Audit Report on the Financial Statements
issued by an Independent Auditor

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2020



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

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

Building a better working world

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (the "Company"), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of changes in equity, the statement of cash flows and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial reporting (identified in Note 2 to the accompanying financial statements) and, in particular, the accounting principles and policies set forth therein.

Basis for opinion

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

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

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

Registered office: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - On file at the Madrid Mercantile Register, tome 9,364 general section 8,130 of section 3 of the Companies Book, folio 68, page 87.690-1, 1st entry. Madrid 9 March 1989. A member firm of Ernst & Young Global Limited.

Key audit matters

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

Recoverability of deferred tax assets

Description

As explained in note 15 to the accompanying financial statements, the Group recognized deferred tax assets at December 31, 2020 amounting to 44,207 thousand euros. The recoverability of these assets depends primarily on the ability of the Company, which is head of the tax group in Spain, to generate sufficient future taxable profits based on the financial projections and business plan of Solaria Group, of which it is the Parent. The analyses performed by the Company's directors require the use of estimates that entail complex judgments to determine the future taxable profits of the Company and the tax group of which it is the head, we considered this to be a key audit matter.

Disclosures on the criteria used by the Company's directors and the main assumptions used to determine the recoverability of deferred tax assets are provided in notes 2.4 and 4.15 to the accompanying financial statements.

Our response

Regarding to this matter, our audit procedures included, among others:

- Understanding of the processes established by the Company's management for determining the recoverability of deferred tax assets, including an assessment of the design and implementation of the relevant controls.
- Assessing the reasonableness of the assumptions used by the Company's directors to determine the estimated future taxable profits.
- Assessing, with the involvement of our tax specialists, the main tax considerations supporting the analysis made by the Company's directors.
- Reviewing the disclosures in the notes to the accompanying financial statements in accordance with the applicable regulatory framework for financial reporting.

Other information: Management report

Other information refers exclusively to the 2020 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

a. Checking only that certain information included in the Annual Corporate Governance Report, as defined in the Audit Law, was provided in the manner as stipulated in the applicable regulations and, if not, disclose this fact.

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

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2020 financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Company's audit committee on February 25, 2021.

Term of engagement

During the Ordinary General Shareholders' Meeting held on June 29, 2018, we were appointed auditors for a period of three years, commencing the year ended December 31, 2018.

Previously, we were appointed auditors by the shareholders in general meeting for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2015.

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

(Signature on the original in Spanish)

_____
Richard van Vliet
(Registered in the Official Register of Auditors under No. 21981)

February 25, 2021

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Financial Statements and Management Report



December 31, 2020

CONTENTS

FINANCIAL STATEMENTS AND MANAGEMENT REPORT

- Balance sheet as at December 31, 2020
- Income statement for the year ended December 31, 2020
- Statement of changes in equity for the year ended December 31, 2020
- Statement of cash flows for the year ended December 31, 2020
- Notes to the financial statements for the year ended December 31, 2020
- Management report for the year ended December 31, 2020

AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Solaria

December 31, 2020

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Balance sheet as at December 31, 2020
(Thousands of euros)

ASSETS	Notes	2020	2019
NON-CURRENT ASSETS		157,960	115,141
Intangible assets	5	101	87
Computer software		101	87
Property, plant and equipment	6	22,750	23,240
Land and buildings		21,110	22,472
Technical installations and other property, plant and equipment		1,640	768
Non-current investments in group companies and associates		90,568	90,205
Equity instruments	7	80,813	80,813
Loans to group companies	8	9,755	9,392
Non-current investments	8	334	334
Non-current guarantees and deposits		334	334
Deferred tax assets	15	44,207	1,275
CURRENT ASSETS		118,545	178,256
Inventories	9	15,220	8,449
Finished goods		15,220	8,449
Trade and other receivables		41,672	62,153
Trade receivables	8	1,335	3,285
Trade receivables from group companies and associates	8	36,519	57,529
Personnel		26	26
Other receivables from public authorities	15	3,792	1,313
Current loans to group companies and associates	8	19,096	29,214
Current investments	8	148	10,548
Current guarantees and deposits		148	10,548
Prepayments for current assets		286	92
Cash and cash equivalents	10	42,123	67,800
TOTAL ASSETS		276,505	293,397

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Balance sheet as at December 31, 2020
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2020	2019
EQUITY		247,093	192,322
CAPITAL AND RESERVES		247,125	192,354
Capital	11.1	1,250	1,250
Registered capital		1,250	1,250
Share premium	11.2	318,030	318,030
Reserves	11.3	36,639	36,639
Legal reserve		5,311	5,311
Other reserves		31,328	31,328
Prior years' losses	11.3	(163,565)	(194,059)
Profit for the year	3	54,771	30,494
VALUATION ADJUSTMENTS		(32)	(32)
NON-CURRENT LIABILITIES		25,200	26,115
Non-current provisions	13	-	415
Provisions for liabilities and charges		-	415
Non-current loans and borrowings	14	1,400	1,972
Bank borrowings		134	134
Finance lease payables		588	855
Other financial liabilities		678	983
Non-current loans and borrowings with group companies and associates	14	23,800	23,728
CURRENT LIABILITIES		4,212	74,960
Current loans and borrowings	14	281	10,549
Bonds and other marketable securities		-	9,972
Bank borrowings		5	55
Finance lease payables		234	254
Derivatives		42	42
Other financial liabilities		-	226
Current loans and borrowings with group companies and associates	14	-	39,984
Trade and other payables		3,931	24,427
Suppliers	14	69	21,669
Trade payables to group companies and associates	14	-	-
Other payables	14	2	1,296
Personnel (salaries payable)	14	1,497	655
Current tax liabilities	15	1,450	432
Other payables to public authorities	15	910	368
Advances from customers	14	3	7
TOTAL EQUITY AND LIABILITIES		276,505	293,397

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Income statement for the year ended December 31, 2020
(Thousands of euros)

	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	16.1	23,750	131,842
Sales		22,069	129,658
Rendering of services		1,681	2,184
Changes in inventories of finished goods	9	2,724	8,448
Cost of sales	16.2	(5,393)	(105,289)
Merchandise used		(60)	(103,065)
Subcontracted work		(5,333)	(2,224)
Other operating income	16.3	1,510	1,901
Non-trading and other operating income		1,510	1,901
Personnel expenses	16.5	(7,304)	(5,677)
Salaries, wages and similar		(6,291)	(4,834)
Employee benefits expense		(1,013)	(843)
Other operating expenses		(2,724)	(1,749)
External services	16.6	(2,531)	(2,557)
Taxes other than income tax		(193)	(195)
Losses, impairment and change in trade provisions	8	-	1,003
Amortization and depreciation	6	(514)	(2,473)
Recognition of grants related to non-financial and other assets	12	-	2,215
Change in provisions	13	(598)	(415)
Impairment and gains/(losses) on disposal of non-current assets	16.7	-	(860)
OPERATING PROFIT		11,451	27,943
Finance income	16.8	758	4,354
Dividends		-	3,325
Group companies and associates		-	3,325
Marketable securities and other financial instruments		758	1,029
Group companies and associates		363	604
Other		395	425
Finance costs	16.9	(142)	(523)
On borrowings from group companies and associates		-	(141)
On third-party borrowings		(142)	(382)
Exchange differences		55	224
NET FINANCE INCOME/(EXPENSE)		671	4,055
PROFIT BEFORE TAX		12,122	31,998
Income tax expense	15	42,649	(1,504)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	3	54,771	30,494

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Statement of changes in equity
for the year ended December 31, 2020
(Thousands of euros)

A) Statement of recognized income and expense

(Thousands of euros)	Notes	2020	2019
Profit for the year	3	54,771	30,494
Income and expense recognized directly in equity		-	(32)
Cash flow hedges		-	(43)
Tax effect		-	11
Total income and expense recognized directly in equity		-	(32)
Amounts transferred to the income statement		-	(1,790)
Grants, donations and bequests		-	(2,215)
Tax effect		-	425
Total income and expense recognized directly in equity	12	-	(1,790)
TOTAL RECOGNIZED INCOME AND EXPENSE		54,771	28,672

B) Statement of changes in equity for the year ended December 31, 2020

(Thousands of euros)	Registered capital (Note 11)	Share premium (Note 11.2)	Reserves (Note 11.3)	Retained earnings (prior years' losses) (Note 11.3)	Profit for the year (Note 3)	Grants, donations and bequests received (Note 12)	Valuation adjustments	Total
Balance at December 31, 2018	1,250	318,030	36,639	(195,810)	1,751	1,790	-	163,650
Recognized income and expense	-	-	-	-	30,494	(1,790)	(32)	28,672
Distribution of prior year profit/(loss)	-	-	-	1,751	(1,751)	-	-	-
Balance at December 31, 2019	1,250	318,030	36,639	(194,059)	30,494	-	(32)	192,322
Recognized income and expense	-	-	-	-	54,771	-	-	54,771
Distribution of prior year profit/(loss)	-	-	-	30,494	(30,494)	-	-	-
Balance at December 31, 2020	1,250	318,030	36,639	(163,565)	54,771	-	(32)	247,093

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Statement of cash flows
for the year ended December 31, 2020
(Thousands of euros)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		12,122	31,998
Adjustments for:		(573)	(3,037)
Amortization and depreciation	5 and 6	514	2,473
Valuation allowances for impairment losses	6	-	860
Change in provisions	13	(415)	(99)
Grants recognized in the income statement	12	-	(2,215)
Finance income	16.8	(758)	(4,354)
Finance costs	16.9	142	523
Exchange differences		(56)	(225)
Changes in operating assets and liabilities		6,081	(39,560)
Inventories		(6,771)	(8,449)
Trade and other receivables		20,481	(54,427)
Trade and other payables		(18,884)	23,316
Other current financial assets		11,255	-
Other cash flows from operating activities		19	(79)
Other payments		19	(79)
Net cash flows from/(used in) operating activities		17,649	(10,678)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from/(used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for financial instruments		(43,326)	9,661
Issue		(4,098)	9,972
Borrowings from group companies and associates		5,874	-
Bonds and other marketable securities		(9,972)	9,972
Redemption and repayment of		(39,228)	(311)
Bank borrowings		(499)	(311)
Borrowings from group companies and associates		(38,729)	-
Cash flows from/(used in) financing activities		(43,326)	9,661
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(25,677)	(1,017)
Cash and cash equivalents at January 1		67,800	68,817
Cash and cash equivalents at December 31	10	42,123	67,800

1. Corporate information

Solaria Energía y Medio Ambiente, S.A. ("Solaria" or "the Company") was incorporated on November 27, 2002 as a limited liability company (sociedad anónima) in Spain for an indefinite period. On April 28, 2008, the Company changed its registered address to Calle Velázquez, 47, Madrid, and on July 1, 2009 to Calle Princesa, 2, Madrid.

The Company's corporate purpose includes mainly:

1. The installation and repair of solar, thermal, photovoltaic, wind, and any other type of renewable energy facilities.

2. The installation and repair of plumbing, gas, electricity, cooling, heating, and air conditioning systems.

3. The design and execution of technical projects related to the above.

4. The provision of maintenance and conservation services for works performed by the Company or third parties.

5. The manufacture of solar, thermal, photovoltaic and other renewable energy modules, cells, and components.

Solaria's main activities in 2020 and 2019 were the provision of development services for photovoltaic (PV) plants, and the operation and maintenance of its own PV plants.

The Company's shares have been listed on Spain's four official stock exchanges and quoted on the Spanish electronic trading platform (continuous market) since June 19, 2007. They were included on the IBEX 35 index on October 19, 2020.

Solaria is the parent of a Group comprising 98 companies as at December 31, 2020 (2019: 71), all wholly owned by the Company directly or indirectly. All Solaria Group companies engage mainly is the operation of photovoltaic (PV) solar plants in Spain and other countries where they are located abroad. Accordingly, it is the parent of a group of companies under prevailing legislation.

On the same date as the accompanying financial statements, the directors of the Company authorized for issue the consolidated financial statements of Solaria Energía y Medio Ambiente, S.A. and Subsidiaries for the year ended 31 December 2020.

The separate and consolidated financial statements of Solaria Energía y Medio Ambiente, S.A. for the year ended December 31, 2019 were approved at the General Shareholders' Meeting held on October 28, 2020 and placed on file at the Madrid Companies Register.

The Company is controlled by DTL Corporación, S.L. (Note 17), based in Madrid. The consolidated financial statements for DTL Corporación, S.L. and Subsidiaries for the year ended December 31, 2020 will be authorized for issue and filed with the Madrid Companies Register within the legal deadline.

The Company's functional currency is the euro.

2. Basis of preparation

The financial statements have been prepared in accordance with the Spanish General Accounting Plan (*Plan General de Contabilidad*) approved by Royal Decree 1514/2007, of November 16, as amended in 2016 by Royal Decree 602/2016, of December 2, and all other prevailing company law.

The accompanying financial statements were authorized for issue by the directors of the Company and will be submitted for approval at the General Shareholders' Meeting. They are expected to be approved without any changes.

The figures shown in these financial statements are presented in thousands of euros, unless stated otherwise.

2.1 True and fair view

The accompanying financial statements have been prepared from the auxiliary accounting records of the Company in accordance with prevailing accounting legislation to give a true and fair view of the Company's equity, financial position and results. The statement of cash flows was prepared to present fairly the origin and use of the Company's monetary assets representing cash and cash equivalents.

2.2 Comparative information

In accordance with company law, for comparative purposes, for each item of the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows, in addition to the figures for 2020, those for the previous year are presented. Quantitative information for the previous period is also included in the notes to the financial statements unless an accounting standard specifically states that this is not required.

2.3 Effects of the COVID-19 pandemic on the Company's operations

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, has caused an unprecedented health crisis that has impacted the macroeconomic environment and the Group's business performance. A series of measures were taken in 2020 to deal with the economic and social impact caused by the situation, which included mobility restrictions. Specifically, the Spanish government passed a raft of measures: it declared a state of alarm through Royal Decree 463/2020, of March 14, which was lifted on July 1, 2020, and approved a series of extraordinary emergency measures to deal with the economic and social impact of COVID-19, including those set out in Royal Decree-Law 8/2020, of March 17. As at the date of authorization for issue of these interim financial statements, the state of alarm declared by the Spanish government via Royal Decree 926/2020, of October 25, originally scheduled to run until November 9, 2020, and then by Royal Decree 956/2020, of November 3, which extended it to May 9, 2021, was still in place.

The pandemic is affecting the economy in general. However, at the date of authorization for issue of the accompanying financial statements, there have been no significant impacts on the Company's operation and, based on directors' current estimates, none are expected in 2021.

2.4 Critical issues regarding the measurement and estimation of uncertainties

The preparation of the Company's financial statements required the Company's directors to make certain estimates that affect the reported amounts of certain assets, liabilities, revenue and expenses, and the disclosure of contingent liabilities. These estimates were made based on the best information available at end of the reporting period. However, given the uncertainty inherent in estimates, future events could require these estimates to be modified in subsequent reporting periods. Any changes in accounting estimates would be made prospectively.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates at the reporting date, which could entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period are as follows:

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized. In determining the amount of deferred tax assets that can be recognized, the directors make significant estimates regarding the amounts and dates on which future taxable profits will be obtained and the timing of the reversal of the taxable temporary differences. At December 31, 2020, the Company recognized deferred tax assets amounting to 44,207 thousand euros relating to unused tax losses, tax credits and other unused deferred tax assets (2019: 1,275 thousand euros relating to unused tax losses) (Note 15).

3. Distribution of profit

The distribution of profit in 2020 proposed by the directors and expected to be approved at the General Shareholders' Meeting is as follows:

(Thousands of euros)	2020
Basis of distribution	
Profit for the year	54,771
Distribution of profit	
Offset of prior years' losses	54,771

3.1 Limitations on the distribution of dividends

The Company is obliged to earmark 10% of profit for the year for the legal reserve until such reserve represents at least 20% of capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 11).

Dividends may only be drawn on the year's profit or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or as a result of such distribution would not be, less than the company's capital. For these purposes, any profit directly allocated to equity may not be distributed either directly or indirectly. In the event of losses in preceding years that reduce corporate equity to less than the Company's capital, profits shall be used to offset such losses.

4. Recognition and measurement standards

The main recognition and measurement standards applied by the Company in the preparation of the accompanying financial statements are as follows:

4.1 Intangible assets

Intangible assets are initially measured at cost, determined as the purchase price or production cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized systematically on a straight-line basis over their estimated useful life, taking into account their residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial period end and any impairment is recognized.

Computer software

Computer software includes the amounts paid for applications developed internally by the Company that meet the requirements for capitalization of development costs, and amounts paid to acquire computer software from third parties. The costs are amortized on a straight-line basis over an estimated useful life of five years.

Costs attributed to in-house personnel involved in the development of computer software are capitalized as an increase in the value of the software, with a credit to "Self-constructed assets" in the income statement.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to profit or loss in the year incurred.

4.2 Property, plant and equipment

Property, plant and equipment includes mainly land, buildings, technical installations and machinery.

Property, plant and equipment are initially measured at cost, determined as the purchase price or production cost. After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Borrowing costs accrued that meet the requirement for capitalization for assets acquired or produced after January 1, 2008 that need more than one year to be brought into working condition are included in the purchase price or production cost.

The value of an item of property, plant and equipment also includes the initial estimate of the present value of obligations for dismantling or removing the item, as well as other obligations associated with the asset, such as restoration, when these obligations give rise to the recognition of provisions.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to profit or loss in the year incurred. Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalized as an increase in the value of the asset. The carrying amount of items that are replaced are derecognized.

Costs of major repairs of items of property, plant and equipment, irrespective of whether the items affected are replaced, are identified as a component of the cost of servicing the asset at the date of recognition of the asset, and depreciated over the period until the subsequent service.

When available for use, property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets.

The estimated years of useful life of property, plant and equipment are as follows:

	Years of useful life
Buildings	33 years
Technical installations (other)	10 years
Machinery	8 years
Other property, plant and equipment	8 years

Land on which the buildings and other constructions are located has an indefinite useful life and, therefore, is not depreciated.

The Company reviews the residual value, useful life and depreciation methods of property, plant and equipment at the end of each reporting period and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

At least at the end of each reporting period, the Company assesses whether there is any indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication exists, it estimates the asset's recoverable amount.

The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. The asset is considered impaired when its carrying amount exceeds its recoverable amount. The value in use is the present value of the future cash flows expected to be obtained, discounted at a market risk-free rate and adjusted for any risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined, where appropriate, for the cash-generating unit to which the asset belongs. A cash-generating unit is understood as the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

Impairment losses and any reversals thereof are recognized in the income statement. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist. Goodwill impairment losses cannot be reversed. Impairment is only reversed up to the limit of the carrying amount of the asset that would have been determined had the impairment loss not been recognized.

4.4 Leases

Arrangements are classified as finance leases when the economic conditions of the lease indicate that substantially all the risks and rewards incidental to ownership of the asset are transferred. All other lease arrangements are classified as operating leases.

Company as lessee

At the commencement of the lease term, the Company recognizes assets acquired under a finance lease according to the nature of the asset, and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the purchase option. Minimum lease payments exclude contingent rents, costs for services and taxes that may be passed on by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is allocated over the lease term and recognized in profit or loss for the reporting period in which it is accrued, using the effective interest rate method. The lessee applies the same depreciation, amortization, impairment and derecognition criteria as applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the income statement when accrued.

Company as lessor

Income from operating leases is recognized in the income statement when accrued. The carrying amount is increased by the amount of directly attributable contract costs, which are recognized as an expense over the lease term using the same criteria as for the recognition of lease income.

4.5 Financial assets

Classification and measurement

Loans and receivables

The Company recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not traded in an active market for which the Company expects to recover all of its initial investment, for reasons other than credit deterioration.

These financial assets are measured initially at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

The financial assets included in this category are subsequently measured at amortized cost.

Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans and advances to personnel, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is not material.

In guarantees extended for operating leases, the difference between the fair value and the amount disbursed is considered prepayments for the lease and recognized in profit and loss over the lease term. When estimating the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Equity investments in group companies, jointly controlled entities and associates

This category includes investments in companies over which the entity exercises control (group companies), joint control via by-law resolutions or contractual arrangements with one or more venturers (jointly controlled entities) or has significant influence (associates).

These financial assets are measured initially at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Equity investments in group companies are measured, where applicable, using the accounting principles for transactions between group companies (Note 4.18).

When an investment is newly classified as an investment in a group company, jointly controlled entity or associate, cost is deemed to be the investment's recognized carrying amount immediately prior to the investee being classified as such. Where applicable, prior valuation adjustments associated with the investment and recognized directly in equity continue to be recorded in equity until the investment is either sold or impaired.

Initial measurement includes the amount of any pre-emptive and similar rights acquired.

These financial assets are subsequently measured at cost less any accumulated impairment.

Derecognition

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

If the Company has neither transferred nor retained substantially all the risks and rewards, it derecognizes the financial asset when it has not retained control over that asset. If the Company has retained control, it continues to recognize the financial asset at the amount of its exposure to variability in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset. The associated liability is also recognized.

The gain or loss on derecognition of the financial asset is determined as the difference between the consideration received net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of the financial asset, plus any accumulated amount recognized directly in equity. The gain or loss is recognized in profit or loss for the reporting period in which it arises.

The Company does not derecognize financial assets in transfers whereby it retains substantially all the risks and rewards of ownership. These include discounted bills, factoring with recourse, sales of financial assets with an agreement to repurchase them at a fixed price or at the sales price plus interest, and securitizations of financial assets whereby the Company retains subordinated financing or another type of guarantee that absorbs substantially all expected losses. In these cases, it recognizes a financial liability for the amount of the consideration received.

Interest and dividends received from financial assets

Interest and dividends accrued on financial assets are recognized as income in the income statement. Interest is accounted for using the effective interest rate method, while dividends are recognized when the right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date is recognized separately, based on maturity. Dividends declared by the pertinent body at the acquisition date are also accounted for separately. Explicit interest is the interest obtained by applying the financial instrument's contractual interest rate.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because amounts have been distributed which are higher than the profits generated by the investee since acquisition, the difference is accounted for as a reduction in the carrying amount of the investment and not recognized as income.

4.6 Impairment of non-financial assets

The Company adjusts the carrying amount of financial assets with a charge to the income statement when there is objective evidence that the asset is impaired.

To determine impairment losses on financial assets, the Company assesses the potential loss of individual as well as groups of assets with similar risk exposure.

Debt instruments

There is objective evidence that debt instruments (receivables, loans and debt securities) are impaired as a result of an event occurring after initial recognition and leading to a reduction or delay in estimated future cash flows.

The Company classifies as impaired assets (non-performing assets) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data that evidence the possible irrecoverability of total agreed-upon future cash flows or a delay in their collection. For trade and other receivables, the Company considers balances more than six months past due for which collection is uncertain, as well as balances owed by companies that have filed for creditor protection, to be non-performing assets.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition. For variable interest financial assets, the effective interest rate at the reporting date is used. The Company considers market value instead of the present value of estimated future cash flows in the case of quoted securities, provided that it is considered sufficiently reliable.

Reversals of impairment are recognized as income in the income statement up to the limit of the carrying amount of the financial asset that would have been recorded at the reversal date had the impairment loss not been recognized.

Equity instruments

For equity instruments measured at cost, included in equity investments in group companies, jointly controlled entities and associates, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date, unless better evidence of the recoverable amount is available. The reversal of an impairment loss on equity investments in group companies, jointly controlled entities, and associates is recognized in the income statement. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognized.

4.7 Financial liabilities

Classification and measurement

Debts and payables

This category includes financial liabilities arising on the purchase of goods and services in the course of the Company's trade operations, and non-trade payables that are not derivatives.

These financial assets are measured initially at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

The financial liabilities included in this category are subsequently measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

In guarantees extended for operating leases, the difference between the fair value and the amount received is considered as revenue received in advance for the lease and recognized in profit and loss over the lease term. When estimating the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Derecognition

The Company derecognizes a financial liability when the obligation is extinguished.

An exchange between a borrower and a lender of debt instruments with substantially different terms entails derecognition of the original financial liability and recognition of the new financial liability. Similarly, any substantial modification of the terms of an existing financial liability is also recognized.

The difference between the carrying amount of a financial liability, or part of that liability, that has been derecognized and the consideration given, including attributable transaction costs and any asset transferred (other than cash) or liability assumed, is recognized in profit or loss for the reporting period in which it arises.

In an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognized. Fees and commissions paid are accounted for as an adjustment to the carrying amount. The new amortized cost of the financial asset is calculated using the effective interest rate, which is the discount rate that equates the carrying amount of the financial liability at the modification date to the cash flows payable under the new terms.

For these purposes, the terms of the contract are considered substantially different when the lender is the same that granted the original loan and the present value of the cash flows from the new financial liability, including any net fees, differs by at least 10% from the discounted present value of the remaining cash flows from the original financial liability, discounted using the effect interest rate of the latter.

4.9 Inventories

Inventories are measured at purchase price or production cost. The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, such as transport, import duties, insurance and other costs directly attributable to the acquisition of inventories. Production cost is determined by adding to the purchase price of the raw materials and other consumables, the costs directly attributable to the product. Also included is the proportional amount of costs indirectly attributable to the products that reasonably relates to the production, construction or manufacturing period incurred to bring the item into a saleable condition and are based on the level of usage of normal production capacity.

Borrowing costs are not included in the purchase price or production cost since the Company's inventories do not need more than one year to bring them to a saleable condition.

The Company uses the weighted average cost method to allocate value to inventories.

Write-downs are made and recognized as an expense in the income statement when the purchase price or production cost of inventories exceeds the net realizable value. No valuation allowances are made for raw materials and other consumables used in the production process if the finished products into which they will be incorporated are expected to be sold above cost.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are convertible to cash.
- They have a maturity of three months or less from the date of acquisition.

- There is no significant risk of changes in value.
- They form part of the Company's usual cash management strategy.

For the purposes of the statement of cash flows, include occasional overdrafts may also be included as a decrease in cash and cash equivalents when these form an integral part of the Company's cash management.

4.11 Government grants

Grants are classified as non-repayable when the conditions attaching to them are met, at which time they are recognized directly in equity, net of the related tax effect.

Repayable grants are recognized as liabilities until they meet the criteria for classification as non-repayable. Until then, no income is recorded.

Grants awarded to finance specific expenses are recognized as income in the reporting period in which the financed expenses are accrued. Grants awarded to acquire property, plant and equipment or settle liabilities are recognized as income for the reporting period in proportion with the depreciation charges for those assets.

4.12 Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions when the Company has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be measured reliably.

At the date of authorization for issue of the accompanying consolidated financial statements, the directors make a distinction between:

- *Provisions:* present obligations at the reporting date arising from past events, of uncertain amount or timing, but it is probable that that an outflow of resources embodying economic benefits will be required by the Company to settle the obligation and a reliable estimate of the amount can be made.
- *Contingent liabilities:* possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and that do not meet the requirements for recognition as provisions.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Reimbursements receivable from another party on settlement of the obligation do not reduce the amount of the debt, but are recognized as an asset, provided that the reimbursement is virtually certain. Where a risk is externalized by means of a legal or contractual agreement, provision is only made for the part of the risk assumed by the Company.

In addition, contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, as well as present obligations arising from past events not recognized because it is not probable that an outflow of resources will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. These liabilities are not recognized, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources is remote.

4.13 Current versus non-current classification

Assets and liabilities are classified in the balance sheet as current or non-current. Accordingly, 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; when they differ from the aforementioned assets and are expected to mature, to be sold or settled within one year; and when they are held for trading or are cash and cash equivalents whose use is not restricted to one year. All other assets and liabilities are classified as non-current assets and non-current liabilities.

4.14 Revenue and expenses

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue from sales and the rendering of services

Revenue is recognized when it is probable that the profit or economic benefits associated with the transaction will flow to the Company and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Company and interest on the nominal amount of credit extended. Applicable indirect taxes on transactions that the Company must pass on to third parties are not included in revenue.

The following conditions must also be met, depending on the type of activity carried out by the Company:

- Revenue from the sale of photovoltaic plants is recognized when the Company has transferred the significant risks and rewards incidental to ownership of the assets to the Group companies acquiring the plants and it no longer manages or retains effective control over them.

- Revenue from the rendering of maintenance services is recognized based on the contracts entered into with the various Group companies. Revenue is recognized in profit or loss when the Company renders these services.

- Rental income is recognized on a straight-line basis over the lease term.

4.15 Income tax

The Company is head of tax group 0191/10, which includes all the Spanish subsidiaries.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity, and in the initial recognition of business combinations, for which it is recognized in a similar manner to the other assets and liabilities of the acquiree.

Deferred taxes are recognized for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" in the balance sheet, as appropriate.

The Company recognizes deferred tax liabilities for all temporary differences, except where disallowed under prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

On the initial recognition of business combinations, when the deferred tax assets of the acquiree do not qualify for separate recognition, the deferred assets recognized during the measurement period arising from new information on events and circumstances existing at the acquisition date adjust the amount of the related goodwill. Deferred tax assets recognized after the measurement period, or which arise from events or circumstances that did not exist at the acquisition date, are recognized in profit and loss or, if required by the standard, directly in equity.

At the end of each reporting period, the Company reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, the Company then derecognizes previously recorded deferred tax assets when recovery is no longer probable, or recognizes a previously unrecorded deferred tax asset to the extent that it is probable that future taxable profit will enable its application.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the assets are reasonably expected to be recovered or paid or the liabilities settled.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities, regardless of the date they are expected to be realized or settled.

In addition to the aforementioned parameters used for the purposes of individual taxation, the determination of the income tax expense of the companies filing consolidated tax returns also takes into account the following:

a) The temporary and permanent differences arising as a result of the elimination of the results of transactions between Group companies in the process used to calculate consolidated taxable profit or tax loss.

b) The tax credits and tax relief of each company in the consolidated tax group; for these purposes, the tax credits or tax relief are allocated to the company that performed the activity or obtained the income required to give entitlement to the tax credit or tax relief.

c) The temporary differences arising as a result of the elimination of the results of intra-tax group transactions are recognized in the company that has generated the result and are measured at the tax rate applicable to it.

d) The parent of the Group recognizes the total consolidated income tax payable or recoverable with a charge or credit to tax receivable from or tax payable to Group companies and associates.

4.16 Foreign currency transactions

The Company's functional and presentation currency is the euro.

Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange gains or losses arising on this process and on settlement of these assets and liabilities are recognized in profit or loss for the reporting period in which they occur.

4.17 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are recognized in the year in which they are incurred, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of “Property, plant and equipment” and depreciated using the same criteria.

4.18 Related party transactions

Related party transactions are measured using the same criteria described above.

5. Intangible assets

The movements in the items composing "Intangible assets" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversals	Balance at December 31
2020				
Cost				
Computer software	87	14	-	101
	87	14	-	101
Accumulated amortization				
Computer software	-	-	-	-
	-	-	-	-
Carrying amount	87			101

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversals	Balance at December 31
2019				
Cost				
Computer software	1,222	87	(1,222)	87
	1,222	87	(1,222)	
Accumulated amortization				
Computer software	(1,222)	-	1,222	-
	(1,222)	-	1,222	-
Carrying amount	-			87

5.1 Significant movements

Additions in 2020 amounted to 14 thousand euros and related to development of the new software application acquired in 2019.

Additions in 2019 related to new accounting software for 87 thousand euros. The Company derecognized the previous software, which was fully amortized in 2019.

The Company did not have any fully amortized items of intangible assets still in use at December 31, 2020 and 2019.

6. Property, plant and equipment

The movements in the items composing "Property, plant and equipment" are as follows:

(Thousands of euros)	Balance at January 1	Additions, charges and impairment	Disposals	Balance at December 31
2020				
Cost				
Land and buildings	46,174	-	-	46,174
Technical installations	6,941	-	-	6,941
Machinery	34,411	-	-	34,411
Other property, plant, and equipment	1,821	22	-	1,843
	89,347	22	-	89,369
Accumulated depreciation				
Buildings	(10,249)	(261)	-	(10,510)
Technical installations	(5,199)	(251)	-	(5,450)
Machinery	(15,803)	-	-	(15,803)
Other property, plant, and equipment	(1,368)	-	-	(1,368)
	(32,619)	(512)	-	(33,131)
Valuation allowances for impairment losses				
Land and buildings	(14,521)	-	-	(14,521)
Machinery	(18,608)	-	-	(18,608)
Other property, plant, and equipment	(359)	-	-	(359)
	(33,488)	-	-	(33,488)
Carrying amount	23,240			22,750

(Thousands of euros)	Balance at January 1	Additions, charges and impairment	Disposals	Balance at December 31
2019				
Cost				
Land and buildings	49,765	47	(3,638)	46,174
Technical installations	6,941	-	-	6,941
Machinery	34,411	-	-	34,411
Other property, plant, and equipment	1,727	94	-	1,821
	92,844	141	(3,638)	89,347
Accumulated depreciation				
Buildings	(8,852)	(2,005)	608	(10,249)
Technical installations	(4,985)	(214)	-	(5,199)
Machinery	(15,549)	(254)	-	(15,803)
Other property, plant, and equipment	(1,368)	-	-	(1,368)
	(30,754)	(2,473)	608	(32,619)
Valuation allowances for impairment losses				
Land and buildings	(14,521)	-	-	(14,521)
Machinery	(18,608)	-	-	(18,608)
Other property, plant, and equipment	(359)	-	-	(359)
	(33,488)	-	-	(33,488)
Carrying amount	28,602			23,240

6.1 Significant movements

Additions of property, plant and equipment in 2020 amounted to 22 thousand euros and related to additions of furniture. Additions of property, plant and equipment 2019 amounted to 141 thousand euros and related to the refurbishment of the new offices leased from DTL Corporación S.L. and the purchase of furniture.

Disposals of "Land and buildings" in 2019 related to the sale of the Cava and Discarica photovoltaic plants to a Group company, generating a loss of 860 thousand euros (Note 16.7).

6.2 Finance leases

The net carrying amount of property, plant and equipment acquired under finance leases at December 31 is as follows:

(Thousands of euros)	2020	2019
Technical installations		
Cost	3,000	3,000
Accumulated depreciation	(3,000)	(1,891)
	-	1,109

In 2011, the Company entered into a finance lease with Credit Agricole for the the machinery of the Puertollano cell plant for 3,000 thousand euros. On June 7, 2016, the Company signed a non-extinctive novation of this lease. The novation modified the following clauses:

- Extension of the maturity of the lease to June 7, 2023.
- Interest rate of 2.95%.

The outstanding amount payable at year-end for these leases is included under "Finance lease payables" on the liability side of the balance sheet (Note 14).

6.3 Operating leases

Operating leases - Company as lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

(Thousands of euros)	2020	2019
Within one year	515	214
After one year but not more than five years	1,545	856
	2,060	1,070

The Company has leased its central offices in Madrid, at calle Princesa 2, from DTL Corporación, S.L., the Company's majority shareholder, under the lease agreements entered into on July 1, 2009. The Company paid 515 thousand euros of rent in 2020 for these offices (2019: 296 thousand euros). The lease contract includes parking spaces. The increase in the expense was due to the new lease signed extending the lease area of the offices.

Operating leases - Company as lessor

The Company has leased land to subsidiaries since 2009. It owns the assets, while the subsidiaries hold the permits, licenses and authorizations. Under the arrangements, at year-end 2020 the Company had ceded the use of its installations to Planta Solar Puertollano 4, S.L. The Company also leases land in Fuenmayor to its Planta Solar Puertollano 6, S.A. subsidiary, and the covering of a PV plant in Puertollano to Solaria Casiopea, S.A.

Rental income from these leases, which are renewed annually and linked to revenue from power generation from the leases, amounted to 500 thousand euros in 2020 (2019: 507 thousand euros), recognized under "Rendering of services" in the income statement.

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

(Thousands of euros)	2020	2019
Within one year	516	507
After one year but not more than five years	2,841	3,807
More than five years	7,174	5,376
	10,531	9,690

6.4 Impairment

The breakdown of impairment of each asset is as follows:

(Thousands of euros)		Impairment	
Asset	Nature	12/31/2020	12/31/2019
Land in Dehesa Vaqueros	Rural property	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial warehouse	(14,066)	(14,066)
Plant in Puertollano (Ciudad Real)	Installations I and II	(18,967)	(18,967)
TOTAL		(33,488)	(33,488)

6.4.1 Impairment – Industrial assets

For industrial assets, which were idle in 2020 (and 2019), impairment tests were performed based on estimates of the assets' market values:

- *Puertollano industrial warehouses*: the Puertollano plant, technical installations and construction were fully depreciated at December 31, 2020.

- *Rural and agricultural land - Dehesa Vaqueros:* The carrying amount of this asset at December 31, 2020 and 2019 was 1,245 thousand euros based on an appraisal by an independent consultant made in February 2015. The Company's directors, based on their internal annual market research, have considered that the assumptions underlying the appraisal remain valid. Therefore, they have not considered it necessary to recognize any additional impairments.

6.5 Other disclosures

The Company has mortgaged land in Dehesa Vaqueros with a net carrying amount of 1,245 thousand euros at December 31, 2020 and 2019.

Fully depreciated items of property, plant, and equipment still in use at December 31, 2020, amounted to 20,657 thousand euros (2019: 12,583 thousand euros).

There were no commitments to acquire any items of property, plant, and equipment at December 31, 2020 and 2019. The Company also did not have any capitalized interest expenses.

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

7. Equity investments in group companies

The movements in items composing this item are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Allowances	Reversals	Balance at December 31
2020						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Valuation allowances for impairment losses	(16)	-	-	-	-	(16)
	80,813					80,813
2019						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Valuation allowances for impairment losses	(19)	-	-	-	3	(16)
	80,810	-	-	-	3	80,813

7.1 Significant movements

The movement in 2019 related to the reversal of impairment of 3 thousand euros of Group company Solaria Promoción y Desarrollo Fotovoltaico, S.L.

7.2 Description of investments

The amounts of capital, reserves, profit or loss and other relevant information of direct investees are shown below:

Thousands of euros Ownership interest	% Direct ownership interest	Cost	Capital	Reserves	Profit/(loss)	Total equity
Planta Solar Puertollano 4, S.L.	100%	-	3	(79)	(7)	(83)
Planta Solar Puertollano 8, S.L.	100%	-	3	(324)	-	(321)
Pronature, S.L.	6%	-	50	70	38	158
Planta FV 4, S.L.	100%	-	3	679	-	682
Solaria Italia, SRL	100%	-	-	-	-	-
Solaria Energía y Generación Renovables, S.L.	100%	80,807	1,965	98,119	8,301	108,385
Solaria Energía y Proyectos Internacionales, S.L.	100%	-	3	(174)	-	(171)
Solaria Promoción y Desarrollo Fotovoltaico, S.L.*	100%	3	3	(2)	69	70
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	100%	3	3	17,849	19,064	36,916
		80,813				

The main shareholding included under "Investments in group companies and associates" relates to Solaria Energía Generación Renovable, S.L., which does not show any indication of impairment.

The Company has issued the pertinent disclosures to investees under Article 155 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) and there is no obligation that could give rise to contingencies with respect to those companies.

8. Financial assets

The breakdown of "Financial assets", excluding equity investments in group companies, jointly controlled entities and associates (Note 7), at December 31, is as follows:

	Loans to group companies		Loans, derivatives and other		Total	
(Thousands of euros)	2020	2019	2020	2019	2020	2019
Non-current financial assets						
Loans and receivables	9,755	9,392	-	-	9,755	9,392
Loans to related parties (Note 17.1)	9,755	9,392	-	-	9,755	9,392
Held-to-maturity investments	-	-	334	334	334	334
Non-current guarantees and deposits	-	-	334	334	334	334
	9,755	9,392	334	334	10,089	9,726
Current financial assets						
Loans and receivables	-	-	37,854	60,814	37,854	60,814
Trade receivables	-	-	1,335	3,285	1,335	3,285
Trade receivables from group companies and associates (Note 17.1)	-	-	36,519	57,529	36,519	57,529
Current investments in group companies and associates	19,096	29,214	-	-	19,096	29,214
Current accounts with group companies (Note 17.1)	19,096	29,214	-	-	19,096	29,214
Held-to-maturity investments	-	-	148	10,548	148	10,548
Current guarantees and deposits	-	-	148	10,548	148	10,548
	-	-	38,002	71,362	57,098	100,576
	28,851	38,606	38,336	71,696	67,187	110,302

The carrying amount of these financial assets does not differ significantly from their fair value.

Loans to group companies

This item at December 31, 2020, included a long-term credit facility granted to Solaria Energía Generación Renovable, S.L.U. amounting to 9,755 thousand euros (2019: 9,392 thousand euros). The facility has a limit of 40 million euros, matures in 2026 and accrues interest at the 6-month Euribor rate plus a market spread.

At December 31, 2020, the current accounts included 1,289 thousand euros for consolidated tax (Note 15).

Finance income on these loans to Group companies recognized in the income statement for the year ended December 31, 2020 amounted to 363 thousand euros (2019: 604 thousand euros) (Notes 16.8 and 17.1).

Trade and other receivables

The breakdown of this heading at December 31 is as follows:

(Thousands of euros)	2020	2019
Trade receivables	1,335	3,285
Trade receivables from group companies and associates (Note 17)	36,519	57,529
	37,854	60,814

The fair value of these financial assets, calculated using the discounted cash flow method, does not differ significantly from their carrying amount.

Valuation allowances

The balance of "Trade receivables" is presented net of valuation allowances for impairment. Movements in these allowances are as follows:

(Thousands of euros)	2020	2019
Balance at January 1	4,235	5,238
Arising during the year	-	7
Unused amounts reversed	-	(1,010)
Other movements	(4,235)	-
Balance at December 31	-	4,235

In 2020, the Company removed doubtful trade receivables and the related valuation adjustments from the balance sheet, with no effect on the income statement.

9. Inventories

Inventories at December 31, 2020 relate to costs incurred to develop new PV plants for sale to other Group companies on completion of construction and include the purchase of modules, transformers, inverters and monitors.

No allowances were made for write-downs at December 31, 2020.

10. Cash and cash equivalents

The amount shown under this item includes only balances in current accounts with banks and cash at December 31, 2020 and 2019. There are no restrictions on these accounts.

11. Equity – capital and reserves

11.1 Registered capital

The Company's registered capital at December 31, 2020 and 2019 recognized under "Equity" amounted to 1,250 thousand euros and consisted of 124,950,876 bearer shares of 0.01 euros par value each.

The main shareholders and ownership interests at December 31 were as follows:

(Thousands of euros)	2020	2019
DTL Corporación, S.L.	39.96%	49.81%
Other shareholders	60.04%	50.19%
	100%	100%

The shares comprising share capital are admitted for trading on Spain's four official stock exchanges and are quoted on the Spanish electronic trading platform (continuous market). They were included in the IBEX 35 in October 2020. There are no restrictions on the free transferability of the shares.

11.2 Share premium

The balance of the share premium account at December 31, 2020 was 318,030 thousand euros, the same as the year before.

The share premium is unrestricted provided that its distribution does not reduce shareholders' equity to below share capital.

11.3 Reserves and retained earnings (prior years' losses)

The movement of items composing "Reserves" and "Retained earnings (prior years' losses)" is as follows:

(Thousands of euros)	Adjusted balance at January 1	Other changes	Distribution of profit/(loss)	Balance at December 31
2020				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	31,328	-	-	31,328
	36,639	-	-	36,639
Prior years' losses	(194,059)		30,494	(163,565)
	(157,420)	-	30,494	(126,926)
2019				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	31,328	-	-	31,328
	36,639			36,639
Prior years' losses	(195,810)	-	1,751	(194,059)
	(159,171)		1,751	(157,420)

Voluntary reserves are unrestricted provided that their distribution does not reduce shareholders' equity to below share capital.

Legal reserve

In accordance with the consolidated text of the Spanish Corporate Enterprises Act (texto refundido de la Ley de Sociedades de Capital), until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

The Company's legal reserve at both December 31, 2020 and 2019 amounted to 5,311 thousand euros, above the minimum threshold.

It may not be distributed and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

12. Equity – Government grants received

There were no non-repayable capital grants in 2020.

The movements in "Non-repayable capital grants" in 2019 were as follows:

(Thousands of euros)	Balance at January 1	Amounts transferred to the income statement	Tax effect of transfers	Balance at December 31
2019				
Non-repayable grants	1,790	(2,215)	425	-
	1,790	(2,215)	425	-

The breakdown of non-repayable capital grants transferred in full to profit or loss at December 31, 2019 is as follows:

Granted by	Original amount granted in thousands of euros	Purpose	Grant date
Ministry of Industry	4,546	Financing of non-current assets	1/17/2006
	4,546		

Grant for non-current assets by the Ministry of Industry:

On January 17, 2006, the Ministry of Industry, Tourism and Trade notified the Company of a 4,546 thousand euros grant for the "Start-up of a thermal solar module and photovoltaic cell production plant" project. The grant was received in 2008 and 2010 and was contingent on compliance with a number of conditions, related mainly to executing investments and creating jobs.

There is no risk regarding repayment of the amount of the grant already received since the project is completed and certified. The amount of non-current assets covered by the grant are fully depreciated. Therefore, the Company did not income from this grant in 2020 (2019: 2,215 thousand euros).

13. Provisions and contingencies

Provisions

There were no provisions at December 31, 2020. The breakdown of provisions at December 31, 2019 is as follows:

(Thousands of euros)	Non-current	Current	Total
2019			
Provision for liabilities and charges	-	415	415

Movements in these items in 2020 and 2019 were as follows:

(Thousands of euros)	Balance at January 1	Arising during the year	Utilized	Provision surpluses	Balance at December 31
2020					
Provision for litigation, liabilities and charges	415	598	(1,013)	-	-
	415	598	(1,013)	-	-

The movement in 2020 related to the recognition and subsequent utilization of provisions for litigation amounting to 1,013 thousand euros.

Provision for litigation, liabilities and charges

The Company's directors consider that at December 31, 2020, there were no lawsuits, litigation or civil, criminal or administrative proceedings that, given their amount, could have a material impact on the financial statements and/or the financial position or profitability not provided for or disclosed at year-end 2020.

14. Financial liabilities

The breakdown of "Financial liabilities" at December 31 is as follows:

	Bank borrowings (Note 14.1)		Bonds and other marketable securities (Note 14.2)		Loans and borrowings with related parties (Note 17.1)		Derivatives and other (Note 14.2)		Total	
(Thousands of euros)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-current financial liabilities										
Debts and payables										
Non-current loans and borrowings	134	134	-	-	-	-	-	-	134	134
Finance lease payables	588	855	-	-	-	-	-	-	588	855
Non-current loans and borrowings with group companies and associates (Note 17.1)	-	-	-	-	23,800	23,728	-	-	23,800	23,728
Other financial liabilities	-	-	-	-	-	-	678	983	678	983
	722	989	-	-	23,800	23,728	678	983	25,200	25,700
Current financial liabilities										
Debts and payables										
Current loans and borrowings	5	55	-	9,972	-	-	-	-	5	10,027
Finance lease payables	234	254	-	-	-	-	-	-	234	254
Other financial liabilities	-	-	-	-	-	-	-	268	-	268
Current loans and borrowings with group companies and associates (Note 17.1)	-	-	-	-	-	39,984	-	-	-	39,984
Suppliers	-	-	-	-	-	-	69	21,669	69	21,669
Derivatives	-	-	-	-	-	-	42	42	42	42
Other financial liabilities	-	-	-	-	-	-	-	226	-	226
Other payables	-	-	-	-	-	-	2	1,296	2	1,296
Personnel	-	-	-	-	-	-	1,497	655	1,497	655
Advances from customers	-	-	-	-	-	-	3	7	3	7
	239	309	-	9,972	-	39,984	1,613	24,163	1,852	74,428
	961	1,298	-	9,972	23,800	63,712	2,291	25,146	27,052	100,128

14.1 Debts and payables - Bank borrowings

The breakdown of "Bank borrowings" at December 31 is as follows:

(Thousands of euros)	2020	2019
Non-current		
Bank loans and borrowings	134	134
Finance lease payables (Note 6.2)	588	855
	722	989
Current		
Bank loans and borrowings	5	55
Finance lease payables (Note 6.2)	234	254
	239	309
	961	1,298

The fair value of bank borrowings, calculated using the discounted cash flow method, does not differ significantly from their carrying amount.

Bank loans and borrowings

The Company's main outstanding loans at December 31, 2020 and 2019 are as follows:

Type of contract	Original lender	Date of original agreement	Final maturity	Original amount of the loan (euros)	Amount at 12/31/2020	Amount at 12/31/2019	Non-current at 12/31/2020	Current at 12/31/2020
Loan	La Caixa	01/02/2013	12/02/2024	519	139	189	134	5
Total				519	139	189	134	5

The loan bears a floating rate of interest at the Euribor rate plus a market spread.

Finance lease payables

The Company acquired the machinery of the Puertollano cell factory under a finance lease.

The main finance leases entered into by the Company and in force at December 31, 2020 and 2019 are as follows (Note 6):

Type of contract	Original lender	Date of original agreement	Final maturity	Original amount of the loan (thousands of euros)	Amount at 12/31/2020 (thousands of euros)	Amount at 12/31/2019 (thousands of euros)	Non-current at 12/31/2020 (thousands of euros)	Current at 12/31/2020 (thousands of euros)
Finance lease	Credit Agricole	12/13/2010	06/07/2023	3,000	822	1,109	588	234
Total					822	1,109	588	234

The reconciliation between the future minimum lease payments and the present value of these payments, and the various maturities are as follows:

(Thousands of euros)	2020	2019
Within one year	234	254
After one year but not more than five years	588	855
Present value of finance lease liabilities	822	1,109

14.2 Debts and payables - Other

The breakdown of financial liabilities classified in this category at December 31 is as follows:

(Thousands of euros)	2020	2019
Non-current		
Loans and borrowings with group companies and associates (Note 17)	23,800	23,728
Other financial liabilities	678	983
	24,478	24,711
Current		
Bonds and other marketable securities	-	9,972
Loans and borrowings with group companies and associates (Note 17)	-	39,984
Derivatives	42	42
Other financial liabilities	-	226
Trade and other payables	1,571	23,627
	1,613	73,851
	26,091	98,562

The fair value of these financial liabilities, calculated using the discounted cash flow method, did not differ significantly from their carrying amount.

Bonds and other marketable securities

On April 17, 2019, the Company issued promissory notes on Spain's alternative fixed-income market (Mercado Alternativo de Renta Fija or "MARF") for a nominal amount of 10,000 thousand euros. The notes mature on April 17, 2020.

Current trade and other payables

The breakdown of this heading at December 31 is as follows:

(Thousands of euros)	2020	2019
Suppliers	69	21,669
Other payables	2	1,296
Personnel	1,497	655
Advances from customers	3	7
	1,571	23,627

The Company included the following reverse factoring arrangements under "Suppliers" at December 31, 2019:

Type of contract	Original lender	Date of original agreement	Expiry	Original amount of the loan (euros)	Amount at 12/31/2019	Non-current at 12/31/2019	Current at 12/31/2019
Reverse factoring	Santander	2019	2020	13,976	13,976	-	13,976
Reverse factoring	Unicaja	2019	2020	1,074	1,074	-	1,074
Reverse factoring	Ibercaja	2019	2020	268	268	-	268
Fees and commissions	Santander, Unicaja and Ibercaja						(282)
Total					15,318		15,036

The Company did not have any reverse factoring arrangements at December 31, 2020.

15. Tax matters

The breakdown of tax assets and tax liabilities at December 31 is as follows:

(Thousands of euros)	2020	2019
Deferred tax assets	44,207	1,275
Other receivables from public authorities	3,792	1,313
	47,999	2,588
Current tax liabilities	(1,450)	(432)
Other payables to public authorities	(910)	(368)
	(2,360)	(800)

Since 2010, the Company has filed consolidated tax returns as head of the tax group.

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years.

The Company's directors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

15.1 Calculation of income tax expense

Set out below is the reconciliation of net income and expense for the year to taxable income (tax loss):

	2020		
	Income statement		
(Thousands of euros)	Increases	Decreases	Total
Profit for the year			54,771
Income tax			(42,649)
Profit before tax			12,122
Permanent differences			
Of the parent	24	-	24
Temporary differences			
Of the parent	-	(2,905)	(2,905)
Elimination of internal reinvoicing among companies in the tax group	-	(6,803)	(6,803)
Offset of unused tax losses	-	(814)	(814)
Taxable income			1,624

Reconciliation of accounting profit and taxable income for 2019:

	2019		
	Income statement		
(Thousands of euros)	Increases	Decreases	Total
Profit for the year			30,494
Income tax			1,504
Profit before tax			31,998
Permanent differences			
Of the parent	-	(3,325)	(3,325)
Temporary differences			
Of the parent	661	(1,226)	(565)
Elimination of internal reinvoicing among companies in the tax group		(28,049)	(28,049)
Offset of unused tax losses		(20)	(20)
Taxable income			39

Increases in permanent differences relate mainly to non-tax deductible expenses, primarily dividends from group companies.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by the applicable tax rates is as follows:

(Thousands of euros)	2020	2019
Profit before tax	12,122	31,998
Theoretical tax charge (25%)	3,031	8,000
Permanent differences	6	(831)
Elimination of internal reinvoicing among companies in the tax group	(1,701)	(7,013)
Offset		
Recognition of deferred tax assets (Note 15.2)	(42,932)	-
Other expenses/(income)	(1,063)	1,348
Effective tax expense/(income)	(42,659)	1,504

Other income in 2020 related mainly to the effect of offsetting previously unrecognized tax losses from other subsidiaries.

Other expenses in 2019 related mainly to a tax assessment levied on Solaria Italia, Srl amounting to 1,208 thousand euros assumed by the Company.

The breakdown of income tax expense/(income) is as follows:

(Thousands of euros)	2020	2019
Current tax (25% of taxable income)	406	10
Tax credits used in the year	(123)	-
Change in deferred taxes	(42,932)	175
Other expenses/(income)	-	1,319
Effective tax expense/(income)	(42,649)	1,504

Income tax payable/(refundable) is as follows:

(Thousands of euros)	2020	2019
Current tax	406	10
Credits used	(133)	-
Withholdings and payments on account	(112)	-
Payable on behalf of subsidiaries as head of the tax group (Note 8)	1,289	433
Total amount payable/(refundable)	1,450	443

The Company also recognized a receivable from Group companies amounting to 1,289 thousand euros relating to consolidated tax (2019: 433 thousand euros) (Note 17).

15.2 Deferred tax assets and liabilities

The movements in items composing "Deferred tax assets" and "Deferred tax liabilities" are as follows:

(Thousands of euros)	Balance at January 1	Changes reflected in		Balance at December 31
		Income statement	Equity	
2020				
Deferred tax assets				
Tax losses	1,275	34,180	-	35,455
Unused tax credits	-	4,798	-	4,798
Other temporary differences that will reverse	-	3,954	-	3,954
	1,275	42,932	-	44,207

(Thousands of euros)	Balance at January 1	Changes reflected in Income statement	Changes reflected in Equity	Balance at December 31
2019				
Deferred tax assets				
Tax losses	1,525	(250)	-	1,275
	1,525	(250)	-	1,275
Deferred tax liabilities				
Non-repayable grants	(425)	425	-	-
	(425)	425	-	-
	1,100	175		1,275

Unused tax losses

The breakdown of the Company's unused tax losses is as follows:

Year arising	Thousands of euros 2020	2019
2008	6,265	6,671
2009	4,252	4,252
2011	58,453	58,453
2012	23,180	23,180
2013	47,418	53,353
2014	2,252	2,252
	141,820	148,161

In 2020, the Company applied its own taxable income of 406 thousand euros (Note 15.1) against taxable income arising in 2018. It also applied taxable income for consolidated tax for a total of 5,935 thousand euros against taxable income arising in 2013.

Temporary differences due to limitations on the tax deductibility of depreciation

At December 31, 2020, the Company, availing of Article 29.1 of Law 27/2014, of November 28, and since the limitation on the tax deductibility of depreciation established in Article 7 of Law 16/2012 is applicable to it, had temporary differences that will reverse amounting to 3,454 thousand euros (2019: 4,317 thousand euros).

Temporary differences due to limitations on the tax deductibility of finance costs

In accordance with Royal Decree-Law 12/2012, enacted on March 30, 2012 and subsequently amended by Royal Decree-Law 20/2012, introducing a limitation on the tax deductibility of finance costs, at December 31, 2020 the Company had temporary differences that will reverse in this connection amounting to 12,365 thousand euros (2019: 15,055 thousand euros).

Unused tax credits

At December 31, 2020, the Company had unused tax credits amounting to 4,798 thousand euros (2019: 4,931 thousand euros).

Assessment of the recoverability of deferred tax assets

The Company estimated its future taxable profits. It also analyzed the timing of the reversal of taxable temporary differences, identifying those expected to reverse in periods in which the unused tax losses can be utilized. Based on this analysis and the Group's new business plans presented to the market in September 2020 and updated in February 2021, which envisage significant growth in the Group's earnings in the coming years, the Company decided to recognize assets for all the items shown above, recognizing a total amount at December 31, 2020 of 44,207 thousand euros, taking into account amounts offset, utilized and reversed in 2020.

16. Revenue and expenses

16.1 Revenue

The breakdown of the Company's revenue from continuing operations by business segment is as follows:

(Thousands of euros)	2020	2019
Sale of inventories	22,069	129,658
Rendering of operation and maintenance services (Note 17)	758	803
Leases and other services	923	1,381
	23,750	131,842

All revenue is generated in Spain.

16.2 Cost of sales

The breakdown of cost of sales is as follows:

(Thousands of euros)	2020	2019
Merchandise used	60	103,065
Subcontracted work	5,333	2,224
	5,393	105,289

16.3 Other income

“Other income” relates primarily to revenue from administration and management services.

16.4 Foreign currency transactions

Sales (in US dollars) made in 2020 amounted to 0 thousand euros (2019: 2,014 thousand euros).

16.5 Personnel expenses

The breakdown of "Personnel expenses" is as follows:

(Thousands of euros)	2020	2019
Salaries, wages and similar		
Salaries and wages	6,291	4,834
	6,291	4,834
Employee benefits expense		
Social Security	1,013	843
	1,013	843
	7,304	5,677

There are no pension or similar commitments with Company employees.

16.6 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2020	2019
Leases (Note 6)	515	296
Repairs and maintenance	26	9
Independent professional services	1,099	1,350
Transport	1	17
Insurance premiums	193	99
Banking services	34	19
Advertising, publicity and public relations	3	3
Utilities	116	126
Other services	544	638
	2,531	2,557

16.7 Impairment and gains/(losses) on disposal of non-current assets

The breakdown of "Impairment and gains/(losses) on disposal of non-current assets" is as follows:

(Thousands of euros)	2020	2019
Gains/(losses) on disposals of non-current assets		
Property, plant, and equipment (Note 6.1)	-	(860)
	-	(860)

16.8 Finance income

The breakdown of "Finance income" is as follows:

(Thousands of euros)	2020	2019
Dividends from group companies (Note 17)	-	3,325
Interest on loans to group companies (Note 17)	363	604
Interest on loans to third parties	395	425
	758	4,354

16.9 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2020	2019
Interest on loans and borrowings with group companies (Note 17)	-	141
Interest on third-party borrowings	142	382
	142	523

17. Related party transactions

Related parties with which the Company carried out transactions in 2020 and 2019 and the nature of the relationship are as follows:

	Nature of the relationship
DTL Corporación, S.L.	Direct parent
Globasol Villanueva 1, S.A.	Group company
Planta Solar Puertollano 4, S.L.	Group company
Planta Solar Puertollano 6, S.A.	Group company
Planta Solar Puertollano 8, S.L.	Group company
Planta Solar Puertollano 10, S.L.	Group company
Solaria Energía Generación Renovable, S.L.U.	Group company
Solaria Casiopea, S.A.	Group company
Magacela Solar, S.A.	Group company
Guleve Investments, S.L.	Group company
Lerapa Investments, S.L.	Group company
Planta FV 3, S.L.	Group company
Planta FV 4, S.L.	Group company
Planta FV 100, S.L.	Group company
Planta FV 101, S.L.	Group company
Planta FV 102, S.L.	Group company
Planta FV 103, S.L.	Group company
Planta FV 104, S.L.	Group company
Planta FV 105, S.L.	Group company
Planta FV 106, S.L.	Group company
Planta FV 107, S.L.	Group company
Planta FV 112, S.L.	Group company
Planta FV 113, S.L.	Group company
Planta FV 114, S.L.	Group company
Planta FV 115, S.L.	Group company
Planta FV 116, S.L.	Group company
Vía Láctea Fotovoltaica, S.L.	Group company
CFV Triangulum Australe, S.L.	Group company
Planta FV120, S.L.	Group company

	Nature of the relationship
Planta FV125, S.L.	Group company
Planta FV126, S.L.	Group company
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	Group company
Directors	Directors
Senior management	Executives

17.1 Related parties

The breakdown of related party balances is as follows:

(Thousands of euros)	Other group companies
2020	
Non-current loans (Note 8)	9,755
Group current accounts (Note 8)	19,096
Trade receivables (Note 8)	36,519
Non-current loans and borrowings (Note 14)	(23,800)
2019	
Non-current loans (Note 8)	9,392
Group current accounts (Note 8)	29,214
Trade receivables (Note 8)	57,529
Non-current loans and borrowings (Note 14)	(23,728)
Current loans and borrowings (note 14)	(39,984)

The breakdown of related party transactions is as follows:

(Thousands of euros)	Direct parent	Other group companies	Total
2020			
Sales	-	22,069	22,069
Rendering of services	-	1,375	1,375
Other operating income (Note 16.3)		187	187
External services – Rentals (Note 6)	(355)	-	(355)
Finance income - Interest (Note 16.8)	-	363	363
2019			
Sales	-	129,658	129,658
Rendering of services	-	1,220	1,220
External services – Rentals (Note 6)	(296)	-	(296)
Finance income – Dividends (Note 16.8)	-	3,325	3,325
Finance income - Interest (Note 16.8)	-	604	604
Finance costs (Note 16.9)	-	(141)	(141)

The Company provides plant operation and maintenance services and administration and management services to Group companies.

Note 6 to the financial statements discloses all transactions with related parties relating to operating and finance leases, in which the Company is both lessor and the lessee.

All related party transactions relate to the Company's normal trade operations and are carried out on an arm's length basis, similar to transactions with unrelated parties.

17.2 Directors and senior management

The breakdown of remuneration accrued by members of the Company's Board of Directors and senior management is as follows:

(Thousands of euros)	2020	2019
Directors	488	488
Salaries	488	488
Senior management	1,471	780
Salaries	1,471	780
	1,959	1,268

The civil liability insurance premiums were paid on behalf of directors for damages caused in 2020 or 2019.

At December 31, 2020 and 2019, the Company had no pension or life insurance commitments with former or current members of the Board of Directors.

No advances or loans had been granted to senior executives or members of the Board of Directors at December 31, 2020 and 2019, nor had any guarantees been given on their behalf.

In accordance with Article 229 of the Spanish Corporate Enterprises Act, the directors have stated that there are no situations that may involve a conflict of interest with Company.

18. Nature and extent of risks arising from financial instruments

The risk management policies are established by management and were approved by the Company's directors. Based on these policies, the Finance Department has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies stipulate, *inter alia*, that the Company may not use derivatives for speculative purposes.

Financial instrument activity exposes the Company to credit, market, and liquidity risk.

18.1 Credit risk

Credit risk arises when there is a possible loss caused by the Company's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions. Transactions are only carried out with institutions with high credit ratings and taking into account past experience and other factors. Where customers do not have an independent credit rating, the Finance Department assesses their creditworthiness based on financial position, past experience and other factors.

Regarding credit risk arising from receivables, the Company does not consider that credit risk is high since they relate mainly to Group companies and associates.

In addition, the Business Development Department and the Finance Department set individual credit limits for each customer based on information received from an entity specialized in analyzing the companies' solvency.

The breakdown of "Trade and other receivables" by age at December 31 is as follows:

	Continuing operations (Note 8)	
(Thousands of euros)	2020	2019
Not past due	665	558
Past due but not non-performing	670	2,727
Less than 30 days	-	1,185
Between 30 and 60 days	-	-
Between 60 and 90 days	-	-
Between 90 and 120 days	-	-
Over 120 days	670	1,542
Non-performing	-	4,235
Impairment losses (Note 8)	-	(4,235)
Total	1,335	3,285

The balance of receivables at December 31, 2020 and 2019 included a provision for impairment amounting to 0 thousand euros and 4,235 thousand euros, respectively (Note 8).

18.2 Market risk

Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollars. Foreign currency risk arises on commercial transactions, mainly overseas purchases of equipment.

The Company has procedures in place to hedge foreign currency risk in all transactions carried out by the Company in currencies other than the euro maturing after 30 days, where warranted by current market conditions at the time of the transaction.

Price risk

The Company manages this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

Cash flow interest rate risk

Interest rate risk arises from bank borrowings. The Company is exposed to cash flow interest rate from its floating-rate bank borrowings. Solaria's policy is to enter into derivatives to hedge interest rate risk on certain loans indexed to a floating interest rate. All the Company's bank borrowings indexed to floating rates are denominated in euros.

Solaria's debt structure at December 31, 2020 and 2019 is as follows:

(Thousands of euros)	2020	2019
Fixed-rate borrowings	139	11,081
Floating-rate borrowings	822	189
Total	961	11,270

The Company is not exposed to significant interest rate risk due to potential changes in interest rates since, as shown in the preceding above, the most significant borrowings relate to debt with a fixed interest rate.

18.3 Liquidity risk

Prudent liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Company's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

The Company ensures its solvency and has sufficient cash to meet all its obligations.

Capital management and indebtedness:

The objectives of the Company's capital management are to safeguard its ability to continue as a going concern, provide a return to shareholders, and maintain an optimal capital structure to reduce the cost of capital. Company management monitors capital using a gearing ratio.

This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing loans and borrowings less cash and cash equivalents. Capital includes the sum of share capital plus reserves and retained earnings, as shown in the balance sheet.

The Company's objective is to have enough capital so it can raise the necessary financing from external sources for its expansion without jeopardizing its solvency, while maximizing the returns shareholder can obtain on capital invested.

18.4 Development risk

Project development includes a phase involving red tape and bureaucracy with public administrations, so the Company cannot always control deadlines and outcomes since they depend on actions by third parties beyond its control. Nevertheless, the Company has vast experience with this type of actions, enabling it to achieve success with a large number of projects in different locations.

18.5 Capital management

Objectives of the Group's capital management include ensuring sustainable growth, providing sufficient returns to shareholders, and optimizing its capital structure.

The Company is not subject to strict capital management criteria, with its sound financial position enabling it to find the most suitable solution for optimal management at all times.

The Company is exposed to various financial risks relating to its business operations: market risk (including foreign currency price, price risk, and interest rate risk), credit risk, and liquidity risk. The overall risk management program focuses on mitigating unpredictable financial market risks and minimizing their potential adverse effects on the profitability of the Company, which uses derivatives to hedge foreign currency risk and interest rate risk.

Risk management is overseen by the parent's Finance Department. This department identifies, measures, and hedges financial risks in collaboration with the Group’s operating units.

19. Other disclosures

19.1 Headcount

The breakdown of the Company's employees by professional category is as follows:

	Total number of employees at year-end			Average number of employees in the year	Average number of employees with a disability of a severity of > 33% as a percentage of the totalin the year
	Men	Women	Total		
2020					
Engineers	28	8	36	38	1
University graduates	20	10	30	19	-
Administrative staff and operators	8	6	14	16	1
	56	24	80	73	2
2019					
Engineers	43	7	50	42	-
University graduates	9	6	15	13	-
Administrative staff and operators	6	2	8	7	-
	58	15	73	62	-

19.2 Audit fees

Audit fees accrued during the year for services rendered by the statutory auditor were as follows:

(Thousands of euros)	2020	2019
Audit services	46	50
Other services	35	42
	81	92

19.3 Environmental disclosures

The Company takes into consideration prevailing environmental protection laws in all its business operations and considers that it substantially complies with these laws and has procedures in place to encourage and guarantee compliance.

In 2020 and 2019, the Company did not make any environmental investments or incur costs to protect and improvement the environment, nor did it consider it necessary to record any provision for environmental liabilities or charges as it had no contingent liabilities relating to the protection or improvement of the environmental or liabilities of an environmental nature.

The directors of the Company consider that no significant contingencies exist with respect to environmental protection and improvement. Therefore, they did not consider it necessary to recognize any provision in this connection.

19.4 Information on average payment period to suppliers. Additional Provision Three. "Disclosure requirements" under Law 15/2010, of July 6

Disclosures regarding the average supplier payment period:

	2020	2019
(Days)		
Average supplier payment period	55	66
Ratio of transactions paid	63	63
Ratio of transactions outstanding	60	73
(Thousands of euros)		
Total payments made	21,600	117,432
Total payments outstanding	69	22,925

19.5 Bank guarantees

At December 31, 2020, the Company had contingent liabilities for bank and other guarantees related to its normal business operations amounting to 399,269 thousand euros (2019: 320,147 thousand euros). The Company does not expect any significant liabilities to arise from these guarantees.

20. Events after the reporting period

The following significant events took place between December 31, 2020 and the date of authorization for issue of the accompanying financial statements:

On January 14, 2021, Solaria signed a 10-year financial power purchase agreement (PPA) with Shell Energy Europe, B.V. with total contracted capacity of 300 MW.

In addition, on January 26, 2021, it signed a 10-year financial PPA with one of the Iberian Peninsula's leading electric utilities with total contracted capacity of 80 MW.

On the same day, Solaria was awarded 180 MW of capacity in the first auction to be granted the Renewable Energy Economic Regime (REER).

No other events than those disclosed above occurred after the end of the reporting period that could have a significant impact on the financial statements or the explanatory notes.



Solaria Energía y Medio Ambiente, S.A.

2020 Management Report

Contents

1. Situation and changes in the Group's composition 1
2. Key highlights
   2.1. Financing arrangements 2
   2.2. Power purchase agreements 3
   2.3. Other key developments 3
3. Financial information
   3.1. Income statement 4
   3.2. Balance sheet 5
4. Main risks
   4.1. Market risk 5
   4.2. Development risk 5
   4.3. Liquidity Risk 5
   4.4. Capital management 5
   4.5. Risks related to financial instruments 6
5. Strategy and outlook
   5.1. 2020 7
   5.2. Outlook 8
6. Average supplier payment period 8
7. Events after the reporting period 8
8. Share price performance 9

1. Situation and changes in the Group's composition

Solaria Energía y Medio Ambiente ("Solaria" or "the Company") was incorporated on November 27, 2002, for an indefinite period.

At December 31, 2020, Solaria was the parent of a group comprising 98 companies (2018: 71 companies), virtually all of which are wholly owned by the Company directly or indirectly.

The companies comprising the Group and the percentage ownership interest at December 31, 2020 are as follows:

Direct wholly owned subsidiaries:

Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 8, S.L.U., Planta FV4, S.L., Pronature Consulting and Engineering S.L., Solaria Italia S.R.L., Solaria Energía Proyectos Internacionales S.L.U., Solaria Promoción y Desarrollo Fotovoltaico, S.L., Solaria Ingeniería y Construcción Fotovoltaica, S.L. and Solaria Energía Generación Renovable S.L.U.

Indirect wholly owned subsidiaries:

Planta FV108, S.L., Planta FV109, S.L., Planta FV110, S.L., Planta FV111, S.L., Planta FV117, S.L., Planta FV118, S.L., Planta FV119, S.L., Planta FV121, S.L., Planta FV122, S.L., Planta FV123, S.L., Planta FV124, S.L., Planta FV127, S.L., Planta FV128, S.L., Planta FV129, S.L., Planta FV130, S.L., Planta FV132, S.L., Planta FV133, S.L., Planta FV134, S.L., Planta FV135, S.L., Planta FV136, S.L., Planta FV137, S.L., Adhara Solar, S.L., Planta FV139, S.L., Planta FV140, S.L., Indus Solar Fotovoltaica, S.L., Planta FV142, S.L., Planta FV143, S.L., Planta FV144, S.L., Planta FV145, S.L., Planta FV146, S.L., Planta FV147, S.L., Planta FV148, S.L., Planta FV149, S.L., Planta FV150, S.L., Planta FV151, S.L., Planta FV152, S.L., Planta FV153, S.L., Planta FV154, S.L., Planta FV155, S.L., Planta FV156, S.L., Planta Solar Puertollano 6, S.A.U., Globasol Villanueva 1, S.A.U., Magacela Solar 1, S.A.U., Solaria Casiopea S.A.U., Natelu, S.A., Yarnel, S.A., Solaria Lyra, S.r.l., Solaria Italia Services, S.r.l., Solaria Promozione e Sviluppo, S.r.l., Marche Energia, S.r.l., Serre UTA S.r.l, Sardegna Agrienergia Uno, S.r.l., Ollastra Energia, S.r.l., Andrómeda Deutschland GmbH, Andrómeda Fotovoltaica, S.L., Planta FV115, S.L., Planta FV113, S.L., Planta FV126, S.L., Via Láctea Fotovoltáica, S.L., Planta FV103, S.L., Planta FV107, S.L., Planta FV114, S.L., Planta FV116, S.L., CFV Triangulum Australe, S.L.U., Planta FV100, S.L., Planta FV101, S.L., Planta FV102, S.L., Planta FV104, S.L, Lerapa S.L., Guleve, S.L., Planta FV 3, S.L., Planta Solar Puertollano 10, S.L., Planta Mesolar 1, S.A., Planta Mesolar 2, S.A., Prodigi Orbit Lda, Solaria Energia Renováveis Portugal, Lda, Radian Jupiter Lda, Corona Borealis Fotovoltaica, S.L., Planta FV105, S.L., Planta FV106, S.L., Planta FV112, S.L., Planta FV120, S.L., Planta FV125, S.L., Elassona Solar Energiaki, L.L.C., Santiz Auxiliares C.B. and Generia Land, S.L.

Minority owned subsidiaries:

Torrijos Renovables, A.I.E. and Subestación el Anisal, S.L.

Intragroup transactions:

From the corporate point of view, several share purchase and sale transactions were carried out in 2020, all between Group companies, as follows:

Solaria Energía y Generación Renovable, S.L. sold its entire stakes in Planta FV115, S.L., Planta FV113, S.L. and Planta FV126, S.L. to Andrómeda Fotovoltaica, S.L., another Group company, as part of the asset financing process with Banco Bayern LB.

Solaria Energía y Generación Renovable, S.L. sold 100% of its interest in Planta FV116, S.L. to Vía Láctea Fotovoltaica, S.L.

Solaria Energía y Generación Renovable, S.L. sold its entire shareholdings in Planta FV106, S.L., Planta FV112, S.L., Planta FV120 and Planta FV125, S.L. to Group company Corona Borealis Fotovoltaica, S.L.

Vía Láctea Fotovoltaica, S.L. sold its entire shareholding in Planta FV105, S.L. to Group company Corona Borealis Fotovoltaica, S.L.

All these transactions were carried out at the price at which the seller recognized its interest.

2. Key highlights

2.1. Financing arrangements

Type of arrangement	Entity	MW financed	Amount
Pre-agreement	Natixis	252	€140M
Financing	BayernLB	105	€54.5M
Refinancing	Metlife & IDB Invest	23	US$29M

Financing pre-agreement with Natixis

On 29 June 2020, Solaria announced a pre-agreement with Natixis S.A., S.E. (Spain) to finance 252 MW under the 10-year power purchase agreement (PPA) signed with Statkraft in December 2019.

The financing arrangement is project finance for approximately 140 million euros.

Financing agreement with BayernLB

On October 19, 2020, Solaria signed an agreement with German bank BayernLB and German development bank KfW to finance 105 MW under the 10-year PPA signed with Alpiq in December 2019.

The financing arrangement is project finance for approximately 54.5 million euros over 15 years bearing interest at approximately 1.5%.

Refinancing of assets in Uruguay

On November 16, 2020, Solaria entered into an agreement with US insurer Metlife and the Inter-American Investment Corporation (IDB Invest) to refinance the debt of its two Uruguayan PV plants, Natelu and Yarnel (23MW), for 29 million US dollars and a term of 20 years. The refinancing lowers borrowing costs, leaving scope to increase the dividends received from these two assets.

2.2. Power purchase agreements

Company	Contracted capacity	Duration (years)
Axpo Iberia, S.L.	150MW	10
Shell Enery Europe B.V.	300MW	10
Electric Company (Iberian Peninsula)	80MW	10
Auction REER España	180MW	12

PPA with Axpo Iberia, S.L.

On September 24, 2020, Solaria signed a 10-year physical PPA with Axpo Iberia, S.L. with total contracted capacity of 150 MW.

PPA with Shell

On January 13, 2020, the Group signed a 10-year PPA with Shell Energy Europe B.V. with total contracted capacity of 300 MW.

PPA

On January 26, 2021, the Group signed a 10-year financial PPA with one of the Iberian Peninsula's leading electric utilities with total contracted capacity of 80 MW.

Auction to be granted the REER

On January 26, 2021, Solaria announced that it had been awarded 180MW of capacity in the first auction to be granted the Renewable Energy Economic Regime (REER) promoted by the Spanish State and held by the electricity market operator, OMEL, on the same date.

This is a 12-year power purchase agreement at an average fixed price of €27.972/MWh, with supply commencing in 2023.

2.3. Other key developments

Favorable access feasibility reports (IVAs)

On April 17, 2020, Solaria announced that it had obtained the favorable feasibility access permits (IVAs) for the following nodes:

- The 400kV Villaviciosa de Odón (Madrid) node to install 782.5MW of PV. This is currently the largest project in Solaria Group's pipeline.

- The 220kV Magraners and Albatarrec nodes, both located in the Lleida province, to install 180MW.

Solaria acts as the Single Node Interlocutor (IUN) in both nodes.

On May 20, 2020, Solaria announced that it had obtained favorable feasibility access reports to install 695 MW of PV at the 400 kV Barcina-Garoña node in the province of Burgos, where Solaria also acts as the sole node interlocutor (IUN).

Capital Markets Day

On September 30, 2020, Solaria unveiled its new Strategic Plan, revising up its installed capacity forecast for year-end 2025 to 6.2 GW.

Inclusion in IBEX 35

On October 19, 2020, Solaria became a constituent of the main index of Spain's Stock Exchange (the IBEX 35).

Admission of new projects

On December 24, 2020, Solaria announced that it had achieved the first milestone of Royal Decree-Law 23/2020 by receiving all the confirmations of admission of new projects before the December 24 deadline.

3. Financial information

3.1. Income statement

The key income statement items in relation to the accompanying financial statements are discussed below.

For the year ended December 31, 2020, the Company reported revenue of 23,750 thousand euros, profit before tax of 12,122 thousand euros, and profit for the year of 54,771 thousand euros. The breakdown of revenue in 2020 and 2019 is as follows:

	2020	2019
Sale of inventories	22,070	129,658
Rendering of operation and maintenance services	758	803
Leases and other services	922	1,381
Total	23,750	131,842

Personnel expenses expenses and other operating expenses rose sharply in 2020 due to the Company's expansion process, which required hiring additional staff and drove up overheads.

Net finance income for 2020 amounted to 672 thousand euros.

3.2. Balance sheet

Balance sheet highlights included growth in inventories, including capitalized development expenditure related to new projects located in Spain. Once construction of the PV plants is completed, the Company will re-invoice the amounts to the SPVs that will manage the various projects. Inventories increased by 80% from December 31, 2019 due to the Group's growth and large pipeline of projects under construction.

Other highlights include the decrease in suppliers and other payables, resulting in a nearly 100% lower outstanding balance at year-end 2020 than 2019.

The Company's cash balance decreased by 38% in the year due to the payment in full of all trade payables to suppliers and the redemption in 2020 of the promissory notes recognized in 2019 under "Bonds and other marketable securities."

4. Main risks

4.1. Market risk

The Company is exposed to market risks for its excessive positioning in a single market and its positioning in highly regulated markets. Plans are to expand in new geographic and non-regulated markets to reduce these risks.

In the first case, as explained in the outlook section (Section 5), over the next few years the Group will focus on increasing projects outside Spain in markets where it already has operations.

From the regulatory viewpoint, as explained in the key highlights section (Section 2), the Company signed several long-term PPAs in 2020, which reduces regulatory risk significantly.

4.2. Development risk

Project development includes a phase involving red tape and bureaucracy with public administrations, so the Company cannot always control deadlines and outcomes since they depend on actions by third parties beyond its control. Nevertheless, the Company has vast experience with this type of actions, enabling it to achieve success with a large number of projects in different locations.

4.3. Liquidity risk

The Company ensures its solvency and has sufficient cash to meet all its obligations.

4.4. Capital management

Objectives of the Group's capital management include ensuring sustainable growth, providing sufficient returns to shareholders, and optimizing its capital structure.

The Company is not subject to strict capital management criteria, with its sound financial position enabling it to find the most suitable solution for optimal management at all times.

The Company is exposed to various financial risks relating to its business operations: market risk (including foreign currency price, price risk, and interest rate risk), credit risk, and liquidity risk. The overall risk management program focuses on mitigating unpredictable financial market risks and minimizing their potential adverse effects on the profitability of the Company, which uses derivatives to hedge foreign currency risk and interest rate risk.

Risk management is overseen by the parent's Finance Department. This department identifies, measures, and hedges financial risks in collaboration with the Group's operating units.

4.5. Risk related to financial instruments

Market risk

a) Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollars. Foreign currency risk arises mainly from distributions from subsidiaries. This risk is largely minimized since they operate in the same currency.

The currency other than the euro in which the Company operates is the US dollar.

b) Price risk

The Company is exposed to commodity price risk. Management addresses this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

c) Cash flow interest rate risk

As the Company has no significant interest-bearing assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

The Company manages its cash flow interest rate risk based on current market conditions using floating-to-fixed interest rate swaps. The effect of these interest rate swaps is to convert floating rate borrowings to fixed rate borrowings.

d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions. Transactions are only carried out with institutions with high credit ratings and taking into account past experience and other factors. Where customers do not have an independent credit rating, the Finance Department assesses their creditworthiness based on financial position, past experience and other factors.

e) Liquidity risk

Prudent liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Company's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

5. Strategy and outlook

5.1. 2020

Even despite Covid-19, 2020 was an excellent year for the Company, featuring sharp increases in the main income statement line items, of 48% in total revenue, 56% in EBITDA and 27% in net profit.

By adding new PV plants to the balance sheet, total assets increased by 19% to 715 million euros. The Company has 1,030 MW in operation and under construction, with the target still to reach 2,150 MW of installed capacity by the end of 2021.

In 2020, the Company laid the foundations to grow strongly in the Iberian Peninsula and Europe over the years to come:

- Healthy earnings and a sound balance sheet. Continuous optimization of interest rates on borrowings, resulting in lower financial costs in the income statement. Tight control over operating expenses, which rose just 1% in 2020 despite sharp increases in assets and generation.

- Profitability. Solaria is one of Europe's most efficient companies as measured by Capex and Opex, achieving returns on projects of over 12%.

- Sustainable growth. Approval of new ESG policies.

- Trillo, Europe's largest plant, with 626MW of capacity, is now a reality. Construction work is scheduled to start in the second quarter of 2021.

- The PPA leader in Iberia: Solaria has signed more than 710MW of PPAs with leading groups since the end of 2019: 150MW with Swiss company Axpo, 300MW with Anglo-Dutch company Shell, and 80MW with one of Iberia's leading electricity utilities, giving it over 1.5 GW of projects with locked-in energy prices.

5.2. Outlook

On December 11, 2020, EU Heads of State or Government agreed to raise their emissions-reduction targets from 40 to 55% by 2030. This requires a sharp reduction in coal (-70%), oil (-30%) and gas (-25%) consumption and a twofold increase in renewables' share in the energy mix, from 32% to 65%. Renewables in general, and PV in particular as it is the cheapest solution in Europe, are on track to grow faster than ever thanks to the electrification of the economy and the arrival of green hydrogen in the medium term.

This gives Solaria, as well as the sector overall, an exceptional and unique opportunity to step up strategic plans between now and 2030 to make the energy transition a reality.

Therefore, building these growth drivers, the Company revised up its installed capacity target from 6.2GW by 2025 to 18GW by 2030, expanding its operations across Europe.

Iberia is clearly set to become Europe's solar hub and remains the Company's core market, where it has raised its installed capacity target to 11GW. Italy, where the Company has had assets in operation for over a decade, is one of the most attractive countries for solar energy growth. As a result, the Company has reinforced its commitment to this country, with plans to build 3GW by 2030. Elsewhere in Europe, the Company will pursue M&A, while maintaining its profitability criteria. It could potentially acquire development platforms and project portfolios to extend its footprint into new markets and build 4GW by 2030.

6. Average supplier payment period

Disclosures regarding the average supplier payment period:

	2020	2019
(Days)		
Average supplier payment period	55	66
Ratio of transactions paid	63	63
Ratio of transactions outstanding	60	73
(Thousands of euros)		
Total payments made	21,600	117,432
Total payments outstanding	69	22,925

7. Events after the reporting period

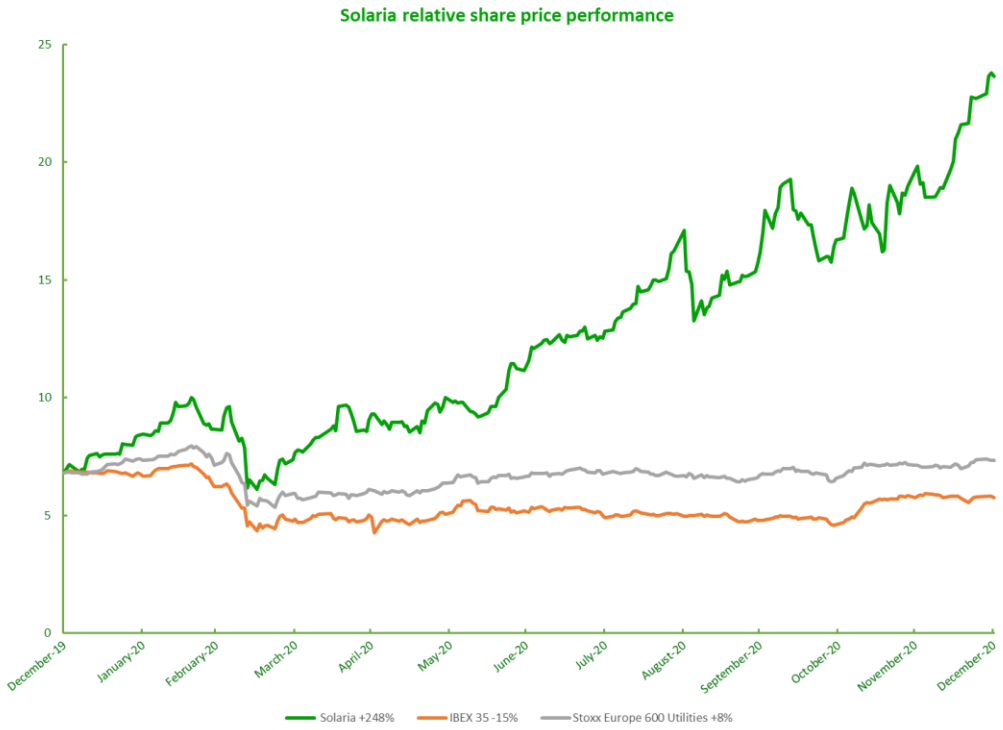
The following significant events took place between December 31, 2020 and the date of authorization for issue of the financial statements:

On January 14, 2021, Solaria signed a 10-year financial power purchase agreement (PPA) with Shell Energy Europe, B.V. with total contracted capacity of 300 MW.

In addition, on January 26, 2021, it signed a 10-year financial PPA with one of the Iberian Peninsula's leading electric utilities with total contracted capacity of 80 MW.

On the same day, Solaria was awarded 180 MW of capacity in the first auction to be granted the Renewable Energy Economic Regime (REER).

8. Share price performance



The members of the Board of Directors authorized for issue the accompanying 2020 financial statements at their meeting held on February 24, 2021.

SIGNATORIES	SIGNATURE
Enrique Díaz-Tejeiro Gutiérrez Chairman of the Board	
Manuel Azpilicueta Ferrer Director	
Carlos Abad Rico Board member Director	
Elena Pisonero Ruiz Director	
Corporación Arditel, S.L.U. Represented by Arturo Díaz-Tejeiro Larrañaga Vice-chairman of the Board	
Inversiones Miditel, S.L.U. Represented by Miguel Díaz-Tejeiro Larrañaga Vice-chairman of the Board	

Solaria