Iberdrola: We are investing all our energy in building a sustainable future

December 2020
Iberdrola today: a global energy leader

Iberdrola is a leading global energy group, a world leader in wind production and one of the world’s largest electricity companies in terms of market capitalisation. The position held by Iberdrola today is the result of a profound transformation that started 20 years ago and a business vision that made it possible to anticipate industry trends and implement the solutions required for the energy transition in the fight against climate change and a move towards a sustainable future. The three key pillars for this are employees, a firm commitment to the social market economy and, of course, you, our shareholders. We combined this with a proactive contribution to sustainable development, following the same principles that, a decade later, would shape the United Nations’ Sustainable Development Goals.

Following this business model, Iberdrola has implemented various solutions centred around effectiveness and efficiency. In the area of renewables, Iberdrola was the first to commit to hydroelectric power, onshore wind power and pumped storage before later incorporating other technologies such as photovoltaic solar, offshore wind and batteries.

Our networks have been digitalised, which has enabled us not only to guarantee quality supply, but also to offer the most innovative energy solutions to our customers.

Iberdrola today

• We provide energy to more than 100 million people
• Our CO₂/kWh emissions are two-thirds lower than the European average
• Our renewable installed capacity exceeds 33,800 MW
• We are a leader in offshore wind energy
• We have 1,200,000 kilometres of electricity networks
• We have 70 GWh of efficient storage, equivalent to more than 5 million domestic batteries
• We are the world’s largest corporate issuer of green bonds, having issued over EUR 11 billion since 2014
2020-2025 Strategic Plan

Based on our successful business model

In November 2020 Iberdrola presented its new action plan for the next five years. Iberdrola’s new strategic plan is a continuation of its successful business model based on:

- Power decarbonisation
- Networks system integration
- Demand electrification
- More Renewable Energy
- More Networks
- More Storage
- More energy solutions for our Customers

Investments of EUR 75 billion to contribute to economic recovery

This plan includes investments of EUR 75 billion between 2020 and 2025, which will make a crucial contribution to economic recovery. This is the largest investment programme in history for a Spanish company, and it is aimed at revitalising industry and employment in the countries where the group operates.

Of the total investment, 90% (EUR 68 billion) will be organic and will mainly be directed to the renewables (EUR 34.68 billion) and networks (EUR 27.2 billion) businesses. Investment will be concentrated in countries with ambitious climate policies and more than 83% of it will go to countries with an A-grade credit rating.

70% of this organic investment is already secured.

The remaining 7 billion has been dedicated to the acquisition of the American company PNM Resources.

In terms of distribution by country:

- Spain will receive 21% of the investment (EUR 14.3 billion), a 60% increase compared to the previous plan.
- The United States and the United Kingdom will receive EUR 34 billion — 50% of the total.
- The commitment to other international areas has grown, with a plan to invest more than EUR 11 billion.

Gross Organic Investments by Business
2020-2025 Strategic Plan

Iberdrola in 2025

As a result of this ambitious investment plan, by 2025 Iberdrola will have been able to:

**Renewables**: Double its renewable capacity to 60 GW in just 6 years, with a strong focus on offshore wind.

There will be a healthy mix in terms of technology and origin, whereby offshore wind power accounts for over 40%, followed by solar and hydroelectric.

All of this will contribute to clean electrification in the aim of changing the way we produce and consume energy.

**Networks**: Increase its regulatory asset base by 50% to EUR 47 billion, multiplying its current value by 1.5.

This will be achieved through organic investments in all markets and additional transport investments outside our franchise areas, which are growing rapidly in countries such as Brazil and the United States.

The digitisation of networks will continue and more than 21 million smart meters will be installed by 2025.

**Customers**: Increase the number of contracts with customers worldwide to 60 million, compared to the 42 million registered at the end of 2019.

This will be achieved by offering personalised products to residential customers and an integrated model to industrial customers that comprises all the necessary services: from PPAs to production using hydrogen and a multitude of other energy efficiency options.
Achieving annual growth of 6-7%

The Group expects to bring in a gross operating profit (EBITDA) of EUR 15 billion in 2025 — an increase of EUR 5 billion compared to 2019 at an annual growth rate of 6-7%. 80% of Operating Profits will continue to come from Networks and Renewables in 2025. Investments in green energy will increase the contribution of Renewables by more than 5 points during the period, taking it to above 30%.

Net Profit will reach approximately EUR 5 billion in 2025, an increase of EUR 1.5 billion compared to 2019, following annual growth of 6-7% during the period. Meanwhile, commitment to financial strength and strong credit ratings will be maintained.

Financially strong growth

This growing investment cycle will be financed while also maintaining financial discipline and strong solvency ratios throughout the period covered by the Plan.

As such, the net debt to EBITDA ratio will be around 3.6-3.7, while the FFO to net debt ratio will be 21.5-22.4%.
Leaders in green finance

Green finance is the best fit for the Group’s sustainable strategy, as is proven by the fact that Iberdrola is the world’s largest corporate issuer of green bonds, having issued over EUR 11 billion since 2014.

Our green financing framework is considered best practice, in line with the green bond principles of the ICMA (International Capital Markets Association).

As such, 75% of the total investment plan will be considered sustainable/green under EU criteria.

In addition, Iberdrola has an asset rotation model with a flexible approach depending on investment opportunities and financial ratios. Divestments will meet the requirements we have established for this type of operation: based on their strategic fit, whether they provide low returns or if they are minority stakes.

Environmental, social and corporate governance objectives

Iberdrola continuará reforzando los pilares de su actividad en los ámbitos medioambiental, social y de gobernanza (ESG):

- Iberdrola will be classified as a carbon-neutral company in Europe by 2030 and will reduce its global CO₂ emissions by 86% to 50 g/kWh. As an additional contribution, the company will plant 20 million trees by 2030 (8 million by 2025).
- Investment in R&D will increase to EUR 400 million in 2025, compared to the EUR 330 million planned for 2022 and the EUR 280 million invested in 2019.
- In 2025, investment and purchases of goods and services will contribute to sustaining around 500,000 jobs worldwide. Approximately 20,000 new hires are foreseen within the Group during the period covered by the Plan.
- Increased training hours per employee, which are already four times higher than the European average.
- Commitment to gender equality: Iberdrola has increased its target for the amount of leadership positions held by women to 30%, compared to the current target of 20%, and aims to reduce the pay gap to less than 2% in 2025.
- Iberdrola will continue implementing corporate governance best practices — it will triple its cybersecurity activity and ensure that at least 75% of its suppliers have sustainability policies by 2025.
2020-2025 Strategic Plan

Enabling a sustainable dividend policy

In the context of growing investment, shareholder remuneration will increase in line with profits and the minimum pay-out will rise from EUR 0.40 per share in 2020-2022 to EUR 0.44 per share in 2023-2025.

In a strong growth scenario, shareholder remuneration will grow in line with results

- Pay-out between 65% and 75% of EPS (our earnings estimates would lead to a DPS in the range of approx. 0.53-0.56 in 2025)
- Increasing DPS floor: 2020-2022: 0.40 Eur/share, 2023-2025: 0.44 Eur/share (+10%)
- Maintaining optionality for shareholders with the “Iberdrola Retribución Flexible” program, including share buy-back

The company will continue to run the Iberdrola Retribución Flexible (Iberdrola Scrip Dividend) scheme and its share buyback programme — both of which prevent equity dilution.
In a strong growth scenario, the company’s remuneration minimum pay-out will rise from EUR 0.40 per share in 2020-2022 to EUR 0.44 per share in 2023-2025. In the context of growing investment, shareholder remuneration will increase in line with profits and the programme — both of which grow in line with results.

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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.

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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,” “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 Commission 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.

This document also contains pro forma statements, estimates, projections and other forward looking statements as to the financial and operational data of the Iberdrola group on a combined bases, including the impact of anticipated investments and capital expenditures, Avangrid’s pending acquisition of PNM Resources, as well as other potential unidentified acquisitions and transactions. In addition to the other statements made herein by way of disclaimer as to any estimates, projections and forward-looking statements, including as to the sources and exercises whereupon they are based, the reader is informed that Iberdrola has not used or relied on any non-publicly disclosed information received by Iberdrola or Avangrid from PNM Resources and the reader is further reminded that the merger and acquisition of PNMs Resources by Avangrid is subject to PNMs Resources shareholder approval, regulatory approvals from the New Mexico Public Regulation Commission, the Public Utility Commission of Texas, the Federal Energy Regulatory Commission, the Department of Justice (Hart Scott-Rodino Clearance), the Nuclear Regulatory Commission, the Federal Communications Commission and the Committee on Foreign Investment in the United States, and other customary conditions and there is no certainty that the merger will be consummated in its established terms and foreseen timetable or that it will be consummated at all.