Audit Report on Financial Statements
issued by an Independent Auditor

SONNEDIX ESPAÑA FINANCE 2, S.A.
Financial Statements and Management Report
for the year ended December 31, 2022

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

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

# AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

To the Sole Shareholder of Sonnedix España Finance 2, S.A.:

## Opinion

We have audited the financial statements of Sonnedix España Finance 2, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

## Basis for opinion

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

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

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

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## Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

*Regulatory framework, including recognition of revenue, calculation of the recoverable amount of non-current assets, and capacity to repay debts related to loans received*

**Description**

The Company's revenue from contracts with customers are from electricity sales, an activity subject to a specific tariff model established by the prevailing regulatory framework, as explained in Note 4 to the accompanying financial statements. Consequently, revenue recognized in the year was estimated based on criteria and parameters stipulated by the current tariff model. Likewise, the estimates made by management of future cash flows used to calculate the recoverable amount of assets as well as the Company's capacity to settle its liabilities depend on meeting budgets prepared for the entire estimated useful life of energy production installations, including an estimate of revenue received primarily from the aforementioned tariff model. These factors have caused us to consider this issue a key audit matter.

**Our response**

Our audit procedures included:

- Reviewing the current tariff model and assessing the degree of compliance therewith.
- Testing revenue recognition to verify the reasonableness of the estimates made based on regulatory changes during the year.
- Verifying accounts payable and receivable from energy sales taking into account provisional and definitive settlements with the "CNMC" and from the intermediary during the year.
- Checking that the current regulatory framework was taken into account when analyzing the recoverable amount of the Company's non-current assets.
- Reviewing the disclosures included in the notes to the financial statements in conformity with the regulatory framework for financial reporting applicable to the Company.

## Other information: management report

Other information refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Company's Sole Director and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity obtained during the audit, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

## Sole Director's responsibilities for the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

From the significant risks communicated with the Company's Sole Director, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

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

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

(Signed in the original version in Spanish)

____________________________________
Ambrosio Arroyo Fernández-Rañada
(Registered in the Official Register of
Auditors under No. 20648)

April 17, 2023

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

Financial Statements and Management Report
for the year ended
December 31, 2022

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

## BALANCE SHEET AT DECEMBER 31, 2022 AND 2021

*(Thousands of euros)*

| ASSETS | Notes | 2022 | 2021 | EQUITY AND LIABILITIES | Notes | 2022 | 2021 |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **163,202** | **173,725** | **EQUITY** | **13** | **(20,255)** | **(15,969)** |
| **Intangible assets** | **6** | **15,204** | **19,283** | ***CAPITAL AND RESERVES*** | | **(20,255)** | **(15,969)** |
| Operating rights | | 15,204 | 19,283 | **Share capital** | | **60** | **60** |
| **Property, plant, and equipment** | **7** | **60,461** | **77,364** | Issued capital | | 60 | 60 |
| Land and buildings | | 366 | 366 | **Reserves** | | **(17,034)** | **(17,034)** |
| Plant and other PP&E | | 60,095 | 76,998 | Other reserves | | (17,034) | (17,034) |
| **Investments in group companies and associates** | **8 and 16** | **60,951** | **49,398** | **Retained earnings** | | **(20,737)** | **(14,403)** |
| Loans to companies | | 60,951 | 49,398 | Prior year losses | | (20,737) | (14,403) |
| **Financial investments** | **9** | **93** | **214** | **Other owner contributions** | | **21,805** | **21,742** |
| Other financial assets | | 8 | 8 | **Profit (loss) for the year** | | **(4,349)** | **(6,334)** |
| Loans to third parties | | 85 | 206 | | | | |
| **Deferred tax assets** | **15** | **26,493** | **27,466** | **NON-CURRENT LIABILITIES** | | **190,033** | **197,238** |
| | | | | **Provisions** | **18** | **836** | **809** |
| | | | | **Borrowings** | **14.1** | **126,641** | **133,694** |
| | | | | Bonds and other marketable securities | | 122,770 | 130,753 |
| | | | | Other financial liabilities | 14.3 | 3,871 | 2,941 |
| | | | | **Borrowings from group companies and associates** | **14.2 and 16** | **50,738** | **47,531** |
| | | | | **Deferred tax liabilities** | **15** | **11,818** | **15,204** |
| **CURRENT ASSETS** | | **15,654** | **16,401** | **CURRENT LIABILITIES** | | **9,078** | **8,857** |
| **Inventories** | | **40** | **40** | **Borrowings** | **14.1** | **8,072** | **7,800** |
| **Trade and other receivables** | | **671** | **4,595** | Bonds and other marketable securities | | 8,072 | 7,800 |
| Trade receivables | 10 | 626 | 4,550 | **Trade and other payables** | | **1,006** | **1,057** |
| Other receivables | | 7 | 7 | Suppliers | 14 | 47 | 86 |
| Other receivables from public administrations | 15 | 38 | 38 | Other payables | 14.4 | 201 | 235 |
| **Financial investments** | **9** | **6,384** | **6,302** | Trade payables to group companies and associates | 14 and 16 | 39 | 82 |
| **Accruals** | | **35** | **35** | Current income tax liabilities | 15 | 192 | 144 |
| **Cash and cash equivalents** | **11** | **8,524** | **5,429** | Other payables to public administrations | 15 | 527 | 510 |
| **TOTAL ASSETS** | | **178,856** | **190,126** | **TOTAL EQUITY AND LIABILITIES** | | **178,856** | **190,126** |

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2022 and 2021.

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

## INCOME STATEMENT FOR 2022 AND 2021

*(Thousands of euros)*

| | Notes | 2022 | 2021 |
|---|---|---|---|
| ***CONTINUING OPERATIONS*** | | | |
| **Revenue** | **17.a** | **23,363** | **22,764** |
| Income from sale of energy | | 23,363 | 22,764 |
| Rendering of services | | - | - |
| **Cost of sales** | **17.c** | **(1,741)** | **(1,576)** |
| Subcontracted work | | (1,741) | (1,576) |
| **Other operating income** | | **53** | **33** |
| **Other operating expenses** | **17.d** | **(563)** | **(2,227)** |
| External services | | (464) | (504) |
| Other taxes | | (99) | (1,723) |
| **Depreciation and amortization** | **17.e** | **(21,037)** | **(21,014)** |
| **Impairment losses and gains (losses) on disposal of non-current assets** | **7** | **(23)** | **-** |
| **Other gains (losses)** | | **-** | **(2)** |
| **OPERATING PROFIT** | | **52** | **(2,022)** |
| **Finance income** | **17.f** | **1,637** | **1,356** |
| From loans to group companies and associates | | 1,637 | 1,356 |
| **Finance costs** | **17.g** | **(7,775)** | **(8,019)** |
| Borrowings from group companies and associates | | (3,207) | (3,207) |
| Bonds and other marketable securities | | (4,541) | (4,786) |
| Other finance costs | | (27) | (26) |
| **FINANCE COST** | | **(6,138)** | **(6,663)** |
| **PROFIT BEFORE TAX** | | **(6,086)** | **(8,685)** |
| Corporate income tax | **15** | 1,737 | 2,351 |
| **PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(4,349)** | **(6,334)** |
| **PROFIT FOR THE YEAR** | | **(4,349)** | **(6,334)** |

The accompanying notes 1 to 21 are an integral part of the income statement for the years ended December 31, 2022 and 2021.

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
*(Thousands of euros)*

## A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR (I)** | | **(4,349)** | **(6,334)** |
| **Income and expense recognized directly in equity:** | | | |
| From cash flow hedges | | - | - |
| Tax effect | | - | - |
| **TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)** | | **-** | **-** |
| **Amounts transferred to the income statement** | | - | - |
| **TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)** | | **-** | **-** |
| **TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)** | | **(4,349)** | **(6,334)** |

## B) STATEMENT OF ALL CHANGES IN EQUITY

| | Share capital (Note 13.a) | Other reserves (Note 13.d) | Retained earnings | Other owner contributions (Note 13.b) | Profit (loss) for the year | Total |
|---|---|---|---|---|---|---|
| **BALANCE AT DECEMBER 31, 2020** | **60** | **(17,034)** | **(6,728)** | **21,742** | **(7,675)** | **(9,635)** |
| **Total recognized income and expense** | - | - | - | - | (6,334) | **(6,334)** |
| **Other changes in equity** | - | - | (7,675) | - | 7,675 | **-** |
| **BALANCE AT DECEMBER 31, 2021** | **60** | **(17,034)** | **(14,403)** | **21,742** | **(6,334)** | **(15,969)** |
| **Total recognized income and expense** | - | - | - | - | (4,349) | **(4,349)** |
| **Other changes in equity** | - | - | (6,334) | 63 | 6,334 | **63** |
| **BALANCE AT DECEMBER 31, 2022** | **60** | **(17,034)** | **(20,737)** | **21,805** | **(4,349)** | **(20,255)** |

The accompanying notes 1 to 21 are an integral part of the statement of changes in equity for the years ended December 31, 2022 and 2021.

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

## CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

*(Thousands of euros)*

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **20,827** | **16,198** |
| **Profit before tax** | | **(6,086)** | **(8,685)** |
| **Adjustments to profit:** | | **27,198** | **27,677** |
| - Depreciation and amortization | **17.e** | 21,037 | 21,014 |
| - Gains (losses) from derecognition and disposals of non-current assets | **7** | 23 | 21,014 |
| - Finance income | **17.f** | (1,637) | (1,356) |
| - Finance costs | **17.g** | 7,775 | 8,019 |
| **Changes in working capital** | | **4,817** | **2,838** |
| - Inventories | | - | 2 |
| - Trade and other receivables | | 3,924 | 987 |
| - Trade and other payables | | (99) | (782) |
| - Other current assets and liabilities | | (82) | (104) |
| - Other non-current assets and liabilities | | 1,074 | 2,735 |
| **Other cash flows from operating activities** | | **(5,102)** | **(5,632)** |
| - Interest and commissions paid | | (4,475) | (4,714) |
| - Income tax payments and receipts | | (627) | (918) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(9,995)** | **(8,172)** |
| **Payments on investments (-)** | | **(9,995)** | **(8,172)** |
| - Group companies and associates | **8** | (9,917) | (8,172) |
| - Property, plant, and equipment | **7** | (78) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(7,737)** | **(7,515)** |
| **Proceeds from and payments on equity instruments** | | **63** | **-** |
| - Owner contributions (+) | **13.b** | 63 | - |
| **Proceeds from and payments of financial liabilities** | | **(7,800)** | **(7,515)** |
| - Repayment and redemption of: | | | |
| Borrowings from third parties (-) | **14.1** | (7,800) | (7,515) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **3,095** | **511** |
| Cash and cash equivalents at January 1 | **11** | 5,429 | 4,918 |
| Cash and cash equivalents at December 31 | **11** | 8,524 | 5,429 |

The accompanying notes 1 to 21 are an integral part of the cash flow statement for the years ended December 31, 2022 and 2021.

## 1. ACTIVITY

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

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

The Company's corporate purpose is the development and promotion of energy projects, including the purchase, sale, importing, exporting, distribution, supply, and marketing of the necessary equipment for the production of electric energy. At 2022 and 2021 year end, the Company's total installed capacity amounted to 37.4 MWp.

On May 3, 2019, Sonnedix España, S.L.U. (the sole shareholder of the Company at said date) approved the merger project by virtue of which Sonnedix España Finance 2, S.A. absorbed all its investees. The deed ratifying said merger was filed at the Mercantile Registry on July 10, 2019 in accordance with the stipulations of articles 42, 43, and 44 of Law 3/2009, of April 3, on Structural Modifications to Mercantile Companies, and was effective for accounting purposes from January 1, 2019.

At December 31, 2022 and 2021, the Company belonged to a group of companies (the Sonnedix España Group) whose parent is Sonnedix España, S.L.U., a Spanish company that issues consolidated financial statements and a consolidated management report, and whose registered address is located in Madrid at calle Príncipe de Vergara, 108, Floor 12.

On July 16, 2019, the change in the Company's registered business address (formerly in Madrid at calle Jenner 3, Floor 4) was published in the BORME as located in Madrid at calle Príncipe de Vergara 108, Floor 12.

On July 21, 2020, Sonnedix España, S.L.U., sole shareholder of the Company at said date, sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V. Thus, the latter company is the sole shareholder of Sonnedix España Finance 2, S.A. at 2022 and 2021 year end (Note 13.a).

Further, in said transaction Sonnedix España, S.L.U. contributed and ceded all the credit claims and debts held with Sonnedix España Finance 2, S.A. until the sales date to Sonnedix Holdco Spain, B.V. (Notes 8, 14.2, and 16).

***Activity***

Subsequent to the corporate restructuring in which Sonnedix España Finance 2, S.A. was involved as a consequence of the merger carried out in 2019, its business model was focused on the operation of solar parks for the generation of electric energy in Spain. The Company currently employs photovoltaic technology. At December 31, 2022 and 2021, the aggregate nominal capacity of Sonnedix España Finance 2, S.A. totaled 33.70 MW (37.4 MWp of total installed capacity).

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

| Project | Capacity | Acquisition date | Start-up date | Standard facility code | Location |
|---|---|---|---|---|---|
| Pinos | 0.80 | 2010 | 2010 | IT-00437 | Pinos Puente (Granada) |
| Elices | 1.00 | 2011 | 2011 | IT-00441 | Langa del Duero (Soria) |
| La Puebla | 2.00 | 2017 | 2008 | IT-20058 | Puebla del Prior (Badajoz) |
| Pozohondo | 3.00 | 2017 | 2008 | IT-20065 | Pozohondo (Albacete) |
| Los Hinojosos I | 1.70 | 2017 | 2007 | IT-20047 | Los Hinojosos (Cuenca) |
| Los Hinojosos II | 0.10 | 2017 | 2007 | IT-20057 | Los Hinojosos (Cuenca) |
| Alange | 8.00 | 2018 | 2008 | IT-20087 | Alange (Badajoz) |
| Olmeda | 6.00 | 2017 | 2008 | IT-20062 | La Olmeda (Cuenca) |
| Madrigal | 1.30 | 2017 | 2008 | IT-20058 | Madrigal de las Altas Torres (Ávila) |
| Olivenza | 1.00 | 2017 | 2007 | IT-00047 | Olivenza (Badajoz) |
| Puig | 1.40 | 2017 | 2008 | IT-00078 | Puig Gros (Lleida) |
| L'Ollería | 2.00 | 2017 | 2008 | IT-00062 | L'Olleria (Valencia) |
| Portichuelo | 2.90 | 2017 | 2008 | IT-00062 | Losa del Obispo y Chulilla (Valencia) |
| Hinojosa del Valle | 2.50 | 2017 | 2010 | IT-20522 | Hinojosa del Valle (Badajoz) |
| | **33.70 MW** | | | | |

***Environmental disclosures***

Given the nature of the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Consequently, the notes to the accompanying financial statements do not include specific disclosures relating to environmental matters, except for Note 18, which includes disclosure on dismantling provisions.

## 2. BASIS OF PRESENTATION

### *2.1. Regulatory financial reporting framework applicable to the Company*

The accompanying financial statements were authorized for issue by the sole director in keeping with the regulatory framework for financial information applicable to the Company, namely:

a) The Spanish Code of Commerce and remaining mercantile legislation;

b) The Spanish GAAP enacted by Royal Decree 1514/2007, of November 16, which has been subject to various modifications since its publication, the last of which were contained in Royal Decree 1/2021, of January 12;

c) Binding rules approved by the ICAC (Instituto de Contabilidad y Auditoría de Cuentas - Spanish Audit and Accounting Institute) enacting Spanish GAAP and its complementary regulations;

d) Other applicable Spanish regulations.

Note 4 to the accompanying financial statements provides a summary of the most significant accounting principles and measurement criteria applicable for preparation of these financial statements.

### *2.2. Basis of presentation*

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

Further, they were prepared in accordance with the regulatory framework for financial information applicable to the Company as established in the Rules for Preparation of Annual Financial Statements approved in Spain by Royal Decree 1514/2007 ("Spanish GAAP"), of November 16, as amended several times, most recently by means of Royal Decree 1/2021, of January 12, and taking into account all the mandatory accounting principles and standards as well as measurement criteria, together with the Spanish Commercial Code, the Spanish Corporate Enterprises Act, and remaining applicable mercantile legislation.

The accompanying financial statements corresponding to FY 2022 of Sonnedix España Finance 2, S.A. were prepared by its sole director and will be submitted to the sole shareholder of the Company for approval. The sole director expects them to be approved without any modifications.

On June 30, 2022, the sole shareholder of Sonnedix España Finance 2, S.A. approved the financial statements for 2021, as well as the corporate management policy carried out by the sole director of the Company during said year.

### *2.3. True and fair view*

The accompanying financial statements give a true and fair view of the Company's equity, results of operations, changes in equity, and cash flows obtained during 2022 and 2021.

### *2.4. Non-mandatory accounting policies applied*

The Company has not applied any non-mandatory accounting policies. Further, the Company's sole director has drawn up these financial statements in accordance with all mandatory accounting principles and rules that have a material impact thereon. All mandatory accounting policies were applied.

### *2.5. Critical issues regarding the measurement and estimation of uncertainties*

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

Although these estimates were made based on the best information available at 2022 year end, events may occur in the future that require prospective adjustments (upwards or downwards) in subsequent years.

Essentially, these estimates relate to:

- the evaluation of possible impairment losses on certain assets (Note 5.c).

### *2.6. Comparative information*

For comparative purposes, the information included in the accompanying financial statements for 2022 is presented with the information relating to the prior period.

### *2.7. Grouping of items*

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

### *2.8. Financial position and equity*

At December 31, 2022, the Company presented negative equity amounting to 20,255 thousand euros (2021: 15,969 thousand euros), mainly as a consequence of the negative merger reserves arising in 2019 and amounting to 17,034 thousand euros (Note 13.d), with the equity of Sonnedix España Finance 2, S.A. thus reduced to less than half the value of its share capital.

For purposes of considering whether there is cause for dissolution, the participative loans recognized by the Company under non-current liabilities in the accompanying balance sheet at December 31, 2022, and granted by its sole shareholder (Sonnedix Holdco Spain, B.V.) in the amount of 20,413 thousand euros (2021: 19,713 thousand euros) (Note 14.2), are considered as part of net equity for mercantile purposes. Thus, the Company's position does not present grounds for dissolution.

As said participative loan contracts which the Company held with Sonnedix Holdco Spain B.V. at 2022 and 2021 year end were prepared as per the characteristics established in article 20 of Royal Decree Law 7/1996, of June 7, on urgent tax and other measures to promote and liberalize economic activities, they are considered a part of equity for purposes of evaluating any obligations in connection with capital reduction and dissolution established in the revised text of the Spanish Corporate Enterprises Act.

In addition, the Company had positive working capital amounting to 6,576 thousand euros at December 31, 2022 (2021: 7,544 thousand euros), thus ensuring sufficient liquidity to meet its short term commitments. Further, the Company's operating activities during 2022 generated a positive cash balance of 20,827 thousand euros (2021: 16,198 thousand euros), thus ensuring sufficient liquidity to meet its short term commitments.

Given all the above, the sole director of the Company prepared the accompanying financial statements on a going concern basis on the understanding that it will not encounter difficulties in realizing its assets or settling its obligations when due and in the amounts at which they are recognized on the balance sheet at December 31, 2022.

## 3. APPROPRIATION OF PROFIT

The sole director of the Company presented the following proposal for appropriation of 2022 profit:

| | Thousands of euros |
|---|---|
| | 2022 |
| **Basis of appropriation:** | |
| Profit (loss) for the year | (4,349) |
| **Appropriation to:** | |
| Prior year losses | (4,349) |

The appropriation of profit for 2021 (losses), proposed by the sole director of the Company consisted in the complete transfer of said losses to "Prior year losses" in the amount of 6,334 thousand euros.

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

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

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

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

At 2022 year end, the main legislative reference for electricity production was Law 24/2013, of December 26, on the Electricity Sector ("Electricity Sector Act"), which repealed Law 54/1997 of November 27.

The law states that the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenue with specific regulated remuneration so that these technologies can compete on an equal footing with the other technologies in the market.

This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

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

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

- a term for the operation to cover the shortfall between operating costs and revenue from participating in the market.

Remuneration shall be calculated based on a standard installation over its regulatory useful life, taking into account:

- standard revenue from the sale of energy generated, valued at the (estimated) price on the production market,
- standard operating costs, and
- the standard value of the original investment.

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

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

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

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

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

Further, it is worth noting that the law specifies the criteria for priority access and dispatch of electricity from high-efficiency renewable energy sources and cogeneration as set out in European Union directives.

Royal Decree Law 17/2019

Royal Decree Law 17/2019 was published on November 22, 2019, adopting urgent measures for the necessary adaptation of remuneration parameters which affect the electricity system and further providing a response to the process of terminating activities at thermal power plants.

*General remuneration scheme*

Based on the provisions of said Royal Decree Law, and without prejudice to the stipulations of the final third provision of Law 24/2013, of December 26, on the Electricity Sector, the reasonable return applicable for the remaining regulatory useful life of standard installations, which will be used for reviewing and updating the remuneration parameters applicable during the second regulatory period (2020-2025) to the installations for production of electric energy from renewable sources, cogeneration, and waste, before taxes, will be 7.09%.

*Exceptional remuneration scheme*

Exceptionally, the Royal Decree Law introduces a provision, the purpose of which is to guarantee the possibility, for those owners of electric energy production installations based on renewable energies, cogeneration, and waste who had already been granted prime remuneration when Royal Decree Law 9/2013, of July 12, became effective, and who desire to avail themselves of it voluntarily, that the reasonable return set for the first regulatory period, ended on December 31, 2019, cannot be modified during the two subsequent and consecutive regulatory periods, from January 1, 2020.

In other words, those owners who avail themselves of this scheme will maintain a reasonable return on these installations of 7.398% during the 2020-2031 period, greater than the 7.09% established for the 2020-2025 period, thus avoiding the uncertainty of the 2026-2031 period.

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

The Company availed itself of the aforementioned exceptional remuneration scheme of 7.398% for those installations with respect to which it was not involved in any ongoing arbitration or judicial proceedings prior to accreditation before the General Directorate for Energy and Mining Policy, while for the remaining installations it applies the general remuneration scheme at 7.09%.

Order TED/171/2020

On February 24, 2020, Order TED/171/2020 was published, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste, applicable to the regulatory half-period beginning on January 1, 2020.

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period, distinguishing the parameters in terms of those projects which avail themselves of the general scheme or the exceptional scheme.

Furthermore, the updating of the remuneration parameters implemented by Order TED/171/2020 resulted in estimated income from the sale of energy in the market based on specific market prices for electricity, corresponding to 54.42 €/MWh, 52.12 €/MWh, and 48.82 €/MWh for the years 2020, 2021, and 2022, respectively.

Based on the above, and taking the high market prices during 2021 into account, the Company recognized a balance of 2,941 thousand euros under "Non-current liabilities - Borrowings - Other financial liabilities" in the accompanying balance sheet at December 31, 2021, corresponding to the adjustment arising from deviations in the market price of electric energy for 2021 (Note 14.3).

The remuneration parameters applicable to the Company's installations in 2020 and 2021 were as follows:

| Installation | Standard facility code | Regulatory useful life (years) | Investment remuneration 2020-2021 (€/MW) | Operation remuneration 2020 (€/MW) | Operation remuneration 2021 (€/MW) |
|---|---|---|---|---|---|
| Olmeda | IT-20062 | 30 | 498,613 | 20.682 | 23.835 |
| Madrigal | IT-20058 | 30 | 660,747 | 24.012 | 27.204 |
| Portichuelo | IT-00062 | 30 | 510,145 | 21.225 | 24.381 |
| Ollería | IT-00062 | 30 | 510,145 | 21.225 | 24.381 |
| Olivenza | IT-00047 | 30 | 551,748 | 23.990 | 27.164 |
| Puig | IT-00078 | 30 | 594,240 | 25.990 | 29.174 |
| Hinojosa del Valle | IT-20522 | 30 | 409,658 | 13.887 | 17.025 |
| Pinos | IT-00437 | 30 | 307,122 | 11.522 | 14.629 |
| Elices | IT-00441 | 30 | 315,279 | 11.906 | 15.015 |
| Pozohondo | IT-20065 | 30 | 572,580 | 20.393 | 23.565 |
| Los Hinojosos I | IT-20047 | 30 | 539,733 | 23.425 | 26.596 |
| Los Hinojosos II | IT-20057 | 30 | 663,512 | 24.113 | 27.305 |
| La Puebla | IT-20058 | 30 | 660,747 | 24.012 | 27.204 |
| Alange | IT-20087 | 30 | 613,334 | 21.897 | 25.077 |

Royal Decree Law 12/2021 and Royal Decree Law 17/2021

On June 25, 2021, the Official State Gazette ("BOE" in its Spanish acronym from "Boletín Oficial del Estado") published Royal Decree Law 12/2021, on adopting urgent measures in matters relating to taxation of energy and the generation of energy.

In addition, on September 15, 2021 the BOE published Royal Decree Law 17/2021, on urgent measures for mitigating the impact of increased natural gas prices in the gas and electricity retail markets.

Said Royal Decree Laws established that, exceptionally, during the third and fourth quarter of 2021 the installations that produce and deliver electricity to the electricity system are exempt from the tax on the value of electric energy production. This requires modifying the calculation of the tax base and the regulated payment installments as per tax legislation.

Thus, tax on the value of electric energy production for 2021 and the corresponding installments payable correspond to the total amount receivable by the tax-paying entity for production and incorporation of electric energy in the electricity system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the third and fourth natural quarter.

Finally, the fourth additional provision of Royal Decree Law 17/2021 established that the National Markets and Competition Commission ("CNMC" in its Spanish acronym), as the body responsible for settlements, will carry out the necessary settlement for adapting the remuneration arising from the specific remuneration scheme, subtracting the amounts not paid for the installations as a result of the suspension of the tax on the value of electric energy production (Note 10).

Said adaptation took place for the first settlements in which the CNMC applied the corresponding adjustments subsequent to the aforementioned Royal Decree Laws entering into force, that is, for the months of November and December 2021 (settled in January and February 2022, respectively).

Royal Decree Law 6/2022 and Royal Decree Law 11/2022

On March 29, 2022, Royal Decree Law 6/2022 established the bases for the exceptional decision to update the remuneration parameters for standard facilities applicable in 2022 to certain installations which produce electric energy from renewable sources, cogeneration, and waste, as initially established in Order TED/171/2020.

In order to apply the methodology for updating the remuneration parameters, the regulatory half-period from January 1, 2020 to December 31, 2022 is divided into two regulatory half-periods: the first, from January 1, 2020 to December 31, 2021; and the second, from January 1, 2022 to December 31, 2022.

On June 26, 2022, Royal Decree Law 11/2022 was published in the BOE, adopting and extending certain measures established in response to the economic and social consequences of the war in Ukraine, addressing situations of social and economic vulnerability, and boosting the economic and social recovery of the La Palma island.

Said Royal Decree Laws establish that the exemption for tax on the value of electric energy production for the installations that produce and deliver electricity to the electricity system will exceptionally be extended to 2022. Consequently, calculation of the tax base and the regulated payment installments must be modified in accordance with tax legislation.

Thus, in order to calculate the payment installments corresponding to the four quarters of 2022, the value of electric energy produced and dispatched to the electricity system during 2022 will be zero euros.

Finally, Royal Decree Law 6/2022 establishes that the CNMC, as the body responsible for settlements, will carry out the necessary settlement for adapting the remuneration arising from the specific remuneration scheme, subtracting the amounts not paid for the installations as a consequence of the suspension of the tax on the value of electric energy production ("the TVEEP").

The adjustments corresponding to the settlements for the installations relating to the exemption from the TVEEP were made during 2022 by the CNMC together with the corresponding monthly settlements for energy sales.

Order TED/1232/2022

On December 2, 2022, Order TED/1232/2022 was published, updating the remuneration parameters for standard facilities applicable to certain installations that produce electric energy from renewable sources, cogeneration, and waste, applicable for 2022, as established in Royal Decree Law 6/2022.

This updating of the remuneration parameters was carried out taking into account, amongst other matters, an estimated market price for energy in 2022 amounting to 121.92 €/MW.

In this context, the Company recognized the direct impacts of applying this exceptional measure, which mainly comprised the following:

(i) Recognition of a balance of 3,871 thousand euros under "Non-current liabilities – Borrowings - Other financial liabilities" in the accompanying balance sheet, relating to the deviations in the market price for electric energy corresponding to the 2022 regulatory half-period (Note 14.3).

(ii) Recognition of accumulated estimates for deviations in the market price corresponding to the following regulatory half-periods: 2014-2016; 2017-2019; and 2020-2021.

(iii) Estimating the amounts to be adjusted with respect to the settlements received based on the parameters initially established in Order TED/171/2020 for 2022.

Thus, the new remuneration parameters applicable to the Company's installations in 2022 were as follows:

| Installation | Standard facility code | Regulatory useful life (years) | Adjustment factor | Investment remuneration 2022 (€/MW) | Operation remuneration 2022 (€/MW) |
|---|---|---|---|---|---|
| Olmeda | IT-20062 | 30 | 0.9905 | 489,697 | - |
| Madrigal | IT-20058 | 30 | 0.9918 | 649,915 | - |
| Portichuelo | IT-00062 | 30 | 0.9907 | 500,244 | - |
| Ollería | IT-00062 | 30 | 0.9907 | 500,244 | - |
| Olivenza | IT-00047 | 30 | 0.9919 | 541,924 | - |
| Puig | IT-00078 | 30 | 0.9932 | 585,040 | - |
| Hinojosa del Valle | IT-20522 | 30 | 0.9830 | 397,267 | - |
| Pinos | IT-00437 | 30 | 0.9809 | 296,437 | - |
| Elices | IT-00441 | 30 | 0.9820 | 304,911 | - |
| Pozohondo | IT-20065 | 30 | 0.9894 | 561,052 | - |
| Los Hinojosos I | IT-20047 | 30 | 0.9917 | 530,982 | - |
| Los Hinojosos II | IT-20057 | 30 | 0.9916 | 652,314 | - |
| La Puebla | IT-20058 | 30 | 0.9918 | 649,915 | - |
| Alange | IT-20087 | 30 | 0.9906 | 602,154 | - |

## 5. RECOGNITION AND MEASUREMENT STANDARDS

The main measurement standards and accounting policies followed by the Company in drawing up the accompanying 2022 financial statements are summarized below:

### *a) Intangible assets (Note 6)*

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

*Operating rights*

As required by prevailing regulations, the Company performed an analysis of the fair values of the assets acquired and liabilities assumed, recognizing the resulting values as the carrying amounts. Thus, in prior years the Company recognized the fair value of the operating rights acquired and not recognized in the balance sheets of the acquired and subsequently merged companies in its own balance sheet.

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

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

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

### *b) Property, plant, and equipment (Note 7)*

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

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

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

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

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

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

***c) Impairment of intangible assets and property, plant, and equipment (Notes 6 and 7)***

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

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

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is written up to its newly estimated recoverable amount, so long as the restated carrying amount does not exceed the carrying amount that would have been recognized had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognized as income, except in the case of goodwill on consolidation, for which reversal of any possible impairment losses is not permitted.

***Leases (Note 17.d)***

Leases are classified as operating leases when, based on the economic terms of the arrangement, all the risks and rewards incidental to ownership of the leased item are not substantially transferred to the lessee. All other leases are classified as finance leases.

In general, a lease will be considered a finance lease when:

- The lessor transfers ownership of the asset to the lessee at the end of the lease term.

- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable, so that at inception of the lease it is reasonably certain the option will be exercised.

- The lease term covers the greater part of the asset's economic life.

- At the inception of the lease the present value of the minimum lease payments amounts to at least practically all of the fair value of the leased asset.

- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

*Operating leases*

Expenses from operating leases are recognized in the income statement of the year in which they accrue.

Any collection or payment that might be made when arranging an operating lease will be treated as advance collection or payment, recognized in the income statement over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

*Finance leases*

In finance leases in which the Company acts as lessee, the Company presents the cost of the leased assets in the balance sheet in accordance with the nature of the leased asset, simultaneously recognizing a liability for the same amount.

This amount is the lower of the fair value of the leased asset or the present value of the minimum lease payments agreed upon, each determined at the inception of the lease, including the purchase option when there are no reasonable doubts regarding its exercise. Contingent installments, service expenses, and reimbursable taxes (by the lessor) are not included in the calculation. The total finance expense incurred in connection with the lease arrangement is taken to the income statement in the year accrued using the effective interest rate method. Contingent installments are recognized as expenses for the year in which they are incurred.

The assets recognized for these types of transactions are depreciated based on their nature, using similar criteria to those applied to other PP&E items.

At December 31, 2022 and 2021, the Company had not entered into any lease agreements with the characteristics of a finance lease.

***d) Loans to companies (Notes 8 and 16)***

*i. Classification*

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

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

*ii. Recognition and Measurement*

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

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

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

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

***e) Financial instruments (Notes 9, 10, and 14)***

**i. Financial assets**

<u>*Classification and measurement*</u>

The Company classifies all financial assets under one of the following categories upon initial recognition, thus determining the method applicable for initial and subsequent measurement:

- financial assets at fair value through profit or loss;
- financial assets at amortized cost;
- financial assets at fair value through equity;
- financial assets at cost.

*Financial assets at fair value through profit or loss*

A financial asset must be included under "Financial assets at fair value through profit or loss" except when classification under any of the remaining categories applies, as described below. The Company has not classified any financial asset under this category.

*Financial assets at amortized cost*

The Company classifies a financial asset under this category, even if it is admitted for trading on an organized market, if the following conditions are met:

- The Company holds the investment under a management model with the objective of receiving the cash flows arising from execution of the contract.

  Management of a portfolio of financial assets to obtain its contractual cash flows does not imply that all the instruments must necessarily be held to maturity; they can also be managed with this objective even if they are sold or are expected to be sold in the future. Thus, the Company takes the frequency, amounts, and timing for sales from prior years into account together with the motivation for these sales and the expectations generated with regard to future sales.

The contractual terms of the financial asset give rise to cash flows on specified dates which are solely receipts of principal and interest on the outstanding principal. That is, the cash flows are inherent to an agreement which has the nature of an ordinary or common loan, without prejudice to the fact that the transaction may be agreed upon at a zero interest rate or a rate below the market.

This condition is assumed to have been met in the case of a simple bond or loan with a fixed maturity date for which the Company collects a variable market interest rate which can be subject to a limit. On the contrary, it is assumed that this condition has not been met in the case of instruments convertible into equity instruments of the issuer, loans with inverse variable interest rates (that is, rates inversely related to market rates), or those in which the issuer can defer interest payments, if said payments can affect its solvency, without the deferred interest accruing additional amounts.

In general, the Company includes commercial and non-commercial receivables ("trade receivables" and "other receivables") under this category. In addition, this category also includes the loans granted by the Company to its shareholders.

The financial assets classified under this category are initially measured at fair value, which, unless there is evidence to the contrary, is presumed to be the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs. In other words, these transaction costs are capitalized.

Nevertheless, trade receivables that mature within no more than one year from the reporting date with no explicit contractual interest rate, as well as advances and loans to employees, dividends receivable, and called-up payments on equity instruments, the amount of which is expected to be realized in the short term, are measured at their nominal value, provided that the effect of not discounting the cash flows is not material.

They are subsequently measured at amortized cost. Accrued interest is recognized in the income statement (finance income) using the effective interest rate method.

Receivables maturing within a year that, in keeping with the above, are initially measured at nominal value will continue to be measured at nominal value unless they have become impaired.

In general, when the contractual cash flows of a financial asset measured at amortized cost are modified due to financial difficulties of the issuer, the Company analyzes whether it is appropriate to account for an impairment loss.

*Financial assets at fair value through equity*

Financial assets which meet the following conditions are included under this category:

- the financial instrument is not held for trading and classification at amortized cost is not applicable; and

- the contractual terms of the financial asset give rise to cash flows on specified dates which are solely receipts of principal and interest on the outstanding principal.

*Financial assets at cost*

The Company includes equity investments in group companies, jointly controlled entities, and associates under this category.

The investments included under this category are initially measured at cost, which is equivalent to the fair value of the consideration delivered plus directly attributable transaction costs. In other words, these transaction costs are capitalized.

In the case of investments in group companies, if an investment has been made prior to qualification as a group company, jointly controlled entity or associate, the cost of said investment is deemed to be the carrying amount that would have been recognized immediately prior to the entity being classified as such.

Subsequent measurement is also performed at cost, less any accumulated impairment losses.

The Company has not classified any financial asset under this category.

*Derecognition of financial assets*

The Company derecognizes a financial asset from its balance sheet when:

- the contractual rights to receive cash flows from the asset expire. Thus, a financial asset is derecognized when it matures and the Company has received the amounts agreed upon.

- the contractual rights to the cash flows from the asset have been transferred. In this case, the financial asset is derecognized when the Company has substantially transferred all the risks and rewards incidental to ownership. Specifically, for the sale of assets under repurchase agreements as well as receivables discounting and securitizations, the Company determines whether all the risks and rewards incidental to ownership of the financial asset have been substantially transferred by comparing the Company's exposure, before and after the transfer, to changes in amounts and time schedules for the net cash flows of the transferred asset.

*Impairment of financial assets*

*Debt instruments measured at amortized cost or fair value through equity*

At least at year end, the Company analyzes whether there is any objective evidence that the value of a financial asset, or group of financial assets with similar credit risk characteristics measured collectively, is impaired as a result of one or more events which have occurred following initial recognition that lead to a reduction or delay in estimated future cash flows, which may be due to insolvency of the debtor.

Should there be such evidence, the impairment loss will be calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, including any cash flows arising from execution of collateral and personal guarantees, discounted at the effective interest rate as calculated when the financial asset was initially recognized. For financial assets with variable interest rates, the effective interest rate at the annual reporting date is used as per the contractual terms. When calculating impairment losses for a group of financial assets, the Company utilizes models based on statistical formulae or methods.

Impairment losses, as well as reversals thereof when the losses decrease as a result of events occurring after their recognition, are recognized in the income statement as expenses or income, respectively. The reversal of an impairment loss is limited to the carrying amount that would have been recognized on the reversal date had the original impairment not been recognized.

The Company can substitute the present value of future cash flows with the instrument's market value, provided that it is reliable enough to be considered representative of the recoverable amount.

In the case of assets recognized at fair value through equity, accumulated losses recognized in equity due to a decrease in fair value are recognized in the income statement provided that there is objective evidence of impairment.

*Financial assets at cost*

In this case, the impairment loss corresponds to the difference between the carrying amount and the recoverable amount, deemed to be the higher of fair value less costs to sell or the present value of estimated future cash flows from the investment. For equity instruments this is calculated by either estimating the amounts to be received from dividend distributions carried out by the investee and the disposal or derecognition of the investment, or by estimating the share of cash flows expected to be generated by the investee from both its ordinary activities as well as its disposal or derecognition.

Impairment losses on investments in equity instruments are estimated on the basis of the equity of the investee, adjusted for any unrealized gains at the measurement date (net of the tax effect), unless better evidence of their recoverable amount is available.

Impairment losses and any subsequent reversals are recognized as an expense or as income, respectively, in the statement of profit or loss. Reversals of impairment losses may not result in a carrying amount that is higher than the carrying amount of the investment which would have been recognized at the reversal date had no impairment been recognized.

The Company has not classified any financial asset under this category.

*Interest income and dividends received from financial assets*

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income in the income statement. Interest is recognized using the effective interest rate method and dividends are recognized when the right to receive them is established.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because amounts have been distributed which are higher than the profits generated by the investee since acquisition, the difference is accounted for as a reduction in the carrying amount of the investment and not recognized as income. The assessment of whether profits were generated by the investee will be made exclusively taking into account the profits accounted for in the individual income statements since the acquisition date, unless there is no doubt that the distribution against said profit must be qualified as recovery of an investment from the perspective of the entity which received the dividend.

**ii. Financial liabilities**

*Classification and measurement*

At initial recognition, the Company classifies all financial liabilities under one of the following categories:

- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss.

*Financial liabilities at fair value through profit or loss*

The Company has not classified any financial liability under this category.

*Financial liabilities at amortized cost*

The Company classifies all financial liabilities under this category except when they must be measured at fair value through profit or loss.

In general, this category includes payables from commercial transactions ("trade payables") and non-commercial transactions ("other payables"). Likewise, this category also includes the loans granted to the Company by its shareholders.

Participative loans which have the characteristics of a common or ordinary loan are also included under this category without prejudice to the fact that the transaction is agreed upon at a zero interest rate or at a rate below that offered by the market.

The financial liabilities included under this category are recognized at fair value upon initial recognition, which, unless there is evidence to the contrary, is deemed the transaction price, which is in turn equivalent to the fair value of the consideration received, adjusted by any directly attributable transaction costs. In other words, these transaction costs are capitalized.

Nevertheless, trade payables falling due within one year for which there is no contractual interest rate, as well as called-up payments on shares, payment of which is expected in the short term, are carried at their nominal value when the effect of not discounting the cash flows is not significant.

They are subsequently measured at amortized cost. Accrued interest is recognized in profit or loss (finance cost) using the effective interest rate method.

Nonetheless, payables falling due within one year which in accordance with the above were initially measured at their nominal amount, will continue to be measured at that amount.

*Derecognition of financial liabilities*

The Company derecognizes a previously recognized financial liability when one of the following circumstances arise:

- The obligation has been extinguished since the debt has been settled with the creditor (via cash payment, delivery of other goods or rendering of services) or the debtor has been legally released from any related responsibilities.

- Own financial liabilities are acquired, even though the intention is to resell them in the future.

- An exchange of debt instruments is carried out between a borrower and a lender, provided that the terms agreed upon are substantially different, recognizing the new financial liability which arises. Similarly, a substantial modification to the current terms of a financial liability is recognized in the same manner as indicated for debt restructuring processes.

### *f) Cash and cash equivalents (Note 11)*

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

### *g) Corporate income tax (Note 15)*

At December 31, 2022 and 2021, Sonnedix España Finance 2, S.A. filed its tax returns under the individual regime.

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

Current income tax is the amount the Company pays as a result of the tax declarations filed with respect to taxable profit for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce tax payable.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the carrying amounts of assets and liabilities and their tax bases, as well as any unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply when the corresponding temporary differences or tax credits are expected to be realized or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those that (i) arise from the initial recognition of goodwill or other assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit (tax loss), and (ii) are associated with investments in group companies, associates, and jointly controlled entities for which the Company can control the timing of the reversal of the temporary difference and it is probable that such a reversal will not occur in the foreseeable future.

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

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

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

***h) Income and expenses (Note 17)***

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

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

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

The Company's revenue is mainly generated through the sale of electric energy produced by the photovoltaic power plants it owns.

***i) Provisions and contingencies (Note 18)***

In drawing up its annual financial statements, the Company’s sole director distinguishes between:

- Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

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

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

Provisions are measured at the present value of the best estimate possible for the expenditure required to settle or transfer the present obligation based on information available concerning the obligating event and its consequences, while changes in the carrying amounts of provisions that arise from updating them in accordance with estimates made at each reporting date are recognized as a finance expense as accrued.

***j) Environmental assets and liabilities***

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

The Company’s business, by its very nature, does not have a material impact on the environment. In sum, given the business activities performed by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the accompanying financial statements, except for those relating to the provisions described in Note 18.

***k) Transactions with related parties (Note 16)***

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

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

Assets and liabilities are classified in the balance sheet as current or non-current.

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

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

***m) Cash flow statement***

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

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

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

- Investment activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities resulting in changes in the size and composition of equity and liabilities that do not form part of operating activities.

***n) Statements of changes in equity***

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

*Statement of recognized income and expenses*

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

Accordingly, these statements present:

a) Profit as per the income statement

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

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

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

e) Total recognized income and expense, this being the sum of all the above.

Statement of total changes in equity

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

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

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

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

## 6. INTANGIBLE ASSETS

The breakdown for this heading in the balance sheet, as well as a summary of transactions carried out during 2022 and 2021, follows:

***2022***

| | Thousands of euros | | |
|---|---|---|---|
| | Beginning Balance | Additions (Note 17.e) | Closing balance |
| Cost: | | | |
| Operating rights | 36,108 | - | 36,108 |
| **Total cost** | **36,108** | **-** | **36,108** |
| Accumulated amortization: | | | |
| Operating rights | (16,825) | (4,079) | (20,904) |
| **Total accumulated amortization** | **(16,825)** | **(4,079)** | **(20,904)** |
| **Impairment losses** | **-** | **-** | **-** |
| **Total net intangible assets** | **19,283** | | **15,204** |

***2021***

| | Thousands of euros | | |
|---|---|---|---|
| | Beginning Balance | Additions (Note 17.e) | Closing balance |
| Cost: | | | |
| Operating rights | 36,108 | - | 36,108 |
| **Total cost** | **36,108** | **-** | **36,108** |
| Accumulated amortization: | | | |
| Operating rights | (12,746) | (4,079) | (16,825) |
| **Total accumulated amortization** | **(12,746)** | **(4,079)** | **(16,825)** |
| **Impairment losses** | **-** | **-** | **-** |
| **Total net intangible assets** | **23,362** | | **19,283** |

### *a) Increases, additions, and derecognitions of assets*

"Operating rights" in the accompanying balance sheet includes the net cost of the operating rights acquired from third parties via the purchase of assets or companies through business combinations in an amount of 15,204 thousand euros at December 31, 2022 (2021: 19,283 thousand euros).

### *b) Amortization and impairment losses*

None of the Company’s intangible assets still in use at 2022 and 2021 year end were fully amortized.

At December 31, 2022 and 2021, the Company assessed whether there were any external or internal indications which would make it necessary to perform an impairment test on its intangible assets. Subsequent to this analysis, the sole director of the Company considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of intangible assets or perform any related impairment tests at December 31, 2022 and 2021.

### *c) Other information*

At December 31, 2022 and 2021, there were no intangible assets encumbered by guarantees, and neither had the Company received any subsidies for the acquisition of the assets recognized.

## 7. PROPERTY, PLANT, AND EQUIPMENT

The breakdown for this heading in the balance sheet, as well as a summary of transactions carried out during 2022 and 2021, follows:

***2022***

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Derecognitions | Closing balance |
| Cost: | | | | |
| Land and buildings | 366 | - | - | 366 |
| Plant | 149,495 | 78 | (103) | 149,470 |
| **Total cost** | **149,861** | **78** | **-** | **149,836** |
| Accumulated depreciation: | | | | |
| Plant | (72,497) | (16,958) | 80 | (89,375) |
| **Total accumulated depreciation** | **(72,497)** | **(16,958)** | **80** | **(89,375)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net PP&E** | **77,364** | | | **60,461** |

***2021***

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Derecognitions | Closing balance |
| Cost: | | | | |
| Land and buildings | 366 | - | - | 366 |
| Plant | 149,428 | 67 | - | 149,495 |
| **Total cost** | **149,794** | **67** | **-** | **149,861** |
| Accumulated depreciation: | | | | |
| Plant | (55,562) | (16,935) | - | (72,497) |
| **Total accumulated depreciation** | **(55,562)** | **(16,935)** | **-** | **(72,497)** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Total net PP&E** | **94,232** | | | **77,364** |

The balance recognized under "Plant and other PP&E" in the accompanying balance sheet at December 31, 2022 reflects the cost of the photovoltaic installations disclosed in Note 1 to the accompanying financial statements, corresponding to a net carrying amount of 60,095 thousand euros (2021: 76,998 thousand euros).

In addition, "Land and buildings" reflects the cost of the land where some of the photovoltaic installations owned by the Company at 2022 and 2021 year end are located, corresponding to an amount of 366 thousand euros.

### *a) Increases, additions, and derecognitions of assets*

Additions amounting to 78 thousand euros were recognized under "Plant and other PP&E" in 2022 (2021: 67 thousand euros) in connection with the improvements carried out at some of the Company's photovoltaic power plants.

During 2022, items recognized under "Plant and other PP&E" were derecognized in the amount of 23 thousand euros, generating a loss of said amount.

### b) *Depreciation and impairment losses*

At 2022 and 2021 year end, the Company had no significant PP&E items which were fully depreciated.

At December 31, 2022 and 2021, the Company assessed whether there were any external or internal indications with respect to its PP&E which would require the performance of an impairment test. Subsequent to this analysis, the sole director of the Company considered that no such indications were detected, thus concluding that there was no need to review the carrying amounts of PP&E items or perform any related impairment tests at December 31, 2022 and 2021.

### c) *Other information*

It is the Company's policy to adequately insure its PP&E items against inherent risks. At 2022 and 2021 year end the potential risks were fully covered by the contracted insurance.

## 8. LOANS TO GROUP COMPANIES AND ASSOCIATES

The breakdown of loans to group companies and associates recognized under the non-current balance sheet heading for investments in group companies and associates at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Non-current investments in group companies and associates | | |
| Loans to companies (nominal amount) | 55,498 | 45,582 |
| Loans to companies (accrued interest pending collection) | 5,453 | 3,816 |
| | **60,951** | **49,398** |

*Loans granted to the sole shareholder*

During 2022, the Company granted two new loans to its sole shareholder for a total nominal amount of 9,917 thousand euros (2021: 8,172 thousand euros).

On July 21, 2020, Sonnedix España, S.LU. sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V. In this context, Sonnedix Holdco Spain, B.V. assumed all the debt granted by Sonnedix España Finance 2, S.A. (principal plus accrued interest) to its former sole shareholder (Sonnedix España, S.L.U.).

The aforementioned loans granted by Sonnedix España Finance 2, S.A. at December 31, 2022 and 2021, as well as their main characteristics, are broken down below:

| Borrower | Thousands of euros | | | |
|---|---|---|---|---|
| | Non-current investments in group companies and associates - Loans to companies | | | |
| | 2022 | | | |
| | Issue date | Principal | Maturity | Interest rate |
| Sonnedix Holdco Spain B.V. | 6/12/2018 | 22,963 | 6/12/2037 | 3.228% |
| Sonnedix Holdco Spain B.V. | 12/21/2018 | 266 | 12/21/2037 | 3.216% |
| Sonnedix Holdco Spain B.V. | 1/8/2019 | 500 | 1/8/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/3/2019 | 3,511 | 4/3/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/15/2019 | 448 | 4/15/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/20/2019 | 4,113 | 9/20/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 3/19/2020 | 2,416 | 3/19/2039 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/25/2020 | 3,192 | 9/25/2039 | 3.228% |
| Sonnedix Holdco Spain B.V. | 3/2/2021 | 2,701 | 3/2/2040 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/1/2021 | 5,471 | 9/1/2040 | 3.228% |
| Sonnedix Holdco Spain B.V. | 2/25/2022 | 2,799 | 2/25/2041 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/7/2022 | 7,118 | 9/7/2041 | 3.228% |
| | | **55,498** | | |
| Capitalized interest | | 645 | | |
| Accrued interest not capitalized | | 4,808 | | |
| | | **60,951** | | |

| Borrower | Thousands of euros | | | |
|---|---|---|---|---|
| | Non-current investments in group companies and associates - Loans to companies | | | |
| | 2021 | | | |
| | Issue date | Principal | Maturity | Interest rate |
| Sonnedix Holdco Spain B.V. | 6/12/2018 | 22,963 | 6/12/2037 | 3.228% |
| Sonnedix Holdco Spain B.V. | 12/21/2018 | 267 | 12/21/2037 | 3.216% |
| Sonnedix Holdco Spain B.V. | 1/8/2019 | 500 | 1/8/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/3/2019 | 3,511 | 4/3/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 4/15/2019 | 448 | 4/15/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/20/2019 | 4,113 | 9/20/2038 | 3.228% |
| Sonnedix Holdco Spain B.V. | 3/19/2020 | 2,416 | 3/19/2039 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/25/2020 | 3,192 | 9/25/2039 | 3.228% |
| Sonnedix Holdco Spain B.V. | 3/2/2021 | 2,701 | 3/2/2040 | 3.228% |
| Sonnedix Holdco Spain B.V. | 9/1/2021 | 5,471 | 9/1/2040 | 3.228% |
| | | **45,582** | | |
| Capitalized interest | | 645 | | |
| Accrued interest not capitalized | | 3,171 | | |
| | | **49,398** | | |

At December 31, 2022, the Company recognized non-current accrued interest pending collection at said date in connection with the financing granted to its sole shareholder, amounting to 5,453 thousand euros (2021: 3,816 thousand euros), given that, as stipulated in the financing contracts, said interest is payable at maturity and can be partially capitalized based on each financing contract (Notes 16 and 17.f).

## 9. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

The breakdown of financial investments (assets) at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Non-current financial instruments | Current financial instruments | Non-current financial instruments | Current financial instruments |
| Financial investments | 93 | 6,384 | 214 | 6,302 |
| | **93** | **6,384** | **214** | **6,302** |

### *Non-current financial investments*

At December 31, 2022 and 2021, Sonnedix España Finance 2, S.A. recognized long-term guarantees and security deposits for an amount of 8 thousand euros under the balance sheet heading "Non-current assets - Financial investments." Likewise, at December 31, 2022, the Company recognized a balance of 85 thousand euros under this heading (2021: 206 thousand euros), corresponding to the theoretical tax on the value of electric energy production as calculated based on the provision for deviations in the market price recognized under "Non-current liabilities - Other financial liabilities" in the accompanying balance sheet (Notes 4 and 14.3).

### *Current financial investments*

At December 31, 2022, the Company recognized an amount of 6,384 thousand euros (2021: 6,302 thousand euros) under the current balance sheet heading for financial investments, mainly corresponding to the balances held with financial entities and representing a "Debt Service Reserve Fund" and a "Maintenance Reserve Fund."

Said items represent the restricted cash balances which will be maintained by the Company in accordance with the requirements established in the framework contracts for the secured bond issues ("Limero I and II bonds") as a guarantee for payments to be made in the coming months (Note 14.1).

The aforementioned restricted accounts bear interest at market rates.

## 10. TRADE RECEIVABLES

"Trade and other receivables" in the accompanying balance sheet mainly records the amount owed as a consequence of the sale of electric energy produced by the Company's solar power plants, amounting to 626 thousand euros at December 31, 2022 (2021: 4,550 thousand euros).

At December 31, 2022 and 2021, no impairment losses were recognized for these accounts receivable.

In addition, at 2021 year end, the Company recognized a provision by reducing the balance for trade receivables by 1,007 thousand euros in connection with the temporary suspension of the tax on the value of electric energy production during the third and fourth quarters of said year (Note 4). Based on the stipulations of the fourth additional provision of Royal Decree Law 17/2021, this amount reflected the estimate for the adjustment made by the CNMC to adapt the remuneration of the specific remuneration scheme, subtracting the amounts not paid by the installations as a result of the exemption from the aforementioned tax.

## 11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying balance sheet at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Cash and cash equivalents | 8,524 | 5,429 |
| | **8,524** | **5,429** |

As a general rule, the cash balances accumulated bear interest at market rates. There are no significant restrictions for use of cash and cash equivalents apart from the restricted cash balances recognized for the projects that are already operational (Note 9).

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

## 12. FINANCIAL RISK MANAGEMENT POLICY

Sonnedix España Finance 2, S.A. manages its risks from both an economic perspective by reviewing its business plans to assess the correlation between its exposure and the present value of cash flows arising from a given investment, and also from an accounting perspective, assessing the status of its various risk exposures and any changes thereto.

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

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

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

The monitoring and control of these risks is performed periodically as described below:

### *a) Liquidity risk*

Liquidity risk is defined as the risk that a company will not be able to service its commitments as a result of adverse conditions in the debt and/or equity markets that prevent or hinder its efforts to raise capital.

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

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

### *b) Credit risk*

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

The Company mainly held accounts receivable from highly solvent companies during 2022 and 2021, such as:

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

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

  At December 31, 2022, the CNMC settled 99.24% of the specific regulated remuneration for investment and operation accrued until the month of October based on the remuneration parameters initially determined for 2022, modified by Order TED/1232/2022 (Note 4).

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

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

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

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

As established in Note 4 to the accompanying financial statements, the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenue with specific regulated remuneration, thereby allowing these technologies to compete on an equal footing with the remaining technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

## 13. EQUITY

### *a) Share capital*

Sonnedix España Finance 2, S.A. was incorporated on November 8, 2017 with subscribed share capital of 60 thousand euros, 25% of which had been paid in (that is, an amount of 15 thousand euros). The share capital is divided into 60,000 indivisible shares at a nominal value of one euro each.

On July 21, 2020, Sonnedix España, S.LU. sold all the shares of the Company to its subsidiary Sonnedix Holdco Spain, B.V., making the latter the sole shareholder of Sonnedix España Finance 2, S.A. at 2022 and 2021 year end.

At 2022 and 2021 year end, Sonnedix España, S.L.U. was the sole director of the Company. The natural person representing the sole director is Mr. Miguel Ángel García Mascuñán.

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

### *b) Other owner contributions*

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

### *c) Legal reserve*

In accordance with the revised text of the Spanish Corporate Enterprises Act, 10% of profit must be transferred to the legal reserve each year until it represents at least 20% of share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to compensate losses, provided there are no other reserves available for this purpose.

At December 31, 2022 and 2021, the Company had not fully endowed its legal reserve.

### *d) Other reserves*

On May 3, 2019, the merger by absorption of Sonnedix España Finance 2, S.A. and its subsidiaries took place (Note 1). In addition, on March 14, 2018 the reverse merger between Sonnedix España Finance 2, S.A. and Global Benengeli, S.L.U. (absorbed company) was carried out. As a result of said transactions, the Company generated negative merger reserves in the amount of 17,034 thousand euros at December 31, 2022 and 2021.

## 14. FINANCIAL LIABILITIES

The breakdown of the Company's financial liabilities at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| **Non-current financial liabilities:** | | |
| Trade and other payables: | | |
| Bonds and other marketable securities (Note 14.1) | 122,770 | 130,753 |
| *Bonds and other marketable securities (principal)* | *123,915* | *131,987* |
| *Arrangement fee (Note 17.g)* | *(1,145)* | *(1,234)* |
| Borrowings from group companies and associates - nominal (Notes 14.2 and 15) | 35,631 | 35,631 |
| Borrowings from group companies and associates - unpaid accrued interest (Notes 14.2 and 16) | 15,107 | 11,900 |
| Other financial liabilities (Note 14.3) | 3,871 | 2,941 |
| | **177,379** | **181,225** |
| **Current financial liabilities:** | | |
| Trade and other payables: | | |
| Bonds and other marketable securities (Note 14.1) | 8,072 | 7,800 |
| Suppliers | 47 | 86 |
| Other payables (Note 14.4) | 201 | 235 |
| Trade payables to group companies and associates (Note 16) | 39 | 82 |
| | **8,359** | **8,203** |

### *14.1 Bonds and other marketable securities*

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

In addition, on December 11, 2018 Sonnedix España Finance 2, S.A. agreed upon a new issue of secured bonds ("Limero II") to refinance the existing debt of the subsidiary Vela Energy SPV XVI, S.L. (Olmeda project).

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

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

The interest accrued on the financing received from the Limero I and II Bonds during 2022 amounted to 4,448 thousand euros (2021: 4,693 thousand euros). In both years said amounts were fully settled at December 31, so that the Company did not recognize accrued interest pending payment at 2022 and 2021 year end (Note 17.g). Likewise, during 2022 the Company amortized principal on the Limero I and II Bonds in an amount of 7,800 thousand euros (2021: 7,515 thousand euros).

The bond issue deeds establish early repayment clauses in the event of any non-payment, unless said non-payment is attributable to administrative causes and payment is made within 3 business days following the due date. Early repayment can also be triggered if the debt service coverage ratio falls below 1.05x or the original financial model is not maintained for preparing the calculations and projections in accordance with the signed contract, provided there is no other prior consent regarding the matter.

During 2022 and 2021, Sonnedix España Finance 2, S.A. complied with the minimum financial ratios established in the bond issue contract.

Finally, the breakdown by maturity of financial debt at December 31, 2022 and 2021 is as follows:

***2022***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 and beyond | Total |
| Principal | 8,072 | 8,320 | 8,539 | 8,618 | 8,654 | 89,784 | 131,987 |
| | **8,072** | **8,320** | **8,539** | **8,618** | **8,654** | **89,784** | **131,987** |

***2021***

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and beyond | Total |
| Principal | 7,800 | 8,072 | 8,320 | 8,539 | 8,618 | 98,438 | 139,787 |
| | **7,800** | **8,072** | **8,320** | **8,539** | **8,618** | **98,438** | **139,787** |

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

Borrowings from Sonnedix Holdco Spain B.V.

On July 21, 2020, Sonnedix B.V. contributed all the debt granted to the Company until that date (principal plus unpaid accrued interest) to Sonnedix España, S.L.U.

On the same date, and in the context of the purchase-sale of all the Company's shares by Sonnedix Holdco Spain, B.V., Sonnedix España, S.L.U. contributed all of the debt (principal plus interest) granted to Sonnedix España Finance 2, S.A. until said date to the new sole shareholder, with the latter becoming the counterparty for said debt at December 31, 2022 and 2021.

The breakdown of the Company's non-current borrowings from group companies and associates by photovoltaic project at December 31 is as follows:

***2022***

| Item | Project | Thousands of euros | | |
|---|---|---|---|---|
| | | Non-current subordinated borrowings from group companies and associates | | |
| | | Principal | Maturity | Interest rate |
| Subordinated loan | Madrigal | 1,852 | 12/31/2032 | 9% |
| Subordinated loan | Portichuelo and Ollería | 4,682 | 12/31/2032 | 9% |
| Participative loan | Portichuelo and Ollería | 700 | 12/31/2032 | 9% |
| Subordinated loan | Olivenza | 1,205 | 12/31/2025 | 9% |
| Subordinated loan | Puig | 1,219 | 12/31/2032 | 9% |
| Participative loan | Hinojosa del Valle | 3,595 | 12/31/2032 | 9% |
| Participative loan | Pozohondo | 2,856 | 2/4/2028 | 9% |
| Participative loan | Los Hinojosos | 1,259 | 7/16/2028 | 9% |
| Participative loan | Alange | 12,003 | 6/13/2028 | 9% |
| Subordinated loan | Olmeda | 4,333 | 12/31/2038 | 9% |
| Subordinated loan | Pinos | 949 | 8/13/2030 | 9% |
| Subordinated loan | Elices | 978 | 12/1/2030 | 9% |
| | | **35,631** | | |

***2021***

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

In addition, at December 31, 2022, the Company recognized unpaid accrued interest under non-current liabilities in connection with the financing granted by Sonnedix Holdco Spain, B.V., amounting to 15,107 thousand euros (2021: 11,900 thousand euros) (Note 16).

### *14.3 Other non-current financial liabilities*

Article 22 of Royal Decree 413/204 establishes the mechanism for adjusting regulated remuneration in connection with deviations from the estimated electricity market prices (Note 4).

By virtue of said article, at December 31, 2022 the Company recognized a balance of 3,871 thousand euros under "Other financial liabilities" in the accompanying balance sheet (2021: 2,941 thousand euros), corresponding to the adjustment for receivable remuneration, which will be compensated over the remaining regulatory useful life of the assets. Said amount arises from the difference between the market price estimated by the CNMC for calculating the remuneration parameters for each regulatory half-period and the real market price of energy. The Company has decided to recognize the entire amount under non-current liabilities in the balance sheet as the amount to be settled in the short term is not material and the final amount will be determined at the end of the regulatory useful life of each installation.

### *14.4 Other payables*

At December 31, 2022, the Company recognized an amount of 201 thousand euros (2021: 235 thousand euros) under "Trade and other payables - Other payables" in the accompanying balance sheet, mainly corresponding to the amounts pending payment to third parties in connection with advisory services received for tax, technical, and legal matters, including audit fees.

### 14.5 Information on average payment periods for suppliers

The Company reports that the average supplier payment periods for 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| | Days | |
| Average supplier payment period | 28 | 35 |
| Ratio of transactions paid | 28 | 36 |
| Ratio of transactions pending payment | 30 | 1 |
| | Amount (Thousands of euros) | |
| Total payments made | 2,690 | 2,537 |
| Total pending payments | - | 82 |
| Monetary volume of invoices paid within the maximum period allowed for by late payment regulations | 1,468 | 1,542 |
| Percentage of payments made within the maximum period over total payments made | 55% | 61% |
| | Number of invoices | |
| Invoices paid within the maximum period established in late payment regulations | 259 | 602 |
| Percentage over total invoicing | 74% | 76% |

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

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

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

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

The maximum legal payment period applicable to the Company in 2022 and 2021 in accordance with Law 3/2004 of December 29, establishing measures on combating late payment in commercial transactions, is 30 natural days unless otherwise agreed upon by the involved parties, who can also choose to increase said period to 60 natural days.

## 15. PUBLIC ADMINISTRATIONS AND TAX MATTERS

### *15.1 Balances with public administrations*

The breakdown of balances with public administrations at December 31, 2022 and 2021, is as follows:

**Receivable from public administrations**

***2022***

| | Thousands of euros | |
|---|---|---|
| | 2022 | |
| | Non-current | Current |
| Deferred tax assets | 26,493 | - |
| Other receivables from public administrations | - | 38 |
| | **26,493** | **38** |

***2021***

| | Thousands of euros | |
|---|---|---|
| | 2021 | |
| | Non-current | Current |
| Deferred tax assets | 27,466 | - |
| Other receivables from public administrations | - | 38 |
| | **27,466** | **38** |

**Payable to public administrations**

***2022***

| | Thousands of euros | |
|---|---|---|
| | 2022 | |
| | Non-current | Current |
| Deferred tax liabilities | 11,818 | - |
| VAT payable to the tax authorities | - | 479 |
| Tax payable to the tax authorities on TVEEP (*) | - | 32 |
| Corporate income tax payable to the tax authorities | - | 192 |
| Other payables to public administrations | - | 16 |
| | **11,818** | **719** |

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

***2021***

| | Thousands of euros | |
|---|---|---|
| | 2021 | |
| | Non-current | Current |
| Deferred tax liabilities | 15,204 | - |
| VAT payable to the tax authorities | - | 462 |
| Tax payable to the tax authorities on TVEEP (*) | - | 32 |
| Corporate income tax payable to the tax authorities | - | 144 |
| Other payables to public administrations | - | 16 |
| | **15,204** | **654** |

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

### *15.2 Calculation of taxable income for the Company (tax result)*

The reconciliation of accounting profit for the year before taxes with taxable income for 2022 and 2021 is as follows:

***2022***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(6,086)** | **(6,086)** |
| **Permanent differences:** | | | |
| Non-deductible expenses | - | - | - |
| **Temporary differences:** | | | |
| Application of non-deductible amortization/depreciation 2013-2014 | - | (27) | (27) |
| Non-deductible amortization of operating rights | 3,960 | - | 3,960 |
| Accelerated tax amortization/depreciation | 9,583 | - | 9,583 |
| Non-deductible finance expenses | - | (222) | (222) |
| Application of tax loss carryforwards recognized in prior years | - | (3,641) | (3,641) |
| **Taxable income (Tax result)** | **13,543** | **(9,976)** | **3,567** |

***2021***

| | Thousands of euros | | |
|---|---|---|---|
| | Increases | Decreases | Total |
| **Pre-tax accounting profit** | **-** | **(8,685)** | **(8,685)** |
| **Permanent differences:** | | | |
| Non-deductible expenses | 2 | - | 2 |
| **Temporary differences:** | | | |
| Application of non-deductible amortization/depreciation 2013-2014 | - | (27) | (27) |
| Non-deductible amortization of operating rights | 3,960 | - | 3,960 |
| Accelerated tax amortization/depreciation | 9,583 | - | 9,583 |
| Non-deductible finance expenses | 965 | - | 965 |
| Application of tax loss carryforwards recognized in prior years | - | (2,899) | (2,899) |
| **Taxable income (Tax result)** | **14,510** | **(11,611)** | **2,899** |

The temporary differences recognized correspond to the following:

- Non-deductible amortization of goodwill assigned to intangible assets with a defined useful life (operating rights) which generated a positive temporary difference amounting to 3,960 thousand in 2022 and 2021.

- The limitations to deductibility of amortization/depreciation arising from approval on December 27, 2012 of Royal Decree Law 16/2012, introducing a temporary measure, which limits tax deductible amortization/depreciation for the 2013 and 2014 tax periods, for those entities which, during said tax periods, do not fulfill the requirements established in sections 1, 2 or 3 of article 108 of the revised text of the Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of March 5. In accordance with said regulation, up to 70% of the amortization/depreciation will be deducted from the tax base that would have been tax deductible had that percentage not applied, in accordance with sections 1 and 4 of article 11 of said law. Accounting amortization and depreciation that is not tax deductible by virtue of the provisions established in said article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset, counted from the first tax period commencing during 2015. The related negative temporary difference recognized by the Company during 2022 and 2021 amounted to 27 thousand euros.

- The limitations to deductibility of finance expenses included in Royal Decree Law 12/2012, of March 30, subsequently modified by Royal Decree Law 20/2012, which established a limit to deductible finance expenses amounting to 30% of operating profit for the period (defined in the aforementioned Royal Decree Law: basically the accounting operating profit increased by the recognized amortization/depreciation as well as impairment losses and other gains (losses) obtained on disposals of assets) or one million euros. At any rate, the first million euros will always be tax deductible. The Company recognized a negative adjustment to taxable income as a result of the above in 2022, amounting to 222 thousand euros (2021: a positive adjustment of 965 thousand euros).

- The accelerated tax amortization/depreciation which the Company availed itself of by virtue of the stipulations of Law 4/2008 of December 23. During 2022 and 2021 the Company recognized a positive adjustment to taxable income as a result of the aforementioned item, amounting to 9,583 thousand euros.

- The application of tax losses generated in prior years by the Company. The Company recognized a negative adjustment to taxable income as a result of the above in 2022, amounting to 3,641 thousand euros (2021: 2,899 thousand euros).

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

The reconciliation of tax results and corporate income tax expense for 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| **Accounting profit before tax** | **(6,086)** | **(8,685)** |
| **Permanent differences** | **-** | **2** |
| *Temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (27) | (27) |
| Non-deductible amortization of operating rights | 3,960 | 3,960 |
| Accelerated tax amortization/depreciation | 9,583 | 9,583 |
| Non-deductible finance expenses | (222) | 965 |
| Application of tax loss carryforwards recognized in prior years | (3,641) | (2,899) |
| **Taxable income (Tax result)** | **3,567** | **2,899** |
| **Theoretical tax rate calculated at 25%** | **(892)** | **(725)** |
| **Application of deductions (not recognized)** | **225** | **181** |
| **Tax payable** | **(667)** | **(544)** |
| *Impact of temporary differences:* | | |
| Application of non-deductible amortization/depreciation 2013-2014 | (7) | (7) |
| Non-deductible amortization of operating rights | 990 | 990 |
| Accelerated tax amortization/depreciation | 2,396 | 2,396 |
| Non-deductible finance expenses | (56) | 241 |
| Application of tax loss carryforwards recognized in prior years | (910) | (725) |
| **Total income (expense) for corporate income tax** | **1,746** | **2,351** |

As the operating rights which arose as a consequence of assigning the value of goodwill generated in the business combinations which took place in prior years in the investees are not tax deductible, the Company adjusts the amortization/depreciation carried out in their forecasting of corporate income tax. This also results in the Company recognizing deferred tax liabilities for the difference between the accounting value and tax value of the assets in question. The deferred tax recognized in this context amounted to 3,552 thousand euros at December 31, 2022 (2021: 4,542 thousand euros).

The corporate income tax rate applied for calculation of tax payable in 2022 and 2021 was 25%.

### *15.4 Deferred tax assets and liabilities*

The breakdown of these balance sheet headings at 2022 and 2021 year end is as follows:

#### *Deferred tax assets*

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Tax losses pending application | 19,310 | 20,220 |
| Non-deductible amortization/depreciation | 127 | 134 |
| Non-deductible finance expenses | 7,001 | 7,057 |
| Deductions for environmental expenditure | 55 | 55 |
| | **26,493** | **27,466** |

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

The movements in the deferred tax assets described above during 2022 are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | Additions | Derecognitions | 2022 |
| Tax losses pending application | 20,220 | - | (910) | 19,310 |
| Non-deductible amortization/depreciation | 134 | - | (7) | 127 |
| Non-deductible finance expenses | 7,057 | - | (56) | 7,001 |
| Deductions for environmental expenditure | 55 | - | - | 55 |
| **Total deferred tax assets** | **27,466** | **-** | **(973)** | **26,493** |

The movements in the deferred tax assets recognized by the Company in 2021 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | Additions | Derecognitions | 2021 |
| Tax losses pending application | 20,945 | - | (725) | 20,220 |
| Non-deductible amortization/depreciation | 141 | - | (7) | 134 |
| Non-deductible finance expenses | 6,816 | 241 | - | 7,057 |
| Deductions for environmental expenditure | 55 | - | - | 55 |
| **Total deferred tax assets** | **27,957** | **241** | **(732)** | **27,466** |

***Deferred tax liabilities***

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Accelerated tax amortization/depreciation | 8,266 | 10,662 |
| Temporary differences (operating rights) | 3,552 | 4,542 |
| | **11,818** | **15,204** |

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

- The deferred tax recognized as a consequence of assigning the difference between the amount paid for the acquisitions carried out and the net assets acquired, recognized as a greater amount for intangible assets with a defined useful life (operating rights; Note 6). The reversal of said deferred tax liability will be carried out during the useful life of the assets associated with the operating rights. At December 31, 2022, the amount recognized for this item in the balance sheet amounts to 3,552 thousand euros (2021: 4,542 thousand euros).

- The amounts recognized as a consequence of the applicability of accelerated tax amortization/depreciation which the Company availed itself of, specifically, in connection with the photovoltaic projects of Pozohondo, Los Hinojosos, Alange, Portichuelo, and Olmeda. At December 31, 2022, the amount recognized for this item in the balance sheet amounts to 8,266 thousand euros (2021: 10,662 thousand euros).

The movements in the deferred tax liabilities described above during 2022 are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | Additions | Derecognitions | 2022 |
| Accelerated tax amortization/depreciation | 10,662 | - | (2,396) | 8,266 |
| Temporary differences (operating rights) | 4,542 | - | (990) | 3,552 |
| **Total deferred tax liabilities** | **15,204** | **-** | **(3,386)** | **11,818** |

The movements in deferred tax liabilities during 2021 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | Additions | Derecognitions | 2021 |
| Accelerated tax amortization/depreciation | 13,058 | - | (2,396) | 10,662 |
| Temporary differences (operating rights) | 5,532 | - | (990) | 4,542 |
| **Total deferred tax liabilities** | **18,590** | **-** | **(3,386)** | **15,204** |

**Years open to tax verification and inspections**

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

## 16. TRANSACTIONS WITH RELATED PARTIES

***Related party transactions***

The breakdown of transactions performed with related parties during 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | |
| | Sole shareholder | Other related parties |
| Cost of sales (Note 17.c) | - | (1,503) |
| Finance income from group companies and associates (Note 17.f) | 1,637 | - |
| Finance costs with group companies and associates (Note 17.g) | (3,207) | - |

| | Thousands of euros | |
|---|---|---|
| | 2021 | |
| | Sole shareholder | Other related parties |
| Cost of sales (Note 17.c) | - | (1,472) |
| Finance income from group companies and associates (Note 17.f) | 1,356 | - |
| Finance costs with group companies and associates (Note 17.g) | (3,207) | - |

***Balances with related parties***

The breakdown of the balances held with related parties at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | |
| | Sole shareholder | Other related parties |
| Non-current loans to group companies and associates (Note 8) | 60,951 | - |
| | **60,951** | **-** |
| Non-current borrowings from Group companies and associates - principal (Note 14.2) | 35,631 | - |
| Non-current borrowings from Group companies and associates - interest (Note 14.2) | 15,107 | - |
| Trade payables to group companies and associates (Note 14) | - | 39 |
| | **50,738** | **39** |

| | Thousands of euros | |
|---|---|---|
| | 2021 | |
| | Sole shareholder | Other related parties |
| Non-current loans to group companies and associates (Note 8) | 49,398 | - |
| | **49,398** | **-** |
| Non-current borrowings from Group companies and associates - principal (Note 14.2) | 35,631 | - |
| Non-current borrowings from Group companies and associates - interest (Note 14.2) | 11,900 | - |
| Trade payables to group companies and associates (Note 14) | - | 82 |
| | **47,531** | **82** |

## 17. INCOME AND EXPENSE

### a) *Revenue*

Revenue for 2022 amounted to 23,363 thousand euros (2021: 22,764 thousand euros), entirely corresponding to the sale of energy produced at the different operational photovoltaic solar power plants.

The breakdown of this heading in the accompanying income statement at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Income from sale of energy | 24,293 | 25,705 |
| Remuneration adjustment (Note 14.3) | (930) | (2,941) |
| | **23,363** | **22,764** |

The Company does not present segmented information by business line given that at 2022 and 2021 year end it only had a single business line, the production of energy at its photovoltaic power plants in Spain.

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

No purchases were made outside Spanish territory during 2019.

### c) *Cost of sales*

This heading in the accompanying income statement presents a balance of 1,741 thousand euros at 2022 year end (2021: 1,576 thousand euros), mainly corresponding to work performed by the related party Sonnedix España Services, S.L. for operating and maintaining the Company's photovoltaic installations (Note 16).

### d) *Other operating expenses*

The breakdown of balances recognized under "Other operating expenses" in the accompanying income statement for 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Rent | 386 | 363 |
| Independent professional services | 36 | 93 |
| Repairs | 42 | 47 |
| Insurance | - | 1 |
| Other taxes | 99 | 1,723 |
| | **563** | **2,227** |

The Company recognizes the lease installments payable for the land where the photovoltaic installations are located and which is not held in ownership under "Rent." The cost of these lease agreements during 2022 amounted to 386 thousand euros (2021: 363 thousand euros).

Future minimum non-cancelable payments for said leasing agreements at December 31, 2022 and 2021 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Within one year | 335 | 355 |
| Between one and five years | 1,421 | 1,421 |
| More than five years | 5,465 | 5,800 |
| | **7,221** | **7,576** |

During 2022, "Independent professional services" in the accompanying income statement includes an expense of 36 thousand euros (2021: 93 thousand euros), mainly corresponding to the cost of advisory services received by Sonnedix España Finance 2, S.A. for legal, tax, and technical matters, including the fees for audit services.

As explained in Note 4, at December 31, 2022 payment of the amount accrued in connection with this tax on electric energy produced during 2022 was suspended, based on the stipulations of Royal Decree Law 17/2021, of

September 14, on urgent measures for mitigating the impact of increased natural gas prices in the gas and electricity retail markets.

### *e) Depreciation and amortization allowances*

The breakdown of this heading in the accompanying income statement at December 31, 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Amortization allowance for intangible assets (Note 6) | 4,079 | 4,079 |
| Depreciation allowance for PP&E (Note 7) | 16,958 | 16,935 |
| | **21,037** | **21,014** |

### *f) Finance income*

Finance income from group companies and associates corresponds entirely to interest accrued by the Company on the financing granted to its sole shareholder, amounting to 1,637 thousand euros in 2022 (2021: 1,356 thousand euros) (Note 16).

### *g) Finance costs*

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

| | Thousands of euros | |
|---|---|---|
| | 2022 | 2021 |
| Finance costs for bonds and other marketable securities | 4,541 | 4,786 |
| Finance costs with Group companies and associates | 3,207 | 3,207 |
| Other finance costs | 27 | 26 |
| | **7,775** | **8,019** |

*Finance costs for bonds and other marketable securities*

Finance expenses for bonds and other marketable securities correspond to the interest accrued on the financing obtained from the issue of the Limero I and Limero II secured bonds, amounting to 4,448 thousand euros in 2022 (2021: 4,693 thousand euros) (Note 14.1).

In addition, this heading in the accompanying income statement for 2022 reflects the finance expense amounting to 89 thousand euros, corresponding to the accrued arrangement fees relating to the secured bonds (2021: 93 thousand euros) (Note 14.1).

*Finance costs with Group companies and associates*

Finance expenses with group companies and associates recognized during 2022 by Sonnedix España Finance 2, S.A. correspond to the interest accrued on the financing received from the sole shareholder, amounting to 3,207 thousand euros (2021: 3,207 thousand euros) (Notes 14.2 and 16).

*Other finance costs*

Finally, "Other finance costs" in the accompanying income statement includes a balance of 27 thousand euros in 2022 (2021: 26 thousand euros), corresponding to the finance expenses accrued during the year as a result of discounting the dismantling provisions for some of the solar parks (Note 18).

## 18. PROVISIONS

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

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

The provision recognized by the Company for some of these photovoltaic installations in the accompanying balance sheet amounts to 836 thousand euros at December 31, 2022 (2021: 809 thousand euros). This provision does not represent an outflow of cash resources until the useful life of each photovoltaic installation affected finalizes.

At each reporting date, the provision is restated at its present value, recognizing the corresponding adjustments as a finance expense as accrued (Note 17.g).

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

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

The Company's sole director did not report any potential direct or indirect conflict of interest between it or persons related to it, as defined in Spain's Corporate Enterprises Act, and the Company at either 2022 or 2021 year end.

***Remuneration and other benefits for Senior Management and the Sole Director***

The Company did not recognize any amount whatsoever in 2022 or 2021 in respect of wages or salaries paid to the Company's sole director or senior management. The functions and duties of the Company's senior management were assumed by the sole director in 2022 and 2021.

Moreover, at 2022 and 2021 year end, the Company had not contracted any obligations relating to pensions, life insurance, or civil liability insurance on behalf of its sole director. Neither had it granted any loans, advances, or guarantees of any kind on behalf of the sole director.

## 20. AUDITOR FEES

The breakdown of fees paid for audit and other services provided by the Company's auditor of accounts, Ernst & Young, S.L., during 2022 and 2021 is as follows:

| | Thousands of euros | |
|---|---|---|
| | Services provided by the main auditor | |
| Description | 2022 | 2021 |
| Audit services | 30 | 40 |
| **Total audit and related services** | **30** | **40** |
| | **30** | **40** |

## 21. EVENTS AFTER THE REPORTING DATE

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

## 22. EXPLANATION TO THE TRANSLATION TO ENGLISH

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

## Sonnedix España Finance 2, S.A.

Management report for the year ended December 31, 2022

### 1. Economic data of the Company

Operating results for 2022 presented a profit of 52 thousand euros (2021: 2,022 thousand euros of losses), while revenue amounted to 23,363 thousand euros (2021: 22,764 thousand euros). Thus, the Company reported losses for the year amounting to 4,349 thousand euros (2021: 6,334 thousand euros).

The Company will continue operating the solar power plants described in Note 1 to the accompanying financial statements for the coming years.

### 2. Main business risks

The main risk to which the Company's business activities are exposed relates to the possibility of regulatory changes which may arise in the different markets where it is present. To the extent that the Company pursues its activities in developed economies with legal security, it can manage said risk and does not anticipate any relevant matters which could significantly affect its equity in the future.

Apart from this, the Company is not exposed to any other significant risks, given that the critical variables for its business (sales price for energy and installation rental costs) are known and have been agreed upon contractually, so that performance of the Company during the period it operates photovoltaic installations basically depends on the amount of daylight hours permitting the generation of electric energy.

### 3. Business outlook

The Company's strategic objective for 2023 is based on continuing the operation of its photovoltaic projects in the most efficient manner possible so as to maximize value.

### 4. Significant events for the Company after the reporting period

No additional significant matters arose other than those disclosed in Note 21 to the accompanying financial statements.

### 5. Research and development activities

The Company did not perform any R&D activities during either 2022 or 2021.

### 6. Acquisition of treasury shares

During 2022 and 2021, the Company did not carry out any transactions with treasury shares and neither did it hold any treasury shares at 2022 or 2021 year end.

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

AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 TOGETHER WITH THE MANAGEMENT REPORT

Authorization by the sole director of the Parent

The accompanying financial statements (comprised of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and notes thereto) for the year ended December 31, 2022, were authorized for issue together with the corresponding management report for the year ended December 31, 2022 by the natural person representing the sole director on March 31, 2023. The accompanying financial statements and management report are set forth on 41 pages, from page 1 to 41.

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Mr. Miguel Ángel García Mascuñán
In representation of Sonnedix España, S.L.