



Iberdrola, S.A. Limited Review Report

(Together with the Selected Condensed Separate Interim Financial Information and the directors' Interims Report of Iberdrola, S.A. 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.)



KPMG Auditores, S.L.
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48009 Bilbao

Limited Review Report on the Selected Condensed Separate Interim Financial Information

(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 SELECTED CONDENSED SEPARATE INTERIM FINANCIAL INFORMATION

Introduction

We have carried out a limited review of the accompanying selected condensed separate interim financial information (the interim financial information) of Iberdrola, S.A. (the "Company"), which comprises the statement of financial position at 30 June 2022, the income statement, statement of changes in equity, statement of cash flows and the notes to the interim financial information for the six-month period then ended. The Directors of the Company are responsible for the preparation of this interim financial information in accordance with the accounting principles and the minimum content envisaged in articles 12 and 13 of Royal Decree 1362/2007 of 19 October 2007 and in Circular 3/2018 of the Spanish National Securities Market Commission as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on this interim financial information 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 information.

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 information for the six-month period ended 30 June 2022 has not been prepared, in all material respects, in accordance with the accounting principles and minimum content envisaged in articles 12 and 13 of Royal Decree 1362/2007 and in Circular 3/2018 of the Spanish National Securities Market Commission as regards the preparation of selected condensed interim financial information.



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Emphasis of Matter

We draw your attention to the note 2 in the accompanying interim financial information, which states that such interim financial information does not include all the information that would be required in a complete set of interim financial statements prepared in accordance with the financial reporting framework applicable to the entity in Spain. The accompanying interim financial information should therefore be read in conjunction with the Company's 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 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 information, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim directors' report is not an integral part of the interim financial information. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial information for the six-month period ended 30 June 2022. Our work is limited to the verification of the interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Iberdrola, S.A.

Other Matter

This report has been prepared at the request of 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.

**SELECTED CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS
AND 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 13). In the event of discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

Statement of financial position at 30 June 2022

(Millions of euros)

ASSETS	Note	30.06.2022 (unaudited)	31.12.2021 (*) (audited)
NON-CURRENT ASSETS		48,441	47,670
Intangible assets		118	114
Computer software		118	114
Property, plant and equipment		271	275
Land and buildings		215	217
Technical installations and other items		56	58
Non-current investments in group companies and associates		47,015	46,219
Equity instruments	5	46,840	46,065
Loans to companies	6, 11	127	127
Derivatives	6, 11	48	27
Non-current investments	6	15	22
Loans to third parties		3	3
Derivatives		12	19
Deferred tax assets		318	342
Non-current trade and other receivables	8, 3	704	698
CURRENT ASSETS		2,007	3,108
Current trade and other receivables		464	278
Trade receivables, group companies and associates	11	183	69
Other receivables		3	4
Current tax assets		213	123
Other Public Administration receivables		65	82
Current investments in group companies and associates	6, 11	1,137	2,625
Loans to companies		15	22
Derivatives		1	—
Other financial assets		1,121	2,603
Current investments	6	77	46
Derivatives		18	15
Other financial assets		59	31
Current prepayments		3	4
Cash and cash equivalents		326	155
Cash on hand		326	155
TOTAL ASSETS		50,448	50,778

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

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

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

IBERDROLA, S.A.

Statement of financial position at 30 June 2022

(Millions of euros)

LIABILITIES	Note	30.06.2022 (unaudited)	31.12.2021 (*) (audited)
EQUITY		31,417	31,604
CAPITAL AND RESERVES		31,412	31,597
Capital		4,828	4,775
Registered capital	7	4,828	4,775
Share premium		14,162	14,215
Reserves		1,257	1,283
Legal and statutory reserves		969	969
Other reserves		288	314
Treasury shares and own equity investments		(2,426)	(1,852)
Prior years' profit and loss		12,783	10,976
Retained earnings		12,783	10,976
Profit/(loss) for the period and for the year		772	2,160
Other equity instruments		36	40
VALUATION ADJUSTMENTS		5	7
Hedging instruments		5	7
NON-CURRENT LIABILITIES		11,404	11,439
Non-current provisions		439	478
Non-current employee benefits		173	220
Other provisions		266	258
Non-current payables	6	345	360
Bank borrowings		279	298
Finance lease payables		51	52
Derivatives		13	8
Other financial liabilities		2	2
Payables to group companies and associates, non-current	6, 11	9,774	9,788
Deferred tax liabilities		846	813
CURRENT LIABILITIES		7,627	7,735
Current payables	6	769	1,190
Bank borrowings		579	1,082
Finance lease payables		2	2
Derivatives		178	94
Other financial liabilities		10	12
Payables to group companies and associates, current	6, 11	6,779	6,413
Trade and other payables		79	132
Suppliers, group companies and associates	11	19	14
Other payables		32	49
Personnel (salaries payable)		13	22
Current tax liabilities		2	—
Other Public Administration payables		13	47
TOTAL EQUITY AND LIABILITIES		50,448	50,778

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

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

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

IBERDROLA, S.A.

Income statement for the six-month period ended 30 June 2022

(Millions of euros)

	Note	30.06.2022 (unaudited)	30.06.2021 (*) (unaudited)
CONTINUING OPERATIONS			
Revenue	9.1	478	391
Finance income from equity investments in group companies and associates	11	255	186
Finance income from debt securities and other financial instruments of group companies and associates	11	8	16
Income from services rendered to group companies	11	215	189
Own work capitalised		2	1
Other operating income		1	1
Non-trading and other operating income		1	1
Personnel expenses		(89)	(82)
Salaries, wages and similar items		(56)	(57)
Employee benefits expense		(33)	(25)
Other operating expenses		(114)	(94)
External services		(110)	(94)
Taxes		(3)	2
Other current management expenses		(1)	(2)
Amortisation and depreciation		(35)	(35)
Impairment gains/(losses) on disposal of financial instruments of group companies and associates		671	1
Impairment and losses	5	671	—
Gains/(losses) on disposal and other		—	1
OPERATING INCOME		914	183
Finance income		4	23
From debt securities and other financial instruments in third parties		4	23
Finance expenses		(129)	(114)
Due to borrowings from group companies and associates	11	(120)	(107)
Due to third-party borrowings		(3)	(1)
Restatement of provisions		(6)	(6)
Change in fair value of financial instruments		(55)	(40)
Fair value through profit and loss		(55)	(40)
Exchange differences		5	3
NET FINANCE INCOME/(EXPENSE)		(175)	(128)
PROFIT/(LOSS) BEFORE TAX		739	55
Income tax	8	33	53
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		772	108
PROFIT/(LOSS) FOR THE PERIOD		772	108

(*) The 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 these Selected condensed separate interim financial statements.

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

IBERDROLA, S.A.

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

(Millions of euros)

A) Statement of recognised income and expense for the six-month period ended 30 June 2022

	30.06.2022 (unaudited)	30.06.2021 (*) (unaudited)
PROFIT/(LOSS) FOR THE PERIOD	772	108
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Hedging costs	(5)	(7)
Actuarial gains and losses and other adjustments	36	—
Tax effect	(7)	2
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	24	(5)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Cash flow hedges	1	5
Hedging costs	1	1
Tax effect	(1)	(2)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT	1	4
TOTAL RECOGNISED INCOME AND EXPENSE	797	107

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

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

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

IBERDROLA, S.A.

B) Statement of changes in equity for the six-month period ended 30 June 2022

(Millions of euros)

	Capital	Share premium	Reserves	Treasury shares and own equity investments	Prior years' profit and loss	Profit/(loss) for the year and for the period	Other equity instruments	Valuation adjustments	Total
OPENING BALANCE 2021	4,762	14,361	1,328	(1,977)	11,018	2,292	29	(11)	31,802
Application of Royal Decree 12/2021	—	—	(18)	—	—	—	—	18	—
ADJUSTED OPENING BALANCE 2021	4,762	14,361	1,310	(1,977)	11,018	2,292	29	7	31,802
Total recognised income and expense	—	—	—	—	—	108	—	(1)	107
Transactions with shareholders or	51	(51)	8	(851)	2,026	(2,292)	—	—	(1,109)
Scrip issue	51	(51)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	2,026	(2,292)	—	—	(266)
Transactions with treasury shares or own equity instruments (net)	—	—	8	(851)	—	—	—	—	(843)
Other changes in equity	—	—	(20)	—	—	—	(2)	—	(22)
CLOSING BALANCE AT 30 JUNE 2021 (*)	4,813	14,310	1,298	(2,828)	13,044	108	27	6	30,778

	Capital	Share premium	Reserves	Treasury shares and own equity investments	Prior years' profit and loss	Profit/(loss) for the year and for the period	Other equity instruments	Valuation adjustments	Total
OPENING BALANCE AT 1 JANUARY 2022	4,775	14,215	1,283	(1,852)	10,976	2,160	40	7	31,604
Total recognised income and expense	—	—	27	—	—	772	—	(2)	797
Transactions with shareholders or owners	53	(53)	(34)	(574)	1,807	(2,160)	—	—	(961)
Scrip issue (Note 7)	53	(53)	—	—	—	—	—	—	—
Distribution of earnings (Note 7)	—	—	—	—	1,807	(2,160)	—	—	(353)
Transactions with treasury shares or own equity instruments (net)	—	—	(3)	(574)	—	—	—	—	(577)
Transactions with shareholders or owners (Note 7)	—	—	(31)	—	—	—	—	—	(31)
Other changes in equity	—	—	(19)	—	—	—	(4)	—	(23)
CLOSING BALANCE AT 30 JUNE 2022	4,828	14,162	1,257	(2,426)	12,783	772	36	5	31,417

(*) The 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 Selected condensed separate interim financial statements.

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

IBERDROLA, S.A.

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

(Millions of euros)

	30.06.2022 (unaudited)	30.06.2021 (*) (unaudited)
Profit/(loss) for the period before tax	739	55
Adjustments for:	(696)	(9)
Amortisation and depreciation	35	35
Impairment	(671)	—
(Gains)/losses on disposal of financial instruments	—	(1)
Finance income	(267)	(225)
Finance expenses	129	114
Exchange differences	(5)	(3)
Change in fair value of financial instruments	55	40
Other income and expenses	28	31
Changes in operating assets and liabilities	(150)	(200)
Trade and other receivables	(94)	(125)
Trade and other payables	(56)	(75)
Other cash flows from operating activities	5	24
Interest paid	(172)	(110)
Dividends received	248	185
Interest received	5	31
Income tax proceeds/(payments)	(1)	—
Other proceeds/(payments)	(75)	(82)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(102)	(130)
Payments for investments	(886)	(4,226)
Group companies and associates	(726)	(4,146)
Intangible assets	(35)	(28)
Property, plant and equipment	(1)	(6)
Other financial assets	(124)	(46)
Proceeds from investments	2,307	2,773
Group companies and associates	2,231	2,746
Other financial assets	76	27
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	1,421	(1,453)
Proceeds from and payments for equity instruments	(1,172)	(1,129)
Acquisition of own equity instruments	(1,259)	(1,192)
Disposal of own equity instruments	87	63
Proceeds from and payments for financial instruments	408	2,995
Issue of	2,399	5,020
Bank borrowings	110	746
Payables to group companies and associates	1,815	4,274
Other payables	474	—
Redemption and repayment	(1,991)	(2,025)
Bank borrowings	(27)	(582)
Payables to group companies and associates	(1,386)	(1,443)
Other payables	(578)	—
Dividends paid and payments on other equity instruments	(384)	(266)
Dividends	(384)	(266)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(1,148)	1,600
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS	171	17
Cash and cash equivalents at start of period	155	212
Cash and cash equivalents at end of period	326	229

(*) The 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 Selected condensed separate interim financial statements.

IBERDROLA, S.A.

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

1. COMPANY ACTIVITY

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

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

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

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

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

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

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

2.1 Accounting legislation applied

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

These interim financial statements do not include all the information required for comprehensive separate financial statements prepared in accordance with generally accepted accounting principles in Spain. In particular, the accompanying interim financial statements have been prepared with the content necessary to comply with rule four of Circular 3/2018 for separate financial statements. As a result, the interim financial statements should be read in conjunction with IBERDROLA's financial statements for the year ended 31 December 2021.

The main figures in the condensed consolidated interim financial statements of the IBERDROLA Group for the six-month periods ended 30 June 2022 and 2021 (except for total assets and equity for 2021, which are included in IBERDROLA Group's consolidated financial statements at 31 December 2021) are as follows:

Millions of euros	2022	2021
Total assets	156,788	141,752
Equity:		
IBERDROLA as parent company	44,034	40,479
Non-controlling interests	16,505	15,647
Revenue	24,430	18,752
Profit/(loss) for the period:		
IBERDROLA as parent company	2,075	1,531
Non-controlling interests	392	223

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

2.2 Accounting policies and measurement standards

The accounting principles and measurement methods used to draw up the interim financial statements are fully consistent with those used to draw up IBERDROLA's 2021 financial statements.

2.3 Working capital deficit

At 30 June 2022, IBERDROLA's statement of financial position shows a working capital deficit (current liabilities exceeding current assets) of EUR 5,620 million. This deficit is largely due to the existence of current debt with group companies and associates in the amount of EUR 6,779 million, and also because of seasonal variations (Note 3).

According to IBERDROLA's directors, this deficit will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends received from its subsidiaries. At 30 June 2022, IBERDROLA had outstanding loans of approximately EUR 6,000 million, which will cover IBERDROLA's cash requirements over the next few months.

2.4 Comparative information

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

- The statement of financial position at 30 June 2022, and the statement of financial position at 31 December 2021.
- The income statement, statement of changes in equity and statement of cash flows for the six-month periods ended 30 June 2022 and 2021.

3. SEASONAL VARIATIONS

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

4. USE OF ACCOUNTING ESTIMATES

IBERDROLA relied on certain assumptions and estimates in drawing up these interim financial statements. The main matters subject to estimate in the preparation of these interim financial statements are the same as those disclosed in Note 6 to IBERDROLA's 2021 financial statements.

The criteria used to calculate the estimates contained in these interim financial statements coincide, where applicable, with those used in the preparation of IBERDROLA's separate financial statements for 2021.

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

The macroeconomic environment in the first half of the year as a result of the geopolitical situation led to a significant increase in commodity prices and inflation, while also pushing up interest rates and energy prices. However, based on the information available at the date of authorisation for issue of these interim financial statements, this scenario is not expected to have a prolonged impact and should not, therefore, have a material adverse effect on IBERDROLA's business plans and hence on the recoverable amount of its "Investments in group companies and associates" during the first half of 2022.

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

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

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

During the six-month period ended 30 June 2022, IBERDROLA acquired further stakes in NEOENERGIA amounting to EUR 20 million, thus bringing its total stake to 3.50%.

At 31 December 2021, IBERDROLA's interim financial statements included a valuation adjustment of EUR 873 million for the investment held in Iberdrola Financiación, S.A.U. and impairment of EUR 690 million was subsequently reversed in the six months ended 30 June 2022. The business activity of this subsidiary, which consists of securing long-term funds to finance the operations of IBERDROLA Group companies, was positively impacted by the trend in long-term interest rates compared to the previous year.

In addition, in the six-month period ended 30 June 2022, the Company recognised impairment losses of EUR 16 million and EUR 3 million in respect of the stakes in Iberdrola Participaciones, S.A. and Scottish Power Overseas Holdings, Ltd., respectively, due to the difference between their carrying amounts and recoverable amounts.

6. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

At 30 June 2022 and at 31 December 2021 the carrying amount of each category of financial asset and liability, except for equity investments in group companies and associates, trade and other receivables, trade and other payables, and cash and cash equivalents, is as follows:

Non-current financial assets						
Millions of euros	Loans and receivables		Derivatives ⁽¹⁾		Total	
Category	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21
At amortised cost	130	130	—	—	130	130
Hedging derivatives	—	—	60	46	60	46
Total	130	130	60	46	190	176

Current financial assets						
Millions of euros	Loans and receivables		Derivatives ⁽¹⁾		Total	
Category	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21
At fair value through profit or loss	—	—	16	—	16	—
At amortised cost	1,195	2,656	—	—	1,195	2,656
Hedging derivatives	—	—	3	15	3	15
Total	1,195	2,656	19	15	1,214	2,671

Non-current financial liabilities								
Millions of euros	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
Category	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21
At amortised cost	330	350	—	—	9,776	9,790	10,106	10,140
Hedging derivatives	—	—	13	8	—	—	13	8
Total	330	350	13	8	9,776	9,790	10,119	10,148

Current financial liabilities								
Millions of euros	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
Category	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21	30.06.22	31.12.21
At fair value through profit or loss	—	—	77	—	—	—	77	—
At amortised cost	581	1,084	—	—	6,789	6,425	7,370	7,509
Hedging derivatives	—	—	101	94	—	—	101	94
Total	581	1,084	178	94	6,789	6,425	7,548	7,603

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

7. EQUITY

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 at the General Shareholders' Meeting of IBERDROLA held on 18 June 2021, under item 19 on the agenda, and used for 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* (EUR 0.17 gross per share), bringing the total gross amount of the *Interim dividend* ultimately paid out to EUR 353 million. As a result, those shareholders 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 on the agenda, the dividend for shareholder participation in the General Meeting and its payment to all shareholders entitled to take part in the General Meeting (i.e. with shares registered in their name on 10 June), as all vesting conditions had been fulfilled, namely the approval of the dividend itself (item 7 on the agenda) and achieving a 70% quorum of share capital for the meeting to be held. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid 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*).

8. TAXES

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

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

The effective tax rate for the six-month period ended 30 June 2022 is 24.86% (24.44% for the six-month period ended 30 June 2021), calculated on the accounting profit before tax adjusted for permanent differences.

Millions of euros	30.06.2022	30.06.2021
Profit/(loss) before tax	739	55
Permanent differences		
Dividends received from group companies	(255)	(186)
Impairment and other	(657)	(4)
Adjusted accounting profit (a)	(173)	(135)
Gross tax (24%) (b)	(42)	(32)
Deductions (c)	(1)	(1)
Adjustment of prior years' income tax expense	7	—
Adjustment of deferred tax assets and liabilities ⁽¹⁾	—	(21)
Other	3	1
Income tax expense/(income)	(33)	(53)
Effective tax rate (b+c)/a	24.86 %	24.44 %

⁽¹⁾ Effect of the change in the applicable income tax regulations and the evaluation of asset and liability balances and their recovery in future years.

8.1 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).

During 2021, various tax assessments were signed in agreement relating to transfer pricing matters for the 2012 to 2014 period, while other assessments were signed on a contested basis relating to other income tax matters (the same as those disputed in the general audit procedure for the years 2008-2011), which had no significant financial impact for 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 on a contested basis discussed in the previous paragraph. The corresponding claims and arguments were presented during the first quarter of 2022. At the date of authorisation for issue of these interim financial statements, the Central Tax Appeals Board had yet to deliver a decision.

In the first quarter of 2022, a number of income tax assessments were accepted and paid in agreement for the years 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, with a decision expected in 2022.

The IBERDROLA Group's directors and tax consultants believe that the aforementioned issues will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2022.

8.2 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 signed on a contested basis 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 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.

The IBERDROLA Group's directors and tax consultants believe that these proceedings will not give rise to further material liabilities for the Company beyond those already recognised at 30 June 2022.

8.3 Other

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

In previous years, the Spanish authorities applied the aid and grants 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, in the proportion corresponding to Iberdrola, S.A., are shown, together with the late payment interest payable, under “Non-current trade and other receivables” in the statement of financial position.

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

Moreover, the application of the incentive provided 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.

9. INCOME AND EXPENSES

9.1 Revenue

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

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

30.06.2021 Millions of euros	European Union			Other countries	Total
	Spain	Euro zone	Non-euro zone		
Finance income from equity investments in group companies and associates	—	—	—	186	186
Finance income from debt securities and other financial instruments of group companies and associates	5	6	—	5	16
Income from services rendered to group companies	136	1	—	52	189
Total	141	7	—	243	391

Details of dividends from Group companies are as follows:

Millions of euros	Six-month period ended	
	30.06.2022	30.06.2021
Avangrid, Inc.	249	185
Neoenergia, S.A.	6	1
Total	255	186

9.2 Employees

IBERDROLA's staff is structured as follows:

	30.06.2022		30.06.2021	
	Average headcount	Final headcount	Average headcount	Final headcount
Male	468	468	425	439
Female	379	382	361	365
Total	847	850	786	804

10. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

Director remuneration and other benefits received during the six-month period ended 30 June 2022 and 2021 are presented in the table below by remuneration item:

Thousands of euros	30.06.2022	30.06.2021
Remuneration for membership on 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⁾ This amount includes the remuneration received by directors who held the position of director at companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.19 million in the first half of 2022 and EUR 0.16 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 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 all cases the internal head of audit, as well as any other officer 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).

The remuneration and other benefits received by senior management in the first half of 2022 and 2021, respectively, are as follows:

Thousands 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 officers since 1 January 2022 (one additional senior officer).

⁽¹⁾ This amount includes the remuneration received by senior officers who held the position of director of companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.40 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 under the *2017-2019 Strategic Bonus* was made, in the total amount of 568,344 shares (2021: 568,328 shares).

During the first half of 2022 and 2021, no other transactions took place with officers outside the ordinary course of business.

11. RELATED-PARTY TRANSACTIONS

Related-party transactions

The most significant related-party transactions in the six-month periods ended 30 June 2022 and 2021 are as follows:

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

Six-month period ended 30.06.2021					
Millions of euros	Significant shareholders (1)	Directors and officers (2)	Group persons, companies or entities	Other related parties	Total
Expenses and income					
Finance expenses	—	—	107	—	107
Lease	—	—	2	—	2
Services received	—	—	31	—	31
Other expenses	—	—	5	—	5
Total expenses	—	—	145	—	145
Finance income	—	—	16	—	16
Dividends received	—	—	186	—	186
Services rendered	—	—	189	—	189
Total income	—	—	391	—	391

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

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

Related-party balances

Millions of euros	30.06.2022	31.12.2021
Receivables		
Trade and other receivables	183	69
Total	183	69
Payables		
Trade and other payables	19	14
Total	19	14

Derivatives, loans and credits with related parties

	30.06.2022		31.12.2021	
Millions of euros	Receivables	Payables	Receivables	Payables
Non-current				
Iberdrola Finance Ireland, DAC	—	71	—	72
Iberdrola Financiación, S.A.U.	175	6,215	154	6,216
Iberdrola Finanzas, S.A.U.	—	563	—	607
Iberdrola International, B.V.	—	2,925	—	2,893
Total	175	9,774	154	9,788
Current				
Ailes Marine, S.A.S.	124	—	25	—
Avangrid, Inc.	132	—	123	—
Biovent Energía, S.A.	—	70	—	27
Dehesa Solar Sur, S.L.	—	38	—	28
Energías Renovables Región Murcia, S.A.U.	—	51	—	13
Energyworks Cartagena, S.L.	—	76	—	36
Energyworks Vit-Vall, S.L.	—	90	—	34
Eolicas de Euskadi, S.A.U.	—	69	—	62
Hidro I, S.L.U.	—	391	—	391
I DE Redes Eléctricas Inteligentes, S.A.U.	—	109	186	—
Iberdrola Clientes Internacional, S.L.	—	123	—	124
Iberdrola Clientes Portugal, Unipessoal Ltda	7	—	37	—
Iberdrola Clientes, S.A.U.	353	—	—	31
Iberdrola Comercialización de Último Recurso, S.A.U.	59	—	34	—
Iberdrola Energía Internacional, S.L.	33	—	1,105	—
Iberdrola Energia Italia, S.R.L.	52	—	33	—
Iberdrola Energia S.A.U.	33	—	—	42
Iberdrola Energie France, S.A.S.	84	—	54	—
Iberdrola España, S.A.U.	—	1,176	—	1,097
Iberdrola Finance Ireland, DAC	—	11	—	32
Iberdrola Financiación, S.A.U.	—	942	—	237
Iberdrola Finanzas, S.A.U.	—	380	—	364
Iberdrola Generación España, S.A.U.	—	37	742	—
Iberdrola Generación Nuclear, S.A.U.	—	201	—	1,282
Iberdrola Generación S.A.U.	—	344	—	300
Iberdrola Inmobiliaria, S.A.	—	144	—	149
Iberdrola International, B.V.	—	37	—	33
Iberdrola Inversiones 2010, S.A.U.	—	55	—	55
Iberdrola Participaciones, S.A.U.	—	410	—	410
Iberdrola Re, S.A.	—	147	—	149
Iberdrola Renewables Romania, S.R.L.	—	36	—	29
Iberdrola Renovables Castilla y León, S.A.	—	181	—	85
Iberdrola Renovables Castilla-La Mancha, S.A.U.	—	114	—	59
Iberdrola Renovables Energía, S.A.U.	—	293	—	258
Iberdrola Renovables Galicia, S.A.U.	—	124	—	84
Iberdrola Renovables Internacional, S.L.	—	33	—	105
Iberdrola Renovables Magyarország, KFT	—	43	—	29
Iberdrola Renovables Offshore Deutschland, GmbH.	—	341	—	244
Ibernova Promociones, S.A.U.	78	—	—	25
Inversiones Financieras Perseo, S.L.	—	53	—	61
Parep 1 PTY, Ltd.	—	—	31	—
Proyecto Nuñez de Balboa, S.L.	—	30	—	19
Proyecto Solar Francisco Pizarro, S.L.	—	8	—	54
Scottish Power, Ltd. Ltd.	—	42	77	—
Other	167	495	167	328

	30.06.2022		31.12.2021	
Millions of euros	Receivables	Payables	Receivables	Payables
Accrued interest	15	85	11	137
Total	1,137	6,779	2,625	6,413

12. EVENTS OCCURRING AFTER 30 JUNE 2022

After 30 June 2022 and before the date of publication of these interim financial statements, the following significant event has occurred:

Reduction in share capital

On 1 July 2022, the Company carried out the reduction in share capital approved by the shareholders at the General Shareholders' Meeting held on 17 June 2022 under item 13 on the agenda, through the cancellation of treasury shares.

Details of the reduction in share capital are as follows:

	Date of filing at the Commercial Registry	% Capital	Number of shares	Par value	Euros
Reduction in share capital	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, a determination was made of the following terms governing the implementation of the first increase in capital by means of a scrip issue (*Iberdrola Retribución Flexible*) approved by the shareholders at the General Shareholders' Meeting of IBERDROLA held on 17 June 2022, under item 11 on the agenda:

- The maximum number of new shares to be issued under the capital increase is 173,333,333.
- The number of free-of-charge 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.

13. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

MANAGEMENT REPORT

IBERDROLA, S.A.

Management report for the six-month period ended 30 June 2022

1. BUSINESS PERFORMANCE

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

2. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

2.1 Key figures from the IBERDROLA Income statement

In the six-month period ended 30 June 2022, revenue amounted to EUR 478 million, of which EUR 255 million is through dividends from subsidiaries (EUR 249 million from AVANGRID and EUR 6 million from NEOENERGIA), EUR 8 million in the form of finance income from financing granted to subsidiaries, and EUR 215 million from income from services rendered to group companies.

The increase of EUR 87 million in Revenue is the net result of (Note 9):

- Higher dividends in the amount of EUR 69 million and lower finance expenses with group companies in the amount of EUR 8 million; and
- Higher income from services rendered to group companies for a total of EUR 26 million.

Personnel expenses and other operating expenses increased by EUR 7 million and EUR 20 million, respectively, to EUR 89 million and EUR 114 million, offset by the improvement of EUR 671 million in impairment charges compared to the same period of the previous year following the reversal of the impairment provision for the stake in Iberdrola Financiación (Note 5). As a result, operating profit for the period came to EUR 914 million, up EUR 731 million on the EUR 183 million reported in the first half of 2021.

The Company reported a net finance cost of EUR 175 million compared to a cost of EUR 128 million in the same period of 2021. The difference of EUR 47 million was largely due to:

- a reduction in finance income of EUR 19 million;
- an increase in financial expenses of EUR 15 million, mainly relating to the financial expense of the debt with group companies, which was up EUR 13 million;

- the negative impact of EUR 15 million from valuation of derivatives, and the increase of EUR 2 million from positive translation differences compared to those for the previous year.

Profit for the period before tax was EUR 739 million, while income tax amounted to EUR 33 million, yielding net profit for the period of EUR 772 million, versus net profit of EUR 108 million in the same period of 2021.

2.2 Statement of financial position

At 30 June 2022, IBERDROLA's statement of financial position showed current liabilities exceeding current assets in the amount of EUR 5,620 million. This shortfall is largely due to the existence of current debt with group companies and associates in the amount of EUR 6,779 million, and will be covered by funds generated from its business and dividends received from its subsidiaries.

3. MAIN RISKS AND UNCERTAINTIES

The main sources of uncertainty are described in Note 4.

4. SUBSEQUENT EVENTS

Events after the reporting period are described in Note 12.

AUTHORISATION FOR ISSUE

2022 – FIRST HALF

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

Mr José Ignacio Sánchez Galán
Chairman & 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