Results
2011

Quarterly Report

IBERDROLA

LEGAL NOTICE:

DISCLAIMER

This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation of financial results of the 2011 fiscal year. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A.

Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above.

Except for the financial information included in this document (which has been extracted from the annual financial statements of Iberdrola, S.A. corresponding to the fiscal year ended on December 31, 2011, as audited by Ernst & Young, S.L.), the information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.

Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.

IMPORTANT INFORMATION

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Securities Market Law (Law 24/1988, of July 28, as amended and restated from time to time), Royal Decree-Law 5/2005, of March 11, and/or Royal Decree 1310/2005, of November 4, and its implementing regulations.

In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration.

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents sent by Iberdrola, S.A. to the Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Index

GROSS OPERATING PROFIT (EBITDA) AMOUNTS TO EUR 7,650 MILLION (+1.6%)

Cash flow has increased by 5.8%, exceeding EUR 6,000 million

In a difficult macroeconomic environment, Iberdrola shows resilient results thanks to a diversified and well-balanced business portfolio

- Increased contribution to results of regulated and renewable businesses (70% of EBITDA).
- Improvement in operational efficiency has continued. Gross Margin (+3.3%) has grown above Net Operating Expenses (+1.7%).
- Financial Results have improved by 17.5%.
- Recurring Net Profit has grown (1.2%) to EUR 2,614 million. Despite gross write-offs for EUR 402 million, reported Net Profit is at EUR 2.805 million.

With a model that continues to focus on financial solidity

- "A" rating ratified. Improvement of main ratios.
- Liquidity amounts to EUR 9,294 million, enough to cover needs for the next 24 months.
- Average life of debt: 6.3 years. 80% of debt with maturity in 2012 is already refinanced.

This makes it possible to put to the General Shareholders Meeting the proposal to maintain shareholder remuneration

- Distribution of EUR 0.03 gross per share in cash and maintenance of scrip dividend remuneration system, which is to be added to the EUR 0.146 per share corresponding to the purchase price of scrip dividend rights applied in January 2011.

IBERDROLA

Core Business Figures

Operating Data		12 M 2011	12 M 2010	%
Net production	**GWh**	**145,126**	**153,587**	**-5.5**
Hydro	GWh	17,732	21,634	-18.0
Nuclear	GWh	24,290	26,111	-7.0
Coal	GWh	12,947	14,961	-13.5
Fuel-Oil	GWh	0	39	-100.0
Gas Combined Cycle	GWh	56,174	58,894	-4.6
Cogeneration	GWh	5,262	6,542	-19.6
Renewables	GWh	28,721	25,405	13.1
Installed capacity	**MW**	**46,026**	**44,814**	**2.7**
Hydro	MW	9,731	9,643	0.9
Nuclear	MW	3,373	3,373	
Coal	MW	4,709	4,709	
Fuel-Oil	MW	157	157	
Gas Combined Cycle	MW	13,189	13,172	0.1
Cogeneration	MW	1,177	1,229	-4.2
Renewables	MW	13,690	12,532	9.2
Energy power distributed	**GWh**	**204,887**	**200,329**	**2.3**
Electricity customers (supply points managed)	**No (mil)**	**27.4**	**25.8**	**6.2**
Gas customers (supply points managed)	**No (mil)**	**3.3**	**3.5**	**-6.3**
Gas supplies	**GWh**	**108,387**	**141,115**	**-23.2**
Gas storage	**bcm**	**2.55**	**2.25**	**18.7**
Employees	**No**	**32,809**	**29,643**	**10.6**

Operating Data		12 M 2011	12 M 2010	%
Spain				
Net production	**GWh**	**63,711**	**71,935**	**-11.4**
Hydro	GWh	15,040	19,331	-22.2
Nuclear	GWh	24,290	26,111	-7.0
Coal	GWh	2,690	1,168	130.2%
Fuel-oil	GWh	0	39	
Gas combined cycle	GWh	8,006	11,082	-27.8
Cogeneration	GWh	2,690	2,632	2.2
Renewables	GWh	10,995	11,571	-5.0
Installed capacity	**MW**	**25,576**	**25,414**	**0.6**
Hydro	MW	8,619	8,642	-0.3
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	405	399	1.4
Renewables	MW	5,875	5,696	3.1
Energy distributed	**GWh**	**96,379**	**99,309**	**-3.0**
Gas Supplies	**GWh**	**27,496**	**33,143**	**-17.0**
Consumers	GWh	10,334	9,857	5.0
Gas combined cycle	GWh	17,162	23,286	-26.3
Electricity Users	**No (mill.)**	**10.68**	**10.60**	**0.9**
Liberalised market	No	3.70	2.45	51.0
Last resort supply	No	6.98	8.15	-14.4
Gas Users (managed supply points)	**No (mill.)**	**0.78**	**0.60**	**30**
United Kingdom				
Production	**GWh**	**22,739**	**27,968**	**-18.7**
Hydro	GWh	553	695	-20.4
Coal	GWh	10,257	13,793	-25.6
Gas combined cycle	GWh	9,513	11,659	-18.4
Cogeneration	GWh	261	384	-32.0
Renewables	GWh	2,155	1,438	49.8
Installed capacity	**MW**	**7,077**	**6,968**	**1.6**
Hydro	MW	566	566	-
Coal	MW	3,456	3,456	-
Gas combined cycle	MW	1,914	1,914	-
Cogeneration	MW	100	100	-
Renewables	MW	1,041	932	11.7
Energy distributed	**GWh**	**35,434**	**36,452**	**-2.8**
Gas storage	**bcm**	**0.1**	**0.1**	**-**
Gas supplies	**GWh**	**50,861**	**62,297**	**-18.3**
Consumers	GWh	28,534	35,149	-26.3
Gas Combined Cycle	GWh	22,327	27,148	-17.7

Operating Data		12 M 2011	12 M 2010	%
United Kingdom (Cont.)				
Electricity Users (managed supply points)	**No (mill.)**	**3.2**	**3.3**	**-3.0**
Gas Users (managed supply points)	**No (mill.)**	**2.0**	**2.0**	**-**
United States				
Production	**GWh**	**15,476**	**13,635**	**13.5**
Hydro	GWh	331	337	-1.8
Gas combined cycle	GWh	98	78	25.6
Cogeneration	GWh	2,102	3,009	-30.1
Renewables*	GWh	12,945	10,211	26.8
Installed capacity	**MW**	**6,249**	**5,598**	**11.6**
Hydro	MW	116	116	-
Gas combined cycle	MW	212	212	-
Cogeneration	MW	636	636	-
Renewables*	MW	5,284	4,634	14.0
Gas storage USA	**bcm**	**1.8**	**1.5**	**20.0**
Gas storage Canada (SPW)	**bcm**	**0.65**	**0.65**	**-**
Energy distributed	**GWh**	**31,201**	**31,214**	**-0.04**
Gas supplies	**GWh**	**30,030**	**45,675**	**-34.3**
Electricity Users (managed supply points)	**No (mill.)**	**1.8**	**1.8**	**-**
Gas Users (managed supply points)	**No (mill.)**	**0.5**	**0.9**	**-39.8**
Latin America				
Production	**GWh**	**40,971**	**38,230**	**7.2**
Hydro	GWh	1,808	1,270	42.3
Gas combined cycle	GWh	38,557	36,075	6.9
Cogeneration	GWh	209	518	-59.6
Renewables	GWh	397	366	8.3
Installed capacity	**MW**	**5,895**	**5,720**	**3.1**
Hydro	MW	429	318	34.9
Gas combined cycle	MW	5,170	5,153	0.3
Cogeneration	MW	36	93	-61.0
Renewables	MW	258	156	66.1
Energy distributed (under management)	**GWh**	**41,872**	**33,353**	**25.5**
Customers (supply points managed)	**No (mill.)**	**11.7**	**10.1**	**15.8**
Rest of the world				
Production	**GWh**	**2,230**	**1,818**	**22.6%**
Renewables	GWh	2,230	1,818	22.6%
Installed capacity	**MW**	**1,231**	**1,114**	**10.5**
Renewables	MW	1,231	1,114	10.5

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

Market Data		12 M 2011	12 M 2010
Market capitalisation (30/06/11-30/06/10)	€ Million	28,465	31,631
Earnings per share (5,822,196,000 shares at 30/06/11 & 5,381,864,000 shares at 30/06/10)	€	0.48	0.52
Net operating cash flow per share	€	1.03	1.04
P.E.R	Times	10.15	11.02
Price/Book value (capitalisation to NBV at end of period)	Times	0.85	0.99

Economic/Financial Data

Income Statement		12 M 2011	12 M 2010
Revenues	€ Million	31,648.0	30,431.0
EBITDA	€ Million	7,650.5	7,528.0
EBIT	€ Million	4.505.1	4,829.7
Net Profit	€ Million	2,804.5	2,870.9
Net Operating Expenses/Gross Margin	%	28.6	29.1

Balance Sheet		Dec. 2011	Dec. 2010
Total Assets	€ Million	96,905	93,701
Shareholders' Equity	€ Million	33,208	31,663
Net Adjusted Financial Debt(1)	€ Million	31,706	30,014
ROE	%	8.6%	9.5%
Financial Leverage (2)	%	48.8%	48.7%
Net Debt/Equity Ratio	Times	0.95	0.95

(¡) Includes tariff déficit and TEI

(2) Net Debt/ Net Debt+shareholder´s equity. Includes tariff deficit financing. Excluding tariff deficit, leverage at December 2011 is 46.4%.

Credit rating of IBERDROLA Senior Debt

Agency	Rating	Outlook	Date
Standard & Poors	A-	Stable	October 7th, 2011
Moody´s	A3	Stable	May 26th, 2011
Fitch IBCA (unsecured debt)	A	Stable	July 15th, 2011

Operating highlights of the period

- Financial year 2011 saw Iberdrola's industrial project become more established. The project provides long term sustainable growth, based on a focus on core business, on stable activities and growth (Networks and Renewables), on a balanced business portfolio, leadership in clean energies and on a focus on operational effectiveness and financial solidity.

  Iberdrola's results over the period are to be viewed within a complex operational environment characterised by the difficult macroeconomic situation that has been affecting world economies since the third quarter of 2008.

  Among the influential factors that can be mentioned are the weak demand for electricity, increasing energy prices following the change experienced by the raw materials markets and, finally, the effect of tensions on interest rates experienced by the fixed income markets. In this respect, it is worth noting the following:

  - In Spain, the period has been marked by lower water availability compared with the same period of the previous year (-28.5%) and a 2.1% drop in electricity demand, affecting all market segments. In the United Kingdom, electricity demand declined by 2.8% and a 14% in gas, and in Iberdrola USA's area of influence in the United States, the figures were the same as for 2010 (0.0%). As for Brazil, the rate of growth is 2.6% compared to the previous year.

  - During 2011, raw materials have evolved as follows:

    - The average price of Brent oil was 110.9 $/barrel compared to 80.3 $/barrel in 2010 (+38%).
    - The average price of gas (Zeebrugge) in the period amounts to 59.17 GBp/therm compared to 42.86 GBp/therm in 2010 (+38%).
    - The average price of AP12 coal in 2011 was 121.2 $/MT compared to 92.1 $/MT in January-December 2010 (+31%).T
    - The average cost of CO_2 rights went from 13.9 €/MT in 2010 to 12.8 €/MT in 2011 (-8.6%).

  - All of this has translated into an increase in energy prices, in various degrees in each of Iberdrola's reference markets, as shown in the following table:

Spot Market EUR/MWh	Average 2011	Average 2010
Spain	50.7	38.0
United Kingdom	56.1	48.9
Germany	51.6	45.6
France	49.3	48.5

  - During 2011, the average trend of the main benchmark currencies compared with the Euro was as follows: the value of the Pound Sterling and the US Dollar dropped by

1.1% and 5.0% respectively, whereas the Brazilian Real rose slightly by 0.1%.

- The total production of the Iberdrola Group in 2011 dropped by 5.8% to 145,126 GWh. This figure includes 63,711 GWh (-11.4%) generated in Spain, 22,739 GWh (-18.7%) in the United Kingdom, 15,476 GWh (+13.5%) in the United States, 40,971 GWh (+7.2%) in Latin America and the remaining 2,230 GWh in various countries through renewable energies (+22.6%).

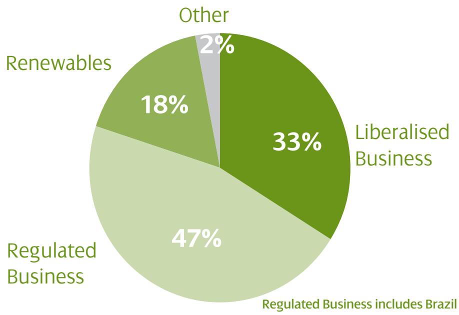
- As at the end of 2011, IBERDROLA has 46,026 MW installed, of which 58% produce emission-free energy at low variable cost.

- With respect to the results of financial year 2011, Gross Operating Profit (EBITDA) increased by 1.6%, amounting to EUR 7,650.5 million.

  This change is mainly the result of:

  - A 3.3% growth in the Gross Margin up to EUR 12,025.8 million, thanks to the Group's management in a complex operational environment generated by the economic crisis and where the regulated business has more than offset the weakness of the liberalised business.

EBITDA by Business



  - Improved efficiency. The Gross Margin increased by 3.3%, whilst operating costs increased by 1.7%.

  - A negative impact in EBITDA of the exchange rate (-86 million Euros) and an increase in taxes payable by the liberalised business (+50.1%), mainly fixed to Spain and United Kingdom activities.

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

	12M 2011	Weight %	Change %
Regulated	3,825.4	50%	+5.5%
Liberalised	2,255.1	29%	-7.4%
Renewables	1,455.6	19%	0.0%
Other Businesses	152.4	2%	+218.0%
Corporation and adjustments	-38.0	-	-
TOTAL	**7,650.5**	**100%**	**+1.6%**

- Provisions amounted to EUR 528.0 million, with an increase of over EUR 344 million. The following can be highlighted:
    - Impairment of thermal facility assets in the United Kingdom for EUR 286 million, derived from the carbon floor effect that reduces future spreads and renders the extension of the useful life of said thermal facilities beyond 2018. The CCS project cancellation also reduce the expected life extensión.
    - In the Renewables business, provisions were made for EUR 46 million in development costs for farms in USA that, ultimately, are not going to be built, due to wind market situation in USA.
- Net financial results improved by 17.5% to EUR 1,061.9 million.
- Net Profit amounted to EUR 2,804.6 million, down 2.3% compared with that obtained in 2010.
- Recurring Net Profit experienced an increase of 1.2%, amounting to EUR 2,613.9 million.
- The optimisation of financial soundness and liquidity as strategic priorities can be summarised as follows:
    - As at December 2011, Funds Generated from Operations came to EUR 6,047 million, reflecting an increase of 5.8% compared with the same period in 2010.
    - Liquidity amounted to EUR 9,294 million, enough to cover treasury needs for the next 24 months.
    - An improvement in the debt maturity profile, reaching an average life of 6.3 years.
    - An improvement in the credit rating issued by Moody's and S&P in 2011 from "Negative" to "Stable", and the affirmation of the Fitch rating A- with stable perpective.

Operational performance for the period

1. REGULATED BUSINESS

1.1. Spain

As at December 2011, IBERDROLA had more than 10.6 million supply points and the total energy distributed amounted to 96,379 GWh, a 3% reduction compared with the same period of the previous year.

The TIEPI supply quality indicator corresponding to the year 2011 indicates a value of 0.97 hours a 30.7% improve due to investment done. The table below shows the SAIFI values compared with previous years:

Year	Cumulative SAIFI
2008	1.62
2009	1.46
2010	1.40
2011	0.97

1.2. United Kingdom

As at 31 December 2011, IBERDROLA distributed to more than 3.4 million customers. The volume of energy distributed during the year 2011 was 35,434 GWh, representing a decline of 2.8% in relation to the same period of the previous year.

The performance in the regulated market, in terms of network reliability, surpassed regulatory requirements and those met in the same period of the previous year. In the 2010-2011 regulatory year, Scottish Power Distribution came fifth in the customer service rankings, while Scottish Power Manweb came third (11th and 10th, respectively, in 2009/10), and therefore both received an economic incentive. This trend has continued during financial year 2011.

1.3. USA

1.3.1. Electricity

As at 31 December 2011, Iberdrola USA had 1.86 million electricity supply points. The energy distributed during the year was 31,201 GWh, with no variation (0.0%) compared with the same period of the previous year.

As at December 2011, the SAIFI of the various businesses of IBERDROLA USA is as follows:

	Cumulative SAIFI
Central Maine Power (CMP)	1.99
NY State Electric & Gas (NYSEG)	1.20
Rochester Gas & Electric (RGE)	0.86

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

	Cumulative CAIDI
Central Maine Power (CMP)	1.73
NY State Electric & Gas (NYSEG)	2.07
Rochester Gas & Electric (RGE)	1.85

1.3.2. Gas USA

The number of gas users in the United States as at 31 December is 0.56 million, with 30,030 GWh supplied during the period, 1.1% more than for the same period of the previous year, excluding the contribution from the Connecticut and Berkshire gas companies, which were sold during the last quarter of 2010.

1.3.3. Others

"Smart Grid" in Maine

The Smart Grid project of Central Maine Power (CMP) consists of installing an advanced metering infrastructure ("AMI") throughout the territory where it provides its services to more than 600,000 residential, commercial and industrial customers.

Central Maine Power (CMP) has obtained a subsidy from the United States Department of Energy (DOE) for the AMI Project, totalling USD 96 million, equivalent to 50% of the project costs (USD 162 million), plus 50% of the financing of the non amortized value of meters removed early, which will be replaced with electronic meters.

At the end of financial year 2011, the subsidies received amounted to USD 79.6 million, with 556,542 meters having already been installed.

Transmission in Maine

Construction work on the project has continued, amounting to USD 1,400 million, and the investments associated with the project amounted to USD 330 million in 2011.

1.4. Brazil

The increase in power demand of Brazilian distribution companies is as follows:

Energy Distributed (GWh)	2011	vs. 2010
Coelba	15,744	2.71%
Cosern	4,575	1.21%
Celpe	11,052	3.16%
Elektro	10,501	3.34%
TOTAL	**41,872**	**2.82%**

* Elektro: Energy Distributed from 28/4 to 31/12. Period consolidated by Iberdrola. 15,458 GWh distributed in the entire year

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

Number of Customers (M)	2011	vs. 2010
Coelba	5.08	3.70%
Cosern	1.16	2.73%
Celpe	3,16	1,78%
Elektro	2.25	3.03%
TOTAL	**11.65**	**2.95%**

On 28 April, the acquisition of the distributor, Elektro, was completed and its accounts in Iberdrola were consolidated. With 2.3 million customers and 15,458 GWh of energy supplied in 2011, Elektro is one of the largest distributors in the State of São Paulo and Mato Grosso. The acquisition was carried out by purchasing 99.6% of the shares of the distributor which were the property of the US group Ashmore Energy.

Regarding tenders, in December 2011 Iberdrola, through Neoenergía, was awarded the tender contract to build and operate a 230/69kV, 300 MVA substation, located in the State of Rio Grande do Norte, the concession area of the distributor, COSERN.

During the year 2011, the following assets have entered into operation:

- Dardanelos (261 MW hydroelectric plant): August 2011.
- Narandiba (transmission company): June 2011.

Thus, the capacity of the Neoenergia projects in operation as at the close of the period is as follows:

Facility	MW*	MW atributable**
Termope	520	203
Itapebi	450	175
Afluente	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

With respect to projects still under construction, in January 2011, Belo Monte was granted a permit to install the infrastructure and logistics of the construction companies and, in June, was granted a permit to start the building work. In July 2011, the Banco Nacional de Desarrollo (BNDES) agreed a first loan for the Belo Monte project, amounting to BRL 1,100 million. Baixo Iguaçu continues to make progress with the environmental paperwork for the signing of the Concession Contract, expected for 2012. Teles Pires, which was awarded to Neoenergía in the auction of December 2010, obtained the installation permit to start works in August. Lastly, the 258 MW of wind power obtained in August 2010 by the Consortium comprising Neoenergía (50%) and Iberdrola Renewables (50%), and the other 30 MW which will sell energy through a bilateral contract with the seller NC Energía, are already under construction and are expected to enter into operation in 2013.

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

Facility	MW*	MW Atributable**	Date
Baixo Iguacu	350	137	2014
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 2011, the installed capacity of IBERDROLA in Spain (excluding Renewables) totalled 19,700 MW. The breakdown is as follows:

SPAIN	MW
Hydro	8,619
Nuclear	3,373
Coal	1,253
Fuel-Oil	157
Gas combined cycle	5,893
Cogeneration	405
TOTAL	**19,700**

	2011	2010
Hydro	30.1%	33.5%
Nuclear	48.6%	45.2%
Coal	5.4%	2.0%
Fuel-Oil	0.0%	0.1%
Gas combined cycle	16.0%	19.2%
Cogeneration	30.1%	33.5%
TOTAL	**100%**	**100%**

At the close of 2011, production under the Ordinary Regime dropped by 13.5%, totalling 50,026 GWh. The breakdown of the yearly production by types of technology is as follows:

- Hydroelectric production amounted to 15,040 GWh, representing a decline of 22.2% compared with the previous year. As at 31 December, the hydroelectric reserve levels were 51.4% (equivalent to 5,797 GWh).
- Nuclear production reached 24,290 GWh, representing a decline of 7%.
- Coal-fired thermal power stations have recorded an increase of 1,521 GWh, totalling 2,690 GWh.
- Finally, combined-cycle production fell by 27.8% to 8,006 GWh.

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

Spanish Mainland Energy Balance is characterised by a slight decline of 2.1% in power demand, while generation under the Ordinary Regime fell by 5.2%.

In addition, the electrical energy supplied on the free market during 2011 amounted to 41,271 million kWh, compared to the 37,926 million kWh supplied during 2010, representing an increase of 9%.

With regard to energy supply in Spain, IBERDROLA ended 2011 having exceeded 60,000 weekly sales, creating a portfolio of 6.7 million liberalised market contracts, 55% of which correspond to electricity supplies (3.7 million contracts).

With regard to last resort supplies, as at the end of 2011, IBERDROLA had 6,695,820 electricity contracts and 3,525 gas contracts.

As a result of its commercial activity both in the liberalised market and in the last resort supplies, the portfolio managed by IBERDROLA at 31 December exceeded 13.68 million contracts, approximately 0.9 million more than in 2010 and the energy supplied (gas and electricity) amounted to 71,284 million kWh.

With regard to gas sales, as at 31 December 2011, IBERDROLA's commercial initiatives helped the portfolio to grow to 781,839 contracts, compared with the 603,149 contracts held as at 31 December 2010, representing an increase of 30%.

IBERDROLA has supplied 10,310 GWh of gas to domestic and industrial customers during 2011, compared to the 9,828 GWh supplied in 2010, an increase of 5%. Broken down by sector, energy totalled 4,816 GWh in the industrial sector and 5,494 GWh in the residential sector.

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

- 2011 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, than in 2010 (-7%).

- 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.

- IBERDROLA supplies liquefied natural gas (LNG) to the United Kingdom using its regasification capacity and access to the British gas system at the Isle of Grain terminal near London, by means of its portfolio of spot contracts and purchases, in order to provide gas through the National Balancing Point (NBP) hub, where it links up with ScottishPower. All of the slots for the period have been used in various operations.

- In May, the Company signed a contract for the sale of LNG with the oil company BP, under the terms of which it is required to deliver 0.5 bcm (billion cubic metres) per year for 10 years, starting in 2012, to Spanish regasification terminals. IBERDROLA will supply this gas from its long-term procurement contracts. The first delivery took place in January 2012.

- On 1 October, Iberdrola supplied the first LNG delivery to the Danish company Dong Energy at the regasification terminal in Rotterdam (The Netherlands), as specified in the contract signed last year requiring it to sell 1 bcm per year for a period of 10 years. IBERDROLA will supply this gas from its portfolio of long-term procurement contracts.

2.1.2. Portugal

Iberdrola has supplied 5,118 GWh during 2011, compared to the 3,927 GWh supplied during 2010, leading the market in Medium Voltage industrial customers and coming second in supplies to SMEs.

2.2. United Kingdom

As at 31 December 2011, 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 the production deriving from Iberdrola's conventional generation in the United Kingdom, this dropped in 2011 by 22.4% down to 20,584 GWh, from 26,530 GWh in the previous year. The drop in production is, to a great extent, due to the reduction of coal and gas generation as a result of the difficult market conditions in the United Kingdom (spread trends) and the drop in demand (-2.8%).

The market share of the UK generation business in 2011 is 7.6%, compared to 7.9% in the previous year. The highlights are as follows, broken down by production technology:

- Production in coal plants dropped by 25.6%, to 10,257 GWh.
- The production of combined gas cycles dropped by 18.4% to 9.513 GWh compared to the previous year.
- Hydroelectric production fell by 20.4% to 553 GWh, compared to 695 GWh in the previous year.
- Production using cogeneration technology (CHP) fell from 384 GWh to 261 GWh, due to less favourable market conditions.

At 31 December 2011, 22,019 GWh of electricity and 28,392 GWh of gas were sold to customers, compared to 23,268 GWh of electricity (-5.4%) and 35,149 GWh of gas (-19,2%) sold in the same period of the previous year.

At the close of 2011, 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 38% reduction in total customer debt compared to the previous year. More than 80% of IBERDROLA's customers in the United Kingdom now use the Secure Payment method (defined as customers who pay by direct debit or use a prepay meter), compared with the sector average of 68%*.

2.3. Mexico

IBERDROLA is the leading private electricity producer in Mexico. Installed capacity has reached 4,968 MW, broken down as follows:

Capacity (MW)	MW
Monterrey	1,040
Altamira	1,036
Enertek	120
La Laguna	516
El Golfo	1,121
Tamazunchale	1,135
TOTAL	4,968

(*) Source: Ofgem, June 2011

In 2011 the electricity demand has performed well and has experienced an estimated growth of 6%.

Low natural gas prices, compared with the other fossil fuels used in Mexico, mainly fuel oil, resulted in an 84.6% cycle load factor in Mexico, which is 7,413 equivalent hours in 2011.

The electrical energy supplied was 37,002 GWh, 7% higher than the figure for 2010.

Cumulative combined cycle plant availability was 94.5%, with just 1.1% forced unavailability, resulting in 98.9% reliability.

The most noteworthy milestone has been the start-up in July of a system to supply private individuals from the La Laguna plant under a self-sufficiency regime, with an increase in power of 17 MW.

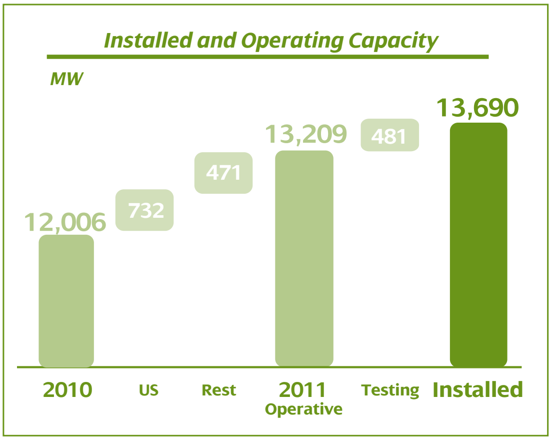
3. RENEWABLES

As at the end of 2011, Renewables Business reported an installed capacity of 13,690 MW, with an operating capacity of 13,209 MW.

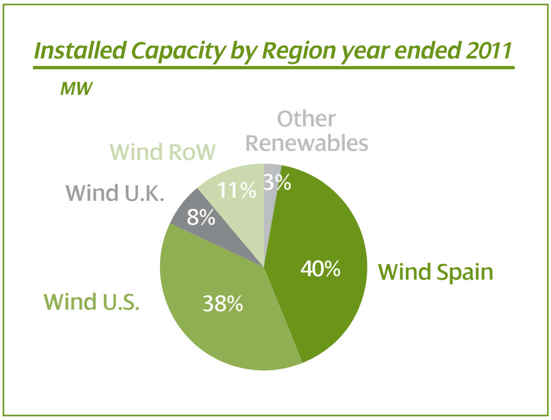
The increase in installed capacity in the year amounts to 1,158 MW and represents a 9.2% increase compared to the end of 2010. In addition, Renewables has projects under construction for a total of 579 MW.

Of the 1,158 MW installed in 2011, more than 84% was installed outside Spain, thus strengthening the process of geographic diversification carried out by the company.

Operating capacity amounted to 13,209 MW following the addition of 1,203 MW (+10%) in the last twelve months, 732 MW of which was in the United States, where 38% 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 57% of total installed capacity is now located outside of Spain:



3.1. Wind Energy

Onshore Wind Energy

After adding 1,138 MW during the last twelve months, Renewables has reached a total installed capacity of 13,274 MW. This is geographically broken down as follows: 5,517 MW for Spain, 5,234 MW for the United States, 1,040 MW for the United Kingdom and 1,483 MW for the Rest of the World.

Spain

At the end of 2011, installed capacity increased to 5,517 MW, 4% higher than at the end of 2010.

The new capacity installed in Spain during 2011 totals 214 MW, broken down as follows: 50 MW in Catalonia, 48 MW in Andalusia and 116 MW in Castile-León.

United States

The Company has a presence in 18 states, with a total installed capacity of 5,234 MW. This installed capacity represents a 13% growth over the last 12 months.

601 MW were installed over the twelve months of the year, representing more than 50% of the total capacity installed by Renewables during this period.

United Kingdom and Republic of Ireland

The installed capacity of 2011 amounts to 1,025 MW in United Kingdom and 15 MW in the Republic of Ireland. During 2011, 109 MW have been installed, representing a 12% growth compared to the end of 2010.

France

The installed capacity at the end of the period amounts to 297 MW.

Greece

Installed capacity at the end of the period totals 255 MW.

Poland

As at the end of the first half of the year, installed capacity was 185 MW, with 24 MW having being installed during 2011.

Hungary

During 2011, 8 MW have been installed, corresponding to a wind farm, thus increasing total installed capacity in this country to 158 MW.

Italy

The overall installed capacity as at the end of the fourth quarter of 2011 is 115 MW, having installed the first consolidated 17 MW.

Portugal

The Company has 92 MW installed.

Germany

The company has a total of 63 MW installed, as at the end of 2011.

Rumania

The company has a total of 40 MW installed, as at the end of 2011, all of which was installed in 2011.

Cyprus

The company has a total of 20 MW installed, as at the end of 2011, all of which was installed in 2011.

Brazil

The company has a total of 49 MW installed, as at the end of 2011.

Mexico
Renewables has installed capacity in Mexico totalling 209 MW, corresponding to three wind farms: La Ventosa, Bee Ni Stipa and La Venta III.

During 2011, the installation of the La Venta II wind farm was completed, with a total of 103 MW installed in the year.

Offshore Wind Energy
Currently, Renewables Business is developing marine wind projects for a total of 5,580 MW, mainly in the United Kingdom and in Germany.

In the United Kingdom, the company has approved investment for the West of Duddon Sands project, located in the Irish Sea, where an optimal capacity of 390 MW has been identified; this project is due to be completed in 2014. IBERDROLA shares the development of this area with the company Dong Energy. The company is currently in a tender process for the award of 108 wind turbines with a power of 3.6 MW and 80 metres in height. The construction of the farm is expected to start in the second quarter of 2012.

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 RENOVABLES and Vattenfall, the exclusive right to develop offshore wind energy farms in the East Anglian zone of the North Sea (Zone 5). The project covers an area of almost 6,000 km2 which is of high quality due to the depths and its relative proximity to land. During 2010 and 2011, connection was ensured and development was continued for 7,200 MW, including 1,200 MW of the first phase of the project (East Anglia I), by 2015.

In addition, following its acquisition in the spring of 2010, Iberdrola Renovables continues with the development of the offshore project, Wikinger, in the Baltic Sea (Germany), with the aim to begin construction in 2015. It is estimated that approximately 400 MW may be installed in the location, with the potential for a further 85 MW. In addition, a project – Strom Nord – has been proposed for the construction of a further 160 MW, for which the preliminary environmental studies have been carried out.

3.2 Other Renewable Technologies

Mini Hydro
Renewables has an installed capacity of 306 MW, all of which is in Spain. This capacity includes 176 MW under the Ordinary Production Regime for electrical energy and the rest under the terms of the Special Regime.

Photovoltaic Energy
During 2011, the first two photovoltaic plants the company has built in the US entered into operation: the 20 MW Copper Crossing plant in the state of Arizona and the 30 MW San Luis plant, in the state of Colorado. In addition, two further photovoltaic plants have entered into operation in Greece, with a total of 4 MW.

Gas-Solar Hybrid Energy

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

Biomass

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

Marine Energy

Continuing with the development of this technology, in 2011, Renewables has installed the prototype "Pelamis" P-2 for the exploitation of wave power in the European Marine Energy Centre (EMEC) in Orkney. In addition, the company has continued with the development of Hammerfest Strøm's prototype with a capacity of 1 MW.

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

3.3. 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**

Gas storage

Gas storage installations operated by the Company in 2011 totalled, at the close of the fourth quarter, 1.8 BCM; in addition, the Company had 2.06 BCM of contracted or managed capacity.

USA/CANADA	BCM
Enstor Katy Storage	0.67
Enstor Grama Ridge Storage	0.39
Freebird	0.27
Caledonia	0.47
TOTAL OWNED CAPACITY	**1.80**
TOTAL CAPACITY UNDER MANAGEMENT OR CONTRACTED	**2.06**
TOTAL CAPACITY	**3.86**

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

4. SHAREHOLDER COMPENSATION

4.1. Scrip Dividend

Iberdrola's General Shareholders' Meeting, held on the 27 May 2011, approved an increase in paid-up share capital under point six of the Agenda for the purpose of starting up a new shareholder compensation system referred to as the scrip dividend "*Iberdrola Dividendo Flexible*".

A total of 49.16% of Iberdrola's shareholders chose to receive bonus shares of the Group, devoid of withholding tax under the new compensation system referred to as "*Iberdrola Dividendo Flexible*", for the payment of the dividend corresponding to financial year 2011 issued last January of 2012.

IBERDROLA issued 90.375 million new shares under the scope of the first phase of the capital increase required to meet the new compensation system, amounting to a 1.54% increase in the company's share capital. The securities were first listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges on 25 January 2012.

The remaining 50.84% of the company's shareholders opted for cash remuneration. Thus, IBERDROLA paid out EUR 436.6 million to cover the acquisition of said shares at a guaranteed fixed price of EUR 0.146 gross per share, from which a 21% withholding tax was deducted.

This is the fourth "*Iberdrola Dividendo Flexible*" (Scrip Dividend) issue.

5. OTHER SIGNIFICANT EVENTS

5.1. Regulation: Spain

In the fourth quarter of 2011, a group of provisions which affect both the electricity industry, as well as the natural gas industry, were approved. This section presents the most significant changes.

Electricity

On 20 December 2011, *a decision of the Supreme Court* **upheld the preliminary injunctions requested** by several companies in appeals against Order ITC/2585/2011, of 29 September, **by which the access tariffs are revised, the prices of the super off-peak access tariffs are established and certain tariffs and premiums are determined for special regime installations, as from 1 October 2011.** It adopts preliminary injunctions regarding articles 1.2 and 5 of Order ITC/2585/2011, of 29 September, cancelling the reduction of the "active energy billing terms" applicable to tariffs 2.0A and 2.0DHA, with regard to the previous ones established, and cancelling the executability with regard to the amounts already paid by the National Energy Commission on the date of entry into force of said provision as an annual payment of the difference in revenues expected for 2011.

On 11 October, *Royal Decree 1307/2011 of 26 September* was published, modifying Royal Decree 437/2010, which **modified certain aspects of the regulation of the process of securitisation of the electricity system's tariff deficit**, determining the price and conditions of assignment of the temporary revenue shortfalls in the electricity system produced in 2010 and flexibilised the procedure for issuing financial instruments in a competitive manner.

On 16 November *Royal Decree 1544/2011 of 31 October* was published, establishing **access tariffs for transport and distribution networks** which electrical energy producers must pay. This tariff shall be payable as from 1 January 2011.

On the same day, the *Decision of 30 December 2011 of the General Administration of Energy Policy and Mines* was published, **establishing the electrical energy production costs and last resort tariffs to be applied in the period from the 23rd to the 31st of December, both inclusive, and in the first quarter of the year**. Order IET/3586/2011 of 30 December was also published. This Order establishes access tariffs from 1 January 2012, and tariffs and premiums for special regime installations. The tariffs are increased so that the Last Resort Electricity Tariff (TUR) for the first quarter of 2012 does not increase its prices at all.

In addition, on 18 November, *Order ITC/3127/2011, of 17 November*, was published, **regulating the power availability services for capacity payments and modifying the investment incentive** which aims to develop a type of product (the medium term availability service), for thermal installations under the ordinary regime and any others that contribute quickly to covering the peaks of the ordinary regime in the system and which, in the absence of payment for this item, may cease to be available. This ministerial order implements the mechanism of availability which, although it existed, had no financial allocation. The increase of the existing remuneration to 26,000 €/MW is among the most relevant modifications of the investment incentive.

Gas

On the last day of the quarter, *Order IET/3587/2011, of 30 December 2011* was published. This order **includes the natural gas last resort tariff and establishes the gas tariffs and canons applicable from 1 January**. The values imply that the Last Resort Tariff (TUR) of gas increases by an average of 0.5%.

5.2. Regulation in the United States

NY "Management Audit"

On 17 March 2011, the New York State Public Service Commission selected the company Liberty Consulting 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 and NYSEG/ RG&E. It will continue until 2012.

5.3. Regulation in Brazil

In November 2011, the regulator (ANEEL) approved the new regulations which will apply to the **3rd cycle of periodic tariff revisions of the Brazilian distributors**.

With regard to the regulations of the previous cycle, the main changes were:

- WACC (real after tax) from 9.95% to 7.50%.
- Reference Company: Change of methodology, going from a reference company model to a benchmarking model, which rewards the most efficient distributors.

- Other Revenue: Comprehensive tariff revision of “Other revenue charged to customers”. These items shall now be revised when the demand made is above that contracted and when there are fines for reactive energy which, up to now, were part of the VAD.

- Remuneration base: No changes with regard to the existing methodology (assets at the start of the 2nd cycle + investments made in the 2nd cycle - depreciation made in the 2nd cycle + inflation accumulated in the 2nd cycle).

- X Factor: Inclusion of quality factor, calculated according to the supply quality indices (frequency and duration of interruptions) and the trajectory factor, to take the initial O&M costs (first year of 3rd cycle) to the level of final costs (last year of the 3rd cycle) established by the Regulator for each distributor based on the benchmarking model.

- Revision of “SUDENE” tax benefits for customers, awarded to companies located in the North-east region. This issue is being discussed in court and, in January 2012, a preliminary injunction has been granted suspending the revision of this benefit for the customer, returning to the previous regime.

The distributors of the NEOENERGIA Group (Coelba, Cosern and Celpe) will have the 3rd tariff revision in April 2013, whereas Elektro which had August 2011 as the date, was not able to do so because the regulations had not yet been defined by ANEEL. For the case of Elektro, the result of the calculation of the 3rd tariff revision will be applied in August 2012, with retroactive effect back to August 2011.

Analysis of the Consolidated Income Statement

1. RELEVANT INFORMATION

1.1. Organisational Model

Since 1 January 2011, the economic and financial information of the Iberdrola Group is structured as follows:

Regulated Business: This includes the energy Transmission and Distribution businesses, as well as those of any other regulated nature, originating in Spain, the United Kingdom, the United States and Brazil.

Liberalised Business: This includes the energy Generation and Supply businesses that the Company operates in Spain, Portugal, the United Kingdom and Mexico.

Renewables Business: Activities relating to renewable energies in Spain, the United Kingdom, the United States and the rest of the world, as well as the gas trading and storage businesses in the United States.

Other Businesses: This is a grouping of Engineering and Construction, the non-energy businesses, along with the gas activities in Canada.

Corporate: This encompasses the costs of the Group structure (Single Corporation) for the administrative services of the corporate areas that are later billed to the other companies, whether through specific service contracts or a management fee.

1.2. Energy Business Spain

Tariff Deficit

In accordance with Royal Decree 5 of 11 June 2005, 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 1,420.0 million during the period.

2. ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

The most notable Results figures for the financial year 2011 are as follows:

Eur Millions	12 M 2011	vs 12 M 2010
REVENUES	31,648.0	+4.0%
GROSS MARGIN	12,025.8	+3.3%
BASIC MARGIN	12,274.7	+3.2%
EBITDA	7,650.5	+1.6%
EBIT	4,505.1	-6.7%
NET RECURRENT PROFIT	2,613.9	+1.2%
NET PROFIT	2,804.5	-2.3%
OPERATING CASH FLOW	6,047.0	+5.8%

2.1. Gross Margin

The Gross Margin was at EUR 12,025.8 million, an increase of 3.3% from 2010.

The following are the main highlights per business:

- The **Regulated Business** increased its contribution by 4.5% amounting to EUR 5,544.5 million.

- In Spain, there was a 1.4% drop to EUR 2,022.3 million, compared to the previous financial year. The higher regulated revenue set following the establishment of the “Reference Network Model” has had a two-fold effect:
  - At December 2010, the amounts corresponding to financial years 2009 and 2010 were reviewed.
  - At the end of 2011, the effect of this financial year was included.
- In the United Kingdom: A 4% increase to EUR 1,008 million, as a result of applying the DCPR5 (regulatory review for the next 4 years) and the increase in investments.
- The contribution from IBERDROLA USA in the period amounted to EUR 1,293.4 million (-16.5%) as a consequence of the sale of the Connecticut gas companies (EUR -202 million), as well as to the devaluation of the US Dollar (EUR -64.2 million). The positive contribution, after deducting these two effects, would be EUR 110 million.
- Gross Margin in Brazil increased by 66.1% to EUR 1,220.8 million, driven by the incorporation of Elektro (EUR +436.5 million), as well as by the positive evolution of both electricity demand (+2.8%) and the Brazilian Real.

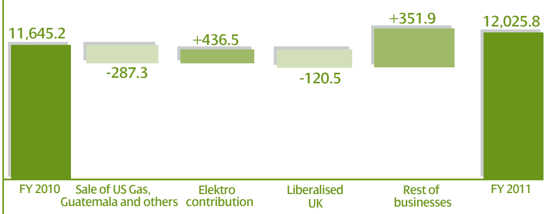
• **Liberalised Business**, decreased by -0.3% to EUR 3,987.5 million. By countries, the following can be noted:

- In Spain (+6.9%), it amounted to EUR 2,744.1 million: On the one hand, the higher per unit margins offset the lower production and, on the other, there was a one-off effect derived from the resettlements of previous financial years.
- In United Kingdom (-13.2%), amounting to EUR 789.9 million: The lower margins in Gas and Electricity sales (with lower per unit prices and decreased volume) are in conjunction with lower production and lower sales in the year.
- Mexico reduced its Gross Margin by 12.9% to EUR 453.5 million, due to the effect of both the divestment of the Guatemala assets during 2010 (EUR -57.5 million) and the devaluation of the US Dollar (EUR -22.5 million).

• The **Renewables business** increased its Gross Margin by 4.6% to EUR 2,118.1 million, resulting from the greater wind resource in the United Kingdom (EUR + 72 million) and in the United States (EUR + 25 million), despite the Business in Spain (EUR -54 million) that was affected by the low wind resource in the last quarter. In addition, the renewable Business was affected by lower average prices and a negative current exchange rate impact of EUR 39.1 million due to Dollar and GBP devaluation.

• Lastly, it should be noted that the contribution of **Other Businesses** increased to EUR 421.9 million (+15%), fundamentally due to improvement in Engineering business because of reserval of provisions. The low contribution of the real estate business should be noted, as should the divestments made in Neo Sky and Corporación IBV.

Gross Margin - Group (Eur M)



2.2. Basic Margin

This item is obtained by adding the effect of the revenues from free allocated rights to the Gross Margin, thus reflecting the net effect of the said rights in the Company accounts, which totalled EUR -79.4 million for this period. This figure is the result of:

- An expense, previously mentioned, for the consumption of said emission rights to the amount of EUR 328.3 million, recorded at the Gross Margin level as a greater value for Procurements.
- Revenues for the free emission rights allocated to the amount of EUR 248.9 million, which is accounted for under "Other operating revenues".

Thus, the Basic Margin for the period increased by 3.2% to EUR 12,274.7 million, as shown in the following table:

	12 M 2011	12 M 2010	%
GROSS MARGIN	12,025.8	11,645.2	3.3
Emission rights income	248.9	248.0	0.4
BASIC MARGIN	12,274.7	11,893.2	3.2

2.3. Gross Operating Result - EBITDA

Consolidated EBITDA grew by 1.6% to EUR 7,650.5 million. In addition to the previously outlined Gross and Basic margin trends, it should be noted that Net Operating Expenses increased by 1.7%, below Gross Margin growth (+3.3).

- Net Personnel Expenses declined by 3.6%, to EUR 1,643.4 million.
- Net External Services increased by 7.0% to EUR 1,873.8 million.

In addition, it should be noted that expenses were controlled in the Liberalised business (-2.7%) and in the Networks business (-5.4%) excluding the incorporation of Elektro.

Net Operating Expenses

Eur M

	FY 2011	% v.s. FY 2010
Net Personnel Expenses	1,643.4	-3.6%
Net External Services	1,873.8	+7.0%
Total	3,517.2	+1.7%

The Levies item increased by 21.9%, totalling EUR 1,107.1 million. The following can be highlighted:

- The Enresa tax, a charge pertaining to the ownership and management of nuclear assets, amounts to EUR 176.4 million.

- In Royal Decree Law 14 of 23 December 2010, which establishes urgent measures for correcting the tariff deficit in the electricity sector, it is established that producer companies are to be responsible for Financing the energy efficiency and savings plans for 2011, 2012 and 2013, representing EUR 88 million in levies for the Iberdrola Group as at December 2011. The Social Bonus is a result of the differences between the Last Resort Tariff (TUR in its Spanish acronym) and the reduced tariff. The increase with regard to 2010 is EUR 33 million. These two items totalled EUR +150 million.

It should be pointed out that, compared to FY 2010, this item has increased in the Liberalised Business in Spain by 50%. Total Levies for this business in 2011 amount to EUR 621 million, of which EUR 518 million correspond to activities in Spain, a sum 2.4 times higher than the amounts charged in 2009.

2.4. Net Operating Result - EBIT

EBIT was at EUR 4,505.1 million, a fall of 6.7 % in comparison with 2010.

Amortisations and Provisions rose by 16.6%, to EUR 3,145.4 million.

- Amortisation recorded an increase of 4.1%, to EUR 2,617.4 million. The main items are:
    - Renewables: since 1 July of this financial year, wind farms have an amortisation of 25 years (compared to the previous 20 years), this effect amounting to EUR 66 million less amortisation.
    - USA Networks recorded EUR 48 million less in amortisations, following the sale of the gas companies and the devaluation of the US Dollar.
    - South America increased amortisations by EUR 109 million, following the acquisition of Elektro.
- Provisions amounted to EUR 528.0 million, with an increase of over EUR 344 million. The following can be highlighted:
    - Impairment of thermal assets in the United Kingdom for EUR 286 million, derived from the carbon floor effect that reduces future spreads and makes the extension of the useful life of said thermal facilities beyond 2018 challenging. The CCS project cancellation also reduces the expected life extension.
    - In the Renewables business, provisions were made for EUR 46 million in development costs for farms in USA that, ultimately, are not going to be built, due to wind market situation in USA.

2.5. Financial Result

The Net Financial Result was at EUR 1,061.9 million, a decrease of 17.5% compared to financial year 2010. The main causes are:

- Higher revenues, totalling EUR 89 million, mostly as a result of the positive effect of the exchange rate for derivatives, which basically cover the results of the subsidiaries.

- An unwind of Tariff Deficit provision of EUR 80 million.

- EUR 31 million corresponding to an increase in the interest received for the Tariff Deficit as a result of an increase in the discount rate (1.057% in 2011 compared with 0.726% in 2010).

Debt expenditure slightly increased (+7.6%) due to the effect of higher average costs over the period (4.6% compared with 4.2% in 2010); however, this effect was partially offset by the fall in the average net debt balance (-3.1%).

	12 M 2011	12 M 2010
Relating to Debt	1,411	1,342
Financial Provisions	-86	107
Derivatives and others	-263	-161
TOTAL	1,062	1,288

2.6. Results of Companies Consolidated by the Equity Method

The item Results of Companies Consolidated by the Equity Method amounts to EUR -34.5 million, mainly as a result of the write-off of the shareholding in Gamesa up to 9.54 EUR/share, following the update of its business plan that slightly delays the timing of fulfilment of its initial targets for a negative amount of EUR 70 million.

2.7. Income from Non-Current Assets

Income from Non-Current Assets amounts to EUR 45.8 million. In financial year 2010, divestments were included in the account for a total income of EUR 271.8 million.

2.8. Net Profit

As a result of everything mentioned above, Profit before tax was EUR 3,454.4 (-10.1%).

The resulting tax rate is 15.7%, lower than the 23.6% reported in 2010. It should be kept in mind that the trend of this item was affected by the positive effect of the approval of an additional reduction of the tax rate in United Kingdom by 2% that affect the deferred taxes and the reversal of tax provisions made in previous financial years, mainly due to tax agreements reached in USA.

The Recurring Net Profit, that is, the net profit generated before the effect of the net profit from Non-Current items, increased by 1.2%, amounting to EUR 2,613.9 million.

Lastly, Net Profit totalled EUR 2,804.5 million, down 2.3% compared to 2010.

The Funds Generated from Operations* as at December 2011 were EUR 6,047 million, representing an increase of 5.8% in relation to the same period of the previous year.

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

	Excludes Deficit		Includes Deficit	
	12 M 2011	12 M 2010	12 M 2011	12 M 2010
Retained Cash Flow (RCF) / Net Debt	17.2%	16.7%	18.9%	20.3%
Funds Generated from Operations* (FFO) / Net Debt	19.5%	19.1%	21.5%	23.1%

* Net Profit + Minority Results+ Amort.. and Prov. – Equity Income – Net Non-Recurrent Results + Financial Provisions + Goodwill Deduction – Reversal of tax provision USA Renewables ** Including TEI

Results by Business

1. REGULATED BUSINESS

The key figures for the Networks business are as follows:

(Eur Millions)	12 M 2011	2011 vs 12 M 2010
Revenues	8,336.2	+7.2%
Gross Margin	5,544.5	+4.5%
EBITDA	3,825.4	+5.5%
EBIT	2,806.0	+1.4%

The Regulated Business records a growth, thanks to higher regulated revenues, a significant improvement in efficiency and to synergies and best practices. Although, compared to the previous financial year, Gross Margin grew by 7.2% in comparable terms, the reported increase was 4.5%, due to the inclusion in the Spanish business for 2010 of the remuneration adjustments corresponding to financial year 2009, and Elektro inclusion since April 2011.

The positive effects of the application of the Reference Network Model in Spain, of the DPCR5 in the United Kingdom and the New York Rate Case, together with committed investments, strengthen the results obtained.

1.1. Spain

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	2,022.3	-1.4%
Gross Margin	2,022.3	-1.4%
EBITDA	1,555.4	-0.2%
EBIT	1,204.1	+0.2%

a) Gross Margin

The Gross Margin of the Regulated Business in Spain decreased by 1.4%, to EUR 2,022.3 million, as a result of a higher regulated revenues (+6.1%) compared to the previous year, established following the publication in the Official State Bulletin (BOE) of the Ministerial Order on electricity access tariffs based on the Reference Network Model (Ministry of Industry, Tourism and Commerce Order 3353/2010), following a period where provisional revenues were applied.

In this regard, the positive effect of several adjustments made in 2010 for the amount of EUR 135 million, of which EUR 75 million correspond to financial year 2009, as previously mentioned, should be considered.

On like for like basis, EBITDA grows 4.8%, once the 2009 effect mentioned is deducted.

b) Operating Profit/EBIT

EBITDA in this Business amounted to EUR 1,555.4 million, a decrease of 0.2%. The abovementioned change in the Gross Margin should be considered in conjunction with a 6.4% decline in the Net Operating Expenses, due to efficiency improvements and the transfer of costs to the liberalised business.

In addition, the positive effect of several resettlements made in 2010 for the amount of EUR 135 million, of which EUR 75 million correspond to financial year 2009, as previously mentioned, should also be considered.

EBIT for the Regulated Business in Spain totalled EUR 1,204.1 million (+0.2%). EUR 351.2 million (+1.5%) must be subtracted from the EBITDA figure, pertaining to amortisations and provisions, where we should note the increase of the amortisations due to new investments put into operation.

1.2. United Kingdom

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	1,043.3	+4.6%
Gross Margin	1,008.0	+4.0%
EBITDA	832.3	+4.2%
EBIT	647.0	+3.2%

a) Gross Margin

The gross margin for the regulated Networks business in the UK (Energy Networks) increased by 4.0%, to EUR 1,008.0 million, despite the drop in units sold (-2.8%). This is due to a greater remuneration base established in DPCR5 which entered into force in April 2010 (+5%), as a direct result of the greater investments committed and made (+10%), despite the drop in value of the British Pound (-1.1%).

b) Operating Profit/EBIT

The Energy Networks EBITDA amounted to EUR 832.3 million (+4.2%). Net Operating Expenses dropped by 1.7% to EUR 83.4 million.

Finally, amortisations and provisions represent EUR 185.3 million (+7.9%), due to new investments put into operation.

1.3. United States

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	2,449.3	-21.8%
Gross Margin	1,293.4	-16.5%
EBITDA	547.7	-23.0%
EBIT	351.0	-24.0%

Effective as of September 2010, a new rate framework has been established that will govern the revenue of the companies of New York State until December 2013, based on a 10% return on equity (ROE) and a 48% ratio in the composition of equity over Total Assets-Liabilities. These new rates provide stability to the business by transferring the changes in demand to them and other components related to the seasonal nature of the business, eliminating the effect represented by such variables.

a) Gross Margin

Iberdrola USA reduced its gross margin contribution by 16.5% to EUR 1,293.4 million, due to the impact of the following items:

- The positive development of the business (EUR 108 million).

- The sale of the Connecticut gas companies (EUR -202 million).

- The costs associated with Hurricane Irene and storms, and other adjustments as a result of transferring from US accounting standards (US GAAP) to European standards (IFRS), accounting for a decrease of EUR 96.6 million. The amount mentioned will be recovered over the following financial years.

- The 5% average devaluation of the Dollar, amounting to EUR -64.2 million.

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

The breakdown is as follows:

- **By business**

(Eur Million)	12 M 2011	vs 12 M 2010
Electricity	1,068.1	+1%
Gas	265.7	-43%
Corporate and others	-40.4	-50.1%
TOTAL	**1,293.4**	**-16%**

- **By company**

(Eur Million)	12 M 2011	vs 12 M 2010
NYSEG	649.3	2%
RGE	381.2	1%
CMP	303.3	5%
Corporate and others	-40.4	-250%
TOTAL	**1,293.4**	**-16%**

b) Operating Profit/EBIT

To the Gross Margin figure, Net Operating Expenses should be added, amounting to EUR 524.1 million (-10.3%), due to the efficiency measures adopted and also affected by the sale of the gas companies in Connecticut (EUR 81 million without FX impact).

Net Operating Expenses break down into the following items:

- Net Personnel Expenses have fallen to EUR 243.6 million (-24.7%).

- Net External Services increased by 7.4% to EUR 280.5 million.

As a result of the above, EBITDA amounted to EUR 547.7 million (-23.0%). Eliminating the effects mentioned under the Gross margin heading, comparable EBITDA was at 3.9%.

(Eur Millions)	12 M 2011	12 M 2010	%
Reported EBITDA	**547.7**	**710.8**	**-23.0%**
Exchange rate		-27.2	
IFRS effect	+33.8	-30.2	
Sale of gas companies		93.6	
Comparable EBITDA	**581.5**	**559.8**	**3.9%**

Furthermore, EBIT totalled EUR 351.0 million (-24.0%), after deduction of amortisations and provisions representing EUR 196.7 million.

1.4. Brazil

(Eur Million)	12 M 2011	vs 12 M 2010
Revenues	2,821.4	+76.5%
Gross Margin	1,220.8	+66.1%
EBITDA	890.2	+59.9%
EBIT	603.9	+26.9%

a) Gross Margin

In Brazil, the Gross Margin amounted to EUR 1,220.8 million (+66.1%). The factors behind this change are:

- An increase in distributed energy (+2.6% without Elektro) in relation to the same period in 2010, broken down by company as follows: Coelba +2.7%, Cosern +1.2% and Celpe +3.2%.

- Elektro's contribution to the year totals EUR 436.5 million.

- The effect of the entry into operation of new hydroelectric generators, together with an increase in the Itapebí tariffs.

- Improved per unit margins of the distribution companies.

- Revaluation of the average exchange rate of the Brazilian Real by 0.1%.

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 890.2 million, with an increase of 59.9% as a result of the increase in value of the Real, as well as the consolidation of Elektro (EUR +312.3 million), coupled with the improvement experienced by the remaining businesses.

Net Operating Expenses have increased by 85.7%, totalling EUR 327.5 million, basically due to the integration of Elektro (EUR 123 million), as well as to an increase in value of the Real and increases in inflation.

EBITDA is broken down as follows:

(Eur Millions)	12 M 2011	vs 12 M 2010
Distribution	770.0	70.1%
Generation	120.2	14.2%
TOTAL	890.2	59.9%

Amortisations and provisions represents EUR 286.3 million (+254.8 %) resulting from the effect of the exchange rate, reversal of provisions and new businesses (mainly Elektro, EUR 113 million). For that reason, EBIT for Brazil amounts to EUR 603.9 million, 26.9% higher than that registered in the same period of the previous year.

2. LIBERALISED BUSINESS

The key figures for the liberalised business are as follows:

(Eur Millions)	2011	vs 2010
Revenues	21,089.8	+6.7%
Gross Margin	3,987.5	-0.3%
Basic Margin	4,236.4	-0.2%
EBITDA	2,255.1	-7.4%
EBIT	1,074.0	-29.4%

Liberalised Business has been affected by lower production in Spain and in the United Kingdom as well as by the effects of the sale of the Guatemala business in 2010, and the increase in Levies (+50.1%), mainly in Spain.

In summary, per unit margins in Spain have increased due to increases in the sale price that are higher than those of energy costs despite the fall of production. Lower margins were obtained in the United Kingdom wholesale business, basically as a result of the significant deterioration of gas and coal spreads, which has greatly influenced production during this period. Moreover, end customer sales in the United Kingdom are lower compared to those registered in 2010 (-5.5% in electricity and -19% in gas). In addition, there has been a strong decrease in the per unit margins of electricity supply, due to purchasing raw materials at high prices and not passing on all of said increases to end customers.

2.1. Spain

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	12,474.0	+18.3%
Gross Margin	2,744.1	+6.9%
Basic Margin	2,848.5	+6.4%
EBITDA	1,570.7	+5.9%
EBIT	1,069.4	+12.2%

a) Gross Margin and Basic Margin

To analyse this section's trends, the following aspects arising in the Spanish Mainland Electricity System during 2011 must be kept in mind:

- A 2.1% decline in mainland demand.

- Lower hydroelectric and nuclear production than last year (hydroelectric 27,640 GWh; -28.5% and nuclear 57,670 GWh; -7%).

- Special Regime production amounting to 92,352 GWh (+1.6%).

- A significant increase in the price of commodities (gas and coal).

- The convergence of all of this has contributed, on the one hand, the total Ordinary Regime production to decline by 5.2% and, on the other hand, to an increase in average energy prices (excluding capacity payments): EUR 58.99/MWh compared to EUR 44.87/MWh in the previous year.

Under these economic circumstances, the Gross Margin for Iberdrola's Liberalised Business in Spain registered an increase of 6.9%, totalling EUR 2,744.1 million. This is due to the fact that, despite a lower production volume (-13.3%), the per unit margin improved (the increase of the sale price more than offsets the rise in procurements costs).

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

- Total business revenues amount to EUR 12,474.0 million, up 18.3% as a result of the per unit margin increase mentioned, despite lower production volumes. Of note is the integration of the Last Resort Supplier (CUR) since 1 July 2009, turnover for which amounted to EUR 3,332.7 million during 2011.

  With respect to the application of the energy, 99% corresponded with forward sales while just 1% were spot market sales.

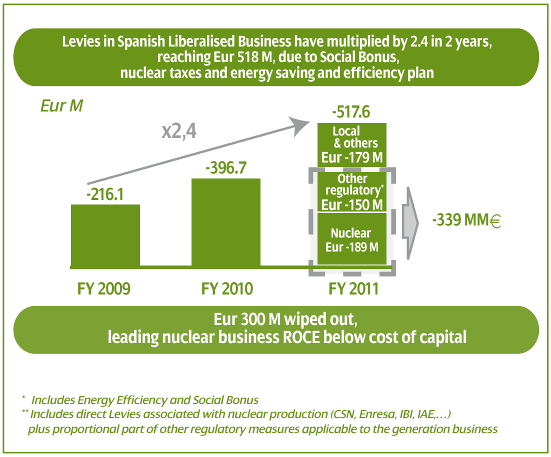
- The cost of procurements rose 22.1% totalling EUR 9,624.2 million, as a result of the impact caused by the lower water availability compared to the previous year. However, the low cost of fuel, resulting from a mix based mainly on hydroelectric (23.6% of the total volume produced) and nuclear (38.1%) must be noted.

- Hydroelectric reserves as at 31 December 2011 were at 5,797 GWh (51.4%), above the average of the last 6 years (5,480 GWh).

- In addition, the amount of CO_2 rights consumed amounts to EUR 105.7 million, 10.1% more than rights consumed in 2010. The average price per right was 13.9 EUR/MT, compared to 12.83 €/MT in 2010.

- During financial year 2011, the positive resettlements corresponding to the previous year amounted to EUR 91 million, compared to EUR 32 million in the previous financial year.

The Basic Margin totalled EUR 2,848.5 million with an increase of 6.4%. To the change in Gross Margin, EUR 104.4 million in revenue should be added by way of subsidy for allocated CO_2 rights.



b) Operating Profit / EBIT

EBITDA increased by 5.9% to EUR 1,570.7 million, due to the improvement of the margin mentioned above and despite the increase in Levies. This item grew 30.5% (multiplying by 2.4 since 2009) to EUR 517.6 million, as a result of including in this item the Enresa tax, pertaining to the ownership and management of nuclear assets, for the amount of EUR 176 million, the increase in the Social Bonus item and the financing by the production companies of the Savings and Efficiency Plans established by RDL 14/2010, amounting to EUR 88 million in 2011 (with no matching funds during 2010).

Net Operating Expenses dropped by 4.6% due to expenses reversion, on like for like basis, this item increases. Net Personnel Expenses dropped by 7.3%, whereas Net Exterior Services dropped by 2.3%.

Amortisations and Provisions fell by 5.4% to EUR 501.3 million and EBIT was up by 12.2% compared to the previous financial year, amounting to EUR 1,069.4 million.

2.2. United Kingdom

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	7,810.3	+3.0%
Gross Margin	789.9	-13.2%
Basic Margin	934.5	-11.0%
EBITDA	322.5	-40.8%
EBIT	-294.9	-228.2%

a) Gross Margin

The Scottish Power liberalised business (Wholesale & Retail) decreased its Gross Margin contribution by 13.2% to EUR 789.9 million, basically due to:

- 19% lower electricity production due to scheduled stoppages, as well as due to the market situation (lower spreads), which had a negative impact on plant usage.

- A decrease in electricity supply margins to end customers as a consequence of commodity price increases, in addition to a reduction in spreads. Additionally, supply is affected by purchase of fuel at above-market prices without passing on the increase to the end customers. However, this effect is partially offset by the effect of the increase in tariffs effective from 1 August 2011 (10% in electricity; 19% in gas).

- A reduction in the demand for gas as a result of the mild weather in 2011, compared to the temperatures recorded during the previous period, which is partially offset by the increase in per unit margin.

- Some less sales to customers of electricity (-5%) and gas (-19%) compared to 2010.

- A devaluation in the average exchange rate (-1.1%)

b) Operating Profit/EBIT

EBITDA for Wholesale & Retail amounted to EUR 322.5 million (-40.8%). Net Operating Expenses increased by 4.1% to EUR 509.4 million.

This variation is largely due to the CERT and CESP costs, amounting to EUR 49 million, being reclassified as Levies, instead of external services. These costs are due to government and local authorities programmes aimed at reducing CO_2 emissions. These costs are more than offset by the absence of insurance compensation for claim incidents in thermal facilities included in the results of 2010. Thus, in comparable terms, net operative expenses dropped 1% in line with the devaluation of the Pound Sterling.

Personnel expenses items totalled EUR 196.8 million (+8.9%) and External Services totalled EUR 312.6 million (+1.3%).

Lastly, amortisations and provisions amounted to EUR 617.5 million (+96.3%), affected mainly by the impairment of thermal facility assets for EUR 286 million derived from the cancelation of the CCS project and the "carbon floor", that reduces future spreads and makes the extension of the useful life of said thermal facilities challenging.

2.3. Mexico

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	1,354.4	-17.5%
Margen Bruto	453.5	-12.9%
EBITDA	361.9	-11.1%
EBIT	299.6	-11.3%

a) Gross Margin

In Mexico, Gross Margin amounted to EUR 453.5 million (-12.9%), given that, despite the good availability of the plants in Mexico, this item was affected by the sale of the Guatemala business (EUR -57.5 million) and by the decrease in value of the Dollar (EUR -22.5 million).

b) Operating Profit/EBIT

EBITDA in Mexico amounted to EUR 361.9 million, a decrease of 11.1%.

Net Operating Expenses declined by 19.4% to EUR 90.6 million. The effect of the divestment in Guatemala under this heading amounts to EUR 7 million; that of the drop in value of the Dollar amounts to EUR 1 million and that of non-recurrent effects (EUR 14 million).

Lastly, the EBIT of the business amounts to EUR 299.6 million, with a reduction of 11.3% in line with the drop in Gross Margin and EBITDA.

3. RENEWABLES

(Eur Millions)	12 M 2011	vs 12 M 2010
Revenues	2,293.8	+2.4%
Gross Margin	2,118.1	+4.6%
EBITDA	1,455.6	+0.0%
EBIT	622.7	-9.9%

a) Gross Margin

Gross Margin totalled EUR 2,118.1 million with an increase of 4.6% resulting from:

- An increase in operating capacity at the end of the period, totalling 13,209 MW (+1,203 MW; +10.0%) which led to a 13.1% increase in production, generating 28,721 GWh.

- The average cycle load factor was 25.7%, slightly down compared to the previous year, when 25.8% was recorded. The 31.1% load factor in the United States has risen by almost one percentage point (pp) compared to the previous year; but is still slightly below the historic average. The United Kingdom recorded figures of 25.8%, a 5pp improvement compared to the previous year, but still below the historic average. In addition, wind power in Spain was below that expected and registered a load factor of 21.5%, below the 23.9% load factor mainly due to a low production the fourth quarter (2,806 GWh in 2011 *versus* 3,189 GWh in 2010) recorded in the previous year.

- The average renewable price over the period amounted to EUR 69.6 million/MWh, showing a 5.1% drop derived from the greater weight of USA production, the greater percentage of wind farms in USA under the Grants system (construction incentives), replacing the system based on PTCs (production incentives) and the fall in UK prices and lower production in Spain.

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

- **Spain**: The Wind Energy Gross Margin in the period amounts to EUR 881.3 million (-5.4%), affected by a 4.5% drop in production volumes and by a 1% decrease in sale price.

The Mini-Hydraulic Gross Margin was EUR 49.7 million, posting a 7.4% decrease, mainly due to a 6.2% rise in the average price which was not offset by the 12.7% fall in production.

- **United States**: The Gross Margin of the wind and thermal energy businesses has risen 1.9% to total EUR 626.7 million, thanks to an increase in wind energy production (+26.8%) and was slightly affected by the price (without PTCs) in Dollars (-4.5%). The thermal business has been stable.

- **United Kingdom**: Gross Margin amounts to EUR 237.4 million (+43.2%). This is mainly due to an increase in production (49.8%), thanks to the normalisation of wind resource which, however, continues to be slightly below historic levels. The increase in production partially offset a 4.4% fall in prices in Euros.

- **Rest of the World**: The increase in production (+19.3%) and the higher prices (+6.9%) proportionally drove the Gross Margin up by 27.6%, placing it at EUR 250.8 million.

- **Gas businesses**: These include gas storage and gas trading businesses. The Gross Margin for these sectors totalled EUR 51 million, partly as a result of the variation of the "Mark to Market" item of derivative positions, which amounted to EUR 22.8 million compared with the EUR -34.8 million in the previous year. The gas business continues to face an unfavourable market environment as a result of low gas prices and reduced volatility.

Gross Margin can be broken down by business type as follows:

	12 M 2011	12 M 2010	%
From renewable business*	2,067	1,976	4.6
From gas business	51	49	4.1
TOTAL	**2,118**	**2,025**	**4.6**

* Includes thermal business and energy management.

b) Operating Profit/EBIT

- EBITDA remained constant, totalling EUR 1,455.6 million. To the mentioned Gross Margin trend, we must add that of the Net Operating Expenses, which have increased by 16.2% to EUR 591.6 million, as a result of the entry into operation of new farms and the higher costs associated with External Services, for an amount of approximately EUR 80 million.

  The increase of amortisations and provisions was 8.9%, but the following points should be kept in mind:

- The extension from 1 July of the useful life of the farms from 20 to 25 years (lower amortisation of approximately EUR 66 million).

- Write-off of EUR 46 million in development costs for farms that, ultimately, are not going to be built mainly in United States.

After deducting these effects, amortisations and provisions rose in line with the 12% increase of average capacity.

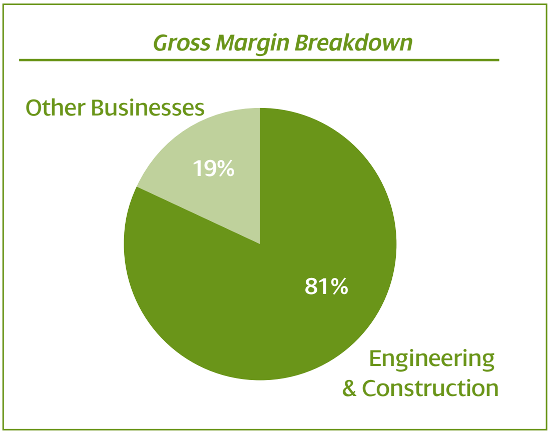
Lastly, EBIT totalled EUR 622.7 million, 9.9% below the figure for 2010.

4. OTHER BUSINESSES

(Eur Millions)	12 M 2011	2011 vs 12 M 2010
REVENUES	1,086.0	-37.8%
GROSS MARGIN	421.9	+15.0%
EBITDA	152.4	+218%
EBIT	131.6	N/A

a) Gross Margin

Gross Margin rose to EUR 421.9 million, 15% higher than in 2010. The positive Gross Margin for the Non-Energy businesses is due mainly to the Engineering business (representing 81% of the total), thanks to the completion of projects and the reversal of contingencies accounted for in previous financial years. Excluding one-off effects, the margin would be at a similar level to that of 2010.



b) Operating Profit / EBIT

EBITDA increased to EUR 152.4 million (+218.0%). Net Operating Expenses of these businesses amounted to EUR 259.9 million, a 16.2% decrease.

Amortisations and provisions decreased by 56.3% to EUR 20.8 million.

5. CORPORATION

This basically includes the elimination of inter-group expenses between the corporation and the businesses. EBIDTA for the period amounted to EUR -38.1 million, similar to the EUR -35.1 million of the previous financial year.

Balance Sheet Analysis

January-December 2011

(Eur Millions)	Dec. 2011	vs. Dec. 2010
TOTAL ASSETS	96,905	3.4%
FIXED AND OTHER NON-CURRENT ASSETS	52,930	4.6%
INTANGIBLE ASSETS	20,273	11.3%
LONG-TERM INVESTMENTS	2,858	8.4%
SHAREHOLDERS' EQUITY	33,208	4.9%
ADJUSTED NET DEBT(1)	31,706	5.6%

(1) Includes tariff deficit and includes TEI

The balance sheet of Iberdrola at 31 December 2011 shows Total Assets of EUR 96,905 million, highlighting the maintenance of its solid asset strength.

1. FIXED ASSETS

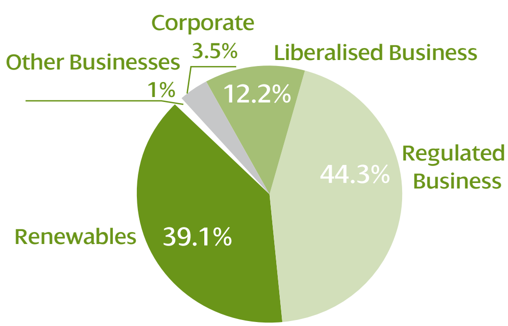
Total investments during the period from January to December 2011 amounted to EUR 8,190 million, including the acquisition of Elektro and the minority interests of Iberdrola Renewables.

Excluding these, organic investment over the period amounted to EUR 4,002 million, representing a reduced pace of investment compared with the same period in 2010, when investments totalled EUR 5,099 million. These can be broken down as follows:

(Eur Millions)	Jan.-Dec. 2011	%
Networks Business	**1,772.0**	**44.3%**
Networks Spain	450.4	
Networks UK	380.4	
Ib. Networks USA	587.3	
Brazil Networks	353.9	
Renewables	**1,563.6**	**39.1%**
Liberalised business	**486.3**	**12.2%**
Lib. Spain	373.8	
Lib. UK	97.3	
Lib. Mexico	15.2	
Other Businesses	**39.6**	**1.0%**
Engineering	0.9	
Non-Energy	38.0	
Canada	0.7	
Corporate	**140.5**	**3.5%**
Total organic investment	**4,002.0**	**100.0%**
Elektro	**1,672.0**	
Iberdrola Renewables minority interests	**2,516.0**	
Total investment	**8,190.0**	

Investments in the period were focused on the Renewables and Regulated businesses, with the two items combined accounting for more than 83% of total investments in 2011.

Organic Investments (Jan-Dec. 2011)



Regarding the Regulated Business, investments over the period totalled EUR 1,772.0 million, of which 450.4 million were invested by Networks Spain, 380.4 million in ScottishPower and 353.9 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 towards electricity and gas distribution, amounting to EUR 587.3 million over the period.

In the “Renewables” section, worthy of note are the wind energy investments in the United States for a total of EUR 584.6 million, those made in the United Kingdom for 322.3 million and those also made in renewable energies in Spain for EUR 360.2 million.

With respect to investments in Liberalised Business, these can be broken down into those made in Spain for a total of EUR 373.8 million, in the United Kingdom for EUR 97.3 million and in Mexico for EUR 15.2 million.

2. SHARE CAPITAL

After execution of the first paid-up capital increase for the Flexible Dividend on 28 July 2011, the Share Capital as at 31 December 2011 comprises 5,882,490,000 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 498 million (net amount), as at 31 December 2011, is the result of the historic investment in the United States.

4. FINANCIAL DEBT

The adjusted net financial debt as at 31 December 2011 amounted to EUR 31,706 million and the financial leverage was at 48.8%. If financing of the tariff deficit is excluded, which in the case of Iberdrola amounted to EUR 2,991 million at 31 December 2011, the adjusted net financial debt would be EUR 28,715 million and the adjusted leverage would be 46.4%.

With respect to the change in the Company’s financing cost, as at December 2011 this was at 4.6%, compared to 4.2% for the same period in the previous year mainly, due to the incorporation of Elektro.

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

	Dec. 2011	Dec.2010
Euro	59.8%	54.5%
Dollar	17.9%	19.8%
British pound	19.6%	24.2%
Brazilian real and other currencies	2.7%	1.5%
Fixed Rate	54.6%	51.6%
Floating Rate (1)	41.5%	47.3%
Capped Rate	3.9%	1.1%

(*) Including TEI. Net Debt including net investment hedging derivatives and excluding tariff deficit.
(**) Excluding TEI. Gross Debt
(1) Without the deficit (EUR 2,991 million), the floating rate % would be reduced to 35.6% in December 2011.

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, Brazilian real, US Dollar, etc.) or in their functional currencies (US Dollar, in the case of Mexico).

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

	Dec. 2011	Dec.2010
Iberdrola S.A.	76.9%	77.3%
Iberdrola USA	5.6%	5.5%
ScottishPower	6.6%	6.9%
Renewables	3.8%	4.4%
Brazil	4.9%	3.2%
Mexico	1.6%	1.8%
Others	0.6%	0.8%
TOTAL	**100%**	**100%**

(*) Gross Debt. Including TEI.

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

	Dec. 2011	Dec.2010
Euro market	34.1%	29.7%
Dollar market	16.7%	18.2%
British pound market	8.8%	7.5%
Remaining bonds	2.1%	2.8%
Notes	4.2%	6.0%
EIB	8.1%	6.5%
Project Finance	4.6%	5.5%
TEI	1.8%	2.0%
Bank loans	19.6%	21.8%
TOTAL	**100%**	**100%**

(*) Gross Debt. Including TEI.

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

Eur M	Dec. 2011	Dec.2010
Equity	33,208	31,663
Gross Debt*	34,465	32,985
Cash flow	2,091	2,102
Asset derivatives and others	668	869
Adjusted Net Debt	31,706	30,014
Leverage	48.8%	48.7%
Tariff deficit	2,991	5,248
Adjusted Net Debt (excl. deficit)	28,715	24,766
Leverage (excl. deficit)	46.4%	43.9%

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

5. WORKING CAPITAL

Working capital decreased by EUR 1,313 million since December 2010. This was driven mainly by a reduction in the tariff deficit pending collection thanks to the securitisations made during 2011.

6. FUNDS GENERATED FROM OPERATIONS

The Funds Generated from Operations as at 31 December 2011 were at EUR 6,047.3 million, compared with EUR 5,718.2 in the same period of the previous year.

	FY 2011	FY 2010	%
Net Profit (+)	2,804.6	2,870.9	-2.3%
Amortisations (-)	-3,145.4	-2,698.2	16.6%
Companies by equity method (-)	-34.5	27.4	-226.3%
Income from non-current assets (-)	45.8	271.8	-83.2%
Non-recurring taxes (-)	1.0	-91.1	-101.1%
Financial provisions activation (-)	1.2	-106.8	-101.1%
Minority interests (-)	-100.7	-70.8	42.2%
Tax deductibility Goodwill (+)	-179.5	-179.5	0%
USA Renewables tax reversal (-)	169.4	0	N/A
FFO	6,047.3	5,718.2	5.75%

7. FINANCE TRANSACTIONS

Summary of the main finance transactions carried out in 2011

Issuer	Transaction	Amount millions	Currency	Maturity
Iberdrola Finanzas	EMTN	750	EUR	3 Years
	EMTN	750	EUR	6 Years
	EMTN	600	EUR	6 Years
	EMTN	10,000	JPY	8 Years
	EMTN	750	EUR	6 Years
Iberdrola Finance Ireland	Structured EMTN	75	EUR	10 Years
	Structured EMTN	22,7	EUR	5 Years
	Structured EMTN	36	EUR	7 Years
Iberdrola Financiación SAU	Bank loan	3,000	EUR	5 Years
	RCF	2,400	EUR	3 Years
SP Distribution Finance UK PLC	Bonds	350	GBP	15 Years
Iberdrola, S.A.	EIB loan	50	EUR	10 Years
	EIB loan	150	EUR	10 Years
	EIB loan	200	EUR	10 Years
	EIB loan	100	EUR	10 Years
	EIB loan	100	EUR	15 Years
Iberdrola EEUU	USPP	250	USD	10 / 30 Years
	USPP	125	USD	10 Years
Neoenergía	Bonds	400	Brl	5 Years
	Bonds	360	Brl	6 Years
	Bonds	200	Brl	6 Years
	BNDES loan	752	Brl	7 Years
Elektro	Bonds	300	Brl	7 Years

Fourth Quarter Financing

Bond Issues on the Euromarket

The Group's solid international presence, coupled with the the improvement of conditions following the extreme volatility of the summer period, allowed Iberdrola to reopen the market for Spanish private debt, with a Bond Issue on the Euromarket in October.

The issue amounted to EUR 600 million, maturing in February 2014, the coupon being set at 4.75%.

The issue was placed among 300 investors from more than 15 countries and was had a high demand totalling 4,500 million Euros, more than seven times the offer. Of the total take-up, 85% was from abroad.

In addition, in November 2011, under this programme, a new issue was launched, for an amount of JPY 10,000 Million, equivalent to EUR 95 Million, with the coupon set at 2.51% and final maturity in November 2019.

Financing of the EIB

During the fourth quarter of 2011, Iberdrola Group signed two loans with the European Investment Bank (EIB), for a total amount of EUR 400 million.

The first of these loans, signed on 14 October, gave Iberdrola a total amount of EUR 200 million to finance many actions within its investment programme (2011-2014) for research, development and innovation in innovative technologies covering the fields of: i) conventional energy generation; ii) transmission and distribution of energy and iii) renewable energies. The investment is aimed at diversifying the range of products and services of the company and adapting the existing products to new markets. The loan has a final maturity date of November 2021.

The second of these loans, for an amount of EUR 200 million, signed in the second half of November, will serve to finance investment aimed at modernising and reinforcing our electricity distribution network. This loan has been divided into two tranches of EUR 100 million each, with amortisation periods of 10 and 15 years, respectively.

Addition, in December, with the mediation of Banco de Sabadell, a new tranche was arranged for the loan previously signed to finance the upgrading and to extend the capacity of the electrical transmission and distribution networks to end beneficiaries in North Wales, West England and South/Central Scotland via SP Distribution Ltd, Manweb plc and SP Transmission Ltd. This tranche amounted to EUR 150 million, with an amortisation period of 10 years.

Extension of Maturity of EUR 3,000 million Line of Credit of October 2007

Following the reconfiguration in December 2009 of the Line of Credit signed in October 2007, in December 2011 the maturity of this instrument was extended to a new maturity date of December 2014. Banks belonging to the syndicate took part in this extension, for a total amount of EUR 2,400 million.

Balance Sheet
December 2011 (Unaudited)

€M

	Dec. 2011	Dec. 2010	Change
FIXED ASSETS	**76,060**	**71,480**	**4,580**
Tangible fixed assets	52,930	50,621	2,309
Intangible fixed assets	20,273	18,223	2,050
Long-term financial investments	2,857	2,636	221
DEFERRED TAX	**4,545**	**3,488**	**1,057**
NON-CURRENT ACCOUNTS RECEIVABLE	**539**	**479**	**60**
CURRENT ASSETS	**15,761**	**18,254**	**(2,482)**
Assets held for sale	132	-	132
Nuclear fuel	327	280	47
Inventories	2,113	1,971	142
Accounts receivable	5,365	5,816	(451)
Temporary financial investments	4,876	6,927	(2,051)
Other tax receivables	857	1,158	(301)
Cash and equivalents	2,091	2,102	(11)
TOTAL ASSETS	**96,905**	**93,701**	**3,204**

	Dec. 2011	Dec. 2010	Change
SHAREHOLDERS' EQUITY	**33,208**	**31,663**	**1,545**
Share Capital	4,412	4,113	299
Share Premium	14,668	13,016	1,652
Revaluation Reserve	(386)	(360)	(26)
Other Reserves	12,980	11,459	1,521
Profit and Loss	2,805	2,871	(66)
Interim dividend	-	-	-
Treasury shares	(384)	(284)	(100)
Exchange rate differentials	(1,207)	(1,735)	528
Minority shareholders	320	2,584	(2,264)
LONG-TERM PROVISIONS	**3,427**	**3,643**	**(216)**
DEFERRED INCOME	**5,230**	**4,463**	**767**
EQUITY WITH CHARACTERISTICS OF LONG TERM LIABILITY	**582**	**652**	**(70)**
FINANCIAL DEBT	**33,882**	**32,332**	**1,550**
OTHER LONG-TERM DEBT	**10,282**	**9,207**	**1,075**
OTHER SHORT-TERM DEBT	**10,121**	**10,838**	**(717)**
GROUP COMPANY AND AFFILIATE DEBT	**173**	**902**	**(729)**
TOTAL LIABILITIES	**96,905**	**93,701**	**3,204**

Profit and Loss
December 2011 NIIF Format (Unaudited)

Eur M

	Dec. 2011	Dec. 2010	%
REVENUES	**31,648.0**	**30,431.0**	**4.0**
PROCUREMENTS	(19,293.9)	(18,393.9)	4.9
Emission rights consumed	(328.3)	(391.9)	(16.2)
GROSS MARGIN	**12,025.8**	**11,645.2**	**3.3**
Emission rights allocated	248.9	248.0	0.4
BASIC MARGIN	**12,274.7**	**11,893.2**	**3.2**
NET OPERATING EXPENSES	**(3,517.2)**	**(3,456.8)**	**1.7**
Net Personnel Expense	**(1,643.4)**	**(1,704.8)**	**(3.6)**
Personnel	(2,151.5)	(2,158.7)	(0.3)
In-house Works	508.1	454.0	11.9
Net External Services	**(1,873.8)**	**(1,752.0)**	**7.0**
External Services	(2,275.0)	(2,174.2)	4.6
Other Operating Income	401.1	422.1	(5.0)
LEVIES	**(1,107.1)**	**(908.4)**	**21.9**
EBITDA	**7,650.5**	**7,528.0**	**1.6**
AMORTISATIONS AND PROVISIONS	(3,145.4)	(2,698.2)	16.6
EBIT	**4,505.1**	**4,829.7**	**(6.7)**
Financial Expenses	**(2,530.7)**	**(2,914.1)**	**(13.2)**
Financial Income	**1,468.8**	**1,626.3**	**(9.7)**
FINANCIAL RESULT	**(1,061.9)**	**(1,287.9)**	**(17.5)**
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	**(34.5)**	**27.4**	**(226.3)**
RESULTS FROM NON-RECURRENT ASSETS	**45.8**	**271.8**	**(83.2)**
PBT	**3,454.4**	**3,841.0**	**(10.1)**
Corporate Tax	(549.2)	(899.3)	(38.9)
Minorities	(100.7)	(70.8)	42.2
NET PROFIT	**2,804.5**	**2,870.9**	**(2.3)**

Results by Business (Unaudited)

Eur M

December 2011	Regulated	Liberalised	Renewables	Other Businesses	Corporation and adjust
Revenues	8,336.2	21,089.8	2,293.8	1,086.0	(1,157.8)
Procurement	(2,791.7)	(16,774.0)	(175.6)	(664.1)	1,111.6
Emission Rights Consumed	-	(328.3)	-	-	-
GROSS MARGIN	**5,544.5**	**3,987.5**	**2,118.1**	**421.9**	**(46.2)**
Emission Rights Allocated	-	248.9	-	-	-
BASIC MARGIN	**5,544.5**	**4,236.4**	**2,118.1**	**421.9**	**(46.2)**
NET OPERATING EXPENSES	(1,324.5)	(1,360.1)	(591.6)	(259.9)	19.0
Net Personnel Expense	(643.3)	(513.0)	(148.2)	(148.0)	(190.9)
Personnel	(1,012.9)	(538.7)	(193.3)	(199.1)	(207.5)
In-house works	369.7	25.7	45.1	51.1	16.6
Net External Services	(681.3)	(847.1)	(443.3)	(111.9)	209.8
External Services	(916.6)	(1,017.8)	(474.8)	(116.7)	250.9
Other operating income	235.3	170.7	31.4	4.8	(41.1)
LEVIES	(394.5)	(621.2)	(71.0)	(9.6)	(10.9)
EBITDA	**3,825.4**	**2,255.1**	**1,455.6**	**152.4**	**(38.1)**
Amortisation and Provisions	(1,019.5)	(1,181.2)	(832.9)	(20.8)	(91.0)
EBIT / Operating Profit	**2,806.0**	**1,074.0**	**622.7**	**131.6**	**(129.1)**
Financial Result	(230.6)	(135.8)	(216.2)	(5.6)	(473.7)
Results of companies consolidated by equity method	9.0	13.9	-	(57.4)	-
Results of non-current assets	49.1	(0.5)	(5.1)	1.7	0.5
PBT	**2,633.4**	**951.6**	**401.4**	**70.3**	**(602.4)**
Corporate tax and minority shareholders	(482.5)	(67.1)	38.7	62.7	(201.7)
Net Profit	**2,150.8**	**884.6**	**440.1**	**133.1**	**(804.1)**

December 2010	Regulated	Liberalised	Renewables	Other Businesses	Corporation and adjust.
Revenues	7,778.6	19,771.2	2,241.1	1,746.1	(1,106.0)
Procurement	(2,474.1)	(15,380.5)	(215.8)	(1,379.2)	1,055.8
Emission Rights Consumed	-	(391.9)	-	-	-
GROSS MARGIN	**5,304.5**	**3,998.8**	**2,025.2**	**366.9**	**(50.2)**
Emission Rights Allocated	-	248.0	-	-	-
BASIC MARGIN	**5,304.5**	**4,246.7**	**2,025.2**	**366.9**	**(50.2)**
NET OPERATING EXPENSES	(1,261.7)	(1,398.3)	(509.2)	(310.1)	22.5
Net Personnel Expense	(687.9)	(522.0)	(146.0)	(179.6)	(169.3)
Personnel	(1,030.1)	(547.2)	(190.8)	(208.5)	(182.2)
In-house works	342.2	25.2	44.7	28.9	12.9
Net External Services	(573.9)	(876.3)	(363.2)	(130.5)	191.9
External Services	(806.6)	(1,069.5)	(391.9)	(137.1)	231.0
Other operating income	232.7	193.3	28.7	6.6	(39.2)
Levies	(417.9)	(413.9)	(60.3)	(8.9)	(7.4)
EBITDA	**3,624.8**	**2,434.6**	**1,455.7**	**47.9**	**(35.1)**
Amortisation and Provisions	(857.6)	(913.5)	(764.7)	(47.7)	(114.8)
EBIT / Operating Profit	**2,767.2**	**1,521.1**	**691.0**	**0.3**	**(149.9)**
Financial Result	(364.3)	(135.0)	(205.6)	(27.8)	(555.2)
Results of companies consolidated by equity method	11.4	8.4	-	7.7	(0.2)
Results of non-current assets	47.8	96.1	4.3	25.2	98.3
PBT	**2,462.2**	**1,490.7**	**489.7**	**5.5**	**(607.0)**
Corporate tax and minority shareholders	(714.8)	(375.1)	(199.3)	43.4	275.8
Net Profit	**1,747.3**	**1,115.6**	**290.3**	**48.8**	**(331.2)**

Regulated Business (Unaudited)

Eur M

December 2011	SPAIN	UNITED KINGDOM	USA	BRAZIL
Revenues	2,022.3	1,043.3	2,449.3	2,821.4
Procurement	-	(35.3)	(1,155.9)	(1,600.5)
Emission Rights Consumed	-	-	-	
GROSS MARGIN	**2,022.3**	**1,008.0**	**1,293.4**	**1,220.8**
Emission Rights Allocated	-	-	-	-
BASIC MARGIN	**2,022.3**	**1,008.0**	**1,293.4**	**1,220.8**
NET OPERATING EXPENSES	(389.6)	(83.4)	(524.1)	(327.5)
Net Personnel Expenses	(207.7)	(35.3)	(243.6)	(156.6)
Personnel	(334.4)	(153.1)	(322.9)	(202.6)
In-house works	126.7	117.7	79.3	46.0
Net External Services	(181.9)	(48.0)	(280.5)	(170.9)
External Services	(319.3)	(94.4)	(287.1)	(215.8)
Other operating income	137.4	46.4	6.6	44.9
Levies	(77.3)	(92.4)	(221.6)	(3.2)
EBITDA	**1,555.4**	**832.3**	**547.7**	**890.2**
Amortisations, Provisions and other	(351.2)	(185.3)	(196.7)	(286.3)
EBIT / Operating Profit	**1,204.1**	**647.0**	**351.0**	**603.9**
Financial Result	(31.9)	(60.4)	(64.8)	(73.5)
Results of companies consolidated by equity method	3.1	-	-	5.9
Results of non-current assets	3.6	0.1	14.0	31.4
PBT	**1,178.9**	**586.6**	**300.2**	**567.7**
Corporate tax and minority shareholders	(282.7)	48.0	(114.0)	(133.8)
NET PROFIT	**896.2**	**634.6**	**186.2**	**433.8**

December 2010	SPAIN	UNITED KINGDOM	USA	BRAZIL
Revenues	2,051.2	997.2	3,132.0	1,598.1
Procurement	0.1	(27.9)	(1,583.3)	(863.1)
Emission Rights Consumed	-	-	-	
GROSS MARGIN	**2,051.3**	**969.3**	**1,548.8**	**735.1**
Emission Rights Allocated	-	-	-	
BASIC MARGIN	**2,051.3**	**969.3**	**1,548.8**	**735.1**
NET OPERATING EXPENSES	(416.3)	(84.8)	(584.4)	(176.3)
Net Personnel Expenses	(245.4)	(43.4)	(323.3)	(75.7)
Personnel	(369.1)	(164.3)	(400.9)	(95.8)
In-house works	123.7	120.9	77.6	20.0
Net External Services	(170.9)	(41.4)	(261.1)	(100.6)
External Services	(308.8)	(99.2)	(263.1)	(135.5)
Other operating income	137.9	57.9	2.0	34.9
Levies	(76.4)	(85.8)	(253.6)	(2.0)
EBITDA	**1,558.6**	**798.6**	**710.8**	**556.8**
Amortisations, Provisions and other	(356.5)	(171.7)	(248.8)	(80.7)
EBIT / Operating Profit	**1,202.2**	**627.0**	**462.0**	**476.1**
Financial Result	(58.2)	(56.7)	(265.1)	15.7
Results of companies consolidated by equity method	3.1	-	2.5	5.9
Results of non-current assets	11.2	6.6	29.9	0.2
PBT	**1,158.2**	**576.8**	**229.3**	**497.9**
Corporate tax and minority shareholders	(327.4)	(120.8)	(153.1)	(113.5)
NET PROFIT	**830.9**	**456.0**	**76.1**	**384.4**

Liberalised Business (Unaudited)

Eur M

December 2011	SPAIN	UNITED KINGDOM	MEXICO	Interco
Revenues	12,474.0	7,810.3	1,354.4	(548.8)
Procurement	(9,624.2)	(6,797.7)	(900.9)	548.8
Emission Rights Consumed	(105.7)	(222.7)	-	-
GROSS MARGIN	**2,744.1**	**789.9**	**453.5**	**-**
Emission Rights Allocated	104.4	144.6	-	-
BASIC MARGIN	**2,848.5**	**934.5**	**453.5**	**-**
NET OPERATING EXPENSES	(760.2)	(509.4)	(90.6)	-
Net Personnel Expenses	(300.1)	(196.8)	(16.1)	-
Personnel	(323.1)	(199.5)	(16.1)	-
In-house works	23.0	2.7	-	-
Net External Services	(460.1)	(312.6)	(74.4)	-
External Services	(530.2)	(401.5)	(86.8)	0.6
Other operating income	70.1	88.9	12.4	(0.6)
Levies	(517.6)	(102.5)	(1.0)	-
EBITDA	**1,570.7**	**322.5**	**361.9**	**-**
Amortisations, Provisions and other	(501.3)	(617.5)	(62.3)	-
EBIT / Operating Profit	**1,069.4**	**(294.9)**	**299.6**	**-**
Financial Result	(89.3)	(19.1)	(27.4)	-
Results of companies consolidated by equity method	6.6	-	7.2	-
Results of non-current assets	0.2	0.1	(0.7)	-
PBT	**986.9**	**(313.9)**	**278.7**	**-**
Corporate tax and minority shareholders	(274.5)	301.2	(93.7)	-
NET PROFIT	**712.4**	**(12.7)**	**185.0**	**-**

December 2010	SPAIN	UNITED KINGDOM	MEXICO	Interco
Revenues	10,545.4	7,584.9	1,641.0	-
Procurement	(7,881.9)	(6,378.5)	(1,120.1)	-
Emission Rights Consumed	(96.0)	(295.9)	-	-
GROSS MARGIN	**2,567.5**	**910.4**	**520.9**	**-**
Emission Rights Allocated	108.8	139.1	-	-
BASIC MARGIN	**2,676.4**	**1,049.5**	**520.9**	**-**
NET OPERATING EXPENSES	(796.6)	(489.3)	(112.4)	-
Net Personnel Expenses	(323.6)	(180.7)	(17.7)	-
Personnel	(344.7)	(184.8)	(17.7)	-
In-house works	21.1	4.1	-	-
Net External Services	(473.0)	(308.5)	(94.7)	-
External Services	(516.8)	(450.8)	(102.1)	0.1
Other operating income	43.7	142.2	7.4	(0.1)
Levies	(396.6)	(15.6)	(1.6)	-
EBITDA	**1,483.1**	**544.6**	**406.8**	**-**
Amortisations, Provisions and other	(529.8)	(314.6)	(69.1)	-
EBIT / Operating Profit	**953.3**	**230.0**	**337.8**	**-**
Financial Result	(103.8)	(3.9)	(27.4)	-
Results of companies consolidated by equity method	1.1	(0.3)	7.7	-
Results of non-current assets	(0.2)	0.5	95.8	-
PBT	**850.5**	**226.3**	**413.9**	**-**
Corporate tax and minority shareholders	(241.0)	(41.0)	(93.1)	-
NET PROFIT	**609.5**	**185.3**	**320.8**	**-**

IBERDROLA

Quarterly Results of 2011 (Unaudited)

Eur M

2011	JAN-MARCH 2011	APR-JUN 2011	JUL-SEP 2011	OCT-DEC 2011
REVENUES	**8,483.7**	**7,066.4**	**7,818.1**	**8,279.8**
PROCUREMENTS	(5,149.3)	(4,145.6)	(5,005.3)	(4,993.7)
Emission rights consumed	(78.7)	(62.9)	(98.9)	(87.9)
GROSS MARGIN	**3,255.7**	**2,857.9**	**2,713.9**	**3,198.3**
Emission rights allocated	65.3	46.2	63.9	73.6
BASIC MARGIN	**3,321.0**	**2,904.1**	**2,777.8**	**3,271.9**
NET OPERATING EXPENSES	**(784.7)**	**(919.9)**	**(884.5)**	**(928.0)**
Net Personnel Expense	**(407.8)**	**(438.1)**	**(434.7)**	**(362.8)**
Personnel	(531.8)	(552.5)	(567.0)	(500.2)
In-house Works	123.9	114.4	132.3	137.4
Net External Services	**(376.9)**	**(481.9)**	**(449.9)**	**(565.2)**
External Services	(486.0)	(570.5)	(524.0)	(694.4)
Other Operating Income	109.1	88.6	74.2	129.3
LEVIES	**(262.9)**	**(252.7)**	**(312.4)**	**(279.0)**
EBITDA	**2,273.3**	**1,731.4**	**1,580.8**	**2,064.9**
AMORTISATIONS AND PROVISIONS	(670.4)	(707.6)	(692.4)	(1,074.9)
EBIT	**1,602.9**	**1,023.8**	**888.4**	**990.0**
Financial Expenses	**(824.8)**	**(522.6)**	**(382.7)**	**(800.7)**
Financial Income	**598.3**	**224.9**	**109.1**	**536.6**
FINANCIAL RESULT	**(226.5)**	**(297.7)**	**(273.6)**	**(264.1)**
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	**7.1**	**11.6**	**10.3**	**(63.6)**
RESULTS FROM NON-RECURRING ASSETS	**21.2**	**(.4)**	**20.7**	**4.3**
PBT	**1,404.7**	**737.3**	**645.9**	**666.5**
Corporate Tax	(325.6)	(167.8)	(58.7)	3.0
Minorities	(64.3)	(20.7)	(7.8)	(7.9)
NET PROFIT	**1,014.8**	**548.9**	**579.3**	**661.6**

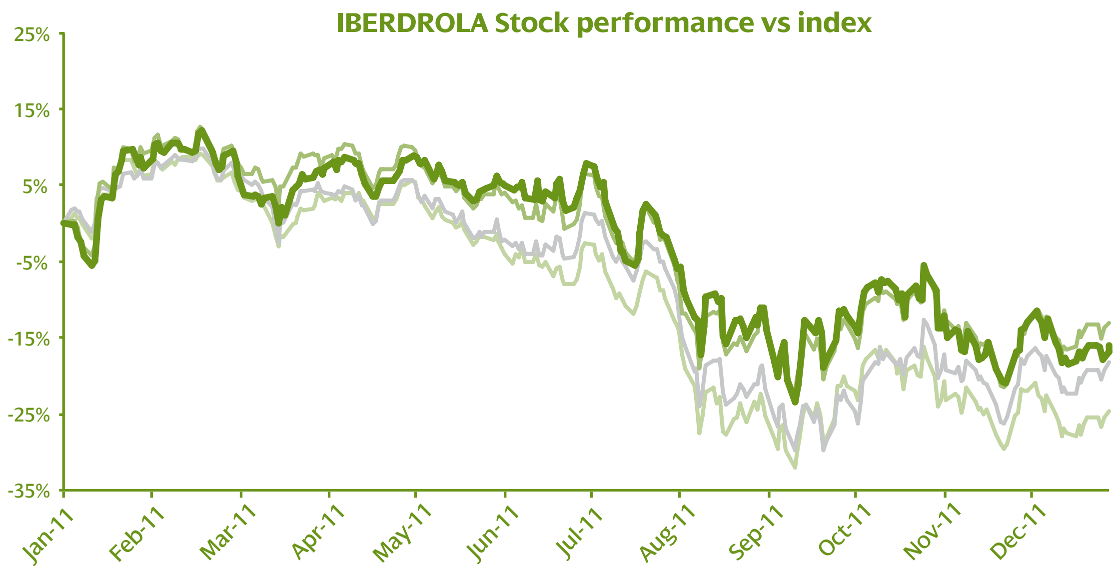
2010	JAN-MARCH 2010	APR-JUN 2010	JUL-SEP 2010	OCT-DEC 2010
REVENUES	**7,687.9**	**7,630.6**	**7,660.1**	**7,452.5**
PROCUREMENTS	(4,363.9)	(4,847.4)	(4,820.9)	(4,361.7)
Emission rights consumed	(99.5)	(72.8)	(99.6)	(120.1)
GROSS MARGIN	**3,224.5**	**2,710.4**	**2,739.6**	**2,970.7**
Emission rights allocated	67.7	43.9	49.8	86.5
BASIC MARGIN	**3,292.3**	**2,754.3**	**2,789.4**	**3,057.2**
NET OPERATING EXPENSES	**(893.2)**	**(868.2)**	**(816.9)**	**(878.5)**
Net Personnel Expense	**(429.7)**	**(464.9)**	**(400.6)**	**(409.6)**
Personnel	(528.8)	(578.8)	(523.6)	(527.7)
In-house Works	99.1	113.9	123.0	118.0
Net External Services	**(463.5)**	**(403.3)**	**(416.3)**	**(468.8)**
External Services	(524.3)	(546.6)	(540.4)	(562.8)
Other Operating Income	60.8	143.3	124.1	94.0
LEVIES	**(221.0)**	**(228.6)**	**(245.4)**	**(213.4)**
EBITDA	**2,178.0**	**1,657.6**	**1,727.0**	**1,965.3**
AMORTISATIONS AND PROVISIONS	(642.1)	(695.4)	(656.8)	(704.0)
EBIT	**1,535.9**	**962.2**	**1,070.3**	**1,261.4**
Financial Expenses	**(596.1)**	**(1,119.3)**	**(273.5)**	**(925.3)**
Financial Income	**298.5**	**730.6**	**(34.2)**	**631.3**
FINANCIAL RESULT	**(297.5)**	**(388.7)**	**(307.7)**	**(294.0)**
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	**9.3**	**1.9**	**8.9**	**7.2**
RESULTS FROM NON-RECURRING ASSETS	**62.9**	**20.8**	**3.7**	**184.4**
PBT	**1,310.5**	**596.3**	**775.2**	**1,159.1**
Corporate Tax	(347.8)	(107.6)	(122.0)	(321.8)
Minorities	(41.0)	56.9	(50.8)	(35.9)
NET PROFIT	**921.7**	**545.5**	**602.4**	**801.3**

Statement of Origin and use of Funds
2011 (Unaudited)

Eur M

	December 2011	December 2010	Difference
EBIT	4,505	4,830	(325)
Amortisations	2,617	2,514	103
Provisions	528	184	344
Other personnel and capitalised costs	(466)	(320)	(146)
Operating Cash Flow	**7,184**	**7,208**	**(24)**
Interest paid	(1,609)	(1,491)	(118)
Interest received	401	242	159
Dividends received from affiliates	9	18	(9)
Taxes	(745)	(599)	(146)
Cash Flow	**5,240**	**5,378**	**(138)**
Dividends paid	(175)		(175)
Acquisition of free-of-charge share allocation rights	(551)	(611)	60
Retained Cash Flow	**4,514**	**4,767**	**(253)**
Total Cash Flow allocations:			
Investments	*(4,002)*	*(5,099)*	*1,097*
Treasury stock	*(115)*	*(56)*	*(59)*
Non core Assets	*3*	*344*	*(341)*
Disposal of Group Companies	*144*	*1,249*	*(1,105)*
Taxes on investment activities		*(91)*	*91*
Pension & Others	*(346)*	*(423)*	*77*
Total Cash Flow allocations	(4,300)	(4,076)	(223)
Capital subsidies	535	503	32
Change in working capital and others	829	(1,141)	1,510
Decrease/(Increase) in debt	**1,562**	**52**	**1,510**
Exchange rate differentials	(253)	(937)	684
Capital Issue	1,902		1,902
Acquisition of Renovables minorities	(2,516)		(2,516)
Elektro financial debt perimeter modification	(502)		(502)
Electro acquisition financing	(1,672)		(1,672)
Decrease/(Increase) in debt	**(1,479)**	**(885)**	**(594)**
Financial debt	(1,549)	(904)	(645)
Capital inst. w/nature of financial liability	70	19	51

Stock Market Evolution



IBERDROLA Share	12 M 2011	12 M 2010
Number of shares outstanding	5,882,490,000	5,483,843,000
Price at the end of the period	4.839	5.768
Average Price of the period	5.57	5.70
Average daily volume	39,287,252	42,020,859
Maximum volume (12-22-2011 / 12-27-2010)	136,881,802	259,888,677
Minimum volume (07-04-2011/12- 28-2010)	12,732,431	12,051,202
Dividends paid (€)	0.337	0.342
Interim (12-22-2010 / 12-30-2009)	0.146 (1)	0.146 (1)
Final dividend (07-13-and 08-01-2011/07-01-2010)	0.186 (2)	0.191 (1)
Attendance bonus	0.005	0.005
Dividend yield (4)	6.96%	5.93%

(1) IBERDROLA guaranteed fixed price for the rigths.
(2) Final dividend in cash (13/07/2011) = Eur 0.03/share and guaranteed purchase price of the rights by Iberdrola (01-08-11) = Eur 0.156.
(3) Last two dividends paid and 2010 Shareholders' Meeting attendance bonus / end-of-period price.

APPENDIX - Iberdrola and Sustainability

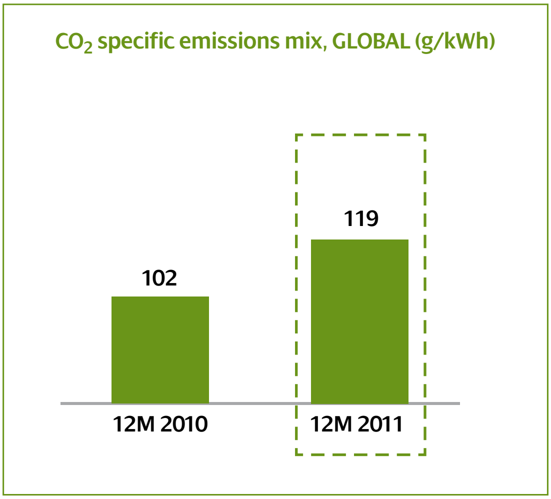
Iberdrola's contribution to sustainable development is reflected in several corporate responsibility practices that meet the needs and expectations of its interest groups, with whom the Company maintains a combination of open communication channels and dialogue. These channels are used for communicating 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.

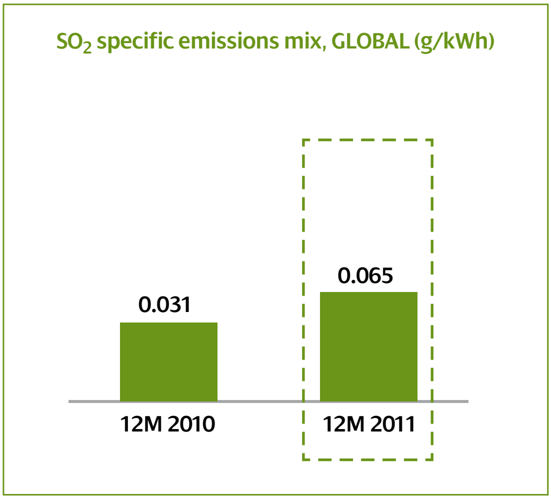
1. SUSTAINABILITY INDICATORS

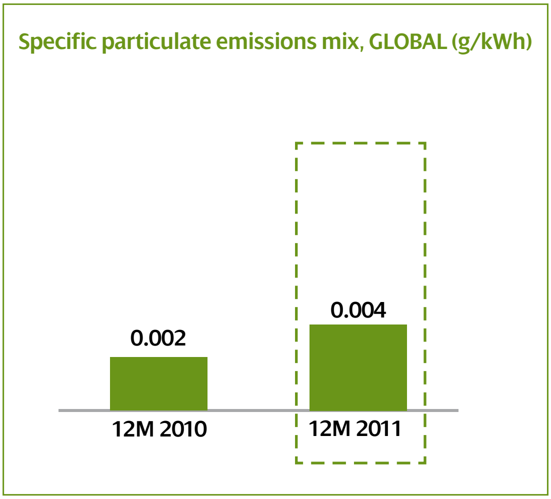
Sustainability Indicators	12 M 2011	12 M 2010
Contribution to GDP (Gross Margin) (*)	0.58%	0.57%
Contribution to GDP (Net Revenues) (*)	1.54%	1.54%
Investments in equipment (EUR million)	4,002	5,099
Investment in clean generation (EUR million)	1,937	3,344
Net profit (EUR million)	4,505.1	4,829.7
Dividend yield (%) (**)	6.96%	5.93%
CO_2 emissions in the period (gr. CO_2 /kWh). Total	242	256
CO_2 emissions in the period (gr. CO_2 /kWh). Spain	119	102
Total emission-free production (GWh)	70,744	73,150
Spain emission-free production (GWh)	50,325	57,014
Emission-free production out of total production (%)	49%	48%
Spain emission-free production out of total production (%)	79%	79%
Total emission-free installed capacity (MW)	26,793	25,548
Spain emission-free installed capacity (MW)	17,867	17,711
Total emission-free installed capacity (%)	58%	57%
Spain emission-free installed capacity (%)	70%	70%

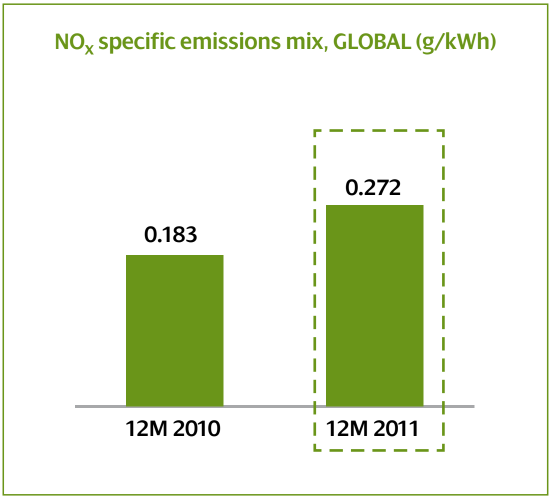
(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE. Data calculated with the organization structure).
(**) Last two dividends paid and Shareholders' Meeting attendance bonus / end-of-period price.

Development of specific thermal mix emissions, Global: CO_2, SO_2, particles and NO_X.









2. INDICES, RANKINGS AND RECOGNITIONS

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

Sustainability	
Sustainability	**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 4Good
Storebrand Investment SRI	Best in Class, 2nd global utility
Global 100 Most Sustainable Corp. in the World 2011	IBERDROLA among the 100 most sustainable companies in the world for the sixth 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 greenhouse 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 2011	Classified as "Gold Class" in the electricity sector.
European Business Awards 2011	Ruban D´Honeur 2011
Green Rankings 2011 Newsweek	IBERDROLA, one of 10 Spanish companies and 21 global utilities selected
ET Carbon Ranking Globlal 800	IBERDROLA, first and only Spanish utility.

Corporate Reputation	
MERCO 2011	Leader among Spanish utilities: energy, gas, and water industry
OEKOM Research	Prime Category

3. CONTRIBUTION TO SOCIAL DEVELOPMENT

The most significant actions of IBERDROLA during financial year 2011, with regards to social commitment, have been:

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

- **CSR Committee at IBERDROLA Engineering**
  IBERDROLA Engineering has created the Corporate Social Responsibility (CSR) Committee, which will promote and coordinate sustainability strategies and actions within its scope of action. Thus, the structure of geographic or business-based committees is undergoing completion which, under the oversight of IBERDROLA's Reputation Committee, has a mission to extend and apply the global CSR and Reputation strategy across the Group.

- ***Corporate Excellence* Foundation**
  IBERDROLA, together with other major Spanish companies, has created the *Corporate Excellence* Foundation, with the mission of becoming a centre of international prestige in the field of intangible assets management and corporate reputation, as strategic values of business excellence.

- **IBERDROLA in the Global 100 for the 6th consecutive year**
  IBERDROLA ranks as the world's top electricity company in the 2011 *Global 100 Most Sustainable Corporations in the World index,* presented in Davos (Switzerland) during the World Economic Forum. There are just three Spanish companies in the 2011 index, with IBERDROLA as the only Spanish electricity company.

- **IBERDROLA recognised for its climate change strategy**
  Our Company was included among the top five Spanish companies for its climate change strategy, according to the Spain 2010 Carbon Disclosure Project report prepared by the Ecology and Development Foundation and the Carbon Disclosure Project (CDP).

  In addition, it was the only Spanish utility included in the Carbon Performance Leadership Index (CPLI), which highlights the world's top 48 companies recognised for their good strategies and procedures against climate change.

- **IBERDROLA achieves its best score in the Dow Jones Sustainability Index**
  IBERDROLA is the only utility selected in the 12 editions of the prestigious Dow Jones Sustainability Index (DJSI). In the 2011 edition, it has achieved its best score since it joined that Index, reaching the top position in the economic dimension, and improving in the environmental and social dimensions.

- **Other recognitions**
  IBERDROLA RENEWABLES has received the prestigious *Queen's Award* for its commitment to sustainability. The Queen of England has supported the proposal of Prime Minister David Cameron to award the prize to the company with the strongest commitment towards sustainable development to ScottishPower Renewables.

  ScottishPower has received 4 prizes of the 10 categories in the 2011 *Scottish Business in the Community Awards.*

IBERDROLA Engineering is Europe's leading energy engineering company in terms of excellence, after receiving the EFQM Certificate awarded by the Club of Excellence.

For the sixth consecutive year, IBERDROLA has the best corporate reputation among Spanish energy companies, according to the classification made by the Spanish Corporate Reputation Monitor (MERCO). In addition, IBERDROLA has been awarded the 2011 prize to the best company by the Spanish Chamber of Commerce in Italy, for the company's work in promoting renewable energies in the country.

The University of Salamanca has awarded Iberdrola's President Ignacio Galán an *"honoris causa"* degree for his contribution to the business research and innovation that has made IBERDROLA one of the world's leading companies in the energy sector and one of the leading companies in the field of sustainability.

3.2.- Relations with Stakeholders

- **Regional Advisory Boards**

  Working meetings were held with 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 received significant international recognition from the prestigious Institutional Investor Research Group:

  - IBERDROLA, best European utility company of the year, top Spanish company and one of the five top companies in continental Europe.
  - IBERDROLA RENEWABLES, best European renewable energy company, sharing first place with IBERDROLA as top Spanish company.
  - The Chairman of the IBERDROLA Group, best CEO of European utility companies.

- **Customers**

  IBERDROLA has renewed its commitment to the Consumer Arbitration System in the autonomous communities of Castilla-La Mancha, La Rioja, Navarra and Catalonia, and in a second phase it has joined the system of seven other communities: Aragón, Asturias, Canary Islands, Castilla-León, the Valencian Community, Extremadura and Galicia. Thus, our Company agrees to submit to arbitration in claims relating to customer care, contracting, invoicing and collection.

  Likewise, it has taken part in training seminars with technical experts from the Consumers Union of Spain (in Valladolid) and the Municipal Consumer Information Offices (of Alicante).

- **Entrepreneurs**

  IBERDROLA Inmobiliaria has launched two initiatives, with the aim of supporting the first steps taken by entrepreneurs in our country:

  It has signed an agreement with CEAJE (the Spanish Confederation of Young Entrepreneurs Associations) to facilitate access to office buildings, industrial warehouses and commercial stores where they can set up their companies, under special conditions. This agreement may benefit the more than 18,000 members of CEAJE.

  IBERDROLA Inmobiliaria has also set up, along with the Young Entrepreneurs Association of Cádiz, the first Ideas Competition: "We'll launch your Business".

- **Environment**

  The IV IBERDROLA Environmental Forum was held, focusing on the Company's Environmental Management System. This Forum confirms IBERDROLA's commitment to constructive dialogue with its stakeholders which this year included NGOs, academic institutions, research centres and investment analysts.

- **Social Networks**

  IBERDROLA has continued to reinforce its presence within social networks and digital media in order to strengthen its online communication policy and promote transparency of information with its stakeholders. It currently has corporate channels on Twitter, Flickr, YouTube and Slideshare.

3.3.- Staff

- **Recognition from the Vizcaya Association of Entrepreneurs and Executives**

  IBERDROLA received the Premio Empresarial award from the Association of Entrepreneurs and Executives (AED) in Bilbao in recognition of its advances in favour of equal opportunity, non-discrimination and respect for diversity.

- **Volunteer Programme**

  Within the IBERDROLA Volunteer Programme, in which 10% of the staff takes part, the following stand out in this period:

  - **Volunteer Portal.** This has completed its first year in operation, each month offering employees more than 450 projects in which they can participate.

  - **4th IBERDROLA Tree Day.** As an action associated with the celebration of the International Year of Forests, IBERDROLA held its fourth Tree Day in Bermeo (Vizcaya), with customers of the Gorabide association for the disabled.

  - **Computer literacy project.** IBERDROLA joined an initiative promoted by the Tomillo Foundation in Madrid, with the objective of improving computer literacy among the most disadvantaged groups.

  - **Volunteer Days.** A series of volunteer days devoted to games and sports and aimed at people with disabilities in the Valencian Community, Madrid, Castilla-León, Extremadura, Castilla La Mancha and the Basque Country have been held.

- **2nd International Volunteer Day.** The IBERDROLA International Volunteer Day was held, with the participation of 500 employees from Spain, United Kingdom, United States, Brazil and Mexico.

- **"Citizens" Award.** IBERDROLA received the "Citizens" award for its Corporate Volunteer Programme, conferred by the Asociación Premios Ciudadanos (Citizens Awards Association) and Foro Debate Ciudadano (Citizens Debate Forum).

- **Subscription to the European Road Safety Charter**
  After satisfying a series of requirements established by the evaluation committee, IBERDROLA formalised its commitment to the road safety of its employees by subscribing to the European Road Safety Charter, sponsored directly by the European Commission, with the aim of preventing traffic accidents.

- **"Parents' School"**
  IBERDROLA has launched the new "Parents' School", a pioneering initiative in Spanish business, which is part of its commitment to addressing the work/family life balance. The aim of this programme is to facilitate relationships between parents, children and the company, in order to encourage a responsible understanding of how to balance work and family life.

- **IBERDROLA Engineering renews its EFR Certificate**
  IBERDROLA Engineering successfully passed the external audit required to maintain, for the second consecutive year, the Empresa Familiarmente Responsable (EFR) Certificate as a family-responsible business.

3.4 Community Action

a) Energy Sustainability

- University of Salamanca IBERDROLA Chair. Four one-year research grants have been awarded for research into issues relating to energy and sustainability. The University of Salamanca made the selection after IBERDROLA had approved the candidates.

- Collaboration in the Programmes of Recovery of Endangered Species in the Region of Madrid. In the last quarter an agreement was signed with the Department of the Environment of the Regional Government of Madrid to support its programmes to recover the Spanish imperial eagle and the black stork, two representative species of the Region that are in danger of extinction.

- Urban and Woodland Community Projects. We have collaborated with various urban and woodland community projects in Glasgow, Liverpool and North Wales with the help of ScottishPower volunteers.

b) Art and Culture

- "Románico Atlántico" Restoration Project. The IBERDOLA Foundation is continuing this ambitious project to recover 29 places of worship in Northern Portugal, Salamanca and Zamora. In November, the first phase of the intervention in San Martín de Castañeda was completed, focusing on improving and waterproofing the roof of the church in order to put an end to its damp problems. At the end of the year, the work on the church of San Felices de los Gallegos in Salamanca was completed, in order to equip it with a more efficient electrical installation and to guarantee the preventive conservation of the church. The intervention in the chapel of Hinojosa de Duero in Salamanca was also completed. In addition, the preliminary technical studies for the restoration of the churches of San Pedro de la Nave (Campillo) and Santa María de Sejas (Sanabria) in Zamora were completed. In December, the intervention in the churches of Sao Bento in Castro de Aveläs, Sao Pedro in Roriz and Algosinho in Mogadouro (all of them in Portugal) began. These projects will conclude in the first quarter of 2012.

- National Prado Museum Restoration Project. The restoration works on Rogier van der Weyden's Calvary continue. In December, the Museum presented the restorations of the sculptural group *Ariadna* and Velázquez's Equestrian Portraits, in addition to the painting The *Wine of Saint Martin's Day* by Pieter Bruegel the Elder.

- Interior lighting of the Parish Church of San Antonio Abad in El Toboso, Toledo. Within the framework of the agreement signed with the Town Council of El Toboso, in December, the artistic lighting project for the interior of the Church was initiated. The project will provide the church with a modern lighting system, consistent with its monumental character and the richness of its furnishings.

- Other lighting projects. In the last quarter of 2011, several agreements of collaboration were signed to carry out the following lighting projects in 2012: restoration and lighting of the Chapel of the Tapestries of the Royal College-Seminary of Corpus Christi (Valencia), the interior lighting of the Real Colegiata in Toro (Zamora), interior and exterior lighting of the Mosque of Cristo de la Luz (Toledo), exterior lighting of the Parish Church of Valdemorillo (Madrid) and lighting of the Oratorio de San Felipe Neri (Cádiz).

- Celtic Connections Festival. Once again, ScottishPower is to be the main sponsor of this music festival this year. The announcement of the 2012 Celtic music festival was made at a press conference in October. The call for the ScottishPower Powerful Performance competition was launched at all secondary schools in Scotland.

c) Cooperation and Solidarity

- IMPLICADOS Project. This financial year, all pending commitments of this project involving the creation of employment opportunities for people with disabilities, have been fulfilled. Through several programmes and agreements of collaboration, this year, the total amount of funds donated to the Foundation as alternative measures to compliance with the LISMI (Law 13/1982 of April 7, on Social Integration of the Disabled) has been used up.

- Collaboration with the Theodora Foundation. Together with the Theodora Foundation, the largest hospital clown organisation in Spain, the initiative "IBERDROLA Tuesdays" has been launched. This initiative will finance all the visits of the Smile Doctors every Tuesday in 2012 to six hospitals across Spain.

- Collaboration with the Red Cross. Agreement has been reached with the Red Cross to collaborate in the distribution of hygiene packs for the homeless. The aim is to reach

4,400 families (current beneficiaries of Red Cross projects) plus those derived from the municipal social services, in 4 to 6 Spanish provinces.

- Your Champions & Your Heroes. These awards recognise those people who have contributed significantly to their local community. The Your Champions awards were held in Chester and Llandudno, in the North of Wales, at the end of the year.

4. CORPORATE GOVERNANCE

IBERDROLA's corporate governance highlights during financial year 2011 were as follows:

- On 19 January 2011, the subsidiary, Iberdrola Energia do Brasil, Lda., signed a purchase contract with Ashmore Energy International, in order to acquire all the direct and indirect holding (99.68%) of this company in the company Elektro Electricidade e Serviços, S.A. This transaction was carried out on 27 May 2011, having fulfilled the conditions pre-established in the contract, as stated in the relevant event published on 28 May 2011.

- On 24 January 2011, 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 750 million.

- On 26 January 2011, IBERDROLA informed the CNMV of the resolution of Ordinary Case No. 411/2010 before Commercial Court No. 1 of Bilbao, which the shareholder Residencial Monte Carmelo, S.A. (ACS Group) had brought against IBERDROLA, requesting a declaration nullifying the resolutions adopted under points fourteen and fifteen of the agenda of the IBERDROLA General Shareholders' Meeting held on 26 March 2010.

- The judgement dismissed the claim of Residencial Monte Carmelo, S.A., finding that the IBERDROLA Group and the ACS Group are competitors in the renewable energy and industrial engineering sectors, which have strategic importance for the IBERDROLA Group. The judgement also stated that a risk of competition exists between the two groups in other business areas (electric cars and energy saving services), as well as opposing interests in their customer/supplier relations.

- According to the judgement, the removal by the IBERDROLA General Shareholders' Meeting of the directors (incumbent and deputy) designated by Residencial Monte Carmelo, S.A. through the proportional representation system is justified and founded on the need to preserve the Company's interests against harm deriving from access to significant information on the part of a director appointed by a competing company.

In addition, the Provincial Court of Biscay, on 20 January 2012, confirmed the above-mentioned ruling of the Commercial Court which also entirely dismissed the claim filed by ACS, confirming the full validity and legitimacy of the decisions adopted by the shareholders of Iberdrola at the General Meeting of 25 March 2010, based on the following main grounds, which the Court adopts as its own and are thus considerably reinforced:

1. The IBERDROLA and ACS Groups are competitors in the sectors of renewable energies and industrial engineering and also have conflicting economic interests in other business areas, specifically in the development of electric cars, in energy savings services and in their customer/supplier commercial relations.

2. This competition between both Groups is significant because it occurs in sectors that are very important within their respective business strategies.

3. The removal by the General Shareholder Meeting of IBERDROLA of the directors appointed by the ACS Group in the exercise of their right to proportional representation, is legally covered by article 132.2 of the former Corporations Act (LSA in its Spanish acronym) (art. 230 of the current Capital Companies Act -LSC-) which is based on the need to preserve the company's interest and prevent any damages derived from the access to relevant information by a director appointed by a competing company. The protection of IBERDROLA's company interest must always prevail over the shareholders' right to proportional representation.

– The Board of Directors of IBERDROLA, in its meeting of 22 February 2011, prepared the annual accounts and individual management reports of the Company consolidated with its subsidiaries, corresponding to the financial year ending 31 December 2010, 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 allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named "*Iberdrola Flexible Dividend*", all of which were approved in the General Shareholders' Meeting held on 27 May 2011, referred to below.

In connection with the first execution of the paid-up capital, on 11 July 2011, IBERDROLA informed the CNMV of the following facts:

i. The maximum number of shares to be issued in the first execution is 153,215,684.

ii. The number of free allocation rights needed to receive one new share is thirty eight.

iii. The maximum nominal amount of the first execution amounts to EUR 114,911,763.

iv. The acquisition price of each free allocation right under the purchase commitment made by IBERDROLA, S.A. is EUR 0.156.

On 28 July, IBERDROLA published as part of the first execution of the increase in paid-up share capital (*Iberdrola Flexible Dividend*), the issue of 60,294,000 new paid-up shares.

Also, on 4 August, the Company announced the dates for listing and the commencement of the ordinary trading of the new shares.

As of that date, IBERDROLA's share capital stands at EUR 4,411,867,500, comprising 5,882,490,000 shares with a nominal value of EUR 0.75 each, fully subscribed and paid.

Subsequently, on 22 November 2011, IBERDROLA announced the second execution of the increase in paid-up share capital approved by the General Shareholders' Meeting.

In this regard, on 30 December 2011, the Company informed the CNMV of the following details:

i. The maximum number of shares to be issued in the Second Execution is 183,827,812.

ii. The number of free allocation rights needed to receive one new share is 32.

iii. The maximum nominal amount of the Second Execution amounts to EUR 137,870,859.00.

iv. The acquisition price of each free allocation right under the purchase commitment made by Iberdrola, S.A. is EUR 0.146.

As at the date of presenting this Results Report, and after executing the second increase in capital, IBERDROLA's share capital stands at EUR 4,479,648,750.00, comprising 5,972,865,000 shares with a nominal value of EUR 0.75 each, fully subscribed and paid.

– On 24 February 2011, IBERDROLA submitted to the CNMV its results and *Annual corporate governance report* corresponding to financial year 2010.

– On 8 March 2011, the Board of Directors of IBERDROLA agreed to propose to IBERDROLA RENEWABLES the merger by absorption of this company, a transaction which was approved by the General Shareholders' Meetings held by both companies on 27 May and 1 June 2011, respectively, and which was completed on 8 July 2011, with the registration in the Companies Register of Vizcaya, as stated in the corresponding relevant event published on this latter date.

  The Company has executed a treasury share repurchase programme based on the exchange ratio of IBERDROLA RENEWABLES shares for IBERDROLA shares, the start and end figures of which were contained in the relevant event notifications published on 14 March and 4 July 2011, respectively.

This transaction was completed on 8 July 2011, after the entry, in the Companies Register of Vizcaya, of the public deed of the merger between IBERDOLA (as the acquiring company) and IBERDROLA RENEWABLES (as the acquired company), the consequence of which was that IBERDROLA RENEWABLES was made extinct.

– On 14 March 2011, IBERDROLA signed a Strategic Memorandum of Understanding with Qatar Holding LLC, which led to an increase of capital excluding preferential subscription rights and a sale of treasury shares in order to enable Qatar Holding Luxembourg II S.à R.L. (a company whose sole shareholder is Qatar Holding LLC.) to take a holding of 6.16% in the resulting share capital.

  The current participation of the significant shareholders in the share capital is available on the corporate website www.iberdrola.com.

– On 30 March 2011, 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 750 million.

– On 31 May 2011, Iberdrola Generación, S.A. signed an agreement for the long-term supply of liquefied natural gas to BP Gas Marketing Limited, at a rate of 0.5 bcm (billion cubic metres) of gas per year, for a period of 10 years, starting in 2012.

– On 21 June 2011, the Board of Directors of IBERDROLA agreed to appoint as the new Chairman of the Audit and Risk Committee, Mr. Julio de Miguel Aynat, until then Secretary of the Committee; to appoint as new Secretary of the Audit and Risk Committee Mr. Santiago Martínez Lage, ordinary member of said Committee, in replacement of Mr. de Miguel Aynat; and to appoint as new Legal Advisor to the Board of Directors of IBERDROLA Mr. Rafael Mateu de Ros Cerezo, in replacement of Mr. Federico San Sebastián Flechoso.

– On 22 June 2011, Iberdrola Financiación, S.A. signed, with the unconditional and irrevocable guarantee of IBERDROLA, a loan in Euros for an amount of EUR 1,500 million, at a Euribor reference interest rate with a margin of one hundred and five basis points (1.050%), and a multi-currency revolving credit for an amount of EUR 1,500 million or its equivalent in another currency, at a Euribor or Libor reference interest rate, depending on the currency used, plus a margin of seventy basis points (0.70%), both adjustable depending on the variation of IBERDROLA's rating, with a term of 5 years.

– On 12 July 2011, the Company submitted its energy production figures for the first half of 2011.

– On 21 July 2011, IBERDROLA submitted its Presentation of Results for the first half of 2011 to the CNMV.

– On 28 July 2011, the Company announced the early termination of the strategic agreement signed on 23 September 2009 between IBERDROLA RENOVABLES, Gamesa Energía, S.A. Unipersonal and Gamesa Corporación Tecnológica, S.A.

– On 27 September 2011, the Board of Directors of IBERDROLA approved the transfer of the Company's registered office, within the municipal boundary of Bilbao, to No. 5 Plaza Euskadi, 48009, and, consequently, to amend Article 4.1 of the Articles of Association.

– On 13 October 2011, 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 600 million.

– In addition, on 14 October 2011, the Company submitted its energy production figures for the third quarter of 2011.

– In addition, on the same date, the Board of Directors agreed to appoint Mr. Rafael Mateu de Ros Cerezo, legal advisor to the Board of Directors of Iberdrola, as the new Secretary of the Nominating and Compensation Committee, replacing Mr. Federico San Sebastián Flechoso.

– On 27 October 2011, IBERDROLA submitted its Presentation of Results for the third quarter of 2011 to the CNMV.

– Additionally, on 21 December 2011, IBERDROLA announced the framework agreement between Iberdrola, S.A. and Gamesa Eólica, S.L. Unipersonal regarding the supply and maintenance of wind turbines.

– Finally, on 10 January 2012, Commercial Court number 2 of Bilbao entirely dismissed the suit filed by ACS against IBERDROLA, by which it contested certain agreements adopted by the General Shareholders' Meeting of IBERDROLA, held on 27 May 2011, by which a series of modifications were introduced in the Company Articles of Association and in the Regulations of the General Shareholders' Meeting in order to improve the protection of the company's interest, all of which the Court has declared to be in accordance with Law.

The 2011 General Shareholders' Meeting

On 27 May 2011, the General Shareholders' Meeting of the Company was held, upon first notification, with a quorum of 82.34% of the share capital (28.97% present and 53.38% represented), with the approval of each and every agreement put to vote that had been included in the agenda of the call to the meeting published on 14 April 2011, as detailed below:

– **Agreements relating to the annual financial statements, corporate management and re-election of the Company Auditor**
  The General Shareholders' Meeting approved the individual annual accounts of IBERDROLA consolidated with its subsidiaries corresponding to the financial year 2010, as well as the individual management reports consolidated with its subsidiaries, in addition to corporate management and performance of the Board of Directors during the financial year 2010.

  Furthermore, the General Shareholders' Meeting approved the re-election of Ernst & Young, S.L. as the accounts auditor of the Company and the consolidated Group for financial year 2011, including the delegation in favour of the Board of Directors of the powers necessary to enter into the corresponding service contract with Ernst & Young, S.L.

– **Agreement relating to shareholder compensation**

The General Shareholders' Meeting approved the appropriation of earnings proposed by the Board of Directors, which includes the payment of a dividend corresponding to the financial year 2010 of EUR 0.030 gross per share with rights to such payment.

In addition, the General Shareholders' Meeting approved an increase in paid-up share capital by issuing new ordinary shares of the Company, with a maximum reference market value of EUR 1,909 million for the allocation of the new shares to the shareholders of the Company.

This capital increase was agreed in order to offer all the shareholders of the Company, in each execution of the increase, new issue paid-up shares or, eventually, through the transmission of rights of cost-free allocation that shareholders receive for the shares they hold, to obtain a value equivalent to traditional dividend payments, without altering the Company's shareholders' compensation policy.

– **Agreements relating to the remuneration of the executive directors, top management and other management personnel by delivery of Company shares and the authorisations and delegations expressed which are required for the Board of Directors**

The General Shareholders' Meeting approved a Strategic Bonus aimed at executive directors, top management and other management personnel linked to achieving strategic goals during the 2011-2013 period and to be paid with Company shares, including the delegation in favour of the Board of Directors of the powers necessary to implement, develop, formalise and execute the Strategic Bonus.

The General Shareholders' Meeting also approved the granting of the following authorisations and delegations in favour of the Board of Directors:

- Authorisation, for a period of five years, to increase the share capital in accordance with Article 297.1.b) of the Capital Companies Act, up to half the share capital on the date of authorisation, including the delegation of the power to exclude preferential subscription rights regarding the increases of capital that it may agree under this authorisation, although this power, together with that established in the following point, shall be limited to a maximum nominal amount, in total, equivalent to 20% of the share capital on the date of authorisation.

- Authorisation, for a period of five years, to issue convertible and/or redeemable bonds or obligations of the Company or other companies of its Group or not, and warrants on new issue shares or outstanding shares of the Company or other companies of its Group or not, up to a maximum limit of EUR 5,000 million, including the delegation of the necessary powers to establish the basis and the ways of conversion, redemption or exercise, as well as, in the case of convertible obligations and bonds and the warrants on new issue shares, to increase the capital by the amount necessary to cover the requests for conversion of the obligations or exercise of the warrants, with the power, in the case of issues of convertible and/or redeemable securities, to exclude the preferential subscription rights of the shareholders of the Company, although this power, together with that established in the previous points, shall be limited to a maximum nominal amount, in total, equivalent to 20% of the share capital of the Company on the date of authorisation.

- Authorisation, for a period of five years, to issue: a) simple bonds or obligations and other fixed income securities of a similar nature (other than notes), as well as preference shares, up to a maximum limit of EUR 20,000 million, and b) notes up to a maximum limit at each time, regardless of the above, of EUR 6,000 million, including authorisation for the Company to guarantee within the limits established above, the new issues of securities made by the subsidiaries.

- Authorisation to request admission and exclusion for trading in secondary markets of the securities that have been issued or will be issued by the Company, as well as to adopt any agreements deemed necessary for the Company's outstanding stock to remain in trading.

- Authorisation to set up and endow associations and foundations up to a total amount of EUR 10 million per year and for a maximum term that shall conclude on the date of the General Shareholders' Meeting that approves the annual accounts of financial year 2011.

– **Agreements relating to changes in the Articles of Association and Regulations**
In addition, the General Shareholders' Meeting approved the modification of the Company's Articles of Association and the Regulations of the Company's General Shareholders' Meeting, as well as the respective amended texts of these documents.

– **Agreement relating to the operation of the merger by absorption of "Iberdrola Renewables, S.A."**
Additionally, the General Shareholders' Meeting approved the common project of merger by absorption between IBERDROLA RENEWABLES (as the absorbed company) and IBERDROLA (as the absorbing company), as well as the consolidated balance sheet and the merger between both companies by means of the absorption of the former by the latter, leading to the absorbed company's dissolution without liquidation and the transfer en masse of its assets to the Company.

The merger is carried out in accordance with the common merger project, which was approved by the Boards of Directors of both companies in meetings held on 22 March 2011 and inscribed in the Companies Registers of Biscay and Valencia on 25 and 29 March 2011, respectively. The full text of the common merger project was published by means of a notification of a relevant event on 14 April 2011.

The redemption rate was determined on the basis of the real value of the corporate assets of IBERDROLA and IBERDOLA RENEWABLES and shall be 0.30275322 IBERDOLA shares – with a nominal value of EUR 0.75 each – for each share of IBERDOLA RENEWABLES – with a nominal value of EUR 0.50 each.

The capital increase approved under section four of this point of the agenda was not put to vote, given that all of the shares to be handed over to the shareholders of IBERDROLA RENEWABLES for the merger exchange were to come from the Company's treasury shares.

– **Agreement relating to general matters**

In addition, the General Shareholders' Meeting agreed to give powers to the Board of Directors, which may delegate interchangeably to the Delegate Executive Committee, to Mr. José Ignacio Sánchez Galán, Chairman and CEO, or to Mr. Julián Martínez-Simancas Sánchez, General Secretary and Secretary of the Board of Directors, to formalise and execute any agreements adopted by the General Shareholders' Meeting, in order to notarise them and interpret, correct, complement or develop them until the corresponding inscriptions are achieved.

– **Consultative vote**

Lastly, there was a consultative vote at the General Shareholders' Meeting regarding the Report on the Directors' Compensation Policy of IBERDROLA, S.A. in the current financial year (2011) and application of the compensation policy in force in the previous year (2010), resulting in the support by a great majority of the shareholders present or represented at the General Meeting.

Additionally, the shareholders were informed that, no later than 30 June 2011, the shares present or represented at this General Meeting would be paid the attendance bonus of EUR 0.005 gross per share, as agreed by the Board of Directors in its meeting held on 12 April 2011.

Corporate Governance System

IBERDROLA permanently updates its Corporate Governance System, which is the set of documents comprising the Company's Articles of Association, the Corporate policies, the internal regulations of corporate governance 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 respond 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 policy of corporate governance is an updated summary of the Company's Corporate Governance System.

During financial year 2011, the following updates and revisions of IBERDROLA's corporate governance System, which were notified as relevant events to the CNMV, have been carried out:

– The Meeting of the Board of Directors of IBERDROLA held on 27 May 2011, after the General Shareholders' Meeting held on the same day, approved the partial modification of the *Regulations of the Board of Directors of the Company*, of the *General Policy of Corporate Governance of Iberdrola, S.A.* and of the *Policy of Compensation of Iberdrola, S.A.'s Directors,* in order to adapt the content of these policies to the changes in the *Articles of Association* approved on that date.

– On 26 October 2011, the partial reform of IBERDROLA's corporate governance system was notified, including:

  i. The amendment of the *Regulations of the Board of Directors* and the *Regulations for the Electronic Shareholders' Forum* to adapt to certain rights of shareholders in listed companies,

  ii. the creation of ethics boxes for professionals and shareholders to report any potentially transcendent irregularities, amending the *Regulations of the Audit and Risk Committee,* the *Code of Ethics* and the *General Policy of Corporate Governance,* as well as

  iii. the approval of the *Policy of information and relations with shareholders and the markets.*

– On 13 December, the Company notified the CNMV of the partial reform of its corporate governance System:

  i. The amendment of the *Regulations of the Board of Directors* and the approval of its consolidated text to adapt it to IBERDROLA's *Style Manual,* as well as other improvements regarding the legal advisor of the Board of Directors and the secretaries of the advisory committees that are not directors, of the duties established for the secretary and the vice-secretary of the Board of Directors and the redistribution of certain functions among the advisory committees,

  ii. the revision of the Regulations of the Audit and Risk Committee, the Nomination and Remuneration Committee and the Corporate Social Responsibility Committee, in order to adapt them to the *Style Manual* and reflect the functions of the advisory committees,

iii. updating the *Corporate Policies* and adapting them to the Style Manual and, lastly,

iv. approving the new versions of the *Code of Ethics for Directors*, the *Code of Ethics* and the *Procedure for conflicts of interest and related party transactions with directors, significant shareholders and top management* in order to reflect the new functions attributed to the advisory committees of the Board of Directors.

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 2011 to ensure that institutional investors and financial analysts are kept fully informed.

The most significant events concerning the Company and all the relevant information that it discloses (with a possible impact on the share price) were first reported to the Spanish Securities Market Commission (CNMV) as a relevant event.

CNMV: Relevant Events from October to December 2011

Date	Event	Registration No.
06/10/2011	The company reports the date for submitting results of the third quarter of 2011.	151025
13/10/2011	The company announces an issue for an amount of six hundred million Euros in the euromarket by Iberdrola Finanzas, S.A.U., guaranteed by Iberdrola S.A.	151528
14/10/2011	The company reports its Energy Production figures as at the end of the third quarter of 2011	151532
26/10/2011	The company informs of its partial reform of the Corporate Governance System and the appointment of the new secretary of the Nomination and Remuneration Committee.	152324
26/10/2011	The company sends information regarding the terms and conditions under which the second execution of the increase in paid-up capital approved by the General Shareholders' Meeting, to be subjected to approval by the Board of Directors, could be carried out.	152348
27/10/2011	The Company issues information regarding the Results of the third quarter of 2011.	152390
152402		
22/11/2011	The company reports the approval of the second execution of the increase in paid-up share capital approved by the General Shareholders' Meeting held on 27 May 2011, under point six of the Agenda and publication of the corresponding informative document.	153591
13/12/2011	The company reports on the partial reform of the Corporate Governance System.	154647
21/12/2011	The company informs of the signing of a framework agreement between Iberdrola, S.A. and Gamesa Eólica, S.L.U. regarding supply and maintenance of wind turbines, replacing the framework agreement signed by Iberdrola Renewables, S.A. and Gamesa Eólica, S.L.U. on 13 June, 2008.	155307
30/12/2011	The company provides supplementation to the information document relating to the second execution of the increase in paid-up share capital approved by the General Shareholders' Meeting of 27 May 2011.	155941

IBERDROLA informs you that the data used to send you this information are included in a file property of IBERDROLA, S.A., with the only purpose of sending you financial information about the Company. Such data were included in our file either at your request or due to previous relations held between you and IBERDROLA.

As stated by the Organic Law 15/1999 of 13 December on the Protection of Personal Data (Ley Orgánica de Protección de Datos de Carácter Personal, LO 15/1999), you can at any time exercise your rights of access, rectification, objection and cancellation on your personal data. Should this be the case, you must send a letter, with a photocopy of your identity card or passport attached, to the following address:

IBERDROLA, S.A.
Investor relations
C/ Tomás Redondo, 1
28033 – Madrid (Spain)

Notwithstanding this, if you are not interested in receiving any more information related to IBERDROLA, please let us know by calling the toll free line +34 900 10 00 19.

IBERDROLA

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