EDP Servicios Financieros España, S.A.

Independent auditor´s report,
Annual accounts as at 31 December 2021
Management report for 2021

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)

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 2021, 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 2021, 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.

Most relevant aspects of the audit

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

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Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Recovery of investments in group, associated and related companies	
The Company has loans granted to group companies, associated and related companies that are broken down in the epigraphs "Long-term Investments in group companies, associates and related companies" and "Investments in group companies, associates and related companies" on the balance sheet attached as of 31 December 2021, for the amount of 1,613,396 and 257,431 thousand euros each (notes 7 and 13 of the accompanying notes). At the end of each fiscal year, the necessary value corrections are made, provided that there is objective evidence that the book value of these investments is not recoverable. The management of the company has not registered any impairment of these investments in group companies, associated and related companies. The significance of the book value of these investments has made us consider this matter as the most relevant aspect of our audit.	Our audit procedures have included, among others, the following: • Understanding of the process and relevant controls that the Company has stablished for the analysis of the recovery of these investments. • In cases where the recoverable value of investments has been determined based on future cash flows, we have performed the following procedures: - Obtaining and understanding the discounted cash flow projection models to estimate the recoverable amount of each investment and checking the arithmetic accuracy of the calculations made. - Analysis of the reasonableness of the key assumptions used in the estimation of projected cash flows and their consistency with the applicable regulatory framework. - Involvement of our specialists to assess the reasonableness of the discount rates used. Review of the adequacy of the breakdowns made in notes 7 and 13 of the attached report. As a result of our tests, we believe that management's approach and conclusions regarding the recoverability of these investments in group, associated and related companies are reasonable and consistent with the evidence obtained.

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Other information: Management report

Other information comprises only the management report for the 2021 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 2021 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors 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.

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 entity's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the entity's directors, we determine those risks that were of most significance in the audit of the annual accounts of the current period and are, therefore, considered to be the most significant risks.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Antonio Velasco Dañobeitia (22286)

June 10, 2022

EDP Servicios Financieros España, S.A.
(Sociedad Unipersonal)

Annual Accounts at 31 December 2021
and Management Report for 2021

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
BALANCE SHEET AS AT 31 DECEMBER 2021

(Expressed in euros)

ASSETS	2021	2020
NON-CURRENT ASSETS	**1,616,940,478**	**1,344,762,513**
Long-term investments in Group companies, associates and related companies	**1,613,395,661**	**1,341,217,637**
Equity instruments (Note 6)	-	268,147
Loans to companies (Notes 7 and 13)	1,613,395,661	1,340,949,490
Deferred tax assets (Note 13)	**3,544,817**	**3,544,876**
CURRENT ASSETS	**998,667,949**	**1,338,578,275**
Investments in Group companies, associates and related companies	**257,452,839**	**992,023,875**
Loans to companies (Notes 7 and 13)	257,431,249	992,023,875
Derivatives (Note 8)	21,590	-
Short-term financial assets (Note 7)	**1,000**	**1,000**
Trade and other receivables (Note 7)	**11,222,741**	**183,058**
Trade receivables for sales and provision of services	4,680	-
Trade receivables, Group companies, associates and related companies	8,863,641	91,923
Sundry receivables	2,347,140	83,405
Other trade receivables	7,280	7,730
Short-term prepayments and accrued income	**3,059**	**3,058**
Cash and cash equivalents (Note 9)	**729,988,310**	**346,367,284**
Cash at bank and in hand	729,988,310	346,367,284
TOTAL ASSETS	**2,615,608,427**	**2,683,340,788**

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2021.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
BALANCE SHEET AS AT 31 DECEMBER 2021

(Expressed in euros)

EQUITY AND LIABILITIES	2021	2020
EQUITY	**535,898,617**	**517,017,961**
Shareholder's funds (Note 10)	**535,898,617**	**517,017,961**
Capital	10,300,058	10,300,058
Share premium	-	472,975,401
Legal reserve	2,060,012	2,060,012
Other reserves	498,151,448	12,240,862
Profit/(loss) for the year	25,387,099	19,441,628
CURRENT LIABILITIES	**2,079,709,810**	**2,166,322,827**
Short-term payables to Group companies, associates and related companies (Notes 11 and 13)	**2,064,921,847**	**2,159,015,979**
Short-term payables to Group companies, associates and related companies	2,064,921,847	2,158,457,947
Derivatives	-	558,032
Trade and other payables (Note 11)	**14,787,963**	**7,306,848**
Sundry suppliers and creditors (Note 12)	14,723,906	6,495,279
Trade payables, Group companies and associates	60,270	807,307
Accrued wages and salaries	2,942	2,942
Other amounts payable to Public Administrations (Note 12)	845	1,320
TOTAL EQUITY AND LIABILITIES	**2,615,608,427**	**2,683,340,788**

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2021.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in euros)

INCOME STATEMENT	2021	2020
Revenue (Notes 13 and 14)	**41,139,251**	**31,368,617**
Financial income (Note 7)	41,128,638	31,353,374
Provisions of services	10,613	15,243
Raw materials and consumables (Notes 11 and 13)	**(7,438,493)**	**(5,778,268)**
Financial expenses	(7,438,493)	(5,778,268)
Other operating expenses	**(26,141)**	**(30,251)**
External services (Note 13)	(21,262)	(25,383)
Taxes	(4,837)	(4,837)
Other expenses	(42)	(31)
OPERATING PROFIT/(LOSS)	**33,674,617**	**25,560,098**
Change in fair value of financial instruments (Notes 7 and 8)	79,511	(12,028,735)
Exchange differences (Note 7)	121,467	12,479,710
NET FINANCIAL INCOME/(EXPENSE)	**200,978**	**450,975**
PROFIT/(LOSS) BEFORE INCOME TAX	**33,875,595**	**26,011,073**
Corporate income tax (Note 12)	(8,488,496)	(6,569,445)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**25,387,099**	**19,441,628**

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2021.

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in euros)

a) Statement of recognised income and expense for the year ended 31 December 2021

	Euro	
	2021	**2020**
Results recognised in the income statement	**25,387,099**	**19,441,628**
Income and expenses attributed directly to equity		
Distribution of dividend in kind (Note 10)	499,063,592	-
Tax effect (Note 12)	(6,238,295)	-
	492,825,297	**-**
Total recognised income and expenses	**518,212,396**	**19,441,628**

b) Total statement of changes in equity for the year ended 31 December 2021

	Authorised capital	Share premium	Reserves	Prior-year profit/(loss)	Profit/(loss) for the year	Total
Balance at 31 December 2019	**10,300,058**	**472,975,401**	**8,939,534**	**-**	**5,361,340**	**497,576,333**
Recognised income and expense	-	-	-	-	19,441,628	19,441,628
Other changes in equity	-	-	5,361,340	-	(5,361,340)	-
Transactions with shareholders or owners	-	-	-	-		-
Dividend payment	-	-		-		-
Balance at 31 December 2020	**10,300,058**	**472,975,401**	**14,300,874**	**-**	**19,441,628**	**517,017,961**
Recognised income and expense	-	-	492,825,297	-	25,387,099	518,212,396
Other changes in equity						
Distribution of profit/(loss)	-	-	19,441,628	-	(19,441,628)	-
Transactions with shareholders or owners						
Dividend payment (Note 10)	-	(472,975,401)	(26,356,339)	-	-	(499,331,740)
Balance at 31 December 2021	**10,300,058**	**-**	**500,211,460**	**-**	**25,387,099**	**535,898,617**

EDP SERVICIOS FINANCIEROS ESPAÑA, S.A. (SOCIEDAD UNIPERSONAL)
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in euro)

	2021	2020
Profit/(loss) for the year before tax	**33,875,595**	**26,011,073**
Adjustments to results	**(200,978)**	**(450,975)**
Change in fair value of financial instruments	(79,511)	12,028,735
Exchange differences	(121,467)	(12,479,710)
Changes in working capital	**(5,029,244)**	**85,839**
Debtors and other receivables	(4,254,115)	(182,937)
Creditors and other payables	(775,129)	268,776
Other cash flows from operating activities	**(6,951,015)**	**(14,734,599)**
Derivative settlement payments	(4,406,836)	(25,322,885)
Derivative settlement receipts	3,906,725	12,109,321
Income tax payments	(6,450,904)	(1,521,035)
CASH FLOWS FROM OPERATING ACTIVITIES	**21,694,358**	**10,911,338**
Payments for investments in Group companies, associates and related companies	(107,300,000)	(631,046,360)
Receipts from divestment of other financial assets	562,676,444	525,973,975
CASH FLOWS FROM INVESTING ACTIVITIES	**455,376,444**	**(105,072,385)**
Issuance of debts with Group companies, associates and related companies	-	189,876,795
Redemption of debts with Group companies, associates and related companies	(97,266,225)	(139,199,928)
Dividend payments and returns on other equity instruments	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(97,266,225)**	**50,676,867**
Effect of foreign exchange fluctuations	**3,816,449**	**930,196**
Net increase/(decrease) in cash or cash equivalents	**383,621,026**	**(42,553,984)**
Cash and cash equivalents at beginning of the year	346,367,284	388,921,268
Cash and cash equivalents at year-end	729,988,310	346,367,284

The accompanying notes are an integral part of the annual accounts for the financial year ended 31 December 2021.

1. Historical background and business activity

EDP Servicios Financieros España, S.A. (Sociedad Unipersonal) (formerly HidroCantábrico Gestión de Energía, S.L.) (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 28 June 2011, Hidroeléctrica del Cantábrico, S.A., the Company's sole shareholder at the time, resolved as follows: (i) change the Company's name from HidroCantábrico Gestión de Energía, S.L. to EDP Servicios Financieros España, S.L.; (ii) transform the Company's legal form to a public limited liability company ("sociedad anónima"); and (iii) change the Company's administrative body from a sole director to a Board of Directors. These resolutions were executed in a public deed on 22 July 2011.

The Company's corporate objects are described in Article 2 of the Bylaws 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.

- 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.

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.

As described in Note 6, the Company has ownership interests in subsidiaries. The Company is thus the parent of a corporate group in accordance with current legislation. The presentation of consolidated annual accounts is necessary in accordance with accounting principles generally accepted in Spain in order to present fairly the Group's financial situation and the results of its operations, changes in equity and cash flows.

However, the Company does not issue consolidated annual accounts because the subgroup forms part of the EDP Group parented by EDP - Energías de Portugal, S.A., which is registered in Lisbon for tax and mercantile purposes and files consolidated annual accounts at the Lisbon Registry. The Group's directors issued the consolidated annual accounts on 17 February 2022.

On 11 March 2020, the World Health Organisation declared the public health emergency caused by the virus commonly known as the coronavirus or Covid-19 to be a pandemic.

The swift spread of Covid-19 worldwide gave rise to an unprecedented health, social and economic crisis that is not yet over. This crisis jeopardised the economy and society in general. The EDP Group reassessed the relevant estimates that could be affected by the crisis, identifying no material impacts since 31 December 2020.

2. Basis of presentation of the financial statements

a) *Fair presentation*

The annual accounts have been prepared on the basis of the Company's accounting records. The 2021 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 2021 annual accounts will be approved by the sole shareholder without changes.

b) *Changes to accounting policies as a result of Royal Decree 1/2021*

On 30 January 2021, Royal Decree 1/2021 of 12 January was published in the Official State Gazette, amending the Chart of Accounts introduced under Royal Decree 1514/2007 of 16 November. In addition, and as a result of RD 1/2021, on 13 February 2021 the Resolution of the Spanish Institute of Accounting and Auditing (ICAC) on recognition, measurement and the preparation of annual accounts in relation to revenues from the supply of goods and provision of services ("revenue resolution") was published in the Official State Gazette.

In accordance with paragraph 1) of Transitional Provision One of Royal Decree 1/2021, the Company has opted to apply the new approach as from the transition date 1 January 2021 and the 2020 figures included for comparative purposes in the annual accounts for 2021 have not been brought into line with the new approach.

The changes brought in by Royal Decree 1/2021 mainly affect financial instruments, inventories and revenue from sales and the provision of services. In the Company's specific case, the Royal Decree did not have material effects on inventories or on revenue recognition, so the changes only affected financial instruments.

Financial instruments

(i) Classification and measurement:

Financial instruments are now classified based on our management of or business model for the management of financial assets and on the contractual terms of related cash flows. Financial assets and liabilities are classified in the main categories described in Note 4.a.

When RD 1/2021 came into force on 1 January 2021, the Company opted to apply Transitional Provision 2 allowing the inclusion of non-restated comparative information. The Company has therefore employed the new categories of financial instruments pursuant to RD 1/2021 and has maintained the classification, for comparative purposes, of the categories of financial instruments under Accounting Standard 9 of RD 1514/2007 of 16 November, whereby the Spanish Chart of Accounts was approved. The main effects of this reclassification are as follows:

Financial assets (FA)		Thousand euro						
RD 1514/2007 Chart of Accounts categories		FA* held for trading	Other FA at FV through P&L	Held-to-maturity investments (HTM)	Loans and receivables	Investments in Group companies, jointly-controlled entities and associates	Available-for-sale FA (AFS)	Hedging derivatives
RD 1/2021 Chart of Accounts categories			FA at FV through P&L (FV P&L)		FA at amortised cost	FA at cost	FA at FV through equity (FV E)	Hedging derivatives
Reclassifications								
Financial assets – 1 January 2021	**Notes**							
Closing balance 31 December 2020 – RD 1514/2007	7	-	-	-	2,333,157,423	268,147	-	-
Reclassifications		-	-	-	-	-	-	-
Opening balance 1 January 2021 – RD 1/2021		-	-	-	2,333,157,423	268,147	-	-

Financial liabilities (FL)		Thousand euro			
RD 1514/2007 Chart of Accounts categories		FL* held for trading	Other FL* at FV through P&L	Creditors and payables	Hedging derivatives
RD 1/2021 Chart of Accounts categories			FL* at FV through P&L (FV P&L)	FL* at amortised cost	Hedging derivatives
Reclassifications					
Financial liabilities – 1 January 2021	**Notes**				
Closing balance 31 December 2020 – RD 1514/2007		558,032	-	2,165,763,475	-
Speculative derivatives		(558,032)	558,032		
Opening balance 1 January 2021 – RD 1/2021		-	558,032	2,165,763,475	-

Derivatives, previously carried as “financial liabilities held for trading”, were reclassified to “financial liabilities at fair value through profit or loss”. The carrying amounts of these instruments were not therefore affected on the date Royal Decree 1/2021 was adopted.

All other financial assets and liabilities remain in categories equivalent to those laid down in accounting policy 9 of Royal Decree 1514/2007.

The new fair value disclosures required by the Royal Decree are provided in Note 4.b.

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 2021, the figures for the previous year that were included in the 2020 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 employed relate to the following matters:

- Assumptions used to calculate the fair value and recoverable amount of financial instruments (Note 4.a)). The fair value of financial instruments is based on quoted market prices, where available, or on the prices of recent transactions that were similar and were completed at arm’s length, or based on valuations methods that use discounted future cash flows, taking account of market conditions, time value, yield curves and volatility factors. These methods may require the use of assumptions or judgements when estimating fair value.

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 2021, 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.

3. Distribution of profit/(loss)

The proposed distribution of the profits for the financial year ended 31 December 2021 prepared by the directors and pending approval by the sole shareholder is as follows:

	Euro
	2020
Available for distribution	
Profit/(loss)	25,387,099
	25,387,099
Distribution	
Voluntary reserves	25,387,099
	25,387,099

Set out below is the distribution of the Company's 2020 profits approved by the single shareholder on 25 June 2021:

	Euro
	2020
Available for distribution	
Profit/(loss)	19,441,628
	19,441,628
Distribution	
Voluntary reserves	19,441,628
	19,441,628

Restricted reserves relate to the legal reserve, which stands at €2,060,011.70 at 31 December 2021 and 2020.

4. Accounting policies

The main accounting policies applied by the Company when preparing the 2021 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 fair value through profit or loss

This category includes equity instruments that are not held for trading and do not have to be carried at cost, for which the irrevocable choice was made at initial recognition to take subsequent fair value changes directly to the income statement.

It also includes financial assets irrevocably designated on initial recognition as measured at fair value through profit or loss, which would otherwise have been included in a different category, so as to eliminate or significantly reduce a measurement inconsistency or accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis.

Initial measurement

The financial assets included in this category are initially recognised at fair value which, barring evidence to the contrary, is the transaction price, this being equal to the fair value of the consideration paid. Directly attributable transaction costs are recognised in the income statement for the year.

Subsequent measurement

Following initial recognition, the entity will measure the financial assets in this category at fair value through profit or loss.

(ii) 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.

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.

(iii) Financial assets at fair value through equity

This category includes financial assets the contractual conditions of which give rise, on specific dates, to cash flows that consist only of receipts of principal and interest on the outstanding amount of principal, and which are not held for trading or carried as “Financial assets at amortised cost”. This category also includes equity investments for which the “Financial assets at fair value through equity” irrevocable classification option has been exercised.

Initial measurement

Financial assets included in this category are initially measured at fair value which, in general, is the transaction price, that is the fair value of the consideration paid plus directly attributable transaction costs, including the amount of any pre-emptive subscription and similar rights that may have been acquired.

Subsequent measurement

Financial assets included in this category are measured at fair value without deducting any transaction costs that may be incurred on the sale of the assets. Changes in fair value are reflected directly in equity until the financial asset is written off the balance sheet or becomes impaired, at which time the amount recognised is taken to the income statement.

However, impairment adjustments and losses or gains due to exchange differences in monetary financial assets denominated in a foreign currency are recognised in the income statement.

The income statement also reflects interest calculated using the effective interest method and dividends accrued.

When value must be allocated to these assets due to derecognition or for any other reason, the weighted average cost method is applied by homogeneous group.

In the exceptional event that the fair value of an equity instrument becomes unreliable, previous adjustments recognised directly in equity must be treated in the same way as the impairment of financial assets at cost.

In the event of the sale of preferential subscription and similar rights or where they are segregated in order to be exercised, the amount of the rights reduces the carrying amount of the respective assets. This amount reflects the fair value or cost of the rights, which is consistent with the value of the associated financial assets.

Impairment

At the year-end at least, impairment adjustments are made whenever there is objective evidence that a financial asset or group of financial assets included in this category with similar risk characteristics measured collectively has become impaired as a result of one or more events that occurred after initial recognition, giving rise to:

a) In the case of debt instruments acquired, a reduction or delay in estimated future cash flows be due to debtor insolvency; or

b) In the case of investments in equity instruments, the non-recoverability of the asset’s carrying amount due to a protracted or significant fall in its fair value. Considering that, in general, the instrument is impaired following a fall in its quoted price for one and a half years or of 40%, without recovering value, notwithstanding the fact that it may be necessary to recognise an impairment loss before that period has elapsed or before the price has fallen by that percentage.

The impairment adjustment to these financial assets is the difference between cost or amortised cost less any impairment adjustment previously recognised in the income statement and fair value at the measurement date.

Accumulated losses recognised in equity on the decrease in fair value, provided that there is objective evidence of impairment of the relevant asset, are recognised in the income statement.

Fair value increases in subsequent years are credited to the income statement for the year in order to reverse the measurement adjustment made in prior years. Fair value increases in equity instruments are an exception and are recognised directly in equity.

(iv) Financial assets at cost

This measurement category includes the following assets:

a) Equity investments in Group companies, jointly-controlled entities and associates.

b) Other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument, or cannot be reliably estimated, and derivatives for which these investments serve as underlying assets.

c) Hybrid financial assets whose fair value cannot be reliably estimated, unless amortised cost accounting requirements are met.

d) Contributions made as a result of a joint venture or similar arrangement.

e) Participating loans accruing contingent interest, either because a fixed or variable interest rate is agreed and made conditional on the achievement of a milestone by the borrower entity (for example, the obtainment of profits), or because it is calculated exclusively by reference to the said entity's business performance.

f) Any other financial asset that must initially be included in the fair value through profit or loss portfolio where a reliable estimate of fair value cannot be obtained.

Initial measurement

The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration paid plus directly attributable transaction costs, the latter not being included in the cost of investments in Group companies.

Nonetheless, when there is an investment prior to its classification as a Group company, jointly-controlled entity or associate, the carrying amount that it should have immediately prior to that classification is treated as the investment cost.

The amount of any pre-emptive subscription rights and similar rights that may have been acquired will form part of the initial measurement.

Subsequent measurement

Equity instruments included in this category are measured at cost less any cumulative impairment adjustments.

When value must be allocated to these assets due to derecognition or for any other reason, the weighted average cost method is applied by homogeneous group, which is understood to refer to securities carrying the same rights.

In the event of the sale of preferential subscription and similar rights or where they are segregated in order to be exercised, the cost of the rights reduces the carrying amount of the respective assets.

Contributions made as a result of a joint venture and similar arrangements are measured at cost, increased or decreased by the profit or loss, respectively, accruing to the company as a non-managing venturer, less any cumulative impairment losses.

The same approach is applied to participating loans accruing contingent interest, either because a fixed or variable interest rate is agreed and made conditional on the achievement of a milestone by the borrower entity (for example, the obtainment of profits), or because it is calculated exclusively by reference to the said entity's business performance. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, it is recognised as financial income on an accrual basis. Transactions costs are taken to the income statement on a straight-line basis over the term of the participating loan.

Impairment

At the year-end at least, the necessary measurement adjustments are made, provided that there is objective evidence that the investment's carrying amount will not be recoverable. The amount of the measurement adjustment is the difference between the carrying amount and the recoverable amount, the latter being the higher of fair value less costs to sell and the present value of future cash flows deriving from the investment, which in the case of equity instruments is calculated either by estimating the flows expected to be received as a result of the payment of dividends by the investee and of the disposal or write-off of the investment itself, or by estimating the share of the cash flows that are expected to be generated by the investee both from its ordinary activities and from disposal or write-off.

Unless there is better evidence of the recoverable amount of equity investments, the impairment loss on this type of assets is estimated based on the investee's equity and on any latent capital gains at the measurement date, net of the tax effect. When determining that value and provided that the investee has in turn invested in another company, the equity reflected in the consolidated financial statements prepared under the Code of Commerce and related enabling regulations is taken into account.

Impairment adjustments and any reversals are recognised as an expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the investment that would be recognised at the reversal date had no impairment been recorded.

Nonetheless, in the event that an investment was made in the entity before it was classified as a Group company, jointly-controlled entity or associate and, prior to such classification, measurement adjustments had been taken directly to equity as a result of the investment, those adjustments are maintained following such classification until the investment is disposed of or written off, when they are taken to the income statement, or until the following circumstances arise:

a) In the case of prior measurement adjustments due to value increases, the impairment adjustments will be recognised against the equity item reflecting the measurement adjustments previously made up to the amount of the latter, any excess being taken to the income statement. Impairment adjustments taken directly to equity are not reversed.

b) In the case of prior measurement adjustments due to value reductions, when the recoverable amount is subsequently higher than the carrying amount of the investments the latter amount is increased up to the limit of the above-mentioned value reduction, against the item that reflects the prior measurement adjustments, and the new amount is treated as the cost of the investment from then on. However, where there is objective evidence of the impairment of the investment, the losses accumulated directly in equity are taken to the income statement.

Assets designated as hedged items are subject to hedge accounting measurement requirements (Note 4).

Interest and dividends

Interest is recognised using the effective interest method.

Dividend income from equity investments is recognised when the Company's right to receive it vests. If the dividends distributed derive unequivocally from results generated prior to the date of acquisition because the amount paid exceeds profits generated by the investee since the acquisition date, the carrying amount of the investment is reduced accordingly.

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.

Financial liabilities are included in one of the following categories for measurement purposes:

(i) 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.

(ii) Financial liabilities at fair value through profit or loss

This category includes financial liabilities that meet any of the following conditions:

a) Liabilities held for trading.

b) Those irrevocably designated as at fair value through profit or loss on initial recognition, because:

- An inconsistency or accounting mismatch with other instruments at fair value through profit or loss is eliminated or significantly reduced; or

- A group of financial liabilities or of financial assets and liabilities is managed and the return is assessed on the basis of fair value in accordance with a documented risk or investment management strategy and information on the group is also reported to key management personnel on the basis of fair value.

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) Hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. Resulting gains or losses are recognised depending on whether or not the derivative has been designated as a hedging instrument and, if so, on the type of hedge.

The Company hedges cash flows.

At hedge inception, the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedging transactions are only accounted for when the hedge is expected to be highly effective at hedge inception and in following periods to offset changes in the fair value or cash flows attributable to the risk hedged, during the period for which the hedge has been designated (prospective analysis), and actual hedge effectiveness can be reliably determined. For cash flow hedges of forecast transactions, the Company assesses whether the transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss for the year.

Designated hedged items only include assets, liabilities, firm commitments and highly-probable forecast transactions involving external parties, i.e. parties external to the EDP Group companies, in which the Company does not have a direct or indirect ownership interest.

Derivatives embedded in other financial instruments are accounted for separately when their characteristics and risks are not closely related to those of the host contracts, provided the entire operation is not carried at market value. Value changes are charged or credited to the income statement.

Cash flow hedges

The loss or gain on the hedging instrument, in the portion that is an effective hedge, is recognised directly in equity. The equity component that arises as a result of the hedge is adjusted so that it matches the lower of the following two values in absolute terms:

b.1) The cumulative loss or gain on the hedging instrument since hedge inception.

b.2) The cumulative change in fair value of the hedged item (i.e. the present value of the cumulative change in the forecast future cash flows hedged) since hedge inception.

Any remaining loss or gain on the hedging instrument or any loss or gain required to offset the change in the cash flow hedge adjustment calculated as described in the previous paragraph reflects hedge ineffectiveness and is taken to the income statement for the year.

If a hedged highly probable forecast transaction subsequently gives rise to the recognition of a non-financial asset or a non-financial liability, or a hedged forecast transaction relating to a non-financial asset or liability becomes a firm commitment to which fair value hedge accounting is applied, that amount is removed from the cash flow hedge adjustment and is directly included in the initial cost or other carrying amount of the asset or liability. The same applies to foreign exchange hedges when an investment is made in a Group company, jointly-controlled entity or associate.

In all other cases, the adjustment recognised in equity is transferred to the income statement as and when the hedged forecast future cash flows affect the income statement for the year.

Nonetheless, if the adjustment recognised in equity is a loss and all or a part of the loss is not expected to be recovered in one or more future years, the amount that is not expected to be recovered is immediately reclassified to the income statement for the year.

Fair value

RD 1/2021 of 12 January defines fair value as the price that would be received on the sale of an asset or paid for the transfer or settlement of a liability in an orderly transaction between market participants at the measurement date. Fair value is determined without deducting any transactions costs that may be incurred on sale or disposal through other means. The value resulting from a forced or urgent transaction, or a situation of involuntary liquidation, will not in any case be a fair value.

When determining fair value, the Company uses the instrument's quoted price on an active market, if available. Otherwise, valuation methods using market benchmarks for assets that are substantially the same are used, or discounted cash flow techniques are applied, maximising the use of observable market input.

In this way, based on the input used by the Company to determine fair value, a fair value hierarchy is established, allowing the classification of estimates on three levels:

Level 1: The fair value of financial instruments traded in active markets (such as exchange-traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques that maximise the use of observable market inputs and rely as little as possible on entity-specific estimates. If all significant inputs required to calculate the fair value of an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant variables are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

A fair value estimate is classified on the same level of the fair value hierarchy as the lower-level input that is relevant to the outcome of the valuation. To this end, a significant input is one that has a decisive effect on the estimate.

The fair value of a financial instrument includes credit risk, among other inputs. In the specific case of a financial liability, default risk is considered, which may include other components such as the Company's own credit risk. However, adjustments for market volume or capacity are not made when estimating fair value.

Specifically, the valuation techniques applied by the Company to financial instruments classified in levels 2 and 3 are based on an income approach, in accordance with applicable accounting legislation, which consists of discounting known or estimated future flows using discount curves built on market benchmark interest rates (in the case of derivatives, they are estimated using implicit forward market curves), including credit risk adjustments reflecting the life of the instruments.

When measuring financial instruments, the fundamental inputs depend on the type of instrument, but they are essentially interest rate curves, forward energy prices and counterparty risk curves. In all cases, market data are obtained from recognised information services or from quotes by official bodies.

Financial assets carried at fair value calculated using the fair value method are classified as follows:

ASSETS	Level 1		Level 2		Level 3		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
At fair value through profit or loss	-	-	21,590	-	-	-	21,590	-
TOTAL	**-**	**-**	**21,590**	**-**	**-**	**-**	**21,590**	**-**

Financial liabilities carried at fair value calculated using the fair value method are classified as follows:

LIABILITIES	Level 1		Level 2		Level 3		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
At fair value through profit or loss	-	-	-	558,032	-	-	-	558,032
TOTAL	**-**	**-**	**-**	**558,032**	**-**	**-**	**-**	**558,032**

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 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.

- 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 companies 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 associates.

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

Interest income and income from the provision of services are carried at the fair value of the consideration received or receivable.

Financial income and expense are recognised using the effective interest method.

In view of the fact that, as mentioned in Note 1, the Company's ordinary activity consists of financial intermediation and the holding of shares, income and expenses arising from loans granted to and received from Group companies, and dividends received from investees, are carried under "Revenue" and "Raw materials and consumables" in the accompanying 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 rate fluctuations affect future flows from assets and liabilities linked to variable interest rates.

As mentioned in Notes 7 and 11, a significant 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**
31/12/2021	10	1,612,989	-
	(10)	(1,612,989)	-
31/12/2020	10	240,326	-
	(10)	(240,326)	-

Foreign exchange risk

The Company records financial instruments denominated in foreign currencies, primarily the US dollar. The Company's borrowings are exposed to foreign exchange risk, which could have an adverse effect on financial income/(expense) and on cash flows. To mitigate this risk, the Company uses derivative financial instruments (Note 8) and takes into account the market risk hedged.

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**
31/12/2021	5	(3,091,721)	-
	(5)	3,091,721	-
31/12/2020	5	1,233,079	-
	(5)	(1,233,079)	-

Liquidity risk

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 €1,081,042 thousand at 31 December 2021 (€827,745 thousand at 31 December 2020).

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 11. The directors do not consider liquidity risk to be material, since liabilities relate to EDP Group companies and will not give rise to the risk of overdrafts on the due dates.

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 7), the Company is covered by the Group's financial policy.

6. Equity investments in Group companies, associates and related companies

In 2021, the Company paid out a dividend in kind of €499 million to its sole shareholder EDP Energías de Portugal, Sociedade Anónima, Sucursal en España comprising all 3,006 shares in "EDP International Investments and Services, S.L.", as permitted by Article 26 of the Company's Bylaws.

There are no equity investments in Group companies, associates and related companies at 31 December 2021.

Equity investments in Group companies, associates and related companies at 31 December 2020 related to the ownership interest of €268,147 in EDP International Investments & Services, S.L..

Details of shareholdings in Group companies, associates and related companies at 31 December 2020 are set out below:

	2020									
	Registered office	**Activity**	**Auditor**	**% direct interest**	**% indirect interest**	**Capital**	**Reserves and other items**	**Operating profit/(loss)**	**Profit/ (loss) for the year**	**Total equity**
EDP International Investments and Services, S.L. (euro)	Oviedo	Holding	PwC	32.97%	-	9,116	859,506,385	17,487,454	-90,014,280	769,501,221
EDP – Energías do Brasil, S.A. (thousand euro)	Brazil	Electricity generation and supply	KPMG	-	51.29%	1,192,834	144,707	271,244	255,845	1,593,386
Hydro Global Investment Limited (thousand euro)	China	Investment in power generation projects	E&Y	-	50.00%	121,545	(5,053)	(490)	(501)	115,991
EDP – Investimentos e serviçios Soc Unipessoal LDA (thousand euro)	Portugal	Promotion and consultancy on international investments	PwC	-	100%	140,310	106,546	14,049	4,831	251,687

No impairment adjustments have been made.

The Company records no dividend income from its ownership interest in EDP International Investments & Services, S.L. in 2021 or 2020.

7. 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 2021 and 2020:

	Euro						
	2021						
	Non-current			Current			
	At amortised cost or cost			At amortised cost or cost			
	Carrying amount	Fair value	Total	Carrying amount	Fair value	At fair value	Total
Financial assets at amortised cost							
Loans to Group companies (Note 13)							
Fixed rate	1,211,956,360	1,170,889,733	1,211,956,360	256,668,344	262,827,040	-	256,668,344
Variable rate	401,439,301	401,439,301	401,439,301	762,905	762,905	-	762,905
Deposits and guarantees	-	-	-	1,000	1,000	-	1,000
Trade and other receivables							
Trade receivables, Group companies and associates				8,863,641	8,863,641	-	8,863,641
Other receivables				2,359,100	2,359,100	-	2,359,100
Hedging derivatives						21,590	21,590
Total financial assets	**1,613,395,661**	**1,572,329,034**	**1,613,395,661**	**268,654,990**	**274,813,686**	**21,590**	**268,676,580**

	Euro						
	2020						
	Non-current			Current			
	At amortised cost or cost		Total	At amortised cost or cost		At fair value	Total
	Carrying amount	Fair value		Carrying amount	Fair value		
Loans and receivables							
Investments in Group companies, associates and related companies							
Loans to Group companies (Note 13)							
Fixed rate	1,276,485,060	1,364,329,260	1,276,485,060	171,525,381	172,393,445	-	171,525,381
Variable rate	64,464,430	64,464,430	64,464,430	820,498,494	820,498,494	-	820,498,494
Financial investments							
Deposits and guarantees	-	-	-	1,000	1,000	-	1,000
Trade and other receivables							
Other receivables	-	-	-	183,058	183,058	-	183,058
Total financial assets	**1,340,949,490**	**1,428,793,690**	**1,340,949,490**	**992,207,933**	**992,075,997**	**-**	**992,207,933**

The assets recognised were not impaired at 31 December 2021 or 2020.

Net profit/(loss) by financial asset category is as follows:

	Euro			
	2021			
	Equity instruments	Assets/liabilities held for trading	Loans and receivables	Total
Financial income at amortised cost (revenue)	-	-	41,128,638	41,128,638
Financial income from derivative instruments	-	3,906,725	-	3,906,725
Financial expense on derivative instruments	-	(4,406,836)	-	(4,406,836)
Change in fair value	-	579,622	-	579,622
	-	**79,511**	**41,128,638**	**41,208,149**

	Euro			
	2020			
	Equity instruments	Assets/liabilities held for trading	Loans and receivables	Total
Financial income at amortised cost (revenue)	-	-	31,353,374	31,353,374
Financial income from derivative instruments	-	12,109,321	-	12,109,321
Financial expense on derivative instruments	-	(25,322,885)	-	(25,322,885)
Change in fair value	-	1,184,829	-	1,184,829
	-	**(12,028,735)**	**31,353,374**	**19,324,639**

Set out below is a breakdown of exchange differences on financial instruments recognised in the income statement, except for instruments carried at fair value through profit or loss, distinguishing between transactions settled and transactions outstanding or pending:

	Euro			
	2021		2020	
	Settled	Pending	Settled	Pending
Cash and cash equivalents				
Cash and banks	(822)	3,609,431	-	930,196
Cash equivalents	210,275	-	82,679	-
	209,453	**3,609,431**	**82,679**	**930,196**

Balances, transactions and characteristics of related-party transactions are disclosed in Note 13.

Classification by maturity date

Long-term financial assets are classified below by maturity.

The loan falling due after 2026 relates entirely to 2027.

	Euro					
	2021					
	2023	2024	2025	2026	Beyond	Non-current total
Investments in Group companies and associates						
Loans to companies (Note 13)	834,439,301	-	225,300,000	82,810,000	470,846,360	1,613,395,661
Total	**834,439,301**	**-**	**225,300,000**	**82,810,000**	**470,846,360**	**1,613,395,661**
Total	**834,439,301**	**-**	**225,300,000**	**82,810,000**	**470,846,360**	**1,613,395,661**

	Euro					
	2020					
	2022	2023	2024	2025	Beyond	Total non-current
Investments in Group companies, associates and related companies						
Loans to companies (Note 13)	286,903,129	433,000,000	-	225,300,000	395,746,361	1,340,949,490
Total	**286,903,129**	**433,000,000**	**-**	**225,300,000**	**395,746,361**	**1,340,949,490**

8. Derivative financial instruments

Foreign currency forwards

At 31 December 2021, the Company recognises a USD foreign exchange futures contract with EDP Finance B.V. at a notional amount of USD 35,000 thousand, equivalent to €30,864 thousand (EUR 178,000 thousand or €145,520 thousand in 2020). The fair value of this financial instrument arranged with EDP Finance B.V. is carried in assets under "Short-term investments in Group companies, associates and related companies" in the amount of €22 thousand (€558 thousand in 2020 carried in liabilities under "Short-term payables to Group companies, associates and related companies"). The net effect of these financial instruments on the income statement is disclosed in Note 7.

9. Cash and cash equivalents

"Cash and cash equivalents" break down as follows:

	Thousand euro	
	2021	**2020**
Cash and banks	729,988,310	111,912,064
Deposits	-	234,455,220
	729,988,310	**346,367,284**

There are no short-term foreign currency (dollar) deposits at financial institutions at 31 December 2021.

At 31 December 2020, foreign currency (dollar) deposits at banks, maturing in less than three months, amounted to €234,455 thousand.

Net losses and gains on short-term bank deposits totalled €28,242 in 2021 (€150,955 in 2020) and are carried in revenue in the income statement.

10. Shareholder's funds

An analysis of equity showing movements at 31 December 2021 and 2020 is set out in the statement of changes in equity.

Share capital

At 31 December 2021 and 2020, the Company's share capital comprises 171,382 shares with a par value of €60.10 each. The shares are fully subscribed and paid up, and carry the same voting and dividend rights, the sole shareholder being Energías de Portugal Sociedade Anónima, Sucursal en España at that date (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 2021 and 2020.

Share premium

Prevailing legislation specifically allows the use of the share premium balance to increase capital and imposes no specific restrictions on its use.

On 5 November 2021, the Company's sole shareholder approved the distribution of a gross dividend of €499,331,739.92, of which €472,975,400.70 was paid out of the share premium account and €26,356,339.22 out of voluntary reserves.

Voluntary reserves

Voluntary reserves were unrestricted at 31 December 2021 and 2020. These reserves stood at €498,151,448 at 31 December 2021 (€12,240,862 in 2020).

On 5 November 2021, the Company's sole shareholder approved the distribution of a gross dividend of €499,331,739.92, of which €472,975,400.70 was paid out of the share premium account and €26,356,339.22 out of voluntary reserves.

This dividend was paid in kind, entailing the delivery and allocation to the sole shareholder of all 3,006 shares in EDP International Investments and Services, S.L. (32.97% ownership interest) valued at €499,063,592.92, which was above the acquisition cost.

The carrying amount of the ownership interest at the transfer date was €268 thousand (Note 6), the difference between the amount of the dividend and the carrying amount of the shareholding being recognised in reserves in the amount of €492,825,297, net of the tax effect. The tax effect amounted to €6,238,294.91 (Note 12).

11. Financial liabilities

Financial liabilities by category

Set out below is a breakdown of financial liabilities at 31 December 2021 and 2020, all relating to the loans and payables category and carried at amortised cost:

	Euro						
	2021						
	Non-current			Current			
	At amortised cost or cost		Total	At amortised cost or cost		Fair value	Total
	Carrying amount	Fair value		Carrying amount	Fair value		
Financial liabilities at amortised cost							
Payables to Group companies, associates and related companies							
Variable rate	-	-	-	2,064,921,847	2,064,921,847	-	2,064,921,847
Trade and other payables							
Suppliers and creditors	-	-	-	14,784,176	14,784,176	-	14,784,176
Other payables	-	-	-	2,942	2,942	-	2,942
Total financial liabilities	**-**	**-**	**-**	**2,079,708,965**	**2,079,708,965**	**-**	**2,079,708,965**

	Euro						
	2020						
	Non-current			Current			
	At amortised cost or cost		Total	At amortised cost or cost		Fair value	Total
	Carrying amount	Fair value		Carrying amount	Fair value		
Liabilities held for trading							
Payables to Group companies, associates and related companies Derivative financial instruments (Note 8)	-	-	-	-	-	558,032	558,032
Creditors and payables							
Payables to Group companies, associates and related companies (Note 13)							
Variable rate	-	-	-	2,158,457,947	2,158,457,947	-	2,158,457,947
Trade and other payables							
Suppliers and creditors	-	-	-	7,302,586	7,302,586	-	7,302,586
Other payables	-	-	-	2,942	2,942	-	2,942
	-	**-**	**-**	**2,165,763,475**	**2,165,763,475**	**558,032**	**2,166,321,507**

Net gains/(losses) recognised under “Creditors and payables” in 2021 using the amortised cost method totalled €7,438,493 (€5,778,268 in 2020).

Set out below is a breakdown of exchange differences on financial instruments recognised in the income statement, except for instruments carried at fair value through profit or loss, distinguishing between transactions settled and transactions outstanding or pending:

	Euro			
	2021		2020	
	Settled	Pending	Settled	Pending
Long-term payables to Group companies and associates	-	(3,697,417)	-	11,466,834
	-	**(3,697,417)**	**-**	**11,466,834**

Balances, transaction and characteristics of related-party transactions are disclosed in Note 13.

All financial liabilities mature in the short term.

At 31 December 2021 and 2020, the Company reports an undrawn credit line of €30 million falling due in 2022.

Balances with Public Administrations are disclosed in Note 12.

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:

	2021	**2020**
	Days	**Days**
Average supplier payment period	31	44
Ratio of transactions settled	31	83
Ratio of transactions pending payment	33	31
	Amount (euro)	**Amount (euro)**
Total payments made	356,694	32,755
Total payments pending	4,249	104,467

12. Public Administrations and tax situation

Set out below is a breakdown of balances with Public Administrations at 31 December 2021 and 2020:

	Euro			
	2021		**2020**	
	Non-current	**Current**	**Non-current**	**Current**
Assets:				
Deferred tax assets	3,544,817	-	3,544,876	-
	3,544,817	**-**	**3,544,876**	**-**
Liabilities:				
Withholdings	-	(845)	-	(1,320)
	-	**(845)**	**-**	**(1,320)**

At 31 December 2021, the Company records a balance of €14,707,135 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 €6,450,904 in 2020). This balance is carried under "Sundry suppliers and creditors" in the balance sheet at 31 December 2021 and 2020.

Because certain items are treated differently for income tax and financial reporting purposes, the tax base differs from the book result. 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.

Set out below is the reconciliation between net income and expenses for the year and the income tax assessment base at 31 December 2021 and 2020:

	Euro					
	Income statement			Income and expenses taken to equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Net income/(expense) for the year			25,387,099	-	-	492,825,297
Corporate income tax	-	-	(8,488,496)	-	-	(6,238,295)
Profit/(loss) before taxes	-	-	33,875,595	-	-	499,063,592
Permanent differences	-	-	-	474,110,412	-	474,110,412
Temporary differences		(235)	(235)	-	-	-
Tax base (taxable income)			**33,875,360**			**24,953,180**

The permanent difference of €474,110 thousand taken directly to equity relate to the 95% exemption for the capital gain arising from the distribution of the dividend in kind recognised during the year and disclosed in Note 10.

Set out below is the reconciliation of income tax expense and profits for the year:

	Euro	
	Profit/(loss)	
	2021	2020
Income/(expense) before taxes for the year	**33,875,595**	**26,011,073**
25% tax	8,468,899	6,502,768
Non-deductible expenses	19,597	66,677
Income tax expense/(income) on continuing operations	**8,488,496**	**6,569,445**

The breakdown of income tax expense/(income) is as follows:

	Thousand euro	
	2021	**2020**
Current tax		
During the year	8,468,839	6,502,710
In prior years	19,598	66,676
	8,488,437	**6,569,386**
Deferred taxes		
Temporary differences generated and reversed		
Property, plant and equipment	59	59
	59	59
Income tax expense/(income)	**8,488,496**	**6,569,445**

The Company recognises deferred tax assets amounting to €2,232,547 at 31 December 2021 (€2,232,547 in 2020) as a result of the limit on the deductibility of net financial expense brought in by Corporate Income Tax Act 27/2014 of 27 November. This limit is calculated at the Group level and is subsequently allocated to the tax group companies for accounting purpose, so this deferred tax is not included in the reconciliation of reported results and the income tax base.

At 31 December 2021 and 2020, the Company recognises deferred tax assets totalling €1,312,011 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 €259 at 31 December 2021 (€318 in 2020).

At year-end 2021, the Company records deferred tax assets totalling €3,545 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 2021 the Company is open to inspection for financial years 2018 to 2021 for the main taxes to which it is subject, except for corporate income tax, which is open to inspection for 2017 to 2020, since the 2021 return has yet to be filed.

In 2020, the tax inspection in progress at year-end 2019 relating to corporate income tax for 2013, 2014, 2015 and 2016 came to an end without significant effects for the Company.

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. The Company's directors consider, however, that any additional assessments that might be made would not significantly affect these annual accounts.

13. Balances and transactions with related parties

Set out below is a breakdown of balances receivable from Group companies, associates and related parties at 31 December 2021 and 2020:

	Euro	
	Group companies	
	2021	2020
Receivables		
Long-term investments in Group companies, associates and related companies		
Loans to companies	1,613,395,661	1,340,949,490
Short-term investments in Group companies and associates		
Short-term loans to Group companies and associates	257,431,249	992,023,875
Derivatives (Note 8)	21,590	-
Trade and other receivables (Note 7)		
Trade receivables, Group companies and associates	8,863,641-	91,923
	1,879,712,141	**2,333,065,288**

Long- and short-term investments in Group companies, associates and related companies are set out below:

	Euro		Euro	
	Group companies		Group companies	
	Non-current assets		Current assets	
	2021	2020	2021	2020
Loans to Group companies and associates	1,211,956,360	1,276,485,060	254,188,200	165,220,000
Trade receivables			8,863,641	
Interest generated and pending	-	-	2,573,537	9,265,712
Current accounts	401,439,301	64,464,430	669,512	817,538,163
Other assets, Group companies	-	-	-	-
	1,613,395,661	**1,340,949,490**	**266,294,890**	**992,023,875**

Loans to Group companies, associates and related companies accrued interest of between 0.429% and 3.012% in 2022 (0.248% and 3.877% in 2020).

In 2021, additions of new loans granted amounted to €107,300,000 (€1,361,186,871 in 2020), repayments totalled €82,610,000 and disposals due to changes to the repayment schedule amounted to €250,500 (repayments of €261,348,000 and assignments to other related companies of €784,920,511 at 31 December 2020).

At 31 December 2021, the Company has commercial current account arrangements with Group companies, associates and related companies totalling €402,108,813 under assets, of which €669,512 falls due in the long term (€882,002,593 at 31 December 2020, of which €64,464,430 falls due in the long term). These contracts stipulate a variable Euribor interest rate plus a market spread.

The current accounts with the Group accrue interest daily, which is settled monthly. Interest payable accrues at the 1-month Euribor rate plus a spread of 0.8%

The breakdown of the long-term maturities of these long-term financial instruments at 31 December 2021 and 2020 is set out in Note 7.

That heading also includes accrued unmatured interest on the current accounts and the various loans granted totalling €48,385 and €2,480,144, respectively (€2,960,331 and €6,305,381 at 31 December 2020).

Set out below is a breakdown of balances payable to Group companies, associates and related parties at 31 December 2021 and 2020:

	Euro		Euro	
	Non-current liabilities		Current liabilities	
	Group companies		Group companies	
	2021	2020	2021	2020
Payables to Group companies and associates	-	-	2,064,921,847	2,158,457,947
Derivatives (Note 8)	-	-	-	558,032
Trade receivables, Group companies and associates	-	-	60,270	807,307
Payables to Group companies (Note 13)	-	-	14,707,135	6,450,904

At 31 December 2021 and 2020, payables to Group companies, associates and related companies relate primarily to commercial current account arrangements between the Company and Group companies.

The Company records no loans received at 31 December 2021 (no loans received at 31 December 2020).

Furthermore, short-term payables to Group companies, associates and related companies reflect the Company's commercial current account agreements with Group companies in the amount of €2,064,921,847 (€2,158,457,947 in 2020). These arrangements include the Company's foreign currency commercial current account agreements with EDP Finance, B.V. and EDP Renovaveis Servicios Financieros, S.L., which stood at €187,127,233 at 31 December 2021 (€196,424,584 at 31 December 2020) and €46,696,790 (€155,728,744 at 31 December 2020), respectively.

The current accounts with the Group accrue interest daily, which is settled monthly. Interest payable accrues at the 1-month Euribor rate plus a spread of 0.9%

Transactions with Group companies, associates and related companies

The Company's transactions with related parties during 2021 and 2020 are set out below:

	Euro	
	Group companies	
	2021	2020
Financial income	41,096,924	31,165,383
Financial expenses	(7,289,107)	(5,686,535)
Change in fair value of financial instruments	79,512	(12,028,735)
Income relating to assigned personnel	-	-
External services	(15,387)	(18,792)

Balances and transactions with the sole shareholder

At 31 December 2021 and 2020, the Company records the following balances and transactions with the sole shareholder EDP Energías de Portugal Sociedade Anonima, Sucursal en España:

	Euro	
	2021	**2020**
Payables to Group companies, associates and related companies (current account)	624,006,081	853,955,262
Trade receivables	3,723,305	-
Suppliers and creditors	1,445	-
Interest pending collection	41,669	-
Sundry payables (tax pooling)	14,707,148	6,450,904
External services	15,123	18,561
Financial income (current account)	3,764,974	-
Financial expense (current account)	-	13

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

14. Income and expenses

a) *Revenue*

At 31 December 2021 and 2020, revenue mainly reflects financial income from loans to Group companies (Notes 7 and 13), financial income on deposits (Note 9) and revenue from services provided to Group companies (Note 13).

In 2021 and 2020, all the activities included in revenue in the accompanying income statement were conducted in Spain.

15. Employee information

The Company had no employees at 31 December 2021 or 2020.

The Company's administrative body is formed by three directors (two men and one woman).

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

The directors did not receive any remuneration, nor were they granted advances or loans in 2021 or 2020. 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. Senior management duties are performed by the Company's directors.

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.

17. Audit fees

During the financial year ended 31 December 2021, fees for professional audit services totalling €4,632 (€4,500 at 31 December 2020) accrued to the auditor of the Company's 2021 annual accounts, PricewaterhouseCoopers Auditores, S.L. No additional amounts were invoiced for other assurance 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 2021 or 2020.

18. Events after the reporting period

There were no significant events from year-end 2021 to the issuance date of these annual accounts.

MANAGEMENT REPORT 2021

Financial results

The Company's profit from continuing operations amounted to €25,387,099 in 2021, which is 30.58% up on the previous year.

Revenue totalled €41,139,251 after rising 31.14% in relation to 2020.

This growth is partly explained by settlements of current accounts with Group companies, favoured by the negative benchmark interest rates, and by the positive effect on both the settlements and measurement of the derivatives held by the Company in the form of a USD foreign exchange futures contract with EDP Finance, B.V.

Foreign exchange differences had a negative impact, partially offsetting the above-mentioned increase.

Treasury shares

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

Events after the reporting period

There were no significant events from year-end 2021 to the issuance date of these annual accounts.

Research and development

There were no research and development activities.

Financial instruments

The Company arranges USD foreign exchange futures contracts to hedge its financial instruments denominated in foreign currency, specifically the US dollar.

Business prospects

There Company's business is not expected to grow in terms of revenue or profits.

Other aspects

The directors consider that the Company is not exposed to significant risks. The recoverability of loans granted to companies of the EDP Spain Group is secured by their business activities and by the guarantees given by the Group's parent company.

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

Risk management

In view of the nature of the Company's activities, comprising services provided to companies of the EDP Spain Group, there are no material risks affecting the business, since the Group has 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.
- 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 rate fluctuations affect future flows from assets and liabilities linked to variable interest rates.

A significant 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 disclosed in Note 5 of the accompanying notes to the accounts.

Foreign exchange risk

The Company records financial instruments denominated in foreign currencies, primarily the US dollar. The Company’s borrowings are primarily exposed to foreign exchange risk, which could have an adverse effect on financial income/(expense) and on cash flows. To mitigate this risk, the Company uses derivative financial instruments (Note 8) and takes into account the market risk hedged.

The sensitivity of results (before tax effects) to fluctuating foreign exchange rates is disclosed in Note 5 of the accompanying notes to the accounts.

Liquidity risk

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 €1,081,041,861 at 31 December 2021 (€827,745 at 31 December 2020).

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.

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 7), the Company is covered by the Group's financial policy.

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

AUTHORISATION FOR ISSUE OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR 2021

On 31 March 2022, 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.U. issue the Annual Accounts and Management Report for the financial year 1 January 2021 to 31 December 2021. The annual accounts are formed by the accompanying documents preceding this sheet.

Félix Arribas Arias Chair	Valentín Valcuende Rodríguez Board director
Celma Joao Batista Pires Board Director	Pelayo Echevarría Ybarra Non-voting Secretary