



**Annual
financial information**

Iberdrola, S.A.

2023

AUDITOR'S REPORT



Auditor's Report on Iberdrola, S.A.

**(Together with the annual accounts and
directors' report of Iberdrola, S.A. for the year
ended 31 December 2023)**

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



KPMG Auditores, S.L.

Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Independent Auditor's Report **on the Annual Accounts**

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

To the Shareholders of Iberdrola, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Iberdrola, S.A. (the "Company"), which comprise the balance sheet at 31 December 2023, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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



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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in Group companies and associates See note 10 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The recoverable amount of investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>Due to the uncertainty associated with the establishment of these estimates, it has been considered a relevant aspect of the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">• Evaluating the design and implementation of the key controls related to the process of identifying and calculating the recoverable amount.• Analysing the Company's evaluation of the existence of indications of impairment.• Evaluating the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our valuation specialists.• Analysing the consistency of the estimated growth in future cash flows with the business plans approved by the Company's governing bodies.• Performing a comparative analysis of the cash flow forecasts estimated in the prior year with the actual cash flows obtained (retrospective analysis).• Assessing whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.

Other Information: Directors' Report

Other information solely comprises the 2023 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.



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

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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



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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format _____

We have examined the digital file of Iberdrola, S.A. for 2023 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Iberdrola, S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee _____

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 23 February 2024.



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

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 17 June 2022 for a period of two years, from the year ended 31 December 2021.

Previously, we had been appointed for a period of two years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

KPMG Auditores, S.L.

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

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 22,690

*This report
corresponds to seal
no. 03/24/00021
issued by the
Spanish Institute of
Registered Auditors
(ICJCE)*



**FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31
DECEMBER 2023**



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Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

Statement of Financial Position at 31 December 2023

(Millions of euros)

ASSETS	Notes	31.12.2023	31.12.2022 (*)
NON-CURRENT ASSETS		50,460	50,042
Intangible assets	7	133	115
Computer software		133	115
Property, plant and equipment	8	284	274
Land and buildings		211	214
Technical installations and other items		69	60
Plant and equipment in progress and prepayments		4	—
Non-current investments in group companies and associates		48,959	48,609
Equity instruments	10	48,794	48,432
Loans to companies	9, 23.1.a	127	127
Derivatives	9, 15, 23.1.c	38	50
Non-current investments		13	13
Loans to third parties	9	2	2
Derivatives	9, 15	11	11
Deferred tax assets	17.4	347	327
Non-current trade and other receivables	17.7	724	704
CURRENT ASSETS		464	3,301
Current trade and other receivables		271	298
Trade receivables, group companies and associates	23.1.b	32	66
Other receivables		2	2
Current tax assets	17.1	205	173
Other public administration receivables	17.1	32	57
Current investments in group companies and associates		137	2,794
Loans to companies	9, 23.1.a	4	15
Derivatives	9, 15, 23.1.c	4	8
Other financial assets	9, 23.1.a	129	2,771
Current investments		48	43
Derivatives	9, 15	7	9
Other financial assets	9	41	34
Current prepayments		2	—
Cash and cash equivalents		6	166
Cash on hand		6	166
TOTAL ASSETS		50,924	53,343

(*) The Statement of Financial Position at 31 December 2022 is presented for comparative purposes only. The accompanying Notes are an integral part of the Statement of Financial Position at 31 December 2023.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

Statement of Financial Position at 31 December 2023

(Millions of euros)

LIABILITIES	Notes	31.12.2023	31.12.2022 (*)
EQUITY	11	33,967	31,681
CAPITAL AND RESERVES		33,966	31,677
Capital	11.1	4,763	4,772
Registered capital		4,763	4,772
Share premium	11.2	13,924	14,070
Reserves		1,527	1,404
Legal and bylaw reserves	11.3	969	969
Other reserves		558	435
Treasury shares and own equity investments	11.5	(1,457)	(1,750)
Prior years' profit and loss		10,103	10,292
Retained earnings		10,103	10,292
Profit/(loss) for the year		5,066	2,840
Other equity instruments	12	40	49
VALUATION ADJUSTMENTS	11.6	1	4
Hedging instruments		1	4
NON-CURRENT LIABILITIES		11,807	11,434
Non-current provisions		480	454
Non-current employee benefits	13.1	184	179
Other provisions	13.2	296	275
Non-current payables		351	342
Bank borrowings	9, 14	279	253
Finance lease payables	8, 9, 14	48	50
Derivatives	9, 15	8	22
Other financial liabilities	9	16	17
Payables to group companies and associates, non-current	9, 15, 23.1.a, 23.1.c	10,108	9,757
Deferred tax liabilities	17.4	868	881
CURRENT LIABILITIES		5,150	10,228
Current payables		362	1,256
Bank borrowings	9, 14	225	1,167
Finance lease payables	8, 9, 14	3	3
Derivatives	9, 15	96	33
Other financial liabilities	9	38	53
Payables to group companies and associates, current	9, 15, 23.1.a, 23.1.c	4,669	8,848
Trade and other payables		119	124
Suppliers, group companies and associates	23.1.b	15	23
Other payables		40	27
Personnel (salaries payable)		25	22
Current tax liabilities	17.1	1	—
Other public administration payables	17.1	38	52
TOTAL EQUITY AND LIABILITIES		50,924	53,343

(*) The Statement of Financial Position at 31 December 2022 is presented for comparative purposes only. The accompanying Notes are an integral part of the Statement of Financial Position at 31 December 2023.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

Income Statement for the year ended in 31 December 2023

(Millions of euros)

	Notes	2023	2022 (*)
CONTINUING OPERATIONS			
Revenue	18.1	6,271	3,056
Finance income from equity investments in group companies and associates	10, 23.2	5,829	2,604
Finance income from debt securities and other financial instruments of group companies and associates	23.2	25	27
Income from services rendered to group companies and associates	23.2	417	425
Own work capitalised	7	7	4
Other operating income		2	2
Non-trading and other operating income		2	2
Personnel expenses		(214)	(166)
Salaries and wages		(115)	(112)
Employee benefits expense	18.2	(99)	(54)
Other operating expenses		(495)	(237)
External services		(272)	(230)
Taxes	18.4	(218)	(6)
Other current operating expenses		(5)	(1)
Amortisation and depreciation	7, 8	(53)	(72)
Impairment and gains/(losses) on disposal of financial instruments		(19)	580
Impairment and losses	10	(19)	580
OPERATING INCOME		5,499	3,167
Finance income	18.6	23	7
From debt securities and other financial instruments in third parties		23	7
Finance expenses	18.5	(570)	(322)
Due to borrowings from group companies and associates	23.2	505	(298)
Due to third-party borrowings		(48)	(12)
Provision adjustments		(17)	(12)
Change in fair value of financial instruments	18.7	(66)	(105)
Trading portfolio and other		(66)	(105)
Exchange differences	18.8	—	6
NET FINANCE INCOME/(EXPENSE)		(613)	(414)
PROFIT/(LOSS) BEFORE INCOME TAX		4,886	2,753
Income tax	17.3	180	87
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		5,066	2,840
PROFIT/(LOSS) FOR THE YEAR		5,066	2,840

(*) The Income Statement for the year ended 31 December 2022 is presented for comparison purposes only. The accompanying Notes are an integral part of the Income Statement for the year ended on 31 December 2023.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

Statement of Changes in Equity for the year ended 31 December 2023

(Millions of euros)

A) Statement of Recognised Income and Expense for the year ended 31 December 2023

	Notes	2023	2022 (*)
PROFIT/(LOSS) FOR THE YEAR		5,066	2,840
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Hedging costs	11.6	(41)	(3)
Actuarial gains and losses and other adjustments	13.1.a	(1)	27
Tax effect	11.6, 17.4	10	(6)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		(32)	18
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
Cash flow hedges	11.6	2	2
Hedging costs	11.6	35	(3)
Tax effect	11.6	(9)	–
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		28	(1)
TOTAL RECOGNISED INCOME AND EXPENSE		5,062	2,857

(*) The Statement of Recognised Income and Expense for 2022 is presented for comparison purposes only. The accompanying Notes are an integral part of the Statement of Recognised Income and Expense for the year ended 31 December 2023.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

B) Statement of Changes in Equity for the year ended 31 December 2023

(Millions of euros)

	Capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Notes 11.3 11.4 y 11.5)	Treasury shares and own equity investments (Note 11.5)	Prior years' profit and loss	Profit/(loss) for the year (Note 3)	Other equity instruments (Note 12)	Valuation adjustments (Note 11.6)	TOTAL
Balance at 01.01.2022 (*)	4,775	14,215	1,283	(1,852)	10,976	2,160	40	7	31,604
Total recognised income and expense	—	—	20	—	—	2,840	—	(3)	2,857
Transactions with shareholders or owners									
Reduction in share capital	(148)	—	148	1,985	(1,985)	—	—	—	—
Scrip issue	145	(145)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	1,301	(2,160)	—	—	(859)
Transactions with treasury shares or own equity	—	—	2	(1,883)	—	—	—	—	(1,881)
Other transactions with shareholders or owners	—	—	(31)	—	—	—	—	—	(31)
Other changes in equity	—	—	(18)	—	—	—	9	—	(9)
Balance at 31.12.2022 (*)	4,772	14,070	1,404	(1,750)	10,292	2,840	49	4	31,681
Balance at 01.01.2023	4,772	14,070	1,404	(1,750)	10,292	2,840	49	4	31,681
Total recognised income and expense	—	—	(1)	—	—	5,066	—	(3)	5,062
Transactions with shareholders or owners									
Reduction in share capital	(155)	—	155	2,112	(2,112)	—	—	—	—
Scrip issue	146	(146)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	1,923	(2,840)	—	—	(917)
Transactions with treasury shares or own equity	—	—	14	(1,819)	—	—	—	—	(1,805)
Other transactions with shareholders or owners	—	—	(31)	—	—	—	—	—	(31)
Other changes in equity	—	—	(14)	—	—	—	(9)	—	(23)
Balance at 31.12.2023	4,763	13,924	1,527	(1,457)	10,103	5,066	40	1	33,967

(*) The Statement of Changes in Equity for 2022 is presented for comparison purposes only.
The accompanying Notes are an integral part of the Statement of Changes in Equity for the year ended 31 December 2023.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails

Statement of Cash Flows for the year ended 31 December 2023

(Millions of euros)

	Notes	2023	2022 (*)
Profit/(loss) for the year before tax		4,886	2,753
Adjustments for:		(5,113)	(2,663)
Amortisation and depreciation	7, 8	53	72
Impairment		19	(580)
Finance income	18.1, 18.6	(5,877)	(2,638)
Finance expenses	18.5	570	322
Exchange differences	18.8	—	(6)
Change in fair value of financial instruments	18.7	66	105
Other income and expenses		56	62
Changes in operating assets and liabilities		51	26
Trade and other receivables		57	33
Trade and other payables		(6)	(7)
Other cash flows from operating activities		5,518	2,424
Interest paid		(371)	(277)
Dividends received		5,834	2,596
Interest received		38	46
Income tax proceeds/(payments)		129	129
Other proceeds/(payments)		(112)	(70)
CASH FLOWS FROM OPERATING ACTIVITIES		5,342	2,540
Payments for investments		(1,205)	(4,019)
Group companies and associates	10	(335)	(3,909)
Intangible assets	7	(49)	(92)
Property, plant and equipment	8	(30)	(16)
Other financial assets		(791)	(2)
Proceeds from divestments		3,371	2,150
Group companies and associates		2,639	2,113
Intangible assets		4	36
Other financial assets		728	1
CASH FLOWS USED IN INVESTING ACTIVITIES		2,166	(1,869)
Proceeds from and payments for equity instruments		(2,677)	(1,792)
Acquisition of own equity instruments	11.5	(2,785)	(1,883)
Disposal of own equity instruments	11.5	108	91
Proceeds from and payments for financial instruments		(4,043)	2,022
Instruments issued		1,005	5,956
Bank borrowings		3	—
Payables to group companies and associates		1,000	5,928
Other payables		2	28
Redemption and repayment		(5,048)	(3,934)
Bank borrowings		(59)	(421)
Payables to group companies and associates		(4,989)	(3,513)
Dividends paid and payments on other equity instruments		(948)	(890)
Dividends		(948)	(890)
CASH FLOWS USED IN FINANCING ACTIVITIES		(7,668)	(660)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(160)	11
Cash and cash equivalents at beginning of year		166	155
Cash and cash equivalents at end of year		6	166

(*) The Statement of Cash Flows for 2022 is presented for comparison purposes only.

The accompanying Notes are an integral part of the Statement of Cash Flows for the year ended 31 December 2023.



IBERDROLA, S.A.

Notes to the financial statements for the year ended 31 December 2023

1. Company activity

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

- To carry out all manner of activities, works and services inherent in or related to the business of production, transmission, switching and distribution or 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.

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 financial statements.

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



2. Basis of presentation of the financial statements

2.1. Accounting legislation applied

The financial statements have been prepared in accordance with the Spanish General Chart of Accounts (*Plan General de Contabilidad*) (PGC) approved by Royal Decree 1514/2007 of 16 November, which was amended in 2016 by Royal Decree 602/2016 of 2 December, and Royal Decree 1/2021 of 12 January and prevailing commercial legislation.

The accounting principles and measurement methods used to draw up IBERDROLA's 2023 financial statements are fully consistent with those used to draw up IBERDROLA's 2022 financial statements.

IBERDROLA has drawn up its consolidated financial statements in accordance with current law, pursuant to the provisions of International Financial Reporting Standards (IFRS) as approved by the European Union. The main figures shown in the IBERDROLA Group's 2023 and 2022 consolidated financial statements are as follows:

Millions of euros	2023	2022
Total assets	150,033	154,667
Equity:		
Parent	43,111	41,119
Non-controlling interests	17,181	16,995
Revenue	49,335	53,949
Profit/(loss) for the year:		
Parent	4,803	4,339
Non-controlling interests	591	721

2.2. True and fair view

The financial statements have been prepared on the basis of IBERDROLA's auxiliary accounting records, in accordance with prevailing accounting legislation and the electronic reporting format requirements set out in Commission Delegated Regulation EU 2018/815, in order to give a true and fair view of the equity, financial position and results of IBERDROLA.

The Statement of Cash Flows has been drawn up to present fairly the source and application of IBERDROLA's cash and cash equivalents.

At 31 December 2023 IBERDROLA's Statement of Financial Position showed a working capital deficit (current liabilities exceeding current assets) in the amount of EUR 4,686 million. This deficit is largely due to the existence of current debt with group companies and associates in the amount of EUR 4,669 million. According to IBERDROLA's directors, this will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends received from its subsidiaries. In addition, the IBERDROLA Group has committed but undrawn credit facilities in the amount of EUR 17.162 million.



2.3. Comparative information

In accordance with commercial legislation, figures for the previous year have been provided along with the figures for 2023 for comparative purposes in relation to each item on the Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows. Quantitative information from the previous year is also included in the Notes.

3. Distribution of earnings

IBERDROLA's Board of Directors has agreed to submit for the approval of the shareholders at the General Shareholders' Meeting the following distribution of 2023 profit and prior years' profit and loss:

Millions of euros	2023
Basis for distribution:	
Prior years' profit and loss	10,103
Profit for financial year 2023	5,066
Total	15,169
Distribution:	
To legal reserve	–
To dividends	Amount to be determined by adding: (a) the Total Interim Dividend; and (b) the result of multiplying the Final Dividend by the total number of shares in respect of which the holders have decided to receive the Final Dividend under the framework of the first-time application of the <i>Iberdrola Retribución Flexible</i> optional dividend system for 2024.
To retained earnings	Amount to be determined by deducting the amounts set aside for the dividend from the total amount for distribution.
Total	15,169

The Board of Directors of IBERDROLA has agreed to propose to the General Shareholders' Meeting the payment, out of earnings for 2023 and retained earnings from previous years, a dividend the aggregate gross amount of which will be equal to the sum of the following amounts:

- (a) the EUR 427 million that was paid out as an interim dividend for 2023 on 31 January 2024 to the holders of 2,115,059,909 IBERDROLA shares who chose to receive their remuneration in cash under the second application of the optional *Iberdrola Retribución Flexible* optional dividend system for 2023 and therefore received EUR 0.202, gross, per share (the *Total Interim Dividend*); and
- (b) the amount to be determined by multiplying:
 - (i) the gross amount per share that the Company will pay as a final dividend for 2023, as part of the first-time application of the *Iberdrola Retribución Flexible* optional dividend system for 2024 (*Final Dividend*); by



- (ii) the total number of shares upon which the holders have opted to receive the *Final Dividend* within the framework of the first application of the *Iberdrola Retribución Flexible* optional dividend system for 2024.

On the date of authorisation for issue of these financial statements, it is not possible to determine the amount of the *Final Dividend* or, consequently, the amount of the dividend charged to 2023 profit.

The *Final Dividend* will be paid together with the implementation of the bonus issue that the Board of Directors will propose to the General Shareholders' Meeting, to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the *Final Dividend*) or in the newly-issued scrip shares of the Company (through the aforementioned bonus issue).

Payment of the *Final Dividend* will be one of the alternatives that a shareholder may choose when receiving their remuneration under the first-time application of the *Iberdrola Retribución Flexible* optional dividend system for 2024, which will be carried out through the aforementioned scrip issue.

4. Accounting policies

4.1. Intangible assets

Intangible assets are measured at acquisition cost or production cost, less any accumulated amortisation and any impairment losses. An intangible asset is recognised only if it is probable that it will generate future economic benefits that will flow to IBERDROLA and the cost of the asset can be measured reliably. The recoverability of intangible assets is analysed when events or changes in circumstances take place that indicate that their carrying amount may not be recovered.

The acquisition price or production cost includes specific and generic finance expenses, incurred prior to putting the asset to use for those intangible assets that take more than one year to be ready for use.

Intangible assets are amortised using the straight-line method over their estimated useful life. If the useful life cannot be reliably estimated, the intangible assets will be amortised on a 10-year basis, unless another legal or regulatory provision establishes a different time limit. The amortisation periods and methods are revised annually at year end and, where appropriate, adjusted prospectively.



Computer software

The costs incurred in connection with the basic computer systems used in the management of IBERDROLA and developed in-house, and the amounts paid for ownership of or the right to use programs, are also recorded under the “Intangible assets” heading of the Statement of Financial Position. These items are amortised on a straight-line basis over a maximum period of five years from the date on which each application comes into service. Personnel expenses for employees who have worked on IT projects are recognised as an increase in the cost of the projects and recorded with a credit to “Own work capitalised” in the Income Statement.

4.2. Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, including the legally permitted revaluations undertaken by IBERDROLA under Royal Decree-law 7/1996, less accumulated depreciation and impairment losses, if any.

The acquisition price or production cost includes specific and generic financial costs incurred prior to putting the asset into use for assets that take more than one year to be ready for use. Also, personnel expenses related directly or indirectly to facilities under construction are recognised as an increase in the cost of the projects and recorded with a credit to “Own work capitalised” in the Income Statement.

Repairs that do not prolong the useful life of the assets and maintenance expenses are charged directly to the Income Statement as accrued. Expenses incurred for expansion or improvements that increase the productivity or prolong the useful life of the asset are capitalised as an increase in the value of the assets.

Replacements or renewals of complete units are recorded as an increase in property, plant and equipment, and the units replaced or renewed are derecognised.

IBERDROLA transfers work under construction to property, plant and equipment in use upon startup of the plant.

Leases are classified as finance leases when an analysis of the nature of the agreement and its terms and conditions reveals that all risks and rewards of ownership of the asset have been substantially transferred to IBERDROLA. Therefore, the property acquired under these leases is accounted for by its nature in property, plant and equipment for an amount equal to the lower of its fair value and the present value of minimum payments set at the beginning of the lease.

The amortisation and depreciation of the fixed assets shown on the Statement of Financial Position at 31 December 2023 is based on cost using the straight-line method over the following estimated years of useful life:

	Average years of estimated useful life
Buildings	50
Equipment for IT processes	4 – 8
Other fixed assets	7 – 40



At each financial year end, IBERDROLA reviews and adjusts, where necessary, the assets' residual values, useful lives and depreciation method, prospectively adjusting them, as appropriate.

4.3. Impairment of non-current non-financial assets

IBERDROLA assesses, at least annually, whether there is any indication that its non-current non-financial assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of fair value less cost to sell, or value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risk to the asset. For assets that do not generate cash inflows that are largely independent of those from other financial assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses are recognised for all assets or, where appropriate, their cash-generating units, when the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the Income Statement and, except in the case of goodwill, reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Reversal of an impairment loss is recognised as income in the Income Statement and only to the extent that the increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset.

4.4. Financial instruments

4.4.1 Classification and measurement of financial assets and liabilities

IBERDROLA determines the most appropriate classification for each financial asset on acquisition and reviews the classification at each year end date.

The financial assets and liabilities of IBERDROLA are classified as follows:

a) Financial assets at cost

This category includes investments in companies in which the entity exercises control (group companies) or joint control via by-law resolutions or contractual arrangements with one or more partners (jointly controlled entities), or has significant influence (associates) and investments in equity instruments the fair value of which cannot be reliably determined.

In the Statement of Financial Position, these investments are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration given. The initial value includes preferential subscription and similar rights acquired. After initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.



In the case of non-monetary contributions to a group company for the purpose of a business, the investment is measured at the carrying amount of the delivered assets and liabilities in the consolidated financial statements on the date the transaction was performed. The consolidated financial statements used are those of the higher group or subgroup, whose parent is Spanish, in which the assets and liabilities are included.

When these assets must be valued, for derecognition from the Statement of Financial Position or other purposes, they are measured using the weighted average cost method by standard groups, understanding that these values have the same rights. When pre-emptive subscription rights or similar are sold or transferred for exercise, the cost of the rights is deducted from the carrying amount of the related assets.

b) Financial assets at amortised cost

Financial assets that meet the following conditions are included in this category:

- The assets are held within a business model whose objective is to hold the assets to obtain the contractual cash flows, and
- The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value plus transactions costs and are subsequently measured at amortised cost. Interest accrued is recognised in the Income Statement applying the effective interest method. However, financial assets maturing in less than a year that do not have a contractual interest rate are measured both initially and subsequently at their nominal amount when the impact of not discounting cash flows is immaterial.

c) Financial assets at fair value through profit or loss

This category includes all other financial assets, including derivative financial instruments, that do not qualify for hedge accounting in accordance with applicable accounting regulations (Note 15).

Assets at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the Income Statement. Changes in fair value are recognised in the Income Statement for the year under “Changes in fair value of financial instruments”.

d) Financial liabilities

IBERDROLA classifies all financial liabilities measured at amortised cost using the effective interest method, except for derivative financial instruments, which are recognised at fair value.

Financial liabilities at amortised cost are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration received. Directly attributable transaction costs are included in the initial measurement of financial liabilities. After initial recognition, financial liabilities included in this category are subsequently measured at amortised cost. Interest accrued is recognised in the Income Statement applying the effective interest method.



However, trade payables maturing within one year that do not have a contractual interest rate are measured at nominal value when the impact of not discounting cash flows is not significant.

4.4.2. Interest and dividends received on financial assets

Dividends are recognised as income in the Income Statement when the investee or any group company in which the investee holds an interest generates profits in excess of the equity to be distributed.

When the dividends paid come explicitly from profits obtained prior to the acquisition date, these dividends are not recognised as income, but are rather deducted from the carrying amount of the investment.

The judgement as to whether the investee has generated profits will be made solely on the basis of the profits recognised in the separate Income Statement since the date on which the investee was acquired, unless it is clear that the dividend payment out of those profits should be treated as a recovery of the investment in the eyes of the entity receiving the dividend.

Interest is recognised using the effective interest rate method and dividends when the right to receive the payment is established.

4.4.3. Impairment of financial assets

IBERDROLA regularly assesses whether its financial assets or groups of financial assets are impaired.

a) Financial assets at amortised cost

If there is objective evidence that an impairment loss on an asset or group of assets carried at amortised cost has been incurred, due to an event or series of events that have occurred after initial recognition and that lead to a reduction or delay in the estimated future cash flows, the carrying amount of the asset or group of assets is corrected.

The amount of the impairment loss on these financial assets is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. For variable-rate financial assets, the effective interest rate at the year-end financial statements date based on the contractual terms is used. Impairment losses on a group of financial assets are calculated using models based on statistical formulas or methods.

Impairment adjustments and their reversal, when the amount of such loss decreases due to causes related to a subsequent event, are recognised as an expense or income, respectively, in the Income Statement. The loss can only be reversed to the limit of the carrying amount of the asset had the impairment loss not been recognised.

b) Equity investments in group companies and associates

When there is objective evidence that the carrying amount of an investment cannot be recovered, it is adjusted accordingly.



The amount of the loss is measured as the difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the estimated future cash flows. In estimating impairment on investments, the investee's equity (or consolidated equity, as the case may be) is taken into consideration, corrected for any unrealised gains at the measurement date, unless better evidence of the recoverable amount of the investment is available.

The impairment losses and, where appropriate, their reversals are recognised as an expense or income, respectively, in the Income Statement. An impairment loss may be reversed up to the carrying amount of the asset recognised at the date of reversal had no impairment loss been recognised previously.

4.4.4. Derecognition of financial assets

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

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

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

IBERDROLA does not derecognise financial assets and recognises a financial liability at the amount received in return in transfers of financial assets where it has retained substantially all the risks and rewards inherent to ownership.

4.4.5. Derecognition of financial liabilities

IBERDROLA derecognises a financial liability when the obligation has been extinguished.

When a debt instrument between IBERDROLA and the counterparty is replaced by another on substantially different terms, the original financial liability is derecognised and the new liability is recognised. The difference between the carrying amount of the financial liability or part of the financial liability and the amount paid to extinguish the liability, including attributable transaction costs and any asset transferred other than cash or liability assumed, is recognised in the Income Statement for the period.



IBERDROLA considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any fee paid net of any fee received, and using the original effective interest rate for the discount, differs at least 10 per cent from the current discounted value of the remaining cash flows from the original financial liability.

When the debt instrument is replaced by another on terms that are not substantially different, the original financial liability is not derecognised in the Statement of Financial Position, and the carrying amount is adjusted for the fees paid. The amortised cost of the financial liability is determined using the effective interest rate, which is the rate used to discount the carrying amount of the financial liability at the date of modification to the cash flows payable under the new terms.

4.4.6. Derivative financial instruments and hedging arrangements

Derivative financial instruments are initially recognised at fair value in the Statement of Financial Position, and subsequently remeasured at fair value as necessary. Any gains or losses arising from changes in fair value on derivatives are recognised directly in the Income Statement except for those designated as cash flow hedges, in which case the changes in fair value are temporarily recognised in equity.

At the beginning of each hedging relationship, IBERDROLA formally designates and documents the relationship. This documentation includes the beginning and end date of the hedge, the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how it assesses the instrument's effectiveness. In addition, hedges are assessed periodically to determine that they are highly effective both prospectively and retrospectively.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

a) Fair value hedges

Hedge the exposure to changes in the fair value of a recognised asset or liability or firm commitment.

Changes in the fair value of the derivative financial instruments designated as a hedge, or the exchange rate component of a monetary item in the case of hedging instruments that are not derivatives, as well as changes in the fair value of the hedged item due to the hedged risk, are recognised in the Income Statement.

b) Cash flow hedges

Used to hedge exposure to fluctuations in cash flows that are either attributable to a specific risk associated with an asset or liability or a highly probable planned transaction, or fluctuations in foreign currency risk under a firm commitment.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss. When the hedged relates to a forecast transaction that leads to the recognition of a non-financial asset or liability, the amounts taken to equity are transferred to the cost of the asset acquired or liability assumed. The part of the hedge considered ineffective is recorded in the Income Statement.



c) Hedges of net investment in foreign operations

Hedges of investments in foreign operations are treated as fair value hedges for the foreign currency component.

Changes in value of the hedging instrument or exchange rate differences associated with the monetary item used as the hedging instrument are recognised in the Income Statement. Changes in value of the investments associated with the underlying amount in foreign currency are recognised in the Income Statement.

Discontinuation of hedge accounting

The IBERDROLA Group prospectively discontinues fair value hedge accounting where the hedging instrument expires, is sold, released or exercised, the hedge no longer fulfils the hedge accounting conditions or the designation is revoked.

When hedge accounting is discontinued, the cumulative amount at that date recognised under “Adjustments for changes in value” in the Statement of Financial Position is maintained in said heading until the hedged transaction occurs, whereupon the gain or loss on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the amount accumulated under the aforementioned heading is transferred to the Income Statement.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated as follows (Note 15):

- The fair value of derivatives quoted on an organised market corresponds to their quoted price at year end.
- For derivatives not traded in organised financial markets, IBERDROLA uses assumptions based on market conditions at the date of the Statement of Financial Position. 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;
 - currency futures are measured by discounting the future cash flows calculated using the forward exchange rates at year end.

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 features of the counterparty and its credit rating.



- Loss given default: the estimated loss in the event of default.

4.5. Cash and cash equivalents

This heading includes cash, bank current accounts, short-term deposits and purchases of assets under repurchase agreements that meet the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the IBERDROLA's standard cash management policy.

For the Statement of Cash Flows, occasional bank overdrafts used as part of IBERDROLA's cash management strategy are recognised as a decrease in cash and cash equivalents. There are no significant restrictions on the availability of cash.

4.6. Treasury shares

Treasury shares held by IBERDROLA at the date of the Statement of Financial Position under the "Equity – Treasury shares and own equity investments" heading are measured at acquisition cost.

Gains and losses arising from the sale of treasury shares by IBERDROLA Group companies are recognised under "Reserves – Other reserves" in the Statement of Financial Position.

4.7. Post-employment and other employee benefits

Contributions to defined contribution post-employment benefit plans are recognised as an expense under the "Personnel expenses" heading in the Income Statement on an accrual basis.

In the case of defined benefit plans, IBERDROLA's policy is to recognise the related expense on an accrual basis over the working lives of the employees based on actuarial studies by independent experts using the projected unit credit method to measure the obligation accrued at the end of the period. Any actuarial gains and losses are recognised under the "Reserves – Other reserves" heading when they arise. The provision recognised for this item represents the present value of the defined benefit obligation reduced by the fair value of the plan assets.

When the fair value of the assets exceeds the present value of the obligation, the net asset is not recognised in the Statement of Financial Position unless it is virtually certain that it will be recovered by IBERDROLA.



4.8. Early retirement plans

IBERDROLA recognises termination benefits when there is an agreement with the employees or a certain expectation that such an agreement will be reached that will enable the employees to be terminated in exchange for a severance payment.

IBERDROLA has labour force reduction plans in progress which guarantee those benefits will be received throughout the pre-retirement period.

IBERDROLA recognises the full amount of the expenditure relating to these plans when the obligation is incurred by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year end. The actuarial gains and losses disclosed each year are recognised in the Income Statement for that year.

4.9. Termination benefits

Under current labour regulations, IBERDROLA is required to make severance payments to terminated employees under certain conditions.

4.10. Share-based employee compensation

The delivery of IBERDROLA shares to employees as consideration for their services is recognised under the “Personnel expenses” heading in the Income Statement as the employees perform the services, with a credit to equity under the “Reserves – Other reserves” heading in the Statement of Financial Position at the fair value of the equity instruments on the grant date, defined as the date when IBERDROLA and its employees reach an agreement establishing the terms of the compensation.

If share-based remuneration is paid in cash, the amount booked as “Personnel expenses” in the Income Statement is credited to “Non-current payables – Other financial liabilities” on the liabilities side of the Statement of Financial Position, and the fair value of the cash consideration is remeasured at each reporting date.

4.11. Provisions, contingent assets and liabilities

IBERDROLA relies on its best estimates to recognise provisions for contingencies and expenses to cover probable or certain quantifiable liabilities arising from litigation in progress or from indemnity payments, obligations or unpaid expenses of an undetermined amount, and collateral and other similar guarantees provided by the company.



Provisions are recognised in the Statement of Financial Position when IBERDROLA has a present obligation (legal, contractual, constructive or tacit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

A provision is recognised when the liability or obligation arises, with a charge to the heading in the Income Statement in accordance with the nature of the obligation, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognised under “Finance expenses” in the Income Statement.

In addition, contingent liabilities are understood as possible obligations resulting from past events, the occurrence of which is subject to future events that are not entirely under the control of IBERDROLA, as well as current obligations resulting from past events, for which it is not probable that an outflow of resources will be required to settle the obligation or that they cannot be measured reliably. These contingent liabilities are not recognised, but are detailed in the Notes when an outflow of resources is possible.

Contingent assets are only recognised when their realisation is deemed virtually certain.

4.12. Transactions in foreign currency

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the date of the Statement of Financial Position. All translation differences, both gains and losses, originated in this process, including those arising from the settlement of items on the Statement of Financial Position, are taken to the Income Statement for the year in which they arise.

4.13. Income tax

IBERDROLA files consolidated tax returns with certain group companies.

Income tax expense for the year is calculated as the sum of the current tax expense derived by applying the corresponding tax rate to the tax base for the year, after taking into account all applicable tax relief and deductions, and the change in deferred tax assets and liabilities recognised. Tax deductions and credits are recognised in the companies that generated them.

Income tax expense is recognised in the Income Statement except when it relates directly to items recognised in equity, in which case it is also recognised in this heading.

Current tax assets and liabilities are measured at the amount expected to be recovered from/paid to the tax authorities. The tax rates used are those in force at the date of the Statement of Financial Position, including any tax adjustments from previous years.

Meanwhile, temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements generate deferred income tax balances.



IBERDROLA recognises deferred tax liabilities for all taxable temporary differences unless the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affected neither accounting profit nor taxable profit or loss.

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

At the end of each year, IBERDROLA reviews the deferred tax assets recognised at the date of the Statement of Financial Position and those that have not been recognised previously. Based on this review, IBERDROLA derecognises a previously recognised asset if it is no longer probable that it will be recovered or recognises a deferred tax asset not previously recorded only if it is probable that IBERDROLA will have sufficient taxable profit available for it to be utilised.

Unless there is evidence to the contrary, it is not considered likely that the tax group will have future tax gains if future recovery is expected in more than 10 years from the reporting date. However, it is considered likely that the tax group will have sufficient tax gains to recover deferred tax assets where there are taxable temporary differences that may be reversed in the same year as the expected reversal of deductible temporary differences or in years in which a tax loss, due to a deductible temporary difference, can be netted against previous or subsequent gains.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply at the time of the reversal based on tax laws in effect and on how it is reasonably expected to recover the deferred tax asset or settle the deferred tax liability. Changes to the carrying amounts of deferred tax assets and liabilities are recognised in the Income Statement, except where the related deferred tax assets and liabilities are recognised directly in equity.

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

4.14. Current/non-current classification of assets and liabilities

Assets and liabilities are classified in the Statement of Financial Position as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with IBERDROLA's operating cycle and are expected to be sold, consumed, realised or settled within one year.

4.15. Income and expenses

Income and expenses are recognised at the time the goods or services they represent are delivered or rendered, regardless of when actual payment or collection occurs.



Income from the sale of goods and rendering of services is recognised at the fair value of the consideration received or to be received, derived from them, less the amount of any discount, price reduction or similar granted by the company, as well as the indirect taxes levied on the transactions which can be passed on to third parties.

Income is recognised based on the economic substance of the transaction and is recognised when all of the following conditions are met:

- IBERDROLA has transferred the significant risks and rewards of ownership of the goods to the buyer, regardless of when legal title is transferred.
- IBERDROLA does not maintain managerial involvement to the extent usually associated with ownership and effective control over the goods.
- The amount of the income can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to IBERDROLA.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In addition, income from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion at the reporting date. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, income should be recognised to the extent of the expenses recognised that are deemed recoverable.

As a holding company of the IBERDROLA Group, IBERDROLA includes dividends and accrued income from financing granted to subsidiaries, as well as services rendered to group companies, under the heading “Revenue” in the Income Statement.

4.16. Related-party transactions

Related-party transactions are accounted for pursuant to the aforementioned valuation standards.

5. Financial risk management

The IBERDROLA Group, of which Iberdrola, S.A. is the parent, is exposed to various financial risks inherent in the countries, industries and markets in which it operates and the businesses it carries out, which could prevent it from achieving its objectives and successfully pursuing its strategies.

In particular, the *Financing and Financial Risk Policy* and the *Corporate Risk Credit Policy* of the IBERDROLA Group, both approved by the Board of Directors, identify the risk factors described below that could affect the Company. The IBERDROLA Group has an organisation and systems that enable it to identify, measure and control the financial risks to which it is exposed.



The Company performs its corporate business activities indirectly through the ownership of shares or other equity investments in other companies (country subholding companies, which in turn operate through the parent companies of their respective businesses). The corporate and governance organisation is based on the recognition of the multinational nature of the Group.

Interest rate risk

The Company is exposed to the risk of fluctuations in interest rates affecting cash flows and fair value in respect of items in the Statement of Financial Position (debt and derivatives).

In order to adequately manage and limit this risk, each year the Company determines the desired structure of the debt between fixed and floating interest rate. The actions to be carried out throughout the year are regularly planned: new sources of financing (at a fixed, floating or indexed rate) and/or the use of interest rate derivatives.

IBERDROLA's debt structure, comprising bank borrowings and financial lease payables, at 31 December 2023 and 2022, after taking into account hedging via derivatives, is as follows:

Millions of euros	2023	2022
Fixed interest rate	309	344
Floating interest rate	246	1,129
Total	555	1,473

The debt structure with IBERDROLA group companies and associates at 31 December 2023 and 2022, after taking into account hedges via derivatives, is as follows:

Millions of euros	2023	2022
Fixed interest rate	9,919	8,870
Floating interest rate	4,857	9,733
Total	14,776	18,603

Floating rate debt is referenced to Euribor.

Currency risk

As IBERDROLA's functional currency is the euro, fluctuations in the value of the currencies of borrowings and transactions (mainly pound sterling, US dollar and Brazilian real) with respect to the euro may have an impact on the Group's finance expenses, earnings for the year and equity.

IBERDROLA mitigates this risk by ensuring that all of its economic flows are in euros, provided that this is possible, economically viable and efficient, or otherwise through the use of derivatives.

The impact of exchange rate variations on investments in foreign subsidiaries is mitigated by holding debt in foreign currency, as well as through financial derivatives.



Liquidity risk

Exposure to adverse situations in the debt or capital markets or Iberdrola, S.A.'s economic and financial situation can hinder or prevent it from obtaining the financing required to properly carry out its business activities.

The IBERDROLA Group's liquidity policy, which has a global focus, is designed to ensure that it can meet its payment obligations without having to rely on financing under unfavourable terms. For this purpose, various management metrics are used, such as the arrangement of committed credit facilities of sufficient amount, term and flexibility, diversification of the hedging of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

Figures showing IBERDROLA's debt performance are included in Note 14 to the financial statements.

Given that the company that covers the Group's liquidity is Iberdrola Financiación S.A.U., in 2023 IBERDROLA cancelled the two sustainable syndicated credit facilities worth a total of EUR 5,300 million and due to mature in February 2025. Therefore, as at 31 December 2023, IBERDROLA had no loans or facilities yet to be drawn on (31 December 2022: EUR 5,500 million). The following table provides a breakdown by maturity of the liquidity position at 31 December 2022, based on the balance of the "Cash and cash equivalents" heading of the Statement of Financial Position:

Millions of euros	2022
Available maturity	
2023	200
2025	5,300
Total	5,500
Cash and cash equivalents	166
Liquidity position	5,666

At 31 December 2023, the IBERDROLA Group had undrawn loans and other borrowings amounting to EUR 17,162 million.

Credit risk

IBERDROLA Group companies are exposed to the credit risk arising from the possibility that their counterparties (customers, financial institutions, partners, insurers, insurance firms, etc.) might fail to honour their contractual obligations.

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. Notably, there is a *Corporate Credit Risk Policy* setting the framework and principles of conduct for proper risk management.

Receivables do not carry a material credit risk for IBERDROLA since its activity as a holding company for the Group is centred on services provided to other group companies. There were no material non-payments or losses in 2023 or 2022 in relation to other exposures (counterparties in transactions with derivatives, placement of cash surpluses, etc.).



Sensitivity analysis

The following sensitivity analyses show, for each type of risk (without reflecting the interdependence among risk variables), how income for the year and equity might be affected by reasonably possible changes in each risk variable at 31 December 2023 and 2022.

– Interest rates:

To calculate the sensitivity of profit or loss to changes in interest rates, an increase or decrease of 50 basis points (equally across all currencies) is applied to the closing balance of financial assets and liabilities referenced to a floating interest rate, after taking into account hedges with derivatives. To calculate the sensitivity of equity, an increase or decrease of 50 basis points (equally across all currencies) is applied to the fair value of the outstanding cash flow hedges at year-end, the change in fair value of which is recognised in equity.

The sensitivity of consolidated profit and equity to interest rate fluctuations is as follows:

Millions of euros	Increase/decrease in interest rate (basis points)	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	50	(24)	–	(24)
	(50)	24	–	24
2022	50	(41)	–	(41)
	(50)	41	–	41

– Exchange rates:

To calculate the sensitivity of profit or loss to changes in exchange rates, a decrease or increase of 5% is applied mainly to balance sheet items denominated in non-euro currencies (net of economic hedges arranged). The sensitivity of equity to exchange rates is calculated by applying an appreciation or depreciation of 5% on the cash flow hedge derivatives whose variation in fair value is recognised in equity.

The sensitivity of consolidated profit or loss and equity to changes in the dollar/euro exchange rate is as follows:

Millions of euros	Change	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	Depreciation of 5%	4	–	4
	Appreciation of 5%	(4)	–	(4)
2022	Depreciation of 5%	4	–	4
	Appreciation of 5%	(4)	–	(4)



The sensitivity of consolidated profit or loss and equity to changes in the pound sterling/euro exchange rate is as follows:

Millions of euros	Change	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	Depreciation of 5%	10	–	10
	Appreciation of 5%	(11)	–	(11)
2022	Depreciation of 5%	9	–	9
	Appreciation of 5%	(10)	–	(10)

6. Use of accounting estimates

IBERDROLA relied on certain assumptions and estimates in drawing up these financial statements. The main matters subject to estimate in the preparation of these financial statements are as follows:

- Provision for pensions and similar obligations:

At each year end, IBERDROLA estimates the current actuarial provision required to cover obligations relating to pensions plans and other similar commitments with its employees. In preparing these estimates, IBERDROLA receives advice from independent actuaries (Notes 4.7 and 4.8).

- Impairment of investments in group companies and associates:

As described in Note 4.3, IBERDROLA, in accordance with applicable accounting regulations, conducts an annual impairment test for those investments that require such a test. Specific tests are also conducted if indications of impairment are detected. These impairment tests require the estimate of the future business performance and the most appropriate discount rate in each case. IBERDROLA believes these estimates are appropriate and consistent with the current market situation.

- Provisions for contingencies and expenses:

As described in Note 4.11, IBERDROLA recognises provisions to cover present obligations arising from past events. For this purpose, it must assess the outcome of certain procedures of a legal or other nature that are ongoing at the date of authorisation for issue of these financial statements, based on the best information available.

Although these estimates were made on the basis of the best information available at the date of authorisation for issue 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.

7. Intangible assets

Changes in the items comprising “Intangible assets” in 2023 and 2022 are as follows:

Millions of euros	Balance at 01.01.2023	Additions or allowances	Decreases, disposals or reversals	Balance at 31.12.2023
Cost				
Computer software	852	60	(2)	910
Other intangible assets	30	–	–	30
Total cost	882	60	(2)	940
Accumulated depreciation				
Computer software	(737)	(38)	(2)	(777)
Other intangible assets	(30)	–	–	(30)
Total accumulated amortisation of intangible assets	(767)	(38)	(2)	(807)
Net carrying amount	115	22	(4)	133

Millions of euros	Balance at 01.01.2022	Additions or allowances	Decreases, disposals or reversals	Balance at 31.12.2022
Cost				
Computer software	820	92	(60)	852
Other intangible assets	30	–	–	30
Total cost	850	92	(60)	882
Accumulated depreciation				
Computer software	(706)	(55)	24	(737)
Other intangible assets	(30)	–	–	(30)
Total accumulated amortisation of intangible assets	(736)	(55)	24	(767)
Net carrying amount	114	37	(36)	115

In 2023 and 2022, personnel expenses of the employees who worked on IT projects were capitalised to the cost of those projects and amounted to EUR 7 million and EUR 4 million, respectively.

At 31 December 2023 and 2022 there were no intangible assets securing bank loans.

At 31 December 2023 and 2022, there were no amounts of intangible assets acquired from group companies and associates. Furthermore, no intangible assets were sold or transferred to group companies in 2023 (EUR 36 million in 2022).

IBERDROLA had no intangible assets whose rights may be exercised outside of Spain in 2023 and 2022.

Fully amortised intangible assets still in use amounted to EUR 235 million and EUR 209 million at 31 December 2023 and 2022, respectively, of which EUR 203 million and EUR 179 million relate to computer software, respectively.

At 31 December 2023 IBERDROLA had firm commitments to acquire intangible assets amounting to EUR 7 million (EUR 15 million at 31 December 2022). At 31 December 2023 and 2022 there were no firm commitments to sell intangible assets.



Expenses incurred in research and development activities amounted to EUR 38 million in 2023 (EUR 43 million in 2022).

8. Property, plant and equipment

Changes in property, plant and equipment in 2023 and 2022 are as follows:

Millions of euros	Balance at 01.01.2023	Additions or allowances	Transfer	Decreases, disposals or reversals	Balance at 31.12.2023
Cost					
Land	59	—	—	—	59
Buildings	195	1	—	—	196
Technical installations and other items	418	19	1	(4)	434
Total property, plant and equipment in use	672	20	1	(4)	689
Plant and equipment in progress and prepayments	—	5	(1)	—	4
Total cost	672	25	—	(4)	693
Accumulated amortisation					
Buildings	(40)	(4)	—	—	(44)
Technical installations and other items	(358)	(11)	—	4	(365)
Total accumulated depreciation of PP&E	(398)	(15)	—	4	(409)
Total net cost	274	10	—	—	284

Millions of euros	Balance at 01.01.2022	Additions or allowances	Decreases, disposals or reversals	Balance at 31.12.2022
Cost				
Land	59	—	—	59
Buildings	194	1	—	195
Technical installations and other items	406	15	(3)	418
Total cost	659	16	(3)	672
Accumulated amortisation				
Buildings	(36)	(4)	—	(40)
Technical installations and other items	(348)	(13)	3	(358)
Total accumulated depreciation of PP&E	(384)	(17)	3	(398)
Total net cost	275	(1)	—	274

In 2023 and 2022, IBERDROLA did not capitalise any finance expenses as an increase in the value of property, plant and equipment.

In 2023 and 2022, no amount was recognised for personnel expenses directly or indirectly related to property, plant and equipment in progress and capitalised in the cost of those assets.

In 2023 and 2022, no items of property, plant and equipment were acquired from group companies and associates. During 2023, fully depreciated items of property, plant and equipment were transferred to group companies (no items disposed of in 2022).



IBERDROLA owned no property, plant and equipment outside of Spain in 2023 or 2022.

At 31 December 2023 and 2022, the cost of fully depreciated property, plant and equipment in use was EUR 332 million and EUR 318 million, respectively, of which no amount related to buildings.

At 31 December 2023 and 2022, IBERDROLA had no property, plant and equipment securing bank loans.

At 31 December 2023 and 2022, property, plant and equipment included a total of EUR 83 million and EUR 84 million, respectively, as the carrying amount of IBERDROLA's land and corporate head offices in Madrid, which is held under a finance lease. The amount for which the asset was recognised initially amounted to EUR 104 million, matching the present value of the minimum future payments to be made on the initial recognition date.

Information related to the minimum payments on the finance lease at 31 December 2023 is as follows:

Millions of euros	2023
2024	4
2025	4
2026	4
2027	4
2028	4
2029 and beyond	45
Total	65

Millions of euros	2023
Financial cost	14
Present value of the payments	51
Total	65

The present value of these lease payments is recognised under “Non-current payables – Finance lease payables” and “Current payables – Finance lease payables” in the Statement of Financial Position.

At 31 December 2023, IBERDROLA had firm commitments to acquire property, plant and equipment amounting to EUR 3 million (EUR 1 million at 31 December 2022).



9. Categories and measurement of financial instruments

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

Millions of euros	Non-current financial assets					
	Loans and receivables		Derivatives		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Category						
At fair value through profit or loss	–	–	–	3	–	3
At amortised cost	129	129	–	–	129	129
Hedging derivatives	–	–	49	58	49	58
Total	129	129	49	61	178	190

Millions of euros	Current financial assets					
	Loans and receivables		Derivatives		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Category						
At fair value through profit or loss	–	–	5	8	5	8
At amortised cost	174	2,820	–	–	174	2,820
Hedging derivatives	–	–	6	9	6	9
Total	174	2,820	11	17	185	2,837

Millions of euros	Non-current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Category								
At fair value through profit or loss	–	–	–	3	–	–	–	3
At amortised cost	327	303	–	–	10,124	9,772	10,451	10,075
Hedging derivatives	–	–	8	21	–	–	8	21
Total	327	303	8	24	10,124	9,772	10,459	10,099

Millions of euros	Current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Category								
At fair value through profit or loss	–	–	5	9	–	–	5	9
At amortised cost	228	1,170	–	–	4,706	8,901	4,934	10,071
Hedging derivatives	–	–	92	24	–	–	92	24
Total	228	1,170	97	33	4,706	8,901	5,031	10,104

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

The fair value of “Bank borrowings”, “Finance lease payables” and “Borrowings with group companies and associates” (except derivatives with group companies and associates) under current and non-current liabilities in the Statement of Financial Position at 31 December 2023 and 2022 amounted to EUR 14,995 million and EUR 19,215 million, respectively. Their carrying amount was EUR 15,331 million and EUR 20,076 million, respectively. This valuation belongs to Level 2 of the valuation hierarchy. The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

Fair value is determined by discounting future cash flow payments using the applicable market rates at the valuation date.

IBERDROLA recognises derivative financial instruments at their fair value provided such value can be reliably measured and classifies them at three levels:

- Level 1: assets and liabilities listed in liquid markets.
- Level 2: assets and liabilities whose fair value has been determined by employing valuation techniques that use assumptions observable in the market.
- Level 3: assets and liabilities whose fair value has been determined by employing valuation techniques that do not use assumptions observable in the market.

The levels of derivative financial instruments recognised at their fair value are as follows:

Millions of euros	31.12.2023	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	60	–	60	–
Derivative financial instruments (financial liabilities)	(105)	–	(105)	–
TOTAL (Note 15)	(45)	–	(45)	–

Millions of euros	31.12.2022	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	78	–	78	–
Derivative financial instruments (financial liabilities)	(57)	–	(57)	–
TOTAL (Note 15)	21	–	21	–

10. Investments in group companies and associates

Details of “Non-current investments in group companies and associates – Equity instruments” in 2023 and 2022 are as follows:

Millions of euros	Balance at 01.01.2023	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2023
Non-current					
Investments in group companies	48,885	335	–	46	49,266
Investments in associates	1	–	–	–	1
Impairment:					
On investments in group companies and associates	(454)	(184)	165	–	(473)
Total	48,432	151	165	46	48,794



Millions of euros	Balance at 01.01.2022	Additions or allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2022
Non-current					
Investments in group companies	47,098	1,646	—	141	48,885
Investments in associates	1	—	—	—	1
Impairment:					
On investments in group companies and associates	(1,034)	(114)	694	—	(454)
Total	46,065	1,532	694	141	48,432

Below is a description of the activities performed by IBERDROLA Group through its main country subholding companies:

Company	Activity
Iberdrola España, S.A.U.	Conventional generation, renewable generation, retail supply of electricity and gas, and electricity distribution in Spain.
Iberdrola Participaciones, S.A.U.	Real property and holding of interests in companies.
Iberdrola Energía, S.A.U.	Conventional generation, renewable generation, retail supply of electricity and gas, and transmission and distribution of electricity in Brazil.
Hidrola I, S.L.U.	Conventional generation, renewable generation, and retail supply of electricity in Mexico.
Scottish Power Investments, Ltd.	Renewable generation, retail supply of electricity and gas and transmission and distribution of electricity in the United Kingdom.
Avangrid, Inc.	Renewable generation, transmission and distribution of electricity and gas in the United States.
Iberdrola Energía Internacional, S.A.U.	Renewable generation and retail supply of electricity and gas, mainly in Australia, Poland, Japan, Germany, France, Portugal, Greece, Italy and other countries.



The IBERDROLA Group companies and associates and data relating thereto at 31 December 2023 and 2022 are as follows:

Company	Address	Functional currency	Share price at 31.12.2023 in euros	Activity	Percentage of ownership at 31.12.2023	Millions of euros				Dividends received in 2023
						Carrying amount 2023	Capital	Reserves	Profit/(Loss)	
Iberdrola España, S.A.U. (1)	Bilbao	EUR	—	Holding	100%	9,549	2,921	9,452	3,021	5,000
Iberdrola Participaciones, S.A.U. (2)	Madrid	EUR	—	Holding	100%	1,844	—	1,834	(108)	—
Iberdrola Energía, S.A.U. (2)	Madrid	EUR	—	Holding	100%	2,263	1,478	1,567	361	—
Hidro I, S.L.U. (2)	Madrid	EUR	—	Holding	100%	1,173	395	2,482	201	292
Iberdrola Financiación, S.A.U.	Bilbao	EUR	—	Financial – Holding	100%	1,976	2,000	(525)	210	—
SPW Investments Ltd. (2)	United Kingdom	GBP	—	Holding company	100%	14,400	1	14,686	1,339	—
Avangrid, Inc. (2)	United States	USD	29.29	Holding	81.5%	14,121	3	20,764	227	512
Scottish Power Overseas Holdings, Ltd. (2)	United Kingdom	GBP	—	Energy	100%	140	—	132	8	—
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	—	Financial – Holding	100%	100	100	14	3	—
Iberdrola International, B.V.	Netherlands	EUR	—	Financial – Holding	100%	—	—	10	—	15
Iberdrola Inversiones 2010, S.A.U. (2)	Bilbao	EUR	—	Holding	100%	160	144	64	4	—
Iberdrola Energía Internacional, S.A.U. (2)	Bilbao	EUR	—	Holding company	100%	2,919	—	3,243	57	—
Neoenergía, S.A. (3)	Brazil	BRL	3.99	Holding	3.50%	137	—	—	—	10
Other companies	—	—	—	—	—	12	—	—	—	—
Total						48,794				5,829



Company	Address	Functional currency	Share price at 31.12.2022 in euros	Activity	Percentage of ownership at 31.12.2022	Millions of euros				Dividends received in 2022
						Carrying amount 2022	Capital	Reserves	Profit/(Loss)	
Iberdrola España, S.A.U. (1)	Bilbao	EUR	—	Holding company	100%	9,549	2,921	11,992	2,278	1,810
Iberdrola Participaciones, S.A.U. (2)	Madrid	EUR	—	Holding company	100%	2,029	—	1,933	(96)	—
Iberdrola Energía, S.A.U. (2)	Madrid	EUR	—	Holding company	100%	2,263	1,478	1,044	414	43
Hidrota I, S.L.U. (2)	Madrid	EUR	—	Holding company	100%	1,173	395	2,512	348	177
Iberdrola Financiación, S.A.U.	Bilbao	EUR	—	Financial – Holding company	100%	1,819	2,000	(430)	(13)	—
SPW Investments Ltd. (2)	United Kingdom	GBP	—	Holding company	100%	14,355	1	13,704	456	—
Avangrid, Inc. (2)	United States	USD	40.39	Holding company	81.5%	14,121	3	21,013	963	529
Scottish Power Overseas Holdings, Ltd.	United Kingdom	GBP	—	Energy	100%	132	—	136	(4)	—
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	—	Financial – Holding company	100%	100	100	2	—	25
Iberdrola International, B.V.	Netherlands	EUR	—	Financial – Holding company	100%	—	—	6	—	8
Iberdrola Inversiones 2010, S.A.U. (2)	Bilbao	EUR	—	Holding company	100%	160	144	62	3	—
Iberdrola Energía Internacional, S.A.U. (2)	Bilbao	EUR	—	Holding company	100%	2,584	—	2,697	137	—
Neoenergía, S.A. (3)	Brazil	BRL	2.75	Holding company	3.50%	137	—	—	—	7
Other companies	—	—	—	—	—	10	—	—	—	5
Total						48,432				2,604

⁽¹⁾ Group holding companies. The information regarding Capital, Reserves and Profit/(Loss) for financial years 2023 and 2022 is presented in consolidated form in accordance with standards for the preparation of consolidated accounts.

⁽²⁾ Group holding companies. The information regarding Capital, Reserves and Profit/(Loss) for financial years 2023 and 2022 is presented in consolidated form in accordance with International financial reporting standards, as adopted by the European Union (hereinafter, IFRS-EU).

⁽³⁾ Information for Neoenergía, S.A. in relation to Capital, Reserves and Profit/(Loss) for 2023 and 2022 is presented at Iberdrola Energía, S.A.U.



Significant transactions in 2023 and 2022

The most noteworthy transactions in 2023 and 2022 in relation to the holdings owned by IBERDROLA are as follows:

- In 2023, IBERDROLA contributed a total of EUR 335 million in funds to Iberdrola Energía Internacional, S.A. In 2022, a total of EUR 1,626 million was delivered.
- In 2022, IBERDROLA acquired additional shares in NEOENERGIA worth EUR 20 million, thus bringing its stake to 3.50%.

Impairment

- In 2023, Iberdrola Participaciones, S.A recognised an impairment loss of EUR 184 million in respect of the same company to reflect the difference between its carrying amount and recoverable amount (EUR 108 million in 2022).
- IBERDROLA's separate Financial Statements include a valuation adjustment for the investment held in Iberdrola Financiación, S.A.U. in the amount of EUR 23 million and EUR 181 million at 31 December 2023 and 2022, respectively. The reversal carried out in 2023 amounted to EUR 157 million (EUR 694 million in 2022).

Valuation adjustments have been calculated as the difference between the carrying amount and fair value of all assets and liabilities of the investment. The business activity of this subsidiary, which consists of securing long-term funds to finance the operations of the IBERDROLA Group's companies, was positively impacted by the trend in interest rates.

- In 2023 the Company recognised the impairment loss on Scottish Power Overseas Holdings, Ltd. for the difference between its carrying amount and recoverable amount. The resulting reversal of the impairment charge amounted to EUR 8 million (EUR 4 million in 2022).

Analysis of impairment

The balance of group companies and associates at 31 December 2023 included EUR 14,121 million pertaining to IBERDROLA's direct stakes in AVANGRID. The value of IBERDROLA's stake in AVANGRID on the stock exchange at year-end 2023 was EUR 9,246 million.

The directors ran an impairment analysis on the stake held in AVANGRID at 31 December 2023 on the understanding that there was evidence of impairment, given that the quoted market value was lower than the carrying amount of this stake.

The key assumptions for these tests were as follows, according to the businesses grouped in those interests:



a) Assumptions used in the Networks business:

- *Regulated remuneration:* the Company has used the remuneration approved for the years in which that remuneration was available, while for subsequent years it has used the appropriate legal mechanisms for updating this remuneration. This process has been applied in a manner consistent with the estimated costs of the corresponding cash-generating units.
- *Investment:* based on investment plans that reflect the expected growth in demand and commitments set out in the concession agreements, subject to the minimum values required by the various regulatory bodies and including an estimation of future remuneration to be used.
- *Operating and maintenance costs:* the best available estimate of likely changes in these costs has been considered, on the understanding that they are to be consistent with the remuneration assumed to be received in each year.

b) Assumptions used at the Renewable energies business:

- *Facility output:* the operating hours of each wind farm are consistent with their historical output. For this purpose, it is important to take into account the long-term predictability of farm power output, which is also subject to regulatory mechanisms so that the farms are able to generate power, prevailing weather and grid conditions permitting.
- *Electricity sales prices:* the prices stipulated in the purchase and sales agreements signed have been used, where applicable. For unsold production, futures prices of the markets in which the IBERDROLA Group operates have been used. Existing support mechanisms have been taken into consideration in all cases.
- *Investment:* the Company has relied on the best information available on the facilities expected to be commissioned in the coming years, based on the price stipulated in the wind turbine purchase agreements signed with different suppliers, as well as the technical and financial capacity of the IBERDROLA Group to successfully complete the projects concerned.
- *Operating and maintenance costs:* the prices set in land leases and maintenance agreements for the useful life of the facilities were used.

c) Forecast period and nominal growth rate:

The table below summarises the forecast period of future cash flows and the nominal growth rate (g) used to extrapolate these projections beyond the forecast period for the different groups of cash-generating units.

	2023		2022	
	No. of years	g	No. of years	g
United States				
Transmission and distribution of electricity and gas	10	1.5 %	10	1.0 %
Renewable energies	Useful life	-	Useful life	-



d) Discount rate:

The discount rate calculation methodology used by IBERDROLA was to take the time value of money or risk-free rate of each market and add to that the specific risks of the asset or risk premium of the asset or business in question.

The risk-free rate is effectively that of the 10-year Treasury bond in the market in question, which must have sufficient depth and solvency. For countries whose economies or currencies have insufficient depth and solvency, country risk and currency risk are estimated and the total of all these components is assimilated to the cost of funding without the risk spread of the asset.

The asset risk premium is a product of the specific risks of the asset. Estimated betas are used to calculate the risk premium, based on comparable peer companies engaged in the same core activity.

The following pre-tax discount rates are used in the impairment tests for the different groups of cash-generating units:

	Rates – 2023	Rates – 2022
United States		
Transmission and distribution of electricity and gas	5.46 %	5.04 %
Onshore/offshore renewable energies	6.19% / 7.17%	5.67% / 6.60%

After analysing the recoverability of its assets, IBERDROLA has concluded that no write-down was necessary at 31 December 2023.

11. Equity

11.1. Registered capital

Changes in 2023 and 2022 in the different items of share capital of IBERDROLA are as follows:

	Date of filing at the Mercantile Registry	% Capital	Number of shares	Nominal amount	Euros
Balance at 01.01.2022			6,366,088,000	0.75	4,774,566,000
Scrip issue	3 February 2022	1.123%	71,475,000	0.75	53,606,250
Reduction in share capital	6 July 2022	3.069%	(197,563,000)	0.75	(148,172,250)
Scrip issue	2 August 2022	1.957%	122,094,000	0.75	91,570,500
Balance at 31.12.2022			6,362,094,000	0.75	4,771,570,500
Scrip issue	1 February 2023	1.325%	84,270,000	0.75	63,202,500
Reduction in share capital	6 July 2023	3.201%	(206,364,000)	0.75	(154,773,000)
Scrip issue	1 August 2023	1.767 %	110,278,000	0.75	82,708,500
Balance at 31.12.2023			6,350,278,000	0.75	4,762,708,500



The scrip issues carried out in 2023 and 2022 correspond to the different runs of the *Iberdrola Retribución Flexible* optional dividend system approved by the shareholders at the General Shareholders' Meeting. Accordingly, shareholders were free to choose between:

- receiving their remuneration in newly-issued scrip shares;
- transferring some or all of their free-of-charge allocation rights on the market; or
- receiving their remuneration in cash, through delivery of an amount on account of the dividend for the year.

The same characteristics have been maintained for the second application of the *Iberdrola Retribución Flexible* optional dividend system which IBERDROLA's Board of Directors will submit to the shareholders at the General Shareholders' Meeting for approval (Note 3).

Additionally, on 1 July 2022 and 3 July 2023, it was resolved to reduce capital through the redemption of treasury shares. These resolutions were approved by the shareholders at their General Meetings held on 17 June 2022 and 28 April 2023, respectively.

The General Shareholders' Meeting of 28 April 2023 approved, under item 8 of the agenda, an engagement dividend and payment thereof to all shareholders entitled to take part in the General Meeting (that is, with shares registered in their name at 21 April), given that all of the conditions had been met, which were the approval of the dividend under item 8 of the agenda, and the quorum reaching at least 70% of the share capital. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid on 3 May 2023.

There were no changes to IBERDROLA's share capital beyond 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.

IBERDROLA shares are listed on the four Spanish stock exchanges and traded on the Continuous Market. The company also has an American Depositary Receipt (ADR) programme whose depositary is Bank of New York Mellon and the subsidiary Avangrid is listed on the New York Stock Exchange (NYSE). The subsidiary Neoenergia is listed in the Brazilian stock exchange. IBERDROLA is also on more than 65 international stock exchanges, such as the Dow Jones EuroStoxx 50, which is made up of the 50 most significant equities in the eurozone, or the Dow Jones Sustainability Index, which features companies with the best sustainability profile.

Major shareholders

Since IBERDROLA's shares are represented by the book-entry system, the exact stakes held by its shareholders are not known. The table below summarises major direct and indirect shareholdings in the share capital of IBERDROLA at 31 December 2023 and 2022, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with Royal Decree 1362/2007 of 19 October. This information is based on filings by the owners of the shares in the official registers of the Spanish National Securities Market Commission or on the company's financial statements or press releases, and it is presented in the 2023 IBERDROLA Group's Annual Corporate Governance Report.



In accordance with Section 23.1 of Royal Decree 1362/2007 of 19 October, enacting the Securities Market Act 24/1988 of 28 July, in relation to transparency requirements regarding information on issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union, a shareholder who holds at least 3% of the voting rights is considered to hold a significant holding.

The direct or indirect holders of voting rights exceeding 3% of share capital as at 31 December 2023 and 2022 are as follows:

Holder	% of voting rights 2023			% of voting rights 2022		
	Direct	Indirect	Total	Direct	Indirect	Total
Qatar Investment Authority	–	8.71	8.71	–	8.69	8.69
Norges Bank	3.45	–	3.45	3.65	–	3.65
Blackrock, Inc.	–	5.30	5.30	–	5.29	5.29

The information provided on significant shareholdings is based on the disclosures made by their holders to the Spanish National Securities Market Commission (CNMV) and/or to the Company itself. Specifically, the percentages held by BlackRock, Inc. have been calculated on the basis of the voting rights reported in its last notification to the CNMV and the total number of voting rights of IBERDROLA at year-end 2023.

At 31 December 2023, the direct and indirect stakes in the capital of IBERDROLA held by the members of the Board of Directors are as follows:

Directors	Number of shares			%
	Direct	Indirect	Total	
José Ignacio Sánchez Galán	10,687,631	4,045,541	14,733,172	0.232
Armando Martínez Martínez	83,432	–	83,432	0.001
Juan Manuel González Serna	–	699,575	699,575	0.011
Anthony L. Gardner	–	–	–	–
Iñigo Víctor De Oriol Ibarra	1,272,783	–	1,272,783	0.020
María Helena Antolín Raybaud	172,701	–	172,701	0.003
Manuel Moreu Munaiz	30,117	30,117	60,234	0.001
Xabier Sagredo Ormaza	22,535	–	22,535	–
Sara de la Rica Goiricelaya	20,216	–	20,216	–
Nicola Mary Brewer	1,000	–	1,000	–
Regina Helena Jorge Nunes	–	–	–	–
Ángel Jesús Acebes Paniagua	8,101	–	8,101	–
María Ángeles Alcalá Díaz	–	–	–	–
Isabel García Tejerina	68,396	–	68,396	0.001
Total	12,366,912	4,775,233	17,142,145	0.269

Direct and indirect shareholdings of members of the Board of Directors at the date of authorisation for issue of these financial statements are set out in Section A.3. of the Annual Corporate Governance Report.



Powers delegated by the General Shareholders' Meeting

At the General Shareholders' Meeting held on 2 April 2020, the shareholders resolved under items twenty-two and twenty-three on the agenda to delegate powers to the Board of Directors, with express authority to sub-delegate, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act (*Ley de Sociedades de Capital*), with authorisation to exclude preferential subscription rights, and
- issue debentures and bonds exchangeable for shares in the Company or in any other company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares in the Company or to acquire existing shares in the Company or in any other company), subject to a maximum limit of EUR 5,000 million. This authorisation includes further powers to: (i) set the terms and conditions and forms of the conversion, exchange or exercise; (ii) increase capital to the extent necessary to meet the conversion requests; and (iii) exclude limited pre-emptive rights in relation to the issues.

Both authorisations have an aggregate limit equal to a maximum nominal amount of 20% of the share capital.

11.2. Share premium

The share premium amounted to EUR 13,924 million at 31 December 2023. The Consolidated Text of the Spanish Companies Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

11.3. Legal reserve

Under the Consolidated Text of the Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve, amounting to EUR 969 million, can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased amount of share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

11.4. Redeemed capital reserve

In 2023, a capital reduction was effected through the cancellation of treasury shares, thus lowering share capital by EUR 155 million and voluntary reserves and retained earnings by EUR 2,112 million, further to the resolution approved by shareholders at the General Shareholders' Meeting held on 28 April 2023.



In accordance with Section 335.c of the Consolidated Text of the Spanish Companies Act, IBERDROLA has a restricted “Redeemed capital reserve” of EUR 1,645 million, equivalent to the par value of the reduced share capital.

11.5. Treasury shares

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

At 31 December 2023 and 2022 the balances of the various instruments are as follows:

	31.12.2023		31.12.2022	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares	105,786,997	1,211	64,447,436	632
Total return swaps	6,997,405	55	13,110,816	110
Accumulators (exercised shares)	—	—	25,716,062	253
Accumulators (potential shares)	—	—	64,452,306	640
Put options	17,500,000	191	11,338,853	115
Total	130,284,402	1,457	179,065,473	1,750

a) Treasury shares

Changes in the Company’s treasury shares were as follows in 2023 and 2022:

	No. of shares	Millions of euros
Balance at 01.01.2022	82,915,340	823
Acquisitions	186,499,093	1,883
Reduction in share capital	(197,563,000)	(1,985)
Disposals ⁽¹⁾	(8,807,646)	(89)
<i>Iberdrola Retribución Flexible</i> ⁽²⁾	1,403,649	—
Balance at 31.12.2022	64,447,436	632
Acquisitions	256,119,934	2,785
Reduction in share capital	(206,364,000)	(2,112)
Disposals ⁽¹⁾	(9,492,205)	(94)
<i>Iberdrola Retribución Flexible</i> ⁽²⁾	1,075,832	—
Balance at 31.12.2023	105,786,997	1,211

⁽¹⁾ Includes shares delivered to employees.

⁽²⁾ Shares received.

Gains/(losses) obtained by IBERDROLA in 2023 and 2022 on treasury share transactions showed a gain of EUR 14 million and EUR 2 million, respectively, recognised under “Reserves – Other reserves” in the Statement of Financial Position.

**b) Physically settled derivatives**

IBERDROLA has recognised these transactions directly in equity under the heading “Treasury shares and own equity investments” and a liability for the obligation to buy back the shares under the “Current payables – Bank borrowings” heading in the Statement of Financial Position.

– Total return swaps

IBERDROLA has swaps on treasury shares with the following features: during the life of the contract, IBERDROLA will pay the financial entity 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. On the maturity date, it will purchase the shares at the exercise price set out in the contract.

The characteristics of these contracts at 31 December 2023 and 2022 are as follows:

2023	No. of shares	Strike price	Expiry date	Interest rate	Millions of euros
Total return swap	6,997,405	7.824	15/11/2024	Euribor 3M + 0.50%	55
Total	6,997,405				55

2022	No. of shares	Strike price	Expiry date	Interest rate	Millions of euros
Total return swap	2,171,234	9.303	01/09/2023	Euribor 3M + 0.36%	20
Total return swap	10,939,582	8.170	17/11/2023	Euribor 3M + 0.50%	90
Total	13,110,816				110

– Accumulators

IBERDROLA 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 spot 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:

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

There were no outstanding contracts as at 31 December 2023 and the key terms of these contracts at 31 December 2022 were as follows:



2022	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised	25,716,062	9.8207	28/03/2023 to 12/06/2023	253
Potential maximum ⁽¹⁾	64,452,306	9.9309	28/03/2023 to 12/06/2023	640

(1) Maximum number of additional shares that could accumulate under the mechanism described above through to the maturity 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

IBERDROLA has sold put options on own shares that grant the counterparty the option to sell such shares at the expiration date and at the strike price indicated in the contract.

The characteristics of these contracts at 31 December 2023 and 2022 are as follows:

2023	No. of shares	Average price in the period	Expiry date	Millions of euros
Put options sold	17,500,000	10.9360	19/07/2024 to 28/02/2025	191

2022	No. of shares	Average price in the period	Expiry date	Millions of euros ⁽¹⁾
Put options sold	11,338,853	10.2664	10/03/2023 to 24/03/2023	115

(1) The amount is presented net of premiums collected, amounting to EUR 2 million.

11.6. Valuation adjustments

Changes in this reserve in 2023 and 2022 due to impairment of derivatives classified as cash flow hedges are as follows:

Millions of euros	01.01.2023	Change in fair value	Amounts allocated to income	31.12.2023
Cash flow hedges				
Interest rate swaps	(4)	–	2	(2)
Hedging costs	10	(41)	35	4
Tax effect	(2)	10	(9)	(1)
Total	4	(31)	28	1

Millions of euros	01.01.2022	Change in fair value	Amounts allocated to income	31.12.2022
Cash flow hedges				
Interest rate swaps	(6)	–	2	(4)
Hedging costs	16	(3)	(3)	10
Tax effect	(3)	1	–	(2)
Total	7	(2)	(1)	4



The breakdown for the years in which this reserve is expected to affect the Income Statement is as follows:

Millions of euros	2024	2025	2026	2027	2028 and beyond	Total
Cash flow hedges						
Interest rate swaps	(2)	—	—	—	—	(2)
Hedging costs	(1)	1	1	1	2	4
Tax effect	1	—	—	(1)	(1)	(1)
Total	(2)	1	1	—	1	1

12. Long-term compensation plans

Long-term remuneration plans in shares

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

The main features of the plans are as follows:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Level of achievement
IBERDROLA 2017-2019	IBERDROLA	2017-2019	2020-2022	100% ⁽¹⁾
IBERDROLA 2020-2022	IBERDROLA	2020-2022	2023-2025	100% ⁽²⁾

⁽¹⁾ Level of achievement and settlement approved by the Board of Directors of IBERDROLA on the recommendation of the Remuneration Committee. The third and last of the three annual settlements was made during the first quarter of 2022, after confirming that the subjects remained eligible.

⁽²⁾ Level of achievement and settlement approved by the Board of Directors of IBERDROLA on the recommendation of the Remuneration Committee. The first of the three annual settlements was made during the first quarter of 2023.

Details of the shares awarded under these plans are as follows:

No. of shares	IBERDROLA 2017-2019	IBERDROLA 2020-2022
Balance at 31.12.2021	2,427,264	7,703,302
Additions	—	4,444
Deliveries ⁽¹⁾⁽²⁾	(2,400,596)	—
Other	(26,668)	(152,265)
Balance at 31.12.2022	—	7,555,481
Cancellations	—	(13,334)
Deliveries ⁽¹⁾⁽²⁾	—	(2,534,752)
Other	—	118,890
Balance at 31.12.2023	—	5,126,285

⁽¹⁾ These shares include those delivered to executive officers who also happen to be directors (Note 21).

⁽²⁾ Taxes charged on shares delivered to senior management: EUR 1.7 million and EUR 2.1 million relating to the third delivery of the 2017-2019 Strategic Bonus and the first delivery of the 2020-2022 Strategic Bonus, respectively.

Share-based long-term compensation plan in the measurement period

The following long-term share-based remuneration plan was approved by shareholders at the General Shareholders' Meeting of IBERDROLA in 2023:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Expected shares ^{(1) (2) (3)}
IBERDROLA 2023-2025	IBERDROLA	2023-2025	2026-2028	6,033,960

⁽¹⁾ Foreseeable number of shares to be delivered, depending on the level of success in attaining the related targets.

⁽²⁾ Includes shares pertaining to executive officers who also happen to be directors.

⁽³⁾ Includes the foreseeable number of shares to be delivered to senior management – 532,800 shares.

The benchmarks used for the overall assessment of the Company's performance during the measurement period are as follows:

Achievement targets related to	Type of target	Relative weight
Consolidated net profit	Performance	30%
Total shareholder return	Market	20%
Financial strength	Performance	20%
Sustainable Development Goals	Performance	30%

Changes in "Other reserves" in the Statement of Financial Position for the plans described above are as follows:

Millions of euros	Iberdrola 2017-2019	Iberdrola 2020-2022	Iberdrola 2023-2025	Total
Balance at 31.12.2021	14	26	—	40
Charges	2	23	—	25
Price effect charged to equity	12	—	—	12
Payments in shares	(28)	—	—	(28)
Balance at 31.12.2022	—	49	—	49
Charges	—	17	1	18
Price effect charged to equity	—	8	—	8
Payments in shares	—	(35)	—	(35)
Balance at 31.12.2023	—	39	1	40



13. Provisions

13.1. Non-current employee benefits

The breakdown of this item in the Statement of Financial Position at 31 December 2023 and 2022 is as follows:

Millions of euros	2023	2022
Remuneration stipulated in Article 48.1 of the By-Laws (Note 18.2)	5	4
Remuneration stipulated in Article 48.4 of the By-Laws (Note 18.2)	24	27
Defined benefit plans	129	130
Non-current benefits	6	6
Restructuring plans	20	12
Total	184	179

Each year IBERDROLA estimates the amount of the obligation and the payments for pensions and similar benefits that it will have to meet in the coming year, based on an independent actuarial report. These are recognised as current liabilities in the Statement of Financial Position.

a) Defined benefit plans and other non-current employee benefits

The IBERDROLA Group's main commitments to providing defined benefits for its employees, in addition to their Social Security benefits, are as follows:

- Employees subject to IBERDROLA's Collective Labour Agreement who retired before 9 October 1996 are covered by a defined benefit retirement pension scheme, the actuarial value of which was fully externalised at 31 December 2023 and 2022.

IBERDROLA has no liability of any kind for this segment of employees and has no claim on any potential excess generated in the assets of this plan above and beyond the defined benefits.

- Also, in relation to serving employees and employees who have retired after 1996 and are subject to IBERDROLA's Collective Bargaining Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanhood) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a multi-year insurance policy. The guaranteed benefit consists of the difference between the present actuarial value of the above mentioned defined benefit at the time of the event and the member's vested rights at the time of the event, if the latter were lower. The premiums on the insurance policy for 2023 and 2022 are recognised under "Personnel expenses" in the Income Statement and amounted to EUR 1 million and EUR 1 million, respectively (Note 18.2).
- IBERDROLA also maintains a provision to cover certain commitments with its employees beyond those indicated above. These further commitments are covered by internal funds linked to social benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long-term benefits, primarily consisting of a long-service bonus for active employees at 10, 20 and 30 years of service.



Changes in provisions for the commitments described in the preceding section in 2023 and 2022 are as follows:

Millions of euros	Electricity tariff	Length of service bonus
Balance at 01.01.2022	168	7
Normal cost (Note 18.2)	–	1
Finance expense (Note 18.5)	1	–
Actuarial gains and losses:		
To profit (Note 18.2)	–	(2)
To reserves	(27)	–
Payments and other	(12)	–
Balance at 31.12.2022	130	6
Normal cost (Note 18.2)	(1)	1
Finance expense (Note 18.5)	5	–
Actuarial gains and losses:		
To reserves	1	–
Payments and other	(6)	(1)
Balance at 31.12.2023	129	6

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments at 31 December 2023 and 2022 are as follows:

2023				
	Discount rate	Wage increase	Price kWh (euros)	Mortality tables
Electricity tariff	2.81 %	–	2024: 0.20066 2025: 0.19752 2026: 0.1733 2027: 0.16119 2028: 0.14145 [...]	PER 2020 – first segment
Length of service bonus	3.04 %	1.00 %	–	PER 2020 – first segment
2022				
	Discount rate	Wage increase	Price kWh (euros)	Mortality tables
Electricity tariff	4.02 %	–	2023: 0.17302 2024: 0.24978 2025: 0.28251 2026: 0.23537 2027: 0.17859 [...]	PER 2020 – first segment
Length of service bonus	3.76 %	1.00 %	–	PER 2020 – first segment

**b) Defined contribution plans**

Serving employees of IBERDROLA and employees who retired after 9 October 1996, who are beneficiaries under the IBERDROLA pension plan with joint sponsors, are covered by an occupational, defined-contribution retirement pension system independent of the Social Security system.

In accordance with this system and IBERDROLA's Collective Bargaining Agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees joining the Company after 9 October 1996, who are subject from 1 January 2023 to a contributory system whereby the Company pays 72.5% and the employee 27.5% (from 1 January 2022, 70% paid by the Company and 30% by the employee). For those hired after 20 July 2015, the company pays 1/3 and the employee 2/3 of the total contribution, until the date on which the employee joins the Base Assessment Salary (BAS), whereupon the same criterion as for employees joining after 9 October 1996 will apply. The Company finances these contributions for all of its current employees.

IBERDROLA's contributions in 2023 and 2022 were EUR 3 million and EUR 3 million, respectively, and are recognised under "Personnel expenses" in the Income Statement (Note 18.2).

c) Restructuring plans

Given the interest shown by some employees in requesting early retirement, IBERDROLA has offered them mutually agreed termination of the employment relationship through individual contract termination agreements. At 31 December 2023 and 2022, the existing provisions in this regard pertain to the following restructuring plans:

Millions of euros	31.12.2023		31.12.2022	
	Provisions	No. of contracts	Provisions	No. of contracts
2014 restructuring plan	—	3	1	8
2017 restructuring plan	1	7	2	11
2019 restructuring plan	—	3	—	3
2020 restructuring plan	2	10	3	10
2021 restructuring plan	4	14	6	14
2023 restructuring plan	13	24	—	—
Total	20	61	12	46

The discount to present value of the provisions is charged to the "Finance expense" heading in the Income Statement (Note 18.5).



Changes in provisions for the commitments described in the preceding section in 2023 and 2022 are as follows:

Millions of euros	2023	2022
Opening balance	11	16
Charges (Note 18.2)	12	–
Actuarial gains and losses and other (Nota 18.2)	–	(1)
Payments and other	(3)	(3)
Closing balance	20	12

The main assumptions applied in the actuarial reports drawn up to determine the provisions needed to meet the aforementioned commitments under the restructuring plans at 31 December 2023 and 2022 are as follows:

	2023		2022	
	Discount rate	CPI	Discount rate	CPI
Collective redundancy procedures and other restructuring plans	3.37%-3.60%	0.70% - 1%	3.13% - 3.26 %	0.70% - 1%

13.2. Other non-current provisions

The details and breakdown of this liabilities heading of the Statement of Financial Position in 2023 and 2022 are as follows:

Millions of euros	2023	2022
Opening balance	275	258
Charges	16	13
Charge for discount to present value (Note 18.5)	12	11
Provision surplus	(5)	(7)
Uses, payments and other.	(2)	–
Closing balance	296	275



14. Bank borrowings and finance lease payables

The detail of bank borrowings outstanding at 31 December 2023 and 2022, taking into account foreign exchange hedges, and the corresponding repayment schedules are as follows:

Millions of euros	Balance at 31.12.2023	Current				Non-current			Total non-current
		2024	2025	2026	2027	2028	2029 and beyond		
Euros									
Financial lease	51	3	3	3	3	3	36	48	
Loans and drawdowns of credit facilities	127	—	—	—	127	—	—	127	
Derivatives on the company's own shares with a physical settlement (Note 11)	246	185	—	—	—	—	61	61	
	424	188	3	3	130	3	97	236	
Pounds sterling									
Loans and drawdowns of credit facilities	130	39	39	38	14	—	—	91	
Unpaid accrued interest	1	1	—	—	—	—	—	—	
	131	40	39	38	14	—	—	91	
Total	555	228	42	41	144	3	97	327	

Millions of euros	Balance at 31.12.2022	Current			Non-current			Total non-current
		2023	2024	2025	2026	2027	2028 and beyond	
Euros								
Financial lease	53	3	3	3	3	3	38	50
Loans and drawdowns of credit facilities	123	—	—	—	—	123	—	123
Derivatives on the company's own shares with a physical settlement (Note 11)	1,128	1,128	—	—	—	—	—	—
	1,304	1,131	3	3	3	126	38	173
Pounds sterling								
Loans and drawdowns of credit facilities	168	38	38	38	39	15	—	130
Unpaid accrued interest	1	1	—	—	—	—	—	—
	169	39	38	38	39	15	—	130
Total	1,473	1,170	41	41	42	141	38	303



The breakdown by maturity of future unaccrued interest payment commitments (excluding financial leases, see Note 8) at 31 December 2023 and 2022, after factoring in the effect of exchange rate and interest rate hedges and considering that the prevailing interest rates and exchange rates remain constant through to maturity, is as follows:

	2024	2025	2026	2027	2028	2029 and beyond	Total
Pounds sterling	3	2	1	–	–	–	6
Total	3	2	1	–	–	–	6

	2023	2024	2025	2026	2027	2028 and beyond	Total
Pounds sterling	4	3	2	1	–	–	10
Total	4	3	2	1	–	–	10

The loans outstanding at 31 December 2023 and 2022 accrue a weighted average annual interest rate of 1.79% and 1.46%, respectively, once adjusted for the corresponding hedges.

On 21 December 2023, IBERDROLA cancelled the two sustainable syndicated credit facilities worth a total of EUR 5,300 million and due to mature in February 2025. Neither credit facility had been drawn on at that date. Moreover, IBERDROLA did not carry out any significant financing transactions during financial year 2022.

At 31 December 2023 and 2022, IBERDROLA was fully current on all its financial debt payments. None of the amounts in the table above matured prior to 31 December 2023. The terms of the IBERDROLA's borrowings include the usual covenants applied to such agreements.

In relation to covenants regarding credit ratings, IBERDROLA's funding from the European Investment Bank (EIB) amounted to EUR 131 million and EUR 168 million at 31 December 2023 and 2022, respectively. This funding may need to be renegotiated in the event of a significant rating downgrade, possibly to bring the price in line with other financing arranged with the EIB that does not include such covenants. Moreover, these transactions, together with the existing syndicated loan of EUR 127 million, are likely to be declared due and payable in advance or require additional guarantees in the event of a change of control, unless the EIB or lender in question does not consider the change to be detrimental to its interests.

At the date of authorisation for issue of these financial statements, IBERDROLA was not in breach of its financial obligations or any kind of obligation that could trigger early repayment of its financial commitments. IBERDROLA considers that the covenant clauses will have no effect on the classification of borrowings as current or non-current in the Statement of Financial Position.



15. Derivatives

The breakdown of balances at 31 December 2023 and 2022, including valuation of derivative financial instruments at those dates, is as follows:

Millions of euros	2023				2022			
	Current		Non-current		Current		Non-current	
With non-Group third parties	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
EXCHANGE RATE HEDGES:								
Cash flow hedges								
Currency forwards	6	–	–	–	11	(3)	–	–
Fair value hedges								
Currency swaps	(2)	(14)	11	(8)	(2)	(7)	9	(21)
Hedging of net investment abroad								
Currency swaps	–	–	–	–	–	(2)	–	–
Currency forwards	2	(78)	–	–	–	(12)	–	–
NON-HEDGING DERIVATIVES:								
Exchange rate derivatives								
Currency forwards	–	–	–	–	–	(1)	–	–
Commodity derivatives								
Futures	1	(4)	–	–	–	(8)	2	(1)
Total	7	(96)	11	(8)	9	(33)	11	(22)

Millions of euros	2023				2022			
	Current		Non-current		Current		Non-current	
With group companies and	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
EXCHANGE RATE HEDGES:								
Cash flow hedges								
Currency forwards	–	–	38	–	–	–	49	–
NON-HEDGING DERIVATIVES:								
Commodity derivatives								
Futures	4	(1)	–	–	8	–	1	(2)
Total	4	(1)	38	–	8	–	50	(2)



The maturity schedule of the notional amounts of derivative instruments arranged by IBERDROLA and outstanding at 31 December 2023 is as follows:

Millions of euros	2024	2025	2026	2027	2028 and beyond	Total
EXCHANGE RATE HEDGES:						
Cash flow hedges						
Currency forwards	134	–	–	–	263	397
Fair value hedges						
Currency swaps	368	297	–	–	211	876
Hedging of net investment abroad						
Currency forwards	3,404	–	–	–	–	3,404
COMMODITY HEDGING:						
Fair value hedges						
Forward Rate Agreement	1	–	–	–	–	1
NON-HEDGING DERIVATIVES:						
Exchange rate derivatives						
Collar	6	–	–	–	–	6
Currency forwards	61	–	–	–	–	61
Commodity derivatives						
Futures	84	6	–	–	–	90
Total	4,058	303	–	–	474	4,835

The information presented in the table above includes notional amounts of derivative financial instruments arranged in absolute terms (without offsetting assets and liabilities or purchase and sale positions) and, therefore, which do not involve a risk assumed by IBERDROLA since this amount only records the basis on which the calculations to settle the derivative are made.

The nominal value of the liabilities for which foreign exchange hedges have been arranged is as follows:

Millions of	2023		
	US dollars	Japanese yen	Pounds sterling
Type of hedge			
Fair value	600	–	325
Cash flows	364	–	–

Millions of	2022		
	US dollars	Japanese yen	Pounds sterling
Type of hedge			
Fair value	600	3,000	325
Cash flows	364	–	–

IBERDROLA also engages in interest rate hedging transactions as part of its risk management policy. The purpose of these transactions is to offset the effect that fluctuations in interest rates could have on future cash flows from loans and borrowings with floating rates of interest and on the fair value of fixed-rate loans and borrowings.



At 31 December 2023 and 2022, there were no financial liabilities subject to interest rate hedging.

16. Information on average payment period to suppliers. Third Additional Provision – “Reporting Requirement” of Law 15/2010 of 5 July

The required information for 2023 and 2022 breaks down as follows:

Number of days	2023	2022
Average payment period to suppliers	21	25
Paid transactions ratio	21	25
Outstanding transactions ratio	22	28

Millions of euros	2023	2022
Total payments made	345	286
Total payments due	23	17

Information on invoices paid in a period shorter than the maximum period set out in Law 15/2010 is as follows:

	2023	2022
Monetary volume in thousands of euros and millions of euros paid within the maximum period established	337	283
Percentage of total monetary amount of payments to suppliers	97.7%	98.8%
Number of invoices paid within the maximum period established	21,678	20,615
Percentage of total number of invoices paid to suppliers	97.0%	99.4 %

The information shown in the above tables has been prepared in accordance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures to combat late payments in commercial operations; in accordance with Law 18/2022 of 28 September, on the creation and growth of companies; and in accordance with the Resolution of 29 January 2016 of the Instituto de Contabilidad y Auditoría de Cuentas (Spanish Institute of Accounting and Auditing) on the information to be included in the Notes to the financial statements in relation to late payments to suppliers in commercial transactions.

This information has been drawn up on the basis of the following specifications:

- Ratio of paid operations: amount in days of the ratio between the sum of the products of each of the transactions paid by the number of payment days, and the total amount of payments made during the year.
- Ratio of outstanding payment operations: amount in days of the ratio between the sum of the products of each of the outstanding payment transactions by the number of unpaid days, and the total amount of outstanding payments.
- Suppliers: trade payables generated from debts with suppliers of goods or services included in the current liabilities heading of the Statement of Financial Position.



- Property, plant and equipment and finance lease suppliers are excluded from this information.
- Taxes, levies, indemnifications and certain other headings are likewise excluded from this information since they do not qualify as trade transactions.

17. Taxes

17.1. Public entities

The breakdown of taxes receivable and payable in the Statement of Financial Position at 31 December 2023 and 2022 is as follows:

Millions of euros	2023	2022
Taxes receivable		
VAT	30	53
Income tax	205	173
Withholdings	2	4
Total	237	230
Taxes payable		
VAT	33	45
Withholdings	4	4
Other taxes	1	1
Social Security	1	2
Total	39	52



17.2. Income tax

IBERDROLA is the parent company of two tax consolidation groups in Spain: group 2/86 for the whole of Spain and group 02415BSC in Biscay. IBERDROLA falls within the second of these groups.

Group 2/86 consists of 90 companies, while group 02415BSC consists of 24 companies.

In previous years, IBERDROLA was involved in a series of corporate restructuring arrangements under the special tax neutrality regime provided for in Chapter VII, Title VII of Spanish Income Tax Law 27/2014 of 27 November. The disclosures required under this law are provided in the Notes to the financial statements for the years when those transactions were carried out.

The reconciliation between the Company's accounting profit and its taxable profit for income tax purposes in 2023 and 2022 is as follows:

Millions of euros	2023	
	Income Statement Increases/(decreases)	Income and expense recognised directly in equity Increases/(decreases)
Income and expenses for the year	5,066	(9)
Income tax	(180)	(2)
Permanent differences	(5,805)	–
Temporary differences:		
Arising in the year	52	42
Arising in prior years	(31)	(37)
Taxable base (tax result)	(898)	(6)

Millions of euros	2022	
	Income Statement Increases/(decreases)	Income and expense recognised directly in equity Increases/(decreases)
Income and expenses for the year	2,840	17
Income tax	(87)	6
Permanent differences	(3,160)	–
Temporary differences:		
Arising in the year	(269)	(24)
Arising in prior years	(58)	1
Taxable base (tax result)	(734)	–

Permanent differences are due to dividends received (Note 18.1), to changes in valuation adjustments on holdings in group companies and associates for which no deferred tax asset was recognised (Note 10), and to other expenses that do not qualify as tax-deductible.

The most significant temporary differences derive from the tax effect of expenses recognised for pension commitments, and the cost of restructuring plans and other provisions.



17.3. Income tax expense

The breakdown between current and deferred income tax is as follows:

Millions of euros	2023	
	Income Statement	Income and expense recognised directly in equity
Effective tax (Income)/Expense		
Current	(148)	(1)
Deferred	(32)	(1)
Total	(180)	(2)

Millions of euros	2022	
	Income Statement	Income and expense recognised directly in equity
Effective tax (Income)/Expense		
Current	(164)	–
Deferred	77	6
Total	(87)	6

Income tax expense for 2023 and 2022 is as follows:

Millions of euros	2023	2022
Accounting profit before tax	4,886	2,753
Permanent differences	(5,805)	(3,160)
Adjusted accounting profit	(919)	(407)
Gross tax	(220)	(97)
Deductions	(8)	(4)
Adjustment of prior years' income tax expense (a)	36	4
Net change in litigation, claims, indemnities and similar, and other provisions	8	9
Others (b)	4	1
Income tax expense/(income)	(180)	(87)

(a) In 2023 it relates mainly to the re-assessment of the tax effect of certain intra-group transactions with no impact on the consolidated Group.

(b) In 2023 and 2022, this item related mainly to income tax paid abroad.



17.4. Deferred taxes

Changes in “Deferred tax assets” and “Deferred tax liabilities” in 2023 and 2022 are as follows:

Millions of euros	01.01.2023	Credit (charge) to the Income Statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2023
Deferred tax assets:					
Cash flow hedges	13	–	–	(10)	3
Pensions and similar commitments	60	10	–	–	70
Tax credits for losses and deductions	220	24	–	–	244
Other deferred tax assets	34	(4)	–	–	30
Total	327	30	–	(10)	347

Millions of euros	01.01.2022	Credit (charge) to the Income Statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2022
Deferred tax assets:					
Cash flow hedges	17	(1)	–	(3)	13
Pensions and similar commitments	70	(3)	(7)	–	60
Tax credits for losses and deductions	220	–	–	–	220
Other deferred tax assets	35	(1)	–	–	34
Total	342	(5)	(7)	(3)	327

Millions of euros	01.01.2023	Charge (credit) to the Income Statement	Charge (credit) to “Valuation adjustments”	31.12.2023
Deferred tax liabilities:				
Cash flow hedges	12	–	(11)	1
Accelerated depreciation	8	–	–	8
Deferred amounts associated with financial goodwill (art.12.5)	861	(2)	–	859
Total	881	(2)	(11)	868

Millions of euros	01.01.2022	Charge (credit) to the Income Statement	Charge (credit) to “Valuation adjustments”	31.12.2022
Deferred tax liabilities:				
Cash flow hedges	16	–	(4)	12
Accelerated depreciation	7	1	–	8
Deferred amounts associated with financial goodwill (art.12.5)	790	71	–	861
Total	813	72	(4)	881



The breakdown of taxable income generated by the tax group by business in 2023 and 2022 is as follows:

Millions of euros	31.12.2023 (*)	31.12.2022 (*)
Customer Business Spain	(17)	–
Renewables Business and Sustainable	(24)	10
Networks business – Spain	721	786
Other businesses	283	6
Corporation	(1,005)	(819)
Total	(42)	(17)

Income tax credits and debits at the end of 2023 and 2022 by business between the companies belonging to the tax group are as follows:

Millions of euros	31.12.2023 (*)	31.12.2022 (*)
Customer Business Spain	(4)	–
Renewables Business and Sustainable Generation Spain	(6)	2
Networks business – Spain	173	189
Other businesses	68	1
Corporation	(241)	(197)
Total	(10)	(5)

(*) Amounts of taxable income, credits and debits pertaining to the tax group to which Iberdrola, S.A. belongs. The difference between this net balance at year-end and the amount recorded as Income tax receivable (Note 17.1) will be settled with the other companies belonging to the Tax Group once the consolidated tax return has been filed.

17.5. Minimum Global Tax – Supplementary Tax

As a large multinational group, the Iberdrola Group is subject to model rules against base erosion of Pillar II (also known as GloBE rules) approved by the Inclusive Framework of the Organisation for Economic Cooperation and Development (OECD)/G20 on Base Erosion and Profit Shifting of 14 December 2021, which were signed by the Member States of the European Union, among many other signatories.

Pursuant to these model rules, the Group is required to pay, as applicable, a supplementary tax on profit earned in any tax jurisdiction in which its effective tax rate is less than the 15% minimum, calculated according to the rules at a jurisdictional level.

Legislation implementing the model rules has been approved, or has reached an advanced stage of approval, in many jurisdictions in which IBERDROLA is present, including Spain, the country of the group's Parent, where a parliamentary bill was published on 20 December 2023.

The new regulations on minimum global taxation for the Iberdrola Group will be effective as of 2024, in accordance with Directive (EU) 2022/2523 of the Council, of 15 December 2022. As a result, the 2023 Income Statement includes no current tax expense related to this regulation.

Widespread uncertainty currently exists regarding the impact of the GloBE rules on the deferred tax assets and liabilities of subject entities. Consequently, the first consultation of the ICAC's BOICAC 136 to adapt it to the model rules allows for a temporary exception to the new requirements in this regard. IBERDROLA is applying this temporary exception to the 2023 financial statements.



The Group has made a preliminary assessment of the potential impact of the global minimum tax based on its most recent tax returns, its country-by-country report and the financial statements of Group entities. As a result of this assessment, IBERDROLA expects no significant impact on its equity from the application of the model rules owing to any one, or a combination, of the following circumstances in each of the jurisdictions where it operates: an effective tax rate of 15% that is very approximate or higher; a substantial presence of personnel and fixed assets that will involve an exclusion of income subject to minimum tax; or negligible amounts of income or profit.

17.6. Administrative proceedings

IBERDROLA's principles include the need to build strong relations with the tax authorities, based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity and good faith, without prejudice to any genuine disputes that may arise in relation to the interpretation of tax regulations. Therefore, when such disputes arise, IBERDROLA cooperates fully with the authorities, in accordance with the principles of transparency and mutual trust.

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

In March 2023, assessments in agreement or in protest were signed in the limited inspection process undertaken by the Spanish tax agency pursuant to rectification applications presented by the company in February 2022 for the VAT of 2018 and 2019 and, consequently, of the group of entities subject to that tax.

Therein, Iberdrola, S.A requested the exclusion from the calculation of the pro-rated value in those years of gains earned from the settlement of derivative financial instruments. This request was upheld. The limited inspection process also covered the income tax of 2018 and 2019 of the company and, consequently, of the tax group, for the purpose of transferring to the tax the implications of the granting of the request made in relation to VAT.

In the same proceeding, also in March 2023, assessments were signed in protest in the VAT group 0220/08, of which Iberdrola, S.A is the parent, with respect to requests for refund of VAT on debt mainly unpaid by natural persons overdue by more than one year and with a tax base of less than 300 euros, relating to Curenergía Comercializador de Último Recurso, S.A.U and Iberdrola Clientes, S.A.U for the years 2018 and 2019. This was on the grounds, as noted with respect to previous years, that Spanish legislation on treatment of VAT in unpaid invoices is contrary to EU law. These requests were denied, whereupon the company submitted the necessary pleadings.

In early 2024, notification was received of settlements upholding the aforementioned protested assessments with respect to income tax and VAT in 2018 and 2019 and denying the pleadings submitted against them. Claims will be lodged against these settlements with the Central Tax Appeals Board.



In addition, claims were lodged before the Central Tax Appeals Court with respect to the settlements confirming the contested adjustments claimed by the Department of Tax and Customs Control of the Central Large Taxpayers Unit of the Spanish tax agency, which marked an end to the inspection process relating to income tax for the financial years 2012 to 2014 (partial), 2015 to 2017 (general) and 2018 to 2020 (partial) and VAT for 2015 to 2017 (general) of the groups to which Iberdrola, S.A. belonged during those years.

The matter in dispute with respect to VAT is the same as that in dispute in financial years 2018 and 2019 with respect to VAT of unpaid invoices and, further, the inclusion or otherwise in the VAT prorated denominator of Iberdrola, S.A. of gains arising from transfers of portfolio and/or corporate restructuring arrangements.

The disputed adjustments in income tax are substantially the same as those challenged with respect to the financial years 2008 to 2011, which are set out in the section on tax litigation.

Pleadings were submitted in due course with respect to all the aforesaid claims, which presently await a resolution by the court.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2023.

17.7. Tax litigation

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

As regards VAT, the TEAC found in favour of IBERDROLA (thus rendering the inspector's assessments and settlements null and void), but ruled against the Company in its income tax decision.

On 7 July 2020 IBERDROLA appealed these rulings to the Spanish National High Court (*Audiencia Nacional*). All claims and arguments were submitted in due course in 2021 and the case is now awaiting a hearing date ahead of a final ruling on the matter.

The main adjustments included in the settlement agreements resulting from contested tax assessments relate to the quantification of goodwill, subject to tax amortisation and depreciation, for the acquisition of SCOTTISH POWER, the elimination of the exemption applicable to SCOTTISH POWER's dividends received, as the tax office considers that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of the circumstances set out in Section 15.1 of Spain's General Tax Law in relation to a debtor-swap operation in a number of debt issues.



Additionally, in December 2020 IBERDROLA was notified of the rulings of the TEAC on the appeals lodged in relation to the income tax assessments signed in protest arising from the limited tax inspection of the years 2012 to 2014. The dispute with the public administration related to the applicability of the temporary allocation criteria established in numerous Supreme Court decisions regarding income received by the Group as a result of payments made pursuant to rules that are 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. All claims and arguments were submitted in due course during 2021 and the case is now awaiting a hearing date ahead of a final ruling on the matter. On the same matter, on 6 September 2021 IBERDROLA lodged a claim with the TEAC against the enforcement by the Technical Office of the Central Large Taxpayers Unit of the TEAC's aforementioned partially favourable decision, which not only recognised the effects of the favourable decision in the pertinent years (2012 to 2014), but also extended its effects to the previous years. Said years had already undergone general inspection proceedings, with a final ruling rendered in some cases, thus constituting *res judicata*. On 3 January 2024, IBERDROLA was notified of the TEAC's ruling rejecting the Company's claims. An appeal will be lodged before the National Court (*Audiencia Nacional*) within the legal term of two months.

Lastly, and with respect to significant tax litigation for IBERDROLA, on 21 February 2023, the Association of Electrical Energy Companies (AELEC) lodged an appeal against Ministry Order HFP/94/2023, approving self-assessment forms of the new temporary energy tax created by Law 38/2022. IBERDROLA also lodged, on 23 February 2023, an appeal against the ministry order in terms similar to that lodged by AELEC.

The law imposes a temporary energy levy on entities that qualify as main operator in the energy sectors during the years 2023 and 2024. The new levy is legally classified as a non-tax public levy on revenue.

The amount payable will be equivalent to 1.2% of the net turnover earned from the activity carried out in Spain in the calendar year prior to the year in which the obligation arises. The levy paid by IBERDROLA in 2023 amounted to EUR 213 million (Note 18.4).

The appeals lodged by AELEC and IBERDROLA, which are pending settlement at present, are based on defects inherent to the ordinary legal grounding of the Ministry Order under appeal and on defects of unconstitutionality and violation of Regulation (EU) 2022/1854 of the Council, of 6 October 2022 found to exist in Spanish Law 38/2022, creating the levy.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2023.

17.8. 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 reimbursement procedure envisioned 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 the 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, along with additional default interest, in the proportion corresponding to Iberdrola, S.A., are shown under “Non-current trade and other receivables” in the Statement of Financial Position.

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 impact on equity would be substantially mitigated.

The Judgment of the General Court of the European Union (GCEU) of 27 September 2023 (joined cases T-256/15 and T-260/15) rendered null and void Commission Decision (EU) 2015/314 of the European Commission of 15 October 2014 (Third Decision), as it upheld all the arguments submitted by the affected entities, among them the Iberdrola Group.

Although this judgment of the GCEU has been appealed against, it is enforceable and mandatory from the day it was rendered, as the recovery order in the Third Decision is null and void. In any event, the Iberdrola Group and its internal and external advisors consider that no further risks should arise in relation to the application of the financial goodwill, and that the sums recovered by the tax agency should be refunded, as the payment made by the Group was undue.

18. Income and expenses

18.1. Revenue

The breakdown of this heading in the Income Statements for 2023 and 2022, by category and geographical market, is as follows:



2023 Millions of euros	European Union		Other countries	Total
	Spain	Euro zone		
Finance income from equity investments in group companies and associates (Notes 10 and 23.2)	5,292	15	522	5,829
Finance income from marketable securities and other financial instruments of group companies and associates (Note 23.2)	16	9	—	25
Income from services rendered to group companies (Note 23.2)	285	8	124	417
Total	5,593	32	646	6,271

2022 Millions of euros	European Union		Other countries	Total
	Spain	Euro zone		
Finance income from equity investments in group companies and associates (Notes 10 and 23.2)	2,055	13	536	2,604
Finance income from marketable securities and other financial instruments of group companies and associates (Note 23.2)	7	17	3	27
Income from services rendered to group companies (Note 23.2)	290	13	122	425
Total	2,352	43	661	3,056

18.2. Employee benefits expense

This heading of the Income Statements for 2023 and 2022 breaks down as follows:

Millions of euros	2023	2022
Social security payable by the company	15	13
Charge to provisions for pensions and similar commitments (Note 13.1)	13	(1)
Defined contributions to the outsourced pension plan (Note 13.1)	3	3
Remuneration stipulated in Art. 48.1 of the By-Laws	17	16
Remuneration stipulated in Art. 48.4 of the By-Laws	4	10
Other employee expenses	47	13
Total	99	54



18.3. Operating leases

The “External services” heading of the Income Statement includes operating lease payments totalling EUR 11 million and EUR 10 million for 2023 and 2022, respectively. Total non-discounted future minimum payments under non-cancellable operating leases outstanding at 31 December 2023 and 2022 are as follows:

Millions of euros	2023
2024	8
2025	4
2026	3
Total	15

Millions of euros	2022
2023	8
2024	5
2025	3
2026	3
Total	19

18.4. Taxes

This account breaks down as follows in 2023 and 2022:

Millions of euros	2023	2022
Temporary energy levy	213	—
Other assets	5	6
Total	218	6

Temporary energy levy

On 28 December, Law 38/2022 of 27 December was published, establishing temporary energy levies payable by credit institutions and financial credit establishments, creating the temporary solidarity tax on large fortunes, and amending certain tax rules.

This law imposes a temporary energy levy on entities that qualify as main operator in the energy sectors during the years 2023 and 2024. The new levy is legally classified as a non-tax public levy on revenue.

The obligation to pay runs from the first day of the calendar year, with full payment to be made within the first 20 calendar days of September of that same year, although an advance payment of 50% must be made in February.

The amount payable will be equivalent to 1.2% of the net turnover earned from the activity carried out in Spain in the calendar year prior to the year in which the obligation arises.



18.5. Finance expenses

This account breaks down as follows in 2023 and 2022:

Millions of euros	2023	2022
Finance expenses related to liabilities at amortised cost:		
With third parties	14	12
With group companies and associates	505	298
Increase/(decrease) in finance expenses from fair value interest rate hedges	23	(6)
Increase/(decrease) in finance expenses from discontinued hedges	—	(1)
Other finance expenses	11	7
Discount to present value of provisions (Note 13)	17	12
Total	570	322

18.6. Finance income

This account breaks down as follows in 2023 and 2022:

Millions of euros	2023	2022
Finance income related to assets at amortised cost:		
With third parties	2	1
Other finance income	21	6
Total	23	7

18.7. Change in fair value of financial instruments

This account breaks down as follows in 2023 and 2022:

Millions of euros	2023	2022
Fair value measurement of:		
Equity instruments	(2)	18
Non-hedging derivatives	(20)	(119)
Hedging cost of:		
Hedging of net investment abroad	(51)	(11)
Cash flow hedges	7	7
Total income/(expense)	(66)	(105)



18.8. Exchange differences

The breakdown of exchange gains/losses in the Income Statements for 2023 and 2022 is as follows:

Millions of euros	2023	2022
Transactions settled during the year	(8)	(6)
Transactions pending settlement at year end	8	12
Total income/(expense)	–	6

18.9. Employees

The average number of IBERDROLA employees at the end of 2023 and 2022, by professional category, is as follows:

Millions of euros	2023	2022
Honours graduates	687	654
Graduates	143	135
Other	58	64
Total	888	853

The distribution of IBERDROLA's workforce by gender at the end of 2023 and 2022, by category, is as follows:

	2023			2022		
	Women	Men	Total	Women	Men	Total
Honours graduates	331	424	755	257	363	620
Graduates	48	67	115	84	109	193
Other	52	4	56	51	11	62
Total	431	495	926	392	483	875

In 2023, there were five IBERDROLA employees with a disability greater than or equal to 33 per cent (three employees in 2022).

Legislative Royal Decree 1/2013 of 29 November, enacting the Revised Text of the General Law on the Rights of Persons with Disabilities and their Social Inclusion, requires public and private companies employing 50 or more workers to have jobs reserved for people with disabilities for at least 2% of their workforce.

As IBERDROLA does not meet this reserve, it has opted for a number of alternative measures established by the Royal Decree 364/2005 of 8 April which, on an exceptional basis, governs alternative compliance with the reserve in favour of employees with disabilities. The alternative measures that may be applied by corporations to meet the obligation of an employment reserve in favour of employees with disabilities are as follows:



- A corporate or civil contract with a special employment centre, or with a freelancer with a disability, to supply raw materials, machinery, equipment goods or any other kind of merchandise required for normal operation of the business of companies taking up this measure.
- Donations and sponsorships, always in a monetary format, to enable employment insertion activities to be carried out and jobs to be created for people with disabilities, when the organisation benefiting from these actions is a foundation or a public-interest association the purpose of which is, among other aspects, professional training, employment insertion or the creation of jobs for people with disabilities.
- Creation of a work enclave, after signing the corresponding contract with a special employment centre, in accordance with Royal Decree 290/2004 of 20 February, regulating work enclaves as a means of fostering employment opportunities for people with disabilities.

To fulfil the reserve requirement, IBERDROLA signed contracts with special employment centres to provide services that are ancillary to its usual business in 2023 and 2024. It also made donations to foundations dedicated to vocational training, job placement and job creation for people with disabilities, to help them carry out job placement and job creation activities for the benefit of such individuals.

19. Guarantee commitments with third parties

IBERDROLA and its subsidiaries are required to provide the bank or corporate guarantees associated with the normal management of the company's activities.

IBERDROLA extends guarantees to secure the obligations of subsidiaries of sub-holding company Iberdrola Energía Internacional vis-à-vis third parties, thus covering some of their commitments relating to the construction and commissioning of their offshore renewable facilities. It likewise extends guarantees to subsidiaries of sub-holding company Iberdrola España to secure their obligations under gas purchase and sale agreements at the Generation business.

IBERDROLA also secures the obligations of Group companies Iberdrola Finanzas, S.A.U., Iberdrola Finance Ireland, DAC, Iberdrola International, B.V. and Iberdrola Financiación, S.A.U., for their various bond issues and commercial paper, and bank financing and the arrangement of derivatives (ISDA).

IBERDROLA considers that any additional liability beyond those provisioned at 31 December 2023 and 2022 and arising from the guarantees posted at 31 December 2023 and 2022 would not be significant.

In 2016, IBERDROLA disputed tax assessments in relation to income tax for the years 2008 to 2011. IBERDROLA filed the corresponding appeals with the Central Tax Appeals Board, seeking the automatic suspension of the enforcement of the disputed tax settlements by furnishing the necessary bank guarantees.



In June 2020, IBERDROLA was notified of the court's decisions dismissing its claims. Contentious-administrative appeals were subsequently lodged against those decisions before the National Court (filed on 7 July 2020), and which remain in progress to this date, and suspension of enforcement of the settlements and the guarantees posted for that purpose remains in effect for the time being (Note 17.6). In 2022, the audits were completed in relation to corporate income tax for the Tax Group, carried out by the State Tax Agency (AEAT) on a general basis in respect of fiscal years 2015 to 2017 and on a partial basis in respect of fiscal years 2012 to 2014 and 2018 to 2020. As a result of these audits, IBERDROLA S.A. was notified of the settlement agreements confirming the disputed tax decisions lodged in relation to each and every one of the fiscal years, thus adjusting and putting right the same substantive issues as in fiscal years 2008 to 2011, although, as regards these periods, the settlements resulted in amounts to be returned to the company. IBERDROLA requested, and the authorities agreed, to partially net the refunds recognised in its favour in relation to the years 2012 to 2020 against the debts suspended due to the posting of a bank guarantee relating to fiscal years 2008 to 2011, thus reducing the amount of such debts and reducing the purpose of the guarantees posted as collateral, which continue to be held by the tax authorities.

20. Remuneration of the Board of Directors

At the proposal of the Remuneration Committee, the Board of Directors has agreed for 2023 the allocation within the provisions of Article 48.1 to be charged to "Personnel expenses" in the Income Statement (Note 18.2).

20.1. Remuneration of the Board of Directors

The fixed annual remuneration and attendance bonuses payable to Board and committee members in their capacity as such in 2023 and 2022 are as follows:

Millions of euros	Fixed remuneration	Meeting attendance bonus
Chairman of the Board	0.567	0.006
Vice-Chair of the Board and/or Committee Chair	0.440	0.006
Board members	0.165	0.004
For each member of each committee	0.088	0.004

The remuneration paid to and accrued by each member of the Board of Directors during financial years 2023 and 2022, respectively, is shown below:



Millions of euros	Board of Directors	Executive Committee	Audit and Risk Oversight Committee	Appointments Committee	Remuneration Committee	Sustainable Development Committee	Fixed remuneration ⁽¹⁾	Attendance bonus	Remuneration in kind	Total 2023	Total 2022	
José Ignacio Sánchez Galán	Chairman	Chairman					0.655	0.144	0.001	0.800	0.660	
Juan Manuel González Serna	First vice-chair and lead independent director	Member			Chairman		0.616	0.174	0.001	0.791	0.549	
Anthony L. Gardner	Second vice-chair	Member		Member			0.616	0.142	0.002	0.760	0.536	
Sara de la Rica Goiricelaya	Member					Chairwoman	0.528	0.078	0.003	0.609	0.505	
Angel Jesús Acebes Paniagua	Member	Member		Chairman			0.616	0.144	0.006	0.766	0.495	
María Ángeles Alcalá Díaz	Member		Chairwoman				0.482	0.112	0.003	0.597	0.307	Appointed Chairwoman of the Audit and Risk Oversight Committee on 21 February 2023.
Armando Martínez Martínez	Chief Executive Officer	Member					0.253	0.096	0.001	0.350	0.052	The total amount for 2022 corresponds to the amount accrued since their appointment on 25 October 2022.
Iñigo Víctor de Oriol Ibarra	Member				Member		0.253	0.076	0.005	0.334	0.301	
María Helena Antolín Raybaud	Member			Member			0.253	0.068	0.006	0.327	0.361	
Manuel Moreu Munaiz	Member	Member			Member		0.341	0.136	0.003	0.480	0.322	
Xabier Sagredo Ormaza	Member		Member				0.299	0.102	0.004	0.405	0.527	On 21 February 2023, his term of office as chairman of the Audit and Risk Oversight Committee came to an end.
Nicola Mary Brewer	Member					Member	0.253	0.064	0.001	0.318	0.296	
Regina Helena Jorge Nunes	Member		Member				0.253	0.096	0.001	0.350	0.306	
Isabel García Tejerina	Member					Member	0.253	0.064	0.002	0.319	0.297	
Total							5.671	1.496	0.039	7.206	5.514	

⁽¹⁾ Remuneration accrued in 2023 in relation to the time effectively spent in office. This amount will not be paid until the approval of 2023 Annual Financial Statements at the 2024 General Shareholders' Meeting.



20.2. Other expenses of the Board of Directors

In addition, the aforementioned allocation has covered other expenses related to the Board of Directors:

- a. the premium paid to cover directors' civil liability insurance amounted to EUR 0.227 million and EUR 0.314 million in 2023 and 2022, respectively.
- b. the amount of the adjusted premium under the insurance policy for the pensions relating to former members of the Board of Directors amounted to EUR 0.395 million in 2023, while in 2022 a refund of EUR 0.510 million was received as an adjustment to that policy.
- c. the amount for external services and other policies amounted to EUR 2.560 million in 2023, while in 2022 it was EUR 3.293 million.

20.3. Law 11/2018: Non-financial and diversity information

The average remuneration received by directors in 2023 and 2022 was as follows, by gender:

Millions of euros	2023		2022	
	Men	Women	Men	Women
Directors	0.586	0.420	0.491	0.345

21. Remuneration payable to executive officers

Executive officers who also happen to be directors

The Board of Directors resolved to maintain the fixed annual remuneration of the executive chairman in 2023 at EUR 2.250 million. It also decided to maintain in 2023 the existing cap on annual variable remuneration at EUR 3.250 million. Fixed and variable remuneration have not changed over the past 13 years.

The Board of Directors agreed to keep the fixed annual remuneration of the Chief Executive Officer at EUR 1 million in 2023, and also to maintain the existing cap on his annual variable remuneration of EUR 1.5 million.

In both cases, the annual variable remuneration will be paid, if and to the extent agreed, in 2024, based on the targets set.



The remuneration paid to and accrued by the executive Chairman and the Chief Executive Officer during financial years 2023 and 2022 are as follows:

Millions of euros	Salaries	Short-term variable remuneration	Remuneration in kind	Total 2023	Total 2022
José Ignacio Sánchez Galán	2.250	3.250	0.174	5.674	5.685
Armando Martínez Martínez (*)	1.000	0.174	0.371	1.545	0.198
Total	3.250	3.424	0.545	7.219	5.883

(*) The total amount for 2022 corresponds to the amount accrued since his appointment on 25 October 2022.

Article 48.4 of the By-Laws states that the remuneration of the executive Chairman and of the Chief Executive Officer may also consist of the delivery of shares.

At the General Shareholders' Meeting held on 2 April 2020, shareholders approved the 2020-2022 Strategic Bonus for executive directors, executive personnel and other Group employees, subject to a maximum of 300 beneficiaries, as a long-term incentive pegged to the Company's performance in relation to certain key parameters (Note 12).

The first of the three annual settlements was made during the first half of 2023. The executive Chairman received 633,333 shares in Iberdrola and the Chief Executive Officer 80,000 shares, which were allocated to him in 2020 when he was a member of senior management.

The 2023-2025 Strategic Bonus was approved at the General Shareholders' Meeting held on 28 April 2023, as disclosed in Note 12.

The executive Chairman has sat on the boards of directors of companies that are not wholly owned by IBERDROLA, either directly or indirectly, receiving EUR 0.582 million and EUR 0.389 million, respectively, from such companies in 2023 and 2022.

Other executive officers

Under the Group's new governance structure, the businesses are effectively run in the different countries or territories by the country or territory subholding and head of business companies, or by their subsidiaries, as opposed to the previous structure, under which the businesses were run by the global heads of the Businesses. At 31 December 2023, senior management consisted of four members (10 members in 2022), in addition to the executive Chairman and the Chief Executive Officer.

Senior management comprises those members of the Company's management who perform global functions—though not support, advisory or staffing functions—and who report directly to the Board of Directors, its Chairman or the Chief Executive Officer of the Company, as well as any other person recognised as such by the Board of Directors, at the proposal of its Chairman, and, invariably, the head of Internal Audit and Risks.

According to the Group's new governance structure at 31 December 2023, the support, advisory and staffing functions comprised five members, predominantly from the business divisions.



Senior management costs amounted to EUR 5.242 million and EUR 4.758 million in financial years 2023 and 2022, respectively, and are recognised under “Personnel expenses” in the Income Statement.

The following is a breakdown of remuneration and other benefits for financial years 2023 and 2022, respectively. For ease of comparison, information has been included for members qualifying as such at 31 December 2023 (six fewer members than qualified as such in 2022).

Millions of euros	Senior Management (four members) (*)	
	31.12.2023	31.12.2022
Remuneration in cash	1.925	2.123
Variable remuneration	1.565	1.430
Remuneration in kind and payments on account not charged	0.207	0.167
Social Security	0.068	0.061
Employer’s contribution to pension plan / employee benefits insurance	1.124	0.652
Risk policy (death and permanent disability)	0.353	0.325
Total	5.242	4.758
Third and final instalment of the three annual settlements relating to the 2017-2019 Strategic Bonus (shares)	—	221,670
First instalment of the three annual settlements relating to the 2020-2022 Strategic Bonus (shares)	228,332	—
Remuneration for serving as a director of companies not wholly owned, directly or indirectly, by IBERDROLA	0.698	0.578

(*) In addition to the executive Chairman and the Chief Executive Officer.

The 2023-2025 Strategic Bonus was approved at the General Shareholders’ Meeting held on 28 April 2023, as disclosed in Note 12.

The indemnity clauses are described in section C.1.39 of the Annual Corporate Governance Report included as part of the Management Report.

Meanwhile, no transactions were concluded with the executive team in 2023 or 2022.

22. Information regarding compliance with Section 229 of the Spanish Companies Act

As established in Section 229 of the Spanish Companies Act (*Ley de Sociedades de Capital*), as introduced by Royal Decree-Law 1/2010 of 2 July 2010, and in Law 31/2014 of 3 December 2014, amending the Spanish Companies Act to improve corporate governance, set forth below are the conflicts of interest that the directors encountered during the period.



The Executive Chairman and Chief Executive Officer left the room during discussions on all resolutions relating to their contracts, including their respective compensation.

Mr González Serna was absent during the deliberations and adoption of a resolution authorising electricity supply contracts —which were not ultimately signed— with an entity related to Mr González Serna; and Mr Sagredo Ormaza did not take part in the deliberations on the resolutions concerning Kutxabank, S.A., specifically as regards the hiring of Norbolsa Sociedad de Valores, S.A. as agent in relation to the *Iberdrola Retribución Flexible* optional dividend system.

23. Related-party transactions and balances

The following transactions take place within the normal course of business and are carried out under normal market conditions.

23.1. IBERDROLA balances with group companies and associates

a) Financial balances with group companies and associates

Loans to group companies and associates

Current and non-current “Loans to group companies and associates” in the Statement of Financial Position at 31 December 2023 and 2022 are as follows:

Millions of euros	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Iberdrola Financiación, S.A.U.	–	127	127	–	127	127
Unpaid accrued interest	4	–	4	15	–	15
Total	4	127	131	15	127	142

All of the above transactions are denominated in euros.

The average interest rate on these loans was 0.06% and 0.08% at 31 December 2023 and 2022, respectively.

The maturity schedule for the loans is as follows:

Year	Millions of euros
2024	4
2027	127
Total	131

Other financial assets/liabilities with group companies and associates

Current and non-current “Other financial assets” and “Other financial liabilities” with group companies and associates in the Statement of Financial Position at 31 December 2023 and 2022 are as follows:

Millions of euros	2023		2022	
	Receivables	Payables	Receivables	Payables
Non-current				
Iberdrola Finance Ireland, DAC	—	—	—	72
Iberdrola Financiación, S.A.U.	—	7,216	—	6,216
Iberdrola Finanzas, S.A.U.	—	—	—	555
Iberdrola International, B.V.	—	2,892	—	2,912
Total	—	10,108	—	9,755



Millions of euros	2023		2022	
	Receivables	Payables	Receivables	Payables
Current				
Ailes Marine, S.A.S.	—	—	392	—
Avangrid, Inc. (USD)	126	—	131	—
Dehesa Solar Sur, S.L.	—	—	—	31
Energyworks Vit-Vall, S.L.	—	—	—	65
HidroIa I, S.L.U.	—	—	—	506
I_DE Redes Eléctricas Inteligentes, S.A.U.	—	—	213	—
Iberdrola Clientes Internacional, S.A.U.	—	—	—	67
Iberdrola Clientes, S.A.U.	—	—	—	244
Iberdrola Cogeneración, S.L.U.	—	—	—	49
Iberdrola Comercialización de Último Recurso, S.A.U.	—	—	79	—
Iberdrola Energía Internacional, S.A.U.	—	—	—	66
Iberdrola Energía Italia, S.R.L.	—	—	113	—
Iberdrola Energie France, S.A.S.	—	—	—	30
Iberdrola España, S.A.U.	—	—	932	—
Iberdrola Finance Ireland, DAC	—	71	—	7
Iberdrola Financiación, S.A.U.	—	3,626	—	4,322
Iberdrola Finanzas, S.A.U.	—	574	—	115
Iberdrola Generación España, S.A.U.	—	—	—	840
Iberdrola Generación Nuclear, S.A.U.	—	—	—	470
Iberdrola Generación Térmica, S.L.U.	—	—	221	—
Iberdrola Inmobiliaria, S.A.	—	—	—	104
Iberdrola Inversiones 2010, S.A.U.	—	—	—	62
Iberdrola Participaciones, S.A.U.	—	—	—	348
Iberdrola Re, S.A.	—	77	—	119
Iberdrola Renewables Polska, Z.O.O.	—	—	37	—
Iberdrola Renewables Portugal, S.A.	—	—	52	—
Iberdrola Renewables Romania, S.R.L. (RON)	—	—	—	38
Iberdrola Renovables Castilla y León, S.A.	—	—	—	52
Iberdrola Renovables Castilla-La Mancha, S.A.U.	—	—	—	30
Iberdrola Renovables Deutschland, GmbH.	—	—	—	139
Iberdrola Renovables Energía, S.A.U.	—	—	—	190
Iberdrola Renovables Internacional, S.L.	—	—	—	325
Iberdrola Renovables Italia, S.p.A.	—	—	25	—
Iberdrola Renovables Magyarorszag, KFT. (HUF)	—	—	—	47
Ibernova Promociones, S.A.U.	—	—	306	—
Inversiones Financieras Perseo, S.L.	—	—	—	42
Passat Energy, SP Z.O.O.	—	—	65	—
Other	3	5	205	375
Accrued interest	—	315	—	165
Total	129	4,668	2,771	8,848



Wherever possible, the IBERDROLA Group centralises the cash of most of its subsidiaries through current accounts and bank sweeps. Until January 2023, the cash pooling company was IBERDROLA. On 16 January 2023, IBERDROLA transferred these current account contracts to Iberdrola Financiación, S.A.U. Consisting of debit and credit balances, they were classified under the headings “Investments in group companies and associates – Other financial assets” and “Payables to group companies and associates – Other financial liabilities”, amounting to EUR 2,676 million and EUR 4,512 million, respectively, whereupon Iberdrola Financiación, S.A.U. became the company that centralised the funds. These balances have no set maturity and they accrue interest pegged to market rates that is paid quarterly or annually.

At 31 December 2023 and 2022, Iberdrola International B.V., Iberdrola Finance Ireland DAC, Iberdrola Financiación, S.A.U. and Iberdrola Finanzas, S.A.U. had granted loans to IBERDROLA for the amount of various debt issues in different currencies made by those group companies with the guarantee of IBERDROLA, as well as a current account transaction with Iberdrola Financiación, S.A.U.

The maturities and currencies of those balances at 31 December 2023 and 2022 are as follows:

Millions of euros	Balance at 31.12.2023	Current			Non-current			Total non-current
		2024	2025	2026	2027	2028	2029 and beyond	
Euros	12,909	3,696	—	1,319	1,747	1,997	4,150	9,213
US dollars	895	—	301	—	—	—	594	895
Pounds sterling	573	573	—	—	—	—	—	—
Total	14,377	4,269	301	1,319	1,747	1,997	4,744	10,108
Accrued interest	312	312	—	—	—	—	—	—
Total	14,689	4,581	301	1,319	1,747	1,997	4,744	10,108

Millions of euros	Balance at 31.12.2022	Current			Non-current			Total non-current
		2023	2024	2025	2026	2027	2028 and beyond	
Euros	12,702	4,418	71	—	1,317	1,746	5,150	8,284
US dollars	916	—	—	305	—	—	611	916
Pounds sterling	555	—	555	—	—	—	—	555
Yen	21	21	—	—	—	—	—	—
Total	14,194	4,439	626	305	1,317	1,746	5,761	9,755
Accrued interest	148	148	—	—	—	—	—	—
Total	14,342	4,587	626	305	1,317	1,746	5,761	9,755

As explained in Note 5, balances in non-euro currencies are hedged for exchange rate risk.



The breakdown by maturity of future unaccrued interest payment commitments at 31 December 2023 and 2022, after factoring in the effect of exchange rate and interest rate hedges and considering that the prevailing interest rates and exchange rates remain constant through to maturity, is as follows:

Millions of euros	2024	2025	2026	2027	2028	2029 and beyond	Total
Euros	261	245	239	213	174	299	1,431
US dollars	56	48	40	40	40	305	529
Pounds sterling	42	—	—	—	—	—	42
Total	359	293	279	253	214	604	2,002

Millions of euros	2023	2024	2025	2026	2027	2028 and beyond	Total
Euros	201	203	191	187	161	421	1,364
US dollars	58	58	50	42	42	359	609
Pounds sterling	41	41	—	—	—	—	82
Total	300	302	241	229	203	780	2,055

At 31 December 2023 and 2022, these borrowings accrued a weighted average annual interest rate of 3.37% and 2.60%, respectively, following the corresponding hedges.

b) Trade balances with group companies and associates

The breakdown of IBERDROLA's payables and receivables with group companies and associates at 31 December 2023 and 2022 is as follows:

Millions of euros	2023		2022	
	Receivables	Payables	Receivables	Payables
Current				
Avangrid Management Company, LLC	—	2	27	1
Iberdrola Clientes, S.A.U.	—	4	—	15
Neoennergia, S.A.	26	—	26	—
Other	6	9	13	7
Total	32	15	66	23

Most of the balances above arise from transactions undertaken in the normal course of business.



c) Derivatives – group companies and associates

The breakdown of derivatives arranged by IBERDROLA with group companies and associates at 31 December 2023 and 2022 is as follows:

Millions of euros	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Iberdrola Financiación, S.A.U.	38	–	49	–
Other	–	–	1	2
Total	38	–	50	2
Current				
East Anglia Three, Ltd.	4	1	–	–
Other	–	–	8	–
Total	4	1	8	–

23.2. Transactions between IBERDROLA and related parties

The following transactions take place within the normal course of business and are carried out under normal market conditions.

The most noteworthy transactions in 2023 and 2022 are as follows:

Transactions with significant shareholders (Note 11)

In 2023 there were no significant shareholders that 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.

Transactions with other related parties

Millions of euros	2023			2022	
	Group entities or subsidiaries	Jointly controlled companies	Associates	Group entities or subsidiaries	Jointly controlled companies
Expenses and income					
Finance expenses	505	–	–	298	–
Leases	–	4	–	–	4
Services received	104	–	–	90	–
Other expenses	–	–	–	–	–
Total expenses	609	4	–	388	4
Finance income (Note 18.1)	25	–	–	27	–
Dividends received (Note 18.1)	5,829	–	–	2,604	–
Services rendered (Note 18.1)	417	–	–	425	–
Sale of inventories (Note 18.1)	–	–	–	–	–
Other income	–	–	–	–	–
Total income	6,271	–	–	3,056	–



24. Fees for services provided by the statutory auditors

Fees paid for services provided in 2023 and 2022 by the main auditor (KPMG Auditores, S.L.) are as follows:

Millions of euros	2023	2022
Auditing services	3	3
Other non-audit services		
Limited financial information assurance services	1	1
Other services (*)	1	–
Total	5	4

(*) Relates to comfort letter reports for debt issues and underwriting and other reports required by the regulator.

25. Subsequent events

The main events following the close of the year were as follows:

Iberdrola Retribución Flexible

On 5 January 2024, the following terms governing the second scrip issue (*Iberdrola Retribución Flexible*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 28 April 2023, under item 9 on the agenda:

- The maximum number of shares to be issued under the capital increase is 109,487,551.
- The number of free-of-charge allocation rights required to receive one new share is 58.
- The maximum nominal value of the capital increase is EUR 82,115,663.
- The gross *Interim Dividend* per share amounts to EUR 0.202.

At the end of the trading period for the free-of-charge allocation rights:

- During the period established for this purpose, the holders of 2,115,059,909 shares in the Company opted to receive the *Interim Dividend*. Thus, the gross amount paid out under the *Interim Dividend* was EUR 427 million. As a result, those shareholders expressly waived 2,115,059,909 free-of-charge allocation rights and, therefore, the right to receive 36,466,550 new shares.
- Furthermore, the final number of new common shares each with a par value of EUR 0.75 issued was 73,021,000, yielding a nominal capital increase (under this issue) of EUR 55 million and thus raising IBERDROLA's pre-issue share capital by 1.150%.
- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,817,474,250, represented by 6,423,299,000 common shares, each with a par value of EUR 0.75 and all fully subscribed for and paid up.



- Following fulfilment of the pertinent legal requirements (especially verification of those requirements by the Spanish National Securities Market Commission), the new shares were admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), on 1 February 2024. Regular trading of the new shares commenced on 2 February 2024.

26. Explanation added for the translation to 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



ADDITIONAL INFORMATION FOR 2023 REGARDING COMPANIES THAT BELONG TO STATE TAX GROUP 2/86 AND BISCAY REGIONAL TAX GROUP 02415BSC

The following list names the companies that pay tax under the tax consolidation regime:

Companies of the State Tax Group 2/86	Activity
Anselmo León Distribución, S.L.	Energy
Anselmo León Hidráulica, S.L.	Energy
Biovent Energía, S.A.	Energy
Boreas Wind, S.L.	Energy
Ciener, S.A.U.	Energy
Curenergía Comercializador de Último Recurso, S.A.U.	Retail supplier
Dehesa Solar Sur, S.L.	Energy
Desarrollos Fotovoltaicos Fuentes, S.L.	Energy
Desarrollos Renovables Alcocero de Mola, S.L.	Energy
Desarrollos Renovables Caparacena, S.L.	Energy
Desarrollos Renovables Escatron, S.L.	Energy
Desarrollos Renovables Fuentetodos, S.L.	Energy
Desarrollos Renovables FV Laguna, S.L.U.	Energy
Desarrollos Renovables FV Lanza, S.L.U.	Energy
Desarrollos Renovables FV Teruel, S.L.U.	Energy
Desarrollos Renovables Peñarrubia, S.L.	Energy
Desarrollos Renovables Tagus, S.L.	Energy
Desarrollos Renovables Trinidad, S.L.	Energy
Desarrollos Renovables Villamanrique, S.L.	Energy
Eme Hueneja Cuatro, S.L.	Energy
Energía de Castilla y León, S.A.	Energy
Energías Renovables de Belona, S.L.	Energy
Energías Renovables Cespedera, S.L.	Energy
Energías Renovables Cornicabra, S.L.	Energy
Energías Renovables de Circe, S.L.	Energy
Energías Renovables de Febe, S.L.	Energy
Energías Renovables de Hermes, S.L.	Energy
Energías Renovables de la Región de Murcia, S.A.U.	Energy
Energías Renovables de Tíone, S.L.	Energy
Energías Renovables Espliego, S.L.	Energy
Energías Renovables Poleo, S.L.	Energy
Energyworks Aranda, S.L.	Energy
Energyworks Carballo, S.L.	Energy
Energyworks Cartagena, S.L.	Energy
Energyworks Fonz, S.L.	Energy
Energyworks Milagros, S.L.	Energy
Energyworks Monzón, S.L.	Energy
Energyworks San Millán, S.L.	Energy
Energyworks Villarrobledo, S.L.	Energy
Fincalía Agropecuaria, S.A.U.	Energy
Fincalía Agropecuaria siglo XXI, S.L.	Energy
Fotovoltaica Varadero, S.L.U.	Energy
Iberdrola Clientes, S.A.U.	Retail supplier



Companies of the State Tax Group 2/86	Activity
Iberdrola Energía España, S.A.U.	Energy
Iberdrola Generación, S.A.U.	Energy
Iberdrola Generación Nuclear, S.A.U.	Energy
Iberdrola Generación Térmica, S.L.U.	Energy
Iberdrola Operación y Mantenimiento, S.A.U.	Services
Iberdrola Renovables Andalucía, S.A.U.	Energy
Iberdrola Renovables Aragón, S.A.U.	Energy
Iberdrola Renovables Galicia, S.A.U.	Energy
Iberdrola Servicios Energéticos, S.A.	Retail supplier
Ibernova Promociones, S.A.U.	Energy
Iberjalón, S.A.	Energy
Icaro Renovables, S.A.	Energy
Llanos Pelaos Fotovoltaica, S.L.	Energy
Parque Eólico Capiechamartin, S.L.	Energy
Parque Eólico Cordel Y Vidural, S.L.	Energy
Parque Eólico Cruz del Carrutero, S.L.	Energy
Parque Eólico Encinillas, S.L.	Energy
Parque Eólico Panondres, S.L.	Energy
Parque Eólico Verdigueiro, S.L.	Energy
Parque Solar Cáceres, S.L.	Energy
Peache Energías Renovables, S.A.	Energy
Producciones Energéticas Asturianas, S.L.	Energy
Producciones Energéticas de Castilla y León, S.A.	Energy
Productos y Servicios de Confort, S.A.	Services
Proyecto Nuñez de Balboa, S.L.	Energy
Proyecto Solar Francisco Pizarro, S.L.	Energy
Puerto Rosario Solar 2, S.L.	Energy
Puerto Rosario Solar 3, S.L.	Energy
PVI Ataulfo, S.L.	Energy
Renovables de Buniel, S.L.	Energy
Sistemas Eólicos de Muñó, S.L.	Energy
Sistemas Energéticos Chandrexa, S.A.	Energy
Sistemas Energéticos del Moncayo, S.A.	Energy
Sistemas Energéticos Jaralón, S.A.	Energy
Sistemas Energéticos de La Muela, S.A.	Energy
Sistemas Energéticos Mas Garullo, S.A.	Energy
Sistemas Energéticos Serra de Lourenza, S.A.	Energy
Tarragona Power, S.L.U.	Energy
OTHER BUSINESSES	
Engineering	
Iberdrola Ingeniería y Construcción, S.A.U.	Engineering
Real Property	
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Real Property
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Real Property
Iberdrola Inmobiliaria, S.A.	Real Property



Companies of Biscay Regional Tax Group 02415BSC	Activity
Energyworks Vit-Vall, S.L.	Energy
Iberdrola Clientes Internacional, S.A.U.	Holding company
Iberdrola Cogeneración, S.L.U.	Holding company
Eólicas de Euskadi, S.A.U.	Energy
Ekienea, S.L.	Energy
Iberdrola Energía Sostenible España, S.L.	Holding company
Iberduero, S.L.U.	Energy
Iberdrola Redes España, S.A.U.	Holding company
I-DE Redes Eléctricas Inteligentes, S.A.U.	Energy
Iberdrola Renovables Internacional, S.A.U.	Holding company
OTHER BUSINESSES	
Engineering	
Iberdrola Ingeniería de Explotación, S.A.U.	Engineering
Innovation	
Inversiones Financieras Perseo, S.L.	Holding company
Carbon2nature, S.A.	Services
Other businesses	
Iberdrola Inversiones 2010, S.A.U.	Holding company
Iberdrola Participaciones, S.A.	Holding company
CORPORATION	
Hidro I, S.L.U.	Holding company
Iberdrola, S.A.	Holding company
Iberdrola Corporación, S.A.	Other
Iberdrola España, S.A.U.	Holding company
Iberdrola Finanzas, S.A.U.	Financial
Iberdrola Finance Ireland, DAC	Financial
Iberdrola Energía, S.A.	Holding company
Iberdrola Energía Internacional, S.A.U.	Holding company
Iberdrola Financiación, S.A.	Financial



Management report – 2023



1. Business performance

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

2. Significant events in 2023

2.1 Key figures from the IBERDROLA Income Statement

In 2023, revenue amounted to EUR 6,271 million, of which EUR 5,829 million related to dividends received from group companies and associates, EUR 25 million to finance income from financing subsidiaries and EUR 417 million to income from services provided to group companies.

Other operating income amounted to EUR 2 million, unchanged from the previous year. Operating expenses amounted to EUR 495 million, up EUR 258 million on 2022 following the introduction of the temporary energy levy amounting to EUR 213 million, as recorded under “Taxes other than income tax” (Note 18.4). Personnel expenses stood at EUR 214 million, largely due to higher social security costs. Depreciation and amortisation amounted to EUR 53 million. Impairment and disposal of non-current assets was a negative EUR 19 million, due to the impairment charges made in respect of investments, reversal of impairment of EUR 157 million in respect of Iberdrola Financiación, S.A.U. and of EUR 8 million in respect of Scottish Power Overseas Holdings, Ltd., while EUR 184 million in impairment was allocated in respect of Iberdrola Participaciones, S.A. All of these items yielded operating profit for the year of EUR 5,499 million.

Net finance expense amounted to EUR 613 million, largely due to debts held with group companies and associates.

Profit for the year before tax was EUR 4,886 million, while income tax generated income of EUR 180 million, yielding net profit for the year of EUR 5,066 million, versus EUR 2,840 million in 2022.

Notably, two events had a significant impact on the Income Statement for the period:

- Dividends received from subsidiaries in 2023 were up EUR 3,225 million on the amount received in 2022, amounting to EUR 5,829 million, compared to EUR 2,604 million received in 2022. A breakdown of dividends received from group companies and associates is provided in Note 10. Changes in dividends received from the country subholding companies compared to the previous year are as follows:



Millions of euros	2023	2022	Change
Iberdrola España, S.A.	5,000	1,810	3,190
Avangrid, Inc.	512	529	-17
Neoennergia, S.A.	10	7	3
Iberdrola International, B.V.	15	8	7
Iberdrola Finanzas, S.A.U.	0	25	-25
Iberdrola Finance Ireland, Limited	0	5	-5
Iberdrola Energía, S.A.	0	43	-43
Hidro I, S.L.	292	177	115
Total	5,829	2,604	3,225

- Finance income for 2023 was down EUR 199 million on the previous year, largely due to the following factors: an increase in the financial expense of EUR 248 million; a worsening in exchange rate differences of EUR 6 million, partially offset by an increase in finance income of EUR 16 million; and an improvement of EUR 39 million in the heading “Change in fair value of financial instruments”.

2.2 Statement of Financial Position

At 31 December 2023 IBERDROLA's Statement of Financial Position showed a working capital deficit (current liabilities exceeding current assets) in the amount of EUR 4,686 million. This deficit is largely due to the existence of current debt with group companies and associates in the amount of EUR 4,669 million. According to IBERDROLA's directors, this will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends received from its subsidiaries. In addition, the IBERDROLA Group has committed but undrawn credit facilities in the amount of EUR 17,162 million.

2.3 Compliance with Section 262.1 of the Spanish Companies Act (*Ley de Sociedades de Capital*) in relation to the average period for payment to suppliers

As set forth in Note 16, the Company's average period for payment to suppliers in financial year 2023 was 21 days, well below the maximum 60-day period prescribed by law.

3. Main risk factors associated with the activities of the company

The companies belonging to the IBERDROLA Group, of which the Company is the parent, are exposed to various inherent risks in the countries, industries and markets in which they operate and the businesses they carry out, which could prevent them from achieving their objectives and successfully pursuing their strategies.



The Company performs its corporate purpose indirectly through the ownership of shares or other equity investments in other companies (country subholding companies, which in turn operate through the parent companies of their respective businesses). Therefore, the Company's main risk factors relate to its investees, as described in the section *Main risks and uncertainties* of the Management Report attached to the consolidated financial statements of the IBERDROLA Group for 2023. Furthermore, Note 5 to the financial statements explains the *Financing and Financial Risk Policy*.

Aware of the importance of risks, the Company's Board of Directors brings all of its expertise to bear so as to ensure that the significant risks inherent to the Group's activities and businesses are appropriately identified, measured, managed and controlled, and to establish, through the Group's *General Risk Control and Management Policy*, the basic mechanisms and principles necessary for appropriate management of the risk/opportunity ratio with a level of risk that enables it to:

- attain the strategic goals set at Group level with controlled levels of volatility,
- provide the maximum level of assurance to the shareholders,
- contribute to the attainment of the Sustainable Development Goals (SDGs) approved by the United Nations (UN), with a special focus on goals seven and thirteen,
- protect results and reputation at Group level,
- defend the interests of shareholders, customers and other stakeholders of Group companies,
- ensure corporate stability and financial strength in a sustained fashion over time, and
- raise awareness of the risk culture among all employees of the Group's companies through communication and training initiatives.

In pursuing this commitment, the Board of Directors and its Executive Committee rely on the support of the Audit and Risk Supervision Committee, which, as an advisory body, monitors and reports upon the appropriateness of the assessment system and internal control of significant risks, with the support of the Company's Internal Audit and Risks Division (or any other division that carries out those functions), which reports functionally to the committee, and in coordination with the audit committees existing at the subholding companies.

Every action aimed at controlling and mitigating risks will conform to the following main principles of conduct:

- a) Integrate the risk/opportunity vision into the Company's management, through a definition of the strategy and the risk appetite and the inclusion of this variable in strategic and operating decisions.
- b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence.



- c) Ensure the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.
- d) Inform regulatory agencies and the main external players in a transparent fashion regarding the risks facing the Group's companies and the operation of the systems in place to control such risks, while maintaining suitable channels conducive to communication.
- e) Ensure appropriate compliance with the corporate governance regulations established by the Company through its Governance and Sustainability System and the updating and continuous improvement of such system within the framework of best international practices in relation to transparency and good governance, and implement the monitoring and measurement of all such aspects.
- f) Act at all times in compliance with the values enshrined in the *Code of Ethics* and under the principles of *zero tolerance* for any of the unlawful acts and fraud situations set out in the *Crime Prevention Policy* and *Anti-Corruption and Anti-Fraud Policy* and the principles and good practices contained in the *Corporate Tax Policy*.

The *General Risk Control and Management Policy* and the basic principles underpinning it take the form of the three lines of defence model, which is articulated through a comprehensive risk control and management system supported by the Company's Risk Committee and based upon a sound definition and allocation of duties and responsibilities at various levels (operational and control) and upon suitable supporting procedures, methodologies and tools, including the following:

- a) A structure of policies, guidelines and limits, including the corresponding mechanisms for their approval and deployment, which review and dictate the risk appetite to be assumed each year in both qualitative and quantitative terms, in accordance with the objectives set out in the multi-year plan and the related annual budgets, both at Group level and for its main subsidiaries.
- b) The ongoing identification of significant risks and threats based on their possible impact on key management objectives and the financial statements (including contingent liabilities and other off-balance sheet risks).
- c) The analysis of such risks, both at each corporate business or function and also taking into account their combined effect on the Group companies.
- d) The measurement and control of risks by following procedures and standards that are uniform and applied equally across all Group companies.
- e) The analysis of risks associated with new investments, as an essential element of decision-making based upon profitability/risk.
- f) The maintenance of a system for monitoring and controlling compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.
- g) The ongoing assessment as to the suitability and effectiveness of the system, as well as best practices and recommendations in relation to risks, with a view to ultimately incorporating them into the model.



- h) The audit of the system by the Internal Audit and Risks Division.

In addition, the *General Risk Control and Management Policy* is further developed and supplemented by the policies listed below, which are also subject to approval by the Company's Board of Directors.

a) Corporate risk policies:

- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy.
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
- Purchasing Policy.
- Information Technology Policy.
- Cybersecurity Risk Policy.
- Occupational safety and health policy.
- Reputational Risk Framework Policy.

b) Risk policies for the various businesses of the Group:

- Risk Policy for the Power Generation and Customers Businesses of the IBERDROLA Group.
- Risk Policy for the Networks Businesses of the IBERDROLA Group.
- Risk Policy for the Real Estate Business of the IBERDROLA Group.

The *General Risk Control and Management Policy*, as well as a summary of the corporate risk policies and a summary of the specific risk policies for the various Group businesses, are available on the corporate website (www.iberdrola.com).

In order to align the risk impact with the established risk appetite, the Executive Committee of the Board of Directors, acting upon a proposal of the business or corporate divisions involved and upon a prior report from the Company's Risk Committee, annually reviews and approves specific guidelines regarding risk limits in the corporate risk policies.

The country subholding companies are responsible for adopting and implementing the Company's risk policies and approving the guidelines regarding specific risk limits based on the characteristics and specific needs and circumstances of the businesses in each country or territory.

The governing bodies of the head of business companies of each country or region must approve specific risk limits applicable to each of them and implement the necessary control systems to ensure compliance.



Listed subholding companies, by virtue of their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies, where such policies are aligned with those of the Company.

The risk factors to which the Group is generally subject are listed below:

- a) Corporate governance risks: relating to a possible breach of: (i) applicable law; (ii) the provisions of the governance and sustainability system; (iii) the recommendations of the CNMV's Code of Good Governance and its practical guides; and (iv) international standards in this realm.

The consequences may include: (i) the challenging of corporate resolutions; (ii) proposals of addenda to General Shareholders' Meeting announcements on the part of shareholders dissenting from the leadership of the Board of Directors; (iii) sanctions or requirements imposed by the CNMV; and (iv) divestment and/or lack of interest among investors in acquiring the Company's shares.

- b) Market risks: defined as the exposure of the earnings and equity of Group companies to changes in market prices and variables, such as:

- Financial: exchange rate, interest rate, solvency, liquidity, inflation and the value of financial assets and liabilities.
- Energy and other commodity prices: electricity prices, gas and other fuel prices, CO2 emission allowance prices, or other support mechanisms for renewables, as well as those related to other commodities (steel, aluminium, copper, polysilicon, etc.).

- c) Credit risks: defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to a Group company. Counterparties may be end customers, counterparties in financial or energy markets, partners, suppliers or contractors.

- d) Business risks: defined as the uncertainty regarding the performance of key variables inherent to the business, such as the characteristics of demand, weather conditions, the strategies of different players, and others.

- e) Political and regulatory risks: those arising from regulatory changes made by the various regulators, such as changes in the remuneration of regulated activities or in the required conditions of supply, or in environmental or tax regulations, including risks related to political changes that could affect legal security and the legal framework applicable to the business activities of the Group companies in each jurisdiction, the nationalisation or expropriation of assets, the cancellation of operating licences and the early termination of government contracts.

- f) Operational, technological, environmental, social and legal risks: relate to direct or indirect economic losses caused by external events or inadequate internal processes, including those arising from:

- technological failures, human error and technological obsolescence.
- the operation and construction of facilities;
- sabotage and/or terrorism;



- those related to trading in markets;
- security of facilities, physical assets and information systems, including cyber-security;
- the reliability of financial and non-financial information;
- climate change, extreme natural phenomena and pandemics;
- risks from nature: environmental management and biodiversity
- communities affected by facilities:
- procurement and the supply chain, in both the industrial and social sense.
- the safety and health of people;
- Diversity and inclusion;
- regulatory compliance;
- fraud and corruption; and
- litigation, arbitration and tax matters.

g) Reputational risks: potential negative impact on the value of any Group company where its performance falls short of the expectations of stakeholders, as defined in the *Stakeholder Engagement Policy*, including behaviour or conduct that might involve corruption.

Given the multidimensional nature of the risks, the taxonomy defined in the system envisions additional classification variables for improved monitoring, control and reporting. These additional categories include:

- Classification of risks as Structural, Hot Topics and Emerging, the last of which is understood as possible new threats with an as yet uncertain impact and undefined probability, but which are growing and could eventually become material for one or other Group company.
- The inclusion of risk factors that are complementary to the main risk factor, such as financial, environmental, social and governance (ESG), fraud or corruption, tax, health, cybersecurity or third party.

The Audit and Risk Supervision Committee of the Board of Directors periodically monitors the situation regarding the Company's risks:

- It reviews the Group's quarterly risk reports, which include monitoring compliance with risk limits and indicators and updated key risk maps submitted by the Group's head of Internal Audit and Chief Risk Officer.
- It also coordinates and reviews the risk reports sent at least semi-annually by the audit and compliance committees of the Group's main subsidiaries, including the subholding companies for the main countries or regions in which the Group operates. These reports, along with presentations given in person by the Group's head of Internal Audit and Chief Risk Officer, are used to draw up a risk report for the Board of Directors at least semi-annually.



4. Non-financial and diversity information

IBERDROLA is a holding company. As a result, there are no environmental items to be included in these Notes to the financial statements in accordance with the Spanish General Chart of Accounts (Plan General de Contabilidad).

The Company and its subsidiaries are exempt from presenting the *Statement of Non-financial Information* referred to in Section 262 of the Spanish Companies Act and Article 49 of the Commercial Code, as both the Company and its subsidiaries are included in a separate report known as the consolidated *Statement of Non-Financial Information – Sustainability Report of IBERDROLA, S.A and its subsidiaries for 2023*. Said document has been verified by an independent assurance provider and is subject to the same requirements in terms of approval, deposit and publication as the IBERDROLA Group's consolidated Management Report.

5. Research and development activities

Iberdrola is the utility of the future in the here and now, thanks to its innovative strategy, which transcends all its business units and areas of activity. Thanks to this pledge, Iberdrola has been recognised for yet another year as the best private utility in R&D investment, according to *The 2023 Industrial R&D Investment Scoreboard* of the European Commission.

Innovation is a strategic variable for the Group, as it is through innovation that we guarantee the company's sustainability, efficiency and competitiveness. It also happens to be one of the biggest supporters of start-ups in Europe.

Our vision for R&D is to champion the development of innovative and sustainable technologies that are aligned with the main drivers of transformation within the energy sector: the decarbonisation of generation through the mass integration of renewable energies, the promotion of smart grids and the electrification of demand, mainly in transportation (through electric vehicles), building (through electric heat pumps) and industry. We have also pledged to promote new uses of electricity, such as the production of green hydrogen, which is essential for reducing emissions from high-temperature industrial processes and sectors that are difficult to decarbonise, notably heavy transport, shipping and aviation. This will allow us to achieve an improvement in our processes, operating conditions and the safety of our facilities, all while reducing the environmental impact of our operations.

In 2023, IBERDROLA allocated EUR 38 million into R&D activities.

6. Treasury shares and reduction in share capital

At the General Shareholders' Meeting held on 28 April 2023, the shareholders resolved to expressly authorise the Board of Directors, with powers to sub-delegate pursuant to the provisions of Section 146 of the Spanish Companies Act, to carry out the derivative acquisition of shares of Iberdrola, S.A. on the following terms (the same terms as for the authorisation that was in effect from 13 April 2018 until that date):



- Acquisitions may be carried out directly by the Company, or indirectly through subsidiaries, though not by those that carry out regulated activities pursuant to the provisions of the Spanish Law on the Electricity Sector and the Law on the Hydrocarbon Sector.
- Acquisitions may be made by means of purchase and sale transactions, swaps or any other transaction permitted by law.
- Acquisitions may be made up to the maximum threshold allowed by law (10% of share capital).
- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the shares.
- The authorisation was granted for a period of five years running from approval of the resolution.
- As a result of the acquisition of shares, including those that the Company or the person acting in their own name but on the Company's behalf had previously acquired and held in treasury, the resulting shareholders' equity cannot fall below the amount of the share capital plus the restricted reserves required by law or under the By-Laws.

Shares acquired under the aforementioned authorisation may be disposed of, redeemed, or used for the remuneration systems provided for in the Spanish Companies Act. They may also be used to carry out programmes to promote participation in the Company's capital, such as dividend reinvestment plans, loyalty bonuses or other similar instruments.

Transactions relating to the treasury shares of IBERDROLA in 2023 and 2022 mainly involved the redemption of said shares and their application to employee remuneration systems, as follows:

Treasury shares	No. of shares	Nominal amount (millions of euros)	Cost of treasury (millions of euros)	Average price per share (euros)	Total shares	% of capital
Balance at 01.01.2022	82,915,340	62	823	9.92	6,366,088,000	1.30
Acquisitions	186,499,093	140	1,883	10.10		
Reduction in share capital	(197,563,000)	(148)	(1,985)	10.05		
Disposals ⁽¹⁾	(8,807,646)	(7)	(89)	10.13		
<i>Iberdrola Retribución Flexible optional dividend system ⁽²⁾</i>	1,403,649	1	—	—		
Balance at 31.12.2022	64,447,436	48	632	9.81	6,362,094,000	1.01
Acquisitions	256,119,934	192	2,785	10.88		
Reduction in share capital	(206,364,000)	(155)	(2,112)	10.23		
Disposals ⁽¹⁾	(9,492,205)	(7)	(94)	9.95		
<i>Iberdrola Retribución Flexible optional dividend system ⁽²⁾</i>	1,075,832	1	—	—		
Balance at 31.12.2023	105,786,997	79	1,211	11.45	6,350,278,000	1.01

⁽¹⁾ Includes shares delivered to employees

⁽²⁾ Shares received.



7. Subsequent events

Events occurring after the close of the financial year are described in Note 25 to the Financial Statements.



Annual corporate governance report – 2023

Annual Report on Director Remuneration 2023

The Company's 2023 Annual Corporate Governance Report and the Annual Director Remuneration Report form part of the Management Report, in accordance with Section 538 of the Spanish Companies Act. These annual reports are part of the consolidated Management Report for 2023 and can also be viewed via the public records of the National Securities Market Commission (Comisión Nacional del Mercado de Valores – www.cnmv.es) and on the corporate website (www.iberdrola.com).



Proposed distribution of profit



PROPOSED DISTRIBUTION OF PROFIT 2023

Euros	2023
Basis for distribution:	
Prior years' profit and loss	10,102,988,556.65
Profit for financial year 2023	5,065,681,237.24
Total	15,168,669,793.89
Distribution:	
To legal reserve	—
To dividends	Amount to be determined by adding: (a) the Total Interim Dividend; and (b) the result of multiplying the Final Dividend by the total number of shares in respect of which the holders have decided to receive the Final Dividend under the framework of the first-time application of the <i>Iberdrola Retribución Flexible</i> optional dividend system for 2024.
To retained earnings	Amount to be determined by deducting the amounts set aside for the dividend from the total amount for distribution.
Total	15,168,669,793.89

Subject to shareholder approval at the General Shareholders' Meeting of the resolutions relating to the "*Iberdrola Retribución Flexible*" optional dividend system for 2024, the gross amount of the *Final Dividend* is estimated to be at least EUR 0.348 per share. The final amount of the *Final Dividend* will be disclosed as soon as the Board of Directors (or the body to which it delegates this power) makes its decision in accordance with the terms of the dividend distribution and capital increase resolution that the Board of Directors will propose to the shareholders at the General Shareholders' Meeting in relation to the "*Iberdrola Retribución Flexible*" optional dividend system for 2024. Additionally, once the first-time application of the "*Iberdrola Retribución Flexible*" optional dividend system for 2024 is completed, the Board of Directors (with express power of substitution) will specify the aforementioned distribution proposal and determine the final amount of the dividend and the amount to be allocated to retained earnings.



Annual financial information

Statement of responsability

2023



ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2023

The members of the Board of Directors of “Iberdrola, S.A.” state that, to the best of their knowledge, the individual annual accounts of “Iberdrola, S.A.” (balance sheet, profit and loss statement, statement of change in shareholders’ equity, statement of cash flows and notes), as well as the consolidated annual accounts of “Iberdrola, S.A.” and its subsidiaries (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes) for the fiscal year ended on December 31, 2023, issued by the Board of Directors at its meeting held on February 20, 2024, and prepared in accordance with the applicable accounting standards, present a fair view of the assets, financial condition and income of “Iberdrola, S.A.” as well as of its subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts and the consolidated *Statement of non-financial information. Sustainability report* contain a fair assessment of the corporate performance and of the position of “Iberdrola, S.A.” and of its subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 20, 2024

Mr José Ignacio Sánchez Galán
Executive chairman

Mr Armando Martínez Martínez
Chief Executive Officer

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

Mr Anthony Luzzatto Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz *Consejero*
Director

Mr Xabier Sagredo Ormaza
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