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IBERDROLA

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Agenda

Highlights of the period

Analysis of results

Financing

Conclusion

Annex:

- Scrip dividend calendar proposal: January 2014

Highlights of the Period

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Net Profit amounts to Eur 2,275 M (-3%), despite the impact of regulatory measures in Spain and the United Kingdom,…

Gross Margin increases to Eur 9,459 M (+1.8%)

4.6% improvement in operating efficiency

EBITDA amounts to Eur 5,542 M (-4.1%)
impacted by regulatory measures and exchange rate evolution

Net Debt reduced by more than Eur 3,300 M v 9M 2012
and leverage down to 44.9%, from 48.4%

… thanks to efficiency improvements and the management of the Group´s operations

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Gross Margin

IBERDROLA

Gross Margin amounts to Eur 9,459 M, up 1.8%…

Gross Margin (Eur M)

… +4.4%, excluding exchange rate impact

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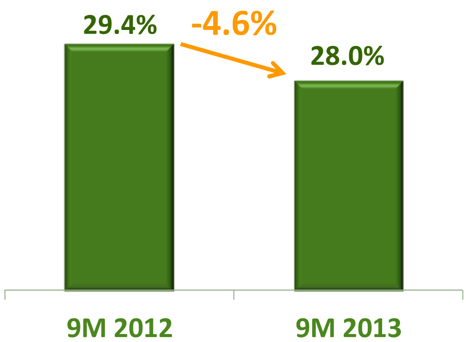
Net Operating Expenses and Efficiency

Net Operating Expenses (NOE) down 2.9%
with reductions in every business…

NOE by business (Eur M)

NOE/Gross Margin



… leading to a 4.6% improvement in operating efficiency

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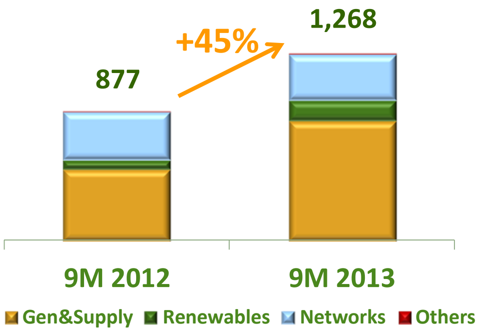
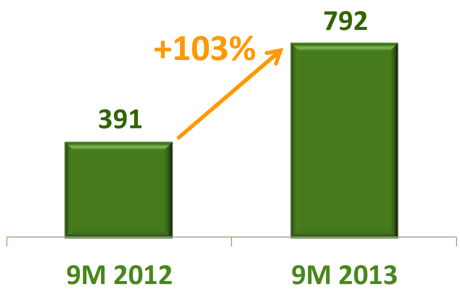
Levies

However, operational improvements have been wiped out by the increase in Levies…

Levies (Eur M)



Levies in Spain (Eur M)



… mainly due to the introduction of generation taxes in Spain (Eur 320 M in Gen&Supply and Eur 61 M in Renewables)

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EBITDA

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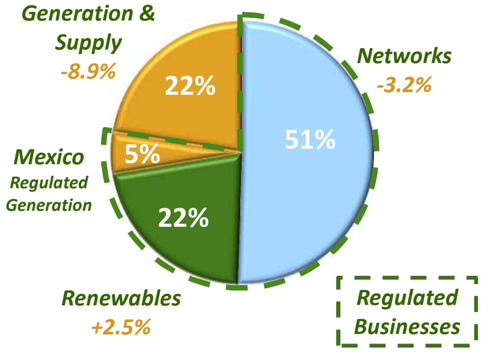
EBITDA amounts to Eur 5,542 M (-4.1%), with a 78% contribution from regulated businesses

Generation & Supply ↓	Increase in Levies in Spain and lower margins in the United Kingdom
Networks ↓	Lower remuneration in Spain and ordinary Tariff review in Brazil
Renewables ↑	Higher production

EBITDA by business



Excluding exchange rate impact, EBITDA down only 1.5%

Operating Cash Flow

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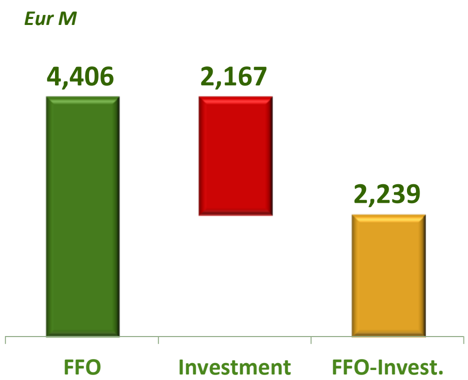
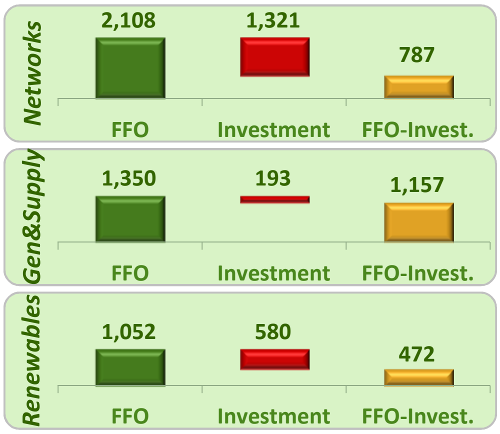
Operating Cash Flow (FFO[1]) amounts to Eur 4,406 M…



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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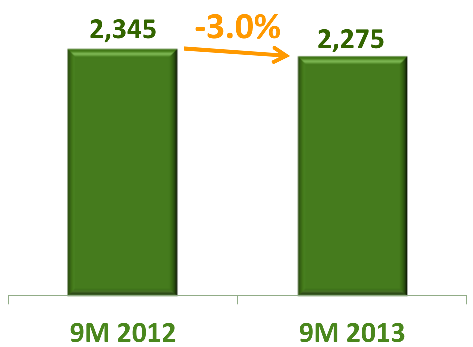
Net profit amounts to Eur 2,275 M (-3%)…

Net Profit (Eur M)



… despite impact of regulatory measures in Spain and UK

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Main Impacts on P/L Account

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**Most of the impact of regulatory measures,
extra energy costs in Brazil and exchange rate evolution…**

Negative impacts (Eur M)

- Regulatory measures Spain and UK
- Removal of CO_2 allowances
- Extra cost in Brazil
- Exchange rate evolution

…

Total Impact on EBITDA	-1,010

Management optimisation (Eur M)

- Increase in production and margin
- Operating efficiency
- Contribution from new investments

…

Total Impact on EBITDA	+770

**… has been offset by management optimisation,
resulting in a net impact of Eur 240 M**

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Spain - Impact of Regulatory Measures

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Eur 503 M gross impact in the period
(Eur -408 M due to Law 15/2012 and Eur -95 M due to RDL 9/2013)…

Impact of Regulatory Measures in Spain (Eur M)

	Networks	Gen&Supply	Renewables	Total Group
Gross Margin[1]	-79	-43		-122
Levies[2]		-320	-61	-381
EBITDA Total impact	-79	-363	-61	-503

… excluding the impact of RDL 9/2013 on remuneration for renewables, pending additional regulation

1. Eur -79 M due to remuneration to distribution (RDL 9/2013), Eur 27 M due to "green cent" in Generation (Law 15/2012) and Eur -16 M for lower incentive to investment in Generation (RDL 9/2013)
2. Tax on production, water use and spent nuclear fuel (Law 15/2012)

United Kingdom - Generation&Supply Business

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Low margins of the business aggravated by efficiency and environmental Government measures, …

Costs increase 9M 2013 v 9M 2012

- Carbon Price Floor: Eur -25 M
- ROCs: Eur -55 M
- Increase in electricity and gas access charges: Eur -66 M
- Removal of free allocation of emission allowances: Eur -53 M
- Green levies ECO v CERT/CESP: Eur -96 M[1]

EBIT 9M 2013: Eur -27 M

… leading to economic losses and forcing the Company to adjust prices

1. Cost increase due to Government Obligations in 2013 v 2012, applying homogenous accounting criteria

Balance Sheet Management

Strong financial position

- Eur 2,200 M investments v FFO higher than Eur 4,400 M
- Net Debt reduced by more than Eur 3,300 M thanks to financial management and tariff deficit securitisation
- Leverage down to 44.9% v 48.4% in 9M 2012
- Financial ratios improvement

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Income Statement – Group

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According to IAS 19, that amends the accounting treatment in 2013 for pension charges, 2012 has been adjusted as well for comparative purposes

Eur M	9M 2013	9M 2012 Restated	Previous 9M 2012	Var. %
Revenues	24,216.8	25,235.6		-4.0
Gross Margin	9,459.2	9,291.6		+1.8
Net Op. Expenses	-2,649.7	-2,728.8		-2.9
Levies	-1,267.6	-876,6		+44.6
EBITDA	5,542.0	5,777.8		-4.1
Operating Profit (EBIT)	1,634.8	3,430.5		-52.3
Net Financial Expenses	-879.7	-977.9	-896.1	-10.0
Recurring Net Profit	1,710.3	1,793.1	1,849.7	-4.6
Reported Net Profit	2,274.8	2,344.5	2,400.7	-3.0
Operating Cash Flow*	4,405.8	4,734.7		-6.9%

*Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction – /+ reversion of extraordinary tax provision

Gross Margin - Group

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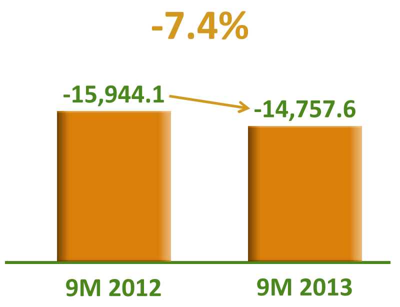
Gross Margin* up 1.8% to Eur 9,459.2 M, despite FX impact (Eur -245 M)

Revenues (Eur M)

Procurements (Eur M)



Revenues -4.0% (Eur 24,216.8 M), and Procurements -7.4% (Eur -14,757.6 M) due to lower cost mix

*Gross Margin = Basic Margin

Net Operating Expenses - Group

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Net Operating Expenses* improve 2.9% to Eur -2,649.7 M as a result of …

Eur M

Net Operating Expenses

	9M 2013	% v 9M 2012
Net Personnel Expenses	-1,319.6	-3.4%
Net External Services	-1,330.1	-2.4%
Total	-2,649.7	-2.9%

… efficiency plans in Personnel and External Services
Exchange rate impact of Eur +77 M

*Excludes Levies

Levies

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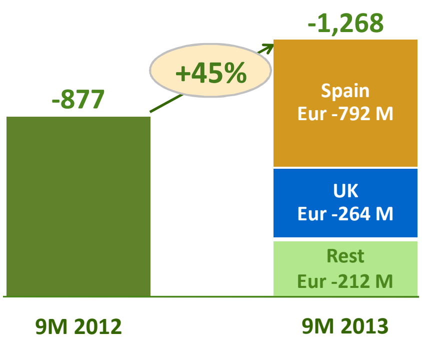
Levies rise 45% (Eur -391 M) to Eur -1,268 M …

Levies (Eur M)



Spanish Levies

- **Taxes on Generation*:** Eur -381 M impact
  - 7% tax: Eur -189 M
  - 22% Hydro canon: Eur -88 M
  - Nuclear waste: Eur -104 M

(Eur -27 M of green tax accounted at Gross Margin level)

- **Supreme Court rulings**: Eur -48 M net impact, as in H1 2013

United Kingdom Levies

- **Eur -264 M at 9M 2013**

… due to generation taxes in Spain

EBITDA – Group

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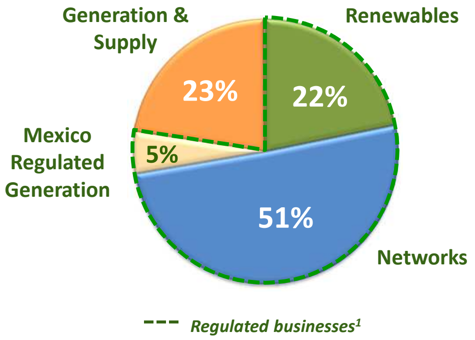
Exchange rate negative impact of Eur -150 M drives EBITDA down from -1.5% to -4.1% (Eur 5,542.0 M), although …

EBITDA Breakdown



EBITDA (%)

	Var.	Var. excl. FX
Networks	-3.2	+0.6
Liberalised	-8.9	-7.8
Renewables	+2.5	+4.0
GROUP	-4.1	-1.5

… FX hedging partially compensates this impact through lower Net Financial Expenses

1. Regulated business includes Networks, Renewables and Mexico regulated generation

Results By Business
Networks

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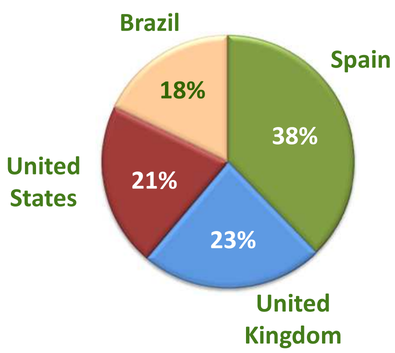
Networks EBITDA decreases 3.2% to Eur 2,805.7 M, as the 4.5% average growth in other markets do not fully compensate the 27.8% fall in Brazil

EBITDA by Geography (%)



Financial Highlights (Eur M)

	9M 2013	% v 9M 2012
Gross Margin	4,166.0	-2.9%
Net Op. Exp.	-1,050.9	-1.5%
EBITDA	2,805.7	-3.2%

EBITDA ex exchange rate impact +0.6% (FX impact of Eur –111.3 M)

Results By Business
Networks

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Networks Gross Margin down 2.9% to Eur 4,166.0 M, due to a 19.4% fall in Brazil, not completely offset by other geographies (+2.0%, to Eur 3,361.2 M)

Gross Margin

- **Spain (+0.4%):** Compared to the 6% growth at H1'13, due to the impact of Eur -79 M in Q3 2013 that reflects 9 months on new remuneration in Spain according to RDL 9/2013
- **United Kingdom (+3.0%):** Higher revenues due to higher asset base, as a consequence of higher investments
- **United States (+3.4%):** Higher revenues due to Rate Cases, Maine line contribution and positive IFRS impacts
- **Brazil (-19.4%):** Higher demand (+5.9%) offset by:
  - Tariff impacts (9M'13): Eur -120 M, despite 8.9% increase in Elektro tariff
  - Additional energy costs due to drought: Eur -26 M*

Net Op. Expenses

Improve 1.5% due to efficiency gains across all businesses

Gross Margin ex exchange rate grows 1.1% (FX impact of Eur –174 M)

* Distribution: Eur -19 M (to be recovered through annual tariff reviews) and Generation: Eur -7 M (positively affected by the price adjustment according to inflation)

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Results By Business
Generation & Supply Business

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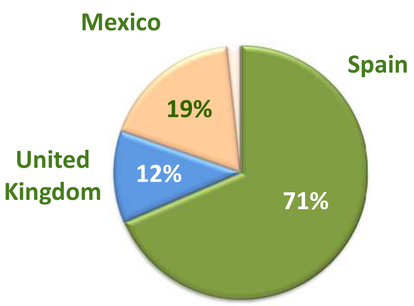
Generation & Supply Business EBITDA down 8.9% to Eur 1,531.6 M …

EBITDA by Geography (%)*



Financial Highlights (Eur M)

	9M'13	Dif. v 9M'12	% v 9M'12
Gross Margin	3,403.5	+195.4	+6.1%
Net Op. Exp.	-1,061.0	+72.6	-6.4%
Levies	-810.9	-326.2	+67.3%
EBITDA	1,531.6	-149.9	-8.9%

… affected by Levies that have increased 67.3% and wipe out higher Gross Margin (+6.1%), despite cost reduction (-6.4%)

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

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Results By Business
Generation & Supply Business

Operating improvements derived from hydro conditions in Spain and higher customer base in UK offset lower demand and prices in Spain and the removal of CO_2 free allowances (Eur -92 M), but …

Gross Margin

- **Spain:** Gross Margin up +11.0% due to:
  - Higher output (+2.4%). Hydro up 91% compensates 52% lower thermal and -8% lower nuclear
  - Higher margins driven by lower costs due to excellent hydro conditions
- **United Kingdom:** Gross Margin falls 0.6% due to:
  - Carbon Price Floor and higher non energy costs (ECO, CO_2, T&D, ROCs)
  - Lower coal output (Cockenzie closure and outages), replaced with higher CCGTs output -> lower spreads
  - That compensate higher tariffs and customer base

Net Op. Expenses

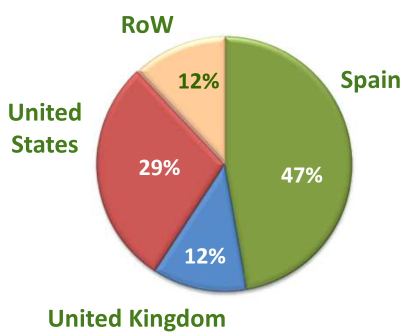
6.4% improvement, as a consequence of cost reductions and efficiency measures predominately in Spain

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

Results By Business
Renewables

EBITDA up 2.5% to Eur 1,211.0 M, driven by 6.4% higher output and cost control (-3.4%) …

EBITDA by Geography[1] (%)



Financial Highlights (Eur M)

	9M 2013	% v 9M 2012
Gross Margin	1,759.2	+5.4%
Net Op. Exp.	-409.1	-3.4%
Levies	-139.0	+120.4%
EBITDA	1,211.0	+2.5%

… despite the increase in Spanish Levies (x3.5 times) and negative exchange rate impact (EBITDA ex FX +4.0%)

(1) Adjustment corresponds to Other Renewables

Results By Business
Renewables

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Main performance drivers

Gross Margin

- **<u>Capacity</u>**: Operating capacity increases 0.7%* to 13,857 MW, as new installed capacity compensates asset sales
- **<u>Output</u>**: Higher output (+6.4%) due to better average load factor of 27.1% (+1.0 pp)
- **<u>Prices</u>**: Weighted Average price decreases 1.2% (to Eur 69.8/MWh) resulting from the lower average price in Spain (final achieved price -3.5% principally due to RDL 2/2013), not compensating higher prices in other geographies

Efficiency

- **<u>Net Operating Expenses**/Average Operating Capacity</u>**: 6.1% improvement in cost per MW, driven mainly by a 3.4% fall in Net Operating Expenses

* Average operating capacity during the period increases 2.8%

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

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Net Financial Expenses - Group

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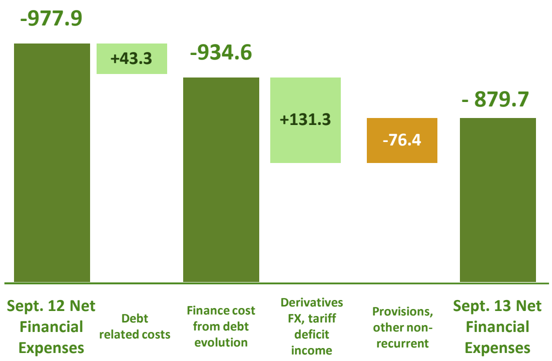
Improvement in net financial costs of 10.0%* to Eur -879.7 M, as a consequence of a 6.8% decrease in the Average Net Debt…

<u>Net Financial Exp. evolution (Eur M)</u>



<u>Financial Highlights</u>

- Debt related costs improve Eur +43 M
- Eur 131 M lower costs, mainly from FX derivatives (Eur +51 M) and the recognition of accrued interest related to tariff deficit spread (Eur +51 M)
- Eur 76 M higher costs, due to less capitalised interest, unwind of UK tax provisions in 2012, higher UK pensions provisions, and impairments

… and the positive impact of the financial hedging (95% of BRL, 91% of USD and 77% of GBP are hedged)

* 2012 adjusted according to IAS19

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Reported Net Profit - Group

Reported Net Profit down 3.0% to Eur 2,274.8 M and Recurring Net Profit down 4.6% to Eur 1,710.3 M

Eur M

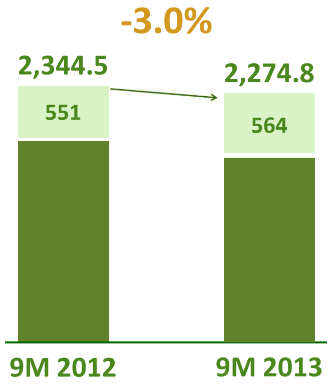
9M'12 Non Recurring impacts (Net)

Asset impairments: Eur -137 M[1]

Non Rec. Taxes: Eur +656 M[1]

Non Recurring Results: Eur +32 M

TOTAL: Eur +551 M



9M'13 Non Recurring impacts (Net)

Asset impairments: Eur -1,057 M
(Eur -1,665 M Gross impact)

Non Rec. Taxes&Others: Eur +88 M[2]

Asset revaluation: Eur +1,537 M

Non Recurring Results: Eur -4 M

TOTAL: Eur +564 M

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

(1) 9M'12 Assets impairments related basically to Gamesa / 9M'12 Non Recurring Taxes related to UK Corporate Tax Rate, Elektro goodwill and reversal of provisions in the US
(2) 9M'13 Non Recurring Taxes related to Asset Impairments, UK Corporate Tax Rate (3 p.p. at 9M 2013 v 2 p.p at 9M2012) and Others

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Financing - Tariff Deficit

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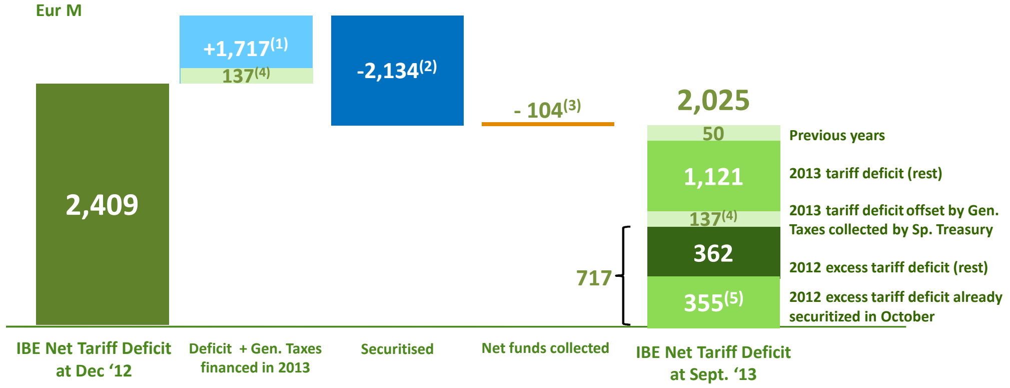
Almost Eur 3 bn out of Eur 4.1 bn of 2012 extra deficit transferred to FADE has been already securitised since September



Eur 355 M already securitized in Oct. decrease Net Tariff Deficit from Eur 2,025 to Eur 1,670 M
Eur 2.2 bn of extraordinary credit loan already approved by Spanish Parliament

(1) Includes Eur 594 M deficit financed for 2012 (Includes Eur 400 M 2012 island deficit) , Eur 1,258 M deficit financed for 2013; and (4).
(2) Includes FADE 41 (Eur 699 M) collected 4th October
(3) Includes Eur 191M of deficit received in quotas, Eur 27 M of interests and Eur 60 M spread
(4) Eur 137 M collected via new energy production taxes not applied to reduced deficit 2013
(5) Eur 355 M corresponding to the Eur 717 M from 2012 excess deficit have been collected in October

Financing - Adjusted Leverage

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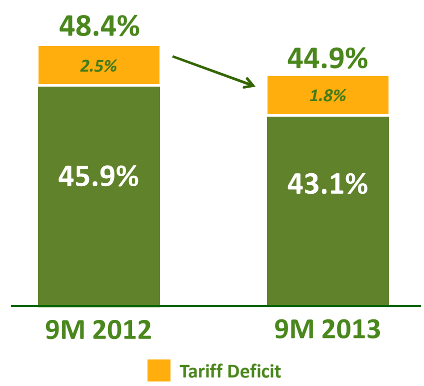
Adjusted Net Debt of Eur 28.5 bn, Eur 3.3 bn less than in Q3'12,
despite the non-recurring payment of Eur 318 M tax as a consequence of Balance Sheet revaluation

Q3 Net Debt and Equity

Eur M

	9M'12	9M'13
Adjusted Net Debt	**31,860**	**28,550**
Tariff Deficit	**3,022**	**2,025**
Gen. Taxes not recovered	n/a	137
Rest of Tariff Deficit	3,022	1,888
Adjusted Net Debt Ex deficit	**28,839**	**26,525**
Equity	**33,959**	**34,970**

Leverage



Leverage at 44.9% in Q3 2013 v 48.4% in Q3 2012

Note all debt figures include TEI

Financing - Financial Ratios

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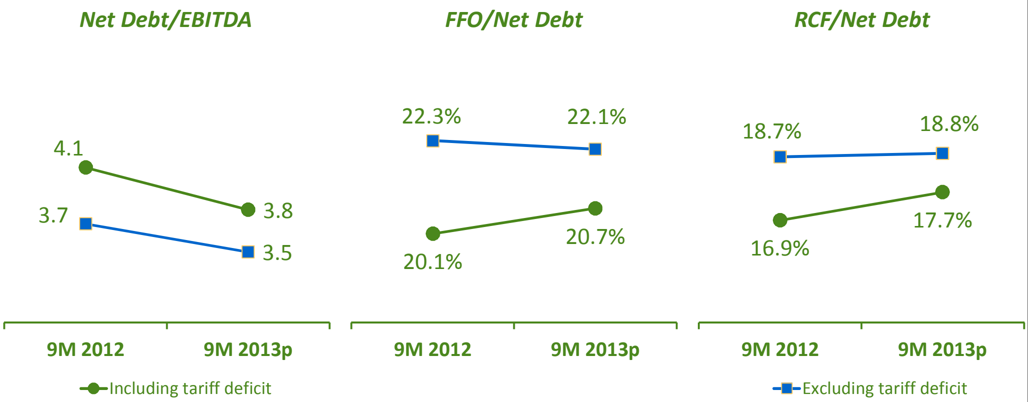
Improvement in credit metrics



(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction – /+ reversion of extraordinary tax provision
(2) Including TEI but excluding Rating Agencies Adjustments
(3) RCF = FFO – Dividends
(4) Ratios proforma, including Tariff Deficit securitizations collected as of 23th October

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Financing - Liquidity

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Strong Liquidity position over Eur 12 bn…

Eur M

Credit Line Maturities	Limit	Withdrawn	Available
2013	767	4	763
2014	3,017	32	2,985
2015&onwards	6,389	61	6,328
Total Credit Lines	**10,173**	**97**	**10,076**
Cash & Short Term Fin. Invest.			1,445
FADE issue collected 4th October			699
Total Adjusted Liquidity			**12,220**

… covering more than 30 months of financing needs

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Financing - Financial Profile

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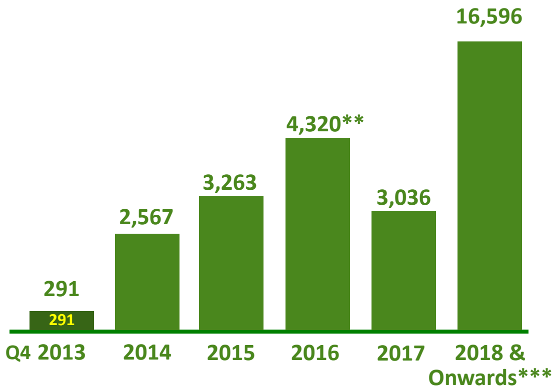
Average maturity of Debt: 6.0 years

Eur M

Debt maturity profile*



*Does not include drawn credit lines
**Includes Eur 745 M with option to extend 1 + 1 years and 595 M€ with option to extend 1 year
***Assumes rollover of commercial paper outstanding balance of Eur 1,626 M

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Analysis of results

Financing

Conclusion

Annex:

- Scrip dividend calendar proposal: January 2014

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Conclusion

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Improvements in the management of the business allow to…

- Gross Margin increase
- Efficiency improvements
- Balance Sheet strengthening

EBITDA Eur 5,542 M and Net Profit Eur 2,275 M
FFO Eur 4,406 M

Net Debt reduced by more than Eur 3,300 M

… despite impact of regulatory measures in Spain and UK

Shareholder's remuneration

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Sustainability of shareholder's remuneration policy is a priority

Policy:	
Sustainability	Shareholder's remuneration policy with growth potential in the future
Pay-out	In line with companies with similar business profile (65%-75%)
Scrip dividend + Treasury stock redemption	Scrip dividend maintained due to tax advantages Treasury stock redemption to avoid dilution
Strong financial position	Compatible with the strengthening of financial ratios

Repurchase price of next scrip dividend of at least Eur 0.125/share to be paid in January 2014[1]

1. *Through the "Scrip dividend" program. Final guaranteed price will be announced 9 January, 2014*

Agenda

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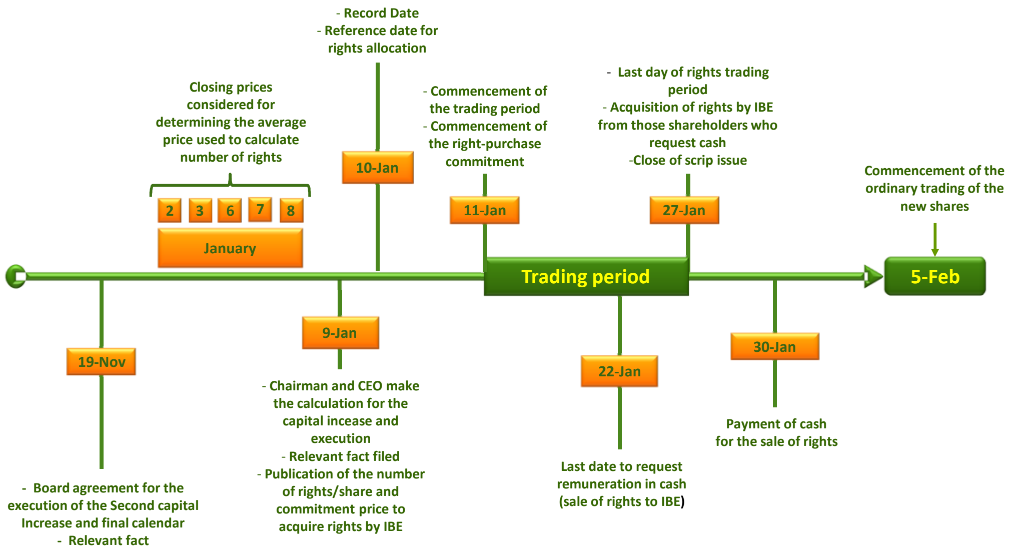
Scrip dividend calendar proposal: January 2014



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