

Quarterly report 2015

# First half Results



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# Core Business Figures

Operating Data		H1 2015	H1 2014	%
<b>Net production</b>	<b>GWh</b>	<b>69,081</b>	<b>72,971</b>	<b>-5.3</b>
Hydro	GWh	8,851	13,485	-34.4
Nuclear	GWh	11,570	12,192	-5.1
Coal	GWh	5,444	6,037	-9.8
Gas Combined Cycle	GWh	22,768	19,974	14.0
Cogeneration	GWh	2,727	2,511	8.6
Renewables	GWh	17,721	18,772	-5.6
<b>Installed capacity</b>	<b>MW</b>	<b>45,429</b>	<b>45,077</b>	<b>0.8</b>
Hydro	MW	10,171	9,869	3.1
Nuclear*	MW	3,410	3,410	-
Coal	MW	3,178	3,178	-
Gas Combined Cycle	MW	12,725	12,921	-1.5
Cogeneration	MW	1,262	1,253	0.7
Renewables	MW	14,684	14,446	1.6
<b>Distributed Electricity</b>	<b>GWh</b>	<b>96,693</b>	<b>95,709</b>	<b>1.0</b>
Electricity users (managed supply points)	No (mil.)	22,5	22,3	0.9
Electricity customers	No (mil.)	13,6	14,3	-4.6
Gas users (managed supply points)	No (mil.)	3,63	3,61	0.5
Gas supplies	GWh	60,566	55,433	9.3
Gas storage	bcm	2,50	2,54	-1.6
Employees	No.	28,186	27,275	3.3

\* Includes Garoña plant.

Operating Data		H1 2015	H1 2014	%	
<b>Spain</b>					
<b>Net production</b>	<b>GWh</b>	<b>28,841</b>	<b>33,760</b>	<b>-14.6</b>	
Hydro	GWh	7,273	11,964	-39.2	
Nuclear	GWh	11,570	12,192	-5.1	
Coal	GWh	1,242	527	135.7	
Gas combined cycle	GWh	765	462	65.6	
Cogeneration	GWh	1,076	981	9.7	
Renewables	GWh	6,916	7,634	-9.4	
<b>Installed capacity</b>	<b>MW</b>	<b>19,178</b>	<b>25,488</b>	<b>-24.76</b>	
Hydro	MW	8,807	8,807	-	
Nuclear	MW	3,410	3,410	-	
Coal	MW	874	874	-	
Gas combined cycle	MW	5,695	5,894	-3.4	
Cogeneration	MW	392	394	-0.5	
Renewables	MW	6,109	6,109	-	
<b>Distributed Electricity</b>	<b>GWh</b>	<b>46,331</b>	<b>45,155</b>	<b>2.6</b>	
<b>Gas Supplies</b>	<b>GWh</b>	<b>10,277</b>	<b>7,658</b>	<b>34.2</b>	
	Consumers	GWh	8,068	6,864	17.5
	Gas combined cycle	GWh	2,209	794	178.2
<b>Electricity Users (managed supply points)</b>	<b>No (mill.)</b>	<b>10,9</b>	<b>10,9</b>	<b>0.22</b>	
<b>Electricity Customers</b>	<b>No (mill.)</b>	<b>10,3</b>	<b>10,9</b>	<b>-5.2</b>	
<b>Gas users (managed supply points)</b>	<b>No (mill.)</b>	<b>0,84</b>	<b>0,81</b>	<b>4.2</b>	
<b>United Kingdom</b>					
<b>Production</b>	<b>GWh</b>	<b>9,836</b>	<b>10,408</b>	<b>-5.5</b>	
Hydro	GWh	343	405	-15.3	
Coal	GWh	4,202	5,510	-23.7	
Gas combined cycle	GWh	3,234	2,877	12.4	
Cogeneration	GWh	3	5	-45.9	
Renewables	GWh	2,054	1,612	27.4	
<b>Installed Capacity</b>	<b>MW</b>	<b>6,462</b>	<b>6,477</b>	<b>-0.2</b>	
Hydro	MW	563	563	-	
Coal	MW	2,304	2,304	-	
Gas combined cycle	MW	1,967	1,967	-	
Cogeneration	MW	1	31	-96.8	
Renewables	MW	1,627	1,612	1.0	
<b>Distributed Electricity</b>	<b>GWh</b>	<b>18,571</b>	<b>18,579</b>	<b>-</b>	
<b>Gas Storage</b>	<b>bcm</b>	<b>0,1</b>	<b>0,1</b>	<b>-</b>	
<b>Gas Supplies</b>	<b>GWh</b>	<b>27,011</b>	<b>24,441</b>	<b>10.5</b>	
	Consumers	GWh	19,906	18,150	9.7
	Gas Combined Cycle	GWh	7,105	6,292	12.9
<b>Electricity users (managed supply points)</b>	<b>No (mill.)</b>	<b>3,5</b>	<b>3,5</b>	<b>0.2</b>	
<b>Electricity users customers</b>	<b>No (mill.)</b>	<b>3,3</b>	<b>3,4</b>	<b>-2.9</b>	
<b>Gas users (customers)</b>	<b>No (mill.)</b>	<b>2,2</b>	<b>2,2</b>	<b>-</b>	

## Core Business Figures

Operating Data		H1 2015	H1 2014	%
<b>United States</b>				
<b>Production</b>	<b>GWh</b>	<b>8,255</b>	<b>9,273</b>	<b>-11.0</b>
Hydro	GWh	213	229	-7.0
Gas combined cycle	GWh	0,2	0,8	-67.9
Cogeneration	GWh	791	831	-4.8
Renewables	GWh	7,250	8,212	-11.7
<b>Installed capacity</b>	<b>MW</b>	<b>6,479</b>	<b>6,291</b>	<b>3.0</b>
Hydro	MW	118	118	-
Gas combined cycle	MW	30	30	-
Cogeneration	MW	636	636	-
Renewables	MW	5,695	5,507	3.4
<b>Gas storage USA</b>	<b>bcm</b>	<b>1,80</b>	<b>1,80</b>	<b>0.0</b>
<b>Gas storage Canada</b>	<b>bcm</b>	<b>0,64</b>	<b>0,64</b>	<b>0.0</b>
<b>Distributed Electricity</b>	<b>GWh</b>	<b>16,590</b>	<b>16,702</b>	<b>-0.7</b>
<b>Gas supplies</b>	<b>GWh</b>	<b>23,278</b>	<b>23,334</b>	<b>-0.2</b>
<b>Electricity users (managed supply points)</b>	<b>No (mill.)</b>	<b>1.9</b>	<b>1.8</b>	<b>1.2</b>
<b>Gas users (managed supply points)</b>	<b>No (mill.)</b>	<b>0.59</b>	<b>0.60</b>	<b>-2.4</b>
<b>Brazil</b>				
<b>Production</b>	<b>GWh</b>	<b>2,141</b>	<b>1,976</b>	<b>8.4</b>
Hydro	GWh	1,023	886	15.4
Gas combined cycle	GWh	739	771	-4.2
Cogeneration	GWh	90	95	-5.3
Renewables	GWh	290	223	29.6
<b>Installed capacity</b>	<b>MW</b>	<b>1,163</b>	<b>859</b>	<b>35.3</b>
Hydro	MW	682	381	79.1
Gas combined cycle	MW	203	203	-
Cogeneration	MW	32	32	-
Renewables	MW	246	243	1.0
<b>Distributed Electricity (under management)</b>	<b>GWh</b>	<b>15,200</b>	<b>15,273</b>	<b>-0.5</b>
<b>Electricity Customers (managed supply points)</b>	<b>No (mill.)</b>	<b>6.3</b>	<b>6.1</b>	<b>2.3</b>
<b>Mexico</b>				
<b>Production</b>	<b>GWh</b>	<b>19,156</b>	<b>16,788</b>	<b>14.1</b>
Gas combined cycle	GWh	18,029	15,864	13.7
Cogeneration	GWh	768	600	28.1
Renewables	MW	358	325	10.4
<b>Installed capacity</b>	<b>MW</b>	<b>5,294</b>	<b>5,218</b>	<b>1.4</b>
Gas combined cycle	MW	4,830	4,827	0.1
Cogeneration	MW	201	160	25.3
Renewables	MW	263.1	231.1	13.8
<b>Rest of the World</b>				
<b>Production</b>	<b>GWh</b>	<b>853</b>	<b>767</b>	<b>11.2</b>
Renewables	MW	853	767	11.2
<b>Installed capacity</b>	<b>MW</b>	<b>744</b>	<b>744</b>	<b>-</b>
Renewables	MW	744	744	-

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

Stock Market Data		H1 2015	H1 2014
Market capitalisation	EUR (m)	37,702	34,838
Earnings per share (6,240,000,000 shares at 30/06/15 and 6,240,000,000 shares. at 30/06/2014)	€	0.24	0.22
Net operating cash flow per share	€	0.49	0.44
P.E.R.	Times	15.51	20.61
Price/Book value (capitalisation to NBV at end of period)	Times	0.99	1.00

Economic/Financial Data			
Income Statement		H1 2015	H1 2014
Revenues	EUR (m)	16,125.6	15,185.4
Gross Margin	EUR (m)	6,634.0	6,168.9
EBITDA	EUR (m)	3,794.5	3,589.1
EBIT	EUR (m)	2,168.1	2,203.6
Net Profit	EUR (m)	1,505.9	1,402.1
Net Operating Expenses/Gross Margin	%	27.51	27.38

Balance Sheet		June 2015	Dec.2014*
Total Assets	EUR (m)	96,914	93,742
Shareholders' Equity	EUR (m)	38,105	35,705
Net Financial Debt <sup>(1)</sup>	EUR (m)	26,201	25,619
ROE	%	6.6%	4.8%
Financial Leverage <sup>(2)</sup>	%	40.7%	41.8%
Net Debt/Equity Ratio	Times	68.8%	71.75%

(1) Includes regulatory receivables and TEI .

(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



# Operating highlights for the period

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Iberdrola's results over the period are to be viewed within an operational environment characterised by an improvement in the macroeconomic situation on an international level, which has led to an increase in electricity and gas demand. Furthermore, the first half of 2015 is positively affected by the trend of Iberdrola's two reference currencies, the USD and the GBP.

In this respect, it is worth noting the following:

- In Spain, the first half of the year was marked by lower hydroelectric production compared to the same period of the previous year (-32.5%), given that 2014 was a year of extraordinary rainfall, together with a slight growth in electricity demand (1.7%) in terms adjusted to number of working days and temperature (+0.5%). In this regard, the evolution of the large industrial energy consumers sector is worthy of mention, with a 4% growth in the last 12 months.
- In the United Kingdom, electricity demand grew by 0.3%, whereas gas demand did so by 4%, as a result of the harsher weather conditions in the first months of the year.
- Iberdrola USA's area of influence on the East Coast of the United States saw a -0.7% decrease in electricity demand and a -0.2% drop in gas demand, as a result of the mild weather in 2015.
- As for demand in Iberdrola's area of influence in Brazil, it grew by 1.4%, compared to the same period of the previous year. Electricity demand for Elektro decreases by 3.9% whereas for Neoenergia it increases by 2%.
- During the first half of 2015, international markets of raw materials evolved as follows:
  - The average price of Brent oil is USD 58.05 per barrel compared with USD 108.82 per barrel last year (-47%).
  - The average price of gas (TTF) over the period rose to EUR 21.19/MWh, compared to EUR 21.67/MWh in 2014 (-2%).
  - The average price of API2 coal is at USD 59.9/Ton, compared to USD 76.8/Ton (-22%) for the same period of last year.
  - The average cost of CO<sub>2</sub> rights has risen from EUR 5.57/Ton in 2014 to EUR 7.17/Ton in 2015 (+29%).
- The average evolution of Iberdrola's main currencies of reference against the Euro during the first half of the year was as follows: the value of the GBP rose by 11.1% and the US Dollar rose by 18.8%, whereas the Brazilian Real devalued by 5.3%.
- Total production of the Iberdrola Group (total managed MW, for operating purposes, IFRS 11 is not being applied) in the period decreased by 5.3%, to 69,081 GWh. This figure includes 28,841 GWh (-14.6%) generated in Spain, 9,836 GWh (-5.5%) generated in the United Kingdom, 8,255 GWh (-11%) generated in the United States, 2,141 GWh (+8.4%) generated in Brazil, 19,156 GWh (+14.1%) generated in Mexico, and the remaining 853 GWh generated in various countries through renewable energies (+11.2%).

- At the close of the first half of 2015, Iberdrola had 45,429 MW installed (Total MW under management), of which 62% 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:
  - There is a continuation of the strong growth shown in the first quarter of the operating items resulting from the increase in business on the one hand and currency exchange trends on the other. The slight slowdown of the Net Operating Benefit (EBITDA) is a result of the inclusion in 2014 of the positive impact of EUR 111 million corresponding to the favourable decision regarding the deduction of CO<sub>2</sub> rights, which affects the year-on-year comparison.
  - On 26 February, the boards of directors of Iberdrola and Iberdrola USA agreed a proposal to merge the Group's US subsidiary with the listed US company UIL Holdings Corporation. Iberdrola will own 81.5% of the resulting company and the current shareholders of UIL will receive 18.5% plus a cash payment of USD 597 million. The new company will be listed on the NYSE and it is expected that the operation, which must be approved by UIL shareholders and must receive regulatory and stock market authorisations, will be finalised in the last quarter of 2015.

The operation fits in with the Group's strategy of increasing geographic diversification and exposure to regulated businesses and to economies with the highest credit rating (AAA) such as that of the US, without altering the company's financial structure.

- In the Networks business in Spain, there is a reversal of fiscal provisions with a positive impact that accounts for a drop in tax-related expenses of EUR 220 million.

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

	June 2015	v. H1 2014
GROSS MARGIN	6,634.0	7.5%
EBITDA	3,794.5	5.7%
EBIT	2,168.1	-1.6%
RECURRING NET PROFIT	1,253.4	4.8%
NET PROFIT	1,505.9	7.4%

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

- Net Debt is at EUR 26,201, with an improvement of leveraging to 40.7%, compared to the 42.0% recorded in the first half of 2014.
- Funds Generated from Operations as at end of June 2015 grew by 9.9% and reached EUR 3,031.1 million.

# Operational performance for the period

## 1. NETWORKS BUSINESS

### 1.1. Spain

At the end of June 2015, Iberdrola Distribución Eléctrica had 10.88 million supply points and its distributed energy in the first half of the year amounted to 46,331 GWh, a 2.6% increase compared to the same period of the previous year.

In the first half of 2015, the CAIDI (Customer Average Interruption Frequency Index) indicator of supply quality was at 30.8 minutes, a 13.4% increase with regard to the same period of 2014. It should be noted that this indicator has been affected by the severe rain, wind and snow that affected the entire Iberian Peninsula in late January and caused many 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	26.9	0.53
2013	34.7	0.61
2014	27.1	0.53
2015	30.8	0.55

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 (June 2015)		Voltage				
		Total	Very high	High	Medium	Low
Lines	Overhead (km)	93.6	-6,350	65.7	3.1	88.3
	Underground (km)	256.6	-5.2	15.0	146.4	100.4
	Transformers (units)	5	5	0	0	
Sub-stations	Capacity increase (MVA)	295	275	10	10	
	Substations (units) <sup>(1)</sup>	4				
Secondary sub-stations	Secondary substations (units) <sup>(2)</sup>	-595				
	Capacity increase (MVA)	48.3				

- (1) Of the four facilities, one of these has been a complete refurbishment (STR Cáceres 3). The old installations of Gandía and Polígono C have not yet been dismantled.
- (2) Reassignment of ownership of transformer substations in Madrid (additional 783 up to Jun-15). In Valencia, transformers have been put in warehouses.

In addition, during this quarter 582,368 smart meters with a remote management system were installed, within the STAR smart grid project.

### 1.2. United Kingdom

At 30 June 2015, ScottishPower Energy Networks (SPEN) had 3.5 million electricity distribution supply points. The volume of distributed energy in the first half of 2015 was 18,571 GWh, a similar value compared to the same period of the previous year.

Customer Minutes Lost (CML) were as follows:

CML (minutes)	Jan-June 2015	Jan-June 2014
Scottish Power Distribution (SPD)	19.4	18.4
Scottish Power Manweb (SPM)	18.7	21.9

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

CI (No. of interruptions)	Jan-June 2015	Jan-June 2014
Scottish Power Distribution (SPD)	26.7	27.0
Scottish Power Manweb (SPM)	16.7	18.6

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

### 1.3. United States

#### 1.3.1. Electricity Distribution

At the end of June 2015, Iberdrola USA Networks had close to 1.9 million supply points in the United States. The distributed electricity volume to date was 16,590 GWh, a 0.7% drop compared with the previous year.

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

SAIFI	Jan-June 2015	Jan-Jun 2014
Central Maine Power (CMP)	0.70	0.76
NY State Electric & Gas (NYSEG)	0.54	0.51
Rochester Gas & Electric (RGE)	0.41	0.37

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

CAIDI	Jan-June 2015	Jan-June 2014
Central Maine Power (CMP)	1.69	1.69
NY State Electric & Gas (NYSEG)	2.09	1.86
Rochester Gas & Electric (RGE)	1.79	1.57

#### 1.3.2. Transmission

##### Transmission project to interconnect New England and Canada

The construction works for the project continue, with a total budget of USD 1,400 million. The works are expected to finalise at the end of this year, with the exception of the Lewiston Loop Project, a subsequent extension of this project.

#### 1.3.3. Gas

The number of gas users in the States of New York and Maine at the end of the second quarter of 2015 was 0.6 million, who have been supplied 23,278 GWh during this period, down 0.2% from the same period in the previous year.

### 1.4. Brazil

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

Energy distributed (GWh)	Total GWh <sup>(1)</sup>		Attributable GWh <sup>(2)</sup>		Var. 2015 v. 2014
	Jan-June 2015	Jan-June 2014	Jan-June 2015	Jan-June 2014	
Coelba	9,517	9,159	3,576	3,441	3.9%
Cosern	2,772	2,703	989	964	2.6%
Celpe	6,901	6,612	2,412	2,312	4.4%
Elektro	8,223	8,555	8,223	8,555	-3.9%
<b>TOTAL</b>	<b>27,413</b>	<b>27,030</b>	<b>15,200</b>	<b>15,273</b>	<b>1.4%</b>

(1) 100% of business.

(2) according to the percentage of Iberdrola's stake.

## Operational performance for the period

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

No. of customers	Total customers		Var. 2015 vs. 2014
	Jan-June 2015	Jan-June 2014	
Coelba	5.6	5.5	3.3%
Cosern	1.3	1.3	3.8%
Celpe	3.5	3.4	3.2%
Elektro	2.5	2.4	2.9%
<b>TOTAL</b>	<b>12.9</b>	<b>12.5</b>	<b>3.3%</b>

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

Plant	MW <sup>(1)</sup>	Attributable MW <sup>(2)</sup>
Termope	520	203
Itapebi	450	176
Afluenta	18	8
Rio PCH	39	15
Sítio Grande	25	10
Baguari	140	28
Corumbá III	94	24
Goias Sul	48	19
Dardanelos	261	102
Teles Pires*	1,820	356
Wind Farms <sup>(3)</sup>	150	59
<b>TOTAL</b>	<b>3,565</b>	<b>998</b>

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

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

(3) Caetite I and II, Calango I, IV and V.

The Teles Pires\* hydroelectric plant (1,820 MW) has reached the end of the half year mark with three of the five turbines ready for operation, although Teles Pires has not been able to effectively inject power to the network because the transmission line, operated by a third party, is still not in operation. Teles Pires has signed an agreement with the regulator that avoids the plant having to buy in the spot market the power that it cannot inject as a result of the delay in that mentioned line.

The capacity of the Neoenergia projects under construction at the end of the period was as follows:

Plant	MW <sup>(1)</sup>	Attributable MW <sup>(2)</sup>	Date
Baixo Iguaçu	350	137	2018
Belo Monte	11,233	438	2015-2018
Wind farms (auction Jun-14)	84	16	2017
Wind farms (auction Nov-14)	90	18	2017
<b>TOTAL</b>	<b>11,757</b>	<b>906</b>	

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

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

## 2. GENERATION BUSINESS AND CUSTOMERS

### 2.1. Spain and Portugal

At the close of the first half of 2015, Iberdrola's installed capacity in Spain (ex-renewables) totalled 19,178 MW, broken down as follows:

SPAIN	Consolidated installed MW	MW Investee companies	TOTAL
Hydro	8,807		8,807
Nuclear*	3,166	244	3,410
Coal	874		874
Gas C.C.	5,695		5,695
Cogeneration	298	93	392
<b>TOTAL</b>	<b>18,840</b>	<b>337</b>	<b>19,178</b>

\* Includes Garoña

Of the 19,178 MW, Iberdrola consolidates 18,840 MW and manages through investee companies a further 338 MW, which in the previous financial year were consolidated using the method of proportional integration, but which, after the entry into force of IFRS 11, go on to being consolidated using the equity method.

Furthermore, **the Spanish Mainland Energy Production (full Sector) for the first half of 2015** is characterised by a production based on hydroelectric (12.4% of the total) and nuclear (22.2% of the total), as well as a greater thermal production (26.6%) compared to 2014, both coal (+59.5%) and gas (+25.2%). The demand shows an increase of +1.9%, despite this increase reducing to +0.5% when adjusted to number of working days and temperature. It is worth noting the evolution of electricity consumption of the group of companies and industries, which in the last twelve months has increased by +2.5%, broken down as +4.0% for industrial consumers and -1.5% for the services sector.

**With regard to Iberdrola**, during the first half of 2015, production dropped by -16.1% to 21,926 GWh. The year-on-year trend broken down by types of technology is as follows:

- Hydroelectric production reached 7,273 GWh, representing a 39.2% drop compared to 2014 due to the extraordinarily high rainfall in the previous period. As at 30 June 2015, hydroelectric reserve levels were at 69.4% (equivalent to 7,834 GWh).
- Nuclear production reached 11,570 GWh, representing a decline of 5.1%.
- Coal-fired thermal power stations reached 1,242 GWh, compared to 527 GWh in the previous year.
- Meanwhile, combined-cycle production increased by 65.6% to 765 GWh
- Cogeneration plants increased their production by 9.7% to 1,076 GWh.

Of the 21,926 GWh produced, Iberdrola consolidated 21,707 GWh at EBITDA level, with 218 GWh being consolidated by the equity method in accordance with IFRS 11. The breakdown is as follows:

	GWh Consolidated at EBITDA level	GWh Investee companies (equity method)	TOTAL
Hydro	7,273		7,273
Nuclear	11,535	35	11,570
Coal	1,242		1,242
Gas Combined Cycle	765		765
Cogeneration	893	183	1,076
<b>Total</b>	<b>21,707</b>	<b>218</b>	<b>21,926</b>

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

## Operational performance for the period

	H1 2015	H1 2014
Hydro	33.1%	45.8%
Nuclear	52.8%	46.7%
Coal	5.7%	2.0%
Gas combined cycle	3.5%	1.8%
Cogeneration	4.9%	3.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Note: IFRS 11 does not apply.

With regard to sales, as at 30 June 2015, the portfolio managed by Iberdrola included 15,671,232 contracts, a total of 530,162 more contracts than in the same period in 2014 (+3.5%). The breakdown is as follows:

	Contracts	%
Electricity contracts	10,279,797	
Gas contracts	841,366	
Contracts for other products and services	4,550,069	
<b>Total contracts</b>	<b>15,671,232</b>	<b>+3.5%</b>

By market type they can be split into the following:

	Contracts	%
Liberalised market	11,534,504	74%
Last resort tariff	4,136,728	26%
<b>Total contracts</b>	<b>15,671,232</b>	<b>100%</b>

Supplied energy (electricity and gas) reached 29,833 GWh. Electricity supplied on the

liberalised market in the first half of 2015 amounted to 20,463 GWh compared to the 18,488 GWh supplied in the same period of 2014 (+11%).

With regard to gas, in the first half of 2015, Iberdrola managed a total gas production of 2.22 bcm, of which 1.35 bcm were sold in wholesale transactions, 0.44 bcm were sold to end customers and 0.42 bcm went towards electricity production.

In Portugal, Iberdrola supplied gas for an amount equivalent to 3,094 GWh in the first half of 2015 compared to the 3,294 GWh supplied in the same period of 2014, ranking second seller in the Medium Voltage industrial customer segment and having started to enter the residential sector.

Iberdrola's electricity sales at the end of June and since the start of the year came to 40.0 TWh, of which 26.2 TWh were sold on the liberalised market, 5.4 TWh correspond to energy at the Voluntary Price for small consumers (PVPC in its Spanish acronym) and 8.4 TWh to other markets.

## 2.2. United Kingdom

At 30 June 2015, installed capacity in the UK (excluding SPW Renewables) amounted to 4,835 MW. This includes a 30 MW drop in capacity compared to the same period of the previous year due to the sale of Pilkington CHPs in August 2014. The breakdown of installed capacity is as follows:

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

With regard to production from Iberdrola's traditional electricity generation plants in the United Kingdom, this fell by 11.5% during the first half of 2015 to 7,782 GWh, compared to 8,796 GWh in the same period of the previous year.

The market share of the UK generation business in the first half of 2015 was 7.1%, compared to 7.3% in the previous year. The highlights are as follows, broken down by production technology:

- Coal plant production dropped by 23.7% to 4,202 GWh compared to 5,510 GWh in the same period of the previous year, due to a high participation in ancillary services markets of Longannet that reduces its production and higher costs related to Carbon Tax.
- Combined cycle gas production increased by 12.4% to 3,234 GWh compared to 2,877 GWh in the same period of 2014.
- Hydro production dropped by 15.3% to 343 GWh, compared to 405 GWh in 2014.
- Production using cogeneration technology (CHPs) dropped by 46% to 2.6 GWh, compared to 4.9 GWh in 2014.

Regarding retail, in 2015, customers had been sold 11,434 GWh of electricity and 19,906 GWh of gas, with a slight decrease compared to 2014: 11,485 GWh of electricity and 18,150 GWh of gas.

At 30 June 2015, ScottishPower had 3.3 million electricity customers and 2.2 million gas customers, representing an increase of 0.018 million customers during the year.

### 2.3. Mexico

Installed capacity excluding renewables amount to 5,030 MW of thermal power capacity. This includes the 40 MW of the Enertek extension that was commissioned in late 2014.

Capacity (MW)	MW
Monterrey	1,040
Altamira	1,036
Enertek	160
La Laguna	538
El Golfo	1,121
Tamazunchale	1,135
<b>TOTAL</b>	<b>5,030</b>

Production generated by combined cycle plants and cogeneration technologies totalled 18,797 GWh, a 13% increase with regard to the first half of 2014.

The load factor is 87%. Accumulated availability of the Mexico plants was 94.2%, with a reliability of more than 99%.



Three new plants are in construction phase, and will enter into operation in 2016: the 280 MW combined cycle plant in Baja California III, a 50 MW cogeneration plant and a new unit in the 300 MW Dulces Nombres plant in Monterrey for private customers. In addition, commercial operation of the new 56 MW cogeneration plant for Dynasol is planned for 2017.

Excluding the projects that are still in an initial development phase, installed capacity in 2017 will amount over 5,700 MW in thermal generation, strengthening the leadership position Iberdrola has maintained over the last ten years in Mexico as a private producer, and its second position in the country after the Comisión Federal de Electricidad.

#### 2.4. Gas storage in USA and Canada

Gas storage installations operated by the Company in the first half of 2015 totalled 2.04 bcm; in addition, the Company had 1.6 bcm of contracted or managed capacity.

USA/CANADA	bcm
Enstor Katy Storage	0.63
Enstor Grama Ridge Storage	0.40
Freebird	0.27
Caledonia	0.50
Alberta Hub	0.64
<b>TOTAL OWNED CAPACITY</b>	<b>2.44</b>
<b>TOTAL CAPACITY UNDER MANAGEMENT OR CONTRACTED</b>	<b>1.6</b>
<b>TOTAL CAPACITY</b>	<b>4.04</b>

### 3. RENEWABLES

At the end of the first half of 2015, the renewables business had an installed capacity of 14,625 MW.

Over the last 12 months, Iberdrola installed 235.8 MW.

Of those 14,625 MW, Iberdrola consolidates 14,083 MW and manages through investee 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.	1,611	15	1,627
Onshore	1,417	15	1,432
Offshore	194	-	194
Wind Energy Brazil	187	-	187
Wind Energy Mexico	263	-	263
Wind Energy RoW	616	122	738
<b>Total Wind Energy</b>	<b>13,669</b>	<b>542</b>	<b>14,211</b>
Total Onshore Wind Energy	13,475	542	14,017
Total Offshore Wind Energy	194	-	194
Other Renewables	413	-	413
<b>Total installed capacity</b>	<b>14,083</b>	<b>542</b>	<b>14,625</b>

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

(\*\*) Neoenergia is not included.

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

	GWh Consolidated at EBITDA level (*)	MW managed by investee companies (**)	Total
Wind Energy Spain	6,150	320	6,469
Wind Energy USA	6,979	205	7,184
Wind Energy U.K.	2,038	16	2,054
Onshore	1,635	16	1,651
Offshore	403	-	403
Wind Energy Brazil	184	-	184
Wind Energy Mexico	358	-	358
Wind Energy RoW	728	120	849
<b>Total Wind Energy</b>	<b>16,436</b>	<b>661</b>	<b>17,098</b>
Total Onshore Wind Energy	16,034	661	16,695
Total Offshore Wind Energy	403	-	403
Other Renewables	517	-	517
<b>Total Renew.Production</b>	<b>16,954</b>	<b>661</b>	<b>17,615</b>

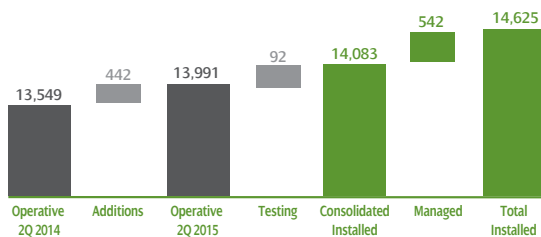
(\*) IFRS11, figures rounded to the nearest unit.

(\*\*) Does not include Neoenergia.

Operating consolidated capacity reached 13,991 MW after adding 442.30 MW in operation in the last 12 months.

### Operative and Installed Capacity

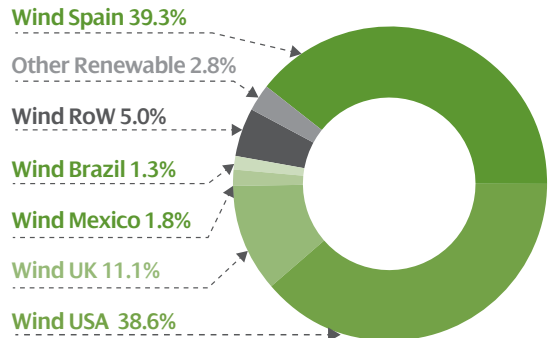
MW



Of the 14,625 MW installed as at the end of the first half of 2015, 60.66% are outside Spain, distributed as follows:

### Installed Capacity breakdown

MW



### Onshore Wind Energy

Iberdrola reached an installed onshore wind power capacity of 14,017 MW (of which all 13,475 MW are fully consolidated) following the addition of 236 MW of onshore wind power capacity over the last twelve months.

### Spain

Installed capacity at the end of the first half of 2015 amounts to 5,753 MW. Of this capacity, Iberdrola consolidates 5,509 MW and manages through investee 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.

### United Kingdom and Republic of Ireland

Installed capacity amounts to 1,432 MW in the United Kingdom and Republic of Ireland. Of this capacity, 1,417 MW are consolidated and 15 are managed through investee companies. Works are under way on the Black Law Extension (38 MW), Dersalloch (69 MW) and Killgallioch (240 MW) wind farms, which is expected to be commissioned between 2016 and 2017.

### Brazil

In Brazil, installed capacity amounts to 187 MW.

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

Furthermore, six projects for a total of 174 MW of wind power won bids in the “Leilões” (tenders) that took place in 2014.

### Mexico

In Mexico, installed capacity amounts to 263 MW. During the first half of the year, the installation of the Pier II (66 MW) wind farm started in the state of Puebla.

### Rest of the world

Installed capacity at the close of the first half of 2015 amounts to 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
<b>Total</b>	<b>616</b>	<b>122</b>	<b>738</b>

### Offshore Wind Energy

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

In 2014, West of Duddon Sands was commissioned in the United Kingdom, which is located in the Irish Sea. The attributable installed capacity is 194 MW. The wind farm is under its first full operating year and has delivered an output of 15% over the budget during the first half of the year.

Iberdrola continues with the development of the Wiking offshore project, of up to 350 MW, in the Baltic Sea (Germany). Progress continues in detail engineering works, in manufacturing and in processing the main permits and authorisations. It is expected to be commissioned by year-end 2017.

Iberdrola is also developing in the United Kingdom the 'East Anglia' project in the North Sea. During the first quarter of the year, Iberdrola materialised the purchase of the remaining 50% share of the East Anglia I farm from partner Vattenfall. In addition, in February 2015 the East Anglia I project was awarded with Contract for Difference in the first auction of this kind in the United Kingdom, with a maximum capacity of 714 MW; following the award the contract was signed, giving the go-ahead to continue its development. Final investment decision will be made in the first quarter of 2016. At present, work is being carried out on the technical definition and tendering phases of the different packages of the project. In this regard, in May a "Preferred Bidder Agreement" was signed with Siemens for the supply of up to 102 wind turbines of 7 MW and a diameter of 154 metres.

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 commitments with the French Government regarding the technical, environmental and industrial feasibility studies were completed. In 2014, the consortium started the works corresponding to the following phase, which include the necessary studies for the permit application, as well as continuing the analysis of technical and economic feasibility, which concluded with the decision to change the generator proposed initially, with a unit capacity of 5 MW for a more modern and efficient generator with a unit capacity of 8 MW, also made by AREVA., and

with the request to the French administration to extend the deadline for submitting the construction permit application. This change of generator and deadline extension was submitted to the approval of the French government, who answered positively. Work is therefore being carried out to submit that mentioned application in the last quarter of the year.

### Other Renewable Technologies

The Renewables business has installations of other renewable technologies in several countries, amounting to a total of 413 MW, broken down as shown in the following table:

Technology	MW	Country
Mini Hydro	306	Spain
Photovoltaic	56	USA (50 MW) and Greece (6 MW)
Thermo-solar	50	Spain
Wave	1	UK
<b>TOTAL MW</b>	<b>413</b>	

In the field of marine technology, Iberdrola continues to develop projects specifically designed to exploit wave energy and tidal energy in the United Kingdom.

## 4. SHAREHOLDER REMUNERATION

### Iberdrola Dividendo Flexible

The Board of Directors of Iberdrola approved on 28 April the implementation of a paid-up capital increase that enable the ninth Iberdrola Dividendo Flexible programme and

\* Total Capacity. Consolidated capacity is 194.5 MW.

thus complete a shareholders' remuneration corresponding to 2014 of at least EUR 0.271 gross per share.

As a result of this ninth issue of the Iberdrola Dividendo Flexible, 83.83% of Iberdrola shareholders have elected to receive free Iberdrola shares with no tax withheld on the new remuneration. Therefore, Iberdrola issued 96.87 million new shares. The other 16.17% of the company's shareholder have elected to receive their compensation in cash. IBERDROLA pays a total of 115.03 million euros for the acquisition of the rights at the fixed price guaranteed by Iberdrola of 0.114 euros per right (subject to 19.5% withholding tax).

Thus, shareholder remuneration for fiscal year 2014 was EUR 0.271 gross per share. This amount includes, firstly, EUR 0.127 gross per share that were already distributed last December. Secondly, one must add EUR 0.03 gross per share that the company paid in cash last 3 July, and thirdly, EUR 0.114 gross per share that correspond to the amount of the estimated minimum purchase commitment of each free assignment right assumed by Iberdrola.

### Reduction of share capital of Iberdrola

The Board of Directors of Iberdrola agreed on its meeting of 28 April to implement a reduction of share capital, as approved by the General Shareholders' Meeting last March.

This reduction has been implemented through the redemption of 148,483 million treasury shares, so that the resulting number of shares is 6,240 million shares. With this measure,

the number of shares of the Company is maintained as a fixed figure.

## 5. OTHER SIGNIFICANT EVENTS

### 5.1. Regulation in Spain

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

#### Electricity Sector

*The Decision of 1 April 2015 of the General Administration of Energy Policy and Mines establishes the amount pending collection as at 31 December 2014 for the collection rights that were transferred to the electricity system deficit asset securitisation fund. The figure amounts to EUR 21,145 million.*

Furthermore, the following proposals have been published by Minetur:

- Royal Decree that modifies the Royal Decrees of Transmission and Distribution revenues. The main highlight is international interconnection projects are left outside the scope of the annual investment cap on investments. Besides, the Decree eliminates the update with price-indexes of electrical transmission and distribution regulated costs, as it was stipulated by the des-indexation Law.
- Ministerial Order defining standard installations and reference unitary costs (CCUU), both for fixed assets as for other

regulated costs that are part of the distribution remuneration calculation; and another Ministerial Order for transmission, which defines a larger number of standard installations than what CNMC did, and also sets their unitary costs. These unitary costs will be applicable to the physical units of each distributor assets inventory.

## Gas

*Law 8/2015, of 21 May, modifies Law 34/1998, of 7 October, on the Hydrocarbon Sector, and regulates certain tax and non tax measures regarding the exploration, research and exploitation of hydrocarbons.* Through this Law, an **organised wholesale market** is established, and the **operator for the organised gas market** is designated. When it is completely established, this market will reflect a transparent price signal, will facilitate the entry of new sellers to invigorate the market and therefore will increase competition in the sector. It designates as operator a company to be structured around OMIE (30%), Enagás (20%), energy operators (with a maximum of 3%) and non energy operators (with a maximum of 5%).

Furthermore, the law establishes Incentives for Autonomous Communities and Local Authorities where hydrocarbon exploration, research and exploitation activities are carried out both with conventional and non conventional techniques (including fracking).

## 5.2. Regulation in the United Kingdom

**RIIO-ED1:** Following the approval of the final conditions for the distributors for the first tariff period RIIO-ED1, British Gas Trading and Northern Power Grid appealed to the Competition and Markets Authority (CMA) regarding the final decisions published by Ofgem. The CMA accepted the appeal. The preliminary conclusions are expected to be published at the end of July.

**CMA Provisional Findings:** Preliminary findings are expected to be published by the end of July, despite a provisional report that states that there are no big structural problems in the British energy market. In principle, it seems there is no evidence of retailers' tacit coordination that means market work well. However, they note some remedies such as removing simpler choices from RMR (Retail Market reform) rules by proposing the introduction of a safeguard regulated tariff as it will be the end of standard variable rates.

CMA process continues. A response will be submitted by 31 July, afterwards a panel hearing will be opened and final report is expected to be published by october.

### 5.3. Regulation in Brazil

#### Involuntary exposure to the wholesale market and risk of rationing

The adjustment factor of the guaranteed power output of the hydroelectric plants (GSF) has continued to be low during the second quarter of 2015 (82%), making it necessary for them to purchase the non-generated energy on the spot market at very high prices. An analysis is being made in conjunction with the Brazilian Government of ways of limiting this loss for the plants caused by the GSF.

Despite the low volume of rainfall during the Nov 14 - Apr 15 rainy season, which has been below the historical average for the second consecutive year, the strong drop in energy demand, resulting from the reduction in the economic activity and the increase in tariffs, has allowed the government to rule out any risk of energy rationing in 2015 for the moment. At the end of June the level of the reservoirs is at 36% in the South East, and 25% in the North East.

#### Annual tariff readjustments

At the end of April, the regulator has published the annual tariff readjustments of the three distributors of Neoenergia, which have represented an average impact for clients of +11.43% at Coelba, +9.57% at Cosern and +11.25% at Celpe.

### Fourth tariff cycle

Work continues to define the regulations for the new tariff cycle. Within this, on 28 April, Aneel announced the methodology that will be applied to the calculation of non technical losses, bad debts and the operation of third-party owned assets. It also fixed the X factor at 1.53%, with an improved WACC of 8.09%.

The date of entry into force of the fourth tariff cycle for Elektro is August 2015, whereas for Celpe it is April 2017, and for Coelba and Cosern it is April 2018.

### 5.4. Regulation in the United States

On 20 May the requests for review of the four distributors in New York (gas and electricity of NYSEG and RG&E) were submitted to the New York State Public Service Commission (PSC), thus starting the analysis process which will last for 11 months.

### 5.5. Regulation in Mexico

The energy reform in Mexico, and within it, the reform of the electricity sector, is taking place within the proposed schedule. The Market Guidelines have already been published; in October the energy and power markets start their testing phases, and at the end of the year the first capacity, energy and clean energy certificate auctions will be carried out. The reforms bring a great opportunity for greater business growth over the coming years.

On 31 March the objective of 5% of clean energy certificates for 2018, issued by SENER, was

published. This document establishes the goal of clean energy certificates as a percentage with regard to consumption, which should be complied with by Load Management Bodies during 2018. This objective of 5% establishes the reference point of what should be auctioned during the last quarter of 2015.

On 23 June the general provisions regarding acquisitions, leases, service contracts and execution of the works of the federal commission of electricity and its subsidiary production companies are published in the DOF (Mexican Official Gazette). Under the CFE Law, this production company owned by the State issues the provisions for carrying out acquisitions, leases, service contracts and other actions related to its new administrative nature. It is a crucial document for auctions and purchases that the CFE will carry out in the future under the LIE (Foreign Investment Act).

Lastly, on 30 June 2015 SENER issued the new National Development Programme of the National Electricity Sector (PRODESEN), which establishes an indicative programme of the incorporation and withdrawal of electricity plants in a horizon of 15 years and the respective binding programme of transport and distribution networks for the modernisation and expansion of the National Electricity System.

### Iberdrola USA-UIL Holdings merger

In relation to the **merger between UIL Holdings and Iberdrola USA**, we have **already received all the federal approvals**: from the Department of Justice and the Federal Trade Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission and the Committee on Foreign Investments.

On 17th July we **filed form S-4 with the Securities and Exchange Commission**. We will present this month a new filing of the merger to the **Public Regulatory Authorities in Connecticut and Massachusetts**.

We expect to complete the transaction before year end.

### Authorisation process in progress

Filing	Estimated date	
Department of Justice and Federal Trade Commission under the Hart-Scott-Rodino Antitrust Act (HSR)	"Early termination" received April 7, 2015	✓
Federal Communications Commission (FCC)	Approval May 22, 2015	✓
Federal Energy Regulatory Commission (FERC)	Approval June 2, 2015	✓
Committee on Foreign Investments in the US (CFIUS)	Approval June 16, 2015	✓
Connecticut Public Utilities Regulatory Authority (CT PURA) Massachusetts Department of Public Utilities (MA DPU) New York Stock Exchange (NYSE) - (Clearance letter) S-4 Form Registration (SEC) - Filed on July 17th 2015 UIL shareholders approval - Vote once S-4 is effective	H2 2015	



# Analysis of the consolidated profit and loss account

## 1. RELEVANT INFORMATION

### IFRIC 21

*IFRIC 21 Levies*, effective since 1st January 2015, modifies when to recognise liabilities that arise from the obligation to pay levies imposed by a government. These levies were previously accrued in a linear fashion and now they will be recognised when payment is due. The regulation, therefore, does not affect the numbers on the 2014 annual financial statements, only the quarterly statements

However, despite this regulation coming into force in 2015, it is in fact retroactive. This means that 2014 figures must be re-stated under same criteria of current year for comparison purposes.

The impact on Iberdrola Accounts results in the earlier recognition for the liabilities corresponding to "Impuesto de Bienes Inmuebles (IBIs)" and Property Tax. The impact will be progressively reduced during the year as most of the affected levies are paid in Q1.

## 2. ANALYSIS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The most relevant figures for the first half of 2015 are as follows:

Eur Millions	H1 2015	H1 2014	%
REVENUES	16,125.6	15,185.4	6.2
GROSS MARGIN	6,634.0	6,168.9	7.5
EBITDA	3,794.5	3,589.1	5.7
EBIT	2,168.1	2,203.6	-1.6
RECURRING NET PROFIT	1,253.4	1,195.7	4.8
NET PROFIT	1,505.9	1,402.1	7.4
OPERATING CASH FLOW	3,031.1	2,757.1	9.9

The evolution of the average exchange rates for the reference currencies (USD: +18.8%; GBP: +11.1%; Real: -5.3%) affect the profit and loss account, with the following impact:

Eur M	H1 2015
GROSS MARGIN	487,9
NET OPERATING EXPENSES	143,4
EBITDA	268,9
NET PROFIT	54,1

### 2.1 Gross Margin

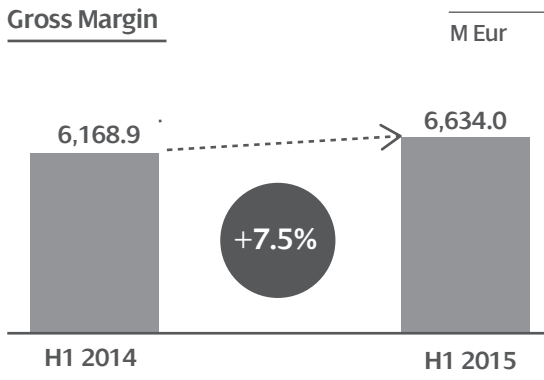
Gross Margin rose to EUR 6,634.0 million, up by 7.5% from the first half of 2014.

Its growth is the result of the following:

- **The Networks Business** increased by 15.4% with regard to the first half of 2014 to EUR 2,832.3 million, showing positive trends in all

countries. The most significant events of the period were the following:

- In Spain it recorded EUR 987.9 million as a result of the application of RDL 9/2013 the accrual of the investments made, as well as the positive settlements of previous financial years (EUR +29 million).



- The United Kingdom recorded a total of EUR 744.9 million due to a greater asset base to be remunerated by the investments made and derived from the application of RIIO-T1 in Transmission, partially compensated by RIIO-ED1 revenues profiling in Distribution, which will be in force from April 2015 to 2023.
- The contribution of Iberdrola USA for the period was EUR 889.1 million, with the USD revaluation compensating IFRS – US GAAP adjustments.

- The Gross Margin for Brazil totals EUR 210.4 million due to the upward review of Elektro's tariffs in August 2014 by 37.8%, and the fact that in 2015 non-recurring tariff assets not collected are not registered in the accounts, which affects the year-on-year comparison, given that in the first half of 2014 drought impact was registered for an amount of (EUR -74 million).

• **The Generation and Supply Business**

decreased by 2.9% to EUR 2,502.0 million.

- In Spain it came to EUR 1,494.9 million, mainly due to the higher procurement costs related to the different production mix, a result of lower hydro output (-39.2%) given the extraordinary conditions in the first half of the previous year. Furthermore, in March 2014 an extraordinary positive impact of EUR 43 million in the gas business was recorded as a result of contracts renegotiation, affecting the year-on-year comparison.
- The United Kingdom placed its Gross Margin at EUR 712.5 million, with a drop in the generation business due to lower production and higher costs (Carbon Tax), and an improvement in the Retail business as a result of demand increase, which offsets lower tariffs and higher regulated costs .

- Mexico provides EUR 297.2 million to the Gross Margin as a result of the new contracts with private customers and the USD revaluation.
- As regards the gas business in the US and Canada, this has a negative contribution of EUR -2.6 million given that the cold snaps during the first quarter of 2014 resulted in non-recurrent trading opportunities last year, which penalise the comparison with 2015.
- **The Renewables Business** increased its Gross Margin by 17.4% to EUR 1,241.5 million. The main causes of this trend are:
  - A lower output in Spain (-9.4%) compensated by recovery in prices due to extraordinary low spot prices in the first half of 2014 as a result of weather conditions and the implementation of the regulatory reform. As a result gross margin has improved to EUR 412.1 million.
  - A stronger US contribution of EUR 407.8 million resulting from the exchange rate, which offsets weaker wind conditions and a deterioration of weather conditions that also impact on prices.
  - A better gross margin in the United Kingdom up to EUR 305.5 million as a result of new capacity coming on line (contribution of the West of Duddon Sands offshore wind farm).
  - Better contribution from Latin America and Rest of the World, as a consequence of higher output and a better load factor (Eur 48.7 million).
- The contribution of **Other Businesses** totals EUR 106.6 million (+7.7%).

### 2.2 Gross Operating Result - EBITDA

Consolidated EBITDA increased by 5.7% y-o-y to EUR 3,794.5 million, where the improvement of the Networks and Renewables businesses offset the drop in the Generation and Supply Business.

In addition to the already explained increase in Gross Margin, Net Operating Expenses increased by 8.0% to EUR 1,824.9 million, affected by the exchange rate (excluding this effect, they would have dropped by 0.4%).

Levies increased by 13.9% to EUR 1,014.6 million, mainly due to the positive ruling on CO<sub>2</sub> allowances accounted for in the first half of 2014 (EUR +111 M), which affects the year-on-year comparison. Levies also increases as a result of the exchange rate impact (EUR 76 million).

	MM Eur	
	H1' 2015 vs H1' 14	H1' 2015 vs H1' 14 (exc. FX)
Gross Margin	+7.5%	-0.4%
Net Operating Expenses	+8.0%	-0.4%
Taxes	+13.9%	+5.4%
EBITDA	+5.7%	-1.8%

### 2.3. Net Operating Result - EBIT

EBIT totals EUR 2,168.1 million, a 1.6% drop to that obtained in the first half of 2014

Thus, Amortisations and Provisions increased by 17.4% to EUR 1,626.4 million.

- Amortisation increased by 16.4%, to EUR 1,526.6 million, mainly due to the FX impact, new renewable capacity in operation and the amortisation of new IT developments, especially in the UK and the US.
- Provisions amounted to EUR 99.9 million, with a higher cost of EUR 25.7 million, which has resulted in an increase of 35% as a consequence of non-recurrent provisions in the UK.

### 2.4. Financial Result

Net financial result was EUR -518.3 million, up by 1.5% from the second quarter of 2014, mainly as a result of a capital gain registered in 2014 following the sale of EdP (EUR -96 million) and with no comparison in the current year.

Excluding this, net financial expenses would have fallen 9% due to a decrease in average net debt of 1% and a 33bp lower cost of debt to 4.19% compared to that in 2014.

Furthermore and in the positive sense, the semester includes proceeds from sale of Euskaltel and non recurrent contingencies.

	H1 2015	H1 2014	Dif.
Debt Results	-586.9	-541.8	+45.1
Regulatory receivables Interests	+15.5	0	-15.5
Derivatives and exchange differences	-2.1	-45.7	-43.6
Others	+62.9	+69.2	+6.3
Financial result	-510.6	-518.3	-7.7

### 2.5. Results of Companies Consolidated by the Equity Method

The Results of Companies Consolidated by the Equity Method item reached EUR 33.2 million (-72.2%) mainly due to the sale of the stake in BBE and the rise of the book value of the Gamesa stake registered in the first half of 2014 which affects the year-on-year comparison. The business in Brazil (Neoenergia) improved its

contribution thanks to the increase in demand (+2%), the tariff readjustment in August 2014 and the non-recognition of regulatory assets (drought) as from 2015.

## 2.6. Income from Non-Current Assets

Income from Non-Current Assets amounted to EUR 72.7 million, a 60.7% drop compared to June 2014. At June 2015 the most significant operation was the sale to Neoenergia of the direct stakes in Coelba and Cosern, whereas in the first half of last year Iberdrola's direct stake in Itapebí was sold as well as the stake in the Nugen (nuclear generation) project in the United Kingdom.

## 2.7. Net Profit

As a result of everything mentioned above, Profit before Tax was EUR 1,755.7 million, a 12.1% drop compared to the first half of 2014.

Tax-related expenses dropped by 59.6% to EUR 232.0 million, due to the lower Pre-Tax Profit (BAI), the drop in the tax rate in Spain (from 30% to 28%) and the reversal of tax provisions of previous years, which had a positive impact of EUR 220 million, that results in a lower corporate tax of 15.4% due to this one-off.

Recurring Net Profit amounted to EUR 1,253.4 million (+4.8%)

Lastly, Net Profit amounted to EUR 1,505.9 million, a 7.4% increase compared to the figure obtained in the first half of 2014.

Funds Generated from Operations\* at 30 June 2015 were at EUR 3,031.1 million, an increase of 9.9% compared to the same period of the previous year. The evolution of the benchmark credit ratios\*\* is as follows:

	June 2015	June 2014
<b>Funds Generated from Operations (FFO)**/Net Debt*</b>	21.9%	20.9%
<b>Retained Cash Flow (RCF)***/Net Debt*</b>	18.5%	18.0%
<b>Net Debt*/EBITDA</b>	3.65x	3.89x

\* Including TEI

\*\* 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)	H1 2015	vs H1 2014
Revenues	4,174.3	18.4%
Gross Margin	2,832.3	15.4%
EBITDA	1,806.3	17.1%
EBIT	1,200.0	15.8%

The Networks business increased its contribution to the Gross Margin (+15.4%), with growth in all countries.

### 1.1 SPAIN

(Eur M)	H1 2015	vs H1 2014
Revenues	991.8	6.0%
Gross Margin	987.9	5.6%
EBITDA	754.1	8.2%
EBIT	539.8	8.4%

#### a) Gross Margin

The Gross Margin for the Networks business in Spain increased by 5.6%, to EUR 987.9 million. In addition to the application of the RDL 9/2013, there is also the accrual of the investments made, as well as positive re-settlements of previous financial years (EUR +29 million).

#### b) Operating Profit / EBIT

EBITDA in this Business amounted to EUR 754.1 million, an increase of 8.2%.

Net Operating Expenses dropped by 1.6% to EUR 186.4 million, due to the efficiency measures carried out in 2014, the benefits of which start to be evident this year. Taxes and Levies dropped by EUR 1.8 million during the first half of the year.

EBIT for the Networks Business in Spain totalled EUR 539.8 million (+8.4%). Amortisations and provisions came to EUR 214.3 million (+7.8%), a result of new assets coming on line.

### 1.2 UNITED KINGDOM

(Eur M)	H1 2015	vs H1 2014
Revenues	774.2	16.6%
Gross Margin	744.9	16.1%
EBITDA	563.8	16.3%
EBIT	414.2	16.3%

#### a) Gross Margin

The Gross Margin of the Networks Business in the United Kingdom (ScottishPower Energy Networks-SPEN) reached EUR 744.9 million, due to a larger asset base resulting from greater investments, partially offset by the revenue reprofiling in the Distribution business after the entry into force of RII0-ED1 as from 1 April. The effect of the appreciation of the GBP on this item amounts to EUR 82 million. The increase in

Gross Margin in GBP would have been of 3.3% up to GBP 17 million.

### b) Operating Profit / EBIT

EBITDA totalled EUR 563.8 million. The increase in EBITDA in GBP would have been of 3.4% up to GBP 412.6 million. Net Operating Expenses increased by 16.7% to EUR 125.3 million, and taxes did so by 13.5%, both items being largely affected by the exchange rate as well as by the salary update as a result of the Collective Bargaining Agreement in force.

Amortisations and Provisions amounted to EUR 149.5 million (+16.1%), and were equally affected by the exchange rate as well as by new assets brought on line.

### 1.3 UNITED STATES

(Eur M)	H1 2015	vs H1 2014
Revenues	1,412.8	9.3%
Gross Margin	889.1	18.2%
EBITDA	360.0	15.2%
EBIT	173.9	-8.2%

### a) Gross Margin

Iberdrola USA increased its contribution to the Gross Margin by 18.2% to EUR 889.1 million, affected positively by the appreciation of the dollar (+18.8%) which offsets the IFRS-US GAAP adjustments.

The breakdown is as follows:

### • By business

(Eur M)	H1 2015	vs H1 2014
Electricity	745.4	24.7%
Gas	182.4	23.4%
Corporation an others (incl. IFRS adjustments)	-38.7	N/A
<b>TOTAL</b>	<b>889.1</b>	<b>18.2%</b>

### • By company

(Eur M)	H1 2015	vs H1 2014
NYSEG	421.1	24.0%
RGE	254.1	25.2%
CMP	252.6	24.4%
Corporation an others (incl. IFRS adjustments)	-38.7	N/A
<b>TOTAL</b>	<b>889.1</b>	<b>18.2%</b>

### b) Operating Profit / EBIT

EBITDA increased by 15.2% to EUR 360.0 million, given that as well as the positive trend of the Gross Margin, there was also an increase in Net Operating Expenses (+21.5%), which totalled EUR 262.4 million, due to the exchange rate, the effect of which exceeds the drop in costs related to storms and the reduction in staff.

EBIT totalled EUR 173.9 million (-8.2%), following the deduction of Amortisations and Provisions totalling EUR 186.1 million, which increased by +51.0% due to new investments in transmission lines and IT systems, and the appreciation of the dollar.

## 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)	H1 2015	v. H1 2014
Revenues	995.5	57.2%
Gross Margin	210.4	68.4%
EBITDA	128.4	166.9%
EBIT	72.1	N/A

### a) Gross Margin

In Brazil, the Gross Margin reached EUR 210.4 million (+68.4%). The following factors should be taken into account:

- Increase of the per unit margin due to tariff reviews in August 2014 (+37.8%).
- In 2015 no drought impact is recorded following the approval in December 2014 of the modification of the conditions of the concession, compared to EUR -74 million accounted for in the first half of last year.
- On the negative side, we have the impact of lower demand (-3.9%), a result of government programmes that provide incentives to reduce consumption.
- The exchange rate trend had a negative effect of EUR -11 million.

### b) Operating Profit / EBIT

EBITDA for the area amounted to EUR 128.4 million, a 166.9% increase.

Net Operating Expenses totalled EUR 80.9 million and increased by 7.1% compared to the first half of 2014, basically due to inflation.

Amortisations and provisions come to EUR 56.4 million (+1.3%), a result of non-recurring provisions due to insolvencies resulting from the high prices of energy for final consumers.

As a consequence of this, EBIT came to EUR 72.1 million.

## 2. GENERATION AND SUPPLY BUSINESS

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

(Eur M)	H1 2015	vs H1 2014
Revenues	11,108.1	2.4%
Gross Margin	2,502.0	-2.9%
EBITDA	1,261.9	-11.7%
EBIT	730.7	-21.5%

The Generation and Supply business was affected by several non-recurring positive impacts accounted for in the first half of 2014, which affect the year-on-year comparison: the extraordinary hydroelectric production and the extraordinary impact of gas in Spain, as well as the good conditions for the gas business in the US and Canada.



## 2.1 SPAIN

(Eur M)	H1 2015	vs H1 2014
Revenues	6,470.2	2.8%
Gross Margin	1,494.9	-12.3%
EBITDA	774.8	-23.5%
EBIT	511.2	-28.5%

### a) Gross Margin

As to the Gross Margin trend for Iberdrola's Generation and Supply Business in Spain, it registered a 12.3% drop, totalling EUR 1,494.9 million.

The following can be highlighted:

- A lower production of 16.1%, caused by the drop in hydroelectric generation (-39.2%) due to the extraordinary conditions experienced in the first quarter of last year and in nuclear production (-5.1%). Gas cycle production grew by 65.6% and cogeneration increased by 9.7%.
- Procurements cost increased by 8.4%, impacted by lower water availability compared to the same period of last year and its effect on the production mix.
- Hydroelectric reserves at 30 June 2015 were at 7,834 GWh (69.5%).
- With respect to the application of the energy, 78% corresponded to forward sales while 22% were spot market sales.

- During the first quarter of 2014 there were extraordinary positive impacts made on the gas business (EUR 43 million) due to the renegotiation of contracts.

### b) Operating Profit / EBIT

EBITDA decreased by 23.5% to EUR 774.8 million.

Operating Expenses dropped by 7.6% to EUR 333.8 million, due to the efficiency measures put in place last year, the benefits of which have started to show in 2015 as well as due to non-recurrent items related to the cancellation of an administrative sanction (EUR 20.5 million).

The Tax item increased by 16.5% to EUR 386.3 million, where it is worth noting the extraordinary impact of the court ruling regarding the deduction of CO2 rights (EUR 111 million recognised in 2014) without correspondence in the current financial year.

The Amortisations and Provisions item dropped by 11.5% to EUR 263.7 million.

As a result of the above, EBIT dropped by 28.5% compared to the first half of 2014, down to EUR 511.2 million.

## 2.2 UNITED KINGDOM

(Eur M)	H1 2015
Revenues	4,087.2
Gross Margin	712.5
EBITDA	278.2
EBIT	70.5

### a) Gross Margin

Gross Margin for ScottishPower's Generation and Supply business (Energy Wholesale & Retail) was EUR 712.5 million. With regard to this item, the following should be noted:

- A lower production (-9%) due to lower availability of the generator facilities.
- The 'Carbon Tax' established in 2013, that applies to the purchases of carbon and gas, and which since 1 April 2015 has seen its price increase from £9.55/MWh to £18.08/MWh (+89%).
- Lower margins per electricity unit due to the drop in tariffs since 31 January 2014 (-3.3%).
- Higher non-energy costs due to the increase in the unit price of the ROCs as well as due to the higher percentage of renewable energy that must be bought. In addition, the increase in the tariffs both for Transmission and for Distribution (DuOS and TuOS) should also be noted.
- Conversely and affecting the margin positively, on the one hand we have the effect of the 11.1% appreciation of the Pound Sterling, and on the other retail business improves primarily as a result of higher volumes and better margins in gas offsetting lower margins in power due to higher regulated costs.

### b) Operating Profit / EBIT

EBITDA for the Liberalised Business in the United Kingdom reached EUR 278.2 million. The increase in GBP is of 3.3% up to GBP 203.6 million.

Net Operating Expenses reached EUR 342.7 million (+18.3%), its 5.2% increase in local currency being mainly due to sale, marketing and IT system expenses. The Personnel expense item amounted to EUR 89.2 million (+12.4%) after applying the salary increases included in the Collective Bargaining Agreement in force and the revaluation of the Pound Sterling.

Levies reached EUR 91.6 million (-3.4%), due to lower ECO costs, as a result of lower registered costs versus the estimated.

Amortisations and Provisions amounted to EUR 207.7 million and increased by 36.9%, due to the appreciation of the GBP, to different write-offs of accounts receivable and, lastly, to greater amortisations derived from putting IT systems in operation for clients.

### 2.3 MEXICO

(Eur M)	H1 2015	vs H1 2014
Cifra de Ventas	725.0	-0.1%
Margen Bruto	297.2	52.7%
EBITDA	229.0	63.1%
EBIT	185.2	75.6%

### a) Gross Margin

In Mexico, the Gross Margin reached EUR 297.2 million (+52.7%) due to the good availability of the plants, an improvement in the margins in the renegotiated contracts in 2014 (+EUR 50 million), as well as to the extension of Enertek plant capacity and the greater commercial activity, that greatly exceed the negative impact derived from contracts with private customers which are based on the CFE tariff (linked to the price of oil). The USD (functional currency) exchange rate also had a positive impact.

### b) Operating Profit / EBIT

EBITDA reached EUR 229.0 million (+63.1%), Net Operating Expenses increased by 25.9%, reaching EUR 67.1 million, affected by the USD exchange rate and the greater activity reflected in the Gross Margin trend. The Amortisations and Provisions item increased by 25.3%, totalling EUR 43.8 million due to the mentioned trend of the USD.

Lastly, EBIT of the business amounted to EUR 185.2 million, with a 75.6% increase.

## 2.4 USA and Canada (gas)

	H1 2015
Revenues	-2.1
Gross Margin	-2.6
EBITDA	-20.2
EBIT	-36.1

### a) Gross Margin

In this business, the Gross Margin has been negative (EUR -2.6 million), a result of the different weather conditions in the periods, which generated trading opportunities in 2014. The positive effect of the USD appreciation has not been enough to alleviate the impact of the mentioned volatility of the previous financial year.

### b) Operating Profit / EBIT

EBITDA of the gas business in the USA and Canada recorded a negative result of EUR 20.2 million. Net Operating Expenses totalled EUR 14.9 million.

Lastly, EBIT of the business totals EUR -36.1 million, with amortisations and provisions increasing to EUR 16.0 million.

## 3. RENEWABLES

(Eur M)	2015	vs 2014
Revenues	EL	18.1%
Gross Margin	1,241.5	17.4%
EBITDA	824.7	18.9%
EBIT	364.5	2.0%

### a) Gross Margin

During the first half of 2015, Gross Margin showed a 17.4% increase to EUR 1,241.5 million. This trend can be explained by the following factors:

- The average renewable price registered was EUR 71.1/MWh, showing a 25% increase. This increase was mainly caused by:
    - the effect of the exchange rate of the USD and GBP, which contributed to the increase in the average price.
    - the lower weight of production in the US in the first half of the year, of a lower sale price,
    - and also by the higher price in Spain (+18%) in 2015 compared with the first half of 2014, which registered reduced market prices.
  - Operating capacity at the close of the period was 13,991 MW, showing a 3.3% increase with regard to its value at 30 June 2014. In turn, average operating capacity during the period increased by +2.8%. Production was 16,953.8 GWh (-6%) due to lower wind conditions in Spain and USA.
  - The consolidated load factor was an average value, 28.0%, although this was lower (by -2.6 percentage points) than that of the same period of the previous year, when there were exceptional wind energy conditions. The load factor in Spain was 25.7%, it was 2.8 percentage points lower than the previous year. The USA had a load factor of 29.6%, a drop of -4.9 percentage points compared to the previous year. In the United Kingdom (onshore wind energy), a load factor of 26.6% was recorded, higher than in 2014 (+0.5%). In Mexico and Brazil the load factors were high, 35.6% and 33.2% respectively. The Rest of the World (RoW) registered a load factor of 27.2%. The company's first offshore farm, 'West of Duddon Sands', reached a load factor of 47.7%.
    - The positive effect of the exchange rate on the gross margin, resulting especially from the appreciation of the USD and the GBP, was of approximately 11%.
- By business, the Gross Margin trend was as follows:
- **Wind Energy Spain:** The Gross Margin of the period was EUR 377.2 million, increasing by 6% due to the already mentioned increase in price of 18%, which is partially offset by a 10% drop in production. It is worth noting that farms that do not obtain a premium under the new regulatory framework have the market risk covered by a forward sales contract.
  - **Wind Energy USA:** Gross Margin grew by 3% to EUR 363.8 million. The lower production had an impact of -12% and the decrease of the price in dollars had an effect of -5%. However, the appreciation of the USD had a positive effect of 19%.
  - **Wind Energy United Kingdom - onshore:** Gross Margin rose to EUR 231.7 million (+47%) as a result of a 23% increase of prices in local currency due to the revenue from non-recurring compensations for services to the system, and an 11% rise in the value of the GBP. Meanwhile, a stable load factor together with an average power increase

of +4.7% have led to a 6.6% increase in production.

- **Wind Energy United Kingdom - offshore:** The West of Duddon farm has contributed EUR 73.8 million to the Gross Margin of the business in the first half of the year.
- **Wind Energy Mexico:** The high load factor has led to an increase in production of 10%. The appreciation of the USD offsets the drop in the price of the local currency. Taking all these effects into account, gross margin shows a growth of 10%, up to EUR 28.8 million.
- **Wind Energy Brazil:** The commissioning of several farms in Brazil increased the average operating capacity by 30.8%, which in addition to a load factor 2.2% higher than last year's, has led to a 40% increase in production. The average price billed has dropped by 26% in local currency, and the effect of the depreciation of the Real contributes to the gross margin by approximately -5%. The gross margin for the country reached EUR 19.9 million.
- **Wind Energy Rest of the World:** The increase in production (+12.3%) is a direct result of an improvement of the load factor, which reached 27.2%. The variation in prices added 3%, making the gross margin grow by 15% to EUR 66 million.
- **Mini-Hydro and Other Renewables:** The Gross Margin was EUR 44.2 million.
- **Thermal Business in the United States:** The Gross Margin was EUR 35.8 million, showing a drop of EUR 1 million with regard to the previous year. This variation is a consequence of milder weather conditions than the previous year, which have an impact on prices and volatilities in the energy markets, but is offset by the positive effect of the exchange rate by EUR 7 million.

### b) Operating Profit / EBIT

- EBITDA registered an increase of 18.9%, totalling EUR 824.7 million. In addition to the mentioned Gross Margin trend (+17.4%), there was an increase in the Net Operating Expenses (+13.5%) due to the effect of the exchange rate. Eliminating this effect, NOE would have remained practically constant (+0.1%), with the compensation of the increase in cost in the United Kingdom resulting from the commissioning of the West of Duddon farm and the end of the guarantee of some of the onshore farms with efficiencies in the Spanish market.
- The Amortisations and Provisions item reached EUR 460 million, increasing by 36.8% with regard to the previous year. However, isolating the effect of the exchange rate, the increase would be 22% due to West of Duddon Sands. Amortisations grow by 7% due to the increase in installed power, and the remaining increase is explained by the comparison with the year 2014, in which there was a reversal of surplus provisions for the amount of approximately EUR 51 million.

- Lastly, EBIT totalled EUR 364.5 million (+2%). Excluding the effect of the exchange rate, the variation would be -4.8%, explained by the effect of the comparison with the EBIT of financial year 2014 which included the already mentioned reversal of provisions.

#### 4. OTHER BUSINESSES

(Eur M)	H1 2015	v. H1 2014
Revenues	410.2	52.6%
Gross Margin	106.6	7.7%
EBITDA	-11.0	10.0%
EBIT	-16.3	4.4%

##### a) Gross Margin

Gross Margin reached EUR 106.6 million, 7.7% higher than in the first half of 2014, as a result of the progress of several Engineering projects, and of the greater contribution of Iberdrola Inmobiliaria.

##### b) Operating Profit / EBIT

EBITDA totalled EUR -11.0 million. Net Operating Expenses of these businesses amounted to EUR 115.4 million (+6.8%).

Amortisations and Provisions amounted to EUR 5.3 million.

EBIT was at EUR 16.3 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 invoiced to the rest of the companies.

Among the different items, the Tax item (EUR 52.2 million) stands out especially, as it includes Spain's 'Bono Social' (Rates Subsidy).

# Balance Sheet Analysis

## January-June 2015

	H1 2015	v. Dec 2014 (1)
Total assets	96,914	3.4%
Fixed assets	58,413	5.1%
Intangible assets	17,777	5.4%
Long-term investments	3,855	2.0%
Shareholders' equity	38,105	6.7%
Adjusted net debt (2)	26,201	2.3%

(1) Restated.

(2) Includes regulatory receivables and TEI.

Iberdrola's Balance Sheet at 30 June 2015 shows Total Assets of EUR 96,914 million, highlighting the continuity of its solid asset strength.

## 1. FIXED ASSETS

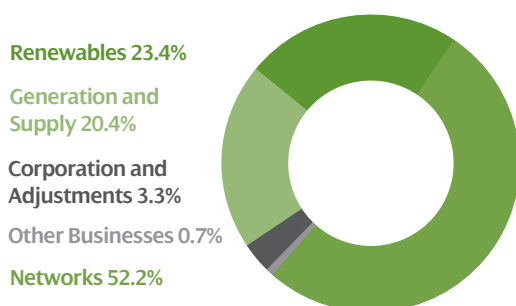
Total net investments in the period from January to June 2015 amounted to EUR 1,302.3 million. Its breakdown is as follows:

(Eur M)	Jan.-June 2015	%
<b>Networks Business</b>	679.9	52.2%
Spain	114.0	
UK	384.4	
Iberdrola USA	154.0	
Brazil	27.6	
<b>Renewables Business</b>	304.3	23.4%
Spain	10.8	
UK	169.4	
USA	38.4	
Brazil	6.1	
Mexico	82.1	
Others	-2.4	
<b>Generation and Supply Business</b>	265,5	20,4%
Spain	84,5	
UK	36,0	
Mexico	142,1	
USA and Canada	3,0	
Other Businesses	9,6	0,7%
Corporation and Adjustments	43,0	3,3%
<b>Total investment</b>	<b>1.302,3</b>	<b>100,0%</b>

Investments in the period were concentrated in the Networks Business and in Renewables

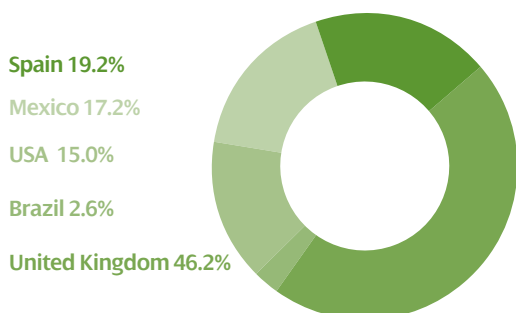
activities, with the two items combined accounting for almost 76% of total investments in the period.

#### Investments by businesses (January-June 2015)



By geographical areas, investment for the period was as follows:

#### Investments by geographical areas (January-June 2015)



As regards to the Networks Business, investments in the period amount to a total of EUR 679.9 million, or 52.2% of total investments.

ScottishPower Networks made investments worth EUR 384.4 million. Meanwhile, investments in Iberdrola USA, which were focused in the CMP transmission line and in electricity and gas distribution, amounted to EUR 154.0 million in the period. Finally, investments in Networks Spain totalled EUR 114.0 million.

Under the “Renewables” section, 56% of the investment in the period was aimed at wind projects in the United Kingdom, with EUR 169.4 million, followed by the investments in Mexico and in the United States that amount to EUR 82.1 million and EUR 38.4 million, respectively.

With regard to investments in the Generation and Supply Business, these can be broken down into those made in Mexico for EUR 142.1 million, in Spain for EUR 84.5 million and in the United Kingdom for EUR 36.0 million.

## 2. SHARE CAPITAL

In line with the commitment announced in the 2014-2016 Outlook to maintain stable the total number of shares at 6,240 million, on 28 April 2015 the share capital of Iberdrola was reduced through the retirement of 148,483,000 own shares. The Company’s Share Capital at 30 June 2015 amounted to 6,240,000,000 bearer shares with a nominal value of EUR 0.75 each.

## 3. FINANCIAL DEBT

Adjusted net financial debt at 30 June 2015 increased by EUR 519 million to EUR 26,201 million compared with the EUR 25,682 million at 30 June 2014, mainly due to a negative



exchange rate impact of EUR 1,616 million as a result of the Euro depreciation against the basket of currencies. Financial leverage improves to 40.7% from 42.0% in the same period of the previous year, even considering this negative effect, given that Shareholders' funds increase more than debt.

Excluding financing of the regulatory receivables, which in the case of Iberdrola amounted to EUR 228 million at 30 June 2015, adjusted net financial debt would be EUR 25,973 million and adjusted leverage would be 40.5%.

The credit 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

With regard to the trend in the Company's financing cost, as at 30 June 2015, this was at 4.19%, 33bp below the accumulated cost at 30 June 2014.

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

	June 2015	June 2014
<b>Euro</b>	55.3%	50.6%
<b>British pound</b>	24.3%	28.8%
<b>Dollar</b>	19.9%	18.7%
<b>Brazilian Real and other currencies</b>	0.5%	1.9%
<b>Fixed Rate</b>	42.8%	49.7%
<b>Floating Rate</b>	57.0%	46.5%
<b>Capped Rate</b>	0.2%	3.8%

(\*) Includes TEI. Net Debt including net investment hedging derivatives and excluding regulatory receivable.

(\*\*) Excludes TEI. 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 financing 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:

	June 2015	June 2014
<b>Corporate</b>	73.7%	76.7%
<b>UK</b>	10.4%	9.5%
<b>USA</b>	10.0%	8.0%
<b>Brazil</b>	3.2%	2.9%
<b>Mexico</b>	1.9%	1.8%
<b>Others</b>	0.9%	1.1%
<b>Total</b>	100%	100%

(\*) Gross Debt. Including TEI.

The debt\* is broken down by financing source as follows:

	June 2015	June 2014
Euro market	37.4%	41.8%
Dollar market	20.0%	18.2%
British pound market	13.7%	12.4%
Remaining bonds	1.4%	1.5%
Notes	3.9%	3.7%
EIB	7.7%	8.8%
Project Finance	3.8%	3.5%
Bank loans	11.1%	8.9%
TEI	0.9%	1.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

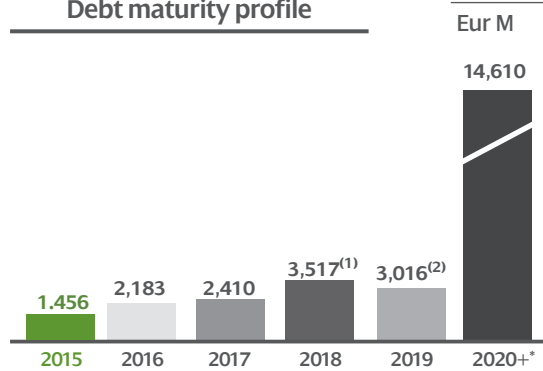
(\*) Gross Debt. Including TEI

At present, Iberdrola has a strong liquidity position at the end of first half 2015, exceeding EUR 8,200 million (equivalent to more than 34 months of the company's financing needs).

	Eur M
<b>Credit Line Maturities</b>	<b>Available</b>
2016 & onwards	6,257
<b>Total Credit Lines</b>	<b>6,775</b>
Cash & Short Term Fin. Invest.	1,514
<b>Total Adjustment Liquidity</b>	<b>8,289</b>

Iberdrola has a comfortable debt maturity profile, with around 6.5 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 the end of first half 2015.

### Debt maturity profile



\* Includes commercial paper outstanding balance: Eur 1,068 M.  
 (1) Eur 600 M with an option to extend 1 year.  
 (2) Eur 975 M with an option to extend 1 + 1 years.

Lastly, the financial leverage evolution has been as follows:

	Eur M	June 2015	June 2014 <sup>(1)</sup>
Shareholder's Equity		38,105	35,503
Gross Debt*		28,770	28,281
Cash flow		1,537	2,134
Asset derivatives and s/t Fin. Invest.		1,032	464
Net Debt		26,201	25,682
Leverage		40.7%	42.0%
Regulatory receivables		228	1,445
Adjusted Net Debt (excl. Regulatory receivables)		25,973	24,237
Leverage (excl. Regulatory receivables)		40.5%	40.6%

(\*) Including TEI, derivative liabilities and accrued interest.  
 (1) Restated.

#### 4. WORKING CAPITAL

Working capital shows an increase of EUR 8 million since December 2014, mainly as a result of several different effects partially offsetting each other:

- A decrease of “Current Financial Investments” of EUR 364 million.
- Asset and liability balances with Public Administrations amount to, all together, a reduction of working capital of EUR 384 million.
- A decrease of “Inventories” of EUR 244 million.
- Net balance of commercial Debtors and Creditors result in an increase of working capital of EUR 1,013 million.

CURRENT ASSETS	Including Regulatory Receivables		
	June 2015	December 2014 <sup>(1)</sup>	Variation
Nuclear Fuel	359	320	39
Inventories	1,756	2,039	(283)
Commercial debtors and other accounts receivable	5,205	4,819	386
Current financial investments	683	1,047	(364)
Asset derivative financial instruments	126	314	(189)
Public Administrations	696	700	(5)
<b>TOTAL CURRENT ASSETS<sup>*</sup>:</b>	<b>8,824</b>	<b>9,240</b>	<b>(415)</b>

\*Does not include cash or debt asset derivatives

CURRENT LIABILITIES	June 2015	December 2014	Variation
Provisions	171	221	(50)
Liability derivative financial instruments	224	349	(124)
Commercial creditors and other accounts payable	6,133	6,760	(627)
Public Administrations	1,853	1,474	379
<b>TOTAL CURRENT LIABILITIES<sup>**</sup>:</b>	<b>8,381</b>	<b>8,804</b>	<b>(423)</b>

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

<b>NET WORKING CAPITAL</b>	<b>444</b>	<b>436</b>	<b>8</b>
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1) Re-stated

## 5. FUNDS GENERATED FROM OPERATIONS

Funds Generated from Operations at 30 June 2015 amount to EUR 3,031.1 million, compared with EUR 2,757.1 million in the same period of the previous year.

	Jan-June 2015	Jan-June 2014	Variation
Net Profit	1,505.9	1,402.1	7.4%
Amortisations	-1,626.4	-1,385.6	17.4%
P/L Equity	33.2	119.3	-72.2%
Extraordinary results, net of taxes	72.7	184.9	-60.7%
Extraordinary Corporate Taxes	-26.9	-51.6	-47.8%
Financial provisions capitalized	-57.8	-61.6	-6.3%
Minority P/L	-17.9	-21.1	-15.3%
Adjustment of tax deductible items	89.8	89.8	0.0%
Equity Dividends	32.2	49.6	-35.1%
Reversion of tax provision	219.8	-	n/a
<b>FFO</b>	<b>3,031.1</b>	<b>2,757.1</b>	<b>9.9%</b>

## 7. FINANCE TRANSACTIONS

### Summary of the main financial transactions carried out in 2015

Issuer	Transaction	Amount	Currency	Coupon	Maturity date
Iberdrola Internacional	Bonds Exchange	600	EUR	1.125%	8 years
Iberdrola SA	Syndicated loan*	2,500	EUR	-	5 years
Iberdrola SA / Iberdrola Financiación	Syndicated loan*	2,500	EUR	-	5 years
Iberdrola Financiación	Bank loan*	900	EUR	-	4 years
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

\*It refers to financial transactions that have been renegotiated.

### Second Quarter Financing

#### BANKING MARKET

##### EIB loans

On 27 May Iberdrola renegotiated a number of tranches of existing loans with the European Investment Bank (EIB) which were for the most part guaranteed by a bank, totalling EUR 565 million, were renegotiated. This restructuring has improved the cost, maturity date and the structure of debt.

That same day two tranches of the existing loan were also renegotiated with the EIB to finance investments in Distribution in Scottish Power totalling GBP 150 million. This restructuring has meant the modification of maturity dates and the improvement of the applicable economic conditions.

On 25 June Iberdrola Distribución signed a new direct loan with the EIB for the amount of EUR 325 million with the aim of financing

the 2014/2015 investments programme for the modernisation of the electrical network, telemetry and automation of substations. This loan has a maturity period of nine months (bullet) or fifteen years (amortizable).

##### Bank loan

On 22 June Iberdrola renegotiated three existing loans with the EIB that were intermediated by a bank, totalling EUR 350 million, were renegotiated. This restructuring has meant reconverting the EIB financing into three bilateral loans that maintain their original maturity dates and reduce the margin to levels more in line with current market conditions.

On 24 June, Iberdrola reconfigured an existing bilateral loan of EUR 600 million extending its original maturity date from June 2016 to June 2018, maintaining the option to extend it for a further year, keeping the rest of the conditions the same.

## 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
Iberdrola USA	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+	Stable	April 2013	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.				BBB-	Negative	March 2015			
Celpe				BBB-	Negative	March 2015			
Coelba	Baa3	Stable	June 2015	BBB-	Negative	March 2015			
Cosern				BBB-	Negative	March 2015			
Neoenergia (national scale)				brAAA	Negative	March 2015			
Celpe (national scale)				brAAA	Negative	March 2015			
Coelba (national scale)				brAAA	Negative	March 2015			
Cosern (national scale)				brAAA	Negative	March 2015			
Elektro (national scale)				brAAA	Stable	July 2011			

\* Guaranteed by Iberdrola, S.A.

# Balance Sheet (Unaudited)

	M Eur		
ASSETS	June 2015	December* 2014*	Variation
<b>NON-CURRENT ASSETS</b>	<b>86,368</b>	<b>82,499</b>	<b>3,869</b>
<b>Intangible assets</b>	<b>17,777</b>	<b>16,862</b>	<b>915</b>
Goodwill	8,952	8,354	598
Other intangible assets	8,825	8,508	317
<b>Real Estate properties</b>	<b>485</b>	<b>482</b>	<b>3</b>
<b>Property, plant and equipment</b>	<b>57,928</b>	<b>55,107</b>	<b>2,821</b>
Property, plant and equipment in use	53,056	51,090	1,966
Property, plant and equipment in the course of construction	4,872	4,017	855
<b>Non current financial investments</b>	<b>3,855</b>	<b>3,780</b>	<b>75</b>
Investments accounted by equity method	2,102	2,295	-192
Non-current financial assets	74	77	-3
Other non-current financial assets	730	769	-39
Derivative financial instruments	948	639	310
<b>Non-current receivables</b>	<b>588</b>	<b>383</b>	<b>205</b>
<b>Deferred tax assets</b>	<b>5,734</b>	<b>5,884</b>	<b>-150</b>
<b>CURRENT ASSETS</b>	<b>10,547</b>	<b>11,243</b>	<b>-697</b>
<b>Nuclear fuel</b>	<b>359</b>	<b>320</b>	<b>39</b>
<b>Inventories</b>	<b>1,756</b>	<b>2,039</b>	<b>-283</b>
<b>Current trade and other receivables</b>	<b>5,901</b>	<b>5,519</b>	<b>382</b>
Tax receivables	350	333	17
Other tax receivables	346	367	-21
Trade and other receivables	5,205	4,819	386
<b>Current financial assets</b>	<b>1,016</b>	<b>1,559</b>	<b>-542</b>
Current financial assets	5	5	-
Other current financial assets	678	1,042	-364
Derivative financial instruments	334	512	-178
<b>Cash and cash equivalents</b>	<b>1,514</b>	<b>1,806</b>	<b>-292</b>
<b>TOTAL ASSETS</b>	<b>96,914</b>	<b>93,742</b>	<b>3,172</b>

	M Eur		
<b>EQUITY AND LIABILITIES</b>	<b>June 2015</b>	<b>December* 2014</b>	<b>Variation</b>
<b>EQUITY</b>	<b>38,105</b>	<b>35,705</b>	<b>2,400</b>
<b>Of shareholders of the parent</b>	<b>37,358</b>	<b>34,954</b>	<b>2,403</b>
Share capital	4,680	4,791	-111
Unrealised assets and liabilities revaluation reserve	-236	-327	91
Other reserves	31,802	30,384	1,419
Treasury stock	-177	-816	639
Translation differences	-217	-1,404	1,187
Net profit of the year	1,506	2,327	-821
<b>Hybrid Capital</b>	<b>536</b>	<b>551</b>	<b>-15</b>
<b>Of minority interests</b>	<b>212</b>	<b>200</b>	<b>12</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>145</b>	<b>180</b>	<b>-35</b>
<b>NON-CURRENT LIABILITIES</b>	<b>45,656</b>	<b>44,265</b>	<b>1,391</b>
<b>Deferred income</b>	<b>6,389</b>	<b>6,121</b>	<b>269</b>
<b>Provisions</b>	<b>4,534</b>	<b>4,852</b>	<b>-318</b>
Provisions for pensions and similar obligations	1,933	1,943	-10
Other provisions	2,601	2,909	-308
<b>Financial Debt</b>	<b>24,071</b>	<b>23,315</b>	<b>756</b>
Loans and others	23,712	22,930	782
Derivative financial instruments	359	384	-26
<b>Other non-current payables</b>	<b>597</b>	<b>611</b>	<b>-14</b>
<b>Deferred tax liabilities</b>	<b>10,064</b>	<b>9,366</b>	<b>698</b>
<b>EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY</b>	<b>106</b>	<b>101</b>	<b>5</b>
<b>CURRENT LIABILITIES</b>	<b>12,902</b>	<b>13,490</b>	<b>-588</b>
<b>Provisions</b>	<b>172</b>	<b>221</b>	<b>-49</b>
Provisions for pensions and similar obligations	0	1	-1
Other provisions	172	220	-49
<b>Financial Debt</b>	<b>4,744</b>	<b>5,035</b>	<b>-290</b>
Loans and others	3,710	4,209	-499
Derivative financial instruments	1,035	826	209
<b>Trade and other payables</b>	<b>7,986</b>	<b>8,234</b>	<b>-249</b>
Trade payables	4,625	5,473	-848
Current tax liabilities and other tax payables	646	419	228
Other tax payables	1,206	1,055	151
Other current liabilities	1,508	1,288	220
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>96,914</b>	<b>93,742</b>	<b>3,172</b>

\* Restated



## Profit and Loss (Unaudited)

	Eur M	June 2015	June 2014*	%
REVENUES		16,125.6	15,185.4	6.2
PROCUREMENTS		(9,491.6)	(9,016.5)	5.3
GROSS MARGIN		6,634.0	6,168.9	7.5
NET OPERATING EXPENSES		(1,824.9)	(1,689.0)	8.0
Net Personnel Expense		(929.1)	(850.3)	9.3
Personnel		(1,161.9)	(1,069.5)	8.6
Capitalized personnel costs		232.8	219.2	6.2
Net External Services		(895.8)	(838.8)	6.8
External Services		(1,119.1)	(1,016.2)	10.1
Other Operating Income		223.3	177.4	25.9
LEVIES		(1,014.6)	(890.7)	13.9
EBITDA		3,794.5	3,589.1	5.7
AMORTISATIONS AND PROVISIONS		(1,626.4)	(1,385.6)	17.4
EBIT		2,168.1	2,203.6	(1.6)
Financial Expenses		(1,162.3)	(895.0)	29.9
Financial Income		644.0	384.4	67.5
FINANCIAL RESULT		(518.3)	(510.6)	1.5
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD		33.2	119.3	(72.2)
RESULTS FROM NON-CURRENT ASSETS		72.7	184.9	(60.7)
PBT		1,755.7	1,997.2	(12.1)
Corporate Tax		(232.0)	(574.0)	(59.6)
Minorities		(17.9)	(21.1)	(15.3)
NET PROFIT		1,505.9	1,402.1	7.4

\*Restated

# Results by Business (Unaudited)

June 2015	Eur M				
	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjustments
Revenues	4.174,3	11.108,1	1.345,8	410,2	(912,8)
Procurement	(1.342,0)	(8.606,1)	(104,3)	(303,7)	864,4
<b>GROSS MARGIN</b>	<b>2.832,3</b>	<b>2.502,0</b>	<b>1.241,5</b>	<b>106,6</b>	<b>(48,4)</b>
<b>NET OPERATING EXPENSES</b>	<b>(654,9)</b>	<b>(758,4)</b>	<b>(309,4)</b>	<b>(115,4)</b>	<b>13,2</b>
Net Personnel Expense	(377,2)	(255,5)	(100,1)	(83,9)	(112,4)
Personnel	(569,3)	(269,3)	(108,6)	(83,9)	(130,8)
Capitalized personnel costs	192,0	13,8	8,5	-	18,5
Net External Services	(277,7)	(503,0)	(209,2)	(31,5)	125,5
External Services	(423,9)	(577,3)	(222,4)	(32,1)	136,6
Other operating income	146,2	74,3	13,2	0,7	(11,1)
LEVIES	(371,0)	(481,6)	(107,5)	(2,2)	(52,2)
<b>EBITDA</b>	<b>1.806,3</b>	<b>1.261,9</b>	<b>824,7</b>	<b>(11,0)</b>	<b>(87,4)</b>
Amortisation and Provisions	(606,3)	(531,2)	(460,2)	(5,3)	(23,4)
<b>EBIT / Operating Profit</b>	<b>1.200,0</b>	<b>730,7</b>	<b>364,5</b>	<b>(16,3)</b>	<b>(110,8)</b>
Financial Result	(171,3)	(87,3)	(13,9)	11,9	(257,7)
Results of companies consolidated by equity method	27,1	(15,7)	6,7	16,0	(0,9)
Results of non-current assets	75,2	1,1	(3,9)	0,4	-
<b>PBT</b>	<b>1.131,0</b>	<b>628,8</b>	<b>353,3</b>	<b>12,1</b>	<b>(369,4)</b>
Corporate tax and minority shareholders	(92,1)	(173,5)	(90,5)	(1,9)	108,1
<b>Net Profit</b>	<b>1.038,9</b>	<b>455,3</b>	<b>262,8</b>	<b>10,2</b>	<b>(261,3)</b>

June 2014*	M Eur				
	Networks	Generation and Supply	Renewables	Other Businesses	Corporation and adjustments
Revenues	3,524.7	10,852.2	1,139.2	268.7	(599.5)
Procurement	(1,070.7)	(8,275.2)	(81.9)	(169.8)	581.1
<b>GROSS MARGIN</b>	<b>2,454.0</b>	<b>2,577.0</b>	<b>1,057.3</b>	<b>99.0</b>	<b>(18.4)</b>
<b>NET OPERATING EXPENSES</b>	<b>(588.2)</b>	<b>(718.3)</b>	<b>(272.5)</b>	<b>(108.0)</b>	<b>(2.0)</b>
Net Personnel Expense	(331.2)	(244.5)	(81.4)	(75.1)	(118.1)
Personnel	(510.2)	(260.0)	(91.4)	(85.7)	(122.3)
Capitalized personnel costs	179.0	15.5	10.0	10.6	4.1
Net External Services	(257.0)	(473.8)	(191.1)	(32.9)	116.1
External Services	(382.1)	(524.0)	(206.7)	(34.1)	130.7
Other operating income	125.1	50.1	15.6	1.1	(14.5)
Levies	(323.3)	(429.3)	(90.9)	(1.0)	(46.1)
<b>EBITDA</b>	<b>1,542.6</b>	<b>1,429.4</b>	<b>693.8</b>	<b>(10.0)</b>	<b>(66.6)</b>
Amortisation and Provisions	(506.5)	(498.4)	(336.5)	(5.6)	(38.7)
<b>EBIT / Operating Profit</b>	<b>1,036.1</b>	<b>931.0</b>	<b>357.4</b>	<b>(15.6)</b>	<b>(105.2)</b>
Financial Result	(249.3)	(104.6)	(69.9)	(11.4)	(75.4)
Results of companies consolidated by equity method	15.9	4.0	6.3	93.2	-
Results of non-current assets	84.6	96.6	3.3	0.1	0.3
<b>PBT</b>	<b>887.2</b>	<b>927.0</b>	<b>297.1</b>	<b>66.2</b>	<b>(180.4)</b>
Corporate tax and minority shareholders	(218.4)	(260.1)	(100.0)	(16.4)	(0.2)
<b>Net Profit</b>	<b>668.8</b>	<b>666.9</b>	<b>197.1</b>	<b>49.8</b>	<b>(180.6)</b>

\*Restated

# Networks Business (Unaudited)

June 2015	Eur M			
	SPAIN	U.K.	US	BRAZIL
Revenues	991.8	774.2	1,412.8	995.5
Procurement	(3.9)	(29.4)	(523.7)	(785.1)
<b>GROSS MARGIN</b>	<b>987.9</b>	<b>744.9</b>	<b>889.1</b>	<b>210.4</b>
<b>NET OPERATING EXPENSES</b>	<b>(186.4)</b>	<b>(125.3)</b>	<b>(262.4)</b>	<b>(80.9)</b>
Net Personnel Expenses	(114.4)	(51.3)	(163.1)	(48.4)
Personnel	(167.8)	(128.2)	(212.1)	(61.2)
Capitalized personnel costs	53.4	76.9	48.9	12.8
Net External Services	(72.0)	(74.0)	(99.2)	(32.5)
External Services	(137.5)	(106.3)	(136.0)	(45.1)
Other operating income	65.5	32.3	36.8	12.7
Levies	(47.4)	(55.8)	(266.7)	(1.1)
<b>EBITDA</b>	<b>754.1</b>	<b>563.8</b>	<b>360.0</b>	<b>128.4</b>
Amortisations, Provisions and other	(214.3)	(149.5)	(186.1)	(56.4)
<b>EBIT / Operating Profit</b>	<b>539.8</b>	<b>414.2</b>	<b>173.9</b>	<b>72.1</b>
Financial Result	(39.6)	(72.5)	(49.6)	(9.6)
Results of companies consolidated by equity method	-	-	-	27.1
Results of non-current assets	0.1	0.6	0.4	74.1
<b>PBT</b>	<b>500.3</b>	<b>342.3</b>	<b>124.7</b>	<b>163.7</b>
Corporate tax and minority shareholders	95.4	(75.4)	(50.1)	(62.0)
<b>NET PROFIT</b>	<b>595.7</b>	<b>266.9</b>	<b>74.6</b>	<b>101.7</b>

June 2014*	M Eur			
	SPAIN	U.K.	US	BRAZIL
Revenues	935.5	663.9	1,292.1	633.3
Procurement	-	(22.5)	(539.9)	(508.3)
<b>GROSS MARGIN</b>	<b>935.5</b>	<b>641.4</b>	<b>752.2</b>	<b>124.9</b>
<b>NET OPERATING EXPENSES</b>	<b>(189.4)</b>	<b>(107.4)</b>	<b>(215.8)</b>	<b>(75.6)</b>
Net Personnel Expenses	(120.0)	(39.8)	(126.2)	(45.1)
Personnel	(173.9)	(106.9)	(172.0)	(57.4)
Capitalized personnel costs	53.9	67.1	45.7	12.3
Net External Services	(69.4)	(67.6)	(89.6)	(30.4)
External Services	(140.0)	(96.6)	(106.3)	(39.2)
Other operating income	70.7	29.0	16.7	8.8
Levies	(49.2)	(49.2)	(223.7)	(1.3)
<b>EBITDA</b>	<b>697.0</b>	<b>484.9</b>	<b>312.6</b>	<b>48.1</b>
Amortisations, Provisions and other	(198.8)	(128.8)	(123.3)	(55.6)
<b>EBIT / Operating Profit</b>	<b>498.2</b>	<b>356.1</b>	<b>189.3</b>	<b>(7.5)</b>
Financial Result	(66.8)	(62.5)	(49.4)	(70.7)
Results of companies consolidated by equity method	0.4	-	-	15.5
Results of non-current assets	-	-	-	84.6
<b>PBT</b>	<b>431.8</b>	<b>293.6</b>	<b>140.0</b>	<b>21.9</b>
Corporate tax and minority shareholders	(131.1)	(66.0)	(21.7)	0.4
<b>NET PROFIT</b>	<b>300.7</b>	<b>227.5</b>	<b>118.2</b>	<b>22.4</b>

\* Restated

# Generation and Supply (Unaudited)

						Eur M
June 2015	SPAIN	U. K.	MEXICO	US & CANADA	Interco	
Revenues	6,470.2	4,087.2	725.0	(2.1)	(172.2)	
Procurement	(4,975.3)	(3,374.7)	(427.8)	(0.5)	172.2	
<b>GROSS MARGIN</b>	<b>1,494.9</b>	<b>712.5</b>	<b>297.2</b>	<b>(2.6)</b>	<b>-</b>	
<b>NET OPERATING EXPENSES</b>	<b>(333.8)</b>	<b>(342.7)</b>	<b>(67.1)</b>	<b>(14.9)</b>	<b>-</b>	
Net Personnel Expenses	(145.2)	(89.2)	(12.7)	(8.4)	-	
Personnel	(155.3)	(91.8)	(13.5)	(8.7)	-	
Capitalized personnel costs	10.1	2.6	0.8	0.3	-	
Net External Services	(188.6)	(253.6)	(54.3)	(6.5)	-	
External Services	(228.8)	(286.0)	(56.6)	(6.7)	0.9	
Other operating income	40.2	32.4	2.3	0.2	(0.9)	
Levies	(386.3)	(91.6)	(1.1)	(2.7)	-	
<b>EBITDA</b>	<b>774.8</b>	<b>278.2</b>	<b>229.0</b>	<b>(20.2)</b>	<b>-</b>	
Amortisations, Provisions and other	(263.7)	(207.7)	(43.8)	(16.0)	-	
<b>EBIT / Operating Profit</b>	<b>511.2</b>	<b>70.5</b>	<b>185.2</b>	<b>(36.1)</b>	<b>-</b>	
Financial Result	(59.9)	4.6	(16.3)	(15.7)	-	
Results of companies consolidated by equity method	(15.9)	0.2	-	-	-	
Results of non-current assets	-	1.1	-	-	-	
<b>PBT</b>	<b>435.3</b>	<b>76.4</b>	<b>168.9</b>	<b>(51.8)</b>	<b>-</b>	
Corporate tax and minority shareholders	(121.7)	(19.1)	(50.7)	18.0	-	
<b>NET PROFIT</b>	<b>313.7</b>	<b>57.3</b>	<b>118.2</b>	<b>(33.9)</b>	<b>-</b>	

						Eur M
June 2014*	SPAIN	U. K.	MEXICO	US & CANADA	Interco	
Revenues	6,293.5	4,055.4	726.0	49.0	(271.7)	
Procurement	(4,588.1)	(3,427.0)	(531.3)	(0.4)	271.7	
<b>GROSS MARGIN</b>	<b>1,705.4</b>	<b>628.4</b>	<b>194.6</b>	<b>48.6</b>	<b>-</b>	
<b>NET OPERATING EXPENSES</b>	<b>(361.0)</b>	<b>(289.6)</b>	<b>(53.3)</b>	<b>(14.4)</b>	<b>-</b>	
Net Personnel Expenses	(148.2)	(79.3)	(10.2)	(6.7)	-	
Personnel	(159.4)	(83.2)	(10.5)	(6.9)	-	
Capitalized personnel costs	11.1	3.9	0.3	0.2	-	
Net External Services	(212.8)	(210.3)	(43.1)	(7.6)	-	
External Services	(233.1)	(239.6)	(44.2)	(7.9)	0.9	
Other operating income	20.4	29.3	1.1	0.2	(0.9)	
Levies	(331.6)	(94.8)	(0.9)	(2.0)	-	
<b>EBITDA</b>	<b>1,012.8</b>	<b>244.0</b>	<b>140.4</b>	<b>32.2</b>	<b>-</b>	
Amortisations, Provisions and other	(298.0)	(151.8)	(35.0)	(13.6)	-	
<b>EBIT / Operating Profit</b>	<b>714.8</b>	<b>92.2</b>	<b>105.4</b>	<b>18.6</b>	<b>-</b>	
Financial Result	(79.2)	(9.7)	(7.2)	(8.5)	-	
Results of companies consolidated by equity method	4.0	-	-	-	-	
Results of non-current assets	95.9	0.7	-	-	-	
<b>PBT</b>	<b>735.5</b>	<b>83.2</b>	<b>98.2</b>	<b>10.1</b>	<b>-</b>	
Corporate tax and minority shareholders	(219.1)	(15.5)	(24.1)	(1.4)	-	
<b>NET PROFIT</b>	<b>516.4</b>	<b>67.7</b>	<b>74.2</b>	<b>8.7</b>	<b>-</b>	

\*Restated

# Renewable Business (Unaudited)

	M Eur				
June 2015	SPAIN	U.K.	USA	LATAM	RoW
Revenues	419.5	325.6	481.9	50.7	68.1
Procurement	(7.4)	(20.1)	(74.0)	(2.0)	(0.7)
<b>GROSS MARGIN</b>	<b>412.1</b>	<b>305.5</b>	<b>407.8</b>	<b>48.7</b>	<b>67.4</b>
NET OPERATING EXPENSES	(95.2)	(53.0)	(135.3)	(10.8)	(15.1)
Net Personnel Expenses	(28.6)	(11.2)	(56.1)	(1.0)	(3.2)
Personnel	(28.6)	(17.1)	(58.6)	(1.2)	(3.2)
Capitalized personnel costs	-	5.8	2.5	0.2	-
Net External Services	(66.6)	(41.7)	(79.2)	(9.8)	(11.9)
External Services	(85.8)	(44.9)	(84.1)	(9.8)	2.1
Other operating income	19.2	3.2	4.9	-	(14.0)
Levies	(56.3)	(10.0)	(39.2)	(.3)	(1.6)
<b>EBITDA</b>	<b>260.5</b>	<b>242.5</b>	<b>233.3</b>	<b>37.6</b>	<b>50.7</b>
Amortisations, Provisions and other	(133.4)	(89.1)	(204.8)	(15.4)	(17.6)
<b>EBIT / Operating Profit</b>	<b>127.1</b>	<b>153.4</b>	<b>28.5</b>	<b>22.3</b>	<b>33.2</b>
Financial Result	(14.5)	(15.2)	37.9	(5.5)	(16.6)
Results of companies consolidated by equity method	3.3	0.1	(1.4)	0.4	4.3
Results of non-current assets	(4.3)	-	0.3	-	-
<b>PBT</b>	<b>111.6</b>	<b>138.3</b>	<b>65.3</b>	<b>17.2</b>	<b>20.9</b>
Corporate tax and minority shareholders	(31.1)	(31.2)	(9.7)	(5.7)	(12.8)
<b>NET PROFIT</b>	<b>80.5</b>	<b>107.1</b>	<b>55.6</b>	<b>11.5</b>	<b>8.1</b>

	M Eur				
June 2014*	SPAIN	U.K.	USA	LATAM	RoW
Revenues	395.6	183.7	454.3	48.4	57.1
Procurement	(3.6)	(16.2)	(60.3)	(2.1)	0.4
<b>GROSS MARGIN</b>	<b>392.0</b>	<b>167.5</b>	<b>394.0</b>	<b>46.3</b>	<b>57.5</b>
NET OPERATING EXPENSES	(104.9)	(38.1)	(107.5)	(6.9)	(15.0)
Net Personnel Expenses	(28.5)	(8.2)	(40.4)	(0.4)	(3.9)
Personnel	(29.0)	(11.8)	(45.3)	(0.8)	(4.5)
Capitalized personnel costs	0.5	3.6	4.9	0.4	0.6
Net External Services	(76.5)	(30.0)	(67.1)	(6.5)	(11.1)
External Services	(92.9)	(37.0)	(70.2)	(6.5)	-
Other operating income	16.5	7.1	3.2	-	(11.1)
Levies	(52.6)	(6.6)	(29.5)	(0.2)	(2.0)
<b>EBITDA</b>	<b>234.5</b>	<b>122.8</b>	<b>257.0</b>	<b>39.2</b>	<b>40.4</b>
Amortisations, Provisions and other	(83.8)	(59.5)	(161.4)	(12.8)	(18.9)
<b>EBIT / Operating Profit</b>	<b>150.7</b>	<b>63.3</b>	<b>95.5</b>	<b>26.3</b>	<b>21.6</b>
Financial Result	(37.7)	(11.7)	(2.7)	(5.5)	(12.1)
Results of companies consolidated by equity method	(1.6)	0.7	3.8	0.6	2.7
Results of non-current assets	1.9	-	-	-	1.4
<b>PBT</b>	<b>113.3</b>	<b>52.3</b>	<b>96.6</b>	<b>21.4</b>	<b>13.6</b>
Corporate tax and minority shareholders	(41.0)	(13.6)	(31.5)	(7.5)	(6.3)
<b>NET PROFIT</b>	<b>72.2</b>	<b>38.6</b>	<b>65.0</b>	<b>14.0</b>	<b>7.2</b>

\*Restated

# Quarterly Results (Unaudited)

	JAN-MARCH 2015	APR-JUNE 2015
REVENUES	8,780.7	7,344.9
PROCUREMENTS	(5,167.0)	(4,324.7)
GROSS MARGIN	3,613.7	3,020.3
NET OPERATING EXPENSES	(853.7)	(971.2)
Net Personnel Expense	(446.7)	(482.5)
Personnel	(557.9)	(604.0)
Capitalized personnel costs	111.3	121.5
Net External Services	(407.1)	(488.7)
External Services	(517.1)	(602.0)
Other Operating Income	110.0	113.3
LEVIES	(623.7)	(390.9)
EBITDA	2,136.3	1,658.2
AMORTISATIONS AND PROVISIONS	(792.5)	(834.0)
EBIT	1,343.8	824.3
Financial Expenses	(1,026.3)	(136.0)
Financial Income	730.8	(86.8)
FINANCIAL RESULT	(295.5)	(222.8)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	18.7	14.5
RESULTS FROM NON-RECURRING ASSETS	72.1	0.7
PBT	1,139.1	616.7
Corporate Tax	(289.3)	57.3
Minorities	(9.0)	(8.9)
NET PROFIT	840.8	665.08

	JAN-MARCH 2014*	APR-JUNE 2014*
REVENUES	8,325.0	6,860.3
PROCUREMENTS	(4,941.7)	(4,074.8)
GROSS MARGIN	3,383.3	2,785.5
NET OPERATING EXPENSES	(815.1)	(873.9)
Net Personnel Expense	(417.9)	(432.3)
Personnel	(525.0)	(544.5)
Capitalized personnel costs	107.1	112.1
Net External Services	(397.2)	(441.6)
External Services	(476.2)	(540.0)
Other Operating Income	79.0	98.5
LEVIES	(604.3)	(286.3)
EBITDA	1,963.9	1,625.3
AMORTISATIONS AND PROVISIONS	(688.3)	(697.3)
EBIT	1,275.6	928.0
Financial Expenses	(441.4)	(453.6)
Financial Income	227.6	156.8
FINANCIAL RESULT	(213.8)	(296.8)
RESULTS OF COMPANIES CONSOLIDATED BY EQUITY METHOD	21.3	98.0
RESULTS FROM NON-RECURRING ASSETS	76.7	108.2
PBT	1,159.7	837.5
Corporate Tax	(302.4)	(271.7)
Minorities	(10.4)	(10.8)
NET PROFIT	847.0	555.07

\* Restated

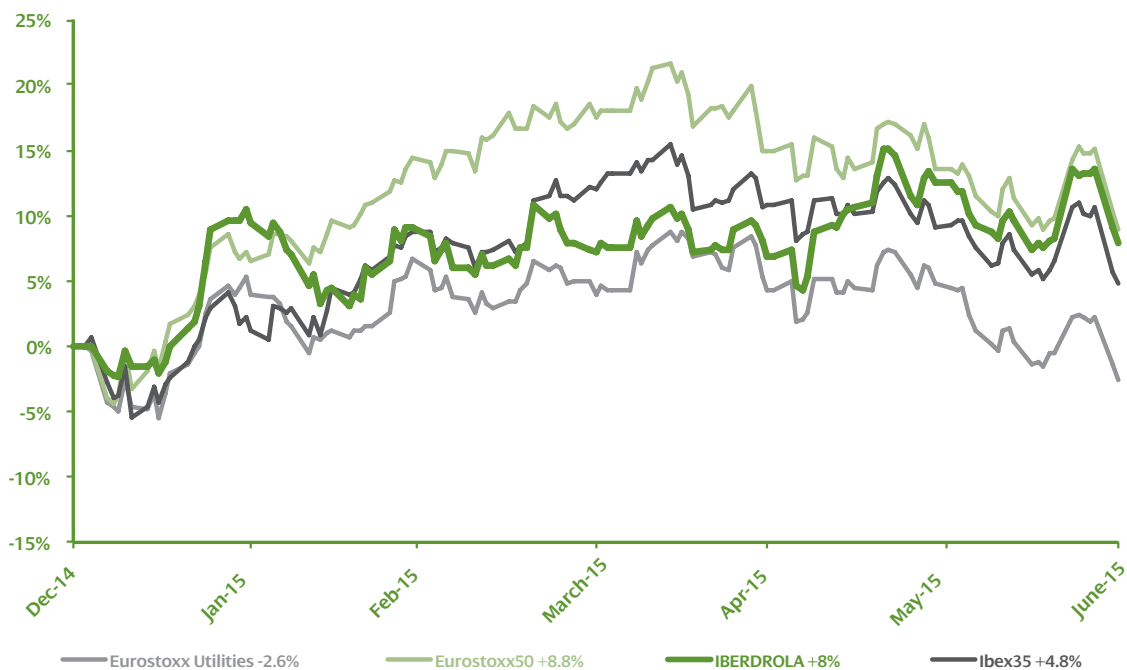
# Statement of Origin and Use of Funds (Unaudited)

	Jun 2015	Jun 2014*	Difference
<b>EBITDA</b>	3,794.5	3,589.1	205.4
<b>Adjustments to results and others</b>	(291.7)	(273.5)	(18.1)
<b>Financial payments and cash receipts</b>	(429.4)	(493.5)	64.1
<b>Corporate Tax Payment</b>	(98.6)	(145.1)	46.5
<b>Provision payments (net of normal expenses)</b>	(165.8)	(178.8)	13.0
<b>Operating Cash Flow</b>	2,809.0	2,498.3	310.7
<b>Dividends Paid</b>	-	(180.7)	180.7
<b>Retained Cash Flow</b>	2,809.0	2,317.6	491.4
<b>Total Cash Flow allocations:</b>	<b>(1,495.0)</b>	<b>(880.0)</b>	<b>(615.0)</b>
<i>Net Investments</i>	<i>(1,302.3)</i>	<i>(1,199.0)</i>	<i>(103.3)</i>
<i>Divestments</i>	<i>23.6</i>	<i>868.0</i>	<i>(844.4)</i>
<i>Treasury stock</i>	<i>(185.9)</i>	<i>(518.5)</i>	<i>332.5</i>
<i>Capital issue</i>	<i>(0.2)</i>	<i>(0.4)</i>	<i>0.1</i>
<i>Hybrid</i>	<i>(30.2)</i>	<i>(30.2)</i>	<i>-</i>
<b>Exchange rate differentials</b>	<b>(978.4)</b>	<b>(329.0)</b>	<b>(649.4)</b>
<b>Change in regulatory receivables</b>	<b>157.9</b>	<b>126.1</b>	<b>31.8</b>
<b>Working capital variations and other variations</b>	<b>(1,076.1)</b>	<b>(80.8)</b>	<b>(995.3)</b>
<b>Decrease/(Increase) in net debt</b>	<b>(582.6)</b>	<b>1,153.9</b>	<b>(1,736.5)</b>

\* Restated

# Stock Market Evolution

## IBERDROLA STOCK PERFORMANCE v. index



Iberdrola Share	H1 2015	H1 2014
Number of shares outstanding	6,240,000,000	6,240,000,000
Price at the end of the period	6.04	5.58
Average Price of the period	6.02	4.94
Average daily volume	36,302,299	39,290,803
Maximum volume (06-26-2015 / 01-03-2014)	90,216,773	422,630,657
Minimum volume (06-03-2015 / 02-10-2014)	12,156,918	14,738,870
Dividends paid (Eur)	0.132	0.131
Gross Interim (12-19-2014/01-30-2014)	0.127 <sup>(1)</sup>	0.126 <sup>(1)</sup>
Shareholders' Meeting attendance bonus	0.005	0.005
Dividend yield <sup>(2)</sup>	4.57%	5.22%

(1) Iberdrola fixed guaranteed price for the rights.

(2) Last interim dividend, 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

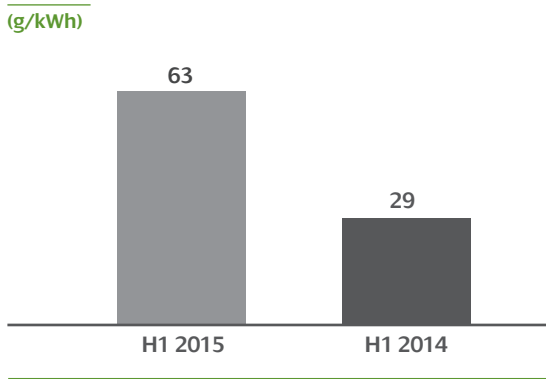
Sustainability Indicators	H1 2015	H1 2014
Contribution to GDP (Gross Margin) (*)	0.59%	0.65%
Contribution to GDP (Net Revenues) (*)	1.64%	1.63%
Net profit (EUR million)	1,505.9	1,402.1
Dividend yield (%) (**)	4.57%	5.22%
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). Total	209	191
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). Spain	63	29
CO <sub>2</sub> emissions in the period (gr. CO <sub>2</sub> /kWh). SPW	536	613
Total emission-free production (Gwh)	38,142	44,448
Spain emission-free production (Gwh)	25,758	31,790
Emission-free production out of total production (%)	55%	61%
Spain emission-free installed production out of total production (%)	89%	94%
Total emission-free installed capacity (MW)	28,264	27,725
Spain emission-free installed capacity (MW)	18,326	18,326
Total emission-free installed capacity (%)	62%	62%
Spain emission-free installed capacity (%)	72%	72%
Ratio output with total low emissions technologies (%)	37%	31%

(\*) Source: Iberdrola Results and National Quarterly Accounting for Spain – INE (Basis 2010. Last data published in 1Q 2015).

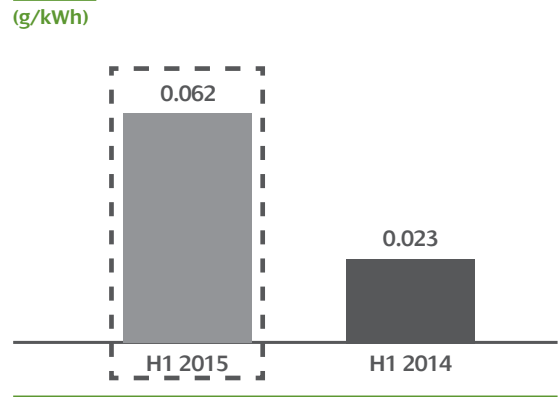
(\*\*) Interim dividend, supplementary dividend and Shareholders' Meeting attendance bonus / end-of-period price.

**Development of specific thermal mix emissions, Global: CO<sub>2</sub>, SO<sub>2</sub>, particles and NO<sub>x</sub>.**

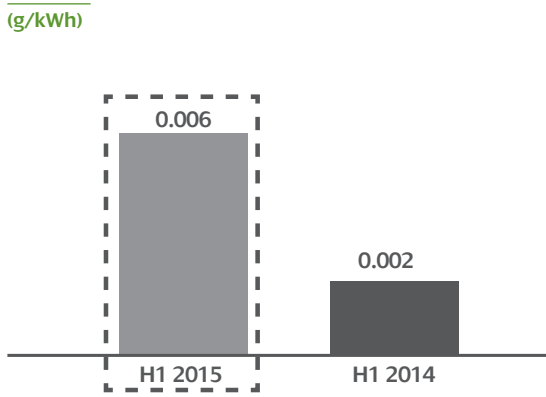
CO<sub>2</sub> specific emissions mix, GLOBAL (g/kWh)



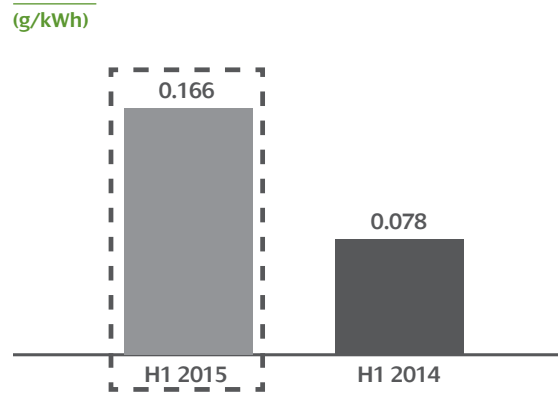
SO<sub>2</sub> specific emissions mix GLOBAL (g/kWh)



Specific particulate emissions mix GLOBAL (g/kWh)



NO<sub>x</sub> specific emissions mix, GLOBAL

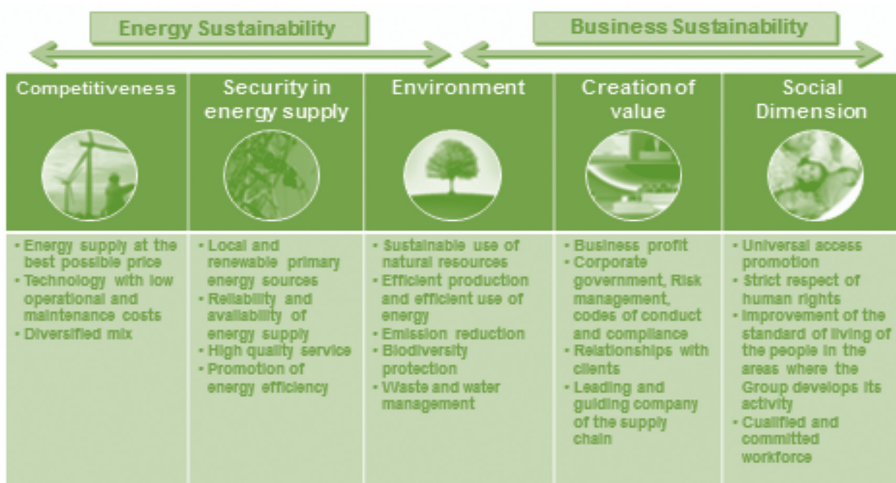


## 2. INDICES, RANKINGS AND RECOGNITIONS

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

Sostenibilidad y Reputación Corporativa	
	Rating/Situación
Dow Jones Sustainability World Index 2014	Selected in all editions
FTSE4Good	First utility with nuclear assets to be selected on the index
Carbon Disclosure Leadership Index 2014	99/100
Carbon Performance Leadership Index 2014	Category A
Global Roundtable on Climate Change	IBERDROLA among the promoters
Sustainability Yearbook Robeco Sam 2015	Classified as "Silver Class" in the electricity sector.
OEKOM Research 2013	Classified as "Prime"
MERCO 2013	Leading company in Spain in the utilities sector: electricity, gas and water.
New York Stock Exchange, NYSE Euronext y Vigeo	Iberdrola selected
ET Global 800 Carbon Ranking	Iberdrola first Spanish utility
Nesweek and Green Rankings 2014	Iberdrola first Spanish utility and third worldwide.
MSCI Global Sustainability Index Series	Iberdrola selected
2015 World's Most Ethical Company	Iberdrola selected. The only Spanish utility.

Sustainability Policy (since Dec. 2013):



### 3. CONTRIBUTION TO SOCIAL DEVELOPMENT

IBERDROLA's most significant actions with regard to social commitment in the Jan-June 2015 period 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, carried out 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, 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, first company of the IBEX 35 in tax transparency**

Our Company stands as the first company of the IBEX 35 as regards tax transparency in

2014, according to the *Transparency Report on the Tax Responsibility of Companies*, made by *Fundación Compromiso y Transparencia* (Commitment and Transparency Foundation).

- **Ignacio Galán, best European Utility Company CEO, and IBERDROLA, 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.

IBERDROLA has also won the *Euroshareholders* award for the best initiative in favour of minority shareholders, given by the Spanish Association of Minority Shareholders of Listed Companies (AEMEC - Asociación Española de Accionistas Minoritarios de Empresas Cotizadas), for its *Shareholder Engagement Policy*.

- **IBERDROLA ranked first in the response to Climate Change**

Our Company has been ranked first in a ranking of European electric utilities compiled by CDP (Climate Disclosure Project) on the basis of its response to the challenges of Climate Change.

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

Our Company ranks leader in Corporate Reputation in the energy, gas and water sector, according to the MERCO ranking, and also stands among the top ten Spanish companies with the best Corporate Reputation.

- **ScottishPower, best supply utility in 2015**  
ScottishPower Energy Networks has won the award of supply 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, recognised in the Responsible Business Awards**  
ScottishPower has been recognised in the 2015 Responsible Business Awards, run by *Business in the Community*, for the continual positive impact of its PowerSkills Programme which supports young adults from deprived backgrounds.
- **Elektro, awarded 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 been recognised as one of Brazil's 10 most innovative companies, according to the ranking issued by *Forbes* magazine.
- **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 CEO Climate Leadership Group, created in Davos**  
The Company has committed to working together with the other companies in 2015, towards limiting global warming to 2°C and providing real and tangible solutions in the fight against climate change, during the first meeting of the *CEO Climate Leadership Group*, created within the framework of Davos World Economic Forum. This Group includes important global companies of the energy, technology, finance, pharmaceuticals sectors, as well as other industries and sectors.
- **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 its *Supplier Awards for the year 2015*, created by IBERDROLA to incentivise sustainable development, innovation, internationalisation, etc. among its suppliers.
- **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 (Vizcaya), 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 better integration in our society.
- **"IBERDROLA Kilo Operation"** initiative. This solidarity initiative has been launched 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.

- **Volunteer Days.** A series of volunteer days devoted to games and sports and environmental awareness aimed at people with disabilities have been held in the Community of Madrid, Castile and León, Valencian Community and Navarre.

- **Sao Paulo 2.0 Initiative.** The fourth edition of this corporate volunteering programme has started, in which IBERDROLA employees from other regions travel 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

##### 2014 Call for Research Scholarships and Grants

The Scholarships and Grants Programme of the IBERDROLA Group Foundations, aims, among other things, to contribute to training a new generation of professionals capable of driving the transformation towards a sustainable energy model. Since its creation in 2010, the programme has progressively grown, consolidating its international dimension. Thus, thanks to the joint effort of the different Foundations of the Group, young people of five nationalities (UK, USA, Brazil, Mexico and Spain) will be able to study masters courses at Spanish, British, US and Mexican universities, during the 2015-2016 academic year, in fields related to renewable energies, energy efficiency, biodiversity, clean technologies, emissions management, energy storage, electric vehicles and smart

networks. The Scholarship Programme also includes grants for research into energy and the environment in Spain.

The assessment of the 1,296 applications received for the calls for Masters in the USA, UK and Spain and Research Grants has ended this second quarter, and the list of finalists was published on 15 June. In 2015 a total of 102 research scholarships and grants have been awarded, with an investment of 1.4 million euros. Among them, 17 Masters in the UK, 6 Masters in the USA, and 41 Masters and 20 Research Grants in Spain.

This period also includes other calls such as the Smart Grid scholarships at the Instituto Tecnológico de Monterrey in Mexico, which selected 9 finalists for this year. In addition, it includes those made through collaborations with prestigious academic institutions, such as the 2 Iberdrola Fulbright Scholarships or the 9 scholarships awarded by the Carolina Foundation. Fundación Iberdrola España also collaborates with the Museo del Prado and Bilbao Fine Arts Museum for the award of 4 scholarships at their restoration workshops (3 workshops at the Museo del Prado and 1 workshop at Bilbao Fine Arts Museum).

The student diploma ceremony is planned for 9 July. The event will be attended by the King and Queen of Spain.

## **b) Sustainability and Biodiversity**

### **Bird migration monitoring programme (MIGRA)**

The **Fundación Iberdrola España** 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. During this second quarter of 2015, the first taggings have been made out of the more than 20 taggings scheduled to be made this year. All migratory journeys of these birds are available in real time on the project's website ([www.migraciondeaves.org](http://www.migraciondeaves.org)).

### **LIFE+ Cantabrian Capercaillie Project**

The main aim of this initiative in which **Fundación Iberdrola España** takes part, 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 the conservation of its habitat, to promote environmental education, fostering society's awareness and participation. The area of action comprises 16 Areas of Special Protection for Birds (Zonas de Especial Protección para las Aves or ZEPA) of the Cantabrian mountain range. In addition to receiving funding from the European Union and the Fundación IBERDROLA, the Project is

coordinated by the Fundación Biodiversidad and has the participation of the Autonomous Communities of Galicia, Cantabria, the Principality of Asturias and Castile and León, as well as the National Parks Autonomous Agency (Organismo Autónomo Parques Nacionales) and SEO/BirdLife.

### Royal Society for the Protection of Birds (RSPB) Scotland

ScottishPower Foundation collaborates with the Royal Society for the Protection of Birds (RSPB) in a project aimed at conserving nature in the face of the problems threatening the natural environment. The actions are carried out in Abernethy Forest within Cairngorms National Park, known for providing a natural and safe refuge for threatened species. This quarter the project includes the planting of new trees in the National Park's nursery. Another significant project of this kind is "Keep Scotland Beautiful" which promotes awareness-raising campaigns in local schools for the protection and improvement of the environment. This initiative includes cleaning activities in abandoned areas and planting of trees or plants to protect biodiversity and promote the local production of food on a small scale.

### Preservation of bees

Collaborative project between the *SAVE* organisation and the Instituto Iberdrola Brasil to train bee-keepers in the handling of bees, promoting the protection of the species in appropriate habitats and generating income for the community through the

production of honey. Another of the projects is based on the "Study of Threatened Bird Species" (Flyways Brasil) whose aim is the conservation of wading birds within the framework of the protection of threatened species in Brazil, promoted by Instituto Iberdrola Brasil. During this quarter, the project has designed the activities that will start to be put into practice at the end of July.

## c) Art and Culture

### Restoration Programme

The Fundación Iberdrola España supports unique projects for the recovery and conservation of historical-artistic heritage in collaboration with prestigious agencies and institutions, both public and private. The **Atlantic Romanesque Programme** stands out especially, and is carried out in collaboration with the Portuguese Ministry for Culture and the Regional Government of Castile and León, implementing an ambitious project to restore and provide maintenance on 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. 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. After the works on San Pedro de la Nave de El Campillo (Zamora) were finished, there was an opening ceremony attended by the Chairman of Iberdrola, Ignacio Galán and the President of the Regional Government of Castile and León, Juan Vicente Herrera. In addition to the restoration of the temple, the guests were also able to see a reception centre for visitors, perfectly integrated within the building, with an exhibition area that contributes to improving the organisation of visits, and to understanding the global project and its context. In this second quarter, progress has been made on the design and signing of the agreement for the 2nd Phase of the 2015-2018 Atlantic Romanesque Plan, which includes interventions in San Martín de Salamanca, Pinilla de Fermoselle and Ciudad Rodrigo. In addition, the tourism management plan has been designed and implemented. Further information at [www.romanicoatlantico.org](http://www.romanicoatlantico.org)

### Lighting the Prado

In the second quarter of 2015, the **Fundación Iberdrola España** and the Museo del Prado have presented the first results of the project called “Iluminando el Prado/Lighting the Prado”, an initiative which consists in incorporating LED lighting to replace the halogen lamps used until now to light the works at the museum. This project will allow the Prado to reach better levels of energy efficiency, improve the material conservation of the works exhibited and favour their appreciation in conditions that are closer to natural light. The advantages offered by this project include improving the conservation

of the works exhibited thanks to the absence of infra-red or ultraviolet rays with LED technology. LED light is very similar to natural light, making it easier to view the works, improving their presentation, and providing a 75% increase in energy efficiency thanks to the technology, offering significant yearly savings of 800,000 KWh. The execution has been planned in fourteen phases, with a total duration of four years. In the Museo del Prado rooms corresponding to the south wing of the lower floor of the Villanueva building, the result of phases 0 and 1 of its great LED technology lighting project, promoted by the Iberdrola Foundation, can already be viewed. The rooms with this new lighting are 60A, 61, 61A, 61B, 62, 62A, 62B, 63, 63A, 63B, 64, 65, 66, 67 and 75, corresponding to the collections of the 19th century and Goya’s last years, from the ‘2nd and 3rd of May’ to his ‘Black Paintings’. As a sample of the project, the ‘Execution by Firing Squad of Torrijos and his Companions on the Beach at Málaga’ by Antonio Gisbert, a large oil painting measuring 390 cm x 601 cm located in room 61A of the Villanueva building, will be exhibited for one month with a combination of both types of lighting (the left part of the work is still lit by halogen lamps, whereas the right part is already lit with LED lighting). The comparison of the lighting methods can also be made in other rooms, such as no. 63, where only one of the works is lit with the new technology. With these tests, visitors will be able to appreciate the differences in quality of the chromatic reproduction of the works, as well as the visibility of the volume and the distance from the foregrounds to the backgrounds. Viewers were able to view the work with the old and

new lighting in an event held in the Museum for this presentation, which was attended by the Minister for Agriculture, Food and the Environment, Isabel García Tejerina, the Chairman of the Royal Board of Trustees of the Museo del Prado, José Pedro Pérez Llorca; the Director of the Museo del Prado, Miguel Zugaza; the Chairman of Iberdrola, Ignacio Galán and the Chairman of the Fundación Iberdrola España, Manuel Marín.

### Lighting Programme

The lighting works on the Altarpiece of Iglesia del Juncal in Irún have finished and have been opened in this second quarter of 2015. Other projects promoted by Fundación Iberdrola España continue to be implemented. It consists in providing new LED lighting to these unique buildings: the Torre del Fadri in Castellón, Valdepeñas Church in Ciudad Real, the Santa Maria la Blanca Synagogue in Toledo and the Alcántara Bridge.

The Instituto Iberdrola Brasil is developing the lighting project of the Cruz de Cabrália, in the state of Bahía.

### Exhibitions

With regard to exhibitions, the collaboration of Fundación Iberdrola España with the Sorolla Museum is worthy of mention.

### Collaborations with Cultural Institutions:

ScottishPower Foundation collaborates with the following cultural institutions:

- *Edinburgh International Book Festival*: this is one of the world's largest literary festivals. Events aimed at children and schools are an integral part of the programme.
- *ScottishPower Pipe Band*: the band has shown its potential at the highest level with the aim of promoting excellence, stimulation and the development of future generations of musicians. In addition to achieving world recognition, the band also relates to aspiring pipers and drummers on a local level with the aim of transferring their learning acquired over the last 25 years.
- *National Library of Wales*: This library plays a central role in the culture and heritage as one of the main institutions in the area. The project supports the expansion of the library's educational outreach programme with activities at schools.
- *National Museums Scotland*: this collaboration helps develop the third phase of a science, engineering and technology programme.
- *National Theatre of Scotland*: this theatre is regarded as a world leader in the creation of participative arts activities. The project supports its education, awareness-raising and access programmes with the aim of using theatre to promote cultural

understanding, encouraging trust and transforming lives.

- *Only Boys Aloud*: this is an organisation promoting and developing choir singing as an element of cultural identity in the area. Thanks to this collaboration, 4 choirs of young people aged 13 to 19 are being financed.

**Iberdrola USA Foundation** collaborates with cultural institutions such as:

- *Development of Dancers*: the project offers training in classical ballet and Broadway Jazz dancing, to more than 500 students from age 3 through dance classes.
- *Providing literary resources in digital format*: this initiative provides free access to the services, resources and programmes that facilitate literacy connections for cultural inclusion and personal growth in the community.

### c) Cooperation and Solidarity

#### Social Grants

The main aims of **Fundación Iberdrola España** 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 initiatives of non-profit agencies working in Spain. These projects deal with situations such as poverty and social exclusion, the quality of life of people who are seriously ill, dependent or with functional diversity and direct impact on

childhood and youth. On 18 June the call for grants was issued, the decision for which will be made at the end of October.

#### One-off donations to projects.

In addition to this call, the **Fundación Iberdrola España** has made one-off donations for a summer camp for children and teenagers aged 10 to 18 with families in situations of poverty, coordinated by the *Parroquia de la Presentación de Nuestra Señora*. Collaborations with *Fundacion Izan* and *Fundación Alcandara*, which manage the *Proyecto Hombre Gipuzkoa* in their territories, have also been renewed.

**ScottishPower Foundation**, through collaborations with other institutions, promotes social projects, including:

- **Clwyd Theatr Cymru**: theatre for young people with an awareness-raising component regarding how the legal system works.
- **Venture Scotland**: project to support young vulnerable people aged 16 to 30. This is a personal development programme in the open air, individualised and flexible, which focuses on enabling young people to make real and sustainable changes to their lives.

- **Music in Hospitals Scotland:** Music therapy project to improve the quality of life of hospitalised patients.
  - **The Outward Bound Trust:** this Trust is an educational organisation carrying out leisure and free time projects for children.
  - **Scottish Huntington’s Association:** project to improve the quality of life of people living with Huntington’s disease, a neurodegenerative genetic disorder that causes profound physical disability, deterioration in cognitive function and severe mental ill health.
  - **The Prince and Princess of Wales Hospice:** This hospice helps patients achieve the best quality of life possible in whatever time remains for them. It is the first Hospice in Scotland that will transition young people from children’s to adult hospice services.
  - **“Erskine”:** care for ex-Service men and women in Scotland.
  - **“Your Champions/ Your Heroes”:** awards for social recognition of community volunteering.
  - **ScottishPower Foundation Awards:** These awards recognise and celebrate the achievements of the charities and non-profit organisations that have received funding from the ScottishPower Foundation.
- Iberdrola USA Foundation** through collaborations with other institutions, promotes social projects, including:
- **Support groups for people affected by cancer:** A place where people affected by cancer can participate in support groups, well-being and creative expression programmes, educational presentations, and social opportunities.
  - **Health and community programme:** Provide funds to build things like a community meeting room and specifically, the financing of a range of health-related programmes in the entire Southern Region of the State of New York.
  - **Access to medical care:** Provides a wide range of services to hospitalised patients and medical clinics, surgical or diagnostic, with a team made up of medical health professionals.
  - **Food bank:** A non-profit organisation of women committed to promoting volunteering, the development of women’s potential and the improvement of the community through action and the effective leadership of trained volunteers.
  - **Project to support children and their families:** Collaborate with organisations to offer children a neutral place where they can freely express their feelings about the separation or the divorce of their parents.

- **Provide housing and assistance for training:** services to help people with scarce resources and opportunities, including housing.

In Brazil a significant group of social projects are promoted through business.

In Mexico, also through business, in addition to supporting solidarity initiatives, community infrastructures are adapted or improved (schools, homes for the elderly... etc.) for people in areas where the generation plants are located.

#### 4. CORPORATE GOVERNANCE

The Corporate Governance highlights during the first half of 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.
- In its meeting of 17 February 2015, the Board of Directors of IBERDROLA 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 Dividendo Flexible.

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 26 February, 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).

- On 2 March, IBERDROLA announced 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.

- On 29 April 2015, the Company submitted to the CNMV its presentation of results for the first quarter of 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 of the *By-Laws* that regulates the share capital.

These capital increases were agreed in order to implement the two new editions of the *Iberdrola Dividendo Flexible* 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, to obtain a value equivalent to traditional dividend payments, without altering the Company's shareholder remuneration policy.

### Agreement regarding the renewal of the Board of Directors

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

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 *By-Laws* to adapt their content to *Law 31/2014, of 3 December, by which the Capital Companies Act is modified to improve Corporate Governance*, to reflect its status as a holding company of Iberdrola, 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 Capital 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 amortization of a maximum of 148,483,000 treasury shares, representing 2.324% of the Company's share capital, by means of the amortization 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 amortization. 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 merits, the powers to redraft the article of the By-Laws that regulates the capital stock and request the exclusion from the negotiation and cancellation of the accounting records of the amortized shares.

### Agreement relating to general matters

The General Shareholders' Meeting agreed, without prejudice to the delegations included in the previous agreements, to solidarily grant the relevant powers 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 Remuneration 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-option, 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 *By-Laws*, the *Corporate Policies*, the internal corporate governance regulations and other internal codes and procedures 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 of 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 *By-Laws* and the *Regulations of the General Shareholders' Meeting* was 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 have affected the *General Policy of Corporate Governance*, the *Policy for the Definition and Coordination of the Iberdrola Group and Bases of the Corporate Organisation*, the *Crime and Fraud Prevention Policy*, the *Summary of the Corporate Risk Policies*, the *General Policy of Corporate Social Responsibility*, the *Shareholder Relations Policy*, the *Regulations of the Board of Administration*,

the *Code of Ethics* and the *Regulations of the Compliance Unit*.

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](http://www.iberdrola.com), which also offers the option of downloading them for consultation onto an e-book reader or any other mobile device.

### 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 the first half of 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 April to June 2015		
Date	Event	Registration No.
04/01/2015	The Company reports on the operations carried out by Iberdrola, S.A. under its share repurchasing programme between 26 and 31 March 2015	220965
04/01/2015	The Company reports on the correction of errors regarding the operations carried out by Iberdrola, S.A. under its share repurchasing programme between 26 and 31 March 2015	220994
04/08/2015	Moody's maintains Iberdrola's long-term credit rating at "Baa1" and reviews its outlook from 'negative' to 'stable'.	221151
04/10/2015	The Company reports on the scheduled date for submitting results of the first quarter of 2015.	221229
04/15/2015	The Company reports its Energy Production figures as at the end of the First Quarter of 2015.	221350
04/16/2015	The Company reports on the operations carried out by Iberdrola, S.A. under its share repurchasing programme between 9 and 16 April 2015. End of programme	221451
04/28/2015	The Company reports on the execution of the reduction in 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.	221922
04/28/2015	The Company publishes the corresponding information document relating to the first increase in paid-up share capital approved by the General Shareholders' Meeting of 27 March 2015.	221924
04/29/2015	The Company issues information regarding the results of the first quarter of 2015.	222041
04/29/2015	The Company issues the presentation of the Results from the First Quarter of 2015.	222044
05/05/2015	The Company makes the inscription of the deed of reduction in share capital through redemption of treasury stock executed by the Board of Directors in their meeting of 28 April 2015.	222479
06/22/2015	The Company reports on the partial reform of the Corporate Governance System of the Company. Re-appointment of a Director as 'Other External Director'	224817



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**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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**IBERDROLA, S.A.**

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