



Iberdrola, S.A.

Selected condensed separate interim
financial statements and
Interim management report

Six-month period ended 30 June 2023



Limited Review Report on Iberdrola, S.A.

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

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



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

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

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

To the Shareholders of

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

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

Introduction

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

Scope of Review

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

Conclusion

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



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Emphasis of Matter

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Other Matter

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

KPMG Auditores, S.L.

KPMG Auditores, S.L.

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

(Signed on original in Spanish)

David España

26 July 2023

IBERDROLA, S.A.

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

CONTENTS

	Page
Selected condensed separate interim financial statements	
Statement of financial position at 30 June 2023	iError!
Income statement for the six-month period ended 30 June 2023	5
Statement of changes in equity for the six-month period ended 30 June 2023	6
Statement of cash flows for the six-month period ended 30 June 2023	9
Notes to the selected condensed separate interim financial statements	
1. Company activity	10
2. Bases of presentation of the Selected condensed separate interim financial statements	11
3. Seasonal variations	12
4. Use of accounting estimates	12
5. Investments in group companies and associates	13
6. Categories of financial assets and financial liabilities	14
7. Equity	15
8. Taxes	16
9. Income and expenses	20
10. Remuneration of the Board of Directors and senior management	21
11. Transactions with related parties	22
12. Events occurring after 30 June 2023	24
13. Explanation added for translation into English	25
Interim management report	26

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

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

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

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

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

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

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

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

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

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

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

IBERDROLA, S.A.

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

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

IBERDROLA, S.A.

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

1. COMPANY ACTIVITY

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

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

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

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

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

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

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

2.1 Accounting legislation applied

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

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

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

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

(*) Restated.

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

2.2 Accounting policies and measurement standards

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

2.3 Working capital deficit

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

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

2.4 Comparative information

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

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

3. SEASONAL VARIATIONS

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

4. USE OF ACCOUNTING ESTIMATES

• Accounting estimates

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

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

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

- **Risks**

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

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

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

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

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

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

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

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

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

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

6. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

7. EQUITY

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

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

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

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

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

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

8. TAXES

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

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

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

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

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

8.1 Administrative proceedings

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

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

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

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

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

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

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

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

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

8.2 Tax litigation

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

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

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

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

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

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

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

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

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

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

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

8.3 Other

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

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

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

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

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

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

9. INCOME AND EXPENSES

9.1 Revenue

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

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

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

Details of dividends from Group companies are as follows:

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

9.2 Employees

IBERDROLA's staff is structured as follows:

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

10. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

10.1. Remuneration of the Board of Directors

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

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

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

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

10.2. Remuneration of senior management

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

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

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

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

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

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

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

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

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

11. TRANSACTIONS WITH RELATED PARTIES

Related-party transactions

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

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

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

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

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

Other financial assets/liabilities with group companies and associates

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

Derivatives with group companies and associates

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

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

Loans to group companies and associates

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

12. EVENTS OCCURRING AFTER 30 JUNE 2023

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

Reduction in share capital

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

Details of the reduction in share capital are as follows:

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

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

Iberdrola Retribución Flexible

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

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

13. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

INTERIM MANAGEMENT REPORT

IBERDROLA, S.A.

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

1. BUSINESS PERFORMANCE

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

2. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023

2.1 Key figures from the IBERDROLA income statement

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

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

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

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

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

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

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

2.2 Statement of financial position

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

3. MAIN RISKS AND UNCERTAINTIES

The main sources of uncertainty are described in Note 4.

4. SUBSEQUENT EVENTS

Events after the reporting period are described in Note 12.

AUTHORISATION FOR ISSUE

2023 – FIRST HALF

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

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Chairman

Mr Armando Martínez Martínez
Chief executive officer

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

Mr Anthony Luzzatto Gardner
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Director

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Ms Regina Helena Jorge Nunes
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Mr Ángel Jesús Acebes Paniagua
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