



IBERDROLA

Results Presentation First Half 2011

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3

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

Annex: Iberdrola Renovables information

4

Highlights of the period: Results



Recurring Net Profit up 9.4%
And Net Profit increases to Eur 1,563.6 M (+6.6%)

Efficiency improves by 6%:
Net Operating Expenses down 3.2%

Operating Cash Flow up 6.4%
close to Eur 3.0 bn

Financial strengthening continues
Eur 10,350 M of Liquidity

EBITDA up 4.4%, exceeding Eur 4.0 bn

5

Highlights of the period



Completion of the Elektro acquisition in Brazil

Merger with Iberdrola Renovables successfully completed

- 74% of Iberdrola Renovables minority shareholders voted in favour

Iberdrola and Iberdrola Renovables General Shareholders' Meetings:
Very strong shareholder support

- **Iberdrola:** Historic attendance of 82% with 79% of votes in favour of all the proposals

Reaffirming Iberdrola's industrial model of growth
protecting the general interests of the shareholders

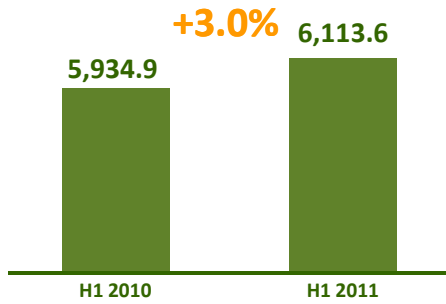
6

Gross Margin

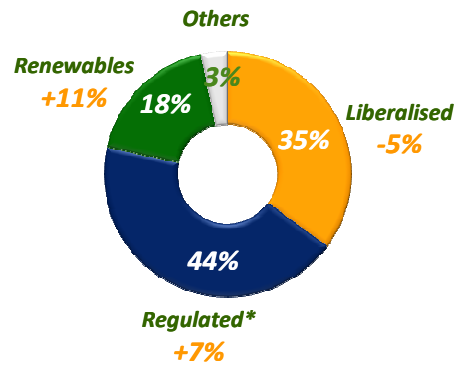


Gross Margin up 3% to Eur 6,114 M

Gross Margin (Eur M)



Gross Margin by business



*Regulated business includes Brazil

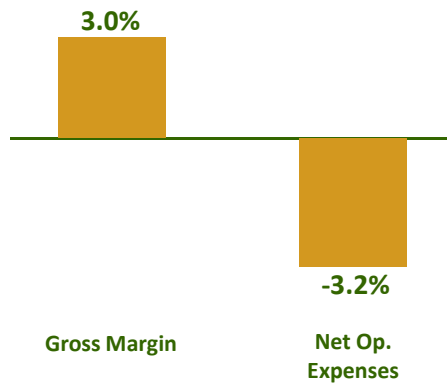
7

Efficiency

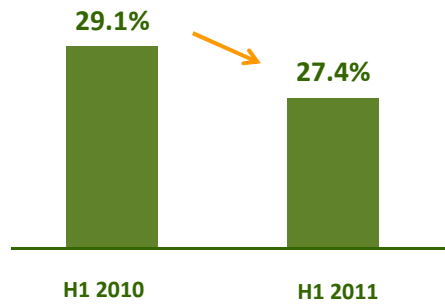


6% Efficiency improvement

H1 2011 v H1 2010



Net. Op. Expenses/Gross Margin



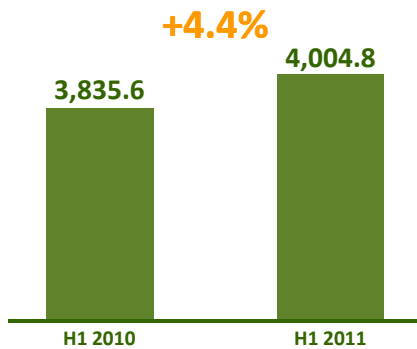
8

EBITDA

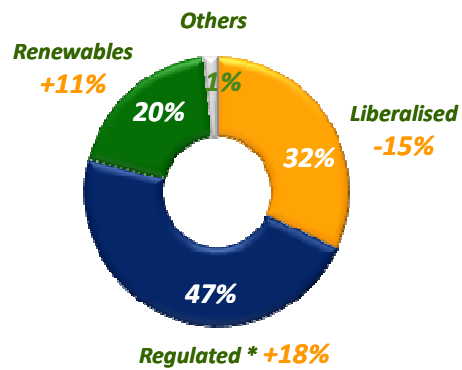


EBITDA up 4.4% exceeding Eur 4.0 bn

EBITDA (Eur M)



EBITDA by business



Growth in all businesses except Liberalised due to UK

*Regulated business includes Brazil

9

Balance Sheet Management



Maintaining financial strength and liquidity ...

Iberdrola maintains its presence in capital and bank markets
Transactions in Euros, USD, Sterling and Reales for a total equivalent amount of over Eur 6.0 bn

Improvement of debt profile and financial ratios

Eur 10,350 M of liquidity after Elektro and Renovables transactions
24 months of financial needs covered

Eur 2.1 bn of tariff deficit already collected

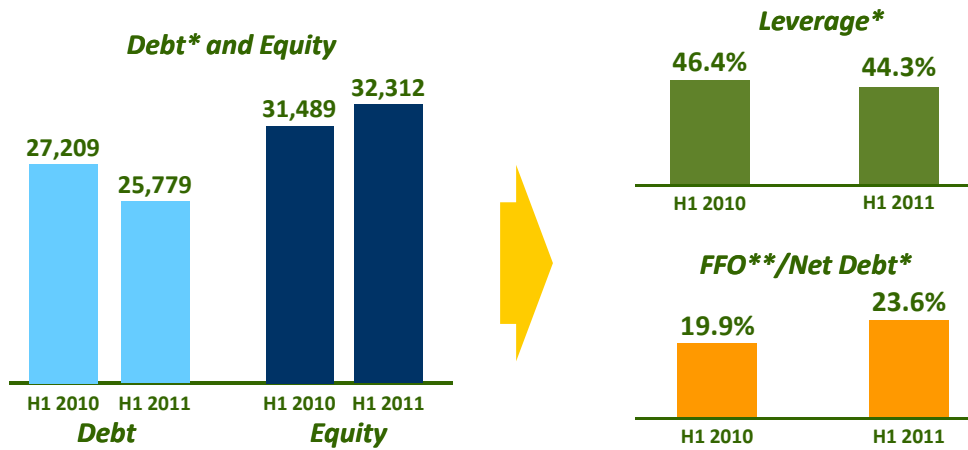
... and consolidating the "A" rating
Moody's improves Outlook to "Stable"

10

Balance Sheet Management



Improvement of Balance Sheet structure



*Excluding tariff deficit and including TEI

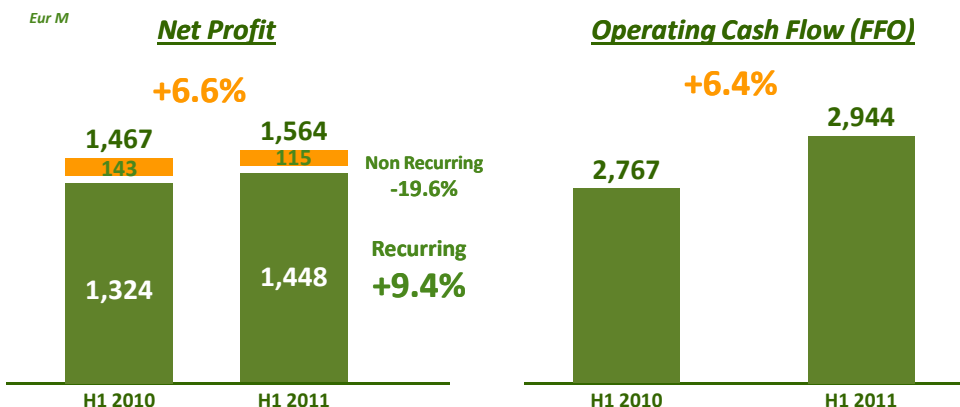
** FFO = Net Profit + Amortiz. and Prov. – equity method – Net Non Recurring Results – Fin. Prov.

11

Net Profit and Operating Cash Flow



Net Profit up 6.6% to Eur 1,564 M
9.4% growth in Recurring Net Profit



Stable cash generation:
FFO up 6.4% to close to Eur 3.0 bn

12

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

Annex: Iberdrola Renewables information

13

Income Statement – Group



Growth in all operating lines of the P&L

<i>Eur M</i>	H1 2011	H1 2010	Var. %
Revenues	15,550.1	15,318.5	+1.5
Gross Margin	6,113.6	5,934.9	+3.0
Net Op. Expenses*	-1,704.7	-1,761.4	-3.2
EBITDA	4,004.8	3,835.6	+4.4
Operating Profit (EBIT)	2,626.7	2,498.1	+5.1
Net Financial Expenses	-524.2	-686.2	-23.6
Recurring Net Profit	1,448.4	1,324.2	+9.4
Reported Net Profit	1,563.6	1,467.2	+6.6
Operating Cash Flow	2,943.6	2,767.4	+6.4

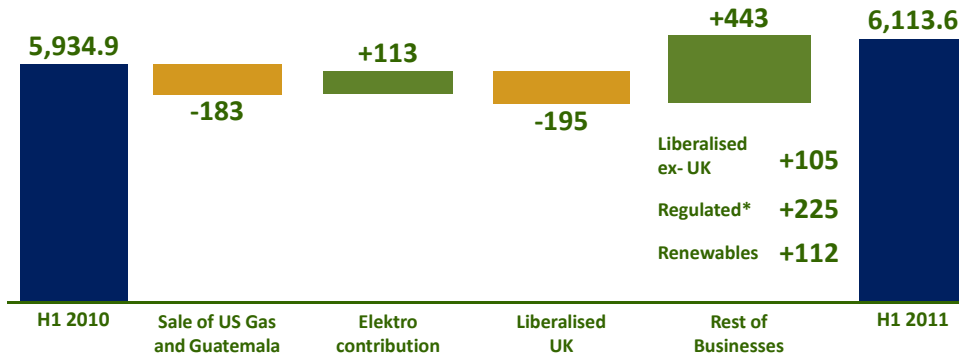
*Excludes Levies

14

Gross Margin - Group



Gross Margin up 3.0% to Eur 6,113.6 M, as the diversified business portfolio of the Group more than offsets the weak performance of Liberalised UK, ...



Elektro consolidation partially compensates the contribution of the assets sold in 2010

... and Basic Margin up 3.0% (Eur 6,225.1 M), in line with Gross Margin

*Regulated business includes Brazil

15

Net Operating Expenses - Group



Net Operating Expenses* improve by 3.2% to Eur 1,704.7 M

Net Operating Expenses

Eur M	H1 2011	% v H1 2010
Net Personnel Expenses	845.9	-5.4%
Net External Services	858.8	-0.9%
Total	1,704.7	-3.2%

Operating Highlights

Reduction in Net Personnel Expenses

Net External Services Control

Recurring Net Operating Expenses down by 3.8%

Levies up 14.7% to Eur 515.6 M due to the Spanish Liberalised Business

*Excludes Levies

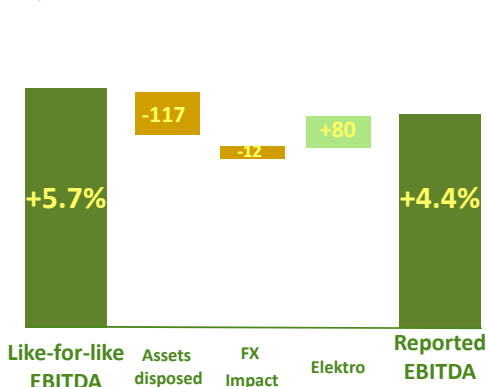
16

EBITDA - Group



Higher margin and cost improvements drive like-for-like EBITDA up 5.7% ...

Eur M



	H1 2011	% v H1 2010
Basic Margin	6,225.1	+3.0%
Net. Op. Exp.	-1,704.7	-3.2%
Levies	-515.6	+14.7%
EBITDA	4,004.8	+4.4%

... and reported EBITDA up 4.4%, considering the impacts of Elektro, assets disposed, exchange rate and rise in Levies

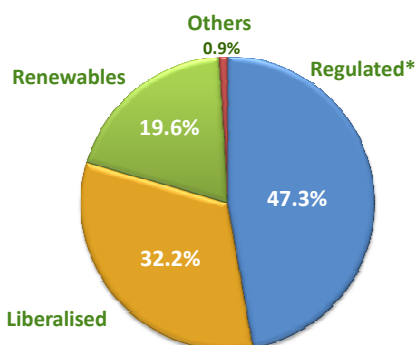
17

EBITDA - Business



Group EBITDA up 4.4% as Iberdrola's diversified business model delivers low risk growth ...

EBITDA Breakdown



H1'11 EBITDA (Eur M)

Regulated*	1,892.0	+18.4%
Liberalised	1,290.0	-14.7%
Renewables	785.1	+11.1%

... as more stable businesses (Regulated and Renewables) compensate for the more volatile businesses (Liberalised)

*Regulated business includes Brazil

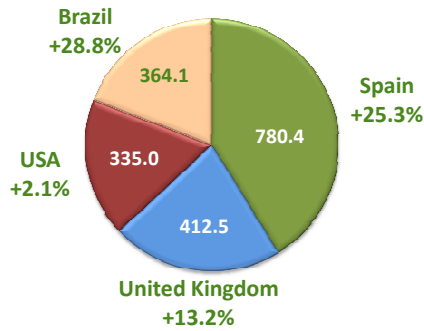
18

Results By Business Regulated



Regulated EBITDA up 18.4% to Eur 1,892.0 M,
with growth in all geographies ...

EBITDA Breakdown



Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	2,670.3	+7.4%
Net Op. Exp.	-583.8	-13.3%
EBITDA	1,892.0	+18.4%

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

19

Results By Business Regulated Spain



EBITDA up 25.3% to Eur 780.4 M ...

Operating Highlights

Higher regulated revenues:
+19.1% v H1 2010

Lower Net Op. Expenses:
Due to efficiency gains

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	1,013.2	+15.0%
Net Op. Exp.	-193.8	-11.8%
EBITDA	780.4	+25.3%

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

20

Results By Business Regulated United Kingdom



EBITDA up 13.2% to Eur 412.5 M

Highlights of the Period

Operating Highlights	↑ Higher revenues (+12%) due to higher investments (+20%)
	↑ Efficiency improvement: Gross Margin growth > Net Op. Exp. growth
FX Impact	↑ GBP: +1.3%

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	512.4	+12.0%
Net Op. Exp.	-53.8	+5.9%
EBITDA	412.5	+13.2%

21

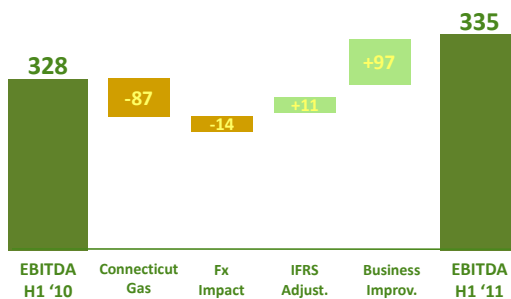
Results By Business Regulated USA



EBITDA in Euros under IFRS up 2.1% to Eur 335.0 M ...

Eur M

EBITDA Impacts



Financial Highlights

	H1 2011	% v H1 2010
Gross Margin	647.3	-16.7%
Net Op. Exp.	-204.2	-35.7%
EBITDA	335.0	+2.1%

... and up 39.0% excluding the sale of Connecticut Gas

22

Results By Business Brazil



Brazil EBITDA increases 28.8% to Eur 364.1 M, due to Elektro consolidation (Eur +80 M) and Real revaluation (Eur +14 M) ...

Highlights of the Period

Operating Highlights	↑ Brazil Demand: +4.0%
	↑ Elektro consolidation
	↑ New hydro capacity
	↓ Lower settlements in H1'11 (Eur -17 M)
FX Impact	↑ Real: +5.1%

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	497.5	+34.6%
Net Op. Exp.	-132.0	+54.1%
EBITDA	364.1	+28.8%

... excluding Elektro EBITDA up +0.5% due to Eur 17 M lower settlements v H1 2010

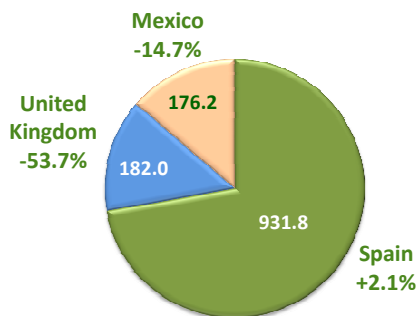
23

Results By Business Liberalised Business



Liberalised Business EBITDA down 14.7% to Eur 1,290.0 M as Spanish performance ...

EBITDA Breakdown



Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Basic Margin	2,265.2	-5.0%
Net Op. Exp.	-699.7	+4.0%
Levies	275.5	+37.9%
EBITDA	1,290.0	-14.7%

... does not compensate weak UK results and Guatemala sale

24

Results by Business Liberalised Business Spain



**EBITDA increases 2.1% to Eur 931.8 M
due to better margins (+7.6%) despite rise in Levies (+38%)**

Operating Highlights

-12% lower output due mainly to
-26% lower hydro production
Hydro reserves over 72%

80% of H1'11 ordinary regime output
is emission free

Margin improvement: Higher prices
(Achieved Price* Eur 60/MWh)
more than offset higher Procurement costs

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Basic Margin	1,580.9	+7.6%
Net. Op. Exp.	-383.6	+5.2%
Levies	-265.5	+37.9%
EBITDA	931.8	+2.1%

**2011: 98% of production already sold above Eur 58 /MWh
2012: 33 TWh of production already sold above Eur 60/MWh**

*Iberdrola average power price for the Spanish system includes spot and forward sales and retail margin for H1 2011
** As of 30 June 2011

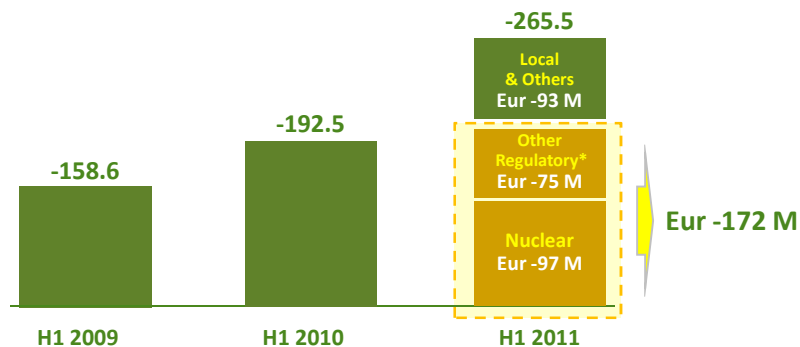
25

Liberalised Business Spain - Levies



**Levies up 37.9% v H1'10 to Eur 265.5 M (28% of EBITDA), due to
Social Bonus, nuclear taxes and energy saving and efficiency plan**

Eur M



**Levies in Spanish Liberalised Business
have increased by almost 70% in 2 years**

*Includes Energy Efficiency and Social Bonus

26

Results By Business Liberalised Business United Kingdom



EBITDA is down 53.7% to Eur 182.0 M due to lower margins and less production/sales in electricity and gas

Operating Highlights

↓	Lower spreads and availability result in lower output
↓	Lower Retail sales v H1 2010: -12% Power -4% Gas -17%
↓	Lower Retail Power margins as higher commodity costs are not offset by prices

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Basic Margin	461.3	-30.1%
Net Op. Exp.	-269.9	+3.6%
EBITDA	182.0	-53.7%

Performance of the business will improve during Q4 2011 due to tariff increases (applicable 1st August)

27

Results By Business Liberalised Business Mexico



Mexico EBITDA is down -14.7% to Eur 176.2 M due to the sale of Guatemala assets in 2010

Highlights of the Period

Operating Highlights	↓ Guatemala Asset Sales
FX Impact	↓ USD: -4.2%

Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	223.0	-12.5%
Net Op. Exp.	-46.2	-3.0%
EBITDA	176.2	-14.7%

Underlying EBITDA improves by 2%

28

Results By Business Renewables



Operating capacity up 14.1% to 12,792 MW...

Installed capacity: +13.8% to 12,977 MW

Average load factor: 27.4% v 27.1% in H1 2010

Average price*: Eur 64.5/MWh v Eur 67.9/MWh in H1 2010
Due to the higher weight of US production

Opex per average operating MW: Improves by 8% to Eur 21.9/MW

... and production increasing 16.8% to 15 TWh in the semester

*Excludes PTCS

29

Results By Business Renewables



Total EBITDA up 11.1% to Eur 785.1 M
and Renewable* EBITDA growing 10%

Financial Highlights (Eur M)

	Renewables		Gas		TOTAL	
Gross margin	1,063	+8%	47	n/a	1,110	+11%
Net Op. Expenses & Levies	-308	+16%	-17	+34%	-325	+12%
EBITDA	755	+10%	30	n/a	785	+11%

Gas business is positively impacted by Eur +32 M MtM
v Eur -33 M impact in H1 2010

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

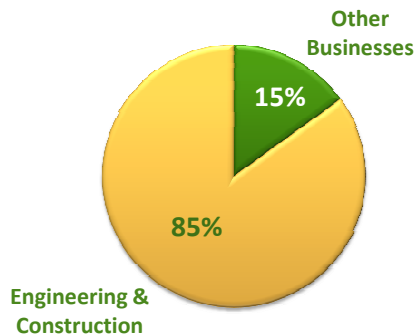
30

Results By Business Other Businesses



EBITDA up 37.7% to Eur 67.3 M driven by a one-off strong margin improvement in Engineering&Construction in H1 ...

Gross Margin Breakdown



Financial Highlights (Eur M)

	H1 2011	% v H1 2010
Gross Margin	207.2	+4.2%
Net Op. Exp.	-134.4	-9.7%
EBITDA	67.3	+37.7%

... that compensates the weakness in other businesses

31

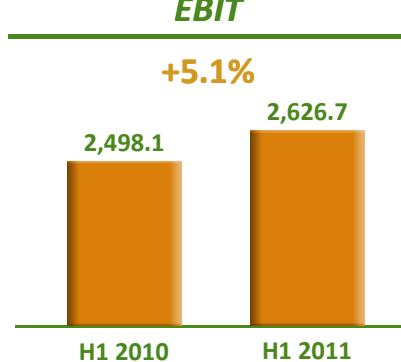
EBIT - Group



Group EBIT up 5.1% to Eur 2,626.7 M

Eur M

EBIT



	H1 2011	% v H1 2010
D&A	-1,300.9	+5.4%
Provisions	-77.1	-25.1%
Total	-1,378.0	+3.0%

D&A up 3.0% to Eur 1,378.0 M due to investments in Renewables and Regulated Provisions down 25.1% due to one-off in 2010

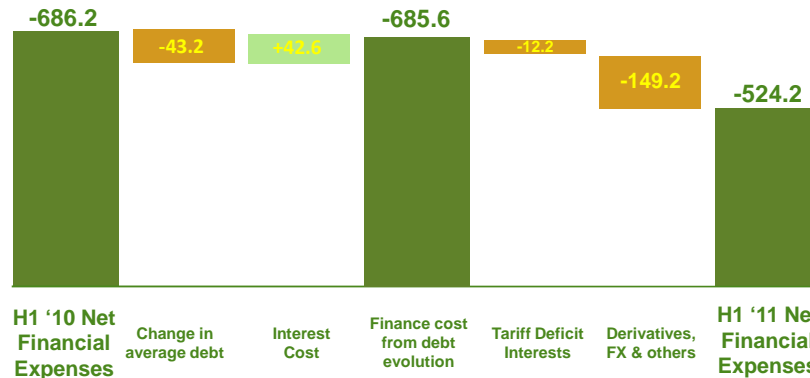
32

Net Financial Expenses - Group



FX derivatives due to P&L hedging policy are behind the financial expenses improvement (23.6%) ...

Eur M



... as debt related expenses remain stable due to slightly higher interest cost (4.3%) and lower average debt (-6.4%)

33

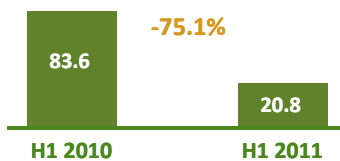
Reported Net Profit - Group



Recurring Net Profit is up 9.4% to Eur 1,448.4 M ...

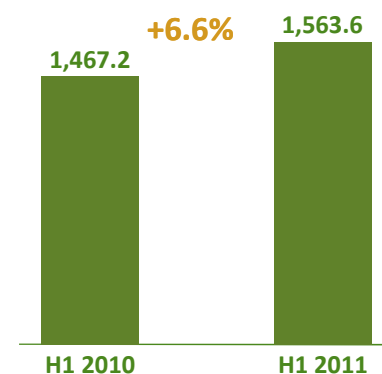
Eur M

Gross Non Recurring Results



Lower Gross Non Recurring Results offset improvement in Net Financial Expenses

Net Profit



Effective Corporate Tax Rate falls from 23.9% to 23.0% due to a 1% lower UK Corporate Tax applicable since March 2011

34

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

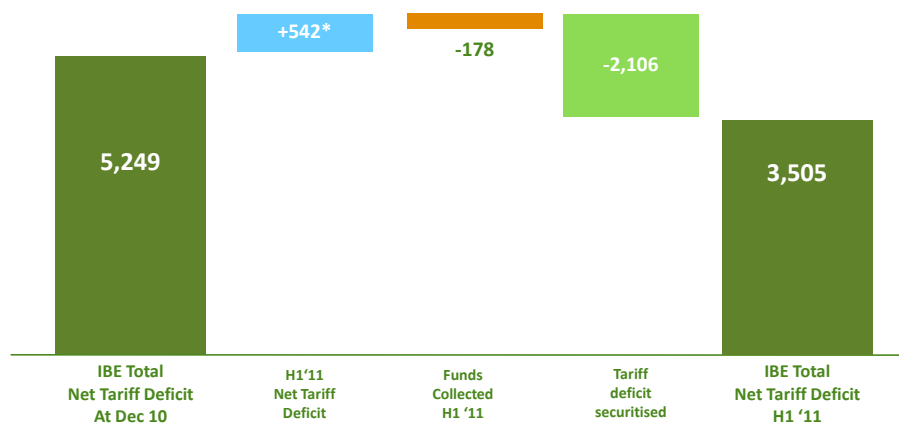
Annex: Iberdrola Renovables information

35

Tariff Deficit



Tariff Deficit falls to Eur 3,505 M at the end of H1 2011



Eur 7 bn of tariff deficit already placed by FADE in the first four tranches
Currently in the process of issuing the following two tranches

* Includes interest of Eur 25 M relating to the 2006, 2008, 2009 & 2010 tariff deficits

36

Financing – Adjusted Leverage



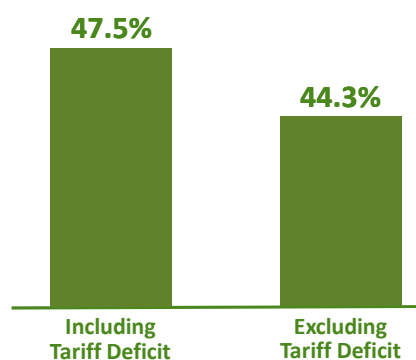
Leverage improves to 44.3% at June 2011
v 46.4% at June 2010 excluding tariff deficit ...

H1 2011 Net Debt and Equity

Eur M

	H1 '11	H1 '10
Adjusted Net Debt	29,284	31,377
Tariff Deficit	3,505	4,169
Adjusted Net Debt Ex deficit	25,779	27,209
Equity	32,312	31,489

H1 2011 Leverage



... and to 47.5% at H1 '11 v 49.9% at H1 '10 including tariff deficit

Note all debt figures include TEI

37

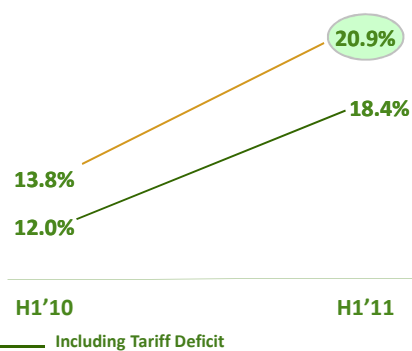
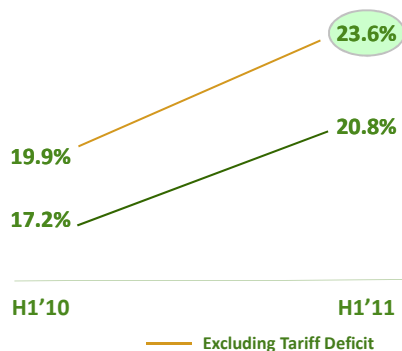
Financing – Financial Ratios (Pro-forma, includes 1 year of Elektro: Results and Debt)



Credit metrics improve strongly, even including the tariff deficit, ...

FFO⁽¹⁾/Net Debt⁽²⁾ (%)

RCF⁽³⁾/Net Debt⁽²⁾ (%)



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

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

38

Financing – Liquidity



Eur 10.3 bn Liquidity after new ScottishPower issue and IBE USA Credit Line renegotiation and extension ...

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2011	755	55	700
2012	2,283	156	2,128
2013	2,950	-	2,950
2014+	2,479	10	2,469
Total Credit Lines	8,467	221	8,246
Cash & Short Term Fin. Invest.			1,622
SPD issue (7 th July) £ 350 M			387
IBE USA Credit line (15 th July) renegotiation and extension (\$125 M)			87
Total Adjusted Liquidity			10,342

... enough to cover up to 24 months financing needs

39

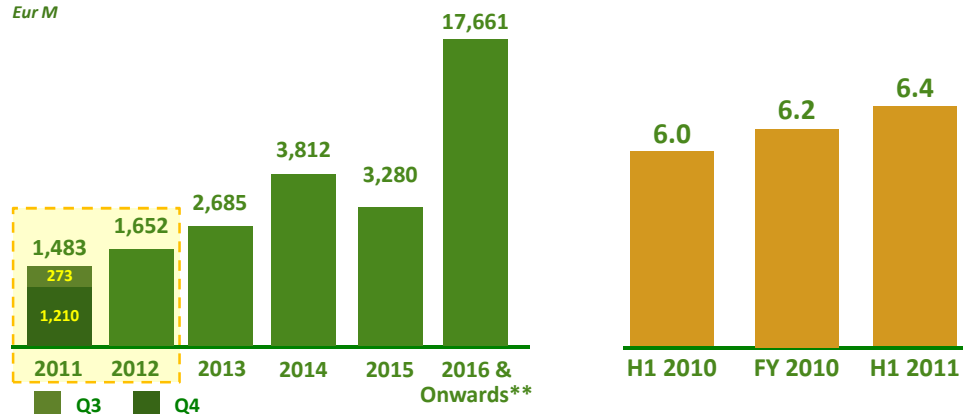
Financial Profile



Iberdrola debt maturity profile*

Average maturity of debt

Eur M



Increasing average maturity of debt thanks to Eur 3 bn Loan extension to 5 years and 15 years ScottishPower bond issue

*Does not include drawn credit lines
**Includes commercial paper outstanding balance

40

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

Annex: Iberdrola Renewables information

41

Conclusion



An industrial project that delivers long term sustainable growth ...

Industrial project

Focus on core businesses
98% of EBITDA from Energy

Predictable activities with growth opportunities
Regulated+Renewables: 67% of EBITDA

Balanced business portfolio

Leader in clean energies
Hydro, onshore + offshore wind

Focus on operational efficiency
Global businesses + One single Corporation

Financial model

Prudent currency management
Diversification and risk hedging

Strong financial ratios
23.6% FFO/Net Debt

Access to finance at competitive costs
Eur 6.0 obtained in H1

Strong liquidity position
Eur 10,350 M

Maintaining dividend policy

... based on a solid financial model

42

Conclusion: H1 2011 Results



In a complicated environment,
Iberdrola continues improving its results

Balanced
business portfolio

Management model

Gross Margin growth



Optimising operating
and financial expenses

Operating Cash Flow up 6.4%

Reaffirming positive outlook for 2011 and 2012

43



IBERDROLA

Results Presentation
First Half 2011

44

Agenda



Highlights of the period

Analysis of results

Financing

Conclusion

Annex: Iberdrola Renewables information

45

Highlights



Installed capacity reaches 12,977 MW

Operating capacity increases by 14.1% and
Output by 16.8% to 15,016 GWh

Improving efficiency per operating MW by 8.0%

Consolidated EBITDA increases by 11.1% to Eur 785.1 MM

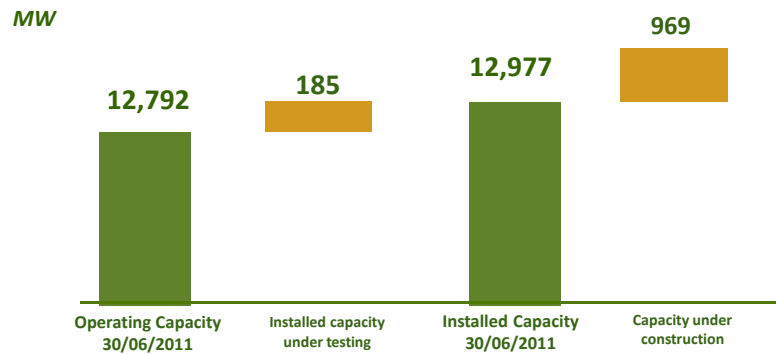
Net Profit up by 32.5% to Eur 209.5 MM

46

Installed Capacity



Installed Capacity reaches 12,977 MW (+13.8%)...



... with 969 MW under construction

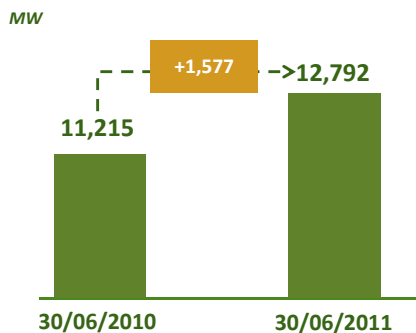
47

Operating Capacity

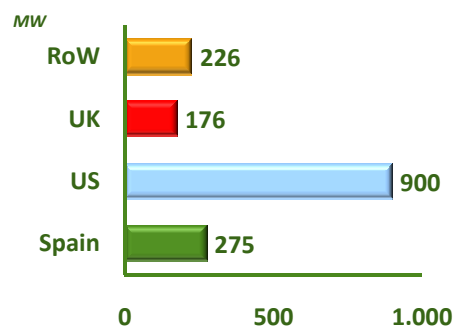


Operating Capacity reaches 12,792 MW (+14.1%)...

YoY operating capacity increase



Operating capacity breakdown



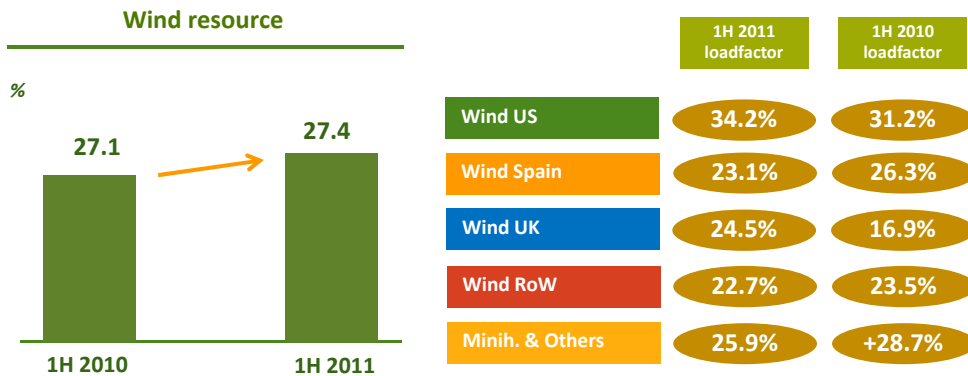
... with 57% of the increase in the US

48

Loadfactors in the period



Average loadfactor up 0.3% to 27.4% ...



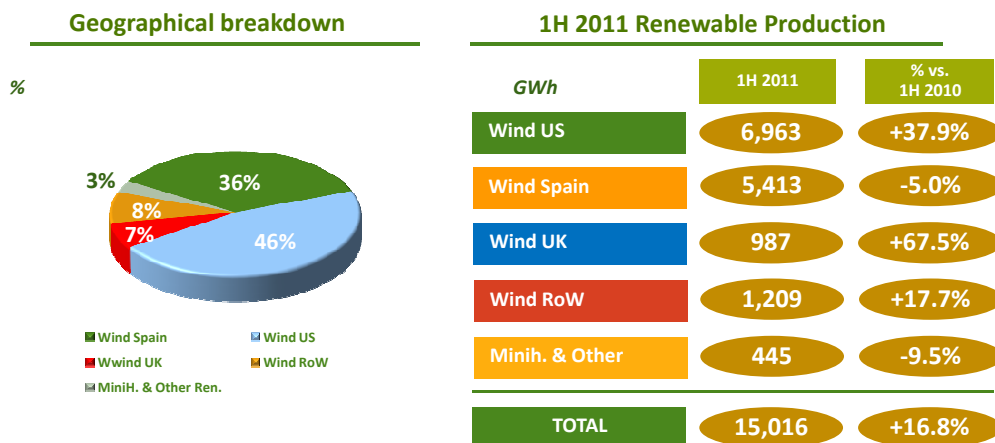
... due to the recovery of production in the US and UK

49

Renewable production



Production reaches 15,016 GWh (+16.8%)...



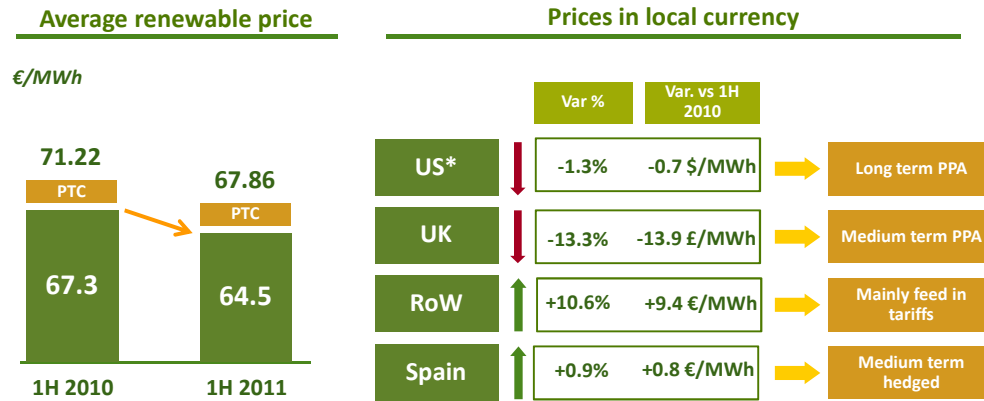
... showing a significant growth in US(+37.9) and UK (+67.5)

50

Renewable production prices



The larger contribution of the US business reduces the average price...



... effect increased by collection of grants and FX

* Average selling price excluding PTC.