IBERDROLA

February 2016

2015
Results Presentation

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Agenda

Highlights of the Period

Highlights of the period

EBITDA grows 4.9% to Eur 7,306 M

Gross Margin up 5.4% to Eur 12,843 M

Operating Cash Flow (FFO) up 8.2% to Eur 5,907 M
Exceeding investments across all businesses

Net Investments of Eur 3.2 Bn (+13.2%)
62% for growth

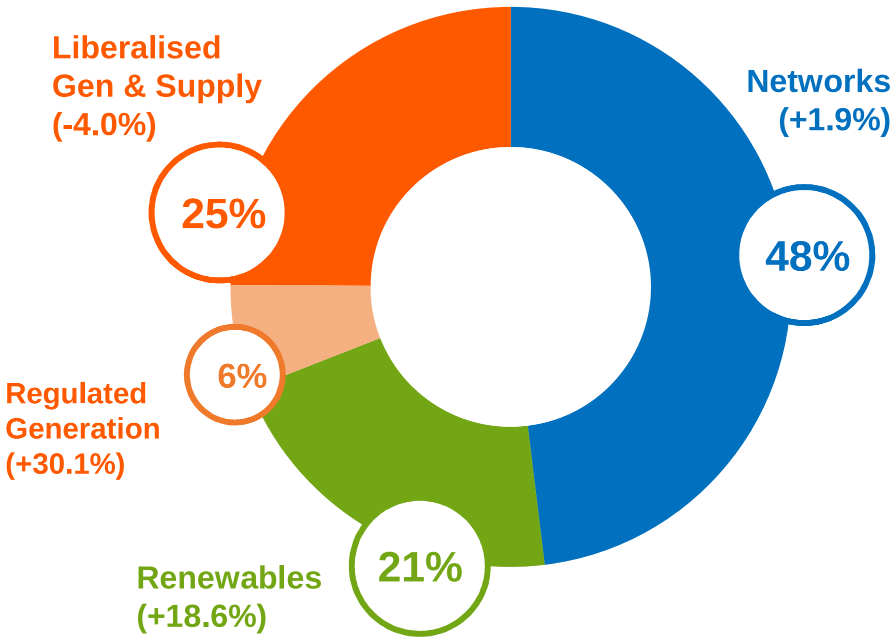
Net Profit is up 4.1% to Eur 2,422 M
Recurring Net Profit increases 7.0% to Eur 2,261 M

Achieving 2016 Outlook a year in advance

EBITDA grows 4.9% to Eur 7,306 M

Regulated and long-term contracted businesses, up 8.0%...

EBITDA by business



Operating highlights

Networks
- Growth in UK, compensates Brazil's FX impact and UIL one-off transaction costs
- Increase in RAVs

Renewables
- Higher prices
- Increased production in UK and Latam
- Very good performance in offshore

Regulated Generation
- Increased activity with private customers

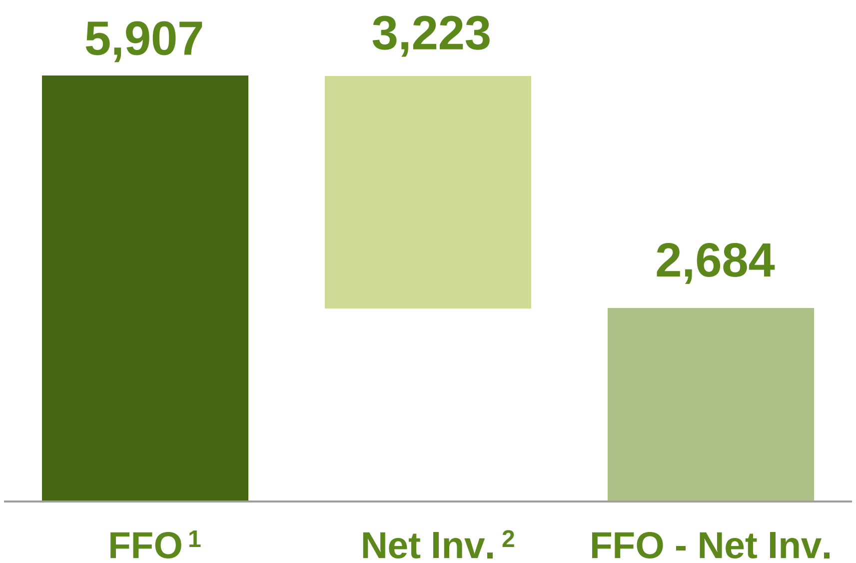
Liberalised - Generation & Supply
- **Generation Spain:** lower output at higher costs
- **Generation & Retail UK:** higher CO_2 costs, lower prices, one-off costs associated to FIS and closure of Longannet

… representing 75% of EBITDA

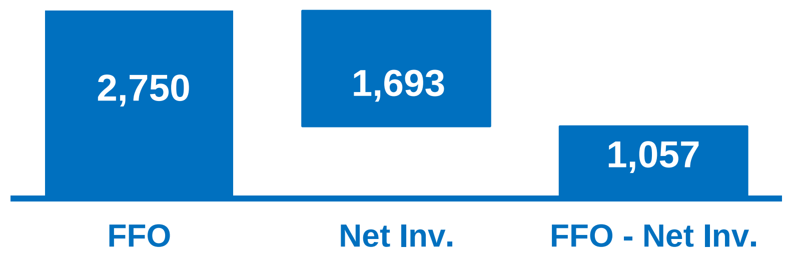
Operating Cash Flow (FFO) up 8.2% to Eur 5,907 M

Exceeding investment levels across all businesses

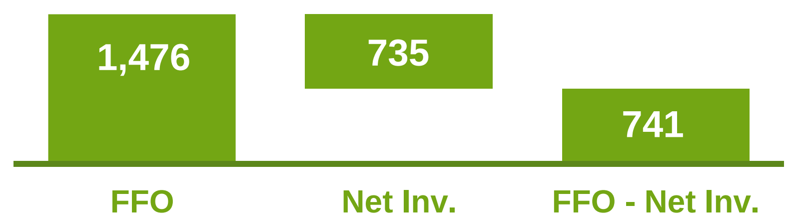
Eur M



Networks



Renewables



Generation and Retail

(Liberalized and regulated generation)

Global figures include Corporation and Other Businesses

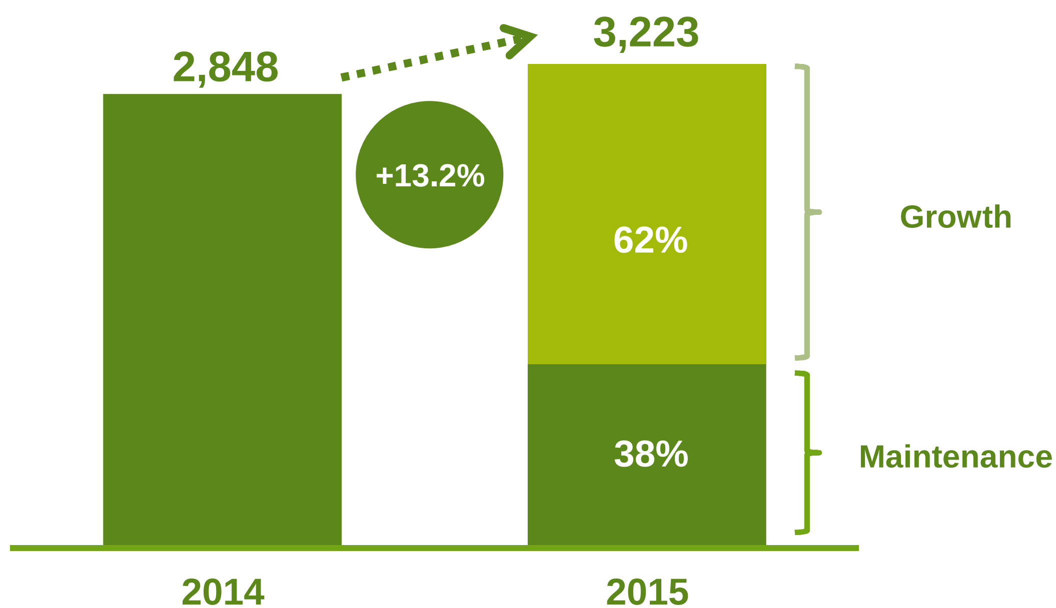
[1] FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision

[2] Investment net of grants and excluding capitalised costs.

Net Investments increase 13.2% to Eur 3,223 M

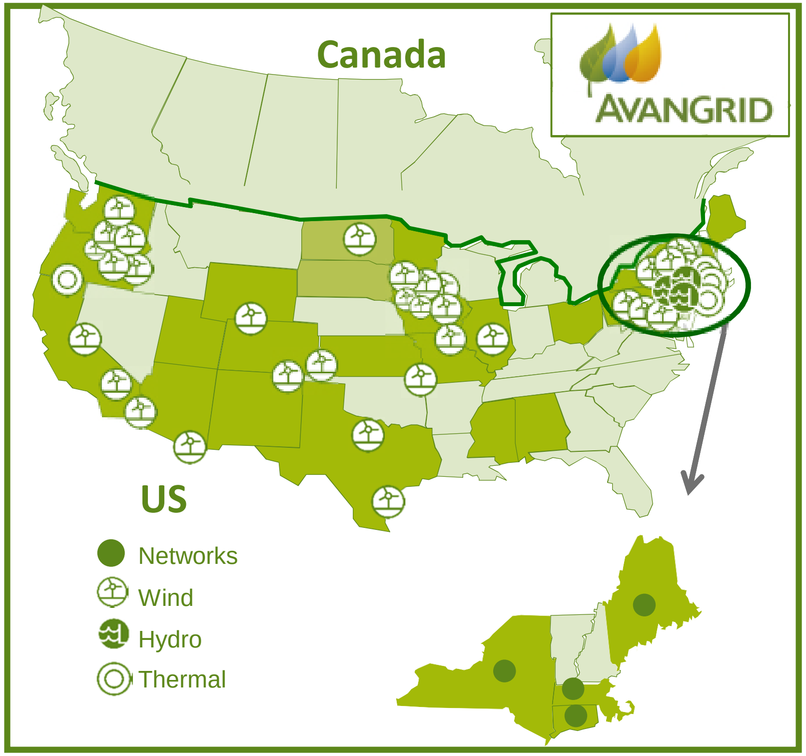
91% in Regulated businesses

Net Investments / Eur M



62% of total investments allocated to growth

Listed in NYSE with Market Cap of around USD 12 Bn, more than USD 30 Bn in assets and presence in over 20 states



One of the leading renewables and regulated utilities in the U.S.

- ~7,000 employees
- Over 3 million customers
- Distribution in 4 states (RAV USD 8.7 Bn)
- Renewable generation in 18 states

Almost zero CO_2 emissions: among cleanest integrated utilities

- 2nd largest wind operator (5.8GW installed capacity)
- 750MW under construction and pipeline of 5.9GW

Balanced business and financial profile

- Almost fully regulated and contracted activities
- Geographic, regulatory and asset mix diversity
- Strong balance sheet

With growth opportunities in renewables, distribution and transmission

Strong financial position

Improving financial ratios

Achieving 2016 Outlook targets a year in advance

Liability management: Eur 10.2 Bn renegotiated / issued

Net Financial Expenses down 8.9%

[1] Including UIL

Leverage reduced to only 40.7%[1]

Creating stable and high quality employment, contributing to economic development

- **1,750 new recruits and an additional 550 internships[1]**
- **38 training hours per employee**
- **Amongst best companies to work in Spain and Latin America (Elektro) and recognition for work-life balance initiatives**

- **Procurements[2]** of **over Eur 7,300M** from **over 17,600 suppliers**

- Investment **R+D+i**: **Eur 200M**

- **Direct tax contribution[3]** of **Eur 5,520M** at a global level

[1] 2015 Data, according to extended perimeter including affiliated companies. Under NIIF11: 1.300
[2] Excluding energy and fuel purchases
[3] Including company due taxes and collected taxes
[4] According to "Analistas Financieros Internacionales" based on Iberdrola's activity between 2010-2015 (including indirect and induced impact)

360,000 jobs[4] generated worldwide

Iberdrola is a benchmark in Sustainability and Corporate Governance

- ✓ **Outstanding position in Sustainability Indices such as Dow Jones Sustainability, FTSE4Good and Climate Disclosure Leadership**
  - ➢ **Emissions: 30% below average of the European sector**
  - ➢ **Commitment: 50% reduction by 2030 (vs 2007) and Carbon Neutral by 2050**

- ✓ **Best practices in Corporate Governance according to Ethical Board Room and World Finance**
  - Diversity of gender and geographical origin
  - Best initiatives in shareholder approach and engagement

Proposed shareholder remuneration:

4% increase to Eur 0.28/share

January 2016

Interim scrip dividend

Eur 0.127/share

+

July 2016

Supplementary dividend

subject to approval at
Annual General Meeting (AGM)

Eur 0.153/share

- **Eur 0.03/share in cash**
- **Scrip dividend**: estimated to be at least **Eur 0.123/share**

…and share buy-back,

compensating the impact of the scrip dividend

Strong performance expected …

Forecast operational evolution

Networks	++
Generation & Supply	+
Renewables	=+

Outlook 2016 vs FY 2015

- UIL full year contribution
- NY Rate case

- Majority of production already sold
- Higher level of hydro reserves
- New power plants in Mexico

- Better wind conditions in main markets
- Increasing capacity during the year

… will deliver Net Profit growth

Analysis of Results

Main impacts accounted for in Q4 affecting Full Year results

Impact of AVANGRID consolidation:

EBITDA Eur -60 M and **Net Profit** Eur -45 M

N.O.E.*: Eur -86 M (incl. transaction costs). Eur -53 M accounted for in Networks and Eur -33 M in US Corp

Net Debt: Eur 2.4 bn** (UIL Debt plus cash payment to UIL shareholders)

Longannet impairment due to its closure:

Eur -288 M Gross; Eur -230 M Net

UK Corporate Tax reduced to 18%: Net Eur 170 M lower taxes

(includes a non recurring impact of Eur 163 M)

**Net Operating Expenses / ** As of 31 December 2015*

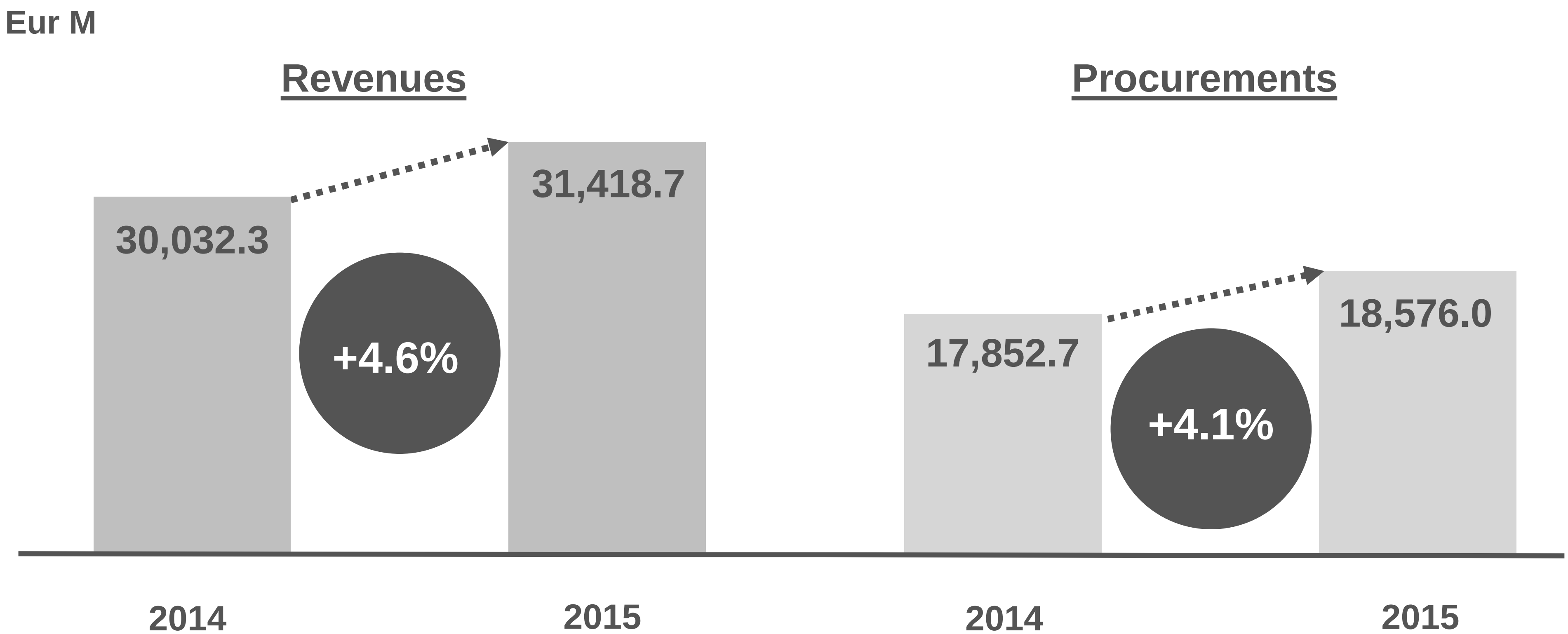
Income Statement / Group

Eur M	2015	2014	Var.	%
Revenues	31,418.7	30,032.3	+1,386.4	+4.6
Gross Margin	12,842.7	12,179.5	+663.1	+5.4
Net Operating Expenses	-3,830.3	-3,633.8	-196.5	+5.4
Levies	-1,706.5	-1,518.2	-125.2	+7.9
EBITDA	7,305.9	6,964.5	+341.4	+4.9
EBIT	3,829.3	3,940.9	-111.6	-2.8
Net Financial Expenses	-1,023.1	-1,122.4	+99.4	-8.9
Recurring Net Profit	2,261.4	2,112.9	+148.5	+7.0
Reported Net Profit	2,421.6	2,326.5	+95.1	+4.1
Operating Cash Flow*	5,906.7	5,458.5	+448.2	+8.2

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

Recurring Net Profit up 7.0% and Reported Net Profit up 4.1%
Operating Cash Flow up 8.2%

Gross Margin up 5.4%, to Eur 12,842.7 M



Revenues +4.6% (Eur 31,418.7 M)
and Procurements +4.1% (Eur -18,576.0 M) due to fx impact

Net Operating Expenses excluding Fx impact fall 1.6%, and are up 5.4%, to Eur 3,830.3 M, including Fx, …

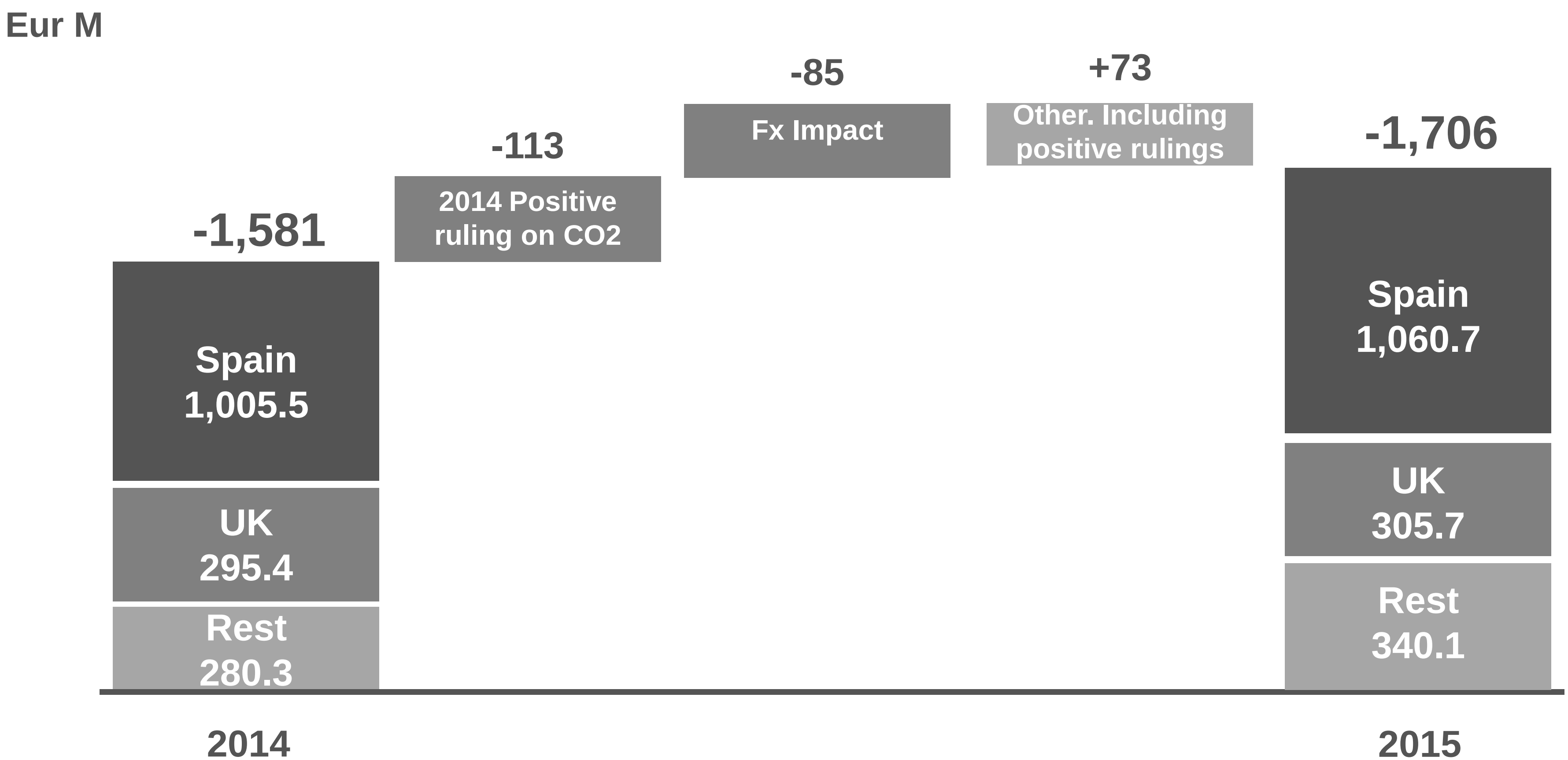
Eur M

Net Operating Expenses

	2015	2014	% vs 2014	% vs 2014 (ex-Fx impact)
Net Personnel Expenses	-1,933.1	-1,860.8	+3.9	-1.6
Net External Services	-1,897.2	-1,772.9	+7.0	-1.6
Total Net Op. Expenses	-3,830.3	-3,633.8	+5.4	-1.6

… driven by positive non recurring impacts due to favourable legal rulings compensated by higher non recurring IT system costs in the UK, Avangrid expenses and restructuring costs

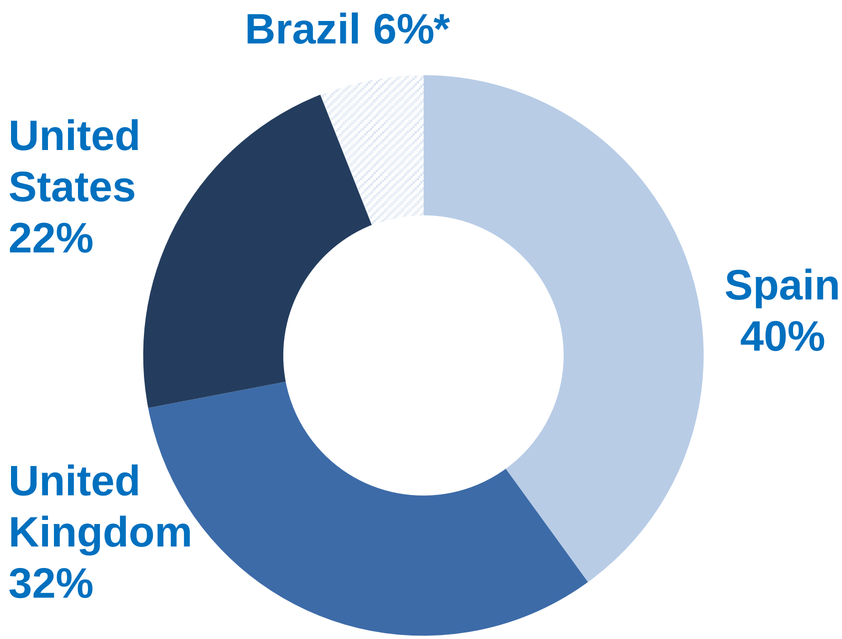
Levies up 7.9%, to Eur 1,706.5 M, …



… affected mainly by Fx impact (Eur -85 M) and favourable ruling accounted for in Q2 2014 (Eur +113 M), partially compensated by Eur 48 M positive court ruling in H1 2015

Networks EBITDA up 1.9% to Eur 3,601.6 M

EBITDA by Geography (%)



Key Figures (Eur M)

	2015	vs 2014
Gross Margin	5,513.8	+5.2%
Net Op. Exp.	-1,413.2	+10.8%
EBITDA	3,601.6	+1.9%

***Brazil accounts for 3% of total Group EBITDA**

Q4 affected by negative impact in US and one-off positive effect accounted for in Q4 2014 in Brazil

Results by Business / Networks

Spain

EBITDA Eur 1,449.6 M, as efficiency measures drive EBITDA growth from flat Gross Margin

UK

EBITDA GBP 826.4 M, as a result of increasing asset base partially compensated by RIIO-ED1 revenue profiling, that started in April '15

US

EBITDA USD 859.9 M, impacted by:

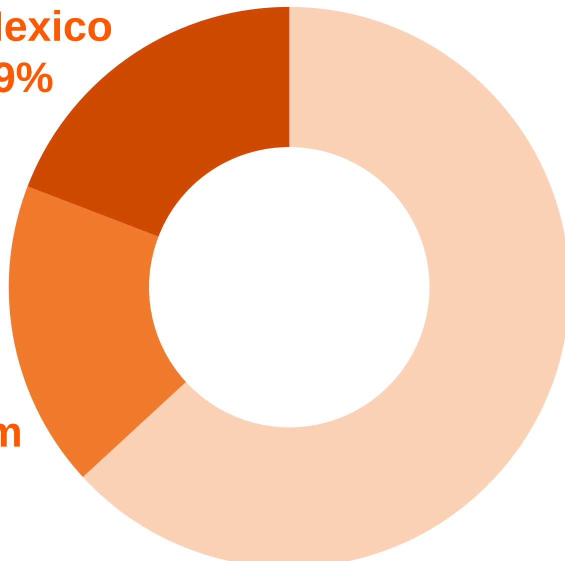
- USD -36 M: accounting reclassifications that increase expenses vs depreciation
- USD -57 M: higher energy costs to be recovered in the future (GINA)
- USD -57 M: accounted for in Networks as N.O.E. related to AVANGRID transaction

Brazil

EBITDA BRL 884.4 M, affected by positive one-off impact accounted for in Q4 2014 that recognised all the previous drought negative impacts

Generation & Supply EBITDA up 1.2% to Eur 2,320.0 M

EBITDA by Geography (%)



Key figures (Eur M)

	2015	vs 2014
Gross Margin	4,841.6	+2.3%
Net Op. Exp.	-1,566.2	+3.6%
Levies	-955.3	+2.8%
EBITDA	2,320.0	+1.2%

With contribution from Mexico driving the improvement of the business

Results by Business / Generation and Supply

Spain

<u>EBITDA Eur 1,502.3 M</u>

- Gross Margin down 3.2% due to lower output* (-8.8%), higher costs related to production mix and wholesale gas weaker performance

+ Partially compensated by a 14.4% improvement in Net Operating Expenses

UK

<u>EBITDA GBP 305.5 M</u>

- <u>Wholesale & Generation</u> results fall due to higher Carbon Tax (at GBP 18/MWh) and costs associated to Longannet closure

- <u>Retail business</u> results decrease as a consequence of:
  - rise in non energy costs (ROCs and T&D)
  - extraordinary costs related to the difficulties in the deployment of new IT system (FIS). Customer numbers maintained
  - Electricity supply EBITDA not compensated by gas supply EBITDA

Mexico

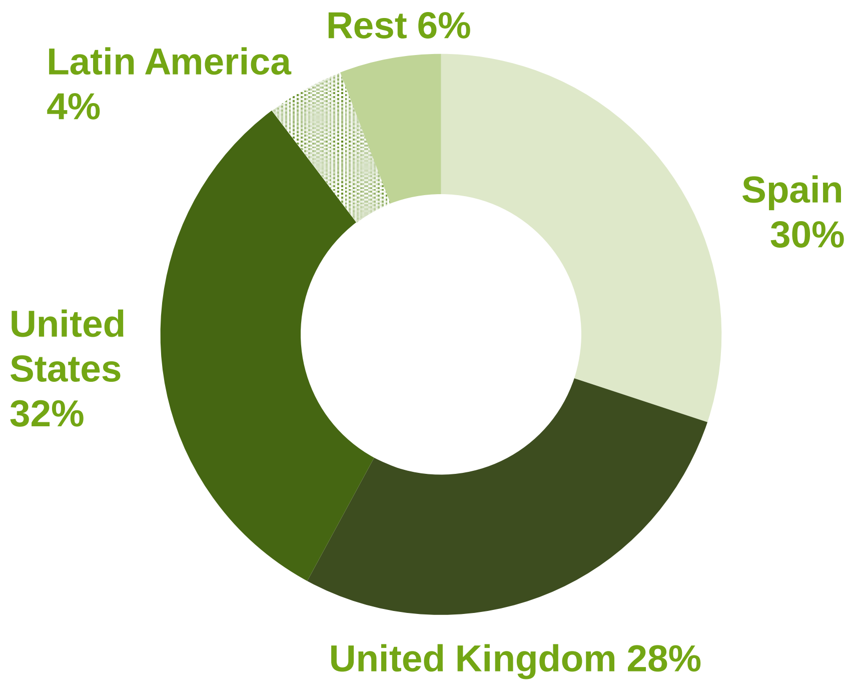
<u>EBITDA USD 505.8 M</u>

+ Higher output and improvement driven by the renegotiation of contracts in 2014

** Includes cogeneration*

EBITDA up 18.6% to Eur 1,572.3 driven by the recovery in Spain and strong UK performance

EBITDA by Geography (%)



Key figures (Eur M)

	2015	vs 2014
Gross Margin	2,360.8	+16.1%
Net Op. Exp.	-634.8	+11.9%
EBITDA	1,572.3	+18.6%

Total average operating capacity up 2.9% to 14,183 MW

Results by Business / Renewables

Spain

EBITDA Eur 473.2 M, with lower output (-9.9%) vs 2014, offset by recovery in prices

UK

EBITDA GBP 317.7 M, due to higher output (+19.3%), due to better wind conditions including strong contribution from West of Duddon Sands offshore wind farm

US

EBITDA USD 554.7 M, affected mainly by lower output (-4.1%) vs 2014, due to climate conditions in the West

Latam

EBITDA EUR 69.9 M
- Mexico USD 47.8 M, with installed capacity increase of circa 60%
- Brazil BRL 99.3 M, with output up 17.4%

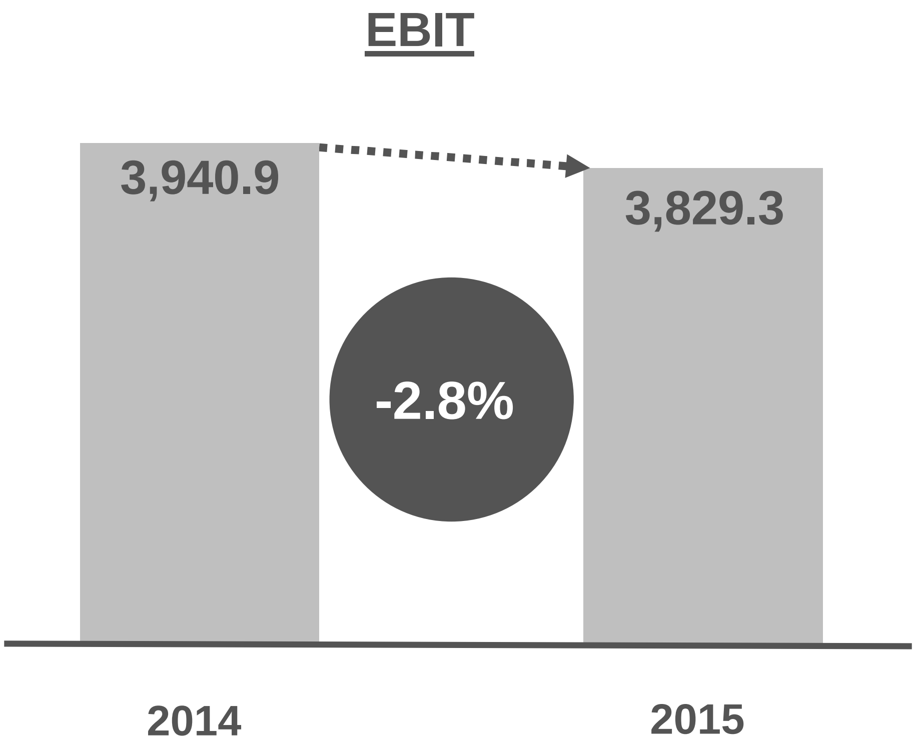
RoW

EBITDA EUR 92.1 M, underpinned by an improved load factor that increased production by 7.4%

EBIT / Group

Group EBIT down Eur 112 M, to Eur 3,829.3 M (-2.8%) affected by the provision for Longannet closure (Eur -288 M). Excluding such provision, EBIT up 4.5%

Eur M

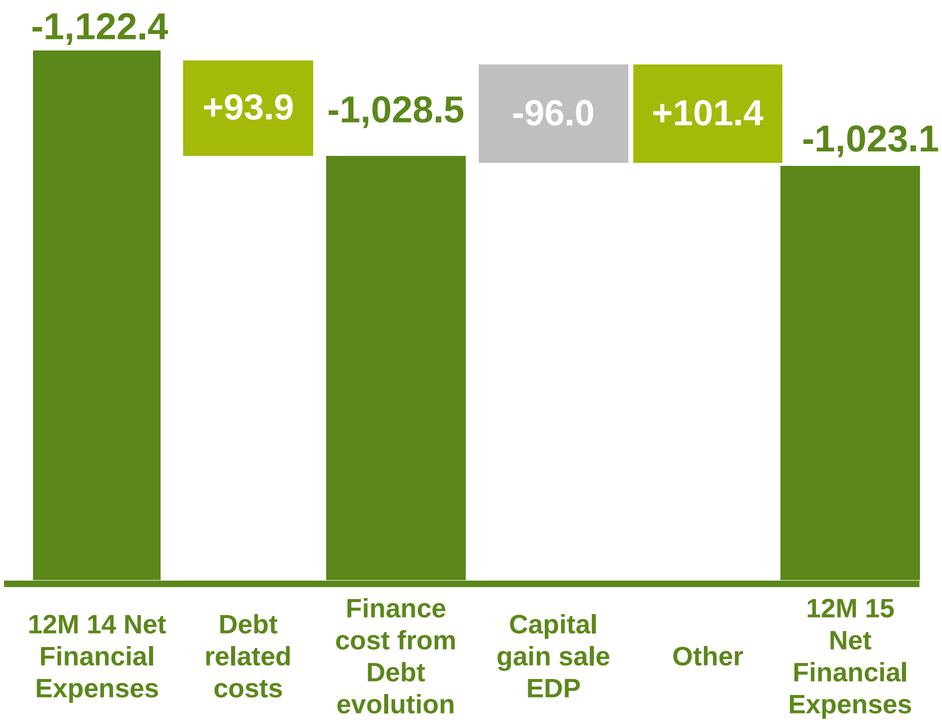


	2015	2014	2015 vs 2014
D & A	-2,982.7	-2,731.6	-251.2
Provisions	-493,9	-292.0	-201.8
TOTAL	-3,476.6	-3,023.6	-453.0

Amortisations grow 9.2%, due to exchange rate impact (Eur -194 M) and new renewable capacity in operation

Net Financial Expenses improve 8.9% due to lower debt-related costs

Net Financial Exp. Evolution (Eur M)



Financial Highlights

- Decrease in average net debt and 30 bp lower cost to 4.05% improve debt-related costs by Eur +93.9 M
- Eur 96.0 M gross capital gain on part of EdP stake sale accounted for in H1'14
- Eur 101.4 M including positive results in fx hedges, proceeds from sale of Euskaltel and interests from favourable legal settlements

Capital gain from EDP disposal accounted for in 2014 compensated by other positive impacts in 2015

Net Profit / Group

Recurring Net Profit +7.0% (Eur 2,112.9 M)
and Reported Net Profit +4.1% (Eur 2,421.6 M)

Eur M

	2015	2014	vs 2014
Recurring Net Profit	**2,261.4**	**2,112.9**	**+7.0%**
Non Recurring Results	160.2	213.7	
Reported Net Profit	**2,421.6**	**2,326.5**	**+4.1%**

2015 Reported Net Profit impacted by:

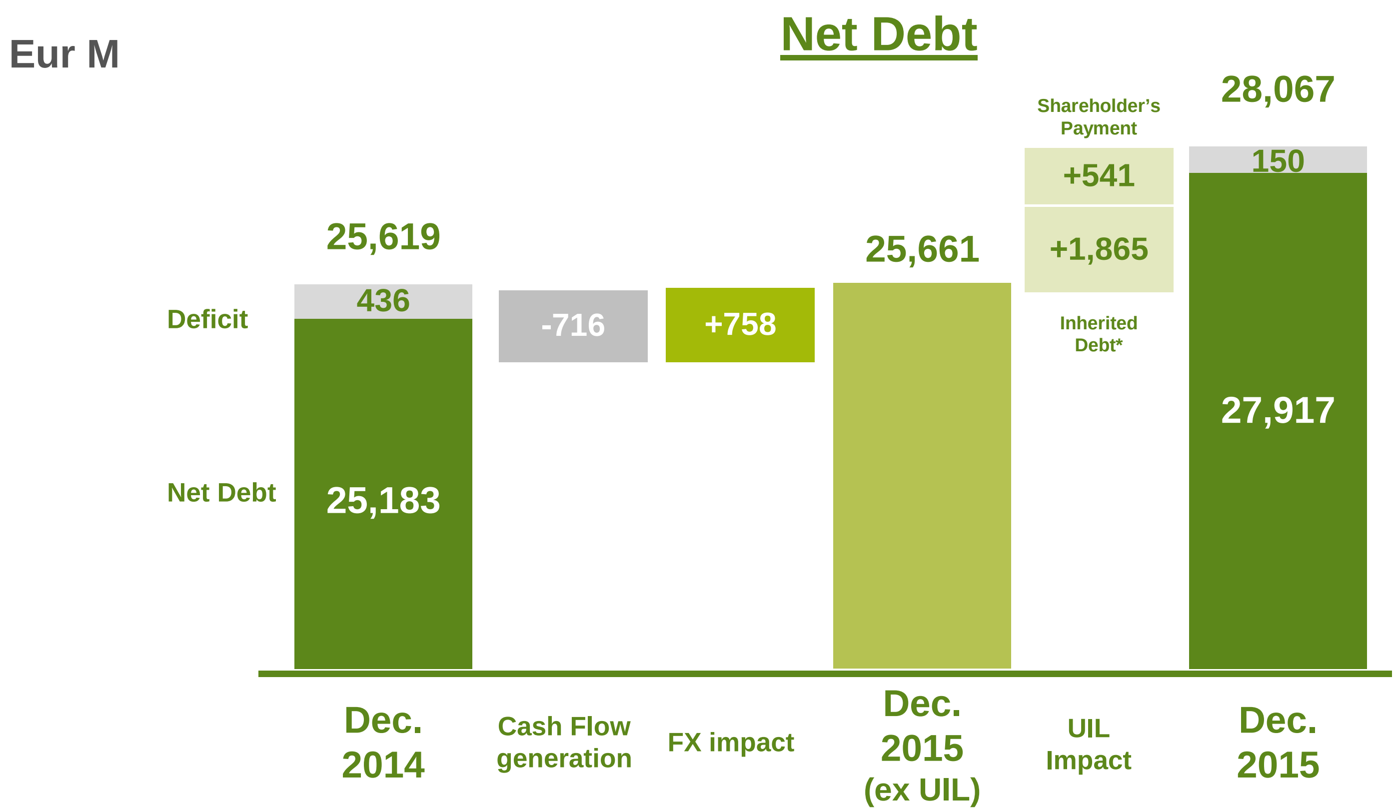
+ Reversal of tax provision (Eur 220 M)
+ UK lower Corp. Tax Rate (Eur 170 M)
- Longannet impairment (Eur 230 M*)

** Net of taxes*

Excluding AVANGRID impact at Net Profit level (Eur -45 M), Net Profit would have reached Eur 2,467 M (2016 target)

Financing

Excluding Avangrid leverage declines to 40.1%, from 41.8% in 2014, thanks to positive FCF and despite EUR depreciation
Including Avangrid Debt reaches Eur 28 bn and leverage 40.7%

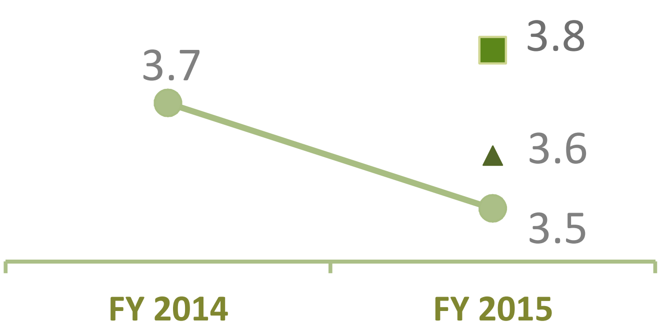


* data as of 31 Dec 2015

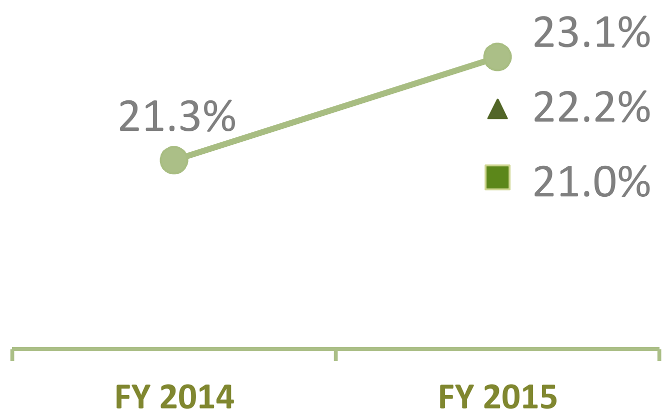
Shareholders' Funds reach Eur 41 bn, with Eur 945 million of Fx impact and UIL contribution of Eur 2.6 bn

Excluding UIL, 2016 ratios targets already achieved one year in advance

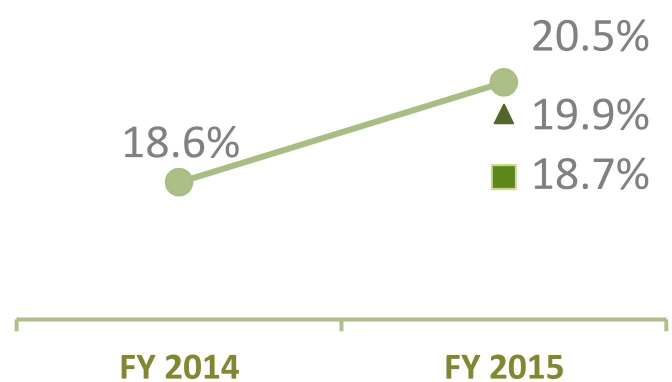
Net Debt / EBITDA
≤ 3.5x



FFO(1) / Net Debt
≥ 22%



RCF(2) / Net Debt
≥ 18.5 %



■ *Including UIL (16 days)*   ▲ *Including UIL pro forma (365 days)*

(1) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Financial Prov.+ Goodwill deduction + Dividends from companies accounted via equity method – /+ reversion of extraordinary tax provision . It includes TEI but excludes Rating Agencies Adjustments.
(2) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue.
NOTE: 2014 ratios include the payment of 3 dividends, except for the RCF/Net Debt ratio that includes two payments in 2014 and 2015

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