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## **PRESS RELEASE**

*These results and prospects for the second half allow the company to confirm guidance for 2015*

### **IBERDROLA net profit rose by 7.4% to €1,506 million in 2015 first half**

- **Gross operating profit (EBITDA) increased by 5.7% to €3,795 million, thanks to a 20% rise in its international business, compared to a 6.5% drop in Spain. Funds from operations (FFO) grew 9.9% to €3,031 million**
- **Build-up of financial strength continued: gearing down from 42% to 40.7% at end of first half**
- **Investment up 8.6% to €1,302 million, of which 52% are allocated to growth. A new cycle of growth for the Group is beginning, with investment projected to continue around €4,000 million per year**
- **The company paid its shareholders €0.144 per share in July which together with the €0.127 paid last December, and the €0.005 bonus for attending the General Shareholders' Meeting, bring total annual return to €0.276 per share**
- **The process of securing the necessary permits for the integration of UIL Holdings with Iberdrola USA continues and the Group expects the deal to be closed before the end of 2015**
- **The Group has hired 608 employees so far this year, as well as training 314 young graduate interns whilst advancing its research scholarship programme in international universities with more than 500 recipients.**
- **Iberdrola made €2,100 million worth of purchases from over 13,000 suppliers during the first half**

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Iberdrola recorded a net profit of €1,505.9 million in the first six months of 2015, up 7.4% on the same period of last year.

Gross operating profit (EBITDA) increased by 5.7% in the first half to €3,794.5 million thanks to the strong performance of international business which grew by 20%. Without taking into account the extraordinary impacts recorded in the first half of 2014, EBITDA increased by 9.1%, in line with the first quarter 2015.

Iberdrola's revenues amounted to €16,125.6 million in the first half, up 6.2% on the same period of last year. Gross margin totalled €6,634 million, up 7.5%, thanks to the good performance in the Networks (+15.4%) and Renewables (+17.4%) businesses. In this context, the company continues to improve operational efficiency: net operating expenditure was reduced by 0.4%, not including the effects of the exchange rate.

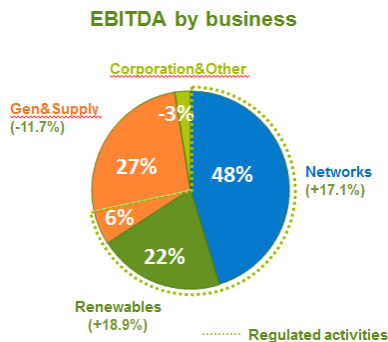
Funds from operations (FFO) increased by 9.9% compared to the first half of 2014, reaching €3,031.1 million. This figure is higher than the investments in all of the businesses, which total €1,302.3 million, up 8.6% from the same period last year.

Of that amount, 52% will go towards boosting growth. By business, Iberdrola has allocated 75.6% of its investments to Networks and Renewables: €679.9 million and €304.3 million, respectively.

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

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### Results by business: international area grows 20%



The 5.7% increase in Iberdrola's EBITDA – which amounted to €3,794.5 million in the first half– is driven by the strong performance across the international area, with profits up 20%. This is in contrast to Spain, where they dropped by 6.5%.

By business, the evolution in the networks area is significant, with a 17.1% increase in EBITDA and improved results in all regions.

Renewables EBITDA rose by 18.9%, lifted by higher prices and increased output in the United Kingdom (+27.4%) and Latin America (+18.2%). Regulated business –including Renewables, Networks and Generation in Mexico– accounted for 76% of the Group's total EBITDA in the first half.

EBITDA for Generation and Retail was €1,261.9 million by the end of June, dropping 11.7% as a result of the lower hydroelectric output in Spain and the lower extraordinary profits compared to the same period of 2014.

### Strong financials and commitment to shareholders

The company continued to strengthen its balance sheet in the first six months of the year. The group's adjusted net debt stood at €26,201 million at the end of June, 2% more than the first half of 2014. This increase is a consequence of the negative effect of the exchange rate. Despite this, gearing continued to improve in the first six months of 2015 and now stands at 40.7% compared to 42% in the same period of the previous year.

These figures include funding for the tariff insufficiency, which amounted to some €228 million at the end of the first half.

The Group's financial ratios also improved: net debt/ EBITDA being 3.65; the ratio of funds from operations (FFO) to net debt is 21.9% and the retained cash flow (RCF)/ net debt ratio is 18.5%.

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The company's management has enabled it to meet the commitment of offering an annual shareholder remuneration of at least €0.27 per share.

The €0.144 gross per share paid in July – €0.114 gross from the purchase rights undertaken by Iberdrola in relation to the free share capital increase in the framework of the *Iberdrola Flexible Dividend* scheme, plus €0.03 gross per share in cash– are in addition to the €0.127 gross per share paid last December. When the €0.0005 per share bonus for attending the General Shareholders' Meeting is added, the total shareholder return reaches €0.276 gross per share. The share capital was maintained at 6,240 million shares.

### Iberdrola USA – UIL Holdings integration

Progress has continued on the integration between Iberdrola USA and UIL Holdings and the Company expects to close the deal in the fourth quarter of the year.

Up until today, all four federal approvals have been received: from the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino antitrust Act, the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC) and the Committee on Foreign Investments (CFIUS).

### Iberdrola's community engagement

Iberdrola extended its commitment to society in the first six months of 2015.

The Group has continued to drive stable, quality employment in the last six months: it hired a total of 608 professionals most of whom were young graduates, and awarded 364 internal promotions. It also trained 314 interns, continued its research scholarship programme in international universities that now exceeds 500, and provided on average 20 hours of training to every employee. Recently approved were the 6th four-year collective agreement for Iberdrola employees and a five-year one for NYSEG employees.

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Also, the Company improved the quality of the service provided to its customers whilst developing plans to support its more vulnerable clients.

As part of its long-term commitment to local suppliers, the Group made purchases of goods and services worth €2,100 million from some 13,100 companies.

The Company remained actively engaged in environmental protection. As the upcoming Climate Summit in Paris approaches, it has set itself the target of reducing the intensity of its CO<sub>2</sub> emissions by 50% by 2030, based on the Group's levels in 2007, which are now already 30% below the European industry average. The company has also set itself the goal of being carbon-neutral by the year 2050.

Another area strongly promoted by the Group in the first half was Innovation, to which over €170 million were invested last year. Via its Perseo venture capital scheme, Iberdrola invested €50 million in new technologies and businesses that ensure long term sustainability of the energy model.

And, lastly, it advanced its grant schemes for people at risk of social exclusion and its 'Electricity for All' programme, in countries such as Brazil, where it has committed to guaranteeing access to electricity for 4 million people by the year 2020, or the Atlantic Romanesque Plan to preserve the Cultural and Architectural Heritage of Spain and Portugal.

### **Iberdrola Outlook: a new cycle of growth begins**

The good results achieved in the first six months of the year and prospects for the second half of the year allow Iberdrola to confirm guidance for the year 2015.

Thus, positive performance of Networks and Renewables businesses will contribute to boost EBITDA and recurring net profit whilst making progress in meeting the targets of its Outlook for 2014-2016.

Iberdrola is now beginning a new cycle of growth with investment set to be around €4 billion per year.

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Key projects being currently developed by Iberdrola will eventually increase by 2,500 megawatts (MW) its renewable capacity and add 760 MW and 1,180 MW to its gas and hydroelectric capacity, respectively.

Among the most important, we can highlight:

- **Networks:** implementation of new RIIO-T1 and RIIO-ED1 transmission and distribution projects in the United Kingdom, new transmission lines in Maine and the Rochester grid upgrade in the United States, and development of the STAR smart grid project in Spain.
- **Renewables:** addition of new offshore wind capacity with East Anglia One and Wiking; also, investments are planned in new onshore wind capacity in United Kingdom, United States, Mexico and Brazil.
- **Generation and Retail:** construction of new gas power plants in Mexico, such as Monterrey III and Baja California III with 300-MW capacity each; the hydroelectric complex in Portugal's Tâmega river whose commissioning is planned for 2023; and the extension of San Pedro power plant by the Sil river (Spain).
- **Neoenergia:** through its 39% stake in Neoenergia, Iberdrola will continue investing in networks, new hydroelectric plants –Baixo Iguaçu, Teles Pires and Belo Monte–, and several wind farms in Brazil.

Iberdrola's coming growth is based on four key strategic pillars: an increasing international profile; focus on regulated activities and renewables; further efficiency in operations and maintaining a strong financial position. With these lines of action, the Company aims at creating long term value for its shareholders in a sustainable way.

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### **FORWARD-LOOKING STATEMENTS**

This communication contains forward-looking information and statements about IBERDROLA S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions.

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