Audit Report on Financial Statements
issued by an Independent Auditor

GRENERGY RENOVABLES, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2019

**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 24)

To the shareholders of GRENERGY RENOVABLES, S.A.:

## Report on the financial statements

### Opinion

We have audited the financial statements of GRENERGY RENOVABLES, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, 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, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 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 standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

*Valuation of investments in and loans to group companies and associates*

| | |
|---|---|
| Description | As explained in Note 8 to the accompanying financial statements, the Company recorded equity instruments and loans to group companies and associates amounting to 29,412 thousand euros and 10,178 thousand euros, respectively in "Non-current investments in group companies and associates."<br><br>As explained in Note 4.4.b) to the accompanying financial statements, at least at year end, the Company assesses if there is evidence of impairment and recognizes any impairment loss. Said impairment losses are calculated as the difference between the investment's carrying amount and its recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless better evidence is available, impairment losses on these types of assets are estimated taking into account the investee's equity adjusted for any unrealized capital gains existing on the measurement date.<br><br>To determine recoverable amount, the directors base their estimates on discounted cash flow analysis, which requires them to make significant judgments with respect to certain key assumptions, particularly, business plan projections and discount rates.<br><br>Due to the significance of the amounts involved, as well as the inherent complexity and sensitivity of the estimates made by the complexity, we determined this to be a key audit matter. |
| Our response | Our audit procedures included the following:<br><br>▶ Understanding the criteria established by management to identify indications of impairment.<br><br>▶ Comparing the value of investments in group companies and associates and the related loans with their carrying amounts (equity), adjusted by unrealized capital gains existing at year end to identify indications of impairment.<br><br>▶ Reviewing the consistency and reasonableness of the methodology used to build the cash flow projections by verifying arithmetical calculations of recoverable amount.<br><br>▶ Reviewing the reasonableness of the financial information included in the financial models, based on the judgments and hypotheses made, and the discount rate applied.<br><br>▶ Verifying that the accompanying notes to the financial statements include the information required by the applicable financial reporting framework. |

*Sale of subsidiaries*

| | |
|---|---|
| Description | As explained in Note 8.1 to the accompanying financial statements, in 2019, the Company signed an agreement with third parties for the sale of several subsidiaries, for which it obtained a profit of 6,924 thousand euros. This amount is shown in "Impairment and gains/(losses) on disposal of financial instruments" on the accompanying income statement.<br><br>As explained in Note 4.4b) to the accompanying financial statements, in accordance with the regulatory financial reporting framework applicable in Spain, the Company will derecognize the investment in group companies when the risks and rewards incidental to ownership have been substantially transferred. The difference between the consideration received, net of attributable transaction costs and the carrying amount of the investment in group companies, determines the gain or loss generated upon derecognition and is included in the income statement for the year to which it relates.<br><br>Due to the significant impact of the sale of these subsidiaries on the income statement and the complexity of the sale agreements entered into during the year, we determined this to be a key audit matter. |
| Our response | Our audit procedures included the following:<br>▶ Understanding the transactions carried out by analyzing the sale agreements reached and holding meetings with Company Management.<br>▶ Reviewing the accounting effects arising from the difference between the acquisition cost of the investments in group companies and the value of the consideration received.<br>▶ Examining bank statements to verify collection of the sale of the subsidiaries in accordance with the payment schedule stipulated in the sale agreement.<br>▶ Verifying that the accompanying notes to the financial statements include the information required by the applicable financial reporting framework. |

*Balances and transactions with group companies*

| | |
|---|---|
| Description | As explained in Note 20.1 to the accompanying financial statements, the Company acts as a supplier to the Group, to which it sells components required for photovoltaic park installations (panels, inverters, etc.) for significant amounts.<br><br>Due to the significance of the balances and transactions with group of companies, as well as the risk that the measurement of these transactions might be incorrect and/or questioned in the event of a tax inspection, we determined this to be a key audit matter. |
| Our response | Our audit procedures included the following:<br>▶ Understanding transactions between related parties through consultations with management.<br>▶ Obtaining supporting documentation for the most significant transactions with related parties to validate the terms and conditions applied as well as whether they were measured at arm's length prices in accordance with prevailing accounting regulations.<br>▶ Reconciling balances and transactions with other group companies. |

- Involving our tax specialists to analyze the latest transfer pricing report prepared by the Company with its tax advisers.
- Verifying that the accompanying notes to the financial statements include the information required by the applicable financial reporting framework.

**Other information: management report**

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the 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 we obtained while auditing the financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is 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 2019 financial statements and their content and presentation are in conformity with applicable regulations.

**Other matters**

On April 3, 2019 other auditors issued their audit report on the 2018 financial statements, in which they expressed an unqualified opinion.

**Responsibilities of the directors and the audit committee for the financial statements**

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

## Report on other legal and regulatory requirements

### Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 26, 2020.

### Term of engagement

The ordinary general shareholders' meeting held on June 17, 2019 appointed us as Group auditors for three years, commencing on December 31, 2019.

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

(signed in the original version)

David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under No. 18336)

February 26, 2020

# GRENERGY RENOVABLES, S.A.

## FINANCIAL STATEMENTS AND MANAGEMENT REPORT
## FOR THE YEAR ENDED
## DECEMBER 31, 2019

***Translation of a report issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.***

## GRENERGY RENOVABLES, S.A.

**BALANCE SHEET AT DECEMBER 31, 2019 AND 2018**

(Euros)

| ASSETS | Notes to the financial statements | Financial Year 2019 | Financial Year 2018 (*) | EQUITY AND LIABILITIES | Notes to the financial statements | Financial Year 2019 | Financial Year 2018 (*) |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **41,057,346** | **13,371,329** | **EQUITY** | | **35,181,470** | **27,154,252** |
| | | | | **CAPITAL AND RESERVES** | | **35,181,470** | **27,154,252** |
| **Intangible assets** | **5** | **70,720** | **3,093** | **Share capital** | **12.1** | **8,507,177** | **3,645,933** |
| Software | | 70,720 | 3,093 | Issued capital | | 8,507,177 | 3,645,933 |
| | | | | **Share premium** | **12.2** | **6,117,703** | **6,117,703** |
| **Property, plant, and equipment** | **6** | **644,883** | **327,759** | **Reserves and retained earnings** | **12.3** | **16,703,061** | **12,726,160** |
| Plant and other PP&E | | 644,883 | 327,759 | Legal reserve | | 729,187 | 729,187 |
| | | | | Voluntary reserves | | 15,973,874 | 11,996,973 |
| **Investments in group companies and associates** | **8.1** | 39,474,745 | **12,349,619** | **(Own shares and equity holdings)** | **12.3** | **(3,328,497)** | **(2,062,969)** |
| Equity instruments | | 29,296,646 | 11,493,997 | **Profit for the year** | | **7,182,026** | **6,727,425** |
| Loans to group companies and associates | 20.1 | 10,178,099 | 855,622 | | | | |
| | | | | **NON-CURRENT LIABILITIES** | | **22,710,798** | **3,384,055** |
| **Financial investments** | **8.2** | **24,000** | **26,040** | **Non-current payables** | | **22,710,798** | **3,384,055** |
| Other financial assets | | 24,000 | 26,040 | Bonds and other marketable securities | 13.1 | 21,539,687 | **-** |
| | | | | Bank borrowings | 13.2 and 13.3 | 831,260 | 2,982,665 |
| **Deferred tax assets** | **16** | **842,998** | **664,818** | Finance lease liabilities | 7.1 | 131,602 | 134,854 |
| | | | | Other financial liabilities | 13.4 | 208,249 | 266,536 |
| **CURRENT ASSETS** | | **48,630,700** | **38,453,315** | **CURRENT LIABILITIES** | | **31,795,778** | **21,286,337** |
| **Inventories** | **9** | **1,692,133** | **1,116,306** | | | | |
| Raw materials and other consumables | | 872,111 | 1,115,309 | **Borrowings** | | **6,868,629** | **7,330,185** |
| Work in progress | | 820,022 | - | Bank borrowings | 13.2 and 13.3 | 3,493,301 | 6,058,449 |
| Advances to suppliers | | - | 997 | Finance lease liabilities | 7.1 | 32,927 | 27,662 |
| **Trade and other receivables** | **10** | **18,531,402** | **26,569,024** | Other financial liabilities | 13.4 | 3,342,401 | 1,244,074 |
| Trade receivables | | 64,561 | 3,746,848 | | | | |
| Trade receivables from group companies and associates | 20.1 | 16,178,806 | 16,062,110 | **Payables to group companies and associates** | 14 and 20.1 | **242,988** | **2,773,719** |
| Other receivables | | 1,651,195 | 6,524,215 | | | | |
| Receivable from employees | | - | 494 | **Trade and other payables** | | **24,684,161** | **11,182,433** |
| Public entities, other | 16 | 636,840 | 235,357 | Suppliers | | 17,412,657 | 7,096,642 |
| **Investments in group companies and associates** | **8.1 and 20.1** | **3,933,100** | **2,449,123** | Suppliers, group companies, and associates | 20.1 | 5,436 | 27,759 |
| Loans to group companies and associates | | 3,933,100 | 2,449,123 | Other payables | | 1,543,743 | 1,321,583 |
| **Financial investments** | **8.2** | **6,857,767** | **-** | Employee benefits payable | | 415,669 | 398,660 |
| Other financial assets | | 6,857,767 | - | Current tax liabilities | 16 | 525,521 | - |
| **Accruals** | | **206,844** | **62,539** | Other payables to public administrations | 16 | 200,859 | 74,051 |
| **Cash and cash equivalents** | **11** | **17,409,454** | **8,256,323** | Customer advances | 10 | 4,580,276 | 2,263,738 |
| Cash in hand | | 17,409,454 | 8,256,323 | | | | |
| **TOTAL ASSETS** | | **89,688,046** | **51,824,644** | **TOTAL EQUITY AND LIABILITIES** | | **89,688,046** | **51,824,644** |

(*)Restated figures for comparative purposes (Note 2.5)

The accompanying Notes 1 to 24 and the Appendixes are an integral part of the financial statement of financial position at 31 December 2019 and 2018.

# GRENERGY RENOVABLES, S.A.

## INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

(Euros)

| | Notes to the financial statements | Financial Year 2019 | Financial Year 2018 (*) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | **22** | **54,862,112** | **23,535,827** |
| Sales | 20.1 | 54,625,015 | 23,304,156 |
| Rendering of services | | 237,097 | 231,671 |
| **Changes in inventory of finished products and work in progress** | | **820,022** | **-** |
| **Cost of sales** | **17** | **(48,123,539)** | **(18,917,293)** |
| Consumption of goods for resale | | (48,123,539) | (18,917,293) |
| **Other operating income** | | **1,057,831** | **604,788** |
| Ancillary income | | 1,057,831 | 604,788 |
| **Employee benefits expense** | | **(2,921,315)** | **(1,816,759)** |
| Wages, salaries, et al | | (2,275,416) | (1,468,155) |
| Social security costs | 17 | (645,899) | (348,604) |
| **Other operating expenses** | | **(2,563,675)** | **(1,362,363)** |
| External services | | (2,559,971) | (1,312,350) |
| Taxes | | (3,704) | (3,400) |
| Losses on, impairment of, and changes in trade provisions | | - | - |
| Other current management expenses | | - | (46,613) |
| **Depreciation and amortization** | **5 and 6** | **(93,989)** | **(50,922)** |
| **Impairment losses and gains (losses) on disposal of non-current assets** | **6** | **516** | **(448)** |
| Gains (losses) on disposals and other | | 516 | (448) |
| **Other gains (losses)** | | **(19,223)** | **25,527** |
| **OPERATING PROFIT** | | **3,018,740** | **2,018,357** |
| **Finance income** | **17** | **499,708** | **106,720** |
| From marketable securities and other financial instruments | | 499,708 | 106,720 |
| Of group companies and associates | 20.1 | 439,712 | 96,793 |
| Of third parties | | 59,996 | 9,927 |
| **Finance costs** | **17** | **(1,038,917)** | **(549,096)** |
| Third-party borrowings | | (1,038,917) | (498,764) |
| Borrowings from group companies and associates | | - | (50,332) |
| **Exchange gains (losses)** | **17** | **(73,776)** | **(246,588)** |
| **Impairment and gains (losses) on disposal of financial instruments** | **8.1 and 17** | **6,623,212** | **7,040,549** |
| Impairment and losses | | (300,417) | (2,300,846) |
| Gains (losses) on disposals and other | | 6,923,629 | 9,341,395 |
| **FINANCE COST** | | **6,010,227** | **6,351,585** |
| **PROFIT BEFORE TAX** | | **9,028,967** | **8,369,942** |
| Corporate income tax | 16 | (1,846,941) | (1,642,517) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **7,182,026** | **6,727,425** |
| **PROFIT FOR THE YEAR** | | **7,182,026** | **6,727,425** |

(*)Restated figures for comparative purposes (Note 2.5)

The accompanying Notes 1 to 24 and the Appendixes are an integral part of the financial statement of financial position at 31 December 2019 and 2018.

# GRENERGY RENOVABLES, S.A.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

(Euros)

| | Notes to the financial statements | Financial Year 2019 | Financial Year 2018 (*) |
|---|---|---|---|
| **PROFIT FOR THE PERIOD (I)** | 3 | **7,182,026** | **6,727,425** |
| **Income and expense recognized directly in equity** | | - | - |
| **IV. Other adjustments** | | - | - |
| **V. 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)** | | **7,182,026** | **6,727,425** |

(*)Restated figures for comparative purposes (Note 2.5)

The accompanying Notes 1 to 24 and the Appendixes are an integral part of the financial statement of financial position at 31 December 2019 and 2018.

# GRENERGY RENOVABLES, S.A.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### B) STATEMENT OF ALL CHANGES IN EQUITY

(Euros)

| | Share capital (Note 12.1) | Share premium (Note 12.2) | Reserves (Note 12.3) | (Own shares and equity holdings) (Note 12.3) | Profit for the year (Note 3) | TOTAL |
|---|---|---|---|---|---|---|
| **BALANCE AT DECEMBER 31, 2017** | **3,645,933** | **6,117,703** | **9,997,553** | **(1,133,498)** | **1,916,442** | **20,544,133** |
| Adjustments for changes in criteria and misstatements | - | - | - | - | - | **-** |
| **ADJUSTED OPENING BALANCE 2018** | **3,645,933** | **6,117,703** | **9,997,553** | **(1,133,498)** | **1,916,442** | **20,544,133** |
| **Total recognized income and expense** | **-** | **-** | **-** | **-** | 8,991,163 | **8,991,163** |
| **Transactions with partners or owners** | - | - | - | - | - | **-** |
| Capital increases | - | - | - | - | - | **-** |
| Transactions with treasury shares or own equity instruments (net) | - | - | 812,165 | (929,471) | - | **(117,306)** |
| **Other changes in equity** | - | - | 1,916,442 | - | (1,916,442) | **-** |
| **BALANCE AT DECEMBER 31, 2018** | **3,645,933** | **6,117,703** | **12,726,160** | **(2,062,969)** | **8,991,163** | **29,417,990** |
| Adjustments for changes in criteria and misstatements | - | - | - | - | (2,263,738) | **(2,263,738)** |
| **ADJUSTED OPENING BALANCE 2019** | **3,645,933** | **6,117,703** | **12,726,160** | **(2,062,969)** | **6,727,425** | **27,154,252** |
| **Total recognized income and expense** | - | - | - | - | 7,182,026 | **7,182,026** |
| **Transactions with partners or owners** | - | - | - | - | - | **-** |
| Capital increases | 4,861,244 | - | (4,861,244) | - | - | **-** |
| Transactions with treasury shares or own equity instruments (net) | - | - | 2,110,720 | (1,265,528) | - | **845,192** |
| **Other changes in equity** | - | - | 6,727,425 | - | (6,727,425) | **-** |
| **BALANCE AT DECEMBER 31, 2018** | **8,507,177** | **6,117,703** | **16,703,061** | **(3,328,497)** | **7,182,026** | **35,181,470** |

The accompanying Notes 1 to 24 and the Appendixes are an integral part of the financial statement of financial position at 31 December 2019 and 2018.

**GRENERGY RENOVABLES, S.A.**
**CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
(Euros)

| | Notes | 2019 | 2018 (*) |
|---|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **1. Profit before tax** | | **9,028,967** | **8,369,942** |
| **2. Adjustments to profit** | | **1,171,170** | **(6,300,215)** |
| a) Depreciation and amortization (+) | 5 and 6 | 93,989 | 50,922 |
| e) Gains (losses) from derecognition and disposal of non-current assets (+/-) | | (516) | 448 |
| f) Gains (losses) from derecognition and disposal of financial instruments (+/) | 8.1 | 25,000 | (7,040,549) |
| g) Finance income (-) | 17 | (59,996) | (106,720) |
| h) Finance expenses (+) | 17 | 1,038,917 | 549,096 |
| i) Exchange gains (losses) (+/-) | 17 | 73,776 | 246,588 |
| **3. Changes in working capital**. *Diferencia N - N-1* | | **20,745,442** | **1,734,195** |
| a) Inventories (+/-) | | (575,827) | (913,853) |
| b) Trade and other receivables (+/-) | | 8,037,622 | (296,722) |
| c) Other current assets (+/-) | | (144,305) | 28,705 |
| d) Trade and other payables (+/-) | | 13,427,952 | 2,916,065 |
| **4. Other cash flows from operating activities** | | **(3,004,042)** | **(2,722,198)** |
| a) Interest paid (-) | | (1,038,917) | (498,764) |
| c) Interest received (+) | | 59,996 | 9,927 |
| d) Income tax receipts (payments) (+/-) | 16 | (2,025,121) | (2,233,361) |
| **5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)** | | **27,941,537** | **1,081,724** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **6. Payments on investments (-)** | | **(36,008,809)** | **(198,100)** |
| a) Group companies and associates | 8.1 | (28,609,103) | - |
| b) Intangible assets | 5 | (81,501) | - |
| c) Property, plant, and equipment | 6 | (437,478) | (198,100) |
| e) Other financial assets | | (6,880,727) | - |
| **7. Proceeds from disposals (+)** | | **40,755** | **3,691,391** |
| a) Group companies and associates | 8.1 | - | 3,672,900 |
| c) Property, plant, and equipment | 6 | 40,755 | 18,491 |
| **8. Cash flows from (used in) investing activities (7-6)** | | **(35,968,054)** | **3,493,291** |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **9. Proceeds from and payments on equity instruments** | **12** | **845,192** | **(117,306)** |
| c) Acquisition of own equity instruments | | (3,882,063) | (1,869,232) |
| d) Disposal of own equity instruments | | 4,727,255 | 1,751,926 |
| **10. Proceeds from and payments of financial liabilities** | | **16,334,456** | **3,494,721** |
| a) Issuance of: | 13 | 23,638,014 | 4,240,563 |
| 1. Bonds and other marketable debt securities (+) | | 21,539,687 | |
| 2. Bank borrowings (+) | | - | 4,240,563 |
| 4. Other borrowings (+) | | 2,098,327 | - |
| b) Repayment and redemption of | 13 | (7,303,558) | (745,842) |
| 1. Bonds and other marketable debt securities (-) | | | |
| 2. Bank borrowings (-) | | (4,714,540) | - |
| 3. Borrowings from group companies and associates (-) | | (2,530,731) | (745,842) |
| 4. Other borrowings (-) | | (58,287) | - |
| **12. Cash flows from financing activities (+/-9+/-10-11)** | | **17,179,648** | **3,377,415** |
| **E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C+/- D)** | | **9,153,131** | **7,952,430** |
| **Cash and cash equivalents at beginning of period** | **11** | **8,256,323** | **303,893** |
| **Cash and cash equivalents at end of year** | **11** | **17,409,454** | **8,256,323** |

(*) Restated figures for comparative purposes (Note 2.5)

The accompanying Notes 1 to 24 and the Appendixes are an integral part of the financial statement of financial position at 31 December 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## 1. Activity

**GRENERGY RENOVABLES, S.A.** ("the Company") was incorporated in Madrid on July 2, 2007 via public deed, as filed at the Mercantile Registry of Madrid in Tome 24.430, Book 0, Folio 112, Section 8, Page M-439.423, 1st inscription. On November 15, 2019 the Company changed its registered business and tax address to Rafael Botí, nº 26 in Madrid.

The corporate purpose of the Company and the sectors in which it performs its activities are as follows: the promotion and commercialization of renewable energy installations, production of electric energy and any complementary activities, including the management and operation of such installations.

As described in Note 12, the Company is a member of the Daruan group, the parent of which is Daruan Group Holding, S.L., which has its registered address at calle Rafael Botí no. 2, Madrid.

The Daruan group's consolidated financial statements corresponding to the year ended December 31, 2018, as well as the corresponding management report and audit reports, were filed at the Mercantile Registry of Madrid on July 29, 2019. The Daruan group's consolidated financial statements corresponding to the year ended December 31, 2019, as well as the corresponding management and audit reports, will be filed at the Madrid Mercantile Registry.

The shares of the Company were listed on the Spanish Alternative Stock Market for Expanding Companies ("MAB-EE") on July 8, 2015. As a consequence of its admission to trading on the MAB-EE, the Company lost its status as a sole shareholder company, which had been declared during 2014. On November 15, 2019 the Company's shareholders in general meeting approved, amongst other matters, to request the delisting of its shares on the MAB-EE and, simultaneously, request their listing on the Stock Exchanges of Barcelona, Bilbao, Madrid, and Valencia, and their inclusion on the Spanish electronic trading platform (Sistema de Interconexión Bursátil Español). As a consequence of the above, the Board of Directors of Bolsas y Mercados Españoles, Sistemas de Negociación, S.A. agreed to delist the 24,306,221 shares of the Company on said market, effective from December 16, 2019, the same date on which the Company's shares were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao, and Valencia (Note 12).

As disclosed in Note 8, the Company holds shares in subsidiaries and is the head of a group of companies which comprise the Grenergy Group. The consolidated financial statements of the Grenergy Group corresponding to the year ended December 31, 2019, as well as the corresponding management and audit reports, will be filed at the Madrid Mercantile Registry.

# 2. Basis of presentation of the Financial Statements

## 2.1. True and fair view

The financial statements for the year ended December 31, 2019 were prepared based on the accounting registers of the Company and give a true and fair view of its equity and financial position, the results of its operations, the changes in equity and cash flows during the period. They were prepared by the directors of the Company in accordance with the applicable regulatory framework for financial information, as established in:

a) The Spanish Code of Commerce and remaining mercantile legislation

b) Spanish GAAP approved by Royal Decree 1514/2007, partially modified by Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2, and its sector adaptations.

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 accounting regulations.

Amongst the modifications introduced in the final first provision of Royal Decree 877/2015 of October 2 with respect to Royal Decree 1517/2011 of October 31, which approved the enacting regulations set forth in the revised text of the Audit Law, the amendment to article 15 of said Law is included, defining public interest entities to include the entities which issue securities listed on the MAB-EE.

The Company's financial statements for the year ended December 31, 2018 were approved by the shareholders in general meeting on June 17, 2019. The accompanying 2019 financial statements, prepared by the directors, will be submitted for approval at the general shareholders meeting, where they are expected to be approved without modification.

## 2.2. Non-obligatory accounting principles applied

The main accounting principles adopted by the Company are presented in Note 4. All accounting principles or recognition and measurement standards with a significant effect on the financial statements were applied in their preparation.

The figures included in all statements comprising the financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement, and the accompanying notes) are presented in euros, the functional currency of the Company, unless indicated otherwise.

## 2.3. Critical issues regarding the measurement and estimation of uncertainty

The preparation of certain information included in the accompanying financial statements required the use of estimates based on assumptions made by senior management, subsequently ratified by the directors of the Company. These disclosures required the quantification of certain assets, liabilities, income, expenses, and commitments contained in the financial statements.

The most significant estimates used to prepare these financial statements relate to:

- Impairment losses on equity instruments (Note 8.1).
- Valuation at market prices of transactions with related parties (Note 20.1).

These estimates and hypotheses are based on the best information available at the date of preparation of these financial statements regarding the estimation of uncertainty at the reporting date and are reviewed periodically. However, it is possible that these periodic reviews or future events may require the Company to modify the estimates made in coming periods. Should this occur, the effects of the changes in estimates shall be recognized prospectively in the income statement of the corresponding period and successive periods in accordance with the stipulations established in Spanish GAAP recognition and measurement rule 22 on changes in accounting criteria, errors, and estimates.

## 2.4. Comparative information

In accordance with commercial legislation, it is presented, for comparative purposes, with each of the items in the statement of financial position, the income statement, the statement of changes in equity and the statement of cash flows are presented, in addition to the figures for fiscal year 2019, those corresponding to the previous fiscal year. The attached financial statement also includes quantitative information from the previous fiscal year, except when an accounting standard specifically states that it is not necessary.

The figures included for the year ended December 31, 2018 differ from those presented in the corresponding annual financial statements for 2018 as authorized by the Company's Board of Directors on March 29, 2019 (Note 2.5).

## 2.5. Corrections of errors

During the second half of 2019 the Company initiated the process for admission to trading of all shares representing its share capital on the Stock Exchanges of Madrid, Barcelona, Bilbao, and Valencia. During said process, the National Securities Exchange Commission ("CNMV" from the Spanish "Comisión Nacional del Mercado de Valores") issued recommendations regarding recognition of certain development and construction purchase-sale contracts with respect to applying a different professional judgment on the transfer of risks and benefits associated with an asset in the analysis of control. During the second half of 2018, the Company recognized the sale of shares in a company with the complete conclusion of a solar farm development in Chile ("ready to build") as it considered that all risks and benefits of said company had been transferred. Given that the purchase-sale contract for said shares included a cancellation clause, it was not irrevocable.

As a consequence, the Company corrected this error retroactively, changing the 2018 figures as well as the initial reserves for 2019.

The effects of these corrections were as follows:

| STATEMENT OF FINANCIAL POSITION | 12.31.2018 | Adjustments | 12.31.2018 Restated |
|---|---|---|---|
| **EQUITY** | | | |
| **Profit for the year** | **8,991,163** | (2,263,738) | **6,727,425** |
| **Trade and other payables** | **8,918,695** | 2,263,738 | **11,182,433** |
| Customer advances | - | 2,263,738 | **2,263,738** |
| **TOTAL EQUITY AND LIABILITIES** | **51,824,644** | - | **51,824,644** |

| INCOME STATEMENT | 12.31.2018 | Adjustments | 12.31.2018 Restated |
|---|---|---|---|
| **OPERATING PROFIT** | **2,018,357** | - | **2,018,357** |
| Gains (losses) on disposals and other | 11,605,133 | (2,263,738) | 9,341,395 |
| **FINANCE COST** | **8,615,323** | (2,263,738) | **6,351,585** |
| **PROFIT FOR THE YEAR** | **8,991,163** | (2,263,738) | **6,727,425** |

| CASH FLOW STATEMENT | 12.31.2018 | Adjustments | 12.31.2018 Restated |
|---|---|---|---|
| **Profit before tax** | **10,633,680** | (2,263,738) | **8,369,942** |
| **Adjustments to profit** | **(8,563,953)** | 2,263,738 | **(6,300,215)** |
| **Changes in working capital** | **(529,543)** | 2,263,738 | **1,734,195** |
| **Proceeds from disposals** | **5,955,129** | (2,263,738) | **3,691,391** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **7,952,430** | - | **7,952,430** |

## 3. Appropriation of profit

The proposal of distribution of results formulated by the Board of Directors of the Company that will be submitted for approval by the General Meeting of Shareholders, is as follows:

| | Euros |
|---|---|
| **Proposed appropriation** | |
| Profit for the year | 7,182,026 |
| | **7,182,026** |
| **Appropriation to:** | |
| Legal reserve | 718,203 |
| Voluntary reserves | 6,225,381 |
| Capitalization reserves | 238,442 |
| | **7,182,026** |

## 4. Recognition and measurement principles

The recognition and measurement standards used in preparing the financial statements for 2019 are as follows:

### 4.1. Intangible assets

Intangible assets are considered to be identifiable non-monetary assets, without physical substance, which arise as a result of a legal business or are developed internally. Only those assets are recognized whose cost can be estimated reliably and from which the Company considers it probable that future economic benefits will be generated.

Intangible assets are initially recognized at acquisition or production cost, and subsequently they are measured at cost less any accumulated amortization and impairment losses.

**Software**

This heading includes amounts paid to acquire software and licenses to use programs and computer applications, provided the Company plans to use them for several years. They are amortized systematically on a straight-line basis over a period of four years.

Expenses for maintenance or global reviews of the systems, or recurring expenses as a consequence of the modification or upgrading of these applications, are recognized directly as expenses in the year in which they are incurred.

### 4.2. Property, plant, and equipment

PP&E items correspond to the assets owned by the Company for use in production and the provision of goods and services, or for administrative purposes, and which are expected to be used during more than one period.

The assets comprising PP&E are recognized at acquisition cost (updated as per various legal provisions, if applicable) or production cost, less accumulated depreciation and any impairment losses.

The cost of PP&E constructed by the Company is determined following the same principles as used for acquisitions. Capitalized production costs are recognized under "Work performed by the entity and capitalized" in the income statement.

Costs incurred to expand, upgrade, improve, substitute or renovate PP&E items which increase productivity, capacity or efficiency, or extend the useful life of the asset, are recognized as a greater cost of said assets with the corresponding derecognition of the assets or items that have been substituted or renovated.

The acquisition cost of the PP&E items which require a period of more than one year to be readied for use includes those financial expenses accrued before being readied for use. No corresponding amounts were recorded in this respect during the period. In contrast, finance interest accrued subsequent to said date or related to financing acquisition of the remaining PP&E items does not increase the acquisition cost and is recognized in the income statement for the year in which they accrue.

The costs incurred for refurbishing leased premises are included under the heading for installations, depreciated systematically on a straight-line basis over a period of 8 years and never exceeding the duration of the lease agreement.

Periodic expenses relating to conservation, repairs, and maintenance that do not increase the useful lives of assets are charged to the income statement for the year in which they are incurred.

Depreciation is calculated systematically on a straight-line basis over the estimated useful life of each asset, based on the acquisition or production cost less the residual value, as follows:

| | **Years of useful life** |
|---|---|
| Machinery | 5-10 |
| Plant and tools | 5-12 |
| Transport equipment | 5-10 |
| Furniture and fixtures | 10 |
| Data processing equipment | 4 |
| Other PP&E | 6-8 |

The values and remaining life of these assets are reviewed at each reporting date and adjusted if necessary.

At the end of each period, the Company analyzes whether there are any indications that the carrying amounts of its PP&E assets exceed their corresponding recoverable amounts, that is, whether any of them are impaired. For those assets identified, it estimates the recoverable amount, which is understood to be the greater of fair value less necessary sales costs and value in use. In the case of an asset that does not generate cash flows independently of other assets, the Company calculates the recoverable amount for the cash generating unit to which it belongs.

If the recoverable amount thus determined is lower than the asset's carrying amount, the difference is recognized in the income statement, reducing the carrying amount of the asset to the recoverable amount, and future depreciation charges are adjusted in proportion to the adjusted carrying amounts and the new remaining useful life, should a new estimate be necessary.

Similarly, if there is any indication of recovery in the value of an impaired asset, the Company recognizes the reversal of the impairment loss previously recorded and adjusts the future depreciation charges accordingly. Under no circumstances will said reversal result in an increase in the carrying amount of the asset exceeding that amount that would have been recognized had no impairment losses been recognized in previous years.

The gain or loss arising from disposal or derecognition of a PP&E item is calculated as the difference between the consideration received and the carrying amount of the asset, and is included in the income statement of the year in which the change occurs.

## 4.3. Leases

Contracts are classified as financial leases when it is deduced from their economic conditions that substantially all the risks and rewards inherent in the ownership of the asset object of the contract are transferred to the lessee. Otherwise, the contracts are classified as operating leases.

Company as a lessee

Assets acquired through a financial lease are recorded according to their nature, due to the lower between the fair value of the asset and the current value at the beginning of the lease of the agreed minimum payments, including the purchase option, accounting for a financial liability for the same amount. The quotas of a contingent nature, the cost of the services and the taxes payable by the lessor are not included in the calculation of the agreed minimum payments. The payments made by the lease are distributed between the financial expenses and the reduction of the liability. The total financial burden of the contract is charged to the profit and loss account for the year in which it accrues, applying the effective interest rate method. The same depreciation, impairment and retirement criteria are applied to the assets as the rest of its nature's assets.

Payments for operating leases are recorded as expenses in the profit and loss account when accrued.

Company as lessor

Income derived from operating leases is recorded in the profit and loss account when accrued. The direct costs attributable to the contract are included as a higher value of the leased asset and are recognized as an expense during the term of the contract, applying the same criteria used to recognize the income of the lease.

## 4.4. Financial Instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company only recognizes financial instruments in the balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are classified as current in the accompanying balance sheet depending on whether their maturity is equal to or less than twelve months from the reporting date. In the case of longer maturities, they are classified as non-current.

The financial assets and liabilities which the Company most frequently owns are the following:

- Financing granted to related parties and personnel of the Company, regardless of the legal manner in which this occurs

- Trade receivables

- Financing received from financial institutions and suppliers

- Securities, both those representing debt (obligations, bonds, letters of credit, etc.) or equity instruments of other entities (shares) or interests held in collective investment institutions.

### a) Financial assets

Financial instruments are initially measured at fair value plus any incremental costs directly attributable to the transaction, except when the assets are classified as held for trading, in which case, the accrued costs are taken directly to the income statement of the year in which they are incurred.

For measurement purposes the Company classifies financial assets, except for investments held in group companies, jointly controlled entities, or associates, in one of the following categories:

- Loans and receivables: These balances correspond to receivables (trade and non-trade) which are not derivatives, are not traded on an active market, correspond to fixed or determinable cash flows, and which are expected to recover the entire initial disbursement, except when there are reasons attributable to the solvency of the debtor. They arise when the Company provides cash or goods and services related to its corporate purpose directly to a debtor without any intention of trading the account receivable. Security deposits and guarantees are also recognized under this heading at their nominal amounts given that they do not significantly differ from fair value.

After initial recognition, these items are measured at amortized cost using the effective interest rate method. However, in general, trade receivables maturing in less than twelve months are recognized at their nominal values, that is, they are not discounted.

Amortized cost is the acquisition cost of the asset less principal repayments, adjusted (upwards or downwards) by the amount systematically allocated to the income statement corresponding to the difference between the initial cost and the corresponding liquidation value at maturity, taking into account any impairment losses.

Likewise, the effective interest rate is the rate that at the asset's acquisition date exactly discounts all estimated future cash payments or receipts throughout the expected life of the financial instrument.

It is Company policy to recognize impairment losses with a view to covering balances of a certain age or those balances for which circumstances exist which warrant their classification as doubtful debts.

### b) Investments in group companies, jointly-controlled entities, and associates

As indicated in Note 8, the Company directly or indirectly controls certain entities. In general, regardless of the interests held, the Company's interest in the share capital of other companies which are not listed on a stock exchange are measured at acquisition cost less, if applicable, any accumulated impairment losses.

Said impairment losses are calculated as the difference between the investment’s carrying amount and its recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless better evidence is available, impairment losses on these types of assets are estimated taking into account the investee’s equity adjusted for any unrealized capital gains existing on the measurement date.

Impairment losses and any subsequent reversals are recognized as an expense or as income, respectively, in the income statement. Reversal of impairment losses is limited to the original carrying amount of the investment.

The Company derecognizes an investment in group companies, jointly controlled entities or associates when the risks and benefits inherent to ownership of said investment has been substantially transferred. When an investment in group companies, jointly controlled entities or associates is derecognized, the difference between the consideration received, net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of said investment, plus any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition, and is included in the income statement for the year to which it relates.

### c) Financial liabilities

Financial liabilities are classified based on the agreed-upon contractual terms and taking into account the economic substance of the corresponding transactions.

The main financial liabilities held by the Company correspond to held-to-maturity liabilities, which may or may not include remuneration, and which for measurement purposes are classified under "Trade and other payables," initially measuring them at fair value and subsequently at amortized cost.

- <u>Bank borrowings and other remunerated financial liabilities:</u> Loans, bank overdrafts, obligations, bonds, and other similar instruments which accrue interest are initially recognized at fair value, which is equivalent to the cash received net of directly attributable transaction costs incurred. Finance expenses accrued, including premiums payable on settlement or redemption and direct issue costs, are recognized in the income statement using the effective interest rate method, increasing the carrying amount of the financial liabilities to the extent that they are not liquidated during the period in which the expenses accrue. Said expenses likewise include loans at zero interest, recognized at their nominal amounts given that they do not significantly differ from fair value.

  Loans repayable in the short term, but whose long-term refinancing is assured at the discretion of the Company through available long-term credit facilities, are classified as non-current liabilities in the accompanying balance sheet.

- <u>Trade receivables:</u> the Company's trade receivables, which in general do not mature in more than one year and do not accrue explicit interest, are recognized at their nominal value, which is not significantly different to their amortized cost.

  The Company derecognizes a financial liability, or a part of the financial liability, as soon as the obligations relating to the corresponding contract have either expired or been fulfilled or canceled.

The substantial modifications of initially-recognized financial liabilities are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided the related conditions of the instruments are substantially different. The Company recognizes the difference between the carrying amount of the financial liability that has been canceled or assigned to a third party and the consideration paid, including any assets assigned (other than cash) or liabilities assumed, in the income statement.

**d) Own equity instruments**

All equity instruments issued by the Company are classified in "Share capital" under "Capital and reserves" in the accompanying balance sheet. The Company does not hold any other own equity instruments.

Said instruments are recognized under equity at the amount received net of direct issue costs.

When the Company acquires or sells own equity instruments, the amount paid or received is recognized directly in net equity accounts, and no amounts are recognized in the income statement for said transactions (Note 12).

**e) Cash and cash equivalents**

This heading in the accompanying balance sheet includes cash in hand, demand deposits at credit entities, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are classified as borrowings under current liabilities in the accompanying balance sheet.

## 4.5. Derivative financial instruments and hedge accounting

Company policy does not allow for the use of derivative financial instruments or any hedging transactions.

## 4.6. Inventories

The Company promotes and constructs photovoltaic solar farms for their subsequent operation and/or sale. Further, the Company recognizes the related costs incurred under "Inventories" in the accompanying balance sheet until all the terms and conditions described in Note 4.9 are met, at which time the sale is recognized.

The photovoltaic solar farm projects are valued at production cost, which is understood to be the costs directly attributable to the project, as well as a reasonable portion of indirect costs.

The Company valued projects under construction at year end and transferred the related attributable costs to "Inventories."

The Company assesses the net realizable value of its inventories at each reporting date, recognizing any impairment losses as required if they are overstated. When the circumstances which gave rise to recognition of impairment losses on inventories no longer hold or there is clear evidence justifying an increase in the net realizable value due to changes in economic circumstances, the previously recognized impairment losses are reversed. This reversal is limited to the lower amount corresponding to cost or the new net realizable value of the inventories. Both impairment losses on inventories as well as their reversal are recognized in the income statement for the period.

The photovoltaic solar farms owned by the Company are initially classified as inventories as the directors consider that under normal circumstances they will be sold. In those cases in which at the outset a decision is taken to operate the photovoltaic solar farm, it is classified under PP&E.

## 4.7. Transactions and balances in foreign currency

As the Company's functional currency is the euro, all balances and transactions denominated in currencies other than the euro are considered as denominated in foreign currency. Said transactions are recognized in euros applying the spot exchange rates prevailing at the transaction dates.

At financial year end, the monetary assets and liabilities denominated in foreign currencies are converted to euros utilizing the average spot exchange rate prevailing at said date in the corresponding currency markets.

The gains or losses obtained from settling transactions denominated in foreign currency and the conversion at closing date exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in the income statement for the year under "Exchange gains (losses)."

## 4.8. Income tax

Income tax expense for the year is calculated as the sum of current tax, resulting from applying the corresponding tax rate to taxable income for the year (after applying any possible tax deductions), and any changes in deferred tax assets and liabilities.

The tax effect relating to items directly recognized in equity is recognized under equity in the balance sheet.

Deferred taxes are calculated in accordance with the balance sheet method, considering the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts, applying the regulations and tax rates that have been approved or are about to be approved at the reporting date and which are expected to apply when the corresponding deferred tax asset is realized or deferred tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences except for those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that is not a business combination and affects neither taxable profit or accounting profit. Deferred tax assets are recognized when it is probable that the Company will generate sufficient taxable profit in the future against which the deductible temporary differences or the unused tax loss carryforwards or tax assets can be utilized.

At each reporting date the Company reviews the deferred tax assets and liabilities recognized to verify that they remain in force, making any appropriate adjustments on the basis of the results of the analysis performed.

Until 2018 the Company filed its tax returns under a consolidated regime, together with the parent of the group to which it belongs, Daruan Group Holding, S.L. and the remaining companies that make up the tax group comprised of Daruan Group Holding, S.L. and subsidiaries, with tax identification number 0381/14. As described in Note 12, on December 16, 2019 a private placement of a share package was carried out by virtue of which the interest held by the majority shareholder, Daruan Group Holding, S.L. decreased to 68%. Thus, and as a consequence of the interest held decreasing to below 70%, the Company and its Spanish subsidiaries no longer belong to the tax group Daruan Group Holding, S.L. and subsidiaries, consequently filing their tax returns individually.

## 4.9. Income and expense recognition

The Company recognizes revenue and expenses on an accrual basis, that is, when the goods or services are actually provided, regardless of when actual collection or payment occurs.

The most significant criteria utilized by the Company for recognition of its revenue and expenses are the following:

- Revenue from sales and the rendering of services: is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, and other sales-related taxes.

  The sale of goods is recognized as revenue when the risks and rewards inherent to ownership of the goods have been substantially transferred, the results of the transaction can be reliably determined, and it is probable that the Company will receive the economic returns relating to the transaction.

  Revenue from the sale of solar farms is recognized at the moment when control over the underlying goods and services related to performance of the contractual terms is transferred to the buyer.

  For engineering, procurement, and construction contracts ("EPC contracts") executed on land belonging to third parties, the Company in general recognizes the income and results corresponding to each contract based on the estimated stage of completion as per the percentage of costs incurred with respect to the total costs budgeted. For these purposes the Company also takes into account the existence of resolutory clauses. Losses which may arise on the contracted projects are recognized, in their totality, at the moment said losses become apparent and can be estimated. The difference between revenue recognized for a project and the amount invoiced for that project is recognized in the following manner:

  - if it is positive, such as "Work completed pending invoice" (deferred invoicing), under "Trade and other receivables;"
  - if it is negative, such as "Advance collections" (early invoicing), under "Customer advances."

  Income for services rendered is also recognized considering the degree of completion of these services at the balance sheet date, provided that the result of the transaction can be estimated reliably and it is probable the economic benefits associated with the transaction will flow to the Company.

- Expenses: are recognized in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets. Further, expenses are recognized immediately when an outflow does not generate future economic benefits or when the necessary requirements for recognition as an asset are not met.

- Interest income and expenses and similar items: are generally recognized by applying the effective interest rate method.

Dividends are recognized as income within the “revenue” at the moment the Company acquires the right to receive them, that is, when the competent bodies of the companies in which it holds the investment have approved their distribution.

## 4.10. Provisions and contingencies

At the date of authorization of the accompanying financial statements the directors of the Company made the following distinctions:

- Provisions: existing obligations at the reporting date arising from past events that are uncertain as to amount or timing, but for which it is probable that the Company will suffer an outflow of resources which can be reliably estimated.

- Contingent liabilities: possible obligations arising as a consequence of past events, materialization of which is conditional upon one or more uncertain events occurring in the future not entirely within control of the Company and which do not meet the requirements for recognition as provisions.

The financial statements of the Company present all the significant provisions with respect to which it considers the related obligation will probably have to be met. The provisions are quantified based on the best information available at the reporting date regarding the consequences of the triggering events and taking into account the time value of money, if significant.

Their allocation is made with a charge against the income statement for the year in which the obligation arises (legal, contractual, or implicit), and can be fully or partially reversed with a credit to the income statement when the obligations cease to exist or decrease.

The Company did not recognize any contingent liabilities at year end.

## 4.11. Environmental assets and liabilities

Environmental assets are classified as those the Company utilizes in its activities over a long period of time whose primary purpose is to minimize the environmental impact and protect or improve the environment, including those assets designed to reduce or eliminate future contamination from the Company's activities.

The criteria for initial recognition, allocation for amortization/depreciation, and possible impairment loss adjustments on said assets are as described in Note 4.2 above.

Given the Company's activities, and in accordance with prevailing legislation, it controls the degree of contamination produced by waste and emissions by applying an appropriate waste disposal policy. Expenses for these purposes are charged to the income statement for the year in which they are incurred.

## 4.12. Employee benefits expense

Employee benefits expenses include all the Company's duties and obligations of a social nature, whether mandatory or voluntary, recognizing the obligations for bonus salary payments, holidays, and variable remuneration, as well as associated expenses.

### a) Short-term employee benefits

This type of remuneration is measured at the undiscounted amount payable in exchange for services received. These benefits are generally recognized as personnel expenses for the year and are presented as a liability in the balance sheet corresponding to the difference between the total expense accrued and the amount settled at the reporting date.

### b) Termination benefits

In keeping with prevailing legislation, the Company is obliged to pay indemnities to employees who are dismissed through no fault of their own. Said termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it has a demonstrable commitment to terminate its current labor contracts under an irrevocable and detailed plan or to provide the benefits as part of an offer to encourage voluntary redundancy.

At year end the Company had no plan to reduce personnel that would require it to record a corresponding provision.

## 4.13. Payments based on shares and share options

Transactions in which the Company receives goods or services, including services rendered by employees, in exchange for its own equity instruments, or an amount based on the value of its equity instruments, such as share options or share appreciation rights, are considered equity-settled transactions.

The Company recognizes, on the one hand, the goods and services received as an asset or expense, depending on their nature, at the time they are received, and on the other, the corresponding increase in equity, if the transaction is settled using equity instruments, or the corresponding liability, if it is settled in an amount that is based on the value of the equity instruments.

If the Company has the option to settle with equity instruments or in cash, it must recognize a liability to the extent that it has incurred a present obligation to settle in cash or with other assets; alternatively it shall recognize an increase in equity. If the choice corresponds to the supplier of the goods or services, the Company shall recognize a compound financial instrument, which shall include a liability component, for the other party’s right to demand payment in cash, and an equity component, for the right to receive the consideration in own equity instruments.

In transactions in which services must be completed throughout a certain period of time, these services shall be recognized as rendered during said period.

In transactions with employees which are settled with equity instruments, both the services rendered and the increase in equity to be recognized shall be measured at fair value of the equity instruments assigned on the grant date.

Equity-settled transactions which relate to goods or services other than those offered by employees shall be measured at the fair value of those goods or services, if this can be measured reliably, at the date received. If the fair value of the goods or services received cannot be reliably measured, the goods or services received and the increase in equity shall be measured at the fair value of the equity instruments granted, on the date the company obtains the goods or the other party renders the services.

After recognition of the goods and services received, as established in the above paragraphs, as well as the corresponding increase in equity, no additional adjustments shall be made to equity after the vesting date.

For cash-settled transactions, the goods or services received and the liability to be recognized shall be measured at the fair value of the liability corresponding to the date on which the recognition requirements are met.

Thereafter, and until settlement, the corresponding liability shall be measured at fair value at each year end, and any changes in value during the year shall be recognized in the income statement.

At December 31, 2019 the Company had granted an incentive plan to its employees consisting of options on its shares. Said plan establishes that the transactions shall be settled via delivery of equity instruments.

## 4.14. Related party transactions

Commercial or financial transactions carried out with group companies, jointly controlled entities, associates, and other related parties are initially recognized at fair value regardless of the degree of relationship.

## 4.15. Classification of balances between current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. For these purposes, assets and liabilities are classified as current in accordance with the following criteria:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for trading, they are expected to be realized within twelve months from the reporting date, or are cash or cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Company’s normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Company does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue.

# 5. Intangible assets

The breakdown and movements for this heading during 2019 and 2018 were as follows:

| | Software | TOTAL |
|---|---:|---:|
| **COST** | | |
| **Balance at 12.31.2017** | **10,737** | **10,737** |
| Additions | - | - |
| **Balance at 12.31.2018** | **10,737** | **10,737** |
| Additions | 81,501 | 81,501 |
| **Balance at 12.31.2019** | **92,238** | **92,238** |
| **AMORTIZATION** | | |
| **Balance at 12.31.2017** | **(6,772)** | **(6,772)** |
| Allowance for the year | (872) | (872) |
| **Balance at 12.31.2018** | **(7,644)** | **(7,644)** |
| Allowance for the year | (13,874) | (13,874) |
| **Balance at 12.31.2018** | **(21,518)** | **(21,518)** |

| | | |
|---|---:|---:|
| **Carrying amount at 12.31.2018** | **3,093** | **3,093** |
| **Carrying amount at 12.31.2019** | **70,720** | **70,720** |

The useful lives for these assets and the amortization criteria applied are disclosed in Note 4.1.

## Fully amortized assets

At 2019 and 2018 year end the Company's intangible assets included fully amortized assets still in use amounting to 6,160 euros.

## Intangible assets acquired from group companies and associates

No intangible assets were acquired from group companies or associates in 2019 and 2018.

## Impairment loss allowances

The directors of the Company consider that there are no indications of any impairment losses on its intangible assets at 2019 and 2018 year end, thus not recognizing any such losses during either year.

## Leases

At December 31, 2019 and 2018, the Company held no intangible assets under finance leases. Likewise, the Company is not party to any operating lease agreements in connection with its intangible assets.

**Firm purchase-sale agreements**

The Company has no commitments to acquire or sell any intangible assets at significant amounts. Neither are any intangible assets affected by litigation or encumbered as guarantees to third parties.

**Insurance**

The Company has taken out various insurance policies to cover the risks to which its intangible assets are exposed and considers said coverage as sufficient.

## 6. Property, plant, and equipment

The breakdown and movements in this balance sheet heading for 2019 and 2018 are as follows:

| | Machinery and technical installations | Other plant, tools, and furniture | Other PP&E | TOTAL |
|---|---|---|---|---|
| **COST** | | | | |
| **Balance at 12.31.2017** | **18,612** | **284,543** | **133,072** | **436,227** |
| Additions | - | 5,023 | 193,077 | 198,100 |
| Disposals, derecognitions, and reductions | | (32,705) | (28,073) | (60,778) |
| **Balance at 12.31.2018** | **18,612** | **256,861** | **298,076** | **573,549** |
| Additions | 14,066 | 311,455 | 111,957 | 437,478 |
| Disposals, derecognitions, and reductions | | (2,180) | (77,991) | (80,171) |
| **Balance at 12.31.2019** | **32,678** | **566,136** | **332,042** | **930,856** |
| **DEPRECIATION** | | | | |
| **Balance at 12.31.2017** | **(15,694)** | **(149,373)** | **(72,511)** | **(237,578)** |
| Allowance for the year | (1,041) | (19,723) | (29,286) | (50,050) |
| Decreases | - | 20,190 | 21,648 | 41,838 |
| **Balance at 12.31.2018** | **(16,735)** | **(148,906)** | **(80,149)** | **(245,790)** |
| Allowance for the year | (1,113) | (20,928) | (58,074) | (80,115) |
| Decreases | | | 39,932 | 39,932 |
| **Balance at 12.31.2019** | **(17,848)** | **(169,834)** | **(98,291)** | **(285,973)** |
| | | | | |
| **Net carrying amount at 12.31.2018** | **1,877** | **107,955** | **217,927** | **327,759** |
| **Net carrying amount at 12.31.2019** | **14,830** | **396,302** | **233,751** | **644,883** |

The useful lives for these assets and the depreciation criteria applied are disclosed in Note 4.2.

The main additions during 2019 correspond to furniture and refurbishment work on the new offices, as well as the acquisition of transport equipment. The main additions during 2018 correspond to transport equipment.

The main derecognitions during 2019 and 2018 correspond to furniture and transport equipment.

**PP&E acquired from group companies and associates**

No PP&E items were acquired from group companies in 2019 and 2018.

**Impairment loss allowances**

The directors of the Company consider that there are no indications of any impairment losses on the different items comprising its PP&E at 2019 and 2018 year end.

**Fully depreciated assets**

At 2019 year end, the Company had fully depreciated PP&E items still in use amounting to 30,035 euros (2018: 96,623 euros).

**Leases**

The heading "Transport equipment" at December 31, 2019 and 2018 presents 177,591 and 182,641 euros, respectively, corresponding to the net carrying amount of transport equipment held under finance lease agreements and which are classified under the corresponding heading according to their nature. The durations of the lease agreements range from 2 to 5 years (Note 7.1).

**Firm purchase-sale agreements**

The Company has no commitments to acquire or sell PP&E items in significant amounts and neither are any of said assets affected by litigation or encumbered as guarantees to third parties.

**Insurance**

The Company has taken out various insurance policies to cover the risks to which its PP&E items are exposed. The coverage of these policies is considered sufficient.

# 7. Leases and other similar transactions

## 7.1. Finance Leases - Lessee

At December 31,2019 and 2018 the assets acquired by the Company by virtue of finance lease agreements were as follows:

Year ended December 31, 2019

| Property, plant, and equipment | Gross value | Accumulated depreciation | Net carrying amount |
|---|---|---|---|
| Transport equipment | 226,238 | (48,647) | 177,591 |
| **Total** | **226,238** | **(48,647)** | **177,591** |

Year ended December 31, 2018

| Property, plant, and equipment | Gross value | Accumulated depreciation | Net carrying amount |
|---|---|---|---|
| Transport equipment | 206,315 | (23,674) | 182,641 |
| **Total** | **206,315** | **(23,674)** | **182,641** |

The initial value of said assets corresponds to the lower of fair value of the good and the present value of minimum payments agreed upon, including the purchase option if applicable, at the lease date.

The most significant data at December 31, 2019 and 2018 in connection with the goods acquired under finance leases are as follows:

Year ended December 31, 2019

| Item | Lease maturity | Number of lease payments | | Euros | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Original cost | Lease payments made | | Pending payments | |
| | | | | | Prior years | Current year | Current | Non-current |
| Transport equipment | 4/22/2021 | 60 | a) | 31,908 | 16,708 | 6,395 | 7,097 | 2,231 |
| Transport equipment | 3/5/2023 | 60 | a) | 49,835 | 7,960 | 41,875 | - | - |
| Transport equipment | 11/22/2022 | 48 | a) | 105,830 | 913 | 11,092 | 11,344 | 82,481 |
| Transport equipment | 2/26/2024 | 60 | a) | 32,975 | - | 5,802 | 6,402 | 20,771 |
| Transport equipment | 6/3/2024 | 60 | a) | 37,312 | - | 3,731 | 8,084 | 26,119 |
| **Total** | | | | **257,860** | **25,581** | **68,895** | **32,927** | **131,602** |

a) Monthly lease payments

Year ended December 31, 2018

| Item | Lease maturity | Number of lease payments | | Euros | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Original cost | Lease payments made | | Pending installments | |
| | | | | | Prior years | Current year | Current | Non-current |
| Transport equipment | 4/22/2021 | 60 | a) | 31,908 | 10,486 | 6,222 | 6,919 | 8,805 |
| Transport equipment | 3/5/2023 | 60 | a) | 49,835 | - | 7,960 | 9,651 | 32,224 |
| Transport equipment | 11/22/2022 | 48 | a) | 105,830 | - | 913 | 11,092 | 93,825 |
| **Total** | | | | **187,573** | **10,486** | **15,095** | **27,662** | **134,854** |

a) Monthly lease payments

## 7.2. Operating leases - Lessee

The Company leases the right to use certain goods from third parties and group companies to perform its activity. The conditions attaching to the main lease agreements which were in force during 2019 and 2018 were as follows:

Year ended December 31, 2019

| Item | Lease maturity | Expense for the year (a) | Contingent payments | Renewals | | |
|---|---|---|---|---|---|---|
| | | 2019 | | Year | Purchase option | Price review |
| Offices Rafael Botí 2 | 2020 | 108,000 | b) | 2019 | N/A | 2020 |
| Offices Rafael Botí 26 | 2022 | 119,922 | b) | - | - | - |
| Apartment Mexico | 2019 | 11,858 | b) | - | - | - |
| Other leased premises | 2020 | 8,677 | b) | - | - | - |
| **Total** | | **248,457** | | | | |

a) Monthly lease payments
b) Based on CPI

Year ended December 31, 2018

| Item | Lease maturity | Expense for the year (a) | Contingent payments | Renewals | | |
|---|---|---|---|---|---|---|
| | | 2018 | | Year | Purchase option | Price review |
| Leased offices | 2019 | 108,000 | b) | 2018 | N/A | 2019 |
| Leased apartment | 2019 | 21,798 | b) | 2018 | N/A | 2019 |
| **Total** | | **129,798** | | | | |

a) Monthly lease payments
b) Based on CPI

At 2019 and 2018 year end the Company had set up the legal guarantees demanded by the lessors, the value of which amounted to 24,000 euros (Note 8.2).

At December 31, 2019 and 2018 the future minimum payments for non-cancelable operating lease agreements broken down by maturity are as follows:

| | Minimum payments 2019 | Minimum payments 2018 |
|---|---|---|
| Within one year | 310,062 | 129,798 |
| Between 1 and 5 years | 189,557 | - |
| Over 5 years | 23,695 | - |
| **Total** | **523,314** | **129,798** |

Neither at 2019 and 2018 year end or during either year were the assets leased by the Company subleased to third parties.

# 8. Financial investments

## 8.1. Investments in group companies, jointly-controlled entities, and associates

The breakdown and movements for the captions included under this balance sheet heading for 2019 and 2018 were as follows:

Year ended December 31, 2019

| | Balance at 12.31.2018 | Additions | Decreases | Impairment losses | Balance at 12.31.2019 |
|---|---|---|---|---|---|
| **Non-current investments** | | | | | |
| Equity instruments | 11,561,020 | 17,850,649 | - | - | 29,411,669 |
| Unpaid portion of equity investments | (67,023) | (48,000) | - | - | (115,023) |
| Loans to companies | 855,622 | 9,322,477 | - | - | 10,178,099 |
| | **12,349,619** | **27,125,126** | **-** | **-** | **39,474,745** |
| **Current investments** | | | | | |
| Loans to companies | 2,449,123 | 1,483,977 | - | - | 3,933,100 |
| | **2,449,123** | **1,483,977** | **-** | **-** | **3,933,100** |
| **Total** | **14,798,742** | **28,609,103** | **-** | **-** | **43,407,845** |

Year ended December 31, 2018

| | Balance at 12.31.2017 | Additions | Decreases | Impairment losses | Balance at 12.31.2018 |
|---|---|---|---|---|---|
| **Non-current investments** | | | | | |
| Equity instruments | 12,258,176 | 5,359,235 | (6,056,391) | - | 11,561,020 |
| Unpaid portion of equity investments | (48,119) | (40,482) | 21,578 | - | (67,023) |
| Loans to companies | 742,295 | 113,327 | - | - | 855,622 |
| | **12,952,352** | **5,432,080** | **(6,034,813)** | **-** | **12,349,619** |
| **Current investments** | | | | | |
| Loans to companies | 4,906,162 | - | (157,222) | (2,299,818) | 2,449,123 |
| | **4,906,162** | **-** | **(157,222)** | **(2,299,818)** | **2,449,123** |
| **Total** | **17,858,514** | **5,432,080** | **(6,192,035)** | **(2,299,818)** | **14,798,741** |

## Equity instruments

The breakdown at 2019 and 2018 year end and the movements for this balance sheet heading are as follows:

| Name | Balance at 12.31.17 | Additions | Derecognitions | Balance at 12.31.18 | Additions | Derecognitions | Balance at 12.31.19 |
|---|---|---|---|---|---|---|---|
| GRENERGY PACIFIC PAN DE AZUCAR | 128,036 | - | (128,036) | - | - | - | - |
| GRENERGY PACIFIC LTDA | 43,150 | - | - | 43,150 | - | - | 43,150 |
| GRENERGY PERU SAC | 275 | - | - | 275 | - | - | 275 |
| GREENHOUSE SOLAR FIELDS, S.L. | 3,006 | - | - | 3,006 | - | - | 3,006 |
| GREENHOUSE SOLAR ENERGY, S.L. | 3,006 | - | - | 3,006 | - | - | 3,006 |
| GREENHOUSE RENEWABLE ENERGY, S.L. | 3,006 | - | - | 3,006 | - | - | 3,006 |
| GUIA DE ISORA SOLAR 2, S.L. | 1,565 | - | - | 1,565 | - | - | 1,565 |
| GR RENOVABLES MÉXICO | 2,843 | - | - | 2,843 | - | - | 2,843 |
| GR SOLAR 2020, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR SUN SPAIN, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR EQUITY WIND AND SOLAR, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR TINEO, S.P.A. | 575,454 | - | (575,454) | - | - | - | - |
| GR HUINGAN, S.P.A. | 1,645,010 | - | (1,645,010) | - | - | - | - |
| GR LINGUE, S.P.A. | 853,478 | - | (853,478) | - | - | - | - |
| GR GUAYACAN S.P.A. | 556,018 | - | (556,018) | - | - | - | - |
| GR TARUCA S.A.C. | 1,597,955 | - | - | 1,597,955 | 1,264,188 | - | 2,862,143 |
| GR PAINO S.A.C. | 1,597,955 | - | - | 1,597,955 | 1,274,743 | - | 2,872,698 |
| GRENERGY COLOMBIA S.A.S. | 12,168 | - | - | 12,168 | 258,071 | - | 270,239 |
| GR LAUREL, S.P.A. | 554,320 | - | (554,320) | - | - | - | - |
| GR LITRE, S.P.A. | 1,728,982 | - | (1,728,982) | - | - | - | - |
| GREENHUB S.L. DE C.V. | 17,797 | - | - | 17,797 | - | - | 17,797 |
| LEVEL FOTOVOLTAICA S.L. | 1,504 | - | - | 1,504 | - | - | 1,504 |
| GR BAÑUELA RENOVABLES, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR TURBON RENOVABLES, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR AITANA RENOVABLES, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| GR ASPE RENOVABLES, S.L. | 3,000 | - | - | 3,000 | - | - | 3,000 |
| KOSTEN S.A. | 2,861,053 | 5,297,753 | - | 8,158,806 | - | - | 8,158,806 |
| GR JULIACA, S.A.C. | 255 | - | - | 255 | - | - | 255 |
| GR HUAMBOS, S.A.C. | 255 | - | - | 255 | - | - | 255 |
| GR APORIC, S.A.C. | 255 | - | - | 255 | - | - | 255 |
| GR BAYONAR, S.A.C. | 255 | - | - | 255 | - | - | 255 |
| GR VALE S.A.C. | 255 | - | - | 255 | - | - | 255 |
| GRENERGY ATLANTICS, S.A. | - | 6,486 | - | 6,486 | 97,142 | - | 103,628 |
| EIDEN RENOVABLES, S.L. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| EL AGUILA RENOVABLES, S.A. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| MAMBAR RENOVABLES, S.L. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| CHAMBO RENOVABLES, S.A. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| EUGABA RENOVABLES, S.L. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| TAKE RENOVABLES, S.L. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| NEGUA RENOVABLES, S.L. | - | 3,000 | - | 3,000 | - | - | 3,000 |
| GRENERGY OPEX, SPA | - | - | - | - | 1,259 | - | 1,259 |
| PEQ, SPA | - | - | - | - | 14,907,246 | - | 14,907,246 |
| VIATRES RENEWABLE ENERGY, S.L. | 1,200 | - | - | 1,200 | - | - | 1,200 |
| **Total** | **12,210,056** | **5,325,239** | **(6,041,298)** | **11,493,997** | **17,802,649** | **-** | **29,296,646** |

The main movements during 2019 were as follows:

- Capital increase for GR Taruca, S.A.C. amounting to 1,264,188 euros.

- Capital increase for GR Paino, S.A.C. amounting to 1,274,743 euros.

- Capital increase for GR Colombia, S.A.C. amounting to 258,071 euros.

- Capital increase for GR Atlantics, S.A. amounting to 97,143 euros.

- Incorporation of GR Opex, S.P.A. with share capital totaling 1,259 euros, fully subscribed and paid in at 2019 year end.

- Acquisition of PEQ, S.P.A. for 7,010,433 euros. At December 31, 2019 an amount of 2,113,810 euros was pending payment to the former shareholders of the company (Note 13.4). Subsequently, in December 2019 a capital increase was carried out for the company in the amount of 7,896,813 euros via capitalization of debt.

- Sale of shareholdings in GR Chaquihue, SPA, GR Tamarugo, SPA, GR Molle, SPA, and GR Belloto, SPA. Said transactions generated capital gains of 6,924 thousand euros, recognized under "Impairment and gains (losses) on disposals of financial instruments" in the accompanying income statement.

The main movements during 2018 were as follows:

- Capital increase for Kosten, S.A. amounting to 5,297,753 euros.

- Incorporation of Eiden Renovables, S.L., El Aguila Renovables, S.L., Mambar Renovables, S.L., Chambo Renovables, S.L., Eugaba Renovables, S.L., Take Renovables, S.L., and Negua Renovables, S.L., with 3,000 euros of share capital for each company. At December 31, 2018 the share capital of these companies was fully subscribed and paid in by the Company.

- Incorporation of GR Pimiento, SPA, GR Chañar, SPA, GR Carza, SPA, GR Pilo, SPA, GR Lúcumo, SPA, GR Pitao, SPA, GR Lleuque, SPA, GR Notro, SPA, GR Lenga, SPA, GR Tepú, SPA, GR Lumilla, SPA, GR Toromiro, SPA, GR Pacama, SPA, GR Temo, SPA, GR Ruil, SPA, with 1,357 euros of share capital for each company; incorporation of GR Huacano, SPA, GR Corcolén, SPA, GR Luma, SPA, GR Fuinque, SPA, GR Piñol, SPA, GR Queñoa, SPA, GR Tayú, SPA, GR Petra, SPA, GR Corontillo, SPA, GR Liun, SPA, GR Kewiña, SPA, GR Frangel, SPA, GR Maqui, SPA, GR Petrillo, SPA, GR Tepa, SPA, and Grenergy Opex,SPA with 1,258 euros of share capital for each company, fully subscribed by the Company. At December 31, 2018 the share capital of these companies was not yet paid in.

- Sale of shareholdings in GR Quillay, SPA, GR Huingan, SPA, GR Alerce, SPA, GR Arrayán, SPA, GR Avellano, SPA, GR Laurel, SPA, GR Litre, SPA, GR Palma, SPA, GR Lilén, SPA, GR Meli, SPA, GR Lingue, SPA, GR Guayacán, SPA, GR Tineo, SPA, and GR Pan de Azúcar, SPA. Said transactions generated capital gains amounting to 9,341 thousand euros, recognized under "Impairment and gains (losses) on disposal of financial instruments" in the accompanying income statement.

None of the entities in which the Company has invested are listed on an organized securities market.

The Company considers that holding less than 20% of interests in another company means no significant influence can be exercised over it and that holding more than 20% of interests in another company does allow for the exercise of significant influence.

The directors of the Company consider that there are no indications of any impairment losses on its investments in group companies at either 2019 or 2018 year end. Consequently, it did not recognize any related impairment losses during either year.

The information relating to each of the entities in which the Company is invested is disclosed in **Appendix I.**

## Loans to group companies

These items correspond to the financing granted by the Company to different group companies. At 2019 and 2018 year end, the breakdown of these borrowing facilities by entity, including their main characteristics, is as follows:

Year ended December 31, 2019

| | | | | | **Euros** | | |
|---|---|---|---|---|---|---|---|
| **Entity** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Credit limit** | **Non-current assets** | **Current assets** | **Total** |
| GR RENOVABLES MEXICO S.A. DE C.V. (*) | 12/31/2020 | Euribor + 200 b.p. | - | 2,000,000 | - | - | - |
| GRENERGY PERU SAC (*) | 12/31/2020 | Euribor + 200 b.p. | - | 1,000,000 | 1,073,857 | - | 1,073,857 |
| GRENERGY COLOMBIA S.A.S(*) | 12/31/2020 | Euribor + 200 b.p. | - | 300,000 | 76,615 | - | 76,615 |
| LEVEL FOTOVOLTAICA, S.L. | Indefinite | 4% fixed | - | 300,000 | - | - | - |
| KOSTEN.S.A. | Indefinite | 7% fixed | - | - | 8,381,168 | - | 8,381,168 |
| GRENERGY ATLANTICS, S.A. | Indefinite | Euribor + 200 b.p. | - | - | 276,997 | - | 276,997 |
| GR SOLAR 2020, S.L.U. | Indefinite | Euribor + 200 b.p. | - | - | 234,184 | - | 234,184 |
| GR SUN SPAIN SLU | Indefinite | Euribor + 200 b.p. | - | - | 100,152 | - | 100,152 |
| GR TARUCA | Indefinite | Euribor + 200 b.p. | - | - | - | 2,522,314 | 2,522,314 |
| GR PAINO | Indefinite | Euribor + 200 b.p. | - | - | - | 629,531 | 629,531 |
| GR AITANA RENOVABLES, S.L. | Indefinite | - | - | - | - | 215,750 | 215,750 |
| GR BAÑUELA RENOVABLES, S.L. | Indefinite | - | - | - | - | 143,118 | 143,118 |
| GR TURBON RENOVABLES, S.L. | Indefinite | - | - | - | - | 143,152 | 143,152 |
| GR ASPE RENOVABLES, S.L. | Indefinite | - | - | - | - | 131,986 | 131,986 |
| EUGABA RENOVABLES, S.L.U. | Indefinite | - | - | - | - | 34,634 | 34,634 |
| NEGUA RENOVABLES, S.L.U. | Indefinite | - | - | - | - | 34,634 | 34,634 |
| TAKE RENOVABLES, S.L.U. | Indefinite | - | - | - | - | 34,634 | 34,634 |
| Other group companies | Indefinite | - | - | - | 35,126 | 43,347 | 78,473 |
| **Total** | | | | | **10,178,099** | **3,933,100** | **14,111,199** |

(*) These items correspond to credit facilities maturing in 2020 which can be annually renewed. At December 31 they were classified under non-current assets given that the Company expects repayment over the long term.

Year ended December 31, 2018

| | | | | | Euros | | |
|---|---|---|---|---|---|---|---|
| **Entity** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Credit limit** | **Non-current assets** | **Current assets** | **Total** |
| GR EQUITY WIND & SOLAR S.L. | 12/31/2019 | Euribor + 200 b.p. | - | 4,000,000 | - | 802,308 | 802,308 |
| GR RENOVABLES MEXICO S.A. DE C.V. | 12/31/2019 | Euribor + 200 b.p. | - | 2,000,000 | - | 1,957,928 | 1,957,928 |
| GR RENOVABLES MEXICO S.A. DE C.V (Impairment) | - | - | - | - | - | (1,957,928) | (1,957,928) |
| GRENERGY PERU SAC | 12/31/2019 | Euribor + 200 b.p. | - | 1,000,000 | - | 1,482,849 | 1,482,849 |
| GRENERGY COLOMBIA S.S. | 12/31/2019 | Euribor + 200 b.p. | - | 300,000 | - | 163,965 | 163,965 |
| LEVEL FOTOVOLTAICA, S.L. | Indefinite | 4% fixed | - | 300,000 | - | 341,889 | 341,889 |
| LEVEL FOTOVOLTAICA, S.L. (Impairment) | - | - | - | - | - | (341,889) | (341,889) |
| KOSTEN.S.A. | Indefinite | 2% fixed | - | 400,000 | 332,980 | - | 332,980 |
| GRENERGY ATLANTICS, S.A. | Indefinite | - | - | - | 97,143 | - | 97,143 |
| GR SOLAR 2020, S.L.U. | Indefinite | - | - | - | 106,868 | - | 106,868 |
| GR SUN SPAIN SLU | Indefinite | - | - | - | 53,095 | - | 53,095 |
| Other group companies | Indefinite | - | - | - | 265,536 | - | 265,536 |
| **Total** | | | | | **855,622** | **2,449,123** | **3,304,744** |

In 2019 and 2018 the Company recognized interest income amounting to 439,712 euros and 96,793 euros, respectively.

At December 31, 2019 the Company recognized a provision for impairment losses amounting to 275 thousand euros (2018: 2,300 thousand euros) in connection with the loans granted to the Group companeis GR Renovables México, S.A. de C.V. and Level Fotovoltaíca, S.L., given the doubts regarding recoverability of said loans. Said amount is recognized under "Impairment of and gains (losses) on disposal of financial instruments" in the accompanying income statement.

## 8.2. Other financial investments

The movements during 2019 and 2018 in the different balances recognized under the headings for financial investments in the accompanying balance sheet are as follows:

| | **Balance at 12.31.2017** | **Additions** | **Decreases** | **Balance at 12.31.18** | **Additions** | **Decreases** | **Balance at 12.31.19** |
|---|---|---|---|---|---|---|---|
| **Non-current investments** | **26,040** | **-** | **-** | **26,040** | **-** | **(2,040)** | **24,000** |
| Security deposits and guarantees | 26,040 | | | 26,040 | | (2,040) | 24,000 |
| **Current investments** | **-** | **-** | **-** | **-** | **7,125,273** | **(267,506)** | **6,857,767** |
| Other financial assets | - | - | - | - | 7,125,273 | (267,506) | 6,857,767 |
| **Total** | **26,040** | **-** | **-** | **26,040** | **7,125,273** | **(269,546)** | **6,881,767** |

Other financial assets recognized under current assets at December 31, 2019 correspond to short-term deposits at Bankinter which bear interest at market rates.

The breakdown at December 31, 2019 and 2018 of the financial investments based on how the Company manages them is as follows:

| | 12.31.2019 | | | 12.31.2018 | | |
|---|---|---|---|---|---|---|
| | **At maturity** | **Loans and receivables** | **Total** | **At maturity** | **Loans and receivables** | **Total** |
| **Non-current investments** | **24,000** | **-** | **24,000** | **24,000** | **-** | **24,000** |
| Security deposits and guarantees | 24,000 | - | 24,000 | 24,000 | - | 24,000 |
| **Current investments** | **-** | **6,857,767** | **6,857,767** | **-** | **-** | **-** |
| Other financial assets | - | 6,857,767 | 6,857,767 | - | - | - |
| **Total** | **24,000** | **6,857,767** | **6,881,767** | **24,000** | **-** | **24,000** |

The Company did not reclassify any financial assets amongst different categories nor did it assign or transfer any financial assets during 2019 or 2018.

At December 31, 2019 and 2018, the maturities of financial assets that are fixed or determinable by residual amounts are less than five years.

At December 31, 2019 and 2018 the Company had not delivered or accepted any financial assets as guarantees for transactions.

## 9. Inventories

The breakdown of the Company's inventories at December 31, 2019 and 2018 is as follows:

| | 12.31.2019 | | | 12.31.2018 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Impairment losses** | **Balance** | **Cost** | **Impairment losses** | **Balance** |
| Raw materials and other consumables | 872,111 | - | 872,111 | 1,115,309 | - | 1,115,309 |
| Work in progress | 820,022 | - | 820,022 | - | - | - |
| Prepayments to suppliers | - | - | - | 997 | - | 997 |
| **Total** | **1,692,133** | **-** | **1,692,133** | **1,116,306** | **-** | **1,116,306** |

Since the directors of the Company consider that there are no indications of impairment losses on inventories at December 31, 2019 and 2018, no impairment loss adjustments were recorded in either year.

The Company has arranged insurance policies to cover the potential risks to which its inventories are exposed. The coverage of these insurance policies is considered sufficient.

## 10. Trade receivables and other receivables

The heading "Trade receivables and other receivables" in the accompanying balance sheet presents amounts receivable for the rendering of operating and maintenance services for photovoltaic installations, as well as amounts receivable for the construction and sale of photovoltaic installations. The debts pending collection for the sale of shareholdings in group companies are recorded under "Other receivables."

At 2019 and 2018 year end, the Company did not consider any of its receivable balances as doubtful.

At December 31, 2019 and 2018 the Company signed purchase-sale contracts for shares in companies owning development rights. Since said contracts included resolutory clauses, the sales are not considered irrevocable until certain conditions have been fulfilled. The corresponding amounts collected were classified as current liabilities under "Customer advances" in the accompanying balance sheet, totaling 4,580,276 and 2,263,738 euros, respectively.

## 11. Cash and cash equivalents

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

| | **Balance at 12.31.2019** | **Balance at 12.31.2018** |
|---|---|---|
| Cash in hand | 17,409,454 | 8,256,323 |
| **Total** | **17,409,454** | **8,256,323** |

Of the amounts shown in the table above, at December 31, 2019 and 2018, 1,243,653 euros and 1,214,099 euros, respectively, correspond to current accounts pledged for obtaining guarantees.

## 12. Capital and reserves

### 12.1. Share capital

At December 31, 2019 the Company's share capital amounted to 8,507,177 euros, corresponding to 24,306,221 shares with a nominal value of 0.35 euros each.

The shareholders in general meeting at June 17, 2019 agreed upon a capital increase of 4,861,244 euros with a charge to the Company's voluntary reserves, via increase of the nominal value of already issued shares by 0.2 euros per share, resulting in a nominal value of 0.35 euros per share.

The shares of the Company were listed on the MAB-EE on July 8, 2015. As a consequence of its admission to trading on the MAB-EE, the Company lost its status as a sole shareholder company, which had been declared during 2014. On November 15, 2019 the Company's shareholders in general meeting approved, amongst other matters, to request the delisting of its shares on the MAB-EE and, simultaneously, request their listing on the Stock Exchanges of Barcelona, Bilbao, Madrid, and Valencia, and their inclusion on the Spanish electronic trading platform. As a consequence of the above, the Board of Directors of Bolsas y Mercados Españoles, Sistemas de Negociación, S.A. agreed to delist the 24,306,221 shares of the Company on said market, effective from December 16, 2019, the same date on which the Company's shares were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao, and Valencia. As a prior step to the process of delisting all the Company's shares on the MAB-EE and simultaneous admission to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao, and Valencia ; Daruan Group Holding, S.L.U. certain minority shareholders, realized a private placement of 2,429,000 Company shares, representing 10% of its share capital, was carried out for certain minority shareholders, through an accelerated bookbuilding process.  The expenses incurred for admission to trading the Company's shares on the Stock Exchanges of Barcelona, Bilbao, Madrid, and Valencia, and their inclusion on the Spanish electronic trading platform, amounted to 551 thousand euros.

At December 31, 2019 the following shareholders held a direct stake of more than 10% of share capital:

| **Shareholder** | **No. of shares** | **Percentage of ownership interest** |
|---|---|---|
| Daruan Group Holding, S.L. | 16,539,590 | 68% |

## 12.2. Share premium

The share premium amounted to 6,117,703 euros at December 31, 2019. This balance can be used for the same purposes as the voluntary reserves of the Company, including conversion to capital.

## 12.3. Reserves

The statement of changes in equity which forms a part of these financial statements provides the breakdown for aggregate balances and movements during 2019 and 2018 in this subheading of the accompanying balance sheet. The breakdown and composition of the different line items are shown below:

| | **Balance at 12.31.2017** | **Increase** | **Transfers** | **Balance at 12.31.18** | **Increase** | **Decreases** | **Balance at 12.31.19** |
|---|---|---|---|---|---|---|---|
| **Legal and statutory reserves** | | | | | | | |
| Legal reserve | 729,187 | - | - | 729,187 | - | - | 729,187 |
| **Other reserves** | | | | | | | |
| Voluntary reserves | 8,953,339 | 2,728,607 | (20,194) | 11,661,752 | 10,897,645 | (7,124,981) | 15,434,416 |
| Capitalization reserves | 315,027 | - | 20,194 | 335,221 | 204,237 | - | 539,458 |
| **Total** | **9,997,553** | **2,728,607** | **-** | **12,726,160** | **11,101,882** | **(7,124,981)** | **16,703,061** |

**Legal reserve**

In accordance with article 274 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.

This reserve is not distributable to owners and may only be used to offset income statement losses provided no other reserves are available. The balance recognized for this reserve can be used to increase share capital.

**Voluntary reserves**

These reserves are freely distributable.

The gains or losses obtained on the purchase-sale of treasury shares are recognized directly under voluntary reserves. The increase in voluntary reserves in connection with this item recognized in 2019 totals 2,110,720 euros (2018: 812,165 euros).

**Capitalization reserves**

During 2017 the Company set aside a capitalization reserve, with a charge to available reserves, corresponding to 10% of the increase in capital and reserves of 2016, in accordance with the stipulations of article 25 of Law 27/2014 of November 27, on Corporate Income Tax (Note 16). This reserve will be restricted for a period of 5 years. During 2019 this reserve increased by 204,237 euros, corresponding to 10% of the increase in capital and reserves of 2018.

**Treasury shares**

On May 19, 2015, the shareholders in general meeting, in accordance with the provisions of article 146 of the Spanish Corporate Enterprises Act, unanimously agreed to authorize the Board of Directors of the Company to acquire, once or on several occasions, a maximum of 2,000,000 Company shares, at a maximum price of 5 euros and a minimum price of 0.01 euros per share. Such acquisitions may be carried out by way of purchase, exchange, donation, foreclosure, or payment in kind, and in general, by any other form of acquisition for valuable consideration.

Thus, in the share purchase deed, dated June 29, 2015, the majority shareholder, Daruan Group Holding, S.L., agreed to transfer 520,000 shares to Grenergy Renovables, S.A. to create a treasury share portfolio. The purchase-sale price was determined to be the price fixed in the Grenergy Renovables, S.A. share subscription offer.

In the month of December 2019, the Company subscribed a new liquidity contract with Banco Sabadell for management of its treasury share portfolio. The duration of the contract, which became effective on December 16, 2019, is of twelve months.

The shares acquired in the treasury share portfolio are held to meet the obligations arising from the contract signed with the liquidity provider, in accordance with the provisions of Circular 1/2017 of the Spanish Securities Exchange Commission ("CNMV" in its Spanish acronym).

In connection with the new liquidity contract, the Company allocated 26,525 shares to the associated securities account and 500,000 euros to the cash balance account.

Banco Sabadell will carry out the transactions established in the present contract in regulated markets and Spanish multilateral trading systems, via market orders, in accordance with the contracting rules established in the CNMV Circular.

On September 11, 2018 the Company acquired 365,426 treasury shares from related persons at a price of 2.40 euros per share.

At December 31, 2019 and 2018 the treasury share portfolio is broken down as follows:

| | Balance at 12.31.2019 | Balance at 12.31.2018 |
|---|---|---|
| **No. of shares in treasury share portfolio** | **556,815** | **888,177** |
| **Total treasury share portfolio** | **3,328,497** | **2,062,970** |
| Liquidity Accounts | 2,423,479 | 1,198,776 |
| Fixed Own Portfolio Account | 905,018 | 864,194 |

During 2019 and 2018, the movements in the treasury share portfolio were as follows:

Year ended December 31, 2019

| | Treasury shares | | |
|---|---|---|---|
| | Number of shares | Value of portfolio | Average acquisition price |
| **Balance at 12.31.2018** | **888,177** | **2,062,969** | **2.32** |
| Acquisitions | 389,978 | 3,882,063 | 9.95 |
| Disposals | (721,340) | (2,616,535) | 3.63 |
| **Balance at 12.31.2019** | **556,815** | **3,328,497** | **5.98** |

Year ended December 31, 2018

| | Treasury shares | | |
|---|---|---|---|
| | Number of shares | Value of portfolio | Average acquisition price |
| **Balance at 12.31.2017** | **741,577** | **1,133,498** | **1.55** |
| Acquisitions | 658,055 | 1,869,232 | 2.84 |
| Disposals | (511,455) | (939,761) | 1.84 |
| **Balance at 12.31.2018** | **888,177** | **2,062,969** | **2.32** |

The purpose of holding the treasury shares is to maintain them available for sale in the market and for the incentive plan approved for directors, executives, employees, and key collaborators of the Group (Note 12.5).

At December 31, 2019 treasury shares represent 2.3% of all the Company's shares (2018: 3.7%).

## 12.4. Incentive plans for employees

At the meeting held on June 26, 2015, the Board of Directors of the Company approved an incentive plan for certain executives and key personnel based on the granting of options on the Company's shares. At December 31, 2019 the number of shares set aside to cover this plan was 22,000. The exercise price for the share options was fixed at 1.38 euros per share.

The beneficiary will be able to acquire:

- A third of the shares granted for the option from the date on which two years have elapsed counting from the grant date.
- A third of the shares granted for the option from the date on which three years have elapsed counting from the grant date.
- A third of the shares granted for the option from the date on which four years have elapsed counting from the grant date.

At June 2, 2016 a second incentive plan was approved based on the granting of options on the Company's shares with similar characteristics to the first one. At December 31, 2019 the number of shares set aside for covering this plan totaled 48,667 shares. The exercise price of the share options was established as 1.90 euros per share.

At November 27, 2018 a third incentive plan was approved based on the granting of options on the Company's shares with similar characteristics to the previous two plans. At December 31, 2019 the number of shares set aside for covering this plan totaled 157,143 shares. The exercise price of the share options was established as 3.50 euros per share.

At March 29, 2019 a fourth incentive plan was approved based on the granting of options on the Company's shares with similar characteristics to the previous three plans. At December 31, 2019 the number of shares set aside for covering this plan totaled 62,200 shares. The exercise price of the share options was established as 6.90 euros per share.

Said incentive plans establish that their settlement will be carried out by delivery of equity instruments to the employees should they exercise the options granted. The exercise prices of the options on shares were established by reference to the fair value of the corresponding equity instruments at the grant date. The Company did not recognize any amounts relating to this item since it considered that the fair value of the option price is not significant.

At December 31, 2019 there were 54,445 exercisable options (2018: 198,000). In 2019, 263,333 options were exercised (2018: 0 options).

## 13. Non-current and current borrowings

The breakdown of these headings in the accompanying balance sheet at December 31, 2019 and 2018 is as follows:

Year ended December 31, 2019

| | Non-current borrowings | Current borrowings | Total at 12.31.19 |
|---|---|---|---|
| **Bonds and other marketable securities** | **21,539,687** | **-** | **21,539,687** |
| **Bank borrowings** | **831,260** | **3,493,301** | **4,324,561** |
| Loans | 831,260 | 2,175,207 | 3,006,467 |
| Credit lines | - | 23,102 | 23,102 |
| Foreign financing | - | 1,294,992 | 1,294,992 |
| **Other borrowings** | **208,249** | **3,342,401** | **3,550,650** |
| **Finance lease liabilities** | **131,602** | **32,927** | **164,529** |
| **Total** | **22,710,798** | **6,868,629** | **29,579,427** |

Year ended December 31, 2018

| | Non-current borrowings | Current borrowings | Total at 12.31.18 |
|---|---|---|---|
| **Bank borrowings** | **2,982,665** | **6,058,449** | **9,041,114** |
| Loans | 2,982,665 | 2,799,001 | 5,781,666 |
| Credit lines | - | 2,420,690 | 2,420,690 |
| Foreign financing | - | 838,758 | 838,758 |
| **Other borrowings** | **266,536** | **1,244,074** | **1,510,610** |
| **Finance lease liabilities** | **134,854** | **27,662** | **162,516** |
| **Total** | **3,384,055** | **7,330,185** | **10,714,240** |

All the financial liabilities held by the Company are classified under "Trade and other payables" for measurement purposes.

At December 31, 2019 and 2018 the breakdown of borrowings by residual maturities is as follows:

Year ended December 31, 2019

| | Bonds and other marketable securities | Bank borrowings | Other borrowings | Finance lease liabilities | Total |
|---|---|---|---|---|---|
| Within one year | - | 3,493,301 | 3,342,401 | 32,927 | **6,868,629** |
| 2021 | - | 831,260 | 52,060 | 27,773 | **911,093** |
| 2022 | - | - | 156,189 | 84,894 | **241,083** |
| 2023 | - | - | - | 14,092 | **14,092** |
| 2024 | 21,539,687 | - | - | 4,843 | **21,544,530** |
| More than five years | - | - | - | - | **-** |
| **Total** | **21,539,687** | **4,324,561** | **3,550,650** | **164,529** | **29,579,427** |

Year ended December 31, 2018

| | Bank borrowings | Other borrowings | Finance lease liabilities | Total |
|---|---|---|---|---|
| Within one year | 6,058,449 | 1,244,074 | 27,662 | **7,330,185** |
| 2020 | 2,165,016 | 52,060 | 27,688 | **2,244,765** |
| 2021 | 817,649 | 52,060 | 23,168 | **892,877** |
| 2022 | - | 52,060 | 80,887 | **132,947** |
| 2023 | - | 52,060 | 3,111 | **55,171** |
| More than five years | - | 58,296 | - | **58,295** |
| **Total** | **9,041,114** | **1,510,610** | **162,516** | **10,714,240** |

During 2019 and 2018 the Company complied with the payment of all its financial debt at maturity. Likewise, at the date of authorization of these financial statements the Company had complied with all obligations assumed.

## 13.1. Bonds and other marketable securities

In October 2019, the Board of Directors of Grenergy agreed upon establishment of the "Grenergy Renewables Fixed Income Program 2019," by virtue of which the Company can issue medium and long-term fixed-income securities for a maximum nominal amount of up to 50,000,000 euros. Thus, in October 2019, the corresponding admission prospectus was prepared for the Alternative Fixed Income Market ("MARF") with a view to trading the bonds issued under the "Grenergy Renewables Fixed Income Program 2019" on said market within the period it is in force (one year from preparation of the MARF admission prospectus).

In November 2019, the Company carried out a bond issue under said program for a nominal amount of 22,000,000 euros, bearing 4.75% interest and maturing in November 2024. Interest accrued during 2019 amounted to 174 thousand euros.

This bond issue is subject to fulfillment of a series of covenants, which had all been fulfilled at December 31, 2019.

## 13.2. Bank borrowings

The breakdown of loans subscribed and their main contractual conditions at December 31, 2019 and 2018 is as follows:

Year ended December 31, 2019

| | | | | | Euros | | |
|---|---|---|---|---|---|---|---|
| **Financial institution** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Installments** | **Non-current liabilities** | **Current liabilities** | **Total** |
| BANCO SABADELL | 10/20/2021 | 2.50% | No | Monthly | 534,031 | 609,693 | 1,143,724 |
| BANCO SABADELL (loan denominated in USD) | 4/19/2021 | 3.60% | No | Monthly | 297,229 | 891,687 | 1,188,916 |
| BANCO SANTANDER | 4/10/2020 | 2.15% | No | Monthly | - | 673,827 | 673,827 |
| **Total** | | | | | **831,260** | **2,175,207** | **3,006,467** |

Year ended December 31, 2018

| | | | | | Euros | | |
|---|---|---|---|---|---|---|---|
| **Financial institution** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Installments** | **Non-current liabilities** | **Current liabilities** | **Total** |
| BANCO SABADELL | 10/20/2021 | 2.50% | No | Monthly | 1,143,724 | 602,127 | 1,745,851 |
| BANCO SABADELL (USD) | 4/19/2021 | 3.60% | No | Monthly | 1,165,114 | 870,701 | 2,035,815 |
| BANCO SANTANDER | 4/10/2020 | 2.15% | No | Monthly | 673,827 | 1,326,173 | 2,000,000 |
| **Total** | | | | | **2,982,665** | **2,799,001** | **5,781,666** |

All the subscribed loans bear interest at market rates. The average annual interest rate for 2019 and 2018 was 2.75%.

## 13.3. Credit policies and foreign financing

At December 31, 2019 and 2018 the Company had subscribed credit facilities and credit financing for foreign operations with various financial entities. The breakdown of the credit drawdowns at said dates together with the corresponding contractual terms is as follows:

Year ended December 31, 2019

| | | Euros | | |
|---|---|---|---|---|
| Financial institution | Maturity date | Credit limit granted | Drawdown | Drawable amount |
| BANKIA I | 5/27/2020 | 100,000 | - | 100,000 |
| BANKIA II | 4/21/2020 | 1,500,000 | - | 1,500,000 |
| SANTANDER | 4/17/2020 | 300,000 | - | 300,000 |
| SANTANDER II (PREVIOUSLY "POPULAR") | 5/7/2020 | 200,000 | - | 200,000 |
| SABADELL | 5/10/2020 | 200,000 | 23,102 | 176,898 |
| BANKINTER | Indefinite | 500,000 | - | 500,000 |
| BANKIA (VISA) | Indefinite | 3,000 | - | 3,000 |
| BANCO SABADELL (VISA) | Indefinite | 30,000 | - | 30,000 |
| Total credit facilities | | 2,833,000 | 23,102 | 2,809,898 |
| SABADELL (USD) | Indefinite | 13,500,000 | 67,554 | 2,886,110 |
| SANTANDER (USD) | Indefinite | 11,750,000 | - | 7,024,020 |
| BANKIA (USD) | 5/27/2020 | 11,000,000 | 1,227,438 | 3,218,843 |
| BANKINTER (USD) | Indefinite | 11,000,000 | - | 5,531,739 |
| CAIXABANK (USD) | 1/23/2021 | 5,000,000 | - | 2,985,581 |
| BBVA (USD) | 3/1/2020 | 5,000,000 | - | - |
| Total foreign financing | | 57,250,000 | 1,294,992 | 21,646,293 |
| Total | | 60,083,000 | 1,318,094 | 24,456,191 |

Year ended December 31, 2018

| | | Euros | | |
|---|---|---|---|---|
| Financial institution | Maturity date | Credit limit | Drawdown | Drawable amount |
| BANKIA I | 9/7/2019 | 100,000 | 93,524 | 6,476 |
| BANKIA II | 4/21/2019 | 1,500,000 | 1,494,422 | 5,578 |
| SANTANDER | 4/17/2019 | 300,000 | 281,761 | 18,239 |
| POPULAR | 4/17/2019 | 200,000 | 189,852 | 10,148 |
| SABADELL | 7/7/2019 | 200,000 | 80,203 | 119,797 |
| BANKINTER | 7/28/2019 | 300,000 | 271,616 | 28,384 |
| BANKIA (VISA) | Indefinite | 3,000 | - | 3,000 |
| BANCO SABADELL (VISA) | Indefinite | 30,000 | 9,312 | 20,688 |
| Total credit facilities | | 2,633,000 | 2,420,690 | 212,310 |
| SABADELL (USD) | Indefinite | 6,500,000 | 250,952 | 6,249,048 |
| SANTANDER (USD) | Indefinite | 6,000,000 | - | 6,000,000 |
| BANKIA (USD) | 9/7/2019 | 6,000,000 | 587,806 | 5,412,194 |
| POPULAR (USD) | 10/26/2019 | 2,000,000 | - | 2,000,000 |
| BANKINTER (USD) | 7/28/2019 | 6,500,000 | - | 6,500,000 |
| CAIXABANK (USD) | 1/23/2019 | 5,000,000 | - | 5,000,000 |
| BBVA (USD) | 7/12/2019 | 3,000,000 | - | 3,000,000 |
| Total foreign financing | | 35,000,000 | 838,758 | 34,161,242 |
| Total | | 37,633,000 | 3,259,448 | 34,373,552 |

The foreign financing contracted by the Company for the years 2019 and 2018 includes credit transactions as well as warranty coverage, letters of credit, and guarantees (Note 21.2).

The average annual interest rate on the credit facilities during 2019 and 2018 was 2.15%.

## 13.4. Other borrowings

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

Year ended December 31, 2019

| | | | | | **Euros** | | |
|---|---|---|---|---|---|---|---|
| **Creditor** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Installments** | **Non-current liabilities** | **Current liabilities** | **Total** |
| Spanish Centre for the Development of Industrial Technology (CDTI) | 5/12/2022 | Zero interest | No | Monthly | 208,249 | 52,060 | 260,309 |
| Ministry of Economy and Competition | 1/20/2021 | Zero interest | No | Monthly | - | 6,226 | 6,226 |
| Other borrowings (Kosten) | - | - | - | - | - | 1,169,001 | 1,169,001 |
| Other borrowings (PEQ) | - | - | - | - | - | 2,113,810 | 2,113,810 |
| Other | - | - | - | - | - | 1,304 | 1,304 |
| **Total** | | | | | **208,249** | **3,342,401** | **3,550,650** |

Year ended December 31, 2018

| | | | | | Euros | | |
|---|---|---|---|---|---|---|---|
| **Creditor** | **Maturity date** | **Interest rate** | **Type of guarantee** | **Installments** | **Non-current liabilities** | **Current liabilities** | **Total** |
| Spanish Centre for the Development of Industrial Technology (CDTI) | 5/12/2022 | Zero interest | No | Monthly | 260,308 | 52,060 | 312,368 |
| Ministry of Economy and Competition | 1/20/2021 | Zero interest | No | Monthly | 6,227 | 5,926 | 12,153 |
| Other borrowings (Kosten) | - | - | - | - | - | 1,186,088 | 1,186,088 |
| **Total** | | | | | **266,535** | **1,244,074** | **1,510,609** |

This balance corresponds to the following:

- The amount pending payment at December 31, 2019 generated by the purchase of Kosten, S.A., integrated in the Group in 2017 (Note 8.1).

- The amount pending payment at December 31, 2019 generated by the purchase of PEQ, S.P.A., integrated in the Group in 2019 (Note 8.1).

- The amount pending payment at 2019 and 2018 year end corresponding to a zero interest rate loan granted by CDTI on October 13, 2011 in the amount of 520,609 euros in order to help financing the necessary investments for the project known as "Design and Modeling of a forecasting system for performance and integral control at energy distribution installations." The Company did not recognize said loan at its fair value, as established in Consultation number 1 of BOICAC 81, as it considers that said fair value does not significantly differ from its nominal amount.

- Further, the Company received a zero interest rate loan granted by the Ministry of Economy and Competition on April 16, 2012 in the amount of 33,756 euros, relating to the personnel expenses for carrying out the project known as "Design and Modeling of a forecasting system for performance and integral control at energy distribution installations."

  The repayment of these loans can be extended over a maximum period of seven yearly installments at identical amounts, allowing a maximum maturity for the first annual installment of five years counted from the date on which they were granted. The first of said annual installments was paid in 2015.

## 14. Borrowings from group companies and associates

The breakdown of these headings in the accompanying balance sheet at December 31, 2019 and 2018 is the following:

Year ended December 31, 2019

| | Maturity date | Interest rate | Type of guarantee | Non-current borrowings | Current borrowings | Total at 12.31.19 |
|---|---|---|---|---|---|---|
| **Borrowings from group companies** | | | | | | |
| Loan debt | Indefinite | 12-month Euribor + 2% | - | - | 242,988 | 242,988 |
| **Total** | | | **-** | **-** | **242,988** | **242,988** |

Year ended December 31, 2018

| | Maturity date | Interest rate | Type of guarantee | Non-current borrowings | Current borrowings | Total at 12.31.18 |
|---|---|---|---|---|---|---|
| **Borrowings from group companies** | | | | | | |
| Loan debt | Indefinite | 12-month Euribor + 2% | - | - | 16,144 | 16,144 |
| Loan debt | 24 months +12 | 12-month Libor + 200 b.p. | - | - | 2,440,840 | 2,440,840 |
| Tax related debt | - | - | - | - | 316,735 | 316,735 |
| **Total** | | | **-** | **-** | **2,773,719** | **2,773,719** |

During 2018 the Company filed its corporate tax return as part of the tax group comprised of all companies which fulfill the requirements established in Chapter VI, Title VII of Law 27/2014 of November 27, on Corporate Income Tax, with Daruan Group Holding, S.L. as the parent of said tax group. Thus, a tax related debt of 317 thousand euros owed to this company was recorded at December 31, 2018. As stated in Note 12, in 2019 the Company was no longer a member of the tax group Daruan Group Holding, S.L. and subsidiaries.

Loan debt at December 31, 2019 reflects the current account payable by Grenergy Renovables, S.A. to the group company GR Equity Wind and Solar, S.L.

As a consequence of the spin-off of Daruan Venture Capital SCR under the simplified regime, S.A., the beneficiary of which was Daruan Group Holding, S.L. Sole Shareholder Company, the latter, sole partner of Grenery Renovables, S.A., was subrogated in the multilateral credit contract amongst group companies belonging to the parent Daruan Venture Capital SCR under the simplified regime, subscribed on January 1, 2012 and ratified by public deed before Madrid Notary Mr. Jaime Recarte Casanova of February 14, 2014, with protocol number 382. This contract comprises a bidirectional credit between Daruan Group Holding, S.L. and Grenergy Renovables, S.A., by virtue of which interest is accrued at the beginning of each calendar year on the amounts they owe or lend each other, corresponding to 12-month Euribor plus a spread of 2%. The contract is of indefinite duration and can be canceled at any moment by either of the parties with one month's notice and outstanding balances to be settled at the cancellation date. At 2019 and 2018 year end, the related debt amounted to 0 thousand and 16 thousand euros, respectively.

Loan debt with other Group companies at December 31, 2018 reflects the current account payable by Grenergy Renovables, S.A. to the Group companies GR Pain SAC and GR Taruca SAC.

## 15. Information on deferred payments to suppliers

The average payment period for suppliers was as follows:

| | **2019** | **2018** |
|---|---|---|
| | **Days** | **Days** |
| Average supplier payment period | 52.92 | 62.56 |
| Ratio of transactions paid | 60 | 69 |
| Ratio of transactions pending payment | 43 | 45 |
| | **Amount (euros)** | **Amount (euros)** |
| Total payments made | 26,556,384 | 23,053,948 |
| Total pending payments | 18,961,836 | 8,445,984 |

## 16. Taxes payable and receivable and tax matters

The breakdown of balances with public administrations at December 31, 2019 and December 31, 2018 is as follows:

Year ended December 31, 2019

| **Receivable from public administrations** | **Non-current** | **Current** | **Balance at 12.31.19** |
|---|---|---|---|
| **Deferred tax assets** | **842,998** | **-** | **842,998** |
| **Other receivables from public administrations** | - | **636,840** | **636,840** |
| VAT receivable | - | 636,840 | **636,840** |
| **Total** | **842,998** | **636,840** | **1,479,838** |

| Payable to public administrations | Non-current | Current | Balance at 12.31.19 |
|---|---|---|---|
| **Current tax liabilities** | **-** | **525,521** | **525,521** |
| **Other payables to public administrations** | **-** | **200,859** | **200,859** |
| VAT payable | - | - | - |
| Payable to the public treasury for withholdings | - | 141,608 | 141,608 |
| Social security agencies | - | 59,251 | 59,251 |
| **Total** | **-** | **726,380** | **726,380** |

Year ended Monday, December 31, 2018

| Receivable from public administrations | Non-current | Current | Balance at 12.31.18 |
|---|---|---|---|
| **Deferred tax assets** | **664,819** | **-** | **664,819** |
| **Other receivables from public administrations** | - | **235,357** | **235,357** |
| VAT recoverable | - | 235,357 | **235,357** |
| **Total** | **664,819** | **235,357** | **900,176** |

| Payable to public administrations | Non-current | Current | Balance at 12.31.18 |
|---|---|---|---|
| **Deferred tax liabilities** | **-** | **-** | **-** |
| **Other payables to public administrations** | **-** | **74,051** | **74,051** |
| Payable to the public treasury for withholdings | - | 34,225 | 34,225 |
| Social security agencies | - | 39,826 | 39,826 |
| **Total** | **-** | **74,051** | **74,051** |

## Tax matters

At December 31, 2019 the Company is open to inspection of all taxes to which it is liable for the last four years, as well as those corresponding to 2015.

Under current Spanish tax legislation, taxes cannot be considered definitive until the tax returns have been inspected by the tax authorities or until the four-year legal inspection period has elapsed.

Due to the varying interpretations of the tax regulations applicable, certain tax contingencies that are not objectively quantifiable could arise. Nevertheless, the directors consider that tax debts arising from possible future actions taken by the tax authorities would not have a significant effect on the financial statements taken as a whole.

## Income tax

The Company has been filing its tax returns under a consolidated tax regime since 2012 together with other Group companies. The parent of the tax group was Daruan Venture Capital, S.C.R. during 2012 and 2013, and since 2014 the new parent of the tax group has been Daruan Group Holding, S.L. As indicated in Note 12, in 2019 the Company left the tax group.

Due to the differing treatment of certain transactions permitted under prevailing tax legislation, the accounting profit differs from taxable income. The reconciliation of accounting profit with taxable income for 2019 and 2018 was the following:

Year ended December 31, 2019

| | Income statement | | | Income and expense recognized directly in equity | Total |
|---|---|---|---|---|---|
| | **Increase** | **Decrease** | **Total** | **Total** | |
| **Income and expenses for the year** | **7,182,026** | **-** | **7,182,026** | **-** | **7,182,026** |
| Corporate income tax | 1,846,941 | - | 1,846,941 | - | 1,846,941 |
| **Permanent differences** | **592** | **(6,923,629)** | **(6,923,037)** | **-** | **(6,923,037)** |
| Arising at company level | 592 | (6,923,629) | (6,923,037) | - | (6,923,037) |
| **Temporary differences** | **278,848** | **(360)** | **278,488** | **-** | **278,488** |
| Arising in the year | 275,417 | - | 275,417 | - | 275,417 |
| Arising in prior years | 3,431 | (360) | 3,071 | - | 3,071 |
| **Capitalization reserves** | **-** | **(238,442)** | **(238,442)** | **-** | **(238,442)** |
| **Taxable income (Tax results)** | **9,308,407** | **(7,162,431)** | **2,145,976** | **-** | **2,145,976** |
| **Tax charge (25%)** | | | | | **536,494** |
| Tax deductions applied | | | | | (18) |
| **Tax payable** | | | | | **536,476** |
| Withholdings and payments on account | | | | | (10,955) |
| **Net amount payable (collectible)** | | | | | **525,521** |

Year ended December 31, 2018

| | Income statement | | | Income and expense recognized directly in equity | | | Total |
|---|---|---|---|---|---|---|---|
| | Increase | Decrease | Total | Increase | Decrease | Total | |
| **Income and expenses for the year** | **8,991,163** | **-** | **8,991,163** | **-** | **-** | **-** | **8,991,163** |
| Corporate income tax | 1,642,517 | | 1,642,517 | - | - | - | 1,642,517 |
| **Permanent differences** | **4,714** | **(11,605,134)** | **(11,600,420)** | **-** | **-** | **-** | **(11,600,420)** |
| Arising at company level | 4,714 | (11,605,134) | (11,600,420) | - | - | - | (11,600,420) |
| **Temporary differences** | **2,303,369** | **(408)** | **2,302,961** | **-** | **-** | **-** | **2,302,961** |
| Arising in the year | 2,300,846 | - | 2,300,846 | - | - | - | 2,300,846 |
| Arising in prior years | 2,523 | (408) | 2,115 | - | - | - | 2,115 |
| **Capitalization reserves** | **-** | **(62,261)** | **(62,261)** | **-** | **-** | **-** | **(62,261)** |
| **Taxable income (Tax results)** | **12,941,763** | **(11,667,803)** | **1,273,960** | **-** | **-** | **-** | **1,273,960** |
| **Tax charge (25%)** | | | | | | | **318,490** |
| Tax deductions applied | | | | | | | (20) |
| **Tax payable** | | | | | | | **318,470** |
| Withholdings and payments on account | | | | | | | (1,735) |
| **Net amount payable (collectible)** | | | | | | | **316,735** |

Given that the Company files its tax returns under a consolidated regime together with other entities, the parent of the tax group was responsible for presentation and settlement of the consolidated corporate income tax. Thus, the amount payable for 2018 shown in the table above was classified for presentation purposes in the financial statements under "Current liabilities - Payables to Group companies and associates" in the accompanying balance sheet. The amount payable for 2019 is presented under "Current tax liabilities" in the accompanying balance sheet.

The reconciliation of tax payable and tax expense is as follows:

| | 12.31.19 | 12.31.18 |
|---|---|---|
| Tax payable | (536,476) | (318,470) |
| Change in deferred taxes | 69,622 | 575,740 |
| Current foreign tax | (1,488,221) | (1,914,893) |
| Capitalization reserves | 108,134 | 15,106 |
| **Income tax expense** | **(1,846,941)** | **(1,642,517)** |

The line item identified as "Current foreign tax" corresponds to withholding taxes on the gains arising from the sale of shareholdings in Group companies carried out by the Company in 2019 and 2018 (Note 8.1).

## Deferred tax assets and liabilities

The difference between the tax expense for 2019 and prior years as compared to the tax already paid or payable for those years is recorded in "Deferred tax assets" or "Deferred tax liabilities," as applicable. Said deferred taxes were calculated by applying the prevailing nominal tax rate to the corresponding amounts.

The breakdown and movements under these balance sheet headings for 2019 and 2018 are as follows:

Year ended December 31, 2019

| | Balance at 12.31.18 | Recognized in the income statement | | Balance at 12.31.19 |
|---|---|---|---|---|
| | | Additions | Decreases | |
| **Deferred tax assets** | **664,818** | **178,321** | **(141)** | **842,998** |
| Tax deductions pending application | 33 | - | (33) | - |
| Temporary differences | 664,785 | 178,321 | (108) | 842,998 |
| **Total** | **664,818** | **178,321** | **(141)** | **842,998** |
| **Deferred tax liabilities** | **-** | **-** | **-** | **-** |
| Temporary differences | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

Year ended December 31, 2018

| | Balance at 12.31.2017 | Recognized in the income statement | | Balance at 12.31.18 |
|---|---|---|---|---|
| | | Additions | Decreases | |
| **Deferred tax assets** | **75,849** | **588,969** | **-** | **664,818** |
| Tax deductions pending application | - | 33 | - | 33 |
| Temporary differences | 75,849 | 588,936 | - | 664,785 |
| **Total** | **75,849** | **588,969** | **-** | **664,818** |
| **Deferred tax liabilities** | **1,345** | **-** | **(1,345)** | **-** |
| Temporary differences | 1,345 | - | (1,345) | - |
| **Total** | **1,345** | **-** | **(1,345)** | **-** |

The recoverability of deferred tax assets is assessed as soon as they are recognized and at least at each closing date, in accordance with the results the Company expects to generate in coming years.

### Tax loss carryforwards pending offset

At 2019 and 2018 year end, the Company had no tax loss carryforwards pending application.

### Deductions

At 2019 and 2018 year end there were no deductions pending application either.

## 17. Income and expenses

### Cost of sales

The breakdown of this income statement heading for 2019 and 2018 is as follows:

Year ended December 31, 2019

| | Purchases | Changes in inventories | Impairment / (Reversal) | Total |
|---|---|---|---|---|
| Consumption of goods for resale | 48,366,737 | (243,198) | - | 48,123,539 |
| **Total** | **48,366,737** | **(243,198)** | **-** | **48,123,539** |

Year ended December 31, 2018

| | Purchases | Changes in inventories | Impairment / (Reversal) | Total |
|---|---|---|---|---|
| Consumption of goods for resale | 19,154,719 | (237,426) | - | 18,917,293 |
| **Total** | **19,154,719** | **(237,426)** | **-** | **18,917,293** |

The breakdown of purchases carried out in 2019 and 2018, by origin, is as follows:

| | Balance at 12.31.19 | Balance at 12.31.18 |
|---|---|---|
| Spain | 8,557,104 | 6,515,023 |
| Imports | 39,809,633 | 12,639,696 |
| **Total** | **48,366,737** | **19,154,719** |

## Social security costs

The breakdown of this income statement heading for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Social security payable by the Company | 587,928 | 311,648 |
| Other social security expenses | 57,971 | 36,956 |
| **Total** | **645,899** | **348,604** |

The average number of employees, by professional category, in 2019 and 2018, was as follows:

| Category | 2019 | 2018 |
|---|---|---|
| Directors and Senior Management | 7 | 5 |
| Department directors | 8 | 7 |
| Other | 28 | 17 |
| **Total** | **43** | **29** |

The breakdown by gender of employees, directors, and senior management at 2019 and 2018 year end, is as follows:

Year ended December 31, 2019

| Category | Men | Women | TOTAL |
|---|---|---|---|
| Directors and Senior Management | 6 | 3 | **9** |
| Department directors | 7 | 2 | **9** |
| Other | 27 | 10 | **37** |
| **Total** | **40** | **15** | **55** |

Year ended December 31, 2018

| Category | Men | Women | TOTAL |
|---|---|---|---|
| Senior Management | 5 | 1 | **6** |
| Department directors | 4 | 2 | **6** |
| Other | 20 | 6 | **26** |
| **Total** | **29** | **9** | **38** |

At December 31, 2019 and 2018 the Company had no employees under contract with disabilities greater than or equal to 33%.

## Finance income and expenses

The breakdown of finance income and expenses recognized in the accompanying income statement is as follows:

Year ended December 31, 2019

| | From third parties | From Group companies | Total |
|---|---|---|---|
| **Income** | **59,996** | **439,712** | **499,708** |
| Interest from other financial assets | 59,996 | 439,712 | 499,708 |
| **Expenses** | **(1,038,917)** | **-** | **(1,038,917)** |
| Interest on borrowings | (544,175) | - | (544,175) |
| Other finance costs | (494,742) | - | (494,742) |
| **Exchange gains (losses)** | **(73,776)** | **-** | **(73,776)** |
| **Impairment losses and gains (losses) on disposals** | **(25,000)** | **6,648,212** | **6,623,212** |
| Impairment losses and losses | (25,000) | (275,417) | (300,417) |
| Gains (losses) on disposals and other gains and losses | - | 6,923,629 | 6,923,629 |
| **Finance cost** | **(1,077,697)** | **7,087,924** | **6,010,227** |

Year ended December 31, 2018

| | From third parties | From Group companies | Total |
|---|---|---|---|
| **Income** | **9,927** | **96,793** | **106,720** |
| Interest from other financial assets | 9,927 | 96,793 | 106,720 |
| **Expenses** | **(498,764)** | **(50,332)** | **(549,096)** |
| Interest on borrowings | (311,334) | (50,332) | (361,666) |
| Other finance costs | (187,430) | - | (187,430) |
| **Exchange gains (losses)** | **(246,588)** | - | **(246,588)** |
| **Impairment losses and gains (losses) on disposals** | **11,605,134** | **(2,300,846)** | **9,304,288** |
| Impairment losses and losses | - | (2,300,846) | (2,300,846) |
| Gains (losses) on disposals and other gains and losses | 11,605,134 | - | 11,605,134 |
| **Finance cost** | **10,869,709** | **(2,254,385)** | **8,615,324** |

## 18. Foreign currency

The breakdown of transactions carried out in foreign currency during 2019 and 2018 is as follows:

Year ended December 31, 2019

| | Corresponding amounts in euros | |
|---|---|---|
| | US Dollars | Total |
| Purchases | 39,809,633 | **39,809,633** |
| Sales | 54,624,015 | **54,624,015** |
| **Total** | 94,433,648 | **94,433,648** |

Year ended December 31, 2018

| | Corresponding amounts in euros | |
|---|---|---|
| | US Dollars | Total |
| Purchases | 12,407,766 | **12,407,766** |
| Sales | 23,304,156 | **23,304,156** |
| **Total** | 35,711,922 | **35,711,922** |

The breakdown of assets and liabilities denominated in foreign currencies at December 31, 2019 and 2018 is as follows:

Year ended December 31, 2019

| | **Corresponding amounts in euros** | | |
|---|---|---|---|
| | **US Dollars** | **Other** | **Total** |
| **Assets** | | | |
| Accounts receivable from group companies | 12,966,476 | - | **12,966,476** |
| Trade and other receivables | 4,529,858 | - | **4,529,858** |
| Cash and cash equivalents | 5,915,843 | - | **5,915,843** |
| **Liabilities** | | | |
| Suppliers | 12,530,393 | - | **12,530,393** |
| Current borrowings | 5,766,719 | - | **5,766,719** |
| **Total** | **5,115,065** | **-** | **5,115,065** |

Year ended December 31, 2018

| | **Corresponding amounts in euros** | | |
|---|---|---|---|
| | **US Dollars** | **Other** | **Total** |
| **Assets** | | | |
| Accounts receivable from group companies | 332,980 | - | **332,980** |
| Trade and other receivables | 10,211,460 | - | **10,211,460** |
| Cash and cash equivalents | 7,673,346 | - | **7,673,346** |
| **Liabilities** | | | |
| Suppliers | 5,580,656 | - | **5,580,656** |
| Current borrowings | 4,060,661 | - | **4,060,661** |
| **Total** | **8,576,469** | **-** | **8,576,469** |

## 19. Environmental disclosures

One of the characteristic phases in the development of a renewable energy project, whether solar or wind, is the performance of environmental impact studies and issuing of environmental impact statements for particular installations. The main objective in said studies and statements is to measure and reduce the real impact on the environment arising from execution of any project.

The main entities responsible for preventing deterioration of the environment are the competent authorities of the different countries in which Grenergy operates. Thus, assessment of the environmental impact of any activity allows the Company to introduce an environmental dimension to the design and execution of the projects and activities which it performs in each country. This assessment allows for certification that the initiatives, both in the private and public sectors, are in compliance with the applicable environmental requirements.

Though there are various types of environmental impact, they can mainly be classified into three different types in accordance with their origin: (i) environmental impact provoked by the use of natural resources; (ii) environmental impact provoked by contamination; and (iii) environmental impact provoked by the occupation of land.

The projects performed by Grenergy are in general affected mainly by the environmental impact provoked by occupation of land. Thus, at the outset of any project, land is searched for and located whose essential characteristics will not be modified by execution of the project in question or which may even be improved from an environmental point of view.

Another type of environmental impact which may have an effect on the Company's PP&E is the contamination from the machinery sometimes used by Grenergy in performing its activity. Consequently, the persons in charge of executing any phase of developing a project will always try to optimize the organization of teams, adapting it to the terrain.

Based on each project, Grenergy contracts different consultants and engineers specialized in performing environmental impact studies, which are subsequently reviewed by the competent authorities. Once said study has been analyzed in detail by the competent authority, a decision is taken as to the appropriateness of performing the activity being assessed, determining the conditions and measures necessary for adequately protecting the environment and the natural resources associated with the project.

In accordance with prevailing legislation, the Company maintains control over the extent of contamination it produces and implements an appropriate waste disposal policy.

## 20. Related-party transactions

## 20.1. Related-party transactions and balances

In addition to group entities, jointly controlled entities, and associates, the Company's related parties also include its directors and senior management (including close family members) as well as those entities over which they may exercise control or significant influence.

At 2019 and 2018 year end, the debit and credit balances held with related parties are broken down as follows:

Year ended December 31, 2019

| | Parent company | Other group companies | Total |
|---|---|---|---|
| **Assets** | | | |
| Clients | - | 16,178,806 | 16,178,806 |
| Accounts receivable from group companies | - | 14,111,199 | 14,111,199 |
| | - | **30,290,005** | **30,290,005** |
| **Liabilities** | | | |
| Suppliers | - | 5,436 | 5,436 |
| Borrowings from group companies | - | 242,988 | 242,988 |
| | **-** | **248,424** | **248,424** |

Year ended December 31, 2018

| | Parent company | Other group companies | Total |
|---|---|---|---|
| **Assets** | | | |
| Clients | - | 16,062,110 | 16,062,110 |
| Accounts receivable from group companies | - | 3,304,745 | 3,304,745 |
| | - | **19,366,855** | **19,366,855** |
| **Liabilities** | | | |
| Suppliers | - | 27,759 | 27,759 |
| Borrowings from group companies (Note 14) | 316,735 | 2,456,984 | 2,773,719 |
| | **316,735** | **2,484,743** | **2,801,478** |

The balances with related parties at December 31, 2019 and 2018 are comprised of the following:

- Trade receivables from group companies: reflects the debt owed Grenergy Renovables, S.A. and pending collection from its investees and related parties at year end, corresponding to the sale of consumables and the construction of solar farms, mainly related to Grenergy Renovables Pacific, totaling 13,300,143 euros at December 31, 2019 (2018: 14,431,962 euros) and Parque Eólico Quillagua, totaling 2,878,664 euros at December 31, 2019 (2018: 0 euros).

- Receivables from group companies: balances in favor of Grenergy Renovables, S.A. for credit granted to investees (Note 8.1).

- "Borrowings from group companies - Parent company" reflects the balance at year end of the credit facility subscribed with Daruan Group Holding, S.L. as well as the debt generated by the corporate income tax under a consolidated regime up to December 31, 2018.

- Borrowings from other group companies mainly reflects the current account receivable for Grenergy Renovables, S.A. from GR Equity Wind and Solar, S.L. at December 31, 2019 and GR Pain SAC and GR Taruca SAC at December 31, 2018.

The breakdown of transactions performed with related parties in 2019 and 2018 is as follows:

Year ended December 31, 2019

| | Parent company | Other group companies | Key management personnel | Total |
|---|---|---|---|---|
| **Income** | **-** | **56,070,833** | - | **56,070,833** |
| Sales | - | 54,625,015 | - | 54,625,015 |
| Other current operating income | - | 1,006,106 | - | 1,006,106 |
| Accrued interest | - | 439,712 | - | 439,712 |
| **Expenses** | **119,922** | **1,568,294** | **1,374,521** | **3,062,737** |
| Cost of sales | | 1,336,534 | - | 1,336,534 |
| Services received | 119,922 | 231,760 | - | 351,682 |
| Remuneration | - | - | 1,374,521 | 1,374,521 |

The transactions with related parties carried out during 2019 relate to the normal course of the Company's business and were generally carried out on an arm's length basis. The most significant transactions were the following:

- The sale of necessary components for solar installations (panels, investors, etc.) to Grenergy Pacific Ltda. in the amount of 35,802,992 euros, to GR Taruca, SAC and GR Paino, SAC in the amount of 1,281,179 euros for each, and to PEQ, SPA in the amount of 16,259,665 euros.

- Other current operating income includes management fees invoiced to the group's subsidiaries. This income was recorded under "Other operating income" in the accompanying income statement.

- "Cost of sales" reflects the project development expenses re-invoiced by GR Perú, SAC.

- "Services received" includes the lease expenses for the premises where the Company performs its activities and the management fees invoiced by Daruan V.C.

Year ended December 31, 2018

| | Parent company | Other group companies | Key management personnel | Total |
|---|---|---|---|---|
| **Income** | **-** | **20,251,088** | - | **20,251,088** |
| Sales | - | 19,616,911 | - | 19,616,911 |
| Other current operating income | - | 537,384 | - | 537,384 |
| Accrued interest | - | 96,793 | - | 96,793 |
| **Expenses** | **-** | **250,787** | **292,168** | **542,955** |
| Services received | - | 250,787 | - | 250,787 |
| Remuneration | - | - | 292,168 | 292,168 |

The transactions with related parties carried out during 2018 relate to the normal course of the Company's business and were generally carried out on an arm's length basis. The most significant transactions were the following:

- Sale of necessary components for solar installations (panels, investors, etc.) to Grenergy Pacific Ltda. for a total amount of 19,616,911 euros.
- Other current operating income includes management fees invoiced to the group's subsidiaries.
- "Services received" includes the lease expense for the premises where Nagara Nur, S.L. has its registered address as well as the management fees invoiced by Daruan V.C.

## 20.2. Disclosures relating to the directors and senior management

During 2019 and 2018 the Company did not extend its directors any advances or credit, nor did it assume any obligations on their behalf by way of guarantees extended. Likewise, the Company has no pension or life insurance commitments for any of its current or former directors.

The directors and senior management received remuneration as per the following breakdown:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Type of remuneration** | **Board of Directors** | **Senior management** | **Board of Directors** | **Senior management** |
| Fixed remuneration | 202,286 | 457,645 | 198,000 | 90,000 |
| Compensation in kind | 7,401 | 707,189 | - | 4,168 |
| **Total** | **209,687** | **1,164,834** | **198,000** | **94,168** |

The breakdown of remuneration for the Board of Directors in 2019 and 2018 is as follows:

| **Counselor** | **Position** | **2019** | | **2018** | |
|---|---|---|---|---|---|
| | | **Fixed remuneration** | **Compensation in kind** | **Fixed remuneration** | **Compensation in kind** |
| D. David Ruiz de Andres | President/ CEO | 120,000 | 7,401 | 120,000 | - |
| D. Florentino Vivancos Gasset | Board member | 31,736 | - | 30,000 | - |
| Dna. Ana Peralta Moreno | Vocal | 30,000 | - | 30,000 | - |
| D. Nicolas Bergareche Mendoza | Vocal | 18,000 | - | 18,000 | - |
| Dila. Maria del Rocio Hortiguela Esturillo | Vocal | 2,550 | - | | - |
| **TOTAL** | | **202.286** | **7,401** | **198,000** | **-** |

As indicated in Note 4.13, the incentive plan approved for the directors, executives, employees, and key collaborators of Grenergy was exclusively offered to the employees and key collaborators of the Company and none of the directors or senior management.

The directors of the Company are covered by a civil liability policy for which the Company disbursed 19 and 3 thousand euros in 2019 and 2018, respectively.

## 20.3. Other disclosures relating to the directors

At the date of authorization of these financial statements none of the members of the Board of Directors disclosed any conflicts of interest, direct or indirect, with those of the Company in connection with said members themselves or any persons to whom article 231 of the Spanish Corporate Enterprises Act refers.

# 21. Other disclosures

## 21.1. Risk management policy

The activities of the Company are exposed to various financial risks: market risk (including exchange rate risk) and liquidity risk. The Company's risk management is focused on the uncertainty of financial markets and attempts to minimize the potentially adverse effects on its profitability, using certain financial instruments for this purpose, described further on in the notes.

**Market risk**

The market in which the Company operates is related to the sector for production and commercialization of renewable energies. It is for this reason that the factors which influence said market positively and negatively can affect the Company's performance.

Market risk in the electricity sector is based on a complex price formation process in each of the markets in which the Company performs its business activities.

In general, the price of products offered in the sector of renewable energies contains a regulated component as well as a market component. The first is controlled by the competent authorities of each country or market and can vary whenever said authorities consider it appropriate and necessary, resulting in an obligation for all market agents to adapt to the new circumstances. The cost of energy production would be affected as well as distribution to networks, thereby also affecting the price paid by the Company's clients, either with respect to the negotiation of purchase-sales prices for its projects or price formation in the wholesale market ("merchant"), or under the Power Purchase Agreements ("PPAs").

As far as the market component is concerned, there is the risk that the competitors of Grenergy, both for renewable energies as well as for conventional energies, may be able to offer lower prices, generating competition in the market which, via pricing, may endanger the stability of the Grenergy client portfolio and could thereby provoke a substantial negative impact on its activities, results, and financial position.

At any rate, as the performance of said sector varies significantly from country to country and continent to continent, three years ago the Group initiated a geographical diversification process, breaking into markets outside Spain (currently the Group is present in Spain, Chile, Mexico, Colombia, Argentina, and Peru), thereby reducing this type of risk even more. At present, all the efforts being made by Grenergy are focused on further developing the projects it owns in these countries.

**Product responsibility**

The Company designs, develops, executes, and promotes large scale renewable energy projects, certified by TÜV Rheinland. Its integrated quality management system (ISO9001) and environmental management system (ISO 14001) systematize the identification of each project's requirements in terms of quality, safety, and efficiency for each of the phases of said projects.

**Client credit risk for Operations and Maintenance (O&M) and Asset Management ("AM") services**

With respect to those projects for which Grenergy performs its O&M and AM services, credit risk arises from non-compliance with the recurring payment obligations of the clients party to said contracts, in spite of the fact that these contracts generally foresee quarterly commission payments and payments 30 days subsequent to the issuing of invoices.

The percentage of allowances for insolvencies was zero for 2019.

**Exchange rate risk**

GRENERGY performs a large part of its economic activities abroad and outside the European market, specifically, in Chile, Peru, Argentina, Mexico, and Colombia. At December 31, 2019 practically all Grenergy revenue was denominated in currencies other than the euro, specifically, the US dollar. Likewise, a large part of the expenses and investments, mainly corresponding to expenses incurred for consumables required in construction activities and investments in development projects, were also denominated in US dollars.

As a consequence of the fluctuations in the value of the US dollar with respect to the euro, and to the extent that the Group does not at present have any mechanisms or hedging agreements for mitigating exchange rate risks, Grenergy could suffer a negative impact.

**Liquidity risk**

Liquidity risk refers to the possibility that the Company may not be able to meet its financial commitments in the short term. As the Company's business is capital intensive and involves long term debt, it is important for the Company to analyze the cash flows generated by the business so that it can fulfill its debt payment obligations, both financial and commercial.

Liquidity risk arises from the financing needs of Grenergy's activities due to the time lag between requirements being met and the generation of funds. The management of this risk by the Company is based on the rapid rotation of projects, thus allowing it to obtain significant cash flows, subsequently reinvesting them in new projects, and the availability of working capital facilities and credit financing with different financial entities for operations abroad.

As the Company has no significant financial commitments in the short term, at the date of authorization of these financial statements, the cash flows generated in the short term by the Company are sufficient to meet the maturities of financial and commercial debt in the short term.

**Interest rate risk**

The changes in variable interest rates (e.g. EURIBOR) alter the future flows of assets and liabilities referenced to such rates, especially short and long-term financial debt. The objective of Grenergy's interest rate risk management policy is to achieve a balanced structure of financial debt with a view to reducing the financial cost of debt to the extent possible.

## 21.2. Guarantees extended to third parties

At 2019 year end, the Company held guarantees and sureties with respect to third parties in the amount of 45,286,171 euros, mainly guarantees for the presentation of tenders and participation in auctions for renewable energies (9,016,949 euros at 2018 year end).

## 21.3. Audit fees for the auditors and related entities

The audit company Ernst & Young, S.L. performed the audit of the annual accounts for 2019, charging the following fees for professional services:

| | **2019** |
|---|---|
| Audit services: | 99,250 |
| Other audit-related services: | 32,500 |
| **Total** | **131,750** |

The audit company Mazars Auditores, S.L.P. carried out the audit of the annual accounts for 2018, charging the following fees for professional services:

| | **2018** |
|---|---|
| Audit services: | 50,800 |
| Other audit-related services: | - |
| **Total** | **50,800** |

The above amounts include all audit-related fees for 2019 and 2018, irrespective of the invoice date.

# 22. Segmented information

The geographical distribution of revenue for 2019 and 2018 is as follows:

| | **2019** | **2018** |
|---|---|---|
| Chile | 52,062,657 | 23,304,156 |
| Spain | 237,097 | 231,671 |
| Peru | 2,562,358 | - |
| **Total** | **54,862,112** | **23,535,827** |

## 23. Events after the reporting period

No significant events took place from December 31, 2019 to the date on which the Company's Board of Directors authorized these financial statements that require disclosure.

## 24. Explanation to the translation to English

These Annual Accounts are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company, may not conform to general accepted principles in other countries.

## ANNEX

# GRENERGY RENOVABLES, S.A.

## Equity investments in Group companies and associates at December 31, 2019

| | | | | | | | | | (Amounts in Euros) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % capital - voting rights | | | Balances at 12.31.19 | | | | | | Profit for the year | | | |
| Company name | Registered address | Activity | Direct | Indirect | Total | Company name | Registered address | Activity | Share capital Direct | Reserves | Other equity items | Operating profit | Continuing operations | Discontinued operations | Total equity of the investee |
| GREENHOUSE SOLAR FIELDS, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.006 | - | 3.006 | 3.006 | (576) | - | (150) | (113) | - | 2.317 |
| GREENHOUSE SOLAR ENERGY, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.006 | - | 3.006 | 3.006 | (414) | - | (150) | (113) | - | 2.479 |
| GREENHOUSE RENEWABLE ENERGY, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.006 | - | 3.006 | 3.006 | (299) | - | (150) | (113) | - | 2.594 |
| GUIA DE ISORA SOLAR 2, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 1.565 | - | 1.565 | 3.100 | (6.592) | - | (395) | (296) | - | (3.788) |
| GR SOLAR 2020, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (1.901) | - | (4) | (3) | - | 1.096 |
| GR SUN SPAIN, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (2.505) | - | - | - | - | 495 |
| GR EQUITY WIND AND SOLAR, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | 273.911 | - | (154) | 13.219 | - | 290.130 |
| LEVEL FOTOVOLTAICA S.L. | Spain | Production of renewable electric energy (inactive company) | 50% | - | 50% | 1.504 | - | 1.504 | 3.008 | (322.662) | - | (4.860) | (4.893) | - | (324.547) |
| GR BAÑUELA RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (617) | - | - | - | - | 2.383 |
| GR TURBON RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (611) | - | - | - | - | 2.389 |
| GR AITANA RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (593) | - | - | - | - | 2.407 |
| GR ASPE RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (620) | - | - | - | - | 2.380 |
| VIATRES RENEWABLE ENERGY, S.L. | Spain | Production of renewable electric energy (inactive company) | 40% | - | 40% | 1.200 | - | 1.200 | 3.000 | - | - | - | - | - | 3.000 |
| EIDEN RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (349) | - | - | - | - | 2.651 |
| CHAMBO RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (349) | - | - | - | - | 2.651 |
| MAMBAR RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (348) | - | - | - | - | 2.652 |
| EL AGUILA RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (289) | - | - | - | - | 2.711 |
| EUGABA RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (368) | - | 389 | 292 | - | 2.924 |
| TAKE RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | (391) | - | 414 | 311 | - | 2.920 |

## ANNEX

# GRENERGY RENOVABLES, S.A.

## Equity investments in Group companies and associates at December 31, 2019

| | | | % capital - voting rights | | | Balances at 12.31.19 | | | (Amounts in Euros) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | Profit for the year | | | |
| Company name | Registered address | Activity | Direct | Indirect | Total | Cost | Impairment | Carrying amount | Share capital | Reserves | Other equity items | Operating profit | Continuing operations | Discontinued operations | Total equity of the investee |
| NEGUA RENOVABLES, S.L. | Spain | Production of renewable electric energy | 100% | - | 100% | 3.000 | - | 3.000 | 3.000 | 575 | - | (533) | (399) | - | 3.176 |
| GR SISON RENOVABLES, S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR PORRON RENOVABLES, S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR BISBITA RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR AVUTARDA RENOVABLES, S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR COLIMBO RENOVABLES, S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR MANDARIN RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR DANICO RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR CHARRAN RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR CERCETA RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR CALAMON RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR CORMORAN RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR GARCILLA RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR LAUNICO RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR MALVASIA RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR MARTINETA RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GR FAISAN RENOVABLES S.L.U. | Spain | Production of renewable electric energy (inactive company) | 100% | - | 100% | 3.000 (3.000) | - | - | - | - | - | - | - | - | - |
| GRENERGY PACIFIC LTDA | Chile | Production of renewable electric energy (inactive company) | 99,9% | - | 99,9% | 43.150 | - | 43.150 | 35.732 | 1.289.309 | (141.875) | 517.350 | 69.501 | - | 1.252.667 |
| GR PEUMO, S.P.A. | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.408 (1.408) | - | - | - | - | - | - | - | - | - |
| GR QUEULE, S.P.A. | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.408 (1.408) | - | - | - | - | - | - | - | - | - |

## ANNEX

# GRENERGY RENOVABLES, S.A.
## Equity investments in Group companies and associates at December 31, 2019

| | | | | | | | | | (Amounts in Euros) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % capital - voting rights | | | Balances at 12.31.19 | | | | | | Profit for the year | | | |
| Company name | Registered address | Activity | Direct | Indirect | Total | Cost | Impairment | Carrying amount | Share capital | Reserves | Other equity items | Operating profit | Continuing operations | Discontinued operations | Total equity of the investee |
| GR MAITEN, S.P.A. | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.408<br>(1.408) | - | - | - | - | - | - | - | - | - |
| GR ALGARROBO S.P.A | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.303<br>(1.303) | - | - | - | - | - | - | - | - | - |
| GR PACIFIC CHILOE SPA | Chile | Production of renewable electric energy (inactive company) | - | 98% | 98,0% | 917<br>(917) | - | - | - | - | - | - | - | - | - |
| GR PACIFIC OVALLE, SPA | Chile | Production of renewable electric energy (inactive company) | - | 98% | 98,0% | 1.357<br>(1.357) | - | - | 970.530 | (962.949) | - | 168 | (20) | - | 7.561 |
| GR PIMIENTO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR CHAÑAR, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR CARZA, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR PILO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR LÚCUMO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR PITAO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR LLEUQUE, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR NOTRO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR LENGA, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR TEPÚ, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR LUMILLA, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR TOROMIRO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR PACAMA,S PA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR TEMO, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR RULI, SPA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.357<br>(1.357) | - | - | - | - | - | - | - | - | - |
| GR POLPAICO PACIFIC, SPA | Chile | Production of renewable electric energy (inactive company) | - | 98% | 98,0% | 1.314<br>(1.314) | - | - | - | - | - | - | - | - | - |
| GR Roble SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |

## ANNEX

# GRENERGY RENOVABLES, S.A.
## Equity investments in Group companies and associates at December 31, 2019

| | | | % capital - voting rights | | | Balances at 12.31.19 | | | (Amounts in Euros) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Share capital | Reserves | Other equity items | Profit for the year | | | Total equity of the investee |
| Company name | Registered address | Activity | Direct | Indirect | Total | Cost | Impairment | Carrying amount | | | | Operating profit | Continuing operations | Discontinued operations | |
| GR Guindo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | 1.191 | (119) | - | (21.366) | (21.366) | - | (20.294) |
| GR Raulí SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Manzano SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Naranjillo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Mañio SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Tara SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Ciprés SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Ulmo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Hualo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | - | - | - | - | - | - | - |
| GR Sauce SpA | Chile | Production of renewable electric energy | 100% | - | 100,0% | 1.441<br>(1.441) | - | - | 1.191 | (358) | - | 2.207 | (12.804) | - | (11.971) |
| GR Huacano SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Corcolén SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Luma SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Fuinque SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Piñol SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Queñoa SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Tayú Spa | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Petra SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Corontillo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Liun SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Kewiña SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |

# ANNEX

# GRENERGY RENOVABLES, S.A.

## Equity investments in Group companies and associates at December 31, 2019

| | | | | | | | | | (Amounts in Euros) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % capital - voting rights | | | Balances at 12.31.19 | | | | | | Profit for the year | | | |
| **Company name** | **Registered address** | **Activity** | **Direct** | **Indirect** | **Total** | **Cost** | **Impairment** | **Carrying amount** | **Share capital** | **Reserves** | **Other equity items** | **Operating profit** | **Continuing operations** | **Discontinued operations** | **Total equity of the investee** |
| GR Frangel SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Maqui SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Petrillo SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| GR Tepa SpA | Chile | Production of renewable electric energy (inactive company) | 100% | - | 100,0% | 1.258<br>(1.258) | - | - | - | - | - | - | - | - | - |
| Grenergy OPEX SpA | Chile | Operation and maintenance of renewable energy plants | 100% | - | 100,0% | 1.258 | - | 1.258 | 1.191 | - | - | 102.141 | 73.471 | - | 74.662 |
| Parque Eólico Quillagua SpA | Chile | Operation and maintenance of renewable energy plants | 100% | - | 100,0% | 14.907.246 | - | 14.907.246 | 19.343.306 | (1.531.547) | (477.733) | 79.340 | (298.699) | - | 17.035.327 |
| GRENERGY PERU SAC | Peru | Production of renewable electric energy | 99% | - | 99% | 275 | - | 275 | 275 | (810.720) | - | 603.265 | 639.558 | - | (170.887) |
| GR JULIACA, S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 255 | - | 255 | 255 | - | - | - | - | - | 255 |
| GR HUAMBOS, S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 255 | - | 255 | 255 | - | - | - | - | - | 255 |
| GR APORIC, S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 255 | - | 255 | 255 | - | - | - | - | - | 255 |
| GR BAYONAR, S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 255 | - | 255 | 255 | - | - | - | - | - | 255 |
| GR VALE S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 255 | - | 255 | 255 | - | - | - | - | - | 255 |
| GR CORTARRAMA S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 278<br>(278) | - | - | - | - | - | - | - | - | - |
| GR GUANACO S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 278<br>(278) | - | - | - | - | - | - | - | - | - |
| GR TARUCA S.A.C. | Peru | Production of renewable electric energy | 90% | - | 90% | 2.862.143 | - | 2.862.143 | 3.229.815 | 96.067 | - | (34.044) | 56.849 | - | 3.382.731 |
| GR PAINO S.A.C. | Peru | Production of renewable electric energy | 90% | - | 90% | 2.872.698 | - | 2.872.698 | 3.241.615 | 96.147 | - | (27.555) | 38.471 | - | 3.376.233 |
| GR PAICHE S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 278<br>(278) | - | - | - | - | - | - | - | - | - |
| GR LIBLANCA S.A.C. | Peru | Production of renewable electric energy (inactive company) | 100% | - | 100% | 278<br>(278) | - | - | - | - | - | - | - | - | - |
| GR RENOVABLES MÉXICO | Mexico | Promotion and construction of electric energy installations | 98% | - | 98% | 2.843 | - | 2.843 | 2.358 | (1.505.453) | - | (91.217) | (46.006) | - | (1.549.101) |
| GREENHUB S.L. DE C.V. | Mexico | Production of renewable electric energy | 20% | 80% | 100% | 17.799 | - | 17.799 | 96.684 | 2.325 | - | (30.483) | (30.483) | - | 68.526 |

# ANNEX

# GRENERGY RENOVABLES, S.A.

## Equity investments in Group companies and associates at December 31, 2019

| | | | (Amounts in Euros) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % capital - voting rights | | | Balances at 12.31.19 | | | Share capital | Reserves | Other equity items | Profit for the year | | | Total equity of the investee |
| Company name | Registered address | Activity | Direct | Indirect | Total | Cost | Impairment | Carrying amount | | | | Operating profit | Continuing operations | Discontinued operations | |
| FAILO 3 SACV | Mexico | Production of renewable electric energy (inactive company) | - | 50% | 50% | - | - | - | 15.311 | (16.361) | - | - | - | - | (1.050) |
| ASTILO 1 SOLAR, SACV | Mexico | Production of renewable electric energy (inactive company) | - | 99,99% | 99,99% | 2.790 (2.790) | - | - | 2.358 | (28.637) | - | - | - | - | (26.279) |
| CRISON 2 SOLAR, SACV | Mexico | Production of renewable electric energy (inactive company) | - | 99,99% | 99,99% | 2.790 (2.790) | - | - | 2.358 | (2.279) | - | - | - | - | 79 |
| MESO 4 SOLAR, SACV | Mexico | Production of renewable electric energy (inactive company) | - | 99,99% | 99,99% | 2.790 (2.790) | - | - | 2.358 | (25.281) | - | - | - | - | (22.923) |
| ORSIPO 5 SOLAR, SACV | Mexico | Production of renewable electric energy | - | 99,99% | 99,99% | 2.790 (2.790) | - | - | 2.351 | 5.950 | - | (795) | (27.472) | - | (19.171) |
| MIRGACA 6 SOLAR, SACV | Mexico | Production of renewable electric energy (inactive company) | - | 99,99% | 99,99% | 2.790 (2.790) | - | - | 2.358 | (436) | - | - | - | - | 1.922 |
| GRENERGY COLOMBIA S.A.S. | Colombia | Promotion and construction of electric energy installations | 100% | - | 100% | 270.237 | - | 270.237 | 261.720 | (109.038) | - | (21.559) | 16.966 | - | 169.648 |
| GRENERGY ATLANTIC, S.A.U. | Argentína | Promotion and construction of electric energy installations | 100% | - | 100% | 103.629 | - | 103.629 | 101.644 | (62.294) | - | (155.654) | (266.344) | - | (226.994) |
| KOSTEN S.A. | Argentína | Production of renewable electric energy; promotion and construction of electric energy installations | 100% | - | 100% | 8.158.807 | - | 8.158.807 | 5.548.811 | 45.291 | - | (299.416) | (2.130.535) | - | 3.463.567 |
| | | | | | | | | **29.296.646** | | | | | | | |

(*) Exchange rate applied at closing of 12.31.2019, with average rates applied to the 2019 income statement.

(**) Audited financial statements

# GRENERGY RENOVABLES, S.A.
## Management Report
## for 2019

### 1. Business performance in 2019 and foreseeable performance in 2020

- Total revenue for the year amounted to 54,862,112 euros, representing an increase of 133% with respect to 2018. This important increase is fundamentally due to the sale of materials, mainly solar panels, to the Grenergy subsidiary in Chile for construction of new photovoltaic installations. Specifically, the following installations were completed and connected during 2019: Santa Rosa, (9MW), Rinconada (9MW), Rovián (8MW), Doñihue (9MW), and Alturas II (3MW). In addition, the following installations were under construction in 2019: Quinta (9MW), Sol de Septiembre (9MW), Lemu (6MW), Placilla (9MW), Rauquén (9MW), La Estancia (3MW), Lo Miranda (6MW), Paraguay (9MW), and Quillagua (103MW). In all of the above Grenergy Renovables S.A. acted as supplier of construction materials for the EPCs. This shows the continuity of the business generated in LATAM some years ago. At present, this region, especially Chile, can be considered the Company base for its activities in 2019 and 2020.

- The breakdown of all operating income by nature in 2018 was as follows:

  - <u>Total revenue: 54,862,112 euros:</u>
    - Sale of solar panels and other materials: 52,062,658 euros
    - Sale of developments: 2,562,357 euros
    - O&M income (maintenance of plants): 237,097 euros

  - <u>TOTAL Other operating income: 1,057,831 euros:</u>
    - Income from management fees: 1.006.106 euros
    - Other operating income: 51,725

- The results for the year before taxes showed profits amounting to 9,028,967 euros, representing an increase of 8% with respect to 2018. Net profits came in at 7,182,026 euros, 7% more than in the prior period. These results confirm the continuity of Grenergy's activities in the development of its projects, construction, and connecting plants, as reflected in last year's management report. In addition, during 2019, 4 photovoltaic solar farms in Chile were transferred together with their respective vehicle entities. Grenergy considers these results as very positive given that they reflect the continuity of growth in Latin America and the consolidation of sales of installations in this region.

- EBITDA for 2019 totaled 3,112,729 euros, 50% more than in the prior year.

- The balance for employee benefits expenses increased by 61%, amounting to 2,921,315 euros in 2019, reflecting the strengthening of the workforce and an important sign that talent is being attracted, resulting in a larger corporate structure for Grenergy in all its departments.

- The finance results for the year were similar to the prior year, amounting to a positive 6,010,227 euros in 2019 as a consequence of selling shareholdings in group companies, all of them vehicle entities which own the developments and permits for transferred projects.

- Capital and reserves amounted to 35,181,470 euros, increasing by 8 million euros with respect to the prior year end (a 30% increase), which also reflects the continuity of the Company's profit reinvestment policy.

- In 2020 Grenergy will continue to develop its portfolio of projects via its subsidiaries in Latin America and Spain.

- The average number of employees during 2019, broken down by professional categories, was the following:

| Category | 2019 |
|---|---|
| Directors and Senior Management | 7 |
| Department directors | 8 |
| Other | 28 |
| **Total** | **43** |

## 2. Environmental information

One of the characteristic phases in the development of a renewable energy project, whether solar or wind, is the performance of environmental impact studies and issuing of environmental impact statements for particular installations. The main objective in said studies and statements is to measure and reduce the real impact on the environment arising from execution of any project.

The main entities responsible for preventing deterioration of the environment are the competent authorities of the different countries in which Grenergy operates. Thus, assessment of the environmental impact of any activity allows the Company to introduce an environmental dimension to the design and execution of the projects and activities which it performs in each country. This assessment allows for certification that the initiatives, both in the private and public sectors, are in compliance with the applicable environmental requirements.

Though there are various types of environmental impact, they can mainly be classified into three different types in accordance with their origin: (i) environmental impact provoked by the use of natural resources; (ii) environmental impact provoked by contamination; and (iii) environmental impact provoked by the occupation of land.

The projects performed by Grenergy are in general affected mainly by the environmental impact provoked by occupation of land. Thus, at the outset of any project, land is searched for and located whose essential characteristics will not be modified by execution of the project in question or which may even be improved from an environmental point of view.

Another type of environmental impact which may have an effect on the Company's PP&E is the contamination from the machinery sometimes used by Grenergy in performing its activity. Consequently, the persons in charge of executing any phase of developing a project will always try to optimize the organization of teams, adapting it to the terrain.

Based on each project, Grenergy contracts different consultants and engineers specialized in performing environmental impact studies, which are subsequently reviewed by the competent authorities. Once said study has been analyzed in detail by the competent authority, a decision is taken as to the appropriateness of performing the activity being assessed, determining the conditions and measures necessary for adequately protecting the environment and the natural resources associated with the project.

In accordance with prevailing legislation, the Company maintains control over the extent of contamination it produces and implements an appropriate waste disposal policy.

## 3. Investments in research and development

The Company did not capitalize any amounts relating to R&D investments in 2019.

## 4. Treasury shares

The possibility of acquiring treasury shares was authorized by the shareholder meeting held on May 19, 2015, permitting acquisition of up to 2,000,000 shares at a price ranging from 0.01 to 5 euros during a period of five years, counting from said date, in order to meet the requirements of the incentive plan for directors, executives, employees, and collaborators, itself designed to motivate and retain its key personnel.

On February 3, 2016 the Board of Directors agreed to purchase shares of Grenergy Renovables, S.A. for its treasury share portfolio, up to a limit of 0.8% of its share capital (equivalent to 181,818 shares), in order for the Company to be able to grant the share options to its executives and employees.

At the date of authorization of the 2019 financial statements, Grenergy Renovables, S.A. has a treasury share portfolio comprised of 556,815 shares.

## 5. Information on the nature and level of risk of financial instruments

The Company's management of financial risks is centralized in Financial Management, which has established the necessary mechanisms to control exposure to credit and liquidity risk. Note 21.1 describes the most significant financial risks affecting Grenergy. At 2019 year end, Grenergy had not contracted any financial product which could be considered a risk.

## 6. Average supplier payment term

In compliance with Law 31/2014 of December 3, modifying the third additional provision, "Disclosure requirements," of Law 15/2010 of July 5, the Company declared an average supplier payment term of 52.92 days.

## 7. Proposed appropriation of profit

The results obtained during the year by Grenergy Renovables, S.A. amount to 7,182,026 euros, of which 6,943,584 euros will be allocated to voluntary reserves and 238,442 euros will be allocated to the capitalization reserve.

## 8. Final considerations

We would like to thank our clients for their confidence in our business, our strategic suppliers and partners with whom we have been working for their constant support, our investors who have deposited their trust in Grenergy, and, especially, the collaborators and employees of this company, as without their efforts and dedication it would have been difficult to reach the objectives set or achieve the results obtained.

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The financial statements and management report for 2019 were approved by the Board of Directors of GRENERGY RENOVABLES, S.A. in its meeting on February 26, 2020, for the purpose of submission for verification by the auditors and subsequent approval by the shareholders in general meeting.

Mr. Florentino Vivancos Gasset is authorized to sign all pages comprising the financial statements and management report for FY 2019.

Signed in the original report issued in Spanish

Mr. David Ruiz de Andrés
(Chief Executive Officer)

Signed in the original report issued in Spanish

Mr. Antonio Jiménez Alarcón
(Board Member)

Signed in the original report issued in Spanish

Mr. Florentino Vivancos Gasset
(Board Member)

Signed in the original report issued in Spanish

Ms. Ana Peralta Moreno
(Board Member)

Signed in the original report issued in Spanish

Mr. Nicolás Bergareche Mendoza
(Board Member)

Signed in the original report issued in Spanish

Ms. María del Rocío Hortigüela Esturillo
(Board Member)