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

SONNEDIX ESPAÑA FINANCE 2, S.A. (Sociedad Unipersonal)
Special Purpose Financial Statements
for the year ended December 31, 2019

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

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

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

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

To the Shareholders of SONNEDIX ESPAÑA FINANCE 2, S.A.:

## Opinion

We have audited the special purpose financial statements (the financial statements) of SONNEDIX ESPAÑA FINANCE 2, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and the notes thereto for the year then ended, including a summary of significant accounting policies. The financial statements have been prepared by SONNEDIX ESPAÑA FINANCE 2, S.A. Sole Director based on the criteria for financial reporting described in Note 2, since management considers such criteria most suitably meet the purpose for which they have been prepared.

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

## Basis for opinion

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

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

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

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

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

## Other matter

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

## Responsibilities of the Sole Director for the financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Director.

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

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

ERNST & YOUNG, S.L.

(signed in the original version)

________________________________
Ambrosio Arroyo Fernández-Rañada

May 22, 2020

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

Special Purpose Financial Statements
for the year ended December 31, 2019

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

## BALANCE SHEET AT DECEMBER 31, 2019 AND 2018

*(Thousands of euros)*

| ASSETS | Notes | 2019 | 2018 | EQUITY AND LIABILITIES | Notes | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **205,500** | **201,540** | **EQUITY** | **14** | **(2,019)** | **21,541** |
| **Intangible assets** | **7** | **33,143** | **-** | ***CAPITAL AND RESERVES*** | | ***(2,019)*** | ***21,541*** |
| Operating rights | | 27,441 | - | **Share capital** | | **60** | **60** |
| Right-of-use in leases | | 5,702 | - | Issued capital | | 60 | 60 |
| **Property, plant, and equipment** | **8** | **111,091** | **-** | **Reserves** | | **(17,034)** | **(84)** |
| Land and buildings | | 366 | - | Other reserves | | (17,034) | (84) |
| Plant and other PP&E | | 110,725 | - | **Retained earnings** | | **(19)** | **-** |
| **Investments in group companies and associates** | | **33,123** | **201,526** | Prior year losses | | (19) | - |
| Equity instruments | **9.1** | - | 23,339 | **Other owner contributions** | | **21,742** | **21,584** |
| Loans to companies | **9.2 and 17** | 33,123 | 178,187 | **Profit (loss) for the year** | | **(6,768)** | **(19)** |
| **Financial investments** | **10** | **8** | **-** | | | | |
| Other financial assets | | 8 | - | | | | |
| **Deferred tax assets** | **16** | **28,135** | **14** | | | | |
| | | | | **NON-CURRENT LIABILITIES** | | **209,787** | **181,242** |
| | | | | **Provisions** | **19** | **739** | **-** |
| | | | | **Borrowings** | | **151,441** | **154,549** |
| | | | | Bonds and other marketable securities | 15.1 | 145,840 | 154,549 |
| | | | | Other borrowings | 15.2 | 5,601 | - |
| | | | | **Borrowings from group companies and associates** | **15.3 and 17** | **35,631** | **26,693** |
| | | | | **Deferred tax liabilities** | **16** | **21,976** | **-** |
| **CURRENT ASSETS** | | **17,798** | **11,424** | | | | |
| **Inventories** | | **44** | **3** | **CURRENT LIABILITIES** | | **15,530** | **10,181** |
| **Trade and other receivables** | | **7,733** | **2,269** | **Borrowings** | | **7,427** | **8,801** |
| Trade receivables | **11** | 7,186 | - | Bonds and other marketable securities | 15.1 | 7,247 | 8,801 |
| Trade receivables from group companies and associates | **11 and 17** | 3 | 1,772 | Other borrowings | 15.2 | 180 | - |
| Other accounts receivable | | 7 | - | **Payables to group companies and associates** | **15.3 and 17** | **5,478** | **722** |
| Other receivables from public administrations | **16** | 537 | 497 | **Trade and other payables** | | **2,625** | **658** |
| **Investments in group companies and associates** | **9.2 and 17** | **-** | **8,801** | Suppliers | **15** | 58 | - |
| Loans to companies | | - | 8,801 | Other accounts payable | **15.4** | 178 | 656 |
| **Financial investments** | **10** | **6,146** | **335** | Current tax liabilities | **16** | 663 | - |
| **Cash and cash equivalents** | **12** | **3,875** | **16** | Other payables to public administrations | **16** | 1,726 | 2 |
| **TOTAL ASSETS** | | **223,298** | **212,964** | **TOTAL EQUITY AND LIABILITIES** | | **223,298** | **212,964** |

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

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

## INCOME STATEMENT FOR 2019 AND 2018

*(Thousands of euros)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| ***CONTINUING OPERATIONS*** | | | |
| **Revenue** | **18.a** | **23,859** | **2,788** |
| Income from sale of energy | | 23,859 | - |
| Rendering of services | | - | 2,788 |
| **Cost of sales** | **18.c** | **(1,552)** | **-** |
| Subcontracted work | | (1,552) | - |
| **Other operating income** | | **130** | **-** |
| **Other operating expenses** | **18.d** | **(2,608)** | **(2,824)** |
| External services | | (376) | (2,824) |
| Taxes | | (2,232) | - |
| **Depreciation and amortization** | **18.e** | **(21,240)** | **-** |
| **Impairment losses and gains (losses) on disposal of non-current assets** | | **-** | **(2)** |
| **Other gains (losses)** | | **(6)** | **-** |
| **OPERATING PROFIT** | | **(1,417)** | **(38)** |
| **Finance income** | **18.f** | **913** | **3,020** |
| From loans to group companies and associates | | 913 | 3,020 |
| **Finance costs** | **18.g** | **(8,776)** | **(3,007)** |
| Borrowings from group companies and associates | | (3,207) | (459) |
| Bonds and other marketable securities | | (5,341) | (2,548) |
| Other finance costs | | (228) | - |
| **FINANCE COST** | | **(7,863)** | **13** |
| **PROFIT (LOSS) BEFORE TAX** | | **(9,280)** | **(25)** |
| Corporate income tax | **16** | 2,512 | 6 |
| **PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(6,768)** | **(19)** |
| **PROFIT FOR THE YEAR** | | **(6,768)** | **(19)** |

The accompanying Notes 1 to 23 are an integral part of the income statement for the year ended December 31, 2019.

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

*(Thousands of euros)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR (I)** | | **(6,768)** | **(19)** |
| **Income and expense recognized directly in equity:** | | | |
| **TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)** | | **-** | **-** |
| **Amounts transferred to the income statement** | | - | - |
| **TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)** | | **-** | **-** |
| **TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)** | | **(6,768)** | **(19)** |

The accompanying Notes 1 to 23 are an integral part of the statement of comprehensive income for the year ended December 31, 2019.

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

*(Thousands of euros)*

| | Share capital (Note 14.a) | Other reserves (Note 14.d) | Retained earnings | Other owner contributions (Note 14.b) | Profit (loss) for the year | Total |
|---|---|---|---|---|---|---|
| **BALANCE AT JANUARY 1, 2018 (*)** | **15** | **-** | **-** | **-** | **-** | **15** |
| **Total recognized income and expense** | **-** | **-** | **-** | **-** | **(19)** | **(19)** |
| **Transactions with partners or owners:** | | | | | | |
| Capital increase | 45 | - | - | - | - | **45** |
| Increase / Reduction in equity arising from business combinations | - | (84) | - | 21,584 | - | **21,500** |
| **Other changes in equity** | **-** | **-** | **-** | **-** | **-** | **-** |
| **BALANCE AT DECEMBER 31, 2018** | **60** | **(84)** | **-** | **21,584** | **(19)** | **21,541** |
| **Total recognized income and expense** | **-** | **-** | **-** | **-** | **(6,768)** | **(6,768)** |
| **Transactions with partners or owners:** | | | | | | |
| Other transactions with partners or owners | - | - | - | 158 | - | **158** |
| Reduction in in equity arising from business combinations | - | (16,950) | - | - | - | **(16,950)** |
| **Other changes in equity** | **-** | **-** | **(19)** | **-** | **19** | **-** |
| **BALANCE AT DECEMBER 31, 2019** | **60** | **(17,034)** | **(19)** | **21,742** | **(6,768)** | **(2,019)** |

*(*) Unaudited figures*

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

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

## CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

*(Thousands of euros)*

| | Notes | Financial Year 2019 | Financial Year 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **14,793** | **(1,843)** |
| **Profit (loss) before tax** | | **(9,280)** | **(25)** |
| **Adjustments to profit:** | | **29,109** | **(11)** |
| - Depreciation and amortization | **18.e** | 21,240 | - |
| - Finance income | **18.f** | (913) | (3,020) |
| - Finance costs | **18.g** | 8,776 | 3,007 |
| - Other income and expenses | | 6 | 2 |
| **Changes in working capital** | | **523** | **(1,807)** |
| - Inventories | | (32) | (3) |
| - Trade and other receivables | | 1,480 | (2,269) |
| - Other current assets | | 873 | (192) |
| - Trade and other payables | | (1,798) | 657 |
| **Other cash flows from operating activities** | | **(5,559)** | **-** |
| - Interest and commissions paid | | (5,440) | (2,548) |
| - Interest received | **9.2** | - | 2,548 |
| - Income tax payments | | (119) | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(2,119)** | **(186,560)** |
| **Payments on investments (-)** | | **(8,841)** | **(191,738)** |
| - Group companies and associates | **9.2** | (8,572) | (191,403) |
| - Property, plant, and equipment | **8** | (269) | - |
| - Other financial assets | **10** | - | (335) |
| **Proceeds from disposals (+)** | | **6,722** | **5,178** |
| - Group companies and associates | **9.2** | - | 4,823 |
| - Other financial assets | **10** | 335 | - |
| - Other assets (cash contributed by merged companies) | **6** | 6,387 | 355 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(8,815)** | **188,404** |
| **Proceeds from and payments on equity instruments** | | **158** | **45** |
| - Proceeds from issuance of equity instruments (+) | **14.a** | - | 45 |
| - Owner contributions (+) | **14.b** | 158 | - |
| **Proceeds from and payments of financial liabilities** | | **(8,973)** | **188,359** |
| - Issues | | | |
| Bonds and other marketable debt securities (+) | **15.1** | - | 168,173 |
| Payable to group companies and associates (+) | **15.3** | - | 25,009 |
| - Repayment and redemption of: | | | |
| Bonds and other marketable debt securities (-) | **15.1** | (8,801) | (4,823) |
| Other borrowings (lease liabilities) (-) | **15.2** | (172) | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **3,859** | **1** |
| Cash and cash equivalents at January 1 | **12** | 16 | 15 |
| Cash and cash equivalents at December 31 | **12** | 3,875 | 16 |

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

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

Notes to the special purpose financial statements for the year ended December 31, 2019

### 1. ACTIVITY OF THE COMPANY

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

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

On March 14, 2018 the former shareholders of the Company (Legal Management Advisory, S.L. and Directorship Cibeles, S.L.) signed an agreement for all its shares to be sold to Global Benengeli, S.L.U.

On August 28, 2018, Sonnedix España, S.L.U. (sole partner of Global Benengeli, S.L. and, by extension, indirect sole shareholder of Sonnedix España Finance 2, S.A. at said date) approved the reverse merger between Sonnedix España Finance 2, S.A ("the absorbing company") and Global Benengeli, S.L. ("the absorbed company").

Said merger was filed at the Mercantile Registry on November 21, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. For accounting purposes this merger took effect from the date on which Global Benengeli, S.L.U. acquired Sonnedix España Finance 2, S.A., that is, March 14, 2018 (Note 6.2).

The Company's corporate purpose is the development and promotion of energy projects, including the purchase, sale, importing, exporting, distribution, supply, and marketing of the necessary equipment for the production of electric energy. In addition, the companies in which Sonnedix España Finance 2, S.A. (sole shareholder company) was invested at 2018 year end performed their activities in the market for the generation of electricity in Spain via the operation of photovoltaic installations, with total installed capacity of its investees amounting to 37.4 MWp.

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

Said merger was ratified by public deed and filed at the Mercantile Registry on July 10, 2019 in accordance with the stipulations of articles 42, 43, and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies. For accounting purposes it took effect on January 1, 2019 (Note 6.1).

In 2018 Sonnedix España Finance 2, S.A. prepared its first short-form financial statements. Further, the Company was the head of a group of companies and voluntarily prepared 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. With the finalization of the aforementioned merger operation carried out during 2019, the Company no longer holds any stakes in the share capital of any group company or associate.

At December 31, 2019 and 2018, the Company belonged to a group of companies (the Sonnedix España Group) whose parent is Sonnedix España, S.L.U., a Spanish company that issues consolidated financial statements and a consolidated management report, and whose registered address is located in Madrid at calle Príncipe de Vergara, 108, Floor 12.

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

***Activity***

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

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

1. A photovoltaic solar farm of 0.8 MW located in Pinos Puente (Granada), known as the Pinos project. Said project became operational in 2008.

2. A photovoltaic solar farm located in the municipality of Langa del Duero (Soria) with a nominal capacity of 1 MW, known as the Elices project, which became operational during 2010.

3. A photovoltaic solar farm in the municipality of Puebla del Prior (Badajoz) with a nominal capacity of 2 MW, known as the La Puebla project. Said project became operational in 2007 and was acquired by the Sonnedix España Group in 2017.

4. A photovoltaic solar farm in the municipality of Pozohondo (Albacete) with a nominal capacity of 3 MW, known as the Pozohondo project. Said project became operational in 2008 and was acquired by the Sonnedix España Group in 2017.

5. A photovoltaic solar farm located in the municipality of Los Hinojosos (Cuenca) with a nominal capacity of 1.8 MW, known as the Los Hinojosos project, which became operational during 2007. This project was acquired by the Sonnedix España Group in 2017.

6. A photovoltaic solar farm of 8 MW comprised of 14 installations and located in Alange (Badajoz), known as the Alange project. Said project became operational in 2008 and was acquired by the Sonnedix España Group in 2018.

7. A photovoltaic solar farm located in the municipality of La Olmeda (Cuenca) with a nominal capacity of 6 MW, known as the Olmeda project. Said project became operational in 2008 and was acquired by the Sonnedix España Group in 2017.

8. A photovoltaic solar farm made up of 13 photovoltaic installations located in Madrigal de las Altas Torres (Ávila) with a nominal capacity of 1.3 MW, known as the Madrigal project. Said project became operational in 2008 and was acquired by the Sonnedix España Group in 2017.

9. A photovoltaic solar farm comprised of 10 photovoltaic installations located in Olivenza (Badajoz) with a nominal capacity of 1 MW, known as the Olivenza project. Said project became operational in 2007 and was acquired by the Sonnedix España Group in 2017.

10. A photovoltaic solar farm of 1.4 MW located in the municipality of Puig Gros (Lleida), which became operational in 2008, known as the Artemisia project. This project was acquired by the Sonnedix España Group in 2017.

11. A photovoltaic solar farm comprised of 20 photovoltaic installations located in L'Ollería (Valencia) with nominal aggregate capacity of 2 MW, known as the Ollería project. Said project became operational in 2008 and was acquired by the Sonnedix España Group in 2017.

12. A photovoltaic solar farm located in the municipality of Losa del Obispo y Chulilla (Valencia) with a nominal aggregate capacity of 2.9 MW, known as the Portichuelo project, which became operational during 2008. This project was acquired by the Sonnedix España Group in 2017.

13. A photovoltaic solar farm of 2.5 MW located in the municipality of Hinojosa del Valle (Cuenca). Said project became operational in 2010 and is known as the Hinojosos del Valle project. This project was acquired by the Sonnedix España Group in 2017.

***Environmental disclosures***

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

## 2. BASIS OF PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

These Special Purpose Financial Statements (hereinafter, "the financial statements") have been prepared by the Sole Director for compliance with the reporting obligations required by the Guaranteed Bond issue contract(Note 15.1) in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter, EU-IFRS), the IFRS in force at December 31, 2019 as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, taking into consideration the mandatory accounting principles, standards and measurement bases that have a significant effect, but including only those disclosures that the Company's Sole Director considers necessary to comply with its purpose.

Note 5 to the accompanying financial statements provides a summary of the most significant accounting principles and measurement criteria applicable for preparation of these financial statements.

### *2.2. Basis of presentation*

The accompanying special purpose financial statements are presented in thousands of euros and were prepared based on the accounting records held by the Company.

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

### *2.3. True and fair view*

The accompanying financial statements give a true and fair view of the Company's equity, results of operations, changes in equity, and cash flows obtained during 2019 and 2018.

### *2.4. Adoption of IFRS*

The accompanying financial statements are presented under EU-IFRS according to established in the Note 2.1.

The main accounting policies and measurement standards adopted by the Company are presented in Note 5 to the accompanying financial statements in accordance with the stipulations of IFRS-EU.

2.4.1 Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

IFRS 16 *Leases*

Sonnedix España Finance 2, S.A. applied IFRS 16 on January 1, 2019 via the simplified modified retrospective method. Consequently, the balances for 2018 were not modified.

At December 31, 2019 Sonnedix España Finance 2, S.A. had signed a series of lease agreements as lessee for the land it does not own and on which the photovoltaic solar farms being operated are located.

The useful life of the leased assets was determined based on the best estimate realized by the Sole Director of the Company and taking into consideration the contractual characteristics of each agreement (duration, extension rights, etc.). In this manner, when calculating the right-of-use assets the Company considered the extension options included in the lease agreements for the land on which the photovoltaic and wind energy installations are located based on their regulatory useful lives.

The impact of adopting IFRS 16 to the balance sheet at January 1, 2019 is as follows:

| *(Thousands of euros)* | **12/31/2018** | **IFRS 16** | **01/01/2019** |
|---|---|---|---|
| Non-current assets | 201,540 | 5,953 | 207,493 |
| Current assets | 11,424 | - | 11,424 |
| **Total assets** | **212,964** | **5,953** | **218,917** |
| Equity | 21,541 | - | 21,541 |
| Non-current liabilities | 181,242 | 5,781 | 187,023 |
| Current liabilities | 10,181 | 172 | 10,353 |
| **Total liabilities and equity** | **212,964** | **5,953** | **218,917** |

The reconciliation of lease liabilities recognized by the Company in the transition to IFRS 16 on January 1, 2019 with the operating lease commitments that the Company had at the beginning of 2019 is as follows:

| *(Thousands of euros)* | |
|---|---|
| **Operating lease commitments at January 1, 2019** | **8,638** |
| Weighted average discount rate at January 1, 2019 | 3.216% |
| **Operating lease commitments discounted at January 1, 2019** | **5,953** |
| Payments for optional periods not included at January 1, 2019 | - |
| **Lease liabilities recognized at January 1, 2019** | **5,953** |

The movements in assets recognized (land-use rights) as a consequence of applying IFRS 16 in the Company at December 31, 2019 is as follows (Note 7):

| *(Thousands of euros)* | |
|---|---|
| **Balance at January 1, 2019** | **5,953** |
| Additions from signing new contracts | - |
| Depreciation and amortization | (251) |
| **Total land-use rights at December 31, 2019** | **5,702** |

The movements in liabilities recognized due to application of IFRS 16 at December 31, 2019 is as follows:

| *(Thousands of euros)* | **Balance at 12/31/2019** |
|---|---|
| Lease liabilities at January 1, 2019 | **5,953** |
| Additions from signing new contracts | - |
| Financial discounting | 183 |
| Rental payments | (355) |
| **Total lease liabilities at December 31, 2019** | **5,781** |

The impact on the 2019 income statement due to implementation of IFRS 16 is as follows:

| *(Thousands of euros)* | **2019** |
|---|---|
| Capitalization of operating leases | 355 |
| Amortization of right-of-use | (251) |
| Financial discounting impact in connection with right-of-use debt | (183) |
| Corporate income tax | 20 |
| **Impact of IFRS 16 on the income statement** | **(59)** |

The impact on the balance sheet at December 31, 2019 due to implementation of IFRS 16 is as follows:

| *(Thousands of euros)* | **Balance at 12/31/2019** |
|---|---|
| Land-use rights | 5,702 |
| Deferred tax assets | 20 |
| **TOTAL ASSETS** | **5,722** |
| Equity | (59) |
| Non-current liabilities | 5,601 |
| Current liabilities | 180 |
| **TOTAL EQUITY AND LIABILITIES** | **5,722** |

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation of the IFRS Interpretations Committee deals with the accounting treatment of corporate income tax when tax treatments involve uncertainty which affects application of IAS 12. Given that the current practice of the Company is aligned with this interpretation, application of these criteria did not have any significant impact on the Company's results for the period. In the statement of financial position these balances are presented under "Deferred tax liabilities" or "Payables to public administrations," depending on whether they relate to deferred tax liabilities or current income tax liabilities, respectively.

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

The Company intends to adopt the standards, interpretations, and amendments thereof issued by the IASB (which are not mandatory in the European Union for the preparation date of these special purpose financial statements) when they become effective, to the extent applicable to the Company.

Although the Company is still in the process of analyzing their impact, based on the analysis performed to date, the Sole Director of the Company estimate that their first-time application will not have a significant impact on its special purpose financial statements, with the exception of the following:

*Amendments to IFRS 3 Business Combinations*

The amendments change the standard's definition of a business in order to help entities determine whether a transaction must be recognized as a business combination or an acquisition of a group of assets. This distinction is very important as the acquirer only recognizes goodwill when a business is acquired.

The new definition of a business emphasizes that the purpose of a business is to provide goods and services for clients which generate income from the investment (such as dividends or interest) or which generate other income from ordinary activities; while the prior definition was based on the generation of profitability in the form of dividends, lower costs or other economic benefits, directly accruing to the investors or other owners, members, or shareholders.

The new definition of a business will be applicable to acquisitions made on or after January 1, 2020.

**2.5. *Critical issues regarding the measurement and estimation of uncertainty***

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

Although these estimates were made based on the best information available at 2019 year end, events may occur in the future that require prospective adjustments (upwards or downwards) in subsequent years.

These estimates basically refer to:

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

- The measurement of the identifiable assets acquired and liabilities assumed in the business combinations (Note 2.8).

- The calculation of dismantling provisions for the photovoltaic solar installations (Note 5.k).

- The expected amount to be settled for corporate income tax (Note 5.i)

- A provision corresponding to the suspension of the tax on the value of electric energy production during the last quarter of 2018 and the first quarter of 2019 (Note 5.k)

  The calculation of corporate income tax expenses requires interpretation of prevailing tax legislation. Further, the evaluation of expected outcomes for pending controversies and litigation requires the use of significant estimates and judgments.

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

### *2.6. Comparative information*

For comparative purposes, the information included in the accompanying financial statements for 2019 is presented with the information relating to the prior period.

The effects of the merger by absorption carried out by Sonnedix España Finance 2, S.A. and the companies disclosed in Note 6.1 to the accompanying financial statements should be taken into account when comparing the figures from 2019 to those of 2018.

### *2.7. Grouping of items*

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

### *2.8. Business combinations*

Business combinations in which the Company acquires control over one or several businesses are recognized in accordance with the acquisition method, which determines the acquisition date and calculates the cost of the combination, recognizing the identifiable assets acquired and liabilities assumed at their fair value on said date.

Consequently, and for certain Group companies during 2018 and 2017 (merged by absorption at 2019 year end, with Sonnedix España Finance 2, S.A. as absorbing company; Note 6.1), the fair value of the rights of use acquired, corresponding to licenses and administrative procedures necessary for development of a project and acquired from third parties, is recognized. This acquired operating right corresponds to the necessary administrative requirements (concessions, permits, licenses, etc.), mandatory for the construction and starting up of assets associated with each project. Thus, they are also amortized over the useful life of the project assets.

At the date of preparation of the accompanying financial statements, Sonnedix España Finance 2, S.A. had concluded the valuation process for investments made in photovoltaic installations acquired via purchases of companies during 2018 and 2017.

In accordance with prevailing legislation said valuation can be reviewed and adjusted. Thus,

a) The carrying amounts of assets and 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 values of the assets received, the liabilities incurred or assumed, and any equity instruments issued.

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

The cost of a business combination does not include expenses related to the issuing of any equity instruments or financial liabilities delivered in exchange for the items acquired.

Any gain or loss arising from measurement at fair value at the date on which control is obtained over the interest previously held in the acquired entity is recognized in the income statement. If the investment in this investee was previously measured at fair value, any valuation adjustments pending recognition in profit or loss for the year shall be transferred to the income statement. 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 on the business combination, it shall be recognized in the income statement 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.

In the merger transaction described in Note 6.1, the balances, transactions, and results arising between Sonnedix España Finance 2, S.A. (absorbing company) and its subsidiaries (absorbed companies) were eliminated, effective from the beginning of 2019 for accounting purposes.

### *2.9. Financial position and equity*

At December 31, 2019, the Company recognized negative equity amounting to 2,019 thousand euros, mainly as a consequence of the losses incurred in previous years by its subsidiaries. Further, their absorption during 2019 gave rise to an increase in negative merger reserves in the amount of 16,950 thousand euros (Notes 6.1 and 14.d), with the equity of Sonnedix España Finance 2, S.A. thus representing less than half the value of its share capital.

For purposes of considering whether there is cause for dissolution, the participative loans recognized by the Company under non-current liabilities in the accompanying balance sheet at December 31, 2019, and granted by the related party Sonnedix B.V. in the amount of 19,713 thousand euros (Notes 15.3 and 17), are considered as part of net equity for mercantile purposes. Thus, the Company's position does not present grounds for dissolution.

As said participative loan contracts which the Company held with Sonnedix B.V. at 2019 year end were prepared as per the characteristics established in article 20 of Royal Decree-Law 7/1996, of June 7, on urgent tax and other measures to promote and liberalize economic activities, they are considered a part of equity for purposes of evaluating any obligations in connection with capital reduction and dissolution established in the revised text of the Spanish Corporate Enterprises Act.

In addition, the Company had positive working capital amounting to 2,268 thousand euros at December 31, 2019, thus ensuring sufficient liquidity to meet short term commitments.

Given all the above, the Sole Director of the Company prepared the accompanying financial statements on a going concern basis on the understanding that it will not encounter difficulties in realizing its assets or settling its obligations when due and in the amounts at which they are recognized on the balance sheet at 2019 year end.

## 3. APPROPRIATION OF PROFIT

The Sole Director of Sonnedix España Finance 2, S.A. resolved to submit the following proposed appropriation of

2019 profit:

| | Thousands of euros |
|---|---|
| | 2019 |
| **Proposed appropriation:** | |
| Profit (loss) for the year | (6,768) |
| **Appropriation to:** | |
| Prior year losses | (6,768) |

The appropriation of profit for 2018 (losses), proposed by the Sole Director of the Company and approved on June 28, 2019 by Sonnedix España, S.L.U. (sole shareholder), consisted in the complete transfer of said losses to "Prior year losses" in the amount of 19 thousand euros.

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

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

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

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

At 2019 and 2018 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 Electricity Sector Law is designed to establish regulation of the electricity sector for the purpose of guaranteeing electricity supply and adapting it to the needs of consumers in terms of security, quality, efficiency, objectivity, transparency, and minimum cost.

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

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

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

- A term for the operation to cover the shortfall between operating costs and revenue 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 the sale of energy generated, valued at the price (estimated) on the production market,

- Standard operating costs, and

- The standard value of the original investment.

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

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

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

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

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

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

Further, 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.

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

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

On February 17, 2017, Order IET/130/2017 was published for application to the regulatory half-period beginning January 1, 2017, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste. Said remuneration parameters are applicable to Sonnedix España Finance 2, S.A. until December 31, 2019.

The remuneration parameters applicable to the Company's facilities during the current six-month period were as follows:

| Facility | IT Code | Regulatory useful life (years) | Investment remuneration 2018 (€/MW) | Operation remuneration 2018 (€/MW) | Investment remuneration 2019 (€/MW) | Operation remuneration 2019 (€/MW) |
|---|---|---|---|---|---|---|
| Olmeda | IT-00062 | 30 | 513,755 | 31.038 | 513,755 | 31.552 |
| Madrigal | IT-00058 | 30 | 680,683 | 34.305 | 680,683 | 34.857 |
| Portichuelo | IT-00062 | 30 | 513,755 | 31.038 | 513,755 | 31.552 |
| Ollería | IT-00062 | 30 | 513,755 | 31.038 | 513,755 | 31.552 |
| Olivenza | IT-00047 | 30 | 555,453 | 33.772 | 555,453 | 34.303 |
| Puig | IT-00078 | 30 | 597,851 | 35.748 | 597,851 | 36.289 |
| Hinojosa del Valle | IT-00522 | 30 | 424,258 | 24.243 | 424,258 | 24.740 |
| Pinos | IT-00437 | 30 | 310,573 | 21.570 | 310,573 | 22.036 |
| Elices | IT-00441 | 30 | 318,663 | 21.947 | 318,663 | 22.415 |
| Pozohondo | IT-00065 | 30 | 590,428 | 30.658 | 590,428 | 31.190 |
| Los Hinojosos I | IT-00047 | 30 | 555,453 | 33.772 | 555,453 | 34.303 |
| Los Hinojosos II | IT-00057 | 30 | 683,057 | 34.391 | 683,057 | 34.943 |
| La Puebla | IT-00058 | 30 | 680,683 | 34.305 | 680,683 | 34.857 |
| Alange | IT-00087 | 30 | 632,125 | 32.182 | 632,125 | 32.721 |

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period. The Sole Director of the Company estimated the impact of said adjustment, concluding that it was not significant for the Company.

In the opinion of the Company's Sole Director, the income generated by Sonnedix España Finance 2, S.A. under the new regulatory framework should be reasonably sufficient to guarantee the continuity of its operations.

Royal Decree Law 15/2018

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

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

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

*Sixth additional provision (2018)*

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

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

*Seventh additional provision (2019)*

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

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

*Eighth additional provision*

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

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

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

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

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

On November 22, 2019 Royal Decree Law 17/2019 was published by virtue of which urgent measures were adopted 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 Real Decree Law 9/2013, of July 12, became effective, and who desire to avail themselves of it voluntarily, that the reasonable return set for the first regulatory period, ended on December 31, 2019, cannot be modified during the two subsequent and consecutive regulatory periods, from January 1, 2020. In other words, those owners who avail themselves of this scheme will maintain a reasonable return on these installations of 7.398% during the 2020-2031 period, greater than the 7.09% established for the 2020-2025 period, thus avoiding the uncertainty of the 2026-2031 period.

However, availing themselves of this scheme means the early termination of all arbitration or judicial proceedings and the irrevocable renunciation of re-initiating or continuing them, as well as renunciation of any indemnities or compensation which had been recognized as a consequence of such proceedings, subject to accreditation before the General Directorate for Energy and Mining Policy prior to September 30, 2020.

At the date of authorization of the accompanying financial statements, the Sole Director of the Company considers that in the case of those installations with respect to which no arbitration or judicial proceedings had been initiated prior to accreditation before the General Directorate for Energy and Mining Policy (that is, prior to September 30, 2020), the aforementioned exceptional remuneration scheme will be applied. Further, given that for the remaining installations which are involved in ongoing judicial procedures with the public administration, arising from the prior shareholders, there is no certainty regarding the remuneration scheme they will avail themselves of in the end, the Sole Director authorized the accompanying financial statements on this basis.

Order TED/171/2020:

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

## 5. RECOGNITION AND MEASUREMENT POLICIES

The main measurement standards and accounting policies followed by the Company in drawing up the accompanying 2019 financial statements are summarized below:

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

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

*Operating rights*

As required by prevailing regulations, the Company performed an analysis of the fair values of the assets acquired and liabilities assumed, recognizing the resulting values as the carrying amounts. Thus, as indicated in Note 2.8 to the accompanying financial statements, the Company recognized the fair value of the operating rights not recognized in the balance sheets of the acquired and subsequently merged companies in its balance sheet (Note 6.1).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, which cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or 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*

As indicated in Note 2.4 to the accompanying special purpose financial statements, Sonnedix España Finance 2, S.A. adopted IFRS 16 to his lease portfolio on the transition date, that is, January 1, 2019.

As established in IFRS 16, at the moment of signing a contract, the Company 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 Company 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 (less than 12 months) and those in which the asset is of low value.

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

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

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). The right-of-use assets are measured at acquisition cost, less any accumulated depreciation 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 at the lease inception date or before less the lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or, if this was lower than the estimated useful life of the assets and the Company has unilaterally the right to their extended, 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 Company at the end of the lease term or the cost is reflected in the exercise of a purchase option, depreciation is calculated utilizing the estimated useful life of the asset.

The right-of-use assets are also subject to impairment (Notes 5.a and 5.c).

*ii.* *Lease liabilities (Note 15.2)*

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, variably 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 Company 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 Company's lease liabilities are included in the headings of non-current and current "Other borrowings" on the balance sheet. In addition, these financial liabilities accrue interest recognized in the heading "Other finance costs" on the income statement.

***e) Investments in group companies, jointly controlled entities, and associates (Note 9.1)***

"Group companies" or "subsidiaries" are those over which the Company has the capacity to exercise control, which is generally assumed to exist, though not only, when the Company owns, directly or indirectly, at least half the voting rights of the investees or, if the Company owns less than half or none of the voting rights, when it has been granted this control, such as in the case of an agreement with other shareholders. Control over an investee is understood to exist when rights are held which grant the capacity to direct the investee's relevant activities, that is, activities which significantly affect its performance.

"Joint ventures" or "Jointly controlled entities" are considered to be those which, not being subsidiaries, are jointly controlled by two or more unrelated entities. This situation arises when a contractual agreement is reached whereby two or more unrelated parties ("unitholders") invest in entities ("jointly controlled entities"), carry out operations or hold assets, so that any strategic financial or operating decisions which affect them require the unanimous approval of all the unitholders.

"Associates" are those companies in which the Company has the capacity to exercise significant influence but no control or joint control. This significant influence is usually represented by a direct or indirect investment equivalent to or greater than 20% of the investee's voting rights.

At December 31, 2018 all participation units held by Sonnedix España Finance 2, S.A. in the capital of the entities disclosed in Note 9.1 were classified as investments in group companies and associates.

However, at 2019 year end and subsequent to finalizing the merger transaction described in Note 6.1, Sonnedix España Finance 2, S.A. does not hold any investments in the equity of other companies.

*Valuation of group companies, jointly controlled entities, and associates*

The investments in group companies, jointly controlled entities, and associates are initially measured at cost, which is equivalent to the fair value of the consideration paid plus attributable transaction costs and any amounts corresponding to preferential subscription rights and similar items acquired.

They are subsequently measured at cost less any accumulated impairment losses. Impairment losses are calculated as the difference between the carrying amounts and recoverable amounts.

Impairment losses and any reversals thereof are recognized as expenses or income, respectively, in the income statement. Reversals of impairment losses are limited to the carrying amount of the investment which would have been recognized at the reversal date if no impairment had been recognized previously.

### *f) Loans to companies (Notes 9.2 and 17)*

*i. Classification*

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

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

*ii. Recognition and Measurement*

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

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

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

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

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

*Financial assets*

*i. Classification*

At initial recognition financial assets are classified in accordance with the following categories based on their nature and purpose: at fair value through profit and loss; held-to-maturity investments; available-for-sale financial assets; and loans and receivables. Held-to-maturity investments and loans and receivables are measured at amortized cost applying the effective interest rate method, less any impairment losses. The remaining categories are measured at fair value. The Company’s financial assets are classified into the following categories:

- Loans and receivables: financial assets from the sale of goods and rendering of services corresponding to trade transactions; or those that do not have a commercial origin, are not equity instruments or derivatives, but are associated with fixed or determinable payments, and are not quoted on active markets.

*ii. Initial measurement*

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

*iii. Subsequent measurement*

Loans and receivables are subsequently measured at amortized cost.

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

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

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

*Financial liabilities*

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

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

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

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

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

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

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

At December 31, 2019 and 2018 Sonnedix España Finance 2, S.A. filed its tax returns under the individual regime.

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

Current income tax is the amount the Company pays as a result of the tax declarations filed with respect to taxable income for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce 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 that (i) arise from the initial recognition of goodwill or other assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit (tax loss), and (ii) are associated with investments in group companies, associates, and jointly controlled entities for which the Company can control the timing of the reversal of the temporary difference and it is probable that such a reversal will not occur in the foreseeable future.

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

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

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

***j) Income and expenses (Note 18)***

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

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

Interest income 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 are recognized as revenue in the income statement.

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

***k) Provisions and contingencies (Note 19)***

In drawing up its annual financial statements, the Company's Sole Director distinguishes between:

- Provisions: balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources of uncertain amount and/or timing.

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

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

Provisions are measured at the present value of the best estimate possible for the 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.

With respect to suspension of the tax on the value of electricity production described in Note 4 to the accompanying financial statements, at December 31, 2019 the Company recognized the corresponding provision for this item in an amount of 821 thousand euros, as the Sole Director considers that said suspension represents a real and probable tax obligation (Note 18.d).

***l) Environmental assets and liabilities***

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

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

***m) Transactions with related parties (Note 17)***

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

***n) Distinction between current and non-current***

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

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

***o) Cash flow statement***

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

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

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

- Investing activities: the acquisition, sale and 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.

***p) Statements of changes in equity***

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

*Statement of comprehensive income*

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

Accordingly, these statements present:

a) Profit as per the income statement

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

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

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

e) Total recognized income and expense, calculated as the sum of all the above.

*Statement of changes in equity*

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

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

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

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

## 6. MERGERS BETWEEN GROUP COMPANIES

### *6.1 Direct merger by absorption of the subsidiaries of Sonnedix España Finance 2, S.A. (2019)*

On May 3, 2019 the sole shareholder of the Company approved the merger project by virtue of which Sonnedix España Finance 2, S.A. absorbed all its investees at said date (Notes 1 and 9):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| EQUITY AND LIABILITIES | Notes | Thousands of euros |
|---|---|---|
| | | 01/01/2019 |
| **EQUITY** | | **4,591** |
| ***CAPITAL AND RESERVES*** | **14** | **4,591** |
| **Share capital** | | **60** |
| Issued capital | | 60 |
| **Reserves** | | **(17,034)** |
| **Prior year losses** | | **(19)** |
| **Other owner contributions** | | **21,584** |
| **Profit (loss) for the year** | | **-** |
| **NON-CURRENT LIABILITIES** | | **214,151** |
| **Provisions** | **19** | **695** |
| **Borrowings** | | **152,946** |
| Bonds and other marketable securities | **15.1** | 152,946 |
| **Borrowings from group companies and associates** | **15.3 and 17** | **35,148** |
| **Deferred tax liabilities** | **16** | **25,362** |
| **CURRENT LIABILITIES** | | **15,590** |
| **Borrowings** | | **8,858** |
| Bonds and other marketable securities | **15.1** | 8,801 |
| Bank borrowings | | 57 |
| **Payables to group companies and associates** | **15.3 and 17** | **2,754** |
| **Trade and other payables** | | **3,978** |
| Other accounts payable | **15.4** | 2,338 |
| Other payables to public administrations | **16** | 1,640 |
| **TOTAL EQUITY AND LIABILITIES** | | **234,332** |

### *6.2 Reverse merger of Sonnedix España Finance 2, S.A. (absorbing company) and Global Benengeli, S.L.U. (absorbed company) (2018)*

As indicated in Note 1 to the accompanying financial statements, on March 14, 2018, Global Benengeli, S.L.U. subscribed a purchase-sale contract by virtue of which it acquired all the shares of Sonnedix España Finance 2, S.A. for an amount of 15 thousand euros. The net assets of Sonnedix España Finance 2, S.A. recognized at the acquisition date likewise amounted to 15 thousand euros. Thus, given that the consideration delivered in this business combination was equal to the fair value of the net assets, this operation did not give rise to any initial difference upon consolidation at the acquisition date.

On August 28, 2018, Sonnedix España, S.L.U. (sole partner of Global Benengeli, S.L. and, by extension, indirect sole shareholder of Sonnedix España Finance 2, S.A. at said date) approved a reverse merger between Sonnedix España Finance 2, S.A ("the absorbing company") and Global Benengeli, S.L. ("the absorbed company"). Thus, Global Benengeli, S.L.U. was dissolved without liquidation and all its equity was transferred *en bloc* to Sonnedix España Finance 2, S.A. ("the Absorbing company).

On October 24, 2018 the reverse merger by absorption was ratified by public deed and finally filed at the Mercantile Registry on November 21, 2018 in accordance with the stipulations of articles 43 and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies.

For accounting purposes the merger took effect from the date on which Global Benengeli, S.L.U. acquired Sonnedix España Finance 2, S.A., that is, March 14, 2018. The balance sheet of Global Benengeli, S.L.U. considered for integration of the balances (at October 31, 2018) was as follows:

| ASSETS | Notes | Thousands of euros 10/31/2018 |
|---|---|---|
| **NON-CURRENT ASSETS** | | **44,454** |
| **Investments in group companies and associates** | | **44,446** |
| Equity instruments (*) | **9.1** | 21,483 |
| Loans to companies | **9.2** | 22,963 |
| **Deferred tax assets** | **16** | **8** |
| **CURRENT ASSETS** | | **2,520** |
| **Trade and other receivables** | | **1,546** |
| Receivable from group companies and associates (*) | | 1,543 |
| Other receivables from public administrations | | 3 |
| **Investments in group companies and associates** | | **284** |
| Loans to companies | | 284 |
| **Financial investments** | | **335** |
| **Cash and cash equivalents** | | **355** |
| **TOTAL ASSETS** | | **46,974** |

| EQUITY AND LIABILITIES | Notes | Thousands of euros 10/31/2018 |
|---|---|---|
| **EQUITY** | **14** | **19,590** |
| Share capital | | 4 |
| Prior year losses | | (27) |
| Other owner contributions | | 19,668 |
| Profit (loss) for the year | | (55) |
| **NON-CURRENT LIABILITIES** | | **25,959** |
| Borrowings from group companies and associates | **15.3** | 25,959 |
| **CURRENT LIABILITIES** | | **1,425** |
| Payables to group companies and associates | | 332 |
| Current account with group companies (*) | | 405 |
| Trade and other payables | | 688 |
| **TOTAL EQUITY AND LIABILITIES** | | **46,974** |

(*) This integrated balance sheet of Global Benengeli, S.L.U. included creditor and debit balances with the Company at the date of integrating the amounts, which were eliminated in the reverse merger operation. The breakdown of said positions at this balance sheet date was as follows:

- The interest held by Global Benengeli, S.L.U. in the equity of the Company amounting to 60 thousand euros.

- Debit balances with the Company amounting to 231 thousand euros.

- Credit balances for current account with the Company amounting to 78 thousand euros.

Thus, the annual financial statements of the Company for 2018 were prepared under the assumption that a business combination had been carried out on March 14, 2018 and therefore the results of the absorbed company (Global Benengeli, S.L.U.) were included from the date of the aforementioned business combination until December 31, 2018.

If the aforementioned business combination had been carried out at the beginning of 2018, the amount of income at December 31, 2018 would have totaled 341 thousand euros, while the profit for the year would have amounted to 65 thousand euros of losses.

Finally, and as a consequence of the aforementioned reverse merger, negative merger reserves were generated for Sonnedix España Finance 2, S.A. (sole shareholder company) in the amount of 84 thousand euros.

## 7. INTANGIBLE ASSETS

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

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases from merger (Note 6.1) | Additions | Closing balance |
| Cost: | | | | |
| Operating rights | - | 36,108 | - | 36,108 |
| Land-use rights (Note 2.4) | - | - | 5,953 | 5,953 |
| **Total cost** | **-** | **36,108** | **5,953** | **42,061** |
| Accumulated amortization: | | | | |
| Operating rights | - | (4,588) | (4,079) | (8,667) |
| Land-use rights (Note 2.4) | - | - | (251) | (251) |
| **Total accumulated amortization** | **-** | **(4,588)** | **(4,330)** | **(8,918)** |
| Impairment losses | - | - | - | **-** |
| **Total net intangible assets** | **-** | **31,520** | **1,623** | **33,143** |

### *a) Increases due to mergers, additions, and retirements of assets*

During 2019 Sonnedix España Finance 2, S.A recognized increases to its intangible assets arising from the takeover merger by absorption of its subsidiaries as described in Note 6.1 to the accompanying financial statements.

Consequently, at the beginning of 2019 the Company recognized increases from mergers amounting to 31,520 thousand euros, mainly corresponding to the net total cost of the operating rights for the photovoltaic solar installations acquired from third parties by its subsidiaries in prior years which in turn mostly arose from assigning the merger goodwill described in Note 6.1. Sonnedix España Finance 2, S.A. has been operating said installations directly since said merger.

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

In addition, at the beginning of 2019 the Company recognized land-use rights in its balance sheet in accordance with application of the modified retrospective method established in IFRS 16 for an amount of 5,953 thousand euros (Note 2.4).

### *b) Amortization and impairment losses*

The charge to the income statement for the year 2019, corresponding to amortization of intangible assets, amounted to 4,330 thousand euros (Note 18.e).

The estimated useful life of the technical installations and consequently the useful life of the operating rights is set at 18 years counting from the date on which the installations are started up.

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

At 2019 year end, the Company had no fully amortized items of intangible assets still in use.

### c) *Other information*

At December 31, 2019 the Company does not have intangible assets in progress.

All of the Company's intangible assets are directly associated with operations at December 31, 2019.

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

At 2019 year end Sonnedix España Finance 2, S.A. had no investment commitments with respect to intangible assets.

## 8. PROPERTY, PLANT, AND EQUIPMENT

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

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Increases from merger (Note 6.1) | Additions | Derecognitions | Closing balance |
| Cost: | | | | | |
| Land and buildings | - | 366 | - | - | 366 |
| Plant | - | 149,087 | 269 | - | 149,356 |
| **Total cost** | **-** | **149,453** | **269** | **-** | **149,722** |
| Accumulated depreciation: | | | | | |
| Plant | - | (21,721) | (16,910) | - | (38,631) |
| **Total accumulated depreciation** | **-** | **(21,721)** | **(16,910)** | **-** | **(38,631)** |
| Impairment losses | - | - | - | - | - |
| **Total net PP&E** | **-** | **127,732** | **(16,641)** | **-** | **111,091** |

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

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

At 2018 year end, the Company did not recognize any PP&E items in its balance sheet.

### a) *Increases due to mergers, additions, and retirements of assets*

During 2019 Sonnedix España Finance 2, S.A. recognized increases to its PP&E arising from the merger by absorption of its subsidiaries as described in Note 6.1 to the accompanying financial statements.

Thus, at the beginning of 2019 the Company recognized increases from the merger amounting to 127,732 thousand euros, corresponding to the net total cost of the photovoltaic installations and land acquired from third parties (via the purchase of assets or companies) by its subsidiaries in prior years and which Sonnedix España Finance 2, S.A. has been operating directly since the merger (Note 6.1).

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

### b) *Depreciation*

The depreciation charge to the income statement for the year 2019 amounted to 16,910 thousand euros (Note 18.e).

Recognition of the depreciation allowance corresponding to "Plant" is carried out over a period of 18 years counting from the start-up of the installation.

At December 31, 2019 the Company 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 Company considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of PP&E items or perform any related impairment tests at December 31, 2019.

At 2019 year end, the Company had not fully depreciated any of its significant PP&E items.

### *c) Other information*

At December 31, 2019 the Company did not recognize any significant work in progress for any of its PP&E items.

All of the Company's PP&E items are directly associated with operations at December 31, 2019.

At 2019 year end Sonnedix España Finance 2, S.A. had no significant investment commitments with respect to PP&E.

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

## 9. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The balance recognized at 2019 and 2018 year end for non-current and current investments in group companies and associates was as follows:

| | **Financial investments in group companies and associates** | | | | | |
|---|---|---|---|---|---|---|
| | Equity instruments | | Loans to companies | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Non-current investments in group companies and associates | - | 23,339 | 33,123 | 178,187 | 33,123 | 201,526 |
| Current investments in group companies and associates | - | - | - | 8,801 | - | 8,801 |
| **Total** | **-** | **23,339** | **33,123** | **186,988** | **33,123** | **210,327** |

### *9.1 Equity instruments*

The movements under this balance sheet heading in 2019 are as follows:

| **Group companies and associates** | **Thousands of euros** | | | | |
|---|---|---|---|---|---|
| | **2018** | **Additions** | **Decreases arising from mergers** | **Derecognitions** | **2019** |
| Hear Home Spain, S.L. | 2,727 | - | (2,727) | - | - |
| Solar Europe Andalucía Pinos (16-28) | 618 | - | (618) | - | - |
| Elices Renovables, S.L. | 456 | - | (456) | - | - |
| Vela Energy SPV XVI, S.L. | 1,916 | - | (1,916) | - | - |
| Global Ciconia, S.L. | 1,001 | - | (1,001) | - | - |
| Global Catón, S.L. | 2,902 | - | (2,902) | - | - |
| Global Colquida, S.L. | 1,907 | - | (1,907) | - | - |
| Artemisia Pirenaica Patrimonial, S.L. | 2,999 | - | (2,999) | - | - |
| Alten Hinojosa del Valle, S.L. | 3,924 | - | (3,924) | - | - |
| Alten Alange, S.L. | 1,403 | - | (1,403) | - | - |
| Alten Los Hinojosos, S.L. | 916 | - | (916) | - | - |
| Alten Pozohondo, S.L. | 2,570 | - | (2,570) | - | - |
| **Total equity instruments** | **23,339** | **-** | **(23,339)** | **-** | **-** |

<u>*Decreases arising from mergers*</u>

On May 3, 2019 the sole shareholder of the Company (Sonnedix España, S.L.U.) approved the merger project for all investees of Sonnedix España Finance 2, S.A. at said date, consequently derecognizing the interest held in the share capital of all its subsidiaries (Note 6.1).

Thus, at 2019 year end, the Company held no investments in the equity of group companies or associates.

With respect to 2018, the movements which occurred under the balance sheet heading for equity instruments were as follows:

| Group companies and associates | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2017 | Increases from merger | Additions | Derecognitions | 2018 |
| Hear Home Spain, S.L. | - | 2,727 | - | - | 2,727 |
| Solar Europe Andalucía Pinos (16-28) | - | 618 | - | - | 618 |
| Elices Renovables, S.L. | - | 456 | - | - | 456 |
| Vela Energy SPV XVI, S.L. | - | - | 1,916 | - | 1,916 |
| Global Ciconia, S.L. | - | 1,001 | - | - | 1,001 |
| Global Catón, S.L. | - | 2,902 | - | - | 2,902 |
| Global Colquida, S.L. | - | 1,907 | - | - | 1,907 |
| Artemisia Pirenaica Patrimonial, S.L. | - | 2,999 | - | - | 2,999 |
| Alten Hinojosa del Valle, S.L. | - | 3,924 | - | - | 3,924 |
| Alten Alange, S.L. | - | 1,403 | - | - | 1,403 |
| Alten Los Hinojosos, S.L. | - | 916 | - | - | 916 |
| Alten Pozohondo, S.L. | - | 2,570 | - | - | 2,570 |
| **Total equity instruments** | **-** | **21,423** | **1,916** | **-** | **23,339** |

The most significant information regarding the movements in equity instruments relating to group companies and associates at 2018 year end is as follows:

*Increases from merger*

On November 21, 2018 the reverse merger carried out between Global Benengeli, S.L.U. and Sonnedix España Finance 2, S.A. was filed at the Mercantile Registry (Notes 1 and 6.2). As a result of said transaction, the following interest was included in the Company's balance sheet:

- Global Ciconia, S.L.: on June 16, 2017, Latorre & Asociados Consultoría, S.L. sold and transferred all the participation units of Global Ciconia, S.L. to Global Benengeli, S.L.U. for an amount of 4 thousand euros. Likewise, on June 27, 2017, Sonnedix España, S.L.U. carried out a monetary owner contribution to its subsidiary Global Ciconia, S.L. for an amount of 997 thousand euros, which was used by said subsidiary for acquiring the Madrigal project on June 29, 2017. The cost of the interest held in Global Ciconia, S.L. at both the merger date as well as at December 31, 2018 amounted to 1,001 thousand euros.

  Global Ciconia, S.L. was titleholder to a photovoltaic solar farm comprised of 13 installations and located in Madrigal de las Altas Torres (Ávila), known as the "Madrigal" project, with a nominal installed capacity of 1.3 MW.

- Global Catón, S.L.: on June 16, 2017, Latorre & Asociados Consultoría, S.L. sold all the participation units of Global Catón, S.L. to Global Benengeli, S.L.U. for an amount of 4 thousand euros. On November 6, 2017 Sonnedix España, S.L.U. carried out a monetary owner contribution to its subsidiary Global Catón, S.L. amounting to 2,898 thousand euros.

  Said contributions were used for acquiring Ollería Solar 2007, S.L. and the photovoltaic assets of Portichuelo. The cost of the interest held in Global Catón, S.L. at both the merger date as well as at December 31, 2018 amounted to 2,902 thousand euros.

  Global Catón, S.L. was titleholder to a photovoltaic solar farm comprised of 29 installations and located in Losa del Obispo y Chulilla (Valencia) as well as a photovoltaic solar farm comprised of 20 installations located in the municipality of L´Olleria (Valencia), known as the "Portichuelo" and "Ollería" projects, with a nominal installed capacity of 2.9 MW and 2MW, respectively.

- Global Colquida, S.L.: on October 1, 2017, Promociones León Badajoz, S.L. sold and transferred all the participation units of Global Colquida, S.L. to Global Benengeli, S.L.U. for an amount of 4 thousand euros. Further, on October 13, 2017, Sonnedix España, S.L.U. carried out a monetary owner contribution amounting to 1,903 thousand euros, which was used for acquiring the Olivenza project. The cost of the interest held in Global Colquida, S.L. at both the merger date as well as at December 31, 2018 amounted to 1,907 thousand euros.

  Global Colquida, S.L. was titleholder to a photovoltaic solar farm comprised of 10 installations and located in the municipality of Olivenza (Badajoz), known as the "Olivenza" project, with a nominal installed capacity of 1 MW.

- Artemisia Pirenaica Patrimonial, S.L.: on October 20, 2017, Genera Avante, S.L. and Dynameo Energías y Recursos, S.L. sold all the participation units of Artemisia Pirenaica Patrimonial, S.L. to Global Benengeli, S.L.U. for an amount of 2,696 thousand euros. Likewise, owner contributions amounting to 90 thousand and 213 thousand euros were made on November 1 and 8, 2017, respectively. The cost of the interest held in Artemisia Pirenaica Patrimonial, S.L. at both the merger date as well as at December 31, 2018 amounted to 2,999 thousand euros.

  Artemisia Pirenaica Patrimonial, S.L. was titleholder to a photovoltaic solar farm located in the municipality of Puig Gros (Lleida), known as the "Puig" project. Said solar farm has a nominal installed capacity of 1.4 MW.

- Alten Hinojosa del Valle, S.L.: on December 14, 2017, Global Benengeli, S.L.U. signed a purchase-sale contract with Alten 2010 Energías Renovables, S.A. as seller for the acquisition of all participation units of Alten Hinojosa del Valle, S.L. for an amount of 3,924 thousand euros.

  Alten Hinojosa del Valle, S.L. was titleholder to a photovoltaic solar farm located in the municipality of Hinojosa del Valle (Cuenca), known as the "Hinojosa del Valle" project, with a nominal installed capacity of 2.5 MW.

- Hear Home Spain, S.L. and subsidiaries: on May 26, 2017, Sonnedix España, S.L.U. and the seller Tourgeville Holding B.V. signed a purchase-sale contract for all the participation units of Hear Home Spain, S.L. On June 26, 2017 the suspensive clauses established in said contract were fulfilled and the transaction was consequently carried out for an amount of 2.727 thousand euros.

  On June 12, 2018, the contribution of all participation units of Hear Home Spain, S.L. by Sonnedix España, S.L.U. to Global Benegeli, S.L.U. was approved. Until said date, the contributing entity had been the sole partner of Hear Home Spain, S.L.

  Hear Home Spain, S.L. was titleholder to a photovoltaic solar farm comprised of 20 installations with a nominal installed capacity of 2 MW, located in the municipality of Puebla del Prior (Badajoz) and known as the "Puebla del Prior" project.

- Solar Europe Andalucía Pinos (16-28)[1]: on June 12, 2018, the contribution of all participation units of the companies comprising Solar Europe Pinos (16-28) to Global Benengeli, S.L.U. for an amount of 618 thousand euros was ratified by public deed. Until said date, the sole partner was Sonnedix España, S.L.U.

  The companies comprising Solar Europe Pinos (16-28) were dedicated to operating a photovoltaic solar farm located in Pinos Puente (Granada) with a nominal capacity of 0.8 MW and known as the "Pinos" project.

- Elices Renovables, S.L.: on June 12, 2018, the sole partner of Sonnedix España, S.L.U. approved the contribution of all participation units of Elices Renovables, S.L.U. to Global Benengeli, S.L.U., corresponding to an amount of 456 thousand euros.

  Elices Renovables, S.L. was dedicated to operating a photovoltaic solar farm located in Langa del Duero (Soria) with a nominal capacity of 1 MW, known as the "Elices" project.

- Alten Pozohondo, S.L.: on December 21, 2017, Alten Energías Renovables, S.L. sold all the participation units of Alten Pozohondo, S.L. to V-Energy SX SPV 1, S.L. (a Sonnedix Group company). On June 12, 2018, VE Sonnedix Holdco España, S.L. (previously called V-Energy SX SPV 1, S.L.) sold said participation units to Sonnedix España, S.L.U.

  Subsequently, though on the same date, Sonnedix España, S.L.U. agreed to transfer all participation units of Alten Pozohondo, S.L. to Global Benengeli, S.L.U. for an amount of 2,570 thousand euros. The carrying amount of the interest held in Alten Pozohondo, S.L. at both the merger date as well as at December 31, 2018 amounted to 2,570 thousand euros.

  Alten Pozohondo, S.L. was dedicated to operating a photovoltaic solar farm in the municipality of Pozohondo (Albacete) with a nominal capacity of 3 MW, known as the "Pozohondo" project.

[1] **Solar Europe Pinos (16-28):** Solar Europe Andalucía Pinos Dieciséis, S.L; Solar Europe Andalucía Pinos Diecisiete, S.L.; Solar Europe Andalucía Pinos Dieciocho S.L.; Solar Europe Andalucía Pinos Diecinueve, S.L.; Solar Europe Andalucía Pinos Veinte, S.L.; Solar Europe Andalucía Pinos Veintitrés, S.L.; Solar Europe Andalucía Pinos Veinticuatro, S.L., and Solar Europe Andalucía Pinos Veintiocho, S.L.

- Alten Los Hinojosos, S.L.: on December 21, 2017, Alten Energías Renovables, S.L. sold all the participation units of Alten Los Hinojosos, S.L. to V-Energy SX SPV 1, S.L. (Sonnedix Group company). On June 12, 2018 VE Sonnedix Holdco España, S.L. (previously called V-Energy SX SPV 1, S.L.) sold said participation units to Sonnedix España, S.L.U.

  Subsequently, though on the same date, Sonnedix España, S.L.U. transferred all participation units of Alten Los Hinojosos, S.L. to Global Benengeli, S.L.U. for an amount of 916 thousand euros.

  Alten Los Hinojosos, S.L. was dedicated to operating a photovoltaic solar farm in Los Hinojosos (Cuenca) with a nominal capacity of 1.8 MW, known as the "Los Hinojosos" project.

- Alten Alange, S.L.: on January 26, 2018, VE Sonnedix Holdco España, S.L., formerly known as V-Energy SX SPV I, S.L. (entirely owned by Sonnedix España, S.L.U) signed a purchase-sale contract for all participation units of Alten Alange, S.L., with Alten Energias Renovables, S.L. and Agrícola El Casar, S.L. as the sellers.

  On June 12, 2018, VE Sonnedix Holdco España, S.L. sold all of said participation units to Sonnedix España, S.L.U. and subsequent to said transaction, though on the same date, Sonnedix España, S.L.U. agreed to transfer all participation units of Alten Alange, S.L. to Global Benengeli, S.L.U. for an amount of 1,403 thousand euros.

  Alten Alange, S.L. was dedicated to operating a photovoltaic solar farm in Badajoz with a nominal capacity of 8 MW, known as the "Alange" project.

*Additions*

Further, on December 11, 2018, Sonnedix España, S.L.U. (sole shareholder of the Company) contributed all participation units of Vela Energy SPV XVI, S.L. to Sonnedix España Finance 2, S.A., corresponding to an amount of 1,916 thousand euros.

Prior to its merger with the Company by absorption, Vela Energy SPV XVI, S.L. dedicated itself to the operation of a photovoltaic solar farm located in La Olmeda (Cuenca) with a nominal capacity of 6 MW, known as the "Olmeda" project.

None of the Company's investments in group companies were impaired at December 31, 2018. In addition, the investees at said date carried out a distribution of dividends.

The most significant information at December 31, 2018 relating to the investees is as follows:

| Corporate name | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % direct ownership interest | Share capital | Profit (loss) | | Other equity | Total equity | Carrying amount | | |
| | | | Operating profit | Net | | | Cost | Impairment losses for the year | Accumulated impairment |
| Vela Energy XVI, S.L. | 100% | 3 | (93) | (4,361) | 1,052 | (3,306) | 1,916 | - | - |
| Global Ciconia, S.L. | 100% | 4 | (133) | (547) | 312 | (231) | 1,001 | - | - |
| Global Catón, S.L. | 100% | 4 | (536) | (1,681) | 1,611 | (66) | 2,902 | - | - |
| Global Colquida, S.L. | 100% | 4 | (166) | (224) | 1,800 | 1,580 | 1,907 | - | - |
| Artemisia Pirenaica Patrimonial, S.L. | 100% | 3 | 161 | (250) | 247 | - | 2,999 | - | - |
| Alten Hinojosa del valle, S.L. | 100% | 3 | 411 | (168) | (1,896) | (2,061) | 3,924 | - | - |
| Alten Alange, S.L. | 100% | 2,571 | (1,781) | (8,653) | (689) | (6,771) | 1,403 | - | - |
| Alten Los Hinojosos, S.L. | 100% | 1,015 | (274) | (1,902) | (561) | (1,448) | 916 | - | - |
| Alten Pozohondo, S.L. | 100% | 8 | (677) | (2,545) | 2,474 | (63) | 2,570 | - | - |
| Elices Renovables, S.L. | 100% | 3 | 155 | (16) | 153 | 140 | 456 | - | - |
| Solar E. Andalucía Pinos Dieciséis, S.L. | 100% | 3 | 15 | (2) | 12 | 13 | 78 | - | - |
| Solar E. Andalucía Pinos Diecisiete, S.L. | 100% | 3 | 24 | (31) | 12 | (16) | 78 | - | - |
| Solar E. Andalucía Pinos Dieciocho, S.L | 100% | 3 | 21 | (1) | 14 | 16 | 77 | - | - |
| Solar E. Andalucía Pinos Diecinueve, S.L. | 100% | 3 | 16 | (2) | 13 | 14 | 77 | - | - |
| Solar E. Andalucía Pinos Veinte, S.L. | 100% | 3 | 14 | (3) | 19 | 19 | 77 | - | - |
| Solar E. Andalucía Pinos Veintitrés, S.L. | 100% | 3 | 14 | (3) | 13 | 13 | 77 | - | - |
| Solar E. Andalucía Pinos Veinticuatro, S.L. | 100% | 3 | 14 | (3) | 15 | 15 | 77 | - | - |
| Solar E. Andalucía Pinos Veintiocho, S.L. | 100% | 3 | 13 | (3) | 15 | 15 | 77 | - | - |
| Hear Home Spain, S.L.U. | 100% | 262 | 157 | 152 | 2,193 | 2,607 | 2,727 | - | - |
| | | | | | | | **23,339** | - | - |

### *9.2 Loans to companies*

The breakdown of loans to companies recognized under the non-current and current balance sheet headings for investments in group companies and associates at December 31, 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Non-current investments in group companies and associates | | |
| Loans to companies (investees) | - | 154,549 |
| Loans to the sole shareholder (Sonnedix España, S.L.U.) | 33,123 | 23,638 |
| Current investments in group companies and associates | | |
| Loans to companies (investees) | - | 8,801 |
| **Total** | **33,123** | **186,988** |

*Loans granted to investees*

On June 12, 2018 and December 11, 2018, Sonnedix España Finance 2, S.A. agreed to issue secured bonds (Limero I and Limero II, respectively). The proceeds were mainly used to refinance the outstanding debt of its investees which together comprise the Limero Project (Note 15.1).

As a consequence of said secured bond issue, the Company granted a series of "mirror" loans to its subsidiaries ("the Limero Project") for a total amount of 168,173 thousand euros, maturing on June 30, 2037 and payable on a six-monthly basis (in June and December), in accordance with the amortization schedule of the Limero bonds and accruing annual nominal interest at 3.228% for Limero I and 3.216% for Limero II.

Subsequent to settling the first payment installment at the end of December 2018 for a total amount of 7,371 thousand euros (4,823 thousand and 2,548 thousand euros, corresponding to principal and interest payments, respectively), at December 31, 2018 a balance of 154,549 thousand euros was classified as non-current and 8,801 thousand euros as current.

During 2019 said loans were fully canceled together with the accrued interest pending collection as a consequence of Sonnedix España Finance 2, S.A. carrying out the merger by absorption of its investees (Note 6.1).

*Loans granted to Sonnedix España, S.L.U.*

On June 12, 2018, the Company granted a loan to its sole shareholder, Sonnedix España, S.L.U., the principal of which amounted to 22,963 thousand euros. In addition, on December 21, 2018 the Company granted a new loan to Sonnedix España, S.L.U. amounting to 267 thousand euros. The maturity dates for said loans were established as June 12 and December 21, 2037, respectively. They are payable at maturity and accrue nominal annual capitalizable interest at 3.228% and 3.216%, respectively.

During 2019 the Company granted four new loans to its sole shareholder for an aggregate amount of principal totaling 8,572 thousand euros. Specifically, the breakdown of loans granted by the Company at 2019 year end is as follows:

| Borrower | Thousands of euros | | | |
|---|---|---|---|---|
| | Non-current investments in group companies and associates - Loans to companies | | | |
| | 12/31/2019 | | | |
| | Issue date | Principal | Maturity | Interest rate |
| Sonnedix España, S.L.U. | 06/12/2018 | 22,963 | 06/12/2037 | 3.228% |
| Sonnedix España, S.L.U. | 12/21/2018 | 267 | 12/21/2037 | 3.216% |
| Sonnedix España, S.L.U. | 01/08/2019 | 500 | 01/08/2038 | 3.228% |
| Sonnedix España, S.L.U. | 04/03/2019 | 3,511 | 04/03/2038 | 3.228% |
| Sonnedix España, S.L.U. | 04/15/2019 | 448 | 04/15/2038 | 3.228% |
| Sonnedix España, S.L.U. | 09/20/2019 | 4,113 | 09/20/2038 | 3.228% |
| | | **31,802** | | |
| Capitalized interest | | 408 | | |
| | | **32,210** | | |

In addition, at 2019 year end the Company recognized non-current accrued interest pending collection until said date in connection with the financing granted to its sole shareholder, amounting to 913 thousand euros (2018: 408 thousand euros), given that said interest can be capitalized annually and is payable at maturity, as established in the financing contracts (Notes 17 and 18.f).

## 10. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

The breakdown of financial investments (assets) at December 31, 2019 and 2018 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Non-current financial instruments | Current financial instruments | Non-current financial instruments | Current financial instruments |
| Financial investments | 8 | 6,146 | - | 335 |
| | **8** | **6,146** | **-** | **335** |

***Current financial investments***

At December 31, 2019, the Company mainly recognized an amount of 6,136 thousand euros under the current balance sheet heading for financial investments, corresponding to the balances held with financial entities and representing a "Debt Service Reserve Fund" and a "Maintenance reserve fund." Said items represent the restricted cash balances which will be maintained by the Company in accordance with the requirements established in the framework contracts for the secured bond issues ("Limero I and II bonds") as a guarantee for payments to be made in the coming months (Note 15.1). The aforementioned restricted accounts bear interest at market rates.

At December 31, 2018 the Debt Service Reserve Fund and the Maintenance Reserve Fund in connection with the secured bonds ("Limero I and II bonds") had been set aside in each of the Company's investees, the guarantors of said financing.

In contrast, at December 31, 2018 this heading included a balance of 335 thousand euros corresponding to the cash held in financial entities as a guarantee arising from the stipulations of the purchase-sale contract for the subsidiary Alten Alange, S.L. (a company absorbed by Sonnedix España Finance 2, S.A. at 2019 year end; Note 6.1) signed by Global Benengeli, S.L.U. (the buyer) and its sellers.

The use of said amounts must remain restricted until one year from the transaction closing date has elapsed, that is, until January 26, 2019, when said cash balance became unrestricted (Note 12).

## 11. TRADE AND OTHER RECEIVABLES

### *11.1 Trade receivables*

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

During 2019 Sonnedix España Finance 2, S.A. acquired title to the different photovoltaic installations disclosed in Note 1 to the accompanying financial statements as a consequence of the merger by absorption of its investees (Note 6.1).

At December 31, 2018 the Company had no balances pending collection in this regard as it did not own said photovoltaic installations yet during said year.

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

### *11.2 Trade receivables from group companies and associates*

At December 31, 2018 the Company recognized a balance of 1,772 thousand euros under "Trade receivables from group companies and associates," mainly related to the amounts the Company is to collect for re-invoicing its investees.

Said re-invoiced services mainly correspond to the advisory services received for issuing the secured Limero I and Limero II bonds (Notes 15.1, 18.a, and 18.d).

During 2019 said accounts receivable were eliminated by the Company in the course of the merger by absorption of its investees (Note 6.1).

## 12. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying balance sheet at December 31, 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | 3,875 | 16 |
| | **3,875** | **16** |

This heading includes cash in hand, demand deposits, and other highly liquid short-term investments with a maturity of less than three months that can be readily converted into cash, are not subject to a risk of changes in value, and are part of the Company's standard cash management policy.

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

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

## 13. FINANCIAL RISK MANAGEMENT POLICY

Sonnedix España Finance 2, S.A. manages its risks from a financial perspective, and by reviewing its business plans assesses the correlation between its exposure and the present value of the cash flows deriving from a given investment, and also from an accounting perspective, assessing the status and evolution of its various exposures.

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

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

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

These risks are monitored and controlled periodically, as described next:

***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 capital raising efforts.

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

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

***b) Credit risk***

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

The Company mainly held accounts receivable from highly solvent companies during 2019, such as:

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

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

  At December 31, 2019, the CNMC settled 78.85% of the specific regulated remuneration accrued until the month of October.

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

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

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

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

As established in Note 4 to the accompanying 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 revenues with specific regulated remuneration, thereby allowing these technologies to compete on an equal footing with the other technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

## 14. EQUITY

***a) Share capital***

Sonnedix España Finance 2, S.A. (previously called Cantilan Directorship, S.A.) was incorporated on November 8, 2017 with subscribed share capital of 60 thousand euros, 25% of which had been paid in (that is, an amount of 15 thousand euros). The share capital is divided into 60,000 indivisible shares at a nominal value of one euro each. The founding shareholders were Legal Management Advisory, S.L. (59,996 shares) and Directorship Cibeles, S.L. (4 shares). At December 31, 2017 uncalled capital from the shareholders of the Company amounted to 45 thousand euros.

On March 14, 2018, Global Benengeli, S.L.U. (entirely owned by Sonnedix España, S.L. at that date) signed a purchase-sale contract for all the shares of Sonnedix España Finance 2, S.A.

On May 7, 2018 the sole shareholder of the Company at said date paid in the remaining 75% of share capital, until reaching the figure of 60 thousand euros.

On November 21, 2018, the reverse merger between Sonnedix España Finance 2, S.A. and Global Benengeli, S.L.U. took place, with the subsequent dissolution without liquidation of the absorbed company (Global Benengeli, S.L.) and the transfer in bloc of all its equity to the absorbing company (Sonnedix España Finance 2, S.A.).

At 2019 and 2018 year end Sonnedix España, S.L.U. owned all of the shares issued by the Company while at the same time holding the position of Sole Director of Sonnedix España Finance 2, S.A. The natural person representing the Sole Director is Mr. Miguel Ángel García Mascuñán.

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

### *b) Other owner contributions*

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

On June 12, 2018 Sonnedix España, S.L.U. carried out the following non-monetary contributions to Global Benengeli, S.L.U. for a total aggregate amount of 8,000 thousand euros in the context of the corporate restructuring arising from the Limero Bond issue:

- Contribution of all participation units of Alten Pozohondo S.L. (in the amount of 2,570 thousand euros) and assumption of the creditor position of Sonnedix España, S.L.U. with respect the contributed company amounting to 690 thousand euros. The fair value of the interest held at the contribution date amounted to 2,660 thousand euros.

- Contribution of all participation units of Alten Los Hinojosos, S.L. for an amount of 916 thousand euros. The fair value of the interest held at the contribution date amounted to 948 thousand euros.

- Contribution of all participation units of Hear Home Spain, S.L. for an amount of 2,727 thousand euros. The fair value of the interest held at the contribution date amounted to 4,129 thousand euros.

- Contributions of 100% of the participation units of the companies making up Solar Europe Andalucía Pinos 16-28, S.L. for an amount of 618 thousand euros.

- Contribution of all participation units of Elices Renovables, S.L. for an amount of 456 thousand euros.

- Contribution of all participation units of Alten Alange, S.L. for an amount of 1,403 thousand euros. The fair value of the interest held at the contribution date amounted to 1,453 thousand euros.

In addition, on December 11, 2018, Sonnedix España, S.L.U. carried out a non-monetary contribution of all participation units of Vela Energy SPV XVI, S.L. (Olmeda project) to Sonnedix España Finance 2, S.A. for an amount of 1,916 thousand euros. Said contribution was made in the context of the corporate restructuring process for issuing the Limero II Bond. The fair value of the interest held at the contribution date amounted to 5,969 thousand euros.

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

### *c) Legal reserve*

In accordance with the revised text of the Spanish Corporate Enterprises Act, 10% of profit must be transferred to the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to compensate losses, provided there are no other reserves available for this purpose.

At December 31, 2019 and 2018 the Company had not fully endowed its legal reserve.

### *d) Other reserves*

On May 3, 2019 the merger by absorption of Sonnedix España Finance 2, S.A. and its subsidiaries took place, as disclosed in Note 6.1 to the accompanying financial statements. As a result of said transaction, the Company generated negative merger reserves in the amount of 16,950 thousand euros. Given that for accounting purposes said merger took effect on January 1, 2019, said reserves mainly reflect the impact of negative results obtained by the absorbed companies during the time elapsed from their acquisition by the Sonnedix España Group until December 31, 2018.

In addition, and as indicated in Note 6.2 to the accompanying financial statements, on March 14, 2018, the reverse merger between Sonnedix España Finance 2, S.A. and Global Benengeli, S.L.U. took place, with the subsequent dissolution without liquidation of the absorbed company (Global Benengeli, S.L.) and the transfer en bloc of all its equity to the absorbing company (Sonnedix España Finance 2, S.A.). As a result of said transaction, a balance of 84 thousand euros corresponding to negative merger reserves was generated in the Company.

## 15. FINANCIAL LIABILITIES

The breakdown of the Company's financial liabilities at December 31, 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **Non-current financial liabilities:** | | |
| Trade and other payables: | | |
| Bonds and other marketable securities (Note 15.1) | 145,840 | 154,549 |
| *Bonds and other marketable securities (principal)* | *147,302* | *154,549* |
| *Arrangement fees* | *(1,462)* | - |
| Other borrowings (Note 15.2) | 5,601 | - |
| Borrowings from group companies and associates (Notes 15.3 and 17) | 35,631 | 26,693 |
| | **187,072** | **181,242** |
| **Current financial liabilities:** | | |
| Trade and other payables: | | |
| Bonds and other marketable securities (Note 15.1) | 7,247 | 8,801 |
| Other borrowings (Note 15.2) | 180 | - |
| Payables to group companies and associates (Notes 15.3 and 17) | 5,478 | 722 |
| Suppliers | 58 | - |
| Other accounts payable (Note 15.4) | 178 | 656 |
| | **13,141** | **10,179** |

### *15.1 Bonds and other marketable securities*

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

In addition, on December 11, 2018 Sonnedix España Finance 2, S.A. agreed upon a new issue of secured bonds ("Limero II") to refinance the existing debt of the subsidiary Vela Energy SPV XVI, S.L. (Olmeda project). At 2018 year end Vela Energy SPV XVI, S.L. was entirely owned by the Company subsequent to the contributions received from its sole shareholder at the same date as the Limero II issue, comprising all its participation units (Note 14.b).

During 2019 the Company merged all its investees by absorption (Note 6.1).

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

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

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

At December 31, 2019 "Bonds and other marketable securities" included recognition of 147,302 thousand and 7,247 thousand euros, corresponding to non-current and current balances, respectively. In addition, at 2019 year end an amount of 1,462 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, 2018 "Bonds and other marketable securities" included recognition of 154,549 thousand and 8,801 thousand euros, corresponding to non-current and current balances, respectively.

The debt arrangement expenses for the issue of the Limero I and II Bonds amounted to 1,400 thousand and 282 thousand euros, respectively. Said debt arrangement fees in 2018 were assumed by the investees and not by Sonnedix España Finance 2, S.A. However, on January 1, 2019 the Company assumed said debt arrangement expenses as a consequence of the merger by absorption of its subsidiaries (Note 6.1). Thus, they netted their nominal debt with the bondholders for an amount totaling 1,603 thousand euros at the beginning of 2019.

The interest accrued by the Company on the financing received from the Limero I and II Bonds during 2019 amounted to 5,200 thousand euros (2018: 2,548 thousand euros). In both years said amounts were fully settled on December 31, so that the Company did not recognize accrued interest pending payment at 2019 and 2018 year end (Note 18.g). Likewise, during 2019 the Company amortized principal on the Limero Bonds in an amount of 8,801 thousand euros (2018: 4,823 thousand euros).

The bond issue deeds stipulate that any non-payment will constitute grounds for early cancellation, unless said non-payment is attributable to administrative causes and payment is made within three business days following the due date, the debt service coverage ratio is less than 1.05x, and the original financial model is maintained for preparing the calculations and projections in accordance with the signed contract, provided there is no other prior consent regarding the matter.

During 2019 and 2018 Sonnedix España Finance 2, S.A. complied with the minimum financial ratios established in the bond issue contract.

Finally, the breakdown by maturity of financial debt at December 31, 2019 and 2018 is as follows:

***2019***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
| Bonds and other | 7,247 | 7,515 | 7,800 | 8,072 | 8,320 | 115,595 | 154,549 |
| Interest (bonds and other) | - | - | - | - | - | - | - |
| | **7,247** | **7,515** | **7,800** | **8,072** | **8,320** | **115,595** | **154,549** |

***2018***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and beyond | Total |
| Bonds and other | 8,801 | 7,247 | 7,515 | 7,800 | 8,072 | 123,915 | 163,350 |
| Interest (bonds and other) | - | - | - | - | - | - | - |
| | **8,801** | **7,247** | **7,515** | **7,800** | **8,072** | **123,915** | **163,350** |

### *15.2 Other borrowings*

The breakdown of the other non-current and current borrowings at 2019 and 2018 year end is as follows:

| | **Thousands of euros** | |
|---|---|---|
| | **2019** | **2018** |
| Long-term other borrowings | 5,601 | - |
| Short-term other borrowings | 180 | - |
| | **5,781** | **-** |

At December 31, 2019 the Company recognizes under these headings the financial debt corresponding to the lease agreements in accordance with IFRS 16, amounting to 5,781 thousand euros, under non-current and current borrowings (Note 2.4).

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

*Debt held by the Company with its subsidiaries*

As a result of the reverse merger which took place between Global Benengeli, S.L.U. and Sonnedix España Finance 2, S.A. in 2018 (Note 6.2), the Company assumed the debts that the absorbed company had previously contracted with some of the investees, amounting to a total of 25,959 thousand euros.

The breakdown of said non-current borrowings from group companies and associates in 2018 is as follows:

- On November 24, 2017, the subsidiary Artemisia Pirenaica Patrimonial, S.L. extended a loan to its parent at said date (Global Benengeli, S.L.U.) in the amount of 1,000 thousand euros.

- On June 12, 2018, subsequent to the contribution of Alten Pozohondo, S.L., the credit claims to a loan granted by said company to its former parent, V-Energy SX SPV 1, S.L. for an amount of 684 thousand euros, were transferred.

- On June 12, 2018 the subsidiaries of Global Benengeli, S.L.U. at said date granted a loan to their parent at said date for an aggregate amount of 24,275 thousand euros. This loan matures on June 12, 2037 and is payable at maturity. In addition, it accrues annual nominal interest at 3.228%.

In addition, on December 20, 2018 a contract was signed by virtue of which the subsidiary Vela Energy SPV XVI, S.L. granted a loan amounting to 266 thousand euros to Sonnedix España Finance 2, S.A. Said loan matures on December 20, 2019, is payable at maturity, accruing nominal annual interest at 3.216%.

At December 31, 2018 the Company recognized non-current accrued interest not paid until that date in the amount of 468 thousand euros given that, as established in the financing contracts, said interest is payable at maturity.

In contrast, at December 31, 2018 the Company recognized an amount of 722 thousand euros under "Current liabilities - Payables to group companies and associates" in the balance sheet, corresponding to a current account with its investees in connection with short-term loans contracted in order to comply with the cash requirements established in the Limero Bond issue contract.

Finally, in 2019 all the aforementioned debts held by the Company with its investees were eliminated as a consequence of the merger which took place between Sonnedix España Finance 2, S.A. and its subsidiaries (Note 6.1).

*Borrowings from Sonnedix, B.V.*

During 2019, and as a consequence of the merger by absorption carried out by Sonnedix España Finance 2, S.A. with its investees (Note 6.1), the Company assumed the debtor position of its subsidiaries in connection with the financing granted by the related party Sonnedix, B.V.

Thus, at December 31, 2019 the nominal amounts pending payment by the Company for the subordinated and participative loans held with Sonnedix, B.V. totaled 35,631 thousand euros (Note 17).

The breakdown of non-current borrowings from group companies and associates by project at December 31, 2019 is as follows:

| Type of loan | Project | Thousands of euros | | |
|---|---|---|---|---|
| | | Non-current subordinated borrowings from group companies and associates | | |
| | | 12/31/2019 | | |
| | | Principal | Maturity | Interest rate |
| Subordinated loan | Madrigal | 1,852 | 12/31/2032 | 9% |
| Subordinated loan | Portichuelo and Ollería | 5,382 | 12/31/2032 | 9% |
| Subordinated loan | Olivenza | 1,205 | 12/31/2025 | 9% |
| Subordinated loan | Puig | 1,219 | 12/31/2032 | 9% |
| Participative loan | Hinojosa del Valle | 3,595 | 12/31/2032 | 9% |
| Participative loan | Pozohondo | 2,856 | 2/4/2028 | 9% |
| Participative loan | Los Hinojosos | 1,259 | 7/16/2028 | 9% |
| Participative loan | Alange | 12,003 | 6/13/2028 | 9% |
| Subordinated loan | Olmeda | 4,333 | 12/31/2038 | 9% |
| Subordinated loan | Pinos | 949 | 8/13/2030 | 9% |
| Subordinated loan | Elices | 978 | 12/1/2030 | 9% |
| | | **35,631** | | |

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

### *15.4 Other accounts payable*

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

At 2018 year end the Company recognized a balance of 656 thousand euros under this heading, mainly corresponding to the amounts pending payment in connection with the advisory services received for refinancing the investees associated with the Limero II Bond issue, as well as the amount pending payment to the sellers of the investee Alten Alange, S.L. for an amount of 335 thousand euros (Note 10).

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

The Company reports that the average supplier payment periods for 2019 and 2018 were as follows:

| | **12/31/2019** | **12/31/2018** |
|---|---|---|
| | **Days** | |
| Average supplier payment period | 45 | 15 |
| Ratio of transactions paid | 45 | 15 |
| Ratio of transactions pending payment | 101 | 33 |
| | **Amount (Thousands of euros)** | |
| Total payments made | 1,605 | 5,155 |
| Total payments outstanding | 8 | 66 |

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

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

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

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

The maximum legal period applicable to the Group companies in 2019 and 2018 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.

## 16. PUBLIC ADMINISTRATIONS AND TAX MATTERS

### *16.1 Balances with public administrations*

The breakdown of balances with public administrations at December 31, 2019 and 2018, is as follows:

**Receivable from public administrations**

***2019***

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

***2018***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2018 | |
| | Non-current | Current |
| Deferred tax assets | 14 | - |
| VAT receivable | - | 1 |
| Corporate income tax refundable from tax authorities | - | - |
| Other receivables from public administrations | - | 496 |
| | **14** | **497** |

At December 31, 2019 and 2018 "Other receivables from public administrations" in the balance sheet presents a balance of 496 thousand euros corresponding to the withholdings performed for the 19% tax rate on recognized finance income collected by the Company in 2018 and arising from the loans granted to the investees.

**Payable to public administrations**

***2019***

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

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

***2018***

| | Thousands of euros | |
|---|---|---|
| | 12/31/2018 | |
| | Non-current | Current |
| Other payables to public administrations | - | 2 |
| | **-** | **2** |

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

The reconciliation of accounting profit for the year before taxes with taxable income for 2019 and 2018 is as follows:

***2019***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(9,280)** | **(9,280)** |
| **Permanent differences:** | | | |
| Non-deductible expenses | 2 | - | 2 |
| **Temporary differences:** | | | |
| Application of non-deductible amortization/depreciation 2013-2014 | | (28) | (28) |
| Non-deductible amortization of operating rights | 3,960 | - | 3,960 |
| Accelerated tax amortization/depreciation | 9,583 | - | 9,583 |
| Non-deductible finance expenses | 1,833 | - | 1,833 |
| Application of tax loss carryforwards recognized in prior years | - | (3,074) | (3,074) |
| Tax effect IFRS 16 | 79 | - | 79 |
| **Tax result** | **15,457** | **(12,382)** | **3,075** |

***2018***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(25)** | **(25)** |
| **Permanent differences:** | **2** | **-** | **2** |
| **Temporary differences:** | **-** | **-** | **-** |
| **Tax result** | **2** | **(25)** | **(23)** |

The temporary differences recognized in 2019 mainly correspond to:

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

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

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

- The accelerated tax amortization/depreciation which some of the Company's subsidiaries (merged in 2019; Note 6.1) availed themselves of by virtue of the stipulations of Law 4/2008 of December 23. During 2019 the Company recognized a positive adjustment to taxable income as a result of the aforementioned item, amounting to 9,583 thousand euros.

- Offsetting tax losses generated in prior years by the investees of Sonnedix España Finance 2, S.A. (merged in 2019; Note 6.1) During 2019 the Company recognized a negative adjustment to taxable income as a result of the aforementioned item, amounting to 3,074 thousand euros.

- The tax effect arising from the imposition by the Company of the new IFRS 16 – Leases in 2019 (Note 2.4). Thus, during 2019 the Company recognized a positive adjustment to taxable income as a result of the above item, amounting to 79 thousand euros.

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

The reconciliation of tax results and corporate income tax expense for 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **Accounting profit before tax** | **(9,280)** | **(25)** |
| **Permanent differences** | **2** | **2** |
| *Temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (28) | - |
| Non-deductible amortization of operating rights | 3,960 | - |
| Accelerated tax amortization/depreciation | 9,583 | - |
| Non-deductible finance expenses | 1,833 | - |
| Application of tax loss carryforwards recognized in prior years | (3,074) | - |
| Tax effect IFRS 16 | 79 | - |
| **Tax result** | **3,075** | **(23)** |
| **Theoretical tax rate calculated at 25%** | **(769)** | **6** |
| **Application of deductions (not recognized)** | **192** | **-** |
| **Tax payable (current income tax expense)** | **(577)** | **6** |
| *Impact of temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (7) | - |
| Non-deductible amortization of operating rights | 990 | - |
| Accelerated tax amortization/depreciation | 2,396 | - |
| Non-deductible finance expenses | 458 | - |
| Application of tax loss carryforwards recognized in prior years | (768) | - |
| Tax effect IFRS 16 | 20 | - |
| **Total corporate income tax (expense) income** | **2,512** | **6** |

As the operating rights which arose as a consequence of assigning the value of goodwill generated in the business combinations which took place in prior years in the investees (merged by absorption with the Company in 2019; Note 6.1) are not tax deductible, the Company adjusts the amortization/depreciation carried out in their forecasting of corporate income tax.

This also results in the Company recognizing deferred tax liabilities for the difference between the accounting value and tax value of the assets in question. The deferred tax recognized in this context amounted to 6,522 thousand euros at December 31, 2019.

The corporate income tax rate applied for calculation of tax payable in 2019 and 2018 was 25%.

### *16.4 Deferred tax assets and liabilities*

The breakdown of these balance sheet headings at 2019 and 2018 year end is as follows:

***Deferred tax assets***

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Unused loss carryforwards | 21,562 | 14 |
| Non-deductible amortization/depreciation | 148 | - |
| Non-deductible finance expenses | 6,350 | - |
| Deductions for environmental expenditure | 55 | - |
| Tax effect IFRS 16 | 20 | - |
| **Total deferred tax assets** | **28,135** | **14** |

The deferred tax assets recognized include the following items:

- The tax credit for tax loss carryforwards generated and applied by the Company for an amount of 21,562 thousand euros at December 31, 2019 (2018: 14 thousand euros).

- The tax credit for non-deductible finance expenses amounting to 6,350 thousand euros at December 31, 2019.

- The deferred tax arising from non-deductible amortization/depreciation for the years 2013-2014, amounting to 148 thousand euros at December 31, 2019.

- The tax credit for deductions of an environmental nature relating to the activities of Sonnedix España Finance 2, S.A., amounting to 55 thousand euros at 2019 year end.

- The tax credit arising from the application by the Company of the new IFRS 16 – Leases amounting to 20 thousand euros at December 31, 2019.

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

The movements in the deferred tax assets described above during 2019 are as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2018 | Increases from merger (Note 6.1) | Additions | Derecognitions | 2019 |
| Unused loss carryforwards | 14 | 22,316 | - | (768) | 21,562 |
| Non-deductible amortization/depreciation | - | 155 | - | (7) | 148 |
| Non-deductible finance expenses | - | 5,892 | 458 | - | 6,350 |
| Deductions for environmental expenditure | - | 55 | - | - | 55 |
| Tax effect IFRS 16 | - | - | 20 | - | 20 |
| **Total deferred tax assets** | **14** | **28,418** | **478** | **(775)** | **28,135** |

The movements in the deferred tax assets recognized by the Company in 2018 were as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2017 (*) | Increases from merger (Note 6.2) | Additions | Derecognitions | 2018 |
| Unused loss carryforwards | - | 8 | 6 | - | 14 |
| **Total deferred tax assets** | **-** | **8** | **6** | **-** | **14** |

*(*) Unaudited figures*

### *Deferred tax liabilities*

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Accelerated tax amortization/depreciation | 15,454 | - |
| Temporary differences (operating rights) | 6,522 | - |
| **Total deferred tax liabilities** | **21,976** | **-** |

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

- The deferred tax recognized as a consequence of assigning the difference between the amount paid for the acquisitions performed by the Company's subsidiaries (merged in 2019; Note 6.1) and the net assets acquired, recognized as a greater amount for intangible assets with a defined useful life (operating rights; Note 7). The reversal of these deferred tax liabilities will be carried out during the useful life of the assets associated with said rights. At December 31, 2019, the amount recognized for this item in the balance sheet amounts to 6,522 thousand euros.

- The amounts recognized as a consequence of the applicability of accelerated tax amortization/depreciation which some of the Company's subsidiaries (merged in 2019; Note 6.1) availed themselves of, specifically, in connection with the photovoltaic projects of Pozohondo, Los Hinojosos, Alange, Portichuelo, and Olmeda. At December 31, 2019, the amount recognized for this item in the balance sheet amounts to 15,454 thousand euros.

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

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2018 | Increases from merger (Note 6.1) | Additions | Derecognitions | 2019 |
| Accelerated tax amortization/depreciation | - | 17,850 | - | (2,396) | 15,454 |
| Temporary differences (operating rights) | - | 7,512 | - | (990) | 6,522 |
| **Total deferred tax liabilities** | **-** | **25,362** | **-** | **(3,386)** | **21,976** |

### Years open to tax verification and inspections

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

## 17. TRANSACTIONS WITH RELATED PARTIES

### *Related-party transactions*

The breakdown of transactions performed with related parties during 2019 and 2018 is as follows:

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

| | Thousands of euros | | |
|---|---|---|---|
| | 2018 | | |
| | Sole shareholder | Investees | Other related parties |
| Revenue (Note 18.a) | - | 2,788 | - |
| Other operating expenses (Note 18.d) | - | - | 700 |
| Finance income from group companies and associates (Note 18.f) | 408 | 2,612 | - |
| Finance costs with group companies and associates (Note 18.g) | - | (459) | - |

### *Related-party balances*

The breakdown of the balances held with related parties at 2019 and 2018 year end is as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | 2019 | | |
| | Sole shareholder | Investees | Other related parties |
| Non-current loans to group companies and associates (Note 9.2) | 33,123 | - | - |
| Trade receivables from group companies and associates (Note 11.2) | - | - | 3 |
| | **33,123** | **-** | **3** |
| Non-current borrowings from group companies and associates (Note 15.3) | 35,631 | - | - |
| Current payables to group companies and associates (Note 15.3) | 5,478 | - | - |
| | **41,109** | **-** | **-** |

| | Thousands of euros | | |
|---|---|---|---|
| | 2018 | | |
| | Sole shareholder | Investees | Other related parties |
| Non-current loans to group companies and associates (Note 9.2) | 23,638 | 154,549 | - |
| Current loans to group companies and associates (Note 9.2) | - | 8,801 | - |
| Trade receivables from group companies and associates (Note 11.2) | - | 1,772 | - |
| | **23,638** | **165,122** | **-** |
| Non-current borrowings from group companies and associates (Note 15.3) | - | 26,693 | - |
| Current payables to group companies and associates (Note 15.3) | - | 722 | - |
| | **-** | **27,415** | **-** |

## 18. INCOME AND EXPENSE

### *a) Revenue*

Revenue for 2019 amounted to 23,859 thousand euros, corresponding entirely to the sale of energy produced by the different photovoltaic solar installations in operation and to which the Company acquired title in 2019 by virtue of the merger by absorption of its subsidiaries (Note 6.1).

During 2018 the revenue recognized in the income statement primarily corresponds to the services re-invoiced by Sonnedix España Finance 2, S.A. to its investees for the advisory services received from third parties in connection with the Limero Bond issue (Notes 17 and 18.d).

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

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

No purchases were made outside Spanish territory during 2019.

### *c) Cost of sales*

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

### *d) Other operating expenses*

The breakdown of balances recognized under "Other operating expenses" in the accompanying income statement for 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **External services:** | | |
| Rent | 8 | - |
| Independent professional services | 250 | 2,821 |
| Insurance | 74 | 3 |
| Banking services | 44 | - |
| Taxes | 2,232 | - |
| | **2,608** | **2,824** |

During 2019 "Independent professional services" in the accompanying income statement includes an expense of 250 thousand euros, mainly corresponding to the cost of advisory services received by Sonnedix España Finance 2, S.A. for legal, tax, and technical matters, including the fees for audit services.

During 2018 the operating expenses recognized by the Company under this heading in the amount of 2,821 thousand euros mainly correspond to the advisory services received from third parties for financial, legal, and tax matters in connection with the Limero I and Limero II Bond issue (Note 15.1).

In addition, the balance recognized under "Taxes" in the income statement for 2019 mainly includes the "Tax on the value of electric energy production" established in Law 15/2012, of December 27, on tax measures for energy system sustainability, amounting to 2,074 thousand euros (Note 4).

As explained in Note 4 to the accompanying financial statements, at 2019 and 2018 year end, payment of the amount accrued in connection with this tax on electric energy produced in the fourth quarter of 2018 and the first quarter of 2019 was suspended, based on the stipulations of Royal Decree Law 15/2018, of October 5, on urgent measures for energy transition and protection of consumers. However, during 2019 Sonnedix España Finance 2, S.A. provisioned said expense in an amount of 821 thousand euros as the Sole Director of the Company considers this amount as a real and probable tax obligation.

### *e) Depreciation and amortization allowances*

The breakdown of this heading in the accompanying income statement at December 31, 2019 and 2018 is the following:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Amortization allowance for intangible assets (Note 7) | 4,330 | - |
| Depreciation allowance for PP&E (Note 8) | 16,910 | - |
| | **21,240** | **-** |

### *f) Finance income*

Finance income from group companies and associates recognized during 2019 entirely corresponds to interest accrued by the Company on the financing granted to its sole shareholder (Sonnedix España, S.L.U.), amounting to 913 thousand euros (Notes 9.2 and 17).

During 2018, finance income accrued by the Company entirely corresponds to the interest accrued on the financing granted to both investees of Sonnedix España Finance 2, S.A. ("mirror" loans relating to the Limero Bonds) as well as to its sole shareholder (Sonnedix España, S.L.U.), amounting to 2,612 thousand and 408 thousand euros, respectively (Notes 9.2 and 17).

### *g) Finance costs*

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

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Finance costs for bonds and other marketable securities | 5,341 | 2,548 |
| Finance costs with Group companies and associates | 3,207 | 459 |
| Other finance costs | 228 | - |
| | **8,776** | **3,007** |

*Finance costs for bonds and other marketable securities*

Finance expenses for bonds and other marketable securities correspond to the interest accrued on the financing in connection with the issue of the Limero I and Limero II secured bonds, amounting to 5,200 thousand and 2,548 thousand euros, respectively (Note 15.1).

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

*Finance costs with Group companies and associates*

Further, finance expenses with group companies and associates recognized during 2019 by Sonnedix España Finance 2, S.A. correspond to the interest accrued on the financing received from Sonnedix, B.V., amounting to 3,207 thousand euros (Notes 15.3 and 17).

During 2018 the Company recognized a balance of 459 thousand euros under this heading in connection with interest accrued on the financing granted to Sonnedix España Finance 2, S.A. by its investees (Notes 15.3 and 17). Said financing was canceled in 2019 as a consequence of the Company's merger with all its subsidiaries (Note 6.1).

*Other finance costs*

Finally, "Other finance costs" in the accompanying income statement includes a balance of 228 thousand euros in 2019, mainly corresponding to the finance costs arising of the financial discounting of lease liabilities recognized on the statement of financial position in accordance with the application of IFRS 16 amounted to 183 thousand euros (Notes 2.4 and 15.2)

In addition, Sonnedix España Finance 2, S.A recognized in this heading the finance costs accrued during the year as a result of discounting the dismantling provisions for some photovoltaic solar farms (Note 19).

## 19. PROVISIONS

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

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

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

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

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

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

The Company's Sole Director did not report any potential direct or indirect conflict of interest between it or persons related to it and the Company, as defined in Spain's Corporate Enterprises Act, at either 2019 or 2018 year end.

***Remuneration and other benefits paid to Senior Management and the Sole Director***

The Company did not recognize any amount whatsoever in 2019 or 2018 in respect of wages or salaries paid to the Company's Sole Director or its key management personnel. The functions and duties of the Company's senior management were assumed by the Sole Director in 2019 and 2018.

Moreover, at 2019 and 2018 year end, the Company had not contracted any obligations relating to pensions, life insurance, or civil liability insurance on behalf of its Sole Director. Neither had it granted any loans, advances, or guarantees of any kind on behalf of the Sole Director.

## 21. AUDITOR FEES

The breakdown of fees paid for audit and other services provided by the Company's auditor of accounts, Ernst & Young, S.L., during 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | Services provided by the main auditor | |
| Description | 2019 | 2018 |
| Audit services | 64 | 7 |
| **Total audit and related services** | **64** | **7** |
| **Total** | **64** | **7** |

## 22. SUBSEQUENT EVENTS

On March 11, 2020 the World Health Organization raised the level of alarm for the public health emergency provoked by the coronavirus (COVID-19) outbreak to the level of an international pandemic. The rapid development of events on a domestic and international level represents an unprecedented health crisis which will impact the macroeconomic environment and business performance. In order to face the challenge represented by this situation, amongst other measures, the Government of Spain declared a state of emergency via publication of Royal Decree 463/2020 of March 14, and the approval of a series of extraordinary urgent measures to deal with the economic and social impact of COVID-19 via Royal Decree Law 8/2020 of March 17.

In spite of the complexity of the situation and its rapidly changing nature, the Company considers the impact on its financial statements will not be very significant. Any such impact would be recognized prospectively in the financial statements for FY 2020.

The Company is taking the appropriate steps in order to meet the challenge represented by this situation and minimize its impact, considering that it is a one-off situation which, in accordance with the most up-to-date estimates and the current cash position, does not affect the going concern principle.

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

## 23. EXPLANATION TO THE TRANSLATION TO ENGLISH

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

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

**PREPARATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

The accompanying special purpose financial statements (comprised of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and notes thereto) for the year ended December 31, 2019, were prepared by the Sole Director on March 31, 2020. The accompanying financial statements and management report are set forth on 52 pages, from page 1 to 52.

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