

EDP Servicios Financieros España, S.A.

Independent auditor's report,
Annual accounts as at 31 December 2023
Management report for 2023



This version of our report is a free translation of the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the sole shareholder of EDP Servicios Financieros España, S.A. (Unipersonal Company)

Report on the annual accounts

Opinion

We have audited the annual accounts of EDP Servicios Financieros España, S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

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

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Tel.: +34 985 208 550 / +34 902 021 111, Fax: +34 985 272 547, www.pwc.es*

Key audit matters	How our audit addressed the key audit matters
<p data-bbox="277 477 874 537">Valuation of investments in group, associated and related companies</p> <p data-bbox="277 568 874 844">The Company has loans granted to group, associated and related companies that are broken down in the line items "Long-term investments in group, associated and related companies" and "Short-term investments in group, associated and related companies" on the accompanying balance sheet as of 31 December 2023, for 3,449,020,575 and 395,757,941 euros respectively (notes 6 and 12 of the accompanying related notes).</p> <p data-bbox="277 871 874 1081">As indicated in note 1 of the accompanying related notes, these loans are granted with the purpose of financing the activity of the different group, associated and related companies. The Company values these investments at amortized cost as described in note 4.a) of the accompanying annual accounts.</p> <p data-bbox="277 1108 874 1232">Likewise, if management identifies objective evidence that a loss has occurred due to impairment of these loans, the necessary value corrections would be made.</p> <p data-bbox="277 1258 874 1350">The management of the Company has not registered any value correction due to impairment in these investments as of 31 December 2023.</p> <p data-bbox="277 1377 874 1469">The significance of the book value of these investments has made us consider this issue as a key audit matter.</p>	<p data-bbox="922 568 1449 629">Our audit procedures have included, among others, the following:</p> <ul data-bbox="922 663 1484 1626" style="list-style-type: none"> <li data-bbox="922 663 1445 754">• Obtaining and understanding contracts related to loans granted to group, associated and related companies. <li data-bbox="922 788 1469 943">• Understanding of the recognition and analyzing process of recovery of loans granted to group, associated and related companies, verifying their consistency with the applicable regulatory framework. <li data-bbox="922 976 1484 1160">• Verifying that the calculations of the amortized cost of the loans, carried out by the Company's management, have been executed in accordance with the content of the respective contracts and the applicable regulatory framework. <li data-bbox="922 1193 1474 1285">• Confirmation of existing balances with group, associated and related companies at the end of the year. <li data-bbox="922 1319 1484 1503">• Evaluating the Company's management analysis over the payment ability of group, associated and related companies with which the Company maintains loans, carried out by management at the end of the year. <li data-bbox="922 1536 1469 1626">• Assessing that the disclosures about this matter comply with the applicable regulatory framework. <p data-bbox="922 1659 1458 1747">As a result of our procedures, we have not identified any relevant aspect to highlight regarding the valuation of these investments.</p>

Key audit matters	How our audit addressed the key audit matters
<p data-bbox="277 477 804 539">Verification of the accounting record of bond issues carried out during the year</p> <p data-bbox="277 568 839 813">Throughout fiscal year 2023, the Company has carried out two bond issue under the EDP Group Debt Program. The first issue was carried out for an amount of 600 million euros, maturing in April 2029, while the second issue was carried out for an amount of 750 million euros, maturing in April 2032. Both issues bear a fixed coupon.</p> <p data-bbox="277 844 823 967">As indicated in note 4.a) of the accompanying related notes, these issues are registered at fair value upon initial recognition and subsequently at amortized cost.</p> <p data-bbox="277 999 798 1182">The Company has these bonds registered under the line items “Long-term debt” and “Short-term debt” on the accompanying balance sheet as of 31 December 2023, for 1,335,395,469 and 11,780,452 euros respectively.</p> <p data-bbox="277 1214 829 1337">The significance of the amount of these bonds over the total amount of the balance sheet liabilities has made us consider this issue as a key audit matter.</p>	<p data-bbox="871 568 1398 631">Our audit procedures have included, among others, the following:</p> <ul data-bbox="871 663 1406 1254" style="list-style-type: none"> <li data-bbox="871 663 1362 786">• Understanding of the control environment and evaluating key controls over the bond issuance and registration process. <li data-bbox="871 817 1406 940">• Examination of contractual terms of the bond issues carried out during the year, to analyze their conditions and their associated accounting record. <li data-bbox="871 972 1406 1126">• Verification of the Company's calculations to determine the amortized cost of the bonds at the end of the year, in accordance with the applicable regulatory financial framework. <li data-bbox="871 1158 1378 1254">• Assessing that the disclosures about this matter comply with the applicable regulatory framework. <p data-bbox="871 1285 1382 1404">As a result of our procedures, we have not identified any relevant aspect to highlight about the registration of the bond issues carried out during fiscal year 2023.</p>

Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the management report and the annual accounts as a result of our knowledge of the entity obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A. for the annual accounts

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

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

The “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A. is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor’s responsibilities for the audit of the annual accounts

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

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A., regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A. with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A., we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Report to the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A.

The opinion expressed in this report is consistent with the content of our additional report to the “Comissão para as Matérias Financeiras-Comissão de Auditoria” of the Group Parent Company, EDP Energías de Portugal, S.A. dated 29 February 2024.

Appointment period

The sole shareholder on 25 June 2021 appointed us as auditors for a period of three years, as from the year ended 31 December 2021.

Previously, we were appointed by the sole shareholder for a period of three years and we have audited the accounts continuously since the year ended 31 December 2018.

Services provided

PricewaterhouseCoopers Auditores, S.L. has not provided services other than the audit of accounts to the audited entity.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Originally signed in Spanish by

Jordi Toscas Vígara (23239)

29 February 2024

EDP Servicios Financieros España, S.A.

(Sociedad Unipersonal)

Annual Accounts at 31 December 2023

and Management Report for 2023

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL

BALANCE SHEET AS AT 31 DECEMBER 2023

(Expressed in euros)

ASSETS	2023	2022
NON-CURRENT ASSETS	3,450,584,372	2,525,226,729
Long-term investments in group, associated and related companies	3,449,020,575	2,523,914,519
Loans to companies (Notes 6 and 12)	3,449,020,575	2,523,914,519
Deferred tax assets (Note 11)	1,563,797	1,312,210
CURRENT ASSETS	849,620,766	1,838,833,977
Short-term investments in group, associated and related companies	395,757,941	479,958,832
Loans to companies (Notes 6 and 12)	395,757,941	479,958,832
Short-term financial assets (Note 6)	1,000	107,933
Trade and other receivables (Note 6)	3,356,172	3,268,588
Customers in the group, associated and related companies	3,166,556	3,161,555
Sundry receivables	182,584	99,959
Other trade receivables	7,032	7,074
Short-term accruals	3,059	3,059
Cash and cash equivalents (Note 8)	450,502,594	1,355,495,565
Cash and banks	450,502,594	1,211,739,705
Cash equivalents	-	143,755,860
TOTAL ASSETS	4,300,205,138	4,364,060,706

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2023.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

BALANCE SHEET AS AT 31 DECEMBER 2023

(Expressed in euros)

EQUITY AND LIABILITIES	2023	2022
EQUITY	519,652,506	503,261,750
Shareholder's funds (Note 9)	519,652,506	503,261,750
Capital	10,300,058	10,300,058
Legal reserve	2,060,012	2,060,012
Other reserves	490,901,680	488,538,547
Profit/(loss) for the year	16,390,756	42,363,133
(Interim dividend)	-	(40,000,000)
NON-CURRENT LIABILITIES	2,542,937,547	832,542,078
Long-term debt	1,410,395,469	-
Bonds and other marketable securities	1,335,395,469	-
Debts with credit institutions	75,000,000	-
Long-term payables to group, associated and related companies (Notes 10 and 12)	1,132,542,078	832,542,078
CURRENT LIABILITIES	1,237,615,085	3,028,256,878
Short-term debt	12,240,151	-
Bonds and other marketable securities	11,780,452	-
Debts with credit institutions	459,699	-
Short-term payables to group, associated and related companies (Notes 10 and 12)	1,215,743,819	3,012,407,403
Trade and other payables (Note 10)	9,631,115	15,849,475
Sundry suppliers and creditors (Note 10)	4,153,215	11,703,728
Suppliers, in the Group, associated and related companies	5,266,329	4,141,948
Accrued wages and salaries	56,167	2,942
Other amounts payable to Public Administrations (Note 11)	155,404	857
TOTAL EQUITY AND LIABILITIES	4,300,205,138	4,364,060,706

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2023.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in euros)

INCOME STATEMENT	2023	2022
Revenue (Notes 12 and 13)	127,787,393	76,312,353
Interest income (Notes 6 and 13)	127,776,401	76,312,353
Provisions of services	10,992	-
Raw materials and consumables (Notes 10 and 12)	(104,355,341)	(33,939,746)
Financial expenses	(104,355,341)	(33,939,746)
Staff expenses (Note 13)	(64,216)	-
Wages, salaries and similar	(62,775)	-
Social costs	(1,441)	-
Other operating expenses	(426,282)	(9,631)
External services (Note 13)	(250,285)	(9,631)
Taxes	(175,997)	-
OPERATING PROFIT/(LOSS)	22,941,554	42,362,976
Change in fair value of financial instruments	-	4,904,814
Exchange differences (Notes 6 and 10)	(1,087,213)	9,216,387
NET FINANCIAL INCOME/(EXPENSE)	(1,087,213)	14,121,201
PROFIT/(LOSS) BEFORE INCOME TAX	21,854,341	56,484,177
Corporate income tax (Note 11)	(5,463,585)	(14,121,044)
PROFIT/(LOSS) FOR THE YEAR	16,390,756	42,363,133

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2023.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in euros)

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

	Euro	
	2023	2022
Results in the income statement	16,390,756	42,363,133
Total Statement of Recognised Income and Expense	16,390,756	42,363,133

b) Statement of Changes in Total Equity for the year ended December 31, 2023

	Authorised capital	Share premium	Reserves	Prior-year profit/(loss)	Profit/(loss) for the year	(Interim dividend)	Total
Balance at 31 December 2021	10,300,058	-	500,211,460	-	25,387,099	-	535,898,617
Total recognised income and expense	-	-	-	-	42,363,133	-	42,363,133
Transactions with shareholders or owners							
Dividend payments	-	-	(35,000,000)	-		(40,000,000)	(75,000,000)
Other changes in shareholders' equity	-	-	25,387,099	-	(25,387,099)	-	-
Balance at 31 December 2022	10,300,058	-	490,598,559	-	42,363,133	(40,000,000)	503,261,750
Total recognised income and expense	-	-	-	-	16,390,756	-	16,390,756
Other changes in shareholders' equity	-	-	2,363,133	-	(42,363,133)	40,000,000	-
Balance at 31 December 2023	10,300,058	-	492,961,692	-	16,390,756	-	519,652,506

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in euros)

	2023	2022
Profit/(loss) for the year before tax	21,854,341	56,484,177
Adjustments to results	(22,333,847)	(56,493,808)
Exchange differences	1,087,213	(9,216,387)
Financial income	(127,776,401)	(76,312,353)
Financial expenses	104,355,341	33,939,746
Change in fair value of financial instruments	-	(4,904,814)
Changes in working capital	1,401,295	11,894,327
Debtors and other receivables	(9,684)	7,814,637
Creditors and other payables	1,410,979	4,079,690
Other cash flows from operating activities	37,894,694	32,591,863
Interest receivables	103,131,412	76,312,353
interest payments	(51,892,859)	(33,939,746)
Derivative settlement payments	-	(2,839,635)
Derivative settlement receipts	-	7,766,039
Income tax payments	(13,343,859)	(14,707,148)
CASH FLOWS FROM OPERATING ACTIVITIES	38,816,984	44,476,559
Investment payments in the group, associated and related companies	(1,275,106,707)	(1,363,213,449)
Receipts from divestment of other financial assets	450,000,000	230,073,700
CASH FLOWS FROM INVESTING ACTIVITIES	(825,106,707)	(1,133,139,749)
Issuance of debts with group, associated and related companies	300,000,000	1,779,954,057
Redemption of debts with group, associated and related companies	(1,825,276,035)	-
Bonds and other marketable securities	1,332,660,000	-
Debts with credit institutions	75,000,000	-
Dividend payments and returns on other equity instruments	-	(75,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES	(117,616,035)	1,704,954,057
Effect of foreign exchange fluctuations	(1,087,213)	9,216,388
Net increase/(decrease) in cash or cash equivalents	(904,992,971)	625,507,255
Cash and cash equivalents at beginning of the year	1,355,495,565	729,988,310
Cash and cash equivalents at yearend	450,502,594	1,355,495,565

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2023

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

1. Historical background and business activity

EDP Servicios Financieros España, S.A. (Sociedad Unipersonal) (hereinafter, the Company) was incorporated for an open-ended period on 5 March 1992 by way of a public deed authorised by the Oviedo notary public Teodoro Azaustre Torrecilla. Its registered office is at Plaza del Fresno 2, Oviedo.

On June 28, 2011, the current corporate name of the Company and its transformation from a legal form to a corporation were agreed.

On 22 July 2011, EDP Energías de Portugal Sociedade Anonima, Sucursal en España acquired from Hidroeléctrica del Cantábrico, S.A. all the shares in EDP Servicios Financieros España, S.A.U. Since then, EDP Energías de Portugal, Sociedade Anonima, Sucursal en España has been the Company's sole shareholder.

The Company's corporate objects are described in Article 2 of its Articles of Association and were amended on 28 June 2011, as follows:

- Purchasing fuels for energy production and of natural gas from authorised suppliers, as well as ancillary activities for such purposes.
- Hedging the risk of power price fluctuations.
- Managing the power output of generation plants under all kinds of contracts and offering to buy and sell energy in the production market, whether in its own name, as a market agent, after meeting requirements to engage in this activity, or on behalf of any market agent.
- Providing commercial advice relating to electricity and gas supply activities.
- Managing power exchanges; marketing social activities; holding interests in companies engaged primarily in generating electricity in Spain; selling energy to end customers in the terms of Law 54/1997; and selling gas to end customers.
- Engaging in financial market activities to obtain funds and resources with which to fund the activities of the Group companies and their subsidiaries or investees. Granting loans, credit lines or other forms of unsecured funding to Group companies, subsidiaries or investees. Granting guarantees to Group companies, subsidiaries or investees for funding purposes, as well as any other kind of collateral and/or bank guarantee.
- Managing and administering securities of entities not resident in Spain.
- Management of financial risks, foreign exchange risks, raw material and/or commodity risks, both the company's and those of the group's companies and its subsidiaries or investees.
- Any other activity the Company may decide to undertake, within the scope of the corporate objects.

The activities forming the corporate objects may be pursued indirectly by the Company, in full or in part, through the ownership of shares or interests in companies having similar or identical objects.

2. Basis of presentation of the annual accounts

a) *Fair presentation*

The annual accounts have been prepared on the basis of the Company's accounting records. The 2023 annual accounts have been drawn in compliance with current company legislation, the Chart of Accounts introduced under Royal Decree 1514/2007 and the amendments brought in, the latest by means of Royal Decree 1/2021 of 12 January, which is in force in periods commencing on or after 1 January 2021, so as to present fairly the Company's equity, financial situation and results, and to accurately reflect cash flows in the cash flow statement.

The Company's directors consider that the 2023 annual accounts will be approved by the sole shareholder without changes.

c) *Comparability*

The annual accounts present, for comparative purposes, for each item in the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the accounts for 2023, the figures for the previous year that were included in the 2022 annual accounts.

d) *Functional and presentation currency*

The annual accounts are presented in euro, rounded to the nearest unit, the euro being the Company's functional and presentation currency.

e) *Critical measurement issues, estimates of uncertainty and relevant judgements when applying accounting policies.*

The preparation of annual accounts requires significant accounting estimates, judgements and assumptions when applying the Company's accounting policies. There follows a summary of aspects that have entailed a greater degree of judgement or complexity, or in which the assumptions and estimates are significant to the preparation of the annual accounts.

Relevant accounting estimates and assumptions

The main estimates considered are those related to the assumptions used to calculate the fair value and recoverable value of financial instruments (Note 4.a).

Changes to estimates

Although the estimates made by the Company's directors have been calculated on the basis of the best information available at 31 December 2023, future events may cause changes in the coming years. The effect on the annual accounts of any changes that may arise from adjustments to be made in the coming years will be reflected on a prospective basis.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

f) *Financial statements under IFRS EU (International Financial Reporting Standards as adopted by the European Union)*

The company issues securities admitted to trading on a regulated market within the European Union and only publishes individual financial statements.

According to the analysis carried out by the Company's Directors, the application of IFRS standards in the preparation of the Company's annual financial statements would not lead to any difference in the result shown in the Company's profit and loss account with respect to that shown in these annual accounts expressed in accordance with the standards established in the General Accounting Plan approved by Royal Decree 1514/2007 and the amendments incorporated therein. Likewise, this application would not lead to any difference in the Net Equity shown in the accompanying balance sheets of the Company as of December 31, 2023 and 2022. This includes the analysis of the impacts of an eventual adoption of IFRS 9, which would not have a significant impact.

3. Distribution of profit/(loss)

The proposed distribution of the Company's profits for the financial year ended 31 December 2023 issued by the Company's directors and pending approval by the sole shareholder is as follows:

	Euro
	2023
<u>Available for distribution</u>	
Profit/(loss) Benefits	16,390,756
	16,390,756
<u>Distribution</u>	
Voluntary reserves	16,390,756
	16,390,756

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)**Related notes to the annual accounts for the year ended 31 December 2023**

The Company's profit distribution for 2022 approved by the sole shareholder on 30 June 2023 was as follows:

	Euro
	2022
<u>Available for distribution</u>	
Profit/(loss) Benefits	42,363,133
	42,363,133
<u>Distribution</u>	
Interim dividend	40,000,000
Voluntary reserves	2,363,133
	42,363,133

On December 28, 2022, the Sole Shareholder approved the distribution of an interim dividend out of the profit for the year 2022.

The provisional accounting statement prepared in accordance with the legal requirements and which showed the existence of sufficient liquidity for the distribution of the interim dividend as of December 31, 2022, is shown below:

	Euro
	2022
Forecast distributable 2022 profits:	
Profits at 31/12/2022:	42,363,133
Estimated distributable 2022 profits:	42,363,133
Interim dividend distributed:	40,000,000
Forecast cash resources for the period 28 December 2022 to 27 December 2023:	
Cash balances at 28 December 2022:	346,870,988
Projected receipts:	50,471,488
Projected payments, including the interim dividend	(53,951,255)
Projected cash balances at 27 December 2023:	343,391,221

Unrestricted reserves comprise the legal reserve, which stood at €2,060,012 at 31 December 2023 and 2022.

4. Accounting policies

The main accounting policies applied by the Company when preparing the 2023 annual accounts are as follows:

a) **Financial instruments**

The Company recognises a financial instrument when it becomes party to a contract or legal business in accordance with the contractual provisions.

Debt instruments are recognised as from the date on which the legal right to receive or legal obligation to pay cash arises. Financial liabilities are recognised on the contract date.

Financial instruments are classified at the time of initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and the definitions of financial asset, financial liability or equity instrument.

The Company classifies financial instruments in different categories, taking into account their characteristics and Management's intentions at the time of initial recognition.

Purchases or sales of financial assets arranged through conventional contracts, i.e. those where the reciprocal obligations of the parties must be fulfilled within a time frame established by regulations or market conventions and which may not be settled for difference are recognised on the contract or settlement date, depending on the type of asset.

Currency market transactions are recognised on the settlement date, while equity instruments traded on secondary securities markets are recognised on the trade date.

However, contracts that can be settled for differences are recognised as a derivative financial instrument during the period between the trade date and the settlement date.

(i) **Financial assets at amortised cost**

This category includes financial assets, including those traded on an organised market, in which the Company invests in order to receive cash flows when the contract is performed and the contractual conditions of the financial asset give rise, on specific dates, to cash flows that consist only of receipts of principal and interest on the outstanding amount of principal.

Contractual cash flows that are only receipts of principal and interest on the outstanding principal are inherent in an arrangement that has the nature of an ordinary or common loan, regardless of whether or not the agreed interest rate is zero or below market.

The category includes trade and non-trade receivables:

a) Trade receivables: financial assets arising from the sale of goods or provision of services in business transactions completed on deferred payment terms; and

b) Non-trade receivables: financial assets that are not equity instruments or derivatives, do not arise from commercial transactions, give rise to receipts in determined or determinable amounts and derive from loans or credit granted by the entity.

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Initial measurement

Financial assets in this category are initially measured at fair value which, unless otherwise evidenced, will be the transaction price, which will be equal to the fair value of the consideration paid plus directly attributable transaction costs.

Nonetheless, trade receivables maturing in one year or less, for which there is no explicit contractual interest rate, and loans to employees, dividends receivable and payments due on equity instruments, the amount of which is expected to be received in the short term, are measured at face value, provided the effect of not discounting cash flows is immaterial.

Subsequent measurement

Financial assets included in this category are measured at amortised cost. Accrued interest will be recorded in the income statement using the effective interest method.

This notwithstanding, receivables maturing in one year or less and initially carried at face value as indicated above will continue to be carried at face value unless they become impaired.

When the contractual cash flows from a financial asset change due to the issuer's financial difficulties, the entity analyses whether or not to recognise an impairment loss.

Impairment

The necessary value adjustments are made at the year-end at least and provided that there is objective evidence that the value of a financial asset or group of financial assets with similar risk characteristics measured collectively has become impaired as a result of one or more events occurring after their initial recognition and that result in a reduction or delay in estimated future cash flows, which may be triggered by the debtor's insolvency.

In general, the impairment loss on these financial assets is the difference between their carrying amount and the present value of future cash flows including, if applicable, those deriving from the enforcement of security interests and personal guarantees, which it is estimated will be generated, discounted at the effective interest rate calculated at the time of their initial recognition. For financial assets at variable interest rates, the effective interest rate at the closing date of the financial statements will be used in accordance with contractual conditions.

Impairment adjustments and related reversals, where the amount of the impairment loss decreases as a result of a subsequent event, are recognised as an expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the asset that would have been recognised at the reversal date had no impairment been recorded.

Disposals of financial assets

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The write-off of a financial asset entails the recognition of a gain or loss in the amount of the difference between its carrying amount and the sum of the consideration received, net of transaction costs, including assets obtained or liabilities assumed and any deferred gain or loss recognised in equity.

(ii) Financial liabilities at amortised cost

In general, this category includes trade and non-trade payables:

- a) Trade payables: financial liabilities arising from the purchase of goods and services in business transactions completed on deferred payment terms; and
- b) Non-trade payables: financial liabilities that are not derivatives and do not arise from commercial transactions but from loans or credit received by the entity.

Participating loans that have the features of an ordinary or common loan are also included in this category, regardless of the agreed interest rate (zero or below market).

Initial measurement

Financial liabilities in this category are initially measured at fair value, which is the transaction price and is equal to the fair value of the consideration received, as adjusted for directly attributable transaction costs.

Nonetheless, trade payables maturing in one year or less for which there is no contractual interest rate, and amounts payable to third parties on shares, the amount of which is expected to be paid in the short term, are carried at face value, provided the effect of not discounting cash flows is not significant.

Subsequent measurement

Financial liabilities included in this category are carried at amortised cost. Accrued interest is recorded in the income statement using the effective interest method.

Nonetheless, payables falling due in less than one year and initially measured at face value will continue to be reflected in that amount.

In the event of the renegotiation of existing debts, the financial liability is not deemed to change significantly when the lender of the new loan is the same as the initial lender and the present value of cash flows, including net fees, is not more than 10% higher or lower than the present value of cash flows payable on the original liability, calculated using the same method.

Reverse factoring

The Company has contracted reverse factoring facilities with a number of financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under the balance sheet heading "Trade and other payables" until they are settled, repaid or have expired.

The amounts paid by financial institutions as consideration for the acquisition of invoices or payment documents for the trade payables recorded by the Company are recognised under "Other operating income" in the income statement when the invoices or documents are conveyed.

Amounts payable to the financial institutions as a result of the assignment of trade payables are recognised as trade payables prepaid by credit institutions under the balance sheet heading "Trade and other payables". In cases in which the Company requests the deferral of the initial payment date of trade payable, they are derecognised at the end of the original maturity period and a financial liability is recognised under "Bank borrowings" in the balance sheet.

Derecognition of financial liabilities

The Company writes off or writes down a financial liability when the obligation contained in the liability has been fulfilled or the Company is legally exonerated from the principal component of the liability, whether by a court proceeding or by the creditor.

b) *Cash and cash equivalents*

This heading in the accompanying balance sheet includes petty cash, bank demand deposits and other short-term highly-liquid investments which may be quickly cashed and are subject to immaterial risk of value changes. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months as from the date of acquisition.

The Company nets payments and collections deriving from high-turnover financial assets and liabilities in the cash flow statement. For such purposes, turnover is considered to be high when the period between the acquisition date and maturity date does not exceed six months.

In the cash flow statement, any bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. In the exceptional event that there are bank overdrafts, they are recognised in the balance sheet as financial liabilities arising from bank borrowings.

In view of its core business, the Company classifies cash flows comprising interest paid and received as operating activities. Receipts and payments arising from fluctuations in credit lines/loans granted/received to Group companies are carried as investing or financing activities, as applicable. Dividends paid are classified as financing activities.

c) Classification of assets and liabilities as current and non-current

The Company presents assets and liabilities as current and non-current in the balance sheet. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised, sold or consumed in the ordinary course of the Company's business, are held basically for trading, are expected to be realised within twelve months as from the year end or consist of cash or cash equivalents, except where they may not be exchanged or used to settle a liability, at least within 12 months as from the year-end.
- Liabilities are classified as current when they are expected to be settled in the ordinary business cycle, are held basically for trading, must be settled within 12 months as from the year-end or the Company does not have an unconditional right to defer settlement for 12 months following the year-end.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

d) Corporate income tax

Corporate income tax expense or income includes both current and deferred tax.

Current tax assets and liabilities are carried at the amounts that are expected to be payable to or recoverable from the tax authorities, in accordance with current legislation and tax rates in force or approved and pending publication at the year end.

Current or deferred corporate income tax is recognised in the income statement, unless it arises from a transaction or economic event that has been recognised in the same year or in a different year in equity, or from a business combination.

The Company files corporate income tax returns under the special tax consolidation scheme provided by Articles 64 to 82 of Royal Decree-Law 4/2004, whereby the Consolidated Text of the Spanish Corporate Income Tax Act was introduced. The tax consolidated group is headed by the Company's majority shareholder EDP Energías de Portugal Sociedade Anónima, Sucursal en España.

Corporate income tax expense accrued in the tax consolidated companies is determined taking into account the following aspects, in addition to the parameters to be considered in the case of individual taxation explained above:

- Temporary and permanent differences arising from the elimination of results of transactions between tax consolidated group companies when the consolidated tax base is calculated.

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- Deductions and allowances pertaining to each company of the tax group under the tax consolidation scheme; to this end, the deductions and allowances will be allocated to the subsidiary that carried out the activity or obtained the income necessary to qualify for the deduction or allowance.

Temporary differences arising from the elimination of results between companies of the tax group are recognised in the company that generated the profit or loss and are measured at the tax rate applicable to that company.

Tax losses recognised by some consolidated Group and offset by other consolidated Group companies give rise to reciprocal balances receivable and payable between the companies that recognise them and the companies that offset them. If there is a tax loss that cannot be offset by the other companies of the consolidated Group, the tax credit for tax-loss carryforwards is recognised as a deferred tax asset following the stipulated approach, treating the tax group as the taxpayer.

The total amount of the payable/(receivable) relating to the subsidiaries is credited/(charged) to Payables to (Receivables from) Group companies and associated.

Temporary taxable differences are recognised in all cases, except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and on the transaction date has no effect on the accounting result or tax base.

Deductible temporary differences are recognised when it is probable that there will be sufficient taxable income in the future to offset them, except in cases in which the differences arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and on the transaction date has no effect on the book result or tax base.

Tax planning opportunities are only taken into account when assessing the recovery of deferred tax assets if the Company intends or is likely to take advantage of them.

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the years in which the assets are expected to be realised or the liabilities settled, on the basis of legislation and rates in effect or approved and pending publication, and taking into account the tax consequences of the manner in which the Company expects to recover the assets or settle the liabilities.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

e) *Income and expense*

Revenues and expenses are recognized on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. These revenues are measured at the fair value, minus discounts and taxes.

Revenue from sales is recognized when the significant risks and rewards of ownership of the asset sold have been transferred to the buyer, who does not retain current management of the asset and does not retain effective control over it.

In accordance with the provisions of Consultation No. 2 of ICAC Bulletin 79 and with the ICAC Resolution of February 10, 2021, which establishes general criteria for determining "net sales" and the definition of "ordinary activity", the Company presents the income obtained from financial investments under the "Revenue" caption in the accompanying statement of income. In addition, since they are directly related to the aforementioned revenues, the financial expenses related to the remuneration of the debts are included under the heading "Financial Expenses" in the accompanying income statement, both items forming part of the Company's operating income.

Interest received from financial assets is recognized using the effective interest rate method and dividends are recognized when the shareholder's right to receive them is declared. In any case, interest and dividends on financial assets accrued after the time of acquisition are recognized as income in the income statement.

f) *Environment*

In view of the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial situation and results. No specific disclosures relating to environmental issues are therefore included in these notes to the annual accounts.

g) *Related-party transactions*

Transactions between Group companies, barring transactions that relate to mergers, spin-offs and non-cash contributions of business lines, are recognised at the fair value of the consideration paid or received. The difference between that value and the agreed amount is recognised on the basis of the underlying economic substance. All loans accrue interest at market rates.

5. Risk management policy

The Risk Policy is designed to effectively control and manage the Company's risks, paying special attention to the most significant business risks:

- Market risks. They mainly comprise interest rate and foreign exchange risks.
- Context risks. They essentially consist of counterparty risks (default, integrity and non-compliance), among others.

Interest rate risk

In view of its activity, the Company holds significant interest-bearing assets, so revenues and cash flows from the Company's operating activities are subject to changes in market interest rates. Interest rates fluctuations affect future flows from assets and liabilities linked to variable interest rates.

As mentioned in Notes 6 and 12, a part of the loans granted and received accrue floating interest referenced to the Euribor. The sensitivity of results (before tax effects) to fluctuating interest rates is as follows (sensitivity to basis point increases/reductions):

	Basis points	Euro	
		Results	Reserves
31/12/2023	50	3,891,510	-
	(50)	(3,891,510)	-
31/12/2022	10	1,025,822	-
	(10)	(1,025,822)	-

Foreign exchange risk

The Company maintains financial instruments in foreign currency, mainly in dollars, and is therefore exposed to exchange rate fluctuations which could have an adverse effect on financial results and cash flows. To mitigate this risk, the Company uses derivative financial instruments (Note 7) and takes into account the market risk hedged.

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The sensitivity of results (before tax effects) to fluctuating foreign exchange rates is as follows (sensitivity to basis point increases/reductions):

	Basis points	Euro	
		Results	Reserves
31/12/2023	5	(2,005,606)	-
	(5)	2,005,606	-
31/12/2022	5	7,684,749	-
	(5)	(7,684,749)	-

Liquidity risk

This risk is associated with the possibility that the Company may not be able to meet its short-term liabilities in the committed terms, or may simply be able to do so under unfavorable conditions due to difficulties in accessing credit and rating downgrades.

Liquidity risk is managed by contracting and maintaining credit lines and financing lines with a firm underwriting commitment, with group companies, as well as with solvent international financial institutions with high credit ratings, as well as time deposits, which allow immediate access to funds, thus covering the needs for the next 18 to 24 months.

Adverse situations in debt markets may complicate the fulfilment of financial needs in the course of the Company's business.

The Company's working capital is negative in the amount of €387,995 thousand at 31 December 2023 (€1,189,423 thousand at 31 December 2022). The liquidity policy assures that payment commitments are met by keeping sufficient credit facilities and arranging credit lines with EDP Energías de Portugal, S.A., the EDP Group's ultimate parent company. The maturities of borrowings in the coming 12 months are disclosed in Note 10. The company's directors do not consider this to be a significant liquidity risk because the liability balances with EDP Group companies can be managed if necessary so that their payment does not give rise to any overdraft risk for the Company.

Credit risk

This risk is defined as the possibility that a third party will not meet its contractual obligations, resulting in losses for the Company.

As regards exposure to credit risk in connection with the loans granted to companies of the same business group (Note 6), the Company is covered by the Group's financial policy.

Capital management

EDP Servicios Financieros España, S.A. is not an entity subject to capital or solvency regulation. Therefore, capital management is performed as part of the entity's financial management process.

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The Company's capital management objective is to safeguard the ability to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimal capital structure to reduce the cost of capital.

6. Financial assets

Financial assets by category

Set out below is the classification of financial assets by category and class, and the comparison between fair value and the carrying amount, at 31 December 2023 and 2022:

	Euro					
	2023					
	Non-current			Current		
	At amortised cost		Total	At amortised cost		Total
	Carrying amount	Fair value		Carrying amount	Fair value	
Financial assets at amortised cost						
Loans to companies (Note 12)						
Fixed rate	2,663,512,938	2,752,959,966	2,663,512,938	389,278,200	392,751,342	389,278,200
Variable rate	785,507,637	792,235,029	785,507,637	6,479,742	6,479,742	6,479,742
Deposits and guarantees	-	-	-	1,000	1,000	1,000
Trade and other receivables						
Customers in the Group, associated and related companies	-	-	-	3,166,556	3,166,556	3,166,556
Other receivables	-	-	-	189,618	189,618	189,618
Total financial assets	3,449,020,575	3,545,194,995	3,449,020,575	399,115,116	402,588,258	399,115,116

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The assets recognised were not impaired at 31 December 2023 or 2022.

	Euro					
	2022					
	Non-current			Current		
	At amortised cost		Total	At amortised cost		Total
	Carrying amount	Fair value		Carrying amount	Fair value	
Financial assets at amortised cost						
Loans to companies (Note 12)						
Fixed rate	1,878,512,938	1,776,649,115	1,878,512,938	392,751,342	468,293,926	471,927,038
Variable rate	645,401,581	650,811,751	645,401,581	8,031,794	8,031,794	8,031,794
Deposits and guarantees	-	-	-	1,000	1,000	1,000
Trade and other receivables						
Customers in the Group, associated and related companies	-	-	-	3,166,556	3,166,556	3,166,556
Other receivables	-	-	-	111,716	111,716	111,716
Cash equivalents	-	-	-	143,755,860	143,755,860	143,755,860
Total financial assets	2,523,914,519	2,427,460,866	2,523,914,519	627,091,213	623,458,101	627,091,213

The amount of net gains and losses by category of financial assets as of December 31, 2023 and 2022 is as follows:

	Euro			
	2023			
	Financial assets at cost	Derivative financial instruments	Financial assets at amortised cost	Total
Financial income at amortised cost (revenue)	-	-	127,776,401	127,776,401
	-	-	127,776,401	127,776,401

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	Euro			
	2022			
	Financial assets at cost	Derivative financial instruments	Financial assets at amortised cost	Total
Financial income at amortised cost (revenue)	-	-	76,312,353	76,312,353
Financial income from derivative instruments	-	7,766,039	-	7,766,039
Financial expense on derivative instruments	-	(2,839,635)	-	(2,839,635)
Change in fair value	-	(21,590)	-	(21,590)
	-	4,904,814	76,312,353	81,217,167

Set out below is a breakdown of exchange differences on financial instruments recognised in the income statement, distinguishing between transactions settled and transactions outstanding or pending:

	Euro			
	2023		2022	
	Settled	Pending	Settled	Pending
Cash and cash equivalents				
Cash and banks	-	271,999	-	14,983,897
Cash equivalents	(1,547,742)	31,551	(314,398)	(290,976)
	(1,547,742)	303,550	(314,398)	14,692,921

Balances, transactions and characteristics of related-party transactions are disclosed in Note 12.

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Related notes to the annual accounts for the year ended 31 December 2023

Classification by maturity date

Long-term financial assets are classified below by maturity.

The amount of the receivable maturing in years subsequent to fiscal year 2028 corresponds to fiscal years 2029 and 2032.

	Euro					
	2023					
	2025	2026	2027	2028	Beyond	Non-current total
Investments in Group, associated and related companies						
Loans to companies (Note 12)	935,707,637	150,024,500	395,746,360	635,000,000	1,332,542,078	3,449,020,575
Total	935,707,637	150,024,500	395,746,360	635,000,000	1,332,542,078	3,449,020,575

The amount of the receivable maturing in years subsequent to fiscal year 2028 corresponds to fiscal years 2029 and 2032.

	Euro					
	2022					
	2024	2025	2026	2027	Beyond	Non-current total
Investments in Group, associated and related companies						
Loans to companies (Note 12)	920,301,581	-	375,324,500	395,746,360	832,542,078	2,523,914,519
Total	920,301,581	-	375,324,500	395,746,360	832,542,078	2,523,914,519

7. Derivative financial instruments

As of December 31, 2023 and 2022, there are no derivative financial instrument contracts in force. As of December 31, 2022, the Company recorded an amount of 4,904,814 euros in the profit and loss account, in the financial result for settlements of exchange rate derivatives.

8. Cash and cash equivalents

"Cash and cash equivalents" break down as follows:

	Thousand euro	
	2023	2022
Cash and banks	450,502,594	1,211,739,705
Deposits	-	143,755,860
	450,502,594	1,355,495,565

As of December 31, 2023, there are no deposits in foreign currencies or euros. As of December 31, 2022, there were deposits in foreign currency (dollars) with credit institutions with a maturity of less than 3 months recorded by the Company amounting to 93,756 thousand euros and deposits in euros amounting to 50,000 thousand euros

The income generated by short-term deposits with credit institutions amounts to 2,677,805 euros (1,028,342 euros in 2022) and is recorded under "Revenue" in the income statement.

9. Share capital

The composition as of December 31, 2023 and 2022 and the changes in shareholders' equity for those years are presented in the statement of changes in shareholders' equity.

Subscribed Capital

At December 31, 2023 and 2022, the Company's capital stock is represented by 171,382 shares with a par value of 60.10 euros each, fully subscribed and paid up, with the same voting and economic rights, being EDP Energias de Portugal Sociedade Anónima, Sucursal en España its Sole Shareholder at that date (see Note 1). The Company has fulfilled all requirements of prevailing legislation in connection with its sole shareholder status.

Legal reserve

In accordance with Article 274 of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. The legal reserve may be used to increase capital in the portion of the balance that exceeds 10% of the increased share capital figure.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses and must be replenished out of future profits.

The legal reserve stood at 20% of share capital in 2023 and 2022.

Voluntary reserves

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As of December 31, 2023 and 2022, these reserves are unrestricted. These reserves stood at €490,901,680 at 31 December 2023 (€488,538,547 in 2022).

During the year 2023, the movement of this account includes only the portion corresponding to the distribution of the profit for the year 2022 (Note 3).

10. Financial liabilities

Financial liabilities by category

Set out below is a breakdown of financial liabilities at 31 December 2023 and 2022, all in the loans and payables category, carried at amortised cost:

	Euro					
	2023					
	Non-current			Current		
	At amortised cost		Total	At amortised cost		Total
	Carrying amount	Fair value		Carrying amount	Fair value	
Financial liabilities at amortised cost						
Bonds and other marketable securities	1,335,395,469	1,501,156,856	1,335,395,469	11,780,452	13,997,439	11,780,452
Debts with credit institutions	75,000,000	80,640,028	75,000,000	459,699	459,699	459,699
Payables to group, associated and related companies						
Fixed rate	1,132,542,078	1,123,781,998	1,132,542,078	14,328,962	14,328,962	14,328,962
Variable rate	-	-	-	1,201,414,857	1,201,414,857	1,201,414,857
Trade and other payables						
Suppliers and creditors	-	-	-	9,419,544	9,419,544	9,419,544
Other payables	-	-	-	56,167	56,167	56,167
Total financial liabilities	2,542,937,547	2,705,578,882	2,542,937,547	1,237,459,681	1,239,676,668	1,237,459,681

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Related notes to the annual accounts for the year ended 31 December 2023

	Euro					
	2022					
	Non-current			Current		
	At amortised cost or cost		Total	At amortised cost or cost		Total
	Carrying amount	Fair value		Carrying amount	Fair value	
Financial liabilities at amortised cost						
Payables to group, associated and related companies						
Fixed rate	832,542,078	752,482,434	832,542,078	237,159,715	-	237,159,715
Variable rate	-	-	-	2,775,247,688	3,009,328,511	2,775,247,668
Trade and other payables						
Suppliers and creditors	-	-	-	15,845,676	15,845,676	15,845,676
Other payables	-	-	-	2,942	2,942	2,942
Total financial liabilities	832,542,078	752,482,434	832,542,078	3,028,256,021	3,025,177,129	3,028,256,021

Net losses and gains carried at amortised cost under “Creditors and payables” in 2023 amounted to €104,355,341 (€33,939,746 in 2022).

Set out below is a breakdown of exchange differences on financial instruments recognised in the income statement, distinguishing between transactions settled and transactions outstanding or pending:

	Euro			
	2023		2022	
	Settled	Pending	Settled	Pending
Long-term payables to group, associated and related companies	-	156,979	-	(5,162,136)
Total	-	156,979	-	(5,162,136)

Balances, transactions and characteristics of related-party transactions are disclosed in Note 12.

On October 4, 2023, the Company issued two bonds listed on the Euronext Dublin market, classified as green senior debt instruments.

The Company has an agreement with its ultimate parent company, EDP Energias de Portugal, S.A., which provides that as long as the Company has outstanding instruments in the Bond Issuance Program, EDP Energias de Portugal, S.A. will make available sufficient funds to cover its payment obligations to the extent that the Company's own funds and liquidity are insufficient to meet such obligations.

The amount of these issues is EUR 600 million, maturing in April 2029 with a fixed coupon of 4.125%, and EUR 750 million, maturing in April 2032 with a fixed coupon of 4.375%.

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On November 6, 2023, the Company subscribed a loan of 75,000,000 euros with UNICAJA. This loan matures in 2028 and has a fixed rate of 3.995%.

Of the debt with group companies classified as long-term, EUR 300 million matures in 2028 and the remainder matures in full in 2029.

At 31 December 2023 and 2022, the Company records credit lines limited to €155 million and €156 million, respectively, falling due in 2024.

Balances with Public Administrations are disclosed in Note 11.

Information on the supplier payment period: Additional Provision Three “Duty of information” of Law 15/2010 of 5 July.

Final Provision Two of Law 31/2014 of 3 December, amending the Spanish Companies Act to improve corporate governance, amends Additional Provision Three of Law 15/2010 of 5 July, which amended Law 3/2004 of 29 December, on measures to combat late payment in commercial transactions, specifically requiring the inclusion of the average supplier payment period in the annual accounts. The average supplier payment period, ratio of transactions settled, ratio of transactions pending payment, total payments made and total payments pending at the year-end are set out below:

	2023	2022
	Days	Days
Average supplier payment period	57	190
Ratio of transactions settled	58	54
Ratio of transactions pending payment	30	197
	Amount (euro)	Amount (euro)
Total payments made	8,234,398	67,759
Total payments pending	202,397	1,349,134

The monetary volume of invoices paid in a period shorter than the 60 days established by the rule as the maximum legal period is 3,876,000 euros (61,695 euros in 2022) related to 28 invoices (24 invoices in 2022), which represents 47% (91.05% in 2022) of the payments made in amount and 70% (82.76% in 2022) of the invoices received and paid in the fiscal year.

11. Public Administrations and tax situation

Set out below is a breakdown of balances with Public Administrations at 31 December 2023 and 2022:

	Euro			
	2023		2022	
	Non-current	Current	Non-current	Current
Assets:				
Deferred tax assets	1,563,797	-	1,312,210	-
		-	1,312,210	-
Liabilities:				
Treasury creditor for different taxes	-	(155,404)	-	(857)
	-	(155,404)	-	(857)

At 31 December 2023, the Company records a balance of €4,059,922 payable to the tax group's parent company EDP - Energías de Portugal, Sociedade Anónima, Sucursal en España under the corporate income tax consolidation scheme (balance payable of €11,688,970 in 2022). This balance is carried under "Sundry suppliers and creditors" in the balance sheet at 31 December 2023 and 2022

Since certain transactions are treated differently for corporate income tax purposes and for the preparation of these financial statements, the taxable income for the period differs from the accounting income. Deferred tax assets or liabilities arise from temporary differences between the recognition of income and expenses under prevailing tax and accounting legislation.

Corporate income tax

The Company has filed corporate income tax returns under the special tax consolidation scheme provided by Articles 55 et seq of Corporate Income Tax Act 27/2014 of 27 November since 1 January 2008, EDP - Energías de Portugal, Sociedade Anónima, Sucursal en España being the tax consolidated group's parent company.

As a result of filing consolidated income tax returns, individual income tax expense is calculated taking into account eliminations of gains and losses on transactions completed between Group companies during the year, as well as prior-year eliminations.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

Set out below is the reconciliation between net income and expenses for the year and the income tax assessment base at 31 December 2023 and 2022:

	Thousand euro						
	2023						
	Income statement			Income and expenses taken to equity			Total
	Increases	Decreases	Net	Increases	Decreases	Net	
Net income/(expense) for the year			16,390,756	-	-	-	16,390,756
Corporate income tax	-	-	(5,463,585)	-	-	-	(5,463,585)
Profit/(loss) before taxes	-	-	21,854,341	-	-	-	21,854,341
Permanent differences	-	-	-	-	-	-	-
Temporary differences	-	-	-	-	-	-	-
Tax base (taxable income)			21,854,341			-	21,854,341

	Euro						
	2022						
	Income statement			Income and expenses taken to equity			Total
	Increases	Decreases	Net	Increases	Decreases	Net	
Net income/(expense) for the year			42,363,133	-	-	-	42,363,133
Corporate income tax	-	-	(14,121,044)	-	-	-	(14,121,044)
Profit/(loss) before taxes	-	-	56,484,177	-	-	-	56,484,177
Temporary differences		(235)	(235)	-	-	-	(235)
Tax base (taxable income)			56,483,942			-	56,483,942

The relationship between the income tax expense and profit for the year is as follows:

	Euro	
	Profit/(loss)	
	2023	2022
Income/(expense) before taxes for the year	21,854,341	56,484,177
25% tax	5,463,585	14,121,044
Income tax expense/(income) on continuing operations	5,463,585	14,121,044

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)**Related notes to the annual accounts for the year ended 31 December 2023**

Set out below is the breakdown of income tax expense/(income):

	Thousand euro	
	2023	2022
Current tax		
During the year	5,463,585	14,120,985
	5,463,585	14,120,985
Deferred taxes		
Temporary differences generated and reversed		
Property, plant and equipment	-	59
	-	59
Income tax expense/(income)	5,463,585	14,121,044

At December 31, 2023, the Company has recognized deferred tax assets in the amount of €251,587euros (€0 in 2022), related to the limitation on the deductibility of net financial expenses introduced by Law 27/2014, of November 27, on Corporate Income Tax. This limit is calculated at the consolidated Group level and is subsequently allocated to the tax group companies for accounting purposes, so this deferred tax is not included in the reconciliation of reported results and the income tax base.

At 31 December 2023 and 2022, the Company recognises deferred tax assets totalling €1,312,010 relating to the allocation of the percentage of tax losses not offset in the tax consolidated group. The Company also records other deferred tax assets amounting to €200 at 31 December 2023 (€200 in 2022).

At year-end 2023, the Company records deferred tax assets totalling €1,312 thousand (€1,312 thousand in 2022) that will reverse after more than 12 months.

Years open to inspection

In accordance with prevailing legislation, tax returns are not final until they have been inspected by the tax authorities or the limitation period has ended. In view of the limitation period, at 31 December 2023 the Company is open to inspection for financial years 2019 to 2023 for the main taxes to which it is subject, except for corporate income tax, which is open to inspection for 2018 to 2022, since the 2023 return has yet to be filed.

Additionally, in March 2022, the parent company of the tax group to which the Company belongs received notification of the commencement of tax audits on the main taxes for 2018 and 2019, as well as on corporate income tax for 2017. These audits remain open at the end of fiscal year 2023.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

12. Balances and transactions with related parties

Set out below is a breakdown of balances receivable from group, associated and related companies at 31 December 2023 and 2022:

	Euro		Euro	
	Group, associated and related companies		Group, associated and related companies	
	Non-current assets		Current assets	
	2023	2022	2023	2022
Loans to group, associated and related companies	2,738,612,938	1,953,612,838	365,000,000	465,000,000
group Company Clients	-	-	3,166,556	3,161,555
Interest generated and pending	-	-	30,757,941	14,958,832
Current accounts with the group, associated and related companies	710,407,637	570,301,581	-	-
Other assets, group companies	-	-	-	-
	3,449,020,575	2,523,914,419	398,924,497	483,120,387

Loans to group, associated and related companies accrued interest of between 0.429% and 6.361% (0.429% and 3.8823% in 2022).

During the 2023 fiscal year, there have been additions for new loans granted in the amount of 1,135,000,000 euros (during the 2022 fiscal year there were additions for new loans granted in the amount of 1,182,542,078 euros) and there have been scheduled repayments of 365,000,000 euros and 85,000,000 euros for modifications in the payment schedule (222,188,200 euros for repayments and 7,885,500 euros for modifications in the payment schedule at December 31, 2022).

Within the additions in 2023, 1,000,000,000 euros correspond to new contracts awarded to the group company EDP Renovavaveis Servicios Financieros S.L, 105,000,000 euros to EDP Iberia S.L and 30,000,000 euros to EDP Solar España S.A.

100,000,000 correspond to the repayment of the loan of the group company Iberenergia S.A., which has received a new loan of 15,000,000 euros.

As of December 31, 2023, the Company has current account trading contracts with group, associated and related companies for a total amount of 710,407,637 euros recorded in non-current assets (570,301,581 euros were long-term as of December 31, 2022). These contracts stipulate a variable Euribor interest rate plus a market spread.

Included in these contracts are the foreign currency current account commercial contracts that the Company has with EDP Finance, whose debit balance at December 31, 2023 amounts to 93,361,392 euros (it had a credit balance of 257,93,271 euros in current liabilities at December 31, 2022).

The current accounts with the Group accrue interest daily, which is settled monthly. Interest receivable accrues at the 1-month Euribor rate minus a spread of 0.30%.

The breakdown of the long-term maturities of these long-term financial instruments at 31 December 2023 and 2022 is set out in Note 6.

That heading also includes accrued unmaturred interest on the current accounts and the various loans granted totalling €6,479,741 and €24,278,200, respectively (€8031794 and €6,927,038 at 31 December 2022).

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

Set out below is a breakdown of balances payable to group, associated and related companies at 31 December 2023 and 2022:

	Euro		Euro	
	Non-current liabilities		Current liabilities	
	Group, associated and related companies		Group, associated and related companies	
	2023	2022	2023	2022
Payables to group, associated and related companies	1,132,542,078	832,542,078	1,215,743,819	3,012,407,403
Trade payables, group, associated and related companies	-	-	5,266,329	4,141,948
Payables to group companies (Note 11)	-	-	4,059,922	11,688,970
	1,132,542,078	832,542,078	1,225,070,070	3,028,238,231

On December 31, 2023, debts with group, associated and related companies included in non-current liabilities correspond to 2 loans received from the EDP group company, EDP Finance BV dated March 21, 2022 in the amount of 832,542,078 euros and June 29, 2023, in the amount of 500,000,000 euros, with a balance at year-end of 300,000,000 euros. The maturity dates are 2029 and 2028 and the interest rate is fixed at 1.4% and 3.97%, respectively.

In addition, at 31 December 2022, the heading "Payables to group, associated and related companies" in current liabilities includes €233,000,000 relating to loans received from the EDP Group company EDP Finance BV, that were amortized in 2023. As of December 31, 2023, there are no loans received from EDP Finance BV maturing in the short term.

On the other hand, there is unmaturing accrued interest on loans received from this company amounting to 14,328,962 euros (4,159,715 euros at December 31, 2022).

In addition, the caption "Short-term payables to group, associated and related companies" includes current account commercial contracts between the Company and group companies amounting to 1,183,047,482 euros (2,775,247,688 euros in 2022).

Included in these contracts are the foreign currency current account commercial contracts that the Company has with EDP Renovaveis Servicios Financieros, S.L. in the amount of 199,038,482 euros (326,815,409 euros at December 31, 2022) and with EDP Finance BV. The balance of the current account in foreign currency held with EDP Finance BV on December 31, 2023 is a debtor and is included in non-current assets in the amount of 93,361,392 euros (credit balance at December 31, 2022 for 257,393,271 euros).

These current accounts have accrued interest at December 31, 2023 of 18,367,375 euros.

The current accounts with the Group accrue interest daily, which is settled monthly or annually. Interest accrued at 31 December at the 1-month Euribor rate plus 0.956% on amounts receivable by the Company and Euribor minus 0.30% on amounts payable.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

Transactions with group, associated and related companies

The Company's transactions with related parties during 2023 and 2022 are set out below:

	Euro	
	Group, associated and related companies	
	2023	2022
Provisions of services	10,992	-
Financial income	118,919,520	74,600,017
Financial expenses	(89,233,950)	(33,315,097)
Change in fair value of financial instruments	-	4,904,814
Exchange differences	(1,359,212)	(5,767,510)
External services	(14,127)	(2,412)

Balances and transactions with the sole shareholder

At 31 December 2023 and 2022, the Company records the following balances and transactions with the sole shareholder EDP Energías de Portugal Sociedade Anónima, Sucursal en España.

	Euro	
	2023	2022
Payables to group, associated and related companies (current account)	212,033,352	1,057,010,013
Trade receivables	14,147	862
Suppliers and creditors	12,364	256
Interest pending collection	-	1,974,661
Sundry payables (tax pooling)	4,059,922	11,688,970
Provisions of services	10,992	-
External services	(13,956)	(2,412)
Financial expenses (Current accounts)	(12,833,967)	-
Financial income (current account)	3,402	1,935,303

There are no contracts, balances or transactions with the Company's sole shareholder, other than those indicated.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Related notes to the annual accounts for the year ended 31 December 2023

13. Income and expenses

a) *Revenue*

At 31 December 2023 and 2022, revenue mainly reflects financial income from loans to group companies (Notes 6 and 12), financial income on deposits (Note 8) and revenue from services provided to group companies (Note 12).

In 2023 and 2022, all the activities included in revenue in the accompanying income statement were conducted in Spain.

b) *Staff expenses*

The company has 1 employee as of December 31, 2023 (there were no employees as of December 31, 2022). The composition of this item as of December 31, 2023 is as follows:

	Euro	
	31/12/2023	31/12/2022
Wages, salaries and similar	62,775	-
Social Security at the company's expense	1,441	-
	64,216	-

c) *External services*

Details for fiscal years 2023 and 2022 are as follows:

	Euro	
	31/12/2023	31/12/2022
Services provided by EDP Branch	13,956	2,360
Independent professional services	236,241	6,524
Other	88	747
	250,285	9,631

14. Remuneration and other benefits of the directors and senior managers

The directors did not receive any remuneration, due to their current office, nor were they granted advances or loans in 2023 or 2022. No guarantee obligations were assumed on their behalf and no third-party liability insurance premiums were paid covering damage caused by acts or omissions in the discharging of their duties. The Company has not entered into pension or life insurance obligations with respect to its former or present directors. However, as a result of the performance of their professional duties as employees of the Company, in 2023, the Directors have accrued remuneration of 63 thousand euros, and no remuneration was accrued in 2022. Senior management duties are performed by the Company's directors.

The Company's administrative body is formed by three directors (two men and one woman) as of 31 December 2023 and 2022.

None of the directors notified the Company, and the Company is unaware of, any of the conflicts of interest described in Article 229 et seq of the Spanish Companies Act.

15. Audit fees

PricewaterhouseCoopers Auditores, S.L., the firm auditing the financial statements for the 2023 fiscal year, has accrued fees for professional auditing services totaling 25,214 euros (4,933 euros as of December 31, 2022) during the 2023 fiscal year. It has not billed any additional amount for other accounting verification services.

No fees for other professional services were billed to the Company by other member firms of PwC's network during the financial years ended 31 December 2023 or 2022.

16. Events after the reporting period

There were no significant events from year-end 2023 to the issuance date of these annual accounts, except:

- On January 9, the Company issued a "green debt instrument" bond for 750 million euros with a coupon of 3.5% and maturity in July 2030.
- On January 12, 2024 EDP, launched an invitation for a cash tender offer for debt securities issued by EDP Finance, BV (another EDP group company) for US\$500 million at 6.3% maturing in 2027. On January 29, 2024, as a result of the cash tender offer, the Company acquired US\$367 million.

MANAGEMENT REPORT 2023

Activity

The Company's principal activity is to act as a financial company of the EDP Group ("EDP"), raising funds in the international capital and bank loan markets to finance EDP's activities and investment plan. Thus, the Company's activity is determined based on the business plan and global strategy defined for EDP, its debt maturity schedule and EDP's financial policy, which includes a conservative liquidity profile and the centralization of most of the fundraising in EDP SA and in the Company for the Group's subsidiaries, as well as the prevailing market conditions.

EDP's consolidated financial statements are available at www.edp.com.

In addition, the company enjoys a solid liquidity position, as the amount of available liquidity (including committed credit lines) covers the company's refinancing needs for at least 18 months, in accordance with EDP's liquidity policy.

Main advances

In September 2023, EDP SFE joined the EDP Group's EMNT and made its first issue in the bond market in October in the amount of (i) €750 million, with a maturity of 8.5 years and a rate of 4.4.375%, and (ii) €600 million with a maturity of 5.5 years and a rate of 4.125%.

The financing transactions entered into during the year allowed the Company and the EDP Group to access different markets and investors, obtaining the necessary financing for the repayments of the current and next year, as well as to strengthen the liquidity position, anticipating the refinancing needs of the coming years.

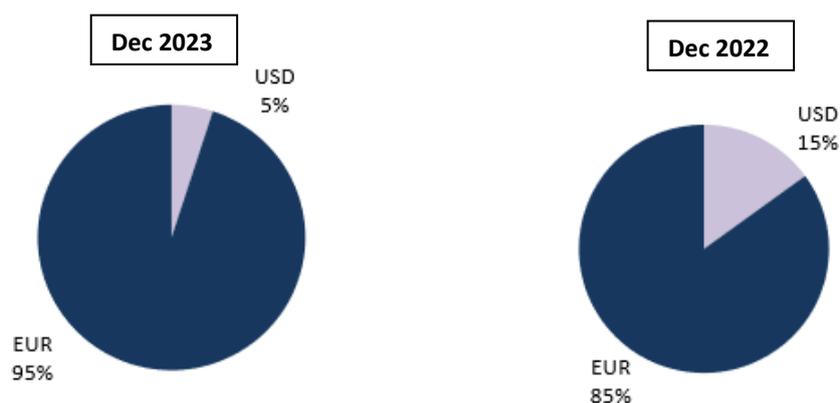
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DEBT

In 2023, EDP Servicios Financieros España's debt amounted to 3,771 million euros. Compared to December 2022, the company's debt decreased by almost €74 million.

	EUR millions		
	Dec 2023	Dec 2022	Change
Debt - Short term	1,227,983	3,012,407	-59%
Bonds	11,780	0	100%
Bank loans	460	0	100%
Current account	1,215,743	3,012,407	-65%
Debt - Long term	2,542,937	832,542	205%
Bonds	1,335,395	0	100%
Bank loans	75,000	0	100%
Intercompany loans	1,132,542	832,542	37%
Debt under IFRSs	3,770,920	3,844,949	-2%

In terms of currencies of EDP Servicios Financieros España's external debt, financing in EUR continues to be the Company's main financing currency (around 95% in 2023). Mainly contracted to finance the activities of Group companies and their subsidiaries, mainly EDP Renováveis.



RATING

In March 2023, Standard & Poor's Global Ratings ("S&P") confirmed EDP SA's rating as "BBB" with a stable rating. In April 2023, Fitch Ratings also affirmed the rating of "BBB" with a stable rating and, in May 2023, Moody's Investors Service upgraded EDP SA's rating from "Baa3" to "Baa2" with a stable rating.

RISK MANAGEMENT

Given the nature of the Company's activities, which consist of providing services to EDP Spain Group companies, there are no significant risks affecting the business, since the Group maintains a policy of remunerating its activities at market prices.

RISK MANAGEMENT POLICY

The risk policy is designed to effectively control and manage the company's risks, paying special attention to the most significant business risks:

- Market risks. They mainly comprise interest rate risks.
- Contextual risks. They essentially consist of counterparty risks (default, integrity and non-compliance), among others.

Interest rate risk

In view of its business, the Company has significant interest-bearing assets and, therefore, the Company's income and cash flows from operations are subject to changes in market interest rates. Interest rates fluctuations affect future flows from assets and liabilities linked to variable interest rates.

Most of the loans granted and received accrue variable interest linked to Euribor. The sensitivity of results (before tax effects) to interest rate fluctuations is disclosed in note 5 of the accompanying notes to the consolidated financial statements.

Foreign exchange risk

The Company records financial instruments denominated in foreign currencies, mainly the U.S. dollar. The Company's borrowings are mainly exposed to foreign exchange risk, which could have an adverse effect on financial income/expense and cash flows. To reduce this risk, the Company uses derivative financial instruments (note 5) and takes into account the hedged market risk.

The sensitivity of results (before tax effects) to exchange rate fluctuations is disclosed in note 5 of the accompanying notes to the consolidated financial statements.

Liquidity risk

The Company has a very low propensity to liquidity risk.

This risk is associated with the possibility that the Company will fail to meet all of its short-term obligations within the committed terms, or will only be able to do so under unfavorable conditions due to difficulties in accessing/cost of credit and credit rating downgrades.

Liquidity risk is managed by contracting and maintaining lines of credit and financing facilities with a firm underwriting commitment with intra-group companies, as well as with reliable international financial institutions with high credit ratings, as well as term deposits, which allow immediate access to funds, covering refinancing needs for the following 18 to 24 months.

Credit risk

This risk is defined as the possibility that a third party will not fulfill its contractual obligations, with the consequent losses for the company.

Regarding the exposure to credit risk in relation to loans granted to companies of the same activity group (note 5), the Company is covered by the EDP Group's financial policy.

Capital management

EDP SFE is not an entity subject to regulation in terms of capital or solvency regulation. Therefore, capital management is performed as part of the entity's financial management process.

The Company's objective in managing shareholders' equity is to safeguard the ability to continue operating as a going concern, to grow steadily to meet established objectives and to maintain an optimal capital structure to reduce the cost of equity capital.

Code of good governance

EDP's governance structure is a dual model and consists of the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor. The separation of management and supervisory functions takes the form of an Executive Board of Directors, responsible for managing the company's business, and a General and Supervisory Board, the highest supervisory body. The division of competencies inherent in this model, between the Executive Board of Directors and the General and Supervisory Board, has been ensuring the efficient management of the Company, benefiting from constant and attentive supervision. The dual corporate governance model implemented in EDP since July 2006 has allowed for an effective separation between the supervision and management of the Company in pursuit of the objectives and interests of EDP and its shareholders, employees and other stakeholders, thus contributing to achieve the degree of trust and transparency necessary for its proper functioning and optimization.

For a better understanding of EDP's corporate governance, EDP's website allows shareholders and the general public to consult the updated statutes in Portuguese and English, the Internal Regulations of the Executive Board of Directors, the General and Supervisory Boards and their committees, documents that have been modified to adapt them to best practices, especially to the principles and recommendations established by the Corporate Governance Code published by the Instituto Português de Corporate Governance [Portuguese Corporate Governance Institute]. It should also be noted that, since 2010, EDP has had a Corporate Governance Manual, the main purpose of which is to record and share the provisions of the Executive Board of Directors and the General and Supervisory Boards regarding best practice recommendations applicable to EDP in the area of corporate governance. The manual is dynamic in nature. Therefore, it should be reviewed periodically, taking into account the contributions of all stakeholders in the continuous development of EDP's governance model.

On the other hand, since September 2023, the EDP Group Audit Committee has been performing the functions of the EDP Servicios Financieros S.A. Audit Committee.

Internal Control System

The company's administrative and accounting procedures used in financial reporting and daily operations are periodically evaluated and are in accordance with the internal control system.

The controls, whether preventive or detective, are integrated into the company, thanks to the establishment of a segregation of roles and responsibilities for the various functions, as set out in the procedures approved and disseminated within the company. These controls, applied to manage and mitigate operational and financial reporting risks, are aimed at preventing and reducing the risk of errors, i.e. the fraud factor in the financial reporting process.

An evaluation of the adequacy of the procedures used to prepare the financial statements has been carried out and no significant problems have been detected.

EDP Servicios Financieros España S.A.U. (EDP SFE) is a wholly owned subsidiary of EDP Group SA (EDP), Portugal and is fully consolidated in the Group.

EDP has designed and implemented an Internal Control for Financial Reporting System (ICFR). The main objective of EDP's ICFR is to provide reasonable assurance regarding the quality and reliability of the financial information prepared and reported. This EDP ICFR also includes and covers EDP SFE.

The EDP Executive Board of Directors (EBD) is responsible for the design, implementation and maintenance of the System. EDP's ICFR is developed in line with the criteria established in the Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) and the Control Objectives for Information and related Technologies (COBIT) model. In order to manage and maintain the ICFR in operational terms, the Group has an ICFR Standard that sets out the functions and main activities in the management and maintenance of the System at all levels of the organization. It also has an ICFR Manual that establishes and describes the general principles of the system, the methodology used, the procedures to ensure the effectiveness of internal control and the design, documentation, evaluation and reporting models.

ICFR management addresses the following annual cycle of activities:

Review and update of the ICFR Scope to identify all relevant companies, processes and accounting headings. This analysis addresses aspects of materiality and risk, specifically financial reporting risks and the risk of fraud.

Documentation, review, maintenance and updating of ICFR processes and controls to ensure that all relevant companies, processes and accounting items are adequately covered by SCIRF processes and controls.

At the end of each year, an ICFR self-assessment and self-certification process is carried out by the different managers of the organization.

In addition, the ICFR is subject to an independent evaluation, at the consolidated level of the EDP Group, by the External Auditor.

An annual report of the ICFR and a work plan are submitted to the Audit Committee on an annual basis. A quarterly status report on the work and progress of the plan is reported.

EDP's ICFR contains three different types of controls:

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)

Global Controls (CCGG): CCGG are policies, procedures, codes, manuals, systems, tools, organizational charts, structures and practices that at a general level apply to the entire EDP Group. These are preventive and/or detective methods and controls that determine and describe the organization, its functioning and competencies, guiding and supporting all bodies, areas and employees in the execution of their responsibilities.

Application Controls at the process level: These controls help to cover the different risk concepts identified for all the Group's companies, processes and relevant accounting captions. Basically, these are controls related to approvals, verifications, reconciliations, supervision, physical control or segregation of duties. There are manual and automatic, preventive and detective controls.

General Information Technology Controls: General IT Controls address controls related to the planning, organization, monitoring and evaluation of information systems. In addition, they contain more application controls related to the acquisition, implementation, maintenance and support of the systems. These include important aspects such as access control, segregation of duties, backups and change-related controls.

Integrity / Corruption and fraud prevention

EDP SFE is part of the EDP Group's Specific Compliance Program for Integrity / Corruption Prevention. The systematization of this Program has as a fundamental part the definition of an Integrity Policy in which the commitments, general principles of action and duties of the Group's entities, its employees and business partners were defined, in terms of prevention of unlawful acts, complementing the set of rules and compliance mechanisms already existing both at corporate level (the Code of Conduct for Suppliers, the Code of Conduct for Senior Executives and Senior Financial Officers, the Procedure for the Prevention of Conflicts of Interest and the Related Party Transactions Policy, in addition to the EDP Group's own Code of Ethics and the available channels for reporting irregularities). The EDP Group Integrity Policy, disclosed to all employees (in the form of a must-read document, with acknowledgment of receipt recorded) and available both on the intranet and on the EDP website (www.edp.com), reinforces the zero tolerance policy regarding the adoption of practices that may be perceived as acts of corruption or bribery, clarifies the prohibition of facilitation payments and details the principles related to the prevention of conflicts of interest, donations and sponsorships, contributions to political parties and prevention of money laundering, conducting due diligence on the integrity of third parties, the relationship with public officials and politically exposed persons, the acceptance and assignment of offers and invitations to events and the monitoring of international sanctions. All of these principles have been implemented through the development of specific procedures and internal control mechanisms (such as, for example, the authorization of bank payments within the payment process). The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of improper practices, in particular those related to accounting, internal accounting controls, auditing, complaints, whistleblowing or other irregularities and the fight against corruption, banking and financial crime and, to this end, updated the Whistleblowing Procedures Regulation in April 2020.

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EDP provides Group employees, shareholders, the statutory auditor or any other interested party with a channel that allows them to report irregularities on these matters directly and confidentially to the Financial Affairs Committee / Audit Committee of the General and Supervisory Board. Contact is made through a platform that supports the operation of the channel, with security mechanisms and encryption of all information, allowing interaction with the author, while maintaining anonymity. In the area of reporting irregularities, EDP's Integrity Policy reinforces the principle of non-retaliation and identifies the various channels available both internally and externally. EDP also implemented an investigation procedure to ensure that the communications received are properly handled, defining the guidelines for the investigation process and the corresponding follow-up initiatives.

EDP makes available, on its website, further details on the Whistleblowing Procedures Regulations to be adopted regarding the Reporting of Erroneous Procedures www.edp.com/en/edp/irregularities-communication-channel.

Audit Committee

The Company avails itself of the exemption to establish its own Audit Committee, based on Article 3 of the Royal Decree of July 26, 2008 implementing Article 41 of EU Directive 2006/43/EC. In 2023, EDP SFE approved that the Audit Committee of the parent company, EDP - Energias de Portugal, S.A., act as the Company's Audit Committee.

FINANCIAL RESULTS

The profit from the Company's continuing operations amounted to 16,390,756 Euros in 2023, a decrease of 61% compared to the previous year.

Turnover amounted to 127,787,393 euros, which is 51,475,040 euros more than in 2022.

The origin of this increase in turnover lies, on the one hand, in the settlements of current accounts with group companies, favored by the reference interest rate, and the new availability commission on current accounts. The net increase in loans granted over loans received during the year also has a positive effect.

Financial expenses amounted to 104,355,341 euros, an increase of 70,415,595 euros, absorbing the previous positive effect in its entirety.

Operating income amounted to 22,941,554 euros, a decrease of 46% compared to 2022.

Exchange differences have a negative effect on the negative change in income for the year.

TREASURY SHARES

There were no dealings in treasury shares or parent company shares during the year.

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EVENTS AFTER THE REPORTING PERIOD

There were no significant events from year-end 2023 to the issuance date of these annual accounts, except:

- on January 9, the Company issued a "green debt instrument" bond for 750 million euros with a coupon of 3.5% and maturity in July 2030.
- on January 12, 2024 EDP, launched an invitation for a cash tender offer for debt securities issued by EDP Finance, BV (another EDP group company) for US\$500 million at 6.3% maturing in 2027. On January 29, 2024, as a result of the cash tender offer, the Company acquired US\$367 million.

RESEARCH AND DEVELOPMENT

There were no research and development activities.

BUSINESS PROSPECTS

With the inclusion of EDP SFE in the EDP group's bond issuance program in 2023, EDP SFE's activity is expected to increase in the coming years.

OTHER ASPECTS

The Company's average supplier payment period is shorter than the legally stipulated maximum period.

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AUTHORISATION FOR ISSUE OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR 2023

On 29 February 2024, pursuant to Articles 253.2 of the Consolidated Text of the Spanish Companies Act and 37 of the Code of Commerce, the directors of EDP Servicios Financieros España, S.A. issue the Annual Accounts and Management Report for the financial year 1 January 2023 to 31 December 2023. The annual accounts are formed by the accompanying documents preceding this sheet.

Luis Álvarez Arias de Velasco

Chair

Valentín Valcuende Rodríguez

Board Director

D. Celma João Batista Pires

Board Director

Pelayo Echevarría Ybarra

Non-voting Secretary