



Iberdrola, S.A. and subsidiaries

Condensed consolidated interim
financial statements and
Consolidated interim management
report

Six-month period ended 30 June 2023



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

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

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



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

Report on Limited Review of the Condensed Consolidated Interim Financial Statements

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

To the Shareholders of

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

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

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

Scope of Review

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



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

Conclusion

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

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

Emphasis of Matter

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Other Matter

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

KPMG Auditores, S.L.

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

(Signed on original in Spanish)

David España

26 July 2023

IBERDROLA, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND

CONSOLIDATED INTERIM MANAGEMENT REPORT

FOR THE SIX-MONTH PERIOD

ENDED 30 JUNE 2023

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2023

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2023

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

1. GROUP ACTIVITIES

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

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

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

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

a) Accounting standards applied

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

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

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

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

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

Regulations issued but not yet implemented

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

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

(*) Pending EU approval.

b) Comparative information

Changes in segmentation (Note 6)

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

Presentation of deferred taxes

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

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

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

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

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

c) Shortfall in working capital

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

3. SEASONAL VARIATIONS

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

4. SOURCES OF UNCERTAINTY AND USE OF ACCOUNTING ESTIMATES

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

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

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

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

Business combinations

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

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

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

Value of acquired assets and liabilities

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

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

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

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

Goodwill

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

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

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

Other information

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

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

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

Transactions with non-controlling interests

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

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

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

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

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

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

Other transactions

Reorganisation of Vineyard Wind LLC assets in 2022

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

6. SEGMENT INFORMATION

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

Geographical areas:

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

Business areas:

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

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

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

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

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

The key figures for the identified segments are as follows:

Segmentation by country

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

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

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

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

Segmentation by country at 31 December 2022

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

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

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

Segmentation by business

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

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

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

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

Segment information at 31 December 2022

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

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

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Supplementary information on foreclosed assets

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

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

8. ASSETS AND LIABILITIES HELD FOR SALE

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

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

Divestment in Brazil

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

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

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

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

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

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

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

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

Divestment in Mexico

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

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

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

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

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

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

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

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

9. DISCLOSURES RELATING TO FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. CASH AND CASH EQUIVALENTS

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

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

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

11. EQUITY

Subscribed capital

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

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

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

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

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

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

Valuation adjustments

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

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

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

Treasury shares

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

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

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

Physically settled derivatives

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

- Total return swap

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

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

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

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

- Treasury share accumulators

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

The accumulation mechanism is as follows:

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

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

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

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

- Sold put with physical settlement

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

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

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

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

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

Perpetual subordinated bonds

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

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

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

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

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

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

12. LONG-TERM REMUNERATION PLANS

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

The key features of the plans are summarised below:

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

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

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

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

13. LITIGATION PAYMENTS

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

14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

15. BANK BORROWINGS, BONDS OR OTHER MARKETABLE SECURITIES

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

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

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

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

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

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

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

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

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

⁽⁴⁾ One-year option to extend.

⁽⁵⁾ Five 6-month options to extend.

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

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

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

16. INCOME AND EXPENSES

16.1 Revenue

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

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

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

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

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

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

16.2 Taxes other than income tax

Six-month period ended 30 June 2023

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

- Temporary energy levy

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

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

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

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

- Financing the costs of the “Bono Social”.

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

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

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

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

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

17. INCOME TAX EXPENSE

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

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

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

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

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

Administrative proceedings

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

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

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

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

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

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

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

Administrative proceedings in other countries

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

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

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

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

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

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

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

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

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

Tax litigation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. CHARGES AND REVERSALS FOR ASSET IMPAIRMENT

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

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

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

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

19. CONTINGENT ASSETS AND LIABILITIES

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

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

Contingent liabilities

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

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

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

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

The tax claims include violation findings due to the following:

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

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

Among said actions, the following are particularly noteworthy:

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

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

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

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

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

Contingent assets

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

Update of contingent assets reported in prior periods

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

Notification of the judgment is expected in September 2023.

Other information

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

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

20. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

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

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

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

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

b) Remuneration of senior management

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

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

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

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

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

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

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

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

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

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

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

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

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

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

⁽³⁾ Relates mainly to purchases of electric power.

22. EVENTS OCCURRING AFTER 30 JUNE 2023

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

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

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

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

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

Reduction in share capital

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

Details of the reduction in share capital are as follows:

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

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

Iberdrola Retribución Flexible

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

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

Banking market and bond issues in the Euromarket

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

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

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

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

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

23. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

APPENDIX

INDUSTRY REGULATION AND OPERATION OF THE ELECTRICITY AND GAS SYSTEM

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

Spain

Spanish electricity sector

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

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

Consumer protection measures and price intervention:

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

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

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

Remuneration of networks:

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

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

Remuneration of renewable energy and cogeneration facilities:

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

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

Promotion of electric mobility:

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

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

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

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

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

Other regulatory matters:

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

Gas sector

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

United Kingdom

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

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

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

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

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

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

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

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

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

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

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

United States

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mexico

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

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

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

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

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

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

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

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

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

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

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

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

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

Brazil

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

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

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

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

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

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

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

European Union

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

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

The Commission has also developed proposals in two key areas.

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

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

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

Facilitating free forward contracting of renewable energy

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

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

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

1. Regarding National Plans and anti-crisis measures

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

2. Regarding carbon emissions

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

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

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

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

1. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023

1.1 Currency performance

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

1.2 Demand

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

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

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

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

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

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

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

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

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

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

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

Agreement to sell generation assets in Mexico (Note 8)

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

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

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

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

1.4 Key operating figures

• Installed capacity

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

Installed capacity by technology and geographic region is as follows:

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

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

(*) Includes the proportional part of MW.

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

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

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

Changes in installed capacity are as follows:

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

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

Production by technology and geographic region is as follows:

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

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

(*) Includes the proportional part of MW.

• Retail supply

– Spain

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

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

– United Kingdom

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

– Mexico

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

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

– Brazil

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

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

• Networks

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

The breakdown by geographic region is as follows:

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

⁽¹⁾ Reported in power station busbars.

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

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

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

1.5 Key figures of the consolidated income statement

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

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

1.5.1 Gross income

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

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

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

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

1.5.2 Gross operating profit – EBITDA

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

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

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

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

Net operating expenses per country are as follows:

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

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

Taxes other than income tax by country are as follows:

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

1.5.3 Net operating profit – EBIT

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

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

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

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

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

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

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

1.5.4 Net finance income

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

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

The change can be largely explained by:

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

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

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

1.5.5 Results of equity-accounted investees

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

1.5.6 Profit before tax

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

1.5.7 Taxes

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

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

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

1.5.8 Net profit for the period attributable to the parent

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

1.6 Key figures of the consolidated statement of financial position

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

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

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

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

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

Key investments in the field of renewable energies:

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

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

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

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

• Capital

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

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

• Debt structure

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

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

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

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

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

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

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

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

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

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

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

• Liquidity

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

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

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

1.7 Financial solvency

• Credit ratings of IBERDROLA's senior debt

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

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

• Financial solvency ratios

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

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

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

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

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

These measures are calculated as follows:

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

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

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

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

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

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

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

3. STOCK MARKET DATA – THE IBERDROLA SHARE

Stock market data:

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

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

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

The IBERDROLA share:

Stock market performance of IBERDROLA versus the indexes:



4. ALTERNATIVE PERFORMANCE MEASURES

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

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

- Definitions of Alternative Performance Measures

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

- Alternative Performance Measures for the quarter

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

AUTHORISATION FOR ISSUE

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**AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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