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IBERDROLA

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Highlights of the period

Analysis of results

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Annex:
- Brazil pro-forma
- Scrip Dividend calendar proposal: July 2014

Highlights of the Period

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Results show the strong operational performance of our businesses although affected by regulatory measures in Spain

- Gross Margin amounts to Eur 3,386 M (+1%)
- Freeze in Net Operating Expenses
- Progress of the Divestment Plan: exceeding Eur 600 M
- Net Debt reduction of more than Eur 3.1 Bn from Q1 2013
  Leverage down to 42.1% from 45.5%

EBITDA amounts to Eur 2,127 M in line with Q1 2013
Net Profit increases 8.4% to Eur 953 M

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Gross Margin and Efficiency

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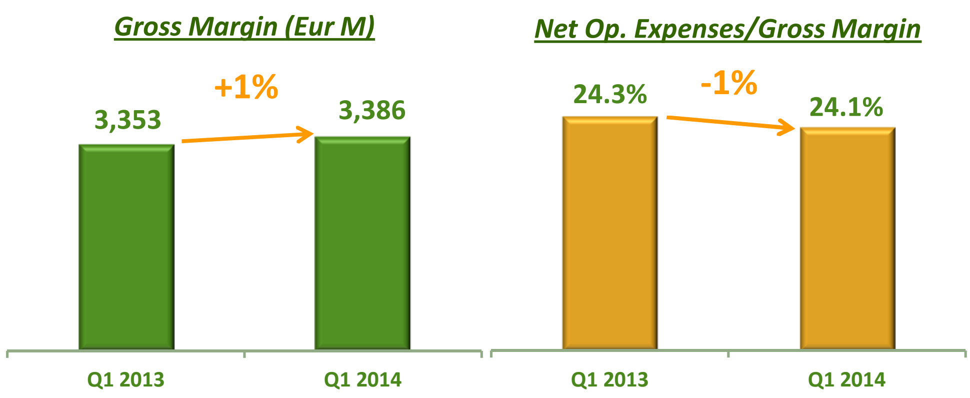
Gross Margin amounts to Eur 3,386 M (+1%): excellent results of gas business, higher production and better generation mix offset lower prices and regulatory measures in Spain



Maintaining operational efficiency
Freeze in Net Operating Expenses (Eur 815 M)

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EBITDA

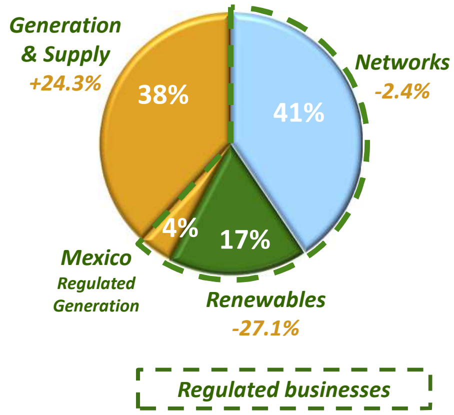
IBERDROLA

EBITDA amounts to Eur 2,127 M in line with Q1 2013

Operational highlights

Networks ↓	Good operating performance in UK and Brazil partially offset lower results in Spain and US
Generation & Supply ↑	Good operating performance of gas business, higher production and better generation mix offset lower prices in Spain
Renewables ↓	Results significantly affected by regulatory measures in Spain, despite record production and improved results in UK and US

EBITDA by business



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Recurring Net Profit

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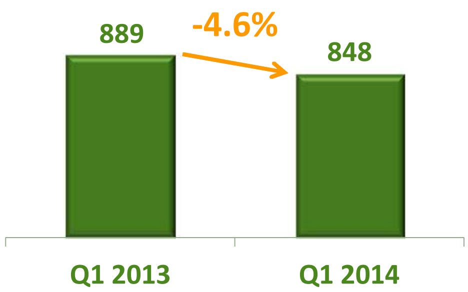
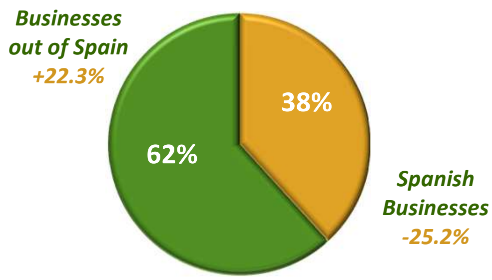
Recurring Net Profit down 4.6% to Eur 848 M
due to significant impact of regulatory measures in Spain…

Recurring Net Profit (Eur M)



Recurring Net Profit by Geography



… reducing contribution of Spanish businesses by 25%
versus the increase in international businesses (+22%)

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Net Profit

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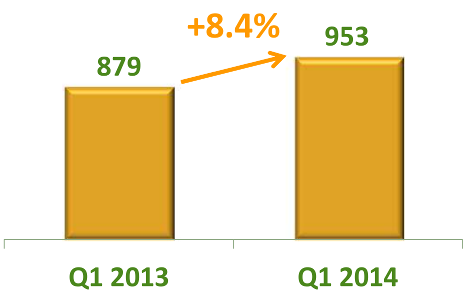
Net Profit amounts to Eur 953 M (+8.4%)…

Net Profit (Eur M)



… including Eur 105 M of non recurring results

Operating Cash Flow[1]

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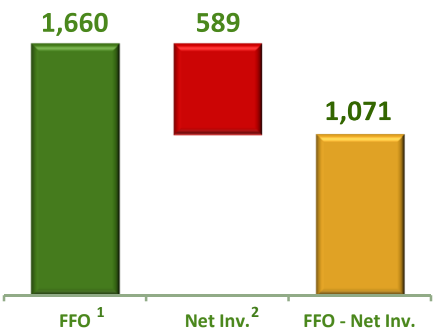
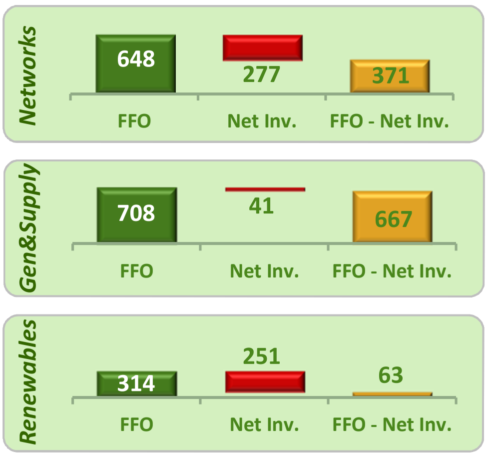
Operating Cash Flow[1] (FFO) amounts to Eur 1,660 M (+2.9%) exceeding investments across all businesses

Eur M



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 capitalised costs

Balance Sheet Management

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Continuous improvement of our financial strength

Net Debt amounting to Eur 25,718 M reduced by more than Eur 3.1 Bn from Q1 2013 (Eur -1.1 Bn during the quarter)

Leverage down to 42.1% vs. 45.5% in Q1 2013

Net Financial Expenses down 20%

Significant improvement of financial ratios

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Other Relevant Highlights of the Period

IBERDROLA

General Shareholders' Meeting 2014

Quorum of 82.24%

Massive support to all the items on the Agenda (votes against below 1.4% for all the resolutions)

The Board of Directors has approved (April 29th 2014):

Publication of first Integrated Report

Reduction in May of share capital of 2.094%

Execution in July of scrip dividend program of at least Eur 0.114 per share + Eur 0.03 per share in cash, implying a shareholders' remuneration of at least Eur 0.27 /share

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Income Statement – Group

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

Eur M

	Q1 2014	Q1 2013	Var. %
Revenues	8,325.0	8,743.3	-4.8
Gross Margin	3,386.3	3,353.0	+1.0
Net Op. Expenses	-815.1	-815.5	0.0
Levies	-444.6	-404.6	+9.9
EBITDA	2,126.5	2,132.8	-0.3
Operating Profit (EBIT)	1,438.3	1,414.3	+1.7
Net Financial Expenses	-213.8	-267.4	-20.0
Recurring Net Profit	848.0	889.0	-4.6
Reported Net Profit	952.6	878.6	+8.4
Operating Cash Flow*	1,660.4	1,613.2	+2.9

*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

Group – Regulatory impacts in Spain

IBERDROLA

Eur -260 M of regulatory impacts accounted for in Q1 2014
Full year incremental Gross Margin impact in 2014 vs 2013 of Eur 380 M

Eur M

	Q1'14 vs Q1'13	Accounted FY 2013	Est. Δ FY'14 vs FY'13	FY 2014 est. impact	Standard year estim.
Capacity payments	-20	-30	-40	-70	-70
Social Bonus (Accounted for at EBITDA level)	-19	0	-70	-70	-70
Distribution	-28	-112	0	-112	-112
Cogeneration	-8	-12	-8	-20	-20
Renewables	-185	-122	-262	-384	-230
Total impacts	-260	-276	-380	-656	-502

But not all of it should be considered as recurring impact due to different effects on Renewables as explained in next slide

Group – Regulatory impacts in Spain

IBERDROLA

Eur 185 M Q1 impact in Renewables should not be extrapolated to full year nor to subsequent years, as detailed below

Eur M

	Q1 2014 vs Q1 2013	FY 2014 est. impact*	Standard year estim.
Lower premiums	-58	-230	-230
Seasonality: according to new methodology incentives paid linked to capacity and not to output. Q1 higher output to be compensated in the remaining quarters	-20	0	0
Higher output in Q1'13 vs a standard Q1 output	-33	-33	0
Lower spot prices for wind farms not entitled to premiums	-74	-121	0
Total impact	-185	-384	-230

Prices to increase through spot recovery and hedging
Estimated premiums compatible with a 7.5% remuneration for wind farms entitled to receive them

**Includes Eur -122 M impact accounted in 2013 and additional Eur – 262 M estimated to be accounted in 2014*

Gross Margin - Group

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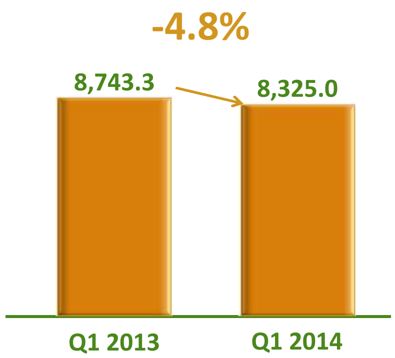
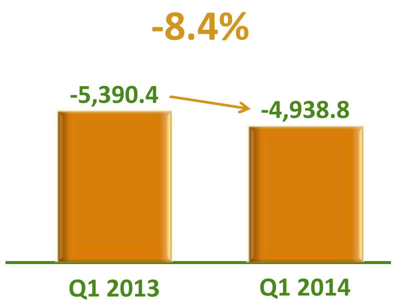
Gross Margin up 1.0% to Eur 3,386.3 M, despite FX impact (Eur -24 M)

Revenues (Eur M)



Procurements (Eur M)



**Revenues -4.8% (Eur 8,325.0 M),
and Procurements -8.4% (Eur -4,938.8 M) due to lower cost mix**

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Net Operating Expenses - Group

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**Recurring Net Operating Expenses fall 1.7%
due to a reduction in External Services**

Eur M

Net Operating Expenses

	Q1 2014	% vs Q1 2013
Net Personnel Expenses	-417.9	+2.0%
Net External Services	-397.2	-2.1%
Total	-815.1	0%

**Flat Net Operating Expenses* at Eur -815 M as a result of cost control
and an improvement of operation and maintenance expenditure**

**Excludes Levies*

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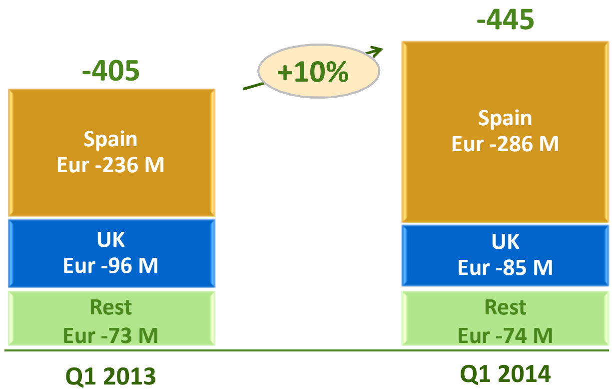
Levies

Levies rise 10% (Eur -40 M) to Eur -445 M, due to a 21% increase in Spanish Levies, representing 64% of the total

Eur M

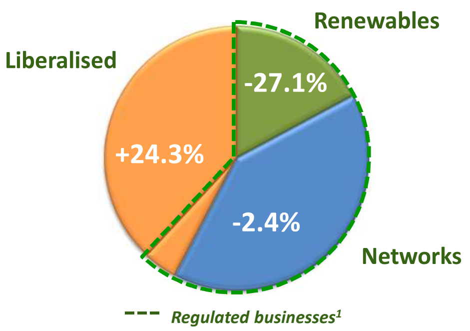


Lower Levies in the UK (Eur +11 M vs Q1 '13)

EBITDA – Group

EBITDA almost flat (-0.3%) at Eur 2,126.5 M, positively affected by the Liberalised business due to gas business in Spain and the US due to weather conditions and better production mix in Spain …

EBITDA evolution by business



EBITDA (%)

	Var.	*Var. excl. FX*
Networks	-2.4	-1.2
Liberalised	+24.3	+24.4
Renewables	-27.1	-26.5
GROUP	-0.3	+0.4

… and negatively impacted by Spanish reform, affecting mainly Renewables and Networks

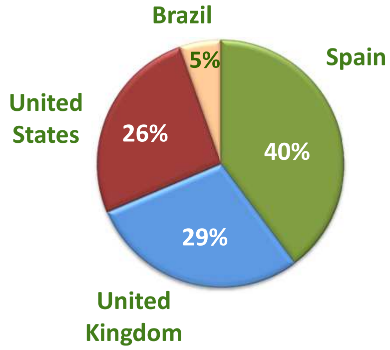
1. Regulated business includes Networks, Renewables and Mexico regulated generation

Results By Business
Networks

IBERDROLA

Networks EBITDA decreases 2.4% to Eur 876.8 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	Q1 2014	% vs Q1 2013
Gross Margin	1,284.2	+0.1%
Net Op. Exp.	-299.9	+7.7%
EBITDA	876.8	-2.4%

Should improve during the year as Spanish and US business recover

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Results By Business
Networks EBITDA

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Improvements in the UK and Brazil (includes only Elektro) are more than offset by the impact of Spanish reform and a one off in the US

Spain	**EBITDA -8.9%**, due to lower recognised revenues in Spain according to RDL 9/2013, not in force in Q1 2013
UK	**EBITDA +14.9%,** due to higher revenues due to increasing asset base, as a consequence of greater investments
US	**EBITDA -13.3%,** due to IFRS effects and a one off positive impact accounted at Net Op. Expenses in Q1'13, despite higher revenues as a result of Rate Cases and MPRP
Brazil	**EBITDA +45.6%**, due to higher demand (+8.9%), tariff increase in August'13 and higher compensation by the Government for the draught impact (Eur +161 M vs Q1'13). No major impact from the draught accounted for in Q1 '14. FX impact Eur -10 M

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Results By Business
Generation & Supply

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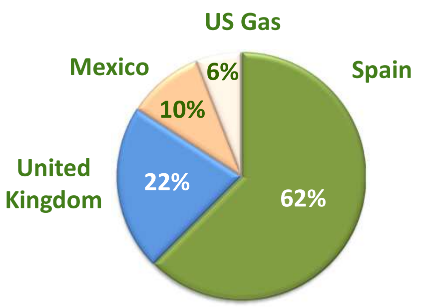
Generation & Supply Business EBITDA up 24.3% to Eur 915.5 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	Q1'14	% vs Q1'13
Gross Margin	1,531.7	+14.8%
Net Op. Exp.	-337.4	-3.0%
Levies	-278.8	+11.8%
EBITDA	915.5	+24.3%

Gas business, higher output and better generation mix compensate lower prices in Spain

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Results By Business
Generation & Supply EBITDA

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Operating improvements derived from positive contribution of Gas business, generation mix in Spain and reduction in O&M Expenses …

Spain	**EBITDA +23.4%** - Output +30.6% (Hydro +87% and nuclear +3% more than compensate 63% lower thermal output) - Lower procurement costs due to excellent hydro conditions - Eur 43 M one off results in the Gas business in Q1
UK	**EBITDA +7.8%** - Improvement in Generation and Wholesale unit despite Carbon Tax and higher non energy costs (ROCs, T&D,…) - Retail business Gross Margin drops 1.5% vs last year - Lower Levies due to ECO extension to March 2017
US Gas	**EBITDA** up Eur 63 M taking advantage of weather conditions

… offset lower demand in Spain and UK and higher Levies (+11.8%)

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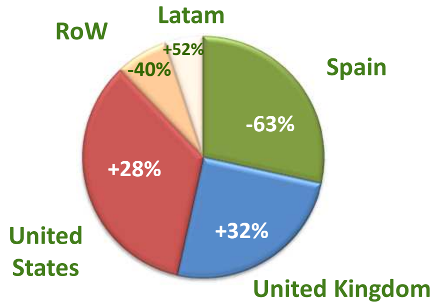
Results By Business
Renewables

EBITDA falls 27.1% to Eur 371.4 M driven by the impact of Spanish regulatory measures and low spot prices despite strong load factors, and the positive contribution from the UK, US and Latam

EBITDA evolution by Geography



Financial Highlights (Eur M)

	Q1 2014	% vs Q1 2013
Gross Margin	536.0	-22.1%
Net Op. Exp.	-128.4	-1.9%
Levies	-36.2	-24.3%
EBITDA	371.4	-27.1%

Spain Net Profit falls 91%, to Eur 13.3 M, in Q1'14

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Results By Business
Renewables

Operating capacity -1.1%* (13,321 MW)
Higher output +3.5% (10,123 GWh): Better average load factor (34.9%; +1.3 pp)**

Spain	**EBITDA -63%**, due to Spanish regulatory measures and low spot prices and despite being an outstanding quarter in terms of wind output (+1.1 vs Q1 2013)
UK	**EBITDA +32%,** as higher output (+39%) more than compensates lower average price due to energy and ROC price reduction
US	**EBITDA +28%,** due basically to higher average price (+5.6%) and trading profits due to weather conditions. 25% of production is merchant
Latam	**EBITDA +52%,** due to higher installed capacity in Mexico (+11%) in Q1'14
RoW	**EBITDA -40%,** due to the sale in 2013 of Polish wind farms

Weighted Average price -27.5% (to Eur 51.1/MWh): due to 55% lower average price in Spain
Net Op. Expenses*/Average Op. Capacity: 1.7% improvement in cost per MW**

* Full Operating capacity at the end of the period.
** Q1 2013 operating figures under IFRS11: Operating capacity 13,473 MW and Output 9,778 GWh
*** OPEX does not include levies: adjusted by one-off and non-recurring.

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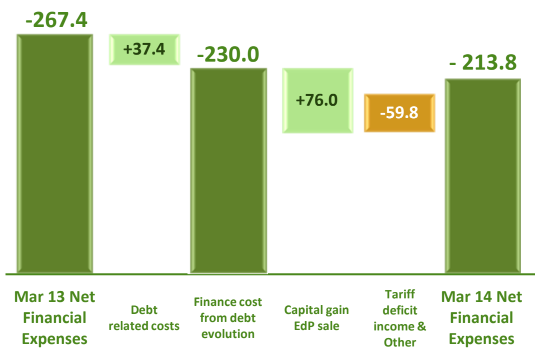
Net Financial Expenses - Group

Net financial costs down 20%* to Eur -213.8 M …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Debt related costs improve Eur +37.4 M
- EdP sale: Eur 76 M (Gross capital gain) Additional Eur 20 M to be accounted for in Q2'14
- Eur 52.4 M higher costs due to lower tariff deficit income reverted in Q4 '13

… due to 10% decrease in average net debt, 7 bp lower cost and capital gain on EdP sale

* 2013 adjusted according to IFRS 11

Results - Group

EBIT grows 1.7%, to Eur 1,483.3 M
Equity Contribution -66% due to Neo tariff review (April '13) and costs associated with Garoña

Eur M

	Q1 2014	Q1 2013	% vs Q1'13
EBIT	1,438.3	1,414.3	+1.7%
Net Financial Result	-213.8	-267.4	-20.0%
Equity Contribution	22.5	66.2	-66.0%
Non Rec. Results	76.7	5.6	n/a
PBT	1,323.7	1,218.7	+8.6%

Equity contribution will improve during the year as Neo tariffs have already been increased in April 2014 annual review

Reported Net Profit - Group

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Reported Net Profit up 8.4% to Eur 952.6 M and Recurring Net Profit down 4.6% to Eur 848.0 M

Eur M

	Q1'14	Q1'13	%
Recurring Net Profit	848.0	889.0	-4.6
Non recurring Results & Others*	+104.6	-10.4	
Reported Net Profit	952.6	878.6	+8.4

Operating Cash Flow up 2.9% to Eur 1,660.4 M

* Includes Non Recurring Taxes and asset impairments

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Financing – Regulatory receivables

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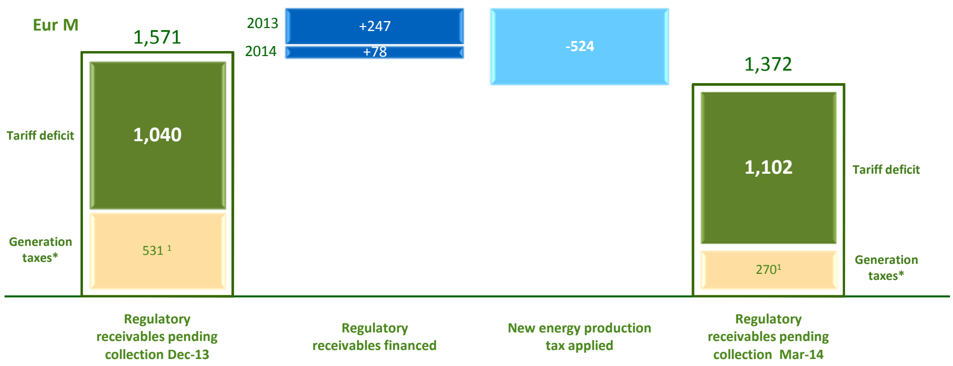
Eur 1,372 M pending collection at the end of March …



… of which Eur 270 M corresponds to generation taxes

1 Iberdrola 's estimation
* Taxes collected by Spanish Administration via new energy production, pending to be applied to reduce Regulatory receivables outstanding balance

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Financing - Adjusted Leverage

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Adjusted Net Debt ex regulatory receivables totals Eur 24.3 bn …

Q1 Net Debt and Equity

Eur M	Q1'13	Q1'14
Net Debt	28,898	25,718
Gen. Taxes not recovered	-	270
Tariff Deficit	1,918	1,102
Adjusted Net Debt	26,980	24,346
Equity	34,595	35,382

Key messages

- Leverage at 42.1% in Q1'14 vs 45.5% in Q1'13
- Net Debt down Eur 3.2 bn in one year and Eur 1.1 bn in the First Quarter of 2014
- Eur 24.3 bn of Adjusted Net Debt ex tariff deficit and generation taxes below Eur 25 bn target

… leading to …

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Note all debt figures include TEI

Financing - Financial Ratios

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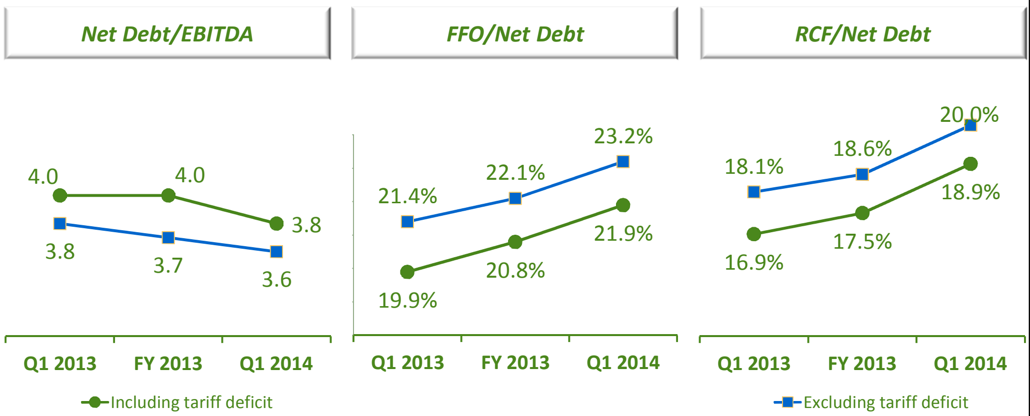
… a strong improvement in credit metrics



(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

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Financing - Liquidity

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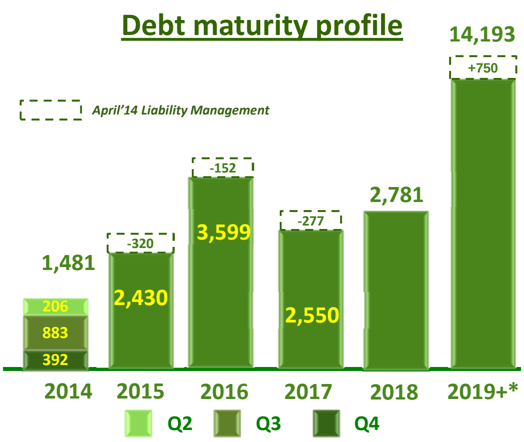
As of today there is a strong Liquidity position of over Eur 10 bn covering more than 27 months of financing needs …

Eur M

Credit Line Maturities	Available
2016&onwards	6,067
Total Credit Lines	8,831
Cash & Short Term Fin. Invest.	2,105
Total Adjusted Liquidity	10,936

Debt maturity profile



* Includes comercial paper outstanding balance: Eur 1,207 M

… and average maturity of debt above 6 years

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Conclusion

Quarterly results allow us to reaffirm 2014 prospects and progress towards the fulfilment of 2014-2016 Outlook

Positive operational evolution across all businesses and accomplishment of the efficiency objective

Uncertainty in Brazil removed
(drought economic impact covered by CDE[1] funds
and advance payment through bank loan to the system)

Significant remuneration cuts in Renewables in Spain
Impact is being minimised through management measures

We continue to improve our financial strength

1. CDE: Energy Development Account

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Income Statement – Brazil (pre IFRS 11)

Pre IFRS 11, operating results in 2014 are affected basically by the regulatory review of Neoenergia Distribution companies in April 2013

Eur M	Q1 2014	Business impact %	FX impact %	% vs Q1'13
Revenues	631.9	+3.1	-18.5	-15.4
Gross Margin	205.0	+4.0	-18.4	-14.4
EBITDA	111.6	-3.1	-17.4	-20.5
EBIT	55.1	-5.0	-17.1	-22.1
Non Rec. Results	76.2			n/a
Reported Net Profit	77.5			+119

At Net Profit level, irrespective of the accounting treatment, results are positively affected by the sale of the stake in Itapebí

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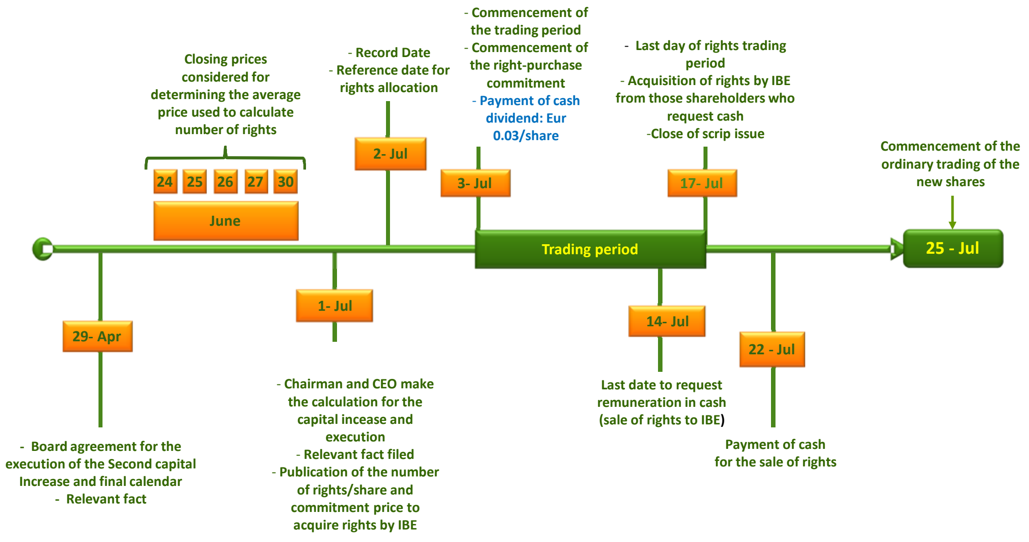
- **Scrip Dividend calendar proposal: July 2014**

Scrip dividend calendar proposal: July 2014



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