Audit report on the Consolidated Financial Statements
issued by an Independent Auditor

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES

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

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

Report on the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2019 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and applicable in Spain.

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 consolidated financial statements* section of our report.

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

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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Compliance Debt service coverage ratio

Description

During 2019, the Group recognized debt totaling 138,666 thousand euros corresponding to "Bonds and other marketable securities" for the Project Bonds issued by its subsidiaries (Note 16.1). The corresponding contracts stipulate early repayment in the case of noncompliance with the Debt Service Coverage Ratio. Therefore, due the relevance of the amount recorded under "Bonds and other marketable securities" on the consolidated financial statements as a whole, we considered compliance with the above ratio as a key audit matter.

Our response

Our audit procedures consisted in analyzing RSCD compliance at year-end 2019 based on the terms outlined in the "Bond Project" issue prospectuses among others.

Property, plant, and equipment

Description

As explained in Note 8 to the accompanying consolidated financial statements, at December 31, 2019, the Group recognized industrial and photovoltaic solar energy plants under "Property, plant, and equipment" in the amount of 23,240 thousand euros.

The Group 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. The Group also assesses the value in use of the items for which there are indications of impairment using financial models or comparable market assets. Breakdowns including key aspects related to the valuation of items of property, plant, and equipment are provided in Notes 2.5, 4.3, and 4.4 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 Group 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 review the processes established by Group 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 Group's consolidated financial statements comply with those required under the applicable financial reporting framework.

Recoverability of deferred tax assets.

Description

As explained in Note 18 to the accompanying consolidated financial statements, at December 31, 2019, the Group recorded "Deferred tax assets" in the amount of 52,809 thousand euros. The recoverability of the above mainly depends on the Group's capacity to generate sufficient future tax profits. We determined this to be a key audit matter due to the complexity of the asset-valuation procedures, as well as the high component of judgment required of Group management. Breakdowns including key aspects related to the valuation and estimates, and the uncertainty regarding deferred tax assets and movements therein are reflected in Notes 2.5 and 4.14 of the accompanying consolidated financial statements.

Our response

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

- Understand the criteria applied and reviewing the processes established by Group management to determine the recoverable amounts of property, plant, and equipment, where applicable.
- Assess the reasonableness and the hypotheses and assumptions used by Group management in determining future taxable profit.
- Evaluate, in collaboration with our tax specialists, the key tax considerations supporting Group management's analysis.
- Review the disclosures included in the notes to the financial statements in conformity with applicable regulatory framework for financial reporting.

Other information: Consolidated management report

Other information refers exclusively to the 2019 consolidated 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 audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the 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 consolidated management report.

b) A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the entity 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 consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the Parent's directors and the audit committee for the consolidated financial statements

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

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

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

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

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

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

We communicate with the audit committee of the Parent 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 Parent 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, we determine those matters that were of most significance in the audit of the consolidated 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 for the Parent's audit committee

The opinion expressed in this report is coherent with that reflected in our additional report prepared for the Parent's Audit Committee dated February 26, 2020.

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.
AND SUBSIDIARIES

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

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APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of financial position for the year ended December 31, 2019
(Thousands of euros)

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		**462,386**	**288,339**
Intangible assets	**7**	**24,255**	**12,140**
Patents, licenses, trademarks, et al.		76	76
Computer software		90	-
Land rights		24,089	12,064
Property, plant, and equipment	**8**	**384,678**	**241,774**
Land and buildings		23,018	27,107
Plant and other PP&E		348,316	208,099
Under construction and advances		13,344	6,568
Equity investments in companies consolidated using the equity method	**9**	**-**	**-**
Non-current financial assets		**644**	**1,670**
Equity instruments		-	26
Other financial assets	11	644	1,644
Deferred tax assets	**18**	**52,809**	**32,755**
CURRENT ASSETS		**138,140**	**106,331**
Trade and other receivables		**19,493**	**13,000**
Trade receivables	10	14,391	9,268
Other payables	10	971	87
Current income tax assets	18	1,847	2,566
Public entities, other	18	2,284	1,079
Current investments in group companies and associates	**11**	**163**	**77**
Other financial assets		163	77
Accruals and deferred income		**303**	**245**
Cash and cash equivalents	**12**	**118,181**	**93,009**
Cash at banks and in hand		118,181	93,009
TOTAL ASSETS		**600,526**	**394,670**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of financial position for the year ended December 31, 2019
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2019	2018
EQUITY		**193,258**	**170,914**
CAPITAL AND RESERVES		**201,947**	**178,075**
Share capital	**13.1**	**1,250**	**1,250**
Issued capital		1,250	1,250
Share premium	**13.2**	**309,676**	**309,676**
Reserves	**13.4**	**45,359**	**41,433**
Legal and statutory		5,311	5,311
Voluntary reserves		40,048	36,122
Treasury shares	**13.3**	**-**	**-**
Prior period losses		**(178,209)**	**(195,630)**
Profit/(loss) for the period	**3**	**23,871**	**21,346**
VALUATION ADJUSTMENTS		**(8,689)**	**(7,161)**
Hedging transactions	14	(8,228)	(6,686)
Translation differences		(461)	(475)
NON-CURRENT LIABILITIES		**326,254**	**206,840**
Provisions	**15**	**437**	**536**
Provision for liabilities		437	536
Non-current loans and borrowings		**325,817**	**204,087**
Bank borrowings	16.1	175,839	44,836
Bonds and other marketable debt securities	16.1	123,154	126,443
Finance lease payables	16.3	22,464	18,895
Derivatives	16.4	2,300	2,103
Payable to related parties	20.1	-	10,287
Other financial liabilities	17	2,060	1,523
Grants	**16.2**	**-**	**2,217**
CURRENT LIABILITIES		**81,014**	**16,916**
Current loans and borrowings		**29,593**	**14,506**
Bank borrowings	16.1	9,404	5,587
Bonds and other marketable debt securities	16.1	15,500	6,553
Finance lease payables	16.3	1,563	1,588
Derivatives	16.4	809	778
Other financial liabilities	17	2,317	-
Trade and other receivables		**51,421**	**1,919**
Suppliers	17	46,701	232
Other payables	17	2,251	182
Personnel (salaries payable)	17	655	-
Current tax liabilities	18	823	1,129
Public entities, other	18	984	369
Customer prepayments	17	7	7
Accruals and deferred income		**-**	**491**
TOTAL EQUITY AND LIABILITIES		**600,526**	**394,670**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated income statement for the year ended December 31, 2019
(Thousands of euros)

	Notes	2019	2018
CONTINUING OPERATIONS			
Revenue	**19.1**	**34,540**	**33,791**
Sale of goods		33,626	33,152
Rendering of services		914	639
Other income	**19.1**	**2,614**	**1,740**
Own work capitalized	**19.1**	**4,169**	**3,120**
Subcontracted work	**19.2**	**-**	**(1,635)**
Employee benefits expenses	**19.3**	**(5,785)**	**(3,180)**
Wages, salaries, and similar expenses		(4,919)	(2,737)
Social security costs, et al.		(866)	(443)
Other operating expenses	**19.4**	**(6,256)**	**(5,383)**
External services		(4,623)	(3,597)
Taxes other than income tax		(1,633)	(1,786)
Losses on, impairment of, and changes in trade provisions	**10**	**(421)**	**(94)**
Amortization and depreciation	**7 and 8**	**(14,258)**	**(13,630)**
Grants related to non-financial assets and other grants	**16.2**	**2,215**	**61**
Changes in provisions	**15**	**(415)**	**94**
Impairment and gains/(losses) on disposal of PP&E	**19.8**	**(183)**	**3,633**
Impairment and reversals		(183)	2,626
Gains/losses on disposals and other gains and losses		-	1,007
OPERATING PROFIT/(LOSS)	p	**16,220**	**18,517**
Finance income	**19.6**	**473**	**31**
Other finance income		473	31
Finance costs	**19.7**	**(11,110)**	**(11,076)**
On borrowings from group companies and associates		-	(761)
Other		(11,110)	(10,315)
Exchange gains/(losses)		**251**	**(29)**
NET FINANCE INCOME/(EXPENSE)		**(10,386)**	**(11,074)**
PROFIT BEFORE TAX		**5,834**	**7,443**
Income tax	**18**	**18,037**	**13,903**
CONSOLIDATED PROFIT- CONTINUING OPERATIONS		**23,871**	**21,346**
Basic earnings/(loss) per share (€)	**21**	**0.19**	**0.18**
Basic earnings from continuing operations/(loss) per share (€)	**21**	**0.19**	**0.18**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of other comprehensive income
for the year ended December 31, 2019
(Thousands of euros)

	Notes	2019	2018
Profit/(loss) for the period		**23,871**	**21,346**
Other comprehensive income			
Capital gains/(loss) in cash flow hedges(carrying amount of tax:	14	(1,542)	(606)
Translation of foreign operations		14	(475)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods net of tax		**(1,528)**	**(1,081)**
Total comprehensive income for the year, net of tax		**22,343**	**20,265**

	Issued capital (Note 13.1)	Share premium (Note 13.2)	Treasury shares (Note 13.3)	Legal reserve (Note 13.4)	Reserves and retained earnings (prior-year losses)	Profit/(loss) for the year (Note 3)	Hedging instruments (Note 14)	Translation differences	Total
OPENING BALANCE, 2018	**1,097**	**220,830**	**(2,245)**	**5,311**	**(178,226)**	**15,011**	**(6,080)**	**-**	**55,698**
Total results	-	-	-	-	-	21,346	(606)	(475)	20,265
Distribution of profit	-	-	-	-	15,011	(15,011)	-	-	-
Capital increase	153	88,846	2,245	-	3,674	-	-	-	94,918
Other changes	-	-	-	-	33	-	-	-	33
CLOSING BALANCE, 2018	**1,250**	**309,676**	**-**	**5,311**	**(159,507)**	**21,346**	**(6,686)**	**(475)**	**170,915**
Total results	-	-	-	-	-	23,871	(1,542)	14	22,343
Distribution of profit	-	-	-	-	21,346	(21,346)	-	-	-
CLOSING BALANCE, 2019	**1,250**	**309,676**	**-**	**5,311**	**(138,161)**	**23,871**	**(8,228)**	**(461)**	**193,258**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of cash flows
for the year ended December 31, 2019
(Thousands of euros)

	Notes	2019	2018
Profit for the year before tax		**5,834**	**7,443**
Adjustments for		**23,027**	**21,988**
Depreciation and amortization	7 and 8	14,258	13,630
Changes in provisions		415	-
Grants recognized in the income statement		(2,215)	(61)
Impairment and reversals		183	(2,626)
Finance revenue	19.6	(473)	(31)
Finance costs	19.7	11,110	11,076
Exchange gains/(losses)		(251)	-
Changes in operating assets and liabilities		**(6,548)**	**(2,406)**
Trade and other receivables		(6,548)	(521)
Other current assets		-	34
Trade and other payables		-	(1,063)
Other current liabilities		-	(856)
Other cash flows (used in)/from operating activities		**(7,738)**	**(11,045)**
Interest paid		(7,738)	(11,076)
Interest received		-	31
Cash flows from/(used in) operating activities		**14,575**	**15,980**
Net cash flows from investing activities			
Payments from the acquisition of PP&E and business combinations		(99,720)	(28,362)
Cash flow from/(used in) investing activities		**(99,720)**	**(28,362)**
Cash flows from financing activities			
Capital increase		-	94,918
Issuance of bonds and other marketable securities		9,972	-
Issuance of bonds and other marketable securities		(11,477)	(5,708)
Repayment/amortization of debts with group companies and associates		(10,000)	(20,049)
Bond issues and payables to credit institutions		160,206	14,258
Repayment of bank borrowings		(38,384)	-
Cash flows from financing activities		**110,317**	**83,419**
Net decrease in cash and cash equivalents		**25,172**	**71,037**
Cash and cash equivalents at January 1	12	**93,009**	**21,972**
Cash and cash equivalents at January 1	12	**118,181**	**93,009**

1. ACTIVITY

Solaria Energía y Medio Ambiente (hereafter "Solaria," "the Company," or "the parent"), 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.

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

All the Solaria Group companies' main activity is the operation of photovoltaic solar plants in Spain and where they are located abroad. Information related to investments in Group companies during 2019 and 2018 are detailed in Appendix I.

The parent'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. The separate and consolidated 2018 financial statements of Solaria Energía y Medio Ambiente, S.A. were approved at the General Shareholders Meeting held May 23, 2019.

The parent is controlled by DTL Corporación, S.L., based in Madrid, which is the Group's ultimate parent. The 2019 consolidated financial statements of the DTL Group were approved by the sole partner and filed with the Madrid Mercantile Registry. The DTL Group's 2018 consolidated financial statements were authorized for issue by the Group's director and filed at the Madrid companies register.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND BASIS OF CONSOLIDATION

2.1 Basis of presentation

The Solaria Group's consolidated 2019 financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account all the mandatory accounting policies and rules and measurement bases, so that they present fairly the consolidated equity and financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries for the year ended December 31, 2019, and the consolidated results of their operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The accompanying 2019 financial statements were authorized for issue in accordance with a resolution of the directors and will be submitted for approval at the Annual General Meeting where they are expected to be ratified without modification.

The 2019 consolidated financial statements have been prepared from the accounting records kept by the Company and the other entities comprising the Group. Each company prepares its separate financial statements using the principles and criteria in effect in the country in which they operate; accordingly, adjustments and reclassifications are made upon consolidation to align these principles and criteria with IFRS-EU.

2.2 Application of International Financial Reporting Standards (IFRS)

The consolidated financial statements of Solaria Energía y Medioambiente, S.A. and subsidiaries were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), in conformity with Regulation (EC) 1606/2002 of the European Parliament and of the Council, taking into consideration all the accounting principles and standards, as well as the measurement bases which are of mandatory application, as well as the Code of Commerce and Capital Companies Law, Securities Market Law, and other applicable mercantile legislation. These consolidated financial statements give a true and fair view of Group equity and financial position at December 31, 2019 and of the results of its operations, of changes in consolidated equity and consolidated cash flows for the year then ended.

2.3 Standards and interpretations approved by the European Union applied for first time application in the reporting period

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied during 2018.

2.4 Scope of consolidation

Solaria is the parent of a Group comprised of 71 subsidiaries during 2019 (2018: 48 subsidiaries), the majority of which are wholly-owned by the parent (Appendix I.).

All the Group companies were initially established to build and acquire solar plants (Note 6).

2.5 Responsibility for the significant information, estimates and judgments made in applying the accounting policies

The information in these financial statements is the responsibility of the parent's directors. In preparing the consolidated financial statements, they have relied on certain estimates made by the Group's management in order to measure certain of the assets, liabilities, income, expenses and commitments recognized therein. The Group periodically reviews these estimates.

The Group's success in the future is largely hinged on its capacity to develop new projects and build new plants, thanks to a leaner cost structure. Its expanding production capacity is subject to the risks and uncertainties inherent to business projects.

To efficiently manage the expansion of its activities, the Group focuses on continuously improving its operating and financial systems, procedures, and controls to thereby improve efficiency.

These estimates and hypotheses are based on the best information available at the date of the preparation of the annual financial statements, on the estimation of uncertainty at the reporting date, with periodic reviews arising from any future events which necessitate making adjustments to estimates in upcoming years. In such cases, the effects of changes to estimates are recognized prospectively.

The issues entailing a more significant degree of judgment or complexity and those aspects where assumptions and estimates are more relevant to the preparation of the financial statements are summarized below.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax deductions for which it is probable that the Group will obtain future taxable profit 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. The Group recognized deferred tax assets of 52,809 thousand euros at December 31, 2019 (2018: 32,755 thousand euros) for deductible temporary differences and unused tax loss carryforwards (Note 18)

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. The Group identified the existence of indications of impairment in some of its non-current assets, mainly those related to the cells and model production activity at the parent. Company Management performed impairment tests to determine whether it will be necessary to make additional valuation adjustments to non-current assets. It determined the recoverable amount of the non-current assets in its photovoltaic modules and cells, including machinery and several rural plots of land, based on appraisals by independent experts and other valuation techniques.

2.6 Basis of consolidation

2.6.1 Subsidiaries

Subsidiaries are investees over which the parent exercises control either directly or indirectly via other subsidiaries. Subsidiaries are accounted for using the full consolidation method: all of their assets, liabilities, income, expenses and cash flows, duly adjusting for intra-group transactions, are included in the consolidated financial statements.

The standardization criteria applied follows:

- Timing adjustments: the financial statements for the companies included in the scope of consolidation are at December 2019 and 2018.

- Valuation adjustments: the valuation criteria applied by subsidiaries to assets, liabilities, income and expense to ensure they coincide with the parent's criteria.

- Standardization of internal transactions.

- Standardization of aggregation: for consolidation purposes, the necessary reclassifications have been made to adapt the structure of the parent's subsidiaries' financial statements to NIIF-UE.

The subsidiaries' income, expenses and operating cash flows are consolidated from the acquisition date, i.e., the date on which the Group obtains effective control over them. Subsidiaries are deconsolidated from the date on which such control is relinquished.

The financial statements of the subsidiaries consolidated refer to the same presentation date and reporting period as those of the parent. The subsidiaries' accounting policies have been aligned with those used by the Group for like transactions and events in similar circumstances.

The translation of the financial statements of foreign subsidiaries whose functional currency is not the euro (applicable to businesses abroad whose functional currency is not that of a hyperinflationary economy) is carried out as follows:

- Assets and liabilities are translated using the exchange rate prevailing on the reporting date.

- Statement of profit or loss items are translated using the average exchange rate during the reporting period which approximates the exchange rate applicable to each transaction.

- Equity is carried at historical rates.

- The exchange differences arising from the translation of these financial statements into euros are recognized within "Translation differences" in other comprehensive income.

The subsidiaries' accounting policies have been aligned with those used by the Group for like transactions and events in similar circumstances.

The financial statements of the subsidiaries consolidated refer to the same presentation date and reporting period as those of the parent.

Intragroup balances and transactions have been eliminated in full upon consolidation, as have unrealized profits and losses from intragroup transactions. However, unrealized losses have been deemed an indication of the potential impairment of the assets sold.

Appendix I provides details about the Group's subsidiaries and their salient information (including their names, countries of incorporation and the parent's ownership interest).

2.6.2 Investments in associates and joint ventures

Associated companies over which the Group holds no control, but exercises significant influence, have been consolidated using the equity method, considering those in which its direct or indirect investment in share capital is generally between 20%-50%, or it otherwise exerts significant influence on their management.

Significant influence over a company is considered to exist when the Group or one or more of the subsidiaries has the power to participate in the financial and operating policy decisions of the investee, without having control over those policies.

Group investments in associates are accounted for under the equity method of accounting. Investments in subsequent gains or losses are recognized on the consolidated income statement, and their investment in subsequent movements in equity are recognized under "Reserves." If the ownership interest in an associated is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains and losses arising in investments in associates are recognized in the income statement.

The equity method is no longer used commencing the date there is no further significant influence over an associate, which is recognized at the moment of the investment in accordance with IAS 39. In the case of a loss of significant influence, investors measure the investment held in the previous associate at fair value.

2.7 Regulatory framework

The activity of certain Spanish subsidiaries consists in generating electricity, and therefore their viability may be greatly affected by the regulatory framework. The following is a description of the main regulations affecting them:

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 thereby set the applicable remuneration bases effective as of July 13, 2014.

For the purpose of applying the regulatory semi-period commencing January 1, 2017, Order ET/130/2017 was published approving the definitive retribution parameters for installations applicable to certain electricity installations which produce electricity using renewable Energy sources, cogeneration, and waste.

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 stub 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.

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.

On October 6, 2018, according to Official State Gazette A-2018-13593, these tax measures were 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 7.398% 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.

Italy's regulatory framework

Italy's Energy Bill was introduced under EU Directive UE 2001/77 / CE, to later be implemented thanks to the approval of Royal Decree 387 of 2003. The above mechanism became effective when Inter-Ministry Decrees 7/28/2005 and 2/6/2006 entered into force (Conto Térmico I), which introduced the operating account financing system for electricity production.

Ministry Decree 2/19/2007 (Conto Térmico II) introduced certain new characteristics, such as applying incentive tariffs on all plant electricity generation, simplification of rules for gaining access to these incentives, as well as differentiating tariff according to type of architectural integration and the system's size. It also provided for a bonus on photovoltaic systems combined with efficient energy use.

Conto Térmico III became effective during 2010, and was applicable for plants starting up between January 1, 2011 and May 31, 2011; it introduced specific integrated photovoltaic system tariffs with innovative characteristics, as well as concentration photovoltaic systems.

As a result of Law 129/2010 (the "Alcoa Savings Law"), 2019 tariffs under Conto Térmico II were confirmed for all the plants able to certify termination of construction work prior to December 31, 2010, and starting up before June 30, 2011.

After Legislative Decree 28/2011 was published, Ministerial Decree 5/5/2011 (Conto Térmico IV) was issued, defining the incentives mechanism for plants having started up after May 31, 2011; its purpose was to align tariffs with photovoltaic energy tariff trends, as well as to introduce an annual accumulated limit for incentive expenses, set at 6 billion euros.

Based on the cost-containment approach reflected in the IV Energy Bill, Ministerial Decree 7/5/2012 was published (Conto Térmico V), partially confirming the terms outlined in Ministerial Decree 5/5/2011, establishing accumulated incentives expenses of 6.7 billion euros. Energy Law incentive regulations were not applied since July 6, 2013, once 6.7 billion euros were reached.

All the plants currently owned by Solaria in Italy operate under Conto II or Conto IV.

On June 25, 2014, the Italian government presented Decree Law 91/2014 in which it proposed a series of urgent measures to reduce the cost of electricity. On August 21, Law 116 dated August 11, 2014 was approved without hardly any modifications to the proposed draft decree law. Article 26 establishing measures affecting all photovoltaic plants with peak power over 200 kW (Spalma Incentivi), for which a number of different options are available to reduce incentives:

a) Extension of the 20-24-year tariff with a reduction based on the remaining years of operation.

Years pending incentive	Rate reduction percentage
12	25%
13	24%
14	22%
15	21%
16	20%
17	19%
18	18%
19 or more	17%

b) The duration of 20 years for the tariff incentive with an initial reduction of 17% over income during a 7-year period is maintained, with an undefined increase commencing year 8.

c) The 20-year period is maintained, with a specific reduction of:

- 6% for photovoltaic plants of between 200 & 500 Kw,
- 7% for photovoltaic plants up to 900 kW,
- 8% for photovoltaic plants of over 900 kW.

These new tariffs became effective starting January 1, 2015. The Company's plants in Italy are subject to options b) and c).

2.8 Comparability of information

For comparative purposes, for all of the amounts reported on the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement, the figures for 2019 are included in addition to those of the prior year.

2.9 Functional currency

The figures in these consolidated financial statements are shown in thousands of euros, rounded to the nearest thousand. Each group company determines its own functional currency, and the items included in each company's financial statements are measured using the said currency. All subsidiaries use euro as its functional currency, except for Yarnel, S.A. and Natelu, S.A., whose financial statements are prepared using US dollars. The functional currency of Yarnel, S.A. and Natelu, S.A. is the USD.

3. APPROPRIATION OF PROFIT/(LOSS)

The appropriation of 2019 profit proposed by the parent, which is expected to be approved by management during the General Shareholders Meeting, is as follows:

(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 parent is obliged to earmark 10% of profit for the year for the legal reserve until such reserve represents least 20% of capital. The reserve cannot be distributed to shareholders unless it exceeds 20% of share capital.

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.

3.2 Earnings per share

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement accounting policies applied by the Group in preparing these consolidated financial statements are the following:

4.1 Materiality

In deciding how to disclose items of the financial statements or other information, the Group assessed materiality in relation to the 2019 consolidated financial statements.

4.2 Intangible assets

Property, plant and equipment acquired by the Group are initially measured at either acquisition or production cost. The cost of intangible assets acquired in business combinations is the acquisition-date fair value. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

For each intangible asset, the Group assesses whether its useful life is finite or indefinite.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives and in accordance with their 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.

Intangible assets with an indefinite useful life are not amortized. Rather, they are tested for impairment at least annually. The assessment of the indefinite useful life of these assets is also reviewed annually.

Land rights

The Company has land right contracts for the properties upon which the solar plants are located: they are amortized according to each contract's duration (25-30 years).

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.

Brands and patents

The Group pays for its patents and brands in cash. Patents were obtained for a 10-year period, and may be renewed at the end of the period. Licenses for the use of intellectual property are granted over periods ranging from five to ten years, depending on the type of license. Licenses may be renewed at little or no cost to the Group; therefore, we consider them to have indefinite useful lives.

	Useful lives
Patents	10 years
Licenses	Indefinite

4.3 Property, plant, and equipment

Items of property, plant, and equipment are recognized at either acquisition or production cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Following initial recognition, they are carried at cost less accumulated depreciation and any impairment losses.

The costs incurred subsequently to the initial recognition of an asset are only capitalized so far as they imply an increase in their capacity, productivity or extension of their useful life, and the carrying amount of the replaced components must be written off. Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred.

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 Group determines the depreciation charge separately for each component that has a significant cost in relation to the total cost of the item and a useful life different to that of the other parts of the item in question.

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

The Group reviews the residual values, useful lives and depreciation methods for these assets at least at each financial year-end. Modifications to the initially established criteria are recognized as changes to estimates. Land on which the buildings and other constructions are located has an indefinite useful life and is therefore not depreciated.

The gain or loss arising from the disposal or derecognition of an item of property, plant, and equipment is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

4.4 Impairment of non-financial assets

The Group 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.

For those assets identified, it estimates the recoverable amount, which is understood as the greater of (i) related fair value less, necessary sales costs and (ii) related value in use.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount thus determined is lower than the asset's carrying amount, the difference is recognized in the income statement, reducing the carrying amount of the asset to the recoverable amount, and future amortization/depreciation charges are adjusted in proportion to the adjusted carrying amounts and the new remaining useful life, should a new estimate be necessary.

Similarly, if there is an indication of a recovery in the value of an impaired asset, the Company recognizes the reversal of the impairment loss previously recorded and adjusts the future depreciation charges accordingly. The reversal of an impairment loss cannot lead to an increase in the carrying amount that would have been determined had no impairment loss been recognized in prior years.

For industrial assets, and certain plots of land not involved in the operation, the recoverable amount was calculated based on fair 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 Group valued each of its assets individually rather than part of a portfolio.

4.5 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. There is reasonable certainty that the Group will gain ownership of the items acquired through finance leases at the end of the lease term.

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

4.6 Financial assets

Classification and measurement

Financial assets are classified as "Loans and receivables," "Investments in Group companies," and "Available-for-sale financial assets."

The Company determines the classification of its financial assets on initial recognition and reassesses this designation at each financial year end.

4.6.1 Loans and receivables

Trade and non-trade receivables are recognized under 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.

4.6.2 Impairment of financial assets

The Group adjusts the carrying amount of financial assets with a charge to the income statement when there is objective evidence of actual impairment.

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

It assesses the existence of unpaid balances, non-compliance issues, refinancing, and data which evidences the possible irrecoverability of total agreed- upon future cash flows or collection delays. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate upon initial recognition

The carrying amount of the asset to the extent that the provisions account is used, and losses are recognized on the income statement under "Impairment losses on current receivables." When a receivable is not irrecoverable, the related provision is derecognized. The subsequent recovery of amounts derecognized previously is recognized as a receivable under "Impairment losses on current receivables." Current receivables with no set interest rates are valued at the amount of the invoice.

4.7 Financial liabilities

Classification and measurement

4.7.1 Trade and other payables

This item includes financial liabilities generated by the purchase of goods and services in trade transactions, 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 Group 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 Cash flow hedges

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. The Group contracts derivative financial instruments to cover its exposure to financial risk arising from fluctuations of interest rates and/or exchange rates, and does not use derivative financial instruments for speculative purposes.

Transactions are only deemed hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness).

The Group adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its current risk management policy.

The Group measures hedge effectiveness by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the term to maturity, thereby complying with forecasts documented at the related contract dates.

If at any time financial derivatives do not qualify for treatment as hedges, they are reclassified as held-for-trading derivatives.

For the purpose of hedge accounting, hedges are classified as:

- In cash flow hedges These are hedges of the exposure to variability in cash flows that is attributable to changes in interest rates on loans received. Interest rate swaps are used to exchange variable for fixed rates. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity and allocated to the income statement in the reporting period or periods in which the hedged transaction affects profit or loss.

Derivatives are initially recognized at acquisition cost, and subsequently remeasured at fair value, with the necessary valuation adjustments made to reflect fair value at all times. They are recognized under "Non-current financial assets - Derivatives" or “Current financial assets - Derivatives” on the consolidated balance sheet when fair value is positive and "Non-current borrowings - Derivatives" or “Current borrowings - Derivatives” when fair value is negative.

The fair value of the various derivative instruments is calculated on the following basis:

- Derivatives traded on organized markets: their fair value is their listed price at year end.

- Derivatives traded on OTC markets: the Company values these using techniques which are customary in the financial market, i.e., discounting all forecast cash flows from the contract in keeping with the terms thereof, such as notional amounts and scheduled collections and payments. Values thus obtained by the Company at year end are contrasted with valuations sent by financial intermediaries and independent third parties.

The fair value of derivative instruments used as hedges is found in Note 16.4. Movements arising as a result of valuation changes are recorded under “Other comprehensive income within consolidated equity.”

4.9 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.

The subsequent amortization of the parent’s instruments led to a capital decrease in the nominal amount of the above shares, and any positive or negative differences in the acquisition and nominal prices of the shares is charged or credited to “Reserves.”

Transaction costs related to the entity’s own equity instruments are recognized as a decrease in reserves, after taking the tax effects into account.

4.10 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 readily 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.

For cash flow statement purposes, occasional bank overdrafts used as part of the Group's cash management strategy are recognized as a decrease in cash and cash equivalents.

4.11 Grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income over the expected useful life of the related asset.

4.12 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.

Contingent liabilities are 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 Group's control, as well as present obligations arising from past events regarding which it is not probable that an outflow of resources will be required to settle them or which cannot be reliably measured. 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.

4.13 Income tax

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. It is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity.

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 Group recognizes deferred tax liabilities for all temporary differences, notwithstanding certain exceptions in prevailing tax legislation.

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

At the end of each reporting period, the Group assesses recognized and previously unrecognized deferred tax assets. On the basis of this assessment, the Group derecognizes previously recorded deferred tax assets when recovery is no longer probable, or recognizes a previously unrecorded deferred tax asset to the extent that it is probable that future taxable profit will enable its application.

Deferred tax assets and liabilities are measured 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 temporary differences arising as a result of the elimination of gains or losses on transactions between the entities comprising the consolidated tax group are recognized at the company that generated the gain or loss and measured using the applicable tax rate.

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.

4.14 Income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

4.14.1 Trade receivables

All net turnover corresponds to ordinary electricity sales business carried out by the Company's solar plants.

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.

4.15 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.

The normal operating cycle for all activities is less than one year, except for installation and assembly, the cycle for which varies depending on the duration of the project.

4.16 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.

Non-monetary items measured at historical cost are measured using the exchange rate prevailing at the transaction date.

Non-monetary items measured at fair value are measured using the exchange rate prevailing at the fair value calculation date. Exchange differences are recognized in the incomes statement, except when the change in the value of the non-monetary item is recognized in equity, in which case the corresponding exchange differences are likewise recognized in equity.

4.17 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are 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.

4.18 Business combinations

Business combinations are recognized by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in "Administrative expenses".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

5. SEGMENT REPORTING

During 2019, Management decided to provide financial information broken down by segments based on the geographical markets in which it operates or manages renewable energy plants; the latter will be the Group's main focus in the future.

This new information by segments for the Solaria Group follows:

- *Segment 1:* Spain
- *Segment 2:* Italy
- *Segment 3:* Latam and others
- *Segment 4:* Corporate and others

Each segment performance is measured using profit before taxes. Segment profit is used to measure performance, since the Group considers that this information is the most relevant for evaluating segment results.

Group segments as broken down on the income statement follow:

(Thousands of euros)	Spain		Italy		LATAM & other		Corporate		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales to external customers	22,252	22,196	8,237	8,050	2,684	2,681	1,367	865	34,540	33,791
Total ordinary income from external clients	**22,252**	**22,196**	**8,237**	**8,050**	**2,684**	**2,681**	**1,367**	**865**	**34,540**	**33,791**
Depreciation and amortization, and impairment	(7,801)	(7,069)	(3,044)	(854)	(1,132)	(1,118)	(2,473)	(2,033)	(14,451)	(11,074)
Other recognized income and expense for the year	(3,374)	(3,390)	(261)	(1,459)	(526)	(481)	291	1,132	(3,869)	(4,199)
Operating profit/(loss)	**11,077**	**11,737**	**4,932**	**5,737**	**1,026**	**1,082**	**(815)**	**(36)**	**16,220**	**18,518**
Financial results	(6,847)	(5,831)	(2,005)	(2,122)	(1,236)	(1,723)	(298)	(1,400)	(10,386)	(11,074)
Profit/(loss) before tax	**4,230**	**5,906**	**2,927**	**3,615**	**(210)**	**(641)**	**(1,113)**	**(1,436)**	**5,834**	**7,444**
Share in profit/(loss) of companies consolidated using the equity method	-	-					-	-	-	-
Profit/(loss) before tax from segments	**4,230**	**5,906**	**2,927**	**3,615**	**(210)**	**(641)**	**(1,113)**	**(1,436)**	**5,834**	**7,444**

The following table presents a breakdown of assets and liabilities for the business segments:

(Thousands of euros)	Spain		Italy		LATAM & other chemicals		Corporate		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	**325,577**	**164,994**	**52,841**	**61,360**	**32,703**	**33,316**	**136,112**	**102,225**	**546,975**	**361,894**
PP&E	301,257	145,873	46,580	49,117	28,949	29,072	32,773	31,798	409,246	255,860
Trade and other receivables	7,645	5,839	5,209	4,414	1,045	1,291	5,594	1,482	19,548	13,026
Cash and cash equivalents	16,675	13,282	1,052	7,829	2,709	2,953	97,745	68,945	118,181	93,009
Undistributed assets	**-**	**-**	**-**	**-**	**-**	**-**	**53,551**	**32,775**	**53,551**	**32,775**
Total assets	**325,577**	**164,994**	**52,841**	**61,360**	**32,703**	**33,316**	**189,663**	**135,000**	**600,526**	**394,669**

(Thousands of euros)	Spain		Italy		LATAM & other		Corporate		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-current provisions	-	-	-	-	-	-	437	536	437	536
Grants	-	-	-	-	-	-	-	2,217	-	2,217
Bank borrowings and debentures and other marketable securities	248,255	132,996	44,517	36,057	20,793	21,561	10,332	1,541	323,897	192,154
Finance lease liabilities (NIIF16)	22,705	7,872	385	415	937	-	-	1,827	24,027	10,114
Derivatives	1,755	-	1,312	2,881	-	-	42	-	3,109	2,881
Payable to related parties	-	-	-	-	-	-	-	10,287	-	10,287
Trade and other payables	32,543	182	901	827	279	227	17,698	682	51,421	1,918
Undistributed liabilities	-	-	-	-	-	-	4,377	3,649	4,377	3,649
Total liabilities	**305,258**	**141,050**	**47,115**	**40,180**	**22,009**	**21,787**	**32,886**	**20,739**	**407,268**	**223,756**

During 2019 and 2018, customers with ordinary income over 10% of the total were:

(Thousands of euros)	2019	2018
The Spanish National Securities Market Commission - Comisión Nacional del Mercado de Valores (CNMV).	19,282	19,187
Gestore Servizi Energetici (G.S.E.)	7,121	6,740
	26,403	**25,927**

Spain and Italy's regulatory bodies.

6. BUSINESS COMBINATIONS

Following is a breakdown of the business combinations taking place in 2019 and 2018.

6.1 Acquisition of the Elassona Solar Energiaki LLC Project

During January 2018, the Group acquired control of Elassona Solar Energiaki LLC, (100% of the political and economic rights), an unlisted entity located on 350 Sygrou Av.17674, Athens (Greece).

The Group acquired Elassona Solar Energiaki LLC as part of the consolidation and growth process within certain photovoltaic markets.

Fair value of acquired assets and assumed liabilities

The fair values of the identifiable assets and liabilities of Elassona Solar Energiaki, LLC at the date of acquisition were as follows:

	Net fair value of the acquisition
Assets	
Property, plant, and equipment	1,585
Cash and cash equivalents	75
Receivables	657
Acquired Assets	**2,317**
Liabilities	
Bank borrowings	(221)
Acquired Liabilities	**(221)**
Total identifiable net assets at fair value	**2,096**

Goodwill (negative) arising on the combination

This business combination revealed the following negative consolidation difference:

	(Thousands of euros)
Monetary acquisition cost 100%	848
Amount receivable from Solaria by the seller (*)	1,248
Total acquisition (100%)	**2,096**
Profit from the purchase-sale	
Acquisition cost	2,096
Equity of the acquired company at January 1, 2018	1,242
- Prior year reserves of equity-accounted investees	(235)
Negative difference on consolidation	**1,007**

(*) Solaria Energía y Medioambiente held 100% of receivables set aside in previous years.

The negative difference on consolidation of 1,007 thousand euros was recognized under "Gains/losses on disposals and other gains and losses" on the consolidated income statement.

6.2 Acquisition of Sardegna Agrienergia Uno S.r.l.

On January 1, 2018, the Group acquired control of Sardegna Agrienergia Uno S.r.l., (100% of the political and economic rights), an unlisted entity based at Via del Babuino 51, Roma (Italy).

The Group acquired Sardegna Agrienergia Uno S.r.l as part of the consolidation and growth process within certain photovoltaic markets.

Fair value of acquired assets and assumed liabilities

The fair values of the identifiable assets and liabilities of Sardegna Agrienergia Uno S.r.l. at the date of acquisition were as follows:

	Net fair value of the acquisition
Assets	
PP&E	13,400
Land rights	2,193
Other assets	270
Cash and cash equivalents	1,757
Receivables	839
Acquired Assets	**18,459**
Liabilities	
Non-current liabilities	(15,289)
Current liabilities	(1,724)
Acquired Liabilities	**(17,013)**
Total identifiable net assets at fair value	**1,446**
Goodwill - Technical installations	2,712
Consideration transferred	**4,158**

The fair value and gross amount of receivables was 839 thousand euros. None of the receivables were impaired, as all pending amounts are expected to be recovered.

Goodwill totaling 2,712 thousand euros was recognized under “Technical installations.”

7. INTANGIBLE ASSETS

The movements in items composing “Intangible assets” at December 31 are as follows:

(Thousands of euros)	Beginning balance	Business combinations (Note 6)	Additions and charges	Derecognitions and reversals of impairment charges	Balance at December 31
2019					
Cost					
Intellectual property	76	-	-	-	76
Computer software	1,222	-	90	(1,222)	90
Land rights	13,356	-	13,268	-	26,624
	14,654	-	13,358	(1,222)	26,790
Accumulated depreciation					
Intellectual property	-	-	-	-	-
Computer software	(1,222)	-	-	1,222	-
Surface rights	(1,292)	-	(1,243)	-	(2,535)
	(2,514)	-	(1,243)	1,222	(2,535)
Net carrying amount	**12,140**				**24,255**

(Thousands of euros)	Beginning balance	Business combination (Note 6)	Additions and charges	Derecognitions and reversals of impairment charges	Balance at December 31
2018					
Cost					
Intellectual property	80	-	-	(4)	76
Computer software	1,222	-	-	-	1,222
Land rights	1,160	3,485	8,711	-	13,356
	2,462	3,485	8,711	(4)	14,654
Accumulated depreciation					
Intellectual property	-	-	-	-	-
Computer software	(1,222)	-	-	-	(1,222)
Land rights	-	(1,292)	-	-	(1,292)
	(1,222)	(1,292)	-	-	(2,514)
Impairment losses					
Land rights	(1,160)	-	-	1,160	-
	(1,160)	-	-	1,160	-
Net carrying amount	**80**				**12,140**

Additions in 2019 were mainly due to:

- New software acquired in the amount of 90 thousand euros.

- New land-lease agreements (in line with IFRS 16) in the amount of 13,268 thousand euros.

The Company derecognized the old software, which was totally amortized-

8. PROPERTY, PLANT, AND EQUIPMENT

The movements in items composing "Property, plant and equipment" at December 31, are as follows:

(Thousands of euros)	Beginning balance	Additions to amortization and depreciation	Reversal of impairment provisions	Translation differences	Balance at year end
2019					
Cost					
Land and buildings	47,946	-	-	-	47,946
Technical installations and machinery	329,256	150,432	(309)	488	479,867
Property, plant, and equipment under construction	8,150	5,193	-	-	13,343
	385,352	155,625	(309)	488	541,156
Accumulated depreciation					
Buildings	(9,909)	(4,089)	-	-	(13,998)
Technical installations and machinery	(98,726)	(8,926)	115	-	(107,537)
Property, plant, and equipment under construction	(1,585)	-	-	-	(1,585)
	(110,220)	(13,015)	115	-	(123,120)
Impairment losses					
Land and buildings	(10,930)	-	-	-	(10,930)
Plant and machinery	(22,428)	-	-	-	(22,428)
	(33,358)	-	-	-	(33,358)
Net carrying amount	**241,774**				**384,678**

(Thousands of euros)	Beginning balance	Business combination (Note 6)	Additions and amortization charges.	Reversals and disposals	Translation differences	Balance at year end
2018						
Cost						
Land and buildings	47,946	-	-	-	-	47,946
Technical installations and machinery	303,307	18,372	3,467	-	4,110	329,256
Property, plant, and equipment under construction	1,761	-	6,389	-	-	8,150
	353,014	18,372	9,856	-	4,110	385,352
Accumulated depreciation						
Buildings	(8,178)	-	(1,731)		-	(9,909)
Technical installations and machinery	(81,855)	(4,972)	(11,899)		-	(98,726)
Property, plant, and equipment under construction	(1,585)	-			-	(1,585)
	(91,618)	(4,972)	(13,630)	-	-	(110,220)
Impairment losses						
Land and buildings	(11,649)	-	-	719	-	(10,930)
Plant and machinery	(23,151)	-	-	723	-	(22,428)
	(34,800)	-	-	1,442	-	(33,358)
Net carrying amount	**226,596**					**241,774**

8.1 Significant movements during 2019 and 2018

Movements recognized in 2019 chiefly corresponded to starting up the following photovoltaic plants:

- Proyecto Santiz III - corresponding to Guleve Investments, S.L.
- Proyecto Santiz II - corresponding to PFV102, S.L.
- Proyecto Santiz I - corresponding to PFV100, S.L.
- Proyecto Tordesillas III - corresponding to Lerapa Investments, S.L.
- Proyecto Tordesillas II - corresponding to PFV101, S.L.

- Proyecto Poleñino - corresponding to PFV104, S.L.
- Proyecto Tordesillas I - corresponding to PSP10, S.L.
- Proyecto Medina del Campo - corresponding to PFV107, S.L.
- Proyecto Casatejada - corresponding to PFV3, S.L.

In 2018, the Company recognized additions in the amount of 6,389 thousand euros corresponding to construction and development of the 250 MW awarded during the auction held during July 2017.

8.2 Impairment of property, plant, and equipment

The breakdown of impairment losses recorded for each asset (based on IAS 36 requirements) follows:

(Thousands of euros)			Impairment	
Assets	**Nature**	**Segment**	**12/31/2019**	**12/31/2018**
Land in Dehesa Vaqueros	Rural property	Spain	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial building	Spain	(14,066)	(14,066)
Plant in Puertollano (Ciudad Real)	Machinery I and II	Spain	(18,837)	(18,837)
Total			**(33,358)**	**(33,358)**

8.2.1 Impairment - Rural land, industrial warehouses, and machinery

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 industrial machinery:* The parent 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 parent 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 and effective depreciation.

- *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 parent considered that the hypotheses are still relevant, and therefore, did not see the need to recognize additional impairment.

8.2.2 Impairment / reversal - generation installations

Land and buildings in Italy - use of the Cava photovoltaic plant: A photovoltaic installation has been on this plot of land in Italy since 2018. Thanks to income generated by electricity, the Company updated the plant's impairment test, which generated a reversal of 719 thousand euros in 2018.

Photovoltaic plant in Marche (Italy): As a result of its refinancing process carried out in 2018, and terminated in February of 2019, the Group employed the valuation model verified by the financial institution to update the Marche plant's impairment tests, thereby generating a 723 thousand euro reversal during 2018.

Main hypotheses / methodology used for impairment tests

To conduct impairment tests on generation activities (photovoltaic plants), CGUs are based on 20-30-year cash flow projections (depending upon a plant's useful life). Projections included in business plans are created in line with the regulatory framework.

Pre-tax discount rates used in cash flow projections were 6.5% after taxes, similar to the previous year. As in the previous year, no WACC (pre-tax discount rate) or terminal value calculations (cash flows covering the plant/CGU's expected useful life) were applied.

The chief hypotheses for income and margins used were:

			2019		2018	
			FIGURES USED		FIGURES USED	
CGU	COUNTRY	DESCRIPTION	Income	Margin	Finance	Margin
PLANTA SOLAR PUERTOLLANO 6, SLU	Spain	PLANTA FV 10 MW	6,561	5,496	6,745	5,666
PLANTA GLOBASOL VILLANUEVA, SAU	Spain	PLANTA FV 10 MW	6,816	5,751	7,049	6,032
Magacela solar 1, S.A.U.	Spain	PLANTA FV 10 MW	6,886	5,967	6,914	5,956
SOLARIA CASIOPEA, S.A.U.	Spain	PLANTA FV 2.7 MW	1,397	1,143	1,407	1,168
PLANTA FV3, S.L.	Spain	PLANTA FV 20 MW	332	268	-	-
PLANTA PSP10, S.L.	Spain	PLANTA FV 30 MW	51	33	-	-
PLANTA FV100, S.L.	Spain	PLANTA FV 50 MW	9	5	-	-
PLANTA FV 101, S.L.	Spain	PLANTA FV 50 MW	21	17	-	-
PLANTA FV 102, S.L.	Spain	PLANTA FV 30 MW	14	10	-	-
PLANTA FV 104, S.L.	Spain	PLANTA FV 30 MW	19	15	-	-
PLANTA FV107,S.L.	Spain	PLANTA FV 30 MW	50	47	-	-
LERAPA, S.L.	Spain	PLANTA FV 15 MW	6	(1)	-	-
GULEVE, S.L.	Spain	PLANTA FV 30 MW	22	21	-	-
PRONATURE, S.L.	Spain	PLANTA FV 0.1 MW	56	33	70	58
SERRE UTA, Srl	Italy	PLANTA FV 5.8 MW	3,555	3,073	3,395	2,864
PLANTA MARCHE ENERGÍA, Srl	Italy	PLANTA FV 4.9 MW	1,934	1,385	2,015	1,766
NATELU S.A.	Uruguay	PLANTA FV 11.1 MW	1,349	1,113	1,308	1,082
YARNEL, S.A.	Uruguay	PLANTA FV 11.6 MW	1,335	1,061	1,372	1,132
PLANTA FOTOVOLTAICA DISCARICA/CAVA (*)	Italy	PLANTA FV 1.7 MW	282	123	242	118
SARDEGNA AGRIENERGIA UNO S.R.L.	Italy	PLANTA FV 4.3 MW	2,466	2,101	2,408	1,850
ELASSONA SOLAR	Greece	PLANTA FV 0.4 MW	206	165	199	149

(*) Discarica and Cava are two contiguous plants which share costs.

Due to the effects of current regulations, Spain's main Solaria plants feature a very significant portion of their income as fixed remuneration where the plants are still functioning and obtain a minimum number of hours of sun. Considering the current maintenance conditions of these plants, there is no risk that they will not reach their minimum production hours Management considers that these policies provide sufficient coverage. As of the date of preparation of these financial statements, there were no commitments to acquire any items of property, plant, and equipment.

On February 14, 2019, the Group refinanced its Italian photovoltaic plants Marche Energia, S.R.L., Ollastra Energia, S.R.L., Serre UTA Società Agricola, S.R.L., Sardegna Agrienergia Uno, S.R.L. thanks to improved performance and profitability of the plants in 2018. As a result, the updated impairment tests on these plants generated a reversal of 1,442 thousand euros under PP&E and 1,160 thousand euros in land rights.

During 2019, the remainder of the Group's photovoltaic plants did not show any indications of impairment.

8.3 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	17,015
Accumulated depreciation	(1,891)	(7,677)
	1,109	**9,338**

Finance lease agreements in force

Company	Finance lease	Entity	Amount	Date	Maturity	Interest rate
Solaria Enegia y Medio Ambiente,S.A.	Célula Puertollano	Credit Agricole	3,000	6/7/2018	6/7/2023	2.95%

During 2011, the parent 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 16.3).

8.5. Other information

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

In 2019, the amount of PP&E not under operation was 1,245 thousand euros, chiefly land and buildings (2018: 1,245 thousand euros).

The Group has arranged several insurance policies to cover the potential risks which could affect its items of property, plant and equipment. The coverage of these insurance policies is considered sufficient. At the date of preparation of these financial statements, there were no commitments to acquire any items of property, plant, and equipment.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The breakdown of this heading at December 31, 2019 and 2018 was the following:

2019 (Thousands of euros)	Balance at 1/1/2019	Share of profit/(loss)	Disposals	Balance at 12/31/2019
Elassona Solar Energía LLC	-	-	-	-
Total at 12/31/2019	**-**	**-**	**-**	**-**

2018 (Thousands of euros)	Balance at 1/1/2018	Share of profit/(loss)	Disposals	Balance at 12/31/2018
Elassona Solar Energía LLC	748	-	(748)	-
Total at 12/31/2018	**748**	**-**	**(748)**	**-**

During 2018, the Group also took control of Elassona Solar Energiaki LLC, which now is a subsidiary (it was originally was held 50% through Solaria).

10. FINANCIAL ASSETS

(Thousands of euros)	2019	2018
Trade receivables	20,482	14,938
Other payables	971	87
	21,453	**15,025**
Impairment losses	(6,091)	(5,670)
	15,362	**9,355**

Valuation adjustments

The balance of "Trade receivables" is presented net of any impairment. Movements in the above adjustments during 2019 and 2018 follow:

(Thousands of euros)	2019	2018
Balance at January 1, 2019	(5,670)	(5,576)
Provisions during the year	(421)	(347)
Reversals and other movements	-	253
Balance at December 31, 2019	**(6,091)**	**(5,670)**

11. OTHER FINANCIAL ASSETS

(Thousands of euros)	2019		2018	
	Non-current	Current	Non-current	Current
Non-current guarantees and deposits	179	-	77	-
Non-current bank deposits	185	-	185	-
Non-current deposits extended	280	-	1,382	-
Other financial assets	-	163	-	77
	644	**163**	**1,644**	**77**

Non-current deposits necessary for carrying out projects in Spain were established in 2018 and 2019.

There are no significant differences between the fair values and carrying amounts of these financial assets.

12. CASH AND CASH EQUIVALENTS

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

(Thousands of euros)	2019	2018
Cash	4	8
Demand deposits in current accounts	118,177	93,001
	118,181	**93,009**

The entirety of the balance of this heading corresponds to balances in current accounts and cash. Current accounts accrue market interest rates.

There are restrictions on the availability of the amount of current accounts for certain subsidiaries for energy generation financed using project financing and the "Bond Project." Therefore, the Debt Service Reserve Account (DSRA) which guarantees debt servicing for these companies, amounted to 12,845 thousand euros (2018: 7,372 thousand euros). The remainder of the balance of current accounts is freely distributable, once the contractual obligations with the Group's lending banks / bondholders for distribution have been met (Note 16).

13 EQUITY - CAPITAL AND RESERVES

13.1 Registered 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).

Capital increase

Capital increase (Thousands of euros)	
Share capital	153
Share premium	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. The total amount arising from the capital increase was 96,786,862 euros.

- 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.

- 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. The listed price during 2019 was 6.80 euros (2018: 3.96 euros).

The Group 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)	2019	2018
Bank borrowings and other financial liabilities and finance lease payables	347,924	203,902
Less: Cash and cash equivalents (Note 12)	(118,181)	(93,009)
Net debt	229,743	110,893
Total equity	193,258	170,310
Ratio debt/equity	**119%**	**65%**

13.2 Share premium

	(Thousands of euros)
2019	
Balance at December 31, 2018	309,676
Movements - 2019	-
Balance at December 31, 2019	**309,676**
2018	
Balance at December 31, 2017	220,830
Movements - 2018	88,846
Balance at December 31, 2018	**309,676**

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

13.3 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 parent at 5.8 euros (Note 13.1).

13.4 Reserves

13.4.1 Legal reserve of the parent company

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.

14 CASH FLOW HEDGES

The movement in this heading in 2019 and 2018 was as follows:

(Thousands of euros)	Beginning balance	Profit or loss (net taxes)	Amounts transferred to the income statement (net taxes)	Closing balance
12/31/2019				
Cash flow hedges	(6,686)	(1,234)	(308)	(8,228)
	(6,686)	**(1,234)**	**(308)**	**(8,228)**
12/31/2018				
Cash flow hedges	(6,080)	(808)	202	(6,686)
	(6,080)	**(808)**	**202**	**(6,686)**

The year-end 2019 Group balance reflected 8 million euros corresponding to derivatives to which the following apply hedge accounting policies: Globasol Villanueva 1, S.A.U., Planta Solar Puertollano 6, S.A.U., Magacela Solar 1, S.A.U., Marche I, S.R.L., Serre Uta 1, S.R.L, Sardegna Agrienergia Uno, S.R.L., Solaria Lyra,S.R.L. CFV Triangulum Australe S.L., and Via Lactea Fotovoltaica, S.L.

Due to the entry into effect of Law 27/2014 of November 27 on corporate income tax, which modified tax rates effective 2016 and beyond, the changes in the tax effect for 2019 for Spanish companies is comprised of changes in the fair value of the companies' hedging derivatives, as well as updated balances recorded under "Deferred tax assets" in line with new applicable tax rates.

15. PROVISIONS AND CONTINGENCIES

The following table provides the breakdown of provisions at December 31, 2019 and 2018:

(Thousands of euros)	Non-current	Current	Total
2019			
Provision for liabilities, risks, and expenses	437	-	437
Other provisions	-	-	-
	437	**-**	**437**

(Thousands of euros)	Non-current	Current	Total
2018			
Provision for liabilities, risks, and expenses	514	-	514
Other provisions	22	-	22
	536	**-**	**536**

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

(Thousands of euros)	Beginning balance	Allowances (Note 19.8)	Utilized	Overprovisions	Balance at December 31
2019					
Provision for liabilities, risks, and expenses	514	415	(514)	-	415
Other provisions	22	-	-	-	22
	536	**415**	**(514)**	**-**	**437**

(Thousands of euros)	Beginning balance	Allowances (Note 19.8)	Utilized	Overprovisions	Balance at December 31
2018					
Provision for liabilities, risks, and expenses	1,030	-	(422)	(94)	514
Other provisions	64	-	(42)	-	22
	1,094	**-**	**(464)**	**(94)**	**536**

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 litigations.

In 2018, the movements pertained to:

- An increase in provisions held for possible non-payment in the amount of 464 thousand euros.
- Reversals of direct and indirect subsidiaries totaling 94 thousand euros which are not in the process of dissolution.

Company management considers that there are no additional lawsuits, litigation, or civil proceedings underway in which it is immersed or involving its directors or management over recent years which could affect the parent, or which due to their amounts could significantly impact the financial statements and/or financial position or profitability for which provisions had not been set aside at the end of 2019.

16. FINANCIAL LIABILITIES

16.1 Bank borrowings, bonds, and other marketable securities

The breakdown of this heading at December 31, 2019 and 2018 was the following:

(Thousands of euros)	Current	Non-current	Total
2019:			
Bank borrowings	8,915	179,031	187,946
Bonds and other marketable debt securities	15,537	123,129	138,666
Accrual interests	587	-	587
Debt arrangement expenses	(134)	(3,168)	(3,302)
	24,905	**298,992**	**323,897**

(Thousands of euros)	Current	Non-current	Total
2018:			
Bank borrowings	4,565	44,836	49,401
Bonds and other marketable debt securities	6,649	128,311	134,960
Accrual interests	1,022	-	1,022
Debt arrangement expenses	(96)	(1,868)	(1,964)
	12,140	**171,279**	**183,419**

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

Type of contract	Company	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
Bonds and debentures	Solaria Casiopea, S.A.U.	Bondholders	12/22/2017	9/30/2040	9,200	8,490	8,889	8,130	360
Bonds and debentures	Globasol Villanueva 1, S.A.U.	Bondholders	5/18/2016	1/31/2037	45,300	39,192	40,928	37,555	1,637
Bonds and debentures	Planta Solar Puertollano 6	Bondholders	2/27/2017	12/31/2037	45,100	39,704	41,618	37,953	1,751
Bonds and debentures	Magacela Solar	Bondholders	7/21/2017	6/30/2037	47,100	41,279	43,525	39,491	1,788
Other marketable securities (promissory notes)	Solaria Energía y Medio Ambiente		4/17/2019	4/17/2020	10,000	10,000	-	-	10,000
Loan	Solaria Energía y Medio Ambiente	La Caixa	1/2/2013	12/2/2024	519	189	242	134	55
Loan	Natelu	Corporación Interamericana de Inversiones	9/9/2916	8/15/2034	12,200	10,112	10,301	9,777	335
Loan	Yarnel	Corporación Interamericana de Inversiones	9/9/2916	8/15/2034	12,774	10,393	10,789	10,201	192
Loan	Solaria Lyra	Banco Santander, S.A.	2/14/2019	4/30/2030	49,460	45,278	-	41,657	3,621
Loan	Triangulum Australe	Natixis Sucursal, S.A.	1/1/2020	12/31/2029	132,570	107,341	-	103,219	4,122
Loan	Vía Lactea	Banco Sabadell	11/12/2019	6/30/2027	57,000	14,634	-	14,043	591
Loan	Serre Uta Sardegna	Intesa San Paolo Banca Infrastrutture Innovazione	10/15/2010	6/30/2028	23,000	-	15,521	-	-
Loan	Agrienergía 1, S.r.l		1/1/2011	6/30/2028	18,300	-	12,548	-	-
Debt issuance costs						(3,302)	(1,964)	(3,168)	(134)
Accrued interest						587	1,022	-	587
Total						**323,897**	**183,419**	**298,992**	**24,905**

During 2019, the Group did not default on any of the loan stipulations arising from its project bonds or project finance agreements leading to early repayment. They are guaranteed by the financed plant. The breakdown of this heading at year end was the following:

Globasol Villanueva 1, S.A.:

On May 20, 2016, the Company issued a 20.7-year "Project Bond" at the nominal amount of 45,300 thousand euros, disbursed in the net amount of arrangement costs of 43,438 thousand euros on May 25, 2016 (2016: 44,257 thousand euros). The bond accrues interest of 4.20% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force until then corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contract stipulates early repayment should the debt service coverage ratio fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;
- Provisions for the debt service reserve and capex accounts are totally set aside;
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.

During 2019, the Company met its debt service coverage needs.

Magacela Solar 1, S.A.

On September 30, 2009, the Company entered into a loan agreement with Barclays Bank, S.A. and BNP Paribas, S.A., for a total of 44,000 thousand euros, with 22,000 thousand euros corresponding to Barclays Bank S.A. and 22,000 thousand euros to BNP Paribas S.A., for acquiring a solar photovoltaic plant.

On July 24, 2017, the Company issued a 20-year "Project Bond" at a nominal amount of 47,100 thousand euros, disbursed on July 24, 2017. The bond accrues interest of 3.679% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force until then corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contract stipulates early repayment should the debt service coverage ratio fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x; similarly, the coverage ratio over the bond's life should at least be 1.25x;
- Provisions for the debt service reserve, the operating account, and capex accounts are provisioned at minimum balances;

- There are no amounts pending payment related to early repayment; and

- There have not been nor will there be any early maturities.

During 2019, the Company met its debt service coverage needs.

Planta Solar Puertollano 6, S.A.

On July 7, 2011, the Company signed a 20,000 thousand euro loan with Bankinter to finance the acquisition of a photovoltaic solar plant. The loan bears interest at six-month Euribor plus 3.25%, with twice-yearly installments. The contract stipulates early payment in the case of infringement of certain financial ratios (debt service coverage ratio, which should be higher than 1.15x; ratio of equity/borrowings, which should be at least 30/70, and ratio of equity/senior debt, which should be at least 40/60), or other commitments.

On February 28, 2017, the Company issued a 20-year "Project Bond" at a nominal amount of 45,100 thousand euros. The bond accrues interest of 3.75% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force until then corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contract stipulates early repayment due to lack of compliance with the debt service coverage ratio, which should be at least under 1.20x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented and reviewed by an auditor.

- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;

- Provisions for the debt service reserve and capex accounts are totally set aside;

- There are no amounts pending payment related to early repayment; and

- There have not been nor will there be any early maturities.

During 2019, the Company met its debt service coverage needs.

Natelu,S.A. and Yarnel, S.A.:

On September 12, 2017, the Group closed its financing transactions with Corporación Interamericana de Inversiones (CII), member of the Iberamerican Development Group (IDB) to build, operate, and

maintain two photovoltaic solar energy plants in Uruguay (Yarnel and Natelu). The total amount of this financing transaction was $25 million euros. The Natelu solar plant has a senior CII loan in the amount of $6.1 million, and a joint $6.1 million loan from the Canadian Americas Private Sector Climate Fund (C2F), a $250 million fund used to co-finance private sector projects mitigating the effects of climate change in the region. The Yarnel plant will receive $6.4 million in capital from CII and $6.4 from C2F. The financing package matures in 18 years.

Solaria Casiopea, S.A.

On December 21, 2017, the Company issued a 22.8-year "Project Bond" at a nominal amount of 9,200 thousand euros, disbursed on December 22, 2017. The bond accrues interest of 4.15% with monthly payments. As a result of the issue, the Company canceled its bank borrowings in force and part of its subordinated debt with related entities.

The issue contract stipulates early repayment in the case of lack of compliance with the debt service coverage ratio, which should not fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio should at least be 1.20x;
- Provisions for the debt service reserve, the operating account, and capex accounts are set aside at minimum balances;
- There are no amounts pending payment related to early repayment; and
- There have not been nor will there be any early maturities.
- The merger has been terminated.

During 2019, the Company met its debt service coverage needs.

Sardegna Agrienergia Uno, S.r.l.

On October 28, 2011, the subsidiary Sardegna Agrienergia Uno, S.r.l. signed a Project Finance loan agreement with a financial entity; the principal on the loan was 18,300 thousand euros, and used to finance the acquisition of the two solar energy plants. The loan's duration is 17 years, maturing on June 30, 2028. On March 20, 2012, the Company and the financial institutions signed an addenda to the loan agreement by virtue of which the current payment calendar was amended. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 16.4).

Serre UTA 1, Societá Agricola, S.r.l.

On September 15, 2010, the subsidiary Serre UTA 1, Societá Agricola, S.r.l. signed a Project Finance loan agreement with a financial entity; the principal on the loan was 23,000 thousand euros, and used to finance the acquisition of a solar energy plant. The loan's duration was 18 years, maturing on December 31, 2028. On December 22, 2015, the company and the financial institutions signed an addendum to the loan agreement by virtue of which the current payment calendar was amended; maturity is now scheduled for June of 2028. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 16.4).

Solaria Lyra, S.r.l.

On February 14, 2019, the Company refinanced its Italian project portfolio thanks to a 11.2-year project finance arranged with Banco Santander in the amount of 52,172 thousand euros , thereby paying off the abovementioned Sardegna Agrienergia Uno, S.r.l, and Serre UTA 1, Societá Agricola, S.r.l. loans. The above financing arrangements accrue interest at 3-month Euribor +2.50%, payable on a quarterly basis, including an interest rate swap. As a result of the issue, the Company canceled its bank borrowings in force until then corresponding derivative contracts, as well as part of its subordinated debt with related entities.

The issue contract stipulates early repayment should the debt service coverage ratio fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The debt service coverage ratio and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;
- There are no balances payable related to the Debt Service Reserve Account
- The Maintenance account is established in the required amount
- There were no events triggering early redemption

During 2019, the Company met its debt service coverage needs.

CFV Triangulum Australe, S.L.

On July 18, 2019, the Company financed the promotion, construction, and development of 8 projects in Spain through its 15-year Project Finance arrangement with Natixis S.A., in the amount of 132,570 thousand euros. The above financing arrangements accrue interest at 6-month Euribor +2%, payable on a biannual basis, including an interest rate swap.

The issue contract stipulates early repayment should the debt service coverage ratio fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The historic and projected debt service coverage ratios and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.10x;
- It is in compliance with a debt-equity ratio of under 75%.
- The debt's maintenance and debt service reserve account have been established in the required amount.
- There were no events triggering early redemption

During 2019, the Company met its debt service coverage needs.

Via Lactea Fotovoltaica, S.L.

On November 12, 2019, the Company financed the promotion, construction, and development of 4 projects in Spain through its 16-year Project Finance arrangement with Banco de Sabadell in the amount of 57 thousand euros. The above financing arrangements accrue interest at 6-month Euribor +2.15%, payable biannually, including an interest rate swap.

The issue contract stipulates early repayment should the debt service coverage ratio fall below 1.05x.

Disbursements made against the restricted account to the limit of the balance, with a charge to the corresponding relevant distribution period is subject to meeting the following conditions:

- The ratio compliance certificate for the relevant distribution period has been presented:
- The historic and projected debt service coverage ratios and related projects reflected on the ratio compliance certificate correspond to the relevant distribution period with a minimum payment charge of 1.20x;
- There were no events triggering early redemption.

During 2019, the Company met its debt service coverage needs.

16.2 Grants

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).

16.3 Finance leases

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

Type of contract	Company	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 12/31/2019 (thousands of euros)	Current at 12/31/2019 (thousands of euros)
Financial lease	Solaria Energía y Medioambiente	Credit Agricole Natixis, Monte dei Paschi di Siena, &	12/13/2010	6/7/2023	3,000	1,109	1,367	855	254
Financial lease	Marche	Ubi Leasing	2/9/2011	2/9/2029	14,015	-	7,973	-	-
Land – application of NIIF16		Several entities				22,918	11,143	21,609	1,309
Total						**24,027**	**20,483**	**22,464**	**1,563**

The breakdown of the Group's financial lease arrangements in force year end 2019 and 2018 was the following:

(Thousands of euros)	2019	2018
Within one year	1,563	1,588
Later than 1 year and no later than 5 years	7,400	7,942
More than 5 years	15,064	10,953
Present value of finance lease liabilities	**24,027**	**20,483**

The breakdown of financial lease arrangements in force at was the following:

Solaria Energía y Medio Ambiente, S.A. - Credit Agricole

On December 13, 2010, 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 parent and Credit Agricole signed a non-cancelling renewal of its finance lease agreement amounting to 2.3 million euros at that date. As a result, the maturity date was extended until June 7, 2023, accruing interest at a rate of 2.95%. Amounts pending payment are those recognized at year-end 2019 and 2018.

Marche, S,r.l.

On September 2, 2011, the subsidiary Marche Energía, S.r.l. signed a loan agreement with three financial institutions with principal amounting to 14,015 thousand euros to finance the acquisition of four photovoltaic solar plants. The leasing agreement's duration is 18 years, maturing on September 1, 2029. On July 24, 2013, the Company and the financial institutions signed an addendum to the lease agreement covering the delays in installment payments over previous months. To hedge interest rate fluctuations on these borrowings, the Company contracted an interest rate hedging transaction (Note 16.4).

On February 14, Solaria Lyra,S.r.l. refinanced its project portfolio in Italy through a 11.2-year Project Finance arrangement with Banco Santander in the amount of 52,172 thousand euros, thereby paying off the abovementioned finance lease with Marche Energía, S.R.L.

16.4 Derivatives and other financial liabilities

The Group's transactions expose it to financial risks, chiefly interest rate risk. To reduce the impact of these risks, and in accordance with their management policies, the Group has arranged several financial derivatives.

The fair value of these financial instruments, calculated based on discounted cash flow analysis using the yield curves and futures exchange rates, are shown in financial liabilities during 2019 and 2018 as follows:

(Thousands of euros)	2019	2018
Non-current borrowings - Derivatives	2,300	2,103
Current borrowings - Derivatives	809	778
	3,109	**2,881**

Thanks to the emission of the Project Bond and Project Finance, the Group restructured its bank financing to finance itself using a fixed-rate issue (Note 16.1). Hence, the prior bank borrowings are now guaranteed senior bond issues with new capital suppliers. At the restructuring date, Globasol Villanueva 1, S.L., Magacela Solar 1, S.A., Planta Solar Puertollano 6, S.A., Marche Energía, S.R.L., Serre UTA Società Agricola, S.R.L., and Sardegna Agrienergia Uno, S.R.L. held the accumulated value of the swaps in equity dating back to the inception of the hedging instruments, which may be considered as a dynamic hedging instrument which adapt to the hedged item. Based on the initial hedging documentation, and following IAS 39 guidelines, this second hedge (covering the new loan's IRR), the deferred amount of equity at the date the new fixed-rate loan was issued, the same as the date of the swap cancellation, are charged to "Equity" over the period its interest is recognized, rather than when the hedged debt is covered.

The breakdown of the above hedging transactions follows:

	Notional		Fair value	
(Thousands of euros)	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Interest rate swap – Marche	-	7,973	-	557
Interest rate swap– Serre Uta	-	10,848	-	1,235
Interest rate swap – SAE	-	9,150	-	1,087
Interest rate swap – Solaria Lyra, SRL	49,460	-	1,312	-
Interest rate swap – CFV Triangulum Australe, S.L.	88,167	-	1,626	-
Interest rate swap - Vía Láctea Fotovoltaica, S.L.	11,980	-	171	-
	149,607	**27,971**	**3,109**	**2,879**

Solaria Lyra, S.r.l., Vía Láctea Fotovoltaica, S.L. and CFV Triangulum Australe, S.L.

In order to cover interest rate fluctuations on loans in force, the following companies contracted interest rate hedges instruments, with the following characteristics:

	Solaria Lyra, S.r.l.		
Initial notional amount (thousands of euros)	49,460	88,167	11,980
Expiry date	4/30/2030	6/30/2034	6/30/2027
Interest rate	0.447%	0.71%	0.487%
Expiration of the notional swap	Quarterly	Every 6 months	Every 6 months

The cash flows from the hedge are expected to occur and affect the income statement in the following years:

(Thousands of euros)	12/31/2019	12/31/2018
2019	-	735
2020	256	616
2021	256	518
More than five years	2,597	1,451
	3,109	**3,320**

16.5 Changes in liabilities arising from financing activities

	January 1, 2019	Cash flow	Application of IFRS 16	Changes in fair value	December 31, 2019
Loans and credit facilities	50,423	134,820	-	-	185,243
Bonds and debentures	132,996	5,658	-	-	138,654
Finance leases	20,843	(2,977)	6,161	-	24,027
Derivatives	2,881	(2,881)	-	3,109	3,109
Total liabilities arising from financing activities	**207,143**	**134,620**	**6,161**	**3,109**	**351,033**

	January 1, 2018	Cash flow	Application of IFRS 16	Changes in fair value	December 31, 2018
Loans and credit facilities	37,235	13,188	-	-	50,423
Bonds and debentures	144,308	(11,312)	-	-	132,996
Finance leases	10,118	(418)	11,143	-	20,843
Derivatives	733	2,304	-	(156)	2,881
Total liabilities arising from financing activities	**192,394**	**3,524**	**9,700**	**(156)**	**207,143**

17. OTHER NON-CURRENT AND CURRENT LIABILITIES

The breakdown of this heading at December 31, 2019 and 2018 is as follows:

(Thousands of euros)	2019	2018
Non-current liabilities	**2,060**	**1,523**
Other financial liabilities	2,060	1,523
Current liabilities	**51,931**	**421**
Suppliers	46,701	232
Other payables	2,251	182
Personnel (salaries payable)	655	-
Customer prepayments	7	7
Other financial liabilities	2,317	-
	53,991	**1,944**

In 2019, the Group still owed 1.1 million euros, in accordance with the terms of the purchase-sale agreement for Sardegna Agrienergia 1, S.r.l.; the loan matures in April of 2020.

It also had a debt amounting to 1,077 thousand euros corresponding to the purchase of the Medda Giuseppe and Pinna Giuseppino plots of land.

18. TAXES

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

(Thousands of euros)	2019	2018
Deferred tax assets	52,809	32,755
Current income tax assets	1,847	2,566
Public entities, other	2,284	1,079
	56,940	**36,400**
Current income tax liabilities	823	1,129
Public entities, other	**984**	**369**
Personal income tax withholdings	372	226
Social Security payable	249	69
Tax on electricity	363	74
	1,807	**1,498**

Since 2010, the parent has filed consolidated tax returns as it heads the Group. Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period from filing has expired.

The Company's directors and their tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise for the parent or its subsidiaries as a result of varying interpretations of the tax legislation applicable to its transactions.

18.1 Income tax expense

The reconciliation of net income and expense for 2019 and 2018 with taxable income/(tax loss) is the following:

(Thousands of euros)	Income statement	
	2019	2018
Profit/(loss) before tax	**5,834**	**7,443**
At the rate established in Spain (25%)	(1,458)	(1,861)
Other adjustments	(560)	(246)
Recognition of deferred tax assets for unused tax loss carryforwards	20,055	16,010
Corporate income tax	**18,037**	**13,903**

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

	(Thousands of euros)	
Year generated	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):

	(Thousands of euros)	
Year generated	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: 6,902 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**

Thanks to the inclusion of the 400 MW to the tax group in Spain, the outlook has improved significantly, as has the business plan, and the group's tax forecasts in Spain. Therefore, the Group updated its tax forecasts: The directors consider that in upcoming years, tax credits and temporary differences will be recovered in the amount of 52.8 million euros (contemplating the time horizon of the useful life of the photovoltaic plants).

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				
Cash flow hedges	2,968	(2,190)	-	777
Tax losses carryforwards and deferred tax assets	29,787	22,245	-	52,032
	32,755	20,055	-	52,809
	32,755			**52,809**
2018				
Deferred tax assets				
Cash flow hedges	2,010	958		2,968
Tax losses carryforwards and deferred tax assets	14,735	15,052		29,787
	16,745	16,010		32,755
	16,745			**32,755**

19. INCOME AND EXPENSE

19.1 Finance income

19.1.1 Revenue

The "Revenue" breakdown is included under "Segment reporting" (Note 5). Group income broken down for 2019 and 2018 follows:

(Thousands of euros)	2019	2018
Spain	22,252	22,196
Italy	8,237	8,050
Latam and others	2,684	2,681
Corporate	1,367	864
	34,540	**33,791**

19.1.2 Other revenue and work performed by the Group for its assets

(Thousands of euros)	2019	2018
Other income	2,614	1,740
Own work capitalized	4,169	3,120
	6,783	**4,860**

19.2 Subcontracted work

The breakdown of work performed by other companies is as follows:

(Thousands of euros)	2019	2018
Subcontracted work	-	1,635
	-	**1,635**

19.3 Employee benefits expense

The breakdown of these expenses is as follows:

(Thousands of euros)	2019	2018
Wages, salaries, and similar expenses		
Wages and salaries	4,919	2,737
	4,919	2,737
Social security costs, et al.		
Social security	866	443
	866	443
	5,785	**3,180**

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.

In principle, no significant personnel increases are foreseen.

19.4 External services

The breakdown of 'External services' is as follows:

(Thousands of euros)	2019	2018
Leases	176	124
Repairs and upkeep	660	519
Independent professional services	1,976	936
Transport	3	-
Insurance premiums	601	849
Banking services	67	29
Publicity, advertising, and public relations	3	9
Supplies	247	308
Other services	890	823
Other taxes	1,633	1,786
	6,256	**5,383**

19.5 Grants released to income

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, and mainly classified on the financial statements as construction costs.

The accounting treatment used for transaction is described and detailed in Note 16.2 and related to repayable 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. The attributable portion investment execution (the most significant) is charged to results as the financed assets are amortized (technical installations, solar plants with an estimated useful life of 25 years). The portion attributable to job creation was charged to results over a 4-year maintenance period established by the Ministry of Industry, Tourism, and Commerce (met and expired in 2011).

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. 2,215 thousand euros were recognized on the 2019 income statement (2018: 61 thousand euros).

19.6 Finance income

The breakdown of “Finance income" is as follows:

(Thousands of euros)	2019	2018
Third party interests and other write-offs	473	31
	473	**31**

19.7 Finance costs

The breakdown of “Finance expenses" is as follows:

(Thousands of euros)	2019	2018
Interest on payables to group companies and associates (Note 20.2)	-	761
Interest on payables to third parties	11,110	10,315
	11,110	**11,076**

19.8 Impairment losses and gains (losses) on disposal of assets, and other

(Thousands of euros)	2019	2018
Other impairment and write-offs (Note 10)	(421)	(94)
Impairment of property, plant, and equipment (Note 8)	(183)	2,626
Negative difference on consolidation (Note 6)	-	1,007
	(604)	**3,539**

20. RELATED-PARTY TRANSACTIONS

Related parties with which the Group carried out transactions in 2019 and 2018 and the nature of the relationship are as follows:

	Nature of the relationship
DTL Corporación, S,L,	Direct parent

20.1 Related party balances

The breakdown of balances payable to and receivable from related parties at year end 2019 and 2018 is the following:

(Thousands of euros)	Direct parent
2019	
Non-currents debts with related parties	-
TOTAL LIABILITIES	**-**

(Thousands of euros)	Direct parent
2018	
Debts with related parties	10,287
TOTAL LIABILITIES	**10,287**

Throughout 2019, the Company paid off its loan from DTL Corporación in the amount of 10,287 thousand euros.

Based on and in compliance with the Solaria Group's strategic plan, 2019 was established as the date of maturity for all non-current borrowings.

20.2 Transactions with related companies

The breakdown of transactions carried out in 2019 and 2018 with related parties and associates is as follows:

(Thousands of euros)	Direct parent
2019	
External services – Rent	(176)
Finance costs (Note 19.7)	-
2018	
External services – Rent	(124)
Finance costs (Note 19.7)	(761)

The parent's offices in Madrid where it has carried out its operations since July 2009 are owned by DTL Corporación, S.L. The lease agreement dated April 1, 2009, establishes a yearly lease duration which is may be extended at the request of the lessee (Solaria), without any prior notification necessary for the first two annual extension periods. As of the third year, the contract is renewable through notification from the lessee with a month's notice. The Company paid 176 thousand euros for these office leases during the year (2018: 124 thousand euros).

The related party transactions correspond to normal Group business operations and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

20.3 Directors and senior management

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

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

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

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

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

21 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year.

The following reflects the income and share data used for calculating basic and diluted earnings per share:

(Thousands of euros)	2019	2018
Profit attributable to the parent's equity holders		
Continuing operations	23,871	21,346
Discontinued operations	-	-
Profit attributable to ordinary shareholders of the parent for basic gains	**23,871**	**21,346**
Weighted average number of ordinary shares in circulation	124,950,876	116,710,905
Gain / (Loss) per share (euros per share)	**0.19**	**0.18**
Gain / (Loss) per share for continuous operations (euros per share)	**0.19**	**0.18**

There have been no transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the date of preparation of these financial statements.

22. OTHER DISCLOSURES

22.1 Workforce structure

	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**	**-**

22.2 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	214,000	134,650
Other audit-related services	32,000	7,261
Other services	41,935	54,958
	287,935	**196,869**

22.3 Information on environmental issues

The Group 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 Group had 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 directors consider there to be no significant environmental protection or enhancement contingencies and therefore, have not deemed it necessary to record a provision for environmental liabilities and charges at December 31, 2019 or 2018.

22.4 Insurance guarantees and bank guarantees

During 2019, the Group had contingent liabilities for bank and other guarantees related to its renewable energy projects amounting to 320,147 thousand euros (2018: 81,800 thousand euros). The Group does not expect any liabilities or contingencies to arise from the abovementioned guarantees.

22.5 Warranties

i) Guarantees for operating and maintenance contracts

There is an availability guarantee for the plant included in its maintenance contracts, with penalties on their income should the guarantee not be reached.

ii) Guarantee for module contract sales

The parent offers all its clients' standard guarantee certificates for its photovoltaic modules and EPC contracts, which encompasses a guarantee covering defects in materials, manufacturing, and capacity.

During the first 3-10 years, the parent guarantees that its modules are free of material or manufacturing defects which would prohibit it from functioning normally under adequate usage, installation, and maintenance conditions. In case of the contrary, the Company is obliged to substitute or repair the defective modules.

From the date the module is sold, the parent guarantees a minimum outflow based on the contract's technical specifications, to thereby deliver modules for the equivalent amount of lost power, which it must repair or replace, as follows: Years from the date of delivery

Years since supply date	Guaranteed power output
Within 25 years	80%
Within 10 years	90%

The parent considers that no liabilities should arise from guarantees granted, since historic experience has revealed that no significant payments have been made in this regard, and none are expected to in the future.

iii) EPC Contract guarantees (intra-group)

The Company arranges EPC contracts with group companies to which it grants standard guarantees for this type of agreement.

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

In accordance with the stipulations established in the single additional provision to the ICAC (Spanish acronym for "Institute of Accounting and Auditors of Accounts") Resolution issued on January 29, 2016, on information concerning average payment periods to suppliers in commercial transactions to be included in the notes to financial statements, no comparative information has been provided as the 2017 financial statements are deemed first-time statements exclusively in respect of applying the principle of uniformity and the comparative prior-year disclosure requirement.

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

	2019	2018
(Days)		
Average supplier payment term	63	32
Ratio of transactions paid	63	31
Ratio of transactions outstanding	62	30
(Thousands of euros)		
Total payments made	134,310	16,839
Total payments outstanding	49,476	933

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Group'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 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.

23.1 Credit risk

The Group does not have any significant credit risk concentration, and has the appropriate policies in place to ensure that sales are only made to customers with good credit ratings. For photovoltaic plants installed prior to 2019, the key clients were the CNMC and GSE (Note 5), and for those which have recently been installed, a PPA is signed where the end client has a very solvent position. Where no independent credit ratings have been performed on customer creditworthiness, the Finance Department conducts the evaluation based on the customers' financial position, 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. The Group does not generally grant non-current loans to its customers, except for under very exceptional circumstances.

The net balance of balances receivable from third-party customers during 2019 and 2018 reflects certain future maturities, as indicated below:

(Thousands of euros)	From 0 to 90 days	From 90 to 180 days	Within a year	Total payables
Third party customer balance 2019 (Note 9)	13,721	670	-	**14,391**
Third party customer balance 2018 (Note 9)	8,446	822	-	**9,268**

The balance of receivables during 2019 and 2018 included respective impairment provision totaling 6,091 thousand euros and 5,670 thousand euros (Note 10).

23.2 Market risk

Currency risk

The Group operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currency, especially in US dollars in the case of the Uruguay plants. In this case, exchange rate risk is minimized thanks to the natural coverage inherent to carrying out all these transactions, including financing in US dollars; the only uncovered item is dividend distribution.

Exchange rate risk also arises during the purchase of certain equipment (photovoltaic modules, basically) which also takes place in US dollars. Forward hedges are usually arranged to cover this type of currency risk.

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

Price risk

The Group is exposed to price risk arising from energy sales on the market. Management handles this risk based on market conditions when transactions are performed based on analyses of possible closed-price contracts (PPAs).

Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operations are not significantly exposed to interest rate risk.

Interest rate risk arises from non-current borrowings with credit institutions. Variable rate loans expose the Group to cash flow interest rate risk. The Group's policies consist in using interest rate hedges on loan referenced to variable interest rates. All its bank borrowings are indexed at floating interest rates in euros.

The Group 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.

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

(Thousands of euros)	2019	2018
Fixed-interest loans and borrowings	137,289	143,932
Floating-rate loans and borrowings	186,608	39,846
Total	**323,897**	**183,419**

23.3 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.

24. EVENTS AFTER THE BALANCE SHEET DATE

From December 31, 2019, until the date of preparation of these consolidated 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 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. and subsidiaries

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)	-
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%	2,051	103	13,203	653	(9,174)	5
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	31	(1)	(354)	-
Pronature, S.L.	C/ Princesa 2, Madrid	6%	94%	47	50	-	(32)	(37)	-
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(346)	(9)	-
Planta FV 3, S.L.	C/ Princesa 2, Madrid	0%	100%	-	3	-	(262)	(6)	-
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-	-	3,010	717	-	(38)	-
Solaria energía y generación renovables, S.L.	C/ Princesa 2, Madrid	100%	0%	80,807	1,965	107,562	12,925	(20,202)	102
Ellasona solar energía LLC (*)	350 Sygrou Av. 17674 Atenas-Grecia		100%	848	448	-	90	-	
Solaria energía y proyectos internacionales, S.L.	C/ Princesa 2, Madrid	100%	-	-	3	514	()	(688)	-
Magacela solar 1, S.A.U.	C/ Princesa 2, Madrid	-	100%	4,656	1,509	936	846	(1,691)	2
Solaria casiopea, S.A.	C/ Princesa 2, Madrid	-	100%	60	60	(2,175)	141	-	(2)
Lerapa investments, S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(193)	(7)	-
	C/ Princesa 2, Madrid	100%	0%	3	3	(1)	(1)	(1)	
Guleve investments, S.L.	C/ Princesa 2, Madrid	-	100%	3	3	4	(278)	-	-
Globasol villanueva 1, S.A.	C/ Princesa 2, Madrid	---	100%	9,100	795	9,963	733	(5,243)	6
Solaria Italia, S.R.L.	Via Babuino, 51 Roma	100%	-	-	10	407	-	(813)	-
Marche energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	1,718	(544)	(1,308)	-
Ollastra energía, S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	287	(1,485)	-	(1)
Solaria Brasil, S.R.L. (*)	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%	-	-	-	-	-	-
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%	1,951	2	1,352	(273)	(279)	1
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%	1,990	2	1,352	(344)	(380)	1
Planta mesosolar 1, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	2	-	-	-	-
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	-	100%	-	2	-	-	-	-
Serre uta S.R.L.	Via Babuino, 51 Roma	-	100%	-	10	6,649	355	-	7
Sardegna Agrienergia UNO SRL	Via Babuino, 51 Roma	-	100%	-	1,350	24	290	(245)	2
Prodigy Orbit LDA	Rua do Alecrim,26 Lisboa	-	100%			-	-	(26)	-
Satellite Horizon LDA	Rua do Alecrim, 26 Lisboa	-	100%			-	-	(23)	-
Planta FV100,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(522)	-	(1)
Solaria Lyra, S.r.l.	Via Babuino, 51 Roma	-	100%	5,676	10	5,488	919	178	7
Planta FV101,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(566)	-	(1)
Planta FV102,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(309)	-	-
Planta FV103,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV104,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(346)	-	-
Planta FV105,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	-
Planta FV106,S.L.	C/ Princesa 2, Madrid	-	100%	3		3	(1)	-	-
Planta FV107,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(208)		-
Planta FV108,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV109,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV110,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV111,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV112,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV113,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV114,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	-
Planta FV115,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	(1)	-	-
Planta FV116,S.L.	C/ Princesa 2, Madrid	-	100%	-	3	-	(1)	-	-
Planta FV117,S.L.	C/ Princesa 2, Madrid	-	100%	3	-	-	(1)	-	-
	C/ Princesa 2, Madrid	-	100%	3	3	-	50	-	-
CFV Triangulum Australe, S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	952	-	1
Planta FV118,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	-	-	-
Planta FV119,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	-	-	-
Planta FV120,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	-	-	-
Planta FV121,S.L.	C/ Princesa 2, Madrid	-	100%	3	3	-	-		-

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries

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 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	10	-	(1)	-	-
Solaria Italia S.R.L.	Via Babuino, 51 Roma	-	100%	10	10	-	91	-	-
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	C/ Princesa 2, Madrid	100%	-	3	3		2,071	-	2

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

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries

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	3	-	(39)	(34)	(70)
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%	-	103	13,203	797	(9,970)	4,132
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-	3	3	31	(20)	(334)	(320)
Pronature, S.L.	C/ Princesa 2, Madrid	100%	-	3	50	33	23	(48)	58
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	100%	-	3	3		(1)	(15)	(13)
Planta FV 3, S.L.	C/ Princesa 2, Madrid	100%	-	3	3		(1)	(6)	(4)
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-	3	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)	85,696
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	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	3	-	(11)	(19)	(27)
Planta mesosolar 2, S.A.	Ciudad de Mexico Distrito Federal	-	100%	3	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

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

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

CONSOLIDATED MANAGEMENT REPORT
2019

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.

From a subsidiaries standpoint, 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 direct 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; all these companies manage photovoltaic parks located in Italy.

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. as part of the asset-financing process with Banco Sabadell.

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.

All the above transactions fall under the scope of the financing process for the auction plants with Natixis.

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.

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, to foster and develop new photovoltaic parks in Spain, apart from Solaria Promozione e Sviluppo, S.r.l. in Italy.

BUSINESS PERFORMANCE AND RESULTS

The most significant events which occurred in 2019 were as follows:

1) Refinancing transactions in Italy:

On February 14, 2019, the Group terminated its refinancing agreement with Banco Santander, S.A. for the Project Finance debt associated to its Italian assets.

The above assets comprise 10 photovoltaic plants located in Marche and Sardinia (Italy), with a total capacity of 16.67 MW.

The transaction represents a substantial improvement on the interest rate applied to previous Project Finance arrangements, amounting to 52.2 M euros, and expected to generate free cash flows of 15 M euros, which will be used as equity to finance and carry out construction of new projects.

2) Promissory note program registration

The parent communicated registration of a promissory note program on the Alternative Fixed-Income Market (MARF) in the amount of 50,000 thousand euros on March 25, 2019.

A total of 10,000 thousand euros had been drawn down during the year.

3) Financing with Natixis bank for construction of 250 MW on Spain's auction

On July 18, 2019, the Group's parent signed a non-current financing agreement with Banco Natixis for 250 MW granted during Spain's renewable energy auction held in 2017; the Project Finance agreement's duration is for 15 years, and at a total amount of 132.5 million euros.

4) 49 MW adjudication during the Portuguese auction

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

5) 108.5MW financing agreement with Banco Sabadell, S.A.

On November 12, 2019, Solaria signed a financing agreement with Banco Sabadell for 4 photovoltaic plants with a combined output of 108.5 MW, 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.

6) 626 MW AVR in Trillo

On October 1 and 10 of 2019, the Solaria Group 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 Spain's largest, representing approximately 20% of the 3,325 MW target established by the Group for 2023.

7) PPA signed with Alpiq

On December 16, 2019, the parent closed 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.

8) PPA signed with Statkraft

Lastly, on December 20, 2019, the parent 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 consolidated financial statements and notes thereto accompanying this management report includes the key figures and changes under different consolidated balance sheet headings, including the consolidated income statement, as follows.

Group turnover during 2019 of 34,540 thousand euros, representing a 2% increase vs. the previous year, and consolidated operating profit of 16,635 thousand euros, and net profit totaling 23,871 thousand euros, representing a 12% improvement on 2018.

The Company's directors provide financial information broken down by the geographic segments in which it competes or develops renewable energy generation installations.

Each segment performance is measured using profit before taxes. Segment profit is used to measure performance, since the Group considers that this information is the most relevant for evaluating segment results.

A breakdown of sales by the newly-defined Group segments follows:

(Thousands of euros)	2019	%	2018	%
Sales Spain	22,252	64%	22,196	66%
Sales Italy	8,237	24%	8,050	24%
Latam sales	2,685	8%	2,681	8%
Corporative sales and others	1,367	4%	865	3%
Total sales	**34,540**	**100%**	**33,791**	**100%**

"Employee benefits expense" rose 82% due to a 50% increase in staff over the year (from 49 to 73 employees), due to the huge process of expansion in which the Group is currently immersed in order to achieve its set goals, and after increasing its installed generation capacity during the year five times over.

Amortization increases were mainly due to the inclusion of the depreciation and amortization allowances for the new photovoltaic plants which were started up during the year, most during the final quarter, as well as the effect of "IFRS 16 - Leases" comprising the Group's land rights signed during the year.

The increase in "Grants charged" reflects the inclusion to results of a grant which was chiefly related to investments made, and job creation. The most significant portion of the assets involved in the execution of different grant investments was fully amortized in 2019, and therefore, the parent transferred the amount of the grant pending accrual.

"Financial results" during 2019 reflected expenses totaling 10,386 thousand euros (2018: 11,074 thousand euros), representing a 6% drop in this heading vs 2018.

The key balance sheet variations under assets were under "Property, plant, and equipment" encompassing the inclusion of the new photovoltaic plants, which were finished and connected at the end of 2019, representing and additional capacity of 285 MW, and an approximate investment totaling 140 million euros.

The increase in "Deferred tax assets" was the result of capitalizing tax credits during the year.

The consolidated balance sheet reflects an increase in "Cash and cash equivalents" due to the optimization of cash flows linked to financing transactions carried out during the year, and thereby permitting the Group a 27% increase in available cash at year end.

The following are the noteworthy figures and changes in liabilities:

"Non-current borrowings" includes an increase under "Bank borrowings" as a result of the financing agreements signed with Banco Natixis and Banco Sabadell for construction of the parks related to the adjudication of the 250 MW during the 2017 auction, as well as 108.5 MW contemplated in PPAs signed with Repsol, as well as the refinancing of the Italian plants arranged with Banco Santander.

"Current bank borrowings" rose as a result of the abovementioned in the amount of debt falling due within a year, while "Bonds and other marketable securities" increased since 10,000 thousand euros were drawn down by the parent in March (also explained above in detail).

Current "Trade and other payables" reflects a significant increase under "Suppliers" as a result of commercial borrowing arranged with third parties for the construction of the photovoltaic parks terminated during the year still not drawn down.

The Solaria Group ended the year with "Working capital" totaling 57,126 thousand euros.

TREASURY SHARES

In the aim of fostering share liquidity, and intended as additional remuneration for the parent'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 carried out by the parent, 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.

GROUP OUTLOOK

2019 saw the successful culmination of the development, construction, connection, and financing of 9 photovoltaic plants in Spain, with a total additional installed generation capacity of 285 MW. The Group is currently building a number of projects which should substantially increase its installed capacity, as well as generation income during upcoming years.

The year finalized with a very notable increase in installed capacity: a five-fold increase during 2019, from 75 to 360 MW, ensuring recurring and foreseeable revenue and a healthy balance sheet, as nearly the entirety of debt falling due in the long term, without recourse. The above ensures we are prepared to face the development of a key portfolio of projects which already feature connecting points.

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.

- Therefore, the Group plans to reach installed capacity totaling 1,375 MW at the end of 2020, and 3,325 MW at year-end 2023.

- 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.

Contemplating the current plant portfolio, objectives will be focused on:

- Moving forward with optimizing and cutting operating costs for the plants.

- Taking advantage of the positive environment making it possible to improve project financing costs/structures.

KEY RISKS

Market risk

Market risk arises as a result of excessive positioning in a single market, and serious dependence on the regulatory system. To reduce these risks and dependence and the regulated Spanish market, we are working on diversifying geographically and into non-regulated markets. An example of the first is the acquisition of projects in Italy during 2018, as well as increasing interest in the Portuguese market, where the Company was granted 49 MW in 4 projects through one of its subsidiaries. From a regulatory standpoint, new developments in Spain are not contingent on receiving grants or premium tariffs; they sell all their energy on the market to end customers through long-term supply agreements, which substantially drops regulatory risk.

Development risk

The development of projects includes a phase involving red tape and bureaucracy with public administrations, meaning that deadlines and outcomes are not always 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

The Group ensures its solvency and flexibility thanks to non-current borrowings with a good capital ratio, which only represent around 1.5% of total available cash.

Thanks to the capital increase carried out during the year by the parent, the Solaria Group 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 Group 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 Group'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 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 Group operates in the international arena and therefore is exposed to foreign exchange risks on transactions denominated in foreign currency, especially in US dollars in the case of the Uruguay plants. In this case, exchange rate risk is minimized thanks to the natural coverage inherent to carrying out all these transactions, including financing in US dollars; the only uncovered item is dividend distribution.

Exchange rate risk also arises during the purchase of certain equipment (photovoltaic modules, basically) which also takes place in US dollars. Forward hedges are usually arranged to cover this type of currency risk.

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

ii) Price risk

The Group is exposed to price risk arising from energy sales on the market. Management handles this risk by contemplating the market environment when transactions take place, analyzing the possibility of signing contracts with closed prices.

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.

iii) Cash flow interest rate risk

Since the Group does not have any significant remunerated assets, income and cash flows from operations are not significantly exposed to interest rate risk.

Interest rate risk arises from non-current borrowings with credit institutions. Variable rate loans expose the Group to cash flow interest rate risk. The Group's policies consist in using fixed interest financing (project bonds), or through the use of interest rate hedges on loans referenced to variable interest rates. The entirety of the Group's bank borrowings at floating rates are in euros, apart from 50% of debt arising from the Uruguyan companies, which is in dollars at floating interest rates.

The Group 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 sensitivity of the Group's performance to a positive or negative price variation of 10 b.p. in interest rates is not significant with regard to the remuneration earned from the sale of energy valued at market prices.

Thanks to issuing different bonds during recent years, the most probable market risk would be interest rate fluctuations, which will be neutralized since the bonds pay annual fixed interest.

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. Due to the dynamic nature of the underlying businesses, an objective of the Group's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Mr. Enrique Díaz-Tejeiro Gutiérrez
Chairman

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
Second Vice-chairman of the Board

Mr. Manuel Azpilicueta Ferrer
Director

Mr. Carlos Abad Rico Board member
Director

Ms. Elena Pisonero Ruiz
Director