

**CAPITAL  
MARKETS**  
DAY - 2020



**IBERDROLA**

**SUSTAINABLE  
EVENT**



Committed to:



**SDG**

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# Strategic Vision

**Ignacio S. Galán**

**Chairman & CEO**

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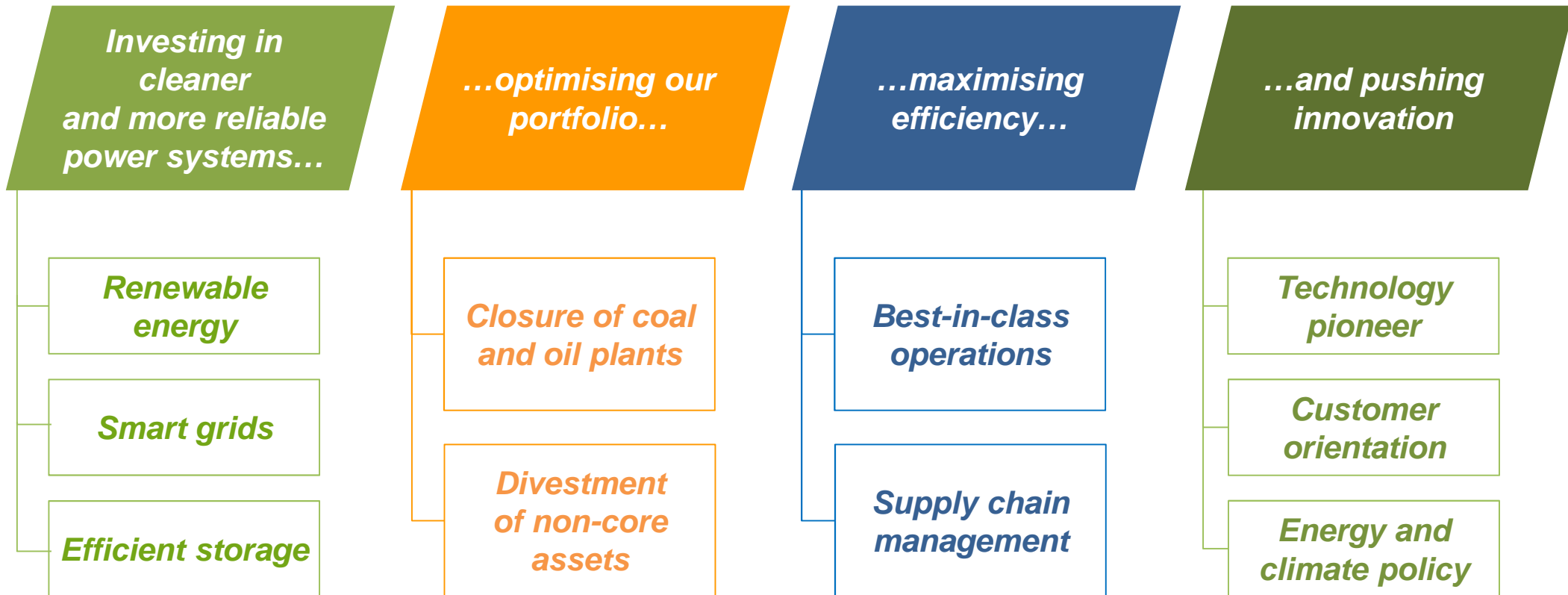
# Iberdrola: Track record and positioning

Iberdrola's building blocks: **social market economy**  
and a proactive contribution to **UN Sustainable Development Agenda...**



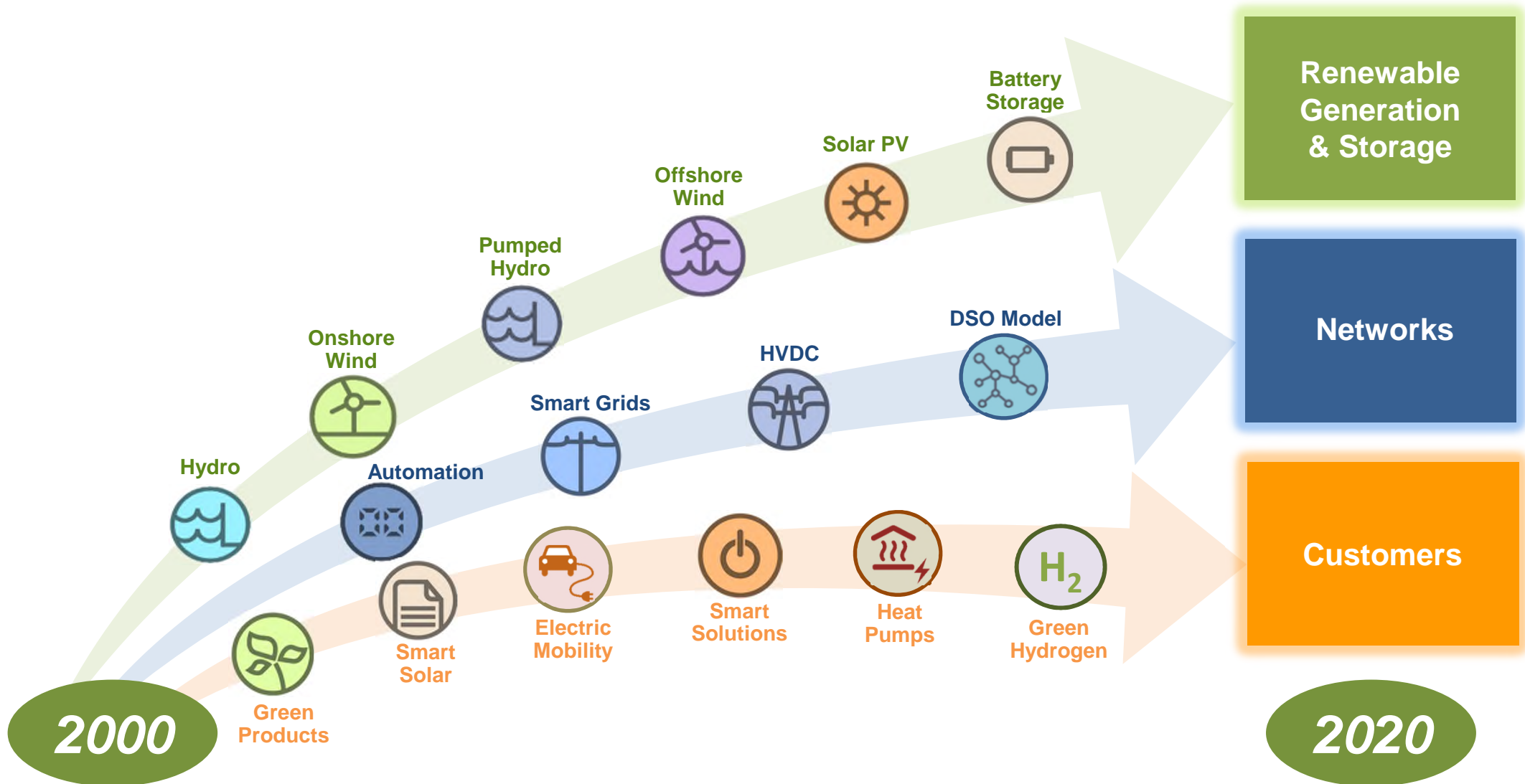
...fully integrated in the **company's strategy** and **corporate governance system**

20 years **anticipating** the energy transition



# Track record and positioning

One **sustainable business model** with **innovative, flexible and efficiency-driven** execution





Increasing **geographical diversification** and maintaining **financial strength**

## *Geographical diversification*

### *Core geographies*

Growth, attractive ratings and ambitious climate policies

### *Expanding to new areas*

Organic growth + “greenfield M&A”

*Track record of successful integration processes*

## *Financial strength*

*Sustained cash flow generation*

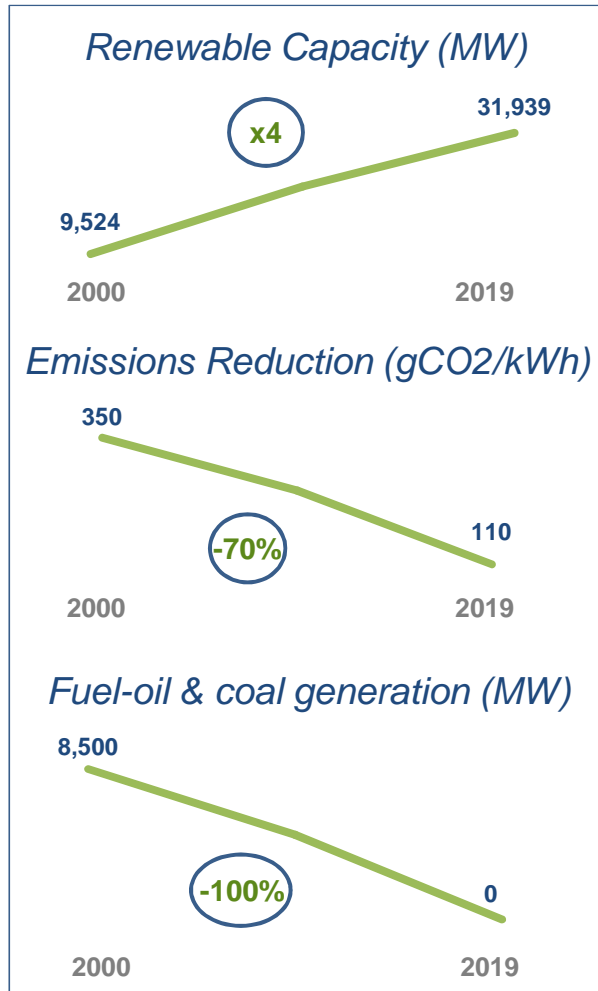
*Green bonds issuing leader*

*Efficient liability management*

*Open access to financial markets and structures*

2000-2020: Constant improvement on **ESG** metrics...

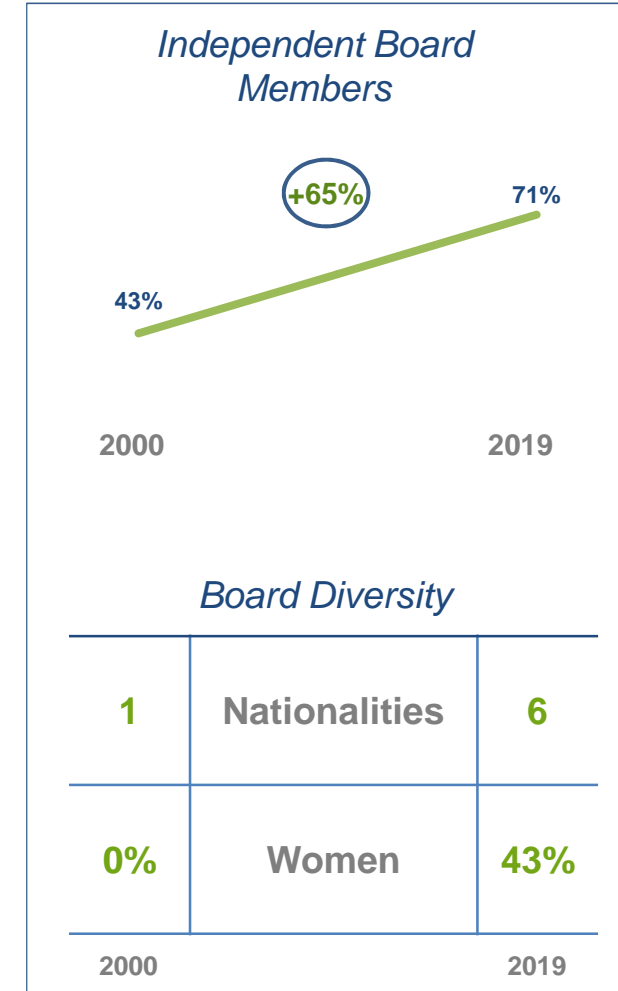
## Environmental



## Social

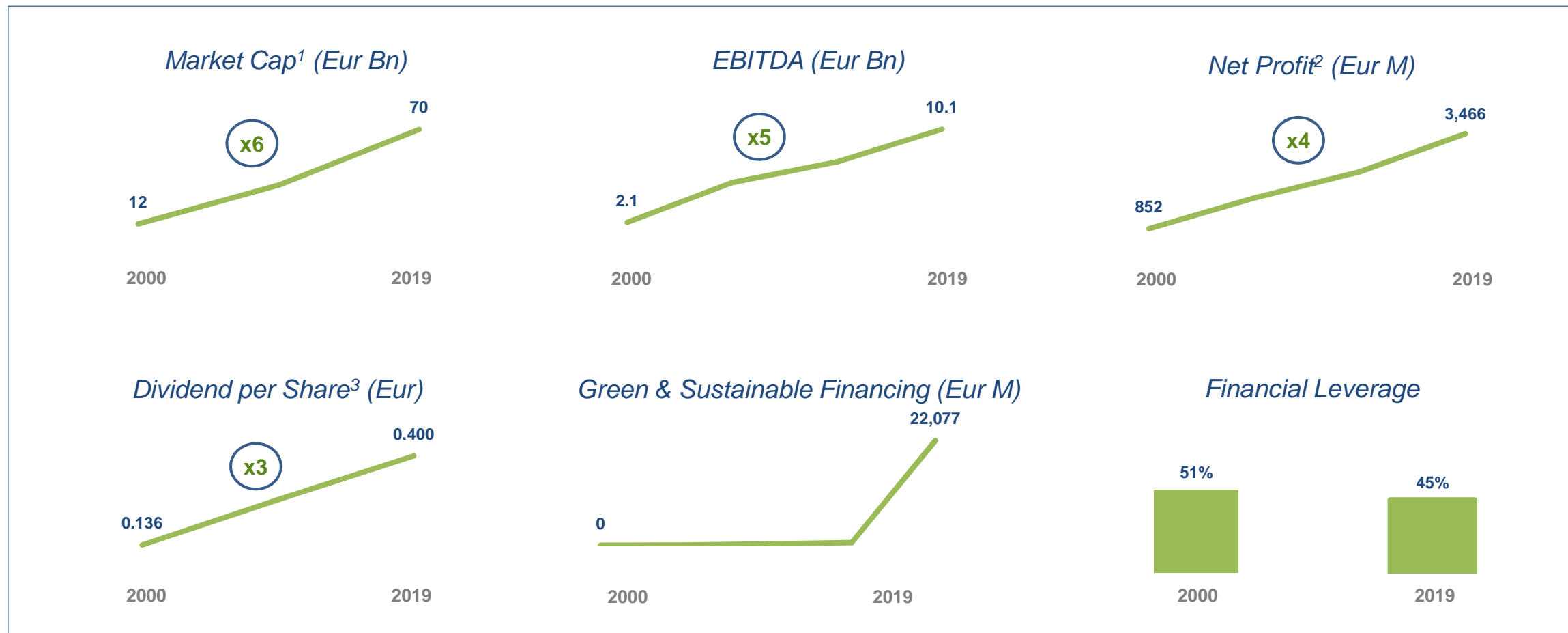


## Governance



...combined with an outstanding 20-year **financial performance (ESG+F)**

## Financial



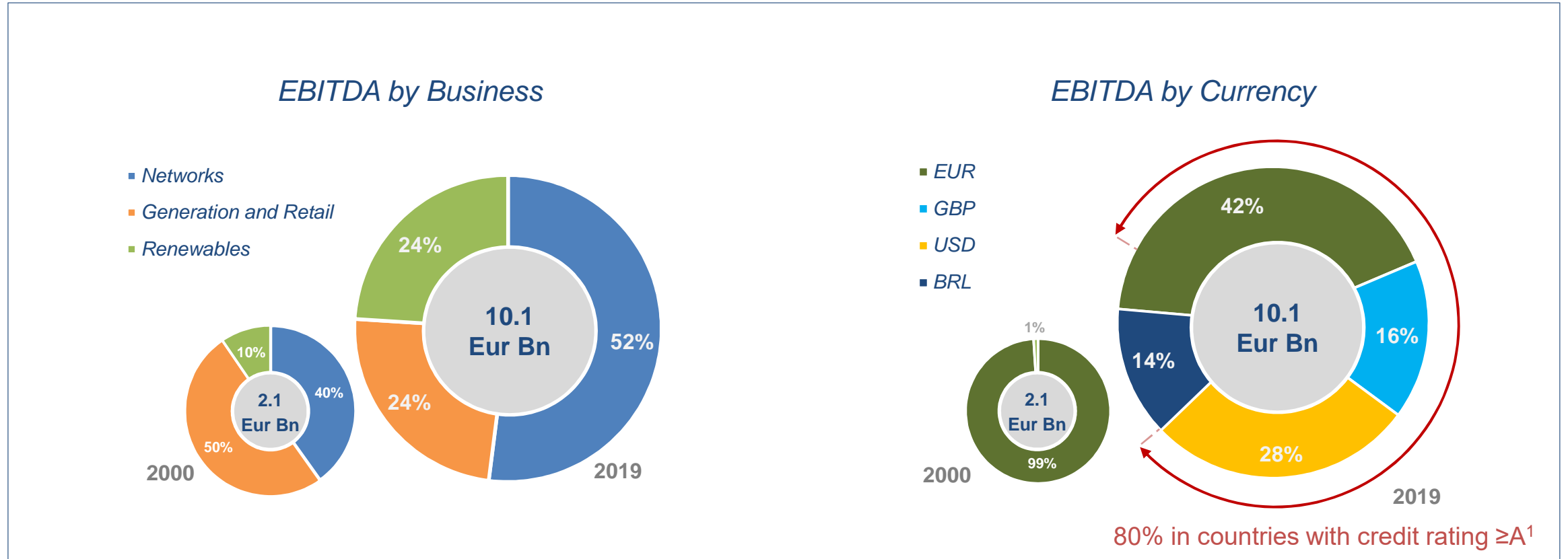
1/ Market Cap as of October 2020

2/ Net Profit 2019 restated for the recognition of the financial cost of the hybrid bond

3/ DPS price announced to be paid on the following year

From a traditional local utility to a **global diversified Group**...

## Financial



...based on **regulated business** and **renewables**

1/ Under Standard & Poor's categorization

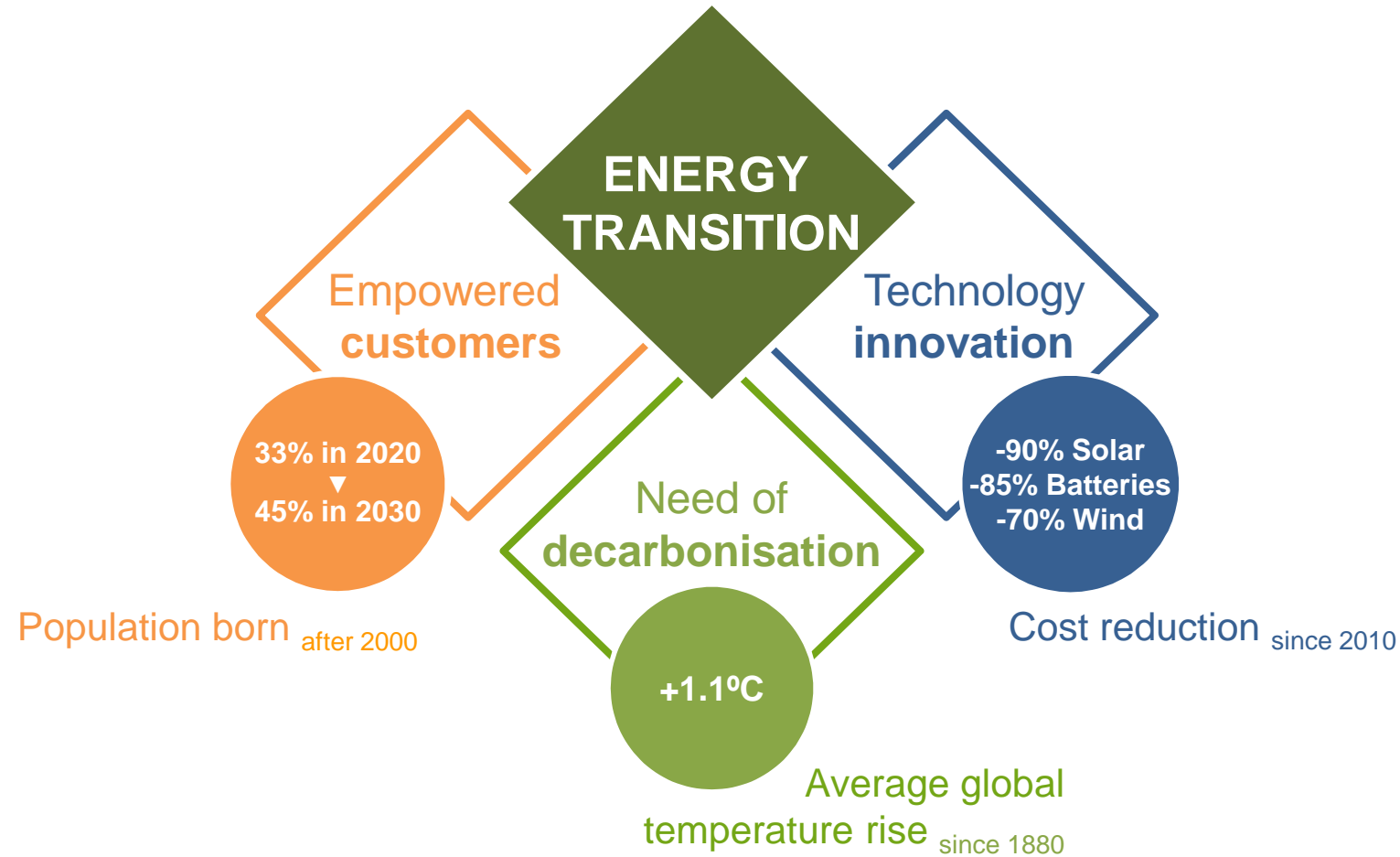
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**A new  
energy context**

## A new energy context

The **driving forces** transforming the energy sector are **strengthening**...

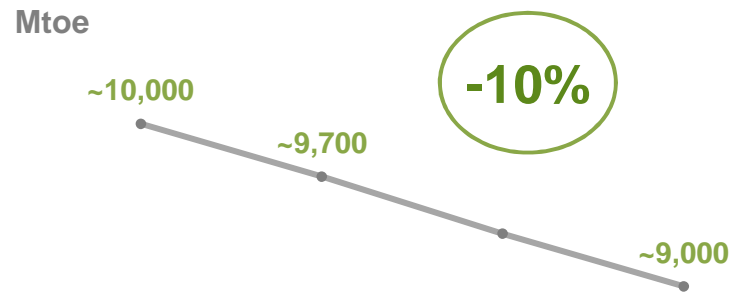


...while **climate action momentum** is growing all around the world

# A new energy context

The **share of electricity** will **double by 2050** increasing overall energy efficiency

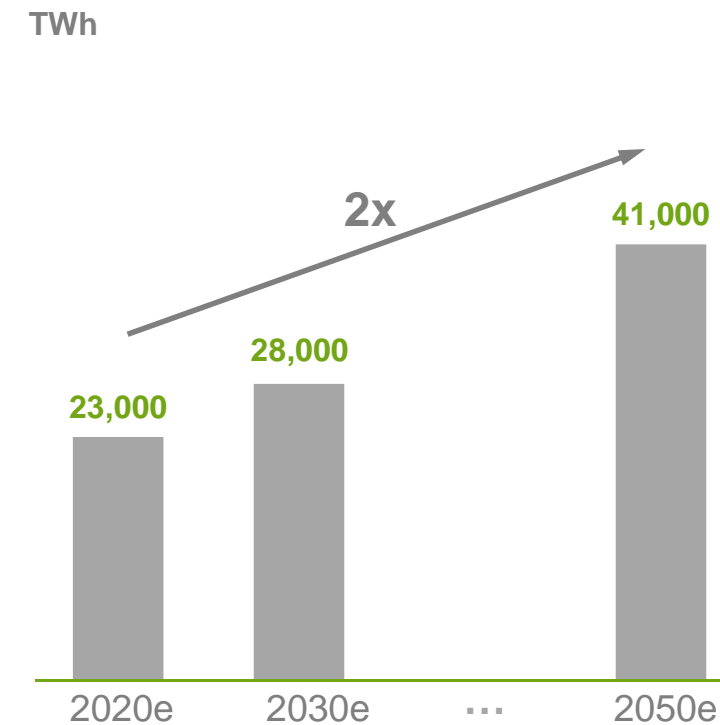
## Total Final Energy Consumption



## Share of electricity as a % of final energy



## Electricity demand



**Green electrification**, key to accelerate the **new energy model**

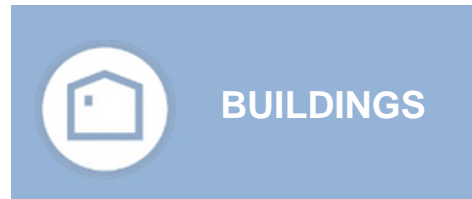
Source: Company data and elaborated from Sustainable Development Scenario. World Energy Outlook 2020, International Energy Agency (IEA)

## A new energy context

Multiplying annual investment by **3x** to **USD ~2.7 trillion** in **2030** (vs USD ~900 Bn in 2020) along all the **electricity value chain**



- Electric Vehicles
- Railway
- Maritime
- ...

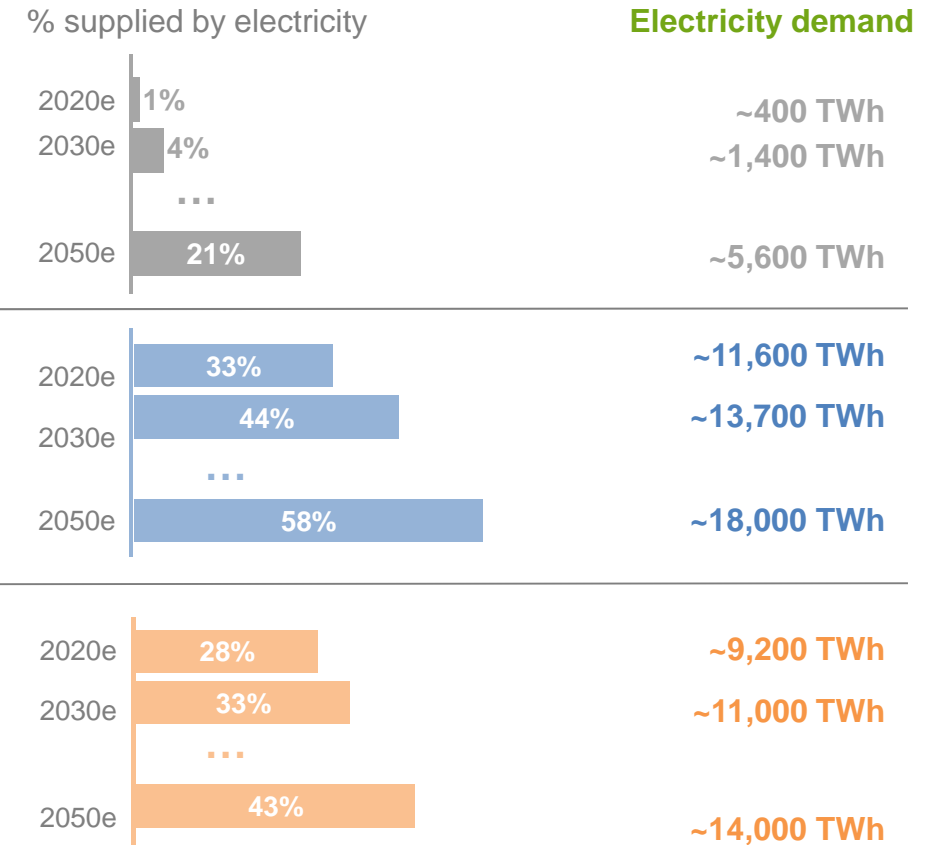


- Heat pumps
- Energy efficiency
- Smart-homes
- ...



- Electrification of processes
- Green Hydrogen
- Efficiency
- ...

### Electrification by sector

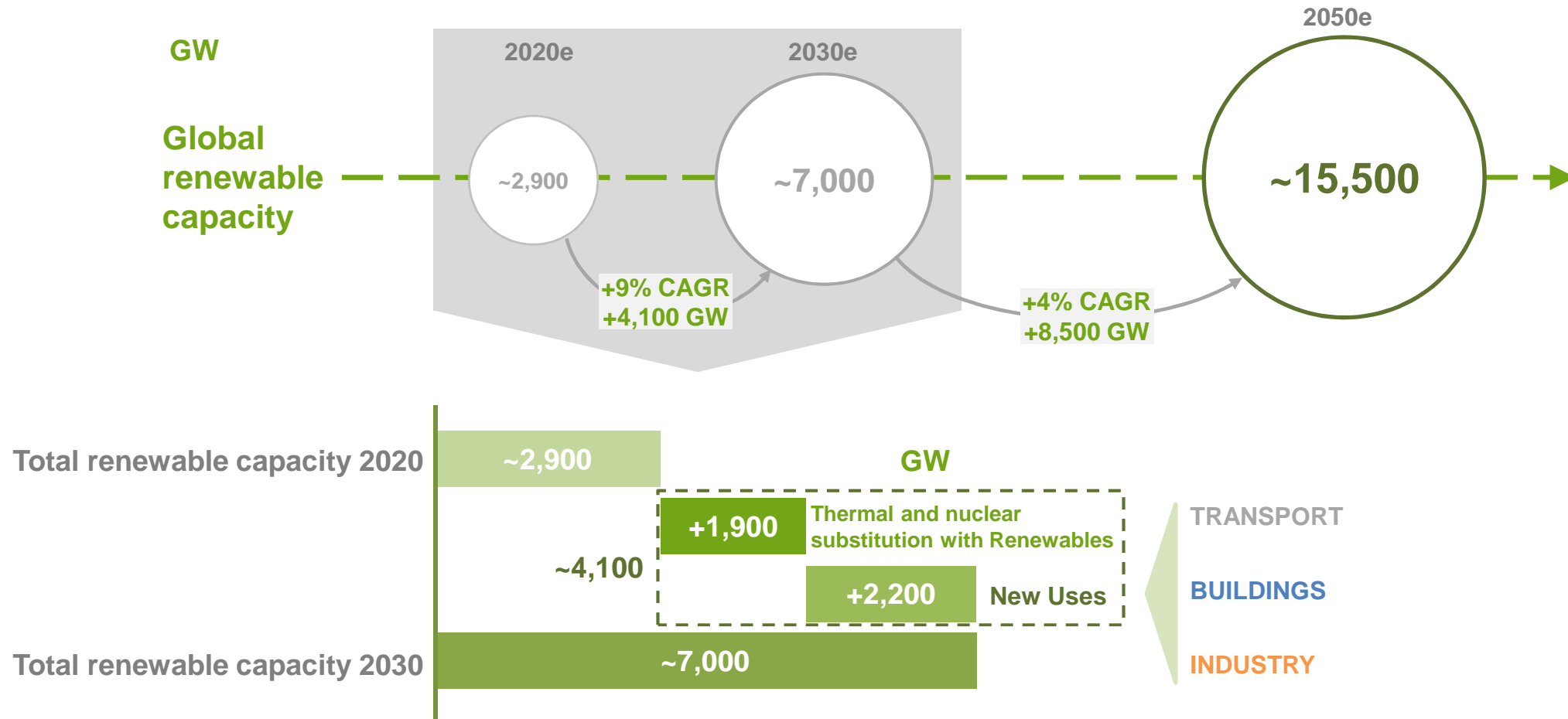


Need of more **power generation and transmission & distribution and storage infrastructures**



# A new energy context

Extensive use of **renewable energy**, at the core of the transition to a **sustainable energy system**...



...driven by **lower costs** and **energy policy targets**

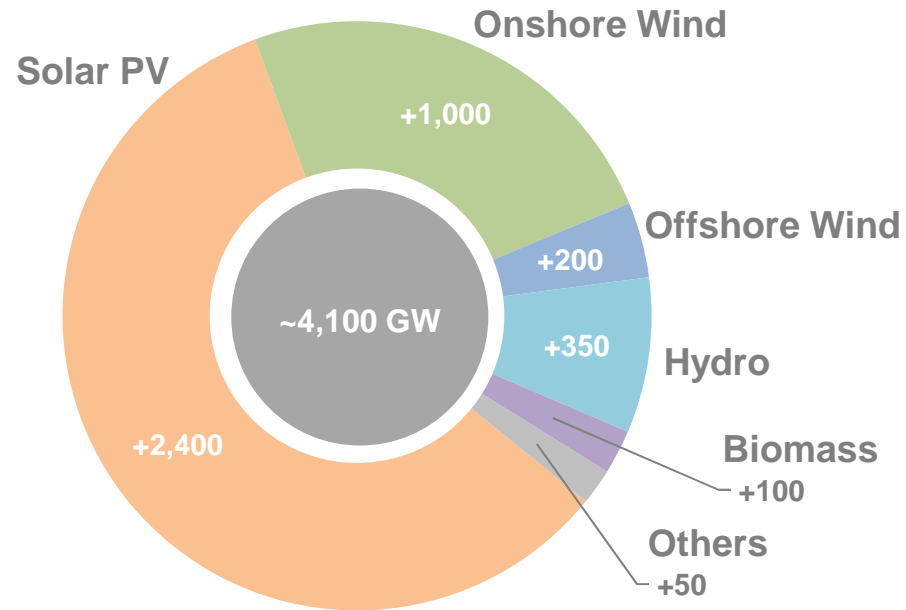
Source: Company data and elaborated from Sustainable Development Scenario. World Energy Outlook 2020, International Energy Agency (IEA)

# A new energy context

Renewable capacity to increase by **~4,100 GW (2.4x)** up to 2030, mostly **solar PV** and **wind**

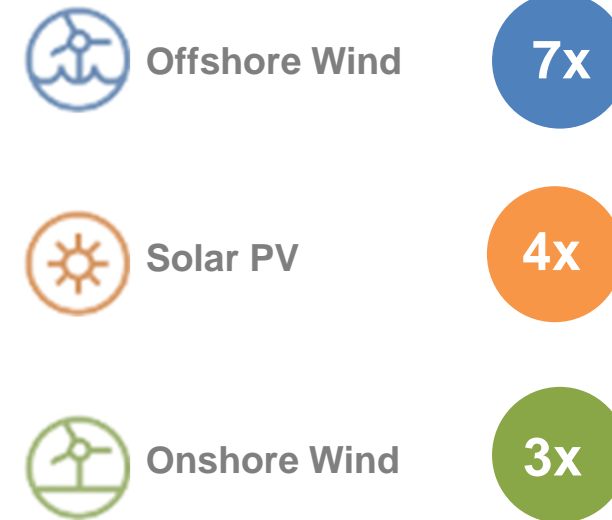
## Additional capacity to 2030e by technology

GW



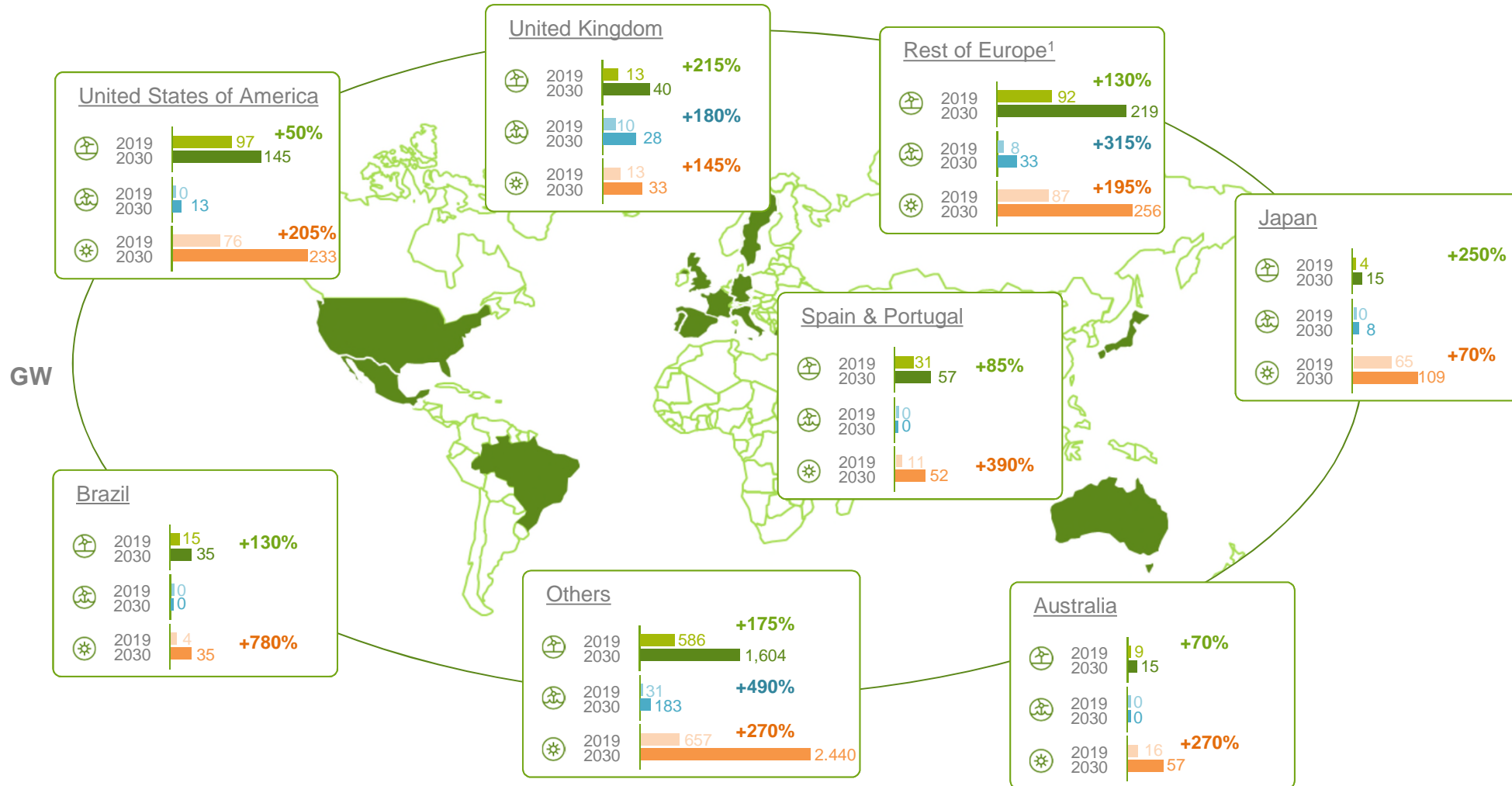
## Capacity growth

2030e vs 2020e



Source: Company data and elaborated from Sustainable Development Scenario. World Energy Outlook 2020, International Energy Agency (IEA)

## Global **renewable** growth, a common trend in all geographies



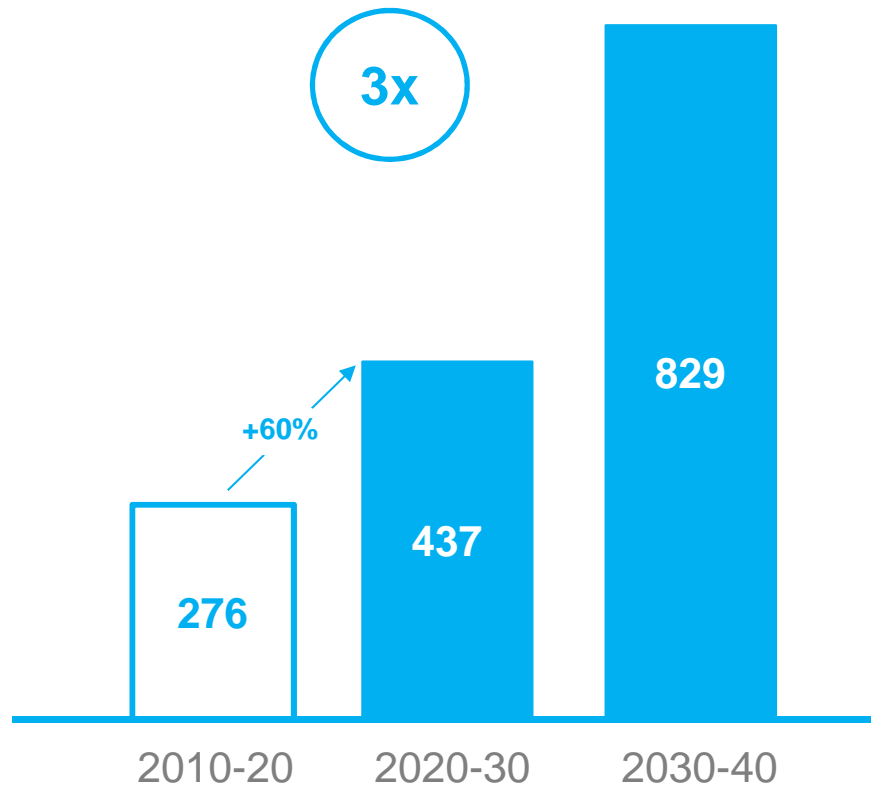
<sup>1/</sup> Rest of Europe includes France, Germany, Italy, Sweden, Hungary, Romania, Cyprus and Greece  
Source: Company data elaborated from Bloomberg NEF "New Energy Outlook 2019"

## A new energy context

Unprecedented level of investment in **Transmission & Distribution Networks...**

### Annual average global investments in Networks

USD Bn



...driven by:

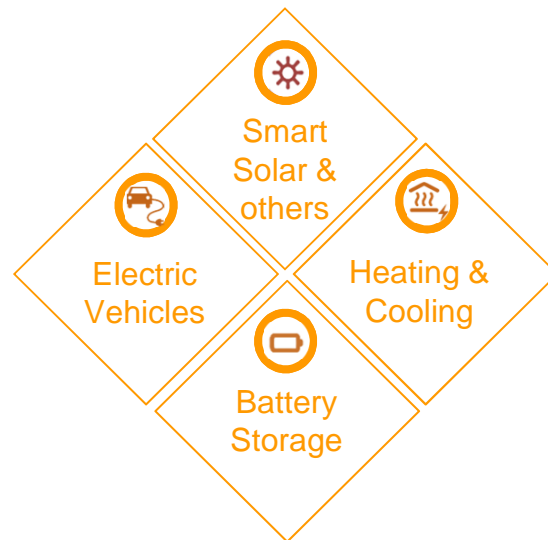
- New interconnections
- Increasing need of **renewables integration**
- **Smart grids**
- **Maintenance and reinforcement requirements**
- Measures to **increase efficiency** and to **minimise the environmental impact**

# A new energy context

**Customers**, at the core of the transition: **electrification** of **energy demand** and **new services**...

## Residential Customers

Placing customers  
at the heart of the transition



## Industrial & Commercial Customers

Increasing use of electricity  
in **industrial processes**

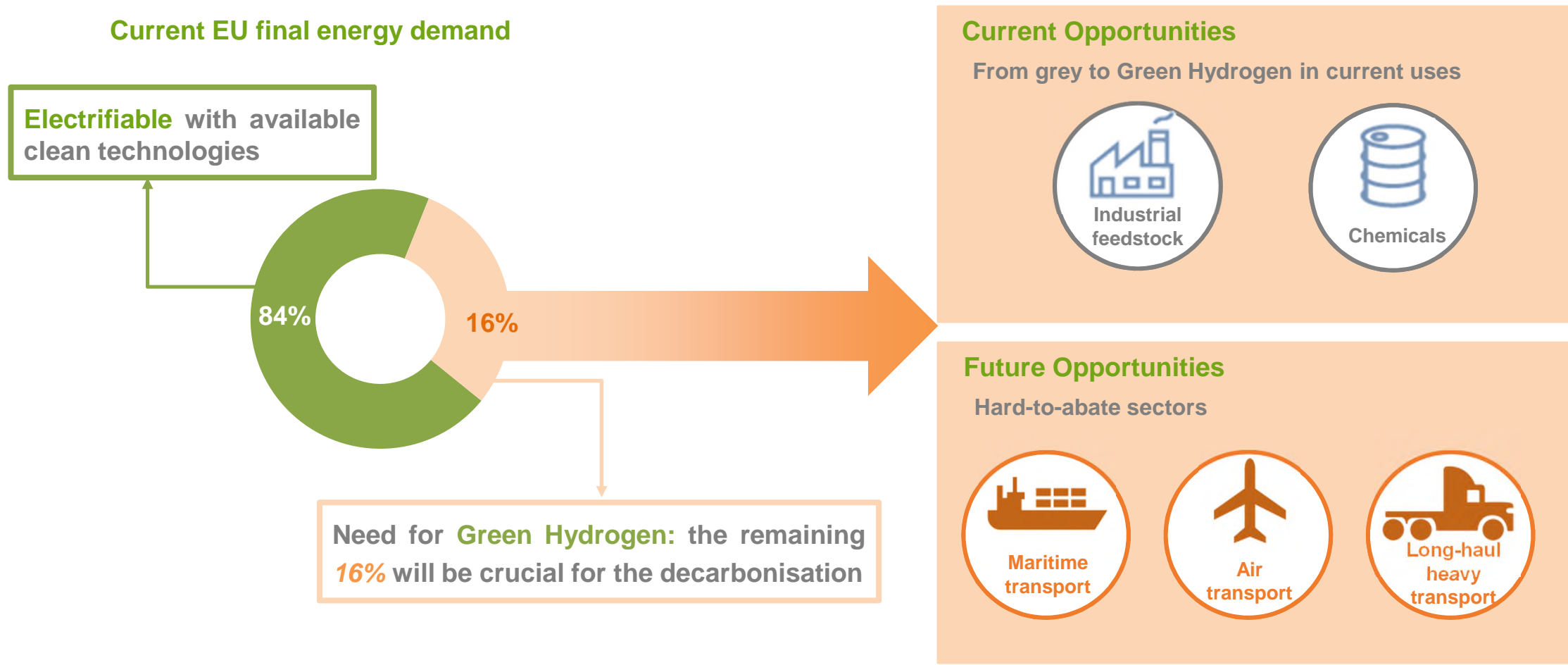
-  Energy efficiency
-  Electrification of processes
-  Smart Solutions
-  Green Hydrogen

Access to **customers** as an opportunity to offer **additional services**

...accelerated by **technology**, **digitalisation** and **efficiency**

# A new energy context

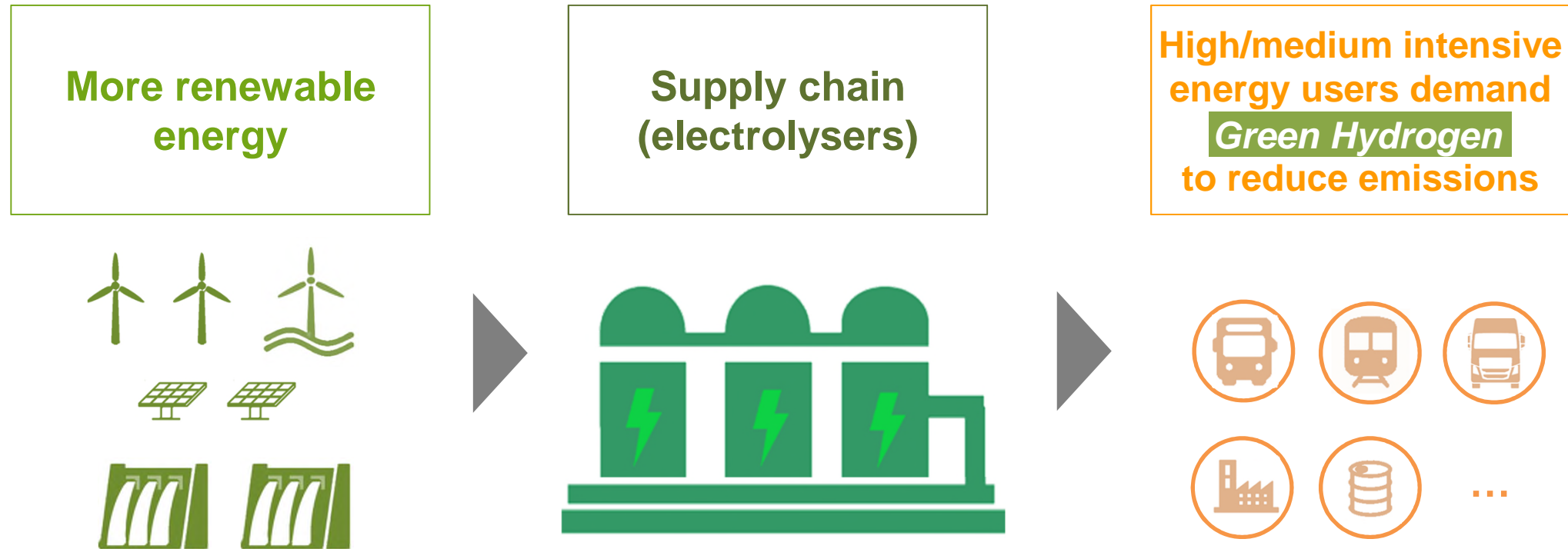
## Green Hydrogen, key to decarbonize **industrial uses** and hard-to-abate sectors



Source: Elaborated from data corresponding to Europe energy demand (EUROSTAT)

## A new energy context

Production of **Green Hydrogen** will boost **renewable energy**:

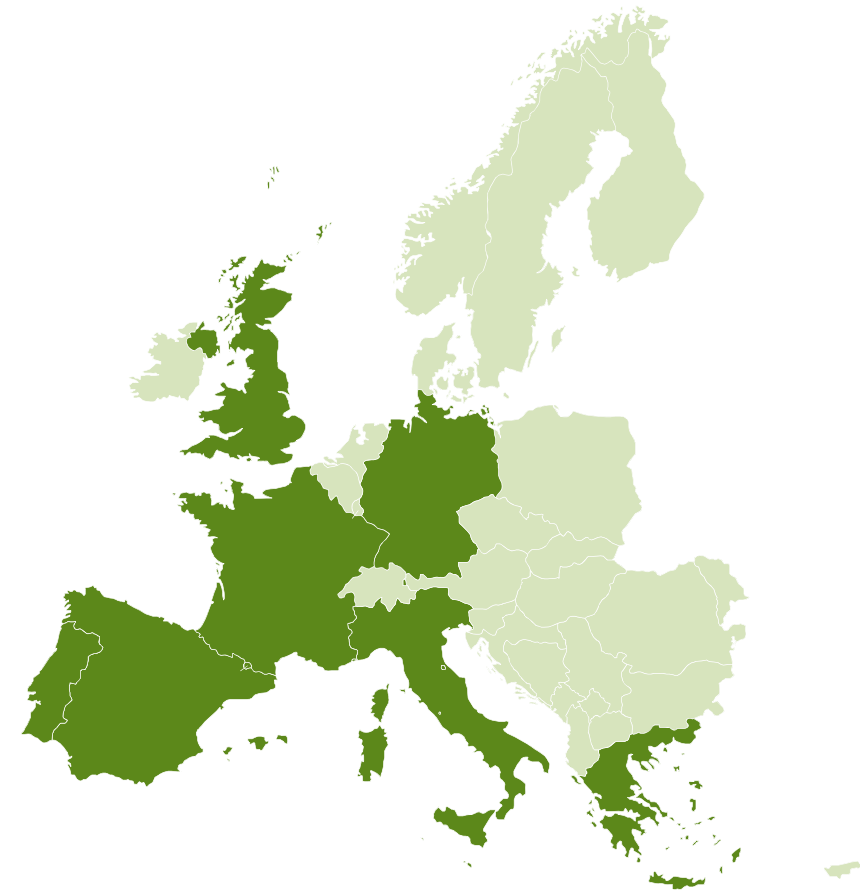


Replacing all **grey hydrogen** in the world would require **3,000 TWh/year<sup>1</sup>** from **new renewables**

<sup>1</sup>/ Equivalent to current demand of Europe

## Increasing need for Storage...

UK	~7 GW batteries (<2h) by 2030
Germany	18 GW batteries by 2035, mostly linked to distributed PV
France	1.5 GW pumped-hydro by 2030-35
Portugal	0.5 GW by 2030
Spain	6 GW by 2030 (NECP <sup>1</sup> )
Italy	+6 GW pumped-hydro/batteries by 2030 +3 GW of distributed batteries
Greece	+0.8 GW pumped-hydro +1.2 GW batteries



...with several **targets** being implemented across Europe



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# Iberdrola Strategic Outlook

## Consolidating our **successful business model**

### Power decarbonisation



### Networks system integration



### Demand electrification



More  
**Renewable  
Energy**

More  
**Networks**

More  
**Storage**

More energy solutions  
for our **Customers**

Building on the **strategic pillars** that have triggered **2 decades of sustained growth**...

**Geographical diversification:** countries with high rating and ambitious climate policies

**Energy transition:** enabling decarbonisation and electrification

**Efficiency:** continuous drive for excellence

**Portfolio optimization:** contributing to the environmental and financial sustainability of our business model

**Innovation:** laying the foundations for the future



...to **accelerate value creation** for all stakeholders in the **new scenario**

## Focused on countries with aggressive **climate and energy targets**



### Carbon neutrality by 2050

#### EU Green Deal (goals by 2030):

- **Emissions:** -55% (vs 1990)
- **Renewable generation:** 65%
- **Green Hydrogen:** 40 GW

#### Eur 750 Bn Next Generation EU funds:

- **90%** (Eur 670 Bn) focused on **green and digital transitions** and the resilience of national economies



- **Emissions:** -26% to -28% by 2025 (vs 2005)
- **State Carbon Neutrality targets**
- **State Offshore targets in CT, MA, ME, NY, NJ, MD, VA to meet ~28GW by 2035**
- **Renewable Portfolio Standards**



- **Emission:** Net-Zero by 2050 (vs 1990)
- **Renewable gen.:** 50% by 2030
- **Offshore:** 40 GW by 2030



### Energy & Climate Integrated plan (2030):

- **Renewable generation:** 74% by 2030 (+22 GW wind; +30 GW solar; +6 GW storage)
- **Electric Vehicles:** 5 million
- **Green Hydrogen:** 4 GW of electrolyzers
- **Green investments:** Eur 241 Bn

#### Eur 140 Bn Next Generation EU funds:

- **37%** focused on the **green transition**



- **Renewable gen.:** 65% by 2030
- **Offshore:** 20GW by 2030; 40GW by 2040
- **Green Hydrogen:** 5 GW by 2030



- **Renewable gen.:** 32% by 2030
- **Offshore:** 5.2 GW by 2028
- **Green Hydrogen:** 6.5 GW by 2030



- **Emission:** Net-zero economy by 2050
- **Offshore:** 10GW by 2030; 37GW by 2050



### Targets:

- **Emission:** -37% to -43% by 2025 (vs 2005)
- **Renewable gen.:** 23% by 2030 (exc. hydro)

#### Energy Expansion Plan (goals by 2029):

- **+24.5 GW wind**
- **+8.4 GW large scale solar**
- **+9.8 GW distributed solar**



### Targets:

- **Emissions:** -28% by 2030 (vs 2005)
- **Emissions:** Net-Zero by 2050 at state level
- **Renewables:** State targets

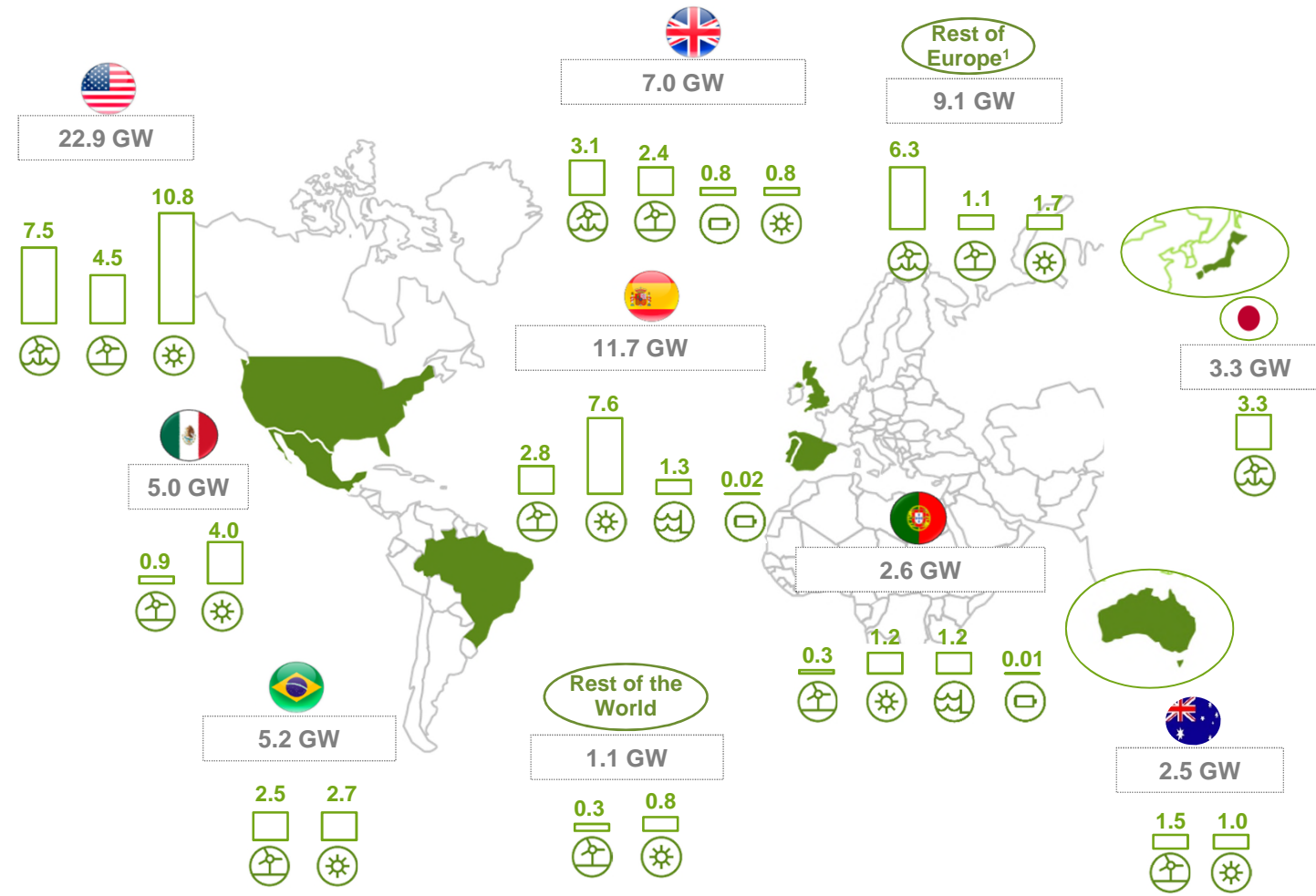
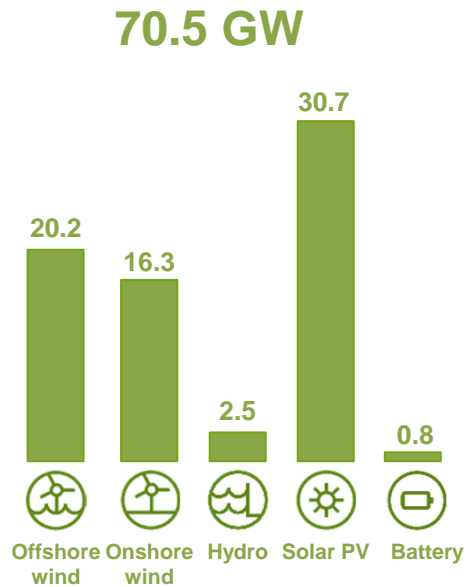


### Other Offshore targets by 2030:

- Ireland: 5 GW
- Poland: 10 GW
- Belgium: 4 GW
- Denmark: 5 GW
- The Netherlands: 11 GW

One of the **largest RENEWABLE pipelines** in the industry: **>70 GW** (~7 GW under construction)...

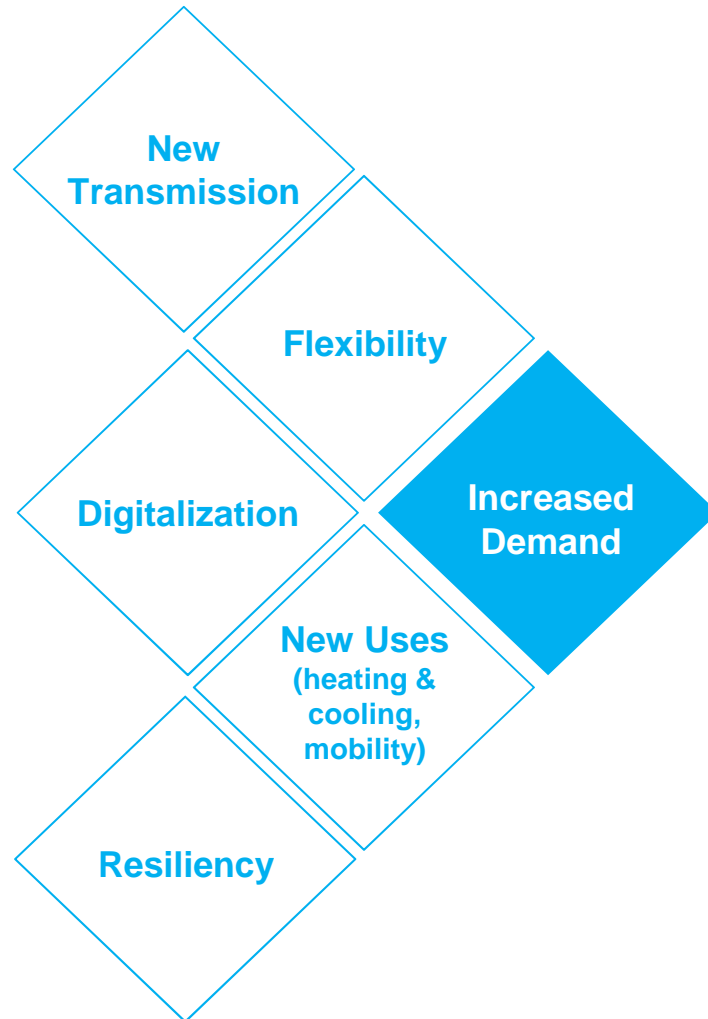
## Renewable Pipeline



...equivalent to **>150 GW** of solar PV pipeline in terms of investment

1/ Rest of Europe includes France, Germany, Italy, Sweden and Greece

**Excellent position** in **NETWORKS**: investment opportunities & stable frameworks



## Networks

- Grid modernization
- Smart Grids and Meters
- New interconnections
- New transmission assets to support state renewable goals
- Improved resiliency vs extreme events



- Demand growth
- Improvement in losses and quality



- Smart Grids and Meters
- Integration of renewables
- New transmission assets



- Smart Grids and Meters
- Integration of renewables
- New transmission assets



- Integration of renewables
- Smart Grids
- Grid reinforcement
- Environmental mitigation

Leveraging on our **CUSTOMER** base to serve **increasing electricity consumption** and develop **new solutions**...

## Customers

Presence in **10 countries**

Consolidated markets



Fast growing



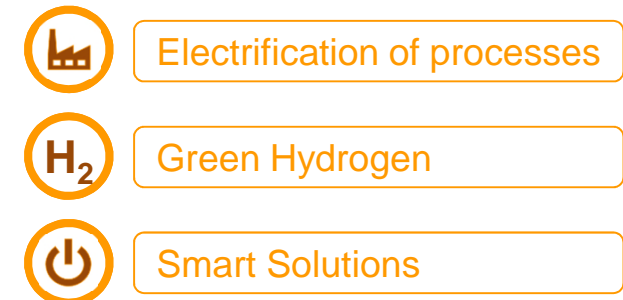
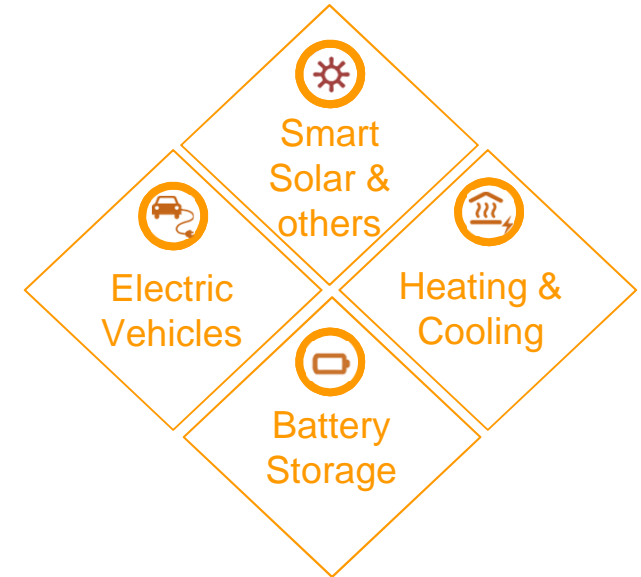
New opportunities



> **40 million**<sup>1</sup> contracts

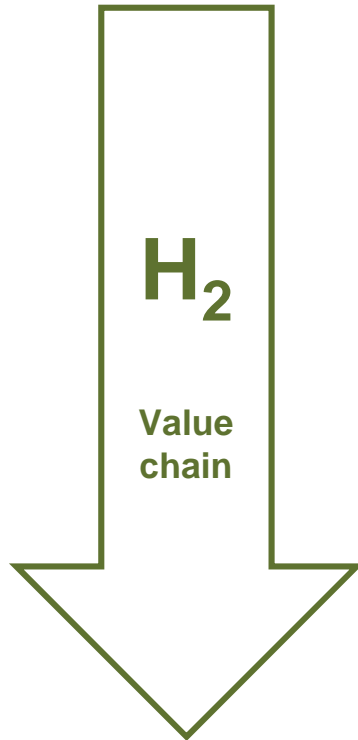
...while growing in **new markets**

## Electricity supply & other solutions



1/ Total Contracts include contracts in the retail business, as well as contracts served under regulated distribution business in US and Brazil.

**GREEN HYDROGEN**, a new growth opportunity for Iberdrola



**Increase the share of renewable energy demand for industrial use**

**Supporting the creation of new manufacturers of electrolysers**

*Industrial alliances with leading companies  
(i.e. Fertiberia, leading European producer of sustainable fertilisers)*



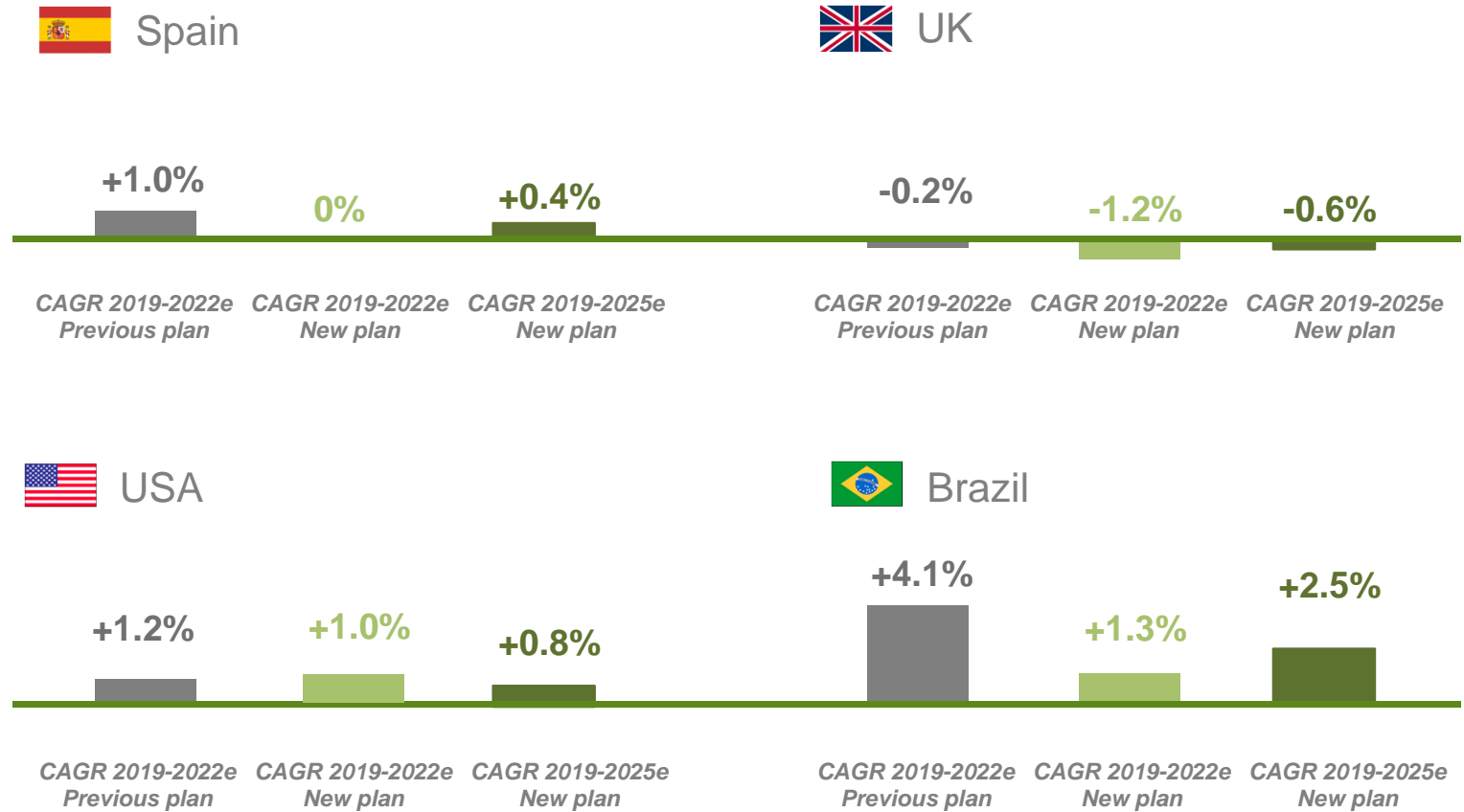
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**Scenario  
2020-2025**

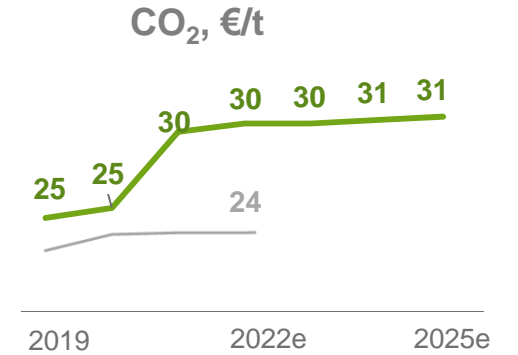
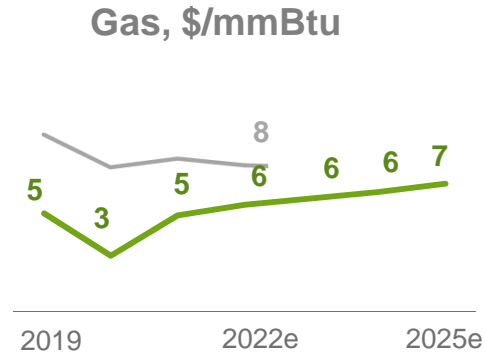
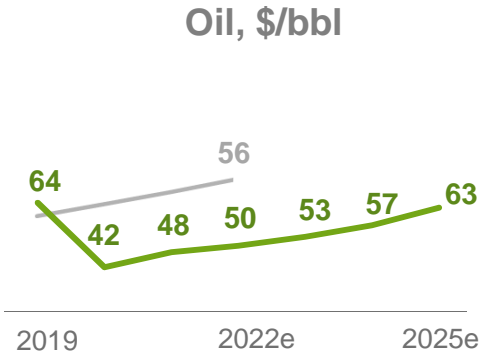
## Electricity demand impacted by the current **health and economic crisis**

Electricity demand growth (CAGR<sub>2019</sub>)

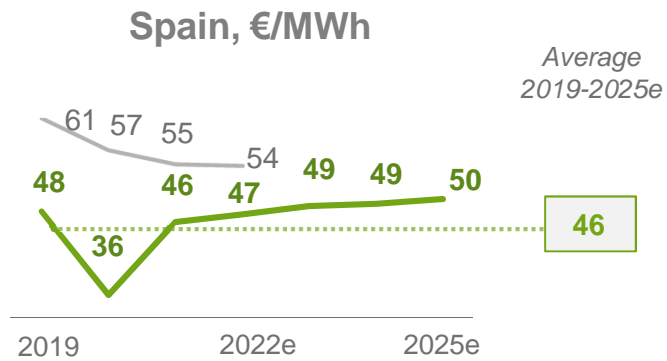


## Lower commodity prices result in lower electricity prices

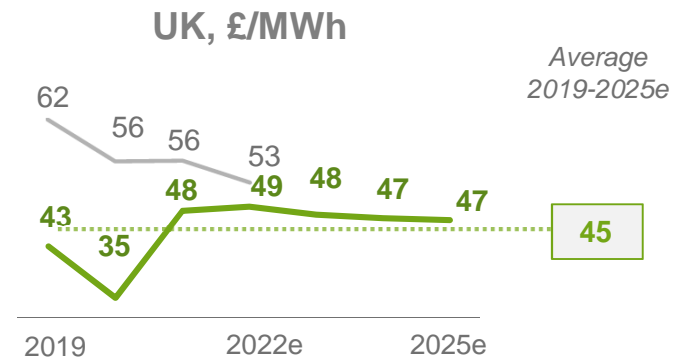
Commodity  
Prices



Power  
Prices



Previous plan 2022 (Feb'19)



New plan 2025





Source: prices derived from market quotations and estimates from analysts (Platts, WoodMac, IHS-CERA, Aurora, US-EIA)

## Depreciation of average FX rates

Average FX rates vs. Euro 2022e



## Decrease of interest rates

Interest rates						
	2022e		2022e			2025e
	Previous plan 3M	New plan 3M	Previous plan 10Y	New plan 10Y		New plan 10Y
	1.25%	-170 bps -0.48%	1.73%	-160 bps 0.15%		0.7%
	2.85%	-255 bps 0.30%	3.00%	-185 bps 1.15%		1.6%
	2.30%	-220 bps 0.08%	2.30%	-170 bps 0.6%		1.2%
	7.50%	-380 bps 3.73%	--	--	--	--

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# Outlook 2020-2022<sup>1</sup>

<sup>1</sup> Includes Iberdrola estimates of PNM Resources

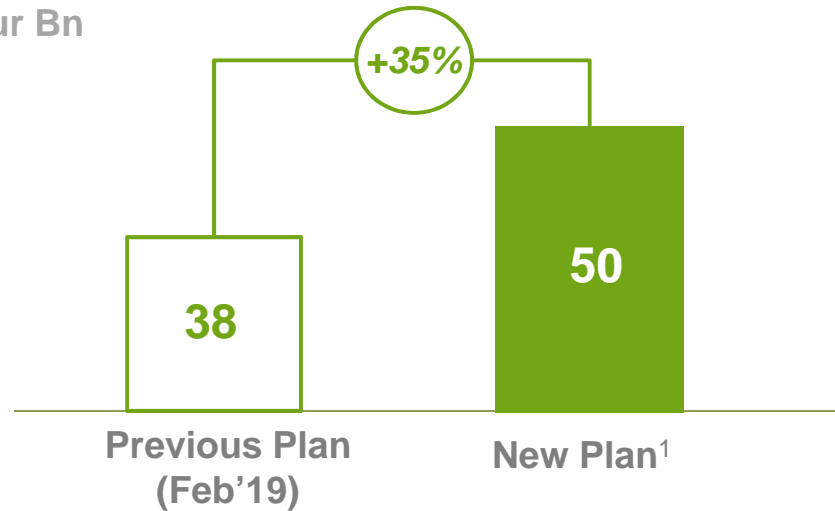
## Increasing investments and efficiency measures...



### Higher Gross Investment

2018-2022e

Eur Bn



- Higher RENEWABLE investments in all geographies, particularly in Spain, IEI and the US
- Corporate transactions already announced: PNM Resources, Infigen and others in France, Japan and Sweden



### Efficiencies

2018-2022e

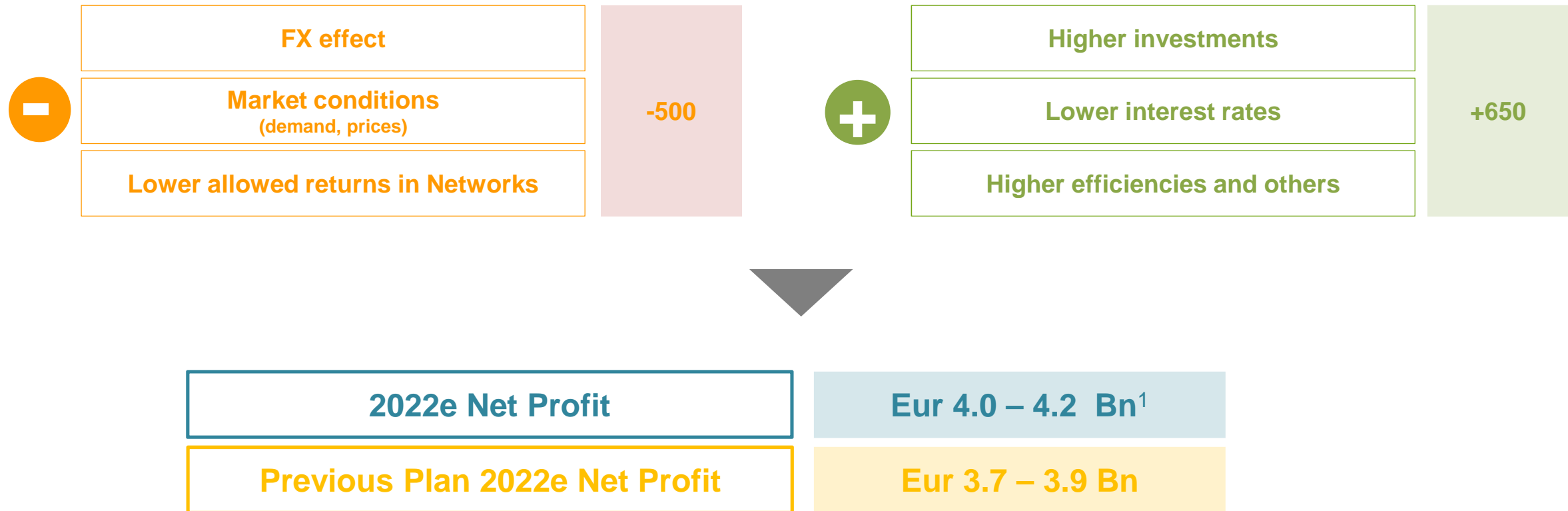
Accumulated Efficiencies 2018-2022e (Eur M)



<sup>1/</sup> Includes Iberdrola estimates for PNM Resources

# Net Profit 2022: Gaps vs. Previous Plan

...offsetting the impact of external factors: increasing 2022 Net Profit Outlook



Shareholder remuneration growing in line with results, with a **floor of 0.40 Eur/share**

1/ 2022e Net Profit Includes Iberdrola estimates for PNM Resources



**CAPITAL  
MARKETS**  
DAY - 2020



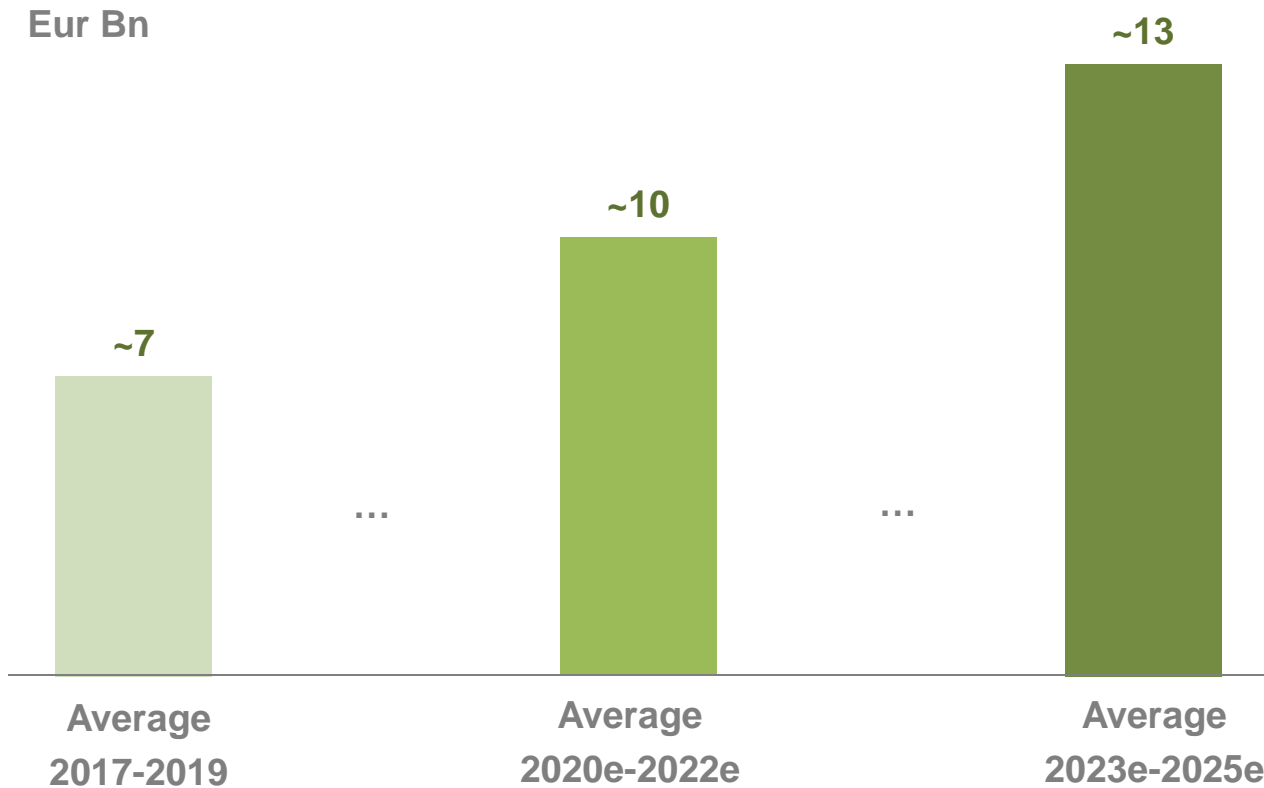
# Outlook 2020-2025<sup>1</sup>

<sup>1</sup> Includes Iberdrola estimates of PNM Resources

Gross investments of **Eur 75 Bn** in 2020-2025 (6 years):

**Eur 68 Bn** of organic investments and **Eur 7 Bn<sup>1</sup>** of PNM Resources transaction

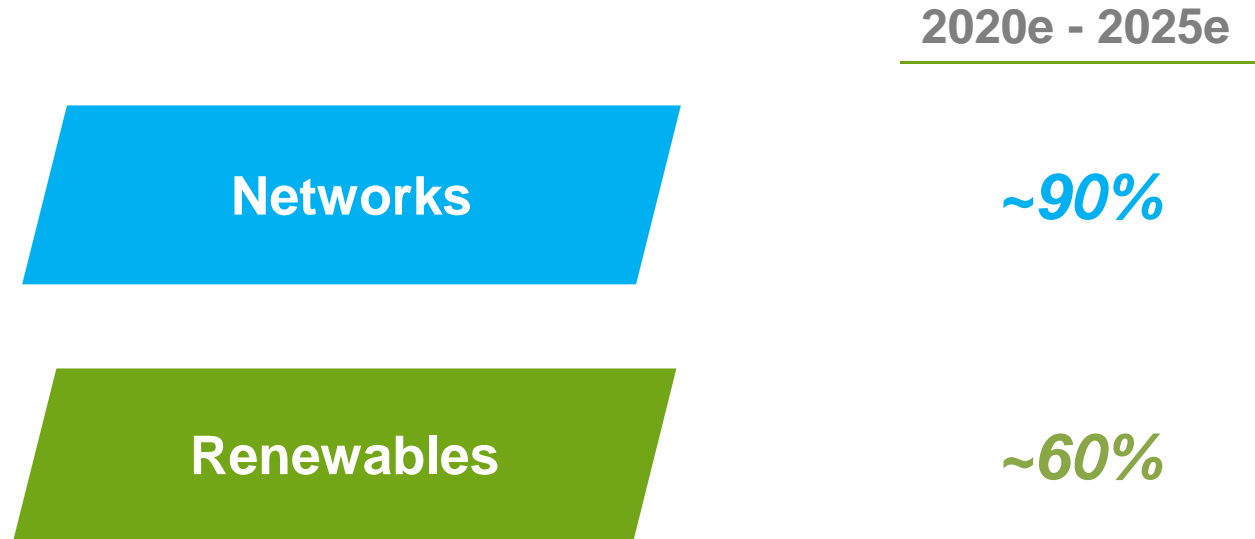
## Annual Organic Investments



**Growth represents 75% of total organic investments (Eur 50 Bn)**

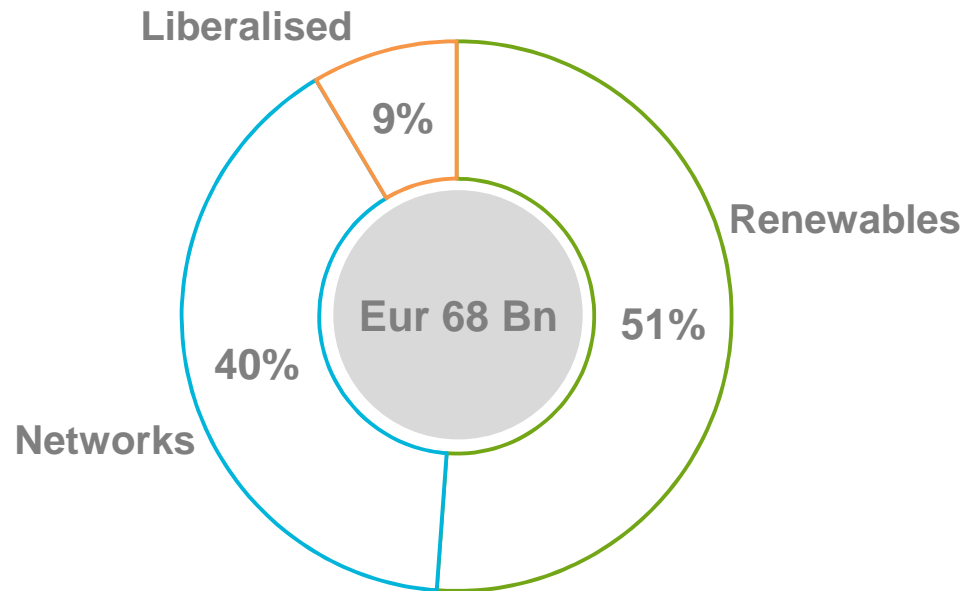
<sup>1/</sup> Iberdrola estimates of PNM Resources transaction investment

**70%** of organic investments up to **2025** already secured

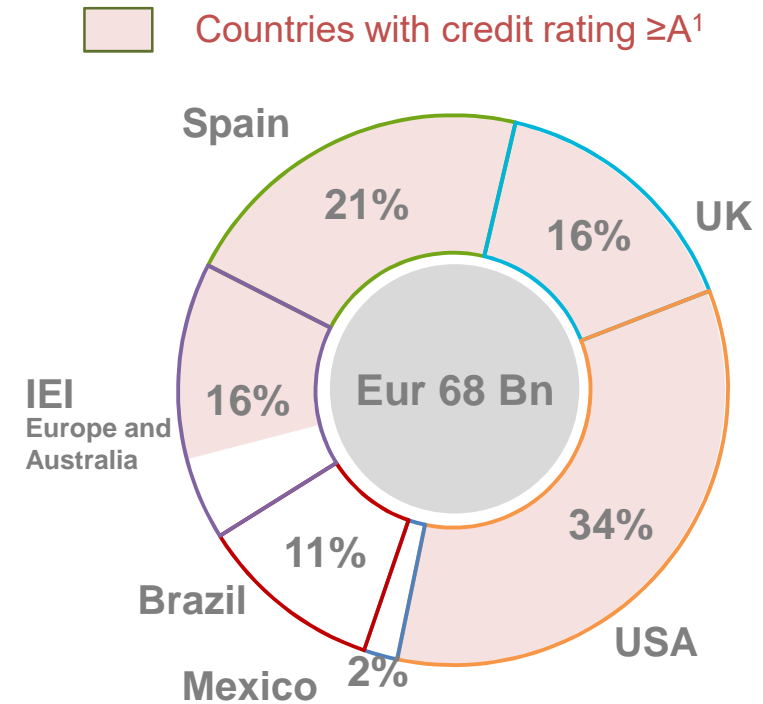


**51%** of investment in **renewables** and **~85%** in **Europe and the USA...**

Gross Organic Investments by Business



Gross Organic Investments by Geography

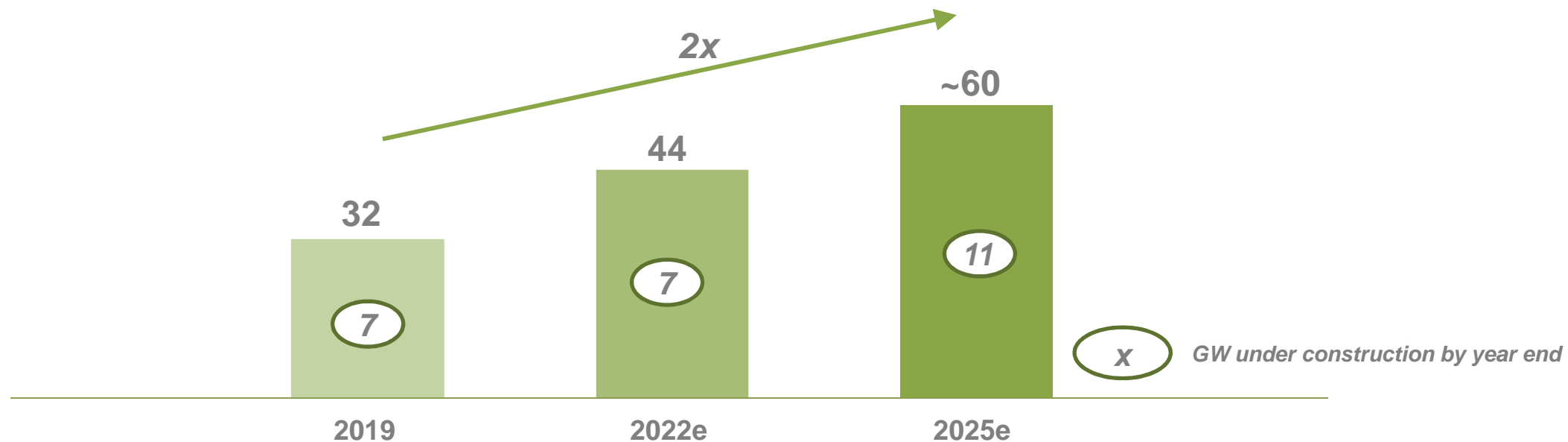


...more than **83%** allocated to **A-rated** countries

1/ Under Standard & Poor's categorization

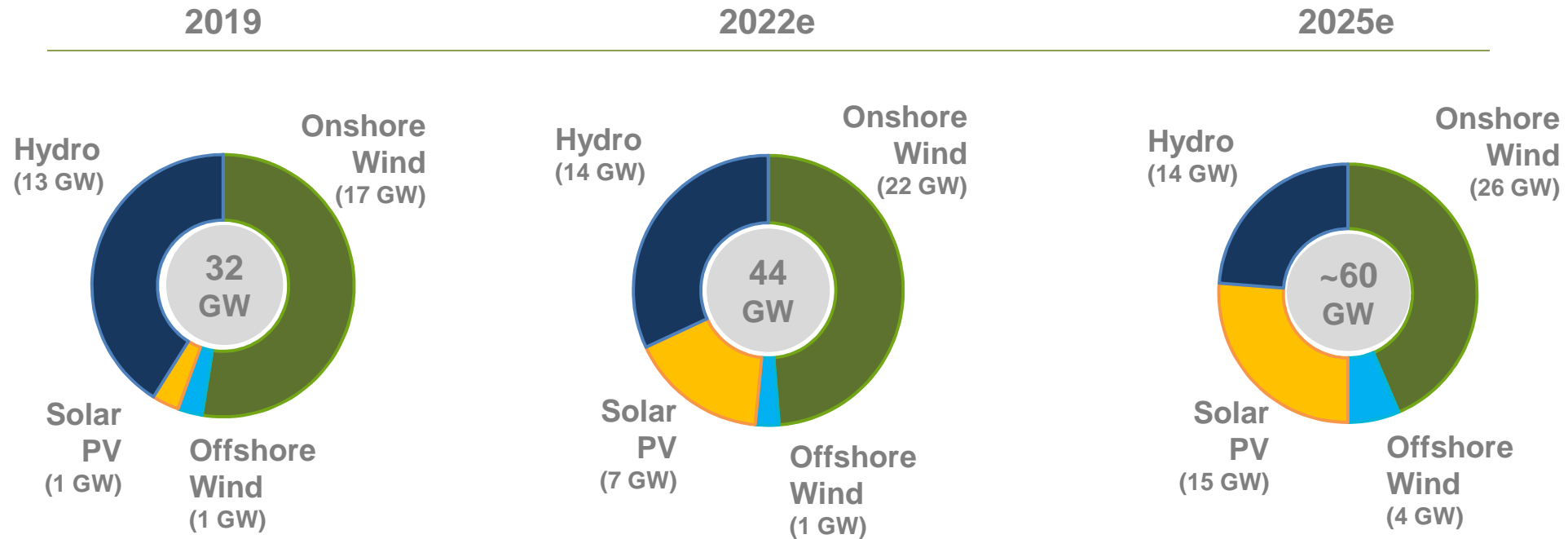
## Renewable Installed Capacity 2x

GW



With more than **20 GW** of capacity in **other generation technologies**

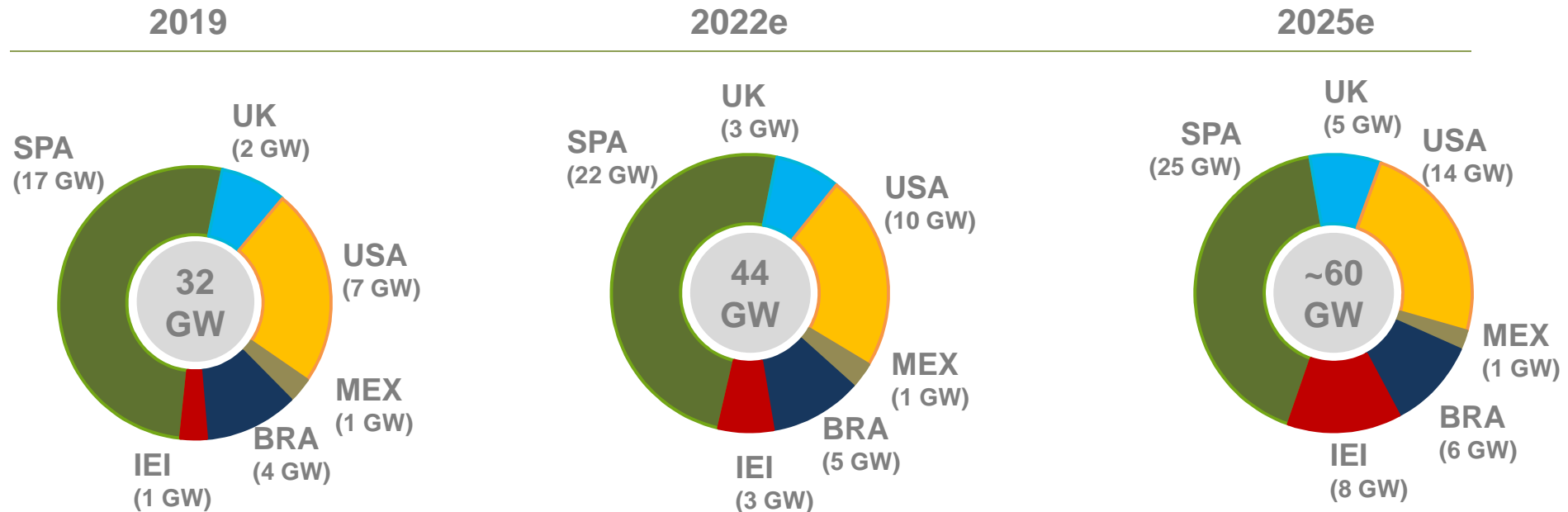
## Renewable Capacity by Technology



**Offshore wind** contributes **5x EBITDA/MW** vs **solar PV** and **3x** vs **onshore wind**

Iberdrola Energía Internacional (IEI) reaches **8 GW** of capacity by **2025**, **25%** over total additions...

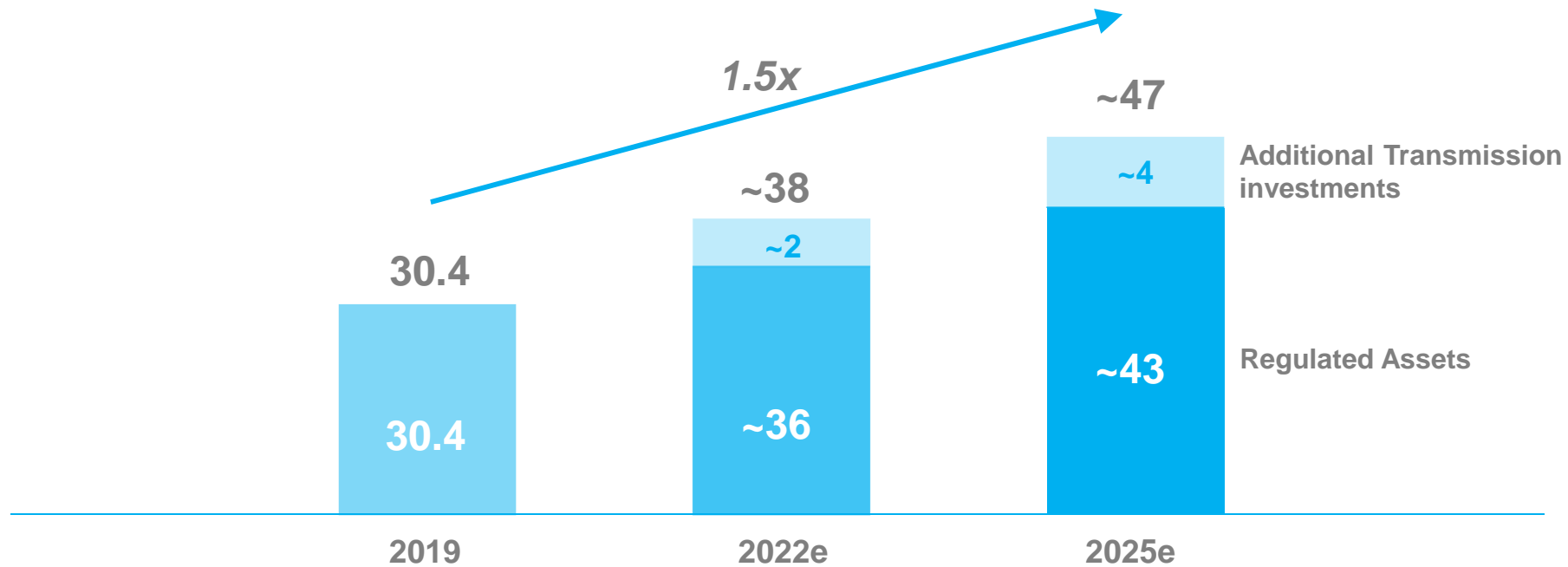
## Renewable Capacity by Geography



...and contributing **1 GW** to new offshore wind

## Regulated Assets<sup>1</sup>

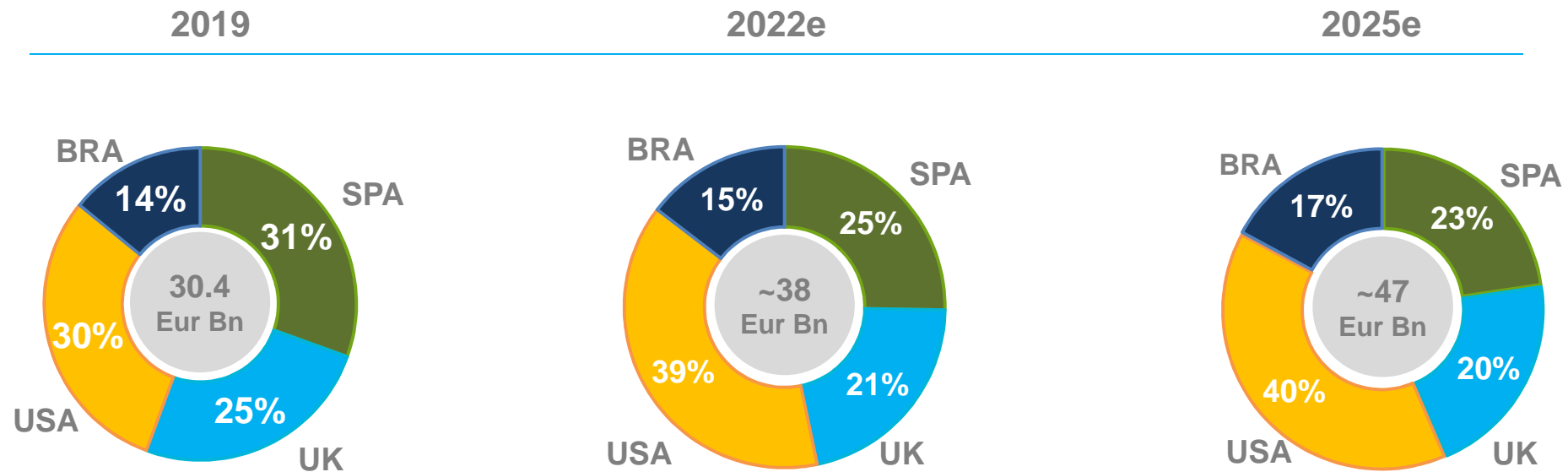
Eur Bn



<sup>1/</sup> Includes regulated generation in the US. Includes Iberdrola estimates for PNM Resources

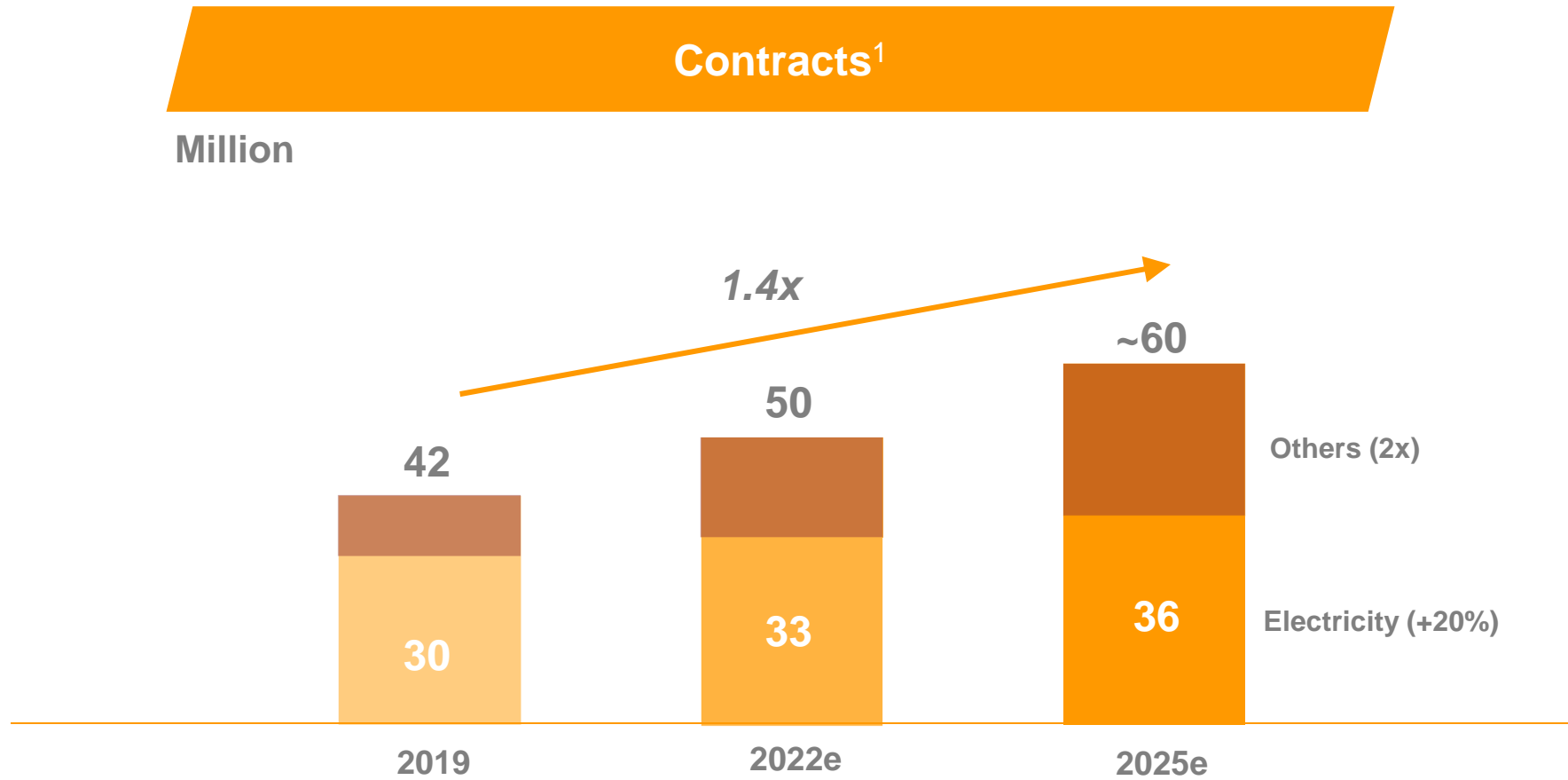


## Regulated Assets<sup>1</sup> by Geography



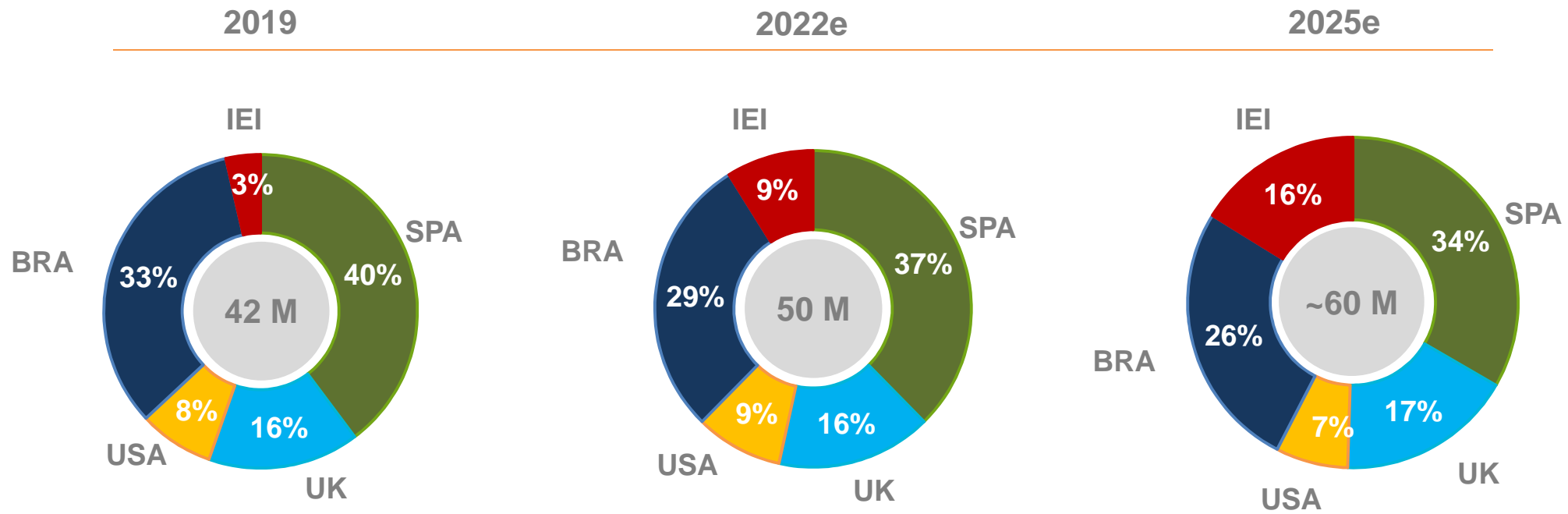
**83%** of assets in **A-rated** countries

1/ Includes regulated generation in the US. Includes Iberdrola estimates for PNM Resources



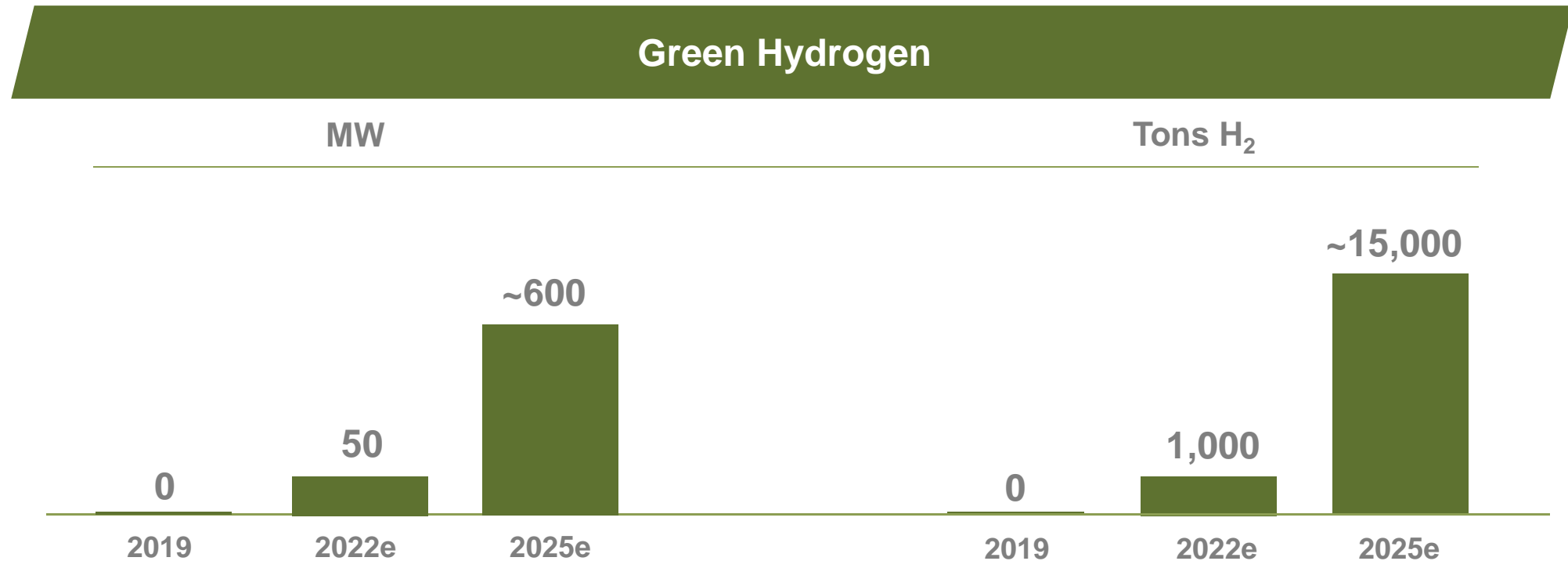
<sup>1/</sup> Total Contracts include contracts in the retail business, as well as contracts served under regulated distribution business in US and Brazil.

## Contracts<sup>1</sup> by Geography



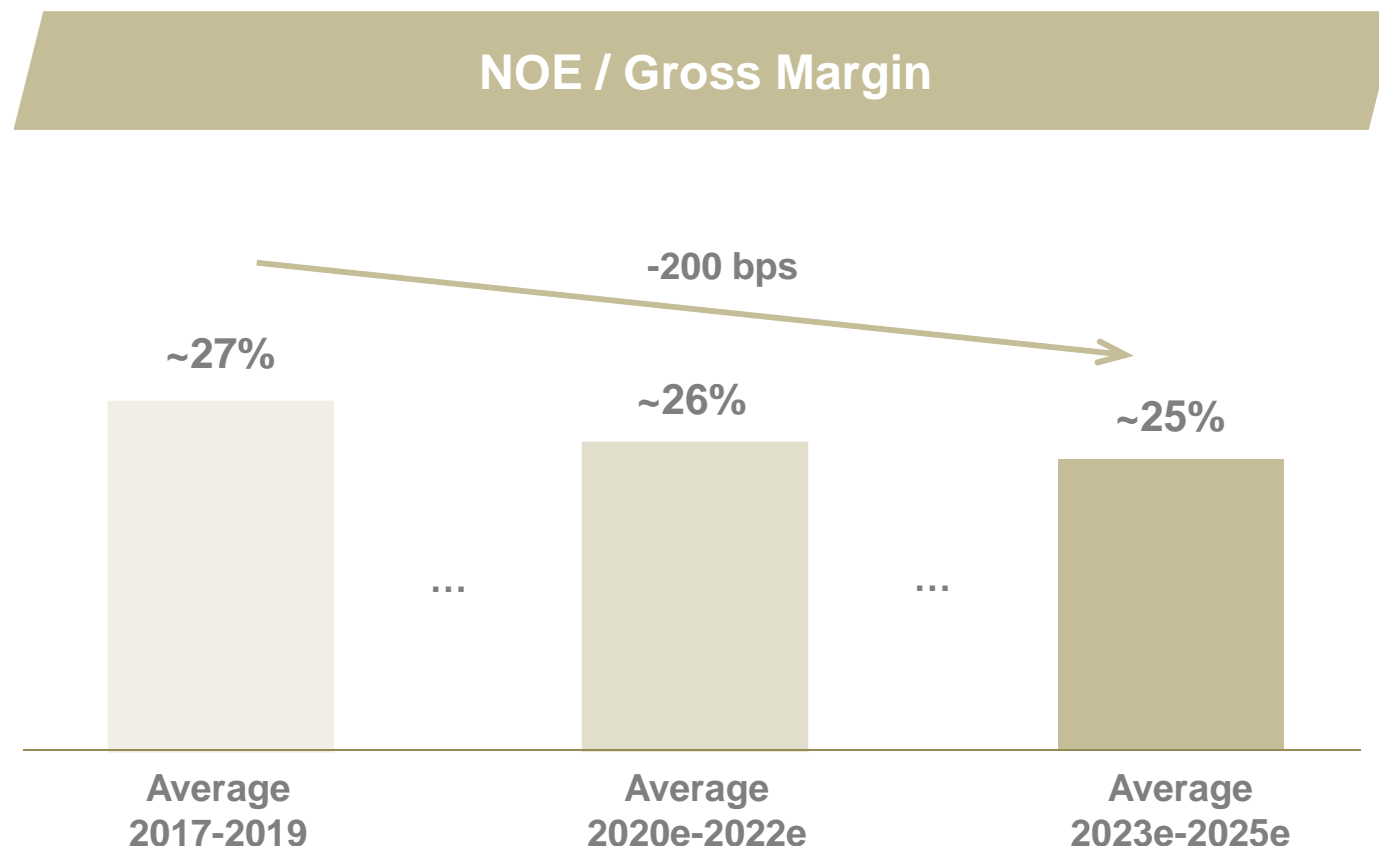
1/ Total Contracts include contracts in the retail business, as well as contracts served under regulated distribution business in US and Brazil.

Investing in **Green Hydrogen**, in line with **EU recovery plans**



- First projects in **Spain**: Puertollano and Palos, aligned with the 2030 strategy by the Government (4 GW)
- Starting to develop projects in **other countries**
- Benefiting from the **European Green Deal** support scheme

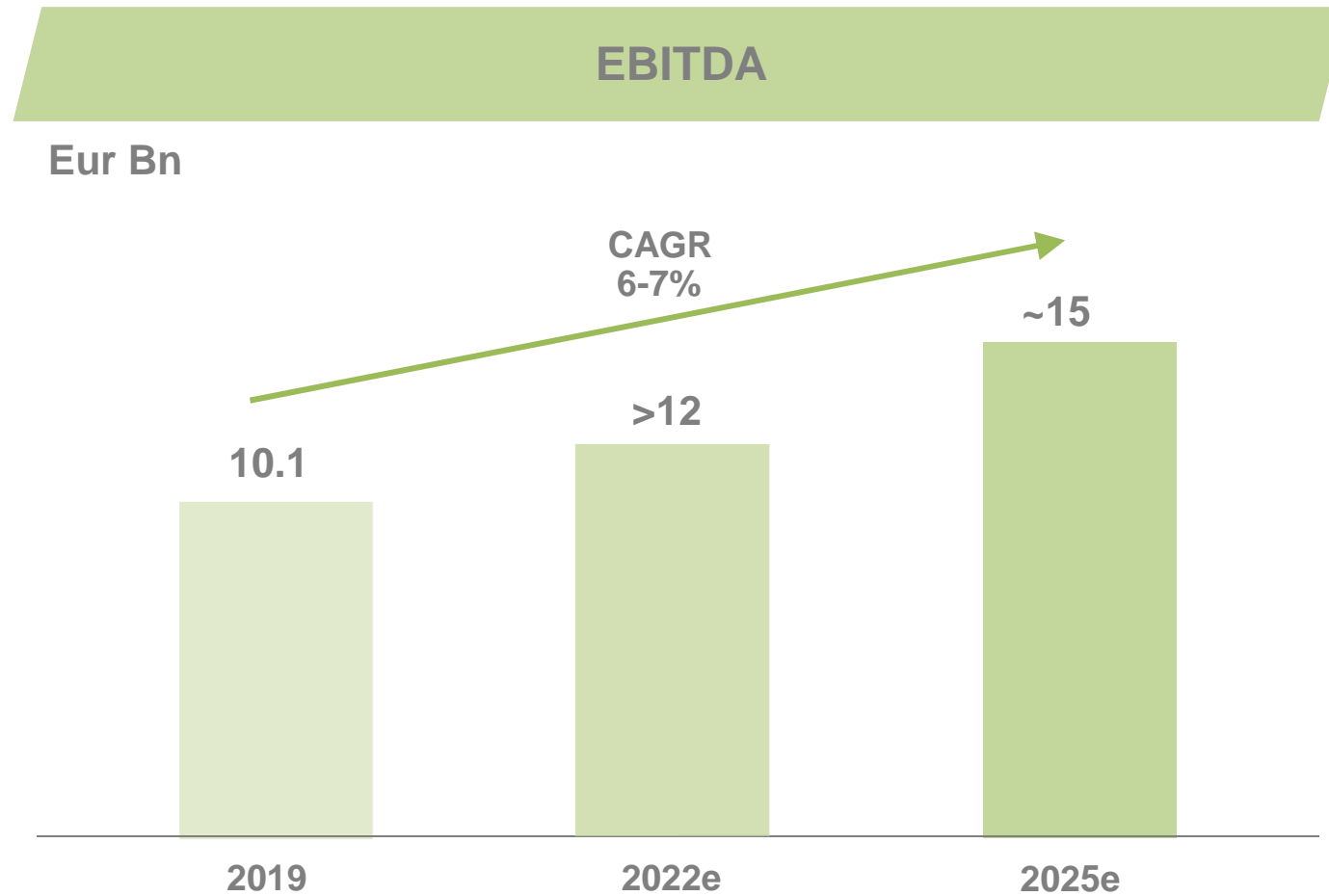
Achieving efficiencies of close to **~Eur 1.5 Bn** in **2020-2025**, of which **Eur 1 Bn** in **2023-2025**...



...NOE / Gross Margin ratio **constantly improving**, to reach below **25%** by **2025**

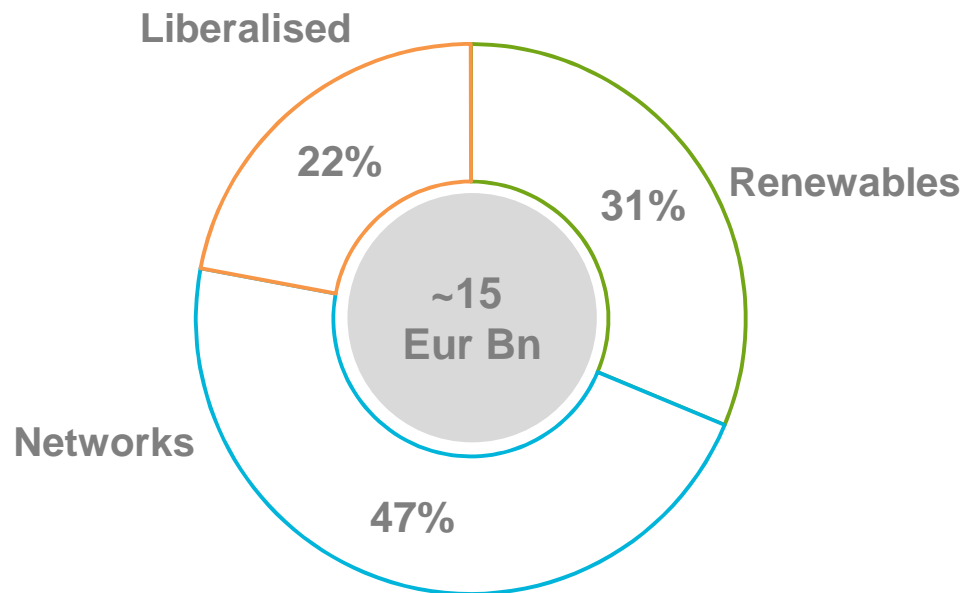
# Outlook 2020-2025: EBITDA

EBITDA grows ~**Eur 5 Bn** from 2019 (**CAGR 6-7%**)...



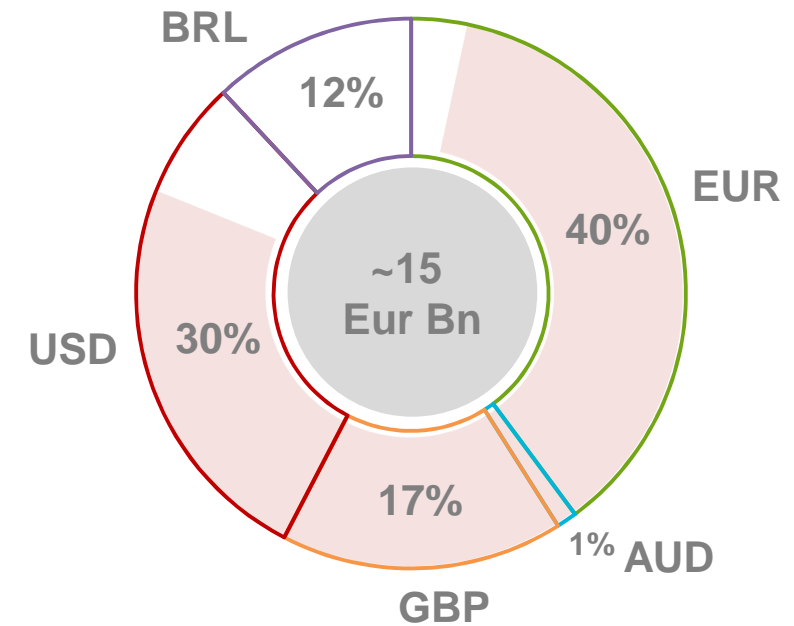
...increasing the share of **renewables** and **geographic diversification**...

## EBITDA 2025e by Business



## EBITDA 2025e by Currency

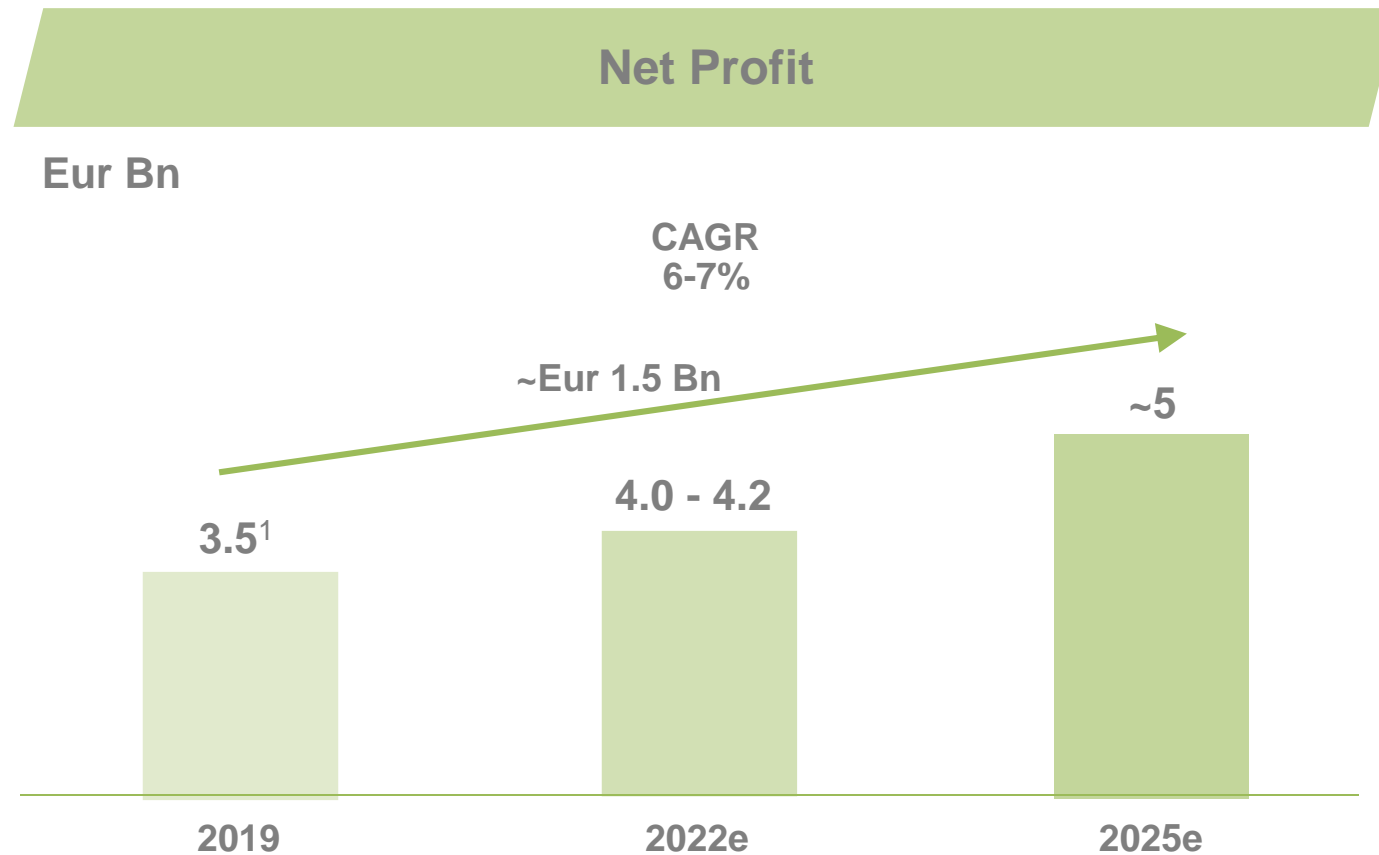
 Countries with credit rating  $\geq A^1$



...with more than **80%** of EBITDA in **A-rated countries**

<sup>1/</sup> Under Standard & Poor's categorization

Net Profit increase of ~Eur 1.5 Bn to reach Eur ~5 Bn in 2025 (6-7% CAGR)...



...maintaining **financial strength** and **solid rating**

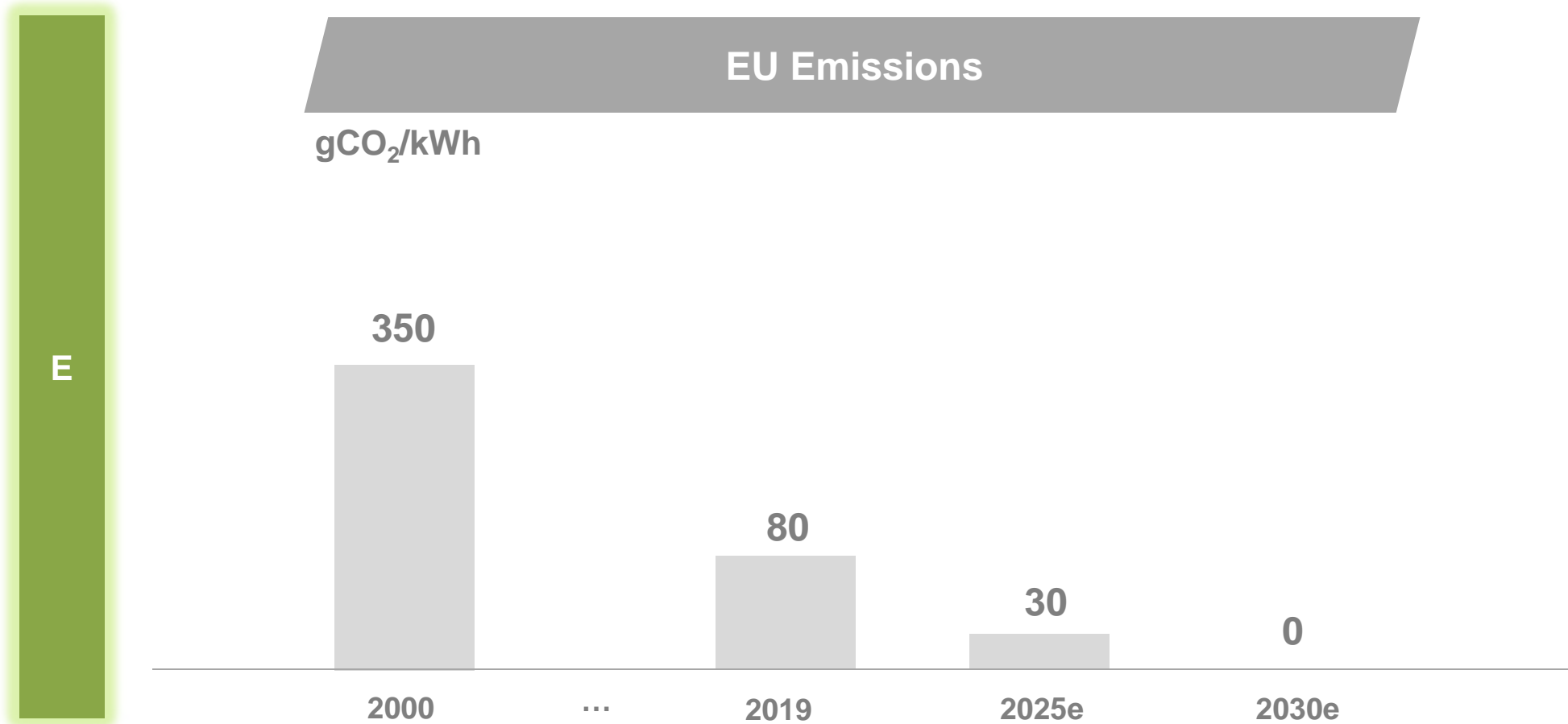
1/ Net Profit 2019 restated for the recognition of the financial cost of the hybrid bond





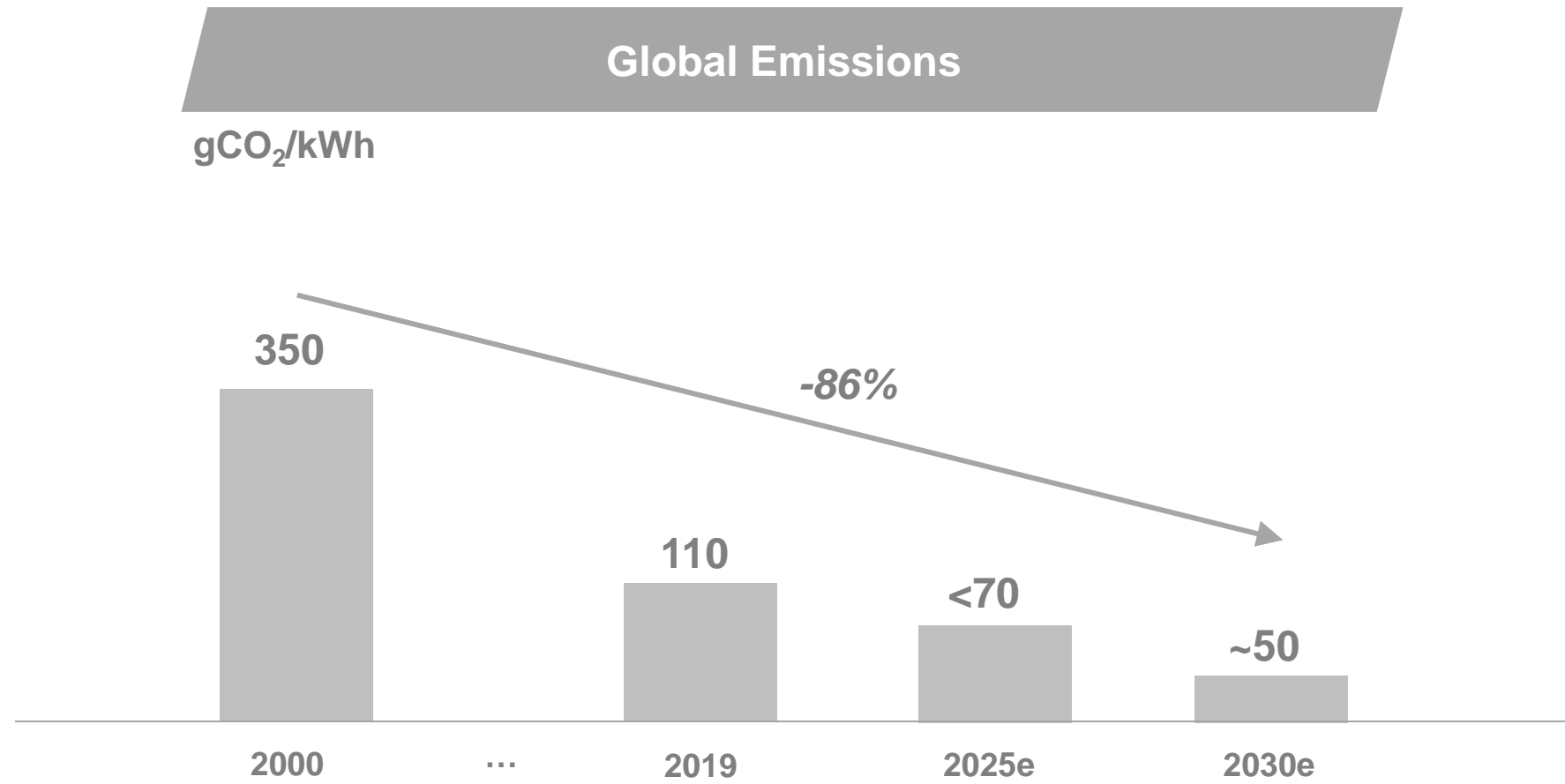
		2019	2022e	2025e	
E	<b>E</b> missions per kWh	<i>gCO<sub>2</sub>/kWh</i>	110	~100	<70
	<b>B</b> iodiversity: reforestation	<i>Tress, in Million</i>		2.5	8
	<b>W</b> ater consumption	<i>m<sup>3</sup>/GWh</i>	583	<500	<420
	<b>S</b> mart Grid implementation	<i>% of HV and MV grids</i>	68	75	83
	<b>S</b> mart meters	<i>Number, in Million</i>	14.5	16.7	21.2
	<b>R&amp;D</b> investment	<i>Million Euros</i>	280	330	400
S	<b>T</b> raining hours	<i>Hours / employee year</i>	55	>55	>55
	<b>C</b> ustomers: smart services	<i>Number, in Million</i>	8	12	18
	<b>J</b> obs supported	<i>Contribution to employment</i>	~400,000	>400,000	>500,000
	<b>W</b> omen in leadership positions	<i>% of management positions</i>	20	25	~30
	<b>G</b> ender pay gap	<i>% women / men ratio</i>	+5.2%	+/-2%	+/-2%
	<b>E</b> lectricity for All	<i>Beneficiaries, in Million</i>	7	11.5	14
	<b>F</b> oundation	<i>Beneficiaries, in Million</i>		1.3	1.4
G	<b>B</b> est practices in Governance	<i>Inclusion in Corporate Governance System</i>	✓	✓	✓
	<b>C</b> ybersecurity	<i>Annual number of security assessments</i>	800	1,800	2,000
	<b>S</b> uppliers	<i>% of supplier with sustainable policies</i>	48%	70%	75%

**Accelerating EU emission reduction targets:**  
already having just **1/3 of emissions** vs those of our **peers...**



...we will reach **zero emissions in Europe by 2030**

E



## Iberdrola, at the forefront of **Corporate Governance** and Compliance

G

- **A leader in Corporate Governance for years in accordance with the highest national and international standards for listed companies:**

Recognition for 7 consecutive years as a Spanish company with best Corporate Governance practices by the World Finance Corporate Governance Awards



- **Listed and non-listed country sub-holding companies and subsidiaries also have the highest international standards**

- **Ongoing review of corporate governance system**

Ongoing implementation of best-in-class Diversity & Inclusion policies

- **Compliance System reflects best practices and international standards:**

Included in the list of World Most Ethical Companies since 2014, published by the Ethisphere Institute (USA)

ISO 37001 and UNE 19601 in force

Compliance Leader Verification issued by Ethisphere Institute (USA)

Award for the best compliance system 2018 -2019 awarded by Expansión

**Full commitment to continue as a benchmark**

**CAPITAL  
MARKETS**  
DAY - 2020



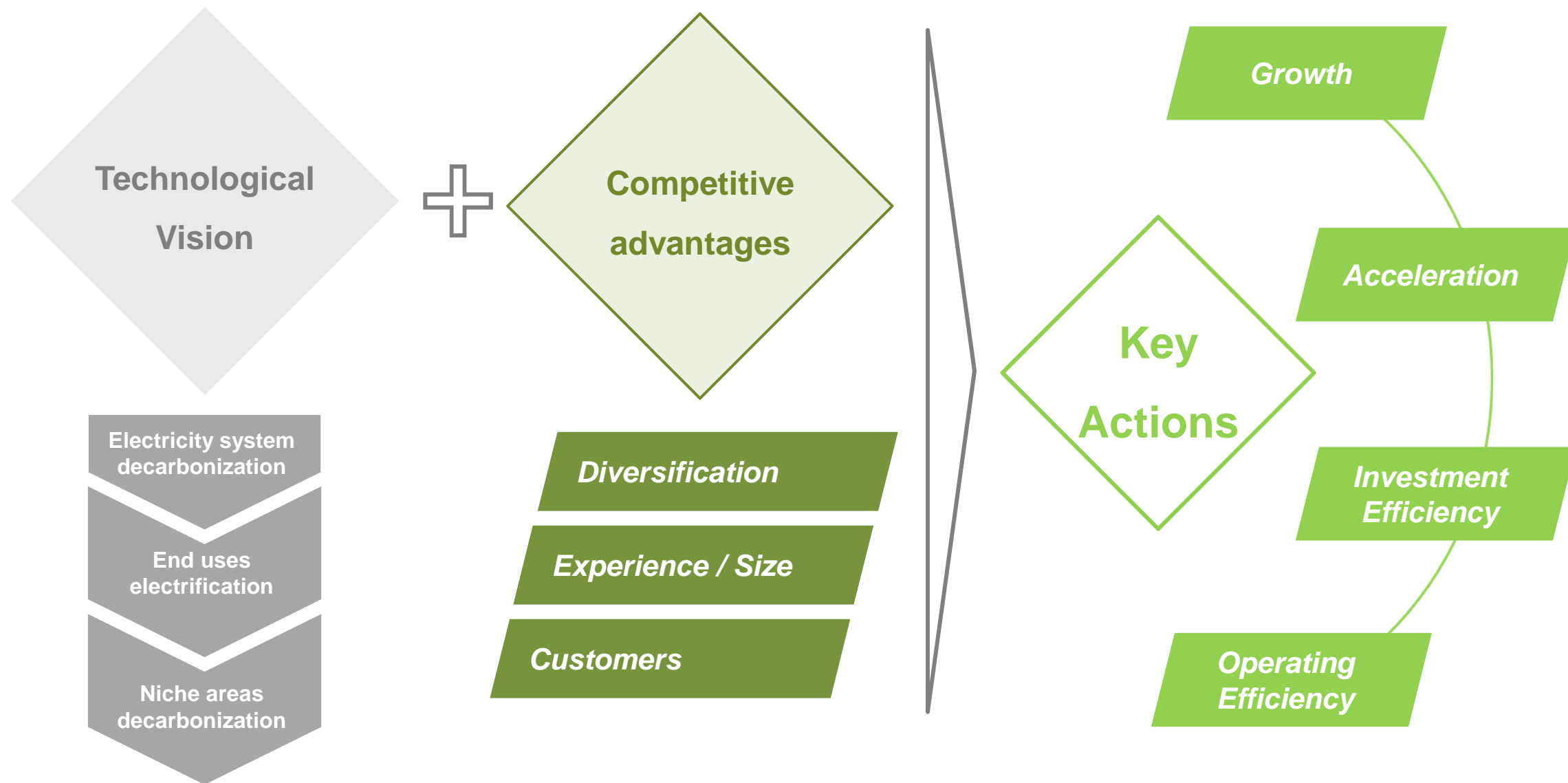
# Business positioning & key actions

**Francisco Martínez Córcoles**

Business CEO & Board Member

# Business positioning and key actions

**Positioning ahead of time and competitiveness** as key to optimize growth



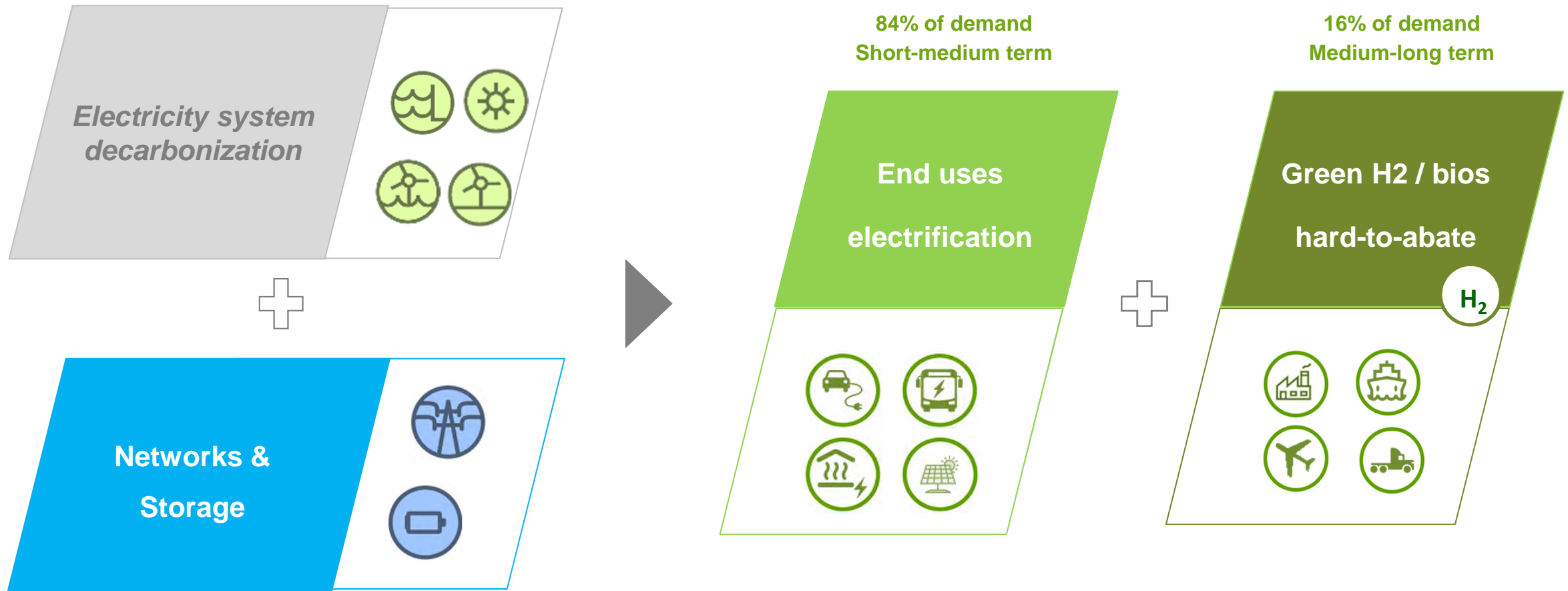
**CAPITAL  
MARKETS**  
DAY - 2020



**Technological  
Vision**

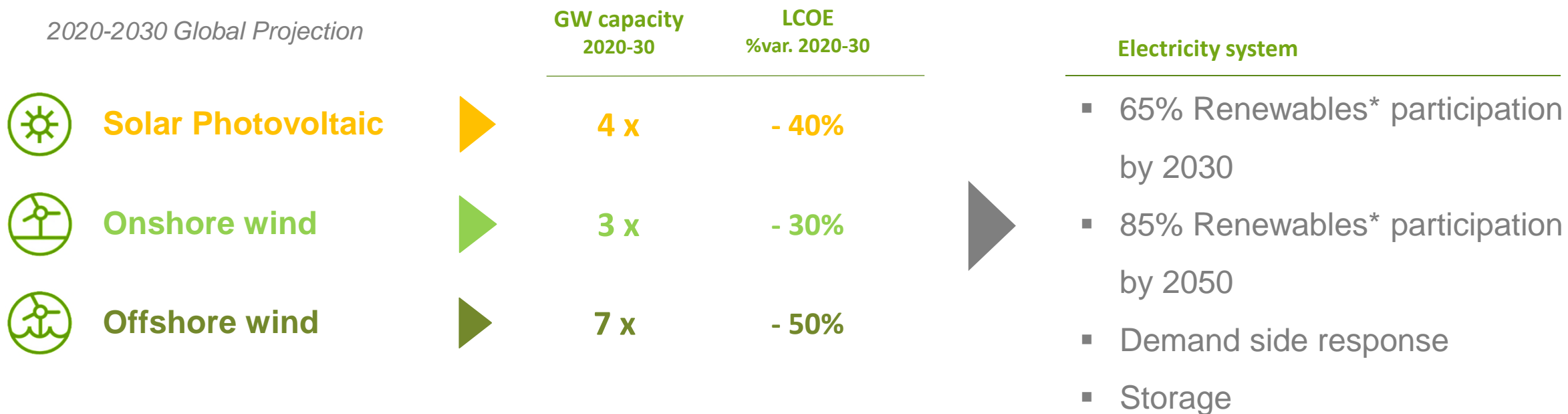


The evolution of technology will be driven by the **decarbonization challenge**...



... resulting in **more renewables, more networks & efficient storage and more smart solutions** (including green H<sub>2</sub>)

## Renewables are already competitive and the most cost-efficient solution



\*LCOE reduction as a combination of CAPEX decrease, load factor increase, O&M and financial costs reduction...

\* European Commission estimates (2030 Impact Assessment and Long term scenarios)

**Massive growth** expected to achieve the electricity system decarbonization

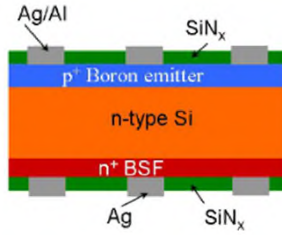
# Technological Vision: PV evolution by 2030

## Innovations

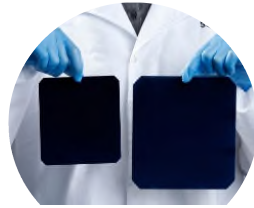
Under development



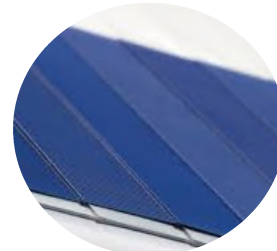
Bifacial



N-type



Large cells

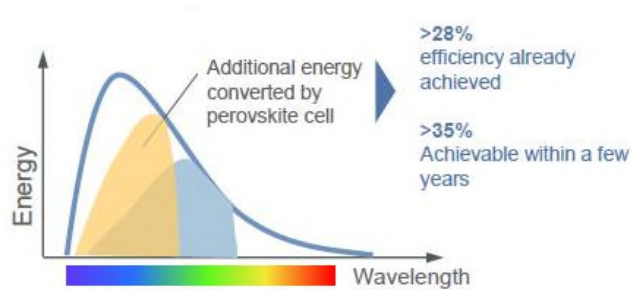


Inter-cells space  
(Shingling, paving, tiling)

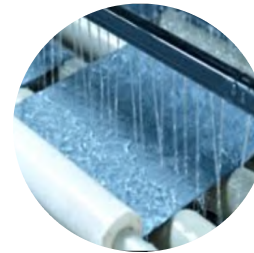


Improvement in  
manufacture  
performance

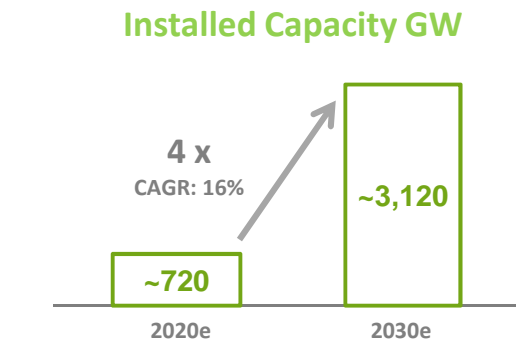
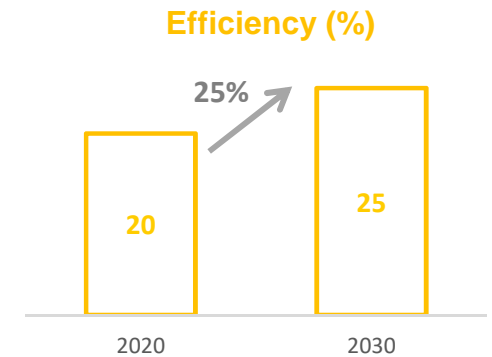
Medium Term



Tandem  
Cells  
(Perovskitas)



Ultrafine  
wafers



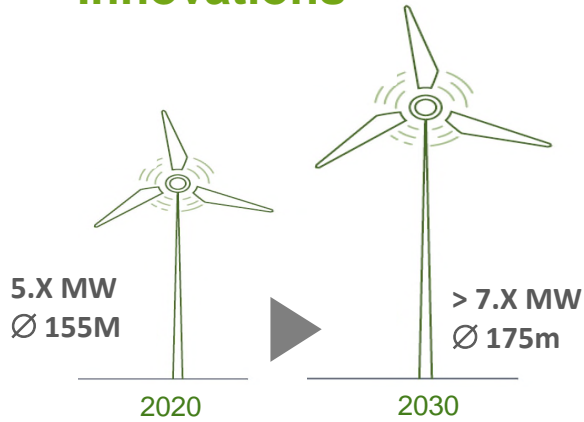
## Improvement drivers

- Efficiency increase in modules
- Reduction of material needs
- Performance increase in production lines

**Solar output 2030: 4,800 TWh**  
**16% of global production**

# Technological Vision: onshore wind evolution by 2030

## Innovations



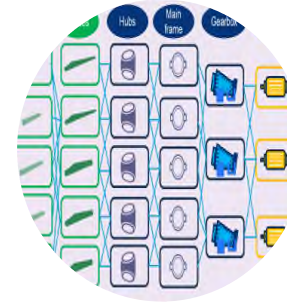
Larger turbines, rotors and towers



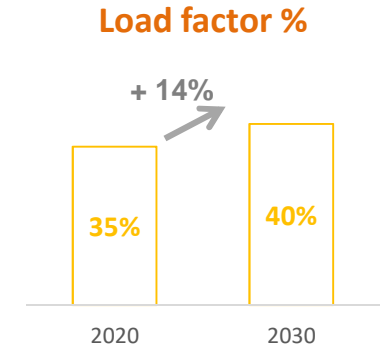
Hybrid towers



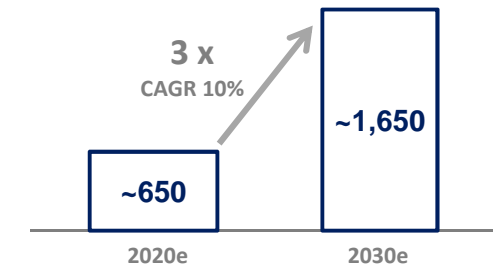
Segmented blades and towers



Modular platforms



Installed capacity GW



**Onshore output 2030: 5,100 TWh**  
**17% of global production**

## Improvement drivers

- Larger size (capacity factor)
- Weight reduction (new materials)
- Modular components
- Digitization



Control systems and sensors



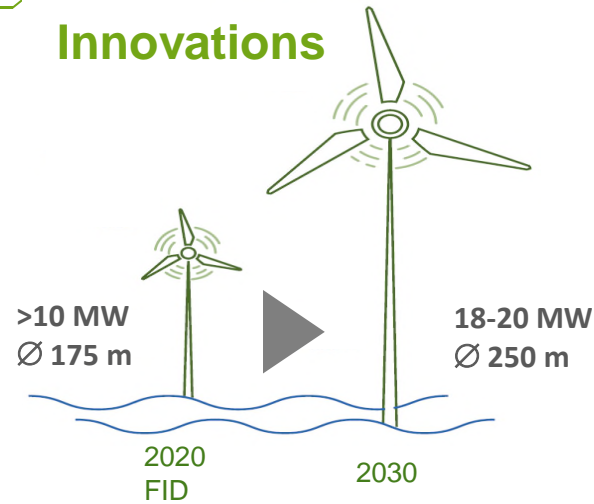
Innovations in construction and operation



On site construction and manufacture

# Technological Vision: offshore wind evolution by 2030

## Innovations



Larger turbines and towers

FID- Final investment decision



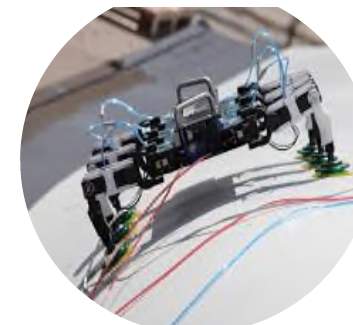
Windfarm Hubs



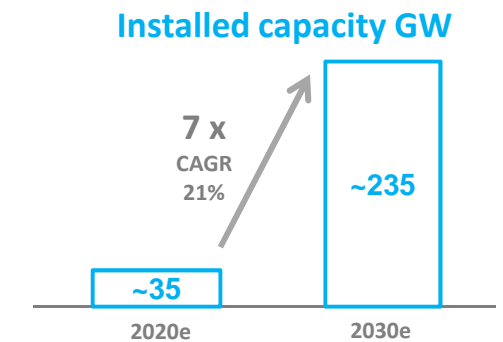
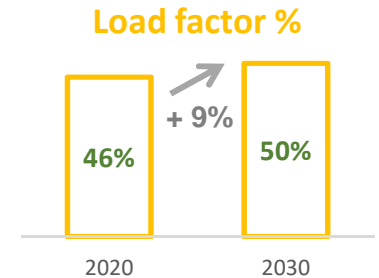
Construction innovations



Digitization-Predictive maintenance



Controls, sensors and robots

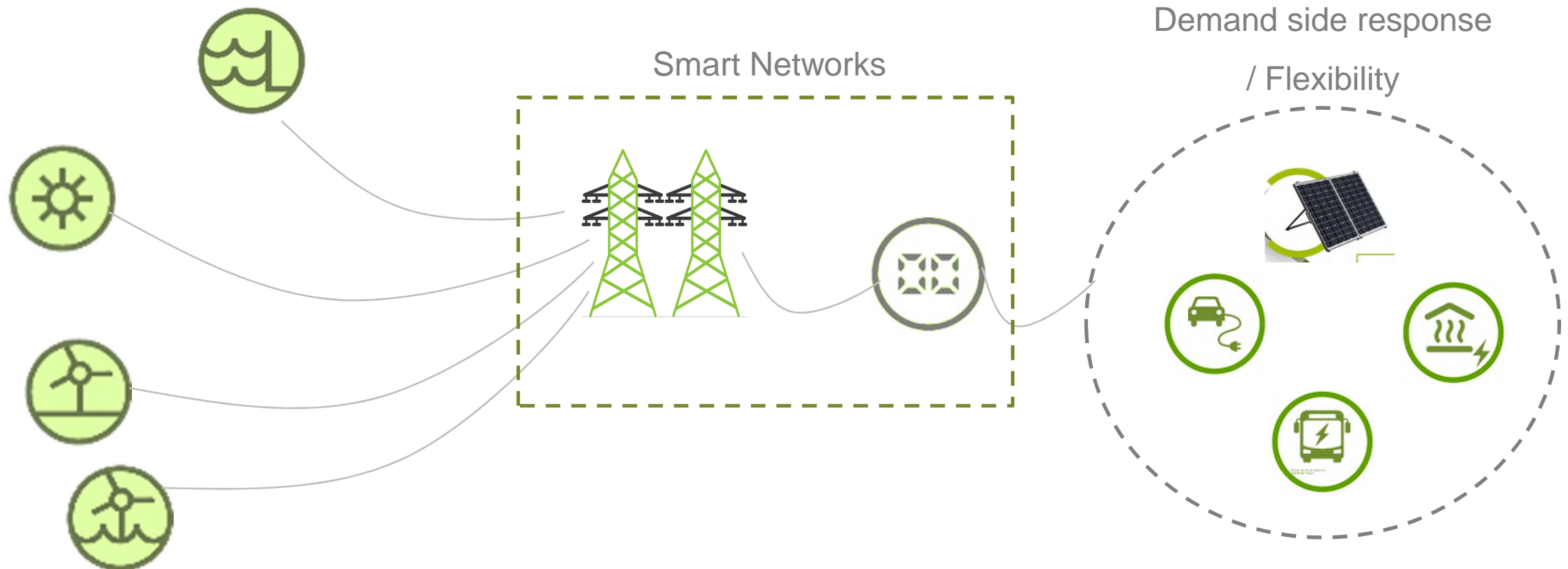


Offshore output 2030: 850 TWh  
3% of global production

## Improvement drivers



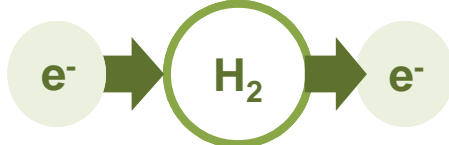
- Economies of scale: larger size of turbines and windfarms (capex)
- Standardization and modularity
- Innovations in construction and operation
- Floating offshore: new markets and areas to develop

**Smart Networks** are the essential element for integrating the different needs of the system





**More storage** is needed to integrate renewables...

Storage technologies	Cost comparison	
	2019	2050
<p><b>Batteries</b></p>  <p>Cell level sensors Silicon anodes Self-healing Solid electrolyte</p> <p>365 cycles/yr Efficiency: 90%</p>	~100 €/MWh	~45 €/MWh
<p><b>Pumped Hydro</b></p>  <p>40-80 cycles/yr Efficiency : 80%</p>	30-50 €/MWh	30-50 €/MWh
<p><b>Power to Hydrogen to Power</b></p>  <p>365 cycles/yr Efficiency : 35%</p>	> 200 €/MWh	> 100 €/MWh

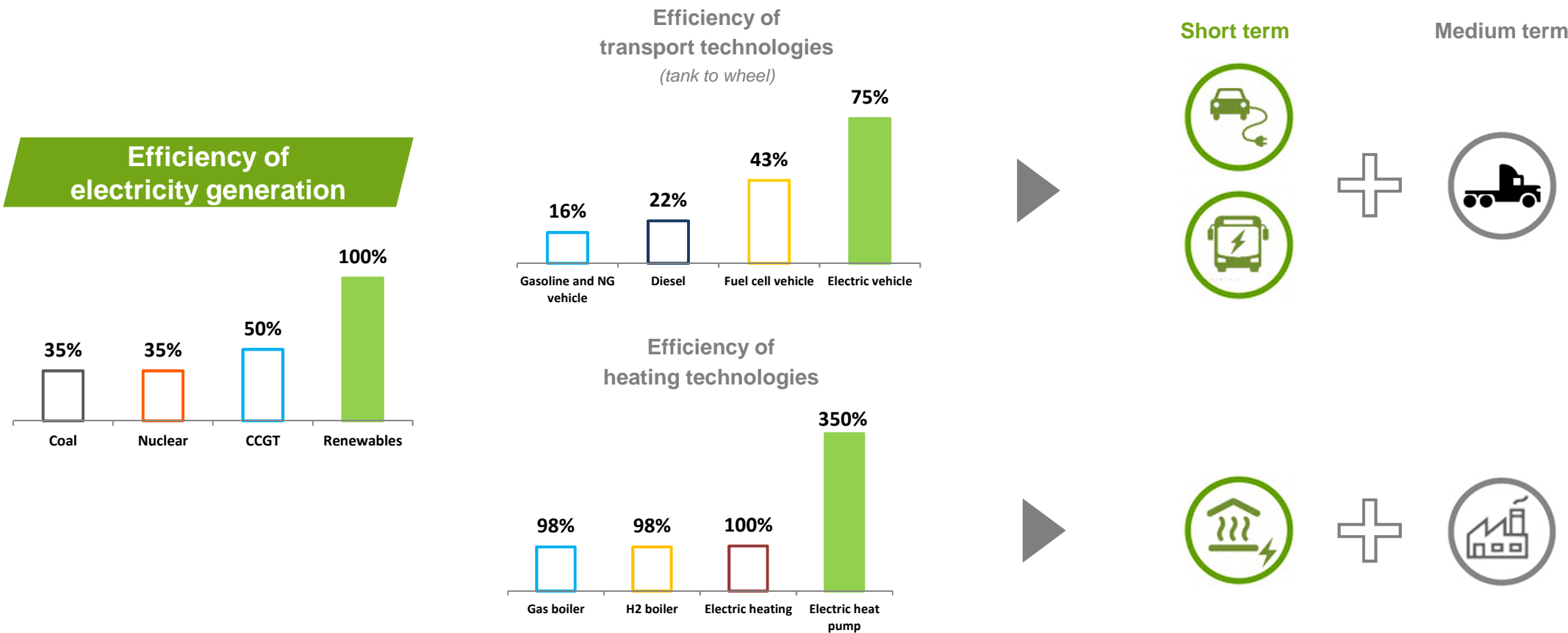
Source: Company data

... being **energy efficiency** the key for competitiveness

# Technological Vision: end uses electrification

End uses decarbonization driven by the efficiency:

**RES electricity + electric vehicle + electric heat pump** as the most cost-effective solutions



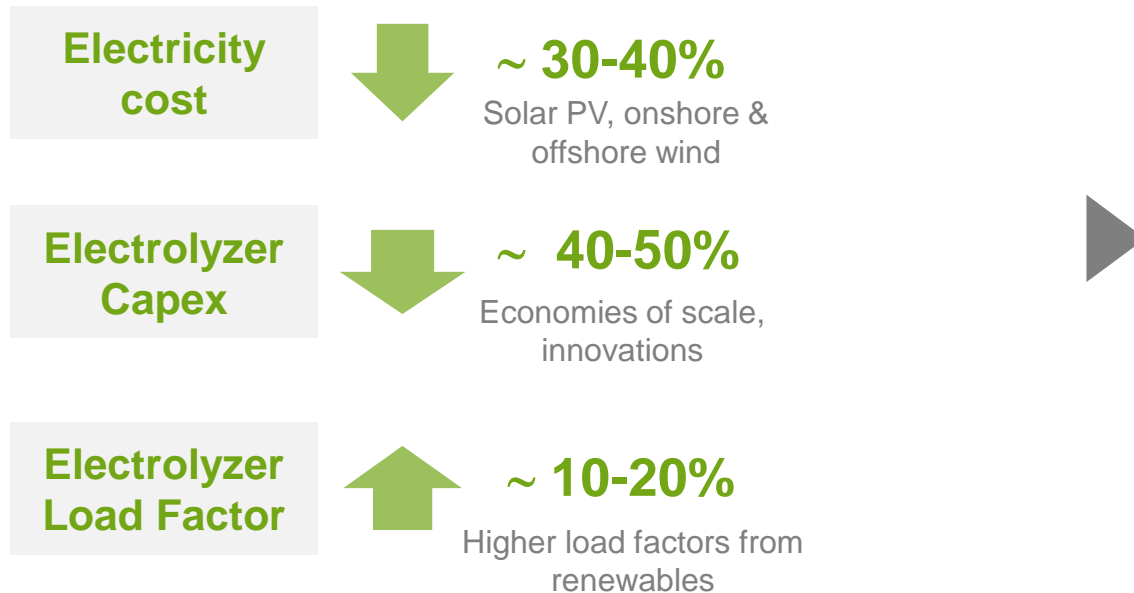
Potential electrification **in long-haul transport and industries**



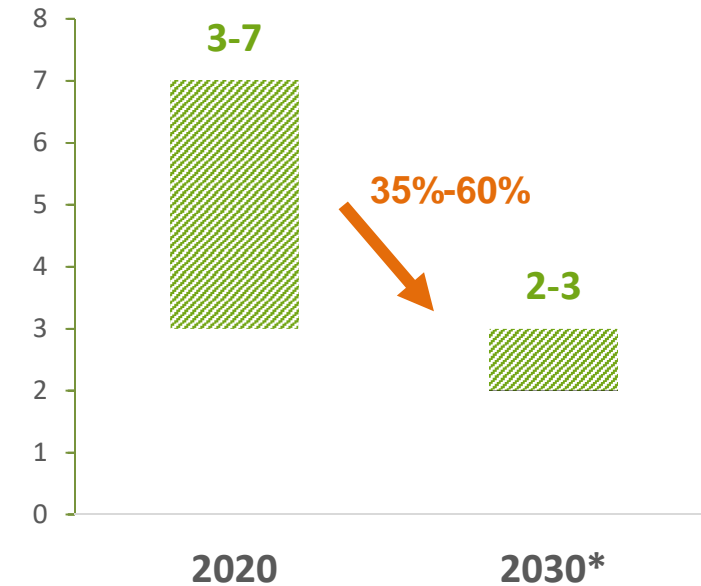
**Green H2 and biofuels** as decarbonization alternatives for niche areas, where electrification is not possible or competitive



**Key drivers** for green H2 production cost reduction



**Cost range of Green H2 Production, €/kg**



\* In range with Bloomberg NEF forecast

H2 is a feedstock in many industrial processes: **decarbonizing current H2 market** should be the first priority of green H2 and will help drive costs down for the niche applications

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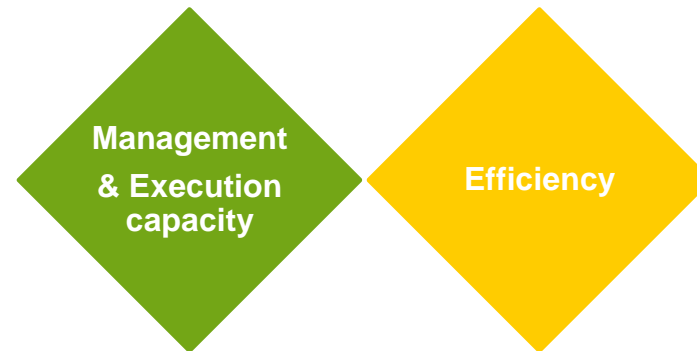
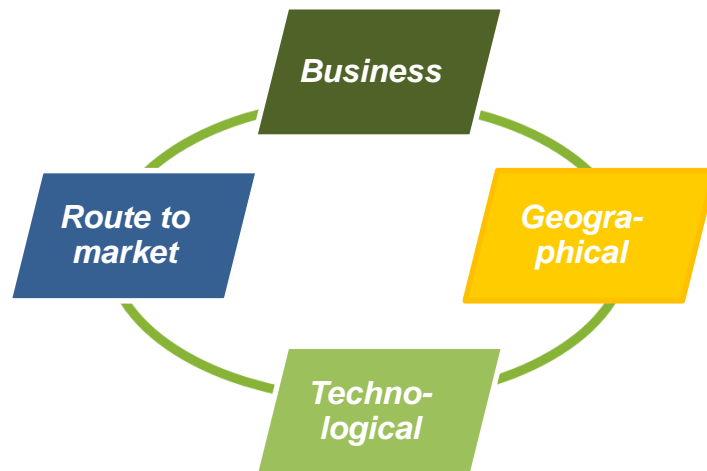


**Competitive  
advantages**

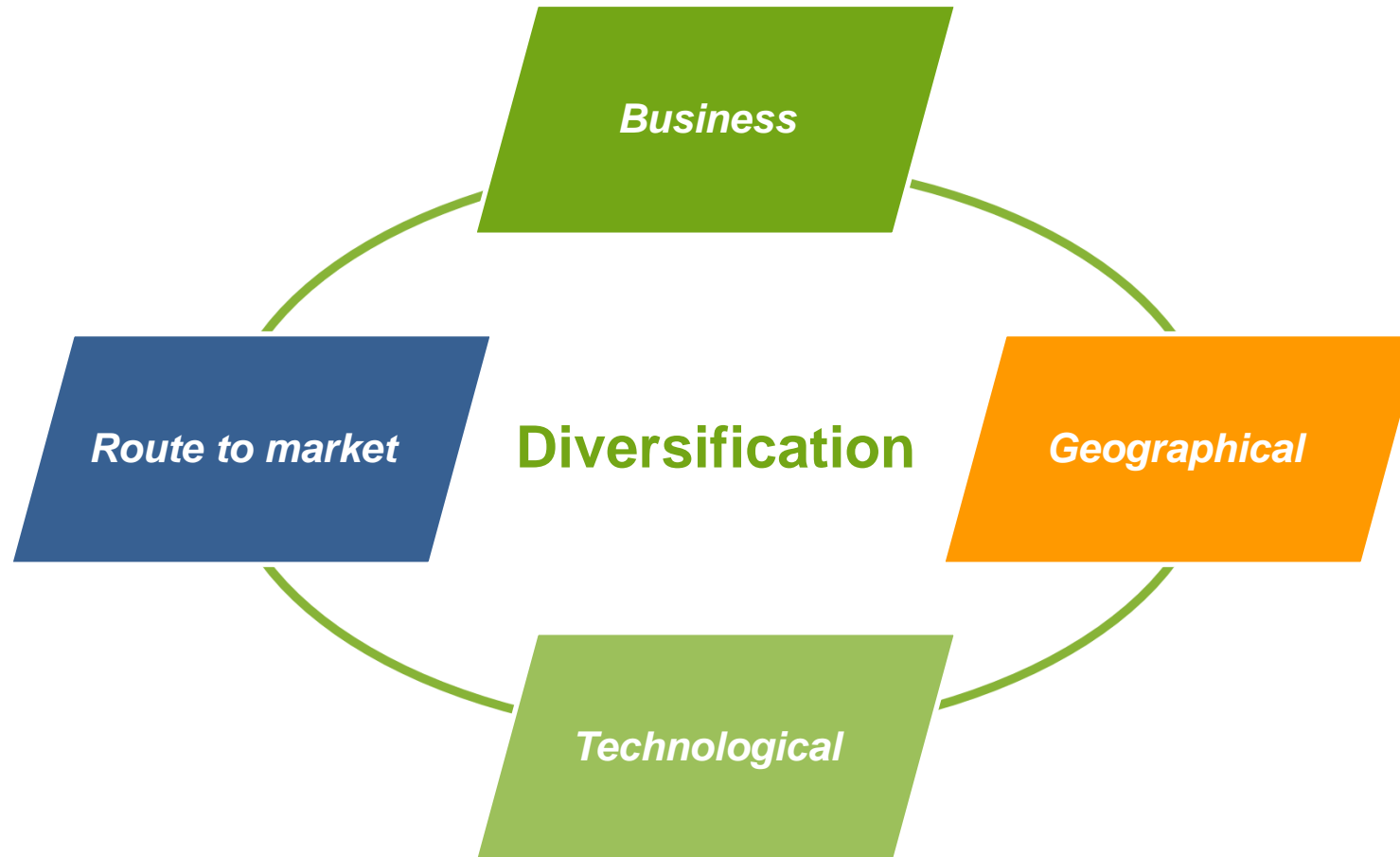
*Diversification*

*Experience / Size*

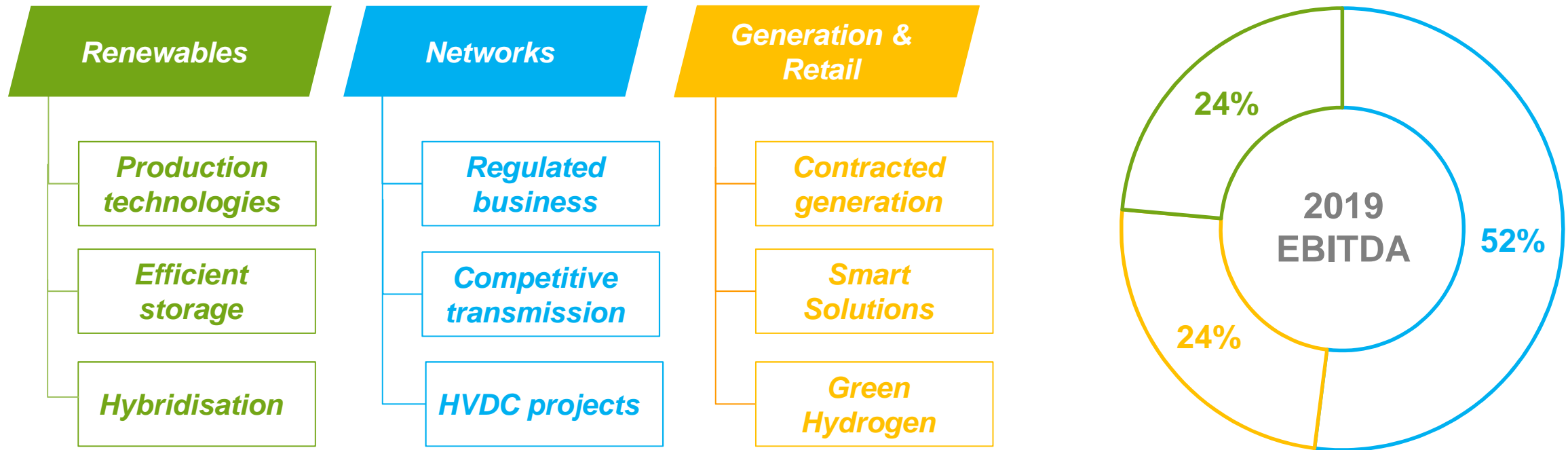
*Customers*



Diversification in all scopes to enable **more stable results**



Strong and **diversified business model**...



... continuously adapting units and products to compete in different scenarios and new needs

Our **global expansion balances our position** both by country and by business

## Renewables



## Generation & Retail

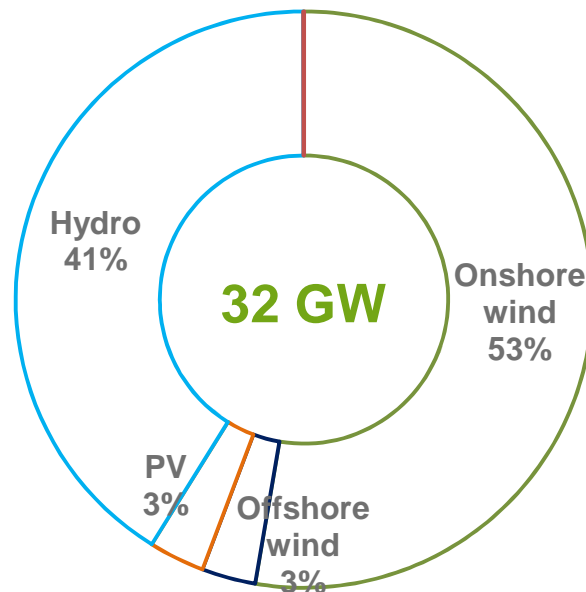


## Networks

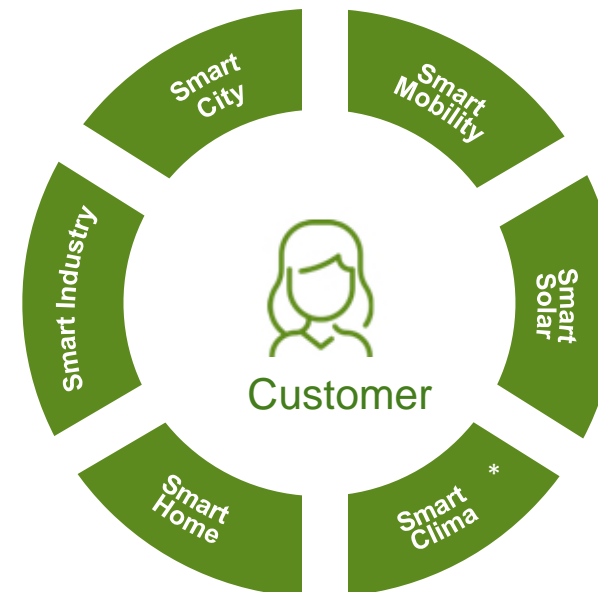


## Pioneers in renewables and added-value services...

### Renewable capacity mix by Technology 2019



### Services mix 2019



\* Heating and cooling

... enabling an **integrated & sustainable model** to our customers

## Multiple approach to optimize position and results

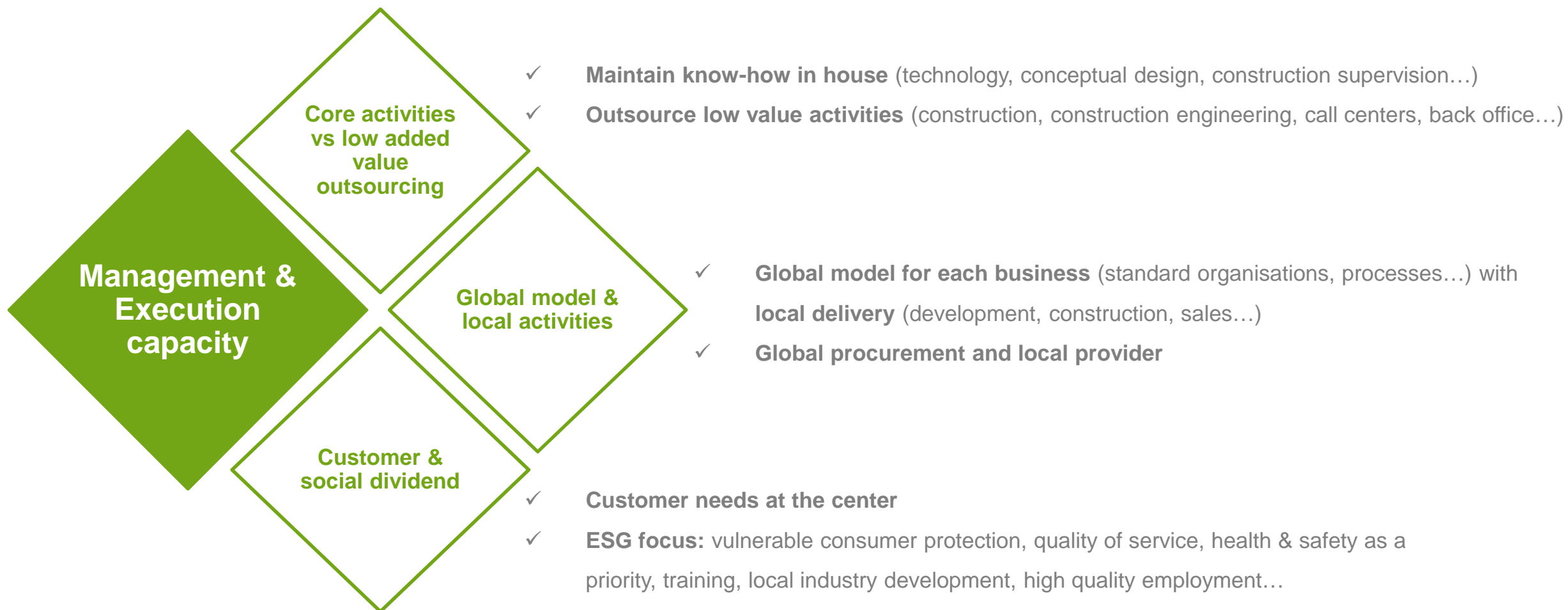
						 *
PPA	✓✓	✓✓	✓✓✓	✓✓	✓	✓
Customer base	✓✓✓	✓✓✓	✓	✓✓	✓	✓✓
Auctions	✓	✓✓	✓✓	✓	✓✓✓	✓✓✓
Other-hybrids	✓	✓		✓		

\* IEI includes France, Germany, Italy, Portugal, Ireland, Greece, Australia and others



## Experience: management & execution capacity

Track record of **organic growth** based on preserving **know-how, customer & ESG focus...**



... and an effective combination of **global model and local capabilities**

# Experience: management & execution capacity Renewables

Maintaining **control of key activities** to secure increasing growth

## **Development**

Investment prioritization  
Resource analysis  
Permitting & lands  
Development and prioritization of pipeline

Resource data  
Environmental studies  
Co-development  
Land leasing and acquisition management

## **Engineering & procurement**

Technology Watch  
Design & equipment standardization  
Design engineering  
Global procurement

Construction support engineering  
Local providers

## **Construction**

Construction supervision  
Permitting

Packages outsource (no EPCs)  
BoP construction, substation and lines  
Installation and commissioning of main equipment

## **O&M**

Regional O&M  
Global procedures

Independent Service Providers  
Low-value activities outsource

## **ESG**

Health & safety  
Training  
Local industry  
High quality employment

## Ensuring consistency and control of operations



Detail engineering  
Local providers

Packages outsource  
(no EPCs)

Low-value activities  
outsource

Taking care of the **complete experience of the customer**

 **Energy Management**

 **Products**

 **Channels**

 **Operations**

 **ESG**

 Portfolio optimization  
Mitigation of price risk

Product design  
Tailored solutions  
Data Analytics  
Campaigns

Omni-channel approach  
Sales & Customer service  
Commercial alliances  
Customer experience

Regional operation  
Global procedures

Vulnerable customers  
Payments plans  
Social collaborations:

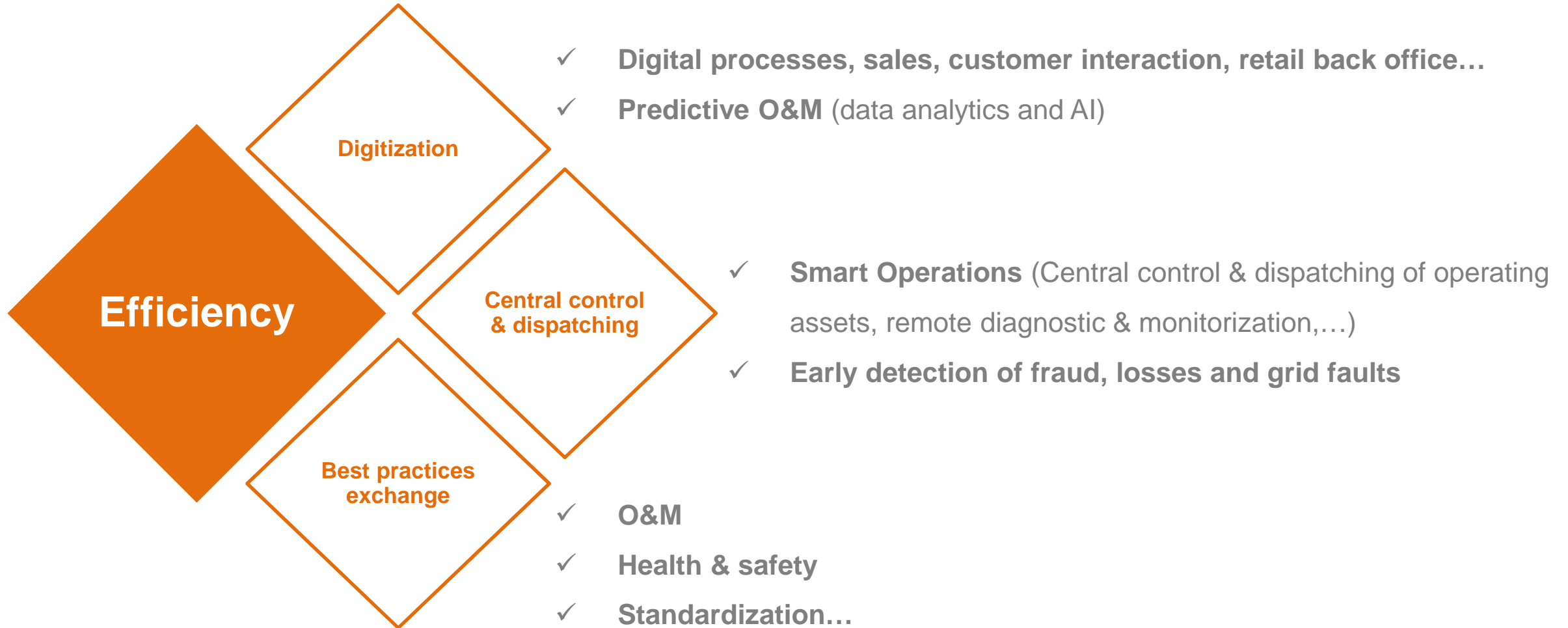
- AECC and CRUK\*
- Aid to Paralympic Objective Sport
- Universe of Women and Female Sports

Sales & Customer Service  
Call Center

Back Office  
Debt recovery

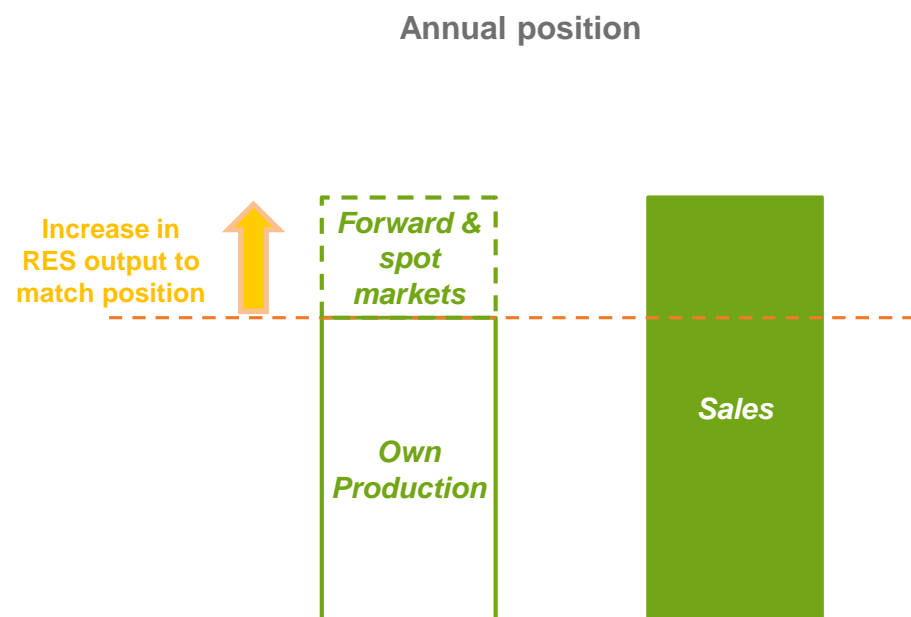
\* Asociación Española Contra el Cáncer and Cancer Research UK

**Best in class efficiency** based on digitization and exchange of global best practices



## Customers: generation hedge

Customer base as a **natural hedge** of our own generation, **mitigating the risk** from price fluctuations



Wholesale Electricity Spot Price Spain (€/MWh)

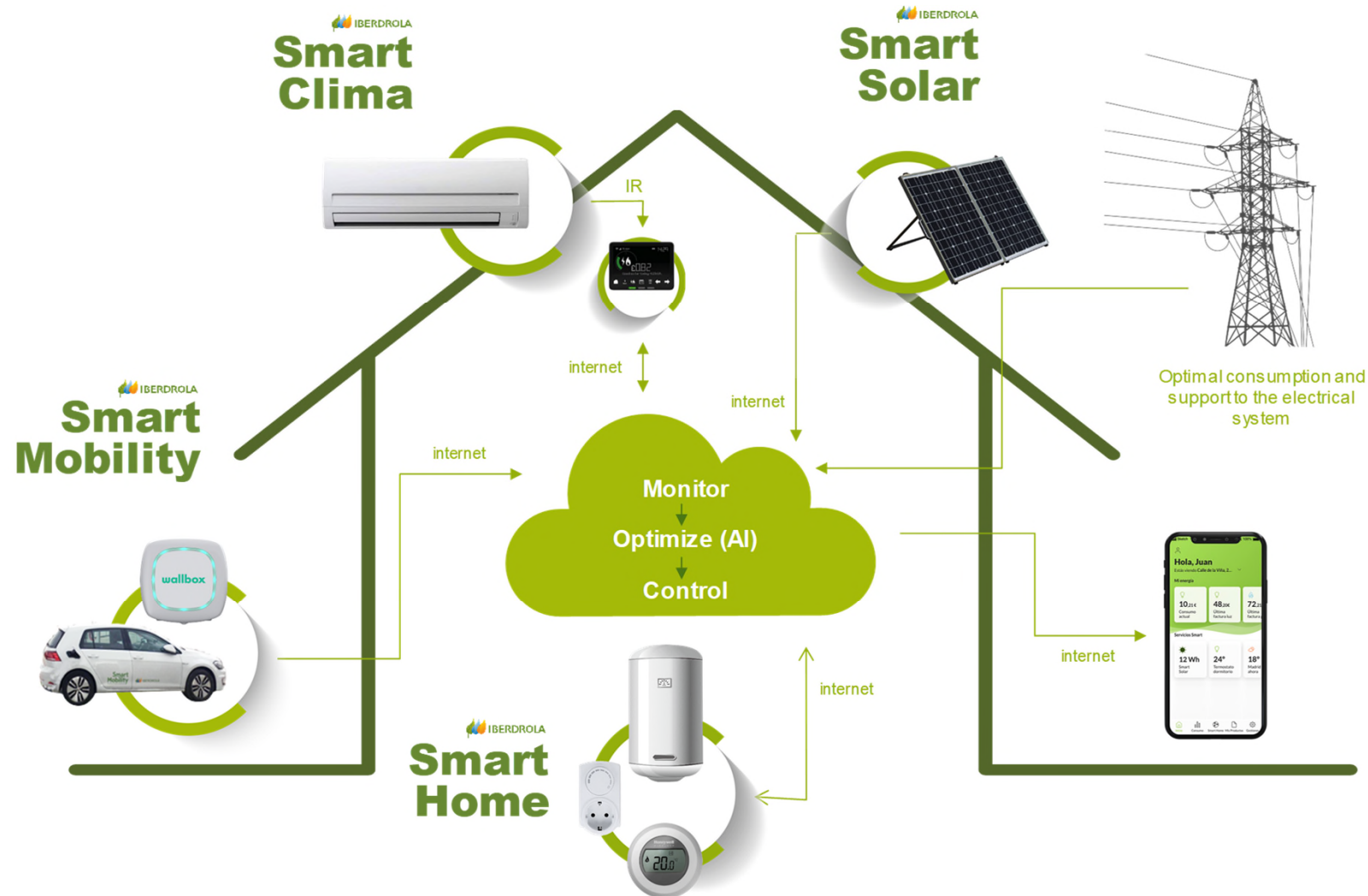


Growth in renewable energy to **balance our short position** in the markets

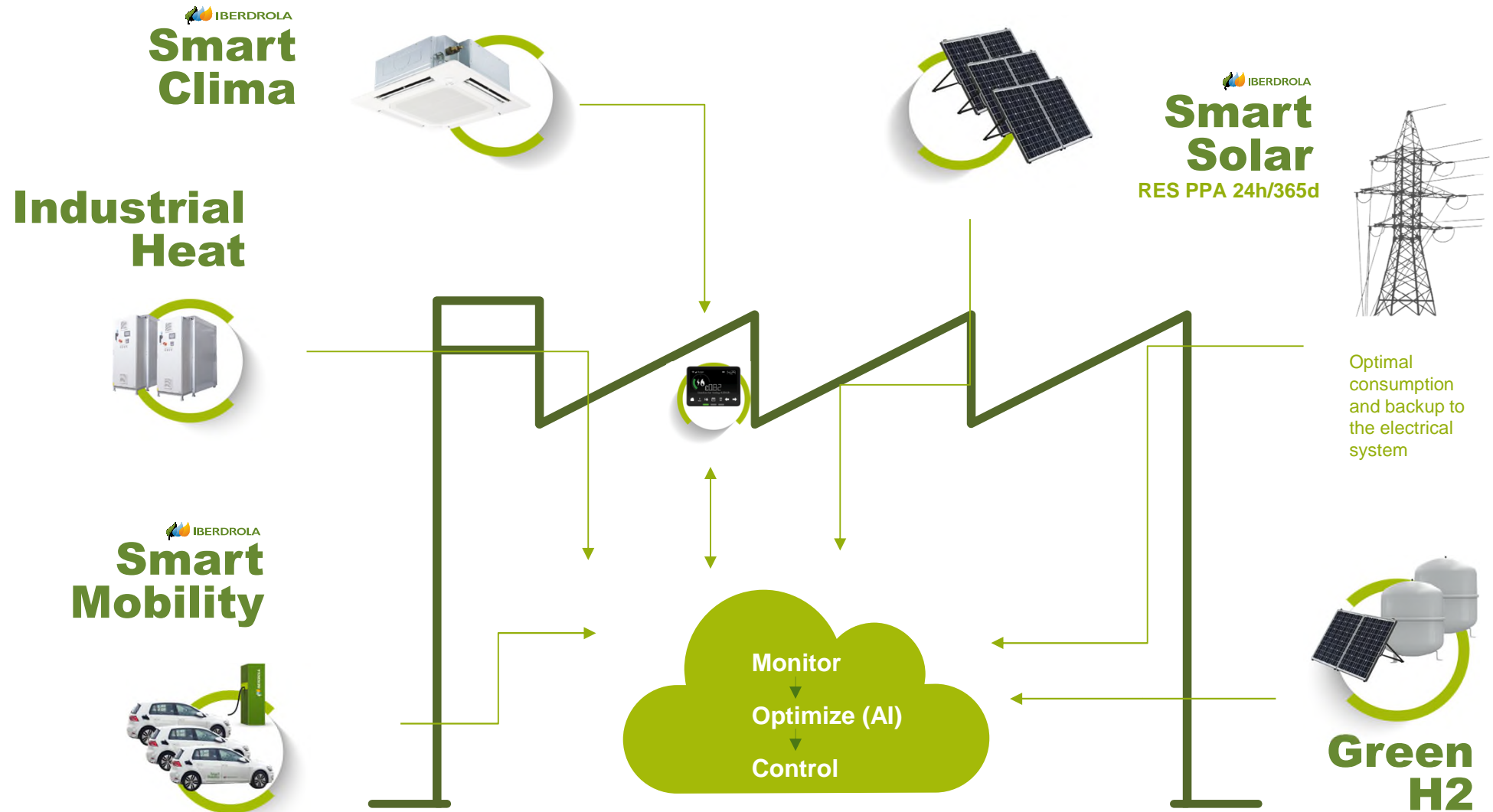
Stable prices for **customers** willing to have a more predictable view of prices

## Customers: residential view

Electrification of residential demand implies a huge opportunity in terms of **increasing consumption and larger product variety**

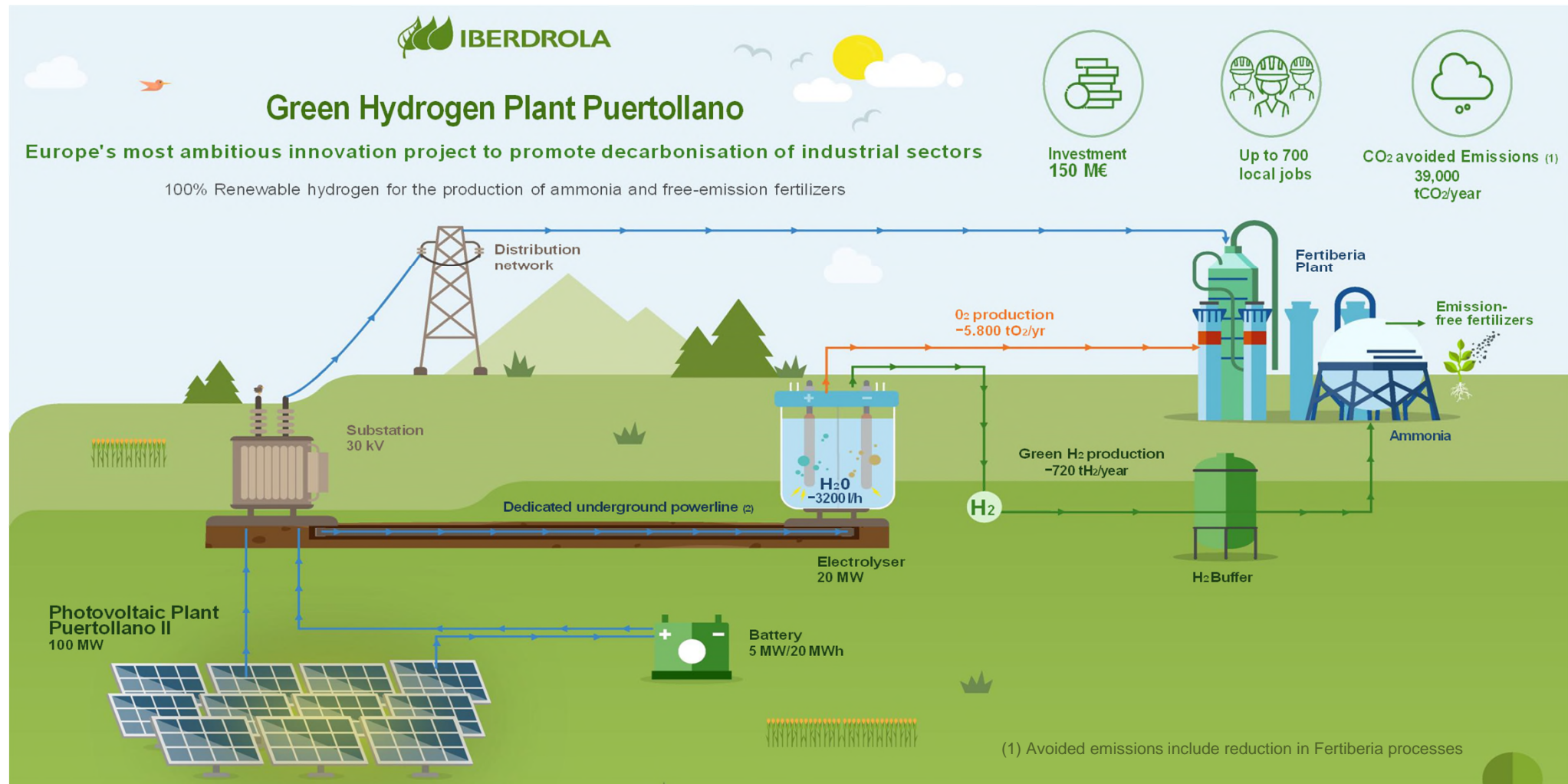


Integrated model to fulfill 100% of our **customers' needs**





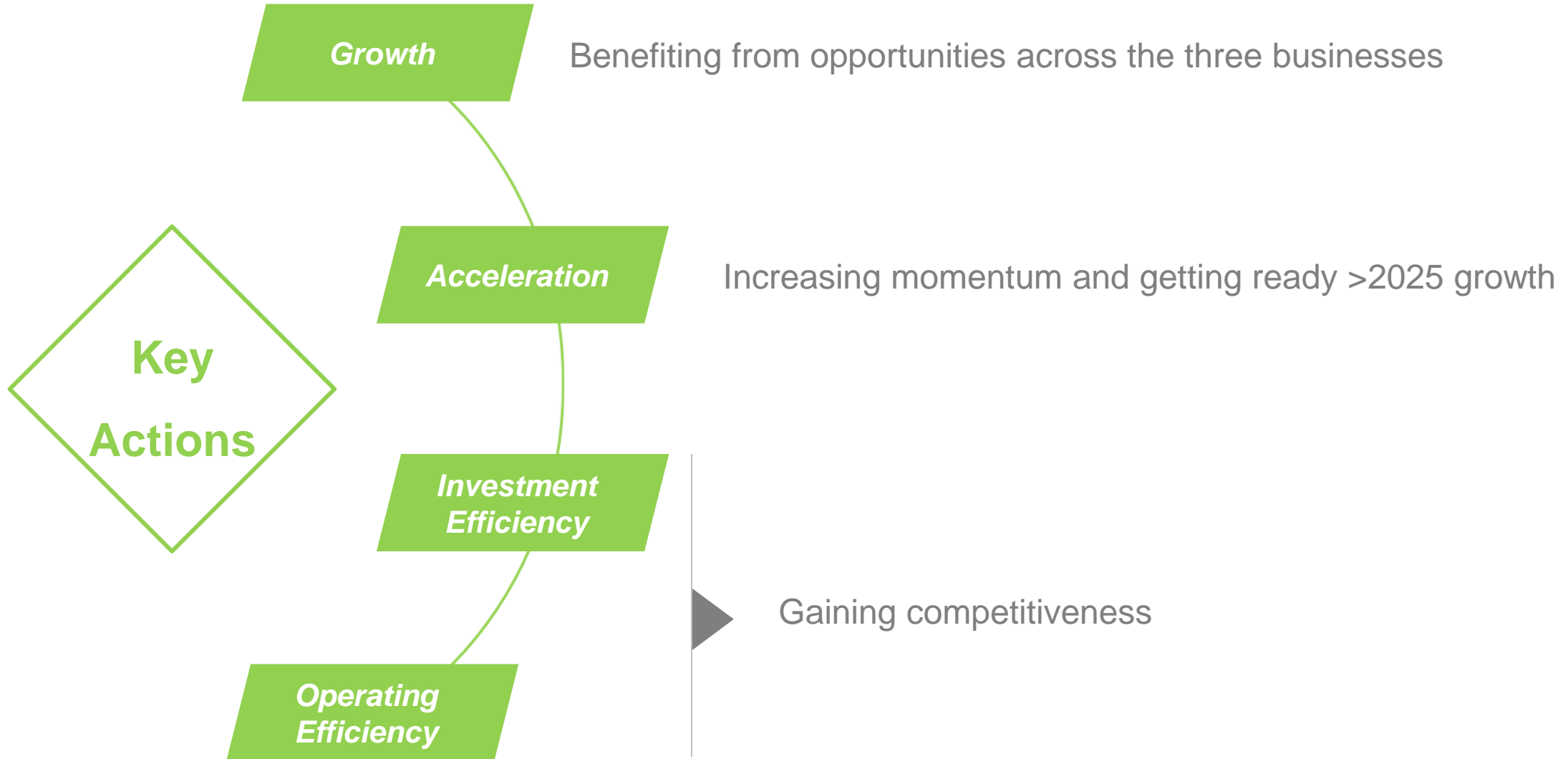
## Opportunities derived from decarbonizing the use of hydrogen as industry feedstock



**CAPITAL  
MARKETS**  
DAY - 2020



**Key Actions**

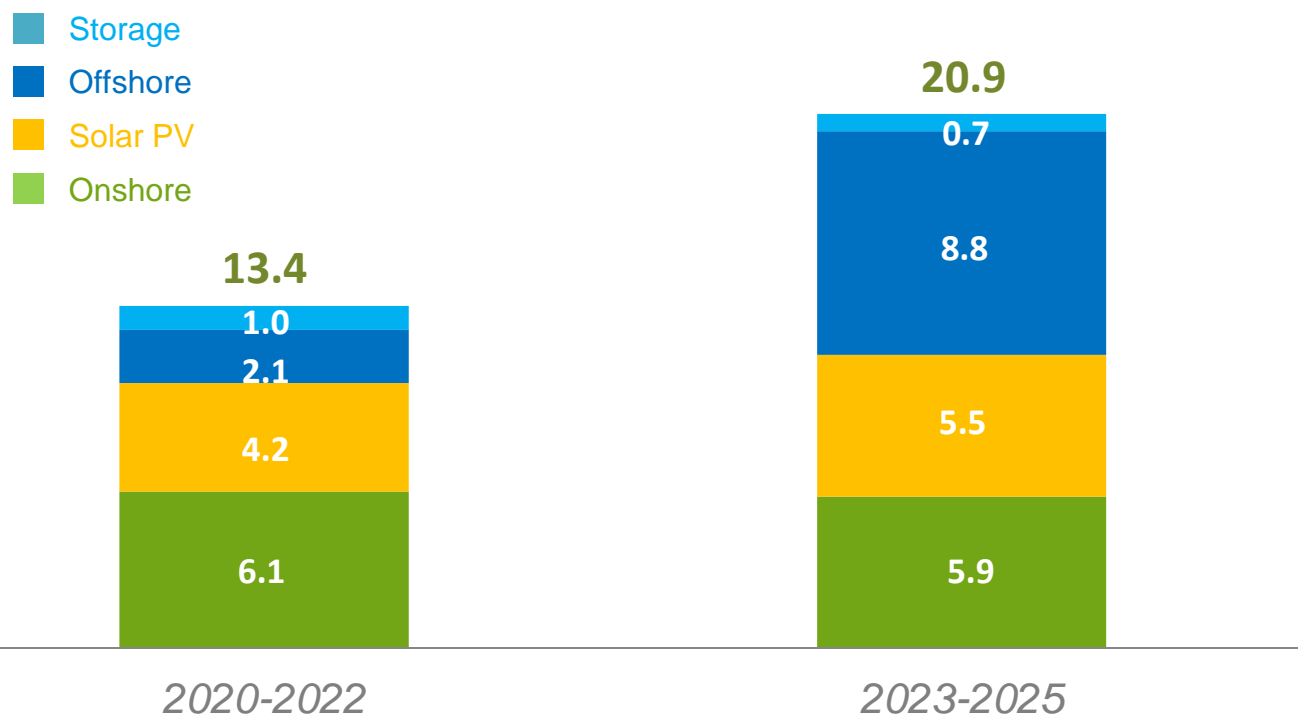


# Growth

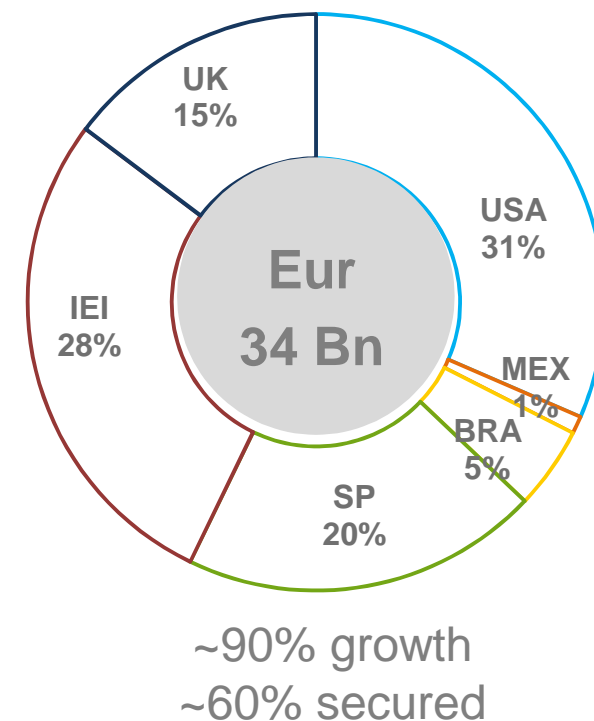
## Renewables: Gross Investments

Investments of EUR 34 Bn during the period...

Gross Investments (EUR Bn) by technology<sup>1</sup>



2020-2025 Gross Investments (EUR Bn) by geography<sup>1</sup>



... increasing diversification, especially with growth in offshore and IEI

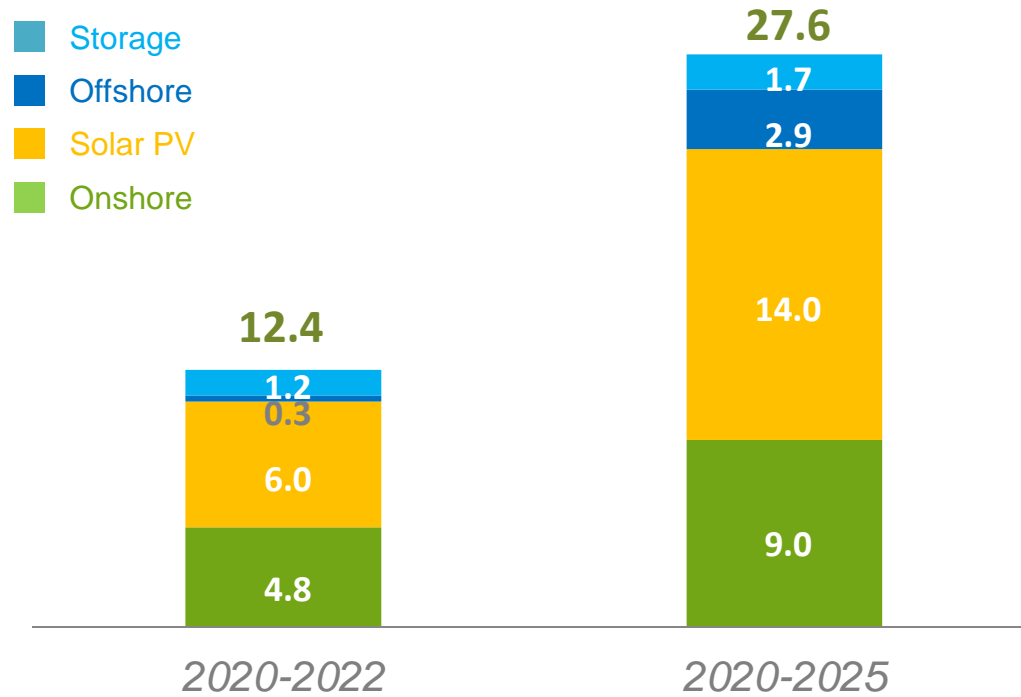
<sup>1/</sup> Includes Iberdrola estimates of PNM resources

# Growth

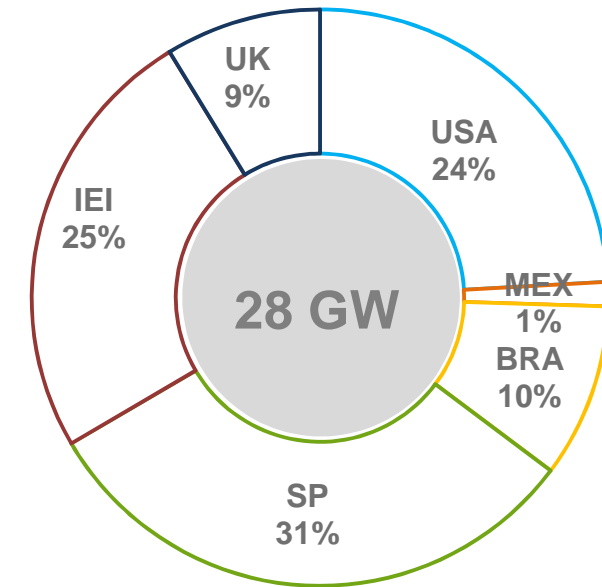
## Renewables: New Capacity 2020-2025

Capacity growth by 28 GW, with a larger contribution from PV and onshore...

New Installed capacity (GW) by technology<sup>1</sup>



2020-2025 Installed capacity (GW) by geography<sup>1</sup>



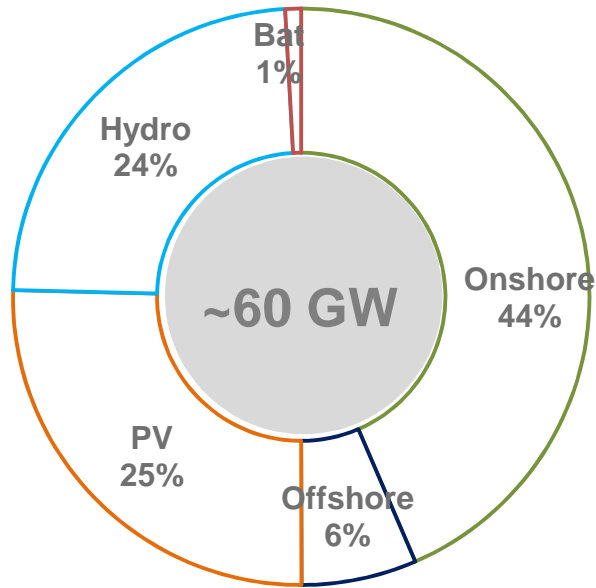
<sup>1/</sup> Includes Iberdrola estimates of PNM resources

# Growth

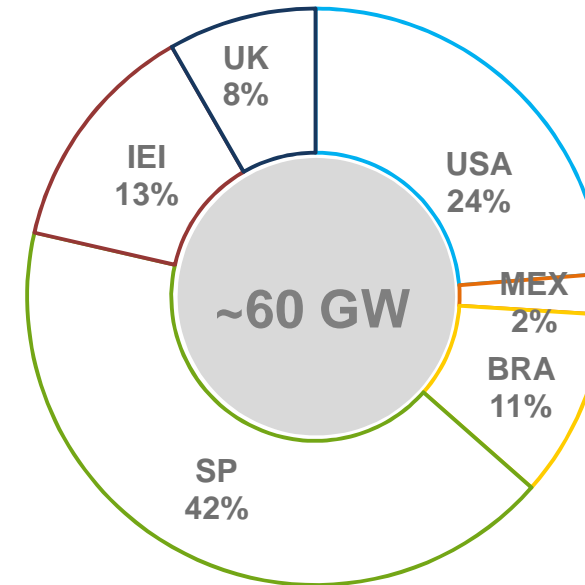
## Renewables: Capacity Mix

... to reach a total of **~60 GW by 2025**

Capacity mix by Technology 2025<sup>1</sup>



Capacity mix by country 2025<sup>1</sup>

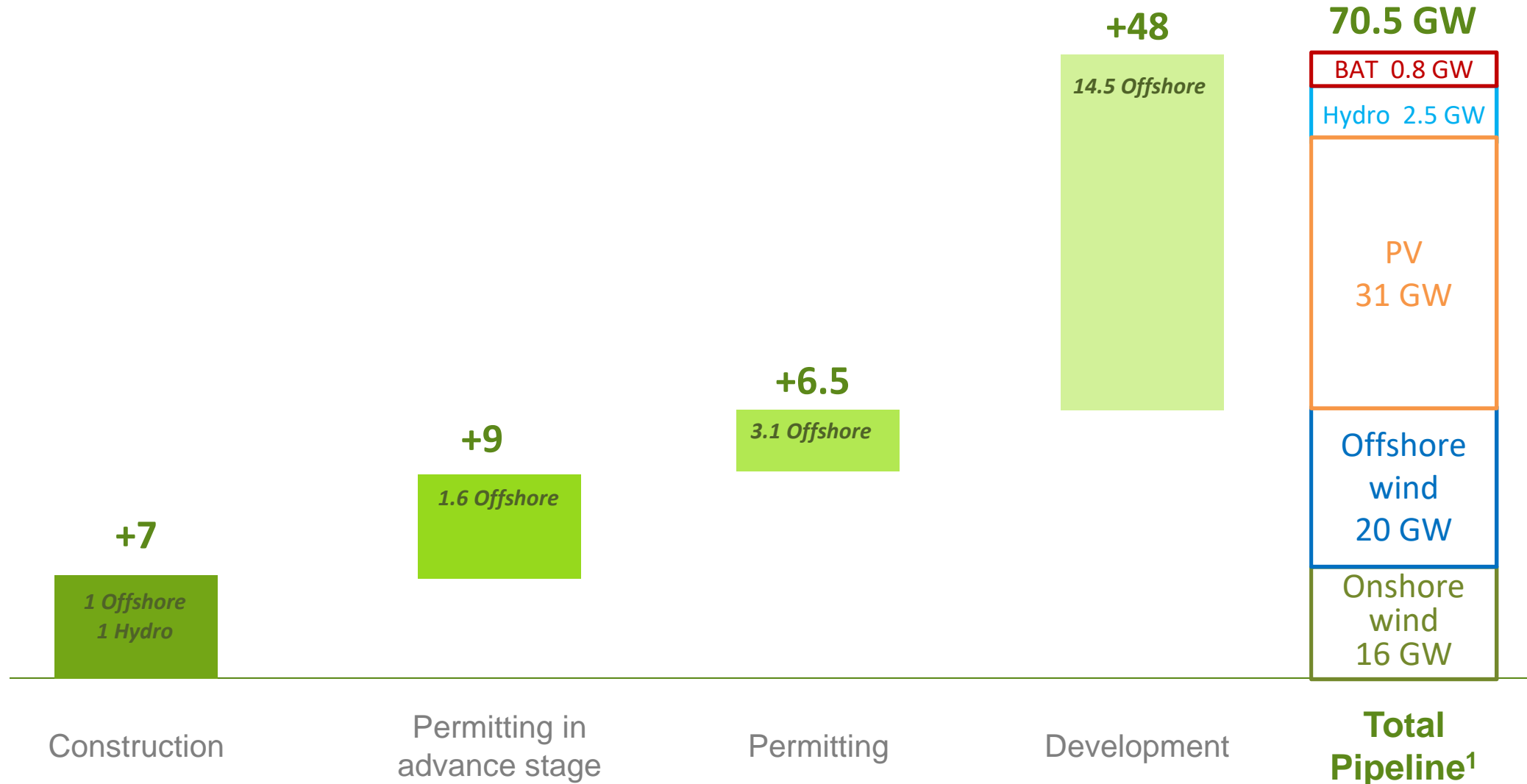


1/ Includes Iberdrola estimates of PNM resources

# Growth

## Renewables: Pipeline by status






Over **70 GW pipeline**, with an annual increase over 10 GW/year



1/ Includes Iberdrola estimates of PNM resources

# Growth

## Renewables: Pipeline detail

(GW)	Onshore	Offshore	Solar PVdc	Battery	Hydro	TOTAL
<b>US<sup>1</sup></b>	<b>4.5</b>	<b>7.5</b>	<b>10.8</b>			<b>22.9</b>
<b>UK</b>	<b>2.4</b>	<b>3.1</b>	<b>0.8</b>	<b>0.8</b>		<b>7.0</b>
<b>Brazil</b>	<b>2.5</b>		<b>2.7</b>			<b>5.2</b>
<b>Mexico</b>	<b>0.9</b>		<b>4.0</b>			<b>5.0</b>
<b>Spain</b>	<b>2.8</b>		<b>7.6</b>	<b>0.02</b>	<b>1.3</b>	<b>11.7</b>
<b>International</b>	<b>3.2</b>	<b>9.6</b>	<b>4.7</b>	<b>0.01</b>	<b>1.2</b>	<b>18.7</b>
<i>Germany</i>		<i>0.8</i>				<i>0.8</i>
<i>Australia</i>	<i>1.5</i>		<i>1.0</i>			<i>2.5</i>
<i>France</i>	<i>0.7</i>	<i>0.5</i>	<i>0.22</i>			<i>1.4</i>
<i>Greece</i>	<i>0.3</i>		<i>0.5</i>		<i>0.01</i>	<i>0.8</i>
<i>Italy</i>	<i>0.1</i>		<i>1.0</i>			<i>1.1</i>
<i>Portugal</i>	<i>0.3</i>		<i>1.2</i>	<i>0.01</i>	<i>1.2</i>	<i>2.6</i>
<i>Japan</i>		<i>3.3</i>				<i>3.3</i>
<i>Sweden</i>		<i>5.0</i>				<i>5.0</i>
<i>Others</i>	<i>0.3</i>		<i>0.8</i>			<i>1.1</i>
<b>TOTAL</b>	<b>16.3</b> 	<b>20.2</b> 	<b>30.7</b> 	<b>0.8</b> 	<b>2.5</b> 	<b>70.5</b>

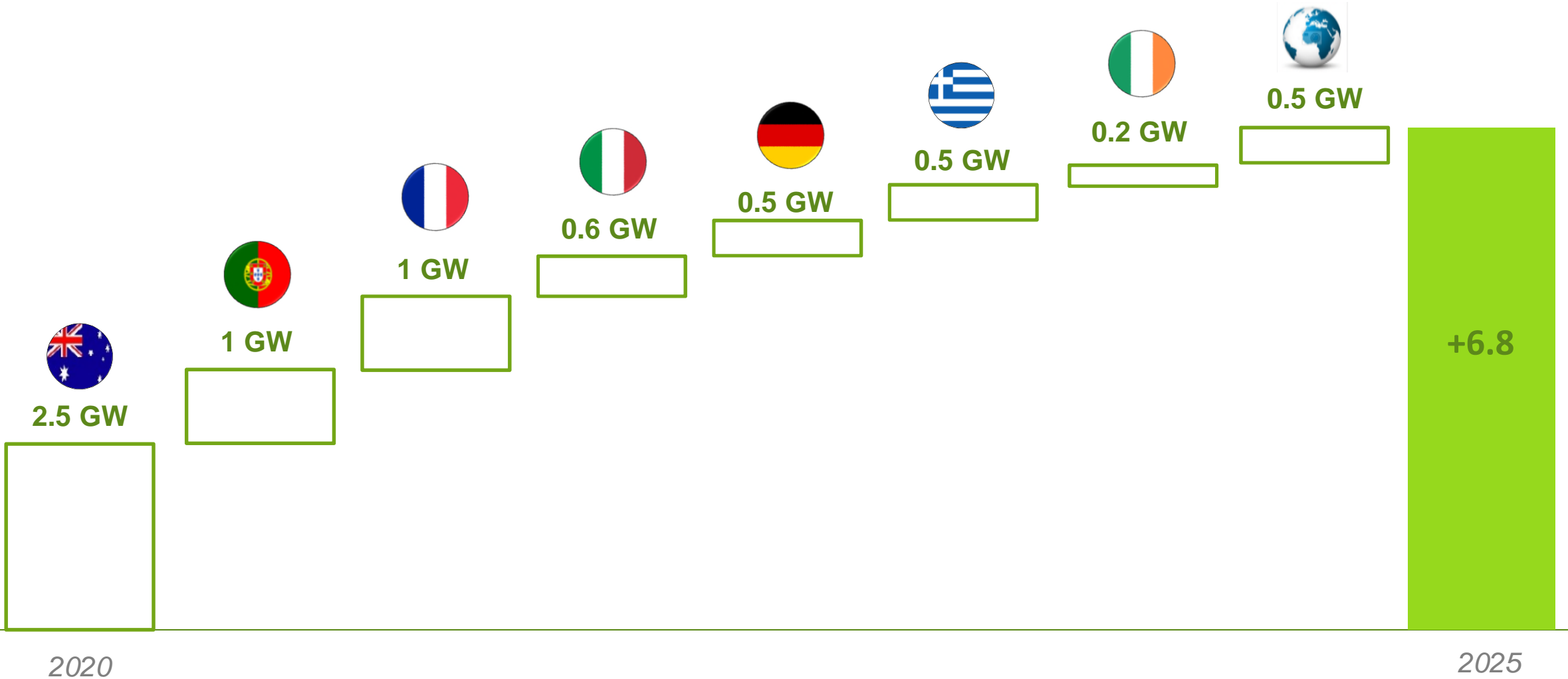
*Under construction projects included*

*1/ Includes Iberdrola estimates of PNM resources*

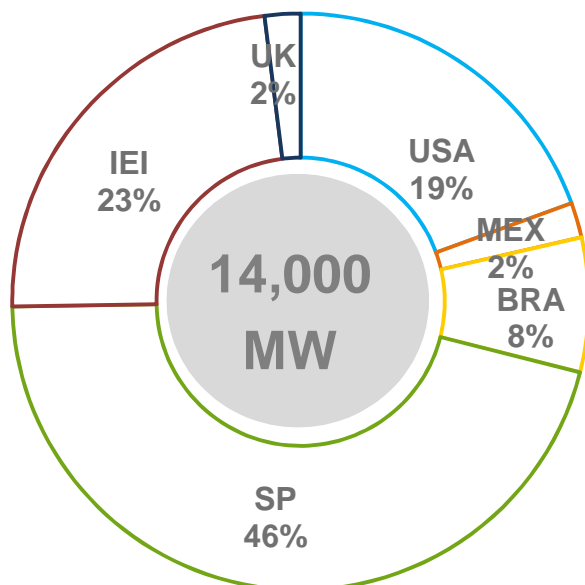
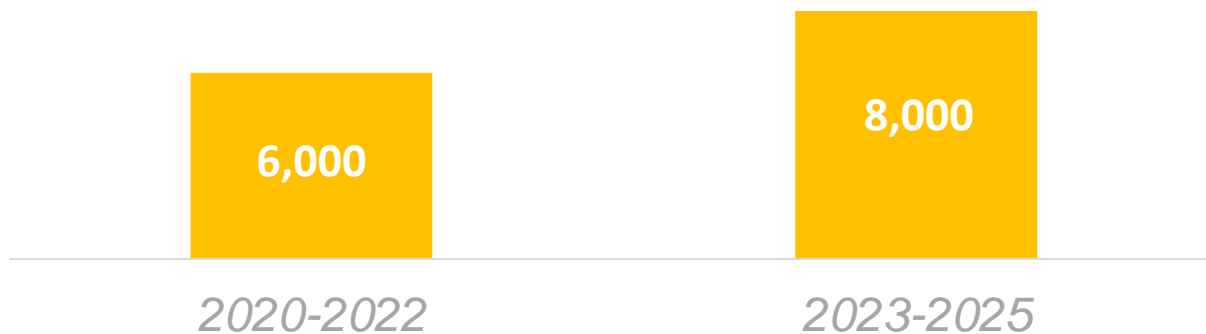


# Growth Renewables: Iberdrola Energía Internacional

Increase of almost **7 GW** by 2025



New Installed Capacity<sup>1</sup> 2020-2025



**6,000 MW secured**

**2,700 MW already under construction**

Main projects



Francisco Pizarro  
Ceclavin  
Arenales  
Puertollano  
Campo Arañuelo



Montague Solar  
Lundhill  
Mohawk  
Bakeoven



Cuyoaco



Carland Cross Hybrid  
Coldham Hybrid  
Coal Clough Hybrid



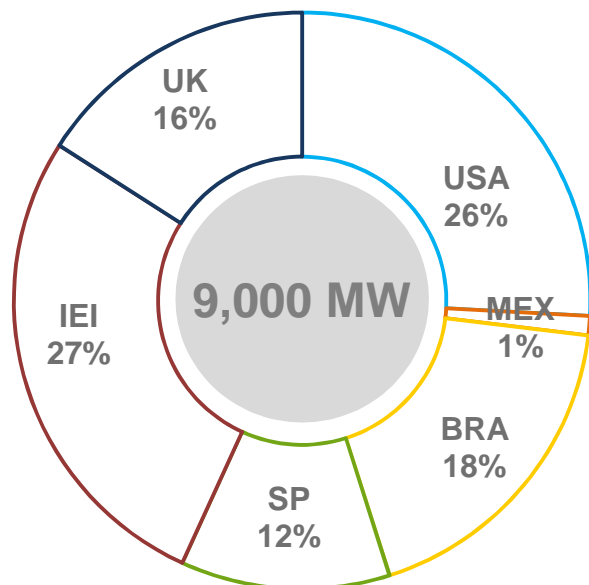
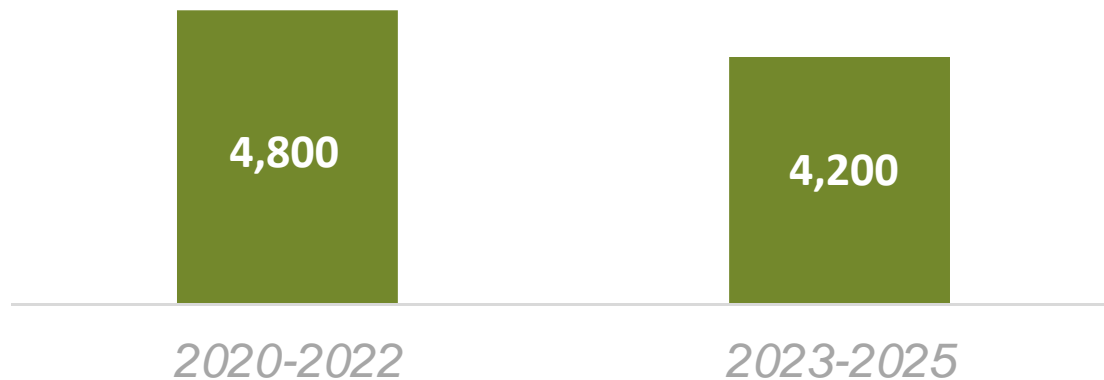
Algarve Setubal  
Montalto di Castro

<sup>1/</sup> Includes Iberdrola estimates of PNM resources

# Growth

## Renewables: Onshore wind

New Installed Capacity<sup>1</sup> 2020-2025



<sup>1/</sup> Includes Iberdrola estimates of PNM resources

**4,800 MW secured**  
**2,200 MW already under construction**

Main projects



Puylobo  
ERPASA  
Martín de la Jara



Pier  
Santiago



Beinn and Tuirc 3  
Halsary



Chafariz  
Oitis



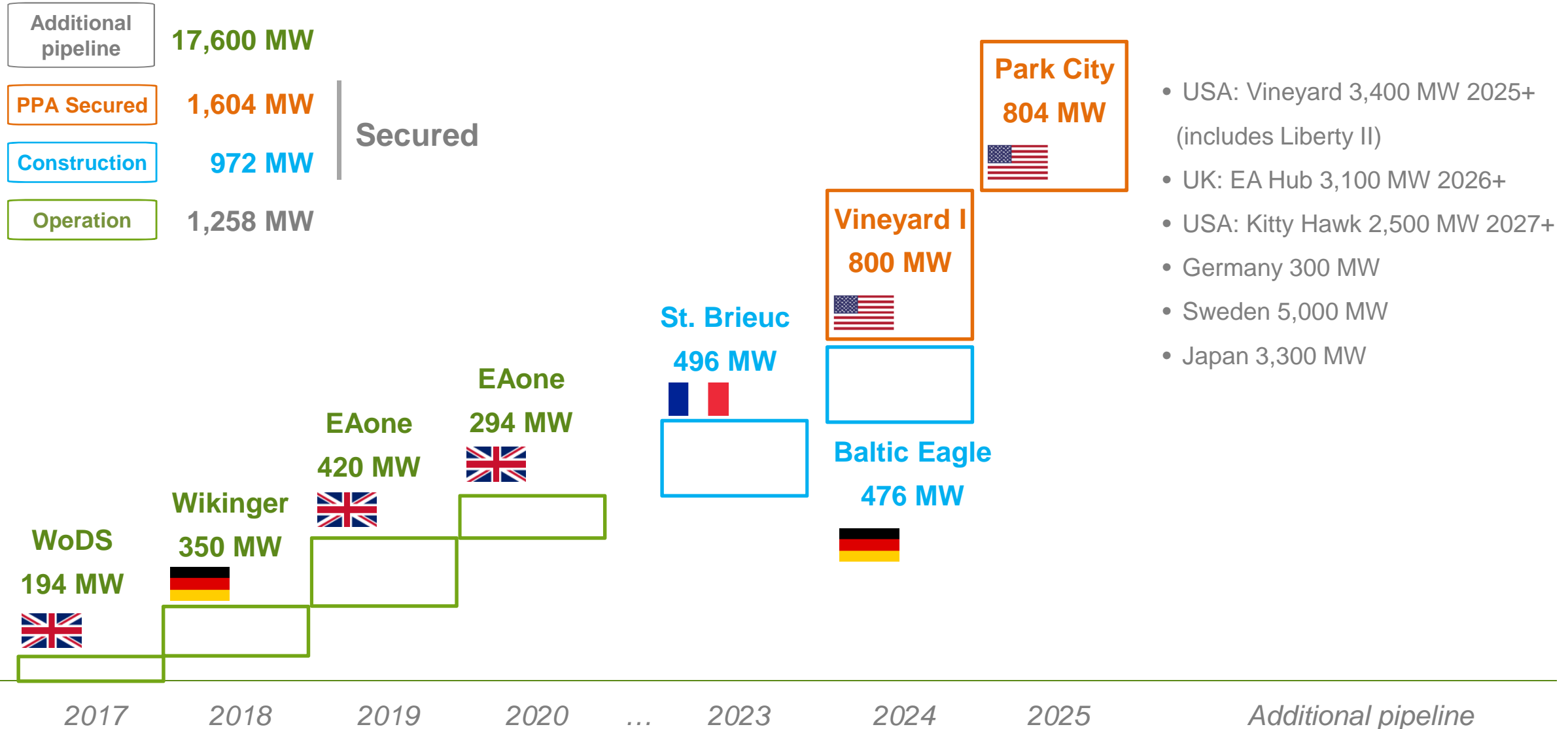
La Joya I-II  
Midland  
Golden Hills



Mikronoros  
Rokani  
Askio II-III

# Growth

## Renewables: Offshore wind

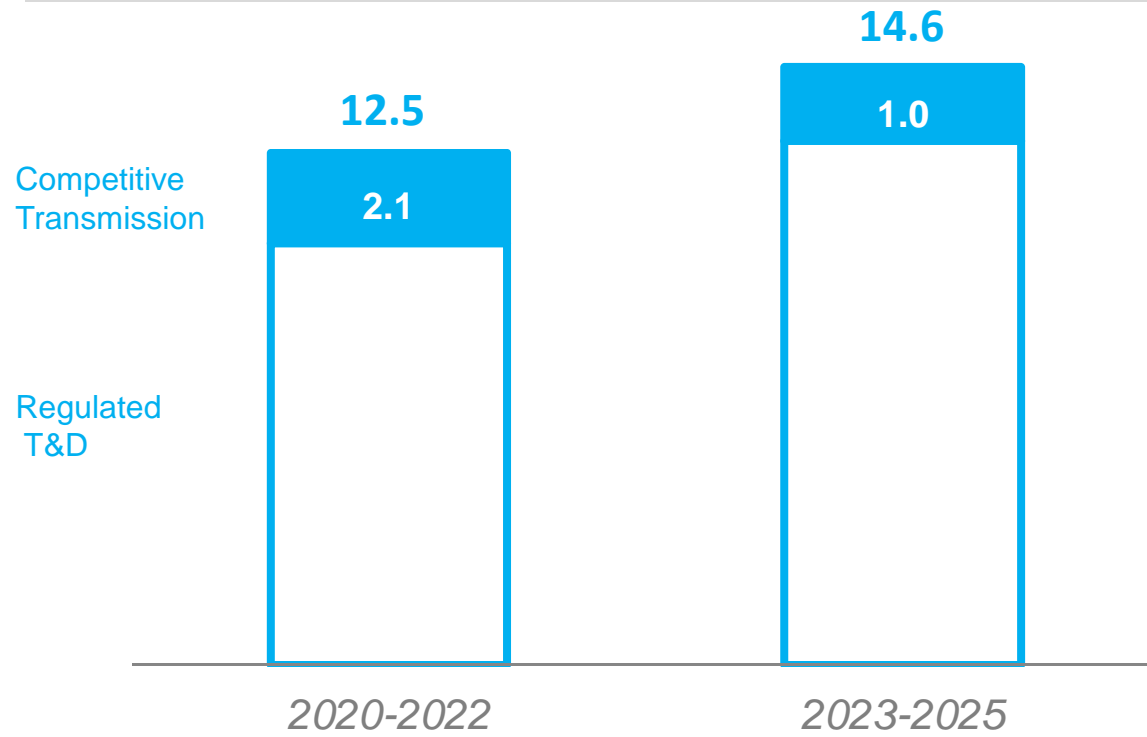


- USA: Vineyard 3,400 MW 2025+ (includes Liberty II)
- UK: EA Hub 3,100 MW 2026+
- USA: Kitty Hawk 2,500 MW 2027+
- Germany 300 MW
- Sweden 5,000 MW
- Japan 3,300 MW

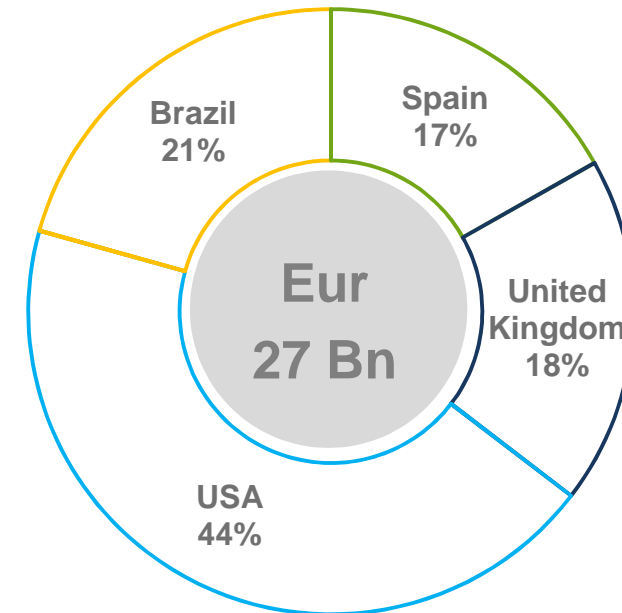
# Growth Networks: Gross Investments

**EUR 27 Bn investments in 2020-25**, increasing along time with decarbonization needs

Organic Gross Capex<sup>1</sup> (EUR Bn)



2020-2025 Organic Gross Investments (EUR Bn) by geography<sup>1</sup>



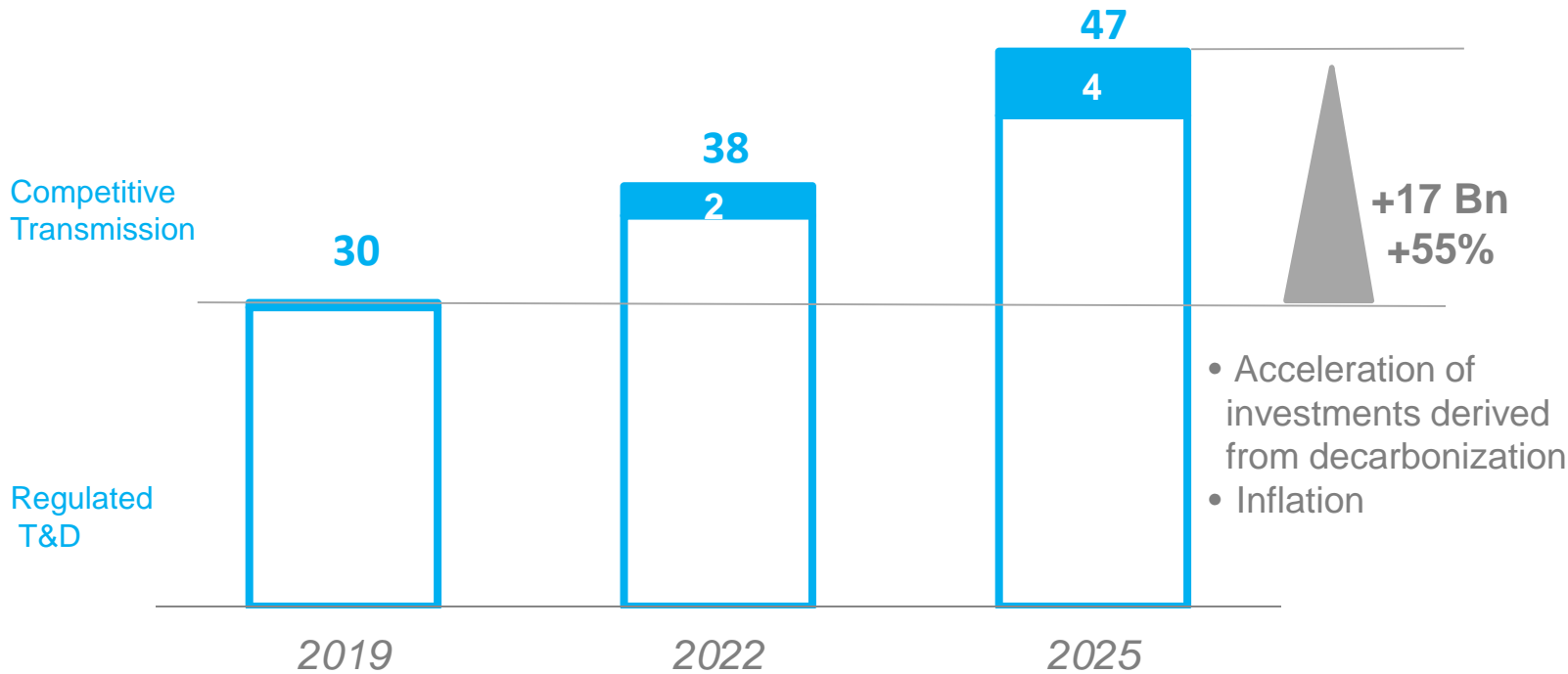
~60% growth  
~90% secured

1/ Iberdrola estimates of PNM resources transaction investment

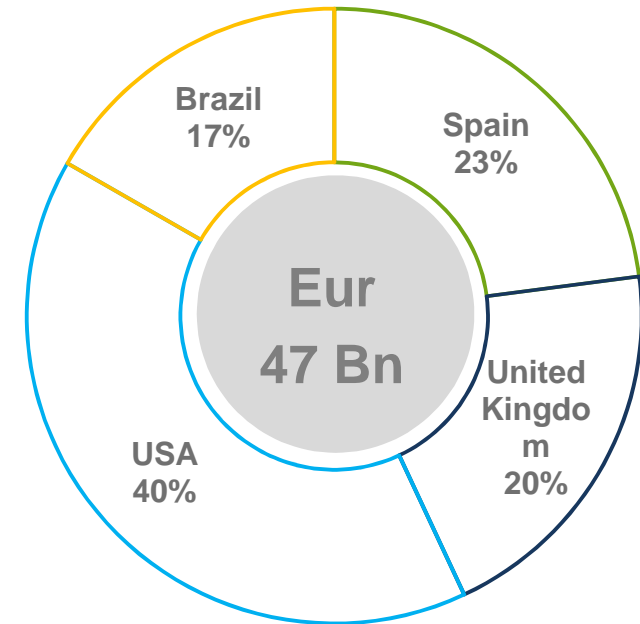
# Growth Networks: Asset Base

Asset base grows in all countries close to EUR 47 Bn in 2025 (+55%)

Asset base<sup>1</sup> (EUR Bn)



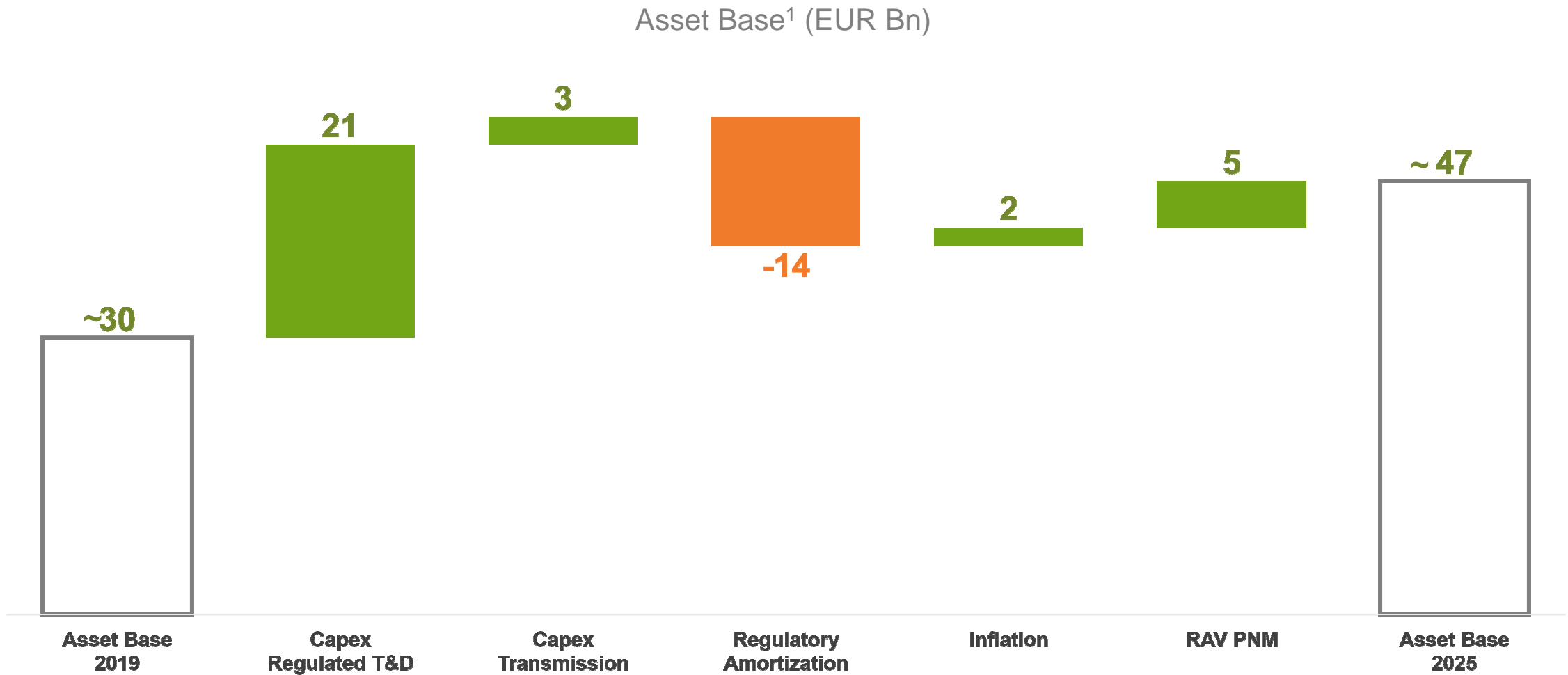
Asset base<sup>1</sup> 2025 (EUR Bn)



1/ Asset base\* includes regulated T&D and competitive transmission  
Iberdrola estimates of PNM resources transaction investment

# Growth

## Networks: Asset Base evolution

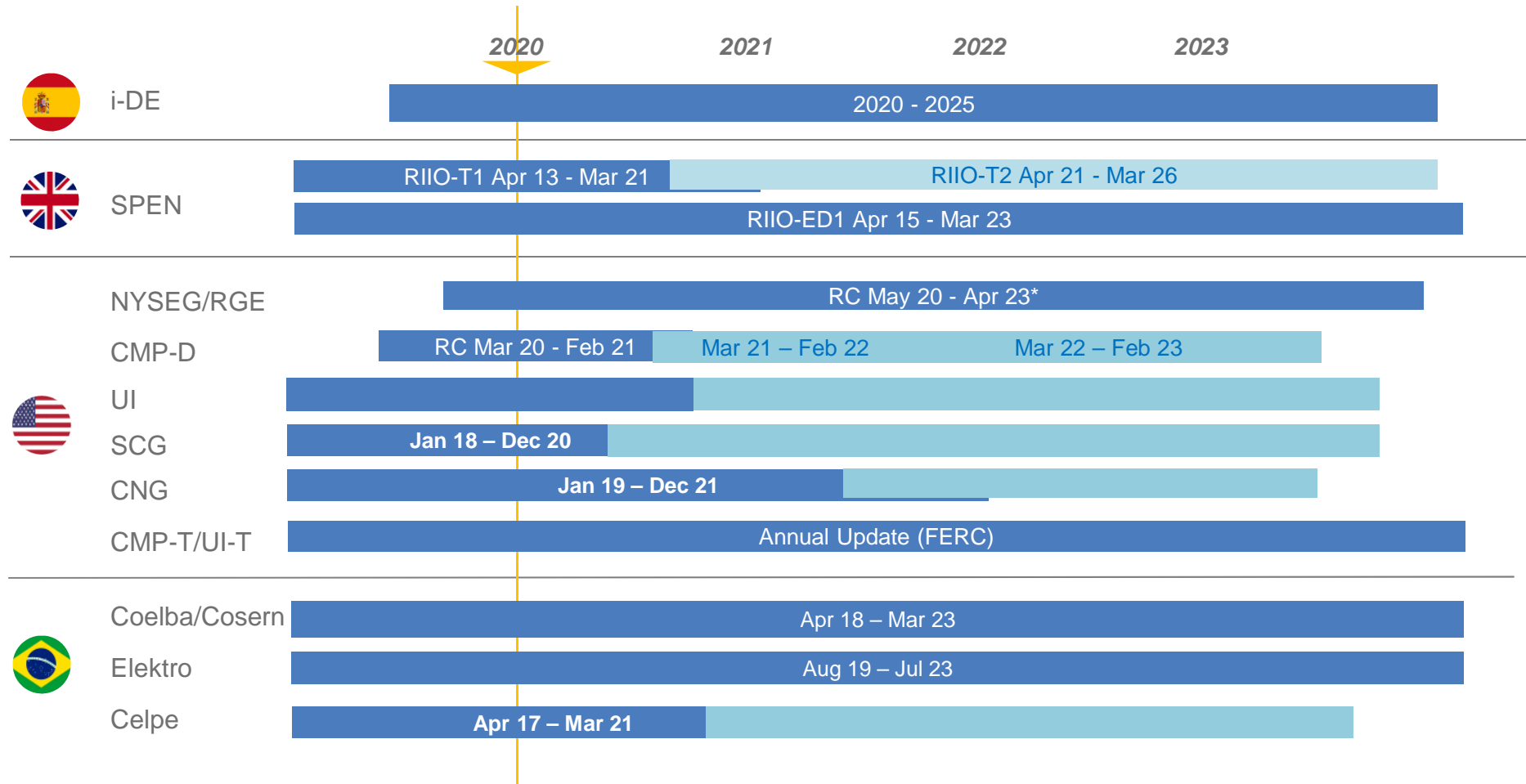


1/ Iberdrola estimates of PNM resources transaction investment

# Growth

## Networks: Rate Cases

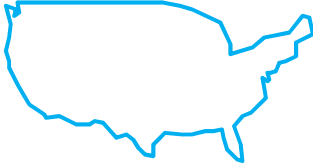
**Stable and geographically diversified returns** approved through regulatory frameworks, with ~80% secured to 2022




\* Pending final PSC Order



**Multiple growth opportunities up to 2025** and beyond in areas with geographic presence

		CAPEX Secured	CAPEX Opportunities
	<b>NECEC</b>	USD 1 Bn	
	Incumbent area		USD 3.3 Bn
	Non-incumbent area		USD 2.5 Bn
	Offshore transmission*		USD 5.3 Bn

\*Subject to offshore transmission and generation decoupling

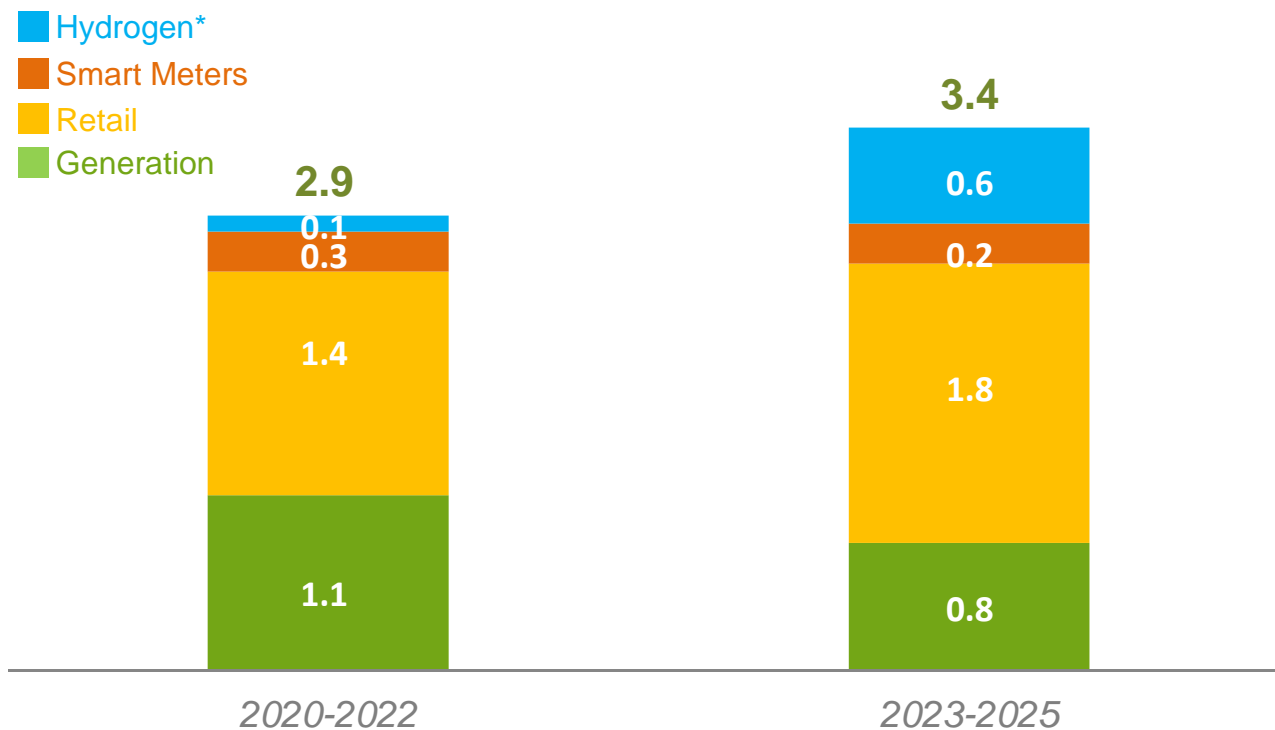
		CAPEX Secured	CAPEX Opportunities
	<b>Current Portfolio (2017-2019 auctions)</b>	BRL 7.6 Bn	
	ANEEL auctions (2021-2025)		BRL 44.6 Bn

Analyzing additional opportunities in new geographies where the Group is present

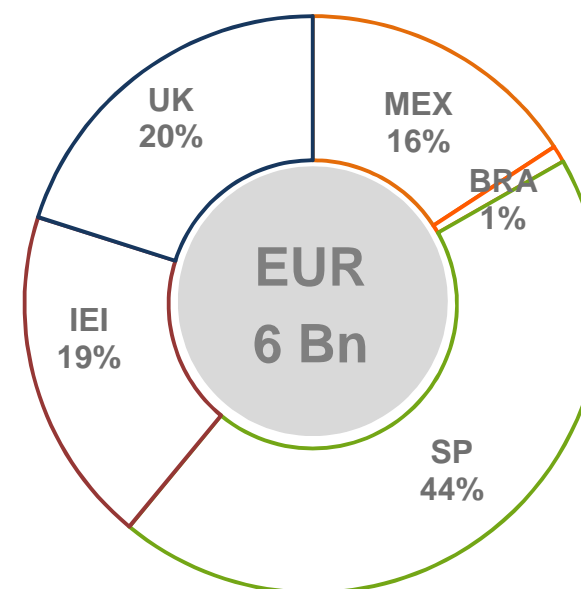
# Growth Generation & Retail: Gross Investments

Investing over **EUR 6 Bn** during the period

Gross Investments (EUR M)



2020-2025 Gross Investments  
(EUR Bn) by geography



~60% growth  
~50% secured

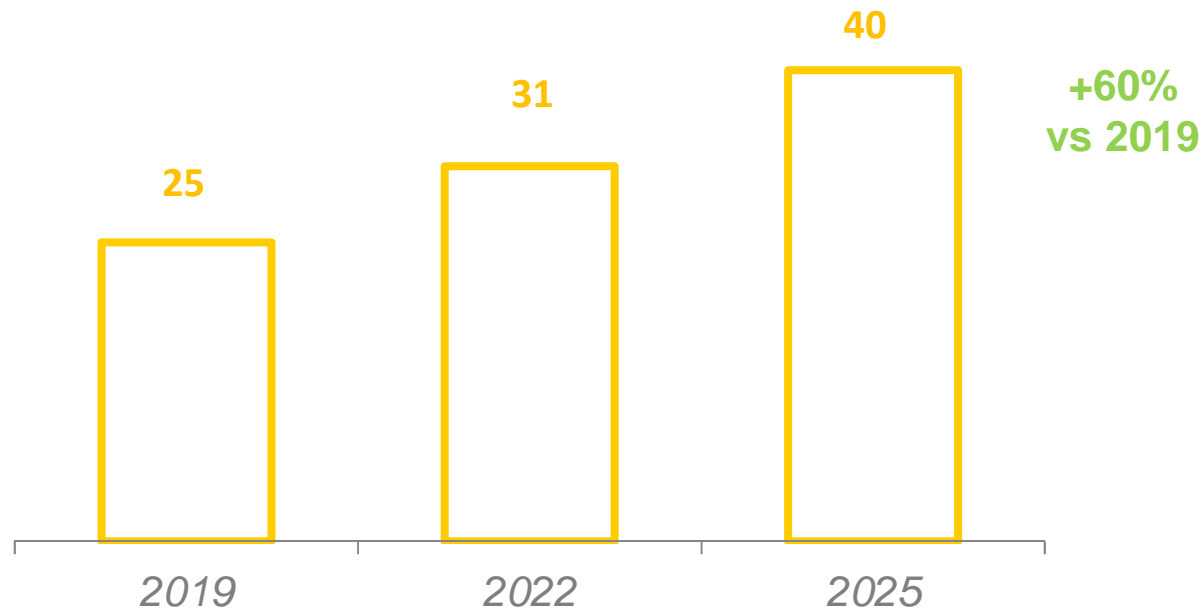
\* Total gross investments, not including potential grants from European Funds

# Growth

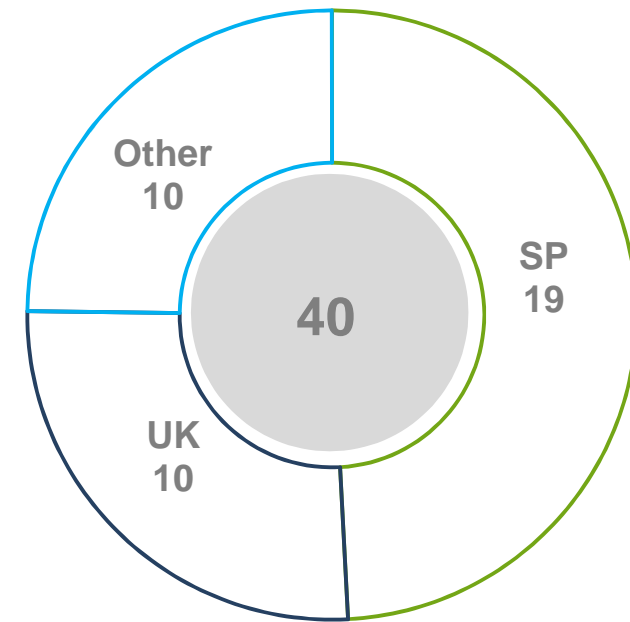
## Retail: Services to customers

Strong growth on **Smart Solutions** while expanding in **new markets**

Services to customers (M)



2025 Services breakdown (M)

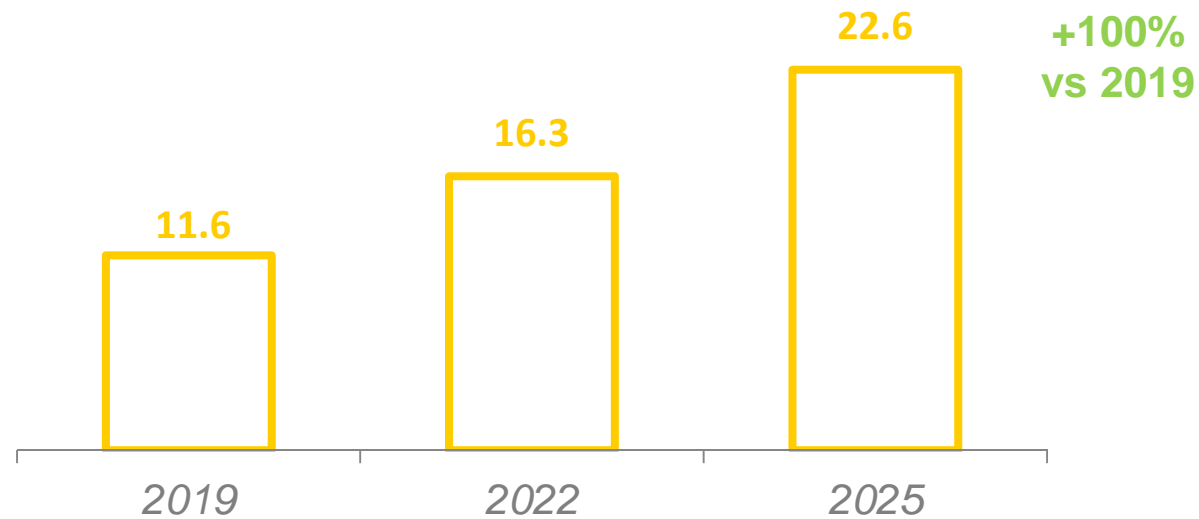


# Growth

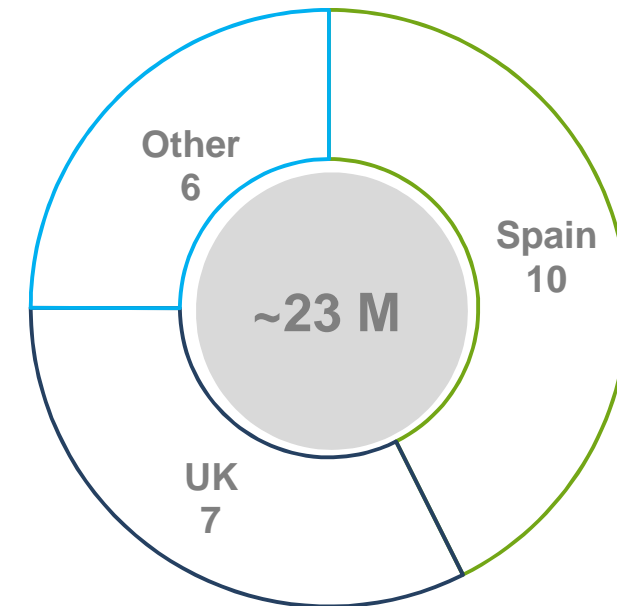
## Retail: Smart Solutions

**+11 Millions increase** of Smart Solutions in the period

Smart Solutions to customers (M services)

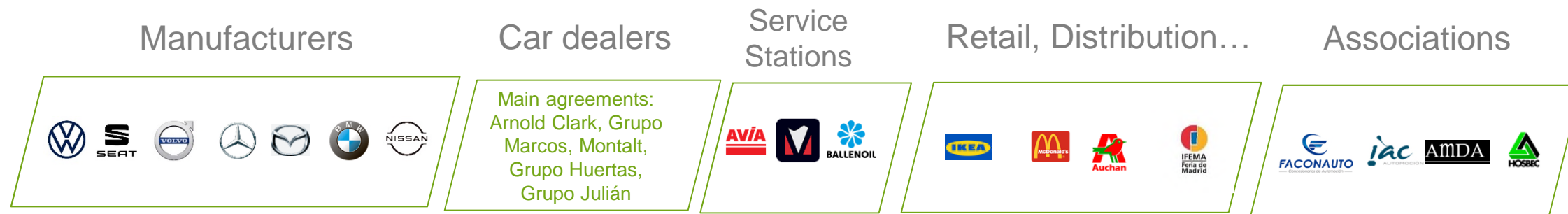


2025 Smart Solutions by geography (M)



Building growth **alliances with manufacturers & customers** along the value chain

SMART  
MOBILITY



## Relevant Projects

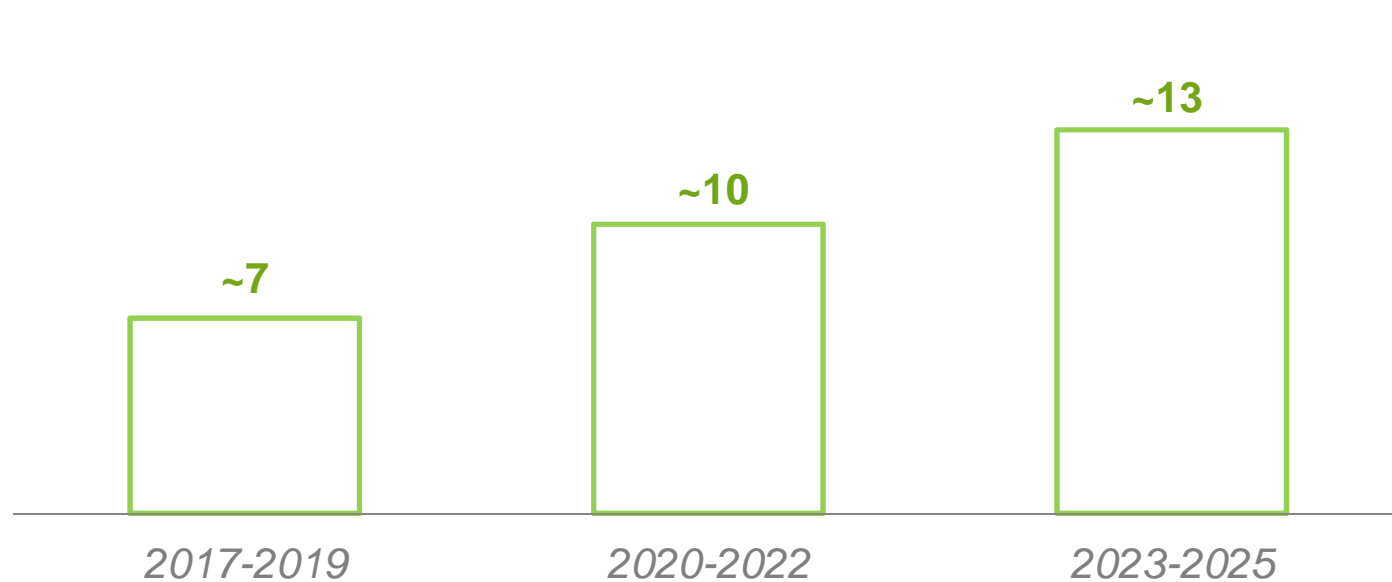
SMART SOLAR  
GREEN H<sub>2</sub>



## Acceleration: investments

Increase of average investments in line with **growth opportunities**

Average Gross Investments<sup>1</sup> (EUR Bn/Year)

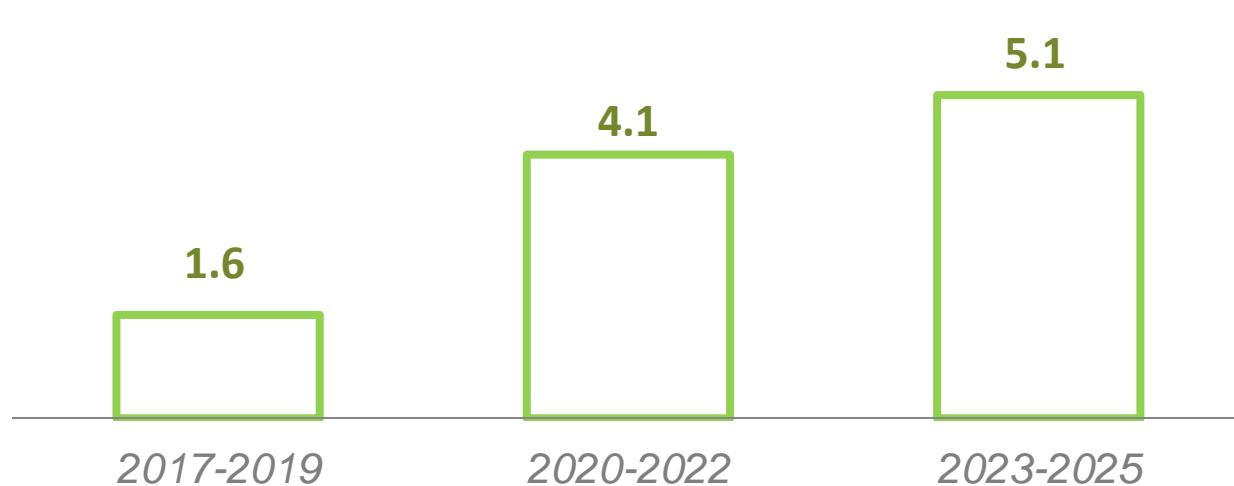


1/ Iberdrola estimates of PNM resources transaction investment

# Acceleration: renewable capacity

Strong growth acceleration

Δ Renewable Capacity<sup>1</sup> (GW/Year)



IEI:



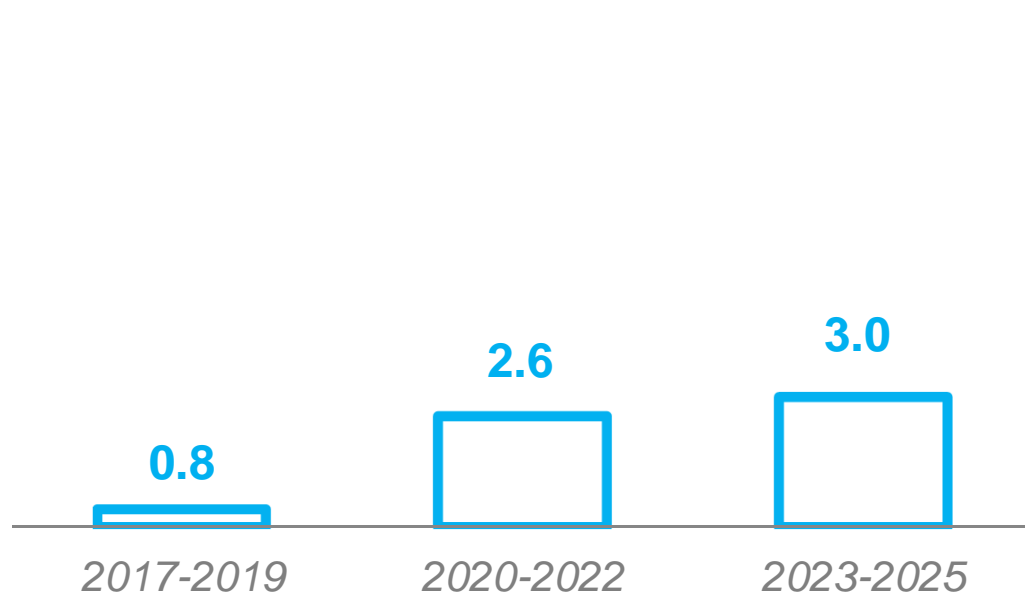
1/ Includes Iberdrola estimates of PNM resources

## Acceleration: regulated asset base

Acceleration of grid investments derived from **decarbonization**

Δ Asset Base<sup>1</sup> (EUR Bn/Year)

2025 targets<sup>2</sup>



Modernization, digitization & automation:  
Improve Quality: -20%<sup>3</sup>



Renewables Connections:  
> 15 GW<sup>4</sup>



Electrification of mobility:  
> 1.7 M EVs connected to the grid



WATER HEAT PUMP

Electrification of buildings & industry:  
+1.4 M Heat Pumps

1/ Iberdrola estimates of PNM resources transaction investment

2/ Targets in our Service Territory

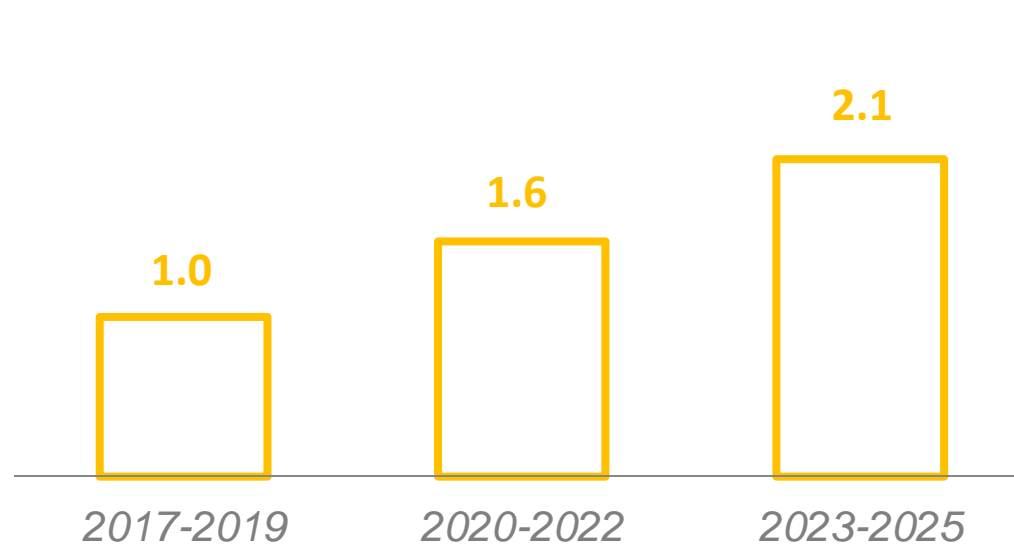
3/ vs 2017-19 average

4/ Additional to 2020



Increasing growth rhythm derived from **larger consumption volume and more products**

△ Smart Solutions to customers (M services/Year)



**Optimization of processes, standardization and synergies** capture along the entire investment lifecycle

## *Reduction of development & construction periods*

- Permitting and sites optimization
- Low-value activities outsource
- Construction standards and packaging
- On-Site scopes and preassemblies
- Replicable Retail Platform

## *CAPEX optimization*

- Projects and equipment standardization
- Modular power plants and works simultaneity
- Standard size of plants (small, medium, large)
- Design optimization

## *Global development management*

- Technology evolution
- Economies of scale
- Global procurement
- Exchange of competitiveness gains and know-how

Benefiting from **digitization, experience and economies of scale**

## *Smart Operations*

- Remote monitoring & diagnosis
- Increasing remote operations
- Processes, systems and tools
- Data analytics

## *Asset value optimization*

- Logistics & resource distribution
- Operational experience
- Availability maximization
- Process standardization

## *Economies of scale*

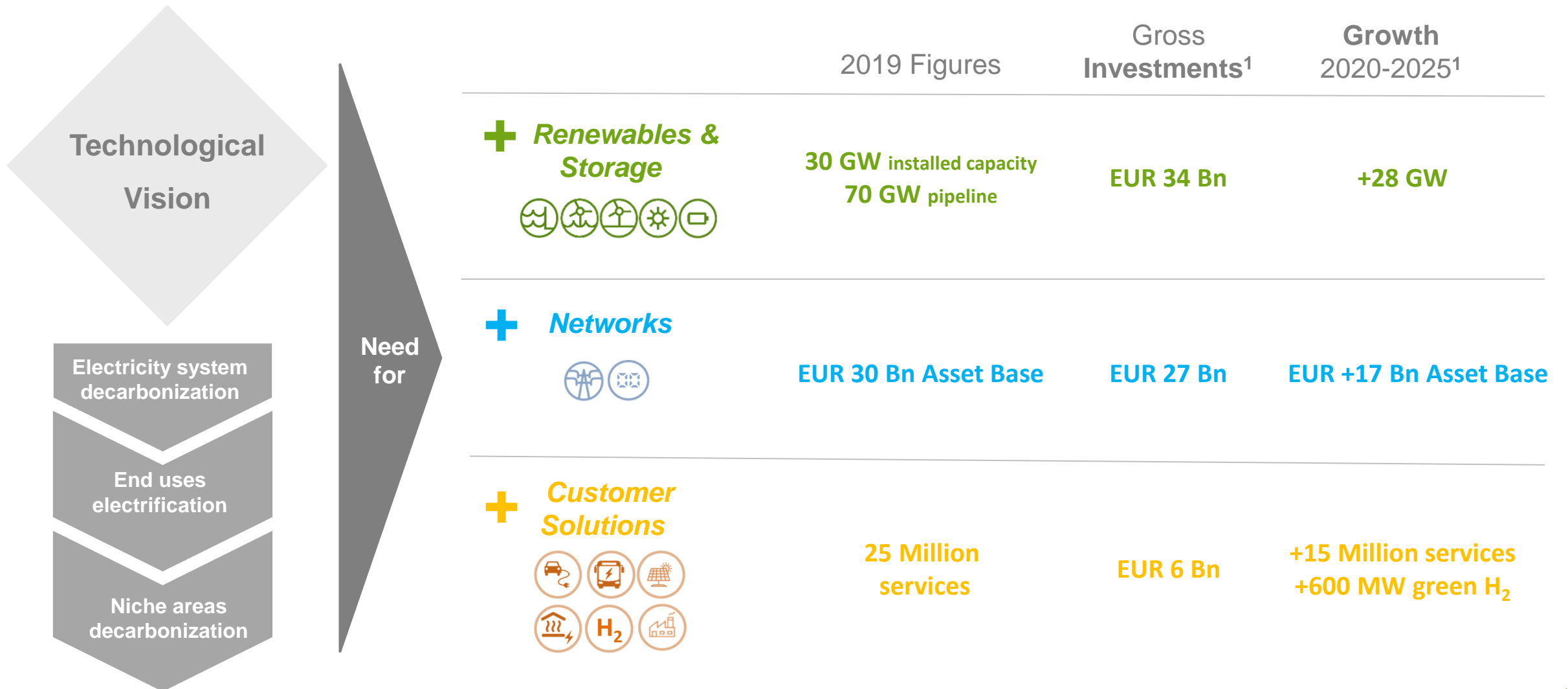
- Technology control and evolution
- Global procurement
- Health & Safety and Environment

**CAPITAL  
MARKETS**  
DAY - 2020



**Conclusions**

Iberdrola's positioning enables a **sustainable and increasing growth in 2020-2025...**



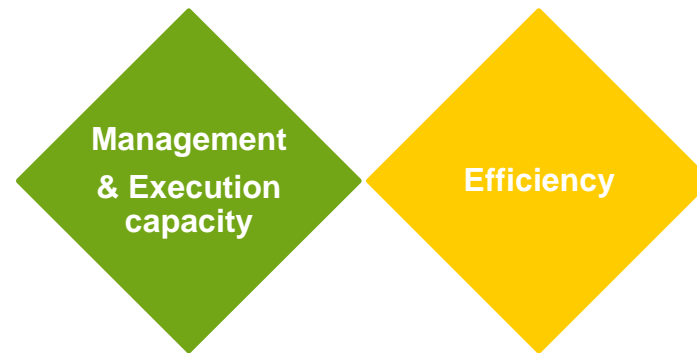
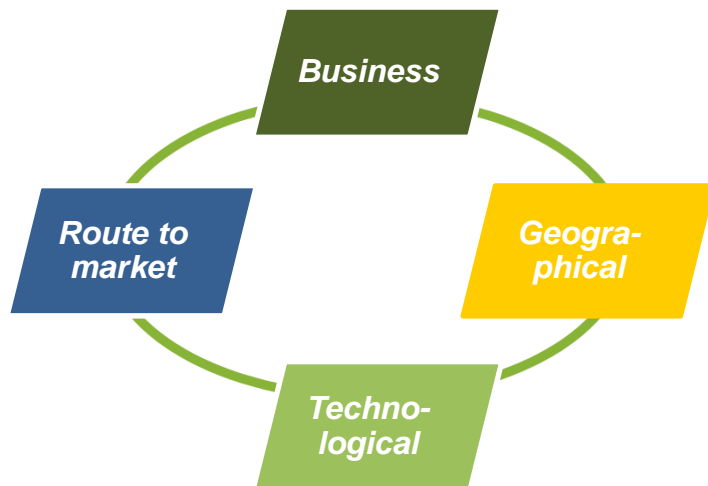
<sup>1/</sup> Iberdrola estimates of PNM resources transaction investment

... and to **optimize the opportunities** derived from decarbonization

*Diversification*

*Experience / Size*

*Customers*



+ *Stable results*  
*Growth opportunities*

+ *Competitiveness*  
*Know-how*

+ *Price hedge*  
*Demand*  
*Products*

**CAPITAL  
MARKETS  
DAY - 2020**

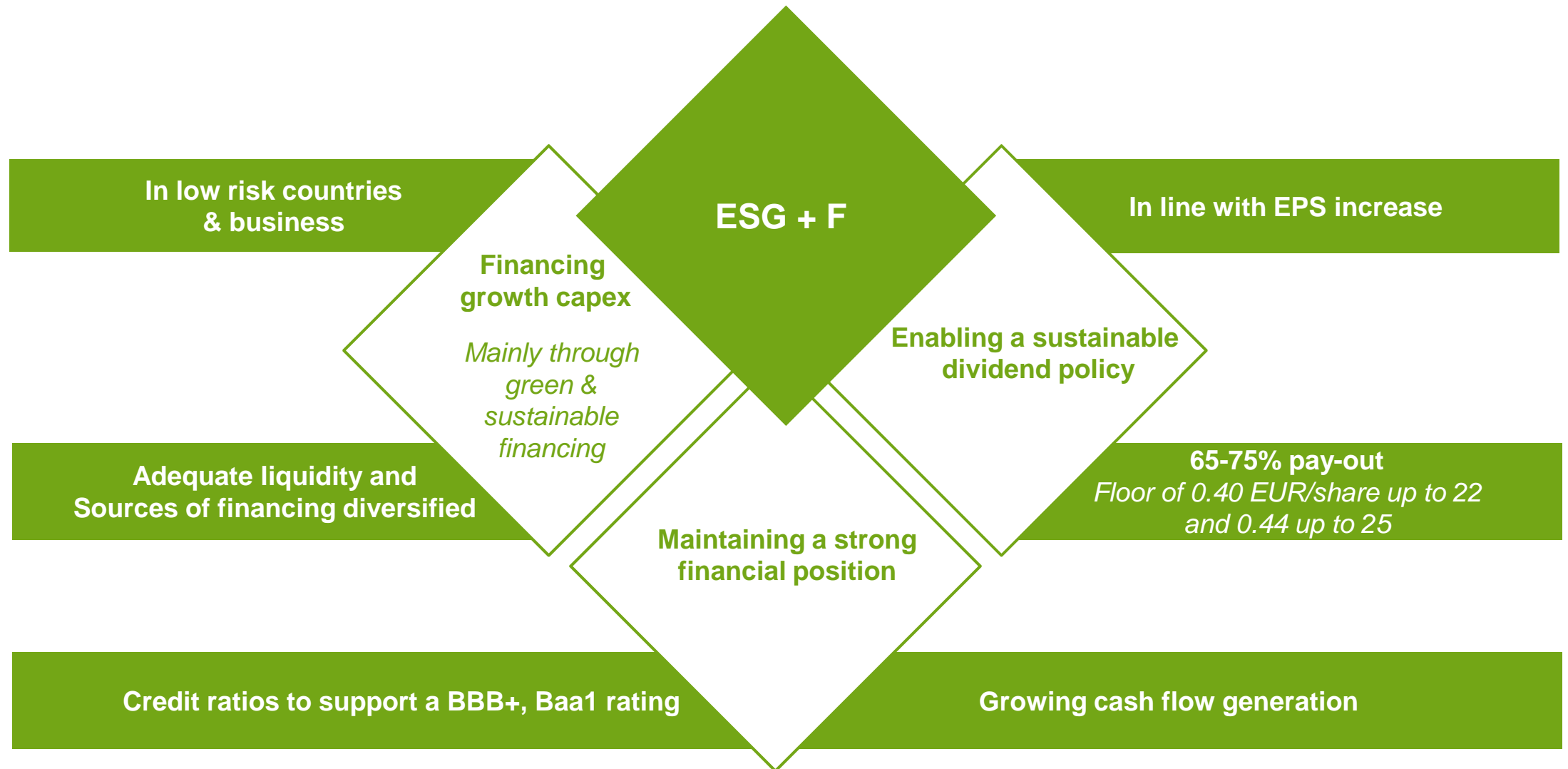


# Financial Management

**José Sainz Armada**

Chief Financial & Resources Officer

## Main financial guidelines for 2020-2025 period ...





## Green Financing at the core

# Green IBERDROLA Financing

**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**

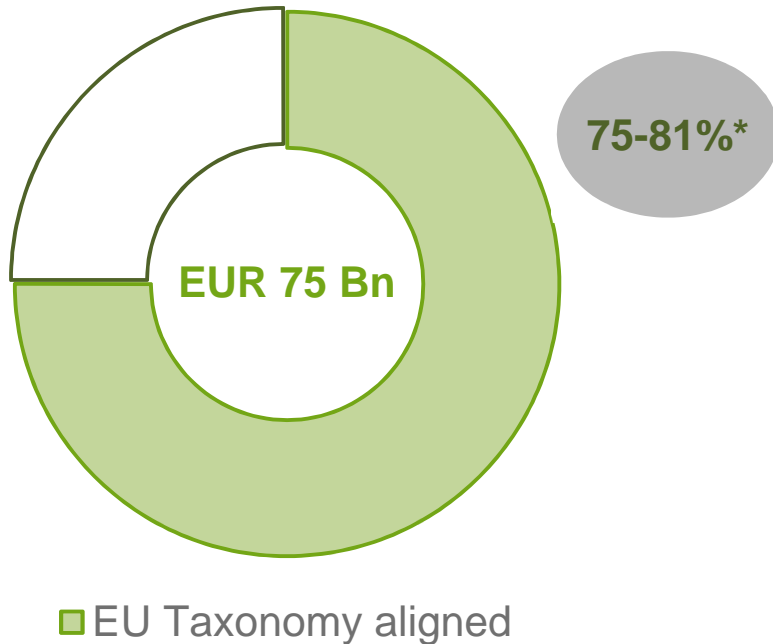
**Allowing us to increase the investor base and, as a consequence, to reduce cost of debt  
(Green Premium average for corporates up to 15bp<sup>1</sup>)**

<sup>1</sup> 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 Taxonomy<sup>1</sup>...

## 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

<sup>1</sup> European Taxonomy of Sustainable Activities, Mitigation objective.

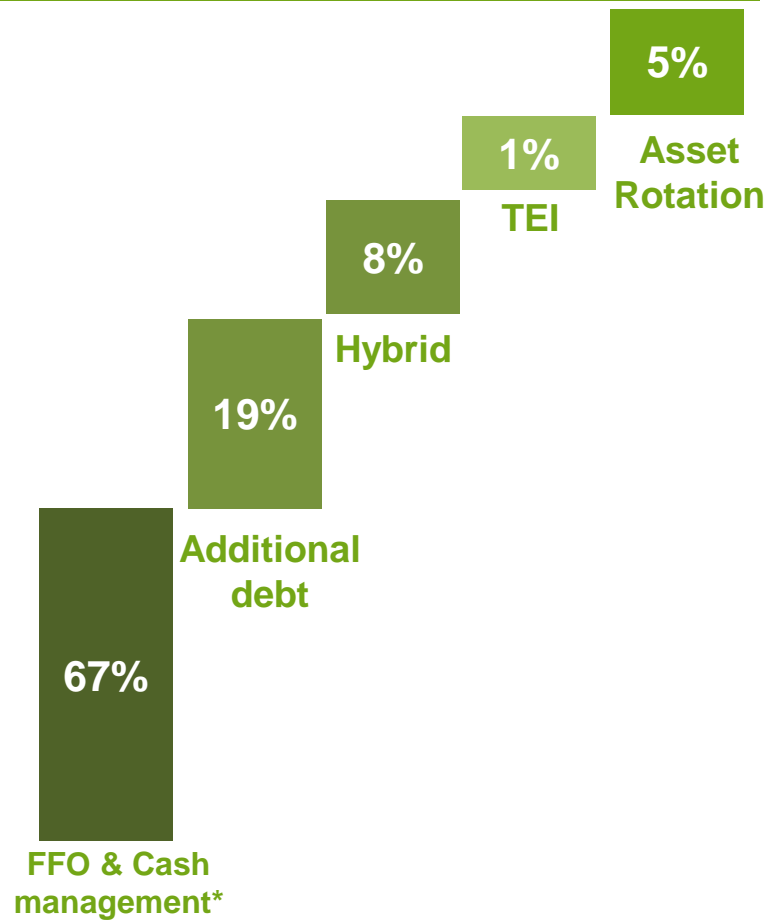
## Reaffirming the commitment on the financial strength ESG + F

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

# Sources and uses of funds 2020-2025

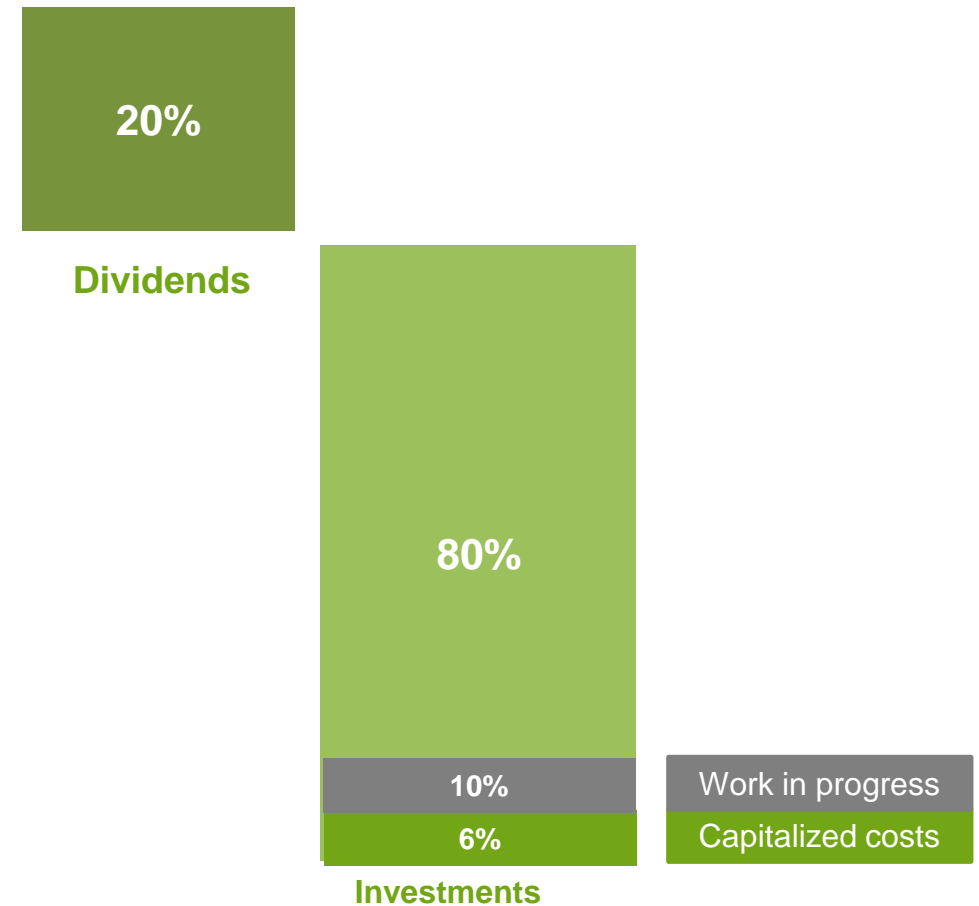
EUR 94 Bn of sources, to finance EUR 75 Bn of investments together with an increasing and sustainable dividend policy of up to EUR 19 Bn remuneration

## Sources EUR 94 Bn



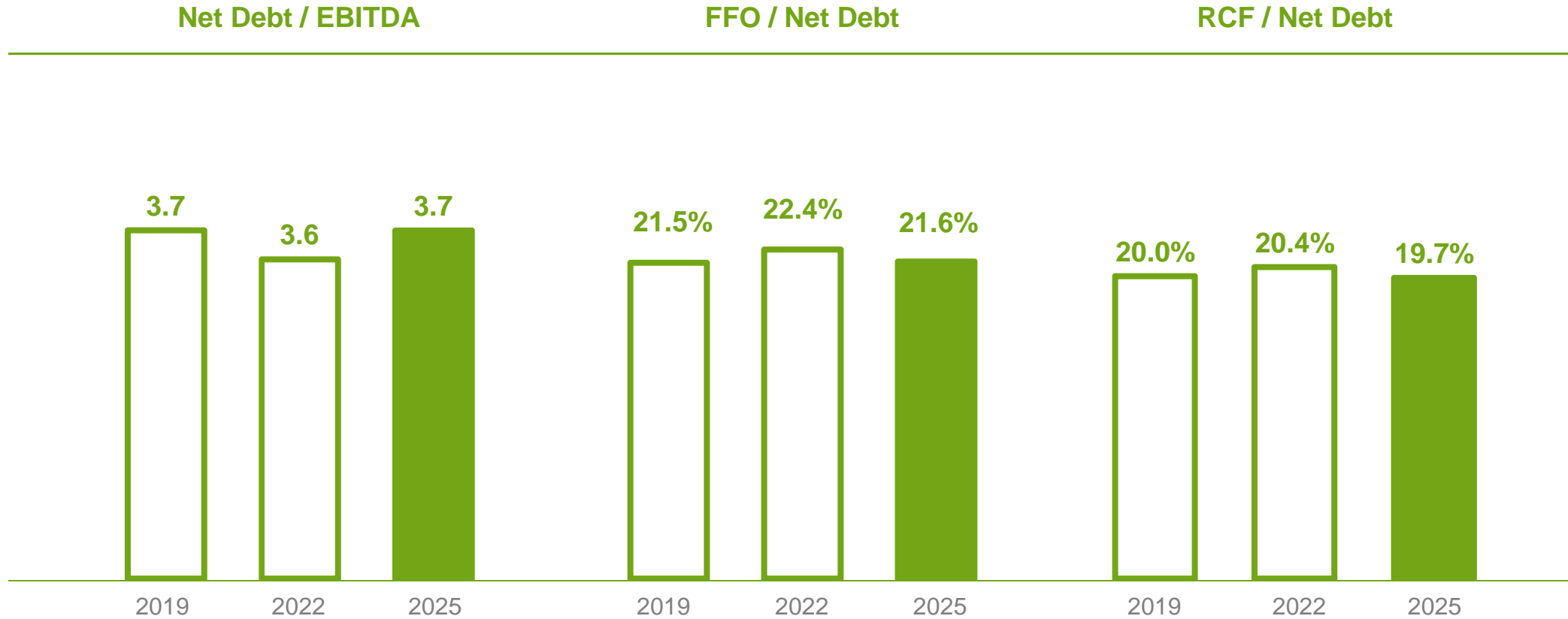
2020-2025

## Uses EUR 94 Bn



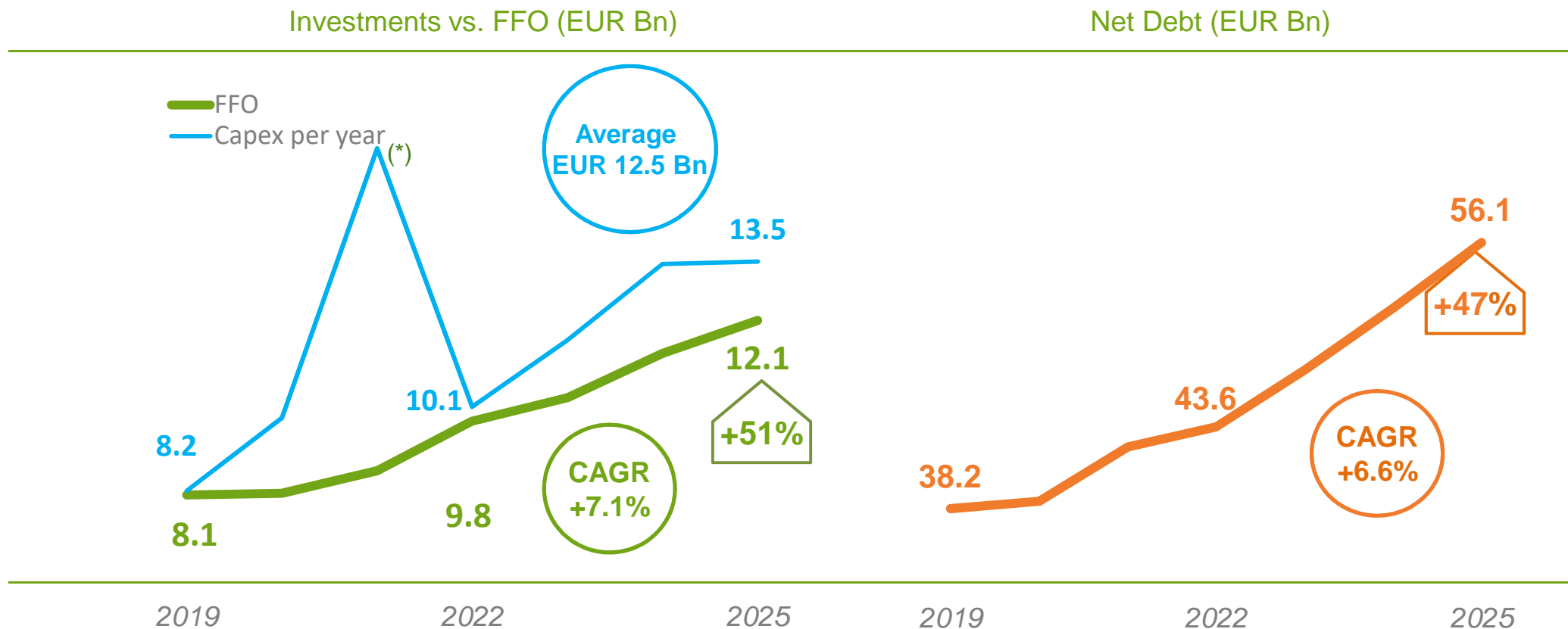
2020-2025

Strong Financial ratios throughout the Plan ...



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

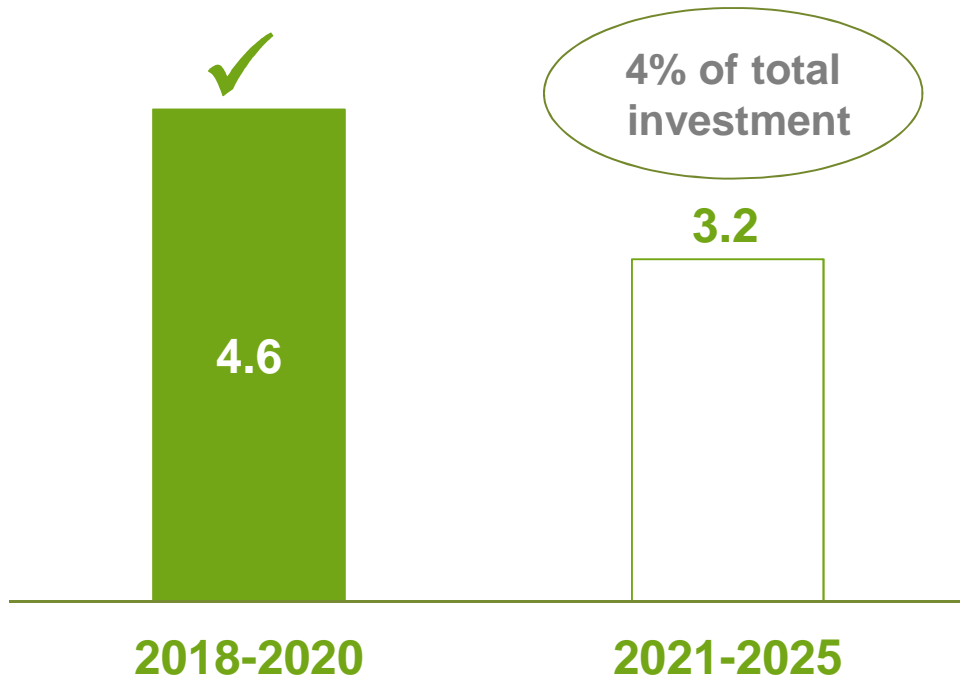
Net Debt increases 47% to over 56 Bn driven by significant investment levels, while FFO increases 51%



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

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

Asset rotation (EUR Bn)



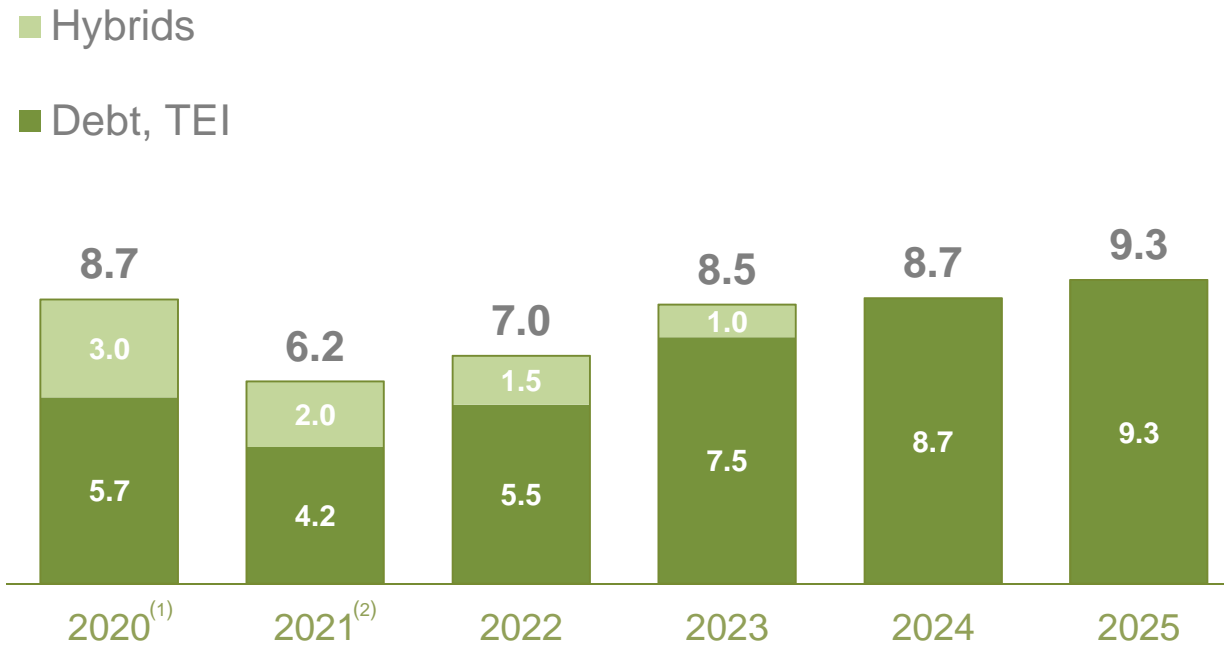
- ▶ Credibility to undertake future divestments
- ▶ Track record of continuous delivery
- ▶ Best in class assets highly valued by the market
- ▶ Minority stakes
- ▶ Low strategic fit assets and non core

New target of EUR 3.2 Bn from 2021-2025

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

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

## Financial needs (EUR Bn)



- **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**

(1) New financing raised this year

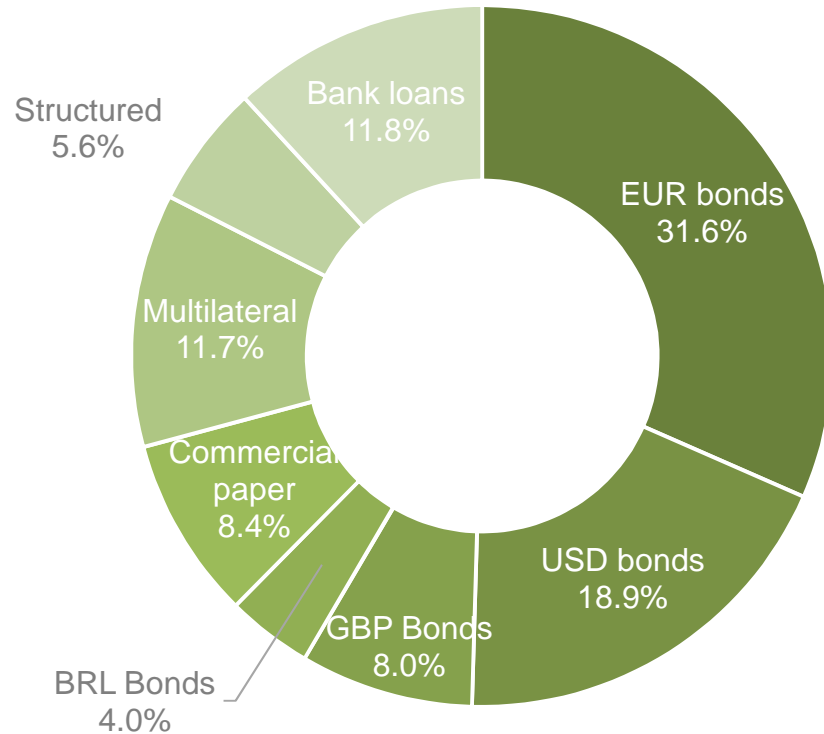
(2) PNM acquisition not included, as its financing has been anticipated to 2020

Financed mainly at the Holding level



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

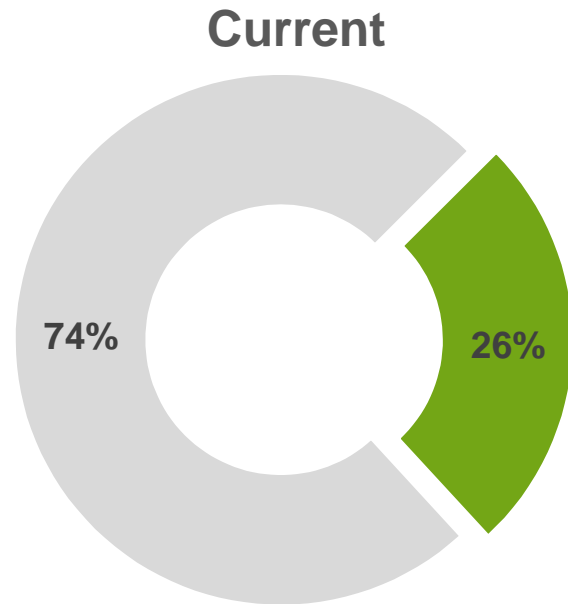
- Presence in different markets
- Low share allows increasing if competitive

### Hybrid market

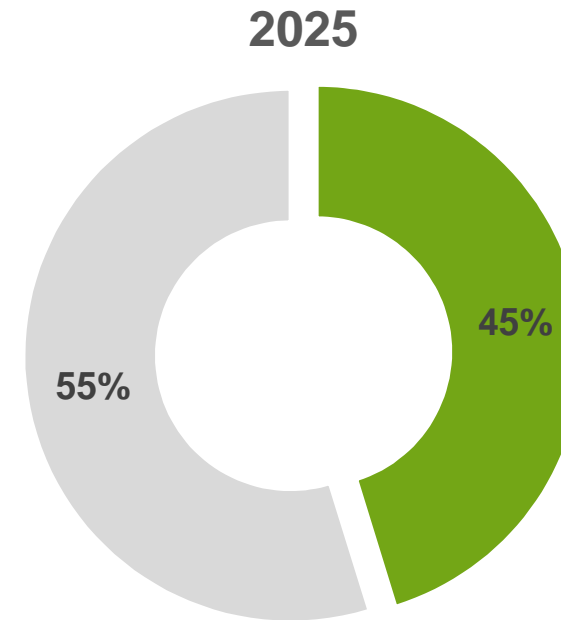
- Low outstanding balance allows share to increase during the plan

## Green financing for investment in renewables worldwide and clean energy networks

### Debt structure



■ Green/sustainable ■ Rest



■ Green/sustainable ■ Rest

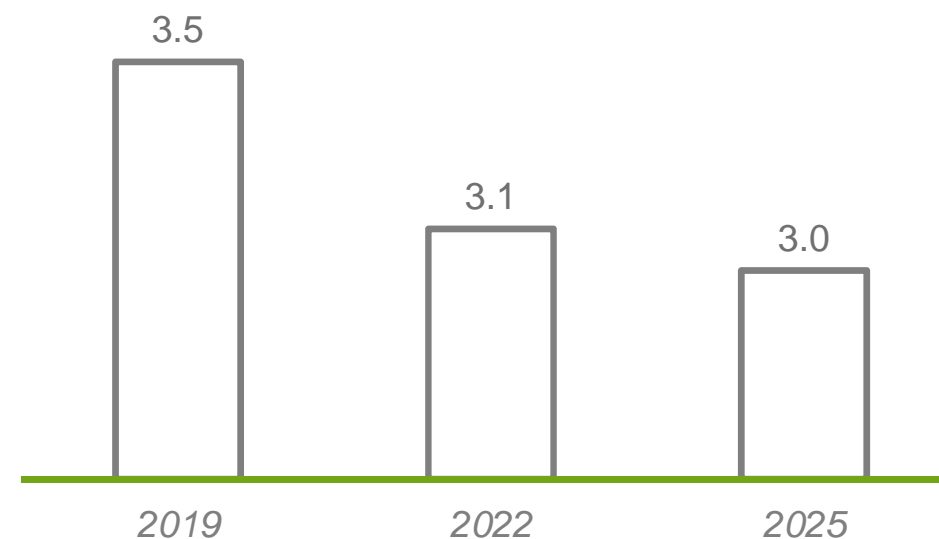
%	Current	2025
Sustainable credit lines	90%	100%
Hybrids	45%	70%

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 (%)

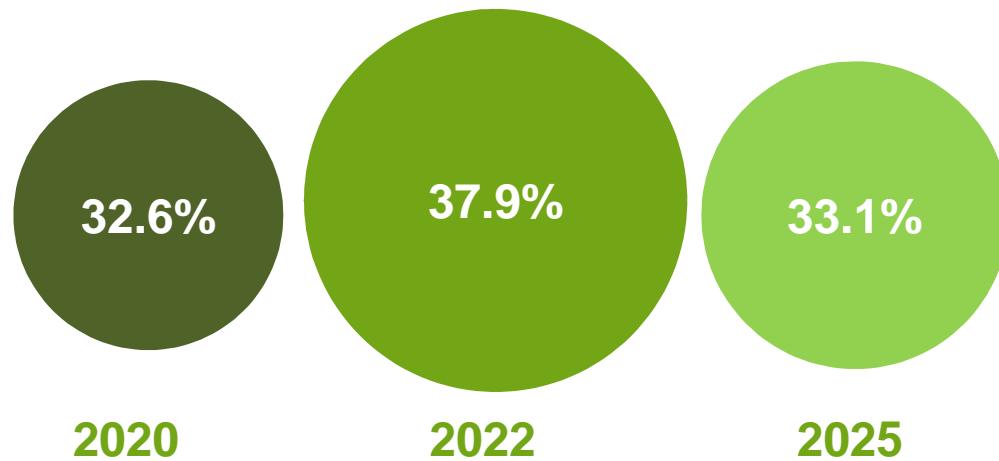
	2019	2022	2025
€	1.8%	1.7%	1.5%
\$	3.7%	3.4%	3.6%
£	2.7%	2.3%	1.8%
R\$	6.9%	5.8%	6.8%

Net financial cost (%)





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)

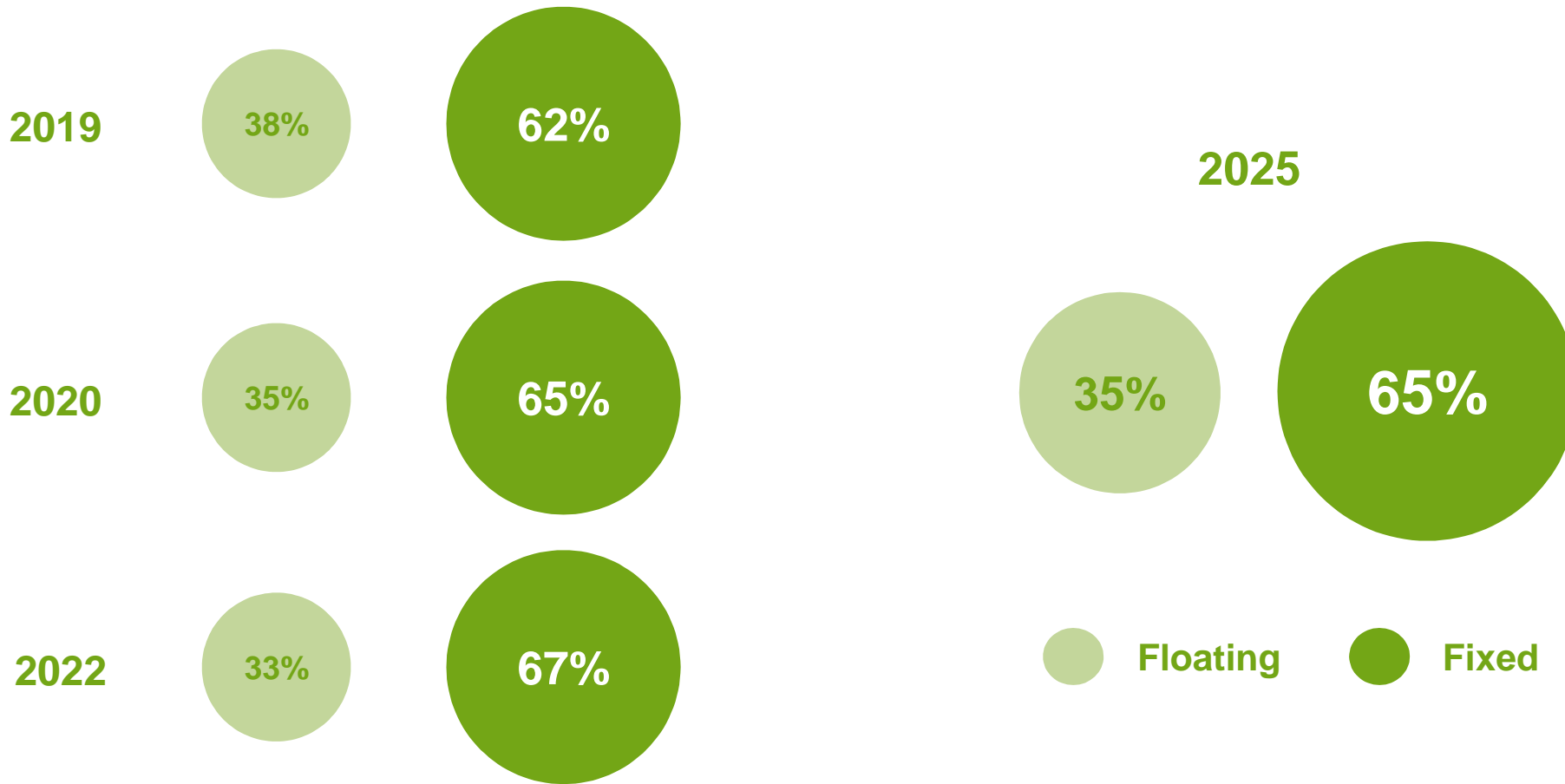


Centralized treasury and very strong liquidity at Holding



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

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

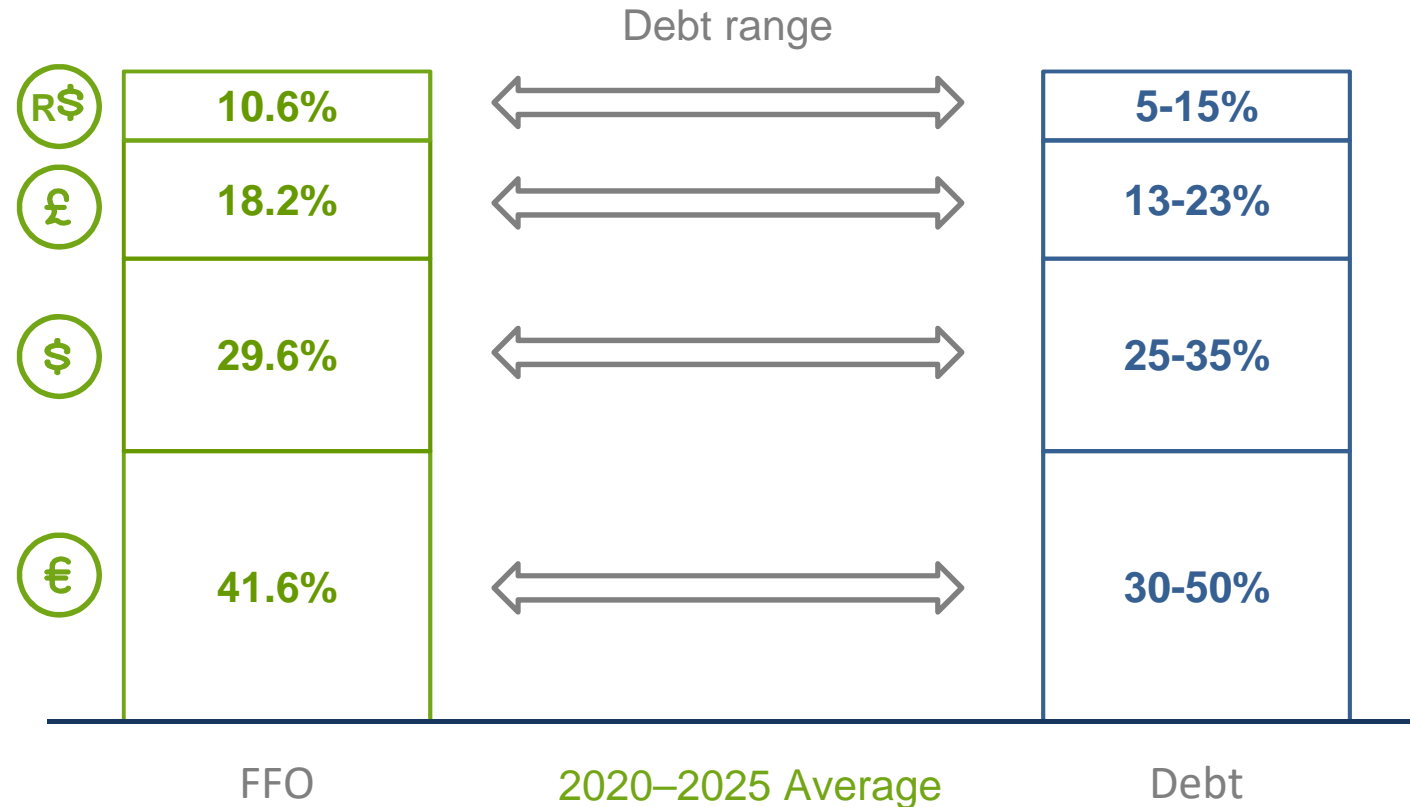
	Debt weighting *		2025 Expected fixed % range	
	2020	2025	Debt **	Revenue
€	49%	31%	66%	~ 70%
\$	22%	42%	88%	~ 75%
£	20%	17%	45%	~ 40%
R\$	9%	10%	0%	~ 0%

\* Average over net debt since 2020

\*\* Average over gross debt since 2020

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 in the Profit & Loss account is hedged through derivatives

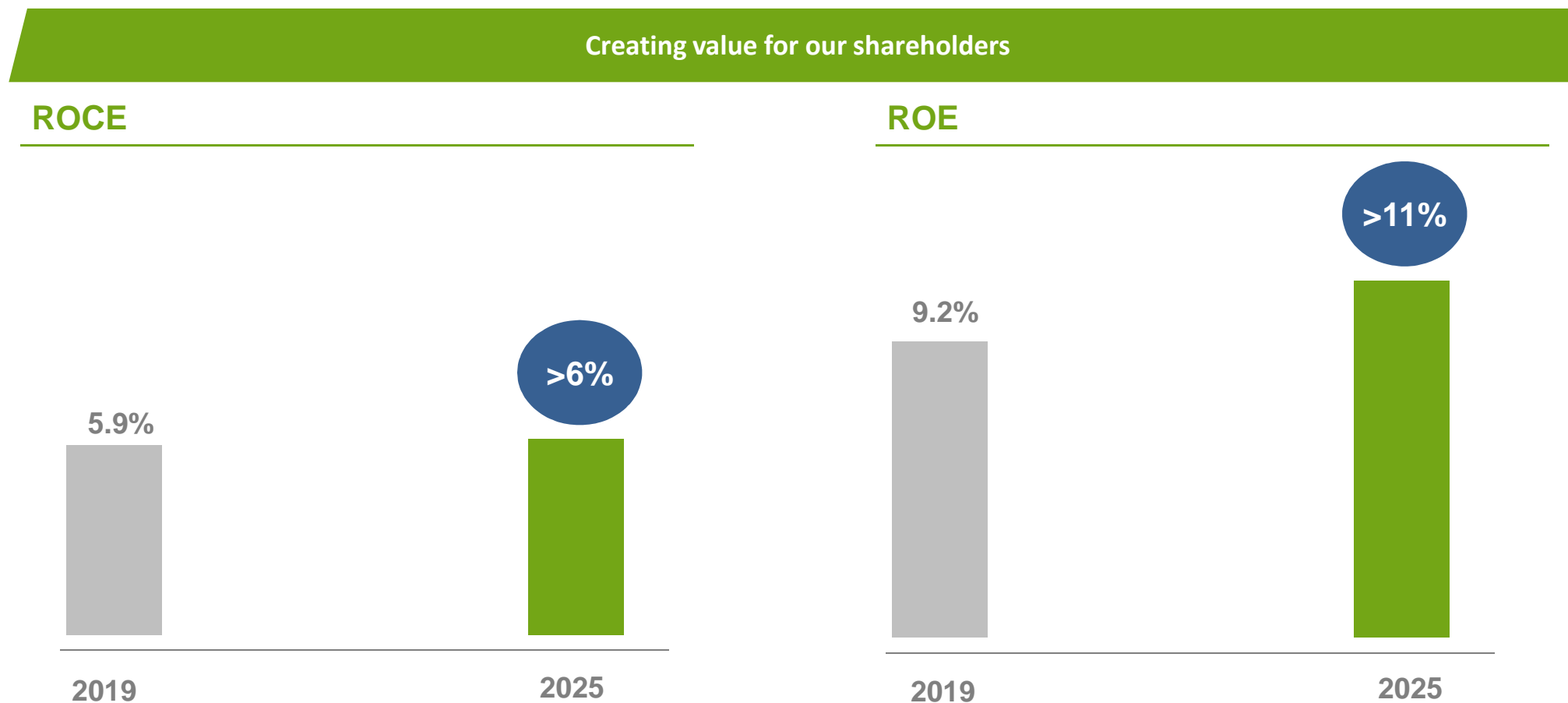
**Hedging Net Income FX exposure in currencies against the Euro**

**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)

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



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



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)

**CAPITAL  
MARKETS**  
DAY - 2020



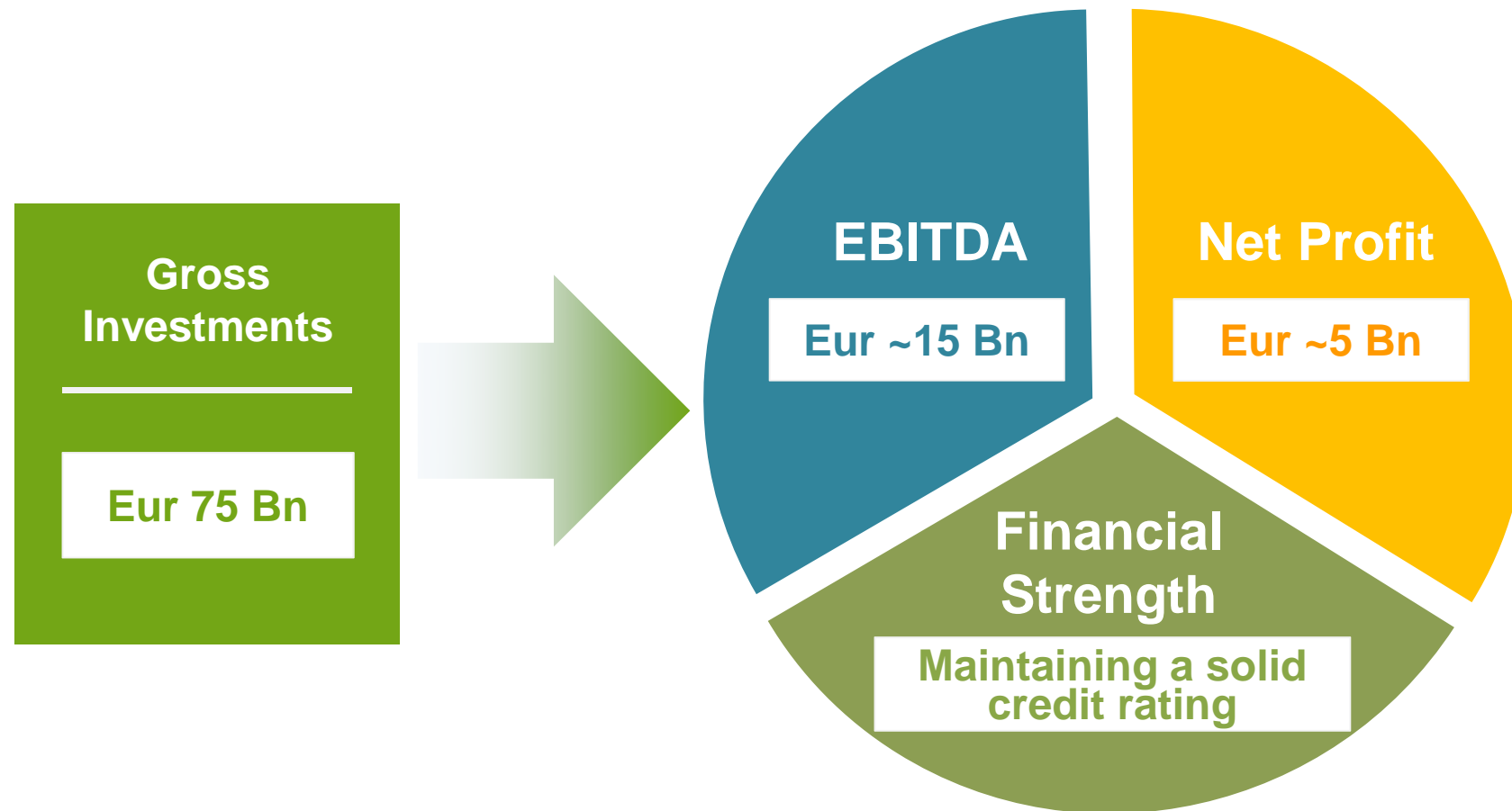
# Conclusions and Vision 2030<sup>1</sup>

**Ignacio S. Galán**

Chairman & CEO

<sup>1</sup> Includes Iberdrola estimates of PNM Resources










Investments of **Eur 75 Bn** to reach **6-7% CAGR<sub>2019</sub>** in **EBITDA** and **Net Profit**



**Pay-out of 65-75% of EPS,**  
with a **floor increasing from 0.40 Eur/share in 2020-2022 to 0.44 Eur/share in 2023-2025**

Global onshore wind and solar PV capacity to multiply by **2.5x**, and offshore wind by **4.5x**...



	Δ 2019-2030	Iberdrola share		Δ 2019-2030	Iberdrola share
	+47 GW (2.8x)	~10%		+18 GW (2.8x)	~15%
	+361 GW (2.6x)	~5%		+25 GW (4.1x)	~15%
	+204 GW (2.2x)	~5%		+13 GW (425x)	~25%
	+48 GW (3.0x)	~10%		+8 GW (400x)	~15%
 Rest of the World <sup>1</sup>	+187 GW (2.9x)	~5%			

...creating **multiple opportunities** in all Iberdrola markets

<sup>1/</sup> Rest of World includes Brazil, Mexico and Japan

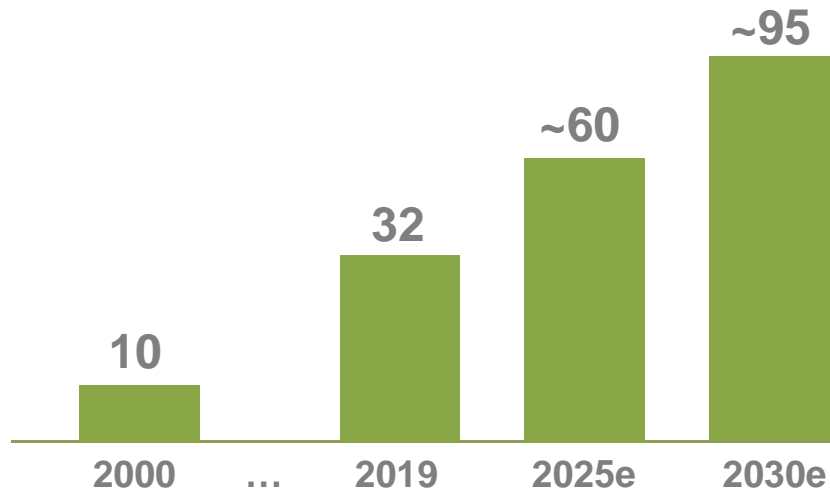
Source: Company data elaborated from Bloomberg NEF "New Energy Outlook 2019"

Accelerating Iberdrola's **growth**: Renewable capacity **3x** and network assets **2x** by 2030...

Vision 2030

Renewable Installed Capacity

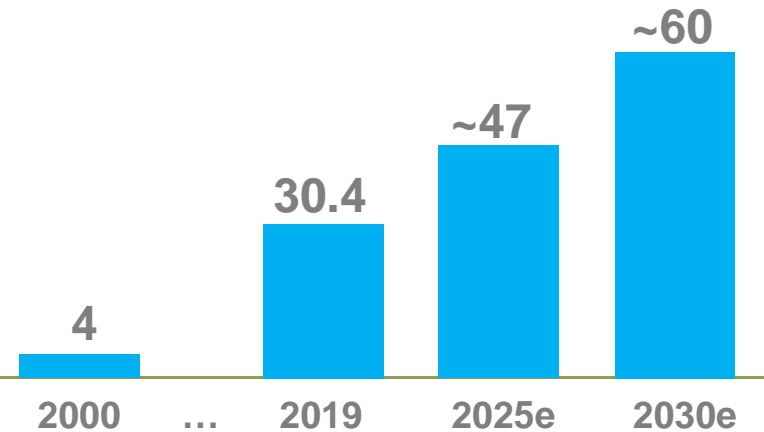
GW



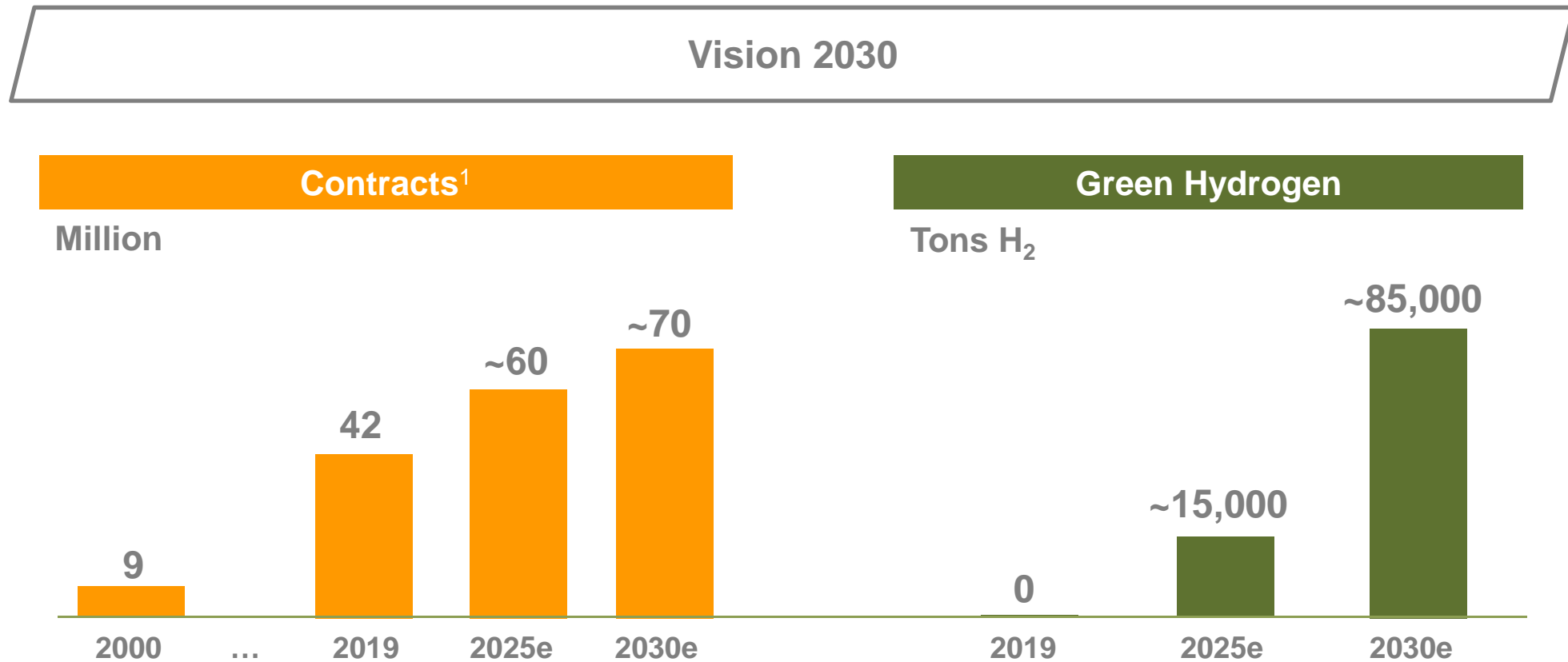
~115 GW in 2030 including other generation technologies

Regulated Assets

Eur Bn



...and increasing our **customer base** to take advantage of the **electrification** of energy uses...



...and to offer **new products and services** like **green hydrogen**

1/ Total Contracts include contracts in the retail business, as well as contracts served under regulated distribution business in US and Brazil.



## 2000 – 2030: Track record, execution and vision

	2000	2019	2022e	2025e	2030e
<b>Renewable Capacity</b> <i>GW</i>	10	32	44	~60	~95
<b>Total Capacity</b> <i>GW</i>	16	52	67	~80	~115
<b>Regulated Assets</b> <i>Eur Bn</i>	4	30.4	~38	~47	~60
<b>Contracts<sup>1</sup></b> <i>Million</i>	9	42	50	~60	~70
<b>EBITDA</b> <i>Eur Bn</i>	1.9	10.1	>12	~15	...
<b>Net Profit</b> <i>Eur Bn</i>	0.85	3.5	4.0 - 4.2	~5	...
<b>Dividend</b> <i>Eur/share</i>	0.13	0.40	Pay-out 65-75% Floor 0.40	Pay-out 65-75% Floor 0.44	...
<b>Market Cap</b> <i>Eur Bn</i>	12	70 <sup>2</sup>	...	...	...

**Accelerating growth, maintaining efficiency, preserving financial strength & credit rating**

<sup>1/</sup> Total Contracts include contracts in the retail business, as well as contracts served under regulated distribution business in US and Brazil.

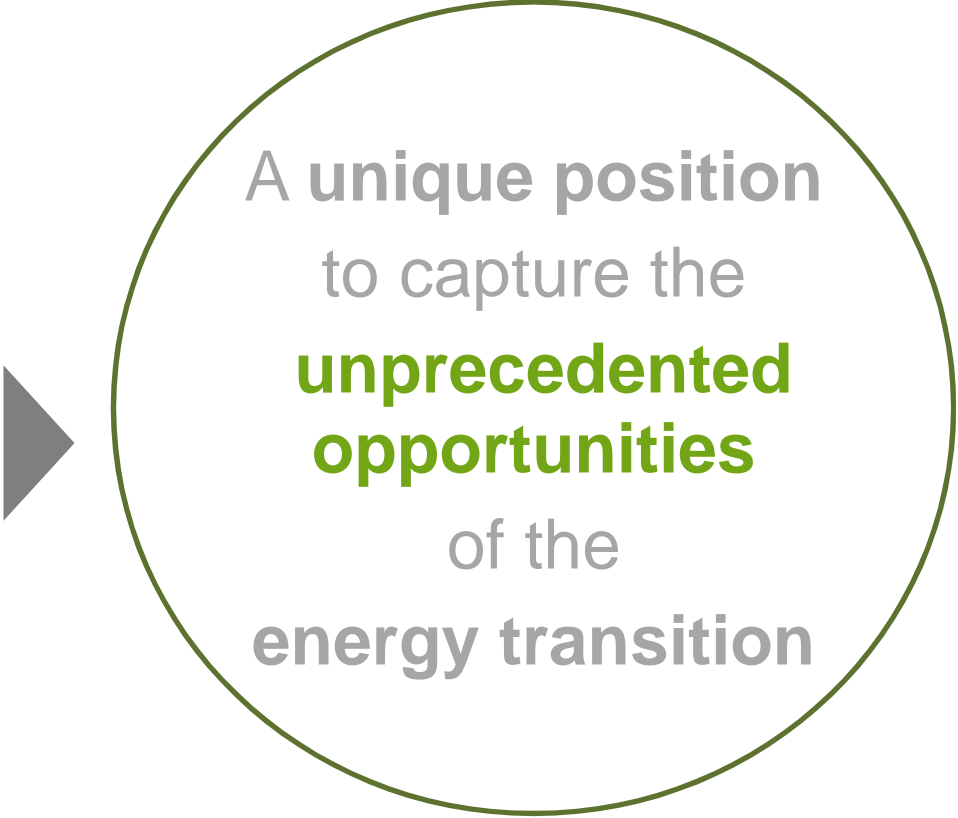
<sup>2/</sup> Market Cap as of October 2020

Pioneers in the **Green Revolution**

20 years of **delivery**

**Growth** and high dividend yield

Leader in **ESG**



A unique position  
to capture the  
**unprecedented  
opportunities**  
of the  
energy transition

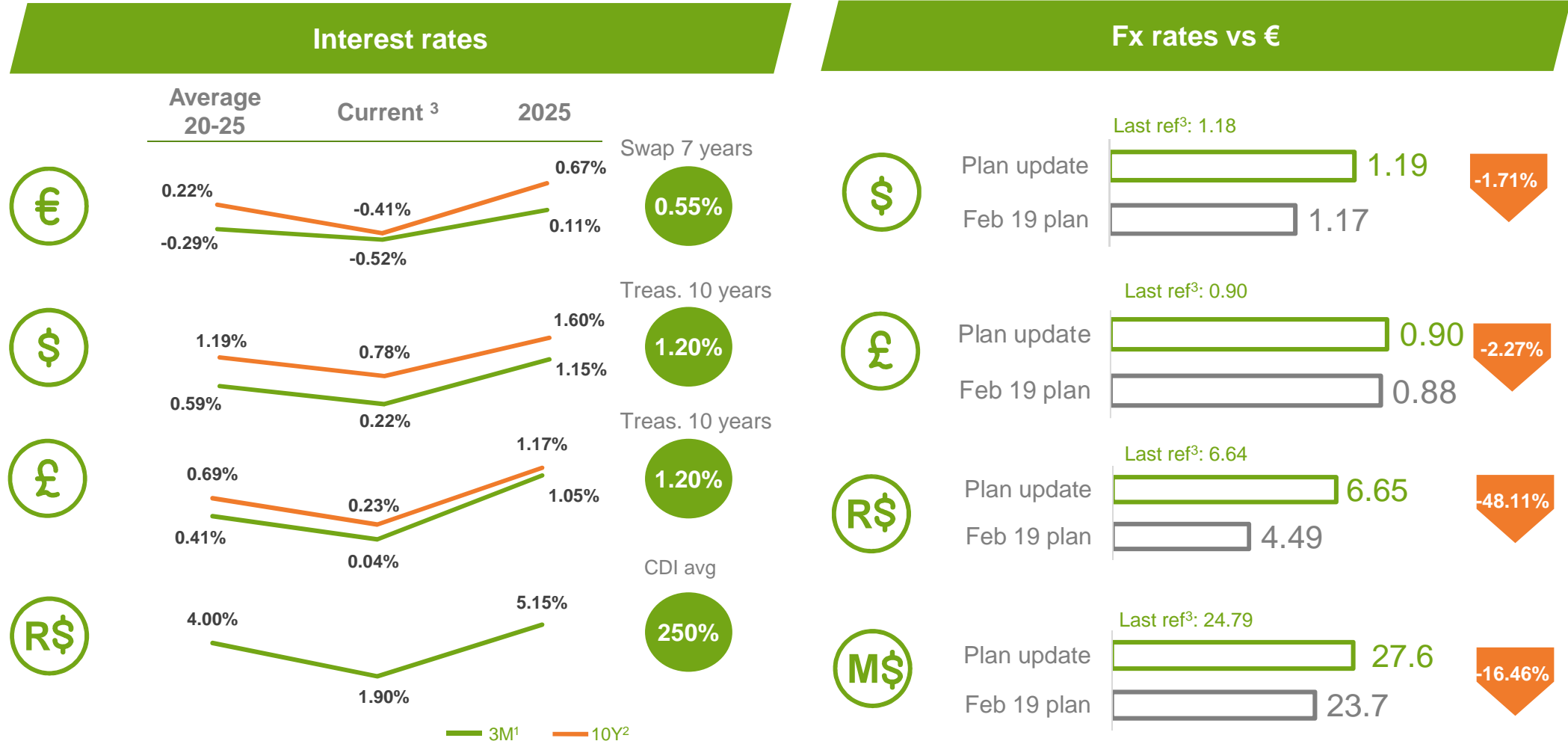
With a young team, **committed and experienced** to achieve and even improve this **2030 vision**

# Annex

**CAPITAL  
MARKETS**  
DAY - 2020



Interest rates down on Central Bank's message of keeping rates low to support economic recovery ...



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

<sup>1</sup> CDI for BRL

<sup>2</sup> Swap 7 years for EUR, Treasury 10 years for USD and GBP

<sup>3</sup> November 4<sup>th</sup> 2020

 New financing average spreads