

Results

**2014**

Quarterly Report



**IBERDROLA**



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## Core Business Figures

Operating Data		12M 2014	12M 2013	%
<b>Net production</b>	<b>GWh</b>	<b>138,892</b>	<b>136,435</b>	<b>1.8</b>
Hydro	GWh	20,636	17,678	16.7
Nuclear	GWh	24,431	22,888	6.7
Coal	GWh	12,102	12,589	-3.9
Gas Combined Cycle	GWh	42,126	42,454	-0.8
Cogeneration	GWh	5,734	6,843	-16.2
Renewables	GWh	33,863	33,983	-0.4
<b>Installed capacity</b>	<b>MW</b>	<b>45,089</b>	<b>44,992</b>	<b>0.2</b>
Hydro	MW	9,869	9,869	-
Nuclear*	MW	3,410	3,410	-
Coal	MW	3,178	3,178	-
Gas Combined Cycle	MW	12,742	12,995	-2.0
Cogeneration	MW	1,238	1,233	0.4
Renewables**	MW	14,652	14,306	2.4
<b>Distributed Electricity</b>	<b>GWh</b>	<b>214,613</b>	<b>214,873</b>	<b>-0.1</b>
<b>Electricity customers</b>	<b>No (mil.)</b>	<b>29.0</b>	<b>28.5</b>	<b>1.6</b>
<b>Gas customers</b>	<b>No (mil.)</b>	<b>3.63</b>	<b>3.58</b>	<b>1.3</b>
<b>Gas supplies</b>	<b>GWh</b>	<b>99,404</b>	<b>97,705</b>	<b>1.7</b>
<b>Gas storage</b>	<b>bcm</b>	<b>2.56</b>	<b>2.55</b>	<b>0.4</b>
<b>Employees</b>	<b>No.</b>	<b>28,017</b>	<b>28,212</b>	<b>-0.7</b>

\* Includes Garoña plant.

\*\* Under consolidated effects they amount to 14,051 MW.

Operating Data		12M 2014	12M 2013	%
<b>Spain</b>				
<b>Net production</b>	<b>GWh</b>	<b>61,052</b>	<b>58,086</b>	<b>5.1</b>
Hydro	GWh	17,742	14,795	19.9
Nuclear	GWh	24,431	22,888	6.7
Coal	GWh	2,472	2,348	5.3
Gas combined cycle	GWh	1,189	1,709	-30.4
Cogeneration	GWh	2,010	2,490	-19.3
Renewables	GWh	13,208	13,857	-4.7
<b>Installed capacity</b>	<b>MW</b>	<b>25,283</b>	<b>25,488</b>	<b>-0.80</b>
Hydro	MW	8,807	8,807	-
Nuclear*	MW	3,410	3,410	-
Coal	MW	874	874	-
Gas combined cycle	MW	5,695	5,894	-3.4
Cogeneration	MW	388	394	-1.5
Renewables	MW	6,109	6,109	-
<b>Distributed Electricity</b>	<b>GWh</b>	<b>90,729</b>	<b>91,695</b>	<b>-1.1</b>
<b>Gas Supplies</b>	<b>GWh</b>	<b>15,393</b>	<b>16,122</b>	<b>-4.5</b>
Consumers	GWh	13,284	12,830	3.5
Gas combined cycle	GWh	2,109	3,292	-35.9
<b>Electricity Users</b> (managed supply points)	<b>No (mill.)</b>	<b>10.9</b>	<b>10.9</b>	<b>0.17</b>
Liberalised market	No	6.1	5.5	10.9
Last resort supply	No	4.8	5.4	-10.9
<b>Gas Users</b> (managed supply points)	<b>No (mill.)</b>	<b>0.8</b>	<b>0.8</b>	<b>5.4</b>
<b>United Kingdom</b>				
<b>Production</b>	<b>GWh</b>	<b>18,920</b>	<b>19,936</b>	<b>-5.1</b>
Hydro	GWh	716	665	7.8
Coal	GWh	9,630	10,241	-6.0
Gas combined cycle	GWh	5,459	6,227	-12.3
Cogeneration	GWh	6	9	-40.3
Renewables	GWh	3,110	2,794	11.3
<b>Installed Capacity</b>	<b>MW</b>	<b>6,462</b>	<b>6,342</b>	<b>1.9</b>
Hydro	MW	563	563	-
Coal	MW	2,304	2,304	-
Gas combined cycle	MW	1,967	1,967	-
Cogeneration	MW	1	31	-96.8
Renewables	MW	1,627	1,477	10.2
<b>Distributed Electricity</b>	<b>GWh</b>	<b>36,539</b>	<b>37,777</b>	<b>-3.3</b>
<b>Gas Storage</b>	<b>bcm</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
<b>Gas Supplies</b>	<b>GWh</b>	<b>43,141</b>	<b>50,247</b>	<b>-14.1</b>
Consumers	GWh	30,938	36,137	-14.4
Gas Combined Cycle	GWh	12,203	14,110	-13.5
<b>Electricity Users</b> (managed supply points)	<b>No (mill.)</b>	<b>3.50</b>	<b>3.49</b>	<b>0.2</b>
<b>Gas Users</b> (customers)	<b>No (mill.)</b>	<b>2.2</b>	<b>2.2</b>	<b>-</b>

\*Includes the Garoña plant

Note: In terms of operational data, IRFS11 do not apply (see details under Operational Performance for the period).

Operating Data		12M 2014	12M 2013	%
<b>United States</b>				
<b>Production</b>	<b>GWh</b>	<b>17,549</b>	<b>17,990</b>	<b>-2.4</b>
Hydro	GWh	392	397	-1.3
Gas combined cycle	GWh	0.8	2.6	-69.9
Cogeneration	GWh	2,287	2,878	-20.5
Renewables	GWh	14,869	14,712	1.1
<b>Installed capacity</b>	<b>MW</b>	<b>6,479</b>	<b>6,332</b>	<b>2.3</b>
Hydro	MW	118	118	-
Gas combined cycle	MW	30	85	-64.3
Cogeneration	MW	636	636	-
Renewables	MW	5,695	5,493	3.7
<b>Gas storage USA</b>	<b>bcm</b>	<b>0.65</b>	<b>0.64</b>	<b>1.6</b>
<b>Gas storage Canada</b>	<b>bcm</b>	<b>1.8</b>	<b>1.8</b>	<b>0.0</b>
<b>Distributed Electricity</b>	<b>GWh</b>	<b>33,335</b>	<b>33,187</b>	<b>0.4</b>
<b>Gas supplies</b>	<b>GWh</b>	<b>40,870</b>	<b>31,336</b>	<b>30.4</b>
<b>Electricity Users</b> (managed supply points)	<b>No (mill.)</b>	<b>1.8</b>	<b>1.8</b>	<b>0.4</b>
<b>Gas Users</b> (managed supply points)	<b>No (mill.)</b>	<b>0.60</b>	<b>0.60</b>	<b>0.8</b>
<b>Latin America</b>				
<b>Production</b>	<b>GWh</b>	<b>39,916</b>	<b>38,644</b>	<b>3.3</b>
Hydro	GWh	1,786	1,822	-2.0
Gas combined cycle	GWh	35,478	34,516	2.8
Cogeneration	GWh	1,431	1,466	-2.4
Renewables	GWh	1,221	841	45.2
<b>Installed capacity</b>	<b>MW</b>	<b>6,121</b>	<b>6,086</b>	<b>0.6</b>
Hydro	MW	381	381	-
Gas combined cycle	MW	5,050	5,050	-
Cogeneration	MW	213	172	23.5
Renewables	MW	477	483	-1.2
<b>Distributed Electricity</b> (under management)	<b>GWh</b>	<b>54,010</b>	<b>52,215</b>	<b>3.4</b>
<b>Customers</b> (managed supply points)	<b>No (mill.)</b>	<b>12.8</b>	<b>12.4</b>	<b>3.4</b>
<b>Rest of the world</b>				
<b>Production</b>	<b>GWh</b>	<b>1,454</b>	<b>1,779</b>	<b>-18.3</b>
Renewables	GWh	1,454	1,779	-18.3
<b>Installed capacity</b>	<b>MW</b>	<b>744</b>	<b>744</b>	<b>-</b>
Renewables	MW	744	744	-

\*Includes the Garoña plant

Note: In terms of operational data, IRFS11 do not apply (see details under Operational Performance for the period).

Stock Market Data		12M 2014	12M 2013
Market capitalisation	€ Million	35,756.34	28,922.29
Earnings per share (6,388,483,000 shares at 12/31/14 and 6,239,975,000 shares. at 12/31/2013)	€	0.36	0.41
Net operating cash flow per share	€	0.854	0.896
P.E.R.	Times	15.37	11.25
Price/Book value (capitalisation to NBV at end of period)	Times	1.00	0.83

Economic/Financial Data			
Income Statement		12M 2014	12M 2013
Revenues	€ Million	30,032.3	31,077.1
Gross Margin	€ Million	12,179.5	11,781.9
EBITDA	€ Million	6,964.5	6,756.9
EBIT	€ Million	3,940.9	2,219.5
Net Profit	€ Million	2,326.5	2,571.8
Net Operating Expenses/Gross Margin	%	29.8	29.4

Balance Sheet		Dec. 2014	Dec. 2013*
Total Assets	€ Million	93,771	89,787
Shareholders' Equity	€ Million	35,791	35,289
Net Adjusted Financial Debt <sup>(1)</sup>	€ Million	25,619	26,836
ROE	%	6.5	7.5
Financial Leverage <sup>(2)</sup>	%	41.7%	43.2%
Net Debt/Equity Ratio	Times	71.6%	76.0%

(1) Includes regulatory receivables, TEI.

(2) Net Debt/(Net Debt + Shareholder's Equity). Includes regulatory receivables financing. Excluding regulatory receivables financing, leverage in the first half 2014 would be at 40.4%.

\* Restated.

Credit Rating of IBERDROLA Senior Debt			
Agency	Rating	Outlook	Date
Moody's	Baa1	Negative	9 November 2012
Fitch IBCA	BBB+	Stable	25 March 2014
Standard & Poors	BBB	Stable	28 November 2012



## Highlights for the period

Iberdrola's results over the period are to be viewed within a complex operational environment characterised by an improvement in the macroeconomic situation on an international level, which has, however, not yet led to an increase in electricity and gas demand in the Eurozone. In addition, financial year 2014 was impacted by the effects of regulatory and fiscal changes in Spain (initiated in 2012), which reduced revenues from many businesses, particularly impacting Renewables.

In this respect, the following highlights can be noted:

- In Spain, the period was marked by higher rainfall levels compared to the same period of the previous year (+5.5%) together with a stabilisation of the electricity demand in terms adjusted for working days and temperature (-0.2%). In this regard, the evolution of the large industrial energy consumers sector is notable, with a 5% growth in the last 12 months.
- In the United Kingdom, demand for electricity decreased by 4.9%, whereas demand for gas decreased by 13%, as a result of the mild weather in the first part of the year and the effect of the energy efficiency measures introduced in the last years.
- Iberdrola USA's area of influence on the East Coast of the United States saw a +0.4% increase in electricity demand and a +30.4% rise in gas demand, as a result of the increase in consumption due to the difficult weather conditions in the first months of the year.

- As for Brazil, demand grew by 3.4%, compared to the same period of the previous year.

During the financial year 2014, international markets of commodities evolved as follows:

- The average price of Brent oil was USD 98.88 per barrel compared with USD 108.79 per barrel in the previous year (-9.1%).
- The average price of gas (TTF) over the period was EUR 20.93/MWh, compared to EUR 27.03 MWh in 2013 (-22.6%).
- The average price of API2 coal was USD 75.57/Tonne, compared to USD 81.70/Tonne (-7.5%) for last year.
- The average cost of CO<sub>2</sub> allowances has risen from EUR 4.87/Tonne in 2013 to EUR 6.18/Tonne in 2014 (+26.9%).

During 2014, the average evolution of Iberdrola's main currencies of reference against the Euro was as follows: the value of the GBP rose by 5%, whereas the US Dollar and the Brazilian Real depreciated by 0.2% and 9% respectively.

Total production of the Iberdrola Group (total managed MW, for operating purposes IFRS 11 is not being applied) in the period increased by 1.8%, to 138,891 GWh. This figure includes 61,052 GWh (+5.1%) generated in Spain, 18,920 GWh (-5.1%) generated in the United Kingdom, 17,549 GWh (-2.4%) generated in the United States, 39,915 GWh (+3.3%) generated in Latin America, and the remaining 1,454 GWh generated in various countries through renewable energies (-18.3%).

At the end of 2014, IBERDROLA had 45,089 MW installed (Total MW under management), of which 62% produces emission-free energy, and operates at a very low variable cost.

The following exceptional facts should be noted with regard to the period analysed, and compared to the same period of the previous financial year:

- Entry into force of the accounting standard IFRS 11, according to which joint ventures are not accounted by the proportionate consolidation method but by the equity method. As a result of this, the deconsolidation of Neoenergia is the main effect for Iberdrola Group. Numbers for 2013 have been restated in the same terms, as indicated by the rule itself, in order to make the comparison homogeneous. The affected businesses are Networks in Brazil (Neoenergia), Liberalised Business in Spain (Nuclenor, BBE and some cogeneration plants) and Renewables. The detailed breakdown is explained below, in the section Operational Performance for the Period.
- The application of RDL 9/2013 since July 2013 had an impact of EUR 617 million in 2014. This RDL established a cut in the Distribution business remuneration in Spain (EUR -112 million), a reduction of the incentive to invest, with an impact of EUR -70 million on the Liberalised Business in Spain, establishes the financing of the rates subsidy ("Bono Social") by the integrated groups (EUR -66 million) and has a particularly negative effect on renewable energies (EUR -339 million) and cogeneration (EUR -30 million).

- In Brazil, in December 2014, an addendum to the concession contracts was signed, guaranteeing that, at the end of the concession period, the remaining balance of tariff assets/liabilities will be regularised. Thus, with the certainty that they will be recovered or paid, the accounting regulations, both local and international, allow the records of these tariff assets/liabilities to be posted into the accounts. Thus, at the close of 2014, no impact is recorded in the Profit and Loss Account due to drought. In addition, the balance receivable at December 2013 is recognised. These two effects have a net positive impact of EUR 75 million in Elektro (at Ebitda level) and EUR 54 million in Neoenergia (Equity method).
- The Non-current Assets Results include basically the sale of Itapebí, of the nuclear development of the United Kingdom (Nugen) and of the 25% stake in BBE, whereas the sale of the financial stake in the Portuguese company EdP is accounted for under the Financial Result.
- The main items of the Profit and Loss Account have evolved as follows:

	Jan-Dec 2014	v. 12M 2013
GROSS MARGIN	12,179.5	3.4%
EBITDA	6,964.5	3.1%
EBIT	3,940.9	77.6%
NET PROFIT	2,326.5	-9.5%

The optimisation of financial soundness and liquidity as strategic priorities are summarised as follows:

- Net Debt amounts to EUR 25,619 million. Excluding regulatory receivables, net debt decreases to EUR 25,233 million, in line with the EUR 25,000 million target set in the Outlook for 2014-16. These figures include the payment of a third dividend, the 2014 interim dividend, for the amount of EUR 275 million.
- Funds Generated from Operations at December 2014 were EUR 5,459 million, reflecting a 2.3% decrease.
- Liquidity amounts to EUR 9,106 million as of today, enough to cover treasury needs for more than 30 months

## Operational performance for the period

### 1. NETWORKS BUSINESS

#### 1.1. Spain

At the end of December 2014, Iberdrola Distribución Eléctrica had 10.9 million supply points and its distributed energy for the year amounted to 90,729 GWh, a 1.1% drop compared to the previous year.

In the fourth quarter of 2014, the CAIDI (Customer Average Interruption Frequency Index) indicator of supply quality was at 55.7 minutes, a 10.7% drop with regard to the same period of 2013, achieving the best record in the history. In any case, it should be noted that this index was high in 2013 due to poor weather conditions in the Basque Country and the Region of Navarre at the start of that year.

The table below shows the CAIDI (interruption time) and SAIFI (number of interruptions) values compared with previous years:

Year	CAIDI accumulated	SAIFI accumulated
2011	58.3	1.33
2012	58.4	1.14
2013	62.4	1.20
2014	55.7	1.07

During this financial year the investment made by the business in Spain has made it possible to commission the facilities included in the following table:

	Total	Voltage				
		Very high	High	Medium	Low	
<b>Lines</b>	Overhead (km)	411	22	60	98	231
	Underground (km)	625	12	17	314	282
<b>Sub-stations</b>	Transformers (units)	13	7	5	1 <sup>(2)</sup>	
	Capacity increase (MVA)	453	328	97	28	
	Substations (units) <sup>(1)</sup>	12				
<b>Secondary sub-stations</b>	Secondary substations (units) <sup>(3)</sup>	-217				
	Capacity increase (MVA) <sup>(3)</sup>	-21				

(1) This does not take into account the decommissioned substations (7 up to Dec-14),  
(2) Replacement of transformers by others with greater capacity.

(3) Reassignment of ownership of transformer substations in Madrid (673 up to Dec-14).

In addition, during this quarter 685,299 meters with a remote management system were installed, within the STAR smart network project.

In line with this, as at the end of 2014, Iberdrola has completed the installation of 4.2 million smart meters in Spain. The company has renovated the 40% of its metering fleet in Spain, overcoming the obligation of renovating 35% of their 10.5 million meters by the end of 2014. This initiative, underway in ten autonomous communities, will conclude in 2018 and have an overall investment of EUR 2,000 million.

#### 1.2. United Kingdom

On 31 December 2014, ScottishPower Energy Networks (SPEN) had 3.5 million electricity distribution supply points. The volume of distributed electricity during 2014 was 36,539 GWh, representing a 3.3% drop compared to the same period of the previous year.

Customer Minutes Lost (CML) was as follows:

CML (minutes)	Jan-Dec. 2014	Jan-Dec. 2013
Scottish Power Distribution (SPD)	34.3	44.9
Scottish Power Manweb (SPM)	38.0	42.5

The number of consumers affected by interruptions per every 100 customers (Customer Interruptions, CI) is as follows:

CI (No. of interruptions)	Jan-Dec. 2014	Jan-Dec. 2013
Scottish Power Distribution (SPD)	47.9	52.6
Scottish Power Manweb (SPM)	33.6	39.1

Both the CI and the CML meet the quality requirements established in regulations.

### 1.3. United States

#### 1.3.1. Electricity Distribution

At the end of December 2014, Iberdrola USA Networks had 1.8 million electricity supply points in the United States. The distributed electricity volume to date was 33,335 GWh, a 0.4% increase compared with the previous year.

The System Average Interruption Frequency Index (SAIFI) is as follows:

SAIFI	Jan-Dec. 2014	Jan-Dec. 2013
Central Maine Power (CMP)	1.80	1.75
NY State Electric & Gas (NYSEG)	1.03	1.09
Rochester Gas & Electric (RGE)	0.76	0.74

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

CAIDI	Jan-Dec. 2014	Jan-Dec. 2013
Central Maine Power (CMP)	1.86	2.09
NY State Electric & Gas (NYSEG)	1.97	1.93
Rochester Gas & Electric (RGE)	1.74	1.82

#### 1.3.2. Transmission

##### Transmission project to interconnect New England and Canada

The construction works for the project continue, with a total budget of USD 1,400 million. The overall investment made during 2014 reached USD 120 million, raising the accumulated amount to USD 1,267 million, 90.5% of the total budget for the project.

#### 1.3.3. Gas

The number of gas users in the New York State and Maine at the end of December 2014 was 0.6 million, who have been supplied 40,870 GWh during this period, up 30% from the same period in the previous year due to the cold weather in the first quarter.

### 1.4. Brazil

The demand evolution for the Brazilian distributors at the end of the fourth quarter of 2014 was as follows:

Energy Distributed (GWh) 100% of business	Jan-Dec. 2014	Jan-Dec. 2013	Var.
Coelba	18,380	17,645	4.2%
Cosern	5,462	5,213	4.8%
Celpe	13,235	12,694	4.3%
Elektro	16,933	16,663	1.6%
<b>TOTAL</b>	<b>54,010</b>	<b>52,215</b>	<b>3.4%</b>

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

Number of customers (mill.)	Dec. 2014	Dec. 2013	Var.
Coelba	5.6	5.4	3.7%
Cosern	1.3	1.3	3.9%
Celpe	3.4	3.3	2.9%
Elektro	2.4	2.4	3.0%
<b>TOTAL</b>	<b>12.7</b>	<b>12.4</b>	<b>3.4%</b>

With regard to regulated electricity generation, the capacity of the projects in operation as at December 2014 was as follows:

Plant	MW *	Attributable MW **
Termope	520	203
Itapebi	450	176
Afluyente	18	8
Rio PCH	39	15
Sitio Grande	25	10
Baguari	140	28
Corumbá III	94	24
Goias Sul	48	19
Dardanelos	261	102
Wind Farms ***	150	59
<b>TOTAL</b>	<b>1,745</b>	<b>642</b>

(\*) MW equivalent to 100% of the plant's capacity.

(\*\*) MW equivalent to the percentage of Iberdrola's stake.

(\*\*\*) Caetite I and II, Calango I, IV and V.

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

Plant	MW *	Attributable MW **	Date
Baixo Iguacu	350	137	2016
Teles Pires	1,820	356	2015
Belo Monte	11,233	438	2015-2018
Wind farms (tender Jun-14)	84	16	2017
Wind farms (tender Nov-14)	90	18	2019
<b>TOTAL</b>	<b>13,577</b>	<b>964</b>	

(\*) MW equivalent to 100% of the plant's capacity.

(\*\*) MW equivalent to the percentage of Iberdrola's stake.

## 2. GENERATION BUSINESS AND CUSTOMERS

### 2.1. Spain and Portugal

At the end of 2014, Iberdrola's installed capacity in Spain (ex-renewables) totalled 19,174 MW, broken down as follows:

SPAIN	Consolidated installed MW	MW Investees	TOTAL
Hydro	8,807		8,807
Nuclear*	3,166	244	3,410
Coal	874		874
Gas combined cycles	5,695		5,695
Cogeneration	295	93	388
<b>TOTAL</b>	<b>18,837</b>	<b>337</b>	<b>19,174</b>

\* Includes Garoña

Out of the 19,174 MW, Iberdrola consolidates 18,837 MW and manages through investee companies a further 337 MW, which in the previous financial year were consolidated under the method of proportional integration. However, following the entry into force of the accounting standard IFRS 11, they are now consolidated by the equity method.

In addition, the **Spanish Mainland Energy Production** (full Sector), is characterised by a production based on hydroelectric and wind (42.8% of the total), with a higher thermal coal production (+10.6%) compared to the poor contribution of gas generation (-12.7%). The demand shows a drop of 1.2%, albeit when adjusted to number of working days and temperature it only decreased by 0.2%. It is worth noting the evolution of electricity consumption of the group of companies and industries, which in 2014 showed a 3.2% growth, broken down as +4.7% for industrial consumers and -1.3% for service consumers.

**With regard to Iberdrola**, during the twelve months of 2014, production increased by 8.2% to 47,844 GWh. The yearly trend broken down by types of technology is as follows:

- Hydroelectric production reached 17,742 GWh, representing an increase of 19.9% over the same period in the previous year due to the higher rainfall in the period. As at 31 December 2014, hydroelectric reserve levels were at 69.9% (equivalent to 7,888 GWh).
- Nuclear production reached 24,431 GWh, representing a 6.7% increase.
- Coal-fired thermal power stations recorded a 5.3% increase, up to 2,472 GWh.
- Meanwhile, combined-cycle production fell by 30.4% to 1,189 GWh
- Cogeneration plants registered a drop in production by 19.3% to 2,010 GWh.

Of the 47,844 GWh produced, Iberdrola consolidated 46,827 GWh at EBITDA level, with 1,016 GWh being consolidated by the equity method in accordance with the IFRS 11. The breakdown is as follows:

	GWh Consolidated at EBITDA level	GWh Investee companies (equity method)	TOTAL
Hydro	17,742		17,742
Nuclear	24,353	78	24,431
Coal	2,472		2,472
Gas Combined Cycle	633	556*	1,189
Cogeneration	1,627	383	2,010
<b>TOTAL</b>	<b>46,827</b>	<b>1,016</b>	<b>47,844</b>

\* This refers to BBE until its disposal in Q4 2014.

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

	12M 2014	12M 2013
Hydro	37.1%	33.4%
Nuclear	51.1%	51.7%
Coal	5.2%	5.3%
Gas combined cycle	2.5%	3.9%
Cogeneration	4.2%	5.6%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Note: IFRS 11 does not apply.

With regard to sales, as at 31 December 2014, the portfolio managed by Iberdrola included 15,584,223 contracts, a total of 635,797 more contracts than in the same period in 2013 (+4%). The breakdown is as follows:

	Contracts	%
Electricity contracts	10,376,081	
Gas contracts	825,194	
Contracts for other products and services	4,382,948	
<b>Total contracts</b>	<b>15,584,223</b>	<b>+4%</b>

By market type they can be split into the following:

	Contracts	%
Liberalised market	11,288,716	72%
Last resort	4,295,507	28%
<b>Total contracts</b>	<b>15,584,223</b>	<b>100%</b>

Supplied energy (electricity and gas) in Spain came to 55,819 GWh. Electricity sales on the liberalised market in 2014 amounted to 38,300 GWh compared to 38,873 GWh supplied in the same period of 2013 (-1%).

2014 was characterised by a lower demand of natural gas across the Spanish territory that was 9.6% lower than that corresponding to the same period of 2013. This was due to both a lower consumption by clients and lower electricity production using gas.

In Portugal, Iberdrola supplied 6,563 GWh during 2014 compared to the 6,128 GWh supplied in 2013, it being the second seller in the Medium Voltage industrial clients, and having started to enter the residential sector.

Iberdrola's electricity sales in Spain and Portugal in 2014 came to 77.1 TWh, of which 49.6 TWh were sold on the liberalised market, 11.4 TWh correspond to energy at the Voluntary Price for

small consumers (PVPC) and 16.1 TWh to other markets.

## 2.2. United Kingdom

At 31 December 2014, installed capacity in the UK (formerly SPW Renewables) amounted to 4,835 MW. This includes a 30 MW drop in capacity since 31 December 2013 due to the sale of Pilkington CHPs in August 2014. The breakdown of installed capacity is as follows:

UNITED KINGDOM (SPW)	MW
Hydro	563
Coal	2,304
Gas combined cycle	1,967
Cogeneration	1
<b>TOTAL</b>	<b>4,835</b>

With regard to production from Iberdrola's traditional electricity generation in the United Kingdom, this fell by 7.8% during the twelve months of 2014 to 15,810 GWh, compared to 17,142 GWh in the same period of the previous year.

The market share of the UK generation business in the last quarter of 2014 was 6.1%, compared to 6.3% in the previous year. The highlights are as follows, broken down by production technology:

- Coal plant production dropped by 6.0% to 9,630 GWh compared to 10,241 GWh in the same period of the previous year, partly due to the closure of the Cockenzie plant in March 2013. Nevertheless, thanks to the investments made in Longannet, its performance has been better than in previous years.



- Combined cycle gas production dropped by 12.3% to 5,459 GWh compared to 6,227 GWh in the same period of 2013.
- Hydroelectric production increased by 7.8% to 716 GWh, compared to 665 GWh in 2013.
- Production using cogeneration technology (CHPs) dropped by 40.6% to 6 GWh.

Regarding retail, in 2014 customers had been sold 22,073 GWh of electricity and 30,938 GWh of gas, compared to 24,239 GWh of electricity and 36,137 GWh of gas sold in 2013.

At 31 December 2014, Scottish Power had 3.3 million electricity customers and 2.2 million gas customers.

### 2.3. Mexico

Operating capacity is 5,027 MW of thermal power capacity.

Capacity (MW)	MW
Monterrey	1,040
Altamira	1,036
Enertek	160
La Laguna	535
El Golfo	1,121
Tamazunchale	1,135
<b>TOTAL</b>	<b>5,027</b>

In 2014, commissioning of Enertek upgrade was a significant development, leading to a 40 MW increase in its operating capacity.

Currently, there are three new plants in the construction phase, which will enter into operation in 2016: the 300 MW combined cycle plant in Baja California III, a 50 MW cogeneration

plant and a new unit in the Dulces Nombres plant in Monterrey of 300 MW for private customers.

All of the above-mentioned projects will allow Iberdrola to reach an operating capacity of 5,700 MW in 2016, strengthening the leadership position Iberdrola has maintained over the last years in Mexico as a private producer, and its second position in the country after the *Comisión Federal de Electricidad*.

The energy sector in Mexico is being reformed and, within in it, the electricity sector. In this line, the Electricity Sector Law and its Regulations have already been approved by Congress, which suppose a relevant business growth opportunity for the following years.

The electric energy supplied from the combined-cycle and cogeneration plants amounted to 35,175 GWh, equivalent to a load factor of 81% given that generation with natural gas is the basis for electricity generation in Mexico. Cumulative availability of the Mexico plants was 95.1%, with a reliability of more than 99%.

### 2.4. Gas storage in USA and Canada

Gas storage installations exploited by the Company in 2014 totalled 2.44 bcm. In addition, the Company has 1.7 bcm of contracted or managed capacity.

USA/CANADA	bcm
Enstor Katy Storage	0.63
Enstor Grama Ridge Storage	0.40
Freebird	0.27
Caledonia	0.50
Alberta Hub	0.64
<b>TOTAL OWNED CAPACITY</b>	<b>2.44</b>
<b>TOTAL CAPACITY UNDER MANAGEMENT OR CONTRACTED</b>	<b>1.7</b>
<b>TOTAL CAPACITY</b>	<b>4.14</b>

### 3. RENEWABLES

At the end of the fourth quarter of 2014, the renewables business had an installed capacity of 14,593 MW.

Over the last 12 months, Iberdrola installed 352 MW in new renewables facilities.

Of the 14,593 MW, Iberdrola has consolidated 14,051 MW and manages through investee companies a further 542 MW, which in the previous financial year had been subject to proportionate consolidation, but which, after the entry into force of IFRS11, have gone on to being consolidated by the equity method.

	Installed MW Consolidated at EBITDA level (*)	MW managed by investee companies	Total
Wind Energy Spain	5,509	244	5,753
Wind Energy USA	5,484	161	5,645
Wind Energy U.K.	1,611	15	1,627
Onshore	1,417	15	1,432
Offshore	194	-	194
Wind Energy Latam	418	-	418
Wind Energy RoW	616	122	738
<b>Total Wind Energy</b>	<b>13,637</b>	<b>542</b>	<b>14,180</b>
Total Onshore Wind Energy	13,443	542	13,986
Total Offshore Wind Energy	194	-	194
Other Renewables	413	-	413
<b>Total installed capacity</b>	<b>14,051</b>	<b>542</b>	<b>14,593</b>

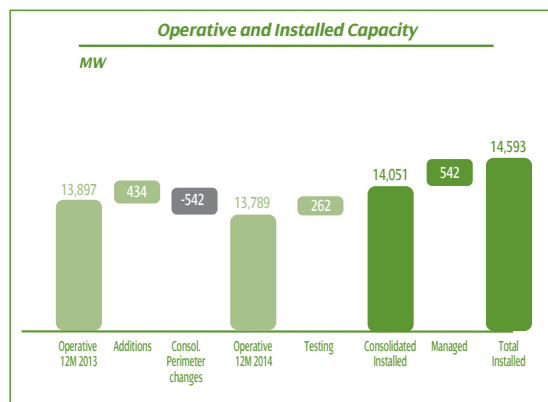
(\*) IFRS11, figures rounded to the nearest unit.

Production in the period associated with the installed and managed capacity is as follows:

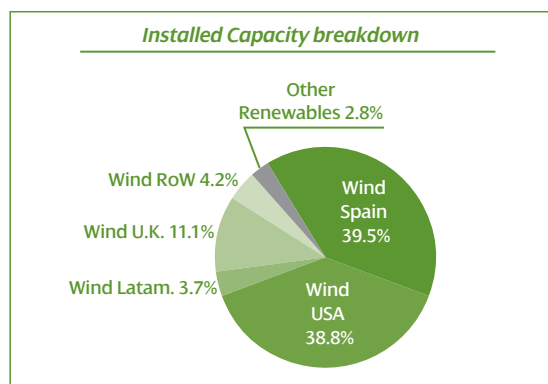
	GWh Consolidated at EBITDA level (*)	GWh managed by investee companies	Total
Wind Energy Spain	11,739	524	12,263
Wind Energy USA	14,332	408	14,740
Wind Energy U.K.	3,083	27	3,110
Onshore	2,705	27	2,732
Offshore	378	-	378
Wind Energy Latam	1,015	-	1,015
Wind Energy RoW	1,238	237	1,476
<b>Total Wind Energy</b>	<b>31,408</b>	<b>1,196</b>	<b>32,604</b>
Total Onshore Wind Energy	31,030	1,196	32,226
Total Offshore Wind Energy	378	-	378
Other Renewables	1,084	-	1,084
<b>Total Renewables Production</b>	<b>32,492</b>	<b>1,196</b>	<b>33,688</b>

(\*) IFRS11, figures rounded to the nearest unit.

Operating consolidated capacity reached 13,789 MW after adding 434.5 MW in operation in the last 12 months.



Of the 14,593 MW installed, at the end of the fourth quarter of 2014, 58% are outside of Spain, broken down as follows:



## Onshore Wind Energy

Iberdrola reached an installed onshore wind power capacity of 13,986 MW (of which all 13,443 MW are consolidated) after having added 157.7 MW of onshore wind power capacity over the last twelve months.

The geographic break-down of installed onshore wind power capacity is as follows: 5,753 MW in Spain, 5,645 MW in the US, 1,432 MW in the United Kingdom and Ireland, 418 MW in Latam and 738 MW in the Rest of the World.

### Spain

Installed capacity at the end of the fourth quarter of 2014 is 5,753 MW. Of this capacity, Iberdrola has consolidated 5,509 and manages through investee companies 244 MW, which, in the first quarter of 2014, ceased to form part of the consolidated capacity.

### United States

The Company is present in 18 states, with a total of 5,645 MW, of which 161 MW are managed through investee companies. During the fourth quarter of 2014, the installation phase of a 202 MW wind farm was completed.

### United Kingdom and Republic of Ireland

Installed capacity amounts to 1,433 MW in the United Kingdom and the Republic of Ireland. Of this capacity, 1,417 MW are consolidated and 15 are managed through investee companies. During the financial year, works have started on a 38 MW wind farm.

### Latin America

In Latin America, total installed capacity is 418 MW.

In Brazil, 187 MW are consolidated. During the financial year a Partnership Agreement with Neoenergía has been signed, with retroactive effect as of 1 January 2014. The aim of the agreement is to reorganise the shareholder structure in 10 wind farms previously owned by Iberdrola and Neoenergía, each with a 50% share. After this reorganisation, Iberdrola fully consolidates six wind farms, which come to a total of 187 MW. Furthermore, 6 projects for a total of 174 MW of wind power have won bids in the “Leilões” (tenders) that have taken place in 2014.

In Mexico, total installed capacity is 231 MW. During the financial year, a 70 MW farm has been built in the state of Oaxaca, and in the fourth quarter, works started on a 66 MW wind farm in the state of Puebla

### Rest of the world

Installed capacity at the end of 2014 is 738 MW, of which 616 MW correspond to consolidated capacity and 122 MW are managed through investee companies, broken down as follows:

	MW consolidated at EBITDA level	MW managed by investee companies	Total
Italy	10	122	132
Portugal	92		92
Greece	255		255
Cyprus	20		20
Hungary	158		158
Romania	80		80
<b>TOTAL</b>	<b>616</b>	<b>122</b>	<b>738</b>

During the last 12 months, it is worth noting the reclassification in Italy following the change in consolidation criteria for the wind farms of SER (variation of 122 MW).

### Offshore Wind Energy

Currently, the renewables business is developing marine wind projects, mainly in the United Kingdom, Germany and France

In the United Kingdom, the company has built the West of Duddon Sands project, located in the Irish Sea, with a capacity of 389 MW (\*), to be jointly developed with Dong Energy on a 50% (194.5 MW) basis. Over the last 12 months, the installation has been completed and all 108 turbines are operative.

Iberdrola continues with the development of the Wikinger offshore project, of up to 350 MW, in the Baltic Sea (Germany). During 2014, agreements have been signed with the main suppliers (foundations, electrical, installations and electrical substation) and with AREVA, which was selected as the wind turbine supplier. Simultaneously, progress is also being made in detail engineering works, in manufacturing and in processing the main permits and authorisations.

Furthermore, Iberdrola is developing in the United Kingdom, the “East Anglia I, II, and III” project in the North Sea. In October 2014, the UK Government has approved the budget for Contract for Differences (CfDs) renewable subsidies. The budget is split between established technologies and less established technologies. This second type includes the “offshore” wind projects. As for the budget for less established technologies in this first allocation round,

it amounts to GBP 235 million for projects commissioning from 2017/2018 onwards. The auction process and the notification of successful bidders will take place in the first quarter of 2015. Successful bidder farms will have until March 2016 to prove their commitment to build the park in accordance with the rules of the Contracts for Difference.

In April 2012, the consortium formed by Iberdrola and the French company EOLE-RES was awarded by the French Government the exclusive rights for the exploitation of the offshore wind farm of Saint-Brieuc, with a capacity of 500 MW. In 2013 the commitments with the French Government regarding the technical, environmental and industrial feasibility studies were completed. In 2014, the consortium started the works corresponding to the following phase, including the necessary studies for the permit application, as well as continuing the analysis of technical and economic feasibility, which concluded with the decision to change the generator proposed initially, with a unit capacity of 5 MW for a more modern and efficient generator with a unit capacity of 8 MW, also made by AREVA. This change of generator has been submitted for the approval of the French government, who has answered positively.

### Other Renewable Technologies

The Renewables business has installations of other renewable technologies in several countries, amounting to a total of 413 MW, broken down as shown in the following table:

Technology	MW	Country
Mini Hydro	306	Spain
Photovoltaic	56	USA (50 MW) and Greece (6 MW)
Thermo-solar	50	Spain
Wave	1	UK
<b>TOTAL MW</b>	<b>413</b>	

In the field of marine technology, Iberdrola continues to develop projects specifically designed to exploit wave energy and tidal energy in the United Kingdom.

## 4. SHAREHOLDER REMUNERATION

### Iberdrola “*Dividendo Flexible*”

During 2014 the shareholder remuneration charged to the 2013 results has remained at EUR 0.27 per share, broken down as follows: through the “*Iberdrola Dividendo Flexible*”, EUR 0.126 gross per share have been paid in January, EUR 0.114 gross per share in July, to which we must add the cash dividend of EUR 0.03 gross per share that was paid on 3 July 2014.

In addition, in December 2014 a new edition of the “*Iberdrola Dividendo Flexible*” was launched on occasion of the payment of the 2014 interim dividend. During this edition, a total of 57.96% of Iberdrola’s shareholders chose to receive bonus shares of the Group, with no withholding tax.

Iberdrola issued 81.24 million new shares, under the scope of the second implementation of its capital increase established in order to cover this remuneration system, which implies a 1.29% increase in the company’s share capital.

Iberdrola maintains its commitment to maintain stable the share capital through the buy-back programme for the cancellation thereof. This will be proposed for approval at the next General Shareholders' Meeting.

The remaining 42.04% of the Company's shareholders opted for cash remuneration. Thus, IBERDROLA paid out EUR 336.7 million to cover the acquisition of free allocation rights at a guaranteed fixed price of EUR 0.127 gross per right, subject to a tax withholding of 21%.

## 5. OTHER SIGNIFICANT EVENTS

### 5.1. Regulation in Spain

In the fourth quarter of 2014, several regulations were approved affecting the energy sector. This section presents the most significant regulatory changes.

#### Electricity Sector

*Royal Decree 968/2014, of 21 November, develops the methodology for establishing the percentage of distribution of the amounts to be financed related with the social tariff.* This percentage will be calculated annually by the CNMC (National Markets and Competition Commission), for each company group as the relationship between (i) a term that will be the sum of the annual average values of the number of supply points connected to the distribution grids of the distribution companies and the number of clients of the retail companies which the group has shareholdings in and (ii) another term that will correspond to the sum of all the average annual values of supply points and customers of all the company groups

that should be taken into consideration for the purposes of this distribution.

*Order IET/2176/2014, of 20 November, develops the methodology for calculating and establishing the final interest rate accrued by the collection rights of the tariff deficit and temporary imbalances in the electricity system prior to 2013.* This order establishes a methodology to determine the interest rate in market-equivalent conditions for the holders of collection rights of the tariff deficit for years 2010, 2011 and 2012 until their transfer to the Electricity System Deficit Securitisation Fund is completed. To date, the successive access fee orders had been establishing a provisional accrual interest rate at 2% for 2010, 2011 and 2012.

Subsequently, on 12 December 2014, *Royal Decree 1054/2014 was published, regulating the procedure of transfer of collection rights for the 2013 tariff deficit in the electricity system and developing the methodology for calculating the interest rate applicable to the collection rights for this tariff deficit and, if applicable, for any subsequent negative imbalances.* As of the date of entry into force of this Royal Decree, the collection rights corresponding to the deficit for the year 2013 may be totally or partially transferred. In addition, the Decree includes the interest rate and methodology for calculating the annuity and amount pending collection of the negative temporary imbalances generated since 2014 in accordance with Law 24/2013 on the Electricity Sector:

- In the initial period (1/1/2014 to 26/11/2014) the deficit amount is EUR 3,541 million and the interest rate is 0.624%

- In the final period (27/2014 to 31/12/2028) the value of the right at the start of the period is EUR 3,336 million and the interest rate is 2.195%

In addition, it establishes that these rights will have priority in the collection of the electricity system settlements.

On the 15th December 2014, Iberdrola S.A. and all the holding entities (Endesa, S.A., E.ON España, S.L., Gas Natural SDG, S.A. and Hidroeléctrica del Cantábrico, S.A.) assigned their credit right arising from the Credit Right for 2013 Deficit to a group of financial institutions. The Credit Right for 2013 Deficit assigned by Iberdrola, S.A. amounts to EUR 1,164.6 million. The assignees have been the following financial institutions: Banco Bilbao Vizcaya Argentaria, Bankia, Caixabank, Banco Popular Español and Banco Santander.

*Order IET/2444/2014 of 19 December determines the electricity access fees for 2015.* It establishes:

a) the fees of access to the transmission and distribution grids, which shall be established in accordance with the methodology of the CNMC, considering for these purposes the cost of the remuneration of these activities and b) the necessary charges to cover other costs of the activities of the system. By means of this order, access fees remain frozen at 2014 rates, except the new high voltage access fees, 6.1A and 6.1B.

In addition, the European Council of October 2014 agreed new targets for 2030, specifically a 40% reduction of GHG compared to 1990, a renewables quota of 27%, plus a 27% target for energy efficiency. It was also agreed to ensure that by 2020 the electricity interconnection capacity between countries reaches at least 10%

of installed capacity. The regulations derived from these agreements are yet to be developed.

### Gas sector

*Royal Decree Law 13/2014, of 3 October, adopts urgent measures with regard to the **gas sector**.*

With regard to the gas sector, the Decree Law consolidates the stoppage of the operation (mothballing) in the **Castor underground storage facility**. In this situation, no extraction or injection of natural gas will be made, and the administration and maintenance of the facilities are allocated to the company Enagás as the System's Technical Manager. As a result, Enagás Transporte, SAU must pay 1,350,729 thousand Euros to Escal UGS, S.L., Enagás Transporte, S.A.U. in turn obtaining collection rights from the gas system charged to the billing for access fees and canons for 30 years up to the full payment of amount corresponding to the stipulated payment.

## 5.2. Regulation in the United Kingdom

### RIIO ED1

On 28 November 2014, Ofgem published its final decision regarding the conditions of the next RIIO-ED1 regulatory period, which shall start on 1 April 2015, and shall be in force for 8 years. The main financial parameters for SPEN are: 6% ROE, 65% leverage, economic asset life of 45 years (with a transition period over eight years from the economic asset life of 20 years) and 80% capitalisation ratio. The totex recognised was 1,519 MGBP for SPD and 1,667 MGBP for SPM.

### 5.3. Regulation in the United States

#### **ROE of the FERC transmission networks**

On 16 October 2014, the FERC issued an Order where it reinterprets the first ruling issued on 19 June 2014 regarding the request for reduction of the ROE applied to the transmission facilities of New England filed by a group of companies in the area.

In this new Order, the FERC maintains the base ROE at 10.57% but it establishes that a maximum limit of 11.74% shall be applied globally to the assets of each company, instead of to each transmission project separately, as was interpreted at first.

### 5.4. Regulation in Brazil

#### **Involuntary exposure to wholesale market**

In the year 2012, due to a decision of the Government of Brazil, the long term contracts of the Brazilian distributors came to an end. To date, the Brazilian regulator, ANEEL, has not been able to close contracts to cover all of the energy needs of the distributors. Thus, Brazilian distributors must purchase this energy on the wholesale market at a time when the spot price is very high due to the drought they are suffering.

This excess cost is passed on to consumers in the tariff reviews of distributors. Meanwhile, the Brazilian Administration is articulating different measures to minimise the temporary impact of these purchases on the accounts of the distributors. As part of these measures, Aneel approved the modification of the distributors' concession agreements in order to include the offset of existing regulatory assets or liabilities at the end of the concessions, so that they may be included in the financial results under the IFRS accounting standards.



## Analysis of the consolidated profit and loss account

### 1. RELEVANT INFORMATION

#### Changes in consolidation (IFRS 11) in 2014

The IFRS 11 has implied changes in the consolidation method of certain companies of the Group, moving from the proportionate consolidation method to the equity method. This standard requires that the 2013 financial statements are to be restated in the same conditions so that the information is homogeneous between periods. Therefore, all references and figures for 2013 are presented under the premise of the new standard.

Within the Iberdrola Group, the affected businesses and the stakes -that are subsequently consolidated by the equity method- are as follows:

- Liberalised Business Spain: Nuclenor, BBE, investee cogenerator plants.
- Renewables: investees in Spain, the UK, the USA, Brazil and Italy.
- South America: Neoenergia Group.
- Non-energy: investee subsidiaries of Iberdrola Inmobiliaria, IBV.

#### Tariff Deficit

Although the Spanish Government does not forecast a tariff deficit in 2014 following the measures to reduce regulated costs and increase tax collection, there is a temporary imbalance over the 2014 settlement period,

which is financed (according to Law 24/2013 on the Electricity Sector) by the subjects of the settlement system in an amount proportional to the remuneration corresponding to them in each monthly settlement. In this way, Iberdrola reduces its burden from 35.01% until 2013 to approximately 13% since 2014.

The amount financed by Iberdrola in cumulative terms as at 31 December 2014 amounted to EUR 386 million.

### 2. ANALYSIS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The most notable figures for financial year 2014 are as follows:

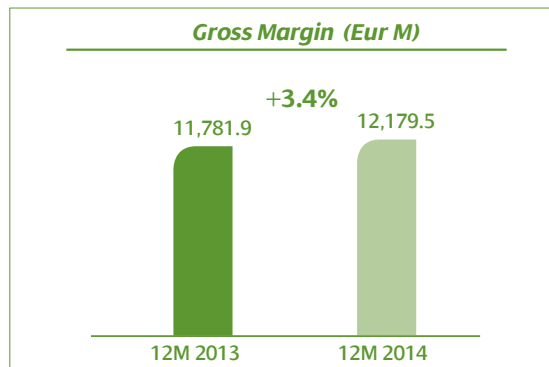
Eur Millions	12M 2014	v. 12M 2013
REVENUES	30,032.3	-3.4%
GROSS MARGIN	12,179.5	3.4%
EBITDA	6,964.5	3.1%
EBIT	3,940.9	77.6%
RECURRING NET PROFIT	2,112.9	-2.8%
NET PROFIT	2,326.5	-9.5%
OPERATING CASH FLOW	5,458.6	-2.3%

#### 2.1. Gross Margin

Gross Margin was EUR 12,179.5 million, a 3.4% increase compared to 2013.

The evolution of the average exchange rates for the reference currencies (USD: -0.2%; GBP: +5%; Real: -9%) have resulted in a positive impact of EUR 95 million.

Its growth is mainly the result of the following:



- **The Networks business** increased by 5.6% with regard to 2013, to EUR 5,240.6 million. The main highlights of the period were the following:
  - In Spain the Networks business recorded EUR 1,951.9 million, mainly as a result of the application during 12 months of RDL 9/2013 (in force since July 2013) as well as of the accrual of investments made.
  - The United Kingdom adds up to EUR 1,331.2 million due to a greater asset base to be remunerated by the investments made and derived from the application of the DPCR5 in Distribution and of the RIIO-T1 in transmission.
  - The contribution of Iberdrola USA in the period was EUR 1,498.2 as a result of the current rate cases and the growing contribution of the Maine Transmission Line (MPRP).
- Gross Margin in Brazil was EUR 459.3 million due to the upward review of Elektro's tariffs in August 2014 by 37.8%, the increase in demand and the positive impact of tariff assets recognised in the month of December (EUR +75 million net, as a result of the drought). The impact of the exchange rate amounted to EUR -41 million due to the depreciation of the Real (-9%).
- **Generation and Supply Business** increased by 6.7% to EUR 4,733.4 million.
  - In Spain, the figure was EUR 3,068.4 million, due to a greater production, with a generation mix based on a greater hydro production (+19.9%) and nuclear production (+6.7%), leading to a lower cost of procurements and higher energy sales.
  - The United Kingdom has a Gross Margin of EUR 1,205.1 million, positively affected by the improvements in the performance of plants, especially Longannet, and the rise of the pound (+5%) despite the negative impact of lower sales due to milder weather conditions, lower sale prices, and the impact of the Carbon Tax applicable to coal and gas purchases.
  - Mexico increased its Gross Margin by 0.9% to EUR 457.3 million as a result of the business trend and the effect of the redefinition of several contracts with private clients.
  - As to the gas business in the US and Canada, it contributed EUR 2.7 million (EUR -11.4 million), because the

exceptional improvement of the margins in North America as a result of the cold snaps during the first quarter of the year, was reduced significantly during the rest of the year.

- **The Renewables Business** reduced its Gross Margin by 7.6% down to EUR 2,033.5 million. The main causes of this trend are:
  - The effect of the regulatory measures in Spain by which remuneration is modified (RDL 9/2013), which had an impact of EUR 339 million.
  - A lower production in Spain (-4.7%) in the year.
  - A better gross margin in the United Kingdom (+21.4%) and in the United States (+4.6%) and in Latin America (+61.6%), as a result of new capacity coming on line.
  - A drop of the item corresponding to the Rest of the World (EUR -50.5 million vs. 2013) affected by the sale of farms and pipeline in Turkey, Estonia and Poland during 2014.
- The contribution of **Other Businesses** totals EUR 216.3 million (-5.9%).

## 2.2. Gross Operating Result - EBITDA

Consolidated EBITDA increased by 3.1% to EUR 6,964.5 million with regard to that achieved in 2013, where the improvement of liberalised and networks businesses offset the negative effect of RDL 9/2013 on the Renewables businesses.

The positive contribution from all geographic areas offsets the lower results in Spain (-7.4%) affected by regulatory measures.

In addition to the already explained Gross Margin, Net Operating Profits increased by 4.8% to EUR 3,633.8 million, affected by foreign exchange, by the drop in cost capitalization and by the efficiency measures adopted (with a cost of EUR 127.7 million) that will provide savings in the coming financial years.

As a result, Recurring Net Operating Expenses grow 1.1% to EUR 3,506.1, and 0.4% adjusted by foreign exchange.

Net Operating Expenses		
M Eur	12M 2014	% v 12M 2013
Net Personnel Expenses	-1,860.8	+6.8%
Net External Services	-1,772.9	+2.8%
<b>Total NOE</b>	<b>-3,633.8</b>	<b>+4.8%</b>
Extraordinary Net Op. Expenses	-127.7	N/A
<b>Recurring Net Op. Expenses</b>	<b>-3,506.1</b>	<b>+1.1%</b>

Levies increased by 1.5%, to EUR 1,581.2 million, despite the favourable High Court ruling on CO<sub>2</sub> allowances and mainly due to the financing of the Social Tariff (“Bono Social”) in Spain and the higher taxes in the UK.

- Impact of RDL 9/2013 as regards the Rates Subsidy (“Bono Social”), 38.47% of which having to be financed by Iberdrola according

to Order IET 350/2014, with an impact of EUR 66 million.

- In the United Kingdom, levies item amounted to EUR 295.4 million (EUR 44.6 million more than in 2013) mainly due to higher government taxes.
- End of energy efficiency costs charged to companies in Spain, resulting in EUR 50 million decrease in expenses.

### 2.3. Net Operating Result - EBIT

EBIT was EUR 3,940.9 million, with an increase of 77.6% compared with that of 2013 explained by the write-offs made in June 2013 (Gas USA, portfolio of renewables and other projects).

Thus, Amortisations and Provisions dropped by 33.4%, totalling EUR 3,023.6 million.

In this regard, the main comments are as follows:

- Amortisation increased by 5.8% to EUR 2,731.5 million. Its evolution is basically due to the change of useful life of the networks in the United Kingdom, which has moved from 60 to 40 years, as well as the commissioning of new Renewables assets in the United Kingdom.
- The Provisions item was EUR 292 million with a lower expense of EUR 1,663 million as a result of the extraordinary write-offs carried out in 2013, mentioned above.

### 2.4. Financial Result

Net financial result was EUR -1,122.4 million, which is 12.2% better than that achieved in the

same period of the previous financial year. The following impacts are worth noting:

#### Postive impact on financial result:

- The average balance of net debt dropped by 7%, whereas total average cost dropped 18 basis points to 4.35%.
- The sale of the stake in EdP generated gross capital gain of EUR 96 million.

#### Negative impact on financial result:

- The lower income from deficit of EUR -8 million due to the decrease of the average accounts receivable balance.
- In the past financial year EUR 45 million were received in dividends that were no longer received this year due to the sale of the aforementioned EdP portfolio and EUR 4 million due to the sale of Medgaz.
- The lower contribution of results hedging derivatives is the main explanatory factor of the reduction by EUR 53 million in "Derivatives and DVMES".

	FY 2013	FY 2014	Diff.
Debt Result	-1,277	-1,143	+133
Interests deficit	31	23	-8
Dividends	49	0	-49
Derivatives and exchange differences	28	-26	-53
Sale of EdP and others	-109	24	+133
<b>Financial result</b>	<b>-1,278</b>	<b>-1,122</b>	<b>+155</b>

## 2.5. Results of Companies Consolidated by the Equity Method

The item Results of Companies Consolidated by the Equity Method reached EUR 135.4 million (-33.9%) mainly due to the lower contribution of Garoña (EUR -31 million) and the business in Brazil (Neoenergia) as a result of the sector's downward tariff review in April 2013 (EUR -28 million), which is not offset with the annual tariff readjustment made in April 2014, all together with the exchange rate, and the negative impact of the non-recurring items. This is partially offset with the restatement of Gamesa's book value, following the positive evolution of its share price (+ EUR 30 million).

## 2.6. Income from Non-Current Assets

Income from Non-Current Assets amounted to EUR 247.9 million, EUR 258.3 million more than in 2013. During 2014, the most significant operations have been the sale to Neoenergia of Iberdrola's direct stake in Itapebí (Brazil), and the sale of both NNB Development (Nuclear, United Kingdom), as well as the 25% equity share in BBE (CCGT in Spain).

## 2.7. Net Profit

As a result of everything mentioned above, Profit before Tax was EUR 3,201.8 million, bringing an

increase of EUR 2,065.7 million compared to 2013, as a result of lower provisions already explained.

With regard to the Income tax item, it stands at EUR 837.1 million, implying an effective gross tax rate of 27%. The difference in this item compared to that in 2013 is due to the balance sheet update made and its fiscal treatment. As a result of this Revaluation of Balance Sheets, in 2013 Iberdrola increased by EUR 6,323 million the value for tax purposes of certain assets in Spain.

Recurring Net Profit, that is, profit generated before the effect of non-current items, amounted to EUR 2,112 million (-2.9%) due to the impact of the regulatory reform in Spain.

Lastly, Net Profit totalled EUR 2,326.5 million, down by 9.5% compared to 2013.

The trend of Recurring Net Profit (-2.8%) differs from that of Reported Net Profit (-9.5%) mainly as a result of the impact of the extraordinary measures that were adopted in 2013 in relation to impairments under Provisions and Corporation Tax that were not matched in 2014.

Funds Generated from Operations\* in 2014 amounted to EUR 5,459 million, a drop of 2.3% compared to the previous year. The trend experienced by the benchmark credit ratios\*\* is as follows:

	12M 2014 Proforma (2 Dividends)	12 M 2014	12 M 2013
Funds Generated from Operations (FFO)** / Net Debt*	21,5%	21,3%	20,8%
Retained Cash Flow (RCF)***/Net Debt*	18,6%	17,4%	17,5%
Net Debt*/EBITDA	3,6x	3,7x	4,0x

\* Including TEL.

\*\* Net Profit + Minority Results + Amort. and Prov. - Equity Accounting - Net Non-recurring Results - Financial Provisions + Dividends of companies consolidated by the equity method - Adjustment of tax deductible items and other effects - Removal of tax effect of revaluation of balance sheets

\*\*\* FFO - Dividends.

## Results by Business

### 1. NETWORKS BUSINESS

The key figures for the Networks business are as follows:

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	7,334.2	9.6%
Gross Margin	5,240.6	5.6%
EBITDA	3,534.8	5.6%
EBIT	2,454.8	3.7%

The Networks business increased its contribution to Gross Margin (+5.6%), with growth in all countries.

#### 1.1. Spain

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	1,951.9	2.5%
Gross Margin	1,951.9	2.5%
EBITDA	1,438.5	-0.8%
EBIT	1,018.5	-4.7%

#### a) Gross Margin

Gross Margin for the Networks business in Spain increased by 2.5%, to EUR 1,951.9 million.

In addition to the final remuneration for financial year 2014 established by Order IET/107/2014, it must be added the accrual for investments corresponding to years 2012 and 2013.

#### b) Operating Profit/EBIT

EBITDA for this Business decreased by 0.8% to EUR 1,438.5 million. This evolution is explained by the impacts during the last 12 months of RDL 9/2013, in force since July 2013, together with the efficiency plan provisions under Net

Operating Expenses whose benefits shall be captured in future financial years.

Net Operating Expenses increase by 15.4% due to the above-mentioned efficiency measures as well as the drop in cost capitalizations. Levies increase by 3.1% due to a rise in local taxes.

EBIT for the Networks Business in Spain amount to EUR 1,018.5 million (-4.7%). Below EBITDA, amortisations and provisions amount to EUR 420.1 million (+10.2%), due to commissioning of new assets and the reversal of 2013 provisions in 2013 that are not matched in 2014.

#### 1.2. United Kingdom

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	1,380.4	12.4%
Gross Margin	1,331.2	11.6%
EBITDA	1,024.8	9.1%
EBIT	752.9	10.0%

#### a) Gross Margin

Gross Margin of the Networks Business in the United Kingdom (Energy Networks) amount to EUR 1,331.2 million as a result of an increasing asset base, as a consequence of greater investments. This is due to the current regulatory framework for both Distribution and Transmission that provide incentives to invest. The effect of the GBP appreciation adds EUR 66.5 million into the account.

#### b) Operating Profit/EBIT

EBITDA reached EUR 1,024.8 million. Net Operating Expenses increased by 13.8% to EUR 206.0 million, mainly due to the higher activity carried out and non-recurrent expenses related to ED1 consulting. Levies increased by 38.6%.

Amortisations and Provisions amount to EUR 271.9 million (+6.8%), mainly affected by the exchange rate.

### 1.3. United States

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	2,413.0	4.8%
Gross Margin	1,498.2	2.0%
EBITDA	772.0	7.5%
EBIT	495.3	0.8%

#### a) Gross Margin

Iberdrola USA increased its contribution to Gross Margin by 2.0%, to EUR 1,498.2 million due to the positive trend of the business as a result of the current rate cases and the growing contribution of the Maine transmission line (MPRP).

The breakdown is as follows:

#### • By business

(Eur Million)	12M 2014	v. 12M 2013
Electricity	1,243.3	-3.3%
Gas	263.8	-7.0%
Corporation and others (incl. IFRS adjustments)	-8.9	-91.2%
<b>TOTAL</b>	<b>1,498.2</b>	<b>2.0%</b>

#### • By company

(Eur Million)	12M 2014	v. 12M 2013
NYSEG	687.0	-3.4%
RGE	410.0	-11.0%
CMP	410.1	2.9%
Corporation and others (incl. IFRS adjustments)	-8.9	-91.2%
<b>TOTAL</b>	<b>1,498.2</b>	<b>2.0%</b>

#### b) Operating Profit/EBIT

EBITDA increased by 7.5% to EUR 772.0 million, due to the positive trend of the Gross Margin and the decrease of Net Operating Expenses (-6.2%), that result in EUR 490.4 million, benefited from lower environmental and storm-related costs in 2014.

EBIT result in EUR 495.3 million (+0.8%), following the deduction of Amortisations and Provisions that amount to EUR 276.6 million, and that are higher due to new investments and to an extraordinary impairment of EUR 24 million related to the PPA.

### 1.4. Brazil

Following the application of IFRS 11, only Elektro is included in this section, since Neoenergia is now consolidated by the equity method.

(Eur Million)	12M 2014	v. 12M 2013
Revenues	1,588.9	26.2%
Gross Margin	459.3	16.0%
EBITDA	299.5	25.3%
EBIT	188.2	54.8%

### a) Gross Margin

In Brazil, the Gross Margin reached EUR 459.3 million (+16.0%), despite the effect of the drop in value of the Real (EUR -41 million) due to the following factors:

- Net positive impact of EUR 75 million, as a result of the approval in December 2014 of the change in the concession conditions already explained.
- Increase of the per unit margin due to tariff reviews in August 2014 (review by +37.8%).
- Circulated energy grew by 1.6%.

### b) Operating Profit / EBIT

EBITDA for the region amounted to EUR 299.5 million, a 25.3% increase.

Net Operating Expenses reached EUR 157.8 million, a 1.6% increase compared to 2013, due to inflation and lower capitalizations.

Amortisations and provisions came to EUR 111.3 million (-5.2%), as a result of the depreciation of the Brazilian Real.

As a consequence of this, EBIT came to EUR 188.2 million (+54.8%).

## 2. GENERATION AND SUPPLY BUSINESS

The key figures for the Generation and Supply business are as follows:

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	21,140.0	-7.1%
Gross Margin	4,733.4	6.7%
Levies	-929.4	-6.2%
EBITDA	2,292.2	15.4%
EBIT	1,276.1	N/A

Overall, the Generation and Supply Business was driven up by a positive contribution from all regions.

### 2.1. Spain

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	12,510.8	-5.9%
Gross Margin	3,068.4	5.0%
EBITDA	1,517.6	13.2%
EBIT	958.2	21.7%

#### a) Gross Margin

Gross Margin for Iberdrola's Generation and Supply Business in Spain recorded a 5.0% increase, totalling EUR 3,068.4 million.

The following can be highlighted:

- Higher production (8.2%), where hydro (+19.9%), nuclear (+6.7%) and coal (+5.3%) generation more than offset the drop in gas combined cycle production (-30.4%) and cogeneration production (-19.3%).
- The cost of Procurements decreased by 8.9%, favourably impacted by higher rainfall compared to 2013 and its effect on the mix, while retail prices decrease by a lower amount.



- Hydroelectric reserves at 31 December 2014 were at 7,888 GWh (69.9%).
- With regard to the destiny of energy, 80% corresponded to forward sales at a fixed price, whilst 20% were spot market sales.

### b) Operating Profit / EBIT

EBITDA increased by 13.2% to EUR 1,517.6 million.

Operating Expenses increased by 6.2% to EUR 804.2 million, with Personnel Expenses rising by 12.2% due to the provision for efficiency improvement with impact in the coming years, whereas External Services rose by 2.3%.

Levies decreased by 9.4% to EUR 746.6 million, mainly due to the favourable decision regarding CO<sub>2</sub> rights deduction, which had a positive impact of EUR 113 million. Within the Taxes and Levies item the following should be noted:

- Law 15/2012 on fiscal measures for energy sustainability, in force since 1 January 2013, which establishes a 7% tax on energy produced (EUR 212 million), a 22% levy on hydroelectric production (EUR 255 million) and a tax on spent nuclear fuel production (EUR 2 million), have an impact of EUR 416 million, compared to the EUR 409 million last year. The green cent on gas and coal production is reflected in the Gross Margin (EUR -26 million).

- Positive effects in 2013 without correspondence in 2014 due to the application of the ruling of the Constitutional Court on the Ecotax of Castilla-La-Mancha, with a negative impact of EUR -53 million in the annual comparison.
- Lower taxes for energy efficiency (EUR +50 million), given that the financing of this cost borne by the companies ended in June 2013.
- The Social Tariff (EUR 66 million) goes on to be financed at a Corporate level.

Amortisations and Provisions increased by 1.0% to EUR 559.5 million.

As a result of the above, EBIT increased by 21.7% compared to 2013, totalling EUR 958.2 million.

The regulatory impacts over recent financial years affected the business in 2014 as follows:

Item		Amount (Eur million)	Included in
Green cent	Law 15/2012	26	Gross Margin
Investment incentive	RDL 9/2013	70	Gross Margin
Cogeneration	RDL 9/2013	30	Gross Margin
Taxes on Generation	Law 15/2012	219	Levies
22% canon on hydroelectric production	Law 15/2012	255	Levies
Taxes on nuclear waste	Law 15/2012	2	Levies
<b>TOTAL</b>		<b>602</b>	

## 2.2. United Kingdom

(Eur Millions)	12M 2014
Revenues	7,647.7
Gross Margin	1,205.1
Levies	178.1
EBITDA	456.6
EBIT	99.0

### a) Gross Margin

Gross Margin for ScottishPower's Generation & Supply business was GBP 972.1 million. With regard to this item, the following should be noted:

#### In Generation

- Lower production (-7.8%), mainly as a result of the closure of the Cockenzie plant in March 2013.
- Better performance of plants.
- The "Carbon Tax", established since 1 April 2013, that taxes coal and gas purchases, had an impact of GBP 50 million. Since 1 April 2014 the price increased from £4.94 to £9.55 per MWh.

#### In Supply

- Lower sales volume due to milder weather in the year compared to the previous year.
- Increases of electricity and gas rates since 7 December 2013, partially offset by a decrease by 31 January 2014 (-3%).

- Higher non-energy costs (ROCs of GBP 49 million and T&D of GBP 48 million).

### b) Operating Profit/EBIT

EBITDA for Generation & Supply reached GBP 368.3 million.

Net Operating Expenses reached EUR 570.4 million (+1.5%) impacted mainly by marketing and IT system expenses. Without taking into account the rise of the GBP, they would drop by 3.5%, thanks to efficiency improvements in the past years. Personnel expenses total EUR 142.9 million (-27.0%) and External Services total EUR 427.4 million (+16.8%).

Levies total EUR 178.1 million, an increase of EUR 15.4 million compared to 2013, and are due mainly to greater obligations under the Warm Home Discount.

Amortisations and provisions amounted to EUR 357.6 million, a 32.3% increase. More than half of this increase is due to several write-offs of accounts receivable in the financial year.

## 2.3. Mexico

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	1,457.4	12.7%
Gross Margin	457.3	0.9%
EBITDA	350.0	0.7%
EBIT	279.0	0.1%

### a) Gross Margin

In Mexico, Gross Margin reached EUR 457.3 million (+0.9%) due to the good availability of the plants and to the fact that the one-off negative impact derived from the renegotiation of private contracts to adapt them to current conditions (which were accounted in the first quarter) was offset by the improvement of the margins in the contracts that were renegotiated and by the higher retail activity.

The exchange rate had a negative effect of EUR 0.8 million.

### b) Operating Profit/EBIT

EBITDA came to EUR 350 million (+0.7%), while Net Operating Expenses increased by 1.3%, to EUR 105.7 million. Amortisations and Provisions increased by 3.1%, totalling EUR 71.0 million.

Lastly, EBIT of the business amounted to EUR 279.0 million, a decrease of 0.1%.

## 2.4. USA and Canada (gas)

(Eur Millions)	12M 2014
Revenues	4.2
Gross Margin	2.7
EBITDA	-32.0
EBIT	-60.1

### a) Gross Margin

In this business, the cold winter and the unfavourable weather conditions have generated opportunities for trading operations in the first quarter, but the margin reached has then gradually reduced in the course of the year with negative contributions in the following quarters

until reaching a Gross Margin of only EUR 2.7 million in 2014.

### b) Operating Profit / EBIT

EBITDA of the gas business in the USA and Canada recorded a negative result of EUR 32.0 million. Net Operating Expenses totalled EUR 31.6 million.

Lastly, EBIT for this business was EUR -60.1 million, with lower amortisations and provisions by EUR 1,078.9 million following the write-offs made in 2013.

## 3. RENEWABLES

(Eur Millions)	2014	v. 2013
Revenues	2,234.5	-6.3%
Gross Margin	2,033.5	-7.6%
EBITDA	1,326.0	-11.7%
EBIT	500.9	n/a

### a) Gross Margin

During the financial year 2014, Gross Margin dropped by 7.6%, down to EUR 2,033.5 million. This trend can be explained by the following factors:

- Operating capacity at the close of the period was 13,789 MW, showing a 3.4% increase with regard to capacity at the close of 2013, restated under IFRS 11\*. Average operating capacity during the period grew by +1.7% and offset a slight drop in load factors, all of which leading to a practically flat performance in terms of electricity production, which totalled 32,491.8 GWh (-0.5%).

\* MW consolidated. If not applying IFRS11, renewables installed capacity amounts to 14.652 MW in 2014 (+2.4% vs. 2013).

- The average consolidated load factor was 27.2%, although this was lower (by -0.6 percentual points) than that of the same period of the previous year, when the average load factor was 27.8%. The load factor in Spain was high, 24.3%, although it was 1.3 percentual points lower than the previous year, which was already extremely high. Likewise, the USA had a solid load factor, at 31.0%, a rise by +0.3 percentual points compared to the end of the previous year. In the United Kingdom (onshore wind energy), the load factor was 22.4%, lower than in 2013 (-3.1%). Meanwhile, in Latam (Brazil and Mexico) it is remarkable the growth of the average operating capacity in Brazil, which doubled, as well as a high wind power contribution. Thanks to this, the region reached a load factor of 34.4%, improving on that of the previous year by 4 percentual points. The Rest of the World (RoW) recorded a load factor of 23.0%. The company's first offshore farm, "West of Duddon Sands" reached a load factor of 34.6% in its first months of operation.
  - **Wind Energy USA:** Gross Margin increased by 3% to EUR 652.6 million. The increase in production contributed 1% to growth, and the increase of the price in dollars had a 2% effect. The exchange rate had a practically neutral effect.
  - **Wind Energy United Kingdom:** Gross Margin rose to EUR 368.5 million (+21.4%) as a result of a 2% increase of prices in local currency, a 5% rise of the value of the GBP and contribution of West of Duddon Sands offshore wind farm. The lower load factor (-12.3% in equivalent hours of production) has offset a significant higher average operating capacity (+11.5%); both effects have resulted in a 2% decrease in production.
  - **Wind Energy, Latam:** The commissioning of several wind farms in Mexico and Brazil have increased the average operating capacity by 28%, which in addition to a higher load factor, led to a 45% increase in production. In addition, the increase in the average price billed (+12%) as a result of the higher weight of Brazil, and a lower base of comparison in Mexico in 2013 due to non-recurrent re-billings, led the Gross Margin to grow by 62%, to EUR 93 million.
  - **Wind Energy Rest of the World:** The decrease in production (-20.8%), resulting from the divestments made, drove the Gross Margin down by 31%, placing it at EUR 106.9 million.
- By business, the Gross Margin trend was as follows:
- **Wind Energy Spain:** Gross Margin for the period was EUR 658.1 million, dropping by 28%, mainly due to the impact of the regulatory reform in Spain.

- **Mini-Hydro and other Renewables:** Gross Margin came to EUR 84.9 million (+4%), internalising an increase in mini-hydro production in Spain (+3.0%), which did not offset the effect of the regulatory reform in Spain, and a provision reversal.
- **Thermal Business in the United States:** Gross Margin reached EUR 69.8 million, showing an improvement of EUR 14 million.

Impact in the gross margin of wind energy in Spain (Eur M)	Dec.
Lower unitary premium	-220.00
Higher premium in 2013 based on production	-17.90
Pool price impact	-101.40
<b>Impact RDL 9/2013</b>	<b>-339.30</b>

#### b) Operating Profit/EBIT

- EBITDA dropped by 11.7% to EUR 1,326.0 million, mainly as a result of the regulatory reform in Spain. Added to the mentioned evolution of the Gross Margin (-7.6%), is an increase in net Operating Expenses (+5.6%) as a result of the commissioning of the West of Duddon Sands offshore wind farm, and the end of the warranty period of some farms in the United Kingdom, as well as a drop in Taxes, due to the lower price of billing in Spain.
- The amortisations and provisions item totalled EUR 825.1 million, dropping by 42.5% compared to the previous year, when write-offs of project development costs were posted.

- Lastly EBIT totalled EUR 500.9 million.

#### 4. OTHER BUSINESSES

(Eur Millions)	12M 2014	v. 12M 2013
Revenues	598.2	7.4%
Gross Margin	216.3	-5.9%
EBITDA	-17.0	N/A
EBIT	-24.2	-53.3%

##### a) Gross Margin

Gross Margin amounted to EUR 598.2 million, 7.4% higher than that registered in 2013.

##### b) Operating Profit / EBIT

EBITDA totalled EUR -17 million. Net Operating Expenses of these businesses amounted to EUR 229.0 million (+0,6%).

Amortisations and Provisions amounted to EUR 7.2 million.

EBIT recorded a negative result, totalling EUR 24.2 million.

## 5. CORPORATION

This basically includes eliminations of inter-group expenses between the Corporation and businesses, as well as services provided by the Corporation to the various Businesses.

Levies shows the negative impact of RDL 9/2013, by which the Social Tariff ("*Bono Social*") is financed by an amount of EUR 66 million.

## Balance Sheet Analysis

### January-Dec. 2014

(Eur Millions)	Dec. 2014	v. Dec 2013 <sup>(1)</sup>
TOTAL ASSETS	93,771	+4.4%
FIXED ASSETS	55,590	+7.5%
INTANGIBLE ASSETS	16,862	+5.4%
LONG-TERM INVESTMENTS	3,780	-25.0%
SHAREHOLDERS' EQUITY	35,791	+1.4%
ADJUSTED NET DEBT <sup>(2)</sup>	25,619	-4.5%

(1) Restated

(2) Includes regulatory receivables and TEI.

Iberdrola's Balance Sheet at 31 December 2014 shows Total Assets of EUR 93,771 million, highlighting the continuity of its solid asset strength.

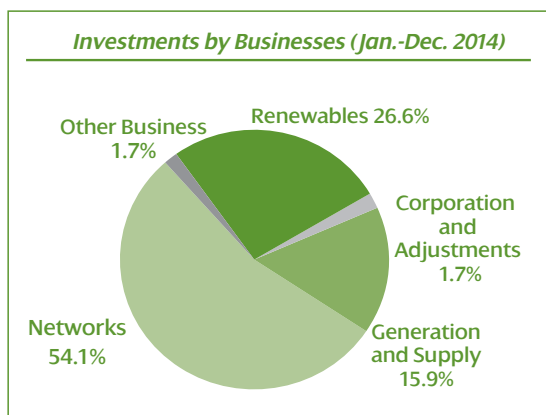
### 1. FIXED ASSETS

Total net investments in the period from January to December 2014 amounted to EUR 2,848 million. Its breakdown is as follows:

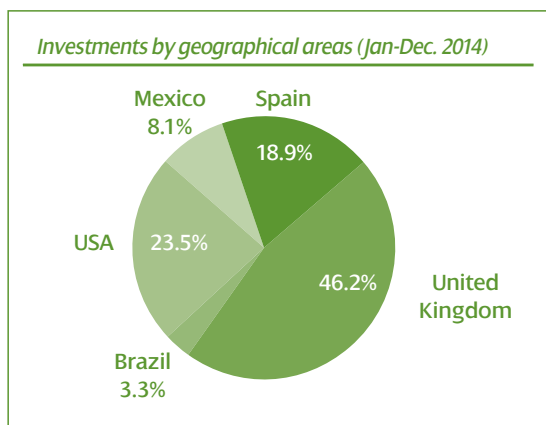
(Eur Millions)	Jan.-Dec. 2014	%
<b>Networks Business</b>	<b>1,540.5</b>	<b>54.1%</b>
Spain	304.1	
UK	729.1	
Iberdrola USA	432.2	
Brazil	75.1	
<b>Renewables Business</b>	<b>758.2</b>	<b>26.6%</b>
Spain*	-13.4	
UK	475.2	
USA	236.5	
Mexico	62.7	
Brazil	20.8	
Others*	-23.4	
<b>Generation and Supply Business</b>	<b>451.5</b>	<b>15.9%</b>
Spain	179.8	
UK	97.0	
Mexico	170.3	
USA and Canada	4.4	
<b>Other Businesses</b>	<b>49.1</b>	<b>1.7%</b>
Engineering	2.0	
Non-Energy	47.1	
<b>Corporation and Adjustments</b>	<b>48.6</b>	<b>1.7%</b>
<b>Total investment</b>	<b>2,848</b>	<b>100.0%</b>

\* Negative net investments due to impairments and reclassifications of previous investments.

Investments in the period were concentrated in the Networks Business and in Renewables activities, with the two items combined accounting for almost 81% of total investments in the period.



By geographical areas, investment for the period was as follows:



As regards to the Networks Business, investments in the period amount to a total of EUR 1,541 million, or 54% of total investments. ScottishPower Networks made investments worth EUR 729 million. Meanwhile, investments in Iberdrola USA, which were focused mainly towards the CMP transmission line and, to a lesser extent, towards electricity and gas distribution, amounted to EUR 432 million in the period.

Finally, investments in Networks Spain totalled EUR 304 million.

Under the “Renewables” section, 63% of the investment in the period was aimed at wind projects in the United Kingdom, with EUR 475 million invested in offshore projects, followed by the investments in the United States that amount to EUR 236 million.

With regard to investments in the Generation and Supply Business, these can be broken down into those made in Spain for EUR 180 million, in Mexico for EUR 170 million and in the United Kingdom for EUR 97 million.

## 2. SHARE CAPITAL

Following the implementation of the paid-up capital increase for the *Dividendo Flexible* on 16 December 2014, the Company’s Share Capital at 31 December 2014 amounted to 6,388,483,000 bearer shares with a nominal value of EUR 0.75 each.

In line with the commitment announced in the 2014-2016 Outlook to maintain stable the total number of shares at 6,240 million, it will be proposed at the next General Shareholder Meeting the cancellation of 148,483,000 shares (2.324% of shareholder capital). This amount will be reached through the amount of shares in Treasury Stock as of today (135,768,494 shares, that account for 2.125% of the current capital) and through a share buy-back programme (12,714,506 shares, that account for 0.199% of the current capital) that has already been approved by the Board in its meeting of February 17th 2015.



### 3. FINANCIAL DEBT

Adjusted net financial debt at 31 December 2014 dropped by EUR 1,217 million to EUR 25,619 million compared with the EUR 26,836 million at 31 December 2013, as a result of the containment in financing needs and the satisfactory execution of the divestment plan. Financial leverage is at 41.7% compared to 43.2% in the same period of the previous year.

Excluding financing of the regulatory receivables, which in the case of Iberdrola amounted to EUR 386 million at 31 December 2014, following the assignment of the credit right for 2013 Deficit (EUR 1,165 million) to a group of financial institutions, adjusted net financial debt would be EUR 25,233 million and adjusted leverage would be 41.4%, compared with EUR 25,265 million and 41.7% at 30 December 2013, respectively.

To note that the debt above mentioned, includes the 2014 interim dividend that was paid in December 2014 for an amount of EUR 275 million.

The breakdown of the regulatory receivables amount at 31 December 2014 is as follows:

Tariff Deficit	162
Regulatory receivables of 2014 to be offset with taxes on generation collected by the Treasury	224
<b>Total</b>	<b>386</b>

The credit rating is broken down as follows:

Credit Rating of IBERDROLA Senior Debt			
Agency	Rating	Outlook	Date
Moody's	Baa1	Negative	9 Nov. 2012
Fitch IBCA	BBB+	Stable	25 Mar. 2014
Standard & Poors	BBB	Stable	28 Nov. 2012

With regard to the trend in the Company's financing cost, as at 31 December 2014, this was at 4.35%, 18bp below the accumulated cost at 31 December 2013.

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

	Dec. 2014	Dec. 2013
Euro	55.1%	57.6%
Dollar	20.3%	17.2%
British Pound	23.4%	24.0%
Brazilian Real and other currencies	1.2%	1.2%
Fixed Rate	44.3%	57.9%
Floating Rate <sup>(1)</sup>	55.7%	42.1%

(\*) Includes TEI. Net Debt including net investment hedging derivatives and excluding regulatory receivables.

(\*\*) Excludes TEI. Gross Debt

(1) Without the regulatory receivables (EUR 386 million), the floating rate % would be reduced to 55.1% in December 2014.

In accordance with the policy of minimising the financial risks of the Company, the foreign currency risk has continued to be mitigated through financing 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 by subordination is shown in the following Table:

	Dec. 2014	Dec. 2013
Corporate	75.7%	77.6%
Spain	0.8%	1.0%
UK	9.8%	9.2%
USA	8.7%	8.1%
Brazil	3.0%	2.0%
Mexico	1.8%	1.7%
Others	0.2%	0.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(\*) Gross Debt. Including TEI.

The debt\* is broken down by financing source as follows:

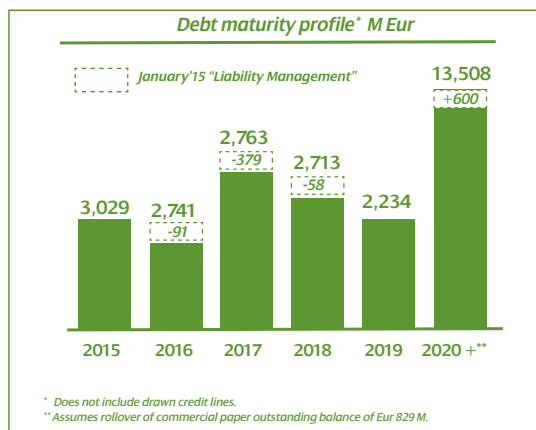
	Dec. 2014	Dec. 2013
Euro market	41.7 %	44.2 %
Dollar market	17.6 %	18.0 %
British pound market	13.0 %	11.8 %
Remaining bonds	1.4 %	1.4 %
Notes	3.1 %	2.4 %
EIB	7.3 %	9.1 %
Project Finance	3.8 %	3.3 %
Bank loans	11.0 %	8.5 %
TEI	1.0 %	1.2 %
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

(\*) Gross Debt. Including TEI.

At present, Iberdrola has a strong liquidity position at the end of 2014, exceeding EUR 9,000 million (equivalent to more than 30 months of the company's financing needs).

	Eur M
<b>Credit Line Maturities Available</b>	
2016 & onwards	6,570
<b>Total Credit Lines</b>	<b>7,300</b>
<b>Cash &amp; Short Term Fin. Invest.</b>	<b>1,806</b>
<b>Total Adjusted Liquidity</b>	<b>9,106</b>

Iberdrola has a comfortable debt maturity profile, with over six years of average debt life, as a result, among other factors, of the active management of liabilities carried out throughout this financial year. The following chart shows the debt maturity profile\* of Iberdrola at the end of 2014.



Lastly, the **financial leverage** evolution has been as follows:

	Eur M	Dec. 2014	Dec. 2013 <sup>(1)</sup>
<b>Shareholder's Equity</b>		35,791	35,289
Gross Debt*		28,191	28,496
Cash flow		1,806	1,332
Asset derivatives and s/t Fin. Invest.		767	328
<b>Adjusted Net Debt</b>		<b>25,619</b>	<b>26,836</b>
Leverage		41.7 %	43.2 %
Regulatory receivables		386	1,571
<b>Adjusted Net Debt (excl. Regulatory receivables)</b>		<b>25,233</b>	<b>25,265</b>
Leverage (excl. Regulatory receivables)		41.4 %	41.7 %

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

(1) Restated.

#### 4. WORKING CAPITAL

Working capital shows a decrease of EUR 880 million since December 2013, mainly as a result of several different effects partially offsetting each other:

- An increase of "Current Financial Investments" mainly due to the inclusion under this item of the regulatory assets in Brazil, that amount to EUR 154 million.
- Asset and liability balances with Public Administrations amount to, all together, a reduction of working capital of EUR 351 million.
- The increase in both the Commercial Debtors and Creditors result, all together, in a decrease of working capital of EUR 748 million.

CURRENT ASSETS	Including Regulatory Receivables		
	Dec. 2014	Dec. 2013	Var.
Assets held for sale	-	104	(104)
Nuclear Fuel	320	370	(50)
Inventories	2,039	2,026	14
Commercial debtors and other accounts receivable	4,819	4,300	519
Current financial investments	1,123	877	246
Asset derivative financial instruments	314	170	145
Public Administrations	700	940	(239)
<b>TOTAL CURRENT ASSETS*</b>	<b>9,316</b>	<b>8,786</b>	<b>530</b>

\* Does not include cash or debt asset derivatives.

CURRENT LIABILITIES	Dec. 2014	Dec. 2013	Var.
Provisions	221	294	(73)
Liability derivative financial instruments	349	244	104
Commercial creditors and other accounts payable	6,760	5,494	1,267
Public Administrations	1,415	1,303	112
<b>TOTAL CURRENT LIABILITIES**:</b>	<b>8,745</b>	<b>7,336</b>	<b>1,410</b>
<b>NET WORKING CAPITAL</b>	<b>571</b>	<b>1,451</b>	<b>(880)</b>

\*\* Does not include financial debt and debt liabilities derivatives.

#### 5. FUNDS GENERATED FROM OPERATIONS

Funds Generated from Operations at 31 December 2014 amount to EUR 5,458.6 million, compared with EUR 5,589.2 million in the same period of the previous year.

	Dec. 2014	Dec. 2013 <sup>(1)</sup>	Var.
Net Profit	2,326.5	2,571.8	-9.5%
Amortisations	3,023.6	4,537.5	-33.4%
P/L Equity	-135.4	-205.0	-33.9%
Extraordinary results, net of taxes	-247.9	10.4	n/a
Extraordinary Corporate Taxes	57.1	-3.3	n/a
Financial provisions capitalized	143.1	127.6	12.2%
Minority P/L	38.2	31.0	23.3%
Adjustment of tax deductible items and other effects	179.5	179.5	-
Equity dividends	73.8	388.2	-81.0%
Fiscal effect on Impairments PPA or Goodwill	-	-515.7	-100.0%
Fiscal effect Asset revaluation	-	-1,532.8	-100.0%
<b>FFO</b>	<b>5,458.6</b>	<b>5,589.2</b>	<b>-2.3%</b>

## 6. FINANCE TRANSACTIONS

### Summary of the main financial transactions carried out in 2014

Issuer	Transaction	Amount	Currency	Coupon	Maturity date
Iberdrola International	Green bond / Exchange	750	EUR	2.50%	8.5 years
Iberdrola SA	Syndicated loan	2,000	EUR	-	5 years
Iberdrola Financiación	Loan	3,000	EUR	-	+1 year
Iberdrola Financiación	Loan	600	EUR	-	2 years
Elektro	Loan 4131	400	BRL	-	2 years
Iberdrola SA	EIB loan	170	GBP	-	10 years
Iberdrola International	EMTN / Exchange	500	EUR	1.875%	10 years
Iberdrola International*	EMTN / Exchange	600	EUR	1.125%	8 years
		65	USD	3.15%	10 years
Central Maine Power	USPP	20	USD	3.37%	15 years
		65	USD	4.07%	30 years

\*Issued in January 2015.

### 4th Quarter Financing

#### Bond Issues on the Euromarket

In order to extend debt duration, improve liquidity and optimise its debt maturity profile, Iberdrola has completed a new bond exchange operation approved in the fourth quarter.

In this new exchange, bonds were initially issued for the amount of EUR 600 million, with an eight-year maturity, in January 2023. The demand was strong, allowing the coupon to stand at 1.125%, the lowest for a transaction with this maturity term in a Spanish company. Simultaneously, repurchase orders were made for different company bonds in circulation for their subsequent exchange with the new reference.

As a result, Iberdrola has managed to reduce debt maturities in 2016 by EUR 91.5 million, in 2017 by 378.7 million and in 2018 by EUR 57.5 million.

#### Private placement in the United States

In October, Central Maine Power, our distribution subsidiary in the US, made a private placement for the amount of USD 150 million in three tranches of USD 65 million, USD 20 million and USD 65 million, with ten, fifteen and thirty years' maturity dates and coupons of 3.15%, 3.37% and 4.07% respectively. This transaction was executed and paid out in January 2015.

## 7. CREDIT RATING

	Moody's			Standard and Poors			Fitch IBCA		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola S.A.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Iberdrola Finance Ireland Ltd.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U. (Escala Nacional)							AAA (mex)	Stable	March 2014
Iberdrola International B.V.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Iberdrola USA Corporation	Baa1	Negative	Jan. 2014	BBB	Stable	Nov. 2012	BBB	Positive	Dec. 2014
Iberdrola Renewables Holdings Inc.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
CMP	A3	Positive	Feb. 2015	BBB+	Stable	April 2013	BBB+	Stable	Nov. 2013
NYSEG	A3	Stable	Jan. 2014	BBB+	Positive	May 2014	BBB+	Stable	Nov. 2013
RG&E	Baa1	Stable	Jan. 2014	BBB+	Positive	May 2014	BBB	Positive	Dec. 2014
Scottish Power Ltd	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Scottish Power UK PLC	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012	BBB+	Stable	March 2014
Scottish Power UK Holdings Ltd.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
Scottish Power Finance US Inc	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
Scottish Power Energy Networks Holdings Ltd				BBB	Stable	Nov. 2012			
ScottishPower Generation Ltd.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
SP Transmission plc	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
SP Manweb plc	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
SP Distribution plc	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
SPD Finance UK plc	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
ScottishPower Energy Management Ltd.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
ScottishPower Energy Retail Ltd.	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
Scottish Power Investment Ltd	Baa1	Negative	Nov. 2012	BBB	Stable	Nov. 2012			
Neoenergia				BBB-	Stable	March 2010			
Celpe				BBB-	Stable	March 2011			
Coelba	Baa2	Stable	April 2011	BBB-	Stable	March 2010			
Cosern				BBB-	Stable	March 2010			
Neoenergia (Escala nacional)				brAAA	Stable	March 2010			
Celpe (Escala nacional)				brAAA	Stable	March 2011			
Coelba (Escala nacional)				brAAA	Stable	March 2010			
Cosern (Escala nacional)				brAAA	Stable	March 2010			
Elektro (Escala nacional)				brAAA	Stable	July 2011			

## Balance Sheet

### 2014 (Unaudited)

<b>ASSETS</b>	<b>December 2014</b>	<b>December 2013*</b>	<b>Variation</b>
<b>NON-CURRENT ASSETS</b>	<b>82,453</b>	<b>79,590</b>	<b>2,863</b>
<b>Intangible assets</b>	<b>16,862</b>	<b>15,993</b>	<b>869</b>
Goodwill	8,354	7,801	553
Other intangible assets	8,508	8,192	316
<b>Real Estate properties</b>	<b>482</b>	<b>488</b>	<b>-6</b>
<b>Property, plant and equipment</b>	<b>55,107</b>	<b>51,204</b>	<b>3,903</b>
Property, plant and equipment in use	51,090	46,857	4,233
Property, plant and equipment in the course of construction	4,017	4,347	-330
<b>Non current financial investments</b>	<b>3,780</b>	<b>5,039</b>	<b>-1,259</b>
Investments accounted by equity method	2,295	2,180	114
Non-current financial assets	77	757	-679
Other non-current financial assets	769	1,849	-1,080
Derivative financial instruments	639	253	386
<b>Non-current receivables</b>	<b>383</b>	<b>366</b>	<b>18</b>
<b>Deferred tax assets</b>	<b>5,837</b>	<b>6,500</b>	<b>-663</b>
<b>CURRENT ASSETS</b>	<b>11,319</b>	<b>10,197</b>	<b>1,122</b>
<b>Assets held for sale</b>	<b>-</b>	<b>104</b>	<b>-104</b>
<b>Nuclear fuel</b>	<b>320</b>	<b>370</b>	<b>-50</b>
<b>Inventories</b>	<b>2,039</b>	<b>2,026</b>	<b>14</b>
<b>Current trade and other receivables</b>	<b>5,519</b>	<b>5,239</b>	<b>280</b>
Tax receivables	333	231	102
Other tax receivables	367	709	-342
Trade and other receivables	4,819	4,300	519
<b>Current financial assets</b>	<b>1,635</b>	<b>1,126</b>	<b>509</b>
Current financial assets	5	5	-
Other current financial assets	1,118	872	245
Derivative financial instruments	512	249	264
<b>Cash and cash equivalents</b>	<b>1,806</b>	<b>1,332</b>	<b>474</b>
<b>TOTAL ASSETS</b>	<b>93,771</b>	<b>89,787</b>	<b>3,985</b>

<b>EQUITY AND LIABILITIES</b>	<b>December 2014</b>	<b>December 2013*</b>	<b>Variation</b>
<b>EQUITY</b>	<b>35,791</b>	<b>35,289</b>	<b>502</b>
<b>Of shareholders of the parent</b>	<b>35,040</b>	<b>34,585</b>	<b>455</b>
Share capital	4,791	4,680	111
Unrealised assets and liabilities revaluation reserve	-327	-297	-30
Other reserves	30,469	30,108	361
Treasury stock	-816	-303	-513
Translation differences	-1,404	-2,174	770
Net profit of the year	2,327	2,572	-245
<b>Hybrid Capital</b>	<b>551</b>	<b>551</b>	<b>-</b>
<b>Of minority interests</b>	<b>200</b>	<b>153</b>	<b>47</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>180</b>	<b>244</b>	<b>-63</b>
<b>NON-CURRENT LIABILITIES</b>	<b>44,268</b>	<b>43,099</b>	<b>1,169</b>
<b>Deferred income</b>	<b>6,121</b>	<b>5,683</b>	<b>438</b>
<b>Provisions</b>	<b>4,852</b>	<b>4,065</b>	<b>787</b>
Provisions for pensions and similar obligations	1,943	1,391	552
Other provisions	2,909	2,674	235
<b>Financial Debt</b>	<b>23,315</b>	<b>24,473</b>	<b>-1,159</b>
Loans and others	22,930	24,139	-1,209
Derivative financial instruments	384	334	50
<b>Other non-current payables</b>	<b>611</b>	<b>542</b>	<b>69</b>
<b>Deferred tax liabilities</b>	<b>9,369</b>	<b>8,336</b>	<b>1,033</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>101</b>	<b>86</b>	<b>16</b>
<b>CURRENT LIABILITIES</b>	<b>13,431</b>	<b>11,070</b>	<b>2,361</b>
<b>Provisions</b>	<b>221</b>	<b>294</b>	<b>-73</b>
Provisions for pensions and similar obligations	1	8	-7
Other provisions	220	287	-66
<b>Financial Debt</b>	<b>5,035</b>	<b>3,979</b>	<b>1,056</b>
Loans and others	4,209	3,524	685
Derivative financial instruments	826	455	371
<b>Trade and other payables</b>	<b>8,175</b>	<b>6,797</b>	<b>1,379</b>
Trade payables	5,473	4,559	914
Current tax liabilities and other tax payables	419	444	-26
Other tax payables	996	859	137
Other current liabilities	1,288	935	353
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>93,771</b>	<b>89,787</b>	<b>3,985</b>

\* IFRS 11 Restated

## Profit and Loss

### December 2014 (Unaudited)

Eur M

	December 2014	December 2013*	%
<b>REVENUES</b>	<b>30,032.3</b>	<b>31,077.1</b>	<b>(3.4)</b>
PROCUREMENTS	(17,852.7)	(19,295.2)	(7.5)
<b>GROSS MARGIN</b>	<b>12,179.5</b>	<b>11,781.9</b>	<b>3.4</b>
<b>NET OPERATING EXPENSES</b>	<b>(3,633.8)</b>	<b>(3,466.9)</b>	<b>4.8</b>
<b>Net Personnel Expense</b>	<b>(1,860.8)</b>	<b>(1,742.4)</b>	<b>6.8</b>
Personnel	(2,318.9)	(2,220.3)	4.4
Capitalized personnel costs	458.0	477.9	(4.2)
<b>Net External Services</b>	<b>(1,772.9)</b>	<b>(1,724.5)</b>	<b>2.8</b>
External Services	(2,160.1)	(2,119.9)	1.9
Other Operating Income	387.2	395.4	(2.1)
<b>LEVIES</b>	<b>(1,581.2)</b>	<b>(1,558.1)</b>	<b>1.5</b>
<b>EBITDA</b>	<b>6,964.5</b>	<b>6,756.9</b>	<b>3.1</b>
AMORTISATIONS AND PROVISIONS	(3,023.6)	(4,537.5)	(33.4)
<b>EBIT</b>	<b>3,940.9</b>	<b>2,219.5</b>	<b>77.6</b>
<b>Financial Expenses</b>	<b>(2,016.2)</b>	<b>(1,973.6)</b>	<b>2.2</b>
<b>Financial Income</b>	<b>893.8</b>	<b>695.6</b>	<b>28.5</b>
<b>FINANCIAL RESULT</b>	<b>(1,122.4)</b>	<b>(1,277.9)</b>	<b>(12.2)</b>
<b>RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD</b>	<b>135.4</b>	<b>205.0</b>	<b>(33.9)</b>
<b>RESULTS FROM NON-CURRENT ASSETS</b>	<b>247.9</b>	<b>(10.4)</b>	<b>(2,478.6)</b>
<b>PBT</b>	<b>3,201.8</b>	<b>1,136.1</b>	<b>181.8</b>
Corporate Tax	(837.1)	1,466.7	(157.1)
Minorities	(38.2)	(31.0)	23.3
<b>NET PROFIT</b>	<b>2,326.5</b>	<b>2,571.8</b>	<b>(9.5)</b>

\* Restated



## Results by Business (Unaudited)

Eur M

December 2014	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjust
Revenues	7,334.2	21,140.0	2,234.5	598.2	(1,274.6)
Procurement	(2,093.6)	(16,406.5)	(201.0)	(381.9)	1,230.3
<b>GROSS MARGIN</b>	<b>5,240.6</b>	<b>4,733.4</b>	<b>2,033.5</b>	<b>216.3</b>	<b>(44.3)</b>
NET OPERATING EXPENSES	(1,274.9)	(1,511.9)	(567.1)	(229.0)	(50.8)
Net Personnel Expense	(727.9)	(514.7)	(172.2)	(161.1)	(285.0)
Personnel	(1,098.9)	(551.3)	(190.5)	(182.0)	(296.1)
Capitalized personnel costs	371.1	36.6	18.3	20.9	11.2
Net External Services	(547.1)	(997.2)	(394.9)	(68.0)	234.1
External Services	(794.7)	(1,113.3)	(439.1)	(76.7)	263.7
Other operating income	247.6	116.2	44.3	8.7	(29.6)
LEVIES	(430.9)	(929.4)	(140.4)	(4.3)	(76.3)
<b>EBITDA</b>	<b>3,534.8</b>	<b>2,292.2</b>	<b>1,326.0</b>	<b>(17.0)</b>	<b>(171.4)</b>
Amortisation and Provisions	(1,079.9)	(1,016.1)	(825.1)	(7.2)	(95.2)
<b>EBIT / Operating Profit</b>	<b>2,454.8</b>	<b>1,276.1</b>	<b>500.9</b>	<b>(24.2)</b>	<b>(266.6)</b>
Financial Result	(476.3)	(163.0)	(144.4)	(53.0)	(285.7)
Results of companies consolidated by equity method	80.0	(18.9)	9.2	65.1	-
Results of non-current assets	87.2	162.3	(1.4)	2.1	(2.3)
<b>PBT</b>	<b>2,145.7</b>	<b>1,256.4</b>	<b>364.3</b>	<b>(10.0)</b>	<b>(554.7)</b>
Corporate tax and minority shareholders	(573.0)	(314.1)	(128.2)	(17.8)	157.8
<b>NET PROFIT</b>	<b>1,572.7</b>	<b>942.3</b>	<b>236.2</b>	<b>(27.8)</b>	<b>(396.9)</b>

Eur M

December 2013*	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjust.
Revenues	6,693.7	22,754.0	2,383.8	557.2	(1,311.7)
Procurement	(1,731.7)	(18,319.1)	(182.5)	(327.4)	1,265.5
<b>GROSS MARGIN</b>	<b>4,962.1</b>	<b>4,434.8</b>	<b>2,201.3</b>	<b>229.8</b>	<b>(46.2)</b>
NET OPERATING EXPENSES	(1,224.1)	(1,457.0)	(537.1)	(227.6)	(21.0)
Net Personnel Expense	(632.6)	(534.3)	(171.2)	(153.0)	(251.3)
Personnel	(1,016.5)	(571.6)	(188.6)	(177.2)	(266.4)
Capitalized personnel costs	383.8	37.4	17.4	24.2	15.1
Net External Services	(591.5)	(922.7)	(365.9)	(74.7)	230.3
External Services	(829.6)	(1,048.1)	(421.8)	(77.9)	257.5
Other operating income	238.1	125.4	55.9	3.2	(27.2)
Levies	(391.5)	(991.2)	(163.1)	(1.8)	(10.6)
<b>EBITDA</b>	<b>3,346.5</b>	<b>1,986.7</b>	<b>1,501.1</b>	<b>.4</b>	<b>(77.8)</b>
Amortisation and Provisions	(980.0)	(2,000.0)	(1,433.9)	(52.4)	(71.2)
<b>EBIT / Operating Profit</b>	<b>2,366.5</b>	<b>(13.3)</b>	<b>67.2</b>	<b>(51.9)</b>	<b>(149.0)</b>
Financial Result	(411.8)	(179.3)	(142.1)	(20.6)	(524.1)
Results of companies consolidated by equity method	115.4	18.0	14.5	57.1	-
Results of non-current assets	8.9	-	8.9	(33.3)	5.1
<b>PBT</b>	<b>2,078.9</b>	<b>(174.6)</b>	<b>(51.5)</b>	<b>(48.7)</b>	<b>(668.1)</b>
Corporate tax and minority shareholders	(96.4)	1,163.3	154.4	17.2	197.3
<b>NET PROFIT</b>	<b>1,982.6</b>	<b>988.7</b>	<b>102.9</b>	<b>(31.5)</b>	<b>(470.8)</b>

\* Restated

## Networks Business (Unaudited)

Eur M

December 2014	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,951.9	1,380.4	2,413.0	1,588.9
Procurement	-	(49.2)	(914.8)	(1,129.6)
<b>GROSS MARGIN</b>	<b>1,951.9</b>	<b>1,331.2</b>	<b>1,498.2</b>	<b>459.3</b>
<b>NET OPERATING EXPENSES</b>	<b>(420.7)</b>	<b>(206.0)</b>	<b>(490.4)</b>	<b>(157.8)</b>
Net Personnel Expenses	(289.4)	(88.6)	(255.6)	(94.2)
Personnel	(395.9)	(222.6)	(361.1)	(119.4)
Capitalized personnel costs	106.5	133.9	105.5	25.2
Net External Services	(131.3)	(117.4)	(234.8)	(63.6)
External Services	(276.6)	(177.4)	(257.8)	(83.4)
Other operating income	145.3	60.0	23.1	19.8
Levies	(92.6)	(100.4)	(235.8)	(2.0)
<b>EBITDA</b>	<b>1,438.5</b>	<b>1,024.8</b>	<b>772.0</b>	<b>299.5</b>
Amortisations, Provisions and other	(420.1)	(271.9)	(276.6)	(111.3)
<b>EBIT / Operating Profit</b>	<b>1,018.5</b>	<b>752.9</b>	<b>495.3</b>	<b>188.2</b>
Financial Result	(139.1)	(140.3)	(103.4)	(93.5)
Results of companies consolidated by equity method	1.0	-	-	78.9
Results of non-current assets	-	-	2.5	84.6
<b>PBT</b>	<b>880.4</b>	<b>612.6</b>	<b>394.5</b>	<b>258.2</b>
Corporate tax and minority shareholders	(263.8)	(132.9)	(119.2)	(57.2)
<b>NET PROFIT</b>	<b>616.7</b>	<b>479.7</b>	<b>275.3</b>	<b>201.0</b>

Eur M

December 2013*	SPAIN	UNITED KINGDOM	US	BRAZIL
Revenues	1,904.8	1,228.0	2,301.8	1,259.1
Procurement	-	(35.5)	(833.0)	(863.2)
<b>GROSS MARGIN</b>	<b>1,904.8</b>	<b>1,192.5</b>	<b>1,468.8</b>	<b>395.9</b>
<b>NET OPERATING EXPENSES</b>	<b>(364.7)</b>	<b>(181.1)</b>	<b>(523.1)</b>	<b>(155.3)</b>
Net Personnel Expenses	(221.1)	(71.6)	(248.0)	(91.9)
Personnel	(345.3)	(197.2)	(353.8)	(120.1)
Capitalized personnel costs	124.2	125.7	105.8	28.2
Net External Services	(143.5)	(109.5)	(275.1)	(63.4)
External Services	(296.3)	(160.1)	(292.6)	(80.6)
Other operating income	152.8	50.6	17.5	17.2
Levies	(89.9)	(72.4)	(227.6)	(1.6)
<b>EBITDA</b>	<b>1,450.3</b>	<b>939.0</b>	<b>718.2</b>	<b>239.0</b>
Amortisations, Provisions and other	(381.1)	(254.6)	(226.8)	(117.5)
<b>EBIT / Operating Profit</b>	<b>1,069.2</b>	<b>684.4</b>	<b>491.4</b>	<b>121.6</b>
Financial Result	(69.4)	(124.4)	(125.7)	(92.3)
Results of companies consolidated by equity method	2.0	-	-	113.3
Results of non-current assets	-	0.2	(2.5)	11.2
<b>PBT</b>	<b>1,001.8</b>	<b>560.2</b>	<b>363.2</b>	<b>153.7</b>
Corporate tax and minority shareholders	82.0	18.4	(175.7)	(21.0)
<b>NET PROFIT</b>	<b>1,083.8</b>	<b>578.6</b>	<b>187.4</b>	<b>132.7</b>

\* Restated

## Generation and Supply (Unaudited)

Eur M

December 2014	SPAIN	UNITED KINGDOM	MEXICO	US & CANADA	Interco
Revenues	12,510.8	7,647.7	1,457.4	4.2	(480.1)
Procurement	(9,442.4)	(6,442.6)	(1,000.2)	(1.5)	480.1
<b>GROSS MARGIN</b>	<b>3,068.4</b>	<b>1,205.1</b>	<b>457.3</b>	<b>2.7</b>	<b>-</b>
NET OPERATING EXPENSES	(804.2)	(570.4)	(105.7)	(31.6)	-
Net Personnel Expenses	(338.3)	(142.9)	(18.6)	(14.9)	-
Personnel	(363.4)	(151.5)	(21.0)	(15.4)	-
Capitalized personnel costs	25.1	8.5	2.5	0.5	-
Net External Services	(465.9)	(427.4)	(87.1)	(16.7)	-
External Services	(516.4)	(498.4)	(88.9)	(18.5)	8.9
Other operating income	50.6	71.0	1.8	1.8	(8.9)
Levies	(746.6)	(178.1)	(1.5)	(3.2)	-
<b>EBITDA</b>	<b>1,517.6</b>	<b>456.6</b>	<b>350.0</b>	<b>(32.0)</b>	<b>-</b>
Amortisations, Provisions and other	(559.5)	(357.6)	(71.0)	(28.1)	-
<b>EBIT / Operating Profit</b>	<b>958.2</b>	<b>99.0</b>	<b>279.0</b>	<b>(60.1)</b>	<b>-</b>
Financial Result	(164.6)	53.1	(31.9)	(19.6)	-
Results of companies consolidated by equity method	(20.2)	1.4	-	-	-
Results of non-current assets	159.7	2.6	-	-	-
<b>PBT</b>	<b>933.0</b>	<b>156.0</b>	<b>247.1</b>	<b>(79.7)</b>	<b>-</b>
Corporate tax and minority shareholders	(238.5)	(16.9)	(87.0)	28.2	-
<b>NET PROFIT</b>	<b>694.5</b>	<b>139.1</b>	<b>160.1</b>	<b>(51.5)</b>	<b>-</b>

Eur M

December 2013*	SPAIN	UNITED KINGDOM	MEXICO	US & CANADA	Interco
Revenues	13,292.6	8,695.4	1,293.4	15.1	(542.4)
Procurement	(10,370.0)	(7,650.4)	(840.2)	(1.0)	542.4
<b>GROSS MARGIN</b>	<b>2,922.6</b>	<b>1,044.9</b>	<b>453.1</b>	<b>14.2</b>	<b>-</b>
NET OPERATING EXPENSES	(757.2)	(561.7)	(104.4)	(33.7)	-
Net Personnel Expenses	(301.7)	(195.8)	(20.6)	(16.2)	-
Personnel	(325.5)	(208.6)	(21.0)	(16.5)	-
Capitalized personnel costs	23.9	12.8	0.4	0.3	-
Net External Services	(455.6)	(365.9)	(83.8)	(17.4)	-
External Services	(505.2)	(437.5)	(92.2)	(18.2)	4.9
Other operating income	49.6	71.5	8.4	0.7	(4.9)
Levies	(824.2)	(162.7)	(1.1)	(3.1)	-
<b>EBITDA</b>	<b>1,341.2</b>	<b>320.5</b>	<b>347.6</b>	<b>(22.6)</b>	<b>-</b>
Amortisations, Provisions and other	(553.9)	(270.2)	(68.9)	(1,107.0)	-
<b>EBIT / Operating Profit</b>	<b>787.3</b>	<b>50.2</b>	<b>278.7</b>	<b>(1,129.6)</b>	<b>-</b>
Financial Result	(118.8)	(13.6)	(22.8)	(24.1)	-
Results of companies consolidated by equity method	17.9	0.1	-	-	-
Results of non-current assets	(0.8)	0.7	0.1	-	-
<b>PBT</b>	<b>685.6</b>	<b>37.5</b>	<b>256.0</b>	<b>(1,153.7)</b>	<b>-</b>
Corporate tax and minority shareholders	848.6	43.8	(61.2)	332.1	-
<b>NET PROFIT</b>	<b>1,534.2</b>	<b>81.2</b>	<b>194.8</b>	<b>(821.6)</b>	<b>-</b>

\* Restated

## Renewable Business (Unaudited)

December 2014	SPAIN	UNITED KINGDOM	USA	LATAM	RoW
Revenues	735.5	414.2	880.3	96.6	107.9
Procurement	(7.1)	(45.7)	(144.5)	(3.9)	0.2
<b>GROSS MARGIN</b>	<b>728.5</b>	<b>368.5</b>	<b>735.8</b>	<b>92.6</b>	<b>108.1</b>
NET OPERATING EXPENSES	(218.2)	(88.5)	(208.8)	(21.0)	(30.7)
Net Personnel Expenses	(61.3)	(15.7)	(85.7)	(1.5)	(8.0)
Personnel	(61.5)	(24.2)	(94.3)	(1.7)	(8.9)
Capitalized personnel costs	0.2	8.6	8.6	0.2	0.8
Net External Services	(156.8)	(72.8)	(123.1)	(19.5)	(22.7)
External Services	(190.5)	(83.1)	(146.4)	(19.5)	0.3
Other operating income	33.7	10.3	23.3	-	(23.0)
Levies	(89.7)	(14.8)	(31.7)	(0.5)	(3.7)
<b>EBITDA</b>	<b>420.6</b>	<b>265.2</b>	<b>495.3</b>	<b>71.2</b>	<b>73.7</b>
Amortisations, Provisions and other	(233.3)	(157.4)	(342.1)	(27.8)	(64.5)
<b>EBIT / Operating Profit</b>	<b>187.3</b>	<b>107.8</b>	<b>153.2</b>	<b>43.4</b>	<b>9.2</b>
Financial Result	(66.6)	(28.4)	(12.1)	(10.9)	(26.5)
Results of companies consolidated by equity method	(0.4)	0.5	4.6	1.0	3.5
Results of non-current assets	(3.6)	0.1	-	-	2.1
<b>PBT</b>	<b>116.7</b>	<b>80.1</b>	<b>145.6</b>	<b>33.5</b>	<b>(11.7)</b>
Corporate tax and minority shareholders	(27.4)	(24.2)	(44.0)	(17.9)	(14.6)
<b>NET PROFIT</b>	<b>89.2</b>	<b>55.9</b>	<b>101.7</b>	<b>15.6</b>	<b>(26.2)</b>

December 2013*	SPAIN	UNITED KINGDOM	USA	LATAM	RoW
Revenues	986.3	328.0	849.6	59.7	160.2
Procurement	(8.1)	(24.5)	(145.9)	(2.4)	(1.6)
<b>GROSS MARGIN</b>	<b>978.2</b>	<b>303.5</b>	<b>703.7</b>	<b>57.3</b>	<b>158.6</b>
NET OPERATING EXPENSES	(202.0)	(58.8)	(224.7)	(14.1)	(37.5)
Net Personnel Expenses	(59.6)	(14.3)	(88.5)	(1.3)	(7.5)
Personnel	(59.7)	(19.8)	(97.6)	(1.5)	(9.9)
Capitalized personnel costs	0.1	5.5	9.1	0.2	2.5
Net External Services	(142.4)	(44.5)	(136.2)	(12.8)	(30.0)
External Services	(192.8)	(57.9)	(154.3)	(13.2)	(3.6)
Other operating income	50.4	13.4	18.1	0.4	(26.4)
Levies	(107.8)	(12.9)	(31.0)	-	(11.4)
<b>EBITDA</b>	<b>668.4</b>	<b>231.8</b>	<b>448.0</b>	<b>43.2</b>	<b>109.8</b>
Amortisations, Provisions and other	(420.9)	(107.3)	(814.5)	(16.6)	(74.6)
<b>EBIT / Operating Profit</b>	<b>247.5</b>	<b>124.5</b>	<b>(366.5)</b>	<b>26.5</b>	<b>35.2</b>
Financial Result	(82.3)	(19.8)	(10.3)	(10.8)	(18.9)
Results of companies consolidated by equity method	10.4	1.0	0.2	3.1	(0.3)
Results of non-current assets	12.4	-	0.1	-	(3.6)
<b>PBT</b>	<b>188.0</b>	<b>105.8</b>	<b>(376.5)</b>	<b>18.9</b>	<b>12.3</b>
Corporate tax and minority shareholders	(31.9)	24.8	190.8	(1.5)	(27.9)
<b>NET PROFIT</b>	<b>156.2</b>	<b>130.6</b>	<b>(185.7)</b>	<b>17.3</b>	<b>(15.6)</b>

\* Restated

## Quarterly Results (Unaudited)

Eur M

2014	JAN-MARCH 2014	APR-JUNE 2014	JULY-SEPT. 2014	OCT-DEC 2014
<b>REVENUES</b>	<b>8,325.0</b>	<b>6,860.3</b>	<b>7,011.5</b>	<b>7,835.4</b>
PROCUREMENTS	(4,938.8)	(4,075.7)	(4,308.2)	(4,530.1)
<b>GROSS MARGIN</b>	<b>3,386.3</b>	<b>2,784.6</b>	<b>2,703.3</b>	<b>3,305.4</b>
<b>NET OPERATING EXPENSES</b>	<b>(815.1)</b>	<b>(873.9)</b>	<b>(839.8)</b>	<b>(1,104.9)</b>
<b>Net Personnel Expense</b>	<b>(417.9)</b>	<b>(432.3)</b>	<b>(428.3)</b>	<b>(582.2)</b>
Personnel	(525.0)	(544.5)	(542.1)	(707.3)
Capitalized personnel costs	107.1	112.1	113.7	125.1
<b>Net External Services</b>	<b>(397.2)</b>	<b>(441.6)</b>	<b>(411.4)</b>	<b>(522.7)</b>
External Services	(476.2)	(540.0)	(498.4)	(645.5)
Other Operating Income	79.0	98.5	87.0	122.7
<b>LEVIES</b>	<b>(444.6)</b>	<b>(292.6)</b>	<b>(397.5)</b>	<b>(446.6)</b>
<b>EBITDA</b>	<b>2,126.5</b>	<b>1,618.1</b>	<b>1,466.0</b>	<b>1,753.9</b>
AMORTISATIONS AND PROVISIONS	(688.3)	(697.3)	(751.2)	(886.9)
<b>EBIT</b>	<b>1,438.3</b>	<b>920.8</b>	<b>714.8</b>	<b>867.0</b>
<b>Financial Expenses</b>	<b>(441.4)</b>	<b>(453.6)</b>	<b>(610.2)</b>	<b>(511.0)</b>
<b>Financial Income</b>	<b>227.6</b>	<b>156.8</b>	<b>303.5</b>	<b>205.8</b>
<b>FINANCIAL RESULT</b>	<b>(213.8)</b>	<b>(296.8)</b>	<b>(306.6)</b>	<b>(305.2)</b>
<b>RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD</b>	<b>22.5</b>	<b>99.2</b>	<b>(18.5)</b>	<b>32.2</b>
<b>RESULTS FROM NON-RECURRING ASSETS</b>	<b>76.7</b>	<b>108.2</b>	<b>59.8</b>	<b>3.1</b>
<b>PBT</b>	<b>1,323.6</b>	<b>831.5</b>	<b>449.6</b>	<b>597.1</b>
Corporate Tax	(360.7)	(270.2)	(115.9)	(90.2)
Minorities	(10.4)	(10.8)	(5.4)	(11.7)
<b>NET PROFIT</b>	<b>952.6</b>	<b>550.49</b>	<b>328.3</b>	<b>495.2</b>

Eur M

2013	JAN-MARCH 2013*	APR-JUNE 2013*	JULY-SEPT. 2013*	OCT-DEC 2013*
<b>REVENUES</b>	<b>8,743.3</b>	<b>7,150.3</b>	<b>7,007.3</b>	<b>8,176.1</b>
PROCUREMENTS	(5,390.4)	(4,285.3)	(4,392.4)	(5,227.1)
<b>GROSS MARGIN</b>	<b>3,353.0</b>	<b>2,865.0</b>	<b>2,614.9</b>	<b>2,949.0</b>
<b>NET OPERATING EXPENSES</b>	<b>(815.5)</b>	<b>(804.7)</b>	<b>(819.9)</b>	<b>(1,026.8)</b>
<b>Net Personnel Expense</b>	<b>(409.9)</b>	<b>(418.1)</b>	<b>(414.2)</b>	<b>(500.1)</b>
Personnel	(530.6)	(543.6)	(534.6)	(611.5)
Capitalized personnel costs	120.7	125.5	120.4	111.4
<b>Net External Services</b>	<b>(405.6)</b>	<b>(386.6)</b>	<b>(405.7)</b>	<b>(526.7)</b>
External Services	(504.0)	(491.9)	(486.3)	(637.8)
Other Operating Income	98.4	105.3	80.6	111.1
<b>LEVIES</b>	<b>(404.6)</b>	<b>(449.5)</b>	<b>(399.6)</b>	<b>(304.4)</b>
<b>EBITDA</b>	<b>2,132.8</b>	<b>1,610.8</b>	<b>1,395.5</b>	<b>1,617.8</b>
AMORTISATIONS AND PROVISIONS	(718.6)	(2,352.1)	(692.1)	(774.7)
<b>EBIT</b>	<b>1,414.3</b>	<b>(741.3)</b>	<b>703.4</b>	<b>843.1</b>
<b>Financial Expenses</b>	<b>(729.1)</b>	<b>(389.8)</b>	<b>(316.6)</b>	<b>(538.1)</b>
<b>Financial Income</b>	<b>461.7</b>	<b>106.8</b>	<b>16.1</b>	<b>111.1</b>
<b>FINANCIAL RESULT</b>	<b>(267.4)</b>	<b>(283.0)</b>	<b>(300.5)</b>	<b>(427.1)</b>
<b>RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD</b>	<b>66.2</b>	<b>68.6</b>	<b>29.0</b>	<b>41.2</b>
<b>RESULTS FROM NON-RECURRING ASSETS</b>	<b>5.6</b>	<b>(22.9)</b>	<b>15.9</b>	<b>(9.0)</b>
<b>PBT</b>	<b>1,218.7</b>	<b>(978.6)</b>	<b>447.7</b>	<b>448.3</b>
Corporate Tax	(334.7)	1,835.4	111.5	(145.4)
Minorities	(5.3)	(7.4)	(12.5)	(5.9)
<b>NET PROFIT</b>	<b>878.6</b>	<b>849.41</b>	<b>546.7</b>	<b>297.0</b>

\* Restated

## Statement of Origin and Use of Funds

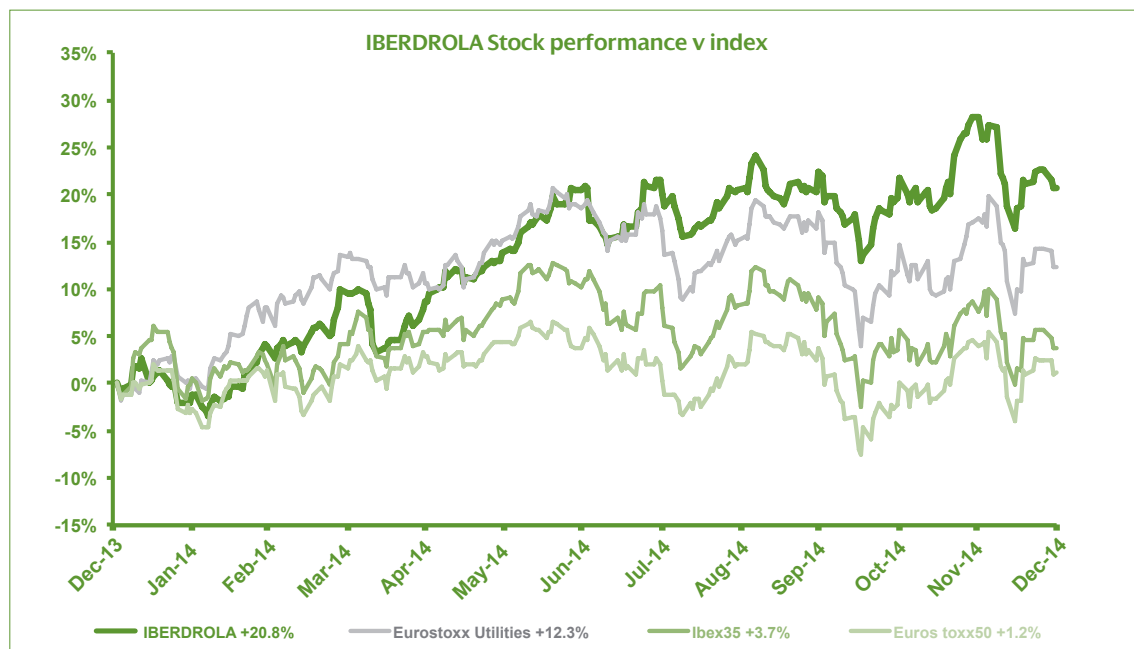
### December 2014 (Unaudited)

Eur M

	December 2014	December 2013*	Difference
EBITDA	6,965	6,757	208
Adjustments to results and others	(572)	(585)	13
Financial payments and cash receipts	(962)	(989)	27
Corporate Tax Payment	(728)	(534)	(194)
Provision payments (net of normal expenses)	(153)	(187)	33
<b>Operating Cash Flow</b>	<b>4,550</b>	<b>4,463</b>	<b>87</b>
Dividends Paid	(1,048)	(862)	(186)
<b>Retained Cash Flow</b>	<b>3,502</b>	<b>3,601</b>	<b>(99)</b>
Total Cash Flow allocations:	(2,623)	(1,612)	(1,011)
<i>Net Investments</i>	<i>(2,848)</i>	<i>(2,504)</i>	<i>(344)</i>
<i>Divestments</i>	<i>1,003</i>	<i>745</i>	<i>258</i>
<i>Treasury stock</i>	<i>(746)</i>	<i>(369)</i>	<i>(377)</i>
<i>Capital issue</i>	<i>(1.2)</i>	<i>(1,1)</i>	<i>(0,1)</i>
<i>Hybrid</i>	<i>(30)</i>	<i>517</i>	<i>(547)</i>
Exchange rate differentials	(1,005)	393	(1,398)
Change in regulatory receivables	1,185	1,422	(237)
Extraordinary dividend received from Neoenergia		279	(279)
Corporate tax payment on balance-sheet revaluation		(315)	315
Working capital variations and other	158	(1,137)	1,295
<b>Decrease/(Increase) in net debt</b>	<b>1,218</b>	<b>2,631</b>	<b>(1,414)</b>

\* Restated

## Stock Market Evolution



IBERDROLA Share	12M 2014	12M 2013
Number of shares outstanding	6,388,483,000	6,239,975,000
Price at the end of the period	5.597	4.635
Average Price of the period	5.27	4.11
Average daily volume	39,916,924	39,907,666
Maximum volume (04-10-2014 / 07-04-2013)	422,630,657	316,948,776
Minimum volume (12-24-2014 / 08-26-2013)	8,042,962	8,014,080
Dividends paid (€) (corresponding to 2013 financial year)	0.275	0.308
Gross Interim (01-30-2014 / 01-22-2013)	0.126 <sup>(1)</sup>	0.143 <sup>(1)</sup>
Gross Final Dividend (07-03-2014 and 07-22-2014 / 07-03 and 07-22-2013)	0.144 <sup>(2)</sup>	0.160 <sup>(2)</sup>
AGM attendance bonus	0.005	0.005
Dividend yield <sup>(3)</sup>	4.91%	6.65%

(1) Iberdrola fixed guaranteed price for the rights.

(2) Supplementary cash dividend: 07-03-2014 and 07-03-2013 = 0.03 and right's acquisition price guaranteed by Iberdrola (07-23-14) = 0.126 and 07-22-13 = 0.130.

(3) Interim dividend, supplementary dividend and Shareholders' Meeting attendance bonus/ end-of-period market share (it is not included the right's acquisition price guaranteed by Iberdrola that corresponds to the 2014 interim dividend that was paid 12-19-2014 by an amount of EUR 0.127 gross per share).

## 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

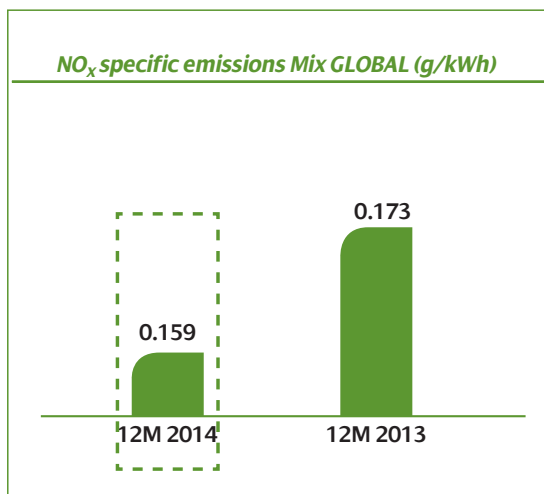
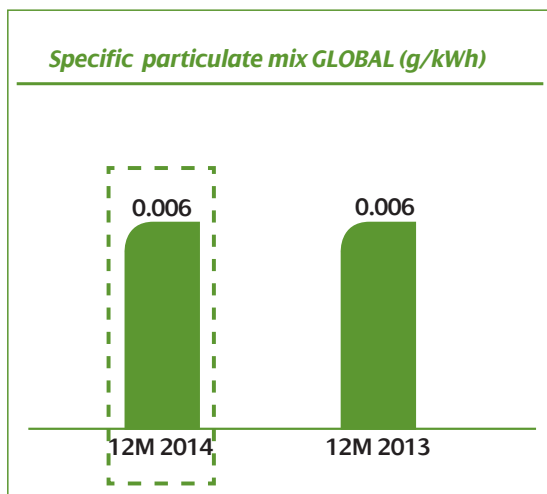
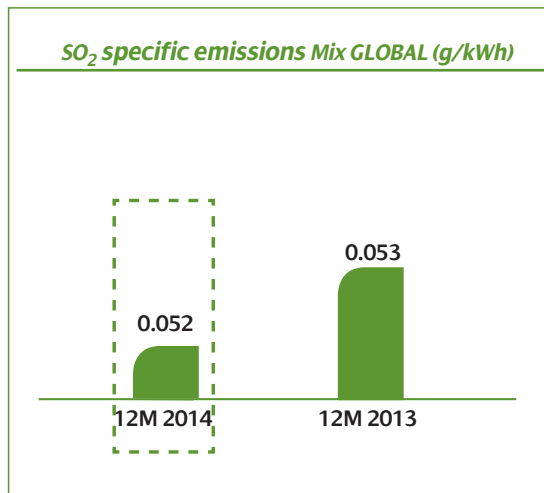
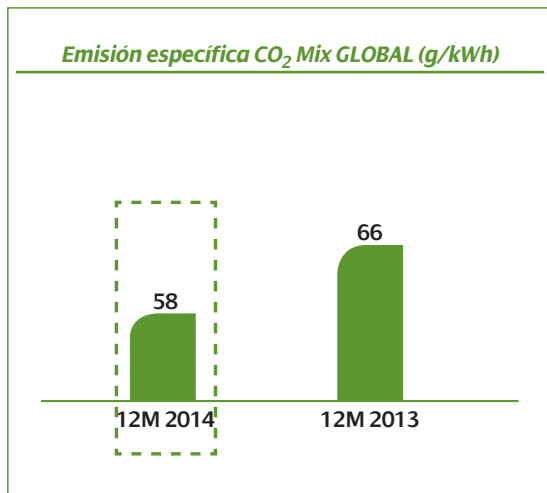
Sustainability Indicators	12M 2014	12M 2013
Contribution to GDP (Gross Margin) (*)	0.58%	0.60%
Contribution to GDP (Net Revenues) (*)	1.52%	1.62%
Investment in equipment (EUR million)	2.848	2.622
Investment in clean generation over the total investments (%)	77,3	81,7
Net profit (EUR million)	2,326.5	2,571.8
Dividend yield (%) (**)	4.91%	6.65%
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). Total	212	224
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). Spain	58	66
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). SPW	605	619
Total emission-free production (GWh)	78,929	74,550
Spain emission-free production (GWh)	55,381	51,540
Emission-free production out of total production (%)	57	55
Ratio output with total low emissions technologies (%)	34	36
Spain emission-free production out of total production (%)	91	89
Total emission-free installed capacity (MW)	27,931	27,585
Spain emission-free installed capacity (MW)	18,326	18,326
Total emission-free installed capacity (%)	62	61
Spain emission-free installed capacity (%)	72	72

(\*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Basis 2010. Last data published in 3Q 2014)

(\*\*) Interim dividend, supplementary dividend and Shareholders' Meeting attendance bonus / end-of-period price (it is not included right's acquisition price guaranteed by Iberdrola and corresponding to the 2014 interim dividend paid on the 19/12/2014 which amounted to Eur 0.127 gross per share).



Development of specific thermal mix emissions, Global: CO<sub>2</sub>, SO<sub>2</sub>, particles and NO<sub>x</sub>.

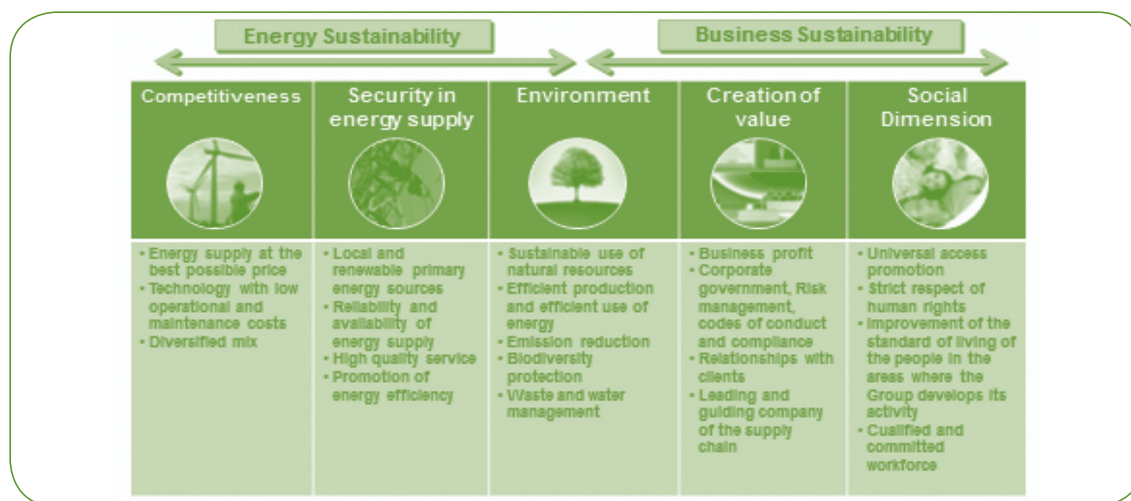


## 2. INDICES, RANKINGS AND RECOGNITIONS

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

Sustainability and Corporate Reputation	
	Rating
Dow Jones Sustainability World Index 2014	Iberdrola selected on the utilities sector in all editions
FTSE4Good	First utility with nuclear assets to be selected on the index
Carbon Disclosure Leadership Index 2014	99/100
Carbon Performance Leadership Index 2014	"A" Category
Global Roundtable on Climate Change	IBERDROLA among the participants
Sustainability Yearbook Robeco Sam 2014	Classified as "Silver Class" in the electricity sector
OEKOM Research 2013	Classified as "Prime"
MERCO 2013	Leading company in Spain in the utilities sector: electricity, gas, and water
New York Stock Exchange, NYSE Euronext y Vigeo	Iberdrola selected
ET Global 800 Carbon Ranking	Iberdrola first Spanish utility
Nesweek and Green Rankings 2014	Leading company in Sustainability
Nesweek and Corporate Knights	Iberdrola first Spanish utility and third worldwide

New Sustainability Policy (since Dec. 2013).



### 3. CONTRIBUTION TO SOCIAL DEVELOPMENT

IBERDROLA's most significant actions with regard to social commitment in the year 2014 have been:

#### 3.1.- Corporate Social Responsibility (CSR) Recognition

- **IBERDROLA recognised as one of the World's Most Ethical Companies**

IBERDROLA has been included in the 2014 World's Most Ethical Companies ranking, from the Ethisphere Institute, which recognises organisations contributing ethical leadership and behaviour at corporate level. Our Company is the only Spanish company that has achieved this recognition in 2014 and one of 145 companies selected this year from across the world.

- **IBERDROLA selected once again as part of the Dow Jones Sustainability Index (DJSI)**

Our Company is the only European electricity provider selected in all 15 editions of the prestigious DJSI, which is a firm recognition to its commitment to sustainability. The DJSI Index is considered to be the main worldwide point of reference to measure companies' contribution to sustainable development.

- **IBERDROLA, leader of the CDP Water Index**

IBERDROLA achieved the lead position at the CDP Water Index, which values the integration of water management within the Company's strategy and operations. 2014 is the first year of publication of this Index, where IBERDROLA has been given the highest score.

- **ELEKTRO recognised as the best Electric Power Distributor in Brazil**

ELEKTRO has won the 2014 Abradee Award, being recognised as the country's best Electric Power Distributor. The Brazilian Association of Electric Power Distributors (Abradee) includes 41 companies (both public and private), supplying electricity to 98% of Brazilian consumers. In addition, ELEKTRO has also obtained the following recognitions:

- Best company to work for in Brazil (awarded by the magazine *Época*).
- Most sustainable company in the energy sector (awarded by ADVB).

- **IBERDROLA Generación México receives the ESR 2014 award**

For the second year in a row, IBERDROLA Generación México has received the *Empresa Socialmente Responsable* (ESR 2014) award, given to companies that stand out for their respect towards ethical values, community and the environment.

- **IBERDROLA keeps its EFR Certificate**

IBERDROLA S.A., IBERDROLA Generación, and IBERDROLA Distribución have passed, with the highest rating, the external audit to renew their Certificates of Family-Responsible Company (Empresa Familiarmente Responsable or EFR).

#### 3.2.- Relations with Stakeholders

- **Regional Advisory Boards**

The three Advisory Boards in Spain (Andalusia, Castilla y León, and the Valencian Community) have held working meetings. 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 in these regions.

- **ScottishPower Energy Networks improves stakeholder participation**

ScottishPower Energy Networks has achieved a significant improvement in stakeholder participation, thanks to which it has gained recognition from the regulating body Ofgem, which translates into economic incentives.

- **IBERDROLA reaffirms its commitment to fighting against climate change**

At the Climate Summit 2014, organised by the UN and held in New York (23 September 2014), IBERDROLA has committed with some targets, proposed by Carbon Disclosure Project, through its “Road to Paris 2015” project, based on the reduction of emissions and the promotion of responsible corporate climate-related policies.

### 3.3.- Staff

- **International Volunteer Programme**

With regard to IBERDROLA’s Volunteer Programme, organised through the *International Volunteer Portal* (a website that serves as a meeting point to reinforce the global volunteer community in the Group), the following can be highlighted for this period:

- **Volunteer Days.** A series of volunteer days devoted to games and sports and environmental awareness aimed at people with disabilities have been held in Castilla y León, Castilla-La-Mancha, Community of Valencia, Galicia, Community of Madrid, Extremadura and Murcia.

- **International Volunteer Day.** Various events were held, bringing together more than 800 employees of the Group, in collaboration with local charities from Spain, the United Kingdom, the United States, Mexico and Brazil.

- **7th IBERDROLA Tree Day.** The seventh Tree Day was celebrated in Bermeo (Vizcaya), in collaboration with the Asociación Gorabide and the Fundación Lurgaña, to create the Iberdrola Forest, which shall eventually cover an area of five hectares.

- **“Lights and Action” Project.** A group of young people from Madrid at risk of social exclusion have received training by employees of our Company in order to favour their access to the job market.

- **“IBERDROLA Operation Kilo” initiative.** Every two months, IBERDROLA launches this initiative to collect food to contribute to ameliorating the difficult situation many families are going through as a result of the economic crisis. The food is distributed through aid organisations such as *Cáritas, Cooperación Internacional, Casa Caridad and the Banco de Alimentos.*

- **IBERDROLA Engineering and Construction online courses**

IBERDROLA Engineering and Construction has organised several online courses for its employees:

- **Work and family life balance.** To spread measures and advantages available to the staff and raise awareness about the importance of keeping a work-life balance.

- **Prevention of occupational hazards.** To underline the importance of integrating health and safety in the workplace across all company processes.
- **Ethical Compliance Programme.** To reinforce a business culture based on ethics and honesty.
- **Code of Ethics.** To provide (mandatory) training to all company professionals in the application of the vision, values and norms of conduct established in the Code of Ethics.

### 3.4 Community Action

#### a) Training and Research

##### **Research Scholarships and Grants Programme**

Iberdrola Foundation's programme of scholarships and grants for energy and environmental research annually calls for scholarship applications for masters courses on energy and the environment in Spain, the United Kingdom and the United States, in addition to research grants in Spain. It is aimed at graduates in Spain, the United Kingdom, the United States, Mexico and, for the first time, Brazil. This programme seeks to achieve excellence in applied higher education in order to train high level professionals able to contribute to the search for solutions compatible with meeting the population's energy needs and the protection of the environment; through close collaboration with renowned professionals of the university and research world.

The 80 scholarships and grants awarded in 2014 account for a total investment of EUR 1.6 million.

In 2014, the Programme granted 64 masters scholarships at universities in Spain, the United Kingdom and the United States and research grants in Spain. Four training and research grants have also been given in the Restoration Workshops of the Prado Museum and the Bilbao Fine Arts Museum. This year has also seen the consolidation of the Prince of Asturias Chair in Information Sciences and Technology at the University of New Mexico, focused mainly on researching smart grids. This Chair includes a call for 3 scholarships aimed at Spanish students to fund doctorate studies abroad in this field.

The Iberdrola Foundation also collaborates with other organisms in the award of scholarships, such as:

- The Carolina Foundation, through its Education Programme, which aims to promote improvement in higher education in the American continent and the internationalisation of Spanish universities.
- The Fulbright Foundation, which promotes the education of university graduates through masters or doctorate programmes in the United States.
- The Spanish Paralympic Committee to provide university education to seven paralympic athletes.

On 3 July 2014, the Scholarship award ceremony took place, chaired by Their Majesties the King and Queen of Spain, where diplomas were given to young people from five countries: Spain, the United Kingdom, the United States, Mexico and Brazil.

## **b) Sustainability and Biodiversity**

### **Projects in Spain**

The collaboration with the Bird Migration Monitoring Programme this financial year has materialised in the tagging of 20 new birds with GPS transmitters. Detailed real time information on the migrations of these birds is available at [www.migraciondeaves.org](http://www.migraciondeaves.org). The total number of birds tagged since 2011, with funding from the Foundation, is 258 birds, of 14 different species, plus a further 150 birds tagged by other organisms within the MIGRA programme.

One more year, the Foundation has collaborated with the LIFE + Cantabrian Capercaillie Project, financed by the European Union and coordinated by the Fundación Biodiversidad. In 2014, in its Breeding Centre, 4 birds have survived (two females have been radio-tagged and released in the Picos de Europa Special Protection Area, in Castilla y León).

The “Conservation Plan for Bonelli’s Eagle in Arribes del Duero” is undertaken in collaboration with the Castilla La Mancha Natural Heritage Foundation, with the aim of improving the habitats in the hunting grounds of “Bonelli’s eagle territories” for maintenance and recovery of the species. The Plan makes it possible to provide trophic resources in order to guarantee reproductive success and monitoring the nesting population. In 2014, 6 chicks were tagged for monitoring their reproductive success.

Works have been completed at the aviary at the “Águilas de Fuente Empedrada” Holistic Centre facilities of Fundación Aquila in Lagartera, Toledo, which is devoted to researching endangered species and breeding in captivity, facilitating the release into the wild of eagles bred in captivity. The species with priority for conditioned learning in the aviary are the imperial eagle and Bonelli’s eagle.

### **Projects in the United Kingdom**

Loch Lomond and the Trossachs Countryside Trust aims to minimise the negative impact that the visits to this nature reserve can cause. With the aim of attempting to preserve this space, different activities for families and young volunteers are carried out, providing them with conservation skills to protect and improve the biodiversity of the area.

The Royal Society for the Protection of Birds (RSPB) aims to create Scotland’s first ever on-site tree nursery at the Abernethy National Nature Reserve, in Cairngorms National Park. The park has been managed by the RSPB since 1988, and is one of the United Kingdom’s main spaces for the protection of biodiversity. The project includes a nursery building, currently under construction, and the purchase of associated equipment.

### **Projects in the United States**

Kopernik Observatory & Science Center, a science laboratory in the state of New York, has been designed to offer a common space for teachers, students and their families to interact. In the laboratory, practices are taught for research with advanced telescopes, computers and other tools, encouraging knowledge transfer and scientific research on the Universe.

Riverkeeper is a program for the preservation of the Hudson River. It includes the restoration of the ecosystems of the river banks, minimising the death of fish and water pollution, protecting the supply of drinking water in New York and improving public access to the Hudson River.

### c) Art and Culture Programmes in Spain

An important project in this area is the Atlantic Romanesque Programme ([www.romanicoatlantico.org](http://www.romanicoatlantico.org)). In 2014, ten of the eleven restoration works were completed in Castilla y León. In 2014, the restoration works of the San Pedro de la Nave Church in El Campillo, were completed. Dampness was removed, the window glass was replaced with alabaster sheets and it was equipped with LED lighting. A very important intervention was carried out in the surroundings, building an interpretation centre with an information point, an exhibition area and a café, thus removing the remains of a pediment and an old café near the church.

In the Lighting Programme, several new lighting projects were started in the historic-artistic heritage such as the mudéjar tower of the Church of Santo Tomé in Toledo, and the Main Altarpiece of the Parish Church of El Campo de Peñaranda (Salamanca), among others. "Lighting the Prado": replacement of the current halogen lamps with other LED lights in all rooms of the Prado Museum. In addition, the lighting of the main façade of the Parliament was completed and opened. The project has lit up the night view of the Parliament with a soft light that makes its classic, six Corinthian column portico stand out, with its bronze lions at either side of the stairs, the tympanum and the flag.

In the Restoration Programme, the work on "The six Panels of Rubens" was completed, and the exhibition organised. The paintings were presented as an exhibition ("Rubens. The Triumph of the Eucharist") next to four tapestries created from these designs. These paintings have been cleaned and paintwork infilled. The restoration of these panels has been carried out in collaboration with the Metropolitan Museum of Art in New York.

At the end of the year, the works were also completed for the Workshop of the Prado Museum with the opening of the "Poems of Titian", and the Workshop of the Bilbao Fine Arts Museum, with the exhibition of several works by Basque artists. This programme also included the restoration project of the collection of six Flemish tapestries of the Royal College-Seminary of Corpus Christi in Valencia, in the Royal Tapestry Factory of Madrid and the restoration of ten codices of the Library of the Monastery of San Millán de La Cogolla in La Rioja.

As to Exhibitions, the "Antoni Tàpies. From object to sculpture (1964-2009)" exhibition at the Guggenheim Museum Bilbao must be mentioned, as must "The return of the snake. Mathias Goeritz and the invention of emotional architecture" at the Reina Sofía Museum. In addition, the etching "Friar flying with luggage" by the artist Cristóbal Toral, of the series Follies of Fuendetodos was presented.

### **Programmes in the United Kingdom**

The well-established collaboration with the National Theatre of Scotland develops activities geared not only to promoting art and culture, but also to disseminating values of respecting identity and coexistence. Its project “Get Energised” offers training support for people at school studying Physics. The first of a total of five scheduled days encouraged students to design and test their own projects aimed at covering future electricity demand in Scotland with renewable energies.

### **Programmes in the United States**

The Rochester International Jazz Festival, in Rochester, NY, has become one of the country's most popular and respected music festivals. Founded in 2002 in Rochester NY, attendance to the Festival has progressively increased, from 15,000 from the first year to more than 195,000 in 2014. The festival established the first jazz music grant, at the renowned Eastman School of Music. Twenty-eight students have received grants to attend the prestigious school since the start of the festival. Every year there is a grant concert held during the festival with the grant winners.

The Binghamton Philharmonic is a professional symphonic orchestra dedicated to providing live classical music performances. It is renowned for its efforts to make music accessible to all through innovative, engaging and affordable programming within and beyond the concert hall.

Garth Fagan Dance, New York: More than 70% of the students who took part last year in the Summer Movement Institute, the intensive dance programme organised every summer by the Garth Fagan Dance school, have been given scholarships to become part of the school's team of dancers, which has allowed them to take part in the

shows offered at the start of this year. This school organises educational programmes aimed at talented young dancers in the area of Rochester, New York and almost 40% of its students enjoy a scholarship.

Children's literature at schools and libraries, Maine: distribution of the renowned children's book *This Is Not My Hat* by Jon Klassen to schools and libraries in the state of Maine. This book was recently awarded the Caldecott medal by the Association for Library Service to Children. It is the fourteenth annual book donation made by our company to more than 600 schools and public libraries in the state.

### **d) Cooperation and Solidarity**

#### **Social Action in Spain**

The Call for Social Grants from the Iberdrola Foundation in Spain aims to contribute to the improvement of the quality of life of the most vulnerable groups. In 2014, priority was given to projects promoting education and training to favour social and employment integration. Eligible applicants include non-profit organisations with initiatives aimed at fighting poverty and social exclusion, the improvement of the quality of life of people suffering from illnesses and the support to people with functional diversity.



In 2014 social initiatives undertaken in collaboration with these civil society organisations amounted to an investment of more than EUR 1 million, to be used in thirty-two social projects across the Spanish territory. 45% of these projects are geared to social and employment inclusion of people with disabilities, 37% aim to cover basic social needs of families in poverty and social exclusion situations; and finally, 18% try to improve the quality of life of ill people.

The most important of these organisations include: *Proyecto Hombre, Asociación Española Contra el Cáncer, Cáritas, Mensajeros de la Paz, Fundación Síndrome de Dawn, Menudos Corazones*, etc.

Cooperation for Development Project “Accessible and efficient energy for access to water and sanitation”.

Iberdrola Foundation Spain collaborates with the ONGD Alianza por la Solidaridad in a project included in the Water and Sanitation Fund of the Spanish Agency for International Development Cooperation (AECID). This initiative aims to improve drinking water conditions and sanitation through the development of accessible energy systems. The project is implemented in six municipalities in the area of Chinandega Norte in Nicaragua, inhabited by isolated rural communities with populations at great risk in a situation of structural poverty. Nicaragua is the country in Central America with the lowest electricity generation and percentage of population with access to electricity. In addition, there is a high degree of isolation of the rural communities, for which the national electricity grid is difficult to access and very expensive.

This project, which started in November 2014 is aimed at women and girls from these communities, as they are responsible for getting water by manual digging of boreholes, and from small springs and streams, which are generally polluted, far from inhabited areas and difficult to access. The three-year project has an annual investment of EUR 45,000 to contribute to developing over 740 sanitation works with energy components that will improve the quality of life of these women and girls, as well as of their 3,228 families.

### **Social Action in the United States**

The direct service food distribution programme “BackPack Program™” has distributed food to students at weekends and school holidays. Established in 1981 and head-quartered in Elmira, NY, it distributes food to people in need through a network of more than 165 member agencies including soup kitchens, shelters and other hunger relief organizations in Broome, Chemung, Schuyler, Steuben, Tioga and Tompkins Counties.

The African American Men’s Association Young Champions Program is a social initiative seeking to promote inclusion of local youth, contributing to building positive and healthy relationships at school, at home and in the community. The collaboration with the Cancer Community Centre makes it possible to offer a warm, welcoming place where people suffering from this disease and their families and friends can get together for social and emotional support as a complement to regular medical assistance. All programs at the Cancer Community Centre are offered at no cost thanks to the generosity of the community.

### Social projects in Brazil

Kimono Oro is a project carried out within the framework of the Federal Law for the Promotion of Sport. This initiative sponsors 80 federated judoists for them to be able to take part in national and international championships. In addition, the project supports the free participation of 50 children from the Araras community. The general goal of the project is to promote the practice of sport, in schools in particular, to improve the relationships and life prospects of students. Another similar project is Energia em Movimento, which promotes disciplines such as dance, circus and music, in compliance with the Rouanet Law to promote cultural development. The project benefits 150 children of ages ranging from 10 to 17, in the cities of Andradina, Capón Bonito and Ubatuba.

Escola Electricistas offers education and training for young people between the ages of 18 and 35 to contribute to social and job market inclusion. The free courses help improve skills and increase income for young people. Each class is made up of an average of 40 residential electrician installers and 20 distribution electricians. The project is carried out in collaboration with local communities and educational institutions. The process of selection of students for the coming course is currently under way.

### Social Projects in Mexico

The social responsibility programme of the La Venta III wind farm in Oaxaca promoted the paving of Calle Pino Suárez, which was in a serious state of disrepair. In addition, other improvements have been carried out such as the extension of the sewage network, the installation of a new drinking water channelling system and the construction of pavement.

Parques Ecológicos Social Responsibility Programme in Oaxaca, has made several improvements in the town of La Ventosa, in Juchitán (Oaxaca), where the project is based. The works have consisted in paving 100 metres of street, taking electricity to the colony of San Miguelito and providing a roof for the primary school.

## 4. CORPORATE GOVERNANCE

The Corporate Governance highlights during financial year 2014 were as follows:

- On 19 November 2013, IBERDROLA notified the National Exchange Commission (CNMV) of the agreement to implement the second increase of paid-up capital approved by the General Shareholders' Meeting of 2013. Subsequently, on 9 January 2014, the supplement to the corresponding brochure regarding the second increase of paid-up capital was published.

On 28 January 2014, the second implementation of the increase of paid-up share capital related to the *Iberdrola Dividendo Flexible* system was approved, on the occasion of what would have been the traditional payment of the 2013 Interim dividend. As a result, 133,492,000 shares with a per unit nominal value of EUR 0.75 were issued without a share premium, representing approximately 2.139% of the capital prior to the increase.

- On 04 February 2014, the Company submitted its energy production figures for the year 2013.
- On 10 February IBERDROLA reported that its 100% owned subsidiary Iberdrola Energía S.A. had sold, in successive transactions, part of its stake in EDP-Energias de Portugal, S.A., the stake going from 6.66% of the Portuguese company's share capital to the current 2.9%.
- The IBERDROLA Board of Directors, in its meeting of 18 February 2014, prepared the annual accounts and individual management reports of the Company consolidated with its subsidiaries, corresponding to the financial year ending 31 December 2013, as well as the proposals to distribute a cash dividend of EUR 0.030 gross per share with rights to such payment and to approve an increase of paid-up capital for the free-of-charge allocation of new shares to the shareholders of the Company, within the framework of the shareholder compensation system named *Iberdrola Dividendo Flexible*.

In addition, it was reported that this percentage corresponds to sales derivatives on EDP shares, whose ultimate maturity date is 7 May 2014.

On 11 February, it was notified to the CNMV that Iberdrola Energía, S.A. had commissioned UBS Limited to sell shares representing 1.979% of share capital of EDP - Energias de Portugal, S.A. This sale was completed on 12 February and was carried out through a process of accelerated bookbuilding aimed exclusively at qualified and institutional investors.

Subsequently, on 8 May, the Company notified the maturity of the latest derivatives contract on EDP – Energias de Portugal, S.A. shares, in such a way that the entire stake of Iberdrola Energía, S.A. in EDP – Energias de Portugal, S.A. was cashed in on that date.

- On 12 February IBERDROLA informed the CNMV of the transfer by Iberdrola Energía, S.A. of the entirety of its direct stake (22.6%) in the Brazilian company Itapebi Geração de Energia, S.A. in favour of Termopernambuco, S.A., a subsidiary of Neoenergia, S.A. As a result of this process, IBERDROLA now has an indirect stake in Itapebi Geração de Energia, S.A., equivalent to 39% of its share capital.
- On the same date, IBERDROLA notified the CNMV of the agreement to carry out a buyback programme of the Company's own shares in accordance with the authorisation conferred by the General Shareholders Meeting held on 26 March 2010, under point eight of the agenda. In relation with this, since that date, IBERDROLA periodically reported to the CNMV on the share buyback programme until 28 April 2014, the date when it ended. As a result, the Company acquired a total of 42,161,696 treasury shares (0.662%) of IBERDROLA share capital, in implementation of the share buyback programme.

- On 19 February, the Company submitted to the CNMV its financial results for financial year 2013 and the business outlook for the 2014-2016 period.
  - On 21 February, IBERDROLA sent to the CNMV the *Annual Corporate Governance Report* and the *Annual Report on Remuneration of Directors* corresponding to financial year 2013.
  - On 15 April 2014, the Company submitted its energy production figures for the first quarter of 2014.
  - On 29 April, the Company notified the CNMV of the execution of the reduction in share capital through the redemption of treasury stock, approved by the General Shareholders' Meeting held on 28 March 2014, under point eleven of the agenda.
- Subsequently, on 8 May, notification was given of the deed of reduction in share capital through redemption of treasury stock.
- Also on 29 April, IBERDROLA approved the implementation of the first increase of capital paid-up by the General Shareholders' Meeting held on 28 March 2014, under section A, point six of the agenda.
  - On 30 April 2014, the Company submitted to the CNMV its presentation of results for the first quarter of 2014.
  - The Company notified the CNMV on 30 May of the signing by IBERDROLA and the US company Corpus Christi Liquefaction, LLC, subsidiary of Cheniere Energy, Inc., of a liquefied natural gas supply contract.
  - With reference to the notification of the Company issued on 23 December 2013, on 26 June 2014, IBERDROLA announced the completion of the transfer of its stake in the Belgian company NNB Development Company, S.A. (50%) to the UK company Advence Energy UK, Ltd., subsidiary of Toshiba Corporation.
  - On 10 July 2014, the Company submitted its energy production figures for the second quarter of 2014.
  - On 18 July 2014 the first implementation of the increase in paid-up share capital approved by the General Shareholders' Meeting of 28 March 2014 was notified. By virtue of this, the number of shares to be issued was 67,239,000, the nominal amount of the increase of capital being EUR 50,429,250, which implies an increase of 1.078%.
  - On 22 July 2014, the appointment of Ms Denise Mary Holt as member of the Audit and Risk Supervision Committee was announced.
  - The results of the first half of 2014 were submitted on 23 July 2014.
  - On 30 July 2014, the company announced the signing by Iberdrola Generación, S.A. and BP Global Investments Ltd of a contract by virtue of which 25% of the social capital of Bahía Bizkaia Electricidad, S.L. was transferred.

- On 8 September, the company notified IBERDROLA's interest in subscribing new shares as a result of the increase of capital of Gamesa Corporación Tecnológica, S.A.
- On 1 October 2014, it was announced that the results corresponding to the first nine months of the year would be presented on 22 October.
- On 3 October, the sale of the shareholding of Iberdrola Generación, S.A. Unipersonal in Bahía de Bizkaia Electricidad, S.L. was completed.
- On 22 October, Earnings corresponding to the third quarter of 2014 were published. On the same date, the earnings were presented.
- On 16 December, the CNMV was notified of the modification of several regulations of the Corporate governance system to adapt its content to the restructuring of the group in Spain as a result of the creation of the subholding company Iberdrola España, S.A. (Single Shareholder Company).
- On 16 December, on occasion of the implementation of the increase in paid-up share capital (*Iberdrola Dividendo Flexible*) approved by the General Shareholders' Meeting held on 28 March 2014, it was agreed to issue 81,244,000 shares with a nominal value of EUR 0.75, which implies an increase of 1.288% compared to the previous share capital figure.

## GENERAL SHAREHOLDERS' MEETING

The IBERDROLA Board of Directors, in its meeting of 18 February 2014, agreed to convene the General Shareholders' Meeting to be held at the first session on 28 March 2014, or, if the necessary quorum was not attained, at the second session on 29 March 2014. In addition, the Board approved the payment of a gross attendance bonus of EUR 0.005 per share for the shareholders present or represented at the General Shareholders' Meeting.

The announcement of the call for the General Shareholders' Meeting was published by the Company in the Official Bulletin of the Commercial Registry on 21 February 2014.

On 28 March 2014, the General Shareholders' Meeting of the Company was held at first session, with a quorum of 82.2% (6.11% present and 76.13% represented), and approved each and every agreement put to vote that had been included in the meeting agenda, 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 financial year 2013, as well as the individual management reports consolidated with its subsidiaries, in addition to corporate management and performance of the Board of Directors during financial year 2013.

In addition, the General Shareholders' Meeting approved the re-election of Ernst & Young, S.L.

as accounts auditor of the Company and of its consolidated group for financial year 2014.

### **Agreements 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 financial year 2013 of EUR 0.03 gross per share with a right to such payment and which are outstanding on the date of payment.

In addition, the General Shareholders' Meeting approved two increases in paid-up share capital by issuing new ordinary shares of the Company, with a maximum reference market value of EUR 782 million and EUR 897 million, respectively, for the free-of-charge allocation of the new shares to the Company's shareholders.

These capital increases were agreed in order to implement the *Iberdrola Dividendo Flexible* and offer all the shareholders of the Company, in each implementation, new issue paid-up shares or, eventually, through the transmission of free-of-charge allocation rights that shareholders receive for the shares they hold, to obtain a value equivalent to traditional dividend payments, without altering the Company's shareholder remuneration policy.

### **Agreement regarding remuneration of executive directors, senior management and the management team through delivery of shares**

The General Shareholders' Meeting approved a Strategic Bonus aimed at executive directors, senior management and the management team, linked to the Company's performance in relation with certain parameters established for the 2014-

2016 period and to be paid through delivery of Company shares in the three years following the end of said three-year period.

### **Agreements regarding the structure of the Board of Directors and the explicit authorisations and delegations requested for said body**

The General Shareholders' Meeting ratified the appointment by co-option of Ms Georgina Yamilet Kessel Martinez as director, agreeing to her re-election for the statutory period of four years, as an independent external director.

### **Agreements relating to changes in the *Articles of Association***

The General Shareholders' Meeting also approved:

- a) the modification of article 34.5 of the *Articles of Association*, to introduce technical improvements in its drafting and
- b) the modification of article 44.3 of the *Articles of Association* to establish four years as the maximum time in the position of Chairman of the Audit and Risk Supervision Committee.

### **Agreement regarding capital decrease**

The General Shareholders' Meeting approved a decrease of share capital through the amortisation of 91,305,304 Iberdrola treasury shares, representing 1.433% of share capital, and the purchase of a maximum of 42,161,696 additional treasury shares of the Company, representing up to 0.662% of share capital, through a buyback programme for their amortisation.

### **Agreement relating to general matters**

In addition, the General Shareholders' Meeting agreed, without prejudice to the delegations included in previous agreements, to give powers to the Board of Directors, which may delegate interchangeably to the Delegate Executive Committee, to Mr José Ignacio Sánchez Galán, President and CEO, and to Mr Julián Martínez-Simancas Sánchez, General Secretary and Secretary of the Board of Directors, with as large a scope as may be necessary, 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 voting on the *Annual Report on Remuneration of Directors***

Lastly, the *Annual Report on Remuneration of Directors* corresponding to financial year 2013 was submitted to consultative voting by the General Shareholders' Meeting, having resulted in the support of an ample majority of shareholders present or represented at the General Shareholders' Meeting.

### **BOARD OF DIRECTORS AND ADVISORY COMMITTEES**

On 10 April 2014 the Board of Directors acknowledged the resignation of Mr Manuel Lagares Gómez-Abascal from his post as proprietary director appointed at the request of Banco Financiero y de Ahorros, S.A., following the sale by the latter of its stake in the Company.

On 29 April 2014, the re-election of Mr Julio de Miguel Aynat as president of the Audit and Risk Supervision Committee was approved, as was the

appointment of Mr Fernando Bautista Sagüés as non-member secretary of the Corporate Social Responsibility Committee.

IBERDROLA notified on 24 June of the appointment by co-option, and by proposal of the Appointments and Remuneration Committee, of Ms Denise Mary Holt as an independent external director, with the purpose of covering the vacancy resulting from the resignation of Mr Lagares Gómez-Abascal. This appointment will be subjected to the ratification of the first General Shareholders' Meeting to be held. Since 22 July 2014, Ms Denise Mary Holt has been a member of the Audit and Risk Supervision Committee.

On that same date, the re-appointment of executive director Mr José Luis San Pedro Guerenabarrena as another external director was also notified, after having left his executive functions at his own request.

### **CORPORATE GOVERNANCE SYSTEM**

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

During the first quarter of financial year 2014, the following updates and reviews of the Corporate Governance System of IBERDROLA were made:

- On 28 January 2014, article 5 of the Articles of Association was modified as a result of the second implementation of the paid-up capital increase within the framework of the Iberdrola *Dividendo Flexible* system.
- On 18 February, the Company approved the review and update of the following documents that form part of the corporate governance System: the *Dividend Policy*, the *Policy of remuneration of directors*, the Risk Policies (*General control and risk management policy*, the *Summary of Corporate risk Policies* and the *Summary of the Specific Risk Policies for the different businesses of the Group*), the *General Policy of corporate social responsibility*, the *Quality Policy*, the *Internal Regulations of Conduct in the Securities Markets* and the *Code of separation of activities of companies of the Iberdrola group with regulated activities in Spain*.
- On 26 March 2014, the Board of Directors approved the modification of the *Policy of Equal Opportunities and Reconciliation*.
- As a result of the agreements adopted by the General Shareholders' Meeting held on 28 March 2014, the *Articles of Association* of the Company were modified.
- With the aim of adapting its contents to the new drafting of articles 34.5 y 44.3 of the *Articles of Association*, approved by the General Shareholders' Meeting on 28 March 2014, on 29 April the Board of Directors approved the partial reform of the Corporate Governance System, including the *Regulations of the Board of Directors*, the *Regulations of the Appointments and Remuneration Committee* and the *Dividend Policy* which went on to be called the *Shareholder's Remuneration Policy*.
- On 24 June 2014 a new partial reform of the Corporate Governance System was notified, which modified the *General Policy on Corporate Governance*, the *Regulations of the Board of Directors*, the *Regulations of the Committee of Appointments and Remunerations* and the *Regulations of the Commission of Corporate Social Responsibility* to promote the group's corporate social responsibility strategy and introduce improvements regarding the procedure of appointment of directors of the group's companies.



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](http://www.iberdrola.com), which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

### **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 the first half of 2014 to ensure that institutional investors and financial analysts are kept fully informed.

### **On-Line Shareholders (OLS)**

Since January 2012, the On-Line Shareholders (OLS) interactive system has been available through the corporate website, allowing shareholders to make confidential or public enquiries to the other shareholders, with the option of addressing them to any of the committees of the Board of Directors, as well as notifying the Compliance Unit of any conduct that may imply non-compliance with the Corporate Governance System, through the Shareholders' Ethics Mailbox.

**CNMV: Relevant Events from October to December 2014**

Date	Event	Registration No.
10/01/2014	The company reports on the date for submitting results of the third quarter of 2014.	211386
10/03/2014	The Company reports on the completion of the sale of the shareholding of Iberdrola Generación, S.A. Unipersonal, in the company Bahía Bizkaia Electricidad, S.L. for the amount of EUR 111 million.	211562
10/06/2014	The Company reports that on 8 October 2014 an exchange will take place of 5,000 Series 107 notes to be issued on that same date by Iberdrola International, B.V. for 5,000 Series 92 notes issued by Iberdrola Finanzas, S.A. Unipersonal and 2,500 Series 101 notes issued by Iberdrola International, B.V., which Barclays Bank, PLC acquires in accordance with their offer of 25 September 2014.	211626
10/10/2014	The company reports its Energy Production figures as at the end of the third quarter of 2014.	211791
10/22/2014 11/28/2014	The company reports on the second implementation of the increase in paid-up share capital approved by the General Shareholders' Meeting of 28 March 2014 Publication of the corresponding dossier and its supplement.	212522 214664
10/22/2014	The Company submits information regarding Earnings of the third quarter of 2014.	212523 212525
12/15/2014	The Company reports on the transfer of collection rights of the shortfall in revenue from settlements of the Spanish electricity system in 2013	215362
12/16/2014	Iberdrola reports on the partial reform of the Corporate Governance System of the Company.	215401
12/16/2014	The company reports on the issue of 81,244,000 new shares within the framework of the implementation of the second increase in paid-up share capital approved by the General Shareholders' Meeting of 28 March 2014.	215486
12/23/2014	Iberdrola submitted the Financial Calendar for 2015.	216351

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 March 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:

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Investor relations  
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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.



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