



Iberdrola Finanzas, S.A.U.

(Sociedad Unipersonal)

Annual Accounts

31 December 2019

Directors' Report

2019

(Free 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

Independent Auditor's Report on the Annual Accounts

To the Shareholders of Iberdrola Finanzas, S.A.U.

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

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Iberdrola Finanzas, S.A.U. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.



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Recoverability of current and non-current loans and receivables from Group companies and associates (see notes 7 and 16 to the annual accounts)

Non-current and current investments in Group companies and associates included in the annual accounts at 31 December 2019 amount to Euros 5,638,895 thousand and Euros 1,534,354 thousand, respectively, and represent 99.99% of the Company's total assets. These amounts comprise loans and receivables carried at amortised cost. The Company's exposure, in terms of credit risk, to Iberdrola, S.A. (sole shareholder) and Iberdrola Financiación, S.A.U. (Group company) could have a significant impact on the Company's financial statements.

Taking into account the circumstances indicated in the previous paragraph, and that the loans extended by the Company and those received from third parties outside the Group are secured by Iberdrola, S.A., the analysis of the Iberdrola Group's financial position should be considered a key audit matter.

Our audit procedures included assessing the design and implementation of the key controls related to the valuation process, assessing the existence of impairment indicators identified by the Company, holding meetings with Company management to discuss its conclusions on the recoverability of loans extended to Group companies taking into account its knowledge of the Iberdrola Group's financial position, assessing the Group's financial position by accessing available financial information and carrying out specific procedures with the support of the Iberdrola Group's audit teams, assessing the terms and conditions established in loan contracts, and assessing Iberdrola, S.A.'s credit ratings published by the Standard & Poor's, Fitch and Moody's rating agencies. We also assessed whether the disclosures included in the annual accounts meet the requirements of the applicable financial reporting framework.

Other Information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.



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Directors' and Audit Committee's Responsibility for the Annual Accounts _____

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts _____

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit and control committee of Iberdrola Finanzas, S.A.U. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.

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

(Signed on original in Spanish)

Alberto Fernández Solar

On the Spanish Official Register of Auditors ("ROAC") with No. 22,472

6 April 2020

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

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IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)
Balance sheet at 31 December 2019
(Expressed in thousands of Euros)

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

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		5,638,905	6,835,998
Non-current investments in Group companies and associates	7, 16.1	5,638,895	6,835,988
Loans to companies		5,638,895	6,835,988
Deferred tax assets	11.4	10	10
CURRENT ASSETS		1,534,781	510,300
Trade and other receivables	11.1	188	206
Current tax assets		188	206
Current investments in Group companies and associates	7, 16.1	1,534,354	509,835
Loans to companies		1,512,578	491,266
Other financial assets		21,776	18,569
Cash and cash equivalents		239	259
Cash		239	259
TOTAL ASSETS		7,173,686	7,346,298
EQUITY AND LIABILITIES	Notes	2019	2018
EQUITY	8	125,796	126,383
CAPITAL AND RESERVES			
Capital		100,061	100,061
Registered capital		100,061	100,061
Reserves		30,177	30,177
Legal and statutory reserves		236	236
Other reserves		29,941	29,941
Prior years' profit and loss		(3,855)	(3,128)
Prior years' losses		(3,855)	(3,128)
Profit/(loss) for the year		(587)	(727)
NON-CURRENT LIABILITIES		5,638,877	6,735,131
Non-current payables	9	5,638,877	6,735,131
Bonds and other marketable securities		5,638,877	6,735,131
CURRENT LIABILITIES		1,409,013	484,784
Current payables		1,408,308	484,100
Bonds and other marketable securities	9	1,408,308	484,100
Group companies and associates, current		695	684
Trade and other payables		10	-
Other payables		10	-
TOTAL EQUITY AND LIABILITIES		7,173,686	7,346,298

The notes to the accompanying annual accounts form an integral part of the balance sheet at 31 December 2019.

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)
Income statement for the year ended 31 December 2019
(Expressed in thousands of Euros)

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

	Notes	2019	2018
CONTINUING OPERATIONS			
Revenues	12.1, 16.2	191,418	205,747
Finance income from marketable securities and other financial instruments of Group companies and associates		191,418	205,747
Other operating expenses		(411)	(448)
External services		(333)	(333)
Taxes		(78)	(115)
RESULTS FROM OPERATING ACTIVITIES		191,007	205,299
Finance costs	12.2	(191,791)	(206,274)
Group companies and associates	16.2	(4,175)	(3,791)
Other		(187,616)	(202,483)
Exchange gains/(losses)	12.3	12	(5)
NET FINANCE INCOME/(COST)		(191,779)	(206,279)
PROFIT/(LOSS) BEFORE INCOME TAX		(772)	(980)
Income tax	11.3	185	253
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(587)	(727)
PROFIT/(LOSS) FOR THE YEAR		(587)	(727)

The notes to the accompanying annual accounts form an integral part of the income statement for the year ended 31 December 2019.

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)

Statement of changes in equity for the year ended 31 December 2019
(Expressed in thousands of Euros)

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

A) Statement of recognised income and expense for the year ended 31 December 2019

	Notes	2019	2018
PROFIT/(LOSS) FOR THE YEAR		(587)	(727)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-
TRANSFERS TO THE INCOME STATEMENT		-	-
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		-	-
TOTAL RECOGNISED INCOME AND EXPENSE		(587)	(727)

The notes to the accompanying annual accounts form an integral part of the statement of recognised income and expense for the year ended 31 December 2019.

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)

B) Statement of changes in equity for the year ended 31 December 2019 (Expressed in thousands of Euros)

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

	Capital	Reserves	Prior years' profit/loss	Profit/loss for the year	TOTAL
2018 OPENING BALANCE	100,061	30,177	(1,956)	(1,172)	127,110
Total recognised income and expense	-	-	-	(727)	(727)
Transactions with shareholders or owners					
Application of loss	-	-	(1,172)	1,172	-
2018 CLOSING BALANCE	100,061	30,177	(3,128)	(727)	126,383
2019 OPENING BALANCE	100,061	30,177	(3,128)	(727)	126,383
Total recognised income and expense	-	-	-	(587)	(587)
Transactions with shareholders or owners					
Application of loss	-	-	(727)	727	-
2019 CLOSING BALANCE	100,061	30,177	(3,855)	(587)	125,796

The notes to the accompanying annual accounts form an integral part of the statement of changes in equity for the year ended 31 December 2019.

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)
Statement of cash flows for the year ended 31 December 2019
(Expressed in thousands of Euros)

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

	Notes	2019	2018
Profit/(loss) for the year before tax		(772)	(980)
Adjustments for:		361	532
Finance income	12.1	(191,418)	(205,747)
Finance costs	12.2	191,791	206,274
Exchange (gains)/losses	12.3	(12)	5
Changes in operating assets and liabilities		10	(74)
Trade and other receivables		-	1
Trade and other payables		10	(75)
Other cash flows from operating activities		3,578	3,673
Interest paid		(187,109)	(223,520)
Interest received		190,471	226,844
Income tax received		223	535
Other amounts received (paid)		(7)	(186)
CASH FLOWS FROM OPERATING ACTIVITIES		3,177	3,151
Payments for investments		(151,938)	(1,374,519)
Group companies and associates		(151,938)	(1,374,519)
Proceeds from sale of investments		378,479	898,749
Group companies and associates		378,479	898,749
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		226,541	(475,770)
Proceeds from and payments for financial liability instruments		(229,738)	472,757
Issue			
Bonds and other marketable securities		148,741	1,371,506
Redemption and repayment of			
Bonds and other marketable securities		(378,479)	(898,749)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(229,738)	472,757
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(20)	138
Cash and cash equivalents at beginning of year		259	121
Cash and cash equivalents at year end		239	259

The notes to the accompanying annual accounts form an integral part of the statement of cash flows for the year ended 31 December 2019.

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

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)

Notes to the annual accounts for the year ended 31 December 2019

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

1. COMPANY ACTIVITY

Iberdrola Finanzas, S.A.U. (Sociedad Unipersonal) (hereinafter the Company) was incorporated on 16 February 2005, with unlimited duration, in accordance with the Spanish Companies Act.

The statutory activity of the Company is the issue of preferential shares and other negotiable debt instruments in Spanish and foreign secondary markets.

Its registered address is Plaza Euskadi 5, Bilbao (Spain).

The Company provided the entire financing obtained on the debt markets to its sole shareholder, Iberdrola S.A. (hereinafter the "sole shareholder" or IBERDROLA) until 7 December 2016, except in the period 23 March 2010 to 7 April 2011 (both inclusive), during which it provided the financing obtained on the debt markets to Iberdrola Financiación, S.A.U. (hereinafter "Iberdrola Financiación"). As of 7 December 2016, it has provided the entire financing obtained on the markets to Iberdrola Financiación and I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly Iberdrola Distribución Eléctrica, S.A.U.) (hereinafter "I-DE"), companies which are wholly owned by the sole shareholder. It also extended a loan to Iberdrola Renovables Offshore Deutschland, GmbH (hereinafter "Iberdrola Renovables Offshore Deutschland") with the funds obtained through a capital increase in 2013.

In addition, the Company provides financing to certain IBERDROLA Group companies (note 16).

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Accounting standards applied

The annual accounts were prepared in accordance with the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, which was amended in 2016 by Royal Decree 602/2016 of 2 December 2010, and other prevailing legislation.

These annual accounts have been authorised for issue by the directors and are expected to be approved by the sole shareholder with no changes.

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional currency, unless otherwise stated

2.2 True and fair view

The annual accounts have been prepared on the basis of the auxiliary accounting records of the Company, and prevailing accounting legislation, to give a true and fair view of the equity, financial position and results of operations of the Company.

The statement of cash flows has been prepared to give a true and fair view of the source and application of monetary assets representing the Company's cash and cash equivalents.

2.3 Comparative information

In accordance with prevailing Spanish legislation, these annual accounts for 2019 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, comparative figures for the previous year. The notes to the annual accounts also include quantitative information on the prior year.

3. APPLICATION OF LOSSES

The proposed application of losses for 2019, authorised by the directors and expected to be approved by the sole shareholder, is to carry forward losses as accumulated losses.

4. ACCOUNTING PRINCIPLES

4.1 Financial instruments

4.1.1. Classification and measurement of financial assets and financial liabilities

The Company's financial assets and financial liabilities are classified in the following categories:

a) Loans and receivables

These include financial assets originating from the sale of goods or services relating to the Company's trading operations and other receivables from non-trading operations that are not equity instruments or derivatives, are receivable in a fixed or determinable amount and are not traded on an active market.

The financial assets included in this category are initially recognised at fair value. After initial recognition, loans and receivables are measured at amortised cost. Interest incurred on these assets is recognised in the income statement using the effective interest rate method.

Nevertheless, loans and receivables maturing in less than one year which do not have a contractual interest rate are initially and subsequently measured at nominal amount when the effect of not discounting the cash flows is immaterial.

b) Debts and payables

These are financial liabilities arising from the purchase of goods or services in the ordinary course of the Company's trade operations, and other non-trade payables that are not derivative instruments.

They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price and equates to the fair value of the consideration received. Transaction costs that are directly attributable form part of the initial measurement. After initial recognition at fair value, financial liabilities included in this category are measured at amortised cost. Interest accrued on these liabilities is recognised in the income statement using the effective interest rate method.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured both initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

4.1.2. Interest received from financial assets

Interest generated by financial assets after their acquisition is taken to income. Interest is recognised using the effective interest method.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date is recognised separately, based on maturity. For this purpose, explicit interest is the interest obtained by applying the contractual interest rate of the financial instrument.

4.1.3. Impairment of financial assets

The Company regularly assesses whether a financial asset or group of financial assets is impaired.

a) Loans and receivables

The carrying amount of a financial asset or group of financial assets carried at amortised cost is impaired when there is objective evidence that an impairment loss has been incurred due to one or more events occurring since initial recognition that lead to a reduction or delay in estimated future cash flows.

The amount of the impairment loss on these financial assets is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate used on the date of initial recognition. For variable income financial assets, the effective interest rate corresponding to the reporting date of the annual accounts under the contractual conditions is used. Impairment losses on a group of financial assets are calculated using models based on statistical formulas or methods.

Impairment losses, as well as reversals when the amount of the loss decreases due to a subsequent event, are recognised in profit or loss. Impairment can be reversed up to the limit of the carrying amount that would have been recognised if no impairment loss had been recognised.

4.1.4. Derecognition of financial assets

The Company derecognises a financial asset, or part thereof, when the contractual rights to receive cash flows from the asset have expired or are transferred and all the risks and rewards incidental to ownership have been substantially transferred. This is assessed by comparing the Company's exposure to changes in the amounts and schedule of cash flows net of the transferred asset before and after the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it has not retained control of the asset, which is determined based on the transferee's ability to transfer the asset. When the Company retains control of the asset, it continues to recognise the asset at the amount of the Company's exposure to changes in the fair value of the transferred asset; i.e. to the extent of its continuing involvement, and recognises the related liability.

When the financial asset is derecognised, the difference between the consideration received less directly attributable transaction costs, taking into account any new asset acquired less any liability assumed, and the carrying amount of the financial asset plus any cumulative amounts recognised directly in equity determines the related gain or loss and is recognised in the income statement in the year.

The Company does not derecognise financial assets when it retains substantially all the risks and rewards incidental to ownership of the transferred financial asset, but instead recognises a financial liability for the same amount as the consideration received.

4.1.5. Derecognition of financial liabilities

The Company derecognises a financial liability when the obligation is discharged.

If there is an exchange of debt instruments, between the Company and the counterparty, and the conditions thereof are substantially different, the original financial liability is derecognised and the new financial liability is recognised. The difference between the carrying amount of a financial liability, or part of that liability, that has been derecognised and the consideration paid, including attributable transaction costs and any asset transferred (other than cash) or liability assumed, is recognised in profit or loss for the reporting period in which it arises.

The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If there is an exchange of debt instruments, and the conditions thereof are not substantially different, the original financial liability is not derecognised and the carrying amount is adjusted for the fees paid. The amortised cost of the financial liability is determined applying the effective interest rate, which is the rate that equates the carrying amount of the financial liability at the modification date with the cash flows to be paid as per the new conditions.

4.2 Foreign currency transactions

Transactions in foreign currency are initially recorded at the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the reporting date. Exchange gains and losses that arise in the translation process, including those arising from the settlement of balance sheet items, are recognised in the income statement.

4.3 Cash and cash equivalents

This heading includes cash, current bank accounts and deposits and temporary purchases of assets that comply with the following characteristics:

- They can be converted into cash.
- At the time of acquisition their maturity is less than three months.
- They have no significant risk of change in value.
- They form part of the Company's usual cash management policy.

In the statement of cash flows, occasional bank overdrafts that form a part of the Company's cash management are recognised as a decrease in cash and cash equivalents.

4.4 Income tax

The Company files consolidated tax returns with certain Group companies.

Income tax expense is calculated as the sum of the current tax resulting from the application of the corresponding tax rate to taxable income for the year, after all tax credits and deductions have been taken into account, plus changes in deferred tax assets and liabilities. Tax deductions and credits are recognised in the companies that generate them.

The income tax expense is recognised in the income statement except in cases where this tax relates to items recognised in equity, in which case the associated tax is also recognised in equity.

Current tax assets and liabilities are the estimated amounts payable to or receivable from public entities, in accordance with the tax rates in force at the reporting date, and including any other tax adjustment from prior years.

Deferred income tax is recognised using the liability method for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the annual accounts.

The Company recognises deferred tax liabilities for all taxable temporary differences, except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

The Company recognises deferred tax assets for all deductible temporary differences, unused tax credits and unapplied tax loss carryforwards, to the extent that it is probable that the tax group will have taxable profit available against which these can be utilised, except for when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

At each reporting date, the Company assesses both recognised and any previously unrecognised deferred tax assets. On the basis of this assessment, the Company derecognises previously recognised assets if their recoverability is no longer probable or recognises any previously unrecognised deferred tax assets provided that it is probable that the tax Group will generate sufficient future tax gains to allow these assets to be utilised.

Unless there is evidence to the contrary, it is not considered probable that the tax Group will have sufficient taxable income when future recovery is expected to occur more than ten years from the reporting date. Conversely, it is considered probable that the tax Group will generate sufficient taxable profit to recover deferred tax assets when there are taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

Deferred tax assets and liabilities are measured at the standard tax rates that are expected upon reversal, in accordance with approved prevailing tax laws and based on the manner in which the deferred tax asset or liability can reasonably be expected to be recovered or settled. Changes to the carrying amounts of deferred tax assets and liabilities are recognised in the income statement, except when the related deferred tax assets and liabilities are recognised directly in equity.

Deferred tax assets and liabilities are measured without taking into account the impact of the time value of money.

4.5 Classification of assets and liabilities as current and non-current

Assets and liabilities are classified as current and non-current in the balance sheet. Accordingly, they are classified as current when linked to the operating cycle of the Company and expected to be sold, consumed, realised or settled within a maximum period of one year.

4.6 Income and expenses

Income and expenses are allocated on an accruals basis, irrespective of collections and payments.

Revenue from the rendering of services is measured at the fair value of the consideration received or receivable, less any discounts, rebates or similar items, as well as indirect taxes levied on transactions which can be passed on to third parties.

In addition, revenue from the rendering of services is recognised when the outcome of the transaction can be reliably estimated, considering the stage of completion at the reporting date. When the outcome of a transaction involving the rendering of services cannot be reliably estimated, revenue is recognised only to the extent of the expenses recognised that are considered recoverable.

The Company, as a financial vehicle corporation of the IBERDROLA Group, includes revenue accrued from financing extended to Group companies under Revenues in the accompanying income statement.

4.7 Related party transactions

Related party transactions are carried out at arm's length and are accounted for in accordance with the criteria indicated above.

5. FINANCIAL RISK MANAGEMENT

The IBERDROLA Group is exposed to certain inherent risks due to the different countries, sectors and markets where it operates, and the activities it carries out, which can prevent the Company from achieving its objectives and executing its strategies successfully.

The IBERDROLA Group's *financing and financial risk policies* approved by IBERDROLA's board of directors identify, among others, the risk factors described below which may affect the Company. The Company has an organisation and systems that enable it to identify, measure and manage the financial risks to which it is exposed.

The activity with financial instruments exposes the Company to credit, market and liquidity risks. Since the Company is a financial vehicle corporation of the IBERDROLA Group, the Company's exposure to these risks should be assessed in the environment of the IBERDROLA Group.

Credit risk

The Company is exposed to credit risk deriving from the possible failure of its counterparties to comply with contractual obligations, i.e. the possibility of not recovering financial assets at the amount recognised and within the established term.

Credit risk is managed and limited in accordance with the type of transaction and the creditworthiness of the counterparty. There is a *corporate credit risk policy* in place that establishes the framework and guidelines for correct risk management.

At 31 December 2019 the entire credit risk is materialised with the sole shareholder and with the IBERDROLA Group companies Iberdrola Financiación, I-DE and Iberdrola Renovables Offshore Deutschland. The Company does not consider the possible effect of this risk on the Company's annual accounts to be significant.

Interest rate risk

Interest rate risk arises from possible losses due to changes in the fair value or the future cash flows of a financial instrument because of variations in market interest rates.

The directors consider the Company's exposure to this risk as insignificant, given that the Company follows the practice of lending to its sole shareholder and to the IBERDROLA Group companies Iberdrola Financiación, I-DE and Iberdrola Renovables Offshore Deutschland in the same conditions (term, nominal amount and benchmark interest rate) as which it obtains market financing through the issue of liabilities.

Note 9 contains details of all bond issues and other Company securities together with their respective features at the 2019 and 2018 closing dates.

Currency risk

Currency risk arises from possible losses due to changes in the fair value or the future cash flows of a financial instrument because of variations in market interest rates. The Company's exposure to foreign currency risk mainly arises from loans extended and issues made in foreign currency.

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

As the Company maintains symmetrical operations in the same currency in both assets and liabilities of its balance sheet and with the same maturity dates, the directors consider this risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that the Company might not hold, or have access to, sufficient liquid funds at a suitable cost to settle its payment obligations.

As mentioned previously, the Company matches the due dates of its assets (loans to the sole shareholder and to Group companies) and issued liabilities, so this risk would only materialise in the event that its sole shareholder is unable to fulfil its commitments with the Company, which include those commitments acquired with the Company by Iberdrola Financiación, I-DE and Iberdrola Renovables Offshore Deutschland. Since the Company is a financial vehicle corporation of the IBERDROLA Group, this risk should be assessed in the environment of the IBERDROLA Group.

6. CATEGORIES AND MEASUREMENT OF FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018 the carrying amount and fair value of financial instruments in each of the categories of financial assets and liabilities, except for cash and cash equivalents, are as follows:

(Thousands of Euros)	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Loans and receivables</i>				
Loans to companies	7,151,473	7,671,095	7,327,254	7,603,339
Other financial assets	21,776	21,776	18,569	18,569
Total	7,173,249	7,692,871	7,345,823	7,621,908
Financial liabilities				
<i>Debts and payables</i>				
Bonds and other marketable securities	7,047,185	7,535,389	7,219,231	7,459,500
Other financial liabilities	695	695	684	684
Trade and other payables	10	10	-	-
Total	7,047,890	7,536,094	7,219,915	7,460,184

Fair value was determined by discounting the cash flows of discounted future payments using market rates applicable at the measurement date.

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

7. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Movement during 2019 and 2018 in current and non-current loans to Group companies and associates is as follows:

(Thousands of Euros)	Balance at 01.01.19	Additions and charges	Transfers	Disposals, derecognitions or reductions	Foreign currency valuation	Balance at 31.12.19
Non-current						
Principal loans to Group companies (note 16.1)	6,835,988	148,730	(1,394,642)	-	48,819	5,638,895
Total non-current	6,835,988	148,730	(1,394,642)	-	48,819	5,638,895
Current						
Principal loans to Group companies (note 16.1)	369,030	5,434	1,394,642	(378,479)	4,202	1,394,829
Accrued interest	122,236	185,984	-	(190,471)	-	117,749
Total current	491,266	191,418	1,394,642	(568,950)	4,202	1,512,578
Total	7,327,254	340,148	-	(568,950)	53,021	7,151,473

(Thousands of Euros)	Balance at 01.01.18	Additions and charges	Transfers	Disposals, derecognitions or reductions	Foreign currency valuation	Balance at 31.12.18
Non-current						
Principal loans to Group companies (note 16.1)	5,954,565	1,371,501	(368,726)	(116,632)	(4,720)	6,835,988
Total non-current	5,954,565	1,371,501	(368,726)	(116,632)	(4,720)	6,835,988
Current						
Principal loans to Group companies (note 16.1)	774,853	4,982	368,726	(782,117)	2,586	369,030
Accrued interest	148,305	200,775	-	(226,844)	-	122,236
Total current	923,158	205,757	368,726	(1,008,961)	2,586	491,266
Total	6,877,723	1,577,258	-	(1,125,593)	(2,134)	7,327,254

The current portion of other financial assets with Group companies and associates at 31 December 2019 and 2018 reflects the balance of the reciprocal current account in Euros with IBERDROLA.

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

The maturity of outstanding loans to Group companies and associates at 31 December 2019 and 2018, broken down by currency, is as follows:

(Thousands of Euros)	Balance at 31.12.19	Maturity						Total non-current
		Current			Non-current			
		2020	2021	2022	2023	2024	2025 and thereafter	
Euro	5,961,827	1,395,454	75,000	-	199,971	997,165	3,294,237	4,566,373
US Dollar	44,831	-	-	-	-	-	44,831	44,831
Pound Sterling	819,925	(625)	-	234,744	-	585,806	-	820,550
Norwegian Krone	182,597	-	-	-	-	-	182,597	182,597
Japanese Yen	24,544	-	-	-	24,544	-	-	24,544
Accrued interest	117,749	117,749	-	-	-	-	-	-
Total	7,151,473	1,512,578	75,000	234,744	224,515	1,582,971	3,521,665	5,638,895

(Thousands of Euros)	Balance at 31.12.18	Maturity						Total non-current
		Current			Non-current			
		2019	2020	2021	2022	2023	2024 and thereafter	
Euro	6,103,287	290,376	1,399,892	75,000	-	99,958	4,238,061	5,812,911
US Dollar	43,948	-	-	-	-	-	43,948	43,948
Pound Sterling	774,178	(623)	-	-	221,725	-	553,076	774,801
Norwegian Krone	180,545	-	-	-	-	-	180,545	180,545
Japanese Yen	103,060	79,277	-	-	-	23,783	-	23,783
Accrued interest	122,236	122,236	-	-	-	-	-	-
Total	7,327,254	491,266	1,399,892	75,000	221,725	123,741	5,015,630	6,835,988

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

Details of the loans that comprise “Loans to companies” at 31 December 2019 are as follows:

Type	Counterparty	(Thousands)		Interest rate	Transaction date	Maturity	Principal in Euros '000	
		Nominal	Currency				Non-current	Current
Intercompany loan	Iberdrola, S.A.	75,000	EUR	SP CPI + 1.5029%	15.03.2006	15.03.2021	75,000	-
Intercompany loan	Iberdrola, S.A.	3,000,000	JPY	2.699%	31.03.2008	31.03.2023	24,544	-
Intercompany loan	Iberdrola, S.A.	500,000	GBP	7.404%	29.01.2009	29.01.2024	585,806	(498)
Intercompany loan	Iberdrola, S.A.	200,000	GBP	6.029%	01.07.2009	01.07.2022	234,744	(127)
Intercompany loan	Iberdrola Financiación, S.A.U.	1,100,000	EUR	4.224%	23.03.2010	23.03.2020	-	1,099,852
Intercompany loan	I-DE Redes Eléctricas Inteligentes, S.A.U. Iberdrola Renovables Offshore	100,000	EUR	5.837%	02.05.2014	10.03.2023	99,985	(13)
Intercompany loan	Deutschland, GmbH	100,000	EUR	1.262%	02.11.2015	02.11.2020	-	100,000
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.099%	07.12.2016	07.03.2024	746,421	(1,124)
Intercompany loan	Iberdrola Financiación, S.A.U.	250,000	EUR	Euribor3m + 0.769%	20.02.2017	20.02.2024	250,744	238
Intercompany loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.766%	20.02.2017	20.02.2029	99,613	(48)
Intercompany loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.099%	07.03.2017	07.03.2025	995,257	(1,133)
Intercompany loan	Iberdrola Financiación, S.A.U.	110,000	EUR	1.881%	10.05.2017	30.10.2030	109,016	(100)
Intercompany loan	Iberdrola Financiación, S.A.U.	1,000,000	NOK	2.799%	18.05.2017	18.05.2027	101,443	-
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.349%	13.09.2017	13.09.2027	743,717	(937)
Intercompany loan	Iberdrola Financiación, S.A.U.	575,000	EUR	1.720%	29.11.2017	29.11.2029	573,056	(218)
Intercompany loan	Iberdrola Financiación, S.A.U.	200,000	EUR	Euribor3m + 0.449%	05.02.2018	05.02.2020	-	200,040
Intercompany loan	Iberdrola Financiación, S.A.U.	800,000	NOK	3.109%	03.05.2018	03.05.2028	81,154	-
Intercompany loan	Iberdrola Financiación, S.A.U.	30,000	EUR	1.227%	13.06.2018	13.06.2025	29,974	(6)
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.349%	28.06.2018	28.10.2026	743,590	(1,097)
Intercompany loan	Iberdrola Financiación, S.A.U.	50,000	USD	3.823%	21.12.2018	08.12.2025	44,831	-
Intercompany loan	Iberdrola Financiación, S.A.U.	100,000	EUR	Euribor3m + 0.749%	04.12.2019	04.12.2023	100,000	-
							5,638,895	1,394,829

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Details of the loans that comprise “Loans to companies” at 31 December 2018 are as follows:

Type	Counterparty	(Thousands)		Interest rate	Transaction date	Maturity	Principal in Euros '000	
		Nominal	Currency				Non-current	Current
Intercompany loan	Iberdrola, S.A.	75,000	EUR	SP CPI + 1.5029%	15.03.2006	15.03.2021	75,000	-
Intercompany loan	Iberdrola, S.A.	3,000,000	JPY	2.699%	31.03.2008	31.03.2023	23,783	-
Intercompany loan	Iberdrola, S.A.	500,000	GBP	7.404%	29.01.2009	29.01.2024	553,076	(496)
Intercompany loan	Iberdrola, S.A.	120,000	EUR	5.314%	30.09.2008	30.09.2019	14	119,965
Intercompany loan	Iberdrola, S.A.	50,000	EUR	EUR CPI + 3.229%	11.05.2009	11.05.2019	-	49,993
Intercompany loan	Iberdrola, S.A.	200,000	GBP	6.029%	01.07.2009	01.07.2022	221,725	(127)
Intercompany loan	Iberdrola Financiación, S.A.U.	1,100,000	EUR	4.224%	23.03.2010	23.03.2020	1,099,852	(653)
Intercompany loan	Iberdrola Financiación, S.A.U.	125,000	EUR	5.599%	04.06.2009	04.06.2019	-	124,981
Intercompany loan	Iberdrola, S.A.	10,000,000	JPY	2.539%	18.11.2011	18.11.2019	-	79,277
Intercompany loan	I-DE Redes Eléctricas Inteligentes, S.A.U. Iberdrola Renovables Offshore	100,000	EUR	5.837%	02.05.2014	10.03.2023	99,958	(13)
Intercompany loan	Deutschland, GmbH	100,000	EUR	1.262%	02.11.2015	02.11.2020	100,000	-
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.099%	07.12.2016	07.03.2024	745,297	(1,119)
Intercompany loan	Iberdrola Financiación, S.A.U.	250,000	EUR	Euribor3m + 0.769%	20.02.2017	20.02.2024	250,982	238
Intercompany loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.766%	20.02.2017	20.02.2029	99,565	(47)
Intercompany loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.099%	07.03.2017	07.03.2025	994,124	(1,129)
Intercompany loan	Iberdrola Financiación, S.A.U.	60,000	EUR	1.881%	10.05.2017	30.10.2030	60,000	-
Intercompany loan	Iberdrola Financiación, S.A.U.	1,000,000	NOK	2.799%	18.05.2017	18.05.2027	100,303	-
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.349%	13.09.2017	13.09.2027	742,780	(934)
Intercompany loan	Iberdrola Financiación, S.A.U.	575,000	EUR	1.720%	29.11.2017	29.11.2029	572,837	(214)
Intercompany loan	Iberdrola Financiación, S.A.U.	200,000	EUR	Euribor3m + 0.449%	05.02.2018	05.02.2020	200,040	407
Intercompany loan	Iberdrola Financiación, S.A.U.	800,000	NOK	3.109%	03.05.2018	03.05.2028	80,242	-
Intercompany loan	Iberdrola Financiación, S.A.U.	30,000	EUR	1.227%	13.06.2018	13.06.2025	29,969	(6)
Intercompany loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.349%	28.06.2018	28.10.2026	742,493	(1,093)
Intercompany loan	Iberdrola Financiación, S.A.U.	50,000	USD	3.823%	21.12.2018	08.12.2025	43,948	-
							6,835,988	369,030

The loan portfolio, excluding the loan contract signed with Iberdrola Renovables Offshore Deutschland, which accrues interest at 1.26%, accrues average nominal interest of 2.50% at 31 December 2019 (2.63% in 2018). Including this operation, the average nominal interest rate of the loan portfolio is 2.49% (2.61% in 2018).

Other significant operations in 2019 and 2018

In addition to the new operations reflected in the table above, the following significant operations took place:

On 17 January 2019 the loan arranged on 10 May 2017 was increased by Euros 50,000 thousand, maintaining the same maturity and interest rate.

On 5 February 2018 and 21 December 2018, the loan arranged on 29 November 2017 was increased by Euros 200,000 thousand and Euros 75,000 thousand, respectively, maintaining the same maturity and interest rate.

On 25 May 2018 the Company exercised the option that allowed the maturity of the loan with IBERDROLA for JPY 15,000,000 thousand, originally set at 25 May 2036, to be brought forward. Finance income for the interest accrued at 31 December 2018 amounted to Euros 1,462 thousand, which the Company recognised under Revenues – Finance income from marketable securities and other financial instruments of Group companies and associates (note 12.2), and no other amount for any other item was recognised in the accompanying income statement.

8. EQUITY

8.1 Registered capital

At 31 December 2019 and 2018 share capital is represented by 100,061 registered shares of Euros 1,000 par value each. The Company's entire share capital is fully subscribed and paid by its sole shareholder, IBERDROLA.

8.2 Legal reserve

In accordance with the Spanish Companies Act, providing the legal reserve does not exceed 20% of share capital, it is not distributable to shareholders and may only be used to offset losses if no other reserves are available. This reserve may also be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At the 2019 and 2018 reporting dates, the legal reserve had not been appropriated in full.

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9. ISSUE OF BONDS AND OTHER MARKETABLE SECURITIES

Movement in current and non-current bonds and other marketable securities during 2019 and 2018 was as follows:

(Thousands of Euros)	Balance at 01.01.19	Additions and charges	Transfers	Disposals, derecognitions or reductions	Foreign currency valuation	Balance at 31.12.19
Non-current						
Bonds and other marketable securities	6,735,131	148,741	(1,293,814)	-	48,819	5,638,877
Total non-current	6,735,131	148,741	(1,293,814)	-	48,819	5,638,877
Current						
Bonds and other marketable securities	365,397	9,066	1,293,814	(378,479)	4,202	1,294,000
Accrued interest	118,703	178,550	-	(182,945)	-	114,308
Total current	484,100	187,616	1,293,814	(561,424)	4,202	1,408,308
Total	7,219,231	336,357	-	(561,424)	53,021	7,047,185

(Thousands of Euros)	Balance at 01.01.18	Additions and charges	Transfers	Disposals, derecognitions or reductions	Foreign currency valuation	Balance at 31.12.18
Non-current						
Bonds and other marketable securities	5,850,072	1,371,506	(365,095)	(116,632)	(4,720)	6,735,131
Total non-current	5,850,072	1,371,506	(365,095)	(116,632)	(4,720)	6,735,131
Current						
Bonds and other marketable securities	771,218	8,615	365,095	(782,117)	2,586	365,397
Accrued interest	144,905	193,692	-	(219,894)	-	118,703
Total current	916,123	202,307	365,095	(1,002,011)	2,586	484,100
Total	6,766,195	1,573,813	-	(1,118,643)	(2,134)	7,219,231

The maturity of outstanding issues at 31 December 2019 and 2018, broken down by currency, is as follows:

(Thousands of Euros)	Balance at 31.12.19	Maturity							Total non-current
		Current			Non-current				
		2020	2021	2022	2023	2024	2025 and thereafter		
Euro	5,860,974	1,294,623	75,000	-	199,971	997,165	3,294,215	4,566,351	
US Dollar	44,831	-	-	-	-	-	44,831	44,831	
Pound Sterling	819,931	(623)	-	234,745	-	585,809	-	820,554	
Norwegian Krone	182,597	-	-	-	-	-	182,597	182,597	
Japanese Yen	24,544	-	-	-	24,544	-	-	24,544	
Total	6,932,877	1,294,000	75,000	234,745	224,515	1,582,974	3,521,643	5,638,877	

(Thousands of Euros)	Balance at 31.12.18	Maturity							Total non-current
		Current			Non-current				
		2019	2020	2021	2022	2023	2024 and thereafter		
Euro	5,998,788	286,741	1,299,067	75,000	-	99,958	4,238,022	5,712,047	
US Dollar	43,948	-	-	-	-	-	43,948	43,948	
Pound Sterling	774,187	(621)	-	-	221,726	-	553,082	774,808	
Norwegian Krone	180,545	-	-	-	-	-	180,545	180,545	
Japanese Yen	103,060	79,277	-	-	-	23,783	-	23,783	
Total	7,100,528	365,397	1,299,067	75,000	221,726	123,741	5,015,597	6,735,131	

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The breakdown by maturity of future payment commitments of unaccrued interest at 31 December 2019, considering that the prevailing interest rates and exchange rates remain constant until maturity, is as follows:

(Thousands of Euros)	2020	2021	2022	2023	2024	2025 and thereafter	Total
Euro	103,633	57,376	56,245	56,245	49,718	123,918	447,135
US Dollar	1,670	1,670	1,670	1,670	1,670	1,670	10,020
Pound Sterling	57,406	57,412	57,412	43,316	43,316	-	258,862
Norwegian Krone	5,182	5,182	5,182	5,182	5,182	17,988	43,898
Japanese Yen	655	655	655	655	-	-	2,620
Total	168,546	122,295	121,164	107,068	99,886	143,576	762,535

Details of issues of bonds and promissory notes comprising the balance of bonds and other marketable securities at 31 December 2019 are as follows:

(Thousands)								Principal in Euros '000	
Type	Nominal	Currency	Issue rate	Interest rate	Transaction date	Maturity	Settlement of interest	Non-current	Current
Public bond	1,100,000	EUR	99.26%	4.13%	23/03/2010	23/03/2020	Annual	-	1,099,027
Private bond	75,000	EUR	At par	SP CPI + 1.50%	15/03/2006	15/03/2021	Annual	75,000	(1)
Private bond	100,000	EUR	99.80%	5.81%	10/03/2008	10/03/2023	Annual	99,971	(13)
Public bond	750,000	EUR	99.18%	1.00%	07/12/2016	07/03/2024	Annual	746,421	(1,124)
Private bond	250,000	EUR	At par	Euribor3m + 0.67%	20/02/2017	20/02/2024	Quarterly	250,744	238
Private bond	100,000	EUR	At par	1.67%	20/02/2017	20/02/2029	Annual	99,613	(47)
Public bond	1,000,000	EUR	99.6%	1.0%	07/03/2017	07/03/2025	Annual	995,236	(1,140)
Private bond	110,000	EUR	At par	1.78%	10/05/2017	30/10/2030	Annual	109,026	(99)
Public bond	750,000	EUR	99.05%	1.25%	13/09/2017	13/09/2027	Annual	743,717	(937)
Private bond	575,000	EUR	At par	1.62%	29/11/2017	29/11/2029	Annual	573,059	(218)
Private bond	200,000	EUR	At par	Euribor3m + 0.35%	05/02/2018	05/02/2020	Quarterly	-	200,040
Private bond	30,000	EUR	99.87%	1.13%	13/06/2018	13/06/2025	Annual	29,974	(6)
Public bond	750,000	EUR	99.06%	1.25%	28/06/2018	28/10/2026	Annual	743,590	(1,097)
Private bond	100,000	EUR	101.41%	Euribor3m + 0.65%	04/12/2019	04/12/2023	Quarterly	100,000	-
Public bond	500,000	GBP	99.06%	7.37%	29/01/2009	29/01/2024	Annual	585,809	(497)
Private bond	200,000	GBP	99.55%	6.00%	01/07/2009	01/07/2022	Half-yearly	234,745	(126)
Private bond	3,000,000	JPY	At par	2.67%	31/03/2008	31/03/2023	Annual	24,544	-
Private bond	1,000,000	NOK	At par	2.70%	18/05/2017	18/05/2027	Annual	101,443	-
Private bond	800,000	NOK	At par	3.01%	03/05/2018	03/05/2028	Annual	81,154	-
Private bond	50,000	USD	At par	3.72%	21/12/2018	08/12/2025	Half-yearly	44,831	-
								5,638,877	1,294,000

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

Details of issues of bonds and promissory notes comprising the balance of bonds and other marketable securities at 31 December 2018 are as follows:

(Thousands)								Principal in Euros '000	
Type	Nominal	Currency	Issue rate	Interest rate	Transaction date	Maturity	Settlement of interest	Non-current	Current
Public bond	1,100,000	EUR	99.26%	4.13%	23/03/2010	23/03/2020	Annual	1,099,027	(4,279)
Private bond	75,000	EUR	At par	Spanish CPI + 1.50%	15/03/2006	15/03/2021	Annual	74,999	(1)
Private bond	100,000	EUR	99.80%	5.81%	10/03/2008	10/03/2023	Annual	99,958	(13)
Private bond	120,000	EUR	At par	5.28%	11/05/2009	30/09/2019	Annual	-	119,965
Private bond	50,000	EUR	At par	European CPI + 3.20%	11/05/2009	11/05/2019	Annual	-	49,993
Private bond	125,000	EUR	99.89%	5.50%	04/06/2009	04/06/2019	Annual	-	124,981
Public bond	750,000	EUR	99.18%	1.00%	07/12/2016	07/03/2024	Annual	745,297	(1,119)
Private bond	250,000	EUR	At par	Euribor3m + 0.67%	20/02/2017	20/02/2024	Quarterly	250,982	238
Private bond	100,000	EUR	At par	1.67%	20/02/2017	20/02/2029	Annual	99,565	(47)
Public bond	1,000,000	EUR	99.36%	1.00%	07/03/2017	07/03/2025	Annual	994,096	(1,137)
Private bond	60,000	EUR	At par	1.78%	10/05/2017	30/10/2030	Annual	60,000	-
Public bond	750,000	EUR	99.05%	1.25%	13/09/2017	13/09/2027	Annual	742,780	(934)
Private bond	575,000	EUR	At par	1.62%	29/11/2017	29/11/2029	Annual	572,841	(214)
Private bond	200,000	EUR	At par	Euribor3m + 0.35%	05/02/2018	05/02/2020	Quarterly	200,040	407
Private bond	30,000	EUR	99.87%	1.13%	13/06/2018	13/06/2025	Annual	29,969	(6)
Public bond	750,000	EUR	99.06%	1.25%	28/06/2018	28/10/2026	Annual	742,493	(1,093)
Public bond	500,000	GBP	99.06%	7.37%	29/01/2009	29/01/2024	Annual	553,081	(495)
Private bond	200,000	GBP	99.55%	6.00%	01/07/2009	01/07/2022	Half-yearly	221,727	(126)
Private bond	3,000,000	JPY	At par	2.67%	31/03/2008	31/03/2023	Annual	23,783	-
Private bond	10,000,000	JPY	At par	2.51%	18/11/2011	18/11/2019	Half-yearly	-	79,277
Private bond	1,000,000	NOK	At par	2.70%	18/05/2017	18/05/2027	Annual	100,303	-
Private bond	800,000	NOK	At par	3.01%	03/05/2018	03/05/2028	Annual	80,242	-
Private bond	50,000	USD	At par	3.72%	21/12/2018	08/12/2025	Half-yearly	43,948	-
								6,735,131	365,397

All of the above issues are marketable securities on the Luxembourg Stock Exchange.

The issues portfolio at 31 December 2019 accrues average nominal interest of 2.42% (2.55% in 2018).

At 31 December 2019 all of the Company's existing bond issues are secured by IBERDROLA.

Additionally, at 31 December 2019 there are bond issues amounting to Euros 6,112,337 thousand in the European market whose maturity could be affected by or would require additional guarantees in the event of a change in control in the Parent (IBERDROLA) and this occurred in the manner and with the consequences established in each contract.

Other significant operations in 2019 and 2018

In addition to the new operations reflected in the table above, the following significant operations took place:

On 17 January 2019 the issue arranged on 10 May 2017 was increased by Euros 50,000 thousand, maintaining the same maturity and coupon.

On 25 June 2019 the Company updated its Euro Medium Term Notes Programme (EMTN), valid for one year and through which it can issue straight bonds listed on the Luxembourg Stock Exchange.

The issue arranged on 29 November 2017 was increased on 5 February 2018 and 21 December 2018 by Euros 200,000 thousand and Euros 75,000 thousand, respectively, maintaining the same maturity and coupon.

On 25 May 2018 the Company exercised the option that allowed the maturity of the bond issue on the Euromarket for JPY 15,000,000 thousand, originally set at 25 May 2036, to be brought forward. Finance costs for the interest accrued at 31 December 2018 amounted to Euros 1,448 thousand, which was recognised under Finance costs – Other (note 12.1), and no other amount for any other item was recognised in the accompanying income statement.

On 1 August 2018 the Company updated its Euro Medium Term Notes Programme (EMTN), valid for one year and through which it can issue straight bonds listed on the Luxembourg Stock Exchange.

10. AVERAGE SUPPLIER PAYMENT PERIOD. "REPORTING REQUIREMENT", THIRD ADDITIONAL PROVISION OF LAW 15/2010 OF 5 July 2010

Details of the information required for 2019 and 2018 are as follows:

Number of days	2019	2018
Average supplier payment period	7.6	26.1
Transactions paid ratio	7.1	26.1
Transactions payable ratio	27.8	-
Thousands of Euros	2019	2018
Total payments made	435	686
Total payments outstanding	10	-

The information contained in the table above has been prepared in accordance with Law 15/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004, which sets forth measures to combat late payments in commercial transactions, and in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016 on information to be included in the notes to the annual accounts in relation to late payments to suppliers in commercial transactions. The specifications with which such information has been prepared are as follows:

- Transactions paid ratio: amount in days resulting from the sum of the products of the amount of each transaction paid and the number of payment days, divided by the total amount of payments made during the year.
- Transactions payable ratio: amount in days resulting from the sum of the products of the amount of each transaction payable and the number of days payable, divided by the total amount payable.
- Suppliers: trade payables included under current liabilities in the balance sheet in respect of balances payable to suppliers for goods or services.

Suppliers of fixed assets and lease finance payables are not included.

- Fees, royalties, indemnities etc. are not included as they are not commercial transactions.

11. TAXATION

11.1 Public entities

Details of balances payable to and receivable from public entities at 31 December 2019 and 2018 are as follows:

(Thousands of Euros)	2019	2018
Public entities, receivable:		
Taxation authorities, income tax receivable (a)	188	206
Total	188	206

- (a) At 31 December 2019 and 2018, this heading reflects income tax receivable for 2019 and 2018, respectively, from Iberdrola Inversiones 2010, S.A., a company representing the tax Group in which the Company is included.

11.2 Income tax

The Company files taxes under Vizcaya tax law.

In 2018 the Company filed consolidated income tax returns as a subsidiary of consolidated tax group 02415BSC, a group of companies which opted with effect as of 1 January 2015 to apply the consolidated tax regime set out in Vizcaya Provincial Law 11/2013 of 5 December 2013 on income tax and of which IBERDROLA, although not forming part thereof, is the Parent, and Iberdrola Inversiones 2010, S.A. is the representative company.

Group 02415BSC is comprised of 20 companies.

A reconciliation of the individual accounting loss with the individual tax loss for corporate income tax for 2019 and 2018 is as follows:

(Thousands of Euros)	2019
Loss before income tax	(772)
Taxable income/(tax loss)	(772)
Tax recoverable (24%)	185

(Thousands of Euros)	2018
Loss before income tax	(980)
Taxable income/(tax loss)	(980)
Tax recoverable (26%)	255

11.3 Accounting income tax expense

A breakdown of income tax between current and deferred taxes is as follows:

(Thousands of Euros)	2019	2018
	Income statement	Income statement
Effective tax (income)/expense		
Current	(185)	(255)
Deferred	-	2
Total	(185)	(253)

Income tax accrued in 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Accounting profit/(loss) before income tax	(772)	(980)
Adjusted accounting profit/(loss)	(772)	(980)
Gross tax	(185)	(255)
Change in rates	-	2
Accrued tax (income)/expense	(185)	(253)

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

11.4 Deferred tax

Movement in deferred tax assets during 2019 and 2018 is as follows:

(Thousands of Euros)	01.01.19	Credit (debit) to the income statement	31.12.19
Deferred tax assets:			
Tax credits for loss carryforwards and deductions	10	-	10
Total	10	-	10

(Thousands of Euros)	01.01.18	Credit (debit) to the income statement	31/12/2018
Deferred tax assets:			
Tax credits for loss carryforwards and deductions	12	(2)	10
Total	12	(2)	10

11.5 Tax inspections

At the date of authorisation for issue of these annual accounts, the Company has open to inspection the main applicable taxes for 2016 and subsequent fiscal years, with the exception of income tax, which is open to inspection for 2015 and subsequent fiscal years. In accordance with prevailing legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or the inspection period of four years has elapsed.

The Company's directors and, where applicable, its tax advisors consider that no significant additional liabilities will arise for the Company as a result of the years open to inspection.

12. INCOME AND EXPENSES

12.1 Revenues

Details of this revenues in the income statements for 2019 and 2018 are as follows:

(Thousands of Euros)	2019	2018
Finance income from marketable securities and other financial instruments of Group companies and associates	191,418	205,747
Total	191,418	205,747

12.2 Finance costs

Details of finance costs during 2019 and 2018 are as follows:

(Thousands of Euros)	2019	2018
Interest on payables to Group companies	4,175	3,791
Interest on other payables		
Interest on bonds, obligations and other ⁽¹⁾	187,616	202,483
Total	191,791	206,274

⁽¹⁾ This amount includes an expense of Euros 3,627 thousand in 2019 and 2018 corresponding to transaction costs on the modification of a financial liability in 2010. This amount means finance costs are higher than finance income. This financial liability matures in 2020.

12.3 Exchange differences

Exchange differences in 2019 amounted to a net gain of Euros 12 thousand (net loss of Euros 5 thousand in 2018).

13. REMUNERATION OF SENIOR MANAGEMENT

The board of directors carries out the functions of senior management, understood as individuals with the authority and responsibility for planning, management and control of the Company's activities, and note 14 is thus applicable to this note.

14. REMUNERATION OF THE BOARD OF DIRECTORS

During the period to which these annual accounts refer, as well as in 2018, the members of the Company's board of directors accrued no remuneration in their capacity as such.

No loans or advances have been extended to the directors, nor is any amount reflected in the balance sheets for 2019 and 2018 in respect of this item from prior years.

In 2019 and 2018 IBERDROLA, as parent of the group of companies to which the Company belongs, assumed the directors' public liability insurance premiums to cover damage or loss incurred in the performance of their duties.

At 31 December 2019 and 2018 the Company has not extended any guarantees to, nor has it assumed any commitments with former or current members of the board of directors in respect of pensions or life insurance, nor has it carried out any transactions with them other than those described in this note.

Lastly, on 31 January 2020, IBERDROLA, the Company's sole shareholder, appointed Mr. Daniel Alcaín López as a new board member of the Company, with effect from that date.

15. INFORMATION ON COMPLIANCE WITH ARTICLE 229 OF THE SPANISH COMPANIES ACT

In compliance with article 229 of the Spanish Companies Act, which was introduced by Royal Decree Law 1/2010 of 2 July 2010, and amended by Law 31/2014 of 3 December 2014, to improve corporate governance, the members of the board of directors declare that they and any persons related to them have not had any direct or indirect conflicts of interest with the Company.

16. RELATED PARTY BALANCES AND TRANSACTIONS

All transactions that the Company carries out with related parties are with its sole shareholder, and with the IBERDROLA Group companies Iberdrola Financiación, I-DE and Iberdrola Renovables Offshore Deutschland.

The transactions detailed below form part of the Company's ordinary business activity and are carried out on an arm's length basis.

16.1 Balances with Group companies and associates

Loans to Group companies and associates

Details of current and non-current loans to Group companies and associates in the balance sheets at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Iberdrola, S.A.	(625)	920,108	919,483	248,612	873,598	1,122,210
Iberdrola Financiación, S.A.U.	1,295,467	4,618,816	5,914,283	120,430	5,762,432	5,882,862
I-DE Redes Eléctricas Inteligentes, S.A.U.	(13)	99,971	99,958	(12)	99,958	99,946
Iberdrola Renovables Offshore Deutschland, GmbH	100,000	-	100,000	-	100,000	100,000
Accrued interest receivable	117,749	-	117,749	122,236	-	122,236
Total	1,512,578	5,638,895	7,151,473	491,266	6,835,988	7,327,254

The transactions above mainly comprise loans extended to various IBERDROLA Group companies for the same amount as debt issues placed on the Euromarket in different currencies. Information on the maturities of loans extended is disclosed in note 7.

Other financial liabilities with Group companies and associates

Details of the current portion of other financial assets with Group companies and associates at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
	Receivable	Receivable
Current		
Iberdrola, S.A.	21,776	18,569
Total	21,776	18,569

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

The balance receivable from IBERDROLA reflects the reciprocal current account contract denominated in Euros. Interest is settled annually by capitalising it on 1 January each year, and the interest rates are as follows:

- Balances receivable from IBERDROLA: 3-month EURIBOR + 0.2329%
- Balances payable to IBERDROLA: 3-month EURIBOR + 0.2329%

Guarantees with Group companies and associates

Thousands of Euros	2019	2018
	Balances payable	Balances payable
Current		
Iberdrola, S.A. ⁽¹⁾	695	684
Total	695	684

⁽¹⁾ This amount corresponds to the interest accrued payable on internal guarantees extended by IBERDROLA to the Company each time an issue is placed. The associated finance cost is Euros 4,175 thousand and Euros 3,791 thousand in 2019 and 2018, respectively.

16.2 Related party transactions

The transactions detailed below form part of the Company's ordinary business activity and are carried out on an arm's length basis.

The most significant transactions carried out in 2019 and 2018 were as follows:

(Thousands of Euros)	2019	2018
	Group entities or subsidiaries	Group entities or subsidiaries
Expenses and income		
Finance costs with Iberdrola, S.A.	4,175	3,791
Receipt of services from Iberdrola, S.A.	282	293
Total expenses	4,457	4,084
Finance income from marketable securities and other financial instruments of Group companies and associates		
Iberdrola, S.A.	69,568	88,600
Iberdrola Financiación, S.A.U.	114,738	109,423
Remaining Group companies	7,112	7,724
Total income	191,418	205,747

17. AUDIT FEES

Fees for audit services rendered to the Company during 2019 and 2018 by the auditor of accounts amounted to Euros 7 thousand each year.

In 2019 the auditor of accounts provided audit-related services amounting to Euros 25 thousand. In 2018 the auditor of accounts provided audit-related services amounting to Euros 50 thousand.

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

18. EVENTS AFTER THE REPORTING PERIOD

18.1 Significant transactions

The main significant transactions carried out after the reporting period were as follows:

Type	Thousands of Euros	Currency	Coupon	Transaction date	Maturity
Main new investment transactions					
Intercompany loan increase	160,000	EUR	1.720%	26/03/2020	29/11/2029
Intercompany loan (*)	750,000	EUR	0.974%	01/04/2020	16/06/2025
Main new financing transactions					
Private bond increase	160,000	EUR	1.621%	26/03/2020	29/11/2029
Public bond (*)	750,000	EUR	0.875%	01/04/2020	16/06/2025

(*) At the date these annual accounts were authorised for issue, these transactions have not been disbursed.

18.2 COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus disease 2019 (COVID-19) to be a pandemic, due to its rapid spread across the globe, having affected over 180 countries. The majority of governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restrictions on the free movement of people, the closure of public and private premises (except for basic necessities and health services), border closures and a drastic reduction in air, sea, rail and land transport.

This situation is having a significant impact on the global economy due to the interruption or slowdown of supply chains and the substantial increase in economic uncertainty, evidenced by greater volatility in asset prices and exchange rates, and a drop in long-term interest rates.

In this regard, the Spanish government is publishing various legislation with extraordinary urgent measures to address the economic and social impact of COVID-19. Also of relevance are the measures announced by the European Central Bank on 18 March 2020 introducing its Euro 750 billion Pandemic Emergency Purchase Programme (PEPP) and the purchase of commercial paper from non-financial institutions. These measures are expected to be implemented in the short term with the aim of reactivating the economy.

The consequences derived from COVID-19 are considered an event after the reporting period that does not require an adjustment in the annual accounts for 2019, but must be disclosed in the annual accounts for 2020.

At the date the annual accounts were authorised for issue, the Company has not been affected, nor does it expect to be significantly affected, by the impacts of COVID-19.

IBERDROLA FINANZAS, S.A.U. (Sociedad Unipersonal)

Directors' Report for the year ended 31 December 2019

1. SIGNIFICANT EVENTS IN 2019

Key indicators of the IBERDROLA FINANZAS, S.A.U. income statement.

Revenues in 2019 amounted to Euros 191,418 thousand and mainly derived from interest accrued on loans extended to Groups companies and associates.

Operating expenses totalled Euros 411 thousand.

Net finance cost amounted to Euros 191,779 thousand, mainly on account of accrued interest and bonds and other marketable securities.

The Company made a pre-tax loss of Euros 772 thousand, while income tax received totalled Euros 185 thousand, resulting in a net loss of Euros 587 thousand compared to a net loss of Euros 727 thousand in 2018.

2. BUSINESS PERFORMANCE

The Company was incorporated on 16 February 2005 with the sole purpose of issuing preferential shares and other marketable debt instruments in Spanish and foreign secondary markets.

The Company provided the financing obtained on the debt markets to its sole shareholder, Iberdrola S.A. (hereinafter, and interchangeably, the "sole shareholder" or "IBERDROLA") until 7 December 2016, except in the period from 23 March 2010 to 7 April 2011 (both inclusive), during which it provided the financing obtained on the debt markets to Iberdrola Financiación, S.A.U. (hereinafter "Iberdrola Financiación"). As of 7 December 2016 it has provided the entire financing obtained on the markets to Iberdrola Financiación and I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly Iberdrola Distribución Eléctrica, S.A.U.) (hereinafter "I-DE"), companies which are wholly owned by the sole shareholder. It also extended a loan to Iberdrola Renovables Offshore Deutschland, GmbH (hereinafter "Iberdrola Renovables Offshore Deutschland") with the funds obtained through a capital increase in 2013.

During 2019, the Company continued to service the debt of existing bond issues as well as place new issues. In July, it renewed its Euro Medium Term Notes Programme ("EMTN").

3. PRINCIPAL RISK FACTORS

The IBERDROLA Group is exposed to certain inherent risks due to the different countries, sectors and markets where it operates, and the activities it carries out, which can prevent the Company from achieving its objectives and executing its strategies successfully.

The IBERDROLA Group's financing and financial risk policies approved by IBERDROLA's board of directors and applied by the Company identify, among others, the risk factors that may affect the Company. Based on these policies, the Company has an organisation and systems that enable it to identify, measure and manage the financial risks to which it is exposed.

The activity with financial instruments exposes the Company to credit, market and liquidity risks. Since the Company is a financial vehicle corporation of the IBERDROLA Group, the Company's exposure to these risks should be assessed in the environment of the IBERDROLA Group.

4. ENVIRONMENTAL ISSUES

The Company has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Consequently, these notes to the annual accounts do not include any specific disclosures regarding environmental issues.

5. OUTLOOK FOR 2020

Company activity for 2020 will focus on placing issues under its EMTN programme and lending the funds obtained to Iberdrola Financiación, as well as servicing the debt of existing bond issues.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not incur any research and development costs in 2019.

7. OWN SHARES AND CAPITAL REDUCTION

The Company holds no own shares at 31 December 2019.

8. FINANCIAL DERIVATIVES AND HEDGING TRANSACTIONS

The Company has no derivative financial instruments at 31 December 2019.

9. COMPLIANCE WITH ARTICLE 262.1 OF THE SPANISH COMPANIES ACT IN RELATION TO THE AVERAGE SUPPLIER PAYMENT PERIOD

As disclosed in note 10, the Company's average supplier payment period in 2019 was eight days.

10. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in note 18 to the annual accounts.

11. NON-FINANCIAL INFORMATION AND DIVERSITY

Concerning Law 11/2018 on non-financial information and diversity, the Company is not required to present a non-financial information statement as the Company is included in the consolidated directors' report of Iberdrola, S.A., which will be filed at the Bilbao Mercantile Registry.

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

PROPOSED APPLICATION OF LOSSES

The proposal for application of losses for 2019, authorised by the directors and expected to be approved by the sole shareholder, is to carry forward losses as accumulated losses.

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

Annual accounts, directors' report and proposal for application of losses of IBERDROLA FINANZAS S.A.U. for the year 1 January 2019 to 31 December 2019, authorised for issue by the board of directors.

Jesús Martínez Pérez
Board member

Juan Carlos Rebollo Liceaga
Board member

Guillermo Colino Salazar
Board member

Daniel Alcaín López
Board member

Guillermo Colino Salazar, Secretary to the Company's board of directors certifies that the above signatures of the Company's directors have been provided in his presence and that this document comprises the annual accounts, directors' report and the proposal for application of losses of the Company for 2019. This documentation has been authorised for issue by the Company's board of directors at a meeting held on that date and therefore within the period stipulated by article 253.1 of the Revised Spanish Companies Act and is included on 34 sheets of paper, printed on one side.

Bilbao, 3 April 2020