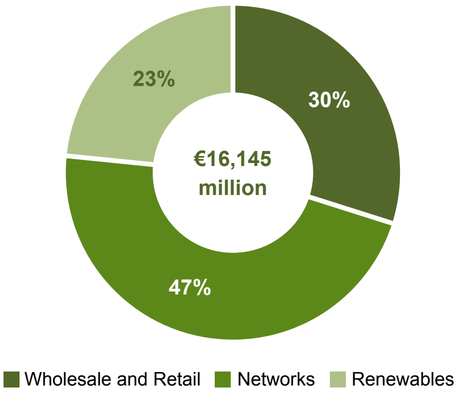
4.1 Financial capital

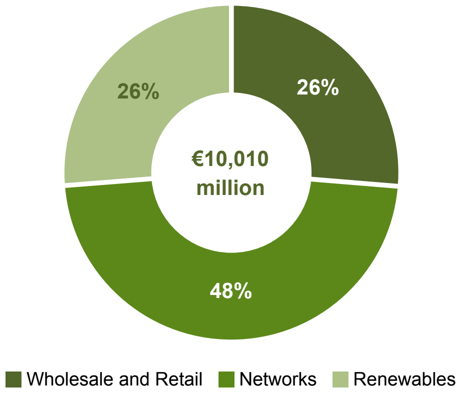
	Management approach	2020 Results	Outlook
Sustainable Growth via green financing	The company has an investment policy consistent with its strategic vision and financial policy. The main goals are: • Ensure a return on capital through projects and investments preferably in regulated businesses or renewable assets. • Increase geographical diversification, with the aim of becoming a leader in the countries in which it operates. For this purpose, and as one of the pillars, green financing will be the main instrument, due to its intrinsic nature (responsibility, guarantee and taxonomy).	• Gross investments of €9,246 million, of which nearly 92% has been assigned to the Renewables and Networks businesses. This is a record figure, representing 13.3% growth compared to 2019. • Investments in Renewables assets increased approximately 43% compared to 2019, mainly driven by the acquisitions of Infigen in Australia and Aalto Power in France. • In Generation, approximately 3.0 GW of capacity has been placed into operation since the beginning of 2020, 2.9 GW of which is renewable. • Operating Cash Flow reached €8,192 million.	• Iberdrola will accelerate its growth with gross investments of €75,000 million1 over the 2020-2025 period, with an annual average organic investment of €10,000 million in 2020-2022 and €13,000 million in 2023-2025 (compared to €7,000 million in 2017-2019). 90% of the organic investment will be in regulated or renewable activities. • By businesses, Networks will absorb 40%, or €27,100 million, increasing around 1.5 times the value of its regulated assets by 2025, to approximately €47,000 million. In Renewables, the company will have some 60 GW by year-end 2025. • Investment in Europe and the United States will account for 85% of the total (51% Europe and 34% United States).
Strength of the financial structure	• Iberdrola considers financial strength to be an essential factor that allows it to successfully face potential turbulence in the markets and to be in a position to exploit growth opportunities in the countries in which it does business. • The financial policy seeks the consolidation of strong solvency ratios, balancing an increase in debt with the generation of additional cash flow from new investments. • The debt structure is in line with the profile of the business, which is mostly regulated, and the composition thereof reflects the results obtained in the relevant currencies.	• Gross margin of €16,145 million. • Reported net profit of €3,611 million (+4.2%), excluding the impact of COVID-19(-€238m), as well as the extraordinary items booked in 2019 and 2020, adjusted net profit would be €3,849 million (+9.7%). • Reported EBITDA of €10,010 million, negatively impacted by exchange rates (€487m). Excluding non-recurring effects, adjusted EBITDA increased by 3.0%. • Adjusted net financial debt stood at €35,142 million, down €2,395 million during the year; operating cash flow, cash inflow from the divestment of Siemens Gamesa and the devaluation of currencies as a result of changes in the exchange rate, which cannot be managed at the debt level, more than offset the group's investment effort. • Liquidity of €17,500 million (including subsequent events), which covers more than 24 months of financing needs (excluding the payment for the purchase of PNM).	Increase in investments, optimisation of capital and the implementation of further efficiency measures will allow the company to achieve its ambitious goals: • EBITDA of approximately €15,000 million by 2025, which means annual growth of 6-7% since 2019. Approximately 80% of this EBITDA will come from the Networks and Renewables businesses by 2025. • Net profit will reach approximately €5,000 million by 2025, increasing by €1,500 million at an annual rate of between 6% and 7% since 2019. • Active management of the liquidity position to cover financing requirements equivalent to 18 months in the risk scenario. • FFO / Net Debt approximately 22% throughout the period, reflecting the strong financial position.
Sustainable results and dividends	• Iberdrola offers its shareholders and other Stakeholders, through the bylaw-established social dividend, an enterprise for the long-term creation of value. The confidence of its shareholders allows Iberdrola to secure the resources needed to move its enterprise forward while offering the shareholders an attractive and sustainable return.	• Shareholder remuneration of 0.42 euro per share, equal to a dividend yield of 3.46%. • Flexible dividend offering tax benefits, the repurchase of shares to avoid dilution, adding the cash payment option.	• Due to the strength of the results obtained, and maintaining its commitment to increase shareholder return in line with results, the Board of Directors will propose at the General Shareholders' Meeting remuneration of €0.42 euros per share, an increase of 5%, charged to 2020 profits. • In the plan, remuneration will continue to increase in line with results. Therefore, a rising floor is set for the dividend of €0.40 euros per share until 2022 and €0.44 euros per share until 2025, although the results forecasts point to a dividend per share of approximately 0.53-0.56 euro per share in 2025. • The pay-out ratio is maintained at between 65% and 75%.
Operational excellence	• Notwithstanding the high efficiency levels that have been reached, the company believes that there is still a margin for improvement, helped by investments in digitalisation and innovation. • The implementation of best practices in all areas will allow for additional savings and an increase in synergies at the global level.	• Net operating expenses decreased 0.4% to €4,314 million, +5.2% excluding the exchange rate effect. This increase is mainly explained by the effects of growth, especially due to East Anglia ONE, Infigen and Aalto Power.	• We anticipate a cumulative saving of €1,500 million between 2020 and 2025 as a result of the improvements in progress, which will have the effect of reducing the net operating costs / gross margin ratio to below 25% by 2025. • Of this figure, €1,000 will materialise between 2023 and 2025.

Create value for shareholders with sustainable growth

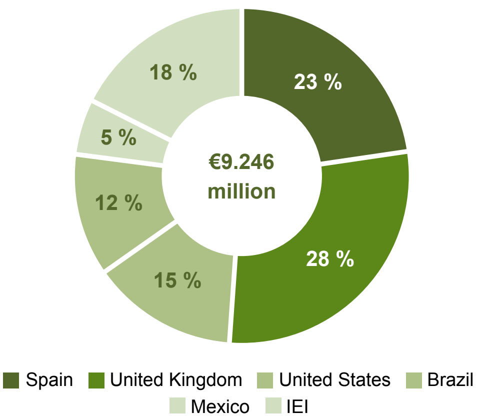
Gross margin by business 2020



EBITDA by business 2020

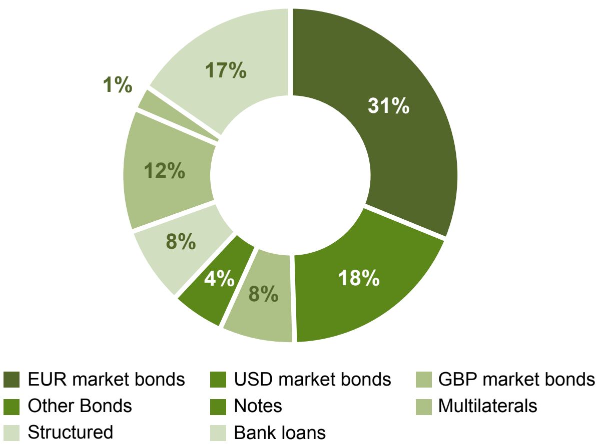


Gross investment by geographical area 2020

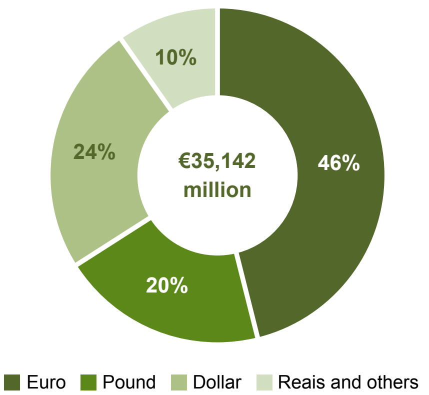


Diversification of investments, with a heavy concentration outside of the euro zone.

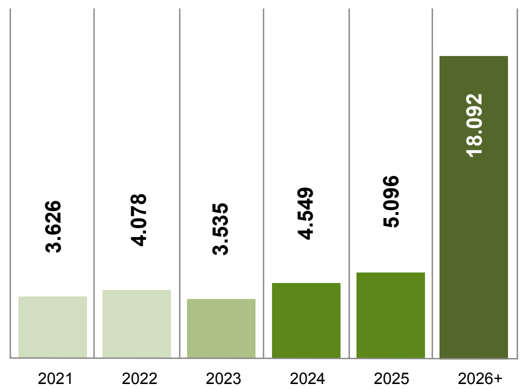
Gross financial debt 2020 by product type



Structure of adjusted net debt broken down by currency in 2020[1]



Maturity of financial debt (€M)



Comfortable maturity profile. Excludes credit lines.

(1) Debt structured by origin of cash flow earned in each currency. Includes derivatives to hedge net investment.