

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, 2021

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, 2021, 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, 2021 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.

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 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our 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 2021 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 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)

March 31, 2022

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

Financial Statements and Management Report
for the year ended
December 31, 2021

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

BALANCE SHEET AT DECEMBER 31, 2021

(Thousands of euros)

ASSETS			Notes	2021	2020	EQUITY AND LIABILITIES			Notes	2021	2020
NON-CURRENT ASSETS				173,725	185,429	EQUITY			13	(15,969)	(9,635)
Intangible assets	6	19,283	23,362	19,283	23,362	CAPITAL AND RESERVES				(15,969)	(9,635)
Operating rights		19,283	23,362	19,283	23,362	Share capital				60	60
Property, plant, and equipment	7	77,364	94,232	77,364	94,232	Issued capital				60	60
Land and buildings		366	366	366	366	Reserves				(17,034)	(17,034)
Plant and other PP&E		76,998	93,866	76,998	93,866	Other reserves				(17,034)	(17,034)
Investments in group companies and associates	8 and 16	49,398	39,870	49,398	39,870	Retained earnings				(14,403)	(6,728)
Loans to companies		49,398	39,870	49,398	39,870	Prior year losses				(14,403)	(6,728)
Financial investments	9	214	8	214	8	Other owner contributions				21,742	21,742
Other financial assets		214	8	214	8	Profit (loss) for the year				(6,334)	(7,675)
Deferred tax assets	15	27,466	27,957	27,466	27,957						
						NON-CURRENT LIABILITIES				197,238	202,166
						Provisions			18	809	784
						Borrowings			14.1	133,694	138,465
						Bonds and other marketable securities				130,753	138,465
						Other financial liabilities			14.3	2,941	-
						Borrowings from group companies and associates			14.2 and 16	47,531	44,327
						Deferred tax liabilities			15	15,204	18,590
CURRENT ASSETS				16,401	16,775	CURRENT LIABILITIES				8,857	9,673
Inventories		40	42	40	42	Borrowings			14.1	7,800	7,515
Trade and other receivables		4,595	5,582	4,595	5,582	Bonds and other marketable securities				7,800	7,515
Trade receivables		4,550	5,566	4,550	5,566	Trade and other payables				1,057	2,158
Other receivables	10	7	7	7	7	Suppliers			14	86	104
Other receivables from public administrations		38	9	38	9	Other payables			14.4	235	156
Financial investments	9	6,302	6,218	6,302	6,218	Trade payables to group companies and associates			14 and 16	82	72
Accruals		35	15	35	15	Current income tax liabilities			15	144	463
Cash and cash equivalents	11	5,429	4,918	5,429	4,918	Other payables to public administrations			15	510	1,363
TOTAL ASSETS		190,126	202,204	190,126	202,204	TOTAL EQUITY AND LIABILITIES				190,126	202,204

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

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

INCOME STATEMENT FOR 2021

(Thousands of euros)

	Notes	2021	2020
CONTINUING OPERATIONS			
Revenue	17.a	22,764	21,457
Income from sale of energy		22,764	21,451
Rendering of services		-	6
Cost of sales	17.c	(1,576)	(1,531)
Subcontracted work		(1,576)	(1,531)
Other operating income		33	-
Other operating expenses	17.d	(2,227)	(2,163)
External services		(504)	(536)
Other taxes		(1,723)	(1,627)
Depreciation and amortization	17.e	(21,014)	(21,010)
Other gains (losses)		(2)	-
OPERATING PROFIT		(2,022)	(3,247)
Finance income	17.f	1,356	1,139
From loans to group companies and associates		1,356	1,139
Finance costs	17.g	(8,019)	(8,332)
Borrowings from group companies and associates		(3,207)	(3,218)
Bonds and other marketable securities		(4,786)	(5,069)
Other finance costs		(26)	(45)
FINANCE COST		(6,663)	(7,193)
PROFIT BEFORE TAX		(8,685)	(10,440)
Corporate income tax	15	2,351	2,765
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(6,334)	(7,675)
PROFIT FOR THE YEAR		(6,334)	(7,675)

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021
(Thousands of euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	Notes	2021	2020
PROFIT (LOSS) FOR THE YEAR (I)		(6,334)	(7,675)
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)		(6,334)	(7,675)

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 JANUARY 1, 2020	60	(17,034)	(19)	21,742	(6,709)	(1,960)
Total recognized income and expense	-	-	-	-	(7,675)	(7,675)
Other changes in equity	-	-	(6,709)	-	6,709	-
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)

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

Sonnedit España Finance 2, S.A. (Sole Shareholder Company)
CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Thousands of euros)

	Notes	Financial Year 2021	Financial Year 2020
CASH FLOWS FROM OPERATING ACTIVITIES		16,198	13,898
Profit before tax		(8,685)	(10,440)
Adjustments to profit:		27,677	28,203
- Depreciation and amortization	17.e	21,014	21,010
- Finance income	17.f	(1,356)	(1,139)
- Finance costs	17.g	8,019	8,332
Changes in working capital		2,838	1,167
- Inventories		2	2
- Trade and other receivables		987	1,664
- Trade and other payables		(782)	(412)
- Other current assets and liabilities		(104)	(87)
- Other non-current assets and liabilities		2,735	-
Other cash flows from operating activities		(5,632)	(5,032)
- Interest and commissions paid		(4,714)	(4,929)
- Income tax payments and receipts		(918)	(103)
CASH FLOWS FROM INVESTING ACTIVITIES		(8,172)	(5,608)
Payments on investments (-)		(8,172)	(5,608)
- Group companies and associates	8	(8,172)	(5,608)
CASH FLOWS FROM FINANCING ACTIVITIES		(7,515)	(7,247)
Proceeds from and payments of financial liabilities		(7,515)	(7,247)
- Repayment and redemption of:			
Bonds and other marketable securities (-)	14.1	(7,515)	(7,247)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		511	1,043
Cash and cash equivalents at January 1	11	4,918	3,875
Cash and cash equivalents at December 31	11	5,429	4,918

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

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

Notes to the financial statements for the year ended December 31, 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 2021 and 2020 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, 2021 and 2020, 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 2020 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 said 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, 2021 and 2020 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'Ollería (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. Spanish GAAP enacted by Royal Decree 1514/2007, of November 16, as amended in 2016 by Royal Decree 602/2016, of December 2, and its sector adaptations, specifically including the provisions contained in Royal Decree 437/1998, of March 20, enacting the rules for adapting Spanish GAAP to electric sector enterprises;
- 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 5 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") 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 2021 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, 2021 the sole shareholder of Sonnedix España Finance 2, S.A. approved the financial statements for 2020, 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 2021 and 2020.

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 2021 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 2021 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, 2021, the Company presented negative equity amounting to 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, 2021 and 2020, and granted by its sole shareholder (Sonnedix Holdco Spain, B.V.) in the amount of 19,713 thousand euros (Notes 14.2 and 16), 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 2021 and 2020 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 7,544 thousand euros at December 31, 2021 (2020: 7,102 thousand euros), thus ensuring sufficient liquidity to meet its short term commitments. In addition, the Company's operating activities during 2021 generated a positive cash balance of 16,265 thousand euros (2020: 13,898 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 2021 year end.

3. APPROPRIATION OF PROFIT

The sole director of Sonnedix España Finance 2, S.A. presented the following proposal for appropriation of 2021 profit:

	Thousands of euros
	2021
Basis of appropriation: Profit (loss) for the year	(6,334)
Appropriation to: Prior year losses	(6,334)

The appropriation of profit for 2020 (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 7,675 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 2020 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 Electricity Sector Act is designed to establish regulation of the electricity sector for the purpose of guaranteeing electricity supply and adapting it to the needs of consumers in terms of security, quality, efficiency, objectivity, transparency, and minimum cost.

The law states 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 revenues with a specific regulated remuneration allowing these technologies to 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.

Reasonable return is defined as the profit generated on a project, calculated, before taxes, based on the average yield in the secondary market of Spanish 10-year bonds and applying the appropriate spread.

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 413/2014, Order IET/1045/2014, and Order ETU/130/2017

On June 6, 2014, Royal Decree 413/2014 was published, regulating the production of electric energy from renewable energy sources, cogeneration, and waste. Subsequently, on June 20, 2014, Order IET/1045/2014, of June 16, approving the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste, was published.

On February 17, 2017, Order ETU/130/2017 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, 2017.

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.

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 September 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.

Based on the above, and taking the high market prices during the second half of 2021 into account, the Company recognized a balance of 2,941 thousand euros under "Non-current liabilities - 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 the regulatory half-periods 2020-2022 (Note 14.3).

The remuneration parameters applicable to the Company's installations are as follows:

Facility	Standard facility code	Regulatory useful life (years)	Investment remuneration 2021 (€/MW)	Operation remuneration 2020 (€/MW)	Operation remuneration 2021 (€/MW)	Operation remuneration 2022 (€/MW)
Olmeda	IT-20062	30	498,613	20.682	23.835	28.039
Madrigal	IT-20058	30	660,747	24.012	27.204	31.448
Portichuelo	IT-00062	30	510,145	21.225	24.381	28.587
Ollería	IT-00062	30	510,145	21.225	24.381	28.587
Olivenza	IT-00047	30	551,748	23.990	27.164	31.388
Puig	IT-00078	30	594,240	25.990	29.174	33.409
Hinojosa del Valle	IT-20522	30	409,658	13.887	17.025	21.215
Pinos	IT-00437	30	307,122	11.522	14.629	18.788
Elices	IT-00441	30	315,279	11.906	15.015	19.175
Pozohondo	IT-20065	30	572,580	20.393	23.565	27.789
Los Hinojosos I	IT-20047	30	539,733	23.425	26.596	30.817
Los Hinojosos II	IT-20057	30	663,512	24.113	27.305	31.550
La Puebla	IT-20058	30	660,747	24.012	27.204	31.448
Alange	IT-20087	30	613,334	21.897	25.077	29.308

Order TED/668/2020

On July 17, 2020 Order TED/668/2020 was published, by virtue of which the remuneration parameters for the years 2018 and 2019 were modified as a consequence of the eighth additional provision of Royal Decree Law 15/2018, of October 5.

Specifically, said Ministerial Order modified both the investment remuneration applicable for all of 2018 and 2019 as well as the operation remuneration corresponding to the last quarter of 2018 and the first quarter of 2019.

The National Markets and Competition Commission ("CNMC" in its Spanish acronym), as the body responsible for settlements and with a view to adapting the remuneration of the specific remuneration scheme to the modified remuneration parameters established in said order, settled the resulting amounts for each of the installations affected by said modification in the following manner:

- a) The economic adjustments which resulted from applying the parameters of the specific remuneration scheme for 2018 were made in the settlement for energy produced in September 2020.
- b) The economic adjustments which resulted from applying the parameters of the specific remuneration scheme for 2019 were made in an extraordinary settlement together with the corresponding settlement for energy generated in July 2020, and were included in the definitive settlement or closing of 2019.

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.

Likewise, on September 15, 2021 the BOE published Royal Decree Law 17/2021, on urgent measures for mitigating the impact of natural gas price increases in the retail markets for gas and electricity. Said Royal Decree Laws establish 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 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 result of the suspension of the tax on the value of electric energy production.

Said adaptation will take place in the first settlements in which the CNMC has calculated the corresponding adjustments after the aforementioned Royal Decree Laws becoming effective. Thus, the sole shareholder of the Company recognized a provision for said suspended tax at December 31, 2021 for an amount of 1,007 thousand euros under "Trade receivables" in the accompanying balance sheet, considering said amount as a real and probable obligation.

5 RECOGNITION AND MEASUREMENT STANDARDS

The main measurement standards and accounting policies followed by the Company in drawing up the accompanying 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 from 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.

d. 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 recognized in 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, 2021 and 2020 the Company had not entered into any lease agreements with the characteristics of a finance lease.

e. 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 the 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.

f. Financial instruments (Notes 9, 10, and 14)

Financial assets

i. Classification

At initial recognition financial assets are classified in accordance with the following categories based on their nature and purpose: at fair value through profit and loss; held-to-maturity investments; available-for-sale financial assets; and loans and receivables. Held-to-maturity investments and loans and receivables are measured at amortized cost applying the effective interest rate method, less any impairment losses. The remaining categories are measured at fair value. The Company's financial assets are classified into the following categories:

- Loans and receivables: financial assets from the sale of goods and rendering of services corresponding to trade transactions; or those that do not have a commercial origin, are not equity instruments or derivatives, but are associated with fixed or determinable payments, and are not quoted on active markets.

ii. Initial measurement

Financial assets are initially recognized at the fair value of the consideration paid plus directly attributable transaction costs.

iii. Subsequent measurement

Loans and receivables are subsequently measured at amortized cost.

The Company performs an impairment test on those financial assets that are not carried at fair value at least at each year-end. Objective evidence of impairment is deemed to exist when the recoverable amount of a financial asset is less than its carrying amount. When impairment occurs, it is recognized in the income statement.

Specifically, with respect to impairment losses relating to trade and other receivables, the criteria used by the Company to calculate the corresponding adjustments, if any, is to perform an individualized analysis at the end of each reporting period with a view to identifying possible accounts receivable that may be impaired.

The Company derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, provided that all the risks and rewards inherent to ownership of the financial asset are transferred; this is the case in firm asset sales, trade receivable factoring transactions in which the Company retains neither credit risk nor interest rate risk, sales of financial assets with an agreement to repurchase them at their fair value, and securitizations in which the transferring entity neither retains subordinated financing, grants any form of guarantee nor assumes any other type of risk.

Financial liabilities

Financial liabilities include those trade and other payables by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classified as derivative financial instruments.

Trade and other payables are initially measured at the fair value of the consideration received, adjusted by directly attributable transaction costs. Subsequently, said liabilities are measured at amortized cost.

In contrast, current and non-current borrowings are presented at their repayment value. Any implicit interest paid and included, both in the nominal value and repayment value, is considered a direct deduction from the nominal value of the debt. Said interest is calculated by using financial methods based on the duration of the financial borrowings. When the debt matures, the principal liability is derecognized. Any difference between the liability recognized and the amount paid is included in the income statement under finance expenses.

The Company derecognizes financial liabilities when the obligations that generated them have been extinguished.

g. 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.

h. Corporate income tax (Note 15)

At December 31, 2021 and 2020, 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.

i. 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 and dividend income is recognized when the shareholder's right to receive payment 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 revenue of Sonnedix España Finance 2, S.A. is mainly generated through the sale of electric energy produced by the photovoltaic solar installations it owns.

j. 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.

With respect to the exemption from tax on the value of electricity production described in Note 4 to the accompanying financial statements, at December 31, 2021 the Company recognized the corresponding provision for this item in an amount of 1,007 thousand euros, as the sole director considers that said suspension represents a real and probable tax obligation (Notes 10 and 17).

k. 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.

l. 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.

m. 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.

n. 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.

o. 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 2021 and 2020, follows:

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	(4,079)	19,283

2020

	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	(8,667)	(4,079)	(12,746)
Total accumulated amortization	(8,667)	(4,079)	(12,746)
Impairment losses	-	-	-
Total net intangible assets	27,441	(4,079)	23,362

a) *Increases, additions, and disposals 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 19,283 thousand euros at December 31, 2021 (2020: 23,362 thousand euros).

b) *Amortization and impairment losses*

None of the Company's intangible assets still in use at 2021 and 2020 year end were fully amortized.

At December 31, 2021 and 2020 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, 2021 and 2020.

c) *Other information*

At December 31, 2021 and 2020 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 2021 and 2020, follows:

2021

	Thousands of euros		
	Beginning Balance	Additions	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	(16,868)	77,364

2020

	Thousands of euros		
	Beginning Balance	Additions	Closing balance
Cost:			
Land and buildings	366	-	366
Plant	149,356	72	149,428
Total cost	149,722	72	149,794
Accumulated depreciation:			
Plant	(38,631)	(16,931)	(55,562)
Total accumulated depreciation	(38,631)	(16,931)	(55,562)
Impairment losses	-	-	-
Total net PP&E	111,091	(16,859)	94,232

The balance recognized under "Plant and other PP&E" in the accompanying balance sheet at December 31, 2021 reflects the cost of the photovoltaic installations disclosed in Note 1 to the accompanying financial statements, corresponding to a net carrying amount of 76,998 thousand euros (2020: 93,866 thousand euros).

In addition, "Land and buildings" reflects the cost of the land where some of the photovoltaic installations owned by the Company at 2021 and 2020 year end are located, corresponding to an amount of 366 thousand euros.

a) *Increases, additions, and disposals of assets*

Additions amounting to 67 thousand euros were recognized under "Plant and other PP&E" in 2021 (2020: 72 thousand euros) in connection with the improvements carried out at some of the Company's photovoltaic power plants.

b) *Depreciation and impairment losses*

At 2021 and 2020 year end, the Company had no significant PP&E items which were fully depreciated.

At December 31, 2021 and 2020 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, 2021.

c) *Other information*

It is the Company's policy to adequately insure its PP&E items against inherent risks. At 2021 and 2020 year end the potential risks were fully covered by the contracted insurance.

8. LOANS TO GROUP COMPANIES 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, 2021 and 2020 is as follows:

	Thousands of euros	
	12/31/2021	12/31/2020
Non-current investments in group companies and associates		
Loans to companies (nominal amount)	45,582	37,410
Loans to companies (accrued interest pending collection)	3,816	2,460
	49,398	39,870

Loans granted to the sole shareholder

During 2021 the Company granted two new loans to its sole shareholder for a total nominal amount of 8,172 thousand euros (2020: 5,608 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, 2021 and 2020, 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			
	12/31/2021			
	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		

Borrower	Thousands of euros			
	Non-current investments in group companies and associates - Loans to companies			
	12/31/2020			
	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%
		37,410		
Capitalized interest		645		
Accrued interest not capitalized		1,815		
		39,870		

At December 31, 2021 the Company recognized non-current accrued interest pending collection at said date in connection with the financing granted to its sole shareholder, amounting to 3,816 thousand euros (2019: 2,460 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, 2021 and 2020 is as follows:

	Thousands of euros			
	12/31/2021		12/31/2020	
	Non-current financial investments	Current financial investments	Non-current financial investments	Current financial investments
Financial investments	214	6,302	8	6,218
	214	6,302	8	6,218

Non-current financial investments

At December 31, 2021 and 2020 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 2021 year end the Company recognized a balance of 206 thousand euros under this heading, 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, 2021, the Company recognized an amount of 6,302 thousand euros (2020: 6,218 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 4,550 thousand euros at December 31, 2021 (2020: 5,566 thousand euros).

At December 31, 2021 and 2020 no impairment losses were recognized on these accounts receivable.

At December 31, 2021 the Company recognized a provision amounting to 1,007 thousand euros by reducing the balance for trade receivables in connection with the exemption from the tax on the value of electric energy production for the second half of the year. The sole director expects that said provision will be liquidated in the short term.

11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" in the accompanying short-form balance sheet at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Cash and cash equivalents	5,429	4,918
	5,429	4,918

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 the counterparty failing to meet the 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 2021 and 2020, 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, 2021 the CNMC settled 90.89% (2020: 84.96%) of the specific regulated remuneration for investment and operation accrued until the month of October.

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.L.U. 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 2021 and 2020 year end.

At 2021 and 2020 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, 2021 and 2020 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, 2021 and 2020.

14. FINANCIAL LIABILITIES

The breakdown of the Company's financial liabilities at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Non-current financial liabilities:		
Trade and other payables:		
Bonds and other marketable securities (Note 14.1)	130,753	138,465
<i>Bonds and other marketable securities (principal)</i>	131,987	139,787
<i>Arrangement fees</i>	(1,234)	(1,322)
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)	11,900	8,696
Other financial liabilities (Note 14.3)	2,941	-
	181,225	182,792
Current financial liabilities:		
Trade and other payables:		
Bonds and other marketable securities (Note 14.1)	7,800	7,515
Suppliers	86	104
Other payables (Note 14.4)	235	156
Trade payables to group companies and associates	82	72
	8,203	7,847

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 Limerio Project ("Limerio I").

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

The face value of the Limerio 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.

In contrast, the face value of the Limerio II bonds amounted to 28,161 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 3.216%, repayable on a six-monthly basis.

The first principal and interest payments for both the Limerio I and Limerio 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 2021 amounted to 4,693 thousand euros (2020: 4,929 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 2021 and 2020 year end (Note 17.g). Likewise, during 2021 the Company amortized principal on the Limero I and II Bonds in an amount of 7,515 thousand euros (2020: 7,247 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 2021 and 2020 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, 2021 and 2020 is as follows:

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

2020

	Thousands of euros						
	2021	2022	2023	2024	2025	2026 and beyond	Total
Principal	7,515	7,800	8,072	8,320	8,539	107,056	147,302
	7,515	7,800	8,072	8,320	8,539	107,056	147,302

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, 2021 and 2020.

The breakdown of the Company's non-current borrowings from group companies and associates by photovoltaic project at 2021 and 2020 year end is as follows:

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, 2021 and 2020, the Company recognized unpaid accrued interest under non-current liabilities in connection with the financing granted by Sonnedix Holdco Spain, B.V., amounting to 11,900 thousand euros (2020: 8,696 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, 2021 the Company recognized a balance of 2,941 thousand euros under "Other financial liabilities" in the accompanying balance sheet, corresponding to the remuneration adjustment receivable 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.

14.4. Other payables

At December 31, 2021 the Company recognized an amount of 235 thousand euros (2020: 156 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 2021 and 2020 were as follows:

	12/31/2021	12/31/2020
	Days	
Average supplier payment period	35	24
Ratio of transactions paid	36	24
Ratio of transactions pending payment	1	70
	Amount (Thousands of euros)	
Total payments made	2,537	2,550
Total pending payments	82	57

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 2021 and 2020 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, 2021 and 2020, is as follows:

Receivable from public administrations

2021

	Thousands of euros	
	12/31/2021	
	Non-current	Current
Deferred tax assets	27,466	-
Other receivables from public administrations	-	38
	27,466	38

2020

	Thousands of euros	
	12/31/2020	
	Non-current	Current
Deferred tax assets	27,957	-
Other receivables from public administrations	-	9
	27,957	9

Payable to public administrations

2021

	Thousands of euros	
	12/31/2021	
	Non-current	Current
Deferred tax liabilities	15,204	-
VAT payable to the tax authorities	-	462
Tax payable to the tax authorities on VEPP (*)	-	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

2020

	Thousands of euros	
	12/31/2020	
	Non-current	Current
Deferred tax liabilities	18,590	-
VAT payable to the tax authorities	-	892
Tax payable to the tax authorities on VEPP (*)	-	375
Corporate income tax payable to the tax authorities	-	463
Other payables to public administrations	-	96
	18,590	1,826

(*) 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 2021 and 2020 is as follows:

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

2020

	Thousands of euros		
	Increases	Decreases	Total
Pre-tax accounting profit	-	(10,440)	(10,440)
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	1,864	-	1,864
Application of tax loss carryforwards recognized in prior years	-	(2,470)	(2,470)
Taxable income (Tax result)	15,407	(12,937)	2,470

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 2021 and 2020.
- 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 2021 and 2020 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 positive adjustment to taxable income as a result of the above in 2021, amounting to 965 thousand euros (2020: 1,864 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 2021 and 2020 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 2021, amounting to 2,899 thousand euros (2020: 2,470 thousand euros).

15.3. Reconciliation of tax results and corporate income tax expense

The reconciliation of tax results and corporate income tax expense for 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Accounting profit before tax	(8,685)	(10,440)
Permanent differences	2	-
<i>Temporary differences:</i>		
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	1,864
Application of tax loss carryforwards recognized in prior years	(2,899)	(2,470)
Taxable income (Tax result)	2,899	2,470
Theoretical tax rate calculated at 25%	(725)	(617)
Application of deductions (not recognized)	181	154
Tax payable	(544)	(463)
<i>Impact of temporary differences:</i>		
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	241	466
Application of tax loss carryforwards recognized in prior years	(725)	(617)
Total income (expense) for corporate income tax	2,351	2,765

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 4,542 thousand euros at December 31, 2021 (2020: 5,532 thousand euros).

The corporate income tax rate applied for calculation of tax payable in 2021 and 2020 was 25%.

15.4. Deferred tax assets and liabilities

The breakdown of these balance sheet headings at 2021 and 2020 year end is as follows:

Deferred tax assets

	Thousands of euros	
	2021	2020
Tax losses pending application	20,220	20,945
Non-deductible amortization/depreciation	134	141
Non-deductible finance expenses	7,057	6,816
Deductions for environmental expenditure	55	55
	27,466	27,957

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 2021 are 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

The movements in the deferred tax assets recognized by the Company in 2020 were as follows:

	Thousands of euros			
	2019	Additions	Derecognitions	2020
Tax losses pending application	21,562	-	(617)	20,945
Non-deductible amortization/depreciation	148	-	(7)	141
Non-deductible finance expenses	6,350	466	-	6,816
Deductions for environmental expenditure	55	-	-	55
Total deferred tax assets	28,115	466	(624)	27,957

Deferred tax liabilities

	Thousands of euros	
	2021	2020
Accelerated tax amortization/depreciation	10,662	13,058
Temporary differences (operating rights)	4,542	5,532
	15,204	18,590

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, 2021, the amount recognized for this item in the balance sheet amounts to 4,542 thousand euros (2020: 5,532 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, 2021 the amount recognized for this item in the balance sheet amounts to 10,662 thousand euros (2020: 13,058 thousand euros).

- The movements in the deferred tax liabilities described above during 2021 are as follows:

	Thousands of euros		
	2020	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

The movements in deferred tax liabilities during 2020 were as follows:

	Thousands of euros		
	2019	Derecognitions	2020
Accelerated tax amortization/depreciation	15,454	(2,396)	13,058
Temporary differences (operating rights)	6,522	(990)	5,532
Total deferred tax liabilities	21,976	(3,386)	18,590

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 2021 and 2020 is as follows:

	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)	-

	Thousands of euros	
	2020	
	Sole shareholder	Other related parties
Cost of sales (Note 17.c)	-	(1,445)
Finance income from group companies and associates (Note 17.f)	532	607
Finance costs with group companies and associates (Note 17.g)	(1,432)	(1,786)

Related-party balances

The breakdown of the balances held with related parties at 2021 and 2020 year end is as follows:

	Thousands of euros	
	12/31/2021	
	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	82
	47,531	82

	Thousands of euros	
	12/31/2020	
	Sole shareholder	Other related parties
Non-current loans to group companies and associates (Note 8)	39,870	-
	39,870	-
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)	8,696	-
Trade payables to group companies and associates (Note 14)	-	72
	44,327	72

17. INCOME AND EXPENSE

a) Revenue

Revenue for 2021 amounted to 22,764 thousand euros (2020: 21,457 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, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Income from sale of energy	25,705	21,451
Remuneration adjustment (Note 14.3)	(2,941)	-
Rendering of services	-	6
	22,764	21,457

The Company does not present segmented information by business line given that at 2021 and 2020 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 1,576 thousand euros at 2021 year end (2020: 1,531 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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Rent	363	363
Independent professional services	93	126
Repairs	47	45
Insurance	1	1
Banking services	-	1
Other taxes	1,723	1,627
	2,227	2,163

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 amounted to 363 thousand euros during 2021 and 2020.

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

	Thousands of euros	
	2021	2020
Within one year	355	355
Between one and five years	1421	1421
More than five years	5,800	6,154
	7,576	7,930

During 2021 "Independent professional services" in the accompanying income statement includes an expense of 93 thousand euros (2020: 126 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.

In addition, the balance of 1,723 thousand euros recognized under "Other taxes" in the income statement for 2021 (2020: 1,627 thousand euros) mainly represents the "Tax on the value of electric energy production" established in Law 15/2012, of December 27, on tax measures for energy system sustainability (Note 4).

As explained in Note 4 to the accompanying financial statements, at 2021 year end, payment of the amount accrued in connection with this tax on electric energy produced during the third and fourth quarter of 2021 was suspended, based on the stipulations of Royal Decree Law 17/2021, of September 14, on urgent measures for energy transition and protection of consumers. However, during 2021 Sonnedix España Finance 2, S.A. provisioned said expense in an amount of 1,007 thousand euros as the sole director of the Company considers this amount as a real and probable tax obligation.

e) Depreciation and amortization allowances

The breakdown of this heading in the accompanying income statement at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Amortization allowance for intangible assets (Note 6)	4,079	4,079
Depreciation allowance for PP&E (Note 7)	16,935	16,931
	21,014	21,010

f) Finance income

Finance income from group companies and associates recognized during 2021 and 2020 entirely corresponds to interest accrued by the Company on the financing granted to its sole shareholder, amounting to 1,356 thousand and 1,139 thousand euros, respectively (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	
	2021	2020
Finance costs for bonds and other marketable securities	4,786	5,069
Finance costs with Group companies and associates (Note 16)	3,207	3,218
Other finance costs	26	45
	8,019	8,332

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 Limerio I and Limerio II secured bonds, amounting to 4,693 thousand and 4,929 thousand euros for 2021 and 2020, respectively (Note 14.1).

In addition, this heading in the accompanying income statement for 2021 reflects the finance expense corresponding to the accrued arrangement fees relating to the secured bonds and amounting to 93 thousand euros (2020: 140 thousand euros) (Note 14.1).

Finance costs with Group companies and associates

Further, finance expenses with group companies and associates recognized during 2021 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 (2020: 3,218 thousand euros) (Notes 14.2 and 16).

Other finance costs

Finally, "Other finance costs" in the accompanying income statement includes a balance of 26 thousand euros in 2021 (2020: 45 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 809 thousand euros at December 31, 2021 (2020: 784 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 2021 or 2020 year end.

Remuneration and other benefits for Senior Management and the Sole Director

The Company did not recognize any amount whatsoever in 2021 or 2020 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 2021 and 2020.

Moreover, at 2021 and 2020 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 2021 and 2020 is as follows:

Description	Thousands of euros	
	Services provided by the main auditor	
	2021	2020
Audit services	40	50
Total audit and related services	40	50
	40	50

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, 2021

1. Economic data of the Company

Operating results presented a loss of 2,022 thousand euros for 2021 (2020: 3,247 thousand euros), with the Company obtaining revenue of 22,764 thousand euros (2020: 21,457 thousand euros). Thus, the Company reported losses for the year amounting to 6,334 thousand euros (2020: 7,675 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 2022 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 carry out any R&D activities during the year.

6. Acquisition of treasury shares

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

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

**AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021
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, 2021, were authorized for issue together with the corresponding management report for the year ended December 31, 2021 by the natural person representing the sole director on March 31, 2022. The accompanying financial statements and management report are set forth on 37 pages, from page 1 to 37.

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