

ANNEX I

GENERAL

1st

HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR

2022

REPORTING DATE

30/06/2022

I. IDENTIFICATION DATA

Registered Company Name: IBERDROLA, S.A.

Registered Address: PLAZA EUSKADI, Nº 5 48009 BILBAO

**Tax Identification
Number**

A-48010615

II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

Annex

**supplementary
information**

**Explanation of the main modifications with respect to the previously released periodic information:
*(To be completed only in the situations indicated in Section B) of the instructions***

Comparative information

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

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

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

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

Thousands of euros	Debit/(credit)
Revenue	(10.263)
Income tax	2.564

Other explanations:

Due to technical restrictions, when filling out the contents of the Financial Report for period ended 30 June 2022, the IBERDROLA Group has had to modify the presentation of the following information with respect to the information published in the Consolidated interim financial statements for period ended 30 June 2022: in Form 9.A. Consolidated statement of cash flow (IFRS adopted), the "Profit (loss) from discontinued operations, net of tax" is presented grouped in line 1412 "(+/-) Other net adjustments to profit (loss)" instead of line 1405 "Profit (loss) before tax".

III. STATEMENT(S) BY THE PERSON(S) RESPONSIBLE FOR THE INFORMATION

To the best of our knowledge, the accompanying half-yearly financial statements, which have been prepared in accordance with applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or of the undertakings included in the consolidated financial statements taken as a whole, and the interim management report includes a fair review of the information required.

Comments on the above statement(s):

Person(s) responsible for this information:

In accordance with the power delegated by the board of directors, the board secretary has verified that the half-yearly financial report has been signed by the directors.

Name/Company Name	Office
Mr. José Ignacio Sánchez Galán	Chairman & CEO
Mr. Juan Manuel González Serna	Director
Mr. Anthony L. Gardner	Director
Mr. Iñigo Víctor de Oriol Ibarra	Director
Ms. María Helena Antolín Raybaud	Director
Mr. Manuel Moreu Munaiz	Director
Mr. Xabier Sagredo Ormaza	Director
Mr. Francisco Martínez Córcoles	Director
Ms. Sara de la Rica Goiricelaya	Director
Ms. Nicola Mary Brewer	Director
Ms. Regina Helena Jorge Nunes	Director
Mr. Ángel Jesús Acebes Paniagua	Director
Ms. María Ángeles Alcalá Díaz	Director
Ms. Isabel García Tejerina	Director

Date this half-yearly financial report was signed by the corresponding governing body: 26-07-2022

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (1/2)

Units: Thousand euros		CURRENT P. 30/06/2022	PREVIOUS P. 31/12/2021
ASSETS			
A) NON-CURRENT ASSETS	0040	48,440,912	47,670,640
1. Intangible assets:	0030	117,529	113,502
a) Goodwill	0031		
b) Other intangible assets	0032	117,529	113,502
2. Property, plant and equipment	0033	271,018	275,058
3. Investment property	0034		
4. Long-term investments in group companies and associates	0035	47,015,337	46,218,747
5. Long-term financial investments	0036	15,205	22,505
6. Deferred tax assets	0037	317,956	342,228
7. Other non-current assets	0038	703,867	698,600
B) CURRENT ASSETS	0085	2,007,229	3,107,503
1. Non-current assets held for sale	0050		
2. Inventories	0055		
3. Trade and other receivables:	0060	464,452	277,757
a) Trade receivables	0061	13	15
b) Other receivables	0062	251,070	154,863
c) Current tax assets	0063	213,369	122,879
4. Short-term investments in group companies and associates	0064	1,137,245	2,624,627
5. Short-term financial investments	0070	76,939	46,192
6. Prepayments for current assets	0071	2,830	4,099
7. Cash and cash equivalents	0072	325,763	154,828
TOTAL ASSETS (A + B)	0100	50,448,141	50,778,143

Comments

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (2/2)

Units: Thousand euros		CURRENT P. 30/06/2022	PREVIOUS P. 31/12/2021
EQUITY AND LIABILITIES			
A) EQUITY (A.1 + A.2 + A.3)	0195	31,417,118	31,603,116
A.1) CAPITAL AND RESERVES	0180	31,412,195	31,595,887
1. Capital:	0171	4,828,172	4,774,566
a) Registered capital	0161	4,828,172	4,774,566
b) <i>Less: Uncalled capital</i>	0162		
2. Share premium	0172	14,161,577	14,215,183
3. Reserves	0173	1,256,887	1,282,583
4. <i>Own shares and equity holdings</i>	0174	(2,426,024)	(1,852,362)
5. Prior periods' profit and loss	0178	12,782,741	10,975,607
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	772,105	2,160,325
8. <i>Less: Interim dividend</i>	0176		
9. Other equity instruments	0177	36,737	39,985
A.2) VALUATION ADJUSTMENTS	0188	4,923	7,229
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182	4,923	7,229
3. Other	0183		
A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	0194		
B) NON-CURRENT LIABILITIES	0120	11,404,460	11,440,300
1. Long-term provisions	0115	438,627	478,402
2. Long-term debts:	0116	345,238	361,124
a) Debt with financial institutions and bonds and other marketable securities	0131	279,518	298,081
b) Other financial liabilities	0132	65,720	63,043
3. Long-term payables to group companies and associates	0117	9,775,022	9,787,529
4. Deferred tax liabilities	0118	845,573	813,245
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119		
C) CURRENT LIABILITIES	0130	7,626,563	7,734,727
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122	175	175
3. Short-term debts:	0123	768,470	1,189,660
a) Bank borrowings and bonds and other negotiable securities	0133	578,518	1,081,578
b) Other financial liabilities	0134	189,952	108,082
4. Short-term payables to group companies and associates	0129	6,779,065	6,413,377
5. Trade and other payables:	0124	78,821	131,483
a) Suppliers	0125	19,514	13,805
b) Other payables	0126	57,154	117,569
c) Current tax liabilities	0127	2,153	109
6. Other current liabilities	0136		
7. Current accrual accounts	0128	32	32
TOTAL EQUITY AND LIABILITIES (A + B + C)	0200	50,448,141	50,778,143

Comments

IV. SELECTED FINANCIAL INFORMATION
2. INDIVIDUAL PROFIT AND LOSS ACCOUNT
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2022	PREVIOUS CUMULATIVE 30/06/2021
		Amount	Amount	Amount	Amount
(+)	Revenue	0205		477,581	390,810
(+/-)	Change in inventories of finished products and work in progress	0206			
(+)	Own work capitalised	0207		1,629	981
(-)	Supplies	0208		1	43
(+)	Other operating revenue	0209		701	573
(-)	Personnel expenses	0217		(88,531)	(81,803)
(-)	Other operating expenses	0210		(113,524)	(94,385)
(-)	Depreciation and amortisation charge	0211		(35,070)	(34,533)
(+)	Allocation of grants for non-financial assets and other grants	0212			
(+)	Reversal of provisions	0213			
(+/-)	Impairment and gain (loss) on disposal of fixed assets	0214		1	37
(+/-)	Other profit (loss)	0215		670,976	1,500
=	OPERATING PROFIT (LOSS)	0245		913,764	183,223
(+)	Finance income	0250		3,524	22,731
(-)	Finance costs	0251		(128,823)	(113,874)
(+/-)	Changes in fair value of financial instruments	0252		(54,580)	(40,107)
(+/-)	Exchange differences	0254		4,864	2,751
(+/-)	Impairment and gain (loss) on disposal of financial instruments	0255			
=	NET FINANCE INCOME (COSTS)	0256		(175,015)	(128,499)
=	PROFIT (LOSS) BEFORE TAX	0265		738,749	54,724
(+/-)	Income tax expense	0270		33,356	52,854
=	PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	0280		772,105	107,578
(+/-)	Profit (loss) from discontinued operations, net of tax	0285			
=	PROFIT (LOSS) FOR THE PERIOD	0300		772,105	107,578

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
	Basic	0290			
	Diluted	0295			

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

A. INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021	
A)	PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	0305	772,105	107,578
B)	INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	0310	23,314	(5,197)
1.	From measurement of financial instruments:	0320		
	a) Available-for-sale financial assets	0321		
	b) Other income/(expenses)	0323		
2.	From cash flow hedges	0330	(5,003)	(6,838)
3.	Grants, donations and bequests received	0340		
4.	From actuarial gains and losses and other adjustments	0344	35,679	
5.	Other income and expense recognised directly in equity	0343		
6.	Tax effect	0345	(7,362)	1,641
C)	TRANSFERS TO PROFIT OR LOSS	0350	1,497	4,366
1.	From measurement of financial instruments:	0355		
	a) Available-for-sale financial assets	0356		
	b) Other income/(expenses)	0358		
2.	From cash flow hedges	0360	1,970	5,744
3.	Grants, donations and bequests received	0366		
4.	Other income and expense recognised directly in equity	0365		
5.	Tax effect	0370	(473)	(1,378)
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)		0400	796,916	106,747

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (1/2)
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

CURRENT PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/01/2022	3010	4,774,566	26,473,372	(1,852,362)	2,160,326	39,985	7,229	31,603,116	
Adjustments for changes in accounting policy	3011								
Adjustment for errors	3012								
Adjusted opening balance	3015	4,774,566	26,473,372	(1,852,362)	2,160,326	39,985	7,229	31,603,116	
I. Total recognised income/(expense)	3020		27,117		772,105		(2,306)	796,916	
II. Transactions with shareholders or owners	3025	53,606	1,718,934	(573,662)	(2,160,326)			(961,448)	
1. Capital increases/ (reductions)	3026	53,606	(53,606)						
2. Conversion of financial liabilities into equity	3027								
3. Distribution of dividends	3028		1,807,134		(2,160,326)			(353,192)	
4. Net trading with treasury stock	3029		(3,299)	(573,662)				(576,961)	
5. Increases/ (reductions) for business combinations	3030								
6. Other transactions with shareholders or owners	3032		(31,295)					(31,295)	
III. Other changes in equity	3035		(18,218)			(3,248)		(21,466)	
1. Equity-settled share-based payment	3036								
2. Transfers between equity accounts	3037								
3. Other changes	3038								
Closing balance at 30/06/2022	3040	4,828,172	28,201,205	(2,426,024)	772,105	36,737	4,923	31,417,118	

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (2/2)
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
PREVIOUS PERIOD									
Closing balance at 01/01/2021 (comparative period)	3050	4,762,546	26,706,683	(1,977,288)	2,291,562	29,217	(10,966)	31,801,754	
Adjustments for changes in accounting policy	3051		(17,727)				17,727		
Adjustment for errors	3052								
Adjusted opening balance (comparative period)	3055	4,762,546	26,688,956	(1,977,288)	2,291,562	29,217	6,761	31,801,754	
I. Total recognised income/(expense)	3060				107,578		(831)	106,747	
II. Transactions with shareholders or owners	3065	51,071	1,982,669	(850,637)	(2,291,562)			(1,108,459)	
1. Capital increases/ (reductions)	3066	51,071	(51,071)						
2. Conversion of financial liabilities into equity	3067								
3. Distribution of dividends	3068		2,025,550		(2,291,562)			(266,012)	
4. Net trading with treasury stock	3069								
5. Increases/ (reductions) for business combinations	3070								
6. Other transactions with shareholders or owners	3072								
III. Other changes in equity	3075		(19,540)			(2,015)		(21,555)	
1. Equity-settled share-based payment	3076		(19,540)			(2,015)		(21,555)	
2. Transfers between equity accounts	3077								
3. Other changes	3078								
Closing balance at 30/06/2021 (comparative period)	3080	4,813,617	28,652,085	(2,827,925)	107,578	27,202	5,930	30,778,487	

Comments

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CASH FLOWS
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021	
A)	CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	0435	(101,162)	(131,053)
1.	Profit (loss) before tax	0405	738,749	54,724
2.	Adjustments to profit (loss):	0410	(695,227)	(8,659)
(+)	Depreciation and amortisation charge	0411	35,070	34,533
(+/-)	Other net adjustments to profit (loss)	0412	(730,297)	(43,192)
3.	Changes in working capital	0415	(149,527)	(199,996)
4.	Other cash flows from operating activities:	0420	4,843	22,878
(-)	Interest paid	0421	(172,419)	(109,796)
(+)	Dividends received	0422	248,291	184,976
(+)	Interest received	0423	4,973	30,992
(+/-)	Income tax recovered/(paid)	0430	(755)	
(+/-)	Other sums received/(paid) from operating activities	0425	(75,247)	(83,294)
B)	CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	0460	1,421,598	(1,453,314)
1.	Payments for investments:	0440	(885,670)	(4,226,328)
(-)	Group companies, associates and business units	0441	(726,248)	(4,146,300)
(-)	Property, plant and equipment, intangible assets and investment property	0442	(35,056)	(33,922)
(-)	Other financial assets	0443	(124,366)	(46,106)
(-)	Non-current assets and liabilities classified as held for sale.	0459		
(-)	Other assets	0444		
2.	Proceeds from sale of investments	0450	2,307,268	2,773,014
(+)	Group companies, associates and business units	0451	2,231,009	2,746,002
(+)	Property, plant and equipment, intangible assets and investment property	0452		1
(+)	Other financial assets	0453	76,259	27,011
(+)	Non-current assets and liabilities classified as held for sale.	0461		
(+)	Other assets	0454		
C)	CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)	0490	(1,149,501)	1,600,886
1.	Sums received/(paid) in respect of equity instruments	0470	(1,172,150)	(1,128,550)
(+)	Issuance	0471		
(-)	Redemption	0472		
(-)	Acquisition	0473	(1,258,549)	(1,191,203)
(+)	Disposal	0474	86,399	62,653
(+)	Grants, donations and bequests received	0475		
2.	Sums received/(paid) in respect of financial liability instruments:	0480	407,134	2,995,448
(+)	Issuance	0481	2,398,666	5,020,711
(-)	Repayment and redemption	0482	(1,991,532)	(2,025,263)
3.	Payment of dividends and remuneration on other equity instruments	0485	(384,485)	(266,012)
D)	EFFECT OF FOREIGN EXCHANGE RATE CHANGES	0492		
E)	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	0495	170,935	16,519
F)	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	0499	154,828	212,446
G)	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	0500	325,763	228,965

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021	
(+)	Cash on hand and at banks	0550	325,763	228,965
(+)	Other financial assets	0552		
(-)	Less: Bank overdrafts repayable on demand	0553		
	TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	0600	325,763	228,965

Comments

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 30/06/2022	PREVIOUS P. 31/12/2021
A) NON-CURRENT ASSETS	1040	129,823,973	119,368,571
1. Intangible assets:	1030	20,657,095	19,908,643
a) Goodwill	1031	8,380,132	8,312,373
b) Other intangible assets	1032	12,276,963	11,596,270
2. Property, plant and equipment	1033	84,515,723	79,980,802
3. Investment property	1034	309,206	309,541
4. Investments accounted for using the equity method	1035	1,138,195	1,057,966
5. Non-current financial assets	1036	6,006,895	4,019,621
a) At fair value through profit or loss	1047	25,615	25,248
Of which, "Designated upon initial recognition"	1041		
<i>b) At fair value through other comprehensive income</i>	1042		
Of which, "Designated upon initial recognition"	1043		
c) At amortised cost	1044	5,981,280	3,994,373
6. Non-current derivatives	1039	3,107,654	1,421,047
a) Hedging	1045	1,020,739	643,936
b) Other	1046	2,086,915	777,111
7. Deferred tax assets	1037	6,160,283	5,918,231
8. Other non-current assets	1038	7,928,922	6,752,720
B) CURRENT ASSETS	1085	26,963,780	22,383,640
1. Non-current assets held for sale	1050	154,328	124,472
2. Inventories	1055	3,046,197	2,906,880
3. Trade and other receivables:	1060	12,353,871	10,955,673
a) Trade receivables	1061	9,319,837	7,280,602
b) Other receivables	1062	2,416,127	3,308,451
c) Current tax assets	1063	617,907	366,620
4. Current financial assets	1070	2,505,728	1,533,033
a) At fair value through profit or loss	1080		
Of which, "Designated upon initial recognition"	1081		
<i>b) At fair value through other comprehensive income</i>	1082		
Of which, "Designated upon initial recognition"	1083		
c) At amortised cost	1084	2,505,728	1,533,033
5. Current derivatives	1076	4,878,974	2,830,889
a) Hedging	1077	2,703,697	1,470,192
b) Other	1078	2,175,277	1,360,697
6. Other current assets	1075		
7. Cash and cash equivalents	1072	4,024,682	4,032,693
TOTAL ASSETS (A + B)	1100	156,787,753	141,752,211

Comments

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (2/2)

Units: Thousand euros		EQUITY AND LIABILITIES		CURRENT P. 30/06/2022	PREVIOUS P. 31/12/2021
A) EQUITY (A.1 + A.2 + A.3)		1195	60,539,197	56,126,290	
A.1) CAPITAL AND RESERVES		1180	44,092,042	42,710,958	
1.	Capital	1171	4,828,172	4,774,566	
	a) Registered capital	1161	4,828,172	4,774,566	
	b) <i>Less: Uncalled capital</i>	1162			
2.	Share premium	1172	14,161,577	14,360,821	
3.	Reserves	1173	11,245,995	8,700,504	
4.	<i>Less: Treasury stock</i>	1174	(2,433,919)	(1,860,284)	
5.	Prior periods' profit and loss	1178	14,215,180	12,850,568	
6.	Other shareholder contributions	1179			
7.	Profit (loss) for the period attributable to the parent	1175	2,075,037	3,884,783	
8.	<i>Less: Interim dividend</i>	1176			
9.	Other equity instruments	1177			
A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME		1188	(58,517)	(2,231,960)	
1.	Items that are not reclassified to profit or loss for the period	1186			
	a) Equity instruments through other comprehensive income	1185			
	b) Others	1190			
2.	Items that may subsequently be reclassified to profit or loss for the period	1187	(58,517)	(2,231,960)	
	a) Hedging transactions	1182	1,507,808	557,576	
	b) Translation differences	1184	(1,568,500)	(2,779,432)	
	c) Share in other comprehensive income for investments in joint ventures and others	1192	2,175	(10,104)	
	d) Debt instruments at fair value through other comprehensive income	1191			
	e) Others	1183			
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (A.1 + A.2)		1189	44,033,525	40,478,998	
A.3) NON-CONTROLLING INTERESTS		1193	16,505,672	15,647,292	
B) NON-CURRENT LIABILITIES		1120	67,051,613	61,272,617	
1.	Grants	1117	1,280,690	1,261,456	
2.	Non-current provisions	1115	5,055,632	5,330,461	
3.	Non-current financial liabilities:	1116	38,203,873	35,501,926	
	a) Debt with financial institutions and bonds and other marketable securities	1131	33,138,683	31,179,575	
	b) Other financial liabilities	1132	5,065,190	4,322,351	
4.	Deferred tax liabilities	1118	12,500,510	11,363,407	
5.	Non-current derivatives	1140	3,665,828	1,673,216	
	a) Hedging	1141	1,594,565	905,251	
	b) Other	1142	2,071,263	767,965	
6.	Other non-current liabilities	1135	6,345,080	6,142,151	
C) CURRENT LIABILITIES		1130	29,196,943	24,353,304	
1.	Liabilities associated with non-current assets held for sale	1121			
2.	Current provisions	1122	948,639	788,732	
3.	Current financial liabilities:	1123	10,723,594	10,242,092	
	a) Debt with financial institutions and bonds and other marketable securities	1133	10,445,456	9,983,842	
	b) Other financial liabilities	1134	278,138	258,250	
4.	Trade and other payables:	1124	12,845,781	10,375,552	
	a) Suppliers	1125	6,125,002	5,964,301	
	b) Other payables	1126	5,990,446	4,184,667	
	c) Current tax liabilities	1127	730,333	226,584	
5.	Current derivatives	1136	3,958,772	2,110,819	
	a) Hedging	1146	2,269,799	970,923	
	b) Other	1147	1,688,973	1,139,896	
6.	Other current liabilities	1136	720,157	836,109	
TOTAL EQUITY AND LIABILITIES (A + B + C)		1200	156,787,753	141,752,211	

Comments

IV. SELECTED FINANCIAL INFORMATION

6. CONSOLIDATED PROFIT AND LOSS ACCOUNT (ADOPTED IFRS)

Units: Thousand euros		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/12/2021	PREVIOUS CUMULATIVE 31/12/2020
		Amount	Amount	Amount	Amount
(+)	Revenue	1205		24,429,951	18,752,161
(+/-)	Change in inventories of finished products and work in progress	1206			
(+)	Own work capitalised	1207		376,332	340,175
(-)	Supplies	1208		(14,561,102)	(10,246,170)
(+)	Other operating revenue	1209		344,345	280,514
(-)	Personnel expenses	1217		(1,587,641)	(1,449,066)
(-)	Other operating expenses	1210		(2,829,081)	(2,525,728)
(-)	Depreciation and amortisation charge	1211		(2,242,274)	(1,998,554)
(+)	Allocation of grants for non-financial assets and other grants	1212		38,149	33,151
(+/-)	Impairment and gain (loss) on disposal of fixed assets	1214			
(+/-)	Gain (loss) on disposal of non-current assets	1216		2,930	8,831
(+/-)	Other profit (loss)	1215		(49,306)	46,203
=	OPERATING PROFIT (LOSS)	1245		3,922,303	3,241,517
(+)	Finance income	1250		265,097	226,622
	a) Interest income calculated using the effective interest rate method	1262		197,463	147,794
	b) Other	1263		67,634	78,828
(-)	Finance costs	1251		(1,050,465)	(682,964)
(+/-)	Changes in fair value of financial instruments	1252		(112,900)	(15,742)
(+/-)	Gain (loss) from reclassification of financial assets at amortised cost to financial assets at fair value	1258			
(+/-)	Gain (loss) from reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value	1259			
(+/-)	Exchange differences	1254		(17,704)	471
(+/-)	Impairment and gain (loss) on disposal of financial instruments	1255		1	(43)
(+/-)	Gain (loss) on disposal of financial instruments	1257			
	a) Financial instruments at amortised cost	1260			
	b) Other financial instruments	1261			
=	NET FINANCE INCOME (COSTS)	1256		(915,971)	(471,656)
(+/-)	Profit (loss) of equity-accounted investees	1253		224,310	4,592
=	PROFIT (LOSS) BEFORE TAX	1265		3,230,642	2,774,453
(+/-)	Income tax expense	1270		(699,831)	(1,014,563)
=	PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	1280		2,530,811	1,759,890
(+/-)	Profit (loss) from discontinued operations, net of tax	1285		(63,290)	(6,455)
=	CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	1288		2,467,521	1,753,435
	A) Profit (loss) for the period attributable to the parent company	1300		2,075,037	1,531,331
	B) Profit (loss) attributable to non-controlling interests	1289		392,484	222,104
EARNINGS PER SHARE		Amount	Amount	Amount	Amount
		(X.XX euros)	(X.XX euros)	(X.XX euros)	(X.XX euros)
	Basic	1290		0.32	0.23
	Diluted	1295		0.32	0.22

Comments

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED OTHER COMPREHENSIVE INCOME (IFRS ADOPTED)

Units: Thousand euros

		CURRENT P. (2nd HALF YEAR)	PREVIOUS P. (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2022	PREVIOUS CUMULATIVE 30/06/2021
A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	1305			2,467,521	1,753,435
B) OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE NOT RECLASSIFIED TO PROFIT OR LOSS:	1310			448,217	24,103
1. From revaluation/reversal of revaluation) of property, plant and equipment and intangible assets	1311				
0. From actuarial gains and losses	1344			595,377	
2. Share in other comprehensive income of investments in joint ventures and associates	1342				
1. Equity instruments through other comprehensive income	1346				
2. Other income and expenses that are not reclassified to profit or loss	1343				
3. Tax effect	1345			(147,160)	24,103
C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:	1350			2,878,521	1,047,937
1. Hedging transactions	1360			1,223,158	206,940
a) Valuation gains/(losses)	1361			2,183,563	320,565
b) Amounts transferred to profit or loss	1362			(960,580)	(111,894)
c) Amounts transferred to initial carrying amount of hedged items	1363			175	(1,731)
d) Other reclassifications	1364				
2. Translation differences:	1365			1,922,701	894,588
a) Valuation gains/(losses)	1366			1,922,701	894,588
b) Amounts transferred to profit or loss	1367				
c) Other reclassifications	1368				
3. Share in other comprehensive income of investments in joint ventures and associates:	1370			12,279	34
a) Valuation gains/(losses)	1371			12,166	28
b) Amounts transferred to profit or loss	1372			113	6
c) Other reclassifications	1373				
4. Debt instruments at fair value through other comprehensive income	1381				
a) Valuation gains/(losses) taken to equity	1382				
b) Amounts transferred to profit or loss	1383				
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375			(11)	(319)
a) Valuation gains/(losses) taken to equity	1376			(27,180)	(17,803)
b) Amounts transferred to profit or loss	1377			27,169	17,484
c) Other reclassifications	1378				
6. Tax effect	1380			(279,606)	(53,306)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)	1400			5,794,259	2,825,475
a) Attributable to the parent	1398			4,675,867	2,544,381
b) Attributable to non-controlling interests	1399			1,118,392	281,094

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY (ADOPTED IFRS) (1/2)

Units: Thousand euros		Equity attributable to the parent company						Non-controlling interests	Total equity
		Capital and reserves					Valuation adjustments		
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent	Other equity instruments			
CURRENT PERIOD									
Closing balance at 01/01/2022	3110	4,774,566	35,911,893	(1,860,284)	3,884,783		(2,231,960)	15,647,292	56,126,290
Adjustments for changes in accounting policy	3111		(68,598)						(68,598)
Adjustment for errors	3112								
Adjusted opening balance	3115	4,774,566	35,843,295	(1,860,284)	3,884,783		(2,231,960)	15,647,292	56,057,692
I. Total comprehensive income/(expense) for the period	3120		427,387		2,075,037		2,173,443	1,118,392	5,794,259
II. Transactions with shareholders or owners	3125	53,606	3,451,451	(573,635)	(3,884,783)			(273,475)	(1,226,836)
1. Capital increases/ (reductions)	3126	53,606	(53,606)						
2. Conversion of financial liabilities into equity	3127								
3. Distribution of dividends	3128		3,500,298		(3,884,783)			(245,402)	(629,887)
4. Purchase / sale of treasury stock	3129		(3,299)	(573,635)					(576,934)
5. Equity increase/ (decrease) resulting from business combinations	3130								
6. Other transactions with shareholders or owners	3132		8,058					(28,073)	(20,015)
III. Other changes in equity	3135		(99,381)					13,463	(85,918)
1. Equity-settled share-based payment	3136		(32,858)					2,598	(30,260)
2. Transfers among components of equity	3137								
3. Other changes	3138		(66,523)					10,865	(55,658)
Closing balance at 30/06/2022	3140	4,828,172	39,622,752	(2,433,919)	2,075,037		(58,517)	16,505,672	60,539,197

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY (ADOPTED IFRS) (2/2)

Units: Thousand euros		Equity attributable to the parent company							Non-controlling interests	Total equity
		Capital and reserves					Valuation adjustments			
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments				
PREVIOUS PERIOD										
Closing balance at 01/01/2021 (comparative period)	3150	4,762,546	34,421,346	(1,985,394)	3,610,707		(5,396,393)	11,806,122	47,218,934	
Adjustments for changes in accounting policy	3151		(97,065)					(3,534)	(100,599)	
Adjustment for errors	3152									
Adjusted opening balance (comparative period)	3155	4,762,546	34,324,281	(1,985,394)	3,610,707		(5,396,393)	11,802,588	47,118,335	
I. Total comprehensive income/(expense) for the period	3160		24,103		1,531,331		988,947	281,094	2,825,475	
II. Transactions with shareholders or owners	3165	51,071	3,302,326	(850,475)	(3,610,707)			535,261	(572,524)	
1. Capital increases/ (reductions)	3166	51,071	(51,071)							
2. Conversion of financial liabilities into equity	3167									
3. Distribution of dividends	3168		3,344,694		(3,610,707)			(79,739)	(345,752)	
4. Purchase / sale of treasury stock	3169		8,703	(850,475)					(841,772)	
5. Equity increase/ (decrease) resulting from business combinations	3170									
6. Other transactions with shareholders or owners	3172							615,000	615,000	
III. Other changes in equity	3175		(216,470)					2,003,608	1,787,138	
1. Equity-settled share-based payment	3176		(25,081)					1,482	(23,599)	
2. Transfers among components of equity	3177									
3. Other changes	3178		(191,389)					2,002,126	1,810,737	
Closing balance at 30/06/2021 (comparative period)	3180	4,813,617	37,434,240	(2,835,869)	1,531,331		(4,407,446)	14,622,551	51,158,424	

Comments

IV. SELECTED FINANCIAL INFORMATION

9. A. CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	1435	5,403,892	4,463,199
1. Profit (loss) before tax	1405	3,230,642	2,774,453
2. Adjustments to profit (loss):	1410	3,150,481	2,654,922
(+) Depreciation and amortisation charge	1411	2,242,274	1,998,554
(+/-) Other net adjustments to profit (loss)	1412	908,207	656,368
3. Changes in working capital	1415	(616,224)	(548,457)
4. Other cash flows from operating activities:	1420	(361,007)	(417,719)
(-) Interest paid	1421		
(-) Payment of dividends and remuneration on other equity instruments	1430		
(+) Dividends received	1422	20,572	9,558
(+) Interest received	1423		
(+/-) Income tax recovered/(paid)	1424	(186,265)	(228,047)
(+/-) Other sums received/(paid) from operating activities	1425	(195,314)	(199,230)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	1460	(4,232,631)	(5,241,541)
1. Payments for investments:	1440	(4,315,179)	(5,267,585)
(-) Group companies, associates and business units	1441	(116,245)	(614,405)
(-) Property, plant and equipment, intangible assets and investment property	1442	(4,088,182)	(4,049,557)
(-) Other financial assets	1443		
(-) Non-current assets and liabilities classified as held for sale.	1449		
(-) Other assets	1444	(110,752)	(603,623)
2. Proceeds from sale of investments	1450	17,852	(7,850)
(+) Group companies, associates and business units	1451		
(+) Property, plant and equipment, intangible assets and investment property	1452	6,652	(7,850)
(+) Other financial assets	1453	11,200	
(+) Non-current assets and liabilities classified as held for sale.	1461		
(+) Other assets	1454		
3. Other cash flows from investing activities	1455	64,696	33,894
(+) Dividends received	1456		
(+) Interest received	1457	64,488	13,336
(+/-) Other sums received/(paid) from investing activities	1458	208	20,558
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	1490	(1,379,510)	810,064
1. Sums received/(paid) in respect of equity instruments	1470	(1,172,122)	(1,130,679)
(+) Issuance	1471		
(-) Redemption	1472		
(-) Acquisition	1473	(1,259,532)	(1,193,332)
(+) Disposal	1474	87,410	62,653
2. Sums received/(paid) in respect of financial liability instruments:	1480	1,099,804	143,812
(+) Issuance	1481	6,905,528	6,683,525
(-) Repayment and redemption	1482	(5,805,724)	(6,539,713)
3. Payment of dividends and remuneration on other equity instruments	1485	(571,131)	(345,752)
4. Other cash flows from financing activities	1486	(736,061)	2,142,683
(-) Interest paid	1487	(558,662)	(378,793)
(+/-) Other sums received/(paid) from financing activities	1488	(177,399)	2,521,476
D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	1492	200,238	(41,413)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	1495	(8,011)	(9,691)
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	1499	4,032,693	3,427,115
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	1500	4,024,682	3,417,424
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021
(+) Cash on hand and at banks	1550	2,350,222	1,463,040
(+) Other financial assets	1552	1,674,460	1,954,384
(-) <i>Less: Bank overdrafts repayable on demand</i>	1553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1600	4,024,682	3,417,424

Comments

IV. SELECTED FINANCIAL INFORMATION

g. B. CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	8435		
(+) Proceeds from operating activities	8410		
(-) Payments to suppliers and to personnel for operating expenses	8411		
(-) Interest paid	8421		
(-) Payment of dividends and remuneration on other equity instruments	8422		
(+) Dividends received	8430		
(+) Interest received	8423		
(+/-) Income tax recovered/(paid)	8424		
(+/-) Other sums received/(paid) from operating activities	8425		
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	8460		
1. Payments for investments:	8440		
(-) Group companies, associates and business units	8441		
(-) Property, plant and equipment, intangible assets and investment property	8442		
(-) Other financial assets	8443		
(-) Other assets	8444		
2. Proceeds from sales of investments	8450		
(+) Group companies, associates and business units	8451		
(+) Property, plant and equipment, intangible assets and investment property	8452		
(+) Other financial assets	8453		
(+) Other assets	8454		
3. Other cash flows from investing activities	8455		
(+) Dividends received	8456		
(+) Interest received	8457		
(+/-) Other flows from investing activities	8458		
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	8490		
1. Sums received/(paid) in respect of equity instruments	8470		
(+) Issuance	8471		
(-) Redemption	8472		
(-) Acquisition	8473		
(+) Disposal	8474		
2. Sums received/(paid) in respect of financial liability instruments:	8480		
(+) Issuance	8481		
(-) Repayment and redemption	8482		
3. Payment of dividends and remuneration on other equity instruments	8485		
4. Other cash flows from financing activities	8486		
(-) Interest paid	8487		
(+/-) Other sums received/(paid) from financing activities	8488		
D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	8492		
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	8495		
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8499		
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	8500		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 30/06/2022	PREVIOUS PERIOD 30/06/2021
(+) Cash on hand and at banks	8550		
(+) Other financial assets	8552		
(-) <i>Less: Bank overdrafts repayable on demand</i>	8553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8600		

Comments

IV. SELECTED FINANCIAL INFORMATION

10. DIVIDENDS PAID

		CURRENT PERIOD			PREVIOUS PERIOD		
		€ / share (X,XX)	Amount (thousand euros)	No. of shares to be delivered	€ / share (X,XX)	Amount (thousand euros)	No. of shares to be delivered
Ordinary shares	2158	0.17	353,190		0.17	266,013	
Other shares (non-voting shares, redeemable shares, etc.)	2159	0.01	31,295				
Total dividends paid	2160	0.18	384,485		0.17	266,013	
a) Dividends charged to profit and loss	2155	0.17	353,190		0.17	266,013	
b) Dividends charged to reserves or share premium	2156	0.01	31,295				
c) Dividends in kind	2157						
d) Flexible payment	2154			71,475,000			68,095,000

Comments

IV. SELECTED FINANCIAL INFORMATION

11. SEGMENT INFORMATION

Units: thousand euros

GEOGRAPHIC AREA		Distribution of revenue by geographic area			
		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Spanish market	2210	155,787	140,911	8,770,748	6,546,730
International market	2215	321,794	249,899	15,659,203	12,205,431
a) European Union	2216	8,786	6,924	1,484,812	839,150
a.1) Euro Area	2217	8,772	6,904	1,435,159	815,939
a.2) Non-Euro Area	2218	14	20	49,653	23,211
b) OECD countries	2219	313,008	242,975	14,174,391	11,366,281
TOTAL	2220	477,581	390,810	24,429,951	18,752,161

Comments

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Units: thousand euros

SEGMENTS		CONSOLIDATED			
		Ordinary revenue		Profit (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Generation and supply	2221	15,009,862	11,080,403	693,563	313,783
Renewable	2222	2,866,326	2,634,128	1,051,267	1,317,875
Networks	2223	9,005,572	6,845,750	2,228,238	1,611,680
Other businesses, Corporation and adjustments	2224	24,490	129,898	(50,765)	(1,821)
(-) Adjustments and elimination of ordinary revenue between segments	2225	(2,476,299)	(1,938,018)		
(+/-) Unallocated profit (loss)	2226			(691,661)	(467,064)
	2227				
	2228				
	2229				
	2230				
TOTAL	2235	24,429,951	18,752,161	3,230,642	2,774,453

Comments

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IV. SELECTED FINANCIAL INFORMATION

12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	2295	847	786	39,737	38,006
Men	2296	468	425	30,500	29,281
Women	2297	379	361	9,237	8,725

Comments

IV. SELECTED FINANCIAL INFORMATION

13. REMUNERATION RECEIVED BY DIRECTORS AND MANAGERS

DIRECTORS: Item of remuneration:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Remuneration for membership on the board and/or board committees	2310	2,859	2,714
Salaries	2311	1,125	1,625
Variable remuneration in cash	2312	4,250	4,250
Share-based remuneration systems	2313	7,260	7,639
Termination benefits	2314		
Long-term savings systems	2315		
Other items	2316	242	270
TOTAL	2320	15,736	16,498

MANAGERS:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managers	2325	20,777	21,235

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (1/2)

Units: thousand euro

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
EXPENSES AND REVENUE						
1) Finance costs	2340			20		20
2) Leases	2343					
3) Services received	2344			(3,342)		(3,342)
4) Purchase of inventories	2345			117,807		117,807
5) Other expenses	2348					
TOTAL EXPENSES (1+2+3+4+5)	2350			114,485		114,485
6) Finance income	2351			186		186
7) Dividends received	2354					
8) Services rendered	2356			5,472		5,472
9) Sale of inventories	2357			15,536		15,536
10) Other income	2359					
TOTAL REVENUE (6+7+8+9+10)	2360			21,194		21,194

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
OTHER TRANSACTIONS:						
Financing agreements: loans and capital contributions (lender)	2372					
Financing agreements: loans and capital contributions (borrower)	2375					
Guarantees and collateral given	2381					
Guarantees and collateral received	2382					
Commitments assumed	2383					
Dividends and other earnings distributed	2386					
Other transactions	2385					

		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
BALANCES ON THE REPORTING DATE:						
1) Trade receivables	2341			11,166		11,166
2) Loans and credit given	2342			53,591		53,591
3) Other receivables	2346					
TOTAL RECEIVABLES (1+2+3)	2347			64,757		64,757
4) Trade payables	2352			(35,953)		(35,953)
5) Loans and credit received	2353			(86,317)		(86,317)
6) Other payment obligations	2355					
TOTAL PAYABLES (4+5+6)	2358			(122,270)		(122,270)

Comments

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

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (2/2)

Units: thousand euro

EXPENSES AND REVENUE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	6340			20		20
2) Leases	6343					
3) Services received	6344			876		876
4) Purchases of goods (finished or in progress)	6345			96,376		96,376
5) Other expenses	6348					
TOTAL EXPENSES (1+2+3+4+5)	6350			97,272		97,272
6) Finance income	6351			42		42
7) Dividends received	6354					
8) Services rendered	6356			7,112		7,112
9) Sale of goods (finished or in progress)	6357			3,368		3,368
10) Other income	6359					
TOTAL REVENUE (6+7+8+9+10)	6360			10,522		10,522

OTHER TRANSACTIONS:		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	6372					
Financing agreements: loans and capital contributions (borrower)	6375					
Guarantees and collateral granted	6381					
Guarantees and collateral received	6382					
Commitments acquired	6383					
Dividends and other earnings distributed	6386					
Other transactions	6385					

BALANCES ON THE REPORTING DATE:		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	6341			2,220		2,220
2) Loans and credit given	6342			3,894		3,894
3) Other receivables	6346					
TOTAL RECEIVABLES (1+2+3)	6347			6,114		6,114
4) Trade payables	6352			(3,995)		(3,995)
5) Loans and credit received	6353			(29)		(29)
6) Other payment obligations	6355					
TOTAL PAYABLES (4+5+6)	6358			(4,024)		(4,024)

Comments

V. HALF-YEARLY FINANCIAL INFORMATION



Content of this section:

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Explanatory notes	2376	X	X
Condensed half-yearly accounts	2377	X	X
Full half-yearly accounts	2378	-	-
Interim management report	2379	X	X
Audit report	2380	X	X

Comments

The Annex contains:

- Selected Condensed Individual Interim Financial Information Management Report for the six-month period ending on 30 June 2022 and Limited Review Report on the Individual Selected Condensed Interim Financial Information.
- Interim Condensed Consolidated Financial Statements. Interim Consolidated Management Report for the six-month period ending on 30 June 2022 and Limited Review Report on the Interim Consolidated Financial Statements.
- Liability Statement.

VI. SPECIAL AUDIT REPORT



Comments



Iberdrola, S.A. Limited Review Report

(Together with the Selected Condensed Separate Interim Financial Information and the directors' Interims Report of Iberdrola, S.A. for the six-month period ended 30 June 2022)

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



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

Limited Review Report on the Selected Condensed Separate Interim Financial Information

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

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

REPORT ON THE SELECTED CONDENSED SEPARATE INTERIM FINANCIAL INFORMATION

Introduction

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

Scope of Review

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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six-month period ended 30 June 2022 has not been prepared, in all material respects, in accordance with the accounting principles and minimum content envisaged in articles 12 and 13 of Royal Decree 1362/2007 and in Circular 3/2018 of the Spanish National Securities Market Commission as regards the preparation of selected condensed interim financial information.



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

Emphasis of Matter

We draw your attention to the note 2 in the accompanying interim financial information, which states that such interim financial information does not include all the information that would be required in a complete set of interim financial statements prepared in accordance with the financial reporting framework applicable to the entity in Spain. The accompanying interim financial information should therefore be read in conjunction with the Company's annual accounts for the year ended 31 December 2021. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim directors' report for the six-month period ended 30 June 2022 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial information, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim directors' report is not an integral part of the interim financial information. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial information for the six-month period ended 30 June 2022. Our work is limited to the verification of the interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Iberdrola, S.A.

Other Matter

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

KPMG Auditores, S.L.

(Signed on original in Spanish)

David España Martín

28 July 2022

IBERDROLA, S.A.

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

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

IBERDROLA, S.A.

Statement of financial position at 30 June 2022

(Millions of euros)

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

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

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

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

IBERDROLA, S.A.

Statement of financial position at 30 June 2022

(Millions of euros)

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

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

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

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

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

IBERDROLA, S.A.

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

(Millions of euros)

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

(*) The statement of cash flows for the six-month period ended 30 June 2021 is presented for comparison purposes only. The attached Notes are an integral part of these Selected condensed separate interim financial statements.

IBERDROLA, S.A.

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

1. COMPANY ACTIVITY

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

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

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

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

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

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

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

2.1 Accounting legislation applied

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

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

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

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

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

2.2 Accounting policies and measurement standards

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

2.3 Working capital deficit

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

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

2.4 Comparative information

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

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

3. SEASONAL VARIATIONS

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

4. USE OF ACCOUNTING ESTIMATES

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

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

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

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

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

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

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

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

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

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

6. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

7. EQUITY

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

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

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

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

The General Shareholders' Meeting held on 17 June 2022 approved, under item 9 on the agenda, the dividend for shareholder participation in the General Meeting and its payment to all shareholders entitled to take part in the General Meeting (i.e. with shares registered in their name on 10 June), as all vesting conditions had been fulfilled, namely the approval of the dividend itself (item 7 on the agenda) and achieving a 70% quorum of share capital for the meeting to be held. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid on 20 June 2022.

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

8. TAXES

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

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

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

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

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

8.1 Administrative proceedings

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

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

During 2021, various tax assessments were signed in agreement relating to transfer pricing matters for the 2012 to 2014 period, while other assessments were signed on a contested basis relating to other income tax matters (the same as those disputed in the general audit procedure for the years 2008-2011), which had no significant financial impact for the IBERDROLA Group.

On 17 December 2021, a tax claim was filed with the Central Tax Appeals Board (*Tribunal Económico-Administrativo Central*) against the settlement agreement derived from the assessments signed on a contested basis discussed in the previous paragraph. The corresponding claims and arguments were presented during the first quarter of 2022. At the date of authorisation for issue of these interim financial statements, the Central Tax Appeals Board had yet to deliver a decision.

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

The tax inspection proceedings initiated in June 2020 are still ongoing, with a decision expected in 2022.

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

8.2 Tax litigation

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

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

8.3 Other

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

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

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

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

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

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

9. INCOME AND EXPENSES

9.1 Revenue

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

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

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

Details of dividends from Group companies are as follows:

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

9.2 Employees

IBERDROLA's staff is structured as follows:

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

10. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

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

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

⁽¹⁾ This amount includes the remuneration received by directors who held the position of director at companies that are not wholly owned, directly or indirectly, by the Company, and which amounted to EUR 0.19 million in the first half of 2022 and EUR 0.16 million in the first half of 2021.

In the first half of 2022, the third of the three annual payments was made under the *2017-2019 Strategic Bonus*, in the total amount of 733,334 shares.

b) Remuneration of senior management

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

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

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

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

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

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

In the first half of 2022, the third of the three annual payments under the *2017-2019 Strategic Bonus* was made, in the total amount of 568,344 shares (2021: 568,328 shares).

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

11. RELATED-PARTY TRANSACTIONS

Related-party transactions

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

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

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

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

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

Related-party balances

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

Derivatives, loans and credits with related parties

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

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

12. EVENTS OCCURRING AFTER 30 JUNE 2022

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

Reduction in share capital

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

Details of the reduction in share capital are as follows:

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

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

Iberdrola Retribución Flexible

On 6 July 2022, a determination was made of the following terms governing the implementation of the first increase in capital by means of a scrip issue (*Iberdrola Retribución Flexible*) approved by the shareholders at the General Shareholders' Meeting of IBERDROLA held on 17 June 2022, under item 11 on the agenda:

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

13. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

MANAGEMENT REPORT

IBERDROLA, S.A.

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

1. BUSINESS PERFORMANCE

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

2. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

2.1 Key figures from the IBERDROLA Income statement

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

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

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

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

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

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

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

Profit for the period before tax was EUR 739 million, while income tax amounted to EUR 33 million, yielding net profit for the period of EUR 706 million, versus net profit of EUR 108 million in the same period of 2021.

2.2 Statement of financial position

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

3. MAIN RISKS AND UNCERTAINTIES

The main sources of uncertainty are described in Note 4.

4. SUBSEQUENT EVENTS

Events after the reporting period are described in Note 12.

AUTHORISATION FOR ISSUE

2022 – FIRST HALF

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

Mr José Ignacio Sánchez Galán
Chairman & CEO

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

Mr Anthony L. Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director



Iberdrola, S.A. and Subsidiaries Limited Review Report

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

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



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

Limited Review Report on the Condensed Consolidated Interim Financial Statements

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

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

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

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

Scope of Review

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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2022 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.



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

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2021. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2022 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2022. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Iberdrola, S.A. and subsidiaries.

Other Matter

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

KPMG Auditores, S.L.

(Signed on original in Spanish)

David España Martín

28 July 2022

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2022

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated statement of financial position at 30 June 2022

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

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

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

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

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

IBERDROLA, S.A. AND SUBSIDIARIES

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

1. GROUP ACTIVITIES

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

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

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

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

a) Accounting standards applied

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

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

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

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

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

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

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

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

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

b) Comparative information

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

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

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

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

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

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

3. SEASONAL VARIATIONS

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

4. SOURCES OF UNCERTAINTY AND USE OF ACCOUNTING ESTIMATES

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

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

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

5. EFFECT OF THE RUSSIA-UKRAINE CONFLICT

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

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

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

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

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

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

7. SEGMENT INFORMATION

The IBERDROLA Group combines its segments based on the nature of the business activities in the different geographic areas in which said activities take place. The operating segments identified by the IBERDROLA Group are as follows:

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

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

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

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

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

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

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

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

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

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

Segment information at 31 December 2021

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

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

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

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

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

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Supplementary information on foreclosed assets

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

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

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

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

9. DISCLOSURES RELATING TO FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. CASH AND CASH EQUIVALENTS

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

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

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

11. EQUITY

Subscribed capital

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

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

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

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

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

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

Valuation adjustments

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

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

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

Treasury shares

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

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

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

Physically settled derivatives

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

- Total return swap

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

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

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

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

- Treasury share accumulators

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

The accumulation mechanism is as follows:

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

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

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

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

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

- Sold put with physical settlement

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

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

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

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

12. LONG-TERM COMPENSATION PLANS

Share-based long-term compensation plans

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

The key features of the plans are summarised below:

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

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

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

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

The key features of the plans are summarised below:

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

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

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

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

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

Cash-based long-term compensation plans

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

The key features of the plans are summarised below:

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

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

13. LITIGATION PAYMENTS

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

14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

15. BANK BORROWINGS, DEBENTURES OR OTHER MARKETABLE SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

16. INCOME AND EXPENSES

16.1 Revenue

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

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

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

16.2 Taxes other than income tax

Six-month period ended 30 June 2022

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

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

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

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

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

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

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

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

Six-month period ended 30 June 2021

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

17. INCOME TAX EXPENSE

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

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

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

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

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

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

Administrative proceedings

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

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

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

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

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

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

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

Tax litigation

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

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

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

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

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

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

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

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

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

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

18. CHARGES AND REVERSALS FOR ASSET IMPAIRMENT

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

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

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

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

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

19. CONTINGENT ASSETS AND LIABILITIES

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

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

Contingent liabilities

- On 16 June 2014, the Spanish National Commission on Markets and Competition (CNMC) initiated sanctioning proceedings against IBERDROLA GENERACIÓN for purported fraudulent manipulation aimed at altering energy prices at the Duero, Tagus and Sil hydroelectric generation plants in December 2013. On 30 November 2015 the Company was notified of the 25 million euro fine. IBERDROLA GENERACIÓN lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court of Spain (*Audiencia Nacional*) and was granted leave to proceed. Enforcement of the penalty was likewise stayed. The proceedings are currently suspended as the preliminary proceedings are heard by the Central Examining Court of the Audiencia Nacional, which, on 26 May 2022, agreed to end the examination phase and serve notice on the parties and the Public Prosecutor's Office so that they may submit their indictment and claims. On 11 July 2022, Central Examining Court No. 2 of the Audiencia Nacional issued an order for the commencement of oral proceedings whereby it was resolved, among other things: (i) to commence oral proceedings and to consider Iberdrola Generación, S.A.U. charged with an alleged offence under Section 281 of the Criminal Code; (ii) to order Iberdrola Generación, S.A.U. to pay EUR 192 million into court as a bond (EUR 85 million to secure payment of possible fines and EUR 107 million to cover any possible civil liability), for which it would be jointly and severally liable along with the other defendants.
- Administrative appeals lodged on 7 July 2020 before the Audiencia Nacional against decisions notified to IBERDROLA by the Central Tax Appeals Board rejecting contested tax inspection reports signed by the Group in 2016, pertaining to the years 2008 to 2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of Spain's General Tax Act under a debtor-swap operation for a number of bond issues. The relevant claims and arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to pronounce on the dates for the voting and judgement.

- Tax claim lodged on 17 December 2021 before the Central Tax Appeals Board against the settlement decision on income tax notified to Iberdrola Energía España, S.A. as representative of Tax Group 2/86, in relation to contested tax inspection reports signed by the Group in 2021 for the financial years 2012 to 2014. The adjustments in dispute are the same as those discussed in relation to the years 2008 to 2011. The relevant claims and arguments were submitted during the first quarter of 2022 and at the date of these financial statements the court has yet to deliver a decision.
- Administrative appeal lodged on 25 January 2021 before the Audiencia Nacional against the decision of the Central Tax Appeals Board notified to IBERDROLA in 2020. The claim, which was filed against the tax settlement decisions upholding the disputed tax assessments delivered to the company under limited tax inspection proceedings in relation to income tax for the years 2012 to 2014, was partially upheld. The dispute with the public administration focuses on the applicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules considered unlawful. This ruling partially upheld IBERDROLA's claims, accepting its criteria insofar as the taxes declared to be unconstitutional were concerned. The company has lodged an appeal with the Audiencia Nacional in respect of the other tax matters disputed. The relevant claims and arguments were presented in the proceedings throughout 2021, which remain ongoing at the present date, with the court yet to announce a date for voting and judgement.
- ACE (an economic interest grouping in Portugal) consisting of the companies Acciona-Mota and Edivisa, brought action for arbitration against Iberdrola Generación before the Commercial Arbitration Centre of Lisbon (the arbitration body named in the contract) with regard to the construction contract for the Alto Tâmega dam and hydroelectric plant, claiming EUR 30 million. The claim is based on the argument that they do not consider themselves liable for excess costs that were incurred due to deviations in the work performed. They also claim that they are not liable for the delays occurring and that Iberdrola, consequently, does not have the right to impose on them any of the penalties provided for in the contract. Further, they state that the termination of the works contract is groundless and should be deemed null and void, and they demand compensation for said termination. IBERDROLA received the arbitration claim (initial request) from ACE dated 31 May 2021, demanding payment of EUR 27.1 million. IBERDROLA responded to the claim on 1 September 2021 by lodging a counterclaim in the total amount of EUR 60.2 million. ACE's second written submission was received on 12 November 2021, with IBERDROLA submitting its reply on 21 January 2022. Following IBERDROLA's submission, the phase of testimonies and statements before the Arbitral Tribunal began, although the tribunal may request additional documents or statements of evidence from the parties beforehand. On 4 May 2022, the Arbitral Tribunal sent us the draft list of undisputed facts and items of evidence for review/comments by the parties. Both documents are indicative and non-binding in relation to the arbitration process. No decision on the matter is expected until the first half of 2023.

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

- Iberdrola Castilla y León (IBERCYL) has been summoned as a party subsidiarily liable alongside the Regional Government of Castilla y León in the proceedings taking place before Valladolid Examining Court no. 4 in relation to alleged irregularities in awarding certain wind power operating permits in Castilla y León. The court order instructed IBERCYL to post a bond of EUR 11 million in this connection. As of today, IBERCYL is waiting for the court to set a deadline for posting the bond.
- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil in relation to their normal course of business. The IBERDROLA Group considers that the risk of potential losses at such companies has been assessed in line with the opinions of the authorities and the external tax advisers, and the relevant provisions have been made based on the likelihood of loss as per the available evidence, the position of courts and the most recent case law precedent.

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

The tax claims include violation findings due to the following:

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

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

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

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

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

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

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

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

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

Contingent assets

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

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

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

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

20. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration of the Board of Directors

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

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

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

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

b) Remuneration of senior management

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

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

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

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

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

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

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

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

21. RELATED-PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

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

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

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

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

(3) Relates mainly to electricity purchases.

22. EVENTS SUBSEQUENT TO 30 JUNE 2022

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

Reduction in share capital

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

Details of the reduction in share capital are as follows:

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

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

Iberdrola Retribución Flexible

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

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

Financing arrangements

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

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

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

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

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

⁽⁴⁾ With a one-year option to extend.

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

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

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

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

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

23. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

APPENDIX

INDUSTRY REGULATION AND OPERATION OF THE ELECTRICITY AND GAS SYSTEM

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

Spain

Spanish electricity sector

Network tariffs:

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

Electric system charges:

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

Protection of vulnerable consumers:

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

Market intervention measures:

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

Tax measures:

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

Remuneration of renewables:

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

Access and connection / Promotion of renewables:

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

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

National Energy Efficiency Fund:

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

Gas sector

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

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

United Kingdom

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

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

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

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

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

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

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

United States

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mexico

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

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

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

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

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

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

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

Brazil

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

Water Shortage Account: on 14 January, Decree No. 10,939/2022 was published, authorising the creation of a Water Shortage Account by the Chamber of Commerce for Electricity (CCEE). The purpose of this account is to receive funds to cover the additional costs related to water shortages for distribution companies, as well as the deferrals established in recent tariff processes due to macroeconomic issues such as inflation, exchange rates, and high international fuel prices. On 18 March, ANEEL established the criteria and procedures for managing the account and in April (1st transfer) a total of BRL 371.6 million was released to Neoenergia's distributors.

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

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

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

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

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

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

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

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

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

European Union

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

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

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

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

ACER Final assessment of the EU Wholesale Electricity Market Design

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

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

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

REPowerEU Communication

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

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

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

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

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

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

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

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

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

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

Regulation on Trans-European Energy Infrastructures TEN-E

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

New rules for gas storage

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

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

Revision of the Energy Charter Treaty

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

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

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

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

1. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

1.1 Currency performance

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

1.2 Demand

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

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

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

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

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

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

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

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

1.4 Key operating figures

• Installed capacity

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

Installed capacity by technology and geographic region is as follows:

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

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

(*) Includes the proportional part of MW.

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

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

Changes in installed capacity are as follows:

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

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

Production by technology and geographic region is as follows:

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

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

(*) Includes the proportional part of MW.

- **Retail supply**

- Spain

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

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

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

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

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

- United Kingdom

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

– Mexico

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

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

– Brazil

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

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

• **Distribution**

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

The breakdown by geographic region is as follows:

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

⁽¹⁾ Reported in power station busbars.

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

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

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

1.5 Key figures of the consolidated income statement

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

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

1.5.1 Gross income

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

Networks business

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

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

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

Liberalised business

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

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

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

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

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

Renewables business

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

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

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

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

1.5.2 Gross operating profit – EBITDA

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

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

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

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

1.5.3 Net operating profit – EBIT

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

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

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

1.5.4 Net finance cost

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

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

The change can be largely explained by:

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

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

1.5.5 Results of equity-accounted investees

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

1.5.6 Profit before tax

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

1.5.7 Taxes

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

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

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

1.5.8 Net profit for the period attributable to the parent

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

1.6 Key figures of the consolidated statement of financial position

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

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

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

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

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

Key investments in the field of renewable energies:

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

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

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

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

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

- **Capital**

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

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

- **Debt structure**

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

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

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

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

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

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

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

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

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

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

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

- **Liquidity**

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

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

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

1.7 Financial solvency

- **Credit ratings of IBERDROLA's senior debt**

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

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

- **Financial solvency ratios**

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

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

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

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

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

These measures are calculated as follows:

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

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

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

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

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

3. STOCK MARKET DATA – THE IBERDROLA SHARE

Stock market data:

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

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

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

The IBERDROLA share:

Stock market performance of IBERDROLA versus the indexes:



4. ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Broadly speaking, these APMs are those used in the Management Report and are therefore directly linked to the consolidated income statement and do not require reconciliation.

Definitions and calculations of the APMs used can be found on the corporate website (www.iberdrola.com) under the section titled "Shareholders and Investors".

AUTHORISATION FOR ISSUE

2022 – FIRST HALF

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

Mr José Ignacio Sánchez Galán
Chairman & CEO

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

Mr Anthony L. Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
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Ms María Helena Antolín Raybaud
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Mr Manuel Moreu Munaiz
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Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
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Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director



FINANCIAL REPORT FOR THE FIRST HALF OF 2022 STATEMENT OF RESPONSIBILITY

The members of the Board of Directors of IBERDROLA, S.A. state that, to the best of their knowledge, the interim condensed separate financial statements of IBERDROLA, S.A., as well as the interim condensed consolidated financial statements of IBERDROLA, S.A. and its subsidiaries for the first half of fiscal year 2022, issued by the Board of Directors at its meeting of July 26, 2022, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of IBERDROLA, S.A. as well as of the subsidiaries included within its scope of consolidation, taken as a whole, and that the interim management report contains a fair assessment of the required information.

Madrid, July 26, 2022

Mr. José Ignacio Sánchez Galán
Chairman & Chief Executive Officer

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

Mr Anthony L. Gardner
Second Vice Chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

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