



Auditor's Report on Elisandra Spain IV, S.L.

(Together with the consolidated annual accounts
and consolidated directors' report of Elisandra
Spain IV, S.L. for the year ended 31.12.2024)

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



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
24046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of Elisandra Spain IV, S.L.

Opinion

We have audited the consolidated annual accounts of Elisandra Spain IV, S.L. and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2024, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. 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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recoverable amount of property, plant and equipment and intangible assets (See notes 3.3, 3.6.2, 3.6.3, 3.6.4, 3.6.5, 5 and 6)

At 31 December 2024 the Group has property, plant and equipment and other intangible assets whose net book value is Euros 299,420 thousand, and Euros 1,581,410 thousand, respectively. The Group tests annually the recoverable amount of property, plant and equipment and the rest of the intangible assets. These recoverable amounts, estimated by determining the value in use are calculated by applying valuation techniques that require the exercising of judgement by the Directors and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of these assets, this has been considered a relevant aspect of our audit.

Our audit procedures included evaluating the design and implementation of key controls related to the process of estimating the recoverable amount of property, plant and equipment and intangible assets, including goodwill, and assessing the criteria used by the Directors to identify indications of impairment. Furthermore, we evaluated the methodology and reasonableness of the key assumptions used when estimating the recoverable amount, involving our valuation specialists. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Recoverability of deferred tax assets (See notes 3.3, 3.6.12 and 16)

The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with the recovery thereof, this matter has been considered a relevant aspect of the audit.

Our audit procedures included assessing the design and implementation of controls over the recognition and valuation of the deferred tax assets, and evaluating the key assumptions used to estimate the Group's future taxable profits. We also assessed the sufficiency of future taxable profits to offset deferred tax assets within the time limit established in the financial reporting framework applicable to the Group. We also assessed whether the disclosures included in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.



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Tax inspections and tax contingencies (See notes 3.3, 16 and 22)

As mentioned in note 22 to the consolidated annual accounts, the Group has certain tax contingencies derived from the tax inspections carried out by the taxation authorities for corporate income tax. The identification and evaluation of potential tax risks requires significant judgements by the Directors in relation to, inter alia, their probability of occurrence and their quantification for the purpose of recognition and disclosure in the consolidated annual accounts, where applicable, in accordance with the requirements of the financial reporting framework applicable to the Group. Due to the high degree of judgment, the significance of the contingencies and the unpredictability of the final result, this has been considered a relevant aspect in our audit.

As part of our procedures and in the context of our audit of the consolidated annual accounts, we have obtained confirmation from the Group's external tax advisors that provides an assessment of the Group's tax risks deriving from the aforementioned tax inspections. We also used our own specialists to complete our assessment of the arguments put forward by the Group and its advisors regarding the tax inspections. Likewise, we have evaluated whether the information disclosed in the notes to the consolidated annual accounts in this regard is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Other Information: Directors' Report _____

Other information solely comprises the 2024 Directors' Report, the preparation of which is the responsibility of the Group's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated 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 director's report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the director's report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the director's report is consistent with that disclosed in the consolidated annual accounts for 2024 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibilities for the Consolidated Annual Accounts _____

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



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In preparing the consolidated annual accounts, the Directors are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



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- Planned and performed the Group audit to obtain sufficient appropriate evidence regarding the financial information of the Group's entities or business units as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the work performed for the purposes of the Group audit. We are solely responsible for our audit opinion.

We communicate with the Group's Directors 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.

From the significant risks communicated to the Directors of Elisandra Spain IV, S.L., we determine those that were of most significance in the audit of the consolidated 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)

Juan Ignacio Fernández Pérez
On the Spanish Official Register of Auditors ("ROAC") with No. 23.906

31 March 2025

**ELISANDRA SPAIN IV, S.L.
AND SUBSIDIARIES COMPANIES**

**Audit report and Consolidated annual accounts
and Consolidated Directors report corresponding to the fiscal
year ended on December 31st 2024**

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FISCAL YEAR ENDED ON DECEMBER 31st 2024

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ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED BALANCE SHEET AT DECEMBER 31st 2024 (Thousand Euros)

ASSETS	Notes	31/12/2024	31/12/2023
NON-CURRENT ASSETS		1,897,818	1,916,830
Intangible assets	5	1,581,410	1,581,381
Administrative authorizations		1,573,174	1,573,156
Intangible assets in progress		160	573
Computer applications		1,706	1,841
Other intangible assets		6,370	5,811
Property, plant and equipment	6	299,420	317,813
Land and buildings		1,518	1,557
Technical facilities and another material assets		289,036	295,927
Assets under construction		8,866	20,329
Investments in group companies and associates long-term		17	49
Equity instruments		17	49
Long-term financial investments	7,8	2,665	3,305
Credits to third parties		274	457
Derivatives	23	912	1,443
Other financial assets		1,479	1,405
Deferred tax assets	16	14,306	14,282
CURRENT ASSETS		175,053	122,554
Inventories.	9	3,028	2,164
Commercial		3,028	2,164
Trade and other receivables		42,588	46,922
Customers for sales and services	7,8	12,569	13,974
Receivables from group companies	7,8,19	-	1,630
Debtors	7,8	23,986	25,340
Personnel	7,8	23	18
Other credits with Public Administrations	16	6,010	5,960
Short-term accruals		829	511
Short-term financial investments	7,8	2,032	2,907
Credits to third parties		157	190
Derivatives	23	1,241	2,680
Other financial assets		634	37
Cash and cash equivalents	10	126,576	70,050
Treasury		46,576	70,050
Other equivalent cash assets		80,000	-
TOTAL ASSETS		2,072,871	2,039,384

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED BALANCE SHEET DECEMBER AT 31st 2024 (Thousand euros)

EQUITY AND LIABILITIES	Notes	31/12/2024	31/12/2023
EQUITY		788,273	752,012
Capital	11	90	64,326
Share capital		90	64,326
Share premium	11	579,932	581,992
Reserves	12	167,962	60,820
Negative results from previous years		(815)	(2,117)
Other partner contributions		6	6
Profit/(loss) for the year	13	39,721	44,269
Adjustments for changes in value		1,377	2,716
NON-CURRENT LIABILITIES		952,754	1,244,152
Non-current provisions	15	4,692	4,098
Employee defined benefit liabilities		2,745	2,077
Other provisions		1,947	2,021
Long-term debts	7,14	598,313	899,129
Bonds		373,275	672,573
Bank borrowings		223,351	224,663
Other non-current liabilities		1,687	1,893
Deferred income	15	23,200	23,475
Deferred tax liabilities	16	326,549	317,450
CURRENT LIABILITIES		331,844	43,220
Current provisions	15	1,249	1,146
Short-term debts	7,14	312,761	12,719
Bonds		309,974	10,039
Bank borrowings		2,301	2,150
Other current liabilities		486	530
Trade and other payables		17,834	29,355
Suppliers	7,14	11,804	14,165
Creditors	7,14	4	12,689
Employee (remuneration payable)	7,14	1,748	1,518
Current income tax liabilities	16	3,407	476
Other debts with the Public Administrations	16	871	507
TOTAL EQUITY AND LIABILITIES		2,072,871	2,039,384

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED INCOME STATEMENT CORRESPONDING TO THE FISCAL YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

CONTINUING OPERATIONS	Notes	31/12/2024	31/12/2023
Revenues	17	153,299	155,309
Rendering of services		153,299	155,309
Procurements	17	(10,314)	(13,453)
Raw materials and consumables		(10,314)	(13,453)
Work carried out by the company for assets		1,551	1,658
Other operating income		-	1,630
Staff costs	17	(12,445)	(10,924)
Salaries, wages		(9,667)	(8,117)
Social charges		(2,778)	(2,807)
Other operating expenses		(21,011)	(21,335)
External services	17	(18,441)	(18,843)
Tributes	17	(2,502)	(2,511)
Losses, impairment and changes in provisions for commercial operations	8	(48)	7
Other current management costs		(20)	12
Amortisation and depreciation	5,6	(31,006)	(31,244)
Impairment and gains/(losses) on disposal of fixed assets	5,6	(551)	(1,161)
Other results	17	(3,545)	(754)
Release of non-financial fixed asset grants and other		1,186	1,133
Income (loss) from equity method similar activity		(32)	(1)
OPERATING PROFIT/(LOSS)		77,132	80,858
Financial income	17	2,948	667
From marketable securities and other financial instruments		2,948	667
From third parties		2,948	667
Financial costs	17	(26,797)	(22,863)
For debts with third parties		(26,797)	(22,863)
Impairment losses and income from disposal of financial instrument		19	(44)
Change in fair value of financial instruments		(184)	-
NET FINANCIAL INCOME/(EXPENSE)		(24,014)	(22,240)
PROFIT/(LOSS) BEFORE INCOME TAX		53,118	58,618
Income tax	16	(13,397)	(14,349)
PROFIT/(LOSS) FOR THE PERIOD		39,721	44,269
Result attributable to:			
Equity holder of the Parent:		39,753	44,270
Non-controlling interests:		(32)	(1)

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE FISCAL YEAR ENDED ON DECEMBER 31st 2024

(Thousand euros)

A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31/12/2024	31/12/2023
Consolidated profit for the period:	13	39,721	44,269
Other global results:			
Items that will not be reclassified to profit or loss			
On cash-flow hedges		964	(2,619)
On actuarial gains and losses	12	(82)	(84)
Tax effect		(241)	655
		641	(2,048)
Losses that may subsequently be reclassified to profit or loss			
On cash-flow hedges		(2,749)	(2,077)
Tax effect		687	519
		(2,062)	(1,558)
Total consolidated comprehensive income for the period:		38,300	40,663
Attributable to:			
- Equity holders of the Parent:		38,332	40,664
- Non-controlling interests:		(32)	(1)

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE FISCAL YEAR ENDED ON DECEMBER 31st 2024
(Thousand euros)

B) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent								Total	Dominant holdings	Total equity
	Share capital	Share premium	Legal reserve	Other reserves	Negative results from previous years	Other partner contributions	Accumulated profits	Adjustments for changes in value			
Balance at 31 December 2022	64,326	581,992	5,186	(11,530)	(59)	6	65,188	6,238	711,347	-	711,347
Consolidated profit or loss for the year	-	-	-	-	-	-	44,269	(3,522)	40,747	-	40,747
Other global profit or loss for the year	-	-	-	(84)	-	-	-	-	(84)	-	(84)
Total consolidated comprehensive income	-	-	-	(84)	-	-	44,269	(3,522)	40,663	-	40,663
Operations with shareholders or owners											
- Dividends	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity											
- Distribution of results	-	-	-	65,188	-	-	(65,188)	-	-	-	-
- Other variations	-	-	-	2,058	(2,058)	-	-	-	-	-	-
-Other	-	-	-	2	-	-	-	-	2	-	2
Balance at 31 December 2023	64,326	581,992	5,186	55,634	(2,117)	6	44,269	2,716	752,012	-	752,012
Consolidated profit or loss for the year	-	-	-	-	-	-	39,721	(1,339)	38,382	-	38,382
Other global profit or loss for the year	-	-	-	(82)	-	-	-	-	(82)	-	(82)
Total consolidated comprehensive income	-	-	-	(82)	-	-	39,721	(1,339)	38,300	-	38,300
Operations with shareholders or owners											
- Capital reduction	(64,262)	-	-	64,262	-	-	-	-	-	-	-
-Capital increase	26	-	-	-	-	-	-	-	26	-	26
- Dividends	-	(2,060)	-	-	-	-	-	-	(2,060)	-	(2,060)
Other changes in equity											
- Distribution of results	-	-	-	44,269	-	-	(44,269)	-	-	-	-
- Other variations	-	-	-	(1,302)	1,302	-	-	-	-	-	-
-Other	-	-	-	(5)	-	-	-	-	(5)	-	(5)
Balance at 31 December 2024	90	579,932	5,186	162,776	(815)	6	39,721	1,377	788,273	-	788,273

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand of euros)

	Notes	31/12/2024	31/12/2023
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit/(loss) for the period before income tax		53,118	58,618
2. Adjustments for:		55,578	52,967
Amortisation and depreciation (+)	5,6	31,006	31,244
Impairment adjustments (+/-)		(340)	1,204
Change in provisions (+/-)		1,113	(84)
Allocation of grants		(1,186)	(1,133)
Results from disposals of fixed assets		920	(6)
Financial income (-)		(2,948)	(667)
Financial expenses (+)		26,797	22,863
Change in fair value of financial instruments		184	(454)
Other incomes and expenses		32	-
3. Changes in working capital		(12,142)	(11,951)
Inventories (+/-)		245	992
Trade and other receivables (+/-)		3,971	(12,615)
Other current assets (+/-)		(280)	57
Creditors and other payables (+/-)		(14,721)	802
Other non-current assets and liabilities (+/-)		(1,357)	(1,187)
4. Other cash flow from operating activities		(25,017)	(24,568)
Interest paid (-)		(26,831)	(21,308)
Interest Collection (+)		2,346	667
Income tax (paid)/received (+/-)		(532)	(3,927)
A) Cash Flow from operating activities (+/-1+/-2+/-3+/-4)		71,537	75,066
B) CASH FLOW FROM INVESTING ACTIVITIES			
6. Amount paid on investments (-)		(13,191)	(13,929)
Group and associates companies		-	(50)
Intangible assets	5	(1,790)	(1,968)
Property, plant and equipment	6	(11,401)	(11,911)
7. Amounts collected from divestments (+)		236	116
Property, plant and equipment	6	108	6
Other financial assets		128	110
B) Cash flow from investing activities (7-6)		(12,955)	(13,813)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Amounts collected from grants		701	927
Issuance of equity instruments		26	-
Grants		675	927
10. Collections and payments financial liability		(697)	(20,791)
Emission:			
Debts with credit institutions		-	-
Repayment and amortization of			
Bond		-	-
Debts with credit institutions		(330)	(20,448)
IFRS 16 Liability Payments		(367)	(343)
11. Dividend payments		(2,060)	-
Distribution share premium and reserves	11	(2,060)	-
C) Cash flow from financing activities		(2,056)	(19,864)
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS		56,526	41,389
Cash and cash equivalents at the beginning of the period		70,050	28,661
Cash and cash equivalents at the end of the period		126,576	70,050

Notes 1 to 24 of the accompanying consolidated report form an integral part of these consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

1. General information

1.1 Parent Company

Elisandra Spain IV, S.L. the Parent Company of the Group, which is comprised of Elisandra Spain IV, S.L., Elisandra Spain V, S.L.U., Madrileña Red de Gas, S.A.U., Madrileña Red de Gas Finance, B.V., Aliara GLP, S.L.U., Aliara Energía S.A.U. and e Inspira Madrid Hidrógeno Verde, S.L (hereinafter referred to as the Group/Madrileña Group).

For the purposes of preparing the consolidated annual accounts, it is understood that a group exists when the parent has one or more dependent entities, these being over which the parent has control, either directly or indirectly. The principles applied in the preparation of the consolidated annual accounts of the Group Madrileña are detailed in Note 3.

Constitution and activity of the parent Company

Elisandra Spain IV, S.L (hereinafter referred to as the Parent Company) is a limited company incorporated on March 4th 2015, its first financial year being between March 4 and June 30th 2015.

The parent company, as of its date of incorporation, was controlled by Intertrust, S.L.U. Company domiciled in Spain which held 100% of the shares.

On April 29th 2015, Intertrust sold to JCSS Mike S.A.R.L., Stichting Depositary PGGM Infrastructure Funds and Realgaz, S.A.S (previously called C41 SAS), 100% of the Company's shares, leaving it as a sole shareholder and leaving its shareholding structure as follows:

- JCSS Mike S.À.R.L. acquires 41.25% of the shares.
- Stichting Depositary PGGM Infrastructure Funds acquires the 33.75% of the shares.
- Realgaz S.A.S (previously called C41 SAS) acquires 25.00% of the shares.

On March 9th 2016, the purchase and sale of shares was approved between JCSS Mike S.À.R.L. and Realgaz S.A.S (previously called C41 SAS) as vendors and Lancashire County Pension Fund as buyer.

On July 25th, 2017, The General Meeting of Shareholders approved the transfer of the shareholdings held by Lancashire County Pension Fund, representing 12.50% of the share capital of Elisandra Spain IV, S.L to LPPI Infrastructure Investment LP. By October 2017 Lancashire County Pension Fund had contributed its 12.5% stake in the company to the pooled investments vehicle, LPPI Infrastructure Investments LP, which is owned by it and the London Pension Fund Authority.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On December 31st, 2024 and 2023 the shareholding structure of the Company is as follows respect to Class A shares:

Partner	31.12.2024	31.12.2023
JCSS Mike S.À.R.L	33.75%	33.75%
Stichting Depositary PGGM Infrastructure Funds	33.75%	33.75%
Realgaz SAS (previously called C41 S.A.S)	20.00%	20.00%
LPPI Infrastructure Investment LP	12.50%	12.50%
	100%	100%

On December 31st, 2024 and 2023 the shareholding structure of the Company is as follows respect to Class B shares:

Partner	31.12.2024	31.12.2023
JCSS Mike S.À.R.L	-	-
Stichting Depositary PGGM Infrastructure Funds	50.95%	-
Realgaz SAS (previously called C41 S.A.S)	30.19%	-
LPPI Infrastructure Investment LP	18.86%	-
	100%	-

Its current registered office is at the Centro Empresarial Arco, Calle Virgilio n ° 2-B Edificio 1, 28223 Pozuelo de Alarcón (Madrid) since July 21st 2015.

The Parent Company has as its corporate purpose the following activities:

1. The acquisition, possession, enjoyment, exploitation, management, temporary assignment, lease and sale of full ownership, usufruct and bare legal title to any kind of real estate in Spain and / or abroad.
2. The acquisition, possession, enjoyment and management of securities and / or shares representing the own funds of companies or entities incorporated in the Spanish territory, being able to carry out all kinds of personal investment.
3. The management and administration of securities representing the equity of entities not resident in Spanish territory, through the corresponding organization of material and personal means.
4. The operation, management and maintenance of road and transport infrastructures and communication.
5. The provision to third parties of consulting and advisory services relating to any of the aforementioned activities.

1.2 Dependent companies:

Subsidiaries and information relating thereto are as follows:

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Elisandra Spain V, S.L.U.

Elisandra Spain V, S.L.U. (hereinafter referred to as Elisandra V) is a limited liability company incorporated on March 4th 2015, and its current registered office is at Centro Empresarial Arco, Virgilio street n. 2-B Edificio 1, 28223 Pozuelo de Alarcón (Madrid) since July 21st 2015.

Elisandra V's corporate purposes are as follows:

- The acquisition, possession, enjoyment, exploitation, management, temporary assignment, lease and sale of full ownership, usufruct and bare legal title to any kind of real estate in Spain and / or abroad.
- The acquisition, possession, enjoyment and administration and management of securities and / or shares representing the own funds of companies or entities incorporated in the Spanish territory, being able to carry out all kinds of personal investment.
- The management and administration of securities representing the equity of entities not resident in Spanish territory, through the corresponding organization of material and personal means.
- The operation, management and maintenance of road, transport and communication infrastructures.
- The provision to third parties of consulting and advisory services relating to any of the aforementioned activities.

The activity of Elisandra V is a holding company.

The current fiscal year to Elisandra Spain V comprises the period between 1st of January and 31st of December 2024.

Madrileña Red de Gas, S.A.U.

Madrileña Red de Gas, S.A.U. (hereinafter referred to as Madrileña Red de Gas and / or MRG) is a Spanish public limited liability company that was incorporated on July 3rd, 2009 under the registered name of GEM Servicios Comunes 2, S.L. The Company subsequently changed its registered name to Madrileña Servicios Comunes, S.L.U. on February 15th, 2010, and then to its current name as a result of merger through absorption with Madrileña Red de Gas, S.A.U. on June 30th, 2011.

Its current registered and tax address is at "Centro Empresarial Arco, calle Virgilio n° 2-B Edificio 1, 28223 Pozuelo de Alarcón (Madrid)".

MRG's corporate purpose is the distribution and secondary transport activities of natural gas, as well as the distribution and sale of liquefied petroleum gases by pipeline. The activity of the corporate purpose may be developed, totally or partially indirectly through ownership of shares or shares in companies with identical or similar object in accordance with the regulations of the hydrocarbons sector.

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The current fiscal year to MRG comprises the period between 1st of January and 31st of December 2024.

Aliara Energía, S.A.U.

Aliara Energía, S.A.U. (hereinafter referred to as Aliara) was incorporated as a joint stock company by public deed granted on January 12th 2015 for an indefinite period, with registered office located at Centro Empresarial Arco, Calle Virgilio 2-B, Edificio 1, Pozuelo de Alarcón (Madrid).

Its corporate purpose is described in article 2 of its bylaws and consists as follows:

- Implementation, maintenance, operation and management of energy facilities for the transformation of primary energy or energy sources into useful final energy, and the sale of this transformed useful energy;
- Provision of energy services including the carrying out of energy audits, the planning and development of projects to improve the energy efficiency of installations or the use of renewable energy sources;
- Development and maintenance of facilities with the aim of improving their energy efficiency, as well as their financing;
- Provision of services related to the use of natural gas and natural gas installations and equipment as energy in the gaseous (NG), liquefied (LNG), compressed or vehicular (CNG) state, by executing, maintaining, operating, exploiting and managing them, as well as their financing, and the services, inter alia, for the inspection of installations and apparatus for the use of natural gas, and for the reading of meters.
- Provision of accounting, tax, administrative and advisory services in general to the companies that make up its group, to commercial companies in which it participates and to third parties.

The activities carried out by Aliara are not regulated.

The current fiscal year to Aliara Energía comprises the period between 1st of January and 31st of December 2024.

Madrileña Red de Gas Finance B.V.

Madrileña Red de Gas Finance B.V. (hereinafter referred to as MRG Finance) is a company incorporated on June 20th 2012, with its registered office at Overschiestraat 65, 1062XD Amsterdam,, The Netherlands.

MRG Finance was incorporated under the laws of the Netherlands as a private company ('Besloten Vennootschap') with limited liability for notarial deed under the name of MSIP Paradise BV. On July 5th 2013, it changed its name to Madrileña Red de Gas Finance B.V.

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MRG Finance has as its corporate purpose activities related to the investment and application of funds obtained in shares, bonds, bank deposits, repurchase agreements, loans, debt instruments, guarantees and other securities, financial instruments, contracts and financial derivatives, or entities of the group, for their own account and / or as depository in third party account.

MRG Finance issued bonds in previous years in the Luxembourg Stock Exchange for an amount of 675 million euros (Note 14.a).

The financial year of MRG Finance comprises the period between 1st of January and 31st of December 2024.

Aliara GLP, S.L.U

Aliara GLP, S.L.U (hereinafter referred to as Aliara GLP) was incorporated as limited company by public deed granted on November 29th 2021 for an indefinite period, with registered office located at Centro Empresarial Arco, Calle Virgilio 2-B, Edificio 1, Pozuelo de Alarcón (Madrid).

Its corporate purpose is described in article 2 of its bylaws and consists as follows:

- Storage, mixing, transportation and retail sale of bulk liquefied petroleum gases (LPG), as well as the distribution and sale of liquefied petroleum gases by pipeline.
- Construction, operation and maintenance of storage facilities, pipeline distribution and reception facilities for supply to final consumers, including supply to vehicles, as well as provision of services by mandate, commission, lease or other form admitted by law, related with the LPG installations, including the maintenance service.

The current fiscal year to Aliara GLP comprises the period between 1st of January and 31st of December 2024.

Inspira Madrid Hidrógeno Verde, S.L (Company accounted for by the equity method)

Inspira Madrid Hidrógeno Verde, S.L (hereinafter referred to as Inspira) was incorporated as limited company by public deed granted on October 31st 2023 for an indefinite period, with registered office located at street María de Molina, 40, 5^a planta (Madrid).

Its corporate purpose is described in the articles of incorporation and consists of:

- The development and promotion of energy projects. The purchase, sale, import, export, distribution, supply and commercialization of the necessary equipment for gas production, as well as any other activities related to the production, purchase and sale of energy.

The current fiscal year to Inspira Madrid comprises the period between 1st of January and 31st of December 2024.

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2. Regulatory framework

Main characteristics of the Spanish gas sector

The Spanish gas sector is regulated by Law 34/1998, of October 7th on the hydrocarbons sector, amended by Law 12/2007, of July 2nd, Royal Decree-Law 13/2012 and Law 18/2015 of May 21st, as well as Law 18/2014 of October 15th, and by its enabling regulations, the most relevant being Royal Decree 1434/2002, of December 27th, Royal Decree 949/2001, of August 3rd and Royal Decree 984/2015, of October 30th.

The Ministry of the Ecological Transition and Demographic Challenge, (previously Ministry of the Ecological Transition), is the competent organization responsible for the regulation of the gas and electricity industries, while the National Markets and Competition Commission (CNMC) is the regulatory authority in charge of maintaining and ensuring effective competition and transparent functioning of the Spanish energy industries. Prior to the publication of Law 3/2013 of June 4th, these functions were performed by the National Energy Commission (CNE), which was later integrated into the CNMC. The Ministries belonging to the Regional Governments also have competencies in legislative enactment and regulatory powers.

Royal Decree Law 1/2019, of 11th January, on urgent measures to bring the competencies of the National Commission on Markets and Competition into line with the requirements of Community Law with respect to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, on the common rules for the internal market in electricity and natural gas, amended Law 3/2013, of 4 June, on the creation of the National Commission on Markets and Competition; Law 34/1998, of 7th October, on the hydrocarbon sector; Law 24/2013, of 26 December, on the Electricity Sector; and Law 18/2014, of 15th October, approving urgent measures for growth, competition and efficiency.

With respect to the aspects subject to amendment, first of all, a mechanism is brought in to ensure consistency in the exercise of the competencies pertaining to the regulator with exclusive competence on the basis of the energy scheme that article 149.1.25.^a of the Spanish Constitution attributes to Central Government, defining for such purposes a procedure which, in any event, guarantees the independence of the regulatory authority in approving legislative circulars, while foreseeing a prior reconciliation arrangement in order to attempt to deliver a mutually agreed solution in the event of discrepancy. In this way, the rule envisages that prior to the start of processing of the National Commission on Markets and Competition's legislative circulars, the Government, through an order of the Ministry of Ecological Transition, may establish the energy policy guidelines to be taken into account in the circular that is approved by the National Commission on Markets and the Competition. In such cases, and prior to the approval of the legislative circular, the Ministry of Ecological Transition may issue a report on the consistency of the proposal with such guidelines. In the event of discrepancies between the parties, a Cooperation Committee will be formed in order to seek an understanding between the both parties.

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If there are no discrepancies or if there are, an understanding has been reached between the parties, the legislative circulars approved by the National Commission on Markets and the Competition will state that they are adopted «in accordance with the energy policy guidelines of the Ministry of Ecological Transition ». Otherwise, they will indicate that they are adopted «having heard the Ministry of Ecological Transition ».

Second, with respect to the remuneration of gas and electricity transport and distribution activities and of liquefied natural gas plants (except for underground natural gas storage facilities), the rule specifies that the National Commission on Markets and Competition will approve the methodology, the remuneration parameters, the asset regulatory base and the annual remuneration of the activity. In any event, the financial remuneration rate may not exceed the threshold established by Law for the regulatory period. For electricity and natural gas network access tolls, it is established that apart from the toll methodology, the regulatory authority will approve their structure and specific values, with the Ministry of Ecological Transition being tasked with approving the structure of the charges, methodology and values.

Third, in relation to the terms of access and connection to the electricity and natural gas transport and distribution network, the National Commission on Markets and the Competition will be tasked with approving the methodology and conditions of access and connection that will comprise the economic criteria, and with assessing capacity, reasons for rejection, content of the requests, permits and contracts and the obligations of publicity and transparency regarding relevant access and connection information.

Fourth, the National Commission on Markets and Competition will be tasked with regulating the rules on the functioning of organised markets in terms of their regulated component in those aspects approval of which pertains to the national regulatory authority, in accordance with European Community law. In preparing the legislative circulars relating to the remuneration of regulated activities, network access tolls and access and connection terms and conditions and the rules on the functioning of organised markets, the National Commission on Markets and the Competition should take into account the energy policy guidelines that have been defined by the Ministry of Ecological Transition.

Fifth, the new regulation provides that the remuneration of the electricity system operator and gas system technical manager will be that established by the National Commission on Markets and the Competition, it clarifies the control function with respect to the transport network investment plans and re-defines the distribution of competencies under the disciplinary and inspection regime, in line with the function changes brought in.

Finally, it establishes a transitional regime for all the changes that are brought in, in order to ensure an orderly transfer of functions and that the legal certainty of the sector players is not affected.

The National Markets and Competition Commission (CNMC) published the calendar of regulatory Circulars scheduled for processing in 2024 on January 17th, 2024. Subsequently, on April 19th, 2024, the CNMC approved an update of this calendar. So far, none of the circulars related to the gas sector included in the 2024 calendar have been definitively approved. The published modifications remain in intermediate stages of the regulatory process. On the other hand, on December 30th, 2024, the CNMC published the calendar of regulatory Circulars that may have an impact on aspects of energy policy that are expected to be processed in 2025.

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Furthermore, the Technical Manager of the System, Enagás, S.A., is responsible for the appropriate functioning and coordination of the gas system. Law 12/2007 of July 2nd limits the shareholding in Enagás, S.A. to a maximum of 5% of its share capital, voting rights to 3% in general, and to 1% for participants in gas activities, and, in any event, the sum of the interest of the shareholders undertaking activities in the gas sector cannot exceed 40%.

The National Markets and Competition Commission published a Resolution of September 28th, 2023, which establishes the amount of remuneration for the technical manager of the system for 2024 and the fee for its financing

On September 12th, 2024, the CNMC approved the Resolution establishing the amount of remuneration of the technical manager of the gas system and the fee for its financing in the gas year 2025. This resolution details the remuneration assigned to the technical manager of the gas system and establishes the fee that companies in the sector must contribute for its financing during the gas year from October 1st, 2024 to September 30th, 2025.

In general, the Spanish gas sector has the following main characteristics:

- It is an industry in which regulated and unregulated activities coexist. The regulated activities consist of transport, regasification, storage and distribution of natural gas. The non-regulated activities comprise production, supply and retailing of natural gas.
- The natural gas sector is entirely dependent on foreign supplies of natural gas, which represent almost 99.9% of the natural gas supply in Spain.
- Under EU legislation (Directives 2003/55/CE of June 26th, and 2009/73/UE of July 13th), the supply of natural gas in Spain is totally de-regulated, and all Spanish consumers can freely choose their natural gas provider as of January 1st 2003. The deregulation procedure for the industry has been reinforced substantially by the disappearance, as of July 1st 2008, of the bundled tariff of distribution companies and the subsequent right of consumers to participate in the deregulated market (although as indicated further below a tariff of last resort has been maintained for consumers of lower consumption).

European regulations for energy transition in the gas sector

On July 15th, 2024, Regulation (EU) 2024/1789 concerning the internal markets for renewable gas, natural gas and hydrogen and Directive (EU) 2024/1788 concerning common rules for the internal markets for renewable gas, natural gas and hydrogen were published in the Official Journal of the European Union. Both documents are part of the so-called Gas Package.

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The main objectives of this regulatory framework are, among others, to facilitate the penetration of renewable gases, integrate hydrogen into the energy system, update the rules for access to the natural gas and hydrogen networks and contribute to the decarbonization and energy transition of the European Union. The Regulation, of direct application, will be fully enforceable as of February 5th, 2025, although its entry into force occurred 20 days after its publication. In 2024, Spain initiated actions to adapt its regulatory framework to these provisions, including a prior public consultation between September and October, aimed at gathering proposals for the transposition of the Directive and the adaptation of the Regulation.

This regulatory package represents a central element in the modernization and adaptation of the European energy system, promoting the transition to a more sustainable and efficient model, aligned with the European Union's decarbonization objectives.

Regulation of natural gas activities in Spain

The natural gas activities are divided into: 1) regulated activities: transport, storage, regasification and natural gas distribution; and 2) non-regulated activities: production, supply and commercialization of natural gas.

2.1 Regulated activities

Regulated activities are characterized by:

- *Need for prior government authorization:* The undertaking of regulated activities requires prior regulated administrative authorization. In order to obtain this authorization, the applicant must demonstrate its legal, technical and economic capacity to exercise this activity. This authorization creates a legal monopoly for the regulated activity in a predetermined territory.
- *Remuneration established by legislation:* The general directives that set the remuneration for these activities are governed by Law 18/2014 of October 15th and Royal Decree 949/2001 of August 3rd, while the specific remuneration to be received is updated annually by ministerial order.

Thus, the remuneration framework incentivizes the further development of the network infrastructure while allowing companies to recover investments made in the network and the operating costs incurred in undertaking regulated activities.

The regulatory framework for the natural gas industry in Spain has a procedure for settlement compensation amongst companies in the sector for net billing of gas acquisition and other costs, so that each company receives the appropriate remuneration for their regulated activities.

- *Subjection to specific obligations:* The carrying out of regulated activities is subject to specific obligations to ensure the development of competition in retailing. The two main obligations in this sense consist of permitting access by third parties to the transport and distribution pipelines (including regasification and storage) and the obligation to keep the regulated and non-regulated activities separate.

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Circular 8/2019 of December 12th, the National Markets and Competition Commission, which establishes the methodology and conditions of access and capacity allocation in the natural gas system, amended by Circular 9/2021 of December 15th, which establishes the methodology and conditions for access and allocation of capacity in the natural gas system in order to adapt the regulations to the current context of the gas market and complete the circular with the development of mechanisms that prevent the hoarding of capacity in the capacity allocation processes of the gas system facilities and that manage situations of contractual congestion. Regulates access by third parties to the network, which is managed by a single telematics platform, as well as the rights and obligations of each person involved in the system, develops the procurement of capacity services individually or aggregated and homogenizes the procedures of procurement at all facilities in the system and establishes, by default, the allocation of capacity through market mechanisms, modifying the procurement regime capacity established previously in the Royal Decree 948/2015, of October 30th, as well as in the regime established in 2001 by Royal Decree 949/2001, of August 3rd. The owners of the transport and distribution pipelines have the right to receive tolls and levies in consideration for this access, which are updated annually under ministerial order.

The legislation establishes the duty of functional separation, which means not only accounting separation, in order to avoid cross-subsidization and increase the transparency of the calculation of rates, tolls and levies, and legal separation, through separate companies, but also the requirement of independent operation of the regulated subsidiary company in relation to the other companies in the group.

2.1.1 Transport

The transport activity includes regasification, storage and transport of gas through the high pressure gas pipeline network:

- *Regasification*: Natural gas is imported to Spain through a pipeline network (in gas form) and by gas tankers (in liquid form, hereinafter, liquefied natural gas). The regasification is the activity that involves the conversion of liquefied natural gas, stored in cryogenic tanks generally at regasification plants, into a gaseous state, which is then pumped into the national gas pipeline network.
- *Transport*: once the natural gas is imported or produced and, if necessary, regasified, it is injected in gas form into the high pressure gas pipeline transport network. The transport network crosses most regions in Spain and transports the natural gas to the major consumers, such as electricity plants, industrial customers and local distributors.

The transport network is owned primarily by Enagás, S.A., although other companies own a small proportion of it.

- *Storage*: facilities consist mainly of underground tanks, which are necessary to ensure a constant supply of natural gas that is not affected by seasonal changes and other demand peaks. These facilities also serve to fulfil the obligation established by Royal Decree 1766/2007, of December 28th, to maintain minimum security reserves. Current legislation also allows for unregulated underground storage facilities with third-party access, negotiated and previously authorized by the Spanish Government, although no such facilities currently exist.

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The Royal Decree-Law 13/2014 of October 3rd, introduced a number of urgent measures in relation to the gas sector and ownership of nuclear plants.

This Royal Decree-Law formally accepted the relinquishment of the Castor natural gas storage plant and the termination of the concession to operate the plant held by Escal UGS, S.L. Additionally, the ongoing administration and maintenance of the facility was assigned to Enagás, S.A., with the related costs remunerated by the gas system. Finally, the amount of 1,351 million euros was paid to Escal UGS, S.L., based on the net value of the investment in the facility. This sum was paid by Enagás, S.A. in exchange for a claim against the gas system whereby the amount is to be recovered over the following 30 years.

In accordance with the Judgement of the Constitution Court of 2017 December 21st, that declares articles 4 to 6 and article 2.2, additional provision one and transitional provision one of that Royal Decree Law, null and void, Ministerial Order TEC/1367/2018, of 20 December, does not include these collection rights of Enagas for 2019.

Resolution of May 30th 2023, of the National Markets and Competition Commission, which establishes the remuneration for the year of gas 2024 (from October 1st 2023 to September 30th, 2024) of the companies that carry out the regulated activities of liquefied natural gas plants, natural gas transportation and distribution.

Resolution of May 23th 2024, of the National Markets and Competition Commission, which establishes the remuneration for the year of gas 2025 (from October 1st 2024 to September 30th, 2025) of the companies that carry out the regulated activities of liquefied natural gas plants, natural gas transportation and distribution.

In the third final provision of Order TED/929/2022, of September 27th, establishing the gas system charges and the remuneration and fees for basic subway storage facilities for the gas year 2023, the differences between the remuneration for 2019 in force and that calculated in accordance with the rulings of the Supreme Court 1013/2022, of July 18th, 2022, and 1365/2021, of November 29th, 2021, both against Order TED/1286/2020, of December 29th, 2021, are recognized in favour of the distributors, of July 18, 2022, and 1365/2021, of November 23th, 2021, both against Order TED/1286/2020, of December 19th. The amount recognized incorporates legal interest, as determined by the second judgment cited.

On September 26th, 2023, Order TED/1072/2023 was published, establishing the gas system charges and the remuneration and fees for basic subway storage facilities for the 2024 gas year.

Finally, on September 20th, 2024, Order TED/1013/2024 was published, establishing the gas system charges and the remuneration and fees for basic subway storage facilities for the 2025 gas year.

2.1.2. Distribution

Natural gas is transported from the high pressure transport pipeline network to the final consumer through the medium and lower pressure transport pipeline network owned by distribution companies.

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According to Royal Decree-Law 5/2005, of March 11th, distribution businesses operate under a system of administrative authorizations that provides a distributor the right to exclusive operation within a given distribution zone. Additionally, Law 12/2007, of July 2nd, gives the distributor within a given zone the preference to obtain authorizations for adjoining zones.

Until July 1st 2008, distributors also had the obligation to act as supplier of any consumer that accepted the regulated tariff. From July 1st 2008 onwards, the distributor's activity is restricted to the expansion and management of distribution networks, with separate supply companies being responsible for the supply of gas to the end consumer, as discussed in section 2.2.2.

Royal Decree-Law 13/2012, of March 30th, transposes into Spanish law EU directives concerning common rules for internal gas and electricity markets, and electronic communications, as well as introducing measures to correct the deviations resulting from the imbalance between revenues and costs of the electricity and gas sector. In relation to the gas sector, measures introduced to correct the imbalance include the suspension of administrative authorisation of pipelines, except for those that are subject to international commitments, suspension of authorization of new regasification plants, as well as delays to remuneration of underground storage facilities.

Royal Decree-Law 8/2014, of July 4th, which was later transcribed into Law 18/2014, of October 17th, introduced measures for growth, competitiveness and efficiency. The key aspects of this Law as applied to the natural gas sector are described below:

- The principle of the gas system's economic and financial sustainability is established, whereby any regulation relating to the sector that entails an increase in costs for the gas system or a reduction in revenue must also bring an equivalent reduction in other cost items or an equivalent increase in revenue to ensure a balance in the system.
- The principle of economic and financial sustainability means that the revenue generated from the use of the facilities must meet all system costs. Gas system revenue will be employed solely to remunerate the regulated activities performed to supply gas.
- Annual deficits between system costs and revenue may not exceed 10% of revenue payable for the period, or the cumulative outstanding deficit within the system may not exceed 15%. If this sum is exceeded, tolls will be automatically revised to cover the portion that exceeds said limit. The portion of the deficit which, without exceeding the limits, is not offset by the rise in tolls and charges, will be financed by the parties to the settlement system, in proportion to the remuneration applicable to them. Each party will be entitled to recover its deficit contributions over the following five years including interest costs calculated using prevalent market rates.
- The remuneration methodologies for the natural gas sector will take into consideration the costs incurred by an efficient, well-managed company to perform the activity under the principle of realization whereby the activity must be performed at the lowest possible cost to the system.

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- Regulatory periods spanning six years have been established for the remuneration of regulated activities, allowing for possible adjustments every three years to the system's remuneration parameters (including unit reference values for customers and sales, operating and maintenance costs, etc.) in the event of significant changes to revenue and costs of the system. The first regulatory period ended on December 31st 2020.
- The remuneration system for transmission, regasification and storage facilities is based on homogenous principles including the use of the net asset value of an operator as the basis for calculating investment remuneration, inclusion of variable remuneration based on gas transported, re-gasified or stored by asset type and elimination of all automatic review procedures for values and parameters based on price indices.
- With respect to new secondary transmission facilities, remuneration is included in the remuneration methodology for distribution facilities, linking remuneration to customers' growth and to new demand generated.
- With regard to distribution facilities, remuneration is calculated for each distribution company and all its facilities based on the number of customers connected and the volume of gas supplied. However, automatic reviews are eliminated based on the Consumer Price Index and Industrial Price Index, and the parametric remuneration formula is established to distinguish remuneration categories between supplies at pressures equal to or below 4 bars, between consumers with an annual consumption of less than 50 MWh and consumers with a higher consumption, so as to guarantee the adequacy of system revenue at all consumption levels, taking into account the toll revenues in each case. The remuneration established in the Order IET/2446/2013, of December 27th is maintained, for the period from January 1st of 2014 to when the Royal Decree-Law 8/2014 came into force.
- In order to incentivise network expansion to non-gasified zones and bring remuneration into line with actual costs incurred by companies, different unit values are used depending on whether or not customers and consumption are in recently-gasified municipalities.
- With respect to the gas system's accumulated deficit as on December 31st 2014, which is supported by the subjects of the liquidation system, has been recognised, in the final liquidation applicable to the year 2014. This deficit will be financed by facility owners over a 15-year period; annual payments will be included as a system cost including interest costs calculated using prevalent market rates. On December 1st, 2017, the Group has subscribed a loan agreement with a banking entity for the nominal amount pending collection (Note 8).
- A new system cost is introduced corresponding to the remuneration of natural gas assigned to the tariff marked under the Algeria contract, supplied through the Maghreb pipeline, as a result of the Award issued by the Paris International Court of Arbitration on August 9th 2010. The amount to be collected is up to 164 million euros, and will be paid from the year 2015 during five years; including interest costs calculated using prevalent market rates.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Resolution of May 30th, 2023, of the National Markets and Competition Commission, which establishes the provisional remuneration for the year of gas 2024 (from October 1st 2023 to September 30th, 2024) of the companies that carry out the regulated activities of liquefied natural gas plants, natural gas transportation and distribution, forecasts a provisional remuneration for Madrileña Red de Gas S.A.U. for the year of gas 2024 amounts to 119,577 thousand euros. Furthermore this resolution includes a 2023 remuneration adjustment (from October 1st 2022 to September 30th, 2023) amounts to 774 thousand euros of higher income being the remuneration amounts to 131,394 thousand euros, a 2022 remuneration adjustment (from October 1st 2021 to September 30th, 2022) amounts to 735 thousand euros of higher income, a 2021 remuneration adjustment (from January 1st 2021 to September 30th, 2021) amounts to 17 thousand euros of higher income and a 2020 remuneration adjustment (from January 1st 2020 to December 31th, 2020) amounts to 23 thousand euros of higher income as a result of judgment number 1365/2021 of the Supreme Court.

Resolution of May 23th, 2024, of the National Markets and Competition Commission, which establishes the remuneration for the year of gas 2025 (from October 1st 2024 to September 30th, 2025) of the companies that carry out the regulated activities of liquefied natural gas plants, natural gas transportation and distribution, forecasts a provisional remuneration for Madrileña Red de Gas S.A.U. for the year of gas 2025 amounts to 112,609 thousand euros. Furthermore, this resolution includes a 2024 remuneration adjustment (from October 1st 2023 to September 30th, 2024) amounts to 10,205 thousand euros of lower income being the remuneration amounts to 117,512 thousand euros, a 2023 remuneration adjustment (from October 1st 2022 to September 30th, 2023) amounts to 10,989 thousand euros of lower income.

Resolution of December 21st, 2023 and resolution of November 28th, 2024, of the National Markets and Competition Commission (CNMC) establishes the value of the Global Ratios Index (IGR) for the year 2024 and 2025, respectively. This index is applicable to companies that carry out regulated activities in the electricity and gas sectors, including transportation, distribution, regasification and subway storage of natural gas. The CNMC introduces several important changes in the Global Ratios Index (IGR) for years 2024 and 2025, since in addition to updating the values of the ratios, it establishes penalties for non-compliance.

Finally, the Resolution of September 17th, 2020 the National Markets and Competition Commission establishing the remuneration adjustment for the distribution activity applicable to companies that carry out the distribution activity in the regulatory period 2021-2026, establishing a remuneration adjustment for Madrileña Red de Gas S.A.U amounts to 24,517 thousand euros.

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During the year ended on June 30th 2017, the Group received the final liquidation of the regulated activities of the gas sector corresponding to the years 2014 and 2015, and its impact on the income statement was immaterial. The gas sector deficit of 2014, which includes the accumulated deficit in previous years, was 1,025 million euros (of which 47.4 million euros correspond to Madrileña Red de Gas, S.A.U.), which would be recoverable by the facility owners over a period of 15 years, from November 25th 2016 until November 24th 2031, including interest costs calculated using prevalent market rates. For the interest rate, in order ETU/1977/2016 a provisional interest rate of 1.104% was proposed by the CNMC and this interest has been defined like definitive in the order TEC/1367/2018. On December 1st 2017 The Group agreed the assignment of the account receivable derived from the gas deficit for the year 2014.

During the year ended 2023 December 31st the Group received the final liquidation of the activities regulated by the gas sector for the calendar year 2022 and the provisional liquidation of the gas year 2023 and 2024. On July 27th 2023 the Regulatory Oversight Chamber of the National Markets and Competition Commission approved the final liquidation of the calendar year 2022 (from October 1st 2021 to September 30th, 2022) determining the existence of a surplus of 25,857 (2,259 thousand of which relate to Madrileña Red de gas S.A.) thousands euros which, according to the above, will be used for the early and complete amortization of the temporary mismatches between income and costs for the year 2014, which bears an interest rate of 1.104%. To calculate the amounts to be amortized corresponding to each collection right, the updated amounts pending collection obtained in the 2022 final liquidation have been taken into account.

During the year ended 2024 December 31st the Group received the final liquidation of the activities regulated by the gas sector for the calendar year 2023 and the provisional liquidation of the gas year 2024 and 2025. On July 30th 2024 the Regulatory Oversight Chamber of the National Markets and Competition Commission approved the final liquidation of the calendar year 2023 (from October 1st 2022 to September 30th, 2023) determining the existence of a surplus of 62,212 thousands euros (which 5,337 thousand of which relate to Madrileña Red de gas S.A.), according to the above, will be used for the early and complete amortization of the temporary mismatches between income and costs for the year 2014, which bears an interest rate of 1.73%. To calculate the amounts to be amortized corresponding to each collection right, the updated amounts pending collection obtained in the 2023 final liquidation have been taken into account.

The National Markets and Competition Commission agreed the Resolution of May 30th, 2023, which establishes the access tolls to the transmission networks, local networks and regasification for the gas year 2024.

Likewise, the National Markets and Competition Commission agreed the Resolution of May 23th, 2024, which establishes the access tolls to the transmission networks, local networks and regasification for the gas year 2025.

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Other Ministerial Orders of interest are:

Furthermore, On 9th July 2020, The Ministry of the Ecological Transition and Demographic Challenge sent to CNMC energy policy guidelines that the National Markets and Competition Commission (CNMC) must take into consideration when preparing the mandatory Circulars on the values of investment, operation and maintenance of natural gas transportation facilities and liquefied natural gas plants (LNG); to calculate the losses that occur in the transportation of natural gas and to determine the incentives of the technical manager of gas system.

Order TED/1072/2023, of 26th September, establishing the gas system charges and the remuneration and fees of basic underground storage activity to gas facilities by year of gas 2024.

Similary, Order TED/1013/2024, of 20th September 2024, establishing the gas system charges and the remuneration and fees of basic underground storage activity to gas facilities by year of gas 2025.

Furthermore, On 30th October 2024, The Ministry of the Ecological Transition and Demographic Challenge approved Order TED/1193/2024 establishing energy policy guidelines for the National Commission for Markets and Competition in relation to the proposed amendment of Circular 2/2019, of November 12th, establishing the methodology for calculating the financial remuneration rate for the activities of electricity transmission and distribution, and regasification, transmission and distribution of natural gas.

2.2. Unregulated activities

2.2.1. Supplies

Taking into account the small volume of natural gas production in Spain, this section focuses on the international supply of natural gas.

The supply of natural gas in Spain is carried out mostly by gas operators through long-term contracts with gas producers. This supply, although is an unregulated activity, is subject to two types of limitations, the purpose of which is to ensure diversification of supply and the introduction of competition into the market: 1) no country can supply more than 60% of gas imported into Spain; and 2) since January 1st 2003 no business person or group can contribute, as a whole, natural gas for consumption in Spain that is greater than 70% of total national consumption, excluding self-consumption.

2.2.2. Commercialization

As of July 1st 2008, under Law 12/2007, of July 2nd, and its enabling regulations, most importantly Royal Decree 1068/2007, of July 27th and Order 2309/2007, of July 30th, natural gas is supplied exclusively by gas supply companies, with supply under regulated tariffs (previously performed by distribution companies) been eliminated. Additionally, consumers connected at a pressure of less than 4 bar that did not exceed a certain consumption threshold (3 GWh, although this has been progressively reduced to the current 50 MWh/year) were entitled to be supplied at a maximum price called the last resort tariff (TUR). The calculation of the TUR is performed pursuant to legislation, and includes the cost of raw materials, access tolls, retailing costs and supply security costs.

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In order to ensure that consumers do not have practical problems in changing their supply company, Law 12/2007, of July 2nd, ordered the creation of the Supplier Change Bureau, «Oficina de Cambios de Suministrador, S.A. (OCSUM)», which is owned by the major gas and electricity operators. As of July 2014, these functions were taken over by the CNMC.

According to the legislation, for the calculation of the TUR, the cost of raw material, the access tolls, commercialisation costs and other costs derived from the security of supply must be taken into account.

Ministry of Industry, Energy and Tourism (MINETUR) issued Order ITC/1506/2010, of June 8th, establishing that a review of the TUR for natural gas be carried out under the ruling of the General Directorate of Energy Policy and Mines (DGPEM). The fixed and variable terms of the tariffs will be reviewed when there is a modification on the fixed and variables terms of the tolls and levies for access to the system or in the waste coefficients in force. The variable term will be reviewed quarterly, from the 1st day of the months of January, April, July and October of each year, provided that the cost of raw materials varies upward or downward by more than 2%.

Law 15/2012, of December 27th, on fiscal measures for energy sustainability included a number of changes affecting the natural gas sector including modifications to the tax on hydrocarbons, establishing a positive rate for natural gas employed as fuel in stationary motors, as well as for natural gas used for purposes other than as fuel (consumption). However, a reduced rate was established for natural gas employed for professional purposes once this was not used in generation or cogeneration of electricity.

With regards to energy efficiency, Royal Decree-Law 8/2014, of July 4th, subsequently approved as Law 18/2014, of October 15th, stipulates the following:

- The national energy efficiency obligations system is created, whereby gas and electricity supply companies, oil product wholesalers and liquefied petroleum gas (LPG) wholesalers will be allocated an annual energy-saving quota (saving obligations). Aggregate saving obligations will be equal to the target allocated to Spain in EU Directive 2012/27/EU.
- The National Energy Efficiency Fund (FNEE) is created to allow the implementation of economic and financial support mechanisms, technical assistance, training and information, or other measures to enhance energy efficiency in different sectors, which are necessary to achieve the Energy Efficiency Directive's objectives.
- The financial equivalence of the saving obligations will be determined based on the average cost of the support mechanisms, incentives and measures required to mobilize the investments necessary to fulfil the annual savings target, through actions by the FNEE, based on the findings of the technical analysis by the Institute for Energy Diversification and Saving.
- The Government is also authorized to establish and develop a final energy saving accreditation system, by issuing Energy Saving Certificates (ESC). Once launched, this will allow companies to progressively fulfil their saving obligations by directly promoting energy efficiency enhancement actions that fulfil the necessary guarantees.

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Annually by Ministerial Order it is established the obligations of contribution to the FNEE for each of the obligors.

Law 8/2015, of May 21st modifies Law 34/1998, of October 7th, of the Hydrocarbons Sector, introducing certain tax and non-tax measures in relation to the exploration, research and exploitation of hydrocarbons. This Law establishes an organized wholesale market and designates the operator of the organized gas market and aims to integrate into the organized gas market the activity carried out throughout the Iberian Peninsula, both in Spain and Portugal.

Royal Decree 984/2015, of October 30th, regulates the organised gas market and third-party access to natural gas system installations, while Resolution of December 4th, 2015, issued by the Secretary of State for Energy (SEE), approved the market rules, membership contract and the resolutions of the organised gas market. The organised gas market, managed by MIBGAS, began operations in December 2015.

The SEE Resolution of June 6th 2016 approved various provisions concerning the organised gas market, including the number of market makers, the acquisition of cushion gas for Yela and the acquisition of heel gas and base gas.

The SEE Resolution of August 2nd 2016 approved the rules for the management of guarantees in the gas system. This Resolution lays down a standardised model for the provision of guarantees and determines the amount and duration of guarantees for mismatches in the virtual handover point and of guarantees required for contracting capacity, defines the valid instruments for concluding guarantees and, finally, establishes the protocol for communication with the Guarantee Manager and the action protocol in the event of non-compliance.

The SEE Resolution of August 2nd 2016 approved the framework contract for access to the facilities of the Spanish gas system. The purpose of the framework contract is for users (supply companies or direct customers in the market) to contract services for accessing the gas system facilities, excluding the contracting of handover point access services, to or from a gas pipeline connection with Europe.

Regulation of Liquefied Petroleum Gas (LPG)

The supply of piped LPG is regulated by Law 34/1998, of October 7th of the Hydrocarbons sector.

The (MINETAD) (currently called Ministry of the Ecological Transition and Demographic Challenge) establishes the selling rates for piped LPG for end consumers and the assignment prices of LPG at which it is purchased by piped LPG distributors, including specific rates and the methodology for automatically calculating and updating them. These selling rates are the maximum rate chargeable and apply to consumers in the whole of Spain, without prejudice to their specialties.

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3. Summary of the main accounting policies

The most significant accounting policies and measurement criteria applied in the preparation of the Group's annual accounts are described below.

3.1. Basis of presentation for the consolidated annual accounts

a) Fair presentation

The accompanying consolidated annual accounts for the fiscal year between December 31st 2024 of Elisandra Spain IV, S.L. and subsidiaries have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council and subsequent amendments. Said consolidated annual accounts will be submitted to the approval of the Board of Members, and it is estimated that they will be approved without any modification.

The preparation of consolidated annual accounts in accordance with EU-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Note 3.3 reveals the areas that involve a greater degree of judgment or complexity or areas where the assumptions and estimates are significant for the consolidated annual accounts.

The figures included in the consolidated annual accounts and the notes to the consolidated report are presented in thousand euros, unless otherwise indicated.

These consolidated annual accounts have been prepared on the basis of historical cost.

b) Adoption of EU-IFRS

The consolidated annual accounts for the year ended June 30th 2015 were the first consolidated IFRS-EU consolidated financial statements prepared by the Group, applying IFRS 1 "First-time adoption of IFRS".

Due to the fact that the parent company had not prepared or presented consolidated annual accounts in accordance with any accounting principles other than IFRS-EU, it was not considered necessary to present in the consolidated financial statements for the year ended June 30th 2015 a reconciliation between the principles and EU-IFRSs. As the opening balance according to the EU-IFRS coincided with the date of establishment of the Parent Company, the adoption of the EU-IFRS had no impact on the Group's equity and results. The IFRS-EU applied in these consolidated annual accounts are those issued and in force as of December 31th 2024 and have been applied consistently throughout the period presented.

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c) Segment information

The Group does not present financial information by segments because the business segments it operates are the distribution of natural gas and connected services, commercialization and distribution of LPG, natural gas vehicle sales at refueling stations (gas stations). and the provision of energy services, the former accounting for approximately 93% of the Group's revenues and 98.2% of the consolidated asset. These business segments thus defined correspond to those that the highest decision-making authority, represented by the Senior Management, allocates resources and evaluates the performance of the Group.

On the other hand, the Group does not present financial information by geographical area because most of its operations (99.87%) natural gas distribution and connected services operations and the provision of energy services are carried out in the Community of Madrid.

There are also no transactions between the Group's business segments.

3.2 Adoption of new IFRS-EU standards and IFRIC interpretations

The following standards and amendments have been applied for the first time in 2024:

In the year 2024 saw the entry into force of the following amendments published by the IASB and adopted by the European Union, which have therefore been taken into account in the preparation of the accompanying annual accounts, with no significant impact:

- **Amendment to Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback:** This amendment clarifies the accounting treatment for sale and leaseback transactions, establishing that the seller-lessee should only recognise the gain or loss associated with the portion of the right-of-use transferred to the buyer-lessor.
- **Amendment to IAS 1 – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants:** These amendments clarify how liabilities with **covenants** (restrictive clauses) associated with the fulfilment of certain conditions should be classified both at the reporting date and in future periods, enhancing transparency regarding the entity's liquidity.
- **Amendment to IAS 7 – Statement of Cash Flows and IFRS 7 – Supplier Finance Arrangements Disclosures:** Introduces new disclosure requirements for supplier finance arrangements, aiming to provide greater transparency on their impact on the financial position, liquidity, and cash flows.

Standards, improvements and interpretations entering into effect in subsequent years which have not yet been approved by the European Union

At the date these consolidated annual accounts were authorised for issue, the following IFRS and amendments have been published by the IASB but do not have to be applied:

Any new standards, amendments or interpretations not adopted at the date hereof are not expected to have a significant impact on the annual accounts.

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- **Amendment to IAS 21 – Lack of Exchangeability:** This amendment provides specific guidance to determine the applicable exchange rate when access to an official rate is restricted due to foreign exchange market constraints. Its effective date is 1st January 2025.
- **Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments (including ESG-linked Features and Settlement of Financial Liabilities by Electronic Payments):** These amendments clarify the accounting of financial assets with ESG-linked features (Environmental, Social, and Governance) and the settlement of financial liabilities through electronic payments. Its effective date is 1st January 2026.
- **Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-Dependent Electricity:** These amendments clarify the accounting treatment of contracts linked to nature-dependent energy sources, such as wind or solar energy. Its effective date is 1st January 2026.
- **IFRS 18 – Presentation and Disclosures in Financial Statements:** This new standard will replace IAS 1 and will establish specific requirements for the presentation and disclosure of information in financial statements, with the aim of improving comparability and transparency. Its effective date is 1st January 2027.
- **IFRS 19 – Subsidiaries without Public Accountability (Disclosures):** This standard provides a simplified disclosure alternative for subsidiaries without public accountability. Its effective date is 1st January 2027.
- **Annual Improvements to International Financial Reporting Standards:** Minor improvements affecting the following standards:
 - IFRS 1 – First-time Adoption of International Financial Reporting Standards
 - IFRS 7 – Financial Instruments: Disclosures
 - IFRS 9 – Financial Instruments
 - IFRS 10 – Consolidated Financial Statements
 - IAS 7 – Statement of Cash Flows

The effective date is 1st January 2026.

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** These amendments clarify the accounting treatment of sales or contributions of assets between an investor and its associate or joint venture. The effective date is yet to be determined.

3.3 Critical accounting estimates and judgments

The preparation of the consolidated annual accounts requires the use by the Group of certain forward-looking estimates and judgments that are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The following are the estimates and judgments that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the following financial period.

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Evaluation of the recoverability of intangible assets with indefinite useful lives and goodwill to determine the existence of impairment losses.

Goodwill and intangible assets with an indefinite useful life are not amortized and are tested annually for impairment. In order to assess impairment, goodwill is grouped into Cash Generating Units (CGUs) (Note 5).

The Group considers that it has four CGUs, one for the distribution of natural gas and connected services, in which regulated remuneration is its main source of income and is recognized for all MRG assets without a specific attribution at the level of administrative authorizations by municipalities. The second CGU is for sale and transmission of LPG networks. The third CGU is for energy efficiency services. The fourth CGU is related to the sale of vehicular natural gas at service stations (gas stations). By the size of sales and assets, the main CGU's are the distribution of natural gas, gas stations and LPG.

The Board of Directors of the Parent Company reviews the activities of the Group as a whole and does not consider smaller CGUs.

Based on the criteria of NIC 36 to determine the recoverable value of the assets, the Group estimates the value in use both in the case of gas distribution CGU and GLP through the projected cash flow discount approved by the Board of Directors for a period of 20 years, plus a terminal value that projects the last cash flow in perpetuity. In the case of gas plants, flows are projected for the entire useful life of the concession.

Tax on profits and tax contingencies

The calculation of the tax expense (income) requires the interpretation of fiscal regulations in force. The determination of expected outcomes regarding pending disputes and litigation requires significant estimates and judgments (Note 22). The Group assesses the recovery of deferred tax assets based on estimates of future taxable income and the ability to generate sufficient results during the periods in which such deferred taxes are deductible. Deferred tax liabilities are recorded in accordance with estimates of net assets that will not be tax deductible in the future.

Provisions for risks and expenses and other contingencies

Determining the need to record provisions to cover present obligations that arise as a result of past events requires significant estimates and judgements. To this end, the Group evaluates, based on the best information available to date, the result of certain legal or other procedures that are pending at the date of preparation (Note 22) of the consolidated annual accounts.

Useful lives of intangible assets and property, plant and equipment

The accounting treatment of property, plant and equipment entails the preparation of estimates to determine the useful life of the asset both for the purposes of its amortization and to determine the fair value at the acquisition date in the case of assets acquired in business combinations.

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The determination of the useful lives requires estimates regarding the level of utilization of the assets, as well as their expected technological evolution. The hypotheses regarding the level of utilization, technological framework and its future development imply a significant degree of judgment, insofar as the timing and nature of such events are difficult to predict.

Recognition of income and liquidation of regulated activities

The revenues derived from the regulated remuneration established by the Ministry of Energy, Tourism and Digital Agenda (Currently is called Ministry of Ecological Transition and Demographic Challenge) are recognized by the Group according to its publication in the relevant Ministerial Order. All other revenues are recognized when customer service has been performed. (Note 3.6.15)

Historically, no material adjustments have been made to the amounts recorded as unbilled revenues by vehicular gas and are not expected to be in the future.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

The fair value of equity investments in Group companies, jointly controlled entities and associates is determined as the higher of their fair value less costs to sell and the present value of the cash flows derived from the investment.

3.4 Comparison of information

The consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes for 2024 include comparative figures for 2023, which formed part of the consolidated annual accounts approved by shareholders at the general shareholders meeting held on April 12th 2024.

3.5 Going concern

On December 31st, 2024 the Group has a negative working capital of 156,791 thousand euros (on December 31st, 2023 it had a positive working capital of 79,334 thousand euros).

The Group has negative working capital due to the repayment of the issue of bonds and marketable securities, issued in April 2017, amounting to 300 million euro, which matures in April 2025. On December 31st, 2024 the Group has an undrawn credit facility and loan in the amounts of 75,000 thousand euros and 180,000 thousand euros, respectively, having with the second loan the specific purpose of attending to the amortization of the debt maturing in April 2025. The Directors consider that the Group will be able to generate sufficient cash in the next 12 months to meet its debts.

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3.6 Valuation standards and records

The main valuation standards used by the Group in the preparation of its consolidated financial statements corresponding to the fiscal year ended on December 31st 2024, in accordance with those established by the IFRS-EU, are as follows:

3.6.1 Principles of consolidation

Dependent

Dependent are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or entitled, to obtain variable returns for its involvement in the investee and has the ability to use its power over it to influence those returns. Subsidiaries are consolidated from the date on which the control is transferred to the Group, and are excluded from consolidation on the date on which control ceases.

In order to account for business combinations, the Group applies the acquisition method. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred with the previous owners of the acquirer and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability that results from a contingent consideration agreement. The identifiable assets acquired and the contingent liabilities and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group may choose to recognize any non-controlling interest in the acquirer at the fair value or the non-controlling share of the recognized amounts of the identifiable net assets of the acquirer. Costs related to the acquisition are recognized as expenses in the year in which they are incurred.

Any contingent consideration to be transferred by the Group is recognized at its fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is considered an asset or a liability are recognized in accordance with NIC 39 in profit or loss or as a change in other comprehensive income. Contingent consideration classified as equity is not revalued and its subsequent settlement is accounted for in equity.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group obtains effective control of these subsidiaries. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated. When necessary, the amounts presented by the subsidiaries have been adjusted to bring them into line with the Group's accounting policies.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

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The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Company.

b) Joint venture

Inspira Madrid Hidrógeno Verde, S.L (Inspira) is a joint venture in which the Group has joint control and a 33.33% ownership interest.

The movements in the joint venture accounted for by the equity method on December 31st, 2024 and on December 31st, 2023 (from the date of incorporation, which was October 31, 2023, until the end of the year) were as follows:

	<u>31.12.2024</u>	<u>31.12.2023</u>
Balance at 1 January	(1)	-
Share of profit/(loss)	(32)	(1)
Balance at 31 December	(33)	(1)

The amount of assets, liabilities, revenues and income for the year 2024 and 2023 are shown below, in proportion to the percentage of equity interest in the joint venture:

	<u>31.12.2024</u>	<u>31.12.2023</u>
Current assets	23	50
Equity	(17)	(49)
Current liabilities	(6)	(1)
Percentage of participation	33.33%	33.33%
Profit/ (Loss) before income tax	(32)	(1)
Profit/ (Loss) for the period	(32)	(1)

3.6.2 Intangible assets

Goodwill

Goodwill represents the difference, at the acquisition date, between the cost of the combination of businesses and the fair value of the net identifiable assets acquired in the transaction. Therefore, goodwill is only recognised when it has been acquired for the consideration and related to future financial benefits from assets which cannot be identified individually and recognized separately.

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Goodwill is not amortized, but is tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is controlled for internal management purposes (Note 5).

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment loss. The carrying amount of the CGU containing the goodwill is compared with the recoverable amount, which is the higher of value in use or fair value less costs to sell. Any impairment loss is recognized immediately as an expense and is not subsequently reversed.

Administrative authorisations

For the installation and commissioning of the distribution network in a specific distribution area, an administrative authorisation must be obtained.

Most of the Group's administrative authorizations were originally acquired in 2010 and 2011 by MRG to the Gas Natural Fenosa Group.

In order to obtain the authorisation, the relevant distribution company must prove its legal, technical and economic capacity.

- a) Legal capacity: pursuant to Royal Decree 197/2010 of 26th of February, it is necessary to be a limited liability company with Spanish nationality ("sociedad anónima") or from another EU member state.
- b) Technical capacity: as set out in the RD 1434/2002 distribution companies are deemed to meet the required technical capacity levels.
- c) Economic and financial capacity: as set out in the RD 1434/2002 distribution companies are deemed to have sufficient economic and financial capacity.

The administrative authorisations have an indefinite useful life (due to the fact that they allow the distribution network to be operated indefinitely) and therefore are not amortised, although any possible impairment is reviewed annually, valued at acquisition cost less accumulated impairment losses.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the assets' estimated useful life (4 years).

Expenses associated with software maintenance are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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Assets recognised in relation to the costs of obtaining or fulfilling a contract

The incremental costs incurred directly to obtain contracts with customers, which reflect commissions paid to obtain energy supply contracts with these customers and that are expected to be recovered over the foreseen term of the contract, are recognised as intangible assets. The costs of the commercial acquisition recognised as assets are amortised on a systematic basis in the consolidated income statement over the foreseen average term of the contracts with customers, which range from 25 to 30 years.

3.6.3 Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost less accumulated depreciation and the accumulated amount of recognized losses.

The amount of work carried out by the company for its own property, plant and equipment is calculated by adding to the purchase price of consumables, the direct or indirect costs attributable to such goods.

The costs of expansion, modernization or improvement of property, plant and equipment are capitalized only when they represent an increase in capacity, productivity or a lengthening of the useful life of the asset, and provided that it is possible to know or estimate the carrying amount of the items that have been removed from the inventory because they have been replaced. The costs of major repairs are capitalized and amortized over their estimated useful lives, while recurring maintenance expenses are charged to the consolidated income statement in the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	<u>Useful life</u>
Plants (distribution network)	20-25
LPG Plants	25-30
Other plants and machinery	8-20

The technical facilities that correspond mainly to the gas stations that the Group developed on May 2017, September 2018 and July 2021, during fiscal year 2022 and 2023 (Note 6) have an estimated useful life based on the concession contract of the land used for the gas station service

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

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These are included in consolidated profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

The Group estimates the present value of future obligations arising from the dismantling, retirement and others associated with fixed assets, such as the costs of rehabilitation of the land on which the asset is. This current value is capitalized as a higher cost of the corresponding good, giving rise to a provision (Note 15).

3.6.4 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level at which there is separately identifiable cash flows (cash-generating units). Non-financial assets that have previously been impaired (other than goodwill) are reviewed for possible reversal at each closing date.

3.6.5 Right-of-use assets and lease liabilities

Until first-time application of IFRS 16, which came into effect as of 1 January 2019, the Group classified leases on the basis of whether the risks and rewards of ownership were substantially transferred, distinguishing between operating leases, wherein the lessor retained a significant portion of the risks and rewards of ownership of the leased asset, and finance leases, wherein the significant risks and rewards of ownership of the assets were transferred to the Group. Assets recognized as finance leases were presented in the financial statements based on the nature of the leased asset.

As a result of applying IFRS 16 as of 1 January 2019, the Group applies the following criteria:

(i) Identifying a lease

At inception of a contract, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time that the Company uses an asset includes consecutive and non-consecutive periods of time. The Company only reassesses the terms and conditions when the contract is modified.

(ii) Lessee accounting

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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Payments made by the Group that do not lead to the transfer of goods or services to it by the lessor, do not constitute a separate lease component, but form part of the total consideration under the contract.

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, the initial direct costs incurred and an estimate of any dismantling or restoration costs to be incurred, as indicated in the accounting policy for provisions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts the lease payments using the appropriate incremental interest rate, unless the interest rate implicit in the lease can be readily determined.

Unpaid lease payments comprise fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures the right-of-use assets at cost, less any accumulated depreciation and any accumulated impairment, adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the asset to the Group at the end of the lease term or if the right-of-use asset includes the price of the purchase option, the depreciation criteria indicated in the section on property, plant and equipment are applied from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets indicated in section 3.4 to determine whether the right-of-use asset is impaired.

The Group measures the lease liability by increasing the carrying amount to reflect the accrued finance cost, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises variable lease payments not included in the initial measurement of the lease liability in profit or loss for the period in which the events that trigger their payment occur.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset, until this is reduced to zero and thereafter in profit or loss.

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The Group remeasures the lease liability by discounting the lease payments using a revised discount rate if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or there is a change in an index or a rate used to determine the payments, including a change to reflect changes in market rental rates following a market rent review.

The Group recognises a lease modification as a separate lease if the modification increases the scope of the lease by adding rights to use one or more assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification does not result in a separate lease, at the effective date of the lease modification, the Group allocates the consideration in the modified contract as indicated above, determines again the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, recognising the gain or loss in profit or loss. The Group adjusts the carrying amount of the right-of-use asset for all other lease modifications.

(iii) Lessor accounting

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract as indicated in the accounting policy for revenue from contracts with customers.

The Group classifies contracts as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee at the start of the lease. All other leases are classified as operating leases.

☐ Finance leases

The Group recognises a receivable for an amount equal to the present value of the lease payments plus the unguaranteed residual value, discounted at the contractual interest rate implicit in the lease (net investment in the lease). Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income is taken to the income statement using the effective interest method.

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At the commencement of the lease, the Group recognises as lease receivables the amounts not yet collected relating to fixed payments, less any lease incentives payable, variable lease payments that depend on an index or a rate, measured using the index or rate as at the commencement date, any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee, the exercise price of any purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group recognises a finance lease modification as a separate lease if the modification increases the scope of the lease by adding one or more rights of use and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification to a finance lease is not accounted for as a separate lease and if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Group applies the modification requirements indicated in the accounting policy for financial instruments.

The Group regularly reviews unguaranteed residual values. If there has been a reduction, the income allocation over the lease term is reviewed and recognises immediately any reduction in respect of amounts accrued in profit or loss.

☐ Operating leases

The Group recognises operating lease income, net of incentives granted, as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefit from the use of the leased asset is diminished.

The initial direct costs of the lease are included in the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group recognises variable lease payments as income when it is likely that they will be received, which is generally when the events that trigger their payment occur.

The Group recognises modifications to operating leases as a new lease from the effective date of the modification, considering any prepayment or deferred payment in respect of the original lease as part of the lease payments for the new lease.

(iv) Cash-flow statement

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The Group has classified:

- Cash payments for the principal portion of lease payments as financing activities;
- Cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group.
- Short-term lease payments and payments for leases of low-value assets as operating activities.

3.6.6 Financial assets

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iv) Impairment

From 1 January 2019, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, time deposits with financial entities and other short-term investments noted for their great liquidity with an original maturity no longer than three months as from the acquisition date.

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3.6.7 Financial derivatives and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. Resulting gains and losses are recognised depending on whether the derivative is designated as a hedging instrument or not and, if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The effective portion of changes in fair value of the derivatives that are designated and qualify as cash flow hedges is temporarily recognised in equity. It is taken to the profit and loss account in the years in which the forecast hedged transaction affects results unless the hedge relates to a forecast transaction ending in the recognition of a non-financial asset or liability, in which case the amounts reflected in equity are included in the cost of the asset when it is acquired or of the liability when it is assumed.

The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

3.6.8 Inventories

Inventories are valued at the lower of the cost and the net realisable value. When the net realizable value of inventories is lower than their cost, the appropriate valuation adjustments will be made, recognizing them as an expense in the consolidated profit and loss account. If the circumstances that cause the value correction cease to exist, the amount of the correction is reversed and recognized as income in the consolidated profit and loss account.

The cost is determined by the weighted average cost. The cost includes the costs of acquisition (less commercial discounts and costs incurred to give to existing stocks, location and conditions).

The net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to carry it in exchange, as well as in the case of raw materials and products in progress, the estimated costs necessary to complete its production.

3.6.9 Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The parent company has no own shares nor has it acquired or sold any in those periods.

Dividends on ordinary shares are recognized as a deduction from equity when they are approved.

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3.6.10 Deferred income

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The amounts recorded under the heading of “Grants” for charges for network displacements paid by third parties, assets transferred from third parties and for consideration of new connections are applied linearly to results systematically based on the useful life of the corresponding asset, thus compensating the expense for the provision of depreciation.

Other liabilities also includes connection charges as monetary consideration for the installation works and operations required to serve new gas supply points or extend existing ones. These connection charges are recognized as income in proportion to the annual depreciation of the assets being financed (30 years), or over the period specified in the contract if this is shorter, or, where applicable, when the assets are disposed of or impaired.

3.6.11 Financial liabilities

Trade and other payables

This heading includes trade and non-trade payables and financial debts. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognized at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

Trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

Financial debt

Financial debt is initially recognized at its fair value less the costs of the transaction in which it is incurred. Subsequently, financial debts are valued at amortized cost; any difference between the funds obtained (net of the costs necessary to obtain them) and the repayment value is recognized in the income statement over the life of the debt in accordance with the effective interest rate method.

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Charges paid for obtaining credit lines are recognized as transaction costs for the debt, whenever it is probable that a part or all of the line will be available. In this case, commissions are deferred until the disposition occurs. To the extent that it is not probable that all or part of the credit line will be available, the commission will be capitalized as an advance payment for liquidity services and amortized over the period to which the credit availability refers.

3.6.12 Current and deferred tax

Income tax expense (income) is the amount that accrues during the year and includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recorded in the consolidated income statement. However, the tax effect related to items that are recorded directly in equity is recognized in equity.

Current tax assets and liabilities will be valued at the amounts expected to be paid or recovered from the tax authorities, in accordance with current legislation or approved and pending publication at the year-end date.

Deferred taxes are calculated, under the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3.6.13 Employee benefits

a) Pension commitments

- Defined contribution pension plans

Under a fixed contribution plan, the Group makes fixed contributions to a separate entity and has no legal, contractual or implicit obligation to make additional contributions if this separated entity does not have sufficient assets to meet the commitments assumed.

The Group has recognised external defined contribution retirement and insured benefit plans to cover death and disability contingencies, which are in line with current pension plan and fund legislation and which cover its commitments to current personnel affected. It recognises certain economic rights for past services that are fully paid and is obligated to make a contribution of a percentage of computable salary according to the type of group. There are also defined retirement contribution plans to compensate management loyalty.

The annual contributions to cover the commitments accrued to the Group in relation to the plans are charged to the consolidated profit and loss account each year.

The Group recognises a liability in respect of the contributions to be made when at the year-end there are accrued contributions not paid.

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b) Other post-employment obligations

The Group provide post-employment benefits to some of their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of these benefits are accrued over the working life of the employees and the liability recognised for these commitments is equivalent to the current value of the obligation at the balance sheet date. The obligation for other commitments is calculated annually by the Group using the projected credit method. The current value of the obligation is determined by discounting the estimated future cash flows at a technical interest rate based on a curve of rates that takes into account the commitments duration and taking as reference the market performance, at the balance sheet date, corresponding to the emission of high credit rating bonds and obligations.

The Group's policy for amortizing the actuarial gains and losses of post-employment commitments consists of the immediate recognition in equity when they arise. The actuarial gains and losses arise from changes in the actuarial assumptions or from differences between the assumptions and reality.

Service costs attributable to prior years are recognized immediately in the income statement, unless changes in the pension plan are conditional upon employees remaining in active employment for a specified period of time (the vesting period). In this case, costs for past services are amortized on a straight-line basis over the period in which the rights were acquired.

c) Termination benefits

Termination benefits for unfair dismissal are only payable in contentious cases, prior derived from the actions against the company and the judicial approval of the amounts that would derive from a labour judgment which would recognize the irrelevance of the extinctions decided by the Group. Those amounts will be adjusted in any case, indicated in Statute of Workers Rights for these circumstances.

3.6.14 Provisions and contingencies

Provisions are recognised when the Group has a present, legal or implicit obligation as a result of past events, that it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

On the other hand, contingent liabilities are considered to be possible obligations arising as a result of past events, the materialization of which is conditional on the occurrence or not of one or more future events independent of the Group's will. Contingent liabilities are not recognized, disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote, in which case disclosure is not required. Contingent assets are not recognized unless they are virtually certain and are broken down when the inflow of economic benefits is probable.

3.6.15 Operations with related parties

Transactions between related parties are initially recognised at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognised based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable standards.

Because the Parent Company is jointly controlled by JCSS Mike S.A.RL, (JCSS), Stichting Depositary PGGM Infrastructure Funds (PGGM), Realgaz S.A.S (previously called C41 SA) and LPPI Infrastructure Investment LP, Balances and Transactions with these, if they arise, are presented under the heading of "Companies with significant influence on the Company" in the corresponding note (Note 19).

Transactions between the parent company and its subsidiaries have been eliminated in the consolidation process and are not broken down.

3.6.16 Revenue recognition

Revenues derived from contracts with customers must be recognised based on compliance with performance obligations with customers.

Revenue reflects the transfer of goods or services to customers at an amount that reflects the consideration to which Madrileña Red de Gas expects to be entitled in exchange for such goods or services. Five steps are established for the recognition of revenue:

1. Identify the customer's contract(s)
2. Identify the performance obligations
3. Determine the price of the transaction
4. Allocate the transaction price to the performance obligations
5. Recognise the revenue according to the fulfilment of each obligation.

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Based on this recognition model, sales are recognised when products are delivered to the customer and have been accepted by the customer, even if they have not been invoiced, or if applicable, services are rendered, and it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue for the year includes the estimate of the energy supplied that has not yet been invoiced. The expenses are recognised on an accruals basis, immediately in the case of disbursements that are not going to generate future economic profits or when the requirements for recording them as assets are not met.

Sales are stated net of tax and discounts and transactions between Madrileña Red de Gas companies are eliminated.

In particular, the amount to be received from the regulated distribution and transmission activities are calculated as described later.

The rights for activating a new connection point are registered as income in the year when the supply is contracted.

Revenue from services provided are only recognised when the amount of the gains, the realization grade, the incurred and outstanding costs, may be reliably estimated and it is probable that the economic benefits derived from the service will be collected. These gains are recognised considering the realization grade of the service provided at the balance sheet date.

Distribution activity

Note 2 describe the basic features of the regulations applicable to the Group.

The regulatory framework for the natural gas industry in Spain regulates a payment procedure for the redistribution amongst companies in the sector of the net turnover obtained, so that each company receives the remuneration recognised for its regulated activities.

The remuneration of the gas distribution is calculated and registered as income on the basis of the update of prior year remuneration, average increase of consumers, and the volume of energy circulated, according to the Ministerial Order that determines it each year and is adjusted by real data.

The remuneration gains from the distribution activities of each year are fixed with ex-ante character. In the Ministerial Orders or Resolutions of the National Markets and Competition Commission that are published every year, preview remuneration is established for the following year base on the sales expectations and customer attraction for the following year. This originates that the remuneration amount may be revised during two years, until the demands and customer's attraction data is analysed. Based on this, Resolution 30th May 2023 has regularized the retribution for 2020, 2021 and 2022 and Resolution 23th May 2024, regularized the retribution for 2023 and 2024, according to the updated sales and customers' figures

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In the case of the distribution activity, the regulatory review carried out by Law 18/2014 was based on carrying out a new assessment of the remuneration bases of the agents so it reduced the total amount by approximately 110 million euros, it considered positively the growth realized since the last regulatory review (realized in the year 2002) and it gave a special value to the domestic consumption, that is the one that allows to introduce more tolls to the system. These remuneration bases will be updated annually, taking into account the increase in consumption and number of consumers connected to each distributor, especially encouraging the gasification of new municipalities, which will bring the national gasification index, currently 29%, to the countries average which are considerably higher. In order to do so, this law established unitary compensation values for each client and unit of energy incorporated, which in principle will remain fixed for the entire regulatory period and, which are those applied to the growth's forecasts that each distributor has for the subsequent year, determine their provisional annual remuneration.

These Remunerations to the Distribution Activity will be adjusted once the Ministry of Industry, Energy and Tourism (currently called Ministry of the Ecological Transition and Demographic Challenge) establishes the definitive amounts of said remuneration from the actual figures of average increase of consumers and increase of vehicular kWh. The Group believes that there will be no significant differences between the amounts recorded and the final settlements.

However, these differences, when they occur, will be charged as a change of estimate in the Consolidated Income Statement.

The Royal Decree-Law 8/2014, of July 4th (Note 2.1.2) establishes the accumulated deficit recognition of the gas system at December 31, 2014. The parties of the settlement system, including the Group, shall be entitled to recover said deficit for a period of fifteen years, with annuities to be included as a cost of the system and in which an interest rate shall be recognized in conditions equivalent to those of the market. On the other hand, the temporary mismatches produced between the revenues and costs of the gas system will be financed by the individuals in the settlement system, including the Group, generating a right to its recovery during the following five years, recognizing a type of interest in market conditions. As a result, the financing of the gas system's deficit of revenues is recorded as a financial asset according to which, under this regulation, there is the right to receive its refund without being subject to future contingent factors.

The Group recognizes income when the amount of the income can be reliably measured, for example when future economic benefits are likely to flow to the Group.

Registration fees

The registration fees of a new supply consists of the operation to connect the gas receiving facility to the network of the distribution company, and the review and verification that these adapt to the regulatory technical and safety conditions. This operation usually takes place one sole time and the activities are inseparable, whereby this activity is considered as constituting a single performance obligation.

Registration fees are regulated by each Autonomous Region at a set price.

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The Group recognises the revenue for the registration fees at the moment at which the connection is made and verified, since it is at that moment when the customer obtains the benefits of the service rendered and there is no future obligation associated with it.

Lease of Natural Gas and Liquified Petroleum Gas (LPG) metering equipment

Metering equipment (meter) is installed in the facilities of the end-customer, therefore the service of leasing the meter constitutes a performance obligation.

The payment for leasing natural gas metering equipment is regulated by the regulatory framework of the sector, at a set price.

The Group recognises the revenue throughout the provision of the service, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

Lease of Community Receiving Facilities (CRF)

The Group collects a lease payment for the community receiving facility from the owners association without any other type of consideration, therefore the CRF comprises a single performance obligation.

The payment for leasing the community receiving facility is the price established in the contract signed with the owners association, which sets a fixed monthly price.

The Group recognises the revenue throughout the term of the contract, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

Inspections of individual receiving facilities (IRF)

The service consists of the inspection of the individual receiving facility (IRF), involving a one-time action, considered as a single performance obligation.

The authority to set inspection is transferred to the Autonomous Region and, therefore, the price may vary from one area to another.

The revenue is recognized at the moment of the inspection, since it is at that time when the customer obtains the benefits of the service rendered.

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Sale of Liquefied Petroleum Gas (LPG)

The contracts for the sale of LPG identify two separate performance obligations, which are those corresponding to the supply of LPG and the lease of the meter since, as mentioned above, they comply with the definition for considerations as different from each other. For LPG, the Group supplies as well as distributes the product, and therefore there is a contractual relationship with the customer.

In the case of LPG consumption, the transaction price will be established applying the established official tariff, with a fixed portion (standard monthly rate) and a variable element associated with consumption (Euro cents per Kg.)

The Group recognises the revenue throughout the period of time in which the customer receives and consumes the benefits of the service rendered at the same time the services takes place. Therefore, the revenue deriving from this service will be measured by percentage of completion.

For the purpose of measuring this completion, the Group considers that the output method is the one that best reflects the completion of the rendering of the service, whereby the revenue is recognized as the service is rendered, by unit of LPG (Kg) consumed by the customer.

Contracting party connection charges

The connection charge of the contracting party consists of the financial consideration for connecting the community receiving facility to the network and the commissioning of the facility. This operation usually takes place at one sole time, whereby it is considered as a single performance obligation.

The connection charges are regulated by the regulatory framework of the sector, at a set price.

The revenue is recognized at the moment of connection of the community receiving facility and the commissioning of gas, since this is the time at which control of the services rendered is transferred to the customer.

Applicant connection charges

The Group is authorized to receive a financial consideration for performing the set of installations and operations necessary to cover a new gas supply point or increase the capacity of one already in existence.

In this case, a contract is arranged with the customer to establish the characteristics of the installation to be built and the quantity to be received for each service. Furthermore, it is established that the asset built by virtue of the contract will be the property of the Company and a remuneration for building the connection is established. This consideration is a determined fixed quantity.

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The Group recognises these connection charges as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is less or, where applicable, when their disposal or impairment occurs, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides them.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognized on a straight-line basis over time.

Contracts for energy services

The Group, through Aliara, provides energy management services and the purchase and sale of processed energy for heating and domestic hot water services. To this end, Aliara may also install boilers, in which case the boiler installed will revert to the customer at the end of the contract and its amount is financed during the life of the contract or the client installs the boiler and does not provide the financing service (financial leasing).

Boiler installation services are not considered independent of the maintenance of the boilers since their contracting is carried out jointly, so that the quotas are charged to the fixed amounts billed monthly throughout the contract period. As for the revenue from the sale of processed energy that is recorded based on the supplies made, a variable amount.

These services (boiler financing, operation, maintenance, and sale of transformed useful energy) are considered to be different transactions but are linked to one another and therefore are dealt with jointly.

Natural Gas Service Station (NGV) – Gas station

The Group has twenty gas stations (four of them are assets under construction) whose income will be recognize at the time of gas supply to the end customer.

Interest income

Interest income is recognized using the effective interest rate method.

3.6.17 Cash flow statement

The cash flow statement has been prepared using the indirect method, and in them the following headings are used with the meaning indicated below:

- a) Operating activities: activities constituting ordinary income of the Group, as well as other activities that cannot be classified as investment or financing.
- b) Investment activities: activities of acquisition, disposal or other disposition of non-current assets and other investments not included in cash and cash equivalents.
- c) Financing activities: activities that generate changes in the size and composition of net equity and liabilities that do not form part of operating activities.

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3.6.18 Environment

Expenses related to the decontamination and restoration of contaminated locations, waste disposal and other expenses deriving from compliance with environmental legislation are reflected as an expense in the year in which they arise unless they relate to the purchase cost of the assets included in the Group's equity to be used on a long-lasting basis in which case they are carried under the relevant Property, plant and equipment heading and depreciated using the same criteria.

4 Financial risk management

4.1 Financial risk factors

The Group's activities have no significant exposure to exchange rate risk, the fluctuation of interest rate and price risk as the Group does not have financial instruments carried at fair value. However, the Group is exposed to credit and liquidity risk.

The Group's Management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term, in order to enhance value for shareholders while ensuring a solid credit profile. In this regard, on 5th August 2024 the Group's senior debt ratings assigned by Standard & Poor's is BBB-. On 14th October 2024, the Group's senior debt ratings assigned by DBRS Morningstar upgraded from BBB (low) to BBB.

The geopolitical situation and the macroeconomic environment in 2024 have been characterised by significant global economic uncertainty and volatility largely due to the following:

- the conflict between Russia and Ukraine has highlighted Europe's vulnerability in terms of energy supply and accelerated the transition to more diversified and sustainable energy sources. This conflict has important implications on the supply and prices of raw materials, mainly gas. By the end of 2024 there are signs of possible negotiations to end the war.
- the situation in the Middle East during 2024 has put the stability of gas prices at risk. Although by the end of 2024 several meetings have been generated to put an end to the conflict.
- moderation of inflation.
- moderation of interest rates.

On the other hand, technological transformation continues to be a key factor in the sector's business processes. The increase in teleworking, the migration of data to the cloud and risks in the supply chain have increased exposure to cyber-attacks, generating new vulnerabilities related to the integrity and availability of information. The Group currently has advanced information security systems that effectively manage technological risks and strengthen protection against cyber threats. During 2024, no significant incidents have been recorded in this area, thanks to a solid prevention and mitigation strategy.

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The Group has not had any relevant impacts as a result of the aforementioned points with respect to cash availability/needs, nor has it had to stop its activity or been subject to temporary workforce restructuring (ERTEs per the Spanish acronym). Nonetheless, given the complexity of the current environment, the Group continuously monitors the progress of the situation and its impact on macroeconomic and financial indicators and oversees the regulatory measures in force, for the purpose of updating the analysis and identifying potential impacts on the consolidated annual accounts.

Interest rate risk

During the fiscal years ended on December 31st 2024 and 2023 all of the Group's operations were denominated in euros.

Interest rate risk on cash flows and fair value

The Group's interest rate risk is derived from long-term bonds. Bonds issued at fixed rates expose the Group to fair value interest rate risk. The fair value on December 31st 2024 and 2023 is broken down in Note 4.3. The Parent Company's directors do not consider that the Group is exposed to the risk of having to redeem the bonds at their fair value because they are not expected to be redeemed in advance. On December 31st, 2024 the Group has approximately 55.56% of its borrowings related to the Financing Agreement entered into with a syndicate of banks covered using fixed interest rate instruments. During 2024 the Group's variable rate external sources of finance were in euros.

The detail of the Group's financial debts is as follow (Note 14):

	Thousand euros	
	31/12/2024	31/12/2023
Comercial bank	225,652	226,813
- Fixed rate	-	-
- Variable rate	225,652	226,813
Bonds issued	683,249	682,612
- Fixed rate	683,249	682,612
- Variable rate	-	-
Total Fixed rate	683,249	682,612
Total Variable rate	225,652	226,813
Total debt	908,901	909,425

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Credit risk

In accordance with its corporate objects, the Group collects for the gas system the amounts relating to tolls to access the connection point network located in its distribution territory by invoicing to supply companies. On a monthly basis and within the settlement system framework coordinated by CNMC, a calculation is performed of the excess or shortfall in access tolls invoicing with respect to the remuneration recognised to the Group. If toll invoicing exceeds the remuneration recognised, the Group must settle such difference in favour of other gas system companies. Otherwise, the Group will receive from such companies the remaining balance to complete the remuneration recognised.

Regulations in this respect consider tolls invoiced to the supply companies to be collected for the purposes of the settlement system described above, and therefore in the event of non-payment by such counterparties, the Group is exposed to a credit risk with respect to part of its revenues.

The Group actively manages the aforementioned credit risk through a follow-up of outstanding receivable balances. Similarly, and taking into account (i) the reduced average collection period, less than 30 days, (ii) the regulatory supervisory framework in which gas system activities are performed and (iii) the mechanisms for suspending the contracts for Third-party Network Access in the event of non-payment of tolls to the Group (after a period of 60 days after a reliable request of the counterparty), exposure to the credit risk is considered to be limited.

Liquidity risk

The Group maintains a liquidity policy that ensures compliance with the payment commitments acquired, diversifying the coverage of financing needs and debt maturities. Prudent liquidity risk management includes the maintenance of sufficient cash and realizable assets and the availability of funds for an adequate amount to cover the obligations.

On December 31st 2024, available liquidity amounts to 381,576 thousand euros (on December 31st, 2023 145,050 thousand euros), taking into account cash and equivalents (126,576 thousand euros on December 31st 2024 and 70,050 thousand euros on December 31st 2023) and unused equivalent credit lines and unused loan (255,000 thousand euros on December 31st 2024 and 75,000 thousand euros on December 31st 2023).

The Group's business and investment plans are mainly financed through cash generated from on-going operations and, occasionally, through revolving credit facilities.

It is the Group policy to match the debt's amortisation calendar to its capacity to generate cash flows to meet these maturities.

Management considers the Group has enough cash reserves to address the payments to realize the following 12 months.

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The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 December 2024						Thousand euros
	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029 and overyears	Total
Bonds	313,500	9,375	9,375	9,375	389,625	731,250
Other financial liabilities	486	354	302	302	729	2,173
Other accounts payable	13,556	-	-	-	-	13,556
Debts with credit institutions	6,875	6,793	230,687	25	-	244,380
	334,417	16,522	240,364	9,702	390,354	991,359

At 31 December 2023						Thousand euros
	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028 and overyears	Total
Bonds	13,500	313,500	9,375	9,375	399,000	744,750
Other financial liabilities	530	302	302	302	987	2,423
Other accounts payable	28,371	-	-	-	-	28,371
Debts with credit institutions	8,083	7,775	7,660	229,466	31	253,015
	50,484	321,577	17,337	239,143	400,018	1,028,559

4.2. Capital Risk management

The management of the Group capital focuses on maintaining a solid financial structure that optimizes the cost of capital and the availability of financial resources to ensure the continuity of the business over the long term, in order to improve shareholder value while guaranteeing a solid credit profile.

The Group monitors its capital structure based on the net adjusted financial debt/EBITDA ratio. The Group considers as its adjusted net financial debt the nominal amounts of the non-current and current debt with related parties less cash and its equivalents. The Group defines EBITDA as profit before interest, taxes, depreciation and amortization, excluding other income, provision excess, indemnities, banking and similar services and changes in provisions for commercial operations:

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	Thousand Euros	
	31/12/2024	31/12/2023
Operating result	77,132	80,858
Amortization and depreciation	31,006	31,244
Other results	3,545	754
Indemnities	685	30
Banking and similar services	362	321
Changes in provisions for comercial operations	48	(7)
Impairment and gains/(losses) on disposal of fixed assets	551	1,161
EBITDA	113,329	114,361
Current debt	312,649	12,556
Bonds	309,974	10,039
Bank loan	2,301	2,150
Other debts	374	367
Non-current debt	597,625	898,281
Bonds	373,275	672,573
Bank loan	223,351	224,663
Other debts	999	1,045
Cash and cash equivalents	126,576	70,050
Adjusted net financial debt	783,698	840,787
Adjusted net financial debt/EBITDA	6.92	7.35

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5 Intangible assets

The movement of the items included in this heading of the consolidated balance sheet on December 31st 2024 and 2023

is as follows:

	Thousand euros					
	Administrative authorizations	Computer applications	Goodwill	Other intangible assets	Intangible assets in progress	Total
Book value at 31/12/2022	1,573,935	2,642	-	5,456	565	1,582,598
Additions	-	1,136	-	824	8	1,968
Transfer	-	-	-	-	-	-
Depreciation charge	-	(1,933)	-	(469)	-	(2,402)
Impairment	(779)	(4)	-	-	-	(783)
Cost	1,617,241	16,257	317,345	8,293	587	1,959,723
Accumulated amortisation	-	(14,239)	-	(2,396)	-	(16,635)
Impairment	(44,085)	(177)	(317,345)	(86)	(14)	(361,707)
Book value at 31/12/2023	1,573,156	1,841	-	5,811	573	1,581,381
Additions	-	685	-	1,100	5	1,790
Disposals	(34)	-	-	-	-	(34)
Transfer	-	418	-	-	(418)	-
Depreciation charge	-	(1,242)	-	(541)	-	(1,783)
Impairment reversal	51	4	-	-	-	55
Impairment disposals	1	-	-	-	-	1
Cost	1,617,207	17,360	317,345	9,393	174	1,961,479
Accumulated amortisation	-	(15,481)	-	(2,937)	-	(18,418)
Impairment	(44,034)	(173)	(317,345)	(86)	(14)	(361,651)
Book value at 31/12/2024	1,573,174	1,706	-	6,370	160	1,581,410

The goodwill arised from the business combination that took place on May 7th 2015, whereby 100% of the shares of the companies Madrileña Red de Gas, S.A.U., Aliara Energía, S.A.U. and Madrid Gas Finance Network, B.V.

The Management reviews the performance of the business based on the results of the both Group's three main cash-generating unit (CGU), which is represented by the natural gas distribution network CGU in the Autonomous Community of Madrid, an activity from which a regulatory retribution is received, by the liquefied petroleum gas (LPG) CGU and by the gas stations CGU.

The recoverable amount of the CGU is determined based on the calculations of value in use.

These calculations are based on forecasted cash flows included in the business plan approved by the Board of Directors covering the time period of 20 years and the terminal value.

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The key assumptions to determine the value in use for the gas natural (CGU) are as follow:

- Projection period: current year and 20 years and remaining value.
- Nominal growth rates: 0.5%, affecting only the residual value (0.5% in 2023)
- Discount rates after taxes: 4.83% (5.00% in 2023)

Apart from the discount rates, the most sensitive aspects that are included in the projections used and that are based on sector forecasts and historical experience are as follows:

- Revenue from remuneration
- The amount and growth of the remuneration.
- Operational and maintenance costs.
- Investments.
- Conversion costs of the supply points of LPG to gas natural.

Additionally, a decrease in the long-term growth rate of 0.5% taken in isolation, would result in an impairment loss of 57,293 thousand euros and an increase in the post-tax discount rate of 0.25%, taken in isolation, would result in an impairment loss of 67,222 thousand of euros.

As of December 31st, 2024 and 2023, no impairment has been recorded in this CGU in intangible assets and property, plant and equipment.

Historically, the forecasted cash flows included in the business plan and the actual results have not significantly differed.

The key assumptions to determine the value in use for the LPG (CGU) are as follow:

- Projection period: current year and 20 years and remaining value.
- Nominal growth rates: 1%, affecting only the residual value.
- Discount rates post taxes: 5.69% (5.85% in 2023).

On December 31st 2023, the Group recognised an impairment in this CGU loss amount to Euros 1,167 thousand in intangible assets and property, plant and equipment.

As of December 31st, 2024, the Group has recorded a reversal of impairment of administrative authorizations and computer software under the heading "Impairment and gains/(losses) on disposal of fixed assets" amounting to 55 thousand euros (as of December 31st, 2023, the Group recorded an impairment of administrative authorizations and computer software amounting to 783 thousand euros).

As of December 31st, 2024, the Group has recognized a disposal of loss on intangible assets amounting to 1 thousand euros derived from the sale of assets to Vitogas España, S.A.U.

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Based on the sensitivity calculations performed, variations in the discount rates of plus 0.25% taken in isolation would not result in an impairment loss on intangible assets and property, plant and equipment.

The key assumptions to determine the value in use for the Gas Stations (CGU) are as follow:

- Projection period: 20 years.
- Nominal growth rates: 0%.
- Discount rates post taxes: 7.12% (7.30% in 2023)

As of December 31st, 2024 and 2023, no impairment has been recorded in this CGU in intangible assets and property, plant and equipment.

Based on the sensitivity calculations performed, changes in discount rates of plus 0.25% would result in an impairment loss of property, plant and equipment amount to 59 thousand euros.

Additions

On December 31st 2024 and 2023, the most important additions are registered under the financial statement licenses of computer applications.

Disposals

On May 7th, 2024, a framework agreement was signed between Vitogas España, S.A.U and the Group for the sale and transmission of LPG networks and facilities for a total of 59 thousand euros, which provide service to 110 supply points, recording a loss for the sale of fixed assets of 950 thousand euros, under the heading "Impairment and gains/(losses) on disposal of fixed assets".

Other information

On December 31st 2024, the Group has 19,655 thousands euros of intangible assets fully amortised considering the accounting effects of mergers (on December 31st 2023: 18,141 thousands euros).

On December 31st 2024 and 2023, the Group does not have any assets subject to reversion.

On December 31st, 2024 and 2023, the Group has no firm commitments to purchase intangible assets.

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6 Property, plant and equipment

The movement in the items included under this heading on December 31st 2024 and 2023 are as follows:

	Land and building	Plant	Transport equipment	Tooling	Furniture	Information processing equipment	Other fixed assets	Assets under construction	Total
Book value at 31/12/2022	1,021	312,817	230	488	106	75	874	18,210	333,821
Additions	-	4,724	221	113	-	55	52	7,174	12,339
Assets deferred income Application IFRS 16	879	-	-	-	-	-	-	-	879
Disposals	-	-	(27)	-	-	-	-	-	(27)
Transfer	-	5,044	-	-	-	-	-	(5,044)	-
Depreciation charge	(343)	(28,008)	(84)	(116)	(22)	(126)	(143)	-	(28,842)
Disposals	-	-	27	-	-	-	-	-	27
Impairment	-	(373)	-	-	-	-	-	(11)	(384)
Cost	3,408	538,596	793	1,217	316	1,071	1,465	20,534	577,400
Accumulated amortisation	(1,822)	(245,036)	(422)	(719)	(227)	(1,065)	(662)	-	(249,953)
Impairment	(29)	(9,356)	(4)	(13)	(5)	(2)	(20)	(205)	(9,634)
Book value at 31/12/2023	1,557	294,204	367	485	84	4	783	20,329	317,813
Additions	-	5,214	8	41	-	130	38	6,956	12,387
Assets deferred income Application IFRS 16	328	-	-	-	-	-	-	-	328
Disposals	-	(1,222)	(388)	-	-	-	-	(29)	(1,639)
Transfer	-	17,292	-	-	-	-	-	(18,401)	(1,109)
Depreciation charge	(367)	(28,362)	(92)	(116)	(21)	(112)	(153)	-	(29,223)
Disposals	-	110	369	-	-	-	-	-	479
Impairment reversal	-	303	-	-	-	-	-	11	314
Impairment disposals	-	70	-	-	-	-	-	-	70
Cost	3,736	569,880	413	1,258	316	1,201	1,503	9,060	587,367
Accumulated amortisation	(2,189)	(273,288)	(145)	(835)	(248)	(1,177)	(815)	-	(278,697)
Impairment	(29)	(8,983)	(4)	(13)	(5)	(2)	(20)	(194)	(9,250)
Book value at 31/12/2024	1,518	287,609	264	410	63	22	668	8,866	299,420

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Additions

Additions to property, plant and equipment in the fiscal year ended on December 31st 2024 and 2023 relate mainly to investments in the natural gas pipeline network in the municipalities where the Group carries out its activity. On December 31st 2024 the Group provides services of 909,915 connection points (908,810 on December 31st 2023).

On June 9th 2016 a framework agreement was signed between Repsol Butano, S.A. and the Group for the purchase and transmission of LPG networks and installations for 61 million euros, which consists in approximately 41 thousand points of supply, to the purpose of its progressive conversion to gas distribution assets, in accordance with the Group's layout. After the approval by the CNMC on July 21st 2016 the agreement for the transmission of LPG networks and installations were formalized. As of December 31st, 2024, 33,623 LPG supply points have been converted to gas supply points (30,397 LPG supply points on December 31st, 2023).

Disposals

On May 7th, 2024, a framework agreement was signed between Vitogas España, S.A.U and the Company for the sale and transmission of LPG networks and facilities for a total of 59 thousand euros, which provide service to 110 supply points, recording a loss for the sale of fixed assets of 950 thousand euros, under the heading "Impairment and gains/(losses) on disposal of fixed assets".

As of December 31, 2024 the Group recorded a gain on the sale of property, plant and equipment recorded under "Impairment and gains or losses on disposal of property, plant and equipment" in the amount of 30 thousand euros (As of December 31, 2023 the Group recorded a loss on the sale of property, plant and equipment in the amount of 6 thousand euros).

Transfer

As of December 31st, 2024, there were transfers from fixed assets under construction to other balance sheet accounts in the amount of 1,109 thousand euros, of which 889 thousand euros were transferred to inventories for compressors, tank and other spare parts materials for the maintenance of CNG stations (Note 9) and the remainder was recorded as other receivables, advances and accrued expenses relating to projects that have not been completed.

Other information

On December 31st 2024, property, plant and equipment include fully amortized elements still in use considering the accounting effects of mergers describe in Note 1, amounting 90,344 thousand euros (on December 31st 2023: 77,449 thousand euros).

It is the Group policies to take out insurance policies to cover risks relating to property, plant and equipment. On December 31st 2024 the coverage provided by these policies is considered to be sufficient.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On December 31st 2024 and 2023, there is no commitment to purchase transport vehicles. There are no investments to amplify and improves the network. Also, on December 31st 2024 there is no commitment the construction of liquefied gas plants (December 31st 2023: 0 thousand euros).

On December 31st 2024 and 2023, the Group has not recognised an additional impairment loss on property, plant and equipment.

As of December 31st, 2024, the Group has recorded a reversal impairment of technical installations and property, plant and equipment under the heading "Impairment and gains/(losses) on disposal of fixed assets" amounting to 314 thousand euros (as of December 31st, 2024, the Group recorded an impairment of technical installations and property, plant and equipment amounting to 384 thousand euros related to LGP (CGU)) (see Note 5).

As of December 31st, 2024, the Group has recognized a disposal of loss on property, plant and equipment amounting to 70 thousand euros derived from the sale of assets to Vitogas España, S.A.U.

6.1 Right-of-use assets and lease liabilities

The Group carries out its activity in offices leased from a third party. The lease contract is made up of fixed payments and a variable part referenced to the CPI and it has several renewal and cancellation options. The extension options of one contract held are exercisable only by the Group and not by the lessors and another contract has the first year mandatory and later it could be cancelled annually for the Group with period of notice established. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Additionally, the Company has long-term lease contracts for printers and land lease agreements with third parties for the purpose of transferring the use of the space on the properties for the construction and operation of the gas stations indicated in the preceding paragraphs. The leases will remain in force for up to 3 years called the initial term of the lease, which will be mandatorily extended for the lessor up to a term of between 12 and 15 years for CNG stations and 20 years for LNG stations. In the event of early termination of the lease, the lessor shall pay the lessee the amount previously agreed in the lease based on the year of termination of the lease from the date of commissioning.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

a) Right-of-use assets

	Plant	Printers	Lands	Total
Book value at 31-12-2022	257	3	617	877
Right-of-use on initial application of IFRS 16	268	-	611	879
Additions	(256)	(1)	(86)	(343)
Depreciation charge IFRS 16				
Book value at 31-12-2023	269	2	1,142	1,413
Right-of-use on initial application of IFRS 16				
Additions	328	-	-	328
Depreciation charge IFRS 16	(268)	(1)	(98)	(367)
Book value at 31-12-2024	329	1	1,044	1,374

b) Amounts recognized in profit and loss account

The detail of the amounts recorded in the income statement for the year 2024 and 2023, related to the application of IFRS 16, is as follows:

	2024	2023
Interest on lease liabilities	40	43
Amortisation	367	343
Total	407	386

c) Amounts recognized in statement of cash flows

The amount of payments made in 2024 and 2023 related to leases is detailed below:

	2024	2023
Lease payments	367	343
Interest paid on leases	40	43
Total	407	386

d) Future minimum lease payments

Committed future minimum lease payments are as follows:

	Thousands of Euros	
	31/12/2024	31/12/2023
Less than 1 year	416	396
Between 1 and 3 years	312	243
More than 3 years	1,062	1,110
Total	1,790	1,749

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

7 Financial instruments

The carrying value of each financial instrument category as set out in the accounting and measurement standard "Financial instruments" is as follows:

7.1 Analysis by category

The financial investments correspond entirely to the heading of credits and receivables. The composition of the heading of credits and items receivable is as follows:

A) Financial assets

	December 31 st , 2024		
	Loans and receivables	Derivatives	Total
Current			
Trade accounts receivable and accounts receivable excluding prepayments	37,369	-	37,369
Receivables from group companies	-	-	-
Derivatives	-	1,241	1,241
Cash and cash equivalents	126,576	-	126,576
Total	163,945	1,241	165,186

	December 31 st , 2024		
	Loans and receivables	Derivatives	Total
Non-current			
Trade accounts receivable and accounts receivable excluding prepayments	1,753	-	1,753
Derivatives	-	912	912
Total	1,753	912	2,665

	December 31 st , 2023		
	Loans and receivables	Derivatives	Total
Current			
Trade accounts receivable and accounts receivable excluding prepayments	39,559	-	39,559
Receivables from group companies	1,630	-	1,630
Derivatives	-	2,680	2,680
Cash and cash equivalents	70,050	-	70,050
Total	111,239	2,680	113,919

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024

(Thousand euros)

	December 31 st , 2023		
	Loans and receivables	Derivatives	Total
Non-current			
Trade accounts receivable and accounts receivable excluding prepayments	1,862	-	1,862
Derivatives	-	1,443	1,443
Total	1,862	1,443	3,305

B) Financial liabilities

	December 31 st 2024	
	Other financial liabilities at amortized cost	Total
Current		
Loans (excluding financial lease liabilities)	312,275	312,275
Financial lease liabilities	374	374
Other financial liabilities	112	112
Trade payable and other accounts payable excluding non-financial liabilities	13,556	13,556
Total	326,317	326,317

	December 31 st 2024	
	Other financial liabilities at amortized cost	Total
Non-current		
Loans (excluding financial lease liabilities)	596,626	596,626
Financial lease liabilities	999	999
Other financial liabilities	688	688
Total	598,313	598,313

	December 31 st 2023	
	Other financial liabilities at amortized cost	Total
Current		
Loans (excluding financial lease liabilities)	12,189	12,189
Financial lease liabilities	367	367
Other financial liabilities	163	163
Trade payable and other accounts payable excluding non-financial liabilities	28,372	28,372
Total	41,091	41,091

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

	December 31 st 2023	
	Other financial liabilities at amortized cost	Total
Non-current		
Loans (excluding financial lease liabilities)	897,236	897,236
Financial lease liabilities	1,045	1,045
Other financial liabilities	848	848
Total	899,129	899,129

7.2 Classification by maturity date

On December 31st, 2024 the long and short term debts with a determined or determinable maturity date, classified by the year in which they will mature, are as follows:

	Thousand euros					
	2025	2026	2027	2028	2029 and Subsequent years	Total
Bonds	309,974	-	-	-	373,275	683,249
Other financial liabilities	486	354	302	302	729	2,173
Other payables	13,556	-	-	-	-	13,556
Debts with credit institutions	2,301	112	223,214	25	-	225,652
Total	326,317	466	223,516	327	374,004	924,630

On December 31st 2023 the long and short term debts with a determined or determinable maturity date, classified by the year in which they will mature, are as follows:

	Thousand euros					
	2024	2025	2026	2027	2028 and Subsequent years	Total
Bonds	10,039	300,000	-	-	372,573	682,612
Other financial liabilities	530	302	302	302	987	2,423
Other payables	28,372	-	-	-	-	28,372
Debts with credit institutions	2,150	213	129	224,321	31	226,813
Total	41,091	300,515	431	224,623	373,560	940,220

The fair value of the financial assets does not differ significantly from the carrying amount.

The fair value of the Bonds amount to 665,460 thousand euros and 635,059 thousand euros on December 31st 2024 and 2023, respectively.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

8 Financial Assets

The detail of financial assets in the consolidated balance sheet on December 31st 2024 and 2023 is as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Long term financial investments		
Bail bonds	1,479	1,405
Derivatives	912	1,443
Loans to third parties	431	616
Provision for impairment	(157)	(159)
	2,665	3,305
Short term loans and receivables		
Customers	22,095	23,457
Provision for impairment	(9,526)	(9,483)
Receivables from group companies	-	1,630
Deficit tariff	21,178	25,325
Debtors	2,808	15
Loans to employees	23	18
	36,578	40,962
Short term financial investments		
Loans to third parties	183	233
Provision for impairment	(26)	(43)
Derivatives	1,241	2,680
Other financial assets	634	37
	2,032	2,907

Gas system tariff deficit

The breakdown of the financial statement line “Sundry Debtors” must be distinguished between the deficit in 2017, 2023, 2024 and 2025 generated until December 31st 2024, being as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Sundry Debtors		
Deficit / (Surplus) generated in 2017	3	3
Deficit / (Surplus) generated in 2023	-	15,717
Deficit / (Surplus) generated in 2024	12,858	9,605
Deficit / (Surplus) generated in 2025	8,317	-
Other debtors	2,808	15
	23,986	25,340

As of the date of preparation of these annual accounts, the final assessments of the deficit of the year gas 2024 nor gas 2025 has not been received.

On the financial statement line “Others debtors” the Group includes, on December 31st 2024, the provision resulting from the difference between the billing made by MRG on November and December, and the remuneration that truly corresponds to the settlements.

Trade and other receivables

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On December 31st 2024 and 2023, the amount included in the financial statement line "Trade receivables for sales and services" corresponds to the debtor balances by invoicing gas-trading companies for the distribution activity in certain municipalities in the Autonomous Community of Madrid.

In general, the outstanding receivable toll invoices do not accrue interest, and the deadline for its payment by the supply companies is of 15 days after the invoice's emission date.

The fair values of the loans and accounts receivable are the same as the book values.

The movement in the insolvency provision for trade receivables are as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Opening balance	(9,483)	(9,490)
Charge to insolvency provision	(74)	(59)
Charge to insolvency provision-penalties	-	(6)
Disposals	26	65
Write-off	5	7
Closing balance	(9,526)	(9,483)

The movement in the insolvency provision for the financial assets are as follows (Note 17.f):

	Thousand euros	
	31/12/2024	31/12/2023
Opening balance	(202)	(158)
Charge to insolvency provision	(8)	(116)
Disposals	27	72
Closing balance	(183)	(202)

Loans to third parties in the long and short term

This financial statement includes mainly the amount outstanding for the financing of facilities that generates processed useful energy which is acquired from a third party and financed to certain customers. The duration of the contracts is between 1 and 10 years.

The minimum charges receivable from financial lease contracts are:

	Thousand euros	
	31/12/2024	31/12/2023
Less than 1 year	475	538
Between 1 and 5 years	419	679
More than 5 years	4	30
	898	1,247

The maximum exposure to credit risk at the reporting date is the carrying amount of all previous credit classes.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

9 Inventories

	Thousand euros	
	31/12/2024	31/12/2023
Nozzles	21	23
VNG station spare parts	64	-
Compressors, tanks and others (VNG and CLNG)	824	-
Liquefied natural gas	-	32
Liquefied petroleum gas (LPG)	578	803
Materials of replacement the distribution network	1,481	1,296
Advance payment from suppliers	60	10
	3,028	2,164

As of December 31st 2024 inventories correspond mainly to LPG, others replacement materials of replacement the distribution network, spare materials for the maintenance of VNG stations, compressors for natural gas vehicle replacement stations and a tank and other materials for the construction of CLNG stations (As of December 31st 2023 inventories correspond mainly to LPG and others replacement materials of replacement the distribution network).

As of December 31st 2024 and 2023 there are no commitments to purchase or sell gas.

10 Cash and cash equivalents

The breakdown of this financial statement line as of December 31st 2024 and 2023 is as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Cash and banks	46,576	70,050
Other equivalent cash assets	80,000	-
	126,576	70,050

The treasury of the Group as of December 31st 2024 is comprised mostly of current accounts amounting to 46,576 thousand euros and fixed-term deposits maturing in less than 3 months amounting to 80,000 thousand euros with no availability limit and at market interest rate (The treasury of the Group as of December 31st 2023 is comprised mostly of bank accounts, at market interest rate).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

11 Share capital and share premium

a) **Share capital**

The Parent Company was constituted by a public deed issued on March 4th 2015 with a share capital of 3,000 euros, corresponding to 3,000 shares of 1 euro par value each, fully subscribed and paid, belonging to the same class and the same series, numbered consecutively from 1 to 3,000, inclusive.

On May 7th 2015, through an act of the Extraordinary and Universal General Meeting of the partners of the Parent Company, it was decided to increase the capital stock of the parent company by offsetting loans in the amount of 64,323 thousand euros, through the creation of 64,323 thousand new shares of nominal value 1 euro and identical content of rights than the existing ones, numbered consecutively from 3,001 to 64,326,480 inclusive. The capital increase was made with a total take-over premium of 1,222,145 thousand euros, so that the value of each new social participation amounts to the amount of one euro of nominal value and, with respect to the premium of assumption, the amount of approximately 19 euros.

On February 27th 2016, a share purchase agreement was signed between JCSS Mike S.À.RL and Realgaz SAS (previously called C41 S.A.S) as sellers, and Lancashire County Pension Fund, as buyer, under which the latter agreed to acquire shares equivalent to 12.5% of the share capital of the Company. On March 9th 2016, the General Meeting of Partners approved said sale.

On October 2017, The General Shareholders' Meeting approved the transfer of the shareholdings held by Lancashire County Pension Fund, representing 12.50% of the share capital of Elisandra Spain IV, S.L to LPPI Infrastructure Investment LP.

On June 27th 2024, the Extraordinary General Meeting of the Parent Company's shareholders, approved the following amendments to the Company's capital:

1. Capital reduction without return of contributions:

- The capital was reduced by 480 euros, being allocated to voluntary reserve.
- Subsequently, an additional reduction of 64,261,674 euros was made, reducing the nominal value of each shareholding from 1,000 euros to 1 euro, which was allocated to the voluntary reserve.
- After these operations, the share capital was established at 64,326 euros, divided into 64,326 shares with a par value of 1 euro.

2. Restructuring of the number and types of participations: Two classes of participations were established:

- A. Class A: Composed of the 64,326 shares existing prior to the agreement.
- B. Class B: 26,132 new shares were created with a nominal value of 1 euro, subscribed by means of cash contributions from the following partners:
 - Stichting Depositary PGGM Infrastructure Funds: 13,313 euros.
 - Realgaz S.A.S: 7,889 euros.
 - LPPI Infrastructure Investments LP: 4,930 euros

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

The final capital is 90 thousand euros according to this increase, represented by 90,458 shares.

3. Economic and political rights:

- Both classes of shares confer the same voting rights.
- Class A units are entitled to receive a Preferred Dividend, according to the economic rights.
- Class B units are not entitled to receive dividends, until this dividend has been distributed in full.
- Once the Preferred Dividend has been paid, both classes of units will have the same economic rights.

On December 31st 2024 the share capital amount to 90 thousand euros, divided into 90,458 shares 64,326 belonging to class A and 26,132 belonging to class B at 1 euro of nominal value each, totally subscribed and disbursed (On December 31st 2023 the share capital amounted to 64,326 thousand euros, corresponding to 64,326,480 shares at 1 euro of nominal value each, totally subscribed and disbursed).

On December 31st, 2024 and 2023 the shareholding structure of the Company is as follows respect to Class A shares:

Partner	31.12.2024	31.12.2023
JCSS Mike S.À.R.L	33.75%	33.75%
Stichting Depositary PGGM Infrastructure Funds	33.75%	33.75%
Realgaz SAS (previously called C41 S.A.S)	20.00%	20.00%
LPPI Infrastructure Investment LP	12.50%	12.50%
	100%	100%

On December 31st, 2024 and 2023 the shareholding structure of the Company is as follows respect to Class B shares:

Partner	31.12.2024	31.12.2023
JCSS Mike S.À.R.L	-	-
Stichting Depositary PGGM Infrastructure Funds	50.95%	-
Realgaz SAS (previously called C41 S.A.S)	30.19%	-
LPPI Infrastructure Investment LP	18.86%	-
	100%	-

b) **Share premium**

On December 31st 2024, the share premium amounted to 579,932 thousand euros (581,992 thousand euros on December 31st 2023).

On February 15th, 2024, the General Shareholders' Meeting approved the distribution of dividends charged to the share premium in the amount of 2,060 thousand euros, which has been fully disbursed on December 31th 2024.

On December 31st 2024 this reserve is freely available.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

c) Other partner contributions

The balance of "Other contributions from partners" corresponds to the capitalization of the outstanding balance as of June 30th 2015 with the partners.

12 Other reserves and negative results from previous years

a) Reserves

	Thousand euros	
	31/12/2024	31/12/2023
Legal and statutory		
- Legal reserve	5,186	5,186
Other reserves:		
- Voluntary reserves	64,262	-
- Consolidation reserves	99,242	56,279
- Actuarial reserves	(728)	(645)
	167,962	60,820
Negative results from previous years	(815)	(2,117)

Legal reserve

The legal reserve must be provided to the Parent company in accordance with article 274 of the Capital Companies Act, which establishes that, in any case, a figure equal to 10% of the profit for the year shall be allocated to the Parent Company until it reaches, at least 20% of the share capital.

As long as it does not exceed the indicated limit, this reserve may only be used for the compensation of losses, in case there are no other reserves available sufficient for this purpose, and must be replenished with future benefits.

As of December 31st, 2024, the legal reserve amounts to 5,186 thousand euros is fully funded (5,186 thousand euros as of December 31st, 2023 was not fully funded).

Voluntary reserve

On June 27th 2024, the Extraordinary General Meeting of the Parent Company's shareholders, it was decided to set up a voluntary reserve in the amount of 480 euros and 64,261,674 euros after the operations to reduce the capital. On December 31st, 2024, the voluntary reserve amounts to 64,262 thousand euros (December 31st, 2023; 0 thousand euros).

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Goodwill reserve

After the approval of Royal Decree 602/2016 of December 2nd, in the years beginning on January 1st 2016, the reserve by goodwill will be reclassified to voluntary reserves and will be available from the date in the amount that exceeds the trade balance accounted for in the balance asset.

Consolidation reserves

Consolidation reserves on December 31st 2024 and 2023 are broken down as follows:

Dependent companies	Thousand euros	
	31/12/2024	31/12/2023
Elisandra Spain V, S.LU	(74,549)	(64,201)
Madrileña Red de Gas, S.A.U.	508,005	452,906
Aliara Energía, S.A.U.	(2,637)	(1,946)
Aliara GLP, S.L.U.	(1,949)	(378)
MRG Finance B.V.	77,954	77,479
Inspira Madrid Hidrógeno Verde, S.L.	(1)	-
Consolidation adjustment	(407,581)	(407,581)
	99,242	(56,279)

13 Profit/(loss) for the year

Proposed application of the result of the parent company

The proposal application of the result to be presented to the partners of the Parent Company is as follows:

	Euros	
	Proposal 31/12/2024	Approved 31/12/2023
Distribution bases		
Profits and (Losses) for the year	(441,175.97)	1,301,758.41
Aplication		
Negative results from previous years	(441,175.97)	1,301,758.41

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

The contribution of each company to the consolidated results is as follows:

Companies	Thousand euros	
	31/12/2024	31/12/2023
Elisandra Spain IV, S.L.U	(441)	1,302
Elisandra Spain V, S.L.U	(18,997)	(10,348)
Madrileña Red de Gas, SAU	60,299	55,102
Aliara Energía, SAU	(1,011)	(691)
Aliara GLP, S.L.U.	(896)	(1,571)
MRG Finance BV	799	476
Inspira Madrid Hidrógeno Verde, S.L	(32)	(1)
	39,721	44,269

14 Financial liabilities

The movement in this financial statement line is shown in the following table:

	Thousand euros	
	31/12/2024	31/12/2023
Non-current payables		
Non-current payables	373,275	672,573
Banks borrowings	223,351	224,663
Other financial liabilities	1,687	1,893
	598,313	899,129
Current payables		
Interest payables	309,974	10,039
Banks borrowings	2,301	2,150
Other financial liabilities	486	530
Suppliers	11,804	14,165
Sundry payables	4	12,689
Accrued wages and salaries	1,748	1,518
	326,317	41,091
	924,630	940,220

a) Non-current payables (Bonds)

In order to constitute a platform for access to the capital markets in the long term, the company MRG Finance registered, on August 1st 2013, on the Luxembourg Stock Exchange a Euro Medium Term Notes (EMTN) program, under which conditions can be issued bonds up to a maximum of 2,000,000 thousand euros. This program was updated on April, 2017.

The issues made under the program are guaranteed by Madrileña Red de Gas, S.A.U., until June 2024. On July 1st, 2024 Elisandra Spain V, S.L.U replaced Madrileña Red de Gas, S.A.U. as guarantor of these bonds. The amounts obtained by the issuer (MRG Finance BV) were transferred to Elisandra Spain V, S.L.U. by virtue of financing agreements.

The emissions made as of December 31st, 2024 were as follows:

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

- (i) Issue in March 2016 with a nominal amount of 75,000 thousand euros maturing in March 2031. The bonds issued bear interest at a fixed rate of 3.5% per year payable annually in March and may be redeemed at maturity.
- (ii) Issue in April 2017 with a nominal amount of 300,000 thousand euros maturing in April 2025. The bonds issued bear interest at a fixed rate of 1,375% per year payable annually in April and may be redeemed at maturity.
- (iii) Issue in April 2017 with a nominal amount of 300,000 thousand euros maturing in April 2029. The bonds issued bear interest at a fixed rate of 2.25% per year payable annually in April and may be redeemed at maturity.

The financial expenses accrued for these obligations on December 31st, 2024 amounted to 14,137 thousand euros (14,122 thousand euros on December 31, 2023) (Note 17.f).

b) Available credit lines / Loans

On December 31st 2024 and 2023 the Group has the following available credit lines of:

	Thousand euros	
	31/12/2024	31/12/2023
- Credit for general corporate purposes	75,000	75,000
- Loan	180,000	-
	255,000	75,000

On March 9th, 2020, the Group reduced the amount of the credit line by 125,000 thousand euros, leaving an amount available of 75,000 thousand euros.

In February 2024 the credit line amount to 75,000 thousand euros has been renewed until February 24th 2027.

On May 20th, 2024 the Group signed an undrawn loan for an available amount of 300,000 thousand euros.

On July 2nd, 2024 the Group reduced the amount of the undrawn loan by 120,000 thousand euros leaving an available amount of 180,000 thousand euros and maturing on October 17th, 2027.

During 2024, financial expenses of 894 thousand euros were accrued in respect of availability fees and 433 thousand euros in respect of other fees (Note 17.f).

On December 31st, 2024 the Group had not drawn down the credit line and the new loan.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

c) Accounts payables

On December 31st 2024 and 2023 the Group registered in the financial statement line "Accounts Payable" mainly the remaining balance to pay off the roadwork made on distribution network (Note 6).

At the same time, on December 31st 2024 this mentioned financial statement line includes also an amount of 363 thousands of euros (995 thousands of euros on 31st December 2023) corresponding to a net amount payable due to the measuring differences, and corresponds to the other distribution and supply companies

On the financial statement line "Sundry Payables" the Group includes, on December 31st 2023, the provision resulting from the difference between the billing made by MRG on November and December, and the remuneration that truly corresponds to the settlements (Note 8).

d) Bank loans:

On August 3th, 2022, the Group undersigned a syndicated loan agreement with several credit institutions, for a total amount of 225,000 thousand euros, which on November 10th, 2022 was drawn down in full.

On July 1st, 2024 Elisandra Spain V, S.L.U., by virtue of a framework agreement for the implementation of the internal restructuring of Madrileña Red de Gas, S.A.U, assumed the debtor position of the syndicated loan. Madrileña Red de Gas, S.A.U, has carried out the partial repayment of this loan by delivering to Elisandra Spain V, S.L.U the existing asset related to the hedging contracts (Note 24). The transactions have been carried out at market values.

The loan principal is amortized at final maturity after 5 years, which is set for August 3rd, 2027.

Financial expenses accrued on this loan as of December 31st 2024 amounted to 8,177 thousand euros (7,852 thousand euros on December 31st, 2023) (Note 17.f).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Information on delays in payments to suppliers. Additional Provision 3 of “Duty to inform” of Law 15/2010, of July 5th taking into consideration the amendments introduced by Law 18/2022, of September 28, on the creation and growth of enterprises.

The details of the required information regarding the average payment period to suppliers is as follows:

	31/12/2024	31/12/2023
	Days	Days
Average payment period to suppliers (1)	48	45
Ratio paid transactions (2)	51	47
Ratio of outstanding payment transactions (3)	15	26
	Number invoices	Number invoices
Nº invoices paid on time (4)	4,903	5,728
% over the total number of paid invoices	53%	63%
	Thousand Euros	Thousand Euros
Total payments made in the year	54,630	53,192
Total outstanding payments	4,888	5,320
Total payments made on time	28,538	30,933
% payments made on time over total payments	52%	58%

(1) Calculation considering the amounts paid and payables at December 31, 2024 and 2023

(2) Average payment period in transactions paid during the year

(3) Average length of outstanding balance providers

(4) Number of invoices paid in less than the maximum period established in the late payment regulations

Law 31/2014, of December 3rd, modified the law 15/2010 regarding the provision of information relating to a company's average payment period for suppliers. Subsequently, the ICAC Resolution of January 29th 2016 developed the methodology for the calculation of the average payment period to suppliers and the required disclosures in the notes to the financial statements. This resolution came into force on February 5th 2016 and applies to annual accounts from the year started on January 1st 2015, and the amendments introduced by Law 18/2022, of September 28, on the creation and growth of companies.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Share premium	Equity	Total
	Other loans and borrowings	Lease Liabilities		Reserves	
Balance at 31 December 2023	910,435	1,413	581,992	60,820	1,554,660
Proceeds from loans and borrowings	(330)	(40)	-	-	(370)
Bonds and other marketable securities	-	-	-	-	-
Dividends paid	-	-	(2,060)	-	(2,060)
Total changes from financing cash flows	(330)	(40)	(2,060)	-	(2,430)
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-	-
Changes in fair value	-	-	-	-	-
Other changes	-	-	-	-	-
Others	(370)	-	-	-	(370)
Interest expense	26,797	-	-	-	26,797
Interest paid	(26,831)	-	-	-	(26,831)
Total liability-related other changes	(404)	-	-	-	(404)
Total equity-related other changes	-	-	-	107,142	107,142
Balance at 31 December 2024	909,701	1,373	579,932	167,962	1,658,968

	Liabilities		Share premium	Equity	Total
	Other loans and borrowings	Lease Liabilities		Reserves	
Balance at 31 December 2022	930,180	877	581,992	(6,344)	1,506,705
Proceeds from loans and borrowings	(20,448)	536	-	-	19,912
Bonds and other marketable securities	-	-	-	-	-
Dividends paid	-	-	-	-	-
Total changes from financing cash flows	(20,448)	536	-	-	19,912
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	-	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-	-
Changes in fair value	-	-	-	-	-
Other changes	-	-	-	-	-
Others	(852)	-	-	-	(852)
Interest expense	22,863	-	-	-	22,863
Interest paid	(21,308)	-	-	-	(21,308)
Total liability-related other changes	703	-	-	-	703
Total equity-related other changes	-	-	-	67,164	67,164
Balance at 31 December 2023	910,435	1,413	581,992	60,820	1,554,660

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

15 Provisions and Deferred income

The breakdown of provisions on December 31st 2024 and 2023 is as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Provisions for personal expenses	1,815	1,747
Other Provisions for personnel expenses	930	330
Decommissioning provisions	1,947	1,753
Provisions for liabilities	-	268
Non-current provisions	4,692	4,098
Decommissioning provisions	608	1,146
Provisions for liabilities	641	-
Current provisions	1,249	1,146

Employee benefit obligations

The total provisions amount at December 31st 2024 and 2023 corresponds to commitments for bonuses to the natural gas consumption and health insurance for current personal from Gas Natural Fenosa (currently called Naturgy), during post-retirement period.

The movement in the liability recorded in the balance sheet for actuarial obligations is as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Opening balance	1,747	1,594
Cost of service in financial year	52	51
Cost of interests	58	63
Actuarial gains and losses (recorded in equity)	82	84
Benefits paid	(48)	(45)
Disposals	(76)	-
Closing Balance	1,815	1,747

The actuarial assumptions used to value the gas credit commitments are as follows:

	31/12/2024	31/12/2023
Discount rate	3.19%	3.59%
Cost increase (annual)	2.80%	3.00%
Inflation rate (annual)	2.80%	3.00%
Mortality rate	Tablas INE	Tablas INE

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Decommissioning provision:

After the acquisition of LPG assets, the Group's Management has evaluated the necessary costs for the LPG plants' dismantling that will not be utilized once the process of converting the LPG points finishes. In this sense and according to the best estimate the Group has made, it has been registered in the long-term an amount of 1,695 thousand euros and in the short-term an amount of 608 thousand euros (1,501 thousand euros in the long term and in the short-term an amount of 1,146 thousand euros on December 31st 2023).

The Group's management has evaluated the costs necessary to dismantle the gas plants built on land leased to third parties (Note 6), estimating that at the end of the term of the contracts the lessor will request their dismantling. In this regard, and in accordance with the Group's best estimate at December 31st, 2024, the Group has recorded provisions for dismantling amounting to 252 thousand euros in the long-term provisions caption (252 thousand euros on December 31st 2023).

Provisions for liabilities

The Group's Management has considered it reasonable to record, as of December 31st, 2024, 641 thousand euros in the short-term provisions heading, for expenses associated with judgments pending resolution, in accordance with the opinion of the Group's legal advisor.

Deferred income

The breakdown of the "Deferred income" includes collections for the distribution network.

The movement in this financial statement line is shown in the following table:

	Thousand euros	
	31/12/2024	31/12/2023
Opening balance	23,475	23,369
Additions	911	1,239
Disposals	(1,186)	(1,133)
Closing balance	23,200	23,475

16 Tax situation

The parent company and subsidiaries were taxed in the year ended on June 30th, 2015, on corporation tax under Individual General Regime. From July 1st 2015 the Group began to file consolidated tax returns as a subsidiary of Tax Group No. 474/15, parented by Elisandra Spain IV, S.L.

On December 31st, 2024, Tax Consolidated Group No. 474/15 is formed by the parent Elisandra Spain IV, S.L. and the companies Elisandra Spain V, S.L.U, Aliara Energía, S.A.U., Aliara GLP, S.L.U. and Madrileña Red de Gas S.L.U.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Set out below is the reconciliation between net income and expense for December 31st 2024 and corporate tax base is as follows:

Thousand euros						
	Income statement			Income and expenses recognized in equity		
	Additions	Disposals	Total	Additions	Disposals	Total
Profit/(loss) for the year		-	39,721	-	-	(1,421)
Corporate income tax	13,397	-	13,397	446	-	446
Permanent differences	265	(16)	249	-	-	-
Temporary differences	16,431	(53,678)	(37,247)	964	(2,831)	(1,867)
Tax base			16,120			-

Set out below is the reconciliation between net income and expense for December 31st 2023 and corporate tax base is as follows:

Thousand euros						
	Income statement			Income and expenses recognized in equity		
	Additions	Disposals	Total	Additions	Disposals	Total
Profit/(loss) for the year		-	44,269	-	-	(3,606)
Corporate income tax	14,349	-	14,349	1,174	-	1,174
Permanent differences	199	(1,630)	(1,431)	-	-	-
Temporary differences	13,584	(57,238)	(43,654)	-	(4,780)	(4,780)
Tax base			13,533			-

The tax expense is composed as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Current tax		
Current tax on profit	(3,986)	(3,424)
Total Current tax	(3,986)	(3,424)
Deferred tax:		
Disposal of temporary differences	(9,312)	(10,914)
Total deferred tax	(9,312)	(10,914)
Other deferred (Note 22)	(205)	(98)
Other current (Note 22)	106	87
Income Tax	(13,397)	(14,349)

On March 31st 2012 the Official State Gazette published Royal Decree-Law 12/2012 (March 30), which was subsequently amended by Royal Decree-Law 20/2012 (July 12th), introducing several tax and administrative measures to reduce the public deficit. This Royal Decree-Law establishes a general limit to the deduction of financial expense. In general the amount of net deductible financial expense in the tax period is reduced to 30% of operating profits for the year (applying certain corrections) and, in any event, financial expense not exceeding 1 million euros are deductible. These limitations will apply to the tax periods commencing as from January 1st 2012.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Article 7 of Law 16/2012 (December 27th), which adopts several tax measures to consolidate public finances and encourage economic activities, introduces a temporary limitation in 2013 and 2014 affecting tax deductible amortisation and only 70% of the amortisation recognised by companies that do not comply with the requirements of Article 108 of the Spanish Corporate Income Tax Act, which regulates the requirements for the small company classification, may be deducted.

As of December 31st, 2024, positive permanent adjustments amounting to 265 thousand euros relate to external consulting expenses related to exceptional corporate projects considered non-deductible (199 thousand euros at December 31st, 2023).

As of December 31st 2024, the negative temporary adjustments include mainly 37,013 thousand euros corresponding to the tax depreciation of the administrative authorizations (37,411 thousand euros at December 31st 2023), 8,087 thousand euros for the non-deductible interest expense (11,692 thousand euros on December 31st 2023), 2,869 thousand euros for the tax depreciation of the goodwill (2,884 thousand euros on December 31st 2023), reversal of 2,339 thousand euros (2,262 thousand euros on December 31st 2023) due to the limitation on the amortization of fixed assets.

The positive temporary adjustments include 143 thousand euros for differences between the tax and accounting depreciation (143 thousand euros on December 31st 2023), 861 thousand euros (594 thousand euros on December 31st 2023) in respect of provisions for obligations to employees and 10,520 thousand euros, relating to 50% of the tax loss carryforwards (8,348 thousand euros on December 31st 2023) and 0 thousand euros corresponding to impairment of fixed assets (1,167 thousand euros at December 31st, 2023).

On December 31st 2024 the Group had made interim corporate income tax payments totalling 1,155 thousand euros (on December 31st 2023: 3,837 thousand euros). The Group has had withholding taxes as of December 31st, 2024 amounting to 411 thousand euros (December 31st, 2023: 100 thousand euros).

Additionally, the Group company Madrileña Red de Gas Finance, B.V has received at December 31st, 2024 518 thousand euros in respect of the MAP for 2016 and 2017.

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	Thousand euros	
	31/12/2024	31/12/2023
Deferred income tax assets		
- Deferred tax assets falling due in more than 12 months	14,306	14,282
	14,306	14,282
Deferred income tax liabilities		
- Deferred tax liabilities to be recovered in more than 12 months	(326,549)	(317,450)
	(326,549)	(317,450)
Deferred tax liabilities (net)	(312,243)	(303,168)

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

The movement during the year in deferred tax assets, without taking into account the offsetting of balances, was as follows (thousands of euros):

Deferred income tax assets	Provision	Financial expenses	Merger fixed asset	Asset amortisation	Tax credits (BINs)	50% of the tax loss carryforwards	Insolvency provisions	Provision for impairment/loss of fixed assets	Total
Balance at 31/12/2022	1,437	7,121	2,333	1,771	23	-	230	2,774	15,689
Charged (credited to profit loss)	(149)	(2,923)	(125)	(579)	-	2,087	(3)	291	(1,401)
Other	-	-	(6)	-	-	-	-	-	(6)
Balance at 31/12/2023	1,288	4,198	2,202	1,192	23	2,087	227	3,065	14,282
Charged (credited to profit loss)	202	(2,031)	(144)	(534)	-	2,593	36	(110)	12
Other	-	-	12	-	-	-	-	-	12
Balance at 31/12/2024	1,490	2,167	2,070	658	23	4,680	263	2,955	14,306

Deferred income tax liabilities	Amortisation of property, plant and equipment	Tax amortisation RD3/93	Tax amortisation Administrative concessions	Cash hedging instrument	Tax amortisation goodwill	Total
Balance at 31/12/2022	(8,033)	(161)	(293,109)	(2,079)	(5,367)	(309,019)
Charged (credited to profit loss)	431	34	(9,355)	-	(721)	(9,611)
Others	-	6	-	1,174	-	1,180
Balance at 31/12/2023	(7,602)	(121)	(302,464)	(905)	(6,358)	(317,450)
Charged (credited to profit loss)	431	17	(9,259)	-	(718)	(9,529)
Others	(19)	3	-	446	-	430
Balance at 31/12/2024	(7,190)	(101)	(311,723)	(459)	(7,076)	(326,549)

On 31st December 2020, Law 11/2020 setting the General State Budgets for 2021 was enacted. Among other measures, this Law amended certain articles of Income Tax Law 27/2014. The most significant amendments relate to the limitation on the exemption of dividends and capital gains. Specifically, with effect for accounting periods beginning on or after 1 January 2021, only 95% of those arising from equity interests of more than 5% will be exempt, and thus those deriving from equity interests with an acquisition cost of more than Euros 20 million are eliminated (although a transitional regime is provided for such cases).

In parallel, the tax consolidation regime has also been modified, such that dividends distributed among companies of the same consolidated tax group are no longer eliminated. As a result, dividends received and capital gains generated in the Spanish companies that receive dividends from investees in which they hold an interest of 5% or more are effectively taxable at a rate of 1.25%, even when the distributing company and the recipient company belong to the same tax group.

The Companies that are part of the Group have pending inspection by the tax authorities the fiscal years since their constitution of the main taxes that are applicable with the exception of Madrileña Red de Gas, S.A.U. which remain open for inspection in the last 4 years of VAT, IRPF and Corporate Tax.

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The Companies of the group Madrileña Red de Gas, S.A.U. is under five process of inspection in relation to VAT and Corporate Tax to the financial years 2010 and 2011, and financial years 2012, 2013, financial year 2015 and financial years 2016, 2017 and December 2017 respectively and the financial years 2018-2021, as well as the VAT for the years 2011 (July to December, both included), 2012 and 2013 (Note 22).

In accordance with current legislation, tax returns cannot be deemed definitive until they are verified by the tax authorities or until they pass their statute of limitation. The Group has not yet submitted the declaration of corporate income tax for the year December 31st 2024, although in its calculation are taken into consideration the various legislative provisions apply.

As a result, among other things, of the different interpretations the fiscal legislation may have, as well as the results of the inspections that could happen in the verification years, it may arise additional liabilities with contingent character for the Group, that are not susceptible to objective quantification.

The Company's Directors do not expect additional liabilities to arise as a consequence of the said resources nor the inspection of the outstanding fiscal years.

The detail of the negative tax bases not recorded on December 31st 2024 is the following of the parent company of the group are as follows:

	Negative tax bases	Year
Negatives tax bases	42	2015

The amount included under "Other receivables/payables to Public Administrations" breaks down as follows:

	Thousand euros	
	31/12/2024	31/12/2023
<u>Debit balances</u>		
VAT receivable	651	601
Tax receivable for other items	5,359	5,359
Total debt balances	6,010	5,960
<u>Credit balances</u>		
Current tax	3,407	476
Other payable for withholdings made	36	25
Other debts with Public Administrations	627	423
Social security payables	208	59
Total credit balances	4,278	983

The amount included in "Other debts with Public Administrations" relates mostly to the credit balances with Councils for public land occupancy tax.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

17 Income and expenses

a) Revenue

	Thousand euros	
	31/12/2024	31/12/2023
Revenue		
Remuneration (Note 2)	117,836	119,709
Other regulated income	19,343	16,762
Other non-regulated income	9,307	9,600
Other non-regulated income by indemnities	119	195
LPG income (Note 2)	6,666	9,011
LPG income non regulated	28	32
	153,299	155,309

The 99,87% of the Group's revenues relate to activities carried out in the Community of Madrid. The Group does not earn income from any one customer that represents 10% or more of the Group's revenues.

Other regulated income

Other regulated income corresponds to connected services to natural gas distribution activity, where its prices are determined in the regulation. These services include the leasing of gas meters, periodic inspections and network services.

Other non-regulated income

Other non-regulated income are mainly for connected services relating to the natural gas distribution activity, where its prices are not regulated, such as services like the operations realized in the final user's home and other auxiliary services.

In addition, revenues derived from the sale of natural gas vehicles at service stations (gas stations) and the provision of energy services and the purchase and sale of transformed useful energy for heating and domestic hot water services carried out by the Group are considered non-regulated revenues.

Timing of revenue recognition	Thousands of Euros	
	31/12/2024	31/12/2023
Services transferred at a point in time	139,013	140,199
Services transferred over time	14,286	15,110
Revenue from contracts with customers	153,299	155,309

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b) Consumption of goods

	Thousands euros	
	31/12/2024	31/12/2023
Consumption of goods		
- Other	(10,209)	(14,614)
- Impairment of merchandise, raw materials and other supplies	(105)	1,161
	(10,314)	(13,453)

c) Personal expenses

	Thousands euros	
	31/12/2024	31/12/2023
Wages, salaries and similar	(8,982)	(8,087)
Social charges	(2,778)	(2,807)
- Contributions and allocations for pensions	(39)	(44)
- Other social charges	(2,739)	(2,763)
Indemnities	(685)	(30)
	(12,445)	(10,924)

The number of employees by professional category and gender on December 31st 2024 and 2023 by category is as follows:

	31/12/2024		31/12/2023	
	Male	Female	Male	Female
Senior Managements/ Managers	16	8	16	8
Administrative	4	22	4	18
Business development	12	13	13	14
Operations	54	12	57	11
	86	55	90	51

The average number of employees' professional category and gender of the Group in the years ended on December 31st 2024 and 2023 is as follows:

	31/12/2024		31/12/2023	
	Male	Female	Male	Female
Senior Managements/ Managers	16	8	17	8
Administrative	4	19	4	17
Business development	11	12	13	14
Operations	54	11	56	11
	85	50	90	50

The Group has made available three employees with a disability higher or equal to 33% in fiscal year 2024 and two employees in fiscal year 2023.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

d) Other operating expenses and taxes

	Thousand euros	
	31/12/2024	31/12/2023
Leases and royalties	(134)	(95)
Repairs and maintenance	(3,677)	(3,624)
Professional services	(2,042)	(2,012)
Insurance	(684)	(757)
Bank services and similars	(362)	(321)
Advertising and public relations	(9)	(15)
Supplies	(391)	(468)
Other expenses	(8,972)	(9,007)
Other services	(2,170)	(2,544)
Tributos	(2,502)	(2,511)
	(20,943)	(21,354)

The "Other expenses" financial statement line largely relates to expenses accruing in the financial year due to the reading of meters carried out by external parties, management services for the billing and charging and other items related to the overall operation of the Group.

The "Tributes" financial statement corresponds to the rate of public land occupation paid to municipalities and the non-deductible VAT of the Group's holding companies.

e) Other results

	Thousand euros	
	31/12/2024	31/12/2023
Other results		
Other results	(3,545)	(754)
	(3,545)	(754)

On December 31st 2024 and 2023 the financial statement line "Other results" mainly includes expenses for professional services received for extraordinary corporate projects.

f) Financial expenses

	Thousand euros	
	31/12/2024	31/12/2023
Financial income	2,948	667
Marketable securities and other financial instruments	2,948	667
- Third parties	2,948	667
Financial expenses (Note 14)	(26,797)	(22,863)
Interest on debts with third parties	(26,797)	(22,863)
Impairment losses and income from disposal of financial instrument	19	(44)
Change in fair value of financial instruments	(184)	-
Financial results	(24,014)	(22,240)

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

As of December 31st, 2024, there are financial income accrued for remuneration of bank accounts and deposits in the amount of 2,922 thousand euros (663 thousand euros as of December 31st, 2023) and other financial income amount to 26 thousand euros (4 thousand euros as of December 31st, 2023).

As of December 31st, 2024 in the heading "Financial expenses on debts with third parties" includes, the financial expenses accrued on the issuance of bonds and other marketable securities amounting to 14,137 thousand euros (14,122 thousand euros at December 31st, 2023), the financial expenses accrued on the loan with a notional value of 225,000 thousand euros in the amount of 8,177 thousand euros (7,852 thousand euros at December 31st, 2023), the financial expenses incurred by Madrileña Red de Gas Finance, B.V. amounting to 1,982 thousand euros (0 thousand euros at December 31st, 2023), to comply with the binding legal decision issued by the CNMC in the resolution of 17th March 2023, replacing the guarantee provided by Madrileña Red de Gas, S.A.U. in the bond issues of Madrileña Red de Gas Finance, B.V. with a guarantee from Elisandra Spain V, S.L.U. to the bondholders (Note 22), finance costs for availability fees and other bank fees amounting to 2,142 thousand euros (371 thousand euros at 31st December 2023) and other finance costs amounting to 360 thousand euros (518 thousand euros at 31st December 2023).

As of December 31st, 2024, the caption "Change in fair value of financial instruments" has been recorded a financial expense associated with the accounting of derivatives, amounting to 184 thousand euros (Note 23).

18 Remuneration of the Board of Directors and Senior Management

a) Remuneration of the Board of Directors

The Board of Directors of the Parent Company did not receive on December 31st 2024 and 2023 amounts for any consideration.

In the fiscal years ended on December 31st 2024 and 2023 the members of the Board of Directors have not received remuneration in the form of salaries or other remunerations. In addition, they have not been granted loans or advances, rights relating to pensions or life insurance or others of a similar nature at the Group's expense.

On December 31st 2024 and 2023, the members of the Company's Board of Directors have not received nor do they have granted loans or advances, no obligations have been assumed on their behalf as collateral, liability insurance premiums have been paid for damages caused by acts or omissions in the 2024 financial year in the amount of 33 thousand euros (42 thousand euros on 31st December 2023).

The members of the Company's Board of Directors of parent company have not received any remuneration in the form of profit sharing or bonuses. Neither they have received shares or stock options during the year, nor have the exercised options or have options outstanding to enforce.

The parent company does not have senior management personnel, these functions are exercised by the directors of the Group.

On June 27th, 2024, the assignment of Ms. Chilei Kao was revoked.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On September 26th, 2024, the assignment of Mr. Jan Matthijs Lakerveld was revoked as president and the new president assigned was Ms Carmen Gómez De Barreda Tous De Monsalve.

b) Director's conflict of interest

As regards the duty to avoid conflicts of interest with the Group, during the year the Board of Directors fulfilled the obligations stipulated in Article 228 of the Spanish Companies Act. Both the Directors and their related parties avoided the conflict of interest scenarios envisaged in Article 229 of the Act, except for cases in which the necessary authorisation was obtained.

19 Balances and transactions with related parties

Related parties are as follows:

- The Sole shareholder of Elisandra Spain IV, S.L. through the Realgaz S.A.S (previously called C41, S.A.S), Stichting Depositary PGGM Infrastructure Funds, JCSS Mike S.A.R.L. and LPPI Infrastructure Investment LP, Elisandra Spain V, S.L.U. and the Partner companies of, Madrileña Red de Gas S.A.U., Aliara Energía S.A.U., Aliara GLP, S.L.U., Inspira Madrid Hidrógeno Verde, S.L. and Madrileña Red de Gas Finance B.V.
- Directors and executives of the Group, and their immediate families. The term "director" means a member of the Board of Directors; "executive" means a member of the Senior Management of Elisandra Spain IV, S.L. and of the Partner companies.

On December 31st 2024 Consilia Asesores S.L., which has held the presidency of the Board of Directors of Madrileña Red de Gas, S.A.U., Aliara Energía, S.A.U. y Aliara GLP, S.L.U., represented by Pedro Mielgo and Ms Carmen De Barreda, who has been the Chairman of the Board of Directors of Madrileña Red de Gas, S.A.U., Elisandra Spain V, S.L.U. and Elisandra Spain IV, S.L., since October 1st, 2024, have received 175 thousand euros and 50 thousand euros respectively (December 31st 2023: 175 thousand euros Consilia Asesores S.L.) for advising and consulting regarding the signed contract.

a) Transactions

	Group companies	Other related parties	Total
31.12.2023			
<u>INCOME</u>			
Other operating income	-	1,630	1,630

Additionally, during the year ended December 31st, 2024 and 2023, there have been transactions in the Inspira Madrid joint venture that affect the results of the year (See Note 3.6.1).

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

b) Balance

	Group companies	Other related parties	Total
31.12.2023			
Trade receivables and accounts receivable from group companies	-	1,630	1,630

During the year ended December 31st, 2024, there are no outstanding balances receivable and/or payable with Group or related companies.

Other operating income recorded with related parties is detailed below :

	Thousand euros	
	31.12.2024	31.12.2023
PGGM Infrastructure Funds	-	682
JCSS Mike S.A.R.L	-	695
LPPI Infrastructure Investment LP	-	253
	-	1,630

20 Auditors' fees

The fees charged until December 31st 2024 financial year by KPMG Auditores, S.L for auditing the annual accounts and audits works were 152 thousand euros (on December 31st 2023: 146 thousand euros). The fees charged at December 31st 2023 for other audit related services were 0 thousand euros (December 31st 2023: 0 thousand euros)

On the other hand, other entities affiliated with KPMG International have invoiced the Group during the years ended December 31, 2024 and 2023, fees for auditing services amounting to 68 thousand euros and 64 thousand euros, respectively.

21 Enviromental information

The Group has not received any subsidies or income as a result of activities related to the environment. The Group has no assets related to the environment and has incurred expenses like: 1) to comply with and adapt to current legislation and regulations, the 2) maintenance of the environmental management system based on the UNE-EN-ISO 14001:2015 standard, audits and inspections for the prevention of major accidents involving hazardous substances (R.D. 840/15 Seveso) and the publication and external verification by independent entity (BVQi) of the annual carbon footprint report with scope 3".

Additionally, as of December 31st, 2024, the Group has made any environmental investments for the noise prevention and has incurred in expenses to protect or improve the environment as the noise measurements (As of December 31st, 2023, the Group had not made this type of environmental investments and had not incurred in this type of expenses).

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

It has not recognized any additional provision for environmental liabilities and charges as it considers that there are no extra contingencies relating to the protection or improvement of the environment or any liabilities of an environmental nature.

On August 27th 2004 Royal Decree Law 5/2004 was passed which governs the system of trading emission rights of greenhouse gases, with the purpose of assisting to comply with the obligations deriving from the Kyoto Convention and Protocol. Due to the nature of its activities the Group does not have allocations of CO2 emissions nor expenses deriving from the consumption of emission rights. The Management of the Group does not anticipate any type of penalty or contingency deriving from compliance with the requirements laid down in Act 1/2005.

22 Other Commitments and contingencies

- Commitments

On December 31st 2024 the subsidiary Madrileña Red de Gas, S.A.U there is a total of 44,225 thousand euros guaranteed (on December 31st 2023: 44,073 thousand euros) by different bank entities. Of the aforementioned total amount, 4,695 thousand euros are guaranteed by different banks entities against local city councils for work carried out in the municipalities in which the MRG operates; and 39,530 thousand euros guaranteed by different banks entities against tax authorities for the open tax inspections. The Company's Directors estimates that given the nature of the guarantees, it does not exist any risk that originates no preview liabilities.

The subsidiary Aliara Energía, S.A.U., on December 31st 2024 and 2023, has signed contracts for the supply of natural gas with a natural gas trading company. Said contract has as its object the supply of piped natural gas for a period of 12 months, tacitly extending for annual periods. These contracts include a commitment of permanence during the term of the contract, although there are no purchase commitments related to a specific consumption. The amount of the same is invoiced monthly having a fixed cost and a variable cost that is determined based on a formula referenced to the value of MIBGAS and fixed price. The purchase recognized in the consolidated income statement for this item on December 31st 2024 amounts to 4,687 thousand euros (5,127 thousand euros on December 31st 2023).

Additionally, Aliara Energía, S.A.U. has signed contracts for maintenance of the facilities for a period of between 1 year and 6 years on December 31st 2024 and 2023. The expense recognized in the income statement for the year was 81 thousand euros (79 thousand euros on December 31st 2023).

On December 31st 2024, Aliara Energía, S.A.U maintains a total of 94 thousand euros guaranteed (94 thousand euros on December 31st 2023) with different banking entities in front of Local Administrations (City Councils), for the works of the gas company (Note 6) and 16 thousand euros guaranteed for the provision of natural gas vehicle supply services (14 thousand euros at December 31st, 2023). Additionally, as of December 31st, 2024, there is a guarantee for 1,025 thousand euros with the Official Credit Institute (ICO) for the financing of the Inspira Madrid Hidrogeno Verde, S.L. project. The Company's Sole Administrator consider that given the nature of the guarantees provided there is no risk of originating unforeseen liabilities.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On December 31st 2024, Aliara GLP, S.L.U maintains a total of 500 thousand euros guaranteed (500 thousand euros on December 31st 2023) with bank entities for suppliers that supply LPG. The Company's Sole Administrator estimate that given the guarantees nature, there is no risk of originating any unforeseen liabilities.

On December 31st 2024, Elisandra Spain IV, S.L maintains a total of 22,946 thousand euros guaranteed (22,583 thousand euros on December 31st 2023) by different banks against the Tax Authorities for open inspections. The Company's directors consider that given the nature of the guarantees provided, there is no risk that they could give rise to unforeseen liabilities.

On November 2nd 2015, Aliara signed a Concession Contract with the Madrid City Council for the installation and subsequent exploitation, under the same conditions, of 4 CNG stations (gas stations) for a non-extendable term of 12 years (November 2027) date of signature of the concession. In February 2017, the test facility located in Avda. De los Poblados was put into operation and went into operation and final reception of the installation in May 2017 (Note 6). On September 17th, 2018 the Group launched three gas stations whose are located in Portomarin Street, Fuente de Lima Street and Córdoba Avenue respectively.

- Contingencies

As a result of the tax inspections which commenced in the year 2015 over the 2010 and 2011 income tax, on February 17th 2016 Madrileña Red de Gas (MRG) was notified of the settlement agreement for corporate income tax relating to 2010, which resulted in tax payable totalling 5,488 thousand euros, paid by MRG on April 5th 2016, largely due to the inspector's approach to the deductibility of certain expenses, facts that have not arisen any sanction.

Additionally, on February 29th 2016 MRG was notified about the corporate income tax settlement agreement for 2011 and as explained above, although it resulted in an adjustment to the accounting result which reduced MRG 's losses by 1,752 thousand euros, it resulted in zero tax payable. Both assessments were contested.

On March 15th 2016 MRG filed two economic-administrative claims against the Settlement Agreements to the Central Economic and Administrative Tribunal (TEAC), requesting its accumulation for both claims to be processed jointly and in a single procedure, where the TEAC has answer on October 5th, 2016 with a notification accepting the request, as well as the disclosure of both files with a period of one month to review and to formulate the corresponding allegations. On November 4th, 2016, MRG has presented to the TEAC the allegations showing the two economic-administrative claims against the Settlement Agreements. On June 19th, 2020, the TEAC rejected the economic-administrative claims filed by the Company. On August 13th 2020, the Company filed a contentious-administrative appeal before the National Court against the resolution issued by the TEAC. On May 21st 2021 The Company presented for the National Court the claim including its arguments by which it considers that the challenged TEAC resolution is inadmissible. On December 30th 2021 MRG has submitted the corresponding brief of conclusions of the claim and is pending answer of the National High Court.

In case that the claims do not succeed, the greater risk for the Group amount 8,024 thousand euros in instalments, plus 929 thousand euros as default interest up to the present date.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

According to the Group legal advisor's opinion, on December 31st 2024, the Parent Company's Directors consider that there are high probabilities of succeeding in the claims. As a result, on December 31st 2024, the Group's Management has considered not necessary to register any expense regarding the amount claimed and to maintain account receivable with the Public Administrations for the amount referred before (5,359 thousand euros) in the financial statement line "(Public Administration – other credits)", as well as in the previous calendar year.

Additionally, on March 15th 2016, April 22nd 2016 and May 25th 2016, the tax authorities informed MRG of the initiation of a corporate tax review for the fiscal years ended in 2012 and 2013, and a VAT review for the second semester of 2011, and for the years 2012 and 2013.

As a result of such inspections, on July 17th 2017 the tax authorities issued provisional assessments resulting in a proposal for tax payable of 28,008 thousand euros in respect of corporate income tax plus late-payment interest of 5,036 thousand euros, on the understanding that the expenses relating mainly to the tax amortization of the administrative concessions, increase in the value of assets and goodwill, among others, are not deductible in those years as they do not yet meet the requirements to be tax deductible. The assessments raised include no penalty in respect of the tax in question and 122 thousand euros for VAT as a consequence of the inspection criteria on the deductibility of certain expenses plus late-payment interest of 24 thousand euros. MRG has signed both tax assessments in disagreement and has made allegations about those records.

On January 16th, 2018, MRG was notified of the definitive settlement agreement corresponding to the Value Added Tax, which confirms the content of the provisional assessments, in accordance with the previous paragraph, for an amount of 122 thousand euros in instalments and 26 thousand euros for late-payment interest and have paid on March , 1st 2018, by the MRG.

On March 8th, 2018, MRG has been notified of the definitive settlement agreement corresponding to the Corporate Income Tax, which confirms the content of the provisional assessments, in accordance with the previous paragraph, for an amount of 28,022 thousand euros in instalments and 5,622 thousand euros for late-payment interest. This tax debt is guaranteed by two banks.

On September 28th 2019, MRG has submitted to TEAC the statement of allegations of the economic-administrative claims brought against the Settlement Agreements relating to corporation tax for the fiscal years 2012 and 2013. On June 19th, 2020, the TEAC rejected the economic-administrative claims presented by MRG. On August 13th 2020, MRG filed a contentious-administrative appeal before the National Court against the resolution issued by the TEAC. On May 21st 2021 MRG presented for the National Court the claim including its arguments by which it considers that the challenged TEAC resolution is inadmissible. On December 30th 2022 the Company has submitted the corresponding brief of conclusions of the claim and is pending answer of the National High Court.

On December 4th 2019, MRG has submitted to the TEAR the statement of allegations of the economic-administrative claims brought against the Settlement Agreements relating to Value Added Tax in the fiscal years 2012 and 2013.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On October 5th 2021, MRG filed an economic-administrative claim before the High Court of Justice of Madrid, against TEARs resolution. On December 9th 2021, the Company filed a written statement before the High Court of Justice of Madrid desisting the presented economic-administrative claim and requesting the competent body a 40% reduction of the penalty amount, in application of paragraph 3, article 188, of the Law 11/2021 of December 17th (Ley General Tributaria, "LGT"), and of paragraph 2 of the first transitory provision of the Law 11/2021 of July 9th of preventive measures and fight against tax fraud, transposed from the EU Directive 2016/1164, of the European Council, of July 12th 2016, which establishes rules against tax avoidance practices that directly impact the functioning of the internal market, which modifies several tax regulations and in with regard to gambling regulation (the "Law 11/2021"). MRG has paid the penalty with a 40% reduction in 2022

In case of future allegations do not succeed, the greater impact for MRG for the two years that were reviewed (2012 and 2013) will be an expense of 16,280 thousand euros as a greater corporate tax quota, and a default interest expense of 12,824 thousand euros corresponding to corporate income tax until the date of notification of the settlement agreement and a lower deferred tax asset by 5,219 thousand euros and a lower deferred tax liability of 16,714 thousand euros, although the right to deduct the costs at issue corresponding to the tax amortization of administrative concessions, increased asset value and goodwill remains to the extent that the conditions referred to in the minutes.

On January 20th, 2020, the Tax and Customs Control Unit of the Central Delegation of Large Taxpayers announced the start of the inspection actions of the Corporation Tax for the fiscal year ended in June 2015. On November 27th, 2020 they have been notified three minutes, which resulted in a tax quota in disagreement to be paid to the Treasury of 4,452 thousand and 819 thousand euros for late payment interest, as well as a reduction of the financial expenses deductible in subsequent years of the MRG for an amount of 3,492 thousand euros and 1,140 thousand euro, which have been signed in disagreement by MRG. On December 21st, 2020, the MRG presented allegations against the three minutes in disagreement. On October 4th 2021, MRG has been notified of the final settlement agreements corresponding to the Income Tax, confirming the contents of the three provisional minutes mentioned before, disposing a positive tax return of 4,452 thousand euros and 948 thousand euros of accrued interest, as well as a reduction of deductible financial expenses in future fiscal years of MRG amounting to 3,492 thousand euros and 1,140 thousand euros. This tax debt is guaranteed by a bank.

On November 4th, 2021, MRG filed economic-administrative proceeding against the TEAC In February 2022, the TEAC proceeded to the disclosure of the respective administrative files. On October 11th, 2023, two resolutions of the TEAC were notified rejecting the economic-administrative claims. On December 5th, 2023, MRG filed a contentious-administrative appeal before the National High Court against the aforementioned resolutions. On December 14, 2023, MRG was notified that the appeals had been admitted for processing and the TEAC was requested to send the administrative file, and there have been no further developments since then.

On February 12th, 2024, the MRG filed before the National High Court the Statement of Claim and on April 10th, 2024, MRG was notified of the response of the State Attorney's Office. On April 24th, 2024, MRG filed the written Conclusions and on May 29th, 2024 it was notified of the written Conclusions presented by the State Attorney's Office and is awaiting the response from the National High Court.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Regarding the settlement agreement, relating to financial expenses in the amount of 3,492 thousand euros, on March 14th 2022, the written statement of allegations was filed.

It was agreed to suspend the procedure related to the settlement agreement for the financial expenses in the amount of 1,140 thousand euros following the decision of the National Bureau of International Taxation dated March 9th, 2022 to accept MRG's request to initiate the procedure on the application of Convention EEC/90/436 of July 23, 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (the "Arbitration Proceeding"), in order to the tax authorities of Spain and the tax authorities of the Netherlands may reach an agreement for the elimination of international double taxation.

On October 21st, 2022, MRG was notified that the competent authorities of Spain and the Netherlands had agreed to apply the criteria proposed by the Spanish tax authorities, accepting the adjustment made by the Spanish tax authorities in its entirety.

Subsequently, on December 15th, 2022, MRG desisted from continuing with the economic-administrative proceeding against the TEAC, and informed the competent Spanish authority of the acceptance of the outcome of the Arbitration Proceeding.

At the consolidated annual accounts formulation date and for the next fiscal years, some of the circumstances questioned in the inspections would remain in force.

The Group received a communication from the Tax and Customs Control Unit on January 8th 2021 communicating the opening of Income Tax inspections for the fiscal years ending in June 2016, June 2017 and December 2017.

On November 15th, 2022, the tax inspector notified the following two minutes:

The first, which resulted in a non-conforming tax liability to be paid to the tax authorities of 18,643 thousand euros and 3,462 thousand euros for interest on late payments, and the second which involves 1,662 thousand euros of deductible financial expenses, which have been signed in disagreement by MRG.

On December 7th, 2022, allegations corresponding to the minutes described above were filed.

On April 1st, 2023, Elisandra Spain IV, S.L., in its capacity as parent company of the tax group, was notified of the final tax assessment, resulting in a tax liability of 18,643 thousand euros and late-payment interest of 3,668 thousand euros. This tax debt is guaranteed by two banks.

Also, the definitive settlement relating to the reduction of deductible financial expenses was notified, which was rectified to 2,162 thousand euros.

On April 28th and April 24th, 2023, Elisandra Spain IV, S.L. filed the economic-administrative claims against the aforementioned Settlement Agreements.

On May 16th, 2023, Elisandra Spain IV, S.L. filed a request for Arbitration Proceedings.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

On June 23th, 2023, Elisandra Spain IV, S.L. filed the pleadings.

On January 2nd, 2024, Elisandra Spain IV, S.L. was notified that the competent authorities of Spain and the Netherlands had agreed to apply the criterion proposed by the Spanish Tax Administration, accepting the adjustment made by the Spanish Tax Administration in its entirety. On January 18th and January 24th, 2024, Elisandra Spain IV, S.L. has proceeded to present the letter of withdrawal of the economic administrative claim before the TEAC and to communicate to the ONFI the conformity with the adopted agreement.

At the date of preparation of these financial statements and for the following fiscal years, some of the circumstances questioned during the inspections remain unchanged.

The Group received a communication from the Tax and Customs Control Unit dated July 12th, 2023 communicating the commencement of corporate income tax audits for the fiscal year ended December 2018, December 2019, December 2020 and December 2021. The Group has been answering to what has been requested. The Inspection has conveyed to the Group its intention to make the following adjustments to the tax rate: 44,358 thousand euros related to the non-deductibility of part of the amortization of goodwill, administrative concessions and other material assets and 664 thousand euros related to the non-deductibility of part of the financial expense. The Group is awaiting receipt of the provisional settlement proposals.

Having realised the allegations of the claims filed, and according to MRG's tax advisor's opinion, at the time the annual accounts were drafted, MRG considers that there are solid arguments to defend its position in relation the deductibility of such expenses, and as a result, at December 31st 2024, the Group's Management considers it reasonable to not recognise any expense or assets relating to the amounts claimed.

However, in relation to the adjustments related to intercompany loans (IBLAs), both in the procedure of the open inspections and in others that may be initiated in the future, as well as the Arbitration Proceedings that may be initiated in connection with such inspection procedures, the Group's tax advisors consider that the probability of the competent authorities of Spain and the Netherlands reaching the same result that was reached in the aforementioned Arbitration Proceeding is high. This is without prejudice to the fact that the result reached in an Arbitration Proceeding does not bind the parties with respect to future proceedings. Therefore MRG and Elisandra Spain V have regularized the tax fee that It had recorded as deferred assets, from 2013 to 2024, in the amount of 2,141 thousand euros. MRG Finance has recorded an account receivable from the Dutch Tax Authorities amounting to €1,909 thousand.

On July 22nd, 2024, the Group submitted a request for Bilateral Advance Pricing Agreement ("BAPA"), for the years 2022, as well as the year in which the request was approved and the following four, regarding the valuation. of the remuneration corresponding to the provision of services related to the management and administration of the funds obtained after the issuance of bonds by Madrileña Red de Gas Finance, B.V. which were the subject of subsequent loan contracts between Madrileña and Elisandra V, as borrowers, and Madrileña Red de Gas Finance, B.V., as lender.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

- CNMC Situation

On June 18th, 2019, Madrileña Red de Gas, S.A.U. entered into a credit agreement with Elisandra Spain V, S.L.U. with a maximum limit of 1,000,000,000 euros, of which drawdowns have been made during fiscal years 2019, 2020, 2021 and 2022.

On May 22nd, 2021, Law 7/2021 of May 20, on climate change and energy transition came into force, which added a new paragraph 6 to Article 62 of Law 34/1998 of the Hydrocarbons Sector, which prohibits companies that carry out regulated activities from granting loans, providing guarantees, guaranteeing loans from other group companies or related parties that carry out liberalized activities or other activities outside the Spanish natural gas sector. Loans to companies of the same group whose purpose is centralized cash management, without engaging in deregulated activities or other activities outside the Spanish natural gas sector, are excluded.

At that date, May 22nd, 2021, the credit agreement signed between Madrileña Red de Gas, S.A.U. and Elisandra Spain V, S.L.U. had not been fully drawn under the terms of the loan.

Subsequent to the entry into force of Law 7/2021, provisions of 101,200 thousand euros were made.

On December 16th, 2022, this credit agreement was cancelled.

On March 17th, 2023, the CNMC notified to Madrileña Red de Gas, S.A.U. and its sole shareholder Elisandra Spain V, S.L.U. of a resolution whereby it determined that the drawdowns under the aforementioned credit agreement made after May 21st, 2021 are contrary to Article 62.6 of the Hydrocarbons Sector Law.

In this resolution, the CNMC requires to Madrileña Red de Gas, S.A.U. to carry out the necessary actions to revert the amounts drawn down from the credit facility agreement after the entry into force of Law 7/2021 in a manner compatible with Law 34/1998, within a maximum period of three months from the date of notification of the resolution. In addition, the resolution of the CNMC considers that the capitalization of credit and the distribution of dividends described in notes 8, 12 and 15 result in a position of the Company that is not considered to be in compliance with Article 62.6 of Law 34/1998, given that Madrileña Red de Gas, S.A.U. guarantees a third-party debt, the bond issues of Madrileña Red de Gas Finance, B.V.

During the year 2023, this resolution of the CNMC has been appealed by Madrileña Red de Gas, S.A.U. before the National Court, Ordinary Contentious-Administrative Appeal No. 886/23. Having admitted the lawsuit filed by MRG, the lawsuit has followed its procedural course.

When filing this administrative appeal, Madrileña Red de Gas, S.A.U. requested as a precautionary measure the suspension of the effects of the appealed resolution. The National High Court rejected this precautionary measure.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE YEAR ENDED ON DECEMBER 31st 2024 (Thousand euros)

Madrileña Red de Gas, S.A.U. was in regular communication with the CNMC to comply with the binding legal decision issued in the resolution of March 17th, 2023 and submitted an action plan to the CNMC with different alternatives. The CNMC provided an answer on February 19th 2024 regarding the compliance with law of such alternatives.

On July 1st, 2024, Elisandra Spain V, S.L.U replaced Madrileña Red de Gas, S.A.U. as guarantor of the bonds issued by Madrileña Red de Gas Finance, B.V.

On September 12th, 2024, the CNMC issued a resolution whereby it agreed to consider the Resolution of the CNMC of March 17th, 2023 as complied with, as the guarantee provided by Madrileña Red de Gas, S.A.U. in the bond issues of Madrileña Red de Gas Finance, B.V. had been replaced by a guarantee from Elisandra Spain V, S.L.U. to the bondholders.

23 Derivative financial instruments

On July 1st, 2024, the derivatives have been transferred to Elisandra Spain V, S.L.U. due to the internal restructuring process of Madrileña Red de Gas, S.A.U (Note 14)

On 31st December, 2024 the amount included in the “Derivatives” heading corresponds to the valuation of the interest rate swap (IRS) agreements held by Elisandra Spain V, S.L.U. with various financial institutions, which have been designated as hedging instruments for the variable interest rate risk of the Syndicated Loan (Note 14).

The total fair value of a hedge derivative is classified as a non-current asset or liability if the remaining maturity of the item covered is more than 12 months and as a current asset or liability if the remaining maturity of the item covered is less than 12 months.

On 31st December, 2024 the notional principal of interest rate swap amounts to 125,000 thousand euros and its final maturity is 1 August 2027. The annual fixed interest rate in the above-mentioned contracts is 2.60%.

Gains/losses recognised in equity under “Value change adjustments” on interest rate swaps at 31st December, 2024 will be transferred to the income statement on a consistent basis until the relevant loan are repaid. The tax effect of this hedging instrument has led to the recognition of a deferred tax assets amounting to 459 thousand euros as of 31st December 2024 (905 thousand euros as of 31st December 2023).

24 Subsequent events

On February 13th, 2025, the assignment of Mr. Simon George Davy was revoked and the new directors assigned was Mr. Daniel Hobson.

On March 6th, 2025, the credit rating agency Standard & Poor's affirmed the senior debt rating assigned to the Group at BBB-, and changed the outlook from stable to negative

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED DIRECTORS REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2024 (Thousand euros)

GROUP'S ORIGIN

On May 7th 2015, Elisandra V Spain, S.L., ultimately owned (through Elisandra IV Spain, S.L.) by the consortium formed by Ginkgo Tree Investment Ltd., PGGM Infrastructure Funds and EDF Invest, acquired 100% of the shares of Madrileña Red de Gas S.A.U., Aliara Energía S.A.U. and Madrileña Red de Gas Finance B.V, with the later incorporation of Lancashire County Pension Fund.

On July 25th, 2017, the General Meeting of Shareholders approved the transfer of the shareholdings held by Lancashire County Pension Fund, representing 12.50% of the share capital of Elisandra Spain IV, S.L to LPPI Infrastructure Investment LP. By October 2017 Lancashire County Pension Fund had contributed its 12.5% stake in the company to the pooled investments vehicle, LPPI Infrastructure Investments LP, which is owned by it and the London Pension Fund Authority.

Elisandra Spain IV, S.L. is the parent company of the Madrileña Red de Gas group, owning 100% of the share capital of Elisandra Spain V, S.L.U., which in turn owns 100% of the following companies that make up the group:

- Madrileña Red de Gas, S.A.U.
- Aliara Energía, S.A.U.
- Madrileña Red de Gas Finance, B.V.

Aliara Energía, S.A.U. owns 100% of Aliara GLP, S.L.U., a group company incorporated in November 2021 and 33.33% of Inspira Madrid Hidrógeno Verde, S.L., a new group company incorporated in October 2023.

The seven aforementioned entities constitute the group.

BUSINESS OUTLOOK

The group's strategy for the following years continues focusing on expanding its current distribution network to municipalities adjacent to the current territory which do not have a natural gas distribution infrastructure as of yet, as well as capturing new connection points in the current zone in which Madrileña Red de Gas operates, along with the expansion of its energy efficiency business carried out by Aliara Energía.

As part of this strategy, the Group will continue to undertake the conversion of LPG supply points it owns to natural gas connection points.

DEVELOPMENT OF THE BUSINESS

On December 31st 2024, the Group obtained a net profit of €39,721 thousand (net loss of €44,269 thousand on December 31st 2023).

Revenues on December 31st 2024 amounted to €152,299 thousand (€155,309 thousand on December 31st 2023).

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED DIRECTORS REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2024 (Thousand euros)

ENVIRONMENT

The Group has not received any subsidies or income as a result of activities related to the environment. The Company has no assets related to the environment and has incurred expenses like: 1) to comply with and adapt to current legislation and regulations, the 2) maintenance of the environmental management system based on the UNE-EN-ISO 14001:2015 standard, audits and inspections for the prevention of major accidents involving hazardous substances (R.D. 840/15 Seveso) and, the publication and external verification by independent entity (BVQi) of the annual carbon footprint report with scope 3.

Additionally, as of December 31st, 2024, the Group has made any environmental investments for the noise prevention and has incurred in expenses to protect or improve the environment as the noise measurements (As of December 31, 2023, the Group had not made this type of environmental investments and had not incurred in this type of expenses).

It has not recognized any additional provision for environmental liabilities and charges as it considers that there are no extra contingencies relating to the protection or improvement of the environment or any liabilities of an environmental nature.

On August 27th 2004 Royal Decree Law 5/2004 was passed which governs the system of trading emission rights of greenhouse gases, with the purpose of assisting to comply with the obligations deriving from the Kyoto Convention and Protocol. Due to the nature of its activities the Group does not have allocations of CO2 emissions nor expenses deriving from the consumption of emission rights. The Management of the Group does not anticipate any type of penalty or contingency deriving from compliance with the requirements laid down in Act 1/2005.

STAFF

There were 141 employees at the end of 2024 fiscal year, of whom 3 are part-time retirees.

RESEARCH AND DEVELOPMENT

The Group has carried out research and development processes during the year.

TREASURY SHARES

The parent Company has not acquired treasury shares during the year.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

The average payment period of suppliers is of 48 days (45 days on December 31st 2023)

SUBSEQUENT EVENTS

On February 13th, 2025, the assignment of Mr. Simon George Davy was revoked and the new directors assigned was Mr. Daniel Hobson.

On March 6th, 2025, the credit rating agency Standard & Poor's affirmed the senior debt rating assigned to the Group at BBB-, and changed the outlook from stable to negative.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED DIRECTORS REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2024 **(Thousand euros)**

USE OF FINANCIAL INSTRUMENTS

The Group's activities have no significant exposure to exchange rate risk, the fluctuation of interest rate and price risk as the Group does not have financial instruments carried at fair value. However, the Group is exposed to credit and liquidity risk.

The Group's Management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term, in order to enhance value for shareholders while ensuring a solid credit profile. In this regard, on 5th August 2024 the Group's senior debt ratings assigned by Standard & Poor's is BBB-. On 14th October 2024, the Group's senior debt ratings assigned by DBRS Morningstar upgraded from BBB (low) to BBB.

The geopolitical situation and the macroeconomic environment in 2024 have been characterised by significant global economic uncertainty and volatility largely due to the following:

- the conflict between Russia and Ukraine has highlighted Europe's vulnerability in terms of energy supply and accelerated the transition to more diversified and sustainable energy sources. This conflict has important implications on the supply and prices of raw materials, mainly gas. By the end of 2024 there are signs of possible negotiations to end the war.
- the situation in the Middle East during 2024 has put the stability of gas prices at risk. Although by the end of 2024 several meetings have been generated to put an end to the conflict.
- moderation of inflation.
- moderation of interest rates.

On the other hand, technological transformation continues to be a key factor in the sector's business processes. The increase in teleworking, the migration of data to the cloud and risks in the supply chain have increased exposure to cyber-attacks, generating new vulnerabilities related to the integrity and availability of information. The Group currently has advanced information security systems that effectively manage technological risks and strengthen protection against cyber threats. During 2024, no significant incidents have been recorded in this area, thanks to a solid prevention and mitigation strategy.

The Group has not had any relevant impacts as a result of the aforementioned points with respect to cash availability/needs, nor has it had to stop its activity or been subject to temporary workforce restructuring (ERTEs per the Spanish acronym). Nonetheless, given the complexity of the current environment, the Group continuously monitors the progress of the situation and its impact on macroeconomic and financial indicators and oversees the regulatory measures in force, for the purpose of updating the analysis and identifying potential impacts on the consolidated annual accounts.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED DIRECTORS REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2024 (Thousand euros)

Interest rate risk

During the fiscal years ended on December 31st 2024 and 2023 all of the Group's operations were denominated in euros.

Interest rate risk on cash flows and fair value

The Group's interest rate risk is derived from long-term bonds. Bonds issued at fixed rates expose the Group to fair value interest rate risk. The fair value on December 31st 2024 and 2023 is broken down in Note 4.3. The Parent Company's directors do not consider that the Group is exposed to the risk of having to redeem the bonds at their fair value because they are not expected to be redeemed in advance. On December 31st, 2024 the Group has approximately 55.56% of its borrowings related to the Financing Agreement entered into with a syndicate of banks covered using fixed interest rate instruments. During 2024 the Group's variable rate external sources of finance were in euros.

Credit risk

In accordance with its corporate objects, the Group collects for the gas system the amounts relating to tolls to access the connection point network located in its distribution territory by invoicing to supply companies. On a monthly basis and within the settlement system framework coordinated by CNMC, a calculation is performed of the excess or shortfall in access tolls invoicing with respect to the remuneration recognised to the Group. If toll invoicing exceeds the remuneration recognised, the Group must settle such difference in favour of other gas system companies. Otherwise, the Group will receive from such companies the remaining balance to complete the remuneration recognised.

Regulations in this respect consider tolls invoiced to the supply companies to be collected for the purposes of the settlement system described above, and therefore in the event of non-payment by such counterparties, the Group is exposed to a credit risk with respect to part of its revenues.

The Group actively manages the aforementioned credit risk through a follow-up of outstanding receivable balances. Similarly, and taking into account (i) the reduced average collection period, less than 30 days, (ii) the regulatory supervisory framework in which gas system activities are performed and (iii) the mechanisms for suspending the contracts for Third-party Network Access in the event of non-payment of tolls to the Group (after a period of 60 days after a reliable request of the counterparty), exposure to the credit risk is considered to be limited.

Liquidity risk

The Group maintains a liquidity policy that ensures compliance with the payment commitments acquired, diversifying the coverage of financing needs and debt maturities. Prudent liquidity risk management includes the maintenance of sufficient cash and realizable assets and the availability of funds for an adequate amount to cover the obligations.

ELISANDRA SPAIN IV, S.L. AND SUBSIDIARIES COMPANIES

CONSOLIDATED DIRECTORS REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2024 (Thousand euros)

On December 31st 2024, available liquidity amounts to 381,576 thousand euros (on December 31st, 2023 145,050 thousand euros), taking into account cash and equivalents (126,576 thousand euros on December 31st 2024 and 70,050 thousand euros on December 31st 2023) and unused equivalent credit lines and unused loan (255,000 thousand euros on December 31st 2024 and 75,000 thousand euros on December 31st 2023).

The Group's business and investment plans are mainly financed through cash generated from on-going operations and, occasionally, through revolving credit facilities.

It is the Group policy to match the debt's amortisation calendar to its capacity to generate cash flows to meet these maturities.

Management considers the Group has enough cash reserves to address the payments to realize the following 12 months.