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, 2019

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

Audit report

Opinion

We have audited the financial statements of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (the Company) which comprise the balance sheet at December 31, 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto, for the year then ended.

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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 3 to the accompanying financial statements) and, specifically, the accounting principles and policies contained 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 auditor independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. Note in this regard that we have not provided any non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Property, plant, and equipment

As explained in Note 6 to the accompanying financial statements, at December 31, 2019, the Company recognized industrial and photovoltaic solar energy plants under "Property, plant, and equipment" in the amount of 23,240 thousand euros.

The Company uses the cost model accounting policy for initial recognition of this type of asset, which is subsequently amortized based on years of estimated useful life. It also assesses the useful life of property, plant, and equipment at each financial year end by calculating the value in use of the assets for which there are indications of impairment. Breakdowns including key aspects related to the valuation of items of property, plant, and equipment are provided in Notes 4.2 and 4.3 of the accompanying financial statements.

We determined this to be a key audit matter due to the significance of the amounts involved, the high component of judgment required of Company management when estimating the recoverable amount and the high sensitivity of the analysis carried out with respect to the changes in assumptions.

Our response

In relation to this matter, our audit procedures included the following:

- Understand the criteria applied and reviewing the processes established by Company management to determine the recoverable amounts of property, plant, and equipment, where applicable.
- Review the financial model or those which are comparable on the market provided by Group management, in collaboration with our valuation specialists, to encompass: a mathematical analysis of the model, analysis of projected cash flows or market comparables, and a review of discount rates. During the performance of our review, we held conversations with those responsible for the business, using recognized external sources to contrast data and other available information.
- Check that the disclosures made in the Company's financial statements comply with those required under the applicable financial reporting framework.

Other information: Management report

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the parent 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 information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report, and if not, disclose this fact.

b) A general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Company obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report 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 in the above paragraph, the information contained in the management report is consistent with that provided in the 2019 financial statements and their 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 value of the equity and financial position and the 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 drawing up 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 trading, or have 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 the financial statement auditing standards prevailing 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. In addition:

- We 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.

- We 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.

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

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

- We evaluate the overall presentation, structure and presentation of the financial statements, including the disclosures, and assess 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the 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.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on Tuesday, February 26, 2019.

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 as auditors by the shareholders during general meeting for a three-year period and have been carrying out the audit of the financial statements continuously since the year ended December 31, 2015.

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

(Signed on the original Spanish version)

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Richard van Vliet
(Registered in the Official Register of Auditors under entry no. 21981)

February 26, 2020

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Financial statements and Management Report
for the year ended
December 31, 2019

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AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Balance sheet for the year ended December 31, 2019
(Thousands of euros)

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		**115,141**	**120,464**
Intangible assets	**5**	**87**	**-**
Computer software		87	-
Property, plant, and equipment	**6**	**23,240**	**28,602**
Land and buildings		22,472	26,391
Technical installations		768	1,957
Machinery		-	254
Non-current investments in group companies and associates		**90,205**	**90,060**
Equity instruments	7	80,813	80,809
Loans to group companies	8	9,392	9,251
Non-current investments	**8**	**334**	**277**
Non-current guarantees and deposits		334	277
Deferred tax assets	**15**	**1,275**	**1,525**
CURRENT ASSETS		**178,256**	**93,233**
Inventories	**9**	**8,449**	**-**
Finished products		8,449	**-**
Trade and other receivables		**62,153**	**7,782**
Trade receivables	8	3,285	1,291
Trade receivables, group companies and associates	8	57,529	6,097
Receivable from employees		26	26
Other receivables from public administrations	15	1,313	368
Current loans to group companies and associates	**8**	**29,214**	**16,497**
Current investments	**8**	**10,548**	**76**
Short-term guarantees and deposits		10,548	76
Accruals and deferred income		**92**	**61**
Cash and cash equivalents	**10**	**67,800**	**68,817**
TOTAL ASSETS		**293,397**	**213,697**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Balance sheet for the year ended December 31, 2019
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2019	2018
EQUITY		**192,322**	**163,650**
CAPITAL AND RESERVES		**192,354**	**161,860**
Share capital	**11.1**	**1,250**	**1,250**
Issued 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
Treasury shares and equity investments	**11.4**	**-**	**-**
Prior period losses	**11.3**	**(194,059)**	**(195,810)**
Profit/(loss) for the period	**3**	**30,494**	**1,751**
FROM GRANTS, DONATIONS, AND BEQUESTS RECEIVED	**12**	**-**	**1,790**
VALUATION ADJUSTMENTS		**(32)**	**-**
NON-CURRENT LIABILITIES		**26,115**	**9,694**
Provisions	**13**	**415**	**514**
Provisions for liabilities and expenses		415	514
Non-current loans and borrowings	**14**	**1,972**	**1,264**
Bank borrowings		134	149
Finance lease payables		855	1,115
Other financial liabilities		983	-
Non-current payables to group companies and associates	**14**	**23,728**	**7,491**
Deferred tax liabilities	**15**	**-**	**425**
CURRENT LIABILITIES		**74,960**	**40,353**
Current loans and borrowings	**14**	**10,549**	**387**
Bonds and other marketable debt securities		9,972	-
Bank borrowings		55	93
Finance lease payables		254	252
Derivatives		42	-
Other financial liabilities		226	42
Loans to group companies and associates	**14**	**39,984**	**39,256**
Trade and other payables		**24,427**	**710**
Suppliers	14	21,669	201
Trade payables, group companies and associates	14	-	105
Other payables	14	1,296	-
Personnel (salaries payable)	14	655	-
Current tax liabilities	15	432	122
Public entities, other	15	368	275
Customer prepayments	14	7	7
TOTAL EQUITY AND LIABILITIES		**293,397**	**213,697**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Income statement for the year ended December 31, 2019
(Thousands of euros)

	Notes	2019	2018
CONTINUING OPERATIONS			
Revenue	**16.1**	**131,842**	**5,750**
Sale of goods		129,658	-
Rendering of services		2,184	5,750
Changes in inventory of finished goods	**9**	**8,448**	**-**
Supplies	**16.2**	**(105,289)**	**(1,537)**
Consumption of goods for resale		(103,065)	**-**
Subcontracted work		(2,224)	(1,537)
Other operating income	**16.3**	**1,901**	**1,178**
Non-trading and other operating income		1,901	1,178
Employee benefits expense	**16.5**	**(5,677)**	**(3,178)**
Wages, salaries, and similar expenses		(4,834)	(2,709)
Social security costs, et al.		(843)	(469)
Other operating expenses		**(1,749)**	**(2,478)**
External services	16.6	(2,557)	(2,258)
Taxes other than income tax		(195)	(211)
Losses on, impairment of, and changes in trade provisions	8	1,003	-
Other operating expenses		-	(9)
Amortization and depreciation	**6**	**(2,473)**	**(2,805)**
Grants related to non-financial assets and other grants	**12**	**2,215**	**62**
Changes in provisions	**13**	**(415)**	**94**
Impairment and gains/(losses) on disposal of fixed assets	**16.7**	**(860)**	**719**
OPERATING PROFIT/(LOSS)		**27,943**	**(2,195)**
Finance income	**16.8**	**4,354**	**4,656**
Dividends			
In group companies and associates		3,325	4,290
Marketable securities and other financial instruments			
Group companies and associates		604	366
Other		425	-
Finance costs	**16.9**	**(523)**	**(711)**
On borrowings from group companies and associates		(141)	(528)
On third-party borrowings		(382)	(183)
Exchange gains/(losses)		**224**	-
NET FINANCE INCOME/(EXPENSE)		**4,055**	**3,945**
PROFIT/(LOSS) BEFORE TAX		**31,998**	**1,750**
Income tax	15	(1,504)	-
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**3**	**30,494**	**1,751**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Statement of changes in equity
for the year ended December 31, 2019
(Thousands of euros)

A) Statement of recognized income and expense

	Notes	2019	2018
Profit for the year	**3**	**30,494**	**1,751**
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)**	**(46)**
Grants, donations and bequests		(2,215)	(62)
Tax effect		425	16
Total Income and expense recognized directly in equity	**12**	**(1,790)**	**(46)**
TOTAL RECOGNIZED INCOME AND EXPENSE		**28,672**	**1,705**

B) Statement of changes in equity for the year ended December 31, 2019

(Thousands of euros)	Issued capital (Note 11)	Share premium (Note 11.2)	Reserves (Note 11.3)	Treasury shares and equity investments (Note 11.4)	Retained earnings (prior-year losses) (Note 11.3)	Profit/(loss) for the period (Note 3)	Grants, donations and bequests received (Note 12)	Valuation adjustments	TOTAL
Balance for the year ended December 31, 2017	**1,096**	**229,183**	**32,965**	**(2,245)**	**(198,723)**	**2,913**	**1,836**	**-**	**67,025**
Recognized income and expense	-	-	-	-	-	1,751	(46)	-	1,705
Distribution of prior year profit	-	-	-	-	2,913	(2,913)	-	-	-
Capital increase	154	88,847	3,674	2,245	-	-	-	-	94,920
Balance for the year ended 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	-	-	-	-	1,751	(1,751)	-	-	-
Balance for the year ended December 31, 2019	**1,250**	**318,030**	**36,639**	**-**	**(194,059)**	**30,494**	**-**	**(32)**	**192,322**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Cash flow statement
for the year ended December 31, 2019
(Thousands of euros)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		**31,998**	**1,751**
Adjustments for		**(3,037)**	**(2,015)**
Depreciation and amortization (+)	5 and 6	2,473	2,805
Impairment losses (+/-)	6	860	(719)
Change in provisions (+/-)	13	(99)	(94)
Grants released to income (-)	12	(2,215)	(62)
Finance income (+)	16.8	(4,354)	(4,656)
Finance costs (+)	16.9	523	711
Exchange gains/(losses)		(225)	-
Changes in operating assets and liabilities		**(39,560)**	**(4,602)**
Inventories		(8,449)	-
Trade and other receivables (+/-)		(54,427)	(4,338)
Trade and other payables (+/-)		23,316	(264)
Other cash flows (used in)/from operating activities		**(79)**	**(313)**
Interest paid (-)		-	(313)
Other payments		(79)	-
Cash flows from/(used in) operating activities		**(10,678)**	**(5,180)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		-	**94,920**
Issue of equity instruments		-	94,920
Proceeds from and payments of financial liabilities		**9,661**	**(22,249)**
Issues		9,972	2,024
Borrowings from group companies and associates (+)		-	2,024
Bank borrowings (+)		-	-
Bonds and other marketable debt securities (+)		9,972	-
Redemption and repayment of		(311)	(24,273)
Bank borrowings (-)		(311)	(319)
Borrowings from group companies and associates (-)		-	(23,954)
Cash flows from financing activities		**9,661**	**72,671**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(1,017)**	**67,491**
Cash and cash equivalents at the beginning of the period		68,817	1,326
Cash and cash equivalents at the end of the year	10	67,800	68,817

1. ACTIVITY

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

The Company's corporate purpose is:

1. Installation and repair of solar, thermal, and photovoltaic, wind, and other types of renewable energy.

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

3. Design and execution of technical projects related to the above.

4. Provision of maintenance and conservation services for jobs performed by the company or third parties.

5. Manufacture of solar, thermal, and photovoltaic energy modules, cells, and components, as well as other renewable energy projects.

Solaria's chief activities during 2019 and 2018 were energy generation, and the provision of development, operation ,and maintenance services to its photovoltaic plants.

The Company's shares have been listed on the four official Spanish stock exchanges and have been quoted on the Spanish electronic trading platform (continuous market) since June 19, 2007.

Solaria is the parent of a Group comprised of 71 subsidiaries during 2019 (2018: 48 subsidiaries), the majority of which are wholly and jointly owned by the Company and other investees, along with a third party (Appendix I). All the Solaria Group companies' main activity is the operation of photovoltaic solar plants in Spain and where they are located abroad. The Company is therefore a Group parent, in accordance with prevailing legislation. In accordance with generally accepted accounting principles, the consolidated financial statements must be presented to give a true and fair view of the net equity and financial position of the Group and the results of its operations.

The directors of the Company prepared the accompanying 2019 Solaria Energía y Medio Ambiente, S.A. financial statements on February 25, 2020.

The Company is controlled by DTL Corporación, S.L., based in Madrid (Note 17), also the parent. The 2019 financial statements of DTL Corporación, S.L. will be approved and filed with the Madrid Mercantile Registry.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Spanish GAAP enacted by Royal Decree 1514/2007 of November 16, modified in 2016 by Royal Decree 602/2016 of December 2, and prevailing mercantile law.

These financial statements have been prepared by the Company's directors and will be submitted for approval at the General Shareholders' Meeting. It is expected that they will be approved without modification.

The figures shown herein are in thousands of euros, unless stated otherwise.

2.1 True and fair view

The accompanying financial statements were prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and performance. The statement of cash flows has been prepared to present accurately the origin and usage of the Company's monetary assets such as 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 2019, those for 2018 are included. Quantitative information for 2018 is also included in the notes to the financial statements unless an accounting standard specifically states that this is not required.

2.3 Critical issues regarding the measurement and estimation of uncertainty

The directors have prepared the financial statements using estimates based on the carrying amount of the assets, liabilities, income, and expenses, and on the breakdown of contingent liabilities. These estimates were made based on the best information available at year end. However, given the uncertainty inherent in these items, events could occur in the future which may require prospective adjustments in subsequent years.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates at the balance sheet 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, unused tax loss carryforwards and any deductions as yet not utilized, for which it is probable that future taxable profit will be available against which these assets may be utilized. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences. At December 31, 2019, the Company recognized 1,275 thousand euros in deferred tax assets (2018: 1,525 thousand euros) in connection with unused tax loss carryforwards (Note 15).

Impairment of non-current assets

Estimates must be made when measuring non-current assets other than financial assets to determine their recoverable amount in order to assess whether the assets may be impaired. To determine the recoverable amount, the Company's directors estimated the market value of the assets. The Company identified the existence of indications of impairment in some of its non-current assets, mainly those related to the cells and model production activity. Company Management performed impairment tests to determine whether it will be necessary to make additional valuation adjustments to non-current assets. The assumptions used when calculating market value are analyzed in Note 6.4.

Based on the above estimates, during previous years the Company adjusted the carrying amount of its assets, with impairment during 2019 amounting to 33,488 thousand euros, with no changes vs. the prior year (Note 6.4).

2.4 Regulatory framework

The following is a description of the main regulations affecting the Company:

Regulatory framework in Spain

Royal Decree 413/2014 was approved on June 6, 2014, on regulations relating to electricity energy production from renewable energy sources, cogeneration, and waste, setting out the basis for the new regulatory framework, which had been pending development when Royal Decree Law 9/2013 of July 12 became effective. It adopts urgent measures designed to guarantee the financial stability of the electricity system, which repealed the regulatory framework applicable to renewable energy sources until that date, and by ORDER IET/1045/2014, of June 16, which enacted the remuneration parameters encompassed by Royal Decree Law 413/2014, which was later amended by Order ETU/130/2017.

This new specific remuneration standard installation throughout its regulatory useful life as regards activity carried out by an efficient and well-run company, in accordance with standard income from energy sales valued at market prices, standard operating costs, and customary estimated initial investment amounts. This remuneration regime is underpinned by a 'reasonable return' on investment which is defined as the yield on the 10-year sovereign bond plus a spread (which has initially been set at 300 basis points). The new regime establishes regulatory periods of six years and sub-periods of three years. The retribution parameters related to market price forecasts may be changed every three years to include any changes taking place during the sub-period; every six years, the standard installation parameters and future interest rates may be changed. The value of the initial investment and the regulatory useful life remain the same throughout their lives.

For auctioned assets, the applicable regime is also defined by Royal Decree 413/2014, which was subsequently amended by Royal Decree 650/2'17, and Order ETU/615/2017.

Electricity production under the special regime is regulated by Act 54/1997, of November 27, on the Electricity Sector, and the subsequent implementing or amending regulatory provisions. Royal Decree 661/2007, modified by Royal Decrees 1565/2010 and 2/2010, establishes the remuneration scheme for renewable energy generated by the Company. Basically, it established a feed-in tariff, expressed in euro cents per kilowatt-hour, applicable to a certain number of equivalent hours of operation of the photovoltaic facility.

In 2012, Act 15/2012, of December 27, 2012, on tax measures for energy sustainability was enacted, providing for the creation of a tax on the value of electricity generation of 7% commencing January 1, 2013. This tax was temporarily suspended, from October 1, 2018, for the following 6 months.

On October 6, 2018, according to Official State Gazette A-2018-13593, a 7% rate was applicable, which was then suspended until the end of 1Q19.

Royal Decree-Law 17/2019

The above Royal Decree was published on November 22, 2019, adopting urgent measures for the adoption of a remuneration electricity system framework, in response to the process related to shutting down thermal generation plants.

Exceptional remuneration scheme

The above legislation introduces a projection designed to guarantee the owners of electricity-generation, co-generation, and waste installations access to the premium remuneration recognized thanks to the entry into force of Royal Decree Law 9/2013, dated July 12; this is applicable to those who wish to voluntarily get onboard: the reasonable profitability established for the first regulatory period ended December 31, 2019, and may not be amended during consecutive regulatory periods commencing January 1, 2020. In other words, owners taking advantage of this scheme will maintain reasonable return of 7.39% on these installations during the 2020-2031 period, higher than 7.09% established for 2020-2025, to thereby ensure there is no uncertainty during 2026-2031.

In addition, energy plants are entitled to sell their output directly on the wholesale market, without any subsidies, or the sell all or a portion of their production to large energy consumers. With the exception of projects assigned to the 2017 auctions, new projects in Spain are based on these options; a premium remuneration regime is unnecessary.

3. APPROPRIATION OF PROFIT/(LOSS)

The directors propose the following appropriation of profit for 2019, a proposal expected to be ratified by the shareholders in general meeting:

(Thousands of euros)	2019
Proposed appropriation	
Profit for the year	30,494
Distribution of profit/loss	
To offset prior year losses	30,494

3.1 Limitations on the distribution of dividends

The Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share 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 total 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 accounting criteria applied in the preparation of these financial statements are the following:

4.1 Intangible assets

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

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

Intangible assets are amortized on a straight-line basis on the basis of their estimated useful lives and residual values. 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.

Software

'Software' includes the costs incurred by the Company to develop its own software that meet development expense capitalization criteria as well as the cost of acquiring software from third parties. The costs are amortized on a straight-line basis over the estimated useful life (5 years).

Employee benefits expense pertaining to the Company's own personnel involved in the development of software are included in the cost of the software with a credit to 'Own work capitalized' in profit or loss.

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

4.2 Property, plant, and equipment

"Property, plant, and equipment" mainly includes technical installations and machinery, as well as the Company's photovoltaic solar plants leased to companies.

They are initially measured at cost, determined as the purchase price or production cost. Following initial recognition, they are carried at cost less accumulated depreciation and any impairment losses.

The cost of assets acquired or produced subsequent to January 1, 2008 with installation periods exceeding one year includes financial expenses accrued prior to putting the assets to use when these expenses meet capitalization requirements.

"Property, plant, and equipment" likewise includes the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets when these obligations lead to recognizing provisions.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred. Expenses incurred to upgrade, expand or improve these assets that increase their productivity or prolong their useful life are capitalized as an increase in the carrying amount of the item, while the carrying amount of any substituted assets is 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 their estimated useful life.

The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Buildings	33 years
Other PP&E (solar plants)	30 years
Technical installations (other)	10 years
Machinery	8 years
Other items of PP&E	8 years

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

The Company reviews its assets' residual values, useful lives and depreciation methods at year-end and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

The Company assesses at least at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired.

The Company did not engage in any developments during the year; therefore, recoverable value corresponds to market value. The value corresponds that received by selling an asset, or paid for transferring a liability in an orderly transaction for selling or transferring the liability between market participants at the valuation date in present market conditions (excluding finance costs and income tax). The Company valued each of its assets individually rather than part of a portfolio. The asset is considered impaired when its carrying amount exceeds its recoverable amount.

Impairment and any reversals thereof are recognized in the income statement. Impairment losses are reversed only if the circumstances giving rise to them have ceased to exist. Goodwill impairment losses are not reversed. Any such reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

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

Assets acquired under finance leases are classified as appropriate within property, plant and equipment and are measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the purchase option; the corresponding financial liability is recognized in the same amount. The calculation of the minimum lease payments excludes contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge under the lease agreement is taken to the statement of profit or loss in the period, accrued using the effective interest rate method. Leased assets are depreciated, impaired and derecognized using the same criteria as apply to owned assets of a similar nature.

Operating lease payments are expensed in the income statement as accrued.

Company as lessor

Rental income from operating lease payments are recognized in the income statement when accrued. Direct costs attributable to the operating lease increase the value of the leased asset and are recognized as expense over the term of the lease on the same basis as rental income.

4.5 Financial assets

Classification and measurement

Loans and receivables

The Company recognizes trade and non-trade receivables in this category, which includes financial assets with fixed or determinable payments not quoted on active markets that it expects to recover in full, other than because of credit impairment.

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

Held-to-maturity investments are subsequently measured at amortized cost.

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

The difference between fair value and amounts paid for operating lease security deposits is recognized in the income statement as an advance lease payment over the lease term. When estimating the fair value of guarantees, the minimum contractual term during which the amount may not be reimbursed is considered as the remaining period.

Equity investments in group companies, jointly controlled entities, and associates

This category includes equity investments in companies in which the entity exercises control (Group companies), joint control via bylaw resolutions or contractual arrangements with one or more partners (joint ventures), or has significant influence (associates).

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

Investments in group companies are recognized, where applicable, based on accounting principles for transactions with group companies (Note 4.17).

When an investment is reclassified as an investment in a Group company, jointly controlled entity or associate, the cost of the investment will be considered to be the carrying amount the investment ought to have immediately before classification. Where applicable, previous value adjustments associated with this investment recognized directly in equity will remain there until the investment is either sold or impaired.

Initial measurement includes pre-emptive and similar rights acquired.

After their initial recognition, equity investments in group companies, jointly controlled entities and associates 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 from financial assets

Interest accrued on financial assets after their date of acquisition is recognized as revenue on the consolidated income statement. Interest is recognized using the effective interest rate method and dividends are recognized when the right to receive them is established.

Financial assets are recognized separately on initial measurement based on maturity, accrued explicit interest receivable at that date, and the dividends approved by the competent governing body up to the date the assets are acquired. Explicit interest refers to the contractual interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition, based on the conclusion that the amounts distributed exceed the profit generated by the investee since acquisition, the dividends are not recognized as revenue but rather as a decrease in the carrying amount of the investment.

4.6 Impairment of financial assets

The carrying amount of financial assets is adjusted against profit and loss when there is objective evidence of an impairment loss.

To determine whether its financial assets may be impaired, the Company tests individual assets and portfolios of assets with similar risk traits for impairment.

Debt instruments

There is objective evidence that debt instruments (receivables, loans and debt securities) are impaired as a result of an event that occurred after initial recognition giving rise to a negative impact on the estimated future cash flows from the instrument.

The Company classifies as impaired assets (doubtful exposures) 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 which evidence the possible irrecoverability of total agreed-upon future cash flows or collection delays. 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 mortised 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 financial assets with floating interest rates, the effective interest rate at the balance sheet date is used. Market value is used instead of the present value of estimated future cash flows in the case of quoted instruments, provided that this is considered a sufficiently reliable proxy for fair value.

The reversal of an impairment loss is recognized in the statement of profit or loss. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

In the case of equity instruments measured at cost and included under "Investments in Group companies, jointly controlled entities, and associates", impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the subsidiary's equity adjusted for any unrealized capital gains existing on the measurement date. 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

These instruments include financial liabilities generated by the purchase of goods and services in the ordinary course of the Company's business and non-trade payables that are not derivative instruments.

Financial liabilities included in this category are initially measured 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 received, adjusted for directly attributable transaction costs.

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

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

In guarantees received for operating leases, the difference between the fair value and the amount disbursed is considered revenues received in advance for the lease and recognized in profit and loss over the least term. When estimating the fair value of guarantees, the minimum contractual term during which the amount may not be reimbursed 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 fair value of the derecognized financial liability (or part thereof) and the consideration paid, including any attributable transaction costs, and including any asset sold other than cash or liability assumed, is recognized in profit or loss in the year to which it relates.

When debt instruments are exchanged for other instruments whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as a correction to the carrying amount. The new amortized cost of the financial liability is determined by applying the effective interest rate, namely that which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

To this end, the contractual terms are considered substantially the same when the lender is the same party as granted the initial loan and the present value of the cash flows of the new liability, including net fees, is within 10% of the present value of the cash flows pending payment under the original liability, both liabilities discounted using the original liability's effective interest rate.

4.8 Treasury shares

Treasury shares are recognized in equity as a decrease in “Capital and reserves” when acquired. No loss or gain is shown in the income statement on sale or cancellation. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.9 Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements that meet the following criteria:

- They are convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant
- They are part of the Company’s standard cash management strategy

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company’s cash management strategy are recognized as a decrease in cash and cash equivalents.

4.10 Grants

Grants are classified as non-refundable 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 criterion for being considered non-repayable. No income is recorded until this criterion is met.

Grants received 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 are recognized as income for the reporting period in proportion with the depreciation charges.

4.11 Provisions and contingencies

Liabilities whose amount or date of settlement cannot be determined are recognized in the balance sheet when the Company has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

In preparing the consolidated financial statements, the Directors made a distinction between:

- *Provisions:* existing obligations with employees at year end arising from past events that are uncertain as to amount or timing, and it is probable that the Company will be required to settle that obligation, but its amount and/or cancellation date is undefined.

- *Contingent liabilities:* possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of future events not wholly within the Company's control, and do not meet the requirements for recognition as provisions.

Provisions are measured at the present value of the best estimate of the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, recognizing provision adjustments as a finance cost as they accrue. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at each reporting date and adjusted to reflect the best estimate of the liability at each review date.

Compensation receivable from a third party on settlement of the provisioned obligation is recognized as a separate asset, and not by reducing the amount of the provision, so long as it is virtually certain that the reimbursement will be collected. The amount recognized for the reimbursement may not exceed the amount of the provision. If the risk has been legally or contractually externalized, and the Company is thereby not liable for the cost of settling the obligation, this compensation is deducted from the amount of the provision.

Contingent liabilities are 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 present obligations that arise from past events for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or for which the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes, unless the probability of an outflow of resources is considered remote.

4.12 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current or non-current. An item is classified as current if it is associated with the Company’s normal operating cycle and its realization, sale or consumption is expected to occur within this cycle; falling beyond this scope, if its realization is expected to occur within twelve months of the reporting period; if it is held primarily for the purpose of trading; or if it is cash or a cash equivalent, so long as its use is not restricted for more than one year. Otherwise, the assets and liabilities are classified as non-current.

4.13 Income and expenses

In accordance with the accruals principle, income and expenses are recognized when they occur, regardless of when actual payment or collection occurs.

Revenue

All net turnover corresponds to ordinary business carried out by the Company:

Services rendered:

a) Photovoltaic solar plant promotion and development.

b) Photovoltaic solar plant operating and maintenance contracts.

Revenue from the sale of goods and the rendering of services is recognized at the fair value of the consideration received or receivable. Discounts likely to be granted for prompt payment or other factors at the time of revenue recognition are deducted from the amount of revenue recognized. Advances on future sales are valued at the amount received.

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

4.14 Income tax

The Company is the parent 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 statement of profit or loss, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity, or when it relates to the initial recognition of business combinations, in which case it is recorded in the same way as the acquiree's other assets and liabilities.

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' on the balance sheet, as applicable.

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

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carryforwards, 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.

For business combinations in which deferred tax assets have not been accounted for separately at initial recognition because they do not meet the criteria, the deferred tax assets which are recognized during the measurement period and which arise from new information regarding matters and circumstances existing at the acquisition date will require an adjustment of the related goodwill. After the abovementioned measurement period, or if they are a result of issues and circumstances arising subsequent to the acquisition date, they are recognized against income, or in equity if required by the accounting standard.

At each financial year end, the Company assesses the deferred tax assets which have been recognized and those which have not yet been recognized. Based on this analysis, the Company derecognizes any asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset not recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted; they are classified as non-current assets and non-current liabilities, respectively, regardless of the estimated realization or settlement date.

The accrued corporation income tax expense of Group companies which file a consolidated tax return is determined taking into account the following factors in addition to the aforementioned parameters applied to their individual returns:

a) Temporary and permanent differences arising from the elimination of results of transactions between Group companies for determining the consolidated tax assessment basis.

b) Deductions and rebates corresponding to each company of the tax group filing a consolidated return; to this end, deductions and rebates are allocated to the company that carried out the activity or generated the income which entitles it to the deduction or rebate.

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:

Reciprocal debit and credit balances arise for the portion of tax losses generated by some of the group companies and the companies that offset them. Temporary differences arising from eliminating results of companies in the tax group are recognized for the Company generating them, and results are measured at the applicable tax rates. Reciprocal debit and credit balances arise for the portion of tax losses generated by some of the Group companies and the remaining companies in the consolidated group which offset them.

Where tax losses arise that cannot be offset by other companies of the consolidated tax Group, the related tax credits for loss carryforwards are recognized as deferred tax assets in accordance with the criteria established for their recognition, considering the tax group as the taxpayer.

4.15 Foreign currency transactions

The Company's functional currency is the euro.

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

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement of the year in which they occur.

4.16 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 expensed in the year to which they relate, 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.

4.17 Related party transactions

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

4.18 Termination benefits

In accordance with prevailing legislation, the Company is obliged to pay severance to employees dismissed under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the Company creates a valid expectation on the part of those affected by the redundancy decision.

4.19 Inventories

Inventories are measured at acquisition or production cost. The acquisition price includes the amount invoiced by the supplier, net of any trade discounts, rebates and other similar items, plus all other additional costs incurred until the goods are available for sale, such as transport, customs, insurance, and others directly attributable to the acquisition of inventory items. Production cost is determined by adding the costs directly attributable to the product to the purchase price of raw materials and other consumables. Production cost also includes the portion of indirect costs that can be reasonably allocated to the products, to the extent that these costs are incurred during the process of manufacturing, producing or building them, i.e. the costs of readying them for sale, based on the productive facilities' normal capacity utilization.

Given that Company inventory is available-for-sale in less than one year, finance costs are not included in the acquisition or production cost.

The Company uses the weighted average cost method to measure its inventories.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding impairment loss is recognized in the income statement as an expense. No impairment loss on raw materials and other consumables used in production is recognized, if the finished products in which they will be incorporated are expected to be sold at more than cost.

5. INTANGIBLE ASSETS

The breakdown and movements in the items composing intangible assets are as follows:

(Thousands of euros)	Beginning balance	Additions and charges	Disposals and derecognitions	Balance at year end
2019				
Cost				
Software	1,222	87	(1,222)	87
	1,222	87	(1,222)	
Accumulated depreciation				
Software	(1,222)	-	1,222	-
	(1,222)	-	1,222	-
Net carrying amount	**-**			**87**

(Thousands of euros)	Beginning balance	Additions and charges	Disposals and derecognitions	Balance at year end
2018				
Cost				
Software	1,222	-	-	1,222
	1,222	-	-	1,222
Accumulated depreciation				
Software	(1,222)	-	-	(1,222)
	(1,222)	-	-	(1,222)
Net carrying amount	**-**			**-**

5.1 Overview of the main changes

Additions during the year correspond to new accounting software worth 87 thousand euros. The Company derecognized the old software, which was totally amortized.

No intangible assets were fully amortized at December 31, 2019.

6. PROPERTY, PLANT, AND EQUIPMENT

The breakdown and movements in the items composing PP&E are as follows:

(Thousands of euros)	Beginning balance	Additions, charges, and impairment	Disposals	Balance at year end
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)
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)
Net carrying amount	**28,602**			**23,240**

(Thousands of euros)	Beginning balance	Additions, charges, and impairment	Disposals	Balance at year end
2018				
Cost				
Land and buildings	49,765	-	-	49,765
Technical installations	6,941	-	-	6,941
Machinery	34,411	-	-	34,411
Other property, plant, and equipment	1,727	-	-	1,727
	92,844	-	-	92,844
Accumulated depreciation				
Buildings	(7,135)	(1,717)	-	(8,852)
Technical installations	(4,298)	(687)	-	(4,985)
Machinery	(15,148)	(401)	-	(15,549)
Other property, plant, and equipment	(1,368)	-	-	(1,368)
	(27,949)	(2,805)	-	(30,754)
Impairment losses				
Land and buildings	(15,240)	-	719	(14,521)
Machinery	(18,608)	-	-	(18,608)
Other property, plant, and equipment	(359)	-	-	(359)
	(34,207)	-	719	(33,488)
Net carrying amount	**30,688**			**28,602**

6.1 Significant movements

All additions recognized under PP&E totaling 141 thousand euros correspond to the refurbishment of the new offices leased to DTL Corporación S.L., as well as furniture.

Disposals under "Land and construction" during the year corresponded to the sale of the Cava and Discarica photovoltaic plants to Group company, generating an 860 thousand euro loss (Note 16.7).

The 719 thousand euro reversal of impairment provisions from 2018 corresponded to the land upon which the Cava photovoltaic plant is located (Note 16.7).

6.2 Finance leases

The net carrying amount of PP&E held under finance leases at December 31 is as follows:

(Thousands of euros)	2019	2018
Technical installations		
Cost	3,000	3,000
Accumulated depreciation	(1,891)	(1,633)
	1,109	**1,367**

During 2011, the Company used a financial lease arrangement with Credit Agricole to contract the use of the Puertollano cell plant machinery in the amount of 3,000 thousand euros. On June 7, 2016, the Company signed the non-cancelling renewal of the above contract. The following clauses were therefore modified:

- Its maturity date was extended to June 7, 2023.

- Interest rate of 2.95%.

Pending debt related to the above agreements at year end are recognized under "Finance leases" under liabilities (Note 14).

6.3 Operating leases

Operating leases in which the Company acts as lessee

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	2019	2018
Within one year	214	124
After one year but not more than five years	856	-
	1,070	**124**

In accordance with lease agreements signed on July 1, 2029, the Company leases its central offices located at calle Princesa 2 (Madrid) from DTL Corporación, S.L., majority shareholder of the Company. The Company paid 296 thousand euros for these office leases during the year (2018: 124 thousand euros). The lease agreement features parking spaces.

Operating leases in which the Company acts as lessee

Since 2009, the entity has leased its photovoltaic installations to subsidiaries. The Company owns them, while its subsidiaries hold the permits, licenses, and authorizations. By virtue of the above agreements, in 2019 Company ceded the use of its installations to Planta Solar Puertollano 4, S.L. The Company leases land in Fuenmayor to its subsidiary Planta Solar Puertollano 6, S.A., as well as the covering of a photovoltaic plant in Puertollano to Solaria Casiopea, S.A.

The amount of income recognized for the above (featuring annually-renewable contracts) linked to energy-generation income from the leases totaled 216 thousand euros and 507 thousand euros during 2019 and 2018, respectively (recorded under "Services rendered" on the income statement).

Solaria Energía y Medio Ambiente, S.A. also signed a lease agreement with the Perica Group for its complex based in La Rioja (Fuenmayor); it will take over management of this group's installations. The lease agreement has a 20-year duration, through which Solaria Energía y Medio Ambiente, S.A. Will obtain cumulative rent of over 9,000 thousand euros.

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

(Thousands of euros)	2019	2018
Within one year	507	507
After one year but not more than five years	3,807	3,807
More than five years	5,376	5,883
	9,690	**10,197**

6.4 Impairment

The breakdown of impairment losses recorded for each asset follows:

(Thousands of euros)		Impairment	
Assets	Nature	12/31/2019	12/31/2018
Land in Dehesa Vaqueros	Rural property	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial building	(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

No activity was recognized for industrial assets during 2019 and 2018, and therefore impairment tests were made based on their estimated market value:

- *Puertollano warehouses and facilities:* The Company valued its warehouses and industrial machinery using market values, based on age, use, and maintenance, plus the proportional cost of the ancillary installations and technical documents necessary to legalize them. The Company estimated that the recoverable value of these plants is at least the amount at which they are recognized on the 2019 consolidated balance sheet and considers it in line with appraisals made by an independent expert in February of 2015, and effective depreciation. All the Puertollano plant technical installations and construction were fully amortized at year end.

- *Rural and agricultural land - Dehesa Vaqueros:* Dehesa Vaqueros: the key methodologies and hypotheses applied based on calculating the land's market value, analyzing the real estate segment by obtaining comparable existing offers or transactions, to then compare them based on differences observed. The appraisal was performed in 2015 by an independent consulting firm, Sociedad de Tasación, S.A. The Company considered that the hypotheses are still relevant, and therefore, did not see the need to recognize additional impairment.

6.5 Other information

In the review of the useful lives of its property, plant and equipment in 2015, the Company conducted a technical analysis of the current use related to Proyecto Célula; based on this analysis, it adjusted their useful lives in 2015. These items have an estimated useful life of 5 years. The impact of this change in estimates was recognized prospectively, resulting in a higher depreciation charge of 1,153 thousand euros.

During 2019, certain items of property, plant, and equipment with a carrying amount totaling 1,250 thousand euros were mortgaged as collateral for the repayment of assumable bank loans. They were paid off January 7, 2017. The Company also has mortgaged land in Dehesa Vaqueros with a 1,245 thousand euro carrying amount during 2019 and 2018.

At December 31, 2019, fully depreciated items of property, plant, and equipment amounted to 12,583 thousand euros (2018: 11,057 thousand euros).

In December 31, 2019 and 2018, there were no significant commitments to acquire items of property, plant and equipment. No interest was capitalized at that date.

The Company has subscribed insurance policies to cover potential risks which could affect property, plant and equipment. The coverage of these insurance policies is considered sufficient.

7. INVESTMENTS IN GROUP COMPANIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

The breakdown and movements in the items composing this heading are as follows:

(Thousands of euros)	Beginning balance	Additions	Disposals	Allowances	Reversals	Balance at year end
2019						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Impairment losses	(19)	-	-	-	3	(16)
	80,809	**-**	**-**	**-**	**3**	**80,813**
2018						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Impairment losses	(19)	-	-	-	-	(19)
	80,809	**-**	**-**	**-**	**-**	**80,809**

7.1 Significant movements

Movements during the year corresponded to the 3 thousand euro reversal of the Group company Solaria Promoción y Desarrollo Fotovoltaico, S.L.

7.2 Description of the investments

The amounts of capital, reserves, profit or loss for the year, and other relevant information are listed on Appendix I.

The key investment recorder under “Non-current investments in group companies and associates” correspond to Solaria Energía Generación Renovable, S.L.; since the Company's equity is superior to the investment cost, the directors consider there are no indications of impairment.

8. FINANCIAL ASSETS

The breakdown of financial assets, except for the investments in group companies, jointly-controlled entities and associates (Note 7), at December 31 is as follows:

	Debt securities		Loans, derivatives, and other		TOTAL	
(Thousands of euros)	2019	2018	2019	2018	2019	2018
Non-current financial assets						
Loans and receivables	**9,392**	**9,251**	**-**	**-**	**9,392**	**9,251**
Loans to associates (Note 17)	9,392	9,251	-	-	9,392	9,251
Held-to-maturity investments	**-**	**-**	**334**	**277**	**334**	**277**
Non-current guarantees and deposits	-	-	334	277	334	277
	9,392	**9,251**	**334**	**277**	**9,726**	**9,528**
Current financial assets						
Loans and receivables	**-**	**-**	**60,814**	**7,388**	**60,814**	**3,833**
Trade receivables	-	-	3,285	1,291	7,496	1,291
Receivable from Group companies and associates (Note 17.1)	-	-	57,529	6,097	53,318	2,542
Current investments in group companies and associates	**-**	**-**	**29,214**	**16,497**	**29,214**	**16,497**
Current accounts with group companies (Note 17.1)	**-**	**-**	29,214	16,497	29,214	16,497
Held-to-maturity investments	**-**	**-**	**10,548**	**76**	**10,548**	**76**
Short-term guarantees and deposits	-	-	10,548	76	10,548	76
	-	**-**	**100,576**	**23,961**	**100,576**	**20,406**
	9,392	**9,251**	**100,910**	**24,239**	**110,302**	**29,935**

The carrying amount of financial assets recognized at cost or amortized cost does not differ significantly from their fair value.

Receivables from group companies

The breakdown of this heading is as follows:

	Thousands of euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Group				
Loans (Note 17)	9,392	-	9,251	-
Loans	**9,392**	**-**	**9,251**	**-**

The breakdown of "Non-current loans to group companies" during 2019 and 2018 follow:

	Thousands of euros		
	Limit	12/31/2019	Maturity
Solaria Energía Generación Renovable, S.L.U.	39,454	9,392	2026
	39,454	**9,392**	

These loans bear interest at 6-month Euribor plus a market spread.

Finance income associated to the above loans to Group companies recorded on the 2019 income statement amounted to 604 thousand euros (2018: 366 thousand euros) (Note 16.8).

Trade and other receivables

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

(Thousands of euros)	2019	2018
Trade receivables	3,285	1,291
Trade receivables, group companies, and associates	57,529	6,097
	60,814	**7,388**

The fair value of these financial assets, calculated based on discounted cash flow analysis, did not differ significantly to the carrying amount.

Valuation adjustments

The balance of "Trade receivables" is presented net of any impairment. The movements in impairment losses during the year are as follows:

(Thousands of euros)	2019	2018
Beginning balance	5,238	5,490
Allowances	7	-
Reversals	(1,010)	(253)
Balance at year end	**4,235**	**5,238**

9. INVENTORIES

Inventories during 2019 corresponded to the costs incurred to develop new projects, including the purchase of modules, transformers, inverters, and monitors for new photovoltaic plants under development.

No valuation adjustments were made during 2019.

10. CASH AND CASH EQUIVALENTS

The amount recognized under this heading exclusively refers to bank balances in current accounts and treasury for 2019 and 2018. Cash and cash equivalents are unrestricted.

11. EQUITY - CAPITAL AND RESERVES

11.1 Issued capital

In 2019, share capital recognized under "Equity" amounted to 1,250 thousand euros: 124,950,876 were bearer shares with a par value of 0.01 euros each (2018: 1,250 thousand euros, equally divided into 124,950,876 shares with a nominal par value of 0.01 euros each). On July 13, 2018, the Company increased capital in the following terms:

Capital increase

On July 13, 2018, a capital increase was carried out under the following terms:

Capital increase (Thousands of euros)	
Capital increase	153
Share premium increase	88,847
Sale of own shares	7,787
Total amount capital increase	**96,787**
Expansion costs	**(1,867)**
Effect on equity	**94,920**

- The transaction was the result of the completion of the private placement of newly-issued shares and treasury shares in 2018.

- Capital increase in the nominal amount of 153,448.44 euros through the issue and placement into circulation of 15,344,884 newly-issued shares at one euro cent (0.01) nominal value each. The interest rate on the new issued shares was established at 5.80 euros per share, of which one cent corresponds to nominal value, and 5.79 euros to share premium.

- The total amount arising from the above capital increase was 96,786,862 euros, with 153,448,44 euros corresponding to the nominal amount, and 88,846,646.76 euros to share premium.

Within the context of the capital increase, the Company place the entirety of the shares held as treasury stock totaling 1,342,546.

The Company's shareholder structure at year end was as follows:

(Thousands of euros)	2019	2018
DTL Corporación, S,L,	49.81%	49.81%
Continuous market	50.19%	50.19%
	100%	**100%**

The shares were listed on the four official Spanish stock exchanges and are quoted on the Spanish electronic trading platform (continuous market). There are no restrictions on the free transferability of the shares.

11.2 Share premium

Movements in the share premium account were as follows:

	Thousands of euros
2019	
Balance at December 31, 2018	318,030
Movements 2019 (Note 11.1)	-
Balance at December 31, 2019	**318,030**
2018	
Balance at December 31, 2017	229,183
Movements 2018	88,847
Balance at December 31, 2018	**318,030**

The share premium is freely distributable, unless if as of result of doing so equity falls below the required amount of share capital.

11.3 Reserves and prior year results

The breakdown and movements in the items composing reserves and prior year results are as follows:

(Thousands of euros)	Adjusted opening balance	Other changes	Appropriation of profit/loss	Balance at year end
2019				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	31,328	-	-	31,328
	36,639			36,639
Prior period losses	(195,810)	-	1,751	(194,059)
	(159,171)			**(157,420)**
2018				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	27,654	3,674	-	31,328
	32,965	3,674	-	36,639
Prior period losses	(198,720)	-	2,910	(195,810)
	(165,755)	**3,674**	**2,910**	**(159,171)**

Voluntary reserves are freely distributable, unless if as of result of their distribution, equity falls below the required amount of share capital.

Legal reserve

In accordance with the Consolidated Text of the Capital Enterprises Act, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

During 2019 and 2018, the parent's legal reserve was over the minimum established by law, totaling 5,311 thousand euros during both years.

This reserve cannot 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.

11.4 Treasury shares

On July 13, 2018, during their General Meeting, the Company's shareholders agreed to a share capital increase involving the sale of the 1,342,546 treasury shares held by the Company at 5.8 euros (Note 11.1).

12. EQUITY – GOVERNMENT GRANTS

The reconciliation of the beginning and ending balances of non-repayable grants related to assets:

(Thousands of euros)	Beginning balance	Amounts transferred to the income statement	Tax effect of transfers	Balance at year end
2019				
Non-refundable grants	1,790	(2,215)	425	-
	1,790	**(2,215)**	**425**	**-**
2018				
Non-refundable grants	1,836	(62)	16	1,790
	1,836	**(62)**	**16**	**1,790**

The breakdown of non-repayable grants recognized under 'Grants, donations and legacies received' during 2019 and 2018 is as follows:

Granted by	Original amount of the loan (thousands of euros)	Purpose	Grant date
Ministry of Industry	4,546	Financing PP&E	1/17/2006
	4,546		

PP&E Grant from the Ministry of Industry

On January 17, 2006, the Ministry of Industry, Tourism, and Commerce notified the Company that it had been awarded a grant in the amount of 4,546 thousand euros for the "Startup of a thermal solar module and photovoltaic cell plant" project. The grant was collected in 2008 and 2010, contingent on compliance with a number of conditions, mainly executing investments and creating jobs.

The accounting treatment used for transaction is described and detailed in Note 4.10 and related to capital grants. First the costs associated to executing the investments and then job creation are broken down. The proportional part of the value of the grant attributable to each of the items is then calculated.

Degree of compliance of this project was 100%, as indicated in the grant justification account performed by a third party, as well as on the Note of Certification issued by the Ministry of Industry, Tourism, and Commerce on April 15, 2010.

There are no risks regarding the repayment of the amounts collected from this grant. The project is closed and certified.

The items of PP&E associated to the amount of the grant are totally amortized, and as such, during the year the Company recognized grant income in the amount of 2,215 thousand euros during 2019 (2018: 62 thousand euros).

13. PROVISIONS AND CONTINGENCIES

Provisions

The breakdown of "Provisions" at December 31 is as follows:

(Thousands of euros)	Non-current	Current	Total
2019			
Provisions for contingencies and expenses	415	-	415
Other provisions	-	-	-
	415	**-**	**415**
2018			
Provisions for contingencies and expenses	514	-	514
Other provisions	-	-	-
	514	**-**	**514**

Details of and movements in these items in 2019 and 2018 are as follows:

(Thousands of euros)	Beginning balance	Allowances	Utilized	Overprovisions	Balance at December 31
2019					
Provision for liabilities, risks, and expenses	514	415	(514)	-	415
	514	**415**	**(514)**	**-**	**415**

(Thousands of euros)	Beginning balance	Allowances	Utilized	Overprovisions	Balance at December 31
2018					
Provision for liabilities, risks, and expenses	1,031	-	(422)	(94)	514
Other provisions	41	-	(41)	-	-
	1,072	**-**	**(463)**	**(94)**	**514**

Movements during the year correspond to the application of litigation provisions held in the amount 514 thousand euros, with a provision set aside by the parent in the amount of 415 thousand euros corresponding to Company litigations.

During 2018, the Company reversed 94 thousand euros, as the probable risks arising from the above litigation declined.

Provision for liabilities, risks, and expenses

Company management considers that there are no lawsuits, litigation, or civil proceedings underway in which it is immersed which could significantly affect these financial statements and/or financial position/profitability not provisioned for or broken down at year-end 2019.

14. FINANCIAL LIABILITIES

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

	Bank borrowings		Bonds and other marketable debt securities		Payable to related parties		Derivatives and other		TOTAL	
(Thousands of euros)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-current financial liabilities										
Debts and payables										
Non-current loans and borrowings	134	149	-	-	-	-	-	-	134	149
Finance lease payables	855	1,115	-	-	-	-	-	-	855	1,115
Payable to and borrowings from Group companies and associates	-	-	-	-	23,728	7,491	-	-	23,728	7,491
Other financial liabilities	-	-	-	-	-	-	983	-	983	-
Non-current suppliers	-	-	-	-	-	-	-	-	-	-
	989	1,264	-	-	23,728	7,491	983	-	25,700	8,755
Current financial liabilities										
Debts and payables										
Current loans and borrowings	55	93	9,972	-	-	-	-	-	10,027	93
Finance lease payables	254	252	-	-	-	-	-	-	254	252
Other financial liabilities	-	42	-	-	-	-	268	-	268	42
Loans to group companies and associates	-	-	-	-	39,984	39,256	-	-	39,984	39,256
Suppliers	-	-	-	-	4	6	21,662	-	21,666	6
Trade payables, group companies, and associates	-	-	-	-	-	-	9	201	9	201
Other payables	-	-	-	-	-	105	-	-	-	105
Receivable from employees	-	-	-	-	-	-	1,296	-	1,296	-
Customer prepayments	-	-	-	-	-	-	655	-	655	-
	309	387	9,972	-	39,984	39,361	23,895	208	74,160	39,956
	1,298	**1,651**	**9,972**	**-**	**63,712**	**46,852**	**24,878**	**208**	**99,860**	**48,711**

14.1 Trade and other payables - bank borrowings

The breakdown of "Bank borrowings" at December 31 was the following:

(Thousands of euros)	2019	2018
Non-current		
Bank loans and borrowings	134	149
Finance lease payables (Note 6.2)	855	1,115
	989	1,264
Current		
Loans and borrowings with financial institutions	55	93
Finance lease payables (Note 6.2)	254	252
	309	345
	1,298	**1,609**

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

Bank loans and borrowings

The Group's main loans in force during 2019 and 2018 follow:

Type of contract	Original lender	Date of original agreement	Final maturity	Original amount of the loan (euros)	Amount at 12/31/2019	Amount at 12/31/2018	Non-current at 12/31/2019	Current at 12/31/2019
Loan	La Caixa	1/2/2013	12/2/2024	519	189	242	134	55
Total				**519**	**189**	**242**	**134**	**55**

This loan bears variable interest at one-year Euribor plus market margin.

Finance lease payables

The Company acquired transportation, land, constructions, and machinery items for the Fuenmayor plant, which is the key finance lease arranged.

The above 15-year agreement was signed with the Banco Popular on March 28, 2008 in the amount of 16,500 thousand euros for the acquisition of the Fuenmayor plant. The lease accrues interest at a rate of 1-year Euribor, plus a spread (the floor is 4%). At the contracting date, the reference interest rate was greater than that of the land, it was deemed unnecessary to split the implicit derivative. The Company renegotiated the above with the financial institution, establishing a new agreement in replacement of the original on April 30, 2015. On February 28, 2017, the Company canceled its leases payable with an early repayment.

During 2011, the Company acquired items of machinery through finance lease agreements related to the production of cells at the Puertollano plant. This agreement was signed with Credit Agricole Leasing y Factoring for 3,000 thousand euros, with a 7-year duration and a nominal interest rate of 4.8%. On June 7, 2016, the Company signed the non-cancelling renewal of the above contract.

- Its maturity date was extended to June 7, 2023.

- Interest rate of 2.95%.

Amounts pending during 2019 and 2018 are those which are recorded on the balance sheet.

The Group's finance leases in force during 2019 and 2018 follow:

Type of contract	Original lender	Date of original agreement	Final maturity	Original amount of the loan (thousands of euros)	Amount at 12/31/2019 (thousands of euros)	Amount at 12/31/2018 (thousands of euros)	Non-current at 12/31/2018 (thousands of euros)	Current at 12/31/2019 (thousands of euros)
Financial lease	Credit Agricole	12/13/2010	6/7/2023	3,000	1,109	1,367	855	254
Total					**1,109**	**1,367**	**855**	**254**

The reconciliation between the future minimum lease payments and the present value of these payments follow:

(Thousands of euros)	2019	2018
Within one year	254	252
Later than 1 year and no later than 5 years	855	1,115
More than 5 years	-	-
Present value of finance lease liabilities	**1,109**	**1,367**

14.2 Trade and other payables - other

The breakdown of the financial liabilities thus classified at December 31 is as follows:

(Thousands of euros)	2019	2018
Non-current		
Group companies and associates (Note 17)	23,728	7,491
Other financial liabilities	983	-
	24,711	7,491
Current		
Bonds and other marketable debt securities	9,972	-
Borrowings from group companies and associates (Note 17)	39,984	39,256
Other financial liabilities	226	42
Trade and other payables	23,627	313
	73,809	39,611
	98,520	**47,102**

The fair value of these financial liabilities, calculated based on discounted cash flow analysis, did not differ significantly to the carrying amount.

Bonds and other marketable debt securities

The Company conducted a promissory note program on the Alternative Fixed-Income Market (MARF) in the amount of 10,000 thousand euros on April 17, 2020.

Trade and other current accounts payable

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

(Thousands of euros)	2019	2018
Suppliers	21,669	201
Trade payables, group companies and associates (Note 17)	-	105
Other payables	1,296	-
Receivable from employees	655	-
Customer prepayments	7	7
	23,627	**313**

"Suppliers" includes the following confirming arrangements:

Type of contract	Original lender	Date of original agreement	Expiry date	Original amount of the loan (euros)	Amount at 12/31/2019	Amount at 12/31/2018	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, & Ibercaja							(282)
TOTAL					**15,318**	**-**	**-**	**15,036**

15. TAXES

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

(Thousands of euros)	2019	2018
Deferred tax assets	**1,275**	**1,525**
Public entities, other	**1,313**	**368**
	2,588	**1,893**
Deferred tax liabilities	**-**	**(425)**
Current tax liabilities	**(432)**	**(122)**
Public entities, other		
Personal income tax withholdings	(270)	(208)
Social Security payable	(98)	(67)
VAT	-	-
Total Public entities	**(368)**	**(275)**
	(800)	**(822)**

Since 2010, the Company has filed consolidated tax returns as it heads the Group.

Under prevailing tax regulations, tax returns cannot be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has prescribed. The Company has its books open to inspection for the last four years in respect of all applicable taxes.

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 Income tax expense

The reconciliation of net income and expense for the year to taxable income (tax loss) is set forth below:

The reconciliation of 2019 income per books to the taxable income for corporate income tax purposes is as follows:

	2019		
	Income statement		
(Thousands of euros)	Increase	Decreases	TOTAL
Profit/(loss) for the period			30,494
Income tax expense			1,504
Profit/(loss) before taxes			31,998
Permanent differences			
Parent company	-	(3,325)	(3,325)
Temporary differences			
Parent company	661	(1,226)	(565)
Derecognition intra-group reinvoicing		(28,049)	(28,049)
Utilization of tax loss carryforwards		(20)	(20)
Taxable income			**39**

The reconciliation of pre-tax book results with taxable income for 2018 was the following:

	2018		
	Income statement		
(Thousands of euros)	Increase	Decreases	TOTAL
Profit/(loss) for the period			1,750
Income tax expense			-
Profit/(loss) before taxes			1,750
Permanent differences			
Parent company	-	(4,293)	(4,293)
Temporary differences			
Parent company	806	(2,073)	(1,267)
Derecognition intra-group reinvoicing	-	(183)	(183)
Taxable income			**(3,991)**

Increases in permanent differences are mainly due to non-deductible expenses arising from group company dividends.

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

(Thousands of euros)	2019	2018
Profit/(loss) before tax	31,998	1,750
Theoretical tax charge (25%)	8,000	437
Permanent differences	(831)	(437)
Derecognition intra-group reinvoicing	(7,013)	-
Other expenses	1,348	-
Effective tax expense/(income)	**1,504**	**-**

“Other expenses” mainly correspond to Solaria Italia, Srl tax assessment in the amount of 1,208 thousand euros assumed by the Company.

15.2 Deferred tax assets and liabilities

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

(Thousands of euros)	Beginning balance	Changes reflected in		Balance at year end
		Income statement	Equity	
2019				
Deferred tax assets				
Tax loss carryforwards	1,525	(250)	-	1,275
	1,525	**(250)**	**-**	**1,275**
Deferred tax liabilities				
Non-refundable grants	(425)	425	-	-
	(425)	425	-	-
	1,100			**1,275**
2018				
Deferred tax assets				
Tax losses	2,237	(712)	-	1,525
	2,237	**(712)**	**-**	**1,525**
Deferred tax liabilities				
Non-refundable grants	(441)	-	16	(425)
	(441)	-	16	(425)
	1,796			**1,100**

The breakdown of tax loss carryforwards for the tax group headed by Solaria Energía y Medioambiente, S.A. is as follows:

Year generated	(Thousands of euros)	
	2019	2018
2011	58,453	58,986
2012	23,485	23,486
2013	59,514	59,523
2014	2,270	2,270
	143,722	**144,265**

The Company's unused tax loss carryforwards prior to joining the tax group amounted to 10,957 thousand euros (2018: 10,957 thousand euros).

At year end, in application of the limit on depreciation provided for in Article 29 of Law 27/2014 (dated November 28) and Article 7 of Law 16/2012 (December 27, 2012), the tax Group in Spain recognized tax credits broken down as follows (in thousands of euros):

Year generated	(Thousands of euros)	
	2019	2018
2013	1,410	2,045
2014	1,744	1,744
	3,154	**3,789**

Based on Royal Decree Law 12/2012, enacted March 30, 2012, which was subsequently amended by Royal Decree Law 20/2012, introducing the deductibility limits on previous year finance charges, the Group's parent considers that tax credits on finance charges arising 2012-2017 may be foreseeably offset by tax income from immediate successive years subsequent to their origin. Therefore, the tax group recognized the above tax credits, which follow:

	(Thousands of euros)	
Year generated	2019	2018
2012	3,629	3,629
2013	3,467	3,467
2014	3,136	3,136
2015	816	816
2016	742	742
2017	552	552
2018	1,325	-
	13,667	**12,342**

Amounts pending reversal for this same item corresponding to years prior to the creation of the tax group at December 31, 2019 totaled 18,259 thousand euros, with no changes with regard the previous year.

In addition, the tax Group had unused tax credits amounting to 6,829 thousand euros (2018: 4,931 thousand euros) for which it has not recognized the corresponding deferred tax assets. The breakdown of these tax deductions is as follows:

	(Thousands of euros)	
Year generated	2019	2018
2008	441	441
2009	6,373	6,446
2010	15	15
	6,829	**6,902**

The Company estimated its future tax profits. It also analyzed the reversal period of taxable temporary differences, identifying those that reverse in the years in which unused tax loss carryforwards may be used. The Company also recognized deferred tax assets amounting to 1,275 thousand euros (2018: 1,525 thousand) relating to unused tax loss carryforwards.

16. INCOME AND EXPENSE

16.1 Revenue

Analysis of revenue from continuing operations by business line and geographic segment:

	Spain		International		TOTAL	
(Thousands of euros)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Income from the sale of technical installations						
Photovoltaic plant	129,658	-	-	-	129,658	-
Revenue O&M	803	1,012	-	495	803	1,507
Lease agreements and other services	1,381	4,243	-	-	1,381	4,243
	131,842	**5,255**	**-**	**495**	**131,842**	**5,750**

16.2 Supplies

The breakdown of "Supplies" is as follows:

(Thousands of euros)	**2019**	**2018**
Cost of sales		
Consumption of goods for resale	103,065	-
Subcontracted work	2,224	1,537
	105,289	**1,537**

16.3 Other income

"Other income" mainly corresponds to income from administrative and management services.

16.4 Foreign currency transactions

Sales in USD in 2019 totaled 2,014 thousand euros (2018: 55 thousand USD).

16.5 Employee benefits expenses

The breakdown of these expenses is as follows:

(Thousands of euros)	**2019**	**2018**
Wages, salaries, and similar expenses		
Wages and salaries	4,834	2,709
	4,834	2,709
Social security costs, et al.		
Social security	843	469
	843	469
	5,677	**3,178**

The Company has no pension plan or other similar commitments with its personnel.

The rise in "Employee benefits expenses" was due to the development of the Company's business plan, which significantly boosted the installed generation capacity in Spain.

The Company does not foresee a significant staff increase in upcoming years.

16.6 External services

The breakdown of 'External services' is as follows:

(Thousands of euros)	2019	2018
Lease payments (Note 6)	296	125
Repairs and upkeep	9	126
Independent professional services	1,350	1,368
Transport	17	-
Insurance premiums	99	62
Banking services	19	3
Publicity, advertising, and public relations	3	9
Supplies	126	133
Other services	638	432
	2,557	**2,258**

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

The breakdown of impairment and gains from asset sales is as follows:

(Thousands of euros)	2019	2018
Gains from asset sales		
PP&E (Note 6.1)	(860)	-
Impairment losses		
PP&E (Note 6)	-	719
	(860)	**719**

16.8 Finance income

The breakdown of “Finance income" is as follows:

(Thousands of euros)	2019	2018
Dividends from Group companies (Note 17)	3,325	4,290
Interest from loans to group companies (Note 17)	604	366
Interest on loans to third parties	425	-
	4,354	**4,656**

16.9 Finance costs

The breakdown of “Finance costs" is as follows:

(Thousands of euros)	2019	2018
Interest on borrowings from group companies (Note 17)	141	528
Interest on payables to third parties	382	183
	523	**711**

17. RELATED-PARTY TRANSACTIONS

Related parties with which the Company performed transactions 2019 and 2018, along with 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.A.	Group company
Pronature Consulting and Engineering S.L.	Group company
Planta Solar Puertollano 10, S.L.	Group company
Solaria energía y proyectos internacionales, S.L.	Group company
Ollastra energía, S.R.L.	Group company
Sarener, S.L.U.	Group company
Solaria Energía Generación Renovable, S.L.U.	Group company
Marche energía, S.R.L.	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
Solaria Italia, S.R.L.	Group company
Solaria Brasil, S.R.L. (*)	Group company
Serre UTA S.r.l.	Group company
Sardegna Agrienergia UNO SRL	Group company
Solaria Lyra, S.r.l.	Group company
Natelu, S.A.	Group company
Yarnel, S.A.	Group company
Planta Mesolar 1, S.A.	Group company
Planta Mesolar 2, S.A.	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 108, S.L.	Group company
Planta FV 109, S.L.	Group company
Planta FV 110, S.L.	Group company
Planta FV 111, 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
Planta FV 117, S.L.	Group company
Satellite Horizon LDA	Group company
Prodigy Orbit LDA	Group company
Elassona Solar Energía LLC	Group company
Vía Láctea Fotovolaica, S.L.	Group company
CFV Triangulum Australe, S.L.	Group company
Planta FV118,S.L.	Group company
Planta FV119,S.L.	Group company
Planta FV120,S.L.	Group company
Planta FV121,S.L.	Group company
Planta FV122,S.L.	Group company
Planta FV123,S.L.	Group company
Planta FV124,S.L.	Group company
Planta FV125,S.L.	Group company
Planta FV126,S.L.	Group company
Planta FV127,S.L.	Group company
Planta FV128,S.L.	Group company
Planta FV129,S.L.	Group company

	Nature of the relationship
Planta FV130,S.L.	Group company
Planta FV131,S.L.	Group company
Planta FV132,S.L.	Group company
Planta FV133,S.L.	Group company
Planta FV134,S.L.	Group company
Planta FV135,S.L.	Group company
Solaria Promozione E Sviluppo Fotovolaico s.r.l.	Group company
Solaria Italia S.R.L.	Group company
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	Group company
Directors	Director
Senior executives	Other key management personnel

17.1 Related entities

The breakdown of the balances with related entities is the following:

(Thousands of euros)	Direct parent	Other group companies	Total
2019			
Non-current loans (Note 8)	..	9,392	9,392
Current Group accounts (Note 8)	-	29,214	29,214
Trade receivables (Note 8)	-	57,529	57,529
Non-current borrowings (Note 14)	-	(23,728)	(23,728)
Current accounts payable (Note 14)	-	(39,984)	(39,984)
2018			
Non-current loans (Note 8)	-	9,251	9,251
Current Group accounts (Note 8)	-	16,497	16,497
Trade receivables (Note 8)	-	6,097	6,097
Non-current borrowings (Note 14)	(7,491)	-	(7,491)
Current accounts payable (Note 14)	-	(39,256)	(39,256)
Suppliers (Note 14)	-	(105)	(105)

“Loans to group companies” mainly included a loan granted to Solaria Energía Generación Renovable, S.L.U. in the amount of 9,392 thousand euros during the year (2018: 9,251 thousand euros). "Trade and other receivables" and "Financial investments” respectively include sales transactions and current accounts with subsidiaries for both years.

The breakdown of related party transactions is as follows:

(Thousands of euros)	Direct parent	Other group companies	Total
2019			
Sale of goods	-	129,658	129,658
Revenue from services rendered	-	1,220	1,220
External services - Leases (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)

(Thousands of euros)	Direct parent	Other group companies	Total
2018			
Services rendered	-	2,206	2,206
External services - leases (Note 6)	(125)	-	(125)
Finance income - dividends (Note 16.8)	-	4,290	4,290
Finance income - interest (Note 16.8)	-	366	366
Finance costs (Note 16.9)	(259)	(269)	(528)

The Company provides plant operation and maintenance services, as well as administration and management services to: Globasol Villanueva 1, S.A., Magacela Solar, S.A., Planta Solar Puertollano 4, S.L., Planta Solar Puertollano 6, S.A., Pronature, S.L., and Solaria Casiopea in Spain, to Marche Energía S.r.l., Serre UTA, S.r.l., Ollastra Energía, S.r.l. and Sardegna Agrienergia 1, S.r.l. in Italy, and Natelu, S.A. and Yarnel, S.A. in Uruguay.

All the related-party transactions involving operating and finance leases are indicated, regardless of whether the entity acts as lessee or lessor (Note 6).

All related-party transactions relate to normal Company trading activity and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

17.2 Directors and senior management

The breakdown of the compensation earned by members of the Company's Board of Directors and senior executives is as follows:

(Thousands of euros)	2019	2018
Directors	**488**	**450**
Salaries	488	450
Senior executives	**780**	**699**
Salaries	780	699
	1,268	**1,149**

The Company did not pay any civil liability insurance premiums on behalf of its directors in 2019 or 2018.

The Company had no pension plans or life insurance policies for former or current Board members at December 31, 2019 and 2018.

No advances or loans had been granted to the Company's senior executives or members of the Board of Directors at December 31, 2019 and 2018, nor had any guarantees been given on their behalf.

Insofar as article 229 of the Capital Companies Law, management has communicated that they do not have any conflicts of interest with the Company.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk management policies are established by management, subject to prior approval by the directors of the Company. Based on these policies, the Finance Department has established a series of procedures and controls which make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies establish, inter alia, that the Company may not engage in speculative derivatives trading.

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

18.1 Credit risk

Credit risk exists when a potential loss may arise from 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.

The maximum exposure to credit risk at December 31 was as follows:

(Thousands of euros)	2019	2018
Non-current investments in group companies and associates	90,205	90,060
Non-current investments	334	277
Trade and other receivables	62,153	7,782
Current investments in group companies and associates	29,214	16,497
Current investments	10,548	76
Cash and cash equivalents	67,800	68,817
	260,254	**179,318**

The Business Development and Finance Departments set credit limits for each client based on information obtained from an entity specialized in corporate solvency analysis.

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

	Continuing operations (Note 8)	
(Thousands of euros)	2019	2018
Not due	**558**	**24**
Past due, not impaired	**2,727**	**1,267**
Less than 30 days	1,185	-
Between 30 and 60 days	-	266
60 – 90 days	-	-
90 - 120 days	-	-
More than 120 days	1,542	1,001
Doubtful receivables	**4,235**	**5,238**
Impairment losses (Note 8)	**(4,235)**	**(5,238)**
Total	**3,285**	**1,291**

The balance of receivables during 2019 and 2018 included respective impairment provision totaling 4,235 thousand and 5, 238 thousand euros (Note 8).

18.2 Market risk

Currency risk

The Company operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currency, especially in US dollars. Foreign currency risk arises from commercial transactions, chiefly the purchase of equipment abroad.

The Company has pre-established procedures to hedge against exchange rate risk for all its transactions performed in currencies other than the euro maturing after 30 days, and when the transaction's market conditions make it necessary to do so.

Price risk

The Company handles this risk by contemplating the market environment when transactions take place, by signing contracts with closed prices.

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.

Interest rate risk arises from bank borrowings. Variable rate loans expose the Company to cash flow interest rate risk. Solaria's policies consist in using interest rate hedges on loan referenced to variable interest rates. All the Company's bank borrowings are indexed at floating interest rates in euros.

In 2019 and 2018, Solaria's structure was as follows:

(Thousands of euros)	2019	2018
Fixed-interest loans and borrowings	11,115	1,367
Floating-rate loans and borrowings	189	216
Total	**11,304**	**1,583**

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. Given the dynamic nature of the underlying businesses, the objective of the Company's Finance Department is to maintain flexibility in financing through the availability of committed credit facilities.

Management reviews the Company's projected liquidity regularly in light of expected cash flows.

Equity management and level of indebtedness

The Company's objectives with managing capital are to safeguard its ability to continue as a going concern in order to provide a return to shareholders and to maintain an optimal equity structure, thereby reducing related costs. Company Management oversees equity in line with its indebtedness ratio.

This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents. Equity is comprised of the sum of share capital and reserves and undistributed dividends, as indicated on the balance sheet.

The Company endeavors to maintain sufficient equity to be able to obtain the necessary financing from external sources for its expansion, without compromising its solvency or minimizing the performance its shareholders receive from invested equity.

Financial indebtedness ratios at December 31, 2019 and 2018 stood at:

(Thousands of euros)	Note	2019	2018
Borrowings	14	10,161	1,651
Cash and cash equivalents	10	(67,800)	(68,817)
Net debt		**(57,639)**	**(67,166)**
Total equity		**192,354**	**163,650**
Ratio debt/equity		**-30%**	**-41%**

19. OTHER DISCLOSURES

19.1 Personnel

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

	Headcount at year end			Average number of employees employees in the year	Average number of employees with a disability greater than 33% of total employed average headcount
	Men	Female	Total		
2019					
Engineer	43	7	50	42	-
University graduates	9	6	15	13	-
Administration staff and operators	6	2	8	7	-
	58	**15**	**73**	**62**	**-**
2018					
Engineers	22	3	25	19	-
University graduates	15	1	16	14	-
Administration staff and operators	7	1	8	8	-
	44	**5**	**49**	**41**	**-**

19.2 Audit fees

Audit fees accrued during the year for services rendered by the auditor of accounts are as follows:

(Thousands of euros)	2019	2018
Audit services	50	50
Other services	42	56
	92	**155**

19.3 Environmental disclosures

The Company contemplates environmental protection laws in its operations, and considers that it substantially complies with them, while maintaining procedures designed to foster and guarantee compliance.

In the course of 2019 and 2018, the Company made no environmental investments nor did it incur costs for protection and improvement of the environment, nor was it considered necessary to make any provision for environmental contingencies and expenses as it had no contingent liabilities relating to the protection and improvement or environmental liabilities.

The Company's directors believe there are no significant environmental protection or enhancement contingencies and, therefore, have not deemed it necessary to recognize any related provisions.

19.4 Disclosures regarding average supplier payment terms. Additional Provision Three "Reporting requirement" of Law 15/2010 of July 5

The information on average payment periods for suppliers is as follows:

	2019	2018
(Days)		
Average supplier payment term	66	39
Ratio of transactions paid	63	40
Ratio of transactions outstanding	73	30
(Thousands of euros)		
Total payments made	117,432	5,814
Total payments outstanding	22,925	306

19.5 Bank guarantees

The Company has contingent liabilities for bank and other guarantees related with its normal business operations amounting to 320,147 thousand euros during the year (2018: 220 thousand euros). The Company's directors do not expect significant liabilities to arise as a result of the abovementioned guarantees.

20. EVENTS AFTER THE REPORTING PERIOD

From December 31, 2019, until the date of preparation of these financial statements, the following significant events have taken place:

- Solaria Energía y Medio Ambiente, S.A. communicated that it had reached a tentative agreement with the Germany entity BayernLB for the non-current financing of 105MW, associated to the long-term electricity purchase-sale agreement (PPA) signed with Alpiq in December 2019.

  The agreement also committees the bank's participation in developing KfW in Germany, which is currently subject to receiving approval from its committees.

  Disbursement is hinged on the successful termination of the projects' due diligence procedures (including satisfactory termination of all the related documentation), and final approval from the bank's investment and risks committees.

The financing arrangement should be articulated in line with the Project Finance model, in the approximate amount of 57M euros.

The plant should be connected to the grid during 2020.

- The Company's Board of Directors, in its session held February 12, 2020, has reached the following agreements:

  - Create an Ethics, Compliance, and ESG committee to assume all the responsibilities in this regard.

  - Designate the following Board Members to the above committee:

    - Ms. Elena Pisonero Ruiz (Independent Board Member)

    - Mr. Manuel Azpilicueta Ferrer (Other external Board Member)

    - Mr. Carlos Abad (Independent Board Member)

  The members of the Board of Directors appointed Mr. Manuel Azpilicueta as its chairman.

- It approved ESG policies, and updated the Business Code of Ethics, boosting and highlighting its application with the creation of an internal Create an Ethics, Compliance, and ESG committee.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

APPENDIX I

(Thousands of euros)

(Thousands of euros) 2019		%	%				Carrying amount		
Investment	Tax address	Direct ownership interest	Indirect ownership interest	Cost	Share capital	Reserves	2019	Prior year losses	Total
Planta Solar Puertollano 4, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	-	(5)	(74)	(76)
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%	-	103	13,203	653	(9,174)	4,785
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	31	(1)	(354)	(321)
Pronature, S.L.	C/ Princesa 2, Madrid	6%	94%	-	50	-	(32)	(37)	(19)
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(346)	(9)	(352)
Planta FV 3, S.L.	C/ Princesa 2, Madrid	0%	100%	-	3	-	(262)	(6)	(265)
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-	-	3,010	717	-	(38)	3,689
Solaria energía y generación renovables, S.L.	C/ Princesa 2, Madrid	100%	0%	80,807	1,965	107,562	12,925	(20,202)	183,057
Ellasona solar energía LLC (*)	350 Sygrou Av. 17674 Athens	-	100%	-	448	-	90	-	538
Solaria energía y proyectos internacionales, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	514	-	(688)	(171)
Magacela solar 1, S.A.U.	C/ Princesa 2, Madrid	-	100%	-	1,509	936	846	(1,691)	1,600
Solaria casiopea, S.A.	C/ Princesa 2, Madrid	-	100%	-	60	(2,175)	141	-	(1,974)
Lerapa investments, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(193)	(7)	(197)
Solaria Promoción y Desarrollo Fotovoltaico, S.L. *	C/ Princesa 2, Madrid	100%	0%	3	3	(1)	(1)	(1)	3
Guleve investments, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	4	(278)	-	(271)
Globasol villanueva 1, S.A.	C/ Princesa 2, Madrid	---	100%	-	795	9,963	733	(5,243)	6,248
Solaria Italia, S.R.L.	Via Babuino, 51 Roma	100%	-	-	10	407	-	(813)	(396)
Marche energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	1,718	(544)	(1,308)	(124)
Ollastra energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	287	(1,485)	-	(1,188)
Solaria Brasil, S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%	-	-	-	-	-	-
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,352	(273)	(279)	802
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,352	(344)	(380)	630
Planta mesosolar 1, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	2	-	-	-	2
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	2	-	-	-	2
Serre uta S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	6,649	355	-	7,014
Sardegna Agrienergia UNO SRL	Via Babuino, 51 Roma	-	100%	-	1,350	24	290	(245)	1,909
Prodigy Orbit LDA	Rua do Alecrim, 26 Lisboa	-	100%	-	-	-	-	(26)	(26)
Satellite Horizon LDA	Rua do Alecrim, 26 Lisboa	-	100%	-	-	-	-	(23)	(23)
Planta FV100,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(522)	-	(519)
Solaria Lyra, S.r.l.	Via Babuino, 51 Roma	-	100%	-	10	5,488	919	178	6,595
Planta FV101,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(566)	-	(563)
Planta FV102,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(309)	-	(306)
Planta FV103,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV104,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(346)	-	(343)
Planta FV105,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV106,S.L.	C/ Princesa 2, Madrid	-	100%	-	-	3	(1)	-	2
Planta FV107,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(208)	-	(205)
Planta FV108,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV109,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV110,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV111,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV112,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV113,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV114,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV115,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV116,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	2
Planta FV117,S.L.	C/ Princesa 2, Madrid	-	100%	-	-	-	(1)	-	(1)
Vía Láctea Fotovolaica, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	50	-	53
CFV Triangulum Australe, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	952	-	955
Planta FV118,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV119,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

APPENDIX I

(Thousands of euros)

(Thousands of euros) 2019		%	%				Carrying amount		
Investment	Tax address	Direct ownership interest	Indirect ownership interest	Cost	Share capital	Reserves	2019	Prior year losses	Total
Planta FV120,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV121,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV122,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV123,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV124,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV125,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV126,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV127,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV128,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV129,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV130,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV131,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV132,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV133,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV134,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV135,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Solaria Promozione E Sviluppo Fotovolaico s.r.l.	Via Babuino, 51 Roma	-	100%	-	10	-	(1)	-	9
Solaria Italia S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	-	91	-	101
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	C/ Princesa 2, Madrid	100%	-	3	3	-	2,071	-	2,077
				80,813	9,503	148,034	14,387	(39,930)	212,807

(*) Companies under joint control of a third party in each case

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

APPENDIX I

(Thousands of euros)

(Thousands of euros) 2018		%	%				Carrying amount		
Investment	Tax address	Direct ownership interest	Indirect ownership interest	Cost	Share capital	Reserves	2018	Prior year losses	Total
Planta Solar Puertollano 4, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	-	(39)	(34)	(70)
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%	-	103	13,203	797	(9,970)	4,133
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	31	(20)	(334)	(320)
Pronature, S.L.	C/ Princesa 2, Madrid	100%	-	-	50	33	23	(48)	58
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	-	(1)	(15)	(13)
Planta FV 3, S.L.	C/ Princesa 2, Madrid	100%	-	3	3	-	(1)	(6)	(1)
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	1,020	12	(352)	683
Solaria energía y generación renovables, S.L.	C/ Princesa 2, Madrid	-	100%	80,807	1,965	103,932	4,234	(24,435)	166,503
Ellasona solar energía LLC (*)	2 Mesogion Ave. Athens	-	100%	-	448	793	(2)	-	1,239
Solaria energía y proyectos internacionales, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	514	55	(743)	(171)
Magacela solar 1, S.A.U.	C/ Princesa 2, Madrid	-	100%	-	1,509	1,248	860	(2,673)	944
Solaria casiopea, S.A.	C/ Princesa 2, Madrid	-	100%	-	60	-	55	(6)	109
Lerapa investments, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	(1)	2
Ranti investments, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	(1)	2
Guleve investments, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	(1)	2
Globasol villanueva 1, S.A.	C/ Princesa 2, Madrid	-	100%	-	795	9,259	704	(5,243)	5,515
Solaria Italia, S.R.L.	Largo F. Richini, 6 Milan	100%	-	-	10	406	-	(812)	(396)
Marche energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	7,297	736	(7,527)	516
Ollastra energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	400	(136)	(20)	254
Solaria Brasil, S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%	-	-	-	-	-	-
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,451	(308)	(60)	1,085
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%	-	2	1,533	(432)	(116)	987
Planta mesosolar 1, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	3	-	(11)	(19)	(27)
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	3	-	(11)	(19)	(27)
Serre uta S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	7,316	1,605	-	8,931
Sardegna Agrienergia UNO SRL	Via Filippo Cinini,111 Roma	-	100%	-	1,350	97	543	-	1,990
Prodigy Orbit LDA	Rua do Alecrim, 26 Lisboa	-	100%	-	1	-	-	-	1
Satellite Horizon LDA	Rua do Alecrim, 26 Lisboa	-	100%	-	1	-	-	-	1
Planta FV100,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Solaria Lyra, S.r.l.	Via Babuino, 51 Roma	-	100%	-	10	-	-	-	10
Planta FV101,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV102,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV103,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV104,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV105,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV106,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV107,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV108,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV109,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV110,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV111,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV112,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV113,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV114,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV115,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV116,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
Planta FV117,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	-	-	3
				80,810	6,423	148,533	8,663	(52,435)	191,994

(*) Companies under joint control of a third party in each case

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

APPENDIX I
(Thousands of euros)

No group company in which the Company has an ownership interest is listed on the stock exchange.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

2019
MANAGEMENT REPORT

POSITION, RELEVANT MATTERS, AND CHANGES IN GROUP STRUCTURE

Solaria Energía y Medio Ambiente (hereafter "Solaria" or "the Company"), was founded on November 27, 2002 as a limited liability company in Spain for an indefinite period.

Until 2008, there was no consolidated group, as all the information provided corresponded to the parent.

At year end, Solaria was the parent of a Group comprising 71 companies (2018: 48 companies), all of which are 100% direct/indirect investees of the Company.

During 2019, the Group was comprised of the following companies:

Direct wholly-owned subsidiaries:

Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 8, S.L.U., Pronature Consulting and Engineering S.L., Solaria Energía Generación Renovable S.L.U., Solaria Energía Proyectos Internacionales S.L.U., and Solaria Italia S.R.L.

Indirect wholly-owned subsidiaries:

Globasol Villanueva 1, S.A.U, Planta Solar Puertollano 6, S.A.U., Magacela Solar 1, S.A.U., S.L. Planta Solar Puertollano 10, S.L.U., Solaria Casiopea S.A., Solaria Promoción y Desarrollo Fotovoltaico, S.L., Lerapa S.L., Guleve, S.L., Planta FV 3, S.L.U., Planta FV100, S.L, Planta FV101, S.L, Planta FV102, S.L, Planta FV103, S.L, Planta FV104, S.L, Planta FV105, S.L, Planta FV106, S.L, Planta FV107, S.L, Planta FV108, S.L Planta FV109, S.L, Planta FV110, S.L, Planta FV111, S.L, Planta FV112, S.L, Planta FV113, S.L, Planta FV114, S.L Planta FV115, S.L Planta FV116, S.L, Planta FV117, S.L., Planta FV118 S.L., Planta FV119 S.L., Planta FV120 S.L., Planta FV121 S.L., Planta FV122 S.L., Planta FV123 S.L., Planta FV124 S.L., Planta FV125 S.L., Planta FV126 S.L., Planta FV127 S.L., Planta FV128 S.L., Planta FV129 S.L., Planta FV130 S.L., Planta FV131 S.L., Planta FV132 S.L., Planta FV133 S.L., Planta FV134 S.L., Planta FV135 S.L., CFV Triangulum Australe, S.L.U., Via Láctea Fotovoltáica, S.L. Solaria Lyra, S.r.l., Solaria Italia Services, S.r.l., Solaria Promozione e Sviluppo, S.r.l., Marche Energía, S.r.l., Serre UTA S.r.l, Sardegna Agrienergia Uno, S.r.l., , Ollastra Energía, S.r.l., Elassona Solar Energiaki, L.L.C., Natelu, S.A., Yarnel, S.A., Mesolar 1 S.A de CV y Mesolar 2, S.A. de CV., and Satellite Horizon Lda., Prodigy Orbit, Lda.

The following new companies were created in 2019: Planta FV118 S.L., Planta FV119 S.L., Planta FV120 S.L., Planta FV121 S.L., Planta FV122 S.L., Planta FV123 S.L., Planta FV124 S.L., Planta FV125 S.L., Planta FV126 S.L., Planta FV127 S.L., Planta FV128 S.L., Planta FV129 S.L., Planta FV130 S.L., Planta FV131 S.L., Planta FV132 S.L., Planta FV133 S.L., Planta FV134 S.L., Planta FV135 S.L., CFV Triangulum Australe, S.L.U., and Via Láctea Fotovoltáica. All of the above (apart from the last two) were incorporated as SPVs to develop photovoltaic plants in the future.

Solaria Promozione e Sviluppo, S.r.l. (Italy) was also founded in order to develop new projects there.

A number of different purchase-sale transactions were recognized for 2019; all of these were between group companies, as indicated below:

On February 19, 2019, Sociedad Solaria Energía y Generación Renovables, S.L. sold 100% of its investment in Marche Energía, S.r.l., Serre UTA S.r.l, Sardegna Agrienergia Uno, S.r.l., and Ollastra Energía, S.r.l. to Solaria Lyra S.r.l. for about 22,903 thousand euros.

On May 21, 2019, Solaria Energía y Generación Renovable, S.L. sold 100% of its investment in PFV105, PFV107, PFV114, and PFV116 to the group company Via Lactea Fotovoltáica, S.L.

On the same date, Solaria Energía y Generación Renovable, S.L. sold 100% of its investment in Planta FV 100, Planta FV 101, Planta FV 102, and Planta FV104 to CFV Tirangulum Australe, S.L.U.

Also, on this date, Solaria Energía y Medio Ambiente, S.A. Sold 100% of its investment in Planta FV3 y Planta Solar Puertollano 10, S.L. to CFV Triangulum Australe S.L.U.

Finally, and once again on May 21, 2019, Planta FV3 sold 100% of its stake in Lerapa Investment, S.L.U. and Guleve Investment, S.L.U to CFV Triangulum Australe, S.L.U.

In all cases, apart from the purchase-sale of the Italian companies, transactions took place at the price recognized by the seller for its investment.

BUSINESS PERFORMANCE AND RESULTS

Throughout 2019, the Company continued with and terminated the development and construction of several photovoltaic parks with a total generation capacity of 285 MW, encompassing those related to the 250 MW granted to the Solaria Group through its subsidiary PFV3 during the 2017 renewable energy auction.

The projects follow:

- El Baldío (Casatejada, Cáceres), 20 MW,
- Tordesillas I (Tordesillas, Valladolid), 30MW,
- Tordesillas II (Tordesillas, Valladolid), 50MW,
- Tordesillas III (Tordesillas, Valladolid), 15MW,
- Poleñino (Poleñino, Huesca), 30MW,
- Santiz I (Valdelosa, Salamanca), 50MW,
- Valdelosa I (Valdelosa, Salamanca), 30MW,
- Palacios del Arzobispo I (Palacios del Arzobispo, Salamanca), 30MW,
- Medina (Medina del Campo, Valladolid) 30MW.

On June 18, 2019, Solaria signed an agreement with Natixis Bank to finance 250 MW under a Project Finance arrangement, falling due in 15 years. The arrangement encompasses the above projects, apart from that in Medina de Campo, in the amount of 132 million euros.

On November 12, 2019, Solaria signed a financing agreement with Banco Sabadell for 4 photovoltaic plants with a combined output of 108.5 MW on the same date, to include those located in Medina del Campo, and all corresponding to PPA energy sale contracts signed with Repsol. The above Project Finance agreement totals 59.5 million euros over a 16-year period.

On March 25, 2019, the parent communicated registration of a promissory note program on the Alternative Fixed-Income Market (MARF) in the amount of 50,000 thousand euros. A total of 10,000 thousand euros had been drawn down during the year.

On August 5, 2019, through its Portuguese subsidiary Prodigy Orbit Lda., the Solaria Group was granted nominal power of 49MW during the Portuguese auction held by OMIP.

This involves connection capacity reserve to the Public Service Electricity Grid, at a 15-year set remuneration scheme, and with a guaranteed fixed price for supplied energy of 19.64 euros/MWh.

On October 1 and 10 of 2019, the Company obtained favorable access viability reports (AVR) for installing 626 MW in the Trillo 400 kV junction, and appointed the sole point of contact (IUN).

This photovoltaic complex is slated to be one of Europe's largest, representing approximately 20% of the 3,325 MW target established by the Group for 2023.

On December 16, 2019, the Company reached a long-term power purchase agreement (PPA) with Alpiq Energía España S.A.U. for 10 years, and a total contracted power of 105 MW.

Lastly, on December 20, 2019, the Company signed a long-term power purchase agreement (PPA) with Statkraft Markets Gmbh for 10 years, and a total contracted power of 252 MW.

FINANCIAL REPORT

The financial statements and notes thereto accompanying this management report includes the key figures and changes under different balance sheet headings, including the income statement, as follows.

During 2019, the Company presented net accumulated sales of 131,842 thousand euros (2018: 5,750 thousand euros), and net profit of 31,998 thousand euros (2018: 1,750 thousand euros).

The breakdown of this heading in 2019 and 2018 is as follows:

	Spain		International		Total	
(Thousands of euros)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Income from the sale of technical installations						
Photovoltaic plant	129,658	-	-	-	129,658	-
Revenue O&M	803	1,012	-	495	803	1,507
Lease agreements and other services	1,381	4,243	-	-	1,381	4,243
	131,842	**5,255**	**-**	**495**	**131,842**	**5,750**

The notable increase in sales during the year was the result of cost invoicing previously assumed by the Company to develop and build its photovoltaic parks started up in 2019, as well as for invoicing costs incurred by Company in order to obtain all the permits, licenses, and authorizations necessary for subsequent project developments.

“Employee benefits expenses” increased 79% vs. 2018 as a result of a 50% staff increase resulting from the Company's current widespread expansion, with a focus on the abovementioned construction projects; it increased its output five times over during the past year.

The Company’s “Financial results” for the year reflect 4,055 thousand euros in profit (2018: 3,945 thousand euros), representing a 3% increase vs. the previous year, as a result of optimization of its economic resources.

Variations in “Trade and other receivables” mainly arose as a result of receivables from Group companies from sales related to the construction of photovoltaic parks.

“Inventories” encompasses capitalized expenses related to the development of new projects in Spain to be re-invoiced by the Company once construction of the photovoltaic parks for the SPVs has terminated; the latter oversee the various projects to ensure they are terminated in upcoming years.

“Non-current borrowings from Group companies” rose thanks to the reclassification of a debt with a group company to “Non-current” once an agreement was reached for a financing arrangement.

“Bonds and other marketable debt securities” rose due to financing under a promissory note scheme totaling 10,000 thousand euros, while the increase under “Suppliers” was the result of Company third-party debts arising from the construction of photovoltaic plants, which at year end had not matured.

TREASURY SHARES

In the aim of fostering share liquidity, and intended as additional remuneration for the Company’s shareholders, during its session on May 17, 2011, the Board of Directors agreed to a share buyback program in line with the stipulations of European Union Regulation 2273/2003. The scheme was also authorized by the shareholders in general meeting held May 17, 2011, in conformity with Article 146 and related legislation outlined in Capital Companies Law. The share buyback program must take place under the following terms:

- The Company may acquire a maximum number of shares equivalent to 10% of share capital under this scheme. The amount falls within the maximum number authorized by legislation.

- Shares are purchased at market value in line with the price/volume conditions established under Article 5 of Regulation EC 2273/2003 of the Code of Conduct in the Securities Market.

- The Program will be in effect until the final date upon which the Company's General Shareholders' Meeting is held to approve the 2011 financial statements, unless any amendments thereto are published, in conformity with the terms of Article 4 of EC Regulation 2273/2003.

- In conformity with the terms of Article 3 of EC R 2273/2003, this buyback scheme was enacted to reduce share capital, based on an agreement reached during the Company's General Shareholders' Meeting under the conditions its members decide. Notwithstanding the above, any shares acquired may also be used in compliance with the Company's duly approved share distribution and option plans.

On June 30, 2012, the shareholders approved the cancellation of the abovementioned buyback scheme.

Throughout 2014, a total of 134,937 treasury shares were transferred to third parties. Hence, the number of shares held by the parent as treasury shares during 2014 was 1,342,546, valued at 2,244 thousand euros.

In 2018, and within the framework of the capital increase, the Company sold the entirety of its treasury shares held until then were sold off, obtaining capital gains on the transaction in the amount of 5,542 thousand euros.

No transactions were carried out with own shares in 2019.

OUTLOOK

The Company is moving forward with its growth plan focused on project promotion and development, as well energy generation based on solar photovoltaic technology.

The Company's chief objectives follow:

- Develop and install new photovoltaic panels in Spain, which offers massive potential for growth in the photovoltaic solar energy field. The timely successful development and connection of the 250 MW under the 2017 auction represented an important benchmark for the Company, leading it to become one of the sector's key players. It continues working on the development of novel projects to thereby ensure connection capacity, as well as the long-term sale of energy through PPA agreements.

- New photovoltaic solar energy plants will be developed and executed in new markets, such as Portugal and Italy. Our participation in the Portuguese auction obtained 49 MW as part of a very advantageous deal is also noteworthy. The Company currently continues its work on increasing its project portfolio in Portugal and Italy.

- Acquisition of photovoltaic plants under operation in consolidated markets, to subsequently improve costs and financing. A wide array of opportunities in Spain, Italy, Greece, and Chile are currently being studied.

KEY RISKS

Market risk

Due to its international expansion, the Company endeavors to reduce its risk arising from excessive positioning in one sole market/one which is highly regulated.

As a result, it is working on diversifying geographically and into non-regulated markets.

Also, the signing of energy purchase-sale agreements with a number of different counterparties (Repsol, Alpiq, and Statkraft) represents a substantial drop in the exposure to market price risk.

Development risk

The development of projects includes a phase involving red tape and bureaucracy with public administrations, meaning that deadlines cannot always be controlled, as they depend on third parties over which no control is exerted. In any event, the Company has more than enough expertise in these procedures thanks to its many other successful projects in a wide range of locations.

Liquidity risk

Thanks to the capital increase carried out during the year, the Company consolidated its solvency, with sufficient cash balances to meet its commitments.

Capital management

There are capital management objectives focused on safeguarding sustainable growth, providing sufficient returns to shareholders, and maintaining optimal capital structure.

The Company is not subject to strict capital management criteria, and thanks to its financial robustness, may at any time adopt appropriate solutions for optimal management.

The Company's activities expose it to a variety of financial risks: market risk (including exchange rate, price, and interest rate risk), liquidity risk, and credit risk. Its global risk management program considers the uncertainty in financial markets and aims to minimize the potential adverse effects on the Group’s financial profitability mainly through the use of derivatives to hedge said risks, as well as exchange rate and interest rate risk.

Risk is managed by the parent’s Finance Department. This department identifies, evaluates, and hedges financial risks in close collaboration with the Group’s business units.

Risk related to financial instruments

a) Market risk

i) Currency risk

The Company operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currency, especially in US dollars. Currency risk mainly arises from subsidiary distribution, which is greatly minimized as it operates in the same currency.

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

ii) Price risk

The Company is exposed to price risk on the raw materials market. Management handles this risk by contemplating the market environment when transactions take place, by signing contracts with closed prices.

iii) 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.

Interest rate risk arises from non-current borrowings with credit institutions. Variable rate loans expose the Company to cash flow interest rate risk. The Company makes use of interest rate hedges on loans referenced to variable interest rates, as well as debt issues at fixed rates, which has been the case during the 4 bond issues taking place over the past 2 years. All the Company's bank borrowings indexed at floating interest rates are in euros or USD.

The Company manages its cash flow interest rate risk when conditions make it recommendable for doing so through variable interest rate swaps. The effect of these interest rate swaps is to convert floating borrowings to fixed borrowings.

The Company's sensitivity to a positive or negative price variation of 10 b.p. in interest rates is not significant.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivatives, and deposits with banks and financial institutions. Transactions are only carried out with entities excellent credit ratings, contemplating past experience, and other factors. Conversely, if customers are not rated individually, the Finance Department assesses a customer’s customer credit, based on its financial position, past experience and other factors.

c) 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. Given the dynamic nature of the underlying businesses, the objective of the Company's Finance Department is to maintain flexibility in financing through the availability of committed credit facilities.

Management reviews the Company's projected liquidity regularly in light of expected cash flows.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

APPROVAL OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The members of the Board of Directors approved the accompanying 2019 financial statements on February 25, 2020.

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