Madrileña Red de Gas Finance B.V.

Annual Report 2022

Amsterdam, the Netherlands

Madrileña Red de Gas Finance B.V.
Overschiestraat 65
1062 XD Amsterdam
The Netherlands
Chamber of Commerce Amsterdam 55530788

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1. Director's report

The Director of Madrileña Red de Gas Finance B.V. ("the Company") herewith submits the Director's report, financial statements and other information of the Company for the year ended December 31, 2022.

General information

The Company issues Bonds on the Luxembourg Stock Exchange and uses the proceeds to issue loans to group entities. The shareholder of the Company is Elisandra Spain V S.L.U. ("the Parent Company"), which is registered in Spain. The ultimate parent of the group is Elisandra Spain IV S.L., which is registered in Spain.

The Company is domiciled in the Netherlands. The Company's registered address is at Overschiestraat 65, Amsterdam, 1062 XD, the Netherlands. The Company is registered under number 55530788 with the trade register of the Dutch Chamber of Commerce. The Company was originally incorporated on June 20, 2012 and did not have any material activity until changing its incorporated name to Madrileña Red de Gas Finance B.V. on July 5, 2013.

ln December 2013 the Company issued a series of notes aggregating to EUR 275 million of EUR 10-year Bonds on the Luxembourg Stock Exchange, each with an interest rate of 4.5% per annum ("the December 2023 Bonds"). The proceeds of this issuance were used by the Company to provide Madrileña Red de Gas S.A.U. ("the Sister Company") with a loan amounting to EUR 275 million, with an interest rate of 4.598% with the final repayment date at December 4, 2023. As of March 3, 2016 the Company issued a series of notes aggregating to EUR 75 million of EUR 15-year Bonds on the Luxembourg Stock Exchange, each with an interest rate of 3.5% per annum ("the March 2031 Bonds"). The proceeds of this issuance have been used by the Company to provide the Parent Company with a loan amounting to EUR 75 million, with an interest rate of 3.598% with the final repayment date at March 3, 2031. As of April 11, 2017 the Company issued two series of notes aggregating to EUR 300 million of EUR 8-year Bonds on the Luxembourg Stock Exchange, with an interest rate of 1.375% per annum ("the April 2025 Bonds") and EUR 300 million of EUR 12-year Bonds on the Luxembourg Stock Exchange, with an interest rate of 2.25% per annum ("the April 2029 Bonds"). The proceeds of these issuances have been used by the Company to provide the Parent Company with two loans amounting to EUR 300 million each, respectively with an interest rate of 1.473% and a final repayment date at April 11, 2025 and an interest rate of 2.348% and a final repayment date at April 11, 2029. The Sister Company guarantees the December 2023 Bonds, April 2025 Bonds, April 2029 Bonds and March 2031 Bonds. The Sister Company was the receiver of the Issuer-Borrower Loan Agreement ("IBLA") related to the December 2023 Bonds. The Parent Company was the receiver of the IBLA's related to the April 2025 Bonds, April 2029 Bonds and March 2031 Bonds.

The final repayment date of the loan receivable Sister Company (EUR 1,800,000 as per year-end 2022) was extended to September 11, 2027 by the addendum signed by the Company and the Sister Company on August 17, 2022.

The December 2023 Bonds were early redeemed in full on November 14, 2022 in accordance with the terms and conditions of the Bonds. On the same day the Intercompany Loan with the Sister Company was also redeemed.

The above described December 2023 Bonds, March 2031 Bonds, April 2025 Bonds and April 2029 Bonds are hereafter together referred to as the Bonds (or "Notes" for financial statement item disclosures).

Financial year 2022

The Company closed its financial accounts for the financial year 2022 with a net result for the year of EUR 2,816,776 (2021: EUR 1,670,459), resulting in a positive equity position of EUR 7,242,250 as at December 31, 2022 (2021: EUR 4,425,474). The increase in result is a consequence of expected reimbursements by the Dutch tax authorities or corporate income tax amounts concerning the years 2013 until 2015 as a result of a Mutual Agreement Procedure ("MAP") between the Netherlands and Spain and expected reimbursements of corporate income tax amounts for the years 2016 until 2022 for which the Company has not yet received a MAP.

After being rated BBB for the years 2015-2020, Standard & Poor's ("S&P") downgraded the long-term credit rating of the Sister Company from BBB to BBB- on August 25, 2020. The downgrade of the long-term credit rating of the Sister Company was mainly caused by a new regulatory haircut in remuneration for the regulatory period 2021-2026. ln March 2020, the National Markets and Competition Commission in Spain published the regulatory framework for the next regulatory period 2021-2026 which implies continuity with the current remuneration methodology and a haircut to the remuneration base. The haircut was published at December 17, 2020 and estimated to result in an average reduction of circa 10% of revenues for the regulatory period 2021-2026 and will be applied gradually during the period. The Director reassessed the parameters used in its Expected Credit Loss model as part of the IFRS 9 impairment calculation, taking into account a downgrade of credit ratings of the Sister Company. After careful consideration, the Director decided to increase the Probability of Default to 0.25% per 2020, corresponding to a credit rating of BBB- as assigned by S&P to the Sister Company. This increase in Probability of Default caused the IFRS 9 impairment to increase accordingly per 2020. Per 2021 the Loss Given Default was changed from 100% to 45% causing the allowance of expected credit losses to decrease accordingly. Based on the S&P Global Corporate Average Cumulative Default Rates by Rating Modifier (1981-2021) the Director decided to decrease the Probability of Default to 0.23% per 2022. The Loss Given Default remained the same for 2022 (45%).

ln August 2022, the senior unsecured debt credit ratings assigned to the Company by DBRS Morningstar reaffirmed BBB (low) (2021: BBB (low)).

As at December 31, 2022, the total loan receivables of the Company amounted to EUR 673,037,035 (2021: EUR 945,640,717). During the financial year, interest amounting to EUR 32,279,487 was received (2021: EUR 26,896,000). The Notes payable as at December 31, 2022 amounted to EUR 671,945,293 (2021: EUR 944,880,061). During the financial year, interest amounting to EUR 30,995,803 was paid (2021: EUR 25,875,000).

Total gross interest income for the Company for the year amounted to EUR 33,380,298 (2021: EUR 32,219,009). The total gross interest expenses for the Company for the year amounted to EUR 32,111,719 (2021: EUR 31,210,865).

Risk management

Risk management is performed by the Director of the Company. The risks the Company is dealing with are credit risk, liquidity risk, market risk and interest rate risk. ln order to control and monitor these risks, methods and indicators have been initiated.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties. The amount recognised in the balance sheet of the Company for financial assets, interest receivables, other receivables and cash and cash equivalents is the maximum credit risk in the case that counterparties are unable to fulfill their contractual obligations. The Company's exposure to credit risk is influenced mainly by the terms of the credit profile of the Sister Company and the Parent Company. The senior unsecured debt credit rating assigned to the Company by Standard & Poor's is BBB- (2021: BBB-). The Sister Company is also rated BBB- (2021: BBB-). The Parent Company is not rated by any rating agency. ln August 2022, the senior unsecured debt credit rating assigned to the Company by DBRS Morningstar was reaffirmed BBB (low) (2021: BBB (low)).

Furthermore, the Company's credit risk is mitigated due to the fact that the Company only holds held-to-maturity investments (the IBLA's) which are considered to be low risk investments as, despite the downgrade of the senior unsecured debt credit rating of the Sister Company by Standard & Poor's in 2020, the senior unsecured debt credit rating of the Sister Company is still rated at investment grade. As mentioned, the downgrade of the Sister Company per 2020 was mainly caused by a new regulatory haircut in remuneration for the new regulatory period in Spain for the period 2021-2026. ln March 2020, the National Markets and Competition Commission in Spain published the regulatory framework for the next regulatory period 2021-2026 which implies continuity with the current remuneration methodology and a haircut to the remuneration base. The haircut was published at December 17, 2020 and estimated to result in an average reduction of circa 10% of revenues for the regulatory period 2021-2026 and is applied gradually during the period.

As per year-end 2022, the Sister Company guarantees the April 2025 Bonds, April 2029 Bonds and March 2031 Bonds. The Parent Company was the receiver of the IBLA's related to the April 2025 Bonds, April 2029 Bonds and March 2031 Bonds.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2022 EUR	December 31, 2021 EUR
Loan receivables	673,037,035	945,640,717
Interest receivables	10,558,921	11,528,910
Corporate income tax receivables	1,647,821	-
Other receivables	7,734	12,674
Cash and cash equivalents	3,911,677	2,919,843
Total	689,163,188	960,102,144

The loan and interest receivables are receivables from the Sister Company and the Parent Company. The other receivables are receivables from the Sister Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. A complete overview of the maturity and nominal value of the underlying bonds is displayed in section 2.5, Note 6 of the financial statements. Based on the payment terms under the IBLA's, the Company's forecasted cash flow and the strong performance of the related parties to which the loans are provided, all operational liabilities and contingencies are expected to be paid as they fall due. The terms on which related party transactions were initiated, are at arms' length. The Company monitors the cash flow forecasts on an ongoing basis to identify any issues as they might arise. Moreover, the Director of the Company makes cash flow forecasts in order to monitor all revenues and expenses for the relevant year. During board meetings the cash flow forecasts are submitted to the Director of the Company who evaluates and, eventually, approves.

Market and interest rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company's exposure to changes in interest rates on borrowings is mitigated by signing of the IBLA's on a fixed rate basis, reflecting the fixed rate bond obligations. Furthermore, the Company is not exposed to foreign exchange risk since all assets, liabilities, income and expenses have been procured in Euros.

The interest rates on the Bonds are fixed and will not be repriced during the term of the Bonds. However, the Bonds could be re-issued in case the Parent Company and Sister Company are not able to repay the underlying loan. Since interest rates vary over time, it is plausible that re-issuance would only be possible at an interest rate which is substantially higher. Please note that due to passing of time the difference can just as well be upward as downward.

The war in Ukraine together with other political and economic developments impacted the international markets and global economic growth expectations. As per year-end 2022, the fair values of the Bonds and the IBLA's were affected negatively compared to previous year due to the increase of market interest rates. Depending on the further devolvement of the war in Ukraine and other political and economic developments, the fair values of debt instruments as well as the loan receivables might be further affected subsequent to the date of this report.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, share premium and retained earnings (other reserves). The Director monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are to:
- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid. There were no changes in the Company's approach to capital management during the year.

Future developments

The Director is confident in its positive view on future developments of the Company. Based on the liabilities related to the issued Bonds and the current IBLA's in place, the Company expects positive cash flows on a year to year basis to be able to fulfill its obligations related to the issued Bonds. It is expected the Company will continue its activities for the financial year 2023 in the same way. Given the scheduled redemption dates for both IBLA's and Bonds, no changes are expected in investments or financing. The Company does not foresee any special circumstances that materially impact the expectations for the year 2023. Based on the set-up and objectives of the Company, it is not expected any Research and Development will be performed. No changes are expected in personnel.

As at year-end 2022 the Company had cash balances amounting to EUR 3,911,677 (2021: EUR 2,919,843) with cash flow forecasts and a budget which indicate that the Company will be able to meet its debts, which mainly consist of the interest payments of the Bonds as they fall due for the next twelve months. The amounts of interest to be received on the IBLA's and to be paid on the Bonds, as well as the operational expenses, remain materially the same each year.

The Company has carried out a risk analysis with the available information at this stage also considering the impact of the war in Ukraine and it does not envisage a significant risk for the going concern of the Company in the following 12 months.

Based on the above, the Director expects the Company to continue as a going concern for the foreseeable future.

Risk projections

The Director of the Company is responsible for its system of internal control and risk management and for reviewing the effectiveness of the system of internal control. For this purpose the Director of the Company makes use of the established procedures at the Company's administrator, necessary to apply these guidelines, including clear operating procedures, lines of responsibility and delegated authorities. The Director of the Company relies on the control environment of the administrator. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

Fraud

In view of fraud, bribery and anti-corruption, the Director relies on the internal controls of the administrator and the Madrilena Group. The administrator and the Madrilena Group have implemented manual and automated internal controls such as seggregation of duties and provides training to help employees to indentify fraudulent behaviour. In addition, the administrator and the Madrilena Group implemented, amongst others, a Code of Conduct, whistle-blower policies and internal policies around reporting non-compliance. The Administrator and the Madrilena Group apply a zero-tolerance policy in relation to fraud, bribery and anti-corruption. No instances of (internal and external) fraud or any other matters are identified in this respect that had a material effect on the financial statements.

Diversity policy in the Board of Directors

Due to legal requirements, the diversity policy regarding the composition of the Board of Directors should be implemented by the Company, including the balance between male and female ratio. The Company recognizes the value and importance of a balanced and diverse composition of its Board of Directors. Therefore, the Board of Directors profiles deal with aspects of diversity such as age, gender, nationality, education and working background when seeking, seating, and evaluating candidates for new appointments to the Board of Directors. At the present date, the Board consists of one male (Mr. Martijn Jaap Gijsbertus Verwoest) which means the composition of the Board of Directors consisted of 100% male. The Company acknowledges room for enhanced efforts at expanding gender diversity within its Board membership. Accordingly, the Company is evaluating the implementation of the Dutch Gender Balance Act, which entered into effect on January 1, 2022, and will set an appropriate and meaningful target figure to promote gender diversity on its Board of Directors. The Company is convinced that this act will support the further optimization of its diversity policy.

Information concerning application of code of ethics

The Code of Ethics was issued, approved and adopted by the Managing Board of the Sister Company on May 13, 2016. The Code of Ethics is applicable to all professionals of Madrilena Red de Gas S.A.U. and summarizes the principles and guidelines regardless of their rank, their geographical or functional location in order to ensure ethical and responsible behaviour by all professionals in the performance of their activities. The Code of Ethics forms a part of the Madrilena Red de Gas's Corporate Governance Systems and is fully respectful of the principles of corporate organisation established therein. The Code of Ethics is available at the premises of the Sister Company. The adoption and application of the Code of Ethics is mandatory. During the year there were no reportable events that directly or indirectly relate to the Code of Ethics. On April 12, 2023, it was approved by the Managing Board of the Company that the Code of Ethics of the Sister Company was also extensible to the professionals of the Company.

Environmental and personnel-related information

Due to the sole purpose of the Company, no environmental related affairs occurred. With respect to personnel, we refer to note 17 of the financial statements.

Non-financial performance indicators

Due to the sole purpose of the Company, no information regarding non-financial performance indicators is available.

Corporate Social Responsibility

On group level, several committees are established to mainly manage (but not limited to) risk management, compliance, crime prevention and health and safety. The Company is part of the scope of these committees.

Audit Committee

Pursuant to the Decree of July 26, 2008 implementing Section 41 of Directive No. 2006/43/EC (hereinafter referred to as the "Decree"), published on August 7, 2008 (Bulletin of Acts and Decrees 2008/323), the Company qualifies as a public interest organization (hereinafter referred to as "PIO") based on the fact that the Company has issued Bonds that are listed on a EU regulated market. According to the Decree, a PIO must establish an independent Audit Committee, unless it can claim exemption as described in the Decree.

The Director has advised the Parent Company that the Company can be in compliance with the Decree by either (i) having the Company's General Meeting setting up an independent Audit Committee; or (ii) having the tasks and requirements associated with the compulsory Audit Committee for a PIO be carried out and observed by the Company's sole shareholder's Audit and Risk Supervision Committee. The Director of the Company has been notified that the Audit Committee of Elisandra Spain IV S.L. ("the Ultimate Parent Company of the Company") has taken up the role of Audit Committee of the Company for the financial year 2022. The Audit Committee does not receive a renumeration with regards to the services provided to the Company.

Research and development activities

ln 2022, the Company did not perform activities connected to research and development. During 2023, the Company does not expect to perform activities connected to research and development.

Director’s responsibility statement

The Director confirms that, to the best of his knowledge:

• The financial statements for the year 2022, which have been prepared in accordance with the International Reporting Standards (IFRS), as adopted by the European Union and the Dutch Civil Code, and Title 9 Book 2 of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

• The Director's Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht").

Subsequent events

There are no material events after the balance sheet date which have an impact on or should be disclosed in the Company's financial statements of January 1, 2022 until December 31, 2022.

Amsterdam, April 12, 2023

Martijn Jaap Gijsbertus Verwoest
Director

2. Financial statements

2.1 Statement of financial position as at December 31, 2022

(before result appropriation)

	Note	December 31, 2022		December 31, 2021	
ASSETS		EUR	EUR	EUR	EUR
Non-current assets					
Financial assets					
Loan receivables	[1a]	673,037,035		943,840,717	
			673,037,035		943,840,717
Current assets					
Loan receivables	[1a]	-		1,800,000	
Interest receivables	[1b]	10,558,921		11,528,910	
Deferred income tax assets	[2]	162,172		246,155	
Corporate income tax receivable	[3]	1,647,821		-	
Other receivables	[4]	7,734		12,674	
Cash and cash equivalents	[5]	3,911,677		2,919,843	
			16,288,325		16,507,582
Total assets			689,325,360		960,348,299
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[6]				
Share capital		18,000		18,000	
Share premium		2,002,000		2,002,000	
Other reserves		2,405,474		735,015	
Result financial year		2,816,776		1,670,459	
			7,242,250		4,425,474
Non-current liabilities					
Notes payable	[7]	671,945,293		944,880,061	
			671,945,293		944,880,061
Current liabilities					
Interest payable	[7]	10,044,863		10,994,179	
Trade creditors		76,070		32,100	
Taxes payable	[8]	16,884		16,485	
			10,137,817		11,042,764
Total shareholder's equity and liabilities			689,325,360		960,348,299

The accompanying notes form an integral part of these financial statements.

2.2 Statement of Profit and Loss and Other Comprehensive income for the year ended December 31, 2022

	Note	2022		2021	
		EUR	EUR	EUR	EUR
Interest income and expense	[9]				
Interest income		33,380,298		32,219,009	
Interest expense		-32,111,719		-31,210,865	
Net interest income			1,268,579		1,008,144
Operating income and expenses	[10]				
Interest income bank account		15,022		-	
(Charge)/Reversal of Loss allowance for impairment on financial assets		325,519		1,363,976	
Employee benefits expenses		-25,082		-25,235	
Operating expenses		-157,770		-152,273	
			157,689		1,186,468
Operating profit			1,426,268		2,194,612
Finance income and expenses	[11]				
Finance income		98,887		98,485	
Finance expense		-98,887		-98,485	
Net finance result			-		-
Result before tax			1,426,268		2,194,612
Income tax expense	[12]		1,390,508		-524,153
Net result for the year			2,816,776		1,670,459
Total comprehensive income			2,816,776		1,670,459

The accompanying notes form an integral part of these financial statements.

2.3 Statement of changes in equity for the year ended December 31, 2022

	Issued and fully paid share capital EUR	Share premium EUR	Other reserves EUR	Total EUR
Balance as at January 1, 2021	18,000	2,002,000	735,015	2,755,015
Contributions by and distributions to the owners of the Company	-	-	-	-
Dividend paid	-	-	-	-
Profit and total Comprehensive income for the year	-	-	1,670,459	1,670,459
Balance as at December 31, 2021	18,000	2,002,000	2,405,474	4,425,474
Contributions by and distributions to the owners of the Company	-	-	-	-
Dividend paid	-	-	-	-
Profit and total Comprehensive income for the year	-	-	2,816,776	2,816,776
Balance as at December 31, 2022	18,000	2,002,000	5,222,250	7,242,250

The accompanying notes form an integral part of these financial statements.

2.4 Statement of cash flows for the year ended December 31, 2022

The Statement of cash flows has been prepared according to the indirect method.

	Note	2022		2021	
		EUR	EUR	EUR	EUR
Cash flow from operating activities					
Net result for the year			2,816,776		1,670,459
Adjustments on the Statement of Profit and Loss:					
Corporate income tax	[12]	-1,390,508		524,153	
(Reversal)/charge of loss allowance of impairment on financial assets	[10]	-325,519		-1,363,976	
Interest income	[9]	-33,380,298		-32,219,009	
Interest expense	[9]	32,111,719		31,210,865	
			-2,984,606		-1,847,967
Interest received		32,279,487		26,896,000	
Interest paid		-30,995,803		-25,875,000	
			1,283,684		1,021,000
Change in trade and other receivables	[3]	4,940		-9,464	
Change in trade creditors		43,970		7,307	
Income tax paid		-163,260		-193,230	
Change in taxes payable		-9,670		22,983	
Change in working capital			-124,020		-172,404
Net cash flows resulting from operating activities			991,834		671,088
Cash flow from investing activities					
Loans repaid	[1]	275,000,000		-	
Net cash flows resulting from investing activities			275,000,000		-
Cash flow from financing activities					
Bonds repaid	[7]	-275,000,000		-	
Net cash flows resulting from financing activities			-275,000,000		-
Net increase in cash and cash equivalents			991,834		671,088
Cash and cash equivalents at January 1			2,919,843		2,248,755
Movements in cash			991,834		671,088
Cash and cash equivalents at December 31			3,911,677		2,919,843

The accompanying notes form an integral part of these financial statements.

2.5 Notes to the financial statements

General information

Madrileña Red de Gas Finance B.V.'s ("the Company") main activities are to invest and apply funds obtained by the Company in (interest in) bonds, loans, whether or not with group entities, for its own account and/or as depositary for the account of third parties.

The Company's address is Overschiestraat 65, Amsterdam, the Netherlands (Chamber of Commerce: 55530788).

The Company has been incorporated under the laws of the Netherlands as a private company ('besloten vennootschap') with limited liability by the notarial deed dated June 20, 2012 and changed its incorporated name to Madrileña Red de Gas Finance B.V. on July 5, 2013.

The shareholder of the Company is Elisandra Spain V S.L.U., which is registered in Spain. The ultimate parent of the group is Elisandra Spain IV S.L., which is registered in Spain.

Risk management

The Group has exposure to the following risks from its use of financial instruments:

• Credit risk
• Liquidity risk
• Market and Interest rate risk

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties. The amount recognised in the balance sheet of the Company for financial assets, interest receivables, other receivables and cash and cash equivalents is the maximum credit risk in the case that counterparties are unable to fulfill their contractual obligations. The Company's exposure to credit risk is influenced mainly by the terms of the credit profile of the Sister Company and the Parent Company. The senior unsecured debt credit rating assigned to the Company by Standard & Poor's is BBB- (2021: BBB-). The Sister Company is also rated BBB- (2021: BBB-). The Parent Company is not rated by any rating agency. In August 2022, the senior unsecured debt credit rating assigned to the Company by DBRS Morningstar was reaffirmed BBB (low) (2021: BBB (low)).

Furthermore, the Company's credit risk is mitigated due to the fact that the Company only holds held-to-maturity investments (the IBLA's) which are considered to be low risk investments as, despite the downgrade of the senior unsecured debt credit rating of the Sister Company by Standard & Poor's in 2020, the senior unsecured debt credit rating of the Sister Company is still rated at investment grade. As mentioned, the downgrade of the Sister Company per 2020 was mainly caused by a new regulatory haircut in remuneration for the new regulatory period in Spain for the period 2021-2026. In March 2020, the National Markets and Competition Commission in Spain published the regulatory framework for the next regulatory period 2021-2026 which implies continuity with the current remuneration methodology and a haircut to the remuneration base. The haircut was published at December 17, 2020 and estimated to result in an average reduction of circa 10% of revenues for the regulatory period 2021-2026 and is applied gradually during the period.

As per year-end 2022, the Sister Company guarantees the April 2025 Bonds, April 2029 Bonds and March 2031 Bonds. The Parent Company was the receiver of the IBLA's related to the April 2025 Bonds, April 2029 Bonds and March 2031 Bonds.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2022 EUR	December 31, 2021 EUR
Loan receivables	673,037,035	945,640,717
Interest receivables	10,558,921	11,528,910
Corporate income tax receivables	1,647,821	-
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Cash and cash equivalents	3,911,677	2,919,843
Total	689,163,188	960,102,144

The loan and interest receivables are receivables from the Sister Company and the Parent Company. The other receivables are receivables from the Sister Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. A complete overview of the maturity and nominal value of the underlying bonds is displayed in section 2.5, Note 6 of the financial statements. Based on the payment terms under the IBLA's, the Company's forecasted cash flow and the strong performance of the related parties to which the loans are provided, all operational liabilities and contingencies are expected to be paid as they fall due. The terms on which related party transactions were initiated, are at arms' length. The Company monitors the cash flow forecasts on an ongoing basis to identify any issues as they might arise. Moreover, the Director of the Company makes cash flow forecasts in order to monitor all revenues and expenses for the relevant year. During board meetings the cash flow forecasts are submitted to the Director of the Company who evaluates and, eventually, approves.

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The interest rates on the Bonds are fixed and will not be repriced during the term of the Bonds. However, the Bonds could be re-issued in case the Parent Company and Sister Company are not able to repay the underlying loan. Since interest rates vary over time, it is plausible that re-issuance would only be possible at an interest rate which is substantially higher. Please note that due to passing of time the difference can just as well be upward as downward.

The war in Ukraine together with other political and economic developments impacted the international markets and global economic growth expectations. As per year-end 2022, the fair values of the Bonds and the IBLA's were affected negatively compared to previous year due to the increase of market interest rates. Depending on the further devolvement of the war in Ukraine and other political and economic developments, the fair values of debt instruments as well as the loan receivables might be further affected subsequent to the date of this report.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, share premium and retained earnings (other reserves). The Director monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are to:
- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid. There were no changes in the Company's approach to capital management during the year.

Basis of preparation

The financial statements have been prepared in accordance with the International Reporting Standards (IFRS), as adopted by the European Union, and Title 9 Book 2 of the Dutch Civil Code. Also the Director's report is prepared in accordance with Title 9 Book 2 of the Dutch Civil Code.

The financial statements were approved and authorised for issue by the Director on April 12, 2023.

Going concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern for the foreseeable future.

Basis of measurement

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below, unless stated otherwise.

Functional and presentation currency
These financial statements are presented in EUR, which is the functional and presentation currency of the Company.

Use of estimates and judgments
The preparation of these financial statements in conformity with IFRS requires the Director to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of, possibly, resulting in a material adjustment in the year ending December 31, 2022 and December 31, 2021 are described in the financial instruments section.

Measurement of fair values in the notes to the financial statements

A number of the Company's disclosures require the measurement of fair values, for financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Change in accounting estimates
As a result of a Mutual Agreement Procedure ("MAP") for the years 2013 until 2015 between the Spanish and Dutch tax authorities, which was initiated in 2022, the Company has been characterized as a service entity. As the Company's tax advisors consider the probability of the competent authorities of Spain and the Netherlands reaching the same conclusion for future years to be high, the Company has changed the renumeration received (including an correction for the years 2013 until 2021) for its services in the financial statements for the period ended December 31, 2022. The Company earned a renumeration on its financing activities of 9.8 basis points over the intercompany loans issued to the Parent and Sister prior to the MAP but has applied a cost plus 5% model in the financial statements for the period ended December 31, 2022 instead. In line with IAS 8 this change in calculation is considered a change in accounting estimate. In line with IAS 8.36 the effect of the change in the accounting estimate shall be recognised in the Statement of Profit and Loss prospectively.

Significant accounting policies
The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Company.

Financial instruments
The Company classifies non-derivative financial assets into the following categories: loan receivables, interest & other receivables and cash and cash equivalents. The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets - recognition and derecognition
The Company initially recognises the loan receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial assets

Financial (fixed) assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Loan receivables

These assets are initially recognised at fair value taking into account any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Company applies the general accepted loss model (Expected Credit Losses or "ECL") to its loans receivables. The amount of ECL's recognized as a loss allowance depends on the extent of credit deterioration since initial recognition. Any gain or loss arising on derecognition is recognised directly in profit or loss. The reversal of loss allowance is presented as separate line item in the Statement of Profit and Loss.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Deferred income tax assets

Deferred income tax assets are measured at nominal value, at the substantially enacted rate applicable. The deferred income tax assets are offset when there is a legally enforceable right to offset current tax assets and when deferred tax balances relate to the same taxation authority. Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company is holder of the bank account at Cooperatieve Rabobank U.A. which has been granted a long-term A+ rating (previous period: A+) by Standards & Poor's Ratings Services and a long-term A+ (previous period: A+) rating by Fitch Ratings. Based on these ratings the Company does not foresee any complications with respect to availability of the cash balance.

Non-derivative financial liabilities - recognition and derecognition

The Company initially recognises the Bonds on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities - measurement

Non-derivative financial liabilities include the Bonds and trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.
The net result of previous years is classified under the other reserves. Dividends pay outs are deducted from the other reserves.

Revenue recognition

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is the only revenue of the Company.

Interest expense
Interest expense comprise interest expense on borrowings accounted for applying the effective interest rate method.

Employee benefits
Short-term employee benefits
Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Finance income and expense
Other finance income is recognised when the right to receive payment is established. Other finance expenses are recognised when the obligation of payment is established.

Income tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively at the end of the reporting period in the Netherlands where the Company operates and generates taxable income. The Director establishes provisions on the basis of amounts expected to be paid to the Dutch tax authorities.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Measurement of ECL's
ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

In 2022 the IBLA April 2025, IBLA April 2029, IBLA March 2031 and Loan Receivable Sister Company (2021: IBLA December 2023, IBLA April 2025, IBLA April 2029, IBLA March 2031 and Loan Receivable Sister Company) were solely held for collection of their contractual cash flows. Those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Loss allowances are presented as separate line item in the Statement of Profit and Loss.

The Company applies the general expected loss model (Expected Credit Losses or "ECL") for its financial assets.

The amount of ECL's recognized as a loss allowance depends on the extent of credit deterioration since initial recognition. The Company is required to recognize an allowance for 12-month (increase in credit risk) and is implemented by assessment at the counterparty level.

Expected credit loss assessment for counterparties
The Company has made an assessment of the credit risks of its counterparties. The credit risk that the Company bears is due to the loans granted to the Parent Company and Sister Company. The Director decided to adjust the Probability of Default to 0.23% for 2022 (2021: 0.24%), corresponding to a credit rating of BBB- as assigned by S&P to the Sister Company. As the Parent Company is not separately rated by the rating agencies, the Director considered a Probability of Default for 2022 equal to the Probability of Default applied for the Sister Company. Despite the downgrade of the long-term credit ratings by both S&P and Fitch per 2020, a lower medium grade credit risk applies since the Bonds are still rated at investment grade by S&P.

The ECL is calculated as the exposure at default, which is the total exposure EUR 687,515,367 (2021: EUR 960,102,145 multiplied by the Probability of Default of 0.23% (2021: 0.24%) multiplied by the Loss Given Default of 45% (2021: 45%). The Company used a Probability of Default based on the S&P Global Corporate Average Cumulative Default Rates By Rating Modifier (1981-2021).

The impact as per December 31, 2022 was a decrease in the IFRS 9 impairment for financial assets of EUR 0.3 million (2021: decrease of EUR 1.4 million) with a corresponding decrease in the deferred tax asset of EUR 0.01 million (2021: decrease EUR 0.34 million).

Changes caused by recently issued (revision) of accounting standards

New and amended standards adopted by the Company
With regards to the Impact of the initial application of Interest Rate Benchmark Reform and Impact of the initial application of COVID-19-Related Rent Concessions beyond June 30, 2021-Amendment to IFRS 16, this is not applicable for the Company.

New and revised IFRS Standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective, as they are not expected to have a significant impact on the Company's financial statements.

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 37 Onerous Contracts-Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

New/revised IFRS Standards in issue but not yet effective but which are not applicable to the Company
- IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment-Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 16 Leases, and IAS 41 Agriculture

2.5 Notes to the financial statements

ASSETS

FINANCIAL ASSETS AND INTEREST RECEIVABLES

Financial assets [1a]

	December 31, 2022 EUR	December 31, 2021 EUR
IBLA Sister Company 4.598% December 2023	-	274,525,032
IBLA Parent Company 1.473% April 2025	302,614,650	302,361,155
IBLA Parent Company 2.348% April 2029	303,101,319	302,787,639
IBLA Parent Company 3.598% March 2031	76,761,121	76,702,453
Loan receivable Sister Company	1,827,124	1,827,124
Total current and non-current	684,304,214	958,203,403
Less interest receivable (current)	-10,558,921	-11,528,910
Sub total	673,745,293	946,674,493
Expected credit loss allowance IFRS 9	-708,258	-1,033,776
Total financial assets	673,037,035	945,640,717

The Loan receivable Sister Company has been classified as a non-current asset in 2022 compared to a current asset in 2021 as the final repayment date of the Loan was extended to September 11, 2027 in 2022.

	December 31, 2022		December 31, 2021	
	Fair value EUR	Carrying value (*) EUR	Fair value EUR	Carrying value (*) EUR
IBLA Sister Company 4.598% December 2023	-	-	298,122,000	273,255,793
IBLA Parent Company 1.473% April 2025	278,277,000	299,103,660	307,782,000	298,838,491
IBLA Parent Company 2.348% April 2029	249,225,000	297,691,700	315,861,000	297,366,345
IBLA Parent Company 3.598% March 2031	64,750,500	74,441,675	83,874,000	74,380,088
Loan receivable Sister Company	1,800,000	1,800,000	1,800,000	1,800,000
	594,052,500	673,037,035	1,007,439,000	945,640,717

(*) The carrying value amounts are presented net from interest receivables and impairment.

On December 4, 2013 the Company entered into an IBLA with the Sister Company for an amount of EUR 275 million. The interest rate on the loan is 4.598% and the balance is not secured. Interest on the loan receivable is to be calculated per December 4, each year until the loan expires on December 4, 2023. The interest is receivable one business day before December 4 each year. No repayments of principle are due until loan expiry date. In accordance with the terms and conditions of the Bonds, the Bonds were early redeemed in full on November 14, 2022. On the same day the Intercompany Loan with the Sister Company was also repaid.

On April 11, 2017 the Company entered into an IBLA with the Parent Company for an amount of EUR 300 million. The interest rate on the loan is 1.473% and the balance is not secured. Interest on the loan receivable is to be calculated per April 11, each year until the loan expires on April 11, 2025. The interest is receivable one business day before April 11 each year.

On April 11, 2017 the Company entered into an IBLA with the Parent Company for an amount of EUR 300 million. The interest rate on the loan is 2.348% and the balance is not secured. Interest on the loan receivable is to be calculated per April 11, each year until the loan expires on April 11, 2029. The interest is receivable one business day before April 11 each year.

On March 3, 2016 the Company entered into an IBLA with the Parent Company for an amount of EUR 75 million. The interest rate on the loan is 3.598% and the balance is not secured. Interest on the loan receivable is to be calculated per March 3, each year until the loan expires on March 3, 2031. The interest is receivable one business day before March 3 each year. No repayments of principle are due until loan expiry date.

The loan receivable Sister Company, with an applicable interest of 5.0% is unsecured. The loan and interest receivable had an initial final repayment date of September 11, 2022. On August 17, 2022, the Company and the Sister Company signed an addendum to the Loan Agreement in which the final repayment date was extended to September 11, 2027.

Interest receivables [1b]

	December 31, 2022 EUR	December 31, 2021 EUR
IBLA Sister Company 4.598% December 2023	-	969,989
IBLA Parent Company 1.473% April 2025	3,196,208	3,196,208
IBLA Parent Company 2.348% April 2029	5,094,838	5,094,838
IBLA Parent Company 3.598% March 2031	2,240,751	2,240,751
Loan receivable Sister Company	27,124	27,124
Total current and non-current	10,558,921	11,528,910

Deferred income tax assets [2]
As a consequence of the decrease in the IFRS 9 expected credit loss allowance in 2022, the deferred tax assets decrease with EUR 83,983 to EUR 162,172 (2021: decrease EUR 340,994 to EUR 246,155).

Corporate income tax receivable [3]
The corporate income tax receivable relates to amounts expected to be received from the Dutch tax authorities as a result of a Mutual Agreement Procedure ("MAP") between the Netherlands and Spain.

Other receivables [4]
The other receivables relate to an amount to be received as reimbursement for costs incurred under the current IBLA's. As per year-end, an amount of EUR 3,001 still was to be received (2021: EUR 12,674). The other receivables also includes the interest to be received on the bank account held with Coöperatieve Rabobank U.A. in the amount of EUR 4,733.

Cash and cash equivalents [5]
Cash and cash equivalents are deposited at the current account held with Coöperatieve Rabobank U.A. The cash balance is freely available to the Company.

2.5 Notes to the financial statements

SHAREHOLDER'S EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY [6]

Share capital

	Number of Ordinary shares	Total number
On issue at January 1, 2021	1,800,000	1,800,000
Issued for cash	-	-
On issue at December 31, 2021	1,800,000	1,800,000
Issued for cash	-	-
On issue at December 31, 2022	1,800,000	1,800,000

At December 31, 2022, the authorised share capital comprised 1.8 million ordinary shares (2021: 1.8 million) with a par value of EUR 0.01 per share. All ordinary shares have been issued and fully paid. It was decided in the shareholders meeting during 2022 to allocate the 2021 result to the other reserves.

The holders of ordinary shares are entitled to receive dividends as declared. All shares are entitled to one vote per share at Company meetings.

Share premium
At December 31, 2022, the Company recorded a share premium of EUR 2,002,000 (2021: EUR 2,002,000) which represents a capital injection from the Parent Company as 100% shareholder of the Company in order to meet Dutch law requirements.

Dividends
No dividends were distributed by the Company for the year ended December 31, 2022 (2021: EUR 0).

NON-CURRENT LIABILITIES AND INTEREST PAYABLES

Notes payable [7]

	December 31, 2022 EUR	December 31, 2021 EUR
Bonds December 2023	-	274,509,927
Bonds April 2025	302,402,004	302,148,508
Bonds April 2029	302,888,672	302,574,992
Bonds March 2031	76,699,480	76,640,812
Total current and non-current	681,990,156	955,874,239
Less interest payable (current)	-10,044,863	-10,994,178
Total non-current	671,945,293	944,880,061

	December 31, 2022		December 31, 2021	
	Fair value EUR	Carrying value (*) EUR	Fair value EUR	Carrying value (*) EUR
Bonds December 2023	-	-	298,122,000	273,560,611
Bonds April 2025	278,277,000	299,418,442	307,782,000	299,164,947
Bonds April 2029	249,225,000	298,006,481	315,861,000	297,692,801
Bonds March 2031	64,750,500	74,520,370	83,874,000	74,461,702
Loans and borrowings	592,252,500	671,945,293	1,005,639,000	944,880,061

(*) The carrying value amounts are presented net from interest payables.

Balance as at December 31, 2022	<1 year EUR	1-5 years EUR	>5 years EUR	Total EUR
Trade creditors	76,070	-	-	76,070
Interest payments	13,500,000	45,750,000	24,000,000	83,250,000
Bonds April 2025	-	300,000,000	-	300,000,000
Bonds April 2029	-	-	300,000,000	300,000,000
Bonds March 2031	-	-	75,000,000	75,000,000
Loans and borrowings	13,576,070	345,750,000	399,000,000	758,326,070

Balance as at December 31, 2021	<1 year EUR	1-5 years EUR	>5 years EUR	Total EUR
Trade creditors	32,100	-	-	32,100
Interest payments	25,875,000	62,250,000	33,375,000	121,500,000
Bonds December 2023	-	275,000,000	-	275,000,000
Bonds April 2025	-	300,000,000	-	300,000,000
Bonds April 2029	-	-	300,000,000	300,000,000
Bonds March 2031	-	-	75,000,000	75,000,000
Loans and borrowings	25,907,100	637,250,000	408,375,000	1,071,532,100

The amounts as displayed in the two above tables are stated as undiscounted values. Also, as per 2021, and going forward, the interest payments are calculated as being the actual interest coupons per year (instead of the sum of the interest accruals which was the way of working up to 2020).

Loans and borrowings
The Company issued Bonds at the Luxembourg Stock Exchange on December 4, 2013 for an amount of EUR 275 million with a fixed interest rate of 4.5%. These Bonds mature ten years from the issue date at their nominal value. These Bonds are valued at amortized cost. As the costs related to the Bonds were reimbursed under the IBLA, these were not taken into account determining the Bond value. In accordance with the terms and conditions of the Bonds, the December 2023 Bonds were early redeemed in full on November 14, 2022.

The Company issued Bonds at the Luxembourg Stock Exchange on April 11, 2017 for an amount of EUR 300 million with a fixed interest rate of 1.375%. These Bonds mature eight years from the issue date at their nominal value. These Bonds are valued at amortized cost.

The Company issued Bonds at the Luxembourg Stock Exchange on April 11, 2017 for an amount of EUR 300 million with a fixed interest rate of 2.25%. These Bonds mature twelve years from the issue date at their nominal value. These Bonds are valued at amortized cost.

The Company issued Bonds at the Luxembourg Stock Exchange on March 3, 2016 for an amount of EUR 75 million with a fixed interest rate of 3.5%. These Bonds mature fifteen years from the issue date at their nominal value. These Bonds are valued at amortized cost.

Taxes payable [8]
Taxes payable relates to Value Added Tax (VAT).

2.5 Notes to the financial statements

Interest income and expenses [9]

	2022 EUR	2021 EUR
Interest income from financial assets measured at amortised cost	33,380,298	32,219,009
Interest income	33,380,298	32,219,009

	2022 EUR	2021 EUR
Interest expense from financial liabilities measured at amortised cost	-32,111,719	-31,210,865
Interest expense	-32,111,719	-31,210,865

Operating income and expenses [10]

	2022 EUR	2021 EUR
Interest income bank account	15,022	-
Interest income bank account	15,022	-

	2022 EUR	2021 EUR
Movement in expected loss allowance IFRS 9	325,519	1,363,976
Movement in loss allowance on financial assets	325,519	1,363,976

	2022 EUR	2021 EUR
Wages and salaries	-13,333	-13,342
Social premiums	-11,749	-11,893
Employee benefits expenses	-25,082	-25,235

	2022 EUR	2021 EUR
Auditor fees	-78,786	-50,578
Administrative fees	-33,700	-31,841
Bank charges	-3,737	-4,131
Tax services fees	-7,260	-31,218
Advisory fees	-20,070	-11,821
Other expenses	-18	-29
Office rent	-14,199	-
Interest expenses	-	-22,655
Operating expenses	-157,770	-152,273

Finance income and expenses [11]

	2022 EUR	2021 EUR
Other finance income	98,887	98,485
Finance income	98,887	98,485

	2022 EUR	2021 EUR
Other finance expenses	-98,887	-98,485
Finance expense	-98,887	-98,485
Net finance result	-	-

The other finance income relates to the reimbursement of costs under the IBLA's currently in place. The finance expenses relate to the expenses incurred in relation to the issuance of Bonds, for which the Company is reimbursed under the IBLA's in place. As per year-end, an amount of EUR 3,001 still was to be received.

Income tax expense [12]

	2022	2021
Current tax expense	EUR	EUR
Current year income tax (*)	63,766	183,157
Prior years income tax	-1,538,257	-
Deferred income tax	83,983	340,996
Total income tax	-1,390,508	524,153

(*) In 2021, the corporate income tax due was calculated on 15% for the first EUR 245,000 and 25% for the remaining taxable amount. In 2022, the corporate income tax due was calculated on 15% for the first EUR 395,000 and 25.8% for the remaining taxable amount.

Reconciliation of effective tax rate

	2022		2021	
	EUR	%	EUR	%
Net result for the year	2,816,776		1,670,459	
Total income tax	-1,390,508		524,153	
Profit (Loss) excluding income tax	1,426,268		2,194,612	
Income tax using the Company's domestic rate	325,317	22.81%	524,153	23.88%
Current year adjustments	-177,568	-12.45%	-	0.00%
Prior year adjustments	-1,538,257	-107.85%	-	0.00%
Current year losses for which no deferred tax asset was recognized	-	0.00%	-	0.00%
Adjustments due to IFRS 9 impairment	-	0.00%	-	0.00%
Other	-	0.00%	-	0.00%
	-1,390,508		524,153	

During the financial year, an amount of EUR 163,260 was paid as preliminary corporate income tax. As the estimated total income tax due for the financial year 2022 amounted to EUR 63,766, a receivable of EUR 99,494 was recorded in the balance sheet.

The effective tax rate is based on the net result for the year. The effective tax rate is -/- 97.49% (2021: 23.9%).

The prior year adjustments relate to expected reimbursements by the Dutch tax authorities or corporate income tax amounts concerning the years 2013 until 2015 as a result of a Mutual Agreement Procedure ("MAP") between the Netherlands and Spain and expected reimbursements of corporate income tax amounts for the years 2016 until 2022 for which the Company expects to receive a MAP and Bilateral Advance Pricing Agreement ("BAPA") in the future.

Due to the release of the IFRS 9 expected loss allowance this year amounting to EUR 0.3 million, the commercial profit is higher than the fiscal profit. The Company is not tax exempt, but the IFRS 9 expected loss allowance is not recognized by the Dutch tax authorities. The profit excluding the current year release of the IFRS 9 expected loss allowance will be lower.

Fair value hierarchy for financial instruments as at December 31, 2022 [13]

Financial assets	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
IBLA April 2025	-	278,277,000	-	278,277,000
IBLA April 2029	-	249,225,000	-	249,225,000
IBLA March 2031	-	64,750,500	-	64,750,500
Loan receivable Sister Company	-	1,800,000	-	1,800,000
	-	594,052,500	-	594,052,500

Financial liabilities	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Bonds April 2025	278,277,000	-	-	278,277,000
Bonds April 2029	249,225,000	-	-	249,225,000
Bonds March 2031	-	64,750,500	-	64,750,500
	527,502,000	64,750,500	-	592,252,500

Fair value hierarchy for financial instruments as at December 31, 2021 [14]

Financial assets	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
IBLA December 2023	-	298,122,000	-	298,122,000
IBLA April 2025	-	307,782,000	-	307,782,000
IBLA April 2029	-	315,861,000	-	315,861,000
IBLA March 2031	-	83,874,000	-	83,874,000
Loan receivable Sister Company	-	1,800,000	-	1,800,000
	-	1,007,439,000	-	1,007,439,000

Financial liabilities	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Bonds December 2023	298,122,000	-	-	298,122,000
Bonds April 2025	307,782,000	-	-	307,782,000
Bonds April 2029	315,861,000	-	-	315,861,000
Bonds March 2031	-	83,874,000	-	83,874,000
	921,765,000	83,874,000	-	1,005,639,000

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	December 31, 2022		December 31, 2021	
	Carrying value EUR	Fair value EUR	Carrying value EUR	Fair value EUR
IBLA	671,237,035	592,252,500	943,840,717	1,005,639,000
Loan receivable Sister Company	1,800,000	1,800,000	1,800,000	1,800,000
Interest receivables	10,558,921	10,558,921	11,528,910	11,528,910
Trade and other receivables	7,734	7,734	12,674	12,674
Cash and cash equivalents	3,911,677	3,911,677	2,919,843	2,919,843
Loans and borrowings	-671,945,293	-592,252,500	-944,880,061	-1,005,639,000
Interest payable	-10,044,863	-10,044,863	-10,994,179	-10,994,179
Trade and other payables	-76,070	-76,070	-32,100	-32,100
	5,449,141	6,157,399	4,195,804	5,235,148

The fair value of the interest receivables, trade and other receivables, cash and cash equivalents, interest payables and trade and other payables are considered to approximate the carrying amount. The fair value of the IBLA's is derived from the fair value of the loans and borrowings. The Company has the view the IBLA's are directly linked at the loans and borrowings taking into account.

As per year-end 2022 the fair value of the April 2025 Bonds and April 2029 Bonds (traded at the Luxembourg Stock Exchange) is based on quoted prices in active markets. As per year-end 2021 the fair value of the December 2023 Bonds, April 2025 Bonds and April 2029 Bonds (traded at the Luxembourg Stock Exchange) is based on quoted prices in active markets. The fair value of the March 2031 Bonds as per year-end 2022 and 2021 is based on quoted prices on similar liabilities, taking into account reference bonds.

Related parties [15]
At the end of 2022 the Company recorded a receivable of EUR 683,595,956 from the Sister Company and Parent Company (2021: EUR 957,169,627).

Off-balance sheet assets and liabilities [16]
The Director has identified no off-balance sheet assets and liabilities.

Independent auditor's fee [17]
The audit fee expensed for KPMG Accountants N.V. amounts to EUR 60,000 excluding VAT and out-of-pocket expenses (2021: EUR 41,800).

2022	KPMG Accountants N.V. EUR	Total EUR
Audit of the financial statements	60,000	60,000
Other audit engagements	-	-
Other non-audit services	-	-
	60,000	60,000

2021	KPMG Accountants N.V. EUR	Total EUR
Audit of the financial statements	41,800	41,800
Other audit engagements	-	-
Other non-audit services	-	-
	41,800	41,800

The fees listed above relate to the procedures applied to the Company by accounting firms and independent external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees in relation to 2022 relate to the audit of the 2022 financial statements, regardless of whether the work was performed during the financial year.

Remuneration of Director [18]

Staff members
The average number of staff employed by the Company in 2022 was one (2021: one). The employee is a resident of the Netherlands and employed in the Netherlands as well.
The Director at the closing of the financial year was:
Verwoest, Martijn Jaap Gijsbertus as director, appointed May 7, 2015

The Director did not receive any remuneration for his work as Director of the Company (2021: no remuneration). The Company does not have Supervisory Directors.

Proposed appropriation of profit
The profit for the year is added to the other reserves.

Director’s responsibility statement
The Director confirms that, to the best of his knowledge:
• The financial statements for the year 2022, which have been prepared in accordance with the International Reporting Standards (IFRS), as adopted by the European Union and the Dutch Civil Code, and Title 9 Book 2 of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

• The Director's Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht").

Subsequent events
There are no other material events after the balance sheet date which have an impact on or should be disclosed in the Company's financial statements for the year ended December 31, 2022.

Amsterdam, April 12, 2023

Martijn Jaap Gijsbertus Verwoest
Director

3. Other information

3.1 Provisions in the articles of association governing the appropriation of profit

According to article 20 of the Company's articles of association, the result is at the disposal of the General Meeting. The Company can only make payments to the shareholder for the amount the shareholder's equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

3.2 Independent auditor's report

See next page.

Independent auditor's report

To: The General Meeting of Shareholders of Madrileña Red de Gas Finance B.V. and the Audit Committee of Elisandra Spain IV S.L.U.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Madrileña Red de Gas Finance B.V. (the Company) as at 31 December 2022 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of the Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of Madrileña Red de Gas Finance B.V based in Amsterdam.

The financial statements comprise:

1. the statement of financial position as at 31 December 2022;
2. the statement of profit and loss and other comprehensive income for the year ended 31 December 2022;
3. the statement of changes in equity for the year ended December 31, 2022;
4. the cash flow statement for the year ended December 31, 2022; and
5. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Madrileña Red de Gas Finance B.V in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon.

The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matter was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Summary

Materiality
• Materiality of EUR 6,020 thousand • 0.88% of total assets

Fraud/Noclar, Going concern
• Fraud & Non-compliance with laws and regulations (Noclar) related risks: presumed risk of management override of controls identified • Going concern related risks: no going concern risks identified

Key audit matters
• Recoverability of loans and interest receivable from Elisandra V S.L.U. and Madrileña Red de Gas S.A.U.

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6,020 thousand (2021: EUR 9,640 thousand). The materiality is determined with reference to 0.88% of total assets (2021: 1.00% of total assets).

We consider total assets, which mainly include accounts related to financing activities, as the most appropriate benchmark given the activities of Madrileña Red de Gas Finance B.V. as a group financing company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the ultimate parent company, Elisandra Spain IV S.L.U. that misstatements identified during our audit in excess of EUR 300 thousand (2021: EUR 450 thousand), would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the audit

We have performed audit procedures ourselves at the level of Madrileña Red de Gas Finance B.V. In addition, we made use of work of the KPMG Spain audit team of Elisandra Spain V S.L.U. (Parent) and Madrileña Red de Gas S.A.U. (Sister) for the audit of the valuation of the loan and interest receivables from Elisandra Spain V S.L.U. and Madrileña Red de Gas S.A.U.

We sent instructions to KPMG Spain audit team, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to us.

We discussed the work performed with the KPMG Spain audit team and reviewed the reporting and working papers received. During these discussions the planning, risk assessment, procedures performed, and findings and observations reported to us were discussed in more detail and evaluated.

By performing the procedures mentioned above, together with additional procedures at the Company level, we have been able to obtain sufficient and appropriate audit evidence about Madrileña Red de Gas Finance B.V.'s financial information to provide an opinion about the annual accounts.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter "Risk projections" of the annual report, the Board of Directors describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance.

Our procedures included, among other things, assessing the Company's code of ethics and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Board of Directors and Audit Committee of Elisandra Spain IV S.L.U. As part of our audit procedures, we:

- evaluated other positions held by the Board of Directors' members and paid special attention to procedures and governance/compliance in view of possible conflicts of interest; and
- evaluated investigation reports on indications of possible fraud and non-compliance.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and did not identify areas that likely have a material effect on the financial statements.

We evaluated the fraud and non-compliance risk factors to consider whether those by themselves would cause the existence of a reasonable possibility of a risk of material misstatement in the financial statements.

Further we assessed the presumed fraud risk on revenue recognition as irrelevant, since the Company's sole significant source of income is finance income. Such finance income is derived from long term loan agreements with the Parent and Sister including fixed terms and conditions in respect of interest.

As a consequence, we did not identify an incentive nor pressure for the Board of Directors to achieve certain results or specific finance income targets and there appears to be limited perceived opportunity to commit a material fraud in this area.

Based on the above and on the auditing standards, we identified the following presumed fraud risk in respect of management override of controls that is relevant to our audit and responded as follows:

Management override of controls (a presumed risk)

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries.
- We performed a data analysis scan of potential high-risk journal entries and evaluated key estimates and judgments for bias by the Company's Board of Directors. Where we identified instances of unexpected journal entries or other risks through our data analytics scan, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We challenged the assumptions underlying the fair value and valuation assessment of loans and interest receivables from Parent and Sister.
- We incorporated an element of unpredictability in our audit by extending the audit procedures in testing account balances which would not otherwise be tested due to their materiality or presumed low risk.

Our procedures to address the presumed risk of fraud in respect of management override of controls did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to the Board of Directors and the Audit Committee of Elisandra Spain IV S.L.U.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Board of Directors performed its going concern assessment, in which amongst others the Company's high dependency of the Parent and Sister's ability to fulfill their obligations towards the Company was considered. The Board of Directors did not identify any significant going concern risks.

To assess the Board of Directors' assessment, we have performed, inter alia, the following procedures:

- we considered whether the Board of Directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we considered whether the developments in energy prices indicate a going concern risk;
- we analyzed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks; and
- we considered whether the outcome of our audit procedures, to assess the valuation of the intercompany loans, as described in the key audit matters, could indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Directors' going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors of Madrileña Red de Gas Finance B.V. and Audit Committee of Elisandra Spain IV S.L.U. The key audit matters are not a comprehensive reflection of all matters discussed.

Recoverability of the loans and interest receivable from Elisandra Spain V S.L.U. and Madrileña Red de Gas S.A.U.

Description

The Company's exposure, in terms of credit risk, to Elisandra Spain V S.L.U. ('Parent') and Madrileña Red de Gas S.A.U. ('Sister') may have a significant effect on the Company's financial statements.

The outstanding balances as at 31 December 2022 of EUR 683,596 thousand (long term receivable and short term receivable) represent 99.17% of the balance sheet total (EUR 957,169 thousand and represented 99.66% of the balance sheet total as at 31 December 2021).

The Company's most significant assets are the loans and interest receivables from the Parent and Sister. In the event of an insolvency of the Parent and/or Sister they can no longer fulfil their financial obligations towards the Company and it would have a significant impact on the Company.

The Company's ability to meet its financial obligations depends on the cash flow generated from the repayment of (accrued) interest and principal by the Parent and Sister. Current and future developments in the energy market are merely examples of factors that can impact the Company's ability to meets its financing obligations.

As such, the risk of a financial loss of the Company is relevant, when the Parent and/or Sister, fail to meet their contractual obligations towards the Company. Given this pervasive impact on the financial statements of the Company, we consider the valuation on the loans provided to the Parent and/or Sister and their related interest income accrued a key audit matter.

Our response

After evaluation of the design and implementation of the controls regarding the recoverability assessment by the Board of Directors in respect to the loans and the interest receivables, we performed, among others, the following substantive audit procedures with respect to the Director's assessment of the recoverability of the loans and the related interest receivable from the Parent and Sister:

- We inquired with the Board of Directors of the Company about its assessment of the recoverability of the loans to related parties and interest receivables, based upon its knowledge of the developments in the financial position and cash flows of Parent and Sister, considering any potential impact of the CoVid-19 pandemic and/or the impact of Russia and Ukraine conflict, and about its evaluation with respect to the recoverability of the loans receivable and of the interest receivables from Parent and Sister;
- We inspected and analyzed the Parent and Sister' ability to meet its obligations under the loan agreements and their financial position of the Parent and Sister. We evaluated the audited financial statements of the Parent and Sister for the year 2022. We assessed that unqualified audit opinions were issued on 3 April 2023 with regard to these financial statements;
- Furthermore, we evaluated the audit procedures performed by the auditor (KPMG Spain) of the Parent and Sister, supporting their audit opinions on the 2022 (consolidated) financial statements of the Parent and Sister;
- We evaluated the reasonableness of the Board of Directors' key judgements and estimates made in respect of IFRS 9, including selection of methods, models, assumptions and data sources;
- We inspected the terms and conditions of the loan agreements between the Parent and Sister and the Company;
- We evaluated the long-term credit ratings and outlook of Sister from Standard & Poor's; and
- In addition, we evaluated the appropriateness of the accounting principles applied based on IFRS 9's requirements and the Company's disclosures as presented in the notes of the financial statements.

Our observation

The result of our audit procedures relating to the recoverability of loans and interest receivable from Parent and Sister were satisfactory.

We consider the disclosures as included in Note 2.5 of the financial statements to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the Director report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors of the Company is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Madrileña Red de Gas Finance B.V since the year 2019 and have operated as statutory auditor ever since that financial year. On 5 April 2022 we were reappointed by the Annual General Meeting of Shareholders as auditor for the year 2022.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors of Madrileña Red de Gas Finance B.V. and the Audit Committee of Elisandra Spain IV S.L.U.

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Directors, under supervision of the Audit Committee of Elisandra Spain IV S.L.U., is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Audit Committee of Elisandra Spain IV S.L.U. is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl). This description forms part of our auditor's report.

Amstelveen, 12 April 2023

KPMG Accountants N.V.

N.J. Hoes RA