

Quarterly report

Results 2015

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Core Business Figures

Operating Data		12M 2015	12M 2014	%
Net production	GWh	136,794	138,921	-1.5
Hydro	GWh	15,861	20,638	-23.1
Nuclear	GWh	23,142	24,431	-5.3
Coal	GWh	11,520	12,102	-4.8
Gas Combined Cycle	GWh	46,746	42,154	10.9
Cogeneration	GWh	6,711	5,734	17.0
Renewables	GWh	32,812	33,863	-3.1
Installed capacity	MW	46,471	45,089	3.1
Hydro	MW	11,076	9,869	12.2
Nuclear*	MW	3,410	3,410	-
Coal	MW	3,178	3,178	-
Gas Combined Cycle	MW	12,762	12,722	0.3
Cogeneration	MW	1,258	1,258	-
Renewables	MW	14,787	14,652	0.9
Distributed Electricity	GWh	190,167	189,022	0.6
Electricity users (managed supply points)	No (mil.)	29.7	29.0	2.6
Electricity customers	No (mil.)	13,6	13,7	-0,7
Gas users (managed supply points)	No (mil.)	4.08	3,63	12.4
Gas supplies	GWh	101,075	95,377	6.0
Gas storage	bcm	2.56	2.56	-
Employees	No.	28,836	27,463	5.0

* Includes Garoña plant.

Operating Data		12M 2015	12M 2014	%
Spain				
Net production	GWh	55,512	61,053	-9.1
Hydro	GWh	12,366	17,742	-30.3
Nuclear	GWh	23,142	24,431	-5.3
Coal	GWh	3,642	2,472	47.3
Gas combined cycle	GWh	2,288	1,189	92.4
Cogeneration	GWh	2,179	2,010	8.4
Renewables	GWh	11,896	13,208	-9.9
Installed capacity	MW	26,187	25,283	3.6
Hydro	MW	9,712	8,807	10.3
Nuclear	MW	3,410	3,410	-
Coal	MW	874	874	-
Gas combined cycle	MW	5,695	5,695	-
Cogeneration	MW	390	388	0.5
Renewables	MW	6,106	6,109	-0.1
Distributed Electricity	GWh	92,676	90,741	2.1
Gas Supplies	GWh	20,046	15,063	33.1
Consumers	GWh	13,937	12,949	7.6
Gas combined cycle	GWh	6,109	2,114	189.0
Electricity Users (managed supply points)	No (mill.)	10.91	10.86	0.39
Electricity Customers	No (mill.)	10.30	10.40	-1.0
Gas users (managed supply points)	No (mill.)	0.89	0.83	7.2
United Kingdom				
Production	GWh	18,635	18,920	-1.5
Hydro	GWh	708	716	-1.1
Coal	GWh	7,879	9,630	-18.2
Gas combined cycle	GWh	6,333	5,459	16.0
Cogeneration	GWh	4	6	-22.2
Renewables	GWh	3,710	3,110	19.3
Installed Capacity	MW	6,465	6,462	-
Hydro	MW	563	563	-
Coal	MW	2,304	2,304	-
Gas combined cycle	MW	1,967	1,967	-
Cogeneration	MW	1	1	-
Renewables	MW	1,630	1,627	-
Distributed Electricity	GWh	36,213	36,564	-1.0
Gas Storage	bcm	0.1	0.1	-
Gas Supplies	GWh	46,022	43,192	6.6
Consumers	GWh	32,052	31,030	3.3
Gas Combined Cycle	GWh	13,970	12,162	14.9
Electricity users (managed supply points)	No (mill.)	3.51	3.50	0.2
Electricity users customers	No (mill.)	3.3	3.3	-0.50
Gas users (customers)	No (mill.)	2.2	2.2	0.60

Core Business Figures

Operating Data		12M 2015	12M 2014	%
United States (*)				
Production	GWh	17,418	17,579	-0.9
Hydro	GWh	366	394	-7.3
Gas combined cycle	GWh	10.9	27.9	-61.0
Cogeneration	GWh	2,780	2,287	21.5
Renewables	GWh	14,261	14,869	-4.1
Installed capacity	MW	6,458	6,479	-0.3
Hydro	MW	118	118	-
Gas combined cycle	MW	9	30	-70.2
Cogeneration	MW	636	636	-
Renewables	MW	5,695	5,695	-
Distributed Electricity	GWh	31,337	31,302	0.1
Gas supplies	GWh	35,007	37,122	-5.7
Electricity users (managed supply points)	No (mill.)	2.2	1.8	18.7
Gas users (managed supply points)	No (mill.)	0,99	0,60	65.1
Brazil				
Production	GWh	4,802	4,069	18.0
Hydro	GWh	2,422	1,786	35.6
Gas combined cycle	GWh	1,554	1,554	-
Cogeneration	GWh	180	179	0.5
Renewables	GWh	645	550	17.4
Installed capacity	MW	1,169	862	35.7
Hydro	MW	682	381	79.1
Gas combined cycle	MW	211	203	3.8
Cogeneration	MW	31	32	-5.5
Renewables	MW	246	246	-
Distributed Electricity (under management)	GWh	29,941	30,415	-1.6
Electricity Customers (managed supply points)**	No (mill.)	13.1	12.8	2.8
Mexico				
Production	GWh	38,866	35,846	8.4
Gas combined cycle	GWh	36,559	33,923	7.8
Cogeneration	GWh	1,569	1,252	25.3
Renewables	MW	738	671	10.0
Installed capacity	MW	5,449	5,259	3.6
Gas combined cycle	MW	4,881	4,827	1.1
Cogeneration	MW	201	201	-
Renewables	MW	367.1	231.1	58.8
Rest of the World				
Production	GWh	1,561	1,454	7.4
Renewables	MW	1,561	1,454	7.4
Installed capacity	MW	744	744	-
Renewables	MW	744	744	-

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

(*) Includes supply points of electricity and gas managed by UIL.

(**) Includes 100% of Neoenergia.

Stock Market Data		12 M 2015	12 M 2014
Market capitalisation	EUR (MM)	41,506.5	35,756.3
Earnings per share (6,336,870,000 shares at 12/31/15 and 6,388,483,000 shares at 12/31/14)	€	0.38	0.36
Net operating cash flow per share	€	0.93	0.85
P.E.R.	Times	17.17	15.37
Price/Book value (capitalisation to NBV at the end of the period)	Times	1.01	1.02

Economic/Financial Data			
Income Statement		12M 2015	12M 2014
Revenues	EUR (MM)	31,418.7	30,032.3
Gross Margin	EUR (MM)	12,842.7	12,179.5
EBITDA	EUR (MM)	7,305.9	6,964.5
EBIT	EUR (MM)	3,829.3	3,940.9
Net Profit	EUR (MM)	2,421.6	2,326.5
Net Operating Expenses/Gross Margin	%	29.82	29.84

Balance Sheet		Dec. 2015	Dec. 2014*
Total Assets	EUR (MM)	104,664	93,742
Shareholders' Equity	EUR (MM)	40,956	35,705
Net Financial Debt ⁽¹⁾	EUR (MM)	28,067	25,619
ROE	%	6.3	6.6
Financial Leverage ⁽²⁾	%	40.7	41.8
Net Debt/Equity Ratio	%	68.5	71.7

(1) Including TEI and regulatory receivables. As of 31st December 2015, Net Debt figure includes Eur 2,406 MM derived from UIL integration. Year 2014 included three dividend payments.

(2) Net Debt/(Net Debt + Shareholder's Equity). Includes regulatory receivables financing.

* Restated.

Credit Rating of IBERDROLA Senior Debt			
Agency	Rating	Outlook	Date
Moody's	Baa1	Stable	8 April 2015
Fitch IBCA	BBB+	Stable	25 March 2014
Standard & Poors	BBB	Positive	30 April 2015

Highlights for the period

Iberdrola's results in the period must be framed within the company strategy, which is defined by the growing weight of regulated activities (transport and distribution) and the Renewables business, both in the selection of investment opportunities and in the contribution to the Group's profits.

Furthermore, financial year 2015 was positively affected by the appreciation of two of Iberdrola's reference currencies, the US dollar and the Pound Sterling, an effect partially offset by the depreciation of the Brazilian Real.

In this respect, it is worth noting the following:

- In Spain, the period has been characterised by lower hydroelectric production compared to the previous year (-27.6%) given that 2014 was a year of extraordinary rainfall, together with a growth of the electricity demand, 1.8% equivalent to a 1.6% adjusted to number of working days and temperature. In this regard, the evolution of the large industrial energy consumers sector is worthy of mention, showing a 2.4% growth in the last 12 months.
- In the United Kingdom, the electricity demand dropped by -1.2% compared to 2014, whereas customers' gas demand (does not include generation consumption) increased by +2.2%, due to the low temperatures of the first months of the year.
- Iberdrola USA's area of influence in the East Coast of the United States saw a +0.1% increase in electrical demand and a -5.7% drop in gas demand, as a result of higher temperatures in 2015.
- In Brazil, the demand in Iberdrola's area of influence dropped by 1.6% compared to the

same period of the previous year. Thus, the demand in Elektro dropped by 4.4% whereas in Neoenergía it increased by 2.0%.

- During 2015, international commodities markets evolved as follows:
 - The average price of Brent oil was \$52.8 per barrel compared with \$99.1 per barrel last year (-47%).
 - The average price of gas (TTF) over the period dropped to 19.8 EUR/MWh, compared with 20.9 EUR/MWh in 2014 (-5%).
 - The average price of API2 coal is at USD 55.9/MT, compared to USD 75.0/MT (-25%) last year.
 - The average cost of CO₂ rights dropped from 7.7 EUR/MT in 2014 to 6.0 EUR/MT in 2015 (-29%).
- The performance of Iberdrola's main currencies of reference against the euro in 2015 were as follows: the value of the GBP rose by 10.0%, and the USD rose by 16.5%, whereas the Brazilian Real dropped by 18.3%.
 - The total production of the Iberdrola Group in the period (total managed MW*) dropped by 1.5% to 136,794 GWh. This figure includes 55,512 GWh (-9.1%) generated in Spain, 18,635 GWh (-1.5%) generated in the United Kingdom, 17,418 GWh (-0.9%) generated in the United States, 4,802 GWh (+18.0%) generated in Brazil, 38,866 GWh (+8.4%) generated in Mexico and the remaining 1,561 GWh (+7.4%)

* 39% of Neoenergía.

generated in various countries through renewable energies.

- At the end of 2015, Iberdrola had 46,471 MW installed (Total MW under management), of which 63% produces emission-free energy and operates at a very low variable cost.
- The following exceptional highlights should be noted with regard to the period analysed, and compared to the same period of the previous financial year:
 - The merger of Iberdrola USA and the US company UIL, and its subsequent establishment as AVANGRID has been effective since last 16 December 2015. As a result, the consolidated Financial Statements of the Iberdrola Group include, at close of year, the following events of impact:
 - Profit and loss account: Lower EBITDA for EUR 60 million and Net Profit of EUR 45 million with higher operating expenses of EUR 86 million, including the transaction expenses as well as the costs derived from the regulatory conditions imposed by the Regulatory Authorities of the States of Connecticut and Massachusetts.
 - Balance sheet: The incremental debt from UIL (now integrated into Avangrid) amounts to EUR 2,406 million including the payment in cash to former UIL shareholders (data as of 31st as of December 2015).
- In the Networks Spain business, there was a reversal of tax provisions with a positive impact which brought EUR 220 million less corporate tax expenditure.

- The business in United Kingdom has been negatively affected by the planned closure of the Longannet Coal Power Station for the end of the first quarter of 2016, and whose impact increases the provisions item for the year 2015 by EUR 230 million after tax.
- Taxes reduction in the United Kingdom (down to 18% in 2020), reflect positive results of EUR 170 million.
- The evolution of Renewables USA was affected by the low wind energy resource of the year, resulting from adverse weather conditions.

The main items of the Profit and Loss Account have evolved as follows:

	12M 2015	v. 12M 2014
GROSS MARGIN	12,842.7	5.4%
EBITDA	7,305.9	4.9%
EBIT	3,829.3	-2.8%
RECURRING NET PROFIT	2,261.4	7.0%
NET PROFIT	2,421.6	4.1%

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

- Net Debt was EUR 28,067 million, with leverage ratio increasing to 40.7% compared to 41.8% recorded in 2014. Excluding UIL integration impact, Net Debt reached EUR 25,661 million for the period, with a leverage at 40.1%.
- The Funds Generated from Operations in 2015 grew by 8.2% to EUR 5,907 million.
- Solvency ratios already reached the level expected for the end of 2016, with the target having been achieved a year in advance.

Operational performance for the period

1. NETWORKS BUSINESS

1.1. Spain

At close of December 2015, Iberdrola Distribución Eléctrica had 10.8 million supply points, and its energy distribution for the year amounted to 92,676 GWh, a 2.1% increase compared to the previous year.

At the end of 2015, the CAIDI indicator of supply quality was at 61.9 minutes, a 10.9% increase with regard to 2014. It should be noted that this index has been affected by the strong rain, wind and snow storms that took place across the Iberian Peninsula in late January, which caused many generalised incidents.

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

Year	CAIDI accumulated	SAIFI accumulated
2012	58.4	1.14
2013	62.4	1.20
2014	55.7	1.07
2015	61.9	1.20

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:

Physical Units commissioned (Dec. 2015)	Voltage					
	Total	Very high	High	Medium	Low	
Lines ⁽¹⁾	Overhead (km)	154	-63.5	42.5	-66	241
	Underground (km)	640.4	-5.2	19.4	366.2	260
Sub-stations	Transformers (units)	15	13	1	1	
	Capacity increase (MVA)	1,229	1,180	29.3	20	
	Substations (units) ⁽²⁾	11				
Secondary sub-stations	Secondary substations (units) ⁽³⁾	-476				
	Capacity increase (MVA)	53.5				

(1) The drops occur due to 132 kV lines that have become 220 kV and which are now owned by REE.

(2) Of the 11 installations, 3 have been full renovations (STR Cáceres-3, STR Coria I and Móstoles). Four have been replaced (Gandía, Plasencia, Valle de Cácer (Vilanova) and Villaverde PM) and the Polígono-C and Legazpi STRs have been dismantled.

(3) The reassignment of ownership of distribution centres in Madrid (783 additional centres) has been finalised. In Valencia, transformers have put in warehouses. In the last quarter the transfer agreement with Electra Aduriz has been reflected.

In addition, during this quarter 636,990 meters with a remote management system were installed, within the STAR smart grid project.

1.2. United Kingdom

At 31 December 2015, Scottish Power Energy Networks (SPEN) had more than 3.5 million supply points. The volume of distributed electricity during 2015 was 36,213 GWh, representing a -1.0% drop compared to the previous year.

Customer Minutes Lost, CML were as follows:

CML (minutes)	Jan-Dec. 2015	Jan-Dec. 2014
Scottish Power Distribution (SPD)	34.7	34.5
Scottish Power Manweb (SPM)	35.2	38.2

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

CI (No. of interruptions)	Jan-Dec. 2015	Jan-Dec. 2014
Scottish Power Distribution (SPD)	46.6	48.1
Scottish Power Manweb (SPM)	31.5	33.8

Both the CI and the CML comply with the quality limits established in regulations.

1.3. United States

1.3.1. Electricity Distribution

At the end of December 2015, Iberdrola USA Networks had almost 1.9 million electricity supply points in the United States (almost 2.2 including UIL). The distributed electricity volume for 2015 was 31,337 GWh, a +0.1% increase compared with the previous year.

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

SAIFI	Jan-Dec. 2015	Jan-Dec. 2014
Central Maine Power (CMP)	1.57	1.80
NY State Electric & Gas (NYSEG)	1.15	1.03
Rochester Gas & Electric (RGE)	0.75	0.76

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

CAIDI	Jan-Dec. 2015	Jan-Dec. 2014
Central Maine Power (CMP)	1.82	1.86
NY State Electric & Gas (NYSEG)	1.97	1.97
Rochester Gas & Electric (RGE)	1.82	1.74

1.3.2. Transmission

Maine Power Reliability Program Project

Construction works for the project have finished, with a total budget of USD 1,400 million. Works continue on a small additional extension to this project, the Lewiston Loop Project, with a budget of 41 million Dollars.

1.3.3. Gas Distribution

The number of gas users in the States of New York and Maine at the end of December 2015 was 0.6 million, who were supplied 35,007 GWh over the year, down 5.7% from the previous year. With the merger with UIL, gas consumers in the US have reached almost 1 million.

1.4. Brazil

The evolution of demand of Brazilian distributors at the end of 2015 was as follows:

Operational performance for the period

Energy distributed (GWh)	Total GWh ⁽¹⁾		Weighted GWh ⁽²⁾		Var. 2015 v. 2014
	Jan-Dec. 2015	Jan-Dec. 2014	Jan-Dec. 2015	Jan-Dec. 2014	
Coelba	18,871	18,380	7,090	6,906	2.7%
Cosern	5,512	5,462	1,967	1,949	0.9%
Celpe	13,427	13,235	4,694	4,627	1.4%
Elektro	16,190	16,933	16,190	16,933	-4.4%
TOTAL	54,000	54,010	29,941	30,415	-1.6%

(1) 100% of business.

(2) according to % of ownership of Iberdrola.

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

No. of customers	Total customers ⁽¹⁾		Weighted customers ⁽²⁾		Var. 2015 v. 2014
	Jan-Dec. 2015	Jan-Dec. 2014	Jan-Dec. 2015	Jan-Dec. 2014	
Coelba	5.7	5.6	2.2	2.1	2.9%
Cosern	1.3	1.3	0.5	0.5	3.4%
Celpe	3.5	3.4	1.2	1.2	2.8%
Elektro	2.5	2.4	2.5	2.4	2.3%
TOTAL	13.1	12.8	6.4	6.2	2.8%

(1) 100% of business.

(2) according to % of ownership of Iberdrola.

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

Plant	MW ⁽¹⁾	Attributable MW ⁽²⁾
Termope	540	211
Itapebi	450	176
Afluente	18	8
Rio PCH	39	11
Sítio Grande	25	10
Baguari	140	28
Corumbá III	94	24
Goias Sul	48	19
Dardanelos	261	52
Teles Pires*	1,820	356
Wind Farms ⁽³⁾	150	58.5
TOTAL	3,585	951

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

(2) MW equivalent to the percentage of Iberdrola's ownership.

(3) 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 ⁽¹⁾	Attributable MW ⁽²⁾	Date
Baixo Iguaçu	350	96	2018
Belo Monte	11,233	438	2016-2018
Wind farms (auction Jun-14)	84	16	2017
Wind farms (auction Nov-14)	90	18	2017
TOTAL	11,757	568	

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

(2) MW equivalent to the percentage of Iberdrola's ownership.

2. GENERATION BUSINESS AND CUSTOMERS

2.1. Spain and Portugal

As at end of 2015, the installed capacity of Iberdrola in Spain reached 20,081 MW, with the following breakdown

SPAIN	Consolidated installed MW	MW Investee companies	TOTAL
Hydro	9,712		9,712
Nuclear*	3,166	244	3,410
Coal	874		874
Gas C.C.	5,695		5,695
Cogeneration	298	92	390
TOTAL	19,745	336	20,081

* Includes Garoña

Of the 20,081 MW, Iberdrola consolidated 19,745 MW and managed through investee companies a further 336 MW. Since the entry into force of the IFRS11, they are now accounted for by the equity method.

Furthermore, **the Energy Production of the Spanish peninsula system in 2015** was characterised by a high renewable production (36.8% of the total) and a greater thermal production compared to 2014, both coal (+23.8%) and gas (+18.7%). The demand shows an increase of 1.8%, although in terms adjusted to number of working days and temperature, the improvement of the demand was 1.6%. Worthy of note is the evolution of electricity consumption of large companies and industries, which showed a 1.8% growth over the last 12 months, broken down as +2.4% for industrial consumers and -1.0% for service consumers.

Regarding Iberdrola, during 2015 production dropped by 8.8% to 43,616 GWh. The figures broken down by types of technology are as follows:

- Hydroelectric production reached 12,366 GWh, representing a 30.3% drop compared to the previous year due to the lower rainfall in the period. As at 31 December 2015, hydroelectric reserve levels were at 53.1% (equivalent to 5,989 GWh).
- Nuclear production reached 23,142 GWh, representing a decline of 5.3%.
- Coal-fired thermal power stations reached 3,642 GWh, compared to 2,472 GWh the previous year.
- Meanwhile, combined-cycle production rose by 92.4% to 2,288 GWh
- Cogeneration plants registered an 8.4% increase in production, which reached 2,179 GWh.

Of the 43,616 GWh produced, Iberdrola consolidated 43,144 GWh at EBITDA level, with 472 GWh being consolidated by the equity method in accordance with the IFRS 11. The breakdown is as follows:

Operational performance for the period

	GWh Consolidated at EBITDA level	GWh Investee companies (equity method)	TOTAL
Hydro	12,366		12,366
Nuclear	23,063	79	23,142
Coal	3,642		3,642
Gas C. Cycle	2,288		2,288
Cogeneration	1,785	393	2,179
Total	43,144	472	43,616

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

	2015	2014
Hydro	28.4%	37.1%
Nuclear	53.1%	51.1%
Coal	8.3%	5.2%
Gas combined cycle	5.2%	2.5%
Cogeneration	5.0%	4.2%
Total	100%	100%

Note: IFRS 11 does not apply.

As to Supply Business, as at 31 December 2015, the portfolio managed by Iberdrola included 16,042,256 contracts, a total of 458,083 more contracts than in the same period in 2014 (+3%). The breakdown is as follows:

	Contracts	%
Electricity contracts	10,294,767	
Gas contracts	890,382	
Contracts for other prod. & serv.	4,857,107	
Total contracts	16,042,256	+3%

By market type they can be split into the following:

	Contracts	%
Liberalised market	12,074,731	75%
Last resort tariff	3,967,525	25%
Total contracts	16,042,256	100%

Iberdrola's electricity sales in 2015 came to 77.1 TWh measured at power substation busbars, of which 52.8 TWh were sold on the deregulated market, 10.4 TWh correspond to energy at the voluntary price for small consumers (PVPC) and 13.9 TWh substation busbars to other markets.

With regard to gas, in 2015 Iberdrola managed a total gas production of 4.47 bcm, of which 2.72 bcm were sold in wholesale transactions, 0.75 bcm were sold to end customers and 1.0 bcm went towards electricity production.

2.2. United Kingdom

At close of 2015, the installed capacity in the United Kingdom was 4,835 MW. The breakdown of installed capacity is as follows:

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

With regard to production from Iberdrola's traditional electricity generation in the United Kingdom, this fell by 5.6% during 2015 to 14,925 GWh, compared to 15,810 GWh in the previous year.

The market share of the UK generation business in 2015 was 6.0%, compared to 6.1% in the previous year. The highlights are as follows, broken down by production technology:

- The production of coal plants dropped by 18.2% to 7,879 GWh compared to 9,630 GWh for the same period of the previous year, due to the high activity of auxiliary services in Longannet lowering production, and to the drop of the spreads due to the increase of costs derived from "Carbon Tax" and the low prices of electricity.
- Combined cycle gas production rose by 16.0% to 6,333 GWh compared to 5,459 GWh in 2014.

- Hydroelectric production dropped by 1.1% to 708 GWh, compared to 716 GWh in 2014.
- Cogeneration production dropped by 22.2% to 4.3 GWh, compared to 5.5 GWh in 2014.

Regarding Supply Business, in 2015 customers were sold 22,474 GWh of electricity and 32,052 GWh of gas, compared to the figures for 2014: 22,211 GWh of electricity and 31,030 GWh of gas.

At close of 2015, Scottish Power had 3.3 million electricity customers and 2.2 million gas customers, representing an increase of 0.02 million customers compared to the previous year. The control of the credit terms continues to stand out positively thanks to the structure of the client portfolio, given that 78% of United Kingdom customers use payment methods that imply a very low delinquency rate, paying by direct debit or using a pre-payment mechanism.

2.3. Mexico

The operating capacity of the combined cycles and cogeneration plants is 5,082 MW at the end of 2015, with the addition of a further 51 MW in the combined cycle plant of Tamazunchale (San Luis Potosi) for sale to private clients.

Capacity (MW)	MW
Monterrey	1,040
Altamira	1,036
Enertek	160
La Laguna	538
El Golfo	1,121
Tamazunchale	1,187
TOTAL	5,082

The award by the Federal Committee of Electricity (CFE) of Mexico of the North East plant under the Independent Energy Producer category stands out in 2015, with a 25-year contract for 857 MW in the municipality of El Carmen (Nuevo León). This plant, for which the project has already started, will be operational in 2018. Furthermore, two new cogeneration projects have started in construction in 2015, with a joint capacity of 106 MW.

Currently, there are three new plants in construction phase, which will be operational in 2016: the 300 MW combined cycle plant in Baja California III (25 years contract with CFE), a 50 MW cogeneration plant and a new 300 MW combined cycle unit in the Dulces Nombres plant in Monterrey for private customers.

The capacity contracted with CFE, under 25 year contracts (regulated generation) reaches 5,390 MW.

With all of this, in 2018, Iberdrola's operating thermal capacity in Mexico in fully consolidated projects will reach 6,700 MW.

Electrical energy sold by combined cycle and cogeneration plants reached 38,128 GWh, up 8.4% from 2014.

The plant load factor is 86%. Reliability has been 99.4%, excellent within the comparable parameters amongst combined cycles on a world level.

Mexico's energy reform, and within it the reform of the electricity sector, continues following the calendar of planned events. With the basic regulatory phase having finished with the publication of the Electricity Market Guidelines, the Short Term Electricity Market entered into effect in January 2016, and the first auctions of capacity, energy, and clean energy certificates will be carried out in the first half of 2016. The reforms are a great opportunity for additional business growth in the coming years.

3. RENEWABLES

At the end of 2015, the Renewables business had an installed capacity of 14,728 MW.

During the last 12 months, Iberdrola installed 139 MW. Of the 14,728 MW, Iberdrola consolidated 14,186 MW and managed through subsidiary companies a further 542 MW.

	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.	1,614	15	1,630
Onshore	1,420	15	1,436
Offshore	194	-	194
Wind Energy Brazil	187	-	187
Wind Energy Mexico	367	-	367
Wind Energy RoW	616	122	738
Total Wind Energy	13,777	542	14,319
Total Onshore Wind	13,582	542	14,124
Total Offshore Wind	194	-	194
Other Renewables (***)	413	-	409
Total insta. capacity	14,116	542	14,659

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

(**) Neoenergia is not included.

(***) Dismantling of 3.39 MW of mini hydro in Spain.

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

	GWh Consolidated at EBITDA level (*)	GWh managed by investee companies (**)	Total
Wind Energy Spain	10,722	433	11,155
Wind Energy USA	13,743	393	14,135
Wind Energy U.K.	3,694	16	3,710
Onshore	2,943	16	2,959
Offshore	751	-	751
Wind Energy Brazil	441	-	441
Wind Energy Mexico	738	-	738
Wind Energy RoW	1,362	190	1,552
Total Wind Energy	30,700	1,032	31,732
Total Onshore Wind	29,949	1,032	30,981
Total Offshore Wind	751	-	751
Other Renewables	876	-	876
Total Renew. Prod.	31,576	1,032	32,608

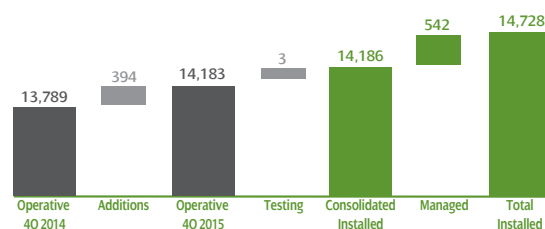
(*) IFRS11, figures rounded to the nearest unit.

(**) Does not include Neoenergia.

Operating consolidated capacity reached 14,183 MW after adding 394 MW in operation in the last 12 months.

Operative and Installed Capacity

MW

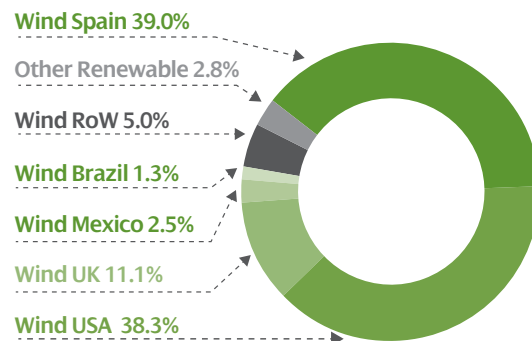


Note: Figures rounded to the nearest unit

At close of 2015, the geographical breakdown of the installed capacity of 14,728 MW is as follows:

Installed Capacity breakdown

MW



Onshore Wind Energy

Iberdrola reached an installed onshore wind power of 14,125 MW (of which all 13,583 MW are fully consolidated) after having added 139 MW onshore wind power over the last twelve months.

Spain

Installed capacity at close of 2015 was 5,753 MW. Of this capacity, Iberdrola consolidated 5,509 MW and managed through subsidiary companies the remaining 244 MW.

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. A total amount of 744 MW are already approved for construction: Amazon (208 MW) in North Carolina, Tule (132 MW) in California, Deerfield (30 MW) in Vermont, Twin Buttes (76 MW) in Colorado and El Cabo (298 MW) in Nuevo Mexico.

United Kingdom and Republic of Ireland

The installed capacity amounts to 1,436 MW in the United Kingdom and Republic of Ireland. Of this capacity, 1,420 MW are consolidated and 15 are managed through investee companies.

Works are being carried out on the wind farms of Black Law Extension Phase I (45 MW), Ewe Hill 6WTG (13.8 MW), Dersalloch (69 MW), Killgallioch (239 MW) and Hare Hill extension (29.75 MW), due to be commissioned between 2016 and 2017.

The wind farms of Ewe Hill Phase 2 (36.8 MW), Black Law Ext Phase 2 (18.4 MW) and Glen App (22 MW) are in the phase prior to the start of construction.

This reflects a total amount of 474 MW under ROCs.

Brazil

In Brazil, the total installed capacity is 187 MW.

In 2014, a Partnership Agreement with Neoenergía was reached, with retroactive effect as of 1 January 2014. The objective of the agreement is to reorganise the shareholder structure in 10 wind farms owned previously by Iberdrola and Neoenergía, each with a 50% share. After this reorganisation, Iberdrola fully consolidates six wind parks, which come to a total of 187 MW.

Furthermore, six projects for a total of 174 MW in wind energy won the 'Leilões' (tenders) that took place in 2014. Works are under way on the wind farms of Calango 6 (30 MW), Santana I (30 MW) and Santana II (24 MW).

Mexico

In Mexico, installed capacity totals 367 MW following the completion of the wind farm Pier II (66 MW) in the state of Puebla, and the consolidation of capacity at Dos Arbolitos (70 MW).

Rest of the world

Installed capacity at the end of 2015 is 738 MW, of which 616 MW correspond to consolidated capacity and 122 MW is 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
Total	616	122	738

Offshore Wind Energy

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

In 2014, the company commissioned the West of Duddon Sands project in the United Kingdom, located on the Irish Sea. Attributable installed capacity is 194 MW. The wind farm has ended its first full year of operation, reaching a production 13% above its budget.

Iberdrola continues with the development of the Wikinger offshore project, of 350 MW, in the Baltic Sea (Germany). The project is in the component manufacturing phase with a view to starting offshore works in 2016 and commissioning in late 2017.

Iberdrola is also developing the 'East Anglia' project in the United Kingdom, on the North Sea. In February 2015 the East Anglia I project secured a Contract for Difference in the first auction of its kind in the United Kingdom, for a maximum capacity of 714MW; the project has made progress during 2015, with a view to a final investment decision and the signing of the contract with Siemens for the supply of 102 wind turbines of 7MW.

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 project was redefined technically, with the aim of using a more modern machine, with a unit capacity of 8 MW, from supplier ADWEN (joint venture of Areva and Gamesa). In October 2015, the project submitted its application for a building permit. In 2016, the company will work towards answering the requests from the French administration within the process for approval of said permit, as well as on the consolidation of the main supply agreements for the future farm.

Other Renewable Technologies

The Renewables business has installations of other renewable technologies in several countries, amounting to a total of 409 MW, broken down as shown in the following table:

Technology	MW	Country
Mini Hydro	303	Spain
Photovoltaic	56	USA (50 MW) and Greece (6 MW)
Hybrid Thermo-solar	50	Spain
TOTAL MW	409	

4. SHAREHOLDER REMUNERATION

Iberdrola Scrip Dividend

In January 2016 a new edition was launched of the 'Iberdrola Scrip Dividend' on occasion of the payment of the interim dividend corresponding to financial year 2015. During this edition, 47.6% of Iberdrola shareholders opted to obtain free Iberdrola shares devoid of tax withholding.

Thus, Iberdrola has issued 60.33 million new shares, under the scope of the capital increase established in order to cover this remuneration system, which implies a 0.95% increase in the company's share capital.

The remaining 52.4% of the Company's shareholders opted for cash remuneration. Thus, Iberdrola paid out EUR 421.7 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 19%.

5. OTHER SIGNIFICANT EVENTS

5.1. Regulation in Spain

In the last quarter of 2015, a group of provisions was approved affecting the energy sector. This section presents the most significant regulatory changes.

Electricity Sector

Royal Decree 1073/2015 of 27 November modifies different provisions in the **royal decrees on remuneration of electricity networks**. In the case of the activity of electricity distribution, the investment plans of distributors – especially smaller sized ones – are flexibilised and standardised. For both activities, the references to the annual periodical review of the unit values based on the PCI are eliminated to comply with the precepts of the Law on De-indexation. The remuneration regime established in these regulations culminates with the approval of the ministerial orders IET/2659/2015 for companies that own transmission installations and IET/2660/2015 for companies distributing electrical energy. These orders establish the standard installations and the unit values to be considered in the calculation of the remuneration for the transmission and distribution with the new remuneration methodology defined in RD 1047 and 1048/2013 respectively. This milestone triggers the beginning of the first regulatory period, which started on 1 January 2016 and will end on 31 December 2019. Additionally, Order IET/2660/2015 publishes the methodologies for calculating the main necessary parameters

for the calculation of remuneration for 2016, although it does not publish its values, and also develops the concepts of natural growth and increase in capacity, and modifies the formula for the calculation of compensation for use and reservation of premises.

On 10 October the BOE published **Royal Decree 900/2015**, regulating the administrative, technical and economic conditions of the types of electrical energy supply with **self-consumption** and of production with self-consumption. This royal decree distinguishes two types of self-consumption:

- 1-Supply with self-consumption: when it is a consumer in a single supply point or installation, who has his or her internal grid of one or several electrical energy generation installations used for his or her own consumption and which are not registered on the corresponding register as a production installation; in this case, there will be a single subject, who will be the consumer subject, the capacity under contract will be no higher than 100 kW and the discharges of energy to the grid will not be subject to financial compensation.
- 2-Production with self-consumption: when it is a consumer in a point of supply or installation, which is associated to one or several production installations that are duly inscribed in the administrative register of energy production installations in this event, there will be two subjects: the consumer and the producer.

All consumers under any of the self-consumption regimes must be registered in the Administrative Register of Self-Consumption, and in order to subscribe to any of the types of self-consumption, the consumer must sign an access contract with the distribution company directly or through the selling company.

With regard to the economic regime, until the charges associated to the system costs are approved, self-consumers must pay a fixed charge applicable to the maximum generation capacity in the tariff period for manageable generation installations and a variable charge applicable to self-consumed energy. (Consumers under the self-consumption supply regime whose capacity under contract is less than or equal to 10 kW will be exempt from paying the transitory charge for the self-consumed energy). In addition, of the charges for system costs and services, self-consumers pay the access tariffs for the use they make of the grid, like the rest of consumers.

Order IET/2735/2015, of 17 December, establishes **the electrical access tariffs for 2016** and approves specific standard installations and remunerative parameters for electrical energy production installations from sources of renewable energy, cogeneration and waste. This order reduces the regulated part of the electricity bill as from 1 January 2016, which will bring about an average reduction of 2.8% on the electricity bill for domestic consumers compared to January 2015, and of 0.7% compared to December 2015.

The drop occurs after adjusting down by 21% the unit prices of the payments for capacity. The accumulated reduction for this item is 53% since last July. It should be noted that the results at year end 2014 and 2015 show an estimated surplus of 1,400 million euros, which is deposited with the CNMC until its application and use is established.

Law 48/2015, of 29 October, regarding **General State Budgets for the year 2016** covers 50% of the excess non-mainland costs (741 million euros) and provides the items established by Law 15/2012 (tax on the value of electrical energy production, hydroelectric tax, tax on the production of spent nuclear fuel and on the storage of radioactive waste, income originating from emission allowance auctions, etc.), for the amount of 3,155 million euros, 7.4% lower than 2015.

Order IET/2209/2015, of 21 October, publishes the Agreement of the Council of Ministers of 16 October 2015, approving the **Energy Planning document**: Plan for Development of the Electrical Energy Transmission Grid 2015-2020. The planning document includes provisions regarding the future behaviour of the demand, the necessary resources to satisfy it, the evolution of the market conditions to guarantee the supply, and environmental protection criteria. The planning document foresees the final energy consumption in Spain to grow by an annual average rate of 0.9% between 2014 and 2020; furthermore, it foresees a change in the structure of the generator facilities, with a drop in the weight of coal, oil and gas products and an increase in the weight of renewable energies. In this regard,

the planning document foresees the electrical generation with renewable energies to reach 36.7% in 2020, (20% of the final gross energy and 10% of the energy consumption of the transportation sector). The projects considered in the planning horizon include 1,517 km of new 400 kV lines and 1,747 km of 220 kV lines. This should be added to the repowering of almost 6,200 km of lines.

Order IET/2208/2015, of 20 of October recognises the collection rights of the **National System of Energy Efficiency Obligations** corresponding to undue contributions made in 2014 and 2015 to the National Energy Efficiency Fund. This order recognises Iberdrola Generación España's collection rights regarding this fund of more than 4.4 million euros.

*Order IET/2182/2015, of 15 October, approves the percentages for distribution of the amounts to be financed regarding the **rates subsidy ('bono social')** corresponding to 2015. The amount corresponding to Iberdrola España, S.A.U is 38.254%.*

Lastly, the *Decision of 18 December 2015, of the Department of State of Energy, establishes the criteria to take part in the system's adjustment services, and approves specific testing procedures and operation procedures for adaptation to Royal Decree 413/2014, of 6 June, regulating the activity of electrical energy production from renewable energy sources, cogeneration and waste. By means of this Decision, renewable installations may take part in the adjustment services of the electricity system in an effective manner and in equal conditions to the rest of conventional technologies, thus improving competition*

in these markets. This constitutes an unprecedented step forward in the European market.

5.2. Regulation in the United Kingdom

On 18 November 2015 the Secretary of State for Energy Amber Rudd gave a speech setting a new course for the country's energy policy, highlighting the role of markets and expressing caution regarding subsidies. She announced the gradual disappearance of coal up to 2025, the commitment to continue working in 2016 on improving the capacity mechanism for guaranteeing the construction of new gas plants and the intention to hold three new offshore wind energy auctions from now to 2020 (subject to continuing making progress in the reduction of costs).

On 25 November the Government in its Autumn Statement and Spending Review announced that it will not finance the CCS pilot projects beyond their FEED phase. Furthermore, it provided a revised estimation of the Levy Control Framework that continues to show over-expenditure at the end of the decade. Over-expenditure dropped by GBP 300 million compared to the previous estimate and the published figure does not yet take into account the different cuts proposed by the Government.

Confirmation was given of the early closure of the Renewables Obligation (RO) for solar energy equal or lower than 5 MW, as well as the proposal to reduce FITs to future small-scale plants and the implementation of an expense cap in said framework of support (with minor modifications). The Government's

proposal of closing the RO for onshore wind energy in 2016 (with grace periods) came up against an obstacle when the House of Lords eliminated the provisions of the Law in question. However, it is expected that the provisions will be re-established in the draft bill during the parliamentary process in the House of Commons.

Ofgem has consulted regarding the possibility of competitively assigning transmission operators to carry out new, important and separable investments in the transmission grid.

The research by the Competition and Markets Authority (CMA) on the energy market continues. On 26 October 2015 the CMA opened a consultation regarding an alternative remedy to the price cap on the standard variable tariff. On 16 December 2015 the CMA published a consultation regarding new provisional conclusions and possible remedies in the prepayment segment. In addition to the interest in prepayment and standard variable tariffs, it is probable that the CMA will take or recommend additional measures including those seeking to improve competition in the supply to SMEs, improving the response in the process of modifying industry codes, reducing regulatory restrictions to the establishment of tariffs and introducing zone charges for losses.

5.3. Regulation in Brazil

GSF: After the negotiation which lasted throughout 2015, Law 13.203 was finally approved, regulating the renegotiation of hydrological risk. The regulation approved by Aneel makes it possible for generators to transfer part or all of the hydrological risk

depending on the risk they wish to undertake, in exchange for the payment of a premium to the Tariff Band Centralising Account. Adhesion to the agreement is subject to the withdrawal of precautionary measures: The proposal was well received among most generators of the regulated market, which is why a large number of them adhered to the agreement. However, in the deregulated market, given the characteristics and the greater mobility of agents, there were no significant adhesions.

Thanks to this agreement it was possible to unblock the market, paralysed since November due to the great number of precautionary measures in force of at that time.

5.4. Regulation in the United States

On 18 December Congress approved legislation extending and gradually reducing fiscal credits for renewable production (PTC) and fiscal credits for solar investment (ITC). Any developers starting building works on a wind farm before 2017 will receive the credit in full, whereas those starting construction between 2017 and 2019 will receive a reduced credit. Developers starting building works on a solar project before 2020 will access an investment credit (ITC) of 30%. Projects starting construction after 2019 will be entitled to a lower ITC.

On January 21 the Court of Appeals of the D.C. Circuit rejected the request of some States, coal companies and utilities for the application of the rule of the *Environmental Protection Agency* (EPA) obliging the States or, should they fail to comply, the electricity generators with fossil

fuels to reduce CO₂ emissions existing in the electricity sector, to be paralysed until the judicial process had ended. The EPA estimates that said regulations will reduce CO₂ emissions in the USA by 32% compared to 2005 levels.

On 6 January, utility companies and advocates of renewable energies reached an agreement to increase the renewable portfolio standard (RPS) of Oregon up to 50% and also to forbid private utilities from selling energy generated in the coal plants in the State. The legislative power of Oregon still has to make the agreement into law, and therefore its application is not guaranteed.

5.5. Regulation in Mexico

On 24 December, the Law on Energy Transition was published in the DOF, regulating the sustainable use of energy, as well as obligations regarding clean energy and reduction of polluting emissions of the electricity industry. For this, it establishes minimal percentages of electricity generation with clean energies: 25% in 2018, 30% in 2021 and 35% in 2024. The obligation is made by means of the purchase of Clean Energy Certificates (CEL in their Spanish acronym) that are imposed on consumption and not generation. Furthermore, for the first four years it includes a Flexibility Mechanism to defer up to 50% of the annual obligations of CELs for two years in the event of there being a lack of liquidity in the Certificates market.

On 24 November, the Department of Energy (SENER) published in the Official Diary of the Federation ('DOF') the **Handbook of Long-term Auctions** and the rest of the handbooks

required to start the operation of the short-term energy wholesale electricity market. Likewise, the market operator (CENACE) published the Bidding Bases for the Long-Term Auction, the calendar for the process and the protocols for access and clarification meetings. Subsequently, the Energy Regulation Committee (CRE) awarded 159 permits to CFE to generate energy in its existing plants, which together add up to a little over 42,000 MW of capacity.

Lastly, on 11 January 2016, SENER published in the DOF the Terms and Conditions for the Legal Separation of CFE, the purpose of which is to promote the efficient operation of the electricity sector and the open and not unduly discriminatory access to the transmission and distribution networks. According to these terms and conditions CFE will be divided vertically, creating legally independent companies for generation, transmission, distribution and supply, as well as horizontally.

Analysis of the consolidated profit and loss account

1. RELEVANT INFORMATION

1.1 AVANGRID

The merger of Iberdrola USA and the US company UIL, and its subsequent establishment as AVANGRID has been effective since last 16 December 2015.

As a result, the consolidated Financial Statements of the Iberdrola Group include, at close of business, the following events of impact:

- Profit and loss account: Lower EBITDA for EUR 60 million and Net Profit of EUR 45 million resulting from the inclusion of operating expenses as well as of the costs generated by the regulatory conditions established by the regulatory Authorities of the States of Connecticut and Massachusetts.
- Balance sheet: The incremental debt originating from UIL amounts to EUR 2,406 million, including the cash payment to UIL shareholders (data as of 31st of December 2015).

1.2 Closure of the Longannet coal power station (United Kingdom)

The closure of this coal power station, planned for the end of the first quarter of 2016, increases the provisions item for financial year 2015 by EUR 230 million.

2. ANALYSIS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

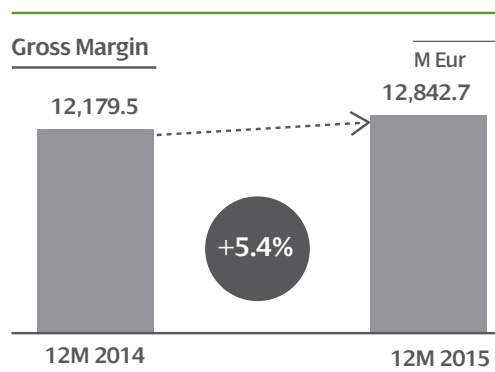
The most notable figures for 2015 are as follows:

Eur Millions	12M 2015	12M 2014	%
REVENUES	31,418.7	30,032.3	4.6
GROSS MARGIN	12,842.7	12,179.5	5.4
EBITDA	7,305.9	6,964.5	4.9
EBIT	3,829.3	3,940.9	-2.8
RECURRING NET PROFIT	2,261.4	2,112.9	7.0
NET PROFIT	2,421.6	2,326.5	4.1
OPERATING CASH FLOW	5,906.7	5,458.5	8.2%

The evolution of the average exchange rates for the reference currencies (USD: +16.5%; GBP: +10.0%; Real: -18.3%) affect the profit and loss account.

2.1 Gross Margin

Gross Margin came to EUR 12,842.7 million, a 5.4% increase compared to 2014.



Its growth is mainly the result of the following:

- **The Networks Business** increased by 5.2% compared to 2014, reaching EUR 5,513.8 million, and showed positive trends in all countries. The most significant events of the year were the following:
 - In Spain it reached EUR 1,951.7 million as a result of the application of RDL 9/2013 and despite the negative impact of EUR 40 million, the accrual of investments from previous years having been accounted for in 2014.
 - The figure for United Kingdom reached EUR 1,471.9 million (+10.6%) due to Pound Sterling appreciation (10%). The greater base of assets to remunerate from the investments made, derived from applying the RIIO-T1 in Transmission, offset by the income profile defined in the new regulatory framework for Distribution RIIO-ED1, which will be in force from April 2015 to 2023.
 - The contribution of Iberdrola USA for the period is EUR 1,698.4 million (+13.4%) with the appreciation of the dollar compensating for accounting adjustments derived from the transfer US GAAP-IFRS, including also the effect of the reclassification of some items that reduce this contribution without affecting EBITDA and a higher cost of energy that would be offset in future exercises (GINA contract).
- The Gross Margin for Brazil totalled EUR 391.9 million (-14.7%), affected by the depreciation of the Real and one off positive effect of regulatory assets recognition accounted for 2014, which affects the year-on-year comparison, partially offset by the upward review of Elektro tariffs (+38%).
- **The Generation and Supply Business** increased by 2.3% to EUR 4,841.6 million.
 - In Spain the figure reached EUR 2,971.4 million (-3.2%) despite the greater volume of sold energy, and mainly due to the greater procurement costs resulting from the different generation mix, a result of the drop in hydroelectric production (-30.3%) given the extraordinary hydraulic conditions of the previous month. Additionally, in March 2014 an extraordinary positive impact of EUR 43 million was registered in the gas business, due to the renegotiation of contracts, which affects the year-on-year comparison. However, this effect was partially offset by the good performance of net operating expenses.
 - The Gross Margin for the United Kingdom was EUR 1,306.4 million, positively affected by the appreciation of the pound. The generation business decreased its contribution due to the lower production (-1.5%) and the increase in costs (carbon tax). The commercial business improved due to the greater sales, which compensate the drop in tariffs and the increase of

regulated costs (ROCs, DuOS and TuOS). It is noteworthy the gas business good performance in the period.

- Mexico contributed EUR 583.5 to the Gross Margin (+27.6%) resulting from the new contracts with private clients and the appreciation of the US Dollar.
- **The Renewables Business** increased its Gross Margin by 16.1% to EUR 2,360.8 million. The main causes of this trend are:
 - A lower production in in Spain (-9.9%) offset by a recovery of prices (EUR +8, +14%), given that they were exceptionally low in 2014 due to the weather conditions and the impact of a regulatory reform during the first part of the year, means that the gross margin rose to EUR 750.8 million (+3.1%).
 - A greater contribution from the US of EUR 822.6 million (+11.8%), due to the effect of the exchange rate, which offsets a lower wind energy resource (production: -4.1%) and lower sale prices reached as a result of milder weather conditions than the previous year.
 - An improved gross margin in the United Kingdom of EUR 571.9 million, due to the entry of new capacity (contribution of the offshore wind farm of at West of Duddon Sands) and the good wind conditions (production: (+19.3%).
 - A contribution from Latin America and the Rest of the World of EUR 215.6 million,

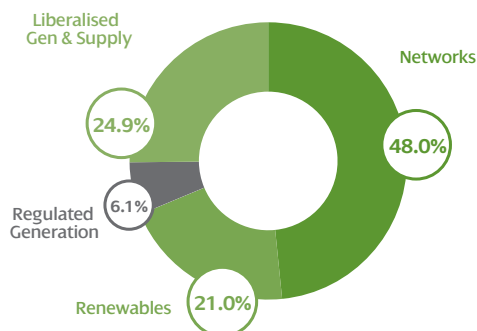
the result of greater production and an improvement of wind energy.

- The contribution of Other Businesses was EUR 235.0 million (+8.6%).

2.2 Gross Operating Result - EBITDA

Consolidated EBITDA increased by 4.9% compared to 2014, reaching EUR 7,305.9 million, where all businesses improved, with increases in Networks (+1.9%), Renewables (+18.6%) and Generation and Supply (+1.2%).

EBITDA by business



In addition to the already explained Gross Margin, Net Operating Expenses increased by 5.4% to EUR 3,830.3 million, affected by the exchange rate, given that excluding this effect, it would have dropped by 1.6%. This item was affected by positive one off impacts (favourable decisions accounted in External Services), offset by higher one off prices derived from the implementation of new IT systems in the United

Kingdom and the increased in expenses from Avangrid operation.

The Levies item increased by 7.9% to EUR 1,706.5 million, mainly due to the positive impact of EUR 113 million recorded in 2014 due to the favourable decision regarding CO₂ rights deduction, which affects the year-on-year comparison, although it is partially offset by several positive legal decisions (EUR 48 million). Additionally, the Taxes item increased due to the impact of the exchange rate (EUR 85 million).

2.3. Net Operating Result - EBIT

EBIT was EUR 3,829.3 million, a 2.8% drop compared with 2014.

Thus, Amortisations and Provisions increased by 15%, totalling EUR 3,476.6 million.

- The Amortisations item recorded a 9.2% increase up to EUR 2,982.7 million, produced mainly due to the impact of the exchange rate, the new assets commissioned in Renewables and Networks, and the amortisation of new IT developments in the United Kingdom (FIS).
- The Provisions item was EUR 493.9 million, with a greater expense of EUR 201.8 million, representing a 69.1% increase due mainly to non-recurring provisions in the United Kingdom deriving from the closure of the Longannet thermal power station (EUR 288 million), partially offset by the extension of the PTCs in the United States that reduce write-off of wind farms development costs (EUR 50 million).

2.4. Financial Result

Net Financial Result was at EUR -1,023.1 million, improving by 8.9% compared to that achieved in 2014, mainly resulting from the 8% decrease in the result associated to debt. The average cost was 4.05%, 30 bp lower than last year.

The negative impacts associated with the surplus generated in 2014 by the sale of the stake in EdP, the remuneration of the tariff deficit and the derivatives result have been partially offset by the favourable result of several non-recurring contingencies (EUR 101.4 million), including interest accrued in legal rulings, gains of FX hedging and the sale of the stake in Euskaltel.

	2014	2015	Dif.
Debt Results	-1,144.6	-1,050.7	93.9
Regulatory receivables Interests	23.0	0.0	-23.0
Derivatives and exchange differences	-25.5	-56.9	-31.5
Others	24.7	84.6	59.9
Financial result	-1,122.4	-1,023.1	99.4

2.5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method amounted to EUR 55.3 million (-59.2%) a result of the sale of the stake in BBE and the increase in book value of the stake in Gamesa registered in 2014, which affects the year-on-year comparison.

2.6. Income from Non-Current Assets

Income from Non-Current Assets amount to EUR 125.1 million, dropping 49.5% compared to 2014. In 2015 the most significant operation has been the sale to Neoenergia of the direct stakes in Coelba y Cosern (+EUR 74 million) and the collection from the arbitration in Bolivia (+EUR 32 million), whereas in the same period of the previous year Iberdrola's direct stake in Itapebí and BBE was sold, as was the stake in the Nugen project (nuclear development) in the United Kingdom, reaching a total of EUR 244 million.

2.7. Net Profit

Lastly, Net Profit rose to EUR 2,421.6 million, up 4.1% compared to 2014. Recurring Net Profit reached EUR 2,261.4 million (+7.0%) as the result of a good evolution of business and the year-on-year comparison of specific items of each year.

Corporate tax expenses decreased by 37.0% to EUR 527.1 million, mainly due to the drop in Spain's tax rate (from 30% to 28%) and to the reversal of fiscal provisions of previous years, which brings about a positive impact of EUR 220 million, and to the positive impact due to the lower tax rate in the United Kingdom (EUR 170 million, of which EUR 163 are non recurrent), which will have an 18% tax rate in the year 2020.

Funds Generated from Operations* at 31 December 2015 were at EUR 5,907 million, a 8.2% increase compared to the same period of the previous year. The evolution of the benchmark credit ratios** is as follows:

	12 M 2015	12 M 2014
Funds Generated from Operations (FFO)**/Net Debt*	21.0%	21.3%
Retained Cash Flow (RCF)***/Net Debt*	18.7%	17.4%
Net Debt*/EBITDA	3.8x	3.7x

* Including TEI and regulatory receivables. As of 31st December 2015, Net Debt figure includes Eur 2,406 MM derived from UIL integration. Year 2014 included three dividend payments.

** 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.

Business results

1. NETWORKS BUSINESS

The key figures for the Networks business are as follows:

(Eur M)	12M 2015	v. 12M 2014
Revenues	7,960.1	8.5%
Gross Margin	5,513.8	5.2%
EBITDA	3,601.6	1.9%
EBIT	2,472.0	0.7%

The Networks business increased its contribution to the Gross Margin (+5.2%), with growth in all countries except Brazil due to a non recurring income of EUR 75 million in the last quarter of 2014 for the recognition of tariff assets, which affects the year-on-year comparison.

1.1 SPAIN

(Eur M)	12M 2015	v. 12M 2014
Revenues	1,965.0	0.7%
Gross Margin	1,951.7	-
EBITDA	1,449.6	0.8%
EBIT	1,014.1	-0.4%

a) Gross Margin

Gross Margin for the Networks business in Spain remained stable at EUR 1,951.7 million. To the application of RDL 9/2013 one must add the accrual of the investments made and

re-settlements of previous financial years (EUR +33 million compared to EUR 40 million 2014).

b) Operating Profit / EBIT

EBITDA in this Business amounted to EUR 1,449.6 million, an increase of 0.8%.

Efficiency measures took Net Operating expensed down to 3.9% to EUR 404.5 million. Taxes increased by EUR 4.9 million (+5.3%) compared to 2014.

EBIT for the Networks Business in Spain totalled EUR 1,014.1 million (-0.4%). Amortisations and Provisions came to EUR 435.5 million (+3.7%), as a result of the commissioning of new assets.

1.2 UNITED KINGDOM

(Eur M)	12M 2015	v. 12M 2014
Revenues	1,533.6	11.1%
Gross Margin	1,471.9	10.6%
EBITDA	1,138.0	11.0%
EBIT	828.6	10.1%

a) Gross Margin

Gross Margin of the Networks business in the United Kingdom (ScottishPower Energy Networks-SPEN) reached EUR 1,471.9 million favoured by currencies appreciation. The larger asset base resulting from greater investments is offset by revenue reprofiling in the Distribution business following the entry into force of RIIO-ED1 as from 1 April.

b) Operating Profit / EBIT

EBITDA reached EUR 1,138.0 million (+11.0%). Net Operating Expenses increased by 7.4% to EUR 221.3 million and taxes did so by 12.2%, both of these items being greatly affected by the exchange rate. In local currency, Net Operating Expenses dropped by 3.3%.

Amortisations and Provisions totalled EUR 309.4 million (+13.8%) and were equally affected by the exchange rate, as well as by new assets commissioned.

1.3 UNITED STATES

(Eur M)	12M 2015	v. 12M 2014
Revenues	2,675.0	10.9%
Gross Margin	1,698.4	13.4%
EBITDA	774.4	0.3%
EBIT	497.1	0.4%

a) Gross Margin

Iberdrola USA increased its contribution to the Gross Margin by 13.4% to EUR 1,698.4 million, positively affected by the appreciation of the Dollar (+16.5%) which offsets the US GAAP-IFRS adjustments (EUR 13 million) as well as the effect of reclassifying certain items that decrease this item but do not have any impact at EBITDA level (EUR 16 million), and a greater cost of bought energy which will be compensated in future financial years (GINA contract) at EUR 43 million.

The breakdown is as follows:

• By business

(Eur M)	12M 2015	v. 12M 2014
Electricity	1,383.4	11.6%
Gas	317.7	20.5%
Corporation an others (incl. IFRS adjustments)	-2.7	-50.8%
TOTAL	1,698.4	13.4%

• By company

(Eur M)	12M 2015	v. 12M 2014
NYSEG	779.5	13.7%
RGE	437.5	7.0%
CMP	484.1	18.3%
Corporation an others (incl. IFRS adjustments)	-2.7	-50.8%
TOTAL	1,698.4	13.4%

b) Operating Profit / EBIT

EBITDA increased by 0.3% to EUR 774.4 million, given that to the evolution of the Gross Margin one must add the increase of the Net Operating Expenses (+29.7%) which reached EUR 635.9 million due to the appreciation of the Dollar (EUR 105 million), the reclassification of items from amortisations to external services (EUR 27 million) and the impact of the integration of UIL, which incorporates the costs of transaction and other non recurring costs to the net operating expenses (EUR 86 million).

EBIT was EUR 497.1 million (+0.4%) having deducted Amortisations and Provisions, which totalled EUR 277.3 million, and which increased by +0.2% due to the new investment made in transmission lines and to the appreciation of the Dollar, offset by the reduction of amortisations due to the reclassification of items mentioned before.

1.4 BRAZIL

Following the application of IFRS 11 in 2014, only Elektro is included in this section, as Neoenergia went on to be consolidated by the equity method.

(Eur M)	12M 2015	v. 12M 2014
Revenues	1,786.5	12.4%
Gross Margin	391.9	-14.7%
EBITDA	239.5	-20.0%
EBIT	132.2	-29.8%

a) Gross Margin

In Brazil, Gross Margin totalled EUR 391.9 million (-14.7%), affected by the exchange rate (EUR -72 million) and by a non-recurring income accounted for in the last quarter of 2014 for the recognition of the regulatory assets, affecting the year-on-year comparison. In addition, the following is worthy of mention:

- The impact of the lower demand (-4.4%) resulting from the government programmes incentivising a reduction in consumption.

- Increase of the per unit margin due to tariff review in August 2014 (+38%).

b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 239.5 million, a 20.0% drop.

Net Operating Expenses totalled EUR 151.5 million and dropped by 4.0% compared to 2014 due to the depreciation of the Brazilian Real.

Amortisations and Provisions totalled EUR 107.4 million (-3.6%), also affected by the exchange rate, given that in local currency they increased due to new assets put in operation and due to insolvencies increase resulting from the higher energy prices for end consumers and the economic crisis.

As a consequence of this, the EBIT is EUR 132.2 million.

2. GENERATION AND SUPPLY BUSINESS

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

(Eur M)	12M 2015	v. 12M 2014
Revenues	21,566.0	2.0%
Gross Margin	4,841.6	2.3%
EBITDA	2,320.0	1.2%
EBIT	962.3	-24.6%

The Generation and Supply business improved its contribution to Gross Margin and EBITDA thanks to Mexico's contribution. Also worthy of mention are several positive non-recurring circumstances accounted for in 2014 and which affect the year-on-year comparison: the extraordinary hydroelectrical production and the extraordinary impact of gas in Spain, as well as good conditions for the gas business in the USA and Canada in 2014.

2.1 SPAIN

(Eur M)	12M 2015	v. 12M 2014
Revenues	12,779.1	2.1%
Gross Margin	2,971.4	-3.2%
EBITDA	1,502.3	-1.0%
EBIT	969.6	1.2%

a) Gross Margin

Gross Margin for Iberdrola's Generation and Supply Business in Spain recorded a 3.2% drop, totalling EUR 2,971.4 million.

The following can be highlighted:

- A lower production of 8.8%, caused by the drop of hydroelectric generation (-30.3%) due to the extraordinary conditions of last year, and a lower nuclear production (-5.3%). Gas cycle production grew by 92.4%, coal plants production increased by 47.3%, and cogeneration rose by 8.4%.

- The cost for Procurement rose by 3.9%, impacted by lower rainfall compared to last year and its effect on the production mix.
- Hydroelectric reserves were at 5,989 GWh (53.1%) on 31 December 2015.
- With respect to the application of the energy, 77% corresponded with forward sales while 23 % were spot market sales.

In addition, in the first quarter of 2014 there were extraordinary positive impacts on the gas business (EUR 43 million) due to the renegotiation of contracts.

b) Operating Profit / EBIT

EBITDA decreased 1.0% to EUR 1,502.3 million.

Operating Expenses dropped by 14.4% to EUR 688.5 million, due to the efficiency measures put in practice last year, the benefits of which started show in 2015, as well as to non-recurring items linked to different court rulings (EUR 103.5 million).

The Levies item increased by 4.6% to EUR 780.6 million, in which we should note the extraordinary impact of the court ruling regarding CO₂ rights deduction (EUR 113 million recognised in 2014), partially offset by positive other rulings for EUR 48 million in 2015.

Amortisations and Provisions dropped by 4.8% to EUR 532.7 million.

As a result of the above, EBIT increased by 1.2% compared to the same period of 2014, totalling EUR 969.6 million.

2.2 UNITED KINGDOM

(Eur M)	12M 2015	v. 12M 2014
Revenues	7,561.8	-1.1%
Gross Margin	1,306.4	8.4%
EBITDA	420.7	-7.9%
EBIT	-283.0	N/A

a) Gross Margin

Gross Margin for ScottishPower's Energy Wholesale and Retail business was EUR 1,306.4 million. With regard to this item, the following should be noted:

- A lower production (-1.5%) due to a lower availability of the coal generator facilities.
- The drop in electricity tariffs since 31 January 2014 (-3.3%) and gas tariffs since 20 February 2015 (4.8%).
- The Carbon Tax established in 2013, applicable to coal and gas purchases, which since 1 April 2015 has seen its price increase from GBP 9.55 /MWh to GBP 18.08 /MWh (+89%).
- Higher non-energy costs due to the rise of the unit price of the ROCs (GBP 62 million) as well as due to the greater percentage of renewable energy that must be purchased

(29%). Also worthy of note is the increase in tariffs for both Transport and Distribution (DuOS and TuOS).

- With a positive effect, we have on the one hand the 10.0% appreciation of the Pound Sterling and on the other hand the gas business which continues to have a positive behaviour.

b) Operating Profit / EBIT

EBITDA for the Liberalized Business in the United Kingdom reached EUR 420.7 million. The drop in pounds was 17.1% to GBP 305.5 million.

Net Operating Expenses were EUR 715.5 million (+25.4%), their increase in local currency being 11.6% mainly due to expenses for sale, marketing and problems derived from the implementation of new IT systems for customers (FIS; EUR -37 million).

Taxes totalled EUR 170.2 million (-4.4%), due to lower ECO costs as a result of the drop in total costs of the obligation.

Amortisations and Provisions amounted to EUR 703.7 million and increased by 96.8%, due to the write-off of the Longannet power station (EUR 288 million) following the announcement of the closure of the station in the first quarter of 2016, as well as the appreciation of the pound and the greater amortisations derived from the putting IT systems in operation for customers (FIS).

2.3 MEXICO

(Eur M)	12M 2015	v. 12M 2014
Cifra de Ventas	1,558.2	6.9%
Margen Bruto	583.5	27.6%
EBITDA	455.5	30.1%
EBIT	366.2	31.3%

a) Gross Margin

In Mexico the Gross Margin reached EUR 583.5 million (+27.6%) due to the good availability of the power stations, to the improvement of the margins in the contracts renegotiated in 2014, as well as to the extension of capacity of the Enertek power station in 2014, and to the greater commercial activity, which amply exceed the negative impact derived from those contracts with private customers that indexed to the CFE tariff (linked to the price of oil). The US Dollar (functional currency) exchange rate also has a positive impact.

b) Operating Profit / EBIT

EBITDA reached EUR 455.5 million (+30.1%), Net Operating Expenses increased by 19.8%, totalling EUR 126.7 million, affected by the Dollar exchange rate and the greater activity reflected in the evolution of the Gross Margin. The Amortisations and Provisions item increased by 25.8% to EUR 89.3 million due to the mentioned evolution of the US Dollar.

Lastly, EBIT of the business totalled EUR 366.2 million, with a 31.3% increase.

2.4 Other. Gas storage

	12M 2015
Revenues	-19.0
Gross Margin	-19.7
EBITDA	-58.4
EBIT	-90.5

a) Gross Margin

In this business, Gross Margin was negative EUR -19.7 million, a result of the different weather conditions of the periods, which in 2014 generated trading opportunities, thereby penalising the year-on-year comparison. The positive effect of the appreciation of the Dollar has not been sufficient to diminish the impact of the mentioned volatility with regard to the previous financial year.

b) Operating Profit / EBIT

EBITDA of the gas business recorded a negative result of EUR 58.4 million. Net Operating Expenses totalled EUR 35.6 million.

Lastly, the business obtained a negative EBIT of EUR 90.5 million, with the amortisations and provisions increasing until they totalled EUR 32.0 million.

3. RENEWABLES

(Eur M)	12M 2015	v. 12M 2014
Revenues	2,790.6	24.9%
Gross Margin	2,360.8	16.1%
EBITDA	1,572.3	18.6%
EBIT	659.1	31.6%

a) Gross Margin

During 2015, Gross Margin showed a 16.1% increase to EUR 2,360.8 million. This trend can be explained by the following:

- The average price of renewables was EUR 72/MWh, showing a 19% increase. This increase was mainly due to:
 - the appreciation of the Dollar and pound exchange rates, that contributed to the increase of the average price, this effect accounting for approximately 10% increase in Gross Margin.
 - the increase of the price in Spain (+14%) in 2015, a result of the low prices registered in the year 2014, when a period of lower market prices converged with a change in the regulation of the remuneration of renewable assets. Currently, production in Spain of the farms that do not obtain a premium under the new regulatory framework has the market risk covered by means of a forward sale contract.

- Operating capacity at the close of the period was 14,182 MW, showing a 2.9% increase with regard to its value at 31 December 2014. The average operating capacity during the period increased by +2.5%. Production was at 31,576 GWh (-2.8%) due to the lower load factors in Spain and USA.
- The consolidated load factor was 25.7%, a value lower than the historical value, and lower by 1.4 percentage points to that of the same period of the previous year. The load factor in Spain reached 22.2%, 2.1 percentage points lower than the previous year, which was higher than average. United States shows a load factor 28.8% lower (-2.2 pp) than the previous year, representing a year of weak wind resource. In the United Kingdom (onshore wind power), a load factor 23.7% higher than that of 2014 (+1.3 pp) was recorded. In Mexico and Brazil, both countries of high wind resources, the load factors reached 31.5% and 39.1% respectively. The Rest of the World (RoW) registered a load factor of 25.3%. The company's first offshore farm, 'West of Duddon Sands' reached a load factor of 44.1%.

By business, the Gross Margin trend was as follows:

- **Wind Energy Spain:** Gross Margin for the period was EUR 687.5 million, increasing by 4% due to the already mentioned increase in price of 14%, which more than compensates a 9% drop in production.

- **Wind Energy United States:** Gross Margin increased by 10%, totalling EUR 718.8 million. Production dropped by 4% and the price in Dollars dropped by 4%. On its part, Gross Margin reflects an average appreciation of the Dollar of 19%.
- **Wind Energy United Kingdom - onshore:** Gross Margin grew to total EUR 436.2 million (+37%), a result of the 13% increase in prices in local currency resulting from the incoming non-recurring compensations for services to the system, and an appreciation of the pound of 12%. On its part, a greater load factor, together with a +2.7% increase in average capacity have led to an increase in production of 8.8%.
- **Wind Energy United Kingdom - offshore:** The West of Duddon wind farm has contributed EUR 136 million to the gross margin of the business in the period.
- **Wind Energy Mexico:** The increase in average operating capacity (+15.7%) offset the lower wind energy, and led to an increase in production of 10%. The appreciation of the Dollar compensates for the drop in price in local currency. Taking all of these effects into consideration, Gross Margin totalled EUR 56.6 million (+12%).
- **Wind Energy Brazil:** The commissioning of several farms in Brazil increased the average operating capacity by 22%, which in addition to a load factor 1.9% higher than the previous year, led to a 28.3% increase in production. The average price billed has dropped by 20% in local currency, and the Real has been subject to an average depreciation of 12%. After these effects, Gross Margin in the country totalled EUR 36.4 million (-13%).
- **Wind Energy Rest of the World:** The increase in production (+10%) is a direct consequence of an improvement in the load factor, which reached 25.3%. The variation in prices added 2% and thus, gross margin grew by 12% to EUR 120.2 million.
- **Mini-Hydro and Other Renewables:** Gross Margin reached EUR 81.2 million.
- **Thermal Business in the United States:** Gross Margin reached EUR 88.1 million, showing an improvement of EUR 18 million with regard to the previous year. Not taking into account the exchange rate, Gross Margin would have grown by EUR 4 million.

b) Operating Profit / EBIT

EBITDA registered an 18.6% increase, totalling EUR 1,572.4 million. In addition to the mentioned Gross Margin trend (+16.1%), there was also an 11.7% increase in Net Operating Expenses resulting from the effect of the exchange rate. Not taking into account this effect, the GON would have only grown by 1.4%, compensating for the increase in cost in the United Kingdom, a consequence of the commissioning of the West of Duddon farm and the end of guarantee of some onshore farms, with efficiencies in the Spanish market. Not taking into account the exchange rate, EBITDA would have grown by 8.9%.

The Amortisation and Provisions item totalled EUR 913.2 million, increasing by 10.7% with regard to the previous year. However, not taking into account the exchange rate, the increase would have been 0.7%. Amortisations grew by 5.5% as a result of the increase in installed capacity, and provisions decreased due to lower write-downs of development costs than in 2014. Lastly, taking into account all of the above, EBIT reached the figure of EUR 659.1 million (+31.6%). Excluding the effect of the exchange rate, growth would be 22.3%.

4. OTHER BUSINESSES

(Eur M)	12M 2015	v. 12M 2014
Revenues	870.3	45.5%
Gross Margin	235.0	8.6%
EBITDA	-10.6	-38.0%
EBIT	-30.1	24.2%

a) Gross Margin

Gross Margin reached EUR 235.0 million, 8.6% higher than at close of 2014 thanks to the progress made in several Engineering projects, the improvement by 7.9% of the Gross Margin for Real Estate and lastly, to the reversal of operating provisions accounted for under this item.

b) Operating Profit / EBIT

EBITDA totalled EUR -10.6 million. Net Operating Expenses of these businesses amounted to EUR 241.8 million (+5.6%).

Amortisations and Provisions totalled EUR 19.6 million.

EBIT was at EUR-30.1 million.

5. CORPORATION

The Corporation item includes the costs of the structure of the Group and the administration services of the corporate areas that are subsequently billed to the rest of companies.

Among the items, the Taxes item (EUR 94.5 million) is worthy of note, as it includes Spain's *Bono Social* (Rates Subsidy).

Balance Sheet Analysis

January-December 2015

	2015	v. Dec 2014 ⁽¹⁾
Total assets	104,664	11.7%
Fixed assets	62,269	11.8%
Intangible assets	20,760	23.1%
Long-term investments	3,711	-1.8%
Shareholders' equity	40,956	17.2%
Adjusted net debt ⁽²⁾	28,067	9.6%

(1) Restated.

(2) Including TEI and regulatory receivables. As of 31st December 2015, Net Debt figure includes Eur 2,406 MM derived from UIL integration. Year 2014 included three dividend payments.

Iberdrola's Balance Sheet at 31 December 2015 shows Total Assets of EUR 104,664 million, highlighting the maintenance of its solid asset strength.

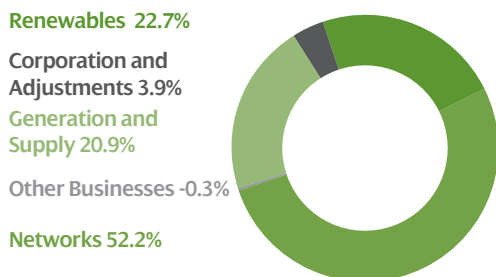
Total assets increased in EUR 6,954 million because of UIL integration at 16 December 2015. Excluding this effect assets would have increased just a 4.2%.

1. FIXED ASSETS

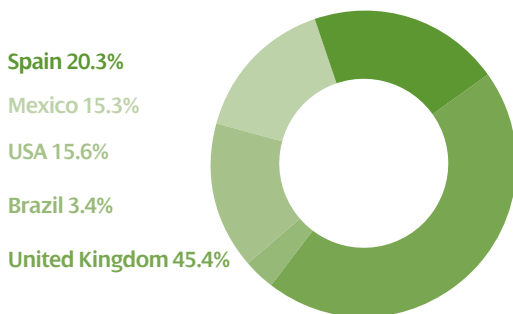
Total net investments in the January to December 2015 period totalled EUR 3,223.0 million. These can be broken down as follows:

(Eur M)	Jan.-Dec. 2015	%
Networks Business	1,692.90	52.5%
Spain	346.50	
UK	846.90	
Iberdrola USA	429.00	
Brazil	70.60	
Renewables Business	734.8	22.8%
Spain	9.9	
UK	488.8	
USA	69.6	
Brazil	38.4	
Mexico	124.7	
Others	3.4	
Generation and Supply Business	678.2	21.0%
Spain	211.0	
UK	93.5	
Mexico	369.6	
USA and Canada	4.1	
Other Businesses	-10.5	-0.3%
Corporation and Adjustments	127.6	4.0%
Total investment	3,223.0	100.0%

Investments in the period were focused on Networks Business, Renewables activities and Mexico. These items account for 87% of total investments in the period.

Investments by businesses (January-Dec. 2015)

By geographic areas, investment for the period was spread according to the following graph:

Investments by geographical areas (January-Dec. 2015)

As regards the Networks Business, investments in the period amounted to a total of EUR 1,692.9 million, representing 52.5% of all investments. Scottish Power Networks made investments worth EUR 846.90 million. Meanwhile, investment in Iberdrola USA was directed towards the CMP transmission line and to electricity and gas distribution, amounting

to EUR 429.0 million in the period. Lastly, investment in Networks Spain totalled EUR 346.5 million.

Under the 'Renewables' sections, 66.5% of the investment of the period was aimed at wind farms in the United Kingdom, with a total investment amount of EUR 488.8 million in wind energy. Mexico and the United States followed in relative importance, totalling EUR 124.7 million and EUR 69.6 million, respectively.

With regard to the investment in the Generation and Supply Business this can be broken down into investment made in Mexico for EUR 369.6 million, in Spain for EUR 211.0 million and in the United Kingdom for EUR 93.5 million.

2. SHARE CAPITAL

Following the implementation of the paid-up capital increase for the Scrip Dividend on 20 July 2015, the Company's Share Capital at 31 December 2015 totalled 6,336,870,000 bearer shares with a nominal value of EUR 0.75 each.

Whereas, as a result of the implementation of the paid-up capital increase for the Scrip Dividend on 26 January 2016, Company's Share Capital totalled 6,397,197,000 bearer shares with a nominal value of EUR 0.75 each.

In line with the commitment announced in the Outlook for 2014-2016 to maintain the number of shares stable at 6,240 million, the amortisation of 157,179,000 shares (2.46% of the capital) will be proposed in the next General Shareholders' Meeting. The currently existing treasury stock is 109,173,394 shares,

representing 1.707% of the current share capital.

3. FINANCIAL DEBT

Net financial debt adjusted to 31 December 2015 increased by EUR 2,448 million to EUR 28,067 million compared to EUR 25,619 million at 31 December 2014, mainly due to the integration of UIL on 16 December 2015 including the payment in cash to former UIL shareholders. Excluding this effect the adjusted net debt corresponding to financial year 2015 would be EUR 25,661 million, 0.2% more than that of 2014. Financial leverage improved to 40.7% compared to 41.8% of the same period of the previous year, given that Equity increased more than debt.

The rating is broken down as follows:

Credit Rating of IBERDROLA Senior Debt			
Agency	Rating	Outlook	Date
Moody's	Baa1	Stable	8 April 2015
Fitch IBCA	BBB+	Stable	25 March 2014
Standard & Poor's	BBB	Positive	30 April 2015

As regards the evolution of the financial cost of the Company, at 31 December 2015 it was 4.05%, 30 b.p. below that accumulated as at 31 December 2014.

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

	Dec. 2015	Dec. 2014
Euro	48.7%	55.0%
British pound	20.1%	23.4%
Dollar	29.8%	20.3%
Brazilian Real and other currencies	1.4%	1.2%
Fixed Rate	45.6%	44.3%
Floating Rate	54.2%	55.3%
Capped Rate	0.2%	0.4%

(*) Net Debt including net investment hedging derivatives.
 (**) Gross Debt.

In accordance with the policy of minimising the financial risks of the Company, the foreign currency risk has continued to be mitigated through the financing of 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. 2015	Dec. 2014
Corporate	70.0%	75.7%
UK	9.6%	9.8%
USA	15.5%	8.7%
Brazil	2.8%	3.0%
Mexico	1.5%	1.8%
Others	0.6%	1.0%
Total	100%	100%

(*) Gross Debt.

This debt* can be broken down by financing source as follows:

	Dec. 2015	Dec. 2014
Euro market	34.1%	41.7%
Dollar market	24.7%	17.6%
British pound market	12.7%	13.0%
Remaining bonds	1.1%	1.4%
Notes	5.3%	3.1%
EIB	6.0%	7.3%
Project Finance	3.0%	3.8%
Bank loans	12.3%	11.0%
TEI	0.7%	1.0%
Total	100%	100%

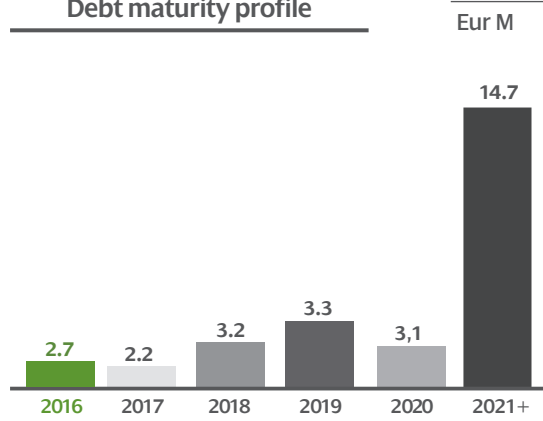
(*) Gross Debt.

Iberdrola has a strong liquidity position at 31 December 2015, exceeding EUR 8,200 million equivalent to more than 36 months of the company's financing needs.

Credit Line Maturities	Available
2017 & onwards	6,413
Total Credit Lines	7,054
Cash & Short Term Fin. Invest.	1,153
Total Adjustment Liquidity	8,207

Iberdrola has a comfortable debt maturity profile, with more than 6 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 31 December 2015.

Debt maturity profile



Lastly, the change in financial leverage was as follows:

	Eur M	Dec. 2015	Dec. 2014 ⁽¹⁾
Shareholder's Equity		40,956	35,705
Gross Debt*		30,340	28,191
Cash flow		1,165	1,837
Asset derivatives and s/t Fin. Invest.		1,108	736
Net Debt		28,067	25,619
Leverage		40.7%	41.8%

(*) Including TEI and regulatory receivables. As of 31st December 2015, Net Debt figure includes Eur 2,406 MM derived from UIL integration. Year 2014 included three dividend payments.

(1) Restated.

4. WORKING CAPITAL

Working capital shows a drop of EUR 322 million since December 2014, mainly as a result of several different effects:

- A drop in “Current Financial Investments” of EUR 359 million.
- Receivable and payable balances with Public Administrations amount to, all together, a reduction of working capital of EUR 201 million.
- A drop in inventories of EUR 242 million that reduces the working capital.
- Other effects that are not relevant.

CURRENT ASSETS	December. 2015	December 2014 ⁽¹⁾	Variation
Assets held for sale	44	-	44
Nuclear Fuel	350	320	30
Inventories	1,797	2,039	(242)
Commercial debtors and other accounts receivable	5,370	4,819	551
Current financial investments	688	1,047	(359)
Asset derivative financial instruments	339	314	25
Public Administrations	678	700	(22)
TOTAL CURRENT ASSETS*:	9,265	9,239	26

*Does not include cash or debt asset derivatives

CURRENT LIABILITIES	December 2015	December 2014	Variation
Provisions	245	221	24
Liability derivative financial instruments	324	348	(25)
Commercial creditors and other accounts payable	7,331	6,760	571
Public Administrations	1,251	1,474	(223)
TOTAL CURRENT LIABILITIES**:	9,152	8,804	348

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

NET WORKING CAPITAL	113	435	(322)
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1) Re-stated

5. FUNDS GENERATED FROM OPERATIONS

The Funds Generated from Operations as at 31 December 2015 totalled EUR 5,906.7 million, compared with EUR 5,458.5 million in the same period of the previous year.

	Jan-Dec. 2015	Jan-Dec. 2014	Variation
Net Profit (+)	2,421.6	2,326.5	4.1%
Amortisations (-)	-3,476.6	-3,023.6	15.0%
P/L Equity (-)	55.3	135.4	-59.2%
Extraordinary results, net of taxes (-)	125.1	247.9	-49.5%
Extraordinary Corporate Taxes (-)	-33.7	-57.1	-41.0%
Financial provisions capitalized (-)	-113.7	-143.0	-20.5%
Minority P/L (-)	-38.0	-38.2	-0.7%
Adjustment of tax deductible items* (+)	179.5	179.5	0.0%
Equity Dividends (+)	43.8	73.8	-40.7%
Reversion of tax provision (-)	219.8	-	n/a
FFO	5,906.7	5,458.5	8.2%

Note: The symbols (positive or negative) relate to their condition of countable income or expense.

* Cash movement

7. FINANCE TRANSACTIONS

Summary of the main financial transactions carried out in 2015

Issuer	Transaction	Amount	Currency	Coupon	Maturity date
Iberdrola International	Exchange of bonds**	600	EUR	1.125%	8 years
Iberdrola SA	Bank credit *	2,500	EUR	-	5 years (+1+1)
Iberdrola SA / Iberdrola Financiación	Bank credit *	1.900	EUR	-	5 years (+1+1)
Iberdrola SA / Iberdrola Financiación	Bank credit *	600	-	-	5 years
Iberdrola Financiación	Bank loan *	900	EUR	-	4 years (+1+1)
Elektro	Loan 4131	300	BRL	-	3 years
Iberdrola Financiación	Bank loan	75	EUR	-	4 years (+1+1)
Iberdrola Financiación	EIB loan *	564.8	EUR	-	Various
Iberdrola SA	EIB loan *	150	GBP	-	12 years
Iberdrola Financiación	Bank loan *	350	EUR	-	Various
Iberdrola Financiación	Bank loan *	600	EUR	-	3 years (+1)
Iberdrola Distribución	EIB loan	325	EUR	-	9/15 years
Iberdrola International	Exchange of bonds **	500	EUR	1.75%	8 years
Iberdrola International	Structured	500	EUR	0.00%	7 years
Iberdrola Mexico	Bank loan	300	USD	-	2 years
Elektro	BNDES loan	258	BRL	-	Various
Elektro	BEI loan	150	EUR	-	7 / 11 years

* It refers to financial transactions that have been renegotiated.

** No new debt. Amount issued used to repurchase old bonds.

Fourth Quarter Financing

CAPITAL MARKET

Bond Issues on the Euromarket

Last November, equity-linked bonds to the shares of Iberdrola SA were issued, for an amount of EUR 500 million with a term of seven years, maturing in 2022 and a coupon of 0%.

These bonds have an embedded option, which can be exercised by their holders within a period of time close to their maturity, entitling them to receive a cash payment determined by the evolution of the market price of Iberdrola's shares, with a reference price 8.7479 euros per share.

Iberdrola has simultaneously purchased cash-settled call options to hedge the exposure of the Issuer to any cash amounts payable in connection with the exercise of the option by

the holders of the Bonds. The reference price of this option will also be 8.7479 euros per share.

BANKING MARKET

In December Iberdrola Mexico S.A. de C.V. signed a syndicated bank loan of USD 300 million maturing in March 2018.

Also in December, Elektro signed two bank loans to finance investments over the next two years. The first BRL 258 million was signed with BNDES and comprises several tranches indexed to local reference rates maturing between 2023 and 2024. The second was signed with the EIB for up to EUR 150 million with a maturity of seven years (if total amortization) or 11 years (if partial). The interest rate will be determined by the price of the EIB for each withdraw.

8. CREDIT RATINGS

	Moody's			Standard and Poor's			Fitch IBCA		
	Rating	Outlook	Date	Rating	Outlook	Date	Rating	Outlook	Date
Iberdrola S.A.	Baa1	Stable	April 2015	BBB	Positive	April 2015	BBB+	Stable	March 2014
Iberdrola Finance Ireland Ltd.(*)	Baa1	Stable	April 2015	BBB		Nov. 2012	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U.(*)	Baa1	Stable	April 2015	BBB		Nov. 2012	BBB+	Stable	March 2014
Iberdrola Finanzas S.A.U. (national scale)(*)							AAA (mex)	Stable	March 2014
Iberdrola International B.V.(*)	Baa1	Stable	April 2015	BBB		Nov. 2012	BBB+	Stable	March 2014
Avangrid	Baa1	Stable	April 2015	BBB	Positive	April 2015	BBB	Positive	Dec. 2014
Iberdrola Renewables Holdings Inc.	Baa1	Stable	April 2015	BBB	Positive	April 2015			
CMP	A3	Positive	Febr. 2015	BBB+	Positive	Jan. 2016	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	Stable	April 2015	BBB	Positive	April 2015	BBB+	Stable	March 2014
Scottish Power UK Plc	Baa1	Stable	April 2015	BBB	Positive	April 2015	BBB+	Stable	March 2014
Scottish Power UK Holdings Ltd.	Baa1	Stable	April 2015	BBB	Positive	April 2015			
Scottish Power Finance US Inc	Baa1	Stable	April 2015	BBB	Positive	April 2015			
Scottish Power Energy Networks Holdings Ltd				BBB	Positive	April 2015			
ScottishPower Generation Ltd.	Baa1	Stable	April 2015	BBB	Positive	April 2015			
SP Transmission Ltd	Baa1	Stable	April 2015	BBB	Positive	April 2015			
SP Manweb plc	Baa1	Stable	April 2015	BBB	Positive	April 2015			
SP Distribution plc	Baa1	Stable	April 2015	BBB	Positive	April 2015			
ScottishPower Energy Management Ltd.	Baa1	Stable	April 2015	BBB	Positive	April 2015			
ScottishPower Energy Retail Ltd.	Baa1	Stable	April 2015	BBB	Positive	April 2015			
Scottish Power Investment Ltd	Baa1	Stable	April 2015	BBB	Positive	April 2015			
Neoenergia S.A.				BB+	Negative	Sept. 2015			
Celpe				BB+	Negative	Sept. 2015			
Coelba	Baa3	Stable	June 2015	BB+	Negative	Sept. 2015			
Cosern				BB+	Negative	Sept. 2015			
Neoenergia (national scale)				brAA+	Negative	Sept. 2015			
Celpe (national scale)				brAA+	Negative	Sept. 2015			
Coelba (national scale)				brAA+	Negative	Sept. 2015			
Cosern (national scale)				brAA+	Negative	Sept. 2015			
Elektro (national scale)				brAA+	Negative	Sept. 2015			

(*) Guaranteed by Iberdrola S.A.

Balance Sheet (Unaudited)

	M Eur		
ASSETS	December 2015	December* 2014*	Variation
NON-CURRENT ASSETS	93,985	82,499	11,485
Intangible assets	20,760	16,862	3,897
Goodwill	9,353	8,354	999
Other intangible assets	11,407	8,508	2,899
Real Estate properties	481	482	-2
Property, plant and equipment	61,789	55,107	6,681
Property, plant and equipment in use	56,827	51,090	5,737
Property, plant and equipment in the course of construction	4,961	4,017	944
Non current financial investments	3,711	3,780	-69
Investments accounted by equity method	2,050	2,295	-244
Non-current financial assets	92	77	14
Other non-current financial assets	609	769	-161
Derivative financial instruments	960	639	322
Non-current receivables	615	383	232
Deferred tax assets	6,630	5,884	746
CURRENT ASSETS	10,679	11,243	-563
Assets held for sale	44	-	44
Nuclear fuel	350	320	30
Inventories	1,797	2,039	-242
Current trade and other receivables	6,048	5,519	528
Tax receivables	411	333	78
Other tax receivables	267	367	-101
Trade and other receivables	5,370	4,819	551
Current financial assets	1,288	1,559	-271
Current financial assets	5	5	-
Other current financial assets	683	1,042	-359
Derivative financial instruments	600	512	88
Cash and cash equivalents	1,153	1,806	-652
TOTAL ASSETS	104,664	93,742	10,921

	M Eur		
EQUITY AND LIABILITIES	December 2015	December* 2014	Variation
EQUITY	40,956	35,705	5,251
Of shareholders of the parent	37,159	34,954	2,204
Share capital	4,753	4,791	-39
Unrealised assets and liabilities revaluation reserve	-222	-327	105
Other reserves	31,305	30,384	921
Treasury stock	-639	-816	177
Translation differences	-459	-1,404	945
Net profit of the year	2,422	2,327	95
Hybrid Capital	551	551	-
Of minority interests	3,246	200	3,047
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	117	180	-63
NON-CURRENT LIABILITIES	49,002	44,265	4,736
Deferred income	6,511	6,121	391
Provisions	5,005	4,852	153
Provisions for pensions and similar obligations	2,233	1,943	291
Other provisions	2,772	2,909	-138
Financial Debt	24,899	23,315	1,584
Loans and others	24,567	22,930	1,637
Derivative financial instruments	332	384	-53
Other non-current payables	690	611	78
Deferred tax liabilities	11,896	9,366	2,530
EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	99	101	-2
CURRENT LIABILITIES	14,490	13,490	1,000
Provisions	245	221	24
Provisions for pensions and similar obligations	10	1	10
Other provisions	235	220	15
Financial Debt	5,662	5,035	627
Loans and others	4,877	4,209	668
Derivative financial instruments	785	826	-41
Trade and other payables	8,583	8,234	348
Trade payables	5,577	5,473	104
Current tax liabilities and other tax payables	250	419	-168
Other tax payables	1,001	1,055	-55
Other current liabilities	1,754	1,288	467
TOTAL EQUITY AND LIABILITIES	104,664	93,742	10,921

* Restated

Profit and Loss (Unaudited)

<u>M Eur</u>	December 2015	December 2014*	%
REVENUES	31,418.7	30,032.3	4.6
PROCUREMENTS	(18,576.0)	(17,852.7)	4.1
GROSS MARGIN	12,842.7	12,179.5	5.4
NET OPERATING EXPENSES	(3,830.3)	(3,633.8)	5.4
Net Personnel Expense	(1,933.1)	(1,860.8)	3.9
Personnel	(2,430.2)	(2,318.9)	4.8
Capitalized personnel costs	497.1	458.0	8.5
Net External Services	(1,897.2)	(1,772.9)	7.0
External Services	(2,444.3)	(2,160.1)	13.2
Other Operating Income	547.1	387.2	41.3
LEVIES	(1,706.5)	(1,581.2)	7.9
EBITDA	7,305.9	6,964.5	4.9
AMORTISATIONS AND PROVISIONS	(3,476.6)	(3,023.6)	15.0
EBIT	3,829.3	3,940.9	(2.8)
Financial Expenses	(1,608.1)	(2,016.2)	(20.2)
Financial Income	585.0	893.8	(34.5)
FINANCIAL RESULT	(1,023.1)	(1,122.4)	(8.9)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	55.3	135.4	(59.2)
RESULTS FROM NON-CURRENT ASSETS	125.1	247.9	(49.5)
PBT	2,986.6	3,201.8	(6.7)
Corporate Tax	(527.1)	(837.1)	(37.0)
Minorities	(38.0)	(38.2)	(0.7)
NET PROFIT	2,421.6	2,326.5	4.1

*Restated

Results by Business (Unaudited)

	Eur M				
December 2015	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjustments
Revenues	7,960.1	21,566.0	2,790.6	870.3	(1,768.3)
Procurement	(2,446.3)	(16,724.5)	(429.7)	(635.3)	1,659.7
GROSS MARGIN	5,513.8	4,841.6	2,360.8	235.0	(108.5)
NET OPERATING EXPENSES	(1,413.2)	(1,566.2)	(634.8)	(241.8)	25.6
Net Personnel Expense	(764.8)	(551.2)	(191.2)	(178.3)	(247.7)
Personnel	(1,165.5)	(585.5)	(215.8)	(178.3)	(285.2)
Capitalized personnel costs	400.7	34.3	24.6	-	37.5
Net External Services	(648.4)	(1,015.1)	(443.6)	(63.5)	273.3
External Services	(952.3)	(1,243.4)	(480.6)	(66.7)	298.8
Other operating income	303.9	228.4	37.0	3.2	(25.5)
LEVIES	(499.1)	(955.3)	(153.7)	(3.8)	(94.5)
EBITDA	3,601.6	2,320.0	1,572.3	(10.6)	(177.5)
Amortisation and Provisions	(1,129.6)	(1,357.7)	(913.2)	(19.6)	(56.5)
EBIT / Operating Profit	2,472.0	962.3	659.1	(30.1)	(234.0)
Financial Result	(382.4)	(160.9)	(78.1)	9.9	(411.6)
Results of companies consolidated by equity method	43.9	(30.5)	(0.4)	46.6	(4.3)
Results of non-current assets	108.8	5.8	2.6	7.0	0.9
PBT	2,242.3	776.7	583.2	33.4	(649.0)
Corporate tax and minority shareholders	(307.2)	(264.1)	(72.0)	(22.6)	90.9
Net Profit	1,935.0	512.7	511.2	10.8	(558.1)

	Eur M				
December 2014*	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjustments
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
GROSS MARGIN	5,240.6	4,733.4	2,033.5	216.3	(44.3)
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	(795.2)	(1,113.3)	(439.1)	(76.7)	264.2
Other operating income	248.1	116.2	44.3	8.7	(30.1)
Levies	(430.9)	(929.4)	(140.4)	(4.3)	(76.3)
EBITDA	3,534.8	2,292.2	1,326.0	(17.0)	(171.4)
Amortisation and Provisions	(1,079.9)	(1,016.1)	(825.1)	(7.2)	(95.2)
EBIT / Operating Profit	2,454.8	1,276.1	500.9	(24.2)	(266.6)
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)
PBT	2,145.7	1,256.4	364.3	(10.0)	(554.7)
Corporate tax and minority shareholders	(573.0)	(314.1)	(128.2)	(17.8)	157.8
Net Profit	1,572.7	942.3	236.2	(27.8)	(396.9)

*Restated

Networks Business (Unaudited)

	Eur M			
December 2015	SPAIN	U.K.	USA	BRAZIL
Revenues	1,965.0	1,533.6	2,675.0	1,786.5
Procurement	(13.3)	(61.7)	(976.5)	(1,394.6)
GROSS MARGIN	1,951.7	1,471.9	1,698.4	391.9
NET OPERATING EXPENSES	(404.5)	(221.3)	(635.9)	(151.5)
Net Personnel Expenses	(246.6)	(101.4)	(328.5)	(88.3)
Personnel	(349.2)	(254.1)	(450.3)	(111.9)
Capitalized personnel costs	102.6	152.7	121.8	23.6
Net External Services	(157.9)	(119.9)	(307.4)	(63.2)
External Services	(295.1)	(192.8)	(373.3)	(92.4)
Other operating income	137.2	73.0	65.9	29.1
Levies	(97.5)	(112.6)	(288.1)	(0.8)
EBITDA	1,449.6	1,138.0	774.4	239.5
Amortisations, Provisions and other	(435.5)	(309.4)	(277.3)	(107.4)
EBIT / Operating Profit	1,014.1	828.6	497.1	132.2
Financial Result	(84.2)	(148.9)	(115.0)	(34.3)
Results of companies consolidated by equity method	0.2	-	0.5	43.2
Results of non-current assets	0.1	0.8	0.8	107.1
PBT	930.2	680.6	383.3	248.1
Corporate tax and minority shareholders	(12.4)	(31.8)	(190.5)	(72.5)
NET PROFIT	917.8	648.8	192.8	175.6

	Eur M			
December 2014*	SPAIN	U.K.	USA	BRAZIL
Revenues	1,951.9	1,380.4	2,413.0	1,588.9
Procurement	-	(49.2)	(914.8)	(1,129.6)
GROSS MARGIN	1,951.9	1,331.2	1,498.2	459.3
NET OPERATING EXPENSES	(420.7)	(206.0)	(490.4)	(157.8)
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)
EBITDA	1,438.5	1,024.8	772.0	299.5
Amortisations, Provisions and other	(420.1)	(271.9)	(276.6)	(111.3)
EBIT / Operating Profit	1,018.5	752.9	495.3	188.2
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
PBT	880.4	612.6	394.5	258.2
Corporate tax and minority shareholders	(263.8)	(132.9)	(119.2)	(57.2)
NET PROFIT	616.7	479.7	275.3	201.0

* Restated

Generation and Supply (Unaudited)

December 2015	Eur M			
	SPAIN	U. K.	MEXICO	OTHER
Revenues	12,779.1	7,561.8	1,558.2	(19.0)
Procurement	(9,807.7)	(6,255.4)	(974.7)	(0.7)
GROSS MARGIN	2,971.4	1,306.4	583.5	(19.7)
NET OPERATING EXPENSES	(688.5)	(715.5)	(126.7)	(35.6)
Net Personnel Expenses	(300.7)	(213.8)	(18.8)	(17.9)
Personnel	(322.3)	(219.8)	(24.7)	(18.6)
Capitalized personnel costs	21.6	6.0	5.9	0.7
Net External Services	(387.8)	(501.7)	(107.9)	(17.7)
External Services	(548.0)	(570.4)	(114.9)	(19.7)
Other operating income	160.2	68.7	7.0	2.0
Levies	(780.6)	(170.2)	(1.3)	(3.1)
EBITDA	1,502.3	420.7	455.5	(58.4)
Amortisations, Provisions and other	(532.7)	(703.7)	(89.3)	(32.0)
EBIT / Operating Profit	969.6	(283.0)	366.2	(90.5)
Financial Result	(92.9)	(0.5)	(36.6)	(30.9)
Results of companies consolidated by equity method	(29.9)	(0.6)	-	-
Results of non-current assets	0.1	0.7	5.0	-
PBT	846.9	(283.4)	334.6	(121.4)
Corporate tax and minority shareholders	(242.4)	74.6	(137.7)	41.4
NET PROFIT	604.5	(208.9)	197.0	(79.9)

December 2014*	Eur M			
	SPAIN	U. K.	MEXICO	OTHER
Revenues	12,510.8	7,647.7	1,457.4	4.2
Procurement	(9,442.4)	(6,442.6)	(1,000.2)	(1.5)
GROSS MARGIN	3,068.4	1,205.1	457.3	2.7
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)
Other operating income	50.6	71.0	1.8	1.8
Levies	(746.6)	(178.1)	(1.5)	(3.2)
EBITDA	1,517.6	456.6	350.0	(32.0)
Amortisations, Provisions and other	(559.5)	(357.6)	(71.0)	(28.1)
EBIT / Operating Profit	958.2	99.0	279.0	(60.1)
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	-	-
PBT	933.0	156.0	247.1	(79.7)
Corporate tax and minority shareholders	(238.5)	(16.9)	(87.0)	28.2
NET PROFIT	694.5	139.1	160.1	(51.5)

*Restated

Renewable Business (Unaudited)

	Eur M				
December 2015	SPAIN	U.K.	USA	LATAM	RoW
Revenues	764.5	797.8	1,008.3	96.4	123.5
Procurement	(13.7)	(225.9)	(185.7)	(3.4)	(0.9)
GROSS MARGIN	750.8	571.9	822.6	93.0	122.6
NET OPERATING EXPENSES	(184.7)	(115.9)	(284.8)	(22.8)	(26.6)
Net Personnel Expenses	(56.8)	(16.7)	(109.1)	(2.1)	(6.5)
Personnel	(56.9)	(34.3)	(116.0)	(2.1)	(6.5)
Capitalized personnel costs	0.1	17.6	6.9	-	-
Net External Services	(127.9)	(99.2)	(175.7)	(20.7)	(20.2)
External Services	(169.2)	(103.7)	(191.5)	(21.1)	4.9
Other operating income	41.3	4.6	15.8	0.4	(25.0)
Levies	(92.9)	(18.5)	(38.3)	(0.2)	(3.8)
EBITDA	473.2	437.5	499.5	69.9	92.1
Amortisations, Provisions and other	(279.2)	(189.4)	(374.2)	(27.5)	(42.9)
EBIT / Operating Profit	194.0	248.1	125.3	42.4	49.3
Financial Result	(63.5)	(33.5)	32.0	(7.2)	(5.9)
Results of companies consolidated by equity method	2.9	(5.2)	(2.6)	1.4	3.1
Results of non-current assets	(4.3)	6.5	0.4	-	-
PBT	129.1	215.9	155.0	36.6	46.5
Corporate tax and minority shareholders	(37.1)	5.8	5.4	(18.0)	(28.1)
NET PROFIT	92.0	221.7	160.5	18.6	18.4

	Eur M				
December 2014*	SPAIN	U.K.	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
GROSS MARGIN	728.5	368.5	735.8	92.6	108.1
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)
EBITDA	420.6	265.2	495.3	71.2	73.7
Amortisations, Provisions and other	(233.3)	(157.4)	(342.1)	(27.8)	(64.5)
EBIT / Operating Profit	187.3	107.8	153.2	43.4	9.2
Financial Result	(66.9)	(28.4)	(12.1)	(10.9)	(26.1)
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
PBT	116.3	80.1	145.6	33.5	(11.3)
Corporate tax and minority shareholders	(27.4)	(24.2)	(44.0)	(17.9)	(14.6)
NET PROFIT	88.9	55.9	101.7	15.6	(25.8)

*Restated

Quarterly Results (Unaudited)

	JAN-MARCH 2015	APR-JUNE 2015	JULY-SEPT. 2015	OCT.-DEC. 2015
Revenues	8,780.7	7,344.9	7,563.9	7,729.1
Procurements	(5,167.0)	(4,324.7)	(4,674.0)	(4,410.4)
GROSS MARGIN	3,613.7	3,020.3	2,889.9	3,318.7
NET OPERATING EXPENSES	(853.7)	(971.2)	(896.4)	(1,109.0)
Net Personnel Expense	(446.7)	(482.5)	(465.3)	(538.7)
Personnel	(557.9)	(604.0)	(592.0)	(676.3)
Capitalized personnel costs	111.3	121.5	126.8	137.6
Net External Services	(407.1)	(488.7)	(431.1)	(570.3)
External Services	(517.1)	(602.0)	(603.9)	(721.3)
Other Operating Income	110.0	113.3	172.8	151.0
LEVIES	(623.7)	(390.9)	(357.3)	(334.5)
EBITDA	2,136.3	1,658.2	1,636.2	1,875.2
AMORTISATIONS AND PROVISIONS	(792.5)	(834.0)	(776.6)	(1,073.6)
EBIT	1,343.8	824.3	859.6	801.6
Financial Expenses	(1,026.3)	(136.0)	(366.5)	(79.2)
Financial Income	730.8	(86.8)	136.5	(195.5)
FINANCIAL RESULT	(295.5)	(222.8)	(230.0)	(274.7)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	18.7	14.5	(23.7)	45.8
RESULTS FROM NON-RECURRING ASSETS	72.1	0.7	13.2	39.1
PBT	1,139.1	616.7	619.2	611.7
Corporate Tax	(289.3)	57.3	(197.3)	(97.9)
Minorities	(9.0)	(8.9)	(8.1)	(11.9)
NET PROFIT	840.8	665.08	413.8	501.9

	JAN-MARCH 2014*	APR-JUNE 2014*	JULY-SEPT. 2014*	OCT.-DEC. 2014*
Revenues	8,325.0	6,860.3	7,011.5	7,835.4
Procurements	(4,941.7)	(4,074.8)	(4,307.3)	(4,529.0)
GROSS MARGIN	3,383.3	2,785.5	2,704.2	3,306.5
NET OPERATING EXPENSES	(815.1)	(873.9)	(839.8)	(1,104.9)
Net Personnel Expense	(417.9)	(432.3)	(428.3)	(582.2)
Personnel	(525.0)	(544.5)	(542.1)	(707.3)
Capitalized personnel costs	107.1	112.1	113.7	125.1
Net External Services	(397.2)	(441.6)	(411.4)	(522.7)
External Services	(476.2)	(540.0)	(498.4)	(645.5)
Other Operating Income	79.0	98.5	87.0	122.7
LEVIES	(604.3)	(286.3)	(321.4)	(369.1)
EBITDA	1,963.9	1,625.3	1,543.0	1,832.4
AMORTISATIONS AND PROVISIONS	(688.3)	(697.3)	(751.2)	(886.9)
EBIT	1,275.6	928.0	791.9	945.5
Financial Expenses	(441.4)	(453.6)	(610.2)	(511.0)
Financial Income	227.6	156.8	303.5	205.8
FINANCIAL RESULT	(213.8)	(296.8)	(306.6)	(305.2)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	21.3	98.0	(17.3)	33.4
RESULTS FROM NON-RECURRING ASSETS	76.7	108.2	59.8	3.1
PBT	1,159.7	837.5	527.8	676.8
Corporate Tax	(302.4)	(271.7)	(144.1)	(118.9)
Minorities	(10.4)	(10.8)	(5.4)	(11.7)
NET PROFIT	847.0	555.07	378.3	546.1

* Restated

Statement of Origin and Use of Funds (Unaudited)

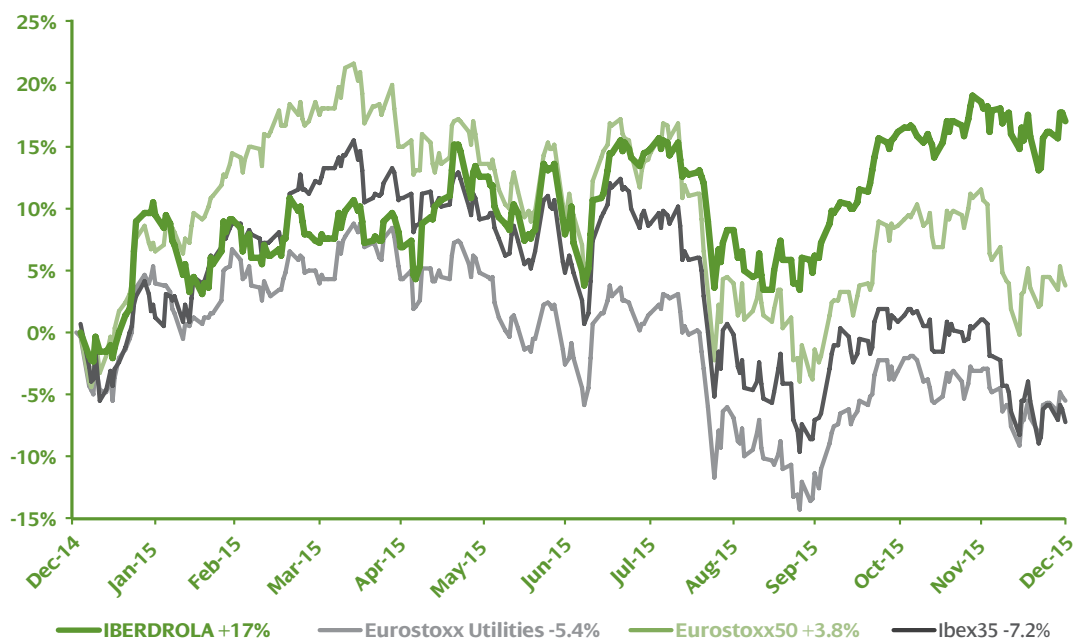
	December 2015	December 2014*	Difference
EBITDA	7,305.9	6,964.5	341.4
Adjustments to results and others	(618.2)	(571.6)	(46.6)
Financial payments and cash receipts	(864.0)	(962.3)	98.4
Corporate Tax Payment	(580.9)	(727.7)	146.9
Provision payments (net of normal expenses)	(273.4)	(153.3)	(120.2)
Operating Cash Flow	4,969.4	4,549.6	419.8
Dividends Paid	(302.2)	(1,047.8)	745.6
Retained Cash Flow	4,667.2	3,501.8	1,165.4
Total Cash Flow allocations:	(3,825.2)	(2,622.8)	(1,202.4)
<i>Net Investments</i>	<i>(3,223.1)</i>	<i>(2,847.9)</i>	<i>(375.1)</i>
<i>Divestments</i>	<i>75.7</i>	<i>1,002.9</i>	<i>(927.2)</i>
<i>Treasury stock</i>	<i>(647.0)</i>	<i>(746.3)</i>	<i>99.3</i>
<i>Capital issue</i>	<i>(0.7)</i>	<i>(1.2)</i>	<i>0.5</i>
<i>Hybrid</i>	<i>(30.2)</i>	<i>(30.2)</i>	<i>-</i>
Exchange rate differentials	(817.2)	(1,004.7)	187.6
Change in regulatory receivables	585.4	1,185.2	(599.9)
Integration of UIL Net Debt into perimeter **	(1,828.1)	-	(1,828.1)
Cash payment to UIL shareholders	(541.4)	-	541.4
Working capital variations and other variations	(689.3)	158.2	(847.5)
Decrease/(Increase) in net debt	(2,448.6)	1,217.8	(3,666.4)

* Restated.

**As of 16th December de 2015.

Stock Market Evolution

IBERDROLA Stock Performance v. index



Iberdrola Share	12M 2015	12M 2014
Number of shares outstanding	6,336,870,000	6,388,483,000
Price at the end of the period	6.55	5.597
Average Price of the period	6.12	5.27
Average daily volume	31,140,116	39,916,924
Maximum volume (06-26-2015 / 04-10-2014)	90,216,773	422,630,657
Minimum volume (12-24-2015 / 12-24-2014)	4,571,334	8,042,962
Dividends paid (€) ⁽¹⁾	0.276	0.275
Gross Interim (12-19-2014/01-30-2014)	0.127 ⁽²⁾	0.126 ⁽²⁾
Gross Final Dividend (07-03-and 07-22-2015 / 07-03 and 07-22-2014)	0.144 ⁽³⁾	0.144 ⁽³⁾
Shareholders' Meeting attendance bonus	0.005	0.005
Dividend yield ⁽²⁾	4.21%	4.91%

(1) Dividends paid in the last 12 months.

(2) Iberdrola fixed guaranteed price for the rights.

(3) Iberdrola fixed guaranteed price for the rights + 0.03€ gross per share in cash.

(4) Dividends paid in the last 12 months and supplementary dividend and Shareholders' Meeting attendance bonus/ end-of-period market 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

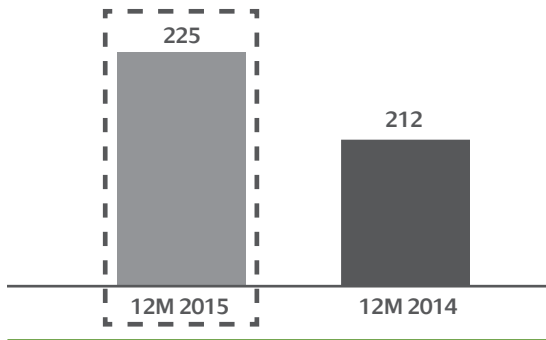
Sustainability Indicators	12M 2015	12M 2014
Contribution to GDP (Gross Margin) (*)	0.55%	0.57%
Contribution to GDP (Net Revenues) (*)	1.39%	1.42%
Net profit (EUR million)	2,421.6	2,326.5
Dividend yield (%) (**)	4.21%	4.91%
CO ₂ emissions in the period (gr. CO ₂ /kWh). Total	225	212
CO ₂ emissions in the period (gr. CO ₂ /kWh). Spain	103	65
CO ₂ emissions in the period (gr. CO ₂ /kWh). SPW	530	596
Total emission-free production (Gwh)	71,815	78,931
Spain emission-free production (Gwh)	47,404	55,381
Emission-free production out of total production (%)	52%	57%
Spain emission-free installed production out of total production (%)	85%	91%
Total emission-free installed capacity (MW)	29,273	27,931
Spain emission-free installed capacity (MW)	19,228	18,326
Total emission-free installed capacity (%)	63%	62%
Spain emission-free installed capacity (%)	73%	72%
Ratio output with total low emissions technologies (%)	39%	34%

(*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Basis 2010. Last data published in 3Q 2015).

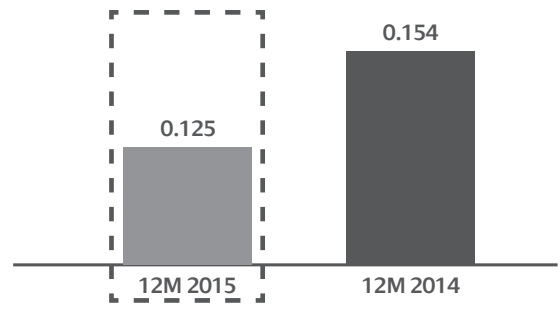
(**) Interim dividend, supplementary dividend and Shareholders' Meeting attendance bonus / end-of-period price.

Development of specific thermal mix emissions, Global: CO₂, SO₂, particles and NO_x.

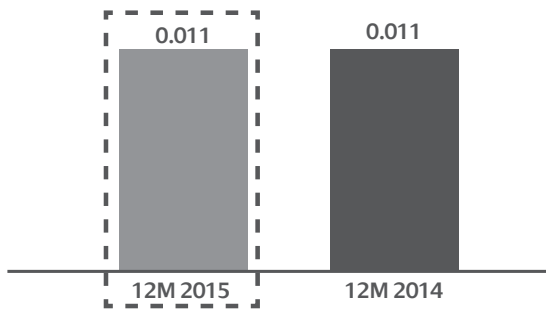
CO₂ specific emissions mix, GLOBAL (g/kWh)
(g/kWh)



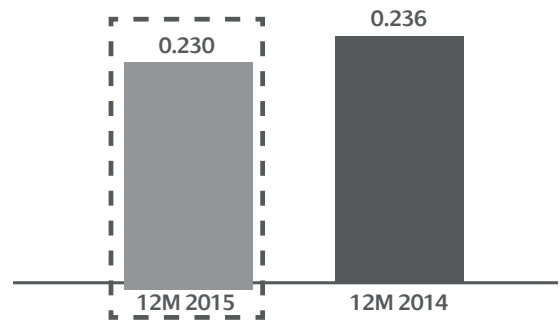
SO₂ specific emissions mix GLOBAL (g/kWh)
(g/kWh)



Specific particulate emissions mix GLOBAL (g/kWh)
(g/kWh)



NO_x specific emissions mix, GLOBAL
(g/kWh)



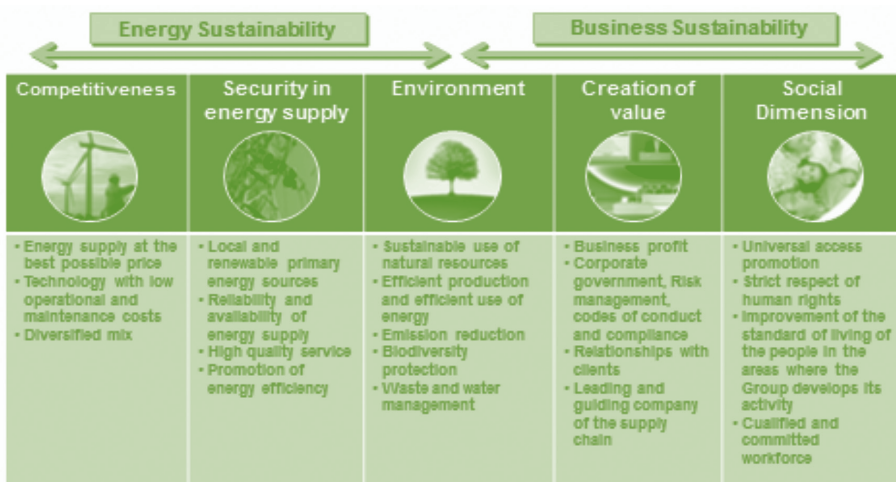
2. INDICES, RANKINGS AND RECOGNITIONS

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

Sustainability and Corporate Reputation

	Rating/Situación
Dow Jones Sustainability World Index 2015	Selected in all editions
FTSE4Good	First utility with nuclear assets to be selected on the index. Selected along 5 years
Carbon Disclosure Leadership Index 2015	100/100
Carbon Performance Leadership Index 2015	A Category
Global Roundtable on Climate Change	IBERDROLA among the promoters
Sustainability Yearbook Robeco Sam 2015	Classified as "Silver Class" in the electricity sector
OEKOM Research 2015	Classified as "Prime"
MERCO 2015	Leading company in Spain in the utilities sector: electricity, gas and water
New York Stock Exchange, NYSE Euronext and Vigeo	Iberdrola selected
ET Global 800 Carbon Ranking	Iberdrola first Spanish utility
Nesweek and Green Rankings 2015	Iberdrola first Spanish utility and fourth worldwide
MSCI Global Sustainability Index Series	Iberdrola AAA selected
2015 World's Most Ethical Company	Iberdrola selected. The only Spanish utility
Fortune Global 500	Iberdrola selected
Stoxx ESG Leaders	Iberdrola selected

Sustainability Policy (since Dec. 2013):



3. CONTRIBUTION TO SOCIAL DEVELOPMENT

IBERDROLA's most significant actions with regard to social commitment in the year 2015 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 *2015 World's Most Ethical Company* ranking, made by the Ethisphere Institute, which recognises organisations contributing ethical leadership and behaviour at corporate level. For the second consecutive year, our Company has achieved this recognition, which was awarded during the *Global Ethic Summit*, held in New York.

• IBERDROLA once again makes it into the Dow Jones Sustainability Index (DJSI)

Our Company is the only European electricity provider selected in all 16 editions of the prestigious DJSI, which is a firm recognition to its sustainability strategy. The DJSI Index is considered to be the main worldwide point of reference to measure companies' contribution to sustainable development.

• IBERDROLA, recognised for its Corporate Governance

- It has been chosen in 2015 as the European utility company with the best Corporate Governance policies, according to the prestigious publication *Ethical Boardroom*,

which awards the *Corporate Governance Awards 2015* in Europe and Africa.

- For the third time, IBERDROLA has been awarded the recognition of Spanish company with the best Corporate Governance practices, according to the *World Finance* magazine.

• IBERDROLA, the IBEX 35 leader in fiscal transparency

Our Company leads the IBEX 35 as regards fiscal transparency in 2014, according to the *Transparency Report on the Fiscal Responsibility of Companies*, drafted by the *Fundación Compromiso y Transparencia* (Commitment and Transparency Foundation).

• Ignacio Galán, named the best European Utility Company CEO, and IBERDROLA crowned as the best company for its investor relations

- For the first time, IBERDROLA has won all four categories assessed: best investor relations, and best CEO, CFO and Director of Investor Relations, according to the *2015 All-European Executive Team* ranking of the prestigious Institutional Investor Research Group.

- Likewise, IBERDROLA's *Shareholder Involvement Policy* has won the *Euroshareholders* award to the Best Minority Shareholder Initiative, awarded by AEMEC; and the *Capital* magazine award for the Best Transparency Initiative of the Year, for the publication of said corporate policy.

- It has also been recognised as the best company in the South of Europe and the best European utility company in this area by *IR Magazine*.

- Furthermore, it has received the 'Best Initiative for Shareholder Relations by listed Spanish Companies,' awarded by the *Foro de Buen Gobierno y Accionariado* (Good Governance and Shareholding Forum).

- **IBERDROLA, leader in the response to Climate Change**

Our Company takes lead position in the ranking of European electricity companies thanks to its response to climate change challenges, according to a report produced by CDP (Climate Disclosure Project), obtaining maximum points (100A) in the sustainability indices of *Climate Performance Leadership* and *Climate Disclosure Leadership*.

- **IBERDROLA, leader in Corporate Reputation in the energy sector**

Our Company has placed itself as the leader in Corporate Reputation in the energy, gas and water sector, according to the MERCO ranking, and also figures among the top ten Spanish companies with the best Corporate Reputation.

- **IBERDROLA, winner of an innovation award**

IBERDROLA has received the *National Award to Innovation and Design 2015*, in the category of internationalisation, in recognition of its exemplary track record in innovation and

design, thanks to its innovative and solid industrial project based on a strategy of sustainable design.

- **ScottishPower, Utility of the Year in 2015**

ScottishPower Energy Networks won the award for Utility of the Year at the *Smart Metering & Grid Awards 2015*, thanks to its commitment to innovation and its efforts in bringing the company closer to the clients and communities it serves.

- **ScottishPower, winner at the Responsible Business Awards**

ScottishPower won the *Responsible Business Award 2015*, presented by *Business in the Community*, in recognition of its *PowerSkills* programme, focused on helping young people from disadvantaged backgrounds.

- **Elektro, a winning company in Latin America**

- The company has received an award for Best Company to work at in Latin America, according to the study carried out by *Great Place to Work*, in which more than 2,200 companies from 20 countries participated. It has also received the award for Best Company to work at in Brazil, for the third consecutive year.

- It has also been recognised as one of Brazil's 10 most innovative companies, according to the ranking issued by *Forbes* magazine.

- Furthermore, it has been elected as the company which generates the most value with regard to its stakeholders, according to the *MVP (Most Value Produced) Brazil 2015 ranking*, in the Public Services category, carried out by the consultancy DOM Strategy Partners.

- **IBERDROLA México, recognised as a “Socially Responsible Company”**

IBERDROLA México has received the ‘*Socially Responsible Company*’ label by the *Centro Mexicano de la Filantropía*, for the third consecutive year.

3.2.- Relations with Stakeholders

- **IBERDROLA adheres to the conclusions of the COP21, held in Paris.**

The Company has committed to working towards limiting global warming to 2°C and providing real and tangible solutions in the fight against climate change, during the Conference of the Parties of the UN Framework on Climate Change (COP21), by means of the *Just2Challenge initiative* (<http://www.just2challenge.com>).

- **Support to Suppliers**

IBERDROLA has presented a Programme to promote innovation with its suppliers, based on different types of action, such as access to financing mechanisms, the joint creation of companies or innovative purchasing from SMEs.

It has also presented the awards for the *Supplier of the Year Award 2015*, created by IBERDROLA to incentivise sustainable development, innovation, internationalisation, etc. among its suppliers.

- **Attention to Vulnerable Customers**

IBERDROLA has updated its *General Policy regarding Corporate Social Responsibility*, to include the action principle of providing attention to vulnerable customers.

A procedure has been established in Spain, in collaboration with the Public Administrations, for the protection of vulnerable consumers, the ultimate aim of which is to try to avoid the automatic suspension of electricity supply to people included in its scope of application, resulting from a failure to pay the electricity bill. A total of 13 agreements have been signed with Regional Governments and some town councils, and negotiations are in course with the rest of the Regional Governments and other councils with a view to extending this protection.

ScottishPower has started a Solidarity Fund to help its most vulnerable customers who meet a series of requirements. The *Social Enterprise Direct* organisation has been appointed to act as the Fund’s independent administrator.

• International Energy Cooperation

The first *Iberdrola Awards to International Energy Cooperation* have been held in collaboration with the Excellence in Sustainability Club and the Ministry of Foreign Affairs and Cooperation, with a view to showcasing the best initiatives carried out by companies, the public sector and the third sector in the field of international cooperation.

• Campaign for the Promotion of Youth Employment

IBERDROLA is the first IBEX 35 company that has adhered to the campaign for the UN to declare 2016-2025 the Youth Employment Decade, by means of the Pegasus Programme, coordinated by the Novia Salcedo Foundation. The aim of this Programme is to place youth employment on the Global Human Development Agenda, by means of its declaration by the General Assembly of the United Nations.

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 community of volunteers of the Group), the following can be highlighted for this period:

- **8th IBERDROLA Tree Day.** The eighth Tree Day was celebrated in Bermeo (Biscay), in collaboration with the Asociación Gorabide and the Fundación Lurgaia, to create the Iberdrola Forest, which shall eventually cover an area of five hectares.
- **Laws for integration.** The programme '*Conoce tus leyes*' (Know your Laws), supported by our Company, offers immigrants free courses taught by law professionals, to provide them with knowledge of Spanish legal principles that facilitate a better integration in our society.
- **"IBERDROLA Operation Kilo" initiative.** This solidarity initiative has been held on several different occasions to collect food with the aim of contributing to alleviating the difficult economic situation of vulnerable families. The distribution is carried out through different aid organisations.
- **"Solidarity Bazaars" Initiative.** Within the volunteer campaign *Iberdrola with the Syrian refugees*, a series of different Solidarity Bazaars have been set up to sell different objects donated by Iberdrola workers.
- **Volunteer Days.** A series of volunteer days devoted to games and sports and environmental awareness aimed at people with disabilities have been held in Community of Madrid, Castile-León, Valencian Community, Navarre, Castile-La Mancha, Galicia and Murcia. The *IBERDROLA International Volunteers Day* was also celebrated, under which a host of activities

were held in Spain, the United Kingdom, the United States, Mexico and Brazil.

- **Sao Paulo 2.0 Initiative.** The fourth edition of this corporate volunteering programme was held, in which IBERDROLA employees from other regions travelled to Brazil during their holidays to help teenagers improve their employability, by means of IT and web application training.

3.4 Community Action

a) Training and Research

2015 Call for Research Scholarship and Grants

The Scholarship and Grants Programme of Fundación IBERDROLA España, whose goal is to promote a new generation of professionals capable of driving the transformation towards a sustainable energy model, has grown this year as an exponent of the international dimension of the Foundation. Thus, thanks to the joint effort of these countries, young people of all five nationalities (Spain, United Kingdom, United States, Mexico and Brazil) will be able to study during the 2015-2016 academic year masters courses in energy and environmental studies at Spanish, British and US universities, in areas related to renewable energies, energy efficiency, biodiversity, clean technologies, emissions management, energy storage, electric vehicles and smart networks. The International Scholarship Programme also includes grants for research into energy and

the environment in renowned universities and institutions in Spain.

In 2015 a total of 116 research scholarships and grants were awarded, with an overall investment of 2.5 million euros.

The Scholarship Programme also includes collaborations with prestigious academic institutions, such as the Iberdrola Fulbright Scholarships or those awarded by the Carolina Foundation. The programme has also included financing Restoration Scholarships for students at the Museo del Prado in Madrid and Bilbao Fine Arts Museum within the collaboration programme held with both museums.

b) Sustainability and Biodiversity

Bird migration monitoring programme (MIGRA)

The Fundación IBERDROLA collaborates with the *Sociedad Española de Ornitología* (Spanish Society of Ornithology), SEO/BirdLife, in an innovative initiative aimed at studying the migratory movements of the birds present in Spain. The main aim of this project is to describe the movements of each species throughout one or more years, to find out about their migratory routes, resting areas during the journey and hibernation areas, among other aspects.

In 2015 a total of 51 birds of different species have been tagged, and the project has been showcased at an exhibition about birds of prey held at Madrid's National Museum of

Natural History, with a view to facilitating its dissemination and external communication. All of the migratory journeys of the different species can be followed in real time on the project's website (www.migraciondeaves.org)

LIFE+ Cantabrian Capercaille Project

The main aim of the LIFE+ Cantabrian Capercaille Project is to slow down the decline of this subspecies exclusive to the Northwest of the Iberian Peninsula and to foster its recovery. The actions of the project aim to improve its conservation and that of its habitat, to promote environmental education and foster society's awareness and participation. The area of action comprises 16 Special Protection Areas (SPAs) of the Cantabrian Mountain Range. In addition to receiving funding from the European Union and the Fundación IBERDROLA, the Project coordinated by the Fundación Biodiversidad and has the participation of Autonomous Communities of Galicia, Cantabria, the Principality of Asturias and Castile-Leon, as well as the National Parks Autonomous Agency (*Organismo Autónomo Parques Nacionales*) and SEO/BirdLife. As planned, the financial support of Fundación Iberdrola España to this project concluded in 2015, although the project continues until the end of 2016.

c) Art and Culture

Restoration Programme

The Foundation supports unique projects for the recovery and conservation of

historical-artistic heritage, always in collaboration with agencies and institutions of renown, both public and private. The **Atlantic Romanesque Programme** is the most significant programme of this kind. It is carried out in collaboration with the Portuguese Ministry for Culture and the Regional Government of Castile-Leon, and is an ambitious project to restore and provide maintenance to the Romanesque monuments in both countries, including 24 temples located in the North of Portugal and Salamanca and Zamora, specifically in the vicinity of the rivers Duero and Tâmega. Thanks to this joint intervention initiative, it is possible to recover the cultural, natural and social heritage of the region, by means of socio-economic revitalisation work that contributes to local development, fostering cross-border ties between Spain and Portugal.

The Atlantic Romanesque transcends the mere dimension of artistic restoration, and also acts as a driving force for social revitalisation. Thus, the plan includes educational, cultural and tourism projects with the aim of weaving a network of synergies and contributing to reaching another series of aims, such as the execution of RDI projects, the creation of research networks and exchanges of experiences, and the strengthening of a common European identity.

The two main milestones of 2015 have been:

- On 4 March, the President of the Regional Government of Castile-Leon, Juan Vicente Herrera and the Chairman of Iberdrola,

Ignacio Galán, officially presented the restoration work carried out on the church of San Pedro de la Nave and its surroundings, within the framework of the Atlantic Romanesque Plan.

- In December works concluded on the church of San Martín, built in the 12th century, a notable example of Romanesque architecture in the city of Salamanca. Currently, the church has two access points: the Romanesque door (*Puerta del Obispo* or the Bishop's Door) and the Renaissance door. Inside the temple, the elements worthy of note are the Elizabethan style choir, dating from the 16th century, and the main altarpiece, the work of José Joaquín de Churriguera. In this Church, the visit to the temple itself has been combined with the creation of a visitor centre which is part of the Romanesque Atlantic project and serves as a source of information and attraction for visiting the other churches in the project.

Throughout 2015, the Foundation has also worked in the design of the second phase of this important programme, which consists in showcasing these restorations by means of a series of actions that facilitate cultural, social and economic development in the areas surrounding the churches. These actions are wide-ranging, and go from creating material and tourist routes to writing documentation and training personnel.

More information at www.romanicoolatlantico.org

National Prado Museum Restoration Workshop

The Fundación IBERDROLA is a 'Benefactor of the Museo del Prado' with the support it provides for the Restoration Workshop at the Museum and through the innovative 'Lighting the Prado' project.

The major works restored in 2015 by this museum are the following:

"The Calvary" by Rogier Van der Weyden. This piece, from El Escorial Monastery, was hanging in the Museo del Prado until 6 May as part of an extraordinary exhibition of the painter's works, and is one of his most impressive and original paintings due to its grandiose, expressive figures. The work was in a very poor state of conservation as a result of having been moved on different occasions, as well as being subjected to different interventions throughout more than 500 years. This is why its recovery has been an example of high quality craftsmanship, both on an aesthetic level and in terms of conserving the medium and the pictorial layer.

Through its Foundation in Spain, Iberdrola has collaborated with the Museo del Prado in the restoration of one of Goya's most special works, 'La Era'. After being restored thanks to Iberdrola's support through its Foundation in Spain, the piece is now exhibited to the public for the first time following its renovation, given that it was not part of the recent Goya selection in Madrid.

The presentation of the work of the master from Aragón coincides with the opening of the rooms which will now house the group of Goya's tapestry cartoons and works of 18th century Spanish painters. The new room where 'La era' will be exhibited is more spacious and features modern LED lighting, as part of the project **Iluminando el Prado/ Lighting the Prado**.

The aim of the "Iluminando el Prado / Lighting the Prado" Project is to provide the Museum's exhibition rooms, both permanent collection and temporary exhibition rooms, with a new LED lighting system replacing the current halogen lighting system. The advantages offered by this project include the improvement of the conservation of the works exhibited, resulting from the absence of infrared and ultraviolet rays thanks to the new technology. LED light is very similar to natural light, facilitating the viewing of the works and improving their presentation. Furthermore, on average, it is 75% more efficient, providing significant savings in yearly consumption.

The implementation of this important project has been planned over fourteen phases, starting in November 2014, and will last for four years. In the Museo del Prado rooms corresponding to the south wing of the ground floor of the Villanueva building, visitors can already see the result of phases 0 and 1 of this large-scale lighting project. With phases 0 and 1 of the project having concluded, the rooms fitted with this new kind of lighting are numbers 60A, 61, 61A, 61B, 62, 62A, 62B, 63, 63A, 63B, 64, 65, 66, 67 and 75,

corresponding to the 19th century collections and Goya's last years and his Black Paintings.

Furthermore, from an environmental perspective, upon completion in 2017 this lighting system will bring annual energy savings of 75%, and will avoid the emission of 320 tons of CO₂ per year into the atmosphere. It will also reduce maintenance costs, given that these devices have a useful life of 50,000 hours compared to 1,000 hours of halogen lamps.

Lighting Programme

The following projects have been concluded:

- Lighting of the Walls at Vilafamés, Castellón: partial lighting of the wall, with design of the highest standards of efficiency, using latest technology lamps (LED). With this the aim is to avoid undesired dazzling and light pollution, while at the same time highlighting and showcasing the pictures on the Walls. Declared a Bien de Interés Cultural (Heritage of Cultural Interest), the castle and the walls of Vilafamés date from the 14th century. The castle is in the highest part of the village, dominating the plains from an altitude of 400 metres. Around the castle, part of the old town is still preserved.
- Lighting of Alcántara Bridge, Cáceres: A year into the project, the results show uniform lighting that is respectful towards the environment. Thanks to this initiative, electrical consumption of the lighting system on the bridge will go down by 84% following the installation of 36 LED

lamps. Furthermore, their new layout will bring out the horizontal lines of the bridge structure, and in doing so will reduce light pollution. This new lighting will make it possible to reduce maintenance expenses, given that these light devices have a useful life of more than 10 years. With the aim of enhancing the bridge's architectural elements, the new light combines general lighting on the sides of the bridge, 195 metres long, with more specific lighting on its six arches, including the central triumphal arch, which reaches a height of 14 metres. The 36 lamps installed are energy-efficient. Of these, 24 have been placed on the sides and the abutments of the bridge, replacing the previous lamps, with a view to highlighting the monument's horizontal lines, thus maintaining their throw distance, and reducing both light pollution and power. The 12 remaining lamps have been placed in pairs in the internal supports of each arch, which has made it possible to illuminate the hidden side of these elements, and cause them to reflect on the water of the River Tagus.

- Lighting of the main altarpiece of Iglesia del Juncal, Irún: design and installation of the new lighting of this Renaissance church which despite its date corresponds more closely to a Gothic pattern both in terms of its construction and its shapes. The project has ended having achieved the aim of illuminating the altarpiece, the altar and the presbytery.

Still under way to be opened in 2016 are the projects of:

- Lighting of the church of Santísimo Cristo de Valdepeñas
- Lighting of the Santa María la Blanca Synagogue

d) Cooperation and Solidarity

Social Grants

The main aims of Fundación IBERDROLA include contributing actively to the improvement of the quality of life of the most vulnerable people and groups. In its annual call for social projects, it selects projects of non-profit agencies working in Spain. These initiatives deal with situations such as poverty and social exclusion, the quality of life of people who are seriously ill, dependent or with functional diversity.

During 2015, priority was given to projects focused on social and labour inclusion with a direct impact on childhood and youth. In total, 32 projects were selected, worth 1 million euros of investment, which started to be implemented in January 2016, and will last for 12 months. The agencies carrying out these projects include: Cáritas, Mensajeros de la Paz, Fundación Síndrome de Down, Aspanion, AECC, Menudos Corazones, Proyecto Hombre, Save the Children and other local NGOs.

Cooperation for Development:

Energy without Borders Project: In 2015, the second phase of the Eco-Village project in Niumbani, Kenya, has finished. This consists

of the electrification of the homes in the village, having finished the first electrification phase concerning the common facilities in the village.

Partnership for Solidarity Project: project for water supply and sanitation with energy components in Nicaragua. The project has been carried out by means of a private-public partnership with the AECID Water Fund.

Institutional Collaborations

Lastly, Fundación Iberdrola España continues to collaborate with and support significant cultural, social, scientific and cooperation institutions of renown in Spain, such as Instituto Elcano, Carolina Foundation, the Royal Spanish Academy of Language and History, Instituto Cervantes, the Atapuerca Foundation, Casa de América, the Red Cross Foundation and Energy Without Borders, among others. These collaborations are mainly financial and to provide support to their activities, and amount to more than one million euros per year.

CORPORATE GOVERNANCE

The Corporate Governance highlights during financial year 2015 were as follows:

- On 14 January 2015 IBERDROLA submitted to the Spanish Securities Market Commission (CNMV) the energy production figures corresponding to 2014.
- The Board of Directors of IBERDROLA, in its meeting of 17 February 2015, prepared the annual accounts and individual management reports of the Company consolidated with its subsidiaries, corresponding to the financial year ending 31 December 2014, 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 Scrip Dividend*.
- Also on 17 February, 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 28 March 2014, under point nine of the agenda. In relation to this, since that date, IBERDROLA periodically reported to the CNMV on the share buyback programme until 16 April, the date when it ended. As a result, the Company acquired a total of 12,714,506 own shares (0.199% of the share capital).
- On 18 February, the Company submitted to the CNMV its Presentation of Results for the financial year ending on 31 December 2014.
- On 20 February 2015 IBERDROLA sent to the CNMV the *Annual Corporate Governance Report* and the *Annual Report on*

Remuneration of Directors corresponding to financial year 2014.

- On 2 March, IBERDROLA informed of the transmission by Iberdrola Energía, S.A. Unipersonal to Neoenergía S.A. of all of its shares in the Brazilian distributors Companhia de Eletricidade do Estado da Bahia – Coelba S.A. (“Coelba”) and Companhia Energética do Rio Grande do Norte – Cosern S.A. (“Cosern”), by virtue of a sale and purchase contract signed on 27 February 2015. As a result of said operation, IBERDROLA has become an indirect owner of the companies Coelba and Cosern through Iberdrola Energía, S.A. and, in turn, through Neoenergía S.A.
- In addition, IBERDROLA communicated to the CNMV on 8 April 2015, the decision of Moody’s Investors Service credit rating agency to keep IBERDROLA’s long term credit rating at “Baa1”, also reviewing the outlook from ‘negative’ to ‘stable’.
- On 15 April 2015, the Company submitted its energy production figures for the first quarter of 2015.
- On 28 April, the Company notified the CNMV of the execution of the reduction of share capital through the redemption of treasury stock, approved by the General Shareholders’ Meeting held on 27 March 2015, under point ten of the agenda.

Subsequently, on 5 May, notification was given of the registration of the deed of reduction in share capital through redemption of treasury stock.

- Also on 28 April, IBERDROLA approved the implementation of the first increase of paid-up capital approved by the General Shareholders’ Meeting in 2015, under section A, point six of the agenda.

Subsequently, on 1 July 2015, the Company published an appendix to the memorandum regarding the first increase of paid-up capital approved by the General Shareholders’ Meeting of 27 March 2015.

Lastly, on 20 July 2015, IBERDROLA notified the CNMV of the implementation of the first increase of paid-up capital, through which the *Iberdrola Scrip Dividend* system is implemented.

- On 29 April 2015, the Company submitted to the CNMV its presentation of results for the first quarter of 2015.
- On 10 July 2015, the Company submitted its energy production figures for the first half of 2015.
- On 22 July, the Company submitted to the CNMV its Presentation of Results for the first half of 2015.

- On 15 October, the Company submitted its energy production figures for the third quarter of 2015.
- On 20 October 2015, the Board of Directors approved the implementation of the second increase of paid-up capital approved by the General Shareholders' Meeting held on 27 March 2015, under section B, point six of the agenda.

On 8 January 2016, the Company published an appendix to the memorandum regarding the second increase of paid-up capital approved by the General Shareholders' Meeting of 27 March 2015.

Lastly, IBERDROLA reported on 26 January 2016 the implementation of the second increase of paid-up capital, through which the *Iberdrola Scrip Dividend* is implemented.

- On 21 October, the Company submitted to the CNMV its Presentation of Results for the nine-month period of 2015.

IBERDROLA submitted a communication to the CNMV on 3 December, regarding the information requested by the National Securities Market Commission (CNMV) of all the listed companies or companies issuing securities regarding certain provisions of the Spanish Companies Act that form part of the securities market code of conduct and discipline.

- Furthermore, on that same date, the form was submitted to notify IBERDROLA's Member State of origin.
- On 15 December 2015 the Board of Directors of IBERDROLA agreed to propose to the General Shareholders' Meeting the re-appointment of Ernst & Young, S.L. as accounting auditor for financial year 2016. Likewise, the Board of Directors agreed to appoint KPMG Auditores, S.L. as accounting auditors for the period 2017 to 2019, following a proposal from the Audit and Risk Supervision Committee.
- On 26 February 2015, the CNMV was informed that the Boards of Directors of IBERDROLA, Iberdrola USA, Inc. and UIL Holdings Corporation approved the conditions for integrating the latter company in the Iberdrola Group through a merger by absorption, by a company fully owned by Iberdrola USA, Inc. (Green Merger Sub, Inc., with registered address in the United States of America and established with the aim of absorbing UIL Holdings Corporation).

Subsequently, on 16 December 2015, IBERDROLA informed the CNMV of the compliance with the conditions precedent which had come to apply to the agreement of integration of UIL Holdings Corporation in the Iberdrola Group, to be implemented by means of a merger by absorption of UIL Holdings Corporation by a company fully owned by Iberdrola USA, Inc.

Lastly, on 17 December notification was made of the completion of the merger by absorption of UIL Holdings Corporation by Green Merger Sub, Inc., a company fully owned by Avangrid, Inc. (previously Iberdrola USA, Inc.).

Following the operation, Iberdrola, S.A., owned 81.5% of Avangrid, Inc. and the remaining 18.5 % stayed in the hands of the previous shareholders of UIL Holdings Corporation. Avangrid, Inc. shares were listed on the New York Stock Exchange on that very date, 17 December 2015.

GENERAL SHAREHOLDERS' MEETING

During the meeting held on 17 February 2015, the Board of Directors of IBERDROLA agreed to call a General Shareholders' Meeting for 27 March 2015. 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 20 February 2015.

On 27 March 2015, the General Shareholders' Meeting of the Company was held at first session, with a quorum of 78.65% of the share capital (21.61% present and 57.04% 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 and the consolidated accounts with its subsidiaries, corresponding to financial year 2014, as well as the Company's individual management report and the report on the consolidated management with its subsidiaries, in addition to corporate management and performance of the Board of Directors during financial year 2014.

Furthermore, the General Shareholders' Meeting approved the re-election of Ernst & Young, S.L. as the accounts auditor of the Company and its consolidated group for financial year 2015, including the delegation in favour of the Board of Directors, with full powers of substitution, of the powers necessary to enter into the corresponding service contract with Ernst & Young, S.L.

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 the financial year 2014 of EUR 0.03 gross per each IBERDROLA share.

In addition, under sections A and B of point six of the order of the day, 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 777 and 886 million euros, respectively, for the free-of-charge allocation of the new shares to the Company's shareholders. Said agreements include the delegation to the Board of Directors, with full powers of substitution, of the powers required to execute capital increases, including that of newly drafting the article on *Articles of Association* that regulates the share capital.

These capital increases were agreed in order to implement the two new editions of the *Iberdrola Scrip Dividend* system and offer all the Company's shareholders new issue paid-up shares or, eventually, the purchase of free-of-charge allocation rights that shareholders receive for the shares they hold, for a guaranteed fixed price, in accordance with the Company's shareholder remuneration policy.

Agreement regarding the renewal of the Board of Directors

The General Shareholders' Meeting approved the re-election of Mr José Ignacio Sánchez Galán as CEO for the statutory term of four years.

Likewise, the General Shareholders' Meeting approved the ratification of the appointment by co-option and the re-election as directors, for the statutory term of four years, of Ms.

Denise Mary Holt and Mr. José Walfredo Fernández, as independent directors, and of Mr. Manuel Moreu Munaiz, as external director, as well as the re-election for the same statutory term of four years of directors Mr. Ángel Jesús Acebes Paniagua, Ms. María Helena Antolín Raybaud and Mr. Santiago Martínez Lage, as independent directors, and of Mr. José Luis San Pedro Guerenabarrena as a further external director.

Agreement regarding the update of the Corporate Governance system

The General Shareholders' Meeting approved:

- a) The modification of the *Articles of Association* to adapt their content to *Law 31/2014, of 3 December, by which the Spanish Companies Act is modified to improve Corporate Governance*, to reflect its status as a holding company of Iberdrola's, to incorporate other technical and corporate governance improvements, and to simplify its content.
- b) The modification of the *General Shareholders' Meeting Regulations* to adapt their content to *Law 31/2014, of 3 December, by which the Spanish Companies Act is modified to improve Corporate Governance* and to incorporate other technical and corporate governance improvements.

Agreement regarding capital decrease

The General Shareholders' Meeting approved a decrease in share capital through the amortisation of a maximum of 148,483,000 treasury shares, representing 2.324 % of the Company's share capital, by means of the amortisation of 135,768,494 own shares currently in the portfolio, and of a maximum of 12,714,506 own shares acquired through a repurchase programme for their amortisation. This agreement includes the delegation to the Board of Directors, with full powers of substitution, of the powers necessary for its execution, including, among other questions, the powers to redraft the article on the Articles of Association that regulates the capital stock and request the exclusion from the negotiation and cancellation of the accounting records of the amortised shares.

Agreement relating to general matters

The General Shareholders' Meeting agreed, without prejudice of the delegations included in the previous agreements, to grant the relevant powers severally to the Board of Directors, the Delegate Executive Committee, the Chairman and CEO and the General Secretary and Secretary of the Board of Directors to enable any of them, with any powers required by Law, to execute the agreements adopted.

Consultative voting on the *Annual Report on Remunerations of Directors*

Lastly, the *Annual Report on Remuneration of Directors* corresponding to financial year 2014 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 CONSULTING COMMITTEES

The Board of Directors of IBERDROLA is comprised of fourteen (14) members, one (1) of whom is an executive director, another (1) of whom is an external proprietary director, two (2) of whom are classified as external directors and the remaining ten (10) are external independent directors.

The Board of Directors, in its session of 17 February 2015, accepted the resignations handed in by Mr. Julio de Miguel Aynat and by Mr. Sebastián Battaner Arias from their roles as Director and Chairman and member of the board, respectively, of the Audit and Risk Supervision Committee.

In turn, it approved the appointment by co-optation, at the proposal of and following a favourable report by the Appointments and Remuneration Committee, of Mr. José W. Fernández as an independent director, and of Mr. Manuel Moreu Munaiz as another external director, with a view to covering the vacancies left by the resignations of Mr. Miguel Aynat and Mr. Sebastián Battaner Arias.

On this same date, following a favourable report of the Appointments and Remuneration Committee, independent external director Ms Georgina Kessel Martínez was appointed as the new Chairperson of the Audit and Risk Supervision Committee, of which she had been a member until now, replacing Mr. Julio de Miguel Aynat. Likewise, also at the proposal of the Appointments and Remuneration Committee, the appointment of Mr. José W. Fernández as new member of the mentioned Committee was approved.

Following the General Shareholders' Meeting, held on 27 March, the following agreements adopted by the Board of Directors on 25 March 2015 were made effective:

- Re-election, following a report from the Appointments and Remuneration Committee, of Mr. José Ignacio Sánchez Galán as Chairman of the Board of Directors, and re-election, at the proposal of said Committee, of Mr. Sánchez Galán as CEO of the Company.
- Creation of the Appointments Committee and the Remuneration Committee, which assume the functions carried out up to this point by the Appointments and Remuneration Committee.
- Re-election, following a report by the Appointments and Remuneration Committee, of Mr. José Ignacio Sánchez Galán as chairman of the Delegate Executive Committee, as well as of Mr. José Luis San Pedro Guerenabarrena and Mr. Ángel Jesús Acebes Paniagua as members of said Committee.
- Appointment, at the proposal of the Appointments and Remuneration Committee, of Ms. María Helena Antolín Raybaud as Chairperson of the new Appointments Committee, and of Mr. Ángel Jesús Acebes Paniagua and Mr. Íñigo Víctor de Oriol Ibarra as members of said Committee.
- Appointment, at the proposal of the Appointments and Remuneration Committee, of Ms. Inés Macho Stadler as Chairperson of the new Remuneration Committee, and of Mr. Íñigo Víctor de Oriol Ibarra and Mr. Santiago Martínez Lage as members of said Committee.
- In addition, appointment, at the proposal of the Appointments and Remuneration Committee, of Mr. Manuel Moreu Munaiz as a member of the Corporate Social Responsibility Committee, replacing Ms. María Helena Antolín Raybaud.
- Lastly, appointment, following a report from the Appointments and Remuneration Committee, of Mr. Rafael Mateu de Ros Cerezo and Mr. Íñigo Gómez-Jordana Moya as non member secretaries of the Remuneration Committee and the Appointments Committee, respectively.

On 22 June 2015 IBERDROLA reviewed the appointment as Director of Mr Íñigo Víctor de Oriol Ibarra and, at the proposal of the Appointments Commission, he was appointed to the category of "Other External Director".

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 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 regulations 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 2015, the following updates and reviews of the Corporate Governance System of IBERDROLA were made:

- On 17 February 2015 the new *Shareholder Involvement Policy* was approved, as well as the modification of the *General Corporate Governance Policy*, the *Policy of Information and Relations with Shareholders and the Markets*, which became known as the *Policy of Information and Communication with Shareholders and Markets*, of the *Definition and Coordination Policy of the Iberdrola Group and Foundations of the Corporate Organisation*, of the *Policy of Remuneration of Directors* and of the *Policy on Good Tax Practices*, which became the *Corporate Fiscal Policy*.

On that same date, the content of the *Risk Policies* was reviewed and four new specific policies were approved for each of the main businesses carried out by the Iberdrola Group.

In addition, it was agreed to modify the entirety of the *Social Responsibility Policies* and to approve three new policies: *Policy of Relations with Stakeholders*, *Policy of Respect for Human Rights* and *Framework Policy for Human Resources*.

Likewise, a new consolidated text for the *Regulations of the Board of Directors* and its consultative commissions was approved, as well as the modification of the *Code of Ethics* and the *Regulations of the Compliance Unit*.

- As mentioned in the section on the agreements of the General Shareholders' Meeting, on 27 March 2015 the modification of the *Articles of Association* and the

Regulations of the General Shareholders' Meeting were approved.

On that same date, the partial reform of the Corporate Governance System was announced, in accordance with the agreements adopted by the Company's Board of Directors on 25 March. In this regard, the modification of the several regulations regarding the Corporate Governance System were approved including the *Regulations of the Board of Directors*, to adapt them to the statutory reform and of the *Regulations of the General Shareholders' Meeting* approved by the General Shareholders' Meeting, to reflect the separation of the Appointments and Remuneration Committee into separate committees, and to incorporate the content of the *Good Governance Code for Listed Companies* published by the Spanish Securities Market Commission on 24 February 2015.

- As at 22 June, IBERDROLA approved a new *Brand Policy* as well as agreeing to modify several rules of the Corporate Governance System aimed at reforming the regulations of the corporate website, creating an ethical mailbox for suppliers and introducing other corporate governance improvements. The modifications affected the *General Corporate Governance Policy*, the *Definition and Coordination Policy of the Iberdrola Group and Foundations of the Corporate Organisation*, the *Policy for the Prevention*

of Crime and Fraud, the *Summary of the Corporate Risk Policy*, the *General Policy of Corporate Social Responsibility*, the *Policy of Relations with Stakeholders*, the *Regulations of the Board of Directors*, the *Code of Ethics* and the *Regulations of the Compliance Unit*.

- On 20 October the Board of Directors approved the partial reform of the Corporate Governance System to introduce the adaptation of the mission, vision and values of the Company, to update the *Policy of Relations with Stakeholders*, to emphasise commitment to sustainability and to adapt the references to the *Policy of Health and Safety in the Workplace*.
- Lastly, on 15 December 2015 a new reform of the corporate government system was approved, incorporating the special framework of reinforced autonomy of the listed subholding companies, enhancing the competencies of the Compliance Unit and the Internal Auditing Area, to emphasise the absence of biases that hinder the election of female directors in the Group's subsidiaries and to update the references to the Securities Market Act.

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, which also offers the possibility of downloading them for consultation onto e-book readers or any other mobile devices.

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 financial year 2015 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 2015		
Date	Event	Registration No.
10/09/2015	The Company reports the scheduled date for submitting the results corresponding to the nine month period of 2015.	229520
10/15/2015	The company reports its Energy Production figures for the nine month period of 2015.	229670
10/20/2015	The Company reports on the partial reform of the Corporate Governance System of the Company.	229873
10/20/2015 01/08/2016	Implementation of the second increase in paid-in share capital approved by the General Shareholders' Meeting of 27 March 2015 and publication of the corresponding information memorandum.	229877 233855
10/21/2015	The Company issues information regarding the results of the third quarter of 2015.	229892
10/21/2015	The company publishes the Results corresponding to the nine month period of 2015.	229894
11/06/2015	The Company publishes the launch of a new issue on the Euromarket of notes linked to the value of Iberdrola, S.A. shares by Iberdrola International B.V.	230680 230732
11/06/2015	The company submits information regarding the establishment of conditions of the issue on the Euromarket of notes linked to the value of Iberdrola, S.A. shares by Iberdrola International B.V.	230732 230680
11/23/2015 11/06/2015	The company submits information regarding the establishment of the reference price of the Iberdrola, S.A. shares with regard to the issue of Iberdrola International B.V. notes for the amount of 500 million euros, reaching maturity in 2022.	231293 230732
12/03/2015	The Company issues a communication regarding the information requested from the listed companies or companies issuing securities with regard to specific provisions of the Spanish Companies Act that form part of the securities market code of conduct and discipline.	231799
12/03/2015	Form for the notification of the Member State of origin of IBERDROLA, S.A.	231801
12/15/2015	The Company reports on the partial reform of the Corporate Governance System of the Company.	232357
12/15/2015	The Company submits a proposal from the Board of Directors for the re-election of Ernst & Young as accounting auditor for financial year 2016 and the appointment of KPMG as accounting auditor for financial years 2017 to 2019.	232374
12/16/2015 02/26/2015	Compliance with the conditions precedent of the agreement of integration of UIL Holdings Corporation in the Iberdrola group.	232383 219086
12/17/2015 12/16/2015	Lastly, on 17 December notification was made of the implementation of the merger by absorption of UIL Holdings Corporation by Green Merger Sub, Inc., a company fully owned by Avangrid, Inc. (previously Iberdrola USA, Inc.).	232510 232383

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.

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