



IBERDROLA

Firsthalf
Results2006
Quarterly report



Balance Sheet

January - June 2005

	Million euros	vs. Dec . 2005
TOTAL ASSETS	32,013	5.0%
TANGIBLE & INTANG.		
FIXED ASSETS	21,533	0.9%
LONG-TERM INVESTMENTS	2,025	24.2%
SHAREHOLDERS' EQUITY	9,795	4.0%
NET DEBT	13,605	11.4%

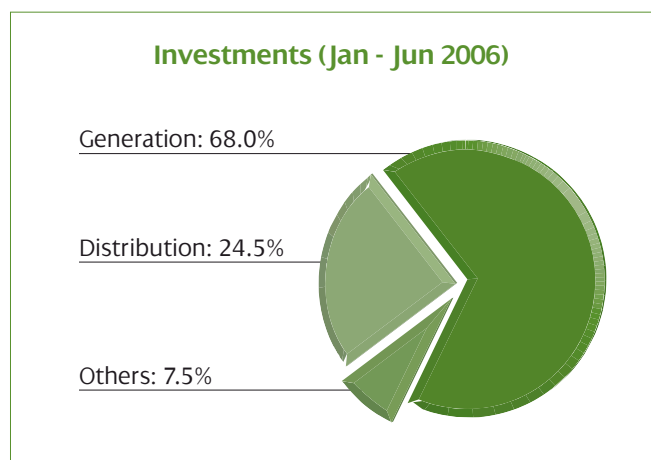
The balance sheet of Iberdrola at June 30, 2006, presents Total Assets of 32,013 million euros. It is worth highlighting the maintenance of its strong capital position even taking into account the investments made in the period (1,153 million euros). The leverage ratio in June 2006 was 54.9% (58.1% if taking into account the financing of the tariff insufficiency). In December 2005, leverage ratio was 53.6% (56.5% if taking into account the financing of the tariff insufficiency). Tariff insufficiency corresponding to Iberdrola added up 1,694 million euros by June 2006, with 1,341 million euros already recognized for 2005.

Analysis of the Balance Sheet

1. FIXED ASSETS

Total investment in the period from January to June 2006 amounted to 1,153 million euros, broken down as follows:

	Jan-Jun 2006	%
Spain	570	49.5%
Generation	176	
Renewables	98	
Distribution	209	
Other	87	
Mexico	116	10.1%
Generation	110	
Distribution	6	
South America	72	6.2%
Generation	6	
Distribution	66	
International: other	395	34.2%
TOTAL	1,153	100.0



With respect to investments in Spain, those made on production activities stand out, totalling 274 million euros, broken down as follows:

- 176 million euros on the Generation Business.
- 98 million euros on the Renewables business.

Investments in Mexico were mainly focused to both the combined cycles of Tamazunchale and Altamira V and VI, with 76 million and 14 million euros respectively. In Brazil investments have primarily been made in distribution, mostly financed through funds generated in Brazil.

Under the heading “International: Other”, and totalling 395 million euros, the following investments are included:

- **Stake increase in the share capital of Energías de Portugal (EDP) up to 9.5%.** Past April 27th Iberdrola raised its stake in Energías de Portugal, S.A. (EDP) from 5.7% to 9.5%. The acquisitions were made in the market amounting 332 MM euros.
- **Renewables outside of Spain** (63 MM euros), basically for the projects in the United States, Brazil and France.

2. SHARE CAPITAL

Share Capital as of June 30, 2006 was comprised of **901,549,181 bearer shares** with a par value of 3 euros each.

The General Shareholders’ Meeting held last 30 March approved the distribution of a total dividend of 0.885 euros per share charged against fiscal year 2005, representing an increase of 15.2% per share over the dividend paid in 2005. This ratified the commitment assumed by IBERDROLA to increase remuneration to shareholders in line with the growth in Net Profit.

On 2 January 2006 an interim dividend was paid against fiscal year 2005 in the amount of 0.367 euros per share, and on 3 July 2006 a supplementary dividend of 0.518 euro per share was paid.

3. FINANCIAL DEBT

Net financial debt amounted to 11,911 million euros at the end of June, and the financial leverage stood at 54.9%. If it is taken into account the financing of the tariff insufficiency, which at June 2006 amounted, in the case of Iberdrola, 1,694 million euros (1,341 million euros already recognized for 2005 and 353 million euros for the period corresponding from January to June of 2006), net financial debt would be of 13,605 million euros and the leverage would stand at 58.1%

Average cost of debt was situated at 4.43% in June 2006, 14 basis points lower than the one registered in June 2005, despite the upward trend in interest rates.

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

	June 2006	June 2005
Euro	86.3%	86.1%
Dollar	8.6%	8.4%
Real	4.7%	5.1%
Other currencies	0.4%	0.4%
Fixed Rate	57.4%	58.2%
Capped	11.2%	12.0%
Floating Rate	31.4%	29.8%

In line with the policy to minimise financial risks on debt, foreign currency risks have continued to be mitigated through the financing of investments in Latin America in local currencies (the real, in the case of Brazil) or in their functional currencies (the dollar, in the case of Mexico).

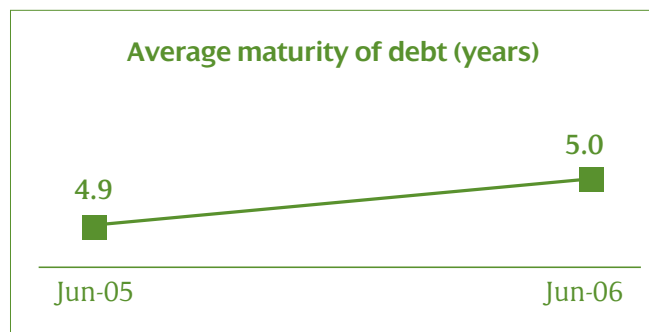
The debt structure per company is shown in the following table:

	June 2006	June 2005
IBERDROLA, S.A.	85.3%	83.9%
Mexico	4.1%	5.2%
South America	4.4%	5.6%
Renewable energy	3.5%	2.8%
Iberdrola Inmobiliaria and other	2.7%	2.5%
Total	100%	100%

Debt can be broken down by product type as follows:

	June 2006	June 2005
Euro bonds	39.1%	35.4%
US PP	4.5%	3.7%
Other Bonds	3.7%	4.8%
Domestic commercial paper	5.4%	3.8%
Euro commercial paper (ECP)	4.4%	5.2%
Euro loans	35.3%	37.5%
Loans in other currencies	7.6%	9.6%
Total	100%	100%

In addition, as a result of the refinancing policy followed by IBERDROLA the average life of the debt increased from 4.9 years in June of 2005 to 5.0 years in June of 2006.



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

Million €	June 2006	December 2005
Shareholders' equity	9,795	9,415
Gross debt	14,390	13,111
Capitalized derivatives	91	90
Temporary financial investments	462	601
Cash	232	215
Net debt	13,605	12,211
Leverage*	58.1%	56.5%

* Without the effect of the tariff insufficiency, leverage is 54.9% in June 2006 and 53.6% in December 2005

4. WORKING CAPITAL

The figure for Net Working Capital rose to 931 million euros, representing an increase of 384 million euros in relation to the 547 million euros recorded at the end of fiscal year 2005. This increase is broken down as an increase of 648 million euros in Current Assets and an increase of 264 million euros in Current Liabilities. The origin of this change is founded in the Inventories item, with an increase of 208 million euros, basically due to Real Estate (+179 million euros).

5. FUNDS GENERATED FROM OPERATIONS

In June 2006 Funds Generated from Operations amounted 1,180.6 million euros, reflecting an increase of 9% compared to June 2005.

In the last quarterly review done by Moody's agency, the rating of "Excellent" for liquidity, granted in June 2005, was maintained.

Breakdown of business contribution to Profits, Losses and Assets

	Sales	Oper. profit	Net Profit	Assets
Spanish business	79.4%	81.4%	81.8%	85.4%
International business	20.6%	18.6%	18.2%	14.6%
TOTAL	100%	100%	100%	100%

Income Statement

H1 2006

(Unaudited)

Million euros

	January-June 2006	January-June 2005	%
NET SALES	5,496.6	5,458.7	0.7
PROCUREMENTS	(2,496.5)	(3,045.4)	(18.0)
EMISSION ALLOWANCES	(154.3)	(78.6)	96.3
GROSS MARGIN	2,845.8	2,334.7	21.9
EMISSION ALLOWANCES	13.2	64.2	(79.4)
NET OPERATING EXPENSES	(837.2)	(707.5)	18.3
Net personnel expenses	(431.1)	(392.5)	9.8
Personnel	(515.1)	(475.1)	8.4
In-house work on fixed assets	84.0	82.6	1.7
Net External Services	(406.1)	(315.0)	28.9
External services	(498.5)	(396.7)	25.7
Other operating revenues	92.4	81.7	13.1
TAXES	(105.4)	(94.9)	11.1
EBITDA	1,916.4	1,596.5	20.0
AMORTISATION AND PROVISIONS	(527.9)	(485.0)	8.8
EBIT	1,388.5	1,111.5	24.9
TOTAL FINANCIAL REVENUES	170.3	155.8	9.3
Financial revenues	113.7	105.2	8.1
Positive exchange rate differences	16.5	17.0	(2.9)
Capitalised financial expenses	40.1	33.6	19.3
TOTAL FINANCIAL EXPENSES	(443.8)	(351.9)	26.1
Interest expenses	(296.9)	(275.7)	7.7
Negative Exchange Rate Differences	(15.0)	(20.4)	(26.5)
Pension Funds	(17.3)	(13.2)	31.1
Change in provisions for short term financial investments		(0.9)	N/A
Other financial expenses	(114.6)	(41.7)	174.7
RESULTS OF COMPANIES CARRIED BY EQUITY METHOD	12.5	25.2	(50.4)
INCOME FROM NON-CURRENT ASSETS	152.6	25.4	N/A
PROFIT BEFORE TAXES	1,280.1	966.0	32.5
Corporate income tax	(448.3)	(305.9)	46.6
Minorities	(14.0)	(7.1)	97.2
NET PROFIT	817.8	653.0	25.2

Balance Sheet

H1 2006

(Unaudited)

Million euros

	June 2006	Decembre 2005	Change
FIXED ASSETS	23,558	22,972	586
Tangible fixed assets	20,574	20,493	81
Intangible fixed assets	959	849	110
Long-term financial investments	2,025	1,630	395
DEFERRED TAX	1,138	1,356	(218)
NON-CURRENT ACCOUNTS RECEIVABLE	1,986	1,469	517
CURRENT ASSETS	5,331	4,682	650
Nuclear fuel	213	212	1
Inventories	1,056	848	208
Accounts receivable	2,274	2,324	(50)
Taxes receivable	936	420	516
Short term financial assets	574	643	(69)
Expenses paid in advance	46	26	20
Cash and equivalents	232	208	24
TOTAL ASSETS	32,013	30,479	1,535

Million euros

	June 2006	Decembre 2005	Change
SHAREHOLDERS' EQUITY	9,795	9,415	380
Capital Stock	2,705	2,705	
Reserves and other	6,102	5,513	589
Profit and Loss	818	1,382	(564)
Interim dividend	0	(331)	331
Minority shareholders	170	147	23
LONG-TERM PROVISIONS	1,596	1,846	(250)
DEFERRED INCOME	734	676	59
FINANCIAL DEBT	14,390	13,111	1,279
OTHER LONG-TERM LIABILITIES	902	958	(56)
OTHER SHORT-TERM LIABILITIES	4,399	4,135	264
PAYABLE TO CO. CARRIED BY EQUITY METHOD	197	339	(142)
TOTAL LIABILITIES	32,013	30,479	1,535

Results by Business

H1 2006 (Unaudited)

Million euros

	Domestic Energy	Internat. Bus.	Non-Energy
Net Sales	3,610.9	1,134.6	751.0
Procurements	(1,387.2)	(688.3)	(420.9)
EMISSION ALLOWANCES	(154.3)		
GROSS MARGIN	2,069.4	446.3	330.1
EMISSION ALLOWANCES	13.2		
NET OPERATING EXPENSES	(585.0)	(109.9)	(142.4)
Net personnel expenses	(313.5)	(41.4)	(76.2)
Personnel	(365.0)	(49.1)	(100.9)
In-house Work on fixed assets	51.5	7.7	24.7
Net External Services	(271.5)	(68.5)	(66.2)
External services	(333.2)	(88.6)	(76.7)
Other operating revenues	61.7	20.1	10.5
Taxes	(97.5)	(3.9)	(4.0)
EBITDA	1,400.1	332.5	183.7
Amortization and Provisions	(419.5)	(74.3)	(34.1)
EBIT / Operating Profit	980.6	258.2	149.6
Financial Result	(216.9)	(46.8)	(9.8)
Companies using equity method	(0.7)	2.1	11.1
Income from non-current assets	109.6	0.3	42.7
BAI	872.6	213.8	193.6
Corporate income tax and minority interests	(349.8)	(64.6)	(47.9)
Net Profit	522.8	149.2	145.7

H1 2005

Million euros

	Domestic Energy	Internat. Bus.	Non-Energy
Net Sales	4,060.9	830.2	567.5
Procurements	(2,186.5)	(511.9)	(346.9)
EMISSION ALLOWANCES	(78.6)		
GROSS MARGIN	1,795.8	318.3	220.6
EMISSION ALLOWANCES	64.2		
NET OPERATING EXPENSES	(527.2)	(84.8)	(95.6)
Net personnel expenses	(301.9)	(32.2)	(58.5)
Personnel	(358.9)	(37.7)	(78.6)
In-house Work on fixed assets	57.0	5.5	20.1
Net External Services	(225.3)	(52.6)	(37.1)
External services	(294.9)	(62.0)	(39.7)
Other operating revenues	69.6	9.4	2.6
Tax	(89.8)	(2.7)	(2.3)
EBITDA	1,243.0	230.8	122.7
Amortization & Provisions	(400.4)	(70.0)	(14.6)
EBIT / Operating Profit	842.6	160.8	108.1
Financial Result	(134.6)	(56.0)	(5.5)
Companies using equity method	0.3	5.0	19.9
Income from non-current assets	23.2	(0.1)	2.3
BAI	731.5	109.7	124.8
Corporate income tax and minority interests	(239.3)	(38.7)	(35.0)
Net Profit	492.2	71.0	89.8

Domestic Energy Business H1 2006 (Unaudited)

Million euros

	GENER.	WIND	DISTRIB.	COM & GAS	STRUCT.
Net Sales	2,323.7	372.3	421.1	1,345.4	(851.6)
Procurements	(934.9)			(1,302.4)	850.0
Emission Allowances	(154.3)				
GROSS MARGIN	1,234.5	372.3	421.1	43.0	(1.6)
EMISSION ALLOWANCES	13.2				
NET OPERATING EXPENSES	(238.8)	(65.4)	(248.1)	(30.3)	(2.4)
Net personnel expenses	(106.8)	(12.6)	(106.2)	(17.3)	(70.6)
Personnel	(116.3)	(14.9)	(142.0)	(18.3)	(73.5)
In-house Work on fixed assets	9.5	2.3	35.8	1.0	2.9
Net External Services	(132.0)	(52.8)	(141.9)	(13.0)	68.2
External services	(162.6)	(57.7)	(175.2)	(20.4)	82.7
Other operating revenues	30.6	4.9	33.3	7.4	(14.5)
Tax	(36.0)	(3.4)	(50.4)	(5.9)	(1.7)
EBITDA	972.9	303.5	122.6	6.8	(5.7)
Amortizations, provisions and other	(195.3)	(89.4)	(112.5)	(7.4)	(14.9)
EBIT / Operating Profit	777.6	214.1	10.1	(0.6)	(20.6)
Financial Result	(44.8)	(22.0)	(45.5)	(0.2)	(104.5)
Companies using equity method	(1.9)		1.4	(0.1)	0.0
Income from non-current assets			99.8		9.7
PRE-TAX EARNINGS	730.9	192.1	65.8	(0.9)	(115.4)
Corporate income tax and minority interests	(248.8)	(72.4)	(3.8)	0.5	(25.2)
NET PROFIT	482.1	119.7	62.0	(0.4)	(140.6)

H1 2005 (Unaudited)

Million euros

	GENER.	WIND	DISTRIB.	COM & GAS	STRUCT.
Net Sales	1,581.2	237.0	697.4	1,688.7	(143.4)
Procurements	(648.2)		(3.2)	(1,670.8)	135.8
Emission Allowances	(78.6)				
GROSS MARGIN	854.4	237.0	694.2	17.9	(7.6)
EMISSION ALLOWANCES	64.2				
NET OPERATING EXPENSES	(198.2)	(44.6)	(251.4)	(57.6)	24.5
Net personnel expenses	(98.9)	(6.6)	(94.5)	(31.6)	(70.3)
Personnel	(110.4)	(9.1)	(136.4)	(31.6)	(71.4)
In-house Work on fixed assets	11.5	2.5	41.9		1.1
Net External Services	(99.3)	(38.0)	(156.9)	(26.0)	94.8
External services	(134.0)	(39.7)	(196.7)	(45.2)	120.6
Other operating revenues	34.7	1.7	39.8	19.2	(25.8)
Tax	(31.7)	(2.7)	(42.6)	(12.0)	(0.7)
EBITDA	688.7	189.7	400.2	(51.7)	16.2
Amortizations, provisions and other	(188.3)	(66.8)	(118.0)	(31.5)	4.2
EBIT / Operating Profit	500.4	122.9	282.2	(83.2)	20.4
Financial Result	(51.7)	(29.2)	(33.2)	(22.3)	1.8
Companies using equity method	(0.7)		0.9	(20.3)	20.2
Income from non-current assets	(0.1)		(0.2)	(20.5)	44.1
PRE-TAX EARNINGS	447.9	93.7	249.7	(146.3)	86.5
Corporate income tax and minority interests	(155.0)	(35.8)	(82.5)	3.1	30.9
NET PROFIT	292.9	57.9	167.2	(143.2)	117.4

2006 quarterly results

	Million euros	
	Jan-March 2006	Apr-Jun 2006
NET SALES	2,978.4	2,518.2
PROCUREMENTS	(1,377.1)	(1,119.4)
EMISSION ALLOWANCES	(107.4)	(46.9)
GROSS MARGIN	1,493.9	1,351.9
EMISSION ALLOWANCES	6.2	7.0
NET OPERATING EXPENSES	(391.2)	(446.0)
TAX	(52.3)	(53.1)
EBITDA	(1,056.6)	859.8
AMORTISATION & PROVISIONS	(268.2)	(259.7)
EBIT	788.4	600.1
TOTAL FINANCIAL REVENUES	40.7	129.5
TOTAL FINANCIAL EXPENSES	(204.1)	(239.7)
RESULTS OF COMPANIES BASED ON EQUITY METHOD	4.1	8.4
INCOME ON NON-CURRENT ASSETS	1.6	151.0
PROFIT BEFORE TAXES	630.7	649.3
CORPORATE INCOME TAX	(221.6)	(226.7)
EXTERNAL PARTNERS	(5.9)	(8.1)
NET PROFIT	403.2	414.6

2005 quarterly results

	Million euros	
	Jan-March 2005	Apr-Jun 2005
NET SALES	2,740.0	2,718.7
PROCUREMENTS	(1,471.7)	(1,573.7)
EMISSION ALLOWANCES	(42.1)	(36.5)
GROSS MARGIN	1,226.2	1,108.5
EMISSION ALLOWANCES	34.4	29.8
NET OPERATING EXPENSES	(342.3)	(356.2)
TAX	(47.1)	(47.8)
EBITDA	871.2	725.3
AMORTISATION & PROVISIONS	(237.9)	(247.1)
EBIT	633.3	478.2
TOTAL FINANCIAL REVENUES	58.0	97.8
TOTAL FINANCIAL EXPENSES	(165.3)	(186.6)
RESULTS OF COMPANIES BASED ON EQUITY METHOD	16.0	9.2
INCOME ON NON-CURRENT ASSETS	(2.4)	27.8
PROFIT BEFORE TAXES	539.6	426.4
CORPORATE INCOME TAX	(188.2)	(117.7)
EXTERNAL PARTNERS	(4.8)	(2.3)
NET PROFIT	346.6	306.4

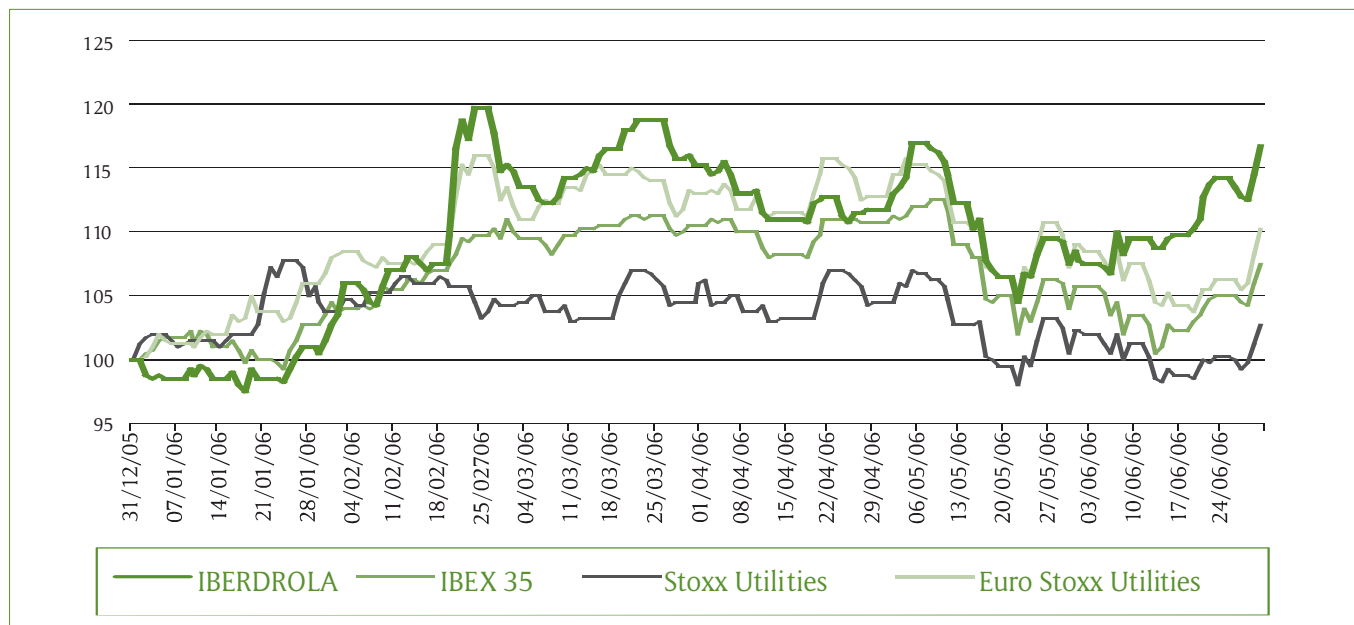
Statement of origin and use of funds

H1 2006

(Unaudited)

	January-June 2006	January-June 2005	Difference
EBIT	1,389	1,111	278
Amortizations	504	470	34
Provisions	24	15	9
Applications to pension funds	14	22	-8
Operating Cash Flow	1,931	1,618	313
Interest paid	-427	-332	-95
Interest received	170	156	14
Dividends received from affiliates	8	6	2
Minority interests	-14	-7	-7
Tax	-425	-301	-124
Gross Cash Flow	1,243	1,140	103
Dividends paid	-331	-294	-37
Retained Cash Flow	912	846	66
Investments	-1,153	-993	-160
Fixed asset disposals	0	0	0
Financial asset disposals	89	36	53
Taxes on investment	-23	-4	-19
Pension payments and other	-92	-52	-40
Total Cash Flow Applications	-1,179	-1,013	-166
Capital subsidies received	45	49	-4
Change in working capital	-1,139	-1,133	-6
Change in debt	1,358	1,251	107
FX Impact	-79	133	-212
Change in Gross Debt	1,279	1,384	-105

Stock Market Evolution



IBERDROLA Stock	H1 2006	H1 2005
Number of shares in outstanding	901,549,181	901,549,181
Share price at close of period	26.93	21.82
Average price over period	25.28	20.18
Average daily volume	6,830,912	7,910,185
Maximum volume (21-02-06 / 5-01-05)	26,886,823	57,939,060
Minimum volume (2-01-06/ 10-01-05)	1,549,839	2,308,517
Dividends paid (€)	0.89	0.77
Interim (2 January 2006 / 3 January 2005)	0.37	0.33
Additional (Payable on 3 July 2006/ 1 July 2005)	0.52	0.44
Yield per share (Div paid year / price close of previous year)	3.8%	4.1%

IBERDROLA Senior Unsecured Debt Credit Rating

Agency	Rating	Outlook
Standard & Poor´s (*)	A+	Negative
Moody´s (*)	A2	Negative
Fitch IBCA	AA-	Negative

(*) By virtue of the agreement for the acquisition of assets signed with Gas Natural and subject to the approval of the pertinent authorities:

- S&P has rated IBERDROLA Senior Unsecured Debt at "credit watch with negative implications"
- Moody´s has rated IBERDROLA Senior Unsecured Debt at "review for a possible downgrade"
- Fitch put the ratings for IBERDROLA Senior Unsecured Debt at "credit watch negative (RWN)", after approval by the Spanish government of the tender offer for Gas Natural and Endesa. Later, in February of 2006, it raised its rating from A+ to AA- as a result of a change in its method of analysis

CONFIDENTIAL

Community Energy, Inc
Balance Sheet
For the Five Months Ending May 31, 2006

Information contained in this appendix is confidential, proprietary and commercially-sensitive information.

Un-redacted material will be filed with the Committee along with a motion for protective order and establishment of procedures for treatment of all confidential and proprietary materials submitted in this Docket.

(4 Pages)

LEMPSTER WIND, LLC
FINANCIAL STATEMENTS
(Unaudited)
May 31, 2006

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(3 pages)

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