



Iberdrola, S.A. and Subsidiaries Limited Review Report

(Together with the Condensed Consolidated Interim
Financial Statement and the directors' Report of Iberdrola,
S.A. and Subsidiaries for the six-month period ended 30
June 2022)

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



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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., commissioned by the Directors of the Company

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the “interim financial statements”) of Iberdrola, S.A. (the “Company”) and subsidiaries (together the “Group”), which comprise the statement of financial position at 30 June 2022, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the six-month period then ended, and notes to the interim financial statements, all condensed and consolidated. The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

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 2022 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.



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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 2021. 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 2022 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 2022. 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.

Other Matter

This report has been prepared at the request of the Directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October 2015 and enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

David España Martín

28 July 2022

IBERDROLA, S.A. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2022**

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2022

| Millions of euros | | | |
|--|-----------|---------------------------|-----------------------------|
| ASSETS | Note | 30.06.2022 (unaudited) | 31.12.2021 (*) (audited) |
| Intangible assets | | 20,657 | 19,909 |
| Goodwill | | 8,380 | 8,312 |
| Other intangible assets | | 12,277 | 11,597 |
| Investment property | | 309 | 310 |
| Property, plant and equipment | 8 | 84,516 | 79,981 |
| Property, plant and equipment in use | | 72,688 | 70,919 |
| Property, plant and equipment under construction | | 11,828 | 9,062 |
| Right-of-use assets | | 2,381 | 2,260 |
| Non-current investments | | 10,253 | 6,499 |
| Equity-accounted investees | 7 | 1,138 | 1,058 |
| Non-current equity investments | 9 | 26 | 25 |
| Other non-current financial assets | 9 | 5,981 | 3,995 |
| Derivative financial instruments | 9 | 3,108 | 1,421 |
| Non-current trade and other receivables | | 4,819 | 3,764 |
| Current tax assets | 17 | 729 | 729 |
| Deferred tax assets | | 6,160 | 5,917 |
| NON-CURRENT ASSETS | | 129,824 | 119,369 |
| Assets held for sale | | 154 | 124 |
| Nuclear fuel | | 250 | 267 |
| Inventories | | 2,796 | 2,639 |
| Current trade and other receivables | | 12,354 | 10,956 |
| Current tax assets | | 618 | 367 |
| Other tax receivables | | 1,355 | 2,406 |
| Current trade and other receivables | | 10,381 | 8,183 |
| Current financial investments | 9 | 7,385 | 4,364 |
| Other current financial investments | | 2,506 | 1,533 |
| Derivative financial instruments | | 4,879 | 2,831 |
| Cash and cash equivalents | 10 | 4,025 | 4,033 |
| CURRENT ASSETS | | 26,964 | 22,383 |
| TOTAL ASSETS | | 156,788 | 141,752 |

(*) The Consolidated statement of financial position at 31 December 2021 is presented for comparative purposes only.

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2022

| Millions of euros | | | |
|--|-------|---------------------------|-----------------------------|
| EQUITY AND LIABILITIES | Note | 30.06.2022 (unaudited) | 31.12.2021 (*) (audited) |
| Parent | | 44,034 | 40,479 |
| Subscribed capital | 11 | 4,828 | 4,775 |
| Valuation adjustments | 11 | 1,510 | 547 |
| Other reserves | | 39,623 | 35,911 |
| Treasury shares | 11 | (2,434) | (1,860) |
| Translation differences | | (1,568) | (2,779) |
| Net profit for the year | | 2,075 | 3,885 |
| Non-controlling interests | | 16,505 | 15,647 |
| EQUITY | | 60,539 | 56,126 |
| Capital grants | | 1,281 | 1,261 |
| Facilities transferred or financed by third parties | | 5,550 | 5,424 |
| Non-current provisions | | 5,056 | 5,330 |
| Provision for pensions and similar obligations | 14 | 1,078 | 1,592 |
| Other provisions | | 3,978 | 3,738 |
| Non-current financial liabilities | | 41,870 | 37,175 |
| Bank borrowings, debentures or other marketable securities | 9, 15 | 33,139 | 31,179 |
| Equity instruments having the substance of a financial liability | 9 | 631 | 525 |
| Derivative financial instruments | 9 | 3,666 | 1,673 |
| Leases | | 2,355 | 2,253 |
| Other non-current financial liabilities | | 2,079 | 1,545 |
| Other non-current liabilities | | 480 | 418 |
| Current tax liabilities | | 315 | 300 |
| Deferred tax liabilities | | 12,500 | 11,364 |
| TOTAL NON-CURRENT LIABILITIES | | 67,052 | 61,272 |
| Current provisions | | 949 | 789 |
| Provision for pensions and similar obligations | 15 | 29 | 27 |
| Other provisions | | 920 | 762 |
| Current financial liabilities | | 24,907 | 21,297 |
| Bank borrowings, debentures or other marketable securities | 9, 15 | 10,445 | 9,984 |
| Equity instruments having the substance of a financial liability | 9 | 92 | 100 |
| Derivative financial instruments | 9 | 3,959 | 2,111 |
| Leases | | 186 | 158 |
| Trade payables | | 6,125 | 5,964 |
| Other current financial liabilities | | 4,100 | 2,980 |
| Other current liabilities | | 3,341 | 2,268 |
| Current tax liabilities | | 730 | 227 |
| Other tax payables | | 1,891 | 1,205 |
| Other current liabilities | | 720 | 836 |
| TOTAL CURRENT LIABILITIES | | 29,197 | 24,354 |
| TOTAL EQUITY AND LIABILITIES | | 156,788 | 141,752 |

(*) The Consolidated statement of financial position at 31 December 2021 is presented for comparative purposes only.

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated income statement for the six-month period ended 30 June 2022

| Millions of euros | | | |
|---|---------|---------------------------|-------------------------------|
| | Note | 30.06.2022 (unaudited) | 30.06.2021 (*) (unaudited) |
| Revenue | 7, 16.1 | 24,430 | 18,752 |
| Supplies | | (14,561) | (10,246) |
| GROSS INCOME | | 9,869 | 8,506 |
| Personnel expenses | | (1,588) | (1,449) |
| Capitalised personnel expenses | | 376 | 340 |
| External services | | (1,663) | (1,412) |
| Other operating income | | 383 | 401 |
| Net operating expenses | | (2,492) | (2,120) |
| Taxes | 16.2 | (933) | (942) |
| GROSS OPERATING PROFIT (EBITDA) | | 6,444 | 5,444 |
| Valuation adjustments, trade payables and contract assets | 7 | (231) | (171) |
| Amortisation, depreciation and provisions | 7 | (2,291) | (2,031) |
| OPERATING PROFIT (EBIT) | | 3,922 | 3,242 |
| Result of equity-accounted investees | 6, 7 | 225 | 5 |
| Finance income | | 607 | 576 |
| Finance expense | | (1,523) | (1,049) |
| Net finance expense | | (916) | (473) |
| PROFIT BEFORE TAX | | 3,231 | 2,774 |
| Income tax | 17 | (700) | (1,014) |
| NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | 2,531 | 1,760 |
| PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAX) | | (64) | (6) |
| Non-controlling interests | | (392) | (223) |
| NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT | | 2,075 | 1,531 |
| EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS: | | | |
| BASIC EARNINGS PER SHARE IN EUROS | | 0.326 | 0.226 |
| DILUTED EARNINGS PER SHARE IN EUROS | | 0.325 | 0.225 |
| EARNINGS PER SHARE IN EUROS FROM DISCONTINUED | | | |
| BASIC LOSS PER SHARE IN EUROS | | (0.010) | (0.001) |
| DILUTED LOSS PER SHARE IN EUROS | | (0.010) | (0.001) |

(*) The Consolidated income statement for the six-month period ended 30 June 2021 is presented for comparison purposes only.

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of comprehensive income for the six-month period ended 30 June 2022

| Millions of euros | 30.06.2022 | | | 30.06.2021(*) | | |
|---|--------------|---------------------------|--------------|---------------|---------------------------|--------------|
| | (unaudited) | | | (unaudited) | | |
| | Parent | Non-controlling interests | Total | Parent | Non-controlling interests | Total |
| NET PROFIT FOR THE PERIOD | 2,075 | 392 | 2,467 | 1,531 | 223 | 1,754 |
| OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS | | | | | | |
| In valuation adjustments (Note 11) | 951 | (6) | 945 | 205 | (52) | 153 |
| Change in value of cash flow hedges | 1,237 | (13) | 1,224 | 282 | (76) | 206 |
| Tax effect | (286) | 7 | (279) | (77) | 24 | (53) |
| In translation differences | 1,211 | 712 | 1,923 | 783 | 110 | 893 |
| TOTAL | 2,162 | 706 | 2,868 | 988 | 58 | 1,046 |
| OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS | | | | | | |
| In Other reserves | 427 | 20 | 447 | 24 | — | 24 |
| Actuarial deviations for pensions (Note 14) | 570 | 25 | 595 | — | — | — |
| Tax effect | (143) | (5) | (148) | 24 | — | 24 |
| TOTAL | 427 | 20 | 447 | 24 | — | 24 |
| OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEEs (NET OF TAXES) | | | | | | |
| In valuation adjustments | 12 | — | 12 | — | — | — |
| TOTAL | 12 | — | 12 | — | — | — |
| TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY | 2,601 | 726 | 3,327 | 1,012 | 58 | 1,070 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,676 | 1,118 | 5,794 | 2,543 | 281 | 2,824 |

(*) The Consolidated statement of comprehensive income for the six-month period ended 30 June 2021 is presented for comparison purposes only.

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of changes in equity for the six-month period ended 30 June 2022

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

| Re-stated (Note 2.b) | | | Other reserves | | | | | | | | Total |
|--|--------------------|-----------------|----------------|---------------|---------------------------|-------------------|-----------------------|-------------------------|-------------------------|---------------------------|---------------|
| Millions of euros | Subscribed capital | Treasury shares | Legal reserve | Share premium | Other restricted reserves | Retained earnings | Valuation adjustments | Translation differences | Net profit for the year | Non-controlling interests | |
| Balance at 01.01.2021 | 4,762 | (1,985) | 969 | 14,361 | 1,052 | 18,038 | (242) | (5,154) | 3,611 | 11,806 | 47,218 |
| Change of accounting criteria | — | — | — | — | — | (97) | — | — | — | (4) | (101) |
| Adjusted balance at 01.01.2021 | 4,762 | (1,985) | 969 | 14,361 | 1,052 | 17,941 | (242) | (5,154) | 3,611 | 11,802 | 47,117 |
| Comprehensive income for the period | — | — | — | — | — | 24 | 205 | 783 | 1,531 | 281 | 2,824 |
| Transactions with shareholders or owners | | | | | | | | | | | |
| Scrip issue | 51 | — | — | (51) | — | — | — | — | — | — | — |
| Distribution of dividends | — | — | — | — | — | 3,345 | — | — | (3,611) | (80) | (346) |
| Transactions with treasury shares | — | (851) | — | — | — | 8 | — | — | — | — | (843) |
| Transactions with non-controlling interests | — | — | — | — | — | — | — | — | — | 615 | 615 |
| Other changes in equity | | | | | | | | | | | |
| Issuance of perpetual subordinated bonds | — | — | — | — | — | (7) | — | — | — | 2,000 | 1,993 |
| Interest accrued on perpetual subordinated bonds | — | — | — | — | — | (75) | — | — | — | — | (75) |
| Equity instruments-based payments | — | — | — | — | — | (25) | — | — | — | 1 | (24) |
| Other changes | — | — | — | — | — | (106) | — | — | — | 3 | (103) |
| Balance at 30.06.2021 | 4,813 | (2,836) | 969 | 14,310 | 1,052 | 21,105 | (37) | (4,371) | 1,531 | 14,622 | 51,158 |

(*) The Consolidated statement of changes in equity for the six-month period ended 30 June 2021 is presented for comparison purposes only.

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of cash flows for the six-month period ended 30 June 2022

| Millions of euros | Note | 30.06.2022 (unaudited) | 30.06.2021 (*) (unaudited) |
|---|------|---------------------------|-------------------------------|
| Profit before tax from continuing operations | | 3,231 | 2,774 |
| Profit before tax from discontinued operations | | (85) | (7) |
| Adjustments for | | | |
| Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions | | 2,691 | 2,337 |
| Net profit/loss from investments in associates and joint ventures | 6, 7 | (225) | (5) |
| Capital grants | | (149) | (142) |
| Finance income and finance costs | | 916 | 473 |
| Changes in working capital | | | |
| Change in trade receivables and other | | (1,305) | (924) |
| Change in inventories | | 37 | 136 |
| Change in trade payables and other liabilities | | 654 | 237 |
| Provisions paid | | (195) | (199) |
| Income taxes | | (186) | (228) |
| Dividends received | | 21 | 10 |
| Net cash flows from operating activities | | 5,405 | 4,462 |
| Acquisition of subsidiaries | | — | (536) |
| Change in cash flow due to modification of the consolidation scope | | — | 19 |
| Acquisition of intangible assets | | (224) | (248) |
| Acquisitions of equity-accounted investees | | (116) | (79) |
| Acquisition of investment property | | (1) | — |
| Acquisition of property, plant and equipment | | (3,416) | (3,398) |
| Capitalised interest paid | | (71) | (75) |
| Capitalised personnel expenses paid | | (376) | (327) |
| Capital grants | | — | 1 |
| Payments for other investment flows | | (604) | (433) |
| Net proceeds/(payments) for other current financial assets and liabilities | | 493 | (171) |
| Interest received | | 64 | 13 |
| Proceeds from disposal of non-financial assets | | 7 | (8) |
| Proceeds from disposal of financial assets | | 11 | — |
| Net cash flows used in investing activities | | (4,233) | (5,242) |
| Dividends paid | | (385) | (266) |
| Dividends paid to non-controlling interests | | (187) | (80) |
| Perpetual subordinated bonds | | | |
| Instruments issued | | — | 1,993 |
| Interest paid | | (157) | (87) |
| Bank borrowings, debentures or other marketable securities | | | |
| Issues and disposals | 14 | 6,785 | 6,676 |
| Redemption | | (5,630) | (6,401) |
| Interest paid excluding capitalised interest | | (532) | (353) |
| Financial liabilities from leases | | | |
| Payment of principal | | (95) | (80) |
| Interest paid excluding capitalised interest | | (27) | (26) |
| Equity instruments having the substance of a financial liability | | | |
| Instruments issued | | 120 | 8 |
| Redemption | | (80) | (59) |
| Proceeds for transactions with non-controlling interests | | — | 615 |
| Payments for transactions with non-controlling interests | | (20) | — |

| Millions of euros | Note | 30.06.2022 (unaudited) | 30.06.2021 (*) (unaudited) |
|--|------|---------------------------|-------------------------------|
| Acquisition of treasury shares | | (1,260) | (1,192) |
| Proceeds from disposal of treasury shares | | 87 | 63 |
| Net cash flows from/(used in) financing activities | | (1,381) | 811 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 201 | (41) |
| Net increase/(decrease) in cash and cash equivalents | | (8) | (10) |
| Cash and cash equivalents at the beginning of year | | 4,033 | 3,427 |
| Cash and cash equivalents at end of period | | 4,025 | 3,417 |

(*) The Consolidated statement of cash flows for the six-month period ended 30 June 2021 is presented for comparison purposes only.

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

IBERDROLA, S.A. AND SUBSIDIARIES

Notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2022

1. GROUP ACTIVITIES

Iberdrola, S.A. (hereinafter, IBERDROLA), a company incorporated in Spain and with registered address at Plaza Euskadi 5, in Bilbao, is the parent of a group of companies whose main activities are:

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

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

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

a) Accounting standards applied

The Board of Directors of IBERDROLA authorised the issuance of these condensed consolidated interim financial statements for the six-month period ended 30 June 2022 (the “consolidated financial statements”) on 26 July 2022.

These financial statements have been prepared in accordance with IAS 34 – Interim financial information, and also include other information not required in that standard, as set forth under Article 12 of Royal Decree 1362/2007. However, they do not include all the information and disclosures required in the consolidated financial statements by the International Financial Reporting Standards adopted in the European Union (hereinafter, IFRS-EU). To ensure they are properly interpreted, therefore, these financial statements should be read alongside the consolidated financial statements of the IBERDROLA Group for the year ended 31 December 2021.

The accounting policies used to prepare these financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2021, except for the application, effective 1 January 2022, of the following amendments adopted by the European Union for application in Europe:

– **Amendments to IAS 37: Onerous contracts — Costs of fulfilling a contract**

The amendments to IAS 37 specify the costs to be considered when determining the costs of fulfilling a contract in order to assess whether or not the contract is onerous. In particular, fulfilment costs include both incremental costs and other costs directly related to the contract.

Until 1 January 2022, the IBERDROLA Group only considered incremental costs as contract fulfilment costs. As a result of these amendments, the IBERDROLA Group has revised its provisions for onerous contracts, mainly in relation to agreements for the sale of electricity and gas.

These amendments apply to contracts under which not all of the obligations had been fulfilled as at 1 January 2022 (date of initial application). The amendments generated a net tax effect of EUR 69 million under “Other reserves” in the consolidated statement of financial position as at 1 January 2022.

– **Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use**

Under the amendments, proceeds earned before an asset of property, plant and equipment is available for its intended use must be recognised in profit or loss, and it is prohibited to deduct such revenue from the cost of the asset. The amendments have retroactive effect for facilities that were commissioned on or after 1 January 2021 and have had no significant impact at the date of first adoption.

b) Comparative information

In 2021, the IBERDROLA Group changed its accounting criteria for recognising deviations in market price, as per the methodology set out in Royal Decree 413/2014 of 6 June, on electricity production from renewable energy sources, cogeneration and waste, when the actual market prices pertaining to the different half-periods of the regulatory useful life of the asset are lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory half-period that were used to determine the incentives to be received for the investments under the scope of the aforementioned regulations.

The change responds to the publication by the National Securities Market Commission (CNMV), on 22 October 2021, of the “Criteria for accounting for the ‘value of adjustments due to deviations in market price’, in accordance with Section 22 of Royal Decree 413/2014”.

The IBERDROLA Group has adopted the criteria published by the CNMV with retroactive effect back to 1 January 2021.

Furthermore, the IBERDROLA Group has chosen not to adjust the consolidated income statement at 30 June 2021, as presented in the interim financial statements at that date, and to include that impact in the consolidated income statement due to the change in criteria under the heading “Other reserves” of the consolidated statement of financial position at 30 June 2021.

The effect on the consolidated income statement at 30 June 2021, had it been amended, would be as follows:

| Millions of euros | Debit/(credit) |
|-------------------|----------------|
| Revenue | (10) |
| Income tax | 2 |

3. SEASONAL VARIATIONS

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

4. SOURCES OF UNCERTAINTY AND USE OF ACCOUNTING ESTIMATES

The IBERDROLA Group relied on certain assumptions and estimates in drawing up these financial statements. The criteria used to calculate the estimates contained in these financial statements are the same as those used to draw up the IBERDROLA Group's 2021 consolidated financial statements, except for the effect of applying the amendments to IAS 37 mentioned in Note 2.a.

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

In addition to the various sources of uncertainty that already existed at year end 2021, the effects of the Ukraine-Russia conflict – the impact of which is described in Note 5 below – should also be taken into account.

5. EFFECT OF THE RUSSIA-UKRAINE CONFLICT

As regards Russia's invasion of Ukraine, it should be noted that the Group has no exposure to Russian gas. In Mexico, gas is supplied from Mexico and the United States, while in Europe IBERDROLA sources its gas needs from gas hubs to meet its final demand in each country within the region. It does not, therefore, import gas from any country and, more precisely, it does not import gas from Russia to cover its needs.

While the Group has no direct exposure to Russian gas or Russian counterparties, there can be no assurance that the Group will not be indirectly affected by the crisis, through the effect of sanctions on EU economies, higher interest rates, increased volatility of exchange rates and commodity prices, possible supply chain disruptions, rising inflation, and the threat of Russian cyber-attacks.

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

Avangrid, Inc. announced in September 2021 that its indirect wholly-owned subsidiary Avangrid Renewables, LLC (Avangrid Renewables) entered into an agreement with CI-II Park Holding LLC, CI III Park Holding LLC and CI IV Master DEVCO LLC, all subsidiaries of Copenhagen Infrastructure Partners, and Vineyard Wind LLC, to reorganise the assets of Vineyard Wind LLC, the joint venture 50% owned by Avangrid Group and 50% owned by Copenhagen Infrastructure Partners for the development of certain offshore wind projects on the east coast of the United States of America. According to the signed agreement:

- i. Vineyard Wind 1, the 800 megawatt project to be built off the coast of Martha's Vineyard, Massachusetts, will continue to be owned 50/50 by each of the two partners;
- ii. Avangrid Renewables will acquire 100% ownership of the rights to the OCSA 0534 lease area, comprising the 804-megawatt Park City Wind project, which will supply clean energy to Connecticut, and Commonwealth Wind, which bid for up to 1,200 megawatts in Massachusetts' third competitive offshore wind auction on 16 September 2021; and
- iii. Copenhagen Infrastructure Partners will acquire 100% ownership of the rights to the OCS-A 0522 lease area, which has the potential for the development of approximately 2,500 megawatts of clean energy supply projects in New England and New York.

The transaction resulted in a credit of EUR 212 million to "Result of equity-accounted investees" in the consolidated income statement for the six months ended 30 June 2022.

7. SEGMENT INFORMATION

The IBERDROLA Group combines its segments based on 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:

- Networks 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: includes the electricity generation and supply businesses that the Group operates in Spain, the United Kingdom, Mexico, Brazil and the rest of the countries within the Iberdrola Energía Internacional (IEI) subholding.
- Renewables business: activities related to renewable energies (principally wind, solar and hydroelectric) in Spain, the United Kingdom, the United States, Brazil and the countries within the Iberdrola Energía Internacional (IEI) subholding.
- Other businesses: other non-energy businesses.

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

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

The key figures of the operating segments identified are shown below. For the sake of comparison, the balances for the consolidated income statement are shown at 30 June 2021, while the balances for the consolidated statement of financial position are shown at 31 December 2021.

Business segment reporting for the six-month period ended 30 June 2022

| Millions of euros | Liberalised | Renewable energy | Networks | Other business, Corporation and adjustments | Total |
|---|---------------|------------------|--------------|---|----------------|
| REVENUE (NOTE 16.1) | 14,965 | 2,867 | 9,005 | (2,407) | 24,430 |
| External revenues | 14,618 | 940 | 8,850 | 22 | 24,430 |
| Intersegment sales | 392 | 1,927 | 155 | 2 | 2,476 |
| Eliminations | (45) | — | — | (2,431) | (2,476) |
| RESULTS | | | | | |
| Segment operating profit - EBIT | 694 | 1,051 | 2,228 | (51) | 3,922 |
| Result of equity-accounted investees - net of taxes | (7) | 239 | 6 | (13) | 225 |
| ASSETS | | | | | |
| Segment assets | 22,561 | 44,418 | 63,490 | 4,502 | 134,971 |
| Equity-accounted investees | 16 | 862 | 176 | 84 | 1,138 |
| LIABILITIES | | | | | |
| Segment liabilities | 8,419 | 9,541 | 21,649 | 2,167 | 41,776 |
| OTHER INFORMATION | | | | | |
| Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾ | 466 | 2,093 | 1,253 | 71 | 3,883 |
| Valuation adjustments, trade receivables and other assets | 113 | — | 118 | — | 231 |
| (Expense)/ income | | | | | |
| Expenses for amortisation and provisions over the period | 462 | 734 | 1,030 | 65 | 2,291 |
| Expenses for the period other than depreciation and amortisation not resulting in cash outflows | 20 | 19 | (6) | 31 | 64 |

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

Business segment reporting for the six-month period ended 30 June 2021

| Millions of euros | Liberalised | Renewable energy | Networks | Other business, Corporation and adjustments | Total |
|---|---------------|------------------|--------------|---|---------------|
| REVENUE (NOTE 16.1) | 10,808 | 2,634 | 6,846 | (1,536) | 18,752 |
| External revenues | 10,648 | 1,275 | 6,702 | 127 | 18,752 |
| Intersegment sales | 433 | 1,359 | 144 | 2 | 1,938 |
| Eliminations | (273) | — | — | (1,665) | (1,938) |
| RESULTS | | | | | |
| Segment operating profit - EBIT | 314 | 1,318 | 1,612 | (2) | 3,242 |
| Result of equity-accounted investees - net of taxes | 1 | (4) | 8 | — | 5 |
| ASSETS | | | | | |
| Segment assets | 19,214 | 39,143 | 55,508 | 5,049 | 118,914 |
| Equity-accounted investees | 24 | 1,036 | 151 | 37 | 1,248 |
| LIABILITIES | | | | | |
| Segment liabilities | 6,283 | 8,358 | 18,945 | 2,261 | 35,847 |
| OTHER INFORMATION | | | | | |
| Total cost incurred during the period in the acquisition of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾ | 413 | 2,117 | 1,400 | 61 | 3,991 |
| Valuation adjustments, trade receivables and other assets | | | | | |
| (Expense)/ income | 92 | 13 | 66 | — | 171 |
| Expenses for amortisation and provisions over the period | 403 | 674 | 890 | 64 | 2,031 |
| Expenses for the period other than depreciation and amortisation not resulting in cash outflows | 20 | 15 | 68 | 32 | 135 |

⁽¹⁾ Includes the amount related to interest and personnel expenses capitalised during 2021.

Segment information at 31 December 2021

| Millions of euros | Liberalised | Renewable energy | Networks | Other business, Corporation and adjustments | Total |
|----------------------------|-------------|------------------|----------|---|---------|
| ASSETS | | | | | |
| Segment assets | 21,324 | 42,150 | 59,328 | 3,930 | 126,732 |
| Equity-accounted investees | 17 | 784 | 162 | 95 | 1,058 |
| LIABILITIES | | | | | |
| Segment liabilities | 7,416 | 9,110 | 19,615 | 1,502 | 37,643 |

The following table presents a grouping by country, distinguishing between the activities of Networks and Energy production and Customers, which groups together the production and sale of energy from both renewable and conventional sources. Given the current situation of the energy markets and actual operations between the electricity production businesses and the end customer, this grouping more reliably reflects the trend and performance of the activities in each country.

| Millions of euros | 30.06.2022 | | | 30.06.2021 | | |
|---|---------------|------------------|---|---------------|------------------|---|
| | Revenue | Operating income | Result of equity-accounted investees – net of taxes | Revenue | Operating income | Result of equity-accounted investees – net of taxes |
| Iberdrola España (*) | 10,141 | 1,067 | 22 | 7,125 | 1,430 | 4 |
| Networks | 795 | 317 | 1 | 1,004 | 550 | 1 |
| Energy production and Customers | 9,404 | 930 | 21 | 6,180 | 879 | 3 |
| Other business, Corporation and adjustments | (58) | (180) | — | (59) | 1 | — |
| United Kingdom | 3,974 | 573 | — | 3,159 | 564 | — |
| Networks | 787 | 353 | — | 711 | 324 | — |
| Energy production and Customers | 3,291 | 213 | — | 2,537 | 238 | — |
| Other business, Corporation and adjustments | (104) | 7 | — | (89) | 2 | — |
| United States | 3,869 | 801 | 228 | 2,774 | 361 | 1 |
| Networks | 3,365 | 764 | 5 | 2,125 | 250 | 6 |
| Energy production and Customers | 504 | 44 | 223 | 649 | 113 | (5) |
| Other business, Corporation and adjustments | — | (7) | — | — | (2) | — |
| Brazil | 4,184 | 903 | — | 3,098 | 536 | (1) |
| Networks | 4,058 | 794 | — | 3,006 | 488 | — |
| Energy production and Customers | 320 | 129 | — | 224 | 65 | (1) |
| Other business, Corporation and adjustments | (194) | (20) | — | (132) | (17) | — |
| Mexico | 1,986 | 311 | — | 2,243 | 241 | — |
| Energy production and Customers | 1,986 | 309 | — | 2,243 | 240 | — |
| Other business, Corporation and adjustments | — | 2 | — | — | 1 | — |
| Iberdrola Energía Internacional | 399 | 137 | (12) | 262 | 91 | — |
| Energy production and Customers | 399 | 119 | (12) | 262 | 92 | — |
| Other business, Corporation and adjustments | — | 18 | — | — | (1) | — |
| Other | (123) | 130 | (13) | 91 | 19 | 1 |
| TOTAL | 24,430 | 3,922 | 225 | 18,752 | 3,242 | 5 |

(*) In 2022, the IBERDROLA Group sold Iberdrola Clientes Internacional to Iberdrola España, which therefore includes in its accounts the figures for Iberdrola Clientes Internacional. The comparative information has been re-stated.

In addition, non-current assets are broken down below according to their geographical location, excluding non-current investments, deferred tax assets and non-current trade and other receivables.

| Millions of euros | 30.06.2022 | 31.12.2021 |
|-----------------------------|----------------|----------------|
| Iberdrola España (*) | 24,752 | 24,826 |
| United Kingdom | 26,270 | 26,403 |
| United States | 38,834 | 35,699 |
| Mexico | 6,025 | 5,679 |
| Brazil | 5,486 | 4,332 |
| IEI | 5,614 | 5,010 |
| Corporation and adjustments | 882 | 511 |
| Total | 107,863 | 102,460 |

(*) In 2022, the IBERDROLA Group sold Iberdrola Clientes Internacional to Iberdrola España, which therefore includes in its accounts the figures for Iberdrola Clientes Internacional. The comparative information has been re-stated.

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

| Millions of euros | 30.06.2022 | 31.12.2021 |
|---------------------------|----------------|----------------|
| Segment assets | 134,971 | 126,732 |
| Non-current investments | 10,253 | 6,499 |
| Current financial assets | 7,385 | 4,364 |
| Cash and cash equivalents | 4,025 | 4,033 |
| Assets held for sale | 154 | 124 |
| Total Assets | 156,788 | 141,752 |

| Millions of euros | 30.06.2022 | 31.12.2021 |
|--|----------------|----------------|
| Segment liabilities | 41,776 | 37,643 |
| Equity | 60,539 | 56,126 |
| Non-current financial liabilities | 39,791 | 35,630 |
| Bank borrowings, debentures or other marketable securities | 33,139 | 31,179 |
| Equity instruments having the substance of a financial liability | 631 | 525 |
| Derivative financial instruments | 3,666 | 1,673 |
| Leases | 2,355 | 2,253 |
| Current financial liabilities | 14,682 | 12,353 |
| Bank borrowings, debentures or other marketable securities | 10,445 | 9,984 |
| Equity instruments having the substance of a financial liability | 92 | 100 |
| Derivative financial instruments | 3,959 | 2,111 |
| Leases | 186 | 158 |
| Total Liabilities and Equity | 156,788 | 141,752 |

8. PROPERTY, PLANT AND EQUIPMENT

The following table displays the total cost incurred in the acquisition of property, plant and equipment, as well as the depreciation and impairment charge made in the six-month periods ended 30 June 2022 and 2021, broken down for each of the IBERDROLA Group's operating segments:

| Millions of euros | 30.06.2022 | | 30.06.2021 | |
|---|---|---|---|---|
| | Cost incurred in property, plant and equipment ⁽¹⁾ | Charge for depreciation and impairment allowances | Cost incurred in property, plant and equipment ⁽¹⁾ | Charge for depreciation and impairment allowances |
| Liberalised business | 299 | 261 | 223 | 251 |
| Renewables business | 1,976 | 673 | 1,967 | 610 |
| Networks business | 1,181 | 708 | 1,354 | 637 |
| Other business, Corporation and adjustments | 11 | 23 | 16 | 17 |
| Total | 3,467 | 1,665 | 3,560 | 1,515 |

⁽¹⁾ Includes the amount relating to interest and personnel expenses capitalised during the six-month periods ended 30 June 2022 and 2021, respectively.

Investment commitments at 30 June 2022 and 2021 amount to EUR 6,697 and 4,691 million, respectively.

During the six-month periods ended 30 June 2022 and 2021, the IBERDROLA Group did not carry out any disposals of property, plant and equipment for a significant amount in relation to these financial statements.

Supplementary information on foreclosed assets

- Construction of the New England Clean Energy Connect (NECEC) project began in January 2021, having previously obtained the necessary permits from the public authorities, but was halted in November 2021 pending a court decision determining the lawfulness of a citizens' initiative which, among other matters, required House approval for certain transmission lines when they cross or use public land. There were no significant developments in the ongoing legal proceedings during the year. The cumulative investment to date is approximately USD 580 million.
- On 31 January 2022, the interconnection contract to operate the Monterrey (Mexico) plant on a self-supply basis came to an end and the corresponding permit to operate on a market basis was requested. At the date of authorisation for issue of these financial statements, the permit had yet to be granted. The company holds the same view of the situation as it did at year end 2021, i.e. that it expects there to be a delay in obtaining the permit, but not an outright denial. If rejected, this circumstance would certainly affect the viability of the plant and legal action would be pursued were that to happen. The asset's net carrying amount is USD 217 million (approximately EUR 192 million).

- The Judicial Review Chamber of the High Court of Justice of Extremadura has partially upheld the appeal filed by one of the three owners of the land on which the Usagre Nuñez de Balboa (Badajoz) photovoltaic plant is located, against the expropriation resolution passed by the Provincial Board of Compulsory Purchases of Badajoz. The judgment finds that the request for compulsory purchase lacked cause or justification and recognises the right to reinstatement of the affected land. IBERDROLA has since appealed this ruling. At the date of authorisation for issue of these financial statements the appeal has yet to been admitted for processing. The cumulative investment to date is approximately EUR 282 million.

- In Mexico, the Santiago Eólico wind farm, in operation since January 2021, has received from the Energy Regulatory Commission (CRE) resolution RES/541/2022 dated 30 May 2022, initiating an administrative procedure for the expiry of the permit. It had previously denied, by resolution RES/240/2022 dated 29 March 2022, the request to modify the permit made on 19 May 2019. Subsequently, on 9 June 2022, by means of an official letter, the CRE served notice that commercial operation could not go ahead. Both the refusal to amend the permit and the official notice concerning the commercial operation are currently under judgement. The cumulative investment to date is approximately USD 200 million.

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

9. DISCLOSURES RELATING TO FINANCIAL ASSETS AND LIABILITIES

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

| Non-current financial assets | | | | | | | | |
|--|--------------------|------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| Millions of euros | Equity instruments | | Other financial assets | | Derivatives | | Total | |
| Category | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Assets at fair value through the Consolidated income statement | 26 | 25 | — | — | 2,087 | 777 | 2,113 | 802 |
| Assets at amortised cost | — | — | 5,981 | 3,995 | — | — | 5,981 | 3,995 |
| Hedging derivatives | — | — | — | — | 1,021 | 644 | 1,021 | 644 |
| Total | 26 | 25 | 5,981 | 3,995 | 3,108 | 1,421 | 9,115 | 5,441 |

| Current financial assets | | | | | | | | |
|--|--------------------|------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| Millions of euros | Equity instruments | | Other financial assets | | Derivatives | | Total | |
| Category | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Assets at fair value through the Consolidated income statement | — | — | — | — | 2,175 | 1,361 | 2,175 | 1,361 |
| Assets at amortised cost | — | — | 2,506 | 1,533 | — | — | 2,506 | 1,533 |
| Hedging derivatives | — | — | — | — | 2,704 | 1,470 | 2,704 | 1,470 |
| Total | — | — | 2,506 | 1,533 | 4,879 | 2,831 | 7,385 | 4,364 |

| Non-current financial liabilities | | | | | | | | | | |
|---|-----------------|--------------|--|---------------|-----------------------------|------------|--------------|--------------|---------------|---------------|
| Millions of euros | Bank borrowings | | Debentures and other marketable securities | | Other financial liabilities | | Derivatives | | Total | |
| Category | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Liabilities at fair value through the Consolidated income statement | — | — | — | — | — | — | 2,071 | 768 | 2,071 | 768 |
| Liabilities at amortised cost | 10,754 | 9,494 | 22,385 | 21,685 | 631 | 525 | — | — | 33,770 | 31,704 |
| Hedging derivatives | — | — | — | — | — | — | 1,595 | 905 | 1,595 | 905 |
| Total | 10,754 | 9,494 | 22,385 | 21,685 | 631 | 525 | 3,666 | 1,673 | 37,436 | 33,377 |

| Current financial liabilities | | | | | | | | | | |
|---|-----------------|--------------|--|--------------|-----------------------------|------------|--------------|--------------|---------------|---------------|
| Millions of euros | Bank borrowings | | Debentures and other marketable securities | | Other financial liabilities | | Derivatives | | Total | |
| Category | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Liabilities at fair value through the Consolidated income statement | — | — | — | — | — | — | 1,689 | 1,140 | 1,689 | 1,140 |
| Liabilities at amortised cost | 2,221 | 3,112 | 8,224 | 6,872 | 92 | 100 | — | — | 10,537 | 10,084 |
| Hedging derivatives | — | — | — | — | — | — | 2,270 | 971 | 2,270 | 971 |
| Total | 2,221 | 3,112 | 8,224 | 6,872 | 92 | 100 | 3,959 | 2,111 | 14,496 | 12,195 |

The IBERDROLA Group's general risk policy described in its consolidated financial statements for the year ended 31 December 2021 is the same policy applied at the date of issuance of these consolidated financial statements, having completed the review and approval process for 2022. The hedging instruments and types of hedges described herein have the same characteristics as those described in the 2021 consolidated financial statements.

The fair value of "Bank borrowings, debentures or other marketable securities" under current and non-current liabilities in the IBERDROLA Group's consolidated statement of financial position at 30 June 2022 and 31 December 2021 amounts to EUR 43,150 and 43,360 million, respectively. The carrying amount is EUR 43,584 and 41,163 million, respectively. Said value is classified in Level 2 of the valuation hierarchy. The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

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

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

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

| Millions of euros | Value at 30.06.2022 | Level 1 | Level 2 | Level 3 |
|--|------------------------|------------|------------|--------------|
| Derivative financial instruments (financial assets) | 7,987 | 163 | 7,654 | 170 |
| Derivative financial instruments (financial liabilities) | (7,625) | (28) | (6,887) | (710) |
| Total | 362 | 135 | 767 | (540) |

| Millions of euros | Value at 31.12.2021 | Level 1 | Level 2 | Level 3 |
|--|------------------------|-----------|------------|--------------|
| Derivative financial instruments (financial assets) | 4,252 | 19 | 4,158 | 75 |
| Derivative financial instruments (financial liabilities) | (3,784) | (1) | (3,473) | (310) |
| Total | 468 | 18 | 685 | (235) |

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

| Millions of euros | 2022 | 2021 |
|--|--------------|-------------|
| Balance at 1 January | (235) | (1) |
| Income and expense recognised in the consolidated income statement | 24 | 1 |
| Income and expense recognised in equity | (197) | (69) |
| Purchases | (1) | 4 |
| Sales and settlements | (114) | (6) |
| Translation differences | (17) | — |
| Balance at 30 June | (540) | (71) |

The fair value of Level 3-classified financial instruments has been determined using the discounted cash flow method. Projections of these cash flows are based on unobservable market inputs, and mainly correspond to purchase and sale price estimates that the Group normally uses, based on its experience in the markets in which it operates.

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

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

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

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

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

The bylaw-mandated remuneration not distributed from previous years is applied during the first half of the year.

10. CASH AND CASH EQUIVALENTS

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

| Millions of euros | 30.06.2022 | 31.12.2021 |
|-------------------|--------------|--------------|
| Cash | 2,351 | 959 |
| Cash equivalents | 1,674 | 3,074 |
| Total | 4,025 | 4,033 |

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

11. EQUITY

Subscribed capital

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

| | Date of filing at the Commercial Registry | % Capital | Number of shares | Par value | Euros |
|------------------------------|--|-----------|----------------------|-------------|----------------------|
| Balance at 01.01.2022 | | | 6,366,088,000 | 0.75 | 4,774,566,000 |
| Scrip issue | 3 February 2022 | 1.123% | 71,475,000 | 0.75 | 53,606,250 |
| Balance at 30.06.2022 | | | 6,437,563,000 | 0.75 | 4,828,172,250 |

On 3 February 2022, the second application of the scrip issue took place, having been approved by shareholders at the General Shareholders' Meeting of IBERDROLA on 18 June 2021, under item 19 on the agenda, and used to implement the *Iberdrola Retribución Flexible* optional dividend system.

During the established period, the holders of 2,077,587,951 shares opted to receive the *Interim dividend* (0.17 euros gross per share). Thus, the gross amount paid out under the *Interim Dividend* was EUR 353 million. As a result, those shareholders have expressly waived 2,077,587,951 free-of-charge allocation rights and, therefore, the right to receive 34,626,466 new shares.

The General Shareholders' Meeting held on 17 June 2022 approved, under item 9 of the agenda, the dividend for participation in the general meeting and its payment to all shareholders entitled to participate in the meeting (i.e. with shares registered in their name on 10 June), having fulfilled all conditions to which payment of the dividend was subject, i.e. the approval of the dividend itself (under item 7 of the agenda), and that a quorum of 70% of share capital was reached. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid out on 20 June 2022.

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

Valuation adjustments

Changes during the periods ended 30 June 2022 and 2021 are as follows:

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

| Millions of euros | 01.01.2021 | Change in fair value and other | Allocation to the values of hedged assets | Amounts allocated to the income statement | 30.06.2021 |
|---------------------------|--------------|--------------------------------|---|---|-------------|
| Cash flow hedging: | | | | | |
| Interest rate swaps | (669) | 44 | — | 69 | (556) |
| Collars | (7) | — | — | — | (7) |
| Commodities derivatives | 332 | 316 | — | (188) | 460 |
| Currency forwards | 4 | 63 | (2) | 7 | 72 |
| Other | — | (27) | — | — | (27) |
| | (340) | 396 | (2) | (112) | (58) |
| Hedging costs: | — | (17) | — | 17 | — |
| Tax effect: | 98 | (88) | — | 11 | 21 |
| Total | (242) | 291 | (2) | (84) | (37) |

Treasury shares

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

At 30 June 2022 and 31 December 2021, the balances of the various instruments were as follows:

| | 30.06.2022 | | 31.12.2021 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Number of shares | Millions of euros | Number of shares | Millions of euros |
| Treasury shares held by IBERDROLA | 198,333,855 | 1,993 | 82,915,340 | 823 |
| Treasury shares held by SCOTTISH POWER | 678,501 | 8 | 695,770 | 8 |
| Total return swaps | 9,430,497 | 76 | 13,547,820 | 102 |
| Put options sold | 26,020,850 | 219 | — | — |
| Accumulators (exercised shares) | 3,329,824 | 32 | 45,085,032 | 465 |
| Accumulators (potential shares) | 11,488,046 | 106 | 47,036,224 | 462 |
| Total | 249,281,573 | 2,434 | 189,280,186 | 1,860 |

Physically settled derivatives

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

- Total return swap

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

The key features of these contracts at 30 June 2022 and 31 December 2021 are as follows:

| 30.06.2022 | Number of shares | Strike price | Maturity date | Interest rate | Millions of euros |
|-------------------|------------------|--------------|--------------------------|-----------------------------|-------------------|
| Total Return Swap | 9,430,497 | 8.1000 | 30.08.2022 to 17.11.2022 | Euribor 3M + 0.30% to 0.47% | 76 |
| Total | 9,430,497 | | | | 76 |

| 31.12.2021 | Number of shares | Strike price | Maturity date | Interest rate | Millions of euros |
|-------------------|-------------------|--------------|---------------|--------------------|-------------------|
| Total Return Swap | 4,470,234 | 6.195 | 28.07.2022 | Euribor 3M + 0.29% | 28 |
| Total Return Swap | 2,077,920 | 9.721 | 30.08.2022 | Euribor 3M + 0.30% | 20 |
| Total Return Swap | 6,999,666 | 7.756 | 17/11/2022 | Euribor 3M + 0.47% | 54 |
| Total | 13,547,820 | | | | 102 |

- Treasury share accumulators

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

The accumulation mechanism is as follows:

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

The characteristics of these contracts at 30 June 2022 and 31 December 2021 are as follows:

| 30.06.2022 | Number of shares | Average strike price | Maturity date | Millions of euros |
|----------------------------------|------------------|----------------------|--------------------------|-------------------|
| Exercised | 3,329,824 | 9.617 | 18.08.2022 to 16.12.2022 | 32 |
| Potential maximum ⁽¹⁾ | 11,488,046 | 9.178 | 18.08.2022 to 20.12.2022 | 106 |

| 31.12.2021 | Number of shares | Average strike price | Maturity date | Millions of euros |
|----------------------------------|------------------|----------------------|--------------------------|-------------------|
| Exercised | 45,085,032 | 10.3230 | 16/02/2022 to 18/08/2022 | 465 |
| Potential maximum ⁽¹⁾ | 47,036,224 | 9.8289 | 16/02/2022 to 18/08/2022 | 462 |

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

- Sold put with physical settlement

At 30 June 2022, the Group had sold put options on treasury shares that granted the counterparty the option to sell those shares on the expiry date at the strike price set in the contract.

The characteristics of these contracts at 30 June 2022 are as follows:

| 30.06.2022 | Number of shares | Average strike price | Maturity date | Millions of euros |
|------------|------------------|----------------------|--------------------------|-------------------|
| Put option | 26,020,850 | 8.4160 | 18.11.2022 to 27.12.2022 | 219 |

At 31 June 2021, there were no put options outstanding.

12. LONG-TERM COMPENSATION PLANS

Share-based long-term compensation plans

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

The key features of the plans are summarised below:

| Long-term compensation programme | Settled in shares | Assessment period | Settlement period | Maximum number of beneficiaries | Maximum number of shares | Degree of fulfilment |
|----------------------------------|-------------------|-------------------|-------------------|---------------------------------|--------------------------|----------------------|
| IBERDROLA 2017-2019 | Iberdrola | 2017-2019 | 2020-2022 | 300 | 14,000,000 | 100% ⁽¹⁾ |
| AVANGRID 2016-2019 | Avangrid | 2016-2019 | 2020-2022 | 80 | 2,500,000 | 17.4% ⁽²⁾ |

⁽¹⁾ Level of achievement and settlement approved by the Board of Directors of IBERDROLA on the recommendation of the Remuneration Committee. During the first quarter of 2022, once it had been confirmed that the beneficiaries remained eligible for the remuneration, the third and last of the three annual settlements was made, in which 3,939,443 shares were delivered. These shares include those delivered to executive directors (Note 20.a) and to senior management (Note 20.b).

⁽²⁾ Degree of fulfilment and settlement approved by the Board of Directors of AVANGRID upon the proposal of the Remuneration Committee (CNCGC). During the first quarter of 2022, once it had been confirmed that the beneficiaries remained eligible for the remuneration, the third and last of the three annual settlements was made, in which 66,270 shares were delivered.

Share-based long-term compensation plans in the assessment period

The key features of the plans are summarised below:

| Long-term compensation programme | Settled in shares | Assessment period | Settlement period | Maximum number of beneficiaries | Maximum number of shares | Expected shares ⁽³⁾ |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------------------|---------------------------|--------------------------------|
| IBERDROLA 2020-2022 ⁽¹⁾ | Iberdrola | 2020-2022 | 2023-2025 | 300 | 14,000,000 ⁽⁴⁾ | 11,035,563 ⁽⁴⁾ |
| NEOENERGIA 2020-2022 ⁽¹⁾ | Neoenergia | 2020-2022 | 2023-2025 | 125 | 3,650,000 | 2,971,592 |
| AVANGRID 2020-2022 ⁽²⁾ | AVANGRID | 2021-2022 | 2023-2025 | 125 | 1,500,000 | 1,060,774 |

⁽¹⁾ Approval by the shareholders at the General Shareholders' Meeting of IBERDROLA and NEOENERGIA in 2020, respectively.

⁽²⁾ Approval by AVANGRID's Board of Directors in 2021, under the scope of the Omnibus Plan.

⁽³⁾ Foreseeable number of shares to be delivered, depending on the level of success in attaining the related targets.

⁽⁴⁾ Includes the shares pertaining to all executive directors.

Cash-based long-term compensation plans

Cash-based long-term compensation plans in the settlement period

The key features of the plans are summarised below:

| Long-term compensation programme | Measurement period | Settlement period | Maximum number of beneficiaries | Maximum cash amount | Degree of fulfilment |
|----------------------------------|--------------------|-------------------|---------------------------------|---------------------|-----------------------|
| 2018-2019 NEOENERGIA | 2018-2019 | 2020-2022 | 100 | BRL 50 million | 97.64% ⁽¹⁾ |

⁽¹⁾ Degree of fulfilment and settlement approved by the Board of Directors of NEOENERGIA upon the recommendation of the Remuneration Committee. During the first quarter of 2022, once it had been confirmed that the beneficiaries remained eligible for the remuneration, the third and last of the three annual settlements was made, involving a total payout of EUR 7 million.

13. LITIGATION PAYMENTS

During the six-month periods ended 30 June 2022 and 2021, payments of EUR 2 and EUR 15 million, respectively, were made for litigation settlements.

14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

At 30 June 2022, the IBERDROLA Group concluded that, at that date, there were no significant changes in the assumptions previously used to measure pension obligations at 31 December 2021 in the United States, Spain, the United Kingdom and Brazil. Notably, there were significant changes in the market value of assets subject to those obligations in the United States, the United Kingdom and Brazil.

At 30 June 2021, the IBERDROLA Group concluded that, at that date, there were no significant changes in the assumptions previously used to measure pension obligations at 31 December 2020, nor were there any significant changes in the market value of the assets assigned to those obligations.

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

| Millions of euros | United States | Spain | United Kingdom | Brazil | TOTAL |
|----------------------------------|---------------|------------|----------------|------------|---------------|
| Balance at 01.01.2022 | 3,505 | 377 | 5,931 | 624 | 10,437 |
| Ordinary cost | (59) | 2 | 22 | 1 | (34) |
| Financial cost | 54 | 2 | 58 | 30 | 144 |
| Actuarial deviations in reserves | (733) | (113) | (1,420) | 68 | 2,198 |
| Payments | (136) | (18) | (128) | (31) | (313) |
| Translation differences | 172 | — | (73) | 157 | 256 |
| Balance at 30.06.2022 | 2,803 | 250 | 4,390 | 849 | 8,292 |

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

| Millions of euros | United States | Spain | United Kingdom | Brazil | TOTAL |
|--|---------------|----------|----------------|------------|--------------|
| Fair value at 01.01.2022 | 2,836 | — | 6,118 | 492 | 9,446 |
| Revaluation | 45 | — | 58 | 24 | 127 |
| Actuarial gains and losses to reserves | (438) | — | (1,175) | 10 | (1,603) |
| Company contributions | 14 | — | 88 | — | 102 |
| Payments | (136) | — | (128) | (26) | (290) |
| Translation differences | 144 | — | (81) | 119 | 182 |
| Fair value at 30.06.2022 | 2,465 | — | 4,880 | 619 | 7,964 |

The average duration of the liability for the above benefit commitments was as follows at 30 June 2022 and 31 December 2021:

| 30.06.2022 | Spain | United Kingdom | United States | | | Brazil | | |
|------------|--------------------|----------------|---------------|-----|-------------------|---------|------------|---------------------|
| Years | Electricity tariff | | ARHI | UIL | AVANGRID NETWORKS | ELEKTRO | NEOENERGIA | NEOENERGIA BRASILIA |
| Average | 17 | 17 | 12 | 12 | 10 | 14 | 9 | 11 |

| 31.12.2021 | Spain | United Kingdom | United States | | | Brazil | | |
|------------|--------------------|----------------|---------------|-----|-------------------|---------|------------|---------------------|
| Years | Electricity tariff | | ARHI | UIL | AVANGRID NETWORKS | ELEKTRO | NEOENERGIA | NEOENERGIA BRASILIA |
| Average | 19 | 19 | 13 | 13 | 11 | 17 | 11 | 12 |

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

| 30.06.2022 | Discount rate | Inflation | kWh price growth |
|-----------------------|---------------|-----------|---|
| Spain | | | |
| Electricity tariff | 3.76% | — | 2022, 0.1733; 2023 0.17700; 2024, 0.23732; 2025, 0.22995; [...] |
| United Kingdom | 3.66% | 3.22% | — |
| United States | | | |
| ARHI | 5.07% | 2.00% | — |
| UIL | 5.07% | 2.00% | — |
| AVANGRID NETWORKS | 4.98% | 2.00% | — |
| Brazil | | | |
| ELEKTRO | 9.24% | 3.00% | — |
| NEOENERGIA | | | |
| Celpe BD | 7.78% | 3.00% | — |
| Coelba Med. Ass. Plan | 7.83% | 3.00% | — |
| NEOENERGIA BRASILIA | | | |
| CEB BD | 8.11% | 3.00% | — |
| CEB Saldado | 7.86% | 3.00% | — |

| 31.12.2021 | Discount rate | Inflation | kWh price growth |
|-----------------------|---------------|-----------|---|
| Spain | | | |
| Electricity tariff | 0.86 % | — | 2022, 0.33021; 2023, 0.17508; 2024, 0.14088; 2025, 0.13511; [...] |
| United Kingdom | 1.98% | 3.36% | — |
| United States | | | |
| ARHI | 3.00% | 2.00% | — |
| UIL | 2.94% | 2.00% | — |
| AVANGRID NETWORKS | 2.77% | 2.00% | — |
| Brazil | | | |
| ELEKTRO | 8.94% | 3.00% | — |
| NEOENERGIA | | | |
| Celpe BD | 8.18% | 3.00% | — |
| Coelba Med. Ass. Plan | 8.54% | 3.00% | — |
| NEOENERGIA BRASILIA | | | |
| CEB BD | 8.42% | 3.00% | — |
| CEB Saldado | 8.26% | 3.00% | — |

15. BANK BORROWINGS, DEBENTURES OR OTHER MARKETABLE SECURITIES

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

| Millions of euros | 30.06.2022 | 31.12.2021 |
|--|---------------|---------------|
| In euros | | |
| Debentures and bonds | 10,995 | 11,028 |
| Promissory notes | 3,876 | 3,566 |
| Loans and drawdowns of credit facilities | 5,615 | 6,178 |
| Other financing transactions | 484 | 1,099 |
| Unpaid accrued interest | 109 | 132 |
| | 21,079 | 22,003 |
| Foreign currency | | |
| US dollars | 10,076 | 9,559 |
| Pounds sterling | 3,719 | 3,373 |
| Brazilian reals | 8,014 | 5,945 |
| Other | 422 | 74 |
| Unpaid accrued interest | 274 | 209 |
| | 22,505 | 19,160 |
| Total | 43,584 | 41,163 |

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

| Borrower | Transaction | Arranged in | Amount (millions) | Currency | Interest rate | Maturity |
|---|--|-------------|-------------------|----------|---------------|------------------|
| First quarter | | | | | | |
| Iberdrola Finanzas | Private bond | Jan-22 | 100 | EUR | 1.00% | Feb-37 |
| Iberdrola Finanzas | Public green bond | Mar-22 | 1,000 | EUR | 1.38% | Mar-32 |
| Celpe | Public bond (debenture) | Mar-22 | 470 | BRL | CDI+1.55% | Apr-27 |
| Coelba | Public bond (debenture) | Mar-22 | 470 | BRL | CDI+1.55% | Apr-27 |
| Celpe | Public bond (debenture) | Mar-22 | 330 | BRL | CDI+1.68% | Apr-29 |
| Coelba | Public bond (debenture) | Mar-22 | 330 | BRL | CDI+1.68% | Apr-29 |
| Celpe | Public infrastructure bond (debenture) | Mar-22 | 400 | BRL | IPCA+6.28% | Apr-32 |
| Coelba | Public infrastructure bond (debenture) | Mar-22 | 400 | BRL | IPCA+6.28% | Apr-32 |
| Coelba ⁽¹⁾ | Loan 4131 | Feb-22 | 20 | USD | — | Feb-27 |
| Neoenergia Itapabona ⁽¹⁾ | Loan 4131 | Feb-22 | 39 | USD | — | Feb-23 |
| Neoenergia Lagoa Dos Patos ⁽¹⁾ | Loan 4131 | Feb-22 | 16 | USD | — | Feb-23 |
| Coelba ⁽¹⁾ | Loan 4131 | Mar-22 | 42 | USD | — | Oct-23 |
| Neoenergia | Loan 4131 | Mar-22 | 550 | BRL | — | Sep-23 |
| Neoenergia | Loan 4131 | Mar-22 | 550 | BRL | — | Sep-23 |
| Coelba | Loan 4131 | Mar-22 | 94 | BRL | — | Mar-24 |
| Neoenergia Guanabara ^{(2) (3)} | BNDES loan | Mar-22 | 693 | BRL | — | Apr-42 |
| Second quarter | | | | | | |
| NY State Gas & Corporation | Tax-exempt bond | Apr-22 | 67 | USD | — | Dec-28 |
| Neoenergia Guanabara ⁽¹⁾ | Loan 4131 | May-22 | 21 | USD | — | May-23 |
| Neoenergia Guanabara ⁽¹⁾ | Loan 4131 | May-22 | 39 | USD | — | Jul-23 |
| Neoenergia Lagoa Dos Patos ⁽¹⁾ | Loan 4131 | Jun-22 | 34 | USD | — | Jul-23 |
| Iberdrola Financiación | Bilateral loan | Apr-22 | 30 | EUR | — | Apr-27 |
| Iberdrola Financiación | Sustainable bilateral loan | Jun-22 | 600 | EUR | — | Jun-27 |
| Iberdrola Financiación ^{(2) (3)} | Green loan with EKF collateral | Apr-22 | 1,000 | EUR | — | Jul-31 |
| Iberdrola Financiación | EIB green loan | Apr-22 | 53 | EUR | — | To be determined |
| Iberdrola Financiación | ICO green loan | Apr-22 | 35 | EUR | — | To be determined |
| Coelba ⁽²⁾ | IFC green loan | Jun-22 | 550 | BRL | — | To be determined |

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

⁽²⁾ Financing expected to be drawn down in 2022.

⁽³⁾ Financing expected to be drawn down in 2023.

The main extensions of financing transactions arranged by the IBERDROLA Group during the six months ended 30 June 2022 were as follows:

| Borrower | Transaction | Date extension signed | Millions | Currency | Option to extend | Maturity |
|------------------------|--|-----------------------|----------|----------|------------------|----------|
| Iberdrola Financiación | Bilateral credit facility | Feb-22 | 125 | EUR | — | Oct-23 |
| Iberdrola Financiación | Sustainable syndicated credit facility | Mar-22 | 2,500 | EUR | 1 year | Apr-27 |
| Iberdrola Financiación | Sustainable bilateral credit facility | Apr-22 | 16,000 | JPY | 1 year | Jun-27 |
| Iberdrola México | Syndicated green loan | May-22 | 400 | USD | 1 year | May-24 |
| Iberdrola Financiación | Bilateral credit facility | May-22 | 125 | EUR | — | Jan-24 |

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

At 30 June 2022, the IBERDROLA Group had undrawn loans and credit facilities amounting to EUR 16,832 million. Additionally, at 30 June 2022 there were current cash deposits which, due to their contractual terms, the IBERDROLA Group included in its liquidity position as at that date. The following table provides a breakdown by maturity of the liquidity position at 30 June 2022, based on the balance of the “Cash and cash equivalents” heading and current financial investments (between 3 and 12 months) of the consolidated statement of financial position:

| Millions of euros | Available |
|--|---------------|
| Available maturity | |
| 2022 – first half of 2023 | 760 |
| Second half of 2023 – 2024 | 681 |
| 2025 and beyond | 15,391 |
| Total | 16,832 |
| Short-term financial investments (between 3 and 12 months) | 27 |
| Cash and cash equivalents | 4,025 |
| Liquidity position | 20,884 |

16. INCOME AND EXPENSES

16.1 Revenue

The table below shows details of this caption in the consolidated income statement for the six-month periods ended 30 June 2022 and 2021, by category and segment (Note 7):

| 30 June 2022 | | | | | |
|---|---------------|------------------|--------------|---|---------------|
| Millions of euros | Liberalised | Renewable energy | Networks | Other business, Corporation and adjustments | Total |
| Supplies in regulated markets | 2,873 | 410 | 8,321 | (701) | 10,903 |
| Electricity | 2,873 | 410 | 7,336 | (701) | 9,918 |
| Gas | — | — | 985 | — | 985 |
| Supplies and other revenues in non-regulated markets | 12,046 | 2,567 | 9 | (1,714) | 12,908 |
| Electricity | 9,992 | 2,169 | — | (1,476) | 10,685 |
| Gas | 1,690 | — | — | — | 1,690 |
| Other | 364 | 398 | 9 | (238) | 533 |
| Income from construction contracts | 2 | — | 674 | — | 676 |
| Income from lease contracts | — | — | 1 | 10 | 11 |
| Valuation of commodities derivatives | 44 | (110) | — | (2) | (68) |
| Total | 14,965 | 2,867 | 9,005 | (2,407) | 24,430 |

| 30 June 2021 | | | | | |
|---|---------------|------------------|--------------|---|---------------|
| Millions of euros | Liberalised | Renewable energy | Networks | Other business, Corporation and adjustments | Total |
| Supplies in regulated markets | 2,250 | 350 | 6,320 | (465) | 8,455 |
| Electricity | 2,250 | 350 | 5,634 | 465 | 7,769 |
| Gas | — | — | 686 | — | 686 |
| Supplies and other revenues in non-regulated markets | 8,506 | 2,255 | 13 | (1,080) | 9,694 |
| Electricity | 7,037 | 1,995 | — | (1,026) | 8,006 |
| Gas | 1,190 | — | — | 4 | 1,194 |
| Other | 279 | 260 | 13 | (58) | 494 |
| Income from construction contracts | — | — | 513 | — | 513 |
| Income from lease contracts | — | — | — | 9 | 9 |
| Valuation of commodities derivatives | 52 | 29 | — | — | 81 |
| Total | 10,808 | 2,634 | 6,846 | (1,536) | 18,752 |

16.2 Taxes other than income tax

Six-month period ended 30 June 2022

The following significant events occurred in the six-month period ended 30 June 2022:

- With regard to the 7% tax on the value of electricity production (IVPEE), Royal Decree-Law 12/2021, which temporarily suspended the tax for the third quarter of 2021 and after several extensions, was suspended until 31 December 2022 by virtue of Royal Decree-Law 11/2022, which also changes the tax base for calculating the IVPEE by specifying that the tax should be levied on actual plant revenues.

This tax has since been reintroduced by Law 7/2022 of 8 April, on waste and contaminated soil for a circular economy, with effect from 1 January 2022. The tax now accrues on the price stipulated in the relevant purchase and sale contracts, whereas in 2021 it accrued on the pool price. The tax recorded for this item in the period ended 30 June 2022 amounts to EUR 57 million.

- With regard to the tax on the production of spent nuclear fuel that is definitively extracted from the reactor core of the plants, on 22 February 2022 the TEAC upheld the tax appeal filed by the Ascó II, C. B. nuclear power plant against the retroactive effect of the tax settlement agreements for the 2017 and 2018 financial years, so that only the spent nuclear fuel resulting from reactor cycles carried out following the entry into force of Law 15/2012 should be subject to taxation.

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

- Financing the costs of the Social Tariff (*Bono Social*)

The Supreme Court ruled on Iberdrola's appeal against the Social Tariff on 31 January 2022. The court held that the financing system charged to retail suppliers or parent companies of groups to which retail suppliers belong is discriminatory, and required financing companies to compensate for the amounts not passed on to customers.

Further to this ruling, the Group has recognised receivables amounting to EUR 101 million of principal and EUR 12 million of late payment interest as at 30 June 2022 under “Taxes” and “Finance income” in the consolidated income statement for the six months ended 30 June 2022, respectively.

Six-month period ended 30 June 2021

In 2021, the Supreme Court partially upheld the challenge brought against RD 198/2015, of 23 March, implementing Section 112 *bis* of Royal Legislative Decree 1/2001, of 20 July, which approves the revised text of the Water Law and regulates the tariff for the use of inland waters for the production of electricity in inter-community districts (hydroelectric levy). Following the ruling, the IBERDROLA Group recognised a receivable amounting to EUR 327 million, comprising principal of EUR 265 million – equivalent to the amounts paid as levies in 2013 and 2014 – under “Taxes” in the consolidated income statement, and EUR 62 million in late payment interest at 30 June 2021.

17. INCOME TAX EXPENSE

Pursuant to IAS 34 – Interim financial reporting, the amount included under “Income tax” in the consolidated Income statement for the six-month periods ended 30 June 2022 and 2021 has been calculated on the basis of the best estimate of the expected tax rate for the corresponding annual periods.

As from 1 January 2021, Iberdrola, S.A., the parent company of the two tax consolidation groups in Spain, has been paying income tax under the special tax rules applicable to the region of Biscay, and has been included in tax group 02415BSC in said special tax region.

The table below shows how the accrued income tax expense has been determined for the six months ended 30 June 2022 and 2021:

| Millions of euros | 30.06.2022 | 30.06.2021 |
|--|---------------|---------------|
| Consolidated profit/(loss) for the year from continuing operations before tax | 3,231 | 2,774 |
| Consolidated profit/(loss) for the year from discontinued operations before tax | (85) | (7) |
| Consolidated profit/(loss) before tax | 3,146 | 2,767 |
| Non-deductible expenses and non-computable income | (222) | (111) |
| Profit of equity-accounted investees | (225) | (5) |
| Adjusted accounting profit (a) | 2,699 | 2,651 |
| Gross tax calculated at the tax rate in force in each country (b) | 708 | 639 |
| Tax deductions due to reinvestment of extraordinary profits and other tax credits (c) | (68) | (60) |
| Adjustment of prior years' income tax expense | 4 | 1 |
| Adjustment of deferred tax assets and liabilities ⁽¹⁾ | 25 | 431 |
| Other | 10 | 2 |
| Income tax (income)/expense | 679 | 1,013 |
| Accrued income tax (income)/expense from continuing operations | 700 | 1,014 |
| Accrued income tax (income)/expense from discontinued operations | (21) | (1) |
| Effective tax rate (b+c)/a | 23.71% | 21.84% |

⁽¹⁾ This primarily concerns i) the progressive increase in the tax rate, from 19% to 25% in 2021, applicable in the United Kingdom (EUR 480 million in 2021) and ii) the effects of the devaluation of the exchange rate of the US dollar against the Mexican peso in determining the difference between the tax value and carrying amount of assets and liabilities at the Group's Mexican subsidiaries.

As a result of the increase in the UK tax rate, a charge of EUR 24 million was made to “Other reserves” in the consolidated statement of financial position at 30 June 2021, to cover the recalculation of deferred taxes at the new tax rates.

Administrative proceedings

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

In June 2020, the Spanish tax authority (*Agencia Española de Administración Tributaria*) (AEAT) commenced a partial tax inspection (of the period comprising financial years 2012 to 2014) and a general tax inspection (of the period comprising financial years 2015 to 2017) for the main corporate taxes applicable to IBERDROLA Group entities within the consolidated tax group for Spain (no. 2/86).

In 2021, various tax assessments were signed in agreement relating to transfer pricing matters for the 2012 to 2014 period, while other assessments were signed in protest relating to other income tax matters (the same as those disputed during the general inspection proceedings for the years 2008-2011). None of them led to any significant financial impacts on the IBERDROLA Group.

On 17 December 2021, a tax claim was filed with the Central Tax Appeals Board (*Tribunal Económico-Administrativo Central*) against the settlement agreement derived from the assessments signed in protest discussed in the previous paragraph. The relevant claims and arguments were presented in the first quarter of 2022, with the Central Tax Appeals Board yet to deliver a decision.

In the first quarter of 2022, a number of tax assessments were accepted and paid concerning income tax for the period 2015 to 2017, none of which had significant financial impacts on the IBERDROLA Group.

The tax inspection proceedings initiated in June 2020 are still ongoing but are expected to conclude in 2022.

The IBERDROLA Group's directors and tax consultants believe that the matters described in the above paragraphs will not give rise to further material liabilities for the Group beyond those already recognised at 30 June 2022.

Tax litigation

IBERDROLA has lodged contentious-administrative appeals before the National High Court (*Audiencia Nacional*) against the rulings, of which IBERDROLA was notified in June, by the Central Tax Appeals Board dismissing its appeals in relation to tax assessments disputed by the Group in 2016, for the period comprising financial years 2008 to 2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Section 15.1 of Spain's General Tax Act under a debtor-swap operation for a number of bond issues. Throughout 2021, the corresponding claims and arguments were presented in the proceedings, and at the date of these financial statements dates have yet to be set for voting and judgement.

Additionally, in December 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board (TEAC) on the appeals lodged in relation to the income tax assessments signed in protest arising from the limited tax inspection of the period 2012 to 2014. The dispute with the public administration focuses on the applicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules contrary to law.

This ruling of December 2020 partially upheld IBERDROLA's arguments, accepting its criteria insofar as the taxes declared to be unconstitutional are concerned. On 25 January 2021, IBERDROLA appealed the remaining disputed assessments to the National High Court. The relevant claims and arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to pronounce on the dates for the voting and judgement.

The IBERDROLA Group's directors and their tax consultants consider that the proceedings described in the above paragraphs will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2022.

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

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

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

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

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

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

18. CHARGES AND REVERSALS FOR ASSET IMPAIRMENT

As indicated in the Consolidated financial statements of the IBERDROLA Group for 2021, the IBERDROLA Group analyses its assets at least annually for indications of impairment. If such indications are found, an impairment test is conducted. The IBERDROLA Group also conducts a systematic analysis of the impairment of cash-generating units (or groups of cash-generating units) that include goodwill or intangible assets in progress or with 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.

The macroeconomic scenario in the first half of the year has led to a spike in uncertainty within the capital markets and pushed up commodity prices as a result of the geopolitical situation. However, to the best of the Company's knowledge, at the date of issue of these consolidated financial statements, the impacts of this scenario appear to be transient. Therefore, these events are not expected to have a material adverse effect on business plans and hence on the recoverable amount of the assets.

According to the analysis performed in 2021, the electricity and gas retail supply cash-generating unit (CGU) in the United Kingdom, the renewable energies CGU in the United States and the renewable energies CGU in Australia had a value in use that was slightly higher than their carrying amount. The monitoring activity carried out during the first half of 2022 shows that the underlying performance of those businesses was substantially aligned with the business plan.

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

19. CONTINGENT ASSETS AND LIABILITIES

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

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

Contingent liabilities

- On 16 June 2014, the Spanish National Commission on Markets and Competition (CNMC) initiated sanctioning proceedings against IBERDROLA GENERACIÓN for purported fraudulent manipulation aimed at altering energy prices at the Duero, Tagus and Sil hydroelectric generation plants in December 2013. On 30 November 2015 the Company was notified of the 25 million euro fine. IBERDROLA GENERACIÓN lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court of Spain (*Audiencia Nacional*) and was granted leave to proceed. Enforcement of the penalty was likewise stayed. The proceedings are currently suspended as the preliminary proceedings are heard by the Central Examining Court of the Audiencia Nacional, which, on 26 May 2022, agreed to end the examination phase and serve notice on the parties and the Public Prosecutor's Office so that they may submit their indictment and claims. On 11 July 2022, Central Examining Court No. 2 of the Audiencia Nacional issued an order for the commencement of oral proceedings whereby it was resolved, among other things: (i) to commence oral proceedings and to consider Iberdrola Generación, S.A.U. charged with an alleged offence under Section 281 of the Criminal Code; (ii) to order Iberdrola Generación, S.A.U. to pay EUR 192 million into court as a bond (EUR 85 million to secure payment of possible fines and EUR 107 million to cover any possible civil liability), for which it would be jointly and severally liable along with the other defendants.
- Administrative appeals lodged on 7 July 2020 before the Audiencia Nacional against decisions notified to IBERDROLA by the Central Tax Appeals Board rejecting contested tax inspection reports signed by the Group in 2016, pertaining to the years 2008 to 2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with 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 Act under a debtor-swap operation for a number of bond issues. The relevant claims and arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to pronounce on the dates for the voting and judgement.

- Tax claim lodged on 17 December 2021 before the Central Tax Appeals Board against the settlement decision on income tax notified to Iberdrola Energía España, S.A. as representative of Tax Group 2/86, in relation to contested tax inspection reports signed by the Group in 2021 for the financial years 2012 to 2014. The adjustments in dispute are the same as those discussed in relation to the years 2008 to 2011. The relevant claims and arguments were submitted during the first quarter of 2022 and at the date of these financial statements the court has yet to deliver a decision.

- Administrative appeal lodged on 25 January 2021 before the Audiencia Nacional against the decision of the Central Tax Appeals Board notified to IBERDROLA in 2020. The claim, which was filed against the tax settlement decisions upholding the disputed tax assessments delivered to the company under limited tax inspection proceedings in relation to income tax for the years 2012 to 2014, was partially upheld. The dispute with the public administration focuses on the applicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules considered unlawful. This ruling partially upheld IBERDROLA's claims, accepting its criteria insofar as the taxes declared to be unconstitutional were concerned. The company has lodged an appeal with the Audiencia Nacional in respect of the other tax matters disputed. The relevant claims and arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to announce a date for voting and judgement.

- ACE (an economic interest grouping in Portugal) consisting of the companies Acciona-Mota and Edivisa, brought action for arbitration against Iberdrola Generación before the Commercial Arbitration Centre of Lisbon (the arbitration body named in the contract) with regard to the construction contract for the Alto Tâmega dam and hydroelectric plant, claiming EUR 30 million. The claim is based on the argument that they do not consider themselves liable for excess costs that were incurred due to deviations in the work performed. They also claim that they are not liable for the delays occurring and that Iberdrola, consequently, does not have the right to impose on them any of the penalties provided for in the contract. Further, they state that the termination of the works contract is groundless and should be deemed null and void, and they demand compensation for said termination. IBERDROLA received the arbitration claim (initial request) from ACE dated 31 May 2021, demanding payment of EUR 27.1 million. IBERDROLA responded to the claim on 1 September 2021 by lodging a counterclaim in the total amount of EUR 60.2 million. ACE's second written submission was received on 12 November 2021, with IBERDROLA submitting its reply on 21 January 2022. Following IBERDROLA's submission, the phase of testimonies and statements before the Arbitral Tribunal began, although the tribunal may request additional documents or statements of evidence from the parties beforehand. On 4 May 2022, the Arbitral Tribunal sent us the draft list of undisputed facts and items of evidence for review/comments by the parties. Both documents are indicative and non-binding in relation to the arbitration process. No decision on the matter is expected until the first half of 2023.

In August 2019, IBERDROLA terminated the contract signed with ACE MOTA ENGIL ACCIONA-EDIVISA, due to breach of contract deadlines and milestones. The contract provided for a number of bonds as security for the performance of the contract. IBERDROLA sought to enforce those bonds, though initially an administrative court in Portugal stayed the enforcement of the contract. IBERDROLA appealed against this decision and the court of appeal ultimately annulled the stay of execution. As a result, the contract has been enforced in the total amount of EUR 12.1 million. Note that under the arbitration proceedings ongoing ACE has contested the contract termination and the economic liquidation of the contract. Therefore, there is a risk that the Arbitral Tribunal may order Iberdrola to return to ACE some of the amounts received upon enforcement of the contract bonds.

- Iberdrola Castilla y León (IBERCYL) has been summoned as a party subsidiarily liable alongside the Regional Government of Castilla y León in the proceedings taking place before Valladolid Examining Court no. 4 in relation to alleged irregularities in awarding certain wind power operating permits in Castilla y León. The court order instructed IBERCYL to post a bond of EUR 11 million in this connection. As of today, IBERCYL is waiting for the court to set a deadline for posting the bond.
- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil in relation to their normal course of business. 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.

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

The tax claims include violation findings due to the following:

- amortised gain/goodwill expense (agio) is not tax deductible for the purpose of calculating income tax (both for corporate income tax and social contribution tax) applicable to the subsidiaries Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Itapebi and Termopernambuco;
- failure to make income tax withholdings on interest payment on capital between companies belonging to the same group;
- income tax withholding requirement on the alleged taxable capital gain accruing to Iberdrola Energía, S.A. following the incorporation of Elektro Holding by Neoenergia.
- questions concerning tax credits related to consumption tax (ICMS) at NC Energia, Termopernambuco, Neoenergia Pernambuco and Neoenergia Elektro;
- the tax authorities believe that payments for profit sharing, employee benefits, health insurance and life insurance should be recognised as social security expenses;

- offsetting by Neoenergia of receivables due to wrongly applying PIS/COFINS to finance income under a favourable ruling, which has been contested;
- questions concerning federal taxes – corporate income tax and social contribution tax - from dismissal of expenses with payment of regulatory compensation in Coelba;
- questions concerning the municipality of contribution of the public lighting service (COSIP), which holds that Coelba paid a smaller amount in the period between January 2018 and December 2019.

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

- Elektro's Energy Social Tariff (for low income consumers), for which the Consumers Association intends to increase the number of eligible customers from 2002 to 2010, imposing on ANEEL and Elektro the obligation to restore tariff differences, the cost of which should ultimately be met by the CDE sector fund.
 - The free or onerous use of rights of way areas in roads for the electricity grid, the merits of which are being discussed before the Supreme Court.
 - Several matters regarding over or under subscription of energy, currently under administrative discussion.
 - The possibility of ANEEL including, in the tariff tax, income resulting from the favourable outcome of the legal dispute concerning the exclusion of the ICMS tax from the federal contributions calculation base for PIS/COFINS (currently undergoing preliminary discussions at the administrative level).
 - Action brought by Neoenergia Brasília to annul ANEEL's act that captured, for tariff purposes, the surplus income obtained between May 2002 and October 2004, and between July 2005 and August 2008, accumulated by the criteria for classifying low-income consumers.
- Claim by the Public Utilities Commission: in 2002, the California Public Utilities Commission and the California Electricity Oversight Board (CPUC and CEOB, respectively) submitted a claim to the Federal Energy Regulatory Commission (FERC) against a number of electricity producers, alleging that these companies had manipulated the market and that the prices set in energy purchase contracts were "unfair and unreasonable", and demanded modifications to the contracts.

FERC dismissed the claim and, following a review by the 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 the price of the power purchase agreements imposed an excessive burden on customers in the amount of USD 259 million. FERC staff have recommended that the case be closed without sanction.

On 17 June 2021, FERC issued an order remanding the case to the administrative judge for further investigation and legal analysis regarding the impact of one party's conduct (not Avangrid Renewables) on its long-term contracts. The order does not address other findings, including those relating to Avangrid Renewables, which are still pending. There is no specific timetable for the administrative judge's decision.

- In relation to the arbitration proceedings filed by Iberdrola Topolobampo, S.A. de C.V., a subsidiary of Iberdrola México, against the Federal Electricity Commission (CFE), the claimant not only opposes IBERDROLA's claims but has also filed a counterclaim in the arbitration, seeking damages in the amount of USD 185.5 million and USD 4.7 million in additional penalties for failing to reach the coefficient of national integration.
- Iberdrola México has challenged in court a resolution of the Energy Regulation Commission (CRE) issuing charges by the Electricity Transmission Service to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of Legacy Interconnection Contracts with Electricity Generation Plants with Renewable or Efficient Cogeneration Sources. The resolution substantially increases the charges for this service and, in the judgement of Iberdrola México, hinders and limits a constitutionally significant activity such as electricity generation and it is contrary to a number of rights protected by the Mexican constitution. After the granting of the injunctive measure sought by Iberdrola, consisting of suspension of the contested resolution, a bond had to be posted with the court in the amount of MXN 2,584 million (approximately USD 120 million) to secure the measure. The amount is the difference between what Iberdrola México would have to pay under the contested resolution and what it actually will pay pursuant to the injunction granted for tariff charges for electricity transmission services for 24 months; the amount is revised every six months). In the event the trial produces an unfavourable outcome, Iberdrola would have to pay this amount.
- Iberdrola México has challenged in court the resolution issued by the Energy Regulatory Commission (CRE), as notified on 27 May 2022, in which the CRE ordered Iberdrola Energía Monterrey, S.A. de C.V. (IEM) to pay the sum of MXN 9,145 million (approximately USD 467 million). According to the CRE, its decision is valid on the grounds that IEM allegedly carried out unlawful energy sales to its consumer partners. The CRE is also seeking to base its claims on invoices obtained from the Tax Administration Service (SAT). On 15 June 2022, IEM filed a lawsuit for protection of basic liberties against this resolution and has sought injunctive measures to suspend the payment of the sanction. The suit is now before Specialised District Court Three, which has yet to admit the suit and grant a provisional suspension of the sanction. On 1 July 2022, IEM was notified of the provisional interim injunction to prevent the sanction from being enforced and on 11 July 2022 a bond was posted to cover the amount of the sanction. Ultimately, we have been granted a definitive suspension, meaning that the sanction is no longer payable. Therefore, the dispute has had no legal impact on the company, nor does it prejudice the effectiveness of the electricity self-supply permit.

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

- US gas companies own, or have owned, the land on which they operated the gas production plants. This land was polluted as a result of these activities. In some cases, the soil has been cleaned, while in others the soil has been assessed and identified, but has yet to be cleaned and in some other cases the extent of the pollution has yet to be determined. Where the pollution cannot be determined, no provisions had been recognised at 30 June 2022 because the cost cannot reasonably be estimated as the matter requires the regulators' involvement and approval. In the past, the gas companies have received authorisation to recover cleaning expenses from customers through tariffs and they expect to recover such expenses for the remaining soil.

Contingent assets

- AVANGRID initiated legal proceedings against the former owners of certain sites in order to recover the costs of environmental restoration work it was forced to pay.
- In Mexico, the Federal Electricity Commission (CFE) is making the commissioning of the Topolobampo III electrical plant subject to the payment of contractual penalties amounting to USD 16.5 million, plus VAT, for the delay incurred in constructing the plant. Iberdrola México has filed for arbitration requesting recognition of causes of governmental force majeure and recognition of the commencement of operation of the plant on 20 July 2020, the return of the USD 2 million paid for contractual penalties, the impropriety of the additional contractual penalty sought, payment of the expenses incurred and capacity charges of at least USD 10 million and compensation for harm and loss caused by the delay in the commercial operating date of the plant. The arbitral decision is expected to be delivered in the first quarter of 2023.
- Iberdrola México initiated arbitration proceedings through Iberdrola Energía Tamazunchale against Transportadora de Gas Natural de la Huasteca, S.A. de C.V. (Transcanada) before the International Chamber of Commerce, demanding recognition of damages caused to the gas turbines at the Iberdrola Energía Tamazunchale power plant for allowing the passage of dirty gas containing solid waste. The company is seeking approximately USD 11 million. The final outcome of this case is difficult to predict as it will ultimately depend on the decision reached by the Arbitral Tribunal.
- Iberdrola Energía Escobedo, S.A. de C.V. filed arbitration proceedings on 29 November 2021 against CF Energía, challenging the payment made by IBERDROLA in the amount of USD 20 million under the February 2021 gas billing due to: (i) the fact that the plant was unable to consume gas during its start-up period; and (ii) the Confirmed Amount Not Taken on 15 February, which should have been reduced by CF Energía from the 18 February nomination. Notice of the arbitration proceedings was served in person on CF Energía on 3 December 2021. On 27 December 2021, CF Energía filed its Reply to the Request for Arbitration, in which it disputed the merits of IBERDROLA's claims. It did not file any complaint against IBERDROLA. A statement of claim together with testimony was filed on 1 June 2022. The procedural timetable has now been set, with the hearings expected to take place in December 2022, meaning that the final decision of the arbitrators will be delivered in 2023.

- On 1 June 2022, Order TED/490/2022, of 31 May, was published in the Official State Gazette, enforcing the Supreme Court ruling in relation to the finding that Order IET/980/2016, of 10 June, establishing the remuneration of electricity distribution companies for 2016, was detrimental to the public interest. This order fails to consider the 11th Ground of Law of the Supreme Court's Judgment, which states that the fully depreciated items out of service and reflected in the accounts (in accordance with the restatement of accounts carried out by the company for the 2014 financial year) should be considered; nor does it consider the judgement of the Audiencia Nacional on the annulment of the settlement of the company's remuneration for the 2016 financial year due to the non-use of the corrected lambda factor, nor the correction of errors requested by the company. This has led to the recognition in the company's consolidated financial statements of a lower remuneration loss for 2016 and subsequent years, using the same criteria as used to calculate the 2016 remuneration. The total impact is EUR 195.2 million, of which EUR 181.7 million relates to prior year adjustments and EUR 13.5 million to adjustments for 2022. On 29 June 2022, i-DE Redes filed a motion for enforcement of judgment, with a decision still pending at the date of authorisation for issue of these interim financial statements. Meanwhile, on 13 July 2022, i-DE Redes filed a contentious-administrative appeal against Order TED/490/2022, which is pending confirmation from the court as to whether the appeal will be admitted.

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

Contingent assets and liabilities at 31 December 2021 are described in the IBERDROLA Group's consolidated financial statements for that year.

20. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

Remuneration and other benefits received by directors in the six-month periods ended 30 June 2022 and 2021 are presented in the following table, by item:

| Millions of euros | 30.06.2022 | 30.06.2021 |
|--|------------|------------|
| Remuneration for membership of the Board and/or Board Committees | 2.9 | 2.7 |
| Fixed remuneration – executive directors | 1.1 | 1.6 |
| Variable remuneration - executive directors | 4.3 | 4.3 |
| Other items ⁽¹⁾ | 0.2 | 0.3 |
| Total | 8.5 | 8.9 |

⁽¹⁾ Includes the remuneration of directors who have served as directors of companies that are not wholly owned by the Company, whether directly or indirectly, amounting to EUR 0.19 million in the first half of 2022 and EUR 0.16 million in the first half of 2021.

Aside from the remuneration described above, the third of the three annual settlements under the 2017-2019 Strategic Bonus was completed in the first half of 2022, involving the delivery of 733,334 shares.

b) Remuneration of senior management

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

At 30 June 2022, there were 11 members of senior management (10 members at 30 June 2021).

Remuneration and other benefits received by senior managers during the first half of 2022 and 2021 are as follows:

| Millions of euros | 30.06.2022 | 30.06.2021 (*) |
|----------------------------------|-------------|----------------|
| Fixed remuneration | 3.0 | 2.6 |
| Variable remuneration | 5.5 | 5.9 |
| Pension plans (savings and risk) | 1.4 | 1.3 |
| Other items ⁽¹⁾ | 0.7 | 0.7 |
| Total | 10.6 | 10.5 |

(*) For comparison purposes, this includes information on employees who have been senior managers since 1 January 2022 (one additional member).

⁽¹⁾ This amount includes the remuneration received by senior managers who held the position of director of companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.40 million in the first half of 2022 and to EUR 0.35 million in the first half of 2021.

In the first half of 2022, the third of the three annual payments was made under the 2017-2019 Strategic Bonus, in the total amount of 568,344 shares (568,328 shares in the previous year).

During the first half of 2022 and 2021, there were no further transactions with senior managers outside the ordinary course of business.

21. RELATED-PARTY TRANSACTIONS AND BALANCES

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

The most significant transactions carried out with the IBERDROLA Group during the six months ended 30 June 2022 and 2021 were as follows:

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

| Millions of euros | Six-month period ended 30.06.2021 | | | | Total |
|----------------------------|---|--|--------------------------------------|-----------------------|-----------|
| | Significant shareholders ⁽¹⁾ | Directors and senior managers ⁽²⁾ | Group persons, companies or entities | Other related parties | |
| Expenses and income | | | | | |
| Services received | — | — | 1 | — | 1 |
| Purchases ⁽³⁾ | — | — | 96 | — | 96 |
| Total expenses | — | — | 97 | — | 97 |
| Services rendered | — | — | 7 | — | 7 |
| Sales | — | — | 3 | — | 3 |
| Total income | — | — | 10 | — | 10 |

Balances with related parties were as follows at 30 June 2022 and 2021:

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

| Millions of euros | 30 June 2021 | | | | Total |
|--------------------------------------|---|--|--------------------------------------|-----------------------|------------|
| | Significant shareholders ⁽¹⁾ | Directors and senior managers ⁽²⁾ | Group persons, companies or entities | Other related parties | |
| Trade and other receivables | — | — | 2 | — | 2 |
| Loans and credit facilities granted | — | — | 4 | — | 4 |
| Other receivables | — | — | — | — | — |
| Total receivables | — | — | 6 | — | 6 |
| Trade and other payables | — | — | (4) | — | (4) |
| Loans and credit facilities received | — | — | — | — | — |
| Other payment obligations | — | — | — | — | — |
| Total payables | — | — | (4) | — | (4) |

⁽¹⁾ At 30 June 2022 and 2021, there were no significant shareholders who met the definition of Section 529 *vicies* of the Spanish Companies Act because they did not hold 10% of the voting rights or were not represented on the Board of Directors.

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

⁽³⁾ Relates mainly to electricity purchases.

22. EVENTS SUBSEQUENT TO 30 JUNE 2022

The following significant event took place after 30 June 2022 and up to the date of authorisation of issue of these consolidated financial statements:

Reduction in share capital

On 1 July 2022, the reduction in capital approved at the General Shareholders' Meeting of the Company held on 17 June 2022 under item 13 on the agenda was implemented through the retirement of treasury shares.

Details of the reduction in share capital are as follows:

| | Date of filing at the Commercial Registry | % Capital | Number of shares | Par value | Euros |
|--------------------|--|-----------|---------------------|-----------|-------------|
| Reduction in share | 6 July 2022 | 3.069% | 197,563,000 | 0.75 | 148,172,250 |

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

Iberdrola Retribución Flexible

On 6 July 2022, the following terms were established in relation to the implementation of the first increase in capital by means of a scrip issue (*Iberdrola Retribución Flexible*) approved at the General Shareholders' Meeting of IBERDROLA held on 17 June 2022 under item 10 on the agenda:

- The maximum number of new shares to be issued under the capital increase is 173,333,333.
- The number of free allocation rights required to receive one new share is 36.
- The maximum par value of the capital increase is EUR 129,999,999.75.
- The gross interim dividend per share amounts to EUR 0.274.

Financing arrangements

The most significant financing arranged by the IBERDROLA Group after 30 June 2022 in the interbank and capital markets is as follows:

| Borrower | Transaction | Amount (millions) | Currency | Maturity |
|---|--|-------------------|----------|------------------|
| Central Main Power Company ⁽²⁾ | Green mortgage bond | 75 | USD | Dec-32 |
| Central Main Power Company ⁽²⁾ | Green mortgage bond | 50 | USD | Dec-52 |
| Rochester Gas & Electric Corporation ⁽²⁾ | Green mortgage bond | 125 | USD | Dec-52 |
| NY State Electric & Gas ⁽²⁾ | Private bond | 150 | USD | Dec-32 |
| NY State Electric & Gas ⁽²⁾ | Private bond | 125 | USD | Dec-52 |
| The United Illuminating Company ⁽²⁾ | Private bond | 50 | USD | Dec-32 |
| Coelba | Commercial paper | 190 | BRL | Jul-27 |
| Coelba | Commercial paper | 310 | BRL | Jul-29 |
| Pernambuco | Green commercial paper | 200 | BRL | Jul-27 |
| Pernambuco | Green commercial paper | 250 | BRL | Jul-29 |
| Brasilia | Green public bond (debenture) | 100 | BRL | Jul-27 |
| Brasilia | Green public bond (debenture) | 200 | BRL | Jul-29 |
| Cosern | Public bond (debenture) | 500 | BRL | Jul-27 |
| Cosern | Public bond (debenture) | 80 | BRL | Jul-29 |
| Elektro | Green public bond (debenture) | 104 | BRL | Jul-27 |
| Elektro | Green public bond (debenture) | 96 | BRL | Jul-29 |
| Cosern | Public infrastructure bond (debenture) | 220 | BRL | Jul-29 |
| Elektro | Public infrastructure bond (debenture) | 300 | BRL | Jul-29 |
| Neoenergia Lagoa Dos Patos ⁽¹⁾ | Loan 4131 | 19 | USD | Jul-23 |
| Iberdrola Financiación | Sustainable syndicated credit facility | 2,500 | EUR | Jul-27 |
| Iberdrola Financiación ⁽³⁾ | EIB green loan | 550 | EUR | to be determined |
| Iberdrola Financiación ^{(2) (4)} | Sustainable bilateral loan | 120 | EUR | Jul-27 |
| Neoenergia Vale Do Itajaí ^{(1) (2)} | Loan 4131 | 7,619 | JPY | Jul-23 |

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

⁽²⁾ Financing expected to be drawn down in 2022.

⁽³⁾ Financing expected to be drawn down in 2023.

⁽⁴⁾ With a one-year option to extend.

The following financing extension was also arranged after 30 June 2022:

| Borrower | Transaction | Date extension signed | Millions | Currency | Option to extend | Maturity |
|------------------------|----------------|-----------------------|----------|----------|------------------|----------|
| Iberdrola Financiación | Bilateral loan | Jul-22 | 300 | EUR | | Jul-23 |

In addition, the following prepayment was made after 30 June 2022:

| Borrower | Transaction | Millions | Currency | Start date | End date | Prepayment date |
|-----------------|----------------------------|----------|----------|------------|----------|-----------------|
| Iberdrola, S.A. | Syndicated credit facility | 500 | EUR | Jun-16 | Jun-23 | Jul-22 |

The IBERDROLA Group's liquidity position, taking into account financing operations signed after 30 June 2022, totals EUR 24,963 million (Note 15).

23. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

APPENDIX

INDUSTRY REGULATION AND OPERATION OF THE ELECTRICITY AND GAS SYSTEM

Various new rules and regulations affecting the energy sector were enacted in the first half of 2022. This section addresses the most significant changes and developments.

Spain

Spanish electricity sector

Network tariffs:

- The Resolution of 16 December 2021 by the Spanish Market and Competition Commission determines the values of the tariffs to access the electricity transmission and delivery networks. This will be effective as of 1 January 2022, with an average reduction of -4.5% compared to 2021.
- RDL 6/2022 reduces tariffs for electricity-intensive customers by 80% in 2022 at the expense of the general government budget (PGE).

Electric system charges:

- Order TED /1484/2021 of 28 December 2021 sets the electricity network charges applicable from 1 January 2022 and various regulated costs of the electricity system for the financial year 2022.
- These charges were reduced by 36% by RDL 6/2022.

Protection of vulnerable consumers:

- The Supreme Court ruled on Iberdrola's appeal against the discounted rate (*Bono Social*) on 31 January 2022. The Court held that the financing system charged to distributors or parent companies of groups to which distributors belong is discriminatory and obliges financing companies to compensate for the amounts not passed on to customers.
- RDL 6/2022 introduces a new financing system for all companies operating in the electricity sector. The government is obliged to recognise the costs of all activities with regulated remuneration within six months.
- RDL 23/2021 increased the discount of the discounted rate from 25% to 60% (and from 40% to 70% for severe cases), valid until 31 March 2022. RDL 11/2022, after several extensions, extended both these discounts in the settlement of reduced rates until 31 December 2022.
- RDL 11/2022 extends until 31 December the ban on interruption of electricity, gas and water supply to those consumers who meet the conditions for vulnerable, highly vulnerable or at risk of social exclusion established during the COVID-19 pandemic.

Market intervention measures:

- Reduction of the remuneration of non-emitting plants by an amount equivalent to the increase in the gas price above EUR 20/MWh(g) (RDL 17/2021, RDL 23/2021, RDL 6/2022 and RDL 11/2022): applies to all production from non-emitting mainland plants, excluding energy committed at a fixed price below EUR 67/MWh. The difference between the MIBGAS quotation and a price of EUR 20/MWh(g) is deducted from the revenue obtained from the sale of energy. The amount collected is used to reduce charges and temporary imbalances.
- Auctions for infra-marginal, manageable and zero-emission technologies (RDL 17/2022), binding upon the dominant generation operators (Iberdrola, Endesa, Naturgy and EDP). This obligation to sell energy has not yet been developed.
- Iberian exemption (gas cap). RDL 10/2022 requires combined cycle and coal plants to make their offers based on a gas price capped at EUR 40/MWh for six months. This cap will be gradually increased to EUR 70/MWh by the end of the mechanism (by 31 May 2023 at the latest). The affected power plants will receive compensation equal to the difference between the daily gas price and the cap covering spot-indexed demand. After several weeks of consultations, the "Iberian exemption" has received the support of the European Commission.

Tax measures:

- RDL 17/2021 establishes a reduction of the Electricity Tax from 5.11% to 0.5% until 31 December 2021, with minimum rates of EUR 0.5/MWh for industry and EUR 1/MWh for the rest. After several extensions, RDL 11/2022 extends the reduced rate of the Special Tax on Electricity to 0.5% until 31 December 2022.
- RDL 12/2021 reduces VAT to 10% for consumers of < 10 kW and low-income customers. RDL 11/2022 reduces VAT to 5% from 1 July to 31 December 2022.
- RDL 12/2021 introduced a temporary suspension of the IVPEE (7%) for the third quarter of 2021. After several extensions, RDL 11/2022 extends the temporary suspension of the IVPEE until 31 December 2022. RDL 11/2022 also changes the tax base for calculating the IVPEE by specifying that the tax is levied on actual plant revenues.

Remuneration of renewables:

- RDL 6/2022 makes an extraordinary revision to remuneration parameters at 1 January 2022.
- According to RDL 6/2022, the reference price for calculating remuneration will be the OMIP future and the adjustment for price deviations in the market will no longer apply from the 2023-26 half-period.

Access and connection / Promotion of renewables:

- RDL 29/2021 extends the deadlines for meeting the interim targets set in RDL 23/2020 (obtaining the environmental impact assessment, prior administrative authorisation and administrative authorisation for construction) by nine months, though maintaining the final milestone at five years.

- RDL 6/2022 streamlines and simplifies administrative procedures (under state jurisdiction) for renewable energy projects of up to 75 MW for wind power and 150 MW for photovoltaic power in areas with low environmental impact. Priority in the environmental assessment of projects in areas with low environmental impact, regardless of their output.
- RDL 6/2022 amends the Water Act to include floating photovoltaics in the public water domain as an activity subject to administrative concession.
- RDL 6/2022 regulates the procedure for processing storage directly connected to the grid:
 - Release for self-consumption projects of 10% of the capacity of the tendered nodes.
 - Following the publication of the transmission network planning, the capacity allocation is suspended for two months (while the SO evaluates it).
 - The deadline for the ESS to tender capacity is extended by two months (it expired on 1 April). After this deadline, the capacity will not be released, but kept for later tenders.
- RDL 11/2022 amends certain aspects of the simplified processing of renewable energy projects regulated in RDL 6/2022. To be eligible, projects must only be located in low-sensitivity areas (previously low or moderate).
- RDL 11/2022 removes the maximum period for holding tenders for grid capacity (it expired on 29 June). If no tenders take place, the capacity will only be released after a decision by the ESS.

National Energy Efficiency Fund:

- Order TED/220/2022 of 16 March 2022 sets out the financial contributions to be made to the National Energy Efficiency Fund in 2022. The sector's annual contribution is set at EUR 192 million, which is equivalent to about EUR 0.26/MWh of electricity, gas or oil products. IBERDROLA contributes 8.3%, i.e. EUR 15.9 million in 2022.
- The Order also sets the value of the remuneration of the contribution costs to FNEE to be taken into account in the calculation of the Voluntary Price for the Small Consumer (VPSC) at EUR 0.26/Mwh.
- A new development is that the Order provides for the possibility of satisfying the Q42022 savings obligation in a voluntary manner through CAEs.

Gas sector

- RDL 29/2021 allows gas consumers with a consumption of more than 50,000 kWh/year to temporarily change the contracted flow rate or suspend the supply contract until 31 March 2022, as long as the price does not fall below EUR 60/Mwhg. RDL 11/2022 maintains the measures to make natural gas supply contracts more flexible until the gas price on MIBGAS is below EUR 60/MWh for ten consecutive trading sessions and until 31 December 2022 at the latest.

- RDL 6/2022 establishes the obligation to fill underground storage facilities.
- RDL 6/2022 increases the allocation for the payment of the discounted rate by EUR 75 million at the expense of the general government budget (PGE).
- RDL 17/2021 limits the increase in the gas tariff of last resort: the increase in the cost of the raw material is limited to 35% in Q4-21 and 15% in Q1-22. The difference is recovered in subsequent revisions. RDL 11/2022 maintains the 15% cap on the maximum increase in the cost of the raw material in the gas tariff of last resort in the next revisions on 1 October and 1 January 2023 (RDL 11/2022).
- RDL 11/2022 limits the maximum price for a butane gas cylinder to EUR 19.95.
- RDL 6/2022 provides for direct aid to gas-intensive companies of EUR 125 million to be charged to the general government budget, increased to EUR 250 million by Royal Decree Law 11/2022.

United Kingdom

Applicable Tariff Cap: As required by the 2018 Domestic Gas and Electricity (Tariff Cap) Act, Ofgem (Office of Gas and Electricity Markets) introduced a new default tariff cap on 1 January 2019 to protect customers on default tariffs including standard variable tariffs (SVT). The cap on these tariffs will be adjusted every six months, on 1 April and 1 October, and can be renewed annually until 2023. Ofgem is required to publish an annual review of market conditions to assess whether the cap should be extended for a further year and make a recommendation to the Department for Business, Energy and Industrial Strategy. In October 2021, Ofgem's recommendation was accepted and the current price cap was extended for one year until the end of 2022.

In February 2022, following consultations, Ofgem decided to adjust the price cap from April 2022 to March 2023 to reflect the additional costs, risks and uncertainties faced by suppliers in volatile wholesale markets. In addition, a Market Stabilisation Charge (MSC) has been introduced to mitigate the impact of a falling wholesale market on suppliers. This charge will be in place until 30 September 2022 (a further extension until March 2023 is currently being considered). In May 2022, Ofgem launched a consultation on a proposal to change the six-monthly cap to a quarterly cap with effect from 1 October 2022.

RIIO-ED2: The next five-year RIIO-ED2 price control for distribution networks runs from 1 April 2023 to 31 March 2028. Ofgem published draft RIIO-ED2 decisions on 29 June 2022. In its draft decisions, Ofgem has reduced the estimated total expenditure ("TOTEX") for the business plans of distribution network operators ("DNOs") by 17% from GBP 25.2 billion to GBP 20.9 billion. SP Energy Networks has achieved the second lowest reduction at 14%, resulting in a TOTEX of GBP 2.93 billion. Ofgem's cost-of-capital approach has not changed for the control of transmission system prices (RIIO-T2). This results in a capital cost of 4.75% based upon the most current market indices. OFGEM is considering reforms to avoid excessive profitability as a result of high inflation. The final decision will be published by 31 December 2022.

Contracts for difference (CfD): The UK government has announced the fourth Contracts for Difference (CfD) allocation round (AR4) to support renewable electricity generation from offshore and onshore wind and solar photovoltaic (PV) sources. The government announced that the auction will fund up to 12 GW of renewable generation capacity. The bidding period for

the auction ended on 15 June and the results of the auction were announced on 7 July 2022. Iberdrola's East Anglia 3 project (1,400 MW) was awarded a CfD.

The government also stated that future CfD allocation rounds will be conducted on an annual basis. This includes the fifth round which will open in March 2023.

Energy Bill: the main features of the Energy Bill announced in May 2022 are as follows: (i) the extension of the retail price cap beyond 2023, (ii) the introduction of a new obligation for fossil fuel boiler manufacturers to increase their production of heat pumps in the future; (iii) the promotion of low-emission hydrogen production by facilitating the introduction of a new business support model; (iv) the setting up of a new independent system operator to provide strategic oversight of the electricity and gas systems during the transition to Net Zero; and (v) the introduction of competition in onshore electricity networks.

United States

Infrastructure: the USD 12,000 million Jobs and Infrastructure Investment Act is currently being implemented by the Biden administration. The Act is also known as the Bipartisan Infrastructure Law (BIL) and was signed on 15 November 2021.

In the first half of 2022, the U.S. Department of Energy (DOE) proposed several BIL programmes, including: USD 8,000 million in funding to support the development of at least four regional clean hydrogen networks; a USD 2,500 million Transmission Facilitation Program (TFP) that would allow DOE to acquire capacity on proposed transmission lines as a major lessee; and USD 2,500 million that could fund network reinforcement and upgrades such as pole maintenance, burying electrical equipment, relocating power lines and improving weatherproofing.

On 18 April, the White House issued a memorandum to federal agencies explaining the Buy America requirements under BIL. This document specifies certain national requirements concerning materials used for infrastructure projects and other activities that are funded via BIL.

Offshore wind energy: on 16 May, the U.S. Department of the Interior announced a proposed sale of an offshore wind lease in California – the first seabed lease on the West Coast. The sale will include three areas in Morro Bay (central California) and the Humboldt area (northern California), with potential for 4.5 gigawatts of power on more than 370,000 acres.

The Bureau of Ocean Energy Management (BOEM) announced on 27 April that it will issue two tenders for offshore leasing off the coasts of Oregon and the Mid-Atlantic. The Mid-Atlantic tender includes six areas totalling 3.9 million acres. Oregon's tender covers 1.16 million acres and is spread over two areas.

Duties: on 6 June, President Biden issued an Executive Order to suspend duties on solar panels and modules from Cambodia, Malaysia, Thailand and Vietnam, for a period of 24 months. This move was prompted by an investigation that the Department of Commerce launched on 28 March into the possible Chinese origin of solar energy equipment from these countries. The investigation is still ongoing, but regardless of the outcome of the investigation, it is not possible to impose new duties during this 24-month period.

FERC: the Federal Energy Regulatory Commission unanimously approved a legislative proposal on 16 June aimed at speeding up the current grid connection process for new power

generation facilities, primarily wind and solar. The proposal seeks to eliminate delays in grid connections procedures, provide more certainty, and avoid undue discrimination against new generation.

On 21 April, FERC voted 4 to 1 in favour of a proposed regulation regarding transmission planning and cost allocation. The proposal calls for transmission network owners to undertake long-term planning (at minimum 20 years) that considers future generation mixes, in particular renewables.

NY – Implementation of CLCPA targets: between January and March 2022, NYSEG applied to the New York Public Power Supply Commission (NYPSC) for approval of a USD 3,150 million investment to increase grid capacity by 4.8 GW to facilitate renewable energy interconnection starting in 2025 and help meet NY Climate Change Act (CLCPA) goals.

ME – Withdrawal of 100 basis point adjustment in ROE: in February 2022, the Maine Public Utility Commission (MPUC) withdrew the -100 basis point ROE adjustment for CMP after being satisfied that the company was meeting utility quality and customer service targets.

CT – Innovative Energy Solutions Program: in April 2022, the Connecticut Public Utilities Regulatory Authority (PURA) announced the launch of the Innovative Energy Solutions (IES) programme, which will provide USD 89.6 million from 2023-26 to develop projects to modernise the electric grid and develop innovative products and services for customers.

ME – New service standards: as of May 2022, new legislation has been passed to ensure that businesses provide a high level of service quality. This law requires that new metrics be developed to monitor grid reliability, the quality offered to customers and the connection of distributed generation. It also stipulates that fines imposed for non-compliance with these standards will be distributed to low-income customers.

NY – Bill credits: in June 2022, the governor of NY announced the approval of a plan to reduce late payments by low-income customers. The outstanding debt owed to utilities by these customers increased significantly during the COVID-19 pandemic. The total amount of unpaid electricity bills for electricity distribution in New York State is USD 590 million. This includes USD 50 million owed to NYSEG and RGE. One of the measures was the approval of a USD 250 million line item in the state general budget to finance part of this debt (USD 16 million for NYSEG and RGE). The plan also authorises the companies to recover the remaining amounts through a surcharge in the coming years.

Mexico

Reform to amend the Electricity Industry Law: in March 2021, the Reform to the Electricity Industry Law (LIE) was published. It is currently suspended due to legal proceedings brought by individuals against it and the granting of precautionary measures by specialised courts. On 22 February 2022, the Supreme Court ordered the collegiate circuit courts (*Tribunales Colegiados*) to suspend the decision on the appeals on the constitutionality of the LIE reform until a decision was reached on the constitutional appeals of the Government of Colima and COFECE and the action for the protection of constitutional rights by a group of senators against the reform. On 7 April 2022, the Supreme Court ruled on the constitutional action. It decided not to declare the reform unconstitutional. Consequently, the specialised courts will continue to handle the lawsuits filed. The Supreme Court of the Nation declared in the sessions of 18 and 19 April 2022 that the reform did not affect the jurisdiction of COFECE or the Government of Colima, so it ruled to dismiss the constitutional challenges. As of today, however, more than 162 appeals have been filed and 141 final stays granted, making it difficult to implement the LIE reform.

Constitutional reform in electricity matters: on 30 September 2021, the Executive sent to Congress an initiative to reform the political constitution in the electricity sector mainly to make the CFE the only company that can sell energy to end customers (sales monopoly), reducing the role of private companies to mere energy suppliers for the CFE (purchasing monopoly), and abolishing the regulatory authority (CRE) and integrating the network operator (CENACE) into the CFE. In its non-binding opinion to the Chamber of Deputies and the Senate, the Federal Competition Commission (COFECCE) recommended against approving the initiative due to its negative impact on consumers and competition in the sector. The initiative was not approved by the Chamber of Deputies, as it did not receive a qualified majority of votes. A total of 275 deputies voted in favour, 223 voted against (out of a total of 498 present).

SISTRANGAS Security of Supply Strategy: on 13 June, the Ministry of Energy (SENER) published the “Security of Supply Strategy to Optimise the Capacity of the Integrated National Natural Gas Transmission and Storage System (SISTRANGAS)”. This document calls on the Energy Regulatory Commission (CRE) and instructs the National Natural Gas Control Centre (CENAGAS) to ensure that users of natural gas transportation in SISTRANGAS, or private pipelines connected to SISTRANGAS (marketers and end users), confirm that the natural gas supply is derived from the reserved capacity of the Federal Electricity Commission (CFE) or Petróleos Mexicanos (Pemex).

Consequently, CENAGAS has given users 60 days to confirm this requirement and thus the lawful origin of the molecule. Otherwise, the transport permits issued will be cancelled.

The security of supply strategy to optimise SISTRANGAS capacities has no impact on the operation of the combined cycle and cogeneration plants that Iberdrola Mexico has in operation, as all natural gas supply contracts are entered into with CFE or PEMEX.

Sanction of CRE against the Dulces Nombres power plant: on 25 May 2022, the Energy Regulatory Commission (CRE) adopted Resolution RES /466/2022 imposing an administrative sanction of MXN 9,145 million, approximately USD 467 million, against Iberdrola Energía Monterrey, S.A. de C.V. as holder of self-supply permit E/205/AUT/2002 in connection with the Dulces Nombres power plant in Monterrey, Mexico. The CRE imposed the sanction on the grounds that Iberdrola sold energy to its self-supply partners. Iberdrola Mexico challenged this measure through a legal action (*amparo*) and obtained precautionary measures from the competent judge preventing the application of the sanction until the facts of the case were clarified.

Mexico's commitments on energy and climate action: on 17 June 2022, during the Major Economies Forum on Energy and Climate, the Mexican President presented a ten-point list of actions his government will take to combat climate change. The measures announced include the following: increasing the capacity of existing hydroelectric plants; reducing methane emissions from oil exploration and production; committing that 50% of vehicles produced in Mexico will be emission-free by 2030; construction of a solar park of more than 1,000 MW by CFE; agreement with US companies to attract renewable energy investments equivalent to 1,854 MW; and ensuring that 35% of electricity generation will come from clean energy sources by 2024.

Brazil

Legal framework for Decentralised Micro and Mini Generation: on 7 January, Law No. 14.300/2022 was published, establishing the legal framework for Decentralised Mini and Micro Generation (MMGD). It was established that the plants that already have MMGD and those that join within 12 months of the publication of this law will benefit from the current regime until December 2045. For consumers joining after 12 months, a transitional arrangement is provided whereby progressive instalments are collected every year until full collection of tariff components to remunerate distributors (TUSD Fio B) is achieved in 2029. During the transition, there will be a subsidy with funds from the Energy Development Account (CDE). Lastly, it was determined that the over-contracting of distributors resulting from consumers opting for decentralised micro and mini generation will be considered an involuntary contract risk.

Water Shortage Account: on 14 January, Decree No. 10.939/2022 was published, authorising the creation of a Water Shortage Account by the Chamber of Commerce for Electricity (CCEE). The purpose of this account is to receive funds to cover the additional costs related to water shortages for distribution companies, as well as the deferrals established in recent tariff processes due to macroeconomic issues such as inflation, exchange rates, and high international fuel prices. On 18 March, ANEEL established the criteria and procedures for managing the account and in April (1st transfer) a total of BRL 371.6 million was released to Neoenergia's distributors.

Legal Framework for Offshore Generation: Decree No. 10.946/2022 was published on 25 January. It regulates the assignment of the use of physical spaces and the exploitation of natural resources in the internal waters of Union territory, in the territorial sea, in the exclusive economic zone and on the continental shelf for energy production by an offshore company. The approval of the Ministry of Mines and Energy (MME) is required for the use of such energy production, through a transfer of use contract. If the purpose is to operate an energy production facility, this contract may be onerous. However, if the purpose is to carry out research and technological development activities, the contract is free of charge. The decree took effect on 15 June 2022 and the supplementary regulations will be issued by the MME within 180 days of that date.

WACC update – 2022: updated WACC values for the generation, transmission and distribution businesses were published on 23 February. The WACC to be applied to distributors in 2022 will be 7.15% (exact value: 7.1461%), while in 2021 it was approximately 7.02%; for transmission companies and contributing plants it will be 6.93% (exact value: 6.9302%), while in 2021 it was approximately 6.76%. The fixed tariffs will be used in the processes taking place during the period spanning March 2022 to February 2023. The update of these values will directly affect only one reinforcement of the Extremoz II Block for the Neoenergia group. The result of the revenue review process will come into effect from July 2022.

Water Shortage Charge: in April, The Electricity Sector Monitoring Committee (CMSE) ruled that the water scarcity charge would no longer be applied as of 16 April. The Chamber for Hydropower Exceptions (CREG) had previously introduced this charge to cover the additional costs of combating water scarcity.

Tariff adjustment at Neoenergia Coelba and Neoenergia Cosern: in April, ANEEL's Board of Directors published the tariff adjustment for COELBA and COSERN, effective as of 22 April 2022. The average impact for Coelba consumers is 21.13% (20.54% for high and medium voltage and 21.35% for low voltage) and for COSERN 20.36% (19.75% for high and medium voltage and 20.55% for low voltage).

Tariff adjustment at Neoenergia Pernambuco: in April, ANEEL's Board of Directors published the tariff adjustment for Neoenergia Pernambuco, effective as of 29 April 2022. The average impact for consumers is 18.98% (19.01% for high and medium voltage and 18.96% for low voltage).

New "A-4" energy auction: the A-4 2022 New Energy Auction was held on 27 May, with the aim of contracting energy from hydropower, wind power, photovoltaic and biomass thermal power projects. Supply is set to begin in January 2026. As a result of the bidding process, 29 projects were awarded a total installed capacity of 950 MW and an average contracted energy volume of 237.5 MW.

Cap on ICMS in essential services: on 23 June, the government published Supplementary Law no. 194/2022, which set a cap on the rate of ICMS taxation in the fuel, gas, electric power, communications and public transport sectors. The tax rate for these essential services is capped at 18%.

ICMS credits at PIS and Cofins: the refund of taxes overpaid by public electricity distribution service providers as a result of the application of the ICMS on the calculation basis of PIS and Cofins was regulated by Law No. 14,385/2022, published on 28 June. The approved text maintained the full provision of credits in favour of public service users and the possibility for ANEEL to carry out an extraordinary tariff review (RTE) to make the refund.

Transfer Auction No. 1/2022: Transmission Auction No. 1/2022 was held on 30 June, with 13 lots sold at an average discount of 46.16%. Neoenergia acquired two lots: (i) Lot 2: for the construction of a substation and transmission lines in the states of Minas Gerais and São Paulo, with a bid value of BRL 360 million (a 50% discount), an estimated investment of BRL 4,940 million and an execution period of 60 months; and (ii) Lot 11: a substation and transmission lines in the State of Mato Grosso do Sul, with a bid value of BRL 38.2 million (a 45.74% discount), an estimated investment of BRL 500 million and an execution period of 48 months. ANEEL is scheduled to approve the auction on 23 August, and the concession contracts are expected to be signed on 30 September.

European Union

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

European Commission Communication (2022/C 80/01) on new State aid guidelines for environmental protection and energy was published in the Official Journal of the European Union of 18 February 2022. These Guidelines update the state aid framework, to help Member States achieve their greenhouse gas emission reduction targets of 55% by 2030, in line with the Green Deal legislative package, and of becoming carbon neutral by 2050.

The new Guidelines broaden the range of investments and activities that governments can support to decarbonise the EU. This includes not only investments in renewable energy but also all areas of the Green Deal package such as energy efficiency (industrial processes, buildings, etc.), electrification of transport, biodiversity, environmental clean-up and other measures.

Support for measures can be up to 100% of the required funds, with the use of competitive and transparently allocated instruments encouraged in all cases. Reductions in charges for electricity-intensive consumers are foreseen to avoid relocation of activities. Lastly, the granting of aid for fossil fuels – gas – will become subject to stricter requirements.

ACER Final assessment of the EU Wholesale Electricity Market Design

On 29 April 2022, the Agency for the Cooperation of European Regulators (ACER) published its final assessment of the wholesale electricity market design, responding to the request of the European Council of October 2021.

The main conclusion of the review is that the European market is functioning effectively. The evidence suggests that the EU internal market is already delivering significant benefits, estimated at EUR 34 billion per year. Meanwhile, the planned improvements in market integration could deliver further benefits of EUR 300 billion. Therefore, it is of the opinion that:

- a. The future of the energy transition and the achievements made so far must not be compromised by measures taken to address the current crisis. It does not call for specific intervention measures, although it argues that these should be adopted in a coordinated manner by all Member States and that the focus should be on the source of the problem – gas.
- b. In any event, the current market crisis has revealed some weaknesses in the market design. These can be strengthened with specific measures that do not distort the market.

REPowerEU Communication

On 8 March 2022, the European Commission adopted Communication COM(2022) 108 REPowerEU, in a bid to mitigate the impact of the ongoing Ukraine crisis on energy markets. In view of the exceptional events currently unfolding, the Commission has analysed various instruments and conditions for state intervention in energy markets, as well as ways to support consumers. It also noted the need to increase the EU's energy independence by transitioning away from Russian gas and instead relying mostly on non-fossil fuel sources.

A few days later, on 23 March 2022, the European Commission released the following three documents ahead of the extraordinary European Council meeting held on 24 and 25 March:

- a. Communication COM(2022) 138 on security of supply and affordable energy prices, examining the possibilities for public intervention in markets and the impact this would have.
- b. Communication 2022/C 131 I/01, establishing a temporary and specific State aid regime in the context of the current Ukraine crisis.
- c. Proposal to reform Regulation (EU) 2017/1938 on security of gas supply to set minimum gas storage levels (80-90%) at the beginning of the winter season.

On 24 and 25 March, the European Council called on the Commission to present a plan to achieve independence from Russian gas imports and to analyse the options of its Communication COM(2022) 138, with the aim of proposing short- and long-term measures to adapt the electricity market to the new circumstances.

The Commission responded to these mandates on 18 May 2022. Communication COM(2022) 230 on the REPowerEU Plan sets out a plan for achieving independence from Russian gas by accelerating the energy transition and joining forces at the EU level to achieve a more resilient and integrated electricity system. This is complemented by various policy proposals and other documents.

- a. Specifically, the plan envisions four main lines of action: (a) energy saving, (b) diversification of gas supply, (c) replacing fossil fuels with renewable energy, and (d) identifying the investments and resources needed to make the plan feasible.

- b. Because of their practical effect, the following measures are especially important:
 - i. Mass deployment of solar PV on buildings in the coming years, as well as heat pumps.
 - ii. Deployment of renewable hydrogen in industry, mainly supported by more ambitious binding targets and Recovery and Innovation funds.
 - iii. Speeding up administrative approval procedures for renewable energy.

The Commission's proposals on the adaptation of the electricity market are set out in its Communication COM(2022) 236 on short-term energy market interventions and long-term improvements. After consulting with stakeholders, the Commission has concluded that they favour fiscal measures that focus heavily on helping low-income residential consumers. Stakeholders prefer that any intervention be focused on the gas market ahead of the electricity market.

To offset the effects of high electricity prices in the short term, the Commission recommends focusing on less interventionist measures. Any short-term interventions should be limited in time and not extend beyond the next winter season, ending on 1 May 2023. In this context, the Commission outlines possible short-term measures for the gas market (to address the causes of the crisis) and the electricity market, as well as preparations for a disruption of Russian gas supplies.

Lastly, the Commission offers possible long-term solutions to reform the electricity industry. This takes into account the ACER Market Report and continues to focus on consumer protection, ensuring this is compatible with security of supply and the energy transition.

Regulation on Trans-European Energy Infrastructures TEN-E

The Official Journal of the European Union of 3 June 2022 published Regulation (EU) 2022/869 of 30 May 2022, on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944 and repealing Regulation (EU) No 347/2013. This Regulation amends the EU rules on interconnections and other infrastructure necessary for European market integration. In particular, it updates the conditions for their inclusion in the list of projects of common interest eligible for more favourable treatment and specific support from European funds.

New rules for gas storage

On 30 June 2022, Regulation (EU) 2022/1032 of 29 June 2022, amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage, was published in the Official Journal of the European Union, in response to the ongoing Ukraine crisis and the discussions that took place during the European Council meeting held on 24-25 March.

This regulation requires all underground storage facilities located in each Member State to be filled to at least 90% of their capacity by 1 November each year (80% in 2022).

Revision of the Energy Charter Treaty

The Energy Charter Treaty is a multilateral agreement that provides a framework for cooperative action among its 53 signatory states. The Treaty's objectives are to promote trade, protect investment and facilitate the resolution of disputes between investors and states.

On 24 June 2022, the negotiations to update the treaty (which no longer includes investments in fossil fuel assets) were completed. The Treaty will no longer apply to entities that do not have a direct link to the facilities and to investors operating in the same economic area as the state being challenged.

If the parties do not withdraw from the agreement, the new Treaty will be formally adopted in November.

**CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30
JUNE 2022**

1. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

1.1 Currency performance

In the first half of 2022, the average exchange rates of IBERDROLA's main reference currencies, namely the pound sterling, the US dollar and the Brazilian real, appreciated against the euro by 3.5%, 9.8% and 17.2%, respectively, thus pushing up EBITDA by EUR 381 million.

1.2 Demand

Demand in the period was affected by the COVID-19 crisis across all of the Company's main areas:

- Notably, the energy balance of the Iberian mainland system in the first half of 2022 saw an increase in combined cycle (86.9%), coal (100%), solar (32.7%) and nuclear (3.4%) production compared to the same period of the previous year, in order to compensate for the reduction in hydroelectric (45%) and wind (2.7%) production.

In the first half of 2022, demand fell by 1.8% on the previous year, or 2.7% when adjusted for labour and temperature factors.

The first half of 2022 ended with a hydro producer index of 0.5 and hydro reserves at 39.5%, compared to 1.0 and 56.2% respectively in the first half of 2021.

- In the United Kingdom, electricity demand was down 3% on the same period of 2021, while gas demand among customers fell by 9.9%.
- In the area in which AVANGRID operates on the east coast of the United States, electricity demand was up 0.1%, while gas demand was up 6.2% when compared with 2021.
- Demand in Neoenergía's areas of operation in Brazil was on a par with 2021, and energy distributed by Neoenergía was up 2.9%, thanks to the inclusion of Neoenergía Brasília since March 2021.

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

IBERDROLA continues to pursue a strategy of expanding its global presence in the renewable energy sector and securing growth in the medium and long term. On 17 January 2022, the Company was awarded three seabed sites in Scotland where it will develop 7,000 MW of offshore wind energy, of which 2,000 MW (Machair Wind) will be 100% owned by Iberdrola, in the form of fixed offshore wind turbines. The other 5,000 MW (Marram Wind and Campion Wind), 50% owned by Shell, will be in the form of floating offshore turbines.

The renewable business is focused on developing offshore wind projects in the UK, specifically the East Anglia projects in the North Sea. East Anglia 3, a 1,400 MW project that won a contract for difference (CfD) in the last auction for such contracts in the UK, will now join the East Anglia 1 offshore wind farm, which continues to supply energy to the national grid and is currently selling off certain transmission assets. The next step is to take the Final Investment Decision (FID), for which the HVDC export marine cable contract has been awarded, with key onshore works commencing in the third quarter of 2022. Lastly, on 31 March 2022, the UK Department for Business, Energy and Industrial Strategy authorised the development of the East Anglia 1 North and East Anglia 2 offshore wind projects. These projects are currently at an advanced stage of engineering and design.

1.4 Key operating figures

• Installed capacity

At the end of the first half of 2022, the IBERDROLA Group had 56,740 MW of installed capacity, a net 1,189 MW more than at year-end 2021. At 30 June 2022, IBERDROLA's emission-free capacity reached 69.2% of total capacity (consolidated, 39,172 MW), compared to 69.5% at the end of 2021.

Installed capacity by technology and geographic region is as follows:

| By technology | 30.06.2022 | | | 31.12.2021 | | | Chg. Consolidated MW |
|-------------------------|------------------------------|--------------------------|---------------|------------------------------|--------------------------|---------------|----------------------|
| | Consolidated in EBITDA terms | Managed by investees (*) | Total | Consolidated in EBITDA terms | Managed by investees (*) | Total | |
| Renewable energy | 36,094 | 2,717 | 38,811 | 35,419 | 2,717 | 38,136 | 675 |
| Onshore wind | 19,278 | 509 | 19,787 | 18,971 | 509 | 19,480 | 307 |
| Offshore wind | 1,258 | — | 1,258 | 1,258 | — | 1,258 | — |
| Hydroelectric | 11,654 | 2,194 | 13,848 | 11,654 | 2,194 | 13,848 | — |
| Mini hydroelectric | 270 | 2 | 272 | 283 | 2 | 285 | (13) |
| Solar and other | 3,436 | 12 | 3,448 | 3,060 | 12 | 3,072 | 376 |
| Batteries | 198 | — | 198 | 193 | — | 193 | 5 |
| Thermal | 20,646 | 51 | 20,697 | 20,132 | 51 | 20,183 | 514 |
| Nuclear | 3,177 | — | 3,177 | 3,177 | — | 3,177 | — |
| Gas combined cycles | 16,335 | — | 16,335 | 15,821 | — | 15,821 | 514 |
| Cogeneration | 1,134 | 51 | 1,185 | 1,134 | 51 | 1,185 | — |
| Total power (MW) | 56,740 | 2,768 | 59,508 | 55,551 | 2,768 | 58,319 | 1,189 |

| By country | 30.06.2022 | | | 31.12.2021 | | | Chg. Consolidated MW |
|-------------------------|------------------------------|--------------------------|---------------|------------------------------|--------------------------|---------------|----------------------|
| | Consolidated in EBITDA terms | Managed by investees (*) | Total | Consolidated in EBITDA terms | Managed by investees (*) | Total | |
| Spain | 28,280 | 311 | 28,591 | 28,117 | 311 | 28,428 | 163 |
| United Kingdom | 2,993 | 15 | 3,008 | 2,993 | 15 | 3,008 | — |
| United States | 9,090 | 248 | 9,338 | 8,898 | 248 | 9,146 | 192 |
| Mexico | 11,197 | — | 11,197 | 10,683 | — | 10,683 | 514 |
| Brazil | 2,565 | 2,194 | 4,759 | 2,353 | 2,194 | 4,547 | 212 |
| IEI | 2,615 | — | 2,615 | 2,506 | — | 2,506 | 109 |
| Total power (MW) | 56,740 | 2,768 | 59,508 | 55,550 | 2,768 | 58,318 | 1,190 |

(*) Includes the proportional part of MW.

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

Also, there are 13 MW of installed fuel cell capacity in the United States that are not included in the tables above.

Changes in installed capacity are as follows:

- In Spain:
 - A total of 13 MW were divested: 4 MW in the mini-hydropower plants through the sale of Rio Francia, Ambasaguas, Puente Congosto and Vegacervera and 9 MW through the sale of Josefina, San Miguel, Villabañez, Conchita, Valdestillas, Cabildo, Pesqueruela and Cardiel, in Valladolid, which are part of a divestment agreement for a lot of 28 MW to be completed in the third quarter.
 - The new installed capacity amounts to 176 MW, corresponding to: the Martín de la Jaral wind farm (36 MW); the Francisco Pizarro (37 MW), Almaraz I (50 MW), Revilla-Vallejera (48 MW) solar photovoltaic plants; and the Urkilla battery (5 MW).
- In the United States, 192 MW were installed at the Midland wind farm (52 MW) and 140 MW at the Lundhill (67 MW) and Montague (73 MW) solar power plants.
- In Brazil, 212 MW were installed at the Oitis wind complex (a total of 187 MW) and at the Luzia 2 solar plant (25 MW).
- Iberdrola Energía Internacional increased its capacity by 109 MW: the Mikronoros wind farm (21 MW) in Greece; the Algeruz II (18 MW) and Conde (13.5 MW) solar plants in Portugal; the Montalto di Castro (3 MW) solar plant in Italy; and Port Augusta (53.5 MW) in Australia.
- In Mexico, installation of the Tamazunchale II combined cycle power plant (514 MW) was completed.
- **Production**

In the first half of 2022, the IBERDROLA Group's total production was down 1% to 75,616 GWh (76,523 GWh in the first half of 2021).

Production by technology and geographic region is as follows:

| | 30.06.2022 | | | 30.06.2021 | | | |
|-----------------------------------|------------------------------------|-----------------------------|---------------|------------------------------------|-----------------------------|---------------|----------------------------|
| | Consolidated in EBITDA terms | Managed by investees (*) | Total | Consolidated in EBITDA terms | Managed by investees (*) | Total | Chg. (%) – consolidated |
| By technology | | | | | | | |
| Renewable energy | 33,041 | 7,479 | 40,520 | 34,960 | 6,171 | 41,131 | 5.5 |
| Onshore wind | 22,803 | 597 | 23,400 | 20,787 | 484 | 21,271 | 9.7 |
| Offshore wind | 2,300 | — | 2,300 | 2,262 | — | 2,262 | 1.7 |
| Hydroelectric | 5,851 | 6,864 | 12,715 | 10,269 | 5,673 | 15,942 | (43.0) |
| Mini hydroelectric | 230 | 4 | 234 | 399 | — | 399 | (42.4) |
| Solar and other | 1,857 | 14 | 1,871 | 1,243 | 14 | 1,257 | 49.4 |
| Thermal | 42,575 | 122 | 42,697 | 41,563 | 165 | 41,728 | 2.4 |
| Nuclear | 11,505 | — | 11,505 | 11,575 | — | 11,575 | 0.6 |
| Gas combined cycles | 28,490 | — | 28,490 | 26,885 | — | 26,885 | 6.0 |
| Cogeneration | 2,580 | 122 | 2,702 | 3,103 | 165 | 3,268 | (16.9) |
| Total production (GWh) | 75,616 | 7,601 | 83,217 | 76,523 | 6,336 | 82,859 | (1.2) |

| By country | 30.06.2022 | | | 30.06.2021 | | | Chg. (%) – consolidated |
|-------------------------------|------------------------------|--------------------------|---------------|------------------------------|--------------------------|---------------|-------------------------|
| | Consolidated in EBITDA terms | Managed by investees (*) | Total | Consolidated in EBITDA terms | Managed by investees (*) | Total | |
| Spain | 27,065 | 401 | 27,466 | 31,050 | 371 | 31,421 | (12.8) |
| United Kingdom | 4,148 | 3 | 4,151 | 3,371 | 6 | 3,377 | 23.0 |
| United States | 11,466 | 333 | 11,799 | 11,471 | 286 | 11,757 | — |
| Mexico | 27,887 | — | 27,887 | 25,573 | — | 25,573 | 9.0 |
| Brazil | 2,597 | 6,864 | 9,461 | 2,986 | 5,673 | 8,659 | (13.0) |
| IEI | 2,453 | — | 2,453 | 2,072 | — | 2,072 | 18.4 |
| Total production (GWh) | 75,616 | 7,601 | 83,217 | 76,523 | 6,336 | 82,859 | (1.2) |

(*) Includes the proportional part of MW.

- **Retail supply**

- Spain

Iberdrola's electricity sales in the first half of 2022 were down 8.6%, as a result of lower spot sales, and are distributed as follows:

| Spain | 30.06.2022 | 30.06.2021 | Change (%) |
|-------------------------------------|---------------|---------------|--------------|
| Open market | 32,443 | 29,889 | 8.5 |
| Voluntary Price for Small Consumers | 3,675 | 4,497 | (18) |
| Other markets | 10,205 | 16,306 | (37.4) |
| Electricity sales (GWh) | 46,323 | 50,692 | (8.6) |

(*) From 1 January 2022, Iberdrola Energía Internacional (IEI) electricity and gas sales are included in Spain. The figures for the first half of 2021 have been adapted for comparative purposes.

In gas, Iberdrola managed a balance of 1.43 bcm in the first half of the year, of which 0.02 bcm was sold in wholesale operations, 0.85 bcm was sold to end customers and 0.56 bcm was used for electricity production.

From 1 January 2022, Iberdrola Energía Internacional electricity sales and gas management are included in Spain. Electricity sales are presented in power plant busbars and gas sales without deduction of shrinkage.

- United Kingdom

In the period ended 30 June 2022, 9,919 GWh of electricity and 13,838 GWh of gas were supplied to customers, 0.2% more and 13% less, respectively, than in the same period of 2021.

– Mexico

Electricity sales in the first half of 2022 amounted to 28,988 GWh, up 15% on the same period of 2021, with the following breakdown:

| Mexico | 30.06.2022 | 30.06.2021 | Change (%) |
|--------------------------------|---------------|---------------|-------------|
| CFE | 19,367 | 16,401 | 18.1 |
| Private | 9,621 | 8,769 | 9.7 |
| Electricity sales (GWh) | 28,988 | 25,170 | 15.2 |

– Brazil

Electricity sales in the first half of 2022 amounted to 8,047 GWh, up 10% on the same period of 2021, with the following breakdown:

| Brazil | 30.06.2022 | 30.06.2021 | Change (%) |
|--------------------------------|--------------|--------------|-------------|
| PPA | 5,158 | 5,157 | 0.0 |
| Open market | 2,889 | 2,137 | 35.2 |
| Electricity sales (GWh) | 8,047 | 7,294 | 10.3 |

• Distribution

In the first half of 2022, electricity distributed by the Group amounted to 118,333 GWh, down 0.6% on the same period of 2021. Gas distribution increased by 6.2% to 38,395 GWh.

The breakdown by geographic region is as follows:

| | 30.06.2022 | 30.06.2021 | Change (%) |
|---|----------------|----------------|------------|
| Spain | 45,118 | 45,345 | (0.5) |
| United Kingdom | 15,919 | 16,263 | (2.1) |
| United States | 18,997 | 18,992 | — |
| Brazil ⁽²⁾ | 38,299 | 38,443 | 0.4 |
| Total electrical distribution (GWh) ⁽¹⁾ | 118,333 | 119,043 | 0.6 |
| United States | 38,395 | 36,137 | 6.2 |
| Total gas distribution (GWh) | 38,395 | 36,137 | 6.2 |

⁽¹⁾ Reported in power station busbars.

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

Electricity and gas supply points increased 1.2% against June 2021 to number over 34 million, thanks to organic growth across all geographies.

| Millions | 30.06.2022 | 30.06.2021 | Change (%) |
|------------------------------------|--------------|--------------|------------|
| Spain | 11.32 | 11.25 | 0.6 |
| United Kingdom | 3.55 | 3.54 | 0.3 |
| United States | 2.31 | 2.30 | 0.4 |
| Brazil | 15.88 | 15.55 | 2.1 |
| Total electricity | 33.06 | 32.64 | 1.3 |
| United States | 1.03 | 1.03 | — |
| Total gas | 1.03 | 1.03 | — |
| Total supply points managed | 34.09 | 33.67 | 1.2 |

1.5 Key figures of the consolidated income statement

Key figures for the first half of 2022 are as follows:

| Millions of euros | 30.06.2022 | 30.06.2021 | Change (%) |
|--|------------|------------|------------|
| Gross income | 9,869 | 8,506 | 16.0 |
| Gross operating profit – EBITDA | 6,444 | 5,444 | 18.4 |
| Net operating profit – EBIT | 3,922 | 3,242 | 21.0 |
| Net profit for the period attributable to the parent | 2,075 | 1,531 | 35.5 |

1.5.1 Gross income

Gross income stood at EUR 9,869 million, up 16% on the same period in 2021 (EUR 8,506 million). The average exchange rate effect has increased this item by EUR 581 million. Stripping out this impact, gross income would be up 9.2%.

Networks business

The Networks business saw growth in its asset base across all geographies, with particularly strong growth in the United States and Brazil thanks to tariff revisions, despite higher inflation.

Gross income at the Networks business was up 24.8% on the first half of 2021 to reach EUR 5,063 million:

- In Spain, IBERDROLA's gross income fell by 21.3% to EUR 788 million. This was mainly due to the extraordinary effect in 2021 of Order 490/2022, enforcing Supreme Court ruling 481/2020 on detriment to the public interest, under the maximum public interest detriment scenario. According to IBERDROLA's criterion, this presents calculation and methodology errors, which gives rise to a negative impact of EUR 195 million and positive re-settlements from previous years booked in the first half of 2021 in the amount of EUR 22 million.
- The United Kingdom increased its contribution by 6.6% to EUR 728 million due to a larger asset base in the distribution business as a result of investments.
- In the United States, the contribution to gross income increased by 49.7% to EUR 2,187.6 million in the reporting period, driven by an increase in the asset base thanks to higher investment and the extraordinary positive effect of the recognition under IFRS of costs incurred in the past due to severe weather in New York State (EUR +443 million).
- Gross income in Brazil increased to EUR 1,359.3 million (+49.1%) due to the positive effects of tariff adjustments and inflation on distribution companies (EUR 223 million).

Liberalised business

Gross income in the Liberalised business was down 3.5% on the first half of 2021 to EUR 1,951 million.

The Liberalised business reflects the positive impact of court rulings in Spain, which more than offset the lower hydroelectric production in the period and the negative effect of the high electricity market prices on retail supply in Spain and the United Kingdom, as the higher supply costs were not passed on to customers.

- In Spain, the Liberalised business fell by 9% to EUR 1,032 million, due to high market prices and the fixed price policy under which the Group operates, as well as lower production with hydro and nuclear technologies.

From 2022, the Liberalised business in Spain includes Liberalised Internacional, following the sale of Iberdrola Clientes Internacional and its subsidiaries by Iberdrola Energía Internacional to Iberdrola Energía España.

- In the UK, it decreased by (23.7)% to EUR 348 million, due to higher procurement costs resulting from higher market prices than those included in the standard variable tariffs (SVT). Business is recovering as expected, as the SVT was raised in April and will be raised again in October.
- Brazil contributed EUR 106 million, mainly thanks to the improved performance of the Termopernambuco combined cycle plant, which purchases energy at lower prices to meet its contract with distributors, given the shutdowns due to gas supply constraints so far this year.
- Gross income in Mexico increased by 22.4% to EUR 465 million, thanks to the positive impact of the cold snap in Texas in the first quarter of last year.

Renewables business

Gross income at the Renewables business was up 19.7% on the first half of 2021 to EUR 2,879 million.

The contribution made by the Renewable Energy business was a result of newly installed renewable energy capacity (+3,350 MW compared to the end of June 2021).

- In Spain, it grew by 21.2% due to the higher contribution of wind and photovoltaic technology following the commissioning of new plants.
- In the United Kingdom, the contribution grew by 28.4% to EUR 597 million thanks to the higher contribution of onshore wind, where production increased following the normalisation of the load factor compared to the first half of 2021.

- The contribution from the United States amounted to EUR 538 million (+0.6%), influenced by the extraordinary positive effect of the cold snap in Texas in the first half of 2021 (EUR 93 million), the increase in production due to the newly installed renewable wind and solar capacity and the improvement in the wind load factor during the period.
- Mexico contributed EUR 105 million, an improvement of 25.0% thanks to a better wind and photovoltaic load factor.
- Brazil delivered EUR 96 million, 41.2% higher than in 2021 thanks to an increase in average operating power.
- Iberdrola Energía Internacional's contribution to gross income increased by 31.1% to EUR 312 million, due to higher contributions from wind energy, both onshore and offshore, in all regions.

1.5.2 Gross operating profit – EBITDA

Gross operating profit (EBITDA) for the first half of 2022 was up EUR 1,000 million (+18.4%) to reach EUR 6,444 million (H1 2021: EUR 5,444 million). The exchange rate effect is positive at EUR 381 million.

In addition to the performance in gross income explained above, net operating expenses increased by 17.6% to EUR 2,492 million, influenced by the exchange rate (EUR 156 million). Stripping out this effect, operating expenses would have increased by 10.2%, due to the growth of the Group's business areas.

The number of employees increased by 4.6%, mainly due to the acquisition of Neoenergia Distribuição Brasília in March 2021. This was offset by the reversal of a provision for pensions in the US Networks business, which had a positive impact of EUR 73 million on net operating costs.

Taxes fell by 11% to EUR 933 million, compared to EUR 942 million in the same period of 2021. Stripping out the impacts of exchange rates, which improve the item by EUR 44 million, the decrease would be EUR 35 million. This is thanks to the positive effect of a favourable Supreme Court ruling on the discounted rate and lower taxes resulting from the fiscal measures for energy sustainability of Law 15/2012. These measures include the lower hydroelectric tax due to lower production with this technology.

1.5.3 Net operating profit – EBIT

Net operating profit – EBIT came to EUR 3,922 million, up 21% on the first half of 2021 (EUR 3,242 million). The exchange rate effect is positive at EUR 251 million.

Amortisation, depreciation, provisions and impairment losses on trade receivables and contract assets increased by EUR 320 million. The exchange rate effect reduced these items by EUR 130 million, while the Group's increased business activity increased them by EUR 190 million:

- Amortisation, depreciation and provisions were up EUR 260 million to EUR 2,291 million, compared to EUR 2,031 million in 2021.
- Impairment losses on trade receivables and contract assets were up EUR 60 million to EUR 231 million.

1.5.4 Net finance cost

The net finance cost increased by EUR 443 million to reach EUR 916 million (H1 2021: EUR 473 million), bringing the average cost of adjusted net financial debt to 4.41% (H1 2021: 3.38%). The breakdown of items in said variation is as follows:

| Millions of euros | 30.06.2022 | 30.06.2021 | Change |
|------------------------|--------------|--------------|--------------|
| Gains/(losses) on debt | (887) | (596) | (291) |
| Derivatives and other | (29) | 123 | (152) |
| Total | (916) | (473) | (443) |

The change can be largely explained by:

- Gains/(losses) on debt deteriorated by EUR 291 million, EUR 84 million due to the appreciation of foreign currencies against the euro, EUR 158 million due to higher costs in Brazil, and EUR 49 million due to a higher average balance.
- Gains/(losses) on derivatives and other saw a deterioration of EUR 152 million, due to the effect of exchange rate hedges and extraordinary items in 2021.

The cost of debt was up 103 basis points (rising from 3.38% to 4.41%), due to the rise in interest rates and inflation in Brazil. The expense is offset by the distributors' operating profit also indexed to inflation. Cost of debt excluding Brazil fell by 4 basis points (from 2.90% to 2.86%).

1.5.5 Results of equity-accounted investees

The results of equity-accounted investees represent a profit of EUR 225 million compared to profits of EUR 5 million in the same period of 2021, with a positive non-recurring effect due to the restructuring agreement reached with Copenhagen Infrastructure Partners on the offshore wind assets in the United States. The signing of this agreement allows for the revaluation of the assets that remain under Iberdrola's control, with a positive impact of EUR 212 million on Iberdrola's accounts.

1.5.6 Profit before tax

Profit before tax amounted to EUR 3,231 million, compared to EUR 2,774 million in the first half of 2021.

1.5.7 Taxes

The corporate income tax expense from continuing operations was down EUR 314 million to EUR 700 million.

The effective tax rate for the six months ended 30 June 2022 was 23.71%, compared to 21.84% for the six months ended 30 June 2021.

The comparison is affected by the effect of the increase in the UK tax rate from 19% to 25% in 2021, which resulted in an increase of EUR 480 million in the first half of the year.

1.5.8 Net profit for the period attributable to the parent

Net profit for the period attributable to the parent amounted to EUR 2,075 million, up 35.5% on the figure reported in the same half of 2021 (EUR 1,531 million).

1.6 Key figures of the consolidated statement of financial position

The IBERDROLA Group's statement of financial position at 30 June 2022 showed total assets of EUR 156,788 million, confirming its strong financial position.

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

Total net investments in property, plant and equipment from January to June 2022, as disclosed in Note 8, amounted to EUR 3,467 million.

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

| 30.06.2022 | Millions of euros | % of total invested |
|---|-------------------|---------------------|
| Liberalised business | 299 | 8.6 |
| Renewables business | 1,976 | 57.0 |
| Networks business | 1,181 | 34.1 |
| Other business, Corporation and adjustments | 11 | 0.3 |
| Total | 3,467 | 100.0 |

Key investments in the field of renewable energies:

- Spain (EUR 430 million) in photovoltaic and wind power projects and the construction of the Tàmega hydroelectric power plant;
- The United Kingdom (EUR 277 million), mainly in the East Anglia Hub complex and battery projects;
- United States (EUR 444 million), mainly for the new Golden Hills and Midland wind farms and the Montague, Lundhill, Bakeoven and Daybreak solar facilities;
- Mexico (EUR 1 million);
- Brazil (EUR 200 million) in the Oitis wind power complex and Luzia solar project; and

- IEI (EUR 603 million), in photovoltaic and wind projects in Greece, Italy, Portugal and Australia and the construction of offshore wind projects in France (St Brieuc) and Germany (Baltic Eagle).

At the Networks business, investments were made in Spain (EUR 277 million), the United Kingdom (EUR 302 million), the United States (EUR 601 million) and Brazil (EUR 1 million).

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

| 30.06.2022 | Millions of euros | % of total invested |
|---------------------------------|-------------------|---------------------|
| Spain | 812 | 23.4 |
| United Kingdom | 635 | 18.3 |
| United States | 1,045 | 30.1 |
| Mexico | 148 | 4.3 |
| Brazil | 224 | 6.5 |
| Iberdrola Energía Internacional | 603 | 17.4 |
| Total | 3,467 | 100.0 |

• Capital

Following completion of the capital increase on 5 February 2022 as part of the *Iberdrola Retribución Flexible* optional dividend programme, the Company's share capital at 30 June 2022 amounted to 6,437,563,000 bearer shares, each with a par value of EUR 0.75 (Note 11).

In keeping with the announced commitment to keep the number of shares stable at 6,240 million, the shareholders acting at the General Shareholders' Meeting approved a share capital reduction through the redemption of 197,563,000 treasury shares representing 3.069% of the Company's share capital. The capital reduction took place on 6 July 2022 (Note 11).

• Debt structure

Adjusted net financial debt at 30 June 2022 was up EUR 2,598 million to EUR 41,717 million, compared to EUR 39,119 million at 31 December 2021, as a result of the investment activity undertaken during the period and the strong appreciation in currencies.

| Millions of euros | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|----------------|----------------|----------------|
| Parent | 44,034 | 40,479 | 36,625 |
| Non-controlling interests | 16,505 | 15,647 | 14,626 |
| Equity | 60,539 | 56,126 | 51,251 |
| Derivatives on treasury shares with physical settlement that at this date are not expected to be executed | 278 | 241 | 129 |
| Adjusted equity | 60,817 | 56,367 | 51,380 |
| Loans and borrowings, debentures or other marketable securities (Note 15) | 43,584 | 41,163 | 38,429 |
| Derivative financial liabilities | 1,139 | 760 | 652 |
| CSA derivatives value guarantee deposits | 93 | — | — |
| Leases | 2,541 | 2,411 | 2,197 |
| Gross financial debt (A) | 47,357 | 44,334 | 41,278 |
| Derivatives on treasury shares with physical settlement that at this date are not expected to be executed (B) | 278 | 241 | 129 |
| Adjusted gross financial debt (C=A-B) | 47,079 | 44,093 | 41,149 |
| Derivative financial assets | 1,013 | 763 | 742 |
| CSA derivatives value guarantee deposits | 198 | 101 | 115 |
| Non-current financial deposits | 99 | 65 | 45 |
| Short-term financial investments (between 3 and 12 months) | 27 | 12 | 249 |
| Cash and cash equivalents (Note 10) | 4,025 | 4,033 | 3,417 |
| Total cash assets (D) | 5,362 | 4,974 | 4,568 |
| Net financial debt (A-D) | 41,995 | 39,360 | 36,710 |
| Adjusted net financial debt (C-D) | 41,717 | 39,119 | 36,581 |
| Adjusted net gearing | 40.70 % | 40.97 % | 41.60 % |

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

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

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

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

| | 30.06.2022 | 31.12.2021 |
|-----------------------|---------------|---------------|
| Bond market – EUR | 23.5% | 26.2% |
| Bond market – USD | 19.9% | 19.2% |
| Bond market – GBP | 8.0% | 7.1% |
| Other capital markets | 6.7% | 5.0% |
| Commercial paper | 8.5% | 8.3% |
| Multilateral | 14.1% | 15.2% |
| Structured financing | 0.3% | 1.2% |
| Leases | 5.6% | 5.6% |
| Bank financing | 13.4% | 12.2% |
| Total | 100.0% | 100.0% |

Green/sustainable funding totalled EUR 40,336 million, including sustainable credit facilities and the sustainable ECP programme. Counting the financing operations signed after 30 June (Note 22), this figure climbs to EUR 43,807 million. Iberdrola is the world's leading corporate group when it comes to green bonds issued.

During the six months ended 30 June 2022, ESG financing amounted to EUR 3,047 million (Note 14). If we include transactions signed after 30 June 2022, which came to EUR 3,471 million (Note 22), it makes a total of EUR 6,518 million. The breakdown by product is as follows:

| Millions of euros | Note | Green financing | Sustainable financing | Total |
|--------------------------------------|-----------|-----------------|-----------------------|--------------|
| Senior bond | 14 and 22 | 1,300 | — | 1,300 |
| Development and multilateral banking | 14 and 22 | 1,745 | — | 1,745 |
| Structured financing | | 253 | — | 253 |
| Bank loans | 14 and 22 | — | 720 | 720 |
| Credit facilities | 22 | — | 2,500 | 2,500 |
| Total new ESG financing | | 3,298 | 3,220 | 6,518 |

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

- Liquidity**

The IBERDROLA Group had a strong liquidity position of EUR 20,884 million at 30 June 2022 (Note 15). Counting the financing operations signed after 30 June, this figure rises to EUR 24,963 million (Note 22).

This liquidity comes mainly from syndicated credit facilities signed with relationship banks, undrawn loans arranged with multilateral lenders and development banks (European Investment Bank – EIB, Instituto de Crédito Oficial – ICO, Banco Nacional de Desenvolvimento Econômico e Social – BNDES), as well as cash, cash equivalents and current financial investments. These liquidity operations have been arranged on the main markets in which the Iberdrola Group is present (Europe, United States and Brazil), in both the banking and capital markets.

This liquidity position covers 27 months of the Group's financing needs in the base case and 21 months in the risk scenario.

1.7 Financial solvency

- Credit ratings of IBERDROLA's senior debt**

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

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

- **Financial solvency ratios**

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

| | | 30.06.2022 | 30.06.2021 |
|---|-------|------------|------------|
| Adjusted FFO / Adjusted net financial debt | % | 24.7 | 23.6 |
| Adjusted RCF / Adjusted net financial debt | % | 22.4 | 21.2 |
| Adjusted net financial debt / Adjusted EBITDA | Times | 3.18x | 3.43x |

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

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

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

These measures are calculated as follows:

| Millions of euros | 30.06.2022 | 30.06.2021 |
|--|---------------|--------------|
| Net profit for the period attributable to the parent | 4,429 | 3,266 |
| Amortisation, depreciation and provisions | 4,554 | 4,097 |
| Valuation adjustments, trade and contract assets | 428 | 336 |
| Results from equity-accounted investees | (89) | 17 |
| Discounting of provisions | 129 | 114 |
| Non-controlling interests | 637 | 448 |
| Negative non-cash tax effects | (9) | 477 |
| Dividends received | 60 | 52 |
| Capital grants taken to profit and loss | (81) | (79) |
| Undue payments, Hydroelectric Levy | (585) | (245) |
| Undue payments, Hydroelectric Levy ruling | 826 | — |
| Discounted rate ruling | (90) | — |
| Nuclear fuel ruling | (81) | — |
| Tax deductibility of goodwill | 71 | 35 |
| Gas reduction under RDL 17-18/2021 | 29 | — |
| Funds from operations (FFO) | 10,228 | 8,518 |
| Exit plan | 72 | 45 |
| Pro-forma to include new acquisitions | — | 27 |
| Pro-forma to include goodwill | — | 35 |
| Adjusted funds from operations (FFO) | 10,300 | 8,625 |
| Dividends paid | (945) | (854) |
| Adjusted retained cash flow (RCF) | 9,355 | 7,771 |

| Millions of euros | 30.06.2022 | 30.06.2021 |
|---------------------------------------|---------------|---------------|
| EBITDA | 13,006 | 10,543 |
| Exit plan | 95 | 60 |
| Pro-forma to include new acquisitions | — | 53 |
| Adjusted EBITDA | 13,101 | 10,656 |

2. MAIN RISKS AND UNCERTAINTIES IN THE FIRST HALF OF 2022

The IBERDROLA Group's activities are subject to: (i) market risks, such as exposure to fluctuations in prices and other market variables, including exchange rates, interest rates, commodity prices (electricity, gas, CO₂ emission allowances, other fuels, etc.), financial asset prices, and other; (ii) business risks, such as uncertainty as to the performance of key variables inherent to the various activities carried out by the Group through its businesses, such as the characteristics of demand, weather conditions or the strategies of different market agents; and (iii) risks arising from regulatory changes made by the various regulators, such as changes in the remuneration for regulated activities or in the required conditions of supply, or in environmental or tax regulations.

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

3. STOCK MARKET DATA – THE IBERDROLA SHARE

Stock market data:

| | | 30.06.2022 | 30.06.2021 |
|---|-------------------|---------------|---------------|
| Stock market capitalisation | Millions of euros | 63,706 | 65,979 |
| Price / Book value (Stock market capitalisation / Equity of the Parent at the end of the period) | Factor | 1.4 | 1.8 |
| Number of shares outstanding | no. | 6,437,563,000 | 6,418,156,000 |
| Share price at period end | Euros | 9.896 | 10.28 |
| Average share price for the year | Euros | 10.166 | 11.11 |
| Average daily volume | no. | 16,018,323 | 12,547,075 |
| High at 22/05/2022 and 27/05/2021, respectively | no. | 50,291,361 | 39,937,270 |
| Low at 17/05/2022 and 03/05/2021, respectively | no. | 5,239,815 | 3,983,299 |
| Dividends paid (euros) ⁽¹⁾ : | Euros/share | 0.449 | 0.422 |
| - Interim, gross (05/02/2021 – 05/02/2020) | Euros/share | 0.170 | 0.168 |
| - Final, gross (02/08/2022 (provisional) and 01/08/2021 (provisional)) | Euros/share | 0.274 | 0.254 |
| - AGM participation dividend (20/06/2022) | Euros/share | 0.005 | - |
| Dividend yield ⁽²⁾ | % | 4.54% | 4.11% |

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

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

The IBERDROLA share:

Stock market performance of IBERDROLA versus the indexes:



4. ALTERNATIVE PERFORMANCE MEASURES

To complement these consolidated financial statements presented in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS-EU), the IBERDROLA Group discloses a number of Alternative Performance Measures (APMs). These measures are used in conjunction with the financial measures, in accordance with IFRS-EU, to set budgets and targets and to manage the businesses, to assess the operating and financial performance of the businesses and to compare that performance with prior periods and with the performance of peers. Presenting such measures is believed to be useful because they can be used to analyse and reliably compare profitability across companies and industries by eliminating the impact of financial structure and accounting effects other than cash flows.

Non-financial measures are also presented because these and similar measures are widely used by investors, securities analysts and others as supplementary indicators of performance.

The IBERDROLA Group's consolidated income statement includes the lines and subtotals that it considers relevant for the purpose of reporting its financial position and performance and includes subtotals such as "Gross income", "Net operating expenses", "Gross operating profit – EBITDA", "Operating profit – EBIT" and "Net finance income/cost".

Broadly speaking, these APMs are those used in the Management Report and are therefore directly linked to the consolidated income statement and do not require reconciliation. Definitions and calculations of the APMs used can be found on the corporate website (www.iberdrola.com) under the section titled "Shareholders and Investors".

AUTHORISATION FOR ISSUE

2022 – FIRST HALF

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

Mr José Ignacio Sánchez Galán
Chairman & CEO

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

Mr Anthony L. Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director

FINANCIAL REPORT FOR THE FIRST HALF OF 2022
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 2022, issued by the Board of Directors at its meeting of July 26, 2022, 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 26, 2022

Mr. José Ignacio Sánchez Galán
Chairman & Chief Executive Officer

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

Mr Anthony L. Gardner
Second Vice Chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director

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Director

Ms Isabel García Tejerina
Director