Audit Report on Consolidated Financial Statements issued by an Independent Auditor

VE SONNEDIX EQUITYCO, S.L. and SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2023

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 238
ey.com

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the Sole Shareholder of VE Sonnedix Equityco, S.L. at the request of the Sole Director:

Opinion

We have audited the consolidated financial statements of VE Sonnedix Equityco, S.L. (the Parent), and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Regulatory framework, including revenue recognition, calculation of the recoverable value of non-current assets and the ability to repay loans received

Description	The Group's revenue from contracts with customers are from electricity sales, an activity subject to a specific tariff model established by the prevailing regulatory framework, as explained in Note 3 to the accompanying financial statements. Consequently, revenue recognized in the year was estimated based on criteria and parameters stipulated by the current tariff model. Likewise, the estimates made by management of future cash flows used to calculate the recoverable amount of assets as well as the Group's capacity to settle its liabilities depend on meeting budgets prepared for the entire estimated useful life of energy production installations, including an estimate of revenue received primarily from the aforementioned tariff model. These factors have caused us to consider this issue a key audit matter.
Our response	Our audit procedures have included, among others, the following: ▶ Reviewing the current tariff model and assessing the degree of compliance therewith. ▶ Testing revenue recognition to verify the reasonableness of the estimates made based on regulatory changes during the year. ▶ Verifying accounts payable and receivable from energy sales taking into account provisional and definitive settlements with the "CNMC" and from the intermediary during the year. ▶ Checking that the current regulatory framework was taken into account when analyzing the recoverable amount of the Group's non-current assets. ▶ Reviewing the disclosures included in the notes to the financial statements in conformity with the regulatory framework for financial reporting applicable to the Group.

Other information: consolidated management report

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

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.,

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Parent's Sole Director responsibilities for the consolidated financial statements

The Parent's Sole Director is responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with the IFRS-EU and other provisions in the regulatory framework applicable in Spain, as explained in Note 2, and for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of t entities or business activities within the Group to express an opinion on the consolidate financial statements. We are responsible for the direction, supervision and performance o the group audit. We are solely responsible for our audit opinion.

We communicate with the Parent'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.

From the significant risks communicated with the Parent's Sole Director, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

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

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

(signed on the original version In Spanish)

Sara Guillén Alcobendas
(Registered in the Official Register of Auditors under con el Nº 23788)

April 12, 2024

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2023

CONTENTS

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2023

(Thousands of euros)

ASSETS	Notes	2023	2022	EQUITY AND LIABILITIES	Notes	2023	2022
NON-CURRENT ASSETS		**32,039**	**39,682**	**EQUITY**		**(22,754)**	**(21,115)**
Intangible assets	**5**	**6,385**	**7,636**	***CAPITAL AND RESERVES***	**12**	**(22,754)**	**(21,115)**
Operating rights		2,658	3,722	**Share capital**		**3**	**3**
Right-of-use in leases		3,569	3,748	Issued capital		3	3
Other intangible assets		158	166	**Consolidation reserves**		**(23,777)**	**(22,651)**
Property, plant, and equipment	**6**	**19,479**	**26,490**	**Other owner contributions**		**2,323**	**2,659**
Land and buildings		71	71	**Consolidated profit (loss) for the year**		**(1,303)**	**(1,126)**
Plant		19,408	26,419				
Investments in group companies and associates	**7**	**747**	**-**				
Loans to companies		747	-	**NON-CURRENT LIABILITIES**		**58,509**	**65,654**
Financial investments	**8**	**5**	**5**	**Provisions**	**20**	**464**	**452**
Other financial assets		5	5	**Borrowings**		**52,110**	**56,216**
Deferred tax assets	**14**	**5,423**	**5,551**	Bonds and other marketable securities	**13.1**	47,129	50,605
				Other borrowings	**13.2**	3,687	3,826
				Other financial liabilities	**13.4**	1,294	1,785
				Borrowings from group companies and associates	**13.3 and 15**	**4,531**	**7,045**
				Deferred tax liabilities	**14**	**1,404**	**1,941**
CURRENT ASSETS		**8,743**	**9,910**				
Inventories		**-**	**10**	**CURRENT LIABILITIES**		**5,027**	**5,053**
Trade and other receivables		**1,270**	**664**	**Bank borrowings**		**3,667**	**3,551**
Trade receivables	**9**	1,270	603	Bonds and other marketable securities	**13.1**	3,528	3,417
Other receivables from public administrations	**14**	-	61	Other borrowings	**13.2**	139	134
Investments in group companies and associates	**7**	**8**	**-**	**Payables to group companies and associates**	**13.3 and 15**	**339**	**191**
Loans to companies		8	-	**Trade and other payables**		**1,021**	**1,311**
Financial investments	**8**	**3,212**	**3,126**	Other payables	**13.5**	626	362
Cash and cash equivalents	**10**	**4,253**	**6,110**	Other payables to public administrations	**14**	395	949
TOTAL ASSETS		**40,782**	**49,592**	**TOTAL EQUITY AND LIABILITIES**		**40,782**	**49,592**

The accompanying notes 1 to 23 are an integral part of the consolidated balance sheet at December 31, 2023.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2023

(Thousands of euros)

	Notes	2023	2022
CONTINUING OPERATIONS			
Revenue	**16.a**	**10,315**	**10,889**
Cost of sales	**16.b**	**(920)**	**(884)**
Other operating expenses	**16.c**	**(207)**	**(194)**
Depreciation and amortization	**16.d**	**(8,470)**	**(8,472)**
Impairment losses and gains (losses) on disposal of non-current assets	**6**	**(22)**	**-**
OPERATING PROFIT		**696**	**1,339**
Finance income	**16.e**	**71**	**-**
Finance income from group companies and associates		8	-
From third parties		63	-
Finance costs		**(2,479)**	**(2,838)**
Finance costs for bonds and other marketable securities	**16.f**	(1,890)	(2,010)
Finance costs with group companies and associates	**15 and 16.f**	(446)	(683)
Other finance costs	**16.f**	(143)	(145)
FINANCE COST		**(2,408)**	**(2,838)**
PROFIT (LOSS) BEFORE TAX		**(1,712)**	**(1,499)**
Corporate income tax	**14**	409	373
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,303)**	**(1,126)**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(1,303)**	**(1,126)**

The accompanying notes 1 to 23 are an integral part of the consolidated statement of profit and loss for the year ended December 31, 2023.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

(Thousands of euros)

	Notes	2023	2022
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR (I)		**(1,303)**	**(1,126)**
Income and expense recognized directly in equity		-	-
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		-	-
Amounts transferred to the consolidated statement of profit or loss		-	-
TOTAL AMOUNTS TRANSFERRED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (III)		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		**(1,303)**	**(1,126)**

The accompanying notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2023.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(Thousands of euros)

	Share capital (Note 12.a)	Other owner contributions (Note 12.b)	Consolidation reserves	Profit (loss) for the year	Total
BALANCE AT DECEMBER 31, 2021	**3**	**4,007**	**(20,395)**	**(2,256)**	**(18,641)**
Total recognized income and expense	-	-	-	(1,126)	**(1,126)**
Appropriation of 2021 comprehensive income	-	-	(2,256)	2,256	**-**
Transactions with shareholders:					
Repayment of owner contributions	-	(1,348)	-	-	**(1,348)**
BALANCE AT DECEMBER 31, 2022	**3**	**2,659**	**(22,651)**	**(1,126)**	**(21,115)**
Total recognized income and expense	-	-	-	(1,303)	**(1,303)**
Appropriation of 2022 comprehensive income	-	-	(1,126)	1,126	-
Transactions with shareholders:					
Owner contributions	-	57	-	-	**57**
Repayment of owner contributions	-	(393)	-	-	**(393)**
BALANCE AT DECEMBER 31, 2023	**3**	**2,323**	**(23,777)**	**(1,303)**	**(22,754)**

The accompanying notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2023.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

(Thousands of euros)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		**5,468**	**9,880**
Profit (loss) for the year before tax		**(1,712)**	**(1,499)**
Adjustments to profit:		**10,900**	**11,310**
- Depreciation and amortization (+)	**16.d**	8,470	8,472
- Gains (losses) from derecognition and disposals of non-current assets		22	-
- Finance income (-)	**16.e**	(71)	
- Finance costs (+)	**16.f**	2,479	2,838
Changes in working capital		**(1,646)**	**2,893**
- Inventories		10	49
- Trade and other receivables		(669)	2,073
- Trade and other payables		(410)	194
- Other current assets		(86)	88
- Other non-current assets and liabilities		(491)	489
Other cash flows from operating activities		**(2,074)**	**(2,824)**
- Interest and commissions paid		(2,137)	(2,824)
- Interest received		63	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(747)**	**-**
Payments on investments (-)		**(747)**	**-**
- Group companies and associates (-)	**7**	(747)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(6,578)**	**(6,159)**
Transactions with shareholders	**12**	**(393)**	**(1,348)**
- Repayment of owner contributions (-)		(393)	(1,348)
Proceeds from and payments of financial liabilities		**(6,185)**	**(4,811)**
- Repayment and redemption of:			
Borrowings from third parties (-)	**13.1**	(3,417)	(3,309)
Payables to group companies (-)	**13.3 and 15**	(2,513)	(1,247)
Other current payables (lease liabilities) (-)	**13.2**	(255)	(255)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,857)**	**3,721**
Cash and cash equivalents at January 1	**10**	**6,110**	**2,389**
Cash and cash equivalents at December 31	**10**	**4,253**	**6,110**

The accompanying notes 1 to 23 are an integral part of the consolidated cash flow statement for the year ended December 31, 2023.

VE Sonnedix Equityco, S.L. and Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2023

1. COMPANIES AND ACTIVITIES OF THE GROUP

VE Sonnedix Equityco, S.L. (Sole Shareholder Company) ("VE Sonnedix Equityco, S.L." or "the Parent") and subsidiaries form a Group of companies ("the Group").

VE Sonnedix Equityco, S.L. was incorporated on April 3, 2017 for an indefinite period and registered at the Mercantile Registry on the same date. The sole partner of the Parent at December 31, 2023 and 2022 is VE Sonnedix Luxembourg Holdco 2 SARL.

At December 31, 2023 and 2022, the Parent 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.

Further, VE Sonnedix Equityco, S.L. is the head of a group of companies and voluntarily prepares consolidated financial statements in accordance with prevailing regulations given that it is in turn consolidated by Sonnedix España, S.L.U., filing said consolidated financial statements with the Spanish Mercantile Registry.

Appendix I includes the breakdown of subsidiaries, associates, and investees in which VE Sonnedix Equityco, S.L. holds direct or indirect interest, as well as the consolidation method applied, registered addresses, activities, percentages of ownership interest (direct and indirect), and the most relevant financial information on said entities. Further, no subsidiary was excluded from the consolidation process.

Group activity

The Group's corporate purpose consists in the development and promotion of energy projects, including the purchase, sale, import, export, distribution, supply, and marketing of the necessary equipment for the production of electric energy.

The Group's business model is oriented towards the operation of solar energy parks for the generation of electric energy in Spain. The Group currently employs photovoltaic technology. At December 31, 2023 and 2022, the Group's total installed capacity amounted to 18.10 MWp (15.86 MW of nominal capacity).

The Group is at present operating the following solar parks:

Group company	Project	Capacity	Acquisition date	Start-up date	Standard facility code	Location
Parque Eólico de Cubla, S.L.	La Cubla	3.60	2017	2009	IT-20422	Jaén
Sonnedix España SPV XIX, S.L.	Campillos	1.80	2016	2008	IT-20048	Málaga
Sonnedix España SPV XVII, S.L.	La Herrera	4.00	2016	2008	IT-20062	La Herrera (Murcia)
Sonnedix España SPV XVII, S.L.	Corvera	3.00	2016	2008	IT-20068	Corvera (Murcia)
Sonnedix España SPV VII, S.L.	Miralcamp	1.00	2016	2008	IT-00058	Miralcamp (Lleida)
Sonnedix España SPV XXVI, S.L.	Campo Lugar	1.92	2016	2008	IT-00058	Monforte de Lemos (Lugo)
Sonnedix España SPV XX, S.L.	Madridanos	0.54	2016	2008	IT-00058	Madridanos (Zamora)
		15.86 MW				

Environmental disclosures

Given the business activities performed by the Group, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Consequently, the notes to the accompanying financial statements do not include specific disclosures relating to environmental matters, except for Note 20, which includes disclosure on dismantling provisions.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Financial reporting framework applicable to the Group

The sole director of the Parent prepared the accompanying consolidated financial statements in accordance with the financial reporting framework applicable to the Group, which is set out in:

a) the Spanish Code of Commerce and remaining mercantile legislation;

b) International Financial Reporting Standards adopted by the European Union ("IFRS-EU"), with the IFRS in force at December 31, 2023 being applicable to the extent adopted by the European Union, in accordance with Regulation (EC) number 1606/2002 of the European Parliament and the Council, taking into account all the mandatory accounting principles and standards as well as measurement criteria which have a significant effect, as well as the alternatives permitted by regulations in this respect;

c) binding rules approved by the ICAC (Instituto de Contabilidad y Auditoría de Cuentas - Spanish Audit and Accounting Institute) enacting Spanish GAAP and its complementary regulations;

d) the remaining applicable Spanish regulations.

Note 4 to the accompanying consolidated financial statements provides a summary of the most significant accounting principles and measurement criteria applicable for their preparation.

2.2 Basis of presentation

The accompanying consolidated financial statements are presented in thousands of euros and were prepared from the Parent’s accounting records and those of the rest of the companies which belong to the VE Sonnedix Equityco Group, with the euro as the functional currency of the Parent and its subsidiaries.

The consolidated financial statements were prepared in accordance with the regulatory framework for financial information applicable to the Group as established in IFRS adopted by the European Union ("IFRS-EU"), taking into account all the mandatory accounting principles and standards as well as measurement criteria, together with the Spanish Commercial Code, the Spanish Corporate Enterprises Act, and remaining applicable mercantile legislation.

Given that the accounting principles and measurement criteria applied when preparing the consolidated financial statements may differ from those used by certain companies included therein (which apply local regulations), the necessary adjustments and reclassifications were applied during the consolidation process to standardize the principles and criteria in accordance with IFRS-EU.

In order to standardize presentation of the various items included in the accompanying consolidated financial statements, the measurement principles and criteria followed by the Parent were applied to all companies included in the consolidation scope, the effect of which did not have a significant impact on the consolidated financial statements.

The accompanying consolidated financial statements for 2023 were prepared by the Parent’s sole director and will be submitted for approval by the sole partner within the legally established deadlines. The sole director of the Parent expects them to be approved without any modifications.

On June 30, 2023, the sole partner of VE Sonnedix Equityco, S.L. approved the consolidated financial statements and consolidated management report for 2022, as well as the corporate management policy carried out by the sole director of the Parent during said year.

2.3 True and fair view

The accompanying consolidated financial statements give a true and fair view of the VE Sonnedix Equityco Group's consolidated equity, consolidated results of its operations, changes in consolidated equity, and consolidated cash flows during 2023 and 2022.

2.4 Adoption of IFRS

The Group's consolidated financial statements are presented in accordance with IFRS-EU, in keeping with the disclosure of Note 2.1.

The main accounting policies and measurement standards adopted by the Group are presented in Note 4 to the accompanying consolidated financial statements in accordance with the stipulations of IFRS-EU.

a. Standards and interpretations approved by the European Union effective during the current period

Standard, interpretation or amendment	**IASB application date**
IFRS 17 - Insurance Contracts	January 1, 2023
IFRS 17 – Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and to the IFRS Practice Statement 2)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
International Tax Reform Pillar Two Model Rules (Amendments to IAS 12)	January 1, 2023

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2022, as none of the standards, interpretations or amendments that are effective for the first time in the current year have had any impact on the Group's accounting policies.

b. Standards and interpretations issued by the IASB not yet applicable in the current reporting period

Standard, interpretation or amendment	**Date of adoption by the EU**	**Date of application in the EU**	**Date of application by the IASB**
Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	December 19, 2023	January 1, 2024	January 1, 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	November 20, 2023	January 1, 2024	January 1, 2024
Supplier Finance Arrangements (Amendments IAS 7 and IFRS 7)	Pending	Pending	January 1, 2024
Lack of Exchangeability (Amendments to IAS 21)	Pending	Pending	January 1, 2023

The Group intends to adopt the standards, interpretations and amendments to standards issued by the IASB, whose application is not mandatory in the European Union at the date of authorizing the accompanying consolidated financial statements for issue, when they become effective and to the extent applicable.

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, the sole director of the Parent considers that their first-time application will not have a significant impact on its consolidated financial statements.

2.5 Financial position and equity

At December 31, 2023, the Group presents negative net equity in the amount of 22,754 thousand euros, mainly a consequence of the accumulated losses generated by the Group companies. This situation does not constitute a reason to doubt the Group's continuity given that the projections for cash flows as well as the Group's consolidated income remedy this situation.

At December 31, 2023, the Parent of the Group presents positive balances for both its capital and reserves as well as its working capital.

2.6 Non-mandatory accounting policies applied

The Company has not applied any non-mandatory accounting policies. Further, the sole director of the Parent prepared these consolidated financial statements taking all the mandatory accounting principles and standards which had a significant effect on them into account. All mandatory accounting policies were applied.

2.7 Critical issues regarding the measurement and estimation of uncertainties

The accompanying consolidated financial statements were prepared using estimates made by the sole director of the Parent to measure the assets, liabilities, income, expenses, and commitments recognized therein.

Although these estimates were made based on the best information available at 2023 year end, events may occur in the future that require prospective adjustments (upwards or downwards) in subsequent years.

At year end, there are no key assumptions regarding the future, or other relevant information related to the assessment of uncertainty at the reporting date, which entail a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the following financial year.

2.8 Comparative information

For comparative purposes, the information included in the accompanying consolidated financial statements for 2023 is presented with the information relating to 2022.

2.9 Changes in the consolidation scope

There were no changes to the Group's consolidation scope during 2023 and 2022 with respect to the prior year.

2.10 Grouping of items

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

2.11 Consolidation principles

All subsidiaries of the Parent disclosed in Appendix I were considered in the consolidation process.

The Group applied the following criteria to determine the consolidation method applicable to each of its companies:

- The full consolidation method was utilized to consolidate those investees over which the Group has effective control due to holding a majority in their representative and decision-making bodies. At December 31, 2023 and 2022, all of the companies that make up the Group were consolidated under this method.

The full consolidation method

Consolidation of the operations of the Parent and consolidated subsidiaries was performed in accordance with the following principles:

- The acquisition by the Parent of control over a subsidiary constitutes a business combination, to be measured using the acquisition method. In subsequent consolidations, the investment-equity of subsidiaries is generally eliminated based on values obtained by applying the acquisition method described below at the date on which control is obtained.

- Business combinations are accounted for using the acquisition method, which requires identification of the acquisition date, calculation of the cost of the combination, and recognition of the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Consequently, and for certain Group companies, during 2017 and 2016 the Group recognized the fair value of the acquired rights of use (rights not recognized in the individual financial statements of said companies), corresponding to licenses and administrative procedures necessary for development of a project and acquired from third parties. These acquired operating rights correspond to the necessary administrative requirements (concessions, permits, licenses, etc.) which are mandatory for construction and starting up the assets associated with each project. Thus, they are also amortized over the useful life of the project assets.

- Goodwill or the negative consolidation difference is calculated as the difference between the fair values of the recognized assets acquired and liabilities assumed and the cost of the business combination, all as of the acquisition date. Changes subsequent to obtaining control which do not represent a change in control, corresponding to purchase and sales transactions with minority interests, will not be considered business combinations, and consequently the differences recognized on first consolidation are not modified.

At the date of preparation of the accompanying consolidated financial statements, the Group had concluded the valuation process for investments made in photovoltaic installations acquired during prior years. In accordance with prevailing international regulations, said valuation must be concluded within twelve months from the date of each acquisition. Thus,

a) The carrying amounts of assets, liabilities, and identifiable contingent liabilities, which are recognized or adjusted to complete the initial accounting, shall be calculated as if the fair value as of the acquisition date had been recognized at said date.

b) Goodwill or any gains shall be adjusted, effective from the acquisition date, by an amount equal to the adjustments made to the fair value at said date of the assets, liabilities, or identifiable contingent liabilities being recognized or adjusted.

c) The comparative information presented for the years prior to completing the initial accounting for the business combination shall be presented as if it had been completed at the acquisition date. This includes both additional amortization and depreciation, as well as any other effect recognized in results for the year as a consequence of completing the initial accounting.

The cost of a business combination is the aggregate of:

- the acquisition date fair value of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued; and

- the fair value of any contingent consideration which depends on future events or the fulfillment of predetermined conditions.

The costs of the business combination do not include expenses related to the issuing of equity instruments or financial liabilities exchanged for the acquired elements.

In a business combination achieved in stages, so that prior to the acquisition date (the date on which control is obtained) there already was a previous investment, goodwill or the negative difference corresponds to the difference between:

- the cost of the business combination plus the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree; and

- the value of the identifiable assets acquired less the liabilities assumed, determined in the manner described above.

Any gain or loss arising from measurement at fair value at the date control of the prior interest held in the investee is obtained is recognized in the consolidated statement of profit and loss. If said investment in the investee had been measured previously at fair value, any changes in fair value not yet recognized in profit or loss for the year shall be transferred to the consolidated statement of profit and loss. Further, the cost of the business combination is presumed to be the best reference for estimating fair value at the acquisition date of any previously held equity interest.

In the exceptional event of a negative difference arising upon the combination, this will be recognized in the consolidated statement of profit and loss as income.

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation processes needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts thus recognized can subsequently be adjusted within the period required to obtain the necessary information, which can under no circumstances exceed one year. The effects of the adjustments made during said period are accounted for retrospectively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are adjusted against profit or loss, except where the contingent consideration has been classified as equity, in which case subsequent changes in fair value are not recognized.

All balances, transactions, and results generated between Group companies consolidated under the full consolidation method were eliminated upon consolidation.

The accounting principles and procedures applied by the Group companies were standardized in order to present the consolidated financial statements on a consistent basis.

3. REGULATION OF ENERGY PRODUCTION ACTIVITIES FROM RENEWABLE SOURCES

The VE Sonnedix Equityco Group at present pursues its activities in the market for electricity generation in Spain via the operation of production installations using renewable energies (the Group uses photovoltaic solar technology). At the date of authorization of the accompanying consolidated financial statements all Group investments were located in Spain.

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

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

At 2023 and 2022 year end, the main legislative reference for electricity production was Law 24/2013, of December 26, on the Electricity Sector, which repealed Law 54/1997 of November 27.

The law states that 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 revenue with specific regulated remuneration so that these technologies can 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 before taxes and calculated based on the average yield in the secondary market of Spanish 10-year bonds plus the appropriate spread.

The first additional provision of Royal Decree Law 9/2013 sets the reasonable return for those facilities entitled to premium remuneration when Royal Decree Law 9/2013 became effective as the average return on the secondary market of Spanish 10-year bonds for the 10 years prior to Royal Decree Law 9/2013 becoming effective 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 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, counting 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 meant 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 may have been recognized as a consequence of such proceedings, subject to accreditation before the General Directorate for Energy and Mining Policy prior to September 30, 2020.

The Group 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 installations comprising the La Cubla, Campillos, Herrera, and La Corvera projects it applies the general remuneration scheme at 7.09%.

Royal Decree Law 6/2022 and Royal Decree Law 11/2022

On March 29, 2022, Royal Decree Law 6/2022 established the bases for the exceptional decision to update the remuneration parameters for standard facilities applicable in 2022 to certain installations which produce electric energy from renewable sources, cogeneration, and waste, as initially established in Order TED/171/2020.

In order to apply the methodology for updating the remuneration parameters, the regulatory half-period from January 1, 2020 to December 31, 2022 is divided into two regulatory half-periods: the first, from January 1, 2020 to December 31, 2021; and the second, from January 1, 2022 to December 31, 2022.

Likewise, on June 26, 2022, Royal Decree Law 11/2022 was published in the Official State Gazette ("BOE" in its Spanish acronym), adopting and extending certain measures established in response to the economic and social consequences of the war in Ukraine, addressing situations of social and economic vulnerability, and boosting the economic and social recovery of the La Palma island.

Said Royal Decree Laws established that the exemption would exceptionally be extended with respect to the tax on the value of electric energy production ("TVEEP") for the installations that produce and deliver electricity to the electricity system in 2022. For these purposes, it was necessary to modify the calculation of the tax base and the regulated payment installments in accordance with tax legislation.

Thus, in order to calculate the payment installments corresponding to the four quarters of 2022, the value of electric energy produced and dispatched to the electricity system during said periods was zero euros.

Finally, Royal Decree Law 6/2022 establishes that the CNMC, as the body responsible for settlements, will carry out the necessary settlement for adapting the remuneration arising from the specific remuneration scheme, subtracting the amounts not paid for the installations as a consequence of the suspension of the TVEEP.

The adjustments corresponding to the settlements for the installations relating to the exemption from the TVEEP were made during 2022 by the CNMC together with the corresponding monthly settlements for energy sales.

Order TED/1232/2022

On December 14, 2022, Order TED/1232/2022 was published, updating the remuneration parameters for standard facilities applicable to certain installations that produce electric energy from renewable sources, cogeneration, and waste, for purposes of application to 2022, as established in Royal Decree Law 6/2022.

This updating of remuneration parameters considered an estimate for the average annual daily and intra-day price in the electricity market for 2022, amounting to 121.92€/MWh.

The Group recognized the direct impact of this exceptional measure becoming effective in its consolidated financial statements for 2022, mainly comprised of the following:

(i) Recognition of the deviations in the market price for electric energy corresponding to the 2022 regulatory half-period under "Non-current liabilities - Borrowings - Other financial liabilities" in the accompanying consolidated balance sheet (Note 13.4).

(ii) Recognition of the accumulated estimates for deviations in the market price corresponding to the previous regulatory half-periods.

(iii) Estimating the amounts to be adjusted with respect to the settlements received based on the parameters initially established in Order TED/171/2020 for 2020 (adjusted during 2023).

Thus, the remuneration parameters applicable to the Group's photovoltaic installations in 2022 were as follows:

Installation	Standard facility code	Regulatory useful life (years)	Investment remuneration 2022 (€/MW)	Operation remuneration 2022 (€/MW)
La Cubla	IT-20422	30	320,058	-
Campillos	IT-20048	30	556,711	-
La Herrera	IT-20062	30	500,244	-
Corvera	IT-20068	30	601,482	-
Miralcamp	IT-00058	30	663,910	-
Campo Lugar	IT-00058	30	663,910	-
Madridanos	IT-00058	30	663,910	-

Royal Decree Law 20/2022

On December 28, 2022, Royal Decree Law 20/2022 was published in the BOE, adopting and extending certain measures established in response to the economic and social consequences of the war in Ukraine, addressing situations of social and economic vulnerability, and boosting the economic and social recovery of the La Palma island.

Said Royal Decree Law established that the temporary suspension of the TVEEP for the installations that produce and deliver electricity to the electricity system would exceptionally be extended until December 31, 2023.

Thus, in order to calculate the payment installments corresponding to the four quarters of 2023, the value of electric energy produced and dispatched to the electricity system during said periods was zero euros.

Order TED/741/2023

On July 8, 2023, Order TED/741/2023, of June 30, was published for application to the regulatory half-period beginning January 1, 2023, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste.

The updated remuneration parameters applied an estimated annual average daily and intra-day market price for electricity amounting to 109.31 €/MWh for 2023, 108.86 €/MWh for 2024, and 89.37 €/MWh for 2025 and subsequent years.

Likewise, the calculation of the new remuneration parameters took the suspension of the TVEEP established in Royal Decree Law 20/2022 into account.

Thus, the new remuneration parameters applicable to the Group's photovoltaic installations in operation are as follows:

Installation	Standard facility code	Regulatory useful life (years)	Investment remuneration 2023-2025 (€/MW)	Operation remuneration 2023 (€/MW)	Operation remuneration 2024 (€/MW)	Operation remuneration 2025 (€/MW)
La Cubla	IT-20422	30	289,224	-	-	-
Campillos	IT-20048	30	527,584	-	-	1.402
La Herrera	IT-20062	30	471,634	-	-	-
Corvera	IT-20068	30	566,426	-	-	-
Miralcamp	IT-00058	30	646,476	-	-	2.152
Campo Lugar	IT-00058	30	646,476	-	-	2.152
Madridanos	IT-00058	30	646,476	-	-	2.152

Finally, on January 25, 2024 the CNMC published resolution INF/DE/019/24, which established the average annual daily and intra-daily market price for 2023 as 87.01 €/MWh while also establishing the definitive ratios corresponding to each technology for said year, amounting to 0.8287 for photovoltaic solar energy.

As a consequence, the Group recognized the impact of deviations in electricity market prices in connection with the CNMC estimates for 2023 in the consolidated financial statements for said year under "Non-current liabilities - Borrowings - Other financial liabilities" in the accompanying consolidated balance sheet (Note 13.4).

4. ACCOUNTING POLICIES AND MEASUREMENT STANDARDS

The main measurement standards utilized by the Group in the preparation of the 2023 consolidated financial statements were the following:

a) Intangible assets (Note 5)

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 stipulated in prevailing international regulations, the Group performed an analysis of the fair values of the assets acquired and liabilities assumed, recognizing the resulting values as the carrying amounts. Thus, as indicated in Note 2.11 to the accompanying consolidated financial statements, the Group recognized the fair value of those operating rights acquired, and not recognized in the balance sheets of the acquired companies, in the consolidated balance sheet (unless the acquiring entity and acquired entity were merged by absorption). In summary, said assets correspond to the acquisition price paid to third parties for development of a project until the acquisition date.

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.

Other intangible assets

In addition, the Group mainly recognized the amounts settled for rights of way in connection with electric energy under this heading. These rights are amortized on a straight-line basis over the contracted term for operations. The Group amortizes its other intangibles assets on a straight-line basis over 35 years.

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 and its carrying amount, net of sales costs, determines any gains or losses upon disposal, and is recognized in the consolidated statement of profit and loss for the year to which they relate.

b) Property, plant, and equipment (Note 6)

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.

Upkeep and maintenance costs relating to property, plant, and equipment are taken to the consolidated statement of profit and loss for the period in which they are 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.

At the end of the useful life of some of the solar parks the Group must dismantle them. At initial measurement of PP&E items, the Group estimates the current value of the future dismantling, retirement, and restoration costs, increasing the cost of the corresponding asset by the discounted dismantling cost. The Group recognizes a provision as a balancing entry for said valuation. This provision is also financially discounted in subsequent periods (Note 20).

The Group 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 of the installations (regardless of when the asset was acquired by the Group).

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 and its carrying amount, net of sales costs, determines any gains or losses upon disposal, and is recognized in the consolidated statement of profit and loss for the year to which they relate.

c) Impairment of intangible assets and property, plant, and equipment (Notes 5 and 6)

At each consolidated balance sheet date, the Group 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 amounts are calculated in order to determine the extent of the impairment loss, if any. Where an asset does not generate cash inflows that are independent of those from other assets, the Group 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 Group, that is, to each solar park.

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 Group 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 Group 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 Parent, 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 Group also uses growth rates and macroeconomic hypotheses reasonably based on both corporate forecasts which, based on knowledge of the sector, take past experience into account, and future expectations of the business.

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 consolidated statement of profit or loss.

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

The Group adopted IFRS 16 to its entire lease portfolio at the transition date, that is, January 1, 2019, applying the modified simplified retrospective method and thereby substituting IAS 17, which had been applicable until said date. As established in IFRS 16, at the moment of signing a contract, the Group must evaluate whether it is, or includes, an implicit lease, that is, whether the contract transfers the right to control use of an identified asset for a period of time in exchange for consideration or whether a service is being received.

In those cases in which it concludes there is a lease contract in which the Group acts as lessee, the expected lease liabilities arising from future lease payments must be estimated and recognized, including the right-of-use assets. This accounting policy is applied to all lease contracts except for those which are short term (an expected duration of less than 12 months) and those in which the asset is of low value.

All lease contracts to which the Group is party correspond to the land where the photovoltaic installations being operated are located.

The useful life of the leased assets was determined based on the best estimate made by the sole director of the Parent, taking into consideration the contractual characteristics of each agreement (duration, extension rights, etc.). In this manner, when calculating the right-of-use assets the Group considered the extension options included in the lease agreements for the land on which the photovoltaic installations are located based on their regulatory useful lives. Likewise, hypotheses are used to calculate the discount rate, which mainly depends on the amount of debt owed by the Group to third parties.

i. Right-of-use assets (Note 5)

Right-of-use assets are recognized at the inception date of the lease (that is, the date on which the underlying asset is available for use). They are measured at acquisition cost, less any accumulated amortization and impairment losses, and adjusted by any new measurement of lease liabilities. The cost of right-of-use assets includes the carrying amounts of lease liabilities recognized, direct initial costs incurred, and lease payments made prior to or on the lease inception date less the lease incentives received. The right-of-use assets are amortized on a straight-line basis over the term of the lease or, if this is shorter than their estimated useful life and the Group has the unilateral right to extend the lease, over said useful life.

The estimated useful life of the leased assets relating to the land on which the photovoltaic installations are located is determined based on the duration of the regulatory useful life of said installations.

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost is reflected in the exercise of a purchase option, amortization is calculated utilizing the estimated useful life of the asset.

The right-of-use assets are also subject to impairment (Notes 4.a and 4.c).

ii. Lease liabilities (Note 13.2)

Lease liabilities are recognized at the inception date of the lease, measured at the present value of the lease payments to be made during the lease term. The lease payments include fixed payments less any lease incentive to be collected, variable payments which depend on an index or rate, and amounts expected to be paid in connection with guarantees relating to residual value. Lease payments also include the exercise price of the purchase options reasonably certain to be exercised.

The payments for variable leases which do not depend on an index or a rate are recognized as expenses for the period in which the event or circumstance triggering payment occurs.

When calculating the present value for lease payments, the Group utilizes its lease debt ratio at the inception date as the implicit interest rate of the lease is not easily determined. Subsequent to the inception date, the carrying amounts of lease liabilities are increased to reflect the accumulation of interest, and reduced by the lease payments made. In addition, the carrying amounts of the lease liabilities are remeasured if there is any modification such as a change in the lease term or lease payments (for example, changes in future payments resulting from a change in the index or rate utilized to determine said lease payments) or a change in the evaluation of a purchase option for the underlying asset.

The Group's lease liabilities are included under other non-current and current borrowings in the accompanying consolidated balance sheet. Likewise, these financial liabilities accrue interest which is recognized under "Other finance costs" in the accompanying consolidated statement of profit and loss (Note 16.f).

e) Financial instruments (Notes 7, 8 and 13)

Financial assets

i. Classification

The classification of financial assets is determined at initial recognition based on the following categories:

i. Debt instruments classified at amortized cost: these items correspond to investments in debt which is held within a business model whose objective is to obtain the contractual cash flows that solely consist of payments of principal and interest, generally measured at amortized cost.

ii. Debt instruments classified at fair value through other comprehensive income: when the debt instruments are held within a business model whose objective is to obtain contractual cash flows consisting of principal and interest as well as the sale of financial assets, generally measured at fair value with changes in other comprehensive income.

iii. Equity instruments designated at fair value through other comprehensive income: these items correspond to equity instruments for which the Group irrevocably opts to present the subsequent changes in fair value in "Other comprehensive income."

iv. Financial assets at fair value through consolidated profit or loss: investments in debt and equity which do not fulfill the requirements to be classified in any of the above categories are measured at fair value through profit or loss.

Thus, at December 31, 2023 and 2022 all the financial assets held by the Group are classified within the category of "Debt instruments classified at amortized cost." The Group classifies the following items under this category:

- Trade receivables whose amortized cost does not significantly differ from their initial nominal or fair value.

- Security deposits and collateral guarantees recognized whose amortized cost does not significantly differ from their nominal value.

The amortized cost of a financial asset is calculated as the carrying amount of the financial asset at initial recognition less reimbursements of cash flows, plus the accumulated discounting utilizing the effective interest rate method, adjusted by any impairment losses. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting by any provision recognized for impairment losses.

ii. Initial measurement

The Group's financial assets are initially recognized at the fair value of the consideration delivered plus directly attributable transaction costs.

iii. Subsequent measurement

The Group's financial assets are subsequently measured at amortized cost.

At least at year end the Group tests its financial assets not measured at fair value for impairment. 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 consolidated statement of profit or loss.

Specifically, with respect to impairment losses relating to trade and other receivables, the criteria used by the Group 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 Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies substantially transferring all the risks and rewards incidental to ownership of the financial asset; this is the case in firm asset sales, trade receivable factoring transactions in which the Group 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 nor grants any form of guarantee nor assumes any other type of risk.

Financial liabilities

Financial liabilities correspond to those trade and other payables recognized by the Group that have arisen from the purchase of goods and services in the normal course of the Group's business or 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 loans 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 consolidated statement of profit and loss under finance costs.

The Group derecognizes financial liabilities once the obligations that gave rise to them have been extinguished.

The fair value of financial instruments recorded as assets or liabilities and not recognized at fair value does not differ significantly from their carrying amount.

f) *Cash and cash equivalents (Note 10)*

This heading of the consolidated balance sheet 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.

g) *Corporate income tax (Note 14)*

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

Current tax is the amount settled by the Group in respect of the corporate income tax returns filed for the period. 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 current tax.

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 arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and those associated with investments in subsidiaries, associates, and jointly controlled entities in which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

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 when there are doubts as to their future recoverability. Similarly, at each reporting date, the Group reassesses deferred tax assets not recognized in the consolidated balance sheet, subsequently recognizing them to the extent that it has become probable that taxable profit will be available against which they can be utilized.

From January 1, 2018 the Group companies started to file their tax returns under the special tax consolidation regime regulated by Law 27/2014, of November 27, on corporate income tax, Chapter VI, with VE Sonnedix Equityco, S.L. (Sole Shareholder Company) as the tax representative of the tax group made up of all the companies listed in Appendix I, except for those subsidiaries whose tax address is outside Spanish territory (only the Luxembourg company VE Sonnedix Finance, S.A.), which file tax returns individually in accordance with the applicable tax regulations.

Filing tax returns under the special tax consolidation regime involves determining the Group's tax result taken as a whole together with any deductions and tax rebates. For tax purposes, a group of companies is understood to be made up of the Parent and the subsidiaries resident in Spanish territory in which the Parent directly or indirectly holds at least 75% of share capital and which meet the requirements established for inclusion in this special regime.

The distribution of the tax burden is carried out as agreed upon by all the companies that belong to the tax consolidation group, respecting the stipulations of the accounting standards issued by the ICAC.

h) *Income and expenses (Note 16)*

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 Group 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 on financial assets is recognized using the effective interest rate method, while dividends are recognized when the right to receive them is established.

At any rate, interest and dividend income accrued on financial assets after their date of acquisition is recognized as revenue in the consolidated statement of profit and loss.

All the Group's revenue is generated through the sale of electric energy produced by the solar power plants it owns.

i) Provisions and contingencies (Note 20)

In drawing up the consolidated financial statements, the Parent’s sole director distinguished 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 as a consequence of past events, future materialization of which depends on one or more future events occurring not within the control of the Group.

The consolidated 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 consolidated balance sheet, but rather are disclosed in the accompanying notes, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best estimate possible for the amount required to settle or transfer the obligation, taking into account the information available concerning the obligating event and its consequences, and recognizing a finance expense for the adjustments which accrue when updating said provisions in accordance with estimates made at each reporting date.

j) Environmental assets and liabilities

Environmental assets are classified as those the Group utilizes in its activities over a long period of time whose primary purpose is to minimize the environmental impact of these activities and protect or improve the environment, including those assets designed to reduce or eliminate future contamination.

The Group's activities, by their very nature, do not have a significant impact on the environment. In sum, given the business activities performed by the Group, 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 consolidated financial statements, except for those relating to the provision described in Note 20.

k) Transactions with related parties (Note 15)

The Group conducts all related-party transactions on an arm’s length basis. In addition, transfer prices are duly documented so that the Parent’s sole director considers that there are no related significant risks that could give rise to material liabilities in the future. The transactions carried out with Group companies were eliminated upon consolidation.

l) Current and non-current balances

Assets and liabilities are classified in the consolidated balance sheet as current and non-current. To this end, current assets and liabilities include: the assets and liabilities associated with the Group’s operating cycle to the extent it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle;

other assets and liabilities that are expected to mature or be sold or settled within one year; assets and liabilities that 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.

m) Information by segments (Note 21)

The operating segments have been determined using the "management approach," which requires the presentation of segments on the basis of internal reports about the components of the Group that are analyzed regularly by the Group's "chief operating decision-maker" with a view to deciding upon which resources must be assigned to the segment and evaluating profitability.

n) Consolidated cash flow statement

The following terms are used in the consolidated 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 Group and other activities that cannot be classified as investments or financing

- Investing 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) Consolidated statement of changes in equity

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

Consolidated statement of comprehensive income

This statement presents the income and expenses generated by the Group as a result of its business activity in the year and a distinction is made between the income and expenses recognized in the consolidated statement of profit and loss for the period and other income and expenses recognized, in accordance with current regulations, directly in equity.

Accordingly, these statements present:

a) Profit as per the consolidated statement of profit or loss

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

c) The transfers made to the consolidated statement of profit or loss, 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.

Consolidated statement of changes in equity

The consolidated statement of changes in equity presents all the movements in consolidated 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 start and end of the period of all the items composing consolidated equity, grouping the movements into the following categories in accordance with their nature:

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

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

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

5. INTANGIBLE ASSETS

The heading "Operating rights" in the accompanying consolidated balance sheet records the net cost of operating rights acquired by both acquisition of companies as well as the purchase of associated photovoltaic installations, amounting to 2,658 thousand euros at December 31, 2023 (2022: 3,722 thousand euros).

Likewise, "Other intangible assets" records the intangible asset corresponding to rights-of-way in connection with the land on which the photovoltaic installation of the Campillos project is located, amounting to 158 thousand and 166 thousand euros at 2023 and 2022 year end, respectively.

Finally, and in accordance with the stipulations of IFRS 16, the Group's consolidated balance sheet includes the right-of-use assets arising from the lease agreements for the land not owned by the Group on which the photovoltaic installations are located. The amount recognized by the Group decreased to 3,569 thousand euros at December 31, 2023 (2022: 3,748 thousand euros).

Thus, the breakdown for this heading in the consolidated balance sheet, as well as a summary of transactions carried out during 2023 and 2022, follows:

2023

	Thousands of euros			
	Opening balance	Additions (Note 16.d)	Derecognitions	Closing balance
Cost:				
Operating rights	10,271	-	-	10,271
Right-of-use in leases	4,462	-	-	4,462
Other intangible assets	216	-	-	216
Total cost	**14,949**	-	-	**14,949**
Accumulated amortization:				
Operating rights	(6,549)	(1,064)	-	(7,613)
Right-of-use in leases	(714)	(179)	-	(893)
Other intangible assets	(50)	(8)	-	(58)
Total accumulated amortization	**(7,313)**	**(1,251)**	-	**(8,564)**
Impairment losses		-	-	
Total intangible assets (net)	**7,636**	**(1,251)**	-	**6,385**

2022

	Thousands of euros			
	Opening balance	Additions (Note 16.d)	Derecognitions	Closing balance
Cost:				
Operating rights	10,271	-	-	10,271
Right-of-use in leases	4,462	-	-	4,462
Other intangible assets	216	-	-	216
Total cost	**14,949**	**-**	**-**	**14,949**
Accumulated amortization:				
Operating rights	(5,484)	(1,065)	-	(6,549)
Right-of-use in leases	(536)	(178)	-	(714)
Other intangible assets	(42)	(8)	-	(50)
Total accumulated amortization	**(6,062)**	**(1,251)**	**-**	**(7,313)**
Impairment losses	**-**	**-**	**-**	
Total intangible assets (net)	**8,887**	**(1,251)**	**-**	**7,636**

a) Amortization and impairment

The charge to the consolidated statement of profit and loss for 2023 corresponding to amortization of intangible assets amounted to 1,251 thousand euros (2022: 1,251 thousand euros) (Note 16.d).

At December 31, 2023 and 2022, the Group 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 Parent 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 2023 and 2022 year end, the Group had not fully amortized any of its intangible assets.

b) Other information

The operating rights recognized in the accompanying consolidated balance sheet represent the fair value of the acquired operating rights.

At December 31, 2023 and 2022, the Group does not have any intangible assets in progress.

All of the Group's intangible assets are directly associated with operations at December 31, 2023 and 2022.

At December 31, 2023 and 2022 there were no intangible assets encumbered by guarantees, and neither had the Group received any subsidies for acquisition of the assets recognized.

Finally, at 2023 and 2022 year end the Group had no investment commitments with respect to intangible assets.

6. PROPERTY, PLANT, AND EQUIPMENT

The breakdown for this heading in the consolidated balance sheet, as well as a summary of transactions carried out during 2023 and 2022, follows:

2023

	Thousands of euros				
	Opening balance	Additions (Note 16.d)	Retirements	Transfers	Closing balance
Cost:					
Land and buildings	71	-	-	-	71
Plant	69,887	230	(123)	-	69,994
Total cost	**69,958**	**230**	**(123)**	-	**70,065**
Accumulated depreciation:					
Plant	(43,468)	(7,219)	101	-	(50,586)
Total accumulated depreciation	**(43,468)**	**(7,219)**	**101**	-	**(50,586)**
Total net PP&E	**26,490**	**(6,989)**	**(22)**	-	**19,479**

2022

	Thousands of euros				
	Opening balance	Additions (Note 16.d)	Retirements	Transfers	Closing balance
Cost:					
Land and buildings	71	-	-	-	71
Plant	69,887	-	-	-	69,887
Total cost	**69,958**	**-**	**-**	**-**	**69,958**
Accumulated depreciation:					
Plant	(36,247)	(7,221)	-	-	(43,468)
Total accumulated depreciation	**(36,247)**	**(7,221)**	**-**	**-**	**(43,468)**
Total net PP&E	**33,711**	**(7,221)**	**-**	**-**	**26,490**

The heading for "Plant" in the accompanying consolidated balance sheet mainly reflects the cost of the photovoltaic solar power plants disclosed in Note 1 to the accompanying consolidated financial statements.

In addition, the Group recognized the cost of the land on which the photovoltaic installation of the Madridanos project is located under "Land and buildings."

a) Additions and derecognitions of PP&E items

Some investors were substituted during 2023 in the La Cubla, Campillos, La Herrera, and Campo projects, giving rise to a balance of 169 thousand euros. Likewise, the Group invested an amount of 40 thousand euros in security systems, mainly for the Campo Lugar power plant. In addition, other expenses amounting to 22 thousand euros were capitalized.

The derecognitions correspond to the net carrying amount of the items which were substituted (22 thousand euros).

b) Depreciation and impairment losses

The charges to the consolidated statement of profit and loss for 2023 and 2022 corresponding to depreciation of PP&E amounted to 7,219 thousand and 7,221 thousand euros, respectively (Note 16.d).

At December 31, 2023 and 2022, the Group assessed its PP&E items for the presence of any indications, both external as well as internal, which would require the performance of an impairment test. Subsequent to this analysis, the sole director of the Parent 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, 2023 and 2022.

At 2023 and 2022 year end, the Group had not fully depreciated any significant PP&E items.

c) Other information

At December 31, 2022 and 2022, the Company did not recognize any work in progress for any of its PP&E items.

All of the Group's PP&E items are located in Spain and are directly associated with operations at December 31, 2023 and 2022.

At 2023 and 2022 year end the Group had no significant investment commitments with respect to PP&E.

It is the Group's policy to subscribe insurance policies to cover the potential risks to which its PP&E items are exposed. At 2023 and 2022 year end, the potential risks were fully covered by the contracted insurance.

7. LOANS TO GROUP COMPANIES AND ASSOCIATES

The breakdown of loans to Group companies and associates recognized under the non-current consolidated balance sheet heading for investments in Group companies and associates at December 31, 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Non-current financial assets:		
Investments in group companies and associates		
Loans to companies (nominal amount)	747	-
Current financial assets:		
Investments in group companies and associates		
Loans to companies (accrued interest pending collection)	8	-
	755	**-**

Loans granted to Sonnedix Holdco Spain B. V.

On September 7, 2023, the Parent arranged a loan contract for an amount of 747 thousand euros with its sole partner, Sonnedix Holdco Spain B.V., entirely drawn down at said date.

The maturity of said contract was established as September 7, 2042, with interest accruing at a rate of 3.509% plus a spread.

At 2023 year end, the Parent recognized 8 thousand euros corresponding to accrued interest pending collection (Note 15).

8. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

The breakdown of financial investments (assets) at December 31, 2023 and 2022 is as follows:

	Thousands of euros	
	2023	
	Non-current financial investments	Current financial investments
Financial investments	5	3,212
	5	**3,212**

	Thousands of euros	
	2022	
	Non-current financial investments	Current financial investments
Financial investments	5	3,126
	5	**3,126**

Financial investments

At December 31, 2023, the Group recognized long-term guarantees and security deposits for an amount of 5 thousand euros under the balance sheet heading "Non-current assets - Financial investments" (2022: 5 thousand euros).

Current financial investments

At December 31, 2023, the Company recognized a balance of 3,212 thousand euros under "Current assets - Financial investments" in the consolidated balance sheet (2022: 3,126 thousand euros), corresponding to the balances held with financial entities which constitute a "Debt Service Reserve Fund" and a "Maintenance Reserve Fund."

Said items represent the restricted cash balances which will be maintained by the subsidiaries in accordance with the requirements established in the framework contracts for the secured bond issue ("Céfalo Bond") as a guarantee for payments to be made in the coming months (Note 13.1). The aforementioned restricted accounts bear interest at market rates.

9. TRADE RECEIVABLES

At December 31, 2023, "Trade receivables" reflects the amount owed as a consequence of selling electric energy produced at the solar power plants, amounting to 1,270 thousand euros (2022: 603 thousand euros). The collection of said amounts will be made over the coming 12 months.

During 2023, the CNMC regularized the settlements corresponding to the Cubla and Campillos projects, which had availed themselves of the general remuneration scheme (Note 4). At December 31, 2023, the balance recognized under "Trade and other receivables" is presented net of the amount pending regularization for the Herrera and Corvera projects, which also availed themselves of the general remuneration scheme.

At December 31, 2023 and 2022, no impairment losses were recognized on these accounts receivable.

10. CASH AND CASH EQUIVALENTS

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

	Thousands of euros	
	2023	2022
Cash and cash equivalents	4,253	6,110
	4,253	**6,110**

This heading of the consolidated balance sheet 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, except for the cash balances recognized for projects in the operational stage (Note 8).

As a general rule, the cash balances accumulated bear interest at market rates. There are no significant restrictions regarding availability of cash.

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

11. FINANCIAL RISK MANAGEMENT POLICY

To manage its financial risk, the Group uses economic forecasts to review its business plans and evaluate the relationship between the risk exposure and present value of cash flows generated by an investment, as well as taking an accounting approach to assess the various risk situations dynamically and statically.

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

The general exposure to adverse situations in which negative deviations may arise for the results or financial performance of the Group, consequently generating risks which must be managed to mitigate their possible effects, is as follows:

- **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 Group manages liquidity risk by maintaining sufficient cash balances to enable it to negotiate upcoming refinancing agreements on the best possible terms and to cover its short-term cash outlays, thereby avoiding the need to raise funds on disadvantageous terms.

Liquidity risk coverage is considered adequate when the Company 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 not being able to meet contractually established obligations. When contracted operations can generate counterparty risk for certain subsidiaries, the Group's policy is to contract said operations with counterparties who enjoy a credit rating equal to or better than those of the Sonnedix Group.

The Group held accounts receivable from highly solvent companies during 2023 and 2022, 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 Group companies, as recipients of system costs, become the parties financing these temporary imbalances.

  At December 31, 2023, the CNMC settled 100% (2022: 99.25%) of the specific regulated remuneration for investment and operation accrued until the month of October.

Thus, the sole director of the Parent considers the likelihood of said credit risk materializing as remote. In addition, the sole director considers that, taking into account an annualized perspective of cash flows generated by the projects, working capital at present available to the Group, 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 section, 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 3 to the accompanying consolidated financial statements, 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 revenue 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.

12. EQUITY

a) Share capital

At December 31, 2023 and 2022, VE Sonnedix Luxembourg Holdco 2 SARL is the sole partner of VE Sonnedix Equityco, S.L. The share capital of the Parent totals 3 thousand euros, represented by 3,000 participation units at a nominal value of one euro each.

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 Parent and ensure an appropriate remuneration policy for the partner.

b) Other owner contributions

During 2023, the following contributions and repayments of contributions to the sole partner of the Parent were carried out:

- Monetary contribution amounting to 57 thousand euros on June 30, 2023.

- Repayment of contributions amounting to 393 thousand euros, settled on March 7, 2023.

During 2022, VE Sonnedix Equityco, S.L.U. carried out the following reimbursements for contributions made by its sole partner:

- Repayment of contributions amounting to 572 thousand euros, settled on March 2, 2022.

- Repayment of contributions amounting to 776 thousand euros, settled on September 12, 2022.

13. FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at December 31, 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Non-current financial liabilities:		
Trade and other payables:		
Bonds and other marketable securities (Note 13.1)	47,129	50,605
Bonds and other marketable securities (principal)	*47,487*	*51,015*
Arrangement fees	*(358)*	*(410)*
Other borrowings (Note 13.2)	3,687	3,826
Borrowings from group companies and associates (Notes 13.3 and 15)	4,531	7,045
Other financial liabilities (Note 13.4)	1,294	1,785
	56,641	**63,261**
Current financial liabilities:		
Trade and other payables:		
Bonds and other marketable securities (Note 13.1)	3,528	3,417
Other borrowings (Note 13.2)	139	134
Payables to group companies and associates (Notes 13.3 and 15)	339	191
Other payables (Note 13.5)	626	362
	4,632	**4,104**

13.1 Bonds and other marketable securities

On July 20, 2017, VE Sonnedix Finance, S.A. agreed upon a secured bond issue ("Céfalo Bond"), mainly used to refinance the debts of Group companies. With the funds obtained on that same day, the Group's subsidiaries canceled the financing contracts effective until that date with Caixabank, a financial entity.

The face value of the issue amounted to 74,000 thousand euros, set to mature on December 31, 2036 with repayments to be made every six months. The bond bears interest at an annual nominal rate of 3.429%, repayable on a six-monthly basis. The first principal and interest payments were settled on January 2, 2018. Subsequent payments fall due on June 30 and December 31 of each year.

At December 31, 2023, "Bonds and other marketable securities" included recognition of 47,487 thousand and 3,528 thousand euros, corresponding to non-current and current balances, respectively. In addition, at 2023 year end an amount of 358 thousand euros was recognized for debt arrangement expenses, calculated by netting the nominal amounts of non-current bonds and other marketable securities.

At December 31, 2022, "Bonds and other marketable securities" included recognition of 51,015 thousand and 3,417 thousand euros, corresponding to non-current and current balances, respectively. In addition, at 2022 year end an amount of 410 thousand euros was recognized for debt arrangement expenses, calculated by netting the nominal amounts of non-current bonds and other marketable securities.

The interest accrued by the Group corresponding to the Céfalo Bond financing during 2023 amounted to 1,838 thousand euros (2022: 1,952 thousand euros). All of this amount was settled at December 31, 2023, with the Group companies consequently not recognizing accrued interest payable at year end (Note 16.f).

Likewise, during 2023 the Group amortized principal on the Céfalo Bond in the amount of 3,417 thousand euros (2022: 3,309 thousand euros).

The participation units of both the subsidiaries that are guarantors for the bonds and the Parent have been pledged such that they are liable for the obligations arising from the bond issue in respect of the full amount of their equity. The breakdown of the guarantor companies is as follows:

Guarantor companies	
Parque Eólico de Cubla, S.L.U. Sonnedix España Holdings 3, S.L.U. Sonnedix España SPV VII, S.L.U. Sonnedix España SPV XVII, S.L.U.	Sonnedix España SPV XIX, S.L.U. Sonnedix España SPV XX, S.L.U. Sonnedix España SPV XXVI, S.L.U. VE Sonnedix Equityco, S.L.U.

The bond issue deed establishes early repayment clauses in the event of any non-payment, unless non-payment is due to administrative reasons and payment is made within 3 business days subsequent to the amortization date, or in the event of the debt service coverage ratio for all companies financed with the bond falling below 1.05.

During 2023 and 2022, the Group complied with the minimum financial ratios established in the bond issue contract.

The breakdown by maturity of financial debt at December 31, 2023 and 2022 is as follows:

2023

	Thousands of euros						
	2024	2025	2026	2027	2028	2029 and beyond	Total
Bonds and other	3,528	3,644	3,766	3,891	4,013	32,173	51,015
	3,528	**3,644**	**3,766**	**3,891**	**4,013**	**32,173**	**51,015**

2022

	Thousands of euros						
	2023	2024	2025	2026	2027	2028 and beyond	Total
Bonds and other	3,417	3,528	3,644	3,766	3,891	36,186	54,432
	3,417	**3,528**	**3,644**	**3,766**	**3,891**	**36,186**	**54,432**

13.2 Other non-current and current borrowings

The breakdown of the Group's other non-current and current financial debt at 2023 and 2022 year end is as follows:

	Thousands of euros	
	2023	2022
Other non-current borrowings	3,687	3,826
Other current borrowings	139	134
	3,826	**3,960**

In accordance with IFRS 16, at 2023 year end the Group recognized a total amount of 3,826 thousand euros (2022: 3,960 thousand euros) under the consolidated balance sheet headings for non-current and current financial debt corresponding to the lease agreements.

The movements in liabilities recognized due to application of IFRS 16 at December 31, 2023 and 2022 are as follows:

	Thousands of euros				
	12/31/2023				
	Balance at 1/1/2023	Additions due to new contracts	Financial discounting (Note 16.f)	Rental payments	Balance at 12/31/2023
Lease liabilities	3,960	-	121	(255)	3,826
	3,960	**-**	**121**	**(255)**	**3,826**

	Thousands of euros				
	12/31/2022				
	Balance at 1/1/2022	Additions due to new contracts	Financial discounting (Note 16.f)	Rental payments	Balance at 12/31/2022
Lease liabilities	4,090	-	125	(255)	3,960
	4,090	**-**	**125**	**(255)**	**3,960**

13.3 Non-current and current borrowings from Group companies and associates (Note 15)

<u>*Borrowings from Sonnedix Holdco Spain B.V.*</u>

During 2023 and 2022, the subsidiaries partially amortized the principal on said loans in the amounts of 2,514 thousand and 1,247 thousand euros, respectively.

Thus, at December 31, 2023, the nominal amount pending repayment to Sonnedix Holdco Spain B.V. amounts to 4,531 thousand euros (2022: 7,045 thousand euros).

In addition, the Group recognized current interest accrued and pending settlement at December 31, 2023 and 2022 in the amount of 339 thousand and 191 thousand euros, respectively. During 2023, the Group settled interest payments in an amount of 298 thousand euros.

13.4 Other non-current financial liabilities

Article 22 of Royal Decree 413/204 establishes the mechanism for adjusting regulated remuneration in connection with deviations from the estimated electricity market prices (Note 3).

By virtue of said article, at December 31, 2023 the Group recognized a balance of 1,294 thousand euros (2022: 1,785 thousand euros) under "Other financial liabilities" in the accompanying consolidated balance sheet, corresponding to the remuneration adjustment receivable, which will be compensated over the remaining regulatory useful life of the assets. Said amount arises from the difference between the market price estimated by the CNMC for calculating the remuneration parameters for each regulatory half-period and the real market price of energy. The Group decided to recognize the entire amount under non-current liabilities in the consolidated balance sheet as the amount to be settled in the short term is not material and the final amount will be determined at the end of the regulatory useful life of each installation.

13.5 Other payables

At December 31, 2023, the Group recognized an amount of 626 thousand euros (2022: 362 thousand euros) under "Trade and other payables - Other payables" in the accompanying consolidated balance sheet, mainly corresponding to the amounts payable to third parties for services received in connection with tax, technical, and legal matters, as well as audit fees.

13.6 Information on average payment periods for suppliers

On February 4, 2016, the ICAC published its Resolution of January 29, 2016 on information to be included in the notes to the financial statements in connection with the average supplier payment periods in commercial transactions, the objective of which is to comply with the expressly stated obligations in Law 31/2014, of December 3.

This section was updated with the requirements of Law 18/2022, of September 28, on company creation and growth, so that in addition to the average payment period for suppliers, the monetary volume and number of invoices paid within the maximum period provided for in late payment regulations as well as the corresponding percentages these items represent over the total monetary payments to suppliers and total number of invoices, must also be disclosed.

The average supplier payment periods as reported by the Group for 2023 and 2022 were as follows:

	2023	2022
	Days	
Average supplier payment period	39	40
Ratio of transactions paid	39	40
Ratio of transactions pending payment	171	195
	Amount (Thousands of euros)	
Total payments made	1,489	1,624
Total pending payments	219	461
Monetary volume of invoices paid within the maximum period allowed for by late payment regulations	1,031	656
Percentage of payments made within the maximum period allowed for by late payment regulations over total payments made	60%	40%
	Number of invoices	
Invoices paid within the maximum period allowed for by late payment regulations	262	191
Percentage over total invoicing	74%	53%

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 heading for "Trade and other payables" under current liabilities in the consolidated 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 period applicable to the Group companies in 2023 and 2022 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 up to a maximum of 60 natural days.

14. TAXES

From January 1, 2018, the Group companies file their tax returns under a consolidated tax regime, with VE Sonnedix Equityco, S.L. (Sole Shareholder Company) as tax representative of the tax group comprising all companies listed in Appendix I, with the exception of VE Sonnedix Finance, S.A., which given its registered tax address located outside Spanish territory settles its tax returns individually in accordance with the applicable tax regulations.

Filing tax returns under the special tax consolidation regime involves determining the Group's tax result taken as a whole together with any deductions and tax rebates. For tax purposes, a group of companies is understood to be made up of the Parent and the subsidiaries resident in Spanish territory in which the Parent directly or indirectly holds at least 75% of share capital and which meet the requirements established for inclusion in this special regime.

The distribution of the tax burden is carried out as agreed upon by all the companies that belong to the tax consolidation group, respecting the stipulations of the accounting standards issued by the ICAC.

14.1 Balances with public administrations

The breakdown of non-current and current balances with public administrations is as follows:

Receivable balances

	Thousands of euros	
	2023	2022
Deferred tax assets	5,423	5,551
Total non-current	**5,423**	**5,551**
Sundry taxes receivable from the tax authorities	-	61
Total current	**-**	**61**

Payable balances

	Thousands of euros	
	2023	2022
Deferred tax liabilities	1,404	1,941
Total non-current	**1,404**	**1,941**
VAT payable to the tax authorities	395	779
Corporate income tax payable to the tax authorities	-	90
Other taxes payable to the tax authorities	-	79
Total current	**395**	**949**

14.2 Reconciliation of taxable income (tax result) and corporate income tax expense

The reconciliation of taxable income (tax result) and corporate income tax expense for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Consolidated profit (loss) for the Group before tax	**(1,712)**	**(1,499)**
Permanent differences and consolidation adjustments	**11**	**106**
Temporary differences:		
Non-deductible finance expenses	(400)	(236)
Amortization of operating rights	830	830
Non-deductible amortization/depreciation	(76)	(76)
Accelerated tax amortization/depreciation	1,314	1,315
Tax impact of IFRS 16	44	53
Preliminary taxable income	**11**	**493**
Adjustment of tax loss carryforwards (Law 38/2022)	**410**	**-**
Application of tax loss carryforwards recognized in prior years	**(482)**	**(488)**
Taxable income (Tax result)	**(62)**	**5**
Theoretical tax rate calculated at 25%	**15**	**(2)**
Tax payable (current corporate income tax expense of the Group)	**15**	**(2)**
Impact of temporary differences:		
Non-deductible finance expenses	(100)	(59)
Amortization of operating rights	208	208
Non-deductible amortization/depreciation	(19)	(19)
Accelerated tax amortization/depreciation	329	329
Tax impact of IFRS 16	11	12
Adjustment of tax loss carryforwards (Law 38/2022)	102	-
Adjustment due to tax rate for companies not included in the tax consolidation	-	25
Application of tax loss carryforwards recognized in prior years	(122)	(122)
Tax loss carryforwards generated during the year (not recognized)	(15)	-
Total corporate income tax (expense) income	**409**	**373**

The temporary differences recognized correspond to the following:

- The non-deductible amortization arising from the restatement of intangible assets (operating rights) as a consequence of the mergers carried out in previous years, on the basis of which the Grouprecognized the consolidated values of the photovoltaic projects, which were greater than their historical acquisition cost.

- The 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 Royal Legislative 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 said percentage not been 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 accelerated tax amortization/depreciation which the subsidiary Sonnedix España SPV XVII, S.L.U. availed itself of by virtue of the stipulations of Law 4/2008 of December 23.

- 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 operational profit (defined in the aforementioned Royal Decree Law: basically the operating profit increased by the recognized amortization/depreciation) or one million euros. At any rate, the first million euros will always be tax deductible.

- The tax effect arising from the Group adopting IFRS 16 (*Leases*) in 2019.

- The application of tax losses generated in prior years by Group companies.

- The limitation to 50% of the individual tax loss carryforwards for each of the companies which make up the tax group, included in Law 38/2022, for the tax periods which commenced in 2023. The amount to which the tax loss carryforwards are limited will be recovered in the tax group's tax base via negative adjustments amounting to one tenth of the corresponding balance for each of the first ten tax periods starting from January 1, 2024.

14.3 Deferred tax assets and liabilities

The breakdown of these consolidated balance sheet headings at 2023 and 2022 year end is as follows:

Deferred tax assets

The movements in deferred tax assets in 2023 are as follows:

	Thousands of euros			
	2022	Additions	Derecognitions	2023
Non-deductible amortization/depreciation	39	-	(19)	20
Tax losses pending application	4,344	102	(122)	4,324
Non-deductible finance expenses	1,115	-	(100)	1,015
Tax impact of IFRS 16	53	11	-	64
	5,551	**113**	**(241)**	**5,423**

	Thousands of euros			
	2021	Additions	Derecognitions	2022
Non-deductible amortization/depreciation	58	-	(19)	39
Tax losses pending application	4,466	-	(122)	4,344
Non-deductible finance expenses	1,175	-	(59)	1,115
Tax impact of IFRS 16	40	12	-	53
	5,739	**12**	**(200)**	**5,551**

The aforementioned deferred tax assets were recognized in the consolidated balance sheet as the sole director of the Parent, based on the best estimate for the future profits of Group companies, including certain tax planning initiatives, considers that these tax assets will probably be recovered.

Deferred tax liabilities

The movements during 2023 in the deferred tax liabilities described above are as follows:

	Thousands of euros			
	2022	Additions	Derecognitions	2023
Accelerated tax amortization/depreciation	1,219	-	(329)	890
Temporary differences (operating rights)	722	-	(208)	514
	1,941	**-**	**(537)**	**1,404**

	Thousands of euros			
	2021	Additions	Derecognitions	2022
Accelerated tax amortization/depreciation	1,548	-	(329)	1,219
Temporary differences (operating rights)	930	-	(208)	722
	2,478	**-**	**(537)**	**1,941**

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

- The amounts recognized as a consequence of the applicability of accelerated tax amortization/depreciation for the subsidiary Sonnedix España SPV XVII, S.L.U.

- The deferred tax recognized as a consequence of assigning the difference between the amount paid for the acquisitions performed and the net assets acquired, recognized as a greater amount for intangible assets with a defined useful life (operating rights; Note 5). The reversal of these deferred tax liabilities will be carried out during the useful life of the assets associated with said rights.

14.5 Deferred tax assets not recognized

The breakdown for deferred tax assets not recognized (at the tax rate) at December 31, 2023 and 2022 is as follows:

Year generated	Last year for utilization	2023	2022
Deductions relating to environmental matters			
2008	2023	-	3,258
2010	2025	335	335
		335	**3,593**

14.6 Years open to tax verification and tax inspections

In accordance with prevailing tax 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 Parent considers that all aforementioned applicable taxes have been duly filed 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 accompanying consolidated balance sheet.

15. TRANSACTIONS WITH RELATED PARTIES

15.1 Transactions with related parties

The breakdown of transactions performed with related parties during 2023 and 2022 is as follows:

	Thousands of euros	
Finance expenses - Group companies	2023	2022
Cost of sales (Note 16.b)	(769)	(719)
Finance income from group companies and associates (Note 16.e)	8	-
Finance costs with group companies and associates (Note 16.f)	(446)	(683)

The breakdown of finance costs accrued during 2023 and 2022, by Group company, is as follows:

	Thousands of euros	
	2023	2022
Sonnedix España SPV XVII, S.L.	262	345
Sonnedix España SPV XIX, S.L.	97	125
Parque Eólico de Cubla, S.L.	86	213
	446	**683**

In addition, "Cost of sales" includes recognition of the expenses accrued during 2023 for the operating and maintenance services invoiced by the related party Sonnedix España Services, S.L., amounting to 769 thousand euros (2022: 719 thousand euros) by virtue of the contracts signed. Said contracts established a fixed annual cost per MW of installed nominal capacity.

15.2 Balances with related parties

The breakdown of the balances with related parties recognized in the consolidated balance sheet at December 31, 2023 and 2022 is as follows:

	12/31/2023	
	Non-current borrowings from group companies	Current borrowings from group companies
Loans to group companies	747	8
	747	**8**
Borrowings from group companies	4,531	339
	4,531	**339**

	12/31/2022	
	Non-current borrowings from group companies	Current borrowings from group companies
Borrowings from group companies	7,045	191
	7,045	**191**

Loans to related parties

The breakdown of non-current loans to related parties at 2023 year end corresponds to the loans granted to Sonnedix Holdco Spain B.V. At December 31, 2022, the Group did not hold any loans granted to related parties:

Company	Thousands of euros		
	12/31/2023		
	Balance	Maturity date	Interest rate
Sonnedix Holdco Spain B.V.	747	9/7/2042	3.509%
Accrued interest pending collection	8		
	755		

Borrowings from related parties

The breakdown of non-current subordinated debt with related parties at 2023 and 2022 year end corresponds to the loans held by the Group's subsidiaries with Sonnedix Holdco Spain B.V. The balance at December 31, 2023 and 2022 was as follows (Note 13.3):

Company	Thousands of euros		
	Non-current balance		
	12/31/2023		
	Balance	Maturity date	Interest rate
Sonnedix España SPV XVII, S.L.	2,788	11/30/2033	9%
Sonnedix España SPV XIX, S.L.	1,062	1/31/2029	9%
Parque Eólico de Cubla, S.L.	681	12/31/2036	9%
	4,531		

Company	Thousands of euros		
	Non-current balance		
	12/31/2022		
	Balance	Maturity date	Interest rate
Sonnedix España SPV XVII, S.L.	3,537	11/30/2033	9%
Sonnedix España SPV XIX, S.L.	1,173	1/31/2029	9%
Parque Eólico de Cubla, S.L.	2,335	12/31/2036	9%
	7,045		

In addition, at 2023 year end the Group recognized a current balance of 339 thousand euros (2022: 191 thousand euros) corresponding to interest accrued and not paid to the related party Sonnedix Holdco Spain B.V. for the financing granted (Note 13.3).

16. INCOME AND EXPENSES

a) Revenue

Revenue for 2023 amounted to 10,315 thousand euros (2022: 10,889 thousand euros), practically entirely corresponding to the sale of energy produced by the Group's various operational photovoltaic solar power plants.

b) Cost of sales

This heading presents a balance of 920 thousand euros for 2023 (2022: 884 thousand euros), mainly corresponding to work performed by the Group company Sonnedix España Services, S.L. when providing operation and maintenance services for the photovoltaic installations (Note 15).

c) Other operating expenses

The breakdown of this heading in the accompanying consolidated statement of profit and loss at December 31, 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
External services:		
Rent	28	17
Bank services	4	10
Independent professional services	120	73
Other taxes	55	84
Other services	-	10
	207	**194**

In 2023, "Independent professional services" in the accompanying consolidated statement of profit or loss includes an expense of 120 thousand euros (2022: 73 thousand euros), mainly corresponding to the cost of advisory services received by the Group for legal, tax, and technical matters, and including the fees for audit services (Note 19).

d) *Depreciation and amortization allowances*

The breakdown of this heading in the accompanying consolidated statement of profit and loss at December 31, 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Amortization allowance for intangible assets (Note 5)	1,251	1,251
Depreciation allowance for PP&E (Note 6)	7,219	7,221
	8,470	**8,472**

e) *Finance income*

Finance income from Group companies and associates corresponds entirely to interest accrued by the Group on the financing granted to Sonnedix Holdco Spain, B.V. amounting to 8 thousand euros in 2023 (Notes 7 and 15).

Likewise, the Group recognized the interest corresponding to the current accounts it holds under "Finance income - From third parties" in the accompanying consolidated statement of profit or loss, amounting to a total balance of 63 thousand euros.

f) *Finance costs*

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

	Thousands of euros	
	2023	2022
Finance costs for bonds and other marketable securities	1,890	2,010
Finance costs with group companies and associates (Note 15)	446	683
Other finance costs	143	145
	2,479	**2,838**

Finance costs for bonds and other marketable securities

This heading in the consolidated statement of profit or loss reflects the interest accrued on the financing obtained through the Céfalo Bond issue (Note 13.1) in the amount of 1,838 thousand euros during 2023 (2022: 1,952 thousand euros).

It also includes the finance cost corresponding to the arrangement fees accrued with respect to the bond issue, amounting to 52 thousand euros in 2023 (2022: 58 thousand euros).

Other finance costs

This heading includes the finance cost incurred when restating the provisions for dismantling photovoltaic installations, amounting to 12 thousand euros during 2023 (2022: 12 thousand euros) (Note 20), as well as the cost of guarantees in the amount of 10 thousand euros in 2023 (2022: 8 thousand euros).

In addition, the Group recognized a balance of 121 thousand euros during 2023 (2022: 125 thousand euros) corresponding to the finance costs arising on the financial discounting of the lease liability recognized in the consolidated balance sheet as a result of applying IFRS 16 (Note 13.2).

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

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

The Parent's sole director did not report any potential direct or indirect conflict of interest between the sole director or related persons, as defined in Spain's Corporate Enterprises Act, and the Group at either 2023 or 2022 year end.

Remuneration and other benefits for Senior Management and the Sole Director

The Group companies did not recognize any amounts whatsoever in 2023 or 2022 in respect of wages or salaries paid to the Parent's sole director or members of senior management. The functions and duties of senior management for the Parent were assumed by its sole director in 2023 and 2022.

Likewise, at 2023 and 2022 year end, the Group companies had not granted any loans, advances or guarantees of any kind to the sole director of the Parent.

Further, there were no commitments with respect to pension plans and life insurance policies for the sole director of the Parent or senior management.

18. FINANCIAL STRUCTURE (NOTE 13)

The Group companies mainly finance their photovoltaic projects via financing obtained through the Céfalo Bond issue described in Note 13.1 to the accompanying consolidated financial statements. In addition to the financing obtained from said bond issue, all of the projects are also financed with subordinated debt granted by the related party Sonnedix B.V. Holdco Spain B.V. (Note 13.3).

19. AUDITOR FEES

The fees during 2023 and 2022 for audit and non-audit services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L., as well as fees for services invoiced by the auditors of the individual financial statements of companies included in the consolidation and by parties related to them due to control, common ownership or management, were as follows:

	Thousands of euros	
	Services provided by the main auditor	
Description	2023	2022
Audit services	31	30
Total audit and related services	**31**	**30**
	31	**30**

20. PROVISIONS

At the end of the useful life of some of the photovoltaic solar installations, the Group must dismantle them. Upon initial recognition of the fixed assets, the Group 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 Group makes assumptions and estimates regarding the discount rate and expected dismantling costs.

The Group 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 Group for some of these photovoltaic power plants in the consolidated balance sheet amounts to 464 thousand euros at December 31, 2023 (2022: 452 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 this provision is discounted to its present value, recognizing the corresponding adjustments under finance expenses as accrued (Note 16.f).

21. SEGMENT INFORMATION

As in the previous year, the Group focused its activities during 2023 on a single business line: the operation of photovoltaic solar installations in Spain, which includes, amongst other activities, the production and sale of electricity generated by solar energy. Said business segment is the only one utilized by the Group's General Management in its reports to the sole director of the Parent and is the only one used for management of the Group.

22. EVENTS AFTER THE REPORTING DATE

No additional events occurred subsequent to the annual closing which are significant enough to warrant disclosure in the accompanying consolidated financial statements.

23. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The abridged Consolidated Financial Statement are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain. Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

In the event of a discrepancy, the Spanish-language prevails for legal purposes.

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Management Report for the year ended December 31, 2023

1. Economic data of the Company

Operating results for 2023 presented a profit of 696 thousand euros (2022: a profit of 1,339 thousand euros), obtaining revenue of 10,315 thousand euros (2022: 10,889 thousand euros).

The losses before taxes on continuing operations for 2023 amounted to 1,712 thousand euros (2022: 1,499 thousand euros of losses), while the Group's negative results in 2023 amounted to 1,303 thousand euros of losses (2022: 1,126 thousand euros of losses).

The Group will continue operating the solar power plants described in Note 1 to the accompanying consolidated financial statements for the coming years.

2. Main business risks

The main risk to which the Group's business activities are exposed relates to the possibility of regulatory changes which may arise in the different markets where it is present. To the extent that the Company pursues its activities in developed economies with legal security, it can manage said risk and does not anticipate any relevant matters which could significantly affect its equity in the future.

Apart from this, the Group is not exposed to any other significant risks, given that the critical variables of its business (sales price for energy and installation rental costs) are known and have been agreed upon contractually, so that performance of the Group during the period it operates a photovoltaic power plant basically depends on the amount of daylight hours permitting the generation of electric energy.

3. Business outlook

The Group's strategic objective for 2024 is based on continuing the operation of its photovoltaic projects in the most efficient manner possible so as to maximize value.

4. Significant events for the Company after the reporting period

No additional significant matters arose other than those disclosed in Note 22 to the accompanying consolidated financial statements.

5. Research and development activities

No R&D activities were carried out during 2021.

6. Acquisition of treasury shares

During 2023 and 2022, the Company did not carry out any transactions with treasury shares and neither did it hold any treasury shares at 2023 or 2022 year end.

Appendix I Subsidiaries of the VE Sonnedix Equityco Group at December 31, 2023

Company	Activity	Address (2)	Percentage of indirect ownership interest and voting rights	Percentage of direct ownership interest and voting rights	Year of acquisition	Equity of the subsidiary (thousands of euros)				
						Share capital	Reserves	Profit (loss)		Total equity
								Operating income	Net profit (loss)	
Sonnedix España SPV VII, S.L.	(1)	Spain	100%	-	2016	3	268	87	65	336
Sonnedix España SPV XVII, S.L.	(1)	Spain	100%	-	2016	3	(6,156)	(909)	(877)	(7,030)
Sonnedix España SPV XIX, S.L.	(1)	Spain	100%	-	2016	3	(23,111)	(341)	(280)	(23,388)
Sonnedix España SPV XX, S.L.	(1)	Spain	100%	-	2016	3	(146)	(1)	(2)	(145)
Sonnedix España SPV XXVI, S.L.	(1)	Spain	100%	-	2016	3	(421)	7	5	(413)
Parque Eólico de Cubla, S.L.	(1)	Spain	100%	-	2017	1,203	(3,500)	(248)	(220)	(2,517)
Sonnedix España Holdings 3, S.L.	(1)	Spain	-	100%	2016	3	6,453	(6)	(4)	6,452
VE Sonnedix Finance, S.A.	(1)	Luxembourg	-	100%	2017	30	(123)	(62)	(62)	(155)

(1) None of the companies indicated above is listed on a stock exchange. The activities of the companies are focused on the development and promotion of energy projects and all matters relating to the electric energy market.

(2) Companies with their registered address at Calle Príncipe de Vergara 108, 12º, 28002 (Madrid) with the exception of VE Sonnedix Finance, S.A., whose registered address is at 46ª avenue J.F. Kennedy, L-1855 (Luxembourg).

All the investments presented were consolidated under the full consolidation method.

Appendix I Subsidiaries of the VE Sonnedix Equityco Group at December 31, 2022

Company	Activity	Address (2)	Percentage of indirect ownership interest and voting rights	Percentage of direct ownership interest and voting rights	Year of acquisition	Equity of the subsidiary (thousands of euros)				
						Share capital	Reserves	Profit (loss)		Total equity
								Operating income	Net profit (loss)	
Sonnedix España SPV VII, S.L.	(1)	Spain	100%	-	2016	3	201	679	16	220
Sonnedix España SPV XVII, S.L.	(1)	Spain	100%	-	2016	3	(4,575)	4,567	(712)	(5,285)
Sonnedix España SPV XIX, S.L.	(1)	Spain	100%	-	2016	3	(1,781)	1,198	(249)	(2,027)
Sonnedix España SPV XX, S.L.	(1)	Spain	100%	-	2016	3	(154)	417	15	(136)
Sonnedix España SPV XXVI, S.L.	(1)	Spain	100%	-	2016	3	(473)	1,480	58	(412)
Parque Eólico de Cubla, S.L.	(1)	Spain	100%	-	2017	1,203	(3,021)	1,394	(281)	(2,099)
Sonnedix España Holdings 3, S.L.	(1)	Spain	-	100%	2016	3	6,400	(4)	(0.2)	6,402
VE Sonnedix Finance, S.A.	(1)	Luxembourg	-	100%	2017	30	(113)	(74)	(6)	335

(1) None of the companies indicated above is listed on a stock exchange. The activities of the companies are focused on the development and promotion of energy projects and all matters relating to the electric energy market.

(2) Companies with their registered address at Calle Príncipe de Vergara 108, 12º, 28002 (Madrid) with the exception of VE Sonnedix Finance, S.A., whose registered address is at 46ª avenue J.F. Kennedy, L-1855 (Luxembourg).

All the investments presented were consolidated under the full consolidation method.

VE Sonnedix Equityco, S.L. and Subsidiaries

AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 TOGETHER WITH THE CONSOLIDATED MANAGEMENT REPORT

Authorization by the sole director of the Parent:

The accompanying consolidated financial statements (comprised of the consolidated balance sheet, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes thereto) for the annual period ended December 31, 2023, were authorized for issue together with the consolidated management report for the annual period ended December 31, 2023, by the natural person representing the sole director on March 29, 2024. The accompanying consolidated financial statements and consolidated management report are set forth on 44 pages, from page 1 to 44.

Mr. Miguel Ángel García Mascuñan
In representation of Sonnedix España Holdings 3, S.L.
(Sole director of the Parent)