Independent Auditor's Report in accordance with International Standards on Auditing

SONNEDIX ESPAÑA FINANCE 2, S.A. (Sociedad Unipersonal)
Special Purpose Financial Statements for the year ended December 31, 2020

Building a better working world

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# INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING ON SPECIAL PURPOSE FINANCIAL STATEMENTS

Translation of a report and special purpose financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 23)

To the shareholders of Sonnedix España Finance 2, S.A.:

## Opinion

We have audited the special purpose financial statements (the financial statements) of SONNEDIX ESPAÑA FINANCE 2, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and the notes thereto for the year then ended, including a summary of significant accounting policies. The financial statements have been prepared by SONNEDIX ESPAÑA FINANCE 2, S.A. Sole Director based on the criteria for financial reporting described in Note 2, since management considers such criteria most suitably meet the purpose for which they have been prepared.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with the criteria for financial reporting described in Note 2.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

## Emphasis of matter – Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. As explained in the aforementioned note, the financial statements have not been prepared in accordance with legal requirements and have been prepared for compliance with the reporting obligations required by the Company's bondholders. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Shareholders, and may only be distributed to the bondholders, and should not be distributed to or used by parties other than the aforementioned addressees. Our opinion is not modified in respect of this matter.

## Other matter

The financial statements have been audited applying International Standards on Auditing. This report can under no circumstances be considered an audit carried out in accordance with prevailing audit regulations in Spain.

## Sole Director's responsibilities for the financial statements

Sole Director is responsible for the preparation of the financial statements in accordance with the criteria for financial reporting described in Note 2, and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Company's Sole Director 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.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signed in the original version in Spanish)

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Ambrosio Arroyo Fernández-Rañada
(Registered in the Official Register of Auditors under No. 20648)

April 13, 2021

# Sonnedix España Finance 2, S.A.
# (Sole Shareholder Company)

Special Purpose Financial Statements
for the year ended 31 December 2020

## Sonnedix España Finance 2, S.A. (Sole-Shareholder Company)

## BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

*(Thousands of Euros)*

| ASSETS | Notes | 2020 | 2019 | EQUITY AND LIABILITIES | Notes | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **190,916** | **205,5** | **EQUITY** | **14** | **(9,752)** | **-2,019** |
| **Intangible assets** | **7** | **28,810** | **33,143** | ***CAPITAL AND RESERVES*** | | **(9,752)** | **-2,019** |
| Operating rights | | 23,362 | 27,441 | **Share capital** | | **60** | **60** |
| Rights of use for leases | | 5.448 | 5,702 | Issued capital | | 60 | 60 |
| **Property, plant, and equipment** | **8** | **94,232** | **111,091** | **Reserves** | | **(17,034)** | **-17,034** |
| Land and buildings | | 366 | 366 | Other reserves | | (17,034) | -17,034 |
| Plant and other PP&E | | 93,866 | 110,725 | **Retained earnings** | | **(6,787)** | **-19** |
| **Investments in group companies and associates** | **9 and 17** | **39,870** | **33,123** | Prior year losses | | (6,787) | -19 |
| Loans to companies | | 39,870 | 33,123 | **Other owner contributions** | | **21,742** | **21,742** |
| **Financial investments** | **10** | **8** | **8** | **Profit (loss) for the year** | | **(7,733)** | **-6,768** |
| Other financial assets | | 8 | 8 | | | | |
| **Deferred tax assets** | **16** | **27,996** | **28,115** | **NON-CURRENT LIABILITIES** | | **207,584** | **215,265** |
| | | | | **Provisions** | **19** | **784** | **739** |
| | | | | **Borrowings** | **15.1** | **143,883** | **151,441** |
| | | | | Bonds and other marketable debt securities | | 138,465 | 145,84 |
| | | | | Other long-term debts | | 5,418 | 5,601 |
| | | | | **Borrowings from group companies and associates** | **15.2 and 17** | **44,327** | **41,109** |
| | | | | Deferred tax liabilities | **16** | **18,590** | **21,976** |
| **CURRENT ASSETS** | | **16,775** | **17,798** | **CURRENT LIABILITIES** | | **9,859** | **10,052** |
| **Inventories** | | **42** | **44** | **Borrowings** | **15.1** | **7,701** | **7,247** |
| **Trade and other receivables** | | **5,582** | **7,733** | Bonds and other marketable debt securities | | 7,515 | 7,247 |
| Trade receivables | **11** | 5,566 | 7,186 | Other short-term debts | | 186 | 180 |
| Trade receivables from group companies and associates | **17** | - | 3 | **Trade and other payables** | | **2,158** | **2,625** |
| Other accounts receivable | | 7 | 7 | Suppliers | **15** | 104 | 58 |
| Other receivables from public administrations | **16** | 9 | 537 | Other accounts payable | **15.3** | 156 | 178 |
| **Financial investments** | **10** | **6,218** | **6,146** | Trade payables to group companies and associates | **15 and 17** | 72 | - |
| **Accruals** | | **15** | **-** | Current tax liabilities | **16** | 463 | 663 |
| **Cash and cash equivalents** | **12** | **4,918** | **3,875** | Other payables to public administrations | **16** | 1,363 | 1,726 |
| **TOTAL ASSETS** | | **207,691** | **223,298** | **TOTAL EQUITY AND LIABILITIES** | | **207,691** | **223,298** |

The accompanying Notes 1 to 23 are an integral part of the balance sheet at December 31, 2020 and 2019.

## Sonnedix España Finance 2, S.A. (Sole Shareholder Company)

### INCOME STATEMENT FOR 2020 AND 2019
*(Thousands of euros)*

| | Notes | 2020 | 2019 |
|---|---|---|---|
| ***CONTINUING OPERATIONS*** | | | |
| **Revenue** | **18.a** | **21,457** | **23,859** |
| Income from sale of energy | | 21,451 | 23,859 |
| Rendering of services | | 6 | - |
| **Cost of sales** | **18.c** | **(1,531)** | **(1,552)** |
| Subcontracted work | | (1,531) | (1,552) |
| **Other operating income** | | **-** | **130** |
| **Other operating expenses** | **18.d** | **(1,807)** | **(2,608)** |
| External services | | (180) | (376) |
| Taxes | | (1,627) | (2,232) |
| **Depreciation and amortization** | **18.e** | **(21,264)** | **(21,240)** |
| **Other gains (losses)** | | **(1)** | **(6)** |
| **OPERATING PROFIT** | | **(3,146)** | **(1,417)** |
| **Finance income** | **18.f** | **1,139** | **913** |
| From loans to group companies and associates | | 1,139 | 913 |
| **Finance costs** | **18.g** | **(8,510)** | **(8,776)** |
| Borrowings from group companies and associates | | (3,218) | (3,207) |
| Bonds and other marketable securities | | (5,069) | (5,341) |
| Other finance costs | | (223) | (228) |
| **FINANCE COST** | | **(7,371)** | **(7,863)** |
| **PROFIT BEFORE TAX** | | **(10,517)** | **(9,280)** |
| Corporate income tax | **16** | 2,784 | 2,512 |
| **PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(7,733)** | **(6,768)** |
| **PROFIT FOR THE YEAR** | | **(7,733)** | **(6,768)** |

The accompanying Notes 1 to 23 are an integral part of the income statements for 2020 and 2019.

## Sonnedix España Finance 2, S.A. (Sole Shareholder Company)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

*(Thousands of euros)*

### A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR (I)** | | **(7,733)** | **(6,768)** |
| **Income and expense recognized directly in equity:** | | | |
| From cash flow hedges | | - | - |
| Tax effect | | - | - |
| **TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)** | | **-** | **-** |
| **Amounts transferred to the income statement** | | - | - |
| **TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)** | | **-** | **-** |
| **TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)** | | **(7,733)** | **(6,768)** |

### B) STATEMENT OF ALL CHANGES IN EQUITY

| | Share capital (Note 14.a) | Other reserves (Note 14.d) | Retained earnings | Other owner contributions (Note 14.b) | Profit (loss) for the year | Total |
|---|---|---|---|---|---|---|
| **BALANCE AT JANUARY 1, 2019** | **60** | **(84)** | **-** | **21,584** | **(19)** | **21,541** |
| **Total recognized income and expense** | - | - | - | - | (6,768) | **(6,768)** |
| **Transactions with partners or owners:** | | | | | | |
| Capital increase | - | - | - | - | - | **-** |
| Other transactions with partners or owners | - | - | - | 158 | - | **158** |
| Reduction in equity arising from business combinations | - | (16,950) | - | - | - | **(16,950)** |
| **Other changes in equity** | - | - | (19) | - | 19 | **-** |
| **BALANCE AT DECEMBER 31, 2019** | **60** | **(17,034)** | **(19)** | **21,742** | **(6,768)** | **(2,019)** |
| **Total recognized income and expense** | - | - | - | - | (7,733) | **(7,733)** |
| **Other changes in equity** | - | - | (6,768) | - | 6,768 | **-** |
| **BALANCE AT DECEMBER 31, 2020** | **60** | **(17,034)** | **(6,787)** | **21,742** | **(7,733)** | **(9,752)** |

The accompanying Notes 1 to 23 are an integral part of the statement of changes in equity for the year ended December 31, 2020 and 2019.

## Sonnedix España Finance 2, S.A. (Sole Shareholder Company)

## CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

*(Thousands of euros)*

| | Notes | Financial Year 2020 | Financial Year 2019 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **14,075** | **14,793** |
| **Profit before tax** | | **(10,517)** | **(9,280)** |
| **Adjustments to profit:** | | **28,635** | **29,109** |
| - Depreciation and amortization | **18.e** | 21,264 | 21,240 |
| - Finance income | **18.f** | (1,139) | (913) |
| - Finance costs | **18.g** | 8,510 | 8,776 |
| - Other income and expenses | | - | 6 |
| **Changes in working capital** | | **1,167** | **523** |
| - Inventories | | 2 | (32) |
| - Trade and other receivables | | 1,664 | 1,480 |
| - Other current assets | | (412) | 873 |
| - Trade and other payables | | (87) | (1,798) |
| **Other cash flows from operating activities** | | **(5,210)** | **(5,559)** |
| - Interest and commissions paid | **18.g** | (5,107) | (5,440) |
| - Income tax payments and receipts | | (103) | (119) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(5,608)** | **(2,119)** |
| **Payments on investments (-)** | | **(5,608)** | **(8,841)** |
| - Group companies and associates | **9** | (5,608) | (8,572) |
| - Property, plant, and equipment | **8** | - | (269) |
| **Proceeds from disinvestments (+)** | | **-** | **6,722** |
| - Other financial assets | | - | 335 |
| - Other assets (cash contributed by merged companies) | **6** | - | 6,387 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(7,424)** | **(8,815)** |
| **Proceeds from and payments on equity instruments** | | **-** | **158** |
| - Owner contributions (+) | **14.b** | - | 158 |
| **Proceeds from and payments of financial liabilities** | | **(7,424)** | **(8,973)** |
| - Repayment and redemption of: | | | |
| Bonds and other marketable debt securities (-) | **15.1** | (7,247) | (8,801) |
| Other short-term liabilities (lease liabilities) (-) | | (177) | (172) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **1,043** | **3,859** |
| Cash and cash equivalents at January 1 | **12** | 3,875 | 16 |
| Cash and cash equivalents at December 31 | **12** | 4,918 | 3,875 |

The accompanying Notes 1 to 23 are an integral part of the cash flow statement for the years ended December 31, 2020 and 2019.

## Sonnedix España Finance 2, S.A. (Sole Shareholder Company)

Notes to the financial statements for the year ended December 31, 2020

### 1. ACTIVITY

Sonnedix España Finance 2, S.A. (sole shareholder company) ("the Company") was incorporated on November 8, 2017 in accordance with the stipulations of the revised text of the Spanish Corporate Enterprises Act. The Company was incorporated on an open-ended basis under the name of Cantilan Directorship, S.A. and was registered as such at the Mercantile Registry at the same date.

On March 9, 2018 the Mercantile Registry approved the application for reserving the name "Sonnedix España Finance 2, S.A.," subsequently registered in the Official Gazette of the Mercantile Registry ("BORME") on March 23, 2018.

The Company's corporate purpose is the development and promotion of energy projects, including the purchase, sale, importing, exporting, distribution, supply, and marketing of the necessary equipment for the production of electric energy. At 2020- and 2019-year end, the Company's total installed capacity amounted to 37.4 MWp.

On May 3, 2019 Sonnedix España, S.L.U. (the sole shareholder of the Company at said date) approved the merger project by virtue of which Sonnedix España Finance 2, S.A. absorbed all its investees. The deed ratifying said merger was filed at the Mercantile Registry on July 10, 2019 in accordance with the stipulations of articles 42, 43, and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies, and was effective for accounting purposes from January 1, 2019 (Note 6).

At December 31, 2020 and 2019, the Company belonged to a group of companies (the Sonnedix España Group) whose parent is Sonnedix España, S.L.U., a Spanish company that issues consolidated financial statements and a consolidated management report, and whose registered address is located in Madrid at calle Príncipe de Vergara, 108, Floor 12.

On July 16, 2019 the change in the Company's address (formerly in Madrid at calle Jenner 3, Floor 4) was published in the BORME as located in Madrid at calle Príncipe de Vergara 108, Floor 12.

On July 21, 2020 Sonnedix España, S.L.U., the sole shareholder of the Company at said date, sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V. Thus, the latter company is the sole shareholder of Sonnedix España Finance 2, S.A. at 2020-year end (Note 14.a).

Further, in said transaction Sonnedix España, S.L.U. contributed and ceded all the credit claims and debts held with Sonnedix España Finance 2, S.A. until the sales date to Sonnedix Holdco Spain, B.V. (Notes 9, 15.3, and 17).

***Activity***

After the corporate restructuring in which Sonnedix España Finance 2, S.A. was involved, as a result of the merger carried out in 2019, its business model was focused on the operation of photovoltaic solar farms for the generation of electric energy in Spain. The Company currently employs photovoltaic technology. At December 31, 2020 and 2019 the aggregate nominal capacity of Sonnedix España Finance 2, S.A. totaled 33.70 MW (37.4 MWp of total installed capacity).

The Company is at present operating the following photovoltaic solar farms:

| Project | Power | Adquisition date | Start-up date | IT | Location |
|---|---|---|---|---|---|
| Pinos | 0,80 | 2010 | 2010 | IT-00437 | Pinos Puente (Granada) |
| Elices | 1,00 | 2011 | 2011 | IT-00441 | Langa del Duero (Soria) |
| La Puebla | 2,00 | 2017 | 2008 | IT-20058 | Puebla del Prior (Badajoz) |
| Pozohondo | 3,00 | 2017 | 2008 | IT-20065 | Pozohondo (Albacete) |
| Los Hinojosos I | 1,70 | 2017 | 2007 | IT-20047 | Los Hinojosos (Cuenca) |
| Los Hinojosos II | 0,10 | 2017 | 2007 | IT-20057 | Los Hinojosos (Cuenca) |
| Alange | 8,00 | 2018 | 2008 | IT-20087 | Alange (Badajoz) |
| Olmeda | 6,00 | 2017 | 2008 | IT-20062 | La Olmeda (Cuenca) |
| Madrigal | 1,30 | 2017 | 2008 | IT-20058 | Madrigal de las Altas Torres (Ávila) |
| Olivenza | 1,00 | 2017 | 2007 | IT-00047 | Olivenza (Badajoz) |
| Puig | 1,40 | 2017 | 2008 | IT-00078 | Puig Gros (Lleida) |
| Ollería | 2,00 | 2017 | 2008 | IT-00062 | L'Olleria (Valencia) |
| Portichuelo | 2,90 | 2017 | 2008 | IT-00062 | Losa del Obispo y Chulilla (Valencia) |
| Hinojosa del Valle | 2,50 | 2017 | 2010 | IT-20522 | Hinojosa del Valle (Cuenca) |
| | **33,70 MW** | | | | |

***Environmental disclosures***

Given the nature of the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Consequently, the notes to the accompanying financial statements do not include specific disclosures relating to environmental matters, except for Note 19, which includes disclosure on dismantling provisions.

## 2. BASIS OF PRESENTATION

### *2.1. Financial reporting regulatory framework applicable to the Company*

These Special Purpose Financial Statements (hereinafter, "the financial statements") have been prepared by the Sole Administrator in order to comply with the reporting obligations required by the contracts for the issue of the Guaranteed Bonds (see Note 15.1) in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS"), being IFRS in force at 31 December 2020 as adopted by the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, taking into account the mandatory accounting principles, accounting rules and measurement bases that have a material effect, but including only those disclosures that the Sole Administrator of the Company considers necessary to comply with the required disclosure requirements.

The most significant accounting policies and measurement bases applicable to the preparation of these financial statements are summarized in Note 5.

### *2.2. Basis of presentation*

The accompanying special purpose financial statements are presented in thousands of euros and have been prepared based on the Company's accounting records.

The accompanying special purpose financial statements were prepared by its Sole Director.

### *2.3. True and fair view*

These financial statements give a true and fair view of the Company's equity, results of operations, changes in equity and cash flows for the financial years 2020 and 2019.

### *2.4. Adoption of IFRS*

The special purpose financial statements of Sonnedix España Finance 2, S.A. are presented in accordance with EU-IFRS, as set out in Note 2.1 to these financial statements.

The main accounting policies and valuation rules adopted by the Company are presented in Note 5 of the financial statements in accordance with EU-IFRS.

a) <u>Standards and interpretations adopted by the European Union effective in the current year</u>

| | Date of implementation in the EU |
|---|---|
| Revised versions of the IFRS Framework | 1st January 2020 |
| Amendments to IAS 1 and IAS 8 - Definition of Materiality | 1st January 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7: Restatement of Interest Rate Benchmarks | 1st January 2020 |
| Amendments to IFRS 3 Business Combinations | 1st January 2020 |
| Amendments to IFRS 16 Rent Concessions related to Covid-19 | 1st June 2020 |

The accounting policies used in the preparation of these financial statements are the same as those applied in the financial statements for the year ended 31 December 2019, as none of the standards, interpretations or amendments that are applicable for the first time in this financial year have had an impact on the Company's accounting policies.

b) <u>Standards and interpretations issued by the IASB, but which are not applicable in this financial year</u>

| | **Date of publication official journal EU** | **Date of implementation in the EU** | **Date of application of the IASB** |
|---|---|---|---|
| Amendment to IFRS 4 Insurance Contracts - Deferral of IFRS 9 | 16 December 2020 | 1 January 2021 | 1 January 2021 |
| IFRS 17 - Insurance Contracts | Pending | Pending | 1 January 2023 |
| Amendment to IAS 1 Presentation of Financial Statements: Classification of Financial Liabilities as Current or Non-current | Pending | Pending | 1 January 2023 |
| Amendments to:<br><br>- IFRS 3 Business Combinations<br>- IAS 16 Property, Plant and Equipment<br>- IAS 37 Provisions, Contingent Liabilities and Contingent Assets<br>- Annual Improvements 2018 - 2020 | Pending | Pending | 1 January 2022 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Benchmark interest rate reform - phase 2 | Pending | Pending | 1 January 2021 |

The Company intends to adopt the standards, interpretations and amendments to standards issued by the IASB, which are not mandatorily applicable in the European Union at the date of preparation of these financial statements, when they become effective, if applicable.

Although the Company is currently analyzing their impact, based on the analyses carried out to date, the Sole Director of the Company estimates that their initial application will not have a significant impact on the financial statements.

### *2.5. Critical aspects of uncertainty estimation and valuation*

In drawing up the accompanying financial statements, the Company's sole director used estimates to measure certain assets, liabilities, income, expenses, and commitments recognized therein.

Although these estimates were made based on the best information available at 2020 year end, events may occur in the future that require prospective adjustments (upwards or downwards) in subsequent years.

Essentially, these estimates relate to:

- The evaluation of possible impairment losses on certain assets (Note 5.c).

- The evaluation of the recoverability of deferred tax assets recognized (Note 5.h).

  The Company assesses the recoverability of deferred tax assets based on estimates of future taxable profits and the capacity to generate sufficient profit during the periods in which said deferred taxes can be deducted. Deferred tax liabilities are recognized in accordance with the estimates made for net assets which will not be deductible in the future.

### *2.6. Comparative information*

For comparative purposes, the information included in the accompanying financial statements for 2020 is presented with the information relating to the prior period.

### *2.7. Grouping of items*

Certain items in the balance sheet, income statement, statement of changes in equity, and cash flow statement are grouped together to facilitate understanding. However, whenever the amounts involved are material, the information is broken down in the related notes to the accompanying financial statements.

### *2.8. Financial position and equity*

At December 31, 2020, the Company recognized negative equity amounting to 9,752 thousand euros, mainly as a consequence of the losses incurred in previous years by its subsidiaries. Further, their absorption during 2019 gave rise to an increase in negative merger reserves in the amount of 16,950 thousand euros (Notes 6 and 14.d), with the equity of Sonnedix España Finance 2, S.A. thus representing less than half the value of its share capital.

For purposes of considering whether there is cause for dissolution, the participative loans recognized by the Company under non-current liabilities in the accompanying balance sheet at December 31, 2020, and granted by its sole shareholder (Sonnedix Holdco Spain, B.V.) in the amount of 19,713 thousand euros (Notes 15.3 and 17), are considered as part of net equity for mercantile purposes. Thus, the Company's position does not present grounds for dissolution.

As said participative loan contracts which the Company held with Sonnedix B.V. at 2020 year end were prepared as per the characteristics established in article 20 of Royal Decree Law 7/1996, of June 7, on urgent tax and other measures to promote and liberalize economic activities, they are considered a part of equity for purposes of evaluating any obligations in connection with capital reduction and dissolution established in the revised text of the Spanish Corporate Enterprises Act.

In addition, the Company had positive working capital amounting to 6,915 thousand euros at December 31, 2019, thus ensuring sufficient liquidity to meet short term commitments. In addition, the Company's operating activities during 2020 generated a positive cash balance of 14,075 thousand euros, thus ensuring sufficient liquidity to meet short term commitments.

Given all the above, the sole director of the Company prepared the accompanying financial statements on a going concern basis on the understanding that it will not encounter difficulties in realizing its assets or settling its obligations when due and in the amounts at which they are recognized on the balance sheet at 2020 year end.

## 3. APPROPRIATION OF PROFIT

The sole director of Sonnedix España Finance 2, S.A. resolved to submit the following proposed appropriation of 2020 profit:

| | Thousands of euros |
|---|---|
| | 2020 |
| **Basis of appropriation:** | |
| Profit (loss) for the year | (7,733) |
| **Appropriation to:** | |
| Prior year losses | (7,733) |

The appropriation of profit for 2019 (losses) proposed by the sole director of the Company consisted in the complete transfer of said losses to "Prior year losses" in the amount of 6,768 thousand euros.

## 4. REGULATION OF ENERGY PRODUCTION ACTIVITIES FROM RENEWABLE SOURCES

Sonnedix España Finance 2, S.A. pursues its activities in the market for electricity generation in Spain by operating renewable energy production installations. For this purpose, the Company uses photovoltaic solar technology. At the date of authorization of the accompanying financial statements all of the Company's investments were located in Spain.

The regulatory framework for the production of energy from renewable sources in Spain is described in detail below:

<u>Electricity Sector Act and Royal Decree Law 9/2013 of July 12</u>

At 2020 and 2019 year end, the main legislative reference for electricity production was Law 24/2013, of December 26, on the Electricity Sector ("Electricity Sector Act"), which repealed Law 54/1997 of November 27.

The Electricity Sector Act is designed to establish regulation of the electricity sector for the purpose of guaranteeing electricity supply and adapting it to the needs of consumers in terms of security, quality, efficiency, objectivity, transparency, and minimum cost.

The law states the remuneration system for energy from renewable sources, cogeneration and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenues with a specific regulated remuneration allowing these technologies to compete on an equal footing with the other technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

Under this criterion, the specific remuneration, in accordance with the technology, shall consist of:

- A term per unit of installed power to cover the investment costs of a standard facility that cannot be recouped by the sale of power in the market, and

- a term for the operation to cover the shortfall between operating costs and revenues from participating in the market.

Remuneration shall be calculated based on a standard installation over its regulatory useful life, taking into account:

- Standard revenue from sale of the energy generated, valued at the (estimated) price on the production market,

- standard operating costs, and

- the standard value of the original investment.

Regulatory periods of six years and half-periods of three years are established to calculate the specific remuneration. The first regulatory period began on July 14, 2013 and ended on December 31, 2019.

In the review corresponding to each regulatory period, all remuneration parameters may be modified. This includes the value used to calculate the reasonable return on the remainder of the regulatory useful life of the standard installations, which shall be set by law. Once the regulatory useful life or standard value of the initial investment in an installation has been recognized, these values may not be revised under any circumstances.

Estimates of revenue from the sale of energy generated, measured at the market production price, will be revised every three years for the rest of the regulatory period based on market price trends and forecasts for operating hours.

In addition, remuneration parameters shall be adjusted based on deviations in the market price from the estimates made for the preceding three-year period. The adjustment method shall be established by regulation and be applicable for the remainder of the installation's useful life.

Reasonable return is defined as the profit generated on a project, calculated, before taxes, based on the average yield in the secondary market of Spanish 10-year bonds and applying the appropriate spread.

The first additional provision of Royal Decree Law 9/2013 sets the reasonable return for facilities entitled to premium remuneration prior to the entry into force of Royal Decree Law 9/2013 as the average return on the secondary market of Spanish 10-year bonds for the 10 years prior to the entry into force of Royal Decree Law 9/2013 plus 300 basis points (equivalent to 7.398% for the first regulatory period).

Further, it is worth noting that the law specifies the criteria for priority access and dispatch of electricity from high-efficiency renewable energy sources and cogeneration as set out in European Union directives.

<u>Royal Decree 413/2014, Order IET/1045/2014, and Order ETU/130/2017</u>

On June 6, 2014, Royal Decree 413/2014 was published, regulating the production of electric energy from renewable energy sources, cogeneration, and waste. Subsequently, on June 20, 2014, Order IET/1045/2014, of June 16, approving the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste, was published.

On February 17, 2017, Order ETU/130/2017 was published for application to the regulatory half-period beginning January 1, 2017, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste.

<u>Royal Decree Law 15/2018</u>

Royal Decree Law 15/2018 was published on October 5, 2018, on urgent measures for energy transition and the protection of consumers.

Its sixth and seventh additional provisions establish the basis for determining tax on the value of electric energy and the amount of tax payment installments for the years 2018 and 2019, respectively.

Further, its eighth additional provision establishes the basis for reviewing the remuneration parameters applicable to installations that produce electricity from renewable energy sources, cogeneration, and waste as a consequence of the modification of Law 15/2012, of December 27, on tax measures for energy sustainability, and the modification of Law 38/1992, of December 28, on special taxes.

*Sixth additional provision (2018)*

Tax on the value of electric energy production for 2018 corresponds to the total amount receivable for the tax-paying entity for production and incorporation of electricity in the electric energy system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the last natural quarter.

The payment installments for the last quarter will be calculated based on the value of electric energy production measured in power station busbars during the tax period, less the remuneration corresponding to electricity incorporated in the system during the last natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid in the previous installments.

*Seventh additional provision (2019)*

Tax on the value of electric energy production for 2019 corresponds to the total amount receivable by the tax-paying entity for production and incorporation of electric energy in the electricity system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the first natural quarter.

The payment installments will be calculated based on the value of electric energy production measured in power station busbars from the beginning of the tax period until the end of the three, six, nine, or twelve months to which the previous section referred, less the remuneration corresponding to electricity incorporated in the system during the first natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid in the previous installments.

*Eighth additional provision*

The eighth additional provision stipulates that within a period of three months the Ministry for Ecological Transition, via ministerial order, will approve the remuneration parameters for standard installations applicable to the installations that produce electricity from renewable energy sources, cogeneration, and waste, reviewed taking into account the modifications to Law 15/2012, of December 27, on tax measures for energy sustainability, and modifications to Law 38/1992, of December 28, on special taxes, to which the sixth and seventh additional provisions refer, as well as the final first provision of this Royal Decree Law, respectively.

<u>Royal Decree Law 1/2019</u>

On January 12, 2019 the Official State Gazette ("BOE" in Spanish - Boletín Oficial del Estado) published this Royal Decree Law, the purpose of which is to adapt the responsibilities of the National Markets and Competition Commission ("CNMC" in Spanish - Comisión Nacional de los Mercados y la Competencia) to EU legislation, subsequent to the requirements established by EU authorities.

With respect to the installations that produce energy based on renewable sources, high-efficiency co-generation, and waste with a specific remuneration scheme, said Royal Decree Law stipulates that the value used to calculate the reasonable return on the remainder of the regulatory useful life of a standard installation, which is set by law, can be modified when the corresponding reviews for each regulatory period are performed.

<u>Royal Decree Law 17/2019</u>

Royal Decree Law 17/2019 was published on November 22, 2019, adopting urgent measures for the necessary adaptation of remuneration parameters which affect the electricity system and further providing a response to the process of terminating activities at thermal power plants.

*General remuneration scheme*

Based on the provisions of said Royal Decree Law, and without prejudice to the stipulations of the final third provision of Law 24/2013, of December 26, on the Electricity Sector, the reasonable return applicable for the remaining regulatory useful life of standard installations, which will be used for reviewing and updating the remuneration parameters applicable during the second regulatory period (2020-2025) to the installations for production of electric energy from renewable sources, cogeneration, and waste, before taxes, will be 7.09%.

*Exceptional remuneration scheme*

Exceptionally, the Royal Decree Law introduces a provision, the purpose of which is to guarantee the possibility, for those owners of electric energy production installations based on renewable energies, cogeneration, and waste who had already been granted prime remuneration when Royal Decree Law 9/2013, of July 12, became effective, and who desire to avail themselves of it voluntarily, that the reasonable return set for the first regulatory period, ended on December 31, 2019, cannot be modified during the two subsequent and consecutive regulatory periods, from January 1, 2020. In other words, those owners who avail themselves of this scheme will maintain a reasonable return on these installations of 7.398% during the 2020-2031 period, greater than the 7.09 % established for the 2020-2025 period, thus avoiding the uncertainty of the 2026-2031 period.

However, availing themselves of this scheme means the early termination of all arbitration or judicial proceedings and the irrevocable renunciation of re-initiating or continuing them, as well as renunciation of any indemnities or compensation which had been recognized as a consequence of such proceedings, subject to accreditation before the General Directorate for Energy and Mining Policy prior to December 18, 2020.

The Company availed itself of the aforementioned exceptional remuneration scheme of 7.398% for those installations with respect to which it was not involved in any ongoing arbitration or judicial proceedings prior to accreditation before the General Directorate for Energy and Mining Policy, while for the remaining installations it will apply the general remuneration scheme at 7.09%.

<u>Order TED/171/2020</u>

On February 24, 2020 Ministerial Order TED/171/2020 was published, updating the remuneration parameters applicable to all installations engaged in the production of energy based on renewable sources, cogeneration, and waste with the right to receive specific remuneration. Said order is applicable for the regulatory period starting on January 1, 2020.

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period, distinguishing the parameters in terms of those projects which avail themselves of the general scheme or the exceptional scheme. The Company's directors estimated the impact of this adjustment, concluding that it was not material for the Company.

The new remuneration parameters applicable to the Company’s installations are as follows:

| Facility | Standard facility code | Regulatory useful life (years) | Investment remuneration 2020 (€/MW) | Operation remuneration 2020 (€/MW) | Operation remuneration 2021 (€/MW) | Operation remuneration 2022 (€/MW) |
|---|---|---|---|---|---|---|
| Olmeda | IT-20062 | 30 | 498,613 | 20.682 | 23.835 | 28.039 |
| Madrigal | IT-20058 | 30 | 660,747 | 24.012 | 27.204 | 31.448 |
| Portichuelo | IT-00062 | 30 | 510,145 | 21.225 | 24.381 | 28.587 |
| Ollería | IT-00062 | 30 | 510,145 | 21.225 | 24.381 | 28.587 |
| Olivenza | IT-00047 | 30 | 551,748 | 23.990 | 27.164 | 31.388 |
| Puig | IT-00078 | 30 | 594,240 | 25.990 | 29.174 | 33.409 |
| Hinojosa del Valle | IT-20522 | 30 | 409,658 | 13.887 | 17.025 | 21.215 |
| Pinos | IT-00437 | 30 | 307,122 | 11.522 | 14.629 | 18.788 |
| Elices | IT-00441 | 30 | 315,279 | 11.906 | 15.015 | 19.175 |
| Pozohondo | IT-20065 | 30 | 572,580 | 20.393 | 23.565 | 27.789 |
| Los Hinojosos I | IT-20047 | 30 | 539,733 | 23.425 | 26.596 | 30.817 |
| Los Hinojosos II | IT-20057 | 30 | 663,512 | 24.113 | 27.305 | 31.550 |
| La Puebla | IT-20058 | 30 | 660,747 | 24.012 | 27.204 | 31.448 |
| Alange | IT-20087 | 30 | 613,334 | 21.897 | 25.077 | 29.308 |

Order TED/668/2020

On July 17, 2020 Order TED/668/2020 was published, by virtue of which the remuneration parameters for the years 2018 and 2019 were modified as a consequence of the eighth additional provision of Royal Decree Law 15/2018, of October 5.

Specifically, said Ministerial Order modified both the investment remuneration applicable for all of 2018 and 2019 as well as the operation remuneration corresponding to the last quarter of 2018 and the first quarter of 2019.

The CNMC, as the body responsible for settlements and with a view to adapting the remuneration of the specific remuneration scheme to the modified remuneration parameters established in said order, will settle the resulting amounts for each of the installations affected by said modification in the following manner:

a) The economic adjustments which resulted from applying the parameters of the specific remuneration scheme for 2018 will be made in the settlement for energy produced in September 2020.

b) The economic adjustments which arise from applying the specific remuneration scheme for 2019 will be made in an extraordinary settlement together with the corresponding settlement for energy generated in July 2020 and will be included in the definitive settlement or closing of 2019.

## 5. RECOGNITION AND MEASUREMENT STANDARDS

The main measurement standards and accounting policies followed by the Company in drawing up the accompanying 2020 financial statements are summarized below:

### *a) Intangible assets (Note 7)*

As a general rule, intangible assets are initially measured at acquisition or production cost. They are subsequently measured at cost less accumulated amortization and impairment losses, if any. Further, intangible assets are amortized over their useful lives.

*Operating rights*

As required by prevailing regulations, the Company performed an analysis of the fair values of the assets acquired and liabilities assumed, recognizing the resulting values as the carrying amounts. Thus, in prior years the Company recognized the fair value of the operating rights acquired and not recognized in the balance sheets of the acquired and subsequently merged companies in its own balance sheet (Note 6).

Said assets are amortized on a straight-line basis over the useful life of the assets associated with the corresponding photovoltaic solar installation, which is 18 years, counting form the start-up date of the corresponding installation. In summary, said assets correspond to the acquisition price paid to third parties for development of a project until the acquisition date.

Intangible assets are derecognized as soon as they are disposed of or no longer in use, or when they are no longer expected to generate economic benefits.

The difference between the amount, which is obtained from an intangible asset, net of sales costs, and its carrying amount, determines any gains or losses upon disposal, and is recognized in the income statement for the year to which they relate.

***b) Property, plant, and equipment (Note 8)***

PP&E items are initially measured at acquisition or production cost, subsequently reduced by the corresponding accumulated depreciation and any impairment losses, in accordance with the criteria described below.

The cost of maintaining and repairing the various PP&E items is charged to the income statement in the year incurred. However, costs incurred to improve items which contribute to increasing capacity or efficiency, or which extend the useful life of an asset, are capitalized as a greater cost of the related asset.

The Company depreciates its PP&E items on a straight-line basis over their respective estimated useful lives, broken down as follows:

| | **Estimated useful life** |
|---|---|
| Plant | 18 |

The useful life indicated is counted from the start-up date of the installations (regardless of when the asset was acquired by the Company).

PP&E items are derecognized as soon as they are disposed of or no longer in use, or when they are no longer expected to generate economic benefits. The difference between the amount which is obtained from a PP&E item, net of sales costs, and its carrying amount, determines any gains or losses upon disposal, and is recognized in the income statement for the year to which they relate.

***c) Impairment of intangible assets and property, plant, and equipment (Notes 7 and 8)***

At each balance sheet date, the Company reviews the carrying amounts of its intangible assets and PP&E items to determine whether they have suffered any impairment losses. In the case of assets with an indefinite useful life and intangible assets which have not been put to use, this process is carried out at least at each annual closing date. If any such indications are detected, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss, if any. If the asset does not generate cash flows that are independent from those of other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The cash-generating units correspond to each of the projects being developed by the Company, that is, to each solar farm.

The recoverable amount is considered to be the greater of market value less necessary sales costs or value in use, determined by calculating the present value of estimated future cash flows. The Company generally uses value in use as the parameter for calculating impairment losses unless there is evidence of a purchase-sale transaction, in which case the reference value is the transaction price. It is also worth noting that, if the asset is identifiable and does not generate cash flows independently, the recoverable amount of the cash-generating unit to which the asset belongs is calculated.

In order to quantify value in use, the Company makes estimates for each cash-generating unit generally using a time period corresponding to the useful life of the assets and, based on the most recent budget forecasts and business plans approved by the sole director of the Company, prepares the forecasts for future cash flows before taxes using the best estimates available for income and costs relating to the cash-generating units. Further, the Company also uses growth rates and macroeconomic hypotheses reasonably based on both corporate forecasts which take past experience into account and future expectations of the business based on knowledge of the sector.

In contrast, to determine the present value of said cash flows, a discount rate is used, before taxes, which reflects the business's cost of capital and the geographical area where it is conducted. The calculation further takes into account the current cost of money and the risk premiums generally used by analysts and investment banks for each specific business and geographical zone. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is written up to its newly estimated recoverable amount, so long as the restated carrying amount does not exceed the carrying amount that would have been recognized had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognized as income, except in the case of goodwill on consolidation, for which reversal of any possible impairment losses is not permitted.

### *d) Leases*

Sonnedix España Finance 2, S.A. (Sole-Shareholder Company) adopted IFRS 16 for its entire lease portfolio at the transition date, that is 1 January 2019, using the simplified modified retrospective method, thus replacing IAS 17, which had been applicable. Under IFRS 16, at the time of signing a contract, an assessment must be made as to whether the contract is, or contains, an implicit lease, that is whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration or whether it is receiving a service.

Where it is concluded that a lease contract exists to which the Company is the lessee, the expected lease liabilities arising from future lease payments, as well as the right-of-use asset, must be estimated and recognized. This accounting policy is applied to all leases except for short-term leases (expected to be less than 12 months) and leases where the asset is of low value.

All of the Company's leases relate to the land on which the photovoltaic plants in operation are located.

The useful life of the leased assets has been determined on the basis of the best estimate made by the Company's sole director, taking into account the contractual characteristics of each agreement (duration, extension rights, etc.). In this way, the Company has considered the extension options on the lease contracts for the land on which the photovoltaic facilities are located based on the duration of their regulatory useful lives in order to calculate the right-of-use assets. Assumptions are also used to calculate the discount rate, which depends mainly on the Company's third-party borrowing rate.

*i. Right-of-use assets (see Note 7)*

Right-of-use assets are recognized at the lease commencement date (that is the date on which the asset becomes available for use). Right-of-use assets are measured at acquisition cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term or, if the lease term is shorter than the estimated useful life of the assets and the Company unilaterally has the right to extend the lease, over the estimated useful life of the assets.

The estimated useful life of the leased assets relating to the land on which the photovoltaic plants are located is determined on the basis of the regulatory useful life of the facilities.

If ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment, see Notes 5.a and 5.c.

*ii. Lease liabilities (see Note 15.2)*

At the commencement date of the lease, lease liabilities are recognized and measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable, variable payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of purchase options reasonably certain to be exercised.

Variable lease payments that are not index or rate dependent are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its borrowing rate on the lease at the commencement date (3,216%) as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accrual of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in the index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in "Other long-term liabilities" and "Other short-term liabilities" in the balance sheet. These financial liabilities also accrue interest, which is recorded under "Other financial expenses" in the income statement (see Note 18.g).

***e) Loans to companies (Notes 9 and 17)***

*i. Classification*

Loans and borrowing facilities granted by the Company to other entities, such as participative loans, loans granted to its sole shareholder, or any other financing for investees included in its main corporate purpose, are recognized under this category, regardless of whether they are recognized under "Non-current assets - Investments in group companies and associates" or "Non-current assets - Financial investments." For measurement purposes they are classified as "Loans and receivables."

Trade and non-trade receivables are recognized under "Loans and receivables," which also includes financial assets with fixed or determinable payments not traded in an active market and with respect to which the Company expects to recover all of its investment, except, where applicable, in cases of credit deterioration.

*ii. Recognition and Measurement*

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Subsequent to initial recognition, these financial assets are measured at amortized cost, recognizing accrued interest under "Finance income" in the income statement in accordance with the effective interest rate method.

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

The impairment losses of the receivables are calculated taking into account estimated future cash flows, discounted at the effective interest rate of the measurement date. Impairment losses and any subsequent reversals thereof are recognized as an expense or as income, respectively, in the income statement.

### *f) Financial instruments (Notes 10, 11, and 15)*

*Financial assets*

*i. Classification*

The classification of financial assets is determined at initial recognition according to the following categories:

i) Debt instruments classified at amortized cost: these correspond to debt investments held within a business model whose objective is to obtain contractual cash flows consisting exclusively of principal and interest payments and are generally measured at amortized cost.

ii) Debt instruments classified at fair value through other comprehensive income: when debt instruments are held within a business model whose objective is achieved by obtaining contractual cash flows of principal and interest and the sale of financial assets, they are generally measured at fair value through other comprehensive income.

iii) Equity instruments designated at fair value through other comprehensive income corresponds to equity instruments for which the Company irrevocably elects to present subsequent changes in fair value in "Other comprehensive income".

iv) Financial assets at fair value through profit or loss: debt and equity investments that do not meet the requirements to be classified in any of the above categories shall be measured at fair value through profit or loss.

At 31 December 2020, all financial assets held by the Company are classified as "Debt instruments classified at amortized cost".

*ii. Initial measurement*

Financial assets are initially recognized at the fair value of the consideration paid plus directly attributable transaction costs.

*iii. Subsequent measurement*

Loans and receivables are subsequently measured at amortized cost.

The Company performs an impairment test on those financial assets that are not carried at fair value at least at each year-end. Objective evidence of impairment is deemed to exist when the recoverable amount of a financial asset is less than its carrying amount. When impairment occurs, it is recognized in the income statement.

Specifically, with respect to impairment losses relating to trade and other receivables, the criteria used by the Company to calculate the corresponding adjustments, if any, is to perform an individualized analysis at the end of each reporting period with a view to identifying possible accounts receivable that may be impaired.

The Company derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, provided that all the risks and rewards inherent to ownership of the financial asset are transferred; this is the case in firm asset sales, trade receivable factoring transactions in which the Company retains neither credit risk nor interest rate risk, sales of financial assets with an agreement to repurchase them at their fair value, and securitizations in which the transferring entity neither retains subordinated financing, grants any form of guarantee nor assumes any other type of risk.

*Financial liabilities*

Financial liabilities include those trade and other payables by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classified as derivative financial instruments.

Trade and other payables are initially measured at the fair value of the consideration received, adjusted by directly attributable transaction costs. Subsequently, said liabilities are measured at amortized cost.

In contrast, current and non-current borrowings are presented at their repayment value. Any implicit interest paid and included, both in the nominal value and repayment value, is considered a direct deduction from the nominal value of the debt. Said interest is calculated by using financial methods based on the duration of the financial borrowings. When the debt matures, the principal liability is derecognized. Any difference between the liability recognized and the amount paid is included in the income statement under finance expenses.

The Company derecognizes financial liabilities when the obligations that generated them have been extinguished.

### *g) Cash and cash equivalents (Note 12)*

This balance sheet heading includes cash in hand, sight deposits, and other highly liquid short-term investments which mature in less than 3 months, can be readily converted into cash, and are not exposed to the risk of changes in value.

### *h) Corporate income tax (Note 16)*

At December 31, 2020 and 2019, Sonnedix España Finance 2, S.A. filed its tax returns under the individual regime.

Income tax payable or receivable comprises current tax payable or receivable as well as deferred tax expenses or income.

Current income tax is the amount the Company pays as a result of the tax declarations filed with respect to taxable profit for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce tax payable.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the carrying amounts of assets and liabilities and their tax bases, as well as any unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply when the corresponding temporary differences or tax credits are expected to be realized or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those that (i) arise from the initial recognition of goodwill or other assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit (tax loss), and (ii) are associated with investments in group companies, associates, and jointly controlled entities for which the Company can control the timing of the reversal of the temporary difference and it is probable that such a reversal will not occur in the foreseeable future.

Deferred tax assets are only recognized to the extent that it is considered probable that the Company will have future taxable income to enable their application.

Deferred tax assets and liabilities arising from transactions involving direct credits or debits to equity headings are also accounted for with a balancing entry in equity.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Similarly, at each reporting date, the Company reassesses deferred tax assets not previously recognized in the balance sheet, recognizing them to the extent that it has become probable that future taxable profit will allow them to be recovered.

### *i) Income and expenses (Note 18)*

Income and expenses are recognized in accordance with the accruals principle, that is, at the moment the goods or service transactions represented by them take place, regardless of when actual payment or collection occurs. Said income is measured at the fair value of the consideration received less discounts and taxes.

Sales revenue is recognized when the Company has transferred the significant risks and rewards incidental to ownership of the sold item to the buyer and retains neither continuing managerial involvement nor effective control over the goods sold.

Interest income from financial assets is recognized using the effective interest rate method and dividend income is recognized when the shareholder's right to receive payment is established. At any rate, interest and dividend income accrued on financial assets after their date of acquisition are recognized as revenue in the income statement.

The revenue of Sonnedix España Finance 2, S.A. is mainly generated through the sale of electric energy produced by the photovoltaic solar installations it owns.

### *j) Provisions and contingencies (Note 19)*

In drawing up its annual financial statements, the Company's sole director distinguishes between:

- Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

- Contingent liabilities: possible obligations that arise from past events and whose future materialization depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The balance sheet includes all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognized in the balance sheet, but are disclosed in the accompanying notes, unless the possibility of an outflow of economic resources is considered to be remote.

Provisions are measured at the present value of the best estimate possible for the expenditure required to settle or transfer the present obligation based on information available concerning the obligating event and its consequences, while changes in the carrying amounts of provisions that arise from updating them in accordance with estimates made at each reporting date are recognized as a finance expense as accrued.

With respect to exemption for the tax on the value of electricity production described in Note 4 to the accompanying financial statements, at December 31, 2019 the Company recognized the corresponding provision for this item in an amount of 821 thousand euros, as the sole director considers that said suspension represents a real and probable tax obligation (Note 18.d). As a consequence of Order TED/668/2020 becoming effective on July 17, 2020, said provision was applied by the Company.

### *k) Environmental assets and liabilities*

Environmental assets are those used by the Company in their activities on a lasting basis whose primary purpose is to minimize the environmental impact of these activities and protect or improve the environment, including assets designed to reduce or eliminate future contamination.

The Company's business, by its very nature, does not have a material impact on the environment. In sum, given the business activities performed by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the accompanying financial statements, except for those relating to the provisions described in Note 19.

### *l) Transactions with related parties (Note 17)*

The Company conducts all related-party transactions on an arm's length basis. In addition, transfer prices are duly documented so that the Company's sole director considers that there are no related significant risks that could give rise to material liabilities in the future.

### *m) Distinction between current and non-current*

Assets and liabilities are classified in the balance sheet as current or non-current. To this end, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; or when they are expected to mature, be sold or settled within one year; or if they are held for trading, other than non-current derivatives; and cash and cash equivalents. All other assets and liabilities are classified as non-current.

As an exception to the above, all deferred tax assets and liabilities are recognized as non-current assets and liabilities.

### *n) Cash flow statement*

The following terms are used in the cash flow statement with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term and highly liquid investments subject to insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Company and other activities that cannot be classified as investments or financing.

- Investment activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities resulting in changes in the size and composition of equity and liabilities that do not form part of operating activities.

### *o) Statements of changes in equity*

The statement of changes in equity presented in the accompanying financial statements shows all the movements in equity accounts arising during the year. This information is in turn broken down into two parts: the statement of recognized income and expenses and the statement of all changes in equity. The main features of the disclosures included in both statements are described below:

*Statement of recognized income and expenses*

This section of the statement of changes in equity presents the income and expenses generated by the Company during the year as a result of its activities, distinguishing between income and expenses recognized in the income statement for the year and other income and expenses recognized directly in equity, in keeping with prevailing accounting regulations.

Accordingly, these statements present:

a) Profit as per the income statement.

b) Income and expenses which must be directly recognized in equity as required by measurement standards.

c) The transfers made to the income statement, in keeping with adopted measurement standards.

d) The corresponding tax effect, if any, of the letters b) and c) above.

e) Total recognized income and expense, this being the sum of all the above.

*Statement of total changes in equity*

This section of the statement of changes in equity presents all the movements in equity accounts, including those arising from changes in accounting criteria and corrections of misstatements, if any. This statement therefore reconciles the carrying amounts at the beginning and end of the period of all equity items, grouping the movements into the following categories in accordance with their nature:

a) Total recognized income and expenxse: shows the aggregate total of the aforementioned items recognized in the statement of recognized income and expense.

b) Transactions with shareholders: shows the changes in equity arising from subscriptions and redemptions carried out, if any, during the year.

c) Other changes in equity: shows the remaining items recognized in equity, such as appropriation of results, transfers among equity items, and any other increase or decrease in equity.

## 6. MERGERS BETWEEN GROUP COMPANIES

On May 3, 2019 the sole shareholder of the Company approved the merger project by virtue of which Sonnedix España Finance 2, S.A. absorbed all its investees (Note 1):

- Madrigal project: Global Ciconia, S.L.U.

- Ollería y Portichuelo projects: Global Catón, S.L.U.

- Olivenza project: Global Colquida, S.L.U.

- Puig project: Artemisia Pirenaica Patrimonial S.L.U.

- Hinojosa del Valle project: Alten Hinojosa del Valle, S.L.U.

- Elices project: Elices Renovables, S.L.U.

- Pozohondo project: Alten Pozohondo, S.L.U.

- Los Hinojosos project: Alten Los Hinojosos, S.L.U.

- Alange project: Alten Alange, S.L.U.

- La Puebla project: Hear Home Spain, S.L.U, Puebla del Prior Innovación, S.L.U., Puebla del Prior Renovables Uno, S.L.U., Puebla del Prior Renovables Dos, S.L.U., Puebla del Prior Renovables Tres, S.L.U., Puebla del Prior Renovables Cuatro, S.L.U., Puebla del Prior Renovables Cinco, S.L.U., Puebla del Prior Renovables Seis, S.L.U., Puebla del Prior Renovables Siete, S.L.U., Puebla del Prior Renovables Ocho, S.L.U., Puebla del Prior Renovables Nueve, S.L.U., Puebla del Prior Renovables Diez, S.L.U., Puebla del Prior Renovables Once, S.L.U., Puebla del Prior Renovables Doce, S.L.U., Puebla del Prior Renovables Trece, S.L.U., Puebla del Prior Renovables Catorce, S.L.U., Puebla del Prior Renovables Quince, S.L.U., Puebla del Prior Renovables Dieciséis, S.L.U., Puebla del Prior Renovables Diecisiete, S.L.U., Puebla del Prior Renovables Dieciocho, S.L.U., Puebla del Prior Renovables Diecinueve, S.L.U., and Puebla del Prior Renovables Veinte, S.L.U.

- Pinos project: Solar Europe Andalucía Pinos Diecisiete, S.L.U., Solar Europe Andalucía Pinos Dieciocho, S.L.U., Solar Europe Andalucía Pinos Diecinueve, S.L.U., Solar Europe Andalucía Pinos Veinte, S.L.U., Solar Europe Andalucía Pinos Veintitrés, S.L.U., Solar Europe Andalucía Pinos Veinticuatro, S.L.U., and Solar Europe Andalucía Pinos Veintiocho, S.L.U.

- Olmeda project: Vela Energy SPV XVI, S.L.

For accounting purposes this merger took effect on January 1, 2019. Given that Sonnedix España Finance 2, S.A. directly or indirectly held all the participation units of the absorbed companies at the merger date, no securities were exchanged. Said merger by absorption was ratified by public deed on June 25, 2019 and filed at the Mercantile Registry on July 10, 2019 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies.

The merger balance sheet of Sonnedix España Finance 2, S.A. at the beginning of 2019 was as follows:

| ASSETS | Notes | Thousands of euros |
|---|---|---|
| | | 01/01/2019 |
| **NON-CURRENT ASSETS** | | **211,322** |
| **Intangible assets** | **7** | **31,520** |
| **Property, plant, and equipment** | **8** | **127,732** |
| Land and buildings | | 366 |
| Plant | | 127,366 |
| **Investments in group companies and associates** | **9** | **23,638** |
| **Deferred tax assets** | **16** | **28,432** |
| **CURRENT ASSETS** | | **23,010** |
| **Inventories** | | **12** |
| **Trade and other receivables** | **11** | **9,229** |
| Accounts receivable from group companies | | 22 |
| Trade receivables | | 8,564 |
| Other receivables from public administrations | | 570 |
| Other accounts receivable | | 73 |
| **Financial investments** | **10** | **7,381** |
| **Accruals** | | **1** |
| **Cash and cash equivalents** | **12** | **6,387** |
| **TOTAL ASSETS** | | **234,332** |

| EQUITY AND LIABILITIES | Notes | Thousands of euros |
|---|---|---|
| | | 01/01/2019 |
| **EQUITY** | | **4,591** |
| ***CAPITAL AND RESERVES*** | **14** | **4,591** |
| **Share capital** | | **60** |
| Issued capital | | 60 |
| **Reserves** | | **(17,034)** |
| **Prior year losses** | | **(19)** |
| **Other owner contributions** | | **21,584** |
| **Profit (loss) for the year** | | **-** |
| **NON-CURRENT LIABILITIES** | | **214,151** |
| **Provisions** | **19** | **695** |
| **Borrowings** | **15.1** | **152,946** |
| Bonds and other marketable debt securities | | 152,946 |
| **Borrowings from group companies and associates** | **15.3 and 17** | **35,148** |
| **Deferred tax liabilities** | **16** | **25,362** |
| **CURRENT LIABILITIES** | | **15,59** |
| **Borrowings** | | **8,858** |
| Bonds and other marketable debt securities | **15.1** | 8,801 |
| Bank borrowings | | 57 |
| **Payables to group companies and associates** | **15.3 and 17** | **2,754** |
| **Trade and other payables** | | **3,978** |
| Other accounts payable | **15.4** | 2,338 |
| Other payables to public administrations | **16** | 1,64 |
| **TOTAL EQUITY AND LIABILITIES** | | **234,332** |

## 7. INTANGIBLE ASSETS

The breakdown for this heading in the balance sheet, as well as a summary of transactions carried out during 2020 and 2019, follows:

***2020***

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Retirements | Additions (Note 18.e) | Closing balance |
| Cost: | | | | |
| Operating rights | 36,108 | - | - | 36,108 |
| Rights of use for leases | 5,953 | - | - | 5,953 |
| **Total cost** | **42,061** | **-** | **-** | **42,061** |
| Accumulated amortization: | | | | |
| Operating rights | (8,667) | - | (4,079) | (12,746) |
| Rights of use for leases | (251) | - | (254) | (505) |
| **Total accumulated amortization:** | **(8,918)** | **-** | **(4,333)** | **(13,251)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net intangible assets** | **33,143** | **-** | **(4,333)** | **28,810** |

***2019***

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases from merger (Note 6) | Additions (Note 18.e) | Closing balance |
| Cost: | | | | |
| Operating rights | - | 36,108 | - | 36,108 |
| Right of use for leases | - | - | 5,953 | 5,953 |
| **Total cost** | **-** | **36,108** | **5,953** | **42,061** |
| Accumulated amortization: | | | | |
| Operating rights | - | (4,588) | (4,079) | (8,667) |
| Rights of use for leases | - | - | (251) | (251) |
| **Total accumulated amortization:** | **-** | **(4,588)** | **(4,330)** | **(8,918)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net intangible assets** | **-** | **31,520** | **1,623** | **33,143** |

### *a) Increases, additions, and disposals of assets*

During 2019 Sonnedix España Finance 2, S.A recognized increases to its intangible assets arising from the takeover merger by absorption of its subsidiaries as described in Note 6 to the accompanying financial statements.

Consequently, at the beginning of 2019 the Company recognized increases from mergers amounting to 31,520 thousand euros, mainly corresponding to the net total cost of the operating rights for the photovoltaic solar installations acquired from third parties by its subsidiaries in prior years and which Sonnedix España Finance 2, S.A. has been operating directly since said merger.

Thus, "Operating rights" in the accompanying balance sheet includes the net cost of the operating rights acquired from third parties via the purchase of assets or companies through business combinations in an amount of 23,362 thousand euros at December 31, 2020 (2019: 27,441 thousand euros).

In addition, the Company recognized in its balance sheet at the beginning of 2019 the rights of use for the lease of land in accordance with IFRS 16 in the amount of 5,953 thousand euros.

### *b) Amortization and impairment losses*

None of the Company’s intangible assets still in use at 2020 and 2019 year end were fully amortized.

At December 31, 2020 and 2019 the Company assessed whether there were any external or internal indications which would make it necessary to perform an impairment test on its intangible assets. Subsequent to this analysis, the sole director of the Company considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of intangible assets or perform any related impairment tests at December 31, 2020 and 2019.

### *c) Other information*

At December 31, 2020 and 2019 there were no intangible assets encumbered by guarantees, and neither had the Company received any subsidies for the acquisition of the assets recognized.

## 8. PROPERTY, PLANT, AND EQUIPMENT

The breakdown for this heading in the balance sheet, as well as a summary of transactions carried out during 2020 and 2019, follows:

*2020*

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Derecognitions | Closing balance |
| Cost: | | | | |
| Land and buildings | 366 | - | - | 366 |
| Plant | 149,356 | 72 | - | 149,428 |
| **Total cost** | **149,722** | **72** | **-** | **149,794** |
| Accumulated depreciation: | | | | |
| Plant | (38,631) | (16,931) | - | (55,562) |
| **Total accumulated depreciation** | **(38,631)** | **(16,931)** | **-** | **(55,562)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net PP&E** | **111,091** | **(16,859)** | **-** | **94,232** |

*2019*

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases from merger (Note 6) | Additions | Closing balance |
| Cost: | | | | |
| Land and buildings | - | 366 | - | 366 |
| Plant | - | 149,087 | 269 | 149,356 |
| **Total cost** | **-** | **149,453** | **269** | **149,722** |
| Accumulated depreciation: | | | | |
| Plant | - | (21,721) | (16,910) | (38,631) |
| **Total accumulated depreciation** | **-** | **(21,721)** | **(16,910)** | **(38,631)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net PP&E** | **-** | **127,732** | **(16,641)** | **111,091** |

The balance recognized under "Plant and other PP&E" in the accompanying balance sheet at December 31, 2020 reflects the cost of the photovoltaic installations disclosed in Note 1 to the accompanying financial statements, corresponding to a net carrying amount of 93,866 thousand euros (2019: 110,725 thousand euros).

In addition, "Land and buildings" reflects the cost of the land acquired by the subsidiaries of Sonnedix España Finance 2, S.A. in prior years and where some of the photovoltaic installations owned by the Company at 2020 and 2019 year end are located, corresponding to an amount of 366 thousand euros.

### *a) Increases, additions, and disposals of assets*

During 2019 Sonnedix España Finance 2, S.A. recognized increases to its PP&E arising from the merger by absorption of its subsidiaries as described in Note 6 to the accompanying financial statements.

Thus, at the beginning of 2019 the Company recognized increases from the merger amounting to 127,732 thousand euros, corresponding to the net total cost of the photovoltaic installations and land acquired from third parties (via the purchase of assets or companies) by its subsidiaries in prior years and which Sonnedix España Finance 2, S.A. has been operating directly since the merger.

In addition, increases amounting to 72 thousand euros (2019: 269 thousand euros) were recognized under "Plant and other PP&E" in 2020 in connection with the improvements carried out at some of the Company's photovoltaic installations.

### *b) Depreciation and impairment losses*

At 2020 and 2019 year end, the Company had no significant PP&E items which were fully depreciated.

At December 31, 2020 and 2019 the Company assessed whether there were any external or internal indications with respect to its PP&E which would require the performance of an impairment test. Subsequent to this analysis, the sole director of the Company considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of PP&E items or perform any related impairment tests at December 31, 2020.

### c) *Other information*

It is the Company's policy to adequately insure its PP&E items against inherent risks. At 2020 and 2019 year end the potential risks were fully covered by the contracted insurance.

## 9. LOANS TO GROUP COMPANIES ASSOCIATES

The breakdown of loans to group companies and associates recognized under the non-current balance sheet heading for investments in group companies and associates at December 31, 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2020 | 12/31/2019 |
| <u>Non-current investments in group companies and associates</u> | | |
| Loans to companies (nominal amount) | 37,410 | 31,802 |
| Loans to companies (accrued interest pending collection) | 2,460 | 1,321 |
| | **39,870** | **33,123** |

<u>*Loans granted to the sole shareholder*</u>

During 2020 the Company granted two new loans to its sole shareholder for a nominal total amount of 5,608 thousand euros.

On July 21, 2020, Sonnedix España, S.LU. sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V. In this context, Sonnedix Holdco Spain, B.V. assumed all the debt granted by Sonnedix España Finance 2, S.A. (principal plus accrued interest) to its former sole shareholder (Sonnedix España, S.L.U.).

The loans granted by Sonnedix España Finance 2, S.A. at December 31, 2020 and 2019, as well as their main characteristics, are broken down below:

| Borrower | Thousands of euros | | | |
|---|---|---|---|---|
| | Non-current investments in group companies and associates - Loans to companies | | | |
| | 12/31/2020 | | | |
| | Issue date | Principal | Maturity | Interest rate |
| Sonnedix Holdco Spain B.V. | 6/12/2018 | 22,963 | 6/12/2037 | 3.228% |
| Sonnedix Holdco Spain B.V. | 12/21/2018 | 267 | 12/21/2037 | 3.216% |
| Sonnedix Holdco Spain B.V. | 1/8/2019 | 500 | 1/8/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/3/2019 | 3,511 | 4/3/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/15/2019 | 448 | 4/15/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/20/2019 | 4,113 | 9/20/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 3/19/2020 | 2,416 | 3/19/2039 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/25/2020 | 3,192 | 9/25/2039 | 3.228% |
| | | **37,410** | | |
| Capitalized interest | | 645 | | |
| Accrued interest not capitalized | | 1,815 | | |
| | | **39,870** | | |

| Borrower | Thousands of euros | | | |
|---|---|---|---|---|
| | Non-current investments in group companies and associates - Loans to companies | | | |
| | 12/31/2019 | | | |
| | Issue date | Principal | Maturity | Interest rate |
| Sonnedix España, S.L.U. | 6/12/2018 | 22,963 | 6/12/2037 | 3.228% |
| Sonnedix España, S.L.U. | 12/21/2018 | 267 | 12/21/2037 | 3.216% |
| Sonnedix España, S.L.U. | 1/8/2019 | 500 | 1/8/2038 | 3.228% |
| Sonnedix España, S.L.U. | 4/3/2019 | 3,511 | 4/3/2038 | 3.228% |
| Sonnedix España, S.L.U. | 4/15/2019 | 448 | 4/15/2038 | 3.228% |
| Sonnedix España, S.L.U. | 9/20/2019 | 4,113 | 9/20/2038 | 3.228% |
| | | **31,802** | | |
| Capitalized interest | | 408 | | |
| Accrued interest not capitalized | | 913 | | |
| | | **33,123** | | |

At December 31, 2020 the Company recognized non-current accrued interest pending collection at said date in connection with the financing granted to its sole shareholder, amounting to 2,460 thousand euros (2019: 1,321 thousand euros), given that, as stipulated in the financing contracts, said interest is payable at maturity and can be partially capitalized based on each financing contract (Notes 17 and 18.f).

## 10. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

The breakdown of financial investments (assets) at December 31, 2020 and 2019 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 12/31/2020 | | 12/31/2019 | |
| | Non-current financial instruments | Current financial instruments | Non-current financial instruments | Current financial instruments |
| Financial investments | 8 | 6,218 | 8 | 6,146 |
| | **8** | **6,218** | **8** | **6,146** |

***Current financial investments***

At December 31, 2020, the Company recognized an amount of 6,218 thousand euros (2019: 6,146 thousand euros) under the current balance sheet heading for financial investments, mainly corresponding to the balances held with financial entities and representing a "Debt Service Reserve Fund" and a "Maintenance reserve fund."

Said items represent the restricted cash balances which will be maintained by the Company in accordance with the requirements established in the framework contracts for the secured bond issues ("Limero I and II bonds") as a guarantee for payments to be made in the coming months (Note 15.1).

The aforementioned restricted accounts bear interest at market rates.

## 11. TRADE RECEIVABLES

"Trade and other receivables" in the accompanying balance sheet mainly records the amount owed as a consequence of the sale of electric energy produced by the Company's solar energy installations, amounting to 5,566 thousand euros at December 31, 2020 (2019: 7,186 thousand euros).

During 2019 Sonnedix España Finance 2, S.A. acquired title to the different photovoltaic installations disclosed in Note 1 to the accompanying financial statements as a consequence of the merger by absorption of its investees (Note 6).

At December 31, 2020 and 2019 no impairment losses were recognized for these accounts receivable.

## 12. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying short-form balance sheet at December 31, 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Cash and cash equivalents | 4,918 | 3,875 |
| | **4,918** | **3,875** |

As a general rule, the cash balances accumulated bear interest at market rates. There are no significant restrictions for use of cash and cash equivalents apart from the restricted cash balances recognized for the projects that are already operational (Note 10).

Likewise, neither are there any significant differences between the carrying amounts and market values of the cash and cash equivalents recognized.

## 13. FINANCIAL RISK MANAGEMENT POLICY

Sonnedix España Finance 2, S.A. manages its risks from both an economic perspective by reviewing its business plans to assess the correlation between its exposure and the present value of cash flows arising from a given investment, and also from an accounting perspective, assessing the status of its various risk exposures and any changes thereto.

The sole director of the Company has established the necessary control mechanisms with respect to credit risk and liquidity risk.

The general exposures or adverse situations which could result in negative earnings performance or harm the Company's financial position and, by extension, the risks that are managed for mitigation purposes, are:

- **Liquidity risk**
- **Credit risk**
- **Other market risks: price risk**

The monitoring and control of these risks is performed periodically as described below:

### *a) Liquidity risk*

Liquidity risk is defined as the risk that a company will not be able to service its commitments as a result of adverse conditions in the debt and/or equity markets that prevent or hinder its efforts to raise capital.

The Company manages its liquidity risk by maintaining sufficient funds to negotiate refinancing transactions for amounts falling due in the short term from a position of strength and to service its short-term cash needs, thus avoiding the need to look for funding on unattractive terms.

Liquidity risk coverage is considered adequate when an entity can avail itself of a minimum amount of available financing equivalent to six months of debt servicing.

### *b) Credit risk*

Within the area of financial transactions, credit risk arises as a result of the counterparty failing to meet the contractually established obligations. When contracted operations can generate counterparty risk, the Company's policy is to contract said operations with counterparties who enjoy a credit rating equal to or better than that of the Company.

The Company mainly held accounts receivable from highly solvent companies during 2020, such as:

- Electricity distribution companies which purchase the electricity produced, though it is invoiced to and collected from the CNMC and the market agents.

  As of January 1, 2014, all participants in the settlement system must bear the temporary imbalances between revenue and electricity system costs. Thus, the CNMC may not pay 100% of the monthly settlements, so that the Company, as recipient of system costs, becomes one of the parties financing these temporary imbalances.

  At December 31, 2020, the CNMC settled 84.96% (2019: 78.85%) of the specific regulated remuneration for investment and operation accrued until the month of October.

Thus, the sole director of the Company considers the likelihood of said credit risk materializing as remote. In addition, the directors consider that, taking into account an annualized perspective of cash flows generated by the projects, working capital at present available to the Company, together with the expected cash flows from coming months, will be sufficient to meet financial obligations contracted in the short term.

At year end, there were no significant financial assets in arrears for which no impairment losses had been recognized.

### c) *Other market risks: price risk*

In addition to the financial risks described in the previous sections, there are operational risks which are mainly related to the risk of changes in the sales prices of electric energy generated.

As established in Note 4, the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenues with specific regulated remuneration, thereby allowing these technologies to compete on an equal footing with the remaining technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

## 14. EQUITY

### a) *Share capital*

Sonnedix España Finance 2, S.A. (previously called Cantilan Directorship, S.A.) was incorporated on November 8, 2017 with subscribed share capital of 60 thousand euros, 25% of which had been paid in (that is, an amount of 15 thousand euros). The share capital is divided into 60,000 indivisible shares at a nominal value of one euro each.

At 2019 year end, the sole shareholder of the Company was Sonnedix España, S.L.U.

On July 21, 2020, Sonnedix España, S.LU. sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V., making the latter the sole shareholder of Sonnedix España Finance 2, S.A. at 2020 year end.

At 2020 and 2019 year end Sonnedix España, S.L.U. was the sole director of the Company. The natural person representing the sole director is Mr. Miguel Ángel García Mascuñán.

The ultimate purpose of the share capital is none other than to allow for financing the development plan designed by the sole director of the Company and ensuring an appropriate remuneration policy for shareholders.

### b) *Other owner contributions*

On September 9, 2019 the sole shareholder carried out a monetary contribution to the Company amounting to 158 thousand euros.

The purpose of all these owner contributions is to strengthen the Company's capital and reserves.

### c) *Legal reserve*

In accordance with the revised text of the Spanish Corporate Enterprises Act, 10% of profit must be transferred to the legal reserve each year until it represents at least 20% of share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to compensate losses, provided there are no other reserves available for this purpose.

At December 31, 2020 and 2019 the Company had not fully endowed its legal reserve.

### d) *Other reserves*

On May 3, 2019 the merger by absorption of Sonnedix España Finance 2, S.A. and its subsidiaries took place, as disclosed in Note 6 to the accompanying financial statements. As a result of said transaction, the Company generated negative merger reserves in the amount of 16,950 thousand euros. Given that for accounting purposes said merger took effect on January 1, 2019, said reserves mainly reflect the impact of negative results obtained by the absorbed companies during the time elapsed from their acquisition by the Sonnedix España Group until December 31, 2018.

## 15. FINANCIAL LIABILITIES

The breakdown of the Company's financial liabilities at December 31, 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| **Non-current financial liabilities:** | | |
| <u>Trade and other payables:</u> | | |
| Bonds and other marketable securities (Note 15.1) | 138,465 | 145,840 |
| *Bonds and other marketable securities (principal)* | *139,787* | *147,302* |
| Arrangement fees | *(1,322)* | *(1,462)* |
| Other long-term loans (Note 15.2) | *5,418* | *5,601* |
| Borrowings from group companies and associates (nominal) (Notes 15.3 and 17) | 35,631 | 35,631 |
| Borrowings from group companies and associates (unpaid accrued interest) (Notes 15.3 and 17) | 8,696 | 5,478 |
| | **188,210** | **192,550** |
| **Current financial liabilities:** | | |
| <u>Trade and other payables:</u> | | |
| Bonds and other marketable securities (Note 15.1) | 7,515 | 7,247 |
| Other long-term loans (Note 15.2) | 186 | 180 |
| Suppliers | 104 | 58 |
| Other accounts payable (Note 15.4) | 156 | 178 |
| Trade payables to group companies and associates | 72 | - |
| | **8,033** | **7,663** |

### 15.1 *Bonds and other marketable securities*

On June 12, 2018, Sonnedix España Finance 2, S.A. (sole shareholder company) agreed to issue secured bonds, to be used primarily for refinancing the existing debt of its subsidiaries at said date who taken together comprised the Limero Project ("Limero I").

In addition, on December 11, 2018 Sonnedix España Finance 2, S.A. agreed upon a new issue of secured bonds ("Limero II") to refinance the existing debt of the subsidiary Vela Energy SPV XVI, S.L. (Olmeda project).

During 2019 the Company merged all its investees by absorption (Note 6).

The face value of the Limero I issue amounted to 140,012 thousand euros, set to mature on June 30, 2037 and with repayments to be made every six months. The bond bears interest at an annual nominal rate of 3.228%, repayable on a six-monthly basis.

In contrast, the face value of the Limero II bonds amounted to 28,161 thousand euros, set to mature on June 30, 2037 and with repayments to be made every six months. The bond bears interest at an annual nominal rate of 3.216%, repayable on a six-monthly basis.

The first principal and interest payments for both the Limero I and Limero II bonds were settled on December 31, 2019. Subsequent payments fall due on June 30 and December 31 of each year.

The deeds of issue of the bonds establish as causes for early maturity any default, unless this is due to administrative causes and payment is made within 3 business days of the redemption date, the debt service coverage ratio ("RCSD" or "DSCR") is less than 1.05x and failure to maintain the original financial model for the preparation of the calculations and projections in accordance with the signed contract, unless prior consent has been given.

During 2020 and 2019 Sonnedix España Finance 2, S.A. complied with the minimum financial ratios established in the bond issue contract.

Finally, the breakdown by maturity of financial debt at December 31, 2020 and 2019 is as follows:

***2020***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 and beyond | Total |
| Principal | 7,515 | 7,800 | 8,072 | 8,320 | 8,539 | 107,056 | 147,302 |
| | **7,515** | **7,800** | **8,072** | **8,320** | **8,539** | **107,056** | **147,302** |

***2019***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
| Principal | 7,247 | 7,515 | 7,800 | 8,072 | 8,320 | 115,595 | 154,549 |
| | **7,247** | **7,515** | **7,800** | **8,072** | **8,320** | **115,595** | **154,549** |

### *15.2 Other long- and short-term debts.*

Details of the Company's other long-term and short-term financial liabilities at year-end 2020 and 2019 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Other long-term debts | 5.418 | 5.601 |
| Other short-term debts | 186 | 180 |
| | **5.604** | **5.781** |

At year-end 2020, the Company recognizes under these balance sheet headings the long- and short-term financial debt corresponding to the lease contracts in accordance with IFRS 16 for a total amount of Euros 5,604 thousand (2019: 5,781 thousand euros).

The movement in liabilities recognized on application of IFRS 16 at year-end 2020 and 2019 is as follows:

| *(Thousands of euros)* | 01/01/2020 | Registration for new contracts | Financial restatement (Note 18.g) | Lease payments | 31/12/2020 |
|---|---|---|---|---|---|
| Lease liabilities | 5.781 | - | 178 | (355) | 5.604 |
| | **5.781** | **-** | **178** | **(355)** | **5.604** |

| *(Thousands of euros)* | 01/01/2019 | Registration for new contracts | Financial restatement (Note 18.g) | Lease payments | 31/12/2019 |
|---|---|---|---|---|---|
| Lease liabilities | 5.953 | - | 183 | (355) | 5.781 |
| | **5.953** | **-** | **183** | **(355)** | **5.781** |

### *15.3 Borrowings from group companies and associates*

Borrowings from Sonnedix Holdco Spain B.V.

During 2019, and as a consequence of the merger by absorption carried out by Sonnedix España Finance 2, S.A. with its investees (Note 6), the Company assumed the debtor position of its subsidiaries in connection with the financing granted by the related party Sonnedix, B.V.

On July 21, 2020 Sonnedix B.V. contributed all the debt granted to the Company until that date (principal plus unpaid accrued interest) to Sonnedix España, S.L.U.

On the same date and in the context of the purchase-sale of all the Company's shares by Sonnedix Holdco Spain, B.V., Sonnedix España, S.L.U. contributed 100% of the debt granted to Sonnedix España Finance 2, S.A. until that date to the new sole shareholder (principal plus interest) the latter becoming the counterparty of such debt as of December 31, 2020.

The breakdown of the Company's non-current borrowings from group companies and associates by photovoltaic project at 2020- and 2019-year end is as follows:

| Item | Project | Thousands of euros | | |
|---|---|---|---|---|
| | | Non-current subordinated borrowings from group companies and associates | | |
| | | Principal | Maturity | Interest rate |
| Subordinated loan | Madrigal | 1,852 | 12/31/2032 | 9% |
| Subordinated loan | Portichuelo and Ollería | 5,382 | 12/31/2032 | 9% |
| Subordinated loan | Olivenza | 1,205 | 12/31/2025 | 9% |
| Subordinated loan | Puig | 1,219 | 12/31/2032 | 9% |
| Participative loan | Hinojosa del Valle | 3,595 | 12/31/2032 | 9% |
| Participative loan | Pozohondo | 2,856 | 2/4/2028 | 9% |
| Participative loan | Los Hinojosos | 1,259 | 7/16/2028 | 9% |
| Participative loan | Alange | 12,003 | 6/13/2028 | 9% |
| Subordinated loan | Olmeda | 4,333 | 12/31/2038 | 9% |
| Subordinated loan | Pinos | 949 | 8/13/2030 | 9% |
| Subordinated loan | Elices | 978 | 12/1/2030 | 9% |
| | | **35,631** | | |

In addition, at December 31, 2020 and 2019, the Company recognized unpaid accrued interest under non-current liabilities in connection with the financing granted by Sonnedix Holdco Spain, B.V. (Sonnedix B.V. in 2019), amounting to 8,696 thousand euros (2019: 5,478 thousand euros) (Note 17).

### *15.4. Other accounts payable*

At December 31, 2020 the Company recognized an amount of 156 thousand euros (2019: 178 thousand euros) under "Trade and other payables - Other accounts payable" in the accompanying balance sheet, mainly corresponding to the amounts pending payment to third parties in connection with advisory services received for tax, technical, and legal matters, including audit fees.

### *15.5. Information on average payment periods for suppliers*

The Company reports that the average supplier payment periods for 2020 and 2019 were as follows:

| | 12/31/2020 | 12/31/2019 |
|---|---|---|
| | Days | |
| Average supplier payment period | 24 | 45 |
| Ratio of payments made | 24 | 45 |
| Ratio of transactions pending payment | 70 | 101 |
| | Amount (Thousands of euros) | |
| Total payments made | 2,550 | 1,605 |
| Total payments outstanding | 57 | 8 |

The information provided in the above table on supplier payments relates to those payments which by their nature represent trade payables to suppliers of goods and services, and thus includes data related to the headings for "Suppliers" and "Other accounts payable" under current liabilities in the balance sheet.

"Average supplier payment period" is the period from delivery of the goods or provision of the services by the supplier and effective payment for the transaction. The balance to be recognized under this heading is the result of the fraction whose numerator is calculated as the sum of multiplying the transactions paid ratio by total payments made and adding the transactions pending payment ratio multiplied by the total amount of pending payments, and whose denominator is calculated by adding the total amount of payments made to the amount of pending payments.

The ratio of transactions paid is calculated as the sum of all the multiplications of the amounts paid by the number of days to payment (the number of natural days that have elapsed counting from the date on which the amounts became payable to the day they were settled), divided by the total amount of payments made.

Likewise, the ratio of transactions pending payment is the result of the fraction whose numerator is calculated as the sum of all multiplications of amounts pending payment by the number of days for which payments were outstanding (the number of natural days that have elapsed counting from the date on which the amounts became payable to the last day of the period to which the financial statements refer), and whose denominator corresponds to the total amount of pending payments.

The maximum legal payment period applicable to the Company in 2020 and 2019 in accordance with Law 3/2004 of December 29, establishing measures on combating late payment in commercial transactions, is 30 natural days unless otherwise agreed upon by the involved parties, who can also choose to increase said period to 60 natural days.

## 16. PUBLIC ADMINISTRATIONS AND TAX MATTERS

### *16.1 Balances with public administrations*

The breakdown of balances with public administrations at December 31, 2020 and 2019, is as follows:

**Receivable from public administrations**

***2020***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2020 | |
| | Non-current | Current |
| | | - |
| Deferred tax assets | 27,996 | - |
| VAT receivable | - | - |
| Corporate income tax refundable from tax authorities | - | - |
| Other receivables from public administrations | - | 9 |
| | **27,996** | **9** |

***2019***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2019 | |
| | Non-current | Current |
| Deferred tax assets | 28,135 | - |
| VAT receivable | - | - |
| Corporate income tax refundable from tax authorities | - | - |
| Other receivables from public administrations | - | 537 |
| | **28,135** | **537** |

At 31 December 2019, an amount of 537 thousands of euros was recognized under "Other receivables from public authorities" in the balance sheet, corresponding to the withholding tax at the rate of 19% on finance income recognized and collected by the Company in 2018 from loans granted to investees. This amount has been collected by the Company during 2020.

**Payable to public administrations**

***2020***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2020 | |
| | Non-current | Current |
| Deferred tax liabilities | 18,590 | - |
| VAT payable to the tax authorities | - | 892 |
| Other tax payable to the tax authorities (*) | - | 375 |
| Corporate income tax payable to the tax authorities | - | 463 |
| Other payables to public administrations | - | 96 |
| | **18,590** | **1,826** |

*(*) Tax on the value of electric energy production*

***2019***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2019 | |
| | Non-current | Current |
| Deferred tax liabilities | 21,976 | - |
| VAT payable to the tax authorities | - | 455 |
| Other tax payable to the tax authorities (*) | - | 1,200 |
| Corporate income tax payable to the tax authorities | - | 663 |
| Other payables to public administrations | - | 71 |
| | **21,976** | **2,389** |

*(*) Tax on the value of electric energy production*

### *16.2 Calculation of the Company's taxable income*

The reconciliation of accounting profit for the year before taxes with taxable income for 2020 and 2019 is as follows:

***2020***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(10,517)** | **(10,517)** |
| **Permanent differences:** | | | |
| Non-deductible expenses | - | - | - |
| **Temporary differences:** | | | |
| Application of non-deductible amortization/depreciation 2013-2014 | - | (27) | (27) |
| Non-deductible amortization of operating rights | 3,960 | - | 3,960 |
| Accelerated tax depreciation/amortization | 9,583 | - | 9,583 |
| Non-deductible finance expenses | 1,864 | - | 1,864 |
| Application of tax loss carryforwards recognized in prior years | - | (2,470) | (2,470) |
| Tax impact IFRS 16 | 77 | - | 77 |
| **Tax result** | **15,484** | **(13,014)** | **2,470** |

***2019***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(9,201)** | **(9,201)** |
| **Permanent differences:** | | | |
| Non-deductible expenses | 2 | - | 2 |
| **Temporary differences:** | | | |
| Application of non-deductible amortization/depreciation 2013-2014 | | (28) | (28) |
| Non-deductible amortization of operating rights | 3,960 | - | 3,960 |
| Accelerated tax depreciation/amortization | 9,583 | - | 9,583 |
| Non-deductible finance expenses | 1,833 | - | 1,833 |
| Application of tax loss carryforwards recognized in prior years | - | (3,074) | (3,074) |
| Tax impact IFRS 16 | 79 | - | 79 |
| **Tax result** | **15,457** | **(12,382)** | **3,075** |

The temporary differences recognized correspond to the following:

- Non-deductible amortization of goodwill assigned to intangible assets with a defined useful life (operating rights) which generated a positive temporary difference amounting to 3,960 thousand in 2020 and 2019.

- The limitations to deductibility of amortization/depreciation arising from approval on December 27, 2012 of Royal Decree Law 16/2012, introducing a temporary measure, which limits tax deductible amortization/depreciation for the 2013 and 2014 tax periods, for those entities which, during said tax periods, do not fulfill the requirements established in sections 1, 2 or 3 of article 108 of the revised text of the Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of March 5. In accordance with said regulation, up to 70% of the amortization/depreciation will be deducted from the tax base that would have been tax deductible had that percentage not applied, in accordance with sections 1 and 4 of article 11 of said law. Accounting amortization and depreciation that is not tax deductible by virtue of the provisions established in said article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset, counted from the first tax period commencing during 2015. The related negative temporary difference recognized by the Company in 2020 amounted to 27 thousand euros (2019: 28 thousand euros).

- The limitations to deductibility of finance expenses included in Royal Decree Law 12/2012, of March 30, subsequently modified by Royal Decree Law 20/2012, which established a limit to deductible finance expenses amounting to 30% of operating profit for the period (defined in the aforementioned Royal Decree Law: basically the accounting operating profit increased by the recognized amortization/depreciation as well as impairment losses and other gains (losses) obtained on disposals of assets) or one million euros. At any rate, the first million euros will always be tax deductible. The Company recognized a positive adjustment to taxable income as a result of the above in 2020, amounting to 1,864 thousand euros (2019: 1,833 thousand euros).

- The accelerated tax amortization/depreciation which some of the Company's subsidiaries (merged in 2019; Note 6) availed themselves of by virtue of the stipulations of Law 4/2008 of December 23. During 2020 and 2019 the Company recognized a positive adjustment to taxable income as a result of the aforementioned item, amounting to 9,583 thousand euros.

- The application of tax losses generated in prior years by the Company. The Company recognized a negative adjustment to taxable income as a result of the above in 2020, amounting to 2,470 thousand euros (2019: 3,074 thousand euros).

- With the tax impact arising from the Company's adoption of IFRS 16 - Leases in 2019. Accordingly, in 2020 the Company has recognized a positive adjustment to the income tax base in this connection amounting to Euros 77 thousand (2019: 79 thousands euros).

### *16.3 Reconciliation of taxable income and corporate income tax expense*

The reconciliation of tax results and corporate income tax expense for 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| **Accounting profit before tax** | **(10,517)** | **(9,280)** |
| **Permanent differences** | **-** | **2** |
| *Temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (27) | (28) |
| Non-deductible amortization of operating rights | 3,960 | 3,960 |
| Accelerated tax depreciation/amortization | 9,583 | 9,583 |
| Non-deductible finance expenses | 1,864 | 1,833 |
| Application of tax loss carryforwards recognized in prior years | (2,470) | (3,074) |
| Tax impact IFRS 16 | 77 | 79 |
| **Tax result** | **2,470** | **3,075** |
| **Theoretical tax rate calculated at 25%** | **(617)** | **(769)** |
| **Application of deductions (not recognized)** | **154** | **192** |
| **Tax payable (current income tax expense)** | **(463)** | **(577)** |
| *Impact of temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (7) | (7) |
| Non-deductible amortization of operating rights | 990 | 990 |
| Accelerated tax depreciation/amortization | 2,396 | 2,396 |
| Non-deductible finance expenses | 466 | 458 |
| Application of tax loss carryforwards recognized in prior years | (617) | (768) |
| Tax impact IFRS 16 | 19 | 20 |
| **Total income (expense) for corporate income tax** | **2,784** | **2,512** |

As the operating rights which arose as a consequence of assigning the value of goodwill generated in the business combinations which took place in prior years in the investees (merged by absorption with the Company in 2019; Note 6) are not tax deductible, the Company adjusts the amortization/depreciation carried out in their forecasting of corporate income tax. This also results in the Company recognizing deferred tax liabilities for the difference between the accounting value and tax value of the assets in question. The deferred tax recognized in this context amounted to 5,532 thousand euros at December 31, 2020 (2019: 6,522 thousand euros).

The corporate income tax rate applied for calculation of tax payable in 2020 and 2019 was 25%.

### *16.4 Deferred tax assets and liabilities*

The breakdown of these balance sheet headings at 2020- and 2019-year end is as follows:

***Deferred tax assets***

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Tax losses pending application | 20,945 | 21,562 |
| Non-deductible amortization/depreciation | 141 | 148 |
| Non-deductible finance expenses | 6,816 | 6,350 |
| Deductions for environmental expenditure | 55 | 55 |
| Tax Impact IFRS 16 | 39 | 20 |
| | **27,996** | **28,135** |

The aforementioned deferred tax assets were recognized in the balance sheet as the sole director of the Company considers that, based on the best estimate of future profits, it is likely that these assets will be recovered.

The movements in the deferred tax assets described above during 2020 are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | Additions | Derecognitions | 2020 |
| Tax losses pending application | 21,562 | - | (617) | 20,945 |
| Non-deductible amortization/depreciation | 148 | - | (7) | 141 |
| Non-deductible finance expenses | 6,350 | 466 | - | 6,816 |
| Deductions for environmental expenditure | 55 | - | - | 55 |
| Tax impact IFRS 16 | 20 | 19 | - | 39 |
| **Total deferred tax assets** | **28,135** | **485** | **(624)** | **27,996** |

The movements in the deferred tax assets recognized by the Company in 2019 were as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2018 | Increases from merger (Note 6) | Additions | Derecognitions | 2019 |
| Tax losses pending application | 14 | 22,316 | - | (768) | 21,562 |
| Non-deductible amortization/depreciation | - | 155 | - | (7) | 148 |
| Non-deductible finance expenses | - | 5,892 | 458 | - | 6,350 |
| Deductions for environmental expenditure | - | 55 | - | - | 55 |
| Tax impact IFRS 16 | - | - | 20 | - | 20 |
| **Total deferred tax assets** | **14** | **28,418** | **478** | **(775)** | **28,135** |

***Deferred tax liabilities***

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Accelerated tax depreciation/amortization | 13,058 | 15,454 |
| Temporary differences (operating rights) | 5,532 | 6,522 |
| | **18,590** | **21,976** |

The heading for deferred tax liabilities in the balance sheet reflects the following:

- The deferred tax recognized as a consequence of assigning the difference between the amount paid for the acquisitions performed by the Company's subsidiaries (merged in 2019; Note 6) and the net assets acquired, recognized as a greater amount for intangible assets with a defined useful life (operating rights; Note 7). The reversal of these deferred tax liabilities will be carried out during the useful life of the assets associated with said rights. At December 31, 2020, the amount recognized for this item in the balance sheet amounts to 5,532 thousand euros (2019: 6,522 thousand euros).

- The amounts recognized as a consequence of the applicability of accelerated tax amortization/depreciation which some of the Company's subsidiaries (merged in 2019; Note 6) availed themselves of, specifically, in connection with the photovoltaic projects of Pozohondo, Los Hinojosos, Alange, Portichuelo, and Olmeda. At December 31, 2020, the amount recognized for this item in the balance sheet amounts to 13,058 thousand euros (2019: 15,454 thousand euros).

The movements in the deferred tax liabilities described above during 2020 are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | Additions | Derecognitions | 2020 |
| Accelerated tax depreciation/amortization | 15,454 | - | (2,396) | 13,058 |
| Temporary differences (operating rights) | 6,522 | - | (990) | 5,532 |
| **Total deferred tax liabilities** | **21,976** | **-** | **(3,386)** | **18,590** |

The movements in deferred tax liabilities during 2019 were as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2018 | Increases from merger (Note 6) | Additions | Derecognitions | 2019 |
| Accelerated tax depreciation/amortization | - | 17,850 | - | (2,396) | 15,454 |
| Temporary differences (operating rights) | - | 7,512 | - | (990) | 6,522 |
| **Total deferred tax liabilities** | **-** | **25,362** | **-** | **(3,386)** | **21,976** |

**Years open to tax verification and inspections**

In accordance with prevailing legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. The sole director of the Company considers that all aforementioned applicable taxes have been duly settled so that even in the event of discrepancies in the interpretation of prevailing legislation regarding the tax treatment of operations, any liabilities that may arise would not significantly affect the Company's balance sheet.

## 17. TRANSACTIONS WITH RELATED PARTIES

***Related party transactions***

The breakdown of transactions performed with related parties during 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | |
| | Sole shareholder | Other related parties |
| Cost of sales (Note 18.c) | - | (1,445) |
| Finance income from group companies and associates (Note 18.f) | 532 | 607 |
| Finance costs with group companies and associates (Note 18.g) | (1,432) | (1,786) |

| | Thousands of euros | |
|---|---|---|
| | 2019 | |
| | Sole shareholder | Other related parties |
| Cost of sales (Note 18.c) | - | (1,434) |
| Finance income from group companies and associates (Note 18.f) | 913 | - |
| Finance costs with group companies and associates (Note 18.g) | | (3,207) |

### *Related-party balances*

The breakdown of the balances held with related parties at 2020 and 2019 year end is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2020 | |
| | Sole shareholder | Other related parties |
| Non-current loans to group companies and associates (Note 9) | 39,870 | - |
| Trade receivables from group companies and associates | - | - |
| | **39,870** | **-** |
| Non-current borrowings from Group companies and associates (nominal) (Note 15.3) | 35,631 | - |
| Non-current borrowings from Group companies and associates (unpaid accrued interest) (Note 15.3) | 8,696 | - |
| Trade payables to group companies and associates (Note 15) | - | 72 |
| | **44,327** | **72** |

| | Thousands of euros | |
|---|---|---|
| | 12/31/2019 | |
| | Sole shareholder | Other related parties |
| Non-current loans to group companies and associates (Note 9) | 33,123 | - |
| Trade receivables from group companies and associates | - | 3 |
| | **33,123** | **3** |
| Non-current borrowings from Group companies and associates (nominal) (Note 15.3) | 35,631 | - |
| Non-current borrowings from Group companies and associates (unpaid accrued interest) (Note 15.3) | 5,478 | - |
| | **41,109** | **-** |

## 18. INCOME AND EXPENSE

### *a) Revenue*

Revenue for 2020 amounted to 21,457 thousand euros (2019: 23,859 thousand euros), of which 21,451 thousand euros correspond to the sale of energy produced by the different photovoltaic solar installations in operation and to which the Company acquired title in 2019 by virtue of the merger by absorption of its subsidiaries (Note 6).

The Company does not present segmented information by business line given that at 2020- and 2019-year end it only had a single business line, the production of energy at its photovoltaic solar farms in Spain.

### *b) Breakdown of expenses and services by origin*

No purchases were made outside Spanish territory during 2019.

### *c) Cost of sales*

This heading in the accompanying income statement presents a balance of 1,531 thousand euros at 2020 year end (2019: 1,552 thousand euros), mainly corresponding to work performed by the related party Sonnedix España Services, S.L. for operating and maintaining the Company's photovoltaic installations (Note 17).

### *d) Other operating expenses*

The breakdown of balances recognized under "Other operating expenses" in the accompanying income statement for 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Rent | 8 | 8 |
| Independent professional services | 125 | 250 |
| Repairs | 45 | - |
| Insurance | 1 | 74 |
| Banking services | 1 | 44 |
| Taxes | 1,627 | 2,232 |
| | **1,807** | **2,608** |

In 2020, "Independent professional services" in the accompanying income statement includes an expense of 125 thousands of euros (250 thousands of euros in 2019) relating mainly to the cost of legal, tax and technical advisory services received by Sonnedix España Finance 2, S.A., as well as fees for auditing services.

In addition, the heading "Taxes" in the income statement mainly includes the "Tax on the Value of Electricity Production", established in Law 15/2012, of 27 December, on tax measures for energy sustainability (see Note 4).

As mentioned in Note 4, at year-end 2019 and 2018 the tax payable on the accrual of this tax on electricity production for the fourth quarter of 2018 and the first quarter of 2019 was suspended based on the provisions of Royal Decree-Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection. However, during 2019 Sonnedix España Finance 2, S.A. made a provision of 821 thousands of euros for this expense, as the Company's Sole Administrator considers this amount to be a probable and real tax liability. On 17 July 2020, Order TED/668/2020 came into force and, as a result, the aforementioned provision has been applied by the Company.

### *e) Depreciation and amortization allowances*

The breakdown of this heading in the accompanying income statement at December 31, 2020 and 2019 is the following:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Amortization allowance for intangible assets (Note 7) | 4,333 | 4,330 |
| Depreciation allowance for PP&E (Note 8) | 16,931 | 16,910 |
| | **21,264** | **21,240** |

### *f) Finance income*

Finance income from group companies and associates recognized during 2020 and 2019 entirely corresponds to interest accrued by the Company on the financing granted to its sole shareholder and Sonnedix España, S.L.U., amounting to 1,139 thousand and 913 thousand euros, respectively (Notes 9 and 17).

### *g) Finance expenses*

Finance costs mainly correspond to the interest accrued on financing obtained by the Company for operation of the photovoltaic installations. The breakdown of these finance expenses is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2020 | 2019 |
| Finance costs for bonds and other marketable securities | 5,069 | 5,341 |
| Finance costs with Group companies and associates | 3,218 | 3,207 |
| Other finance costs | 223 | 228 |
| | **8,510** | **8,776** |

*Finance costs for bonds and other marketable securities*

Finance expenses for bonds and other marketable securities correspond to the interest accrued on the financing obtained from the issue of the Limero I and Limero II secured bonds, amounting to 4,929 thousand and 5,200 thousand euros for 2020 and 2019, respectively (Note 15.1).

In addition, this heading in the accompanying income statement for 2020 reflects the finance expense corresponding to the accrued arrangement fees relating to the secured bonds and amounting to 140 thousand euros (2019: 141 thousand euros) (Note 15.1).

*Finance costs with Group companies and associates*

Further, finance expenses with group companies and associates recognized during 2020 by Sonnedix España Finance 2, S.A. correspond to the interest accrued on the financing received from the sole shareholder, amounting to 3,218 thousand euros (2019: 3,207 thousand euros) (Notes 15.2 and 17).

*Other finance costs*

Lastly, "Other finance costs" in the income statement includes an amount of Euros 223 thousand in 2020, which mainly corresponds to the finance costs arising from the financial restatement of the lease liability recognized in the balance sheet due to the application of IFRS 16, amounting to Euros 178 thousand (see Note 15.2).

In addition, Sonnedix España Finance 2, S.A. has recognized under this heading the financial expenses accrued in 2020 amounting to Euros 45 thousand (Euros 45 thousand in 2019) arising from the restatement of decommissioning provisions relating to certain photovoltaic solar farms (see Note 19).

## 19. PROVISIONS

At the end of the useful life of some of the photovoltaic installations the Company must dismantle them. Upon initial recognition of the fixed assets, Sonnedix España Finance 2, S.A. estimates the future cost for asset dismantling or retirement obligations and other associated items, such as the cost of restoring the surroundings where they were located. To determine the amount of the provision, the Company makes assumptions and estimates regarding the discount rate and expected dismantling costs.

The Company estimated that expected dismantling costs for the installations, taking into account each one's size and installed capacity, and based on a technical report issued by an independent expert, range from 27 thousand euros per installed MW to 45 thousand euros per installed MW.

The provision recognized by the Company for some of these photovoltaic installations in the accompanying balance sheet amounts to 784 thousand euros at December 31, 2020 (2019: 739 thousand euros). This provision does not represent an outflow of cash resources until the useful life of each photovoltaic installation affected finalizes.

At each reporting date the provision is restated at its present value, recognizing the corresponding adjustments as a finance expense as accrued (Note 18.g).

## 20. INFORMATION ON SITUATIONS REPRESENTING A CONFLICT OF INTEREST FOR THE SOLE DIRECTOR OF THE COMPANY AND WITH RESPECT TO REMUNERATION FOR SENIOR MANAGEMENT

***Disclosures regarding potential conflicts of interest on the part of the Sole Director***

The Company's sole director did not report any potential direct or indirect conflict of interest between it or persons related to it, as defined in Spain's Corporate Enterprises Act, and the Company at either 2020 or 2019 year end.

***Remuneration and other benefits for Senior Management and the Sole Director***

The Company did not recognize any amount whatsoever in 2020 or 2019 in respect of wages or salaries paid to the Company's sole director or senior management. The functions and duties of the Company's senior management were assumed by the sole director in 2020 and 2019.

Moreover, at 2020 and 2019 year end, the Company had not contracted any obligations relating to pensions, life insurance, or civil liability insurance on behalf of its sole director. Neither had it granted any loans, advances, or guarantees of any kind on behalf of the sole director.

## 21. AUDITOR FEES

The breakdown of fees paid for audit and other services provided by the Company's auditor of accounts, Ernst & Young, S.L., during 2020 and 2019 is as follows:

| | Thousands of euros | |
|---|---|---|
| | Services provided by the main auditor | |
| Description | 2020 | 2019 |
| Audit services | 50 | 64 |
| **Total audit and related services** | **50** | **64** |
| | **50** | **64** |

## 22. EVENTS AFTER THE REPORTING DATE

No events occurred subsequent to the closing of the period which are significant enough to warrant disclosure in the accompanying special purpose financial statements.

## 23. EXPLANATION TO THE TRANSLATION TO ENGLISH

These Special Purpose Financial Statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company that conform to generally accepted accounting principles in Spain may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

## Sonnedix España Finance 2, S.A. (Sole Shareholder Company)

**PREPARATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

The accompanying special purpose financial statements (comprised of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and notes thereto) for the year ended December 31, 2020, were prepared by the Sole Director on March 31, 2021. The accompanying financial statements and management report are set forth on 39 pages, from page 1 to 39.

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Mr. Miguel Ángel García Mascuñán
Natural person in representation of the Sole Director of Sonnedix España, S.L.