2014 Results Presentation

IBERDROLA

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Agenda

Highlights of the period

Analysis of results

Financing

Highlights of the period

FY 2014 Results above our Outlook 2014-2016 guidance

EBITDA grows 3.1% vs. FY 2013 to Eur 6,965 M
Positive contribution from all geographies offsets lower results in Spain

Investments of Eur 2.8 Bn
Increasing geographic diversification and focus on regulated businesses

Net Debt reduced by c. Eur 1.5 Bn to Eur 25.3 Bn[1]
Net Debt[1]/EBITDA improves to 3.6x, close to 2016 target

Net Profit of Eur 2,327 M (after non recurring efficiency plan Eur 128 M)
Maintaining shareholder remuneration at Eur 0.27 per share[2]

1. *Adjusted for dividend paid in cash in December corresponding to third program "Iberdrola dividendo flexible" implemented in 2014, Eur 275 M*
2. *To be proposed to 2015 AGM*

Operating highlights by country

Implementing the strategic vision of our Outlook 2014-2016

United Kingdom	• **Networks**: Regulatory and remuneration framework approved up to 2021 for transmission (RIIO-T1) and 2023 for distribution (RIIO-ED1), TOTEX allowance amounts to Eur 8,270 M[1] • **Renewables**: First offshore wind farm in operation (WoDS in UK); second underway (Wikinger in Germany) • **Generation**: All existing facilities offered have been awarded in capacity mechanism auctions (2,261 MW) • **Retail**: New IT system in operation. Delivering efficiencies
United States	• **Networks**: Rate case approved in Maine; HV line in Maine completed; new projects to enhance New York´s transmission system underway (NY Transco) • **Renewables**: Baffin wind farm (202 MW) construction completed; PTCs extension for new projects to be built up to 2016 (600 MW qualified) • **Corporate**: integration project to optimise corporate structure completed

1. In nominal terms and translated into Euros at a rate of 0.7432 GBP/Eur. Transmission includes base case + allowance for additional connections. Distribution includes SP Distribution and SP Manweb

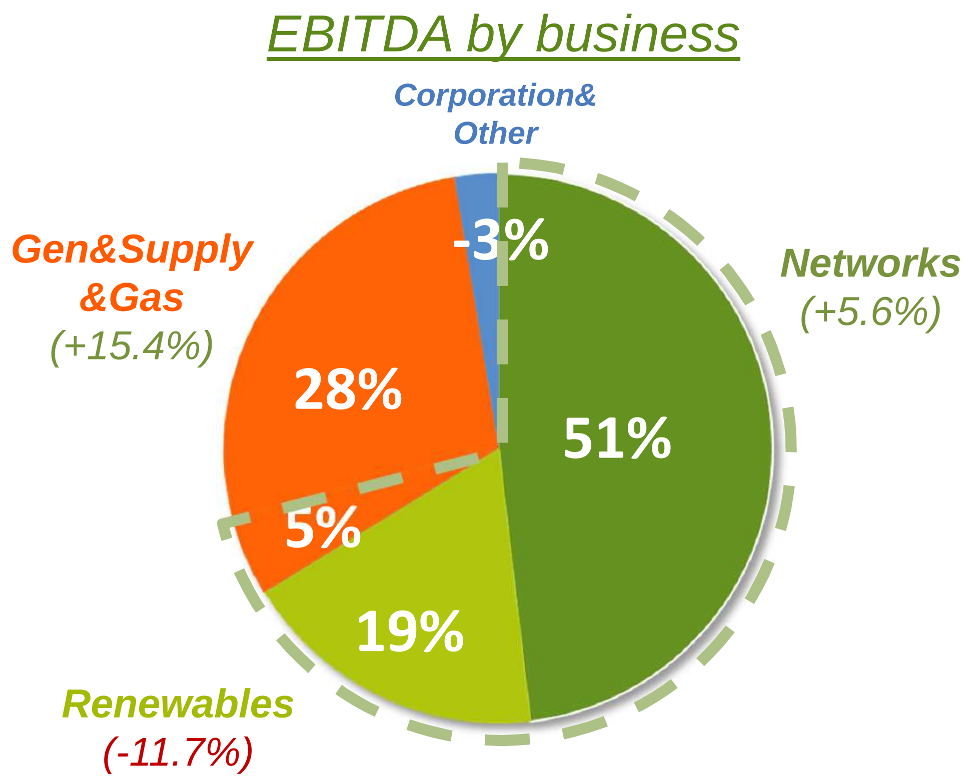
Operating highlights by country

Implementing the strategic vision of our Outlook 2014-2016

Mexico	• **Generation**: two CCGT plants and one cogeneration under construction and a second cogeneration plant about to begin; signing new contracts with private consumers • **Renewables**: two wind farms under construction; pipeline of more than 900 MW
Brazil	• **Networks**: Drought impact mitigated through tariff increases; improved return on RAB for new tariff reviews; additional investments for continuous improvement and extension of service • **Renewables**: Two auctions awarded to build six wind farms • **Generation:** Efficiency gains in thermal plants; construction of hydro plants in progress – Teles Pires hydro plant completed
Spain	• **End of structural tariff deficit**; only temporary adjustments pending • **Networks**: Record quality of service • **Efficiency measures undertaken**

EBITDA

EBITDA amounts to Eur 6,965 M (+5.5% vs. Outlook 2014)
Positive contribution from all geographies…

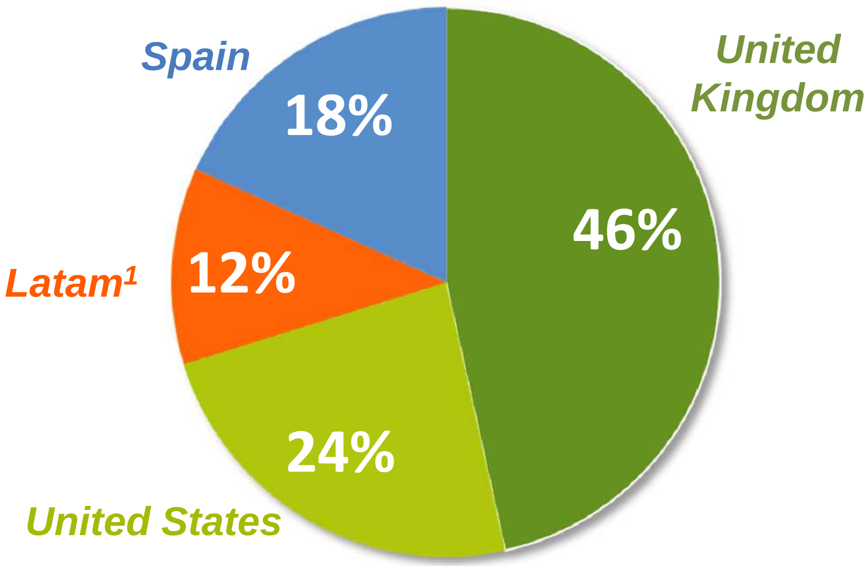


… offsets lower results in Spain (-7.4%)
affected by regulatory measures

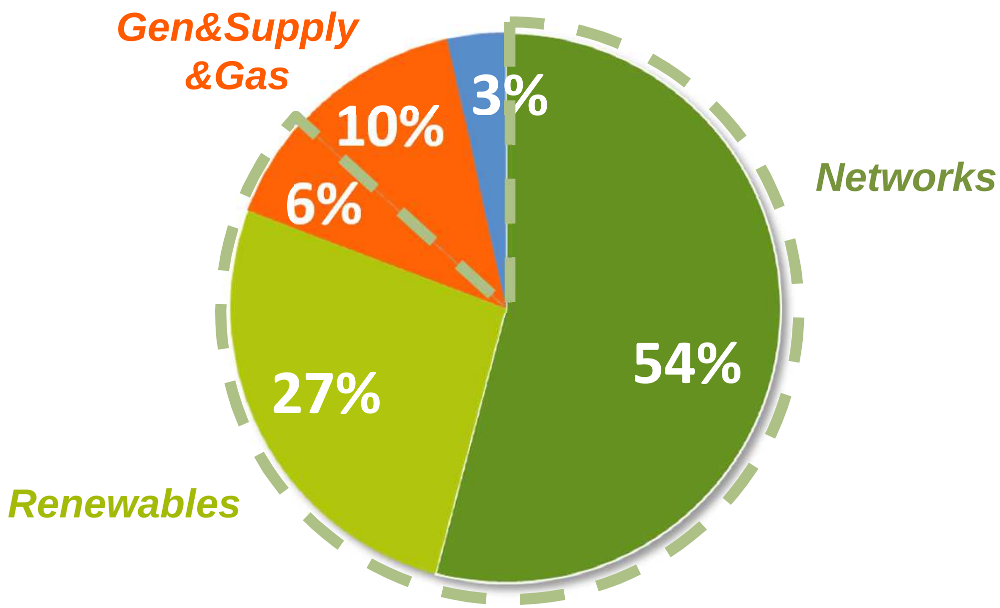
Investments

Investments of Eur 2.8 Bn[1]…

Investments by geographies



Investments by business

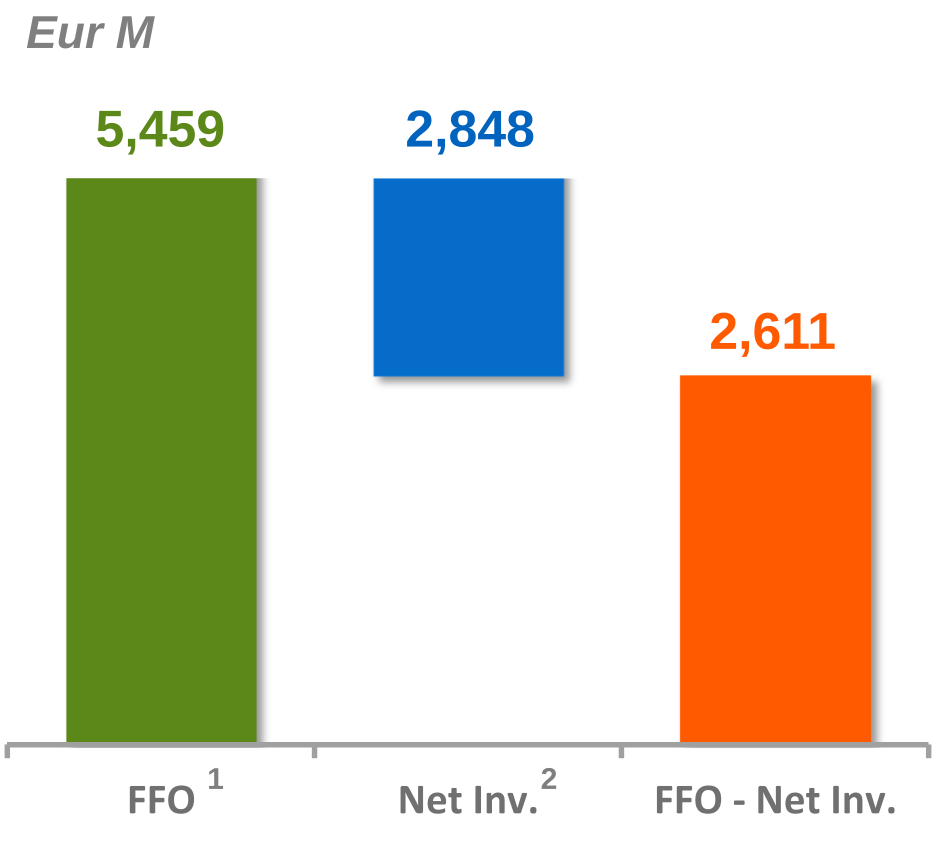


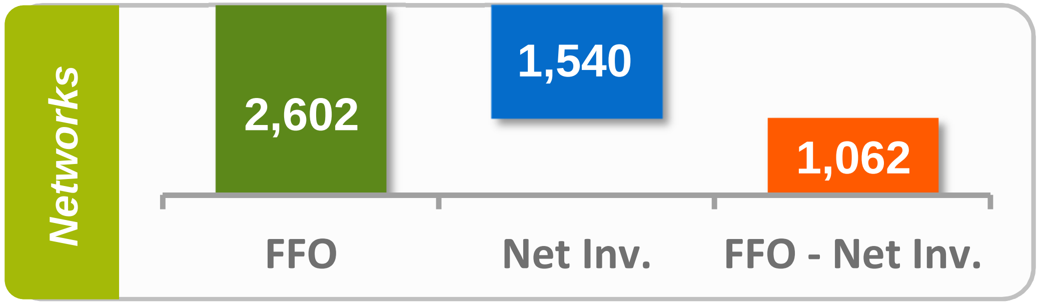
… focused on businesses with stable and attractive regulation

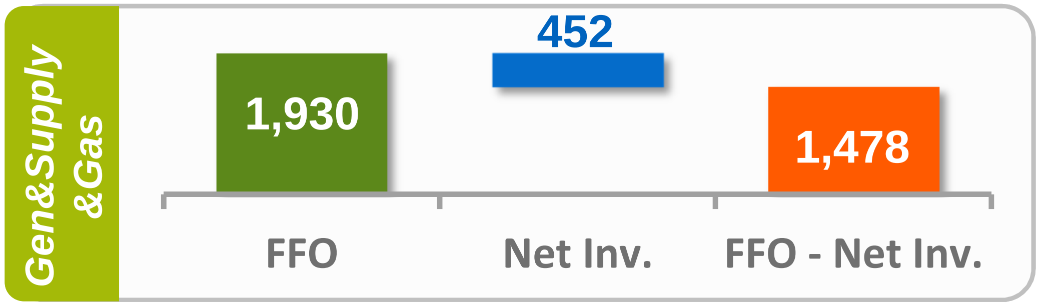
1. Not including Neonergia Investments of Eur 775 M (100%)

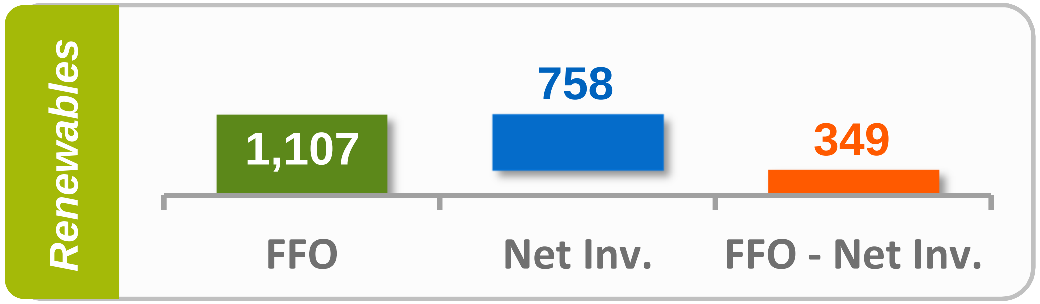
Operating Cash Flow

Operating Cash Flow (FFO) exceeding investments across all businesses









Global figures include Corporation and Other Businesses

1. *FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision*
2. *Investment net of grants and ex-capitalised costs*

Financial management

Continuous improvement of our financial strength

Net Debt[1] reduced by c. Eur 1.5 Bn to Eur 25.3 Bn, thanks to…

… Cash flow generation

… Divestments

… Control of investments

Improving financial ratios

FFO/Net Debt[1] of 21.5% (from 20.8%) and RCF[1]/Net Debt[1] of 18.6% (from 17.5%)

1. Adjusted for dividend paid in cash in December corresponding to third program "Iberdrola dividendo flexible" implemented in 2014, Eur 275 M

Financial management

Active liability management during the year

- Bond issues and exchange of notes (Eur 1.8 Bn)
- Reconfiguration of syndicated credit facilities (Eur 7.0 Bn)
- Increase proportion of debt at variable cost (from 42% to 56%)
- Assignment of 2013 Tariff Deficit credit rights

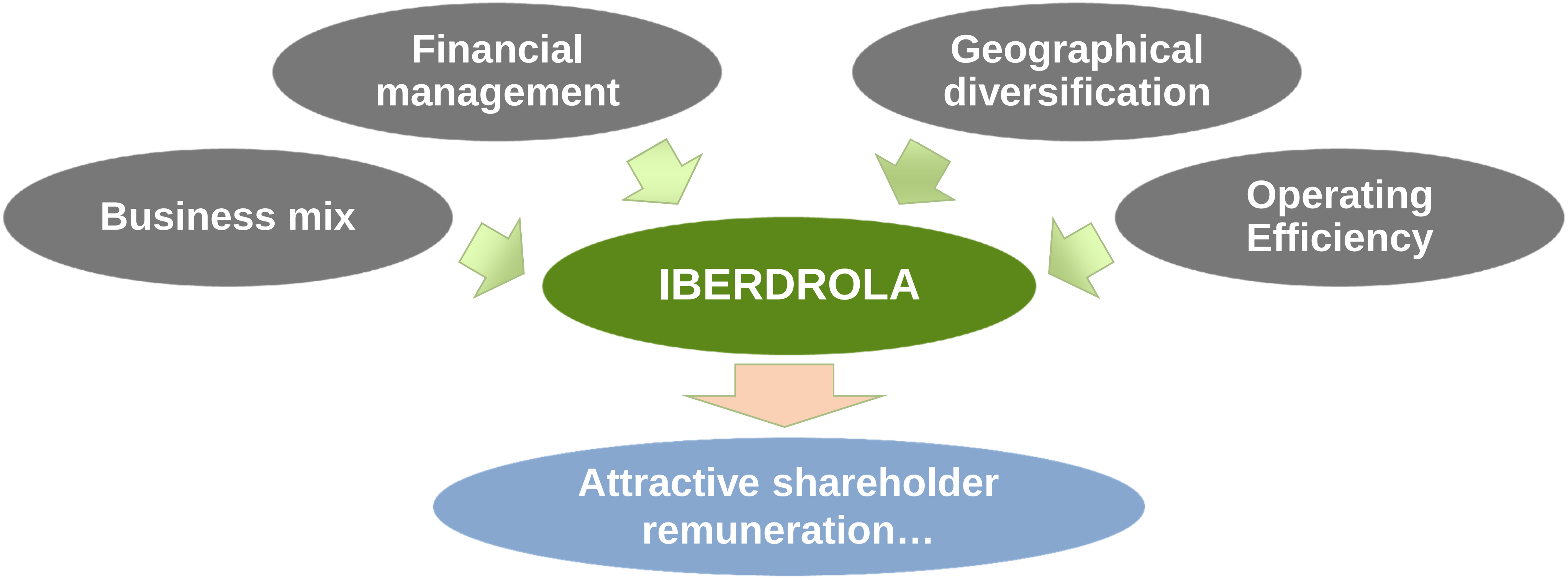
→

- Reduction of total net cost associated to debt to 4.35%
- No new net financing needs in 2015
- Increase average debt maturity to 6.3 years

And liquidity optimisation to reduce cost while covering more than 30 months of financing needs

Our Model

A model that delivers operational growth thanks to…

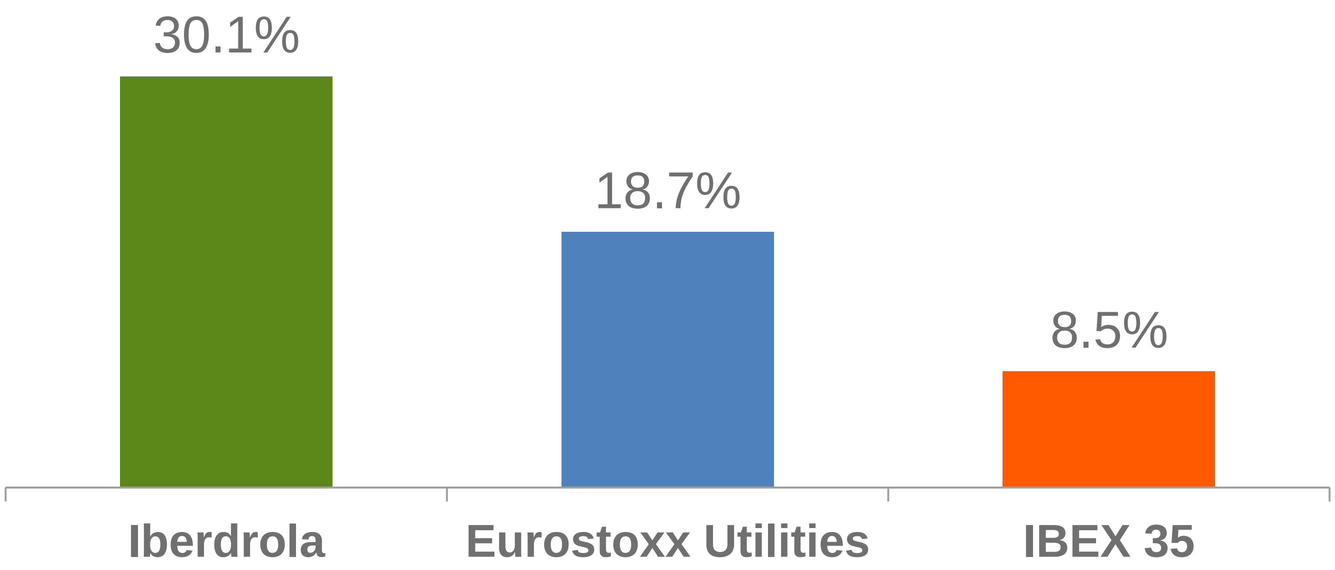


… despite the negative impact of regulatory measures in some countries

Total Shareholder Return

Total Shareholder Return of 30.1% in 2014, above European industry peers and reference indexes

Total Shareholder Return 2014[1]



Dividend per share maintained at Eur 0.27

1. *Bloomberg figures considering dividend reinvestment*

Payments to Tax and Fiscal Authorities

In 2014, Iberdrola total direct contribution to Tax and Fiscal Authorities exceeded Eur 5,500 M

Eur M	Company due Taxes[1]	Collected Taxes[2]	Total
Spain	1,352	1,940	3,292
UK	502	-48	454
US	284	175	459
Latam & RoW	303	998	1,301
TOTAL	2,441	3,065	5,506

49% of Total Earnings Before Taxes and Levies

Our activity generates c. Eur 10,5 Bn[3] of tax contribution, including indirect and induced impacts

1. *Including Corporate Income Tax, Social Security charged to Iberdrola, Levies and non-deductible VAT*
2. *Including Social Security charged to employees, VAT, retained Income Tax to employees and withholding tax on distributed dividends*
3. *Total fiscal contribution estimated by Analistas Financieros Internacionales based on Iberdrola activity 2009-2013 (including indirect and induced impacts)*

Employment

Contribution to the creation of stable and quality employment

Workforce	• 1,800 new hires for a total of 27,500[1] employees • 700 apprentices
Training	• 40 hours of training per employee
Work-life balance	• At the forefront of work-life balance measures • Certified as a Family Responsible Company in Spain

Total job generation of 350,000 people[2] around the world

1. *According to the scope of consolidation following IFRS 11*
2. *Total yearly job generation estimated by Analistas Financieros Internacionales based on Iberdrola activity 2009-2013 (including indirect and induced impacts)*

Purchases

Purchases of goods and services above Eur 5.4[1] Bn…

… to more than 18,300 suppliers…

… 93% with a sustainability level of A+/A

… and 92% Classified[2]

84% ISO 9001
(quality management system certified)

77% ISO 14001
(environmental management system certified)

72% OHSAS 18001
(occupational health and safety system certified)

1. *Excluding fuel and energy procurements*
2. *Of total analysed up to date*

Corporate Governance

Diversity and independence in the Board of Directors

80% of the Board Members are independent

All members of Committees are independent

Among European companies with largest number of women on BoD

All Presidents of Committees are women

Fourteen Directors coming from seven different countries

All members of the Audit and Risk Supervision Committee come from countries other than Spain

Best practices in Corporate Governance according to World Finance and No. 1 in IBEX 35 ranking of fiscal transparency[1]

1. *According to Fundación Compromiso y Transparencia*

Conclusion: FY 2014

Delivery of Outlook 2014-2016 targets (Investor Day February 2014)

Eur M	FY 2014	Outlook	Var (%)	
EBITDA	6,965	≈ 6,600 (2014)	+5.5%	✓
Net Profit	2,327	≈ 2,300 (2014)	+1.1%	✓
Net Debt[1]	25,344	25,000 by 2016	On track	✓
Net Debt[1]/EBITDA	3.6x	< 3.5 by 2016	On track	✓
Shareholder remuneration	Eur 0.27 /share[2]	Floor of Eur 0.27 /share		✓

1. *Adjusted for dividend paid in cash in December corresponding to third program "Iberdrola dividendo flexible" implemented in 2014, Eur 275 M*
2. *To be proposed at 2015 AGM*

Conclusion: Outlook 2015

Expected results for FY 2015 in line with Outlook 2014-2016

Forecast operational evolution

Gen&Supply	-/=
Networks	+
Renewables	+

	Outlook 2015 vs. FY 2014
EBITDA	Higher
Recurring Net Profit	Higher
Net Debt	Lower
Net Debt / EBITDA	Lower

Conclusion: Outlook 2015

In line with Outlook 2014-2016…

… Maintenance of a shareholder remuneration floor of Eur 0.27 per share

… Proposal of cancellation of 148,483,000 shares (2.324%) to AGM

through:

Existing Treasury Stock[1] + **Additional Buy back program[2]**

Leaving the total number of shares at 6,240 million

1. *Amount of shares in Treasury Stock as of today*
2. *Approved by the Board of Directors in its meeting of February 17th*

Agenda

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Financing

Income Statement – Group

Eur M	2014	2013	Var.	Var. %
Revenues	30,032.3	31,077.1	-1,044.8	-3.4
Gross Margin	**12,179.5**	**11,781.9**	**+397.7**	**+3.4**
Recurring Net Op. Expenses	-3,506.1	-3,466.9	-39.2	+1.1
Extraordinary Net Op. Expenses	-127.7	-	-127.7	n/a
Levies	-1,581.2	-1,558.1	+23.1	+1.5
EBITDA	**6,964.5**	**6,756.9**	**+207.6**	**+3.1**
Operating Profit (EBIT)	3,940.9	2,219.5	+1,721.5	+77.6
Net Financial Expenses	-1,122.4	-1,277.9	+155.5	-12.2
Recurring Net Profit	**2,112.9**	**2,174.4**	**-61.5**	**-2.8**
Non Recurring Net Profit	**213.6**	**397.4**	**-183.8**	**-46.3**
Reported Net Profit	**2,326.5**	**2,571.8**	**-245.3**	**-9.5**
Operating Cash Flow*	**5,458.6**	**5,589.2**	**-130.6**	**-2.3**

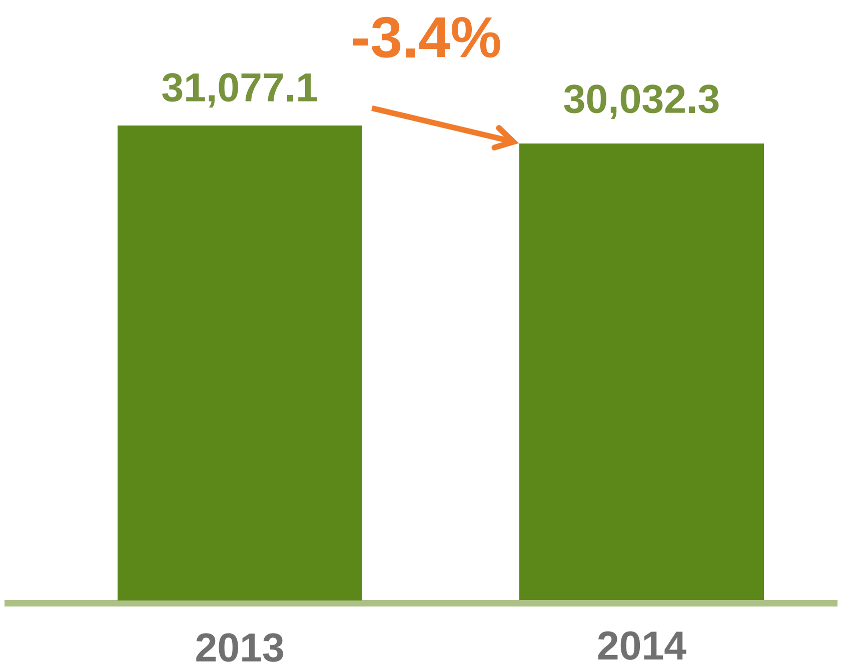
Exchange rates evolution: GBP/Eur +5%; USD/Eur -0.2%; BRL/Eur -9%

**Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity – /+ reversion of extraordinary tax provision*

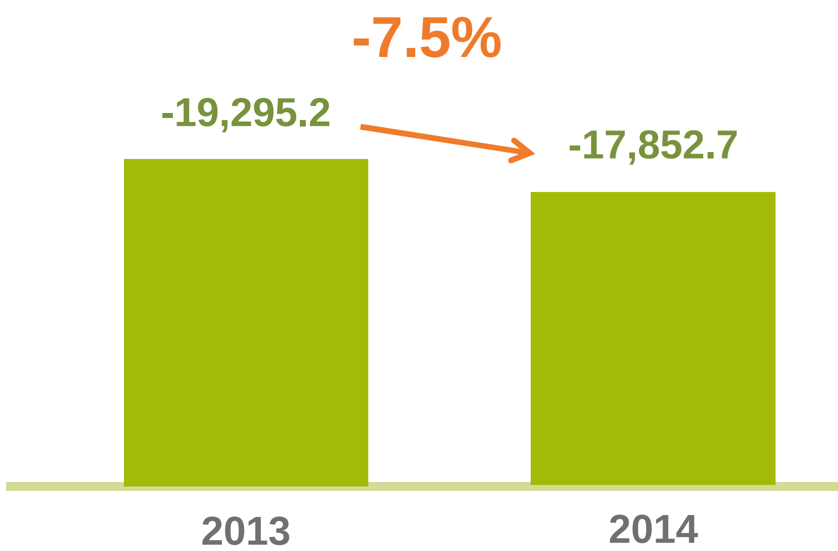
Gross Margin - Group

Gross Margin up 3.4%, to Eur 12,179.5 M,
and +2.6% excluding fx impact

Revenues (Eur M)



Procurements (Eur M)



Revenues -3.4% (Eur 30,032.3 M),
and Procurements -7.5% (Eur -17,852.7 M) due to lower cost mix

Net Operating Expenses* - Group

Recurring Net Op. Expenses, adjusted for efficiency plan, grow 1.1% and up 0.4% excluding fx impact

Eur M

Net Operating Expenses

	2014	2013	% vs 2013
Net Personnel Expenses	-1,860.8	-1,742.4	+6.8%
Net External Services	-1,772.9	-1,724.5	+2.8%
Total Net Op. Expenses	-3,633.8	-3,466.9	+4.8%
Extraordinary Net Op. Exp.	-127.7	-	n/a
Recurring Net Op. Expenses	-3,506.1	-3,466.9	+1.1%

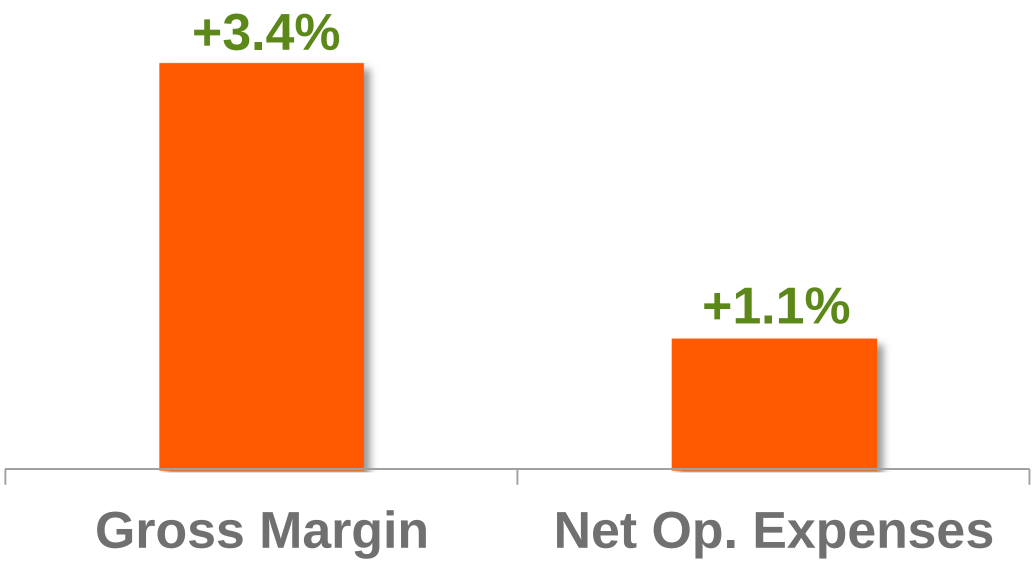
Reported Net Operating Expenses up 4.8%, to Eur -3,633.8 M

*Excludes Levies

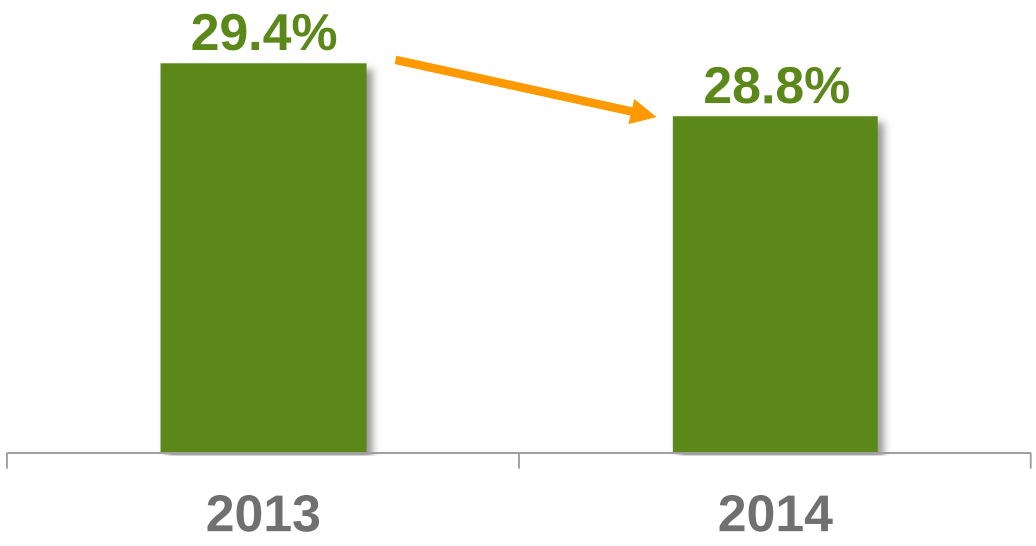
Operating Efficiency

Operating efficiency improves from 29.4% to 28.8%, excluding the Eur 128 M impact of efficiency measures…

2014 vs. 2013 increase



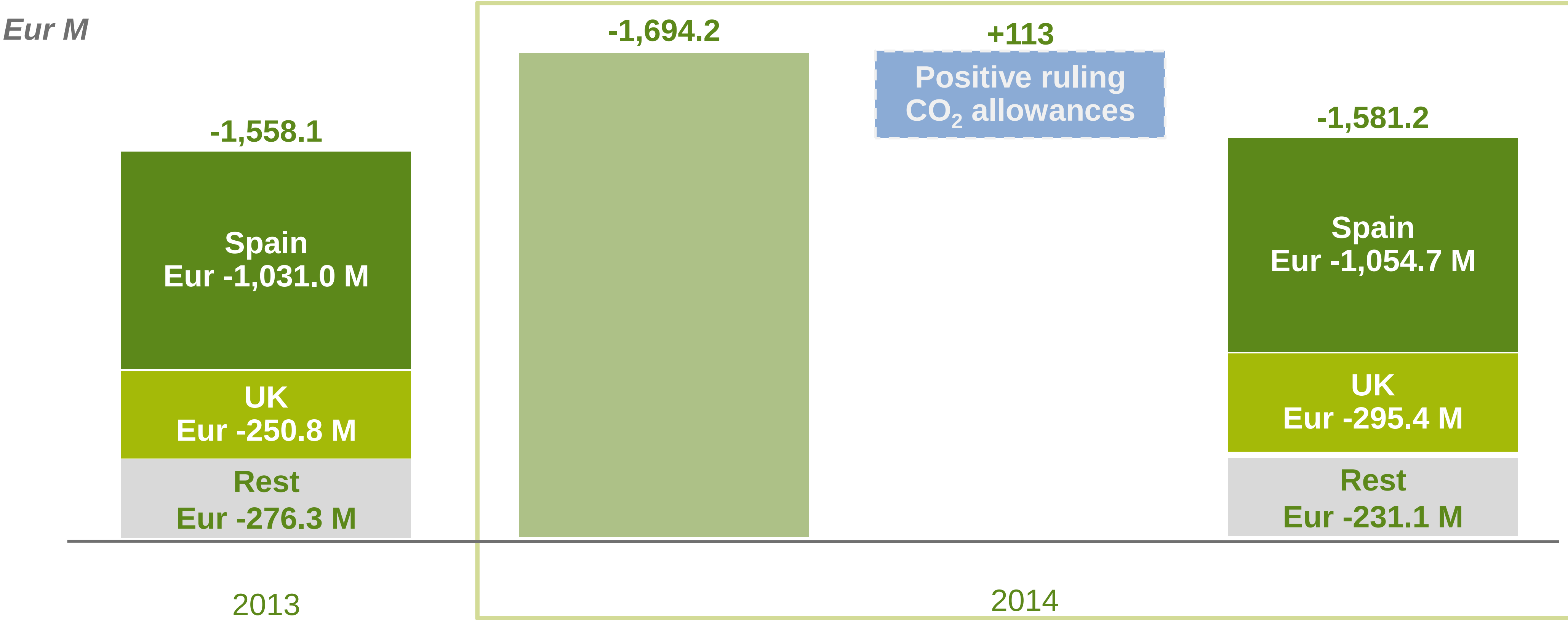
Net Op. Expenses / Gross Margin



… whose benefit will be seen in future years

Levies

Levies up 1.5%, to Eur -1,581.2 M, due to Social Bonus in Spain (Eur -66 M) and higher taxes in the UK despite …

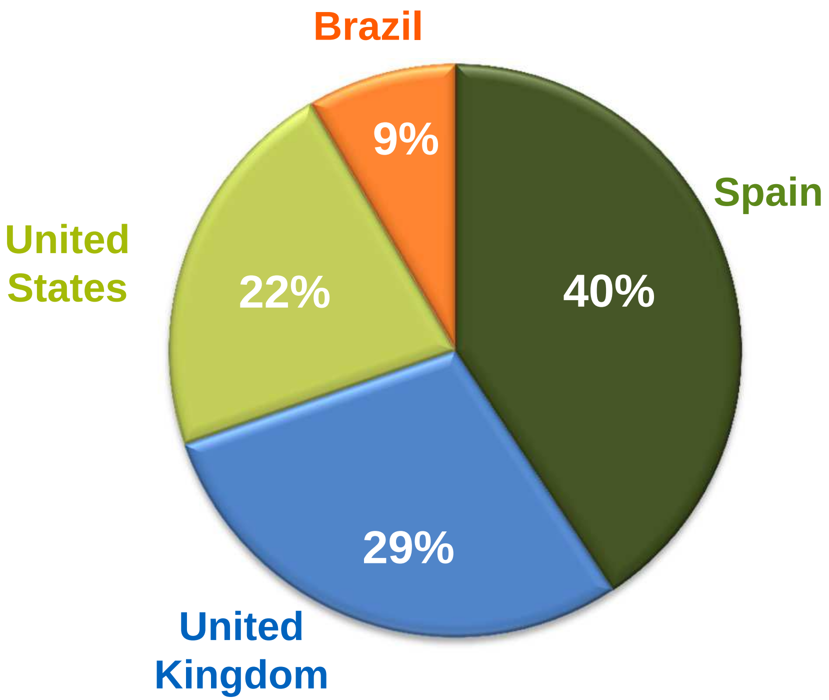


… favourable High Court ruling on CO2 allowances in Spain (Eur +113 M)

Results By Business- Networks

Networks EBITDA up 5.6% to Eur 3,534.8 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	2014	% vs 2013
Gross Margin	5,240.6	+5.6%
Net Op. Exp.	-1,274.9	+4.2%
EBITDA	3,534.8	+5.6%

With positive performance in all geographies except Spain

Results By Business- Networks EBITDA

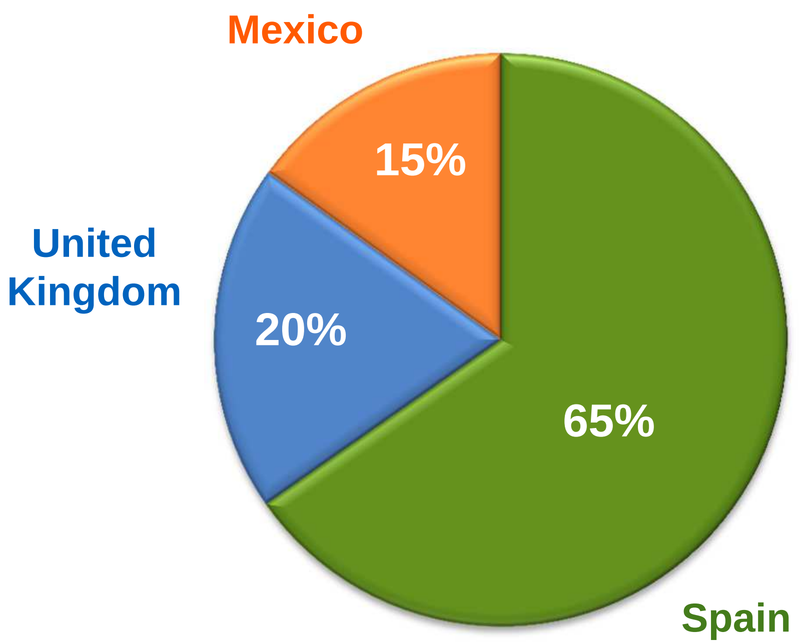
EBITDA performance by geography is as follows

Spain	**EBITDA Eur 1,438.5 M**, down 0.8%, as efficiency plan costs offset the normalisation of the impact of RDL 9/2013 and investments made in previous years
UK	**EBITDA GBP 826.7 M,** with higher revenues as a result of increasing asset base, as a consequence of greater investments
US	**EBITDA USD 1,026.7 M,** with higher revenues as a result of Rate Cases and MPRP
Brazil	**EBITDA BRL 934.7 M**, as the modification approved in Q4 2014 to register regulatory assets offset BRL devaluation . No drought impact in P&L will be registered from 2014 onwards. The outstanding balance as of December 2013 has been also recorded in 2014 results

Results By Business - Generation & Supply

Generation & Supply Business EBITDA up 15.4% to Eur 2,292.2 M

EBITDA by Geography (%)



Financial Highlights (Eur M)

	2014	% vs 2013
Gross Margin	4,733.4	+6.7%
Net Op. Exp.	-1,511.9	+3.8%
Levies	-929.4	-6.2%
EBITDA	2,292.2	+15.4%

Strong operational performance together with temporary lower Levies

Results By Business - Generation & Supply EBITDA

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

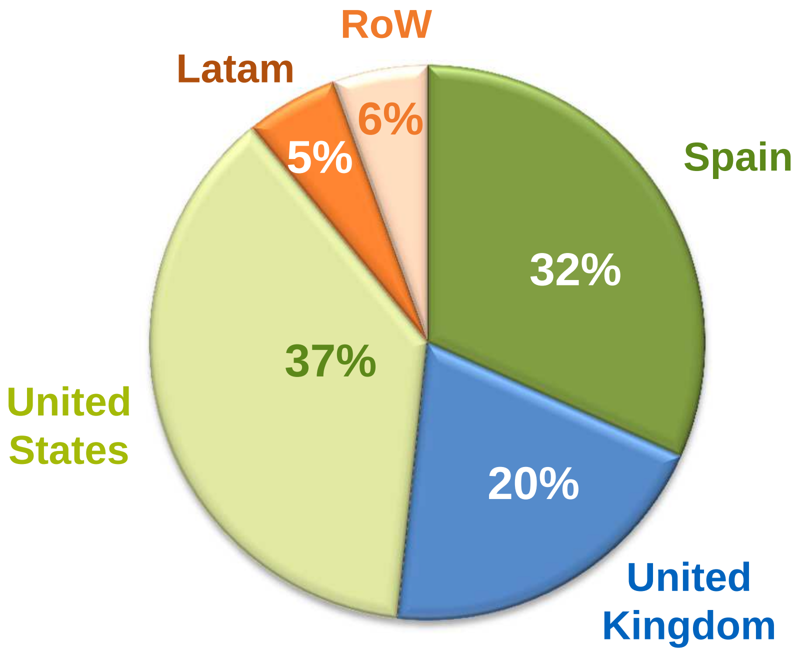
Spain	**EBITDA Eur 1,517.6 M** + Higher output (+8.2%*) and lower costs compensate lower prices + Lower Levies due to CO_2 allowances court ruling (Eur +113 M)
UK	**EBITDA GBP 368.3 M** + Recovery from 2013 results that were especially weak (negative EBIT) due to better performance of power plants and normalisation of retail margins
Mexico	**EBITDA USD 465.5 M** + The negative one-off impact accounted for in H1'14 has already been compensated for through the new contracts and higher sales to private customers

** Includes cogeneration*

Results By Business- Renewables

EBITDA falls 11.7% to Eur 1,326.0 M driven by Spain …

EBITDA by Geography



Financial Highlights (Eur M)

	2014	% vs 2013
Gross Margin	2,033.5	-7.6%
Net Op. Exp.	-567.1	+5.6%
EBITDA	1,326.0	-11.7%

… despite the positive performance of the UK, US and Latam

** 14,331 MW of operating capacity under management, consolidating 13,789 MW according to IFRS 11*

Results By Business - Renewables

Op. capacity up 3.3%. Average load factor -0.6 p .p.
Output -0.5%. Weighted average price -8% due to prices in Spain

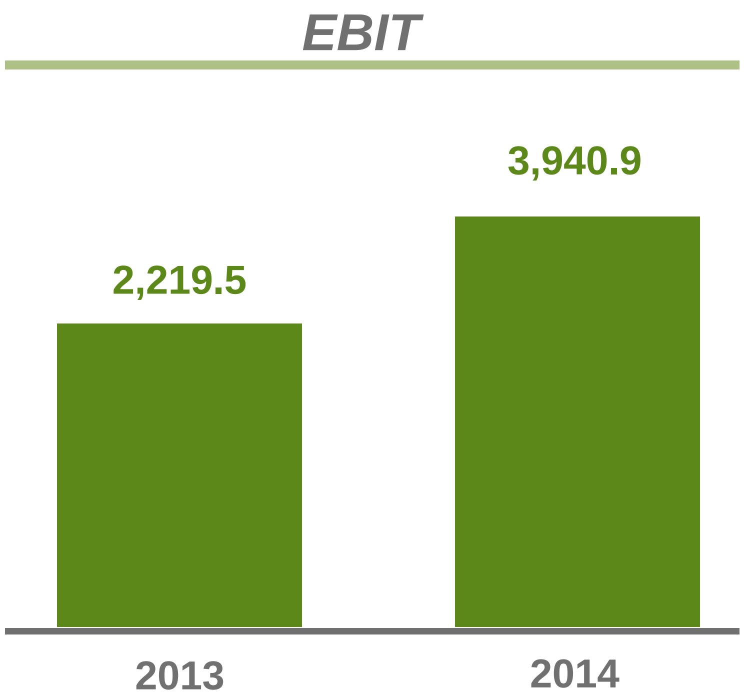
US	**EBITDA USD 658.7 M,** due mainly to an output increase (+0.9%), better prices and trading profits due to weather conditions
Spain	**EBITDA Eur 420.6 M (Eur -247 M vs 2013)**, due to the impact of regulatory measures, lower spot prices and lower load factor due to extraordinary wind conditions in 2013; although output was solid
UK	**EBITDA GBP 213.9 M,** higher average operating capacity offset by lower onshore loadfactor. Positive impact from contribution of West of Duddon Sands offshore wind farm
Latam	**EBITDA EUR 71.2 M,** with higher capacity in Mexico and Brazil: average operating capacity up 28% and improved output (+45%)
RoW	**EBITDA EUR 73.7 M**, due to the sale in 2013 of Polish wind farms (184 MW)

Impact of regulatory measures in Spain:
Eur -339 M in 2014 and Eur -122 M in 2013

EBIT - Group

Group EBIT totals Eur 3,940.9 M (+77.6%) …

Eur M



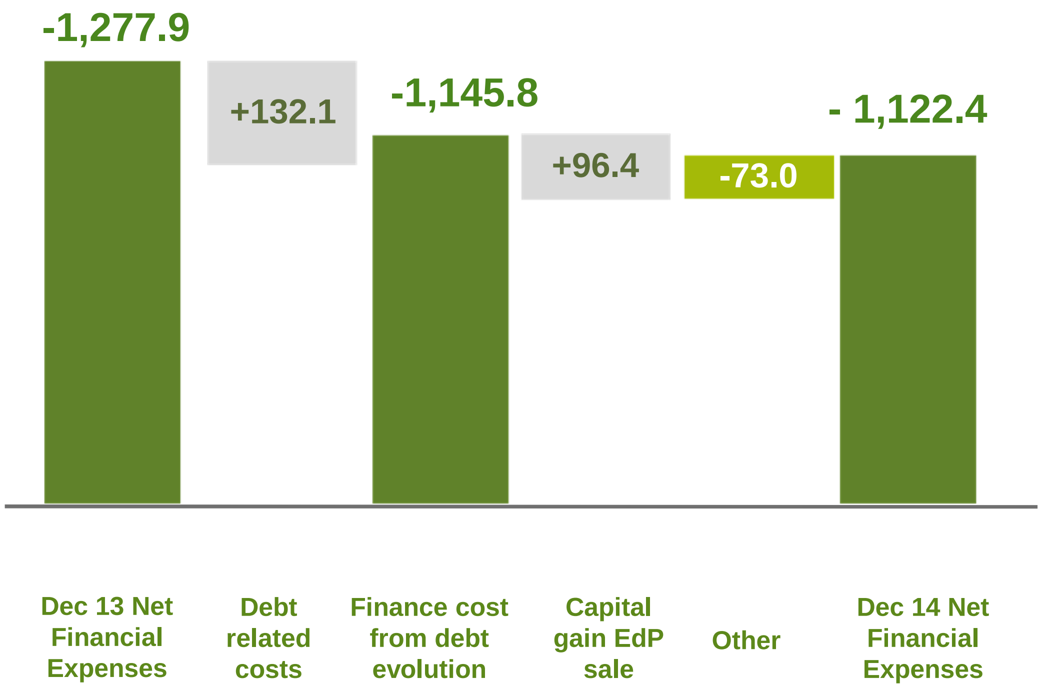
	2014	2013	2014 vs 2013
D&A	-2,731.6	-2,582.4	-149.2
Provisions	-292.0	-1,955.0	+1,663.0
Total	**-3,023.6**	**-4,537.5**	**+1,513.8**

… due to Eur 1,806 M of asset impairments accounted for in 2013

Net Financial Expenses - Group

Net financial costs improve 12.2%* to Eur -1,122.4 M …

Net Financial Exp. evolution (Eur M)



Financial Highlights

- Debt-related costs improve Eur +132.1 M
- Eur 96.4 M gross capital gain on EdP stake sale
- Lower dividend received due to EdP sale (Eur 45.0 M)
- Eur 36.4 M lower gain on derivatives hedging foreign currency results

… due to 7% decrease in average net debt and 18 bp lower cost

* 2013 adjusted according to IFRS 11

Results - Group

Eur 70 M of lower Equity Contribution, with negative impacts in Neo and Garoña partially compensated by revaluation of Gamesa stake

Eur M

	2014	2013	% vs 2013	
Equity Contribution	135.4	205.0	-34%	Negatively impacted by Neo results and Garoña Positively affected by the revaluation of Gamesa stake
Non Rec. Results	247.9	-10.4	n/a	Positive impact in 2014 from the sale of Itapebí, the nuclear JV in the UK and the 25% stake in BBE
PBT	**3,201.8**	**1,136.1**	**n/a**	
Taxes	-837.1	1,466.7	n/a	2013 Balance Sheet revaluation: Net after tax gain of Eur +1,535 M

Reported Net Profit falls 9.5% (Eur 2,326.5 M)
Corporate taxes in 2013 affected mainly by B/S revaluation (Eur +1,535 M)

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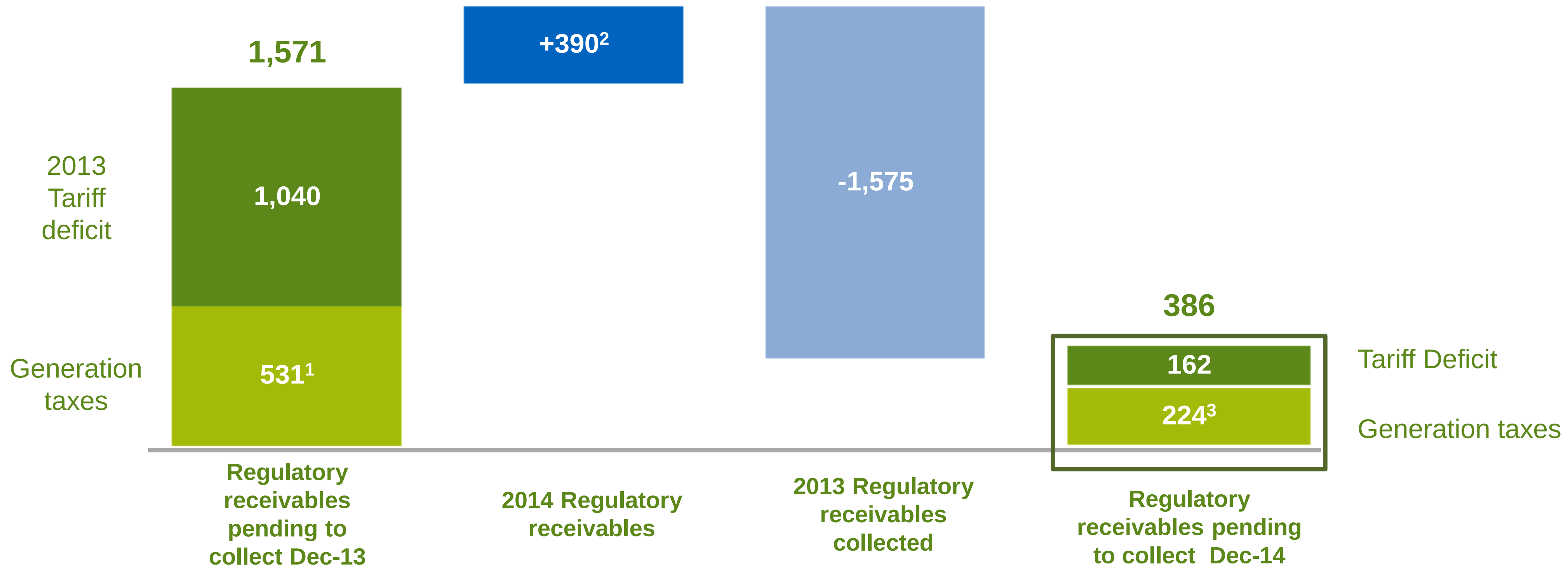
Financing – Regulatory receivables Spain

By the end of December 2014, regulatory receivables pending to be collected fell to Eur 386 M (Eur 224 M + Eur 162 M) …



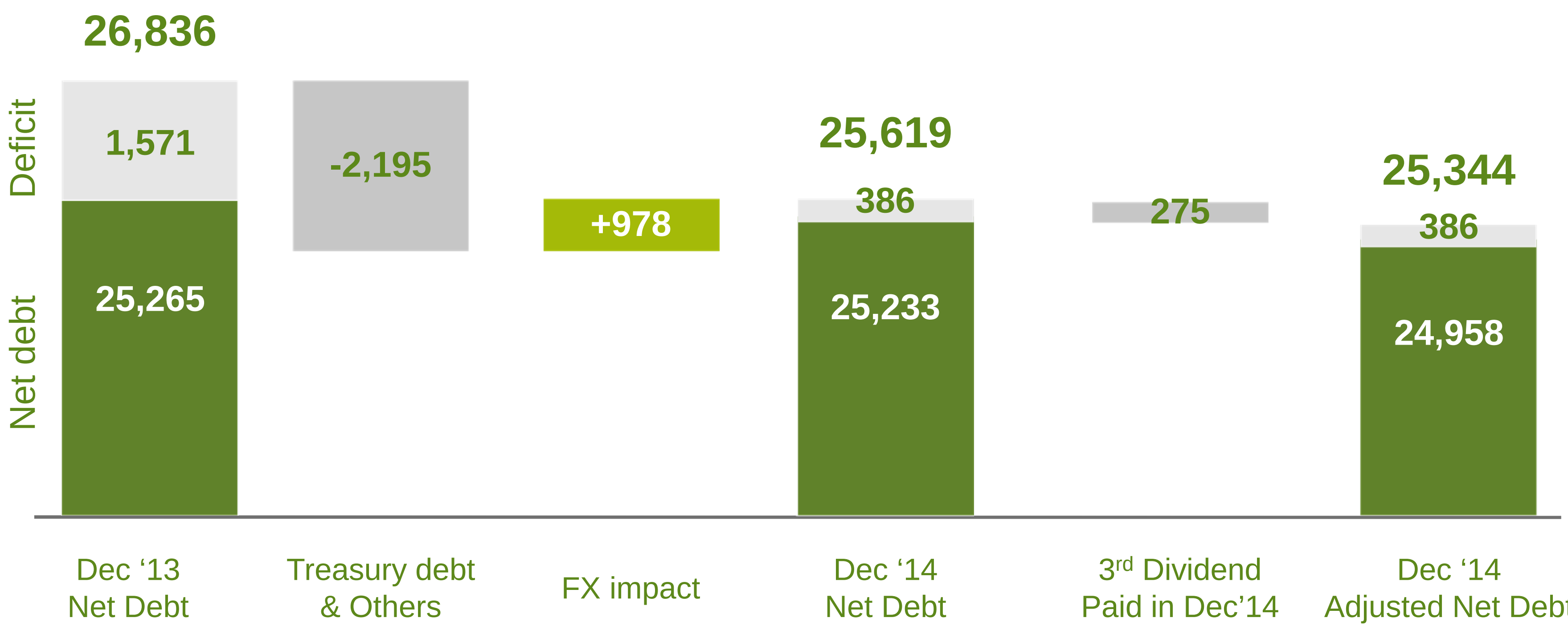
… as 2013 pending tariff deficit (Eur 1,165 M) was sold to a group of banks

[1] Estimated at Dec-2013 of generation taxes expected to be applied to reduce tariff deficit 2013
[2] Includes Eur 21 M of adjustments of previous years (Eur 11 M) and interests (Eur 10 M)
[3] Taxes collected by Spanish Administration via new energy production, pending to be applied to reduce regulatory receivables outstanding balance. Iberdrola estimate

Financing - Leverage

Adjusted Net Debt of Eur 25.3 bn excluding the payment of the third dividend in December 2014 …

Net Debt (Eur M)



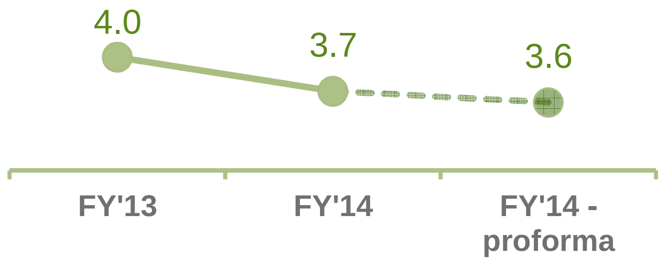
… leading to an improvement in proforma leverage to 41.3% in 2014 vs 43.2% in 2013

Note all debt figures include TEI

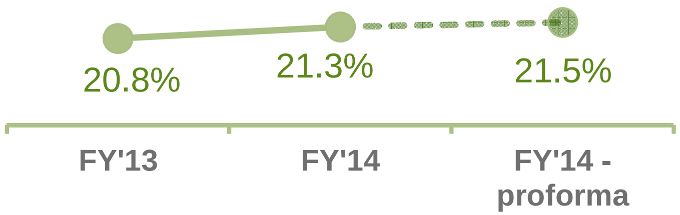
Financing - Financial Ratios[1]

P/L and Cash Flow based on FX 12 months trailing average
Balance Sheet based on FX as at Dec 31st

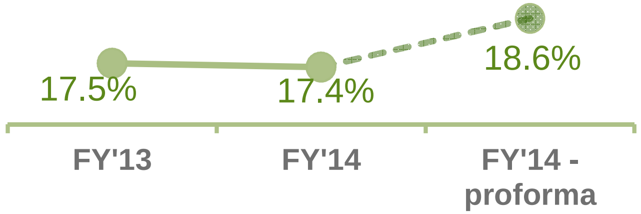
N.Debt/EBITDA



FFO(2)/Net Debt



RCF(3)/Net Debt



FX for Dec´14 ratios

	P/L	B/S
	12 Months trailing Average	Dec 31st fixing
GBP	0.81	0.78
USD	1.33	1.22
BRL	3.12	3.27

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

(1) Proforma ratios exclude the impact of the payment in December 2014 of the interim dividend corresponding to fiscal year 2014.
(2) FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity– /+ reversion of extraordinary tax provision . It includes TEI but excludes Rating Agencies Adjustments.
(3) RCF = FFO – Dividends paid in cash to shareholders – Net interest on hybrid debt issue.

Financing - Liquidity

**Strong liquidity position of over Eur 9 bn,
covering more than 30 months of financing needs**

Cash and equivalents plus cash flow generation → No new net financing needs in 2015. Active liability management will continue

Average Debt maturity > 6.3 years

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