28
Corumbá III	94	24
Goias Sul	48	19
Dardanelos	261	102
TOTAL	1,595	584

* MW equivalent to 100% of the plant's capacity

** MW equivalent to the percentage of Iberdrola's consolidation

Regarding the projects under construction, Belo Monte, Teles Pires and the wind farms, the rhythm of construction is following the expected schedule, with the expected commissioning dates being kept. Baixo Iguaçu continues to make progress with the environmental procedures required for signing the Concession Contract.

The capacity of the Neoenergia projects under construction at the end of the period is as follows:

The capacity and estimated dates of commissioning of the Neoenergia projects under construction at the end of the period is as follows:

Facility	MW *	Attributable MW **	Date
Baixo Iguaçu	350	137	2016
Teles Pires	1,820	356	2014
Belo Monte	11,233	438	2015 - 2018
Wind Farms	288	200	2013
TOTAL	13,691	1,130	

* MW equivalent to 100% of the plant's capacity

** MW equivalent to the percentage of Iberdrola's consolidation

2. LIBERALISED BUSINESS

2.1. Iberian Peninsula

2.1.1. Spain

In the first half of 2012, IBERDROLA's installed capacity in Spain (excluding renewables) totalled 21,989 MW. The breakdown is as follows:

SPAIN	MW
Hydro	4,133
Nuclear	12,603
Coal	2,429
Fuel-Oil	0
Gas combined cycle	1,464
Cogeneration	1,360
TOTAL	21,989

Spanish Mainland Energy Balance is characterised by a slight decline of 0.3% in power demand, while generation under the Ordinary Regime decreased by 1.4%.

Regarding Iberdrola, as at June 2012, production under the Ordinary Regime had dropped by 24.4%, amounting 20,628 GWh. The breakdown of the yearly production by types of technology is as follows:

- Hydroelectric production amounted to 4,133 GWh, representing a decline of 57.1% compared with the same period the previous year. As at 30 June, the hydroelectric reserve levels were 48.5% (equivalent to 5,470 GWh).
- Nuclear production reached 12,603 GWh, representing a decline of 2.8%.
- Coal-fired thermal power stations have recorded an increase of 1,588 GWh, totalling to 2,429 GWh.
- On their part, cogenerators have reached a production level of 1,360 GWh (-0.9%).
- Finally, combined-cycle production fell by 67.8% to 1,464 GWh.

Comparatively speaking, Iberdrola's Energy Production figures can be broken down as follows:

	H1 2012	H1 2011
Hydro	18.8%	33.6%
Nuclear	57.3%	42.8%
Coal	11.0%	2.9%
Fuel-Oil	0.0%	0.0%
Gas combined cycle	6.7%	15.9%
Cogeneration	6.2%	4.8%
TOTAL	100%	100%

The electrical energy supplied on the liberalised market during the first six months of 2012 amounted to 20,773 million kWh, compared to the 20,391 million kWh supplied in the same period of 2011, representing a 2% increase.

Regarding energy supply in Spain, Iberdrola ended the first half of 2012 having formed a portfolio of 7,767,199 liberalised market contracts, 55% of which correspond to electricity supplies (4,304,446 contracts).

With regard to last resort segment, as at the end of the first half of 2012, Iberdrola had 6,347,683 electricity contracts.

As at 30 June 2012, the portfolio managed by IBERDROLA amounted to 14,118,354 contracts, which represents 780,291 more contracts than in the same period of 2011, and the energy supplied (gas and electricity) amounted to 34,140 GWh.

During the first six months of 2012, Iberdrola has supplied 4,782 GWh of gas compared with the 6,184 GWh supplied in the same period of 2011, representing a 23% decrease. Broken down by sector, energy sales to the high pressure sector totalled 979 GWh and energy sales to the low pressure sector amounted to 3,803 GWh.

With regard to gas supply, as at 30 June 2012, the portfolio grew to 791,265 contracts, compared with the 750,284 contracts held on 30 June 2011, representing a 5% increase.

With regard to the group's gas procurement, the following points are worthy of note:

- The period has been characterised by a lower level of demand for natural gas in the

various industrial, residential and electrical production sectors in the Spanish system, compared to the same period in 2011.

- The Company has adapted the deliveries of procurement contracts to current needs and has carried out a number of transactions for optimising its gas portfolio with various wholesale sales.

2.1.2. Portugal

Iberdrola has supplied 2,885 GWh during the first half of 2012, compared to the 2,649 GWh supplied during the same half of 2011, leading the market in Medium Voltage industrial customers and coming second in supplies to SMEs.

2.2. United Kingdom

As at 30 June 2012, the installed capacity in the UK (excluding SPW Renewables) amounted to 6,036 MW.

UNITED KINGDOM (SPW)	MW
Hydro	566
Coal	3,456
Gas combined cycle	1,914
Cogeneration	100
TOTAL	6,036

With respect to production deriving from Iberdrola's conventional generation, this dropped by 14.4% in the first half of 2012 to 9,053 GWh, compared with 10,579 GWh in the same period of the previous year due to unscheduled stoppages and lower spreads.

The market share of the generation business in the first half of 2012 was 6.4%, compared to 7.5% in the previous year. The highlights are as follows, broken down by production technology:

- Production in coal plants increased by 9.2%, to 5,757 GWh.
- The production of combined gas cycles dropped by 40.4% to 2,908 GWh compared to the previous year due to lower spreads.
- Hydroelectric production increased by 19.7% to 344 GWh, compared to 288 GWh in the previous year.
- Production using cogeneration technology (CHPs) fell to 44 GWh from 143 GWh.

Meanwhile, demand in UK dropped 0.9%.

As at 30 June 2012, 11,457 GWh of electricity (-0.7%) and 17,460 GWh of gas (4.3%) were sold to customers, compared with 11,533 GWh of electricity and 16,745 GWh of gas sold in the same period of the previous year.

At the close of the first half of 2012, Scottish Power had 3.2 million electricity customers and 2 million gas customers. The control of the terms of credit continues to be of great significance within customer management, which means a 27% reduction in total customer debt compared to the previous year. More than 82% of Iberdrola's customers in the United Kingdom now use a Secure Payment method (defined as customers who pay by direct debit or use a prepay meter), compared with the sector average of 68%¹.

¹ Source: Ofgem, June 2011

2.3. Mexico

Installed capacity has reached 4,988 MW, broken down as follows:

Capacity (MW)	MW
Monterrey	1,040
Altamira	1,036
Enertek	120
La Laguna	536
El Golfo	1,121
Tamazunchale	1,135
TOTAL	4,988

Underline that the available capacity at the La Laguna CCGT has increased by 20 MW to 536 MW.

During the first half of 2012 the electricity demand has performed well and has experienced an estimated growth of 3.9% year-on-year.

The electrical energy supplied was 17,535 GWh, similar to the one of the same period of 2011, despite having had maintenance stops for longer periods than those for the previous year.

Cumulative combined cycle plant availability was 92.5%, with just 2.2% forced unavailability, resulting in 97.8% reliability, maintaining excellent operational standards.

2.4. Gas storage in the USA and Canada

Gas storage facilities exploited by the Company in the first half of 2012 totalled 2.41 bcm; in addition, the Company had 2.15 bcm of contracted or managed capacity.

USA/CANADA	BCM
Enstor Katy Storage	0.63
Enstor Grama Ridge Storage	0.37
Freebird	0.27
Caledonia	0.50
Alberta Hub	0.64
TOTAL OWNED CAPACITY	2.41
TOTAL CAPACITY UNDER MANAGEMENT OR CONTRACTED	2.15
TOTAL CAPACITY	4.56

The Company also owns two storage facilities that are under development: (i) Enstor Waha Storage and Transportation, L.P. (“Waha”), a facility located in Western Texas, and (ii) Enstor Houston Hub and Storage Transportation, L.P. (“Houston Hub”), located near Houston, Texas.

3. RENEWABLES

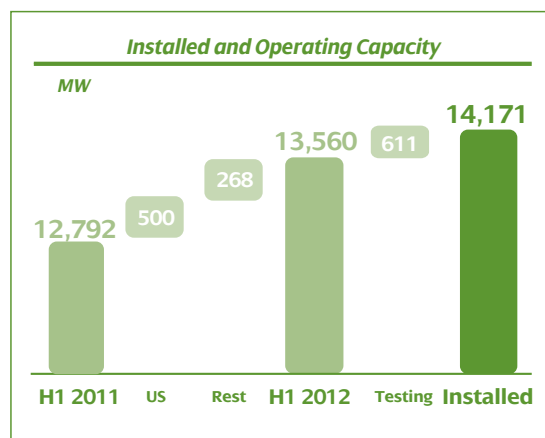
As at the end of the first half of 2012, the renewables business reported an installed capacity of 14,171 MW, with an operating capacity of 13,560 MW.

In year-on-year terms, new installed capacity totalled 1,194 MW, representing a 9.2% increase compared to the end of the first half of 2011.

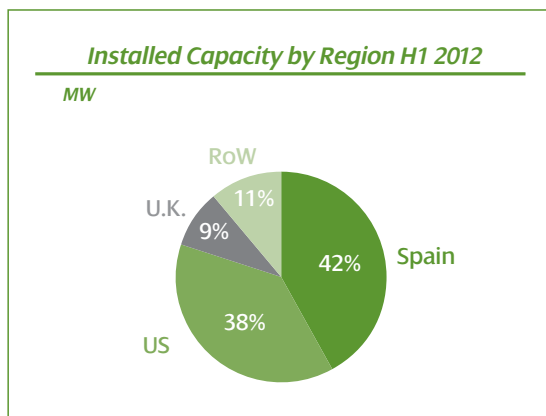
In addition, Renewables has projects under construction for a total of 304 MW.

During the first half of 2012, 481 MW have been installed, of which 74% was installed outside Spain, strengthening the process of geographical diversification that the company is undertaking.

Operating capacity amounted to 13,560 MW following the addition of 768 MW (+6%) in the last twelve months, 500 MW of which in the United States, where 39% of total operating capacity is located.



As a result of this additional capacity, the Company's assets have been more widely diversified in geographical terms, as shown in the following chart. It is worth noting that approximately 58% of total installed power is now located outside of Spain:



3.1. Onshore Wind Energy

After adding 481 MW in 2012, IBERDROLA has reached a total installed capacity of 13,755 MW. This is geographically broken down as follows: 5,643 MW for Spain, 5,366 MW for the United States, 1,210 MW for the United Kingdom and 1,536 MW for the Rest of the World.

Spain

At the end of the first half of 2012, installed capacity increased to 5,643 MW, 4% higher than the end same period of 2011.

United States

The Company has a presence in 18 States, with a total installed capacity of 5,366 MW. 132 MW were installed during the first half of this year.

United Kingdom and Republic of Ireland

The installed capacity at the end of the first half of 2012 amounts to 1,195 MW in the United Kingdom and 15 MW in the Republic of Ireland, figures that jointly amount to a 24% increase compared with the end of the first half of 2011. During this quarter, 170 MW were installed.

Rest of the world

During the first half of 2012, 53 MW were installed in France, Italy and Romania.

Installed capacity at the end of the first half of 2012 totalled to 1,536 MW, broken down as follows:

USA	Total MW
France	303
Germany	63
Italy	122
Portugal	92
Greece	255
Poland	185
Cyprus	20
Hungary	158
Romania	80
Brazil	49
Mexico	209
Total	1,536

At the end of the first half of 2012, 110 MW are under construction in Brazil, jointly developed with equal participation (50%) by Iberdrola and Neoenergia.

3.2. Offshore Wind Energy

Iberdrola currently has offshore wind projects, most of which are in the initial development phase, for a total of 6,300 MW, mainly in the United Kingdom (76%), Germany (16%) and France (8%).

In the United Kingdom, the company is developing the West of Duddon Sands project, located in the Irish Sea, with a capacity of 389

MW. Iberdrola shares the development of this area with the company Dong Energy. The supply contract for the main equipment of the wind farm has been awarded (including turbines, foundations and electrical infrastructure), and the on-site works and the manufacturing of some of the main equipment have started in 2012. The farm is expected to be finished for 2014.

In December 2009, as part of the “Round 3” United Kingdom Offshore Wind Energy Programme, the Crown Estate – the agency owning the property – granted the 50/50 joint venture comprising Iberdrola and Vattenfall, the exclusive right to develop offshore wind energy farms in the East Anglian area of the North Sea (Zone 5), for an estimated total of 7,200 MW. In 2011, connection was ensured, and during 2012 procedures and engineering works are taking place.

In addition, following its acquisition in spring 2010, Iberdrola continues with the development of the offshore project Wikinger, in the Baltic Sea (Germany), with the aim of begin construction in 2015. It is estimated that approximately 400 MW may be installed in the location. Detailed engineering and geotechnical works are being carried out during 2012.

In April 2012, the joint venture of Iberdrola and the French company EOLE-RES, was awarded by the French Government with exclusive rights to construct and operate the Saint-Brieuc offshore wind farm, with a total capacity of 500 MW. It will be located in front of Saint-Brieuc bay, in the French department of Côtes d’Armor, at a distance of 20 km from the shore. The first step in this project shall be the analysis of the technical and environmental conditions of the site.

3.3. Other Renewable Technologies

Mini Hydro

Iberdrola has an installed capacity of 306 MW, all of which is in Spain. This capacity includes 176 MW under the Ordinary Production Regime and the rest under the terms of the Special Regime.

Photovoltaic Energy

Iberdrola has an installed capacity of 56 MW, of which 50 MW are in the US and 6 MW in Continental Europe.

Gas-Solar Hybrid Energy

The company has a thermo-solar plant located in Puertollano (Ciudad Real), with a capacity of 50 MW.

Biomass

The company has a Biomass plant with a capacity of 2 MW in Spain (Corduente).

Marine Energy

IBERDROLA continues with the development of marine technologies. After having installed the “Pelamis” P-2 prototype in 2011, for the exploitation of wave energy, it has also taken part in the installation of the Hammerfest Strøm prototype with a power of 1 MW in the European Marine Energy Centre (EMEC) in Orkney. Both devices are currently in test phase.

Furthermore, the Sound of Islay project, with a 10 MW capacity, on the west coast of Scotland, is continuing its development according to plan. IBERDROLA is completing the development of two other facilities, one tidal facility and one wave facility, with 95 MW and 50 MW, respectively.

3.4. Gas cycle plants

The Renewables business has 2 gas cycle plants located in the USA, totalling 636 MW, broken down as shown in the following table:

USA	MW
Klamath Generating Plant	100
Klamath Cogeneration	536
TOTAL MW	636

4. SHAREHOLDER COMPENSATION

The new shareholder compensation plan has been submitted and approved at the General Shareholders' Meeting with the following details:

- Distribute a gross cash dividend of EUR 0.03 per share charged to the results corresponding to financial year 2011.
- Put into action a new "Iberdrola Dividendo Flexible" system, according to which the Company offers its shareholders the option to choose between the following forms of compensation:
 - Receive free newly issued Iberdrola shares (without withholding tax).
 - Receive cash by selling their rights to Iberdrola (subject to withholding tax).
 - Receive cash by selling their rights on the market (without withholding tax).

This form of compensation is implemented by means of a paid-up capital increase (free-of-charge) of a number of shares whose aggregated market value may not exceed two thousand and eighteen million Euros.

Within the framework of this plan, last 2 July, the company fixed the purchase price of the rights at € 0.160.

Thus, this EUR 0.190 gross (€ 0.03 per share in cash and € 0.160 of the purchase price for the right in the event of sale to Iberdrola) per share would be added to the EUR 0.146 of the purchase price for the rights of the 'Iberdrola Flexible Dividend' programme paid last January (equivalent to the interim dividend of 2011), amounting to EUR 0.341 gross per share.

5. OTHER SIGNIFICANT EVENTS

5.1. Regulation in Spain

In the second quarter of 2012, a group of provisions affecting both the electricity industry and the natural gas industry were approved. This section presents the most significant changes.

Electricity

On 26 April, Order IET/843/2012 was published. This Order establishes access tariffs from 01 April 2012, and certain tariffs and premiums for special regime installations. This Order contains three updates to electrical access tariffs, the first two of which are retroactive in nature:

1. On the one hand, it establishes that access tariffs 2.0A and 2.0DHA (for domestic consumers with and without time discrimination, respectively) which must be applied between 01 October and 22 December 2011 shall be those established by Order ITC/688/2011 of 30 March, in application of the Supreme Court ruling dated 28 February 2012 by which precautionary measures were adopted with regard to the updating of the tariffs approved by Order ITC/2585/2011, of 29 September.
2. On the other hand, it reviews the access tariffs applicable from 01 January 2012, with the aim of including among the regulated costs the temporary imbalances of the year 2011 and those expected for 2012, applying the Supreme Court rulings of 2, 8, 12 and 15 March 2012, which adopted precautionary measures with regard to the provisions of Order IET/3586/2011, of 30 December.
3. Lastly, it establishes the access tariffs applicable from 01 April 2012.

Retroactive reviews from 01 October to 22 December 2011 and from 1 January to 31 March 2012 should be re-billed as split payments using a pro-rata calculation by the distributors in the bills issued up to 31 December 2012, taking into account the actual meter readings.

In addition to updating electrical tariffs, the Fourth Additional Provision of Order IET/843/2012 includes the mechanism for payment of the Social Bonus, considering it a regulated cost for the purposes of the provisions of Royal Decree 2017/1997 of 26 December.

That same day the Decision of 25 April 2012 of the General Administration of Energy Policy and Mines was published, establishing the last resort tariffs to be applied in the period between 01 October and 22 December 2011, both inclusive, and in the first quarter of 2012 and establishing the electrical energy production cost and the last resort tariffs to be applied as from 01 April 2012.

Furthermore, the Decision of 25 April 2012 of the Congress orders the publication of the Agreement of validation of Royal Decree-Law 13/2012 of 30 March, by which the directives on domestic electricity and gas markets and regarding electronic communications were transposed and for which reason some measures are taken to correct the deviations resulting from imbalances between revenues and expenses of the electricity and gas sectors.

Finally, on 29 June the Decision of 28 June 2012 of the General Administration of Energy Policy and Mines establishing the electrical energy production costs and the last resort tariffs to be applied as from 01 July 2012 was published.

Gas

The *Decision of 27 April 2012 of the General Administration of Energy Policy and Mines published the last resort natural gas tariff* applicable as from 28 April 2012, including the variation of the tariffs and fees and the cost of the raw material.

Lastly, on 29 June the *Decision of 28 June 2012 of the General Administration of Energy Policy and Mines was published, which included the last resort natural gas tariff*, including the variations of the cost of the raw material.

5.2. Regulation in the United States

NY Management Audit

On 17 March 2011, the New York State Public Service Commission selected Liberty Consulting company to carry out a comprehensive Management Audit of the subsidiaries of Iberdrola USA; New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation. The audit focuses on the different management activities carried out, including the construction planning and operational efficiency programme. The Management Audit is a requirement of the New York Public Service law and NYSEG/ RG&E are the next public service companies to have a Management Audit. The audit has ended without any noteworthy incidents. It is expected that the Committee's final audit decision shall be received during the third quarter of the management.

5.3 Regulation in Brazil

Neoenergia's distributors (Coelba, Cosern and Celpe) have had their annual tariff adjustments (IRTs) certified by ANEEL at the end of April 2012. In the annual tariff adjustments, the manageable part (operational costs and return on investments) is adjusted by inflation minus a productivity factor (factor X), and the non manageable cost part (energy purchases and sector commissions) is adjusted by its respective indexers, making up the tariff that will be valid for the next 12 months. The updating of the manageable part has been in Coelba: +3.8%, Cosern: +3.5% and Celpe: +3.5%, whereas the total adjustments (sum of the manageable and non manageable parts) have been in Coelba: +10.7%, Cosern: +10.3% and Celpe: +7.7%.

Consolidated Income Statement Analysis

1. RELEVANT INFORMATION

1.1. Organisational Model

Since 1 January 2012, the gas trading and storage business in the US and Canada is included in the Liberalised Business. Until then it was included in the Renewables Business (gas trading and storage in the US) and Other Businesses (gas storage in Canada).

1.2. Energy Business: Spain

Tariff Deficit

In accordance with Royal Decree 5/2005 of 11 June, which establishes the provisional financing percentage corresponding to Iberdrola at 35.01% of the total for the Sector, the figure for this item is EUR 933 million during the period.

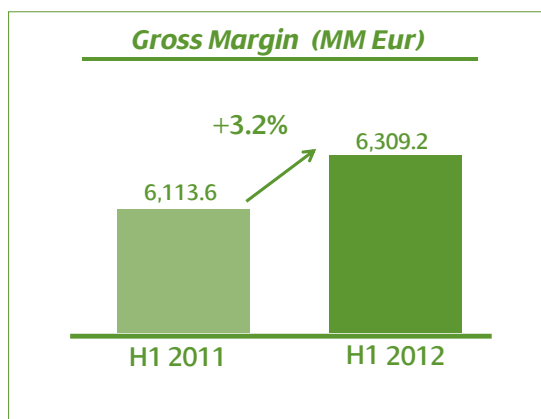
2. ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

The most notable Results figures for the first half of 2012 are as follows:

Eur Millions	H1 2012	v H1 2011
REVENUES	16,992.6	+9.3%
GROSS MARGIN	6,309.2	+3.2%
BASIC MARGIN	6,369.5	+2.3%
EBITDA	4,086.8	+2.0%
EBIT	2,539.9	-3.3%
NET RECURRENT PROFIT	1,402	-3.2%
NET PROFIT	1,800.5	+15.2%
OPERATING CASH FLOW	3,299.9	+5.8%

2.1. Gross Margin

Gross Margin reached EUR 6,309.2 million, an increase of 3.2% from the first half of 2011, mainly as a result of greater international activity, the consolidation of Elektro and the positive evolution of exchange rates.



We can highlight the following, by business:

- **The Regulated Business** increased its contribution by 8.6% amounting to EUR 2,899.7 million.
 - In Spain, its contribution decreased by 8.3% to EUR 928.9 million, as a direct result of the impact of the measures approved by the Government on 30 March (EUR -117 million), which cut the revenues recognised to distributors (RD 13/2012). The annual estimated impact amounts EUR 233 million.
 - In the United Kingdom: A 9.1% increase to EUR 559.0 million, as a result of the revaluation of the Pound and the application of the DPCR5 (existing Regulatory Framework in force).
 - The contribution from IBERDROLA USA in the period amounted to EUR 710.3 million (+9.7%), as a consequence of the existing tariff improvement, and the rise in value of the US dollar (+6.9%).
 - Gross Margin in Brazil increased by 41.0% to EUR 701.5 million, driven by the incorporation of Elektro, in addition to the positive evolution of the distribution companies, resulting from an increase in energy distributed and better unit margins derived from tariff adjustments although the exchange rate decreased by 4.6%.
- **The Liberalised Business** decreased by -0.9% to EUR 2,159.8 million. By country, the following can be noted:
 - In Spain (-11.8%), it amounted to EUR 1,350.3 million: due to lower hydraulic production.
 - United Kingdom totalled EUR 561.9 million: mainly due to the end of the procurement policy followed since 2008.
 - Mexico increased its Gross Margin by 10.6% to EUR 246.7 million due to an availability-related operational improvement and a rise in the value of the US dollar.
 - US and Canada (gas): negative gross margin of EUR 0.8 million, as a result of the difficult market conditions of the business in North America.
- **The Renewables Business** increased its Gross Margin by 9.1% to EUR 1,171.6 million resulting from the increase in operating capacity and greater wind resource in the United Kingdom, the United States and Spain.
- Lastly, it should be noted that the contribution of **Other Businesses** fell to EUR 101.5 million, fundamentally due to the lower margin of the Engineering business.

Thus, the Basic Margin for the period increased by 2.3% to EUR 6,369.5 million, as can be seen in the following table:

	H1 2012	H1 2011	%
GROSS MARGIN	6,309.2	6,113.6	3.2
Emission rights income	60.3	111.5	(45.9)
BASIC MARGIN	6,369.5	6,225.1	2.3

2.2. Gross Operating Result - EBITDA

Consolidated EBITDA grew by 2.0% to EUR 4,086.8 million.

In addition to the performance already described of the Gross and Basic margin, it should be noted that Net Operating Expenses increased by 5.7%, due to seasonal factors, the consolidation of Elektro, and other expenses incurred due to improvements in efficiency and exchange rates. Thus, Net Operating Expenses break down as follows:

- Net Personnel Expenses increased by 4.8%, to EUR 886.7 million.
- Net External Services increased by 6.5% to EUR 914.5 million.

Net Operating Expenses		
MM Eur	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%

The Levies item decreased by 6.6% to EUR 481.5 million, affected by the application in the first half of the year the Spanish Supreme Court ruling of 7 February, exempting generation companies from financing the social bonus and recognises their right to be reimbursed with the amounts paid for these items.

This implies a positive effect of EUR 136 million in the first half of 2012, without this effect, the Levies would have increased by 19.8%.

2.3. Net Operating Result - EBIT

EBIT was EUR 2,539.9 million, a fall of 3.3% in comparison with the first half of 2011.

Amortisations and Provisions rose by 12.3% to EUR 1,546.9 million.

The following are the most significant aspects of the increase in this item:

- Amortisation increased by 4.6%, to EUR 1,360.2 million, basically due to the impact of the consolidation of Elektro, which amounts to EUR +42 million, as well as to the investment process of the group, partially offset by a lower amortization due to the lengthening of the useful life of wind turbines which since 01 July 2011 extended the amortization to 25 years.
- Provisions amounted to EUR 186.7 million. The greatest variations were caused by the write-offs of promotion costs related to the renewable pipeline as well as the inclusion of one-off provisions in Brazil for the recognition of non-payments.

2.4. Financial Result

The net financial result was EUR 615.5 million. The following can be highlighted:

- An increase of EUR 42.6 million (+6.4%) in financial expenses due to higher net average balance (+6.5%) and restraint of the cost of debt.

- An increase of EUR 17.9 million due to the change in the compensation of the financed tariff deficit.
- An increase of EUR 87.7 million, mainly due to the impact of the exchange rate on the hedge derivatives of the results. The Group's policy is to partially hedge results in currency. Thus, depreciation in 2011 of the Dollar and British Pound in 2011 generated significant capital gains that this year does not exist, because both the Dollar and the British Pound have appreciated against the Euro.
- A decrease of EUR 56.8 million due to different reasons, including fewer provisions practised in 2012.

The following table shows the evolution:

	H1 2011	H1 2012	Dif.
Debt Result	671.5	714.1	42.6
Interests deficit	-24.8	-7.0	17.9
Dividends, derivatives, DVMEs	-108.0	-20.4	87.7
Provisions and others	-14.4	-71.2	-56.8
Financial result	524.2	615.5	91.3

2.5. Results of Companies Consolidated by the Equity Method

The item Results of Companies Consolidated by the Equity Method amounted to EUR -136.1 million due to a write-off of the stake owned in Gamesa for an amount of EUR 127 million, after updating its valuation accordingly to the new business plan.

2.6. Income from Non-Current Assets

Income from Non-Current Assets amounts to EUR 16.7 million, a decline of EUR 4.1 million in comparison with the first half of 2011. During the quarter there have been no significant divestment transactions.

2.7. Net Profit

As a result of everything mentioned above, Profit before tax was EUR 1,805.0 (-15.7%).

During the first half of the year, there was a significant reduction in tax-related expenses as a result of the reversal of positive non-recurring fiscal provisions which drove the tax expense close to zero.

The positive effect of the facts below should be taken into consideration in the evolution of this item:

- The reversal of tax provisions related to the Renewables business for EUR 142 million, following the positive ruling of tax litigation in the US.
- The deductibility of Elektro goodwill in Brazil for EUR 288 million.
- 1% decline in the applicable tax rate in the United Kingdom, as a consequence of the measures to reactivate the economy introduced by the Government.

As a consequence, Net Profit amounted to EUR 1,800.5 million, a 15.2% increase compared to the figure obtained in the same period of 2011.

The Recurring Net Profit, that is, the net profit generated before the effect on the net profit from Non-Current items, decreased by 3.2% to EUR 1,401.9 million.

The Funds Generated from Operations* as at June 2012 were EUR 3,299.9 million, representing a 5.8% increase compared to the same period of the previous year.

On the other hand, the change experienced by the reference credit ratios** is as follows:

	Excludes Tariff Deficit		Includes Tariff Deficit	
	June 2012	Dec. 2011	June 2012	Dec. 2011
Retained Cash Flow (RCF) / Net Debt	17.4%	18.9%	15.8%	17.2%
Funds Generated from Operations* (FFO) / Net Debt	21.3%	21.5%	19.5%	19.5%

* Net Profit + Minority Results + Amort. and Prov. – Equity Method – Net Non-Recurring Results + Financial Provisions + Goodwill Deduction – Tax Provision Reversal in Renewable Business in US.

** Includes TEI.

Results by Business

1. REGULATED BUSINESS

The key figures for the Networks business are as follows:

(Eur Millions)	H1 2012	v. H1 2011
Revenues	4,470.3	+14.2%
Gross Margin	2,899.7	+8.6%
EBITDA	1,980.6	+4.7%
EBIT	1,400.8	-2.8%

The Gross Margin of the Regulated Business registered an 8.6% growth, with the integration of the international business offsetting the decrease in Spain following the recent measures approved by the Government in the Royal Decree Law 13/2012, establishing reductions of the recognised revenue.

1.1. Spain

(Eur Millions)	H1 2012	v. H1 2011
Revenues	928.9	-8.3%
Gross Margin	928.9	-8.3%
EBITDA	682.0	-12.6%
EBIT	495.2	-18.9%

a) Gross Margin

The Gross Margin for Regulated Business in Spain decreased by 8.3% to EUR 928.9 million, as a result of the lower regulated remuneration (-8.8%) established in the Royal Decree Law 13/2012 which includes reductions in recognised revenues. The impact corresponding to the first half of the year reached EUR 117 million, with the annual effect being EUR 256 million.

b) Operating Profit/EBIT

EBITDA in this Business amounted to EUR 682.0 million, a decrease of 12.6%. To the above mentioned change in the Gross Margin, we must add a 4.5% increase in the Net Operating Expenses, due basically to higher maintenance costs and efficiency measures providing costs in 2012 and positive impact in previous years, and an 13.7% increase in Levies, due to higher items corresponding to official prices and property taxes.

EBIT for Regulated Business in Spain totalled EUR 495.2 million (-18.9%). EUR 186.7 million (+9.9%) must be subtracted from the EBITDA figure, pertaining to amortisations and provisions, due to new investments put into operation.

1.2. United Kingdom

(Eur Millions)	H1 2012	v H1 2011
Revenues	579.0	+10.0%
Gross Margin	559.0	+9.1%
EBITDA	446.3	+8.2%
EBIT	348.2	+8.3%

a) Gross Margin

The gross margin for the regulated Networks business in the UK (Energy Networks) increased by 9.1%, to EUR 559.0 million. This is due to a greater remuneration base established in DPCR5 which entered into force in April 2010, as a direct result of the greater investments committed and executed, as well as to the exchange rate (British pound +4.9%).

b) Operating Profit/EBIT

The Energy Networks EBITDA amounted to EUR 446.3 million (+8.2%). Net Operating Expenses increased by 20.3% due to a lower capitalisation compared with previous years, operational standards from DPCR5 and the exchange rate.

Finally, amortisations and provisions represent EUR 98.1 million (+8.0%), due to new investments put into operation and the revaluation of the British pound.

1.3. United States

(Eur Millions)	H1 2012	v. H1 2011
Revenues	1,203.9	-3.9%
Gross Margin	710.3	+9.7%
EBITDA	356.8	+6.5%
EBIT	247.4	+3.4%

a) Gross Margin

Iberdrola USA increased its gross margin contribution by 9.7% to EUR 710.3 million, due to the positive developments of the business as a result of the greater revenues from the rate cases in force and the appreciation of the dollar by 6.9%.

It should be noted that IFRS are based on cash criteria, while the US GAAP is based on accrual.

The breakdown is as follows:

• By business

(Eur Million)	H1 2012	v. H1 2011
Electricity	569.91	+12%
Gas	152.23	+4%
Corporation and others (incl. IFRS adjustments)	-11.9	N/A
TOTAL	710.3	+9.7%

• By company

(Eur Million)	H1 2012	v. H1 2011
NYSEG	368.1	+12.9%
RGE	218.3	+14.4%
CMP	135.7	-2.6%
Corporation and others (incl. IFRS adjustments)	-11.9	+33.3%
TOTAL	710.3	+9.7%

b) Operating Profit/EBIT

To the Gross Margin figures, Net Operating Expenses should be added, amounting to EUR 234.7 million (+14.9%), due to the revaluation of the dollar, the business effect of the higher costs associated with higher sales.

As a result of the above, EBITDA amounted to EUR 356.8 million (+6.5%).

Furthermore, EBIT totalled EUR 247.4 million (+3.4%), after deduction of amortisations and provisions representing EUR 109.4 million.

1.4. Brazil

(Eur Million)	H1 2012	v. H1 2011
Revenues	1,758.5	+56.5%
Gross Margin	701.5	+41.0%
EBITDA	495.5	+36.1%
EBIT	310.0	+14.6%

a) Gross Margin

In Brazil, the Gross Margin amounted to EUR 701.5 million (+41.0%). The factors behind this change are:

- The incremental contribution of Elektro for the different scope of consolidation (accounting from 27/04/2011), amounting to EUR 214 million.
- An increase in distributed energy (+5.6%) in relation to the same period in 2011 (equal periods), broken down by company as follows: Coelba +6.4%, Cosern +6.1%, Celpe +5.9% and Elektro +4.5%.
- Improvement in unit margins of the distribution companies due to the tariff adjustments of April 2011 and April 2012.
- A devaluation of the average exchange rate of the Brazilian Real by 4.6%.

b) Operating Profit / EBIT

EBITDA in the area amounted to EUR 495.5 million, with 36.1% increase due to the consolidation of Elektro (incremental contribution of EUR +155 million) together with the improvement experienced in the rest of the business (+19%) and being negatively affected by the devaluation of the Real.

Net Operating Expenses has increased by 54.3%, totalling EUR 203.6 million, basically due to the integration of Elektro (EUR -57.6 million), as well as to an increase both in inflation and a in the market being served.

EBITDA is broken down as follows:

(Eur Millions)	H1 2012	v. H1 2011
Generation	60.7	+0.2%
Distribution	434.8	+43.1%
TOTAL	495.5	+ 36.0%

Amortisations and provisions totalled EUR 185.5 million (EUR +92 million; 98.4%) as a result of the incorporation of Elektro and an increase in the bad debt provision figure through regulatory changes that affects, among other items, the new temporary criteria for accounts receivable, new interruption of supply policies and those who are behind the Low Income subsidy.

EBIT for Brazil amounts to EUR 310.0 million, 14.6% higher than that registered in the same period of the previous year.

2. LIBERALISED BUSINESS

The key figures for liberalised business are as follows:

(Eur Millions)	H1 2012	v. H1 2011
Revenues	11,667.5	+10.3%
Gross Margin	2,159.8	-0.9%
Basic Margin	2,220.2	-3.1%
EBITDA	1,248.2	-4.2%
EBIT	741.8	-11.1%

The Liberalised Business has been impacted by a decline in both production and energy sold in Spain, although this is mitigated by an improvement in the per unit margin and by the recovery in the United Kingdom, due to lower procurement costs as the coal contracts signed in 2008 gradually come to an end. :

2.1. Spain

(Eur Millions)	H1 2012	v. H1 2011
Revenues	7,098.9	+17.7%
Gross Margin	1,350.3	-11.8%
Basic Margin	1,374.5	-13.1%
EBITDA	835.9	-10.3%
EBIT	534.9	-20.6%

To analyse this section trends, the following aspects arising in the Spanish Mainland Electricity System during the first half of 2012 must be kept in mind:

- A 0.3% decline in mainland demand.
- A hydroelectric production much lower than that recorded in the first half of last year (9,654 GWh; -47.4%) offset partially by greater nuclear production (30,331; +11.0%).
- Special Regime production amounting to 52,376 GWh (+9.8%)
- All of the above, together with the RD related to the restrictions resolution process through the introduction of domestic coal, has contributed in two ways: A 1.4% reduction in Ordinary Regime production and an increase in average energy prices.

Under these economic circumstances, the Gross Margin for Iberdrola's Liberalised Business in Spain registered a decrease of 11.8%, totalling EUR 1,350.3 million. This is due to the lower volume of energy sold as a result of the lower production under the Ordinary Regime (-24.4%), despite the improvement in the per unit margin.

Within the context of this development, we can point out the following:

- Total business revenues amounted to EUR 7,098.9 million, up 17.7%, as a result of the improvement of the sale price, despite lower production volumes. With respect to the application of energy, 94% corresponded with forward sales at a fixed price, while just 6% were spot market sales.
- The cost of procurements rose 28.6% totalling EUR 5,721.6 million, as a result of the impact caused by the lower water availability compared to the same period of the previous year. However, the low cost of fuel in absolute terms, resulting from a mix based mainly on hydroelectric (20% of the total volume produced) and nuclear (62.2%) must be noted.
- Hydroelectric reserves as at 30 June 2012 were at 5,470 GWh (48.5%).
- In addition, the amount of CO₂ rights consumed reached the EUR 26.9 million, -44.7% lower than the figure corresponding to the first half of 2011. The average price per right was EUR 6.9/MT, compared to EUR 13.9/MT for 2011.
- The effect of the Royal Decree Law relating to the reduction in the capacity guarantee had

a EUR 7.5 million negative impact on the first half of the year.

- Finally, the positive effect of resettlements in the first half of 2011 (EUR 75 million) which are not present in the first half of 2012.

The Basic Margin totalled EUR 1,374.5 million, with a decrease of 13.1%. To the change in Gross Margin, EUR 24.2 million in revenue should be added by way of subsidy for allocated CO₂ rights.

b) Operating Profit / EBIT

EBITDA decreased 10.3% to EUR 835.9 million. This figure includes the positive effect on Levies from the Supreme Court Rule of 7 February, exempting generating companies from financing the Bono Social and recognising their right to be reimbursed for the amounts paid for this concept, which had an impact of EUR +136 million on the first half of the year. Without this effects, Levies increased due to the “Ecotasa”.

Operating Expenses dropped by 0.7%. Personnel Expenses increased by 4.4%, whereas External Services fell by 4.0%.

Below is the breakdown by Technologies of the Levies paid by the Generation business in Spain during the financial year 2012:

	Hydro	Nuclear	CCGT	Coal
Levies	9.5 Eur/ MWh	12.9 Eur/ MWh	5.6 Eur/ MWh	2.8 Eur/ MWh

Amortisations and Provisions increased by 16.5% to EUR 301.0 million. EBIT decreased by 20.6% compared to the first half of the previous financial year, totalling EUR 534.9 million.

Below is the evolution of EBIT margin on sales in recent years:

H1 2010	11.23%
H1 2011	11.17%
H1 2012	7.53%

2.2. United Kingdom

(Eur Millions)	H1 2012
Revenues	+4,255.6
Gross Margin	+561.9
Basic Margin	+598.1
EBITDA	+242.3
EBIT	+91.0

a) Gross Margin

The Scottish Power's liberalised business (Wholesale & Retail) Gross Margin reached EUR 561.9 million. Noteworthy:

- Lower production (-14%) as a result of stoppages in thermal plants and also due to the situation of the market margins (spreads)
- Lower electricity sales (-0.7%), partially offset by higher gas sales (+4.3%) due to mild weather conditions than in the previous year.
- Partial recovery of the Retail business due to lower cost of raw materials, with the end of coal contracts signed in 2008 at higher prices, which had an impact on margins, and better retail sale prices.

b) Operating Profit/EBIT

EBITDA for Wholesale & Retail amounted EUR 242.3 million.

Net Operating Expenses reached EUR 290.2 million. Personnel expense items totalled EUR 102.6 million and External Services totalled EUR 187.6 million.

Lastly, amortisations and provisions amounted to EUR 151.3 million.

Below is the evolution of EBIT margin on sales in recent years:

H1 2010	3.0%
H1 2011	-3.8%
H1 2012	2.1%

2.3. Mexico

(Eur Millions)	H1 2012	v. H1 2011
Revenues	557.7	-17.7%
Margen Bruto	246.7	+10.6%
EBITDA	191.0	+8.4%
EBIT	159.7	+9.9%

a) Gross Margin

In Mexico, Gross Margin amounted to EUR 246.7 million (+10.6%), due to an improvement on business as a result of higher availability and an increase capacity of the plants, as well as a rise in the value of the dollar despite stoppages at some plants.

b) Operating Profit/EBIT

EBITDA in Mexico amounted to EUR 191.0 million, an 8.4% increase.

Net Operating Expenses increased by 18.9% to EUR 54.9 million, affected by one-off elements in the first half of 2011.

Lastly, EBIT of the business amounted to EUR 159.7 million, an increase of 9.9%, in line with EBITDA.

2.4. USA and Canada (gas)

(Eur Millions)	H1 2012
Revenues	0.8
Margen Bruto	0.8
EBITDA	-21.1
EBIT	-43.8

The Liberalised business in the USA and Canada incorporates gas assets in the United States which were previously included in Renewables, and the Canada assets which were previously included in Other businesses.

a) Gross Margin

In this business, Gross Margin amounted to EUR 0.8 million as a result of lower margins in the rental of own storage of gas and the scarce trading margin obtained in the storage activities contracted to third parties and transportation.

The main cause was that the market price spreads between winter and summer during the 2011-2012 gas year ended on 31 March 2012.

Results are expected to improve by the end of the year due to increases in market margins, which are already being appreciating.

b) Operating Profit / EBIT

EBITDA of the gas business in the USA and Canada recorded a negative result of EUR 21.1 million. Net Operating Expenses amounted to EUR 20.0 million.

Lastly, the EBIT of the business reached EUR -43.8 million, in line with the drop in Gross Margin and EBITDA.

3. RENEWABLES

(Eur Millions)	H1 2012	v. H1 2011
Revenues	1,250.8	+7.9%
Gross Margin	1,171.6	+9.1%
EBITDA	848.5	+12.2%
EBIT	436.8	+24.1%

a) Gross Margin

Gross Margin totalled EUR 1,171.6 million with an increase of 9.1% resulting from:

- An increase in operating capacity at the end of the period totalling 13,560 MW (+768 MW; +6.0%), which led to a 12.6% increase in production to 16,911 GWh.
- The high average load factor, which was 28.7%, higher compared to the same period of the previous year, when 27.4% was recorded. The load factor in Spain was 25.1%, 2.0% higher than the registered in the same period of the previous year, resulting in a production of 6,018 GWh compared to 5,413 GWh in the

same period of 2011. United States show a load factor of 34.4%, a 0.2% improvement compared to the previous year. In the United Kingdom, with 25.3%, the improvement compared to the previous year was 0.8%.

- The average renewable price over the period amounted to EUR 69.1/MWh, showing an increase of 1.9% resulting from the increase in production in Spain and the greater contribution of other areas with a higher average sale price.

By businesses, the Gross Margin trend has been as follows:

- **Wind Energy Spain:** Gross Margin for the period was at EUR 524.3 million (+12.8%), as a result of an 11.2% increase in production.
- **Wind Energy USA:** Gross Margin increased by 8.9% totalling EUR 327.3 million, thanks to the increase in wind energy production (+11.7%), although affected by a 9.1% decrease in the price (without PTCs) in dollars.
- **Wind Energy United Kingdom:** Gross Margin amounted to EUR 117.5 million (+13.5%). This was mainly due to an increase in production (13.3%) caused by an increase of wind energy.
- **Wind Energy Rest of the World:** The increase in production (+28.5%) has more than offset a slight reduction of 0.4% in prices in Euros, promoting a strong 28.0% growth in the Gross Margin to EUR 151.9 million.
- **Thermal Business in the USA:** The end of several capacity guarantee contracts has affected results for thermal business. Thus,

Gross Margin has dropped from EUR 54.8 million in the first half of the previous year to EUR 8.9 million in the first six months of 2012.

- **Minihydro and other renewables:** The Mini-Hydraulic Gross Margin was EUR 22.5 million, posting a 17.2% decrease, despite a 6.8% increase in the average price which was watered down by a 22.4% fall in production.

b) Operating Profit/EBIT

- EBITDA registered a significant increase of 12.2%, totalling EUR 848.5 million. In addition to the increase in Gross Margin +9.1% mention above, it should be added a decreased of 0.9% in Net Operating Expenses, reaching EUR 281.8 million, due to the efficiency efforts made by the company, and extraordinary cost incurred in 2011, as per Iberdrola Renewables acquisition costs. However, the 20.3% increase in the Levies item in Spain should be highlighted, which increase a 24.7% the consolidated figure, containing the positive evolution of EBITDA.
- In July 2011, the company, after analysing the performance of its oldest winds farms and in view of the pertinent technical analyses, extended the amortisation period from 20 to 25 years. As a result, and despite a 6% increase in capacity, there has been a small 1.8% increase in amortisations and provisions.
- Lastly, EBIT totalled EUR 436.8 million, 24.1% above the figure for the same period of 2011.

4. OTHER BUSINESSES

(Eur Millions)	H1 2012	v. H1 2011
Revenues	234.5	-51.7%
Gross Margin	101.5	-53.4%
EBITDA	7.3	-91.1%
EBIT	1.2	N/A

a) Gross Margin

The Gross Margin amounted to EUR 101.5 million, 53.4% less than in the same period of 2011. The drop in the Gross Margin for Non-Energy businesses was mainly due to the Engineering business, for works carried out for third parties, tax provisions and resettlements accounted in 2011, without equivalent item in this fiscal year.

b) Operating Profit / EBIT

EBITDA amounted to EUR 7.3 million. Net Operating Expenses of these businesses amounted to EUR 93.5 million, a 28.3% decrease.

Amortisations and provisions decreased by 33.7% to EUR 6.1 million.

5. CORPORATION

This basically includes eliminations of inter-group expenses between the Corporation and the businesses, as well as services provided by the Corporation to different Businesses. EBITDA for the period amounted to EUR 2.2 million.

Balance Sheet Analysis

January-June 2012

(Eur Millions)	June 2012	Dec. 2011
TOTAL ASSETS	97,151	0.3%
TANGIBLE FIXED ASSETS	53,863	2.8%
INTANGIBLE ASSETS	20,220	-0.3%
LONG-TERM INVESTMENTS	2,639	-7.7%
SHAREHOLDERS' EQUITY	34,263	3.2%
ADJUSTED NET DEBT ⁽¹⁾	32,028	1.0%

(1) Includes tariff deficit and includes TEI.

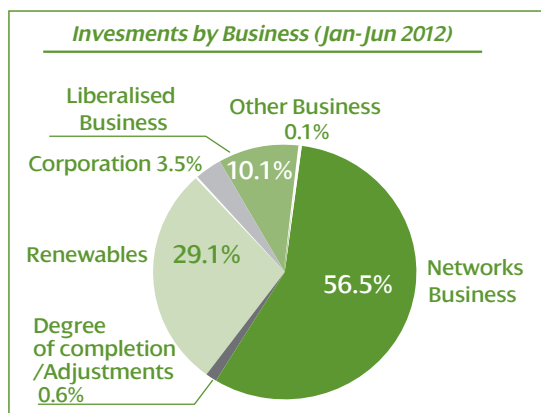
The Balance Sheet for Iberdrola as at 30 June 2012 shows Total Assets of EUR 97,151 million, highlighting its sustained and solid asset strength.

1. FIXED ASSETS

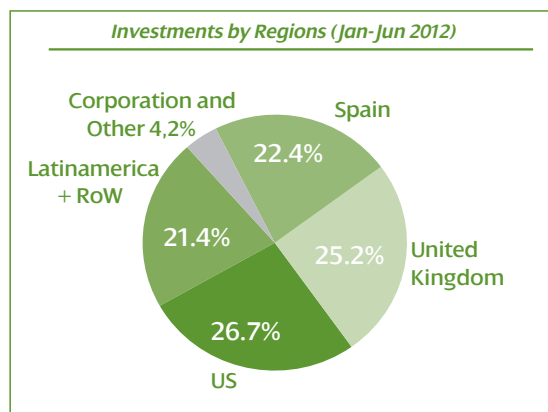
Total investments in the period from January to June 2012 amounted to EUR 1,641.6 million, showing the maintenance of the investments compared with the same period of 2011, when organic investments totalled EUR 1,694.7 million. These can be broken down as follows:

(Eur Millions)	Jan.-June 2012	%
Networks Business	928.2	56.5%
Networks Spain	178.7	
Networks UK	210.8	
Networks Ib. USA	282.4	
Brazil Networks	256.3	
Renewables	477.6	29.1%
Liberalised business	166.0	10.1%
Lib. Spain	128.3	
Lib. UK	23.3	
Lib. Mexico	10.9	
Lib. USA and Canada	3.7	
Other Businesses	1.2	0.1%
Engineering	0.0	
Non-Energetic	1.2	
Corporate	58.1	3.5%
Degree of completion/ Adjustments	10.3	0.6%
Total investment	1,641.6	100.0%

Investments in the period were focused on Regulated and Renewables businesses, with the two items combined accounting more than 85% of total investments in the period.



By geographical area, the investment of the period is breakdown according to the following chart:



Regarding the Regulated Business, investments over the period totalled EUR 928.2 million, of which EUR 178.7 million was invested by Networks Spain, EUR 210.8 million in ScottishPower and EUR 256.3 million in Brazil, the latter financed to a great extent by funds generated in Brazil. Finally, with respect to Iberdrola USA Networks, investments have been directed to the CMP transmission line and to a lesser extent to electricity and gas distribution, amounting to EUR 282.4 million over the first half.

In the “Renewables” section, worthy of note are the wind energy investments in the United States for a total of EUR 138.6 million, those made in the United Kingdom for EUR 179.9 million and those also made in renewable energies in Spain for EUR 67.2 million.

With respect to investments in Liberalised Business, these can be broken down into those

made in Spain for a total of EUR 128.3 million, in the United Kingdom for EUR 23.3 million and in Mexico for EUR 10.9 million.

2. SHARE CAPITAL

After the execution of the second paid-up capital increase for the Flexible Dividend on 17 January 2012, the Share Capital at 30 June 2012 comprises 5,972,865,000 bearer shares with a nominal value of EUR 0.75 each.

3. EQUITY INSTRUMENTS WITH THE CHARACTER OF FINANCIAL LIABILITY

Equity instruments with the character of financial liability (TEI) are financial structures created for the purpose of optimising the tax incentive that rewards investment in renewable energies in the United States.

The figure of EUR 469 million (net amount), as at 30 June 2012, is the result of historic business in the United States.

4. FINANCIAL DEBT

The adjusted net financial debt as at 30 June 2012 amounted to EUR 32,028 million and the financial leverage is at 48.3%. If financing of the tariff deficit is not taken into account, which in the case of Iberdrola amounted to EUR 2,710 million at 30 June 2012, the adjusted net financial debt would be EUR 29,318 million and the adjusted leverage would be 46.1%.

With respect to the change in the Company’s financial cost, at June 2012, it was at 4.56%, compared to 4.48% in the same period of the previous year, mainly due to the incorporation of Elektro and the increase of risk spreads.

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

	June 2012	Dec. 2011
Euro	59.5%	59.80%
Dollar	17.0%	17.90%
British pound	21.3%	19.60%
Brazilian real and other currencies	2.2%	2.70%
Fixed Rate	57.8%	54.60%
Floating Rate ⁽¹⁾	37.9%	41.50%
Capped Rate	4.3%	3.90%

(*) Including TEI. Net Debt including net investment hedging derivatives and excluding tariff deficit.

(**) Excluding TEI. Gross Debt.

(1) Without the deficit (EUR 2,710 million), the floating rate % would be reduced to 32.4% in June 2012.

In accordance with the policy of minimising the financial risks of the Company, the foreign currency risk has continued to be mitigated through the financing of the international businesses in local currencies (British pound and apart from the Brazilian real partially cover by derivatives, US dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico).

The impact in the Net Debt of the Group due to the fixed income evolution risen to EUR 503 million in the quarter, being the cumulative effect of EUR 334 million until December 2011.

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

	June 2012	Dec. 2011
Iberdrola S.A.	75.9%	76.9%
Iberdrola USA	6.5%	5.6%
ScottishPower	6.6%	6.6%
Renewables	3.5%	3.8%
Brazil	5.2%	4.9%
Mexico	1.7%	1.6%
Others	0.6%	0.6%
TOTAL	100%	100%

(*) Gross Debt. Including TEI.

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

	June 2012	Dec. 2011
Euro market	35.8%	34.1%
Dollar market	16.2%	16.7%
British pound market	9.0%	8.8%
Remaining bonds	2.2%	2.1%
Notes	4.1%	4.2%
EIB	8.1%	8.1%
Project Finance	4.6%	4.6%
TEI	1.6%	1.8%
Bank loans	18.4%	19.6%
TOTAL	100%	100%

(*) Gross Debt. Including TEI.

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

Eur M	June 2012	Dec. 2011
Shareholders' Equity	34,263	33,208
Gross Debt*	34,777	34,463
Cash flow	2,134	2,091
Derivative Assets and others	615	667
Adjusted Net Debt	32,028	31,705
Leverage	48.3%	48.8%
Tariff deficit	2,710	2,991
Adjusted Net Debt (excl. deficit)	29,318	28,714
Leverage (excl. deficit)	46.1%	46.4%

(*) Including TEI, derivative liabilities and accrued interest.

5. WORKING CAPITAL

Working capital increased by EUR 758 million since December 2011. This has been driven, by a decrease in 'accounts payables' partially offset by a decrease of the tariff deficit pending collection, thanks to the securitisations carried out during the first quarter of 2012.

	June 2012	Dec. 2011	Var.
Assets held for sale	132	132	0,0
Nuclear Fuel	341	327	13,9
Inventories	1,966	2,113	(146.2)
Accounts Receivables	5.204	5,365	(160.5)
Temporary financial investments	4.280	4,876	(595.8)
Other Tax receivables	897	857	39.4
CURRENT ASSETS:	12,654	13,445	(791)

	June 2012	Dec. 2011	Var.
Provisions	276	573	(297.3)
Derivate financial instruments	623	574	49.1
Trade payables and other current liabilities	6,374	7,841	(1,466.5)
Tax payables	1,446	1,280	166.0
CURRENT LIABILITIES (*):	8,718	10,267	(1,549)
*Do not include financial debt and debt derivatives			
NET WORKING CAPITAL (Reduction)/ Increase	3,936	3,178	758

6. FUNDS GENERATED FROM OPERATIONS

The Funds Generated from Operations as at 30 June 2012 were at EUR 3,299.9 million, compared with EUR 3,118.3 in the same period of the previous year.

	H1 2012	FY 2011	%
Net Profit (+)	1,800.5	1,563.6	15%
Amortisation and depreciation (-)	-1,546.9	-1,378.0	12%
Companies by equity method (-)	-136.1	18.7	-828%
Income from non-current assets (-)	16.7	20.8	-20%
Tax Income from non-current assets (-)	-5.1	-1.6	214%
Financial Provisions (-)	-8.3	-39.8	-79%
Minority interests (-)	-17.7	-85.0	-79%
Tax deductibility Goodwill (+)	89.6	89.6	-
Deferred Tax Eliminations (-)	287.8	-	N/A
TOTAL	3,299.9	3,118.3	5.8%

7. FINANCE TRANSACTIONS

Summary of the main finance transactions carried out in 2012

Issuer	Transaction	Amount in millions	Currency	Maturity
Iberdrola S.A.	EIB	100	EUR	10 years
Iberdrola Finanzas	EMTN	400	EUR	4 years
	EMTN / Exchange	1,000	EUR	6.5 years
	EMTN	250	Chf	5 years
Iberdrola International	EMTN	32	EUR	10 years
	German Market	55	EUR	10 years
	Syndicated loan	1,000	EUR	5 years
Iberdrola Finance Ireland	Structured EMTN	81	EUR	Various
Neonergia	Debentures	650	Brl	20 years
	Syndicated loan	300	USD	5 years
Iberdrola USA	FMB and USPP	200	USD	10 years
	FMB and USPP	300	USD	30 years

Second Quarter Financing

Syndicated loans

In May Iberdrola subscribed a syndicated financial transaction for the sum of EUR 1,000 million – extendable to 1,200 million – in two tranches: one EUR 536 M loan with a maturity term of three years, extendable by two consecutive terms of one year, and one back-up credit line of EUR 464 M with a maturity term of five years.

That same month Iberdrola USA closed a revolving line of credit for USD 300 M, with a five year maturity term and an option to extend it for two further years.

Structured bond issues

This quarter, four structured bond issues have been made for EUR 71 M and an average maturity term of nine years.

Brazilian market

In May, the company Teles Pires, in which Iberdrola holds a 19.539% stake, closed a bond issue for Brl 650 M, with a twenty year maturity term.

Private Placement Bonds in USA

During the month of May, Central Maine Power (CMP), subsidiary of Iberdrola USA, signed a mortgage bond issue (FMB) for USD 350 M in two tranches – 125 M with a ten year maturity term and 225 M with a thirty year maturity term – with very attractive spread levels, which will be made available in June 2012 and January 2013.

In June, New York State Electricity & Gas (NYSEG), subsidiary of Iberdrola USA, closed a private bond issue (USPP) for USD 150 M in two tranches – 75 million with a ten year maturity term and 75 million with a thirty year maturity term – which will be made available in September 2012.

Balance Sheet

June 2012 (Unaudited)

ASSETS	June 2012	December 2011	Change
NON-CURRENT ASSETS			
Intangible assets	20,220	20,273	(53)
Goodwill	8,507	8,273	234
Other intangible assets	11,713	12,000	(287)
Investment properties	519	523	(4)
Property, plant and equipment	53,863	52,406	1,457
Property, plant and equipment in use	47,790	45,999	1,791
Property, plant and equipment in the course of construction	6,073	6,407	(334)
Non current financial investments	2,639	2,858	(219)
Investments accounted for using in equity method	621	765	(144)
Non-current equity methods	571	697	(126)
Other non-current financial assets	960	907	53
Derivative financial instruments	488	489	(1)
Non-current trade and other receivables	525	539	(14)
Deferred tax assets	4,430	4,545	(115)
Total non-current assets	82,197	81,144	1,053
CURRENT ASSETS			
Nuclear fuel	341	327	14
Inventories	1,966	2,113	(147)
Current trade and other receivables	5,204	5,364	(160)
Current financial assets	4,280	4,877	(597)
Current equity instruments	1	20	(19)
Other current financial assets	3,588	4,098	(510)
Derivative financial instruments	692	759	(67)
Income Tax receivables	204	566	(362)
Other tax receivables	693	291	402
Cash and cash equivalents	2,134	2,091	43
Assets held for sale	132	132	-
Total current assets	14,954	15,761	(807)
TOTAL ASSETS	97,151	96,905	246

EQUITY AND LIABILITIES	June 2012	December 2011	Change
EQUITY:	34,263	33,208	1,055
Of shareholders of the parent	33,936	32,888	1,048
Share capital	4,480	4,412	68
Unrealised asset and liability revaluation reserve	(631)	(386)	(245)
Other reserves	29,503	27,648	1,855
Treasury shares	(426)	(384)	(42)
Translation differences	(789)	(1,207)	418
Net profit of the year	1,801	2,805	(1,004)
Of minority interests	326	320	6
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	427	582	(155)
NON-CURRENT LIABILITIES			
Deferred income	5,525	5,230	295
Provisions	3,743	3,426	317
Provisions for pensions and similar obligations	1,604	1,372	232
Other provisions	2,139	2,054	85
Bank borrowings	30,500	30,453	47
Bank borrowings - loans and others	29,950	29,872	78
Derivative financial instruments	550	581	(31)
Other non-current payables	407	395	12
Deffered tax liabilities	9,576	9,743	(167)
Total non-current liabilities	49,751	49,247	504
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	120	-	120
CURRENT LIABILITIES			
Provisions	276	573	(297)
Provisions for pensions and similar obligations	9	9	-
Other provisions	267	564	(297)
Financial Debt	4,495	4,174	321
Bank borrowings-loans and others	3,505	3,356	149
Derivative financial instruments	990	818	172
Trade and other payables	7,820	9,121	(1,301)
Trade payables	5,046	6,044	(998)
Income tax payables	1,012	818	194
Other tax payables	434	462	(28)
Other current liabilities	1,328	1,797	(469)
Total current liabilities	12,590	13,868	(1,278)
TOTAL EQUITY AND LIABILITIES	97,151	96,905	246

Profit and Loss

June 2012 NIIF Format (Unaudited)

	Eur M		
	June 2012	June 2011	%
REVENUES	16,992.6	15,550.1	9.3
PROCUREMENTS	(10,595.2)	(9,294.8)	14.0
Emission rights consumed	(88.1)	(141.7)	(37.8)
GROSS MARGIN	6,309.2	6,113.6	3.2
Emission rights allocated	60.3	111.5	(45.9)
BASIC MARGIN	6,369.5	6,225.1	2.3
NET OPERATING EXPENSES	(1,801.2)	(1,704.7)	5.7
Net Personnel Expense	(886.7)	(845.9)	4.8
Personnel	(1,167.1)	(1,084.3)	7.6
In-house Works	280.4	238.4	17.6
Net External Services	(914.5)	(858.8)	6.5
External Services	(1,117.4)	(1,056.5)	5.8
Other Operating Income	202.9	197.7	2.6
LEVIES	(481.5)	(515.6)	(6.6)
EBITDA	4,086.8	4,004.8	2.0
AMORTISATIONS AND PROVISIONS	(1,546.9)	(1,378.0)	12.3
EBIT	2,539.9	2,626.7	(3.3)
Financial Expenses	(1,291.9)	(1,347.4)	(4.1)
Financial Income	676.4	823.2	(17.8)
FINANCIAL RESULT	(615.5)	(524.2)	17.4
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	(136.1)	18.7	(827.5)
RESULTS FROM NON-RECURRENT ASSETS	16.7	20.8	(19.7)
PBT	1,805.0	2,142.0	(15.7)
Corporate Tax	13.2	(493.4)	(102.7)
Minorities	(17.7)	(85.0)	(79.2)
NET PROFIT	1,800.5	1,563.6	15.2

Results by Business (Unaudited)

Eur M

June 2012	Regulated	Liberalised	Renewables	Other Businesses	Corporation and adjust
Revenues	4,470.3	11,667.5	1,250.8	234.5	(630.5)
Procurement	(1,570.6)	(9,419.5)	(79.3)	(133.0)	607.2
Emission Rights Consumed	-	(88.1)	-	-	-
GROSS MARGIN	2,899.7	2,159.8	1,171.6	101.5	(-23.3)
Emission Rights Allocated	-	60.3	-	-	-
BASIC MARGIN	2,899.7	2,220.2	1,171.6	101.5	(-23.3)
NET OPERATING EXPENSES	(705.6)	(746.1)	(281.8)	(93.5)	25.8
Net Personnel Expense	(348.1)	(279.7)	(78.2)	(54.5)	(126.3)
Personnel	(554.6)	(293.6)	(98.4)	(84.3)	(136.2)
In-house works	206.5	13.9	20.2	29.8	10.0
Net External Services	(357.5)	(466.5)	(203.6)	(39.0)	152.0
External Services	(482.1)	(560.7)	(216.5)	(42.0)	183.9
Other operating income	124.7	94.2	12.9	3.0	(31.8)
LEVIES	(213.5)	(225.8)	(41.3)	(0.7)	(0.3)
EBITDA	1,980.6	1,248.2	848.5	7.3	2.2
Amortisation and Provisions	(579.8)	(506.4)	(411.7)	(6.1)	(43.0)
EBIT / Operating Profit	1,400.8	741.8	436.8	1.2	(40.8)
Financial Result	(136.9)	(92.4)	(70.6)	(6.4)	(309.1)
Results of companies consolidated by equity method	2.3	8.5	-	(146.8)	-
Results of non-current assets	11.1	5.1	0.2	-	0.3
PBT	1,277.2	663.0	366.5	(152.0)	(349.7)
Corporate tax and minority shareholders	(19.0)	(172.9)	58.5	41.8	87.1
Net Profit	1,258.2	490.1	425.0	(110.2)	(262.6)
June 2011	Regulated	Liberalised	Renewables	Other Businesses	Corporation and adjust.
Revenues	3,915.4	10,582.6	1,159.6	485.3	(592.8)
Procurement	(1,245.0)	(8,261.4)	(85.8)	(267.6)	565.1
Emission Rights Consumed	-	(141.7)	-	-	-
GROSS MARGIN	2,670.3	2,179.4	1,073.8	217.7	(27.7)
Emission Rights Allocated	-	111.5	-	-	-
BASIC MARGIN	2,670.3	2,290.9	1,073.8	217.7	(27.7)
NET OPERATING EXPENSES	(583.8)	(709.4)	(284.3)	(130.3)	3.1
Net Personnel Expense	(311.9)	(259.8)	(71.9)	(76.0)	(126.4)
Personnel	(482.9)	(272.6)	(98.0)	(101.2)	(129.6)
In-house works	171.0	12.8	26.2	25.2	3.1
Net External Services	(271.9)	(449.6)	(212.4)	(54.3)	129.5
External Services	(376.8)	(545.3)	(223.1)	(57.8)	146.6
Other operating income	104.9	95.6	10.7	3.5	(17.0)
Levies	(194.6)	(278.0)	(33.1)	(5.0)	(5.0)
EBITDA	1,892.0	1,303.5	756.5	82.4	(29.6)
Amortisation and Provisions	(450.1)	(469.3)	(404.6)	(9.2)	(44.8)
EBIT / Operating Profit	1,441.8	834.2	351.9	73.2	(74.4)
Financial Result	(99.5)	(62.7)	(96.3)	(3.9)	(261.7)
Results of companies consolidated by equity method	7.1	7.2	-	4.4	-
Results of non-current assets	19.3	0.3	(0.5)	1.6	0.1
PBT	1,368.7	779.0	255.1	75.3	(336.0)
Corporate tax and minority shareholders	(325.4)	(203.0)	(95.9)	(8.3)	54.2
Net Profit	1,043.3	575.9	159.1	67.0	(281.8)

Regulated Business (Unaudited)

Eur M

June 2012	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	928.9	579.0	1,203.9	1,758.5
Procurement	-	(20.0)	(493.6)	(1,057.0)
Emission Rights Consumed	-	-	-	-
GROSS MARGIN	928.9	559.0	710.3	701.5
Emission Rights Allocated	-	-	-	-
BASIC MARGIN	928.9	559.0	710.3	701.5
NET OPERATING EXPENSES	(202.6)	(64.8)	(234.7)	(203.6)
Net Personnel Expenses	(112.4)	(24.5)	(112.7)	(98.5)
Personnel	(175.8)	(92.0)	(161.1)	(125.7)
In-house works	63.4	67.5	48.4	27.2
Net External Services	(90.1)	(40.2)	(121.9)	(105.1)
External Services	(159.8)	(69.2)	(123.8)	(129.3)
Other operating income	69.7	28.9	1.9	24.2
Levies	(44.4)	(47.9)	(118.8)	(2.4)
EBITDA	682.0	446.3	356.8	495.5
Amortisations, Provisions and other	(186.7)	(98.1)	(109.4)	(185.5)
EBIT / Operating Profit	495.2	348.2	247.4	310.0
Financial Result	(13.4)	(34.0)	(47.5)	(42.0)
Results of companies consolidated by equity method	1.4	-	-	0.8
Results of non-current assets	1.5	(0.2)	10.1	(0.3)
PBT	484.7	314.0	210.0	268.5
Corporate tax and minority shareholders	(121.0)	(34.8)	(80.0)	216.9
NET PROFIT	363.7	279.1	130.0	485.4

June 2011	SPAIN	UNITED KINGDOM	USA	BRAZIL
Revenues	1,013.2	526.2	1,252.2	1,123.7
Procurement	-	(13.9)	(604.9)	(626.3)
Emission Rights Consumed	-	-	-	-
GROSS MARGIN	1,013.2	512.4	647.3	497.5
Emission Rights Allocated	-	-	-	-
BASIC MARGIN	1,013.2	512.4	647.3	497.5
NET OPERATING EXPENSES	(193.8)	(53.8)	(204.2)	(132.0)
Net Personnel Expenses	(106.9)	(30.0)	(109.3)	(65.6)
Personnel	(168.3)	(82.2)	(150.5)	(81.8)
In-house works	61.4	52.2	41.2	16.2
Net External Services	(86.9)	(23.8)	(94.9)	(66.4)
External Services	(156.7)	(39.7)	(97.7)	(82.8)
Other operating income	69.9	15.9	2.7	16.4
Levies	(39.0)	(46.1)	(108.1)	(1.4)
EBITDA	780.4	412.5	335.0	364.1
Amortisations, Provisions and other	(169.9)	(90.9)	(95.9)	(93.5)
EBIT / Operating Profit	610.5	321.6	239.2	270.6
Financial Result	(18.1)	(23.0)	(36.5)	(21.9)
Results of companies consolidated by equity method	1.7	0.3	1.8	3.3
Results of non-current assets	0.7	-	(8.7)	27.3
PBT	594.8	298.8	195.8	279.3
Corporate tax and minority shareholders	(148.5)	(39.8)	(73.8)	(63.4)
NET PROFIT	446.4	259.1	122.0	215.9

Liberalised Business (Unaudited)

Eur M

June 2012	SPAIN	UNITED KINGDOM	MEXICO	US&CANADA	Interco
Revenues	7,098.9	4,255.6	557.7	0.8	(245.5)
Procurement	(5,721.6)	(3,632.4)	(311.0)	-	245.5
Emission Rights Consumed	(26.9)	(61.2)	-	-	-
GROSS MARGIN	1,350.3	561.9	246.7	0.8	-
Emission Rights Allocated	24.2	36.1	-	-	-
BASIC MARGIN	1,374.5	598.1	246.7	0.8	-
NET OPERATING EXPENSES	(381.1)	(290.2)	(54.9)	(20.0)	-
Net Personnel Expenses	(159.3)	(102.6)	(8.8)	(8.9)	-
Personnel	(170.2)	(105.1)	(8.8)	(9.4)	-
In-house works	10.9	2.5	-	0.5	-
Net External Services	(221.8)	(187.6)	(46.1)	(11.1)	-
External Services	(275.9)	(225.3)	(48.5)	(11.1)	0.1
Other operating income	54.1	37.7	2.4	-	(0.1)
Levies	(157.6)	(65.5)	(.8)	(1.9)	-
EBITDA	835.9	242.3	191.0	(21.1)	-
Amortisations, Provisions and other	(301.0)	(151.3)	(31.4)	(22.8)	-
EBIT / Operating Profit	534.9	91.0	159.7	(43.8)	-
Financial Result	(66.9)	(12.1)	(10.0)	(3.5)	-
Results of companies consolidated by equity method	5.7	-	2.8	-	-
Results of non-current assets	-	5.1	-	-	-
PBT	473.8	84.1	152.4	(47.4)	-
Corporate tax and minority shareholders	(142.2)	(2.2)	(43.3)	14.8	-
NET PROFIT	331.6	81.9	109.2	(32.6)	-

Eur M

June 2011	SPAIN	UNITED KINGDOM	MEXICO	US&CANADA	Interco
Revenues	6,030.3	3,982.7	677.3	19.3	(127.0)
Procurement	(4,449.8)	(3,490.7)	(454.3)	6.4	127.0
Emission Rights Consumed	(48.6)	(93.1)	-	-	-
GROSS MARGIN	1,531.8	398.9	223.0	25.8	-
Emission Rights Allocated	49.1	62.3	-	-	-
BASIC MARGIN	1,580.9	461.3	223.0	25.8	-
NET OPERATING EXPENSES	(383.6)	(269.9)	(46.2)	(9.7)	-
Net Personnel Expenses	(152.6)	(92.1)	(8.8)	(6.3)	-
Personnel	(163.4)	(94.1)	(8.8)	(6.3)	-
In-house works	10.8	2.0	-	-	-
Net External Services	(231.0)	(177.8)	(37.4)	(3.4)	-
External Services	(263.3)	(230.0)	(44.1)	(8.0)	0.1
Other operating income	32.2	52.2	6.7	4.6	(0.1)
Levies	(265.5)	(9.4)	(0.6)	(2.5)	-
EBITDA	931.8	182.0	176.2	13.6	-
Amortisations, Provisions and other	(258.3)	(160.2)	(30.9)	(19.9)	-
EBIT / Operating Profit	673.5	21.8	145.3	(6.3)	-
Financial Result	(39.8)	(15.2)	(3.4)	(4.4)	-
Results of companies consolidated by equity method	2.6	-	4.6	-	-
Results of non-current assets	0.2	-	0.1	-	-
PBT	636.5	6.6	146.6	(10.7)	-
Corporate tax and minority shareholders	(189.1)	20.6	(38.6)	4.1	-
NET PROFIT	447.4	27.2	108.0	(6.7)	-

Quarterly Results (Unaudited)

	Eur M		
	2012	JAN-MARCH 2012	APR- JUN 2012
REVENUES		9,331.0	7,661.5
PROCUREMENTS		(5,876.1)	(4,719.1)
Emission rights consumed		(66.5)	(21.7)
GROSS MARGIN		3,388.4	2,920.8
Emission rights allocated		40.6	19.8
BASIC MARGIN		3,429.0	2,940.5
NET OPERATING EXPENSES		(877.1)	(924.1)
Net Personnel Expense		(450.7)	(436.0)
Personnel		(590.0)	(577.0)
In-house Works		139.4	141.0
Net External Services		(426.4)	(488.1)
External Services		(531.1)	(586.3)
Other Operating Income		104.7	98.2
LEVIES		(186.5)	(295.0)
EBITDA		2,365.4	1,721.4
AMORTISATIONS AND PROVISIONS		(741.7)	(805.3)
EBIT		1,623.7	916.1
Financial Expenses		(733.6)	(558.2)
Financial Income		409.8	266.6
FINANCIAL RESULT		(323.8)	(291.7)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD		2.4	(138.5)
RESULTS FROM NON-RECURRING ASSETS		5.9	10.8
PBT		1,308.2	496.8
Corporate Tax		(274.9)	288.1
Minorities		(11.0)	(6.6)
NET PROFIT		1,022.3	778.2

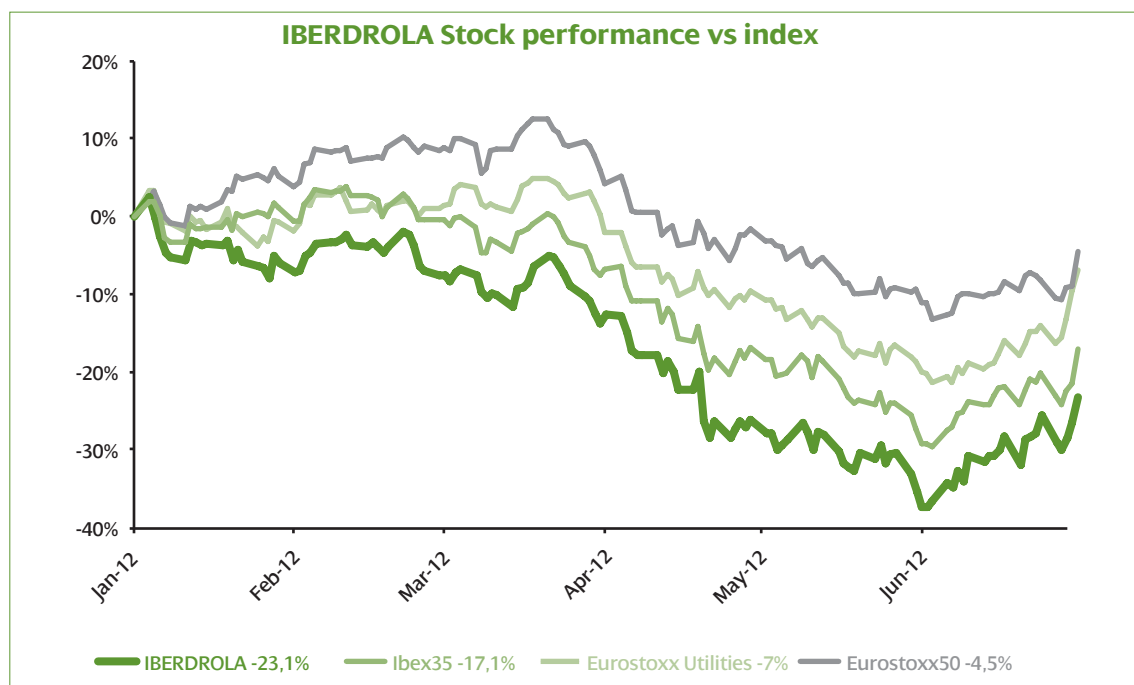
	Eur M		
	2011	JAN-MARCH 2011	APR- JUN 2011
REVENUES		8,483.7	7,066.4
PROCUREMENTS		(5,149.3)	(4,145.5)
Emission rights consumed		(78.7)	(63.1)
GROSS MARGIN		3,255.7	2,857.9
Emission rights allocated		65.3	46.2
BASIC MARGIN		3,321.0	2,904.1
NET OPERATING EXPENSES		(784.7)	(919.9)
Net Personnel Expense		(407.8)	(438.1)
Personnel		(531.8)	(552.5)
In-house Works		123.9	114.4
Net External Services		(376.9)	(481.9)
External Services		(486.0)	(570.5)
Other Operating Income		109.1	88.6
LEVIES		(262.9)	(252.7)
EBITDA		2,273.3	1,731.4
AMORTISATIONS AND PROVISIONS		(670.4)	(707.6)
EBIT		1,602.9	1,023.8
Financial Expenses		(824.8)	(522.6)
Financial Income		598.3	224.9
FINANCIAL RESULT		(226.5)	(297.7)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD		7.1	11.6
RESULTS FROM NON-RECURRING ASSETS		21.2	(0.4)
PBT		1,404.7	737.3
Corporate Tax		(325.6)	(167.8)
Minorities		(64.3)	(20.7)
NET PROFIT		1,014.8	548.9

Statement of Origin and use of Funds

June 2012 (Unaudited)

	Eur M		
	June 2012	June 2011	Difference
EBIT	2,539	2,626	(87)
Amortisations	1,360	1,301	59
Provisions	187	77	110
Other personnel and capitalised costs	(210)	(200)	(10)
Operating Cash Flow	3,876	3,804	72
Interest paid	(823)	(777)	(46)
Interest received	186	175	11
Dividends received from affiliates	15		15
Taxes	(236)	(491)	255
Cash Flow	3,018	2,711	307
Acquisition of free-of-charge share allocation rights	(437)		(437)
Retained Cash Flow	2,581	2,711	(130)
Total Cash Flow allocations:			
<i>Investments</i>	<i>(1,641)</i>	<i>(1,695)</i>	<i>54</i>
<i>Treasury stock</i>	<i>(52)</i>	<i>(1,377)</i>	<i>1,325</i>
<i>Non core Assets</i>	<i>7</i>		<i>7</i>
<i>Disposal of Group Companies</i>	<i>39</i>	<i>69</i>	<i>(30)</i>
<i>Taxes on investment activities</i>	<i>(5)</i>	<i>(2)</i>	<i>(3)</i>
<i>Pension & Others</i>	<i>(163)</i>	<i>(168)</i>	<i>5</i>
Total Cash Flow allocations	(1,815)	(3,173)	1,358
Capital subsidies	124	314	(190)
Change in working capital and others	(860)	1,077	(1,937)
Decrease/(Increase) in debt	30	929	(899)
Exchange rate differentials	(342)	637	(979)
Capital Issue		1,904	(1,904)
Change in the financial debt perimeter of Elektro		(503)	503
Elektro acquisition financing		(1,672)	1,672
Decrease/(Increase) in debt	(312)	1,295	(1,607)
Financial debt	(349)	1,209	(1,558)
Capital inst. w/nature of financial liability	37	86	(49)

Stock Market Evolution



IBERDROLA Share	H1 2012	H1 2011
Number of shares outstanding	5,972,865,000	5,822,196,000
Price at the end of the period	3.71	6.13
Average Price of the period	3.88	6.09
Average daily volume	49,522,919	39,021,478
Maximum volume (03-15-2012 / 03-14-2011)	435,328,652	131,475,343
Minimum volume (02-15-2012 / 03-08-2011)	13,072,644	14,800,656
Dividends paid (€)	0.146	0.146
Interim (01-20-2012 / 12-22-2010)	0.146 ⁽¹⁾	0.146 ⁽¹⁾
Dividend yield ⁽²⁾	9.08%	5.58%

(1) IBERDROLA guaranteed fixed price for the rights.

(2) Last two dividends paid and 2011 Shareholders' Meeting attendance bonus / end-of-period price.

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 used for communicating 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.

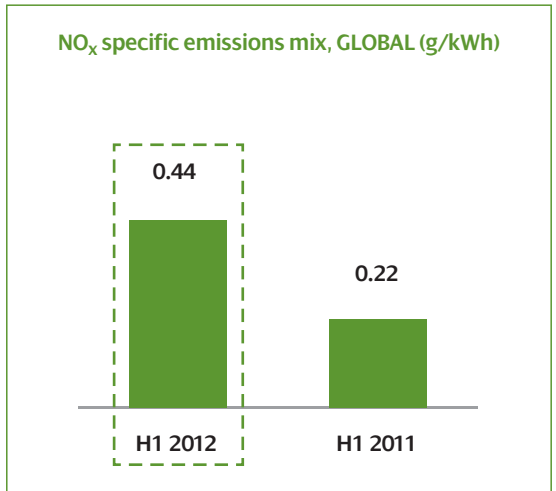
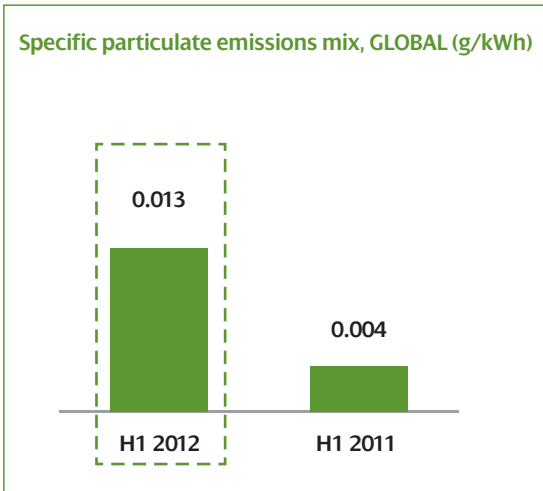
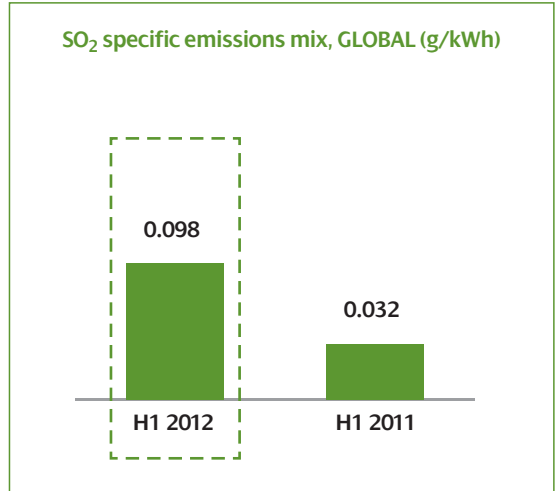
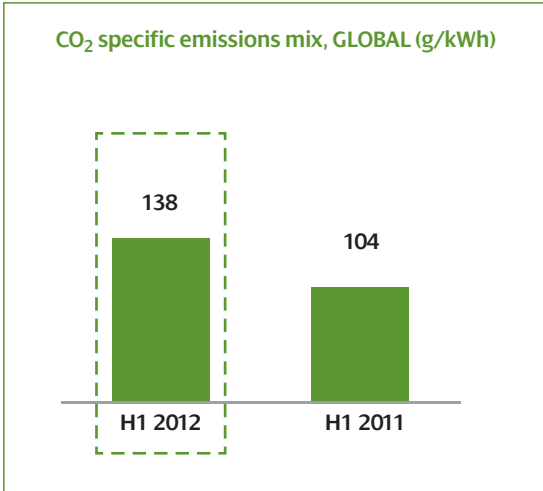
1. SUSTAINABILITY INDICATORS

Sustainability Indicators	H1 2012	H1 2011
Contribution to GDP (Gross Margin) (*)	0.58%	0.67%
Contribution to GDP (Net Revenues) (*)	1.84%	1.64%
Investments in equipment (EUR million)	1,641.6	1,694.7
Investment in clean generation over the total investments (%)	93%	89%
Net profit (EUR million)	1,800.5	1,563.6
Dividend yield (%) (**)	9.08%	5.58%
CO ₂ emissions in the period (gr. CO ₂ /kWh). Total	256	235
CO ₂ emissions in the period (gr. CO ₂ /kWh). Spain	138	104
CO ₂ emissions in the period (gr. CO ₂ /kWh). SPW	640	594
Total emission-free production (GWh)	35,119	37,952
Spain emission-free production (GWh)	23,122	27,739
Emission-free production out of total production (%)	51%	51%
Spain emission-free production out of total production (%)	81%	80%
Total emission-free installed capacity (MW)	27,243	26,033
Spain emission-free installed capacity (MW)	17,993	17,833
Total emission-free installed capacity (%)	59%	58%
Spain emission-free installed capacity (%)	70%	70%

(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE. Last data published IVT 2011.

(**) Last dividend paid and Shareholders' Meeting attendance bonus / end-of-period price.

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



2. INDICES, RANKINGS AND RECOGNITIONS

Presence of Iberdrola in Indices and Rankings of Sustainability, Reputation and Corporate Governance.

Sustainability and Corporate Responsibility	
	Rating
Dow Jones Sustainability World Index 11	86 points, same qualification as leader
FTSE 4Good	First utility with nuclear assets to meet standards for FTSE 4 Good
Storebrand Investment SRI	2 nd global utility
Global 100 Most Sustainable Corp. in the World 2012	Iberdrola, among the 100 most sustainable companies in the world for seventh consecutive year.
Global Roundtable on Climate Change	Iberdrola, one of the developers
Business Week, Climate Group	Group of leaders: Among the top 3 in the ranking of most outstanding companies in green house gases (GHG) management; top 10 in the ranking of companies that have contributed most to reduce GHG and have led the environmental management
Sustainability Yearbook 2012	Classified as "Gold Class" in the electricity sector
European Business Awards 2011	Ruban D'Honneur 2011
Green Rankings 2011 Newsweek	Iberdrola, one of the 10 Spanish companies and 21 global utilities selected
ET Carbon Ranking Global 800	Iberdrola, first and unique Spanish utility
MERCO 2012	Leader Spanish utility
Norges Bank Investment Management	Recognizes Iberdrola's communication strategy about climate change risks
OEKOM Research	Prime Category

3. CONTRIBUTION TO SOCIAL DEVELOPMENT

The most significant actions of IBERDROLA during the January-June period of 2012, with regard to social commitment, have been as follows:

3.1 Corporate Social Responsibility (CSR) Plans, Policies and Recognition

- **IBERDROLA included in the Global 100 for the 7th consecutive year**

IBERDROLA is the only Spanish electricity company included in the 2012 *Global 100 Index of Most Sustainable Corporations in the World*, presented in Davos (Switzerland) during the

World Economic Forum. The 2012 index only includes four Spanish companies.

3.2 Relations with Stakeholders

• Regional Advisory Boards

Working meetings were held with the three Advisory Boards in Spain (Andalusia, Castilla-León and the Valencian Community). The purpose of these boards is to contribute to the development of their respective regions through dialogue and exchange of management and innovation experience with major business and financial organisations within these regions.

• Shareholders and Financial Community

Our company has set up two new channels for communication with its shareholders:

- ✓ *Quick Shareholder's Guide*: a space to access all information of interest from the Group's corporate website.
- ✓ *On Line Shareholders (OLS)*: an interactive system accessible from the corporate website, offering access to Company information, placing enquiries and the possibility of exercising the rights to information, representation and remote voting for the General Shareholders Meeting, as well as following it live.

OLS also includes an Ethics Mailbox to inform the Company of conducts that could be deemed to go against the Code of Ethics or the Corporate Governance System of IBERDROLA.

• Customers

Elektro has received the prestigious 2012 National Abradee Award, awarded by the Brazilian Association of Electric Power Distributors, which distinguishes it as Brazil's best electric power distributor. Elektro has also obtained the awards for the Customer Satisfaction and Operational Management categories.

In addition, within its Energy Efficiency Plan, Elektro is carrying out a Programme for replacing incandescent bulbs with compact fluorescent lights among residential, low income customers with the right to subsidized rates. It will replace more than 60,000 bulbs, benefiting more than 12,000 customers in different Brazilian cities.

• Suppliers

IBERDROLA has become a member, as a "*Entidad Amiga*", of the RSE-PYME Initiative, promoted by the Official Credit Institute (ICO) and the Spanish UN World Compact Network. It has disseminated this Initiative among more than 1,000 supply companies nationally, offering them training, free advisory services and an IT tool to facilitate the development of CSR programmes and the drafting of sustainability reports.

• Entrepreneurs

ScottishPower was one of the headline partners of the renowned Global Entrepreneurship Congress (GEC) held in Liverpool. The aim of the Congress is to provide new ideas to promote economic growth. More than 3,000 international delegates attended as well as personalities from the world of politics, business and successful entrepreneurs.

- **Environment**

Elektro has signed an agreement with the Secretariat for Energy and the Secretariat for Economic Development of Sao Paulo to create the “*Energy Efficiency*” discipline at Technical Schools and Technology Colleges in this Brazilian State.

- **Social Networks**

IBERDROLA, within the framework of its commitment to social networks and new channels of communication, has launched a corporate blog to share the Company’s news, offering information about its projects and initiatives.

3.3 Staff

- **Volunteer Programme**

Within IBERDROLA’s Volunteer Programme, in which more than 2,000 professionals of the Group take part and which has offered 6,500 volunteering opportunities in 2011, the following actions can be highlighted from the period:

- ✓ **5th IBERDROLA Tree Day** IBERDROLA held its fifth Tree Day in Bermeo (Vizcaya), in collaboration with the Gorabide Association and the Lurgaia Foundation.
- ✓ **Volunteer Days.** A series of volunteer days devoted to games and sports and aimed at people with disabilities in Navarra, Madrid, Castilla-León, and the Valencian Community have been held.

- **Family-Friendly Company at the IBERDROLA Group**

IBERDROLA has renewed its Family-Friendly Company certification, with a package of more than 70 cutting-edge measures supporting the reconciliation of work and family life. This has allowed it to obtain the *B+ Proactive Company* category, which is the highest certification possible.

In its search for reconciling the professional and personal lives of its employees and as a member of the group of family-responsible businesses, IBERDROLA Engineering offers its professionals a set of activities organised by the “Fundación +Familia”.

3.4 Community Action

The Fundación Iberdrola website among the most transparent in Spains. The Fundación IBERDROLA has achieved 12 points of a maximum of 15 in the ranking of the report “Building Trust 2011. Promoting transparency on the websites of Spanish foundations” of the Fundación Compromiso Empresarial (Business Commitment Foundation), going on to occupy sixth place and improving on its result for 2010. Thus the Fundación IBERDROLA has gone on to occupy the sixth position and is among the 8% of foundations that have published the Good Governance Code on their website.

a) Training and Research

In this last year, the Fundación IBERDROLA awarded 23% more scholarships than the previous year. Specifically, the foundation has organised three different calls for study

scholarships for next year, for which almost 1,000 candidates have applied:

- **Energy and Environmental Scholarships.** 39 scholarships have been awarded to enable young Spanish, British and American students to further their studies at first class universities and technological centres in Spain, the United Kingdom and the United States. The Fundación IBERDROLA covers registration costs and a monthly stipend of 2,100 dollars or 1,200 euros or pounds, depending on the place of study.
- **Research Grants.** The Fundación IBERDROLA has granted 15 scholarships to young researchers to conduct studies geared to favouring sustainable development and combating climate change at Spanish universities or research centres. The awardees shall receive a maximum of 20,000 euros per project, with one year duration.
- **Scholarships for Training and Research in Restoration.** Within the framework of the agreement signed between the Fundación IBERDROLA and the Museo Nacional del Prado, through which the foundation became a supporting member of the gallery, a new scholarship has been awarded, in addition to the other two which were awarded last year, for an amount of 15,000 euros each.

b) Sustainability and Biodiversity

- **Biodiversity.** The 'Bird Migration' Programme which the Fundación IBERDROLA carries out in collaboration with SEO/Birdlife continues making progress, and the six booted eagles that were banded in 2011 and are controlled

via satellite have already returned to Spain from their hibernation areas in Africa. Also, for the first time in the world, this spring three European Rollers were banded with GPS satellite transmitters weighing only five grams, in Madrid, Granada and Ciudad Real. At present these birds are breeding in their territories and their movements can be tracked daily on the website www.migraciondeaves.org

- **"Rey Jaime I" Award for the Protection of the Environment.** The 2012 Rey Jaime I Award for the Protection of the Environmental, sponsored by the Fundación IBERDROLA, has been bestowed on Professor Juan Luis Ramos Martín for his work on the use of microbes in environmental and biotechnological applications to eliminate pollutants.
- **2012 Scottish Green Awards.** Now in their fourth year, the aim of these awards sponsored by ScottishPower is to reward actions and initiatives of private individuals, companies and organisations that benefit the environment and encourage others to follow in their footsteps. This year's awards will be presented at the Science Centre in Glasgow next October 4.

c) Art and Culture

- **Interior lighting of the Parish Church of San Antonio Abad in El Toboso.** The Fundación IBERDROLA, together with the Regional Government of Castilla-La-Mancha and the Town Council of El Toboso, inaugurated the new interior lighting of the parish church of San Antonio Abad in the Toledo municipality of El Toboso. A total of 110 cutting-edge technology projectors have been installed,

bringing not only significant energy savings but also guaranteeing an excellent chromatic reproduction of the different works of art in the church.

- “David Hockney: A Bigger Picture” Exhibition, Bilbao Guggenheim Museum. May 14 was the opening date of Spain’s first ever major exhibition devoted to David Hockney, considered the most important living British painter. The exhibition showcases a collection of recent works by the renowned artist, inspired by the countryside of East Yorkshire. Approximately two hundred paintings, most of them in an ambitious format, created over the last six years, will be on display until September 30, together with a careful selection of artworks created from 1956 to 2000, which show Hockney’s continuous exploration and fascination by the landscape.
- “José Ramón Anda. Forms Against Time” Exhibition, Bilbao Fine Arts Museum. This exhibition contains thirty-nine pieces by Navarran sculptor José Ramón Anda, mainly made of wood, which reflect the evolution of an artistic career spanning more than thirty years. The exhibition will run from May 7 to September 9.
- Restoration of the main altarpiece of the Church of Sejas de Sanabria (Zamora). May saw the end of the restoration of this 17th century, prechurrigueresco style altarpiece, which has been carried out in two phases: a first phase of conservation, and a second of restoration.
- Recovery of paintings in the Chapel of the Monument in Colegio del Patriarca (Valencia). During restoration of the paintings in the

chapel, some interesting 17th century paintings have been recovered, previously unknown until now and hidden by a modern plaster.

- 9th Ramón Rubial Narrative Competition for Schoolchildren. The Fundación IBERDROLA has awarded one of the 9th Ramón Rubial Narrative Competition Awards at Bilbao’s Palacio Euskalduna. The purpose of these awards is to enhance children’s education in democratic values and develop their creative skills. More than 700 schoolchildren in the Basque Country have participated this year.
- ScottishPower pipe band. The ScottishPower pipe band came second in the Scottish Championship held in May, and took part in the British Championships held in Annan on June 30. The band has also performed in different CRUK (Cancer Research UK) events, such as the Race for Life charity event in London, in which 14,000 women took part. In April, the band gave several master classes to students from the East Lothian Pipes and Drums Trust.

d) Cooperation and Solidarity

- “Energy for Solidarity” Social Grants. The Fundación IBERDROLA has concluded the Third Call of its social assistance programme, which benefited 44 private non-profit organisations declared to be working for public interest. This year, the Fundación has received more than 500 requests to access the assistance, whose aim is to contribute to the well-being and quality of life of groups at risk of exclusion. The selected projects will obtain

financing up to 20,000 euros each, never exceeding 50% of their total budget.

- Donation to the Red Cross. In May, the 4,400 personal hygiene kits acquired last year have started to be distributed among families in a situation of residential exclusion in six Spanish provinces (Lugo, Guadalajara, Huelva, Ciudad Real, León and Zamora). The Fundación IBERDROLA, acutely aware of the delicate financial situation of many households, signed a collaboration agreement last year to finance programmes designed to mitigate the effects of the recession.
- “Sustainable Housing for All” Project by the Columbares Association. This initiative has now ended. Its aim was to improve the sustainability of the homes of people at risk of social exclusion in the Region of Murcia. The initiative was financed by the Fundación IBERDROLA through its “Energy for Solidarity” social aid plan. Over 10 months, 93 interventions have been carried out to ensure efficient management of energy, water and waste in 25 homes of families at risk of social exclusion. The families have also taken part in 8 practical workshops and a training workshop.

4. CORPORATE GOVERNANCE

IBERDROLA’s corporate governance highlights during the first half of financial year 2012 were as follows:

- On 13 January 2012, IBERDROLA informed the CNMV (Spanish Securities Market Commission) of the opening of a digital space, accessible from its corporate website (www.iberdrola.com), called *Quick Guide for Shareholder’s Guide*. This tool allows shareholders to access, among other contents, to the key economic and financial information on the Company, as well as Group strategy and information regarding shareholder rights (especially with regard to dividend policy) or to access information regarding General Shareholders’ Meetings.

In addition, within this digital space, a section called *Shareholder Services* is provided, where shareholders can raise any questions they may have regarding the various matters related to IBERDROLA Group’s share price and policies.

- In connection to the second execution of the increase of paid-up share capital related to the *Iberdrola Dividendo Flexible* system and following the significant events published on 26 October and 30 December 2011, IBERDROLA reported on 17 January the issue of 90,375,000 new shares with a per unit nominal value of EUR 0.75, with the nominal amount of capital increase of EUR 67,781,250.00, a 1.536% increase with regard to the share capital prior to the second capital increase execution.

As a result, updated share capital stands at EUR 4,479,648,750, represented by 5,972,865,000 shares with a nominal value of EUR 0.75 each, fully subscribed and paid-up.

- On 18 January 2012, Iberdrola Finanzas, S.A., under its *Euro Medium Term Note Programme* debt issue, closed a notes issue on the Euromarket, with the guarantee of IBERDROLA, amounting to EUR 400 million.
- In connection with the negotiations held between SP Transmission Limited (ScottishPower) and representatives of the British regulator Ofgem (Office of Gas and Electricity Markets) within the process of approval of the retribution conditions applicable to electricity transmission business, on 24 January 2012, IBERDROLA informed the CNMV that the British regulator officially announced that ScottishPower's proposal is eligible for fast-track processing and that it considers that, in general, it provides good value to clients. As a result, a recognised investment is approved for the amount of 2,600 million pounds sterling, which means that the regulatory value of ScottishPower's transmission assets shall increase by 220% to 3,200 million pounds sterling.
- On that same date, IBERDROLA announced the agreement to deliver shares to the Group's employees as part of the variable remuneration accrued in financial year 2011.
- On 25 January 2012, the subsidiary Iberdrola International B.V., closed a notes issuance on the Swiss market, with the guarantee of IBERDROLA, for an initial amount of 250 million Swiss francs.
- On 30 January 2012, the Company submitted its energy production figures for the year 2011.
- The Board of Directors of IBERDROLA, in its meeting of 20 February 2012, prepared the individual and consolidated annual accounts and management reports of the Company, corresponding to the financial year ending 31 December 2011, as well as the proposals to distribute a dividend in cash of EUR 0.030 gross per share with rights to such payment and to approve an increase of paid-up capital for the free-of-charge allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named *Iberdrola Dividendo Flexible*.
- On 23 February 2012, IBERDROLA submitted its Results Presentation and *Annual Corporate Governance Report* corresponding to financial year 2011 to the CNMV.
- On 27 March 2012, IBERDROLA announced a notes issue on the euromarket and an exchange of notes. In this regard, the subsidiary Iberdrola International B.V., closed a notes issuance on the euromarket, with the guarantee of IBERDROLA, for an amount of EUR 1,000 million. These notes shall be exchanged entirely or partly for the notes acquired by Barclays Bank plc, as a result of the repurchase offer made by this bank, in accordance with the terms and conditions established in the corresponding Tender Offer Memorandum dated 27 March 2012.

Subsequently, on 4 April, IBERDROLA announced that on 11 April 2012, there would be an exchange of 9,041 Series 100 notes issued on that date by Iberdrola International B.V. with the guarantee of IBERDROLA.

- On 13 April, IBERDROLA submitted its energy production figures corresponding to the first quarter of 2012.
- On 10 May 2012, IBERDROLA submitted its Results Presentation for the first quarter of 2012 to the CNMV.
- IBERDROLA published on 22 May 2012 the estimated timetable for the first execution of the increase of the paid-up share capital relating to the *Iberdrola Dividendo Flexible* system.

The Board of Directors of IBERDROLA agreed on 22 June 2012 to carry out the first implementation of the paid-up in capital increase approved by the General Shareholders' Meeting of the Company held on that same date under item six on the agenda.

Subsequently, on 29 June, IBERDROLA informed of the decision of the Board of Directors to proceed to modify the object of purchase commitment of free-of-charge allocation rights that IBERDROLA has assumed in relation to the first implementation of increase of paid-up share capital. As a result, the aforementioned purchase commitment will be extended to the free-of-charge allocation rights freely allocated to those who are registered in the book-entry records of Sociedad de Gestión de los Sistemas de

Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR) at 23:59, Madrid time, on the day of publication of the notice of the first implementation of the paid-up capital increase in the Official Bulletin of the Commercial Registry; with the exception of those rights that have been transferred on the market.

Moreover, on 2 July, a document was published as a supplement to the information memorandum regarding the first implementation of the paid-up capital increase charged to reserves approved by the General Shareholders' Meeting of 22 June 2012.

Board of Directors

The Board of Directors of IBERDROLA, in its session held on 24 April 2012, accepted the resignation of the directors Mr José Ignacio Berroeta Echevarría and Mr Ricardo Álvarez Isasi.

In turn, it approved the co-opted appointment, following a favourable report from the Nominating and Compensation Committee, of Mr José Luis San Pedro Guerenabarrena as executive director and Mr Ángel Jesús Acebes Paniagua as an external director, replacing Mr José Ignacio Berroeta Echevarría and Mr Ricardo Álvarez Isasi, respectively.

In addition, Mr José Luis San Pedro Guerenabarrena was appointed to the position of Chief Operating Officer of the company, with joint and several powers for the management of all the business areas of the group.

In addition, following a favourable report from the Nominating and Compensation Committee, the following agreements were adopted regarding the structure of the Board of Directors committees:

- Appoint Mr José Luis San Pedro Guerenabarrena as member of the Delegate Executive Committee, replacing Mr José Ignacio Berroeta Echevarría.
- Appoint Mr Santiago Martínez Lage, who ceased as member and secretary of the Audit and Risk Supervision Committee, as member of the Nominating and Compensation Committee and appoint Ms. Inés Macho Stadler as chairman of that Committee, all in order to replace the position left by Mr José Ignacio Berroeta Echevarría.
- Appoint Mr Ángel Jesús Acebes Paniagua as member and secretary of the Audit and Risk Supervision Committee, replacing Mr. Santiago Martínez Lage.
- Appoint Ms. Samantha Barber as chairman of the Corporate Social Responsibility Committee, replacing Mr. Ricardo Álvarez Isasi.

In its session held on 23 May 2012, the Company's Board of Directors accepted the resignation presented by Mr. José Luis Olivas Martínez from his position as External Proprietary, and member of the Delegate Executive Committee.

On that same date, based on the proposal of significant shareholder Banco Financiero y de Ahorros, S.A and following a favourable report of the Nominating and Compensation Committee, the Board of Directors agreed to co-opt Mr. Francisco Pons Alcoy as External Proprietary and as member of the Delegate Executive Committee, replacing Mr. José Luis Olivas Martínez.

Lastly, on 22 June 2012, the Board of Directors of IBERDROLA approved the re-election of Mr. Xabier de Irala Estévez, Ms. Inés Macho Stadler, Mr José Luis San Pedro Guerenabarrena and Mr Francisco Pons Alcoy as members of the Delegate Executive Committee.

GENERAL SHAREHOLDERS' MEETING

In its meeting of 8 May 2012, the Board of Directors of IBERDROLA agreed to convene the General Shareholders' Meeting to be held at first session on 22 June 2012, or, if the necessary quorum is not attained, at the second session on 23 June 2012. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share to the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the call for the General Shareholders' Meeting was published by the Company in the Official Bulletin of the Commercial Registry on 10 May 2012.

On 22 June 2012, the General Shareholders' Meeting of the Company was held at first session, with a quorum of 83.27% of the share capital (21.43% present and 61.84% represented), with the approval of each and every agreement put to vote that had been included in the meeting agenda published on 8 May 2012, as detailed below:

Resolutions relating to the annual financial statements, the management of the Company, and re-election of the Company's Auditor

The shareholders acting at the General Shareholders' Meeting have approved the annual financial statements for fiscal year 2011 of Iberdrola and of its consolidated group, the management reports of the Company and its consolidated group, as well as the corporate management and the activities of the Board of Directors during such fiscal year 2011.

Likewise, the shareholders acting at the General Shareholders' Meeting have approved the re-election of "Ernst & Young, S.L." as auditor of the Company and of its consolidated group for fiscal year 2012, including the authorization in favor of the Board of Directors to enter into the respective services agreement with "Ernst & Young, S.L."

Resolutions relating to shareholder compensation

The shareholders acting at the General Shareholders' Meeting have approved the application of results proposed by the Board of Directors, which includes the payment of the dividend for the fiscal year ended 2011, in the gross amount of three Euro cents (0.030) per share, with the right to receive it.

In addition, the shareholders acting at the General Shareholders' Meeting have approved a fully-paid increase in the share capital by means of the issuance of new ordinary shares of the Company at a maximum reference market value of two thousand eighteen million Euros, for the free-of-charge allocation of new shares to the shareholders of the Company.

This capital increase has been adopted for the purposes of offering all of the Company's shareholders, under each installment of the increase, newly-issued bonus shares or, ultimately, and through the transfer of the free-of-charge allocation rights that they receive for the shares they hold, the possibility to obtain equivalent value to that of the traditional dividend payments, without the Company's shareholder compensation policy being altered as a result.

Resolutions relating to the composition of the Board of Directors and express authorizations and delegations requested for the Board of Directors

The shareholders acting at the General Shareholders' Meeting have approved the ratification of the following appointments on an interim basis:

- a) Appointment of Mr. José Luis San Pedro Guerenabarrena as director, with the status of "executive director" and with his term of office expiring on March 26, 2015, i.e. the date of the term of office of the member previously in such position, Mr. José Ignacio Berroeta Echevarría, whom he replaces.
- b) Appointment of Mr. Ángel Jesús Acebes Paniagua as director, with the status of "other external director" and with his term of office expiring on March 26, 2015, i.e. the date of the term of office of the member previously in such position, Mr. Ricardo Álvarez Isasi, whom he replaces.

Likewise, the shareholders acting at the General Shareholders' Meeting have approved the re-election, for the bylaw-mandated period of four years, of the following directors of the Company, who will be classified as set out below:

- a) Mr. Xabier de Irala Estévez, with the status of "external proprietary director".
- b) Mr. Iñigo Víctor de Oriol Ibarra, with the status of "external independent director".
- c) Mrs. Inés Macho Stadler, with the status of "external independent director".

- d) Mr. Braulio Medel Cámara, with the status of "external independent director".
- e) Mrs. Samantha Barber, with the status of "external independent director".

In addition, the shareholders acting at the General Shareholders' Meeting have approved the appointment of Mr. Francisco Pons Alcoy as director, with the status of "external proprietary director", for the bylaw-mandated period of four years.

The shareholders acting at the General Shareholders' Meeting have approved likewise, the grant of the following express authorizations and delegations of power to the Board of Directors:

- Authorization, for a term of five years, to issue:
 - a) bonds or simple debentures and other fixed-income securities of a like nature (other than notes), as well as preferred stock, up to a maximum amount of twenty billion Euros, and
 - b) notes up to a maximum amount at any given time, independently of the foregoing, of six billion Euros, including the authorization for the Company to guarantee, within the limits set forth above, new issuances of securities by subsidiaries.
- Authorization to apply for the listing on and delisting from Spanish or foreign, official or unofficial, organized or other secondary markets of the shares, debentures, bonds, notes, preferred stock or any other securities issued or to be issued, and to adopt such resolutions as may be necessary to ensure the continued listing of the shares, debentures or

other securities of the Company that may then be outstanding.

- Authorization to create and fund associations and foundations, up to the annual aggregate amount of twelve million Euros and for a maximum period that will expire on the date of the General Shareholders' Meeting at which the annual financial statements for fiscal year 2012 are approved.

Resolutions relating to amendments of the By-Laws and Regulations

Furthermore, the shareholders acting at the General Shareholders' Meeting have approved:

- a) The amendment of articles 19.1, 19.4, 20.1, 20.2, 20.4 and 23.3 of the By-Laws; and
- b) The amendment of articles 8.1, 8.3, 8.4, 9.2, 12.10 (formerly, 12.9), 13.3, 14.1, 14.2, 28.1, 32.1, and 35.2 of the Regulations for the General Shareholders' Meeting of the Company, and the inclusion of two new articles 12.9 and 13.5.

Resolutions regarding the approval of the corporate website

Likewise, the shareholders acting at the General Shareholders' Meeting have approved the corporate website of Iberdrola, the address of which is: www.iberdrola.com.

Resolution relating to general matters

Additionally, the shareholders acting at the General Shareholders' Meeting have resolved to authorize the Board of Directors, which may

delegate such powers to any one or more of the Executive Committee, Mr. José Ignacio Sánchez Galán, Chairman & Chief Executive Officer, and Mr. Julián Martínez-Simancas Sánchez, General Secretary and Secretary of the Board of Directors, to formalize and execute all resolutions adopted by the shareholders at the General Shareholders' Meeting, for conversion thereof into a public instrument, and for the interpretation, correction and supplementation thereof or further elaboration thereon until the required registrations have been carried out.

Consultative vote on the Annual director compensation report

Lastly, the Annual director compensation report has been submitted to the consultative vote of the shareholders acting at the General Shareholders' Meeting, being supported by a large majority of the shareholders present in person or by proxy at the General Shareholders' Meeting.

Corporate Governance System

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the Articles of Associations, the corporate Policies, the internal corporate governance regulations and other internal codes and procedures approved by the competent governing bodies of the Company. In their drafting, the generally recognised good governance recommendations in international markets have been taken into account.

The development, review and continuous improvement of corporate governance rules responds to the strategy that the Company and

the companies forming part of the IBERDROLA Group have now been following for years.

Corporate policies develop the principles reflected in the Company's corporate governance System and contain the guidelines that govern the activities of the Company and the companies of its Group, as well as their directors, executives and employees, within the context of the Strategic Plan and the vision and values of the Company with regard to corporate governance and regulatory compliance, risk and social responsibility.

Specifically, the General Corporate Governance Policy is an updated summary of the Company's Corporate Governance System.

During the first half of financial year 2012, the following updates and reviews of the Corporate Governance System of IBERDROLA were made:

- In its Meeting held on 24 January 2012, the Board of Directors of IBERDROLA approved the review and update of the Risk Policies (general risk control and management Policy, the Summary of corporate risk Policies and the Summary of specific risk policies of the Group businesses).
- In addition, on 27 March, the Board of Directors approved the Summary of the Protocol of action for the investigation of possible illicit use of confidential information (insider trading) and the revision of the Code of Ethics.
- On 24 April 2012, the partial reform of the Corporate Governance System was agreed, which implied (i) the partial modification of

the *General Corporate Governance Policy* and of the *Internal Regulations on the Structure and Functions of the Operating Committee* to incorporate into the Corporate Governance System the figure of COO - Executive Director, and (ii) the partial modification of the *Crime Prevention and Anti-Fraud Policy* and of the *Internal Regulations for Conduct in the Securities Markets* within the framework of the constant process of updating and improving the different documents that make up the Corporate Governance System.

- On 8 May 2012, the partial reform of the *Code for the separation of activities of the companies of the Iberdrola group carrying out regulated activities in Spain* was approved to implement the recent reforms introduced in Law 54/1997, of November 27, on the Electricity Industry and in the Law 34/1998, of October 7, on the Hydrocarbon Industry by the Royal Decree-law 13/2012, of March 30, by means of which the directives related to internal market in electricity and gas and to electronic communications matters are implemented, and by means of which measures for the correction of the deviations for imbalances between the costs and the incomes of the electric and gas sector are taken.

The Company approved the following modifications on 12 June 2012 (i) partial amendment of the Code of ethics within the framework of the updating and continuous improvement of the various documents composing the corporate governance System and designate the members of the Code of Ethics Committee; (ii) modification of several articles and inclusion of new article 23.5 of the *Regulations of the Board of Directors*

to incorporate the *subholding* companies into the structure of the group and improve the coordination mechanisms between the different management bodies of the Company; (iii) incorporation of a new section to article 7 of the *Regulations of the Nominating and Compensation Committee* in order to confer to the committee the competence to report in advance the resolutions concerning the compensation of the independent directors of other companies of the group; and (iv) modification of the *Internal rules on composition and duties of the Operating Committee*, the *Policy for the definition and coordination of the Iberdrola group and foundations of corporate organization*, the *Crime prevention and anti-fraud policy* and the *General corporate governance policy* in order to better reflect the structure of the group and include in the latter a new paragraph relating to the Code of ethics.

- As a result of the agreements adopted by the General Shareholders' Meeting on 22 June 2012, the Articles of Association and the Regulations of the General Shareholders' Meeting were modified.

All documents that comprise the Corporate Governance System are published (in their full or summarised version) both in Spanish and in English on the corporate website www.iberdrola.com, which also offers the possibility of downloading them for consultation onto e-book readers or any other mobile devices.

Information Transparency

One of the core principles underlying IBERDROLA's corporate governance practices is to ensure maximum transparency in financial and non-financial information provided to shareholders, investors and markets. In this respect, there has been a high level of activity during 2012 to ensure that institutional investors and financial analysts are kept fully informed.

On Line Shareholders (OLS)

The On Line Shareholders (OLS) interactive system has been made available through the corporate website, allowing shareholders to make confidential or public enquiries, with the option of addressing them to any of the committees of the Board of Directors, as well as notifying the Regulatory Compliance Unit of any conduct that may imply non-compliance with the corporate governance System, through the Ethics Mailbox.

CNMV: Relevant Events from January to June 2012

Date	Event	Registration No.
04/04/2012	The company reports on the exchange of bonds issued by Iberdrola International for bonds issued by Iberdrola Finanzas.	161344
04/09/2012	The company reports the date for submitting results of the first quarter of 2012.	161381
04/13/2012	The company reports its Energy Production figures as at the end of the first quarter of 2012.	161606
04/17/2012	ACS reports on the start of the accelerated bookbuilt offering process of 3.69% of Iberdrola, S.A. shares.	161756
04/18/2012	As a precautionary measure, the National Securities Exchange Commission (CNMV) suspends the negotiation of Iberdrola shares until 10 a.m.	161761
04/18/2012	ACS informs of the end of the private placement process for Iberdrola shares and of the price per share resulting from the placement process.	161764
04/24/2012	The company informs on the resignation and appointment of directors and members of committees as well as the appointment of a COO-executive director.	162183
05/03/2012	The company informs on the note published by Standard & Poor's in which it fixes Iberdrola S.A.'s credit rating.	162925
05/08/2012	The company informs on the agreements of the Board of Directors regarding the call to meeting of the General Shareholders' Meeting.	163505
05/09/2012	The company reports the subscription by Iberdrola International, B.V. of a three year loan and a five year revolving loan for an initial joint amount of EUR 1 billion, extendable to EUR 1.2 billion.	163579
05/10/2012	The Company issues information regarding the results of the first quarter of 2012.	163621 163629
05/10/2012	The Company issues information regarding the publication of the notice of the call to meeting of the General Shareholders' Meeting and of the documents put at the disposal of shareholders.	163624
05/22/2012	The company reports on the estimated dates for the first implementation of the paid-up capital increase in relation to the "Iberdrola Dividendo Flexible" system.	165021
05/23/2012	The company reports on the resignation of Mr José Luis Olivas Martínez as director and member of its Delegate Executive Committee.	165026
05/23/2012	The Company reports on the co-optation of Mr Francisco Pons Alcoy as external proprietary and a member of the Delegate Executive Committee.	165128
06/12/2012	The Company reports on the partial amendment of the Regulations of the Board of Directors, the Code of Ethics and other documents that make up the Corporate Governance System.	166363
06/22/2012	The company reports on the agreements approved by the General Shareholders' Meeting and the Board of Directors on 22 June 2012.	167684
06/22/2012	The company reports on the first implementation of the paid-up capital increase approved by the General Shareholders' Meeting and the corresponding information memorandum.	167686
06/29/2012	The company reports on the establishment of the object of the purchase commitment assumed by Iberdrola in relation to the first implementation of the paid-up capital increase approved by the General Shareholders' Meeting on 22 June 2012.	168705



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