

ANNEX I

GENERAL

1st

HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR

2023

REPORTING DATE

30/06/2023

I. IDENTIFICATION DATA

Registered Company Name: IBERDROLA, S.A.

Registered Address: PLAZA EUSKADI, N° 5 48009 BILBAO

Tax Identification
Number

A-48010615

II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

Annex

 supplementary
 information

Explanation of the main modifications with respect to the previously released periodic information:
(To be completed only in the situations indicated in Section B) of the instructions)

Comparative information

Changes in segmentation

During the fourth quarter of 2022, in order to adapt to the changes in its activities, the IBERDROLA Group fine-tuned its organisation, based on a dual structure, namely the corporate and governance structure (or geographic area vision) and the Business Model (or business vision). As a result, it has adapted its segment reporting based on a matrix structure with segments by geographic area and by business, re-stating the comparative information as at 30 June 2022 on a basis consistent with that presented as at 31 December 2022.

Presentation of deferred taxes

In the consolidated statement of financial position at 30 June 2023, the IBERDROLA Group has decided to present deferred tax assets and deferred tax liabilities as offset by tax groups. In this regard, and by virtue of IAS 8 — "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative information as at 31 December 2022 is re-stated.

The amount set off at 31 December 2022 is shown below:

Millions of euros	31.12.2022
Gross deferred tax assets	6,321
Amount set off	(4,553)
Net deferred tax assets	1,768
Gross deferred tax liabilities	11,682
Amount set off	(4,553)
Net deferred tax liabilities	7,129

Other explanations:

Due to technical restrictions, when filling out the contents of the Financial Report for period ended 30 June 2023, the IBERDROLA Group has had to modify the presentation of the following information with respect to the information published in the Consolidated interim financial statements for period ended 30 June 2023 in Form 9.A. Consolidated statement of cash flow (IFRS adopted):

- the "Profit (loss) from discontinued operations, net of tax" is presented grouped in line 1412 "(+/-) Other net adjustments to profit (loss)" instead of line 1405 "Profit (loss) before tax".
- The amount of 62,575 thousand euros regarding the Cash and cash equivalents classified as "Assets held for sale" has been included in line 1461 "(+/-) Non-current assets and liabilities that have been classified as held for sale".

III. STATEMENT(S) BY THE PERSON(S) RESPONSIBLE FOR THE INFORMATION

To the best of our knowledge, the accompanying half-yearly financial statements, which have been prepared in accordance with applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or of the undertakings included in the consolidated financial statements taken as a whole, and the interim management report includes a fair review of the information required.

Comments on the above statement(s):

Person(s) responsible for this information:

In accordance with the power delegated by the board of directors, the board secretary has verified that the half-yearly financial report has been signed by the directors.

Name/Company Name	Office
Mr. José Ignacio Sánchez Galán	Executive chairman
Mr. Armando Martínez Martínez	Chief executive officer
Mr. Juan Manuel González Serna	Frist Vice-chair
Mr. Anthony L. Gardner	Second Vice-chair
Mr. Iñigo Víctor de Oriol Ibarra	Director
Ms. María Helena Antolín Raybaud	Director
Mr. Manuel Moreu Munaiz	Director
Mr. Xabier Sagredo Ormaza	Director
Ms. Sara de la Rica Goiricelaya	Director
Ms. Nicola Mary Brewer	Director
Ms. Regina Helena Jorge Nunes	Director
Mr. Ángel Jesús Acebes Paniagua	Director
Ms. María Ángeles Alcalá Díaz	Director
Ms Isabel García Tejerina	Director

Date this half-yearly financial report was signed by the corresponding governing body:

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 30/06/2023	PREVIOUS P. 31/12/2022
A) NON-CURRENT ASSETS	0040	50,055,795	50,043,019
1. Intangible assets:	0030	121,321	114,824
a) Goodwill	0031		
b) Other intangible assets	0032	121,321	114,824
2. Property, plant and equipment	0033	273,227	273,944
3. Investment property	0034		
4. Long-term investments in group companies and associates	0035	48,628,118	48,609,727
5. Long-term financial investments	0036	3,816	13,351
6. Deferred tax assets	0037	315,270	326,766
7. Other non-current assets	0038	714,043	704,407
B) CURRENT ASSETS	0085	1,082,247	3,300,646
1. Non-current assets held for sale	0050		
2. Inventories	0055		
3. Trade and other receivables:	0060	541,897	297,733
a) Trade receivables	0061	183,081	65,755
b) Other receivables	0062	63,328	59,333
c) Current tax assets	0063	295,488	172,645
4. Short-term investments in group companies and associates	0064	457,982	2,794,089
5. Short-term financial investments	0070	72,450	42,563
6. Prepayments for current assets	0071	9,233	589
7. Cash and cash equivalents	0072	685	165,672
TOTAL ASSETS (A + B)	0100	51,138,042	53,343,665

Comments

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (2/2)

Units: Thousand euros		CURRENT P. 30/06/2023	PREVIOUS P. 31/12/2022
EQUITY AND LIABILITIES			
A) EQUITY (A.1 + A.2 + A.3)	0195	30,541,730	31,681,366
A.1) CAPITAL AND RESERVES	0180	30,531,124	31,677,425
1. Capital:	0171	4,834,773	4,771,570
a) Registered capital	0161	4,834,773	4,771,570
b) <i>Less: Uncalled capital</i>	0162		
2. Share premium	0172	14,006,804	14,070,007
3. Reserves	0173	1,360,530	1,403,586
4. <i>Own shares and equity holdings</i>	0174	-2,620,350	-1,748,666
5. Prior periods' profit and loss	0178	12,897,262	10,291,872
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	18,648	2,840,450
8. <i>Less: Interim dividend</i>	0176		
9. Other equity instruments	0177	33,457	48,606
A.2) VALUATION ADJUSTMENTS	0188	10,606	3,941
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182		
3. Other	0183		
A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	0194		
B) NON-CURRENT LIABILITIES	0120	11,976,659	11,433,959
1. Long-term provisions	0115	449,926	454,388
2. Long-term debts:	0116	500,139	341,612
a) Debt with financial institutions and bonds and other marketable securities	0131	475,165	252,747
b) Other financial liabilities	0132	24,974	88,865
3. Long-term payables to group companies and associates	0117	10,112,100	9,756,502
4. Deferred tax liabilities	0118	914,494	881,457
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119		
C) CURRENT LIABILITIES	0130	8,619,653	10,228,340
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122		180
3. Short-term debts:	0123	555,353	1,255,807
a) Bank borrowings and bonds and other negotiable securities	0133	381,404	1,167,053
b) Other financial liabilities	0134	173,949	88,754
4. Short-term payables to group companies and associates	0129	7,891,319	8,847,679
5. Trade and other payables:	0124	172,981	124,674
a) Suppliers	0125	15,756	23,360
b) Other payables	0126	157,225	101,028
c) Current tax liabilities	0127		286
6. Other current liabilities	0136		
7. Current accrual accounts	0128		
TOTAL EQUITY AND LIABILITIES (A + B + C)	0200	51,138,042	53,343,665

Comments

IV. SELECTED FINANCIAL INFORMATION
2. INDIVIDUAL PROFIT AND LOSS ACCOUNT (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2023	PREVIOUS CUMULATIVE 30/06/2022
		Amount	Amount	Amount	Amount
(+)	Revenue	0205		779,715	477,581
(+/-)	Change in inventories of finished products and work in progress	0206			
(+)	Own work capitalised	0207		3,006	1,629
(-)	Supplies	0208		2	1
(+)	Other operating revenue	0209		1,118	701
(-)	Personnel expenses	0217		-121,300	-88,531
(-)	Other operating expenses	0210		-334,519	-113,524
(-)	Depreciation and amortisation charge	0211		-25,345	-35,070
(+)	Allocation of grants for non-financial assets and other grants	0212		-2	
(+)	Reversal of provisions	0213			
(+/-)	Impairment and gain (loss) on disposal of fixed assets	0214			1
(+/-)	Other profit (loss)	0215		-37,288	670,976
=	OPERATING PROFIT (LOSS)	0245		265,387	913,764
(+)	Finance income	0250		11,669	3,524
(-)	Finance costs	0251		-286,028	-128,823
(+/-)	Changes in fair value of financial instruments	0252		-23,412	-54,580
(+/-)	Exchange differences	0254		-1,631	4,864
(+/-)	Impairment and gain (loss) on disposal of financial instruments	0255			
=	NET FINANCE INCOME (COSTS)	0256		-299,402	-175,015
=	PROFIT (LOSS) BEFORE TAX	0265		-34,015	738,749
(+/-)	Income tax expense	0270		52,663	33,356
=	PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	0280		18,648	772,105
(+/-)	Profit (loss) from discontinued operations, net of tax	0285			
=	PROFIT (LOSS) FOR THE PERIOD	0300		18,648	772,105

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	0290				
Diluted	0295				

Comments

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
A. INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022
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A) PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	0305	18,648	772,105
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	0310	-6,443	23,314
1. From measurement of financial instruments:	0320		
a) Available-for-sale financial assets	0321		
b) Other income/(expenses)	0323		
2. From cash flow hedges	0330	-8,477	-5,003
3. Grants, donations and bequests received	0340		
4. From actuarial gains and losses and other adjustments	0344		35,679
5. Other income and expense recognised directly in equity	0343		
6. Tax effect	0345	2,034	-7,362
C) TRANSFERS TO PROFIT OR LOSS	0350	13,108	1,497
1. From measurement of financial instruments:	0355		
a) Available-for-sale financial assets	0356		
b) Other income/(expenses)	0358		
2. From cash flow hedges	0360	17,248	1,970
3. Grants, donations and bequests received	0366		
4. Other income and expense recognised directly in equity	0365		
5. Tax effect	0370	-4,140	-473
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)	0400	25,313	796,916

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

**B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (1/2)
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)**

Units: Thousand euros

CURRENT PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/01/2023	3010	4,771,570	25,765,465	-1,748,666	2,840,450	48,606	3,941	31,681,366	
Adjustments for changes in accounting policy	3011								
Adjustment for errors	3012								
Adjusted opening balance	3015	4,771,570	25,765,465	-1,748,666	2,840,450	48,606	3,941	31,681,366	
I. Total recognised income/(expense)	3020				18,648		6,665	25,313	
II. Transactions with shareholders or owners	3025	63,203	2,512,540	-871,684	-2,840,450			-1,136,391	
1. Capital increases/(reductions)	3026	63,203	-63,203						
2. Conversion of financial liabilities into equity	3027								
3. Distribution of dividends	3028		2,605,390		-2,840,450			-235,060	
4. Net trading with treasury stock	3029		1,832	-871,684				-869,852	
5. Increases/(reductions) for business combinations	3030								
6. Other transactions with shareholders or owners	3032		-31,479					-31,479	
III. Other changes in equity	3035		-13,409			-15,149		-28,558	
1. Equity-settled share-based payment	3036		-13,409			-15,149		-28,558	
2. Transfers between equity accounts	3037								
3. Other changes	3038								
Closing balance at 30/06/2023	3040	4,834,773	28,264,596	-2,620,350	18,648	33,457	10,606	30,541,730	

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

**B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (2/2)
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)**

Units: Thousand euros

PREVIOUS PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/01/2022 (comparative period)	3050	4,774,566	26,473,373	-1,852,362	2,160,325	39,985	7,229	31,603,116	
Adjustments for changes in accounting policy	3051								
Adjustment for errors	3052								
Adjusted opening balance (comparative period)	3055	4,774,566	26,473,373	-1,852,362	2,160,325	39,985	7,229	31,603,116	
I. Total recognised income/(expense)	3060		27,117		772,105		-2,306	796,916	
II. Transactions with shareholders or owners	3065	53,606	1,718,934	-573,662	-2,160,326			-961,448	
1. Capital increases/(reductions)	3066	53,606	-53,606						
2. Conversion of financial liabilities into equity	3067								
3. Distribution of dividends	3068		1,807,134		-2,160,326			-353,192	
4. Net trading with treasury stock	3069		-3,299	-573,662				-576,961	
5. Increases/(reductions) for business combinations	3070								
6. Other transactions with shareholders or owners	3072		-31,295					-31,295	
III. Other changes in equity	3075		-18,218			-3,248		-21,466	
1. Equity-settled share-based payment	3076		-32,858			2,598		-21,466	
2. Transfers between equity accounts	3077								
3. Other changes	3078								
Closing balance at 30/06/2022 (comparative period)	3080	4,828,172	28,201,206	-2,426,024	772,104	36,737	4,923	31,417,118	

Comments

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CASH FLOWS
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022	
A)	CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	0435	-374,192	-101,162
1.	Profit (loss) before tax	0405	-34,015	738,749
2.	Adjustments to profit (loss):	0410	-178,919	-695,227
(+)	Depreciation and amortisation charge	0411	25,345	35,070
(+/-)	Other net adjustments to profit (loss)	0412	-204,264	-730,297
3.	Changes in working capital	0415	-81,372	-149,527
4.	Other cash flows from operating activities:	0420	-79,886	4,843
(-)	Interest paid	0421	-242,837	-172,419
(+)	Dividends received	0422	261,572	248,291
(+)	Interest received	0423	15,060	4,973
(+/-)	Income tax recovered/(paid)	0430	-14,562	-755
(+/-)	Other sums received/(paid) from operating activities	0425	-99,119	-75,247
B)	CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	0460	2,579,065	1,421,598
1.	Payments for investments:	0440	-414,061	-885,670
(-)	Group companies, associates and business units	0441	-10,187	-726,248
(-)	Property, plant and equipment, intangible assets and investment property	0442	-49,059	-35,056
(-)	Other financial assets	0443	-354,815	-124,366
(-)	Non-current assets and liabilities classified as held for sale.	0459		
(-)	Other assets	0444		
2.	Proceeds from sale of investments	0450	2,993,126	2,307,268
(+)	Group companies, associates and business units	0451	2,647,514	2,231,009
(+)	Property, plant and equipment, intangible assets and investment property	0452		
(+)	Other financial assets	0453	345,612	76,259
(+)	Non-current assets and liabilities classified as held for sale.	0461		
(+)	Other assets	0454		
C)	CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)	0490	-2,369,860	-1,149,501
1.	Sums received/(paid) in respect of equity instruments	0470	-1,478,945	-1,172,150
(+)	Issuance	0471		
(-)	Redemption	0472		
(-)	Acquisition	0473	-1,572,759	-1,258,549
(+)	Disposal	0474	93,814	86,399
(+)	Grants, donations and bequests received	0475		
2.	Sums received/(paid) in respect of financial liability instruments:	0480	-624,376	407,134
(+)	Issuance	0481	3,616,974	2,398,666
(-)	Repayment and redemption	0482	-4,241,350	-1,991,532
3.	Payment of dividends and remuneration on other equity instruments	0485	-266,539	-384,485
D)	EFFECT OF FOREIGN EXCHANGE RATE CHANGES	0492		
E)	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	0495	-164,987	170,935
F)	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	0499	165,672	154,828
G)	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	0500	685	325,763

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022	
(+)	Cash on hand and at banks	0550	685	325,763
(+)	Other financial assets	0552		
(-)	Less: Bank overdrafts repayable on demand	0553		
	TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	0600	685	325,763

Comments

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 30/06/2023	PREVIOUS P. 31/12/2022
A) NON-CURRENT ASSETS		122,576,259	126,747,060
1. Intangible assets:	1030	20,100,523	20,118,164
a) Goodwill	1031	8,288,938	8,189,222
b) Other intangible assets	1032	11,811,585	11,928,942
2. Property, plant and equipment	1033	84,125,572	86,326,323
3. Investment property	1034	304,233	306,791
4. Investments accounted for using the equity method	1035	821,894	857,486
5. Non-current financial assets	1036	6,623,465	5,989,497
a) At fair value through profit or loss	1047	30,710	32,327
Of which, "Designated upon initial recognition"	1041		
b) At fair value through other comprehensive income	1042		
Of which, "Designated upon initial recognition"	1043		
c) At amortised cost	1044	6,592,755	5,957,170
6. Non-current derivatives	1039	1,860,784	3,660,698
a) Hedging	1045	873,959	1,120,740
b) Other	1046	986,825	2,539,958
7. Deferred tax assets	1037	1,711,564	1,767,034
8. Other non-current assets	1038	7,028,224	7,721,067
B) CURRENT ASSETS		23,367,448	23,367,334
1. Non-current assets held for sale	1050	5,938,335	308,360
2. Inventories	1055	2,820,014	2,417,966
3. Trade and other receivables:	1060	9,718,290	11,220,331
a) Trade receivables	1061	7,783,975	8,694,696
b) Other receivables	1062	1,567,829	2,073,049
c) Current tax assets	1063	366,486	452,586
4. Current financial assets	1070	1,410,057	2,963,770
a) At fair value through profit or loss	1080		
Of which, "Designated upon initial recognition"	1081		
b) At fair value through other comprehensive income	1082		
Of which, "Designated upon initial recognition"	1083		
c) At amortised cost	1084	1,410,057	2,963,770
5. Current derivatives	1076	1,026,364	1,849,092
a) Hedging	1077	310,022	505,785
b) Other	1078	716,342	1,343,307
6. Other current assets	1075		
7. Cash and cash equivalents	1072	2,454,388	4,607,815
TOTAL ASSETS (A + B)	1100	145,943,707	150,114,394

Comments

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (2/2)

Units: Thousand euros	EQUITY AND LIABILITIES	CURRENT P. 30/06/2023	PREVIOUS P. 31/12/2022
A) EQUITY (A.1 + A.2 + A.3)	1195	59,681,558	58,113,615
A.1) CAPITAL AND RESERVES	1180	45,245,093	44,193,958
1. Capital	1171	4,834,773	4,771,571
a) Registered capital	1161	4,834,773	4,771,571
b) <i>Less: Uncalled capital</i>	1162		
2. Share premium	1172	14,006,804	14,070,007
3. Reserves	1173	12,578,274	9,046,504
4. <i>Less: Treasury stock</i>	1174	-2,628,158	-1,756,413
5. Prior periods' profit and loss	1178	13,932,723	13,723,702
6. Other shareholder contributions	1179		
7. Profit (loss) for the period attributable to the parent	1175	2,520,677	4,338,587
8. <i>Less: Interim dividend</i>	1176		
9. Other equity instruments	1177		
A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME	1188	-2,369,566	-3,074,923
1. Items that are not reclassified to profit or loss for the period	1186		
a) Equity instruments through other comprehensive income	1185		
b) Others	1190		
2. Items that may subsequently be reclassified to profit or loss for the period	1187	-2,369,566	-3,074,923
a) Hedging transactions	1182	-1,302	-949,558
b) Translation differences	1184	-2,382,967	-2,142,710
c) Share in other comprehensive income for investments in joint ventures and others	1192	14,703	17,345
d) Debt instruments at fair value through other comprehensive income	1191		
e) Others	1183		
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (A.1 + A.2)	1189	42,875,527	41,119,035
A.3) NON-CONTROLLING INTERESTS	1193	16,806,031	16,994,580
B) NON-CURRENT LIABILITIES	1120	60,180,485	63,160,560
1. Grants	1117	1,270,163	1,246,623
2. Non-current provisions	1115	4,417,551	4,225,451
3. Non-current financial liabilities:	1116	38,843,606	40,526,022
a) Debt with financial institutions and bonds and other marketable securities	1131	34,686,916	36,128,262
b) Other financial liabilities	1132	4,156,690	4,397,760
4. Deferred tax liabilities	1118	7,158,301	7,128,679
5. Non-current derivatives	1140	1,989,832	3,690,347
a) Hedging	1141	1,327,434	1,442,656
b) Other	1142	662,398	2,247,691
6. Other non-current liabilities	1135	6,501,032	6,343,438
C) CURRENT LIABILITIES	1130	26,081,664	28,840,219
1. Liabilities associated with non-current assets held for sale	1121	1,690,458	27,305
2. Current provisions	1122	888,393	922,302
3. Current financial liabilities:	1123	11,032,810	10,696,320
a) Debt with financial institutions and bonds and other marketable securities	1133	10,788,740	10,458,335
b) Other financial liabilities	1134	244,070	237,985
4. Trade and other payables:	1124	10,094,538	12,403,344
a) Suppliers	1125	4,894,904	5,926,705
b) Other payables	1126	4,772,218	6,320,548
c) Current tax liabilities	1127	427,416	156,091
5. Current derivatives	1145	1,609,033	3,397,808
a) Hedging	1146	807,163	2,045,865
b) Other	1147	801,870	1,351,943
6. Other current liabilities	1136	766,432	1,393,140
TOTAL EQUITY AND LIABILITIES (A + B + C)	1200	145,943,707	150,114,394

Comments

IV. SELECTED FINANCIAL INFORMATION

6. CONSOLIDATED PROFIT AND LOSS ACCOUNT (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/12/2022	PREVIOUS CUMULATIVE 31/12/2021
		Amount	Amount	Amount	Amount
(+)	Revenue	1205		26,263,178	24,429,951
(+/-)	Change in inventories of finished products and work in progress	1206			
(+)	Own work capitalised	1207		407,539	376,332
(-)	Supplies	1208		-14,139,607	-14,561,102
(+)	Other operating revenue	1209		347,340	344,345
(-)	Personnel expenses	1217		-1,823,987	-1,587,641
(-)	Other operating expenses	1210		-3,800,753	-2,829,081
(-)	Depreciation and amortisation charge	1211		-2,309,605	-2,242,274
(+)	Allocation of grants for non-financial assets and other grants	1212		38,636	38,149
(+/-)	Impairment and gain (loss) on disposal of fixed assets	1214			
(+/-)	Gain (loss) on disposal of non-current assets	1216		-617	2,930
(+/-)	Other profit (loss)	1215		-71,085	-49,306
=	OPERATING PROFIT (LOSS)	1245		4,911,039	3,922,303
(+)	Finance income	1250		391,285	265,097
	a) Interest income calculated using the effective interest rate method	1262		223,146	197,463
	b) Other	1263		168,139	67,634
(-)	Finance costs	1251		-1,415,557	-1,050,465
(+/-)	Changes in fair value of financial instruments	1252		-99,864	-112,900
(+/-)	Gain (loss) from reclassification of financial assets at amortised cost to financial assets at fair value	1258			
(+/-)	Gain (loss) from reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value	1259			
(+/-)	Exchange differences	1254		-3,576	-17,704
(+/-)	Impairment and gain (loss) on disposal of financial instruments	1255		-18	1
(+/-)	Gain (loss) on disposal of financial instruments	1257			
	a) Financial instruments at amortised cost	1260			
	b) Other financial instruments	1261			
=	NET FINANCE INCOME (COSTS)	1256		-1,127,730	-915,971
(+/-)	Profit (loss) of equity-accounted investees	1253		2,149	224,310
=	PROFIT (LOSS) BEFORE TAX	1265		3,785,458	3,230,642
(+/-)	Income tax expense	1270		-1,015,760	-699,831
=	PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	1280		2,769,698	2,530,811
(+/-)	Profit (loss) from discontinued operations, net of tax	1285		-7,782	-63,290
=	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	1288		2,761,916	2,467,521
	A) Profit (loss) for the period attributable to the parent company	1300		2,520,677	2,075,037
	B) Profit (loss) attributable to non-controlling interests	1289		241,239	392,484
EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
	Basic	1290		0.38	0.31
	Diluted	1295		0.38	0.31

Comments

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED OTHER COMPREHENSIVE INCOME (IFRS ADOPTED)

Units: Thousand euros

		CURRENT P. (2nd HALF YEAR)	PREVIOUS P. (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2023	PREVIOUS CUMULATIVE 30/06/2022
A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	1305			2,761,916	2,467,521
B) OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE NOT RECLASSIFIED TO PROFIT OR LOSS:	1310			-234,114	448,217
1. From revaluation/reversal of revaluation) of property, plant and equipment and intangible assets	1311				
0. From actuarial gains and losses	1344			-323,142	595,377
2. Share in other comprehensive income of investments in joint ventures and associates	1342				
1. Equity instruments through other comprehensive income	1346				
2. Other income and expenses that are not reclassified to profit or loss	1343				
3. Tax effect	1345			89,028	-147,160
C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:	1350			790,289	2,878,521
1. Hedging transactions	1360			1,278,119	1,223,158
a) Valuation gains/(losses)	1361			-643,749	2,183,563
b) Amounts transferred to profit or loss	1362			1,922,254	-960,580
c) Amounts transferred to initial carrying amount of hedged items	1363			-386	175
d) Other reclassifications	1364				
2. Translation differences:	1365			-194,371	1,922,701
a) Valuation gains/(losses)	1366			-194,371	1,922,701
b) Amounts transferred to profit or loss	1367				
c) Other reclassifications	1368				
3. Share in other comprehensive income of investments in joint ventures and associates:	1370			-5,611	12,279
a) Valuation gains/(losses)	1371			-2,410	12,166
b) Amounts transferred to profit or loss	1372			-3,201	113
c) Other reclassifications	1373				
4. Debt instruments at fair value through other comprehensive income	1381				
a) Valuation gains/(losses) taken to equity	1382				
b) Amounts transferred to profit or loss	1383				
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375			14,329	-11
a) Valuation gains/(losses) taken to equity	1376			-28,939	-27,180
b) Amounts transferred to profit or loss	1377			43,268	27,169
c) Other reclassifications	1378				
6. Tax effect	1380			-302,177	-279,606
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)	1400			3,318,091	5,794,259
a) Attributable to the parent	1398			3,020,039	4,675,867
b) Attributable to non-controlling interests	1399			298,052	1,118,392

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY (ADOPTED IFRS) (1/2)

Units: Thousand euros

CURRENT PERIOD		Equity attributable to the parent company						Non-controlling interests	Total equity
		Capital and reserves					Valuation adjustments		
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent	Other equity instruments			
Closing balance at 01/01/2023	3110	4,771,571	36,840,213	-1,756,413	4,338,587		-3,074,923	16,994,580	58,113,615
Adjustments for changes in accounting policy	3111								
Adjustment for errors	3112								
Adjusted opening balance	3115	4,771,571	36,840,213	-1,756,413	4,338,587		-3,074,923	16,994,580	58,113,615
I. Total comprehensive income/(expense) for the period	3120		-205,995		2,520,677		705,357	298,052	3,318,091
II. Transactions with shareholders or owners	3125	63,202	4,038,399	-871,745	-4,338,587			-490,150	-1,598,881
1. Capital increases/(reductions)	3126	63,202	-63,202						
2. Conversion of financial liabilities into equity	3127								
3. Distribution of dividends	3128		4,072,047		-4,338,587			-683,076	-949,616
4. Purchase / sale of treasury stock	3129		-2,241	-871,745					-873,986
5. Equity increase/(decrease) resulting from business combinations	3130							100,372	100,372
6. Other transactions with shareholders or owners	3132		31,795					92,554	124,349
III. Other changes in equity	3135		-154,816					3,549	-151,267
1. Equity-settled share-based payment	3136		-54,820					-615	-55,435
2. Transfers among components of equity	3137								
3. Other changes	3138		-99,996					4,164	-95,832
Closing balance at 30/06/2023	3140	4,834,773	40,517,801	-2,628,158	2,520,677		-2,369,566	16,806,031	59,681,558

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY (ADOPTED IFRS) (2/2)

Units: Thousand euros		Equity attributable to the parent company							Non-controlling interests	Total equity
		Capital and reserves					Valuation adjustments			
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments				
PREVIOUS PERIOD										
Closing balance at 01/01/2022 (comparative period)	3150	4,774,566	35,911,893	-1,860,284	3,884,783		-2,231,960	15,647,292	56,126,290	
Adjustments for changes in accounting policy	3151		-68,598						-68,598	
Adjustment for errors	3152									
Adjusted opening balance (comparative period)	3155	4,774,566	35,843,295	-1,860,284	3,884,783		-2,231,960	15,647,292	56,057,692	
I. Total comprehensive income/(expense) for the period	3160		427,387		2,075,037		2,173,443	1,118,392	5,794,259	
II. Transactions with shareholders or owners	3165	53,606	3,451,451	-573,635	-3,884,783			-273,475	-1,226,836	
1. Capital increases/(reductions)	3166	53,606	-53,606							
2. Conversion of financial liabilities into equity	3167									
3. Distribution of dividends	3168		3,500,298		-3,884,783			-245,402	-629,887	
4. Purchase / sale of treasury stock	3169		-3,299	-573,635					-576,934	
5. Equity increase/(decrease) resulting from business combinations	3170									
6. Other transactions with shareholders or owners	3172		8,058					-28,073	-20,015	
III. Other changes in equity	3175		-99,381					13,463	-85,918	
1. Equity-settled share-based payment	3176		-32,858					2,598	-30,260	
2. Transfers among components of equity	3177									
3. Other changes	3178		-66,523					10,865	-55,658	
Closing balance at 30/06/2022 (comparative period)	3180	4,828,172	39,622,752	-2,433,919	2,075,037		-58,517	16,505,672	60,539,197	

Comments

IV. SELECTED FINANCIAL INFORMATION

9. A. CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	1435	5,623,951	5,403,892
1. Profit (loss) before tax	1405	3,785,458	3,230,642
2. Adjustments to profit (loss):	1410	3,769,097	3,150,481
(+) Depreciation and amortisation charge	1411	2,309,605	2,242,274
(+/-) Other net adjustments to profit (loss)	1412	1,459,492	908,207
3. Changes in working capital	1415	-1,138,898	-616,224
4. Other cash flows from operating activities:	1420	-791,706	-361,007
(-) Interest paid	1421		
(-) Payment of dividends and remuneration on other equity instruments	1430		
(+) Dividends received	1422	12,589	20,572
(+) Interest received	1423		
(+/-) Income tax recovered/(paid)	1424	-573,843	-186,265
(+/-) Other sums received/(paid) from operating activities	1425	-230,452	-195,314
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	1460	-3,383,777	-4,232,631
1. Payments for investments:	1440	-3,428,399	-4,315,179
(-) Group companies, associates and business units	1441	-19,270	-116,245
(-) Property, plant and equipment, intangible assets and investment property	1442	-3,459,369	-4,088,182
(-) Other financial assets	1443		
(-) Non-current assets and liabilities classified as held for sale.	1449		
(-) Other assets	1444	50,240	-110,752
2. Proceeds from sale of investments	1450	-56,756	17,852
(+) Group companies, associates and business units	1451		
(+) Property, plant and equipment, intangible assets and investment property	1452	5,819	6,652
(+) Other financial assets	1453		11,200
(+) Non-current assets and liabilities classified as held for sale.	1461	-62,575	
(+) Other assets	1454		
3. Other cash flows from investing activities	1455	101,378	64,696
(+) Dividends received	1456		
(+) Interest received	1457	99,903	64,488
(+/-) Other sums received/(paid) from investing activities	1458	1,475	208
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	1490	-4,454,343	-1,379,510
1. Sums received/(paid) in respect of equity instruments	1470	-1,479,000	-1,172,122
(+) Issuance	1471		
(-) Redemption	1472		
(-) Acquisition	1473	-1,573,000	-1,259,532
(+) Disposal	1474	94,000	87,410
2. Sums received/(paid) in respect of financial liability instruments:	1480	-844,775	1,099,804
(+) Issuance	1481	5,157,338	6,905,528
(-) Repayment and redemption	1482	-6,002,113	-5,805,724
3. Payment of dividends and remuneration on other equity instruments	1485	-1,040,978	-571,131
4. Other cash flows from financing activities	1486	-1,089,590	-736,061
(-) Interest paid	1487	-1,012,009	-558,662
(+/-) Other sums received/(paid) from financing activities	1488	-77,581	-177,399
D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	1492	60,742	200,240
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	1495	-2,153,427	-8,009
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	1499	4,607,815	4,032,691
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	1500	2,454,388	4,024,682
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022
(+) Cash on hand and at banks	1550	1,011,333	2,350,222
(+) Other financial assets	1552	1,443,055	1,674,460
(-) <i>Less: Bank overdrafts repayable on demand</i>	1553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1600	2,454,388	4,024,682

Comments

IV. SELECTED FINANCIAL INFORMATION

9. B. CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	8435		
(+) Proceeds from operating activities	8410		
(-) Payments to suppliers and to personnel for operating expenses	8411		
(-) Interest paid	8421		
(-) Payment of dividends and remuneration on other equity instruments	8422		
(+) Dividends received	8430		
(+) Interest received	8423		
(+/-) Income tax recovered/(paid)	8424		
(+/-) Other sums received/(paid) from operating activities	8425		
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	8460		
1. Payments for investments:	8440		
(-) Group companies, associates and business units	8441		
(-) Property, plant and equipment, intangible assets and investment property	8442		
(-) Other financial assets	8443		
(-) Other assets	8444		
2. Proceeds from sales of investments	8450		
(+) Group companies, associates and business units	8451		
(+) Property, plant and equipment, intangible assets and investment property	8452		
(+) Other financial assets	8453		
(+) Other assets	8454		
3. Other cash flows from investing activities	8455		
(+) Dividends received	8456		
(+) Interest received	8457		
(+/-) Other flows from investing activities	8458		
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	8490		
1. Sums received/(paid) in respect of equity instruments	8470		
(+) Issuance	8471		
(-) Redemption	8472		
(-) Acquisition	8473		
(+) Disposal	8474		
2. Sums received/(paid) in respect of financial liability instruments:	8480		
(+) Issuance	8481		
(-) Repayment and redemption	8482		
3. Payment of dividends and remuneration on other equity instruments	8485		
4. Other cash flows from financing activities	8486		
(-) Interest paid	8487		
(+/-) Other sums received/(paid) from financing activities	8488		
D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	8492		
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	8495		
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8499		
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	8500		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2023	PREVIOUS PERIOD 30/06/2022
(+) Cash on hand and at banks	8550		
(+) Other financial assets	8552		
(-) <i>Less: Bank overdrafts repayable on demand</i>	8553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8600		

Comments

IV. SELECTED FINANCIAL INFORMATION

10. DIVIDENDS PAID

		CURRENT PERIOD			PREVIOUS PERIOD		
		€ / share (X,XX)	Amount (thousand euros)	No. of shares to be delivered	€ / share (X,XX)	Amount (thousand euros)	No. of shares to be delivered
Ordinary shares	2158	0.19	266,539		0.18	384,485	
Other shares (non-voting shares, redeemable shares, etc.)	2159						
Total dividends paid	2160	0.19	266,539		0.18	384,485	
a) Dividends charged to profit and loss	2155	0.18	235,060		0.17	353,190	
b) Dividends charged to reserves or share premium	2156	0.01	31,479		0.01	31,295	
c) Dividends in kind	2157						
d) Flexible payment	2154			84,270,000			71,475,000

Comments

IV. SELECTED FINANCIAL INFORMATION

11. SEGMENT INFORMATION

Units: thousand euros

GEOGRAPHIC AREA		Distribution of revenue by geographic area			
		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Spanish market	2210	442,757	155,787	8,458,838	8,770,748
International market	2215	336,958	321,794	17,804,340	15,659,203
a) European Union	2216	8,690	8,786	1,051,177	1,484,812
a.1) Euro Area	2217	8,683	8,772	1,004,017	1,435,159
a.2) Non-Euro Area	2218	7	14	47,160	49,653
b) OECD countries	2219	328,268	313,008	16,753,163	14,174,391
TOTAL	2220	779,715	477,581	26,263,178	24,429,951

Comments

Units: thousand euros

SEGMENTS		CONSOLIDATED			
		Ordinary revenue		Profit (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Generation and supply	2221	9,340,065	9,005,195	1,872,605	2,228,238
Renewable	2222	4,490,131	3,999,095	1,286,172	908,702
Networks	2223	16,416,902	15,574,196	2,053,021	836,128
Other businesses, Corporation and adjustments	2224	21,149	24,490	-300,758	-50,765
(-) Adjustments and elimination of ordinary revenue between segments	2225	-4,005,069	-4,173,025		
(+/-) Unallocated profit (loss)	2226			-1,125,582	-691,661
	2227				
	2228				
	2229				
	2230				
TOTAL	2235	26,263,178	24,429,951	3,785,458	3,230,642

Comments

IV. SELECTED FINANCIAL INFORMATION

12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	2295	866	847	40,941	39,737
Men	2296	471	468	31,203	30,500
Women	2297	395	379	9,738	9,237

Comments

IV. SELECTED FINANCIAL INFORMATION

13. REMUNERATION RECEIVED BY DIRECTORS AND MANAGERS

DIRECTORS: Item of remuneration:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Remuneration for membership on the board and/or board committees	2310	3,255	2,859
Salaries	2311	1,625	1,125
Variable remuneration in cash	2312	4,203	4,250
Share-based remuneration systems	2313	7,636	7,260
Termination benefits	2314		
Long-term savings systems	2315		
Other items	2316	457	242
TOTAL	2320	17,176	15,736

MANAGERS:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managers	2325	19,205	20,777

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (1/2)

Units: thousand euro

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
EXPENSES AND REVENUE						
1) Finance costs	2340			556		556
2) Leases	2343					
3) Services received	2344			37		37
4) Purchase of inventories	2345			16,772		16,772
5) Other expenses	2348					
TOTAL EXPENSES (1+2+3+4+5)	2350			17,365		17,365
6) Finance income	2351			1,350		1,350
7) Dividends received	2354					
8) Services rendered	2356			4,189		4,189
9) Sale of inventories	2357			5,108		5,108
10) Other income	2359					
TOTAL REVENUE (6+7+8+9+10)	2360			10,647		10,647

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
OTHER TRANSACTIONS:						
Financing agreements: loans and capital contributions (lender)	2372					
Financing agreements: loans and capital contributions (borrower)	2375					
Guarantees and collateral given	2381					
Guarantees and collateral received	2382					
Commitments assumed	2383					
Dividends and other earnings distributed	2386					
Other transactions	2385					

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
BALANCES ON THE REPORTING DATE:						
1) Trade receivables	2341			9,795		9,795
2) Loans and credit given	2342			91,729		91,729
3) Other receivables	2346					
TOTAL RECEIVABLES (1+2+3)	2347			101,524		101,524
4) Trade payables	2352			2,220		2,220
5) Loans and credit received	2353			115,992		115,992
6) Other payment obligations	2355			18,494		18,494
TOTAL PAYABLES (4+5+6)	2358			136,706		136,706

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (2/2)

Units: thousand euro

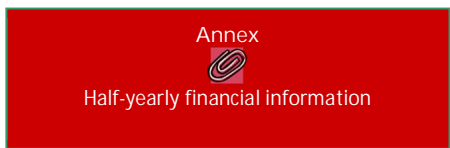
EXPENSES AND REVENUE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	6340			20		20
2) Leases	6343					
3) Services received	6344			-3,342		-3,342
4) Purchases of goods (finished or in progress)	6345			117,807		117,807
5) Other expenses	6348					
TOTAL EXPENSES (1+2+3+4+5)	6350			114,485		114,485
6) Finance income	6351			186		186
7) Dividends received	6354					
8) Services rendered	6356			5,472		5,472
9) Sale of goods (finished or in progress)	6357			15,536		15,536
10) Other income	6359					
TOTAL REVENUE (6+7+8+9+10)	6360			21,194		21,194

OTHER TRANSACTIONS:		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	6372					
Financing agreements: loans and capital contributions (borrower)	6375					
Guarantees and collateral granted	6381					
Guarantees and collateral received	6382					
Commitments acquired	6383					
Dividends and other earnings distributed	6386					
Other transactions	6385					

BALANCES ON THE REPORTING DATE:		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	6341			12,322		12,322
2) Loans and credit given	6342			58,711		58,711
3) Other receivables	6346					
TOTAL RECEIVABLES (1+2+3)	6347			71,033		71,033
4) Trade payables	6352			12,668		12,668
5) Loans and credit received	6353			110,243		110,243
6) Other payment obligations	6355					
TOTAL PAYABLES (4+5+6)	6358			122,911		122,911

Comments

V. HALF-YEARLY FINANCIAL INFORMATION



Content of this section:

		INDIVIDUAL	CONSOLIDATED
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Comments

The Annex contains:

- Selected Condensed Individual Interim Financial Information Management Report for the six-month period ending on 30 June 2023 and Limited Review Report on the Individual Selected Condensed Interim Financial Information.
- Interim Condensed Consolidated Financial Statements. Interim Consolidated Management Report for the six-month period ending on 30 June 2023 and Limited Review Report on the Interim Consolidated Financial Statements.
- Liability Statement.

VI. SPECIAL AUDIT REPORT

Annex

Special audit report

Comments



Iberdrola, S.A.

Selected condensed separate interim
financial statements and
Interim management report

Six-month period ended 30 June 2023



Limited Review Report on Iberdrola, S.A.

(Together with the selected condensed separate interim financial statements and the interim management report of Iberdrola, S.A. for the six-month period ended 30 June 2023)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Report on Limited Review of the Selected Condensed Separate Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of

Iberdrola, S.A., commissioned by the Directors of the Company

REPORT ON LIMITED REVIEW OF THE SELECTED CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying selected condensed separate interim financial statements (the “interim financial statements”) of Iberdrola, S.A. (the “Company”), which comprise the statement of financial position at 30 June 2023, and the income statement, statement of changes in equity, statement of cash flows for the six-month period then ended, and explanatory notes. The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with the accounting principles and the content envisaged in articles 12 and 13 of Royal Decree 1362/2007 of 19 October 2007 and in Circular 3/2018 of the Spanish National Securities Market Commission (CNMV). Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the accounting principles and content envisaged in articles 12 and 13 of Royal Decree 1362/2007 and in Circular 3/2018 as regards the preparation of selected condensed separate interim financial statements.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that the interim financial statements do not include all the information that would be required in a complete set of interim financial statements prepared in accordance with the Spanish General Chart of Accounts. The accompanying interim financial statements should therefore be read in conjunction with the Company's annual accounts for the year ended 31 December 2022. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim management report for the six-month period ended 30 June 2023 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2023. Our work is limited to the verification of the interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Iberdrola, S.A.

Other Matter

This report has been prepared at the request of the Directors in relation to the publication of the half-yearly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

David España

26 July 2023

IBERDROLA, S.A.

**SELECTED CONDENSED SEPARATE INTERIM FINANCIAL
STATEMENTS AND INTERIM MANAGEMENT REPORT FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023**

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Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.
Statement of financial position at 30 June 2023
(Millions of euros)

ASSETS	Note	30.06.2023 (unaudited)	31.12.2022 (*) (audited)
NON-CURRENT ASSETS		50,055	50,042
Intangible assets		121	115
Computer software		121	115
Property, plant and equipment		273	274
Land and buildings		213	214
Technical installations and other items		59	60
Plant and equipment in progress and prepayments		1	—
Non-current investments in group companies and associates		48,628	48,609
Equity instruments	5	48,458	48,432
Loans to companies	6, 11	127	127
Derivatives	6, 11	43	50
Non-current investments	6	3	13
Loans to third parties		2	2
Derivatives		1	11
Deferred tax assets		315	327
Non-current trade and other receivables	8.3	715	704
CURRENT ASSETS		1,083	3,301
Current trade and other receivables		542	298
Trade receivables, group companies and associates		183	66
Other receivables		2	2
Current tax assets		295	173
Other taxes receivable		62	57
Current investments in group companies and associates	6, 11	458	2,794
Loans to companies		14	15
Derivatives		16	8
Other financial assets		428	2,771
Current investments	6	73	43
Derivatives		11	9
Other financial assets		62	34
Current prepayments		9	—
Cash and cash equivalents		1	166
Cash on hand		1	166
TOTAL ASSETS		51,138	53,343

(*) The statement of financial position at 31 December 2022 is presented for comparative purposes only.

The attached Notes are an integral part of these selected condensed separate interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.
Statement of financial position at 30 June 2023
(Millions of euros)

LIABILITIES	Note	30.06.2023	31.12.2022 (*)
		(unaudited)	(audited)
EQUITY		30,542	31,681
CAPITAL AND RESERVES		30,531	31,677
Capital		4,835	4,772
Registered capital	7	4,835	4,772
Share premium		14,007	14,070
Reserves		1,361	1,404
Legal and bylaw reserves		969	969
Other reserves		392	435
Treasury shares and own equity investments		(2,621)	(1,750)
Prior years' profit and loss		12,897	10,292
Retained earnings		12,897	10,292
Profit/(loss) for the period and for the year		19	2,840
Other equity instruments		33	49
VALUATION ADJUSTMENTS		11	4
Hedging instruments		11	4
NON-CURRENT LIABILITIES		11,976	11,434
Non-current provisions		450	454
Non-current employee benefits		165	179
Other provisions		285	275
Non-current payables	6	500	342
Bank borrowings		426	253
Finance lease payables		49	50
Derivatives		6	22
Other financial liabilities		19	17
Payables to group companies and associates, non-current	6, 11	10,112	9,757
Deferred tax liabilities		914	881
CURRENT LIABILITIES		8,620	10,228
Current payables	6	556	1,256
Bank borrowings		379	1,167
Finance lease payables		3	3
Derivatives		150	33
Other financial liabilities		24	53
Payables to group companies and associates, current	6, 11	7,891	8,848
Trade and other payables		173	124
Suppliers, group companies and associates		16	23
Other payables		29	27
Personnel (salaries payable)		12	22
Other taxes payable		116	52
TOTAL EQUITY AND LIABILITIES		51,138	53,343

(*) The statement of financial position at 31 December 2022 is presented for comparative purposes only.

The attached Notes are an integral part of these selected condensed separate interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

Income statement for the six-month period ended 30 June 2023

(Millions of euros)

	Note	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
CONTINUING OPERATIONS			
Revenue	9.1	780	478
Finance income from equity investments in group companies and associates	11	555	255
Finance income from debt securities and other financial instruments of group companies and associates	11	14	8
Income from services rendered to group companies	11	211	215
Own work capitalised		3	2
Other operating income		1	1
Non-trading and other operating income		1	1
Personnel expenses		(122)	(89)
Salaries, wages and similar items		(57)	(56)
Employee benefits expense		(65)	(33)
Other operating expenses		(334)	(114)
External services		(115)	(110)
Taxes	8.2	(217)	(3)
Other current management expenses		(2)	(1)
Amortisation and depreciation		(25)	(35)
Impairment gains/(losses) on disposal of financial instruments of group companies and associates		(38)	671
Impairment and losses	5	(38)	671
OPERATING INCOME		265	914
Finance income		12	4
From debt securities and other financial instruments in third parties		12	4
Finance expenses		(286)	(129)
Due to borrowings from group companies and associates	11	(257)	(120)
Due to third-party borrowings		(19)	(3)
Restatement of provisions		(10)	(6)
Change in fair value of financial instruments		(23)	(55)
Fair value through profit and loss		(23)	(55)
Exchange differences		(2)	5
NET FINANCE INCOME/(EXPENSE)		(299)	(175)
PROFIT/(LOSS) BEFORE TAX		(34)	739
Income tax	8	53	33
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		19	772
PROFIT/(LOSS) FOR THE PERIOD		19	772

(*) The income statement for the six-month period ended 30 June 2022 is presented for comparison purposes only.

The attached Notes are an integral part of these selected condensed separate interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

Statement of changes in equity for the six-month period ended 30 June 2023

(Millions of euros)

A) Statement of recognised income and expense for the six-month period ended 30 June 2023

	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
PROFIT/(LOSS) FOR THE YEAR	19	772
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Hedging costs	(8)	(5)
Actuarial gains and losses and other adjustments	—	36
Tax effect	2	(7)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	(6)	24
AMOUNTS TRANSFERRED TO INCOME STATEMENT		
Cash flow hedges	1	1
Hedging costs	16	1
Tax effect	(4)	(1)
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT	13	1
TOTAL RECOGNISED INCOME AND EXPENSES	26	797

(*) The statement of recognised income and expense for the six-month period ended 30 June 2022 is presented for comparison purposes only.

The attached Notes are an integral part of these selected condensed separate interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

B) Statement of changes in equity for the six-month period ended 30 June 2023 (Millions of euros)

	Capital	Share premium	Reserves	Treasury shares and own equity investments	Prior years' profit and loss	Profit/(loss) for the year and for the period	Other equity instruments	Valuation adjustments	Total
Balance at 01.01.2022	4,775	14,215	1,283	(1,852)	10,976	2,160	40	7	31,604
Total recognised income and expense	—	—	27	—	—	772	—	(2)	797
Transactions with shareholders or	53	(53)	(34)	(574)	1,807	(2,160)	—	—	(961)
Scrip issue (Note 7)	53	(53)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	1,807	(2,160)	—	—	(353)
Transactions with treasury shares or own equity instruments (net)	—	—	(3)	(574)	—	—	—	—	(577)
Other transactions with shareholders or owners	—	—	(31)	—	—	—	—	—	(31)
Other changes in equity	—	—	(19)	—	—	—	(4)	—	(23)
Balance at 30.06.2022 (*)	4,828	14,162	1,257	(2,426)	12,783	772	36	5	31,417

	Capital	Share premium	Reserves	Treasury shares and own equity investments	Prior years' profit and loss	Profit/(loss) for the year and for the period	Other equity instruments	Valuation adjustments	Total
Balance at 01.01.2023	4,772	14,070	1,404	(1,750)	10,292	2,840	49	4	31,681
Total recognised income and expense	—	—	—	—	—	19	—	7	26
Transactions with shareholders or	63	(63)	(30)	(871)	2,605	(2,840)	—	—	(1,136)
Scrip issue (Note 7)	63	(63)	—	—	—	—	—	—	—
Distribution of earnings (Note 7)	—	—	—	—	2,605	(2,840)	—	—	(235)
Transactions with treasury shares or own equity instruments (net)	—	—	1	(871)	—	—	—	—	(870)
Transactions with shareholders or owners (Note 7)	—	—	(31)	—	—	—	—	—	(31)
Other changes in equity	—	—	(13)	—	—	—	(16)	—	(29)
Balance at 30.06.2023	4,835	14,007	1,361	(2,621)	12,897	19	33	11	30,542

(*) The statement of changes in equity for the six-month period ended 30 June 2022 is presented for comparison purposes only. The attached Notes are an integral part of these selected condensed separate interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

Statement of cash flows for the six-month period ended 30 June 2023

(Millions of euros)

	Note	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
Profit/(loss) for the year before tax		(34)	739
Adjustments for:		(179)	(696)
Amortisation and depreciation		25	35
Impairment	5	38	(671)
Finance income		(581)	(267)
Finance expenses		286	129
Exchange differences		2	(5)
Change in fair value of financial instruments		23	55
Other income and expenses		28	28
Changes in operating assets and liabilities		(81)	(150)
Trade and other receivables		(130)	(94)
Trade and other payables		49	(56)
Other cash flows from operating activities		(80)	5
Interest paid		(243)	(172)
Dividends received		262	248
Interest received		15	5
Income tax proceeds/(payments)		(15)	(1)
Other proceeds/(payments)		(99)	(75)
CASH FLOWS FROM OPERATING ACTIVITIES		(374)	(102)
Payments for investments		(414)	(886)
Group companies and associates		(10)	(726)
Intangible assets		(7)	(35)
Property, plant and equipment		(42)	(1)
Other financial assets		(355)	(124)
Proceeds from investments		2,993	2,307
Group companies and associates		2,647	2,231
Other financial assets		346	76
CASH FLOWS FROM INVESTING ACTIVITIES		2,579	1,421
Proceeds from and payments for equity instruments		(1,479)	(1,172)
Acquisition of own equity instruments		(1,573)	(1,259)
Disposal of own equity instruments		94	87
Proceeds from and payments for financial instruments		(625)	408
Issue of		3,617	2,399
Bank borrowings		—	110
Payables to group companies and associates		3,599	1,815
Other payables		18	474
Redemption and repayment of		(4,242)	(1,991)
Bank borrowings		—	(27)
Payables to group companies and associates		(4,215)	(1,386)
Other payables		(27)	(578)
Dividends paid and payments on other equity instruments		(266)	(384)
Dividends	7	(266)	(384)
CASH FLOWS FROM FINANCING ACTIVITIES		(2,370)	(1,148)
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS		(165)	171
Cash and cash equivalents at start of period		166	155
Cash and cash equivalents at end of period		1	326

(*) The statement of cash flows for the six-month period ended 30 June 2022 is presented for comparison purposes only. The attached Notes are an integral part of these selected condensed separate interim financial statements.

IBERDROLA, S.A.

Notes to the selected condensed separate interim financial statements for the six-month period ended 30 June 2023

1. COMPANY ACTIVITY

Pursuant to Article 5 of its By-Laws, the corporate purpose of Iberdrola, S.A. (hereinafter “IBERDROLA”), a company incorporated in Spain, is as follows:

- To carry out all manner of activities, works and services inherent in or related to the business of production, transmission, switching and distribution or retail supply of electric power or electricity by-products and applications thereof and the raw material or energy needed for the generation thereof; energy, engineering, information-technology, telecommunications and internet-related services; water treatment and distribution; the integral provision of urban and gas supply services, as well as other gas storage, regasification, transportation or distribution activities, which will be carried out indirectly through the ownership of shares or equity interests in other companies that will not engage in the supply of gas.
- The distribution, representation and marketing of all manner of goods and services, products, articles, merchandise, software programs, industrial equipment and machinery, tools, instruments, spare parts and accessories.
- The investigation, study and planning of investment and corporate organisation projects, as well as the promotion, creation and development of industrial, commercial or service companies.
- The provision of services assisting or supporting companies and businesses in which it has an interest or which are within its corporate group, for which purpose it may provide appropriate guarantees and bonds in favour thereof.

The aforementioned activities may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by IBERDROLA or through the ownership of shares or equity interests in other companies, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry.

IBERDROLA also provides various services to other Group companies, mainly including the provision of IT services and other non-operating, structural and support services, as well as Group financing, which is managed centrally.

IBERDROLA, individually considered, has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant impact on its equity, financial position or results. Therefore, no specific environmental disclosures have been included in these Notes to the selected condensed separate interim financial statements.

IBERDROLA has its registered office at Plaza Euskadi 5, in Bilbao.

2. BASIS OF PRESENTATION OF THE SELECTED CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

2.1 Accounting legislation applied

These selected condensed separate interim financial statements (hereinafter, interim financial statements) have been prepared in accordance with the principles and accounting standards set out in Sections 12 and 13 of Royal Decree 1362/2007 of 19 October, implementing Securities Market Act 24/1988 of 28 July, which describes the transparency requirements for information on issuers of securities admitted to trading in secondary markets or other regulated markets in the European Union, and in Circular 3/2018 of the Spanish Securities Market Commission on periodic reporting by issuers of securities admitted to trading in regulated markets regarding half-yearly financial reports, interim management statements and, where applicable, quarterly financial reports (Circular 3/2018).

These interim financial statements do not include all the information required for comprehensive separate financial statements prepared in accordance with generally accepted accounting principles in Spain. In particular, the accompanying interim financial statements have been prepared with the content necessary to comply with rule four of Circular 3/2018 for selected separate financial statements. As a result, the interim financial statements should be read in conjunction with IBERDROLA's financial statements for the year ended 31 December 2022.

IBERDROLA has drawn up its condensed consolidated interim financial statements in accordance with current law, pursuant to the provisions of the International Financial Reporting Standards (IFRS) as approved by the European Union. The main figures in the condensed consolidated interim financial statements of the IBERDROLA Group for the six-month periods ended 30 June 2023 and 2022 (except for total assets and equity for 2022, which are included in the IBERDROLA Group's consolidated financial statements at 31 December 2022), are as follows:

Millions of euros	2023	2022
Total assets (*)	145,943	150,114
Equity:		
IBERDROLA as parent company	42,876	41,119
Non-controlling interests	16,806	16,995
Revenue	26,264	24,430
Profit/(loss) for the period:		
IBERDROLA as parent company	2,521	2,075
Non-controlling interests	241	392

(*) Restated.

These interim financial statements have been prepared in relation to the publication of the half-yearly financial report required by Section 119 of Legislative Royal Decree 4/2015 of 23 October enacting the Consolidated Text of the Securities Market Act.

2.2 Accounting policies and measurement standards

The accounting principles and measurement methods used to draw up the interim financial statements are fully consistent with those used to draw up IBERDROLA's 2022 financial statements.

2.3 Working capital deficit

At 30 June 2023, IBERDROLA's statement of financial position shows a working capital deficit (current liabilities exceeding current assets) of EUR 7,537 million. This deficit is largely due to the existence of current debt with group companies and associates in the amount of EUR 7,891 million, and also because of seasonal variations (Note 3).

According to IBERDROLA's directors, this deficit will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends received from its subsidiaries. At 30 June 2023, IBERDROLA had undrawn loans of approximately EUR 5,300 million, which will cover IBERDROLA's cash requirements over the coming months. In addition, other IBERDROLA group companies have undrawn loans and credit facilities of EUR 11,674 million.

2.4 Comparative information

In accordance with Circular 3/2018, the following are presented for comparative purposes:

- The statement of financial position at 30 June 2023, and the statement of financial position at 31 December 2022.
- The income statement, statement of changes in equity and statement of cash flows for the six-month periods ended 30 June 2023 and 2022.

3. SEASONAL VARIATIONS

On a half-yearly basis, IBERDROLA's activities show no significant degree of seasonal variation, except for dividends received from subsidiaries, which are normally distributed in the second half of the year.

4. USE OF ACCOUNTING ESTIMATES

• Accounting estimates

IBERDROLA relied on certain assumptions and estimates in drawing up these interim financial statements. The main matters subject to estimate in the preparation of these interim financial statements are the same as those disclosed in Note 6 to IBERDROLA's 2022 financial statements.

The criteria used to calculate the estimates contained in these interim financial statements coincide, where applicable, with those used in the preparation of IBERDROLA's separate financial statements for 2022.

Although these estimates were made on the basis of the best information available at the date of issue of these interim financial statements, future events may require adjustments (upwards or downwards) in coming years. Any such changes would be applied prospectively, recognising the effects of the change in estimates for future periods.

- **Risks**

Turning to the macroeconomic environment in the first half of the year, we witnessed a reduction in commodity prices, electricity prices and inflation due to the prevailing geopolitical situation, although interest rates continued to rise. Based on the information available at the date of authorisation for issue of these interim financial statements, this scenario — exacerbated by Russia’s invasion of Ukraine — is not expected to have a prolonged impact and should not, therefore, have a material adverse effect on IBERDROLA’s business plans and hence on the recoverable amount of its “Investments in group companies and associates” during the first half of 2023.

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Changes in “Non-current investments in group companies and associates – Equity instruments” in the statement of financial position during the six-month period ended 30 June 2023 and during 2022 are as follows:

Millions of euros	Balance at 01.01.2023	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 30.06.2023
Investments in group companies	48,885	—	—	64	48,949
Investments in associates	1	—	—	—	1
Impairment adjustments of group companies and associates	(454)	(44)	6	—	(492)
Total	48,432	(44)	6	64	48,458

Millions of euros	Balance at 01.01.2022	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 30.06.2022
Investments in group companies	47,098	20	—	84	47,202
Investments in associates	1	—	—	—	1
Impairment adjustments of group companies and associates	(1,034)	(19)	690	—	(363)
Total	46,065	1	690	84	46,840

At 31 December 2022, IBERDROLA’s separate financial statements included an impairment loss of EUR 181 million on its investment in Iberdrola Financiación, S.A.U. During the six-month period ended 30 June 2023, an impairment loss of EUR 30 million was recognised due to the difference between the corresponding carrying amount and the recoverable amount (EUR 690 million reversed in the six-month period ended 30 June 2022).

In addition, IBERDROLA’s separate financial statements at 31 December 2022 included impairment losses of EUR 108 million and EUR 163 million for the investments held in Iberdrola Participaciones, S.A.U. and Scottish Power Overseas Holdings, Ltd., respectively. In the six-month period ended 30 June 2023, the Company made an impairment charge of EUR 14 million and reversed an impairment loss of EUR 6 million (impairment charges of EUR 16 million and of EUR 3 million in the six-month period ended 30 June 2022).

Furthermore, during the six-month period ended 30 June 2022, IBERDROLA acquired extra shares in Neoenergia S.A. for a total of EUR 20 million, bringing its ownership stake of 3.50%.

“Non-current investments in group companies and associates – Equity instruments” at 30 June 2023 include EUR 14,121 million and EUR 137 million corresponding to IBERDROLA’s direct interests in AVANGRID and NEOENERGIA, respectively. Additionally, IBERDROLA holds an indirect interest in NEOENERGIA through its subsidiary Iberdrola Energía, S.A. at a cost of EUR 2,695 million. The market capitalisation of IBERDROLA’s investments in AVANGRID and NEOENERGIA amounts to EUR 10,874 million and EUR 2,595 million, respectively.

Although the market capitalisation is lower than the carrying amount, based on the analysis performed at 31 December 2022 and business performance during the six months to 30 June 2023, the conclusion reached that there was no need to record any impairment at the December 2022 close of accounts is maintained at 30 June 2023.

6. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

At 30 June 2023 and at 31 December 2022 the carrying amount of each category of financial asset and liability, except for equity investments in group companies and associates, trade and other receivables, trade and other payables, and cash and cash equivalents, is as follows:

Millions of euros	Non-current financial assets					
	Loans and receivables		Derivatives ⁽¹⁾		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Category						
At fair value through profit or loss	—	—	1	3	1	3
At amortised cost	129	129	—	—	129	129
Hedging derivatives	—	—	43	58	43	58
Total	129	129	44	61	173	190

Millions of euros	Current financial assets					
	Loans and receivables		Derivatives ⁽¹⁾		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Category						
At fair value through profit or loss	—	—	27	8	27	8
At amortised cost	504	2,820	—	—	504	2,820
Hedging derivatives	—	—	—	9	—	9
Total	504	2,820	27	17	531	2,837

⁽¹⁾ Includes derivatives with third parties and with group companies and associates.

Millions of euros	Non-current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Category								
At fair value through profit or loss	—	—	1	3	—	—	1	3
At amortised cost	475	303	—	—	10,130	9,772	10,605	10,075
Hedging derivatives	—	—	6	21	—	—	6	21
Total	475	303	7	24	10,130	9,772	10,612	10,099

Millions of euros	Current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Category								
At fair value through profit or loss	—	—	43	9	—	—	43	9
At amortised cost	382	1,170	—	—	7,915	8,901	8,297	10,071
Hedging derivatives	—	—	107	24	—	—	107	24
Total	382	1,170	150	33	7,915	8,901	8,447	10,104

⁽¹⁾ Includes derivatives with third parties and with group companies and associates.

Whenever possible, the IBERDROLA Group centralises the majority of its subsidiaries' cash through mercantile current account contracts and bank sweeps. Up until January 2023, the company responsible for centralising this cash was Iberdrola, S.A. (the Sole Shareholder). On 16 January 2023, the Sole Shareholder transferred these mercantile current account contracts to Iberdrola Financiación, S.A.U. These contracts comprised balances receivable and payable and are classified under "Current investments in group companies and associates – Other financial assets" and "Payables to group companies and associates", respectively, with Iberdrola Financiación, S.A.U. now tasked with centralising funds. These contracts accrue interest at market rates.

7. EQUITY

Changes in the share capital of IBERDROLA over the six-month period ended 30 June 2023 and the twelve months of 2022 are as follows:

	Date of filing at the Commercial Registry	% Capital	Number of shares	Face value	Euros
Balance at 01.01.2022			6,366,088,000	0.75	4,774,566,000
Scrip issue	3 February 2022	1.123 %	71,475,000	0.75	53,606,250
Reduction in share capital	6 July 2022	3.069 %	(197,563,000)	0.75	(148,172,250)
Scrip issue	2 August 2022	1.957 %	122,094,000	0.75	91,570,500
Balance at 31.12.2022			6,362,094,000	0.75	4,771,570,500
Scrip issue	1 February 2023	1.325 %	84,270,000	0.75	63,202,500
Balance at 30.06.2023			6,446,364,000	0.75	4,834,773,000

On 1 February 2023, the second application of the scrip issue took place, having been approved at the General Shareholders' Meeting of IBERDROLA held on 17 June 2022, under item 12 on the agenda, and used for the *Iberdrola Retribución Flexible* optional dividend system.

During the established period, the holders of 1,305,893,982 shares opted to receive the Interim dividend (EUR 0.18 gross per share), bringing the total gross amount of the Interim dividend ultimately paid out to EUR 235 million. As a result, those shareholders expressly waived 1,305,893,982 free-of-charge allocation rights and, therefore, the right to receive 21,764,900 new shares.

The shareholders acting at the General Shareholders' Meeting held on 28 April 2023 approved, under item 8 of the agenda, the dividend for participation in the general meeting and its payment to all shareholders entitled to participate in the meeting (i.e. with shares registered in their name on 21 April), having fulfilled all conditions to which payment of the dividend was subject, i.e. the approval of the dividend itself (under item 8 of the agenda), and that a quorum of 70% of share capital was reached. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid on 3 May 2023.

There were no changes to IBERDROLA's share capital other than those resulting from the transactions described above. There are no claims on IBERDROLA's share capital other than those established by the Spanish Companies Act (*Ley de Sociedades de Capital*).

8. TAXES

The income tax expense for the interim period is obtained by multiplying profit before tax by the best estimate of the expected weighted average rate for the year, adjusted, if applicable, for the tax effect of those elements to be recognised in whole in the interim period. The effective tax rate used in these interim financial statements may thus differ from the rate estimated by the directors for the whole year.

Iberdrola S.A. serves as the parent company for two tax consolidation groups in Spain: group 2/86, which operates in the common territory, and group 02415BSC, which operates in the province of Biscay. Currently, Iberdrola S.A. is a member of the latter group (group 02415BSC).

The effective tax rate for the six-month period ended 30 June 2023 was 24.17% (24.86% for the six-month period ended 30 June 2022), calculated on the accounting profit before tax adjusted for permanent differences.

Millions of euros	30.06.2023	30.06.2022
Profit/(loss) before tax	(34)	739
Permanent differences		
Dividends received from group companies	(555)	(255)
Impairment and other ⁽¹⁾	258	(657)
Adjusted accounting profit (a)	(331)	(173)
Gross tax (24%) (b)	(79)	(42)
Deductions (c)	(1)	(1)
Adjustment of prior years' income tax expense	22	7
Adjustment of deferred tax assets and liabilities	—	—
Other	5	3
Income tax expense/(income)	(53)	(33)
Effective tax rate (b+c)/a	24.17%	24.86%

⁽¹⁾ Mainly, the positive correction to accounting profit derived from the non-deductibility of the expense for the temporary energy tax introduced by Law 38/2022 and recognised under "Taxes", amounting to EUR 216 million.

8.1 Administrative proceedings

In 2022, the proposed settlements and assessments resulting from the inspection proceedings initiated in June 2020 by the Spanish tax authority (*Agencia Española de Administración Tributaria*) (AEAT) were carried out on the part that had not been completed in 2021. The proceedings initiated were for a partial review (for the years 2012 to 2014) in relation to income tax, and a general tax review (of the period comprising financial years 2015 to 2017) for the main corporate taxes applicable to IBERDROLA group entities within the consolidated tax group in the common territory in Spain (No. 2/86). The process was subsequently extended to the years 2018 to 2020, again on a partial basis, to effect the full settlement in income tax of certain items signed on a contested basis in respect of previous years.

The corporate income tax assessments signed on a contested basis in 2022 for the years 2015 to 2020 have as their disputed adjustments essentially the same as those signed in 2021, i.e. those disputed in the general review proceedings for the years 2008-2011.

In relation to Value Added Tax, assessments were signed on a contested basis for the years 2015 to 2017 in 2022. This was due to adjustments made by the AEAT resulting from the inclusion of capital gains from portfolio transfers or corporate restructuring transactions in the denominator of the pro rata. In addition, IBERDROLA VAT group 0220/08 applied for a refund of VAT payments corresponding to unpaid debts, mainly by individuals, which are older than one year and with a tax base of less than EUR 300, corresponding to Curenergía Comercializador de Último Recurso, S. A.U. and Iberdrola Clientes, S.A.U. in relation to those years. This request is made on the grounds that the Spanish rules concerning the handling of VAT for unpaid invoices are deemed to be in violation of EU law.

On 17 December 2021 and 29 July 2022, appeals for a judicial review of tax claims were filed with the Central Tax Appeals Board (Tribunal Económico-Administrativo Central) against the settlement agreements derived from the contested assessments signed in protest discussed in the previous paragraphs. At the end of the reporting period, these appeals remained unresolved and did not have any significant financial implications for the IBERDROLA.

Apart from the above, in March 2023, assessments in agreement and in protest were signed in relation to the limited review proceeding initiated by the AEAT following the rectification requests submitted by the company in February 2022 in relation to VAT for financial years 2018 and 2019, and consequently of the Group of entities for the purposes of said tax.

In these submissions, Iberdrola S.A. requested the exclusion of the capital gains obtained in the settlement of derivative financial instruments from the calculation of the pro rata portion for these years, a request which was granted. The limited review proceeding was also extended to the company's income tax for 2018 and 2019, and therefore to the Tax Group, in order to apply to this tax the effects arising from the request upheld in relation to VAT.

In the same proceeding, assessments were signed in protest within VAT group 0220/08, in which Iberdrola, S.A. is the parent company, in relation to the requests for the refund of VAT payments for unpaid debts, mainly by individuals, which are older than one year and with a tax base of less than EUR 300, corresponding to Curenergía Comercializador de Último Recurso, S.A.U. and Iberdrola Clientes, S.A.U. for the years 2018 and 2019, on the grounds that the Spanish rules concerning the handling of VAT for unpaid invoices are deemed to be in violation of EU law, as claimed in respect of the previous periods. These requests have been rejected, and arguments have been submitted in connection with the assessments signed in protest. The company is currently awaiting notification of the settlement decisions confirming or annulling the assessments.

All of IBERDROLA's actions have been analysed by its internal and external advisers, both for this year and for preceding years, and they have found that these actions have been carried out in accordance with the law and are based on a reasonable interpretation of tax law. The occurrence of contingent liabilities has also been subject to analysis. IBERDROLA generally posts provisions for tax litigation when the risk of it being detrimental to its interests is probable, and posts no provisions when the risk is possible or remote.

IBERDROLA's directors and tax consultants believe that the aforementioned issues will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2023.

8.2 Tax litigation

In June 2020, IBERDROLA was notified of the decisions made by the Central Tax Appeals Board (TEAC) concerning the claims related to the assessments that were signed in protest by IBERDROLA in 2016. These claims pertain to the general inspection proceeding carried out on the tax consolidation group in the common territory (no. 2/86) for financial years 2008 to 2011.

As regards VAT, the TEAC ruling was favourable to the interests of IBERDROLA (thus annulling the assessments and settlements carried out by the inspectors), while the decisions on income tax were unfavourable.

On 7 July 2020 IBERDROLA appealed these rulings to the Spanish National High Court (*Audiencia Nacional*). The relevant arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to set the dates for the issuance of opinions and judgment.

The main adjustments included in the settlement agreements resulting from the contested assessments relate to the quantification of financial goodwill eligible for tax amortisation due to the acquisition of SCOTTISH POWER, the elimination of the exemption for dividends of SCOTTISH POWER due to the audit finding it incompatible with an adjustment in portfolio value due to hedging of net investment, differences in tax consolidation criteria and possible existence of a transaction involving a change of debtor in certain bond issues, due to the circumstances set out in Section 15.1 of the General Tax Act.

Furthermore, in December 2020 IBERDROLA was notified of the decision of the TEAC relating to claims filed arising from certain assessments signed on a contested basis in limited verification proceedings regarding income tax for financial years 2012 to 2014. The dispute with the tax office essentially had to do with the applicability or non-applicability of the rules on timing of accounting recognition established in numerous rulings of the Supreme Court, in relation to the income received by the Group due to payments unlawfully made.

The December 2020 ruling partially upheld IBERDROLA's claims, accepting its criteria insofar as the taxes declared to be unconstitutional are concerned. On 25 January 2021, IBERDROLA filed an appeal for judicial review before the National High Court on the other matters in dispute. The relevant arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to set the date for the issuance of opinions and judgment.

Lastly, in relation to tax disputes relevant to IBERDROLA, on 21 February 2023 the Asociación de Empresas de Energía Eléctrica (AELEC) filed a judicial review appeal against Ministerial Order HFP/94/2023 approving the self-assessment forms for the new temporary energy levy, introduced by Law 38/2022. On 23 February 2023, IBERDROLA also filed a judicial review appeal against the same Ministerial Order, in similar terms to the one filed by AELEC.

This law imposes a temporary energy levy for the years 2023 and 2024 on those entities qualifying as the main operator in the energy sectors, with the legal status of a non-tax public levy.

The amount payable is calculated by applying a percentage of 1.2% to the net turnover generated by the activity in Spain in the calendar year preceding the year in which the obligation arises. The estimated amount of the levy to be paid by IBERDROLA in 2023 is EUR 216 million. A partial payment of 50% was made on 17 February 2023.

The appeal for judicial review filed by AELEC and by IBERDROLA and which are currently pending resolution are based on defects in the ordinary legality of the Ministerial Order under appeal as well as on defects of unconstitutionality and infringement of Council Regulation (EU) 2022/1854 of 6 October 2022, found in Law 38/2022, which creates the levy.

IBERDROLA's directors and tax advisers consider that the proceedings described in the above paragraphs will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2023.

8.3 Other

Update of the financial goodwill situation (Section 12.5 of the Consolidated Text of the Corporate Income Tax Act (*Texto Refundido de la Ley del Impuesto sobre Sociedades*) (TRLIS)):

In previous years, the Spanish authorities applied the aid and grants recoupment procedure established in the General Tax Act, thus recovering from the IBERDROLA Group, in accordance with Section 12.5 of the TRLIS, the sum of EUR 665 million (EUR 576 million as principal and EUR 89 million as late payment interest) in years 2002 to 2015. IBERDROLA, S. settled the required amount by (i) offsetting part of it against the EUR 363 million received under the 2016 income tax rebate, and (ii) paying EUR 302 million in February 2018. All of the foregoing by virtue of Decision Three of the European Commission.

In May 2021, IBERDROLA was notified of a settlement decision under the aid and grants reimbursement procedure for the years 2016 to 2018 in the amount of EUR 13 million, which the Company paid on 2 July 2021.

These amounts, in the proportion corresponding to Iberdrola, S.A., are shown, together with the late payment interest payable, under "Non-current trade and other receivables" in the statement of financial position.

In any event, their recoverability is considered to be provisional, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided for in Section 12.5 of the TRLIS generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability. Therefore, if the outcome is ultimately contrary to the Company's interests (which we consider unlikely based on the information currently available), the financial impact would be substantially mitigated.

9. INCOME AND EXPENSES

9.1 Revenue

The distribution of IBERDROLA's revenue from ordinary activities by category of activity and geographical market is as follows:

30.06.2023 Millions of euros	European Union			Other countries	Total
	Spain	Euro zone	Non-euro zone		
Finance income from equity investments in group companies and associates	292	—	—	263	555
Finance income from debt securities and other financial instruments of group companies and associates	8	6	—	—	14
Income from services rendered to group companies	143	3	—	65	211
Total	443	9	—	328	780

30.06.2022 Millions of euros	European Union			Other countries	Total
	Spain	Euro zone	Non-euro zone		
Finance income from equity investments in group companies and associates	—	—	—	255	255
Finance income from debt securities and other financial instruments of group companies and associates	—	5	—	3	8
Income from services rendered to group companies	157	3	—	55	215
Total	157	8	—	313	478

Details of dividends from Group companies are as follows:

Millions of euros	Six-month period ended	
	30.06.2023	30.06.2022
Avangrid, Inc.	256	249
HidroIa I, S.A.	292	—
Neoenergia, S.A.	7	6
Total	555	255

9.2 Employees

IBERDROLA's staff is structured as follows:

	30.06.2023		30.06.2022	
	Average headcount	Final headcount	Average headcount	Final headcount
Men	471	475	468	477
Women	395	407	379	388
Total	866	882	847	865

10. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

10.1. Remuneration of the Board of Directors

Director remuneration and other benefits received during the six-month period ended 30 June 2023 and 2022 are presented in the table below by remuneration item:

Millions of euros	30.06.2023	30.06.2022
Remuneration for membership on the Board and/or Board Committees	3.2	2.9
Fixed remuneration – executive directors	1.6	1.1
Variable remuneration – executive directors	4.2	4.3
Other items ⁽¹⁾	0.5	0.2
Total	9.5	8.5

⁽¹⁾ This amount includes the remuneration received by directors who held the position of director at companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.28 million in the first half of 2023 and EUR 0.19 million in the first half of 2022.

In the first half of 2023, the first of the three annual payments was made under the 2020-2022 Strategic Bonus. The chairman received 633,333 IBERDROLA shares. The chief executive officer received 80,000 shares, corresponding to his performance prior to his appointment as a member of the board of directors.

10.2. Remuneration of senior management

Senior officers are those who report directly to the Company's Board of Directors, chairman, or CEO, and in all cases the internal head of audit, as well as any other officer that the Board of Directors recognises as such.

At 30 June 2023, there were 10 members of senior management.

Remuneration and other benefits received by senior management in the first half of 2023 and 2022 are as follows:

Millions of euros	30.06.2023	30.06.2022 ^(*)
Fixed remuneration	2.4	2.4
Variable remuneration	3.7	3.5
Pension plans (savings and risk)	1.6	1.2
Other items ⁽¹⁾	0.7	0.6
Total	8.4	7.7

^(*) For comparison purposes, this includes information on members who have had this status since 1 January 2023 (one additional member and two members less).

⁽¹⁾ This amount includes the remuneration received by senior officers who held the position of director of companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.4 million in the first half of 2023 and to EUR 0.3 million in the first half of 2022.

In the first half of 2023, the first of the three annual settlements was made under the 2020-2022 Strategic Bonus, consisting in the delivery of 563,329 shares, once the level of achievement of

the targets had been determined. In the first half of 2022, the third of the three annual settlements was made under the *2017-2019 Strategic Bonus*, consisting in the delivery of 525,010 shares.

During the first half of 2023 and 2022, no other transactions took place with officers outside the ordinary course of business.

11. TRANSACTIONS WITH RELATED PARTIES

Related-party transactions

The most significant related-party transactions in the six-month periods ended 30 June 2023 and 2022 are as follows:

Millions of euros	Six-month period ended 30.06.2023				Total
	Significant shareholders ⁽¹⁾	Directors and officers ⁽²⁾	Group persons, companies or entities	Other related parties	
Expenses and income					
Finance expenses	—	—	257	—	257
Lease	—	—	2	—	2
Services received	—	—	44	—	44
Total expenses	—	—	303	—	303
Finance income	—	—	14	—	14
Dividends received	—	—	555	—	555
Services rendered	—	—	211	—	211
Total income	—	—	780	—	780

Millions of euros	Six-month period ended 30.06.2022				Total
	Significant shareholders ⁽¹⁾	Directors and officers ⁽²⁾	Group persons, companies or entities	Other related parties	
Expenses and income					
Finance expenses	—	—	120	—	120
Lease	—	—	2	—	2
Services received	—	—	45	—	45
Other expenses	—	—	—	—	—
Total expenses	—	—	167	—	167
Finance income	—	—	8	—	8
Dividends received	—	—	255	—	255
Services rendered	—	—	215	—	215
Total income	—	—	478	—	478

⁽¹⁾ At the date of authorisation for issue of these interim financial statements, there were no significant shareholders who met the definition of Section 529 *vicies* of the Spanish Companies Act because they did not hold 10% of the voting rights or were not represented on the Board of Directors.

⁽²⁾ Refers to transactions other than those disclosed in Note 10.

Other financial assets/liabilities with group companies and associates

Millions of euros	30.06.2023		31.12.2022	
	Receivables	Payables	Receivables	Payables
Non-current				
Iberdrola Finance Ireland, DAC	—	—	—	72
Iberdrola Financiación, S.A.U.	—	7,215	—	6,216
Iberdrola Finanzas, S.A.U.	—	—	—	555
Iberdrola International, B.V.	—	2,897	—	2,912
Total	—	10,112	—	9,755
Current				
Ailes Marine, S.A.S.	—	—	392	—
Avangrid, Inc. (US dollar)	127	—	131	—
Biovent Energía, S.A.	—	—	—	16
Dehesa Solar Sur, S.L.	—	—	—	31
Energyworks Vit-Vall, S.L.	—	—	—	65
Hidro I, S.L.U.	292	—	—	506
I-DE Redes Eléctricas Inteligentes, S.A.U.	—	—	213	—
Iberdrola Clientes Internacional, S.L.	—	—	—	67
Iberdrola Clientes, S.A.U.	—	—	—	244
Iberdrola Cogeneración, S.L.U.	—	—	—	49
Iberdrola Comercialización de Último Recurso, S.A.U.	—	—	79	—
Iberdrola Energía Internacional, S.L.	—	—	—	66
Iberdrola Energía Italia, S.R.L.	—	—	113	—
Iberdrola Energie France, S.A.S.	—	—	—	30
Iberdrola España, S.A.U.	—	—	932	—
Iberdrola Finance Ireland, DAC	—	71	—	7
Iberdrola Financiación, S.A.U.	—	6,920	—	4,322
Iberdrola Finanzas, S.A.U.	—	565	—	115
Iberdrola Generación España, S.A.U.	—	—	—	840
Iberdrola Generación Nuclear, S.A.U.	—	—	—	470
Iberdrola Generación Térmica, S.L.U.	—	—	221	—
Iberdrola Inmobiliaria, S.A.	—	—	—	104
Iberdrola Inversiones 2010, S.A.U.	—	—	—	62
Iberdrola Participaciones, S.A.U.	—	—	—	348
Iberdrola Re, S.A.	—	157	—	119
Iberdrola Renewables Polska, Z.O.O. (Polish zloty)	—	—	37	—
Iberdrola Renewables Portugal, S.A.	—	—	52	—
Iberdrola Renewables Romania, S.R.L. (Romanian)	—	—	—	38
Iberdrola Renovables Castilla y León, S.A.	—	—	—	52
Iberdrola Renovables Castilla-La Mancha, S.A.U.	—	—	—	30
Iberdrola Renovables Deutschland, GmbH.	—	—	—	139
Iberdrola Renovables Energía, S.A.U.	—	—	—	190
Iberdrola Renovables Galicia, S.A.U.	—	—	—	20
Iberdrola Renovables Internacional, S.L.	—	—	—	325
Iberdrola Renovables Italia, S.p.A.	—	—	25	—
Iberdrola Renovables Magyarország, KFT. (Hungarian forint)	—	—	—	47
Ibernova Promociones, S.A.U.	—	—	306	—
Inversiones Financieras Perseo, S.L.	—	—	—	42
Passat Energy, SP Z.O.O. (Polish zloty)	—	—	65	—
Other	9	(4)	205	339
Accrued interest	—	182	—	165
Total	428	7,891	2,771	8,848

Derivatives with group companies and associates

Derivatives with group companies and associates held by IBERDROLA at 30 June 2023 and 31 December 2022 are as follows:

Millions of euros	30.06.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Iberdrola Financiación, S.A.U.	43	—	49	—
Other	—	1	1	2
Total	43	1	50	2
Current				
East Anglia Three, Ltd.	16	—	—	—
Other	—	—	8	—
Total	16	—	8	—

Loans to group companies and associates

Millions of euros	30.06.2023			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Iberdrola Financiación, S.A.U.	—	127	127	—	127	127
Unpaid accrued interest	14	—	14	15	—	15
Total	14	127	141	15	127	142

12. EVENTS OCCURRING AFTER 30 JUNE 2023

After 30 June 2023 and before the date of publication of these interim financial statements, the following significant event has occurred:

Reduction in share capital

On 3 July 2023, the Company carried out the reduction in share capital approved by the shareholders at the General Shareholders' Meeting held on 28 April 2023 under item 12 on the agenda, through the cancellation of treasury shares.

Details of the reduction in share capital are as follows:

	Date of filing at the Commercial Registry	% Capital	Number of shares	Face value	Euros
Reduction in share capital	6 July 2023	3.201 %	206,364,000	0.75	154,773,000

Following the capital reduction, share capital stands at EUR 4,680,000,000, represented by 6,240,000,000 shares each having a par value of EUR 0.75.

Iberdrola Retribución Flexible

On 5 July 2023, a determination was made of the following terms governing the implementation of the first increase in capital by means of a scrip issue (*Iberdrola Retribución Flexible*) approved by the shareholders at the General Shareholders' Meeting of IBERDROLA held on 28 April 2023, under item 10 on the agenda:

- The maximum number of new shares to be issued under the capital increase is 168,648,648.
- The number of free-of-charge allocation rights required to receive one new share is 37.
- The maximum par value of the capital increase is EUR 126,486,486.
- The gross Interim dividend per share amounts to EUR 0.316.

13. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

These Financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted accounting principles in other countries.

INTERIM MANAGEMENT REPORT

IBERDROLA, S.A.

Management report for the six-month period ended 30 June 2023

1. BUSINESS PERFORMANCE

IBERDROLA is a holding company and therefore its earnings are chiefly produced by dividends and income from financing granted to investees, and services rendered to subsidiaries.

2. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023

2.1 Key figures from the IBERDROLA income statement

In the six-month period ended 30 June 2023, revenue amounted to EUR 780 million, of which EUR 555 million was through dividends from subsidiaries (EUR 256 million from Avangrid, Inc., EUR 292 million from Hidrola I, S.A. and EUR 7 million from Neoenergia S.A.), EUR 14 million was in the form of finance income from financing granted to subsidiaries, and EUR 211 million was from income from services rendered to group companies.

The increase of EUR 302 million in revenue is the net result of (Note 9):

- higher dividends in the amount of EUR 300 million and higher finance expenses with group companies in the amount of EUR 6 million; and
- lower income from services rendered to group companies for a total of EUR 4 million.

Personnel expenses and other operating expenses were up EUR 33 million and EUR 220 million to EUR 122 million and EUR 334 million, respectively. The main impact was the recognition of the temporary energy levy of EUR 216 million under "Taxes". The net effect of impairment charges and reversal of impairment was down EUR 709 million on the same period in the prior year (Note 5). Operating income for the period was EUR 265 million, EUR 649 million less than the EUR 914 million recorded in the first half of 2022.

The Company reported a financial loss of EUR 299 million compared to a loss of EUR 175 million in the same period of 2022. The difference of EUR 124 million was largely due to:

- an increase in finance income of EUR 8 million;
- an increase in finance expenses of EUR 157 million, mainly relating to the financial expense of the debt with group companies, which was up EUR 137 million;
- the positive impact of EUR 32 million from valuation of derivatives, and the increase of EUR 7 million from negative translation differences compared to those for the previous year.

The loss for the year before tax was EUR 34 million, while income tax amounted to a positive EUR 53 million, yielding net profit for the period of EUR 19 million, versus net profit of EUR 772 million in the same period of 2022.

2.2 Statement of financial position

At 30 June 2023, IBERDROLA's statement of financial position showed current liabilities exceeding current assets in the amount of EUR 7,537 million. This shortfall is largely due to the existence of current debt with group companies and associates in the amount of EUR 7,891 million, which will be covered by funds generated from IBERDROLA's business and dividends received from subsidiaries.

3. MAIN RISKS AND UNCERTAINTIES

The main sources of uncertainty are described in Note 4.

4. SUBSEQUENT EVENTS

Events after the reporting period are described in Note 12.

AUTHORISATION FOR ISSUE

2023 – FIRST HALF

**AUTHORISATION FOR ISSUE OF THE SELECTED CONDENSED SEPARATE INTERIM
FINANCIAL STATEMENTS AND THE INTERIM MANAGEMENT REPORT OF IBERDROLA,
S.A.**

Mr José Ignacio Sánchez Galán
Chairman

Mr Armando Martínez Martínez
Chief executive officer

Mr Juan Manuel González Serna
*First vice-chair and lead independent
director*

Mr Anthony Luzzatto Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz *Director*

Mr Xabier Sagredo Ormaza
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director



Iberdrola, S.A. and subsidiaries

Condensed consolidated interim
financial statements and
Consolidated interim management
report

Six-month period ended 30 June 2023



Limited Review Report on Iberdrola, S.A. and subsidiaries

(Together with the condensed consolidated interim financial statements and the management report of Iberdrola, S.A. and subsidiaries for the six-month period ended 30 June 2023)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Report on Limited Review of the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of

Iberdrola, S.A., commissioned by the Directors of the Company

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the “interim financial statements”) of Iberdrola, S.A. (the “Company”) and subsidiaries (together the “Group”), which comprise the statement of financial position at 30 June 2023, and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the six-month period then ended, and explanatory notes (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2023 have not been prepared,

in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2022. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim management report for the six-month period ended 30 June 2023 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2023. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Iberdrola, S.A. and subsidiaries.

Other Matter

This report has been prepared at the request of the Directors in relation to the publication of the half-yearly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

David España

26 July 2023

IBERDROLA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND

CONSOLIDATED INTERIM MANAGEMENT REPORT

FOR THE SIX-MONTH PERIOD

ENDED 30 JUNE 2023

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Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2023

Millions of euros			
ASSETS	Note	30.06.2023 (unaudited)	Re-stated 31.12.2022 (*) (audited)
Intangible assets		20,101	20,118
Goodwill		8,289	8,189
Other intangible assets		11,812	11,929
Investment property		304	307
Property, plant and equipment	7	84,126	86,326
Property, plant and equipment in use		71,276	74,813
Property, plant and equipment under construction		12,850	11,513
Right-of-use assets		2,531	2,370
Non-current investments		9,306	10,508
Equity-accounted investees	6	822	857
Non-current equity investments	9	31	32
Other non-current financial assets	9	6,592	5,958
Derivative financial instruments	9	1,861	3,661
Non-current trade and other receivables		3,760	4,614
Current tax assets	17	736	736
Deferred tax assets	2.b	1,712	1,768
NON-CURRENT ASSETS		122,576	126,747
Assets held for sale	8	5,939	308
Nuclear fuel		261	259
Inventories		2,559	2,159
Current trade and other receivables		9,718	11,220
Current tax assets		366	453
Other tax receivables		732	898
Current trade and other receivables		8,620	9,869
Current financial assets	9	2,436	4,813
Other current financial assets		1,410	2,964
Derivative financial instruments		1,026	1,849
Cash and cash equivalents	10	2,454	4,608
CURRENT ASSETS		23,367	23,367
TOTAL ASSETS		145,943	150,114

(*) The consolidated statement of financial position at 31 December 2022 is presented for comparative purposes only.

The attached Notes are an integral part of the condensed consolidated interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2023

Millions of euros			
EQUITY AND LIABILITIES	Note	30.06.2023 (unaudited)	Re-stated 31.12.2022 (*) (audited)
Parent		42,876	41,119
Subscribed capital	11	4,835	4,772
Valuation adjustments	11	13	(932)
Other reserves		40,518	36,839
Treasury shares	11	(2,628)	(1,756)
Translation differences		(2,383)	(2,143)
Net profit for the period and the year		2,521	4,339
Non-controlling interests		16,806	16,995
EQUITY		59,682	58,114
Capital grants		1,270	1,247
Facilities transferred or financed by third parties		5,798	5,673
Non-current provisions		4,418	4,225
Provision for pensions and similar obligations	14	1,339	1,226
Other provisions		3,079	2,999
Non-current financial liabilities		40,833	44,216
Bank borrowings, bonds or other marketable securities	9, 15	34,687	36,129
Equity instruments having the substance of a financial liability	9	449	576
Derivative financial instruments	9	1,990	3,690
Leases		2,436	2,287
Other non-current financial liabilities		1,271	1,534
Other non-current liabilities		333	309
Current tax liabilities		371	362
Deferred tax liabilities	2.b	7,157	7,129
TOTAL NON-CURRENT LIABILITIES		60,180	63,161
Liabilities linked to assets held for sale	8	1,690	27
Current provisions		888	922
Provision for pensions and similar obligations	14	20	42
Other provisions		868	880
Current financial liabilities		20,686	25,079
Bank borrowings, bonds or other marketable securities	9, 15	10,789	10,458
Equity instruments having the substance of a financial liability	9	83	87
Derivative financial instruments	9	1,609	3,398
Leases		161	151
Trade payables		4,895	5,927
Other current financial liabilities		3,149	5,058
Other current liabilities		2,817	2,811
Current tax liabilities		427	156
Other tax payables		1,365	1,262
Other current liabilities		1,025	1,393
TOTAL CURRENT LIABILITIES		26,081	28,839
TOTAL EQUITY AND LIABILITIES		145,943	150,114

(*) The consolidated statement of financial position at 31 December 2022 is presented for comparative purposes only. The attached Notes are an integral part of the condensed consolidated interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated income statement for the six-month period ended 30 June 2023

Millions of euros			
	Note	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
Revenue	6,16.1	26,264	24,430
Supplies		(14,140)	(14,561)
GROSS INCOME		12,124	9,869
Personnel expenses		(1,824)	(1,588)
Capitalised personnel expenses		408	376
External services		(1,850)	(1,663)
Other operating income		361	383
Net operating expenses		(2,905)	(2,492)
Taxes	16.2	(1,658)	(933)
GROSS OPERATING PROFIT (EBITDA)		7,561	6,444
Valuation adjustments, trade and contract assets	6	(293)	(231)
Amortisation, depreciation and provisions	6	(2,357)	(2,291)
OPERATING PROFIT (EBIT)		4,911	3,922
Result of equity-accounted investees	5, 6	2	225
Finance income		818	607
Finance expense		(1,945)	(1,523)
Net finance income		(1,127)	(916)
PROFIT BEFORE TAX		3,786	3,231
Income tax	17	(1,016)	(700)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		2,770	2,531
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAX)		(8)	(64)
Non-controlling interests		(241)	(392)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		2,521	2,075
EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS:			
BASIC EARNINGS PER SHARE IN EUROS		0.385	0.315
DILUTED EARNINGS PER SHARE IN EUROS		0.384	0.315
EARNINGS PER SHARE IN EUROS FOR DISCONTINUED OPERATIONS:			
BASIC LOSS PER SHARE IN EUROS		(0.001)	(0.010)
DILUTED LOSS PER SHARE IN EUROS		(0.001)	(0.010)

(*) The consolidated income statement for the six-month period ended 30 June 2022 is presented for comparison purposes only.

The attached Notes are an integral part of the condensed consolidated interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of comprehensive income for the six-month period ended 30 June 2023

Millions of euros	30.06.2023 (unaudited)			30.06.2022(*) (unaudited)		
	Parent	Non-controlling interests	Total	Parent	Non-controlling interests	Total
NET PROFIT FOR THE PERIOD	2,521	241	2,762	2,075	392	2,467
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS						
In valuation adjustments (Note 11)	951	39	990	951	(6)	945
Change in value of cash flow hedges	1,240	56	1,296	1,237	(13)	1,224
Change in hedging cost	14	—	14	—	—	—
Tax effect	(303)	(17)	(320)	(286)	7	(279)
In translation differences	(240)	46	(194)	1,211	712	1,923
TOTAL	711	85	796	2,162	706	2,868
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS						
In Other reserves	(206)	(28)	(234)	427	20	447
Actuarial deviations for pensions (Note 14)	(281)	(42)	(323)	570	25	595
Tax effect	75	14	89	(143)	(5)	(148)
TOTAL	(206)	(28)	(234)	427	20	447
OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEEES (NET OF TAXES)						
In valuation adjustments	(6)	—	(6)	12	—	12
TOTAL	(6)	—	(6)	12	—	12
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY	499	57	556	2,601	726	3,327
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,020	298	3,318	4,676	1,118	5,794

(*) The consolidated statement of comprehensive income for the six-month period ended 30 June 2022 is presented for comparison purposes only. The attached Notes are an integral part of these condensed consolidated interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of changes in equity for the six-month period ended 30 June 2023

Millions of euros	Subscribed capital	Treasury shares	Other reserves			Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
			Legal reserve	Share premium	Other restricted reserves						
Balance at 01.01.2023	4,772	(1,756)	969	14,070	1,490	20,310	(932)	(2,143)	4,339	16,995	58,114
Comprehensive income for the period	—	—	—	—	—	(206)	945	(240)	2,521	298	3,318
Transactions with shareholders or owners											
Scrip issue (Note 11)	63	—	—	(63)	—	—	—	—	—	—	—
Distribution of dividends (Note 11)	—	—	—	—	—	4,072	—	—	(4,339)	(683)	(950)
Transactions with treasury shares	—	(872)	—	—	—	(2)	—	—	—	—	(874)
Business combinations (Note 5)	—	—	—	—	—	—	—	—	—	100	100
Transactions with non-controlling interests (Note 5)	—	—	—	—	—	32	—	—	—	93	125
Other changes in equity											
Equity instruments-based payments	—	—	—	—	—	(55)	—	—	—	(1)	(56)
Interest accrued on perpetual subordinated bonds	—	—	—	—	—	(105)	—	—	—	—	(105)
Other changes	—	—	—	—	—	6	—	—	—	4	10
Balance at 30.06.2023	4,835	(2,628)	969	14,007	1,490	24,052	13	(2,383)	2,521	16,806	59,682

Millions of euros	Subscribed capital	Treasury shares	Other reserves			Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
			Legal reserve	Share premium	Other restricted reserves						
Balance at 01.01.2022	4,775	(1,860)	969	14,215	1,052	19,675	547	(2,779)	3,885	15,647	56,126
Change of accounting criteria	—	—	—	—	—	(69)	—	—	—	—	(69)
Adjusted balance at 01.01.2021	4,775	(1,860)	969	14,215	1,052	19,606	547	(2,779)	3,885	15,647	56,057
Comprehensive income for the period	—	—	—	—	—	427	963	1,211	2,075	1,118	5,794
Transactions with shareholders or owners											
Scrip issue (Note 11)	53	—	—	(53)	—	—	—	—	—	—	—
Distribution of dividends (Note 11)	—	—	—	—	—	3,500	—	—	(3,885)	(245)	(630)
Transactions with treasury shares	—	(574)	—	—	—	(3)	—	—	—	—	(577)
Transactions with non-controlling interests (Note 6)	—	—	—	—	—	8	—	—	—	(29)	(21)
Other changes in equity											
Equity instruments-based payments	—	—	—	—	—	(33)	—	—	—	3	(30)
Interest accrued on perpetual subordinated bonds	—	—	—	—	—	(84)	—	—	—	—	(84)
Other changes	—	—	—	—	—	19	—	—	—	11	30
Balance at 30.06.2022 (*) (unaudited)	4,828	(2,434)	969	14,162	1,052	23,440	1,510	(1,568)	2,075	16,505	60,539

(*) The consolidated statement of changes in equity for the six-month period ended 30 June 2022 is presented for comparison purposes only.

The attached Notes are an integral part of these condensed consolidated interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 23). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of cash flows for the six-month period ended 30 June 2023

Millions of euros	Note	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
Profit before tax from continuing operations		3,786	3,231
Profit before tax from discontinued operations		(12)	(85)
Adjustments for			
Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions		2,803	2,691
Net profit/loss from investments in associates and joint ventures		(2)	(225)
Capital grants applied and other deferred income		(153)	(149)
Finance income and finance costs		1,127	916
Change in trade receivables and other		169	(1,305)
Change in inventories		33	37
Change in trade payables and other liabilities		(1,337)	654
Provisions paid		(230)	(195)
Income tax paid		(574)	(186)
Dividends received		13	21
Net cash flows from operating activities		5,623	5,405
Acquisition of intangible assets		(239)	(224)
Acquisition of associates		(19)	(116)
Acquisition of investment property		—	(1)
Acquisition of property, plant and equipment		(2,673)	(3,416)
Capitalised interest paid		(140)	(71)
Capitalised personnel expenses paid		(408)	(376)
Capital grants and other deferred income		1	—
Payments for other investment flows		(718)	(604)
Interest received		100	64
Net proceeds/(payments) for current financial assets		769	493
Proceeds from disposal of non-financial assets		6	7
Proceeds from disposal of financial assets		—	11
Net cash flows used in investing activities		(3,321)	(4,233)
Dividends paid		(267)	(385)
Dividends paid to non-controlling interests		(774)	(187)
Perpetual subordinated bonds			
Instruments issued	11	1,000	—
Redemption	11	(1,000)	—
Interest paid		(157)	(157)
Bank borrowings, bonds or other marketable securities			
Issues and disposals		5,091	6,785
Redemption		(5,703)	(5,630)
Interest paid excluding capitalised interest		(980)	(532)
Financial liabilities from leases			
Payment of principal		(94)	(95)
Interest paid excluding capitalised interest		(32)	(27)
Equity instruments having the substance of a financial liability			
Instruments issued		66	120
Payments		(205)	(80)
Acquisition of treasury shares		(1,573)	(1,260)
Proceeds from disposal of treasury shares		94	87
Payments for transactions with non-controlling interests	5	—	(20)
Proceeds for transactions with non-controlling interests	5	80	—
Net cash flows used in financing activities		(4,454)	(1,381)
Effect of exchange rate fluctuations on cash and cash equivalents		61	201
Net increase/(decrease) in cash and cash equivalents		(2,091)	(8)

Millions of euros	Note	30.06.2023 (unaudited)	30.06.2022 (*) (unaudited)
(-) Cash and cash equivalents from assets and liabilities held for sale	8	(63)	—
Cash and cash equivalents at the beginning of year		4,608	4,033
Cash and cash equivalents at end of period		2,454	4,025

(*) The consolidated statement of cash flows for the six-month period ended 30 June 2022 is presented for comparison purposes only.

The attached Notes are an integral part of these condensed consolidated interim financial statements.

IBERDROLA, S.A. AND SUBSIDIARIES

Notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2023

1. GROUP ACTIVITIES

Iberdrola, S.A. (hereinafter, IBERDROLA), a sociedad anónima organised in Spain, with a registered office at Plaza Euskadi 5, in Bilbao, is the parent of a group of companies whose main activities are:

- Production of electricity from renewable and conventional sources.
- Sale and purchase of electricity and gas in wholesale markets.
- Transmission and distribution of electricity.
- Retail supply of electricity, gas and energy-related services.
- Other activities, mainly linked to the energy sector.

The aforementioned activities are performed in Spain and abroad, and totally or partially either directly by IBERDROLA or through the ownership of shares or other equity investments in other companies, subject in all cases to the legislation applicable at any given time and, in particular, to the prevailing laws in the electricity industry.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Accounting standards applied

The Board of Directors of IBERDROLA authorised the issuance of these condensed consolidated interim financial statements for the six-month period ended 30 June 2023 (the “consolidated financial statements”) on 26 July 2023.

These consolidated financial statements have been prepared in accordance with IAS 34 “Interim financial information”, and also include other information not required in that standard, as set forth under Section 12 of Royal Decree 1362/2007. However, they do not include all the information and disclosures required in the consolidated financial statements by the International Financial Reporting Standards adopted in the European Union (hereinafter, IFRS-EU). Therefore, to ensure they are properly interpreted, these financial statements should be read alongside the consolidated financial statements of the IBERDROLA Group for the year ended 31 December 2022.

The accounting policies used to prepare these consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2022, except for the application, effective 1 January 2023, of the following amendments to IAS 12 adopted by the European Union for application in Europe.

The amendments to IAS 12 “Deferred taxes relating to assets and liabilities arising from a single transaction” restrict the scope of the exemption to the initial recognition of temporary differences, so that it does not apply to transactions that generate equivalent temporary differences. When applying these amendments, the IBERDROLA Group calculates the recognition and subsequent measurement of deferred tax assets and liabilities of the relevant transactions separately based on the tax legislation in each jurisdiction. Given that these deferred tax assets and liabilities meet the requirements for offsetting in the consolidated statement of financial position, the amendments to IAS 12 have had no material effect on first application.

The remaining regulations approved by the European Union for application on 1 January 2023 have had no impact on the consolidated financial statements of the IBERDROLA Group.

Regulations issued but not yet implemented

In addition, at the date of preparation of these condensed consolidated interim financial statements, the following standards, amendments and interpretations had been issued with an effective date on or after 1 January 2024:

Standard		Mandatory application	
		IASB	European
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	01.01.2024	(*)
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	On date of publication	(*)
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01.01.2024	(*)
Amendments to IAS 1	Non-current Liabilities with Covenants	01.01.2024	(*)
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01.01.2024	(*)

(*) Pending EU approval.

b) Comparative information

Changes in segmentation (Note 6)

During the fourth quarter of 2022, in order to adapt to the changes in its activities, the IBERDROLA Group fine-tuned its organisation, based on a dual structure, namely the corporate and governance structure (or geographic area vision) and the Business Model (or business vision). As a result, it has adapted its segment reporting based on a matrix structure with segments by geographic area and by business, re-stating the comparative information as at 30 June 2022 on a basis consistent with that presented as at 31 December 2022.

Presentation of deferred taxes

IAS 12 — “Income Taxes” prescribes that an entity shall offset deferred tax assets against deferred tax liabilities in the consolidated statement of financial position if, and only if, the following conditions are met:

- a) it has a legally enforceable right to set off the amounts recognised; and
- b) it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In the consolidated statement of financial position at 30 June 2023, the IBERDROLA Group has decided to present deferred tax assets and deferred tax liabilities as offset by tax groups. In this regard, and by virtue of IAS 8 — “Accounting Policies, Changes in Accounting Estimates and Errors”, the comparative information as at 31 December 2022 is re-stated.

The amount set off at 30 June 2023 and 31 December 2022 is shown below:

Millions of euros	30.06.2023	31.12.2022
Gross deferred tax assets	6,334	6,321
Amount set off	(4,622)	(4,553)
Net deferred tax assets	1,712	1,768
Gross deferred tax liabilities	11,779	11,682
Amount set off	(4,622)	(4,553)
Net deferred tax liabilities	7,157	7,129

c) Shortfall in working capital

As of 30 June 2023 the consolidated financial statements show a shortfall in working capital (current liabilities exceed current assets) of EUR 2,714 million. The directors state that this shortfall will be covered by generating funds from the businesses of the IBERDROLA Group. Furthermore, the IBERDROLA Group has undrawn loans and facilities amounting to EUR 16,974 million, as indicated in Note 15.

3. SEASONAL VARIATIONS

The IBERDROLA Group’s activity does not exhibit a significant degree of seasonal variation on a half-yearly basis.

4. SOURCES OF UNCERTAINTY AND USE OF ACCOUNTING ESTIMATES

The IBERDROLA Group relied on certain assumptions and estimates in drawing up these consolidated financial statements. The criteria used to calculate the estimates contained in these financial statements are the same as those used to draw up the IBERDROLA Group’s 2022 consolidated financial statements.

The macroeconomic situation in the first half of the year, as a result of the geopolitical climate, reflects the easing of commodities prices, of electricity prices and of inflation, although the upward trend in interest rates persists. Based on the knowledge at the date of issuance of these consolidated financial statements, the consequences of such scenario (exacerbated by Russia’s invasion of Ukraine) are expected to be relatively short-lived. As a result, they are not projected to have a material adverse impact on the business plans and, therefore, on the recoverable amount of Investments in group companies and associates.

Although these estimates were made on the basis of the best information available on the facts analysed at the issue date of these financial statements, future events may require adjustments (upwards or downwards) in coming years. Any such changes would be applied prospectively, recognising the effects of the change in estimates for future periods.

5. CHANGES IN THE SCOPE OF CONSOLIDATION AND OTHER SIGNIFICANT TRANSACTIONS

Business combinations

On 31 March 2023 IBERDROLA and MAPFRE, S.A. signed an agreement to incorporate 150 MW of additional operating photovoltaic capacity of IBERDROLA ESPAÑA into Energías Renovables Ibermap (IBERMAP). This will bring IBERMAP's assets to 445 MW: 295 MW wind and 150 MW photovoltaic assets. The 150 MW of new capacity corresponds to the operational PV parks of Almaraz, Olmedilla and Romeral, with 50 MW each, located in Castilla-La Mancha and Extremadura.

The transaction was completed on 27 May 2023, making IBERDROLA ESPAÑA the majority shareholder of IBERMAP, with a 51% stake, with MAPFRE retaining the remaining 49%.

Given that the IBERDROLA Group already had control over the contributed PV parks, the deal has been recorded as a transaction with non-controlling interests, resulting in an increase of EUR 40 million in "Non-controlling interests" and a credit of EUR 24 million to "Other reserves" in the consolidated statement of financial position at 30 June 2023.

Value of acquired assets and liabilities

The fair value of the assets and liabilities at the date of taking control and their carrying amounts at that date are as follows:

Millions of euros	Carrying amount	Fair value
Intangible assets	120	34
Property, plant and equipment	362	362
Right-of-use assets	34	34
Non-current financial investments	17	17
Deferred tax assets	2	2
Current trade and other receivables	5	5
Current financial investments	3	3
Cash and cash equivalents	43	43
Total assets	586	500

Millions of euros	Carrying amount	Fair value
Non-current provisions	10	10
Non-current financial liabilities	215	215
Other non-current liabilities	9	9
Deferred tax liabilities	63	49
Current financial liabilities	36	36
Other current liabilities	3	3
Total liabilities	336	322

The valuation of acquired assets and liabilities has been provisionally allocated to intangible assets. The reclassifications required as a result of a new allocation will be recorded retroactively, and are not material in relation to the consolidated financial statements.

Goodwill

The breakdown of goodwill at 30 June 2023 arising on the business combination is as follows:

Millions of euros	
Fair value of consideration provided	64
Recognition of non-controlling interests	100
Fair value of previous holding	41
Total consideration provided	205
Fair value of net assets acquired	178
Goodwill arising on the acquisition	27

The resulting goodwill consists primarily of future economic benefits arising from the acquiree's own operations that do not meet the conditions for separate accounting recognition at the time of the business combination.

Other information

The business combination's contribution to the IBERDROLA Group's net profit from continuing operations for the six months ended 30 June 2023 since the takeover amounted to a loss of EUR 4 million.

Had the acquisition taken place on 1 January 2023, the contribution to the IBERDROLA Group's consolidated revenue in the six months ended 30 June 2023 would have been EUR 6 million and net profit for the period from continuing operations would have decreased by EUR 6 million.

The costs incurred in the acquisition amounted to EUR 1 million and have been recorded under the heading "External services" of the consolidated income statement for the six-month period ended 30 June 2023.

Transactions with non-controlling interests

Framework co-investment agreement for the joint development of a portfolio of renewable assets in Spain

In January 2023, Iberdrola Renovables Energía, S.A. and its subsidiary Iberenova Promociones, S.A. entered into a framework agreement to jointly invest in renewable assets in Spain, thus contributing to the acceleration of the country's decarbonisation efforts.

As per the agreement, NBIM Iberian Reinfra AS (NBIM Iberian), an affiliate of the group of which Norges Bank is the parent company, will acquire a 49% ownership interest in several IBERDROLA ESPAÑA Group companies that currently hold various onshore wind and solar photovoltaic projects in Spain. The combined project portfolio of these companies is equivalent to 1,265 MW, with 137 MW already in operation and 1,128 MW currently under development. Following the acquisition by NBIM Iberian, both Iberenova Promociones, S.A. and NBIM Iberian will contribute their respective ownership interests in the project-holding companies to a jointly owned holding company. The ownership distribution in this holding company will be 51% by Iberenova Promociones, S.A. and 49% by NBIM Iberian, proportional to their respective share capital.

Iberdrola Renovables Energía, S.A. will retain indirect control over the project-owning companies and will continue to oversee the development of non-operational projects until they are commercially operational. The IBERDROLA ESPAÑA Group will continue to provide necessary operation and maintenance services for these projects. Additionally, the agreement allows for the possibility of expanding the scope of the partnership to include other renewable assets, either within Spain or in other countries.

This portfolio of renewable energy projects, valued at 100%, is worth an estimated EUR 1,225 million. Therefore, NBIM Iberian's investment for its 49% stake in this portfolio will be approximately EUR 600 million, which may be subject to adjustments that are customary in these types of transactions. NBIM Iberian will make an initial payment upon completion as consideration for the interests acquired in the companies that own projects already in operation. The remaining payment will be made by NBIM Iberian as the projects under development become commercially operational and the minority interests in the project-holding companies are acquired by it.

The three operating wind power projects of 137 MW have been contributed in 2023. Given that the IBERDROLA Group already had control over the contributed project portfolio, the transaction has resulted in an increase of EUR 53 million in "Non-controlling interests" and a credit of EUR 26 million to "Other reserves" in the consolidated statement of financial position at 30 June 2023.

Other transactions

Reorganisation of Vineyard Wind LLC assets in 2022

Vineyard Wind LLC was a joint venture owned 50% by Avangrid Group and 50% by Copenhagen Infrastructure Partners (CIP). The offshore wind projects were reorganised in the first half of 2022, with Avangrid acquiring 100% of the Park City Wind and Commonwealth Wind projects and CIP acquiring 100% of the rights to the OCS-A 0522 area. The transaction resulted in a credit of EUR 212 million to "Equity-accounted investees" in the consolidated income statement for the six months ended 30 June 2022.

6. SEGMENT INFORMATION

The IBERDROLA Group groups its segments according to a dual structure of geographical areas and business areas (Note 2.b). This matrix structure with segments by geographical areas and by business areas is as follows:

Geographical areas:

- Spain;
- United Kingdom;
- United States;
- Mexico;
- Brazil; and
- Iberdrola Energía Internacional (IEI), with the main countries being Germany, France and Australia.

Business areas:

- Renewable Energy and Sustainable Generation business: includes the generation of electricity from renewable sources (onshore and offshore wind, photovoltaic and hydro) and from other energy sources, conventional nuclear generation and combined cycle plants in Spain.

- Networks business: comprises activities related to the transmission and distribution of energy, primarily involving gas and electricity, along with other regulated operations.
- Customers business: covers activities related to energy retail supply, primarily involving gas and electricity, as well as the provision of other products and services, including hydrogen. It also includes non-renewable generation in Mexico, with a significant portion serving third-party customers.
- Other businesses: other non-energy businesses.

Corporation includes the costs of the Group's structure (Single Corporation), and of the administration services of the corporate areas that are subsequently invoiced to the other companies through specific service agreements.

The transactions between the different segments are generally executed on an arm's-length basis.

The key figures of the operating segments identified are shown below. For the sake of comparison, the balances for the consolidated income statement are shown at 30 June 2022, while the balances for the consolidated statement of financial position are shown at 31 December 2022.

The key figures for the identified segments are as follows:

Segmentation by country

30.06.2023	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
Millions of euros								
REVENUE (NOTE 16.1)	9,327	6,689	3,816	1,511	4,540	441	(60)	26,264
RESULTS								
Segment operating profit - EBIT	2,417	1,316	239	340	874	121	(396)	4,911
Result of equity-accounted investees - net of taxes	6	1	(1)	—	5	(4)	(5)	2
ASSETS								
Segment assets	32,847	29,593	43,194	2,891	11,244	7,279	(1,240)	125,808
Equity-accounted investees	137	11	387	—	156	40	91	822
LIABILITIES								
Segment liabilities	9,688	7,632	12,596	525	4,291	985	(3,350)	32,367
OTHER INFORMATION								
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets (*)	1,020	886	1,173	42	73	595	33	3,822
Valuation adjustments, trade receivables and other assets (Expense)/income	55	85	90	(1)	64	—	—	293
Depreciation and amortisation	628	449	616	79	267	89	182	2,310
Charges/(reversals) for other provisions	6	7	27	6	2	(1)	—	47
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	19	26	52	3	6	3	19	128

(*) Includes the amount related to interest and personnel expenses capitalised during the six-month period ended 30 June 2023.

30.06.2022	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
Millions of euros								
REVENUE (NOTE 16.1)	10,141	3,974	3,869	1,986	4,184	399	(123)	24,430
RESULTS								
Segment operating profit - EBIT	1,067	573	801	311	903	137	130	3,922
Result of equity-accounted investees - net of taxes	22	—	228	—	—	(12)	(13)	225
OTHER INFORMATION								
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets (*)	1,032	724	1,091	153	226	619	38	3,883
Valuation adjustments, trade receivables and other assets (Expense)/income	55	62	67	1	46	—	—	231
Depreciation and amortisation	629	458	579	109	236	87	144	2,242
Charges/(reversals) for other provisions	13	8	18	8	2	—	—	49
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	19	41	(22)	3	1	3	19	64

(*) Includes the amount related to interest and personnel expenses capitalised during the six-month period ended 30 June 2022.

Segmentation by country at 31 December 2022

Re-stated (Note 2.b)	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
31.12.2022								
Millions of euros								
ASSETS								
Segment assets	33,799	28,043	43,961	7,501	11,102	6,699	(1,228)	129,877
Equity-accounted investees	172	10	402	—	143	42	88	857
LIABILITIES								
Segment liabilities	11,370	7,104	13,028	1,773	4,050	1,036	(3,164)	35,197

In addition, the amount of non-current assets is broken down below according to their geographical location, excluding non-current financial assets, deferred tax assets and non-current trade and other receivables

Millions of euros	30.06.2023	31.12.2022
Spain	26,521	25,642
United Kingdom	26,372	25,746
United States	39,312	39,726
Mexico	2,327	5,953
Brazil	5,190	5,014
IEI	6,779	6,332
Corporation and adjustments	561	708
Total	107,062	109,121

Segmentation by business

30.06.2023	Networks	Renewable Energy and Sustainable Generation	Customers	Other business, Corporation and adjustments	Total
Millions of euros					
REVENUE (NOTE 16.1)	9,340	4,490	16,418	(3,984)	26,264
RESULTS					
Segment operating profit - EBIT	1,873	1,286	2,053	(301)	4,911
Result of equity-accounted investees - net of taxes	9	(13)	11	(5)	2
ASSETS					
Segment assets	62,233	48,836	8,404	6,335	125,808
Equity-accounted investees	186	583	30	23	822
LIABILITIES					
Segment liabilities	21,184	10,077	5,460	(4,354)	32,367
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets (*)	1,486	1,965	255	116	3,822
Valuation adjustments, trade receivables and other assets (Expense)/income	160	(5)	138	—	293
Depreciation and amortisation	1,073	925	252	60	2,310
Charges/(reversals) for other provisions	23	15	9	—	47
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	65	24	10	29	128

(*) Includes the amount related to interest and personnel expenses capitalised during the six-month period ended 30 June 2023.

Re-stated (Note 2.b) 30.06.2022 Millions of euros	Networks	Renewable Energy and Sustainable Generation	Customers	Other business, Corporation and adjustments	Total
REVENUE (NOTE 16.1)	9,005	3,999	15,575	(4,149)	24,430
RESULTS					
Segment operating profit - EBIT	2,228	909	836	(51)	3,922
Result of equity-accounted investees - net of taxes	6	232	(1)	(12)	225
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets (*)	1,253	2,172	388	70	3,883
Valuation adjustments, trade receivables and other assets (Expense)/income	118	—	113	—	231
Depreciation and amortisation	1,011	872	294	65	2,242
Charges/(reversals) for other provisions	19	7	23	—	49
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	(6)	24	15	31	64

(*) Includes the amount related to interest and personnel expenses capitalised during the six-month period ended 30 June 2022.

Segment information at 31 December 2022

Re-stated (Note 2.b) 31.12.2022 Millions of euros	Networks	Renewable Energy and Sustainable Generation	Customers	Other business, Corporation and adjustments	Total
ASSETS					
Segment assets	62,088	47,825	13,949	6,015	129,877
Equity-accounted investees	180	628	20	29	857
LIABILITIES					
Segment liabilities	21,414	10,399	7,522	(4,138)	35,197

In addition, the amount of non-current assets is broken down below by business activity, excluding non-current financial assets, deferred tax assets and non-current trade and other receivables.

Millions of euros	30.06.2023	31.12.2022
Networks	51,882	51,444
Renewable Energy and Sustainable Generation	43,423	42,655
Customers	2,702	6,102
Other business, Corporation and adjustments	9,055	8,920
Total	107,062	109,121

The reconciliation between segment assets and liabilities and the total assets and liabilities of the consolidated statement of financial position is as follows:

Millions of euros	30.06.2023	Re-stated (Note 2.b) 31.12.2022
Segment assets	125,808	129,877
Non-current investments	9,306	10,508
Current financial assets	2,436	4,813
Cash and cash equivalents	2,454	4,608
Assets held for sale	5,939	308
Total Assets	145,943	150,114

Millions of euros	30.06.2023	Re-stated (Note 2.b) 31.12.2022
Segment liabilities	32,367	35,197
Equity	59,682	58,114
Non-current financial liabilities	39,562	42,682
Bank borrowings, bonds or other marketable securities	34,687	36,129
Equity instruments having the substance of a financial liability	449	576
Derivative financial instruments	1,990	3,690
Leases	2,436	2,287
Current financial liabilities	12,642	14,094
Bank borrowings, bonds or other marketable securities	10,789	10,458
Equity instruments having the substance of a financial liability	83	87
Derivative financial instruments	1,609	3,398
Leases	161	151
Liabilities linked to assets held for sale	1,690	27
Total Liabilities and Equity	145,943	150,114

7. PROPERTY, PLANT AND EQUIPMENT

The following table displays the total cost incurred in the acquisition of property, plant and equipment, as well as the depreciation and impairment charge made in the six-month periods ended 30 June 2023 and 2022, broken down for each of the IBERDROLA Group's operating segments:

Millions of euros	30.06.2023		30.06.2022	
	Cost incurred in property, plant and equipment ⁽¹⁾	Charge for depreciation and impairment allowances	Cost incurred in property, plant and equipment ⁽¹⁾	Charge for depreciation and impairment allowances
Customers business	149	98	241	121
Renewable Energy and Sustainable Generation Business	1,728	861	2,034	813
Networks business	1,406	741	1,181	708
Other businesses and Corporation	15	15	11	23
Total	3,298	1,715	3,467	1,665

⁽¹⁾ Includes the amount relating to interest and personnel expenses capitalised during the six-month period ended 30 June 2023 and 2022, respectively.

Investment commitments at 30 June 2023 and 2022 amounted to EUR 8,056 million and EUR 6,697 million, respectively.

During the six-month periods ended 30 June 2023 and 2022, the IBERDROLA Group did not make significant disposals of property, plant and equipment in relation to these consolidated financial statements.

Supplementary information on foreclosed assets

- Construction of the New England Clean Energy Connect (NECEC) project began in January 2021, having previously obtained the necessary permits from the public authorities, but was halted in November 2021 pending a court decision determining the lawfulness of a citizens' initiative which, among other matters, required House approval for certain transmission lines when they cross or use public land. Finally, in April 2023, a jury verdict unanimously upheld earlier rulings by the Maine Supreme Judicial Court that the NECEC project can legally go ahead, and construction is expected to resume in the coming months. The cumulative investment to date is approximately USD 600 million.
- In 2022, the interconnection contracts to operate the Monterrey and Enertek (Mexico) plants on a self-supply basis came to an end and the corresponding permits to operate on a market basis were requested. At the date of preparation of these interim financial statements, such permits have not been obtained. Although the rulings granted the aforementioned plants legal protection to continue operating, the CRE has not responded to the migration applications submitted to date. The Company holds the same view of the situation as it did at year-end 2022, i.e. that it expects there to be a delay in obtaining the permits, but not an outright denial. If rejected, this circumstance would certainly affect the viability of the plants and legal action would be pursued were that to happen. The assets' net carrying amounts are USD 219 million and USD 77 million, approximately.
- The Chamber of the High Court of Justice of Extremadura with jurisdiction over adversary proceedings involving public law entities has partially upheld the appeal filed by one of the three owners of the land on which the Usagre Núñez de Balboa (Badajoz) photovoltaic plant is located, against the expropriation resolution passed by the Provincial Board of Compulsory Purchases of Badajoz. The judgment finds that the request for compulsory purchase lacked cause or justification and recognises the right to reinstatement of the affected land. IBERDROLA has since appealed this ruling. At 31 December 2022 and the date of authorisation for issue of these consolidated financial statements, the appeal has yet to be admitted for processing. The cumulative investment to date is approximately EUR 282 million.
- In Mexico, the Santiago Eólico plant, commissioned in January 2021, had suspended commercial operations in 2022 as a result of several proceedings brought by the Energy Regulatory Commission (*Comisión Reguladora de Energía, CRE*). Lastly, on 9 June 2023, the CRE granted Iberdrola Renovables del Bajío, S. A. de C. V. the permit to generate electricity at its Santiago plant.

An analysis of the impact of the current status of these processes on the recoverability of the amounts capitalised has been carried out and no impairment has been revealed at the date of authorisation for issue of these financial statements.

8. ASSETS AND LIABILITIES HELD FOR SALE

At 30 June 2023, the following transactions met the requirements of IFRS 5 — “Non-current Assets Held for Sale and Discontinued Operations” for classification as such in the consolidated statement of financial position, in that (i) a sale is planned at prices that are reasonable in comparison to the fair value of the assets to be sold and (ii) the sale is expected to be completed within 12 months.

Reclassification of asset and liability items in the consolidated statement of financial position to a separate line item is performed after eliminating intercompany balances.

Divestment in Brazil

- On 25 April 2023, IBERDROLA’s subsidiary in Brazil, Neoenergia S.A., entered into an agreement with Warrington Investment Pte. Ltd, a company controlled by the Government of Singapore Investment Corporation (GIC), to sell 50% of the share capital of its subsidiary Neoenergia Transmissora 15 SPE S.A., which owns eight transmission assets (1,865 km of lines). The agreed sale price was BRL 1,200 million, subject to possible adjustments upon completion of the transaction.

In addition, both companies signed a framework agreement to jointly evaluate their participation in future bids for power transmission assets in Brazil.

The impairment loss of EUR 28 million resulting from the transaction was recognised in the consolidated income statement for the six-month period ended 30 June 2023 under “Other operating income”.

At 30 June 2023, the carrying amounts of the assets and liabilities held for sale for this transaction are as follows:

Millions of euros	
Property, plant and equipment	3
Non-current investments	5
Non-current trade and other receivables	909
Deferred tax assets	21
NON-CURRENT ASSETS	938
Current trade and other receivables	92
Cash and cash equivalents	61
CURRENT ASSETS	153
TOTAL GROSS ASSETS	1,091
Valuation adjustment	(28)
TOTAL NET ASSETS	1,063
Non-current provisions	12
Non-current financial liabilities	459
Deferred tax liabilities	133
TOTAL NON-CURRENT LIABILITIES	604
Current financial liabilities	28
Other current liabilities	2
TOTAL CURRENT LIABILITIES	30
TOTAL LIABILITIES	634

- In December 2022, NEOENERGIA entered into a share swap agreement with Eletronorte whereby NEOENERGIA will sell, to Eletronorte, its stakes of 50.56% in Teles Pires Participações, 0.9% in Companhia Hidrelétrica Teles Pires and 100% in Baguari I Geração de Energia Elétrica, whose combined fair value amounts to BRL 788 million, while in return Eletronorte will transfer, to NEOENERGIA, its stakes of 49% in Energética Águas da Pedra (EAPSA), 0.04% in Neoenergia Coelba, 0.04% in Neoenergia Cosern and 0.04% in Afluente Transmissão de Energia Elétrica, which together are valued at the same amount. The transaction is expected to be completed within six months, with the possibility of postponing the completion for a further six months, subject to the satisfaction of certain conditions precedent customary for this type of transaction.

At year-end 2022, the IBERDROLA Group's investment in Teles Pires and Baguari (through its subsidiary NEOENERGIA) met the requirements set out in IFRS 5 — “Non-current Assets Held for Sale and Discontinued Operations” for classification as such in the consolidated statement of financial position. The IBERDROLA Group presents these investments under “Assets held for sale” and “Liabilities held for sale” in the consolidated statement of financial position at 30 June 2023 for EUR 181 million and EUR 29 million, respectively (EUR 166 million and EUR 27 million at 31 December 2022, respectively).

- In addition, the 10% interest held by the IBERDROLA Group in the Brazilian company NORTE ENERGIA (through its subsidiary NEOENERGIA) meets the requirements established in IFRS 5 “Non-current assets held for sale and discontinued operations” for classification as such in the consolidated statement of financial position. The IBERDROLA Group presents the interest under “Assets held for sale” in the consolidated statement of financial position at 30 June 2023 and 31 December 2022 in the amount of EUR 150 million and EUR 142 million, respectively.

Divestment in Mexico

In April 2023, IBERDROLA signed a memorandum of understanding (MoU) between subsidiaries of Iberdrola Mexico and Mexico Infrastructure Partners FF, S.A.P.I. de C.V. (MIP), whereby IBERDROLA has undertaken to divest a portfolio of 13 power generation assets in the country, including combined cycle plants and an onshore wind farm, for USD 6,000 million. IBERDROLA retains 13 plants, all the private customer activity and the portfolio of renewable energy projects to be developed.

In June 2023 Iberdrola Generación México, S.A. de C.V., Iberdrola Renovables México, S.A. de C.V. and certain subsidiaries thereof, all fully owned, directly or indirectly, by the IBERDROLA Group's country subholding company in Mexico, Iberdrola México, S.A. de C.V., executed the sale and purchase agreement envisaged in the MoU for the sale of their shares.

In terms of enterprise value, net of cash and debt, the price of the transaction amounted to approximately USD 6,000 million, which may be modified depending on the closing date of the transaction and other potential adjustments commonly found in this type of agreement, while the remaining terms are as previously reported.

The transaction is subject to the prior spin-off, to other subsidiaries of Iberdrola México, of certain generation projects and other assets excluded from the scope of the transaction and that are currently owned by the companies acquired by the buyer, as well as to securing the necessary regulatory approvals to carry out the spin-off and complete the sale and purchase, together with the fulfilment of other standard conditions for this type of agreement, all of which must be completed no later than 31 December 2023.

At 30 June 2023 the IBERDROLA Group reports the assets and liabilities subject to sale in these transactions in the consolidated statement of financial position under “Assets held for sale” and “Liabilities linked to assets held for sale”.

At 30 June 2023, the carrying amounts of the assets and liabilities held for sale under this transaction are as follows:

Millions of euros	
Intangible assets	2
Property, plant and equipment	3,410
Right-of-use asset	10
Non-current investments	1
Non-current trade and other receivables	559
Deferred tax assets	203
NON-CURRENT ASSETS	4,185
Current trade and other receivables	358
Current financial assets	2
CURRENT ASSETS	360
TOTAL ASSETS	4,545
Non-current provisions	97
Non-current financial liabilities	133
Other non-current liabilities	48
Deferred tax liabilities	491
TOTAL NON-CURRENT LIABILITIES	769
Current financial liabilities	136
Other current liabilities	122
TOTAL CURRENT LIABILITIES	258
TOTAL LIABILITIES	1,027

The contribution of assets and liabilities held for sale to the IBERDROLA Group's EBITDA at 30 June 2023 was EUR 292 million.

9. DISCLOSURES RELATING TO FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of each category of financial assets and liabilities are shown below, except for assets included under “Non-current trade and other assets” and “Current trade and other receivables” and liabilities included under “Other non-current financial liabilities”, “Other current financial liabilities”, “Leases” and “Trade payables”:

Millions of euros	Non-current financial assets							
	Equity instruments		Other financial assets		Derivatives		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Assets at fair value through the consolidated income statement	31	32	—	—	987	2,540	1,018	2,572
Assets at amortised cost	—	—	6,592	5,958	—	—	6,592	5,958
Hedging derivatives	—	—	—	—	874	1,121	874	1,121
Total	31	32	6,592	5,958	1,861	3,661	8,484	9,651

Millions of euros	Current financial assets							
	Equity instruments		Other financial assets		Derivatives		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Assets at fair value through the consolidated income statement	—	—	—	—	716	1,343	716	1,343
Assets at amortised cost	—	—	1,410	2,964	—	—	1,410	2,964
Hedging derivatives	—	—	—	—	310	506	310	506
Total	—	—	1,410	2,964	1,026	1,849	2,436	4,813

Millions of euros	Non-current financial liabilities									
	Bank borrowings		Bonds and other marketable securities		Other financial liabilities		Derivatives		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Liabilities at fair value through the consolidated income statement	—	—	—	—	—	—	662	2,247	662	2,247
Liabilities at amortised cost	12,607	12,187	22,080	23,942	449	576	—	—	35,136	36,705
Hedging derivatives	—	—	—	—	—	—	1,328	1,443	1,328	1,443
Total	12,607	12,187	22,080	23,942	449	576	1,990	3,690	37,126	40,395

Millions of euros	Current financial liabilities									
	Bank borrowings		Bonds and other marketable securities		Other financial liabilities		Derivatives		Total	
	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22	30.06.23	31.12.22
Liabilities at fair value through the consolidated income statement	—	—	—	—	—	—	802	1,352	802	1,352
Liabilities at amortised cost	3,099	3,404	7,690	7,054	83	87	—	—	10,872	10,545
Hedging derivatives	—	—	—	—	—	—	807	2,046	807	2,046
Total	3,099	3,404	7,690	7,054	83	87	1,609	3,398	12,481	13,943

The IBERDROLA Group's general risk policy described in its consolidated financial statements for the year ended 31 December 2022 is the same policy applied at the date of issuance of these consolidated financial statements, having completed the review and approval process for 2023. The hedging instruments and types of hedges described herein have the same characteristics as those described in the aforementioned consolidated financial statements.

The fair value of "Bank borrowings, bonds or other marketable securities" under current and non-current liabilities in the IBERDROLA Group's consolidated statement of financial position at 30 June 2023 and 31 December 2022 amounts to EUR 44,231 million and EUR 45,120 million, respectively. The carrying amount is EUR 45,476 million and EUR 46,587 million, respectively. Said value is classified in Level 2 of the valuation hierarchy. The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

The IBERDROLA Group recognises derivative financial instruments at fair value and classifies them into three levels:

- Level 1: assets and liabilities quoted in liquid markets.
- Level 2: assets and liabilities whose fair value is determined using valuation techniques that rely on observable market assumptions.
- Level 3: assets and liabilities whose fair value is determined using valuation techniques that do not rely on observable market assumptions.

Details of financial instruments measured at fair value by level are as follows:

Millions of euros	Value at 30.06.2023	Level 1	Level 2	Level 3
Derivatives financial instruments (financial assets)	2,887	4	2,333	550
Derivative financial instruments (financial liabilities)	(3,599)	(1)	(3,239)	(359)
Total	(712)	3	(906)	191

Millions of euros	Value at 31.12.2022	Level 1	Level 2	Level 3
Derivatives financial instruments (financial assets)	5,510	3	4,653	854
Derivative financial instruments (financial liabilities)	(7,088)	(5)	(6,553)	(530)
Total	(1,578)	(2)	(1,900)	324

The reconciliation between initial and final balances for derivative financial instruments classified as Level 3 in the fair-value hierarchy is as follows:

Millions of euros	2023	2022
Balance at 1 January	324	(235)
Income and expense recognised in the consolidated income statement	(318)	24
Income and expense recognised in equity	159	(197)
Purchases	37	(1)
Sales and settlements	(21)	(114)
Translation differences	10	(17)
Balance at 30 June	191	(540)

Income recorded in the consolidated income statement in the six months ended 30 June 2023 from Level 3-classified derivative financial instruments is mainly due to the valuation of commodity derivatives, the effect of which has been offset in the consolidated income statement for the six months ended 30 June 2023 by the valuation of Level 2-classified derivative financial instruments.

The fair value of Level 3-classified financial instruments has been determined using the discounted cash flow method. Projections of these cash flows are based on assumptions not observable in the market, and mainly correspond to purchase and sale price estimates that the Group normally uses, based on its experience in the markets in which it operates.

None of the possible foreseeable scenarios of the assumptions given would result in a material change in the fair value of the financial instruments classified at this level.

To measure derivatives not traded on an organised market, the IBERDROLA Group uses assumptions based on market conditions at year end. In particular,

- the fair value of interest rate swaps is calculated as the value discounted at market interest rates of the interest rate swap contract spread;
- in the case of currency futures, it is measured discounting the future cash flows calculated using the forward exchange rates at year end; and
- the fair value of contracts to trade non-financial items falling under the scope of IFRS 9 — “Financial Instruments” is calculated on the basis of the best estimate of future price curves for the underlying non-financial items at the year-end, using, wherever possible, prices established on futures markets.

These measurement models take into account the risks of the asset or liability, including the credit risk of both the counterparty (Credit Value Adjustment) and the entity itself (Debit Value Adjustment). The credit risk is calculated according to the following parameters:

- Exposure at default: the amount of the risk arising at the time of non-payment by a counterparty, taking into account any collateral or compensation arrangements connected to the transaction.
- Probability of default: the probability that a counterparty will breach its obligations to pay the principal and/or interest, depending mainly on the nature of the counterparty and its credit rating.
- Loss given default: the estimated loss in the event of default.

10. CASH AND CASH EQUIVALENTS

The breakdown of this heading of the consolidated statements of financial position is as follows:

Millions of euros	30.06.2023	31.12.2022
Cash	1,011	2,192
Other equivalent liquid assets	1,443	2,416
Total	2,454	4,608

Other cash equivalents mature or expire within a period of less than three months and bear market interest rates. There are no restrictions on cash withdrawals for significant amounts.

11. EQUITY

Subscribed capital

Changes in the share capital of IBERDROLA over the six-month period ended 30 June 2023 and in the year 2022 are as follows:

	Date of filing at the Commercial Registry	% Capital	Number of shares	Par value	Euros
Balance at 01.01.2022			6,366,088,000	0.75	4,774,566,000
Scrip issue	3 February 2022	1.123%	71,475,000	0.75	53,606,250
Reduction in share capital	6 July 2022	3.069%	(197,563,000)	0.75	(148,172,250)
Scrip issue	2 August 2022	1.957%	122,094,000	0.75	91,570,500
Balance at 31.12.2022			6,362,094,000	0.75	4,771,570,500
Scrip issue	1 February 2023	1.325%	84,270,000	0.75	63,202,500
Balance at 30.06.2023			6,446,364,000	0.75	4,834,773,000

On 1 February 2023, the second application of the scrip issue took place, having been approved by the shareholders at the General Shareholders' Meeting of IBERDROLA on 17 June 2022, under item 12 on the agenda, and used to implement the Iberdrola Retribución Flexible optional dividend system.

During the established period, the holders of 1,305,893,982 shares opted to receive the Interim dividend (EUR 0.18 gross per share). Thus, the gross amount paid out under the Interim dividend was EUR 235 million. As a result, those shareholders have expressly waived 1,305,893,982 free-of-charge allocation rights and, therefore, the right to receive 21,764,900 new shares.

The shareholders acting at the General Shareholders' Meeting held on 28 April 2023 approved, under item 8 of the agenda, the dividend for participation in the general meeting and its payment to all shareholders entitled to participate in the meeting (i.e. with shares registered in their name on 21 April), having fulfilled all conditions to which payment of the dividend was subject, i.e. the approval of the dividend itself (under item 8 of the agenda), and that a quorum of 70% of share capital was reached. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid out on 3 May 2023.

There were no changes to IBERDROLA's share capital other than those resulting from the transactions described above. There are no claims on IBERDROLA's share capital other than those established by the Spanish Companies Act (Ley de Sociedades de Capital).

Valuation adjustments

Changes during the periods ended 30 June 2023 and 2022 are as follows:

Millions of euros	01.01.2023	Change in fair value and other	Amounts allocated to the income statement	30.06.2023
Valuation adjustments of equity-accounted investees (net of tax):	17	(3)	(3)	11
Cash flow hedging:				
Interest rate swaps	423	109	29	561
Collars	—	—	—	—
Commodities derivatives	(1,282)	(737)	1,920	(99)
Currency forwards	(20)	(49)	(32)	(101)
Other	(341)	(5)	5	(341)
	(1,220)	(682)	1,922	20
Hedging costs:	(4)	(29)	43	10
Tax effect:	275	164	(467)	(28)
Total	(932)	(550)	1,495	13

Millions of euros	01.01.2022	Change in fair value and other	Amounts allocated to the income statement	30.06.2022
Valuation adjustments of equity-accounted investees (net of tax):	(10)	12	—	2
Cash flow hedging:				
Interest rate swaps	(464)	409	63	8
Collars	(7)	1	3	(3)
Commodities derivatives	1,294	1,854	(1,022)	2,126
Currency forwards	7	38	(5)	40
Other	(165)	(104)	—	(269)
	665	2,198	(961)	1,902
Hedging costs:	4	(27)	27	4
Tax effect:	(112)	(460)	174	(398)
Total	547	1,723	(760)	1,510

Treasury shares

The IBERDROLA Group buys and sells treasury shares in accordance with prevailing law and the resolutions of the shareholders at a General Shareholders' Meeting. Such transactions include purchases and sales of company shares and derivatives thereon.

At 30 June 2023 and 31 December 2022, the balances of the various instruments were as follows:

	30.06.2023		31.12.2022	
	Number of shares	Millions of euros	Number of shares	Millions of euros
Treasury shares held by IBERDROLA	206,455,783	2,112	64,447,436	632
Treasury shares held by SCOTTISH POWER	637,754	8	647,085	8
Total return swaps	6,824,696	55	13,110,816	110
Put options sold	41,922,052	453	11,338,853	115
Accumulators (exercised shares)	—	—	25,716,062	253
Accumulators (potential shares)	—	—	64,452,306	638
Total	255,840,285	2,628	179,712,558	1,756

Physically settled derivatives

The IBERDROLA Group recognises these transactions directly in equity under the “Treasury shares” heading and records a liability for the obligation to purchase said shares under the “Current financial liabilities—Bank borrowings, bonds or other marketable securities” and “Non-current financial liabilities—Bank borrowings, bonds or other marketable securities” headings of liabilities of the consolidated statement of financial position.

- Total return swap

The IBERDROLA Group has swaps on treasury shares in which it pays the financial entity the 3-month Euribor plus a spread on the underlying notional and will receive the corresponding dividends with respect to the shares paid out to the financial entity over the life of the contract. On the expiration date IBERDROLA buys the shares at the strike price set out in the contract.

The key features of these contracts at 30 June 2023 and 31 December 2022 are as follows:

30.06.2023	Number of shares	Strike price	Maturity date	Interest rate	Millions of euros
Total Return Swap	6,824,696	8.0376	01.09.2023 to 17.11.2023	Euribor 3M + 0.36% to 0.50%	55
Total	6,824,696				55

31.12.2022	Number of shares	Strike price	Maturity date	Interest rate	Millions of euros
Total Return Swap	2,171,234	9.303	01.09.2023	Euribor 3M + 0.36%	20
Total Return Swap	10,939,582	8.170	17.11.2023	Euribor 3M + 0.50%	90
Total	13,110,816				110

- Treasury share accumulators

The IBERDROLA Group holds several purchase accumulators on treasury shares. These accumulators are obligations to buy in the future, with a notional amount of zero on the start date. The number of shares to be accumulated depends on the market price quoted on a range of observation dates throughout the life of the options — in this case, on a daily basis. A strike price is set, and a knockout level above which the structured product is “knocked out” and shares are no longer accumulated.

The accumulation mechanism is as follows:

- if the spot price is below the strike price, two units of the underlying security are accumulated;
- if the spot price is between the strike price and the knockout level, only one unit of the underlying security is accumulated; and
- if the spot price is above the knockout level, no shares are accumulated.

The key features of these contracts at 31 December 2022 is described below, with no current contracts at 30 June 2023:

31.12.2022	Number of shares	Average strike price	Maturity date	Millions of euros
Exercised	25,716,062	9.8207	28.03.2023 to 12.06.2023	253
Potential maximum ⁽¹⁾	64,452,306	9.9309	28.03.2023 to 12.06.2023	640

⁽¹⁾ Maximum number of additional shares that could accumulate under the mechanism described above through to the expiry of the structures (assuming that the spot price over the remaining life of the structure remains below the strike price at all times).

- Sold put with physical settlement

At 30 June 2023, the Group had sold put options on treasury shares that granted the counterparty the option to sell those shares on the expiry date at the strike price set in the contract.

The key features of these contracts at 30 June 2023 and 31 December 2022 are as follows:

30.06.2023	Number of shares	Average strike price	Maturity date	Millions of euros ⁽¹⁾
Put option	41,922,052	11.2063	15.09.2023 to 28.02.2025	453

31.12.2022	Number of shares	Average strike price	Maturity date	Millions of euros ⁽¹⁾
Put option	11,338,853	10.2664	10.03.2023 to 24.03.2023	115

⁽¹⁾ The amount is reported net of premiums collected, amounting to EUR 17 million in the six months ended 30 June 2023 and EUR 2 million in the 2022 financial year.

Perpetual subordinated bonds

In January 2023, Iberdrola Finanzas, S.A. determined the price, terms and conditions for the issuance of subordinated perpetual bonds. These bonds carry the subordinated guarantee of Iberdrola, S.A. and have a total value of EUR 1,000 million. The issuance has been structured as a single tranche, with each bond having a unit nominal amount of EUR 100,000. The bonds have been issued at a price equivalent to 100% of their nominal value. The funds raised from this issuance have been utilised to repurchase a previous issue of subordinated perpetual bonds made by Iberdrola International B.V. in 2017 (also with the subordinated guarantee of Iberdrola, S.A.) and valued at EUR 1,000 million. The repurchase took place on 18 May 2023.

The bonds bear interest at a fixed annual rate of 4.875% from (and including) the issue date to (but excluding) 25 July 2028 (“first review date”), payable annually.

From the first review date (inclusive), interest will accrue at a rate equal to the applicable 5-year swap rate plus a margin of:

- 2.262% per annum for the five years following the first review date;
- 2.512% per annum for each of the five-year review periods commencing on 25 July 2033, 25 July 2038 and 25 July 2043;
- and 3.262% per annum for subsequent five-year review periods.

The issuance of the bonds was closed, and the disbursement took place on 25 January 2023.

These bonds have no contractual maturity date. After analysing the conditions of these issues, the IBERDROLA Group recognises the cash received with a credit to “Non-controlling interests” included in equity in the consolidated statement of financial position, as it considers that they do not meet the conditions for consideration as financial liabilities, since the IBERDROLA Group does not have a contractual commitment to deliver cash and the circumstances that oblige it to do so –delivery of dividends and exercise of its early redemption option– are entirely under its control.

12. LONG-TERM REMUNERATION PLANS

Share-based long-term remuneration plans in the settlement period

The key features of the plans are summarised below:

Long-term remuneration programme	Settled in shares	Assessment period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Degree of fulfilment
IBERDROLA 2020-2022	Iberdrola	2020-2022	2023-2025	300	14,000,000	100% ⁽¹⁾
NEOENERGIA 2020-2022	Neoenergia	2020-2022	2023-2025	125	3,650,000	80% ⁽²⁾
AVANGRID 2020-2022	Avangrid	2021-2022	2023-2025	125	1,500,000	65% ⁽³⁾

⁽¹⁾ On 21 February 2023, the Board of Directors, at the proposal of the Remuneration Committee, resolved to settle the 2020-2022 Strategic Bond with level of achievement of 100%. As a result, the first of three annual settlements was made in the first half of 2023, in which 4,277,644 shares were delivered. These shares include those delivered to executive directors and to senior management (Note 20).

⁽²⁾ On 15 February 2023, the Board of Directors of Neoenergia, at the proposal of the Remuneration Committee, resolved to settle the NEOENERGIA Long-Term Incentive Programme 2020-2022 with a level of achievement of 80%. As a result, the first of three annual settlements was made in the first half of 2023, in which 950,030 shares were delivered.

⁽³⁾ On 16 February 2023, the Board of Directors of Avangrid, at the proposal of the Remuneration Committee, resolved to settle the Avangrid Long-Term Incentive Programme 2020-2022 with a level of achievement of 65%. As a result, the first of three annual settlements was made in the first half of 2023, in which 225,969 shares were delivered.

13. LITIGATION PAYMENTS

During the six-month periods ended 30 June 2023 and 2022, payments of EUR 2 million and EUR 2 million, respectively, were made for litigation settlements.

14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

At 30 June 2023 the IBERDROLA Group concluded that, at that date, there were no significant changes in the assumptions previously used to measure pension obligations at 31 December 2022 in the United Kingdom and Brazil. Notably, there were significant changes in the market value of the assets subject to those obligations.

At 30 June 2022 the IBERDROLA Group concluded that, at that date, there were significant changes in the assumptions previously used to measure pension obligations at 31 December 2021 in the United States, Spain, the United Kingdom and Brazil. Notably, there were significant changes in the market value of the assets subject to those obligations in the United States, the United Kingdom and Brazil.

The table below shows changes in pension obligations within those countries.

Millions of euros	United Kingdom	Brazil	Total
Balance at 01.01.2023	3,621	794	4,415
Ordinary cost	12	—	12
Financial cost	83	37	120
Actuarial deviations in reserves	(8)	111	103
Payments	(116)	(38)	(154)
Translation differences	68	51	119
Balance at 30.06.2023	3,660	955	4,615

Changes in the fair value of the affected assets are as follows:

Millions of euros	United Kingdom	Brazil	Total
Fair value at 01.01.2023	3,893	671	4,564
Revaluation	90	32	122
Actuarial deviations in reserves	(240)	13	(227)
Company contributions	70	10	80
Payments	(121)	(38)	(159)
Translation differences	70	39	109
Fair value at 30.06.2023	3,762	727	4,489

Following the non-recognition of the surplus, the actuarial gains and losses to reserves have been adjusted upwards by EUR 7 million in accordance with IFRIC 14: “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

The average duration of the liability for the above benefit commitments was as follows at 30 June 2023 and 31 December 2022:

30.06.2023	United Kingdom	Brazil		
		ELEKTRO	NEOENERGIA	NEOENERGIA BRASILIA
Years				
Average duration	14	11	9	9

31.12.2022	United Kingdom	Brazil		
		ELEKTRO	NEOENERGIA	NEOENERGIA BRASILIA
Years				
Average duration	14	13	9	10

The following assumptions used at 30 June 2023 and 31 December 2022 were modified with respect to those used in the actuarial studies carried out in the previous comparative period:

30.06.2023	Discount rate	Inflation
United Kingdom	5.00%	3.24%
Brazil		
ELEKTRO	8.57%	3.25%
NEOENERGIA		
Celpe	8.57%	3.25%
Coelba Med. Ass. Plan	8.57%	3.25%
NEOENERGIA BRASILIA	8.57%	3.25%
CEB BD	8.57%	3.25%
CEB Saldado	8.57%	3.25%

31.12.2022	Discount rate	Inflation
United Kingdom	4.75%	3.17%
Brazil		
ELEKTRO	9.60%	3.25%
NEOENERGIA		
Celpe	9.60%	3.25%
Coelba Med. Ass. Plan	9.60%	3.25%
NEOENERGIA BRASILIA	9.60%	3.25%
CEB BD	9.60%	3.25%
CEB Saldado	9.60%	3.25%

15. BANK BORROWINGS, BONDS OR OTHER MARKETABLE SECURITIES

The detail of bank borrowings, bonds or other marketable securities outstanding, once foreign exchange hedges are considered, is as follows:

Millions of euros	30.06.2023	31.12.2022
In euros		
Long-term and medium-term bonds	10,108	11,163
Commercial paper	2,916	3,843
Loans and drawdowns of credit facilities	6,477	6,973
Other financing transactions	530	1,214
Unpaid accrued interest	170	154
	20,201	23,347
Foreign currency		
US dollars	11,702	10,839
Pounds sterling	4,905	4,190
Brazilian reais	8,037	7,621
Other	327	336
Unpaid accrued interest	304	254
	25,275	23,240
Total	45,476	46,587

The most significant financing transactions carried out by the IBERDROLA Group during the six months ended 30 June 2023 were as follows:

Borrower	Transaction	Arranged	Amount (millions)	Currency	Interest rate	Maturity
First quarter						
Neoenergia Distribuição Brasília ⁽¹⁾	Loan 4131	March 2023	38	USD	—	March 2027
Coelba ⁽¹⁾	Loan 4131	March 2023	96	USD	—	March 2026
Neoenergia Morro do Chapéu ⁽¹⁾	Loan 4131	March 2023	58	USD	—	March 2024
Coelba ⁽¹⁾	Loan 4131	March 2023	89	EUR	—	April 2025
Neoenergia Morro do Chapéu ⁽¹⁾	Loan 4131	March 2023	49	USD	—	May 2024
Iberdrola Financiación ⁽³⁾	EIB green loan	February 2023	150	EUR	—	To be determined
Renovables de Buniel ⁽²⁾	EIB green loan	February 2023	55	EUR	—	To be determined
Celpe ⁽¹⁾	Green loan with JICA collateral	March 2023	12,000	JPY	—	March 2028
Celpe ⁽¹⁾	Green loan with JICA collateral	March 2023	6,175	JPY	—	March 2033
Second quarter						
NY State Electric & Gas	Tax-exempt bond	June 2023	100	USD	4.00%	April 2034
Neoenergia Lagos dos Patos ⁽¹⁾	Loan 4131	June 2023	10,449	JPY	—	June 2024
Neoenergia Lagos dos Patos ⁽¹⁾	Loan 4131	June 2023	7,820	JPY	—	June 2024
Neoenergia Morro do Chapéu ⁽¹⁾	Loan 4131	June 2023	9,766	JPY	—	June 2024
Elektro ⁽¹⁾	Loan 4131	April 2023	39	USD	—	May 2025
Neoenergia Distribuição Brasília	Green 4131 loan	June 2023	150	BRL	—	January 2026
Iberdrola Financiación ⁽³⁾	EIB green loan	June 2023	1,000	EUR	—	To be determined
Elektro	Green IFC loan	May 2023	800	BRL	—	May 2031
Neoenergia ^{(1) (2)}	Green ICO loan	June 2023	100	USD	—	To be determined

⁽¹⁾ Currency swap contracts for the company's functional currency.

⁽²⁾ Financing expected to be drawn down in 2023.

⁽³⁾ Financing expected to be drawn down in 2024.

The main extensions of existing financing transactions arranged by the IBERDROLA Group during the six months ended 30 June 2023 were as follows:

Borrower	Transaction	Date extension	Millions	Currency	Option to extend	Maturity
Iberdrola México ⁽⁴⁾	Syndicated loan	January 2023	500	USD	1 year	December 2025
Iberdrola Financiación	Sustainable syndicated credit	March 2023	2,500	EUR	1 year	April 2028
Iberdrola Financiación ⁽⁵⁾	Bilateral credit facility	May 2023	125	EUR	6 months	January 2025
Iberdrola Financiación	Sustainable bilateral credit facility	June 2023	16,000	JPY	—	June 2028
Iberdrola Financiación	Sustainable bilateral loan	June 2023	120	EUR	—	July 2028
Iberdrola Financiación ⁽⁴⁾	Sustainable syndicated credit	June 2023	2,500	EUR	1 year	July 2028

⁽⁴⁾ One-year option to extend.

⁽⁵⁾ Five 6-month options to extend.

At the date of authorisation for issue of these consolidated financial statements, the IBERDROLA Group was fully up to date on all its financial debt payments and there had been no circumstances affecting the change of control or adverse changes in its credit quality or other similar circumstances. Therefore, it had not been necessary to meet the early maturity of the debt or modify the cost related to the loans held by it, or to change the classification of current and non-current payables as set out in the consolidated statement of financial position.

At 30 June 2023, the IBERDROLA Group had undrawn loans and credit facilities amounting to EUR 16,974 million. Additionally, at 30 June 2023 there were current cash deposits which, due to their contractual terms, the IBERDROLA Group included in its liquidity position as at that date. The following table provides a breakdown by maturity of the liquidity position at 30 June 2023, based on the balance of the “Cash and cash equivalents” heading of the consolidated statement of financial position and current financial assets (between 3 and 12 months):

Millions of euros	Available
Available maturity	
2023 – first half of 2024	299
Second half of 2024 - 2025	5,786
2026 and beyond	10,889
Total	16,974
Short-term financial investments (between 3 and 12 months)	12
Cash and cash equivalents	2,454
Liquidity position	19,440

16. INCOME AND EXPENSES

16.1 Revenue

The table below shows details of this caption in the consolidated income statement for the six-month periods ended 30 June 2023 and 2022, by category and segment (Note 6):

30.06.2023	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
Millions of euros								
In regulated markets	1,676	753	3,088	854	3,581	—	(3)	9,949
Electricity	1,676	753	2,167	854	3,581	—	(3)	9,028
Gas	—	—	921	—	—	—	—	921
In non-regulated markets	7,613	5,803	612	696	177	412	(70)	15,243
Electricity	6,580	3,848	480	696	174	412	(49)	12,141
Gas	665	1,804	—	—	—	—	—	2,469
Other	368	151	132	—	3	—	(21)	633
Income from construction contracts	4	—	—	—	782	—	—	786
Income from lease contracts	—	—	—	—	—	—	13	13
Valuation and inefficiencies of commodities derivatives	34	133	116	(39)	—	29	—	273
Total	9,327	6,689	3,816	1,511	4,540	441	(60)	26,264

Re-stated (Note 2.b) 30.06.2022	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
Millions of euros								
In regulated markets	2,236	693	3,365	1,266	3,346	—	(3)	10,903
Electricity	2,236	693	2,380	1,266	3,346	—	(3)	9,918
Gas	—	—	985	—	—	—	—	985
In non-regulated markets	7,833	3,232	633	717	170	379	(56)	12,908
Electricity	6,642	2,392	518	675	166	363	(71)	10,685
Gas	870	820	—	—	—	—	—	1,690
Other	321	20	115	42	4	16	15	533
Income from construction contracts	8	—	—	—	668	—	—	676
Income from lease contracts	—	—	1	—	—	—	10	11
Valuation and inefficiencies of commodities derivatives	64	49	(130)	3	—	20	(74)	(68)
Total	10,141	3,974	3,869	1,986	4,184	399	(123)	24,430

30.06.2023		Renewable Energy and Sustainable Generation		Other business, Corporation and adjustments	
Millions of euros	Networks		Customers		Total
Supplies In regulated markets	8,545	204	1,812	(612)	9,949
Electricity	7,624	204	1,812	(612)	9,028
Gas	921	—	—	—	921
Supplies and other revenues in non-regulated markets	8	4,137	14,487	(3,389)	15,243
Electricity	—	3,636	11,347	(2,842)	12,141
Gas	—	—	2,764	(295)	2,469
Other	8	501	376	(252)	633
Income from construction contracts	787	—	—	—	787
Income from lease contracts	—	—	—	12	12
Valuation of commodities derivatives	—	149	119	5	273
Total	9,340	4,490	16,418	(3,984)	26,264

Re-stated (Note 2.b) 30.06.2022		Renewable Energy and Sustainable Generation		Other business, Corporation and adjustments	
Millions of euros	Networks		Customers		Total
Supplies In regulated markets	8,321	410	2,895	(723)	10,903
Electricity	7,336	410	2,895	(723)	9,918
Gas	985	—	—	—	985
Supplies and other revenues in non-regulated markets	7	3,699	12,636	(3,434)	12,908
Electricity	(1)	3,278	9,965	(2,557)	10,685
Gas	—	—	2,329	(639)	1,690
Other	8	421	342	(238)	533
Income from construction contracts	676	—	—	—	676
Income from lease contracts	1	—	—	10	11
Valuation of commodities derivatives	—	(110)	44	(2)	(68)
Total	9,005	3,999	15,575	(4,149)	24,430

Based on the criteria established by the Spanish National Securities Market Commission in relation to adjustments for deviations in the market price (Vadjm), as set out in Section 22 of Royal Decree 413/2014, negative deviations were recorded in the six-month period ended 30 June 2023. The effect of these adjustments, as shown under the heading “Revenue” for the Renewable Energy and Sustainable Generation in Spain segment, amounts to EUR 86 million.

16.2 Taxes other than income tax

Six-month period ended 30 June 2023

The following significant events occurred in the six-month period ended 30 June 2023:

- Temporary energy levy

On 28 December, Law 38/2022 of 27 December was published to establish, inter alia, the temporary energy levy. The amount payable is calculated by applying a percentage of 1.2% to the revenue generated by the activity in Spain in the calendar year preceding the year in which the obligation arises. The amount recorded by the IBERDROLA Group amounts to EUR 216 million.

- Royal Decree-Law 12/2021 temporarily suspended the 7% tax on the value of electricity production (IVPEE). After several extensions, it was suspended in 2022 and will remain suspended until 31 December 2023.
- The tax on the production of spent nuclear fuel to be definitively retrieved from the core of the plants amounted to a cost of EUR 60 million and EUR 54 million for the six months ended 30 June 2023 and 2022, respectively.

On 22 February 2022 the Central Tax Appeals Board (*Tribunal Económico-Administrativo Central*) (TEAC) upheld the tax appeal filed by the Ascó II, C. B. nuclear power plant against the retroactive effect of the tax settlement decisions for the 2017 and 2018 financial years, so that only the spent nuclear fuel resulting from reactor cycles carried out following the entry into force of Law 15/2012 would be subject to taxation.

Based on the above, requests for rectification and refund of undue revenues since 2013 were submitted by the Cofrentes, Almaraz and Trillo plants. Further to this ruling, the Group recognised receivables amounting to EUR 81 million as principal and EUR 25 million as late payment interest as at 30 June 2022 under “Taxes other than income tax” and “Finance income” in the consolidated income statement for the six months ended 30 June 2022, respectively.

- Financing the costs of the “Bono Social”.

Royal Decree-Law 6/2022 regulated a new distribution of the financing of the “bono social” among all agents in the electricity sector according to their turnover, which came into force on 31 March 2022. The cost to the Group in the first half of 2023 amounted to EUR 122 million.

In the six months ended 30 June 2022, the Group recognised income of EUR 101 million as principal and EUR 12 million as late-payment interest under “Taxes other than income tax” and “Finance income”, respectively, as a result of the Supreme Court ruling of 31 January 2022, which declared the inapplicability of the Bono Social financing system charged to retail suppliers or the parents of groups that include retail suppliers, on the grounds that it is discriminatory, and required compensating the financing companies for the amounts not passed on to customers. These amounts have already been collected.

Other relevant amounts recorded under “Taxes other than income tax” in the consolidated income statement are as follows:

- accrual of the expenditure arising from Royal Decree-Law 6/2009 on amounts necessary to manage radioactive waste and nuclear fuel, which, in the six-month periods ended 30 June 2023 and 2022, amounted to EUR 104 million and EUR 98 million, respectively, according to the best available estimate;

- in the United Kingdom, energy efficiency programmes in the domestic sector through the ECO, Fuel Poverty and WHD programmes such as ECO 3 ending in March 2022 and replaced by the ECO 4 Programme, which will run until March 2026, accounted for EUR 102 million and EUR 37 million, respectively, in the six-month periods ending 30 June 2023 and 2022;
- the hydroelectric royalty was reintroduced by Law 7/2022 of 8 April, on waste and contaminated soil for a circular economy. The expense recognised for this item in the six months ended 30 June 2023 and 2022 amounts to EUR 84 million and EUR 57 million, respectively; and
- Royal Decree-Law 11/2022 of 25 June introduced certain measures to respond to the economic and social consequences of the war in Ukraine and to address situations of social and economic vulnerability. These include the gas price deduction with a cap on fixed-price electricity sales contracts above 67 EUR/MWh (+ commercial margin + charges). This measure was extended by Royal Decree-Law 18/2022 until 31 December 2023 and amounted to EUR 133 million in the six months ended 30 June 2023.

17. INCOME TAX EXPENSE

Pursuant to IAS 34 — Interim Financial Reporting, the amount included under “Income tax” in the consolidated income statement for the six-month periods ended 30 June 2023 and 2022 has been calculated on the basis of the best estimate of the expected tax rate for the corresponding annual periods.

Iberdrola, S.A. is the parent of two tax consolidation groups in Spain: group 2/86, in the common territory, and group 02415BSC, in the tax region of Biscay, and is currently part of the second of such groups.

The table below shows how the accrued income tax expense was determined for the six months ended 30 June 2023 and 2022:

Millions of euros	30.06.2023	30.06.2022
Consolidated profit/(loss) for the year from continuing operations before tax	3,786	3,231
Consolidated profit/(loss) for the year from discontinued operations before tax	(12)	(85)
Consolidated profit/(loss) before tax	3,774	3,146
Non-deductible expenses and non-computable income	(75)	(222)
Profit of equity-accounted investees	(2)	(225)
Adjusted accounting profit (a)	3,697	2,699
Gross tax calculated at the tax rate in force in each country (b)	936	708
Tax deductions due to reinvestment of extraordinary profits and other tax credits (c)	(60)	(68)
Adjustment of prior years' income tax expense	18	4
Adjustment of deferred tax assets and liabilities (*)	104	25
Other	14	10
Income tax (income)/expense	1,012	679
Accrued income tax from continuing operations (income)/expense	1,016	700
Accrued income tax from discontinued operations (income)/expense	(4)	(21)
Effective tax rate (b+c)/a	23.69%	23.71%

(*) At June 2023, this mainly includes the tax effect of the difference between the book value of the assets held for sale of the Mexican subsidiaries and the tax value of the investments held by the Group in these subsidiaries and arising as a result of their sale. This effect is offset by those arising from devaluations of the exchange rate of the US dollar against the Mexican peso in determining the difference between the tax value and book value of assets and liabilities at all of the Group's Mexican subsidiaries.

Administrative proceedings

In 2022, settlement proposals and assessments resulting from the audit procedures initiated in June 2020 by the State Tax Administration Agency (*Agencia Estatal de Administración Tributaria*) (AEAT) were issued for items that had not been completely addressed in 2021. The procedures opened were for partial tax inspections (for financial years 2012 to 2014) in relation to income tax and a general tax inspection (for financial years 2015 to 2017) for the main corporate taxes applicable to the IBERDROLA Group entities within the consolidated tax group for the common territory in Spain (no. 2/86). The audit was subsequently extended to financial years 2018 to 2020, also on a partial basis, with a view to carrying out a full income tax adjustment of certain issues for earlier years and accepted in protest.

The assessments signed in protest in 2022 for income tax purposes, corresponding to the years 2015 to 2020, have substantially the same disputed adjustments as those signed in 2021, i.e. those disputed in the general audit procedure relating to the years 2008-2011.

As a consequence of adjustments carried out by the Tax Administration Agency deriving from the inclusion in the denominator of the pro rata portion of capital gains arising from portfolio transfers or corporate restructuring transactions, the VAT assessments corresponding to 2015 to 2017 were signed in protest in 2022. The IBERDROLA Group requested the VAT refund corresponding to unpaid debts, mainly by individuals, more than one year old and with a tax base of less than EUR 300, corresponding to Curenergía Comercializador de Último Recurso, S.A.U. and Iberdrola Clientes, S.A.U. in relation to those years. This request is based on the view that Spanish rules on the handling of VAT on unpaid invoices are contrary to EU law.

In connection with all these audits, on 17 December 2021 and 29 July 2022, tax claims were filed with the Central Tax Appeals Board against the settlement decisions derived from the assessments signed in protest as set forth in the preceding paragraphs. These claims are pending decision at the end of the current period and do not have a significant impact on the IBERDROLA Group's equity.

Apart from the above, in March 2023, assessments were signed in agreement and in protest in relation to the limited audit procedure commenced by the Tax Administration Agency following the requests for rectification submitted by the company in February 2022 in relation to VAT for financial years 2018 and 2019, and consequently of the Group of entities for purposes of this tax.

Through these submissions Iberdrola, S.A. requests the pro rata calculation for those years of the gains obtained in the settlement of derivative financial instruments to be excluded, a request that has been upheld. The limited audit procedure has also been expanded to the company's income tax for 2018 and 2019, and consequently that of the Tax Group, for the purpose of transferring to this tax the implications derived from the request upheld in relation to VAT.

In the same procedure, assessments were signed in protest with regard to VAT group 0220/08 relating to requests for the refund of VAT payments on unpaid debts, mainly by individuals, more than one year old and with a tax base of less than EUR 300, corresponding to Curenergía Comercializador de Último Recurso, S.A.U. and Iberdrola Clientes, S.A.U., for 2018 and 2019, on the grounds that, as mentioned in relation to earlier periods, the Spanish rules on the application of VAT on unpaid invoices are contrary to EU law. These requests have been denied, and submissions have been made in connection with the assessments in protest, pending notification of the settlement decisions confirming or annulling the assessments.

Administrative proceedings in other countries

In other countries where the Group has a significant presence, the main ongoing inspection proceedings are as follows:

- In the United States, the most significant inspection relates to income tax in New York State. In addition, as a large taxpayer, both at federal and state level, the AVANGRID Group is currently undergoing various tax audits on other taxes.
- In the United Kingdom, Scottish Power has been assigned low risk taxpayer status by HM Revenue and Customs (HMRC). The only major issue under discussion concerns the deductibility of certain payments made on the instructions of the electricity regulator (OFGEM), the relevant arguments having been made in 2021 in relation to claims brought before the First Tier Tax Tribunal. The Tax Tribunal issued its ruling in February 2022 and, as a consequence of disagreement with the decision in said ruling, an appeal was lodged with the Upper Tribunal in May 2022, with the hearing taking place in May 2023.
- In Mexico, the Mexican tax authority (SAT) opened income tax inspections in 2020 and 2021 of Iberdrola Ingeniería y Construcción, S.A. de C.V. (2017), Iberdrola Energía Monterrey, S.A. de C.V. (2017), Iberdrola México, S.A. de C.V. (2018) and Iberdrola Energía Escobedo, S.A. de C.V. (2018). With regard to the last-mentioned company, the inspection was also extended to sales tax (2018).

With respect to the first two procedures, in late 2022, the corresponding observations were received and the request for a conclusive settlement was submitted to the Taxpayer's Ombudsman's Office (*Procuraduría de Defensa del Contribuyente*) (Prodecon). In the first half of 2023, additional information has been provided and is being analysed by the Mexican tax authority.

With respect to the inspection at Iberdrola México, S.A. de C.V., in February 2023 the SAT notified the tax credit, which was challenged via a motion for reversal on 13 April 2023.

The inspection relating to Iberdrola Energía Escobedo, S.A. de C.V. was finalised during the first half of 2023, and the payment of the tax credit finally notified by the SAT was completed on 6 July, with no significant impact on the company's earnings.

Lastly, it should be noted that in late 2022, the SAT announced the opening of tax inspections in relation to income tax for 2020 at Iberdrola Clientes, S.A. de C.V., Iberdrola Energía Altamira, S.A. de C.V. and Iberdrola Energía Tamazunchale, S.A. de C.V. and in relation to income tax for 2017 at Iberdrola Energía Noroeste, S.A. de C.V. and Iberdrola Energía Baja California, S.A. de C.V.

Brazil is notable for being a highly litigious jurisdiction and multiple tax inspections are ongoing, reflecting the country's tax and administrative structure and the usual conduct of the tax authorities. However, in general, very few of these proceedings are settled in favour of the tax administrations.

All of the IBERDROLA Group's actions have been analysed by its internal and external advisers, both for this year and for preceding years, and they have found that these actions have been carried out in accordance with the law and are based on a reasonable interpretation of tax law. The occurrence of contingent liabilities has also been subject to analysis. IBERDROLA generally makes provision for tax litigation when the risk of it being detrimental to the IBERDROLA Group's interests is probable, and makes no provision when the risk is possible or remote.

The IBERDROLA Group's directors and tax advisers believe that the matters described above will not give rise to further material liabilities for the Group beyond those already recognised at 30 June 2023.

Tax litigation

In June 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board regarding the claims filed in relation to the assessments signed in protest in 2016, corresponding to the general audit procedure carried out on the tax consolidation group in the common territory in Spain (no. 2/86) for 2008 to 2011.

In the Value Added Tax ruling, the TEAC ruled in favour of IBERDROLA's interests (which led to the annulment of the tax inspection assessments and settlements), while in the income tax rulings, the TEAC ruled against.

On 7 July 2020 IBERDROLA lodged judicial review appeals against the rulings before the National High Court (*Audiencia Nacional*). Throughout 2021, the corresponding arguments were presented in the proceedings, and at the date of these financial statements dates have yet to be set for the issuance of opinions and judgment.

The main adjustments included in the settlement decisions arising from the assessments signed in protest relate to the quantification of financial goodwill subject to tax amortisation due to the acquisition of SCOTTISH POWER, the elimination of the exemption for dividends of SCOTTISH POWER due to the audit finding it incompatible with an adjustment in portfolio value due to hedging of net investment, differences in tax consolidation criteria and possible existence of a transaction involving a change of debtor in certain bond issues, due to the circumstances set out in Section 15.1 of the General Tax Act.

In December 2020 Iberdrola was notified of the decision of the TEAC relating to claims filed arising from certain assessments signed in protest in limited verification proceedings regarding income tax for financial years 2012 to 2014. The dispute with the Tax Administration essentially had to do with the applicability or inapplicability of the rules on timing of accounting recognition as established in a large number of rulings of the Supreme Court, in relation to the income received by the Group based on payments unlawfully made.

This ruling of December 2020 partially upheld IBERDROLA's claims, accepting its criteria insofar as the taxes declared to be unconstitutional are concerned. On 25 January 2021, IBERDROLA appealed the remaining disputed assessments to the National High Court. The corresponding arguments were presented in the proceedings throughout 2021, and the date for the issuance of opinions and judgment is yet to be set.

Lastly, in relation to tax disputes relevant to IBERDROLA, on 21 February 2023 the Asociación de Empresas de Energía Eléctrica (AELEC) filed a judicial review appeal against Ministerial Order HFP/94/2023 approving the self-assessment forms for the new temporary energy levy, created by Law 38/2022. IBERDROLA also filed a judicial review appeal against the same Ministerial Order, in similar terms to the one filed by AELEC, on 23 February 2023.

This law imposes a temporary energy levy for the years 2023 and 2024 on those entities qualifying as the main operator in the energy sectors, with the legal status of a non-tax public levy.

The amount payable is calculated by applying a percentage of 1.2% to the revenue generated by the activity in Spain in the calendar year preceding the year in which the obligation arises. The estimated amount of the levy to be paid by IBERDROLA in 2023 is EUR 216 million. On 17 February 2023, a payment of 50% was made.

The judicial review appeals lodged both by AELEC and by IBERDROLA and which are currently pending resolution are based on defects in the ordinary legality of the Ministerial Order under appeal as well as on defects of unconstitutionality and infringement of Council Regulation (EU) 2022/1854 of 6 October 2022, found in Law 38/2022, which creates the levy.

The IBERDROLA Group's directors and their tax advisers consider that the proceedings described in the above paragraphs will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2023.

Further developments in relation to financial goodwill (Section 12.5 of the consolidated text of the Income Tax Law)

In previous years, the Spanish authorities applied the aid and grants reimbursement procedure established in the General Tax Act, thus recovering from the IBERDROLA Group, in accordance with Section 12.5 of the Income Tax Law, the sum of EUR 665 million (EUR 576 million as principal and EUR 89 million as late payment interest) in years 2002 to 2015. IBERDROLA settled the required amount by (i) offsetting part of it against the EUR 363 million received under the 2016 income tax rebate; and (ii) paying EUR 302 million in February 2018. All the foregoing by virtue of Decision Three of the European Commission.

In May 2021, IBERDROLA was notified of a settlement decision under the aid and grants reimbursement procedure for the years 2016 to 2018 in the amount of EUR 13 million, which the Company paid on 2 July 2021.

These amounts, together with the corresponding late payment interest, are recognised under the heading "Current tax assets" under non-current assets in the consolidated statement of financial position.

In any event, their recoverability is considered to be provisional, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided in Section 12.5 of the Income Tax Law generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability. Therefore, if the outcome is ultimately contrary to the Company's interests (which we consider unlikely based on the information currently available), the financial impact would be substantially mitigated.

18. CHARGES AND REVERSALS FOR ASSET IMPAIRMENT

As indicated in the consolidated financial statements of the IBERDROLA Group for 2022, the IBERDROLA Group analyses its assets for indications of impairment. If such indications are found, an impairment test is conducted. The IBERDROLA Group also conducts a systematic analysis of the impairment of cash-generating units that include goodwill or intangible assets in progress or with an indefinite useful life.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, measured as the present value of its estimated future cash flows.

As a result of the sensitivity analysis conducted in 2022 on the key assumptions of the different cash-generating units or groups of units, only Renewable Energy Australia had an impairment risk associated with the development of market prices. The monitoring activity carried out during the first half of 2023 shows that the underlying performance of that business was substantially aligned with the business plan for the preceding year.

In addition to the above, the impairment indicators of the different units or groups of cash-generating units have been reviewed, and no additional impairment has been detected to date.

19. CONTINGENT ASSETS AND LIABILITIES

IBERDROLA Group companies are party to court and out-of-court disputes arising as part of the ordinary course of their business (disputes with suppliers, customers, administrative or tax authorities, individuals, environmental activists or employees). The IBERDROLA Group's legal advisers believe that the outcome of these disputes will have no material impact on its financial position.

In relation to said disputes, the IBERDROLA Group's main contingent assets and liabilities not recognised in these consolidated financial statements because the pertinent accounting criteria are not met, are as follows:

Contingent liabilities

- On 16 June 2014, the Spanish National Commission on Markets and Competition (*Comisión Nacional de los Mercados y la Competencia*) (CNMC) initiated sanctioning proceedings against Iberdrola Generación, S.A.U. for purported fraudulent manipulation aimed at altering energy prices at the Duero, Tajo and Sil hydroelectric generation plants in December 2013. On 30 November 2015 the Company was notified of the EUR 25 million fine. Iberdrola Generación, S.A.U. lodged an appeal for judicial review with the Judicial Review Chamber of the National High Court and was granted leave to proceed. Enforcement of the penalty was stayed. The proceedings are currently suspended as preliminary proceedings are heard by the Central Preliminary Examining Court of the National High Court, which, on 26 May 2022, resolved to end the examination phase and serve notice on the parties and the Public Prosecutor's Office so that they may submit their indictment and claims. On 11 July 2022, Central Preliminary Examining Court No. 2 of the national High Court issued an order for the commencement of oral proceedings whereby it was resolved, among other things: (i) to commence oral proceedings and to consider Iberdrola Generación, S.A.U. to have been charged with an alleged offence under Section 281 of the Criminal Code, and (ii) to order bonds to be posted for EUR 193 million, which were given in the form of guarantees provided by Iberdrola Generación, S.A.U. for EUR 107 million and by the insurance companies for EUR 85 million. The Central Criminal Court of the National High Court has scheduled the trial to be held between 17 October and 3 December 2023.
- Appeals for review lodged on 7 July 2020 before the National High Court against unfavourable decisions of which IBERDROLA was notified by the Central Tax Appeals Board in June in connection with the assessments signed in protest by the Group in 2016, pertaining to the years 2008 to 2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with an adjustment in portfolio value due to hedging of net investment, differences in tax consolidation criteria and possible existence of a transaction involving a change of debtor in certain bond issues, due to the circumstances set out in Section 15.1 of the General Tax Act. The relevant arguments were presented in the proceedings throughout 2021, with the court yet to set the dates for the issuance of opinions and judgment.
- Tax claims lodged on 17 December 2021 and 29 July 2022 before the TEAC against the settlement decisions on income tax notified to Iberdrola Energía España, S.A. as representative of Tax Group 2/86, in relation to the tax assessments signed in protest by the Group in 2021 and 2022 for financial years 2012 to 2014 and 2015 to 2020, respectively. The adjustments in dispute are substantially the same as those discussed in relation to the years 2008 to 2011. At the reporting date, both claims are awaiting a ruling by the TEAC. The arguments supporting the first claim were submitted in the first quarter of 2022.

- Tax claim lodged before the TEAC on 29 July 2022 against the settlement decision on VAT for financial years 2015 to 2017 and notified to Iberdrola, S.A. as representative of Tax Group 0220/08BVA. The main adjustments in dispute arise from the inclusion in the denominator of the pro rata portion of VAT on capital gains arising from portfolio transfers and/or corporate restructuring transactions, and the Tax Administration Agency's refusal to recognise the VAT refund corresponding to unpaid debts, mainly by individuals, more than one year old and with a tax base of less than EUR 300, as requested by CURENERGÍA and Iberdrola Clientes, S.A. in relation to those years. This request is based on the view that Spanish rules on the handling of VAT on unpaid invoices are contrary to EU law.
- Appeal for review lodged on 25 January 2021 before the National High Court against the decision of the Central Tax Appeals Board notified to IBERDROLA in December 2020. The claim, which was filed against the tax settlement decisions upholding the disputed tax assessments delivered to the Company under limited tax inspection proceedings in relation to income tax for the years 2012 to 2014, was partially upheld. The dispute with the Tax Administration essentially had to do with the applicability or inapplicability of the rules on timing of accounting recognition as established in a large number of rulings of the Supreme Court, in relation to the income received by the Group based on payments unlawfully made. This ruling partially upheld IBERDROLA's claims, accepting its criteria insofar as the taxes declared to be unconstitutional were concerned. The Company has lodged an appeal with the National High Court in respect of the other tax matters in dispute. At the reporting date, the court has yet to set a date for the issuance of opinions and judgment.
- ACE (an economic interest grouping in Portugal consisting of the companies Acciona-Mota and Edivisa) and its members filed a claim for arbitration against Iberdrola Generación, S.A.U. before the Commercial and Industrial Arbitration Centre of Lisbon (the arbitration body provided for in the contract) with regard to the construction contract for the AH Alto Tâmega dam and hydroelectric plant, claiming EUR 27.1 million. The claim is based on the argument that they do not consider themselves liable for excess costs that were incurred due to deviations in the work performed. They also claim that they are not liable for the delays that have occurred and that, consequently, IBERDROLA does not have the right to impose on them any of the penalties provided for in the contract. Furthermore, they state that the termination of the construction contract is groundless and should be deemed unlawful, and they demand compensation for said termination. IBERDROLA responded to the claim on 1 September 2021 by lodging a counterclaim in the total amount of EUR 62.4 million. In addition, the guarantees of the contract with ACE have been enforced, and the company has paid the amounts of EUR 8 million in penalties (the reimbursement of which the claimants are additionally claiming) and EUR 5 million in advance payments in the context of the contract in dispute (an amount that was included in the counterclaim filed by Iberdrola). These amounts are included in the arbitration claim. The arbitration hearings have been held and the award is expected to be issued in December 2023.
- Iberdrola Castilla y León (IBERCYL) has been summoned as a party subsidiarily liable alongside the Regional Government of Castilla y León in the proceedings taking place before Valladolid Preliminary Examining Court no. 4 in relation to alleged irregularities in awarding certain wind power operating permits in Castilla y León. The order stated that IBERCYL was to guarantee payment of an amount of EUR 11.2 million in this respect. In addition, the Court instructed certain defendants to provide a bond on a joint and several basis for a total amount of EUR 130 million to cover the financial penalties sought by the prosecutors. These defendants have furnished a corporate guarantee extended by Iberdrola Renovables Energía, S.A.U., unconditionally and irrevocably as a first-demand corporate personal guarantee for a total amount of EUR 390 million. In October 2022, the Court resolved to declare that the bond provided to cover the pecuniary liabilities was sufficient.

- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil in relation to their ordinary course of business. The IBERDROLA Group considers that the risk of potential losses at such companies has been assessed by them in line with the opinions of the authorities and the external tax advisers, and the relevant provisions have been made based on the likelihood of loss as per the available evidence, the position adopted by the courts and the most recent case law.

The labour claims relate to actions brought by former employees of NEOENERGIA Group companies or former employees of service provider companies (subcontractors) with requests for overtime, wage equalisation and other labour rights. Of particular note is the class action ongoing at the company Neoenergia Cosern brought by the trade union SINTERN on behalf of employees to preserve and ensure immediate compliance with the Jobs, Careers and Wages Plan approved in 1991. Under those proceedings, the claimants are seeking payment of wage differences for the last five years and past-due social security contributions. Meanwhile, the civil proceedings involve commercial claims and actions for economic or non-economic damages, arbitration proceedings on issues related to engineering and energy contracts, and various environmental actions and actions for condemnation of real property associated with the performance of projects.

The tax claims include violation findings due to the following:

- amortised gain/goodwill expense (agio) is not tax deductible for the purpose of calculating income tax (both for corporate income tax and employee contribution tax) applicable to the subsidiaries Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Itapebi and Termopernambuco. In 2022, Neoenergia Elektro was awarded a favourable decision in the second administrative instance, and a final decision is still pending from the Superior Administrative Court. In recent years, several favourable decisions on this matter have been handed down in the second judicial instance in connection with several of the financial years questioned by the Brazilian Treasury to the companies Neoenergia Pernambuco and Neoenergia Cosern, with a final decision on the merits by the Supreme Court being still pending;
- failure to make income tax withholdings on the payment of interest on own capital between companies belonging to the same group;
- requirement for income tax withholding on the alleged taxable capital gain accruing to Iberdrola Energia, S.A. following the incorporation of Elektro Holding by Neoenergia;
- questions concerning tax credits related to consumption tax (ICMS) at NC Energia, Termopernambuco, Neoenergia Pernambuco and Neoenergia Elektro;
- the tax authorities believe that payments made as profit sharing, employee benefits, health insurance and life insurance should be recognised as social security expenses;
- offsetting by Neoenergia of receivables due to wrongly applying PIS/COFINS to finance income, with a favourable ruling that has been contested;
- questions concerning federal taxes –corporate income tax and employee contribution tax– from dismissal of expenses with payment of regulatory compensation at Neo Pernambuco and Neo Coelba;
- claim made by the municipality regarding payment of the public lighting service fee (COSIP), which holds that Coelba paid a smaller amount in the period between January 2018 and December 2019.

Turning to regulatory proceedings, distribution companies Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro and Neoenergia Brasília are party to various suits and claims, notably: (i) proceedings to calculate individual and collective technical service continuity indicators; (ii) trade matters; (iii) financial compensation and recovery of global indicators; (iv) matters related to the collection or legality of tariff-related items or matters; and (v) matters related to the legality of administrative action instituted by ANEEL.

Among said actions, the following are particularly noteworthy:

- Elektro’s Energy Social Tariff (for low-income consumers), for which the Consumers Association intends to increase the number of eligible customers from 2002 to 2010, imposing on ANEEL and Elektro the obligation to restore tariff differences, the cost of which should ultimately be met by the CDE sector fund;
- The free or for-consideration use of right-of-way areas in roads for the electricity grid, the merits of which are being discussed before the Supreme Court;
- Several matters regarding over or under subscription of energy, currently under discussion at the administrative level;
- The possibility of ANEEL including, in the tariff tax, tax income resulting from the favourable outcome obtained by suppliers in the legal dispute concerning the exclusion of the ICMS tax from the federal contributions calculation base for PIS/COFINS (currently undergoing preliminary discussions at the administrative level);
- Action brought by Neoenergia Brasília to annul ANEEL’s act that captured, for tariff purposes, the surplus income obtained between May 2002 and October 2004, and between July 2005 and August 2008, accumulated according to the criteria for classifying low-income consumers; and
- Discussion on the exclusive recognition of liability and reduction of the scope of Concession Agreement No. 014/2019-ANEEL (Neoenergia Lagoa dos Patos), due to the lack of viability declared by the environmental agency (IBAMA) of the route specified in the auction for Section 1. The first decision by ANEEL’s technical superintendence denied the request. Neoenergia Lagoa dos Patos filed an appeal that is pending a decision by ANEEL’s Board.
- Claim by the Public Utilities Commission: in 2002, the California Public Utilities Commission and the California Electricity Oversight Board (CPUC and CEOB, respectively) submitted a claim to the Federal Energy Regulatory Commission (FERC) against a number of electricity producers, alleging that these companies had manipulated the market and that the prices set in energy purchase contracts were “unfair and unreasonable”, and demanded modifications to the contracts.

FERC dismissed the claim and, following a review by the California federal courts, the Supreme Court ordered FERC to review the case, which had remained dormant since 2008. In April 2016, following the reopening of the 2014 case, an initial ruling was issued that dismissed any market manipulation by Avangrid Renewables, but the initial ruling did conclude that the price of the power purchase agreements imposed an excessive burden on customers in the amount of USD 259 million. FERC staff have recommended that the case be closed without sanction.

- With regard to the Power Purchase Agreement (PPA) signed between Avangrid Renovables and Nike, Nike has filed a claim against the supply invoices for March-April 2021, the settlement of which was influenced by the Texas storm. As no agreement was reached, Nike lodged a claim with the Oregon State Courts on 16 June 2023 seeking USD 31 million plus interest from Avangrid Renewables. The company will defend against the claim as it considers it groundless.
- In relation to the arbitration proceedings under way between Iberdrola Energía Topolobampo S.A. de C.V., a subsidiary of Iberdrola México, against the Federal Electricity Commission (CFE), the claimant not only opposes IBERDROLA's claims but has also filed a counterclaim in the arbitration, seeking damages in the amount of USD 185.5 million and USD 4.7 million in additional penalties for failing to reach the coefficient of national integration. The arbitration hearing has been held and post-hearing submissions have been filed. In May 2023, the arbitration tribunal granted a 90-day stay of proceedings, which expires in August 2023. An extension period can be granted at the request of the parties if they need more time to negotiate.
- Iberdrola México has challenged in court a resolution of the Energy Regulatory Commission (CRE) issuing charges for the Electricity Transmission Service to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of Legacy Interconnection Contracts with Electricity Generation Plants with Renewable or Efficient Cogeneration Sources. The resolution substantially increases the charges for this service and, in the judgement of Iberdrola México, hinders and limits a constitutionally significant activity such as electricity generation and is contrary to a number of rights protected by the Mexican constitution. Following the granting of the injunctive relief sought by IBERDROLA, consisting of suspension of the contested resolution, a bond had to be posted with the court in the amount of MXN 3,955 million. The amount is the difference between what Iberdrola México would have to pay under the contested resolution and what it actually will pay, pursuant to the injunction granted, for tariff charges for electricity transmission services for 31 months; the amount is revised every six months). If the proceedings ultimately have an unfavourable outcome, Iberdrola would have to pay this amount.
- Iberdrola México has challenged in court the resolution issued by the Energy Regulatory Commission (CRE), as notified on 27 May 2022, in which the CRE ordered Iberdrola Energía Monterrey, S.A. de C.V. (IEM) to pay the sum of MXN 9,145 million. According to the CRE, its decision is valid on the grounds that IEM allegedly carried out unlawful energy sales to its consumer partners. The CRE is also seeking to base its claims on invoices obtained from the Tax Administration Service (SAT). On 15 June 2022, IEM filed an action for the protection of basic liberties (*amparo*) against this resolution and has sought injunctive measures to suspend payment of the sanction. The Third Specialised District Court granted injunctive relief to IEM deciding that the payment is not to be made and that the validity of the self-supply permit is not to be undermined, for which reason a letter of credit for MXN 9,455 million (the amount of the fine) has had to be presented and periodically renewed. The definitive suspension means that the sanction is no longer payable, and that the dispute has had no legal impact on the company, nor does it affect the effectiveness of the electricity self-supply permit.

Additionally, the following contingent liabilities have arisen as part of the ordinary course of business of the IBERDROLA Group:

- US gas companies own, or have owned, land on which they operated gas production plants. This land was polluted as a result of these activities. In some cases, the soil has been cleaned, while in others the soil has been assessed and classified, but has yet to be cleaned. In some other cases, the extent of the pollution has yet to be determined. Where the extent of the pollution cannot be determined, no provisions have been recognised at 30 June 2023 because the cost cannot reasonably be estimated as the matter requires the regulators' involvement and approval. In the past, the gas companies have received authorisation to recover cleaning expenses from customers through tariffs and they expect to recover such expenses for the remaining soil.

Contingent assets

- AVANGRID initiated legal proceedings against the former owners of certain sites in order to recover the costs of environmental restoration work it was forced to pay.

Update of contingent assets reported in prior periods

In relation to Order TED/490/2022, entailing the recognition of a loss in the Company's interim consolidated financial statements due to lower remuneration for 2016 and subsequent years, an appeal was lodged and admitted for processing by the Judicial Review Chamber of the Supreme Court in the second half of 2022.

Notification of the judgment is expected in September 2023.

Other information

No significant appeals have been lodged regarding the regulation-related proceedings commenced by third parties that could affect the remunerative or financial situation of the IBERDROLA Group.

Contingent assets and liabilities at 31 December 2022 are described in the IBERDROLA Group's consolidated financial statements for that year.

20. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

Remuneration and other benefits received by directors in the six-month periods ended 30 June 2023 and 2022 are presented in the following table, by item:

Millions of euros	30.06.2023	30.06.2022
Remuneration for membership of the Board and/or Board Committees	3.2	2.9
Fixed remuneration – executive directors	1.6	1.1
Variable remuneration - executive directors	4.2	4.3
Other items ⁽¹⁾	0.5	0.2
Total	9.5	8.5

⁽¹⁾ Includes the remuneration of directors who have served as directors of companies that are not wholly owned by the Company, whether directly or indirectly, such remuneration amounting to EUR 0.28 million in the first half of 2023 and EUR 0.19 million in the first half of 2022.

In addition, the first of the three annual settlements under the 2020-2022 Strategic Bonus was completed in the first half of 2023. The chairman received 633,333 IBERDROLA shares. The CEO received 80,000 shares, corresponding to his performance prior to his appointment as member of the Board of Directors.

b) Remuneration of senior management

Senior officers are those who report directly to the Company's Board of Directors, chairman or CEO and, in all cases, to the internal head of audit, as well as any other director that the Board of Directors recognises as such.

At 30 June 2023, there were 10 members of senior management.

Remuneration and other benefits received by senior officers during the first half of 2023 and 2022 are as follows:

Millions of euros	30.06.2023	30.06.2022 (*)
Fixed remuneration	2.4	2.4
Variable remuneration	3.7	3.5
Pension plans (savings and risk)	1.6	1.2
Other items ⁽¹⁾	0.7	0.6
Total	8.4	7.7

(*) For comparison purposes, this includes information on employees who have been senior officers since 1 January 2023 (1 additional member and 2 members less).

⁽¹⁾ This amount includes the remuneration received by senior officers who held the position of director of companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.4 million in the first half of 2023 and to EUR 0.3 million in the first half of 2022.

The first of the three annual payments under the 2020-2022 Strategic Bonus was completed in the first half of 2023, involving the delivery of 563,329 shares, once the level of achievement of the targets to which it was linked had been determined. The third of the three annual settlements under the 2017-2019 Strategic Bonus was completed in the first half of 2022, involving the delivery of 525,010 shares.

During the first half of 2023 and 2022, there were no further transactions with officers outside the ordinary course of business.

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following transactions have taken place within the ordinary course of business and have been carried out at arm's length.

The most significant transactions carried out with the IBERDROLA Group during the six months ended 30 June 2023 and 2022 were as follows:

Six-month period ended 30.06.2023					
Millions of euros	Significant shareholders ⁽¹⁾	Directors and senior managers ⁽²⁾	Group persons, companies or entities	Other related parties	Total
Expenses and income					
Finance expenses	—	—	(1)	—	(1)
Services received	—	—	—	—	—
Purchases ⁽³⁾	—	—	(17)	—	(17)
Total expenses	—	—	(18)	—	(18)
Finance income	—	—	1	—	1
Services rendered	—	—	4	—	4
Sales	—	—	5	—	5
Total income	—	—	10	—	10

Six-month period ended 30.06.2022					
Millions of euros	Significant shareholders ⁽¹⁾	Directors and senior managers ⁽²⁾	Group persons, companies or entities	Other related parties	Total
Expenses and income					
Services received	—	—	3	—	3
Purchases ⁽³⁾	—	—	(118)	—	(118)
Total expenses	—	—	(115)	—	(115)
Services rendered	—	—	5	—	5
Sales	—	—	16	—	16
Total income	—	—	21	—	21

Balances with related parties were as follows at 30 June 2023 and 2022:

30 June 2023					
Millions of euros	Significant shareholders ⁽¹⁾	Directors and officers ⁽²⁾	Group persons, companies or entities	Other related parties	Total
Trade and other receivables	—	—	10	—	10
Loans and credits granted	—	—	92	—	92
Other receivables	—	—	—	—	—
Total receivables	—	—	102	—	102
Trade and other payables	—	—	(2)	—	(2)
Loans and credits received	—	—	(116)	—	(116)
Other payment obligations	—	—	(18)	—	(18)
Total payables	—	—	(136)	—	(136)

Millions of euros	30 June 2022				Total
	Significant shareholders ⁽¹⁾	Directors and officers ⁽²⁾	Group persons, companies or entities	Other related parties	
Trade and other receivables	—	—	11	—	11
Loans and credits granted	—	—	54	—	54
Other receivables	—	—	—	—	—
Total receivables	—	—	65	—	65
Trade and other payables	—	—	(36)	—	(36)
Loans and credits received	—	—	(86)	—	(86)
Other payment obligations	—	—	—	—	—
Total payables	—	—	(122)	—	(122)

⁽¹⁾ At 30 June 2023 and 2022, there were no significant shareholders who met the definition of Section 529 vicies of the Spanish Companies Act because they did not hold 10% of the voting rights or were not represented on the Board of Directors.

⁽²⁾ Refers to transactions other than those disclosed in Note 20.

⁽³⁾ Relates mainly to purchases of electric power.

22. EVENTS OCCURRING AFTER 30 JUNE 2023

The material events that have occurred after 30 June 2023 and up to the date of authorisation for issue of these consolidated financial statements are described below:

Sale of a minority stake in the share capital of the company owning the Baltic Eagle offshore wind farm

On 25 July 2023, Iberdrola Renovables Deutschland GmbH signed an agreement to sell a 49% stake in the share capital of Baltic Eagle GmbH, the owner of the Baltic Eagle offshore wind farm under construction in Germany with an installed capacity of 476 MW, to Masdar Baltic Eagle Germany GmbH, a company belonging to the group of which the parent company is Abu Dhabi Future Energy Company –PJSC– Masdar. Iberdrola Renovables Deutschland will retain control of Baltic Eagle and the IBERDROLA Group will continue to provide construction management, operation and maintenance and management services for the wind farm.

The purchaser will pay approximately EUR 375 million to Iberdrola Renovables Deutschland when the transaction is finalised, with the possibility of customary adjustments. This valuation represents 100% of the wind farm's worth, estimated at around EUR 1,630 million once construction is complete. Following the closing of the transaction, the purchaser will be required to contribute its pro rata portion of the construction costs for Baltic Eagle until completion of construction.

The closing of the transaction is subject to the purchaser obtaining approval from the German antitrust and foreign direct investment authorities, and will not have a significant impact on the consolidated results of the IBERDROLA Group for financial year 2023.

Reduction in share capital

On 3 July 2023, the reduction in capital approved at the General Shareholders' Meeting of the Company held on 28 April 2023, under item 12 on the agenda, was implemented through the retirement of own shares.

Details of the reduction in share capital are as follows:

	Date of filing at the Commercial Registry	% Capital	Number of shares	Par value	Euros
Reduction in share	6 July 2023	3.201%	206,364,000	0.75	154,773,000

Following the capital reduction, share capital stands at EUR 4,680,000,000, represented by 6,240,000,000 shares, each having a par value of EUR 0.75.

Iberdrola Retribución Flexible

On 5 July 2023, the following terms were established in relation to the implementation of the first increase in capital by means of a scrip issue (Iberdrola Retribución Flexible), as approved at the General Shareholders' Meeting of IBERDROLA held on 28 April 2023 under item 10 on the agenda:

- The maximum number of new shares to be issued under the increase in capital is 168,648,648.
- The number of free-of-charge allocation rights required to receive one new share is 37.
- The maximum par value of the increase in capital is EUR 126,486,486.
- The gross Interim dividend per share amounts to EUR 0.316.

Banking market and bond issues in the Euromarket

The most significant financing arranged by the IBERDROLA Group after 30 June 2023 in the interbank and capital markets is as follows:

Borrower	Transaction	Amount (millions)	Currency	Interest rate	Maturity
Iberdrola Finanzas	Public green bond	850	EUR	3.625%	July 2033

The following financing extension was also arranged after 30 June 2023:

Borrower	Transaction	Amount (millions)	Currency	Option to extend	Maturity
Iberdrola Financiación	Bilateral loan	300	EUR	—	January 2024

The IBERDROLA Group's liquidity position, taking into account financing operations signed after 30 June 2023, amounts to EUR 20,290 million (Note 15).

23. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

These Financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted accounting principles in other countries.

APPENDIX

INDUSTRY REGULATION AND OPERATION OF THE ELECTRICITY AND GAS SYSTEM

Various new rules and regulations affecting the energy sector were enacted in the first half of 2023. This section addresses the most significant changes and developments.

Spain

Spanish electricity sector

In the first half of 2023, the wholesale electricity price crisis, prompted by the sharp increase and volatility in gas prices, and aggravated by the effects of the war in Ukraine, finally abated.

Consumers in Spain who are subject to the regulated voluntary price for small consumers, pegged to the market and not yet adjusted, and consumers who purchase their energy directly on the wholesale market or at prices referenced to it, have experienced a gradual reduction in their electricity bill so far this year (-29% since December 2022). Notwithstanding this price containment, the Spanish government has maintained the measures adopted in 2022 to intervene in the market and protect vulnerable consumers.

Consumer protection measures and price intervention:

Royal Decree-Law 3/2023 of 28 March extends the production cost adjustment mechanism to reduce the price of electricity in the wholesale market (Iberian exception) until 31 December 2023, with a reference gas price path that varies from 55 EUR/MWhg (value in force in March 2023) to 65 EUR/MWhg (December 2023).

A period of 15 business days (which ended on 21 April) is allowed for submitting a new statement of compliance, including the energy exempt from the payment of the cost of the mechanism for June to December 2023.

Furthermore, Royal Decree-Law 5/2023 of 28 June, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine; to support the reconstruction of the island of La Palma and other situations of vulnerability; to transpose EU directives on structural modifications to commercial companies and to reconcile the family and professional life of parents and carers; and on the implementation and enforcement of EU law, extends until 31 December the 80% reduction in usage charges applied to electricity intensive consumers, a measure financed by the surplus from the settlement of usage charges and charges from the final settlement of 2022, carried over to financial year 2023.

Remuneration of networks:

On 19 January 2023, two CNMC Resolutions were published in the Spanish Official Gazette (BOE) establishing the provisional remuneration for transmission and distribution activities, with amounts similar to those recognised in 2019, which will be provisionally paid to companies in the process for settlement of regulated activities.

Meanwhile, Regulated Activities Settlement 4 includes the enforcement of the judgment recognising Iberdrola's recalculation of the base remuneration of the 2016 distribution activity due to the update of the lambda parameter, for an amount of EUR 150 million (EUR 50 million from 2016 itself and a further EUR 100 million from updating the provisional amount for 2020 and 2012).

Remuneration of renewable energy and cogeneration facilities:

The aforementioned Royal Decree-Law 5/2023 of 28 June updates the methodology for calculation of the premium for renewable energy and cogeneration facilities:

- Remuneration of renewable energy:
 - Review of parameters 2023-2025. The criterion for calculating the reference market price is revised (taking as a reference an average of actual data for 2023 of the daily market and current references of the 2023 futures), reducing the forecast of market revenues for renewable energies and therefore entailing an increase in the regulated premium with respect to the proposal circulated in December.
 - Review of parameters 2026-2028. This is adjusted so that the above change is not detrimental to any operator.
- Remuneration of cogeneration:
 - Changes to the calculation of the fuel cost for H1 and H2 2023 for calculating operating revenue. Natural gas is set at 41.84 EUR/MWh (H1) and 48.95 EUR/MWh (H2), based on daily market quotes and MIBGAS futures (not NBP, Henry Hub or Brent, as was the case until 2022).
 - Ensures that the H1 2023 operating revenue will not be lower than it would be if the previous methodology was applied.
 - Facilities that have applied for a waiver of the regulated premium may apply for the waiver to be cancelled as from 1 July 2023.

Promotion of electric mobility:

Order TMA/277/2023 of 21 March streamlines the processing of permits for charging points in areas served by state roads, simplifying the requirements for obtaining permits through the use of the Statement of Compliance.

Royal Decree 406/2023 on the promotion of electric vehicles, renewable energies and energy efficiency amends Royal Decree 266/2021, which establishes the regulatory bases for the Moves III Plan (increasing the number of vehicles that a single applicant can apply for in each autonomous community from 50 to 250 per year, increasing the type of vehicles eligible for grants to include pre-owned vehicles, increasing the number of demonstration vehicles that can be sold by dealers from 30 to 90), Royal Decree 1124/2021 on subsidies for thermal renewable energy facilities (encouraging the grants to promote thermal renewable energies to be used in non-residential buildings, public sector establishments and infrastructures), and Royal Decree 263/2019 on aid for energy efficiency measures in SMEs and large industrial undertakings.

Meanwhile, Royal Decree-Law 5/2023 simplifies the installation of EV charging points: the power threshold for making use of the statement of compliance instead of obtaining the corresponding administrative permits has been raised to 3,000 kW, and the same applies to the declaration of public utility. Includes tax incentives for EV purchases and installing charging points:

- Acquisition of EVs: personal income tax deduction of 15% of their purchase price (up to a maximum of EUR 20,000), until 31/12/2024.
- Installation of a non-commercial charging point: personal income tax deduction of 15% of the investment (up to a maximum of EUR 4,000), until 31/12/2024.

- Acquisition and installation of charging points in 2023, 2024 and 2025 for commercial purposes: accelerated depreciation for corporate income tax purposes.

Other regulatory matters:

- Royal Decree 36/2023 of 24 January, establishing a system of Energy Saving Certificates: a system of energy saving certificates is created, whereby the obligated parties under the National System of Energy Efficiency Obligations (SNOEE) may certify total or partial compliance with their energy saving obligations by paying energy saving certificates, on a voluntary basis and in addition to the existing possibility of contributing to the National Energy Efficiency Fund (FNEE).
- Royal Decree 314/2023 of 25 April, implementing the procedure and requirements for obtaining administrative permits for closed electricity distribution networks: these are private grids that allow electricity to be supplied to customers engaged in interrelated industrial activities in close proximity to each other. The closed network model makes it possible to aggregate the consumption of these undertakings as if they were a single consumer for the payment of usage charges.
- Royal Decree 446/2023 of 13 June, amending Royal Decree 216/2014 of 28 March, establishing the methodology for calculating voluntary prices for small electricity consumers and their legal contracting regime, indexing voluntary prices for small electricity consumers to forward signals and reducing their volatility: references to forward market prices are incorporated in the voluntary price for small consumers: the production cost incorporates a new term that reflects the average price of the values of a basket of futures (monthly, quarterly and annual product). Progressive implementation, distribution of futures basket products (54% annual, 36% quarterly and 10% monthly); a price reference resulting from auctions of inframarginal, manageable and non-emitting energy can now be incorporated; the new hourly price will be calculated as the cost of the forward market purchase (predefined amount) + the spot purchases necessary to cover the hourly demand of the voluntary price for small consumers and the new formula for calculating the cost of production will be applicable until 1 January 2024.
- Royal Decree 444/2023 of 13 June amending Royal Decree 1106/2020 of 15 December, on the Statute for electro-intensive consumers: to adapt the Statute to the new European guidelines on state aid for environmental protection and energy, allowing more undertakings to qualify in order to make the industry more competitive. The minimum threshold for annual electricity consumption during off-peak hours is reduced to 46% (compared to 50% previously) and the compensation mechanism for financing the charges is modified.
- Royal Decree-Law 5/2023 of 28 June also includes:
 - Renewable Energy Milestones (six-month extension of the administrative construction authorisation for projects with access and connection permits from 1 January 2018 until the entry into force of this Royal Decree-Law).
 - Introduction of the concept of Citizen Energy Communities in the Electricity Sector Act, as well as the rights and obligations of the energy communities.

Gas sector

Remuneration of gas networks and access tariffs for 2024: Gas tariffs fell by an average of 13%, mainly due to the downward slope of transitional remuneration paid in this remuneration period (to mitigate the drop in revenues) and the depreciation of transmission assets. These tariffs apply between 1 October 2023 and 30 September 2024.

United Kingdom

Energy Bill: The Energy Bill (which was introduced to Parliament in the summer of 2022) continued its legislative progress through Parliament in the first half of 2023 and is expected to be enacted towards the end of this year. The main provisions of the Energy Bill are still: (i) to promote low carbon hydrogen production by facilitating the introduction of a new business support model; (ii) to establish a new independent Future System Operator, providing strategic oversight across electricity and gas systems during the Net Zero transition; (iii) to provide for a new obligation to be placed on fossil fuel boiler manufacturers to scale up their production of heat pumps over time; and (iv) to provide for the introduction of competition in onshore electricity networks. However, the Government has also put forward an amendment to the Bill which will have the effect of placing a new 'Net Zero duty' on the energy sector regulator, Ofgem, requiring it to take into account the Government's legal obligation to deliver the 2050 Net Zero emissions target under the Climate Change Act 2008 and, on a pathway towards this, to meet the five yearly carbon budgets set under that legislation.

Tariff cap: As required under the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem implemented a new price cap for default tariffs, including Standard Variable Tariffs (SVTs), on 1 January 2019. The price cap was originally updated every six months, but in order to mitigate the impact of market volatility Ofgem decided in August 2022 to adopt a new methodology for the wholesale cost allowance and update the price cap every quarter, on 1 January, April, July and October. The Energy Prices Act (which was enacted on 28 October 2022) removed the end date for the cap (previously end 2023) and gave the Secretary of State the power to terminate the tariff cap at any time. Ofgem decided in February 2023 to provide an additional 'true-up' allowance of £12 per customer to compensate suppliers for additional bad debt costs relating to COVID-19. Following a review of the EBIT margin allowance in the price cap, Ofgem issued a statutory consultation in May 2023 on proposed changes to the EBIT methodology. It also launched in May 2023 a review of the operating costs allowance in the price cap.

Prepayment meter warrant installation: Following media and stakeholder criticism of suppliers' practices in installing prepayment meters under warrant, Ofgem imposed a moratorium on new warrant installations (and forced switching of smart meters into prepayment mode) in February 2023. Ofgem published a new code of practice for warrant installations in April 2023, which suppliers will be expected to adhere to when the moratorium is lifted.

Energy bill support: The Government introduced three Government-funded schemes to help households and businesses with exceptionally high energy bills in the winter of 2022/23 and beyond:

- An Energy Bill Support Scheme (EBSS), whereby suppliers offered a GBP 400 credit to domestic electricity customers over a six-month period (October 2022 to March 2023), worth GBP 67 per month.
- An Energy Price Guarantee (EPG) for household customers. The EPG capped a household's energy bill at GBP 2,500 from October 2022 to the end of June 2023, and will cap it at GBP 3,000 from July 2023 to the end of March 2024. It was complemented by direct government support for low income households.
- An Energy Bill Reduction Scheme (EBRS) for non-domestic customers. This scheme ran from October 2022 to March 2023 and allowed suppliers to offer a discount on energy prices to non-household customers. In January 2023, the Government announced that the EBRS would be replaced by a new Energy Bills Discount Scheme (EBDS) running from April 2023 to March 2024, which would offer a lower level of support than the EBRS.

RIO-ED2: A new five-year RIO-ED2 distribution network price control came into effect on 1 April 2023 and will run until 31 March 2028. Ofgem's final determination for RIO-ED2 was published on 30 November 2022. It adopted the same approach to the cost of capital as in the transmission network price control (RIO-T2), giving a cost of equity of 5.23% and average cost of debt of 3.07%.

Accelerated transmission investment: In December 2022, Ofgem decided to launch a new Accelerated Strategic Transmission Investment (ASTI) framework to bring forward circa GBP 20 thousand million of investment in transmission networks to support the delivery of net zero. Ofgem has since been taking steps to implement this, with a consultation in March 2023 on proposed changes to electricity transmission (RIIO-ET2) licence conditions.

Grid connections: In May 2023, Ofgem published an open letter on future reform to the electricity connections process, to address the large backlog and delays faced by parties wishing to connect. In the short term, Ofgem confirmed its support for various industry initiatives designed to address these issues. It also plans to publish jointly with the Government a Connections Action Plan in Summer 2023.

Contracts for difference (CfD): As part of its programme of annual Contracts for Difference (CfD) auctioning for renewable generation, the Government is running CfD Allocation Round 5 this year with the initial eligibility window running from 30 March to 24 April 2023. This round is based on two auction pots: Pot 1 for “established” renewable technologies, including fixed bottom offshore wind, offshore wind and solar PV; and Pot 2 for “less established” renewable technologies, including floating offshore wind. The sealed bid auction is expected to be run later in the summer.

Electricity Generator Levy: In November 2022 the UK Government announced the introduction of the infra-marginal Electricity Generation Levy (EGL), with application to renewable and nuclear generation from 1 January 2023 to 31 March 2028. It is a 45% levy on revenues from such generators above an annual benchmark of 75 GBP/MWh indexed to CPI inflation. This levy rate does not apply to power sold under a Contracts for Difference (CfD) agreement with the Low Carbon Contracts Company Ltd (LCCC), but does apply to power sold on a merchant basis. The legislation implementing the levy has passed through all of its legislative stages in Parliament and is expected to be enacted shortly.

New Capital Allowances regime: At the Spring Budget in 2023, the Chancellor announced that from 1 April until 31 March 2026 there would be full expensing under the Capital Allowances regime involving a 100% first year allowance for qualifying main rate plant and machinery plus a 50% first year allowance for special rate plant and machinery (including long-life assets).

United States

Biden Administration: In April, Treasury guidance on electric vehicle tax credits (up to USD 7,500 per qualified vehicle) from the IRA were put into effect. Twenty-two models of all-electric and plug-in hybrid cars are currently eligible for some amount of the tax credit from the likes of General Motors, Ford, Volkswagen and Tesla, according to federal data last updated on June 5.

In May, the EPA released a proposed rule setting GHG emissions standards on existing and future fossil fuel power plants. The targets allow the use of nascent technologies like carbon capture and hydrogen co-firing to meet requirements; power plant operators can also agree to planned retirements to meet the restrictions. Altogether, the EPA said that the proposal would avoid as much as 1,000 million tonnes of carbon dioxide between 2028 and 2042. This proposed rule could change before it is finalised.

On 21 June, the Internal Revenue Service (IRS) published the 2023 inflation adjustment factors and reference price, which determine renewable energy tax credit levels. The 2023 inflation adjusted production tax credit (PTC) for wind and solar projects that meet labour requirements are 2.8 cents per kWh for facilities placed in service before 2022 and 2.75 cents per kWh for facilities placed in service as of 2022.

The Department of Treasury released requirements for securing the bonus renewable energy tax credits under the IRA related to domestic content and energy community. For domestic content, an additional 10 percent credit bonus is available if certain domestic content requirements are met, such as where the products used for the projects are produced in the U.S. For energy communities, an additional bonus 10 percent credit is available if the clean energy projects are located in designated areas such as those that are historically fossil fuel centric and have high unemployment (coal mines or coal power plants). Eligible projects can claim both credits.

In January, the Department of Energy, the Department of Transportation, and the Environmental Protection Agency (EPA) released the U.S. National Blueprint for Transportation Decarbonization. The plan is a landmark interagency framework of strategies and actions to remove all emissions from the transportation sector by 2050 and was developed to help meet President Biden's goals of having a 100% clean electrical grid by 2035 and net-zero carbon emissions by 2050.

Congress: In May, House of Representatives Speaker Kevin McCarthy and President Joe Biden crafted a deal, HR 2811 'Limit, Save, Grow Act of 2023' to avoid hitting the national debt ceiling. The debt limit is expected to be reached in January 2025. The deal included requirements for improved timelines for the environmental review of energy projects, which may help advance overall permitting timelines.

In June 2022, the Commerce Department ordered a two-year freeze on new tariffs for solar panel imports from selected Southeast Asian nations. In May 2023, Congress passed a bill repealing the two-year moratorium; however, President Biden vetoed the measure and the proposed law was defeated.

In April, the House Transportation and Infrastructure Committee voted 58 – 3 to advance the Coast Guard Authorization Act of 2023 out of committee. Similar to the legislation that was proposed and defeated in 2022, the bill includes negative manning and crewing requirements for offshore wind installation vessels. If and how this proposal may advance remains uncertain.

FERC: On April 20, FERC finalised a rule encouraging electric utilities to invest in advanced cybersecurity technology and to participate in programmes such as DOE's Cybersecurity Risk Information Sharing Program. The rule allows utilities to qualify for deferred cost recovery on a list of prequalified expenditures, receive deferred cost recovery through regulatory proceedings on a case-by-case basis and seek incentives for early compliance with new mandatory cybersecurity standards.

Inflation Reduction Act (IRA): On June 21 the Internal Revenue Service (IRS) published the 2023 inflation reference price and adjustment factors, which determine renewable energy tax credit levels. It provides that the 2023 inflation-adjusted production tax credit (PTC) for wind and solar projects that meet labour requirements is 2.8 cents per kWh for facilities placed in service before 2022 and 2.75 cents per kWh for facilities placed in service from 2022 onwards.

The Department of the Treasury released the requirements for securing the renewable energy tax bonus credits under the IRA related to domestic content and energy communities.

1. For domestic content, an additional 10 per cent bonus credit is available if certain requirements are met, such as the project components being produced in the U.S.
2. For energy communities, an additional 10 per cent bonus credit is available if the energy projects are located in designated areas such as those that have historically been based on fossil fuel and have high unemployment rates (coal mines or coal-powered electricity plants). Eligible projects can take advantage of both credits.

Permit granting: In May, House of Representatives Speaker Kevin McCarthy and President Joe Biden crafted a deal, HR 2811 'Limit, Save, Grow Act of 2023' to avoid hitting the national debt ceiling. The debt limit is expected to be reached in January 2025. The deal included requirements for improved timelines for the environmental review of energy projects, which may help accelerate overall permit granting timelines.

Tariffs: In June 2022, the Commerce Department ordered a two-year freeze on new tariffs for solar panel imports from selected Southeast Asian nations. In May 2023, Congress passed a bill repealing the two-year moratorium; however, President Biden vetoed the measure and the proposed law was defeated.

Offshore wind: On 22 February the Department of the Interior published an announcement of proposed sale of offshore wind energy for the Gulf of Mexico (three areas covering a total of approximately 300,000 acres) and opened a 60-day public consultation period. An auction is expected to be held later in 2023 (Q3-Q4). In March, the Department of Energy published its strategy concerning offshore wind energy, which entails an overall summary of the agencies' efforts to meet President Biden's objective of deploying 30 GW of offshore wind energy by 2030. The strategy pivots on four pillars:

1. Reduction in offshore wind energy costs to USD 51 per MWh by 2030.
2. Reduction in floating offshore wind energy costs to USD 45 by 2035.
3. Enabling reliable and strong transmission solutions for the use of offshore wind energy.
4. Expanding offshore wind energy cogeneration technologies to achieve widespread electrification and decarbonisation.

Maine – Rate Case: On 11 August 2022, CMP submitted a three-year rate plan for the period between May 2023 and 9 May 2026. Specifically, increases in distribution revenues were requested in the amount of USD 48 million, USD 28 million and USD 23 million for each year. Subsequent to the submission of the plan, the Company reached a Stipulated Agreement with the Office of the Ombudsman and submitted the agreement to the Commission on 31 May 2023. The Stipulation provides for a two-year forward-looking rate plan based on a 9.3% ROE and a 50% equity capital ratio with increases to occur in four equal levelised amounts every six months beginning on 1 July 2023. The Stipulation also includes progressive 50% earnings sharing for earnings in excess of 100 basis points over CMP's allowed ROE. No party opposed the Stipulation and it was approved in its entirety by the MPUC on 6 June 2023.

NY – CLCPA phase 2: The NYPSC has issued an Order authorising 62 initiatives for phase 2 of the Climate Leadership Act (CLCPA). The initiatives are in addition to those included in rate cases and involve an investment of USD 4,400 million (USD 2,200 million for NYSEG/RGE). The projects associated with these initiatives will be placed into operation between 2024 and 2030.

NY – COVID-related delinquency recognition: At the end of January, the NY Governor announced the approval of the second phase of the plan to compensate companies for the delinquency experienced because of COVID. This second phase will allow NY utilities to recover USD 672 million (USD 32 million NYSEG&RGE) via tariffs. The recovery of USD 590 million (USD 50 million NYSEG & RGE) was authorised during the first phase.

New York – Rate Case: On 26 May 2022, NYSEG and RG&E submitted a new one-year rate plan, as is the custom in New York, with the NYPSC. The Companies expressed interest in exploring a multi-year plan during the pendency of the case and entered into negotiations with the Department of Public Service (DPS) staff and other interested parties in October 2022.

On 14 June 2023, NYSEG and RG&E submitted to the NYPSC, along with the DPS Staff and seven other interested parties (supporting in full or in part), an agreement on the 2023 Joint Proposal (JP) for a three-year rate plan to provide gas and electricity supply services from 1 May 2023 to 30 April 2026.

The allowed rate of return on equity for NYSEG Electric, NYSEG Gas, RG&E Electric and RG&E Gas is 9.20%. The equity ratio for each business is 48.00%. The 2023 JP also includes earnings sharing bands for earnings in excess of 50 basis points of the 9.20% ROE using an equity ratio of 50.00%.

The 2023 JP is now before the NYPSC for additional processing and the issuance of a ruling. The hearing on the 2023 JP began on 17 July 2023.

Connecticut - UI: On 9 September 2022, UI filed a distribution revenue requirement case. UI's filing proposes a three-year rate plan running from 1 September 2023 to 31 August 2026. UI is requesting that PURA approve new distribution rates to recover an increase in revenue requirements of approximately USD 91 million in UI Rate Year 1, an additional increase of approximately USD 17 million in UI Rate Year 2, and a supplementary increase of approximately USD 20 million in UI Rate Year 3, compared to the distribution revenues that would otherwise be recovered under UI's current rates. The request thus entails increasing the amount that UI would recover under its current rate schedule. The resolution of the case is expected to take approximately one year, with new rates expected to come into effect in or around September 2023.

Mexico

SENER and CRE ordered time periods suspended due to COVID-19 to resume running: On 1 March 2023, the Ministry of Energy (SENER) and the Energy Regulatory Commission (CRE) ordered that the time periods for processing applications and procedures, which had been suspended due to COVID-19, resume running. In the case of SENER, the time periods had been suspended since March 2020, and since January 2021 in the case of the CRE.

For SENER, it was established that applications would be processed based on the date on which the application was received, while in the case of the CRE, applications will be processed gradually in order to catch up by the end of 2024.

As for new applications, the Resolution establishes that in order to process ongoing requests, the CRE will restrict the number of applications received per month, with only 15 for the electricity sector.

Publication of the National Electricity System's 2022 Emission Factor: On 27 February 2023, the Energy Regulatory Commission (CRE) published on its website the Emission Factor for the National Electricity System for the year 2022. This factor relates to the CO₂ equivalent emissions per unit of energy generated in the National Electricity System (SEN) in 2022. The emission factor was determined at 0.435 tCO₂e/MWh, representing a 3% increase compared to the 2021 value (0.423 tCO₂e/MWh).

There had been a consistent decrease in the emission factor at the national level since 2017, reflecting the integration of clean energy into the SEN. However, the current increase in the emission factor is a result of the rebound in energy demand following COVID-19 and a reduction in clean energy generation in 2022.

Capacity Balance Market 2023: On 28 February 2023, the National Energy Control Centre (CENACE) conducted the Capacity Balance Market (*Mercado para el Balance de la Potencia*) (MBP) for Production Year 2022. For the first time a higher Net Capacity Price in the National Interconnected System (SIN) was observed in Baja California (BCA). The Net Capacity price in the SIN in 2022 was USD 149 thousand/MW-year (MXN 3,011 thousand/MW-year). The price in 2021 was zero.

The increase is mainly accounted for by the upturn in demand (up 3.5% in 2022). In addition, the capacity zones of Baja California and Baja California Sur (BCS) had capacity shortfalls as in previous years.

Criteria for determining efficient cogeneration and determining Fuel-Free Energy: On 26 May 2023, the Energy Regulatory Commission (CRE) published a Resolution in the Official Journal of the Federation amending the methodologies for calculating fuel-free energy for thermal power plants. The amendment was intended to update the efficiency parameters for efficient cogeneration systems, as well as to allow for the certification of efficient cogeneration at plants linked to the oil industry. It also contemplated certifying part of the energy from cooling systems and steam turbines of natural gas-fired combined cycle power plants as fuel-free energy.

The methodologies involved allow part of the energy generated from thermal power plants to be considered as clean energy and those generated after 2014 to be eligible for Clean Energy Certificates.

In the Programme for the Development of the National Electricity System (PRODESEN) 2023 – 2037, the Ministry of Energy estimated that as a consequence of the Resolution, clean energy in Mexico in 2022 increased from 25.48% to 31.2% of total energy, thus nearing the target of 35% by 2024.

Status of the Santiago Eólico wind farm: On 6 June 2023, the CRE approved the generation permit under the Electricity Industry Act for the Santiago wind farm. The permit approved an installed capacity of 105 MW in the municipality of San Felipe Guanajuato. The Santiago Eólico wind farm has been disconnected from the National Electricity System since November 2022.

Correction to Revenue Sufficiency Guarantee: On 5 June 2023, the CRE instructed the System Operator (CENACE) to correct the Revenue Sufficiency Guarantee (*Garantía de Suficiencia de Ingresos*) (GSI) payment that was generated in the period running from 12 to 19 February 2021, and authorised CENACE to carry out an additional re-calculation. In February 2021, a cold snap triggered an increase of more than 2,500% in natural gas prices.

In August 2021, the CRE had authorised the payment of the Revenue Sufficiency Guarantee to thermal power generators. However, through the additional re-calculation, the reference gas price values have been updated, meaning that CENACE must re-settle figures for all market participants that submitted offers for the sale of electricity and associated services with natural gas. The payment of the Revenue Sufficiency Guarantee will allow the affected plants to recover the opportunity cost of the energy generated.

Brazil

Regulatory framework for micro- and mini-distributed generation: In February, ANEEL Normative Resolution no. 1059/2023 was published, implementing Law 14.300/2022, which is considered the legal framework for micro- and mini-distributed generation. The approved rules cover, among others, the procedures for charging for the use of the distribution network and the deadline for the distributor to carry out the system connection works. ANEEL Normative Resolution no. 1060/2023 was also published, establishing how to include the cost of the tariff benefits of the participants in the Electricity Compensation System in the Energy Development Account and in the tariff processes of the distributors, in order to adapt the Tariff Regulation Procedures to Law 14.300/2022.

Regulatory Rate of Return on Capital: In February, ANEEL's Board of Directors approved the values of the Regulatory Rates of Return on Capital for the distribution, transmission and generation sectors, to be applied to tariff processes from 1 March 2023 until 29 February 2024. Following a review of the appeal submitted, the calculated values for the WACC rate were amended, bringing the final rates to 7.4252% for distribution and 7.2607% for generation and transmission.

Tariff reviews at Neoenergia Coelba and Neoenergia Cosern: In April, ANEEL's Board of Directors published the Periodic Tariff Reviews at Neoenergia Coelba and Neoenergia Cosern, respectively, which came into force on 22 April. The average impact for Neoenergia Coelba consumers is 8.18% (6.91% for high and medium voltage and 8.66% for low voltage) and for Neoenergia Cosern consumers it is 4.26% (3.65% for high and medium voltage and 4.45% for low voltage).

Tariff adjustment at Neoenergia Pernambuco: In April, the validity of Neoenergia Pernambuco's tariffs was extended, and in May, ANEEL's Board of Directors published the distributor's annual tariff adjustment, effective from 14 May 2023. The average impact for consumers was 9.02% (10.41% for high and medium voltage and 8.51% for low voltage).

Periodic Tariff Review at transmission companies: On 20 June, ANEEL Confirming Resolution no. 3205 was published, with the partial result of the 2023 Periodic Tariff Review of the Annual Permitted Revenues of 58 transmission concessionaires, seven of which are Neoenergia Group transmission companies. The authorised percentages for each transmission company came into effect on 1 July, the review date provided for in the concession contracts.

NEOENERGIA TRANSMISSION COMPANY	REVISED BID REVENUES JUN/22 (THOUSANDS OF BRL)	NOMINAL REPOSITIONING RATE
Narandiba (SE Brumado II)	2,622.51	4.27%
Dourados	89,240.76	0.69%
Atibaia	18,261.25	1.66%
Biguaçu	17,967.53	1.74%
Sobral	16,628.81	1.70%
Jalapão	169,189.27	1.42%
Santa Luzia	76,997.70	1.45%

Result of the 1st Transmission Auction 2023: On 30 June, the 1st Transmission Auction of 2023 was held, in which 9 pots were offered to provide the public transmission service for a 30-year period. The event featured the auction of concessions for the construction and maintenance of 6,184 kilometres of transmission lines and 400 MVA in substation transformation capacity in the states of Bahia, Espírito Santo, Minas Gerais, Pernambuco, Rio de Janeiro, São Paulo and Sergipe. The discount on the maximum Permitted Annual Revenues was 50.97% compared to the initial estimated value of BRL 2,600 million set by ANEEL. Neoenergia was not awarded any of the auctioned pots.

European Union

Publication of new Guidelines on State aid for environmental protection and energy:

Processing of the Fit for 55 legislative package, which began in July 2021, continued during the first quarter of 2022. These proposals aim to define 2030 targets compatible with climate neutrality by 2050. Negotiations between the European Commission, Council and Parliament on several of the dossiers (e.g. Emissions Trading, Renewable Energy and Efficiency Directives, etc.) have now been concluded, with the first rules having been published in the OJEU in the second quarter of 2023. The negotiation and publication of the remaining dossiers is expected to be completed over the course of the rest of the year.

The Commission has also developed proposals in two key areas.

On 2 February, the European Commission released its communication of a "Green Deal Industrial Plan for the Net-Zero Age", outlining the EU's response to the US Inflation Reduction Act (IRA). The IRA combines a set of regulatory measures with USD 360,000 million in financial support for energy transition activities and technologies in the US.

Highlights of the Industrial Plan include regulatory measures, comprising a Net-Zero Industry Act to promote European technological autonomy for the energy transition and a Critical Raw Materials Act to secure the supply of materials needed for such technologies (both initiatives are at the processing stage).

Similarly, and in relation to both the above policies and the steps taken in the energy markets in response to the crisis in Ukraine, the Commission has proposed adjustments to the design of the electricity market aimed at:

Facilitating free forward contracting of renewable energy

- Improving integration of renewable energy into the market with support in the form of contracts for difference
- Boosting forward markets liquidity
- Promoting flexibility via demand-side participation and investments in storage
- Greater consumer protection

Changes to the market design are currently being processed by the Council and Parliament and may be finalised by the end of 2023.

Lastly, noteworthy European regulations published in the OJEU in 2023 include:

1. Regarding National Plans and anti-crisis measures

- Regulation (EU) 2023/435 of 27 February 2023 amending certain aspects of the Recovery and Resilience Facility to facilitate the financing of the REPowerEU Plan (OJEU 28 February 2023). It establishes arrangements to contribute EUR 20,000 million for the REPowerEU Plan, 60% from the Innovation Fund (emission allowances made available to the Commission to auction towards investments in innovation and climate) and 40% from allowances that Member States would otherwise have auctioned between 1 January 2027 and 31 December 2030. First auctions in July 2023.
- Regulation (EU) 2023/706 of 30 March 2023 (OJEU 31 March) extending the application of Regulation (EU) 2022/1369 of 5 August 2022 by one year until 31 March 2024. This last regulation provided for a voluntary reduction of gas demand in each Member State (15%) during the period running from 1 August 2022 to 31 March 2023, but which could be binding in the event of an alert. The target for demand reduction could, in addition, be lowered to 8%, if a Member State were to demonstrate a low level of primarily export-oriented interconnection.
- Commission Notice (2022/C 495/02) on the guidance to Member States for the update of the 2021-2030 national energy and climate plans (NECPs) (OJEU 29 December 2023). It sets out the Guidelines for the submission by Member States of updates of their NECPs, in accordance with the REPowerEU Plan, by 30 June 2023 (draft plans) and June 2024 (final plans). In this regard, the Spanish NECP proposal was published before 30 June and is open for public consultation until 4 September 2023.

2. Regarding carbon emissions

- Directive (EU) 2023/959 of 10 May 2023 on trading of emission allowances.
 - The Directive is geared towards reducing emissions in the EU by 55% by 2030, in line with the Climate Act and with the climate neutrality target set for 2050. It increases the emissions reduction target in the affected sectors (originally, energy, industry and intra-EU aviation, 40% of emissions) from 43% to 62% compared to 2005.
 - States must earmark 100% of auction revenues for decarbonisation.
 - Creation of a new CO2 market (ETS2) for fuels supplied to road transport, buildings and heating, separate from the current ETS1.
 - Emissions from the maritime sector are phased in (Regulation (EU) 2023/957 of 10 May 2023) and aviation emissions are progressively tightened (Directive (EU) 2023/958 of 10 May 2023).
- Regulation (EU) 2023/956 of 10 May 2023 establishing a carbon border adjustment mechanism. The Regulation shifts carbon pricing on imports to the EU from a selection of sectors (which can be progressively extended) and envisions the gradual phasing out of free allocations of emission allowances to these sectors.
- Regulation (EU) 2023/857 of 19 April 2023, which establishes the binding allocation among the different Member States of the global commitment to reduce CO2 emissions in the sectors not covered by emissions trading (transport, buildings, agriculture, part of the industry and waste, 60% of emissions).
 - A target is set for the EU to reduce emissions by 40% in 2030 compared to 2005 (as opposed to the 29% target currently in force for 2030).
 - It is allocated among all Member States through binding targets (Spain -37.7% by 2030 compared to 2005). Each country decides what measures to apply.

3. Regarding other topics (mobility, hydrogen and energy efficiency, to be expanded and completed shortly)

- Regulation (EU) 2023/851 of 19 April 2023 on CO2 emissions from new passenger vehicles and vans. The Regulation envisions a gradual reduction in emissions from light-duty vehicles, until their complete elimination in 2035 (end of internal combustion vehicle registrations).
- Commission Delegated Regulation (EU) 2023/807 of 15 December 2022 on revising the primary energy factor for electricity, in terms favourable to further electrification.
- Commission Implementing Regulation (EU) 2023/1162 of 6 June 2023 on interoperability requirements and non-discriminatory and transparent procedures for access to metering and consumption data recorded by smart meters.
- Commission Delegated Regulations (EU) 2023/1184 and (EU) 2023/1185 of 10 February 2023 set out the necessary procedures and methodologies applicable to the production of renewable liquid and gaseous fuels of non-biological origin (hydrogen derivatives) and their impact on greenhouse gas emissions. These regulations are necessary to facilitate roll-out of the production of renewable hydrogen and its derivatives.

**CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

1. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023

1.1 Currency performance

In the first half of 2023, the average exchange rates of IBERDROLA's main reference currencies, namely the US dollar and the Brazilian real, appreciated against the euro by 1.9% and 1.0%, respectively, while the pound sterling depreciated by 4.6%, generating a negative impact of EUR 53 million on EBITDA.

1.2 Demand

With regard to demand in the period across all of the Company's main areas:

- In Spain, the Energy Balance of the mainland system in the first half of 2023 saw an increase in hydroelectric (+38%), wind (+6%) and solar photovoltaic (+31%) production compared to the same period of the previous year, along with a decrease in nuclear (-2%), natural gas combined cycle (-31%) and coal (-52%) production.

In the first half of 2023, demand fell by 4.6% on the previous year, or 4.1% when adjusted for labour and temperature factors.

The first half of 2023 ended with a hydro producer index of 0.7 and hydro reserves at 50%, compared to 0.5 and 40% respectively for the same period in 2022.

- In the United Kingdom, electricity demand was down 2.7% in the first half of 2023 compared to the same period in 2022 and conventional gas demand fell by 9.9%.
- Demand for electricity in AVANGRID's area of operation on the east coast of the United States decreased by 5.4% in the period compared to the first half of 2022, while gas demand declined by 11.6% on 2022.
- Demand in Neoenergia's areas of operation in Brazil remained steady compared to 2022 and rose slightly by 0.2% in the first half of 2023.

1.3 Progress made towards key projects in the first half of the year

Framework co-investment agreement for the joint development of a portfolio of renewable assets in Spain (Note 5)

In January 2023, the IBERDROLA Group reached an agreement with NBIM Iberian Reinfra AS, part of Norges Bank, to sell 49% of a total project portfolio amounting to 1,265 MW (of which 137 MW are already in operation and 1,128 MW are currently under development). This portfolio of renewable energy projects is estimated to be worth EUR 1,225 million, bringing NBIM Iberia's total contribution to this portfolio, through its 49% stake, to approximately EUR 600 million.

The first assets are contributed in May 2023: the companies Energías Eólicas de Cuenca, S.A. and Sistemas Energéticos Loma del Viento, S.A.

Acquisition of a controlling stake in Energías Renovables Ibermap (Note 5)

On May 2023, Iberdrola and Mapfre added 150 MW of photovoltaic capacity to Energías Renovables Ibermap, a company jointly created two years ago, bringing the total capacity to 445 MW (295 MW wind and 150 MW photovoltaic). The assets incorporated are photovoltaic plants operating in Spain, with the IBERDROLA Group becoming the majority shareholder (51%).

Agreement to sell generation assets in Mexico (Note 8)

In April 2023, the IBERDROLA Group signed a memorandum of understanding between subsidiaries of Iberdrola Mexico and Mexico Infrastructure Partners (“MIP”), whereby Iberdrola has undertaken to divest a portfolio of 13 power generation assets in the country, including combined cycle plants and an onshore wind farm, for a total of USD 6,000 million. Iberdrola retains 45% of the business in Mexico, with 15 plants in operation, 9 of them renewable, and continues to be Mexico’s leading private generator of renewable energy.

In June 2023, Iberdrola signed a binding agreement confirming the memorandum of understanding signed two months earlier.

Agreement for the sale of transmission assets in Brazil (Note 8)

On 25 April 2023, the IBERDROLA Group’s subsidiary in Brazil, Neoenergia S.A., entered into an agreement with Warrington Investment Pte. Ltd, a company controlled by the Government of Singapore Investment Corporation (GIC), to sell 50% of the share capital of its subsidiary Neoenergia Transmissora 15 SPE S.A., which owns 8 transmission assets (1,865 km of lines). The agreed sale price was BRL 1,200 million, subject to possible adjustments upon completion of the transaction. In addition, both companies signed a framework agreement to jointly evaluate their participation in future bids for power transmission assets in Brazil.

1.4 Key operating figures

- **Installed capacity**

At the end of the first half of 2023, the IBERDROLA Group had 59,337 MW of installed capacity, a net 1,350 MW more than at year-end 2022. At 30 June 2023, IBERDROLA’s emission-free capacity reached 70.6% of total capacity (41,868 MW on a consolidated basis), compared to 69.2% at the end of 2022.

Installed capacity by technology and geographic region is as follows:

By technology	30.06.2023			31.12.2022			Chg. Consolidated MW
	Consolidated in EBITDA terms	Managed by investees (*)	Total	Consolidated in EBITDA terms	Managed by investees (*)	Total	
Renewable energy	38,691	2,656	41,347	37,341	2,725	40,066	1,350
Onshore wind	20,033	450	20,483	19,527	509	20,036	506
Offshore wind	1,370	—	1,370	1,258	—	1,258	112
Hydroelectric	11,654	2,194	13,848	11,654	2,194	13,848	—
Mini hydroelectric	247	—	247	254	2	256	(7)
Solar and other ^{(1) (2)}	5,189	12	5,201	4,455	20	4,475	734
Batteries	198	—	198	193	—	193	5
Thermal	20,646	51	20,697	20,646	51	20,697	—
Nuclear	3,177	—	3,177	3,177	—	3,177	—
Gas combined cycles	16,335	—	16,335	16,335	—	16,335	—
Cogeneration	1,134	51	1,185	1,134	51	1,185	—
Total power (MW)	59,337	2,707	62,044	57,987	2,776	60,763	1,350

By country	30.06.2023			31.12.2022			Chg. Consolidated MW
	Consolidated in EBITDA terms	Managed by investees (*)	Total	Consolidated in EBITDA terms	Managed by investees (*)	Total	
Spain	29,567	250	29,817	28,697	319	29,016	870
United Kingdom	2,977	15	2,992	2,993	15	3,008	(16)
United States ⁽²⁾	9,313	248	9,561	9,293	248	9,541	20
Mexico	11,197	—	11,197	11,197	—	11,197	—
Brazil	3,072	2,194	5,266	2,906	2,194	5,100	166
IEI	3,211	—	3,211	2,901	—	2,901	310
Total power (MW)	59,337	2,707	62,044	57,987	2,776	60,763	1,350

(¹) Includes the proportional part of MW.

(¹) Solar/photovoltaic capacity is reported in MWdc.

(²) In the United States, there are 13 MW of installed fuel cell capacity included in solar and other technologies.

The agreement to divest power plants in Mexico (Note 8) corresponds to a total installed capacity of 8,539 MW in Mexico, of which 8,436 MW correspond to gas-fired combined cycle power plants and 103 MW correspond to an onshore wind farm. The plants that would be part of the transaction are the combined cycle gas plants Monterrey I and II, Altamira III and IV, Altamira V, Escobedo, La Laguna, Tamazunchale I, Baja California and Topolobampo II and III, together with the La Venta III onshore wind farm, all operating under the Independent Power Producer Regime concluded with the Federal Electricity Commission, as well as the Monterrey III and IV, Tamazunchale II and Enertek private combined cycle gas power plants.

Changes in installed capacity are as follows:

- In Spain:
 - 7 MW were decommissioned at the Las Rozas mini-hydro plant;
 - 295 MW of wind power were added, following the takeover of Ibermap; and
 - 582 MW of new capacity were installed at solar photovoltaic plants.
- In the United Kingdom, the 16 MW Hagshaw Hill I plant was taken out of service as repowering work begins.
- In the United States, 20 MW of solar power were installed at the Montague plant.
- In Brazil, 160 MW were installed at the Oitis wind complex and 6 MW at the Luzia 2 solar plant.
- Capacity at Iberdrola Energía Internacional increased by 310 MW: 6 MW photovoltaic in Portugal at Montechorro I and II, 12 MW at the Askios II wind farm in Greece, 29 MW at the Korytnica II wind farm in Poland, 31 MW at the Flyers Creek wind farm and 120 MW photovoltaic at the Avonlie plant in Australia, and 112 MW at the Saint Briec offshore farm in France.

• Production

In the first half of 2023, the IBERDROLA Group's total production was up 5% to 79,094 GWh (75,616 GWh in the first half of 2022).

Production by technology and geographic region is as follows:

By technology	30.06.2023			30.06.2022			Chg. (%) – consolidated
	Consolidated in EBITDA terms	Managed by investees (*)	Total	Consolidated in EBITDA terms	Managed by investees (*)	Total	
Renewable	36,980	5,812	42,792	33,041	7,479	40,520	11.9
Onshore wind	22,006	528	22,534	22,803	597	23,400	(3.5)
Offshore wind	2,406	—	2,406	2,300	—	2,300	4.6
Hydroelectric	9,445	5,270	14,715	5,851	6,864	12,715	61.4
Mini hydroelectric	212	—	212	230	4	234	(7.8)
Solar and other	2,911	14	2,925	1,857	14	1,871	56.8
Thermal	42,114	160	42,274	42,575	122	42,697	(1.1)
Nuclear	12,155	—	12,155	11,505	—	11,505	5.6
Gas combined cycles	27,538	—	27,538	28,490	—	28,490	(3.3)
Cogeneration	2,421	160	2,581	2,580	122	2,702	(6.2)
Total production (GWh)	79,094	5,972	85,066	75,616	7,601	83,217	4.6

By country	30.06.2023			30.06.2022			Chg. (%) – consolidated
	Consolidated in EBITDA terms	Managed by investees (*)	Total	Consolidated in EBITDA terms	Managed by investees (*)	Total	
Spain	30,533	397	30,930	27,065	401	27,466	12.8
United Kingdom	3,483	5	3,488	4,148	3	4,151	(16.0)
United States	11,988	300	12,288	11,466	333	11,799	4.6
Mexico	26,831	—	26,831	27,887	—	27,887	(3.8)
Brazil	3,414	5,270	8,684	2,597	6,864	9,461	31.5
IEI	2,845	—	2,845	2,453	—	2,453	16.0
Total production (GWh)	79,094	5,972	85,066	75,616	7,601	83,217	4.6

(*) Includes the proportional part of MW.

• Retail supply

– Spain

The IBERDROLA Group's electricity sales in the first half of 2023 were down 4.8%, as a result of lower spot sales, and are distributed as follows:

Spain	30.06.2023	30.06.2022	Change (%)
Open market	34,428	32,443	6.1
Voluntary Price for Small Consumers	3,188	3,675	(13.3)
Other markets	6,474	10,205	(36.6)
Electricity sales (GWh)	44,090	46,323	(4.8)

– United Kingdom

In the period ended 30 June 2023, 8,235 GWh of electricity (9,919 GWh in the first half of 2022) and 12,548 GWh of gas (13,838 GWh in the first half of 2022) were supplied to customers, 17.0% less and 9.3% less, respectively, than in the same period of 2022.

– Mexico

Electricity sales in the first half of 2023 amounted to 26,716 GWh, down 7.8% on the same period of 2022, with the following breakdown:

Mexico	30.06.2023	30.06.2022	Change (%)
CFE	18,829	19,367	(2.8)
Private	7,887	9,621	(18.0)
Electricity sales (GWh)	26,716	28,988	(7.8)

– Brazil

Electricity sales in the first half of 2023 amounted to 8,463 GWh, up 5.2% on the same period of 2022, with the following breakdown:

Brazil	30.06.2023	30.06.2022	Change (%)
PPA	5,805	5,158	12.5
Open market	2,658	2,889	(8.0)
Electricity sales (GWh)	8,463	8,047	5.2

• Networks

In the first half of 2023, electricity distributed by the Group amounted to 114,938 GWh, down 2.9% on the same period of 2022. Gas distribution decreased by 11.6% to 33,941 GWh.

The breakdown by geographic region is as follows:

	30.06.2023	30.06.2022	Change (%)
Spain	43,195	45,118	(4.3)
United Kingdom	15,377	15,919	(3.4)
United States	18,010	18,997	(5.2)
Brazil ⁽²⁾	38,356	38,299	0.1
Total electrical distribution (GWh) (1)	114,938	118,333	(2.9)
United States	33,941	38,395	(11.6)
Total gas distribution (GWh)	33,941	38,395	(11.6)

(1) Reported in power station busbars.

(2) The units in Brazil are based on the energy injected into the grid, on which each licence receives its tariffs.

Electricity and gas supply points increased 1.2% against June 2022 to number over 34 million, thanks to organic growth across all geographies.

Millions	30.06.2023	30.06.2022	Change (%)
Spain	11.40	11.32	0.7
United Kingdom	3.55	3.55	—
United States	2.32	2.31	0.4
Brazil	16.19	15.88	2.0
Total electricity	33.46	33.06	1.2
United States	1.04	1.03	1.0
Total gas	1.04	1.03	1.0
Total supply points managed	34.50	34.09	1.2

1.5 Key figures of the consolidated income statement

Key figures for the first half of 2023 are as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Gross income	12,124	9,869	22.8
Gross operating profit – EBITDA	7,561	6,444	17.3
Net operating profit – EBIT	4,911	3,922	25.2
Net profit for the period attributable to the parent	2,521	2,075	21.5

1.5.1 Gross income

Gross income stood at EUR 12,124 million, up 22.8% on the same period in 2022 (EUR 9,869 million). The average exchange rate effect reduced this item by EUR 49 million; stripping out this impact, gross income would have improved to 23.3%.

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	4,581	3,039	50.7
United Kingdom	2,466	1,660	48.6
United States	2,512	2,725	(7.8)
Brazil	1,667	1,560	6.9
Mexico	585	571	2.5
IEI	307	312	(1.6)
Other business, Corporation and adjustments	6	2	200.0
Total gross income	12,124	9,869	22.8

- In Spain, gross income was up EUR 1,542 million (+50.7%) to reach EUR 4,581 million.
 - In the Networks business, the improvement was EUR 220 million. The comparison is affected by the recognition of a provision of EUR 195 million in the first half of 2022 to cover the effects of Order 490/2022, enforcing Supreme Court judgment 481/2020, which was overturned in the second half of the year.
 - Gross income for the Customers business improved significantly by EUR 1,473 million, thanks to decreased energy purchases at exceptionally high prices in the first half of 2022; increased energy supplied, largely due to the sales policy in Spain, which has managed to attract customers with fixed price offers in an environment of highly volatile market prices; and management of the gas business.
 - The Renewable Energy and Sustainable Generation business reduced its contribution by EUR 157 million, mainly due to the decline in market prices despite higher production (+4.1 TWh), especially hydroelectric and nuclear.
 - The Corporation and inter-business disposals account for the rest of the improvement of EUR 6 million.
- The United Kingdom increased its contribution by 48.6%, or EUR 806 million, to EUR 2,466 million.
 - The Networks business increased its contribution by EUR 48 million, with a negative effect of EUR 37 million, without which the improvement would have been EUR 85 million, thanks to the higher contribution from the distribution business following the entry into force of the new ED2 regulatory framework and the increase in the asset base.

- The Customer business increased its contribution by EUR 800 million after adjusting for the negative exchange rate effect of EUR 55 million. Most of the impact was due to the recovery of the deficit generated in 2022 by the SVT regulated tariff.
- The Renewable Energy and Sustainable Generation business reduced its contribution by EUR 37 million, comprising a lower contribution from the business of EUR 10 million and a negative exchange rate effect of EUR 27 million.
- The contribution made by the Corporation was down EUR 5 million.
- The United States' contribution in the period decreased by EUR 213 million (7.8%) to EUR 2,512 million.
 - The Networks business decreased its contribution by EUR 282 million, including a EUR 35 million positive exchange rate effect. The comparison is influenced by the recognition in the first quarter of 2022 of cost reconciliations included in tariff orders.
 - The Renewable Energy and Sustainable Generation business contributed EUR 69 million more than in the first half of 2022, of which EUR 11 million was due to the exchange rate effect, with higher production thanks to higher capacity brought online and lower prices but offset by the improvement in the non-renewable business.
- Gross income in Brazil amounted to EUR 1,667 million, increasing its contribution by EUR 107 million (+6.9%).
 - The Networks business improved by EUR 112 million on the back of the positive effect of distributor tariff adjustments, but also favoured by the exchange rate performance, which amounted to EUR 15 million.
 - Gross income from the Customers business declined by EUR 38 million without considering the exchange rate effect of EUR 1 million. The reduction in gross income is explained by the favourable situation of the Termope plant in 2022 and the possibility to buy power on the market at low prices to comply with the PPA, as the plant has been affected by gas restriction shutdowns in both years.
 - The Renewable Energy and Sustainable Generation business improved by EUR 33 million, thanks to the increased capacity of the Oitis wind farm and the commissioning of the Luzia solar plant.
- Gross income in Mexico stood at EUR 585 million, up 2.5% compared to the same period in 2022, i.e. EUR 14 million and with a negative exchange rate effect of EUR 9 million.
 - The Customers business was up by EUR 34 million, including a EUR 9 million positive exchange rate effect, and
 - The Renewable Energy reduced its gross income by EUR 22 million and with a positive exchange rate effect of EUR 2 million.
- Iberdrola Energía Internacional contributed EUR 307 million to Gross Income, down 1.6% year-on-year (by EUR 5 million, of which EUR 4 million was due to exchange rate effects). The higher wind income from offshore wind farms was offset by a reduction in onshore wind income.

1.5.2 Gross operating profit – EBITDA

Gross operating profit (EBITDA) for the first half of 2023 was up EUR 1,117 million (17.3%) to reach EUR 7,561 million (H1 2022: EUR 6,444 million). The exchange rate effect was negative at EUR 53 million.

Gross operating profit (EBITDA) by country is as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	3,132	2,051	52.7
United Kingdom	1,857	1,101	68.7
United States	973	1,464	(33.5)
Brazil	1,207	1,187	1.7
Mexico	423	429	1.4
IEI	208	224	(7.1)
Other business, Corporation and adjustments	(239)	(12)	1,891.7
Total EBITDA	7,561	6,444	17.3

In addition to the performance in gross income explained above, net operating expenses increased by EUR 413 million, or 16.6%, to EUR 2,905 million, while the exchange rate effect was not significant (EUR 4 million).

Net operating expenses per country are as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	655	650	0.8
United Kingdom	433	450	(3.8)
United States	1,084	818	32.5
Brazil	455	368	23.6
Mexico	159	139	14.4
IEI	93	57	63.2
Other business, Corporation and adjustments	26	10	160.0
Total net operating expenses	2,905	2,492	16.6

Taxes other than income tax rose by EUR 725 million to reach EUR 1,658 million, compared to EUR 933 million in the same period of 2022. The increase is explained by the annual impact of the new temporary energy levy of 1.2% on sales in Spain, amounting to EUR 216 million, and other minor effects such as the higher hydroelectric royalty caused by increased production with this technology and the higher expenditure on the “Bono Social”, following its approval at the end of March 2022.

Taxes other than income tax by country are as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	794	338	134.9
United Kingdom	176	109	61.5
United States	455	443	2.7
Brazil	5	5	—
Mexico	3	3	—
IEI	6	31	(80.6)
Other business, Corporation and adjustments	219	4	5,375.0
Total taxes other than income tax	1,658	933	77.7

1.5.3 Net operating profit – EBIT

Net operating profit – EBIT came to EUR 4,911 million, up 25.2% on the first half of 2022 (EUR 3,922 million). The exchange rate effect under this heading is negative at EUR 43 million.

Net operating profit (EBIT) by country is as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	2,286	1,244	83.8
United Kingdom	1,316	573	129.7
United States	240	802	(70.1)
Brazil	874	902	(3.1)
Mexico	340	311	9.3
IEI	120	137	(12.4)
Other business, Corporation and adjustments	(265)	(47)	463.8
Total EBIT	4,911	3,922	25.2

Amortisation, depreciation and provisions and impairment losses on trade receivables and contract assets increased by EUR 128 million. The exchange rate effect had a positive impact of EUR 10 million on these items:

- impairment losses on trade receivables and contract assets were up EUR 62 million to EUR 293 million, and
- amortisation, depreciation and provisions were up EUR 66 million to EUR 2,357 million, compared to EUR 2,291 million in 2022.

Amortisation, depreciation and provisions and valuation adjustments by country are as follows:

Millions of euros	30.06.2023	30.06.2022	Change (%)
Spain	846	807	4.8
United Kingdom	541	528	2.5
United States	733	662	10.7
Brazil	333	285	16.8
Mexico	83	118	(29.7)
IEI	88	87	1.1
Other business, Corporation and adjustments	26	35	(25.7)
Total amortisation, depreciation and provisions	2,650	2,522	5.1

1.5.4 Net finance income

Financial losses increased by EUR 211 million to reach EUR 1,127 million (compared to EUR 916 million in the same period of 2022), with the following itemised breakdown of this change:

Millions of euros	30.06.2023	30.06.2022	Change
Gains/(losses) on debt	(1,130)	(887)	(243)
Derivatives and other	3	(29)	32
Total	(1,127)	(916)	(211)

The change can be largely explained by:

- Gains on debt increased by EUR 243 million; EUR 2 million due to the appreciation of foreign currencies against the euro, EUR 123 million due to a higher average balance and EUR 118 million due to rising interest rates.

- Remaining items represent an improvement of EUR 32 million, due to the effect of exchange rate hedges, primarily in USD and BRL.

Adjusted average cost of net financial debt rose 64 basis points to 5.05%, compared to 4.41% in the same period of the previous year. This higher cost is a result of recent central bank interest rate hikes to curb inflation. In Brazil, the impact of inflation on debt costs is offset by the distributors' operating profit, which is tied to inflation. Cost of debt excluding Brazil was up by 82 basis points (from 2.86% to 3.68%).

1.5.5 Results of equity-accounted investees

The results of equity-accounted investees show a profit of EUR 2 million compared to profits of EUR 225 million in the same period of 2022, which were due to the positive non-recurring effect of the restructuring agreement reached with Copenhagen Infrastructure Partners (Note 5) on the offshore wind assets in the United States, generating a positive impact of EUR 212 million in the accounts at 30 June 2022.

1.5.6 Profit before tax

Profit before tax amounted to EUR 3,786 million, compared to EUR 3,231 million in the first half of 2022.

1.5.7 Taxes

Income tax expense from continuing operations was down EUR 316 million to EUR 1,016 million.

The effective tax rate for the six months ended 30 June 2023 was 23.69%, compared to 23.71% for the six months ended 30 June 2022.

The comparison is affected by the effect of the increase in the UK tax rate from 19% to 25% in 2022, which resulted in an increase of EUR 480 million in the first half of the year.

1.5.8 Net profit for the period attributable to the parent

Net profit for the period attributable to the parent amounted to EUR 2,521 million, up 21.5% on the figure reported in the same half of 2022 (EUR 2,075 million).

1.6 Key figures of the consolidated statement of financial position

The IBERDROLA Group's statement of financial position at 30 June 2023 showed total assets of EUR 145,943 million, confirming its strong financial position.

- **Investments in Property, plant and equipment**

Total net investments in property, plant and equipment from January to June 2023, as disclosed in Note 7, amounted to EUR 3,298 million.

Investments were concentrated at the Renewables and Networks businesses, with the following breakdown:

30.06.2023	Millions of euros	% of total invested
Customers business	149	4.5
Renewable Energy and Sustainable Generation Business	1,728	52.4
Networks business	1,406	42.6
Other businesses and Corporation	15	0.5
Total	3,298	100.0

Key investments in the field of renewable energies:

- Spain (EUR 501 million) in photovoltaic and wind power projects;
- The United Kingdom (EUR 319 million), mainly in the East Anglia 3 offshore wind complex and other wind power projects;
- United States (EUR 290 million), primarily in Vineyard Wind and photovoltaic and wind power projects;
- Mexico (EUR 2 million) in wind power projects;
- Brazil (EUR 61 million) in the Oitis wind power complex and Luzia solar project; and
- IEI (EUR 555 million), in the construction of offshore wind projects in France (St Brieuc) and Germany (Baltic Eagle) and in photovoltaic and wind projects in Greece, Italy, Portugal and Australia.

At the Networks business, investments were made in Spain (EUR 277 million), the United Kingdom (EUR 336 million), the United States (EUR 792 million) and Brazil (EUR 1 million).

By geographical area, investments in the period were distributed as follows:

30.06.2023	Millions of euros	% of total invested
Spain	835	25.3
United Kingdom	710	21.5
United States	1,082	32.8
Mexico	37	1.1
Brazil	64	1.9
Iberdrola Energía Internacional	555	16.9
Other business, Corporation and adjustments	15	0.5
Total	3,298	100.0

• Capital

Following completion of the scrip issue on 5 February 2023 as part of the Iberdrola Retribución Flexible optional dividend programme, the Company's share capital at 30 June 2023 amounted to 6,446,364,000 bearer shares, each with a par value of EUR 0.75 (Note 11).

In keeping with the announced commitment to keep the number of shares stable at 6,240 million, the shareholders at the General Shareholders' Meeting approved a share capital reduction through the redemption of 206,364,000 treasury shares, representing 3.201% of the Company's share capital. The capital reduction took place on 6 July 2023 (Note 22).

- **Debt structure**

Adjusted net financial debt at 30 June 2023 was up EUR 1,541 million compared to 31 December 2022 and EUR 3,573 million compared to the same period in the previous year, standing at EUR 45,290 million (EUR 43,749 million at 31 December 2022 and EUR 41,717 million at 30 June 2022).

Millions of euros	30.06.2023	31.12.2022	30.06.2022
Parent	42,876	41,118	44,034
Non-controlling interests	16,806	16,995	16,505
Equity	59,682	58,113	60,539
Derivatives on treasury shares with physical settlement that at this date are not expected to be executed	470	436	278
Adjusted equity	60,152	58,549	60,817
Bank borrowings, bonds or other marketable securities (Note 15).	45,476	46,587	43,584
Derivative financial liabilities	1,267	95	1,139
CSA derivatives value guarantee deposits	116	960	93
Leases	2,597	2,438	2,541
Gross financial debt (A)	49,456	50,080	47,357
Derivatives on treasury shares with physical settlement that at this date are not expected to be executed (B)	470	436	278
Adjusted gross financial debt (C=A-B)	48,986	49,644	47,079
Derivative financial assets	1,024	1,082	1,013
CSA derivatives value guarantee deposits	115	107	198
Non-current financial deposits	91	80	99
Short-term financial investments (between 3 and 12 months)	12	18	27
Cash and cash equivalents (Note 10)	2,454	4,608	4,025
Total cash assets (D)	3,696	5,895	5,362
Net financial debt (A-D)	45,760	44,185	41,995
Adjusted net financial debt (C-D)	45,290	43,749	41,717
Adjusted net gearing	42.95 %	42.77 %	40.70 %

The derivative financial instruments shown in the table above do not include those related to the price of commodities.

The structure by currency of the debt classified under “Bank borrowings, bonds or other marketable securities” after hedging is shown in Note 15.

As per the Group’s policy of minimising financial risks, foreign currency risk continues to be mitigated by financing the international businesses in their local currency (pound sterling, real, dollar) or functional currency (dollar, in the case of Mexico). Interest rate risk is mitigated by issuing fixed-rate debt, derivatives and hedging of future financing.

The breakdown of adjusted gross financial debt by source of financing is as follows:

	30.06.2023	31.12.2022
Bond market – EUR	21.6%	23.1%
Bond market – USD	18.9%	19.6%
Bond market – GBP	6.5%	6.8%
Other capital markets	5.5%	5.4%
Commercial paper	9.8%	8.8%
Multilateral	15.8%	15.6%
Structured financing	0.3%	0.0%
Leases	5.6%	6.5%
Bank financing	16.0%	14.2%
Total	100.0%	100.0%

At 30 June 2023, ESG funding totalled EUR 49,802 million, including sustainable credit facilities and the sustainable ECP programme. Counting the financing operations signed after 30 June (Note 22), this figure climbs to EUR 50,652 million. The IBERDROLA Group is the world's leading private corporate group when it comes to green bonds issued.

During the six months ended 30 June 2023, ESG financing amounted to EUR 2,590 million (Notes 11 and 15). If we include transactions signed after 30 June 2023, which came to EUR 850 million (Note 22), it makes a total of EUR 3,440 million. The breakdown by product is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Hybrid bond	11	1,000	—	1,000
Senior bond	15 and 22	850	—	850
Bank loans	15	28	—	28
Multilateral loans	15	1,356	—	1,356
Development bank and ECA loans	15	206	—	206
Total new ESG financing		3,440	—	3,440

The IBERDROLA Group presents a comfortable profile of debt maturities, with its adjusted gross financial debt having an average life of some six years.

- Liquidity**

The IBERDROLA Group had a strong liquidity position of EUR 19,440 million at 30 June 2023 (Note 15). Counting the financing operations signed after 30 June, this figure rises to EUR 20,290 million (Note 22).

This liquidity comes mainly from syndicated credit facilities signed with relationship banks, undrawn loans with multilateral lenders and development banks and export credit agencies, as well as cash, cash equivalents and current financial investments. These liquidity transactions were concluded with highly creditworthy counterparties.

This liquidity position covers 21 months of the Group's financing needs in the base case and 19 months in the risk scenario.

1.7 Financial solvency

- Credit ratings of IBERDROLA's senior debt**

Agency	Long-term ⁽¹⁾	Outlook
Moody's	Baa1 (15/06/2012)	Stable (14/03/2018)
Fitch	BBB+ (02/08/2012)	Stable (25/03/2014)
Standard & Poor's	BBB+ (22/04/2016)	Stable (22/04/2016)

⁽¹⁾ The above ratings may be reviewed, suspended or withdrawn by the rating agency at any time.

- **Financial solvency ratios**

The calculation of the financial solvency ratios is shown below (*):

		30.06.2023	30.06.2022
Adjusted FFO / Adjusted net financial debt	%	24,9	24.7
Adjusted RCF / Adjusted net financial debt	%	20,8	22.4
Adjusted net financial debt / Adjusted EBITDA	Times	3.15x	3.18x

(*) Ratio calculations based on the last four quarters.

The IBERDROLA Group relies on the following main measures to assess cash generation for the period:

- Funds from Operations (FFO).
- Retained Cash Flow (RCF). FFO – Own dividend payments and to non-controlling interests – net flows from perpetual (hybrid) bonds.

These measures are calculated as follows:

Millions of euros	30.06.2023	30.06.2022
Net profit for the period attributable to the parent	4,785	4,429
Net profit for the year from discontinued operations	15	92
Valuation adjustment for trade and other receivables	532	428
Amortisation, depreciation and provisions	4,840	4,554
Result of equity-accounted investees	77	(181)
Discounting of provisions	131	129
Non-controlling interests	570	637
Dividends received	59	60
Capital grants taken to profit and loss	(86)	(81)
Non-cash tax effects	140	(9)
Tax deductibility of goodwill	71	71
Undue payments, Hydroelectric Levy	—	(585)
Other	—	29
Undue payments, Hydroelectric Levy ruling	—	826
"Bono Social" ruling	79	(90)
Nuclear fuel ruling	81	(81)
Funds from operations (FFO)	11,294	10,228
Exit plan	—	72
Adjusted funds from operations (FFO)	11,294	10,300
Dividends paid	(1,858)	(945)
Adjusted retained cash flow (RCF)	9,436	9,355

Millions of euros	30.06.2023	30.06.2022
EBITDA	14,345	13,006
Exit plan	—	95
Adjusted EBITDA	14,345	13,101

2. MAIN RISKS AND UNCERTAINTIES IN THE FIRST HALF OF 2023

The IBERDROLA Group's activities are structurally subject to various risks, essentially the same as those described in section 4 of the Management Report of the Iberdrola Group's Annual Financial Report for 2022, the most significant of which are as follows:

- a. Market: exposure to volatility in variables such as electricity and other energy commodities prices, emission allowances, exchange rates, interest rates, liquidity, inflation, raw materials, etc.
- b. Business: uncertainty linked to the behaviour of intrinsic business variables, including nature of demand, competitor strategy and the performance of hydro, wind and solar resources.
- c. Credit: contractual counterparty default, resulting in economic or financial losses, including settlement and replacement cost risks.
- d. Regulatory: changes in standards set by regulators that may affect the remuneration of regulated businesses, environmental or tax regulations, market design, network access, introduction of interventionist measures, tariffs, etc.
- e. Operational: notably those associated with the construction and operation of facilities, health and safety, supply chain, cyber security, extreme natural phenomena, etc.

With respect to year-end 2022, the following is now noteworthy: i) the signing of an agreement with the Mexican government to sell a significant portion of the Iberdrola Group's generation assets in that country; ii) the relative stabilisation of energy prices and the macro and commodity trends observed recently, although the upward trend in interest rates persists; and iii) the move to 2024 of the date expected for the integration of Avangrid and PNM Resources.

As described in Note 3 to the financial statements, the Group's activities show no significant degree of seasonal variation on a half-yearly basis and the main sources of estimates are as described in Note 4.

3. STOCK MARKET DATA – THE IBERDROLA SHARE

Stock market data:

		30.06.2023	30.06.2022
Stock market capitalisation	Millions of euros	77,034	63,706
Price / Book value			
(Stock market capitalisation / Equity of the Parent at the end of the period)	Factor	1,8	1.4
Number of shares outstanding	no.	6,446,364,000	6,437,563,000
Share price at period end	Euros	11.950	9.896
Average share price for the year	Euros	11.268	10.166
Average daily volume	no.	12,574,169	16,018,323
High at 21/04/2023 and 22/05/2022, respectively	no.	44,284,813	50,291,361
Low at 01/03/2023 and 17/05/2022, respectively	no.	4,459,476	5,239,815
Dividends paid (euros) ⁽¹⁾ :	Euros/share	0,501	0,449
- Interim, gross (31/01/2023 – 02/02/2022)	Euros/share	0.180	0.170
- Final, gross (28/07/2023 (provisional) and 29/07/2022)	Euros/share	0.316	0.274
- AGM participation dividend (20/06/2022)	Euros/share	0.005	0.005
Dividend yield ⁽²⁾	%	4.19%	4.54%

⁽¹⁾ Amount paid on account of the dividend under the *Iberdrola Retribución Flexible* system.

⁽²⁾ Interim dividend, final dividend and AGM participation dividend / period-end share price.

The IBERDROLA share:

Stock market performance of IBERDROLA versus the indexes:



4. ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with IFRS standards, this financial information includes certain Alternative Performance Measures (“APMs”) for the purposes of Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 and as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415en). APMs are measures of financial performance based on the financial information of Iberdrola, S.A. and its group companies that are not defined or detailed in the applicable financial reporting framework. These APMs are designed to contribute to a better understanding of the financial performance of Iberdrola, S.A., but are intended solely as additional information and in no case replace the financial information prepared under IFRS. Moreover, the way in which Iberdrola, S.A. defines and calculates these APMs may differ from that of other entities using similar measures and, therefore, the information may not be mutually comparable.

For further information on these matters, including their definition or the reconciliation between the relevant performance indicators and the consolidated financial information prepared in accordance with IFRS, see the information on Alternative Performance Measures available on the corporate website can be found at the following links:

- Definitions of Alternative Performance Measures

<https://www.iberdrola.com/documents/20125/42337/alternative-performance-measures-definitions.pdf>

- Alternative Performance Measures for the quarter

<https://www.iberdrola.com/documents/20125/3103725/alternative-performance-measures-23Q1.pdf>

AUTHORISATION FOR ISSUE

2023 – FIRST HALF

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM MANAGEMENT REPORT OF IBERDROLA, S.A. AND ITS SUBSIDIARIES

Mr José Ignacio Sánchez Galán
Chairman

Mr Armando Martínez Martínez
Chief executive officer

Mr Juan Manuel González Serna
First vice-chair and lead director

Mr Anthony Luzzatto Gardner
Second Vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director



FINANCIAL REPORT FOR THE FIRST HALF OF 2023 STATEMENT OF RESPONSIBILITY

The members of the Board of Directors of “Iberdrola, S.A.” state that, to the best of their knowledge, the interim condensed separate financial statements of “Iberdrola, S.A.”, as well as the interim condensed consolidated financial statements of “Iberdrola, S.A.” and its subsidiaries for the first half of fiscal year 2023, issued by the Board of Directors at its meeting of July 26, 2023, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of “Iberdrola, S.A.” as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the interim management report contains a fair assessment of the required information.

In Madrid, on July 26, 2023

Mr José Ignacio Sánchez Galán
Chairman

Mr Armando Martínez Martínez
Chief Executive Officer

Mr Juan Manuel González Serna
First Vice Chair and Lead independent director

Mr Anthony Luzzatto Gardner
Second Vice Chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
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Ms Sara de la Rica Goiricelaya
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Director

Ms Isabel García Tejerina
Director