CAPITAL MARKETS DAY - 2020

IBERDROLA

SUSTAINABLE EVENT

Committed to: SDG

Financial Management

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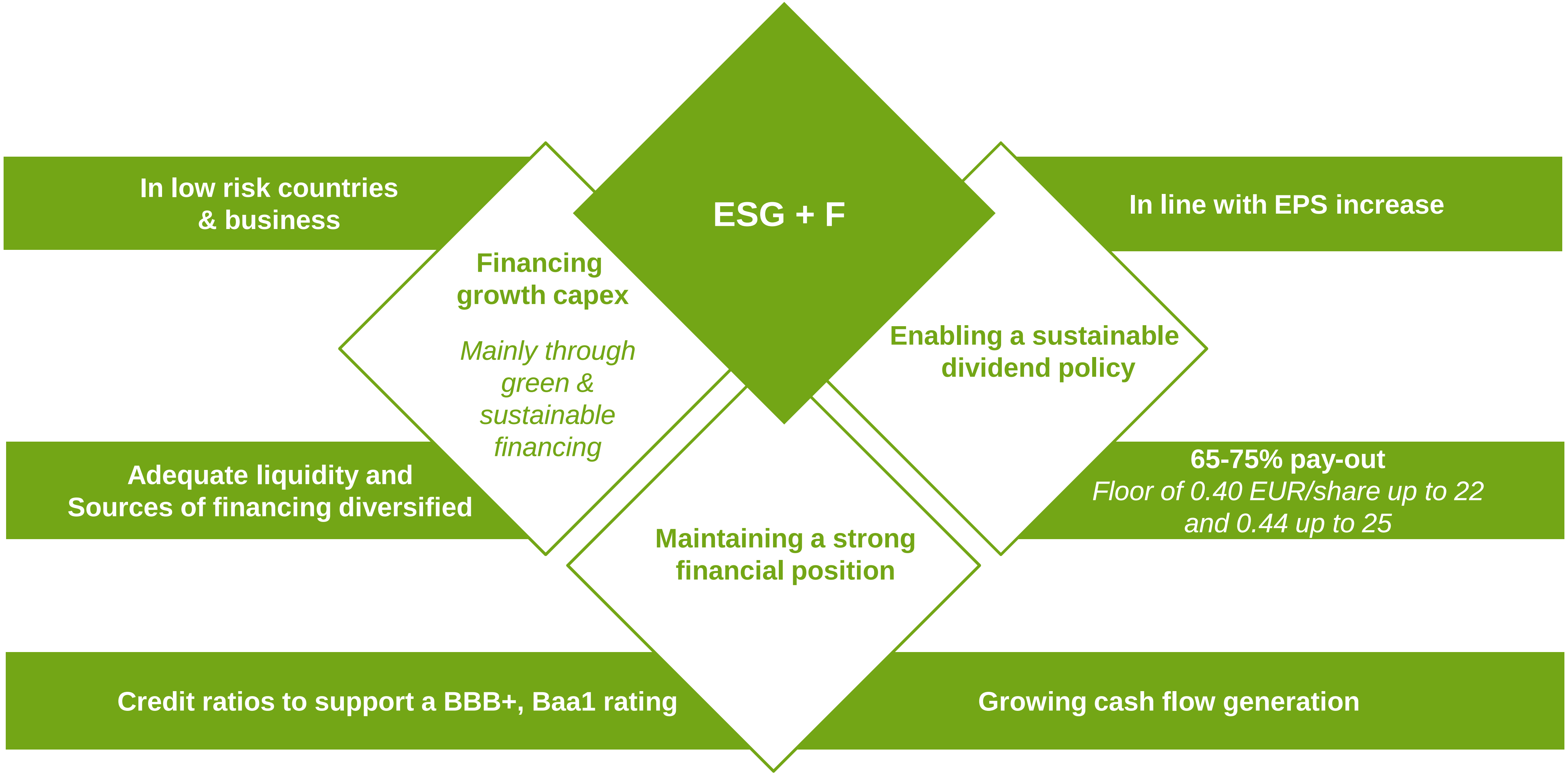
Iberdrola:

Financial management

Main financial guidelines for 2020-2025 period …



Green Financing at the core

Green Financing IBERDROLA

Accountability → **Assurance** → **Taxonomy**

Use of proceeds guarantees **transparency in impact and accountability**

Reporting, SPOs and **external verification** to provide assurance

Assets and activities **under EU taxonomy**

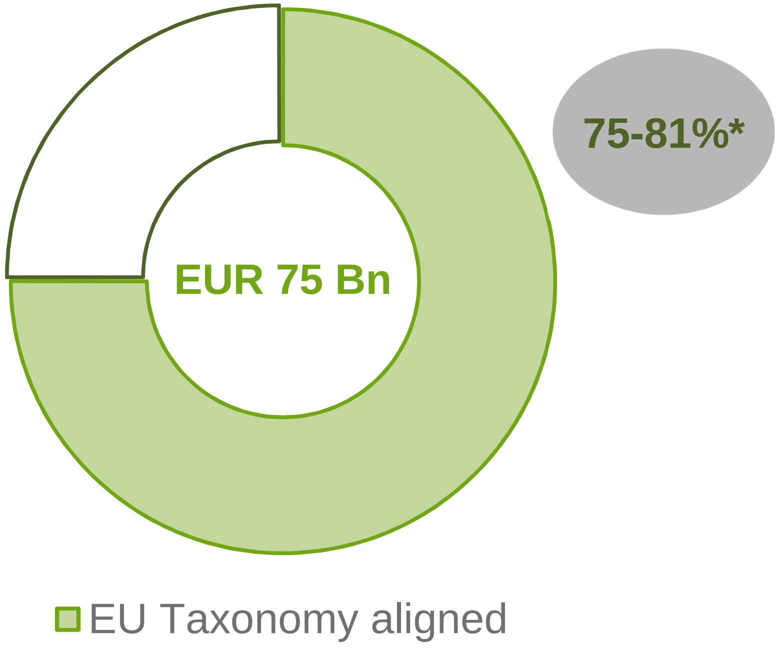
✓ **Asset Base + Energy Transition = Maximizing access to the Green Bond market**

Allowing us to increase the investor base and, as a consequence, to reduce cost of debt (Green Premium average for corporates up to 15bp[1])

1 Based on Citi report on Sept. 20 "The Green, Social,& Sustainability Bond Market"

Iberdrola is committed to sustainable/green investment with 75-81%* of the total investment Plan (EUR 75 Bn) aligned with EU Taxonomy[1]…

Total gross investments 2020- 2025



Sustainable / green financing in Iberdrola

- Commitment with **sustainable finance** to foster decarbonization
- More than **EUR 22 Bn** as of today:
  - EUR c.14 Bn of Green financing
  - EUR c.8 Bn of Sustainable Credit lines

…that will be financed under sustainable/green principles

(*) "The 75% percentage could potentially increase up to 81% if two more US States, which will be on the trajectory towards decarbonisation by 2025, are included

[1] *European Taxonomy of Sustainable Activities, Mitigation objective.*

Includes Iberdrola estimates of PNM Resources

Financial achievements 2018-2020

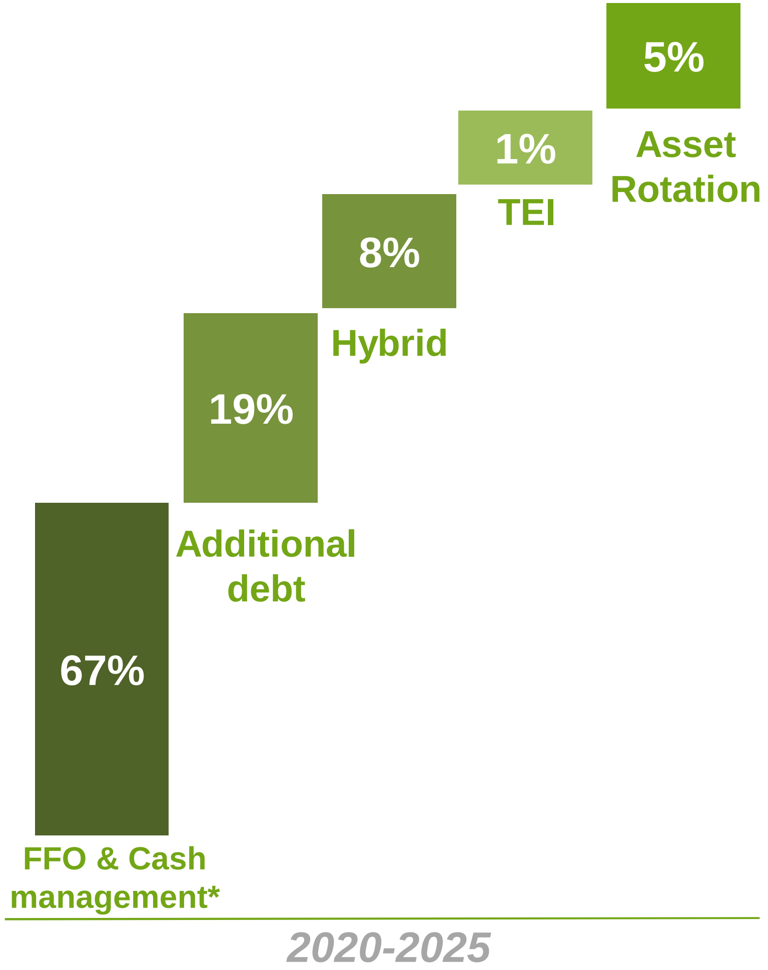
Reaffirming the commitment on the financial strength ESG + F

Financial Ratios	FFO/Net Debt ratio above credit agencies threshold **maintaining BBB+ Rating**
Asset Rotation Plan	Asset rotation plan of **EUR 4.6 Bn**, above the EUR 3.5 Bn considered in 2018-2022 plan
Green Financing	World leading private group in **green bonds** issued with **EUR 11.3 Bn outstanding**
Fx Management	**Minimize** FFO/Net Debt **ratio volatility** Protect annual budget
Financing management	Highly diversified source of funds allows us to continue **reducing spreads**
Liquidity	Fulfilling rating agencies criteria, **more than 18 months** at risks scenario

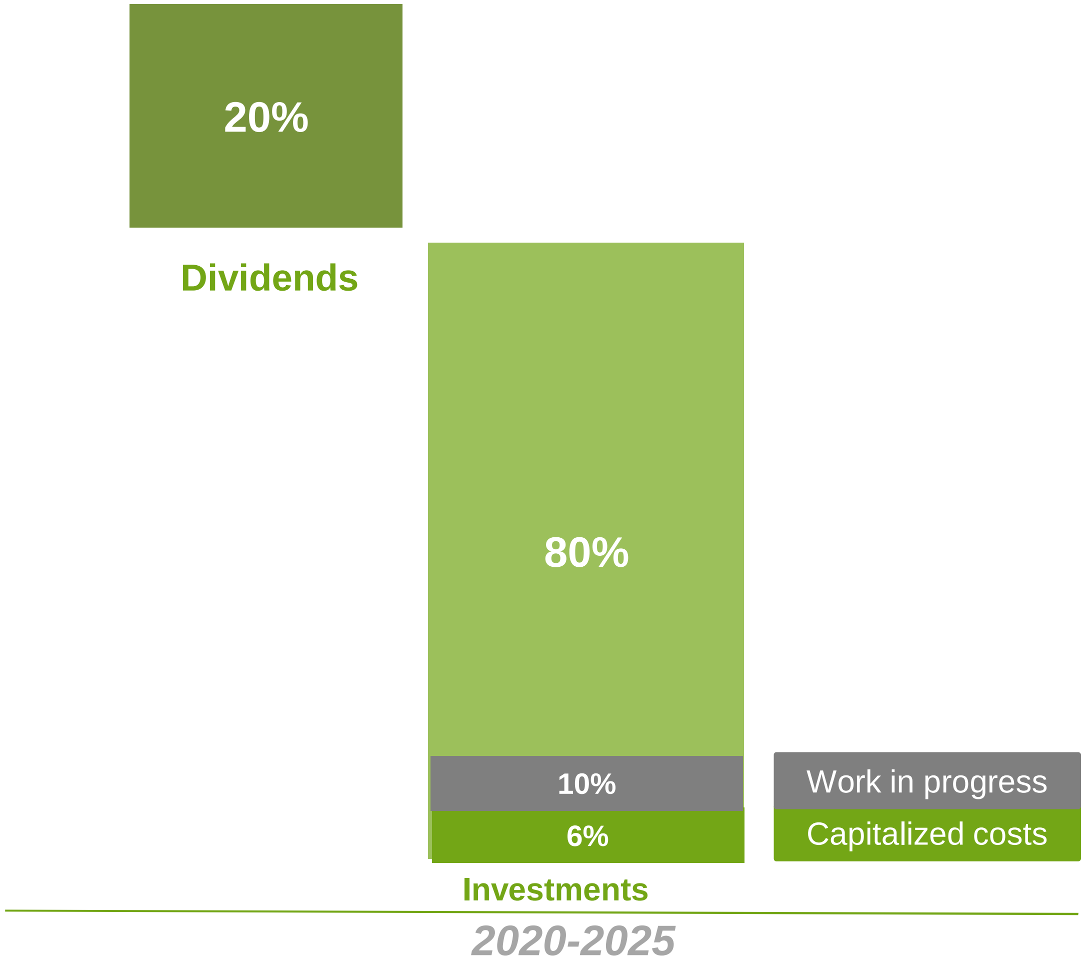
Sources and uses of funds 2020-2025

EUR 94 Bn of sources, to finance EUR 75 Bn of investments together with an increasing and sustainable dividend policy of up to EUR 19 Bn remuneration

Sources EUR 94 Bn



Uses EUR 94 Bn

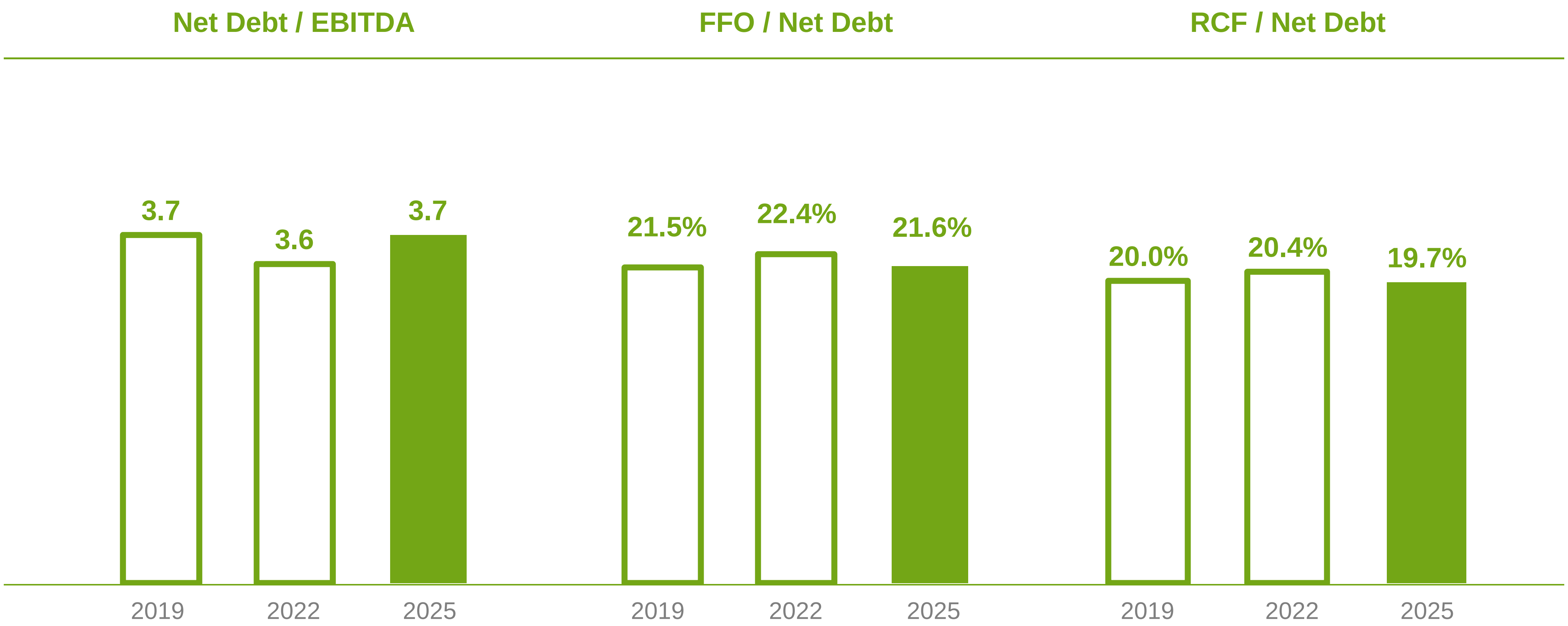


Includes Iberdrola estimates of PNM Resources

* Includes positive Working Capital of EUR 0.6 Bn

Solvency ratios

Strong Financial ratios throughout the Plan …

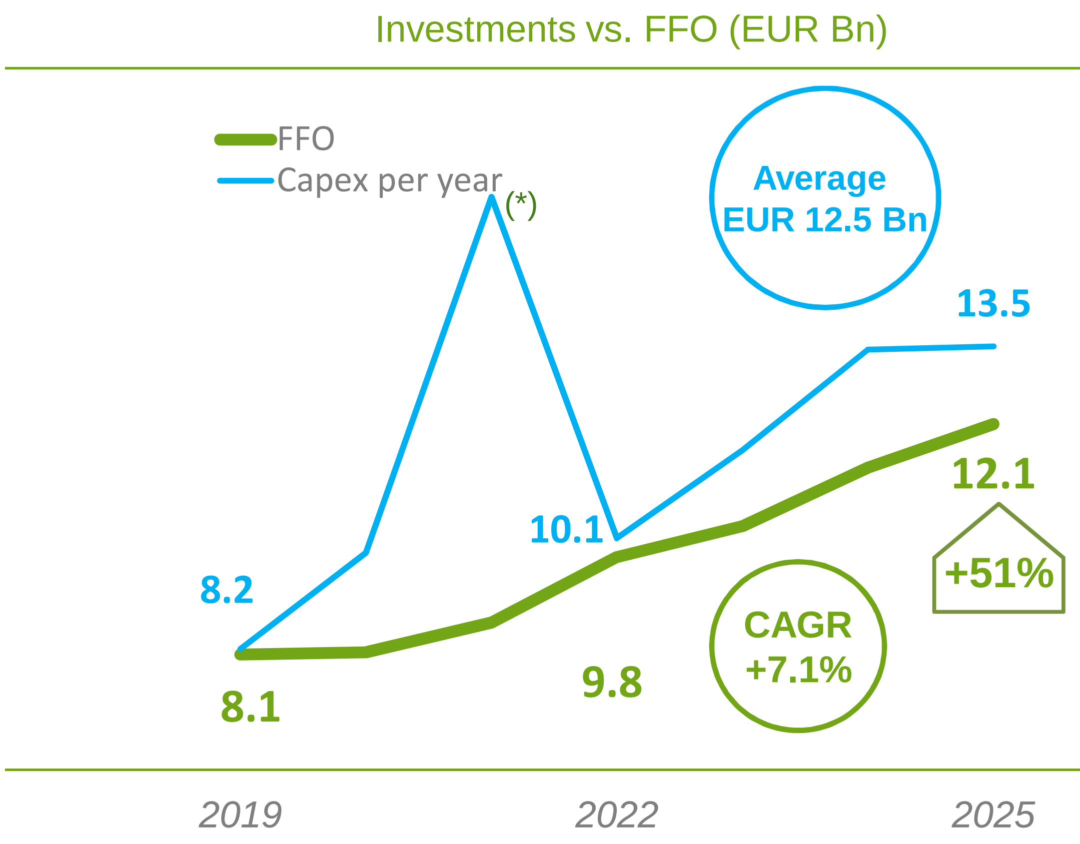


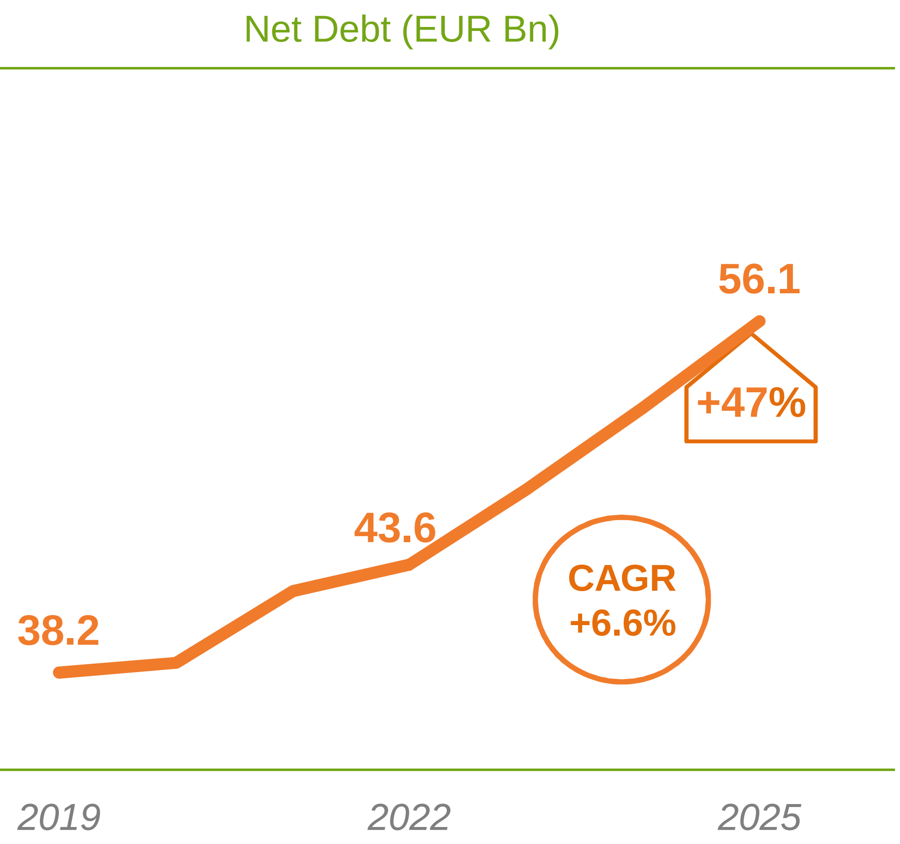
… consistent with FFO/net debt >18% along the plan, using rating agencies' methodologies

Includes Iberdrola estimates of PNM Resources

FFO, Capex and Net Debt

Net Debt increases 47% to over 56 Bn driven by significant investment levels, while FFO increases 51%





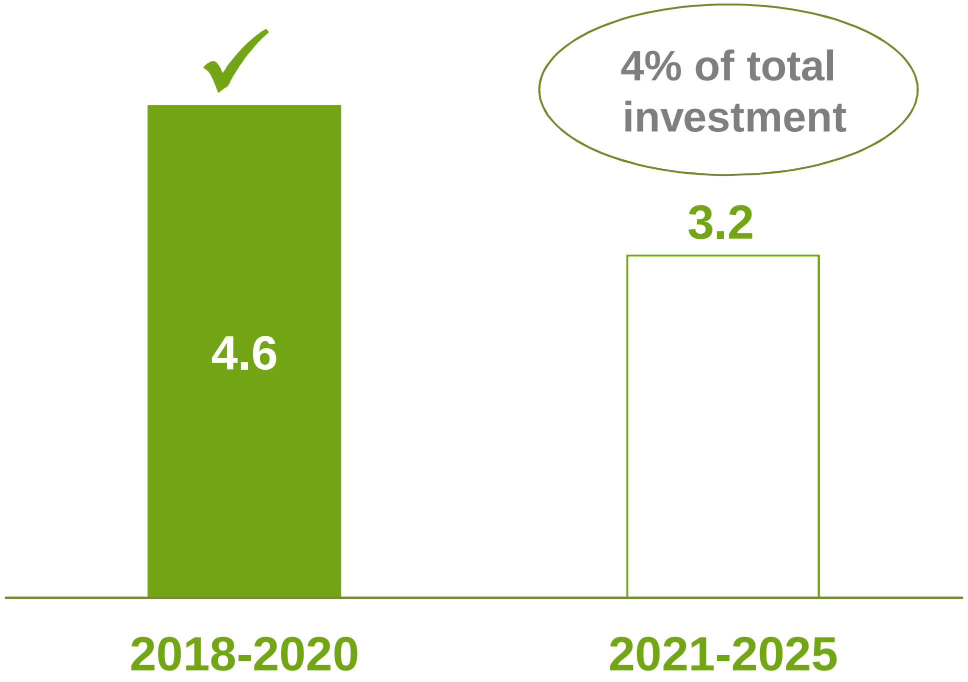
(*) PNM acquisition. Includes Iberdrola estimate of PNM Resources expected enterprise value at year-end 2021

Includes Iberdrola estimates of PNM Resources

Asset rotation

EUR 4.6 Bn completed as of today, **exceeding target of EUR 3.5 Bn for 2018-2022**

Asset rotation (EUR Bn)



New target of EUR 3.2 Bn from 2021-2025

- Credibility to undertake future divestments
- Track record of continuous delivery
- Best in class assets highly valued by the market
- Minority stakes
- Low strategic fit assets and non core

Flexible approach depending on investment opportunities and financial ratios

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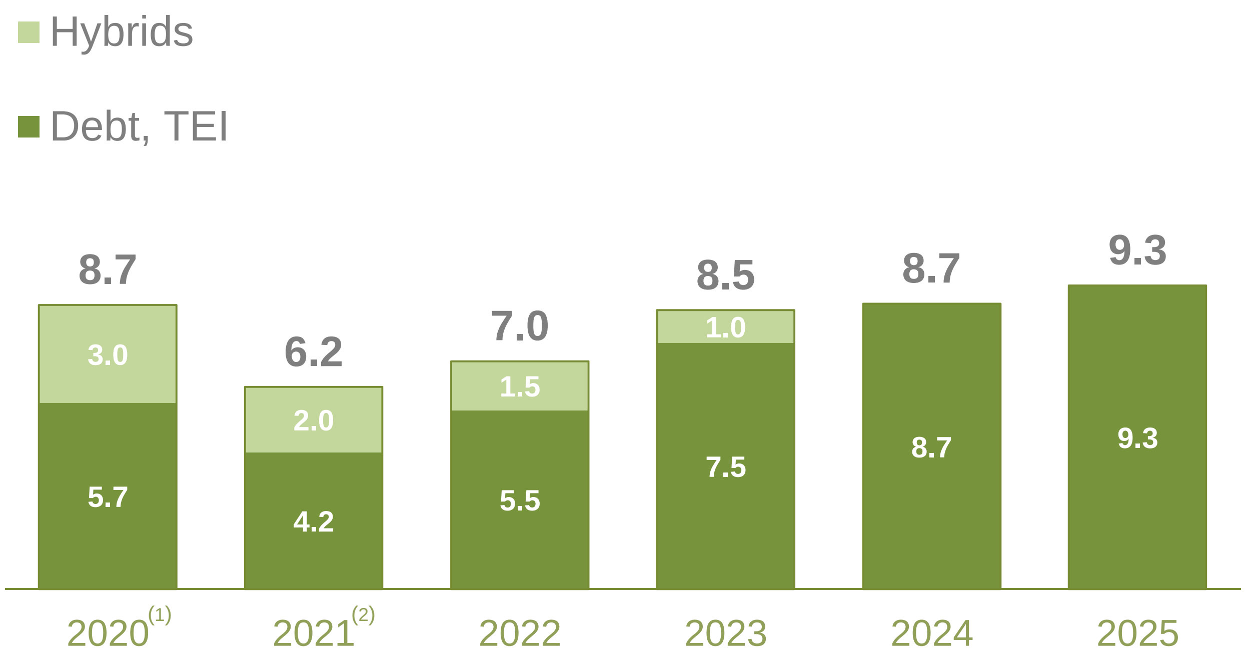
Comfortable financial needs over the period, with average debt maturity over 6.5 years

Financial needs (EUR Bn)



(1) New financing raised this year
(2) PNM acquisition not included, as its financing has been anticipated to 2020

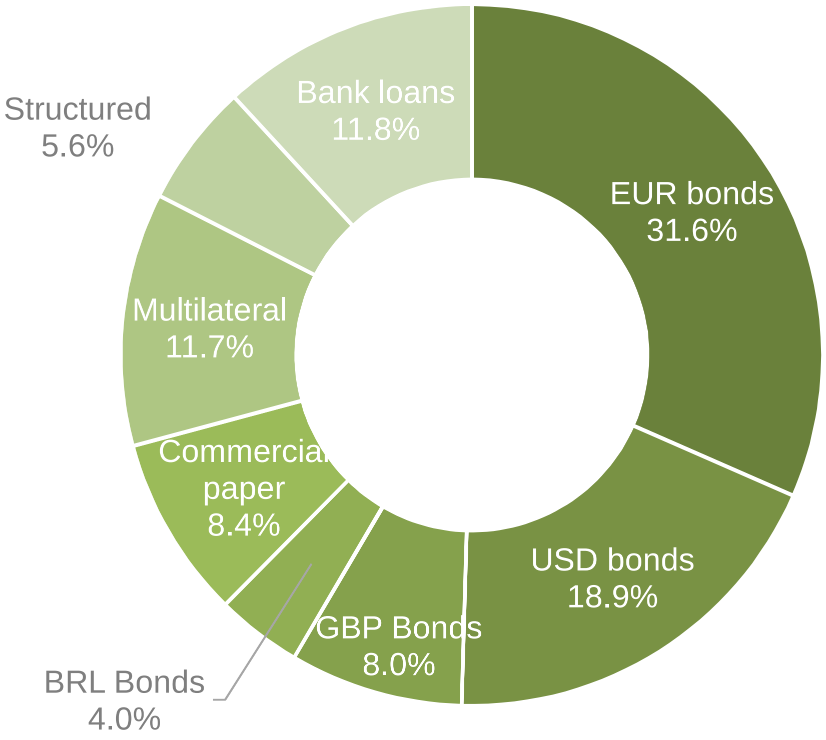
- **Diversified debt maturity** profile
- Duration of **regulatory cycles** of 5 years
- The **main source of financing** will be **Holding**, although **USA** and **Brazil** will also raise financing in their **local markets**

Financed mainly at the Holding level

Financing markets diversification

Current high diversification of financing sources and low banking risk allows strong access to different lenders and markets

Current debt structure by market



Current outstanding hybrid amount: EUR 5.5 Bn

During the plan

Bond market

- Main source of LT financing
- Access to different markets globally and locally

Multilateral lenders

- Iberdrola considered strategic partner (EIB, BNDES, ICO)
- New development banks financing sustainable investments

Bank market

- Presence in different markets
- Low share allows increasing if competitive

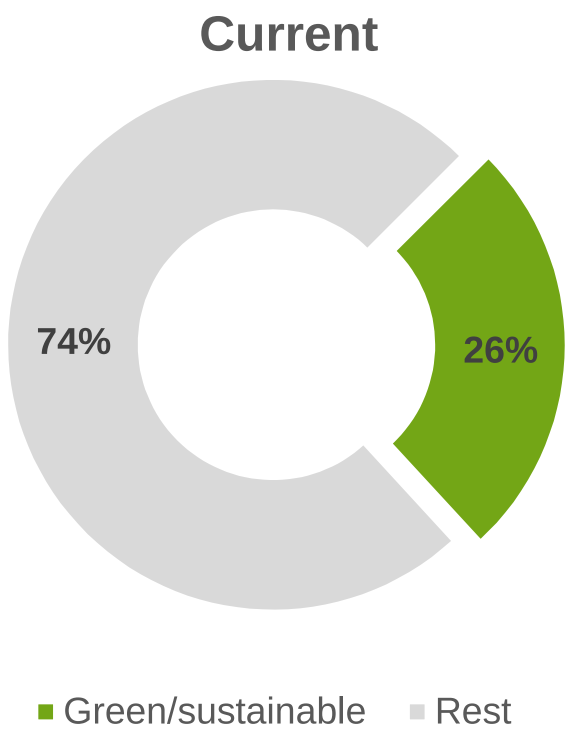
Hybrid market

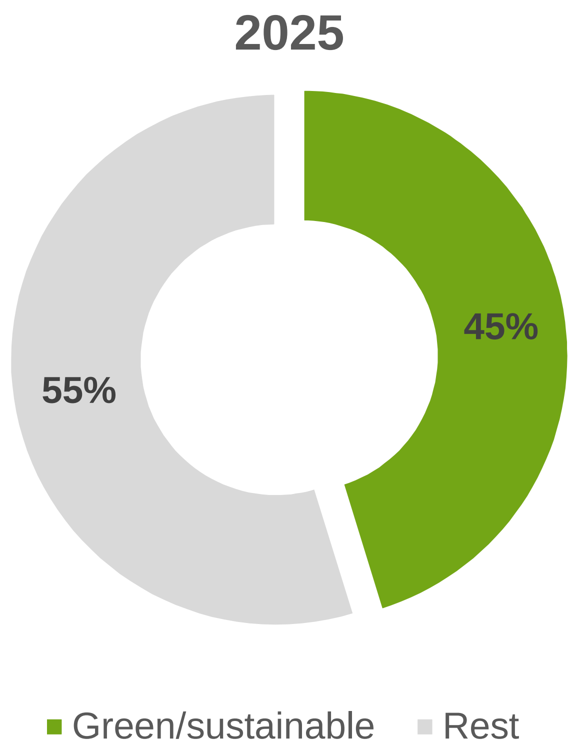
- Low outstanding balance allows share to increase during the plan

Green/sustainable financing

Green financing for investment in renewables worldwide and clean energy networks

Debt structure





%	Current	2025
Sustainable credit lines	90%	100%
Hybrids	45%	70%

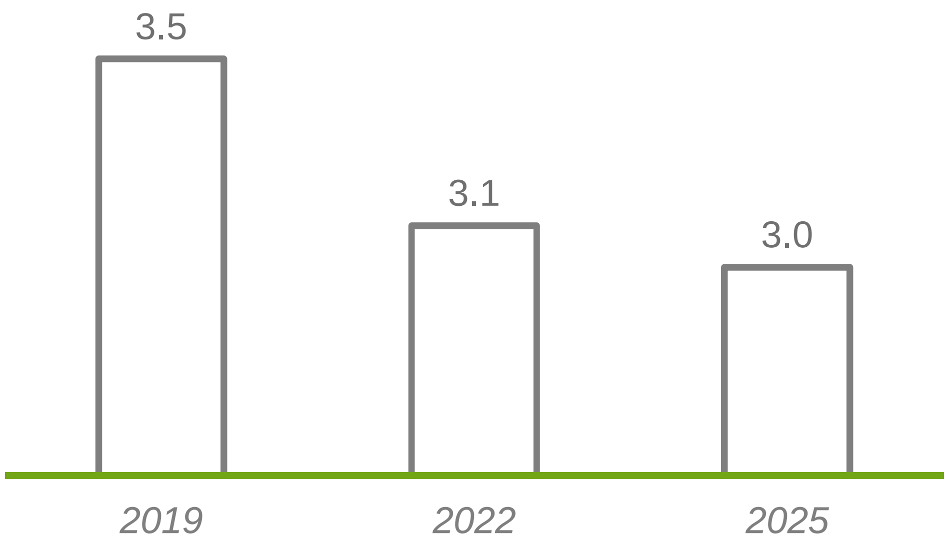
Cost of Debt

Average cost of net debt will fall to around 3.0% despite increasing weight of debt in BRL and USD

Gross debt financial cost by currencies (%)

	2019	2022	2025
€	1.8%	1.7%	1.5%
$	3.7%	3.4%	3.6%
£	2.7%	2.3%	1.8%
R$	6.9%	5.8%	6.8%

Net financial cost (%)



Active liquidity management, achieving > EUR 15 Bn

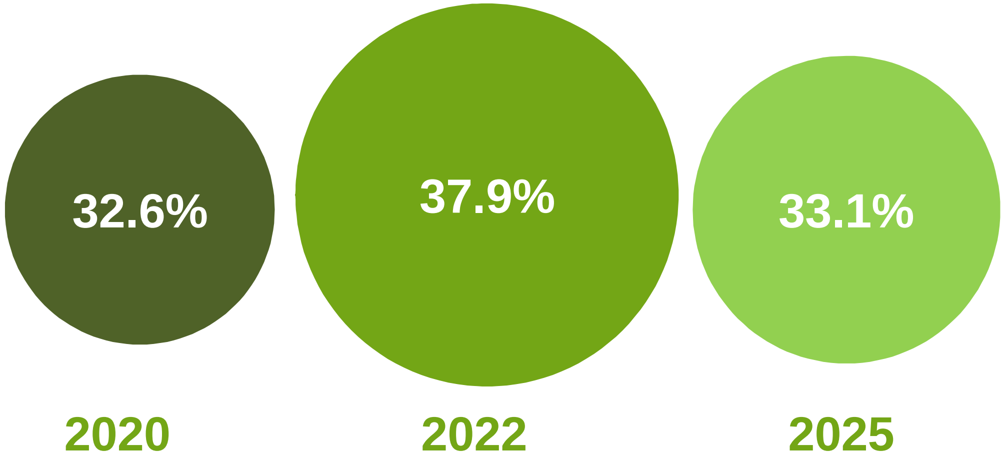
Target	Liquidity management criteria	
To comply with the tightest requirements from rating agencies: 18 months**	**Rating agencies' requirements***	▪ S&P: 12 Months Sources / Uses > 1.2 ▪ Moody's: 18 months in risk scenario ▪ Fitch: (Liquidity + FCF post dividend and Capex) / 12 months maturities > 1.25x ✓
	Cost	▪ **Minimize:** Reduce cash and increase credit lines ✓
	Sustainability	▪ **100% sustainable** with ESG KPIs ✓

Avangrid liquidity, benefits from being part of Iberdrola Group, has a coverage of 15 months**
Neoenergia covers 12 months** of financing needs according to Rating Agencies' requirements

** To maintain adequate liquidity*
*** In risk scenario*

Structural subordination

Our model is based on financing the Group needs from the Holding …



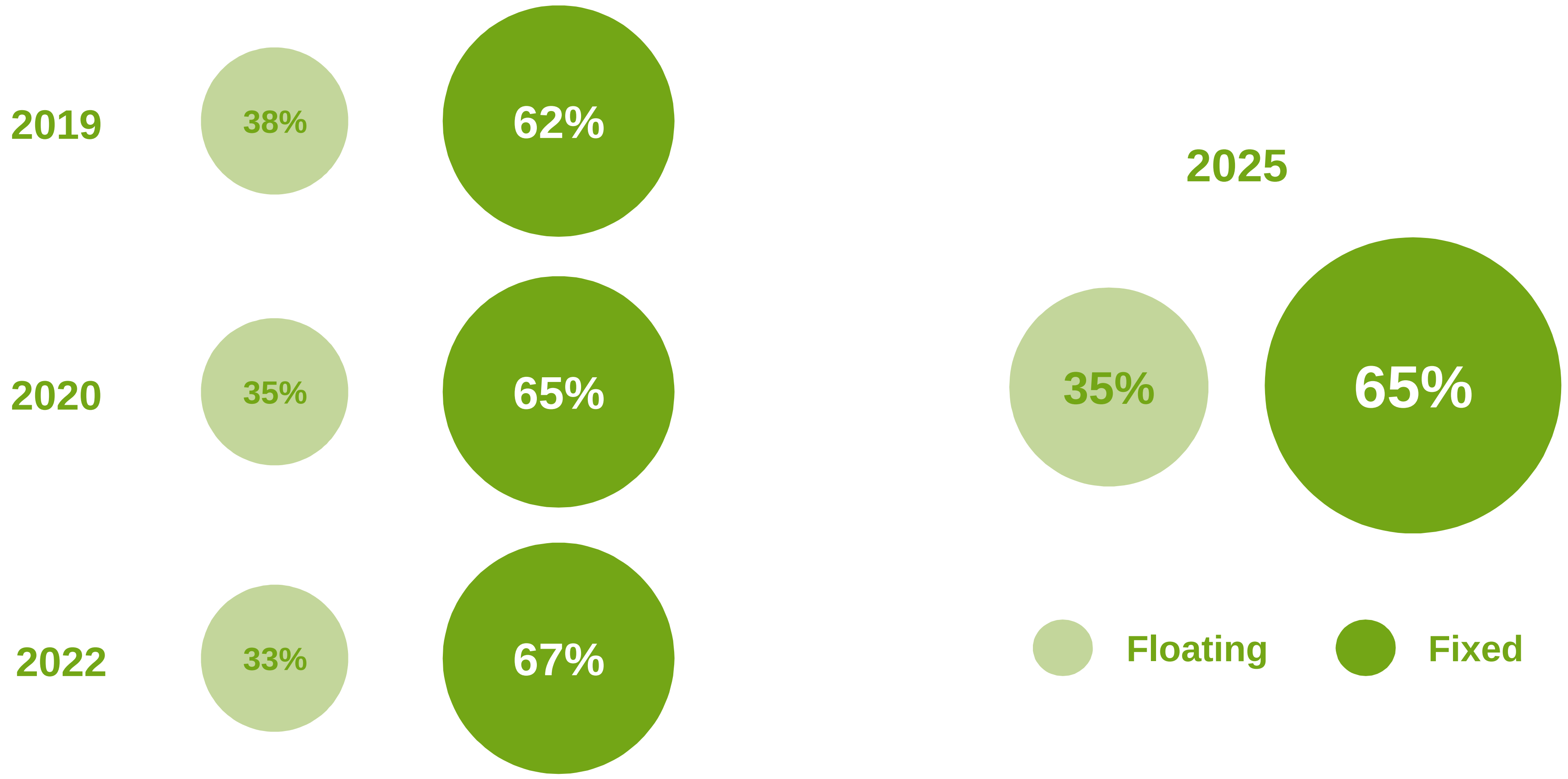
Not including Brazil

- **Ratio decreases in the plan to levels close to 30% in line with financial policy and historical levels**
- **Direct access to cash flows from unlevered and fully owned subsidiaries (large part of Group´s EBITDA ~ 70%)**
- **High visibility of centralized cash flows (regulated and long term contracted)**
- **Centralized treasury and very strong liquidity at Holding**

… offering flexibility to optimize non-holding company level debt based on country situation and regulatory requirements

Interest rate risk management

Our demanding expansion plan requires a conservative while active management of interest rate risk aligned with our earnings structure



Progressive accommodation of the fixed part throughout the plan in line with our income structure

Debt structure by currency

Our active debt management adapts the weight of the currencies and its interest rate structure to the cash flow generated by our expanding businesses

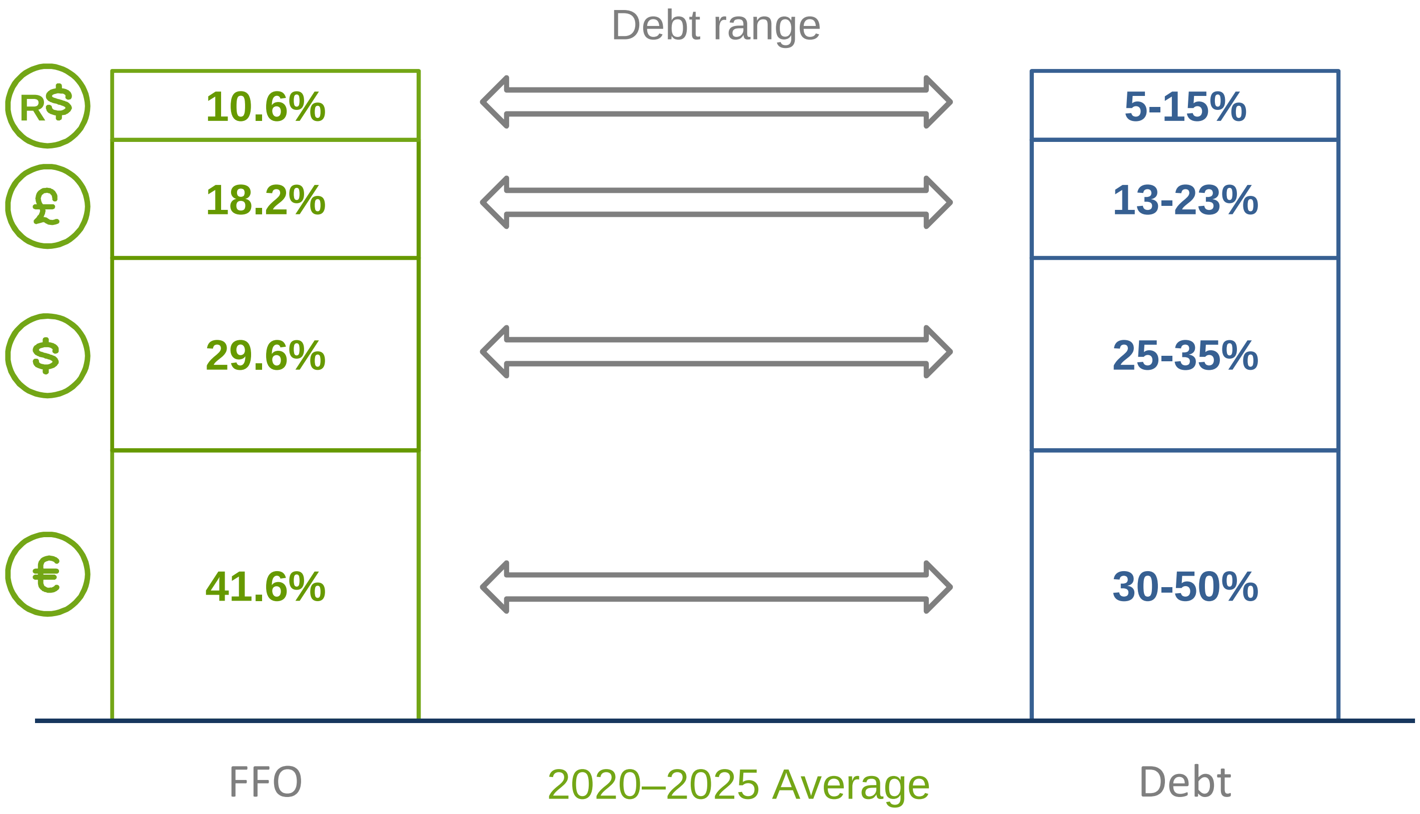
	Debt weighting *		2025 Expected fixed % range	
	2020	2025	Debt **	Revenue
€	49%	31%	66%	~ 70%
$	22%	42%	88%	~ 75%
£	20%	17%	45%	~ 40%
R$	9%	10%	0%	~ 0%

* *Average over net debt since 2020*
** *Average over gross debt since 2020*

FX risk management: structural

Structural FX hedge is taken by having the debt in the same currency and similar % as the funds from operations to immunize the FFO/Net Debt Ratio from FX volatility …

Minimize FFO/Net Debt Ratio volatility



… protecting the solvency and rating

FX risk management: annually

FX risk in the Profit & Loss account is hedged through derivatives

Hedging Net Income FX exposure in currencies against the Euro

Net Income FX risk is managed on a yearly basis

Long term FX management not possible as it would generate huge P&L volatility

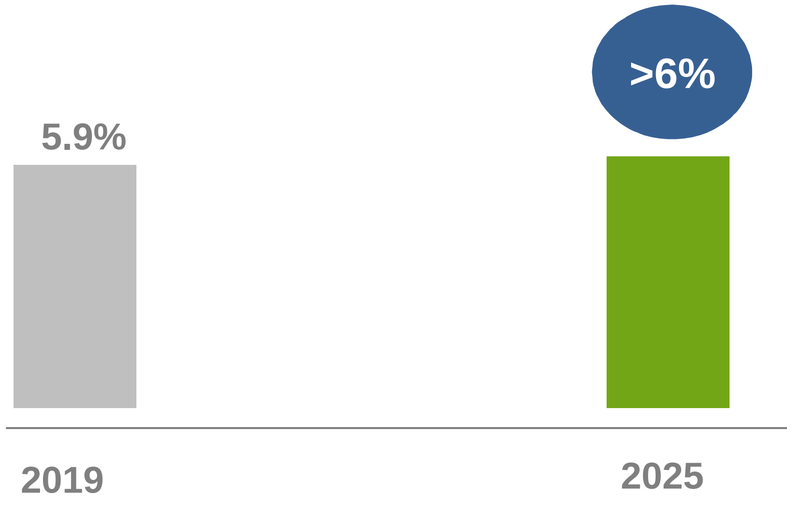
FX risk management protects the budgeted Net Income, creating value for the company (EUR 235 M over the past 10 years)

Return on investments

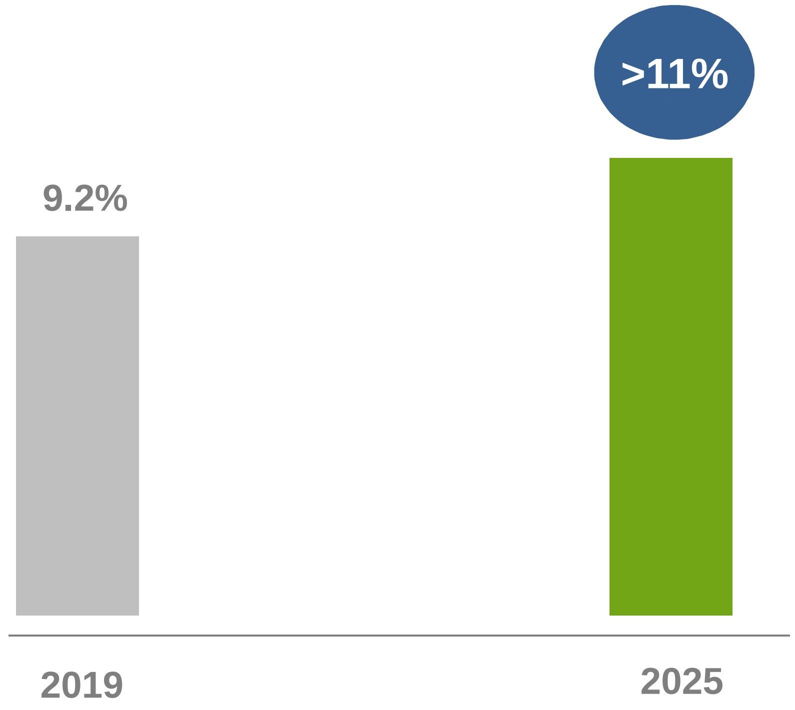
ROCE over 6% in 2025 and ROE improving to over 11% at the end of the Plan

Creating value for our shareholders

ROCE



ROE



Return on investment spread over Iberdrola's cost of capital (below 5%) due to experience, size & diversification

Iberdrola is able to finance this ambitious plan

ESG + F

Financing growth capex

Enabling a sustainable dividend policy

Maintaining a strong financial position

Maintaining **financial strength** through the period

Improving **shareholder's return**

Flexibility through asset rotation (only 4% of total investment) and margin to increase hybrids (EUR 8 Bn additional)

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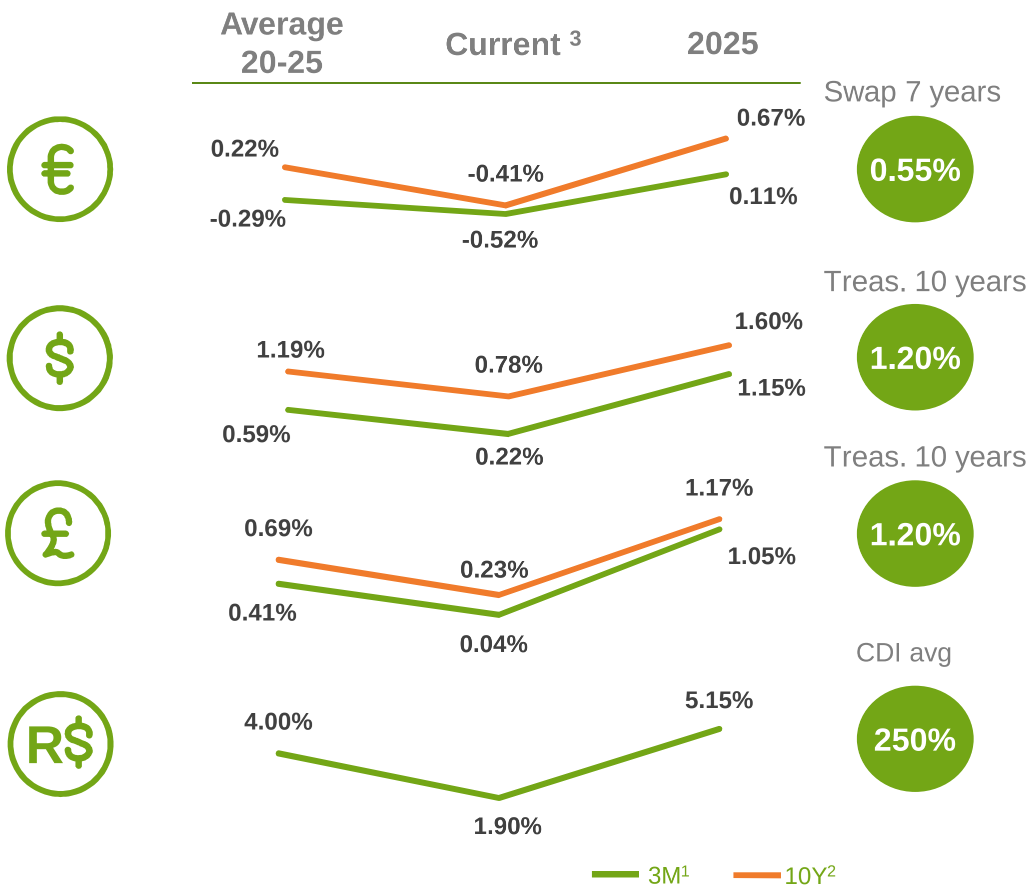
Annex

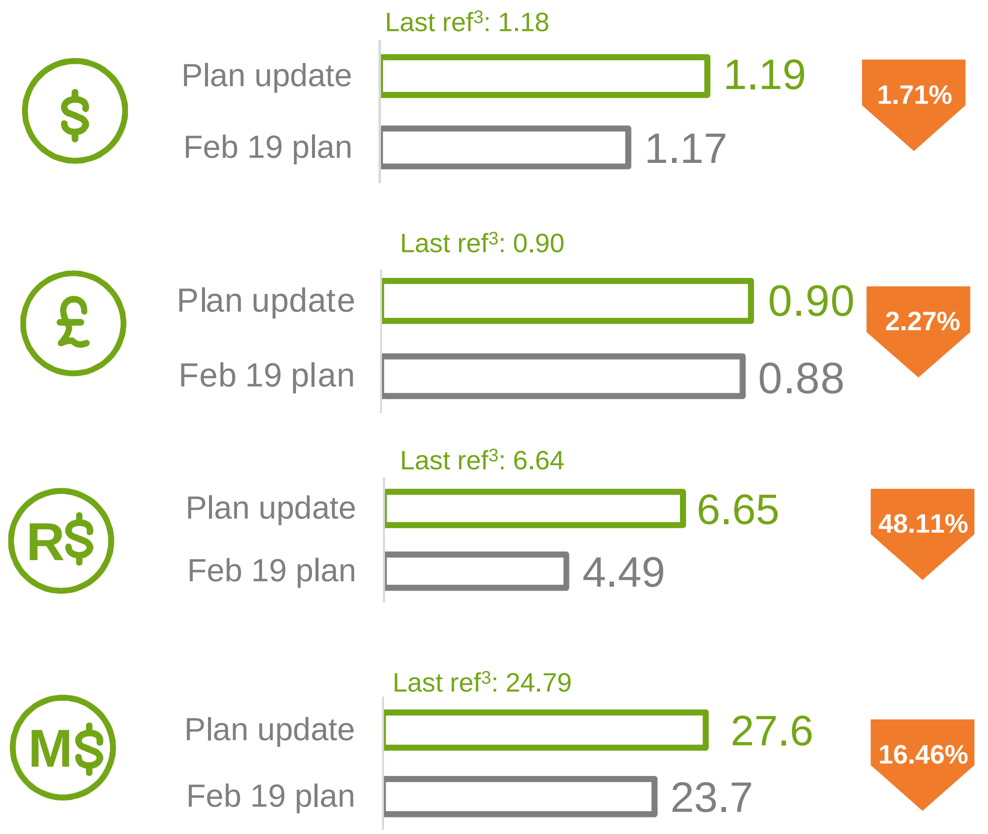
Macro hypothesis for 2020-2025

Interest rates down on Central Bank´s message of keeping rates low to support economic recovery …

Interest rates



Fx rates vs €



… with a general depreciation versus Euro more intense in emerging economies

[1/] CDI for BRL

[2/] Swap 7 years for EUR, Treasury 10 years for USD and GBP

[3/] November 4th 2020

New financing average spreads