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, 2020



Ernst & Young, S.L.
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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Report on the 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 as at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, 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 the consolidated equity and the consolidated financial position of the Group at December 31, 2020, 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 (IFRS-EU), and other provisions in the regulatory framework for financial reporting 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 requirements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 with the Debt Service Coverage Ratio

Description

As explained in note 12.1 to the accompanying consolidated financial statements, the Group recognized debt totaling 123,185 thousand euros under "Bonds and other marketable securities" in current and non-current liabilities at December 31, 2020 related to the project bonds issued by its subsidiaries. The related contracts stipulate early repayment in the case of non-compliance with the Debt Service Coverage Ratio (DSCR). In addition, “Bank borrowings”, which amounted to 258,614 thousand euros, included several loans for a combined amount of 258,509 thousand subject to compliance with the Debt Service Coverage Ratio (DSCR). Due to the importance of complying with ratios for the Group's business and the relevance of the amounts recorded in "Bonds and other marketable securities" for the consolidated financial statements as a whole, we considered compliance with these ratios to be a key audit matter.

Our response

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

- Assessing compliance with the DSCR at December 31, 2020, and the short-term outlook for compliance based on the terms and conditions of the project bond issuance contracts and the contracts of the loans subject to compliance with the ratios.
- Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.

Recoverability of deferred tax assets

Description

As explained in note 13 to the accompanying consolidated financial statements, the Group recognized deferred tax assets at December 31, 2020 amounting to 67,224 thousand euros. The recoverability of these assets depends primarily on the ability of the Group to generate sufficient future taxable profits based on its financial projections and business plan. The analyses performed by the Parent's directors require the use of estimates that entail complex judgments to determine the Group's future taxable profits, we considered this to be a key audit matter.

Disclosures on the criteria used by the Parent's directors and the main assumptions used to determine the recoverability of deferred tax assets are provided in notes 2.5 and 4.10 to the accompanying consolidated financial statements.

Our response

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

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

Other information: Consolidated management report

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

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

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

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting 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 we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2020 consolidated financial statements and its 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 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 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 of the Parent 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 prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of 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 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 of the Parent, 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.

Additional report to the Parent's audit committee

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

Term of engagement

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

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

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

(Signed on the original version in Spanish)

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

February 25, 2021

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

Consolidated Financial Statements and Management Report



Solaria

December 31, 2020

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AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

Solaria

December 31, 2020

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and Subsidiaries
Consolidated statement of financial position as at December 31, 2020
(Thousands of euros)

ASSETS	Notes	2020	2019
NON-CURRENT ASSETS		609,896	462,386
Intangible assets	6	177	166
Patents, licenses, trademarks and similar rights		76	76
Computer software		101	90
Surface rights	8	45,407	24,089
Property, plant and equipment	7	496,427	384,678
Land and buildings		21,097	23,018
Technical installations and machinery		373,192	348,316
Property, plant and equipment under construction		102,138	13,344
Non-current financial assets		661	644
Other financial assets		661	644
Deferred tax assets	13	67,224	52,809
CURRENT ASSETS		105,611	138,140
Trade and other receivables		23,270	19,493
Trade receivables	9.1	18,475	14,391
Other receivables		169	971
Other receivables from public authorities	13	4,626	4,131
Current investments		267	163
Other financial assets		267	163
Prepayments for current assets		766	303
Cash and cash equivalents	9.2	81,308	118,181
Cash		81,308	118,181
TOTAL ASSETS		715,507	600,526

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and Subsidiaries
Consolidated statement of financial position as at December 31, 2020
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2020	2019
EQUITY		222,514	193,258
CAPITAL AND RESERVES		232,361	201,947
Capital	10.1	1,250	1,250
Registered capital		1,250	1,250
Share premium	10.2	309,676	309,676
Reserves	10.3	45,359	45,359
Legal reserve		5,311	5,311
Voluntary reserves		40,048	40,048
Prior years' losses		(154,338)	(178,209)
Profit for the year		30,414	23,871
VALUATION ADJUSTMENTS		(9,847)	(8,689)
Hedging transactions	10.4	(9,479)	(8,228)
Translation differences		(368)	(461)
NON-CURRENT LIABILITIES		406,546	326,254
Non-current provisions	11	-	437
Provision for liabilities		-	437
Non-current loans and borrowings		406,546	325,817
Bank borrowings	12.1	241,540	175,839
Bonds and other marketable securities	12.1	115,753	123,154
Lease liabilities	12.2	44,398	22,464
Derivatives	12.3	4,855	2,300
Other financial liabilities		-	2,060
CURRENT LIABILITIES		86,447	81,014
Current loans and borrowings		19,667	29,593
Bank borrowings	12.1	9,403	9,404
Bonds and other marketable securities	12.1	5,781	15,500
Lease liabilities	12.2	1,338	1,563
Derivatives	12.3	1,042	809
Other financial liabilities		2,103	2,317
Trade and other payables		66,780	51,421
Suppliers and other payables		60,758	48,952
Personnel - salaries payable		1,859	655
Current tax liabilities	13	2,385	823
Other payables to public authorities	13	1,770	984
Advances from customers		8	7
TOTAL EQUITY AND LIABILITIES		715,507	600,526

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

	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	14.1	53,266	34,540
Sales		52,389	33,626
Rendering of services		877	914
Other income		3,761	2,614
Self-constructed assets		7,477	4,169
Personnel expenses	14.2	(7,923)	(5,785)
Salaries, wages and similar		(6,834)	(4,919)
Employee benefits expense		(1,089)	(866)
Other operating expenses	14.3	(7,519)	(6,256)
External services		(4,674)	(4,623)
Taxes other than income tax		(2,845)	(1,633)
Losses, impairment and change in trade provisions	9.1	-	(421)
Amortization and depreciation	7 and 8	(15,377)	(14,258)
Recognition of grants related to non-financial and other assets		-	2,215
Change in provisions	11	(598)	(415)
Impairment and gains/(losses) on disposal of assets and other		(15)	(183)
Impairments and reversals		(15)	(183)
OPERATING PROFIT		33,072	16,220
Finance income		396	473
Other finance income		396	473
Finance costs		(12,985)	(11,110)
Interest on third-party borrowings		(12,206)	(10,552)
Other finance costs	8.2	(779)	(588)
Exchange differences		(64)	251
NET FINANCE INCOME/(EXPENSE)		(12,653)	(10,386)
CONSOLIDATED PROFIT BEFORE TAX		20,419	5,834
Income tax expense	13	9,995	18,037
CONSOLIDATED PROFIT- CONTINUING OPERATIONS		30,414	23,871
Basic and diluted earnings per share (€)	16	0.24	0.19

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries
Consolidated statement of other comprehensive income
for the year ended December 31, 2020
(Thousands of euros)

	Notes	2020	2019
Profit for the years		30,414	23,871
Other comprehensive income (1)			
Net gain/(loss) on cash flow hedges (net of tax)	10.4	(1,251)	(1,542)
Exchange differences on translation of foreign operations		93	14
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		(1,158)	(1,528)
Total comprehensive income for the year, net of tax		29,256	22,343

(1) The tax effect is disclosed in Note 13.2

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

	Registered capital (Note 10.1)	Share premium (Note 10.2)	Legal reserve (Note 10.3)	Other reserves and retained earnings (prior-year losses)	Profit/(loss) for the year	Hedging transactions (Note 10.4)	Translation differences	TOTAL
BALANCE AT JANUARY 1, 2019	1,250	309,676	5,311	(159,507)	21,346	(6,686)	(475)	170,915
Total comprehensive income	-	-	-	-	23,871	(1,542)	14	22,343
Distribution of profit/(loss)	-	-	-	21,346	(21,346)	-	-	-
BALANCE AT DECEMBER 31, 2019	1,250	309,676	5,311	(138,161)	23,871	(8,228)	(461)	193,258
Total comprehensive income	-	-	-	-	30,414	(1,251)	93	29,256
Distribution of profit/(loss)	-	-	-	23,871	(23,871)	-	-	-
BALANCE AT DECEMBER 31, 2020	1,250	309,676	5,311	(114,290)	30,414	(9,479)	(368)	222,514

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

	Notes	2020	2019
Profit for the year before tax		20,419	5,834
Adjustments for:		28,643	23,027
Amortization and depreciation	6 and 7	15,377	14,258
Change in provisions	11	598	415
Grants recognized in the income statement		-	(2,215)
Impairments and reversals		15	183
Finance income		(396)	(473)
Finance costs		12,625	11,110
Change in fair value of financial instruments		360	-
Exchange differences		64	(251)
Changes in operating assets and liabilities		9,232	(6,548)
Trade and other receivables		(3,777)	(6,548)
Trade and other payables		13,009	-
Other cash flows from operating activities		(10,742)	(7,738)
Interest paid		(9,276)	(7,738)
Income tax paid		(432)	-
Other payments	11	(1,034)	-
Net cash flows from operating activities		47,552	14,575
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(134,351)	(99,720)
Net cash flows used in investing activities		(134,351)	(99,720)
Cash flows from financing activities			
Issue of bonds and other marketable securities		-	9,972
Repayment of bonds and other marketable securities		(15,522)	(11,477)
Issue/repayment of loans and borrowings with group companies and associates		-	(10,000)
Issue of bank borrowings		74,422	160,206
Repayment of bank borrowings		(8,974)	(38,384)
Net cash flows from financing activities		49,926	110,317
Net increase/(decrease) in cash and cash equivalents		(36,873)	25,172
Cash and cash equivalents at January 1	9.2	118,181	93,009
Cash and cash equivalents at December 31	9.2	81,308	118,181

1. Corporate information

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

The Company's corporate purpose includes mainly:

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

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

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

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

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

The Group's operations in 2020 and 2019 entailed power generation and sales.

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

Solaria is the parent of a Group comprising 98 companies as at December 31, 2020 (2019: 71), all wholly owned. Several new companies were incorporated in 2020 to undertake new projects. No companies were acquired in 2020 or 2019.

All Solaria Group companies engage mainly is the operation of photovoltaic (PV) solar plants in Spain and other countries where they are located abroad. Appendix 1 discloses information on investments in Group companies in 2020 and 2019.

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

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

The parent is controlled by DTL Corporación, S.L., based in Madrid, which is the Group's ultimate parent. DTL Group's 2020 financial statements will be authorized for issue and filed with the Madrid Companies Register within the legal deadline. DTL Group's 2019 consolidated financial statements were authorized for issue by the sole shareholder and filed at the Madrid Companies Register within the applicable legal deadlines.

2. Basis of preparation of the consolidated financial statements, consolidation principles and regulatory framework

2.1 Basis of preparation and true and fair view

Solaria Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and all requirements of the applicable regulatory framework for financial reporting effective as at December 31, 2020, to give a true and fair value of the consolidated equity and financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries at December 31, 2020, and of the consolidated results of their operations, changes in consolidated equity and the consolidated cash flows for the year then ended.

The accompanying 2020 financial statements were authorized for issue by the Board of Directors and will be submitted for approval at the General Shareholders' Meeting. They are expected to be approved without any changes.

The 2020 consolidated financial statements have been prepared from the accounting records of the parent 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 Comparative information

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

2.3 Changes in accounting policies

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

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2019, as none of the standards, interpretations or amendments that are effective for the first time in the current period have had any impact on the Group's accounting policies.

b) Standards and interpretations issued by the IASB, but not effective in the reporting period

The Group intends to apply the new standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union when they become effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements.

2.4 Effects of the COVID-19 pandemic on the Group's operations

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

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

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

The information in these consolidated financial statements is the responsibility of the parent's directors. The preparation of the consolidated financial statements required the parent's directors to make certain estimates that affect the reported amounts of certain assets, liabilities, revenue, expenses and commitments recognized therein. The Group reviews these estimates on an ongoing basis.

The Group's success in the future is largely hinged on its ability to develop new projects and build new plants, while remaining cost efficient. The expansion of its production capacity is subject to the risks and uncertainties inherent to business projects.

To manage the expansion of its activities efficiently, the Group improves its operating and financial systems, procedures, and controls continuously to enhance their efficiency.

Estimates and assumptions are based on the best information available at the date of authorization for issue of the annual financial statements on the estimation of uncertainties at the reporting date, which is reviewed regularly. Future events could require adjustments in subsequent periods. The effects of any changes to estimates are recognized prospectively.

The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant, are as follows:

- Analysis of the recoverability of deferred tax assets (Note 13)
- Estimation of the useful lives of property, plant and equipment and right-of-use assets (Notes 7 and 8)
- Compliance with financial ratios linked to project financing (Note 12)

2.6 Functional and presentation currency

The functional currency of Group companies is the euro, except for subsidiaries Yarnel, S.A. and Natelu, S.A. in Uruguay, whose functional currency is the US dollar. The Group's consolidated financial statements are presented in thousands of euros, which is the parent's functional and presentation currency, unless indicated otherwise in the explanatory notes.

2.7 Foreign currency transactions

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

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

Non-monetary items measured in terms of historical cost are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value are measured using the exchange rates at the date when the fair value is determined. Exchange gains or losses are recognized in the income statement, unless the change in value of the non-monetary item is recognized in equity, in which case the exchange gains or losses are also recognized in equity.

2.8 Basis of consolidation

2.8.1 Subsidiaries

Subsidiaries are investees over which the parent exercises control either directly or indirectly via other subsidiaries. Subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making adjustments and eliminations for intragroup transactions.

The uniformity adjustments applied were as follows:

- Uniformity of timing: the financial statements of all companies included in the scope of consolidation are as at December 31, 2020 and 2019.

- Uniformity of measurement: the measurement criteria applied by subsidiaries to assets, liabilities, revenue and expense are the same as those applied by the parent.

- Uniformity relating to intragroup transactions. Transactions and balances with Group companies and unrealized gains and losses were eliminated on consolidation. However, unrealized losses were considered to be an indication of impairment of the assets transferred.

- Uniformity of performing aggregation: for consolidation purposes, the necessary reclassifications have been made to adapt the structure of the subsidiaries' financial statements to those of the parent and IFRS-EU.

The revenue, expenses and cash flows of subsidiaries are included in the consolidated financial statements from the acquisition date; i.e. the date on which the Group obtains effective control. Consolidation of subsidiaries ceases when control is lost.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements have the same reporting date and period as those of the parent. The accounting policies of subsidiaries have been adapted to those of the Group for like transactions and other 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 spot rates of exchange at the reporting date.

- Income statement items are translated using the average exchange rate for 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 in "Translation differences" in other comprehensive income.

2.9 Regulatory framework

The activity of certain Spanish and Italian subsidiaries consists of generating electricity. Therefore, their viability is greatly affected by the regulatory framework. The Group's activities in Uruguay are not regulated since all energy sales in that country are made under purchase power agreements (PPAs).

The main regulations affecting the Group's operations are as follows:

Regulatory framework in Spain

The production of electric power using renewable sources, cogeneration, and waste is regulated by Royal Decree 413/2014, of June 6, 2014, laying the foundations for the new regulatory framework pending implementation with enactment of Royal Decree Law 9/2013, of July 12, adopting urgent measures to guarantee the financial stability of the electricity system, which repealed the regulatory framework applicable to renewable energy sources in place until that date, and by Order IET/1045/2014, of June 16, approving the remuneration parameters referred to in Royal Decree Law 413/2014, thereby setting the remuneration bases and parameters applicable from July 13, 2014.

For the purpose of applying the regulatory half-period beginning January 1, 2017, Order ETU/130/2017, of February 17, establishes new remuneration parameters for standard plants applicable to certain electricity installations that use renewable sources, cogeneration and waste.

This new specific remuneration is based on a standard plant over the course of its regulatory useful life and assuming operation by an efficient and well-managed company, factoring in standard revenue from the sale of electricity at market prices, standard operating costs, and standard upfront investment metrics. It is underpinned by a 'reasonable return' on investment which is defined as the yield on the Spanish 10-year sovereign bond plus a spread, initially set at 300 basis points. The regime establishes regulatory periods of six years and stub periods of three years. Every three years, remuneration parameters linked to market price forecasts may be changed to reflect any deviations during the stub period in question and every six years the authorities can change the standard plant parameters and the interest rate used for future remuneration. The amount of the initial investment and the regulatory useful life remain unchanged throughout their lives.

Previously, the production of electricity by the Group under the 'special' or renewable regime was regulated by Act 54/1997, of November 27, on the Electricity Sector, and subsequent implementing or amending regulations. Royal Decree 661/2007, amended by Royal Decree 1565/2010, by Royal Decree-Law 14/2010, and by Royal Decree-Law 2/2013, establishes the remuneration framework for renewable energy produced by the Company. Basically, it established a feed-in tariff, expressed in euro cents per kilowatt-hour, applicable to a certain number of equivalent hours of operation of the photovoltaic facility.

In 2012, Act 15/2012, of December 27, 2012, on tax measures for energy sustainability was enacted, providing for the creation of a tax on the value of electricity generation of 7% from January 1, 2013.

On October 6, 2018, according to Spain Official State Gazette (Boletín Oficial del Estado) A-2018-13593, these tax measures were repealed until the end of the first quarter of 2019.

Royal Decree-Law 17/2019

On November 22, 2019, this Royal Decree-Law adopting urgent measures for the required adaptation of remuneration parameters affecting the electricity system and addressing the process for discontinuing activity of thermal power plants was published.

Exceptional remuneration regime

The Royal Decree-Law included a provision designed to guarantee the possibility, for owners of facilities that generate electricity using renewable energy sources, cogeneration and waste entitled to premium remuneration when Royal Decree-Law 9/2013, of July 12, became effective and wish to avail of it voluntarily, whereby the reasonable return set for the first regulatory period, which ended on December 31, 2019, cannot be modified in the next two regulatory periods, starting on January 1, 2020. In other words, operators availing of this regime, including the Group, will maintain a reasonable return for these facilities of 7.398% in the 2020-2031 period, which is above the 7.09% set for the 2020-2025 period. In this way, they avoid the uncertainty of the 2026-2031 period.

In addition, energy plants are entitled to sell their output directly on the wholesale market, without any subsidies, or sell all or part of their production to large energy consumers. Except for projects assigned to the 2017 auctions, new developments in Spain are based on these options, without the need for a premium remuneration regime.

Regulatory framework in Italy

Italy's energy bill was introduced under EU Directive 2001/77 /EC and subsequently implemented with enactment of Legislative Decree 387 of 2003. This mechanism became effective when Inter-Ministerial Decrees 07/28/2005 and 02/06/2006 (Conto Energia I) introducing the operating account financing system for electricity production entered into force.

Ministerial Decree 2/19/2007 (Conto Energia II) introduced certain new characteristics, such as applying incentive tariffs on all power produced by the plant, simplifying the rules for gaining access to these incentives, and differentiating tariffs according to type of architectural integration and the system's size. A bonus was also provided for PV systems combined with efficient energy use.

Conto Energia III became effective in 2010 through Ministerial Decree 08/06/2010, and was applicable to plants entering into operation between January 1, 2011 and May 31, 2011. It introduced specific integrated PV system tariffs with innovative characteristics and concentration PV systems.

With Law 129/2010 (the "Alcoa Savings Law"), 2010 tariffs under Conto Energia II were confirmed for all plants able to certify termination of construction work by December 31, 2010, and the start-up of operations by June 30, 2011.

After Legislative Decree 28/2011 was published, Ministerial Decree 5/5/2011 (Conto Energia 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 of euros.

Based on the cost-containment approach set out in Conto Energia IV, Ministerial Decree 05/07/2012 was published (Conto Energia V), partially confirming the terms outlined in Ministerial Decree 05/05/2011 and establishing the cumulative cost of incentives at 6.7 billion euros. Incentive regulations in the Energy Law have not applied since July 6, 2013, when the 6.7 billion euro ceiling was reached.

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

On June 25, 2014, the Italian government unveiled Decree Law 91/2014 proposing a series of urgent measures to reduce the cost of electricity. On August 21, Law 116, of August 11, 2014, was enacted, without introducing hardly any amendments to the proposed draft decree law. Article 26 of this Law establishes a series of measures affecting all PV plants with peak power over 200 kW (Spalma Incentivi), for which a number of different options are available to reduce incentives:

a) The tariff is extended from 20 to 24 years, with a reduction based on the remaining years of operation.

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

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

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

- 6% for PV plants of between 200 & 500 kW;
- 7% for PV plants of between 500 & 500 kW; and
- 8% for PV plants of over 900 kW.

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

3. Distribution of profit of the parent

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

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

3.1 Limitations on the distribution of dividends

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

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

The parent's legal reserve at December 31, 2020 and 2019 was 5,311 euros, above the stipulated 20% of share capital.

4. Accounting policies and measurement bases

The main accounting policies and measurement bases applied by the Group in the preparation of the accompanying consolidated financial statements are as follows:

4.1 Materiality

The Group assessed materiality in determining what disclosures to be included in the accompanying consolidated financial statements.

4.2 Intangible assets

Intangible acquired by the Group are measured on initial recognition at acquisition or production cost. The cost of intangible assets acquired in business combinations is their fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

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

Patents and trademarks

The Group pays cash for its patents and licenses. Patents were obtained for a period of 10 years and may be renewed at the end of the period. Licenses for the use of intellectual property were obtained for periods ranging from five to 10 years, depending on the type of license. Licenses may be renewed at little or no cost to the Group and are therefore considered to have indefinite useful lives.

	Years of useful life
Patents	10 years
Licenses	Indefinite

Computer software

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

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

4.3 Property, plant and equipment

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

Costs incurred after the initial recognition of an asset are only capitalized to the extent that they increase the capacity or productivity or extend the useful life of the asset. The carrying amount of items that are replaced are derecognized. However, expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to profit or loss in the year incurred.

The Group includes under “Property, plant and equipment under construction” expenses incurred in the development and construction of certain plants still under construction, in their initial design, development and construction phases, and that will be operated by the Group once they are commissioned in accordance with IAS 16 (Note 7).

Self-constructed property, plant and equipment reflect the cumulative cost of adding internal costs determined based on hourly costs of personnel involved to external costs, recognized with a debit to “Self-constructed assets” in the consolidated income statement.

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

When available for use, property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The Group determines the depreciation charge separately for each component with a significant cost in relation to the overall cost of the asset and a different useful life to the rest of the item.

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

(Thousands of euros)	Years of useful life
Technical installations (solar plants)	30 years
Technical installations (other)	10 years
Machinery	8 years
Other property, plant and equipment	8 years

The Group reviews the residual value, useful life and depreciation method of property, plant and equipment at the end of each reporting period. Any changes in the initial criteria are considered a change in accounting estimates. Land on which the buildings and other constructions are located has an indefinite useful life and, therefore, is 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 amount of consideration received and the carrying amount of the asset and included in profit or loss for the period when the item is disposed of or derecognized.

4.4 Impairment of non-financial assets

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

For those assets identified, it estimates the recoverable amount, understood as the higher of an asset's fair value less costs to sell and its value in use.

Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount thus determined is lower than the asset's carrying amount, the difference is recognized in profit or loss and that carrying amount of the asset is written down to its recoverable amount. Future amortization/depreciation charges are adjusted in proportion to the adjusted carrying amounts and the new remaining useful life, where a re-estimation is necessary.

Similarly, when there are indications of a recovery in the value of an item of property, plant and equipment, the Group records a reversal of the previously recognized impairment loss and adjusts the future depreciation charge. The increased carrying amount of an asset attributable to a reversal of an impairment loss can not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The recoverable amount of industrial assets and certain plots of land not used in operations was calculated based on fair value. The fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (excluding finance costs and income tax). The Group measured each asset individually rather than as part of a portfolio.

4.5 Leases

Group as lessee

The Group early adopted and applied IFRS 16 for the first time in its 2018 consolidated financial statements.

The Group assesses whether a contract is, or contains, a lease. The Group recognizes a right-of-use asset and a lease liability for all leases in which it is lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (assessed on a lease-by-lease basis). The Group recognizes the lease payments associated with those leases in which it does not recognize the right-of-use and related lease liability as an operating expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of consumption of the economic benefits of the leased assets.

The lease liability is measured initially at the present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are presented in the consolidated statement of financial position under “Non-current loans and borrowings - Lease liabilities” and “Current loans and borrowings - Lease liabilities”. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability (as an adjustment to the right-of-use asset) whenever there is a change in the lease term or upon occurrence of a significant event or significant change in circumstances that give rise to:

- a change in lease payments resulting from a change in an index or rate, or a change in the amounts expected to be payable under a residual value guarantee. In these cases, the Group remeasures the lease liability by discounting the revised lease payments using the original discount rate (unless the change in lease payments results from a change in floating interest rates, in which case the revised discount rate is used).

- a lease modification that is not accounted for as a separate lease, in which case the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate based on the lease term of the modified lease.

The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs. The asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term. Depreciation begins from the commencement date of the lease. In 2020, the Group re-estimated the depreciation period, increasing it from 26 years, which is the initial term of the leases, to 36 years, with an option to extend the leases for two 5-year periods each. The change in estimation was because the Group was reasonably certain to exercise that option. This re-estimation resulted in an increase of 3.8 million euros in the Group's assets and liabilities, but did not have a significant impact on consolidated profit before tax for 2020.

The right-of-use asset is presented as a separate line item in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss as explained in Note 4.4.

4.6 Financial instruments

Financial assets are classified based on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. The Group does not have any financial assets measured at fair value through other comprehensive income or fair value through profit or loss.

Assets at amortized cost

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold financial assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes “Trade and other receivables”, which are measured on initial recognition in the statement of financial position at fair value and subsequently at amortized cost using the effective interest rate method. The Group recognizes the related adjustments for any differences between the recoverable amount of receivables and the carrying amount at which they are recognized as explained in this paragraph.

The Group recognizes a provision for impairment on these receivables applying the simplified approach in calculating expected losses. Under the simplified approach, the Group recognizes a loss allowance from the outset based on lifetime expected credit losses using available information about past events (such as historical customer default rates), current conditions and forward-looking estimates (macroeconomic factors such as the outlook for GDP, unemployment, inflation, interest rates, etc.) that could affect the creditworthiness of its debtors.

The Group derecognizes the balances of trade receivables for the amount of the receivables assigned, provided that the Group has transferred substantially all the risks of insolvency and delay and rights of ownership of the receivables. The Group had no undrawn factoring lines of credit as at December 31, 2020 or 2019.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Derivative financial instruments

The Group performs transactions in which it assumes financial risks arising mainly from changes in interest rates. To hedge these exposures, the Group enters into swaps. It does not enter into financial instruments for speculative purposes, even though in certain cases they do not meet the qualifying criteria for hedge accounting.

Transactions are only designated as hedges when they effectively eliminate any risk inherent to the hedged item or position throughout the duration of the hedge, which means that the hedging item must be deemed highly effective at the inception of the contract (prospective effectiveness) and there must be sufficient evidence that the hedge has been effective throughout the life of the hedge (retrospective effectiveness).

The Group adequately documents its hedges, including how it intends to achieve and measure effectiveness under its risk management policies.

For measurement purpose, the Group classifies its hedges into the following category:

- Cash flow hedges: These instruments hedge the exposure to variability in cash flows attributable to changes in the interest rates on loans received. Interest rate swaps are used to exchange floating 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 reclassified to profit or loss in the period or periods during which the hedged transaction affects profit or loss.

Derivatives are initially measured at cost and subsequently with the necessary valuation adjustments made to reflect fair value at all times. They are recognized in “Non-current financial assets - Derivatives” and “Current investments - Derivatives” when fair value is positive and “Non-current loans and borrowings - Derivatives” or “Current loans and borrowings - Derivatives” when fair value is negative.

The fair value of the various derivative financial instruments is obtained by the financial institutions that manage them. Changes arising from changes in measurement are recognized in “Other comprehensive income” within consolidated equity.”

Trade and other payables

Payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Group derecognizes financial liabilities when the related obligation is extinguished. The Group did not have any undrawn reverse factoring lines at December 31, 2020.

Bank borrowings and other financial liabilities

Borrowings are recognized initially at fair value, net of any transaction costs incurred. They are subsequently measured at amortized cost.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest rate method.

The Group derecognizes financial liabilities only when the obligations are discharged or canceled or expire.

4.7 Share capital and treasury shares of the parent

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are recognized in equity as a deduction when they are acquired and no gain or loss is recognized in profit or loss when they are sold or canceled. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

The subsequent redemption of the parent's instruments gives rise to a reduction in capital of the nominal amount of the shares and any positive or negative difference between the acquisition price and the nominal amount of the shares is charged or credited to reserves.

Transaction costs related to the entity's own equity instruments are recognized as a deduction from reserves, net of any tax effect.

4.8 Government 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 inn which the entity recognizes as expenses the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

4.9 Provisions and contingencies

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

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

- *Provisions:* present obligations at the reporting date arising from past events, of uncertain amount or timing, but it is probable that that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate of the amount can be made.

- *Contingent liabilities:* possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and that do not meet the requirements for recognition as provisions.

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

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 and present obligations arising from past events for which it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made. These liabilities are not recognized, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources is remote.

4.10 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. The tax expense 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" in the statement of financial position as appropriate.

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

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

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

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

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

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

The portion of the tax losses reported by certain Group companies that has been offset by the other consolidated Group companies gives rise to the recognition of a reciprocal receivable and payable between the companies that reported the losses and the companies that offset them. If there are any tax losses that cannot be offset by the other companies in the consolidated tax group, the related tax loss carryforwards are recognized as deferred tax assets, considering the tax group to be the taxpayer for their recovery.

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

Regarding the amendment to income tax on dividends and capital gains included in Law 11/2020, of December 30, on the General State Budget for 2021, published in the Official State Gazette on December 31, 2020, in terms of the exemption provided for income under Article 21 of the Spanish Income Tax Act (LIS) for equity investments of over 5% or a cost of over 20 million euros in Spanish companies or companies resident in a country with a double taxation treaty or minimum nominal tax rate of 10%, which until now were 100% exempt, for tax periods beginning on or after January 1, 2021, this exemption is now limited to 95% of reported income. In practice, this means the effective taxation of 1.25% of the dividend distributed or the capital gain realized. In relation to this matter, the Group does not recognize a deferred tax liability since it considers that it can control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

4.11 Revenue recognition

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 indirect taxes or any duties.

Specifically, revenue from energy sales is recognized when the power is supplied to customers, irrespective of when it is billed. At the end of the reporting period, any revenue recognized and not invoiced is classified as a contract asset in accordance with IFRS 15. This revenue is estimated based on information obtained from reading meters and applying the corresponding rates or tariffs.

For regulated sales, the Group does not recognize any favorable or unfavorable adjustments for remuneration on its investment and operation, as it considers that the effects are immaterial to its total revenue. In this respect, this remuneration represents a negligible share of the Group's revenue.

4.12 Current versus non-current classification

Assets and liabilities are classified in the consolidated statement of financial position as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Group's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; when they differ from the aforementioned assets and are expected to mature, to be sold or settled within one year; and when they are held for trading or are cash and cash equivalents whose use is not restricted to one year. All other assets and liabilities are classified as non-current assets and non-current liabilities.

The normal operating cycle is less than one year for all the activities.

4.13 Environmental assets and liabilities

Expenses relating to work by the company to protect and improve the environment and other expenses incurred to comply with environmental protection legislation are recognized in the period in which they are incurred, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.14 Earnings per share

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

Diluted earnings per share is calculated by dividing the 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 conversion of all the dilutive potential ordinary shares into ordinary shares.

5. Segment information

As explained in Note 1 to the accompanying consolidated financial statements, the Group obtains revenue mainly from the sale of renewable energy. In this respect, Group management monitors the business by projects by classifying them into the following geographical areas:

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

Segment performance is measured based on profit before tax. Segment profit is used as a performance measure since the Group considers this information to be the most relevant in assessing segment results.

The Group segment income statement is as follows:

(Thousands of euros)	Spain		Italy		LATAM and other		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales to external customers	38,507	22,252	8,241	8,237	4,014	2,684	2,504	1,367	53,266	34,540
Total ordinary revenue from external customers	38,507	22,252	8,241	8,237	4,014	2,684	2,504	1,367	53,266	34,540
Amortization and depreciation, and impairments	(10,943)	(7,801)	(2,727)	(3,044)	(1,193)	(1,132)	(514)	(2,473)	(15,377)	(14,451)
Other segment income and expense	(3,792)	(3,374)	(381)	(261)	254	(526)	(898)	291	(4,817)	(3,869)
Operating profit/(loss)	23,772	11,077	5,133	4,932	3,075	1,026	1,092	(815)	33,072	16,220
Net finance income/(expense)	(9,976)	(6,847)	(1,887)	(2,005)	(1,043)	(1,236)	253	(298)	(12,653)	(10,386)
Profit/(loss) before tax	13,796	4,230	3,246	2,927	2,032	(210)	1,345	(1,113)	20,419	5,834

Set out below are segment assets and liabilities:

(Thousands of euros)	Spain		Italy		LATAM and other		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets	426,613	325,585	50,853	52,845	27,375	32,708	142,409	136,113	647,250	547,251
Non-current assets	386,364	301,265	46,142	46,584	25,023	28,954	85,143	32,774	542,672	409,577
Trade and other receivables	10,385	7,645	3,561	5,209	1,021	1,045	8,303	5,594	23,270	19,493
Cash and cash equivalents	29,864	16,675	1,150	1,052	1,331	2,709	48,963	97,745	81,308	118,181
Unallocated assets	-	-	-	-	-	-	68,257	53,275	68,257	53,275
Total assets	426,613	325,585	50,853	52,845	27,375	32,708	210,666	189,388	715,507	600,526

(Thousands of euros)	Spain		Italy		LATAM and other		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-current provisions	-	-	-	-	-	-	-	437	-	437
Bank borrowings and bonds and debentures	309,789	248,255	41,572	44,517	20,978	20,793	138	10,332	372,477	323,897
Finance lease liabilities (IFRS 16)	43,141	22,705	243	385	666	937	1,686	-	45,736	24,027
Derivatives	3,946	1,755	1,909	1,312	-	-	42	42	5,897	3,109
Trade and other payables	8,798	32,543	455	901	1,629	279	55,898	17,698	66,780	51,421
Unallocated liabilities	-	-	-	-	-	-	2,103	4,377	2,103	4,377
Total liabilities	365,674	305,258	44,179	47,115	23,273	22,009	59,867	32,886	492,993	407,268

Ordinary revenue from customers representing more than 10% of the Group's total revenue for the years ended December 31, 2020 and 2019 is as follows:

(Thousands of euros)	2020	2019
Comisión Nacional de los Mercados y la Competencia (C.N.M.C.)	18,594	19,282
Gestore Servizi Energetici (G.S.E.)	7,364	7,121
	25,958	26,403

These customers are the market regulators in Spain and Italy, respectively.

6. Intangible assets

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

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2020			
Cost			
Intellectual property	76	-	76
Computer software – under development	90	11	101
	166	11	177
Accumulated amortization			
Intellectual property	-	-	-
Computer software	-	-	-
	-	-	-
Carrying amount	166		177

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversal of impairment losses	Balance at December 31
2019				
Cost				
Intellectual property	76	-	-	76
Computer software	1,222	90	(1,222)	90
	1,298	90	(1,222)	166
Accumulated amortization				
Intellectual property	-	-	-	-
Computer software	(1,222)	-	1,222	-
	(1,222)	-	1,222	-
Carrying amount	76			166

Additions in 2020 amounted to 11 thousand euros and related to development of the new software application acquired in 2019.

There were no firm commitments to purchase or sell any intangible assets at the date of preparation of the accompanying consolidated financial statements.

All intangible assets are used in the Group's operations.

7. Property, plant and equipment

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

(Thousands of euros)	Balance at January 1	Additions and depreciation	Transfers	Translation differences/disposals	Balance at December 31
2020					
Cost					
Land and buildings	47,946	-	-	-	47,946
Technical installations and machinery	479,867	-	37,210	(2,280)	514,797
Other property, plant, and equipment	1,585	-	-	-	1,585
Property, plant and equipment under construction	11,758	127,590	(37,210)	-	102,138
	541,156	127,590	-	(2,280)	666,466
Accumulated depreciation					
Buildings	(13,998)	(1,921)	-	-	(15,919)
Technical installations and machinery	(107,537)	(11,920)	-	280	(119,177)
Other property, plant, and equipment	(1,585)	-	-	-	(1,585)
	(123,120)	(13,841)	-	280	(136,681)
Valuation allowances for impairment losses					
Land and buildings	(10,930)	-	-	-	(10,930)
Technical installations and machinery	(22,428)	-	-	-	(22,428)
	(33,358)	-	-	-	(33,358)
Carrying amount	384,678				496,427

(Thousands of euros)	Balance at January 1	Additions and depreciation	Transfers	Disposals	Exchange differences	Balance at December 31
2019						
Cost						
Land and buildings	47,946	-	-	-	-	47,946
Technical installations and machinery	329,256	-	150,432	(309)	488	479,867
Other property, plant, and equipment	1,585	-	-	-	-	1,585
Property, plant and equipment under construction	6,565	155,625	(150,432)	-	-	11,758
	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)
Other property, plant, and equipment	(1,585)	-	-	-	-	(1,585)
	(110,220)	(13,015)	-	115	-	(123,120)
Valuation allowances for impairment losses						
Land and buildings	(10,930)	-	-	-	-	(10,930)
Technical installations and machinery	(22,428)	-	-	-	-	(22,428)
	(33,358)	-	-	-	-	(33,358)
Carrying amount	241,774					384,678

7.1 Movements

Additions in 2020 and 2019 related mainly to investments in new plants under construction. Transfers related to the start-up of projects on completion of construction and connection.

Translation differences related entirely to the measurement of the plants of subsidiaries Yarnel, S.A. and Natelu, S.A.

7.2 Impairment of property, plant, and equipment

In prior years, the Group recognized impairment losses on assets related to its solar panel construction business. Since then, there have been no changes in these impairments, which are as follows:

(Thousands of euros)			Impairment	
Asset	Nature	Segment	12/31/2020	12/31/2019
Land in Dehesa Vaqueros	Rural property	Spain	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial warehouse	Spain	(14,066)	(14,066)
Plant in Puertollano (Ciudad Real)	Machinery I and II	Spain	(18,837)	(18,837)
TOTAL			(33,358)	(33,358)

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

- *Puertollano warehouses and industrial machinery:* These assets were fully depreciated at December 31, 2020 and 2019.

Aside from these specific assets, the parent's directors have not identified any indications of impairment of the Group's other property, plant and equipment.

7.3 Other disclosures

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

Property, plant and equipment not used in operations at December 31, 2020 amounted to 1,245 thousand euros and included mainly land and buildings (2019: 1,245 thousand euros).

Capitalized interest costs related to these assets at December 31, 2020 amounted to 336 thousand euros (2019: 0 euros).

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient. At the date of authorization for issue of the consolidated financial statements there were no commitments to acquire any items of property, plant, and equipment.

At December 31, 2020, the solar plants secured the bank borrowings disclosed in Note 12.

8. Leases

The Group's leased assets relate mainly to land on which the photovoltaic parks are built. The contracts have an initial lease term of 26 years plus an option to extend the leases for two 5-year periods each. The leases include fixed lease payments and no variable payments, incentives or purchase options. The Group renegotiated its contracts in 2020.

The movements in items composing "Surface rights" at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2020			
Cost			
Rights to use land	26,624	22,854	49,478
	26,624	22,854	49,478
Accumulated depreciation			
Rights to use land	(2,535)	(1,536)	(4,071)
	(2,535)	(1,536)	(4,071)
Carrying amount	24,089		45,407

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2019			
Cost			
Rights to use land	13,356	13,268	26,624
	13,356	13,268	26,624
Accumulated depreciation			
Rights to use land	(1,292)	(1,243)	(2,535)
	(1,292)	(1,243)	(2,535)
Carrying amount	12,064		24,089

8.1 Movements

Additions in 2020 related to new contracts and to the effects of re-estimating the lease period to include the two 5-year extensions (Note 4.5). Additions in 2019 related to new contracts.

8.2 Other disclosures

Finance costs recognized for leases under IFRS 16 in 2020 amounted to 779 thousand euros (2019: 588 thousand euros).

Until 2020, the Group had not applied any of the recognition exemptions for short-term leases or leases of low-value assets.

There are no subleases to third parties outside the Group and no sale and leaseback transactions.

The Group applied an average discount rate of 2.6% for leases entered into before 2020 and 1.5% for contracts signed in 2020.

9. Financial assets

All the Group's financial assets are assets at amortized cost. The fair value of these these assets does not differ significantly from their carrying amounts.

9.1 Trade receivables

Contract assets

Trade receivables include contract assets for revenue recognized for energy consumption not billed as at the reporting date. At December 31, 2020, these assets amounted to 14,107 thousand euros (2019: 6,746 thousand euros). The increase is the result of new projects that came on stream in 2020.

Valuation allowances

The balance of "Trade receivables" is presented net of valuation allowances for impairment. Movements in these allowances in 2020 and 2019 were as follow:

(Thousands of euros)	2020	2019
Balance at 1 January	(6,091)	(5,670)
Arising in the year	-	(421)
Distribution	6,091	-
Balance at 31 December	-	(6,091)

In 2020, the Group recognized impairment on the total amount shown for balances of trade receivables, with no impact on the consolidated income statement. These balances related to old amounts from the solar panel construction business, which was discontinued. At December 31, 2020, the Group did not recognize any impairment allowance for expected loss based on its customers' high creditworthiness.

8.3 Cash and cash equivalents

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

(Thousands of euros)	2020	2019
Cash	8	4
Demand deposits in current accounts	81,300	118,177
	81,308	118,181

Current accounts earn market interest rates.

There are restrictions on the availability of the amount of current accounts for certain energy generation subsidiaries financed using project finance and project bonds. The companies' Debt Service Reserve Account (DSRA) at December 31, 2020, which guarantees servicing of bank borrowings, amounted to 16,357 thousand euros (2019: 12,845 thousand euros). The remaining balance of current accounts is freely distributable, once the contractual obligations for distribution with the Group's lender banks/bondholders have been met (Note 12).

10. Equity

10.1 Registered capital

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

Shareholders and ownership interests at December 31 were as follows:

	2020	2019
DTL Corporación, S.L.	39.96%	49.81%
Other shareholders	61.04%	50.19%
	100%	100%

The shares comprising the parent's share capital are admitted for trading on Spain's four official stock exchanges and are quoted on the Spanish electronic trading platform (continuous market). They were included in the IBEX 35 in October 2020. There are no restrictions on the free transferability of the shares. The share price at year-end 2020 was 23.64 euros (2019: 6.80 euros).

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

Financial leverage ratios at December 31, 2020 and 2019 were as follows:

(Thousands of euros)	2020	2019
Bank borrowings, bonds and other finance lease liabilities	419,212	350,241
Less: Cash and cash equivalents (Note 9.2)	(81,308)	(118,181)
Net debt	337,904	232,060
Total equity	222,514	193,258
Debt-to-equity ratio	152%	120%

10.2 Share premium

The share premium is unrestricted provided that its distribution does not reduce shareholders' equity to below share capital. There were no movements in the share premium in 2020 of 2019.

10.3 Reserves

The Group's reserves are unrestricted except for the non-distributable portion of the companies' mandatory legal reserves. There are no non-controlling interests.

10.4 Cash flow hedges

The movement in this heading in 2020 and 2019 was as follows:

(Thousands of euros)	Balance at January 1	Additions and losses (net of taxes)	Transfers to profit or loss (net of taxes)	Balance at December 31
2020				
Cash flow hedges	(8,228)	(891)	(360)	(9,479)
	(8,228)	(891)	(360)	(9,479)
2019				
Cash flow hedges	(6,686)	(1,234)	(308)	(8,228)
	(6,686)	(1,234)	(308)	(8,228)

Following the issue of the project bonds and project finance explained in Note 12.1, the Group restructured its bank borrowings to obtain finance through a fixed-rate issue. As a result, the previous bank borrowings became an issue of senior secured notes with new capital providers. At the date of the restructuring, the Group included in equity the cumulative change in the value of the swaps (for the effective portion) since the inception of the hedges. These hedges can be considered a dynamic hedge that adapts to changes in the hedged item. Based on the initial documentation of the hedging relationship and in accordance with IFRS 9, the amount deferred in equity of this second hedge (of the new loan's IRR) at the date of issuance of the new fixed-rate loan, which is the same as the date of the swap cancellation, is deducted from equity, not when the hedge debt is issued, but throughout the period its interest is recognized. At December 31, 2020, the amount retained in equity, net of the tax effect, in this connection was 5,432 thousand euros (2019: 5,897 thousand euros). The remainder relates to the derivative instruments disclosed in Note 12.

11. Provisions and contingencies

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

(Thousands of euros)	Non-current	Current	Total
2019			
Provision for litigation, liabilities and charges	437	-	437
Other provisions	-	-	-
	437	-	437

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

(Thousands of euros)	Balance at January 1	Arising during the year	Utilized	Balance at December 31
2020				
Provision for litigation, liabilities and charges	415	598	(1,013)	-
Other provisions	22	-	(22)	-
	437	598	(1,035)	-

(Thousands of euros)	Balance at January 1	Arising during the year	Utilized	Balance at December 31
2019				
Provision for litigation, liabilities and charges	514	415	(514)	415
Other provisions	22	-	-	22
	536	415	(514)	437

The parent's directors and legal advisors consider that there are no relevant lawsuits, litigation or civil, criminal or administrative proceedings requiring the recognition of provisions or disclosure in the accompanying consolidated financial statements.

12. FINANCIAL LIABILITIES

Except for the derivatives explained in Note 12.3, all the Group's other financial liabilities are liabilities at amortized cost.

12.1 Bank borrowings, bonds, and other marketable securities

The breakdown of these financial liabilities at December 31, 2020 and 2019 is as follows:

(Thousands of euros)	Current	Non-current	Total
2020:			
Bank borrowings	9,428	249,186	258,614
Debt arrangement expenses	(250)	(7,646)	(7,896)
Accrued interest payable	225	-	225
	9,403	241,540	250,943
Bonds and other marketable securities	5,747	117,438	123,185
Accrued bond interest payable	137	-	137
Bond arrangement expenses	(103)	(1,685)	(1,788)
	5,781	115,753	121,534
	15,184	357,293	373,477

(Thousands of euros)	Current	Non-current	Total
2019:			
Bank borrowings	8,915	179,031	187,946
Debt arrangement expenses	(134)	(3,192)	(3,326)
Accrued interest payable	623	-	623
	9,404	175,839	185,243
Bonds and other marketable securities	15,537	124,354	139,891
Debt arrangement expenses	(37)	(1,200)	(1,237)
	15,500	123,154	138,654
	24,904	298,993	323,897

The Group's outstanding debentures and bonds and loans at December 31, 2020 and 2019 are as follows:

Type of contract	Company	Original lender	Date of original agreement	Final maturity	Original amount of the loan (euros)	Amount at 12/31/2020	Amount at 12/31/2019	Non-current at 12/31/2020	Current at 12/31/2020
Bonds and debentures	Solaria Casiopea	Bondholders	12/22/2017	09/30/2040	9,200	8,153	8,490	7,775	378
Bonds and debentures	Globasol Villanueva 1.	Bondholders	05/18/2016	01/31/2037	45,300	37,557	39,192	35,847	1,710
Bonds and debentures	Planta Solar Puertollano 6	Bondholders	02/27/2017	12/31/2037	45,100	37,953	39,704	36,179	1,774
Bonds and debentures	Magacela Solar	Bondholders	07/21/2017	06/30/2037	47,100	39,522	41,279	37,637	1,885
Other marketable securities	Solaria Energía y Medio Ambiente	Promissory notes	04/17/2019	04/17/2020	10,000	-	10,000	-	-
Loan	Solaria Energía y Medio Ambiente	La Caixa	01/02/2013	12/02/2024	519	105	189	61	44
Loan	Natelu	Corporación Interamericana de Inversiones	09/09/2016	08/15/2034	12,200	-	10,112	-	-
Loan	Yarnel	Corporación Interamericana de Inversiones	09/09/2016	08/15/2034	12,774	-	10,393	-	-
Loan	Natelu	MetLife Investment Management, LLC	12/11/2020	11/15/2040	11,283	11,283	-	10,941	342
Loan	Yarnel	MetLife Investment Management, LLC	12/11/2020	11/15/2040	11,699	11,699	-	11,345	354
Loan	Solaria Lyra	Banco Santander, S.A.	02/14/2019	04/30/2030	52,172	42,622	45,278	39,052	3,570
Loan	CFV Triangulum Australe	Natixis Sucursal, S.A.	07/18/2019	06/30/2034	132,570	120,807	107,341	118,193	2,614
Loan	Vía Lactea	Banco Sabadell	11/12/2019	06/30/2027	57,000	55,859	14,634	55,268	591
Loan	Andrómeda	BayernLB	1/1/2020	4/1/2035	51,500	16,239	-	14,326	1,913
Debt arrangement expenses						(9,684)	(3,302)	(9,331)	(353)
Accrued interest						362	587	-	362
Total						372,477	323,897	358,293	15,184

During 2019, the Group did breach any covenants of its project bonds or project finance loans triggering early repayment. They are guaranteed by the plant they finance (Note 7). Details of these financings are as follows:

Solaria Casiopea, S.A.:

On December 21, 2017, Solaria Casiopiea issued a 22.8-year project bond for 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 this issue, the Group canceled its outstanding bank borrowings and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;
- That the Debt Service Coverage Ratio is at least 1.20x;
- That the minimum balances of the Debt Service Reserve Account, the Main Account, and the Capex Account are allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.
- That the merger has been completed.

Solaria Casiopea, S.A. complied with the debt service coverage ratios at December 31, 2020.

Globasol Villanueva 1, S.A.:

On May 20, 2016, 6, Globasol Villanueva 1, S.A. issued a 20.7-year project bond for a nominal amount of 45,300 thousand euros, disbursed at an amount net of arrangement costs of 43,438 thousand euros on May 25, 2016. The bond accrues interest of 4.20%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;
- That the Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x;
- That the Debt Service Reserve Account and the Capex Account are fully allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Globasol Villanueva 1, S.A. complied with the debt service coverage ratios at December 31, 2020.

Planta Solar Puertollano 6, S.A.

On February 28, 2017, Planta Solar Puertollano 6, S.A. issued a 20-year project bond for a nominal amount of 45,100 thousand euros. The bond accrues interest of 3.75%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio of 1.20x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted and reviewed by an auditor;
- That the Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x;
- That the Debt Service Reserve Account and the Capex Account are fully allocated;
- That there are no outstanding amounts payable related to any early repayments; and
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Planta Solar Puertollano 6, S.A. complied with the debt service coverage ratios at December 31, 2020.

Magacela Solar 1, S.A.

On July 24, 2017, Magacela Solar 1, S.A. issued a 20-year project bond for 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 this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;
- That the Debt Service Coverage Ratio (DSCR), backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x, and that the bond life coverage ratio is at least 1.25x;
- That the minimum balances for the Debt Service Reserve Account, the Operating Account, and the Capex Account are allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Magacela Solar 1, S.A. complied with the debt service coverage ratios at December 31, 2020.

Natelu,S.A. y Yarnel, S.A.:

On September 12, 2017, the Group completed two financing transactions with Corporación Interamericana de Inversiones (CII), a member of the Inter-American Development Group (IDB), to build, operate, and maintain two PV solar energy plants in Uruguay (Natelu and Yarnel).

The total amount of this financing transaction was 25 million US dollars. The Natelu solar plant was granted a senior CII loan for 6.1 million dollars and a joint loan for 6.1 million dollars from the Canadian Climate Fund for the Americas (C2F), a 250 million US dollar fund that co-finances private sector climate projects in Latin America. The Yarnel plant received 6.4 million US dollars of capital from CII and 6.4 million US dollars from C2F. The financing package has a term of 18 years.

On November 16, 2020, Yarnel, S.A. and Natelu, S.A. entered into a debt agreement with MetLife Investment Management, LLC. This enabled the two companies to refinance their entire debt and cancel their outstanding debt at that date. Natelu's principal amount stands at 13 million US dollars and Yarnel's principal amount at 14 million US dollars. The refinancing package has a term of 20 years.

Solaria Lyra, S.r.l.:

On February 14, 2019, the Group refinanced its project portfolio in Italy with the project finance arranged with Banco Santander for 52,172 thousand euros, with a term of 11.2 years. The financing accrues interest at the 3-month Euribor rate + 2.50%, with quarterly repayments, including an interest rate swap. As a result of this issue, the Group canceled its outstanding bank loans at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;
- That the Debt Service Coverage Ratio and Projected DSCR, backed by the ratio compliance certification for the relevant distribution period against which payment is made, is at least 1.20x;
- That there are no outstanding balances payable related to financing of the Debt Service Reserve Account.
- That the Maintenance Account is allocated for the required amount.
- That no events have occurred triggering early redemption.

Solaria Lyra, S.r.l complied with the debt service coverage ratios at December 31, 2020.

CFV Triangulum Australe, S.L.

On July 18, 2109, CFV Triangulum Australe, S.L. financed the promotion, construction, and development of eight projects in Spain through a 15-year project finance arrangement with Natixis S.A. for 132,570 thousand euros. The financing accrues interest at the 6-month Euribor rate + 2%, with half-yearly payments, including an interest rate swap.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;
- That the Historical Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.10x;

- That the debt-to-equity ratio is no greater than 75%;

- That the Maintenance Account and the Debt Service Reserve Account are allocated for the required amount;

- That no events have occurred triggering early redemption.

CFV Triangulum Australe, S.L. complied with the debt service coverage ratios at December 31, 2020.

Vía Lactea Fotovoltaica, S.L.

On November 12, 2019, Vía Lactea Fotovoltaica, S.L. financed the promotion, construction, and development of four projects in Spain through a 16-year project finance arranged with Banco de Sabadell for 57,000 thousand euros. The financing accrues interest at the 6-month Euribor rate + 2.15%, with half-yearly payments, including an interest rate swap.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio compliance certificate for the relevant distribution period has been submitted;

- That the Historical Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x;

- That no events have occurred triggering early redemption.

Vía Lactea Fotovoltaica, S.L. complied with the debt service coverage ratios at December 31, 2020.

Andrómeda Fotovoltaica, S.L.

On January 1, 2020, Andrómeda Fotovoltaica, S.L. financed the promotion, construction, and development of three projects in Spain through a 15-year project finance arranged with BayernLB for 132,570 thousand euros.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DCSR) of 1.05x.

Andrómeda Fotovoltaica, S.L. had no obligation to comply with the debt service coverage ratios at December 31, 2020.

12.2 Lease liabilities

The Group's main leases in force at December 31, 2020 and 2019 are disclosed in Note 8.

The breakdown by maturity of the Group's total lease liabilities at December 31, 2020 and 2019 is as follows:

(Thousands of euros)	2020	2019
Within one year	1,338	1,563
After one year but not more than five years	9,175	7,400
More than five years	35,223	15,064
Present value of lease liabilities	45,736	24,027

12.3 Derivatives

As explained in Note 4 above, the Group is exposed to financial risks, mainly interest rate risk, relating to its business operations. In line with its risk management policy, the Group has entered into several financial derivatives to reduce the impact of these risks.

The fair values of these financial instruments, disclosed by the financial institutions that manage them and calculated based on the discounted cash flow method using yield curves and forward exchange rates (Level 2 in the fair value hierarchy), are reflected in financial liabilities at December 31, 2020 and 2019 as follows:

(Thousands of euros)	2020	2019
Non-current loans and borrowings - Derivatives	4,855	2,300
Current loans and borrowings - Derivatives	1,042	809
	5,897	3,109

The breakdown of these hedging transactions is as follows:

	Notional amount		Fair value	
(Thousands of euros)	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Interest rate swap – Solaria Lyra, SRL	42,490	49,460	1,909	1,312
Interest rate swap – CFV Triangulum Australe,S.L.	88,681	88,167	3,284	1,626
Interest rate swap - Vía Láctea Fotovoltaica,S.L.	11,980	11,980	704	171
	143,151	149,607	5,897	3,109

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

To hedge exposure of existing loans to changes in interest rates, the following companies entered into interest rate hedges, the main characteristics of which are as follows:

	Solaria Lyra, S.r.l	CFV Triangulum Australe, S.L.	Vía Láctea Fotovoltaica,S.L.
Initial notional amount (thousands of euros)	49,460	88,167	11,980
Expiry	4/30/2030	6/30/2034	6/30/2027
Interest rate payable	0.45%	0.71%	0.487%
Settlement of the notional amount of the derivative	Quarterly	Half-yearly	Half-yearly

The years in which the cash flows from the swap are expected to arise and affect profit or loss are as follows:

	2020	2019
2020	-	256
2021	930	630
2022	1,021	621
Subsequent years	3,946	1,602
	5,897	3,109

12.4 Changes in liabilities arising from financing activities

	January 1, 2020	Cash flows	IFRS 16	Changes in fair value	December 31, 2020
Loans and borrowings	185,243	66,837	-	-	252,080
Bonds and debentures	138,654	(17,258)	-	-	121,396
Finance leases	24,027	(1,884)	23,593	-	45,736
Derivatives	3,109	(360)	-	3,148	5,897
Total liabilities arising from financing activities	351,033	47,335	23,593	3,148	425,109

	January 1, 2019	Cash flows	IFRS 16	Changes in fair value	December 31, 2019
Loans and borrowings	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

13. Tax matters

The breakdown of balances related to tax assets and tax liabilities at December 31, 2020 and 2019 is as follows:

(Thousands of euros)	2020	2019
Deferred tax assets	67,224	52,809
Other receivables from public authorities	4,626	4,131
Value added tax	*4,626*	*4,131*
	71,850	56,940
Current tax liabilities	2,385	823
Other payables to public authorities	1,770	984
Personal income tax withholdings	*228*	*372*
Social Security payable	*156*	*249*
Tax on electricity	*1,386*	*363*
	4,155	1,807

Since 2010, the parent has filed consolidated tax returns as head of the tax group. Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period from the filing of tax returns for Spanish companies has expired. Subsidiaries outside Spain are also open to inspection for all financial years in accordance with their local tax laws. The parent's directors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the parent's or subsidiaries' transactions.

13.1 Calculation of income tax expense

Reconciliation of profit before tax and income tax expense/(income):

Thousands of euros	Income statement	
	2020	2019
Profit before tax	20,419	5,834
At Spain's tax rate (25%)	(5,105)	(1,458)
Other expenses/income	1,102	(45)
Recognition of deferred tax assets	13,998	19,540
Income tax	9,995	18,037

13.2 Deferred tax assets and liabilities

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

		Changes reflected in		
(Thousands of euros)	Balance at January 1	Income statement	Equity	Balance at December 31
2020				
Deferred tax assets				
Tax losses	38,669	(2,326)	-	36,343
Unused tax credits	1,707	4,944	-	6,651
Hedging transactions	2,896	-	417	3,313
Other temporary differences that will reverse	9,537	11,380	-	20,917
	52,809	13,998	417	67,224

		Changes reflected in		
(Thousands of euros)	Balance at January 1	Income statement	Equity	Balance at December 31
2019				
Deferred tax assets				
Tax losses	28,701	9,968	-	38,669
Unused tax credits	-	1,707	-	1,707
Hedging transactions	2,382	-	514	2,896
Other temporary differences that will reverse	1,652	7,865	-	9,537
	32,755	19,540	514	52,809

Unused tax losses

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

	Thousands of euros	
Year arising	2020	2019
2008	6,265	6,671
2009	4,257	4,277
2011	58,453	58,453
2012	23,485	23,485
2013	50,643	57,182
2014	2,270	2,270
	145,373	152,338

At 31 December 2020 and 2019, the Group recognized deferred tax assets for all unused tax losses.

Unused tax credits

At 31 December 2020, the Group had unused tax credits amounting to 6,651 thousand euros, the entire amount of which was recognized as deferred tax assets (2019: 6,783 thousand euros, of which 1,707 thousand euros were recognized as deferred tax assets).

Temporary differences

Deferred tax assets related to temporary differences that will reverse are as follows:

	Thousands of euros	
Item	2020	2019
Limit on tax deductibility of financial expenses	7,241	3,400
Limit on tax deductibility of depreciation charges	2,543	789
Hedging transactions	3,313	2,896
Other temporary differences	11,133	5,348
	24,230	12,433

Assessment of the recoverability of deferred tax assets

The Group estimated its future taxable profits. Based on the Group's new business plans presented to the market in September 2020 and updated in February 2021, which envisage significant growth in installed capacity and the Group's earnings in the coming years, the Group decided to recognize assets for all the items shown above, recognizing a total amount at December 31, 2020 of 67,244 thousand euros, taking into account amounts offset, utilized and reversed in 2020. Based on the new business plan, the Group expects to recover the deferred tax assets over the next five years.

14. Revenue and expenses

The nature of the main changes in revenue and expense items for the current year compared to the previous year is described in the consolidated management report.

14.1 Revenue

The breakdown of revenue is provided in the segment reporting (Note 5).

14.2 Personnel expenses

The breakdown of "Personnel expenses" is as follows:

(Thousands of euros)	2020	2019
Salaries, wages and similar		
Salaries and wages	6,834	4,919
	6,834	4,919
Employee benefits expense		
Social Security	1,089	866
	1,089	866
	7,923	5,785

14.3 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2020	2019
Leases	-	176
Repairs and maintenance	751	660
Independent professional services	1,081	1,976
Transport	-	3
Insurance premiums	1,193	601
Banking services	158	67
Advertising, publicity and public relations	3	3
Utilities	339	247
Other services	1,150	890
Taxes other than income tax	2,845	1,633
	7,520	6,256

15. Related party transactions

The only related party with which the Group carried out transactions in 2020 and 2019 was the parent of the DTL Corporación, S.L. group, from which the parent has leased the offices where it carries out business and which are owned by DTL Corporación, S.L. In 2020, the Group leased another floor in the same building. Rental payments in 2020 amounted to 355 thousand euros (2019: 176 thousand euros). The lease is accounted for in accordance with IFRS 16 (Note 8).

15.1 Directors and senior management

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

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

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

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

The Company did not pay any civil liability insurance premiums on behalf of its directors for damages caused in 2020 or 2019.

16. Earnings per share

The following table reflects the income and share data used in the basic and diluted earnings per share calculations:

(Thousands of euros)	2020	2019
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	30,414	23,871
Weighted average number of ordinary shares outstanding	124,951	124,951
Basic and diluted earnings per share (€)	0.24	0.19

17. Other disclosures

17.1 Headcount

	Total number of employees at year-end				
	Men	Women	Total	Average number of employees in the year	Average number of employees with a disability of a severity of >33% as a percentage of the total
2020					
Engineers	39	10	49	44	-
University graduates	21	12	33	19	-
Administrative staff and operators	20	2	22	17	2
	80	24	104	80	2
2019					
Engineers	43	7	50	42	-
University graduates	9	6	15	13	-
Administrative staff and operators	6	2	8	7	-
	58	15	73	62	-

17.2 Audit fees

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

(Thousands of euros)	2020	2019
Audit services	245	214
Other audit-related services	20	32
Other services	35	42
	300	288

17.3 Environmental disclosures

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

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

As a result, the parent's directors consider that no significant contingencies exist with respect to environmental protection or improvement. Therefore, they did not consider it necessary to recognize any provision for environmental liabilities and charges at December 31, 2020 or 2019.

17.4 Surety bonds and bank guarantees

At December 31, 2020, the Group had contingent liabilities for surety bonds, bank guarantees and other guarantees related to the development of new plants amounting to 399,269 thousand euros (2019: 320,147 thousand euros). The Group does not expect any liabilities or contingencies to arise from these guarantees.

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

In accordance with the single additional provision the Resolution of January 29, 2016 of the Spanish Institute of Accounting and Accounts Auditing (ICAC) regarding disclosures in the notes to financial statements in relation to the average supplier payment period in commercial transactions,

Disclosures regarding the average supplier payment period:

	2020	2019
(Days)		
Average supplier payment period	43	63
Ratio of transactions paid	52	63
Ratio of transactions outstanding	62	62
(Thousands of euros)		
Total payments made	142,761	134,310
Total payments outstanding	60,758	49,476

18. Nature and extent of risks arising from financial instruments

Financial risk factors

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

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

18.1 Credit risk

The Group does not have significant credit risk concentration. Policies are in place to ensure that sales are made to customers with a good credit history. For PV plants installed before 2020, the main customers are CNMC and GSE (Note 5). For newly installed plants, PPAs are entered into with highly solvent end customers. Transactions with derivative financial instruments and cash transactions are only arranged with financial institutions with high credit ratings. Policies are in place to limit the amount of risk with any individual financial institution. Where customers do not have an independent credit rating, the Finance Department assesses their creditworthiness based on financial position, past experience and other factors. Group policy is to not extend long-term loans to customers except in certain cases and under exceptional circumstances.

The net balance of third-party trade receivables at December 31, 2020 and 2019 reflects certain future maturities, as shown below:

(Thousands of euros)	From 0 to 90 days	From 90 to 180 days	Within one year	Total debt
Third-party customer balance 2020	17,805	670	-	18,475
Third-party customer balance 2019	13,721	670	-	14,391

The balance of receivables at December 31, 2019 included a provision for impairment amounting to 6,091 thousand euros (Note 9.1).

18.2 Market risk

Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollar for its plants in Uruguay. The foreign currency risk is minimized with a natural hedge by carrying out all transactions, including financing, in US dollars. The unhedged items are dividend distributions.

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

Price risk

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

In addition, entering into energy sale agreements with various counterparties reduces exposure to market price risk significantly.

Interest rate risk

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

Interest rate risk arises from non-current bank borrowings. The Group is exposed to cash flow interest rate from its floating-rate bank borrowings. It is the Group's policy to raise finance at fixed rates (project bonds) or enter into derivatives to hedge interest rate risk on loans indexed to a floating interest rate. All the Group's bank borrowings indexed to floating rates are denominated in euros.

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

The Group's debt structure at December 31, 2020 and 2019, taking into account interest rate hedging derivatives, is as follows:

(Thousands of euros)	2020	2019
Fixed-rate borrowings	340,652	297,062
Floating-rate borrowings	31,825	26,835
Total	372,477	323,897

18.3 Liquidity risk

Prudent liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions.

Management monitors the forecasts for the Group's liquidity reserves based on expected cash flows.

19. Events after the reporting period

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

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

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

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

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

Appendix: Group companies at December 31, 2020:

Ownership interest	Tax domicile	% Direct ownership interest	% Indirect ownership interest
Planta Solar Puertollano 4, S.L.	C/ Princesa 2, Madrid	100%	-
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-
Pronature, Consulting and Engineering S.L.	C/ Princesa 2, Madrid	94%	6%
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV 3, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-
Solaria Energía y Generación Renovables, S.L.	C/ Princesa 2, Madrid	100%	0%
Elassona Solar Energía LLC	2 Mesogion Ave. Athens	-	100%
Solaria Energía y Proyectos Internacionales, S.L.	C/ Princesa 2, Madrid	100%	-
Magacela solar 1, S.A.U.	C/ Princesa 2, Madrid	-	100%
Solaria Casiopea, S.A.	C/ Princesa 2, Madrid	-	100%
Lerapa Investments, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Promoción y Desarrollo Fotovoltaico, S.L.	C/ Princesa 2, Madrid	100%	0%
Guleve Investments, S.L.	C/ Princesa 2, Madrid	-	100%
Globasol Villanueva 1, S.A.	C/ Princesa 2, Madrid	--	100%
Marche Energía, S.R.L.	Via Babuino, 51 Rome	-	100%
Ollastra Energía, S.R.L.	Via Babuino, 51 Rome	-	100%
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%
Planta Mesosolar 1, S.A.	Mexico City	10%	90%
Planta Mesosolar 2, S.A.	Mexico City	10%	90%
Serre UTA S.R.L.	Via Babuino, 51 Rome	-	100%
Sardegna Agrienergia UNO SRL	Via Filippo Cinini,111 Rome	-	100%
Prodigy Orbit LDA	Rua do Alecrim, 26 Lisbon	-	100%
Radian Jupiter Lda	Rua do Alecrim, 26 Lisbon	-	100%
Planta FV100, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Lyra, S.r.l.	Via Babuino, 51 Rome	-	100%
Planta FV101, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV102, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV103, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV104, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV105, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV106, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV107, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV108, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV109, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV110, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV111, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV112, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV113, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV114, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV115, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV116, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV117, S.L.	C/ Princesa 2, Madrid	-	100%
Vía Láctea Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
CFV Triangulum Australe, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV118, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV119, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV120, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV121, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV122, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV123, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV124, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV125, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV126, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV127, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV128, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV129, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV130, S.L.	C/ Princesa 2, Madrid	-	100%
Andrómeda Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV132, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV133, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV134, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV135, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Promozione E Sviluppo Fotovolaico s.r.l.	Via Babuino, 51 Rome	-	100%
Solaria Services Italia s.r.l.	Via Babuino, 51 Rome	-	100%
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	C/ Princesa 2, Madrid	100%	-
Subestación El Anisal, S.L.	C/ Princesa 2, Madrid	-	51%
Planta FV136, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV137, S.L.	C/ Princesa 2, Madrid	-	100%
Adhara Solar, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV139, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV140, S.L.	C/ Princesa 2, Madrid	-	100%
Indus Solar Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV142, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV143, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV144, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV145, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV146, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV147, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV148, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV149, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV150, S.L.	C/ Princesa 2, Madrid	-	100%
Andrómeda Deutschland Gmbh.	C/ Princesa 2, Madrid	-	100%
Corona Borealis Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Energía Renováveis Portugal, Lda	C/ Princesa 2, Madrid	-	100%
Planta FV151, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV152, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV153, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV154, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV155, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV156, S.L.	C/ Princesa 2, Madrid	-	100%
Torrijos 220 Renovables, A.I.E	C/ Princesa 2, Madrid	-	37%
Santiz Auxiliares C.B.	C/ Princesa 2, Madrid	-	100%
Solaria Italia S.R.L.	Via Babuino, 51 Rome	100%	-
Solaria Brasil- Comercializaçao e Fornecimiento de Productos e Soluçoes Energéticas Ltda.	Alameda Santos 2224, Conjunto 82, Sao Paulo	-	55%
Generia Land, S.L.	C/ Princesa 2, Madrid	100%	-

Solaria Energía y Medio Ambiente, S.A. and Subsidiaries

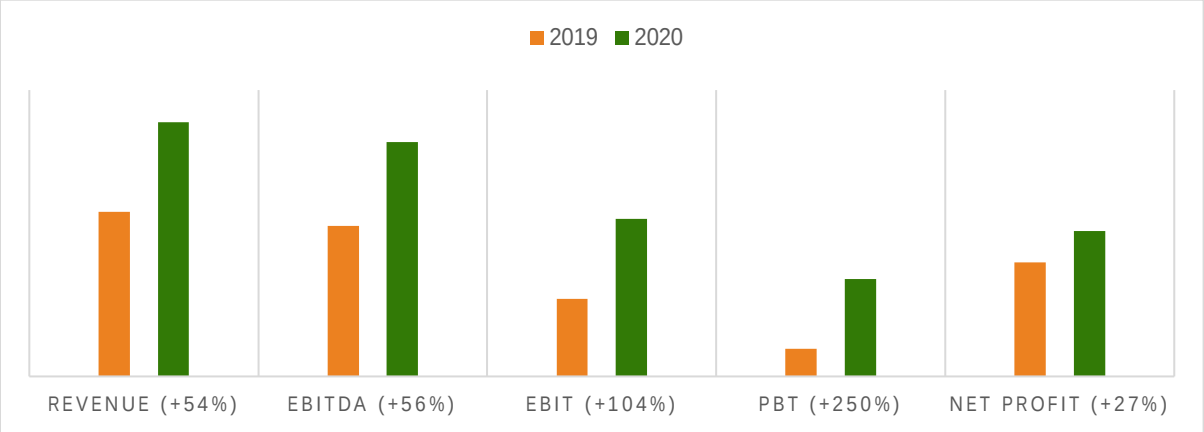
Consolidated Management Report for the year ended December 31, 2020

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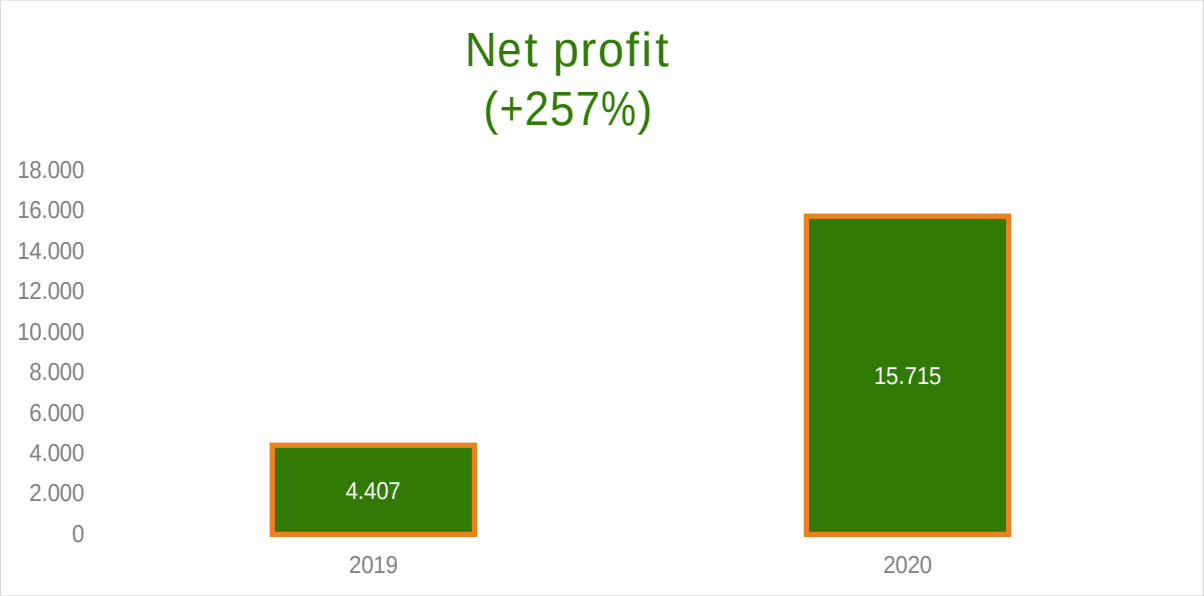
1. Key financial indicators

The Solaria Group reported total revenue of 53,266 thousand euros (+54%), EBITDA of 49,063 thousand euros (+56%), EBIT of 33,073 thousand euros (+104%), profit before tax of 20,419 thousand euros (+250%) and profit after tax of 30,414 thousand euros (+27%) for the year ended December 31, 2020.



The increases in each of these income statement items were driven by the sharp increase in energy production.

Comparisons between 2020 and 2019 in adjusted profit after tax (i.e. excluding the impact of the recognition of deferred taxes) are as follows:



2. Situation and changes in the Group's composition

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

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

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

Direct wholly owned subsidiaries:

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

Indirect wholly owned subsidiaries:

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

Minority owned subsidiaries:

Torrijos 220 Renovables, A.I.E. and Subestación el Anisal, S.L.

3. Key highlights

3.1. Financing arrangements

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

Financing pre-agreement with Natixis

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

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

Financing arrangement with BayernLB

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

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

Refinancing of assets in Uruguay

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

3.2. Power purchase agreements

Company	Contracted capacity	Duration (years)
Axpo Iberia, S.L.	150MW	10
Shell Enery Europe B.V.	300MW	10
Empresa eléctrica (P. Ibérica)	80MW	10
Subasta REER España	180MW	12

PPA with Axpo Iberia, S.L.

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

PPA with Shell

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

PPA

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

Auction to be granted the REER

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

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

3.3. Other key developments

Favorable access feasibility reports (IVAs)

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

- The 400kV Villaviciosa de Odón (Madrid) node to install 782.5MW of PV. This is currently the largest project in Solaria Group's pipeline.
- The 220kV Magraners and Albatarrec nodes, both located in the Lleida province, to install 180MW.

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

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

Capital Markets Day

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

Inclusion in IBEX 35

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

Admission of new projects

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

4. Financial information

4.1. Consolidated income statement

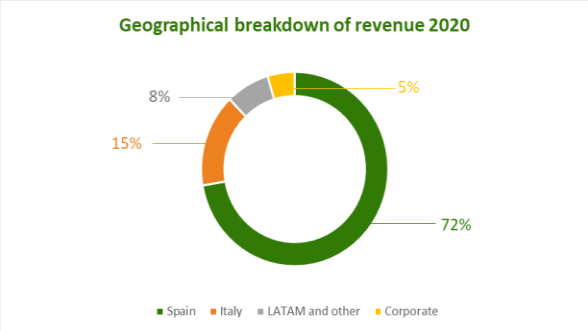
Revenue

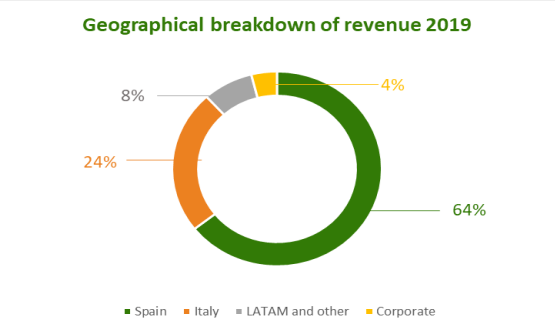
The Group reported a 54% increase in revenue in 2020 to 53,266 thousand euros. Underpinning this performance was the protection of Company's revenues through regulated revenues and the PPAs signed.

The breakdown of revenue by business unit in 2020 and 2019 is as follows:

Thousands of euros	2020	2019	Absolute change	Relative change
Spain	38,507	22,252	16,255	73%
Italy	8,241	8,237	4	-
LATAM and other	4,014	2,684	1,330	50%
Corporate	2,504	1,367	1,137	83%
Total	53,266	34,540	18,726	54%

The specific weight of revenue by the business segments defined by the Group is as follows:



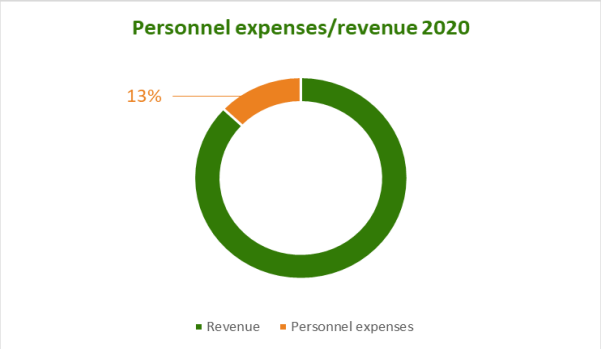


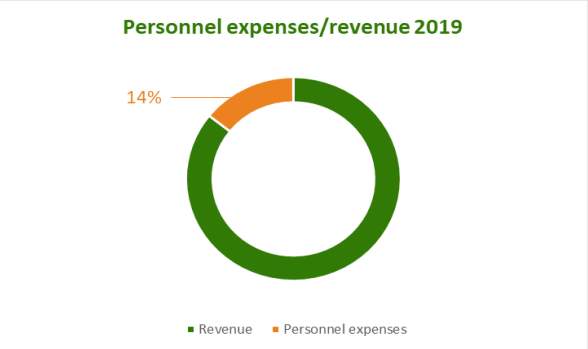
As illustrated, the specific weight of revenue generated in Spain continued to rise with execution of the Group's business plan.

Personnel expenses

The change in personnel expenses was the result of the higher average number of employees at the Group compared to the year before. New staff was required to undertake the Group's ongoing expansion process.

Personnel expenses as a percentage of revenue was lower than in 2019, in line with the Group's cost-cutting policy, as illustrated in the following charts:

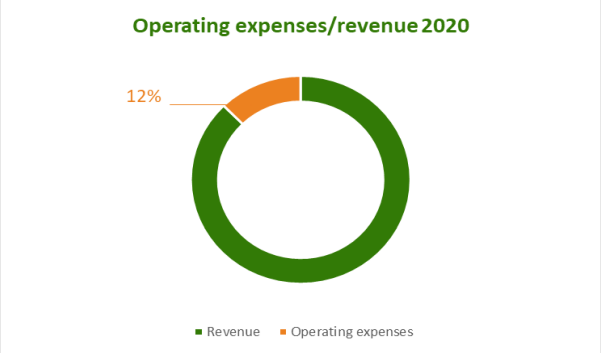


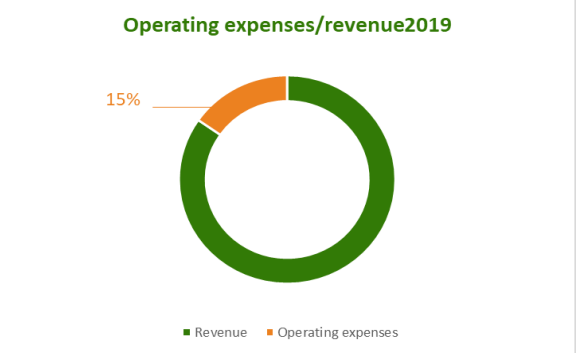


Operating expenses

The increase in operating expenses was caused by the costs accrued for the 7% tax on the generation of electricity in 2020 by the new PV plants installed. There was a moratorium on this tax in the first quarter of 2019, so the increase in the current period is actually much higher.

The following chart shows operating expenses as a percentage of revenue in 2020 and 2019:





Operating expenses of the Group's PV plants continued to fall sharply, underscoring the success of the Group's ongoing efforts to streamline costs and leverage synergies.

Despite having more PV plants in operation than the year before, operating expenses were broadly stable.

Depreciation

The chance in depreciation was the result of two impacts:

- The depreciation charges for the new plants commissioned by the Group that entered into operation at the end of 2019 and in 2020.
- The absence of the depreciation charge for the Puertollano factory, since it was fully depreciated at December 31, 2019, which had a positive impact of 2 million euros.

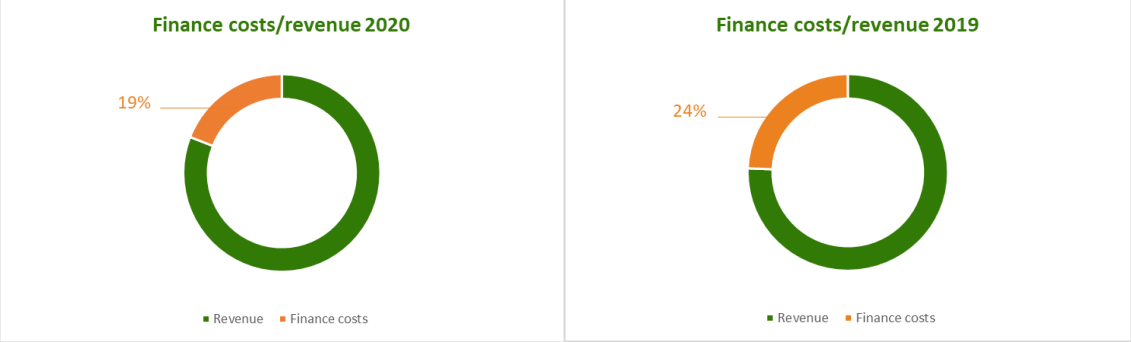
Net finance income/(expense)

Net finance expense increased in 2020 due to the recognition of finance costs related to the transactions carried out to finance new plants whose accrual had yet to be commence the year before.

New borrowings issued by the Group (Section 3) bear a lower financial cost than the Group's previous financing. This should improve the Finance cost/Debt ratio and, accordingly, add further momentum to the Group's earnings going forward.

The charts below show the improvement in third-party finance costs as a percentage of revenue from 24% in 2019 to 19% in 2020.

Conclusion



Overall, the Group's income statement for the year ended December 31, 2020 shows sustained high growth in revenue according to the business plan (Section 6) and significantly lower operating expense (personnel, operating and finance costs) as a percentage of revenue.

This indicates that the Group continues to generate higher cash each year, using the increase to invest in new projects without the need to use previously generated cash to have an increasingly sound balance sheet.

4.2. Consolidated balance sheet

Intangible assets

Additions related to the new surface rights under IFRS 16 arising from the lease of land where the Group has the new PV plants.

Property, plant and equipment

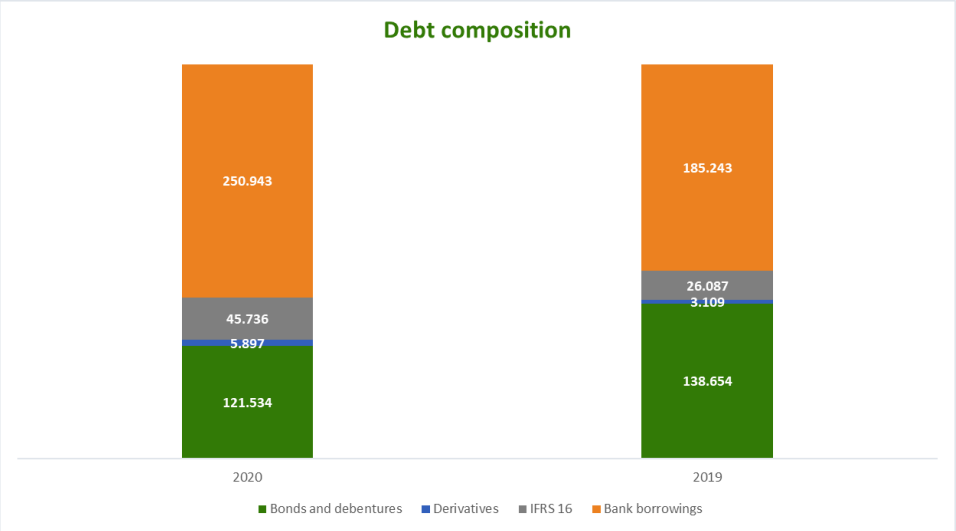
The Group incurred costs for property, plant and equipment in 2020 of 127,743 thousand euros for the new plants currently being built. Growth is in line with the 1,375MW of installed capacity target by the end of the first quarter of 2021.

Cash

The decrease in the balance of cash and cash equivalents was due to repayment of borrowings from third-party suppliers acquired during the development of the new farms which fell due between January and December 2020, and to the redemption of the 10 million euros of promissory notes issued in April 2019, recognized under current bonds and debentures.

Borrowings

The chart below reflects the composition of short- and long-term financial debt at December 31, 2020 and 2019:



The change in the composition was the result of:

- The increase in bank borrowings following new drawdowns from project debt made in 2020 as construction of the PV parks proceeded. The financing arrangements included in this item are non-recourse debt.

- The change in finance leases related to new leases for the land where the new plants are located, accounted for in accordance with IFRS 16.

- The decrease in bonds and debentures caused by the redemption of the 10 million euros of promissory notes issued in 2019 and the annual repayment of bonds associated with the financing of certain plants.

Conclusion

To conclude the balance sheet analysis, we would highlight the Group's sound structure. Each project can meet its operating and finance cost obligations and generate surplus cash, enabling the Group to undertake new investments without the need to use previous cash.

The Group had 19,164 thousand euros of working capital at December 31, 2020. The decrease compared to the balance at year-end 2019 was caused by the change in cash explained above and the increase in commercial debt for new project development.

5. Main risks

5.1. Market risk

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

In the first case, as explained in the outlook section (Section 6), over the next few years the Group will focus on increasing projects outside Spain in markets where it already has operations.

From the regulatory viewpoint, as explained in the key highlights section (Section 3), the Group signed several long-term PPAs in 2020, which reduces regulatory risk significantly.

5.2. Development risk

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

5.3. Liquidity risk

The Group uses long-term non-recourse borrowings, minimal recourse debt and available cash to ensure its solvency and flexibility. The Group has sufficient cash to meet all its obligations.

5.4. Capital management

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

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

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

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

5.5. Risk related to financial instruments

Market risk

a) Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollar for its plants in Uruguay. The foreign currency risk is minimized with a natural hedge by carrying out all transactions, including financing, in US dollars. The unhedged items are dividend distributions.

Foreign currency risk also arises from certain purchases of certain equipment (mainly photovoltaic modules), which are also made in US dollars. Foreign currency forwards are generally used to hedge foreign currency risk.

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

b) Price risk

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

Moreover, entering into power purchase agreements with various counterparties reduces exposure to market price risk significantly.

c) Cash flow interest rate risk

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

Interest rate risk arises from non-current bank borrowings. The Group is exposed to cash flow interest rate from its floating-rate bank borrowings. It is the Group's policy to raise finance at fixed rates (project bonds) or enter into derivatives to hedge interest rate risk on loans indexed to a floating interest rate. All the Group's bank borrowings indexed to floating rates are denominated in euros.

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

d) Credit risk

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

e) Liquidity risk

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

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

6. Strategy and outlook

6.1. 2020

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

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

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

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

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

- Sustainable growth. Approval of new ESG policies.

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

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

6.2. Outlook

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

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

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

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

7. Average supplier payment period

Disclosures regarding the average supplier payment period:

	2020	2019
(Days)		
Average supplier payment period	43	63
Ratio of transactions paid	52	63
Ratio of transactions outstanding	62	62
(Thousands of euros)		
Total payments made	142,761	134,310
Total payments outstanding	60,758	49,476

8. Events after the reporting period

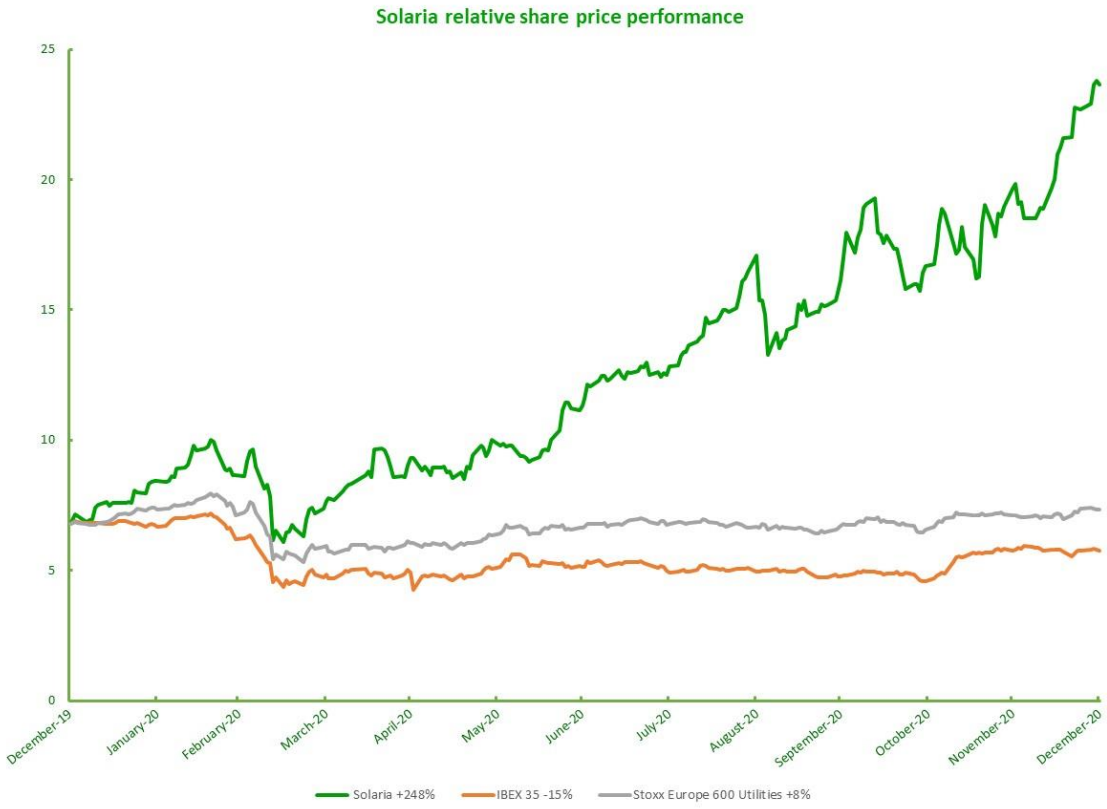
The following significant events took place between December 31, 2020 and the date of authorization for issue of the financial statements:

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

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

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

9. Share price performance



SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR SUBMISSION TO THE GENERAL SHAREHOLDERS' MEETING

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

Enrique Díaz-Tejeiro Gutiérrez
Chairman

Corporación Arditel, S.L.U. Represented by
Arturo Díaz-Tejeiro Larrañaga
First Vice-Chairman of the Board

Inversiones Miditel, S.L.U. Represented by
Miguel Díaz-Tejeiro Larrañaga
Second Vice-chairman of the Board

Manuel Azpilicueta Ferrer
Director

Carlos Abad Rico Board member
Director

Elena Pisonero Ruiz
Director