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Agenda

Highlights of the period

Analysis of results

Financing

Highlights of the Period

Good operational performance continues to offset impact of regulatory measures in Spain

EBITDA amounts to Eur 3,745 M in line with previous year…

… despite higher Net Op. Expenses due to increased activity and non recurring items whose impact will be reduced along the year

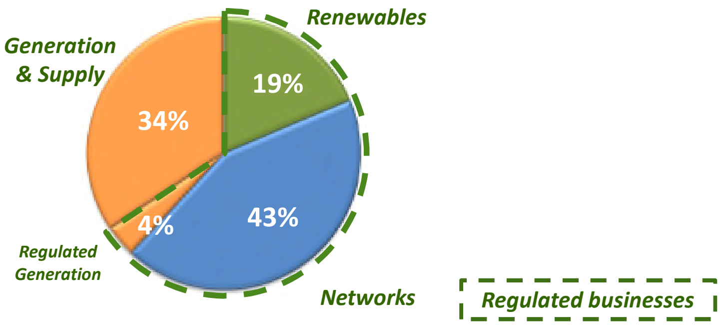
Net Debt reduction of more than Eur 2,200 M from H1 2013
Leverage down to 41.8% from 44.3%

Net Profit of Eur 1,503 M

EBITDA

EBITDA amounts to Eur 3,745 M, in line with H1 2013

EBITDA by business



+0.7% excluding exchange rate impact

EBITDA – Networks

Good operational performance is impacted by regulation in Spain and drought in Brazil

Variation in EBITDA H1 2014 vs. H1 2013

Operational performance	+1.1%	+ Increased asset base in UK + Rate Cases and transmission remuneration in US
Non-operational impacts	-4.9%	- Regulatory impact in Spain - Drought impact in Brazil (to be recovered through tariff increase)
Exchange rate effect	-0.7%	

EBITDA drops 4.5% to Eur 1,655 M

7

EBITDA – Generation&Supply

Higher output, better generation mix and gas business results offset lower prices and one-off adjustments to contracts in Mexico

Variation in EBITDA H1 2014 vs. H1 2013

Operational performance	+23.2%	+ Higher production + Better generation mix + Good results of gas business
Non-operational impacts	+3.9%	- Impact of new regulation in Spain + Other non recurring impacts
Exchange rate effect	-0.1%	

EBITDA increases 27% to Eur 1,452 M

8

EBITDA – Renewables

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Despite record wind production, results heavily affected by regulation in Spain and low spot prices

Variation in EBITDA H1 2014 vs. H1 2013

Operational performance	+6.5%	+ Record wind production + Improved results in UK and US + New capacity (offshore and Latam)
Non-operational impacts	-25.4%	- Impact of new regulation in Spain
Exchange rate effect	-1.4%	

EBITDA falls 20.3% to Eur 713 M

Operating Cash Flow

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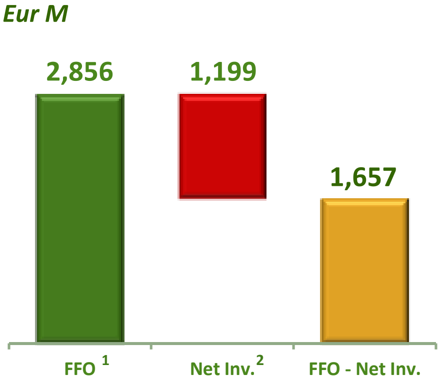
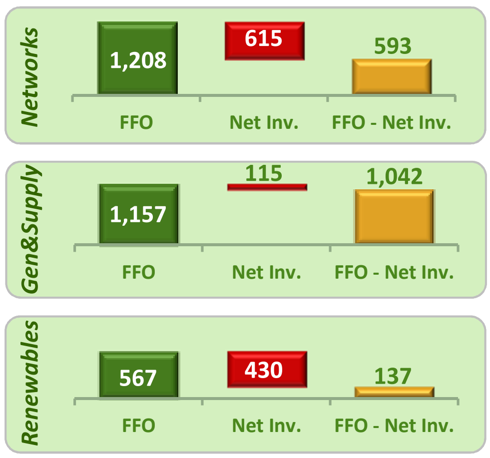
Operating Cash Flow (FFO) exceeding investments across all businesses



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 ex-capitalised costs*

Balance Sheet Management

Continuous improvement of our financial strength

Net Debt reduced by more than Eur 2,200 M from H1 2013 (Eur -1,154 M in H1 2014) to Eur 25,682 M[1]

Divestments exceeding Eur 860 M

Control of investments: Eur 1,200 M in H1 2014

Leverage down to 41.8% vs. 44.3% in H1 2013

Solid financial ratios

1. *Including Eur 1,324 M of Tariff Deficit (Adjusted Net Debt amounts to Eur 24,237 M)*

11

Regulation Highlights

Spain	• Conclusion of the reform of the renewables remuneration scheme (RD 413/2014 and Order IET/1045/2014)
UK	• RIIO ED1: Business Plan already submitted. Draft with distribution remuneration conditions to be published this month by Ofgem
USA	• CMP (Maine): pre-agreement with regulator to reach ROE of 9.45%[1] for distribution from July 2014
Mexico	• The Energy Reform brings new business opportunities with large private consumers
Brazil	• The regulator is implementing measures to compensate the drought impact on distribution companies

1. *Nominal y and post-tax*

12

Guidance 2014

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H1 results allow us to reaffirm our guidance for FY 2014

		H2 2014 Expected trend	Guidance FY 2014
EBITDA	Networks	• No new impacts of regulation in Spain • Drought impact in Brazil progressively recovered through tariff increase and additional funds	=/+
	Generation & Supply	• Normalisation of production conditions • Normalisation of gas market conditions	+
	Renewables	• New capacity in operation (US and Latam) • No new significant impact of regulation in Spain	-
Net Op. Expenses		• Additional measures to control expenses	=

13

A Resilient Business Model

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Throughout the years, our model has proven its strength to deliver results under a range of very different scenarios…

Business portfolio
- Focus on regulated businesses
- Geographic diversification

\+

Strict investment criteria
- Security + Profitability + Execution period
- Limited to cash flow generation

Financial strength
- Net debt reduction
- Improving credit metrics
- Control exchange rate and interest rate risk

14

Shareholder Remuneration

… allowing the Company to maintain shareholder remuneration

In line with our commitment, remuneration to shareholders during the year has amounted to Eur 0.275 per share…

… Eur 0.126 per share in January…

… Eur 0.144 per share in July…

… an additional Eur 0.005 per share
As attendance premium to Annual General Meeting

15

Agenda

Highlights of the period

Analysis of results

Financing

16

Regulatory impacts in Spain

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Eur –369 M of regulatory impacts accounted for in H1 2014
Estimated full year incremental Gross Margin impact in 2014 vs 2013 of Eur -367 M*

Eur M

	H1'14 vs H1'13	Accounted FY 2013	Est. Δ FY'14 vs FY'13	FY 2014 est. impact	Standard year estim.
Capacity payments	-38	-30	-40	-70	-70
Social Bonus (Accounted for at EBITDA level)	-42	0	-78	-78	-78
Distribution	-56	-112	0	-112	-112
Cogeneration	-6	-12	-8	-20	-20
Renewables	-227	-122	-241	-363	-215
Total impact	-369	-276	-367	-643	-495

The impact in the second half of the year should be similar to the one of H2'13 as regulatory cuts started to be accounted in July 2013

*Includes Eur -78 M of Social Bonus accounted for at EBITDA level

Regulatory impacts in Spain

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Eur M

	Annual impact in 2014 of all measures introduced since 2011
Generation taxes	-496
Capacity payments	-70
Social bonus	-78
Distribution remuneration	-345
Renewables remuneration	-363
Cogeneration remuneration	-20
Green cent	-23
Total impact	-1,395

As a result of the implementation of RD-Law 13/2012, Law 15/2012 and RD-Law 9/2013

Income Statement – Group

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2014 and 2013 First Half are reported under IFRS11
Largest impact is the deconsolidation of Neo EBITDA, not affecting Net Profit

Eur M	H1 2014	H1 2013	Var. %
Revenues	15,185.4	15,893.7	-4.5
Gross Margin	6,170.8	6,218.0	-0.8
Net Op. Expenses	-1,689.0	-1,620.2	+4.2
Levies	-737.1	-854.1	-13.7
EBITDA	3,744.7	3,743.6	0
Operating Profit (EBIT)	2,359.1	672.9	n/a
Net Financial Expenses	-510.6	-550.4	-7.2
Recurring Net Profit	1,296.7	1,402.0	-7.5
Reported Net Profit	1,503.1	1,728.0	-13.0
Operating Cash Flow*	2,855.7	2,972.4	-3.9%

**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*

19

Gross Margin - Group

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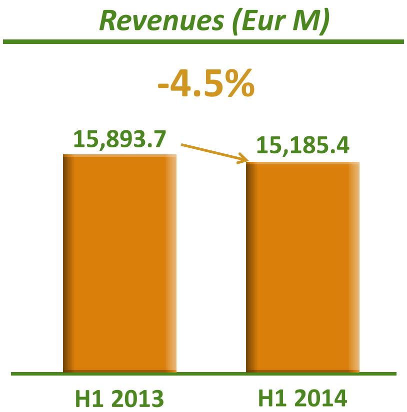
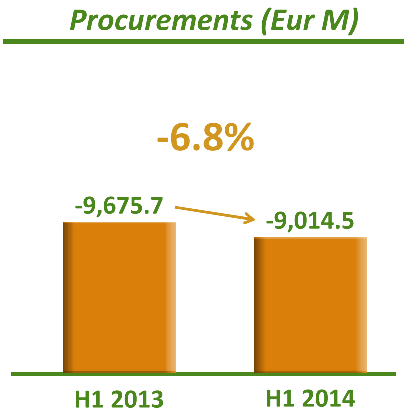
Gross Margin falls 0.8% to Eur 6,170.8 M, FX impact of Eur -47 M





Revenues -4.5% (Eur 15,185.4 M),
and Procurements -6.8% (Eur -9,014.5 M) due to lower cost mix

20

Net Operating Expenses - Group

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Net Operating Expenses* up 4.2%, to Eur -1,689.0 M, due to timing of costs in Q2, which will normalise in H2 2014

Eur M

	Net Operating Expenses		Recurring Net Op. Exp.	
	H1 2014	% vs H1'13	H1 2014	% vs H1'13
Net Personnel Expenses	-850.3	+2.7%	-826.4	+3.8%
Net External Services	-838.7	+5.9%	-876.5	+2.2%
Total	-1,689.0	+4.2%	-1,702.9	+3.0%

Recurring Net Operating Expenses up 3.0% driven by activity increase in UK and other

*Excludes Levies

Levies

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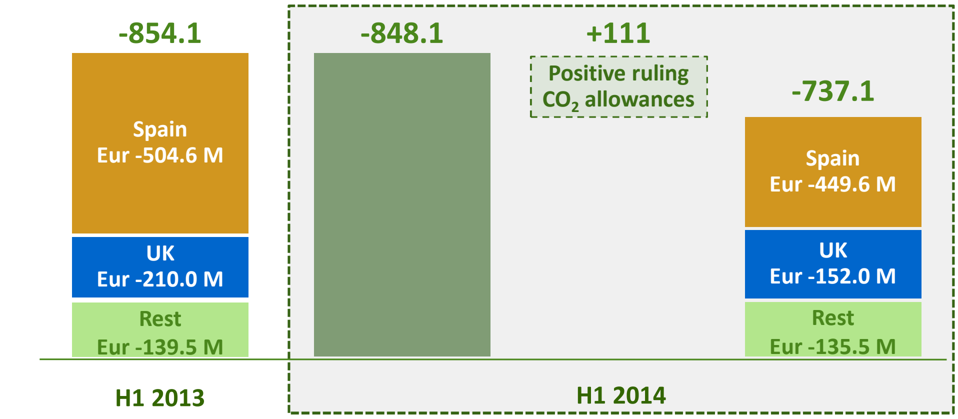
Levies fall 13.7% (Eur -117 M) to Eur -737.1 M, due to lower Levies in the UK (Eur +59 M vs H1'13), as a consequence of the extension of ECO programme extension, and …

Eur M

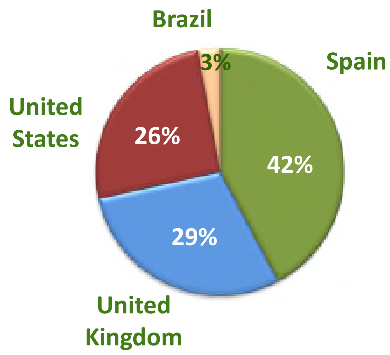


… the favourable High Court ruling on CO_2 allowances in Spain (Eur +111 M), corresponding to the legal actions initiated when previous Government penalised emissions-free technologies

Results By Business
Networks

Networks EBITDA decreases 4.5% to Eur 1,654.6 M …

EBITDA by Geography (%)



Financial Highlights (Eur M)

	H1'14	% vs H1'13
Gross Margin	2,454.0	-1.9%
Net Op. Exp.	-588.2	+4.4%
EBITDA	1,654.6	-4.5%

… and 3.8% excluding fx impact, driven by the regulatory measures in Spain and part of the drought impact in Brazil not yet compensated

Results By Business
Networks EBITDA

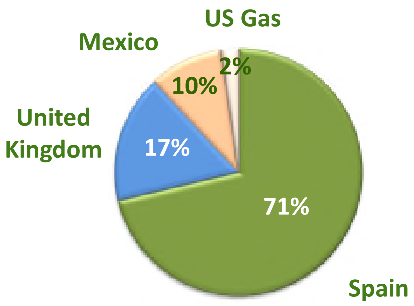
EBITDA performance by geography is as follows

Spain	**EBITDA -7.5%**, as a consequence of lower recognised revenues in Spain due to RDL 9/2013, not in force in H1 2013
UK	**EBITDA +6.8%,** with higher revenues as a result of increasing asset base, as a consequence of greater investments, and GBP revaluation
US	**EBITDA -0.2%,** with higher revenues as a result of Rate Cases and MPRP, offset by the exchange rate impact (EBITDA ex FX: +4.3%)
Brazil	**EBITDA -52.0%,** due to lower compensation on higher drought impact (Eur -32 M) to be recovered from August (tariff review). BRL devaluation -18.8% (Eur -9 M at EBITDA level)

Results By Business
Generation & Supply

Generation & Supply Business EBITDA up 27.0% to Eur 1,451.7 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	H1'14	% vs H1'13
Gross Margin	2,577.0	+8.2%
Net Op. Exp.	-718.3	+4.0%
Levies	-406.9	-25.9%
EBITDA	1,451.7	+27.0%

Strong operational performance together with CO_2 allowances court ruling

Results By Business
Generation & Supply EBITDA

EBITDA performance by geography is as follows

Spain

EBITDA +39.8%
+ Output +13.6%*
+ Lower procurement costs
+ Eur 132 M one off results in the Gas business in H1
+ Lower Levies due to CO_2 allowances court ruling (Eur +111 M)

UK

EBITDA +8.6% (EBITDA ex-fx impact: +4.9%)
+ Improvement in Generation and Wholesale margin despite Carbon Tax and higher non energy costs (ROCs, T&D,…)
+ Lower Levies due to ECO extension to March 2017, reversed partially in Q4
- Retail business Gross Margin drops 7.4% vs last year in local currency
- Lower demand due to weather conditions

Mexico

EBITDA -26.5% due to a negative one-off impact coming from the renegotiation of private contracts, revising them to new more favourable conditions

US Gas

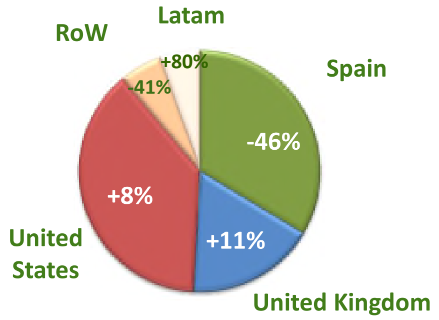
EBITDA up Eur 46 M taking advantage of extreme weather in Q1

** Includes cogeneration*

Results By Business
Renewables

EBITDA falls 20.3% to Eur 712.8 M driven by Spain …

EBITDA evolution by Geography



Financial Highlights (Eur M)

	H1'14	% vs H1'13
Gross Margin	1,057.3	-16.2%
Net Op. Exp.	-272.5	+0.5%
EBITDA	712.8	-20.3%

… despite the positive performance from the rest of the geographies

27

Results By Business
Renewables

Operating capacity +0.4%* (13,548 MW)
Higher output +0.5% (18,043 GWh): Strong average load factor (30.6%; -0.1 pp)**

Spain	**EBITDA -46%**, due to regulatory measures and low spot prices, despite solid load factor
UK	**EBITDA +11%,** higher operating capacity underpinned output increase (+6.9% onshore). Lower price was offset by FX. Offshore wind farm started its contribution
US	**EBITDA +8%,** due mainly to a production increase (+2%) and trading profits due to weather conditions. Higher prices were offset by FX (EBITDA ex-fx impact 12.4%)
Latam	**EBITDA +80%**, due to higher installed capacity in Mexico (+11%) and Brazil (+97%), output increased 34%. 18.8% Real depreciation affected negatively
RoW	**EBITDA -41%**, due to the sale in 2013 of Polish wind farms, 184 MW

Weighted Average price -18.0% (to Eur 56.7/MWh): due to 38% lower average price in Spain
Net Op. Expenses*/Average Op. Capacity: 0.1% improvement in cost per MW**

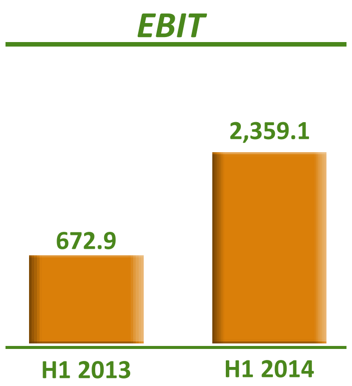
* Full Operating capacity at the end of the period.
** 1H 2013 operating figures under IFRS11: Operating capacity 13,493 MW and Output 17,962 GWh
*** OPEX does not include levies: adjusted by one-off and non-recurring.

28

EBIT - Group

Group EBIT totals Eur 2,359.1 M due to Eur 1,657 M of gross asset impairments done in Q2 2013…

Eur M



	H1'14	H1'13	H1'14 vs H1'13
D&A	-1,311.5	-1,304.5	-7.0
Provisions	-74.1	-1,766.2	+1,692.1
Total	-1,385.6	-3,070.7	+1,685.1

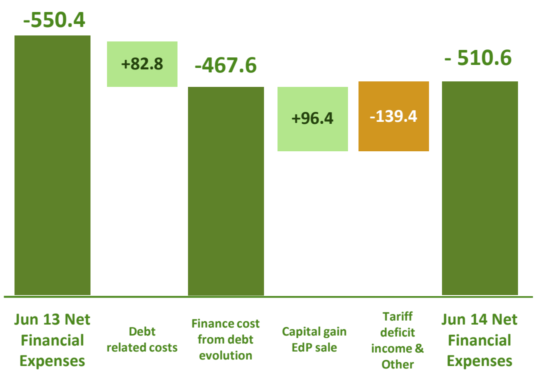
… mainly related to Gas USA & Canada and Renewables

29

Net Financial Expenses - Group

Net financial costs down 7%* to Eur -510.6 M …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Debt related costs improve Eur +82.8 M
- Eur 96 M gross capital gain on EdP sale
- Eur 52.6 M higher costs due to lower tariff deficit income reverted in Q4 '13
- Eur 45.0 M EdP dividend collected in 2013

… due to 10% decrease in average net debt, 13 bp lower cost and capital gain on EdP sale

* 2013 adjusted according to IFRS 11

30

Results - Group

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H1'13 included 2 large one-off impacts: asset impairments accounted at EBIT level partially compensated by positive effect of Balance Sheet revaluation at Taxes level …

Eur M

	H1'14	H1'13	% vs H1'13	
Equity Contribution	121.7	134.8	-9.7%	Negatively impacted by Neo results (drought and tariff review) Positively affected by the revaluation of Gamesa stake
Non Rec. Results	184.9	-17.3	n/a	Positive impact in H1 2014 of the sale of Itapebí and the nuclear JV in the UK
PBT	2,155.1	240.0	n/a	
Taxes	-630.9	1,500.7	n/a	H1 2013 Balance Sheet revaluation: Net after tax gain of Eur +1,538 M

Higher Taxes due to a one-off impact in the United States

Reported Net Profit - Group

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Reported Net Profit falls 13.0% to Eur 1,503.1 M and Recurring Net Profit down 7.5% to Eur 1,296.7 M

Eur M

	H1'14	H1'13	%
Recurring Net Profit	1,296.7	1,402.0	-7.5
Non recurring Results & Others*	+206.4	+326.0	
Reported Net Profit	1,503.1	1,728.0	-13.0

Operating Cash Flow falls -3.9% to Eur 2,855.7 M

* Includes Non Recurring Taxes and asset impairments

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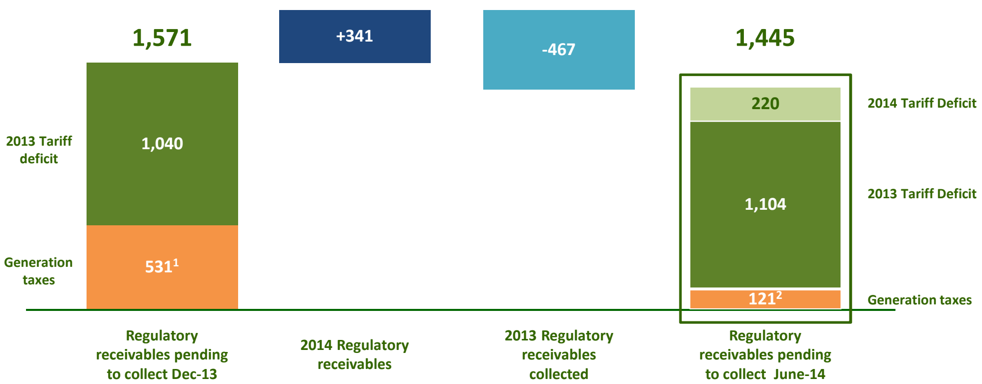
Financing – Regulatory receivables

Eur 1,445M pending to be collected by the end of June, of which Eur 341 M (220 + 121) correspond to 2014



Iberdrola now finances less than 15% of the sector deficit, compared to previous 35%

[1] Estimated at Dec-2013 of generation taxes expected to be applied to reduce tariff deficit 2013
[2] Taxes collected by Spanish Administration via new energy production, pending to be applied to reduce regulatory receivables outstanding balance. Iberdrola estimation

Financing - Leverage

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Adjusted Net Debt ex regulatory receivables totals Eur 24.2 bn …

H1 Net Debt and Equity

Eur M

	H1'14	H1'13
Net Debt	25,682	27,936
Gen. Taxes not recovered	121	-
Tariff Deficit	1,324	2,153
Adjusted Net Debt	24,237	25,783
Equity	35,689	35,080

Key messages

- Leverage at 41.8% at H1'14 vs 44.3% at H1'13
- Net Debt down Eur 2.2 bn in one year and Eur 1.2 bn in the First Half of 2014

… leading to …

Note all debt figures include TEI

Financing - Financial Ratios

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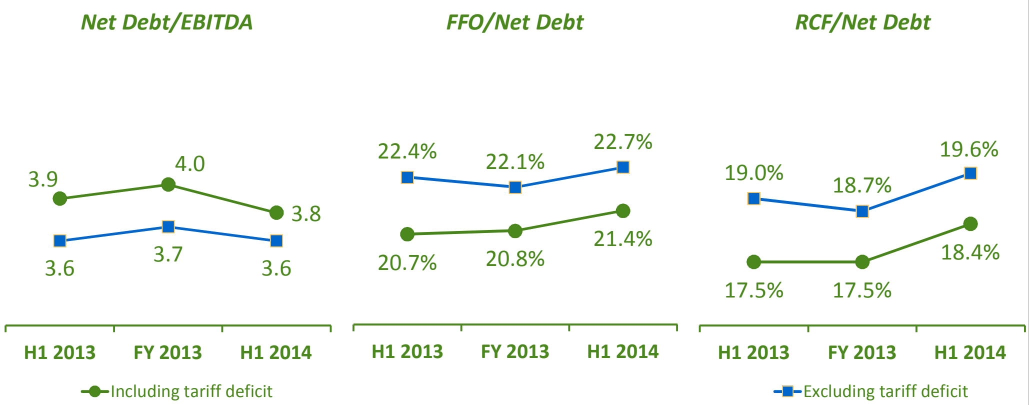
… better credit metrics



(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) Including TEI but excluding Rating Agencies Adjustments
(3) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue

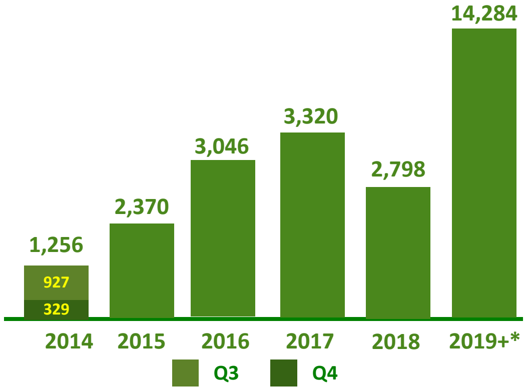
Financing - Liquidity

As of today there is a strong Liquidity position of over Eur 10 bn covering more than 35 months of financing needs …

Eur M

Credit Line Maturities	Available
2016 & onwards	7,530
Total Credit Lines	8,081
Cash & Short Term Fin. Invest.	2,097
Total Adjusted Liquidity	10,178

Debt maturity profile



** Includes comercial paper outstanding balance: Eur 1,003 M*

… and average debt maturity greater than 6 years

37

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