

Audit Report on Financial Statements
issued by an Independent Auditor

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2024



AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the sole shareholder of NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2024, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

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

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 consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated 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.

Key audit matters

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

**Building a better
working world***Valuation of intangible assets and property, plant and equipment*

Description As explained in Notes 7 and 8 to the accompanying consolidated financial statements, the net book value of the headings "Intangible assets" and "Property, plant and equipment" as of December 31, 2024 amounts to 847,243 and 1,390,258 thousand euros, respectively.

The Group's Management evaluates goodwill to impairment tests annually and when circumstances indicate that their book value may be affected and, for the rest of the intangible assets and property, plant and equipment, it assesses, at least closing of each financial year, the existence of evidence that they could be impaired. If there are indicators, it estimates their recoverable amounts based on the present value of the future cash flows generated by the cash-generating units to which said assets are assigned.

The determination of the recoverable amount requires making complex estimates, which entails the application of judgments in establishing the assumptions considered by the Group's Management in relation to said estimates.

We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity inherent in the estimation process in determining the recoverable amount of the aforementioned assets.

The information regarding the valuation standards applied and the main assumptions considered in determining the impairment of intangible assets and property, plant and equipment is included in Notes 3.h and 8 of the attached notes to the consolidated financial statements.

**Our
response**

In relation to this area, our audit procedures have included, among others, the following:

- ▶ Understanding of the process established by the Group's Management to identify signs of impairment and determine the recoverable amount of intangible assets and property, plant and equipment, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- ▶ Review of the model used by Group Management to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical coherence of the model, and the reasonableness of projected cash flows and discount and long-term growth rates. In carrying out our review we have held interviews with those responsible for developing the model and used recognized external sources and other available information to compare the data used, such as the budget for 2025 and the income projections for the following years approved by the Company's directors.
- ▶ Review of the sensitivity analyzes carried out by the Group's Management with respect to the estimates made in determining the recoverable amount due to changes in the relevant assumptions considered.
- ▶ Reviewing the disclosures made in the notes to the consolidated financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2024 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the management report with the consolidated financial statements based on the knowledge of the Group obtained during the audit, and to assess and report on whether the content and presentation of the consolidated 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 in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2024 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent 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 parent 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, we determine those matters that were of most significance in the audit of the consolidated 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.

ERNST & YOUNG, S.L.

(Original signed in Spanish)

1 April 2025

Nortegas Energía Distribución, S.A.U. and Subsidiaries

Consolidated Annual Accounts
31 December 2024

Consolidated Directors' Report
2024

(With Auditor's Report thereon)

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

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated balance sheet
at 31 December 2024 and 2023

(Expressed in thousands of euros)

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

<u>Assets</u>	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Property, plant, and equipment	7	847,243	883,590
Goodwill	8	45,910	45,910
Other intangible assets	8	1,344,348	1,370,488
Right-of-use assets	10	1,279	1,451
Equity-accounted investees	9	757	904
Other financial assets	11 & 12	538	530
Total non-current assets		2,240,075	2,302,873
Inventories	3 (k)	6,007	6,553
Trade and other receivables	11, 12 & 14	27,402	32,994
Other financial assets	11 & 12	112	1,975
Current income tax assets	13	635	3
Other current assets	15	337	350
Cash and cash equivalents	16	106,572	68,067
Total current assets		141,065	109,942
Total assets		2,381,140	2,412,815
<u>Equity and Liabilities</u>	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Share capital	17	100,000	100,000
Share premium	17	28,485	93,770
Reserves	17	242,603	204,551
Other shareholder contributions	17	528,144	528,144
Profit/(loss) for the period	17	34,163	38,052
Total equity		933,395	964,517
Capital grants	27	1,019	993
Contract liabilities	28	20,144	17,596
Provisions for liabilities and charges	25	4,596	3,371
Financial liabilities from the issue of bonds and other marketable securities	18, 19 & 21	1,122,296	1,121,637
Leases	18, 19 & 20	1,149	1,244
Other financial liabilities	18, 19 & 20	834	975
Deferred tax liabilities	13	259,903	263,177
Total non-current liabilities		1,409,941	1,408,993
Provisions	25	3,532	-
Financial liabilities from the issue of bonds and other marketable securities	18, 19 & 21	7,828	7,782
Other financial liabilities	18, 19 & 20	12,786	14,866
Leases	18, 19 & 20	315	333
Trade and other payables	18, 19 & 22	10,474	11,732
Current income tax liabilities	13	-	2,073
Other current liabilities	29	2,869	2,519
Total current liabilities		37,804	39,305
Total equity and liabilities		2,381,140	2,412,815

The accompanying notes form an integral part of the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated income statement
for the years ended 31 December 2024 and 2023

(Expressed in thousands of euros)

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

	Note	31	31
		December 2024	December 2023
Revenue	30	197,950	200,971
Other operating income		897	1,794
Work carried out for the Group's own assets		6,747	6,806
Supplies	30	(22,407)	(22,913)
Personnel expenses	32	(17,103)	(9,493)
Change in trade receivables and contract assets		118	17
Other expenses	31	(23,969)	(29,464)
Operating profit before depreciation/amortisation		142,233	147,718
Amortisation and depreciation	7, 8 & 10	(84,251)	(84,136)
Operating profit		57,982	63,582
Finance income	33	2,451	1,331
Finance cost	18 & 33	(18,337)	(18,181)
Share in profit from investments accounted for using the equity method	9	123	130
Profit/ (loss) before tax from continuing operations		42,219	46,862
Income tax (expense)/income	13	(8,056)	(8,810)
Profit/ (loss) for the period from continuing operations		34,163	38,052
Profit/(loss) for the period		34,163	38,052
Consolidated comprehensive income for the period		34,163	38,052

The accompanying notes form an integral part of the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Statement of changes in equity
for the years ended
31 December 2024 and 2023

(Expressed in thousands of euros)

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

	Equity attributable to equity holders of the parent							
	Share capital	Share premium	Reserve for merger	Legal reserve	Other reserves	Profit/(loss) for the period	Other shareholder contributions	Total equity
Balance at 31 December 2022	100,000	159,270	(91,773)	15,933	239,930	40,461	528,144	991,965
Consolidated comprehensive income for the period	-	-	-	-	-	38,052	-	38,052
Distribution of profit/(loss)	-	-	-	2,482	37,979	(40,461)	-	-
Distribution of share premium	-	(65,500)	-	-	-	-	-	(65,500)
Balance at 31 December 2023	100,000	93,770	(91,773)	18,415	277,909	38,052	528,144	964,517
Consolidated comprehensive income for the period	-	-	-	-	-	34,163	-	34,163
Distribution of profit/(loss)	-	-	-	1,585	36,467	(38,052)	-	-
Distribution of share premium	-	(65,285)	-	-	-	-	-	(65,285)
Balance at 31 December 2024	100,000	28,485	(91,773)	20,000	314,376	34,163	528,144	933,395

The accompanying notes form an integral part of the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated statement of cash flows
for the years ended
31 December 2024 and 2023

(Expressed in thousands of euros)

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

	Note	31.12.2024	31.12.2023
Cash flows from operating activities			
Profit/(loss) for the period before tax		42,219	46,862
Adjustments for		104,023	101,568
Amortisation/depreciation	7, 8 & 10	84,251	84,136
Impairment adjustments	14	(118)	(17)
Change in provisions	25	4,757	1,371
Grants recognised in the income statement and other	27 & 28	(630)	(522)
Finance income	33	(2,451)	(1,331)
Finance cost	33	18,337	18,181
Share in profit of equity-accounted investees	9	(123)	(130)
Other income and expense		-	(120)
Changes in operating assets and liabilities		3,948	(16,227)
Inventories		546	787
Trade and other receivables		5,468	(8,342)
Other current assets		13	510
Other current liabilities		350	(2,646)
Trade and other payables		(2,429)	(6,003)
Other non-current assets and liabilities		-	(533)
Other cash flows from/(used in) operating activities		(26,348)	(28,254)
Interest paid	21	(15,150)	(16,170)
Dividends received	9	82	92
Other amounts received/(paid)		-	(65)
Income tax paid		(11,280)	(12,111)
Cash flows from operating activities		123,842	103,949
Cash flows from/(used in) investing activities			
Payments for investments		(21,147)	(24,288)
Intangible assets	8	(1,388)	(1,059)
Property, plant and equipment		(19,759)	(23,229)
Proceeds from sale of investments		2,159	6,382
Group companies and associates		188	-
Property, plant, and equipment		73	24
Other financial assets		1,898	6,358
Cash flows from/(used in) investing activities		(18,988)	(17,906)
Cash flows from/(used in) financing activities			
Proceeds from and payments for financial liability instruments		(1,064)	9,019
Issue		4,007	9,507
Debt with Group companies and associates	21	-	6,413
Capital grants and other	27 & 28	4,007	3,094
Redemption and repayment of		(5,071)	(488)
Repayment of debt	21	(148)	(146)
Debt with Group companies and associates		(4,615)	-
Leases	21	(308)	(342)
Dividends and interest on other equity instruments paid		(65,285)	(65,500)
Distribution of share premium	17	(65,285)	(65,500)
Cash flows from/(used in) financing activities		(66,349)	(56,481)
Net increase/decrease in cash and cash equivalents		38,505	29,562
Cash and cash equivalents at start of period		68,067	38,505
Cash and cash equivalents at period end		106,572	68,067

The accompanying notes form an integral part of the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

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

1. **Nature, activities and composition of the Group**

Nortegas Energía Distribución, S.A.U. (formerly Naturgas Energía Distribución, S.A.U.) (hereinafter the Parent company) was incorporated with limited liability under Spanish law on 31 December 2003 with the corporate name Naturcorp Redes, S.A.U. In 2005, the company changed its name to Naturgas Energía Distribución, S.A.U.

On 27 July 2017 the sole shareholder approved, inter alia, a change in the company's name from Naturgas Energía Distribución S.A.U. to Nortegas Energía Distribución S.A.U.

Nortegas Energía Distribución, S.A.U. is the parent of a group of companies whose main activities are as follows:

- a) The distribution of natural gas, including the construction, operation and maintenance of distribution facilities used to transmit natural gas from the transmission networks to consumption points.
- b) The construction, maintenance and operation of secondary transmission network facilities for natural gas, in order to facilitate the transmission of natural gas to distribution networks or to end consumers, where appropriate.
- c) The provision of services linked to or which are considered to be ancillary to the gas distribution business, to natural gas suppliers and end users.
- d) The acquisition, import, storage, bottling, all manner of industrial handling, transport, distribution and supply of liquefied petroleum gas, and the acquisition, manufacture, distribution and supply of all machinery and equipment required to perform this activity, and the provision of technical assistance.
- e) The production, acquisition, intra-EU exchange, import and export of liquefied petroleum gas and light hydrocarbons obtained from oil, natural gas and the storage, mixing, bottling and transportation of liquefied petroleum gas and light hydrocarbons obtained from oil, natural gas or biogas.
- f) The wholesale and retail sale of liquefied petroleum gas, natural gas and biogas, and the supply thereof, bottled or in bulk, including via tanker and the promotion, installation, maintenance and review of facilities required to conduct the above activities, including the construction, modification, operation and closure of LPG bulk storage and distribution facilities, and the pipelines required to supply end consumers from the aforementioned storage facilities.

The Group conducts its statutory activity under the terms and within the scope provided for in the Hydrocarbon Industry Law and related implementing legislation and pursuant to the legislation issued by the autonomous regional governments, in accordance with their powers. If, in order to engage in its statutory activity, the Company were required to provide prior authorisations or to meet any requirements, legal, technical or economical-financial conditions or special training requirements, the Company would do so before carrying out its activity.

At 31 December 2024 and 2023, Nortegas Energía Distribución, S.A.U. is the Parent of a Group comprising the subsidiaries NED España Distribución Gas, S.A.U. and NED Suministro GLP, S.A.U. Similarly, the Group has investments in the associates Tolosa Gasa, S.A. and Inkolan A.I.E. Details of the composition of the Group are provided in Appendix I.

The Company's sole shareholder is Nortegas Energía Grupo, S.L.U. The Company is thus registered in the companies register as a single shareholder company (*Sociedad Unipersonal*).

Regulatory framework

Details of the basic regulatory framework for the industry applicable to the Group at 31 December 2024 are as follows:

Hydrocarbon Industry Law 34/1998 of 7 October 1998, amended by Law 12/2007 and by Royal Decree-Law 13/2012, by law 18/2014 and by Law 8/2015, introducing mechanisms to foster competition within the sector and defining a new natural gas market model. This law implements the main system definitions as regards the parties that participate therein and organises the gas system, distinguishing between regulated activities (regasification, transmission, storage and distribution) and unregulated activities (supply and other services). Lastly, this law defines the rights and obligations of the parties that operate in the natural gas market and regulates the distribution of liquefied petroleum gases.

1. Natural gas

In accordance with the above framework, the following principles are established:

a) Gradual deregulation of the natural gas system:

This law provides for the liberalisation of gas supply activities, gradually enabling different types of customers to select their supplier. Since 1 January 2003, different types of customers have been able to freely select their supplier. The schedule for implementing the last resort supply commenced on 1 July 2008, leading to the elimination of the tariff-based supplies from gas distributors in place up until this point.

Royal Decree 949/2001 of 3 August 2001 regulates third-party access to gas facilities and sets out an integrated economic system for the natural gas sector. This Royal Decree also sets out the model for calculating natural gas tariffs and the payments and fees charged for third-party use of the gas network. Subsequently, Royal Decree 984/2015 of 30 October 2015, in addition to creating the organised gas market, introduces amendments to the regime governing the access of third parties to gas facilities, establishes a centralised system of guarantees and modifies the regime associated with periodic inspections.

Following approval by the Delegate Commission on Economic Affairs, the Ministry for Ecological Transition and Demographic Challenge set the new prices for last resort tariffs and the tolls and charges for basic third-party access services. The entitlement of direct market consumers and suppliers to use the basic grid and transmission and distribution facilities was also established, and a single nationwide toll was set for the use of these networks.

Royal Decree 1434/2002 of 27 December 2002, implementing the Hydrocarbon Industry Law, regulates transmission, distribution, sale and supply activities and the authorisation procedures for gas facilities.

With respect to distributors, Order ECO/301/2002 set out the remuneration for distribution activities for the first time, to be determined as of that date on the basis of an annual revision, taking into account increases in the points of supply, the volume of gas transmitted and price fluctuations. Publication of Royal Decree-Law 8/2014 and Law 18/2014 brought about changes to the remuneration model applicable to distributors for the regulatory period July 2014 to December 2020, although the annual revision of remuneration will continue to be determined by reference to changes in demand.

In January 2019, Royal Decree-Law 1/2019 of 11 January was published on urgent measures to adapt the powers of the Spanish National Markets and Competition Commission (CNMC) to the requirements arising from Community law, which stipulates that the regulators of domestic natural gas and electricity markets be fully independent. Specifically, the regulation redistributes competences, whereby the CNMC is assigned, with regards the gas sector, the approval of the structure, methodology and the specific toll values granting access to the transmission and distribution networks, and to liquefied natural gas plants. Similarly, the Commission will approve the methodology and remuneration values for gas transmission and distribution activities and liquefied natural gas plants. It will also be in charge of remuneration for the gas system's technical management. Likewise, it shall be responsible for the methodology and conditions for access and connection to the natural gas transmission and distribution networks. These powers will be enacted through the issuing of Circulars and Resolutions.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Within the scope of its new regulatory powers, when preparing these Circulars on remuneration for regulated activities and the toll and charge for access to gas facility calculation, the CNMC must take into account the strategic priorities set out by the government, which were approved by Order TEC/406/2019 of 5 April, establishing the energy policy guidelines for the Spanish National Markets and Competition Commission when preparing Circulars and which cover issues such as supply security, the economic and financial sustainability of the gas system, the fight against climate change, etc.

With regard to remuneration, the Royal Decree-Law stipulates that the CNMC must approve, before 1 January 2020, the Circular containing the methodology for calculating remuneration for natural gas distribution for the 2021-2026 regulatory period. Circular 4/2020 by the National Markets and Competition Commission, establishing the remuneration methodology for natural gas distribution, was published in the Official State Gazette (BOE) on 3 April 2020. The approved methodology is in line with the remuneration framework in force in 2020, maintaining the current activity model (remuneration based on the number of supply points and structured demand), but it introduces an adjustment to the remuneration base. This adjustment reviews the remuneration unit values applicable to distributors' activity in 2000, keeping sufficient incentives to guarantee the operation and maintenance of distribution networks. The overall adjustment for the entire gas distribution sector in Spain is €239 million at the end of the 2026 regulatory period.

Another development introduced through the Circular is the change in remuneration period from the calendar year to the gas year, which runs from 1 October one year to 30 September the following year. In this respect and as explained below, in 2024 the CNMC published various resolutions recognising remuneration for the 2022 to 2025 gas years.

In reference to the toll and charge methodology dated 25 July 2020 published in the Official State Gazette (BOE), Circular 6/2020 of 22 July by the Spanish National Markets and Competition Commission establishing the methodology for calculating natural gas transmission tolls, local networks and regasification, shall be applicable in full as of 1 October 2021. Distribution and transmission tolls are subdivided into transmission network input tolls, transmission network output tolls and local network tolls (non-transmission trunk networks). These tolls will be differentiated by consumption level only and will be published before the start of each gas year (1 October). In addition to the remuneration, the CNMC also changed the reference periods for tolls from the calendar year to the gas year. Thus, the Resolution of the Spanish National Markets and Competition Commission of 22 September 2020 establishes the tolls for accessing transmission networks, local networks and regasification from October 2020 to September 2021, as per the methodology prior to Circular 6/2020.

In 2024, the Resolution of the Spanish National Markets and Competition Commission of 23 May 2024 was approved, establishing access tolls to transmission networks, local networks and regasification for the 2025 gas year. In 2023, the Resolution of the Spanish National Markets and Competition Commission of 30 May 2023 was approved, establishing access tolls to transmission networks, local networks and regasification for the 2024 gas year.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

b) Settlements of regulated activities - gas sector:

As a result of the entry into force of Spanish Hydrocarbon Industry Law 34/1998 and the corresponding implementing provisions, inter-company settlements have arisen since 2002. These settlements are performed by the Spanish National Markets and Competition Commission (CNMC) and give rise to receipts and payments between companies in the sector in order to redistribute the proceeds obtained from access tolls and charges, so that each company receives the remuneration effectively allocated to it for regulated activities. These settlements are currently being carried out by the CNMC, although the responsibility for this process has returned to the Ministry.

Order ECO/2692/2002 of 28 October 2002 defines the settlement procedures for the payment obligations and rights to receivables necessary to remunerate natural gas regasification, transmission, storage and distribution activities and the pertinent, specifically allocated payments and charges, and defines a system for reporting on natural gas billing and use.

Order TED/1022/2021 of 27 September, regulating the procedures for the settlement of remuneration for regulated activities, charges and payments for specific purposes in the gas system, fully revises the gas system settlement process. In the new framework, a single settlement system has been replaced by a system for each regulated activity (storage, regasification, transmission and distribution) and another system for other system costs (MIBGAS, payment of outstanding balance of deficits, etc.).

c) Financing of the sector deficit:

Law 18/2014 establishes the treatment of the gas sector tariff deficit, i.e. financing the deficit between the income and costs of the gas system each year.

Thus, the Law determines that the amount of accumulated deficit at 31 December 2014 will be determined in the final 2014 settlement (settlement 15), and the regulated parties are entitled to recover the annual amounts corresponding to this accumulated deficit in the settlements for the following 15 years, recognising interest at market rates. Deficits subsequent to 2014 will be settled in the 5 following annual amounts, and will also recognise interest at market rates. The deficit recognised, the corresponding annual amount and the interest rate applied must be approved by the Ministry of Ecological Transition and Demographic Challenge.

The toll invoicing system and the settlement and funding of company deficits change dramatically with the entry into force of Circular 6/2020 of 22 July by the Spanish National Markets and Competition Commission, establishing the methodology for calculating natural gas regasification, local network and transmission tolls, and Order TED/1022/2021 of 27 September, regulating remuneration procedures for regulated activities, charges and payments for specific purposes in the gas system and reviewing the methodology for tolls and remuneration and deficit funding procedures. In light of these changes, since 1 October 2021 distributors have moved from billing for a single item to charging for different services (transmission output, local network, other regasification costs, GTS payment, CNMC fee and charges). In addition, as explained above, the settlement system is also split into several blocks. The system for managing deficits and surpluses is also different from block to block. Deficits and surpluses in the settlement systems for transmission activities, local networks (which includes regional and secondary transmission and distribution), regasification and storage facilities will now be settled in the following year. The payment system remains unchanged from before, with the option of repaying deficits over five years and using surpluses to repay prior years' deficits early.

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The new settlement system is divided into different activities and distribution is included in the local network system. In terms of the local network system, the final settlement for the 2023 gas year, approved in 2024, shows a deficit of €62.2 million. Of this amount, €3.8 million correspond to Nortegas Energía Distribución, S.A.U. and €2.6 million to NED España Distribución, S.A.U.

- d) Correct functioning of the system guaranteed through the following measures:

Enagás GTS, S.A.U. carries out technical management activities for the system, for which it receives remuneration. As the entity responsible for the technical management of the basic grid and secondary transmission networks, Enagás GTS, S.A.U. must guarantee the continuity and security of natural gas supplies and the correct coordination between access points, storage facilities and transmission facilities under criteria of non-discrimination.

- e) Unbundling of activities:

Activities pertaining to the supply of natural gas by pipeline are conducted by transmission agents, distributors and suppliers. Regasification, strategic storage, transmission and distribution are regulated activities, whilst supply activities are carried out freely and the corresponding economic regime is determined on the basis of the terms and conditions agreed between the parties.

Trading companies that carry out any of the regulated activities described in the preceding paragraph should have this activity as their sole statutory activity and may not, therefore, carry out any supply activities. Similarly, companies engaged in the supply of natural gas should have this activity as their sole statutory activity and may not carry out any regulated activities.

Natural gas companies that conduct more than one of the regulated activities described above must maintain separate accounts for each of these activities in their internal accounting records, exactly as would be required if these activities were conducted by different companies. Furthermore, the Law defines a number of mandatory unbundling requirements applicable to companies that carry out regulatory activities and belong to a corporate group that also includes companies that carry out supply activities.

2. LPG - Liquefied petroleum gas

The Hydrocarbon Law implements the main system definitions regarding the parties involved and organises the activities related to the supply of liquefied petroleum gases (hereinafter LPG), distinguishing between wholesale and retail supply.

Subsequently, Law 8/2015 of 21 May 2015, which amends Hydrocarbon Industry Law 34/1998 of 7 October 1998 and regulates certain tax and non-tax related measures related to exploration, research and operations in the field of hydrocarbons, introduced profound changes into the general framework for the activity. It explicitly defined bulk supply and stipulated that the provisions for the supply of gaseous fuels through mains would also apply to the bulk supply of piped LPG, as long as there were no regulatory developments in this respect.

Royal Decree 1085/1992 of 11 September 1992, which in turn approved the regulation governing the distribution of liquefied petroleum gases, in implementation of Law 15/1992 of 5 June 1992 on urgent measures for the progressive adaptation of the oil sector to the community framework, included the main details for conducting the retail LPG supply activity, i.e. the sale to end consumers or users. It implements, among others, the requirements for parties to carry out the activity, aspects related to the facilities, details on supply and contracting, and the regime governing tariffs. This Royal Decree was subsequently amended by Royal Decree 197/2010 of 26 February 2010 adapting certain provisions relating to the hydrocarbon industry to the provisions of Law 25/2009 of 22 December 2009, which amended various laws to adapt them to the Law on unrestricted access to service activities and the provision thereof, for purposes of compliance with Law 34/1998.

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a) Definition of the LPG supply sector:

Liquefied petroleum gases are defined as light hydrocarbon fractions, mainly propane and butane, which are obtained during the extraction of crude oil or natural gas or during refining of petroleum products.

The activities related to the supply of LPG are as follows: production, acquisition, intra-EU exchange, import and export; storage, mixing and packaging; transportation; wholesale supply; retail supply; installation, maintenance and review of the facilities related to the supply of LPG.

One of the methods by which LPG can be supplied is in bulk. This includes the distribution and/or supply of LPG through mains, the latter being understood as the distribution and supply of LPG from one or more mains tanks which are used to supply users with piped LPG supply contracts with a distribution company.

Wholesale supply is defined as that which does not involve the supply to an end consumer or user.

Retail supply is defined as the sale to end consumers or users.

b) Requirements and conditions for carrying out the retail distribution of LPG

Article 46 of Hydrocarbon Industry Law 34/1998 defines the role of retail distributor of bulk liquefied petroleum gases. It establishes the requirements for obtaining authorisation to carry out this activity as follows: to have the legal, technical and financial capacity and to comply with the technical and safety conditions established by law at its facilities.

In the absence of a regulation to implement article 46, the second transitional provision of Law 34/1998 is applicable. This provision maintains the validity of the regulations applicable to the matters governed by Law 34/1998 until new ones are introduced. In this case, the prevailing regulation is the aforementioned regulation governing the distribution of liquefied petroleum gases (Royal Decree 1085/1992, Official State Gazette of 9 October 1992). Although it does not define the same roles, it stands to reason that the retail distributor of bulk liquefied petroleum gases must fulfil the same conditions as the LPG supply company.

Under this regulation, the requirements for carrying out the activity are:

1. To possess the financial capacity to do so.
2. To possess the technical capacity to do so.
3. To have a guaranteed source of supply.
4. To have a means of storage.
5. To keep minimum security stocks, equivalent to thirty days' total sales, or to acquire LPG through a wholesale operator.

c) Economic regime

With regard to the economic regime governing piped LPG, the current wording of article 94 of Law 34/1998 stipulates that the Ministry may make the provisions required to establish the sales prices of piped LPG for end consumers, and the consumer transfer tariffs for distributors of piped gaseous fuels. The difference between both prices provides the supplier's margin on the activity of supplying end customers. This margin carries a fixed amount per consumer and a variable amount based on consumption.

The source of the current economic framework is the Order dated 31 July 1997 establishing the system of maximum sales prices before tax for liquefied petroleum gases (BOE of 1 August 1997). This Order has been the subject of successive revisions and updates:

- Order of 16 July 1998, updating the selling costs of the system for the automatic establishment of maximum pre-tax sales prices of liquefied petroleum gases, and liberalising certain supplies.

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- Order ITC/3292/2008 of 14 November 2008, amending the system for the automatic determination of pre-tax sales tariffs of piped liquefied petroleum gases.
- Order IET/389/2015 of 5 March 2015, updating the system for the automatic determination of maximum pre-tax sales prices of bottled liquefied petroleum gases and amending the system for the automatic determination of pre-tax sales tariffs for piped liquefied petroleum gases.

The maximum price of piped liquefied petroleum gas (LPG) is established in the Resolution issued by the Directorate-General for Energy Policy and Mining, in accordance with the aforementioned regulations. Among these resolutions, which may be monthly, the July review each year is particularly important as it determines the sales margin of the activity. The 9 July 2024 Resolution of the Directorate-General for Energy Policy and Mining is notable in 2024, because it establishes the new pre-tax sales tariffs for piped liquefied petroleum gases.

2. Basis of presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Nortegas Energía Distribución, S.A.U. and subsidiaries. The consolidated annual accounts for the year ended 31 December 2024 are prepared in accordance with International Financial Reporting Standards (hereinafter, IFRS), as adopted by the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The directors of the Parent expect that these consolidated annual accounts will be approved by the sole shareholder with no changes.

Nortegas Group's consolidated annual accounts for 2023 were approved by the sole shareholder on 26 June 2024.

Additionally, the Parent company forms part of Grupo Nature Investments, S.a.r.l., the parent company of which is Nature Investments, S.a.r.l., with registered address at 15, Boulevard Friedrich Wilhelm Raiffeisen, Luxembourg. The latter company draws up the consolidated financial statements, the Spanish translation of which will be filed at the Bizkaia Companies Registry.

(a) Basis of presentation of the consolidated annual accounts

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

(b) Comparative information

In accordance with IAS 1, for comparison purposes the information contained in these notes to the consolidated annual accounts for 2024 is presented alongside similar information for 2023, which does not constitute the Group's 2023 consolidated annual accounts.

(c) Significant accounting estimates and key assumptions and judgements when applying accounting policies

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in line with IFRS-EU. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts is as follows:

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- Impairment of non-current assets (see Note 8)

As described in Notes 3.h and 8, in accordance with applicable accounting regulations, the Group tests its cash-generating units annually for impairment. It carries out specific tests if it detects any indication of impairment. These impairment tests require an estimation of the future evolution of the businesses and of the most appropriate discount rates used in each case. The Group believes that its estimates in this regard are adequate and consistent with the current economic situation and that they reflect its investment plans and the best available estimate of its future income and expenses, and considers that its discount rates adequately reflect the risks corresponding to each cash generating unit.

- Useful life of property, plant and equipment and intangible assets (see Notes 7 and 8)

The directors of the Parent company determine the estimated useful lives and corresponding depreciation and amortisation for its property, plant and equipment and intangible assets. These estimates are based on the expected duration of each of the Group's property, plant and equipment and intangible assets and the forecast life cycles of the products it sells. The directors of the Parent company will modify the depreciation/amortisation charges for these items when the useful lives are considered to differ from the lives previously estimated and will depreciate/amortise or derecognise technically obsolete or non-strategic assets that have been abandoned or sold.

- Income tax (see Note 13)

Due to the legal status of the tax regulation applicable to the Group companies, certain calculations are estimates and the ultimate quantification of the tax is uncertain. Tax is calculated based on management's best estimates, according to the current status of the tax legislation and taking into account its foreseeable evolution.

When the ultimate taxable income amount is different to the amounts initially recorded, the effect of these differences is recognised in income tax in the year in which they are determined.

- Provisions for liabilities and expenses (see Note 25)

Despite the fact that these estimates have been made based on the best information available at the close of the year ended 31 December 2024, it is possible that events may take place in the future which will require them to be changed (upwards or downwards) in future years, which would be done on a prospective basis.

- Settlement of regulated activities (see Note 1.1b)

At the end of each year, the Group estimates the final settlement for the regulated activities carried out in Spain in that period, determining, where appropriate, the corresponding revenue deficit, as well as the amount that will be subject to future recovery in accordance with the pronouncements of the authorities in this regard and the periods in which said recovery will take place (Note 1).

The estimates include the provisional settlements published up to the date of authorisation of the annual accounts, as well as all available industry information.

(d) First-time application of accounting standards

The accounting policies used in the preparation of these consolidated annual accounts coincide with those used for the year ended 31 December 2023, except for the following amendments adopted by the European Union on 1 January 2024 for application in Europe:

- ✓ Amendments to IAS 1: Presentation of financial statements: Classification of liabilities as current or non-current
- ✓ Amendments to IFRS 16: Lease liability in a sale and leaseback transaction.
- ✓ Amendments to IAS 7 and IFRS 7: Financing agreements with suppliers

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The amendments to IAS 7 and IFRS 7 Financial Instruments clarify the details of the financing agreements with suppliers and require these agreements to be disclosed. The disclosure requirements in the amendments are aimed at helping users of financial statements understand the effects of financing agreements with suppliers on liabilities, cash flows and a company's exposure to liquidity risk. As a result of these amendments, the Group has provided additional disclosures on its financing agreement with suppliers (Note 22). The remaining mentioned regulations have had no impact in 2024 and the Group did not adopt any standards early.

Standards, amendments and interpretations issued that have not yet come into force

On the date on which these consolidated annual accounts were prepared, the following standards, amendments and interpretations had been issued, the effective date of which is subsequent to years started as of 1 January 2024:

Standard, interpretation or amendment	Date of adoption by EU	Date of application by EU	Date of application by IASB
Amendments to IAS 21: Lack of exchangeability	13 November 2024	1 January 2025	1 January 2025
Amendments to IFRS 9 and IFRS 7: Classification and measurement of financial instruments	Pending	Pending	1 January 2026
Amendments to IFRS 9 and IFRS 7: Renewable electricity contracts	Pending	Pending	1 January 2026
IFRS 18: Presentation and disclosure in financial statements	Pending	Pending	1 January 2027

When preparing these consolidated annual accounts, the Group has not adopted the early application of any standard, interpretation or amendment that has been published but is not yet applicable. The Group is working to identify all impacts, if appropriate, on the consolidated financial statements and the notes thereto of the amendments.

3. Accounting principles

(a) Subsidiaries

The subsidiaries that the Group holds control over are fully consolidated from the date on which control is obtained.

The Group considers that it holds control over a company when it is exposed to, or has the right to receive, variable yield as a result of its involvement in it, and has the capacity to influence such yield through the power it exercises over the company. For the purposes of preparing these consolidated annual accounts, a controlling interest is considered to be held in those companies in which an interest of over 50% of share capital is held and proof of control can be shown.

Results of subsidiaries acquired or disposed of during the year are taken to the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate. All balances and transactions between fully consolidated companies are eliminated on consolidation.

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

Appendix I contains information about the subsidiaries included in the Group's scope of consolidation.

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(b) Business combinations

The acquisition date is the date on which the Group obtains control of the acquiree.

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration paid excludes any payments that do not form part of the consideration given in exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

The excess between the business combination cost, plus the value given to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill.

(c) Associates

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are recorded using the equity accounting method from the date significant influence is exercised until the date on which the Company can no longer prove this influence exists. However, if at the date of acquisition, all or part of the investment meets the conditions for classification as non-current assets or disposable groups of elements classified as held for sale, these are recorded at their fair value, less costs of retirement or disposal.

Investments in associated entities are initially recorded at cost of acquisition, including any cost directly attributable to the acquisition and any contingent asset or liability consideration that depends on future events or fulfilment of certain conditions.

The excess of the cost of the investment over the Group's share in the fair value of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment. Once the cost of the investment is measured and the net assets of the associate are identified and measured, the shortfall is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment was acquired.

Details of equity-accounted investees are included in Appendix I.

Impairment

The Group applies the impairment criteria contained in IAS 39 Financial Instruments: Recognition and Measurement, to determine whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associate or in any other financial asset held with it as a result of applying the equity method.

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of retirement or disposal. Value in use is calculated based on the Group's share of the present value of future cash flows expected to be derived from ordinary activities and the amounts that may arise from the final disposal of the associate.

The recoverable amount of the investment in the associate is assessed in relation to each associate, except when it does not constitute a cash-generating unit (CGU).

Impairment losses are not allocated to goodwill or other assets implicit in the investment in associates derived from application of the acquisition method. In subsequent years, reversals of impairment of investments are recognised in profit or loss to the extent of any increase in the recoverable amount. Impairment losses are recognised separately from the Group's share of the profit or loss of an associate,

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(d) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of euros, the Parent's functional and presentation currency, rounded off to the nearest thousand, unless otherwise stated.

(e) Property, plant and equipment

Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses.

Production costs are capitalised in the consolidated income statement under Work carried out for the Group's own assets. Property, plant and equipment are carried at cost, less any accumulated depreciation and impairment.

Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	10 - 50
Technical installations and machinery (gas distribution network)	Straight-line	30 - 35
Technical installations and machinery (regulation and metering stations)	Straight-line	15 - 30
Technical installations and machinery (LNG plants)	Straight-line	12
Other installations, equipment and furniture	Straight-line	5 - 20
Technical installations and machinery (LPG industrial estates)	Straight-line	17.5 - 30
Other property, plant and equipment	Straight-line	4 - 10

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Revaluations permitted by law are depreciated over the remaining useful life of the revalued assets.

Impairment

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (h).

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(f) Intangible assets

Goodwill

Goodwill is the excess between the consideration paid, plus the value given to non-controlling interests, plus the fair value of the previous interest in the acquired business and the net value of assets acquired and liabilities assumed.

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration given excludes any payments that do not form part of the consideration given in exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill arisen in business combinations is allocated to each cash-generating unit (CGU) or groups of CGUs that the Group expects to benefit from the synergies of the combination, applying the criteria mentioned. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill generated internally is not recognised as an asset.

Patents, licences, trademarks and similar rights

This caption corresponds to the cost of identifiable intangible assets acquired in the business combination and reflects their fair value, subject to the exceptions set forth in the business combinations section.

Separable and identifiable intangible assets correspond to the value assigned to clients / connection points by an independent expert in the process of identifying and allocating the acquisition cost of subsidiaries. As a result of this, these items were recognised separately to goodwill.

Computer software

The licenses for computer software acquired from third parties are capitalised at cost of acquisition plus the costs incurred to prepare and use the specific programme.

Maintenance costs on computer software are recorded as an expense in the year in which they are incurred. Costs directly related to the production of unique and identifiable software controlled by the Group and which are likely to generate financial benefits above costs for more than one year are recognised as intangible assets. The direct costs include the costs of the personnel developing the software and an adequate percentage of overheads.

Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded by the Group as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

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Intangible assets with finite useful lives are amortised on a straight-line basis by allocating the amortisable amount of an asset on a systematic basis over the following estimated years:

	Amortisation method	Estimated years of useful life
Development	Straight-line	5
Computer software	Straight-line	4
Patents, licences, trademarks and similar	Straight-line	40-60

The amortisable amount is the cost of an asset or deemed cost less its residual value.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Impairment

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (h).

(g) Lease contracts

The Group classifies the right-of-use asset and the lease liability under the headings Right-of-use assets, Non-current financial liabilities - Leases, and Current financial liabilities - Leases in the consolidated balance sheet, respectively.

Leases determine the control to use an identified asset for a period of time in exchange for a consideration.

The right-of-use asset is initially recorded at cost, which includes the initial measurement of the lease liability; any lease payment made on or prior to the commencement of the lease, less any incentives received; initial direct costs incurred on the lease; and an estimate of the costs to be incurred by the lessee in dismantling and restoring the asset.

Subsequent to initial recognition, the right-of-use asset is recorded at cost less accumulated depreciation/amortisation and impairment losses. Depreciation/amortisation of the right-of-use asset is recognised under Amortisation/depreciation and provisions in the consolidated income statement on a straight-line basis over the period from the start of the contract to its expiry date, except when ownership of the contract is transferred when the contract term ends or the right-of-use amount includes the exercise of a purchase option, whereby the depreciation/amortisation period is calculated on the basis of the useful life of the underlying asset. Furthermore, the right-of-use asset is subsequently adjusted as a result of certain re-estimates affecting the lease liabilities.

The lease liabilities are measured at the present value of the lease payments to be made subsequent to the start of the contract discounted using the interest rate implicit in the lease or using the incremental rate if the former cannot be readily determined. Generally speaking, future payments are discounted using the incremental interest rate.

Lease payments include fixed or substantially fixed payments; the variable payments subject to an index or rate; the amounts expected to be paid by the lessee under residual value guarantees; the price of exercising a purchase option if the lessee is reasonably likely to exercise this option; the amounts payable during optional renewal periods, provided that the extension of a lease is considered to be reasonably certain; payments for terminating the lease early if it is considered reasonably likely that the lease will be terminated.

Subsequently, lease liabilities are measured at amortised cost using the effective interest rate and they are remeasured when there is a change in the index or rate, in the amounts expected to be paid under residual value guarantees or when there are changes that affect the estimated price of exercising purchase options, or extending or terminating the lease. The financial restatement is recorded under Finance cost in the consolidated income statement (Note 33).

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Contingent rents subject to the occurrence of a specific event and variable payments that depend on the income from or the use of the underlying asset are recorded when incurred under Other expenses in the consolidated income statement instead of forming part of the lease liability.

(h) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and intangible assets not yet available for use for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of assets is the higher of fair value less costs of retirement or disposal and value in use.

Negative differences arising from comparing the carrying amounts of assets with their recoverable amounts are expensed, except in those cases in which the non-current asset is recorded at the revalued amount.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses on cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the higher of its fair value less costs of retirement or disposal, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill may not be reversed. Impairment losses on assets other than goodwill are reversed if, and only if, there has been a change in the estimates used to calculate the asset's recoverable amount.

A reversal of an impairment loss is recognised in the income statement, except when the non-current asset is recorded at its restated amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

(i) Financial instruments

The Group classifies and measures its financial assets, both current and non-current, as follows:

1. Assets at amortised cost:

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

- The asset is held within the framework of a business model whose purpose is to hold financial assets in order to obtain contractual cash flows, and
- The contractual conditions of the financial asset give rise, on specified dates, to cash flows constituting solely payments of principal plus interest on the outstanding principle.

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These assets are initially measured at fair value, plus any transaction costs, and then subsequently at amortised cost. The interest accrued is taken to the consolidated income statement applying the effective interest method. Nonetheless, financial assets falling due one year or less without a contractual interest rate are initially and subsequently measured at their nominal amount, if the effect of upgrading the cash flows is insignificant.

2. Financial assets at fair value through profit or loss

This category contains all other financial assets, including derivative financial instruments that do not meet the hedge accounting criteria in accordance with the requirements set out for this purpose in IFRS 9 Financial instruments.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense in the consolidated income statement when incurred. Changes in fair value are recognised in the consolidated income statement under the headings Finance cost and Finance income, as appropriate.

The Group identifies the most appropriate classification for each asset when it is acquired and this is reviewed at year end.

Impairment of financial assets at amortised cost

The Group recognises value adjustments relating to expected credit losses on financial assets measured at amortised cost and contract assets.

The Group applies the general approach of calculating the expected loss of its financial assets.

The general approach considers expected credit losses for the next twelve months, except when the credit risk of a financial instrument has increased significantly since its initial recognition, in which case the expected credit losses for the entire life of the asset are considered. The Group assumes that the credit risk of a financial instrument has not increased significantly since its initial recognition if the financial instrument has a low credit risk at the closing date.

Impairment losses and reversals of impairment losses on trade receivables and contract assets are recognised under Change in trade receivables and contract assets in the consolidated income statement. Impairment losses and reversals of impairment losses on other financial assets at amortised cost are recognised under Impairment and gains/(losses) on disposals of financial instruments in the consolidated income statement.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership are considered to have been transferred.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in other comprehensive income, is recognised in the consolidated income statement.

At 2024 year-end, the Group has derecognised €22.7 million relating to assets recorded under trade and other receivables, as the conditions detailed above have been met.

Classification and measurement of financial liabilities

The Group classifies all financial liabilities as measured at amortised cost using the effective interest rate method, except derivative financial instruments that do not meet the hedge accounting criteria, in accordance with the requirements set out for this purpose in IFRS 9: Financial Instruments, which are recognised at fair value through profit or loss.

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Derecognition of financial liabilities

Financial liabilities are derecognised where they are extinguished, i.e., when the obligation deriving from the liability has been discharged or cancelled, or it has expired. When there is an exchange of debt instruments between the Group and the counterparty, provided that they have substantially different conditions, the original financial liability is eliminated, and the new financial liability is recognised. Similarly, any substantial modification to the current conditions affecting a financial liability is recognised.

The difference between the carrying amount of the financial liability, or a portion thereof, which has been eliminated and the consideration paid, including the attributable transaction costs and under which any assigned asset that is different from the assumed asset or liability is recorded, is recognised in the consolidated income statement in the year in which this occurs.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

When there is an exchange of debt instruments that do not contain substantially different conditions, the modified flows are discounted at the original effective interest rate and any difference in the prior carrying amount is recognised in the consolidated income statement. Similarly, any costs or fees incurred adjust the carrying amount of the financial liability and are amortised over the remaining term of the modified liability.

Interest and dividends

Interest revenue is recognised based on outstanding principal and taking into consideration the applicable effective interest rate, which matches the carrying value of the asset, discounting expected future cash flows over the estimated useful life of the asset.

Dividend income is recognised when the right to receive payment is established.

Derivative financial instruments

Derivative financial instruments are initially recognised at acquisition cost in the consolidated balance sheet and subsequently all measurement adjustments that are necessary are applied to reflect their fair value at any given moment. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a cash flow hedge, or net foreign investment hedge.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(j) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the sole shareholder.

(k) Inventories

Group inventories consist of LPG held in tanks and are measured at the lower of the weighted average acquisition cost or the sale price.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value.

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(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

In the consolidated statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities arising from loans and borrowings.

(m) Capital grants

This heading includes any non-repayable subsidies granted by the government whose purpose is to finance capital assets, plant and equipment. All capital grants are taken to the heading Other operating income in the consolidated income statement as the subsidised items are depreciated.

(n) Connection and extension rights

Amounts paid by customers on account of connection rights for the installations needed to facilitate new supplies or extend existing ones are recorded under Non-current and current contract liabilities on the consolidated balance sheet, and are recognised as income over the useful life of the extended installations they finance or, if appropriate, when the assets are sold or restated due to impairment losses. They are recognised as income under Other operating income in the consolidated income statement as the subsidised facilities are amortised.

(o) Employee benefits

Defined contribution plans

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Company. Accrued contributions are recognised as an employee benefits expense.

Short and Long-term employee benefits

Short-term employee benefits are different from termination benefits that are expected to be settled in full before 12 months after the end of the reporting period in which the employees render the related services.

Long-term employee benefits are different from termination benefits that are expected to be settled in full after 12 months after the end of the reporting period in which the employees render the related services.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Termination benefits

Pursuant to current employment law, in certain circumstances the Group is liable to pay termination benefits to employees whose services are discontinued. Termination benefits payments that can be reasonably quantified are recorded as an expense in the period in which a valid expectation is created by the Company towards the affected third parties.

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(p) Provisions

General criteria

Provisions are recognised when the Group has a present obligation (legal, or implicit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is determined before taxes, taking into consideration the time value of money, as well as the specific risks that have not been included in the future cash flows relating to the provision at each closing date.

Single obligations are measured using the individual most likely outcome.

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised, and any surplus is accounted for in other income.

In turn, contingent liabilities are considered as those potential obligations arising from past events that are conditional upon one or more future events that are beyond the control of the Group. These contingent liabilities are not subject to accounting record but are disclosed in the relevant notes.

q) Revenue recognition

Revenue from the sale of goods and the rendering of services is recognised at the fair value of the consideration received or receivable.

The Group assesses whether a transaction is comprised of different components, in order to apply the appropriate income recognition criteria to each one.

Revenue from sales

The new regulatory framework for the gas sector in Spain entered into force in February 2002 and governs the settlement procedures for the redistribution between the sector companies of revenues from tolls, charges and tariffs, net of payments for specific purposes, so that each company receives the revenues allocated for its regulated activities.

Royal Decree-Law 8/2014 approving urgent measures for growth, competitiveness and efficiency, enacted by means of Law 18/2014, establishes the principle of economic and financial sustainability of the gas system. Hence, any measure that could lead to an increase in costs or a reduction in income must incorporate an equivalent reduction of other cost items or an equivalent increase in income to ensure the system is balanced. It also limits annual gaps between the system's income and costs in that these cannot exceed 10% of the final revenues for the year and the amount of the annual gaps and annual amounts recognised pending settlement cannot exceed 15% of this amount.

Revenues received as remuneration for distribution activity each year are set ex ante. The published ministerial orders (with remuneration to 2019) and CNMC resolutions (with remuneration as from 2020) establish the remuneration for the coming year based on business forecasts for the following year. As a result, the remuneration amount is subject to change for up to two years, until the definitive data on demand and new customers are available for the year under analysis.

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The Resolution of 23 May 2024 by the Spanish National Markets and Competition Commission, which establishes remuneration for 2025 for companies undertaking regulated liquefied natural gas plant, transport and natural gas distribution activities, reviews the following items:

- Final gaps in remuneration for the 2022 and 2023 gas years.
- Provisional gaps in remuneration for the 2024 gas year.
- Initial remuneration for the 2025 gas year, which runs from 1 October to 30 September 2025.

The Group estimates these settlements accrued at 31 December 2024 and pending settlement by the Spanish National Markets and Competition Commission (CNMC). The final settlement for 2024 had not been published at the date these annual accounts were authorised for issue (as per the gas year criteria previously described). However, it is not expected to differ significantly from the estimates, including the deficit estimate.

Services rendered

Revenue from inspection services rendered and rental of gas meters and others are recognised when the service is rendered.

The Group regularly checks if any service contract is onerous and makes provision where appropriate.

The recognition of revenue from ordinary activities outside the scope of IFRS 15 Revenue from contracts with customers relating to lease contracts and derivative hedging instruments is accounted for in accordance with applicable accounting standards.

Interest and dividends

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.

Income from dividends on investments in equity instruments is recognised in profit or loss when the Group's right to receive payment is established.

r) Income tax

The income tax expense or tax income for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable or recoverable in respect of the consolidated taxable income or consolidated tax loss for the year. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or are about to be enacted at the reporting date.

Deferred tax liabilities are income tax amounts payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are income tax amounts recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are defined as differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity, or from a business combination.

The Group recognises tax allowances for investments according to the criteria for measuring and recording deferred and current tax assets, unless in the form of a grant. If deductions are in the form of a grant, they are recognised and stated in accordance with the corresponding accounting policy. For these purposes, the Group considers as grants those deductions that are applicable regardless of whether tax is payable and have substantive operating terms in addition to the making or holding of the investment.

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It is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

In order to determine future taxable profit, the Group takes into account tax planning opportunities, provided it intends or is likely to adopt them.

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or are about to be enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not meet the aforementioned conditions are not recognised in the consolidated balance sheet. At year end, the Group reassesses whether the conditions for recognising previously unrecognised deferred tax assets have been met.

Offsetting and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation

At 31 December 2024, the Parent company, Nortegas Energía Distribución, S.A.U., its sole shareholder, Nortegas Energía Grupo, S.L.U., and the following companies are taxed under the special consolidated tax regime, in adherence with regional corporate income tax regulation 11/2013 of 5 December, whereby the parent company of the tax group is Nortegas Energía Distribución, S.A.U.:

- NED España Distribución Gas, S.A.U. (subsidiary)
- NED Suministro GLP, S.A.U. (subsidiary)
- Nortegas Green Energy Solutions, S.L.U.
- Norbiogas Renovables, S.L.U.
- Bionorte Renovables, S.L.U.
- Nortiben Green Energy IV, S.L.U.
- Nortiben Green Energy V, S.L.U.
- Nortiben Green Energy VI, S.L.U.
- Nortiben Green Energy VII, S.L.U.
- Nortiben Green Energy VIII, S.L.U.
- Nortiben Green Energy IX, S.L.U.
- Nortiben Green Energy X, S.L.U.
- Nortiben Green Energy XI, S.L.U.
- Nortiben Green Energy XII, S.L.U.
- Nortiben Green Energy XIII, S.L.U.
- Nortiben Green Energy XIV, S.L.U.
- Nortiben Green Energy XV, S.L.U.
- Norbiogas Biometano I, S.L.U.
- Norbiogas Biometano II, S.L.U.
- Norbiogas Biometano III, S.L.U.
- Norbiogas Biometano IV, S.L.U.
- Norbiogas Biometano V, S.L.U.

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- Norbiogas Biometano VI, S.L.U.
- Norbiogas Biometano VII, S.L.U.

In the year ended 31 December 2023, the Parent company, Nortegas Energía Distribución, S.A.U., its sole shareholder, Nortegas Energía Grupo, S.L.U., NED Suministro GLP, S.A.U. (subsidiary), and NED España Distribución Gas, S.A.U. (subsidiary), Nortegas Green Energy Solutions, S.L.U., Norbiogas Renovables, S.L.U. (formerly Berriztagas Bizkaia, S.L.U.), Bionorte Renovables, S.L.U., Nortiben Green Energy IV, S.L.U., Nortiben Green Energy V, S.L.U., Nortiben Green Energy VI, S.L.U., Nortiben Green Energy VII, S.L.U., Nortiben Green Energy VIII, S.L.U., Norbiogas Biometano I, S.L.U., Norbiogas Biometano II, S.L.U. and Norbiogas Biometano III, S.L.U. paid tax under the special consolidated tax regime set out in regional corporate income tax regulation 11/2013 of 5 December, whereby the parent of the tax group was Nortegas Energía Distribución, S.A.U.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies in the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company in the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.
- Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are allocated to the company which recognised the profit/loss and are valued using the tax rate of that company.

A reciprocal credit and debit arises between the companies that contribute tax losses to the tax group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other companies in the tax group, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

(s) Segment reporting

A business segment is a component of the Group that undertakes business activities that can generate revenue and incur expenses, the operating results of which are reviewed regularly by the Group's senior operational decision-making authority, to decide on resources to be allocated to the segment, assess its performance and in relation to which separate financial information is available.

The Group has two operating segments, as described below. These segments are the strategic business units.

The Group comprises the following operating segments:

- Natural gas
- LPG - Liquefied Petroleum Gas

The method of obtaining this financial information by segment is based on assigning each of the companies within the scope of consolidation to an activity, since each company/segment relates to a different activity.

The results of associates are included in the segment of activity they carry out, i.e. distribution of natural gas.

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(t) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(u) Environmental issues

Property, plant and equipment acquired by the Group for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (e).

The outcome of the Group's activity on the environment is not significant. Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(v) Transactions between Group companies excluded from the consolidated group

Transactions between Group companies excluded from the consolidated group, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration paid or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

4. Business combinations

The Group has not performed any business combinations in 2024 or 2023.

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5. Segment information

The table below contains segment information at 31 December 2024 and 2023 for each of the Group's businesses, obtained by applying the criteria described in Note 3(s).

31.12.2024	Thousands of euros		
	Segments		Total
	Natural gas	LPG	
Revenue	169,270	28,680	197,950
Work carried out for the Group's own assets	6,189	558	6,747
Supplies	(4,166)	(18,241)	(22,407)
Personnel expenses	(17,103)	-	(17,103)
Depreciation/amortisation	(76,881)	(7,370)	(84,251)
Change in trade receivables and contract assets	(12)	130	118
Other expenses	(20,169)	(3,800)	(23,969)
Other income	845	52	897
Results from operating activities	57,973	9	57,982
Finance income (unallocated)	-	-	2,451
Finance cost (unallocated)	-	-	(18,337)
Income tax (unallocated)	-	-	(8,056)
Share in profit from investments accounted for using the equity method (unallocated)	-	-	123
Profit/(loss) for the year			34,163
Segment assets	2,265,085	116,055	2,381,140
Segment liabilities	1,438,624	9,121	1,447,745

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31.12.2023	Thousands of euros		
	Segments		Total
	Natural gas	LPG	
Revenue	172,180	28,791	200,971
Work carried out for the Group's own assets	6,386	420	6,806
Supplies	(3,761)	(19,152)	(22,913)
Personnel expenses	(9,493)	-	(9,493)
Depreciation/amortisation	(76,955)	(7,181)	(84,136)
Change in trade receivables and contract assets	44	(27)	17
Other expenses	(26,046)	(3,418)	(29,464)
Other income	1,703	91	1,794
Results from operating activities	64,058	(476)	63,582
Finance income (unallocated)	-	-	1,331
Finance cost (unallocated)	-	-	(18,181)
Income tax (unallocated)	-	-	(8,810)
Share in profit from investments accounted for using the equity method (unallocated)	-	-	130
Profit/(loss) for the year			38,052
Segment assets	2,285,179	127,636	2,412,815
Segment liabilities	1,439,672	8,626	1,448,298

6. Subsidiaries

Appendix I contains information about the subsidiaries included in the Group's scope of consolidation at 31 December 2024 and 2023.

There have been no changes to the scope of consolidation during 2024 or 2023.

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7. Property, plant and equipment

Details of property, plant and equipment and movement in 2024 and 2023 are as follows:

	Thousands of euros						Total
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
31.12.2024							
Cost at 31 December 2023	898	5,582	1,843,604	72,048	6,400	3,431	1,931,963
Additions	-	-	118	1,173	18,241	598	20,130
Disposals	-	(78)	(185)	(4,949)	(35)	-	(5,247)
Transfers	-	-	16,585	342	(17,262)	178	(157)
Cost at 31 December 2024	898	5,504	1,860,122	68,614	7,344	4,207	1,946,689
Accumulated depreciation at 31 December 2023	-	(3,547)	(982,676)	(59,957)	-	(2,193)	(1,048,373)
Depreciation	-	(115)	(53,307)	(2,383)	-	(599)	(56,404)
Disposals	-	48	179	4,947	-	-	5,174
Transfers	-	-	157	-	-	-	157
Accumulated depreciation at 31 December 2024	-	(3,614)	(1,035,647)	(57,393)	-	(2,792)	(1,099,446)
Carrying amount at 31 December 2024	898	1,890	824,475	11,221	7,344	1,415	847,243

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	Thousands of euros						Total
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
31.12.2023							
Cost at 31 December 2022	898	5,582	1,823,586	74,319	8,063	2,153	1,914,601
Additions	-	-	113	1,307	18,857	1,278	21,555
Disposals	-	-	(32)	(4,161)	-	-	(4,193)
Transfers	-	-	19,937	583	(20,520)	-	-
Cost at 31 December 2023	898	5,582	1,843,604	72,048	6,400	3,431	1,931,963
Accumulated depreciation at 31 December 2022	-	(3,412)	(929,765)	(61,614)	-	(1,687)	(996,478)
Depreciation	-	(135)	(52,923)	(2,500)	-	(506)	(56,064)
Disposals	-	-	12	4,157	-	-	4,169
Accumulated depreciation at 31 December 2023	-	(3,547)	(982,676)	(59,957)	-	(2,193)	(1,048,373)
Carrying amount at 31 December 2023	898	2,035	860,928	12,091	6,400	1,238	883,590

Additions of €18,241 thousand recognised in 2024 under the heading Under construction and advances (€18,857 thousand in 2023), relate mainly to additions for investments in the proprietary network, network extensions in the Basque Country, Asturias and Cantabria and the development of networks in new municipalities.

Insurance

The Group has taken out an insurance policy to cover the risk of damage to its property, plant and equipment. The insured asset value of networks and pipelines, industrial installations, office buildings and electronic equipment amounts to €2,181,330 thousand (€2,181,330 thousand in 2023). In addition, there is automatic insurance coverage for damages of €436,266 thousand (€436,266 thousand in 2023).

Fully depreciated assets

The cost of fully depreciated property, plant and equipment still in use at 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	31.12.2024	31.12.2023
Buildings	1,823	1,816
Technical installations and machinery	168,422	163,812
Other installations, equipment and furniture	39,348	38,635
Other property, plant and equipment	1,440	1,383
	211,033	205,646

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Property, plant and equipment pledged as collateral

At 31 December 2024 and 2023, the Group has not pledged any items of property, plant and equipment to secure bank loans.

Commitments

Investment commitments at 31 December 2024 are not significant.

8. Intangible assets

Details of intangible assets and movement during the years ended 31 December 2024 and 2023 are as follows:

	Thousands of euros				
	Development	Patents, licences, trademarks and similar rights	Goodwill	Computer software	Total
31.12.2024					
Cost at 31 December 2023	1,485	1,531,498	45,910	22,979	1,601,872
Additions	577	-	-	811	1,388
Disposals	-	-	-	(677)	(677)
Cost at 31 December 2024	2,062	1,531,498	45,910	23,113	1,602,583
Accumulated amortisation at 31 December 2023	-	(165,539)	-	(19,935)	(185,474)
Amortisation	(175)	(25,798)	-	(1,555)	(27,528)
Disposals	-	-	-	677	677
Accumulated amortisation at 31 December 2024	(175)	(191,337)	-	(20,813)	(212,325)
Carrying amount at 31 December 2024	1,887	1,340,161	45,910	2,300	1,390,258

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31.12.2023	Thousands of euros				Total
	Development	Patents, licences, trademarks and similar rights	Goodwill	Computer software	
Cost at 31 December 2022	1,252	1,531,498	45,910	22,265	1,600,925
Additions	233	-	-	826	1,059
Disposals	-	-	-	(112)	(112)
Cost at 31 December 2023	1,485	1,531,498	45,910	22,979	1,601,872
Accumulated amortisation at 31 December 2022	-	(139,740)	-	(18,042)	(157,782)
Amortisation	-	(25,799)	-	(2,005)	(27,804)
Disposals	-	-	-	112	112
Accumulated amortisation at 31 December 2023	-	(165,539)	-	(19,935)	(185,474)
Carrying amount at 31 December 2023	1,485	1,365,959	45,910	3,044	1,416,398

At 31 December 2024 and 2023, the Group has no commitments to acquire intangible assets.

Goodwill

Goodwill of €46 million resulting from the business combination undertaken during 2017 mainly comprises future profits on the activity of the Parent company and of the subsidiaries listed in Appendix I, which do not meet the conditions established to be recognised as a separate asset.

The allocation of goodwill at 31 December 2024 and 2023 by Cash-Generating Unit (CGU) is as follows:

	Thousands of euros	
	2024	2023
Natural gas distribution in the Basque Country	15,302	15,302
Natural gas distribution in Asturias and Cantabria	30,052	30,052
Distribution and supply of liquefied petroleum gas	556	556
	45,910	45,910

Fully amortised assets

The cost of fully amortised intangible assets still in use at 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	31.12.2024	31.12.2023
Computer software	16,952	16,380
	16,952	16,380

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Impairment

The Group has carried out an impairment test using the following main assumptions:

- o Regulated remuneration: the approved remuneration has been used for the years in which it is available, and for subsequent years the best information available at the date of authorisation of these consolidated annual accounts and the mechanisms for updating said remuneration have been applied in a manner consistent with the estimated costs of the cash-generating unit.
- o Investment: investment plans have been considered that are consistent with the expected growth in customers and demand in the cash-generating unit.
- o Operation and maintenance costs: the best available estimate of changes in these costs based on historical Group information.
- o Projections at 14 years with a market growth rate of 0.5% from year 14. As in previous years, the future cash flow projection period is 14 years. This term is consistent with the Group's business plan and it is reasonable in relation to the regulated nature of the Group's business, which includes extended regulatory periods. The Group believes that its projections are reliable and that past experience demonstrates its capacity to predict cash flows in periods such as these. Furthermore, 5-year cash flow projections, as recommended in IAS 36, would be inappropriate due to the Group's long-term investments and the residual life of its property, plant and equipment.
- o Discount rate before tax of between 6.05% and 7.74% (between 5.88% and 7.53% in 2023). The discount rate applied to calculate the current values of free cash flows has been determined according to the weighted average cost of capital (WACC). WACC is a type of discount based on the required rates of return of each component of the capital invested (equity and financial debt) and is calculated by weighting the required returns of these components in proportion to the weight of each of these sources of financing in an expected capital structure. In this regard, the following has been taken into account in this calculation:
 - Cost of capital or own resources (Ke):
 - o Risk-free rate (Rf): calculated based on the profitability of the Spanish Government Bond.
 - o Market risk premium (Rm-Rf): this has been defined according to the analysis carried out based on empirical studies in long series that analyse the difference between the average historical profitability of the stock exchange and long-term state debt.
 - o Unlevered beta coefficient: represents the risk differential of each business with respect to the average market risk (Rm), referenced using certain listed companies with businesses comparable to the business under analysis.
 - Cost of debt (Kd): we understand that the cost of debt must reflect the cost at which a company could be financed.
 - Nominal tax rate applicable in each jurisdiction

The recoverable amount calculated in the aforementioned impairment test is a value higher than the carrying amount of the cash-generating unit, so no impairment losses have been recognised for intangible assets or property, plant and equipment in the year ended 31 December 2024.

Sensitivity analysis

The Group has systematically carried out sensitivity analyses on the results of the impairment tests undertaken using changes in the following assumptions in each cash-generating unit:

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- A 0.5% increase in the discount rate
- A 0.5% reduction in growth of supply points
- A 0.5% slowdown in the growth of demand per supply point
- A 5% reduction in LPG consumption per supply point.
- A growth rate in perpetuity of 0%.

In these sensitivity analyses carried out for each individually considered assumption, no impairment has been detected.

9. Investments in equity-accounted associates

Below is the information regarding investments in equity-accounted associates at 31 December 2024 and 2023:

31.12.2024	Registered office	Activity	Auditor	Group company	% of investment	Amount of investment
Tolosa Gasa, S.A.	Tolosa (Gipuzkoa)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	40.00	72
Inkolan, A.I.E.	Bilbao (Vizcaya)	Compilation and management of all information relating to the networks installed by each partner in the Basque Country (CAV).	Moore Stephens AMS, S.L.	Nortegas Energía Distribución, S.A.U.	14.29	69
						141

31.12.2023	Registered office	Activity	Auditor	Group company	% of investment	Amount of investment
Tolosa Gasa, S.A.	Tolosa (Gipuzkoa)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	40.00	260
Inkolan, A.I.E.	Bilbao (Vizcaya)	Compilation and management of all information relating to the networks installed by each partner in the Basque Country (CAV).	Moore Stephens AMS, S.L.	Nortegas Energía Distribución, S.A.U.	14.29	69
						329

Details of investments in the equity of Group companies and associates in 2024 and 2023 and movement are as follows:

Company	Balance at 31 December 2023	Share in profit	Dividends received	Changes in equity	Balance at 31 December 2024
Inkolan, A.I.E.	423	36	-	-	459
Tolosa Gasa, S.A.	481	87	(82)	(188)	298
	904	123	(82)	(188)	757

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Company	Balance at 31 December 2022	Share in profit	Dividends received	Balance at 31 December 2023
Inkolan, A.I.E.	374	49	-	423
Tolosa Gasas, S.A.	492	81	(92)	481
	866	130	(92)	904

The Reserves heading on the consolidated balance sheet includes €574 thousand at 31 December 2024 (€513 thousand at 31 December 2023) relating to reserves from equity-accounted associates. Associates have not incurred contingent liabilities.

10. Right-of-use assets

Thousands of euros	Balance at 31.12.2023	Additions	Remeasurement /modification of lease liability	Disposals	Balance at 31.12.2024
Cost:					
Land	227	3	7	-	237
Buildings	134	-	23	-	157
Fleets	851	-	56	-	907
Other right-of-use assets	1,621	-	60	(14)	1,667
Total cost	2,833	3	146	(14)	2,968
Accumulated amortisation/depreciation					
Land	(126)	(32)	-	-	(158)
Buildings	(111)	(23)	-	-	(134)
Fleets	(674)	(135)	-	-	(809)
Other right-of-use assets	(471)	(128)	-	11	(588)
Total accumulated amortisation/depreciation	(1,382)	(318)	-	11	(1,689)
Total net cost	1,451	(315)	146	(3)	1,279

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Thousands of euros	Balance at 31.12.2022	Additions	Remeasurement /modification of lease liability	Disposals	Balance at 31.12.2023
Cost:					
Land	199	21	7	-	227
Buildings	111	-	23	-	134
Fleets	777	78	37	(41)	851
Other right-of-use assets	1,530	-	98	(7)	1,621
Total cost	2,617	99	165	(48)	2,833
Accumulated amortisation/depreciation					
Land	(99)	(27)	-	-	(126)
Buildings	(88)	(23)	-	-	(111)
Fleets	(605)	(96)	-	27	(674)
Other right-of-use assets	(357)	(121)	-	7	(471)
Total accumulated amortisation/depreciation	(1,149)	(267)	-	34	(1,382)
Total net cost	1,468	(168)	165	(14)	1,451

11. Financial assets by category

Classification of financial assets by category

The classification of financial assets by category and class at 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	Non-current	Current
	At amortised cost or cost Carrying amount	
31.12.2024		
<i>Loans and receivables</i>		
Loans to unrelated parties		
Fixed rate	36	-
Loans to related parties (Note 34)		
Fixed rate	-	3
Security and other deposits	502	14
Other financial assets	-	95
Trade receivables for sales and services rendered	-	14,277
Trade receivables	-	12,978
Other receivables	-	147
Total	538	27,514
Total financial assets	538	27,514

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31.12.2023	Thousands of euros	
	Non-current	Current
	At amortised cost or cost Carrying amount	
<i>Loans and receivables</i>		
Loans to unrelated parties		
Fixed rate	28	-
Loans to related parties (Note 34)		
Fixed rate	-	1,898
Security and other deposits	502	14
Other financial assets	-	63
Trade receivables for sales and services rendered	-	15,806
Trade receivables	-	17,058
Other receivables	-	130
	530	34,969
Total	530	34,969
Total financial assets	530	34,969

The carrying amounts of trade receivables and payables are assumed to be close to their fair value.

Net gains/(losses) by financial asset category at 31 December 2024 amount to income of €2,451 thousand relating to accrued interest income (€1,331 thousand of finance income in 2023) (see Note 33).

12. Current and non-current financial assets

Details of current and non-current financial assets at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	2024		2023	
	Non-current	Current	Non-current	Current
Security deposits paid	7	14	7	14
Loans to related parties (Note 11)	-	3	-	1,898
Loans to unrelated parties	36	-	28	-
Deposits given	495	-	495	-
Other financial assets	-	95	-	63
Trade and other receivables (Note 14)	-	27,402	-	32,994
	538	27,514	530	34,969
Total	538	27,514	530	34,969

The fair values of loans and other receivables do not differ significantly from their carrying amounts.

13. Income tax

At 31 December 2024, the Parent company, Nortegas Energía Distribución, S.A.U., its sole shareholder, Nortegas Energía Grupo, S.L.U., and the following companies are taxed under the special consolidated tax regime, in adherence with regional corporate income tax regulation 11/2013 of 5 December, whereby the parent of the tax group is Nortegas Energía Distribución, S.A.U.:

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- NED España Distribución Gas, S.A.U. (subsidiary)
- NED Suministro GLP, S.A.U. (subsidiary)
- Nortegas Green Energy Solutions, S.L.U.
- Norbiogas Renovables, S.L.U.
- Bionorte Renovables, S.L.U.
- Nortiben Green Energy IV, S.L.U.
- Nortiben Green Energy V, S.L.U.
- Nortiben Green Energy VI, S.L.U.
- Nortiben Green Energy VII, S.L.U.
- Nortiben Green Energy VIII, S.L.U.
- Nortiben Green Energy IX, S.L.U.
- Nortiben Green Energy X, S.L.U.
- Nortiben Green Energy XI, S.L.U.
- Nortiben Green Energy XII, S.L.U.
- Nortiben Green Energy XIII, S.L.U.
- Nortiben Green Energy XIV, S.L.U.
- Nortiben Green Energy XV, S.L.U.
- Norbiogas Biometano I, S.L.U.
- Norbiogas Biometano II, S.L.U.
- Norbiogas Biometano III, S.L.U.
- Norbiogas Biometano IV, S.L.U.
- Norbiogas Biometano V, S.L.U.
- Norbiogas Biometano VI, S.L.U.
- Norbiogas Biometano VII, S.L.U.

In the year ended 31 December 2023, the Parent company, Nortegas Energía Distribución, S.A.U., its sole shareholder, Nortegas Energía Grupo, S.L.U., and the following companies were taxed under the special consolidated tax regime, in adherence with regional corporate income tax regulation 11/2013 of 5 December, whereby the parent of the tax group was Nortegas Energía Distribución, S.A.U.:

- NED España Distribución Gas, S.A.U. (subsidiary)
- NED Suministro GLP, S.A.U. (subsidiary)
- Nortegas Green Energy Solutions, S.L.U.
- Norbiogas Renovables, S.L.U. (previously Berriztagas Bizkaia, S.L.U.)
- Bionorte Renovables, S.L.U.
- Nortiben Green Energy IV, S.L.U.
- Nortiben Green Energy V, S.L.U.
- Nortiben Green Energy VI, S.L.U.
- Nortiben Green Energy VII, S.L.U.
- Nortiben Green Energy VIII, S.L.U.
- Norbiogas Biometano I, S.L.U.
- Norbiogas Biometano II, S.L.U.
- Norbiogas Biometano III, S.L.U.

Details of deferred tax assets and liabilities by type of asset and liability at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	31.12.2024	
	Assets	Liabilities
Property, plant and equipment and intangible assets	-	255,189
Deferred income	-	4,714
Provisions for termination benefits	795	-
Deductions	728	-
Other	(1,523)	-
Total assets/liabilities	-	259,903

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Thousands of euros		
31.12.2023		
	Assets	Liabilities
Property, plant and equipment and intangible assets	-	258,181
Deferred income	-	4,996
Deductions	324	-
Other	(324)	-
Total assets/liabilities	-	263,177

Details of movement in deferred taxes by type of asset and liability, recognised in tax (expense)/income deferred to 31 December 2024 and 2023 are as follows:

Thousands of euros		
31.12.2024		
	Assets	Liabilities
Property, plant and equipment and intangible assets	-	(2,992)
Deferred income	-	(282)
Provisions for termination benefits	795	-
Deductions	404	-
Other	(1,199)	-
Total assets/liabilities	-	(3,274)

Thousands of euros		
31.12.2023		
	Assets	Liabilities
Property, plant and equipment and intangible assets	-	(1,582)
Deferred income	-	(301)
Deductions	324	-
Other	(324)	-
Total assets/liabilities	-	(1,883)

Details of the income tax expense for the years ended 31 December 2024 and 2023 are as follows:

Thousands of euros		
	31.12.2024	31.12.2023
Current tax		
For the period	(11,191)	(10,557)
Prior years' adjustments	(139)	(136)
	(11,330)	(10,693)
Deferred taxes		
Origin and reversal of temporary differences		
Property, plant and equipment and intangible assets	2,992	1,582
Deferred income	282	301
Provisions for termination benefits	795	-
Deductions	404	324
Other	(1,199)	(324)
Total deferred tax	3,274	1,883
	(8,056)	(8,810)

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A reconciliation of current tax with current income tax liabilities for the years ended 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	2024	2023
Current tax	11,191	10,557
Withholdings and interim payments made during the period	(2,839)	(2,022)
Other	(3)	-
Debt with Group companies due to tax effect (Note 18)	(8,984)	(6,462)
Current income tax (assets)/liabilities	(635)	2,073

Debt with Group companies due to the tax effect at 31 December 2024 and 2023 includes the debt arising from the tax consolidation with Nortegas Energía Grupo, S.L.U., the Company's sole shareholder, and with the non-subsidiary Group companies previously mentioned, whose accounts are not included in the scope of consolidation of these consolidated annual accounts.

The relationship between income tax expense and profit from continuing operations for the years ended 31 December 2024 and 2023 is as follows:

	Thousands of euros	
	Losses and gains	Total
31.12.2024		
Income and expenses for the period before tax	42,219	42,219
Tax (24%)	(10,133)	(10,133)
Non-deductible expenses	(8)	(8)
Deductions	2,145	2,145
Prior years' adjustments	(69)	(69)
Other	9	9
Income tax (expense)/income		
From continuing operations	(8,056)	(8,056)

	Thousands of euros	
	Losses and gains	Total
31.12.2023		
Income and expenses for the period before tax	46,862	46,862
Tax (24%)	(11,247)	(11,247)
Non-deductible expenses	(7)	(7)
Deductions	2,272	2,272
Prior years' adjustments	136	136
Other	36	36
Income tax (expense)/income		
From continuing operations	(8,810)	(8,810)

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The Parent has the following main applicable taxes open to inspection for the years that are not statute barred by the Spanish tax authorities:

The other Group companies have all years open to inspection that are applicable to each individual company in accordance with current local legislation.

Article 36 of the provincial corporate tax regulation states that the income obtained from the transfer of property, plant and equipment cannot be included in the tax base, provided that the proceeds from such transfers are reinvested in certain items of property, plant and equipment, intangible assets or investment property within the period from one year prior to and three years after the date of delivery of the transferred item.

In years prior to 2019, the Company obtained profits eligible for the reinvestment relief incentive. The disclosure requirements of the abovementioned standard are set out in the notes to the annual accounts for the years in which the investments were made.

14. Trade and other receivables

Details of trade and other receivables at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	31.12.2024	31.12.2023
Sole shareholder (Note 34)		
Other receivables	491	878
Group companies (Note 34)		
Other receivables	-	(9)
Associates (Note 34)		
Other receivables	33	32
Unrelated parties		
Trade receivables	14,836	16,483
Other receivables	12,454	16,157
Personnel	147	130
Impairment adjustments	(559)	(677)
Total	27,402	32,994

Trade receivables - unrelated parties mainly includes the balances receivable from natural gas suppliers for tolls charged and invoicing of liquefied gas to end customers.

The Group has estimated its settlement at 31 December 2024 for the 2024 and 2023 gas years based on a comparison between the sales made in each year, less other related costs, and the Company's accrued authorised costs at 31 December 2024, calculated based on the distribution of total authorised fixed remuneration for 2024, distributed proportionally.

Other receivables - unrelated parties, includes €5,772 thousand for gas sector inter-company settlement receivables, reflecting the estimate at 31 December 2024 which, based on authorised costs for the distribution activity, are allocated to the Group in the corresponding settlement period to adjust the settlements to the remuneration calculated by the Ministry, pursuant to applicable gas sector legislation. (€10,940 thousand in 2023). The amount recorded in this heading is net of debt (Note 3.i).

(a) Valuation adjustments

Movement in valuation adjustments due to the uncollectibility of trade and other receivables in the years ended 31 December 2024 and 2023 is as follows:

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	<u>Thousands of euros</u> <u>31.12.2024</u>
Balance at 31 December 2023	(677)
Charges	(12)
Reversals	<u>130</u>
Balance at 31 December 2024	<u>(559)</u>

	<u>Thousands of euros</u> <u>31.12.2023</u>
Balance at 31 December 2022	(694)
Charges	(27)
Reversals	<u>44</u>
Balance at 31 December 2023	<u>(677)</u>

15. Other current assets

Details of other current assets are as follows:

	<u>Thousands of euros</u>	
	<u>2024</u>	<u>2023</u>
Adjustments for prepayments	<u>337</u>	<u>350</u>
Total	<u>337</u>	<u>350</u>

16. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	<u>Thousands of euros</u>	
	<u>31.12.2024</u>	<u>31.12.2023</u>
Cash	4	4
Banks	<u>106,568</u>	<u>68,063</u>
	<u>106,572</u>	<u>68,067</u>

The Group's sole shareholder has a credit facility of up to €120 million (Note 20). At 31 December 2024, this amount is available in full.

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17. Equity

Details of equity and movement are shown in the statement of changes in equity.

Share capital

At 31 December 2024 and 2023, the Company's share capital consists of 1,000,000 registered shares with a par value of €100 each, fully subscribed and paid in. All shares bear the same political and financial rights.

These shares are freely transferable.

At 31 December 2024 and 2023, the Company's sole shareholder is Nortegas Energía Grupo, S.L.U. (company owned in full by Nature Investments, S.à.r.l.). The Company is thus entered in the companies register as a single shareholder company (*Sociedad Unipersonal*).

Transactions with the sole shareholder are detailed in Note 34 to the consolidated annual accounts.

Financial management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern so that it can continue to perform its core natural gas distribution activities as a regulated company, keeping a solvent, reasonable and optimum capital structure, reducing the cost of capital and also ensuring the sustainability of its activities in the long term. At the same time generating profits for shareholders and benefiting the rest of the stakeholders with whom the Group interacts.

In order to maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, refund capital, issue shares or sell assets to reduce debt.

The main mechanism used by the Group to control and ensure long-term financial solvency is the attainment and maintenance of a minimum investment grade rating of BBB- (in the case of S&P) (Note 21).

The net financial debt/Recurring EBITDA ratio is one of the metrics that the Group overseas to evaluate its capital structure. Recurring EBITDA is determined as operating profit/(loss) plus depreciation/amortisation and impairment for the period, excluding non-recurring expenses. Net financial debt is calculated as the sum total of financial debt less cash and cash equivalents.

The net financial debt/Recurring EBITDA ratio in 2024 and 2023 is calculated as follows:

	Thousands of euros	
	2024	2023
Liabilities from the issue of bonds and other marketable securities (current and non-current) (Note 18)	1,130,124	1,129,419
Security deposits (current and non-current) (Note 18)	550	551
Other financial liabilities (current and non-current) (Note 18)	425	564
Debt with Group companies (Note 18)	12,645	14,726
Leases (Note 18)	1,464	1,577
Total financial debt	1,145,208	1,146,837
Less: Cash and cash equivalents	(106,572)	(68,067)
Net financial debt	<u>1,038,636</u>	<u>1,078,770</u>
Recurring EBITDA	<u>146,381</u>	<u>147,718</u>
Net financial debt/Recurring EBITDA ratio	<u>7.10</u>	<u>7.30</u>

Recurring EBITDA for the year ended 31 December 2024 relates to operating profit before depreciation/amortisation, excluding non-recurring expenses for termination benefits and provisions for termination benefits amounting to €836 thousand (Note 32) and €3,312 thousand (Note 25), respectively.

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Share premium

The revised Spanish Companies Act expressly allows for the use of the share premium balance for capital increases and does not establish any specific restrictions regarding the availability thereof. The share premium resulted from the capital increase carried out by Nature Gasned XXI S.L.U. on 25 July 2017.

However, at 31 December 2024 a non-distributable amount of €14,188 thousand is included therein (€15,770 thousand at 31 December 2023), attributable to the legal revaluations of Group assets.

This balance shall remain non-distributable until it has been inspected and approved by the tax authorities. That verification must take place within three years following the date on which the return reporting the restatement is filed. For these purposes, the balance of the share premium account will be understood not to have been used in the following cases:

- a) When the partner or shareholder exercises their right to leave the company.
- b) When the balance of the account is used, in full or in part, as a result of transactions eligible for the special regime for mergers, divisions, transfers of assets, exchanges of shares and change of registered address of a European company or European cooperative company from one EU member state to another, pursuant to chapter X, title VIII of provincial corporate tax regulation 3/1996 of 26 June.
- c) When the company needs to apply the balance of the account due to a legal obligation.

Once the revaluation has been agreed with the tax authorities or after the inspection period has expired, the balance of the reserve may be applied to offset prior years' losses, to increase share capital or to increase distributable reserves after ten years have elapsed from the closing date of the balance sheet in which the revaluations were recorded. However, this balance may only be directly or indirectly distributed when the restated assets have been fully depreciated, sold or written-off from the balance sheet.

The Company's sole shareholder agreed a share premium distribution of €61 million and €4.3 million on 19 January 2024 and 25 November 2024, respectively.

The Company's sole shareholder agreed a share premium distribution of €41.5 million, €22.5 million and €1.5 million on 13 January 2023, 19 May 2023 and 26 November 2023, respectively.

Other reserves

These reserves are freely available.

Profit/(loss) for the period

The contribution of each company included in the consolidated group to consolidated profit/(loss), indicating the portion relating to non-controlling interests in the years ended 31 December 2024 and 2023, is as follows:

Company	Thousands of euros	
	Consolidated profit/ (loss)	
	31.12.2024	31.12.2023
Fully consolidated companies		
Nortegas Energía Distribución, S.A.U.	16,334	18,764
NED España Distribución Gas, S.A.U.	17,383	19,008
NED Suministro GLP, S.A.U.	323	150
	<u>34,040</u>	<u>37,922</u>
Equity-consolidated companies:		
Inkolan, A.I.E.	36	49
Tolosa Gasa, S.A.	87	81
	<u>123</u>	<u>130</u>

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Company	Thousands of euros	
	Consolidated profit/ (loss)	
	31.12.2024	31.12.2023
Total	34,163	38,052

Distribution of the Parent Company's profit/(loss)

The proposed distribution of the Parent company's profit for the years ended 31 December 2024 and 2023 to be submitted to the sole shareholder for approval is as follows:

	Euros
	2024
Basis of allocation	
Profit for the period	<u>21,762,467.52</u>
Distribution	
Voluntary reserves	<u>21,762,467.52</u>
	<u>21,762,467.52</u>
	Euros
	2023
Basis of allocation	
Profit for the period	<u>30,871,191.52</u>
Distribution	
Legal reserve	1,585,403.83
Voluntary reserves	<u>29,285,787.69</u>
	<u>30,871,191.52</u>

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18. Financial liabilities by category

Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2024 and 2023 is as follows:

	Thousands of euros			
	Non-current		Current	
	At amortised cost or cost		At amortised cost or cost	
	Carrying amount	Fair value	Carrying amount	Fair value
31.12.2024				
<i>Debt and payables</i>				
Bonds and other marketable securities (Note 21)				
Fixed rate	1,122,296	1,013,411	7,828	7,828
Debt with Group companies (Note 13 & 34)	-	-	12,645	12,645
Security deposits	550	550	-	-
Leases	1,149	1,149	315	315
Other financial liabilities	284	284	141	141
Trade and other payables				
Suppliers	-	-	2,740	2,740
Payables	-	-	4,403	4,403
Payables on fixed assets	-	-	2,906	2,906
Other payables	-	-	425	425
Total financial liabilities	1,124,279	1,015,394	31,403	31,403

	Thousands of euros			
	Non-current		Current	
	At amortised cost or cost		At amortised cost or cost	
	Carrying amount	Fair value	Carrying amount	Fair value
31.12.2023				
<i>Debt and payables</i>				
Bonds and other marketable securities (Note 21)				
Fixed rate	1,121,637	975,605	7,782	7,782
Debt with Group companies (Note 13 & 34)	-	-	14,726	14,726
Security deposits	551	551	-	-
Leases	1,244	1,244	333	333
Other financial liabilities	424	424	140	140
Trade and other payables				
Suppliers	-	-	3,288	3,288
Payables	-	-	5,122	5,122
Payables on fixed assets	-	-	2,535	2,535
Other payables	-	-	787	787
Total financial liabilities	1,123,856	977,824	34,713	34,713

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At 31 December 2024, current debt with Group companies includes current tax of €8,984 thousand arising from the consolidated tax regime with the sole shareholder and the other companies mentioned in Note 13 (€6,462 thousand at 31 December 2023) and €3,433 thousand relating to the current account with its sole shareholder, Nortegas Energía Grupo, S.L.U. (€3,228 thousand with Nortegas Green Energy Solutions, S.L.U. at 31 December 2023) (Notes 13,19 & 34).

Net losses and gains by financial liability category

Net losses and gains by financial liability category for the years ended 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	2024		2023	
	Debt and payables	Total	Debt and payables	Total
Finance cost measured at amortised cost (Note 33)	17,407	17,407	17,164	17,164
Other (Note 33)	930	930	1,017	1,017
Net gains/(losses) in profit or loss	18,337	18,337	18,181	18,181
Total	18,337	18,337	18,181	18,181

19. Current and non-current financial liabilities

Details of current and non-current financial liabilities at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	2024		2023	
	Non-current	Current	Non-current	Current
Bonds and other marketable securities (Note 21)	1,122,296	7,828	1,121,637	7,782
Debt with Group companies and associates (Note 20 & 34)	-	12,645	-	14,726
Security deposits received (Note 20)	550	-	551	-
Other financial liabilities (Note 20)	284	141	424	140
Leases (Note 21.2)	1,149	315	1,244	333
Trade and other payables (Note 22)	-	10,474	-	11,732
Total	1,124,279	31,403	1,123,856	34,713

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20. Financial liabilities by debt

Details of financial liabilities by debt are as follows:

	Thousands of euros			
	2024		2023	
	Non-current	Current	Non-current	Current
Related parties				
Debt	-	12,645	-	14,726
Unrelated parties				
Other debt	284	141	424	140
Leases	1,149	315	1,244	333
Security and other deposits received	550	-	551	-
Total	1,983	13,101	2,219	15,199

Credit facilities and other financing

The Group's sole shareholder has a credit facility of up to €120 million to finance all of this company's subsidiaries.

21. Financial liabilities by category

21.1 Issue of bonds and other marketable securities

On 13 September 2017, Nortegas Energía Distribución, S.A.U. obtained a credit rating of BBB- from the international credit rating agency Standard & Poors (S&P), which corresponds to an investment grade for both the company and for the Euro Medium Term Note Programme (EMTN).

On 28 November 2024, the rating agency S&P issued a new credit report on Nortegas Energía Distribución, S.A.U. as issuer of the bond programme, maintaining the investment grade rating of BBB- with a stable outlook. A bbb- rating has also been issued for the group to which it belongs (the parent of which is Nature Investments, S.a.r.l.) and for Nortegas Energía Distribución, S.A.U. and subsidiaries.

On 28 September 2017, the Group carried out two bond issues within the framework of the Euro Medium Term Note Programme (EMTN) and these also obtained the S&P rating of BBB-. The first was an issue of €550 million, maturing on 28 September 2022. The issue price was 100% and the annual interest rate was 0.918% payable annually on 28 September. The second was a bond issue for €750 million. Maturity was 28 September 2027. The issue price was 100% and the annual interest rate was 2.065% payable annually on 28 September.

On 15 July 2020, the Group made a bond repurchase offer relating to its second issue for a maximum amount of €175 million. This offer expired on 23 July with demand exceeding the amount offered. On 27 July 2020 the effective repurchase of €175 million took place.

On 13 January 2021, the Group made a bond repurchase offer relating to its first issue of 28 September 2017, maturing on 28 September 2022. This offer expired on 27 January and a total of €407,438 thousand was bought back.

On 7 July 2022, the Group made an early repayment of €142,562 thousand on the bonds relating to the first issue on 28 September 2017, maturing on 28 September 2022.

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On 21 January 2021, the Group issued bonds within the framework of the Euro Medium Term Note Programme (EMTN) and these obtained the S&P rating of BBB-. This issue amounts to €550 million, matures on 22 January 2031 and has an annual interest rate of 0.905%.

At 31 December 2024, there is accrued interest payable of €7,828 thousand (€7,782 thousand in 2023) and it is classified in the consolidated balance sheet caption Current liabilities from the issue of bonds and other marketable securities.

21.2 Leases

The Group enters into lease agreements in which it acts as lessee mainly in relation to vehicles and LPG facilities. Movement in lease liabilities in 2024 and 2023 is as follows:

Thousands of euros	2024	2023
Opening balance	1,577	1,616
New lease contracts	3	99
Disposals of lease contracts	(3)	(14)
Interest expense	49	53
Principal paid	(308)	(342)
Remeasurement /modification of lease liability (Note 10)	146	165
Closing balance	1,464	1,577

Details of lease liabilities by maturity at 31 December 2024 are as follows:

Thousands of euros	31.12.2024
2025	321
2026	170
2027	168
2028	167
2029	158
From 2030 onwards	697
Total	1,681
Finance cost	217
Present value of payments	1,464
Total	1,681

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Details of lease liabilities by maturity at 31 December 2023 are as follows:

Thousands of euros	31.12.2023
2024	338
2025	204
2026	167
2027	164
2028	163
From 2029 onwards	835
Total	1,871
Finance cost	294
Present value of payments	1,577
Total	1,871

21.3 Statement of cash flows

Movement in liabilities classified as financing activities in the statement of cash flows, excluded from the equity headings, for the years ended 31 December 2024 and 2023, is as follows:

Cash flows							
Thousands of euros	Balance at 31.12.2023	Issue	Reimbursements	Interest paid	Accrued interest	Non-redeemable expenses and other	Balance at 31.12.2024
Bonds	1,121,637	-	-	-	659	-	1,122,296
Debt with Group companies and associates	14,726	-	(4,615)	(358)	370	2,522	12,645
Other financing operations	1,115	-	(148)	(139)	147	-	975
Leases (Note 21.2)	1,577	-	(308)	-	49	146	1,464
Accrued interest payable	7,782	-	-	(14,653)	17,112	(2,413)	7,828
Total financial debt-loans and other	1,146,837	-	(5,071)	(15,150)	18,337	255	1,145,208

Thousands of euros	Balance at 31.12.2022	Issue	Reimbursements	Interest paid	Accrued interest	Non-redeemable expenses and other	Balance at 31.12.2023
Bonds	1,120,982	-	-	-	655	-	1,121,637
Debt with Group companies and associates	5,747	6,413	-	(278)	314	2,530	14,726
Other financing operations	2,017	-	(146)	-	6	(762)	1,115
Leases (Note 21.2)	1,616	-	(342)	-	53	250	1,577
Accrued interest payable	7,782	-	-	(15,892)	17,153	(1,261)	7,782
Total financial debt-loans and other	1,138,144	6,413	(488)	(16,170)	18,181	757	1,146,837

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22. Trade and other payables

Details of trade and other payables at 31 December 2024 and 2023 are as follows:

	Thousands of euros	
	Current	
	31.12.2024	31.12.2023
Related parties (Note 34)		
Payables	261	2,122
Unrelated parties		
Suppliers	2,740	3,288
Payables	4,142	3,000
Suppliers of fixed assets	2,906	2,535
Personnel	425	787
	10,474	11,732
Total	10,474	11,732

The fair values of trade and other payables do not differ significantly from their carrying amounts.

The Group has agreements with banks to finance its suppliers. Participation in the agreement is at the discretion of the suppliers. Invoices sent to the Group by suppliers that participate in the financing agreement shall be paid early by the bank. If suppliers choose to receive early payment, they pay the bank a fee, which the Group does not take part in. The bank will pay invoices if the goods have been received or supplied and the Group has approved the invoice. Payments to suppliers before the invoice due date are processed by the bank and, in all cases, the Group settles the original invoice by paying the supplier, in accordance with the invoice's original due date. Payment terms for suppliers have not been negotiated in line with the agreement, and therefore they do not differ from the terms negotiated for other suppliers. The Group does not provide any guarantee to the bank.

All payables subject to the financing agreement with suppliers are included under Trade and other payables on the accompanying consolidated balance sheet.

	Thousands of euros	
	31.12.2024	31.12.2023
Payables that are part of a financing agreement with suppliers	3,897	3,081
Of which payment has been received by the supplier	509	517

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23. Late payments to suppliers. "Reporting requirement", third additional provision of Law 15/2010 of 5 July 2010

Information on late payments to suppliers during the years ended 31 December 2024 and 2023 is as follows:

	Days	
	31.12.2024	31.12.2023
Average supplier payment period	29.11	21.57
Transactions paid ratio	29.05	21.80
Transactions payable ratio	30.74	16.42

	Amount in euros	
	31.12.2024	31.12.2023
Total payments made	52,048,735	69,711,157
Total payments outstanding	1,851,992	3,185,641

The total monetary amount and the number of invoices paid within the maximum period set out in the late payment regulations in 2024 is €51,417 thousand and 10,440 invoices, respectively (€67,882 thousand and 12,692 invoices in 2023, respectively). These amounts represent 98.8% and 98.3% of total monetary payments to suppliers and total number of invoices at 31 December 2024, respectively (97.9% and 97.2% at 31 December 2023, respectively).

24. Risk management policy

Financial risk factors

The Group's activity consists of gas distribution in Spain, thus it is not subject to currency risk, country risk, etc. Furthermore, the Group does not have any financial derivatives of any kind. The Group has not carried out significant transactions with end customers, only with gas suppliers and other agents in the gas system.

The Group's activities are exposed to various financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits.

Adaptation of the systems to the Group's risk profile is managed individually by specifically analysing each risk and the related factors, taking into consideration its nature, source, possibility and probability of occurrence and the significance of the associated impact. Management measures (hedges, mitigation, opportunity, etc.) that are viable for each risk are also considered.

Controls are based on the approval of management policies and include mechanisms to set and control operational limits, as well as authorisation and supervision processes, together with operational procedures.

(i) Interest rate risk

As the Group does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

Interest rate risk arises from non-current borrowings. Fixed interest loans expose the Company to fair value interest rate risks.

(ii) Credit risk

The Group is not exposed to significant credit risk, due to the regulated nature of its principal activities.

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The accompanying table shows an age analysis of financial assets at 31 December 2024 and 2023:

	31.12.2024				
	Thousands of euros				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables at fixed rate	27,377	9	3	13	27,402
Other financial assets	98	-	14	-	112
Total assets	27,475	9	17	13	27,514

	31.12.2023				
	Thousands of euros				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables at fixed rate	32,994	-	-	-	32,994
Other financial assets	1,961	-	14	-	1,975
Total assets	34,955	-	14	-	34,969

(iii) Liquidity risk

At 31 December 2024, the Group has positive working capital of €103,261 thousand (€70,637 thousand in 2023). The Group generates sufficient cash on an annual basis to meet its requirements.

The liquidity policy adopted ensures that payment obligations are met through the arrangement of sufficient credit facilities.

The table below shows the Group's exposure to liquidity risk at 31 December 2024 and 2023. The tables below reflect the analysis of financial liabilities by contracted maturity.

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31.12.2024					
Thousands of euros					
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other payables	9,295	1,179	-	-	10,474
Financial liabilities from the issue of bonds and other marketable securities					
Principal	-	-	-	1,122,296	1,122,296
Interest	4,705	-	3,123	-	7,828
Total liabilities	14,000	1,179	3,123	1,122,296	1,140,598

31.12.2023					
Thousands of euros					
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other payables	10,686	1,046	-	-	11,732
Financial liabilities from the issue of bonds and other marketable securities					
Principal	-	-	-	1,121,637	1,121,637
Interest	4,692	-	3,090	-	7,782
Total liabilities	15,378	1,046	3,090	1,121,637	1,141,151

25. Provisions

The classification of current and non-current provisions is as follows:

	Thousands of euros		
	31.12.2024		31.12.2023
	Current	Non-current	Non-current
Provisions for termination benefits	3.312	-	-
Other personnel provisions	220	59	387
Other liabilities	-	4.537	2.984
Total	3.532	4.596	3.371

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Movement in provisions for the years ended 31 December 2024 and 2023 is as follows:

	Thousands of euros		
	Current		
	Provision for termination benefits (Notes 3.(o) and 32)	Other personnel provisions (Note 32)	Total
At 31 December 2023	-	-	-
Charges	3.312	-	3.312
Transfers	-	220	220
At 31 December 2024	3.312	220	3.532

	Thousands of euros		
	Non-current		
	Other personnel provisions (Note 32)	Other liabilities	Total
At 31 December 2023	387	2.984	3.371
Charges	72	1.553	1.625
Reversals	(180)	-	(180)
Transfers	(220)	-	(220)
At 31 December 2024	59	4.537	4.596

	Thousands of euros		
	Non-current		
	Other personnel provisions (Note 32)	Other liabilities	Total
At 31 December 2022	211	1.847	2.058
Reclassifications	7	-	7
Charges	379	1.207	1.586
Reversals	(210)	(5)	(215)
Use	-	(65)	(65)
At 31 December 2023	387	2.984	3.371

Other liabilities

The provision covers the potential outcomes of litigious processes relating to the Group. According to the directors, following the relevant legal advice given, the outcome of such processes is not expected to differ significantly from provisions made at 31 December 2024.

Guarantees

The total amount of guarantees presented to third parties (councils and other public entities) at 31 December 2024 is €5,197 thousand (€5,304 thousand in 2023), whilst guarantees received from suppliers amount to €1,190 thousand (€1,617 thousand in 2023).

The guarantees paid to city councils and other public entities are for occupying and guaranteeing to replace public assets affected by the construction of pipelines and supply networks. No losses are expected in relation to these guarantees.

26. Environment

The very nature of the Group's activity, the distribution of natural gas as a substitute for oil and coal derivatives, which are more polluting due to the effects of combustion, helps to improve the environment and provides greater thermal efficiency that promotes energy efficiency and therefore savings.

Natural gas helps improve the environment, as it reduces the emission of greenhouse gases (90% methane) by generating less CO₂ during combustion. Natural gas is one of the least polluting fossil fuels, as it contains practically no sulphur.

Nortegas has become an organisation made up of people with a strong commitment to energy transition and social impact, with operational excellence and efficiency at the very heart of the business.

Our performance has been assessed externally by ESG analysts such as GRESB, who have once again awarded Nortegas 95 points out of 100, demonstrating the progress we have made in our ESG targets.

Throughout 2024, work has continued on the environmental monitoring of gas distribution works, including issues such as waste management, the impact on soil, watercourses and protected areas. No notable incidents have been identified.

In order to have a more complete and ambitious risk map than that required by the law on environmental liability, Nortegas began doing environmental risk analyses at its LNG and LPG plants that are vulnerable to environmental risks. In 2024, the environmental risk analysis planned for 2023 was carried out at the Ramales de la Victoria and Ampuero LPG plants. No financial guarantees have arisen as a result of this analysis.

Once again, the scope 1, 2 and 3 carbon footprint for 2023 has been calculated, successfully obtaining ISO 14064:2019 on the greenhouse gas effect in February 2024, which has once again meant that the company has registered its footprint with the Spanish office for climate change.

By calculating our footprint, we can monitor emissions and set reduction targets. To this end, by increasing the frequency of network monitoring to detect emissions leaks, Nortegas has reduced its direct greenhouse gas emissions by around 2% compared to 2023, and by around 47% compared to average emissions between 2018 and 2020 (meeting the sustainable financing objectives).

Another key milestone in 2024 has been the first successful integrated audit of the quality, environment and occupational health and safety management systems, which has led to the ISO 45001:2015 certificate being renewed. We have also had the first review audit of the quality and environmental standards UNE-EN-ISO 9001:2015 and UNE-EN-ISO14001:2015, respectively.

The Group received no environmental grants or income from activities related to the environment in the year ended 31 December 2024.

As a result of the aforementioned actions undertaken by the Group, the directors consider that any contingencies that could arise from environmental issues, which are very unlikely, are sufficiently covered by their civil liability insurance policies.

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27. Capital grants

Movement in deferred income is as follows:

	Thousands of euros
	<u>31.12.2024</u>
Opening balance	993
Additions	96
Amounts transferred to the income statement	<u>(70)</u>
Closing balance	<u>1,019</u>

	Thousands of euros
	<u>31.12.2023</u>
Opening balance	1,032
Additions	-
Amounts transferred to the income statement	<u>(39)</u>
Closing balance	<u>993</u>

28. Contract liabilities

Movement in contract liabilities is as follows:

	Thousands of euros	
	<u>31.12.2024</u>	<u>31.12.2023</u>
Opening balance	17,596	14,991
Additions	3,911	3,094
Other movement	(803)	-
Amounts transferred to the income statement	<u>(560)</u>	<u>(489)</u>
Closing balance	<u>20,144</u>	<u>17,596</u>

Contract liabilities include connection and extension activities.

29. Other current liabilities

Details of other current liabilities are as follows:

	Thousands of euros	
	<u>31.12.2024</u>	<u>31.12.2023</u>
Public entities, other		
Withholdings payable to tax authorities	328	287
Special hydrocarbon tax payable to tax authorities	18	11
Social Security contributions	215	189
Public charges, taxes and councils	2,308	2,032
Total	<u>2,869</u>	<u>2,519</u>

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Public charges, taxes and councils includes the amount relating to charges for subsoil use, which has not been included under the scope of IFRS 16 due to its consideration as a variable cost.

30. Revenue and supplies

Details of revenue by category are as follows:

	Thousands of euros	
	Domestic	
	2024	2023
Revenue from regulated propane gas activities	24,816	25,152
Revenue from regulated natural gas activities	145,512	150,483
Other regulated revenue	22,578	22,654
Other unregulated revenue	5,044	2,682
	197,950	200,971

Regulated activity revenue mainly relates to the amount accrued for regulated remuneration to gas distributors and also to the sale of propane gas.

Other regulated revenue mainly includes income from periodic inspections and meter rentals.

Details of supplies are as follows:

	Thousands of euros	
	2024	2023
Merchandise used		
Purchases	16,319	17,205
Change in inventories	546	787
	16,865	17,992
Other purchases and external expenses		
Subcontracted work	5,080	4,540
Other	462	381
	5,542	4,921
	22,407	22,913

Subcontracted work at 31 December 2024 and 2023 relates mainly to the periodic inspections outsourced to third parties.

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31. Other expenses

Details of other expenses are as follows:

	Thousands of euros	
	2024	2023
Fees	144	100
Repairs and maintenance	2,775	2,735
Independent professional services	558	337
Services rendered to Group companies (Note 34)	12,244	20,109
Insurance premiums	556	591
Utilities	183	197
Other services	2,620	2,641
Taxes	3,004	1,289
Other expenses	1,885	1,465
	23,969	29,464

32. Personnel expenses

Details of personnel expenses are as follows:

	Thousands of euros	
	2024	2023
Salaries and wages	9,829	7,004
Other employee benefits expenses and taxes	2,786	2,018
Termination benefits	836	-
Allocation to/(reversal of) personnel provisions (Note 25)	3,204	169
Contributions to other long-term benefits	448	302
	17,103	9,493

33. Finance income and cost

Details of finance income and cost are as follows:

	Thousands of euros	
	2024	2023
Finance income on loans to Group companies (Notes 11 & 34)	4	105
Finance income (Note 11)	2,447	1,226
Interest expense on debt with Group companies (Notes 18 & 34)	(370)	(313)
Interest expense on bank borrowings (Note 18)	(139)	-
Interest expense on bond issuance debt (Note 18)	(16,898)	(16,851)
Other finance costs (Note 18)	(930)	(1,017)
	(15,886)	(16,850)

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34. Related party balances and transactions

Details of balances receivable from and payable to related parties by category and the main characteristics thereof are chiefly disclosed in Notes 9, 11, 14, 20 and 22.

Details of balances by category at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	Sole shareholder	Group companies	Associates	Total
31.12.2024				
Non-current investments in Group companies and associates				
Equity-accounted investees (Note 9)	-	-	757	757
Total non-current assets	-	-	757	757
Current investments in Group companies and associates				
Loans to companies (Note 11)	-	3	-	3
Trade and other receivables				
Other receivables (Note 14)	491	-	33	524
Total current assets	491	3	33	527
Total assets	491	3	790	1,284
Current debt				
Other financial liabilities (note 20)	11,546	1,099	-	12,645
Payables, Group companies and associates (Note 22)	154	107	-	261
Total current liabilities	11,700	1,206	-	12,906
Total liabilities	11,700	1,206	-	12,906
	Thousands of euros			
	Sole shareholder	Group companies	Associates	Total
31.12.2023				
Non-current investments in Group companies and associates				
Equity-accounted investees (Note 9)	-	-	904	904
Total non-current assets	-	-	904	904
Current investments in Group companies and associates				
Loans to companies (Note 11)	1,897	1	-	1,898
Trade and other receivables				
Other receivables (Note 14)	878	(9)	32	901
Total current assets	2,775	(8)	32	2,799
Total assets	2,775	(8)	936	3,703
Current debt				
Other financial liabilities (Note 20)	5,710	9,016	-	14,726
Payables, Group companies and associates (Note 22)	2,087	35	-	2,122
Payables on fixed assets	-	20	-	20
Total current liabilities	7,797	9,071	-	16,868
Total liabilities	7,797	9,071	-	16,868

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Group transactions with related parties

Group transactions with related parties at 31 December 2024 and 2023 are as follows:

	Thousands of euros			
	Sole shareholder	Group companies	Associates	Total
31.12.2024				
Income				
Other services rendered	100	114	351	565
Financial instruments				
Finance income (Note 33)	1	3	-	4
Share in the profit of investments accounted for using the equity method (Note 9)	-	-	123	123
Total income	101	117	474	692
Expenses				
Other expenses (Note 31)	12,244	-	-	12,244
Financial instruments				
Finance costs (Note 33)	293	77	-	370
Total expenses	12,537	77	-	12,614

	Thousands of euros			
	Sole shareholder	Group companies	Associates	Total
31.12.2023				
Income				
Other services rendered	-	308	339	647
Financial instruments				
Finance income (Note 33)	-	105	-	105
Share in the profit of investments accounted for using the equity method (Note 9)	-	-	130	130
Total income	-	413	469	882
Expenses				
Other expenses (Note 31)	19,839	270	-	20,109
Financial instruments				
Finance costs (Note 33)	140	173	-	313
Total expenses	19,979	443	-	20,422

Information on the Parent's directors and the Group's senior management personnel

In the years ended 31 December 2024 and 2023, the directors have not accrued remuneration. In the year ended 31 December 2024, the Company's senior management personnel have accrued salaries, wages, bonuses, long-term incentives and, where applicable, termination benefits, of €391,66 thousand (€458.45 thousand in 2023).

Contributions to pension plans and life insurance for members of senior management in 2024 amount to €9,27 thousand (€9.35 thousand in 2023).

The Parent company has no pension or life insurance obligations with the Company's former or current directors in 2024 or 2023.

The civil liability insurance premium for the year for the position of director has been paid by the sole shareholder, Nortegas Energía Grupo, S.L.U., in 2024 and 2023.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Transactions other than ordinary business or under terms differing from market conditions carried out by the directors and members of the supervisory board of the Parent company

In the years ended 31 December 2024 and 2023, the directors of the Company have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company of any other Group company.

Conflicts of interest concerning the directors of the Parent company

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

35. Employee information

The average number of Group employees in the years ended 31 December 2024 and 2023 is as follows:

	<u>Average number of employees</u>	
	<u>31.12.2024</u>	<u>31.12.2023</u>
Directors	8	5
Heads and managers	25	16
Other	103	75
	<u>136</u>	<u>96</u>

At 31 December 2024, the Group has one employee with a disability rating of 33% or higher (or equivalent local rating) (one at 31 December 2023).

Royal Legislative Decree 1/2013 of 29 November, which approves the revised General Act on the rights of persons with disabilities and their social inclusion, requires that public and private companies employing 50 or more staff must reserve at least 2% of their jobs for persons with disabilities.

Since the Company has not met this condition, it has applied a series of alternative measures established by Royal Decree 364/2005 of 8 April, which governs such exceptions. The alternative measures available to companies failing to reserve the required 2% of its posts for persons with disabilities largely consist of maintaining service contracts with at least two suppliers that are certified as "special centres".

At 31 December 2024 and 2023 the distribution by gender of Group personnel and directors is as follows:

	<u>Number</u>			
	<u>2024</u>		<u>2023</u>	
	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
Board members	-	2	-	2
Directors	2	6	1	5
Heads and managers	11	14	8	12
Other	31	69	24	65
	<u>44</u>	<u>91</u>	<u>33</u>	<u>84</u>

Employees from other Group companies were transferred to Nortegas Energía Distribución, S.A.U. during 2023 and 2024, in accordance with the legal requirements for the separation of activities.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

36. Audit fees

The auditor, Ernst & Young, S.L., has invoiced the following amounts during the years ended 31 December 2024 and 2023 for auditing the annual accounts of the Group and its subsidiaries:

	Thousands of euros	
	31.12.2024	31.12.2023
Audit services, consolidated annual accounts	51	51
Audit services, individual annual accounts for the Company	35	35
Audit services, annual accounts of subsidiaries	48	48
Other audit services	-	2
Other services	-	42
	134	178

37. Events after the reporting period

No other significant event of note that could have an effect on the accompanying consolidated annual accounts and which is not disclosed herein has taken place after the year ended 31 December 2024.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Details of subsidiaries

31 December 2024

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

Name	Registered address	Activity	Auditor	Company holding investment	Ownership %	% of voting rights	Consolidation based on
NED España Distribución Gas, S.A.U.	Bilbao (Vizcaya)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	100%	100%	Fully consolidated
NED Suministro GLP, S.A.U.	Bilbao (Vizcaya)	Distribution and sale of liquefied petroleum gas	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	100%	100%	Fully consolidated
Tolosa Gasa, S.A.	Tolosa (Guipuzkoa)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	40.00%	40.00%	Equity method
Inkolan, A.I.E.	Bilbao (Vizcaya)	Compilation and management of all information relating to the networks installed by each partner in the Basque Country (CAV).	Moore Stephens AMS, S.L.	Nortegas Energía Distribución, S.A.U.	14.29%	14.29%	Equity method

This appendix forms an integral part of Note 6 to the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Details of subsidiaries

31 December 2023

Name	Registered address	Activity	Auditor	Company holding investment	Ownership %	% of voting rights	Consolidation based on
NED España Distribución Gas, S.A.U.	Gijón (Asturias)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	100%	100%	Fully consolidated
NED Suministro GLP, S.A.U.	Bilbao (Vizcaya)	Distribution and sale of liquefied petroleum gas	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	100%	100%	Fully consolidated
Tolosa Gasa, S.A.	Tolosa (Guipuzkoa)	Natural gas distribution	Ernst & Young, S.L.	Nortegas Energía Distribución, S.A.U.	40.00%	40.00%	Equity method
Inkolan, A.I.E.	Bilbao (Vizcaya)	Compilation and management of all information relating to the networks installed by each partner in the Basque Country (CAV).	Moore Stephens AMS, S.L.	Nortegas Energía Distribución, S.A.U.	14.29%	14.29%	Equity method

This appendix forms an integral part of Note 6 to the consolidated annual accounts.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

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

1. Most significant milestones in 2024

The Group has taken on 12,827 new supply points to transport a total of 23 TWh (a 4% rise on the 22 TWh in 2023, excluding the non-remunerated amount) via its networks and has reached gross investment levels of €21.5 million, demonstrating the relevance of gas infrastructure in the energy transition and its role in a sustainable future

From a financial perspective, the Recurring EBITDA has decreased by 1% to €146.4 million. Part of this drop is the result of an adjustment to regulated revenue of €4.7 million caused by the regulatory changes announced in Circular 4/2020.

In 2024 intensive work has continued on developing the company's Strategic Plan to position our infrastructures at the service of energy transition through the use of renewable gases. We are investing heavily in various R&D programmes, including the H2SAREA project, which was completed in 2024. This project has won the best project award in the Green Generation category at the 4th Retina ECO awards, organised by PRISA Media and CapGemini. This category awards innovative, technology-based projects that reduce emissions by generating clean, renewable energy, its distribution, transport and storage, as well as self-consumption and shared generation. The H2SAREA project has also received a finalist's diploma for the best green hydrogen initiative in Spain in 2024 category, a prize awarded by El Periódico de la Energía.

The H2SAREA project shows that existing networks are compatible with the partial distribution of a blended green hydrogen of up to 20%. This ensures the same levels of safety as with natural gas and helps decarbonise end-users' consumption.

Other innovative projects have been launched in 2024, such as H2BIDEA to develop technical solutions for rolling out new, 100% hydrogen distribution networks for the industrial segment in so-called hydrogen valleys. The objective of the H2EAT project is to manufacture NET-0 aluminium car parts using hydrogen in the casting industry.

Nortegas has also begun the process of obtaining prior government authorisation for the 100% hydrogen Valle de Asturias project - Phase 1 (this project includes the EDP factory in Aboño, the Dupont factory and the Arcelor Mittal Gijón and Avilés factories).

As well as green hydrogen, Nortegas is also committed to developing biomethane to decarbonise our customers' consumption using current infrastructures. Nortegas actively works with developers in our areas of influence to enable biomethane injection points into current natural gas networks.

We are similarly continuing to make progress on the Group's digitalisation and, in particular, our infrastructures.

In line with the Group's objective to contribute to decarbonisation and the fulfilment of the goals adopted by the Paris Agreement and the Sustainable Development Goals (SDGs), and to have a positive impact on the communities in which it operates, Nortegas' sustainability strategy aims to maximise energy transition opportunities from the heart of the business, maintaining service excellence and solid financials.

Our performance has been assessed externally by ESG analysts such as GRESB, who awarded Nortegas 95 points out of 100, demonstrating the progress we have made in our ESG targets.

In terms of legislation, the challenge facing Nortegas has centred on emphasising the use of gas, both conventional and renewable, as an energy source in the future low-carbon economy.

The legal department at Nortegas has continued to reinforce a culture of personal data protection and privacy, once the Nortegas Group Data Protection Policy had been approved.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

Nortegas is the second largest gas distributor in Spain and the primary distributor in the north of the country. It has over one million supply points and a network measuring 8,551 km distributed throughout the Basque Country, Asturias and Cantabria. It employs 133 professionals at 31 December 2024 and its corporate headquarters is in Bilbao.

2. Operational data and milestones

Most of the activities carried out by Nortegas are regulated and at the end of 2024 it has more than 1 million natural gas and LPG supply points, is present in 398 municipalities, of which 226 are supplied with natural gas and the rest with LPG.

	2024	2023	2022	2021	CAGR (2021- 2024) ⁽¹⁾
Connection points	1,074,589	1,069,494	1,064,017	1,056,879	1%
Natural gas	985,510	980,181	974,919	968,233	
Natural gas (NG)<4 bar	984,836	979,470	974,237	967,549	
Natural gas (NG)>4 bar	674	711	682	684	
LPG	89,079	89,313	89,098	88,646	
Energy distributed NG+LPG (GWh)	23,038	23,275	24,587	30,481	-9%
Energy distributed (NG) (GWh)	22,692	22,926	24,210	30,077	
Energy distributed (LPG) (GWh)	346	349	377	404	
Network length (NG+LPG) (Km)	8,551	8,509	8,477	8,435	0%
Km NG	8,042	8,013	7,985	7,956	
Km LPG	509	496	492	479	

Note 1: Compound annual growth rate from 2021 to 2024

Investments have been made to extend the natural gas distribution network to a total of 8,042 km at 31 December 2024, which represents a 9% share of the industry in Spain.

Investments in new natural gas networks and the increase in the saturation of supply points in existing natural gas networks allowed the number of supply points to increase to 985,510 with an accumulated compound growth rate of 1% since 2021. 22,692 GWh of energy was distributed by the networks.

The LPG business at 31 December 2024 totalled 89,079 supply points and 509 km of LPG networks.

3. Analysis of 2024 results

In 2024, Nortegas has recognised consolidated Recurring EBITDA (operating profit before depreciation/amortisation and impairment, excluding non-recurring expenses) of €146.4 million, compared to €147.7 million in 2023, reflecting a decrease of 1% (Note 17).

Nortegas' consolidated revenues in 2024 totalled €198.0 million compared to €201.0 million in 2023.

Operating profit amounted to €58.0 million in 2024, after depreciation/amortisation totalling €84.3 million. The financial result and other profit/(loss), together with corporate income tax, gave rise to a net profit of €34.2 million.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

Details by business segment of the investments made by Nortegas are broken down below. In 2024 there has been a decrease of 5% compared to 2023.

Gross investments (millions of euros)	2024	2023	2022	2021
Natural gas	19.6	20.6	25.5	26.9
LPG	2.0	2.0	2.3	8.2
TOTAL	21.5	22.6	27.8	35.1

4. Most significant events in 2024

The Group has continued with its standard business as a regulated natural gas and LPG sector enterprise. This activity consists of the management of the regulated distribution assets, including promoting, developing and building new infrastructure, as well as network operation, maintenance and optimisation services.

The Group is also present in the liquefied petroleum gas market, where it is in charge of supplying the fuel in addition to the activities mentioned above.

The Nortegas Group has continued to expand its network in its areas of influence.

Below are details of some of the key milestones and events in the gas distribution business:

- ✓ The Scheduled Preventive Maintenance Plan has been completed.
- ✓ The 2024 periodic inspection campaign has been completed, fulfilling the regulatory requirement to visit 100% of facilities before 31 December.
- ✓ Progress has been made on digitising periodic inspection and supply point registration work. In 2024, over half of communications relating to this work were by email.
- ✓ Start of invoicing using smart meter readings taken from the meters installed in the municipal areas of Ugao-Miraballes and Alonsotegui.
- ✓ Signing of the 2024 Gasification Agreement with the Principality of Asturias, which has led to the gasification project at the La Carrera industrial park in the municipal area of Siero being carried out.
- ✓ Signing of a connection agreement with ENAGAS for the new distribution pipeline at the EDP thermal generation plant in Aboño. The project involves 90,000 m³(n)/h, which will significantly increase natural gas use throughout 2025. Construction began in 2024.
- ✓ Gassing up of the LPG network in Campomanes - Lena.
- ✓ Signing of an agreement with Bilbao city council, manufacturers of centralised boilers and installer associations in Biscay to encourage replacement of the 400 oil-fed boiler rooms in Bilbao.
- ✓ Changes to the network at San Sebastian hospital.
- ✓ Starting up of the public NGV station in Vigo.

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Consolidated Directors' Report

31 December 2024

The regulatory scenario in 2024 has been impacted by the following published regulatory texts:

- ✓ CNMC Resolution of 28 November 2024, establishing the value of the 2025 Global Ratio Index and the financial prudence penalty for companies carrying out electricity transmission and distribution activities, and natural gas transmission, regasification, underground storage and distribution activities.
- ✓ CNMC Resolution of 4 April 2024 establishing the temporary rental cost of natural gas smart meters for a flow rate of 6 m³/h or less for customers connected to networks with pressure of less than 4 bars and 50,000 kWh/year or less of usage.
- ✓ Order ITU/1475/2024 of 17 December, amending Order ICT/155/2020 of 7 February, which regulates the metrological control of certain measuring tools.
- ✓ CNMC Resolution of 23 May 2024, which establishes remuneration for 2025 for companies undertaking regulated liquefied natural gas plant, transmission and natural gas distribution activities.
- ✓ CNMC Resolution of 31 July 2024 establishing the adjustment calculation methodology for the annual remuneration of transmission companies, regasifiers and natural gas distributors for the provision of related products and services.
- ✓ Energy policy Order TED/1193/2024 of 30 October setting out energy policy guidelines for the Spanish National Markets and Competition Commission relating to the proposed amendment to Circular 2/2019 of 12 November, which establishes the methodology for calculating the financial remuneration rate of electricity distribution and transmission, and the regasification, transmission and distribution of natural gas activities.
- ✓ CNMC Resolution of 23 May 2024, which establishes access tolls to transmission networks, local networks and regasification for the 2025 gas year. Order TED/1013/2024 of 20 September, establishing the gas system charges and remuneration and fees for basic underground storage in 2025.
- ✓ CNMC Resolution of 20 December 2024 on the addendum for calculating, monitoring and measuring shrinkage in the gas system for the 2022 gas year and its impact on the remuneration of facility owners.
- ✓ CNMC Resolution of 20 December 2024 on the addendum for calculating, monitoring and measuring shrinkage in the gas system for the 2023 gas year and its impact on the remuneration of facility owners.
- ✓ CNMC Resolution of 19 April 2024 establishing the procedure for managing connections between biomethane generation plants and the distribution or transmission network.
- ✓ Energy policy Order TED/463/2024 of 24 April, which establishes energy policy guidance for the CNMC relating to the natural gas industry.
- ✓ Order TED/801/2024 of 26 July, establishing the rules for calls for the incentive programme for renewable hydrogen consumption and production projects (clusters or valleys), within the framework of the Recovery, Transformation and Resilience Plan financed by the European Union's NextGenerationEU.
- ✓ Resolution of 14 August 2024 by the Secretary of State for Energy publishing the council agreement of July 2024, which enables Enagás Infraestructuras de Hidrógeno, SLU to provisionally take on development tasks in the Hydrogen Network Projects of Common European Interest.
- ✓ Royal Decree-Law 4/2024 of 26 June, extending certain measures to address the economic and social consequences of the conflicts in Ukraine and the Middle East, and adopting urgent tax, energy and social measures.
- ✓ Royal Decree-Law 9/2024 of 23 December, adopting urgent economic, tax, transport and social security measures, and extending certain measures to address social vulnerability.
- ✓ Order TED/268/2023 of 20 March, establishing energy saving obligations, compliance via energy saving certificates and the minimum contribution to the National Energy Efficiency Fund for 2024.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

- ✓ Energy performance Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings.
- ✓ Resolution of the Directorate General for Energy Planning and Coordination of 3 July 2024, updating Appendix I of Order TED/845/2023 of 18 July, approving the catalogue of standardised energy efficiency measures.
- ✓ Resolution of the Directorate General for Energy Planning and Coordination of 8 November 2024, amending the resolution of 3 July 2024, updating the catalogue of standardised energy efficiency measures.
- ✓ The Integrated National Energy and Climate Plan - Royal Decree 986/2024 of 24 September, approving the update of the 2023-2030 Integrated National Energy and Climate Plan. Order TED/728/2024 of 15 July implementing the mechanism for promoting biofuels and other renewable fuels for transport purposes.
- ✓ Directive (EU) 2024/1788 of the European Parliament and of the Council of 13 June 2024 on common rules for the internal markets for renewable gas, natural gas and hydrogen, amending Directive (EU) 2023/1791 and repealing Directive 2009/73/EC.
- ✓ Regulation (EU) 2024/1789 of the European Parliament and of the Council of 13 June 2024 on the internal markets for renewable gas, natural gas and hydrogen, amending Regulation (EU) No 1227/2011 (EU) 2017/1938, (EU) 2019/942 and (EU) 2022/869 and Decision (EU) 2017/684 and repealing Regulation (EC) No 715/2009.
- ✓ Regulation (EU) 2024/1787 of the European Parliament and of the Council of 13 June 2024 on reducing methane emissions in the energy industry and amending Regulation (EU) 2019/942.
- ✓ Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings.
- ✓ Autonomous region of the Basque Country. Act 1/2024 of 8 February on energy transition and climate change.

As shown in Note 23, the Company's average supplier payment period in 2024 is 29.11 days. This average period is below the maximum set out in late payment legislation.

5. Treasury shares

At 31 December 2024 there are no treasury shares and none have been acquired during the year.

6. Derivative financial instruments

At 31 December 2024 the Group does not have any derivative financial instruments.

7. Risks

The Group has analysed the risks and uncertainties to which its business is subject, and the board of directors understands that the identified risks do not require any urgent or immediate additional or specific actions to be adopted beyond the mitigation measures already in existence that have been evaluated by an external expert.

Note 24 of the notes to the accompanying consolidated annual accounts describes these policies and risk management measures.

8. Research and development activities

During the year, the Group has continued to work on projects included in its Strategic Innovation Plan, such as:

- ✓ Closure of the H2SAREA project, which focuses on blending green hydrogen in the current natural gas network. The project, which is subsidised by the Basque government's HAZITEK programme in partnership with the Tecnalía and Ikerlan technology centres, the national centre for hydrogen and five partners (ABC Compresores, Erreka, CAE, H2Site and Orkli), has demonstrated the compatibility of the existing gas network and user facilities with a mix of natural gas and up to 20% hydrogen.

Nortegas has continued its research in the field of blending throughout 2024 using the H2SAREA testing platform and successfully carrying out network tests with hydrogen mixes of 25% and 30% with a view to demonstrating the safety margin of network operations with a 20% blend.

The success of this project, together with the ongoing move from natural gas to biomethane or e-methane, shows the compatibility of current distribution assets to distribute renewable gases without the need to change the existing facilities.

- ✓ The launch and approval by SPRI of a new strategic HAZITEK project, called H2BIDEA, which focuses on distributing 100% hydrogen to the industrial segment in so-called hydrogen valleys.
- ✓ The launch and approval by SPRI of a new competitive HAZITEK project called H2EAT, which focuses on using hydrogen in the aluminium industry. The project's aim is to validate and mainstream an analysis tool that can compare theoretical study with process reality in the different hydrogen operation modes.
- ✓ Completion of the second year of the H2INTEGRA project, which has seen the selection of the polymeric membranes that are part of the study, their manufacture and the first round of tests.
- ✓ Work continues on the European IS4H2C project, working on sustainable and circular decarbonisation solutions in different fields in the greater Bilbao area.

Similarly, an active presence is maintained in cutting-edge innovation forums in which Nortegas participates:

- ✓ Active participation in the EHEC 2024 fair held in BILBAO: 4 conferences were given on Nortegas projects and we hosted one of the hydrogen infrastructure visits in the Basque Country with a tour of the H2SAREA project.
- ✓ Participation in working groups for the READY4H2 project, where the aim is to combine hydrogen experiences at European gas distribution companies.
- ✓ Nortegas is a board member of the Alternative Energy Cooperative Investigation Centre Foundation "CIC energiGUNE".
- ✓ Within the SEDIGAS field, meetings of the THINK TANK working groups on hydrogen infrastructure and hydrogen uses.
- ✓ Nortegas is a member of UNE and actively takes part in several working groups: CTN- 60, where work continues in 2024 to systematically review Standard UNE 60.250 on "Storage facilities with liquefied petroleum gases (LPG) in fixed tanks for consumption in gas installation pipework"; CTN GET-25, which is a working group developing technical specifications for renewable energy certificates of origin; and CTN-181, which is a working group on hydrogen technologies.

9. Environment, social and governance

Nortegas' sustainability strategy is aimed at taking advantage of energy transition opportunities from the core business whilst maintaining service excellence and financial strength.

The role of the company's sustainability team is to ensure that all departments are aligned with the objective of generating long-term positive impact, bringing the expectations of all our stakeholders into the decision-making process.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

At Nortegas, sustainability is a cornerstone of our business model and fully integrated into the decision-making process.

Due to this approach to corporate culture, Nortegas has become an organisation of people with a strong commitment to energy transition and social impact, with operational excellence and efficiency at the very heart of the business.

The most relevant environmental events are as follows:

- ✓ For the third year running, Nortegas' carbon footprint has been successfully verified and registered at Spain's office for climate change.
- ✓ 13% decrease in direct greenhouse gas emissions compared to 2023 and a decrease of around 47% compared to average emissions between 2018 and 2020, due to leakage control.
- ✓ The first integrated audit of the quality, environment and occupational health and safety management systems, in accordance with ISO 9001 and 45001 and IS 45001, respectively, has been successfully performed. The scope of the certification covers the activities of natural gas distribution and the distribution and supply of LPG and LNG.

From a social perspective, many diversity- and volunteer-related initiatives have been undertaken in 2024. At Nortegas, corporate volunteering is a key driver in helping to build more diverse and inclusive organisations, encouraging initiatives that enable us to broaden our perspective and also learn from other cultures and situations, developing empathy.

In 2024, Nortegas was involved in 15 voluntary initiatives as part of its corporate "ImplicAccion" volunteering programme. 123 volunteers took part in these initiatives, donating 179 hours of their time and providing direct support to over 600 beneficiaries.

200 employees have received a total of 300 training hours on diversity, equity and inclusion: Cultural awareness, bias and the LGTBIQ+ movement.

From an occupational health and safety standpoint, we ensure the safety of processes and solutions, both for Nortegas' operations and for our stakeholders, with a focus on occupational health and safety and prevention, but with the capabilities and protocols needed to respond effectively if necessary. Key aspects of health and safety management in 2024 are as follows:

- ✓ The implementation of participative occupational health and safety management tools. The aim is to make improvements based on the experience of employees.
- ✓ The implementation of actions arising from the 2023 psychosocial risk assessment.
- ✓ Renewal of the ISO 45001:2018 certificate.

The 2022-2025 Strategic Sustainability Plan is based on the company's materiality analysis and Nortegas' business objectives. Targets are set with measurable objectives that aim to improve the company's sustainable performance and to improve the quality of non-financial information and the processes used to extract it.

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U. AND SUBSIDIARIES

Consolidated Directors' Report

31 December 2024

Details of the 2024 objectives review are as follows:

Target	KPI	2024 result
Safety of our stakeholders	Frequency and severity indices (in-house employees)	0
Information security	Cybersecurity breaches	0
Supply quality	TCR index	1.14
Talent development	Training hours per employee	27
Diversity, equality and inclusion	Percentage of women in leadership roles	40%
Ethics and compliance culture	Percentage of employees trained in compliance and ethics	100%
Customer-focussed	Satisfaction with service provided	8 (*)
Emissions control and reduction	Reduction of scope 1+2 emissions	47% (**)

(*) Questionnaires completed by sales workers every 3 years

(**) Provisional data. Pre-verification of the footprint in February and publication of the final data in June 2025.

10. Outlook

The Company's outlook is based on the following pillars:

- ✓ Continue to invest in the construction of new distribution networks and in the saturation of existing networks.
- ✓ Adapt and develop the company's infrastructures to be used with renewable gases, essentially biomethane and hydrogen.
- ✓ Consolidate new business areas that allow progress to be made on the path to decarbonisation through the use of renewable gases and the transformation to natural gas of energy infrastructures that use fuels with higher pollution levels than natural gas.
- ✓ Continue developing increasingly more demanding health, safety and environmental standards.
- ✓ Continuous improvement of quality and security of supply. Develop an efficient operational system entailing a high level of accountability and based on excellence in terms of operations, inspection and maintenance.
- ✓ Anticipate risks and efficiently manage regulatory requirements, which are essential given the nature of the business.
- ✓ Continue developing LPG activities throughout the entire network, maximising asset value and customer relationships.
- ✓ Continue developing and meeting the Company's sustainability objectives, generating a positive social and environmental impact on the communities where it operates.
- ✓ Continue investing in R&D+I to guarantee a sustainable future for the company in the long-term and to strengthen its role in the energy transition.

11. Events after the reporting date

Since 31 December 2024, no additional significant events have taken place other than those disclosed in Note 37.

AUTHORISATION FOR ISSUE OF THE ANNUAL ACCOUNTS

2024

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

*Signed on original
in Spanish*

*Signed on original
in Spanish*

Mr Jon Iñaki Alzaga Echeita
Joint Director

Mr. Álvaro Marcé Landeta
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