Audit Report on Financial Statements
issued by an Independent Auditor

HOLALUZ-CLIDOM, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2023

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails

To the shareholders of HOLALUZ-CLIDOM, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Holaluz-Clidom, S.A. (the Company), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.
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Material Uncertainty over Going Concern

We draw attention to Note 2b) to the accompanying financial statements, which indicated that the Company has incurred losses amounting to 5.4 million euros in the year 2023 and shows negative working capital amounting to 22.8 million euros at December 31, 2023. Additionally, as indicated in said Note, cash projections for the next 12 months include new financing sources for an overall amount of 20 million euros that are currently being negotiated. As indicated in Note 23, should this financing not materialize, the Company's Directors have agreed to file for pre-insolvency proceedings. These circumstances are indicative of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

In addition to the matter described in the *Material Uncertainty over Going Concern* section, we have determined that the matters described below are the key audit matters to be reported herein.

Revenue recognition

Description	As detailed in Note 10 to the accompanying financial statements, at year end, the Company has recorded in the 'Trade and other receivables' heading of the balance sheet 18.9 million euros corresponding to sales of energy that has been supplied but not yet billed because the billing period does not coincide with the year end. These unbilled sales are measured based on complex estimates that require Management to apply certain criteria, judgments and assumptions. Estimated revenue from electricity supplied not yet billed is determined based on forecast consumption according to historical data and assumptions on consumption patterns. Consequently, we have considered this area a key audit matter.
Our response	Our audit procedures for his area consisted, among others, in: ▶ Understanding the accounting policies and the procedures applied by the Company for recognizing revenue, including the assessment of the design and implementation of relevant controls associated with the revenue recognition process and their operational effectiveness. ▶ Verifying the reasonableness of the volume of unbilled energy by analyzing historical information and other external information obtained.

- Checking that the rates applied in estimated revenue are correct, based on the rates established in the corresponding contracts.
- Performing substantive analytical procedures consisting in a review of power supply revenue, energy purchase costs and monthly margins.
- Reviewing the disclosures provided in the notes to the financial statements and assessing whether they are in accordance with the applicable regulatory framework for financial information.

Recognition and measurement of derivative financial instruments

Description

The Company uses derivative financial instruments and Power Purchase Agreements (PPAs) to eliminate or reduce the risk of fluctuations in commodity prices (electricity and gas). Derivatives are measured at fair value at the balance sheet date and the impact on the statement of recognized income and expense depends on the adoption of certain judgments by Company Management. Additionally, the Company enters into contracts for the purchase and sale of commodities which are recognized and measured based on the assessment of the fulfillment of certain assumptions used for determining if the purpose of the contract is their acquisition for own use or not. The estimate of fair value and the determination of whether the derivative has been appropriately classified require Company Management to make significant judgments and may have a material impact on the balance sheet and the income statement. Consequently, we have considered this area a key audit matter.

The accounting treatment standards for derivative instruments and the economic information on the derivatives arranged by the Company are described in notes 4.F) and 16 to the accompanying financial statements.

Our response

Our audit procedures for this area consisted, among others, in:

- Understanding the accounting policies and procedures that the Company adopts for recognizing and measuring derivative financial instruments.
- Performing confirmation procedures for third parties with which the Company has arranged derivative financial instruments.
- With the support of our experts in derivative products and derivative financial instruments, analyzing, for a representative sample, whether they have been correctly recognized based on the appropriate classification of the derivative instrument and appropriately measured, performing procedures for checking fair value.
- Reviewing the disclosures provided in the notes to the financial statements and assessing whether they are in accordance with the applicable regulatory framework for financial information.

Capitalization and analysis of the recovery of development costs

Description

The Company records under "Intangible assets - Development costs" in the balance sheet at December 31, 2023 development projects, for which internal and external resources have been used amounting to 21.9 million euros, which are amortized over their estimated five-year useful lives.

The measurement of this intangible asset has been a key audit matter due to the relevance of the amounts involved and the high degree of judgment that Company Management needs to apply to assess whether the requirements for capitalizing development costs, identifying the existence of impairment indications and, where appropriate, estimating recoverable amount at each year end are met.

The relevant information on these intangible assets is provided in Notes 4.a.2 and 5 to the accompanying financial statements.

Our response

Our audit procedures for this area consisted, among others, in:

- Understanding the process established by Company Management for recognizing and measuring development costs, specifically capitalization, amortization and identification of potential impairment.
- Checking that the projects are specifically itemized, and its related costs have been clearly established and correctly calculated.
- Obtaining and reviewing the analysis conducted by Management of the existence of evidence of the technical success and economic and commercial profitability of capitalized projects.
- Assessing, in cooperation with our valuation specialists, the methodology used by Management in the impairment tests, verifying its consistency with the regulatory framework for financial information, the reasonableness of the key assumptions used for estimating the recoverable amount (including the ones related to expected future cash flows and discount and long-term growth rates) and the sensitivity of results to reasonably possible changes in the assumptions made.
- Reviewing the disclosures provided in the notes to the financial statements and assessing whether they are in accordance with the applicable regulatory framework for financial information.

Other information: management report

Other information refers exclusively to the 2023 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that the non-financial statement was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the Company obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2023 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations 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 financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 financial statements 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

Building a better working world

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on May 3, 2024.

Term of engagement

The Ordinary General Shareholders' meeting held on June 9, 2023 appointed us as auditors for 3 years, commencing on December 31, 2023.

Previously, we were appointed as auditors by the shareholders for 3 years and we have been carrying out the audit of the financial statements continuously since September 30, 2018.

ERNST & YOUNG, S.L.
(Signature on the original in Spanish)

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Alfredo Eguiagaray

May 3, 2024

HOLALUZ-CLIDOM, S.A.

Financial statements for the year ended December 31, 2023

(Translation of financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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MANAGEMENT REPORT

AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR ISSUE

HOLALUZ-CLIDOM, S.A.
BALANCE SHEET
AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

ASSETS	NOTE	12.31.2023	12.31.2022
NON-CURRENT ASSETS		**98,377,060**	**90,432,236**
Intangible assets	**5**	**22,516,900**	**22,788,383**
Patents, licenses, trademarks et al.		916	1,111
Development		21,921,586	22,267,001
Software		87,415	130,879
Other intangible assets		506,983	389,392
Property, plant, and equipment	**6**	**1,165,249**	**1,410,005**
Land and buildings		474,146	549,854
Technical installations, machinery and other PP&E items		691,103	860,151
Investments in group companies and associates		**54,255,288**	**30,734,861**
Equity instruments	8	9,588,665	5,038,665
Loans to companies	9, 22	44,666,623	25,696,196
Financial investments	**9**	**1,356,646**	**5,005,767**
Derivatives	17	1,101,326	4,742,047
Other financial assets	9	255,320	263,720
Deferred tax assets	**19**	**10,111,422**	**12,116,658**
Accruals	**12**	**8,971,555**	**18,376,562**
CURRENT ASSETS		**111,490,427**	**184,325,057**
Inventories	**11**	**1,273,645**	**8,985,600**
Commercial inventories		1,273,645	7,805,294
Prepayments to suppliers		-	1,180,306
Trade and other receivables	**10**	**70,388,914**	**116,791,183**
Trade receivables for sales and services		29,276,416	50,682,197
Trade receivables from group companies and associates	22	24,850,076	12,306,928
Other receivables		8,590,158	45,203,038
Receivables from employees		49,234	64,935
Current income tax assets	19	4,191	22,782
Other receivables from Public Administrations	19	7,618,839	8,511,303
Investments in group companies and associates		**5,695,185**	**2,476,594**
Loans to companies	9, 22	1,561,117	-
Other financial assets		4,134,068	2,476,594
Financial investments		**18,549,572**	**33,155,197**
Derivatives	17	17,097,768	30,388,848
Other financial assets	9	1,451,804	2,766,349
Accruals	**12**	**11,729,238**	**13,421,637**
Cash and cash equivalents	**13**	**3,853,873**	**9,494,846**
Cash		3,853,873	9,494,846
TOTAL ASSETS		**209,867,487**	**274,757,293**

HOLALUZ-CLIDOM, S.A.
BALANCE SHEET
AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

EQUITY AND LIABILITIES	NOTE	12.31.2023	12.31.2022
EQUITY		**53,017,435**	**39,896,875**
Capital and reserves	**14**	**57,520,543**	**63,066,575**
Share capital		**656,662**	**656,662**
Issued capital		656,662	656,662
Share premium		**61,772,144**	**61,772,144**
Reserves		**734,286**	**(7,111,230)**
Legal and statutory reserves		131,332	123,477
Other reserves		602,954	(7,234,707)
Treasury shares		**(193,342)**	**(300,217)**
Profit/(loss) for the year		**(5,449,207)**	**8,049,216**
Valuation adjustments		**(4,503,108)**	**(23,169,700)**
Hedging transactions	17	(4,503,108)	(23,169,700)
NON-CURRENT LIABILITIES		**22,555,628**	**35,922,720**
Payables		**22,555,628**	**35,922,720**
Bank borrowings	15	15,951,955	23,267,096
Derivatives	17	6,603,673	12,655,624
CURRENT LIABILITIES		**134,294,424**	**198,937,698**
Payables		**63,619,750**	**77,064,804**
Bank borrowings	15	36,313,957	40,604,261
Other financial liabilities	15	20,761,417	8,080,672
Derivatives	**17**	6,544,376	28,379,871
Payables to group companies and associates	**22**	**8,652,455**	**2,979,839**
Trade and other payables	**16**	**62,022,219**	**118,887,864**
Suppliers		46,869,024	58,725,015
Suppliers, group companies and associates	**22**	5,773,765	687,650
Other payables		6,822,793	55,353,629
Employee benefits payable		237,744	1,032,321
Current income tax liabilities	**19**	-	403,202
Other payables to Public Administrations	**19**	1,019,987	817,382
Customer advances		1,298,906	1,868,665
Accruals		**-**	**5,191**
TOTAL EQUITY AND LIABILITIES		**209,867,487**	**274,757,293**

HOLALUZ-CLIDOM, S.A.
INCOME STATEMENT FOR
THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

	NOTE	12.31.2023	12.31.2022
Revenue	**20**	**552,771,590**	**864,096,626**
Sales		552,405,076	859,729,826
Rendering of services		366,514	4,366,800
Work performed by the entity and capitalized	**5.1**	**4,329,465**	**4,743,586**
Cost of sales	**20**	**(500,283,718)**	**(788,864,549)**
Consumption of goods		(500,283,718)	(784,615,287)
Work performed by third parties		-	(4,249,262)
Other operating income	**20**	**17,208,616**	**9,612,084**
Ancillary income		17,196,941	9,612,084
Grants related to income		11,675	-
Employee benefits expense	**20**	**(27,659,292)**	**(21,764,047)**
Wages, salaries et al.		(21,582,994)	(6,873,686)
Social security costs et al.		(6,076,298)	(4,890,361)
Other operating expenses		**(44,919,805)**	**(50,164,342)**
External services	**20**	(34,312,301)	(40,817,282)
Taxes		(89,169)	(60,262)
Losses on, impairment of and change in trade provisions	**10.2**	(10,279,544)	(9,023,176)
Other current management expenses		(238,791)	(263,622)
Depreciation and amortization	**5.6, 20**	**(7,468,795)**	**(5,798,539)**
Other gains and losses	**20**	**(374,181)**	**(186,468)**
Non-recurring expenses		(753,955)	(330,940)
Non-recurring income		379,774	144,472
OPERATING PROFIT/(LOSS)		**(6,396,120)**	**11,674,351**
Finance income		**1,204,381**	**133,271**
From marketable securities and other financial instruments		286,381	1,059
Of group companies and associates	22	918,000	132,212
Finance costs		**(4,241,340)**	**(2,124,266)**
Third-party borrowings	**20**	(4,241,340)	(2,124,266)
Exchange gains (losses)		**26,810**	**(22,334)**
FINANCE COST		**(3,010,149)**	**(2,013,329)**
PROFIT/(LOSS) BEFORE TAX		**(9,406,269)**	**9,661,022**
Income tax	**19**	**3,957,062**	**(1,611,806)**
PROFIT/(LOSS) FOR THE YEAR		**(5,449,207)**	**8,049,216**

HOLALUZ-CLIDOM, S.A.

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

	Notes	12.31.2023	12.31.2022
PROFIT/(LOSS) FOR THE YEAR		**(5,449,207)**	**8,049,216**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY			
From cash flow hedges		49,109,320	(8,787,565)
Tax effect		(12,277,330)	2,196,891
TOTAL INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		36,831,990	(6,590,674)
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From cash flow hedges		(24,220,531)	32,310,773
Tax effect		6,055,133	(8,077,693)
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		(18,165,398)	24,233,080
TOTAL RECOGNIZED INCOME AND EXPENSES		**13,217,385**	**25,691,622**

HOLALUZ-CLIDOM, S.A.
STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

	Share capital (Note 14.1)	Share premium (Note 14.3)	Reserves (Note 14.2)	Treasury shares (Note 14.1)	Profit/(loss) for the year	Valuation adjustments (Note 17)	Total Equity
Balance at 12.31.2022	**656,662**	**61,772,144**	**(7,111,230)**	**(300,217)**	**8,049,216**	**(23,169,700)**	**39,896,875**
Total recognized income / expenses	-	-	-	-	(5,449,207)	18,666,592	**13,217,385**
Transactions with the Sole Shareholder	-	-	-	-	-	-	-
Other transactions	-	-	(203,700)	106,875	-	-	**(96,825)**
Appropriation of prior-year profit/(loss)	-	-	**8,049,216**	-	**(8,049,216)**	-	-
Balance at 12.31.2023	**656,662**	**61,772,144**	**734,286**	**(193,342)**	**(5,449,207)**	**(4,503,108)**	**53,017,435**

	Share capital (Note 14.1)	Share premium (Note 14.3)	Reserves (Note 14.2)	Treasury shares (Note 14.1)	Profit/(loss) for the year	Valuation adjustments (Note 17)	Total Equity
Balance at 12.31.2021	**656,662**	**61,772,144**	**(2,284,159)**	**(300,217)**	**(4,827,071)**	**(40,812,106)**	**14,205,253**
Total recognized income / expenses	-	-	-	-	8,049,216	17,642,406	**25,691,622**
Transactions with the Sole Shareholder	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	-
Appropriation of prior-year profit/(loss)	-	-	**(4,827,071)**	-	**4,827,071**	-	-
Balance at 12.31.2022	**656,662**	**61,772,144**	**(7,111,230)**	**(300,217)**	**8,049,216**	**(23,169,700)**	**39,896,875**

HOLALUZ-CLIDOM, S.A.
CASH FLOW STATEMENT
AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

	NOTE	12.31.2023	12.31.2022
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**28,490,606**	**40,211,297**
Profit/(loss) before tax		**(9,406,269)**	**9,661,383**
Adjustments to profit		**55,941,500**	**75,005,534**
Depreciation and amortization (+)		7,468,795	5,798,539
Impairment losses (+/-)		14,906,665	9,023,176
Finance income (-)		(1,204,381)	(133,271)
Finance costs (+)		4,214,527	2,124,266
Other income and expenses (-/+)		30,555,895	58,192,824
Change in working capital:		**(18,517,990)**	**(41,747,381)**
Inventories (+/-)		1,904,528	(7,143,239)
Trade and other receivables (+/-)		(3,192,452)	(36,180,269)
Other current assets (+/-)		-	870,657
Trade and other payables (+/-)		(17,230,066)	700,279
Other current liabilities (+/-)		-	5,191
Other cash flows from/(used in) operating activities		**473,364**	**(2,708,239)**
Interest paid (-)		(691,794)	(2,124,266)
Interest received (+)		-	133,272
Other payments (receipts) (+/-)		1,165,158	(717,245)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(30,992,354)**	**(52,782,645)**
Payments on investments (-):		**(32,862,164)**	**(52,782,645)**
Group companies and associates		(19,865,013)	(23,120,473)
Intangible assets	5	(2,531,507)	(12,906,162)
Property, plant and equipment	6	(83,819)	(989,374)
Other financial assets		8,400	-
Other assets		(10,390,225)	(15,766,636)
Proceeds from disposals (+):		**1,869,810**	**-**
Other financial assets		1,869,810	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(3,139,225)**	**13,932,267**
Proceeds from and payments on financial liabilities:		**(3,139,225)**	**13,932,267**
Issues:		169,900,000	22,702,208
Bank borrowings (+)		2,000,000	22,702,208
Other payables		167,900,000	-
Repayment and redemption of:		(173,039,225)	(8,769,941)
Bank borrowings (-)		(15,844,384)	(4,733,612)
Payables to group companies and associates (-)		-	(3,762,640)
Other payables		(157,194,841)	(273,689)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(5,640,973)**	**1,360,919**
Cash and cash equivalents at January 1	13	9,494,846	8,133,927
Cash and cash equivalents at December 31	13	3,853,873	9,494,846

1. Activity

HOLALUZ-CLIDOM, S.A. (hereinafter Holaluz or the Company) was incorporated on November 12, 2010. It is domiciled in Barcelona at Passeig de Joan de Borbó, 99, 08039, 4th floor. On September 6, 2019, the Company changed its corporate name to HOLALUZ-CLIDOM, S.A. (formerly CLIDOM ENERGY, SL).

Pursuant to its bylaws, the Company's corporate purpose consists in the purchase and sale, even at an international level, production and commercialization of energy in general, natural gas and telecommunications, even their transfer, regardless of their source of generation and production. Additionally, the Company provides energy, environment and telecommunications advisory and engineering services.

It also acts as a representative before third parties, and specifically in the electricity market, of power stations that produce electricity under a special regime applicable to electricity produced from renewable energy sources.

Its main activity is the commercialization of energy in general.

The Company's functional currency is the euro.

At the general meeting held on October 25, 2019 the Company's shareholders resolved to increase capital through a public offering of shares paid with monetary contributions in order to increase the Company's shareholders' equity by a maximum effective amount of 30M euros (nominal amount + share premium). It was also resolved to make a request for all Company outstanding shares to be traded on the Alternative Stock Market (MAB; Growth Company Segment: MAB-EE by its acronym in Spanish, currently BME Growth Bolsas y Mercados Españoles), specifically shares issued within the public offering framework. Said capital increase was approved on November 21, 2019 by the Company's Board of Directors (Note 14), and shares were admitted to trading on the MAB-EE on that same date.

2. Basis of presentation of the financial statements

The Company's financial statements at December 31, 2023 have been prepared in accordance with the regulatory framework for financial information applicable to the Company and established by Spanish GAAP, which were passed by Royal Decree 1514/2007 of November 16, and amended several times since publication (last time through Royal Decree 1/2021, of January 12), and enacting regulations, as well as prevailing mercantile law, and, should no disagreement with the former exist, by Royal Decree 437/1998 of March 20, approving the electricity sector adaptation standards.

HOLALUZ-CLIDOM, S.A. is the parent company of the Holaluz Group, as it wholly owns the share capital of its subsidiaries. The Group's consolidated financial statements for the year ended December 31, 2023 have been authorized for issue by the Company's Directors.

Since November 2019, the Company shares have been traded on BME Growth (formerly MAB); Growth Company Segment (see Note 14).

a) True and fair view

These financial statements give a true and fair view of the Company's equity and financial position at December 31, 2023, as well as the results of its operations, changes in equity and cash flows for the period comprised between January 1 and December 31, 2023 and have been prepared from the Company's accounting records.

b) Going concern principle

Given the current situation of the Company, there are some circumstances that may cast doubt as to its ability to continue as a going concern. However, there are some mitigating factors.

At December 31, 2023, the balance sheet shows negative working capital amounting to 22.8 million euros (negative working capital of 14.6 million euros at December 31, 2022). Additionally, the Company has incurred losses amounting to 5.4 million euros (2022: profit of 8 million euros).

However, the Company has undrawn credit and financing facilities amounting to 6.0 million euros at 2023 year end, maturing in 2025, plus the materialization of the short-term portion of the PPAs (purchase of electricity at a fixed price that is not recorded in the balance sheet pursuant to prevailing regulations), which at year end are valued at 5.2 million euros.

Furthermore, Company Management has prepared cash flow projections for the next 12 months, which anticipate the granting of several loans by different institutions and a potential capital increase with private investors, for an overall amount of 20 million euros, as well as confirmation of other financing alternatives, that are currently being negotiated.

Consequently, the Board of Directors of the Company has prepared the financial statements under the going concern principle.

c) Comparison of information

In accordance with prevailing mercantile legislation, for comparative purposes the Company has included the figures for 2022 in addition to those of the current year for each item of the balance sheet, the income statement, the statement of changes in equity and the cash flow statement. The explanatory notes to the financial statements also include quantitative and qualitative information at said dates, presented in the balance sheet or the income statement, as appropriate, except where disallowed by an accounting standard.

d) Accounting principles

The Company's financial statements at December 31, 2023 were prepared in accordance with the generally accepted accounting principles and measurement standards described in section 3 to the explanatory notes. All mandatory accounting principles have been applied.

e) Critical issues concerning the assessment of uncertainty

The Company's Directors are responsible for the information included in these financial statements.

The accompanying financial statements were prepared using estimates made by the Company's Directors to measure the assets, liabilities and commitments recognized therein. These estimates basically refer to:

- The capitalization and useful lives of property, plant and equipment and intangible assets (Notes 4a and 4b).

- The assessment of possible impairment losses on certain assets (Note 4c).

- The fair value of certain financial instruments (Note 4e).

- Provisions for unbilled income from energy supplied to customers and provisions for expenses for the purchase of energy and cost of tariffs pending invoice (Note 4j).

- The estimated projections for assessing the recovery of tax credits related to deductions (Notes 4g and 19).

- Current and non-current accrued expenses and useful lives of contracts with customers (Note 4n).

Although these estimates were made on the basis of the best information available, for the preparation of the financial statements at December 31, 2023, events may occur in the future that require prospective adjustments (upwards or downwards) to these estimates in subsequent years.

e) Grouping of items and Current/non-current classification of items

Certain items in the balance sheet, the income statement, the cash flow statement, and the statement of changes in equity have been aggregated with other items to make them easier to understand; however, whenever the amounts involved are material, the information is disclosed separately in the related notes.

For items to be classified as current, a maximum period of 1 year from the reporting date of these financial statements at December 31, 2023 has been considered.

g) Regulatory framework General overview

Electricity sector regulations in Spain are detailed in Law 24/2013, of December 26, 2013 on the Electricity Sector (hereinafter "Electricity Sector Law"), repealing Law 54/1997, of November 27. The most significant matters set out by said Law and subsequent regulations for its implementation are as follows:

- Electrical energy production is carried out in a free market.

- The energy dispatch of power plants is established through a daily market that consists in 24 hourly auctions that match supply with demand. The matching price corresponds to the marginal price of the auctions. Production under the specific remuneration system receives the price resulting from the market and is supplemented by regulated remuneration.

- The transmission, distribution and economic and technical management of the system are considered regulated activities.

- The supply of electricity is fully deregulated and all consumers must contract the supply of electricity with a power marketer. As of July 1, 2009 consumers that meet certain characteristics may choose to contract the supply of electricity with a Marketer of Reference and they will be applied the "voluntary price for the small consumer" tariff. This tariff is linked to the hourly price set in the daily market.

- The tariff chosen by most household consumers is called Voluntary Price for Small Consumers (VPSC), whereas the Last Resort Tariff (LRT) is for vulnerable consumers and for consumers who do not meet the requirements for being entitled to the Voluntary Price for Small Consumers

(VPSC) but do not temporarily have an agreement in force with a power marketer in the free market

Access tariffs and electric charges are the same throughout Spain and are collected by the marketers and paid to the distributors and transmitters.

Royal Decree 413/2014 of June 6, regulating the production of electrical energy by means of renewable energy sources, cogeneration and waste.

Royal Decree 15/2018, of October 5, regulating urgent measures for energy transition and consumer protection and modifying and repealing certain terms of the Electricity Sector Law, of Royal Decree 1995/2000, of December 1, regulating the transmission, distribution and commercialization activities, among others, of RD 900/2015, of October 9, regulating the administrative, technical and economic conditions of the supply of electrical energy with self-consumption models, of Law 15/2012, of December 27, on tax measures for energy system sustainability, and of Law 38/1992 of December 28, on Special Taxes. The most significant items established by this regulation are as follows:

- The right to consume electrical energy without charges is recognized, as well as shared supply by one or several consumers to take advantage of the economies of scale and administrative and technical procedures for small-power facilities are simplified.

- Self-consumed energy of a renewable, cogeneration and waste origin is exempt from charges and tariffs. Consequently, the charge imposed to self-consumers for the energy generated and consumed in their own facilities, the so-called “sun tax” has been repealed.

- The administrative procedures for facilities of up to 100kW included in the self-consumption without surplus model are simplified, and must exclusively meet the requirements of the corresponding technical regulations and, specifically, the Low-Voltage Electro-technical Regulations. Also, the need to process certain access and connection permits for facilities of less than 15kW included in the self-consumption without surplus model is eliminated. Lastly, self-consumption facilities with less than 100kW power, are exempt from registration in the Administrative Register of Electrical Energy Production Facilities.

- Any consumer is allowed (even if it is not the direct consumer of the market) to purchase power by means of a bilateral agreement with a producer (PPA), driving economy towards decentralization.

- The coverage of the electricity social tariff is extended, so it is now prohibited to cut off the power supply to households adhered to the social tariff with at least a 16 year old minor or with at least one person with a disability equal to or greater than 33%, among others.

- Additionally, the thermal social tariff is created. This is a direct economic aid so that vulnerable households can pay the heating, and hot water bills, among others.

Self-consumption regulations have been developed by Royal Decree 244/2019 of April 5, regulating the administrative, technical and economic terms and conditions of electricity self-consumption.

Royal Decree Law 29/2021 adopting urgent measures on energy to encourage e-mobility, self-consumption and deployment of renewable energies introduced two significant amendments regarding self-consumption:

- It also eliminated the requirement for nearby facilities to be connected in low voltage to distribution and transmission systems through the grid.

- It amended RD 1183/2020 on access and connection to transmission and distribution systems, releasing self-consumption facilities with excess power installed not exceeding 100 kW from having to deposit economic guarantees for processing the connection to the grid.

During the state of emergency comprised between March 14 and June 21, 2020 exceptional social and economic measures were implemented to tackle the social and economic crisis generated by the COVID-19 pandemic that affected the electricity and gas commercialization activity. The main measures established in Royal Decree Law 11/2020 were as follows:

- The coverage of the social tariff was extended to the following consumers: (i) professionals who were entitled to this benefit as a result of total cessation of business or a 75% decrease in turnover in the month prior to applying for the social tariff; (ii) and who also showed joint household income thresholds of 2.5 (childless), 3 (one child) or 3.5 (two or more children) times the IPREM (public indicator of income of multiple effects) at 14 pays.

- Bans on electricity or gas shutoffs at the consumers' usual homes were imposed until April 11, a period that was extended to September 20, 2020 through Royal Decree Law 26/2020.

- Flexible electricity and gas supply contracts for freelancers and companies were offered, with the possibility of fully suspending or amending the contract to change to another option with the same marketer (change in power contracted, daily volume contracted, inclusion into a level of tariffs corresponding to lower consumption...) with no penalty to end consumers.

- Finally, the payment of electricity and gas invoices for invoicing periods comprising days included in the state of emergency was suspended for freelancers and SMEs. This measure freed marketers from the duty to pay the access tariff in these invoices until the end customer paid all invoices, and from settling VAT, Special Tax on Electricity and Tax on Hydrocarbons until six months had passed since the end of the state of emergency.

The lack of a caption for the commercialization of electricity was eradicated by passing Spain's 2021 General State Budget Act 11/2020, whereby RDL 1175/1990 was modified and a caption for the commercialization of electricity activity (151.6) was added that considers a national tax charge for this tax.

As for the Special Electricity Tax, a reform has been introduced whereby the electricity supplied subject to compensation with the surplus hourly energy of the customers adhered to simplified compensation is exempt from this tax.

As for electric tariffs and charges, the Spanish National Markets and Competition Commission (CNMC) approved Circular 3/2020, which establishes the methodology for calculating electricity transmission and distribution tariffs. Furthermore, the Ministry for Ecological Transition and Demographic Challenge approved Royal Decree 148/2021 of March 9, establishing a methodology for calculating electrical system charges, setting a new methodology for charges and tariffs that came into force last **June 1, 2021**.

Additionally, as for the gas industry, the Spanish National Markets and Competition Commission (CNMC) approved Circular 6/2020, which establishes the methodology for calculating electricity transmission and distribution tariffs. Furthermore, the Ministry for Ecological Transition and Demographic Challenge approved Royal Decree 1184/2020 of December 29, establishing the methodologies for calculating gas system charges, regulated remuneration for basic underground storage and fees applied for their use, setting a new methodology for gas charges and tariffs that came into force last **October 1, 2021**.

To mitigate the rise in the prices of gas and electricity in 2021, Royal Decree Law 12/2021 on urgent energy taxation measures approved to reduce to 10% the tax rate applicable to the value added tax in electricity supply contracts where the power contracted is lower than or equal to 10kW provided that the average arithmetic price of the daily market corresponding to the last calendar month prior to the last day of the billing period is greater than 45 €/MWh during the period comprised between June 26 and December 31, 2021. This period was extended to April 30, 2021 through Royal Decree Law 29/2021, of December 21, adopting urgent measures on energy to encourage e-mobility, self-consumption and deployment of renewable energies. The period of validity was extended again to December 31, 2022 through Royal Decree Law 6/2022. This period was extended to December 31, 2022 through Royal Decree Law 11/2022. Finally, Royal Decree Law 8/2023, of December 27, adopting measures for dealing with the economic and social impacts of the conflicts in Ukraine and the Middle East, and for mitigating the effects of the drought, establishes the following measures:

- Extension of the VAT rate reduction on energy products, setting a 10% VAT from January 1 to December 31, 2024 for EU deliveries, imports and acquisitions of electricity made in favor of: i) a) holders of electricity supply contracts with contracted power lower than or equal to 10kW regardless of the level of voltage and type of contract, when the average arithmetic price of the daily market corresponding to the last calendar month prior to the last day of the billing period is greater than 45€/MWh; b) holders of electricity supply contracts that are receivers of the electricity social tariff and are recognized as acutely vulnerable consumers and acutely vulnerable consumers at risk of social exclusion.
- From January 1 to March 31, 2024, a 2.5% tax rate has been established for the excise tax on electricity, which will increase to 3.8% from April 1 to June 30, 2024.
- The tax on the value of electricity production (IVPEE by its acronym in Spanish) has been reintroduced during 2024.
- The discount percentages on the electricity social tariff set forth in Royal Decree-Law 18/2022 on anticrisis measures have been extended to June 30, 2024. The temporary application of the electricity social tariff for low-income households that are especially affected by the energy crisis has also been extended to June 30, 2024.

Also in this line, Royal Decree Law of September 14, on urgent measures to mitigate the impact of the rise in the prices of natural gas in the gas and electricity retail markets, approved a discount in electric charges for the period comprised between September 16 and December 31, 2021.

Additionally, Decree Law 17/2021 approved an amendment to the tax rate applicable to the excise tax on electricity effective from September 16 to December 31, 2021, which has been reduced from 5.1% to 0.5%, which is the lowest tax rate allowed by EU regulations, provided that the lowest taxation level is not below 0.5 euros per megawatt-hour, if said electricity is used for professional purposes, and 1 euro per megawatt-hour in the rest of cases. This period was extended to April 30, 2022 through Royal Decree Law 29/2021 and subsequently it was extended again to December 31, 2022 through Royal Decree Law 6/2022. This period was extended to December 31, 2022 through Royal Decree Law 11/2022. The aforementioned information shall be considered, as in accordance with Royal Decree-Law 8/2023, of December 27, a 2.5% tax rate has been established for the excise tax on electricity, which will increase to 3.8% until June 30, 2024.

Royal Decree Law 6/2022 effective from March 31, 2022, adopting urgent measures within the Spanish national plan to deal with the economic and social consequences of the war in Ukraine, has adopted measures such as the reduction of electric charges as from March 31, 2022 until the end of the year and has revised the social tariff, in relation to both beneficiaries and the mechanism used to fund it: the social tariff and the co-financing cost of supply and default by highly vulnerable customers is assumed by the entities operating in the electricity industry participating in power supply chain activities, including the production, transmission, distribution and commercialization of electricity, as well as direct consumers.

In addition to the measures indicated above, Royal Decree Law 6/2022 has passed further measures such as reducing the remuneration of the electricity production activity carried out at production facilities that do not emit GHG, amending the obligation to maintain minimum emergency stocks, diversifying natural gas supply, reducing access tariffs by 80% for electrointensive industry, and revising the special regime (RECORE), among others. All these measures are aimed at mitigating the rise in the prices of electricity and natural gas caused by the war in Ukraine.

Another measure to mitigate the rise in prices has been the one approved through Royal Decree Law 10/2022, which establishes a temporary mechanism, until May 1, 2023 at the latest, for adjusting the production cost of marginal fossil technologies. The amounts corresponding to this adjustment are paid by the consumers that benefit from said reduction, which in the end results in a lower final price than the one that would be applied should the measure not have been implemented. However, if a hedging instrument was arranged before April 26, 2022, it can be used to exempt related energy from the payment of the adjustment cost.

Also, Royal Decree Law 11/2022 adopts and extends certain measures taken to face the economic and social consequences of the war in Ukraine, to address social and economic vulnerabilities and to stimulate economic and social recovery in the island of La Palma. Among others, the following measures will remain in force until December 31, 2022: extension of taxable base at 0 euros of the Tax on the value of electricity production, flexible gas supply contracts, social tariff discounts, prohibition of cutting off electricity or gas to vulnerable and acutely vulnerable consumers and consumers at risk of social exclusion, and reduction of remuneration of the electricity production activity carried out at production facilities that do not emit GHG. Additionally, revisions of the price of the last resort gas tariff have been extended and the scope of application of the fast-track procedure for processing renewable plants has changed from moderate environmental sensitivity areas to just low environmental sensitivity areas.

Lastly, Royal Decree Law 20/2022, of December 27, on measures for addressing the economic and social consequences of the war in Ukraine and for supporting reconstruction in the island of La Palma and other situations of vulnerability, was passed, extending certain measures previously adopted in the field of energy. Among these measures there is the extension until December 31, 2023 of the reduction in the Value Added Tax (reduced rate at 5%) of deliveries of electricity, natural gas and briquettes or pellets from biomass and tinder used as fuel in heating systems. In the case of electricity, the reduction is limited to EU deliveries, imports and acquisitions of electricity made in favor of: a) holders of electricity supply contracts with contracted power lower than or equal to 10kW regardless of the level of voltage and type of contract, when the average arithmetic price of the daily market corresponding to the last calendar month prior to the last day of the billing period is greater than 45€/MWh; b) holders of electricity supply contracts that are receivers of the electricity social tariff and are recognized as acutely vulnerable consumers and acutely vulnerable consumers at risk of social exclusion; the extension until December 31, 2023 of the reduction in the excise tax on electricity, applying a tax rate of 0.5%; and the extension until December 31, 2023 of taxable income at 0 euros of the Tax on the value of electricity production. All these measures will no longer be in force as a result of the publication of Royal Decree Law 8/2023, of December 27, adopting measures for dealing with the economic and social impacts of the conflicts in Ukraine and the Middle East, and for mitigating the effects of the drought.

3. Appropriation of profit/(loss)

The appropriation of the profit/(loss) proposed by the Company's directors and submitted for approval by the shareholders in general meeting is as follows:

Proposed appropriation at December 31, 2023	**Euros**
Profit and Loss: Loss	(5,449,207)
Total	**(5,449,207)**
Appropriation to:	
Retained earnings	(5,449,207)
Total	**(5,449,207)**

The proposed appropriation of the profit/(loss) for the year 2022 approved by the shareholders in general meeting:

Proposed appropriation at December 31, 2022	**Euros**
Profit and Loss: Profit	**8,049,216**
Total	**8,049,216**
Appropriation to:	
Reserves	8,041,361
Legal reserve	7,855
Total	8,049,216

Limitations on the distribution of dividends

Once the legal and company bylaw requirements have been met, dividends may only be distributed against profit for the year or freely distributable reserves, if the value of equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed.

4. Recognition and measurement accounting policies

The main recognition and measurement accounting policies applied in the preparation of the financial statements for the year ended December 31, 2023 are the following:

a) Intangible assets

As a general rule, intangible assets are recorded provided that the identifiability criteria is met and are initially measured at acquisition or production cost. Subsequently, they are stated at cost less accumulated amortization and any recognized impairment loss.

Intangible assets are amortized on a straight-line basis over their estimated useful lives and residual values. Amortization methods and periods are reviewed at year end, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at year end and are written down where applicable.

a.1) Industrial property

It is initially measured at acquisition or production cost, including registration and processing costs. It is amortized on a straight-line basis over its useful life (10 years).

a.2) Development costs

Technical innovation expenses incurred during the year are recorded in the income statement. However, the Company capitalizes these expenses as an intangible asset provided that the following conditions are met:

- The related assets are specifically itemized by project and costs are clearly established so that they can be distributed over time.

- It is possible to demonstrate the technical feasibility and financial profitability of the project.

They are amortized on a straight-line basis over their useful lives (5 years).

a.3) Software

This caption includes the amounts paid for the ownership or use of software programs.

Software programs that meet the recognition criteria are capitalized at their acquisition or production cost. They are amortized on a straight-line basis over a period of three and six years from the date each application is put to use.

Work performed by the Company and capitalized as intangible assets is recorded following the same criteria as for determining the production cost of inventories. Production cost is capitalized with a credit to the costs attributable to the asset in the "Work performed by the Company and capitalized" caption in the income statement.

Software maintenance costs are recognized in the income statement for the year in which they are incurred.

b) Property, plant and equipment

Property, plant and equipment items are measured at acquisition or production cost. Subsequently, they are stated at cost less accumulated depreciation and any recognized impairment loss.

Indirect taxes levied on the acquisition of property, plant and equipment are included only in the acquisition cost when that amount is directly recoverable from the tax authorities.

Expenses incurred for expansion, remodeling or improvements which increase the productivity, capacity, or prolong the useful life of the asset are recorded as an increase in the cost of the assets. Repairs and maintenance expenses are charged to the profit and loss account of the year incurred.

Property, plant and equipment items are depreciated on a straight-line basis over the estimated useful life of the asset in accordance with the following annual percentages:

Property, plant and equipment	Percentage applied	
	12.31.2023	12.31.2022
Technical installations	10%	10%
Furniture	10%	10%
Data processing equipment	25%	25%
Other items	10%	10%

c) Impairment loss on intangible assets and property, plant, and equipment items

Property, plant and equipment items and intangible assets are deemed to be impaired when carrying amount exceeds recoverable value, which is understood to be the higher of fair value less costs to sell and value in use.

The Company assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of fair value of the asset less cost to sell and value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. Any such reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

d) Operating leases

Operating lease expenses are recognized in the income statement in the year in which they accrue.

Any collection or payment that is made when arranging an operating lease is treated as advance collection or payment, which is allocated to profit or loss over the lease term as the benefits of the leased asset are provided or received.

e) Financial instruments

e.1) Financial assets

Recognition and measurement

At initial recognition, the Company classifies all financial assets into one of the categories listed below, which determines the initial and subsequent measurement methods used:

- Financial assets at fair value through profit or loss
- Financial assets at amortized cost
- Financial assets at fair value through equity
- Financial assets at cost

Financial assets at fair value through profit or loss

The Company classifies a financial asset in this category unless it should be classified into one of the other categories.

Financial assets held for trading are classified into this category. The Company considers that a financial asset is held for trading when it meets at least one of the following three circumstances:

a) It is acquired for the purpose of selling in the near future.

b) At initial recognition, it is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

c) It is a derivative financial instrument, provided that it is not a financial guarantee contract or has been designated as a hedge.

Additionally, upon initial recognition the Company has the possibility of irrevocably measuring a financial asset at fair value through profit or loss that would otherwise have been included in another category (the "fair value option"). This option is permitted if the Company eliminates a measurement inconsistency or accounting mismatch that would otherwise arise from measuring assets or liabilities on different bases.

The financial assets classified into this category are initially measured at fair value, which unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid. Directly attributable transaction costs are recognized in the income statement for the year (that is, they are not capitalized).

Subsequent to initial recognition, the Company measures the financial assets included in this category at fair value through profit or loss (financial profit/loss).

Financial assets at amortized cost

The Company classifies a financial asset in this category, even when it is admitted to trading on an organized market, if the following conditions are met:

- The Company keeps the investment under a management model whose purpose is to receive the cash flows derived from the execution of the contract.

  Managing a portfolio of financial assets to obtain contractual cash flows does not mean that all instruments should be held to maturity; they can be managed for that purpose even when they are sold or are expected to be sold in the future. In this regard, the Company considers the frequency, the amount and timetable of sales in prior years, the reasons for these sales and expectations for future sales.

- The contractual characteristics of the financial asset give rise on specified dates to cash flows that are solely collections of principal and interest on the principal amount outstanding. That is, cash flows are inherent to an agreement that is an ordinary or common loan in nature, without prejudice that a zero interest rate or below-market interest rate is agreed for the transaction.

It is considered that this condition is met in the case of a note or basic loan with a specific maturity date and on which the Company receives interest at a floating market rate, and may be subject to a limit. On the contrary, it is considered that this condition is not met in the case of instruments convertible into equity instruments of the issuer, reverse floating rate loans (that is, a rate that carries a spread inversely related to market interest rates) or loans where the issuer can defer payment of interest if that could impact its solvency, with deferred interest not accruing further interest.

In general, trade receivables and non-trade receivables (other receivables) are included in this category.

At initial recognition, financial assets in this category are recognized at fair value, which, unless there is evidence to the contrary, it is considered to be the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. That is, inherent transaction costs are capitalized.

Nevertheless, trade receivables which mature within less than one year with no specific contractual interest rate, as well as loans to personnel, receivable dividends and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value when the effect of not discounting cash flows is not significant.

Subsequently, they are measured at amortized cost. Interest is recognized in the income statement (finance income) using the effective interest method.

Receivables maturing within a year that, as explained above, are initially stated at nominal value will continue to be measured at nominal value unless they have become impaired.

In general, when contractual cash flows from a financial asset at amortized cost change because of financial difficulties of the issuer, the Company analyzes whether an impairment loss should be recorded.

Financial assets at fair value through equity

This category includes the financial assets that meet the following conditions:

- The financial instrument is not held for trading and cannot be classified at amortized cost.

- The contractual characteristics of the financial asset give rise on specified dates to cash flows that are solely collections of principal and interest on the principal amount outstanding.

The Company does not apply the option of classifying investments in equity instruments in this category.

At initial recognition, financial assets in this category are recognized at fair value, which, unless there is evidence to the contrary, it is considered to be the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. That is, inherent transaction costs are capitalized.

They are subsequently measured at fair value without deducting any transaction costs that may be incurred upon disposal. Changes in fair value are recognized directly in equity until the financial asset is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Impairment losses and foreign exchange gains and losses on monetary assets are recognized in the income statement rather than in equity.

Interest earned is also recognized in the income statement, calculated using the effective interest method, as well as any dividends (finance income).

Financial assets at cost

The Company includes in this category:

a) Investments in group companies, joint ventures and associates (separate financial statements).

b) Other investments in equity instruments whose fair value cannot be determined by reference to a quoted price on an active market for an identical instrument or be reliably measured, and derivatives whose underlying assets are these investments.

c) Hybrid financial assets whose fair value cannot reliably measured, unless they meet the requirements for them to be recorded at amortized cost.

d) Contributions made as a result of joint account contracts or similar agreements.

e) Participation loans that accrue contingent interest, either because they are agreed at a fixed or floating interest rate conditional on the fulfilment of a milestone at the borrower (e.g. obtaining profit) or because they are calculated by reference exclusively to the evolution of the borrower's activity.

f) Any other financial asset that should initially be classified at fair value through profit or loss when fair value cannot be reliably estimated.

Investments included in this category are initially measured at cost, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. That is, inherent transaction costs are capitalized.

In the case of investments in group companies, if an investment exists prior to its classification as an investment in a group company, joint venture or associate, cost value is deemed to be the investment's recognized carrying amount immediately prior to the company being classified as such.

Subsequent measurement is also at cost, less any accumulated impairment losses.

Contributions made as a result of joint account contracts and similar agreements shall be measured at cost plus or minus the gain or loss, respectively, attributable to the company as a non-trustee venturer, less any accumulated impairment.

The same principle is applied to participation loans that accrue contingent interest, either because they are agreed at a fixed or floating interest rate conditional on the fulfilment of a milestone at the borrower (e.g. obtaining profit) or because they are calculated by reference exclusively to the evolution of the borrower's activity. If in addition to a contingent interest an irrevocable fixed interest is agreed on, the irrevocable fixed interest is recorded as finance income on an accruals basis. Transaction costs are recorded in the income statement on a straight-line basis over the life of the participation loan.

Derecognition of financial assets

The Company derecognizes a financial asset from the balance sheet when:

- The contractual rights to receive cash flows from the asset have expired. In this regard, a financial asset is derecognized when it matures and the Company has received the corresponding amount.

- The contractual rights to the cash flows from the financial asset have been transferred. In this case, the financial asset is derecognized when the risks and rewards incidental to its ownership have been substantially transferred. In particular, in sale transactions under repurchase agreements, factoring or securitizations, the financial asset is derecognized once the Company's exposure to changes in amounts has been compared before and after the transfer, and it has been deduced from the timetable of net cash flows from the transferred asset that the risks and rewards have been transferred.

After analyzing the risks and rewards, the Company derecognizes the financial assets in accordance with the following situations:

a) The risks and rewards incidental to the ownership of the asset have been substantially transferred. The asset transferred is derecognized from the balance sheet and the Company recognizes the gain or loss on the transaction: the difference between the consideration received, net of attributable transaction costs (including any new asset obtained less any liability assumed) and the carrying amount of the financial asset transferred, plus any cumulative gain or loss directly recognized in equity.

b) The risks and rewards incidental to the ownership of the asset have been substantially retained by the Company. The financial asset is not derecognized and a financial liability at an amount equal to the consideration received is recorded.

c) The risks and rewards incidental to the ownership of the asset have neither been substantially transferred nor retained. In this case, there are two possibilities:

    - Control is transferred (the transferee has the practical ability to transfer the asset again to a third party): the assets is derecognized from the balance sheet.

    - Control is not transferred (the transferee has no practical ability to transfer the asset again to a third party): the Company continues to recognize the asset to the extent to which it is exposed to changes in the value of the transferred asset, i.e. due to its continuing involvement, recognizing as well the associated liability.

Impairment of financial assets

Debt instruments at amortized cost or fair value through equity

At least at year end, the Company analyzes whether there is objective evidence that a financial asset or group of financial assets with collectively measured similar credit risk characteristics is impaired as a result of one or more events which have occurred following initial measurement and which lead to a reduction or delay in estimated future cash flows due to debtor insolvency.

In the event that there is such objective evidence, impairment losses are calculated as the difference between the book value and the present value of future cash flows, including, where appropriate, estimated future cash flows from the execution of in rem and personal guarantees, discounted at the effective interest rate calculated upon initial recognition. For financial assets carrying floating interest rates, the effective interest rate used is that prevailing at the balance sheet date as per the instrument's contractual terms. Impairment losses in groups of financial assets are computed using formula-based approaches and statistical methods.

Impairment losses, and any reversals in a subsequent period when the decrease in the impairment loss can be related objectively to an event occurring after recognition of the impairment, is recognized as an expense or income, respectively, in the income statement. Reversal of impairment is limited to the book value of the asset that would have been recognized on the reversal date had no impairment loss been recognized.

The present value of future cash flows can be substituted by the instrument's market value, provided that this is considered a sufficiently reliable indicator of the amount that could be recovered by the company.

In the case of assets measured at fair value through equity, accumulated impairment losses are recognized in equity as a decrease in fair value, provided that there is objective evidence of impairment, are recognized in the income statement.

Equity instruments at fair value through equity

In this type of investments, the Company considers that equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value, without prejudice that an impairment loss may need to be recorded before said period has ended or the 40% drop has been reached.

Impairment loss and its reversion are recognized as an expense in the income statement.

Should fair value increase, impairment losses recognized in prior years shall not reverse with a credit to the income statement and the increase in fair value shall be recognized directly in equity.

Financial assets at cost

In this case, the impairment loss is the difference between the carrying amount and the recoverable amount. The recoverable amount is understood to be the greater amount of either the fair value amount less cost to sell or the present value of the cash flows derived from the investment, which for equity instruments are calculated either by estimating the expected flows due to dividend payments made by the investee or the disposal or withdrawal of the investment, or by estimating the participation by the investee in the expected cash flow to be generated, coming from their ordinary activities as well as from disposal or withdrawal of investment. Unless better evidence of the recoverable amount of investments in equity instruments is available, impairment of this type of asset is estimated taking into account the equity of the investee and any unrealized capital gains existing on the measurement date, net of tax effect.

Impairment loss and its reversion are recognized as an expense or as income, respectively, in the income statement. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income in the income statement. Interest is recognized using the effective interest method; dividends are recognized when the right to receive them is established.

If distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment. Judgment on whether the investee has generated profit shall be based exclusively on the profits recorded in the separate income statement since acquisition date, unless the distribution of said profit has to be classified undoubtedly as a recovery of the investment from the perspective of the entity receiving the dividends.

e.2) Financial liabilities

Recognition and measurement

At initial recognition, the Company classifies all financial liabilities into one of the categories listed below:

- Financial liabilities at amortized cost
- Financial liabilities at fair value through profit or loss

Financial liabilities at amortized cost

The Company classifies all financial liabilities into this category except when they must be measured at fair value through profit or loss.

In general, trade payables (“suppliers”) and non-trade payables (“other creditors”) are included in this category.

Participation loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice that a zero-interest rate or below-market rate is agreed for the transaction.

At initial recognition, financial liabilities in this category are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received adjusted by directly attributable transaction costs. That is, inherent transaction costs are capitalized.

Nevertheless, trade payables which mature within less than one year with no contractual interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, are carried at the nominal value when the effect of not discounting cash flows is not significant.

Subsequently, they are measured at amortized cost. Interest is recognized in the income statement (finance expense) using the effective interest method.

However, payables maturing within a year that in keeping with the description above are initially stated at nominal value shall continue to be measured at nominal value.

Contributions received as a result of joint account contracts and similar agreements shall be measured at cost plus or minus the gain or loss, respectively, that shall be attributed to the non-trustee venturers.

The same principle is applied to participation loans that accrue contingent interest, either because they are agreed at a fixed or floating interest rate conditional on the fulfilment of a milestone at the borrower (e.g. obtaining profit) or because they are calculated by reference exclusively to the evolution of the borrower's activity. Finance expenses are recognized in the income statement in accordance with the accruals principle, and transaction costs shall be recorded in the income statement in accordance with a financial criterion or, should that not be applicable, on a straight-line basis over the life of the participation loan.

Financial liabilities at fair value through profit or loss

In this category the Company includes the financial liabilities that meet one of the following conditions:

- These are liabilities held for trading. A financial liability is considered held for trading if it meets one of the following conditions:

    - It is issued or assumed mainly for the purpose of repurchasing it in the short term (e.g. bonds or other quoted marketable securities that the company may purchase in the short term based on changes in value).

    - It is an obligation that short sellers have to deliver the financial assets that have been lent to them ("short selling").

    - At initial recognition, it is part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

    - It is a derivative financial instrument, provided that it is not a financial guarantee contract or has been designated as a hedge.

- Since initial recognition it has irrevocably been designated as at fair value through profit or loss ("fair value option"), due to the fact that:

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

    - A group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the assets and/ or liabilities is provided internally to the entity's key management personnel.

- Optionally and irrevocably, hybrid financial liabilities with a separable embedded derivative may be entirely included in this category.

The financial liabilities included in this category are initially measured at fair value, which unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received. Directly attributable transaction costs are recognized in the income statement.

Subsequent to initial recognition, the company measures the financial liabilities included in this category at fair value through profit or loss.

Derecognition of financial liabilities

The Company derecognizes a previously recognized financial liability when one of the following circumstances occurs:

- The obligation under the liability is extinguished because payment to the creditor for cancelling the debt has been made (through payments in cash or other goods or services) or because the debtor is legally released from any responsibility for the liability.

- Own financial liabilities are acquired, even if the Company intends to resell them in the future.

- An exchange between a borrower and a lender of debt instruments with substantially different terms, recognizing the new financial liability. Similarly, any substantial modification of the terms of an existing financial liability shall also be recognized, as indicated for debt restructuring.

A financial liability is derecognized as follows: the difference between the carrying amount of the financial liability (or the part of it that has been derecognized) and the consideration paid, including any attributable transaction costs, which also has to include any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

f) Hedge accounting

The Company carries out cash flow hedging transactions related to future energy purchases.

Transactions are only designated as hedges when they effectively eliminate any risk inherent to the hedged item or position throughout the duration of the hedge, which means that the hedging item must be deemed highly effective at the inception of the contract (prospective effectiveness) and there must be sufficient evidence that the hedge will be effective throughout the life of the hedge (retrospective effectiveness).

The Company adequately documents its hedges when the hedging relationship is determined, including how they are intended to achieve and measure effectiveness under current risk management policies.

In order to determine whether hedge accounting can be applied, the Company does tests to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the remaining term to maturity, and comply with forecasts established at the related contract dates.

If at any time financial derivatives do not qualify to be treated as hedges, they are reclassified as held-for-trading derivatives.

For measurement purposes, cash flow hedges hedge exposure to variability in cash flows that is attributable to changes in energy purchase prices. Interest rate swaps are used to exchange floating rates for fixed rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; the cumulative gain or loss is reclassified to profit or loss in the year or years in which the hedged transaction affects profit or loss.

At the date the financial statements at December 31, 2023 were prepared, the Company's hedging strategy includes PPAs (Power Purchase Agreements) with producers of renewable plants at a fixed price for a period of 4.5 years on average (until 2032) that meet the required conditions.

g) Income tax

Since the year 2023, Holaluz Clidom and subsidiaries (Clidom Solar S,L, Katae Energía S.L., Holaluz Generación S.L, Holaluz Rooftop Revolution S.L, Clidom Generación S.L, Clidom Energía Iberica S.L and Gestión Hidráulica Canarias, S.L) will file a consolidated income tax return, with the company as the parent of the tax group. On December 22, 2022, the company informed the tax authorities of the formation of said tax group.

Income tax paid or received is calculated as the sum of the current income tax paid or received plus the portion corresponding to the deferred tax paid or received.

Current income tax is the amount resulting from applying the tax rate to the tax base for the year, after applying the appropriate tax deductions.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit/(loss).

Deferred tax assets are only recognized when the Company considers it probable that future taxable profit will be available against which these assets may be utilized.

To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences. Deferred tax assets recognized in the balance sheet at December 31, 2023 amount to 10.11 million euros (12.12 million euros at December 31, 2022), of which 1.5 million euros correspond to 25% of adjustments for changes in value of derivatives, recorded in equity and to be materialized next year, that mature subsequent to year end. In summary, tax loss carryforwards and other temporary differences at December 31, 2023 amount to 8.6 million euros.

Deferred tax assets and liabilities relating to transactions charged or credited directly to equity are also recognized in equity.

Deferred taxes that have been recognized are reviewed at each balance sheet date to verify that they are still applicable, making any necessary adjustments if required. Unrecognized deferred tax assets are reassessed, recognizing them to the extent that it has become probable that taxable profit will be available against which they can be utilized.

h) Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

i) Grants

Grants are recognized as non-repayable when the requirements established for receiving them are met and are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities until they meet the criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received to finance specific expenses are released to the income statement in the year in which the expenses which they are intended to compensate are incurred. Grants received to acquire property, plant, and equipment are released to income in proportion to the depreciation charged for the related assets.

j) Provisions and contingencies

In preparing the financial statements, the Company's Directors make a distinction between:

j.1) Provisions

Liabilities existing at the balance sheet date, arising as a result of past events, the settlement of which is likely to cause an outflow of resources, but which are uncertain as to their amount and/or date of settlement., are recognized in the balance sheet as provisions at the present value of the amount that the Company deems most likely will have to be paid to settle the obligation.

Provisions are quantified on the basis of the best information available at the balance sheet date on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year.

The financial effect of provisions is recognized as a financial expense on the income statement. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

j.2) Contingent liabilities

Possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

The financial statements for the year ended December 31, 2023 include provisions when the Company considers that it will more likely than not have to settle related obligations. Provisions are measured at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party. Contingent liabilities are not recognized in the balance sheet but disclosed in the notes to the financial statements.

k) Related-party transactions

Related-party transactions, independently of the degree of relationship, are recognized in accordance with general regulations, that is, initially at fair value. If the agreed-upon price of a transaction differs from its fair value, the difference is recorded taking into account the economic substance of the transaction. Subsequent measurement follows prevailing accounting regulations.

l) Income and expenses

In the recognition of revenue the Company follows a process consisting in the following stages:

a) Identifying the contract (or contracts) with the customer, understood as an agreement between two or more parties that creates enforceable rights and obligations.

b) Identifying the obligation or obligations to be satisfied in the contract, representative of the commitments to transfer goods or render services to a customer.

c) Determining the transaction price, or consideration of the contract that the Company expects to be entitled to in exchange for the promised transfer of goods or rendering of services to the customer.

d) Allocating the transaction price to the obligations to be satisfied, which shall be done based on separate selling prices of each good or service promised in the contract or, where appropriate, following an estimate of the selling price when it cannot be observed independently.

e) Recognizing revenue from ordinary activities when the Company satisfies a promised obligation through the transfer of a good or rendering of a service; the obligation is satisfied when the customer obtains control over said asset or service and, thus, recognized revenue from ordinary activities shall be the amount allocated to the satisfied contractual obligation.

The Company recognizes revenue from a contract when control over the promised goods or services (that is, the obligation or obligations to be satisfied) is transferred to the customer. For each identified obligation to be satisfied, at inception of the contract the Company determines whether the commitment is met over time or at a point in time.

Income from commitments met over time is recognized based on the stage of completion towards complete fulfillment of contractual obligations provided that reliable information is available to the Company for measuring the stage of completion.

In the event of contractual obligations that are satisfied at a given point in time, income from their execution is recognized at that date. The costs incurred in the production or manufacture of a product are accounted for as inventory.

Ordinary income from the sale of goods and the rendering of services is measured at the monetary amount or, where appropriate, the fair value of the consideration received or receivable. The consideration is the price agreed on for the assets to be transferred to the customer less any discounts, rebates, and other similar items given by the Company, and any interest included in the nominal amount of loans.

In accordance with the accruals principle, income is recognized when control is transferred and expenses are recognized when they arise, regardless of when actual payment or collection occurs.

Income from energy supply is recognized when energy has been delivered to the customer in accordance with available information on the electrical system based on periodic meter readings and, where appropriate, considers an estimate of its accrual and the value of energy/product consumed from the date of available reading to the closing of the period. Estimated daily consumption is based on adjusted historical customer profiles considering seasonality and other measurable factors that affect consumption.

Certain electricity and gas system figures, including those corresponding to other companies used to estimate the overall settlement of the system that shall be materialized in the corresponding final settlements, may affect the determination of the deficit in the settlements of regulated electricity and gas activities in Spain.

Income from representation of renewable energy producers is recorded when this energy is generated, which is notified by Red Eléctrica de España and other official agencies in their respective calculations. These are the best estimates that the company has access to.

Income from installations is recorded when contracts with customers are signed and invoices corresponding to these installations are issued.

Additionally, the company recognizes income from the rendering of services over time as associated costs are incurred.

Income related to dividends is recognized in the income statement when the right to receive them is established. In case distributed dividends are derived from profit generated prior to the date of acquisition they are recognized as a decrease in the carrying amount of the investment. Interest from financial assets is recognized in the income statement using the effective interest method.

m) Termination benefits

Under prevailing labor legislation, the Company is bound to pay indemnities for the termination of labor contracts in certain conditions. Reasonably quantifiable termination benefits are recognized as an expense in the year in which the Company has created a valid expectation with respect to third parties that it will assume an obligation.

n) Accrual of customer acquisition costs

As indicated in Note 12, until the year ended December 31, 2020 the Company recognized as an intangible asset all costs incurred for obtaining a new contract with a customer only if the Company estimated that these costs would be recovered in the future.

These acquisition costs correspond to the incremental costs that the Company would not have incurred had the contract not been concluded.

Pursuant to the resolution issued by ICAC on February 10, 2021, since January 1, 2021 the Company has adapted its accounting records and customer acquisition costs are therefore recorded as long- and short-term accruals based on the average life of the contract.

As from January 1, 2022, these costs are accrued in accordance with the average life of the contracts that the Company signs with its customers. At each year end Management assesses the period and makes the corresponding amendments prospectively, where appropriate. At December 31, 2023, the average life of customer contracts has been updated from 4 to 3.4 years.

Additionally, the Company records these accruals in the income statement under “Other operating expenses”.

o) Inventory

Stocks are valued at acquisition price or production cost. Costs of purchase include the invoice price after deducting any trade discounts, rebates and other similar items, plus all other costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement. No provision is set aside for raw materials and other consumables used in production, if the finished products in which they are incorporated are sold above cost.

p) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or cancel a liability in an orderly transaction between market participants at the measurement date. Fair value shall be determined without deducting any transaction costs that may be incurred as a result of derecognition or disposal. The amount a company would receive or pay in a forced transaction, distress sale or involuntary liquidation shall not be considered as fair value.

Fair value is estimated for a certain date and, since market conditions may change over time, fair value may not be appropriate for another date. Additionally, when estimating fair value, the company considers the conditions of the asset or liability that market participants would consider when establishing the price of the asset or liability at the measurement date.

Fair value shall generally be calculated by reference to a reliable market value. Where there is an active market for an item, fair value shall be calculated using models and valuation techniques. For example, by reference to recent arm’s length transactions between knowledgeable, willing parties where available, reference to the fair value of other assets that are substantially the same, or through the use of discounted estimated future cash flow methods or models generally used to measure options.

Valuation techniques are consistent with accepted pricing methodologies used in the market. Where possible, the valuation technique used should be that proven to obtain the most realistic price estimates. They must also take into account the use of observable market data and other factors that its participants would consider when setting prices, and limit as far as possible the use of subjective considerations and non-observable or non-verifiable data.

The Company shall periodically evaluate the effectiveness of the valuation techniques used, by reference to observable prices of recent transactions involving the same asset as that being measured, or using prices based on any available and applicable observable market data or indices.

Thus, a hierarchy in the inputs used in determining fair value is deducted and a fair value hierarchy is established in order to classify estimates into three levels:

- Level 1: estimates that use unadjusted quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.

- Level 2: estimates that use quoted prices in active markets for similar instruments or other valuation methods for which the relevant inputs are based on directly or indirectly observable market data.

- Level 3: estimates in which significant inputs are not based on observable market data.

A fair value estimate is classified into the same level of the fair value hierarchy as the lowest level input that is significant to the results of the valuation. To that effect, a significant input is an input that has decisive influence on the results of the estimate. When assessing the significance of a specific input to the estimate, specific conditions of the asset or liability being measured are considered.

q) Treasury shares

Treasury shares are recognized in equity as a decrease in “Capital and reserves” when acquired. No loss or gain is shown in the income statement on sale or cancelation. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

5) Intangible assets

At December 31, 2023 and December 31, 2022 the movements in Intangible Assets are as follows:

	Balance at December 31, 2022	Investments and Charge for the year	Transfers and other	Disposals	Balance at December 31, 2023
Cost					
Industrial property	15,950	-	-	-	15,950
Development	37,282,928	6,591,918	-	-	43,874,846
Software	1,280,759	-	-	-	1,280,759
Other intangible assets	397,479	276,819	-	-	674,298
Total	**38,977,116**	**6,868,737**	**-**	**-**	**45,845,853**
Accumulated amortization					
Industrial property	(14,839)	(195)	-	-	(15,034)
Development	(15,015,928)	(6,937,332)	-	-	(21,953,260)
Software	(1,149,879)	(43,465)	-	-	(1,193,344)
Other intangible assets	(8,087)	(159,228)	-	-	(167,315)
Total	**(16,188,733)**	**(7,140,220)**	**-**	**-**	**(23,328,953)**
NET TOTAL	**22,788,383**	**(271,483)**	**-**	**-**	**22,516,900**

	Balance at December 31, 2021	Investments and Charge for the year	Transfers and other	Disposals	Balance at December 31, 2022
Cost					
Industrial property	15,950	-	-	-	15,950
Development	24,781,745	12,501,183	-	-	37,282,928
Software	1,273,259	7,500	-	-	1,280,759
Other intangible assets	-	397,479	-	-	397,479
Total	**26,070,954**	**12,906,162**	**-**	**-**	**38,977,116**
Accumulated amortization					
Industrial property	(14,644)	(195)	-	-	(14,839)
Development	(9,562,075)	(5,453,853)	-	-	(15,015,928)
Software	(1,064,307)	(85,572)	-	-	(1,149,879)
Other intangible assets	-	(8,087)			(8,087)
Total	**(10,641,026)**	**(5,547,707)**	**-**	**-**	**(16,188,733)**
NET TOTAL	**15,429,928**	**7,358,455**	**-**	**-**	**22,788,383**

5.1. Significant movements

Additions in intangible assets recorded during the period between January 1 and December 31, 2023 include the capitalization of work carried out by the Company amounting to 4,329,465 euros (4,743,586 euros at December 31, 2022) and are part of the new technological innovation project (2-year period 2023-24) related to the vertical integration of all the solar business processes, including VPP (virtual power plants) projects and flexible assets (EV chargers and batteries) and the consolidation of the billing by charge project (Fair Tariff) launched in 2022. This project also includes developments by external technology consulting firms amounting to 2,262,453 euros at December 31, 2023 (7,757,597 euros at December 31, 2022).

Based on a unique strategy of two businesses, installation of solar panels and energy management, Holaluz seeks to create the largest green energy community in Europe. The objective is to build a green ecosystem in houses transforming rooftop square meters into locally-sourced 100% renewable electricity producers and optimizing efficiency in household facilities through flexible assets such as electric vehicles chargers and batteries. The generation model proposed by Holaluz maximizes the potential of each rooftop, making it possible through the development of own technology and the use of data to distribute the energy exceeding the self-consumption of the owner of the solar panels to other users, thus democratizing the access to green locally-sourced energy.

The aim is to contribute to dismantling fossil fuel power plants and building the power grid of the future:

- Electricity is produced and consumed in houses through solar panels and batteries, which guarantees savings in market prices and fixed costs of the system (transport, distribution, etc.).
- Excess is transferred to the local grid so that other customers with no rooftop can benefit from green, cheap locally-sourced electricity with no transport or distribution costs.
- Flexible assets such as batteries and electric vehicle chargers allow customers to use green locally-sourced energy during the whole day at low fixed costs.

A holistic vision of energy management that consolidates the company's position as a key asset in the solar segment.

5.2. Impairment test

The discount rate applied to cash flow projections to determine value in use is 8.2%, and cash flows beyond 5 years are extrapolated using a growth rate of 2%.

Projected EBITDA is based on current gross margin, future impact of physical PPAs arranged by the Company, and structure costs. EBITDA margin increases over the budget period for anticipated efficiency improvements.

The discount rate used is the interest rate for 10-year public debt instruments, which is adjusted to reflect the specific risk to the Company. The growth rate is based on long-term rates expected by the industry.

At December 31, 2023, the recoverable amount of the Company's intangible assets exceeded their carrying amount by 8.7 million euros.

The budgeted weighted average EBITDA margin is 2%. Should the Company be unable to maintain a minimum average EBITDA margin of 1.9%, the CGU's value in use would be reduced to less than its carrying amount.
An increase of 0.6 percentage points in this discount rate or a decrease of 0.7 percentage points in the growth rate would give a value in use equal to the carrying amount.

5.3. Other information

The gross value of fully amortized intangible assets still in use is as follows:

Account	Balance at December 31, 2023	Balance at December 31, 2022
Development and Software	8,208,901	4,486,908
Industrial property	14,000	14,000
Total	**8,222,901**	**4,500,908**

At December 31, 2023 and December 31, 2022 no intangible assets have been acquired from group companies. No intangible assets are located outside of Spain.

6) Property, plant and equipment

At December 31, 2023 and December 31, 2022 the movements in Property, plant and equipment are as follows:

Cost	Balance at December 31, 2022	Investments and Charge for the year	Transfers and other	Disposals	Balance at December 31, 2023
Data processing equipment	1,197,067	73,237	-	-	1,270,304
Installations	846,768	6,344	-	-	853,112
Furniture and office equipment	201,726	4,238	-	-	205,964
Total	**2,245,561**	**83,819**	**-**	**-**	**2,329,380**
Accumulated depreciation					
Data processing equipment	(542,993)	(222,830)	-	-	(765,823)
Installations	(238,815)	(84,431)	-	-	(323,246)
Furniture and office equipment	(53,748)	(21,314)	-	-	(75,062)
Total	**(835,556)**	**(328,575)**	**-**	**-**	**(1,164,131)**
NET TOTAL	**1,410,005**	**(244,756)**	**-**	**-**	**1,165,249**

Cost	Balance at December 31, 2021	Investments and Charge for the year	Transfers and other	Disposals	Balance at December 31, 2022
Data processing equipment	635,236	561,831	-	-	1,197,067
Installations	489,600	357,168	-	-	846,768
Furniture and office equipment	131,349	70,377	-	-	201,726
Total	**1,256,185**	**989,376**	**-**	**-**	**2,245,561**
Accumulated depreciation					
Data processing equipment	(372,719)	(170,274)	-	-	(542,993)
Installations	(175,810)	(63,005)	-	-	(238,815)
Furniture and office equipment	(36,195)	(17,553)	-	-	(53,748)
Total	**(584,724)**	**(250,832)**	**-**	**-**	**(835,556)**
NET TOTAL	**671,461**	**738,544**	**-**	**-**	**1,410,005**

6.1 Significant movements

Additions in new data processing equipment have been acquired for the renewal of laptops and other computer equipment.

6.2 Other information

The gross value of fully amortized intangible assets still in use is as follows:

Account	Balance at December 31, 2023	Balance at December 31, 2022
Data processing equipment	374,026	304,082
Furniture and other property, plant and equipment items	7,012	2,757
Total	**381,038**	**306,839**

It is Company policy to take out the insurance policies necessary to cover the potential risks to which its property, plant, and equipment items are exposed. At December 31, 2023 and December 31, 2022 these potential risks were fully covered by the insurance.

At December 31, 2023 and December 31, 2022 there are no property, plant and equipment items acquired from group companies. No property, plant and equipment items are located outside of Spain.

7) Leases and similar arrangements

7.1 Operating leases

The operating lease payments recognized as expenses in the financial statements at December 31, 2023 compared to the financial statements at December 31, 2022 are as follows:

Description	Balance at December 31, 2023	Balance at December 31, 2022
Lease expenses	716,952	516,789
Total	**716,952**	**519,789**

According to the current contracts in force, the Company's future non-cancelable minimum operating lease payments that may be updated in the future based on the evolution of CPI are as follows:

Maturity	Balance at December 31, 2023	Balance at December 31, 2022
Within one year	877,681	906,380
Between one and five years	809,498	1,606,730
Total	**1,687,179**	**2,513,110**

The Company entered into a lease arrangement on its head offices on September 1, 2017 that expires in December 2026.

On November 19, 2021, a new rental agreement was signed, maturing in December 2026, for extending said offices.

8) Non-current investments in group companies and associates

The breakdown and movements in 2023 are as follows:

	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Equity instruments	5,038,665	4,550,000	-	9,588,665
TOTAL	**5,038,665**	**4,550,000**	**-**	**9,588,665**

The breakdown and movements in 2022 are as follows:

	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Equity instruments	3,863,665	1,175,000	-	5,038,665
TOTAL	**3,863,665**	**1,175,000**	**-**	**5,038,665**

On December 23, 2019 and January 4, 2021 two financing transactions were carried out with the Portuguese subsidiary Clidomer, which was granted two participation loans amounting to 300,000 euros and 150,000 euros, respectively. These amounts were increased by 700,000 euros. Consequently, the loans total 1,150,000 euros. Within the context of Portuguese legislation and after being approved at the meeting of Clidomer's Board of Directors held on March 30, 2022, said amount was recorded in the Capital and Reserves heading of the company, recapitalizing it in order to cover losses. On March 29, 2023, the Company's Board of Directors resolved to carry out a capital increase amounting to 2.05 million euros for the subsidiary Clidomer, which have already been fully paid in. At December 20, 2023, another capital increase was approved, amounting to 2.5 million euros that were fully paid in. The total financial investment in the Portuguese subsidiary amounts to 5.7 million euros.

Following an agreement of its Board of Directors, on March 25, 2021 Holaluz-Clidom carried out a financing transaction with Clidom Italy, which was granted a participation loan amounting to 25,000 euros. Within the context of Italian legislation and after being approved at the meeting of Holaluz-Clidom's Board of Directors held on March 30, 2022, said amount was recorded in the Capital and Reserves heading of the company, recapitalizing it in order to cover losses.

The remaining financial investments balance, up to 9.6 million euros at 2023 year end, mainly corresponds to the investment amounting to 3.8 million euros of Clidom Energía Ibérica, SL (formerly Bulb Energía Ibérica, SL), acquired in December 2021.

8.1 Significant investments

The information relating to group companies, joint ventures and associates at December 31, 2023 is as follows:

	Net carrying amount	% Direct interest	% Indirect interest	Share capital	Reserves	Other contributions	Retained earnings	Net profit/(loss) 12.31.2023	Total equity
Clidomer Unipessoal	5,710,000	100%	-	5,710,000	-	-	(3,184,515)	(2,040,028)	485,457
Clidom France	10,000	100%	-	10,000	-	-	(31,485)	(968)	(22,453)
Holaluz Generación	3,000	100%	-	3,000	-	-	(5,894)	1,485	(1,409)
Clidom Solar	3,000	100%	-	3,000	-	-	(15,395,200)	(18,824,896)	(34,217,096)
Clidom Italia	35,000	100%	-	10,000	-	-	7,095	-	17,095
Clidom Generación	3,000	100%	-	3,000	-	-	(1,201)	(90)	1,709
Rooftop Revolution	3,000	-	100%	3,000	-	-	78,143	281,992	363,135
Katae Energía	-	-	100%	3,010	177,266	-	(619,101)	(86,871)	(525,696)
Gestión Hidráulica Canarias	-	-	100%	3,000	35,025	-	(8,567)	(5,356)	24,102
Clidom Energía Ibérica	3,821,665	100%	-	3,000	-	180,658	2,670,516	(43,119)	2,811,055
Total	**9,588,665**			**5,751,010**	**212,291**	**180,658**	**(16,490,209)**	**(20,717,851)**	**(31,064,101)**

The operating profit/(loss) of the group companies, joint ventures and associates shown in the table above correspond entirely to continuing operations. None of the above companies is listed on the stock exchange.

- Clidomer Unipessoal, LDA is a sole shareholder company domiciled in Lisbon, at Av. Jose Malhoa 16 B. Its main activity is the manufacture, purchase, sale and commercialization of energy and goods inherent to the electricity market.

- Clidom Italia, SRL is a limited liability company domiciled in Milan at via Gabba Fratelli, 4. Its corporate purpose consists in the sale of electricity, gas and other energy products. At the date the financial statements at December 31, 2023 were prepared, the company is dormant.

- Clidom France, SARL is a limited liability company domiciled in Paris at Avenue de l'Opera 75001. Its corporate purpose consists in the sale of gas, electricity and other energy products in France. At the date the financial statements at December 31, 2023 were prepared, the company is dormant.

- Holaluz Generación, SL (formerly Orwell Power, SL) is a sole shareholder limited liability company domiciled in Barcelona at Passeig Joan de Borbó, 99-101. Its corporate purpose consists in the purchase and sale, even at an international level, production and commercialization of energy in general, natural gas and telecommunications, even their transfer, regardless of their source of generation and production. Its corporate purpose also includes the provision of energy, environmental and telecommunications advisory and engineering services. The company started its activity during the year ended September 30, 2020. Additionally, said subsidiary is the sole shareholder of the company Holaluz Rooftop Revolution, SL.

- Holaluz Rooftop Revolution, SL is a sole shareholder limited liability company domiciled in Barcelona at Passeig Joan de Borbó, 99-101. Its corporate purpose is to provide financial support for private projects consisting in the purchase or installation of solar panels and to grant loans and credits (including consumer loans) and other financing transactions for developing the self-consumption business and distributed generation of energy. Its corporate purpose also consists in transactions or activities related or supplementary to the abovementioned ones or any transactions or activities that are necessary or advisable for the development of these activities or favor their development. This company started its activity in June 2021.

- Clidom Solar, SL is a sole shareholder limited liability company domiciled in Barcelona at Passeig Joan de Borbó, 99-101. Its corporate purpose consists in the purchase and sale, even at an international level, production and commercialization of energy in general, natural gas and telecommunications, even their transfer, regardless of their source of generation and production. It also provides energy, environmental and telecommunications advisory and engineering services. On July 1, 2021 Clidom Solar, SL acquired the company Katae Energía, SL, the corporate purpose of which consists in (i) the promotion of energy efficiency, sensible use of energy and integration of renewable energies, in households and bioclimatic urban spaces, to adopt a sustainable energy system; (ii) the entire construction, repair, restoration, renovation, rehabilitation and maintenance of buildings and civil works, and the intermediation in all types of real estate transactions. This transaction is framed withing the plan for installers in Spain.

- On January 21, 2022 Katae Energía, SL acquired the company Gestión Hidráulica Canarias, SL, which was incorporated on April 13, 2015 and is domiciled in Santa Cruz de Tenerife at Punta de la Vista, 3. Its corporate purpose consists, among others, in the construction, installation and maintenance of solar heating and cooling systems.

- Clidom Generación, SL is a sole shareholder limited liability company domiciled in Barcelona at Passeig Joan de Borbó, 99-101. Its corporate purpose consists in the production or generation of electricity, including the generation of renewable electricity, and the construction, operation and maintenance of production facilities. This activity can be carried out directly or through the acquisition of an ownership interest in special purpose vehicles that own the generation projects. At the date the financial statements at December 31, 2023 were prepared, the company is dormant.

- Clidom Energía Ibérica, S.L. (formerly Bulb Energía Ibérica, S.L. Unipersonal) is an electricity marketer focused on households and small- and medium-sized enterprises in Spain which had approximately 23,000 customers at December 2021, the date it was acquired by Holaluz. During 2022 Bulb customers were transferred to Holaluz, which left the subsidiary without customers at 2022 year end. The company is domiciled in Barcelona at Passeig Joan de Borbó 99-101, 08039. Its corporate purpose consists in the commercialization and distribution of electricity from renewable sources.

Accumulated losses by Clidom Solar and Katae are mainly due to the fact that the companies are still in a stage of growth and, consequently, require investments in structure costs, which generate these losses. As for Clidomer, losses come from deviations between nominated energy and actually generated energy by the Portuguese production plants, in the representation business. Current contracts are being reviewed and renegotiated in order to pass these deviations partially or fully on to the producer, and minimize the amounts thereof, through the implementation of the new cloud monitoring center at the end of 2022, and thus generate profits in the coming years.

The Directors have prepared projections in accordance with the approved business plan and they expect that the situation will be reversed and cash flows will be obtained in the coming years. Thus, they consider that no impairment of ownership interest applies.

9) Current and non-current financial investments

9.1 Non-current financial investment categories

Financial investments, except for cash and cash equivalents, are classified into the following categories:

	Loans, derivatives, and other financial investments	
Financial assets at amortized cost	**Balance at December 31, 2023**	**Balance at December 31, 2022**
Loans to group companies and associates	44,666,623	25,696,196
Derivatives	1,101,326	4,742,047
Other financial assets	255,320	263,720
TOTAL	**46,023,269**	**30,701,963**

Loans to group companies and associates

This caption includes the collection right that the Company holds with the subsidiary Holaluz Rooftop Revolution, SL after the latter started its activity. As mentioned in Note 8.1, this subsidiary's corporate purpose is to provide financial support for private projects consisting in the purchase or installation of solar panels and to grant loans and credits (including consumer loans) and other financing transactions for developing the self-consumption business and distributed generation of energy. The first loans were granted in June 2021. The monthly installments thereof are paid by the customers in the electricity bill, with Holaluz-Clidom, SA acting as the servicer. Once the installments are received, the servicer (Holaluz-Clidom, SA) settles the installments with the finance company (Rooftop Revolution, SL). The amount pending receipt by the Company to be paid to Holaluz Rooftop Revolution, SL at December 31, 2023, which corresponds to the total amount of loans granted up to that date and pending transfer to the finance company, totals 6.6 million euros (7.4 million euros at December 31, 2022).

Up to the current date, the parent company has granted participation loans to the subsidiary Clidom Solar for an overall amount of 36.83 million euros to remedy the negative shareholders' equity of said company. Of this amount, 19.0 million euros were taken out in December 2023. The loans accrue market interest rates and mature in 2026.

The rest of the balance is detailed in Note 22.

Other financial assets

This heading substantially includes the deposit given as a lease guarantee on the offices rental maturing in 2026 amounting to 141 thousand euros at December 31, 2023, guarantees at MIBGAS (12 thousand euros) and long-term social contributions in Avalis (28.6 thousand euros) and Cajamar (30 thousand euros), among others.

Derivatives

The "Derivatives" balance at December 31, 2023 is commented on in Note 17.

9.2 Current financial investment categories

Current financial investments are classified based on the following categories:

	Loans, derivatives, and other financial investments	
Financial assets at amortized cost	**Balance at December 31, 2023**	**Balance at December 31, 2022**
Loans to group companies and associates	1,561,117	-
Derivatives	17,097,768	30,388,848
Other financial assets	5,585,872	5,242,943
TOTAL	**24,244,757**	**35,631,791**

The balance of 1.5 million euros corresponding to Loans to group companies is broken down in Note 21; it mainly relates to interest on the participation loan granted to Clidom Solar (0.9 million euros) and a long-term receivable from Katae to Holaluz corresponding to the tax consolidation (0.7 million euros).

Derivatives

The "Derivatives" balance at December 31, 2023 is commented on in Note 17.

Other financial assets

This heading mainly includes 4 million euros corresponding to the current account balance with group companies, Swaps Neffpower guarantees amounting to 838 thousand euros at December 31, 2023 (6 thousand euros at December 31, 2022), guarantees at MIBGAS (110 thousand euros) and long-term deposits at GAESCO for the normal operation of treasury shares (373 thousand euros), among others.

10) Trade and other receivables

The breakdown of "Trade and other receivables" corresponding to financial assets at amortized cost is as follows:

	12.31.2023	**12.31.2022**
Trade and other receivables		
Trade receivables for sales and services	29,276,416	50,682,197
Trade receivables from group companies and associates	24,850,076	12,306,928
Other receivables	8,590,158	45,203,038
Receivable from employees	49,234	64,935
Current income tax assets	4,191	22,782
Other receivables from Public Administrations	7,618,839	8,511,303
TOTAL	**70,388,914**	**116,791,183**

At December 31, 2023, the balances related to electricity sales pending invoice included in "Trade receivables for sales and services" amount to 18.9 million euros (34.0 million euros at December 31, 2022) and correspond to energy supplied during December, which is invoiced to customers during the first working days of the following month (in this case, January 2024). The Company's operations for billing the electricity commercialization activity consist in issuing invoices for the amount of electricity consumed during the calendar month and sending the corresponding invoices to customers during the first days of the following month.

Other receivables basically correspond to balances pending receipt from OMIE (3.2 million euros) and CNE (2.8 million euros) and outstanding settlements of derivatives (1 million euros).

The balance of receivables from public administrations amounting to 7.6 million euros is commented on in Note 19.

10.2 Impairment losses arising from credit risk

The balance of "Trade receivables for sales and services" is presented net of impairment losses. The movements in impairment losses are as follows:

	12.31.2023	12.31.2022
Impairment losses due to credit risk		
Opening impairment losses	(14,857,622)	(5,574,343)
Impairment losses	(10,089,272)	(9,283,279)
Total	**(24,946,894)**	**(14,857,622)**

11) Inventories

At December 31, 2023 and December 2022 there were no firm commitments to purchase inventories.

The breakdown of inventories at December 2023 and December 2022 is as follows:

	12.31.2023	12.31.2022
Commercial inventories	1,273,645	7,805,294
Prepayments to suppliers	-	1,180,306
Total	**1,273,645**	**8,985,600**

The balance of commercial inventories at December 31, 2023 corresponds to gas inventories amounting to 1.3 million euros (7.8 million euros at December 31, 2022). However, as the gas business was discontinued in the last quarter of 2022, the Company must keep a minimum level of inventory (a calculation made based on the gas customer portfolio for the past 12 months) until April 2023, when it will be able to sell this mandatory minimum stock. During the first half of 2023 part of the gas stock was sold as there is no customer portfolio for its consumption.

Impairment losses on inventories are recorded based on the decrease in the market price of certain raw materials that will not be recovered from the sale of finished products. At 2023 year end the Company has no impaired inventories.

12) Accruals

Current and non-current accruals include customer acquisition costs. The movement for the year is as follows:

Non-current	Balance at December 31, 2022	Additions	Accruals income statement	Transfers	Balance at December 31, 2023
Customer acquisition costs	18,376,562	3,902,177	-	(13,307,184)	8,971,555
Total	**18,376,562**	**3,902,177**	**-**	(13,307,184)	8,971,555
Current					
Customer acquisition costs	10,919,209	1,614,695	(16,758,628)	13,307,184	9,082,460
Total	**10,919,209**	**1,614,695**	**(16,758,628)**	13,307,184	9,082,460
TOTAL	**29,295,771**	**5,516,872**	**(16,758,628)**	**-**	**18,054,015**

In 2023 the useful life has been reduced from 4 to 3.5 years, generating an impact of 3.8 million euros. Consequently, total customer acquisition costs amount to 18.1 million euros.

Current accruals

Current accruals include, in addition to the customer acquisition costs broken down above, the following unaccrued expenses at year end:

- Sales commissions for an amount of 1,452 thousand euros (1,656 thousand euros at December 31, 2022) for annual customer contracts.
- Insurance premiums amounting to 286 thousand euros (206 thousand euros at December 31, 2022).
- Other general expenses amounting to 908 thousand euros (641 thousand euros at December 31, 2022).

13) Cash and cash equivalents

The breakdown of this caption at December 31, 2023 and December 31, 2022 is as follows:

	12.31.2023	12.31.2022
Cash and cash equivalents		
Cash	946	972
Demand current accounts	3,852,927	9,493,874
Total	**3,853,873**	**9,494,846**

Current accounts earn market interest rates.

Cash and cash equivalents are unrestricted.

14) Equity

14.1 Share capital and Treasury shares

At December 31, 2020, the Company's share capital amounted to 617,385 euros and consisted of 20,579,484 shares with a nominal value of 0.03 euros each, fully subscribed and paid in.

On September 30, 2021, given the chance of carrying out potential acquisitions of electricity marketers, arisen as a result of the upward trend in the wholesale market electricity prices, and thus speed up its organic growth plan, Holaluz entered into a subordinated financing transaction convertible into Company shares for the amount of 11.36 million euros, whose conversion was approved by the shareholders at the general meeting held on November 9, 2021, through the corresponding capital increase for the same amount.

On December 10, 2021, the Company's board of directors, pursuant to the authorization granted by the shareholders in general meeting, and following the board of director's report, resolved to increase capital through monetary contributions waiving pre-emptive subscription rights, for an effective aggregate amount of 7,499,990.04 euros (aggregate nominal amount of 16,292.52 euros and aggregate share premium of 7,483,697.52 euros). Additionally, the Company's board of directors resolved to carry out the capital increase by issuing and putting into circulation 543,084 ordinary Company shares, of the same class and series as currently outstanding shares, represented by book entries. The shares are issued at a nominal unit value of 0.03 euros plus a share premium of 13.78 euros per share, giving an effective issue rate of 13.81 euros per share. The board of director's agreement envisaged the possibility that the capital increase may be subscribed incompletely and delegates the power to some board directors of establishing the final terms and conditions of the capital increase, among others. On December 28, 2021, a capital increase of 6,699,990.55 euros was carried out (aggregate nominal amount of 14,554.65 euros and aggregate share premium of 6,685,435.90 euros), declaring the subscription incomplete in the amount of 799,999.49 euros. Thus, the capital increase was carried out by the issuance and putting into circulation of 485,155 new ordinary Company shares. This capital increase was subscribed by three qualified investors: Abacon Invest GmbH, Pelion Green Future Alpha GMBH and MDR Inversiones, S.L.

As a result of these transactions, since December 2021 the Company's share capital has amounted to 656,661.57 euros, fully subscribed and paid in, and consists of 21,888,719 ordinary shares with a par value of 0.03 euros each. There have been no changes in 2023.

All Company shares, including the new ones, are ordinary shares and bear the same voting and dividend rights.

The breakdown of legal entities which hold an ownership interest greater than 10% in the Company is as follows:

	12.31.2023	12.31.2022
Fondo Axon ICT III, FCR de Rég. Simplificado	16.81%	16.81%

14.2 Legal reserve

Under the revised text of the Spanish Capital Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. 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.

At December 31, 2023, the legal reserve is fully funded.

14.3 Reserves and share premium

The balance of the share premium account can be freely distributed except for the amount under "Losses from prior years".

14.4 Transactions with treasury shares

Treasury shares at December 31, 2023 account for 0.27% of the total Company shares (0.28% at December 31, 2022) and amount to 60,044 shares (61,226 shares at December 31, 2022), at an average acquisition price of 4.19 euros per share.

The number of treasury shares in the Company has been changing based on the purchase and sale of shares in the market. The losses from this change have been recorded against reserves.

15) Non-current and current payables

Non-current payables are classified based on the following categories:

	Bank borrowings		Other items	
	Balance at December 31, 2023	**Balance at December 31, 2022**	**Balance at December 31, 2023**	**Balance at December 31, 2022**
Financial liabilities at amortized cost	15,951,955	23,267,096	-	-
TOTAL	**15,951,955**	**23,267,096**	-	-

At December 31, 2023 non-current payables amounting to 15.9 million euros (23.3 million euros at December 31, 2022) include:

- 7.6 million euros corresponding to capital pending repayment mainly on ICO loans taken out by the Company in 2020 and 2021 within programs launched by the Government to mitigate the effect of COVID on Spanish companies.

- 8.3 million euros (10.7 million euros at December 31, 2022) corresponding to ICO credit facilities taken out by the Company. They correspond to the amounts drawn down on these credit facilities at year end. The credit facilities total 6 million euros.

No new non-current loans have been taken out in 2023.

The breakdown of "Derivatives" is commented on in Note 17.

Current payables are classified based on the following categories:

	Bank borrowings		Other items	
	Balance at December 31, 2023	**Balance at December 31, 2022**	**Balance at December 31, 2023**	**Balance at December 31, 2022**
Financial liabilities at amortized cost	36,313,957	40,604,261	20,761,417	8,080,672
TOTAL	**36,313,957**	**40,604,261**	**20,761,417**	**8,080,672**

At December 31, 2023 current payables amounting to 36.3 million (40.6 million at December 31, 2022) include:

- 4 million euros corresponding to capital pending repayment on ICO loans taken out by the Company in 2020 and 2021 within programs launched by the Government to mitigate the effect of COVID on Spanish companies, and 1.5 million euros (non-ICO) corresponding to the repayment of a loan granted by ICF and a tax payment loan granted by Banco Santander.

  During 2023 4 short-term tax payment loans have been taken out for an amount of 500 thousand euros each. The last one of them is pending full repayment at December 31, 2023 (500 thousand euros) and matures on January 14, 2024.

- 8.7 million euros (4.8 million euros at December 31, 2022) corresponding to ICO credit facilities taken out by the Company. They correspond to the amounts drawn down on these credit facilities at year end.

- 9 million euros corresponding to ordinary and ICO reverse factoring agreements taken out by the Company. They correspond to the amounts drawn down on these reverse factoring agreements at year end. From the total amount drawn down, 7.4 million correspond to ICO agreements maturing in 2026. However, this is a short-term product.

- 11.1 million euros (13.0 million euros at December 31, 2022) corresponding to a SEPA financing. The Company issues the power bill to every customer at the end of the month and sets up a direct debit for it to be charged during the first days of the following month. At the end of the month, since all the bills have been issued, a SEPA financing remittance is issued. Its limit amounts to 13 million euros and matures within 3-4 business days, as the debt is automatically repaid to the bank once the billed amount is received from the customer. Consequently, the 11.1 million euros drawn down at December 31, 2023 were repaid during the first business days of January 2024. Setting up a direct debit during the first business days of the following month makes it possible to minimize debt repayments.

- 2 million euros of VAT financing pending receipt from the tax authorities. As indicated in the Regulatory framework note to the financial statements, since June 2022 all bills issued to customers of the Company whose contracted power is lower than or equal to 10kW are added 5% VAT (10% for the period between June 2021 - June 2022, and 21% before that). In turn, all invoices received from suppliers include 21% VAT. Consequently, the Company generates refundable VAT of approximately 2 million euros on a recurring monthly basis that the Spanish tax authorities refund within a period of about 150 days. Since January 2023, the companies Holaluz-Clidom, SA, Katae Energía SL and Clidom Solar SL have formed a Single VAT Group (see Note 19 on tax matters), thus allowing them to offset positive and negative settlements and reduce the net profit/(loss) to be refunded from the Spanish tax authorities. On December 27, the Government published Royal Decree-Law 8/2023, whereby (see regulatory framework) VAT for the year 2024 for supply contracts with contracted power lower than or equal to 10kW. The Company has a VAT financing facility of 2 million euros, which at December 31, 2023 has been fully drawn down.

Green Commercial Paper Note Program

On November 21, 2022 BME's Fixed-Income Market (MARF) registered the first Green Commercial Paper Notes Program of Holaluz-Clidom, SA amounting to 100 million euros. Through this program, the Company expects to have flexible access to qualified investors over the next twelve months, within a strategy to diversify its financing sources. Holaluz has structured the commercial paper notes issued under these Green Commercial Paper Notes Program so that they are considered a green instrument in accordance with the Holaluz Green Finance Framework, whereby the company can issue notes and commercial paper notes in accordance with the Green Bond Principles 2021 and take out financing agreements in accordance with the Green Loan Principles 2021 of the International Capital Markets Association (ICMA). To that end, Holaluz has obtained a favorable opinion from Sustainalytics, which confirms that the Holaluz Green Finance Framework is aligned with the four core ideas integrating both Principles. During the first half of 2023 no new commercial paper notes have been issued. From the 20.8 million euros classified as "Other", 19.8 million euros correspond to said commercial paper notes issued on MARF (an outstanding balance of 6.5 million euros at December 31, 2022 and maturing in January 2023).

The breakdown of "Derivatives" is commented on in Note 17.

15.1 Classification by maturity

The breakdown by maturity of the loans, with fixed or determinable maturity, at December 31, 2023 and December 31, 2022, is as follows:

12.31.2023	2024	2025	2026	2027	Subsequent years	TOTAL
Bank loans	7,481,142	4,634,227	2,422,714	555,775	35,749	15,129,608
Credit facilities	8,673,351	2,416,153	5,887,336	-	-	16,976,840
TOTAL	**16,154,493**	**7,050,380**	**8,310,050**	**555,775**	**35,749**	**32,106,448**

12.31.2022	2023	2024	2025	2026	Subsequent years	TOTAL
Bank loans	4,627,928	5,018,674	4,603,608	2,372,459	571,825	17,194,494
Credit facilities	4,830,124	2,015,950	2,244,160	6,440,420	-	15,530,654
TOTAL	**9,458,052**	**7,034,624**	**6,847,768**	**8,812,879**	**571,825**	**32,725,148**

The 13.1 million euros outstanding at December 31, 2023 mainly correspond to ICO loans, whose initial capital amounted to 19.1 million euros: 5.5 million euros as current and the rest of the amount as non-current.

15.2 Other information

The breakdown of bank borrowings by item is as follows:

December 31, 2023			
	Limit (*)	**Current**	**Non-current**
Bank loans	21,150,000	7,481,142	7,648,466
Credit facilities	22,950,000	8,673,351	8,303,489
Factoring, reverse factoring and funded payments	9,050,000	9,014,462	-
Bills discounted	13,000,000	11,103,513	-
Credit cards	218,000	41,489	-
TOTAL	**66,368,000**	**36,313,957**	**15,951,955**

(*) In the case of bank loans, initial amount obtained.

December 31, 2022			
	Limit (*)	**Current**	**Non-current**
Bank loans	22,390,744	4,627,928	12,566,566
Credit facilities	25,950,000	4,830,124	10,700,530
Factoring, reverse factoring and funded payments	23,770,000	18,045,743	-
Bills discounted	13,000,000	12,999,500	-
Credit cards	139,900	100,966	-
TOTAL	**85,250,644**	**40,604,261**	**23,267,096**

(*) In the case of bank loans, initial amount obtained.

In the period comprised between December 31, 2022 and December 31, 2023 the Company has reduced the limit available on its net bank borrowings by 7.3 million euros.

Short-term financing decreased mainly due to the maturity of the factoring facility and the reduction in the utilization of the bill discounting facility (SEPA). The loan amount repayable in the long term has decreased (due to the reclassification of existing loans from the long to the short term), and long-term facilities have been reduced by 2.3 million euros. Of the 23 million euros of the limit available on credit facilities at December 31, 2023, 7.6 million euros mature in the long term, as they are ICO lines granted in 2020 and 2021 under a program launched by the Spanish Government to mitigate the effects of Covid on Spanish companies.

Additionally, the Company has lines of security interests and guarantees that have been granted by several financial institutions for an overall amount of 46 million euros:

- 30 million euros of surety lines, from which 26.2 million euros have been drawn down at December 31, 2023 (18 million euros at December 31, 2022). The increase in the amount drawn down is due to the natural evolution of business.
- 16 million euros of bank guarantees, from which 15 million euros have been drawn down at December 31, 2023 (15.7 million euros at December 31, 2023).

Security interests, both sureties and bank guarantees, are given to energy suppliers (producers of renewable energies with whom the Company enters into power purchase agreements - PPAs) and market operators (OMIE, REE, MIGBAS, etc.) to be able to purchase and commercialize energy.

The interest rate paid by the Company related to bank borrowings is on average Euribor + 3.34% (Euribor + 1.9% at December 31, 2022).

16) Trade and other payables

The breakdown of "Trade and other payables" is as follows:

Financial liabilities at amortized cost	12.31.2023	12.31.2022
Trade and other payables		
Suppliers	46,869,024	58,725,015
Suppliers, group companies and associates	5,773,765	687,650
Other payables	6,822,793	55,353,629
Employee benefits payable	237,744	1,032,321
Current income tax liabilities	-	403,202
Other payables to Public Administrations	1,019,987	817,382
Customer advances	1,298,906	1,868,665
TOTAL	**62,022,219**	**118,887,864**

The balance of "Other payables to Public Administrations" is shown in Note 19.

At December 31, 2023 the balances for invoices pending receipt corresponding to supplied electricity included under "Suppliers" amount to 27.1 million euros (24.6 million euros at December 31, 2022), of which 20.3 million euros correspond to invoices pending receipt from the plants (15.6 million euros at December 31, 2022), 4.7 million euros to invoices pending receipt from distributors (6.3 million euros at December 31, 2022) and 0.5 million euros (2.0 million euros at December 31, 2022) to invoices pending receipt from REE (corporation operating the Spanish electricity grid).

16.1 Information on the average payment period to suppliers. Additional Provision Three. "Disclosure requirements", of Spanish Law 15/2010

The information on the average payment period to suppliers is as follows:

	2023	2022
(Days)		
Average payment period to suppliers	42	51
Ratio of transactions paid	43	55
Ratio of transactions outstanding	32	22
(Thousands of euros)		
Total payments made	692,748,351	829,681,831
Total payments outstanding	59,465,582	114,766,295
Monetary volume of invoices paid by the deadline established in late payment regulations	677,682,426	897,225,720
Percentage of payments made by the established deadline over total payments	98%	95%
(Number of invoices)		
Invoices paid by the deadline established in late payment regulations	3,361,587	3,003,914
Percentage over total number of invoices	89%	77%

16.2. Provisions and contingencies

On March 24, 2023, the Company was notified of the resolution by the Energy Authority of the Spanish National Markets and Competition Commission ("CNMC") dated March 16, 2023, whereby it was agreed to start disciplinary proceedings against the Company and 34 other companies for alleged manipulation or attempted manipulation of the wholesale energy market. On April 18, 2023, the Company filed defense allegations against the Agreement for initiating said proceedings. The Company and its legal advisors consider that the proceedings will not succeed and no provision has therefore been recorded.

17) Hedging transactions using derivative financial instruments

The Company uses derivatives to hedge the risks to which its activities, operations and projected cash flows are exposed. At December 31, 2023 and December 31, 2022 base loads of energy are covered at a fixed price. All of them end in 2027, and meet the requirements detailed in (Note 4f) on measurement policies to be classified as hedging instruments.

Cash flow hedges in force at the closing date of these financial statements are as follows:

				Fair value	
Description of the hedge	**Type**	**Entity**	**Underlying**	**Asset**	**Liability**
EEX Power hedge	SWBCCAL25	Investment entity	MWh	-	(6,603,673)
EEX Power hedge	SWBCCAL24	Investment entity	MWh	-	(4,366,498)
EEX Power hedge	SWBCQ1-24	Investment entity	MWh	-	(775,464)
EEX Power hedge	SWBCQ2-24	Investment entity	MWh	-	(77,054)
EEX Power hedge	SWBCQ3-24	Investment entity	MWh	1,040,100	-
EEX Power hedge	SWBCQ4-24	Investment entity	MWh	761,884	-
EEX Power hedge	SWBCMAR-24	Investment entity	MWh	82,830	-
EEX Power hedge	SWBCJAN-23	Investment entity	MWh	-	(488,019)
EEX Power hedge	SWBCFEB-23	Investment entity	MWh	-	(261,404)
Over the counter	OTCCAL24	Investment entity	MWh	1,869,760	-
Over the counter	OTCQ124	Investment entity	MWh	-	(761,384)
Over the counter	OTCQ224	Investment entity	MWh	1,157,299	-
Over the counter	OTCQ324	Investment entity	MWh	216,254	-
Over the counter	OTCQ424	Investment entity	MWh	598,294	-
Over the counter	OTCJAN24	Investment entity	MWh	-	(171,121)
Over the counter	OTCFEB24	Investment entity	MWh	-	(34,205)
Over the counter	OTCMAR24	Investment entity	MWh	-	(49,987)
Over the counter	OTCABR24	Investment entity	MWh	-	(60,705)
Over the counter	OTCMAY24	Investment entity	MWh	-	(54,981)
Over the counter	OTCJUN24	Investment entity	MWh	-	(29,783)
Power Purchases Agreement	CAL22_26	Investment entity	MWh	2,088,074	-
Total				**7,814,495**	**(13,734,278)**
Net					**(5,919,783)**

Cash flow hedges in force at December 31, 2022 are as follows:

				Fair value	
Description of the hedge	**Type**	**Entity**	**Underlying**	**Asset**	**Liability**
EEX Power hedge	SWBCCAL23	Investment entity	MWh	-	(12,409,416)
EEX Power hedge	SWBCCAL24	Investment entity	MWh	-	(5,609,462)
EEX Power hedge	SWBCCAL25	Investment entity	MWh		(6,969,456)
Over the counter	OTCCAL23	Investment entity	MWh	1,974,060	(8,196,122)
Over the counter	OTCQ1-23	Investment entity	MWh	6,450	(6,993,957)
Over the counter	OTCJAM23	Investment entity	MWh		(669,834)
Over the counter	OTCFEB23	Investment entity	MWh	-	(11,254)
Over the counter	OTCMAR23	Investment entity	MWh	-	(61,165)
Over the counter	OTCQ2-23	Investment entity	MWh	145,237	-
Over the counter	OTCQ3-23	Investment entity	MWh	-	(27,081)
Over the counter	OTCQ4 -23	Investment entity	MWh	-	(11,772)
Over the counter	OTCCAL24	Investment entity	MWh	752,955	-
Over the counter	OTCQ124	Investment entity	MWh	-	(71,811)
Power Purchases Agreement	CAL20_26	Investment entity	MWh	7,259,369	-
Total				**10,138,071**	**(41,031,330)**
Net					**(30,892,933)**

The net amounts of these transactions at the closing date of the financial statements for the period ended December 31, 2023 total -6 million euros (30.9 million euros at December 31, 2022) and have been recorded as follows:

	12.31.2023	**12.31.2022**
Derivatives		
NC derivative assets	1,101,326	4,742,047
C derivative assets	17,097,768	30,388,848
NC derivative liabilities	(6,603,673)	(12,655,624)
C derivative liabilities	(6,544,376)	(28,379,871)
TOTAL	**5,051,045**	**(5,904,600)**

Additionally, at December 31, 2023 the Company's cash account includes 10.6 million euros corresponding to hedging instruments settled before maturity (-25.0 million euros at December 31, 2022).

The amounts recognized in equity and income statement during the year related to the hedging transactions above are as follows:

	12.31.2023	**12.31.2022**
Amount recognized in equity - Profit / (loss)	(4,503,108)	(23,169,700)
Amount recorded directly in income statement - Profit / (loss)	(23,227,766)	(51,615,496)
Total	**(27,730,874)**	**(74,785,196)**

According to their nature, they are included in the consumption of goods caption.

18) Nature and extent of risks arising from financial instruments

Qualitative information

The Company centralizes financial risk management in the Finance Department, which has the necessary mechanisms in place to control exposure to fluctuations in interest rates, as well as to credit and liquidity risk. The main financial risks to which the Company is exposed are as follows:

18.1 Credit risk

In general, the Company keeps their cash and cash equivalents in financial entities with high credit ratings, and there is no significant concentration of credit risk with third parties. The guarantees deposited at the market operators (OMIE, MIBGAS and REE) mature within less than 12 months.

Additionally, the breakdown of trade receivables and their maturities is as follows:

	12.31.2023	**12.31.2022**
Not due	22,214,816	36,890,638
Past due, not impaired		
Less than 30 days	5,110,984	6,059,786
30 – 60 days	210,154	1,454,745
More than 60 days	1,740,462	6,277,028
	29,276,416	**50,682,197**
Doubtful receivables	24,946,894	14,857,622
Impairment losses	(24,946,894)	(14,857,622)
Total	**29,276,416**	**50,682,197**

18.2 Liquidity risk

In order to ensure ongoing liquidity and the ability to service all payment commitments arising from its activity, the Company holds the cash balances reflected in the balance sheet and the credit lines detailed in the note about financial institutions (Note 15).

18.3 Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk, currency risk, and other price risks.

Exposure to interest rate risk is mainly related to some working capital facilities at floating rates. The purpose of interest rate risk management is to find a balance in debt structure, maintaining part of the borrowings issued at a fixed rate.

As for the market price risk of energy, the Company's policy is to arrange hedging financial instruments to minimize fluctuations in the Megawatt-hour (MWh) market price of energy (Note 17) and thus ensure trade margin.

19) Taxes

The breakdown of this heading at December 31, 2023 and December 31, 2022 is as follows:

	December 31, 2023			
	Debit balances		Credit balances	
	Non-current	Current	Non-current	Current
Value added tax	-	7,607,991	-	-
Canary Islands general indirect tax	-	10,848	-	-
Current income tax assets		4,191	-	-
Deferred tax assets	10,111,422	-	-	-
Electricity tax	-	-	-	82,348
Personal income tax	-	-	-	367,555
Social security agencies	-	-	-	570,084
Total	**10,111,422**	**7,623,030**	**-**	**1,019,987**

At the closing date of these financial statements VAT receivable is due to the modification of output VAT, which has been reduced from 21% to 10% and to 5% due to the measures implemented by the Government (see note Regulatory Framework).

Since the year beginning on January 1, 2023, Holaluz Clidom and subsidiaries (Clidom Solar S,L, Katae Energía S.L, Holaluz Generación S.L, Holaluz Rooftop Revolution S.L, Clidom Generación S.L, Clidom Energía Iberica S.L and Gestión Hidráulica Canarias, S.L) will file a consolidated income tax return, with the company Holaluz Clidom as the parent of the tax group. On December 22, 2022, the company informed the tax authorities of the formation of said tax group.

	December 31, 2022			
	Debit balances		Credit balances	
	Non-current	Current	Non-current	Current
Value added tax	-	8,398,964	-	-
Canary Islands general indirect tax	-	112,339	-	-
Current income tax assets	-	22,782	-	-
Deferred tax assets	12,116,658	-	-	-
Current income tax liabilities	-	-	-	403,202
Electricity tax	-	-	-	(89,693)
Gas tax	-	-	-	18,954
Personal income tax	-	-	-	312,824
Social security agencies	-	-	-	575,297
Total	**12,116,658**	**8,534,085**	**-**	**1,220,584**

The reconciliation of profit before tax with tax results is as follows:

	12.31.2023		12.31.2022	
	Tax accrued	**Tax payable**	**Tax accrued**	**Tax payable**
Profit/(loss) before income tax	(9,406,269)	(9,406,269)	9,661,022	9,661,022
Adjustments to profit/(loss)				
Permanent differences	(222,871)	(222,871)	2,863,769	2,863,769
Temporary differences	2,425,353	2,425,353		
Utilized tax loss carryforwards	3,601,893	3,601,893		
Tax result	**(3,601,894)**	**(3,601,894)**	**12,524,791**	**12,524,791**
Total tax liability (25% of tax result)	(900,473)	(900,473)	3,131,198	3,131,197
Deductions	(845,981)	-	(1,519,392)	(1,227,951)
Positive temporary differences (assets)	(2,210,608)	-		
Net tax payable	**(3,957,062)**	**-**	**1,611,806**	**1,903,246**
Withholdings and prepayments	-	(1,544)	-	(717,245)
Utilization of tax loss carryforwards	-	-	-	(782,799)
Income tax expense / Income tax refund	**(3,957,062)**	**(1,544)**	**1,611,806**	**403,202**

Deferred tax assets recorded

The breakdown of the balance of this account in euros is as follows:

	12.31.2023		12.31.2022	
Item	**Amount**	**Maturity**	**Amount**	**Maturity**
Tax credits related to unused tax loss carryforwards	2,202,147	-	1,330,366	-
Arisen in 2021	1,330,366	-	1,330,366	-
Arisen in 2023	871,781			
Unused deductions:				
2018-19 deduction for IT	245,929	2036	11,089	2036
2019-20 deduction for IT	384,843	2034	384,843	2034
4Q 2020 deduction for IT	100,832	2038	100,832	2038
2021 deduction for IT	1,066,153	2039	1,066,153	2039
2022 deduction for IT	1,500,142	2040	1,500,142	2040
2023 deduction for IT	791,030	2041	-	2041
2014-15 deduction for donation	729	2024	-	2024
2015-16 deduction for donation	1,925	2025	-	2025
2016-17 deduction for donation	2,275	2026	-	2026
2018-19 deduction for donation	4,350	2028	-	2028
2021 deduction for donation	24,815	2031	-	2031
2022 deduction for donation	19,250	2032	-	2032
2023 deduction for donation	54,950	2033	-	2033
Temporary differences				
2013-19 Amortization (25%)	408	2025-33	-	2025-33
Hedging transactions	1,501,036	-	7,723,233	-
Positive temporary differences (assets)	2,210,608	2033	-	-
Total	**10,111,422**		**12,116,658**	

Technological innovation deductions derive from the technological transformation project that the Company is developing (Note 5) and independent experts have certified that they meet the R&D&I requirements set forth in article 35 of Law 27/2014, of November 27, on the Income Tax.

The Company estimated the taxable profits which it expects to obtain over the next ten fiscal years (period for which it considers the estimates to be reliable) based on budgets. It also analyzed the reversal period of taxable temporary differences, identifying those that reverse in the years in which unused tax loss carryforwards may be used. Based on this analysis, the Company has recognized deferred tax assets for unused tax loss carryforwards as well as deductible temporary differences for which it is considered probable that sufficient taxable profit will be generated in the future against which they can be utilized.

On January 16, 2024, the Company submitted an amendment to model 200 tax return for the year 2022 to the tax authorities as a result of ruling 11/2024 issued on January 18, 2024 by the Constitutional Court on the Unconstitutionality Issue 2577-2023. This ruling rendered null and void the limitation on the offset of tax losses established by Royal Decree-Law 3/2016. At December 31, 2023, the estimate of the amendment requested has not been received. Consequently, following a prudence principle, the Company has not included the corresponding impact on the deferred tax assets. The impact estimated by the tax authorities is an increase in deferred tax assets related to technological innovation amounting to 440,746 euros and the full utilization of the company's tax losses for 2022 and prior years.

Years open to inspection and tax inspections

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. At December 31, 2023, the Company is open to inspection for the income tax for 2018 and subsequent years and for all other applicable taxes for 2019 and subsequent years. The Company's directors consider that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, in the event that they materialize as a result of a tax inspection, would not have a material impact on the financial statements for the year ended December 31, 2023.

20) Income and expenses

20.1 Revenue

The distribution of revenue by activity category is as follows:

Activities	12.31.2023	12.31.2022
Commercialization of electricity	256,342,767	427,473,937
Commercialization of gas	1,845,788	37,671,855
Representation of electricity	294,583,035	394,702,123
Income from installations	-	4,248,711
Total	**552,771,590**	**864,096,626**

Revenue has been generated solely in Spain.

The sales for the commercialization of electricity and gas is recorded as income when the energy is delivered to the customer based on the amounts supplied and including an estimate of unbilled energy supplied. The company operates only in the free market.

The Company discontinued the gas business in the last quarter of 2022. The sales recorded in the first weeks of 2023 correspond to bills for the termination of contracts, issued according to the reading provided by the distributor (adjustments to prior bills that were issued based on estimated consumption).

Income from representation of renewable energy producers is recorded when this energy is generated, which is notified by Red Eléctrica de España and other official agencies in their respective calculations. These are the best estimates that the company has access to.

20.2 Cost of sales

The breakdown of the "cost of sales" balance by activity developed by the Company is as follows:

Activities	12.31.2023	12.31.2022
Purchases of electricity from the market	(195,942,761)	(361,923,345)
Purchases of gas from the market	(6,668,093)	(22,324,247)
Purchases of electricity for representation	(302,772,996)	(405,203,388)
Cost of financial derivatives	5,100,132	4,835,141
Cost for installations	-	(4,248,710)
Total	**(500,283,718)**	**(788,864,549)**

All purchases are made in the Spanish market.

As a result of the termination of the gas business in the last quarter of 2022, the "purchase of gas from the market" heading does not include any gas procurement. For the year 2023 the costs amounting to 6.6 million euros include: i) credit notes issued to customers in the first weeks of 2023 when the final meter readings at the date of termination of the contract were received (adjustments to prior bills that were issued based on estimated consumption), and ii) loss from the sale of a portion of the stock accumulated at 2022 year end as it was not consumed by gas customers (Note 11).

20.3 Other operating income.

At December 31, 2023 and 2022 the breakdown of "Ancillary income" is as follows:

Other operating income	12.31.2023	12.31.2022
Rendering of services to group companies	17,108,298	9,461,310
Income from services to personnel	88,644	150,774
Grants, donations and bequests received	11,674	-
Total	**17,208,616**	**9,612,084**

The increase in the "Rendering of services to group companies" heading corresponds to the re-invoicing of personnel expenses to the company Clidom Solar, S.L., which amounts to 15.7 million euros at December 31, 2023.

20.4 Employee benefits expense

The breakdown of this heading in the financial statements at December 31, 2023 is as follows:

	12.31.2023	12.31.2022
Wages and salaries	20,636,886	16,871,045
Social Security paid by the company	5,838,763	4,574,656
Termination benefits	946,108	2,641
Other employee welfare expenses	237,535	315,705
Total	**27,659,292**	**21,764,047**

On December 28, 2023, Holaluz Clidom reached an agreement with trade unions on a collective dismissal of up to 86 employees due to economic reasons, generating an indemnity of 838 thousand euros.

20.5 External services

The breakdown of this heading in the financial statements at December 31, 2023 is as follows:

	12.31.2023	12.31.2022
Leases (*)	716,952	516,789
Repairs and maintenance	5,950	1,650,629
Independent professional services	5,257,816	14,976,906
Transportation services	52,601	-
Insurance premiums	734,896	454,730
Bank services	1,014,605	888,465
Publicity, advertising and public relations	19,456,930	18,115,667
Utilities	216,254	1,840,277
Other services	6,856,297	2,373,819
Total	**34,312,301**	**40,817,282**

(*) note 7.1 (leases)

At December 31, 2023, the "Publicity, advertising and public relations" heading includes 18.4 million euros corresponding to customer acquisition costs (14.5 million euros at December 31, 2022).

20.6 Depreciation and amortization

The breakdown of this heading in the financial statements at December 31, 2023 is as follows:

	12.31.2023	12.31.2022
Property, plant and equipment	328,575	250,832
Intangible assets	7,140,220	5,547,707
Total	**7,468,795**	**5,798,539**

20.7 Other gains and losses

The breakdown of this heading in the financial statements at December 31, 2023 is as follows:

	12.31.2023	12.31.2022
Non-recurring expenses	753,955	330,940
(Non-recurring income)	(379,774)	(144,472)
Total	**374,181**	**186,468**

The increase is mainly due to a VAT adjustment as a result of the filing of supplementary tax returns in December 2022.

20.8 Finance costs

The breakdown of this heading in the financial statements at December 31, 2023 is as follows:

	12.31.2023	12.31.2022
Interest on payables	3,972,332	1,821,722
Interest on discounted bills at other financial institutions	154,399	15,686
Other finance costs	114,609	286,858
Total	**4,241,340**	**2,124,266**

The increase in finance costs is mainly due to the costs from the financing obtained in the Green Commercial Paper Notes Program on MARF, started in November 2022 and renewed in October 2023, and to the effect of the rise in EURIBOR in 2023 (Note 15.2).

21) Information on environmental issues

The Company's activity and property, plant, and equipment do not fall within the scope of application of the European regulations on CO2 emissions. Thus, the Company has no provisions for environmental risks and expenses since it considers that no risks exist for this matter.

Consequently, there have been no environmental investments during the period comprised between January 1, 2023 and December 31, 2023.

22) Related-party transactions

Company transactions with related parties from December 31, 2022 to December 31, 2023, as well as the nature of the relationship, were as follows:

Related Party	Nature of the relationship
Carlota Pi Amorós	Shareholder and Director
Ferran Nogué Collgròs	Shareholder and Director
Oriol Vila Grifoll	Shareholder and Director
Carles Leg Clos	Shareholder
Fondo Axon ICT III, FCR de Rég. Simplificado	Shareholder
Axon Capital e Inversiones	Shareholder and Director
Geroa Pentsioak	Shareholder and Director
Clidomer Unipessoal	Group company
MDR Inversiones, S.L.	Shareholder
Mediavideo B.V	Shareholder
Abacon Invest GmbH	Shareholder
Pelion Green Future Alpha GMBH	Shareholder
Clidom Solar, SL	Group company
Clidom France SARL	Group company
Clidom Italia SRL	Group company
Holaluz Generación, SL	Group company
Clidom Generación, SL	Group company
Holaluz Rooftop Revolution, SL	Group company
Katae Energy, SL	Group company
Gestión Hidráulica Canarias, SL	Group company
Clidom Energía Ibérica, SL	Group company

22.1 Related entities

The breakdown of balances with related entities and group companies at December 31, 2023 and December 31, 2022 is as follows:

	December 31, 2023									
	CLIDOMER	**CL. SOLAR**	**KATAE**	**CL. ITALIA**	**CL. FRANCE**	**HL GENERAC.**	**ROOFTOP REVOL.**	**GHC**	**CL. ENERGÍA IBÉRICA**	**TOTAL**
Non-current loans to group companies	-	36,825,000	-	35,000	20,000	30,000	7,756,623	-	-	44,666,623
Current loans to group companies	-	907,516	652,538	-	1,063	-	-	-	-	1,561,117
Trade receivables from group companies and associates	2,561,214	22,288,462	-	-	-	-	-	400	-	24,850,076
Current payables to group companies and associates	-	(4,022,473)	(83,402)	-	-	(1,101,533)	(583,836)	-	(2,761,429)	(8,552,673)
Suppliers, group companies	(3,019,091)	(2,754,674)	-	-	-	-	-	-	-	(5,773,765)
Total	**(457,877)**	**53,243,831**	**569,136**	**35,000**	**21,063**	**(1,071,533)**	**7,172,787**	**400**	**(2,761,429)**	**56,751,378**

	December 31, 2022								
	CLIDOMER	**CL. SOLAR**	**CL. ITALIA**	**CL. FRANCE**	**HL GENERAC.**	**ROOFTOP REVOL.**	**GHC**	**CL. ENERGÍA IBÉRICA**	**TOTAL**
Non-current loans to group companies	-	17,825,000	35,000	20,000	30,000	7,786,196	-	-	25,696,196
Trade receivables from group companies and associates	-	12,306,528	-	-	-	-	400	-	12,306,928
Current payables to group companies and associates	-	(87,424)	-	-	(503,410)	(92,772)	-	(2,296,233)	(2,979,839)
Suppliers, group companies	(337,179)	(350,471)	-	-	-	-	-	-	(687,650)
Total	**(337,179)**	**29,693,633**	**35,000**	**20,000**	**(473,410)**	**7,693,424**	**400**	**(2,296,233)**	**34,335,635**

At December 31, 2023 and December 31, 2022, transactions with group companies are as follows and are included under “Other operating income” in the income statement:

	12.31.2023	**12.31.2022**
Clidomer	300,000	200,000
Clidom Solar	16,819,971	9,261,311
Total	**17,119,971**	**9,461,311**

The “Other operating expenses” heading in the income statements includes the following amounts:

	12.31.2023	**12.31.2022**
Clidomer	120,000	100,000
Clidom Solar	118,791	163,622
Total	**238,791**	**263,622**

Transactions correspond to income and expenses from management fees and the re-billing of personnel expenses. All transactions have been carried out on an arm's length basis.

At December 31, 2023 and 2022, transactions with group companies corresponding to interest on participation loans granted by the company to its subsidiaries, included in "Finance income from group companies" in the income statement are as follows:

	12.31.2023	12.31.2022
Clidomer France	1,063	400
Clidomer	-	2,250
Clidom Solar	916,937	129,562
Total	**918,000**	**132,212**

22.2 Directors and senior executives

The remuneration earned by the members of the Board of Directors at December 31, 2023 amount to 954.3 thousand euros (902.8 thousand euros at December 31, 2022). Senior executive duties are carried out by the members of the Board of Directors.

At December 31, 2023 and 2022 the Company had no pension plans or life insurance policies for former or current members of the Board of Directors.

At December 31, 2023 and 2022, no advances or loans had been given to the members of senior management or the Board of Directors, nor had any guarantees been given on their behalf.

At December 31, 2023, director liability insurance premiums for damages arising in the performance of director duties have been paid for an amount of 19 thousand euros (17 thousand euros at December 31, 2022).

For the purposes of article 229 of the Corporate Enterprises Act, the Directors have expressly stated that there are no situations representing a conflict of interest for the Company.

23) Other information

The total headcount by categories, and the breakdown of headcount by gender at year end, is as follows:

Headcount at December 31, 2023:

December 31, 2023				
		Headcount		
Professional Category	**Number of employees**	**Men**	**Women**	**Disabled employees >33%**
Management team	15	10	5	-
Middle managers and qualified technicians	143	86	57	1
Operations, sales and administrative staff	193	77	116	6
Total	**351**	**173**	**178**	**7**

Average headcount from January 1, 2023 to December 31, 2023:

December 31, 2023				
		Headcount		
Professional Category	Average headcount	Men	Women	Disabled employees >33%
Management team	37	24	14	-
Middle managers and qualified technicians	234	120	114	2
Operations, sales and administrative staff	165	69	97	4
Total	**436**	**212**	**224**	**6**

Headcount at December 31, 2022:

December 31, 2022				
		Headcount		
Professional Category	Number of employees	Men	Women	Disabled employees >33%
Management team	59	37	22	-
Middle managers and qualified technicians	324	153	171	3
Operations, sales and administrative staff	137	60	77	2
Total	**520**	**250**	**270**	**5**

Average headcount from January 1, 2022 to December 31, 2022:

December 31, 2022				
		Headcount		
Professional Category	Average headcount	Men	Women	Disabled employees >33%
Management team	40	24	16	-
Middle managers and qualified technicians	248	126	122	3
Operations, sales and administrative staff	121	48	74	2
Total	**408**	**197**	**211**	**5**

Since May 2018, the Company has complied with the Disability Act (formerly Social Integration for Disabled People Act) whereby at least 2% of the Company's staff has to include people with a disability equal to or greater than 33%, as its average headcount is higher than 50 employees.

The fees received during the year for services provided by the Company's auditor of the separate and consolidated financial statements are as follows:

	2023	2022
Audit services	100,000	90,000
Other services provided by the auditor required by applicable regulations	30,000	25,000
Other services	13,000	-
	143,000	**115,000**

In addition, the fees received during the year for services provided by other firms belonging to the auditor's international network are as follows:

	2023	2022
Other services	220,500	-
	220,500	**-**

23) Subsequent events

If and only if the financing described in Note 2.b. does not materialize, the Board of Directors of the Company has agreed to file for pre-insolvency proceedings as an ancillary measure.

On January 16, 2024, the Company submitted an amendment to model 200 tax return for the year 2022 to the tax authorities as a result of ruling 11/2024 issued on January 18, 2024, by the Constitutional Court on the Unconstitutionality Issue 2577-2023. This ruling rendered null and void the limitation on the offset of tax losses established by Royal Decree-Law 3/2016. At December 31, 2023, the estimate of the amendment requested has not been received. Consequently, following a prudence principle, the Company has not included the corresponding impact on the deferred tax assets. The impact estimated by the tax authorities is quantified in the tax note.

Management Report

(translation of the management report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

HOLALUZ - CLIDOM, S.A.

Management Report for the year ended December 31, 2023

BUSINESS PERFORMANCE AND COMPANY PERFORMANCE

Holaluz defines itself as an energy transition company that transforms square meters of rooftops into renewable energy production, **connecting people to green energy**. Since 2010, Holaluz has pursued the goal of decarbonising the economy and **achieving a planet powered 100% by renewable energy**.

The company proposes a structural change: **transforming the current polluting model of centralized energy generation into an ecosystem of clean energy**, decarbonized, democratized, and accessible **thanks to the energy distributed through the Rooftop Revolution**.

We aim to **transform residential rooftops into green energy generators and connect them to nearby customers' homes** through an advanced technology platform using the proximity network. All of this accentuates the company's positive impact while at the same time democratizing accessible local green energy.

This ecosystem of producers and consumers of decentralized renewable electricity benefits everyone: customers, the environment, and the electricity system. Customers can benefit from better rates while simultaneously generating and consuming 100% green electricity, while reducing the need for investment in transmission and distribution networks and minimizing system losses by requiring fewer large-scale centralized production assets.

To date, **Holaluz consolidated its position as a leading energy transition company in Europe**, transforming **over 14,500 rooftops** in Spain into green energy producers and consolidating a portfolio of **over 325,000 contracts** (this figure includes electricity contracts, solar surpluses management contracts, and maintenance contracts). We also have the **highest level of solar customer satisfaction, with a rating of 8.3/10 and a 4-star rating (4/5) on Trustpilot**.

Ultimately, this all adds up to a **holistic approach and vision of energy management, consolidating Holaluz as a key stakeholder in the energy transition**.

The company operates in Spain and holds operating licenses in a number of other countries including Portugal. Most of the company's suppliers of renewable electricity have their origin in Spain.

An impactful business model and a unique value proposition: the path to distributed energy generation

Climate change presents the greatest challenge that we face today. Distributed generation makes it possible to decarbonize all energy consumption in the Spanish, and other European countries' residential sector by solving its five main challenges:

1. Replacing fossil fuels with renewable energy production sources: Distributed generation enables the **swift** integration of **renewable energy sources**, leveraging the potential of Spain's **10 million residential rooftops** (INE, 2023)[1]. **Distributed generation** is poised to become **the leading source of renewable energy in the EU**, with significant potential for growth in the coming years (IEA, 2023)[2].
2. Electrification of growing energy demand: The IEA predicts that electricity demand will triple by 2050[3]. Distributed generation facilitates the **renewable electrification** of all energy consumption vectors: fossil fuel-generated electricity, petrol, and natural gas. This enables millions of families to **significantly reduce their energy bills**.
3. A greater need for flexible operations in a 100% renewable energy-powered system: Distributed generation offers system **flexibility** by **coordinating a set of Distributed Energy Resources** (DERs), such as batteries, electric cars, or heat pumps in a Virtual Power Plant (VPP). The cost of storage systems will decrease due to the emergence of new technologies that will reduce costs and increase penetration in the coming years.
4. Designing the power grid to accommodate the new energy model: Distributed generation requires **less investment in transportation and distribution networks** compared to a centralized model, as it **reduces extra charges for domestic customers by 18%** due to losses in the electricity transport system (CNMC, 2020)[4] and because energy is produced in the area where it will be consumed.
5. Respecting the environment and benefiting society: Distributed generation **minimizes its impact on the environment** by utilizing **existing rooftops for systems installation**.

[1] Holaluz's own calculation based on INE's data (consulted in April 2023).

[2] Renewable Energy Market Update. International Energy Agency, 2023. https://iea.blob.core.windows.net/assets/63c14514-6833-4cd8-ac53-f9918c2e4cd9/RenewableEnergyMarketUpdate_June2023.pdf

[3] Net Zero by 2050 - A Roadmap for the Global Energy Sector https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[4] Circular 3/2020, of 15 January, of the National Securities Market Commission, establishing the methodology for the calculation of transport and electricity distribution fees.

Holaluz's distributed generation model aims to maximize the potential of every rooftop, as **we progress from an expensive, pollutant, centralized oligopoly** with low consumer participation to a decentralized, decarbonized, democratized, and affordable **clean energy network**.

With this proposal, Holaluz offers:

- Savings: **Maximum savings** (savings of more than 70% for over 75% of customers) by maximizing the potential of rooftops through remote energy management of flexible assets like batteries, EV chargers, and heat pumps.
- Subscription model: Holaluz is the only company to **guarantee savings** to customers after the installation of solar panels through a fixed monthly subscription model ('Tarifa Justa') thanks to the intensive use of technology and data.
- Comprehensive relationship with the customer: We manage the installation process from start to finish, delivering solar installations in less than 45 days for most customers. The installation is constantly supervised thanks to a **technological platform and maintenance product** to ensure the maximization of its production.
- Sustainability: Guarantee that our electricity is **100% renewable**, supplied by both local customers and independent generators through Power Purchase Agreements (PPAs).

The green electricity subscription model: 'Tarifa Justa'

In 2023, Holaluz completed the transition of its electricity portfolio to the 'Tarifa Justa' product, a decision that has proven highly beneficial for both customers and the company. The 'Tarifa Justa', a **fixed monthly rate**, simplifies billing and reduces the volatility of monthly costs for customers. Holaluz was the first Spanish electricity company to introduce this green electricity flat pricing system.

Its key principles are i) **customization** (the customer pays a rate which is adjusted to their own consumption needs); ii) **protection** (The same amount is paid each month thanks to the price of electricity and surpluses being shielded for 12 months); and iii) **simplicity** (Holaluz assumes responsibility for everything, monitoring consumption thanks to the company's advanced data management).

The 'Tarifa Justa' offers the customer a uniquely valuable proposition: i) **annual monthly quota** (at the end of the year, the new quota is calculated based on consumption); ii) **the balance of the quota at the end of the year refundable only to the customer** (if the customer pays more than they consume, Holaluz refunds the difference); and iii) ***on/off*** (the rate can be "disabled" if the customer is not at home).

This change has seen **multiple benefits**: i) **improved customer experience** (giving predictability and simplicity from the 'Tarifa Justa'); ii) significant **operating efficiency** (reduction of call center costs by 58% year on year by minimizing customer contact needs given the simplicity of billing); iii) **improvements to the churn rate and reduction of non-payment** attributable to better customer satisfaction.

Due to Holaluz's unique value proposition of combining Energy Management with Solar, Holaluz can offer the 'Tarifa Justa' product not only to our electricity customer portfolio but also to solar customers. That means that solar panel owners can calculate the fixed monthly savings of their installation.

Technology and data

Thanks to the combination of data and Artificial Intelligence algorithms, value can be created for new and existing customers, generating additional revenue and maximizing commercial efficiency. In 2023, the **Data area was consolidated within the company**, with a special focus on the following areas: i) **sales and marketing** (clustering techniques for classification of customers by geographic areas, identifying bottlenecks, etc.); ii) **commercial margin control** (detection of patterns of energy consumption significantly above or below those envisaged) and (iii) **operations** (detection of the highest impact incidents to take corrective actions at all level and improve customer satisfaction).

The disruptive energy model sought by Holaluz in its vision and mission as a company is achieved with an excellent technology team, developing and consolidating various tech projects with an impact on Holaluz and the sector. These include the roll-out of the **first cloud control center in Spain** (together with Amazon Web Services and Green Eagle Solutions) to help the system operator Red Eléctrica balance generation, supply, and demand in real-time for greater integration of renewables while at the same time guaranteeing the supply of electricity through better management of resources, better quality response and greater scalability).

Another important project is the development of the first **Virtual Power Plant** in Spain, consisting of a network of thousands of batteries, electric vehicle charging stations, and heat pumps linked to residential solar installations across Spain; to provide flexibility to the electricity system, optimize the energy consumption of the linked homes and provide 100% renewable energy to the system at night when fossil energy sources have a greater share.

The business is also continuously developing its **Solar App**, a mobile application that unifies the customer experience from the installation to the management of solar production.

Other projects include the **Data Platform** (improving the data management layer of the company's customers) and **Holaluz Wireless** (management of the solar surplus of second homes to compensate for consumptions of the principal residence where there is no option for photovoltaic installation).

ESG commitment and strategy

Holaluz was born with ESG in its DNA. ESG activity takes the form of effective management of the company's different forms of capital (human, operational, intellectual, environmental, relationship, and financial); and a strategy that's focused on people (customers and society), helping tackle the most critical social and environmental challenges faced by the planet.

Holaluz was again recognised as the **number 1 ESG company in the Independent Energy Producers category** by **Sustainalytics in 2023**. This recognition comes on top of the Gold Medal granted by EcoVadis in 2023 for its performance in sustainability. Holaluz was also the first European electricity company to join the **B Corp movement in 2018.**

The DNA of Holaluz is ESG, which translates into a total commitment to promoting transparency, accountability, and business ethics. In this regard, one of this year's strategic projects is to advance in the measuring of non-financial indicators that allow us to improve transparency and maximize the positive impact.

The strength of the team at Holaluz

To create a 100% renewable planet, we must be able to rely on a team that identifies with this purpose and is committed to that work. That's why, conscious of the fact that **companies are the sum of their people**, Holaluz offers an environment that allows people to grow holistically so they can give the very best of themselves, in an ecosystem that provides: i) autonomous and flexible work; ii) equality and empowerment of women; iii) work life and family balance; iv) a qualified, diverse inclusive and committed team; v) a project and result-oriented approach; and iv) health and wellness promotion.

In addition to the traditional functional structure, the company is committed to **transversal and multidisciplinary teams** working with **OKRs** (Objectives and Key Results) dedicated to reaching goals that affect the entire business.

As well as offering a workplace where teams feel respected and recognised, Holaluz has a People Policy that seeks to attract and retain the best talent thanks to our culture (continued motivation and desire to achieve landmarks) and ensure objectives as a team.

As of 31 December 2023, the workforce of all group companies amounted to 463 employees (752 in Dec'22); an inclusive, equal, and diverse team, affected by the collective redundancy process (ERE) completed in December 2023 especially touching technology, data and operations teams in Holaluz and delivery and solar experts in Clidom Solar and Katae Energía with a total of 169 layoffs.

Since May 2018 the Company has complied with the Disability Act (formerly Social Integration for Disabled People Act) whereby at least 2% of the Company's staff includes people with a disability of 33% or more. Additionally, the Company complies with equality and non-discrimination regulations.

This **Management Report** includes as an annex the Integrated Report for the fiscal year ending on 31 December 2023.

Summary of the income statement

The parent company Holaluz-Clidom, SA **accomplishes the Normalized EBITDA**[5] **guidance closing 2023** reaching 28.4M€ (32.2 M€ in Dec'22) with a turnover amounting 552.8 M€ (864.1 M in Dec '22). These numbers are materially lower year-on-year due to the weaker market backdrop attributable to industry and economic headwinds, as detailed below. However, significant progress was made in reducing operating costs against the difficult trade backdrop, with a 28% reduction to 25.7 M€ as a result of concerted actions including headcount reduction and efficiencies.

€m	31.12.23	31.12.22	% variation
Sales	**552.8**	**864.1**	**-36%**
Energy Management	552.8	859.8	-36%
Solar	0.0	4.2	-
Gross Profit	**52.5**	**75.2**	**-30%**
Normalized Op. Costs[6]	**-25.7**	**-35.6**	**28%**

[5]Normalization of EBITDA derives from the accounting change introduced by the Resolution dated February 10, 2021 issued by the Spanish Accounting and Audit Institute (ICAC) enacting the regulations for recognising, measuring and preparing financial statements for the recognition of revenue from the delivery of goods and rendering of services. The said resolution provides that incremental costs of obtaining a contract shall be recorded as Short-/Long-term Periodifications in the assets side of the consolidated balance sheet and under Other operating expenses in the consolidated income statement. That is, customer acquisition costs are no longer amortized, but the portion corresponding to the year is taken to the income statement (to advertising and publicity) and the rest is accrued in the balance sheet. This criterion has been adopted as from January 1, 2021, amending the comparative figures in both the balance sheet and the income statement. The impact of ICAC's resolution on the calculation of EBITDA amounts to 14.5 million euros at December 31, 2023 and 14.5 million euros at December 31, 2022. Normali<ed EBITDA has been calculated by reclassifying 14.5 million euros related to OPEX to Depreciation and Amortisation, following the criterion applied in prior years and prior ICAC's resolution.

Extraordinarily for year 2023, the Normalized EBITDA does not include: i) the extraordinary 4.8 M€ loss related to the gas not consumed in 2022-23 winter due to the decommissioning of the Gas Business in Q4 '22. The gas was sold in 2023 at a lower price with respect its acquisition cost; ii) the ERE cost amounting 1.0 M€ (severances paid to the people made redundant at the end of the year + legal costs related); iii) 2.5M€ of extraordinary cost coming from a contractual dispute with a PPA in Portugal; and iv) other minor concepts amounting 0.2 M€.

[6]As EBITDA, normalized operating expenses do not include accruals (previously amortization of customer acquisition costs. They do not include the "Other income" heading. Normalized operating expenses have been calculated based on Other operating expenses amounting to 44.9 M€ (50.2 M€ in Dec'22) and reclassifying 18.4 M€ related to OPEX to Depreciation and Amortisation, following the criterion applied in prior years and prior ICAC's resolution (14.5 M€ in 2022). Extraordinarily for 2023, in this calculation there are also 0.9 M€ of legal costs coming from ERE and the debt raising processes the Company is involved in.

Normalized EBITDA[7]	**28.4**	**32.2**	**-12%**
EBITDA	**1.5**	**17.7**	**-92%**

Sales

The company's turnover for FY2023 amounts 552.8 M€ (864.1 M€ in FY2022).

Revenue for the energy *management* business was 552.8 M€ (864.1 M€ in FY 2022; 36% decrease). This revenue decrease is essentially explained by the decrease in average electricity prices (decreasing from an annual average of 204 €/MWh for 2022 to 99,5 €/MWh for 2023).

Revenues (€m)	FY 2023	FY 2022	% change FY
Energy management	552.8	864.1	-36%
Electricity & Gas	258.2	465.1	-41%
RtM	294.6	394.7	-21%
Solar		4.2	-

The **electricity commercialization activity** reached 46% (49% in 2022) of the total company's turnover (258.2 M€), which is 40% lower than the previous year (465.1 M€) due to the **lower prices environment** (with a direct impact coming from indexed products billings, representing on average 24% of the annual turnover in euros for 2023, a 35% in terms of the energy billed-consumed, and only 5% of the customers' portfolio of clients) and a 30% per capita consumption decrease in the first quarter of the year, when 'Tarifa Justa' migration project was not executed yet.

'Tarifa Justa' migration started in March 2023 and was completed in May 2023. This very significant change in the customers' portfolio (up to 70% of domestic clients), significantly reduces the seasonality of income, flattening the income throughout the year (as well as billings and cash flows). The number of contracts at year-end was more than 325.000 (2022: ~300.000).

More than 95% of Holaluz portfolio is domestic; the rest are SMEs with domestic behavior. The portfolio is very atomized, with an average monthly ticket of 80-100 €/month. Holaluz

[7] Same footnote comments #5. There is a reconciliation table between ordinary EBITDA and Normalized EBITDA in page 12 of this Management Report.

issues monthly invoices the first working days of the following month. In case of default, a very strict process starts following the Real Decreto 897/2017 of 7th October, which regulates the criteria to be applied in case of cutting electricity supply.

FY2023 turnover does not include any contribution from gas sales (following the strategic decision to close the business in Q4'22). This strategic decision saved **Holaluz customers more than 10 M€ only for Q1 '23**.

The lower prices environment in 2023 has yielded a 25% reduction in **route-to-market turnover**, reaching a total amount of 294.6 M€ (394.7 M€ in 2022). Due to in 2023, there is no income coming from gas (business decommissioned in 4Q '22), the representation activities become percentually more relevant, with 53% of total sales (46% in 2022). Notwithstanding this reduction in turnover, the energy represented has increased 51%, reaching 5.4 GWh (3.6 GWh in 2022).

While Holaluz does derive a profit from the **route-to-market business**, it does allow the Company to compensate its selling position (as a representative agent) and buying position (as a supplier) in OMIE, the nominated electricity market operator for the Iberian Peninsula. Therefore, the final amount to be paid weekly in OMIE is the net resulting amount. The purpose of Holaluz is to reach a balance between buying and selling positions to reduce to a minimum the guarantees to be given in OMIE. This activity is also interesting for working capital management purposes, which is essential in an environment in which power marketers must pay their energy purchases weekly and do not get paid from their customers until the following month. The large representation contracts that have been concluded in the last 2-3 years have allowed the Group to increase the amount of energy represented in the market up to 5.4 GWh at December 31, 20223 (3.6 GWh in 2022).

As energy markets are integrating until reaching the European Energy Union, positioning in the several European markets and integration has been key to companies. In the first place, Holaluz has focused on Portugal, a market that is already integrated with the Spanish market through OMIE. For that purpose, the subsidiary Clidomer was incorporated in 2018. This is a company wholly owned by the Parent Company Holaluz-Clidom, SA, whose representation activity started in July 2018. The Portuguese subsidiary, focused exclusively on the representation business and PPAs, shows revenue of 36.8 M€ (26.0 M€ in 2022). Such increase is explained by the incorporation of new route-to-market contracts in 2023.

OMIE is the electricity market operator in the Iberian Peninsula where almost all energy purchase and sale transactions are closed. It is a physical market where energy that is actually going to be produced by the generators and consumed by the customers is purchased and sold. Electricity cannot be stored. Therefore, 24 auctions are held every day. The matching price (purchase – sale) varies hour by hour and, consequently, it is

indispensable that gross profit is guaranteed by means of financial futures contracts and power purchase agreements (PPAs). These futures transactions to ensure gross profit are necessary because the selling price to the customer is fixed over 12 months, whereas the price of energy in OMIE is highly variable. Thus, through financial derivatives (mainly futures and forwards to which the PPAs explained below have been added) and physical PPAs Holaluz can cover price fluctuations in the energy market.

Solar Sales caption corresponds to the financed installations to clients through the subsidiary Rooftop Revolution, SL (100% owned by Holaluz-Clidom, SA) in a 15-year loan. The loan return (fixed monthly installment including capital + interests) is compensated with a fixed saving fee coming from the surpluses generated by the solar site, which are purchased by Holaluz. At the end of the 15-year period, the savings for the client can be more than 60% with respect to the current's electricity bill. These loans were issued as a proof of concept to raise an SPV[8]. Holaluz has no intention to lend additional loans if the SPV is not executed. As a result, there is no income for this concept in 2023.

Gross Profit

Holaluz aims to sell green energy with a margin to paying customers. In a context of high volatility in energy prices in the electricity market (OMIE), stable costs in energy sales are achieved through a fine hedging strategy that guarantees gross profit and, consequently, business profitability. The Company closes futures deals in Spanish (OMIP and MEFF) and international (EEX) financial energy markets, PPAs (both physical and financial) and OTCs deals (Over the Counter) to hedge the energy purchased for its customers and thus cover the risk of fluctuations in prices and the corresponding impact on gross profit.

Gross profit for FY2023 amounted to 52.5 M€ (75.2 M€ in 2022, of which 15.3 M€ came from the gas business, decommissioned in Q4 '22). Isolating gas impact in 2022, in 2023 gross profit is practically the same as 2022 (57.3M€ in 2023 vs 59.8 M€ in 2022), representing 10.4% over sales (without gas) and 7.2% for 2022.

The gross margin of the electricity commercialization business is 26% (16% in 2022), excluding the gas business. This gross margin represents the **record gross margin** of the electricity commercialization business for Holaluz.

[8] Holaluz, through its subsidiary Clidom Solar, installs solar panels for rooftop owners and manages their energy production, offering in exchange a monthly fixed discount in their electricity bill as from the first month. The sales margin of the installations funded through the subsidiary Rooftop Revolution, SL is reflected in the subsidiary Clidom Solar, SL (wholly owned by the parent) and in the consolidated financial statements. The parent Holaluz-Clidom, SA acts solely as an agent for collecting the loan installment, included in the monthly electricity bill, which also includes the fixed portion of surplus savings. The proceeds from this loan installment is subsequently transferred to the subsidiary Rooftop Revolution, SL as the holder of the loans.

Energy demand in Spain decreased by 30% per capita during the first quarter of 2023 due to a very warm winter, which impacted gross profit generation from our non-" Tarifa Justa" customers, alongside the extraordinary one-off 4.8 M€ loss coming from the sale of the gas not consumed in winter 2022-23 (as the gas commercialization line was discontinued in Q4 '22). The situation was very quickly reversed as Holaluz decided to transfer 70%+ of the domestic customer portfolio to the "Tarifa Justa" product starting in March 2023.

Gross Profit recovered already in the second quarter of 2023 and has presented very profitable results since then.

Normalized Operating Costs, EBITDA and Normalized EBITDA

Personnel expenses experience a 27% increase in 2023 with respect to previous year, moving from 21.8 M€ to 27.7M€, of which 15.4M€ have been billed to the subsidiary Clidom Solar (9.2 M€ in 2022) and 0.8 M€ correspond to ERE severances costs (process closed at the end of December 2023). This extraordinary severance cost has not been included in the Normalized EBITDA calculation, as it is considered a one-off event out of the ordinary activity of the company. At the end of the year, there were 351 employees (531 in Dec '22). The personnel structure reduction is mainly explained by the ERE effect, 86 people we made redundant with a 0.8 M€ in severances. It must be noted that thanks to the 'Tarifa Justa' migration **there has been a 20% y-o-y saving in direct personnel costs in back-office** teams as long as day-to-day activities were simplified and minimized (i.e. the billings process).

Normalized operating costs[9] amount 25.7 M€ (35.6 M€ in 2022), -28% y-o-y. 'Tarifa Justa' migration generated a **significant reduction in direct operating costs**, especially in external call-centers (with a 59% y-o-y saving, thanks to clients paying flat monthly fees and no need to call Holaluz for any issue). Additionally, there have been savings in technology and marketing, and brand investment is minimum.

Next table shows the normalized operating costs reconciliation for 2023 and 2022:

€m	2023	2022
Operating costs (acc. / CCAA)	**44.9**	**50.2**

[9] Same footnote comments #6. There is a reconciliation table between operating costs and normalized operating costs in page 12 of this Management Report.

CAC	14.5	14.5
ERE (legal costs)	0.2	
Fund & Debt raising (legal costs)	0.7	
Normalized Operating Costs	**25.7**	**35.6**

Note: acc / CCAA refers to the Operating Costs according to Annual Accounts: i.e. Statutory Accounts.

The company's approach in reaching operating excellence overcame bad results from the first quarter of 2023 and reached a **normalized EBITDA by year end amounting to 28.4 M€** (32.2 M€ in 2022), with a **record profitability units per client**. Cost reductions at all levels (COGS, direct costs, marketing, CAC and OPEX) is directly impacting the company's profitability.

The next table reconciles the EBITDA according to annual accounts and the normalized EBITDA for years 2023 and 2022:

€m	2023	2022
EBITDA (acc./ CCAA)	**1.4**	**17.7**
CAC	18.4	14.5
Gas extraordinary loss	4.8	
ERE (severances + legal costs)	1.0	
PPA (contractual dispute)	2,5	
Other	0.2	
Normalized EBITDA	**28.4**	**32.2**

Note: acc / CCAA refers to the EBITDA according to Annual Accounts: i.e. Statutory Accounts.

In 2023 there have been several particular issues out of the ordinary activity of the company, which have not been considered when calculating the Normalized EBITDA, due to they are not recurrent costs and will affect comparable figures vs previous and following years. The only periodical adjustment kept vs 2022 is CAC[10]. The other adjustments are:

- Extraordinary loss in gas: 4.8 M€. It refers to the gas not consumed by our customers in winter 2022-23 due to the decommissioning of the business in Q4'22. This one-off loss arises as the sale of this gas stock was made at a lower price with respect to the acquisition costs.

[10] Same comment as footnote #5.

- ERE: 1.0 M€, including 0.8 M€ in severances and 0.2 M€ in associated legal costs. The process was closed in December, 86 people were made redundant.
- PPA: 2.5 M€. Amount in dispute with a Portuguese producer with regards a PPA contract.
- Other: 0.2 M€.

The company's net result is a 5.5 M€ loss fully explained by the bad first quarter of the year. In the following table we present the profit and loss account for 2023 divided per semester, showing a clear turnaround towards the operational excellence reached since the second quarter of the year not only thanks to 'Tarifa Justa' migration but also with additional savings coming from all cost's lines. In the second half of the year the gross profit improved by 27% and normalized operating costs decreased by 29% with a direct impact on **normalized EBITDA, which showed a significant 82% improvement**. In terms of **ordinary EBITDA, the second half of the year turns negative results from the first semester into an impressive 3.9 M€ figure**, to close the whole year accumulating 1.4 M€.

Throughout the margin and cost optimization efforts performed throughout 2023, Holaluz has reached a much more efficient cost structure which has enabled the company to achieve **41.1M€ of Normalized EBITDA** and **18.6M€ for the ordinary EBITDA** in the **last twelve months** (LTM) from April-23 to March-24, as presented in the chapter named "COMPANY'S OUTLOOK".

With this focus on unit economics and the optimization of its cost structure Holaluz is very well positioned to continue its Normalized and ordinary EBITDA generation path.

€m	H1 2023	H1 2023	TOTAL 2023	% var H2 vs H1 2023
Sales	**294.6**	**258.1**	**552.8**	**-12%**
Gross Profit	**23.1**	**29.4**	**52.5**	**27%**
Normalized Operating Costs[11]	**-15.0**	**-10.7**	**-25.7**	**29%**
Normalized EBITDA[12]	**10.1**	**18.3**	**28.4**	**82%**
EBITDA	**-2.5**	**3.9**	**1.4**	**-**
Net Result	**-6.2**	**0.8**	**-5.4**	**113%**

Balance Sheet

[11] Same footnote comments #6. There is a reconciliation table between operating costs and normalized operating costs in page 12 of this Management Report.

[12] Same footnote comments #5. There is a reconciliation table between EBITDA and Normalized EBITDA in page 12 of this Management Report.

Holaluz uses PPAs to buy a portion of the energy that it sells to its customers. At year- end, the Company and the Portuguese subsidiary Clidomer have signed a total of 46 PPAs (purchase of energy from renewable energy producers) for the physical delivery of energy at a fixed price at the beginning of the agreement and for a determined period of time ranging between 1 and 10 years. These contracts, due to their nature (physical energy delivery), are not considered hedging derivative contracts. Consequently, they are not reflected in the balance sheet. However, the Directors consider that they must be considered in order to analyze the perspective and understand the Company's financial position as a whole.

The fair value of these contracts considering the MtM, that is, considering the amount of energy to be delivered, the period and the expected price, amounts to 1.0 M€ (93 M€ at Dec, 31st 2022), of which 5.2 M€ are expected to materialize during 2024 and the rest, -4.1 M€, from 2025 onwards.

Consequently, in order to show the cash flows, assets and obligations for next year the directors have decided to present the Company's balance sheet that would result from giving rise to the aforementioned PPAs (unrealised assets) as well as the related potential tax effect at December 31, 2023 and 2022 (for comparative purposes):

Assets[13]

	(normalized)		(acc/ PGC)	
€m	**31.12.23**	**31.12.22**	**31.12.23**	**31.12.22**
NON-CURRENT ASSETS	**98.4**	**130.0**	**98.4**	**90.4**
Intangible assets	22.5	22.8	22.5	22.8
Property, plant and equipment	1.2	1.4	1.2	1.4
Group financial investments	54.3	30.7	54.3	30.7
Financial investments	1.4	44.6	1.4	5.0
Deferred tax assets	10.1	12.1	10.1	12.1
Long-term Periodification	9.0	18.4	11.4	18.4
CURRENT ASSETS	**116.7**	**237.7**	**111.5**	**184.3**
Inventories	1.3	9.0	1.3	9.0
Trade and other receivables	70.4	116.8	70.4	116.8
Group financial investments	5.7	2.5	5.7	2.5
Financial investments	23.8	86.6	18.5	33.2
Short-term Periodification	11.7	13.4	11.7	13.4
Cash and cash equivalents	3.9	9.5	3.9	9.5
TOTAL ASSETS	**215.1**	**367.8**	**209.9**	**274.8**

In accordance with Spanish GAAP, at 2023 year-end **Holaluz-Clidom, SA's balance sheet amounted to 209.9 M€** (274.8 M€ in Dec '22). Non-current assets experienced a 7.9 M€ increase, reaching a total of 98.4 M€, mainly due to inter-companies loans the parent company lent to the subsidiary Clidom Solar, SL. Current assets decreased by 72.8 M€, amounting to 111.5 M€, with reductions in all captions, particularly in accounts receivable and other debtors (more detailed comments below).

Intangible assets balance is stable vs FY2022, being the net book value at year end of 22.5 M€. 2023 investment amounts 6.6 M€ (12.5 M€ in 2022), which include the

[13] The review of the normalized balance sheet is not part of the audit procedures carried out to review the financial statements for the year ended December 31, 2023, which are established in the verification of accounts in accordance with Spanish GAAP. The normalized balance sheet is obtained from adding the MtM of physical PPAs at 12.31.21, 1.0 M€, to the audited trial balance, in accordance with financial management reports of the Company.

capitalization of work performed by the company for an amount of 4.3 M€ for 2023 (4.7 M€ in 2022). The rest, 2.3 M€, correspond to external collaborations with tech consultancy and development companies. **Holaluz defines itself as a technological company**, which uses data and technology to minimize client's electricity bills through maximum savings thanks to solar panels installations and flexible assets. In particular, with regards the *energy management* business, **the focus on R&D has been in the 'Tarifa Justa' migration project** (flat fixed rates billings), with the objective of optimizing fixed fees and minimizing regularizations (excess and deficiency vs expected and billed consumption). Another project to remark on has been the launching of the **first Cloud-based dispatching center** in Spain, with the objective to help the system operator (Red Eléctrica de España) enable greater and better integration of renewable facilities and ensure the quality of energy supply. It also allows for better resource management, improved response quality and greater scalability.

There have not been relevant investments in **tangible assets** with the exception of the substitution of the hardware systems for employees.

Long term financial investments show a 23.5 M€ increase vs FY2022, explained by the funds to subsidiaries Clidom Solar, SL and Clidomer (Portugal). Particularly, the Parent company lent 19.0 M€ as an equity loan to Clidom Solar (14.8 M€ in 2022), and 4.5 M€ to Clidomer as a capital increase (2 M€ in Feb '23 and 2.5 M€ in Dec'23). Additionally, the balance at FY2023 of 54.3 M€ includes **6.6M€ coming from loans for solar panel installations** to be repaid in fixed installments over the next 15 years and charged on a monthly basis in the customer's electricity bill. These loans were granted as proof of concept for raising an SPV. Holaluz has no intention of granting any further loans until the SPV is raised. No loans have been granted in 2023.

The 1.4 M€ in **non-current financial investments** mainly correspond to **derivatives** (1.2 M€).

Deferred taxes amount 10.1 M€ and include: i) the **fiscal credit** coming from previous years losses amounting 2.2 M€; ii) 4.2 M€ as **R&D deductions** to be applied in the income tax in the following years when the company reaches positive results; iii) 1.5M€ from **25% of derivatives MtM**; and iv) 2.2 M€ as temporary fiscal differences.

In the preparation of the balance sheet, the ICAC's resolution dated February 10, 2021, has been considered, which sets forth that incremental costs of acquiring a contract shall be accounted for as current/non-current accrual in the balance sheet, whereas in the income statement they shall be recorded under "Other operating expenses". This criterion has been applied in Holaluz since January 1, 2021. On December 31, 2023, a total amount of **18.1 M€** is capitalized under **non-current or current accruals** (29.3 M€ at December 31, 2022) for **incremental costs of acquiring customers**.

According to PGC **current assets amounted at FY2023 111.5M€** (184.3 M€ in FY2022), of which 17.1 M€ correspond to derivatives (30.4 M€ in 2022). The significant reduction is explained by: i) **decrease in gas stock** by 7.7 M€ (gas not consumed by clients in winter 2022-23 as the business was closed in Q422); ii) **46.4 M€ reduction in accounts receivable** ('Tarifa Justa' migration since second quarter of 2023 flattened billings and minimized seasonality in billings related to consumption); iii) **14.6 M€ decrease in short term financial investments** (derivatives); and iv) **cash reduction** by 5.6 M€.

Cash diminished by 5.6 M€ vs FY2022, with a 3.9 M€ balance at Dec'23. The **net debt** evolution is as follows:

€m	31.12.23	31.12.22
Non-current bank borrowings	16.0	23.3
Current bank borrowings	36.3	40.6
Other current payables	20.8	8.1
Cash	-3.9	-9.5
Net debt	**74.8**	**62.5**
Rooftop loans	-6.6	-7.5
Adjusted net debt	**62.6**	**55.0**

Rooftop loans are loans for solar panel installations granted to customers that are to be repaid over the next 15 years in fixed installments included in the monthly electricity bill. These loans are a proof of concept for raising an SPV; Holaluz has no intention of granting any further loans until the SPV is raised. The amount of the loans has been deducted since it is considered that they should not be part of the balance sheet in a continuing context of business activity, but rather be transferred to the raised SPV. No new loans have been granted in 2023.

In Dec '23, the **adjusted net debt amounted to 62.6 M€**, 7.6 M€ higher than Dec'22. Such increase is mainly due to the investment the Parent Company (Holaluz-Clidom, SA) is making to **fund solar business in terms of growth and scalability**, with the goal to create long-term value in both businesses, *energy management* and *solar*, that feedback each other in terms of profit generation. *Pagarés* balance (included in Other Current Payables) increased from 6.5 M€ in FY2022 to 19.8 M€ in FY2023, all of them returned at the date of signing these Annual Accounts and Management Report. Thanks to this short-term financing and the cash generated by the company since the second quarter of 2023, there has been a lower usage of credit lines (overdrafts and confirmings).

Liabilities[14]

	(normalized)		(acc/ PGC)	
€m	31.12.23	31.12.22	31.12.23	31.12.22
EQUITY	**53.8**	**109.6**	**53.0**	**39.9**
Capital and reserves	57.5	63.1	57.5	63,1
Valuation adjustments	-3.7	46.6	-4.5	-23.2
NON-CURRENT LIABILITIES	**27.0**	**59.2**	**22.6**	**35.9**
Long-term debt	26,7	35.9	22.6	35.9
Deferred tax liabilities	0.3	23.3	0,0	0.0
CURRENT LIABILITIES	**134.3**	**198.9**	**134.3**	**198.9**
Short-term debt	63.6	77.1	63.6	77.1
Group payables	8.7	3.0	8.7	3.0
Trade and other payables	62.0	118.9	62.0	118.9
TOTAL LIABILITIES	**215.1**	**367.8**	**209.9**	**274.8**

Shareholders equity decreased by 5.5 M€, affected by net losses of 2023, reaching a total balance of 57.5 M€ at the end of the year.

Net equity includes the caption **valuation adjustments** related to the recording of derivatives by **-4.5M€** in FY2023 (-23.2M€ in FY2022), according to PGC. This amount corresponds to 75% of the difference between the spot price on December 31st and the price at which hedging transactions were closed (25% of the MtM price is recorded in deferred taxes). It should be noted that this data is not complete within Holaluz's hedging strategy, as the impact of the MtM of the physical PPAs should be included, which gives rise to equity up to 53.8 M€ at year end (109.6 M€ in FY2022). In 2023 there has been a relevant **reduction in the valuation adjustments** due to a significant part of the FY2022 derivatives balance had a maturity date in 2023, so the corresponding MtM has been recognised in 2023 Gross Profit (i.e. it is included in the 52.5 M€ previously commented).

At the general meeting held on October 25, 2019, the shareholders resolved to increase capital through a public offering of shares paid with monetary contributions in order to increase the Company's shareholders' equity by a maximum amount of 30 million euros (nominal amount + share premium). Next, it was resolved that all the shares issued

[14] Same comment as footnote #13.

through the said public offering be traded on BME Growth so that the Company's Board of Directors could execute the corresponding capital increase amounting to 30 million euros, fully paid in.

On September 30, 2021, given the chance of carrying out potential acquisitions of electricity marketers, arisen as a result of the upward trend in the wholesale market electricity prices, and thus speed up its organic growth plan, Holaluz entered into a subordinated financing transaction convertible into Company shares for the amount of 11.36 million euros, whose conversion was approved by the shareholders at the general meeting held on November 9, 2021, through the corresponding capital increase for the same amount.

Additionally, on December 10, 2021, it was resolved to carry out a capital increase through monetary contributions for an aggregate effective amount of 7.5 million euros (nominal amount + share premium), which was finally executed for a value of 6.7 million euros (nominal amount + share premium), fully paid in by qualified investors.

As a result of these transactions, since December 2021 the Company's share capital has amounted to 656,661.57 euros, fully subscribed and paid in, and consists of 21,888,719 ordinary shares with a par value of 0.03 euros each. There have been no changes in 2022.

According to PGC, **non-current liabilities amounted to 22.6 M€** in FY 2023 (35.9 M€ in FY2022). Such reduction is mainly due to a 6.1M€ reduction in **long term derivatives**, with a final balance in December of 6.6 M€ (12.7 M€ in FY 2022). **Long term borrowings** also experience a 7.3 M€ decrease explained by a **lower usage of ICO credit lines**, a working capital financing product that is recorded as a non-current liability as it does not mature until 2026, which has been substituted by Pagarés financing (see more comments below).

Current liabilities, according to PGC, also experienced a significant reduction of 64.6 M€, closing 2023 with a **134.3 M€ balance** (198.9 M€ in 2022). **Short term borrowings** decreased by 13.4 M€ due to: i) short term derivatives 21.8 M€ reduction; and ii) increase in short term debts with financial entities by 8.4 M€, particularly short-term debts coming from Pagarés, with a 14.3 M€ increase. The FY 2023 Pagarés balance amounts 19.8 M€ (6.5 M€ in FY 2022), all of them returned at the date of publishing these Annual Accounts and Management Reports. **Accounts payable** also experienced a significant 56.9 M€ reduction, particularly in other payables by 48.5 M€. The low prices environment all along 2023 has directly impacted the invoices to be paid to renewables producers.

The Company's average payment period to suppliers is 42 days, as disclosed in Note 16.1 to the financial statements 'Information on the average payment period to suppliers. Additional Provision Three. 'Disclosure requirements' of Law 15/2010, of July 5'.

Working Capital

In 2023 the Working Capital position of Holaluz-Clidom SA worsened relative to 2022 mainly due to the decrease in electricity prices, which typically impacts WC generation from route-to-market contracts.

€m	31.12.23	31.12.22
Working capital	9.6	6.9
Accounts receivable + inventories	71.7	125.8
Accounts payable	62.0	118.9

Cash flows

€m	31.12.23	31.12.22
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**28.5**	**40.2**
Normalized profit/(loss) for the year before tax	-9.4	9.7
Adjustments to profit	55.9	75.0
Change in working capital	-18.2	-41.7
Other cash flows from/(used in) operating activities	0.5	-2.7
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**-31.0**	**-52.8**
Payments on investments (-)	-32.9	-52.8
Proceeds from disposals (+)	1.9	
CASH FLOWS FROM FINANCING ACTIVITIES	**-3.1**	**13.9**
Proceeds from and payments on equity instruments	0.0	0.0
Proceeds from and payments on financial liabilities	-3.1	13.9
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-5.6**	**1.4**
Cash and cash equivalents at the beginning of the period	9.5	8.1
Cash and cash equivalents at the end of the period	3.9	9.5

In 2023 **operating cash flows amounted to 28.5 M€** (40.2 M€ in 2022), mainly explained by non-cash hedging costs (in 'Other income / expenses'), whose outflow basically occurred in the fourth quarter of 2021 as explained in length in our last year Management Report. In 2023, the amount recognised in the Parent Company's P&L amounts to -12.4 M€ (-48 M€ in 2022).

Operating cash flow decreased by 11.7 M€ with respect to 2022 mainly due to the challenging first quarter of the year, which resulted in poor gross profit generation. **Cash flow from investments** decreased from 52.8 M to 31.0 M€ in 2023 as the company reduced its technology spending by focusing on the highest value-added projects.

Thanks to the exercise of cost optimization and efficiencies in COGS and operating costs thanks to Tarifa Justa migration, the **free cash flow (operating + investment cash flows) moves from -12.6 M€ in 2022 to -2.5 M€ in 2023**.

As a result, the **debt was reduced** in 2023 by 3.1 M€ (13.9M€ increase in 2022).

Green Promissory Note Program (Programa Pagarés Verdes)

On November 21, 2022, BME's Fixed-Income Market (MARF) registered the first **Green Promissory Note Program (Programa Pagarés Verdes)** of Holaluz-Clidom, SA amounting to up to 100 million euros. Through this program, the Company has got access to qualified investors within a strategy to diversify its funding sources. The program was renovated in October 2023 for the following 12 months. Holaluz structured the promissory notes issued under these Programa Pagarés Verdes so that they are considered a green instrument in accordance with the **Holaluz Green Finance Framework**, whereby the company can issue notes and promissory notes in accordance with the **Green Bond Principles 2021** and take out financing agreements in accordance with the **Green Loan Principles 2021** of the International Capital Markets Association (ICMA). To that end, Holaluz has obtained a **favorable opinion from Sustainalytics**, which confirms that the Holaluz Green Finance Framework is aligned with the four core ideas integrating both Principles.

On December 31, 2023, the Company's financial statements included a financing facility for promissory notes issued on MARF amounting to 19.5 M€ (6.5 M€ in Dec '22) all of them returned at their due date along Q1'24.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In case of materializing the financing transaction detailed in Note 2.c, the Company's Board has approved as a subsidiary path, and only in that case, all insolvency proceedings according to the Spanish law.

The 16th of January 2024, a written amendment was presented with regards model 200 for Holaluz-Clidom, SA to the Agencia Tributaria (Spanish Tax Authority) as a consequence of the Tribunal Constitucional 11/2024, 18th January, sentence related to the unconstitutionality question 2577-2023. Such sentence stated null the limit to

compensate credit taxes established by Real Decreto Ley 3/2016. At the date of issuing this Management Report and Annual Accounts, we have not received the requested amendment so, following prudence criteria, the Company did not include the corresponding impact in Deferred Taxes Assets. The impact of this estimation for the Spanish Tax Authority is quantified in fiscal note.

COMPANY'S OUTLOOK

Holaluz has continuously shown its *ESG DNA* and *impact driven business* that it is possible to create an energy transition company with real impact on people and the planet. The organization over-delivered on its 2023 guidance for consolidated Normalized EBITDA, amounting to 4.3 M€, thanks to **record unit economics** generated from the second quarter of the year, as a result of the migration of a large part of the portfolio of electricity customers to Tarifa Justa.

Proof of this positive trends in both businesses can be observed in the following table, where the most relevant KPIs of the P&L account are shown for a 12-month-period starting in April 23 until March 24: **Last Twelve Months period** (LTM) for the parent company Holaluz-Clidom, SA.

€m	31.12.23	Q1 2023	9m 2023	Q1 2024	LTM Abr'23-Mar'24
Sales *(w/o RtM)*	258.2	87.2	170.9	47.5	**218.4**
Gross Profit	**52.5**	**1.2**	**51.3**	**10,4**	**61.7**
Gross Profit / Sales *(w/o RtM)*	20.3%	1.3%	30.0%	22.0%	**28.3%**
Normalized Operating Costs	-25.7	-7.7	-18.0	-4.0	**-22.0**
Normalized EBITDA	**28.4**	**-7.3**	**35.8**	**5.3**	**41.1**
EBITDA	**1.4**	**-15.5**	**16.9**	**1.7**	**18.6**

Despite the very low energy prices environment in Q1 '24, which affected turnover, Tarifa Justa and the gross profit improvements meant the gross margin (commercial margin over sales without considering RtM sales) reached 22.0% in Q1'24 and improved Dec'23 20.3% up to 28.3% when considering the LTM period. The ERE closed in December 2023

(with a direct impact in personnel costs from January 2024), as well as additional OPEX savings (technology and marketing costs), can also be seen in the reduction of operating costs, down from 25.7 M€ in December 2023 to 22.0 M€ for the LTM period. Such **improvements in commercial margins and operating costs have positively contributed to the normalized EBITDA, reaching 41.1 M€** (vs 28.4 M€ in December 2023). **The EBITDA as per statutory accounts amounts 18.6 M€ *13 EBITDAs of FY 2023 (1.4M€).**

The ***energy management business*** continued to perform well, in line with the record profits reached in FY2022 (normalized EBITDA of 27.6 M€), beating the first quarter of 2023 and closing the year with 24.6 M€ of normalized EBITDA. **We expect 2024 to maintain the profitability of these last two years**, **with a normalized EBITDA between 24 and 27 M€** (Guidance published in October 2023). The LTM exercise shows a normalized EBITDA for the *energy management* business of 38.7 M€ (vs 24.6 M€ in Dec 2023), which is a 14.1 M€ increase (+57%).

The Solar business doubled its market share in 2023, reaching more than 3% at year end with a similar amount of installations as in 2022, despite the 50% market recession in the Spanish solar residential market in 2023. **Lead time was kept at a minimum within industry** (45 days for the majority of clients), and we consolidated the **client's value proposition of 70% savings in their electricity bills for at least 75% of solar customers**. Up to 60% of solar customers with an installation with a battery pay zero euros for their electricity needs. **Strong focus on unit economics** has led solar business to **reduce break-even point** from 800-1000 installations per month to 600 by year end, and 350 in Q1'24. Thanks to these efficiencies we have been able to dramatically reduce losses in the first quarter of 2024 by 4.1 M€ (+62% improvement). And thus we are able to confirm the Guidance provided in October 2023 to close the year 2024 with a negative EBITDA between 3-6 M€. Our goal is to continue working to reduce the break-even point below 300 installations per month.

Holaluz will keep working on the construction of the biggest green energy community in Europe, materializing the potential of demand's electrification with the development of solar energy (distributed generation) and storage.

Our priorities for 2024 are:

- ensure **collective self-consumption** at large scale;
- launch new **renting / leasing** product subscription based;
- create the first **Virtual Power Plant** in Spain;
- increase **flexible assets** penetration (batteries and EV chargers);
- and continue with the **optimization** of the subscription-based product in *energy management*: **Tarifa Justa**.

These goals are included in the organization's 5-year business plan, which also considers the corresponding investments in technology and client acquisition for the execution in

both businesses: solar and *energy management*. **Distributed generation is the solution to decarbonization challenges**: Holaluz offers the solutions and the technologies to accomplish such a mission, to which we dedicate all our efforts.

ACTIVIDADES EN MATERIA DE INVESTIGACIÓN Y DESARROLLO

As a technological company, continuous research activities are carried out, as well as investments in innovation to make the use of technology the commonplace in the development of energy-related products and services and create an ecosystem of generation, consumption, optimisation and control of energy.

ACQUISITION OF TREASURY SHARES

The Company has treasury shares for an amount of 0.2 M€ on December 31, 2023, pursuant to article 262 of the Spanish Corporate Enterprises Act. Treasury shares on December 31, 2023, account for 0.27% of the Company's share capital and amount to 60,044 shares (61,226 shares at December 31, 2022), at an average acquisition price of 4.19€ / share.

FINANCIAL INSTRUMENTS

The Company considers that there are no risks that may affect its transactions other than those indicated in Note 15 to the financial statements.

NON-FINANCIAL INFORMATION UPDATE

According to Law 11/2018, the Group's Non-Financial Information Report (EINF) is included as annex in this Management Report and explicitly belongs to it.

AUTHORIZATION OF THE MANAGEMENT REPORT FOR ISSUE BY THE MANAGEMENT

Pursuant to prevailing legislation, the Company's management report for the year ended December 31, 2023, has been authorized for issue by the directors of HOLALUZ-CLIDOM, S.A.

Additionally, the directors hereby confirm that they have put their handwritten signature to the aforementioned document by signing this single-sided page that accompanies the management report, which has been drawn up from page 1 to page 24.

Barcelona, May 3rd, 2024

Ms. Carlota Pi Amorós
Chair

Mr. Ferran Nogué Collgròs

Mr. Oriol Vila Grifoll

Axon Capital e Inversiones
Represented by
Mr.Alfonso Juan de León Castillejo

Ms. Elena Gómez del Pozuelo

Mr. Edudardo Soler Vila

Geroa Pensioak
Represented by
Mr. Jordan Saenz