Financial Management

José Sainz Armada
Chief Financial & Resources Officer
This document has been prepared by Iberdrola, S.A. exclusively for use during the presentation “Capital Markets Day 2020”. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason without the express and prior written consent of Iberdrola, S.A. Iberdrola, S.A. does not assume liability for this document if it is used with a purpose other than the above. The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein. Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents. Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement. Information in this document about the price at which securities issued by Iberdrola, S.A. have been bought or sold in the past or about the yield on securities issued by Iberdrola, S.A. cannot be relied upon as a guide to future performance.

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of (i) the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October; (ii) Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC; (iii) Royal Decree-Law 5/2005, of 11 March; (iv) Royal Decree 1310/2005, of 4 November; and (v) their implementing regulations. In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration. The shares of Iberdrola, S.A. may not be offered or sold in Brazil except under the registration of Iberdrola, S.A. as a foreign issuer of listed securities, and a registration of a public offering of depositary receipts of its shares, pursuant to the Capital Markets Act of 1976 (Federal Law No. 6,385 of December 7, 1976, as further amended), or pursuant to a valid exemption from registration of the offering. This document and the information presented herein was prepared by Iberdrola, S.A. solely with respect to the presentation “Capital Markets Day 2020”. The financial information contained in this document has been prepared and is presented in accordance with the International Financial Reporting Standards (“IFRS”). This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Avangrid, Inc. (“Avangrid”) or Avangrid’s financial results. Neither Avangrid nor its subsidiaries assume responsibility for the information presented herein, which was not prepared and is not presented in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”), which differs from IFRS in a number of significant respects. IFRS financial results are not indicative of U.S. GAAP financial results and should not be used as an alternative to, or a basis for anticipating or estimating, Avangrid’s financial results. For financial information regarding Neoenergia, please visit its investor relations website at www.avangrid.com and the Securities and Exchange Commission (“SEC”) website at www.sec.gov. In addition to the financial information prepared under IFRS, this presentation includes certain alternative performance measures (“APMs”), for the purposes of Commission Delegated Regulation (EU) 2019/979, of March 14, 2019 and as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es). The APMs are performance measures that have been calculated using the financial information from Iberdrola, S.A. and the companies within its group, but that are not defined or detailed in the applicable financial information framework. These APMs are being used to allow for a better understanding of the financial performance of Iberdrola, S.A. but should be considered only as additional information and in no case as a substitute of the financial information prepared under IFRS. Moreover, the way Iberdrola, S.A. defines and calculates these APMs may differ from the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Finally, please consider that certain of the APMs used in this presentation have not been audited. Please refer to this presentation and to the corporate website (www.iberdrola.com) for further details of these matters, including their definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS. This document does not contain, and the information presented herein does not constitute, an earnings release or statement of earnings of Neoenergia S.A. (“Neoenergia”) or Neoenergia’s financial results. Neither Neoenergia nor its subsidiaries assume responsibility for the information presented herein. For financial information regarding Neoenergia, please see the Neoenergia’s investor relations website at www.ni.neoenergia.com and the Brazilian Comissão de Valores Mobiliários (“CVM”) website at www.cvm.gov.br.
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.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents sent by Iberdrola, S.A. to the Spanish Comisión Nacional del Mercado de Valores, which are accessible to the public.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
Iberdrola: Financial management
Financial Management Strategy

Main financial guidelines for 2020-2025 period …

- **ESG + F**
  - Financing growth capex
    - Mainly through green & sustainable financing
  - Enabling a sustainable dividend policy
  - In line with EPS increase
  - 65-75% pay-out
    - Floor of 0.40 EUR/share up to 22 and 0.44 up to 25
  - Maintaining a strong financial position
  - Growing cash flow generation

- **In low risk countries & business**
- **Adequate liquidity and Sources of financing diversified**
- **Credit ratios to support a BBB+, Baa1 rating**
Financial Management Strategy

Green Financing at the core

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

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

**Taxonomy**
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 Based on Citi report on Sept. 20 “The Green, Social, & Sustainability Bond Market”
Financial Management Strategy

Iberdrola is committed to sustainable/green investment with 75-81%* of the total investment Plan (EUR 75 Bn) aligned with EU Taxonomy¹...

Total gross investments 2020-2025

75-81%*

EUR 75 Bn

EU Taxonomy aligned

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

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

- FFO & Cash management*: 67%
- Additional debt: 19%
- Hybrid: 8%
- Asset Rotation: 1%
- TEI: 5%

Uses EUR 94 Bn

- Dividends: 20%
- Investments: 80%
  - Work in progress: 10%
  - Capitalized costs: 6%

* Includes Iberdrola estimates of PNM Resources
Solvency ratios

Strong Financial ratios throughout the Plan …

<table>
<thead>
<tr>
<th></th>
<th>Net Debt / EBITDA</th>
<th>FFO / Net Debt</th>
<th>RCF / Net Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3.7</td>
<td>21.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>2022</td>
<td>3.6</td>
<td>22.4%</td>
<td>20.4%</td>
</tr>
<tr>
<td>2025</td>
<td>3.7</td>
<td>21.6%</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

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

Includes Iberdrola estimates of PNM Resources
Net Debt increases 47% to over 56 Bn driven by significant investment levels, while FFO increases 51%
EUR 4.6 Bn completed as of today, **exceeding target of EUR 3.5 Bn for 2018-2022**

**Asset rotation (EUR Bn)**

- 2018-2020: 4.6
- 2021-2025: 3.2

- 4% of total investment

**New target of EUR 3.2 Bn from 2021-2025**

**Flexible approach** depending on investment opportunities and financial ratios

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

**Financial needs (EUR Bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hybrids</th>
<th>Debt, TEI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 (1)</td>
<td>8.7</td>
<td>3.0</td>
</tr>
<tr>
<td>2021 (2)</td>
<td>6.2</td>
<td>2.0</td>
</tr>
<tr>
<td>2022</td>
<td>7.0</td>
<td>1.5</td>
</tr>
<tr>
<td>2023</td>
<td>8.5</td>
<td>7.5</td>
</tr>
<tr>
<td>2024</td>
<td>8.7</td>
<td>8.7</td>
</tr>
<tr>
<td>2025</td>
<td>9.3</td>
<td>9.3</td>
</tr>
</tbody>
</table>

- 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

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

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structured</td>
<td>5.6%</td>
</tr>
<tr>
<td>Bank loans</td>
<td>11.8%</td>
</tr>
<tr>
<td>EUR bonds</td>
<td>31.6%</td>
</tr>
<tr>
<td>USD bonds</td>
<td>18.9%</td>
</tr>
<tr>
<td>GBP Bonds</td>
<td>8.0%</td>
</tr>
<tr>
<td>BRL Bonds</td>
<td>4.0%</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>8.4%</td>
</tr>
<tr>
<td>Multilateral</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable credit lines</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Hybrids</td>
<td>45%</td>
<td>70%</td>
</tr>
</tbody>
</table>

- Green/sustainable
- Rest
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 (%)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2022</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>$</td>
<td>3.7%</td>
<td>3.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>£</td>
<td>2.7%</td>
<td>2.3%</td>
<td>1.8%</td>
</tr>
<tr>
<td>R$</td>
<td>6.9%</td>
<td>5.8%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Net financial cost (%)

- 2019: 3.5%
- 2022: 3.1%
- 2025: 3.0%
Active liquidity management, achieving > EUR 15 Bn

### Target

To comply with the tightest requirements from rating agencies: 18 months**

### Liquidity management criteria

<table>
<thead>
<tr>
<th>Rating agencies’ requirements*</th>
<th>Moody’s: 18 months in risk scenario</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P: 12 Months Sources / Uses &gt; 1.2</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Moody’s: 18 months in risk scenario</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Fitch: (Liquidity + FCF post dividend and Capex) / 12 months maturities &gt; 1.25x</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

** Minimize:** Reduce cash and increase credit lines

** 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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>32.6%</td>
</tr>
<tr>
<td>2022</td>
<td>37.9%</td>
</tr>
<tr>
<td>2025</td>
<td>33.1%</td>
</tr>
</tbody>
</table>

- 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
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 *

<table>
<thead>
<tr>
<th>Currency</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>49%</td>
<td>31%</td>
</tr>
<tr>
<td>$</td>
<td>22%</td>
<td>42%</td>
</tr>
<tr>
<td>£</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>R$</td>
<td>9%</td>
<td>10%</td>
</tr>
</tbody>
</table>

### 2025 Expected fixed % range

<table>
<thead>
<tr>
<th>Debt **</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
<td>~ 70%</td>
</tr>
<tr>
<td>88%</td>
<td>~ 75%</td>
</tr>
<tr>
<td>45%</td>
<td>~ 40%</td>
</tr>
<tr>
<td>0%</td>
<td>~ 0%</td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th>Currency</th>
<th>FFO 2020–2025 Average</th>
<th>Debt range</th>
</tr>
</thead>
<tbody>
<tr>
<td>R$</td>
<td>10.6%</td>
<td>5-15%</td>
</tr>
<tr>
<td>£</td>
<td>18.2%</td>
<td>13-23%</td>
</tr>
<tr>
<td>$</td>
<td>29.6%</td>
<td>25-35%</td>
</tr>
<tr>
<td>€</td>
<td>41.6%</td>
<td>30-50%</td>
</tr>
</tbody>
</table>

2020–2025 Average

… 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**

- 2019: 5.9%
- 2025: >6%

**ROE**

- 2019: 9.2%
- 2025: >11%

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

Iberdrola is able to finance this ambitious plan

- 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)
**Macro hypothesis for 2020-2025**

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

### Interest rates

<table>
<thead>
<tr>
<th></th>
<th>Average 20-25</th>
<th>Current 3</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€</strong></td>
<td>0.22%</td>
<td>-0.29%</td>
<td>0.67%</td>
</tr>
<tr>
<td></td>
<td>-0.41%</td>
<td>-0.52%</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

Swap 7 years: 
- Last ref: 1.18
- Plan update: 1.19
- Feb 19 plan: 1.17

Treas. 10 years:
- 1.19%
- 1.60%
- 0.59%
- 0.22%

Treas. 10 years:
- 1.19%
- 1.60%
- 0.59%
- 0.22%

CDI avg:
- 4.00%
- 5.15%
- 1.90%
- 1.05%

### Fx rates vs €

<table>
<thead>
<tr>
<th></th>
<th>Plan update</th>
<th>Feb 19 plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€</strong></td>
<td>Last ref: 1.18</td>
<td>1.19</td>
</tr>
<tr>
<td></td>
<td>Plan update</td>
<td>Feb 19 plan</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>Last ref: 0.90</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>Last ref: 6.64</td>
<td>6.65</td>
</tr>
<tr>
<td><strong>£</strong></td>
<td>Last ref: 24.79</td>
<td>27.6</td>
</tr>
</tbody>
</table>

### New financing average spreads

1. CDI for BRL
2. Swap 7 years for EUR, Treasury 10 years for USD and GBP
3. November 4th, 2020

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