IBERDROLA

9M 2014 Results Presentation

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Highlights of the period

Analysis of results

Financing

Annex: Scrip Dividend calendar December 2014

Highlights of the Period

Progressive improvement in operating results along the year despite the regulatory changes

EBITDA grows 1.4% to Eur 5,211 M

Net Debt reduced to Eur 26.2 Bn, Eur 24.7 Bn ex tariff deficit
Leverage down to 42.2% from 44.0% at 9M 2013

Net Profit of Eur 1,831 M
Maintaining shareholder remuneration

Outlook - FY 2014 EBITDA

The progressive improvement of EBITDA along the year…

	Q1	H1	9M
Variation of accumulated EBITDA vs. 2013	-0.3%	+0.0%	+1.4%

… and the positive contribution of all businesses in last quarter…

Estimated performance in last quarter 2014

Networks	• 38% tariff increase in Elektro from 27th August • Negotiations in Brazil to register regulatory assets	+
Gen&Supply	• Further normalisation of generation and gas market conditions	=
Renewables	• New capacity in operation	+

… strengthened by the current foreign exchange rates situation…

… allow us to improve our FY 2014 guidance above Eur 6.6 Bn

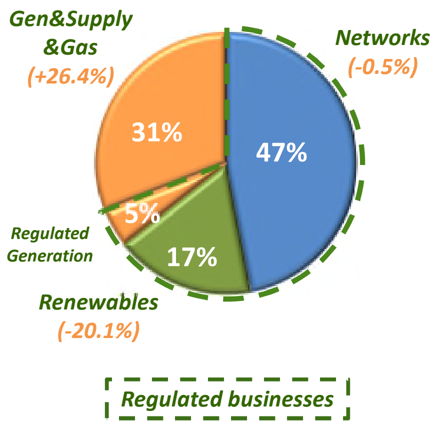
EBITDA

EBITDA increases 1.4% to Eur 5,211 M

Operational highlights

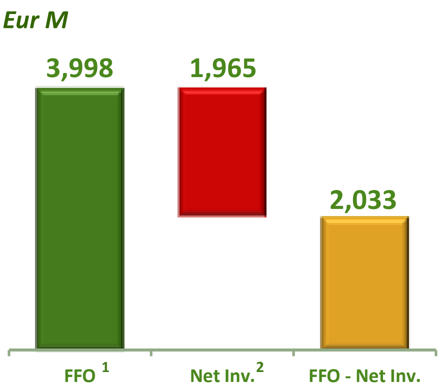
Gen&Supply &Gas **+**	Exceptional gas business performance, higher production and better generation mix
Networks **=**	Good operating performance in UK and Spain offsets drought impact in Brazil (to be recovered through tariffs)
Renewables **-**	Significant impact of regulatory measures in Spain not compensated by improved results in UK, US and Latam

EBITDA by business

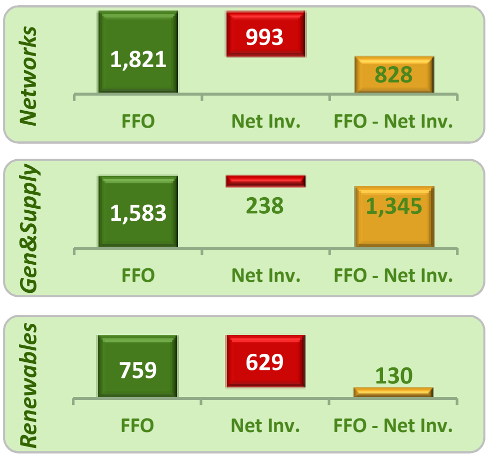


Operating Cash Flow

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 to Eur 26.2 Bn[1]

Net financial expenses reduced by 4%
with net financial expenses related to debt down 11%

Leverage reduced to 42.2% vs. 44.0% in 9M 2013

Solid financial ratios

Expected sale of 2013 Spanish tariff deficit before year end,
reaching our Net Debt target this year

1. Including Eur 1,580 M of Tariff Deficit (Adjusted Net Debt amounts to Eur 24,673 M)

Shareholder Remuneration

These results reaffirm our commitment to maintain
a shareholder remuneration of at least Eur 0.27 per share…

Guaranteed purchase price for next scrip dividend of at least
Eur 0.125/share to be paid in December 2014[1]…

… equal to the minimum price fixed for January 2014 scrip dividend
(final price achieved of Eur 0.126/share)

With the commitment to continue the share buy-backs
to compensate the dilutive impact of the scrip dividend

… resulting in a dividend yield above 5% at current market prices

1. Through the "Iberdrola Dividendo Flexible" program. Final guaranteed price expected to be announced on 28th November, 2014

Conclusion

Iberdrola offers an attractive yield and growth thanks to…

… higher weight from regulated businesses…

… geographic diversification…

… and financial strength

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Income Statement – Group

The first 9 months of 2014 and 2013 are reported under IFRS11
Largest impact is the deconsolidation of Neo EBITDA, not affecting Net Profit

Eur M	9M 2014	9M 2013	Var. %
Revenues	22,196.8	22,901.0	-3.1
Gross Margin	8,874.2	8,832.9	+0.5
Net Op. Expenses	-2,528.8	-2,440.1	+3.6
Levies	-1,134.7	-1,253.7	-9.5
EBITDA	5,210.7	5,139.1	+1.4
Operating Profit (EBIT)	3,073.9	1,376.3	n/a
Net Financial Expenses	-817.3	-850.9	-4.0
Recurring Net Profit	1,592.2	1,710.3	-6.9
Reported Net Profit	1,831.3	2,274.8	-19.5
Operating Cash Flow*	3,998.4	4,459.9	-10.3 %

*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

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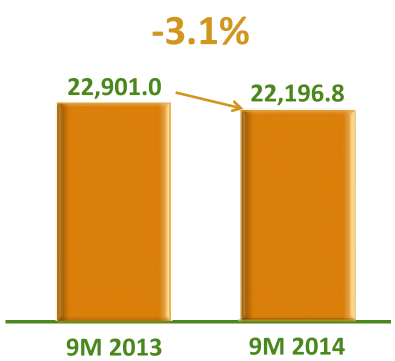
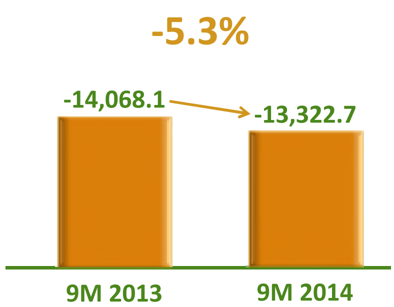
Gross Margin - Group

Gross Margin up 0.5% to Eur 8,874.2 M

Revenues (Eur M)



Procurements (Eur M)



Revenues -3.1% (Eur 22,196.8 M),
and Procurements -5.3% (Eur -13,322.7 M) due to lower cost mix

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Net Operating Expenses - Group

Net Op. Expenses adjusted for capitalised costs and one offs grow 1.2%
Reported Net Operating Expenses* up 3.6%, to Eur -2,528.8 M

Eur M

Net Operating Expenses

	9M 2014	9M 2013	% Adjusted vs 9M'13	% Reported vs 9M'13
Net Personnel Expenses	-1,278.6	-1,242.2	+0.2%	+2.9%
Net External Services	-1,250.2	-1,197.9	+2.3%	+4.4%
Total	-2,528.8	-2,440.1	+1.2%	+3.6%

Net Personnel Expenses: Capitalised Costs amount to Eur -34 M
Net External Services: one off costs of Eur -25 M

*Excludes Levies

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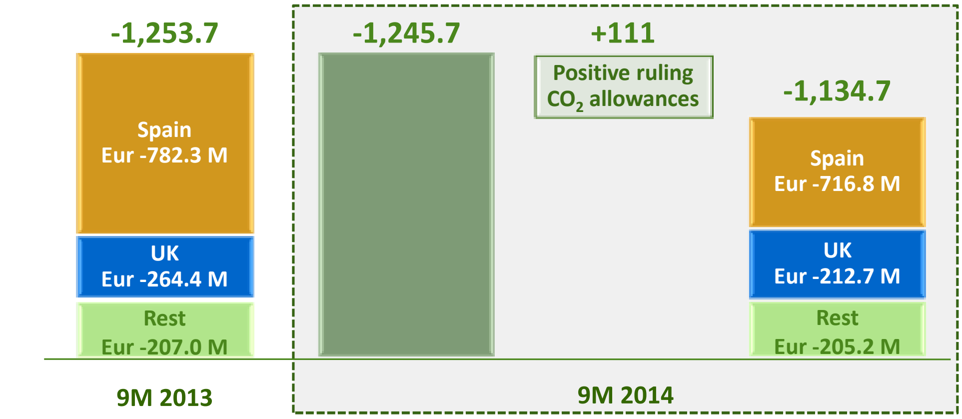
Levies

Levies fall 9.5% (Eur -119 M) to Eur -1,134.7 M,
due to lower Government taxes in the UK (Eur +52 M vs 9M'13), 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 emission-free technologies

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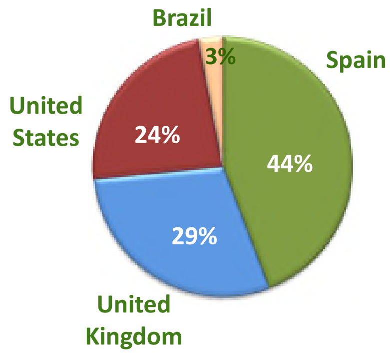
Results By Business Networks

Networks EBITDA ex-Brazil grows 4.6%, including Brazil EBITDA falls 0.5% to Eur 2,486.0 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	9M'14	% vs 9M'13
Gross Margin	3,693.6	+0.4%
Net Op. Exp.	-887.5	+1.5%
EBITDA	2,486.0	-0.5%

Brazil performance should improve in coming quarters due to tariff adjustments that will allow recovery of the outstanding drought impact

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Results By Business Networks EBITDA

EBITDA performance by geography is as follows

UK	**EBITDA +10.6%,** with higher revenues as a result of increasing asset base, as a consequence of greater investments, and GBP revaluation
Spain	**EBITDA +3.8%**, as a consequence of the normalisation of the impact of RDL 9/2013, in force since H1 2013, and investments made in previous years
US	**EBITDA -0.7%,** with higher revenues as a result of Rate Cases and MPRP, offset by the exchange rate impact (EBITDA ex FX: +2.6%)
Brazil	**EBITDA -61.0%**, due to lower compensation on higher drought impact (Eur -100 M) vs 9M 2013. BRL devaluation -12.3% (Eur -9 M at EBITDA level)

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Results By Business
Generation & Supply

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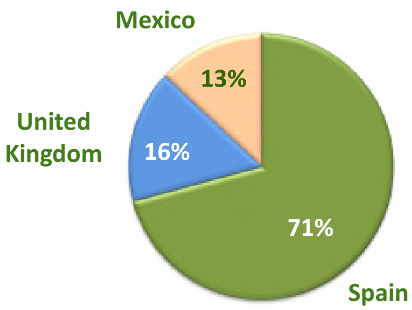
Generation & Supply Business EBITDA up 26.4% to Eur 1,885.3 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	9M'14	% vs 9M'13
Gross Margin	3,600.4	+7.8%
Net Op. Exp.	-1,066.2	+2.1%
Levies	-649.0	-19.3%
EBITDA	1,885.3	+26.4%

Strong operational performance together with temporary lower Levies

Results By Business
Generation & Supply EBITDA

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Solid EBITDA performance in Spain and UK, with Mexico recovering from the one-off negative impact

Spain	**EBITDA +27.4%** **+** Eur 137 M in the Gas business in 9M, including one-off **+** Lower Levies due to CO_2 allowances court ruling (Eur +111 M) **+** Higher output (+8.4%*) and lower costs compensate lower prices
UK	**EBITDA Eur +117.5 M** (EBITDA ex-fx impact: Eur +103.4 M) + Eur 56 M due to lower Government Levies, to be reversed partially in Q4 + 9M 2013 results were especially weak (negative EBIT)
Mexico	**EBITDA -13.6%**, the negative one-off impact is compensated through the new contracts

** Includes cogeneration*

Results By Business
Renewables

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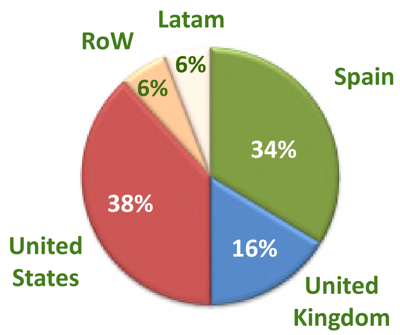
EBITDA falls 20.1% to Eur 927.5 M driven by Spain …

EBITDA by Geography



Financial Highlights (Eur M)

	9M'14	% vs 9M'13
Gross Margin	1,449.3	-14.0%
Net Op. Exp.	-417.5	+6.2%
EBITDA	927.5	-20.1%

… despite the positive performance from the other geographies

Results By Business
Renewables

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Increase in operating capacity +3.5%* (13,773 MW) compensates lower average load factor (26.8%; -0.4 pp); output -0.2% (23,914 GWh)**

Spain	**EBITDA -44%**, due to regulatory measures, low spot prices and lower load factor due to extraordinary wind conditions in Q3 2013
UK	**EBITDA +11%,** higher operating capacity underpinned output increase (+5.7% onshore). Lower price was offset by FX. Offshore wind farm started contributing
US	**EBITDA +2%,** due mainly to an output increase (+0.8%) and trading profits due to weather conditions. Higher prices were offset by FX (EBITDA ex-fx impact +5.5%)
Latam	**EBITDA +103%**, due to higher installed capacity in Mexico and Brazil, output increased 49%. 12.3% Real depreciation affected negatively
RoW	**EBITDA -39%**, due to the sale in 2013 of Polish wind farms, 184 MW

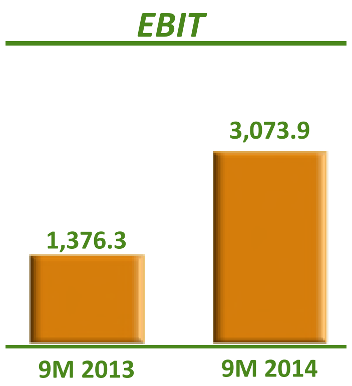
Weighted Average price -13.9% (to Eur 60.6/MWh) due to 34% lower average price in Spain

* Full Operating capacity at the end of the period.
** 9M 2013 operating figures under IFRS11: Operating capacity 13,308 MW and Output 23,956 GWh

EBIT - Group

Group EBIT totals Eur 3,073.9 M …

Eur M



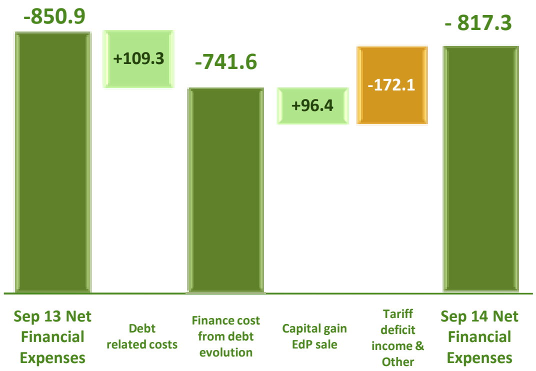
	9M'14	9M'13	9M'14 vs 9M'13
D&A	-2,009.1	-1,944.0	-65.1
Provisions	-127.6	-1,818.8	+1,691.2
Total	-2,136.7	-3,762.8	+1,626.1

… due to Eur 1,675 M of gross asset impairments in 9M 2013

Net Financial Expenses - Group

Net financial costs down 4%* to Eur -817.3 M …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Debt-related costs improve Eur +109.3 M
- Eur 96.4 M gross capital gain on EdP sale
- Eur 52.6 M higher costs due to lower tariff deficit income reversed in Q4 '13
- Eur 45.0 M EdP dividend collected in 2013
- Eur 42.6 M lower gain on derivatives hedging foreign currency results

… due to 9% decrease in average net debt,
9 bp lower cost and capital gain on EdP sale

* 2013 adjusted according to IFRS 11

Results - Group

Despite EBITDA growth, Recurring Net Profit falls 6.9% due to lower Equity Contribution, with negative impacts in Neo and Garoña partially compensated by Gamesa revaluation

Eur M

	9M'14	9M'13	% vs 9M'13	
Equity Contribution	103.2	163.8	-37%	Negatively impacted by Neo results and Garoña Positively affected by the revaluation of Gamesa stake
Non Rec. Results	244.8	-1.5	n/a	Positive impact in 9M 2014 from the sale of Itapebí, the nuclear JV in the UK and the 25% stake in BBE
PBT	2,604.7	687.7	n/a	
Taxes	-746.9	1,612.1	n/a	2013 Balance Sheet revaluation: Net after tax gain of Eur +1,538 M

Reported Net Profit falls 19.5% (Eur 1,831.3 M) as a consequence of the positive impact from the lower corporate tax rate in UK accounted for in Q3´13

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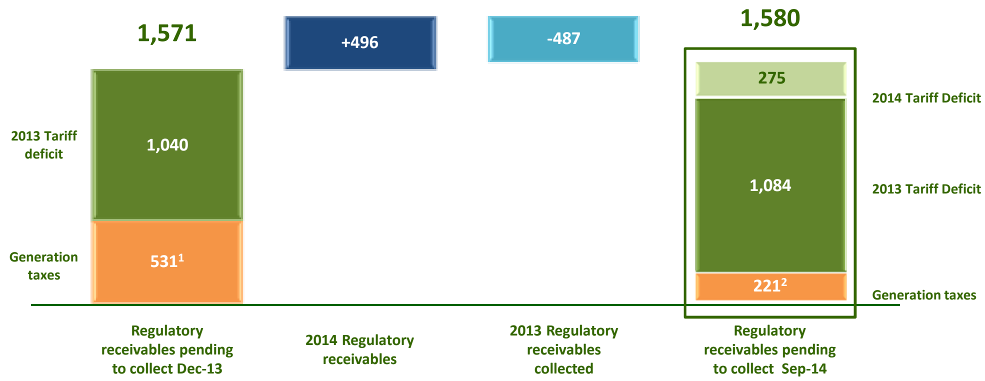
Annex: Scrip Dividend calendar December 2014

Financing – Regulatory receivables

9M'14 tariff deficit of Eur 1,580 M includes:
Eur 1,084 M of 2013 tariff deficit, whose sale is expected before year end …



… and Eur 275 M of 2014 temporary tariff deficit
that will be adjusted through the remaining settlements during 2015

[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

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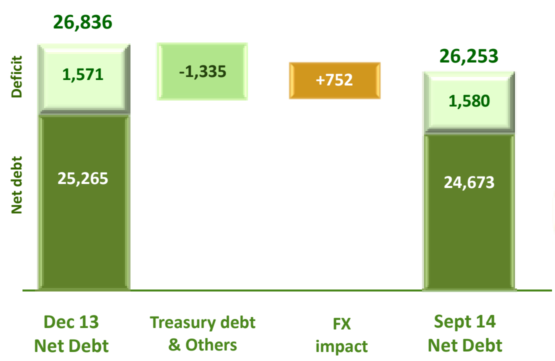
Financing - Leverage

Adjusted Net Debt ex regulatory receivables totals Eur 24.7 bn,
better than the target set in the 2014-2016 Outlook …

Net Debt (Eur M)



Excluding FX impact of Eur 752 M, Adjusted Net Debt below Eur 24 bn

… leading to an improvement in leverage
to 42.2% at 9M'14 from 44.0% at 9M'13

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Note all debt figures include TEI

Financing - Financial Ratios[1]

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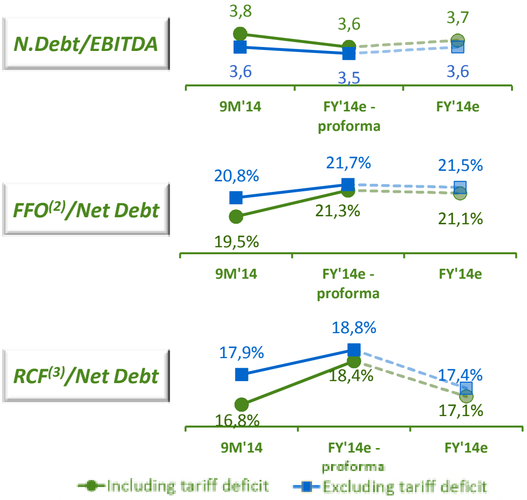
P/L and Cash Flow based on FX 12 months trailing average
Balance Sheet based on FX Sept 30th fixing



FX for Sept´14 ratios

	12 Months trailing Average	Sept 30th fixing
GBP	0.82	0.78
USD	1.36	1.27
BRL	3.07	3.10

(1) Proforma ratios exclude the impact of the payment in December 2014 of the interim dividend corresponding to fiscal year 2014
(2) 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 . It includes TEI but excludes Rating Agencies Adjustments
(3) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue. Dec 2014 dividend payment assumes that scrip dividend acceptance reaches 58.5%, in line with historical acceptance level

Solvency ratios affected in 2014 by the payment in December 2014 of the interim dividend corresponding to fiscal year 2014

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Financing - Liquidity

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As of today, there is a strong liquidity position close to Eur 10 bn, covering more than 32 months of financing needs …

Eur M

Credit Line Maturities	Available
2016 & onwards	7,196
Total Credit Lines	7,835
Cash & Short Term Fin. Invest.	2,115
Total Adjusted Liquidity	9,950

Debt maturity profile

** Includes comercial paper outstanding balance: Eur 1,316 M*

… and an average debt maturity above 6 years

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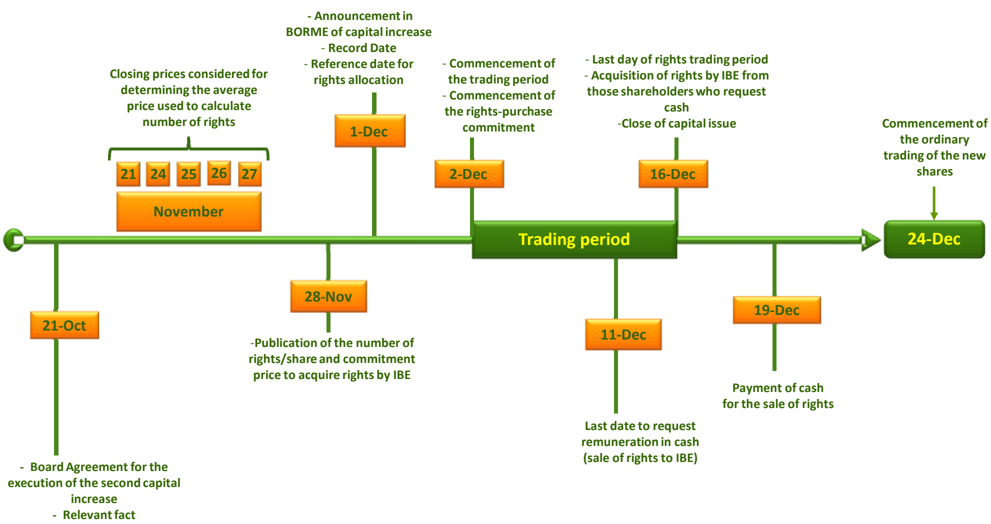
Scrip dividend calendar December 2014



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