



Auditor's Report on Iberdrola Finanzas, S.A.U.

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

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



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Torre Iberdrola
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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 sole shareholder of Iberdrola Finanzas, S.A.U.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Iberdrola Finanzas, S.A.U. (the "Company"), which comprise the balance sheet at 31 December 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 accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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



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Most Relevant Aspects of the Audit

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

Recoverability of current and non-current loans and receivables from Group companies and associates (see notes 8 and 17 to the annual accounts)

Non-current and current investments in Group companies and associates included in the annual accounts at 31 December 2023 amount to Euros 10,057,844 thousand and Euros 1,798,106 thousand, respectively, and represent 99.89% of the Company's total assets. The Company's exposure, in terms of credit risk, to Iberdrola, S.A. (sole shareholder) and Iberdrola Financiación, S.A.U. (Group company) could have a significant impact on the Company's financial statements.

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

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

Other Information: Directors' Report

Other information solely comprises the 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.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts, and assessing and reporting on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.



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Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023 and 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. 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.



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

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

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

From the significant risks 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 most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

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

3 April 2024



Annual financial report

**Iberdrola Finanzas, S.A.U.
(Sociedad Unipersonal)**

2023

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



ANNUAL ACCOUNTS AND DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023



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Balance Sheet at 31 December 2023

(Expressed in thousands of Euros)

ASSETS	Notes	31.12.2023	31.12.2022 (*)
NON-CURRENT ASSETS		10,057,844	9,784,845
Non-current investments in Group companies and associates	8, 17.1	10,057,844	9,784,845
Loans to companies		10,057,844	9,784,845
CURRENT ASSETS		1,811,023	672,812
Trade and other receivables - current		12,917	12,386
Trade receivables, Group companies and associates		616	444
Other receivables		1	1
Current tax assets	12.1	12,271	11,880
Public entities, other	12.1	29	61
Current investments in Group companies and associates		1,798,106	660,422
Loans to companies	8, 17.1	1,698,439	560,213
Other financial assets	17.1	99,667	100,209
Cash and cash equivalents		—	4
Cash		—	4
TOTAL ASSETS		11,868,867	10,457,657
EQUITY AND LIABILITIES	Notes	31.12.2023	31.12.2022 (*)
EQUITY	9	114,335	113,805
CAPITAL AND RESERVES		114,335	113,805
Capital		100,061	100,061
Registered capital		100,061	100,061
Reserves		13,744	2,122
Legal and statutory reserves		1,536	374
Other reserves		12,208	1,748
Profit for the year		530	11,622
NON-CURRENT LIABILITIES		10,057,850	9,784,849
Non-current payables	10	10,057,850	9,784,849
Bonds and other marketable securities		10,057,850	9,784,849
CURRENT LIABILITIES		1,696,682	559,003
Current payables	10	1,691,828	557,238
Bonds and other marketable securities		1,691,820	557,238
Loans and borrowings		8	—
Group companies and associates - current	17.1	1,299	1,031
Trade and other payables		3,555	734
Suppliers, Group companies and associates		3,433	—
Other payables		32	119
Current tax liabilities	12.1	57	563
Public entities, other	12.1	33	52
TOTAL EQUITY AND LIABILITIES		11,868,867	10,457,657

(*) The balance sheet at 31 December 2022 is presented for comparative purposes only.
The notes to the accompanying annual accounts form an integral part of the balance sheet at 31 December 2023.



Income Statement for the year ended 31 December 2023

(Expressed in thousands of Euros)

	Notes	2023	2022 (*)
CONTINUING OPERATIONS			
Revenues	13.1, 17.2	282,651	166,558
Finance income from marketable securities and other financial instruments of Group companies and associates		282,034	166,113
Revenue from services rendered to Group companies and associates		617	445
Other operating expenses		(397)	(203)
External services		(286)	(134)
Taxes		(111)	(69)
RESULTS FROM OPERATING ACTIVITIES		282,254	166,355
Finance income		16	1,989
Marketable securities and other third-party financial instruments		16	1,989
Finance costs	13.2	(282,032)	(165,996)
Group companies and associates	17.2	(10,945)	(5,345)
Other		(271,162)	(160,651)
Provision adjustments		75	—
Exchange losses	13.4	(2)	(3)
NET FINANCE COST		(282,018)	(164,010)
PROFIT BEFORE INCOME TAX		236	2,345
Income tax	12.3	294	9,277
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		530	11,622
PROFIT FOR THE YEAR		530	11,622

(*) The income statement for 2022 is presented for comparative purposes only.
The notes to the accompanying annual accounts form an integral part of the income statement for the year ended 31 December 2023.



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

(Expressed in thousands of Euros)

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

	Notes	2023	2022 (*)
PROFIT FOR THE YEAR		530	11,622
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		—	—
TRANSFERS TO THE INCOME STATEMENT			
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		—	—
TOTAL RECOGNISED INCOME AND EXPENSE		530	11,622

(*) The statement of recognised income and expense for 2022 is presented for comparative purposes only.

The notes to the accompanying annual accounts form an integral part of the statement of recognised income and expense for the year ended 31 December 2023.



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

(Expressed in thousands of Euros)

	Capital (Note 9.1)	Reserves (Notes 9.2 and 9.3)	Profit for the year (note 3)	TOTAL
Balance at 01.01.2022 (*)	100,061	27,118	4	127,183
Total recognised income and expense	—	—	11,622	11,622
Transactions with shareholders or owners				
Distribution of profit	—	4	(4)	—
Dividends (note 9)	—	(25,000)	—	(25,000)
Balance at 31.12.2022 (*)	100,061	2,122	11,622	113,805
Balance at 01/01/2023	100,061	2,122	11,622	113,805
Total recognised income and expense	—	—	530	530
Transactions with shareholders or owners				
Distribution of profit	—	11,622	(11,622)	—
Balance at 31.12.2023	100,061	13,744	530	114,335

(*) The statement of changes in equity for 2022 is presented for comparative purposes only.

The notes to the accompanying annual accounts form an integral part of the statement of changes in equity for the year ended 31 December 2023.



Statement of Cash Flows for the year ended 31 December 2023

(Expressed in thousands of Euros)

	Notes	2023	2022 (*)
Profit for the year before tax		236	2,345
Adjustments for		(16)	(2,103)
Finance income		(282,050)	(168,102)
Finance costs	13.2	282,032	165,996
Exchange losses	13.3	2	3
Changes in operating assets and liabilities		(245)	(368)
Trade and other receivables		(172)	(346)
Trade and other payables		(73)	(22)
Other cash flows used in operating activities		(520)	(673)
Interest paid		(239,742)	(149,689)
Interest received		239,728	148,931
Income tax (paid)/received		(509)	88
Other amounts (paid)/received		3	(3)
CASH FLOWS USED IN OPERATING ACTIVITIES		(545)	(799)
Payments for investments	8	(1,840,858)	(3,034,183)
Group companies and associates		(1,840,858)	(3,034,183)
Proceeds from sale of investments		471,436	256,815
Group companies and associates		471,436	256,815
CASH FLOWS USED IN INVESTING ACTIVITIES		(1,369,422)	(2,777,368)
Proceeds from and payments for financial liability instruments	10	1,369,963	2,802,868
Issue			
Bonds and other marketable securities		1,840,857	3,034,186
Redemption and repayment of			
Bonds and other marketable securities		(470,894)	(231,318)
Dividends and interest on other equity instruments paid	9.3	—	(25,000)
Dividends		—	(25,000)
CASH FLOWS FROM FINANCING ACTIVITIES		1,369,963	2,777,868
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4)	(299)
Cash and cash equivalents at beginning of year		4	303
Cash and cash equivalents at year end		—	4

(*) The statement of cash flows for 2022 is presented for comparative purposes only.

The notes to the accompanying annual accounts form an integral part of the statement of cash flows for the year ended 31 December 2023.



IBERDROLA FINANZAS, S.A.U.

Notes to the annual accounts for the year ended 31 December 2023

1. Company activity

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

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

Its registered office is in Bilbao, Plaza Euskadi 5.

Since December 2016, the Company has provided all the financing obtained on the debt markets to Iberdrola Financiación, S.A.U. (hereinafter, “Iberdrola Financiación”) a wholly-owned subsidiary of Iberdrola, S.A. (hereinafter, and interchangeably, the “Sole Shareholder” or “IBERDROLA”).

The Company also continues to provide a portion of the financing obtained on the debt markets prior to December 2016 to IBERDROLA.

2. Basis of presentation of the annual accounts

2.1. Accounting standards applied

The annual accounts were prepared in accordance with the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, which was amended in 2016 by Royal Decree 602/2016 of 2 December 2016, and Royal Decree 1/2021 of 12 January 2021, and other prevailing legislation.

The accounting principles and valuation methods used in the preparation of the Company's annual accounts for 2023 are fully consistent with those used in the preparation of the Company's annual accounts for 2022.

These annual accounts have been authorised for issue by the Company's directors and are expected to be approved by the Sole Shareholder with no changes.

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



Article 107 of Law 62/2003 of 30 December 2003, on tax, administrative and social measures, introduces provision sixteen to article 525 of the Spanish Companies Act, stipulating that companies which have issued securities that are admitted to trading on a regulated market of any European Union member state, and which only prepare individual annual accounts, in accordance with prevailing legislation, are to disclose the main changes in equity and profit or loss that would have arisen had International Financial Reporting Standards as adopted by European Union regulations (IFRS-EU) been applied. At 31 December 2023 and 2022 there are no differences in equity and profit or loss with respect to the balances that would be presented under IFRS.

2.2. True and fair view

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

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

2.3. Comparative information

In accordance with prevailing Spanish legislation, these annual accounts for 2023 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, comparative figures for the previous year. The notes to the annual accounts also include quantitative information for the prior year.

3. Distribution of profit

The Board of Directors of the Company plans to submit for approval to the Sole Shareholder the following distribution of 2023 profit:

Thousands of Euros	2023
Basis of allocation:	
Profit for 2023	530
Total	530
Distribution:	
Legal reserve	53
Other reserves	477
Total	530



4. Accounting policies

4.1. Financial instruments

4.1.1 Classification and measurement of financial assets and liabilities

The Company determines the most appropriate classification for each financial asset upon acquisition, and reviews it at each year end.

The financial assets and financial liabilities held by the Company are classified in the following categories:

a) Financial assets at amortised cost

Financial assets that meet the following two conditions are classified into this category:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset 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 transaction costs, and are subsequently measured at amortised cost. Interest accrued is recognised in the income statement using the effective interest method. Nevertheless, financial assets maturing in less than one year which do not have a contractual interest rate are initially and subsequently measured at nominal amount when the effect of not discounting the cash flows is immaterial.

b) Financial assets and financial liabilities at fair value through profit or loss

All other financial assets are classified in this category.

The Company designates a financial asset or a financial liability at initial recognition as measured at fair value through profit or loss whenever doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense in the income statement. Any changes in fair value are recognised in the income statement for the period under change in fair value of financial instruments.



Fair value of financial instruments

The fair value of the different financial instruments is calculated as follows (see note 7):

- For financial instruments quoted on an organised market, their quoted value at year end.
- For financial instruments not traded on an organised market, the Company uses assumptions based on year-end market conditions.

When using these measurement models, the associated risks of the asset or liability are taken into account.

c) Financial liabilities at amortised cost

The Company classifies all other financial liabilities at amortised cost using the effective interest method.

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

However, trade payables maturing in less than one year that do not have a contractual rate of interest are measured at their nominal amount when the effect of not discounting cash flows is immaterial.

4.1.2. Interest received from financial assets

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

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

4.1.3. Impairment of financial assets

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



a) Financial assets at amortised cost

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

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

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

4.1.4. Derecognition of financial assets

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

When the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it no longer retains control over the asset, which is determined based on the transferor's ability to transfer the asset. When the Company retains control of the asset, it continues to recognise the asset at the amount of the Company's exposure to changes in the fair value of the transferred asset; i.e. to the extent of its continuing involvement, and recognises the related liability.

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

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

4.1.5. Derecognition of financial liabilities

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



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

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

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

4.2. Foreign currency transactions

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

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

4.3. Cash and cash equivalents

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

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

In the statement of cash flows, occasional bank overdrafts that form a part of the Company's cash management are recognised as a decrease in cash and cash equivalents. There are no significant restrictions on cash draw downs.

4.4. Income tax

The Company files consolidated tax returns with certain Group companies.



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

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

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

Temporary differences between the tax base of assets and liabilities and their carrying amount in the annual accounts generate deferred tax liabilities.

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

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

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

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



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

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

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

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

4.6. Income and expenses

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

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

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

The Company, as a financing entity of the IBERDROLA Group, includes revenue accrued from financing extended and services rendered to Group companies under revenues in the accompanying income statement.

4.7. Related party transactions

Related party transactions are accounted for in accordance with the criteria indicated above.

5. Financial risk management

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



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

In particular, the IBERDROLA Group's financing and financial risk policy and corporate credit risk policy, approved by the board of directors of IBERDROLA, identify, among others, the risk factors described below which may affect the Company. The IBERDROLA Group has an organisation and systems allowing it to identify, measure and manage the financial risks to which it is exposed.

Interest rate risk

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

The directors consider the Company's exposure to this risk as insignificant, given that the Company lends to its Sole Shareholder and to Iberdrola Financiación in the same conditions (term, nominal amount and benchmark interest rate) as which it obtains market financing through the issue of liabilities.

Note 10 contains details of all bond issues and other Company securities together with their respective features at the 2023 and 2022 closing dates.

Currency risk

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

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

Liquidity risk

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

As mentioned previously, the Company matches the due dates of its assets (loans to the Sole Shareholder and to Group companies) and issued liabilities, so this risk would only materialise in the event that its sole shareholder is unable to fulfil its commitments with the Company, which include those commitments acquired with the Company by Iberdrola Financiación. Consequently, this risk should be assessed in the environment of the IBERDROLA Group which, considering its credit rating and sources of liquidity, is deemed negligible.



Credit risk

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

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

At 31 December 2023 the entire credit risk is materialised with the Sole Shareholder and with the IBERDROLA Group company Iberdrola Financiación. Nonetheless, the maximum risk that the Company assumes on loans extended to these entities is capped at Euros 2 million, as the parent, IBERDROLA, will compensate the Company for any defaults in excess of this amount. The Company does not consider the possible effect of this risk on the Company's annual accounts to be significant.

6. Use of accounting estimates

Certain assumptions and estimates were made by the Company in the preparation of these annual accounts. The main aspects requiring the use of estimates in the preparation of these annual accounts are as follows:

- Impairment of loans and receivables:

As disclosed in note 4.1.3., the Company analyses the accounting and equity situation of counterparties to which it has extended financing in order to detect indications that the financial assets may be impaired. If there is objective evidence that a financial asset carried at amortised cost is impaired, it calculates the impairment loss, which is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate used for initial recognition.

- Change in fair value of financial instruments:

As described in note 4.1.1.b), measuring financial instruments requires the use of estimates. These estimates are subject to uncertainties due to fluctuations in variables that affect them. The measurement of financial instruments at 31 December 2023 and 2022 is described in note 7.

Although these estimates have been made based on the best information available at the date these annual accounts were authorised for issue, it is possible that future events will require that they be modified (upwards or downwards) in future periods, which would be done prospectively, recognising the effects of the change in estimates in future periods.



7. Categories and measurement of financial instruments

At 31 December 2023 and 2022 the carrying amount and fair value of financial instruments in each of the categories of financial assets and liabilities, except for trade and other receivables, trade and other payables and cash and cash equivalents, are as follows:

Thousands of Euros	Level	2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
At fair value through profit or loss					
Loans to companies	Level 2	454,653	454,653	449,672	449,672
At amortised cost					
Loans to companies		11,301,630	11,039,029	9,895,386	9,232,010
Other financial assets		99,667	99,667	100,209	100,209
Total		11,855,950	11,593,349	10,445,267	9,781,891
Financial liabilities					
At fair value through profit or loss					
Bonds and other marketable securities	Level 1	454,631	454,631	449,650	449,650
At amortised cost					
Bonds and other marketable securities		11,295,039	11,001,564	9,892,437	9,200,984
Loans and borrowings		8	8	—	—
Other financial liabilities		1,299	1,299	1,031	1,031
Total		11,750,977	11,457,502	10,343,118	9,651,665

The Company classifies certain financial instruments at fair value through profit or loss and recognises their fair value provided that it can be measured reliably. These are classified in three levels as follows:

- Level 1: quoted assets and liabilities in liquid markets.
- Level 2: assets and liabilities whose fair value has been determined using valuation techniques based on observable market inputs.
- Level 3: assets and liabilities whose fair value has been determined using valuation techniques not based on observable market inputs.

The level in which the financial instruments recognised at fair value belong can be seen in the table above.

The fair value of listed financial liability instruments is their market price. The fair value of financial assets associated with these listed liabilities is the valuation of the liability corrected for the effect of cash flows relative to the interest rate spread between both transactions.

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



The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

8. Investments in Group companies and associates

Movement during 2023 and 2022 in current and non-current investments in Group companies and associates – loans to companies is as follows:

Thousands of Euros	Balance at 01.01.2023	Additions or charges	Transfers	Disposals, derecognitions or reductions	Changes in fair value	Foreign currency valuation	Balance at 31.12.2023
Non-current							
Principal loans to companies (note 17.1)	9,784,845	1,840,858	(1,567,015)	—	4,981	(5,825)	10,057,844
Total	9,784,845	1,840,858	(1,567,015)	—	4,981	(5,825)	10,057,844
Current							
Principal loans to companies (note 17.1)	463,641	8,364	1,567,015	(470,894)	—	(201)	1,567,925
Accrued interest (note 17.1)	96,572	273,670	—	(239,728)	—	—	130,514
Total	560,213	282,034	1,567,012	(710,622)	—	(201)	1,698,439
Total	10,345,058	2,122,892	—	(710,622)	4,981	(6,026)	11,756,283

Thousands of Euros	Balance at 01.01.2022	Additions or charges	Transfers	Disposals, derecognitions or reductions	Changes in fair value	Foreign currency valuation	Balance at 31.12.2022
Non-current							
Principal loans to companies (note 17.1)	7,248,013	3,034,183	(464,946)	—	(590)	(31,815)	9,784,845
Total	7,248,013	3,034,183	(464,946)	—	(590)	(31,815)	9,784,845
Current							
Principal loans to companies (note 17.1)	232,783	5,669	464,946	(231,318)	—	(8,439)	463,641
Accrued interest (note 17.1)	85,059	160,444	—	(148,931)	—	—	96,572
Total	317,842	166,113	464,946	(380,249)	—	(8,439)	560,213
Total	7,565,855	3,200,296	—	(380,249)	(590)	(40,254)	10,345,058

The current portion of other financial assets with Group companies and associates at 31 December 2023 and 2022 reflects the balance of the reciprocal current account in Euros with IBERDROLA up until 16 January 2023 and with Iberdrola Financiación from that same date onwards (see note 17).

The maturity of outstanding loans to Group companies and associates at 31 December 2023 and 2022, broken down by currency, is as follows:



Thousands of Euros	Balance at 31.12.2023	Current			Non-current			Total non-current
		2024	2025	2026	2027	2028	2029 and subsequent years	
Euros	10,844,575	992,126	1,779,499	747,987	1,950,461	1,745,623	3,628,879	9,852,449
US Dollar	45,188	—	45,188	—	—	—	—	45,188
Pound Sterling	575,798	575,798	—	—	—	—	—	—
Norwegian Krone	160,207	—	—	—	89,004	71,203	—	160,207
Japanese Yen	—	—	—	—	—	—	—	—
Accrued interest	130,515	130,515	—	—	—	—	—	—
Total	11,756,283	1,698,439	1,824,687	747,987	2,039,465	1,816,826	3,628,879	10,057,844

Thousands of Euros	Balance at 31.12.2022	Current			Non-current			Total non-current
		2023	2024	2025	2026	2027	2028 and subsequent years	
Euros	9,440,872	443,044	999,826	1,777,712	746,883	1,944,054	3,529,353	8,997,828
US Dollar	46,992	—	—	46,992	—	—	—	46,992
Pound Sterling	567,270	(498)	567,768	—	—	—	—	567,768
Norwegian Krone	172,257	—	—	—	—	95,698	76,559	172,257
Japanese Yen	21,096	21,096	—	—	—	—	—	—
Accrued interest	96,571	96,571	—	—	—	—	—	—
Total	10,345,058	560,213	1,567,594	1,824,704	746,883	2,039,752	3,605,912	9,784,845

Details of the transactions that comprise loans to companies at 31 December 2023 are as follows:



Transaction	Counterparty	Nominal (thousands)	Currency	Interest rate	Contract date	Maturity
Loan	Iberdrola, S.A.	500,000	GBP	7.37%	Jan.-09	Jan.-24
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.07%	Dec.-16	Mar.-24
Loan	Iberdrola Financiación, S.A.U.	250,000	EUR	3-month Euribor + 0.74	Feb.-17	Feb.-24
Loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.74%	Feb.-17	Feb.-29
Loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.07%	Mar.-17	Mar.-25
Loan	Iberdrola Financiación, S.A.U.	110,000	EUR	1.85%	May.-17	Oct.-30
Loan	Iberdrola Financiación, S.A.U.	1,000,000	NOK	2.77%	May.-17	May.-27
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.32%	Sep.-17	Sep.-27
Loan	Iberdrola Financiación, S.A.U.	735,000	EUR	1.69%	Nov.-17	Nov.-29
Loan	Iberdrola Financiación, S.A.U.	800,000	NOK	3.08%	May.-18	May.-28
Loan	Iberdrola Financiación, S.A.U.	30,000	EUR	1.20%	Jun.-18	Jun.-25
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.32%	Jun.-18	Oct.-26
Loan	Iberdrola Financiación, S.A.U.	50,000	USD	3.79%	Dec.-18	Dec.-25
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	0.95%	Apr.-20	Jun.-25
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.65%	Nov.-21	Perpetual
Loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.07%	Feb.-22	Feb.-37
Loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.45%	Mar.-22	Mar.-32
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	3.20%	Nov.-22	Nov.-28
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	3.45%	Nov.-22	Nov.-32
Loan	Iberdrola Financiación, S.A.U.	450,000	EUR	0.87%	Dec.-22	Dec.-27
Loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	4.95%	Jan.-23	Perpetual
Loan	Iberdrola Financiación, S.A.U.	850,000	EUR	3.69%	Jul.-23	Jul.-33



Details of the loans that comprise loans to companies at 31 December 2022 are as follows:

Transaction	Counterparty	Nominal (thousands)	Currency	Interest rate	Contract date	Maturity
Loan	Iberdrola, S.A.	3,000,000	JPY	2.67%	Mar.-08	Mar.-23
Loan	Iberdrola, S.A.	500,000	GBP	7.37%	Jan.-09	Jan.-24
Loan	I-DE Redes Eléctricas Inteligentes, S.A.U.	100,000	EUR	5.81%	May.-14	Mar.-23
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.07%	Dec.-16	Mar.-24
Loan	Iberdrola Financiación, S.A.U.	250,000	EUR	3-month Euribor + 0.74	Feb.-17	Feb.-24
Loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.74%	Feb.-17	Feb.-29
Loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.07%	Mar.-17	Mar.-25
Loan	Iberdrola Financiación, S.A.U.	110,000	EUR	1.85%	May.-17	Oct.-30
Loan	Iberdrola Financiación, S.A.U.	1,000,000	NOK	2.77%	May.-17	May.-27
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.32%	Sep.-17	Sep.-27
Loan	Iberdrola Financiación, S.A.U.	735,000	EUR	1.69%	Nov.-17	Nov.-29
Loan	Iberdrola Financiación, S.A.U.	800,000	NOK	3.08%	May.-18	May.-28
Loan	Iberdrola Financiación, S.A.U.	30,000	EUR	1.20%	Jun.-18	Jun.-25
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.32%	Jun.-18	Oct.-26
Loan	Iberdrola Financiación, S.A.U.	50,000	USD	3.79%	Dec.-18	Dec.-25
Loan	Iberdrola Financiación, S.A.U.	100,000	EUR	3-month Euribor + 0.72	Dec.-19	Dec.-23
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	0.95%	Apr.-20	Jun.-25
Loan	Iberdrola Financiación, S.A.U.	250,000	EUR	3-month Euribor + 0.72	Apr.-21	Apr.-23
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	1.65%	Nov.-21	Perpetual
Loan	Iberdrola Financiación, S.A.U.	100,000	EUR	1.07%	Feb.-22	Feb.-37
Loan	Iberdrola Financiación, S.A.U.	1,000,000	EUR	1.45%	Mar.-22	Mar.-32
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	3.20%	Nov.-22	Nov.-28
Loan	Iberdrola Financiación, S.A.U.	750,000	EUR	3.45%	Nov.-22	Nov.-32
Loan	Iberdrola Financiación, S.A.U.	450,000	EUR	0.87%	Dec.-22	Dec.-27

Loans to Group companies and associates accrue average annual interest of 2.46% and 1.96% at 31 December 2023 and 2022, respectively.

Most significant transactions in 2023

On 25 January 2023 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 1,000,000 thousand, at par, whose conditions are the same as the bond issued on 25 January 2023 (see note 10). There is no contractual maturity, though maturity is subject to the total or partial redemption of the bond.

As regards interest, this transaction accrues a fixed yearly rate of 4.945% from the date of issue (inclusive) until (but excluding) 25 July 2028 (the “first review date”). As of the first review date (inclusive), the bonds will accrue interest at a rate equal to the five-year swap rate plus an annual spread of:

- 2.332% over five years following the first review date;



- 2.582% over each of the five-year review periods commencing 25 July 2033, 2038 and 2043; and
- 3.332 % over the subsequent five-year review periods.

Interest accrued on this transaction is callable annually providing the corresponding coupon has been paid by the bond issuer. Otherwise, interest is not callable and will be accumulative.

On 13 July 2023 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 850,000 thousand, whose conditions are the same as the bond issued on 13 July 2023 (see note 10), with a discount of 0.305% on the par value, maturing on 13 July 2033 and with an annual fixed rate of interest of 3.695%.

Most significant transactions in 2022

On 2 February 2022 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 100,000 thousand, at par, maturing on 2 February 2037 and with an annual fixed rate of interest of 1.07%.

On 11 March 2022 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 1,000,000 thousand, with a discount of 0.426% on the par value, maturing on 11 March 2032 and with an annual fixed rate of interest of 1.445%.

On 22 November 2022 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 750,000 thousand, with a discount of 0.14% on the par value, maturing on 22 November 2028 and with an annual fixed rate of interest of 3.195%.

On 22 November 2022 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 750,000 thousand, with a discount of 0.476% on the par value, maturing on 22 November 2032 and with an annual fixed rate of interest of 3.445%.

On 7 December 2022 the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 450,000 thousand, at par, maturing on 7 December 2027, and with an annual fixed rate of interest of 0.87% payable in half-yearly periods. Aside from the interest rate, the profitability of this transaction is determined by an option to purchase IBERDROLA shares, which the Company can exercise within three months prior to maturity. This option shall always be exercisable through the collection of differences (between the value of the IBERDROLA share at the exercise date and its benchmark price agreed in the loan), and in no case are shares received.

Consequently, this financial instrument was classified at fair value through profit or loss, and its effect in 2023 is income of Euros 4,981 thousand (in 2022 an expense of Euros 590 thousand) recognised under Change in fair value of financial instruments in the accompanying income statements for 2023 and 2022.



9. Equity

9.1. Registered capital

At 31 December 2023 and 2022 share capital is represented by 100,061 registered shares of Euros 1,000 par value each. The Company's entire share capital is fully subscribed and paid by its Sole Shareholder, IBERDROLA.

9.2. Legal reserve

Pursuant to the Revised Spanish Companies Act, an amount equivalent to 10% of profit for the year must be appropriated to the legal reserve until it reaches at least 20% of share capital.

Until such time, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available for this purpose. This reserve can also be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal amount of the total share capital after the increase.

At the 2023 and 2022 reporting dates, the legal reserve had not been fully appropriated.

9.3. Other reserves

On 15 September 2022, the Sole Shareholder approved the board of directors' proposal of 28 July 2022 consisting of the distribution of a dividend of Euros 25 million, with a charge to freely available reserves recognised under other reserves generated since the Company's incorporation.

10. Issue of bonds and other marketable securities

Movement in current and non-current bonds and other marketable securities during 2023 and 2022 was as follows:

Thousands of Euros	Balance at 01.01.2023	Additions or charges	Transfers	Disposals, derecognitions or reductions	Changes in fair value	Foreign currency valuation	Balance at 31.12.2023
Non-current							
Bonds and other marketable securities	9,784,849	1,840,857	(1,567,012)	—	4,981	(5,825)	10,057,850
Total	9,784,849	1,840,857	(1,567,012)	—	4,981	(5,825)	10,057,850
Current							
Bonds and other marketable securities	463,639	8,365	1,567,012	(470,894)	—	(201)	1,567,921
Accrued interest	93,599	262,797	—	(232,497)	—	—	123,899
Total	557,238	271,162	1,567,012	(703,391)	—	(201)	1,691,820
Total	10,342,087	2,112,019	—	(703,391)	4,981	(6,026)	11,749,670



Thousands of Euros	Balance at 01.01.2022	Additions or charges	Transfers	Disposals, derecognitions or reductions	Changes in fair value	Foreign currency valuation	Balance at 31.12.2022
Non-current							
Bonds and other marketable securities	7,248,014	3,034,186	(464,946)	—	(590)	(31,815)	9,784,849
Total	7,248,014	3,034,186	(464,946)	—	(590)	(31,815)	9,784,849
Current							
Bonds and other marketable securities	232,783	5,667	464,946	(231,318)	—	(8,439)	463,639
Accrued interest	83,237	154,984	—	(144,622)	—	—	93,599
Total	316,020	160,651	464,946	(375,940)	—	(8,439)	557,238
Total	7,564,034	3,194,837	—	(375,940)	(590)	(40,254)	10,342,087

The maturity of outstanding issues at 31 December 2023 and 2022, broken down by currency, is as follows:

Thousands of Euros	Balance at 31.12.2023	Current			Non-current			Total non-current
		2024	2025	2026	2027	2028	2029 and subsequent years	
Euros	10,844,578	992,123	1,779,498	747,987	1,950,461	1,745,623	3,628,886	9,852,455
US Dollar	45,188	—	45,188	—	—	—	—	45,188
Pound Sterling	575,798	575,798	—	—	—	—	—	—
Norwegian Krone	160,207	—	—	—	89,004	71,203	—	160,207
Accrued interest	123,899	123,899	—	—	—	—	—	—
Total	11,749,670	1,691,820	1,824,686	747,987	2,039,465	1,816,826	3,628,886	10,057,850

Thousands of Euros	Balance at 31.12.2022	Current			Non-current			Total non-current
		2023	2024	2025	2026	2027	2028 and subsequent years	
Euros	9,440,872	443,040	999,826	1,777,707	746,883	1,944,054	3,529,362	8,997,832
US Dollar	46,992	—	—	46,992	—	—	—	46,992
Pound Sterling	567,271	(497)	567,768	—	—	—	—	567,768
Norwegian Krone	172,257	—	—	—	—	95,698	76,559	172,257
Japanese Yen	21,096	21,096	—	—	—	—	—	—
Accrued interest	93,599	93,599	—	—	—	—	—	—
Total	10,342,087	557,238	1,567,594	1,824,699	746,883	2,039,752	3,605,921	9,784,849

A breakdown by maturity of future payment commitments of unaccrued interest at 31 December 2023 and 2022, considering that the prevailing interest rates and exchange rates remain constant until maturity, is as follows:



Thousands of Euros	2024	2025	2026	2027	2028	2029 and subsequent years	Total
Euros	220,166	209,684	192,780	183,405	158,618	336,945	1,301,598
US Dollar	1,683	1,683	—	—	—	—	3,366
Pound Sterling	42,468	—	—	—	—	—	42,468
Norwegian Krone	4,546	4,546	4,546	4,546	2,143	—	20,327
Total	268,863	215,913	197,326	187,951	160,761	336,945	1,367,759

Thousands of Euros	2023	2024	2025	2026	2027	2028 and subsequent years	Total
Euros	156,228	139,409	130,122	113,218	103,843	261,938	904,758
US Dollar	1,750	1,750	1,750	—	—	—	5,250
Pound Sterling	41,876	41,876	—	—	—	—	83,752
Norwegian Krone	4,888	4,888	4,888	4,888	4,888	2,304	26,744
Japanese Yen	563	—	—	—	—	—	563
Total	205,305	187,923	136,760	118,106	108,731	264,242	1,021,067



Details of bond issues comprising the balance of bonds and other marketable securities at 31 December 2023 are as follows:

Transaction	Nominal (thousands of Euros)	Currency	Issue rate	Interest rate	Contract date	Maturity	Settlement of interest
Public green bond	750,000	EUR	99.18%	1.00%	Dec.-16	Mar.-24	Annual
Private green bond	250,000	EUR	At par	3-month Euribor + 0.67	Feb.-17	Feb.-24	Quarterly
Private bond	100,000	EUR	At par	1.67%	Feb.-17	Feb.-29	Annual
Public green bond	1,000,000	EUR	99.36%	1.00%	Mar.-17	Mar.-25	Annual
Private bond	110,000	EUR	At par	1.78%	May.-17	Oct.-30	Annual
Public green bond	750,000	EUR	99.05%	1.25%	Sep.-17	Sep.-27	Annual
Private bond	735,000	EUR	At par	1.62%	Nov.-17	Nov.-29	Annual
Private bond	30,000	EUR	99.87%	1.13%	Jun.-18	Jun.-25	Annual
Public green bond	750,000	EUR	99.06%	1.25%	Jun.-18	Oct.-26	Annual
Public bond	500,000	GBP	99.06%	7.37%	Jan.-09	Jan.-24	Annual
Private bond	1,000,000	NOK	At par	2.70%	May.-17	May.-27	Annual
Private bond	800,000	NOK	At par	3.01%	May.-18	May.-28	Annual
Private green bond	50,000	USD	At par	3.72%	Dec.-18	Dec.-25	Half-yearly
Public green bond	750,000	EUR	99.784%	0.87%	Apr.-20	Jun.-25	Annual
Public hybrid green bond	750,000	EUR	At par	1.57%	Nov.-21	Perpetual	Annual
Private bond	100,000	EUR	At par	1.00%	Feb.-22	Feb.-37	Annual
Public green bond	1,000,000	EUR	99.574%	1.37%	Mar.-22	Mar.-32	Annual
Public green bond	750,000	EUR	99.86%	3.12%	Nov.-22	Nov.-28	Annual
Public green bond	750,000	EUR	99.524%	3.37%	Nov.-22	Nov.-32	Annual
Public green bond	450,000	EUR	At par	0.80%	Dec.-22	Dec.-27	Half-yearly
Public hybrid green bond	1,000,000	EUR	At par	4.875%	Jan.-23	Perpetual	Annual
Public green bond	850,000	EUR	99.695%	3.625%	Jul.-23	Jul.-33	Annual



Details of bond issues comprising the balance of bonds and other marketable securities at 31 December 2022 are as follows:

Transaction	Nominal (thousands of Euros)	Currency	Issue rate	Interest rate	Contract date	Maturity	Settlement of interest
Private bond	100,000	EUR	99.80%	5.81%	Mar.-08	Mar.-23	Annual
Public green bond	750,000	EUR	99.18%	1.00%	Dec.-16	Mar.-24	Annual
Private green bond	250,000	EUR	At par	3-month Euribor + 0.67	Feb.-17	Feb.-24	Quarterly
Private bond	100,000	EUR	At par	1.67%	Feb.-17	Feb.-29	Annual
Public green bond	1,000,000	EUR	99.36%	1.00%	Mar.-17	Mar.-25	Annual
Private bond	110,000	EUR	At par	1.78%	May.-17	Oct.-30	Annual
Public green bond	750,000	EUR	99.05%	1.25%	Sep.-17	Sep.-27	Annual
Private bond	735,000	EUR	At par	1.62%	Nov.-17	Nov.-29	Annual
Private bond	30,000	EUR	99.87%	1.13%	Jun.-18	Jun.-25	Annual
Public green bond	750,000	EUR	99.06%	1.25%	Jun.-18	Oct.-26	Annual
Private bond	100,000	EUR	101.41%	3-month Euribor + 0.65	Dec.-19	Dec.-23	Quarterly
Public bond	500,000	GBP	99.06%	7.37%	Jan.-09	Jan.-24	Annual
Private bond	3,000,000	JPY	At par	2.67%	Mar.-08	Mar.-23	Annual
Private bond	1,000,000	NOK	At par	2.70%	May.-17	May.-27	Annual
Private bond	800,000	NOK	At par	3.01%	May.-18	May.-28	Annual
Private green bond	50,000	USD	At par	3.72%	Dec.-18	Dec.-25	Half-yearly
Public green bond	750,000	EUR	99.784%	0.87%	Apr.-20	Jun.-25	Annual
Private bond	250,000	EUR	100.916	3-month Euribor + 0.65	Apr.-21	Apr.-23	Quarterly
Public hybrid green bond	750,000	EUR	At par	1.57%	Nov.-21	Perpetual	Annual
Private bond	100,000	EUR	At par	1.00%	Feb.-22	Feb.-37	Annual
Public green bond	1,000,000	EUR	99.574%	1.37%	Mar.-22	Mar.-32	Annual
Public green bond	750,000	EUR	99.86%	3.12%	Nov.-22	Nov.-28	Annual
Public green bond	750,000	EUR	99.524%	3.37%	Nov.-22	Nov.-32	Annual
Public green bond	450,000	EUR	At par	0.80%	Dec.-22	Dec.-27	Half-yearly

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

The average interest cost of the Company's portfolio of bonds and other marketable securities in 2023 and 2022 was 2.39% and 1.90%, respectively.

At 31 December 2023 all of the Company's existing bond issues are secured by IBERDROLA.

Additionally, at 31 December 2023 there are bond issues amounting to Euros 11,210,838 thousand in the European market whose maturity could be affected by or would require additional guarantees in the event of a change in control in the Parent (IBERDROLA) and this occurred in the manner and with the consequences established in each contract.



Most significant transactions in 2023

On 25 January 2023 the Company launched a bond issue on the Euromarket for Euros 1,000,000 thousand, at par. There is no contractual maturity, though there are early redemption options during the three months previous to (and including) 25 July 2028, and as of that date every year.

As regards interest, this transaction accrues a fixed yearly rate of 4.875% from the date of issue (inclusive) until (but excluding) 25 July 2028 (the “first review date”), payable on a yearly basis.

As of the first review date (inclusive), the bonds will accrue interest at a rate equal to the applicable five-year swap rate plus an annual spread of:

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

Interest accrued on this bond is not callable, though it is accumulative. However, the Company must pay interest if IBERDROLA distributes dividends.

On 13 July 2023 the Company placed a bond issue on the Euromarket for an amount of Euros 850,000 thousand, with a discount of 0.305% on the par value, maturing on 13 July 2033 and with a fixed annual coupon of 3.625%.

On 1 June 2023 the Company updated its Euro Medium Term Notes Programme (“EMTN”), valid for a year and whereby it may again issue straight bonds, and may now also issue subordinated bonds, both listed on the Luxembourg Stock Exchange. In 2022, the annual update occurred on 1 June.

Most significant transactions in 2022

On 2 February 2022 the Company placed a bond issue on the Euromarket for an amount of Euros 100,000 thousand, priced at par value, maturing on 2 February 2037 and with a fixed annual coupon of 1.00%.

On 11 March 2022 the Company placed a bond issue on the Euromarket for an amount of Euros 1,000,000 thousand, with a discount of 0.426% on the par value, maturing on 11 March 2032 and with a fixed annual coupon of 1.375%.

On 22 November 2022 the Company launched a bond issue on the Euromarket for an amount of Euros 1,500,000 thousand, in two tranches of Euros 750,000 thousand each. The first tranche has a discount of 0.14% on the par value, maturing on 22 November 2028 and with a fixed annual coupon of 3.125%. The second tranche has a discount of 0.476% on the par value, maturing on 22 November 2032 and with a fixed annual coupon of 3.375%.



On 7 December 2022 the Company placed a bond issue on the Euromarket, pegged to the price of IBERDROLA shares, for an amount of Euros 450,000 thousand, priced at par value, maturing on 7 December 2027 and with a fixed annual coupon of 0.80%, which is paid half-yearly. The profitability of this transaction is determined by the performance of the price of IBERDROLA shares to which it is pegged, with investors being able to exercise the option to acquire IBERDROLA shares within three months prior to maturity. This option shall always be exercisable through the payment of differences (between the value of the IBERDROLA share at the exercise date and its benchmark price agreed in the loan), and in no case are shares transferred.

Consequently, this financial instrument has been classified at fair value through profit or loss, and its effect in 2023 is an expense of Euros 4,981 thousand (in 2022 income of Euros 590 thousand) recognised under Change in fair value of financial instruments in the accompanying income statement for 2023 and 2022.

11. Average supplier payment period. "Reporting requirement". Third additional provision of Law 15/2010 of 5 July 2010

Details of the information required for 2023 and 2022 are as follows:

Number of days	2023	2022
Average supplier payment period	32	40
Transactions paid ratio	31	42
Transactions payable ratio	53	31

Thousands of Euros	2023	2022
Total payments made	614	399
Total payments outstanding	32	118

Information on invoices within the maximum period stipulated in Law 15/2010 is the following:

	2023	2022
Monetary volume paid within the maximum legal period stipulated (in thousands of Euros)	614	399
As a percentage of total monetary payments to suppliers	100%	100%
Number of invoices paid within the maximum period stipulated	76	72
As a percentage of total number of invoices paid to suppliers	98.7%	100%

The information in the tables above has been prepared in accordance with Law 15/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004, which establishes measures to combat late payments in commercial transactions, Law 18/2022 of 28 September 2022 on the creation and growth of companies, and in accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to annual accounts on average payment periods to suppliers in commercial transaction.

The specifications with which such information has been prepared are the following:



- Transactions paid ratio: amount in days of the ratio between the sum of the amount of each of the transactions paid by the number of paydays, and the total amount of payments made during the year.
- Transactions payable ratio: amount in days of the ratio between the sum of the amount of each of the outstanding payment transactions by the number of unpaid days, and the total amount of outstanding payments.
- Suppliers: trade payables included under current liabilities in the balance sheet in respect of balances payable to suppliers for goods or services.
- Suppliers of fixed assets and finance lease payables are not included.
- Fees, royalties, indemnities etc. are not included as they are not commercial transactions.

12. Taxation

12.1. Public entities

Details of balances payable to and receivable from public entities at 31 December 2023 and 2022 are as follows:

Thousands of Euros	2023	2022
Public entities, receivables		
Taxation authorities, VAT	29	61
Taxation authorities, income tax (a)	12,271	11,880
Total	12,300	11,941
Public entities, payables		
Taxation authorities, income tax (b)	57	563
Taxation authorities, VAT	33	52
Total	90	615

(a) Reflects the effect of the receivable from the re-estimation of the tax effect of certain intragroup transactions with no impact on the consolidated Group.

(b) Includes the account payable for income tax in 2023 and 2022, respectively, to the parent of the tax group that includes the Company. This amount is presented net of collections on account of income tax made during 2023 and 2022, respectively.

12.2. Income tax

The Company is a subsidiary of consolidated tax group 02415BSC, subject to Vizcaya Provincial Law, of which IBERDROLA is the Parent. Group 02415BSC is comprised of 24 companies.

A reconciliation of the individual accounting profit/loss with the individual taxable income/tax loss for corporate income tax for 2023 and 2022 is as follows:



2023		
Thousands of Euros	Income statement Increases/(Decreases)	Income and expense recognised directly in equity Increases/(Decreases)
Income and expenses for the period	530	—
Income tax	(294)	—
Temporary differences:		
Originating in current year	—	—
Originating in prior years	—	—
Taxable income	236	—

2022		
Thousands of Euros	Income statement Increases/(Decreases)	Income and expense recognised directly in equity Increases/(Decreases)
Income and expenses for the period	11,622	—
Income tax	(9,277)	—
Temporary differences:		
Originating in current year	—	—
Originating in prior years	—	—
Taxable income	2,345	—

12.3. Accounting income tax expense

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

2023		
Thousands of Euros	Income statement	Income and expenses recognised directly in equity
Effective tax (income)/expense		
Current	(294)	—
Deferred	—	—
Total	(294)	—

2022		
Thousands of Euros	Income statement	Income and expense recognised directly in equity
Effective tax (income)/expense		
Current	(9,277)	—
Deferred	—	—
Total	(9,277)	—

Income tax accrued in 2023 and 2022 is as follows:



Thousands of Euros	2023	2022
Accounting profit before tax	236	2,345
Adjusted accounting profit	236	2,345
Gross tax	57	563
Adjustment to prior years' income tax expense (a)	(351)	(9,840)
Accrued income tax (income)/expense	(294)	(9,277)

- a) 2022 adjustment corresponds to the recognition of a receivable from the Vizcaya Regional Authority derived from bilateral adjustments requested or pending request by the Company, in relation to fiscal years 2008 to 2020 for the purpose of eliminating double taxation derived from the adjustments made by the taxation authorities as regards related party transactions. The receivable recognised in 2022 amounts to Euros 11,829 thousand and the difference reflects the accrued finance income recognised under finance income from marketable securities and other financial instruments - other in the accompanying income statement for 2022.

12.4. Tax inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. The Company has open to inspection all applicable taxes for 2020 and subsequent years, except for corporate income tax, which is open to inspection for 2018 and subsequent years, as a result of the tax-related information requested by the Vizcaya Tax Office from certain companies belonging to the consolidated tax group 02415B to which the Company belongs for tax purposes, relating to the years 2018 to 2021.

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

13. Income and expenses

13.1. Revenue

Details of this item of the income statements for 2023 and 2022 are as follows:

Thousands of Euros	2023	2022
Finance income from marketable securities and other financial instruments of Group companies and associates	282,034	166,113
Revenue from services rendered to Group companies and associates	617	445
Total	282,651	166,558

13.2. Finance costs

Details of this item for 2023 and 2022 are as follows:



Thousands of Euros	2023	2022
Interest on payables to Group companies and associates	10,945	5,345
Interest on other payables		
Interest on bonds, obligations and other	271,162	160,651
Other	(75)	—
Total	282,032	165,996

13.3. Change in fair value of financial instruments

Details of this item for 2023 and 2022 are as follows:

Thousands of Euros	2023	2022
Change in fair value of:		
With third parties - Bonds and other marketable securities	(4,981)	590
With Group companies and associates - Loans to companies	4,981	(590)
Total	—	—

13.4. Exchange gains/losses

Exchange gains/losses in 2023 show a net loss of Euros 2 thousand (a net loss of Euros 3 thousand in 2022).

14. Remuneration of senior management

The board of directors carries out the functions of senior management, understood as individuals with the authority and responsibility for planning, management and control of the Company's activities, and note 15 is thus applicable to this note.

15. Remuneration of the board of directors

During the period to which these annual accounts refer, as well as in 2022, the members of the Company's board of directors accrued no remuneration in their capacity as such.

No loans or advances have been extended to the directors, nor is any amount reflected in the balance sheets for 2023 and 2022 in respect of this item from prior years.

In 2023 and 2022 IBERDROLA, as parent of the group of companies to which the Company belongs, assumed the directors' public liability insurance premiums to cover damage or loss incurred in the performance of their duties.

At 31 December 2023 and 2022, the Company has not extended any guarantees to, nor has it assumed any commitments with former or current members of the board of directors in respect of pensions or life insurance, nor has it carried out any transactions with them other than those described in this note.



16. Information required by Article 229 of the Spanish Companies Act

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

17. Related party balances and transactions

All transactions that the Company has carried out with related parties are with its Sole Shareholder, and with the IBERDROLA Group companies Iberdrola Financiación and I-DE.

The transactions detailed below are part of the ordinary business activity and have been carried out under normal market conditions.

17.1. Balances with Group companies and associates

a) Financial balances with Group companies and associates

Loans to Group companies and associates

Details of current and non-current loans to Group companies and associates in the balance sheets at 31 December 2023 and 2022 are as follows:

Thousands of Euros	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Iberdrola, S.A.	575,798	—	575,798	20,598	567,768	588,366
Iberdrola Financiación, S.A.U.	992,126	10,057,844	11,049,970	343,046	9,217,077	9,560,123
I-DE Redes Eléctricas Inteligentes, S.A.U.	—	—	—	99,998	—	99,998
Accrued interest	130,515	—	130,515	96,571	—	96,571
Total	1,698,439	10,057,844	11,756,283	560,213	9,784,845	10,345,058

The transactions above mainly comprise loans extended to various IBERDROLA Group companies for the same amount as debt issues placed on the Euromarket in different currencies. Information on the maturities of loans extended is disclosed in note 8.

Other financial assets with Group companies and associates

Details of the current portion of other financial assets with Group companies and associates at 31 December 2023 and 2022 are as follows:



Thousands of Euros	2023	2022
	Receivable	Receivable
Current		
Iberdrola, S.A.	—	100,209
Finance costs with Iberdrola Financiación, S.A.U.	99,667	—
Total	99,667	100,209

Whenever possible, the IBERDROLA Group centralises a large part of its subsidiaries' cash through mercantile current account contracts and bank sweep accounts. Up until January 2023, the company centralising this cash was the IBERDROLA. On 16 January 2023, IBERDROLA transferred these mercantile current account contracts to Iberdrola Financiación, S.A.U., which comprised balances receivable and payable, and Iberdrola Financiación, S.A.U. assumed responsibility for centralising funds. These balances have no maturity date and bear interest at market rates, which is settled quarterly or annually.

Interest is settled annually, with the applicable interest rates for each quarter being as follows:

- Balances receivable: 3-month EURIBOR + 0.2015%
- Balances payable: 3-month EURIBOR + 0.2015%

Guarantees with Group companies and associates

Thousands of Euros	2023	2022
	Balances payable:	Balances payable:
Current		
Iberdrola, S.A. ⁽¹⁾	1,299	1,031
Total	1,299	1,031

- 1) (1) This amount corresponds to the interest accrued payable on internal guarantees extended by IBERDROLA to the Company each time an issue is placed. The associated finance cost is Euros 7,513 thousand and Euros 5,345 thousand in 2023 and 2022, respectively.

17.2. Related party transactions

The most significant transactions carried out in 2023 and 2022 were as follows:



Thousands of Euros	2023	2022
	Group entities or subsidiaries	Group entities or subsidiaries
Expenses and income		
Finance costs with Iberdrola, S.A.	7,513	5,345
Finance costs with Iberdrola Financiación, S.A.U.	3,432	—
Receipt of services from Iberdrola, S.A.	231	81
Total expenses	11,176	5,426
Finance income from marketable securities and other financial instruments of Group companies and associates		
Iberdrola, S.A.	43,208	50,803
Iberdrola Financiación, S.A.U.	237,742	109,489
I-DE Redes Eléctricas Inteligentes, S.A.U.	1,084	5,821
Revenue from services rendered to Group companies and associates		
Iberdrola, S.A.	30	25
Iberdrola Financiación, S.A.U.	587	415
I-DE Redes Eléctricas Inteligentes, S.A.U.	—	5
Total income	282,651	166,558

18. Audit fees

Details of the fees relating to audit services provided by the auditor (KPMG Auditores, S.L.) in 2023 and 2022 are as follows:

Thousands of Euros	2023	2022
Audit services	41	40
Non-audit services		
Other services (*)	21	40
Total	62	80

(*) Correspond to comfort letters for debt issues and programme renewal.



19. Events after the reporting period

The most significant events after the reporting period were as follows:

In January 2024 the Company set the price and terms and conditions of a Euros 700,000 thousand issue of perpetual subordinated bonds with the subordinated guarantee of Iberdrola, S.A. The issue is structured in a single tranche and the unit face value of each bond is Euros 100,000, and will be issued at a price equivalent to 99.997% of their face value.

The bonds will accrue interest at a fixed annual coupon of 4.871%, from the date of issue (inclusive) until (but excluding) 16 April 2031 payable on a yearly basis.

As of the first review date (inclusive), the bonds will accrue interest at a rate equal to the applicable five-year swap rate plus an annual spread of:

- 2.281% over five years following the first review date;
- 2.531% over each of the five-year review periods commencing on 16 April 2036, 16 April 2041 and 16 April 2046; and
- 3.281 % over the subsequent five-year review periods.

The issuer will have the option to defer the payment of interest on the bonds without incurring a breach. Such deferred interest will accrue and must be paid under certain circumstances defined in the terms and conditions of the bonds.

The issuer may also redeem the bonds on certain specific dates or under certain circumstances envisaged in the terms and conditions of the bonds.

The issue was closed and disbursed on 16 January 2024.

Similarly, the Company entered into a loan agreement with the Group company Iberdrola Financiación for an amount of Euros 700,000 thousand with identical conditions to the above issue, with the exception of the fixed annual interest rate, which is 7 basis points higher.



2023 Directors' report

1. Significant events for 2023

1.1 Key indicators of the income statement

Revenues in 2023 amounted to Euros 282,651 thousand, of which Euros 282,034 thousand derived from interest accrued on loans extended to Group companies and associates and Euros 617 thousand to the provision of financial support services.

Operating expenses totalled Euros 397 thousand.

Net finance cost amounted to Euros 282,018 thousand, mainly on account of interest accrued on bonds and other marketable securities.

The Company made a pre-tax profit of Euros 236 thousand, while the income tax expense totalled Euros 294 thousand, resulting in a net profit of Euros 530 thousand for the period compared to a profit of Euros 11,622 thousand in 2022.

1.2 Compliance with article 262.1 of the Spanish Companies Act in relation to the average payment period to suppliers

As disclosed in note 11, the Company's average supplier payment period was 32 days in 2023 (shorter than the 60-day maximum payment period provided for by law).

2. Business performance

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

Since December 2016, the Company has provided all the financing obtained on the debt markets to Iberdrola Financiación, S.A.U. (hereinafter, "Iberdrola Financiación") a wholly-owned subsidiary of Iberdrola, S.A. (hereinafter, and interchangeably, the "Sole Shareholder" or "IBERDROLA").

The Company also continues to provide a portion of the financing obtained on the debt markets prior to December 2016 to IBERDROLA.

During 2023, the Company continued to service the debt of existing bond issues as well as place new issues.



On 1 June 2023 the Company updated its Euro Medium Term Notes Programme (“EMTN”), valid for a year and whereby it may again issue straight bonds, and may now also issue subordinated bonds, both listed on the Luxembourg Stock Exchange.

3. Main risk factors associated with the Company’s activities

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

The IBERDROLA Group is exposed to certain inherent financial market risks due to the different countries and sectors where it operates, as well as its activities, that can prevent the Company from achieving its objectives and executing its strategies successfully.

In particular, the IBERDROLA Group’s financing and financial risk policy and corporate credit risk policy, approved by the IBERDROLA Group’s board of directors, identify the risk factors which may affect the Company. The Company has an organisation and systems that enable it to identify, measure and manage the financial risks to which it is exposed.

4. Environmental issues

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

5. Outlook for 2024

Company activity for 2024 will focus on placing issues under its EMTN programme and lending the funds obtained to Iberdrola Financiación, as well as servicing the debt of existing bond issues.

6. Research and development activities

The Company did not incur any research and development expenses during the year.

7. Own shares and capital reduction

The Company does not hold any own shares at 31 December 2023.

8. Financial derivatives and hedging transactions

The Company has no derivative financial instruments at 31 December 2023.



9. Events after the reporting period

Events after the reporting period are disclosed in note 19 to the annual accounts.



Proposed distribution of profit

The board of directors of the Company plans to submit for approval to the Sole Shareholder the following distribution of 2023 profit:

Thousands of Euros	2023
Basis of allocation:	
Profit for 2023	530
Total	530
Distribution:	
Legal reserve	53
Other reserves	477
Total	530



Authorisation for issue

Annual accounts, directors' report and proposal for distribution of profit of IBERDROLA FINANZAS, S.A.U. for the year 1 January 2023 to 31 December 2023, authorised for issue by the board of directors.

Jesús Martínez Pérez
Director

Diego Fernández Molina
Director

Guillermo Colino Salazar
Director

Daniel Alcain López
Director

Rosario Baquero Alonso, Secretary to the Company's board of directors, certifies that the above signatures of the Company's directors have been provided in her presence and that this document comprises the annual accounts, directors' report and the proposal for distribution of profit of the Company for 2023. This documentation has been authorised for issue by the Company's board of directors at a meeting held on the aforementioned date and therefore within the period stipulated by article 253.1 of the Revised Spanish Companies Act and is included on 43 sheets of paper, printed on one side.

Bilbao, 20 March 2024