IBERDROLA

Results Presentation Full Year 2013

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Agenda

Highlights of the period

Analysis of results

Financing

Highlights of the Period

Management of Group´s operations mitigates the impact of regulatory measures and increase in levies in Spain…

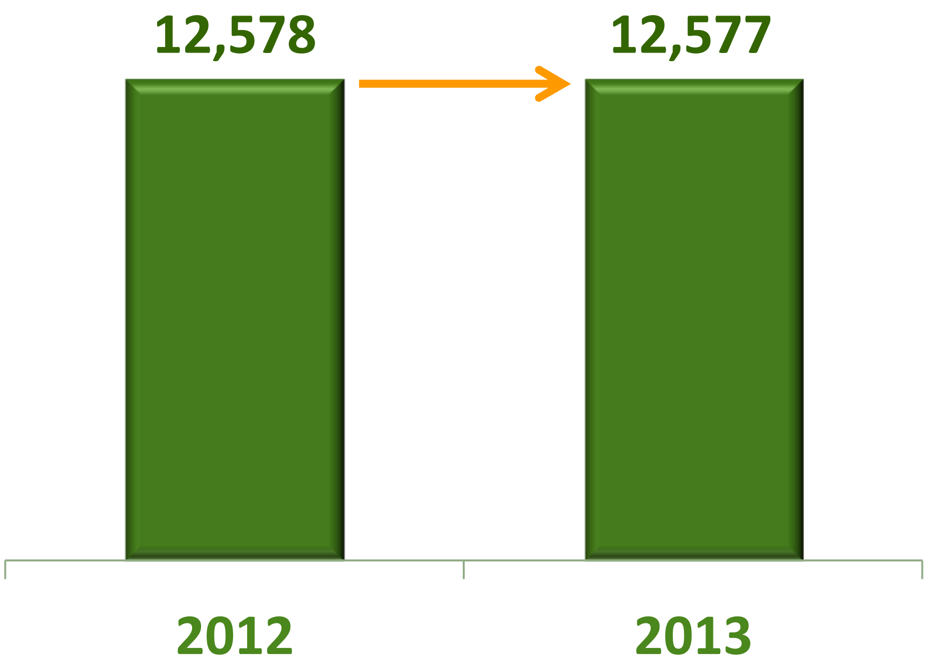
Management	Gross Margin of Eur 12,577 M, +2.8% excluding exchange rate impact	✓
Management	Net Operating Expenses remain flat, maintaining efficiency	✓
Regulatory measures Spain	Remuneration cuts of more than Eur 300 M Levies increased +99% in Spain (Eur -518 M)	✗
Management	Net Debt reduction of more than Eur 2,250 M and leverage down to 44.2%, from 47.7%	✓

… resulting in Net Profit of Eur 2,572 M (-7%) thanks to the contribution of international businesses

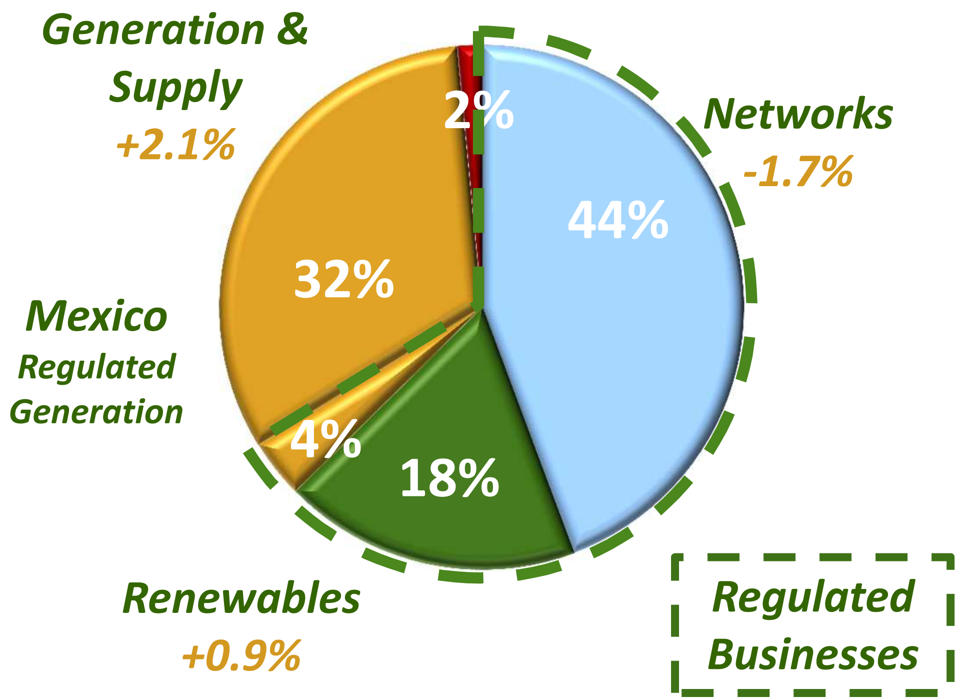
Gross Margin

Gross Margin of Eur 12,577 M,
+2.8% excluding exchange rate impact

Gross Margin (Eur M)



Gross Margin by business



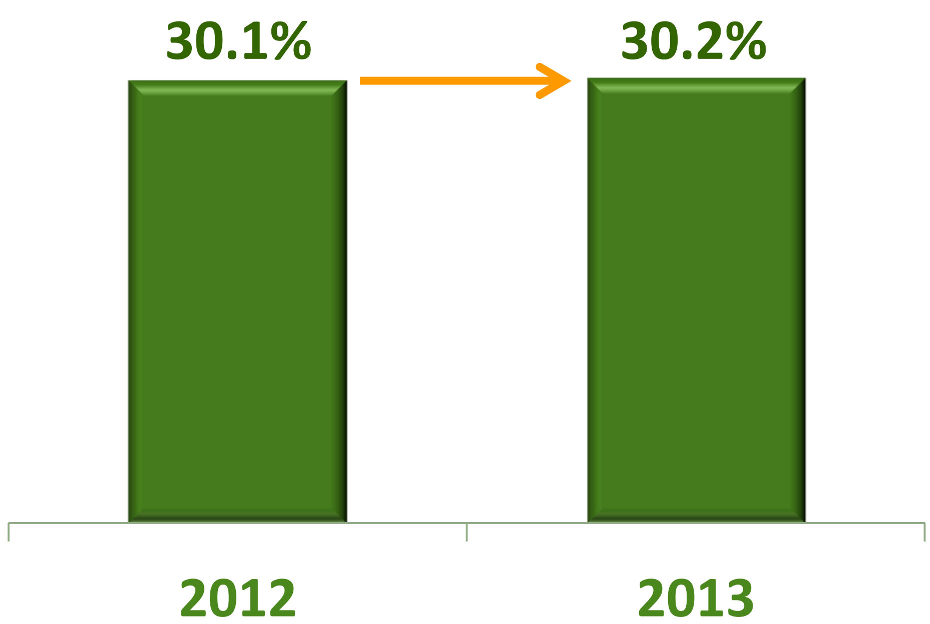
Operating improvement in Gen. & Supply and in Renewables offset by regulation in Spain and exchange rate movements

Net Operating Expenses and Efficiency

Net Operating Expenses remain flat, maintaining efficiency…

NOE by business (Eur M)

NOE/Gross Margin

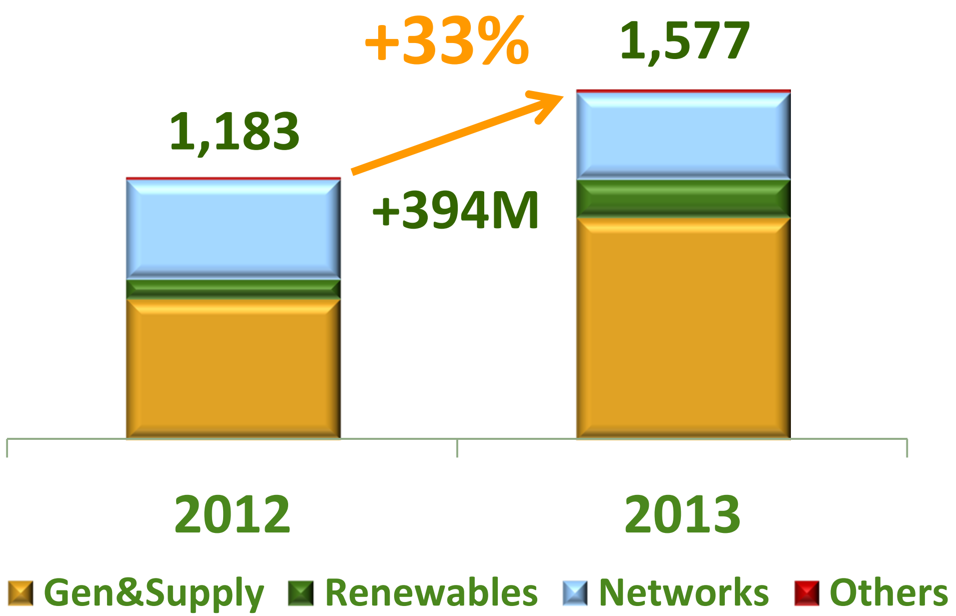


… with reductions of NOE in every business, except for Networks, a regulated activity

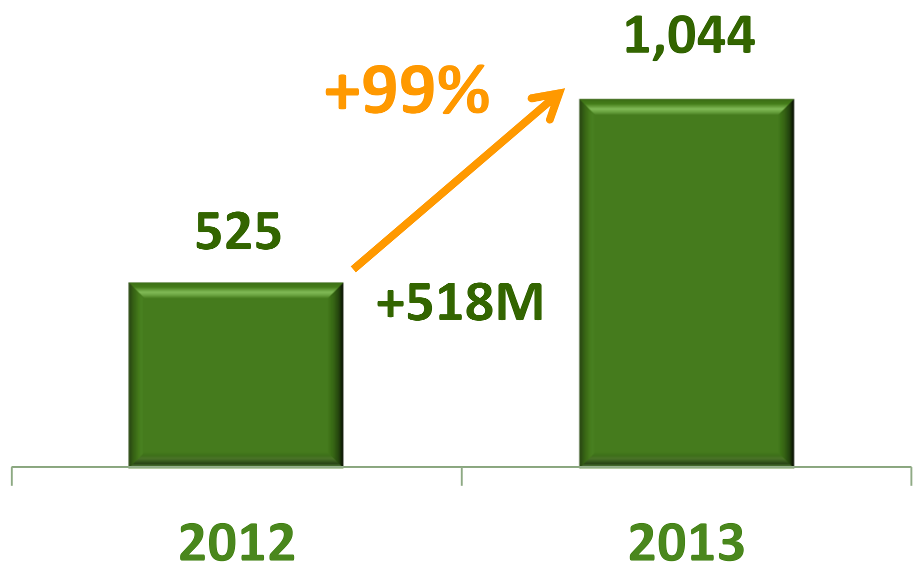
Levies

Results impacted by the increase in Levies…

Levies (Eur M)



Levies in Spain (Eur M)



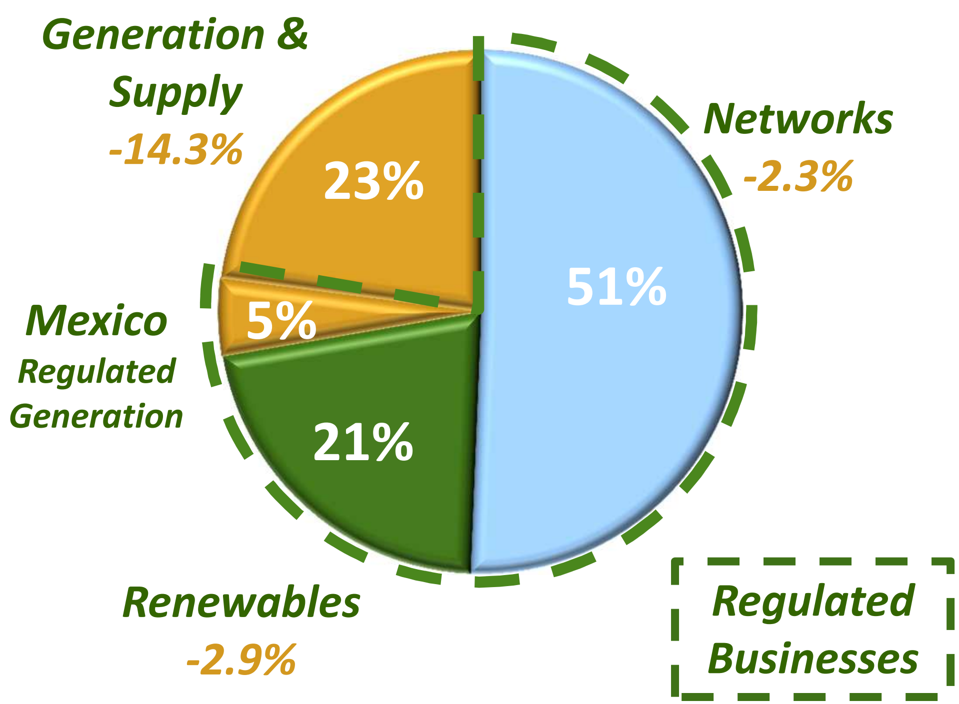
… which have doubled in Spain due to introduction of generation taxes (Eur 413 M in Gen&Supply and Eur 73 M in Renewables)

EBITDA

EBITDA amounts to Eur 7,205 M (-6.8%), with a 77% contribution from regulated businesses

Generation & Supply	Increase in Levies in Spain and lower margins in the United Kingdom
Networks	Remuneration cut in Spain and ordinary Tariff review in Brazil
Renewables	Higher production but increase in Levies, new regulation in Spain and divestments in non core countries

EBITDA by business



Excluding exchange rate impact, EBITDA down 4.0%

Operating Cash Flow

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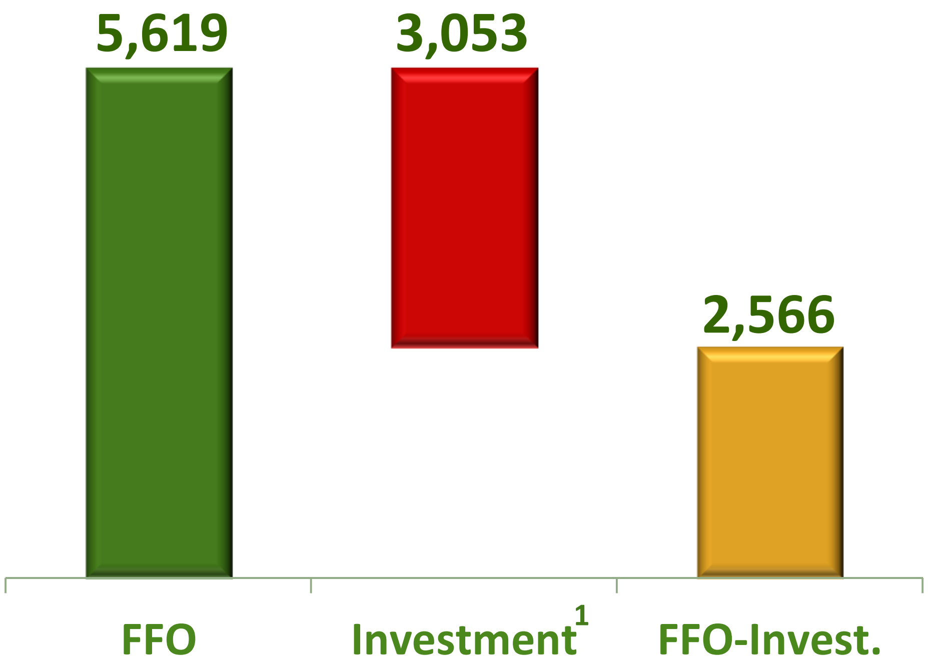
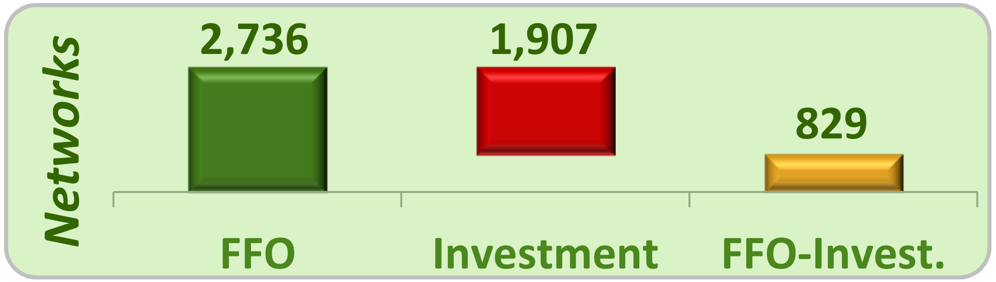
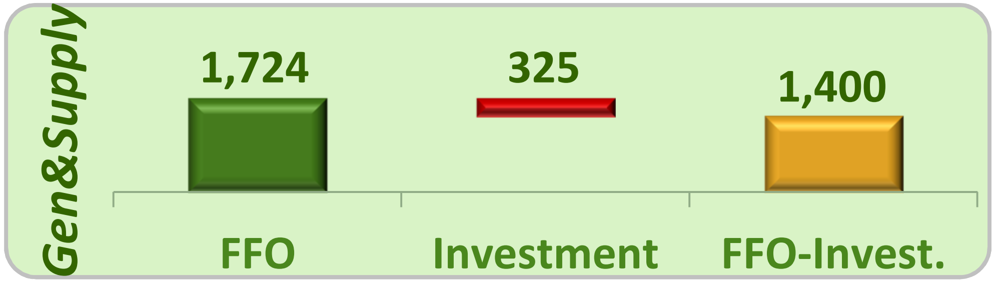
Operating Cash Flow (FFO[1]) amounts to Eur 5,619 M…

Eur M



Global figures include Other Businesses and Corporation





… exceeding investments accross all businesses

1. *FFO = Net Profit+ Minority Results+ Amortiz.&Prov. – Equity income– Net Non- Recurring Results+ Fin. Prov.+ Goodwill Deduction – /+ Reversion of Extr. Tax Provision*
2. *Investment net of grants and capitalised costs*

Net Profit

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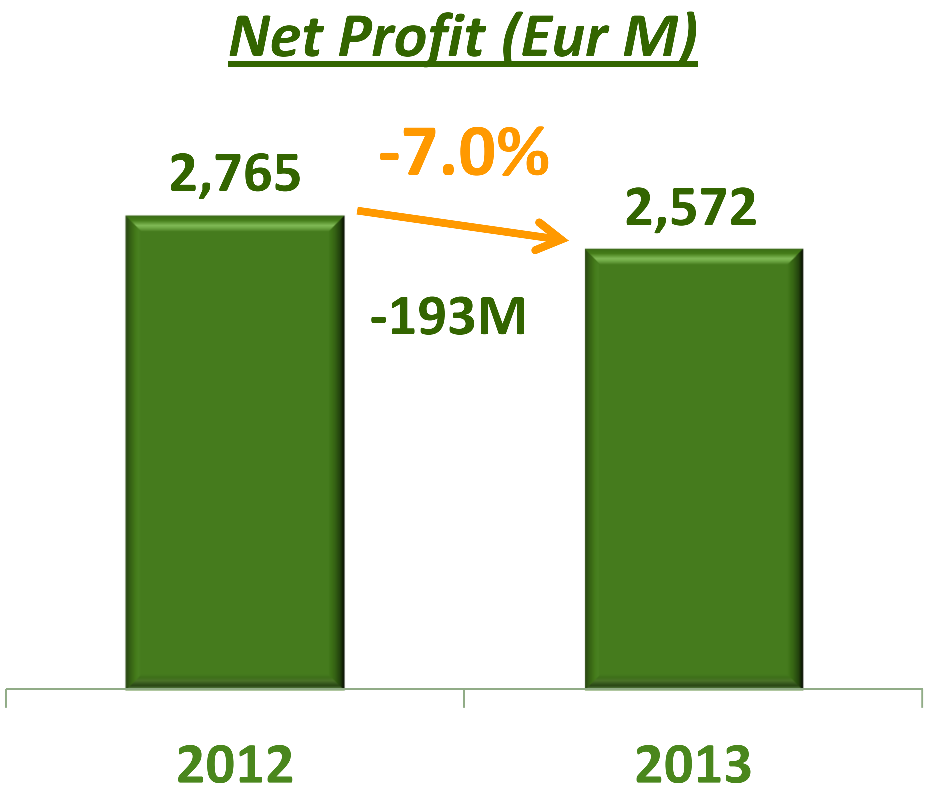
Net profit amounts to Eur 2,572 M (-7.0%)



Balance Sheet Management

Strong financial position

Eur 3,053 M investments vs. FFO Eur 5,619 M

Net Debt reduction of more than Eur 2,250 M thanks to financial management and tariff deficit securitisation

Leverage down to 44.2% vs. 47.7% in 2012

Shareholder Remuneration

Shareholder remuneration proposal to AGM of at least Eur 0.27/share (aprox.)…

Shareholder remuneration 2014: Eur 0.27/share (aprox.)

- ✓ January 2014: 0.126 Eur/share through scrip dividend
- ✓ July 2014:
  - 0.03 Eur/share in cash
  - Scrip dividend: estimated to be at least Eur 0.114 Eur/share
- \+ AGM attendance premium: Eur 0.005 /share

+

Capital reduction: up to 2.09%

- ✓ Existing treasury stock: 1.43%
- ✓ Share buy-back program: up to 0.66%

… and capital reduction up to 2.09%, compensating the dilutive impact of the Scrip Dividend

**Proposal approved by the Board of Directors at its meeting on 18th February 2014*

Agenda

Highlights of the period

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Financing

Income Statement – Group

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2013 P&L includes the impacts of Spanish RDL 9/2013 on Distribution, capacity payments and Special Regime (Eur -280 M)

Eur M	FY 2013	Var. %	FY 2013 (IFRS 11)[1]
Gross Margin	12,576.7	0	11,781.8
Net Op. Expenses	-3,795.2	+0.2	-3,466.8
Levies	-1,576.5	+33.3	-1,558.1
EBITDA	7,205.0	-6.8	6,756.9
Operating Profit (EBIT)	2,434.7	-44.4	2,219.5
Net Financial Expenses	-1,291.9	+6.7	-1,277.9
Recurring Net Profit	2,174.4	-9.0	2,174.4
Reported Net Profit	2,571.8	-7.0	2,571.8
Operating Cash Flow[2]	5,619.3	-9.8%	5,589.3

(1) For comparison purposes, 2013 P&L under IFRS 11 is included, applicable from 1st January 2014

(2) Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov - Fiscal deduction adjustments and others– Elimination of balance sheet revaluation fiscal effect

IFRS 11 – Main impacts

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Implementation of IFRS 11 has the following impacts on EBITDA and Net Debt …

Eur M

	EBITDA 2013	*NET DEBT 2013*	*CONCEPT (Stakes <=50%)*
Networks	-339	-885	Neoenergia
Liberalised	-31	-60	BBE, Nuclenor, small cogens.
Renewables	-72	-220	Spain, Italy and Brazil
Non Energy	-6	-52	IBV, real estate
TOTAL	-448	-1,217	

… while Net Profit remains unchanged

Gross Margin - Group

Gross Margin remains stable at Eur 12,576.7 M, despite FX (Eur -352 M) and regulatory impacts

Revenues, Procurements and Gross Margin (Eur M)

	FY 2013	% v FY 2012	FY 2013 (IFRS 11)
Revenues	32,807.9	-4.1%	31,077.1
Procurements	-20,231.2	-6.4%	-19,295.2
Gross Margin	12,576.7	0%	11,781.8

Revenues -4.1% (Eur 32,807.9 M), and Procurements -6.4% (Eur -20,231.2 M) due to lower cost mix

Net Operating Expenses - Group

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Net Operating Expenses* under control at Eur -3,795.2 M

Eur M

Net Operating Expenses

	FY 2013	% v FY 2012	FY 2013 (IFRS 11)
Net Personnel Expenses	-1,891.5	+2.8%	-1,742.3
Net External Services	-1,903.7	-2.4%	-1,724.5
Total	-3,795.2	+0.2%	-3,466.8

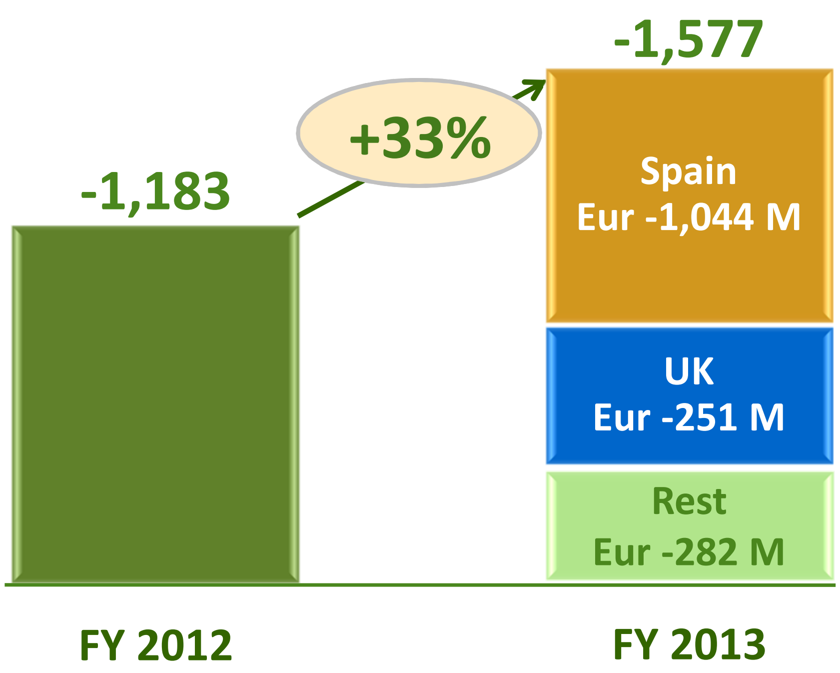
Exchange rate impact of Eur +121 M

**Excludes Levies*

Levies

Levies rise 33% (Eur -394 M) to Eur -1,577 M due to generation taxes in Spain

Levies (Eur M)



Spanish Levies

- **Taxes on Generation*:** Eur -486 M impact
  - 7% tax: Eur -250 M
  - 22% Hydro canon: Eur - 128 M
  - Nuclear waste: Eur - 108 M

(Eur -35 M of green tax accounted for at Gross Margin level)

- **Favourable Supreme Court rulings in 2012**: Eur -74 M net impact v 2013

United Kingdom Levies

- **Eur -251 M at FY 2013**

2013 Levies under IFRS 11 total Eur 1,558 M

EBITDA – Group

Exchange rate negative impact of Eur -210 M drives EBITDA down from -4.0% to -6.8% (Eur 7,205.0 M) …

EBITDA (Eur M)

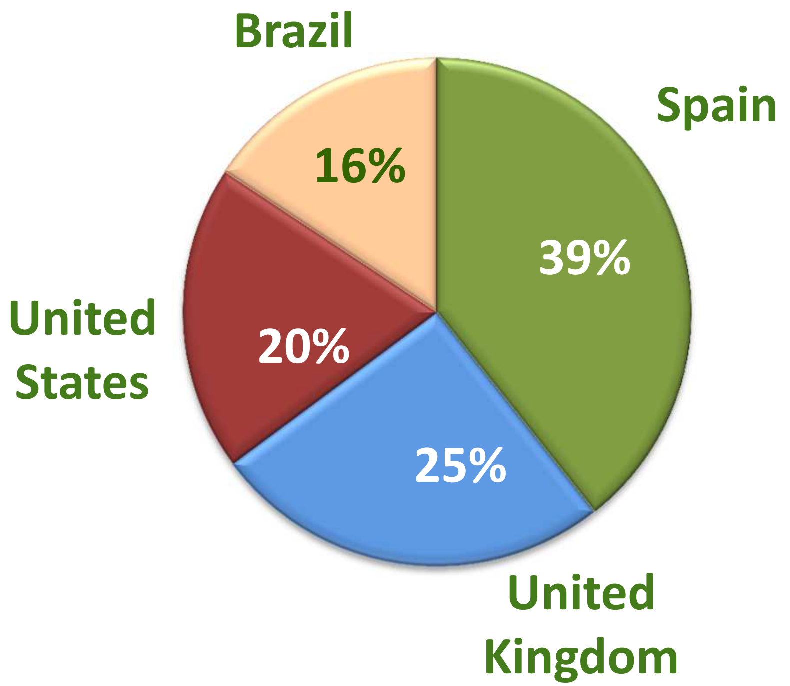
	FY 2013	% v 2012	% v 2012 (in local currency)	FY'13 (IFRS 11)
Networks	3,685.3	-2.3	+1.6	3,346.5
Liberalised	2,017.8	-14.3	-13.1	1,986.7
Renewables	1,573.1	-2.9	-1.0	1,501.1
GROUP	7,205.0	-6.8	-4.0	6,756.9

… affected by increase in taxes, lowered remuneration in Spain and Brazil and loss of CO_2 rights

Results By Business Networks

Networks EBITDA decreases 2.3% to Eur 3,685.3 M …

EBITDA by Geography (%)



Financial Highlights (Eur M)

	FY 2013	% v FY 2012	FY '13 (IFRS 11)
Gross Margin	5,571.1	-1.7%	4,962.1
Net Op. Exp.	-1,492.6	+3.3%	-1,224.1
EBITDA	3,685.3	-2.3%	3,346.5

… as the 5.5% average growth in other markets does not fully compensate the 30.2% fall in Brazil

Results By Business
Networks

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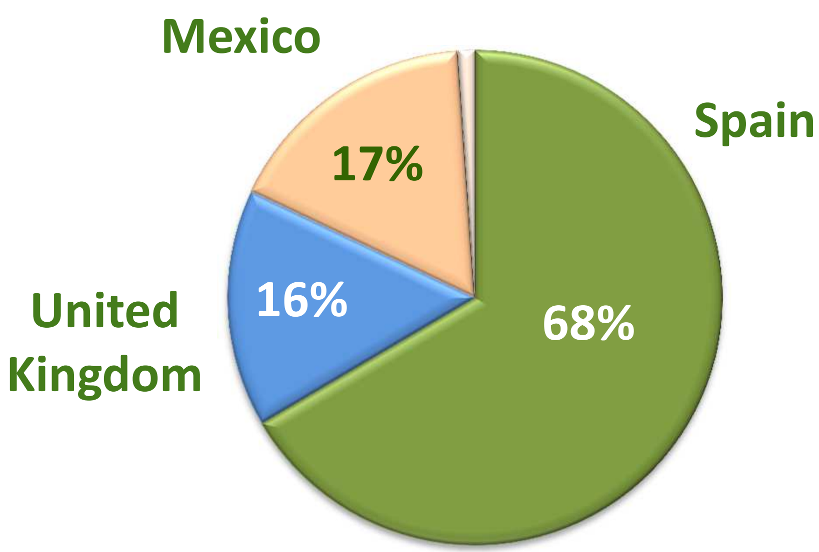
Networks Gross Margin down 1.7% to Eur 5,571.1 M, due to a 18.7% fall in Brazil
Other geographies up 3.0%, to Eur 4,566.2 M

Gross Margin	• **Spain (+2.6%):** Due to the recognition of previous years' investments and despite the impact of Eur -111 M that accounts for 12 months of new remuneration according to RDL 9/2013 • **United Kingdom (+3.5%):** Higher revenues due to higher asset base, as a consequence of higher investments • **United States (+3.3%):** Higher revenues due to return on investments and Maine line contribution (MPRP) • **Brazil (-18.7%):** Higher demand (+6.3%) offset by: - Tariff impacts: Eur -183 M in Neo and Elektro, despite 8.9% increase in Elektro tariff in August - FX impact: Eur -141 M
Net Op. Expenses	Increase 3.3% due to divergence adjustments in the UK (Eur -56 M) Ex divergence adjustments, Net Op. Expenses down 0.6%

Results By Business
Generation & Supply Business

Generation & Supply Business EBITDA down 14.3% to Eur 2,017.8 M …

EBITDA by Geography (%)*



Financial Highlights (Eur M)

	FY'13	% v FY'12	FY'13 (IFRS 11)
Gross Margin	4,511.6	+2.1%	4,434.8
Net Op. Exp.	-1,494.1	-3.5%	-1,457.0
Levies	-999.7	-57.7%	-991.2
EBITDA	2,017.8	-14.3%	1,986.7

… affected by Levies that have increased 57.7% and wipe out higher Gross Margin (+2.1%) and lower costs (-3.5%)

**NOTE: Adjustment corresponds to Gas US & Canada contribution*

Results By Business
Generation & Supply Business

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Gross Margin increases 2.1% to Eur 4,511.6 M, as hydro conditions in Spain and higher customer base in UK offset lower output and prices in Spain and the removal of CO_2 free allowances (Eur -121 M), but …

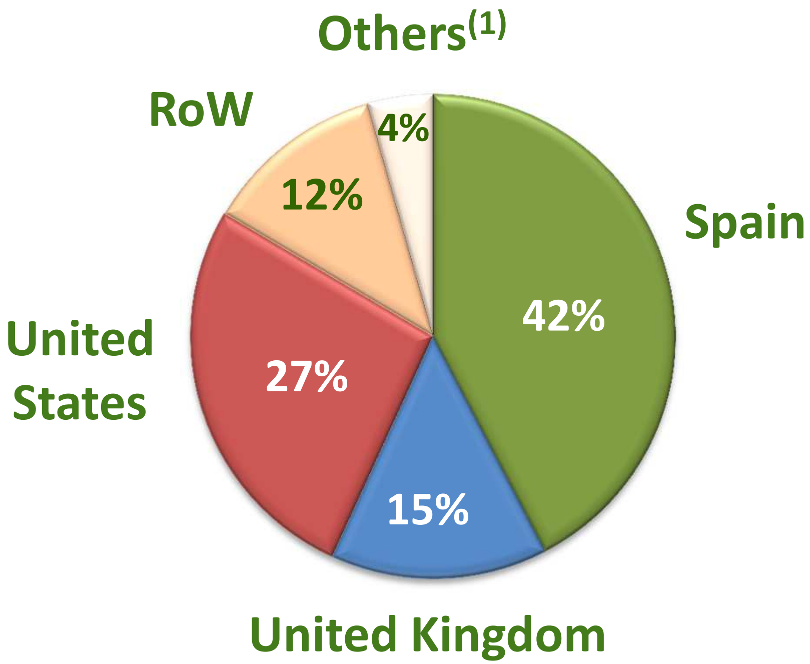
Gross Margin	• **Spain:** Gross Margin up +7.8% due to: -Lower output (-1.3%). Hydro up 64% partially compensates 44% lower thermal and -12% lower nuclear -Higher margins driven by lower costs due to excellent hydro conditions despite lower prices • **United Kingdom:** Gross Margin falls 3.5% due basically to FX, as: - Carbon Price Floor, higher non energy costs (CO_2, T&D, ROCs) and removal of CO_2 allowances - Lower coal output (Cockenzie closure and outages), replaced with higher CCGTs output -> lower spreads - Are more than offset by increased customer base (+1.5%) and better margins
Net Op. Expenses	3.5% improvement, as a consequence of cost reductions and efficiency measures

… regulatory intervention, through higher levies and costs, has led to a deterioration in margins

Results By Business
Renewables

EBITDA down 2.9% to Eur 1,573.1 M driven by a 13% decrease in Spain…

EBITDA by Geography (%)



Financial Highlights (Eur M)

	FY 2013	% v FY 2012	FY'13 (IFRS 11)
Gross Margin	2,304.4	+0.9%	2,201.3
Net Op. Exp.	-560.1	-2.8%	-537.1
Levies	-171.2	+93.7%	-163.1
EBITDA	1,573.1	-2.9%	1,501.1

… as it has been included in Gross Margin almost 6 month provision for the impact of RDL 9/2013 (Eur -122 M) and one full year in Levies of RDL 15/2012 (Eur -73 M)

(1) Adjustment corresponds to Other Renewables

Results By Business
Renewables

Good operating performance:
6.7% higher output and Net Op. Expenses improvement (-2.8%)

Gross Margin

- **Capacity**: Operating capacity increases 1.2%* to 13,897 MW, as new installed capacity compensates asset sales
- **Output:** Higher output (+6.7%) due to better average load factor of 27.7% (+1.4 pp), with improvements in all geographies
- **Prices:** Weighted Average price falls 5.8% (to Eur 66.5/MWh) resulting from the regulatory reform in Spain, not fully compensated by higher prices in the remaining geographies

Net Op. Expenses

- 2.8% fall in Net Operating Expenses driven by FX gains and efficiency measures
- **Efficiency:** 1.4% improvement in cost** per MW in operation

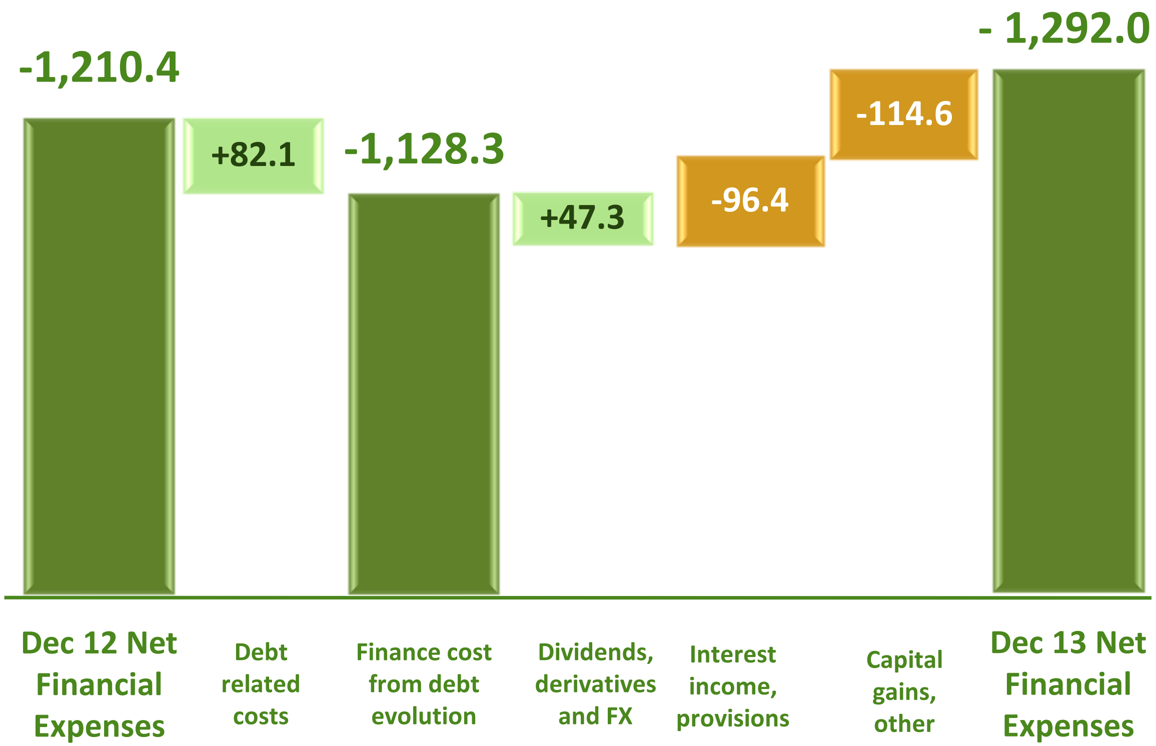
* Average operating capacity during the period increases 1.6%

** OPEX does not include levies: adjusted for one-off and non-recurring.

Net Financial Expenses - Group

Net financial costs rise 6.7%* to Eur -1,292 M as a consequence of capital gains registered in 2012 …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Debt related costs improve Eur +82 M
- Eur +47 M lower costs mainly due to FX hedging
- Eur 96 M higher costs due to lower capitalised interest, lower deficit income, and higher tax and pensions provisions
- Capital gains registered in 2012 due to disposal of Medgaz

… despite the improvement in debt and derivatives result

* 2012 adjusted according to revised IAS19

Asset Impairments

Net Asset Impairments are up Eur -139 M in Q4 v Q3 due to

Eur M

Renewables development costs and others: Eur -80 M, driven basically by Spain Eur -65 M

Brazil RAV value: Eur -57 M
Corresponding to accounting adjustment for capitalised costs

Non Energy business: Eur -2 M

Reported Net Profit – Group

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Reported Net Profit down 7.0% to Eur 2,571.8 M
and Recurring Net Profit down 9.0% to Eur 2,174.4 M

Eur M

	FY'13	FY'12	%
Recurring Net Profit	**2,174.4**	**2,389.2**	**-9.0**
Non recurring Results	-13	+66	
Non Rec. Taxes & Others	+49	+638	
Asset impairments (Net)	-1,174	-328	
Asset revaluation	+1,535	-	
Total Non Recurring	+397	+376	+5.6
Reported Net Profit	**2,571.8**	**2,765.1**	**-7.0**

Positive impact of asset revaluation and lower Corporate Tax Rate in UK more than compensate impairments done in the year

(Note 1) FY'12 Assets impairments: principally related to Gamesa, US Renewables pipeline and Gas Storage / FY'12 Non Recurring Taxes: UK Corporate Tax Rate, Elektro goodwill and reversal of provisions
(Note 2) FY'13 Non Recurring Taxes related to Asset Impairments, UK Corporate Tax Rate and Others

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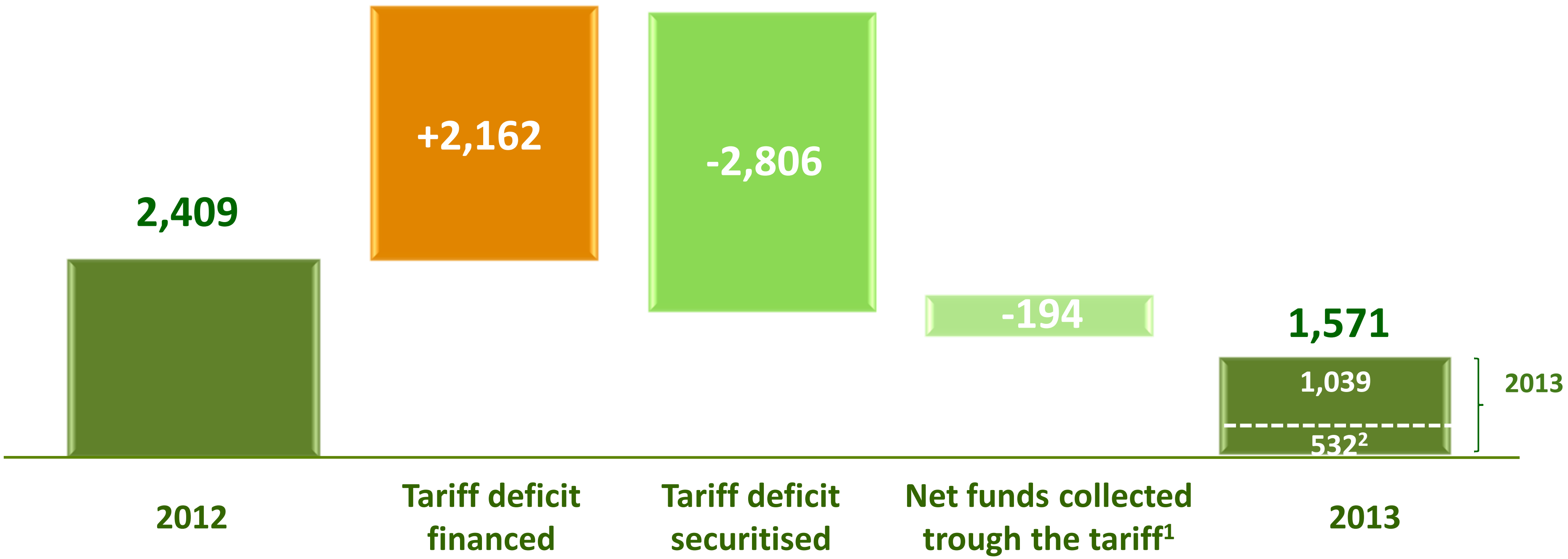
Financial Management
Tariff deficit financed by Iberdrola

Tariff deficit has fallen during 2013 by more than Eur 0.8 bn …

Eur M

Pending tariff deficit: 2012– 2013 evolution



… it should be completely eliminated in 2014 as the pending amount should be securitized

1 Includes interest and adjustments
2 Eur 532 M collected via new energy production taxes not applied to reduced deficit 2013 (As of today, Iberdrola has already collected Eur 359 M)

Financial Management
Divestments

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2 bn Divestment Plan now completed

Eur M

		Amount	Capital gains*
EDP**	6.7% sold	660	Expected >90
Nugen***	Nuclear U.K.	102	91
Itapebi	Brazil Plant	99	75
Total		**861**	**>250**

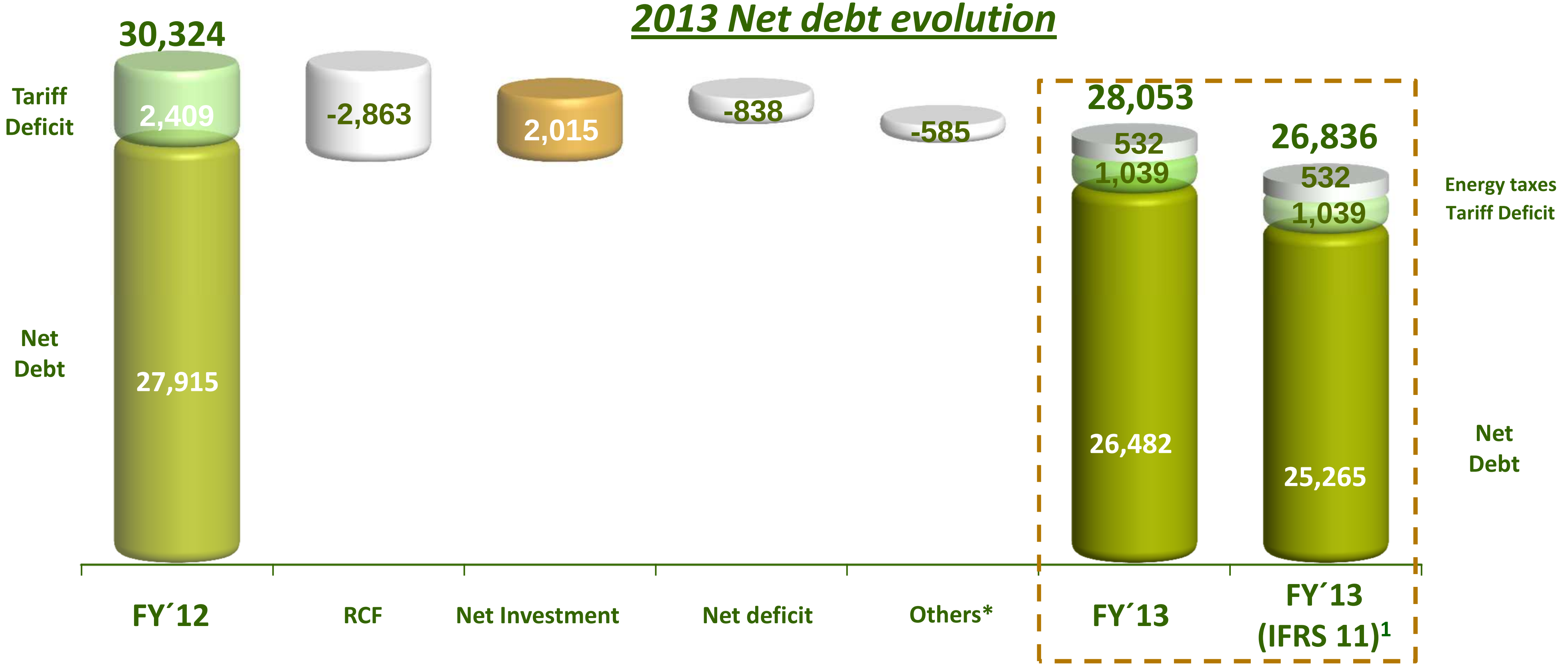
Latest divestments include EDP, Itapebi and Nugen

* Before taxes
**Subject to settlement of the derivatives trades upon maturity
***Closing expected in H1 2014

Financial Management
Debt evolution

Net Debt reduced to Eur 28 bn at the end of 2013, equivalent to Eur 26.8 bn under IFRS11 …

2013 Net debt evolution



… with retained cash flow Eur 0.8 bn above net investment and Eur 0.8 bn of net tariff deficit reduction

NOTE: Treasury figures / * Others include FX, Hybrid issue, change in derivative balance, Treasury shares and change in unpaid accrued interests
(1) For comparison purposes, 2013 Net Debt under IFRS 11 is included, applicable from 1st January 2014

Financial Management
Ratios 2013

IBERDROLA

Net Debt reduction drives solid financial ratios …

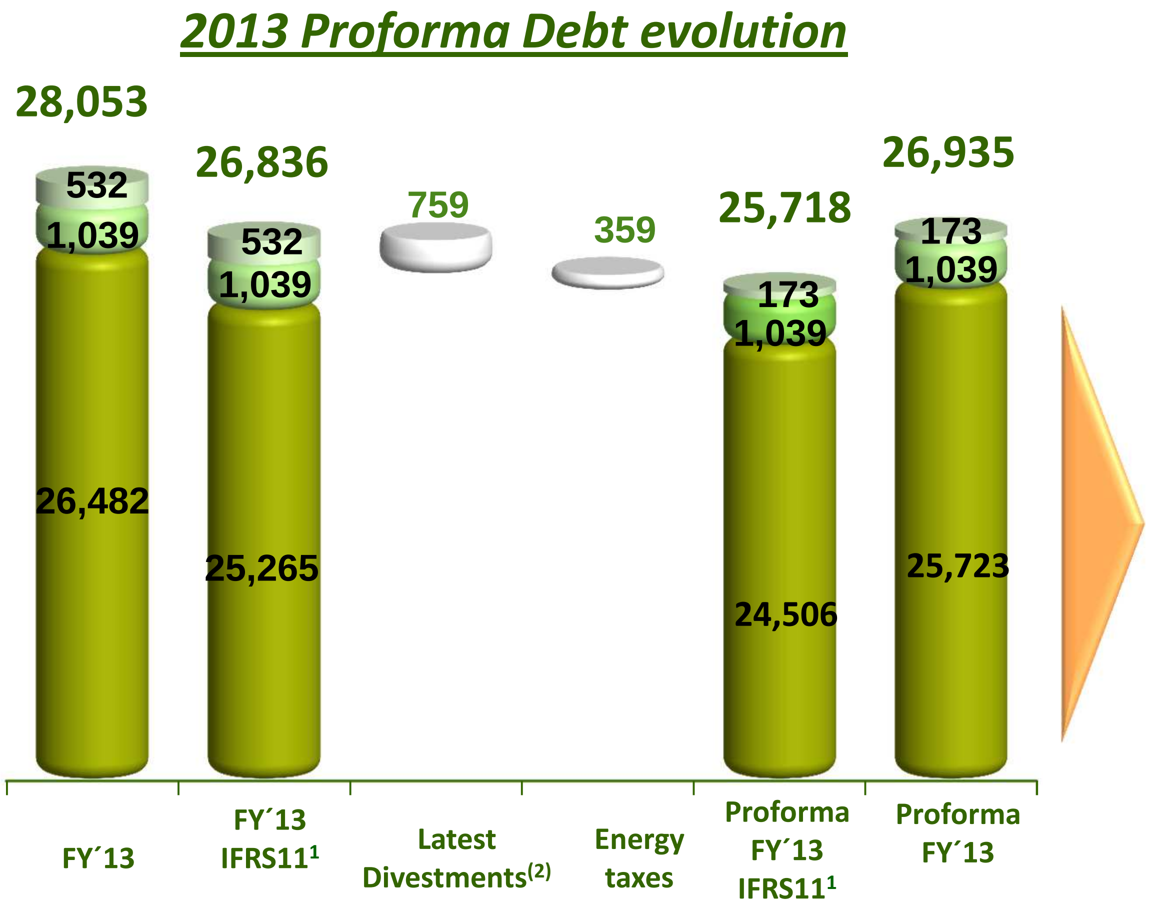
Solvency ratios	*FY´13*	*FY´13 (IFRS 11)*[1]
FFO* / Net Debt (%)	20.0%	20.8%
Net Debt/ EBITDA (X)	3.9	4.0
RCF** / Net Debt (%)	16.9%	17.5%
FFO / Interests (X)	5.2	5.5
Leverage (%)	44.2%	43.2%

… even considering regulatory impacts (mainly Spain) …

* FFO = Net Profit+ Minority Results+ Amortis.&Prov. – Equity income– Net Non- Recurring Results+ Fin. Prov.+ Goodwill Deduction – /+ Reversion of Extr. Tax Provision
** RCF = FFO – Dividends paid - Hybrid issue interest
(1) For comparison purposes, 2013 credit ratios under IFRS 11 are included, applicable from 1st January 2014

Financial Management
Ratios 2013

… and including cash received from latest divestments(2) (Eur 759 M) and taxes already collected from the tariff (Eur 359 M), solvency ratios are further strengthened



Proforma Solvency ratios	FY´13	FY´13 (IFRS 11)[1]
FFO* / Net Debt (%)	20.9%	21.7%
Net Debt / EBITDA (X)	3.7	3.8
RCF** / Net Debt (%)	17.6%	18.3%
FFO / Interests (X)	5.2	5.5
Leverage (%)	43.2%	42.2%

* FFO = Net Profit+ Minority Results+ Amortiz.&Prov. – Equity income– Net Non- Recurring Results+ Fin. Prov.+ Goodwill Deduction – /+ Reversion of Extr. Tax Provision

** RCF = FFO – Dividends paid – Hybrid issue interests

(1) For comparison purposes, 2013 net debt and credit ratios under IFRS 11 are included, applicable from 1st January 2014

(2) Nugen divestment not included

Financial Management
Liquidity as at December 2013

In 2013 the Group has started to reduce liquidity accumulated in 2012 to improve cost …

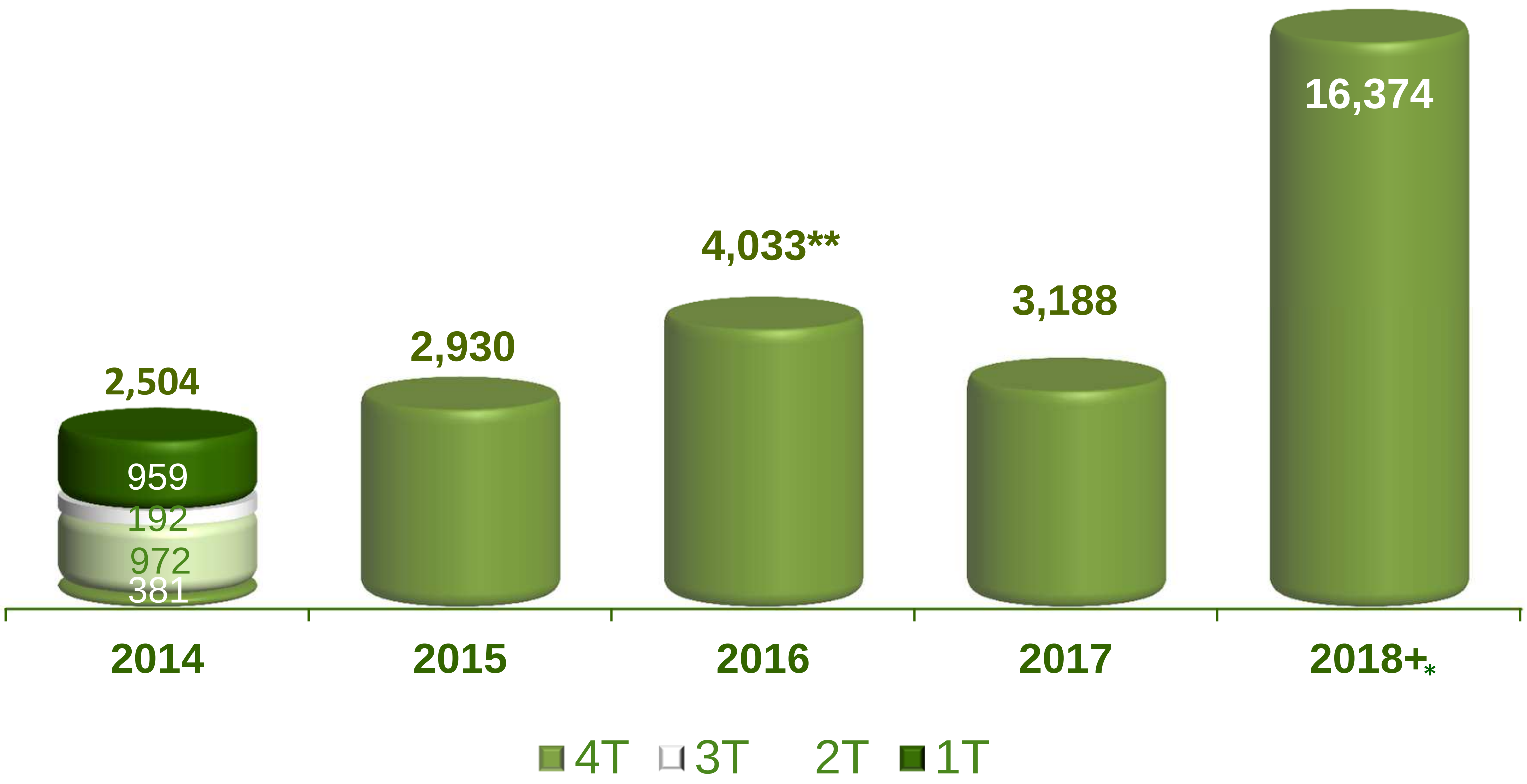
Eur M

Credit line maturities	Available'13
2014	869
2015	2,150
2016 +	6,098
Total credit lines	9,117
Cash & short term financial investments	1,709
Total adjusted liquidity	10,826

… although maintaining a strong liquidity position of Eur 10.8 bn covering 30 months of financial needs

Financial Management
Maturity profile

Balanced maturity profile due to active management (Reducing '14-'16 average maturity by Eur 1 Bn) **together with our strong liquidity position …**



… results in a comfortable debt refinancing position whilst maintaining an average maturity target around 6 years

* Includes outstanding commercial paper balance

** Includes Eur 745 M with option to extend 1 + 1 years and Eur 595 M with option to extend 1 year

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