ANNEX I

GENERAL

1st **HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR** **2020**

REPORTING DATE 30/06/2020

I. IDENTIFICATION DATA

Registered Company Name: IBERDROLA, S.A.

Registered Address: PLAZA EUSKADI, Nº 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)

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	Chairman & CEO
Mr. Juan Manuel González Serna	Vice-chair and lead director
Mr. Iñigo Víctor de Oriol Ibarra	Director
Ms. Samantha Barber	Director
Ms. María Helena Antolín Raybaud	Director
Ms. Georgina Kessel Martínez	Director
Mr. José Walfredo Fernández	Director
Mr. Manuel Moreu Munaiz	Director
Mr. Xabier Sagredo Ormaza	Director
Mr. Francisco Martínez Córcoles	Director- Business CEO
Mr. Anthony L. Gardner	Director
Ms. Sara de la Rica Goiricelaya	Director
Ms. Nicola Mary Brewer	Director
Ms. Regina Helena Jorge Nunes	Director

Date this half-yearly financial report was signed by the corresponding governing body: *21-07-2020*

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

ASSETS		CURRENT P. 30/06/2020	PREVIOUS P. 31/12/2019
A) NON-CURRENT ASSETS	**0040**	45,128,120	44,978,099
1. Intangible assets:	**0030**	105,428	109,087
a) Goodwill	**0031**		
b) Other intangible assets	**0032**	105,428	109,087
2. Property. plant and equipment	**0033**	283,497	283,337
3. Investment property	**0034**		
4. Long-term investments in group companies and associates	**0035**	43,299,891	43,456,096
5. Long-term financial investments	**0036**	440,561	113,176
6. Deferred tax assets	**0037**	329,440	347,388
7. Other non-current assets	**0038**	669,303	669,015
B) CURRENT ASSETS	**0085**	2,455,131	2,665,909
1. Non-current assets held for sale	**0050**		
2. Inventories	**0055**		
3. Trade and other receivables:	**0060**	310,318	213,905
a) Trade receivables	**0061**	126,138	101,553
b) Other receivables	**0062**	46,576	12,945
c) Current tax assets	**0063**	137,604	99,407
4. Short-term investments in group companies and associates	**0064**	1,762,495	2,308,858
5. Short-term financial investments	**0070**	37,390	52,879
6. Prepayments for current assets	**0071**	4,045	1,510
7. Cash and cash equivalents	**0072**	340,883	88,757
TOTAL ASSETS (A + B)	**0100**	47,583,251	47,644,008

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros EQUITY AND LIABILITIES		CURRENT P. 30/06/2020	PREVIOUS P. 31/12/2019
A) EQUITY (A.1 + A.2 + A.3)	0195	31,342,092	32,539,980
A.1) CAPITAL AND RESERVES	0180	31,357,361	32,558,764
1. Capital:	0171	4,840,194	4,771,554
a) Registered capital	0161	4,840,194	4,771,554
b) *Less: Uncalled capital*	0162		
2. Share premium	0172	14,443,366	14,512,006
3. Reserves	0173	3,077,143	3,092,476
4. *Own shares and equity holdings*	0174	(2,445,172)	(1,428,266)
5. Prior periods' profit and loss	0178	11,342,643	8,732,387
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	78,415	2,848,815
8. *Less: Interim dividend*	0176		
9. Other equity instruments	0177	20,772	29,792
A.2) VALUATION ADJUSTMENTS	0188	(15,269)	(18,784)
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182	(15,269)	(18,784)
3. Other	0183		
A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	0194		
B) NON-CURRENT LIABILITIES	0120	6,676,161	6,570,133
1. Long-term provisions	0115	464,662	490,662
2. Long-term debts:	0116	669,124	369,577
a) Debt with financial institutions and bonds and other marketable securities	0131	298,208	339,538
b) Other financial liabilities	0132	370,916	30,039
3. Long-term payables to group companies and associates	0117	4,836,040	4,976,769
4. Deferred tax liabilities	0118	706,335	733,125
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119		
C) CURRENT LIABILITIES	0130	9,564,998	8,533,895
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122		376
3. Short-term debts:	0123	663,916	1,406,373
a) Bank borrowings and bonds and other negotiable securities	0133	578,312	1,335,142
b) Other financial liabilities	0134	85,604	71,231
4. Short-term payables to group companies and associates	0129	8,840,797	6,946,944
5. Trade and other payables:	0124	60,253	149,230
a) Suppliers	0125	9,337	38,848
b) Other payables	0126	50,845	110,307
c) Current tax liabilities	0127	71	75
6. Other current liabilities	0136		
7. Current accrual accounts	0128	32	30,972
TOTAL EQUITY AND LIABILITIES (A + B + C)	0200	47,583,251	47,644,008

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 30/06/2020	PREVIOUS CUMULATIVE 30/06/2019
			Amount	Amount	Amount	Amount
(+)	Revenue	0205			344,494	689,713
(+/-)	Change in inventories of finished products and work in progress	0206				
(+)	Own work capitalised	0207			599	872
(-)	Supplies	0208			531	(219,378)
(+)	Other operating revenue	0209			386	826
(-)	Personnel expenses	0217			(61,974)	(63,024)
(-)	Other operating expenses	0210			(59,918)	(97,628)
(-)	Depreciation and amortisation charge	0211			(33,610)	(34,233)
(+)	Allocation of grants for non-financial assets and other grants	0212				
(+)	Reversal of provisions	0213				
(+/-)	Impairment and gain (loss) on disposal of fixed assets	0214			39	3
(+/-)	Other profit (loss)	0215			(132,685)	(497,428)
=	**OPERATING PROFIT (LOSS)**	0245			57,862	(220,277)
(+)	Finance income	0250			2,510	184
(-)	Finance costs	0251			(68,746)	(87,055)
(+/-)	Changes in fair value of financial instruments	0252			13,567	(4,158)
(+/-)	Exchange differences	0254			26,526	(373)
(+/-)	Impairment and gain (loss) on disposal of financial instruments	0255				
=	**NET FINANCE INCOME (COSTS)**	0256			(26,143)	(91,402)
=	**PROFIT (LOSS) BEFORE TAX**	0265			31,719	(311,679)
(+/-)	Income tax expense	0270			46,696	(5,250)
=	**PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES**	0280			78,415	(316,929)
(+/-)	Profit (loss) from discontinued operations. net of tax	0285				
=	**PROFIT (LOSS) FOR THE PERIOD**	0300			78,415	(316,929)

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 30/06/2020	PREVIOUS PERIOD 30/06/2019
A) PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	0305	78,415	(316,929)
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	0310	(1,261)	(1,022)
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	(619)	(1,363)
3. Grants. donations and bequests received	0340		
4. From actuarial gains and losses and other adjustments	0344		
5. Other income and expense recognised directly in equity	0343		
6. Tax effect	0345	(642)	341
C) TRANSFERS TO PROFIT OR LOSS	0350	4,229	4,217
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	5,639	5,623
3. Grants, donations and bequests received	0366		
4. Other income and expense recognised directly in equity	0365		
5. Tax effect	0370	(1,410)	(1,406)
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)	0400	81,383	(313,734)

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		Capital and reserves					Valuation adjustments	Grants. donations and bequests received	Total equity
CURRENT PERIOD		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/01/2020	**3010**	4,771,554	26,336,869	(1,428,266)	2,848,815	29,792	(18,784)		32,539,980
Adjustments for changes in accounting policy	**3011**								
Adjustment for errors	**3012**								
Adjusted opening balance	**3015**	4,771,554	26,336,869	(1,428,266)	2,848,815	29,792	(18,784)		32,539,980
I. Total recognised income/(expense)	**3020**		(547)		78,415		3,515		81,383
II. Transactions with shareholders or owners	**3025**	68,640	2,526,830	(1,016,906)	(2,848,815)	(17,087)			(1,287,338)
1. Capital increases/ (reductions)	**3026**	68,640	(68,640)						
2. Conversion of financial liabilities into equity	**3027**								
3. Distribution of dividends	**3028**		2,610,256		(2,848,815)				(238,559)
4. Net trading with treasury stock	**3029**		(14,786)	(1,016,906)		(17,087)			(1,048,779)
5. Increases/ (reductions) for business combinations	**3030**								
6. Other transactions with shareholders or owners	**3032**								
III. Other changes in equity	**3035**					8,067			8,067
1. Equity-settled share-based payment	**3036**					8,067			8,067
2. Transfers between equity accounts	**3037**								
3. Other changes	**3038**								
Closing balance at 30/06/2020	**3040**	4,840,194	28,863,152	(2,445,172)	78,415	20,772	(15,269)		31,342,092

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		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
PREVIOUS PERIOD		**Capital**	**Share premium and Reserves (1)**	**Treasury stock**	**Profit (loss) for the period**	**Other equity instruments**			
Closing balance at 01/01/2019 (comparative period)	**3050**	4,798,222	27,665,073	(1,002,272)	991,768	28,231	(25,746)		32,455,276
Adjustments for changes in accounting policy	**3051**								
Adjustment for errors	**3052**								
Adjusted opening balance (comparative period)	**3055**	4,798,222	27,665,073	(1,002,272)	991,768	28,231	(25,746)		32,455,276
I. Total recognised income/(expense)	**3060**				(316,929)		3,195		(313,734)
II. Transactions with shareholders or owners	**3065**	(118,222)	(1,032,627)	457,425	(991,768)	(10,699)			(1,695,891)
1. Capital increases/ (reductions)	**3066**	(118,222)	(1,897,393)	2,015,182					(433)
2. Conversion of financial liabilities into equity	**3067**								
3. Distribution of dividends	**3068**		860,342		(991,768)				(131,426)
4. Net trading with treasury stock	**3069**		4,424	(1,557,757)		(10,699)			(1,564,032)
5. Increases/ (reductions) for business combinations	**3070**								
6. Other transactions with shareholders or owners	**3072**								
III. Other changes in equity	**3075**					6,709			6,709
1. Equity-settled share-based payment	**3076**					6,709			6,709
2. Transfers between equity accounts	**3077**								
3. Other changes	**3078**								
Closing balance at 30/06/2019 (comparative period)	**3080**	4,680,000	26,632,446	(544,847)	(316,929)	24,241	(22,551)		30,452,360

Comments

IV. SELECTED FINANCIAL INFORMATION

4. INDIVIDUAL STATEMENT OF CASH FLOWS (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

			CURRENT PERIOD 30/06/2020	PREVIOUS PERIOD 30/06/2019
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)**	**0435**	641,901	51,627
1.	**Profit (loss) before tax**	**0405**	31,719	(311,679)
2.	**Adjustments to profit (loss):**	**0410**	11,794	334,977
(+)	Depreciation and amortisation charge	**0411**	33,610	34,233
(+/-)	Other net adjustments to profit (loss)	**0412**	(21,816)	300,744
3.	**Changes in working capital**	**0415**	(181,041)	(4,942)
4.	**Other cash flows from operating activities:**	**0420**	779,429	33,271
(-)	Interest paid	**0421**	(93,520)	(125,650)
(+)	Dividends received	**0422**	870,064	195,828
(+)	Interest received	**0423**	61,902	5,573
(+/-)	Income tax recovered/(paid)	**0430**		(5,159)
(+/-)	Other sums received/(paid) from operating activities	**0425**	(59,017)	(37,321)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)**	**0460**	(137,128)	22,995
1.	**Payments for investments:**	**0440**	(798,491)	(577,688)
(-)	Group companies. associates and business units	**0441**	(766,636)	(540,327)
(-)	Property. plant and equipment. intangible assets and investment property	**0442**	(30,110)	(37,010)
(-)	Other financial assets	**0443**	(1,745)	(351)
(-)	Non-current assets and liabilities classified as held for sale.	**0459**		
(-)	Other assets	**0444**		
2.	**Proceeds from sale of investments**	**0450**	661,363	600,683
(+)	Group companies. associates and business units	**0451**	660,989	600,336
(+)	Property, plant and equipment, intangible assets and investment property	**0452**	38	3
(+)	Other financial assets	**0453**	336	344
(+)	Non-current assets and liabilities classified as held for sale.	**0461**		
(+)	Other assets	**0454**		
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)**	**0490**	(252,647)	77,604
1.	**Sums received/(paid) in respect of equity instruments**	**0470**	(1,792,919)	(1,143,822)
(+)	Issuance	**0471**		(383)
(-)	Redemption	**0472**		(50)
(-)	Acquisition	**0473**	(1,860,112)	(1,189,241)
(+)	Disposal	**0474**	67,193	45,852
(+)	Grants. donations and bequests received	**0475**		
2.	**Sums received/(paid) in respect of financial liability instruments:**	**0480**	1,778,831	1,352,852
(+)	Issuance	**0481**	4,060,506	2,015,078
(-)	Repayment and redemption	**0482**	(2,281,675)	(662,226)
3.	**Payment of dividends and remuneration on other equity instruments**	**0485**	(238,559)	(131,426)
D)	**EFFECT OF FOREIGN EXCHANGE RATE CHANGES**	**0492**		
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)**	**0495**	252,126	152,226
F)	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**	**0499**	88,757	
G)	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)**	**0500**	340,883	152,226

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2020	PREVIOUS PERIOD 30/06/2019
(+)	Cash on hand and at banks	**0550**	340,883	152,226
(+)	Other financial assets	**0552**		
(-)	*Less: Bank overdrafts repayable on demand*	**0553**		
	TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**0600**	340,883	152,226

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

ASSETS		CURRENT P. 30/06/2020	PREVIOUS P. 31/12/2019
A) NON-CURRENT ASSETS	1040	107,419,106	108,811,313
1. Intangible assets:	1030	19,133,422	20,367,861
a) Goodwill	1031	7,790,059	8,152,918
b) Other intangible assets	1032	11,343,363	12,214,943
2. Property, plant and equipment	1033	71,549,265	71,289,209
3. Investment property	1034	338,308	342,286
4. Investments accounted for using the equity method	1035	1,256,533	1,956,827
5. Non-current financial assets	1036	2,849,158	3,105,280
a) At fair value through profit or loss	1047	63,597	86,058
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	2,785,561	3,019,222
6. Non-current derivatives	1039	1,385,194	756,430
a) Hedging	1045	767,445	514,770
b) Other	1046	617,749	241,660
7. Deferred tax assets	1037	5,791,730	5,694,528
8. Other non-current assets	1038	5,115,496	5,298,892
B) CURRENT ASSETS	1085	14,538,097	13,557,693
1. Non-current assets held for sale	1050		
2. Inventories	1055	2,850,884	2,847,094
3. Trade and other receivables:	1060	7,920,785	7,499,400
a) Trade receivables	1061	5,749,108	6,197,501
b) Other receivables	1062	1,386,690	983,817
c) Current tax assets	1063	784,987	318,082
4. Current financial assets	1070	565,018	692,561
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	565,018	692,561
5. Current derivatives	1076	881,215	405,359
a) Hedging	1077	526,310	281,627
b) Other	1078	354,905	123,732
6. Other current assets	1075		
7. Cash and cash equivalents	1072	2,320,195	2,113,279
TOTAL ASSETS (A + B)	1100	121,957,203	122,369,006

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros	EQUITY AND LIABILITIES		CURRENT P. 30/06/2020	PREVIOUS P. 31/12/2019
A) EQUITY (A.1 + A.2 + A.3)		**1195**	45,813,998	47,194,665
A.1) CAPITAL AND RESERVES		**1180**	40,655,818	40,323,606
1.	Capital	**1171**	4,840,194	4,771,554
	a) Registered capital	**1161**	4,840,194	4,771,554
	b) *Less: Uncalled capital*	**1162**		
2.	Share premium	**1172**	14,443,366	14,667,676
3.	Reserves	**1173**	9,309,486	9,707,637
4.	*Less: Treasury stock*	**1174**	(2,453,076)	(1,436,205)
5.	Prior periods' profit and loss	**1178**	12,670,929	9,206,633
6.	Other shareholder contributions	**1179**		
7.	Profit (loss) for the period attributable to the parent	**1175**	1,844,919	3,406,311
8.	*Less: Interim dividend*	**1176**		
9.	Other equity instruments	**1177**		
A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME		**1188**	(3,924,862)	(2,645,299)
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**	(3,924,862)	(2,645,299)
	a) Hedging transactions	**1182**	(581,893)	(543,168)
	b) Translation differences	**1184**	(3,342,010)	(2,101,190)
	c) Share in other comprehensive income for investments in joint ventures and others	**1192**	(959)	(941)
	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**	36,730,956	37,678,307
A.3) NON-CONTROLLING INTERESTS		**1193**	9,083,042	9,516,358
B) NON-CURRENT LIABILITIES		**1120**	57,836,261	56,043,099
1.	Grants	**1117**	1,358,830	1,398,523
2.	Non-current provisions	**1115**	6,232,453	5,990,106
3.	Non-current financial liabilities:	**1116**	34,153,453	33,168,086
	a) Debt with financial institutions and bonds and other marketable securities	**1131**	30,845,552	30,125,903
	b) Other financial liabilities	**1132**	3,307,901	3,042,183
4.	Deferred tax liabilities	**1118**	9,473,857	9,358,886
5.	Non-current derivatives	**1140**	984,870	471,220
	a) Hedging	**1141**	369,544	374,158
	b) Other	**1142**	615,326	97,062
6.	Other non-current liabilities	**1135**	5,632,798	5,656,278
C) CURRENT LIABILITIES		**1130**	18,306,944	19,131,242
1.	Liabilities associated with non-current assets held for sale	**1121**		
2.	Current provisions	**1122**	699,413	660,056
3.	Current financial liabilities:	**1123**	7,959,959	8,975,773
	a) Debt with financial institutions and bonds and other marketable securities	**1133**	7,771,763	8,800,387
	b) Other financial liabilities	**1134**	188,196	175,386
4.	Trade and other payables:	**1124**	8,506,341	8,344,241
	a) Suppliers	**1125**	4,957,872	5,097,884
	b) Other payables	**1126**	2,827,038	3,003,731
	c) Current tax liabilities	**1127**	721,431	242,626
5.	Current derivatives	**1136**	704,555	477,545
	a) Hedging	**1146**	431,651	285,321
	b) Other	**1147**	272,904	192,224
6.	Other current liabilities	**1136**	436,676	673,627
TOTAL EQUITY AND LIABILITIES (A + B + C)		**1200**	121,957,203	122,369,006

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 31/12/2019	PREVIOUS CUMULATIVE 31/12/2018
			Amount	Amount	Amount	Amount
(+)	Revenue	1205			16,467,370	18,281,043
(+/-)	Change in inventories of finished products and work in progress	1206				
(+)	Own work capitalised	1207			346,531	329,444
(-)	Supplies	1208			(8,417,077)	(10,051,014)
(+)	Other operating revenue	1209			324,532	290,956
(-)	Personnel expenses	1217			(1,418,027)	(1,412,885)
(-)	Other operating expenses	1210			(2,637,174)	(2,636,111)
(-)	Depreciation and amortisation charge	1211			(1,994,039)	(1,821,025)
(+)	Allocation of grants for non-financial assets and other grants	1212			36,493	37,380
(+/-)	Impairment and gain (loss) on disposal of fixed assets	1214				(6,584)
(+/-)	Gain (loss) on disposal of non-current assets	1216			20,632	6,844
(+/-)	Other profit (loss)	1215			(33,805)	(20,458)
=	**OPERATING PROFIT (LOSS)**	1245			2,695,436	2,997,590
(+)	Finance income	1250			167,611	189,986
	a) Interest income calculated using the effective interest rate method	1262			74,507	66,465
	b) Other	1263			93,104	123,521
(-)	Finance costs	1251			(688,164)	(755,447)
(+/-)	Changes in fair value of financial instruments	1252			144,186	(43,604)
(+/-)	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			(23,862)	(915)
(+/-)	Impairment and gain (loss) on disposal of financial instruments	1255			14	(942)
(+/-)	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			(400,215)	(610,922)
(+/-)	Profit (loss) of equity-accounted investees	1253			474,972	17,475
=	**PROFIT (LOSS) BEFORE TAX**	1265			2,770,193	2,404,143
(+/-)	Income tax expense	1270			(780,373)	(545,543)
=	**PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES**	1280			1,989,820	1,858,600
(+/-)	Profit (loss) from discontinued operations, net of tax	1285			881	(25,712)
=	**CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD**	1288			1,990,701	1,832,888
	A) Profit (loss) for the period attributable to the parent company	1300			1,844,919	1,644,383
	B) Profit (loss) attributable to non-controlling interests	1289			145,782	188,505
	EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
	Basic	1290			0.29	0.26
	Diluted	1295			0.28	0.25

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 30/06/2020	PREVIOUS CUMULATIVE 30/06/2019
A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	1305			1,990,701	1,832,888
B) OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE NOT RECLASSIFIED TO PROFIT OR LOSS:	1310			(181,889)	
1. From revaluation/reversal of revaluation) of property. plant and equipment and intangible assets	1311				
0. From actuarial gains and losses	1344			(285,182)	
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			103,293	
C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:	1350			(1,858,042)	(31,766)
1. Hedging transactions	1360			(31,653)	(488,366)
a) Valuation gains/(losses)	1361			(352,631)	(639,860)
b) Amounts transferred to profit or loss	1362			331,461	152,160
c) Amounts transferred to initial carrying amount of hedged items	1363			(10,483)	(666)
d) Other reclassifications	1364				
2. Translation differences:	1365			(1,844,191)	362,720
a) Valuation gains/(losses)	1366			(1,844,191)	362,720
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			(16)	1
a) Valuation gains/(losses)	1371			(21)	(4)
b) Amounts transferred to profit or loss	1372			5	5
c) Other reclassifications	1373				
4. Debt instruments at fair value through other comprehensive income	1381			(2,694)	(1,856)
a) Valuation gains/(losses) taken to equity	1382			(23,896)	(18,814)
b) Amounts transferred to profit or loss	1383			21,202	16,958
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375				
a) Valuation gains/(losses) taken to equity	1376				
b) Amounts transferred to profit or loss	1377				
c) Other reclassifications	1378				
6. Tax effect	1380			20,512	95,735
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)	1400			(49,230)	1,801,122
a) Attributable to the parent	1398			422,150	1,544,123
b) Attributable to non-controlling interests	1399			(471,380)	256,999

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros		Equity attributable to the parent company						Non-controlling interests	Total equity
		Capital and reserves					Valuation adjustments		
CURRENT PERIOD		**Capital**	**Share premium and Reserves (1)**	**Treasury stock**	**Profit (loss) for the period attributable to the parent**	**Other equity instruments**			
Closing balance at 01/01/2020	**3110**	4,771,554	33,581,946	(1,436,205)	3,406,311		(2,645,299)	9,516,358	47,194,665
Adjustments for changes in accounting policy	**3111**								
Adjustment for errors	**3112**								
Adjusted opening balance	**3115**	4,771,554	33,581,946	(1,436,205)	3,406,311		(2,645,299)	9,516,358	47,194,665
I. Total comprehensive income/(expense) for the period	**3120**		(143,206)		1,844,919		(1,279,564)	(471,379)	(49,230)
II. Transactions with shareholders or owners	**3125**	68,640	3,011,819	(1,016,872)	(3,406,311)			96,896	(1,245,828)
1. Capital increases/ (reductions)	**3126**	68,640	(68,640)						
2. Conversion of financial liabilities into equity	**3127**								
3. Distribution of dividends	**3128**		3,167,753		(3,406,311)			(71,861)	(310,419)
4. Purchase / sale of treasury stock	**3129**		(14,787)	(1,016,872)					(1,031,659)
5. Equity increase/ (decrease) resulting from business combinations	**3130**								
6. Other transactions with shareholders or owners	**3132**		(72,507)					168,757	96,250
III. Other changes in equity	**3135**		(26,778)					(58,831)	(85,609)
1. Equity-settled share-based payment	**3136**		(34,407)					565	(33,842)
2. Transfers among components of equity	**3137**								
3. Other changes	**3138**		7,629					(59,396)	(51,767)
Closing balance at 30/06/2020	**3140**	4,840,194	36,423,781	(2,453,077)	1,844,919		(3,924,863)	9,083,044	45,813,998

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							
		Capital and reserves							
PREVIOUS PERIOD		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments	Valuation adjustments	Non-controlling interests	Total equity
Closing balance at 01/01/2019 (comparative period)	3150	4,798,222	32,731,625	(1,010,348)	3,014,052		(2,951,352)	7,394,355	43,976,554
Adjustments for changes in accounting policy	3151								
Adjustment for errors	3152								
Adjusted opening balance (comparative period)	3155	4,798,222	32,731,625	(1,010,348)	3,014,052		(2,951,352)	7,394,355	43,976,554
I. Total comprehensive income/(expense) for the period	3160				1,644,383		(100,260)	256,999	1,801,122
II. Transactions with shareholders or owners	3165	(118,222)	924,064	457,782	(3,014,052)		38,402	29,027	(1,682,999)
1. Capital increases/ (reductions)	3166	(118,222)	(1,897,392)	2,015,182					(432)
2. Conversion of financial liabilities into equity	3167								
3. Distribution of dividends	3168		2,882,626		(3,014,052)			(95,471)	(226,897)
4. Purchase / sale of treasury stock	3169		4,422	(1,557,400)					(1,552,978)
5. Equity increase/ (decrease) resulting from business combinations	3170								
6. Other transactions with shareholders or owners	3172		(65,592)				38,402	124,498	97,308
III. Other changes in equity	3175		(15,258)					767,026	751,768
1. Equity-settled share-based payment	3176		(7,552)					271	(7,281)
2. Transfers among components of equity	3177								
3. Other changes	3178		(7,706)					766,755	759,049
Closing balance at 30/06/2019 (comparative period)	3180	4,680,000	33,640,431	(552,566)	1,644,383		(3,013,210)	8,447,407	44,846,445

Comments

IV. SELECTED FINANCIAL INFORMATION

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

	Units: Thousand euros		CURRENT PERIOD 30/06/2020	PREVIOUS PERIOD 30/06/2019
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)**	**1435**	4,010,440	2,922,723
1.	**Profit (loss) before tax**	**1405**	2,770,193	2,404,143
2.	**Adjustments to profit (loss):**	**1410**	2,112,522	2,508,752
(+)	Depreciation and amortisation charge	**1411**	1,994,039	1,821,025
(+/-)	Other net adjustments to profit (loss)	**1412**	118,483	687,727
3.	**Changes in working capital**	**1415**	(65,667)	(1,402,653)
4.	**Other cash flows from operating activities:**	**1420**	(806,608)	(587,519)
(-)	Interest paid	**1421**		
(-)	Payment of dividends and remuneration on other equity instruments	**1430**		
(+)	Dividends received	**1422**	2,957	13,046
(+)	Interest received	**1423**		
(+/-)	Income tax recovered/(paid)	**1424**	(445,675)	(246,458)
(+/-)	Other sums received/(paid) from operating activities	**1425**	(363,890)	(354,107)
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)**	**1460**	(2,738,264)	(3,295,283)
1.	**Payments for investments:**	**1440**	(3,984,960)	(3,405,163)
(-)	Group companies. associates and business units	**1441**	(38,428)	(128,600)
(-)	Property, plant and equipment, intangible assets and investment property	**1442**	(3,581,692)	(3,139,721)
(-)	Other financial assets	**1443**	(22,748)	(136,842)
(-)	Non-current assets and liabilities classified as held for sale.	**1449**		
(-)	Other assets	**1444**	(342,092)	
2.	**Proceeds from sale of investments**	**1450**	1,222,576	77,813
(+)	Group companies. associates and business units	**1451**	1,121,115	
(+)	Property, plant and equipment, intangible assets and investment property	**1452**		77,813
(+)	Other financial assets	**1453**	101,461	
(+)	Non-current assets and liabilities classified as held for sale.	**1461**		
(+)	Other assets	**1454**		
3.	**Other cash flows from investing activities**	**1455**	24,120	32,067
(+)	Dividends received	**1456**		
(+)	Interest received	**1457**	15,958	26,764
(+/-)	Other sums received/(paid) from investing activities	**1458**	8,162	5,303
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)**	**1490**	(870,656)	(754,967)
1.	**Sums received/(paid) in respect of equity instruments**	**1470**	(1,792,134)	(1,143,464)
(+)	Issuance	**1471**		(381)
(-)	Redemption	**1472**		(51)
(-)	Acquisition	**1473**	(1,861,327)	(1,189,241)
(+)	Disposal	**1474**	69,193	46,209
2.	**Sums received/(paid) in respect of financial liability instruments:**	**1480**	1,599,192	339,007
(+)	Issuance	**1481**	7,506,246	8,049,452
(-)	Repayment and redemption	**1482**	(5,907,054)	(7,710,445)
3.	**Payment of dividends and remuneration on other equity instruments**	**1485**	(310,420)	(226,897)
4.	**Other cash flows from financing activities**	**1486**	(367,294)	276,387
(-)	Interest paid	**1487**	(400,294)	(486,488)
(+/-)	Other sums received/(paid) from financing activities	**1488**	33,000	762,875
D)	**FFECT OF CHANGES IN FOREIGN EXCHANGE RATE**	**1492**	(194,604)	48,864
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)**	**1495**	206,916	(1,078,663)
F)	**CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD**	**1499**	2,113,279	2,801,157
G)	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)**	**1500**	2,320,195	1,722,494

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2020	PREVIOUS PERIOD 30/06/2019
(+)	Cash on hand and at banks	**1550**	1,137,440	463,673
(+)	Other financial assets	**1552**	1,182,755	1,258,821
(-)	*Less: Bank overdrafts repayable on demand*	**1553**		
	TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1600**	2,320,195	1,722,494

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros			CURRENT PERIOD 30/06/2020	PREVIOUS PERIOD 30/06/2019
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 30/06/2020	PREVIOUS PERIOD 30/06/2019
(+)	Cash on hand and at banks	**8550**		
(+)	Other financial assets	**8552**		
(-)	*Less: Bank overdrafts repayable on demand*	**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	0.17	238,558		0.15	131,426	
Other shares (non-voting shares. redeemable shares. etc.)	2159						
Total dividends paid	**2160**	0.17	238,558		0.15	131,426	
a) Dividends charged to profit and loss	2155	0.17	238,558		0.15	131,426	
b) Dividends charged to reserves or share premium	2156						
c) Dividends in kind	2157						
d) Flexible payment	2154			91,520,000			122,828,000

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	74,286	402,783	6,081,477	7,363,109
International market	2215	270,208	286,930	10,385,893	10,917,934
a) European Union	2216	6,991	90,124	3,820,028	3,767,770
a.1) Euro Area	2217	6,991	62,718	741,488	708,834
a.2) Non-Euro Area	2218		27,406	3,078,540	3,058,936
b) OECD countries	2219	263,217	196,806	6,565,865	7,150,164
TOTAL	2220	344,494	689,713	16,467,370	18,281,043

Comments

Units: thousand euros / SEGMENTS		CONSOLIDATED			
		Ordinary revenue		Profit (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Generation and supply	2221	9,459,977	10,920,693	849,409	758,987
Renewable	2222	2,036,898	1,923,299	567,211	591,742
Networks	2223	6,357,643	6,970,562	1,298,822	1,647,871
Other businesses, Corporation and adjustments	2224	24,292	132,631	(40,639)	(7,854)
(-) Adjustments and elimination of ordinary revenue between segments	2225	(1,411,440)	(1,666,142)		
(+/-) Unallocated profit (loss)	2226			95,389	(586,603)
	2227				
	2228				
	2229				
	2230				
TOTAL	2235	16,467,370	18,281,043	2,770,192	2,404,143

Comments

IV. SELECTED FINANCIAL INFORMATION

12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	**2295**	732	733	35,142	33,927
Men	**2296**	393	395	26,963	26,096
Women	**2297**	339	338	8,179	7,831

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**	2,764	2,751
Salaries	**2311**	1,625	1,625
Variable remuneration in cash	**2312**	4,250	4,250
Share-based remuneration systems	**2313**	6,531	4,822
Termination benefits	**2314**		
Long-term savings systems	**2315**		
Other items	**2316**	236	225
TOTAL	**2320**	15,406	13,673

MANAGERS:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managers	**2325**	18,165	15,204

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: thousand euro

EXPENSES AND REVENUE		CURRENT PERIOD: Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	2340			169		169
2) Leases	2343					
3) Services received	2344			106		106
4) Purchase of inventories	2345			109,954		109,954
5) Other expenses	2348					
TOTAL EXPENSES (1+2+3+4+5)	2350			110,229		110,229
6) Finance income	2351	8		173		181
7) Dividends received	2354					
8) Services rendered	2356			4,136		4,136
9) Sale of inventories	2357			13,690		13,690
10) Other income	2359					
TOTAL REVENUE (6+7+8+9+10)	2360	8		17,999		18,007

OTHER TRANSACTIONS:		CURRENT PERIOD: Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
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	95,694	355			96,049
Other transactions	2385			2,967		2,967

BALANCES ON THE REPORTING DATE:		CURRENT PERIOD: Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	2341			2,516		2,516
2) Loans and credit given	2342			29,222		29,222
3) Other receivables	2346			5,440		5,440
TOTAL RECEIVABLES (1+2+3)	2347			37,178		37,178
4) Trade payables	2352			29,176		29,176
5) Loans and credit received	2353					
6) Other payment obligations	2355			69,924		69,924
TOTAL PAYABLES (4+5+6)	2358			99,100		99,100

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			25		25
2) Leases	6343					
3) Services received	6344			585	16,097	16,682
4) Purchases of goods (finished or in progress)	6345			133,393	1,535	134,928
5) Other expenses	6348					
TOTAL EXPENSES (1+2+3+4+5)	6350			134,003	17,632	151,635
6) Finance income	6351	25		32	34	91
7) Dividends received	6354					
8) Services rendered	6356			1,025		1,025
9) Sale of goods (finished or in progress)	6357			14,744	597	15,341
10) Other income	6359					
TOTAL REVENUE (6+7+8+9+10)	6360	25		15,801	631	16,457

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	2,766	79			2,845
Other transactions	6385			106	119,141	119,247

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			2,008	416	2,424
2) Loans and credit given	6342			9,544		9,544
3) Other receivables	6346			6,533	2,122	8,655
TOTAL RECEIVABLES (1+2+3)	6347			18,085	2,538	20,623
4) Trade payables	6352			34,574	86,347	120,921
5) Loans and credit received	6353					
6) Other payment obligations	6355			91,303	7,557	98,860
TOTAL PAYABLES (4+5+6)	6358			125,877	93,904	219,781

Comments

V. HALF-YEARLY FINANCIAL INFORMATION

Annex

Half-yearly financial information

Content of this section:

		INDIVIDUAL	CONSOLIDATED
Explanatory notes	**2376**	X	X
Condensed half-yearly accounts	**2377**	X	X
Full half-yearly accounts	**2378**	-	-
Interim management report	**2379**	X	X
Audit report	**2380**	X	X

Comments

The Annex contains:
- Selected Condensed Individual Interim Financial Information Management Report for the six-month period ending on 30 June 2020 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 2020 and Limited Review Report on the Interim Consolidated Financial Statements.
- Liability Statement.

VI. SPECIAL AUDIT REPORT

Annex

Special audit report

Comments

The Limited Review Report and Consolidated Limited Review Report are included in the annex to Chapter V.

Iberdrola, S.A.

Condensed Individual Interim Financial Statements

30 June 2020

Interim Directors' Report

2020

(With Limited Review Report Thereon)

(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

Limited Review Report on the Condensed Individual 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. at the request of the Company's Directors

Introduction

We have carried out a limited review of the accompanying condensed interim financial statements (the interim financial statements) of Iberdrola, S.A. (the "Company"), which comprise the balance sheet at 30 June 2020, the income statement, statement of changes in equity, statement of cash flows and the notes to the interim financial statements for the six-month period then ended. The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with the accounting principles and content set out in articles 12 and 13 of Royal Decree 1362/2007 of 19 October 2007 and with Circular 3/2018 of the Spanish National Securities Market Commission. 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 the 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 2020 have not been prepared, in all material respects, in accordance with the accounting principles and content set out in articles 12 and 13 of Royal Decree 1362/2007 and with Circular 3/2018 for the preparation of condensed 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 accompanying 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 2019. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim directors' report for the six-month period ended 30 June 2020 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 directors' 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 2020. Our work is limited to the verification of the interim directors' 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.

Paragraph on Other Matters

This report has been prepared at the request of management in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Enrique Asla García

23 July 2020

IBERDROLA, S.A.

CONDENSED INDIVIDUAL INTERIM FINANCIAL STATEMENTS AND INTERIM DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED ON 30 JUNE 2020

CONTENTS

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). In the event of discrepancy, the Spanish-language version prevails

IBERDROLA, S.A.
Balance sheet at 30 June 2020
(Millions of euros)

ASSETS	Note	30.06.2020 (Not audited)	31.12.2019 (*) (Audited)
NON-CURRENT ASSETS		**45,128**	**44,978**
Intangible assets		**105**	**109**
Computer software		103	105
Other intangible assets		2	4
Property, plant and equipment		**283**	**283**
Land and buildings		169	168
Technical installations and other items		64	67
Under construction and advances		50	48
Non-current investments in Group companies and associates		**43,300**	**43,456**
Equity instruments	5	43,245	43,406
Loans to companies	12	22	32
Derivatives	12	33	18
Non-current investments		**441**	**113**
Loans to third parties		4	4
Derivatives		436	109
Other financial assets		1	–
Deferred tax assets		**329**	**347**
Trade and other receivables, non-current	**9.2**	**668**	**668**
Non-current accruals		**2**	**2**
CURRENT ASSETS		**2,455**	**2,666**
Trade and other receivables, current		**310**	**213**
Trade receivables		1	1
Trade receivables, Group companies and associates		125	100
Other receivables		10	12
Current tax assets		137	99
Public entities, other		37	1
Current investments in Group companies and associates	**12**	**1,763**	**2,309**
Loans to companies		35	25
Derivatives		1	3
Other financial assets		1,727	2,281
Current investments		**37**	**53**
Derivatives		35	52
Other financial assets		2	1
Current accruals		**4**	**2**
Cash and cash equivalents		**341**	**89**
TOTAL ASSETS		**47,583**	**47,644**

(*) The Balance sheet at 31 December 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). In the event of discrepancy, the Spanish-language version prevails

IBERDROLA, S.A.
Balance sheet at 30 June 2020
(Millions of euros)

LIABILITIES	Note	30.06.2020 (Not audited)	31.12.2019 (*) (Audited)
EQUITY		31,342	32,540
CAPITAL AND RESERVES		**31,358**	**32,559**
Capital		**4,840**	**4,771**
Registered capital	7	4,840	4,771
Share premium		**14,443**	**14,512**
Reserves		**3,078**	**3,093**
Legal and statutory reserves		969	969
Other reserves		2,109	2,124
Treasury shares and own equity investments		**(2,445)**	**(1,428)**
Prior years' profit and loss		**11,343**	**8,732**
Retained earnings		11,343	8,732
Profit for the period		**78**	**2,849**
Other equity instruments		**21**	**30**
VALUATION ADJUSTMENTS		**(16)**	**(19)**
Hedging instruments		(16)	**(19)**
NON-CURRENT LIABILITIES		6,676	6,570
Non-current provisions		**465**	**491**
Long-term employee benefits		239	258
Other provisions		226	233
Non-current payables		**669**	**369**
Loans and borrowings		240	283
Finance lease payables		58	56
Derivatives		369	27
Other financial liabilities		2	3
Group companies and associates, non-current	**12**	**4,836**	**4,977**
Deferred tax liabilities		**706**	**733**
CURRENT LIABILITIES		9,565	8,534
Current provisions		**–**	**1**
Current payables		**664**	**1,406**
Loans and borrowings		579	1,333
Finance lease payables		–	2
Derivatives		53	–
Other financial liabilities		32	71
Group companies and associates, current	**12**	**8,841**	**6,947**
Trade and other payables, current		**60**	**149**
Suppliers		–	36
Suppliers, Group companies and associates		9	3
Other payables		31	57
Personnel (salaries payable)		12	21
Public entities, other		8	32
Current accruals		**–**	**31**
TOTAL EQUITY AND LIABILITIES		47,583	47,644

(*) The Balance sheet at 31 December 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). In the event of discrepancy, the Spanish-language version prevails

IBERDROLA, S.A.
Income statement for the six-month period ended 30 June 2020
(Millions of euros)

	Note	30.06.2020 (Not audited)	30.06.2019 (*) (Not audited)
CONTINUED OPERATIONS			
Revenue	**10.1**	**345**	**690**
Sales		3	249
Finance revenue from equity investments in group companies and associates		206	299
Finance revenue from debt securities and other financial instruments of group companies and associates		11	9
Income from services rendered to group companies		125	133
Work carried out by the company for assets		**1**	**1**
Supplies		**–**	(219)
Merchandise used	10.1	–	(219)
Other operating income		**1**	**1**
Non-trading and other operating income		1	1
Personnel expenses		**(62)**	**(63)**
Salaries and wages		(49)	(46)
Employee benefits expense		(13)	(17)
Other operating expenses		**(60)**	**(98)**
External services		(95)	(97)
Taxes		36	1
Losses, impairment and changes in trade provisions		1	–
Other operating expenses		(2)	(2)
Amortisation and depreciation		**(34)**	**(34)**
Impairment and gains/(losses) on disposal of financial instruments of group companies and associates		**(133)**	**(498)**
Impairment and losses	5	(133)	(498)
RESULTS FROM OPERATING ACTIVITIES		58	(220)
Finance income		**3**	–
From debt securities and other financial instruments in third parties		3	–
Finance expenses		**(69)**	**(88)**
Group companies and associates		(65)	(102)
Due to third-party borrowings		1	20
Provision adjustments		(5)	(6)
Change in fair value of financial instruments		**13**	**(4)**
Trading portfolio and other		13	(4)
Exchange (gains)/losses		**27**	–
NET FINANCE EXPENSE		(26)	(92)
PROFIT/(LOSS) BEFORE INCOME TAX		32	(312)
Income tax		**46**	**(5)**
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		78	(317)
PROFIT FOR THE PERIOD		78	(317)

(*) Income statement for the six-month period ended 30 June 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). 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 2020
(Millions of euros)

A) Statement of recognised income and expense for the six-month period ended 30 June 2020

	30.06.2020 (Not audited)	30.06.2019 (*) (Not audited)
PROFIT FOR THE PERIOD	**78**	**(317)**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Cash flow hedges	(1)	(1)
Tax effect	–	–
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	**(1)**	**(1)**
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		
Cash flow hedges	6	6
Tax effect	(2)	(2)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT	**4**	**4**
TOTAL RECOGNISED INCOME AND EXPENSE	**81**	**(314)**

(*) The statement of recognised income and expense for the six-month period ended 30 June 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). 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 2020
(Millions of euros)

	Share	Share premium	Reserves	Treasury shares and own equity investments	Prior years' profit and loss	Profit for the period	Other equity instruments	Valuation adjustments	Total
OPENING BALANCE 2019	**4,798**	**14,668**	**4,927**	**(1,002)**	**8,070**	**992**	**28**	**(26)**	**32,455**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**(317)**	**-**	**3**	**(314)**
Transactions with shareholders or owners									
Scrip issue	92	(64)	(28)	-	-	-	-	-	-
Capital reduction	(210)	-	(1,805)	2,015	-	-	-	-	-
Distribution of profit	-	-	-	-	860	(992)	-	-	(132)
Transactions with treasury shares or own equity instruments	-	-	4	(1,558)	-	-	(10)	-	(1,564)
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**7**
CLOSING BALANCE FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (*)	**4,680**	**14,604**	**3,098**	**(545)**	**8,930**	**(317)**	**25**	**(23)**	**30,452**
OPENING BALANCE 2020	**4,771**	**14,512**	**3,093**	**(1,428)**	**8,732**	**2,849**	**30**	**(19)**	**32,540**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**78**	**-**	**3**	**81**
Transactions with shareholders or owners									
Scrip issue (Note 7)	69	(69)	-	-	-	-	-	-	-
Distribution of profit (Note 7)	-	-	-	-	2,611	(2,849)	-	-	(238)
Transactions with treasury shares or own equity instruments	-	-	(15)	(1,017)	-	-	(17)	-	(1,049)
Other changes in equity	-	-	-	-	-	-	**8**	-	**8**
CLOSING BALANCE FOR THE SIX-MONTH PERIOD ENDED 30 June 2020	**4,840**	**14,443**	**3,078**	**(2,445)**	**11,343**	**78**	**21**	**(16)**	**31,342**

(*) The statement of changes in equity for the six-month period ended 30 June 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 14). 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 2020
(Millions of euros)

	30.06.2020 (Not audited)	30.06.2019 (*) (Not audited)
Profit for the period before tax	**32**	**(312)**
Adjustments for:	**11**	**335**
Amortisation and depreciation	34	34
Impairment	133	498
Finance income	(220)	(308)
Finance expenses	69	88
Exchange (gains)/losses	(27)	–
Change in fair value of financial instruments	(13)	4
Other income and expenses	35	19
Changes in operating assets and liabilities	**(181)**	**(5)**
Trade and other receivables	(61)	(80)
Trade and other payables	(120)	75
Other cash flows from operating activities	**780**	**34**
Interest paid	(94)	(126)
Dividends received	870	196
Interest received	62	6
Income tax (paid)/ received	-	(5)
Other amounts paid	(58)	(37)
CASH FLOWS FROM OPERATING ACTIVITIES	**642**	**52**
Payments for investments	**(799)**	**(578)**
Group companies and associates	(767)	(541)
Intangible assets	(20)	(14)
Property, plant and equipment	(10)	(23)
Other financial assets	(2)	–
Proceeds from investments	**661**	**600**
Group companies and associates	661	600
CASH FLOWS USED IN INVESTING ACTIVITIES	**(138)**	**22**
Proceeds from and payments for equity instruments	**(1,793)**	**(1,143)**
Acquisition of own equity instruments	(1,860)	(1,189)
Disposal of own equity instruments	67	46
Proceeds from and payments for financial instruments	**1,780**	**1,352**
Issue	4,061	2,015
Loans and borrowings	1,045	–
Payables to Group companies and associates	3,016	2,015
Repayment and redemption of	(2,281)	(663)
Loans and borrowings	(1,102)	(280)
Payables to Group companies and associates	(1,179)	(352)
Other payables	-	(31)
Dividends paid and payments on other equity instruments	**(239)**	**(131)**
Dividends	(239)	(131)
CASH FLOWS FROM FINANCING ACTIVITIES	**(252)**	**78**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**252**	**152**
Cash and cash equivalents at the beginning of period	**89**	**–**
Cash and cash equivalents at the end of period	**341**	**152**

(*) Statement of cash flows for the six-month period ended 30 June 2019 is presented exclusively for comparative purposes.

The accompanying notes are an integral part of the Condensed individual interim financial statements.

1. ACTIVITY OF THE COMPANY

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 and construction works and provide services required for, or related to, the production, transmission, switching and distribution or supply of electric power or electricity by-products and their applications, and involving the raw materials or primary energies required for electric power generation, energy, engineering, computer and telecommunications services, services relating to the Internet, the treatment and distribution of water, the integral provision of urban and gas supply services, and other gas storage, regasification, transport or distribution activities, which will be provided indirectly through the ownership of shares or other equity investments in companies that do not engage in the supply of gas.

- The distribution, representation and supply of all manner of goods and services, products, articles, merchandise, computer programs, industrial equipment, machinery and hand tools, spare parts and accessories.

- The research, study and planning of investment and corporate organisation projects, as well as the promotion, setting up and development of industrial, commercial and service companies.

- To provide assistance and support services to Group companies and other investees, providing for them the guarantees and collateral required for this purpose.

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 services to other Group companies, mainly related to rendering services related to IT services and other non-operating, corporate and support services, as well as Group financing, which is centrally managed.

Furthermore, IBERDROLA was the wholesale provider of the gas supplied to its subsidiary Iberdrola Generación España, S.A.U. until an agreement was reached with Pavilion Energy Trading & Supply Pte. Ltd. (Pavilion) for the assignment of their contractual position in the portfolio of long-term liquid natural gas (LNG) supply contracts. Ltd. This activity ceased on 1 January 2020 (Note 10.1).

IBERDROLA, individually considered, has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results. Therefore, no specific environmental disclosures have been included in these notes to the Condensed individual interim financial statements.

IBERDROLA's registered address is at Plaza Euskadi 5, in Bilbao.

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

2.1. Accounting legislation applied

The Condensed individual interim financial statements (hereinafter, Interim financial statements) have been prepared in accordance with the principles and accounting standards in sections 12 and 13 of Royal Decree 1362/2007, of 19 October 2007, whereby Securities Market Act 24/1988 of 28 July 1988, is developed describing the transparency requirements regarding 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 individual 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 Order 3/2018 for individual financial statements. As a result, the interim financial statements must be read in conjunction with IBERDROLA's annual accounts for the year ended 31 December 2019 and the Condensed consolidated interim financial statements for the six-month period between 1 January 2020 and 30 June 2020, prepared in accordance with International Financial Reporting Standards.

The main figures in the Condensed consolidated interim financial statements of the IBERDROLA Group correspond to the six-month periods ended 30 June 2020 and 2019 (except for total assets and equity for 2019, included in IBERDROLA Group's consolidated annual accounts at 31 December 2019) are as follows:

Millions of Euros	2020	2019
Total assets	**121,957**	**122,369**
Equity		
IBERDROLA as parent company	36,731	37,678
Non-controlling interests	9,083	9,517
Revenue	16,467	18,281
Profit for the period:		
IBERDROLA as parent company	1,845	1,644
Non-controlling interests	146	189

These Interim financial statements have been drafted in relation to the six-month period financial statements required by section 119 of the Revised Securities Market Law 4/2015, of 23 October 2015, developed by the revised Securities Market Act.

2.2. Accounting policies and valuation standards

The accounting policies and valuation standards used to prepare these interim financial statements are the same as those used for the preparation of the 2019 annual accounts of IBERDROLA.

2.3. Negative working capital

At 30 June 2020, IBERDROLA has a negative working capital (current liabilities exceed current assets) in the amount of Euros 7,110 million, mainly due to current debt with group companies and associates for an amount of Euros 8,841 million, as well as the seasonal variation (Note 3).

According to IBERDROLA's directors, this will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends of its subsidiaries. Furthermore, at 30 June 2020, IBERDROLA has undrawn granted loans for an approximate amount of Euros 6,024 million, which guarantees IBERDROLA's cash hedges for the upcoming months.

2.4. Comparative information

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

- The Balance sheets at 30 June 2020 and 31 December 2019.
- The Income statement, Statement of changes in equity and Statement of cash flows for the six-month periods ended 30 June 2020 and 2019.

3. SEASONAL VARIATION

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

4. USE OF ACCOUNTING ESTIMATES

Certain assumptions and estimates were made by IBERDROLA in the preparation of these Condensed interim financial statements. The main aspects subject to estimate in the preparation of these Interim financial statements are the same as those disclosed in Note 6.1 to IBERDROLA's 2019 annual accounts.

The criteria used to calculate the estimates in these Interim financial statements are the same as those used in the preparation of IBERDROLA's 2019 annual accounts.

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, changes in estimates would be applied prospectively, recognising the effects of the change in estimates in the future periods.

In this regard, one of the uncertainties that did not exist at the end of 2019 is the impact of the COVID-19 pandemic in the long-term and on recoverable value, in particular, of financial investments from subsidiary companies. Considering the information available at the date of issue of these Interim financial statements, it is considered said effects will have a limited temporary scope and the subsequent economic recovery will allow businesses to return to previous levels. Therefore, it is not expected they will have a significant negative impact on long-term business plans and, therefore, on recoverable value of assets. Taking into account the above, after reviewing impairment indicators of different financial investments in subsidiary companies, it does not seem necessary to recognise any impairments, other than those corresponding to the interest in Iberdrola Financiación, S.A.U.

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Details of "Non-current investments in Group companies and associates - Equity instruments" for the six-month periods ended on 30 June 2020 and 2019 are as follows:

Millions of Euros	Balance at 01.01.2020	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 30.06.2020
Investments in group companies	44,445	–	–	(28)	44,417
Investments in associates	1	–	–	–	1
Valuation adjustments group companies and associates	(1,040)	(133)	–	–	(1,173)
Total	**43,406**	**(133)**	–	**(28)**	**43,245**

Millions of Euros	Balance at 01.01.2019	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2019
Investments in group companies	44,337	57	–	51	44,445
Investments in associates	1	–	–	–	1
Valuation adjustments group companies and associates	(264)	(813)	37	–	(1,040)
Total	**44,074**	**(756)**	**37**	**51**	**43,406**

IBERDROLA's Interim financial statements for the first six-month period of 2020 includes valuation adjustments for the investments in Iberdrola Financiación, S.A.U in the amount of Euros 993 million, which include the impairment of Euros 133 million for the six-month period ended 30 June 2020 (Euros 525 million during the compared six-month period ended on 30 June 2019). The business activity of this subsidiary company, which consists of the collection of long-term funds to finance the operations of IBERDROLA Group's companies, as well as the Group's centralised management of exchange rate risk through derivatives, has been negatively impacted by the performance of long-term interest rates and exchange rates compared to the Euro, which in turn has impacted the fair value of this Company's loans.

Additionally, during the first half of the comparative period, the Company reversed the impairment valuation adjustments of Iberdrola Participaciones, S.A.U. in the amount of Euros 27 million.

6. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

At 30 June 2020 and 31 December 2019, the carrying amount for each category of financial assets and liabilities, 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:

	Non-current financial assets					
Millions of Euros	Loans and receivables		Derivatives[(1)]		Total	
Categories	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Assets held for trading	–	–	367	49	367	49
Loans and receivables	27	36	–	–	27	36
Hedging derivatives	–	–	102	78	102	78
Total	**27**	**36**	**469**	**127**	**496**	**163**

	Current financial assets					
Millions of Euros	Loans and receivables		Derivatives[(1)]		Total	
Categories	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Assets held for trading	–	–	3	12	3	12
Loans and receivables	1,764	2,307	–	–	1,764	2,307
Hedging derivatives	–	–	33	43	33	43
Total	**1,764**	**2,307**	**36**	**55**	**1,800**	**2,362**

	Non-current financial liabilities							
Millions of Euros	Loans and borrowings		Derivatives[(1)]		Other		Total	
Categories	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Liabilities held for trading	–	–	367	11	–	–	367	11
Debts and payables	298	339	–	–	4,838	4,969	5,136	5,308
Hedging derivatives	–	–	2	27	–	–	2	27
Total	**298**	**339**	**369**	**38**	**4,838**	**4,969**	**5,505**	**5,346**

	Current financial liabilities							
Millions of Euros	Loans and borrowings		Derivatives[(1)]		Other		Total	
Categories	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Liabilities held for trading	–	–	3	–	–	–	3	–
Debts and payables	579	1,335	–	–	8,873	7,018	9,452	8,353
Hedging derivatives	–	–	50	–	–	–	50	–
Total	**579**	**1,335**	**53**	**–**	**8,873**	**7,018**	**9,505**	**8,353**

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

7. EQUITY

Changes in the six-month period ended on 30 June 2020 in the share capital of IBERDROLA are as follows:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Balance at 01.01.2020			**6,362,072,000**	**0.75**	**4,771,554,000**
Scrip issue	4 February 2020	1.44%	91,520,000	0.75	68,640,000
Balance at 30.06.2020			**6,453,592,000**	**0.75**	**4,840,194,000**

On 4 February 2020 there was a second scrip issue approved at IBERDROLA’s General Shareholders’ Meeting on 29 March 2019, under item nine on the agenda, through which the Iberdrola flexible remuneration (*Iberdrola retribución flexible)* system was implemented. The number of ordinary shares of Euros 0.75 nominal value each issued was 91,520,000 shares. Therefore, the nominal value of the capital increase was Euros 68.64 million.

During the period set, the holders of 1,419,991,945 shares have opted to receive the *Interim dividend* (gross Euros 0.168 per share), amounting the distributed gross *Interim dividend* to Euros 238 million. As a result, said shareholders have expressly waived their right to 1,419,991,945 free allocation rights and, therefore, to 26,296,147 new shares.

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 provided for in the Spanish Companies Act.

<u>Powers delegated at the General Shareholders’ Meeting</u>

The General Shareholders’ Meeting held on 2 April 2020 resolved, in respect of items twenty-two and twenty-three on the agenda, to delegate powers to the Board of Directors, with express powers of substitution, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act ("Ley de Sociedades de Capital"), with authorisation to exclude preferential subscription rights, and

- issue bonds or debentures swappable for and/or convertible into shares in the Company or other companies, and warrants (option to subscribe new Company shares or to acquire new or existing shares in the Company or in any other company) to a maximum amount of Euros 5,000 million. This authorisation includes the delegation of powers to, where applicable: (i) determine the basis and procedures for conversion, swap or exercise; (ii) increase share capital by the amount required to cover applications for conversion; and (iii) exclude shareholders' preferential subscription rights on the issue.

Both authorisations have a joint limit to a maximum nominal amount of 20% of share capital.

8. LOANS AND BORROWINGS AND FINANCE LEASE PAYABLES

During the six-month period ended on 30 June 2020, IBERDROLA has exercised the extension option for the following syndicated financing contracts:

Transaction	Millions of Euros	Currency	Extension option	Maturity
Main transactions for extending existing financing				
Sustainable syndicated loan (1)	2,979	EUR	-	Feb-2025
Sustainable syndicated loan (1)	2,321	EUR	-	Feb-2025

(1) 2nd option to extend for a year the two syndicated loans novated in January 2018 in the amount of Euros 5,300 million.

9. TAXES

The Company's 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. Consequently, the effective tax rate used in these interim financial statements may differ from that rate estimated by the directors for the whole year.

Effective from 1 January 2020, Iberdrola S.A., the parent company of the two Tax consolidation groups in Spain, is subject to corporate income tax under the special tax rules applicable to the region of Biscay. Thereafter, it is included in Tax Group 02415BSC in said special tax region.

The effective tax rate for the six-month period ended on 30 June 2020 is 24.41% (26.09% for the six-month period ended on 30 June 2019), calculated over the accounting profit before tax adjusted by permanent differences.

Millions of Euros	30.06.2020	30.06.2019
Profit/(loss) before tax	**32**	**(312)**
Permanent differences		
Dividends from Group companies	(206)	(299)
Impairments and other	47	588
Adjusted accounting profit (a)	**(127)**	**(23)**
Gross tax (b)	**(30)**	**(6)**
Tax credit deductions (c)	(1)	-
Adjustment of prior years' income tax expense	-	(4)
Adjustment of deferred tax assets and liabilities (d)	(17)	(1)
Other (e)	2	16
Accrued income tax (Income) / Expense	**(46)**	**5**
Effective tax rate (b+c)/a	**24.41%**	**26.09%**

(b) In 2020 the applicable tax rate changed to 24% (25% in 2019) since the special regional tax regime of Biscay on corporate income tax is applicable to IBERDROLA.

(d) In 2020 this resulted from the change in the applicable income tax provisions as mentioned in the previous note.

(e) In 2019 it mainly corresponds to tax on profit paid abroad.

9.1 Administrative actions

All IBERDROLA actions have been analysed by its internal and external advisors, both for this year and for preceding years, and they have determined that these actions have been carried out in accordance with the Law and are based on reasonable interpretations of tax law. The occurrence of contingent liabilities has also been subject to analysis. IBERDROLA's overall applied criteria is to recognise provisions for tax litigation when the risk of a potential unfavourable decision for IBERDROLA is probable, whereas no recognition is required when the risk is possible or remote.

Generally speaking, IBERDROLA has open to inspection by the taxation authorities the main applicable taxes for 2015 and subsequent years, with the exception of corporate income tax, which is open to inspection for 2012 and subsequent years.

In June 2020 the State Tax Administration Office has initiated general investigation actions against IBERDROLA and its Tax group for the years 2015-2017 and partial investigation actions on certain aspects for the Corporate Income Tax for the years 2012-2014.

Additionally, IBERDROLA was awaiting the decision of the Central Economic Administrative Court for the complaints lodged as a result of contested reports signed as part of the general verification process for years 2008-2011. Regarding the Corporate Tax Income, the main disputed adjustments arise from the elimination of the exemption applicable to dividends received, as the taxation authorities consider that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of the General Tax Law in a debtor-swap operation in a number of bond issues. These decisions were notified to IBERDROLA in June, and practically all pretensions have been dismissed. Against said decisions, relevant contentious-administrative appeals have been filed in the Audiencia Nacional in a timely manner on 7 July 2020.

At the same time, also in June 2020, the Central Economic Administrative Court ruled in favour of IBERDROLA regarding the complaint against the contested tax investigation reports signed within the scope of general investigation of the years 2008-2011, regarding VAT for the years 2010 and 2011, anulling said reports.

IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to additional liabilities of significance for the IBERDROLA Group to those already recognised at 31 December 2019.

9.2 Others

Update of financial goodwill (section 12.5 of the revised Corporate Income Tax Act).

No significant changes have taken place during this period. From the perspective of the Spanish authorities, an aid retrieval procedure was initiated by virtue of the General Tax Act, recovering from IBERDROLA the amount of Euros 665 million (Euros 576 million as tax base and Euros 89 million as late accrued interests) by virtue of Section 12.5. IBERDROLA paid the required amount by (i) using Euros 363 million of the 2016 income tax rebate, and (ii) paying Euros 302 million in February 2018. All this was carried out on the basis of the European Commission's Third Decision.

Said amount, in the proportion corresponding to Iberdrola S.A., has been recognised in "Trade and other receivables, non-current" in the Balance sheet.

This matter is considered provisional, subject to the final outcome of the appeals submitted against the three European Commission decisions.

10. INCOME AND EXPENSES

10.1 Revenue

IBERDROLA's revenue from ordinary activities, by category and geographical areas, is distributed as follows:

30.06.2020	European Union			Other countries	Total
Millions of Euros	Spain	Euro zone	Non-Euro zone		
Income from market adjustment of gas contracts	–	–	–	3	**3**
Total	**–**	**–**	**–**	**3**	**3**
Finance income from equity investments in group companies and associates	–	–	–	206	**206**
Finance revenue from debt securities and other financial instruments of group companies and associates	5	5	–	1	**11**
Income from services rendered to group companies	69	2	–	54	**125**
Total	**74**	**7**	–	**261**	**342**
Total	**74**	**7**	–	**264**	**345**

30.06.2019	European Union			Other countries	Total
Millions of Euros	Spain	Euro zone	Non-Euro zone		
Gas (1)	220	–	–	–	**220**
Other	1	–	–	–	**1**
Income from market adjustment of gas contracts	–	–	–	28	**28**
Total	**221**	–	–	**28**	**249**
Finance income from equity investments in group companies and associates	103	–	–	196	**299**
Finance revenue from debt securities and other financial instruments of group companies and associates	4	4	1	–	**9**
Income from services rendered to group companies	76	2	26	29	**133**
Total	**183**	**6**	**27**	**225**	**441**
Total	**404**	**6**	**27**	**253**	**690**

(1) Corresponding mainly to sales to Iberdrola Generación España, S.A.U.

On 20 June 2019, Iberdrola, S.A., Iberdrola Generación, S.A.U. and Iberdrola Generación España, S.A.U. reached an agreement with Pavilion Energy Trading & Supply Pte. Ltd. (Pavilion) for the assignment of their contractual position in the portfolio of liquid natural gas (LNG) supply contracts in the long term, sea transportation and use of gas infrastructures, as well as other ancillary contracts related to LNG. The transaction was closed on 1 January 2020. This circumstance also explains the reduction of gas supply provisions to be used by the abovementioned group company.

In the six-month period ended on 30 June 2019, IBERDROLA recognised LNG supply contracts which had not been previously recognised in the financial statements until the time of delivery at their fair value, taking into consideration that as of the execution date the requirements justifying the application of own use criteria had not been met. Consequently, IBERDROLA recognised income amounting to Euros 28 million in “Revenue” in the Income statement for the six-month period ended on 30 June 2019.

Details of dividends received from Group companies and associates are as follows:

	Sixth-month period ended	
Millions of Euros	**30.06.2020**	**30.06.2019**
Avangrid, Inc.	205	197
Iberdrola Energia, S.A.U.	–	102
Neoenergia, S.A.	1	–
Total	**206**	**299**

10.2 Personnel

IBERDROLA’s personnel is structured as follows:

	30.06.2020		30.06.2019	
	Average personnel	**Final personnel**	**Average personnel**	**Final personnel**
Male	393	399	395	385
Female	339	345	338	329
Total	**732**	**744**	**733**	**714**

11. REMUNERATION RECEIVED BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration received by the Board of Directors and senior management for the six-month periods ended on 30 June 2020 and 2019 are as follows:

a) Remuneration to the Board of Directors

Details of the remuneration received by the directors in the six-month periods ended on 30 June 2020 and 2019 are as follows:

Millions of Euros	**30.06.2020**	**30.06.2019**
Remuneration for belonging to the Board and/or to Board Committees	2.8	2.8
Fixed remuneration executives	1.6	1.6
Variable remuneration executives	4.3	4.3
Other items (1)	0.2	0.2
Total	**8.9**	**8.9**

(1) This amount includes remuneration to Board members who have performed director duties in companies that are not wholly owned, directly or indirectly, by the Company and totals Euros 0.16 million in the first half of 2020 and Euros 0.151 million in the first half of 2019.

Additionally, in the first half of 2020, the first of the three annual payments of the *Strategic Bonus 2017-2019* was made, amounting 733,333 shares. Moreover, in the first half of 2019, the third and last annual payment of the *Strategic Bonus 2014-2016* was made, amounting 631,528 shares.

b) Remuneration to senior management

Senior managers are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in all cases, the Internal audit director, apart from any other executive recognised as senior manager.

As of 30 June 2020, 9 members form the senior management.

Details of remuneration and other benefits received by senior management in the six-month periods ended of June 2020 and 2019 are as follows:

Millions of Euros	30.06.2020	30.06.2019
Fixed remuneration	2.3	2.5
Variable remuneration	5.7	5.2
Provision plans (savings and risk)	1.2	1.2
Other items (1)	0.7	0.7
Total	**9.9**	**9.6**

(1) This amount includes remuneration to senior executives who have performed director duties in companies that are not wholly owned, directly or indirectly, by the Company and totals Euros 0.49 million in the first half of 2020 and Euros 0.54 million in the first half of 2019.

Additionally, in the first half of 2020, the first of the three annual payments of the *Strategic Bonus 2017-2019* was made, amounting 533,329 shares and in the first half of 2019, the third and last annual payment of the *Strategic Bonus 2014-2016* was made, amounting 418,340 shares.

Moreover, during the first half of 2020 and 2019 there were no other transactions with executives outside the ordinary course of business.

12. TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The most significant related party transactions in the six-month periods ended 30 June 2020 and 2019 are as follows:

Millions of Euros	Six-month period ended on 30.06.2020			
	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Total
Expenses and income				
Finance expenses	–	–	65	65
Leases	–	–	2	2
Services received	–	–	4	4
Other expenses	–	–	5	5
Total expenses	**–**	**–**	**76**	**76**
Finance income	–	–	11	11
Dividends received	–	–	206	206
Services rendered	–	–	125	125
Sales	–	–	(1)	(1)
Total income	**–**	**–**	**341**	**341**
Other transactions				
Dividends and other distributed profit (3)	96	–	–	96

Millions of Euros	Six-month period ended on 30.06.2019			
	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Total
Expenses and income				
Finance expenses	–	–	102	102
Lease	–	–	2	2
Services received	–	–	5	5
Other expenses	–	–	6	6
Total expenses	**–**	**–**	**115**	**115**
Finance income	–	–	9	9
Dividends received	–	–	299	299
Services rendered	–	–	133	133
Sales	–	–	219	219
Total income	**–**	**–**	**660**	**660**
Other transactions				
Dividends and other distributed profit (3)	3	–	–	3

(1) IBERDROLA treats any related transactions carried out by shareholders who exert a significant influence on the Company's financial and operating decisions as a significant shareholder. Significant influence is defined as having at least one member on the board of directors. This also applies to those significant shareholders whose ownership interest in the company enables them to exercise the proportional representation system.

At the reporting date of these Interim financial statements, only Qatar Investments Authority meets this condition, so the amounts for the six-month period ended 30 June 2020 and 2019 reflect transactions with this shareholder.

(2) Refers to transactions other than those is Note 11.

(3) Amounts recorded as dividends and other benefits distributed in the first six-month period of 2020 and 2019 correspond to the Iberdrola Flexible Remuneration (*Retribución flexible*) scheme and the attendance premium received, if applicable.

Trade balances with related parties

Millions of Euros	30.06.2020	31.12.2019
Trade and other receivables	125	100
Trade and other payables	9	3

Derivatives, loans and credits with related parties

	30.06.2020		31.12.2019	
Millions of Euros	**Receivables**	**Payables**	**Receivables**	**Payables**
Non-current				
Iberdrola Finance Ireland, DAC	-	97	-	101
Iberdrola Financiación, S.A.U.	33	3,000	12	3,000
Iberdrola Finanzas, S.A.U.	-	797	-	925
Iberdrola International, B.V.	-	942	-	940
Other	22	-	38	11
Total	**55**	**4,836**	**50**	**4,977**
Current				
Ailes Marine, S.A.S.	80	-	-	-
Avangrid, Inc.	99	-	100	-
Eolicas de Euskadi, S.A.U.	-	55	-	54
Hidrola I, S.L.U.	-	483	670	22
Iberdrola Clientes Internacional, S.L.	1	83	245	-
Iberdrola Clientes, S.A.U.	-	517	-	215
Iberdrola Cogeneración, S.L.U.	-	33	-	31
Curenergía Comercializador de Último Recurso, S.A.U.	45	-	36	-
I-DE Redes Eléctricas Inteligentes, S.A.U.	-	307	156	-
Fincalia Agropecuaria Siglo XXI, S.L.	35	-	36	-
Iberdrola Clienti Italia, S.R.L.	53	-	-	-
Iberdrola Energía Internacional, S.A.	252	-	-	-
Iberdrola Energie France, S.A.S.	71	-	-	-
Iberdrola España, S.A.U.	-	344	-	452
Iberdrola Financiación, S.A.U.	3	3,762	1	4,355
Iberdrola Finanzas, S.A.U.	3	129	1	72
Iberdrola Generación España, S.A.U.	-	505	-	50
Iberdrola Generación Nuclear, S.A.U.	-	191	-	281
Iberdrola Generación S.A.U.	303	-	253	-
Iberdrola Generación Térmica, S.L.U.	-	59	93	-
Iberdrola Inmobiliaria, S.A.	-	114	-	147
Iberdrola International, B.V.	6	132	1	117
Iberdrola Inversiones 2010, S.A.U.	-	41	-	-
Iberdrola Participaciones, S.A.U.	-	985	115	-
Iberdrola Re, S.A.	-	130	-	130
Iberdrola Renovables Castilla y León, S.A.	-	107	-	110
Iberdrola Renovables Castilla-La Mancha, S.A.U.	-	68	-	58
Iberdrola Renovables Deutschland, GmbH.	117	-	73	-
Iberdrola Renovables Energía, S.A.U.	-	20	-	53
Iberdrola Renovables France, SAS	164	-	60	-
Iberdrola Renovables Galicia, S.A.U.	-	19	-	85
Iberdrola Renovables Internacional, S.L.	-	101	-	177
Iberdrola Renovables Offshore Deutschland, GmbH.	-	285	-	153
Baltic Eagle GmbH	51	-	-	-
Proyecto Nuñez de Balboa, S.L.	130	-	108	-
Scottish Power. Ltd.	94	-	65	-
Other	256	371	296	385
Total	**1,763**	**8,841**	**2,309**	**6,947**

13. SUBSEQUENT EVENTS

After 30 June 2020 and up to the date of publication of these Interim financial statements, the following significant subsequent events have occurred:

Capital reduction

On 1 July 2020 it was resolved to carry out the share capital reduction approved at the Company's General Shareholders' Meeting held on 2 April 2020 under item eight on the agenda, by means of the redemption of treasury shares.

The characteristics of the capital reduction were the following:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Capital reduction	2 July 2020	3.31%	(213,592,000)	0.75	(160,194,000)

Following the capital reduction, share capital stands at Euros 4,680,000,000 represented by 6,240,000,000 shares of Euros 0.75 of nominal value each.

Iberdrola flexible remuneration

On 6 July 2020, the facts in relation to the implementation of the first scrip issue (*Iberdrola flexible remuneration*) approved at the IBERDROLA General Shareholders' Meeting held on 2 April 2020, under item thirteen of the agenda, were determined as follows:

- The maximum number of shares to be issued under the capital increase is 141,818,181.
- The number of free allocation rights required to receive one new share is 44.
- The maximum nominal value of the capital increase amounts to Euros 106,363,635.75
- Gross interim dividend amount per share was Euros 0.232.

Strategic Bonus Programme 2020-2022

By virtue of the *Strategic Bonus Programme 2020-2022*, approved at the General Shareholders' Meeting held on 2 April 2020, at the proposal of the Remunerations Committee, the Board of Directors resolved to assign to Board members up to a maximum of 2,200,000 shares and to senior managers up to a maximum of 1,800,000 shares based on their performance in the period 2020-2022. They will be paid, if applicable, in three equal parts in 2023, 2024 and 2025.

14. 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.

DIRECTORS' REPORT

IBERDROLA, S.A.

Directors' report corresponding to the six-month period ended on 30 June 2020

1. BUSINESS PERFORMANCE

IBERDROLA is a holding company and therefore its earnings are chiefly produced by dividends and revenues from financing granted to investees and the services provided to investees. Additionally, it was the wholesale provider of the gas supplied to its subsidiary company Iberdrola Generación España, S.A.U. until an agreement with Pavilion Energy Trading & Supply Pte. Ltd. (Pavilion) for the assignment of their portfolio of long-term liquid natural gas (LNG) supply contracts was reached. This activity ceased in the first half of 2019.

2. SIGNIFICANT EVENTS OF THE FIRST SIX-MONTH PERIOD OF 2020

2.1 IBERDROLA Income statement highlights

Net revenue for the six-month period ended on 30 June 2020 amounts to Euros 345 million, of which 3 million in sales correspond to the change in market value of contracts that were not novated within the Pavilion transaction, Euros 206 million to dividends received from subsidiary companies, Euros 205 million from AVANGRID, Euros 11 million to finance income related to financing of subsidiaries and Euros 125 million to income from services rendered to group companies. The decrease in revenue of Euros 345 million is the net effect of (Note 10):

- The cessation of the wholesale gas activity following the agreement with Pavilion, which reduces sales in Euros 220 million and other sales go down in Euros 1 million;

- Lower market valuation of gas transactions for Euros 25 million, following the agreement with Pavilion;

- Lower dividends in Euros 93 million and greater financial income in Euros 2 million, and

- Lower income from rendering services to Group companies in Euros 8 million.

As the wholesale gas supply activity ceases, supplies disappear comparing to Euros 219 million euros associated to this activity in the first half of 2019.Net capitalised personnel expenses of Euros 61 million, operating expenses of Euros 60 million, depreciation and amortisation of Euros 34 million, and Euros 133 million of impairment (Note 5) brought operating profit to Euros 58 million, compared to a negative operating profit of Euros 220 million, improving Euros 278 million compared to the same period in the prior year.

Net financial result has been negative amounting to Euros 26 million compared to the negative financial result of Euros 92 million in the same period of 2019. This variation of Euros 66 million is the result of:

- Greater income of Euros 3 million;

- Decline in borrowing costs with Group companies of Euros 37 million and decrease in third-party borrowing costs and provision adjustments of Euros 18 million.

- Positive effect of the valuation of derivatives of Euros 17 million and decline in exchange losses of Euros 27 million.

Profit before tax amounts to Euros 32 million and Corporate Income Tax amounts to Euros 46 million, which results in a profit for the period of Euros 78 million, compared to Euros 317 million of losses recognised in the same period in 2019.

2.2 Balance sheet

IBERDROLA's Balance sheet at 30 June 2020 shows current liabilities exceeding current assets in the amount of Euros 7,110 million, which is fully justified by current payables to Group companies and associates in the amount of Euros 8,841 million. This will be offset through the generation of funds from business activities and its subsidiaries' dividends.

3. MAIN RISKS AND UNCERTAINTIES

The main sources of uncertainty are described in Note 4.

COVID-19

On 11 March 2020 the World's Health Organisation qualified as a pandemic the breakout of the coronavirus COVID-19. As a result, the main countries where the IBERDROLA Group operates have progressively been adopting temporary measures to limit the spread of COVID-19 that include or have included, among others, restrictions to the free movement of people, quarantine obligations, isolation or confinement, closure of borders and closure of public and private premises (except for first need and health premises) which have had or will have, in a greater or lesser extent, an impact on the economic activity in the countries where the Group is present and its activities in particular.

In order to mitigate the economic impact of these measures and to facilitate a faster financial recovery, the different governments and central banks have approved or announced several aid plains for economic recovery, including liquidity plans, soft loans, relaxing tax payments, measures to support the most vulnerable groups and the most affected sectors, as well as several regulatory measures.

However, the effect of COVID-19 in the economies in the main countries where the Group operates in 2020, is expected to be highly significant and will be followed by a greater or lesser relevant recovery in 2021. As a result, IBERDROLA Group companies have faced, and will probably continue to face in the upcoming months, an increase in their traditional credit, market, financial, operating and regulatory risks.

In this regard, one of the uncertainties that did not exist at the end of 2019 is the impact of the COVID-19 crisis in the long-term and on the recoverable value, in particular, of financial investments from subsidiary companies.

However, considering the information available at the reporting date of these Interim financial statements, it is considered that said effects will have a limited temporary scope and the subsequent economic recovery will allow businesses to go back to previous levels. Therefore, it is not expected that they will have a significant negative impact on business plans and on the recoverable value of assets.

4. SUBSEQUENT EVENTS

Subsequent events occurring after the period end are described in Note 13.

PREPARATION

YEAR 2020 - FIRST SIX-MONTH PERIOD

PREPARATION OF CONDENSED INDIVIDUAL INTERIM FINANCIAL STATEMENTS AND INTERIM DIRECTORS' REPORT OF IBERDROLA, S.A.

Mr José Ignacio Sánchez Galán
Chairman & Chief Executive

Mr Juan Manuel González Serna
Vice Chair and Lead director

Mr Iñigo Víctor de Oriol Ibarra
Director

Mrs Samantha Barber
Director

Mrs María Helena Antolín Raybaud
Director

Mrs Georgina Yamilet Kessel Martínez
Director

Mr José Walfredo Fernández
Director

Mr Manuel Moreu Munaiz *Member*
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director and Business CEO

Mr Anthony Luzzato Gardner
Director

Mrs Sara de la Rica Goiricelaya
Director

Mrs Nicola Mary Brewer
Director

Mrs Regina Helena Jorge Nunes
Director

Iberdrola, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements

30 June 2020

Consolidated Interim Directors' Report

2020

(With Limited Review Report Thereon)

(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

Limited Review Report on 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. at the request of the Company's Directors

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 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the interim financial statements for the six-month period then ended (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, for the preparation of interim financial information, pursuant to article 12 of Royal Decree 1362/2007. 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 the 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 2020 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, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

(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 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 2019. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2020 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 directors' 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 2020. Our work is limited to the verification of the consolidated interim directors' 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.

Paragraph on Other Matters

This report has been prepared at the request of management in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Enrique Asla García

23 July 2020

IBERDROLA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

CONTENTS

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated statement of financial position at 30 June 2020

Millions of Euros			
ASSETS	**Note**	**30.06.2020 (Not audited)**	**31.12.2019 (*) (Audited)**
Intangible assets		**19,133**	**20,368**
Goodwill		7,790	8,153
Other intangible assets		11,343	12,215
Investment property		**338**	**342**
Property, plant and equipment	**8**	**71,549**	**71,289**
Property, plant and equipment in use		63,940	63,448
Property, plant and equipment under construction		7,609	7,841
Right-of-use assets		**1,745**	**1,782**
Non-current investments		**5,491**	**5,819**
Equity-accounted investees	6, 7	1,256	1,957
Non-current securities portfolio	9	64	86
Other non-current investments	9	2,786	3,020
Derivative financial instruments	9	1,385	756
Trade and other non-current assets		**2,705**	**2,851**
Current tax assets	**17**	**666**	**666**
Deferred tax assets		**5,792**	**5,694**
NON-CURRENT ASSETS		**107,419**	**108,811**
Nuclear fuel		**264**	**306**
Inventories		**2,587**	**2,542**
Trade and other current receivables		**7,921**	**7,499**
Current tax assets		785	318
Public entities, other		786	507
Trade and other receivables current		6,350	6,674
Current investments	**9**	**1,446**	**1,098**
Other current financial investments		565	693
Derivative financial instruments		881	405
Cash and cash equivalents	**10**	**2,320**	**2,113**
CURRENT ASSETS		**14,538**	**13,558**
TOTAL ASSETS		**121,957**	**122,369**

(*) The Consolidated statement of financial position at 31 December 2019 is presented for comparative purposes only.

The accompanying Notes are an integral part of the Condensed consolidated interim financial statements.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated statement of financial position at 30 June 2020

Millions of Euros			
EQUITY AND LIABILITIES	**Note**	**30.06.2020 (Not audited)**	**31.12.2019 (*) (Audited)**
Parent company		**36,731**	**37,678**
Share capital	11	4,840	4,771
Valuation adjustments	11	(583)	(544)
Other reserves		36,424	33,582
Treasury shares	11	(2,453)	(1,436)
Translation differences		(3,342)	(2,101)
Profit for the period		1,845	3,406
Non-controlling interests		**9,083**	**9,517**
NET EQUITY		**45,814**	**47,195**
Capital grants		**1,359**	**1,399**
Facilities transferred or financed by third parties		**4,957**	**4,987**
Non-current provisions		**6,232**	**5,990**
Provision for pensions and similar obligations	15	2,766	2,661
Other provisions		3,466	3,329
Non-current financial liabilities		**35,138**	**33,639**
Loans and borrowings and obligations or other securities	9, 14	30,846	30,126
Equity instruments having the substance of a financial liability	9	420	193
Derivative financial instruments	9	985	471
Leases		1,683	1,614
Other non-current financial liabilities		1,204	1,235
Other non-current liabilities		**401**	**408**
Current tax liabilities		**275**	**261**
Deferred tax liabilities		**9,474**	**9,359**
TOTAL NON-CURRENT LIABILITIES		**57,836**	**56,043**
Current provisions		**699**	**660**
Provision for pensions and similar obligations	15	14	25
Other provisions		685	635
Current financial liabilities		**14,959**	**16,534**
Loans and borrowings and obligations or other securities	9, 14	7,772	8,800
Equity instruments having the substance of a financial liability	9	38	22
Derivative financial instruments	9	705	478
Leases		150	153
Trade payables		4,958	5,098
Other non-current financial liabilities		1,336	1,983
Other current liabilities		**2,649**	**1,937**
Current tax liabilities		721	243
Public entities, other		1,491	1,020
Other current liabilities		437	674
TOTAL CURRENT LIABILITIES		**18,307**	**19,131**
TOTAL EQUITY AND LIABILITIES		**121,957**	**122,369**

(*) The Consolidated statement of financial position at 31 December 2019 is presented for comparative purposes only.

The accompanying notes are an integral part of the Condensed consolidated interim financial statements.

IBERDROLA

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated income statement for the six-month period ended 30 June 2020

Millions of Euros	Note	30.06.2020 (Not audited)	30.06.2019 (*) (Not audited)
Revenue	7 16	16,467	18,281
Supplies		(8,417)	(10,051)
GROSS MARGIN		**8,050**	**8,230**
Personnel expenses		(1,418)	(1,413)
Capitalised personnel expenses		347	329
Net personnel expenses		(1,071)	(1,084)
External services		(1,364)	(1,390)
Other operating income		361	328
Net external services		(1,003)	(1,062)
Net operating expenses		(2,074)	(2,146)
Taxes		(1,058)	(1,094)
GROSS OPERATING PROFIT (EBITDA)		**4,918**	**4,990**
Valuation adjustments, trade and contract assets	3, 7	(216)	(151)
Amortisation, depreciation and provisions	7	(2,027)	(1,848)
OPERATING PROFIT (EBIT)		**2,675**	**2,991**
Result of equity-accounted investees - net of taxes		(10)	17
Finance income		677	425
Finance costs		(1,077)	(1,036)
Net financial income/expense		(400)	(611)
Gains on disposal of non-current assets	6	505	7
Gains/(losses) on non-current assets		505	7
PROFIT BEFORE TAX		**2,770**	**2,404**
Income tax	17	(780)	(545)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,990**	**1,859**
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS (NET OF TAX)		**1**	**(26)**
Non-controlling interests		(146)	(189)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**1,845**	**1,644**
BASIC EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS:			
BASIC EARNING PER SHARE IN EUROS		0.292	0.255
DILUTED EARNINGS PER SHARE IN EUROS		2.285	0.250
LOSS PER SHARE IN EUROS FOR DESCONTINUED OPERATIONS:			
BASIC LOSSES PER SHARE IN EUROS		0.000	0.004
DILUTED LOSSES PER SHARE IN EUROS		0.000	0.004

(*) The Consolidated income statement for the six-month period ended 30 June 2019 is presented for comparative purposes only.

The accompanying notes are an integral part of the Condensed consolidated interim financial statements.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated statement of comprehensive income for the six-month period ended 30 June 2020

	30/06/2020 (Not audited)			30/06/2019 (*) (Not audited)		
Millions of Euros	**Parent company**	**Non-controlling interests**	**Total**	**Parent company**	**Non-controlling interests**	**Total**
PROFIT FOR THE PERIOD	**1,845**	**146**	**1,991**	**1,644**	**189**	**1,833**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO CONSOLIDATED INCOME STATEMENT IN FUTURE PERIODS						
Valuation adjustments (Note 11)	**(39)**	**25**	**(14)**	**(370)**	**(2)**	**(372)**
Change in value of cash flow hedge derivatives	(71)	39	(32)	(485)	(3)	(488)
Changes in hedging costs	(3)	-	(3)	(2)	-	(2)
Tax effect	35	(14)	21	117	1	118
Translation differences	(1,241)	(603)	(1,844)	**270**	**70**	**340**
TOTAL	**(1,280)**	**(578)**	**(1,858)**	**(100)**	**68**	**(32)**
OTHER COMPREHENSIVE INCOME OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (NET OF TAX)						
Other reserves	**(143)**	**(39)**	**(182)**	**-**	**-**	**-**
Actuarial variations due to pensions (Note 15)	(232)	(53)	(285)	-	-	-
Tax effect	89	14	103	-	-	-
TOTAL	**(143)**	**(39)**	**(182)**	**-**	**-**	**-**
TOTAL NET PROFIT OR LOSS RECOGNISED DIRECTLY IN EQUITY	**(1,423)**	**(617)**	**(2,040)**	**(100)**	**68**	**(32)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**422**	**(471)**	**(49)**	**1,544**	**257**	**1,801**

(*) The Consolidated statement of comprehensive income for the six-month period ended 30 June 2019 is presented for comparative purposes only.

The accompanying notes are an integral part of the Condensed consolidated interim financial statements.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a 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 2020

			Other reserves								
Millions of Euros	Subscribed capital	Treasury shares	Legal reserve	Share premium	Other restricted reserves	Retained earnings	Valuation adjustments	Translation differences	Profit for the period	Non-controlling interests	Total
Balance at 31.12.2019	**4,771**	**(1,436)**	**969**	**14,512**	**1,053**	**17,048**	**(544)**	**(2,101)**	**3,406**	**9,517**	**47,195**
Comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(143)**	**(39)**	**(1,241)**	**1,845**	**(471)**	(49)
Transactions with shareholders or owners											
Scrip issue (Note 11)	69	-	-	(69)	-	-	-	-	-	-	-
Distribution of profit (Note 11)	-	-	-	-	-	3,168	-	-	(3,406)	(72)	(310)
Transactions with treasury shares	-	(1,017)	-	-	-	(15)	-	-	-	-	(1,032)
Transactions with non-controlling interests (Note 6)	-	-	-	-		(73)	-	-	-	169	96
Other movements in equity											
Equity instruments-based payments	-	-	-	-	-	(34)	-	-	-	1	(33)
Other movements	-	-	-	-	-	8	-	-	-	(61)	(53)
Balance at 30.06.2020	**4,840**	**(2,453)**	**969**	**14,443**	**1,053**	**19,959**	**(583)**	**(3,342)**	**1,845**	**9,083**	**45,814**

(Not audited) Millions of Euros	Subscribed capital	Treasury shares	Other reserves: Legal reserve	Other reserves: Revaluation reserves	Other reserves: Share premium	Other reserves: Other restricted reserves	Other reserves: Retained earnings	Valuation adjustments	Translation differences	Profit for the period	Non-controlling interests	Total
Balance at 31.12.2018 (*)	**4,798**	**(1,010)**	**969**	**28**	**14,668**	**843**	**16,224**	**(32)**	**(2,919)**	**3,014**	**7,394**	**43,977**
Comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(370)**	**270**	**1,644**	**257**	**1,801**
Transactions with shareholders or owners												
Scrip issue	92	-	-	(28)	(64)	-	-	-	-	-	-	-
Capital reduction	(210)	2,015	-	-	-	210	(2,015)	-	-	-	-	-
Distribution of profit	-	-	-	-	-	-	2,883	-	-	(3,014)	(95)	(226)
Transactions with treasury shares	-	(1,558)	-	-	-	-	4	-	-	-	-	(1,554)
Transactions with non-controlling interests	-	-	-	-	-	-	(66)	-	39	-	124	97
Other movements in equity												
Equity instruments-based payments	-	-	-	-	-	-	(8)	-	-	-	-	(8)
Issue perpetual subordinated bonds	-	-	-	-	-	-	(4)	-	-	-	800	796
Other movements	-	-	-	-	-	-	(4)	-	-	-	(33)	(37)
Balance at 30.06.2019 (*)	**4,680**	**(553)**	**969**	**-**	**14,604**	**1,053**	**17,014**	**(402)**	**(2,610)**	**1,644**	**8,447**	**44,846**

(*) The Consolidated statement of changes in equity for the six-month period ended 30 June 2019 is presented for comparative purposes only.

The accompanying notes are an integral part of the Condensed consolidated interim financial statements.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Statement of cash flows for the six-month period ended 30 June 2020

Millions of Euros	Note	30.06.2020 (Not audited)	30.06.2019 (*) (Not audited)
Profit for the period from continuing operations before tax		2,770	2,404
Profit for the period from discontinued operations before tax		(1)	(28)
Adjustments for			
Amortisation and depreciation, provisions, financial assets valuation adjustments and personnel expenses for pensions		2,370	2,076
Net profit/loss from investments in associates and joint ventures		10	(11)
Grants applied		(150)	(134)
Finance income and finance costs		408	612
Gains on disposal of non-current assets		(524)	(7)
Movement in working capital			
Change in trade and other payables		(272)	(585)
Movement in inventories		(69)	(382)
Trade payables and other liabilities		277	(435)
Provisions paid		(364)	(354)
Income tax		(447)	(246)
Dividends received		3	13
Net cash flows from operating activities		**4,011**	**2,923**
Acquisition of intangible assets		(189)	(539)
Acquisition of companies accounted for using the equity method		(38)	(129)
Acquisition of investment property		(1)	-
Acquisition of property, plant and equipment		(2,952)	(2,152)
Interest paid capitalised		(93)	(119)
Capitalised personnel expenses paid		(347)	(330)
Capital grants		8	5
Securities portfolio		22	(19)
Payments for other investing activities		(365)	(77)
Net collection/(payments) for current financial assets		79	(41)
Interest collected		16	27
Proceeds from disposal of non-financial assets		-	78
Proceeds from disposal of financial assets	6	1,122	-
Net cash flows used in investing activities		**(2,738)**	**(3,296)**
Dividends paid	11	(238)	(131)
Dividends paid to non-controlling interests		(72)	(95)
Perpetual subordinated bonds			
Issue		-	800
Interest paid		(63)	(37)
Loans and borrowings and obligations or other securities			
Issues and disposals		7,227	7,923
Reimbursement		(5,818)	(7,631)
Interest paid excluding capitalised interest		(382)	(462)
Financial liabilities from leases			
Payment of principal		(76)	(61)
Interest paid excluding capitalised interest		(18)	(16)
Equity instruments having the substance of a financial liability			
Issue		279	126
Reimbursement		(14)	(19)
Interest paid		-	(9)
Collections due to transactions with non-controlling interests	6	169	-
Payments due to transactions with non-controlling interests	6	(73)	-
Acquisition of treasury shares		(1,860)	(1,189)
Proceeds from disposal of treasury shares		67	46
Net cash flows from/(used in) financing activities		**(872)**	**(755)**
Effect of exchange rate fluctuations on cash and cash equivalents		**(194)**	**49**
Net increase / (decrease) in cash and cash equivalents		**207**	**(1,079)**
Cash and cash equivalents at the beginning of the period		**2,113**	**2,801**
Cash and cash equivalents at the end of period		**2,320**	**1,722**

(*) The Consolidated statement of cash flows for the six-month period ended on 30 June 2019 is presented for comparative purposes only.

The accompanying notes are an integral part of the Condensed consolidated interim financial statements.

1. ACTIVITIES OF THE GROUP

Iberdrola S.A. (Hereinafter, IBERDROLA), a company incorporated in Spain and with registered address at Plaza Euskadi 5, in Bilbao, is the parent of another 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.
- Retailing of electricity, gas and associated 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 applicable legislation in the electricity industry. The IBERDROLA Group carries out its activities mainly in five countries in the Atlantic region: Spain, UK, US, Mexico and Brazil.

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

a) Accounting standards applied

The issuance of these Condensed consolidated financial statements for the six-month period ended on 30 June 2020 (hereinafter, the Condensed financial statements) has been authorised by the Board of Directors of IBERDROLA on 21 July 2020.

These financial statements have been drafted following IAS 34: “Interim Financial Reporting” and also include information which is additional to that required by this standard, pursuant to article 12 of Royal Decree 1362/2007. Nevertheless, they do not contain all the information and disclosures required of consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). Consequently, to be interpreted properly these financial statements must be read in conjunction with the IBERDROLA Group’s consolidated annual accounts for the year ended 31 December 2019.

The accounting policies used in these Financial statements correspond with those used for the Consolidated annual accounts for the year ended 31 December 2019, except for the application on 1 January 2020 of the following amendments adopted by the European Union applicable to Europe:

- the amendments to IFRS 9, IAS 39 and IFRS 7 on "Reform of benchmark interest rates" approaching the uncertainties related to the reform of interbank rates (IBOR indexes) avoiding the interruption of existing hedging relationships due to temporary exceptions to the application of certain specific requirements of hedging accounting.

- the amendments to IFRS 3 "Business combinations" that clarify the definition of business, aimed at helping entities determine if a transaction must be recognised as a business combination under the scope of IFRS 3 or as an acquisition of assets.

The IBERDROLA Group has adopted the requirements of the *Interest Rate Benchmark Reform* (hereinafter, the IBOR reform), retroactively to hedging relationships existing at 1 January 2020 or which were subsequently designated and are directly affected by the IBOR reform. In particular, it is considered that a hedging relationship is directly affected by the IBOR reform if said reform creates uncertainty regarding:

- The benchmark interest rate designated as the hedging relationship covered risk (specified, whether contractually or not), or

- The term or the amount of flows associated to the benchmark interest rate of the item hedged or the hedged instrument.

Management of the IBOR Reform and the financial risks arising as a result of the reform

The global reform of benchmark interest rates is crucial and is continuously followed-up by the IBERDROLA Group since interbank interest rates (IBORs) are key benchmarks in many contracts of the Group.

The IBERDROLA Group uses interest rate derivatives as cash flow hedges and fair value hedges, mainly interest rate swaps and *Cross Currency Swaps*. These derivative financial instruments are benchmarked to floating interest rates affected by the IBOR reform, mainly Euribor, Libor-Sterling Pound and Libor-Dollar.

European institutions continued working on the reform of interest rate indexes and in the transition towards alternative indexes adapted to the Benchmarks - Regulation (EU) 2016/1011. The European Central Bank started publishing on 2 October 2019 the €STR (*Euro short-term rate*), a Euro short-term interest rate which reflects the financing cost of credit entities in the Eurozone in the wholesale market of daily deposits. EONIA, on the other hand, is calculated as €STR +8.5 basis points until it is suspended following its publication on 2 January 2022. In this regard, work has been carried out in the United States with the SOFR (*Secured Overnight Financing Rate*) and in the United Kingdom with the reformed SONIA (*Sterling Overnight Index Average*), referenced to the RFR (*Risk Free Rate*).

With regard to Euribor, a new hybrid calculation methodology was developed in 2019 based on real market transactions distinguishing three levels of estimates depending on the observability of said transactions. This new methodology was approved by the authorities. Therefore, it is not necessary to amend existing contracts, understanding also, that those financial instruments referenced to the Euribor are not exposed to a high degree of uncertainty at 30 June 2020.

For the remaining IBORs, the cessation of the publication of 31 December 2021 is expected. For this reason, the main market intervening parties (regulators, central banks, banks, institutions, etc.) are working on the definition of the equivalences between those IBORs and the new RFR references. This situation creates a certain degree of uncertainty regarding the interest rate derivatives the IBERDROLA Group holds, in particular those referenced to Libor-Sterling Pound and Libor-Dollar. Regarding these hedges, the IBERDROLA Group has opted to apply the temporary exceptions introduced by Rule (EU) 2020/34.

In the face of the existing uncertainty during the transition, the IBERDROLA Group has created a Committee to continuously follow up the IBOR reform and has initiated an action plan with the purpose of minimising any potential negative risk, identifying first the transactions affected, quantifying its notional and reviewing, with the counterparties, the drafting of the agreements.

Derivative financial instruments are governed by the framework agreements of the International Swaps and Derivatives Association (ISDA). ISDA is currently reviewing its standard agreements in view of the IBOR Reform. When ISDA has completed its review (the publication of a new protocol is expected in July 2020, to become effective from November), the IBERDROLA Group expects to negotiate the inclusion of new replacement clauses in the agreements with the different counterparties. The same negotiation will take place with financial liabilities payables at a floating rate, described as a hedge item regarding cash flow hedges to guarantee symmetry between hedge position clauses and the hedge and avoid temporary differences in the transition between the hedge item and the hedge instrument which may cause inefficiencies related to the hedging.

At 30 June 2020, no amendments to the terms and conditions related to the ongoing IBOR reform have been made. However, before any advance from the authorities regarding IBOR Indexes, the IBERDROLA Group will insert the relevant contractual amendments, in order to include a new replacing type of benchmark interest rate, so there is certainty on terms and flow amounts affecting hedge instruments and hedged items.

In this context, at 30 June 2020 the par amount of hedge agreements indexed to IBOR, except for the Euribor, maturing after 31 December 2021, are:

Millions in currency	Currency	30.06.2020
Interest rate swaps indexed to Libor-Sterling Pound	GBP	150
Interest rate swaps indexed to Libor-Dollar	-	-
Cross currency swap indexed to Libor-Sterling Pound	GBP	201
Cross currency swap indexed to Libor-Dollar	USD	213

Accounting policies specific to hedges directly affected by the IBOR effective from 1 January 2020

In order to assess if there is an economic relationship between the hedged instrument and the hedged item at 30 June 2020, the IBERDROLA Group assumes the benchmark floating rate has not changed as a result of the IBOR Reform.

The IBERDROLA Group will stop applying this temporary exception in the assessment of the economic relationship between the hedged instrument and the hedged item when the uncertainty arising from the IBOR reform with regard to benchmark interest rates no longer exists in relation to the term or the amount of benchmark interest rate flows of the item hedge, or when the hedge relationship is interrupted.

b) Comparative information

In the Condensed consolidated annual accounts for the six-month period ended on 30 June 2019 it was stated that the IBERDROLA Group considered assignment agreements for right of use of land where the wind energy generation facilities did not comply with the requirements for being considered leases. This conclusion matched the one applied under US rules (ASC 842 Leases), whose definition of lease is the same as the one used in international rules (IFRS 16 Leases). Said annual accounts alerted that the accounting treatment of said agreements considering the shared use of the underlying assets was subject to court action because it may be subject to changes in accordance with future interpretations.

In June 2019, the International Financial Rules Interpretation Committee (IFRIC) issued its conclusion on a query related to the accounting treatment of an agreement executed with a pipeline operator which allowed its installation underground during a specific period of time for a consideration (surface rights). Although the query does not specifically approach the problem of land assignment agreements for installing wind farms in which the agreed terms and conditions allow shared use of the land by the owner and the Group, the analysis carried out by the IFRIC, the CNMV and the interpretations of auditing firms from the publication of said query determined the need to restate the accounting treatment initially adopted.

In this regard, as a result of the new information available, the Group decided to consider in the consolidated annual accounts for 2019 that assignment agreements for the use of land where wind-power facilities are located qualify as lease agreements and comply with the definition of lease within the scope of IFRS 16 and expanded as such the scope of application of this provision.

The Consolidated income statement and the Consolidated statement of changes in cash flows for the six-month period ended 30 June 2019 has not changed compared to the published Consolidated financial statements for the six-month period ended 30 June 2019 published, given that the change in the subsequent interpretation does not have a significant impact on the Consolidated financial statements.

3. EFFECTS OF COVID-19

The Condensed consolidated interim financial statements for the six-month period ended on 30 June 2020 have been impacted by the strict measures adopted in several countries where the IBERDROLA Group operates its activities to stop the spread of the COVID-19 virus, which have had a strong impact on their economies.

a) Use of accounting estimates

Although it is not possible to know in precision the impact COVID-19 will have on these financial statements, several estimates made by the IBERDROLA Group are described below based on the best information available.

Impairment of non-financial assets

At the reporting date, there was no evidence the COVID-19 pandemic may have had a long-term impact on performance which may have had a significant impact on the valuation of the non-financial assets of the impacted company (Note 18).

Impairment of financial assets

The estimated effect of bad debt provisions, related to COVID-19, recognised by the IBERDROLA Group in the first six-month period of the year amounts to Euros 71 million additional to those considered normal before the pandemic.

This increase in provisions results from the increase in trade payables pending collection as a result of the measures adopted by several governments who have considered the deferment of payments of electricity and gas supply and the deferral plans granted by the Group to its customers.

The Group's other financial instrument counterparties have solid credit ratings. Therefore, it has not had a material effect on the valuation of expected credit loss recognised in the period.

However, although no evidence of significant changes has been identified in credit risks additional to those recognised in these Consolidated financial statements, the IBERDROLA Group's intention is to follow up the credit risk of its financial assets insofar as new information is available that enables calculations on expected loss to be more precise.

Pension plans

The IBERDROLA Group has considered the market fluctuations associated with COVID-19 that may affect defined pension plans and the valuation of plan assets. Therefore, at 30 June 2020 new actuarial assessments on the pension obligations have been performed and on said date the related assets have been updated (Note 15).

b) Impact on the Consolidated income statement for the six-month period ended 30 June 2020

The impact of the measures adopted by states, the temporary closure of industries and the cessation of practically all retail activity has resulted in a drop in energy demand that, combined with the impact of the drop in commodities prices, has brought down spot prices in wholesale markets and futures market prices.

Other less significant impacts have been the temporary delay in the application of reviewed rates/tariffs in some distribution companies of the IBERDROLA Group in the United States and Brazil, lower income due to connections to the distribution business in Spain and lower income for slight delays in the commissioning of certain projects.

Additionally, in terms of net operating expenses, the effects have been offset. Lower expenses related to health and safety and transportation of employees and donations and have been offset by cost savings resulting from lower retail activity, the suspension of travel and other cuts in non-basic operating expenses.

For a greater breakdown of the above mentioned impact by segments, see section 1.3 of the Consolidated interim directors' report.

c) Financial risks

The IBERDROLA Group is structurally subject to financial risks over which it keeps a permanent control, monitoring the performance of the different financial markets where it operates and complying with the risk limits set by their risk policies. It also anticipates market risk situations such as those resulting from the COVID-19.

Liquidity risk

Since the effects of COVID-19 started to show until central banks started implementing liquidity injection measures to stabilise markets, there have been situations in which liquidity has been restricted, especially impacting companies with worse ratings.

The IBERDROLA Group had a solid liquidity situation prior to COVID-19, which ensured not putting at risk the compliance with the Group's commitments, even under the scenario of full closure of markets.

However, in order to guarantee liquidity in the event of additional impairment of the businesses cash generation, liquidity sources were increased, proving that, even under a scenario of low liquidity, the IBERDROLA Group has the support of both fixed rent investors and banking entities at competitive prices.

At 30 June 2020 the IBERDROLA Group has a solid liquidity position in cash and sufficient available lines to comfortably comply with liquidity requirements even in the case of a greater contraction of markets (Note 14).

Interest rate risk

Within the measures adopted by central banks, lowering official interest rates has been one of the main leverages to reactivate the economy, and they have dropped significantly. Under this scenario, the IBERDROLA Group has been benefited by this reduction in rates for both floating rate debt and new financing and liquidity transactions.

Moreover, the current uncertainty presents a scenario in which low rates are to be expected, reducing short and medium-term interest rate risk.

Exchange rate risk

COVID-19 has caused strong instability in currency markets, more pronounced in emerging countries. In particular, as to emerging markets in which the Group operates, the depreciation of currencies (Mexican Peso and Brazilian reals) has been very marked.

Despite this scenario, the impact of this depreciation in the Company's results has been at all times controlled, and has been kept under the risk limits set. This has enabled to significantly mitigate the impact.

Furthermore, the Group's diversification in the different geographies and the strength of the business currencies such as the Euro, the US dollar and the Pound Sterling acts as an important mitigating factor for the stability of the Group's results.

4. SEASONAL VARIATION

On a half-yearly basis, the IBERDROLA Group's activities show no significant degree of seasonal variation.

5. USE OF ACCOUNTING ESTIMATES

Certain assumptions and estimates were made by the IBERDROLA Group in the preparation of these Financial statements. The criteria used to calculate the estimates used in these Interim financial statements are the same as those used in the preparation of IBERDROLA's 2019 Consolidated annual accounts.

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

In this regard, one of the uncertainties that did not exist at the end of 2019 was the impact of COVID-19 in the long-term. Note 3 describes the effect of the pandemic on these Consolidated financial statements, although it is possible that its evolution may require adding new effects in the future.

6. MODIFICATION TO THE CONSOLIDATION PERIMETER AND OTHER SIGNIFICANT TRANSACTIONS

The IBERDROLA Group's most significant transactions in the six-month period ended 30 June 2020 were the following:

Sale of associates

- In February 2020, Iberdrola Participaciones, S.A., a company wholly-owned by Iberdrola, S.A., and Iberdrola, S.A have executed with Siemens Aktiengesellschaft an agreement for the sale of IBERDROLA PARTICIPACIONES full investment in Siemens Gamesa Renewable Energy, S.A. (SIEMENS GAMESA), representative of an 8.07% of its share capital.

  The transaction price amounting to Euros 1,100 million, equivalent to Euros 20 per share of SIEMENS GAMESA and is not subject to future adjustments. The purchase was finalised on 5 February 2020 and has resulted in a gross surplus of Euros 485 million recognised in "Gains on disposal of non-current assets" in the Consolidated income statement for the six-month period ended 30 June 2020. This capital gain is considered to be out of the scope of corporate income tax for the six-month period ended 30 June 2020 (Note 17).

Transactions with non-controlling interests

- In February 2020, the IBERDROLA Group reached an agreement to acquire for Euros 100 million, 30% of Ailes Marine shares, the company responsible for developing, constructing, installing and operating the offshore wind farm in the Saint-Brieuc bay in France.

  Given that the IBERDROLA Group already held the control over the company because it had an interest of 70%, the transaction has been recognised under non-controlling interests, resulting in a decrease of Euros 0.125 million in "Non-controlling interests", and a credit of Euros 73 million to "Translation differences" in the Consolidated statement of financial position at 30 June 2020.

- In the first six-month period of 2020, several share capital increases have been executed to complete the construction of the East Anglia project in the amount of Pound Sterling 362 million, paid up by the shareholders according to their percentage of interest, resulting in a credit of Euros 169 million to "Equity - Non-controlling interests" in the Consolidated statement of financial situation at 30 June 2020.

7. SEGMENT INFORMATION

The IBERDROLA Group combines its segments according to the nature of the business activities in the different geographic areas in which said activities take place. The operating segments identified by the IBERDROLA Group are as follows:

- Network business: including all the energy transmission and distribution activities, and any other regulated activity carried out in Spain, the United Kingdom, the United States and Brazil.

- Liberalised business: including the electricity generation and supply businesses carried out by the Group in Spain, the United Kingdom, Mexico, Brazil and the rest of the countries within the Iberdrola Energía Internacional (IEI) subholding.

- Renewables business: including activities related to renewable energies (principally wind, solar and hydroelectric) in Spain, the UK, the USA, Brazil and the Iberdrola Energía Internacional (IEI) subholding's countries.

- Other businesses: it groups other non-energy related business.

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

Transactions between the different segments are generally made in market conditions.

The key figures of the identified operating segments are shown below. The balances corresponding to the Consolidated statement of income that are included for comparative purposes, are shown at 30 June 2019, whereas the balances corresponding to the Consolidated statement of financial position are shown at 31 December 2019.

Segmentation by businesses in the six-month period ended 30 June 2020

30.06.2020	Liberalised						Renewables							Networks						
Millions of Euros	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total	Other businesses, Corporation and adjustments	Total
REVENUE (NOTE 16)																				
External revenues	4,949	2,309	1,116	57	598	**9,029**	222	132	587	42	44	180	**1,207**	916	610	2,109	2,582	**6,217**	**14**	**16,467**
Intersegment sales	288	8	11	132	(8)	**431**	385	369	–	12	42	22	**830**	60	80	–	1	**141**	**9**	**1,411**
Eliminations						**(266)**							–					–	**(1,145)**	**(1,411)**
Total sales						**9,194**							**2,037**					**6,358**	**(1,122)**	**16,467**
RESULTS																				
Segment operating profit -EBIT	574	(9)	311	22	(48)	**850**	118	263	15	14	27	129	**566**	515	317	194	273	**1,299**	**(40)**	**2,675**
Result of equity-accounted investees - net of taxes	2	–	–	–	–	**2**	(1)	1	(11)	–	(5)	–	**(16)**	1	–	3	–	**4**	–	**(10)**
ASSETS																				
Segment assets	6,374	6,571	5,092	344	510	**18,891**	9,399	7,229	13,432	1,527	1,288	2,425	**35,300**	12,603	12,826	22,645	5,260	**53,334**	**5,175**	**112,700**
Equity-accounted investees	22	–	–	–	–	**22**	57	10	459	–	529	–	**1,055**	28	–	125	–	**153**	**26**	**1,256**
LIABILITIES																				
Segment liabilities	2,702	1,278	1,265	60	161	**5,466**	1,230	1,275	4,058	310	228	364	**7,465**	5,719	2,621	7,225	2,167	**17,732**	**2,881**	**33,544**
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets(1)	97	66	52	13	39	**267**	410	340	436	86	57	160	**1,489**	173	167	592	344	**1,276**	**72**	**3,104**
Valuation adjustments, trade and other assets (expenses)/ income	34	56	(2)	–	17	**105**	–	–	–	–	–	(1)	**(1)**	1	1	51	59	**112**	–	**216**
Amortisation and depreciation expense	206	82	75	10	24	397	182	115	270	22	23	48	**660**	275	177	290	166	**908**	62	**2,027**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	7	11	(3)	–	–	15	3	2	8	–	–	–	**13**	8	22	36	(3)	**63**	24	**115**

(1) Does not include the amount related to capitalised interests and personnel expenses during the six-month period ended 30 June 2020.

Segmentation per business in the comparative period

30.06.2019	Liberalised						Renewables							Networks					Other businesses, Corporation and adjustment	Total
Millions of Euros	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
REVENUE (NOTE 16)																				
External revenues	6,083	2,389	1,178	128	539	**10,317**	200	28	493	47	67	179	**1,014**	998	593	2,291	2,942	**6,824**	**126**	**18,281**
Intersegment sales	417	24	(11)	154	20	**604**	502	320	–	12	46	29	**909**	63	83	–	–	**146**	**7**	**1,666**
Eliminations						**(349)**							–					–	**(1,317)**	**(1,666)**
Total sales						**10,572**							**1,923**					**6,970**	**(1,184)**	**18,281**
RESULTS																				
Segment operating profit - EBIT	536	(63)	300	8	(22)	**759**	227	170	12	20	44	119	**592**	568	315	402	363	**1,648**	**(8)**	**2,991**
Result of equity-accounted investees - net of taxes	4	–	–	–	–	**4**	6	–	(5)	–	3	–	**4**	1	–	4	–	**5**	**4**	**17**
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets(1)	61	103	99	15	31	**309**	169	285	734	24	15	20	**1,247**	171	220	424	393	**1,208**	**64**	**2,828**
Valuation adjustments, trade and other assets (expenses)/ income	24	45	1	–	6	**76**	–	–	1	1	–	–	**2**	1	1	40	30	**72**	**1**	**151**
Amortisation and depreciation expense	193	74	60	11	10	**348**	153	74	233	19	27	65	**571**	267	162	251	193	**873**	**56**	**1,848**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	21	10	1	–	–	**32**	5	2	5	–	–	–	**12**	30	22	32	1	**85**	**29**	**158**

(1) Does not include the amount related to capitalised interests and personnel expenses during the six-month period ended 30 June 2019.

31.12.2019	Liberalised						Renewables							Networks					Other businesses, Corporation and adjustmen	Total
Millions of Euros	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
ASSETS																				
Segment assets	7,024	6,742	4,995	467	462	**19,690**	9,106	7,217	13,216	1,459	1,578	2,308	**34,884**	12,377	13,358	22,407	6,343	**54,485**	4,280	**113,339**
Equity-accounted investees	23	–	–	–	–	**23**	60	10	445	–	665	–	**1,180**	29	–	124	–	**153**	601	**1,957**
LIABILITIES																				
Segment liabilities	3,065	1,365	1,227	116	159	**5,932**	1,121	1,279	4,041	298	254	345	**7,338**	5,496	2,645	7,255	2,552	**17,948**	2,099	**33,317**

Additionally, details of revenue and non-current assets by geographical area are as follows:

Millions of Euros	30.06.2020	30.06.2019
Revenue		
Spain	6,081	7,363
United Kingdom	3,052	3,030
United States	2,698	2,784
Mexico	1,181	1,227
Brazil	2,684	3,137
IEI	771	740
Total	**16,467**	**18,281**

Millions of Euros	30.06.2020	31.12.2019
Non-current assets (*)		
Spain	23,694	23,554
United Kingdom	24,113	24,917
United States	33,269	32,768
Mexico	5,474	5,427
Brazil	3,805	4,821
IEI	2,410	2,294
Total	**92,765**	**93,781**

(*) Excluding non-current financial investments, deferred tax assets and non-current trade and other receivables.

Furthermore, the reconciliation between segment assets and liabilities and the total assets and liabilities in the Consolidated statement of financial position is as follows:

Millions of Euros	30.06.2020	31.12.2019
Segment assets	**112,700**	**113,339**
Non-current financial investments	5,491	5,819
Current financial investments	1,446	1,098
Cash and cash equivalents	2,320	2,113
Total Assets	**121,957**	**122,369**

Millions of Euros	30.06.2020	31.12.2019
Segment liabilities	**33,544**	**33,317**
Equity	45,814	47,195
Non-current financial liabilities	33,934	32,404
Loans and borrowings and obligations or other securities	30,846	30,126
Equity instruments having the substance of a financial liability	420	193
Derivative financial instruments	985	471
Leases	1,683	1,614
Current financial liabilities	8,665	9,453
Loans and borrowings and obligations or other securities	7,772	8,800
Equity instruments having the substance of a financial liability	38	22
Derivative financial instruments	705	478
Leases	150	153
Total Liabilities and Equity	**121,957**	**122,369**

8. PROPERTY, PLANT AND EQUIPMENT

The total cost incurred in the acquisition of property, plant and equipment, as well as the amortisation and impairment charges for the six-month periods ended 30 June 2020 and 2019 broken down by the Group's operating segments, are shown in the following table:

	30.06.2020		30.06.2019	
Millions of Euros	Costs incurred in property, plant and equipment (1)	Depreciation charge and provisions for impairment	Costs incurred in property, plant and equipment (1)	Depreciation charge and provisions for impairment
Liberalised business	**142**	**277**	**192**	**249**
Spain	50	172	25	165
United Kingdom	28	26	55	21
Mexico	51	74	98	59
Brazil	13	5	13	4
IEI	-	-	1	-
Renewables business	**1,366**	**612**	**1,236**	**555**
Spain	348	164	168	151
United Kingdom	340	110	278	74
United States	393	253	734	227
Mexico	83	21	21	19
Brazil	52	19	15	21
IEI	150	45	20	63
Network business	**852**	**622**	**793**	**579**
Spain	156	260	158	255
United Kingdom	151	164	216	155
United States	545	198	419	169
Other businesses, Corporation and adjustments	**31**	**17**	**38**	**8**
Total	**2,391**	**1,528**	**2,259**	**1,391**

(1) Does not include the amount related to capitalised interests and personnel expenses during the six-month periods ended 30 June 2020 and 2019, respectively.

Investment commitments at 30 June 2020 and 2019 amount to Euros 3,936 and 3,759 million respectively.

In the six-month periods ended 30 June 2020 and 2019, the IBERDROLA GROUP has not carried out any disposals of property, plant and equipment for a material amount regarding these Financial statements.

9. DISCLOSURE OF FINANCIAL ASSETS AND FINANCAL LIABILITIES

The carrying amount of each category of the financial assets and liabilities, except for the assets included in “Trade and other receivables, non-current” and “Trade and other receivables, current” and liabilities included in “Other financial liabilities, non-current”, “Other financial liabilities, current”, “Leases” and “Trade payables”, is shown below:

	Non-current financial assets									
Millions of Euros	Equity instruments		Debt securities		Other financial assets		Derivatives		Total	
Categories	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19
Assets at fair value through profit or loss	64	86	-	-	-	-	618	241	682	327
Assets at amortised cost	-	-	6	4	2,780	3,016	-	-	2,786	3,020
Hedging derivatives	-	-	-	-	-	-	767	515	767	515
Total	64	86	6	4	2,780	3,016	1,385	756	4,235	3,862

	Current financial assets									
Millions of Euros	Equity instruments		Debt securities		Other financial assets		Derivatives		Total	
Categories	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19	30.06.20	31.12.19
Assets at fair value through profit or loss	-	-	-	-	-	-	355	124	355	124
Assets at amortised cost	-	-	-	-	565	693	-	-	565	693
Hedging derivatives	-	-	-	-	-	-	526	281	526	281
Total	-	-	-	-	565	693	881	405	1,446	1,098

Millions of Euros	Non-current financial liabilities									
	Loans and borrowings		Obligations and other securities		Other financial liabilities		Derivatives		Total	
Categories	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**
Liabilities at fair value through profit or loss	-	-	-	-	-	-	615	97	615	97
Liabilities at amortised cost	8,062	7,221	22,784	22,905	420	193	-	-	31,266	30,319
Hedging derivatives	-	-	-		-	-	370	374	370	374
Total	**8,062**	**7,221**	**22,784**	**22,905**	**420**	**193**	**985**	**471**	**32,251**	**30,790**

Millions of Euros	Current financial liabilities									
	Loans and borrowings		Obligations and other securities		Other financial liabilities		Derivatives		Total	
Categories	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**
Liabilities at fair value through profit or loss	-	-	-	-	-	-	273	192	273	192
Liabilities at amortised cost	1,710	3,059	6,062	5,741	38	22	-	-	7,810	8,822
Hedging derivatives	-	-	-	-	-	-	432	286	432	286
Total	**1,710**	**3,059**	**6,062**	**5,741**	**38**	**22**	**705**	**478**	**8,515**	**9,300**

The IBERDROLA Group's general risk policy described in its Consolidated annual accounts corresponding to the year ended 31 December 2019 remains effective at the reporting date. In this context, hedging instruments and classes have the same characteristics as those described in the said Consolidated annual accounts.

Fair value in "Loans and borrowings and obligations or other securities" of current and non-current liabilities in the IBERDROLA Group's consolidated statement of financial position at 30 June 2020 and 31 December 2019 amounts to Euros 41,122 and Euros 41,285 million, being the carrying amount Euros 38,618 and 38,926 million respectively. Said value is classified in Level 2 and has been determined based on discounted future cash flows to market interest rates. The fair value of the derivative financial instruments does not differ significantly from the carrying amount thereof.

The IBERDROLA Group recognises the 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 use observable market assumptions.
- Level 3: assets and liabilities whose fair value is determined using valuation techniques that do not use observable market assumptions.

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

Millions of Euros	Value at 30.06.2020	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	2,266	-	2,106	160
Derivative financial instruments (financial liabilities)	(1,690)	-	(1,557)	(133)
Total	**576**	**-**	**549**	**27**

Millions of Euros	Value at 31.12.2019	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	1,161	-	1,016	145
Derivative financial instruments (financial liabilities)	(949)	-	(830)	(119)
Total	**212**	**-**	**186**	**26**

The reconciliation between opening and closing balances for those financial instruments that are classified as Level 3 of the fair-value hierarchy is as follows:

Millions of Euros	2020	2019
Balance at 1 January	**26**	**(28)**
Income and expenses recognised in the Consolidated income statement	-	(6)
Income and expenses recognised in Equity	(9)	(28)
Purchases	1	-
Sales and settlements	9	(5)
Balance at 30 June	**27**	**(67)**

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

To measure derivatives not traded in organised markets, 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 forward exchange contracts, they are measured by discounting the future cash flows calculated using the forward exchange rates at year-end; and
- the fair value of non-financial items' sales contracts that are under the scope of IFRS 9, is calculated on the basis of the best estimate of future price curves for the underlying non-financial items at year-end, using, to the extent possible, prices established in futures markets.

These measurement models take into account those risks associated to the asset or liability, among these, 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 interests, depending mainly on the features 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	30.06.2020	31.12.2019
Cash	1,137	500
Short-term deposits	1,183	1,613
Total	**2,320**	**2,113**

As a general rule, cash and cash equivalents earn an interest rate that is comparable to the market rate for overnight deposits. Short-term deposits mature within a period of less than three months from the date of contracting and accrue market interest rates. There are no restrictions on cash withdrawals for significant amounts.

11. EQUITY

Subscribed capital

Movement in IBERDROLA's share capital during the six-month period ended 30 June 2020 is as follows:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Balance at 01.01.2020			**6,362,072,000**	**0.75**	**4,771,554,000**
Scrip issue	4 February 2020	1.44%	91,520,000	0.75	68,640,000
Balance at 30.06.2020			**6,453,592,000**	**0.75**	**4,840,194,000**

On 4 February 2020 there was a second scrip issue approved at IBERDROLA's General Shareholders' Meeting heldon 29 March 2019, under item nine on the agenda, through which the Iberdrola flexible remuneration (*Iberdrola retribución flexible)* system was implemented. The number of ordinary shares of Euros 0.75 nominal value each issued was 91,520,000 shares. Therefore, the nominal value of the capital increase was Euros 68.64 million.

During the period set, the holders of 1,419,991,945 shares have opted to receive the *Interim dividend* (Euros 0.168 gross per share), amounting the distributed gross *Interim dividend* to Euros 238 million. As a result, these shareholders have expressly forgone 1,419,991,945 free allotment rights and, therefore, 26,296,147 new shares.

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 provided for in the Spanish Companies Act.

<u>Powers delegated at the General Shareholders' Meeting</u>

The shareholders at their General Meeting held on 2 April 2020 resolved, in respect of items twenty-two and twenty-three on the agenda, to delegate powers to the Board of Directors, with express powers of substitution, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act ("Ley de Sociedades de Capital"), with authorisation to exclude preferential subscription rights, and

- issue bonds or debentures swappable for and/or convertible into shares in the Company or other companies, and warrants (option to subscribe new Company shares or to acquire new or existing shares in the Company or in any other company) to a maximum amount of Euros 5,000 million. This authorisation includes the delegation of powers to, where applicable: (i) determine the basis and procedures for conversion, swap or exercise; (ii) increase share capital by the amount required to cover applications for conversion; and (iii) exclude shareholders' preferential subscription rights on the issue.

Both authorisations have a joint limit to a maximum nominal amount of 20% of share capital.

Valuation adjustments

This heading's movement during the six-month periods ended 30 June 2020 and 2019 is as follows:

Millions of Euros	01.01.2020	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	30.06.2020
Valuation adjustments of equity-accounted investees (net of tax):	**(1)**	**-**	**-**	**-**	**(1)**
Cash flow hedges:					
Interest rate swaps	(522)	(258)	-	50	(730)
Collars	(6)	-	-	-	(6)
Commodities derivatives	(163)	(192)	-	305	(50)
Currency forwards	2	58	(10)	(24)	26
	(689)	**(392)**	**(10)**	**331**	**(760)**
Hedging costs:	**(2)**	**(24)**	**-**	**21**	**(5)**
Tax effect	**148**	**103**	**2**	**(70)**	**183**
Total	**(544)**	**(313)**	**(8)**	**282**	**(583)**

Millions of Euros	01.01.2019	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	30.06.2019
Valuation adjustments of equity-accounted investees (net of tax):	**2**	**-**	**-**	**-**	**2**
Cash flow hedges:					
Interest rate swaps	(360)	(229)	-	28	(561)
Collars	(6)	(1)	-	-	(7)
Commodities derivatives	229	(395)	-	134	(32)
Currency forwards	92	(8)	(5)	(10)	69
	(45)	**(633)**	**(5)**	**152**	**(531)**
Hedging costs:	**3**	**(19)**	**-**	**17**	**1**
Tax effect:	**8**	**152**	**1**	**(35)**	**126**
Total	**(32)**	**(500)**	**(4)**	**134**	**(402)**

Treasury shares

The IBERDROLA Group carries out purchase and sale transactions of treasury shares in accordance with the prevailing law and the resolutions adopted by the shareholders at their General Meeting. Such transactions include purchases and sales of both Company's shares and derivatives.

At 30 June 2020 and 31 December 2019, the balances of the different instruments were as follows:

	30.06.2020		31.12.2019	
	No. of shares	Millions of Euros	No. of shares	Millions of Euros
Treasury shares held by IBERDROLA	222,316,723	1,996	24,376,375	218
Treasury shares held by SCOTTISH POWER	872,784	8	913,719	8
Total return swaps	8,067,520	53	11,949,623	78
Accumulators (exercised shares)	1,285,716	11	63,395,734	530
Accumulators (potential shares)	15,583,740	126	70,058,270	602
Sold puts	26,100,000	259	-	-
Total	**274,226,483**	**2,453**	**170,693,721**	**1,436**

Physically settled derivatives

The IBERDROLA Group recognises these transactions directly in equity under "Treasury shares" and liabilities for those shares' purchase obligation, which is registered in "Current financial liabilities - Loans and borrowings and obligations or other securities" and "Non-current financial liabilities - Loans and borrowings and obligations or other securities" of the Consolidated statement of financial position (Note 14).

- Total return swaps

The IBERDROLA Group has arranged swaps on treasury shares with the following features: during the life of the contract it will pay the financial entity 3-month Euribor plus a spread on the notional and will receive the dividends corresponding to the shares paid out to the financial entity. On the expiration date IBERDROLA will buy the shares at the strike price set out in the contract.

The characteristics of these contracts at 30 June 2020 and 31 December 2019 are as follows:

30.06.2020	No. of shares	Strike price	Maturity date	Interest rate	Millions of Euros
Total return swap	1,814,290	6.1880	24/07/2020	3-month Euribor + 0.30%	11
Total return swap	6,253,230	6.6599	25/07/2020	3-month Euribor + 0.30%	42
Total	**8,067,520**				**53**

31.12.2019	No. of shares	Strike price	Maturity date	Interest rate	Millions of Euros
Total return swap	5,810,088	6.1880	24/07/2020	3-month Euribor + 0.30%	36
Total return swap	6,139,535	6.7830	25/07/2020	3-month Euribor + 0.30%	42
Total	**11,949,623**				**78**

- 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:

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

The characteristics of these contracts at 30 June 2020 and 31 December 2019 are as follows:

30.06.2020	No. of shares	Average price of the period	Maturity date	Millions of Euros
Exercised shares	1,285,716	8.7861	30/08/2021 - 15/11/2021	11
Potential maximum (1)	15,583,740	8.1103	30/08/2021 - 15/11/2021	126

31.12.2019	No. of shares	Average price of the period	Maturity date	Millions of Euros
Exercised shares	63,395,734	8.3656	07/02/2020 - 11/06/2020	530
Potential maximum (1)	70,058,270	8.5994	07/02/2020 - 11/06/2020	602

(1) Maximum number of additional shares that could be accumulated according to the described mechanism until the maturity of the structures (assuming that the cash price during the remaining life of the structure is always below the strike price).

- Physically settled written puts

The IBERDROLA Group has sold put options over treasury shares granting the counterparty the option to sell those shares at the maturity date at the price set in the agreement.

30.06.2020	No. of shares	Average Price of the period	Maturity date	Millions of Euros
Put option	26,100,000	9.9086	31/07/2020 - 29/01/2021	259

12. LONG-TERM COMPENSATION PLANS

These plans are described in Note 21 of the Consolidated annual accounts corresponding to the year ended 31 December 2019.

The main changes in the six-month period ended 30 June 2020 are described below:

Long-term share compensation plans

2017-2019 Strategic Bonus Programme

On 1 April 2020 the Board of Directors, on the recommendation of the Remuneration Committee, decided to pay the *Strategic Bonus 2017-2019* upon determining that 100% of the objectives had been met. By virtue thereof, in the first half of 2020 the first of the three annual settlements has been made, amounting to 3,934,051 shares. These shares included those delivered to executive directors and senior management (Notes 20 and 22).

AVANGRID long-term incentive plan 2016-2019

On 19 February 2020 the Board of Directors of AVANGRID, on the recommendation of the Remuneration Committee, decided to pay the *Long-term incentive plan 2016-2019* upon determining that 17.4% of the targets had been met. By virtue thereof, in the first half of 2020 the first of the three annual settlements has been made, amounting to 68,586 shares.

Long-term cash compensation plans

NEONERGIA long-term incentive plan 2018-2019

On 17 February 2020 the Board of Directors of NEOENERGIA, on the recommendation of the Remuneration Committee, decided to pay the *Long-term incentive plan 2018-2019* upon determining that 97.64% of the targets had been met. By virtue thereof, in the first half of 2020 the first of the three annual settlements has been made, delivering Euros 4 million.

13. LITIGATION PAYMENTS

In the six-month periods ended 30 June 2020 and 2019, the amounts paid for litigation amounted to Euros 31 and 22 million, respectively.

14. LOANS AND BORROWINGS AND OBLIGATIONS OR OTHER SECURITIES

The breakdown of this heading at 30 June 2020 and 31 December 2019 is as follows:

Millions of Euros	30.06.2020	31.12.2019
In Euros		
Obligations and bonds	13,075	13,126
Promissory notes	2,458	2,216
Loans	2,536	2,813
Other financing transactions	2,807	3,246
Unpaid accrued interest	139	208
Total	**21,015**	**21,609**
In Foreign currency		
US dollars	9,183	8,497
Pounds sterling	3,488	3,639
Brazilian reals	4,706	4,948
Other	34	42
Unpaid accrued interest	192	191
Total	**17,603**	**17,317**
Total	**38,618**	**38,926**

The financing transactions carried out by the IBERDROLA Group in the six-month period ended 30 June 2020 are described below:

Lessor	Transaction	Million	Currency	Interest rate	Maturity
First quarter					
Itabapoana	Public infrastructures green bond	300	BRL	IPCA+4.5%	Feb-45
Iberdrola Finanzas	Private bond	160	EUR	1.621%	Nov-29
Celpe (1)	Loan 4131	62.5	USD	-	Jan-25
Celpe (1)	Loan 4131	52	USD	-	Mar-25
Coelba (1)	Loan 4131	62.5	USD	-	Feb-25
Coelba (1)	Loan 4131	52	USD	-	Mar-25
Jalapão (3)	BNDES loan	778	BRL	-	Nov-43
Second quarter					
Elektro Redes	Public bond	260	BRL	TJLP+1.9%	May-22
Iberdrola Finanzas	Public green bond	750	EUR	0.875%	Jun-25
Avangrid	Public green bond	750	USD	3.2%	Apr-25
Iberdrola International	Structured public bond	200	EUR	-	Nov-22
NY State Electric & Gas	Tax exemption bond	65	USD	1.4%	July-26
NY State Electric & Gas	Tax exemption bond	34	USD	1.53%	Dec-27
NY State Electric & Gas	Tax exemption bond	37.5	USD	1.61%	Feb-29
NY State Electric & Gas	Tax exemption bond	63.5	USD	1.61%	Jun-29
Berkshire Gas Company (3)	Private bond	25	USD	3.68%	Sep-50
Coelba (1)	Loan 4131	3,858	JPY	-	Jun-21
Celpe (1)	Loan 4131	80	USD	-	Jun-25
Iberdrola Financiación (2)	Bilateral loan	50	EUR	-	Apr-22
Celpe	Bilateral loan	100	BRL	-	Jun-21
Avangrid	Sustainable syndicated loan	500	USD	-	Jun-22
Iberdrola Financiación (1)	Bilateral credit line	23,528	JPY	-	Apr-22
Iberdrola Financiación (2)	Bilateral credit line	200	EUR	-	Apr-22
Iberdrola Financiación (2)	Bilateral credit line	200	EUR	-	Apr-22

(1) Currency swap contracts to the company's operating currency.

(2) With option to extend 6 months + 6 months.

(3) Finance expected to be drawn in 2020/2021.

Moreover, details of existing financing extensions in the period ended 30 June 2020, are as follows:

Lessor	Transaction	Million	Currency	Extension option	Maturity
Iberdrola	Sustainable syndicated loan (1)	2,979	EUR	-	Feb-25
Iberdrola	Sustainable syndicated loan (1)	2,321	EUR	-	Feb-25
Iberdrola Financiación	Sustainable syndicated loan	1,500	EUR	1 year	mar-25

(1) 2nd option to extend for a year the two syndicated loans novated in January 2018 in the amount of Euros 5,300 million.

At the reporting date, neither IBERDROLA nor any of its relevant Group subsidiaries were in breach of their financial commitments or any kind of obligation that could trigger the early redemption of their financial undertakings or a change in the classification of current and non-current debt described in the Consolidated statement of financial position.

For the second half of 2020, the IBERDROLA Group expects to face the established ordinary investment program with the cash flow generated from its operations and the access to bank financial markets, to capital markets and to supranational moneylenders (such as the European Investment Bank-EIB), even though the Group has enough available treasury, credits and loans to meet these investments.

At 30 June 2020, the IBERDROLA Group had undrawn granted loans and credit facilities amounting to Euros 11,441 million. The breakdown below shows maturities of the liquidity position at 30 June 2020, considering the balance of "Cash and cash equivalents" in the Consolidated statement of financial position:

Millions of Euros	Available
Available maturity	
2020 - First half of 2021	339
Second half of 2021-2022	1,150
2023 onwards	9,952
Total	**11,441**
Cash and cash equivalents	2,320
Liquidity position	**13,761**

15. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As a result of new actuarial valuations carried out due to the economic uncertainty associated to COVID-19 (Note 3), it should be noted that there are no significant impacts in the provisions for pensions and similar commitments, with the exception of the United States. The increase in provisions for defined pension plans in the United States has been Euros 277 million compared to the close at 31 December 2019.

Changes in obligations for pension commitments in the United States are as follows:

Millions of Euros	ARHI	UIL	AVANGRID NETWORKS	TOTAL
Balance at 31.12.2019	**64**	**1,129**	**2,531**	**3,724**
Ordinary cost	-	7	17	24
Finance cost	1	18	36	55
Actuarial deviations in reserves	3	82	188	273
Payments	(2)	(33)	(71)	(106)
Translation differences	-	(6)	(13)	(19)
Balance at 30.06.2020	**66**	**1,197**	**2,688**	**3,951**

Changes in the fair value of United States' plan assets are as follows:

Millions of Euros	ARHI	UIL	AVANGRID NETWORKS	TOTAL
Fair value at 31.12.2019	**35**	**715**	**1,943**	**2,693**
Revaluation	1	12	28	41
Actuarial gains and losses to reserves	-	(15)	3	(12)
Company contributions	2	21	15	38
Payments	(2)	(33)	(71)	(106)
Translation differences	(1)	(3)	(7)	(11)
Fair value at 30.06.2020	**35**	**697**	**1,911**	**2,643**

The breakdown of the main assumptions used at 30 June 2020 that have been modified with regard to those used in the previous year's actuarial studies, is as follows:

30 June 2020	Discount rate	Inflation
United States		
ARHI	2.50%	2.00%
UIL	2.62%	2.00%
AVANGRID NETWORKS	2.25%	2.00%

31 December 2019	Discount rate	Inflation
United States		
ARHI	3.10%	2.00%
UIL	3.19%	2.00%
AVANGRID NETWORKS	2.93%	2.00%

The sensitivity at 30 June 2020 of the present value of the obligation of these commitments to the modified variables' variation is as follows:

Increase/decrease	Millions of Euros
Discount rate (basis points)	
10	(46)
(10)	46
Inflation (basis points)	
10	5
(10)	(5)

Category of assets

It has been revised that, for pension commitments with related assets, there are no variations in any countries in the strategic distribution of the main category assets (variable income, fixed income, cash - other means and other).

The assets associated with these plans include neither financial instruments issued by the IBERDROLA Group nor tangible or intangible assets.

Moreover, the level of liquidity of assets related to pension plans has been revised and there have been no significant changes since the close at 31 December 2019.

16. REVENUE

The changes in this heading of the Consolidated income statements for the six-month periods ended 30 June 2020 and 2019, by category and segment (Note 7) are as follows:

Millions of Euros	Liberalised							Renewables							Networks					Other businesses, Corporation and adjustments	Total
30 June 2020	Spain	United Kingdom	Mexico	Brazil	IEI	Eliminations	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
Supplies in regulated markets	**685**	**-**	**550**	**-**	**-**	**-**	**1,235**	**317**	**-**	**-**	**-**	**-**	**-**	**317**	**968**	**690**	**2,099**	**2,064**	**5,821**	**(238)**	**7,135**
Electricity	685	-	550	-	-	-	1,235	317	-	-	-	-	-	317	968	690	1,416	2,064	5,138	(238)	6,452
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	683	-	683	-	683
Supplies and other income in non-regulated markets	**4,627**	**2,282**	**576**	**182**	**590**	**(237)**	**8,020**	**293**	**501**	**587**	**42**	**84**	**185**	**1,692**	**7**	**-**	**10**	**-**	**17**	**(893)**	**8,836**
Electricity	3,949	1,499	576	182	531	(205)	6,532	286	318	480	42	84	185	1,395	-	-	10	-	10	(707)	7,230
Gas	440	763	-	-	46	(31)	1,218	-	-	-	-	-	-	-	-	-	-	-	-	3	1,221
Other	238	20	-	-	13	(1)	270	7	183	107	-	-	-	297	7	-	-	-	7	(189)	385
Income from construction agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**469**	**470**	**-**	**470**
Income from lease agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Commodities derivatives	**(75)**	**35**	**1**	**7**	**-**	**(29)**	**(61)**	**(3)**	**-**	**-**	**12**	**2**	**17**	**28**	**-**	**-**	**-**	**50**	**50**	**-**	**17**
Total	**5,237**	**2,317**	**1,127**	**189**	**590**	**(266)**	**9,194**	**607**	**501**	**587**	**54**	**86**	**202**	**2,037**	**976**	**690**	**2,109**	**2,583**	**6,358**	**(1,122)**	**16,467**

Millions of Euros	Liberalised							Renewables							Networks					Other businesses, Corporation and adjustments	Total
30 June 2019	Spain	United Kingdom	Mexico	Brazil	IEI	Eliminations	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
Supplies in regulated markets	**782**	**-**	**728**	**-**	**-**	**-**	**1,510**	**351**	**-**	**-**	**-**	**-**	**-**	**351**	**1,039**	**676**	**2,280**	**2,488**	**6,483**	**(345)**	**7,999**
Electricity	782	-	728	-	-	-	1,510	351	-	-	-	-	-	351	1,039	676	1,493	2,488	5,696	(345)	7,212
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	787	-	787	-	787
Supplies and other income in non-regulated markets	**5,590**	**2,415**	**453**	**274**	**559**	**(344)**	**8,947**	**351**	**348**	**508**	**47**	**107**	**187**	**1,548**	**17**	**-**	**11**	**-**	**28**	**(852)**	**9,671**
Electricity	4,380	1,567	453	274	543	(293)	6,924	350	196	457	47	107	185	1,342	-	-	10	-	10	(805)	7,471
Gas	969	837	-	-	11	(51)	1,766	-	-	-	-	-	-	-	-	-	-	-	-	3	1,769
Other	241	11	-	-	5	-	257	1	152	51	-	-	2	206	17	-	1	-	18	(50)	431
Income from construction agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**454**	**459**	**(2)**	**457**
Income from lease agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**15**
Commodities derivatives	**128**	**(2)**	**(14)**	**8**	**-**	**(5)**	**115**	**-**	**-**	**(15)**	**12**	**6**	**21**	**24**	**-**	**-**	**-**	**-**	**-**	**-**	**139**
Total	**6,500**	**2,413**	**1,167**	**282**	**559**	**(349)**	**10,572**	**702**	**348**	**493**	**59**	**113**	**208**	**1,923**	**1,061**	**676**	**2,291**	**2,942**	**6,970**	**(1,184)**	**18,281**

17. INCOME TAX

In accordance with IAS 34: “Interim financial reporting”, the income tax calculation in “Corporate income tax” in the Consolidated income statement for the six-month periods ended 30 June 2020 and 2019 is based on the best estimate of the expected tax rate for the corresponding periods.

Effective from 1 January 2020, Iberdrola S.A., the parent company of the two Tax consolidation groups in Spain, is subject to corporate income tax under the special tax rules applicable to the region of Biscay. Thereafter, it is included in Tax Group 02415BSC in said special tax region.

The breakdown of the Income tax expense’s calculation for the six-month periods ended 30 June 2020 and 2019 is as follows:

Millions of Euros	30.06.2020	30.06.2019
Consolidated profit from continuing operations before tax	**2,770**	**2,404**
Consolidated profit from discontinued operations before tax	**(1)**	**(28)**
Consolidated profit before tax	**2,769**	**2,376**
Non-deductible expenses and non-computable income	(744)	(91)
Profit of equity-accounted investees	10	(11)
Adjusted accounting profit (a)	**2,035**	**2,274**
Gross tax calculated at the tax rate in force in each country (b)	**506**	**565**
Tax credits and deductions due to reinvestment of extraordinary profits and other tax credits (c)	(62)	(49)
Adjustment of prior years’ income tax expense	37	(4)
Adjustment of deferred tax assets and liabilities (1)	298	26
Other	(1)	5
Accrued income tax (Income) / Expense	**778**	**543**
Accrued income tax from continuing operations (Income) / Expense	**780**	**545**
Accrued income tax from discontinued operations (Income) / Expense	**(2)**	**(2)**
Effective tax rate (b+c)/a	**21.82%**	**22.69%**

(1) In 2020 it mainly corresponds to the increase of tax rates, from 17% to 19%, applicable in the United Kingdom (Euros 157 million) and the impacts resulting from the devaluation of the US dollar exchange rate compared to the Mexican Peso when determining certain differences between the tax value and the carrying amount of the assets and liabilities of the Group’s Mexican subsidiaries, whose operating currency is the US dollar, and the currency used for tax purposes is the Mexican Peso (Euros 93 million)

All Group actions have been analysed by its internal and external advisors, both for this year and for preceding years, and they have determined that these actions have been carried out in accordance with the Law and are based on reasonable interpretations of tax law. The occurrence of contingent liabilities has also been subject to analysis. The Group’s overall applied criteria is to recognise provisions for tax litigation when the risk of potential unfavourable decisions for the Group is probable, whereas no recognition is required when the risk is possible or remote.

Tax inspections underway at the reporting date for the six-month period ended 30 June 2020 depend on the tax law applicable in each country, but no material impacts arising therefrom not included in these financial statements are expected.

In Spain, in June 2020 the State Tax Administration Office has initiated general investigation actions against IBERDROLA and its Tax group for the years 2015-2017 and partial investigation actions on certain aspects for the Corporate Income Tax for the years 2012-2014.

In the other countries there are many inspections underway, and no relevant adverse aspects deriving therefrom are expected.

In terms of litigation, in Spain, the Group was awaiting the decision of the Central Economic Administrative Court for the complaints lodged as a result of contested reports signed as part of the general verification process for the years 2008-2011. Regarding the Corporate Tax Income, the main disputed adjustments arise from the elimination of the exemption applicable to dividends received, as the taxation authorities consider that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of the General Tax Law in a debtor-swap operation in a number of bond issues. These decisions were notified to IBERDROLA in June, and practically all contentions have been dismissed. Against said decisions, relevant contentious-administrative appeals have been filed before the Audiencia Nacional in due time and form on 7 July 2020.

At the same time, also in June 2020, the Central Economic Administrative Court ruled in favour of IBERDROLA regarding the complaint against the contested tax inspection reports signed within the scope of the general inspection of the years 2008-2011, regarding VAT for the years 2010 and 2011, annulling said reports.

As a general rule, no significant tax litigation is currently underway in the other jurisdictions where the Group operates, except in Brazil, where there is a large number of litigation and administrative and judicial proceedings underway. The Group considers that it is probable to obtain a favourable final decision.

IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to additional liabilities of significance for the IBERDROLA Group to those already recognised at 31 December 2019.

Update of financial goodwill (section 12.5 of the revised Corporate income tax Act)

No significant changes have taken place during this period. From the perspective of the Spanish authorities, an aid retrieval procedure was initiated by virtue of the General Tax Act, recovering from the IBERDROLA Group the amount of Euros of 665 million (Euros 576 million as tax base and Euros 89 million as late accrued interests) by virtue of article 12.5 of Revised Spanish Corporate Income Tax Law (TRLIS). IBERDROLA paid the required amount by (i) using Euros 363 million of the 2016 income tax rebate, and (ii) paying Euros 302 million in February 2018. All of the above, on the understanding of the Administration, in this case, IBERDROLA was affected by the Third Decision of the European Commission.

The amount paid has been recognised in “Current tax assets” in non-current assets of the Consolidated statements of financial position at 30 June 2020 and 31 December 2019. The assets show the recoverable amount from the Administration for corporate income tax in so far as, in the view of IBERDROLA, the payments made are higher than the current tax whose recoverability is considered to be probable, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided in article 12.5 of the TRLIS resulted in a taxable temporary difference and subsequently deferred tax liabilities were recognised. Therefore, in the event the outcome is contrary to the Company’s interests (a circumstance which is not considered to be probable in accordance with the currently available information), the impact on equity would by substantially mitigated.

18. IMPAIRMENT CHARGES AND REVERSALS OF ASSETS

As stated in the Consolidated annual accounts for 2019, the IBERDROLA Group analyses, at least yearly, its assets for indications of impairment. If such indications are found, an impairment test is conducted. In addition, the IBERDROLA Group 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.

Coronavirus (COVID-19) health crisis and the containment measures applied by the different countries have caused a temporary general disruption in the worldwide economy and in the businesses' normal performance during the first-six-month period of 2020 (Note 3). However, considering the information available at the reporting date of these Consolidated financial statements, it is considered said effects will have a limited temporary scope and the subsequent economic recovery will allow businesses to return to previous levels. Therefore, it is not expected they will have a significant negative impact on long-term business plans prepared in 2019 and on the recoverable value of assets.

As a result of the analysis carried out in 2019, the cash-generating unit corresponding to Electricity and gas retail in the United Kingdom had a value in use close to its carrying amount. Therefore, any negative variation in the key assumptions applied in the business plan would imply that the value in use was lower than carrying amount. The monitoring of these key assumptions shows the underlying normal performance of the business (isolating the impact of COVID-19) during the first six-month period of 2020, as foreseen in the business plan, without significantly affecting long-term projections.

Taking into consideration the above, following a revision of the impairment indicators of the different cash-generating units (or groups of cash-generating units), it is not considered necessary to recognise any additional impairment.

"Amortisation, depreciation and provisions" in the Consolidated income statement for the six-month period ended on 30 June 2019 includes Euros 7 million in provisions for impairment.

19. CONTINGENT ASSETS AND LIABILITIES

The IBERDROLA Group companies are involved in in-court and out-of-court disputes arising in the ordinary course of their business (disputes with suppliers, clients, administrative or tax authorities, individuals, environmental activists or employees). The IBERDROLA Group's legal advisors believe that the outcome of these disputes will not have a material impact on its equity-financial position.

In relation to said disputes, IBERDROLA Group's main contingent assets and liabilities yet to be recognised in these Consolidated financial statements as they do not meet the criteria set in accounting standards are the following:

Contingent liabilities

- On 16 June 2014 the CNMC initiated penalty proceedings against IBERDROLA GENERACIÓN ESPAÑA for purported fraudulent manipulation aimed at altering energy prices at the hydroelectric generation plants of the Duero, Tagus and Sil in December 2013. On 30 November 2015 the Company was notified of the Euros 25 million penalty. IBERDROLA GENERACIÓN ESPAÑA lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court, was given leave to proceed, and enforcement of the penalty was stayed. The procedure is currently on hold pending separate rulings.

- Complaints lodged in 2016 by the Group before the Central Economic-Administrative Court for contested tax inspection reports correspond to the years 2008-2011. The main controversies arose from the elimination of the exemption applicable to dividends received as the Tax Agency considers that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of Spain's General Tax Law in a debtor-swap operation in a number of bond issues. These decisions were notified to IBERDROLA in June, and practically all contentions have been dismissed. The relevant contentious-administrative appeals were filed against said decisions before the Audiencia Nacional in due time and form on 7 July 2020.

- IBERDROLA INGENIERÍA's subsidiary company in the United States (Iberdrola Energy Projects - IEP) maintains an arbitration against one of its clients before the *International Centre for Dispute Resolution (ICDR)* lof the *American Arbitration Association* (AAA) due to the undue termination of a contract and other claims. Moreover, said client is claiming certain amounts resulting from delay penalties and other damages to IEP. Currently the proceeding is at the documentation presentation stage. The hearing will be in the first quarter of 2021.

  In February 2019 the client of this project executed the guarantee for 100% of its value (US dollar 141 million). The amount paid has been recognised in "Trade receivables and other non-current assets" in the Consolidated statement of financial position at 30 June 2020 because it is considered probable that the amount from the counterparty will be recovered in the event the outcome is favourable, or will be offset against the amount to be paid, in the event of an unfavourable outcome.

- IBERDROLA INGENIERÍA's partner in the supply of certain electrical services for the combined cycle project in Lichterfelde in Berlin filed a claim, updated in May 2019, for extension costs and direct costs incurred due to delays and interferences attributable to IBERDROLA INGENIERÍA. Said claim has been rejected by IBERDROLA INGENIERÍA due to the lack of grounds in the consortium agreement and the lack of supporting evidence.

- The ACE (Portuguese economic interest association) consisting of the companies Acciona-Mota and Edivisa, has filed a demand for arbitration against Iberdrola Generación before the Trade Arbitration Centre of Lisbon (arbitration body set for this purposes under the contract), with regard to the agreement to execute the dam and the hydroelectric power station in Alto Támega. They are claiming Euros 30 million. This claim is based on the fact that they do not consider themselves responsible for the extra costs incurred due to deviations in the works carried out (it is calculated they should be around Euros 22 million). They also consider that they are not responsible for the delays that have been taking place and that, as a result, Iberdrola does not have any right to impose the penalties observed in the contract. Moreover, they believe such claim should be declared null, due to lack of grounds, the termination the construction contract and they are claiming damages derived from said termination. Only the petition for arbitration has been filed, so the arbitration proceedings is still at a very early stage. Iberdrola, on the other hand, is assessing whether to file a counter-claim at the relevant time.

- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil as a result of daily operations. The IBERDROLA Group considers that the risk of potential losses at such companies has been assessed 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 of courts and the most recent case law precedent.

  Labour complaints were filed by former personnel of NEOENERGIA Group companies or by former subcontractors as regards additional working hours, equitable salaries and other employment rights. Civil cases refer to commercial and damages actions initiated to claim material or moral damages, arbitrations related to engineering contracts, energy and environmental actions.

  Among the tax claims are infraction notices due to the following:

  - the non-deductibility of amortised and depreciated goodwill expense (agio) in the calculation basis of income tax (both in legal persons income tax (IRPJ) and social contribution tax (CSL)) applicable to the subsidiaries Celpe, Coelba, Cosern, Itapebi and Termopernambuco;

  - failure to make income tax withholdings on interest payment on treasury capital between group companies;

  - questioning of tax credits related to consumption tax (ICMS) in Celpe and Elektro;

  - the tax authorities considering that payments for subsidiary company revenue, social benefits, health insurance and life insurance should be recognised as social security expenses;

  - the offsetting by Neoenergia of balances in its favour due to wrongly applying PIS/COFINS to finance income, under a favourable resolution, which has been contested;

  - questioning federal taxes - IRPJ and CSL for the years 2014 and 2015 in Elektro; and

  - questioning of the municipality where to pay taxes for the public lighting system (COSIP), which argues that Coelba would have paid a lower amount in the period from January 2018 to December 2019.

  As regards regulatory actions, the distribution companies Coelba, Celpe, Cosern and Elektro are involved in similar proceedings, among which the following should be highlighted: (I) procedure to calculate individual and collective technical service continuity indicators; (ii) trade matters; (iii) financial compensations and recovery of global indicators; (iv) matters related to collections and legality of rate items or guides, and (v) matters related to the legality of administrative actions imposed by ANEEL. Among said actions, the following are noted:

  - Elektro’s Social Energy Tariff (Low Rent), 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, which should be financed, eventually, by the CDE sector fund;

  - The free or onerous use of rights in roads for the electricity grid, whose merit is being discussed in a leading case in the Supreme Court (STF).

  - Several matters regarding over or undersubscription of energy, under administrative discussion; and

- The possibility of ANEEL including for the rate tax income resulting from favourable outcome from court disputes regarding the exclusion of the ICMS tax from the federal contributions calculation base PIS and COFINS. Matter under discussion from an administrative perspective.

- Complaint of the California 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 Californian 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 price of the energy purchase contracts imposed an excessive burden on customers in the amount of Pound sterling 259 million. FERC recommended filing the case without sanction. Following these proceedings, FERC is expected to issue a final ruling in 2020 and its decision may be appealed in the courts. The IBERDROLA Group expects that the case will eventually be shelved without any penalty.

- PNE Energy Supply LLC vs. Eversource Energy and Avangrid, Inc.: Class Action regarding LDC Gas Transportation Service on Algonquin Gas Transmission (AGT), presented on 10 August 2018. Plaintiff filed a civil antitrust action, on behalf of itself and those similarly situated, against the Company and Eversource alleging that their respective gas subsidiaries illegally manipulated the supply of pipeline capacity in the “secondary capacity market” in order to artificially inflate New England natural gas and electricity prices. On 7 June 2029, the Court dismissed the complaint. Said decision has been appealed by the claimants before the Court of Appeal of the First Circuit in the United States and is still pending.

- On 1 May 2018, ARHI closed the transaction for the sale of the gas storage business to Amphora Gas Storage USA, LLC. On 30 October 2019, ARHI received a compensation complaint from Amphora Gas Storage USA, LLC for an amount of approximately US dollar 20 million for, among others, certain infractions related to land occupation, health and safety requirements, and the situation and sufficiency of assets, and a complaint from a third party due to intellectual property rights infringement. In accordance with the terms and conditions of the purchase agreement, the total aggregate amount for which AHRI could be liable to compensation (due to matters other than the fundamental statements, tax matters and fraud complaint) may not exceed 15% of purchase price. This represents approximately US dollar 10 million. The company cannot foresee the outcome of this matter.

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

- US gas companies own, or have owned, the land where they operated the gas manufacturing plants. Said land was polluted as a result of these activities. In some cases, the soil has been cleaned. In other cases, the soil has been assessed and identified, but has not yet been cleaned. Lastly, in some cases, the extent of the pollution has not yet been determined. For the last group, at 30 June 2020 no provisions had been recognised because the reasonable cost of the regulators intervention and approval cannot be estimated. In the past, gas companies have received the approval to recover through tariffs the expenses associated with the decontamination done to customers and expects to recover cleaning 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.

The IBERDROLA Group's appeals on regulatory issues were submitted in opposition to general provisions of an indefinite amount, affecting the regulatory and remuneration framework of the companies. Therefore, they concern regulatory dispositions that were in force at the time of appeal.

IBERDROLA Group's assets are not at risk with respect to the appeals submitted against general energy stipulations because the economic effects of the stipulations challenged apply when they come into force. An estimate of the appeals submitted by third parties has a limited economic scope, as this would force amendments to the regulatory framework and possible refunds.

As regards legal proceedings instigated by third parties that may affect the remuneration and equity of the IBERDROLA Group, no significant appeals have been lodged.

The contingent assets and liabilities at 31 December 2019 are described in the IBERDROLA Group’s Consolidated annual accounts for said year.

20. REMUNERATION RECEIVED BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration received by the Board of Directors and senior management for the six-month periods ended 30 June 2020 and 2019 are as follows:

A) Remuneration to the Board of Directors

Details of the remuneration received by the directors in the six-month periods ended 30 June 2020 and 2019 are as follows:

Millions of Euros	30.06.2020	30.06.2019
Remuneration for belonging to the Board and/or to Board Committees	2.8	2.8
Fixed remuneration executives	1.6	1.6
Variable remuneration executives	4.3	4.3
Other items (1)	0.2	0.2
Total	**8.9**	**8.9**

(1) This amount includes remuneration to Board members who have performed director duties in companies that are not wholly owned, directly or indirectly, by the Company and totals Euros 0.16 million in the first half of 2020 and Euros 0.151 million in the first half of 2019.

Additionally, in the first half of 2020 the first of the three annual payments of the *Strategic Bonus 2017-2019* was made, amounting 733,333 shares. Moreover, in the first half of 2019 the third and last annual payment of the *Strategic Bonus 2014-2016* was made, amounting 631,528 shares.

b) Remuneration to senior management

Senior managers are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in any cases, the Internal audit director, and any other executive recognised as senior manager.

As of 30 June 2020, 9 members form the senior management.

Details of remuneration and other benefits received by senior management in the six-month periods ended 30 June 2020 and 2019 are as follows:

Millions of Euros	30.06.2020	30.06.2019
Fixed remuneration	2.3	2.5
Variable remuneration	5.7	5.2
Social benefit plans (savings and risk)	1.2	1.2
Other items (1)	0.7	0.7
Total	**9.9**	**9.6**

(1) This amount includes remuneration to senior executives who have performed director duties in companies that are not wholly owned, directly or indirectly, by the Company and totals Euros 0.49 million in the first half of 2020 compared to Euros 0.54 million in the first half of 2019.

Additionally, in the first half of 2020, the first of the three annual payments of the *Strategic Bonus 2017-2019* was made, amounting 533,329 shares and in the first half of 2019 the third and last annual payment of the *Strategic Bonus 2014-2016* was made, amounting 418,340 shares.

Moreover, during the first half of 2020 and 2019 there were no other transactions with executives outside the ordinary course of business.

21. RELATED PARTY TRANSACTIONS AND BALANCES

The transactions detailed below are specific to the ordinary business activity and have been carried out on an arm's-length basis.

The most significant related party transactions in the six-month periods ended 30 June 2020 and 2019 are as follows:

	Six-month period ended 30.06.2020				
Millions of Euros	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Other related parties	Total
Expenses and income					
Purchases	-	-	110 (5)	-	110
Total expenses	-	-	**110**	-	**110**
Services rendered	-	-	4	-	4
Sales	-	-	14	-	14
Total income	-	-	**18**	-	**18**
Other transactions					
Purchase of tangible, intangible and other assets	-	-	3	-	3
Dividends and other distributed profit (3)	96	-	-	-	96

Millions of Euros	Six-month period ended on 30.06.2019				
	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Other related parties (4)	Total
Expenses and income					
Services received	-	-	1	16	17
Purchases	-	-	133 (5)	2	135
Total expenses	-	-	**134**	**18**	**152**
Services rendered	-	-	1	-	1
Sales	-	-	15	-	15
Total income	-	-	**16**	-	**16**
Other transactions					
Purchase of tangible, intangible and other assets	-	-	-	119	119
Dividends and other distributed profit (3)	3	-	-	-	3

At 30 June 2020 and 2019 the balances with related parties are as follows:

Millions of Euros	30 June 2020				
	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Other related parties	Total
Trade and other receivables	-	-	3	-	3
Loans and borrowings, extended	-	-	29	-	29
Other receivables	-	-	5	-	5
Total receivables	**-**	**-**	**37**	**-**	**37**
Trade and other payables	-	-	29	-	29
Other payment obligations	-	-	70	-	70
Total payables	**-**	**-**	**99**	-	**99**

Millions of Euros	30 June 2019				
	Significant shareholders (1)	Directors and executives (2)	People, companies or group entities	Other related parties(4)	Total
Trade and other receivables	-	-	2	1	3
Loans and borrowings, extended	-	-	10	-	10
Other receivables	-	-	6	2	8
Total receivables	**-**	**-**	**18**	**3**	**21**
Trade and other payables	-	-	35	86	121
Other payment obligations	-	-	91	8	99
Total payables	**-**	**-**	**126**	**94**	**220**

(1) IBERDROLA considers related transactions to be those carried out by shareholders who exert significant influence on the Company's financial and operating decisions. Significant influence is defined as having at least one member on the board of directors.

This also applies to shareholders whose ownership interest in the Company enables them to exercise the system of proportional representation.

At the reporting date of these Financial statements only Qatar Investments Authority meets this condition, so the amounts for the six-month period ended 30 June 2020 and 2019 reflect transactions with this shareholder.

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

(3) Amounts recorded as dividends and other benefits distributed in the first half of 2020 and 2019 correspond to the Iberdrola Flexible Remuneration (*Retribución flexible*) system and the AGM attendance premium received if applicable.

(4) Until 2019, there were presented as transactions with other related parties carried out with Siemens-Gamesa Group, which has been sold (Note 6).

(5) Correspond mainly to electricity purchases.

22. SUBSEQUENT EVENTS

After 30 June 2020 and up to the date of authorization for issue of these Consolidated financial statements, the following significant subsequent events have occurred:

Aalto Power, S.A.S. (Aalto Power)

In April 2020 Iberdrola Renovables France, S.A.S., a fully-owned subsidiary of the IBERDROLA Group, signed an agreement to purchase 100% of the share capital of the French company Aalto Power and assign certain loans extended by the sellers to Aalto Power. Aalto Power owns onshore wind farms in France with a total installed capacity and in operation of 118 MW and a portfolio of another 636 MW of onshore wind farm projects at different stages of development.

The consideration for the purchase of Aalto Power's share capital and the assignment of loans to Aalto Power as provided in the purchase agreements totalled Euros 100.1 million. Following the compliance with the usual precedent conditions in this type of transactions, the transfer of control took place on 1 July.

Infigen

In June 2020 Iberdrola Renewables Australia Pty Ltd signed an agreement for the implementation of a bid for with Infigen Energy Limited and Infigen Energy RE Limited (jointly Infigen), by virtue of which it has been agreed to present a takeover bid for Australian Dollar 0.89, equivalent to approximately Euros 0.545, applicable to all the securities issued by Infigen, traded on Australia's Stock Exchange. It represents an aggregate consideration of Australian Dollar 869.92 million, equivalent to approximately Euros 532.99 million for the total amount of Infigen's share capital.

Infigen owns onshore wind generation facilities with an installed capacity of 670 MW, with 268 MW in conventional generation assets and back up storage energy and an output of 246 MW of renewable capacity owned by third parties acquired by means of the energy sale purchase agreements, as well as a portfolio of wind and solar projects at different stages of development of a total capacity higher than1GW.

At 30 June 2020 the IBERDROLA Group has not acquired any shares regarding the aforementioned takeover bid. Therefore, these Consolidated financial statements at 20 June 2020 do not reflect any accounting effects as a result of this transaction.

On 16 July, Iberdrola Renewables Australia Pty Ltd. announced its waiver of its condition to acquire 50% of the total stapled securities of Infigen. As a result, it has become an unconditional offer and the Group has committed to buying all the stapled securities of Infigen when the offer is accepted. In this regard, at the date of issue of these Consolidated financial statements, the offer has been submitted over 4% of Infigen's stapled securities. Furthermore, Iberdrola Renewables Australia Pty Ltd. holds an additional 20% by means of a contract signed with CIFF Capital UK LP and The Children's Investment Master Fund.

Capital reduction

On 1 July 2020 it was resolved to carry out the share capital reduction approved at the Company's General Shareholders' Meeting held on 2 April 2020 under item eight on the agenda, by means of the redemption of treasury shares.

The characteristics of the capital reduction were the following:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Capital reduction	02 July 2020	3.31%	(213,592,000)	0.75	(160,194,000)

Following the share capital reduction, share capital stands at Euros 4,680,000,000 represented by 6,240,000,000 shares of Euros 0.75 of nominal value each.

Iberdrola flexible remuneration

On 6 July 2020, the facts in relation to the implementation of the first scrip issue (*Iberdrola flexible remuneration*) approved at the IBERDROLA General Shareholders' Meeting held on 2 April 2020, under item thirteen of the agenda, were determined as follows:

- The maximum number of shares to be issued under the capital increase is 141,818,181.
- The number of free allocation rights required to receive one new share is 44.
- The maximum nominal value of the capital increase amounts to Euros 106,363,635.75
- Gross interim dividend amount per share was Euros 0.232.

Financing transactions

Lessor	Transaction	Million	Currency	Maturity
Iberdrola Financiación, S.A.U.(1)	Green BEI loan	600	EUR	Upon drawing
Iberdrola Financiación, S.A.U. (1)	Green ICO loan	200	EUR	July-29
Santa Luzia (1)	BNDES loan	369	BRL	July-44

(1) Financing expected to be drawn in 2020/2021.

The IBERDROLA Group's liquidity position, taking into consideration the financing transactions executed after 30 June, totals Euros 14,626 million (Note 14).

Strategic Bonus Programme 2020-2022

By virtue of the Strategic Bonus Programme 2020-2022, approved at the General Shareholders' Meeting held on 2 April 2020, at the proposal of the Remunerations Committee, the Board of Directors resolved to assign to Board members up to a maximum of 2,200,000 shares and to senior managers up to a maximum of 1,800,000 shares based on their performance in the period 2020-2022. They will be paid, if applicable, in three equal parts in 2023, 2024 and 2025.

23. EXPLANATION ADDED FOR TRASLATION TO ENGLISH

These Consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries.

ANNEX

INDUSTRY REGULATION AND FUNCTIONING OF THE ELECTRICITY AND GAS SYSTEM

In the first six-month period of 2020 a set of provisions affecting the energy sector were passed. This section lists the most significant changes.

Spain

Spanish electricity sector

Electricity tariff methodology: CNMC Circular 3/2020 explains the methodology for the annual calculation of transmission and distribution tariffs, based on the annual remuneration for these activities, and sets 1 November 2020 as the deadline for implementing the system set out in the Circular.

The Circular modifies the hourly periods, establishing a single option of three periods for low voltage ≤ 15 kW (domestic consumers) and a single calendar of six periods for all other customers.

It also provides incentives for the recharging of electric vehicles, establishes an explicit allocation of costs to the fixed and variable items of the tariffs and eliminates the generation tariff (Euros 0.5/MWh), with explicit exemption for the energy stored in pumping equipment (Euros 0.65/MWh) or in batteries. Tariff payments on own distribution consumption are also exempted.

Lastly, the Circular gives Red Eléctrica de España (REE) three months to draw up a proposal for application to own generation consumption.

Integrated National Energy and Climate Plan: The Government has sent Brussels an updated national plan outlining the country's objectives in relation to greenhouse gas emission reductions, desired penetration of renewable energies and energy efficiency, in order to meet the European targets set for 2030.

Remuneration for renewables, cogeneration and waste: Order TED/171/2020 reviews the remuneration parameters for estimating regulated remuneration payable for renewables and cogeneration over the 2020-2022 regulatory period, keeping the remuneration rate at 7.39% for facilities existing prior to 2013.

Electric vehicles: Order TMA/178/2020 regulates the requirements that must be met in order to install charging stations at existing roadside service areas and facilities, with the required authorisation of the Ministry of Transport, Mobility and Urban Agenda.

Charging stations may be positioned within the boundaries of existing building rights (less than 50 m from motorways or 25 m from conventional roads) and road accesses need not be adapted provided the stations are installed at existing and duly authorised service stations and facilities. Finally, the authorisation may be granted to the operator of the principal station or facility or to the operator of the recharging facility, although additional provisions are provided to ensure legal certainty.

Energy Efficiency: Order TED/287/2020 sets out the financial contributions to be made to the National Energy Efficiency Fund for 2020. These contributions stem from the transposition of the Energy Efficiency 2012/27/EU Directive, which requires each Member State to justify an amount of cumulative energy savings for the 2014-2020 period. To this end, Spain has chosen to create a National Fund, managed by the Energy Diversification and Saving Institute (EDSI).

The calculated fee for IBERDROLA is 7.7%, on sales of 63.9 TWh (electricity and gas sales by Iberdrola Clientes, S.A.U. and Curenergía Comercializador de Último Recurso, S.A.U. in 2018) and the payment obligation is around Euros 15.9 million, which means an increase of Euros 0.4 million compared to the prior year, due to a higher growth in our energy sales compared to the total for the system.

Measures associated with COVID-19: A set of new regulations has been approved in order to combat the situation generated by COVID-19. The main measures are as follows:

- Royal Decree 463/2020: (i) declares a State of Alarm; (ii) guarantees the supply of electricity, petroleum products and natural gas; (iii) ensures the provision of critical and essential services; and (iv) suspends procedural and administrative deadlines.

- Royal Decree-Law 8/2020: establishes economic measures to help counter the impact of the health crisis. More precisely (i) forbids utilities from cutting the supply of electricity and gas to vulnerable consumers for one month from the entry into force of the Royal Decree-Law; (ii) extends the social bonus until 15 September for beneficiaries whose subsidy was to expire before that date; and (iii) suspends the system of liberalisation of foreign investments in critical infrastructure or energy supply in Spain, which will now require the Government approval.

- Royal Decree-Law 10/2020: extends the restrictions contained in Royal Decree 463/2020 and restricting industrial and service sector activity from 30 March to 9 April, though exempting the energy sector and its essential suppliers.

- Royal Decree-Law 11/2020: introduces further measures effective throughout the State of Alarm, including: (i) extending the group of potential recipients of the social bonus; (ii) forbidding the suspension of supply to domestic consumers for their primary residence; (iii) allowing for the temporary suspension or adjustment of supply contracts, including the possibility of reducing power for self-employed workers and companies without any penalty, with this drop in income for the electricity sector (tariffs) being funded by the State Budget; (iv) the possibility for this same group of beneficiaries to temporarily defer payment of their energy bills free of charge, while sales companies may be released from their obligation to pay tariffs, VAT and electricity tax; (vi) allowing distributors and sales companies to secure government-backed loans for the amount by which their net revenues have decreased; and (vii) extending grid access permits granted prior to the Electricity Sector Law.

- Order SND/260/2020: prevents companies from activating the interruptibility demand management service on economic grounds while the state of alarm persists, with immediate effect.

In general, these measures will remain in force for an additional month after the state of alarm has been officially ended, except for those that have some other specific duration.

Catalonia Ecotax: A new tax has been approved in Catalonia on the production, storage and transmission of energy that applies to the impact on the environment. The general tax rate to de applied is Euros 5/Mwh of gross yearly production for generation and storage facilities and Euros 1/Mwh for combined cycles. In electricity grid installations, it is Euros 400/km of length in voltage between 30 and 110 kV, Euros 700/km between 110 and 220 kV and Euros 1,200/km in voltage above 220 kV.

Energy and economic recovery measures: Royal Decree Law 23/2020 has been enacted, establishing a broad package of measures, recognising the role of electrification and the need to maintain the financial balance of the sector. With respect to renewables: (i) it takes measures against the bubble of access applications; (ii) it simplifies administrative processes; (iii) it enables the review of transport planning for the connection of installations that are critical for energy transition; (iv) it enables the hybridisation of technologies; and (v) it creates a new regulated remuneration model for renewable energy auctions.

With respect to investment in networks, it increases the annual limit for the 2020-2022 period, from 0.13% to 0.14% of GDP in the case of distribution.

It addresses the economic sustainability of the sector by allowing for the application of the historical surplus of the 2019 and 2020 settlements, ensuring that it is used to cover the sector's costs.

Island interruptibility price - second quarter 2020: The resolution of 30 April 2020 of the Directorate General for Energy Policy and Mines has been published, which sets the price of the interruptibility service for non-peninsular electricity systems at Euros 37.33 per MWh for the second quarter of 2020. This price is 22% below the price for the previous quarter.

Electro-intensive consumers: Royal Decree-Law 24/2020 on social measures for the reactivation of employment and the protection of self-employment and competitiveness of the industrial sector has been published, including the creation of the Spanish Reserve Fund for Guarantees of Electro-intensive Entities (SRFGEE).

SRFGEE, endowed with the resources provided for in the General State Budget Acts, is intended to cover, at the expense of the State, the risks arising from medium- and long-term sales transactions for the supply of electricity between electro-intensive consumers and electricity suppliers, in particular, involving all or part of the energy from renewable generation facilities that do not receive a specific remuneration (or any other aid).

Spanish gas sector

State of alarm: Royal Decree-Law 11/2020 introduces urgent additional measures in the social and economic areas to protect vulnerable consumers, the self-employed and businesses, effective during the course of the state of alarm. In this regard, the price of butane and the Last Resort Tariff (LRT) for gas may be lowered, following proper procedures in each case.

Gas Distribution Fee: CNMC Circular 4/2020 on the Gas Distribution Fee Methodology has been published and will apply to the 2021-2026 period. An average fee adjustment of Euros 137 million (-9.6%) is applied. It maintains the current parametric model, but applies a progressive adjustment. A regulatory accounting system has been scheduled to be implemented to determine whether distribution companies are receiving an adequate return for their natural gas distribution activity, in order to develop future methodologies.

Gas System Capacity Allocation: CNMC Resolution of 3 April 2020 has been published, which establishes the market procedure for capacity allocation in the gas system. It is one of the regulatory pieces covered by the Access Circular published in December 2019 implementing the single virtual tank and establishes an auction-based procedure to allocate the capacity for use in different gas structures.

In particular, it applies to regasification plants, supply pipelines from Algeria, national production wells and underground storage (in the part that does not correspond to strategic reserves). It does not apply to interconnections with Portugal and France, which are subject to European harmonisation and where a similar auction system is already in operation.

The annual, quarterly and monthly capacity will be allocated through ascending clock auctions and the daily or intraday capacity will be allocated through closed envelope auctions and uniform pricing. In all cases, the reserve price of the auctions will correspond to the regulated rates.

In the case of the allocation of ship unloading slots, there is a preliminary application process and allocation that would be resolved without auctions, if there is sufficient capacity.

This procedure shall apply from 1 October 2020. Until then, capacity is being allocated on a transitional basis through procedures established by ENAGAS.

Gas LRT - third quarter of 2020: Gas LRTs in force as of 1 July 2020 have been published in the Official State Gazette. It is worth noting that, as a result of the COVID-19 measures, the gas LRT can only be revised downwards until September 2020.

Prices fell by an average of 5.2% compared to the last update of the LRT (first quarter of 2020), due to a lower commodities cost of Euros 15.4 per Mwh (-16.6%). Fixed terms were maintained and variable terms decreased.

United Kingdom

Tariff cap: As required by the Domestic Gas and Electricity Act of 2018, Ofgem introduced a new tariff cap for default rates, including Standard Variable Rates (SVT), on 1 January. The tariff cap is adjusted on 1 April and 1 October of each year and will remain in force until the end of 2020. It may be extended annually up to a maximum of three times.

In May 2020, Ofgem consulted its proposals in order to (i) include an adjustment to the tariff cap for period 5 (October 2020 to March 2021) to offset an underestimation of the wholesale costs of the tariff cap for the first quarter of 2019; (ii) establish the allocation to cover the costs of the roll-out of smart meters in periods 5 and 6; and (iii) establish the tariff cap level for prepaid customers in periods 5 and 6.

RIIO-T2: Scottish Power Energy Networks (SPEN) presented its RIIO-T2 final business plan to the Ofgem Challenge Group (CG) on 6 December 2019. Public hearings on this business plan, which should have taken place during the months of March and April 2020, have been cancelled as a result of the COVID-19 pandemic. Ofgem published its preliminary conclusions in July 2020.

Market capacity: The capacity mechanism operator (EMR delivery body) has restored the mechanism and during the first quarter of the year, the following were held: a T-1 auction (delivery in 2020/21) closing at a price of Pound Sterling 1 per kW per year and an amount of 1 GW; a T-3 auction (replacing the T-4 cancelled in 2019, delivery in 2022/23) closing at a price of Pound Sterling 6.44 per kW per year and an amount of 45.1 GW; and a T-4 auction (delivery in 2023/24) closing at a price of Pound Sterling 15.97 per kW per year and an amount of 43.8 GW.

Carbon prices: The UK Government has announced that in its spring budget, the current value of the Carbon Price Support tax (Pound Sterling 18 per tCO_2) will be extended to 2021/22. The government also continues to work on a UK Emissions Trading Scheme (ETS) for when the transition period to exit the European Union ends (1 January 2021), which may be linked to the European Union's ETS. It also plans to legislate on a new Carbon Emissions Tax as an alternative carbon pricing policy (if it is unable to develop its own ETS for the UK).

Renewable energy development: The UK Government has confirmed its intention to hold the next Contracts for Difference auction for renewable generation in 2021. It has also announced that this auction will be open to onshore wind and solar projects, as well as offshore wind power, including proposals to introduce floating offshore wind power. The Government opened a consultation process in the first quarter of the year, but its resolution is not yet known.

Roll-out of Smart Meters: in June 2020, the Government published its decision on the obligations associated with the development of smart meters for the post-2020 period. The obligation to "take all reasonable steps", which should have been applicable only until 31 December 2020, will be extended until 30 June 2021. After this, annual installation targets will be established for each sales company over a four-year period, subject to annual tolerance levels to be consulted in the autumn of 2020. Consumers will continue to be able to refuse the installation of smart meters unless there is a history of fraud.

United States

Measures relating to COVID-19: In March 2020, President Trump declared a National State of Emergency due to the coronavirus outbreak. To date, President Trump has passed three aid bills to fight COVID-19, including a US Dollar 2 trillion stimulus package that provides emergency funding for states, paid sick leave and unemployment, direct payments to United States citizens, an additional US Dollar 900 million for LIHEAP (Low Income Home Energy Assistance Program), as well as the amendment of certain items related to the corporate tax burden, including interest charges. On 27 May, the Treasury Department and the IRS (Internal Revenue Service) announced a one-year extension of the Production Tax Credit (PTC) and the Investment Tax Credit (ITC) for wind projects that began construction in 2016 and 2017. The requirement to start construction has also been relaxed due to supply chain delays caused by COVID-19. In parallel, the House has passed several pandemic relief and infrastructure bills over the last six months, but to date they have not yet been taken into consideration in the Senate.

Tariffs: President Trump's tariffs on solar panels, steel, aluminium and products from China remain in place. US and Chinese negotiators agreed to an easing of certain tariffs during "Phase One", in response to China's increased agricultural purchases and other reforms. Moreover, on 24 January, the president announced additional tariffs on a new list of steel and aluminium products, in force since 8 February. Also in January, the president signed the United States-Mexico-Canada Agreement (USMCA), replacing NAFTA.

On 6 February, the Department of Commerce issued the preliminary determinations of its antidumping investigation into wind towers. The proposed rates range from 5% to 65% for towers from Canada, Vietnam, Indonesia and South Korea, which would result in the collection of cash deposits from importers in those countries. A final decision is expected in August 2020.

On 27 May, the Court of International Trade blocked the United States Trade Representative (USTR) from withdrawing an exemption on bifacial solar panels, which the commission initially approved in 2018 and then decided to terminate. In June, the USTR withdrew its order to correct procedural errors that had prevented it from eliminating the tariff exemption. Moreover, on 22 May, the USTR approved the tariff exemption application from wind turbine manufacturer Siemens Gamesa for its machines. The exemption applies retroactively from 24 September 2018 and expires on 7 August 2020, at which time Siemens Gamesa could apply for a one-year extension.

On 4 May, the Department of Commerce initiated a Section 232 investigation into imports of certain transformer components used in the electrical system, in order to determine whether these imports constitute a national security risk. If the investigation concludes that there is a national security threat, the president has 90 days to impose tariffs, which could increase the cost of parts by up to 25%.

FERC (Federal Energy Regulatory Commission): On 18 March, the FERC and NERC announced a new regulatory exception providing flexibility for electrical system operators in light of the coronavirus pandemic. The guide allows the effects of the coronavirus to be an acceptable justification for non-compliance with certain requirements between 1 March and 31 July 2020. In addition, on 12 March, the Senate voted 52-40 confirming James Danly as FERC Commissioner.

In March 2020, the FERC issued a Notice of Proposed Rulemaking (NOPR) updating its transmission incentive policy. The new policy states that incentives could reach up to 250 basis points based on three factors: economic benefits of the projects (100 basis points), reliability (50 basis points) and owner participation in the RTO/ISO (Regional Transmission Organisations/Independent System Operator) (100 basis points). A public hearing will take place before final approval. There is no deadline for the final decision

On 21 May, the FERC issued an order that revises its framework for calculating the return on capital of the owners of transmission facilities. In its revision, the FERC adds for its consideration the risk premium model, to be used in conjunction with the discounted cash flow model and the asset price model. The order is specific to transmission owners in the Midcontinental Independent System Operator region, but according to the common practice of the FERC, the framework is likely to apply to transmission owners in other regions, including the New England ISO.

CMP Rate Case: In February 2020, the MPUC (Maine Public Utilities Commission) released the new CMP fee framework, with an ROE of 9.25% and an implementation period from 1 March to 28 February 2021. The bill increase for an average residential customer will be approximately 3%. It made adjustments to regulatory assets generated by the accounting change in pensions and other benefits during 2018 and 2019, although it approved them to be recognised from now on. Vegetation management costs were approved and storm management funds were increased.

NY Rate Case: In May 2019, NYSEG & RGE presented a new rate case. The current rate framework has been in force since 2015. In February 2020, NYSEG & RG&E and the NYPSC (New York Public Service Commission) finalised the negotiation process with a verbal agreement and began to draft the joint proposal seeking support from the other parties involved. In March 2020, NYPSC parties and staff agreed to postpone the submission of the joint proposal in order to include the impact of the COVID-19 pandemic. On 22 June, Avangrid delivered its proposal following an agreement with more than 20 stakeholders. Once it is approved by the regulatory committee, which is scheduled for October, the new rate case will apply from November 2020 to April 2023. While the original proposal envisaged new rates for May 2020, the impact of the COVID-19 pandemic has delayed its application, although with no impact on the Avangrid accounts. An ROE of 8.8% is approved, in line with the other utilities of the State. The rate case includes all investments and operational actions to improve the grid: automation, resilience, pruning management and smart meters.

Covid NY docket: The New York Public Service Commission has initiated a proceeding to identify and respond to the effects of COVID-19 in all New York utilities (electricity, gas, water, telecommunications etc.). For that purpose, utilities have to answer questions about the following: non-payment and supply cut-offs, the priorities of the NYPSC and rate and financial matters. The period for sending answers ended on 11 July.

Network Security: On 1 May, President Trump issued an executive order aimed at bolstering network security. This order instructs the Department of Energy to establish regulations prohibiting the purchase of energy system equipment from a foreign adversary or an entity controlled by a foreign adversary, and to identify network infrastructures that pose a critical threat to national security. It also forms a work group to update equipment acquisition policies.

Permits: On 4 June, President Trump issued an executive order that instructs agencies to streamline environmental review processes in response to the economic impacts of COVID-19. The order is aimed at projects within the competences of the military and Department of Homeland Security, among others, and focuses on developments subject to the National Environmental Policy Act (NEPA) and Endangered Species Act (ESA). Agencies have 30 days to determine the competent authority and submit a list of projects they plan to accelerate.

On 1 June, the Environmental Protection Agency (EPA) finalized the Clean Water Act Section 401 Certification Rule, which clarifies the scope, deadlines and procedures for state certification reviews. The final rule limits the states' ability to block federal permits and veto certain infrastructure projects, such as the construction of a new pipeline.

Bandwidth: On 23 April, the Federal Communications Commission (FCC) unanimously approved an order to open the 6 GHz bandwidth to unlicensed users. The order allows unlicensed use of the full bandwidth for low power devices indoors, and partial use of the bandwidth for standard power devices outdoors with the requirement of Automated Frequency Control (AFC) to avoid interference.

Mexico

Transition strategy to promote the use of cleaner technologies and fuels, in terms of the Energy Transition Act: on 7 February 2020, the Secretariat of Energy published the Strategy in the Official Gazette of the Federation, which contains the medium- and long-term measures to achieve the clean energy targets laid out in the Energy Transition Law. The interim clean generation targets are updated to 35.1% for 2024, establishing a target of 39.9% for 2033 and ensuring that total clean generation accounts for 50% of total electricity generation by 2050. Iberdrola Mexico has taken the necessary steps to meet these clean energy targets.

Criteria for calculating CELs (*Certificados de Energía Limpia* - Clean Energy Certificates) available to cover obligations, and the implicit price of the CELs: on 4 March 2020, the CRE published in the Official Gazette the "Resolution containing the rules and criteria for calculating the total number of clean energy certificates available to cover the total amount of clean energy obligations for each of the first two years of such obligations; and issuing the methodology for calculating the implicit price of the clean energy certificates referred to in transitional provision 22 of the Energy Transition Law".

It thus determines the rules and criteria on how the total number of CELs registered in the Clean Energy Certificate and Compliance Management System (S-CEL) will be calculated for the purpose of compliance with obligations. It also defines the methodology of the implicit price of the CELs, determining the scenarios that would trigger the flexibility mechanism (FM) and allowing obliged participants to defer up to 50% of their obligations for a period of two years at an annual interest of 5%, but without paying any penalty.

For the time being, Iberdrola Mexico has sufficient CELs to cover all of its clean energy obligations and will therefore not avail itself of this benefit.

Measures relating to COVID-19: On 30 March 2020, the Federal Government, through its General Health Board, published in the Official Journal of the Federation the "Resolution declaring the disease epidemic caused by the SARS-CoV2 virus (COVID-19) a force majeure health emergency."

Subsequently, the Health Secretariat decreed the suspension of non-essential activities in order to mitigate the spread and transmission of COVID-19. Since 31 May, the Health Secretariat has been implementing a strategy of gradually re-opening activities based on a traffic light system that goes from red to green, with orange and yellow phases in between. On 30 June, 18 of the 32 entities were identified as orange (high risk of infection) and the rest were red (maximum risk of infection).

Consequently, government bodies have declared a suspension of activities. The Energy Secretariat (SENER), the Energy Regulation Commission (CRE), the Secretary for the Environment and Natural Resources (SEMARNAT), among other bodies, have decreed a suspension of activity until the health authority determines there is no epidemiological risk. In the case of the National Energy Centre (CENACE), the suspension of activities ended on 30 June 2020.

Iberdrola Mexico has strictly complied with all the measures established by the General Health Board, given that electricity generation is deemed to be an essential activity.

Agreement to guarantee the efficiency, quality, reliability, continuity and safety of the National Electrical System, in recognition of the epidemic caused by the SARS-CoV2 virus (COVID-19): On 1 May 2020, CENACE published the "Agreement to guarantee the efficiency, quality, reliability, continuity and safety of the National Electrical System, in recognition of the SARS-CoV2 virus epidemic (COVID-19)" ("The Agreement").

CENACE considered that, as a result of the epidemic caused by COVID-19, “there has been a reduction in the consumption of electricity by end users and thus additional measures have to be taken in order to guarantee the efficiency, quality, reliability, continuity and safety of the National Electricity System”.

The Agreement and its Technical Annex established strategies and measures to be implemented during the COVID-19 pandemic. CENACE justified the Actions and Strategies of Operational Control of the Agreement in order to strengthen the reliability of the National Electrical System (SEN), without considering whether the proposed measures are violating open and non-duly discriminatory access as a fundamental principle of the electrical system.

Iberdrola Mexico was affected by the agreement, since it prohibited the pre-operative tests of wind and photovoltaic plants. This measure affected the PIER and Santiago wind farms that were in the pre-operational testing phase for several weeks, which was interrupted.

To date, different companies and some civil organisations have submitted injunctive relief (protective measures) against this agreement, obtaining provisional and definitive suspensions. It should be mentioned that Iberdrola Mexico took protection against this agreement, obtaining the definitive suspension on 1 June 2020. Once the suspension of the application of the agreement was obtained, the pre-operational tests of the PIER and Santiago wind farms were able to be resumed.

Reliability, Safety, Continuity and Quality Policy in the National Electrical System: On 15 May 2020, the Ministry of Energy published in the Official Journal of the Federation the “Agreement issuing the Policy on Reliability, Safety, Continuity and Quality in the National Electrical System” (“Reliability Policy”).

Such policy is binding on the members of the electricity industry and, if implemented, would have consequences in different areas such as: respect for the previously granted electricity coverage contracts; risks in the evaluation and granting of generation permits, due to the fact that the programmes for the expansion and upgrading of the transmission and distribution network and the development of the national electricity system will be taken into account, as well as the CENACE feasibility statement; possible limitations for modifications of generation permits; restrictions on intermittent clean energy (solar and wind) for their location, interconnection, new requirements, etc.

By this time, different companies, including Iberdrola Mexico, have submitted injunctive relief (protective measures) against this policy. Some injunctive relief requests have already been granted on a general basis, with Iberdrola Mexico awaiting the final suspension.

Due to its importance, note should be made of the constitutional dispute presented by the Federal Commission on Economic Competition (COFECE) to the Supreme Court of Justice of the Nation on 22 June. The authority believed that the reliability policy violated principles of competition and free participation for the participants of the electricity industry. On 29 June, SCJN granted COFECE the suspension of the SENER Policy.

Transport charges of electrical energy with renewable or efficient cogeneration energy sources, and the procedure for calculating conventional transmission charges: on 28 May 2020, the Energy Regulatory Commission (CRE) approved two resolutions regarding transmission:

- RES/893/2020: "Resolution issuing charges for the service of electrical energy transmission at 2018 prices to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of legacy interconnection contracts with electrical energy generation plants with renewable or efficient cogeneration energy sources, in accordance with the resolution RES/066/2010 and the amendment thereof issued via resolution RES/194/2010". The purpose of the regulation was to substantially increase (by between 500% and 800%) the transmission rates for renewable and efficient cogeneration plants (transmission stamp) by revising the 2018 prices.

- RES/894/2020: "Resolution approving procedures to determine the economic variables required for the calculation of the charges for transmission services at voltages higher than or equal to 69 KV, to be applied by CDE Intermediación de Contratos Legados, S.A. de C.V. to holders of legacy interconnection contracts with electricity generation plants with a conventional energy source, in accordance with the provisions of Resolution RES/083/1998, the amendment thereof issued via Resolution RES/254/99 and the clarification thereof issued via RES/146/2001". RES/894/2020 establishes a procedure for determining the economic variables envisaged in 7.3 of RES/083/1998 relating to the transmission of conventional power plants.

RES/893/2020, based on the argument that "the Energy Regulation Commission deems it necessary to acknowledge, in charges for the transmission services for renewable or efficient cogeneration energy sources at 2018 prices, the effective costs of the provision of the public service of electrical energy transmission and distribution in order to ensure fair and proportional payments by the holders of CILs for the use of the electricity grid", aims to modify an instrument (transmission stamp) that was created to incentivise investment in renewable energies prior to the energy reform.

Owing to the legal uncertainty created by a retroactive change of this nature, Iberdrola México and other sector companies have sought injunctive relief against RES/893/2020. Iberdrola México is currently expecting the courts to grant it a definitive suspension of the resolution and injunctive relief.

With respect to RES/894/2020, Iberdrola México is assessing what impact it will have on the business, with a view to bringing action for injunctive relief if deemed appropriate.

Final Basic Supply Rates: The final basic supply rate has been updated monthly in accordance with the methodology for determining the calculation and adjustment of final basic supply rates published by the CRE on 18 December 2019, which will remain unchanged. The rate saw a 1.3% increase in the industrial basic supply rate (GDMTH and DIST) despite the drop in demand due to the COVID-19 virus. The CRE recognised the generation costs of small electricity systems, recognising the costs that we incurred in the Capacity Balancing Market (CBM) which were distributed over 12 months.

USMCA publication: On 29 June, the Secretariat for Foreign Affairs issued the Enactment Decree of the Protocol that replaces the North American Free Trade Agreement (NAFTA) with the Treaty between the United Mexican States, the United States of America and Canada (USCMA), entering into force on 1 July 2020.

The USMCA consists of 34 chapters, with changes on issues such as supply chain, anti-corruption measures, environment, good regulatory practices and sectoral annexes, such as “energy efficiency standards” through which it will seek to harmonise procedures and standards among the three signatory countries.

The USMCA is considered a key element in accelerating the economy at national level in light of the economic situation that COVID-19 has generated.

Brazil

Measures relating to COVID-19: the following regulation has been enacted to minimise the effects of the coronavirus (COVID-19) pandemic on the electricity sector:

- Decree No. 10.282 (20 March): (i) defines essential services, including energy; (ii) ensures the free movement of teams operating within the electricity sector; and (iii) determines the need for a specific act from the regulatory authority in order to limit or restrict essential services.

- Regulatory Resolution No. 878 (25 March): measures to remain in force until 31 July in order to ensure the continuity of the electricity distribution service, thus guaranteeing the safety of consumers and employees of distribution companies during the pandemic. The main changes to the usual rules of operation are as follows:

  - Metering and billing: Hard copy invoice to be replaced with a digital invoice, more flexible meter reading intervals or use of average consumption over the last 12 months.

  - Customer service: suspension of face-to-face service, focusing on digital and telephone channels and giving priority to health services.

  - Operations: maintaining only those stoppages that are strictly necessary, while drawing up a specific contingency plan to ensure continuity of supply for health care services.

  - Supply cuts: prohibition on cutting the supply due to non-payment by residential consumers in both urban and rural areas, as well as essential services.

- Directive no. 134 (30 March): the Ministry of Mines and Energy is indefinitely postponing the following auctions planned for this year: Existing Energy Auctions "A-4" and "A-5"; New Energy Auctions "A-4 and "A-6"; auctions for the concession of the electricity transmission public service and auctions for the award of supply solutions for isolated systems.

- Authorisation to transfer funds: ANEEL authorises the CCEE (Brazilian Chamber of Electrical Energy Commercialisation) to distribute Brazilian Real 2,200 million available in the reserve fund to boost the liquidity of distributors and free consumers. Neoenergia distributors received Brazilian Real 220 million.

- Emergency financial measures: Provisional measure (PM) No. 950/20 has approved (i) a legal protection to restructure the financial operation to support the cash position of distributors and (ii) a 100% discount for consumers eligible for the social tariff up to a consumption level of 220 kWh/month for three months, to be covered by the Government with a contribution of Brazilian Real 900 million to the CDE (Energy Development Account).

- Guidelines for the COVID Account: based on Provisional Measure (PM) No. 950, Decree No. 10.350 authorises the creation of the COVID Account and provides guidelines on its management. The Account will receive funds through a loan from a group of banks led by the Brazilian National Bank for Economic and Social Development (BNDES) and contracted by the CCEE. These funds will be transferred to the distribution companies. The objective of the operation is to mitigate the financial effects of the loss of revenue due to a reduction in demand and increasing non-payments as a result of the pandemic.

- Maximum loan amounts: based on the guidelines laid down in Decree No. 10.350, through Resolution 885/20, ANEEL establishes the conditions for distributors' access to the loan and sets the maximum overall amount of the operation at Brazilian Real 16,100 million. Neoenergia has defined its stake at Brazilian Real 1,670 million, to be distributed among the distributors CELPE (Brazilian Real 455 million), ELEKTRO (Brazilian Real 614 million), COELBA (Brazilian Real 500 million) and COSERN (Brazilian Real 95 million).

Approval of the new WACC calculation methodology: On 10 March 2020, ANEEL approved a new methodology for calculating the WACC. The main changes are as follows: (i) the use, whenever possible, of local financial parameters, such as Brazilian treasury bonds for risk-free rate (NTN-B), the average of electricity sector obligations for Third-Party Capital and the Optimal Theoretical Capital Structure; and (ii) the annual updating of the WACC based on the average of the last five years for the cost of own capital and the most recent indicators for the cost of third-party capital and the capital structure. The rate revision values effective in 2020 are 7.32% for distribution and 6.98% for generation and transmission.

Change in the methodology for calculating the productivity component (Pd) of factor X: On 17 March, a new methodology was approved for the calculation of the Productivity Component (Pd) of Factor X, which represents the productivity increases of distribution activity. The new methodology considers the effects of the productivity increase and market variations of the six years prior to the current rate revision. Using this methodology, it is estimated that the "Pd" could decrease for all distributors of the Group in the next rate revisions (2021 for Celpe and RTP and 2023 for other distributors), which would have a positive impact for them.

Rate adjustments: In April, ANEEL approved the values of the rate adjustment for the distributors COELBA (5% average effect), COSERN (3.4% average effect) and CELPE (5.2% average effect) but postponed its application to rates to the end of June. This measure has no economic effects, given that in the same period the equivalent payment to the CDE account was postponed. Distributors will return these sums to the CDE account in the last five months of 2020 (from August to December) and will be reimbursed via the creation of a regulatory asset that will be added to the 2021 rate adjustments and paid off in the following 12 months.

European Union

Draft Climate Law: On 4 March 2020, the European Commission (EC) presented its draft Climate Law, one of the main elements of the European Green Deal. The law must now make its way through the Council and the Parliament. Key elements of this law include:

- Goal for 2050: It imposes a legally binding commitment for the EU to achieve net zero emissions by 2050.

- 2030 target: The EC is considering boosting its target to 50-55% (up from the current 40%), for which it will publish an impact study in September 2020. Before 30 June 2021, the commission will specify what legislation must be changed to achieve the greatest objective.

- Trajectory of interim reduction targets: The Commission may establish a 2030-2050 trajectory to set the path for accomplishing the carbon neutrality objective via delegated acts (legislative procedure headed by the Commission).

- Adaptation: Members States shall develop adaptation strategies and plans that include robust analyses and risk management frameworks under a broad focus.

- Progress review: Starting in September 2023 and every five years, the Commission shall analyse collective progress towards the 2050 climate neutrality objective, as well as the consistency of the climate policy frameworks in place for achieving that objective, both across Europe and on a national scale (taking into account the measures set out in the National Energy and Climate Plans – NECPs).

The Law will take the form of a Regulation (immediately and directly enforceable across all Member States) and will be part of the Governance Regulation.

A new industrial strategy for Europe: On 10 March 2020, the Commission published the strategy for developing an industrial policy to support energy transition and competitiveness. The main measures include:

- Assessment and, as the case may be, review of State Aid Guidelines, including for energy and the environment, so that they become effective in 2021 and ensure a level playing field within Europe.

- Review of the Rules on State Aid for so-called "Important Projects of Common European Interest" (IPCEIs[1]) in 2021, so that Member States can ensure that the aid is handed out on a competitive and temporary basis to fund innovative projects.

- A "Smart Sector Integration" strategy to integrate the different energy sectors and vectors, and their connection with the industrial strategy.

- Carbon Border Adjustment Mechanism: the EC will look into a proposal to protect the industry's competitiveness and prevent the risk of "carbon leakage".

"Taxonomy" Regulation: On 18/06/2020, the European Parliament approved Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investments (published by the Official Journal of the European Union on 22 June 2020). This regulation forms part of the package of sustainable finance and aims to establish what activities can be considered sustainable in order to attract capital towards the energy transition.

- It covers the European Union's six environmental objectives: "climate change mitigation", "climate change adaptation", "air quality", "water and marine environment", "circular economy and waste" and "ecosystem quality".

- An activity will be sustainable if it contributes significantly to achieving one of the objectives and does not prejudice the others.

[1] Projects that represent a very significant contribution to economic growth, jobs and competitiveness for EU industry and economy; that bring together knowledge, expertise, financial resources and economic actors throughout the Union so as to overcome important market or systemic failures and societal challenges that could not otherwise be addressed. These projects typically involve more than one Member State and their benefits should not be limited to the States that finance them.

- This contribution must be established with objective criteria to be set by the detailed regulation (Delegated Acts of the Commission with input from the States and the stakeholders).

- The regulation will be applicable in December 2021 for "climate change mitigation" and "climate change adaptation", and in December 2022 for the other objectives.

The following are deemed to mitigate climate change: Renewable energy, transmission and distribution, clean or carbon-neutral mobility, production of fuel from renewable or carbon-neutral sources and the building or use of CCS (carbon capture and storage).

The use of coal is expressly excluded as "sustainable". Nuclear energy is not expressly excluded (issue to be resolved by subsequent regulation) and the so-called "Other activities for the transition" are included (compatible with a carbon-neutral scenario in 2050 provided that they use state-of-the-art technologies, avoid the use of coal and have no emissions lock-in effect).

Multiannual Financial Framework - Recovery Plan: On 27 May 2020, the EC submitted a new Multiannual Financial Framework 2021-27 (MFF) proposal of Euros 1,850 million, incorporating a proposed Euros 750 million economic recovery plan to mitigate the impact of COVID-19 (called Next Generation EU).

It is not the first European response plan to the impact of COVID: temporary instruments were finalised in April 2020, the most significant are the following: European Central Bank's quantitative easing programme (Euros 750 million expanded to Euros 1,300 million in June) and loan lines via States for social and health spending and corporate liquidity (Euros 540 million).

The funds associated with the Euros 750 million recovery plan would form part of the EU budget structure, although they would be earmarked for investments and expenditures to be made before 2022-2024. They would be financed with bonds, for which new taxes are proposed to repay them. Of this amount, Euros 500 million would be grants and Euros 250 million would be loans (subject to repayment).

This is a reactivation package to provide resources for energy and digital transitions and, to a lesser extent, for health spending, innovation and social and reconstruction expenses. It reaffirms the objectives of the European Green Deal, of climate neutrality by 2050 and of directing 25% of the EU budget towards the climate, in order to support administrations but, above all, companies.

The figure in the Plan, as well as the other components of the MFF (Euros 1,100 million) must be considered with caution, as it is currently being negotiated. In the coming months, it will have to be negotiated in the Council, by the European Parliament and ratified by the States in December 2020 for entry into force in 2021.

Finally, the plan involves the use of new financial vehicles (bonds), reforming some of the existing ones and proposals for the EC's own fiscal instruments (maritime transport/aviation emission allowances, taxes on transactions of companies that rely on the European market unit, digital tax, etc.).

DIRECTORS' REPORT CORRESPONDING TO THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

1. SIGNIFICANT EVENTS OF THE FIRST SIX-MONTH PERIOD OF 2020

1.1. COVID-19

On 11 March 2020, the World's Health Organisation qualified as a pandemic the breakout of the coronavirus COVID-19. As a result, the main countries where the IBERDROLA Group operates have progressively been adopting temporary measures to limit the spread of COVID-19 which include or have included, among others, restrictions to the free movement of people, quarantine obligations, isolation or confinement, closure of borders and of public and private premises (except for first need and health premises) which have had, or will have, a greater or lesser impact on the economic activity in the countries where the Group is present and its activities in particular.

Since the beginning of COVID-19, the IBERDROLA Group's distribution companies have carried out many actions to maintain the supply to more than 32 million customers and provide access to a quality service, as well as safety for its customers and facilities and operations. Among said actions are the activation of emergency plans, special measures to protect the supply in critical facilities such as hospitals, elderly care homes, the food industry, the Ministries of Defence, prison facilities, etc.

Special attention plans have been directed at hospitals and we have installed electrogen groups and inspected all circuits that serve essential facilities, in order to prevent any lack of interruption of service. Special operation positions exclusively dedicated to health services have been created, with the collaboration of public entities.

Customer service channels have been reinforced and cuts of service due to lack of payment have been suspended. Customers have been offered plans to facilitate payments and resources to reduce the use of energy.

Moreover, in order to mitigate the economic impact of these measures and facilitate a faster financial recovery, the different governments and central banks have passed or announced several aid plans for economic recovery, including liquidity plans, soft loans, relaxing tax payments, measures to support the most vulnerable groups and the most affected sectors, as well as several regulatory measures.

However, the impact of COVID-19 in the economies in the main countries where the Group operates in 2020 qualifies as highly significant, and will be followed by a greater or lesser recovery in 2021, as evidenced by economic estimates presented by several economic institutions, such as those recently published by the International Monetary Fund (IMF) in June 2020. These include the following:

Change %	2020	2021
Spain	(12.8)	6.3
United Kingdom	(10.2)	6.3
United States	(8.0)	4.5
Brazil	(9.1)	3.6
Mexico	(10.5)	3.3

As a result of COVID-19, the IBERDROLA Group companies have faced, and will probably continue to face in the upcoming months, an increase in their traditional credit, market, financial, operating and regulatory risks.

It should be noted that the regulated networks business in the countries where the Group is present have regulatory frameworks that recognise ordinary rate adjustments due to involuntary deviations in income and expenses and foresee extraordinary adjustments due to deviations resulting from force majeure causes, such as those resulting from COVID-19. Based on the specific characteristics of each regulatory framework and of the legislation applicable in each country all, whether total or partial, impacts arising from COVID-19 will be covered.

- **Market risks**

Impact due to the drop in electricity and gas demand

Regarding the IBERDROLA Group, the risks derived from the temporary all in electricity and gas demand of large customers and SMEs (small and medium-sized companies) are being partially offset by a larger demand in household customers.

Lower income due to lower use of the grid in regulated networks businesses in the United Kingdom, the United States and Brazil, as a result of the drop in electricity and gas demands, is considered to be involuntary and temporary and should be recovered in upcoming rate readjustments or revisions, as provided by the legislation in force in each country.

The speed of recovery of electricity and gas demand will depend on the recovery speed of the economies in the different countries where the Group operates.

Impact of the drop in electricity and gas prices

The drop in international commodity prices and the prices of electricity and gas wholesale market prices in the countries where the Group is present results in a reduction in income in our traditional and renewable generation businesses, which has been offset, totally or partially, by the purchases carried out by retail businesses at lower prices. The existence of fixed-price sale agreements (PPAs) has also eliminated the impact of this drop in prices (for energy sold under this regime).

It must be highlighted that the strong drops in prices and the high volatility of prices have been due to brusque and temporary fluctuations between supply and demand, as a result of the confinement measures passed worldwide due to COVID-19. Once those confinement measures were over, prices were again on the path to recovery.

- **Operational risks**

The IBERDROLA Group has implemented from the first minute several follow-up and analysis committees both for the Group and nationwide, in order to promptly and continuously follow up the effects of the crisis and the answers required, from a social and economic perspective. Dialogue has been fluid with regulators, institutions and governments.

The restrictions set by the different governments have had a limited impact on the ordinary development of essential and non-essential Group operations.

Among the measures adopted by the IBERDROLA Group the following stand out:

- Safety procedures and measures have been reinforced for employees to enable them to continue to perform their duties, including office and field duties, thus guaranteeing an essential activity (under adequate quality conditions), as well as the supply of energy.

– Electricity supply has been reinforced, in particular in essential infrastructures such as hospitals, facilitating payment conditions to customers and implementing protection measures directed at the most vulnerable groups.

– Overall, work from home has been implemented, in particular for office jobs.

– Non-basic operations have been rescheduled seeking the lowest impact possible on the health of employees and customers.

Impact on operating costs

The impact of higher costs in health and safety and transportation of employees and donations of health material has been offset by lower costs from lower retail activity and other cuts in non-basic operating expenses.

Impact on the development of new investment projects and the supply chain

Although the Group has been affected by the interruption of works at certain periods and the processing of permits has slowed down, impacts are not considered to be material and no significant problems have been identified in the supply chain. The Group does not expect a significant impact on the commissioning dates of projects under construction.

1.2. Main operating figures

- **Installed capacity**

At the end of the first six-month period of 2020, the IBERDROLA Group has 49,378 MW installed, 227 net MW more than at the end of 2019.

Installed capacity by technology and geographical area at the end of the six-month period is as follows:

Installed capacity (MW)	30.06.2020	31.12.2019	Change
Hydro	10,666	10,666	-
Nuclear	3,166	3,166	-
Coal thermal	358	874	(516)
Gas combined cycle	15,469	15,469	-
Cogeneration	299	299	-
Wind, photovoltaic, mini-hydro and other renewables (1)	19,421	18,678	743
Total	**49,379**	**49,152**	**227**

(1) The way of reporting photovoltaic power has changed. Until December 2019 it was included in MWac and currently is MWdc. The effect implies an increase of MW 229 as of December 2019 compared to the information reported in the Consolidated annual accounts for 2019 (109 MW in Spain, 22 MW in the United States and 98 MW in Mexico).

Installed capacity (MW)	30.06.2020	31.12.2019	Change
Spain	25,897	26,313	(416)
United Kingdom	2,800	2,506	294
United States	8,000	7,922	78
Mexico	9,816	9,561	255
Brazil	1,885	1,885	-
Iberdrola Energía Internacional	981	965	16
Total	**49,379**	**49,152**	**227**

Variations in installed power are as follows:

- In Spain the solar photovoltaic plants of Andévalo (50 MWdc) and Teruel (50 MWdc) have been commissioned. The Thermal plant of Velilla 1 (516 MW) has been closed down.

- In the United Kingdom, new 294 MW have been progressively installed in the offshore wind farm of East Anglia One.

- In the United States the Otter Creek wind farm (80 MW) has been commissioned and 2 MW in the wind farm of Barton have been decommissioned due to technical problems.

- In Mexico the new power of the onshore wind farms of Pier IV (60 MW) and Santiago (17 MW) progressively started operating, as well as the photovoltaic plant of Cuyoaco (178 MW).

- Iberdrola Energía Internacional has completed in Greece the commissioning of the Pyrgari wind farm (16 MW).

- **Production**

In the first six-month period of 2020, IBERDROLA Group's total output increased by 5% to 72,590 GWh (69,161 GWh in the first six-month period of 2019).

Production by technologies is as follows:

Net Production (GWh)	30.06.2020	30.06.2019	% Change
Hydro	7,808	5,379	45.2
Nuclear	11,195	12,328	(9.2)
Coal thermal	226	338	(33.1)
Gas combined cycle	30,361	30,141	0.7
Cogeneration	868	1,109	(21.7)
Wind, photovoltaic mini-hydro and other renewables	22,132	19,866	11.4
Total	**72,590**	**69,161**	**5.0**

Output by counties is as follows:

Net Production (GWh)	30.06.2020	30.06.2019	% Change
Spain	27,248	28,243	(3.5)
United Kingdom	3,259	2,141	52.2
United States	11,588	10,176	13.9
Mexico	26,402	24,711	6.8
Brazil	2,689	2,487	8.1
Iberdrola Energía Internacional	1,404	1,403	0.1
Total	**72,590**	**69,161**	**5.0**

- **Retail**

Details of gas and electricity supply are as follows:

Electricity retail (GWh)	30.06.2020	30.06.2019	% Change
Spain	26,072	27,577	(5.5)
United Kingdom	8,476	9,512	(10.9)
United States	17,233	17,659	(2.4)
Brazil	20,899	22,181	(5.8)
Iberdrola Energía Internacional	4,724	4,745	(0.4)
Total	**77,404**	**81,674**	**(5.2)**

Gas retail (GWh)	30.06.2020	30.06.2019	% Change
Spain	4,906	5,735	(14.5)
United Kingdom	14,003	15,283	(8.4)
United States	32,932	37,875	(13.1)
Iberdrola Energía Internacional	733	213	244.1
Total	**52,574**	**59,106**	**(11.1)**

- **Distribution**

During the first six-month period of 2020, the electric energy distributed by the Group amounted to 106,880 GWh, strongly affected by the confinement measures enforced on population and business activities coming to a stop due to the health crisis caused by the COVID-19 pandemic. The drop in electricity demand has been 6.3% compared to the same period in the prior year.

The breakdown by geographical area is as follows:

Distributed electric energy (GWh)	30.06.2020	30.06.2019	% Change
Spain	42,431	46,487	(8.7)
United Kingdom	14,688	15,928	(7.8)
United States	17,220	17,659	(2.5)
Brazil (1)	32,541	34,041	(4.4)
Total	**106,880**	**114,115**	**(6.3)**

(1) The way of reporting units in Brazil has changed based on the energy supplied to the grid, through which it receives the tolls for each license.

Gas distribution (MW)	30.06.2020	30.06.2019	% Change
United States	32,932	37,875	(13.1)

1.3. Main figures in the Consolidated income statement

The key figures for the first half of 2020 are as follows:

Millions of Euros	30.06.2020	30.06.2019	% Change
Gross Margin	8,050	8,230	(2.2)
Gross Operating profit – EBITDA	4,918	4,990	(1.4)
Net Operating profit – EBIT	2,675	2,991	(10.6)
Net profit attributable to the parent	1,845	1,644	12.2

The performance of currencies, the revaluation of the US dollar (2.9%) and the Pound Sterling (0.3%) and the devaluation of the Brazilian Real (18.6%) contribute a decrease of Euros 92 million to Gross operating profit – EBITDA, not taking into consideration the exchange rate effect, would have been an increase of 0.4%.

Although it is not possible to know in precision the impact COVID-19 will have on these financial statements, the Group estimates (Note 3) that it has supposed lower Gross operating profit – EBITDA of Euros 157 million which, together with the estimated increase in provisions for bad debts of Euros 71 million has reduced the Operating Profit - EBIT by Euros 228 million.

Several estimates made by the IBERDROLA Group are described below, based on the best information available

Millions of Euros	Impact on EBITDA	Increase in valuation of trade receivables	Impact on EBIT	Impact on Operating profit after tax (PAT)
Spain	(7)	-	(7)	(5)
United Kingdom	(23)	-	(23)	(18)
United States	(7)	(8)	(15)	(9)
Brazil	(28)	(27)	(55)	(23)
Total Networks	**(65)**	**(35)**	**(100)**	**(55)**
Spain	(31)	(10)	(41)	(31)
United Kingdom	(29)	(18)	(47)	(39)
Mexico	(11)	-	(11)	(8)
Brazil	(3)	-	(3)	(1)
IEI	(18)	(8)	(26)	(19)
Total Liberalised	**(92)**	**(36)**	**(128)**	**(98)**
Total	**(157)**	**(71)**	**(228)**	**(153)**

These factors, combined with the disinvestment in Siemens-Gamesa offset by the deferred tax adjustments following exchange rates in the United Kingdom, contribute to an increase in net profit of Euros 201 million, up by 12.2%.

1.3.1. Gross margin

Gross margin, understood as the difference between net revenue and costs incurred for supplies, stands at Euros 8,050 million, down 2.2% compared to the same period in 2019 (Euros 8,230 million). The effect of the average exchange rate performance of the different currencies lowers this caption by Euros 121 million.

Millions of Euros	30.06.2020	30.06.2019	% Change
Spain	976	1,060	(7.9)
United Kingdom	661	649	1.8
United States	1,462	1,552	(5.8)
Brazil	724	883	(18.0)
Networks	**3,823**	**4,144**	**(7.7)**
Spain	1,485	1,480	0.3
United Kingdom	413	340	21.5
Mexico	431	454	(5.1)
Brazil	44	34	29.4
Iberdrola Energía Internacional	33	19	73.7
Liberalised	**2,406**	**2,327**	**3.4**
Spain	568	661	(14.1)
United Kingdom	469	323	45.2
United States	474	410	15.6
Mexico	53	58	(8.6)
Brazil	70	94	(25.5)
Iberdrola Energía Internacional	199	204	(2.5)
Renewable	**1,833**	**1,750**	**4.7**
Other business, Corporation and adjustments	**(12)**	**9**	**(233.3)**
Total	**8,050**	**8,230**	**(2.2)**

By business:

- Gross margin in Networks goes down by Euros 321 million, compared to 2019 (7.7%), amounting Euros 3,823 million. The negative effect of exchange rate changes is Euros 123 million. As the most significant events in the period we could mention:

    - In Spain it amounts to Euros 976 million, down Euros 84 million (down 7.9%) compared to 2019, mainly due to the reduction of Euros 29 million in remuneration following the new regulatory period and Euros 31 million of positive requilidations recognised in the first six-month period of 2019, which affect inter annual comparison. Additionally, fibre optic sales in 2019 lower gross margin by Euros in 10 million and other effects included those resulting from the COVID-19 represent a decrease of Euros 14 million.

    - The United Kingdom contributes Euros 661 million, growing by 1.8%: the increase of Euros 12 million is due to the effect of the revaluation of the Pound Sterling which implies Euros 1 million, whereas the remaining increase of Euros 11 million is due to better transmission and distribution income, subsequent to a larger asset portfolio due to the investments made, offset by the effects of COVID-19. Although COVID-19 has not affected the transmission business, it has affected the distribution business, as demand has fallen.

    - The contribution of the United States in the period stands at Euros 1,462 million, down 5.8%. The decrease of Euros 90 million is due to the revaluation of the US Dollar which improves gross margin by Euros 41 million, whereas business performance falls by Euros 131 million. This decrease results from a drop in distributed volumes due to a soft winter and COVID-19, which has had a strong impact on gas and electricity demand and energy costs, which will start to be recovered at the end of 2020 and in upcoming years. The delay in rate/tariff reviews in New York coming into force has also had a negative impact.

    - Brazil's gross margin increased by Euros 724 million, decreasing by Euros 159 million. The devaluation of the Brazilian real represents a decrease of Euros 164 million in gross margin. Without said effect, the business improves by Euros 5 million. Gross margin is up by Euros 47 million due to greater income following rate/tariff reviews in April and August 2019 and in April 2020 and Euros 33 million due to a greater contribution from transmission assets. These improvements have been offset by a lower update of financial assets, due to the drop in the CPI index and the estimated effects of COVID-19 by Euros 46 million and Euros 29 million, respectively.

- Gross margin of the Liberalised business increases compared to 2019 by Euros 79 million, 3.4%, to stand at Euros 2,406 million.

    - In Spain, gross margin stands at 0.3%, Euros 1,485 million. The increase in Euros 5 million is due to the following: drop in demand and wholesale prices as a result, of a drop in commodity prices, resulting in a reduction of gross margin of Euros de 26 million; electricity and gas retail have improved by Euros 47 million, with lower units sold, but increasing in margin, and the other effects represent a decrease of Euros 16 million.

    - The United Kingdom contributes Euros 413 million to gross margin. The increase of Euros 73 million is mainly due the revision of the cap calculation methodology applied to regulated rates and lower procurements costs.

- Mexico contributes Euros 431 million to gross margin, down 5.1%. The revaluation of the US Dollar implies an improvement of Euros 12 million. Without this, the business would reduce its contribution by Euros 35 million, mainly due to the lack of availability of one of the Monterrey units, which reduced the margin by Euros 58 million (Euros 41 million will be recovered by the insurance company and is recognised in EBITDA); this is offset by other effects with a positive impact of Euros 23 million.

- Brazil contributes Euros 44 million to gross margin in the Liberalised business, improving by 29.4% compared to the same period in 2019. This results in an increase of Euros 10 million. The increase of gross margin due to the performance of the business represented a rise of Euros 20 million offset by Euros 10 million by the negative impact of the Brazilian Real exchange rate.

- The Liberalised business corresponding to Iberdrola Energía Internacional contributes Euros 33 million to gross margin.

- The Renewables business increases its contribution to gross margin by 4.7%, representing Euros 1,833 million. The main causes of this trend are:

  - In Spain it reaches Euros 568 million, down by 14.1% due to lower wind output and lower sale prices due to the drop in wholesale market prices.

  - In the United Kingdom it goes up 45.2% to Euros 469 million due to higher onshore wind output (12%) and offshore wind (273%), the latter due to the progressive commissioning of East Anglia 1.

  - The contribution of the Unites States is of Euros 474 million, up by 15.6% compared to the same period in 2019, resulting in an increase of Euros 64 million. The US Dollar appreciation implies Euros 13 million, whereas the business contributes an increase of Euros 51 million due to the increase in output (+21,2%), a result of the combined effect of the highest average operating output, the increase of wind capacity and a greater availability of wind farms in the first six-month period.

  - Mexico contributes Euros 53 million, Euros 5 million lower than in 2019 due to lower wind and photovoltaic output.

  - In Brazil it reaches Euros 70 million, down by Euros 24 million due to the negative impact of Euros 10 million due to the devaluation of currency and lower wind output.

  - Iberdrola Energía Internacional contributes Euros 199 million, down Euros 5 million compared to 2019. Output in the Wikinger offshore wind farm remains stable whereas it falls in Portugal and Hungary.

- The contribution of Other Businesses stands at Euros10 million, compared to Euros 29 million in the first six-month period of 2019, which mainly included, non-recurrent sales in Iberdrola Inmobiliaria.

1.3.2. Gross Operating profit – EBITDA

Gross Operating profit – EBITDA in the first six-month period of 2020 goes down by Euros 72 million (1.4%), standing at Euros 4,918 million (Euros 4,990 million in the first six-month period of 2019).

The contribution by business is as follows:

Millions of Euros	30.06.2020	30.06.2019	% Change
Spain	791	837	(5.5)
United Kingdom	495	478	3.6
United States	535	693	(22.8)
Brazil	497	586	(15.2)
Networks	**2,318**	**2,594**	**(10.6)**
Spain	813	754	7.8
United Kingdom	129	56	130.4
Mexico	385	361	6.6
Brazil	31	19	63.2
Iberdrola Energía Internacional	(6)	(7)	(14.3)
Liberalised	**1,352**	**1,183**	**14.3**
Spain	301	380	(20.8)
United Kingdom	378	244	54.9
United States	285	246	15.9
Mexico	36	40	(10.0)
Brazil	50	71	(29.6)
Iberdrola Energía Internacional	177	184	(3.8)
Renewable	**1,227**	**1,165**	**5.3**
Other business, Corporation and adjustments	**21**	**48**	**(56.2)**
Total	**4,918**	**4,990**	**(1.4)**

In addition to the described performance of gross margin above, net operating expenses went down by Euros 72 million (Euros 2,074 million compared to Euros 2,146 million in the same period in the prior before). Without taking into consideration the effects of the exchange rate, the decrease in net operating expenses would be Euros 32 million.

Taxes decrease by Euros 36 million, down 3.3%, to Euros 1,508 million compared to Euros 1,094 million in the same period in 2019. Without taking into consideration the effects of the exchange rate which increases the caption in Euros 11 million, the decrease would be Euros 47 million. This decrease is due to several reasons, being the main ones: reversal of provisions (Euros 81 million), lower tax on generation due to the drop in production (Euros 28 million), increase in taxes due to the commissioning of new wind farms in the United States (Euros 12 million), increase of the ENRESA rate following the nuclear agreement in Spain (Euros 7 million) and greater taxes in Spain due to the temporary suspension in the first six-month period of 2019 of the tax on generation at 7% (Euros 44 million), decreasing Taxes in Euros 1 million for other effects.

1.3.3. Net operating profit – EBIT

Net operating profit - EBIT amounted to Euros 2,675 million, rising 10.6% compared to the first six-month period of 2019 (Euros 2,991 million).

- Amortisation and provisions increased in the amount of Euros 179 million, up by 9.7% to stand at Euros 2,027 million. The effect of exchange rate reduces the heading in Euros 25 million, whereas it increases due to a rise in the Group's activity in an amount of Euros 138 million, the impact of IFRS 16 Leases in Euros 26 million, costs of obtaining a contract in Euros 26 million and other minor effects in the heading in Euros 14 million.

- Valuation adjustments for impairment of trade receivables and contract assets increase Euros 65 million, to Euros 216 million (+43%). The effect of exchange rate changes reduced provisions by Euros 12 million. Additionally, as a result of COVID-19, trade and other receivables valuation adjustments rise by Euros 71 million and other minor impacts result in an increase of Euros 6 million.

1.3.4. Financial result

Net finance cost amounted to Euros 400 million, increasing Euros 211 million (up 35%) compared to the first six-month period of 2019:

- Average net debt improves Euros 29 million due to lower costs down by 40 basis points (from 3.63% to 3.23%) due to low interest rates and improved refinancing conditions, despite the increase of approximately 2% in the weight of the different currencies compared to the Euro.

- Derivatives and others go up Euros 182 million mainly due to the effect of exchange rate hedges, offset by other headings of the income statement.

In summary:

Millions of Euros	30.06.2020	30.06.2019	Change
Average net debt	(607)	(636)	29
Per cost			*72*
Per average balance[(1)]			*(43)*
Other	207	25	182
Financial result	**(400)**	**(611)**	**211**

(1) Average balance rises from Euros 35,383 to 37,760 million.

In accordance with the policy of minimising the financial risks of the Company, foreign currency risk has continued to be mitigated through the financing of international businesses in local currencies (Pound Sterling , Brazilian Real, US Dollar, etc.) or in their functional currencies (US Dollar, in the case of Mexico). The interest rate risk is mitigated by increased fixed rate debt and future financing hedges.

1.3.5. Profit of equity-accounted investees

Profit of companies accounted for under the equity method amounts to Euros 10 million, whereas it stood at Euros 17 million in the same period in 2019.

1.3.6. Profit/(loss) from non-current assets

Profit from the sale of non-current assets was positive, amounting to Euros 505 million, compared to Euros 7 million in the same period in the previous year. This is explained by the sale of Iberdrola's interest in Siemens Gamesa resulting in Euros 485 million.

1.3.7. Profit before tax

Profit before tax stands at Euros 2,770 million, compared to Euros 2,404 million in the six-month period of 2019, up by Euros 366 million.

1.3.8. Taxes

Corporate income tax expense from continued operations increased by Euros 235 million to Euros 780 million.

The effective tax rate corresponding to the six-month period ended 30 June 2020 rises to 21.82%, compared to 22.69% in the six-month period ended 30 June 2019.

The main changes are the following:

- the effect derived from the increase in tax rate, from 17% to 19% applicable to the United Kingdom implies an increase of Euros 157 million.
- the impacts resulting from the devaluation of the US Dollar exchange rate compared to the Mexican Peso in certain differences between the tax value and the carrying amount of the assets and liabilities of the Group's Mexican subsidiary companies, whose functional currency is the US dollar and the currency used for tax purposes the Mexican Peso (an increase of Euros 93 million).
- other effects accounted for a decrease in taxes of Euros 15 million.

1.3.9. Net profit attributable to the parent

Lastly, net profit from the parent company comes to Euros 1,845 million, an increase of 12.2% compared to that obtained in the first six-month period of 2019 (Euros 1,644 million).

1.4. Main figures of the Consolidated statement of financial position

The Balance sheet of the IBERDROLA Group at 30 June 2020 presents total assets of Euros 121,957 million, highlighting the ongoing strength of its equity.

- **Investment in property, plant and equipment**

Total net investments in property, plant and equipment during the period January to June 2020 amounted to Euros 2,391 million as described in Note 8.

Investments for the period were focused on the Renewables and Networks businesses as follows:

30.06.2020	Millions of Euros	% / total invested
Liberalised	142	5.9
Renewables	1,366	57.1
Networks	852	35.6
Other business, Corporation and adjustments	31	1.4
Total	**2,391**	**100**

With regard to Renewable activities, the investments in the United States stand out (Euros 393 million), mainly due to the new wind farms of Otter Creek, La Joya, Tatanka Ridge and Roaring Brook, as well as in Spain (Euros 348 million) in photovoltaic and wind projects and the construction of the Tamega hydroelectrical complex, and in the United Kingdom (Euros 340 million), mainly due to the offshore wind farm project East Anglia One.

In the Networks business, the investments were made in the United States (Euros 545 million), Spain (Euros 156 million) and the United Kingdom (Euros 151 million).

Investment for the period by geographical areas was as follows:

30.06.2020	Millions of Euros	% s/Total invested
Spain	585	24.5
United Kingdom	519	21.7
United States	938	39.2
Mexico	134	5.6
Brazil	65	2.7
Iberdrola Energía Internacional	150	6.3
Total	**2,391**	**100.0**

- **Capital**

Following the scrip issue on 4 February 2020 as a result of the Iberdrola flexible retribution (*Iberdrola retribución flexible*), at 30 June 2020 the Company's share capital amounted to 6,453,592,000 bearer shares of Euros 0.75 of nominal value each (Note 11).

In line with the announced commitment to maintain stable the number of shares in 6,240 million, the shareholders at their General Meeting agreed to reduce share capital by redeeming 213,592,000 treasury shares representing 3.31% of the Company's share capital. The capital reduction was carried out on 2 July 2020.

- **Liquidity**

At 30 June 2020, the IBERDROLA Group has a strong liquidity position totalling Euros 14,626 million (Note 22), bearing in mind the financing transactions executed after 30 June 2020. Said liquidity arises mainly from syndicated lines with banks, undrawn loans with multilateral credit entities and development banks (BEI, ICO, BNDES), as well as cash and cash equivalents.

These liquidity transactions were executed in the main markets where the IBERDROLA Group is present (Europe, USA and Brazil), both in banking and capital markets. Liquidity covers the Group's needs in a scenario of risk for 23 months.

The IBERDROLA Group has a comfortable debt maturity profile with an average of more than six years.

2. MAIN RISKS AND UNCERTAINTIES OF THE FIRST SIX-MONTH PERIOD OF 2020

The activities of the IBERDROLA Group are subject to various risks, including (i) market risks such as exposure to price variations and other market variables, such as exchange rate, interest rate, commodity prices (electricity, gas, CO_2 emission allowances, other fuels, etc.), prices of financial assets and others; (ii) business risks such as uncertainty regarding the behaviour of the key variables intrinsic to the different activities of the Group, through its businesses, such as the characteristics of demand, meteorological conditions or the strategies of the different agents; (iii) regulatory risks stemming from regulatory changes established by the different regulators, such as changes in the remuneration of regulated activities or the required supply conditions, or in environmental or fiscal regulations.

No risks having a significant impact have been identified for aspects of regulatory risks known to date which, because they are not completely resolved or developed, can entail an element of uncertainty.

As stated in Note 4 to the consolidated financial statements, the Group's activities do not show a significant degree of seasonality on a semi-annual basis and the main sources of estimate are described in Note 5.

3. STOCK MARKET DATA. IBERDROLA SHARE

Stock market data

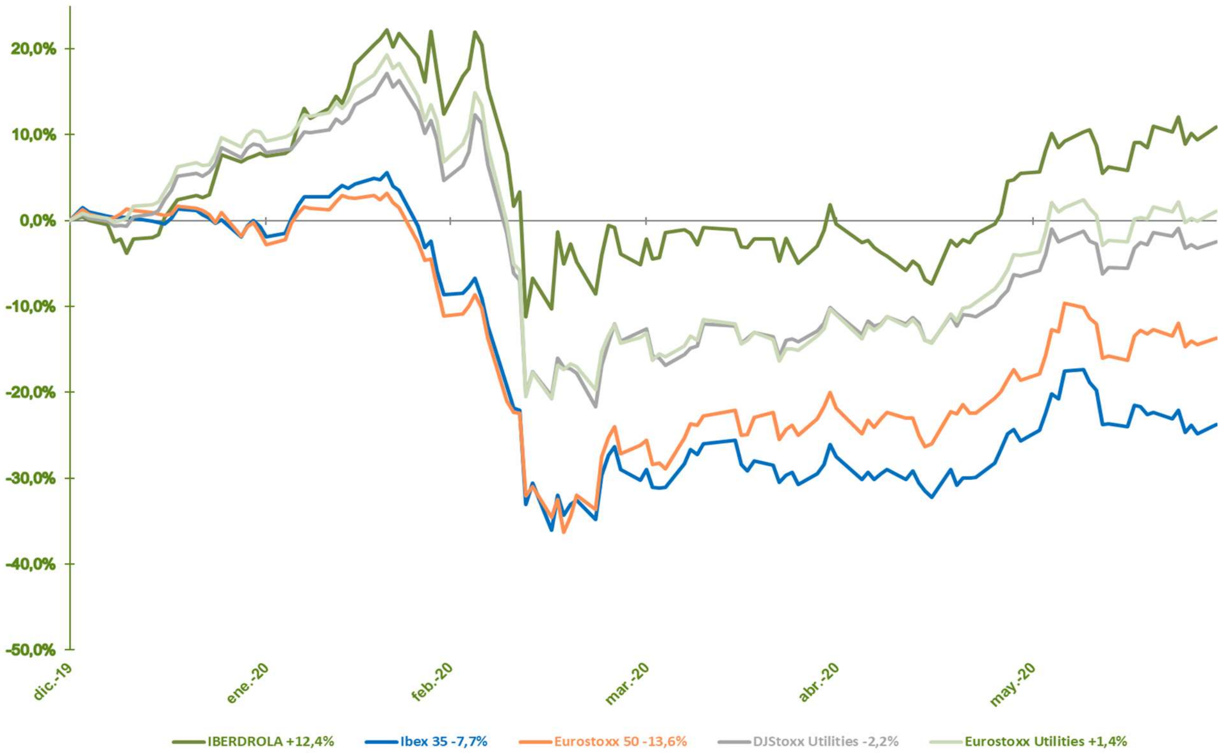
		30.06.2020	30.06.2019
Stock market capitalisation	Millions of Euros	66,601	54,700
Price / Carrying amount (Capitalisation / Equity of the parent at year end)	No. of times	1.8	1.5
Number of shares outstanding	number	6,453,592,000	6,240,000,000
Share price at period end	Euros	10.32	8.766
Average share price for the year	Euros	9.558	7.795
Average daily volume	number	21,277,739	17,391,006
Maximum volume (12/03/2020 - 05/06/2019)	number	65,237,950	51,959,976
Minimum volume (25/05/2020 - 24/12/2019)	number	7,186,373	7,041,882
Dividends paid (Euros):[(1)]:	Euros/share	0.405	0.356
- Gross interim dividend (05/02/2020-05/02/2019)	Euros/share	0.168	0.151
- Gross complementary dividend (01/08/2020 (expected) and 01/08/2019 (expected)	Euros/share	0.232	0.200
Attendance bonus	Euros/share	0.005	0.005
Dividend yield [(2)]	%	3.92%	4.06%

(1) Interim dividend according to the Iberdrola Flexible Retribution (Iberdrola *retribución flexible*).

(2) Interim dividend, complementary dividend and attendance bonus for attending the General Shareholders' Meeting/share price at period end.

IBERDROLA share:

Stock market performance of IBERDROLA compared to indexes:



4. ALTERNATIVE PERFORMANCE MEASURES

To complement the consolidated financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU), the IBERDROLA Group presents Alternative Performance Measures (APM). These measures, as well as financial measures, are used in accordance with IFRS-EU to set budgets and goals and to manage businesses, assess operating and financial performance thereof and compare such performance with previous periods and the performance of competitors. The presentation of such measures is considered to be useful for analysing and comparing the profitability of companies and sectors, since it eliminates the impact of the financial structure and accounting effects other than cash flows.

Moreover, non-financial measures and other similar measures which are generally used by investors, securities analysts and other agents as additional measures to performance are also presented.

The consolidated income statement of the IBERDROLA Group includes lines and subtotals relevant for the purposes of reporting its position and financial performance and includes subtotals such as "Gross margin", "Net operating expenses", "Gross operating profit /EBITDA", "Operating profit/EBIT", "Net finance income/cost" and "Gains/losses on non-current assets".

In general, these APMs are the ones used in the Directors' Report, so they are directly traceable to the consolidated income statement and do not require reconciliation.

Details of the definitions and calculations of the APM can be found on the corporate website (www.iberdrola.com) in the "Shareholders and Investors" section.

PREPARATION

YEAR 2020 - FIRST SIX-MONTH PERIOD

PREPARATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM DIRECTORS' REPORT OF IBERDROLA S.A. AND ITS SUBSIDIARY COMPANIES

Mr José Ignacio Sánchez Galán
Chairman & Chief Executive Officer

Mr Juan Manuel González Serna
Vice Chair and Lead director

Mr Iñigo Víctor de Oriol Ibarra
Director

Mrs Samantha Barber
Director

Mrs María Helena Antolín Raybaud
Director

Mrs Georgina Yamilet Kessel Martínez
Director

Mr José Walfredo Fernández
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director and Business CEO

Mr Anthony Luzzato Gardner
Director

Mrs Sara de la Rica Goiricelaya
Director

Mrs Nicola Mary Brewer
Director

Mrs Regina Helena Jorge Nunes
Director

IBERDROLA

FINANCIAL REPORT FOR THE FIRST HALF OF 2020
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 2020, issued by the Board of Directors at its meeting of July 21, 2020, 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.

Madrid, July 21, 2020

Mr. José Ignacio Sánchez Galán
Chairman & Chief Executive Officer

Mr. Juan Manuel González Serna
Vice Chair and Lead director

Mr. Íñigo Víctor de Oriol Ibarra
Director

Ms. Samantha Barber
Director

Ms. María Helena Antolín Raybaud
Director

Ms. Georgina Yamilet Kessel Martínez
Director

Mr. José Walfredo Fernández
Director

Mr. Manuel Moreu Munaiz
Director

Mr. Xabier Sagredo Ormaza
Director

Mr. Francisco Martínez Córcoles
Business CEO

Mr. Anthony Luzzato Gardner
Director

Ms. Sara de la Rica Goiricelaya
Director

Ms. Nicola Mary Brewer
Director

Ms. Regina Helena Jorge Nunes
Director

Certificate drafted by the secretary non-director of the Board of Directors to place on record that Ms. Georgina Yamilet Kessel Martínez, Mr. José Walfredo Fernández and Ms. Regina Helena Jorge Nunes do not sign this document because they attend the meeting through remote communication systems, with the directors Mr. Xabier Sagredo Ormaza, in the name of the first two of them, and Ms. María Helena Antolín Raybaud in the name of the latter, signing on their behalf following the express instructions issued for this purpose by Ms. Kessel Martínez, Mr. Fernández and Ms. Nunes.

Julián Martínez-Simancas Sánchez