Independent Auditor's Report on Corporación Acciona Energías Renovables, S.A. and Subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Corporación Acciona Energías Renovables, S.A. and subsidiaries for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Sole Shareholder of Corporación Acciona Energías Renovables, S.A. (formerly Corporación Acciona Energías Renovables, S.L.)

Opinion

We have audited the consolidated annual accounts of Corporación Acciona Energías Renovables, S.L. (now called Corporación Acciona Energías Renovables, S.A.) (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2020, and the consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recoverable amount of property, plant and equipment (see notes 3.2 A), 3.3 and 4)

At 31 December 2020, property, plant and equipment have a carrying amount of Euros 7,038,937 thousand and mainly consist of wind farms and solar photovoltaic and hydroelectric power plants in various geographical locations under different regulatory scenarios. The carrying amount at 31 December 2020 includes accumulated impairment of Euros 611,506 thousand.

At each reporting date the Group assesses whether there are any indications of impairment or any evidence of changes in the events or circumstances that gave rise to the impairment recognised, and also determines whether there are any regulatory or other changes that could alter the expected future cash flows. As a result of this assessment, the Group has estimated the recoverable amount of the affected assets, resulting in a partial reversal of the impairment recognised in previous periods, which has led to income of Euros 87,204 thousand in the consolidated income statement.

The Group has calculated the recoverable amount by estimating the assets' value in use, which was determined by applying valuation techniques that require the exercising of judgement by management and the Directors, and the use of assumptions. Due to the high level of judgement and the uncertainty associated with these assessments and estimates, and the significance of the carrying amount of property, plant and equipment, their measurement has been considered one of the most relevant aspects of our audit.

Our audit procedures included understanding the processes followed by the Group to assess and identify indications of impairment and estimate the recoverable amount of property, plant and equipment, and evaluating the design and implementation of the Group's key controls in relation to these processes. We evaluated the reasonableness of the methodology and assumptions used by the Group when estimating the recoverable amount, with the involvement of our valuation specialists. Moreover, we assessed the sensitivity of the recoverable amount to changes in the key assumptions, in order to determine their potential impact on the valuation.

We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the consolidated directors' report states that the information mentioned in section a) above is presented in the consolidated directors' report of the Acciona, S.A. Group, of which the Group forms part; that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020; and that the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

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

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the significant risks communicated to the Directors of Corporación Acciona Energías Renovables, S.A. (formerly Corporación Acciona Energías Renovables, S.L.), we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(*Signed on original in Spanish*)

Ana Fernández Poderós
On the Spanish Official Register of Auditors ("ROAC") with No. 15,547

28 May 2021

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U.

AND

SUBSIDIARIES
(Consolidated Group)

CONSOLIDATED ANNUAL ACCOUNTS AND

DIRECTORS' REPORT

FOR 2020

Prepared according to International Financial Reporting Standards adopted by the European Union (IFRS-EU).

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

TABLE OF CONTENTS

ANNEXES

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR FINANCIAL YEARS 2020 AND 2019
(Thousands of euros)

ASSETS	NOTE	2020	2019
Property, plant and equipment	4	7,038,937	6,825,982
Right-of-use assets	5	352,494	284,857
Other intangible assets	6	130,821	146,676
Non-current financial assets	9	26,613	34,185
Equity-accounted investees	7	347,935	318,099
Deferred tax assets	21	361,699	363,305
Non-current receivables and other non-current assets	10	208,587	141,151
NON-CURRENT ASSETS		**8,467,086**	**8,114,255**
Inventories	11	109,392	119,754
Trade and other accounts receivable	12	430,062	363,634
Other current financial assets	9	196,261	197,861
Current tax assets	21	29,235	45,438
Other current assets	21	109,603	96,114
Cash and cash equivalents	13	467,758	296,036
CURRENT ASSETS		**1,342,311**	**1,118,837**
TOTAL ASSETS		**9,809,397**	**9,233,092**

EQUITY & LIABILITIES	NOTE	2020	2019
Share capital		329,251	329,251
Retained earnings		2,338,793	2,256,444
Consolidated net profit attributable to equity holders of the parent		198,783	189,664
Gains (losses) on foreign exchange		(95,911)	(12,991)
Interim dividend		(100,000)	(75,000)
Total Equity attributable to equity holders of the parent		**2,670,916**	**2,687,368**
Non-controlling interests		367,456	203,359
EQUITY	14	**3,038,372**	**2,890,727**
Debentures and other negotiable securities	16	180,970	209,440
Loans and borrowings	16	619,551	650,231
Lease obligations	5	368,300	299,931
Payable to Group companies, associates and related parties	19	1,775,024	1,769,863
Deferred tax liabilities	21	541,449	506,242
Provisions	15	162,077	162,031
Other non-current liabilities	20	183,080	248,163
NON-CURRENT LIABILITIES		**3,830,451**	**3,845,901**
Debentures and other negotiable securities	16	11,557	10,738
Loans and borrowings	16	191,693	139,834
Lease obligations	5	19,848	20,548
Payable to Group companies, associates and related parties	19	1,339,341	1,385,548
Trade and other accounts payable	34	359,057	317,127
Provisions	15	1,516	1,527
Current tax liabilities	21	5,397	13,675
Other current liabilities	20	1,012,165	607,467
CURRENT LIABILITIES		**2,940,574**	**2,496,464**
TOTAL EQUITY AND LIABILITIES		**9,809,397**	**9,233,092**

Attached notes 1 through 34 and the annexes are an inseparable part of the consolidated balance sheet at 31 December 2020.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEARS 2020 AND 2019
(Thousands of euros)

	NOTE	2020	2019(*)
Turnover	23	1,759,144	1,994,727
Other income	23	562,149	482,731
Supplies	24	(904,677)	(1,013,082)
Staff expenses	24	(115,353)	(118,703)
Depreciation, amortization and provisions	4, 5.6 & 24	(409,186)	(417,307)
Other operating expenses	24	(499,223)	(464,868)
Results from equity method entities with analogue activities	7	57,344	44,567
Results of asset impairment	24	84,501	(3,289)
Net profit/(loss) on disposal of non-current assets	24	(360)	(825)
Other profit or loss		(61)	15,046
OPERATING RESULTS		**534,278**	**518,997**
Financial income	26	4,094	10,135
Financial expenses	26	(238,173)	(257,445)
Gains (losses) on foreign exchange		(3,723)	13,189
Changes in provisions for investment		(636)	(2,127)
Income from changes in the value of financial instruments at fair value	18	23,586	2,214
PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS		**319,426**	**284,963**
Income tax expenses	21	(95,914)	(70,664)
PROFIT FOR YEAR FROM CONTINUING OPERATIONS		**223,512**	**214,299**
PROFIT FOR THE YEAR		**223,512**	**214,299**
Non-controlling interests	14	(24,729)	(24,635)
PROFIT ATTRIBUTED TO PARENT COMPANY		**198,783**	**189,664**
BASIC PROFIT PER SHARE (euro/share)	29	**0.6**	**0.6**
DILUTED PROFIT PER SHARE (euro/share)	29	**0.6**	**0.6**

(*) Restated

Attached notes 1 through 34 and the annexes are an inseparable part of the consolidated income statement for financial year 2020.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR FINANCIAL YEARS 2020 AND 2019
(Thousands of euros)

	Note	2020	2019
A) CONSOLIDATED PROFIT(LOSS) FOR THE YEAR		**223,512**	**214,299**
1. Profit (loss) attributed to parent company		198,783	189,664
2. Non-controlling interests		24,729	24,635
B) ITEMS NOT RESTATED ON THE INCOME STATEMENT:		**(390)**	**(685)**
1. Actuarial gains and losses and other adjustments		(520)	(913)
2. Tax effect	21	130	228
C) ITEMS THAT MAY BE RESTATED ON THE INCOME STATEMENT		(109,652)	**10,757**
Income and expense recognised directly in equity:		**(111,358)**	**329**
1. Due to valuation of financial instruments		--	--
a) Other income/expenses		--	--
2. From cash flow hedges	14	551	(28,657)
3. Gains (losses) on foreign exchange	14	(110,606)	22,793
4. Other income and expense recognised directly in equity		--	--
5. Tax effect	21	(1,303)	6,193
Transfers to the income statement:	**14**	**1,706**	**10,428**
1. Due to valuation of financial instruments		--	--
a) Other income/expenses		--	--
2. From cash flow hedges		2,274	13,904
3. Gains (losses) on foreign exchange		--	--
4. Other income and expense recognised directly in equity		--	--
5. Tax effect	21	(568)	(3,476)
TOTAL RECOGNISED INCOME / (EXPENSE) (A+B+C)		**113,470**	**224,371**
a) Total comprehensive income for the period attributable to the parent company		**117,962**	**198,485**
b) Attributed to non-controlling interests		**(4,492)**	**25,886**

Attached notes 1 through 34 and the annexes are an inseparable part of the consolidated statement of recognised expenses for financial 2020.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR FINANCIAL YEARS 2020 AND 2019
(Thousands of euros)

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT 31 DECEMBER 2020

	Share capital	Share premium	Other reserves	Interim dividend	Gains(losses) on foreign exchange	Profit for the year	Cash flow hedges	Non-controlling interests	Total
Balance at 31.12.2019	**329,251**	**2,599,689**	**(315,517)**	**(75,000)**	**(12,991)**	**189,664**	**(27,728)**	**203,359**	**2,890,727**
Total recognised income and expenses									
Adjustments for cash flow hedges	--	--	--	--	--	--	2,489	(1,535)	**954**
Variations due to gains(losses) on foreign exchange	--	--	--	--	(82,920)	--	--	(27,686)	**(110,606)**
Actuarial changes in pensions	--	--	(390)	--	--	--	--	--	**(390)**
Consolidated net profit attributable to equity holders of the parent	--	--	--	--	--	198,783	--	24,729	**223,512**
	--	**--**	**(390)**	**--**	**(82,920)**	**198,783**	**2,489**	**(4,492)**	**113,470**
Other changes in equity									
Share capital increases/(reductions).	--	--	--	--	--	--	--	--	**--**
Application of results	--	--	114,664	75,000	--	(189,664)	--	--	**--**
Other transactions with shareholders or owners	--	--	(34,449)	(100,000)	--	--	--	168,040	**33,591**
Other changes	--	--	35	--	--	--	--	549	35
	--	**--**	**80,250**	**(25,000)**	**--**	**(189,664)**	**--**	**168,589**	**34,175**
Balance at 31.12.2020	**329,251**	**2,599,689**	**(235,657)**	**(100,000)**	**(95,911)**	**198,783**	**(27,728)**	**367,456**	**3,038,372**

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT 31 DECEMBER 2019

	Share capital	Share premium	Other reserves	Interim dividend	Gains(losses) on foreign exchange	Profit for the year	Cash flow hedges	Non-controlling interests	Total
Balance at 31.12.2018	**329,251**	**2,599,689**	**(433,264)**	**--**	**(28,550)**	**134,094**	**(21,675)**	**193,722**	**2,773,267**
Adjustments due to changes in accounting policies	--	--	(15,543)	--	--	--	--	(6,409)	**(21,952)**
Adjustments due to errors	--	--	--	--	--	--	--	--	**--**
Adjusted opening balance	**329,251**	**2,599,689**	**(448,807)**	**--**	**(28,550)**	**134,094**	**(21,675)**	**187,313**	**2,751,315**
Total recognised income and expenses									
Adjustments for cash flow hedges	--	--	--	--	--	--	(6,053)	(5,983)	**(12,036)**
Variations due to gains(losses) on foreign exchange	--	--	--	--	15,559	--	--	7,234	**22,793**
Actuarial changes in pensions	--	--	(685)	--	--	--	--	--	**(685)**
Consolidated net profit attributable to equity holders of the parent	--	--	--	--	--	189,664	--	24,635	**214,299**
	--	**--**	**(685)**	**--**	**15,559**	**189,664**	**(6,053)**	**25,886**	**224,371**
Other changes in equity									
Share capital increases/(reductions).	--	--	--	--	--	--	--	--	**--**
Application of results	--	--	134,094	--	--	(134,094)	--	--	**--**
Other transactions with shareholders or owners	--	--	--	(75,000)	--	--	--	(6,674)	**(81,674)**
Other changes	--	--	(119)	--	--	--	--	(3,166)	**(3,285)**
	--	**--**	**113,975**	**(75,000)**	**--**	**(134,094)**	**--**	**(9,840)**	**(84,959)**
Balance at 31.12.2019	**329,251**	**2,599,689**	**(315,517)**	**(75,000)**	**(12,991)**	**189,664**	**(27,728)**	**203,359**	**2,890,727**

Attached notes 1 through 34 and the annexes are an inseparable part of the consolidated statement of changes in equity for financial year 2020.

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR FINANCIAL YEARS 2020 AND 2019
(Thousands of euros)

	2020	2019 (*)
Pre-tax profit (loss) from continued operations	**319,426**	**284,963**
Adjustments		
Amortization, depreciation and impairment	324,685	420,596
Share of profit of equity-accounted investees, net of tax	(57,344)	(44,567)
Net profit/(loss) on disposal of non-current assets	360	825
Financial income and expenses	234,079	247,310
Other results not involving the movement of funds	(43,871)	(28,929)
Cash flows from operations	**777,335**	**880,198**
Changes in inventory	5,610	(7,871)
Changes in current assets/liabilities	(26,277)	(182,424)
Current Financial income and expenses	(207,769)	(145,042)
Dividends received from associates and other non-current financial investments	10,193	26,362
Income tax received(paid)	(48,504)	125,222
Changes in non-current assets/liabilities	(80,732)	(551)
Net Cash flows from operations	**429,856**	**695,894**
Acquisitions of PPE, intangible assets and non-current financial assets	(493,102)	(451,718)
Disposals of PPE, intangible assets and non-current financial assets	1,830	520
Investments in group companies and associates	(11,113)	(17,038)
Disposals of group companies and associates	205	--
Net Cash flows from investments	**(502,180)**	**(468,236)**
Dividend payments	(75,000)	(76,258)
Dividends paid to external shareholders	(31,803)	(47,629)
From equity instrument issues	--	--
From financial liability instrument issues	208,705	49,087
Payments on financial liability instruments issued	(129,422)	(240,446)
Net flows from financial instrument issues with the Group	213,722	137,235
Net flows from other current financial assets	20,035	(5,055)
Lease payments	(45,837)	(39,268)
Other financial flows	96,721	80,949
Net Cash flows from financing	**257,121**	**(141,385)**
Effect of exchange rate fluctuations	**(13,075)**	**702**
Variation in cash and cash equivalents	**171,722**	**86,975**
Opening balance of cash and cash equivalents	**296,036**	**209,061**
Closing balance of cash and cash equivalents	**467,758**	**296,036**

(*) Restated

Attached notes 1 through 34 and the annexes are an inseparable part of the consolidated cash flow statement for financial year 2020.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES
(Consolidated Group)

1.- About the Group

Corporación Acciona Energías Renovables, S.L.U. (hereinafter the "Parent Company" or the "Company") was founded as a limited liability company in Madrid on 12 June 2008. Its registered offices and headquarters are located in Alcobendas (Madrid), Avda. de Europa, 18.

The Sole Shareholder of the Parent Company is Acciona, S.A. (see Note 14 a), a company whose stock trades on the Madrid, Barcelona, Valencia and Bilbao stock exchanges via the *Sistema de Interconexión Bursátil Español* (Spanish Stock Exchange Interconnection System).

According to Chapter III.1 TRLSC, approved by Legislative Royal Decree 1/2010 of 2 July, Corporación Acciona Energías Renovables, S.L.U, the Parent Company of the Group, is registered in the Business Register as a Sole Shareholder Company.

Its corporate purpose consists of:

- The electricity business which encompasses different industrial and commercial activities ranging from the construction of wind farms to the generation, distribution and sales of different sources of energy.

- The provision of industrial services and those having to do with preparing for or supplementing the company's main activities, particularly those related to the supervision, operation, maintenance, repair and construction of installations.

- Drafting studies and undertaking research related to the electrical and energy business in general and renewable energies in particular.

- Providing services to investee companies and undertakings, to which end it may provide them with the necessary bonds and guarantees.

- Importing, exporting, manufacturing, transforming, marketing and distributing vegetable oil methyl esters as well as their components and derivatives.

- Managing the investments in other enterprises and companies of the business group.

Some or all of the activities enumerated above may be carried out by the Company indirectly through interests or holdings in other companies with identical or similar corporate purposes, in Spain or abroad.

The Company is currently the parent of a group of domestic and international companies called Corporación Acciona Energías Renovables, S.L. Group (hereinafter, the “Group”). The Group's core business is the promotion, construction, operation, maintenance and development of renewable energies; fuel imports and exports, sales and co-generation, including engineering, consulting and auditing of sites and projects and drafting plans.

The Group's installed power at 31 December 2020 is 8,630.7 MW (8,053.2 MW at 31 December 2019) in all of the technologies with which the Group operates at both the domestic and international levels.

2.- Basis of presentation of the consolidated annual accounts and consolidation principles

2.1 Basis of presentation and comparison of information

The consolidated annual accounts of the Corporación Acciona Energías Renovables, S.L.U. for 2020 were prepared by the board of directors of the Parent at their meeting held on 24 May 2021 to give a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2020, as well as the consolidated results of operations, and consolidated cash flows and changes in consolidated equity for the year then ended.

These annual accounts were prepared in accordance with the regulatory framework for financial reporting applicable to the company, in particular, the principles and criteria established in the International Financial Reporting Standards (IFRS) in force as of December 31, 2020, as adopted by the EU pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Council. The most significant mandatory accounting principles and measurement standards are summarised in note 3, along with alternatives allowed by law and the standards and interpretations that had not taken effect as of the date of these consolidated annual accounts.

These consolidated annual accounts were prepared from the Parent Company’s accounting records and those of the other Group companies. Those records include information on joint ventures, groups and consortia in which the companies participate using the equity accounting method, that is, companies consolidated based on the percentage of ownership of the assets, liabilities and operations carried out after eliminating certain asset and liability balances and operations for the year.

Corporación Acciona Energías Renovables, S.L. Group files consolidated financial statements voluntarily, since it is not obligated to do so under the exemption provided for in the Commercial Code for subgroups whose parent companies are subject to the laws of a member country of the European Union. Corporación Acciona Energías Renovables, S.L. Group is in turn part of the Acciona Group, whose consolidated annual accounts for the 2019 financial year were approved at the General Meeting of Shareholders of Acciona, S.A. held on 28 May 2020 and filed with the Madrid Commercial Registry. Likewise, Corporación Acciona Energías Renovables, S.L. Group for financial year 2020 will be integrated within Acciona Group consolidated annual accounts, prepared according to IFRS-EU, and filed, once approved, with the Madrid Commercial Registry as required by law.

At 31 December 2020 no significant changes in accounting estimates and policies or corrections of errors have been made, other than those on the extension of the useful lives of wind farms and photovoltaic facilities (see note 3.3) accounted for as a change in estimates and on the change in the classification of profit/loss of equity-accounted investees, which now draws a distinction between similar activities and other activities.

For comparison purposes only and for each item on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity, and the notes to the consolidated financial statements, the corresponding amounts for the previous year as well as the amounts for the 2020 financial year, using identical accounting principles, which are consistent with IFRS-EU, although taking the following into account described in note 3.3.

Classification of the results of companies carried under the equity method

Starting on 1 January 2020, the Corporación Acciona Energías Renovables Group includes in operating profit the results of associates and joint ventures accounted for using the equity method, whose activities are similar to those of the Group, in accordance with NIC 1.

The Group believes that this reclassification of operating profit will help to better reflect the financial performance of the assets and activities associated with the Group's corporate purpose in which the Group is heavily involved, regardless of the legal nature of the regulating agreements. Only the results of associated investments and joint ventures involved in activities that fall outside the scope of the Group's core business and are therefore more akin to the category of financial investments will be recorded under operating profit (loss).

The Group adds a new item to operating profit under the heading of “Equity-accounted results, similar activities” where it records profits from associates and joint ventures carried by equity with similar activities to the Group’s.

The share in the results of those undertakings and joint ventures involved in different activities continues to be presented within the financial results, although the name of the caption is changed to “Equity-accounted results, different activities” (previously "Results of companies accounted for using the equity method"). There are no investments accounted for using the equity method whose activities are different than the Group’s.

In accordance with IAS 8, the comparative figures for the previous year were restated and the original heading, "Results of companies accounted for using the equity method" in the amount of €44,567 thousand is changed to “Equity-accounted results, different activities”.

COVID-19

The appearance of the COVID-19 Coronavirus in China in January 2020, which quickly spread across the globe, prompted the World Health Organization to declare the public health crisis caused by this viral outbreak an international pandemic on 11 March 2020. At the time of preparation of the present consolidates annual accounts, the main areas affected in the Group were in the northern hemisphere, primarily China, Europe and North America, although parts of South America and Oceania have also been affected. In this regard, the most gravely affected countries have taken various measures aimed at isolating the population and restricting movements both within their own territories and internationally, closing their borders to travel with the exception of commercial traffic and temporarily suspending business activities.

On the other hand, in order to mitigate the economic impacts of this crisis both the European Central Bank and the Federal Reserve, governments, as well as other financial and supervisory bodies, both at national and international level, have taken measures aimed at mitigating the social and economic impacts that will arise from the consequences of the extraordinary measures taken to control the pandemic. From the economic standpoint, these measures are intended to support and assist families and small and medium-sized enterprises and to support and monitor the measures implemented by economic leaders in response to possible consequences.

These measures have affected the Group's activities and businesses in all geographical areas affected by the pandemic, as well as the geographical areas where its customers and suppliers operate. As a result, the Group has experienced a number of adverse effects, such as:

- A decrease in electricity demand and the effect this has had on prices at facilities that sell their energy at market prices. The reduction in demand has also had an impact on the energy commercialisation business, not only due to the reduction in sales as a result of the reduction in customer consumption, but also due to the impact of the obligations derived from the contracted volume of hedges related to these contracts and the Group's capacity to adapt them to the new environment.

- Access to the materials and equipment necessary for proper asset maintenance, considering that they are operated remotely on a regular basis.

- Delays of pending investments or those already underway as a consequence of problems securing supplies of equipment or materials or restrictions on the mobility of internal employees or those of subcontractors hired to build the facilities.

- Management of the Group's personnel so that they can work regularly and efficiently, taking into account personal and family conditions and their reconciliation with professional responsibilities.

The ramifications of the COVID-19 pandemic and the measures that continue to be taken by countries in response continue to generate uncertainty as to the future consequences that may arise and the economic and financial impact on the Group's activities in 2021. These will be determined by the duration of the pandemic, the effectiveness and availability of the vaccines being administered, the time it takes to achieve herd immunity in the population and the effects of any additional mitigation measures adopted.

As of the date of these consolidated annual accounts for 2020, there had been no significant impact on the Group’s equity or finances and it was not possible to make a reliable estimate of the effects that this crisis might have in the future.

Unless otherwise indicated, these consolidated annual accounts are presented in thousands of euros, as this is the functional and reporting currency of the parent company of Group Corporacion Acciona Energias Renovables. Foreign currency transactions are included in accordance with the policies set out in notes 2.3.g) and 3.2.m).

2.2. Regulatory framework

Spain

Legislative Royal Decree 9/2013 passed on 12 July 2013 introduced urgent measures to guarantee the financial stability of the electricity sector. This Legislative Royal Decree introduced significant changes to the applicable legal and economic framework and abolished, among others, Royal Decree 661/2007 of 25 May and Royal Decree 6/2009 of 30 April, with which most of the electricity production plants operated by Corporación Acciona Energías Renovables, S.L. Group in Spain were affiliated in terms of the supporting compensation scheme for renewable energies.

Under the new regulatory framework, in addition to the compensation for the sale of electricity at market rates, power plants can receive special compensation composed of a price per unit of installed power to cover the investment in standard facilities that cannot be recovered and a portion for operations that covers the differences between operating costs and revenues as a result of participating in the standard rate market.

For a standard facility, the compensation is calculated taking the following aspects into account over the regulatory useful life, assuming that the business is conducted by an efficient and well-managed company:

a) Standard revenues from electricity sales at market production prices.

b) Standard operating costs.

c) Standard value of the initial investment, denominated as Actual Net Value or VNA in its Spanish acronym.

The intention behind these compensation parameters is to reach the minimum level required to cover costs so as to enable these types of facilities to compete under equal conditions with the rest of the technologies on the market and obtain a reasonable return. A reasonable pre-tax return takes as reference the average return on a 10-year treasury note on the secondary market plus a spread to be determined. The first additional provision of Royal Decree-Law 9/2013 set the appropriate spread for those facilities covered by the premium economic regime at 300 basis points, without prejudice to a possible review every six years.

Law 24/2013 was passed in December 2013, replacing the Electricity Sector Act 54/1997 to reflect the new situation, eliminating the concept of the special regime and introducing the concept of special compensation and the criteria for defining what is considered a reasonable return.

Royal Decree 413/2014 of 6 June which was published on 10 June 2014 regulates electricity production using renewable energy sources, co-generation and waste. Subsequent to that, Order IET 1045/2014 was issued on 20 June 2014 and published in the Official State Gazette on 29 June 2014. This Order sets the final compensation parameters applicable to all current and future renewable energy plants. The new model, which is applicable as of 14 July 2013, defines the compensation of assets following the passage of LRD 9/2013.

As established in Royal Decree 413/2014, at the end of each six-year regulatory period, the compensation parameters for standard facilities may be reviewed, except for the regulatory useful life and the standard value of the initial investment (actual net value or VNA), while at the end of each regulatory half-term, which will last for three years, the estimated income from electricity sales will be adjusted for the rest of the regulatory period. The first regulatory half-period ended on 31 December 2016.

Additionally, the RD reinforces the concept of reasonable return of a project by means of the average return of the 10 year Spanish Bond plus a margin and establish regulatory periods of six years that are divided in two regulatory half-periods of three years. The amount of the reasonable return was calculated on the basis of the initially recognised VNA for all the standard installations included in the regulatory retribution scheme. For the initial period the reasonable return was established as a 7.398%.

Once the initial VNS and the rest of the parameters referred in the RD were determined, the investment retribution is calculated on the basis of the methodology described in the Annex VI[1] of this same RD, the objective of which is to calculate the compensation to be paid by standard installation so the actual net value of the estimated cash flows that the owner of the facility will receive, discounted at the reasonable return, equals the VNA at the beginning of the respective regulatory half-period.

[1] Methodology for the calculation of the Actual Net Value (Valor Neto del Activo) and the adjustment coefficient for the standard installations associated with these to be rewarded by the specific retribution regime following article 12.

With the aim of reducing the uncertainty over the estimation on the energy pool prices to be applied in the calculation of the retributive parameters, and that affects directly the retribution to be obtained by the installation for the energy that it generates, several upper and lower limits were defined to such estimation. When average daily and intra-daily pool prices for the year happens to be outside these limits, a positive or negative amount is generated on a yearly basis which is called adjustment value for pool prices deviation (*valor de ajuste por desviaciones de precios del mercado*) and that will directly affect the VNA for the accumulated differences at the end of each half-period.

Once the installations pass their regulatory life they no longer receive regulatory investment or operation retribution. These installations that, even before the end of its regulatory life, reach the level of reasonable return settled by the regulatory scheme, will receive a regulatory retribution of zero.

The reasonable return principle included in the RD is planned as a floor so there is no reimbursement obligation contemplated in the case that the reasonable return obtained by the installation exceeds the minimum established from time to time by the regulation, with two exceptions:

- During the last half-period in which the regulatory life of the installation ends
- If the installation is expelled out of the retribution regime before the end of its regulatory life

In these two cases, the maximum amount to reimburse would be the one related with the net negative adjustments coming out in the last half-period in which any of them happens. The negative adjustments coming from pool deviations of past regulatory half-periods have already reduced the VNA resulting in lower future retributions so it has resulted in a lower future retribution (or even in a complete reduction of in the case the VNA would had been reduced to zero) and without any additional obligation from the owner of the installation to make any additional reimbursement.

In December of that year, the Minister of Energy, Tourism and the Digital Agenda sent the CNMC the proposed order updating the remuneration parameters for facilities using renewables, cogeneration and waste for the 2017-2019 regulatory half-term. The proposal revises the pool projection for the period 2017-2019 downward and includes the adjustment values for deviations in the market price of previous years, which will be offset over the rest of the useful lives of the facilities as appropriate. Order ETU/130/2017 was published on 22 February 2017. This order updated the compensation parameters for standard facilities applicable to certain electricity production plants that use renewable energy sources, co-generation and waste, applicable as of the regulatory half-term beginning on 1 January 2017.

The biggest change in 2019 came with the passage of Royal Decree Law 17/2019 of 22 November, which introduces urgent measures to adapt the compensation parameters affecting the electricity system in response to the phasing out process of thermal power plants. The main aspects affecting Corporación Acciona Energías Renovables, S.L. Group were:

a) The reasonable return for the period 2020-2025 (inclusive) applicable to the specific compensation scheme (7.09%) is updated.

b) The owners of facilities with primary compensation at the time of the 2013 cutback are allowed to maintain the rate of return set in the first regulatory period (7.398%), subject to waiving the right to pursue or commence new legal actions or arbitration proceedings, as well as any possible compensation arising therefrom.

c) The deadline for approval of the Parameters Order was extended to 29 February 2020.

This new regulation allows the Group to maintain the rate of return for the facilities it owns in Spain and which are part of this compensation scheme through 2031.

31 December 2019 marked the end of the first regulatory period, according to Royal Decree 413/2014. Order TED/171/2020 was published on 28 February 2020, updating the compensation parameters for

standard facilities applicable to certain electricity production plants using renewable energy sources, cogeneration and waste. These parameters apply to the next regulatory period (2020-2023) and are retroactive in nature to 1 January 2020. In Annex V to these consolidated annual accounts discloses the VNA by standard installation in which the Group operates which was published in the last update of the regulatory parameters.

In addition to the regulations mentioned above, the Group is also regulated under law 15/2012 which implemented tax measures for energy sustainability. Starting in 2013, this law applies to all electrical power production companies in Spain. All of the facilities operated by Corporación Acciona Energías Renovables, S.L. Group are subject to the payment of value added tax on electricity at a rate of 7% on all revenues from the sale of electricity. The law also establishes a fee for the use of continental waters for the production of electricity. This fee imposes a 22% tax on the value of the electricity produced, although there is a 90% reduction for facilities with less than 50 MW of installed powers and pumped storage stations.

Royal Decree-Law 10/2017 of 9 June, which was published in the BOE on 10 June, introduces urgent measures to alleviate the effects of the drought in certain river basins and amends the recast text of the Water Law approved by Legislative Royal Decree 1/2001 of 20 July which, among other things, modifies the fee charged for the use of continental waters for the production of electricity established in Law 15/2012. The new fee, applicable as of 10 June 2017, levies a 25.5% tax on the economic value of the electricity produced, with a 92% reduction of the tax for facilities with a capacity of less than 50 MW and a 90% reduction of the tax for pumped-storage power plants.

Royal Decree-Law 15/2018 of 5 October on urgent measures for energy transition and consumer protection, was published in the Official State Gazette (BOE) in October 2018, and calles for the temporary "suspension" of the tax on electricity production for the last quarter of 2018 and the first quarter of 2019. For ACCIONA Group's Energy Division, this translates into approximately €22 million in tax savings. Finally, on 22 July 2020, the Ministry of Ecological Transition and the Demographic Challenge published Order TED/668/2020 in the Official State Gazette. Among other things, this Order laid out the procedure for refunding electricity production tax for those facilities for facilities with specific compensation via their inclusion in the tax settlements in the last quarter of 2020 for each one of the companies affected. As of 31 December 2020, there are no refunds pending for this item.

Practically all of the facilities owned by the member companies of Corporación Acciona Energías Renovables, S.L. Group operate freely on the Spanish market, selling power to the pool through Acciona Green Energy Development, S.L., a group company which acts exclusively as a middleman.

The Resolution of 18 December 2015 of the State Secretariat for Energy, published in 2015, set the guidelines for participating in the system adjustment services and approved certain testing and operating procedures for adaptation to Royal Decree 413/2014 of 6 June, which regulates the production of electricity using renewable energy sources, cogeneration and waste. The Resolution, which took effect on 10 February 2016, enables those renewable power facilities that are considered eligible and that successfully pass the tests for each one of these services to participate in the system adjustment services and to be compensated accordingly.

Since then, Corporación Acciona Energías Renovables, S.L. has participated in the technical restrictions market with all of its renewable energy assets. In addition, in 2016 it began to participate in the tertiary regulation and deviation management markets, with a total of 3,372 MW of wind power enabled by REE.

Circular 4/2019 was published in November 2019, modifying the methodology for compensating the electricity system operator, as well as the financing charges to be passed on to agents. For the Group, this new methodology resulted in a decrease in revenue of around €1.3 million per year.

Order ETU/1133/2017 of 21 November, which was published in the BOE on 23 November 2017, amended Order IET/2013/2013 of 31 October which regulates the competitive mechanism for assigning demand-side interruptible load management to take effect in the year 2018. This Order also modifies the availability service, reducing the period of application to the first half of 2018 and excluding all hydraulic facilities from the scope. In addition, Order TEC/1366/2018 of 20 December establishing electricity access tolls for 2019 partially repeals the regulations governing the availability service, eliminating this service from 2019 onward.

On 24 January 2020, the CNMC published Circular 3/2020, which establishes the methodology for the calculation of electricity transmission and distribution tolls and eliminates the generation toll of €0.5/MWh that had been in place up to that time. The impact for the Group is a decrease of approximately €6.5 million in annual costs.

As a result of the COVID-19 pandemic and exclusively in the context of the state of emergency, Royal Decree-Law 11/2020 of 31 March was published in April 2020, adopting urgent social and economic measures to deal with COVID-19 and introducing flexibility mechanisms in terms of supplies for SMEs and the self-employed. These measures had a very limited impact on the Group, mainly on the commercialisation business due to the temporary suspension of some supply contracts and the temporary postponement electricity bill payments, which will be recovered once the state of emergency is lifted.

Royal Decree-Law 23/2020 of 23 June was passed in June 2020, approving measures for energy and other areas of economic reactivation, following the COVID-19 pandemic. One of the most relevant points in this regulation is the boost it gives to renewable energies, laying the foundation for a new compensation framework for installed capacity in the future through competitive mechanisms, which will coexist with the current special compensation scheme that will gradually disappear with the end of the regulatory term established for installed capacity that is entitled to this compensation.

The end of 2020 is marked by the approval of the regulations implementing Royal Decree-Law 23/2020. Royal Decree 960/2020, which regulates the legal and economic rules for renewable energies used for electricity production facilities based on the long-term recognition of a price for energy, was published in November of this year. Order TED/1161/2020 of 4 December regulates the first auction mechanism for the granting of the economic scheme for renewable energies and establishes a tentative calendar for the period 2020-2025. A minimum target of 3,000 MW is set for 2020.

The Resolution of the Secretary of State for Energy of 10 December 2020 contains the call for the first renewable energy auction under the economic scheme regulated in this Order, along with the specific details. The first auction was held on 26 January 2021 for 3,000 MW of renewable energy, with two minimum reserves of at least 1,000 MW wind and 1,000 MW solar photovoltaic. Group Corporación Acciona Energía Renovables bid on a total of 329.5 nominal MW: 79.5 wind and 250 solar photovoltaic.

The Resolution of 26 January 2021 of the Directorate General for Energy Policy and Mines was published in the Official State Gazette on 28 January 2021, resolving on the first renewable energy auction under the economic scheme according to the terms of Order TED/1161/2020 of 4 December. In that decision, 106.6 MW of nominal PV solar were awarded to various Group companies, which the Group will incorporate into its portfolio of projects for construction and subsequent operation in the coming years.

United States

The Renewable Portfolio Standard (RPS) is a market policy freely established by some states which requires that a minimum proportion of all electricity supplied come from renewable energies. The percentages vary from state to state, although most are between 20% and 30% for the period from 2020 to 2025. The measure is usually implemented through RECs (Renewable Energy Credits), a system of negotiable certificates for verifying that a kWh of electricity was generated using renewable energy. At the end of the year, electricity producers must have enough credit to cover their annual quotas or run the risk of a fine for non-compliance.

The PTCs (Production Tax Credits) offer tax deductions on electricity production for the first 10 years of operation. The deduction is calculated per MWh and is adjusted each year based on the Consumer Price Index (regulated in the "Energy Policy Act").

In 2005, Congress established a 30% ITC (Investment Tax Credit) initially applicable to solar energy projects, although access was later granted to other technologies with the passage of the *Bipartisan Budget Act* of 2018.

In 2009, a law was passed allowing companies that were eligible for PTCs to receive ITCs in exchange or, alternatively, a payment equal to 30% of the investment.

Traditionally, these tax incentives have to be renewed annually, with the uncertainty that goes along with it, but in December 2015 a long-term extension of both PTC and ITC was approved for both wind and solar power, with a gradual reduction of the incentive. For wind, which had the option to choose compensation through PTC or ITC, the PTC decreases by 20% each year until 2020, ending with a 0% incentive; similarly, the ITC is also reduced gradually until it is eliminated in 2020. For PV solar, on the other hand, 30% of the ITC is maintained through 2020 (31 December 2019), then starts to decrease and ends up fixed at 10% after 2022. The milestone that determines the deadlines is the start of construction.

In May 2016 the Internal Revenue Service (IRS) clarified what is considered a "construction start" for wind farm projects, which can be met with either a defined "physical work start" or a "safe harbour" of a certain minimum expenditure (5%), a question that was confirmed in the application guidelines issued by this body in June 2018.

The possibility of receiving PTC or ITC was extended for wind technology throughout 2020. In 2020, projects could "qualify" for an even higher PTC (15$/MWh, 60% of the original) than they would have qualified for in 2019 (10$/MWh, 40%) and a period of 4 years is again allowed for the commissioning of the facility. Regarding ITC, which is an alternative to PTC, in 2020 it would represent 18% of CAPEX (40% of the 2016 value) rather than 12% in 2019 (60% of the 2016 value).

On 27 December 2020, before the end of his term, President Trump signed *The Consolidated Appropriations Act, 2021.* This rule allows the ITC and PTC scheme to be extended through 2021. For the wind business in general, it extends the same conditions applicable for 2020 to the year 2021, although one of the changes it introduces for the solar PV business is that gradual decrease in the ITC incentive, which started with 2020 projects, is extended for the years 2021 and 2022.

There is another tax benefit linked to the wind farm owner's ability to take advantage of accelerated amortization of most capital assets (Modified Accelerated Cost Recovery - MACR's), which can result in an average amortization period of five years. There is no expiration date on this tax benefit.

In 2019, progress was made in the development of policies aimed at boosting the use of energy storage technologies. In 2018, FERC issued and implemented Order 841 which requires all Regional Transmission Operators (RTOs) and Independent System Operators (ISOs) to make changes to market rules so that energy storage can participate in all services. It also requires market operators to consider the specific physical and technical characteristics of a storage unit in market operations. 2019 was the year in which the Order was transposed in the different markets: in December 2018, the six RTOs and

ISOs submitted proposals for compliance. States are beginning to set energy storage targets in their climate and energy legislation (e.g., Virginia has set a target of 3,100 MW for 2035). At the federal level, legislation is being debated and passed, such as the law that was passed in 2019 that establishes a research programme as well as a demonstration and technical assistance programme. The problem caused by the new 30% tariffs on imported solar panels, which took effect in January 2018, continued in 2020. Certain measures announced during the year bought the tension level down. For example, the tariff is expected to be reduced by 5% each year and the first 2.5 GW of imported cells per year are exempt, as are certain innovative products.

Mexico

Until December 2013, the production, transmission and distribution of electricity was controlled by the federal government through the Federal Energy Commission (CFE). The only options for renewable energy sales were Independent Energy Production (electricity plants that sell their production to the CFE directly) or Self-Supply Contracts (electricity productions plants that sell their production to a centre that owns a portion of the production plant).

On 18 December 2013, a constitutional reform was published that introduces significant changes to the Mexican energy model, opening it up and accepting greater private participation. The new Electricity Industry Act (LIE) published on 11 August 2014 lays out these substantial changes for the electricity sector: the state's role in the sector is limited to running the system and rendering transmission and distribution services; the different activities are legally separated; a wholesale electricity market is created which is operated by the National Energy Control Centre ("CENACE"), whose offers are based on cost; and a series of obligations is established for generators to be covered by Clean Energy Certificates (CELs). In addition, there will now be electricity contract auctions to cover the supply of electricity to the users of basic services. In long term auctions, the contracts include the assignment of clean energy, power and CELs. Contracts that were in place before the new law was passed will be allowed to continue.

The first market conditions were published in 2015 and must be re-evaluated every 3 years. In January 2016, the Secretary of State for Energy of the Government of Mexico (hereinafter, "SENER") published a resolution authorising the different interconnected systems to start operating the short-term market and for CENACE to start performing the functions of a day-ahead energy market. To date, the day-ahead and real-time markets are still in the first stages of operation, and the implementation of the hour-ahead market has not yet started. The Power Balance Marketplace was inaugurated in February 2017 which determines the price that supports the previous year's capacity, volume and total amount. This an annual, ex-post market.

2018 was the first year in which CELs were mandatory and must be submitted by consumers until they reach 5% of the electricity sold. CELs requirements for the Obligation Periods of 2020, 2021 and 2022 were published in March 2019 (7.4%, 10.9% and 13.9%, respectively), to supplement the rate already published in 2016 for the year 2019 (5.8%).

To date there have been three long-term auctions: two in 2016 and one in 2017. The last one included a clearinghouse to allow the participation of potential suppliers other than CFE. In 2018, CENACE announced the fourth long-term auction for the purchase and sale of electricity, capacity and CELS, the first draft of which came out in March of that year, with prequalification and registration of potential buyers and submission of prequalification applications in August. With the arrival of the new president, Lopez Obrador, it was suspended in December 2018 and finally cancelled in January 2019.

In addition, the Executive announced that it would review the contracts signed with private companies in the framework of previous auctions and other mechanisms and cancelled any further investments to improve the electricity transmission system at the national level. As of the date of these annual accounts, no date for a new auction has been announced.

The latest PRODESEN (National Electricity System Development Programme) published by SENER for the period 2019-2033 estimates by 2033 clean energy will account for 35% of all power generated.

On 28 October 2019 an Agreement was published amending the Guidelines for obtaining Clean Energy Certificates, which extends the possibility of generating CELs to the plants of the Federal Electricity Commission (CFE) prior to the Legacy Power Plants. This means that several of the Group’s facilities will qualify for these certificates. However, this regulation also poses the risk of an oversupply of CELs in the market as the number of installations qualified to issue them increased. Several generators rejected this measure and requested that it be repealed. As a consequence, the rule has been suspended pending the publication of a final decision which is expected sometime in 2021.

Despite this, the main problem continued to exist, as CFE could generate certificates with its old energy installations and thus increase the supply and reduce the demand for certificates - with CFE as the main consumer - putting downward pressure on the price to practically zero. The measure affects both operating facilities and plants under construction, as it substantially alters their revenue forecasts.

Arguing the COVID-19 crisis as the reason, on 29 April 2020 CENACE proposes a set of modifications that seek to increase the reliability of the system. A resolution is published indefinitely suspending the tests for new clean energy projects (with no reference to the rest of the technologies). In addition, alleging technical faults in the electricity system, the delivery of manageable plants (mainly fossil fuels) is guaranteed over renewable generation.

On 15 May 2020, SENER published the Policy on the Reliability, Security, Continuity and Quality of the National Electricity System, which limited the participation of renewable generation companies in the market, discouraging renewables because they are "intermittent". As a direct result, the commissioning of 28 wind and photovoltaic installations planned for 2020 and 2021 in Mexico has been delayed. The Supreme Court issued an injunction against this Reliability Policy as a precautionary measure until there is a final ruling on the matter.

Similarly, at the end of May 2020, the CRE increased conveyance tariffs but this was suspended provisionally by a Federal Court, leaving open the legal strategy for companies to claim the refund of conveyance tariffs.
In the end, both measures (the Reliability Policy and the changes in the conveyance tariffs) were definitively challenged by the Economic Competition Commission (COFECE) and are now suspended. The sector is awaiting the final ruling.

Chile

In Chile, Law 20257 (ERNC Law) from 2008 was amended by Law 20698 (Law 20/25) and a target was set for renewables to account for 20% of all electricity generated by 2025. Electricity companies must prove what percentage of the electricity withdrawn from the system comes from these types of technologies. The law also imposes a penalty for non-compliance which is 0.4 UTM per unaccredited MWh (approximately US$32). For repeat offenders within three years of the first non-compliance, 0.6 UTM of unaccredited MWh (approximately US$48). Also, companies that have injected renewable energy in excess of their obligation can pass on the excess to other companies. However, there is no green certificate market as such but rather bilateral contracts between interested parties and certification of the transfer which is accredited by a means of an authorised copy of the contract.

In order to meet the target, Law 20/25 also introduced annual auctions in keeping with the government's three-year demand projections. Introducing into the auction the possibility of bidding in differentiated blocks (Block A for the night, Block B for solar hours and Block C for the remaining hours of the day) facilitates the participation of renewables.

A resolution was published in April 2016 which approved the preliminary report establishing the regulated consumption values (in GWh per year) to be put out to bid in the coming years. The volumes included a reduction in the anticipated energy demand of approximately 10% between 2021 and 2041, which implies a significant decrease in what was to be auctioned this year (from the expected 13,750 GWh to approximately 12,500 GWh).

To date, there have been 3 auctions. The Chilean government's objective is for electricity distribution companies to have long-term supply contracts, 20 years from 2024, to satisfy the needs of price-regulated customers.

The Transmission Law, published in July 2016, establishes a new electricity transmission system and creates a single independent coordinating body for the national electricity system. Following the approval of the Transmission Act, work began on the associated regulations.

The regulation for the implementation of the CO_2 emissions tax (Exempt Resolution 659) was approved in 2017, which calls for the payment of compensation by all generating companies, including non-polluting ones.

In 2018, the Regulations for Supplemental Services and for the Coordination and Operation of the National Electricity System are withdrawn from the comptroller's office, delaying the approval process. In January of that year, the Chilean government said the country would not be building new coal plants without carbon capture, and began talks to replace existing capacity with cleaner sources.

Following the riots that began in October 2019 and the different economic and political impacts that resulted, the government agreed to freeze tariffs using the *transitional electricity price stabilisation mechanisms for customers subject to tariff regulation* (Law 21185 of 2/11/2019), which affects the public service distribution concessionaires, who will only be allowed to transfer pre-defined prices to their regulated customers and to the power generators who supply them, which will be subject to an adjustment factor during the transitional period.

Poland

The Renewable Energy Act (RES Act) passed at 20 February 2015 replaces the green certificate incentive system with an auction premium system, although the change would not apply to existing facilities since the old and new systems would functional simultaneously. In an amendment published on 29 December, the introduction of auctions and the deadline for joining the green certificate system were delayed for 6 months until July 2016. Following the adoption of several amendments, the latest version of the RES Act was published in June 2016 and entered into force on 1 July 2016, but its application did not correct the oversupply of green certificates nor did it offer actionable power for large wind and photovoltaic installations. The Group ultimately decided not to sign onto the new system and to continue with the incentive system based on the green certificates.

An auction was held in December 2016 but was limited to small facilities, mostly biogas. A draft for the auction of 700 MW of renewables for large facilities was published in early 2017 which was originally expected to happen in the second half of 2017, but to date it has not taken place. In addition, new amendments to the RES Act were passed in July 2017, particularly in relation to the Substitution Fee (the amendment now links the fee to declining market prices) and the auction conditions.

The RES Act underwent significant changes again with the RES Amendment Act of 7 June 2018 (which took effect on 14 July 2018). The most consequential changes include an extension of the validity of building permits for wind facilities that do not meet the conditions set forth in the Distance Act, and a return to the taxable base established in the definition of the investment rate as of 1 January 2018 (only the construction elements of the wind turbine instead of all components).

Australia

The “Renewable Energy (Electricity) Amendment Bill 2015”, passed in June 2015, introduced stability into the system of green certificates, setting a target RET of 33,000 GWh in 2020 and eliminating the target adjustments every two years (henceforth every four years). The first and only case to date of a company choosing to pay the penalty for non-compliance rather than submitting the corresponding renewable electricity certificated occurred in January 2017.

The Renewable Energy Target (RET) scheme encourages additional electricity generation from renewable sources to reduce greenhouse gas emissions in the electricity sector and comprises two different schemes: "Large-scale Renewable Energy Target" and "Small-scale Renewable Energy Target". In the case of the Large-scale Renewable Energy Target, the regulator has reported that there are enough approved projects to meet and exceed the 2020 target of 33,000 GWh of additional renewable electricity. The target ends in 2020 but will remain at 33,000 GWh until the end of the scheme in 2030 and these certificates can continue to be used. "The Small-scale Renewable Energy Target will also end in 2030.

The state of South Australia suffered a major blackout in 2016 and since that incident storage and the integration of renewables have become very important in the country. The final version of the Finkel Report was published in June. The report was commissioned by the government following the blackout to make the system more safe and reliable and decrease emissions, in line with the Paris Accord. The report highlights the importance of an orderly, carefully studied and planned energy transition. The report also proposes the continuation of the RET after 2020: the Clean Energy Target (CET) would be based on a system of green certificates that would include RES and technologies that comply with emission limits. Some of the recommendations in the Report were approved at the meeting of the Coalition Joint Party held on 20 June, although the Ministry of Energy announced that the implementation of CET would be analysed in more detail.

In March 2017 the state of South Australia launched the SA Energy Plan which mentions battery storage as the basis for renewable technologies and the purpose of which is to provide the state with large-scale storage of renewable energy.

In April of that year, the Clean Energy Council published a report with recommendations for eliminating regulatory barriers to storage and improving network security ("Policy and regulatory reforms to unlock the potential of energy storage in Australia") and in August the government of Victoria announced the auction of 650MW of renewables as part of a renewable auction scheme (VREAS) to meet the Victorian Renewable Energy Target (VRET) of 40% renewable energy by 2025.

In October 2017 the government announced the National Energy Guarantee (NEG) scheme to replace the current CET after 2020. The key aspects include: i) Reliability Guarantee (obligation for retailers to buy a certain amount of “dispatchable” coal, gas hydro or storage); ii) Emissions Guarantee (the obligation for retailers is that the electricity in their portfolios must meet a level of emission intensity to support Australia’s commitment to reduce emissions by 26% by 2030). The Energy Security Board published the NEG design document, which was presented at the Energy Council meeting in April 2018. Australia would later suspend the bill containing the emission reduction target for the NEG.

Victoria's Labour Government, elected in November 2018, promised to increase the state's renewable target to 50% by 2030, based on the already legislated target of 40% by 2025. In this regard, on 30 October 2019 the Renewable Energy (Jobs and Investment) Amendment Bill 2019 (Vic) was passed, introducing the VRET 2030 target into law. In the absence of a federal renewable target after 2020, investment will continue to be driven by the states.

India

The National Climate Change Plan, published in 2008, set a target of 15% renewable energy by 2020. Achieving this target required the involvement of both the national and state governments. In June 2015, a national target was set to achieve 175GW of renewable capacity by 2022, of which 100GW is solar and 60GW is wind.

Currently, renewable development in India is based on auctions, which result in the assignment of a tariff. Following the publication of the National Wind-Solar Hybrid Policy in May 2018, a 1,200 MW hybrid solar and photovoltaic auction was held in December, in which 840 MW were awarded. In an attempt to promote innovative technologies, 50 MW of floating solar were auctioned and awarded. The *Ministry of New and Renewable Energy* has announced plans to auction 500 GW of renewable energy by 2028.

In addition to low auction prices, transmission costs (intra-state and inter-state) and the uncertainty associated with land have become key factors in the development of India's renewable sector.

In addition to auctions, there is a developing market for direct supply contracts between generators and consumers. It is estimated that 4.6GW of renewable projects were linked to a corporate PPA at the end of 2018, making India the largest market in Asia. The costs involved, the ease with which permits can be obtained, and the obligations arising from the scheduling and communication of electricity delivered to the grid vary from state to state.

Extra income from this type of contract comes from the RECs. The system was introduced in 2010 as a way of helping states with fewer renewable resources meet their obligation: if the company that has signed a PPA sells electricity through the grid to an end customer rather than a distributor or seller, it can apply for RECs.

In addition, something happened in 2019 that could increase interregional transmission capacity, resulting in a more dynamic market: the 2019-2020 Union budget introduces a plan that provides for the interconnection of five regional Indian networks to operate on the same frequency. The scheme will be implemented by 30 June 2020 to enable power transfer by ensuring the connectivity of all states at an affordable price.

They have increased renewable targets despite problems with grid and land availability. In November 2020, India's Prime Minister, Narendra Modi, announced that the country aims to increase its renewable energy capacity to 220 GW by 2022, up from the previous target of 175 GW. They currently have 136 GW of renewables installed. In addition, hybrid auctions have been conducted. Hybrid and technology-neutral bidding models are contributing to the economic rationale for renewables in India. The shift towards more sophisticated bidding with a focus on energy outcomes rather than technology is opening new doors for wind and solar.

South Africa

The government introduced the Energy Independent Power Producers Procurement Programme (REIPPP) in 2011, an auction system for the purchase of 13 GW of renewable electricity. The electricity generated is sold for a fixed rate to Eskom, the state distributor and the sole contractor for all independent power production projects.

There have been four rounds to date and the sector is awaiting the publication of a fifth. In February 2016 it was announced that Round 5 would consist of 1.6 GW of new capacity. However, the auctions were suspended due to financial difficulties at Eskom. The South African government signed the pending 2017 power purchase agreements related to the REIPPP rounds (Rounds 3.5 and 4, agreements with 27 independent power producers in April 2018, after more than two years of delays).

The Integrated Energy Plan (IEP) and the assumptions and base case of the 2010-2030 Integrated Resource Plan (IRP) were published in November for comments. The IEP describes the energy sector, indicating the ideal mix of energy sources to satisfy the countries energy needs, while the IRP focuses on the electricity sector in a prescriptive manner and is based on the IEP. The IRP Update Draft Report was published in August 2018 and opened for comment. The consultation period ended in 2018.

The IRP was finally published on 18 October 2019, giving indications of the development plans for the period 2020-2030. It is based on balancing electricity supply and demand at a minimum cost while taking supply security and environmental criteria into account. The IRP has taken a turn, reducing coal and abandoning the idea of building new nuclear power facilities on a massive scale. It is worth noting that while some scenarios of the previous IRP envisioned the construction of an additional 9.6 GW of nuclear capacity, the new plan merely extends the life of the existing nuclear power. In addition, the installation of new wind and solar power is maintained through auctions and the margin of action for private operators in the field of distributed generation is extended, raising the limit of what can be installed. The plan mentions the importance of storage to enable the large-scale deployment of renewables, and provides for the installation of new storage capacity. Moreover, it mentions a battery pilot project that is already being prepared.

On 1 June 2019, a law was passed establishing the carbon tax in South Africa. The first phase of the tax runs from 1 June 2019 to 20 December 2022, with a tax rate of 120 rand ($8.34) per tonne of carbon dioxide equivalent.

Canada

Under the Greenhouse Gas Pollution Pricing Act, the Federal Carbon Pollution System was adopted in June 2018. The system has two key points:

- a tax on fossil fuels (paid by fuel producers or distributors rather than consumers),
- and a cap-and-trade pricing system for industry (Output Based Pricing System).

Facilities that exceed the annual limit may purchase excess emission credits from other facilities or pay the carbon price. For 2018 and 2019, the carbon pricing system applies to industrial installations emitting 50 kilotons or more of CO_2 equivalent per year.

As part of the federal government's commitment to ensure that carbon prices are applied across Canada, the Prime Minister announced the territorial application of the system in October 2018.

At the beginning of 2019, the provinces of Ontario, New Brunswick, Saskatchewan and Manitoba did not have their own emissions reduction strategies. Consequently, as of April 2019 these provinces now have a government-imposed carbon tax.

The federal support system consists of two components: (i) a tax-like component that is a regulatory charge on fuels and (ii) a baseline ETS and credit for emission-intensive and trade-exposed industrial facilities, called the Output-Based Pricing System (OBPS). Most of the revenue from the federal system is returned to the province or territory where it was collected.

The rest of the States already have their own carbon tax. Alberta implemented a tax on all types of fuel in 2017. However, the new conservative prime minister removed the tax, so Alberta will soon be subject to the federal tax as well.

Ukraine

In 2015, Ukraine assumed the ambitious target of producing 25% of its power using renewable energy sources by 2035. Ukraine has been supporting this effort through a Green Tariff, a "feed-in tariff" on generation.

In 2019 it launched a new auction mechanism for new plants. The Auction Law of 22 May 2019 introduces changes in the Green Tariff scheme and establishes the framework for auctions. The Green Tariff (previous model) and the auction scheme are intended to operate in parallel so that wind farms already in existence when the legislation takes effect can either stay with the previous scheme or take part in the auctions.

As with the Green Tariff, government support will be provided by guaranteed purchases by the state through the specially designated and authorised Guaranteed Buyer of all electricity produced using renewal energy sources within the quota purchased auction at the established fixed rate.

The Group's wind farms in this country are selling their electricity under the Green Tariff regulations in all cases.

In 2020, the Green Tariff payer had a liquidity problem so it became necessary to finance the payer's debt. The "Memorandum of Understanding on the Resolution of Problematic Issues in the Renewables Sector" (MoU) was published in June 2020. This MoU between the renewables sector and the Government was intended to resolve the liquidity problems of the "payer" (GB "guaranteed buyer") of the Green Tariff and the settlement delays between generators and the Transmission System Operator (TSO), among other things. The regulation essentially states that balances due to generators will be paid until 31 December 2021.

The "State Budget Act of 2021", adopted on 16 December 2020, anticipates that state guarantees could be issued in 2021 by decision of the Cabinet of Ministers of Ukraine (CMU) to guarantee payments of the state-owned TSO's debts/payment obligations to international financial institutions and/or by borrowing to ensure their liquidity. In principle, the state guarantees would cover the TSO's borrowings to make certain payments to the GB to settle obligations to the producers of renewables. The available version of the 2021 State Budget Act does not contain sufficient expenditures to provide financial support to the GB to pay producers, but the final version signed by the President or the amendments to the 2021 State Budget Act would seem likely to provide for such expenditures.

The Government has announced that it will publish a law allowing for the repayment of outstanding debts between 2021-2022, generating 5-year government bonds for which it has defined a timetable and has opened the possibility of issuing new bonds to resolve the TSO's debt in the future.

After the MoU, the Law "On Amendments to the Laws of Ukraine to Improve Support to Electricity Generation from Alternative Energy Sources" (Draft Law No. 3658) was published, followed the regulator's (NEURC) decree defining the new tariffs. Among the changes introduced by this document, there is a cut in the Green Tariff, specifically for photovoltaic plants with a COD from 1 July 2015 through 31 December 2019. There is a 15% reduction in the Green Tariff for plants larger than 1 MW starting on 1 August 2020 (a reduction of approximately €22.6 per MWh) which will remain unchanged until at least 31 December 2029. This new regulation affects all facilities owned by the Group.

The responsibility for deviations will be 50% for generators, rising to 100% in 2022. In addition, as of 1 January 2021, the TSO can limit production when so required by the system, paying the mandated compensation.

On 11 November 2020, the Regulator adopted a Resolution on Amendments to the Market Rules whereby the TSO will be able to compensate renewable producers, upon request, for capped electricity throughout 2019. By contrast, no payments will be made for capped electricity in 2020 based on their requirements until the respective amounts are included in the tariff structure for 2021.

Other countries

The facilities owned by the other member companies of the Corporación Acciona Energías Renovables, S.L. Group in other countries are governed by the particular laws applicable in the countries where they are located, operating in the free market to the extent that the country's laws allow.

2.3. Consolidation principles

a. Consolidation principles

Subsidiaries are entities over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary’s performance. This consolidation method is explained in section c) of this note, and details are provided in Appendix I.

Joint operations managed with a third party, in which the venturers have direct rights to the assets and direct obligations for the liabilities, in proportion to their interest in the arrangement, are proportionately consolidated. Details of proportionately consolidated companies are provided in Appendix II.

Companies not included in either of the preceding categories over which the parent has significant influences in management or are joint ventures are considered associates and are carried using the “equity method" (see Annex III). This accounting method is explained in part e) of this note.

For wind projects in the United States with Production Tax Credits or PTCs and accelerated fiscal amortization, external partners are incorporated whose economic interests very over the life of the projects although the Group maintains control over the financial and operational aspects of the projects. These companies are consolidated using the same consolidation method than the one for the Subsidiaries (see past c) of this note). These partners continue to hold interests in the companies' share capital, obtaining tax benefits and even a rate of return on their investments which depends on each project's performance. The Group holds purchase options at market value on these projects when the investor-partner obtains a return.

b. Elimination on consolidation

All balances and the effects of significant transactions between subsidiaries and the parent company or between the subsidiaries and joint ventures themselves are eliminated during the consolidation process

In transactions with associates and joint ventures, a percentage of the earnings equivalent to the Group’s stake in their capital is eliminated.

c. Subsidiaries

Subsidiaries are entities over which the Company has effective control, irrespective of its percentage of ownership in the subsidiary. Control is presumed to exist when the following three conditions are met: power over the investee; exposure or rights to the variable returns on the investment; and the ability to use this power to influence the amount of the returns.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which Group control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Company.

When a new subsidiary is acquired, the assets and liabilities and the contingent liabilities are calculated at fair value on the acquisition date, which is when the parent takes control of the subsidiary, according to IFRS 3 - "Business Combinations". Any excess of fair value over the acquisition cost of the identified net assets is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The results of subsidiaries generated during the year are consolidated taking into account only those generated on or after the acquisition date. Likewise, the results of subsidiaries that are disposed of during the year are consolidated taking into account only those generated up to the disposal date.

In addition, the interests of minority shareholders are calculated in proportion to the fair value of the recognised assets and liabilities of the minority shareholders.

Third party interests in the share capital of investee companies are shown under "Non-controlling interests" on the consolidated balance sheet under the heading of Group Equity. Similarly, their interest in the financial year's profit or loss is shown under "Non-controlling interests" on the consolidated income statement.

d. Joint operations

Joint arrangements are those in which the investee (jointly controlled entity) is managed by a Group company and one or more unrelated third parties, where the parties act together to direct the relevant activities, and decisions about the relevant activities require the unanimous consent of the parties.

Joint operations are joint arrangements whereby the venturers have direct rights to the assets and direct obligations for the liabilities, in proportion to their interest in the arrangement.

For joint operations, the Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and the expenses, including its share of any expenses incurred jointly, in the consolidated annual accounts.

The assets and liabilities of joint ventures are classified on the consolidated balance sheet by type. Likewise, the income and expenses originating from joint ventures are consolidated and classified on the consolidated income statement by type.

e. Equity method

In the consolidated annual accounts, investments in associates and joint ventures (joint arrangements with rights to the net assets of the arrangement) are accounted for using the equity method, that is, at the Group's percentage share in the capital thereof once dividends received and other assets and liabilities have been eliminated.

These investments include, where applicable, goodwill generated on acquisition.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of the profit or loss for the year of equity-accounted investees. The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the value of the investments in associates with a balancing entry in other comprehensive income based on the nature of the investment. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

When the Group's investment in associates is reduced to zero, the implicit additional obligations in the subsidiaries, if any, are consolidated by the equity method under the heading of "Non-current provisions" on the balance sheet.

The Group evaluates the existence of significative influence even in the cases in which the percentage of participation is lower than 20%. As well as this percentage of ownership, other qualitative factors are considered in the analysis as it can be the participation in the decision processes, its presence in the Board of Directors, the access to relevant information or the transfer and influence on key managers.

f. Gains(losses) on foreign exchange

The functional currency of each Group company is the currency of the country where it operates. Transactions in currencies other than the functional currency are treated as foreign currency transactions.

During the consolidation process, the assets and liabilities from the Group's foreign transactions in currencies other than the euro are converted at the exchange rate in effect on the date of the balance sheet. Income and expenses are converted at the average exchange rates for the period unless there are significant fluctuations. Share capital and reserve accounts are converted using historical exchange rates. Any differences arising on foreign exchange are classified as equity in Other Comprehensive Income. These conversion differences are recognised as income or expenses for the period in which the acquisition or disposal takes place.

g. Changes in the scope of consolidation and minority interest

On 10 April 2020, Acciona Energía, Bestinver, A.A. and AXA Investment Managers-Real Assets (*AXA)* acquired from Kohlberg Kravis Roberts & Co. LP ***(KKR)*** its 33.33% stake in the share capital of Acciona Energía Internacional, S.A. (AEI, parent company of the Acciona Energía Internacional subgroup) as well as an assignment of KKR´s credit position with AEI. In this transaction, Acciona Energía acquires an 8.33% stake in Acciona Energía Internacional, S.A., Bestinver, S.A. an 5% and AXA an 20% and KKR assigns its credit position ao Acciona Energía in an 25%, to Bestinver, S.A. in an 15% and to AXA in an 60%. The closing of the transaction was pending on the compliance of several conditions precedent.

AEI Subgroup was conformed in 2014 with the majority of the operating assets in the internacional markets owned by Corporación Acciona Energías Renovables, S.L. Group at that moment. Nowadays, AEI Group is made up by 52 installations of energy generation through renewable resources, mainly windfarms, with a combined generation capacity of 2.3 GW in countries as United States, Mexico, Canada, Italy, Portugal, South Africa and Australia. In 2020, te Group increase its effective participation in AEI Group from 66.66% to 75%.

The closing of the transaction happens on 29 December 2020, once all the conditions precedent were fullfiled, and in that moment Acciona Energía received the shares representative of the 8.33% of the ownership of AEI Group for a consideration of 49,269 thousands of euros and the assignment of the credit position for an amount of 63,961 thousands of euros. The total consideration for both concepts amounts to 113,230 thousands of euros, which payment was made effective on 4 January 2021.

As a result of this transaction between shareholders and since there is no change of control, there was a €34 million euros decrease in the consolidated reserves of Group Corporación Acciona Energía Renovables. Likewise, the amount attributed to minority interests decreased by €15 million (see Note 14.f).

In addition, on 29 December 2020, the shareholders of AEI agreed to capitalise their receivables from AEI totalling Euros 766,827 thousand of euro, including principal and interest. This contribution increased non-controlling interests by Euros 191,706 thousand of euro, reflecting the contribution made by Axa and Bestinver, S.A. The fair value of the receivable does not differ substantially from its carrying amount.

On the other hand, Annex IV shows the changes in the scope of consolidation for financial years 2020 and 2019. The impact on the enclosed consolidated annual accounts is discussed in the pertinent notes of this report.

3.- <u>Main accounting policies</u>

3.1 Adoption of new standards and interpretations

<u>Standards and interpretations applied this financial year</u>

The following modifications and interpretations of accounting standards which took effect in 2020 were considered in preparing the enclosed consolidated annual accounts:

Standards, modifications and interpretations	Description	Mandatory application for financial years starting on or after:
Approved for use in the EU		
Amendment to IAS 1 and IAS 8, Definition of "materiality"	Amendments to IAS 1 and IAS 8, to align the definition of "materiality" with the one contained in the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 - Benchmark Rate Reform - Phase 1	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of reference interest rates	1 January 2020
Amendments to IFRS 3 - Definition of business	Clarifications to the definition of business.	1 January 2020
Amendment to IFRS 16 Leases - Leasehold Improvements	Amendment to make it easier for lessees to account for leasehold improvements related to COVID-19.	1 June 2020

Regarding IFRS 9, IAS 39 and IFRS 7, the IASB has amended certain requirements for hedging relationships in order to be able to continue to apply hedge accounting under the assumption that certain benchmark interest rates on which the cash flows of hedging instruments and hedged items are based are not affected by the uncertainties generated by the reform of the interbank offered interest rates (IBOR indices). At 31 December 2020, phase I of this amendment was finalised and has no significant implications for the Group.

The Group has chosen to apply the practical solution for the "Amendment to IFRS 16 Leases - Rent Concessions" which came into effect on 1 June 2020 and which simplifies the accounting for a rent concessions related to COVID-19. The amendment exempts lessees from having to reassess leases in the event of rent forgiveness or renegotiation of rent deferrals in the year 2020 that meet the conditions described in the amendment to the standard and allows these improvements to be recorded as miscellaneous rental income. The impact on the Group has not been significant as the contracts most affected by the downturn in activity due to the COVID-19 confinement did meet the conditions set out in the amendment. They ended up being cancelled early or renegotiated in such a way that the future flows of the lease or committed rental period were modified.

In relation with IFRS 3, the amendment describes that to be considered as a business, an integrated set of activities and assets have to include, as a minimum, an input and a substantive process that jointly contributes significantly to the capacity of providing goods or services to the costumers. It modifies the definition of "products" to focus in the good and services provided to the costumers that generates inflows, excluding the returns in the form of a reduction of costs or other economic benefits. The accounting treatment applied by the Group is in line with this amendment therefore it application had not had a significant impact in the consolidated financial statements of 2020. In case of the acquisitions of windfarm facilities during 2020, which has not been relevant, as they have not incorporate a business operation structure within, that is, a substantive process, they have not been considered as a business acquisition but as an assets acquisition.

The remaining standards were applied without significant impact on either the reported figures or the presentation and disclosure of information, either because they do not entail relevant changes or because they refer to economic events that do not affect the Group.

Standards and interpretations issued but not yet in force

At 31 December 2020, the following standards and interpretations were published by the International Accounting Standards Board (IASB) but are not yet in force, either because the effective date is after the closing date of the consolidated annual accounts or because they had not yet been adopted by the European Union:

Standards, amendments and interpretations	Description	Mandatory application for financial years starting on or after:
Approved for use in the EU		
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Benchmark Interest Rate Reform - Stage 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the ongoing benchmark reform (Phase 2).	1 June 2021
Amendment to IFRS 4 - Deferred Application of IFRS 9	Deferred application of IFRS 9 to 2023	1 June 2021
Not approved for use in EU		
Amendment to IFRS 3 - Reference to the Conceptual Framework	IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those in the Conceptual Framework.	1 January 2022
Amendment to IAS 16 - Proceeds Before Intended Use	The amendment prohibits deducting any proceeds from the sale of items produced while the company is preparing an asset for its intended use from the cost of an item of property, plant and equipment.	1 January 2022
Amendment to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract and an allocation of other costs directly related to the performance of the contract.	1 January 2022
Annual Improvements to IFRS 2018–2020.	Minor Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1- Presentation of Financial Statements	Clarifications regarding the presentation of liabilities as current and non-current.	1 January 2023
IFRS 17 - Insurance Contracts	Replaces IFRS 4 and clarifies the principles of registration, measurement, presentation and disclosure of insurance contracts in order to ensure that the entity provides relevant and reliable information that allows the users of the information to determine the effects of the contracts on their financial statements.	1 January 2023
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendments will make it easier to distinguish between changes in accounting estimates and changes in accounting policies	1 January 2023
Amendments to IAS 1 - Presentation of Financial Statements - Disclosures of accounting policies	The amendments will help to improve accounting policy disclosures, providing information that is more useful for investors and primary users of financial statements.	1 January 2023

With regard to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, the IASB continues to develop guidance and amendments to address the various accounting considerations that may arise when the various IBORs are amended or replaced by others. In this second phase, certain practical solutions, clarifications and exceptions are proposed in order for undertakings to better reflect financial assets, financial liabilities and lease liabilities on their financial statements of a result of the IBOR reform.

The Group's directors do not expect any significant impact from the introduction of this amendment or the ones summarised on the table above which have been published but are not yet effective, as they are prospective applications, changes in presentation and disclosure and/or deal with aspects that are not applicable or immaterial to the Group's operations.

3.2 Measurement standards

The measurement standards used to prepare the Group's consolidated Annual Accounts in accordance with the International Financing Reporting Standards adopted by the European Union (IFRS-EU) are as follows:

A) Property, plant and equipment

Fixed assets acquired for production, for the provision of goods or services or for administrative purposes are shown on the consolidated balance sheet as the lesser of the cost of acquisition or production, less the cumulative depreciation and recoverable value.

The cost of expansions, upgrades and betterments leading to an increase in productivity, capacity or efficiency, or a lengthening of the useful lives of property, plant and equipment items are capitalised. The acquisition cost includes professional fees and the financial expenses incurred during construction which are directly attributable to the acquisition, construction or production of qualified assets, which are those that require a substantial period of time before they are ready for use. All financial expense associated with the financing used to build the associated assets is capitalised during the construction period.

Capitalisation of interest begins when the expenses related to the assets are incurred, the interest has accrued and the activities required to prepare the assets or parts of the assets for their intended use are being carried out. It ends when all or substantially all the activities necessary to prepare the assets or parts of the assets for their intended use have been completed. However, capitalisation of interest is suspended during periods when activities are interrupted, if these are prolonged significantly over time, unless the temporary delay is necessary to bring the asset into operating condition.

The cost of fixed assets includes the estimated cost dismantling or removal cost as well as the restoration of the place where they are located to its original state, provided that such obligations were assumed as a consequence of using the place for a purpose other than the production of inventories.

Assets that are removed from service because of upgrading processes or for any other reason are recorded by removing the carrying balance from the corresponding cost and accumulated depreciation accounts.

In-house work the company's assets is measured at accumulated cost which is obtaining by adding external costs plus in-house costs, which are determined on the basis of in-house materials consumption and manufacturing costs incurred. At 31 December 2020, €520 million was recognised under "Other income" in the enclosed consolidated income statement for work carried out by the Group on its own assets, mainly wind projects in Mexico, Australia, Chile and the United States.

Conservation and maintenance costs are carried to the consolidated income statement of the financial year in which they are incurred.

Depreciation is generally calculated using a straight-line method on the acquisition cost of the assets less the residual value. It is understood that the land on which buildings and other constructions are built has an indefinite useful life and is therefore not subject to depreciation. Companies depreciate property, plant and equipment by spreading the cost of the assets over the estimated useful life. The annual depreciation rates for 2020 are as follows:

Annual depreciation rate	
ASSETS ASSOCIATED WITH THE ELECTRICITY BUSINESS	
Wind farms	3.33%
Hydroelectric power plants	1- 4%
Photovoltaic solar	3.33%
Other electricity-generating plants	4%
OTHER ASSETS	
Buildings	2%
Other plant and machinery	5 – 16.6%
Other plant, tools and equipment	10 - 20%
Other PPE	20– 33.3%

The Group has re-estimated the useful life of its wind farms and solar PV installations from 25 to 30 years in 2020 (see Note 3.3).

In Spain, the regulation stablishes a regulatory life for the operating assets that depends on their technology (see Note 2.2), that is 20 years for wind, 30 year for solar photovoltaic and 25 for biomass facilities. This regulatory life is based on the period in which the related asset has the right to be remunerated under the special regime in force, and so, it will have the right to obtain the economic benefits coming from it (investment or operative retribution stipulated in the Spanish retribution mechanism).

However, the Group estimates the useful life of its assets considering the period of time in which it will generate positive cashflows and it can longer than the regulatory life if the project will obtain inflows even beyond the end of the regulatory life, as it happens with the windfarms owned by the Group.

Consolidated companies recognise any loss in the recorded value of these assets due to impairment with a balancing entry under "Net impairment losses" on the consolidated income statement. The criteria for recognising impairment losses to these assets and any subsequent recovery of those losses are described in section d) of this note.

B) <u>Leases and right-of-use</u>

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the lease commencement date, a lessee recognises a liability for the lease payments to be made, including any extensions which are reasonably certain, at the inception date, to be exercised, and an asset representing the right of use of the underlying asset during the lease term.

In the evaluation of the extensions in the valuation of the lease contracts, the Group considers, among other aspects, the contractual right recognize to the lessee to exercise the extension and the business plan, project or asset associated. Given that the investment in assets related with lease contracts are relevant, there is a significant economic incentive that reasonably assure the exercise by the lessee of the optional extension.

The term of the land lease arrangements, that represent the majority of the lease contracts of the Group, in number as well as in size, includes contractual extension and it is adjusted to the useful life of the related facility if the term of the lease is indefinite because it is linked to the period in which the lessee is operating the related asset or if the extension can be executed just with a mere communication to the lessor and without the express consent of him. In the marginal cases in which the extensions cannot be executed without the express consent of the lessor, it is considered the lessor will likely give that consent in the way agreed in the arrangements. Extensions are considered in the lease term as far as they are recognized in the lease agreements.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate, unless the implicit interest rate of the lessor can be determined reliably.

Outstanding lease payments comprise fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, providing the lease term reflects the lessee exercising the option to terminate the lease. Variable payments not included in the initial measurement of the lease liability are recognised in profit or loss for the period in which the events that trigger their payment occur.

After initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised fixed lease payments.

The right-of-use asset is initially measured at the present value of the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received, the initial direct costs incurred and an estimate of any dismantling or restoration costs to be incurred. Assets are recognised as right-of-use assets and classified based on the nature of the underlying asset.

Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and impairment (see item 3.2.D). These assets are depreciated on a straight-line basis over the lease term, unless the useful life of the asset is shorter than the lease term or a purchase option is expected to be exercised, in which case the depreciation period will be the useful life of the asset.

The lease liability is generally reassessed as an adjustment to the right-of-use asset, provided there are lease modifications such as: changes in the lease term, changes in future lease payments resulting from a change in an index, changes in future instalments, and changes in the expectation of a purchase option being exercised, among others. If a change alters the lease term or there is a substantial modification to the scope of the lease agreement, the lease liability is reassessed using a revised discount rate. The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until the latter is reduced to zero, after which, it is taken to profit or loss.

There are two exceptions to the recognition of lease assets and liabilities for which the expense is recorded in the income statement on an accrual basis:

- *Low value* leases*:* This refers to leases that are insignificant, i.e. contracts whose underlying asset is deemed to be of little relevance. The Group has determined that €5,000 is the reference amount for determining the upper limit of this value.

- *Short-term* leases: Contracts with estimated rental terms less than 12 months.

In the Cash Flow Statement, the Group recognises the principal payments of the lease contract inside "Net cash flows from financing" and the interest payments related with these contracts in the caption "Net cash flows from operations".

C) Other intangible assets

Intangible assets are initially stated at cost and/or cost of production and are later stated at cost less accumulated amortization and/or any losses due to impairment they have experienced.

All of the intangible assets of Corporación Acciona Energías Renovables, S.L. Group are considered intangible assets with defined useful lives and are amortized accordingly, using criteria that are similar to those used for the amortization of fixed assets, which are basically equivalent to the following amortization percentages (determined based on the average estimated useful lives of the different items):

Annual amortization rate	
Development	20%
Concessions and other rights	3.33 - 5%
Computer software	10 – 33%

Consolidated companies recognise any loss in the recorded value of these assets due to impairment with a balancing entry under "Results of asset impairment" on the consolidated income statement. The criteria for recognising impairment losses to these assets and any subsequent recovery of those losses are described in section d) of this note.

Research and development

The cost of research activities are recognised as expenses in the period in which they are incurred, with the exception of those projects in which an identifiable assets is created which is likely to generate economic profits in the future and the cost of developing the asset can be reliable evaluated.

The Group's development expenses, fundamentally related to wind farm business, are only recognised as assets if they are likely to generate economic profits in the future and the cost of developing the asset can be reliably evaluated.

Development costs are amortized on a straight line basis over their useful lives. When the criteria mentioned above are not met, the development cost is recognised as an expense in the year in which it is incurred.

Administrative concessions and other rights

Administrative concessions include the cost of acquiring concessions to exploit hydroelectric resources. They are amortized on a straight-line basis over a period of twenty-five years from the commissioning date of the power plant, which reflects the useful life of the assets and is always shorter than the concession term. Depending on the terms of the administrative concession, at the plants are returned to the State in good operating condition at the end of the established term.

Also included under this heading is the acquisition cost of the rights to the land where certain wind farms operated by the Group are located as well as the connexion and evacuation rights in installations not owned by the Group but it has get an unconditional right of use for the evacuation of the energy generated by some of its affiliate´s assets. These assets are amortized on a straight line basis over the life of the rights contracts starting when the facility becomes operational.

This includes the cost of the intangible rights and identifiable value acquired in business combinations which will make it possible to develop additional production facilities in the future and which are amortized on a straight line basis over the estimated useful lives of the facilities once they are up and running. In addition, these intangible assets are written down when they experience a drop in value.

The Group also includes under the heading of administrative concessions the fixed assets associated with the concession business where the risk of recovering the investment is assumed by the operator (IFRIC 12). These types of concession activities are carried out through investments operated by project companies and the most salient features of which are as follows:

- The concession infrastructure is owned by the body that grants the concession.

- The grantor, which may be a public or private entity, controls and regulates the services rendered by the concession holder and the conditions under which they are rendered.

- The assets are operated by the concession company according to the standards laid out in the award specifications for a particular period of time. At the end of that time, the assets revert to the grantor of the concession and the concession holder holds no rights over them.

- The concession holder earns income for the services rendered, either from the users directly or from the grantor of the concession.

The accounting criteria applied by the Group in relation to these concession projects are as follows:

- Capitalize the financial expenses incurred during the construction period and do not capitalize those incurred after the facility become operational.

- Straight-line depreciation of the fixed assets associated with the concession over the life of the concession.

- Concessions adhere to the criterion of amortizing the entire investment plus the estimated costs needed to return the asset in good working order at the end of the project.

- These assets are normally built by a member company of the Group. In this regard, the income and expenses related to the construction of infrastructure or betterments are recognized as a gross amount (sales and cost of sales in the consolidated accounts), recognized the construction margin in the consolidated annual accounts. No adjustments were necessary for this reason in 2020 or 2019.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

D) Impairment of the value of tangible, intangible assets and equity-accounted investees.

On the date of each balance sheet, the Group reviews the carrying value of the tangible, the associated right of use assets if applicable, intangible assets and equity-accounted investees related with operating assets to determine whether there are indications of a loss of value due to impairment.

When evaluating the existence of indicators of impairment, either a loss of value or reversal, the Group considers the following:

- Relevant variations on the market value of similar assets considering comparable transactions that has happened recently for similar technology facilities.

- Evaluation of the behaviour of the forward energy price curves for these facilities that sells their electricity directly to the market

- Unforeseen production curtailments that will persist in the future because of technical limitations or in the evacuation system capacity of the facilities or because of their future economic or technical performance.

- Changes in the regulatory, economic or technology frameworks of the markets in which the assets operates from the ones initially expected.

- Significative movements in other macro variables like inflation or interest rates.

If there is any such indication, the recoverable amount of the asset is calculated to determine the extent of the loss due to impairment. If the asset does not generate cash flows independently of other assets, the Group calculates the recoverable amount of the smallest identifiable cash-generating unit to which the asset pertains.

If it is estimated that the recoverable amount of an asset or a cash-generating unit is less than the carrying value, the value of the asset or the cash-generating unit is reduced to the recoverable amount.

When an impairment loss is subsequently reversed, the carrying value of the asset or the cash-generating unit is increased to the revised estimated of the recoverable amount but in such a way that the carrying value when increased does not exceed the carrying value that would have been existed had no impairment loss been recognized for the asset or cash-generating unit in prior financial years.

The recoverable amount is the fair value less the cost to sell or the value-in-use, whichever is greater. The method used to estimate value-in-use of the assets with limited durations (primarily electricity-generating assets) is explained below.

Fixed assets associated with projects

Grouped under this heading are the projects with limited durations characterised by contractual structures that makes it possible to determine with some assurances how much the project will cost (both in the initial investment phase and the operating phase) and to reasonably project the income that will be earned over the life of the project (fundamentally, the Group's tangible and intangible assets).

To calculate the value-in-use of these types of Cash Generation Units (CGU), the Group estimates the expected cash flows through the end of the asset's useful life. No terminal value is considered. This is possible because:

- The assets are associated with stable, long-term production which makes it possible to make reliable estimates for prolonged periods.

- There are plentiful historical series from reliable external sources.

- Determining revenues and estimating prices are based on a thorough understanding of markets and a careful analysis of the parameters that determine market prices when not directly insured by electricity futures contracts.

- The operating costs are known and are low in volatility.

- Most of the projects are financed by non-current debt directly associated with the flows from the projects, with fixed conditions that make it possible to forecast the expenditures that will be needed to service the debt.

CGU considered for this calculation is generally the entity that owns the operative facilities, either one or several, because, under the Group analysis, that will be the minimum structure from which inflows and outflows are clearly identifiable and independents from other cashflows obtained by other CGU. The Net Book Value of each CGU considers the allocation of all directly related assets and liabilities, including these that arise from IFRS 16.

The forecasts include all known data (based on the project contracts) and fundamental hypotheses supported by specific studies performed by experts or historical data (demand, production, etc.). Macroeconomic data such as inflation, interest rates, etc. are also forecast using data from specialised independent sources (e.g., Bloomberg).

Future cash flows are those expected to derive from use of the asset and they include all outflows derived from the lease agreements included in the scope of IFRS 16. Discount rates are based on expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows related to the asset.

E) Information to be disclosed on financial instruments

Qualitative and quantitative disclosures in the consolidated annual accounts regarding financial instruments, risk management and capital management required under IFRS 7 are discussed in the following notes:

- Categories of financial assets and liabilities, including derivative financial instruments and measurement standards are discussed in note 3.2.f).
- Classification of fair value measurements for financial assets and for derivative financial instruments according to the fair value hierarchy established in IFRS 13 is discussed in note 3.2.f).
- Disclosure requirements (quantitative and qualitative information) for capital are discussed in note 14 d).
- Accounting and risk management policies are described in note 17.
- Derivative financial instruments and hedge accounting are discussed in note 18.
- Transfers from equity to income due to the settlement of hedging operations using derivative financial instruments are discussed in note 26.

F) Financial instruments

Current and non-current financial assets, except hedges

The financial assets held by Group companies are classified in two large blocks based on their subsequent valuation method:

- Financial assets at amortized cost: This refers to assets expected to be held in order to obtain contractual cash flows from the collection of principal and interest (if applicable). They are recorded at amortized cost, this being understood as the initial market value, less any principal that is repaid, plus the interest accrued but not received, calculated using the effective interest rate method. The types of assets in this category are:

- Loans and receivables: those arising from the supply of cash, goods or services by a company to a debtor directly. This category consists almost entirely of the assets recognised under "Trade and Other Accounts Receivables".

- Cash and cash equivalents include the cash on hand and the cash and deposits at banks. Other liquid assets include short-term investments with maturities less than three months away which are not subject to a significant risk of changes in value.

- Other financial assets: assets with values that are fixed or can be determined and with specified maturity dates. These are assets which the Group has the intention and the ability to keep in its possession from the date of purchase through maturity. This section mainly includes loans to companies accounted for by the equity method, short-term deposits, as well as deposits and guarantees.

The Group has devised an impairment model based on expected losses resulting from a default event for the next 12 months or for the entire life of the financial instrument, depending on the type of non-current financial asset and how the credit risk of the financial asset has evolved since its initial recognition. This model considers the type of client (public bodies, key accounts, etc.), as well as the credit history for the last five years. In the analysis of a significant change in the credit risk for the classification of assets as "stage", it is used the variations on the credit rate coming from market sources. For current trade and other account receivable, the Group has applied the simplified model of the expected loss recognised in the international accounting principles and based in the historical experience of credit losses of the group companies. There was no significant balance under this heading on the 2020 income statement.

- Financial assets at fair value through changes in the income statement: this refers to securities that are not included in any other category and are almost entirely made up of holdings in the share capital of other companies. Valuation:

  - For investments in unlisted companies, since fair value cannot always be reliably determined at acquisition, cost adjusted for evidence of impairment. The main criterion used by the Acciona Group to determine whether there is objective evidence of impairment is whether the investee has incurred significant or permanent losses.

  - At fair value when this can be reliably determined, either by reference to the quoted value or, failing that, by reference to the value of recent transactions, or by reference to the discounted present value of future cash flows. Gains and losses arising from changes in fair value are recognised directly in the consolidated income statement.

In 2020 and 2019 there were no restatements of the financial assets between the categories defined in the preceding paragraphs.

Financial asset purchases and sales are recorded using the trading dates.

Transfers of financial assets

The Group writes off financial assets when they mature or the rights over the related cash flows are assigned and the risks and benefits incidental to their ownership have been substantially transferred, such as in firm sales of assets, trade credit assignments in "factoring" operations where the company retains no credit or interest risk, sales of financial assets with agreement to buy them back at their fair value or securitisation of financial assets where the assigning company neither retains any subordinate financing nor does it give any guarantee or assume any other type of risk.

Loans and borrowings and debt with Group companies and related parties, except derivatives

Bank overdrafts and loans that accrue interest are recorded at the amount received, net of direct issuing costs. The financial costs, including premiums payable on the settlement or redemption and the direct issuing costs, are recorded based on an accrual criterion on the income statement using the effective interest rate method and added to the carrying value of the instrument to the extent that they are not settled in the accrual period. These obligations are subsequently measured at amortized cost using the effective interest rate method.

The Group derecognises a financial liability or a part thereof when it has fulfilled the obligation contained in the liability or is legally released from the responsibility for the liability, either by virtue of a judicial process or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for by cancelling the original financial liability and recognising a new financial liability of the conditions of the instruments are considerably different.

The Group considers the conditions to be substantially different if the current value of the discounted cash flows under the new conditions, including any commissions paid and net of any commissions received, and using the original effective interest rate for the discount, differs by at least 10 percent of the current value discounted from the effective cash flow still remaining from the original financial liability.

If the interchange is recorded by cancelling the original financial liability, the costs or commission are recognised as part of results. Otherwise, the modified flows are discounted at the original effective interest, recognizing difference between this and the previous carrying value in profit and loss. Likewise, the carrying value of a financial liability is adjusted by costs and fees, and amortized using the amortized cost methods over the remaining life of the modified liability.

The Group recognises on the income statement the difference between the carrying value of a financial asset or the part of a financial asset that has been cancelled or transferred to a third party and the consideration paid, including any assigned asset other than the cash or the liability assumed.

In the case of North American wind farms, for facilities with tax incentives (PTC or ITC) and accelerated tax depreciation (see Note 2.2), through financing structures known as "Tax Equity Investments", investment partners are incorporated with a stake in the economic interest of the projects obtained by taking advantage of the tax benefits thereof and until a rate of return is obtained on the investment made, which depends on the performance of the projects themselves. These investments are treated by Corporación Acciona Energías Renovables, S.L. Group related-party debt. The debt is paid down as the tax benefits are realised, and with a small percentage of the annual free cash generated by the project. The expected maturity of these debts is associated with the tax incentives obtained for the facility, which in the case of the Group's US projects, all of which have PTC, is 10 years.
For the determination of the accounting criteria for the recognition of an investment in affiliates affected by tax equity structures, the Group analyses if the investment should be considered as financial liability or as a minority interest inside the Group Equity. Such analisys depends basically on the capacity of the Group in avoiding the cash outflows when reimbursing the tax equity contribution as well as the yield that has been contractually stabilised.

As a general rule, this type of structures does not imply any assurance or guarantee from the sponsor or the project to the equity investor on the recoverability of the contribution or his expected return. The main recourse of the equity investors is limited to the project cash flow and only if this project is able to obtain them. The Group considers this type of structures as a financial liability, as it is regulated in NIF 32, although is an analisys that is perform on a contract by contract basis. In Note 19, relative to related parties, it is detailed the financial liabilities with related parties coming from the registry of this type of structures.

Derivative financial instruments and hedges

The Group's business is basically exposed to the financial risks associated with fluctuations in foreign currency exchange rates and interest rates. To hedge these risks, the Group uses forward exchange rate contracts and financial interest rate swaps. The Company's policy is not to contract hedging instruments for speculative purposes.

The use of hedges is governed by the polices of the Acciona Group, the parent company of Corporación Acciona Energías Renovables, S.L. Group, as approved by the Board of Directors.

Accounting criteria

Derivatives are recorded at fair value on the date of the consolidated balance sheet (see valuation methods below) under the heading of "Current and non-current financial assets" if the value is positive or under "Current and non-current loans and borrowings" if the value is negative. Changes in the fair value of derivative financial instruments are taken to the incomes statement as they occur. If the derivative is classified as a hedge and meets the accounting criteria applicable to an effective hedge, it is registered as follows:

- Cash flow hedges: hedges intended to reduce the potential risk of cash flow fluctuations caused by the payment of the floating interest rates on non-current financial liabilities, exchange rate fluctuations and commodity hedges. Changes in the fair value of derivatives are recorded, to the extent that such hedges are cash flow hedges, under the heading of "Reserves - adjustments due to value changes" in equity. The cumulative loss or gain is taken to the consolidated income statement to the extent that the underlying has an impact on the income statement due to the hedged risks, netting the effect under the same caption on the consolidated income statement. The results corresponding to the ineffective part of the hedges are taken directly to the consolidated income statement.

Moreover, the Group has formalized long-term power purchase agreements for which an analysis is made in order to apply the correct accounting classification. In general, all agreement that is settled net in cash o in another financial instrument are considered as derivatives and so, they are accounted at fair value at closing as detailed above, except those that has been formalized and maintained with the aim of receive or deliver energy on the basis of Group strategy for the future estimated purchase, sell or other requirements of this non-financial item.

The Group's hedging policy

Following the Acciona Group's policies in this regard, at the beginning of the hedge the Group formally designates and documents the hedge and the Company's hedging objectives and strategies. Hedge accounting is only applicable when there is formal documentation of the hedging relationship and all effectiveness requirements are met, i.e. if it can be demonstrated that there is an economic relationship between the hedged item and the hedging instrument, if the effect of credit risk does not predominate over changes in value arising from that economic relationship and if there is a reason why the hedging relationship is the same as that arising from the amount of the hedged item without an imbalance between the weight of the hedged item and the hedging instrument that would render the hedge ineffective.

In the procedures for measurement of the hedge efficiency, the Group uses the fair value of the hedge instrument (derivative) and the fair value of the designed hedge item. The derivative fair value includes the credit risk so the change in the credit risk adjustment is considered in the measurement of the efficiency. The Group register this change as equity or through profit and losses depending on whether this change is higher or lower than the change in the fair value of the hedge item.

It is the Group's policy, which is consistent with that of the Acciona Group, not to hedge potential transactions but only firm financing commitments. For cash flow hedges on planned transactions, the Group would evaluate whether the transactions are highly likely and whether they are exposed to cash flow fluctuations that could affect financial year results.

If cash flow hedge for a firm commitment or planned transaction is derived from the recognition of a non-financial asset or liability, when the asset or liability is recognised the profit or loss associated with the cash flow hedge previously recognised in equity include the initial value of the asset or liability. For hedges not associated with the recognition of a non-financial asset or liability, the deferred balances in equity are recognised on the income statement for the same period during which the item that is the object of the hedge has an effect on net results.

The Group has no compound financial instruments with implicit derivatives.

Procedure for measuring derivatives and credit risk adjustment

For derivatives that do not trade on regulated markets (OTC), the Group uses the expected cash flows and generally accepted options measurement models to measure them, based on the market conditions for cash and futures as of the closing date of the financial year. The fair value of each type of financial instrument is calculated as follows:

- The value of interest rate swaps is calculated by updating the future cash flows from fixed and floating interest, according to implicit market rates obtained from long term interest rate swap curves. Implicit volatility is factored into the calculation of reasonable and cap and floor values using options-measuring formulae.

- Forex insurance contracts and options are measured using the quoted exchange rates and the interest rate curves for the currencies involved, as well as the implied volatility through the maturity date for options.

- Power Purchase Agreements (PPA) are valued using the projections of forward energy prices obtained from the public information available in the forward electricity markets and other variable non directly observable for the farthest part of the price curve, incorporating own assumptions over components correlated with the energy prices. These assumptions doesn´t have relevant impacts in the fair value estimations of this type of instrument as of 31 December 2020, and so, they are classified in level 2 of the fair value hierarchy required under IFRS 13.

At 31 December 2020, to determine the credit risk adjustment for derivative measurement purposes, the Group used a technique based on simulations of total anticipated exposure (which includes both actual and potential exposure) adjusted by the probability of default over time and severity (or potential loss) assigned to the Company and to each one of the counterparties.

More specifically, the credit risk adjustment was obtained using the following formula:

EAD * PD * LGD, where:

- EAD (Exposure at default): Exposure at the time of the breach Calculated by simulating scenarios with market price curves.

- PD (Probability of default): Probability of a counterparty breaching its payment obligations at a given moment in time.

- LGD (Loss given default): Severity = 1 – (recovery rate): Percentage of loss that ultimately occurs when one of the counterparties breaches its obligations

The total anticipated exposure of derivatives is obtained using observable market inputs such as interest rate curves, exchange rates and volatilities, based on market conditions on the measurement date.

The inputs applied to obtain the Company's credit risk and that of its counterparties (probability of default) are based primarily on the use of the Company's own credit spreads or those of comparable companies that currently trade on the market (CDS curves, IRR on debt issues). If there are no credit spreads available for the Group or comparable companies, in order to maximise the use of relevant observable variables, the Group uses those of the public traded companies considered most appropriate in each case (credit spreads of quoted companies). When there is credit information available on the counterparties, the credit spreads are obtained from publicly traded CDS' (Credit Default Swaps).

To adjust the fair value to the credit risk, the Group considers the credit enhancements relative to guarantees or collateral when determining the severity rate applicable to each position. Severity is considered constant in time. If there are no credit enhancements relative to guarantees or collateral, a minimum recovery rate of 40% is applied However, that rate can be anywhere from 68.45% to 88.40%, depending on the degree of completion of the project (construction or operating phase) and the geographical area (Western Europe, Eastern Europe, North America, Latin America, Oceania and Africa) for derivatives under Project Finance schemes.

The fair value measurements of the different derivative financial instruments, including the data used to calculated the Company's own credit risk adjustment and that of its counterparties, fell into level 2 of the hierarchy of fair values established by IFRS 13 because the inputs were based on quoted prices for similar instruments on active markets (not included in level 1), quoted prices for identical or similar instruments in non-active markets and techniques based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data. However, measurements made on contracts for long term selling of energy fell into level 3 of the hierarchy of fair values because, though part of the price curve is obtained directly or indirectly on quoted prices for similar instruments in non-active markets, there is a part of the curve, for a period more or less prolonged depending on the country on which the contract is executed, is measured considering level 3 variables, that is, using unobservable data. These long term energy selling contracts are classified in level 2 given that the observable date prevails over the level 3 information. In the case that the unobservable data could have a relevant impact in the valuation of these contracts, they would be classified as level 3 and in the moment that such a part of the unobservable price curve became observable or the effect on the valuation is not relevant anymore, the fair value measurement is then classified in Level 2 of the hierarchy established by IFRS 13.

In compliance with the Acciona Group's policies, although the Group has determined that most of the inputs used to measure the derivatives on interest rates and foreign exchange rates fall within level 2 of the fair value hierarchy, the credit risk adjustments use level 3 inputs such as credit estimates based on credit ratings or comparable companies to assess the likelihood of the Company or the counterparty going bankrupt. The Group has evaluated the relevance of the credit risk adjustments to the total value of the derivative financial instruments and reached the conclusion that it is negligible.

Trade payables

Trade payables do not explicitly earn interest. They are recognised at their face value, which does not differ significantly from their fair value.

Trade payables include balances payable to suppliers under reverse factoring agreements with financial institutions, which are considered trade liabilities whose settlement is managed by the financial institutions, insofar as the Group has only transferred management of the payment to the financial institutions and retains primary responsibility for settling the trade debt.

Current/Non-current classification

On the enclosed consolidated balance sheet, the financial assets and liabilities are classified by maturity, i.e., those maturing within twelve months are classified as current and those maturing in more than twelve months are classified as non-current.

Current terms loans which are sure to be refinanced to non-current loans at the company's discretion under available long-term credit policies are carried as non-current liabilities.

G) Inventories

Trade inventories are generally recognised at the lower of weighted average cost and net realisation value.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if this value is lower. When the circumstances that previously caused a reduction no longer exist or when there is clear evidence of an increase in the net realizable value due to a change in economic circumstances, the amount of the reduction is reversed.

H) Termination benefits

Under the law, consolidated Spanish and some foreign associates must indemnify employees that are dismissed without just cause. The member companies of Corporación Acciona Energías Renovables, S.L. Group have no layoff plans at this time for which the legally-required provisions have not been funded.

I) Provisions

The Group’s consolidated annual accounts include all of the provisions covering present obligations at the date of the consolidated balance sheet arising from past events which could give rise to a loss for the companies, which are certain as to their nature but uncertain as to the amounts and/or timing of the payments. This includes all provisions for which it is more likely than not that they will have to be used to fulfil an obligation.

Provisions that are quantified based on the best information available on the consequences of the event to which they refer and which are re-estimated at each accounting year end are used to fulfil the specific obligations for which they were originally recognised. When those obligations cease to exist or are diminished, the provisions are partially or totally reversed.

Litigation and/or claims in progress

At the end of 2020 and 2019, there were different legal proceedings underway involving the consolidated companies in connection with the normal conduct of their business. The Directors, based on the opinions of the Group's legal advisers, do not believe that the these proceedings, once settled, will have a significant effect on the consolidated annual accounts of the financial years in which they are settled; consequently, it was not deemed necessary to set up any additional provisions.

Trade provisions

Trade provisions refer to the costs that have not yet materialised. The provision for the completion of construction work is intended to cover the costs associated with the completion of the outstanding units of work until they are received by the client.

Provisions for pensions and similar obligations

Certain Group companies have signed or assumed collective bargaining agreements that establish the payment of benefits to the personnel covered under these agreements when they reach retirement age, as long as the established conditions are met. In addition, some of these collective bargaining agreements provide for a retention bonus based on years of service. The impact of these commitments is not significant.

These Group companies have assumed pension commitments with their employees. These defined benefit commitments usually take the form of pension plans or insurance policies, with the exception of certain benefits, primarily commitments to supply electricity which, given their nature, are not outsourced but rather handled internally.

For defined benefit plans, the companies record the cost of these commitments based on an accrual criterion over the employee's working life. On the consolidated balance sheet date, the companies conduct the pertinent actually studies for each planned unit of credit. The cost of past services for variations in benefits are recognised on the consolidated income statement immediately, to the extent that the benefits have accrued.

The commitments associated with defined benefits plans show the current value of the accrued obligations after deducting the fair value of the asset associated with the different plans. The actuarial gains and losses arising on measurement affecting both the assets and liabilities associated with the plans are recorded in equity under the heading of "reserves - variations due to results of pension actual studies".

For each plan, if the difference between the actuarial liability for past services and the plan's assets is positive, the difference is recorded on the consolidated balance sheet under "provisions", and if it is negative on the consolidated balance sheet under “trade and other accounts receivable", but only provided that the difference can be recovered by the Group, usually by deducting the amount from future contributions.

The impact of these plans on the consolidated income statement is not significant (see Note 15):

Likewise, the Group records severance benefits when there is an agreement with individual employees or groups of employees or when there is a certain expectation that an agreement will be reached that will allow them, either unilaterally or by mutual agreement with the Company, to leave their employment in exchange for a consideration or indemnity. If mutual agreement is required, a provision is only recorded in those cases where the Group has decided to allow the employees to leave their jobs at the latter's request. Whenever provisions of this kind are recorded, there is an expectation on the part of the employees that the early retirement will take place.

Provisions for dismantling

The Group may be obligated to dismantle certain assets and restore the site to its original state under the terms of certain contracts signed in relation to such assets. In these situations, the Group recognises a liability for the estimated current cost of dismantling the asset and restoring the site to its original conditions over the accrual period, which is usually associated with the construction period of the asset.

The liability is also recognised as an increase in the value of the asset during the construction period, which is depreciated on a straight line basis over the estimated useful life of the asset once it is up and running.

The provision for dismantling is adjusted at the end of each year if there are changes in the estimated cash flow estimates or the discount rates applied up to that time. Any increase in the dismantling provision due to the financial effect of the passage of time is recognised in the consolidated income statement of the year in which it accrues under the heading of "Financial expenses".

The liability for the dismantling provision represents management's best estimate of the current cost of fulfilling the obligation of the value at which a third party would be willing to assume such an obligation as of the closing date of the consolidated balance sheet.

Provisions for liabilities

The Group funds the provision of risks and expenses based on the estimates of the warranties assumed on the machinery and equipment it sells, as stipulated in the sales agreements.

J) Grants

Government grants for PPE and intangible assets are considered deferred income and as such are recorded on the consolidated balance sheet under "Other non-current liabilities". They are carried to the income statement, spread over the anticipated useful lives of the associated assets under the heading of "Other income" on the consolidated income statement.

K) Turnover recognition

Income is calculated as the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered as part of the ordinary course of business, less discounts, VAT and other sales tax. Income and expenses are recorded based on the accrual principles, i.e., when the real movement of the goods and services they represent takes place, regardless of when the monetary or financial exchange associated with them occurs.

Pursuant to IFRS 15, the Group identifies and separates the various commitments for the transfer of goods or services regulated in a contract. This requires the separate recognition of income from each one of the individually identified obligations within the same main contract.

The Group also estimates the price of each contract, taking into account not only the initial price agreed in the contract but also the amount of the variable consideration, the time value of money (in those cases where there is a significant financing component) and non-monetary consideration.

When the amount is variable or relates to unapproved claims, it is estimated using the approach that best predicts the amount to which the Group will be entitled, using either an expected value based on probability or the single most probable amount. Such consideration shall be recognised only to the extent that it is considered highly probable that a significant reversal of recognised income will not occur when the associated uncertainty is resolved.

When the Group acts as principal, it recognises energy sales and purchases for the gross amount of the consideration to which it expects to be entitled in exchange for the goods or services transferred, whereas when it acts as an agent it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging the supply of the specified goods or services on behalf of another party

Revenue from the sale of electricity

Revenue includes the amount of electricity sales in the regulated market and in the liberalised market. Such sales are generated by generation facilities and by the energy retailing business in the Group.

For the power generation business in regulated markets and projects with PPAs (Power Purchase Agreements) or long-term energy supply contracts, there is a pre-set sale price for electricity and supplements. For projects that sell energy without this type of contract, the sale price of energy and supplements can vary throughout the project depending on the quoted prices per MWh of the market (pool) at any given time.

Electricity sales, together with the associated allowances, are recognised as revenue at the time of delivery to the customer based on the electricity supplied to customers, at which time the obligations vis-a-vis the quantities supplied during the period are satisfied. For energy retailing business, this includes an estimate of the power that is pending invoicing at closing. In that sense, in the energy supply business, the Group acts as principal. On the other hand, in its role of market representation, the energy retail entity of the Group act as an agent.

For the energy generation activity in Spain and for these installations that are inside the specific retribution regime, the difference between the estimated assumption used by the regulator for the calculation of the specific retribution and the real ones are adjusted in the future years retribution through the semi-periods and periods revision mechanism (see note 2.2). The Group analyses the nature of this deviations and registers:

- The net positive pool deviation adjustments that are generated during the same regulatory half-period and that will represent an increase in future special remuneration. If within the half-period, negative deviation adjustments are generated in the first and/or second year, and positive adjustments in the last year of the three-year period, we offset the positive adjustments with the negative ones and only record the total net asset that could result from accumulating all the differences occurring in said half-period.

  At the end of the regulatory half-period, the net asset is not cancelled, despite its inclusion in the net present value ("NPV") (non-accounting magnitude defined by RD 413/2014) and we reverse it on a straight-line basis over the remaining regulatory life of the associated facility or for the amount of the negative adjustments generated in subsequent years until its value is equal to zero.

- Adjustments for net negative pool deviations disclosed at the beginning of the regulatory half-year prior to that in which the end of the regulatory useful life occurs are not recognized since they cannot be reclaimed, regardless of the fact that their amount limits the credit rights and entails a reduction in the NPV.

In this regard, it is important to emphasize that the pool adjustments, both positive and negative, produced at the end of the previous regulatory half-period, are incorporated in their entirety through the recalculation made by the regulator at the end of said half-period in the NPV, resulting in the new remuneration for the investment that the owner of the facility will receive from January 1 of the following half-period onwards. Therefore, the asset for deviations generated during 2020 that has resulted at December 31, 2020 in the amount of €79,449 thousand in its domestic subsidiaries and €11,552 thousand in companies consolidated by the equity method has been recorded in the corresponding half-period (2020-2022) and will be increased or decreased up to the limit of the asset itself by the positive or negative adjustments resulting in the subsequent two years. It should be noted that we activate the positive deviations produced in a regulatory half-period, as is the case of 2020, despite the fact that in the years corresponding to the previous regulatory half-period there had been accumulated negative deviations for higher amounts, since these negative deviations are incorporated into the NPV as a result of the recalculation of the investment return at the beginning of the following period. This criterion is being analyzed within the framework of the review referred to below.

In this regard, as of 31 December 2019, the accumulated liability for the negative adjustment due to pool price deviations which have not recorded based on the above amounted to €94,020 thousand to be added up with the impact related with the companies consolidated by the equity method for an amount of €14,450 thousand and which, as mentioned above, has resulted in a reduction in the investment remuneration to be received in the next regulatory half-period (€171.8 million per year for this new period compared to the €213.3 million that the Group received in the previous half-year). At 31 December 2020, the accumulated unrecorded net amount would increase to €81,855 thousand in our domestic subsidiaries and €12,540 thousand in companies consolidated by the equity method after considering the reversion during the rest of the regulatory life that would be registered during 2020 year.

However, the Group's management recognizes that there may be a diversity of accounting practices in the sector as a result of the different interpretations of the complex regulations in Spain and primarily with respect to those issuers that do proceed to record a net accrued liability for negative deviations in the pool over a regulatory half-period.

For clarification purposes, considering that CNMV is involved in a review process concerning the accounting criteria applied in the sector by the different issuers relative to the recognition of the market pool prices deviation adjustment, and given the possibility that a standardization of the accounting criteria would suppose the application of a different accounting criteria from one applied, which could lead to a change in the accounting principles commented above, and with the aim of facilitate the comparison with other issuers, the variations in selected line items of our 2020 and 2019 Audited Consolidated Annual Accounts and of our balance sheet as of January 1, 2019 had we registered this effect would be the following (in millions of euros). The positive amounts represent an increase in the item and a decrease for the negative amounts:

	31.12.2020	% (1)	31.12.2019	% (1)	01.01.2019	% (1)
EBITDA	+12.6	1.5%	(40.3)	(4.4)%	--	
Pre-tax profit (loss) for continuing operations	+12.6	3.9%	(40.3)	(14.1)%	--	
Profit for the year	+9.8	4.4%	(31.3)	(14.6)%	--	
Retained earnings	(75.7)	(3.2)%	(44.4)	(2.0)%	(44.4)	(2.0)%
Total assets	(54.6)	(0.6)%	+28.4	0.3%	+16.7	0.2%
Total liabilities	+11.3	0.2%	+104.1	1.6%	+61.1	1.1%

(1) Percentage change versus the relevant line item as reported in our Audited Consolidated Annual Accounts.

Turnkey construction revenue

Part of the Group's business consists of building turnkey wind farms and other energy-producing facilities. The Group recognises the results of construction contracts using the product method, from now on, the percentage of completion method, which is determined on the basis of the percentage of costs incurred in relation to total estimated costs. Income is recognised in the income statement as a percentage of the cost incurred (compared to the total estimated cost of the contract) as it relates to the total income from the project. This is a method that is acceptable under IFRS and consistent with industry standards.

For contracts where it is considered probable that the estimated cost will exceed the income derived, provisions are made for the expected losses and charged to the consolidated income statement for the year in which they become known.

Ordinary income under a contract is recognised considering the initial contract value agreed with the client and any modifications or claims in relation thereto, only to the extent that it is highly likely that income will be earned, that it can be reliably measured and that there will not be any significant reversals in the future.

A modification is considered to exist when instructions are received from the client to alter to scope of the contract. A claim is considered to exist under a contract when costs not included in the initial contract (delays, specification or design errors, etc.) are incurred by the client or third parties and the contractor is entitled to be compensated for the extra costs incurred, either by the client or by the third party that caused the extra cost.

These modifications and claims are considered revenue under the contract when the client has approved the work, either in writing, verbally or tacitly according to standard business practice, i.e. when collection is considered highly probable and no significant reversal of revenue will occur in the future.

L) Corporate income tax, deferred tax assets and liabilities

Current tax liability is the amount of corporate income tax to be paid or refunded on the consolidated earnings for the financial year. Current tax assets and liabilities are carried at the amounts expected to be paid to or received from the tax authorities according to prevailing legislation or regulations that have been approved and are pending publication at the year end.

Deferred tax liabilities are the amounts payable in the future for income tax related to taxable timing differences, while deferred tax assets are the amounts recoverable for income tax due to the existence of deductible timing differences, tax loss carryforwards or deductions pending application. Timing differences are therefore understood as the difference between the carrying amount of certain assets and liabilities and their taxable base.

Current or deferred tax assets are recognised in income unless they arise from a transaction or event which is recognised in the same financial year or a different one, against consolidated equity or a business combination.

Deferred tax assets and liabilities are compensated if it exists a legal applicable right to net current tax assets and current tax liabilities and deferred tax assets and liabilities are related with same taxed entity and the same tax authority.

Recognition of deferred tax liabilities

The Group always recognises deferred tax liabilities except:

- They arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the carrying value nor the taxable base;

- They are differences related to investments or subsidiaries, associates and jointly controlled entities over which the Group is able to control the timing of the reversal and they are unlikely to be reversed in the foreseeable future.

Recognition of deferred tax assets

The Group recognised deferred tax assets as long as:

- It is likely that there will be sufficient future tax revenues to offset them or when the tax laws provide for the possibility of converting deferred tax assets into tax credits in the future. However the assets that arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the carrying value nor the taxable base are not recognised;

- The timing differences are related to investments or subsidiaries, associates and jointly controlled entities to the extent that the temporary differences will reverse in the foreseeable future and it is expected that enough taxable income will be generated in the future to offset the difference;

The Group recognises the conversion of a deferred tax asset into a tax refund as this is allowed by the tax laws in effect. A deferred tax asset is derecognised with a charge to deferred corporate tax and the and the receivable is derecognised with a credit to corporate tax payable.

M) Balance and transactions in foreign currency

Transactions in foreign currencies are recorded in the Company's operating currency calculated using the interest rate on the transaction date. During the year, the differences that occur between the recorded exchange rate and the rate in force on the payment or receipt date are recorded as financial profit(loss) on the consolidated income statement.

The balances receivable or payable denominated in currencies other than the functional currency are converted at the exchange rate on the 31st December each year. Generally speaking, differences on foreign exchange are recorded as financial profit (losses) on the consolidated income statement.

N) Activities affecting the environment

In general, environmental activities are those activities whose purpose is to prevent, reduce or repair environmental damages.

In this regard, investments in environmental activities are stated at acquisition and carried as a higher cost of the asset in the financial year in which the expense is incurred.

The expenses associated with protecting and improving the environment are charged to the income statement for the year in which they are incurred, regardless of when the monetary or financial flows associated with them occurs.

The provisions for probable or certain liabilities, litigation in progress and pending obligations or indemnities of an environmental nature whose quantity is unknown that are not covered by insurance policies are set up when the liability or obligation which could result in a payment or indemnity arises.

O) Earnings per share

The basic earnings per share are calculated as the quotient between the net profit for the period attributable to the parent company and the weighted average number of shares in circulation during the period, not including the average number of shares held by the Parent Company in Group companies.

Diluted profit per share is calculated as the quotient between the net profit (loss) for the period attributable to the ordinary shareholders, adjusted by the effect attributable to the shares of a potentially diluting effect and the weighted average number of shares in circulation during the period, adjusted by the weighted average number of shares that would be issued if all potential ordinary shares were converted into ordinary shares. The conversion is considered to take place at the beginning of the period or when the potential shares are issues, if the shares are placed in circulation during the period in question.

P) Consolidated cash flow statement

The following expressions are used with the following meanings on the consolidated cash flow statements prepared according to the indirect method:

- Cash flows: incoming and outgoing cash and cash equivalents, these being understood as alterations in the value of highly liquid short term investments.

- Operations are the Company's typical business activities along with other activities that cannot be classified as investment or finance activities. Based on the before-tax results of the continuing operations and the corrections to "fixed asset depreciation" under the caption titled “Other adjustments to (net) results”, the interest paid and received which is shown separately but under the same heading is transferred, along with the results of any disposed assets recorded as investments and finally the corrections to results generated by companies carried by the equity method and in general any other results that do not generate cash flows.

- Investments: the activities associated with buying, selling or otherwise disposing of non-current assets and other investments not included in cash or cash equivalents.

- Financing: activities that lead to changes in the size and composition of equity and liabilities that are not part of operations.

3.3 Accounting estimates and judgments

The information contained in these consolidated annual accounts is the responsibility of the Parent Company's Directors.

When preparing the enclosed consolidated annual accounts for financial years 2020 and 2019, the Group's Directors used certain estimates to assess the value of some assets, liabilities, income, expenses and commitments. Basically, these estimates, details of which can be found in the applicable valuation standards, relate to:

- The valuation of assets with indications of impairment to determine the existence of impairment losses and the calculation of the recoverable amount. (see notes 3.2.d and 4).

- The useful lives of property, plant and equipment and intangible assets (see notes 3.2.a, 3.2.c, 4 and 6).

- The assumptions used to calculate the fair value of financial instruments. (see notes 3.2.f)

- The amount of undetermined or contingent liabilities and the probability of their materialising (see Note 3.2.i and 15).

- Future costs for decommissioning of facilities and restoration of land (see Note 3.2.i and 15).

- The tax results that will be reported by Group companies to the tax authorities in the future which were used as the basis for recording the different corporate income tax balances shown on the enclosed consolidated annual accounts and the recoverability of recognised deferred taxes (see Note 3.2.l and 21).

- The incremental discount rate used in the measurement of the lease contracts and the evaluation of the lease duration (see Note 3.2.b and 5)

- Pending energy to be billed to customers in the retail business (see Note 3.2.k and 23).

These estimates are based on the best information available at 31 December 2020 and 2019 on the events analysed, including the impacts arising from COVID-19 which are detailed in note 2.1. However, it is possible that future events may require modifications, which would be done, where appropriate, prospectively in accordance with IAS 8 prospectively by recognising the effects of the change in estimate in the consolidated income statement for the years affected.

There were no significant changes during the year in the estimates at the 2019 year-end, no changes in accounting policies and no corrections of errors, except as described below:

<u>Extension of the useful lives of wind and photovoltaic assets.</u>

Based on technical analyses and industry practices, the Group has extended the useful life of its wind and photovoltaic farms from 25 to 30 years. In the early months of 2020, an internal expert analysed the operation and maintenance of the Group's wind farms, supplemented by reports from four experts, namely TÜV, DNV-GL, Underwriters Laboratories and Nabla Windpower, and for the analysis of the photovoltaic assets the report was carried out by the independent expert GAdvisory. Such reports are based in the review of the main structural components of the assets checking the efforts that they are supporting in different stressed working situations or due to adverse conditions and analysing the maintenance measures and preventive actuations applied by the Group or under study for its application with the support of digital transformation and “Big Data” technology. In general terms, all the reports conclude that the installations can reach a 30 years useful life following the maintenance procedures actually applied by the Group and without incurring in additional relevant investments in the maintenance program of the Group and without a significant increase in the maintenance cost in the future or a loss in the asset performance.

The Group, when analysing the reversal of an impairment, has mainly considered the following variables in financial year 2020. These same variables are generally considered by the Group when evaluating signs of impairment as described in note 3.2 D) of these consolidated annual accounts:

- Clear references to increases in the fair value of renewable assets obtained mainly from the sale operations carried out in the year. These references for renewable assets have been the basis of the indication of reversal of impairments that the Group has faced throughout 2020.

- The evaluation of future price behavior in those assets that sell their energy at market prices.

- Shortfalls in expected production that persist over time, either due to technical limitations or in the evacuation capacity, or changes in the technical or economic performance of the assets.

- Changes in the legal, regulatory, economic or technological environment where the assets operate. During the financial year 2020 there have been no significant changes with a substantial impact on the Group, regarding the legal, economic or technological environment. In reference to the regulatory environment, on November 23, 2019, Royal Decree Law 17/2019, of November 22, was published, by which the remuneration parameters of the standard facilities are updated for the purposes of its application to the regulatory period that has its beginning on January 1, 2020 and until December 31, 2025. On January 9, 2020, the proposed order was published by which the retribution parameters of the standard installations applicable to the regulatory period starting on January 1, 2020. In this order proposal, the values of the remuneration for the operation of the first semester of 2020 were updated, among others, and the estimated market price for each year of the regulatory semi-period between January 1, 2020 and December 31, 2022. Within the considerations set by this new regulation, the value for the reasonable profitability of the assets is maintained at the 7.398% existing until the date. That is why it is not expected to have significant impacts on business plans or on the valuation of assets in addition to those already registered.

- Relevant fluctuations in macroeconomic variables such as inflation or interest rates. As a result of the re-estimation of the useful life, the market interest rates and discount rates have been re-evaluated with respect to those used in the last year in which it was necessary to carry out the impairment test. The discount rates that have been applied in fiscal year 2020 have been prepared with the latest market data available to date. The inflation rate considered for the preparation of the cash flows in the previous impairment test carried out by the group was 2%, which we consider reasonable taking into account the current economic environment.

Consequently, the heading "Depreciation allowance and variation in provisions " in the consolidated income statement of the period includes the impact of this change in estimate from 1 January 2020, which resulted in a reduction of €89 million in depreciation for the period, as well as a positive effect of €12 million under the heading of "Results from equity method entities with analogue activities".

3.4 Changes in estimates, accounting criteria and correction of errors

- Changes in accounting estimates: the effects of changes in accounting estimates are recorded in the same section of the income statement where the income or expense was recorded using the previous estimate.
- There were no changes in estimates in 2020 other than those discussed in note 3.3 regarding the extension of the useful lives of wind and photovoltaic assets (no changes in estimates in 2019).

- Changes in accounting policies and correction of fundamental errors. The effects of changes to accounting policies and correction of errors are recorded as follows: where the changes are significant, the cumulative effect is recorded in reserves at the beginning of the year and the effects on the financial year in question carried to the consolidated income statement for the year. In these cases, the comparative financial data presented along with the figures for the current year are also re-expressed. During 2020 and 2019, it has not been any changes in accounting principles or corrections of fundamental errors.

4.- Property, plant and equipment

The changes in the cost and cumulative depreciation of PPE in 2020 and 2019, in thousands of euros, were as follows:

Property, plant and equipment	Land and buildings	Plant and machinery	Other plant	Other PPE	Payments on account and work in progress	Depreciation	Provisions	Total
Balance at 31.12.2018	**243,229**	**10,978,345**	**34,015**	**26,744**	**363,728**	**(4,440,780)**	**(783,107)**	**6,422,174**
Changes in the consolidation perimeter	--	17	--	--	(7,346)	--	--	(7,329)
Additions/ Funding	900	8,745	398	1,464	708,120	(379,414)	(1,822)	338,391
Disposals	(1,835)	(12,835)	(16)	(124)	(1,558)	2,314	1,565	(12,489)
Transfers	(660)	530,804	(19,900)	(99)	(517,499)	6,254	--	(1,100)
Gains (losses) on foreign exchange	88	104,233	263	35	8,978	(24,818)	(2,444)	86,335
Balance at 31.12.2019	**241,722**	**11,609,309**	**14,760**	**28,020**	**554,423**	**(4,836,444)**	**(785,808)**	**6,825,982**
Changes in the consolidation perimeter	--	--	--	--	(38)	--	--	(38)
Additions/Funding	328	57,060	412	501	694,730	(311,600)	(2,145)	439,286
Disposals	(43)	(6)	(126)	(494)	(20)	446	87,204	86,961
Transfers	385	450,814	--	(463)	(448,769)	(2,340)	29	(344)
Gains (losses) on foreign exchange	(1,127)	(491,081)	(338)	(232)	(48,369)	139,023	89,214	(312,910)
Balance at 31.12.2020	**241,265**	**11,626,096**	**14,708**	**27,332**	**751,957**	**(5,010,915)**	**(611,506)**	**7,038,937**

The net balances by heading at the end of 2020 and 2019 are as follows:

Property, plant and equipment	2020			2019		
	Cost	Depreciation and provisions	Total	Cost	Depreciation and provisions	Total
Land and buildings	241,265	(152,432)	88,833	241,722	(146,512)	95,210
Plant and machinery	11,626,096	(5,421,011)	6,205,085	11,609,309	(5,427,898)	6,181,411
Other structures	14,708	(12,324)	2,384	14,760	(11,955)	2,805
Other PPE	27,332	(25,428)	1,904	28,020	(25,174)	2,846
Payments on account and work in progress	751,957	(11,226)	740,731	554,423	(10,713)	543,710
Total	**12,661,358**	**(5,622,421)**	**7,038,937**	**12,448,234**	**(5,622,252)**	**6,825,982**

One of the main changes in 2020 relates to additions under investments in work in progress, primarily wind power generation facilities in Mexico, Australia, Chile and the United States and photovoltaic generation facilities in Chile and Ukraine, in the amount of €691 million.

Two wind farms came online in 2020, one in Chile called Tolpán and the other in Mexico, Santa Cruz. Also noteworthy is the commissioning of the Almeyda and Usya photovoltaic plants in Chile and Hudzovka in Ukraine. The construction phase of the La Chalupa wind farm in the United States was also completed at the end of the year.

The caption titled “Transfers” includes €448 million that was moved from fixed assets in progress to electricity generation facilities. Also recognised under this heading are the transfers of intangible assets consisting of expectant rights associated with a photovoltaic plant in Ukraine for a net total of €2 million (€13 million in 2019).

“Gains (losses) in exchange differences” in 2020 refer mainly to the change in the foreign exchange rates for the period arising primarily at facilities located in the United States, Chile and Mexico, whose financial statements are expressed in US Dollars, and at facilities located in Canada, South Africa, Poland and Ukraine, as a result of the depreciation of the US and Canadian dollars against the euro, as well as the South African rand, the Polish zloty and the Ukrainian hryvnia in 2020.

The Group, in accordance with the internal procedures established in this respect, analyses throughout the year the evolution of the yields on core assets, assessing compliance or the appearance of deviations in the main assumptions and estimates underlying the impairment tests of previous years, as well as the existence of relevant changes vis-a-vis the regulatory, economic or technological environment in the markets where these assets operate, for the appropriate updating of the impairment provisions during the year.

At 31 December 2020, the Group has property, plant and equipment that mainly consists of wind power, photovoltaic solar and hydroelectric generation facilities located in various geographical regions with different regulatory environments. At 31 December 2020, impairment of Euros 612 million has been recognised (Euros 786 million at 31 December 2019) that mainly consists of impairment that has occurred in the international area (the USA, Poland and Italy) as well as of Spanish assets, the latter having arisen after the regulatory change in 2012 and 2013.

The Group has updated the impairment tests on the energy generation assets and has reversed Euros 87 million of impairment in relation to the wind power assets located in Spain, which is recognised "Results from asset impairment" in the consolidated income statement (see Note 3.3).

To calculate value-in-use, the Company estimates the expected cash flows through the end of the useful life, without terminal value, of all cash-generating units (CGU) associated with the wind and solar photovoltaic facilities for which reversal of impairment indicators have been identified. Generally speaking, the CGU for this calculation is the company that owns one or more of the facilities that operates on these technologies, which are the smallest units whose cash flows, both inflows and outflows, are identifiable and independent of other flows shared with other facilities.

Out of all the assumptions used in the projections, the extension of the useful life to 30 years has been key to the calculation of the new recoverable values that has allowed, among other, the reversion of the impairment provision in some installations.

The main assumptions used in the cash flows are as follows:

- Production associated with each facility, which the Group's management considers to be the best estimate based the expected long-term resource at each site, adjusted to account for historical deviations that have occurred on an annual basis;

- the long-term energy sale price curves for each of market in which the relevant facility operates. Management's estimates in this case are based on the average annual prices quoted on each market, and for those very long-term periods for which there is no quote or no liquid quote and therefore not representative, a price curve based on variations in the quoted prices of gas and other components is used. These prices are adjusted each year by the difference that are historically observed between average market prices and the prices actually captured by each facility (deviations, penalties…).

- The operating costs of each facility, based on management's best estimates and experience considering existing contracts and expected increases due to inflation. Future synergies or cost savings as a result of planned or potential future actions do not figure into the calculations. Costs are estimated in a way that is consistent with the recent past and considering the assets in their current condition.

- The projections consider a re-estimated useful life extended to 30 years for the wind and photovoltaic assets.

The discount rate used to update the project cash flows was as follows in the key geographies affected by the impairment test:

	Discount rate before taxes	**Discount rate after taxes**
Spain	5.6-6.10%	5%-5.4%.
USA	5.5%-6.1%	5.5%-6.1%..
Italy	6.5 -7%	5.6%-6%.
Poland	7.6%	7%

The discount rates for each country or regulatory environment have been adjusted to the level of each company, based on the level of risk associated with the captured price, whether these are market risks, regulated tariffs, sale and purchase contracts or hedging of long-term energy prices.

Also, the Group conducted an analysis of the sensitivity of the result of the impairment test to the following reasonable changes in assumptions, including in this analysis the equity-accounted investees:

Assumption	Variation	Impact
Discount rate	+0.5%	(4,610)
	-0.5%	4,105
CPI	+0.5%	(3,882)
	-0.5%	4,305
Price curve	+2.5%	10,396
	-2.5%	(9,920)

The results of these sensitivity analyses indicate that:

- With a change in discount rates of +0.5% and -0.5%, the reversal of the provision for the year would decrease by €4,610 thousands and increase by EUR €4,105 thousands, respectively.

- Likewise, upward and downward variations of 2.5% in pool tariffs would result in an increase and a decrease in the reversal in the amount of €10,396 thousands and €9,920 thousands, respectively.

- Finally, upward and downward variations of 50 basis points in the long-term CPI affecting the operating and maintenance costs of the assets would result in a reduction in the reversal of the provision of €3,382 thousands and an increase of €4,305 thousands respectively.

In 2020, Group companies capitalised finance costs in the amount of €12,142 thousands (€12,031 thousands at 31 December 2019) for facilities under construction in Ukraine, Chile, Mexico, the United States and Australia (see Note 26).

Fully depreciated property, plant and equipment still in operation at 31 December 2020 totalled €145,867 thousands, (31 December 2019: €143,361 thousands).

The most significant changes in fixed assets in 2019 under the heading of fixed assets are “additions” which reflect the investments in progress in wind power plants in Mexico, Australia, Chile and the United States and photovoltaic power plants in Chile and Ukraine in the amount of approximately €696 million.

Two wind farms came online in 2019, San Gabriel in Chile and Palmas Altas in the United States, as well as the Dymerska photovoltaic plant in Ukraine. For these items, a transfer from property, plant and equipment under construction to power generation facilities was included under "Transfers" for a combined total of €518 million.

IFRS 16 - Leases took effect on 1 January 2019 and as a result assets recognised under property, plant and equipment relating to leases previously known as financial leases were transferred to the new balance sheet heading titled “Right-of-use Assets”. The net amount recorded under "Transfers" was €14 million and reflects the transfer of transferring power transmission assets.

“Other changes” in 2019 refer mainly to the gains and losses on foreign exchange for the period, most arising at facilities located in the United States, Chile and Mexico, whose financial statements are expressed in US Dollars, and at facilities located in Australia and Canada as a result of the appreciation of the US, Australian and Canadian Dollars against the Euro during 2019.

At 31 December 2020, Group companies have commitments to purchase property, plant and equipment amounting to €168 million for wind farms currently under construction in Mexico, the United States, Australia and Chile. The amount committed at 31 December 2019 totalled €646 million.

The Group has insurance policies in place to cover the potential risks to which its property, plant and equipment are exposed and the potential claims that may be brought in connection with its business activities. The coverage provided by these insurance policies is deemed to be sufficient.

At 31 December 2020, the net amount of property, plant and equipment used as collateral to secure financial debt associated with a specific project is €1,088 million (€1,218 million in 2019).

The Group has taken mortgages out on land and buildings to guarantee certain facility loans extended by banks, the net carrying value of which was €20,981 thousands at 31 December 2020 (€21,498 thousands at 31 December 2019).

5.- **Leases**

Right-of-use assets

Changes in the cost and cumulative depreciation of these assets in 2020, in thousands of euros, were as follows:

Right-of-use assets	Land and natural resources	Buildings	Plant	Machinery and vehicles	Depreciation	Impairment	Total
Balance at 31.12.2018	**--**	**--**	**--**	**--**	**--**	**--**	**--**
1st application of IFRS 16	209,986	7,987	69,795	1,776	--	--	**289,544**
Additions/Funding	186	257	--	940	(23,479)	--	**(22,096)**
Disposals	--	--	--	(89)	73	--	**(16)**
Transfers	--	--	19,901	99	(6,253)	--	**13,747**
Other changes	2,366	(18)	1,342	(12)	--	--	**3,678**
Balance at 31.12.2019	**212,538**	**8,226**	**91,038**	**2,714**	**-29,659**	**--**	**284,857**
Additions/Funding	105,152	1,341	--	1,402	(26,206)	--	81,689
Disposals	(4,232)	(439)	--	(334)	1,199	--	(3,806)
Translation differences and other	(5,048)	(255)	(5,888)	(31)	976	--	(10,246)
Balance at 31.12.2020	**308,410**	**8,873**	**85,150**	**3,751**	**(53,690)**	**--**	**352,494**

The leases in which the Group acts as lessee and which are recorded under this heading refer to the leased land on which the power plants, offices and other facilities are located.

The Group has recognised in “Plant” a sale and leaseback arrangement for a thermosolar plant in Nevada (USA) with a term of 20 years that ends at December 2027. The net book value of the right of use and the associated liability amounts to €51 y €69 million respectively at 31 December 2020 (€63 and €77 million respectively at 31 December 2019).

The additions under this heading in 2020 in “Land and natural resources” reflect the recognition of the underlying assets of the operating leases that have come into force, mainly in relation to wind farms and photovoltaic plants located in USA, Chile and Mexico, as well as updates of lease payments mainly driven by the rent increases due to the CPI variations and to the effect of the extension of the contract lease periods for the consideration of additional prorogues execution that allow the different group entities to adjust them to the new useful life of the underlying assets built on that lands (see Note 3.3).

The main change under this heading in 2019 relates to the recognition of the underlying assets of operating leases totalling €290 million following the entry into force of the new standard that regulates the accounting treatment of leases under IFRS 16 - Leases (see Note 3.1). In addition, assets associated with finance leases recognised on the balance sheet at 31 December 2018 for a net amount of approximately €14 million have been reclassified from "Property, Plant and Equipment" to this new caption titled "Right-of-use assets" (see Note 4).

Details of the net carrying amount of the right-of-use assets classified by the type of underlying asset at 31 December 2020 and 2019 are as follows, in thousands of euros:

Right-of-use assets	2020				2019			
	Cost	Depreciation	Impairment	Total	Cost	Depreciation	Impairment	Total
Land	308,410	(27,030)	--	281,380	212,538	(12,301)	--	200,237
Buildings	8,873	(2,726)	--	6,147	8,226	(1,538)	--	6,688
Plant	85,150	(22,108)	--	63,042	91,038	(14,832)	--	76,206
Vehicles	3,751	(1,826)	--	1,925	2,714	(988)	--	1,726
Total	**406,184**	**(53,690)**	**--**	**352,494**	**314,516**	**(29,659)**	**--**	**284,857**

The Group has availed itself of the exemptions for short-term contracts and low-value assets (see Note 3.2 b)), with the expense recognised for short-term contracts amounting to €346 thousands in 2020 (€651 thousands in 2019) and for contracts relating to low-value assets in the amount of €541 thousands in 2020 (€35 thousands in 2019).

In financial year 2020, the Group recognised on the income statement €23,055 thousands and €25,515 thousands, respectively, in interest and depreciation costs associated with these leases (€19,169 thousands and €22,735 thousands, respectively, in financial year 2019).

The average discount rates applied in 2020 were as follows for the countries with the largest right-of-use assets attributed to the Group:

Discount rate	
Spain	4.53%
USA	5.64%
Mexico	9.06%
Australia	5.21%
Italy	5.78%
Chile	5.37%

This interest rate is based on the risk-free rate in each country (to reflect the circumstances of each economy and the contractual currency of the contract) adjusted by the risk spread applicable to Group companies.

The total amount of lease cash payments was €45,837 thousands in 2020 (€39,268 thousands in 2019).

During 2020 and 2019, there has not been any impairment booked in the consolidated profit and loss account of the Group.

Non-current and current lease obligations

The balance of lease obligations at 31 December 2020 and 2019 is detailed below, in thousands of euros:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Lease obligations	19,848	368,300	388,148	20,548	299,931	320,479
Total lease liabilities	**19,848**	**368,300**	**388,148**	**20,548**	**299,931**	**320,479**

For the first-time application of IFRS 16, on 1 January 2019 the Group recognised a liability associated with former operating lease agreements in the amount of €317 million.

None of the lease contracts of the Group includes significant residual value guarantees.

In addition, assets associated with finance lease agreements recognised on the balance sheet at 31 December 2018 for a net amount of approximately €14 million were transferred to the caption titled "Lease obligations".

The maturity of the Group's "Lease obligations" at 31 December 2020 and 2019 are as follows, in thousands of euros:

	2020	2019
Maturity	**Nominal value**	**Nominal value**
Less than one year	42,962	39,963
1-5 years	166,559	185,270
>5 years	533,003	370,166
Total	**742,524**	**595,399**

6.- <u>Other intangible assets</u>

Changes in this balance sheet heading in 2020 and 2019 are as follows:

Other intangible assets	Development	Concessions	Others	Computer software	Amortization	Provisions	Total
Balance at 31.12.2018	**39,635**	**208,895**	**5,639**	**18,544**	**(114,938)**	**(33)**	**157,742**
Changes in the scope of consolidation	--	--	(1,041)	--	83	--	(958)
Additions/Funding	587	5,019	562	5,073	(10,193)	(2,072)	(1,024)
Disposals	--	(11)	--	(5)	--	--	(16)
Transfers	--	(12,646)	--	--	--	--	(12,646)
Translation differences and other	54	4,121	--	73	(670)	--	3,578
Balance at 31.12.2019	**40,276**	**205,378**	**5,160**	**23,685**	**(125,718)**	**(2,105)**	**146,676**
Changes in the scope of consolidation	--	(471)	--	--	--	--	(471)
Additions/Funding	2,170	4,235	558	1,383	(10,506)	(1,122)	(3,282)
Disposals	(30,389)	(164)	--	(1,427)	30,389	--	(1,591)
Transfers	22	(1,989)	--	--	1,787	--	(180)
Translation differences and other	(38)	(14,576)	(93)	(263)	3,733	906	(10,331)
Balance at 31.12.2020	**12,041**	**192,413**	**5,625**	**23,378**	**(100,315)**	**(2,321)**	**130,821**

The net balances by heading at the end of 2020 and 2019 are as follows:

Other intangible assets	2020			2019		
	Cost	Amortization and provisions	Total	Cost	Amortization and provisions	Total
Development	12,041	(6,685)	5,356	40,276	(36,493)	3,783
Concessions	192,414	(76,801)	115,613	205,378	(74,282)	131,096
Other	5,624	(617)	5,007	5,160	(279)	4,881
Computer software	23,378	(18,533)	4,845	23,685	(16,769)	6,916
Total	**233,457**	**(102,636)**	**130,821**	**274,499**	**(127,823)**	**146,676**

The breakdown of the balance at 31 December 2020 and 2019 is as follows:

Other intangible assets	2020			2019		
	Cost	Amortization and provisions	Total	Cost	Amortization and provisions	Total
Intangible concessions (IFRIC 12)	98,189	(33,790)	64,399	107,447	(31,154)	76,293
Other concessions	94,225	(43,011)	51,214	97,931	(43,128)	54,803
Total	**192,414**	**(76,801)**	**115,613**	**205,378**	**(74,282)**	**131,096**

The caption titled "Concessions" includes primarily those concession assets where the risk of recovering the asset is assumed by the operator. It also includes the cost of government concessions as well as the expectant rights and identifiable intangible assets for the development of future wind projects acquired from third parties by acquiring interests in the companies that own those rights through business combinations.

The only concession registered under IFRIC 12 is a wind farm in Costa Rica operated by Consorcio Eólico Chiripa, 65% of which is owned by the Acciona Energía Group. This is a concession for the construction and operation of the Chiripa wind farm for 20 years, through the year 2033, which is currently operational.

The most significant changes in 2020 relate to the derecognition of development costs that were fully depreciated. During the year, €2 million in expectant rights which were recognised under Concessions were transferred to property, plant and equipment, as the facilities in question came online.

The most significant changes in 2019 refer to the addition of €3 million for the acquisition of participations in companies which hold rights over intangible assets for the development of future renewable energy projects (Ukraine). During the year, expectant rights in the amount of €13 million which were previously recorded under concessions were transferred to property, plant and equipment once the facilities in question were up and running.

At 31 December 2020, the Group had fully amortized intangible assets in the amount of €28,090 thousands, the majority of which were still in use (€54,729 thousands at 31 December 2019).

No impairment of intangible assets was detected in financial year 2020, nor were there any significant deficits not covered by existing provisions at 31 December 2020.

7.- Equity-accounted investees

The changes under this caption on the enclosed consolidated balance sheet in 2020 and 2019 were as follows:

Investee company	Balance at 31.12.19	Pre-tax share in profits (losses)	Interim dividend	Tax effect and other changes	Balance at 31.12.20
Energías Renovables Mediterráneas, S.A.	87,724	13,099	--	(3,466)	97,357
Desarrollo de Energías Renovables de Navarra, S.A.	7,733	838	--	(191)	8,380
PARQUES EÓLICOS DE Buio, S.L.	36,971	5,588	(500)	3,452	45,511
Amper Central Solar, S.A.	46,435	14,456	(1,640)	(4,067)	55,184
Group Cathedral Rocks	14,369	399	(447)	(48)	14,273
Parque Eólico de Deva, S.L.	7,242	(230)	(450)	344	6,906
Parque Eólico de Tea, S.L.	8,397	4,754	(400)	(1,188)	11,563
Parque Eólico de Bobia y San Isidro, S.L.	6,377	2,647	(700)	(662)	7,662
Parque Eólico Ameixenda Filgueira, S.L.	6,517	1,786	(450)	(445)	7,408
Parque Eólico A Ruña, S.L.	2,988	3,436	(300)	(858)	5,266
Blue Canyon Winpower, LLC	2,758	(105)	(370)	(194)	2,089
Group Energy Corp. Hungary	4,855	48	(1,105)	(282)	3,516
Parque Eólico Virxe do Monte, S.L.	2,639	1,246	(250)	(311)	3,324
Parque Eólico Adraño, S.L.	3,481	2,285	(350)	(531)	4,885
Group Eurovento	780	87	(150)	207	924
Parque Eólico Vicedo, S.L.	1,989	28	--	(24)	1,993
Explotaciones Eólicas Sierra de Utrera, S.L.	1,427	29	(235)	(8)	1,213
Parque Eólico Cinseiro, S.L.	1,469	241	--	566	2,276
Parque Eólico Currás, S.L.	1,581	446	(175)	277	2,129
Alsubh Solar Power, S.A.E.	(931)	1,177	--	3,157	3,403
Sunrise Energy, S.A.E.	3,674	1,105	--	(1,055)	3,724
Rising Sun Energy, S.A.E.	3,453	1,191	--	(1,062)	3,582
AT Solar V, SAPI de CV	26,676	(1,573)	--	(4,296)	20,807
Tuto Energy II, S.A.P.I. de C.V.	23,283	595	--	(4,442)	19,436
Parque Eólico de Abara, S.L.	--	2,259	--	1,340	3,599
Other	16,212	1,650	(606)	(5,731)	11,525
Total holdings in associates	**318,099**	**57,482**	**(8,128)**	**(19,518)**	**347,935**

Investee company	Balance at 31.12.18	Pre-tax share in profits (losses)	Interim dividend	Tax effect and other changes	Balance at 31.12.19
Energías Renovables Mediterráneas, S.A.	78,254	13,381	--	(3,911)	87,724
Desarrollo de Energías Renovables de Navarra, S.A.	7,674	4,390	(3,077)	(1,254)	7,733
PARQUES EÓLICOS DE Buio, S.L.	34,964	4,431	(1,333)	(1,091)	36,971
Amper Central Solar, S.A.	41,867	14,590	(5,904)	(4,118)	46,435
Group Cathedral Rocks	14,246	2,411	(1,639)	(649)	14,369
Parque Eólico de Deva, S.L.	8,067	374	(1,100)	(99)	7,242
Parque Eólico de Tea, S.L.	8,892	147	(599)	(43)	8,397
Parque Eólico de Bobia y San Isidro, S.L.	7,640	838	(1,800)	(301)	6,377
Parque Eólico Ameixenda Filgueira, S.L.	7,391	403	(1,175)	(102)	6,517
Parque Eólico A Ruña, S.L.	3,347	291	(575)	(75)	2,988
Blue Canyon Winpower, LLC	2,944	118	(361)	57	2,758
Group Energy Corp. Hungary	4,760	1,986	(1,401)	(490)	4,855
Parque Eólico Virxe do Monte, S.L.	2,804	208	(320)	(53)	2,639
Parque Eólico Adraño, S.L.	3,944	221	(625)	(59)	3,481
Group Eurovento	1,001	258	(303)	(176)	780
Parque Eólico Vicedo, S.L.	1,920	123	--	(54)	1,989
Explotaciones Eólicas Sierra de Utrera, S.L.	1,500	280	(282)	(71)	1,427
Parque Eólico Cinseiro, S.L.	1,948	27	(418)	(88)	1,469
Parque Eólico Currás, S.L.	1,653	141	(175)	(38)	1,581
Alsubh Solar Power, S.A.E.	703	(76)	--	(1,558)	(931)
Sunrise Energy, S.A.E.	4,553	185	--	(1,064)	3,674
Rising Sun Energy, S.A.E.	4,528	(92)	--	(983)	3,453
AT Solar V, SAPI de CV	22,114	1,001	--	3,561	26,676
Tuto Energy II, S.A.P.I. de C.V.	12,579	(2,873)	--	13,577	23,283
Other	16,856	1,804	(649)	(1,799)	16,212
Total holdings in associates	**296,149**	**44,567**	**(21,736)**	**(881)**	**318,099**

The shareholdings of Corporación Acciona Energías Renovables, S.L. Group in associates are listed in Annex III of this report.

Where the Group's investments in associates accounted for using the equity method has been reduced to zero and where there may be implicit obligations in excess of the contributions made, equity losses or decreases are recognised under non-current provisions in the consolidated balance sheet (see Note 15).

The caption titled "Tax effect and other changes" includes, in addition to the tax effect of the year's profits, changes due to the valuation of derivatives (see Note 18) and gains (losses) on foreign exchange that amounts to €6,808 thousand at 31 December 2020 (€3,035 thousand at 31 December 2019).

All information related with derivatives on equity-accounted investees is disclosed in Note 18.

There were no significant changes under this heading in financial years 2020 or 2019.

The assets, liabilities, ordinary income and profit (loss) for financial years 2020 and 2019 are listed below in proportion to the percentage of ownership in the share capital of each associate:

	Total 2020	Total 2019
ASSETS		
Non-current assets	669,757	671,704
Current assets	110,734	120,793
Total assets	**780,491**	**792,497**
LIABILITIES		
Equity	347,935	318,099
Non-current liabilities	337,166	376,227
Current liabilities	95,390	98,171
Total liabilities and equity	**780,491**	**792,497**
PROFIT (LOSS)		
Turnover	134,920	157,913
Pre-tax profit	57,482	44,567

None of the associates are individually significant to the company.

8.- Investments in joint ventures

The holdings of Corporación Acciona Energías Renovables, S.L. Group in joint ventures are listed in Annex II of this report. The most significant amounts included in the consolidated financial statements for financial years 2020 and 2019 in relation to these interests are summarised below:

	2020		2019	
	Companies	**Joint ventures and jointly-owned companies**	**Companies**	**Joint ventures and jointly-owned companies**
Turnover	1,330	175	1,342	55
Gross operating profit	561	179	364	57
Operating profit	(383)	--	(593)	--
Non-current assets	10,178	1,309	11,732	475
Current assets	1,556	--	1,223	4
Non-current liabilities	1,775	0	1,391	--
Current liabilities	308	1,305	296	476

None of the holdings in joint ventures is individually significant to the Group.

9.- Current and non-current financial assets

The breakdown of the balance of this item on the consolidated balance sheet at the 2020 and 2019 year end, presented by type and category for valuation purposes, is as follows:

Thousands of euros					
31.12.2020					
Financial assets: Type / Category	**Financial assets at fair value with changes in profit and loss**	**Financial assets at fair value with changes in the consolidated statement of recognised income and expenses**	**Financial assets at amortized cost**	**Hedging derivatives**	**Total**
Equity instruments	666	--	--	--	666
Other loans with Group companies and associates	--	--	8,518	--	8,518
Derivatives	--	--	--	--	--
Other financial assets	560	--	16,869	--	17,429
Long-term / non-current	**1,226**	**--**	**25,387**	**--**	**26,613**
Other loans with Group companies and associates	--	--	68,290	--	68,290
Other receivables	--	--	82,187	--	82,187
Derivatives	--	--	--	17,691	17,691
Other financial assets	--	--	28,093	--	28,093
Short-term / current	**--**	**--**	**178,570**	**17,691**	**196,261**
Total	**1,226**	**--**	**203,957**	**17,691**	**222,874**

Thousands of euros					
31.12.2019					
Financial assets: Type / Category	**Financial assets at fair value with changes in profit and loss**	**Financial assets at fair value with changes in the consolidated statement of recognised income and expenses**	**Financial assets at amortized cost**	**Hedging derivatives**	**Total**
Equity instruments	366	--	--	--	366
Other loans with Group companies and associates	--	--	14,992	--	14,992
Derivatives	--	--	--	--	--
Other financial assets	1,085	--	17,742	--	18,827
Long-term / non-current	**1,451**	**--**	**32,734**	**--**	**34,185**
Other loans with Group companies and associates	--	--	57,470	--	57,470
Other receivables	--	--	96,002	--	96,002
Derivatives	--	--	--	1,134	1,134
Other financial assets	--	--	43,255	--	43,255
Short-term / current	**--**	**--**	**196,727**	**1,134**	**197,861**
Total	**1,451**	**--**	**229,461**	**1,134**	**232,046**

The amount recognised under "Other receivables" at 31 December 2020 and 2019 refers mainly to deposits that are pledged as a result of the guarantee clauses of the project finance contracts for each one of the operating wind farms, which are subject to market interest rates (see Note 16). The most notable changes in 2020 and 2019 were those related to the funding of reserve accounts to cover the debt service by the Group companies that signed financing agreements in those years.

The caption titled “Other loans to Group companies and associates" includes, inter alia, the placement of surplus balances with other Acciona Group companies and loans granted to associates which are not eliminated on consolidation and which are subject to annual market interest rates. The market value of these assets does not differ substantially from the carrying value.

"Other Financial Assets" long-term and short-term include mainly deposits and guarantees provided by the Group, including mainly provided by the Group company Acciona Green Energy, S.A., in order to be able to operate and forward electricity diary and long-term trading.

In 2020, there were no significant changes in the balances for this consolidated balance sheet item. Likewise, there were no material impairment losses on the balances comprising non-current and current financial assets.

The valuation hierarchy of this financial instruments measured at fair value has been disclosed in the note 3.2.f) above.

10.- Non-current receivables and other non-current assets

The composition of this caption at 31 December 2020 and 2019 was as follows:

	2020	2019
Non-current trade receivables	145,976	69,734
Non-current accruals	62,611	71,417
Total non-current receivables and other non-current assets	**208,587**	**141,151**

The caption titled “Non-current trade receivables” includes a total of €62,412 thousands (€69,734 thousands at 31 December 2019) which reflects the fair value of a commodity derivative contracted by a Chilean subsidiary to supply energy to a customer at an inflated fixed price. This contract is valued at the market rate and changes in value are recorded in the consolidated income statement as the result of changes in the value of financial instruments at fair value.

This heading also includes the credit rights acquired by domestic regulated facilities as a result of the differential between the pool price obtained and the official pool prices published for the current year. This amount will be increased or offset by the adjustments to the price range for the current semi-period (2020-2022) and will ultimately revert to an adjustment of the return on investment obtained by each facility to be settled at the end of the semi-period (see Note 2.2 and 3.2.k). The amount recognised by Group Corporación Acciona Energía Renovables in this regard is €79,449 thousands at 31 December 2020, all as a result of the adjustment made this year.

The €52,591thousands under “Non-current accruals” (€62,193 thousands at 31 December 2019) reflects the amortized value at the time of contracting two derivatives for hedging long-term energy prices. They were arranged in December 2015 and December 2018 by two subsidiaries in the United States (see Note 20). These contracts were entered into to secure the selling price of a certain amount of energy for a term of 13 and 12 years. The Group capitalised the difference between the transaction price and the fair value estimation ("Day-one profit and losses") and is recognising it on a straight-line basis in the consolidated income statement under "Gains/(losses) on changes in the value of financial instruments at fair value”. The outstanding balance will be taken to income when there is an estimate of long-term market prices for all years in the visibility range based on observable data.

11.- Inventories

The composition of inventories at 31 December 2020 and 2019 is as follows:

	2020	2019
Raw materials, other supplies and trade inventories	124,259	127,706
Advances delivered	11,185	15,529
Provisions	(26,052)	(23,481)
Total inventories	**109,392**	**119,754**

The caption titled "Raw materials, other supplies and trade inventories" includes mainly the spare parts needed to maintain the Group's facilities.

The change recorded under the heading of “Advances delivered” is owing to the reductions due to the progress of the work on the construction of renewable power plants in Mexico and Chile by Group companies during the year.

The Group makes value corrections for impairment if there are reasonable doubts about recovering some or all of these assets. The changes in these provisions are recorded under the heading of "Depreciation, amortization and provisions” on the consolidated income statement (see note 24).

12.- Trade and other accounts receivable

The composition of the balance at 31 December 2020 and 2019 was as follows:

	2020	2019
Clients for sales and services rendered	255,223	233,305
Receivables, group companies (Note 31)	147,397	118,716
Receivable from associates (Note 31)	19,008	22,748
Sundry receivables	18,513	(1,838)
Provisions	(10,078)	(9,297)
Total trade and other accounts receivable	**430,062**	**363,634**
Advance payments from customers	(2,829)	(1,979)
Total net balance at 31 December	**427,233**	**361,655**

The amount recorded under the heading of "Clients for sales and services rendered" refers primarily to the balances due on the sale of energy generated in Spain and abroad.

The Group has factorized without recourse at 31 December 2020 an amount of €72.8 million (€83.3 million at 31 December 2019). It subscribes this type of contracts with certain financial institutions for selling credit right with customers in certain commercial agreements.

The section titled “Receivables, Group companies" refers primarily to loans with the parent company in the amount of €139,160 thousands at 31 December 2020 (€102,497 thousands at 31 December 2019) as a consequence of being a member of the tax group of which Acciona, S.A. is the parent company, for the domestic companies pertaining to Corporación Acciona Energías Renovables, S.L. Group to which the applicable laws apply.

The details of the aging of trade receivables are as follows:

	2020	2019
Invoices up to 3 months old	236,263	220,461
Invoices between 3 and 6 months old	3,105	1,407
Invoices more than 6 months old	15,855	11,437
Total	**255,223**	**233,305**
Past due invoices more than 3 months old not provisioned	10,498	5,319

Changes in the impairment provision for receivables are as follows at 31 December 2020 and 2019:

	2020	2019
Opening balance	**(9,297)**	**(12,175)**
Increase in provisions for impairment of trade receivables	(2,134)	(1,471)
Amounts written off	1,239	4,384
Restatements and other	114	(35)
Closing balance	**(10,078)**	**(9,297)**

CAER Group recognises credit expected losses during the life of the asset, for the commercial accounts that does not have a material financial component, using a simplified approach based in its historical experience of credit losses in its commercial account receivables and adjusted, if applicable, to reflect the actual economic conditions and the future expected conditions. This simplified approach divide the commercial account receivables in different client segments with the aim of reflecting different patrons of losses for each one and allows the Group to recognise expected losses during the life of the theses assets without the necessity of identify relevant increases of the credit risk.

13.- Cash and equivalents

The composition of the balance at 31 December 2020 and 2019 was as follows:

	2020	2019
Cash and banks	417,420	251,656
Deposits and other	50,338	44,380
Total cash and cash equivalents	**467,758**	**296,036**

This caption includes the Group's cash as well as bank deposits with initial maturity dates no longer than three months away and with no associated risks.

There are no restrictions on the availability of cash and cash equivalents other than the one mentioned in the previous paragraph.

In financial years 2020 and 2019, cash and cash equivalents earned market interest rates.

14.- Equity

a) Subscribed and registered share capital

The share capital of the parent company consists of 329,250,589 registered shares with a par value of 1 euro each, fully subscribed and paid in.

The Sole Shareholder, which owns 100% of the shares of the parent company Corporación Acciona Energías Renovables, S.L. Group, is Acciona, S.A. the Company meets all of the legal requirements for sole shareholder status. There are no balances or transactions with the Sole Shareholder other than those described in Note 31.

b) Share premium and reserves

The balance under "Share Premium", which at 31 December 2020 and 2019 stood at €2,599,689 thousands, was created as a consequence of a number of share capital increases with share premiums carried out by the Company on different dates. Article 296 of the Revised Text of the Capital Companies Act expressly permits the use of the balance of the share premium account to increase share capital and places no specific restrictions on the availability of said balance.

The breakdown of the share premium, reserves and gains(losses) on foreign exchange shown on the statement of total change in equity is as follows:

	2020	2019
Share premium	2,599,689	2,599,689
Legal reserve	27,902	19,066
Voluntary reserves	(606,649)	(611,170)
Reserves for fully or proportionally consolidated companies	247,254	202,428
Reserves in companies carried by equity	70,597	46,431
Reserves Subtotal	**2,338,793**	**2,256,444**
Gains (losses) on foreign exchange	(95,912)	(12,991)
Interim dividend paid during the year	(100,000)	(75,000)
Total Reserves	**2,142,881**	**2,168,453**

The legal reserve, which must be funded until the balance is 20% of share capital, may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of share capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

c) Reserves in consolidated companies and gains(losses) on foreign exchange

The details of the consolidation reserves contributed by subsidiaries, joint ventures and associates and conversation differences at 31 December 2020 and 2019 are as follows:

	2020		2019	
	Consolidated reserves	Gains(losses) on foreign exchange	Consolidated reserves	Gains(losses) on foreign exchange
Corporación Acciona Energías Renovables, S.L.U.	1,162,391	--	1,158,896	--
Acciona Energía Subgroup	88,168	(96,046)	48,469	(13,465)
Ceatesalas Subgroup	(581,164)	134	(601,187)	474
Alabe Sociedad de Cogeneración Subgroup	84,402	--	69,208	--
Ineuropa de Cogeneración Subgroup	(27,315)	--	(27,347)	--
Acciona Saltos de Agua Subgroup	(77,235)	--	(74,486)	--
Corporación Acciona Eólica, S.L.U.	(207,727)	--	(212,030)	--
Corporación Acciona Hidráulica, S.L.U.	(152,598)	--	(146,241)	--
Acciona Eólica de Galicia, S.A.U.	34,926	--	40,245	--
KW Tarifa, S.A.U.	(5,997)	--	(6,668)	--
Total	**317,851**	**(95,912)**	**248,859**	**(12,991)**

Neither the parent company of the Group nor the investee companies are published listed companies.

d) Adjustments to equity

- Cash flow hedges

This section, included under “Retained earnings" on the consolidated balance sheet, includes the net amount of the tax impact of the changes in the value of financial derivatives designated as cash flow hedging instruments (see Note 18).

The changes in the balances under this heading in 2020 and 2019 are shown below:

	2020	2019
Balance on 1 January	**(27,730)**	**(21,676)**
Net increase for the year	9,013	10,750
Net decrease for the year	(8,228)	(27,232)
Transfer to FY profit (loss)	1,706	10,428
Balance at 31 December	**(25,239)**	**(27,730)**

e) Interim dividend

On 31 March 2020, the joint directors of Corporación Acciona Energías Renovables, S.L. agreed to pay an interim dividend of €100,000 thousands against 2020 profits. The interim dividend will be paid in 2021, being accounted at 31 December 2020 in “Trade and other account payables” on the consolidated balance sheet of the Group.

The provisional statement prepared as required by law showed that there are sufficient cash resources available to pay the above-mentioned dividend, as follows:

	In euros
Justifying accounting statement at 31 December 2020:	
Profit earned from 01-01-2020 to 31-12-2020:	185,608,147.79
Mandatory reserve funding:	(18,560,814,78)
Prior year losses	
Profits available for distribution	167,047,333.01
Proposed interim dividend	100,000,000,00
Cash situation at 31 December 2020	
Funds available for distribution:	
Cash and banks:	
Cash pooling credit limit at 31-12-2020	2,634,000,000.00
Cash pooling line of credit used at 31-12-2020	934,805,167.41
Dividend receivable	
Proposed interim dividend	(100,000,000.00)
Difference	1,599,194,832.59

f) Non-controlling interests

The balance under this heading on the enclosed consolidated balance sheet shows the value of minority shareholders' interests in the subsidiaries. The enclosed consolidated income statement also shows the interest of those minority shareholders in the financial year results.

The changes in 2020 and 2019 were as follows, in thousands of euros:

Company	Balance at 31.12.19	2020 profit (loss)	Change in scope of consolidation	Gains (losses) on foreign exchange	Balance at 31.12.20
Compañía Eólica Granadina, S.A.	4,365	1,366	--	(600)	5,131
Eólica de Villanueva, S.L.	1,171	43	--	--	1,214
Eólica de Zorraquín, S.L.	1,070	232	--	--	1,302
Group Acciona Energía Internacional	195,007	22,858	176,356	(36,677)	357,544
Other	1,746	230	773	(484)	2,265
Total non-controlling interests	**203,359**	**24,729**	**177,129**	**(37,761)**	**367,456**

Company	Balance at 31.12.18	2019 profit (loss)	Additions and changes	Gains (losses) on foreign exchange	Balance at 31.12.19
Compañía Eólica Granadina, S.A.	4,635	323	--	(593)	4,365
Eólica de Villanueva, S.L.	1,271	100	--	(200)	1,171
Eólica de Zorraquín, S.L.	858	204	--	8	1,070
Group Acciona Energía Internacional	188,232	21,643	--	(14,868)	195,007
Other	(1,273)	2,365	(41)	695	1,746
Total non-controlling interests	**193,723**	**24,635**	**(41)**	**(14,958)**	**203,359**

The main change during the year arose as a result of the variation in the shareholding structure of Acciona Energía Internacional, S.A. (parent company of the Acciona Energía Internacional subgroup) discussed in note 2.3.i. As a result of the increase in the ownership stake, the amount attributed to non-controlling interests decreased by €15 million. In addition, loans granted by minority shareholders to this company were cancelled via capitalisation for an amount of €191 million.

At 31 December 2019, the amount recorded under "Other items" includes the €6,407 thousands decrease in non-controlling interests due to the first-time application of IFRS 16, dividends distributed to minority shareholders, as well as changes in the value of financial derivatives and translation differences.

The composition of the balance under this heading on the enclosed consolidated balance sheet at 31 December 2020 and 2019 is as follows, in thousands of euros, by item:

	2020			2019		
Company	**Share capital and reserves**	**Result**	**Total**	**Share capital and reserves**	**Result**	**Total**
Group Acciona Energía Internacional	334,687	22,858	357,545	173,364	21,643	195,007
Compañía Eólica Granadina, S.A.	3,765	1,367	5,132	4,042	323	4,365
Eólica de Villanueva, S.L.	1,171	43	1,214	1,071	100	1,171
Eólica de Zorraquín, S.L.	1,069	233	1,302	865	204	1,069
Other	2,035	228	2,263	(618)	2,365	1,747
Total non-controlling interests	**342,727**	**24,729**	**367,456**	**178,724**	**24,635**	**203,359**

Below is a summary of the financial information for those subgroups which represent a significant portion of the Group's assets, liabilities and operations, in relation to which there are non-controlling interests:

31.12.2020	Acciona Energía Internacional Subgroup
% Non-controlling interests	25.00%
ASSETS	
Non-current assets	2,434,862
Current assets	272,590
Total assets	**2,707,452**
LIABILITIES	
Equity	1,043,166
Equity	914,161
Non-controlling interests	129,005
Non-current liabilities	1,206,352
Current liabilities	457,934
Total liabilities	**2,707,452**
PROFIT (LOSS)	
Turnover	419,268
Operating results	206,025
Pre-tax	91,306
After tax	58,672
Attributed to minority shareholders	(4,953)
Attributed to the parent company	53,719
CASH FLOW STATEMENT	
Cash flow from operations	200,064
Cash flow from investment	(4,226)
Cash flow from financing activities	(197,606)

31.12.2019	Acciona Energía Internacional Subgroup
% Non-controlling interests	33.33%
ASSETS	
Non-current assets	2,676,402
Current assets	289,362
Total assets	**2,965,764**
LIABILITIES	
Equity	279,287
Equity	126,407
Non-controlling interests	152,880
Non-current liabilities	2,492,287
Current liabilities	194,190
Total liabilities	**2,965,764**
PROFIT (LOSS)	
Turnover	451,146
Operating results (*)	188,695
Pre-tax	66,281
After tax	51,793
Attributed to minority shareholders	(6,495)
Attributed to the parent company	45,298
CASH FLOW STATEMENT	
Cash flow from operations (*)	200,637
Cash flow from investment	(3,178)
Cash flow from financing activities	(201,271)

(*) Re-estated

d) Cash management

The Group's cash management objectives are aimed at safeguarding the ability to continue operating as a going concern, generating profits for the Sole Shareholder and benefits for other interest groups, as well as maintaining an ideal structure for reducing capital costs. This policy makes it possible to create value for the Sole Shareholder while at the same time having access to the financial markets at a competitive cost in order to cover the needs, both for refinancing debt and for financing investments, that are not covered by the funds generated by the business.

In order to maintain or adjust the equity structure, the Group could adjust the amount of dividends payable to the Shareholder, reimburse share capital to shareholders, issue new shares or sell assets to reduce debts.

Like other groups in the sectors where the Group operates, the capital structured is controlled based on the leverage ratio. This ratio is the quotient obtained by dividing net debt by net equity. Net debt is the sum of the current and non-current financial debt, excluding assets held for sale, less current asset investments, cash and cash equivalents.

The gearing ratio at 31 December 2020 and 2019 was as follows:

	Gearing ratio	
	Thousands of euros	
	31.12.2020	31.12.2019
Net financial debt:	**453,825**	**618,205**
Non-current financial debt (note 15)	800,521	859,671
Current financial assets (notes 15)	203,250	150,572
Current asset investments (notes 8 and 12), cash and cash equivalents	(549,946)	(392,038)
Equity:	**3,038,372**	**2,890,727**
Of the Parent	2,670,916	2,687,368
Minority shareholders	367,456	203,359
Gearing ratio	**0.15**	**0.21**

h) Restrictions on the availability of subsidiaries' funds

The financial agreements of certain Group companies contain clauses with requirements that must be met in order to profits to be distributed to shareholders or partners.

15.- Provisions and litigation

a) Non-current provisions

The changes under the heading of "Non-current provisions" on the liability side of the consolidated balance sheet at 31 December 2020 and 2019, by item, in thousands of euros, are as follows:

	Provisions for pensions and similar obligations	Provisions for risks and charges	Provision for liabilities	Total
Balance at 31.12.18	**6,426**	**108,744**	**36,033**	**151,203**
Additions and funding	532	10,278	546	11,356
Disposals	(1,703)	(11,691)	(1,835)	(15,229)
Transfers	--	12,241	--	12,241
Other changes	21	2,404	35	2,460
Balance at 31.12.19	**5,276**	**121,976**	**34,779**	**162,031**
Additions and funding	178	38,678	29	38,885
Disposals	(345)	(3,077)	(34,533)	(37,955)
Transfers	--	7,117	--	7,117
Other changes	(24)	(9,363)	1,386	(8,001)
Balance at 31.12.20	**5,085**	**155,331**	**1,661**	**162,077**

According to the best estimates of the parent company's directors, these provisions cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending at the end of the year.

Provisions for pensions and similar obligations

The Group includes provisions for pensions and similar obligations arising as a consequence of the acquisitions of assets and/or companies from the Endesa Group in 2009 under this heading on the enclosed consolidated balance sheet. The group of employees considered includes 83 people (84 in FY 2019), 28 of whom are already semi-retired or retired (27 in FY 2019). Not all of these employees are in the same situation or eligible for the same benefits. The main characteristics of these provisions are:

a) Defined benefit pension plan with salary increases limited by CPI. The features of this pension plan are clearly that of a defined benefit plan.

The assumptions used to calculate the actuarial liability for the uninsured defined benefit commitments are as follows at 31 December 2020 and 2019:

	2020	2019
Interest rate	0.67%	1.18%
Mortality rates	PERPM/F2000	PERPM/F2000
Expected return on assets	0.67%	1.18%
Salary increase	1.00%	2.00%

The information on the variation in the actuarial liabilities for defined benefit commitments at 31 December 2020 and 2019 is as follows:

	2020	2019
Initial actuarial liability	**2,773**	**3,336**
Accrued cost for the year	73	91
Financial expenses	33	65
Benefits paid during the year	(145)	(185)
Profit/(loss) for the year	(167)	(534)
Final actuarial liability	**2,567**	**2,773**

The information on the variation in the actuarial assets for defined benefit commitments at 31 December 2020 and 2019 is as follows:

	2020	2019
Initial actuarial assets	**1,706**	**1,966**
Yield for the period	20	37
Contributions during the year	264	406
Profit/(loss) for the year	(502)	(703)
Final actuarial assets	**1,488**	**1,706**

At 31 December 2020 and 2019, the total actuarial assets and liabilities referred entirely to the defined benefit commitments located in Spain.

The amounts recorded in the consolidated income statement for defined benefit pension obligations totalled €86 thousands at the end of 2020 (€119 thousands in 2019) which included the cost for the year plus the yield and the financial cost of the assets and liabilities associated with these employee benefits.

b) In addition, there are obligations to provide retired employees with certain social benefits which are primarily related to electricity. These obligations are not outsourced and are covered by internal provisions. The total amount for these items in 2020 was €2,564 thousands at 31 December 2020 (€2,800 thousands at 31 December 2019).

The actuarial changes experienced by these items generated €176 thousands in losses in 2020 (€774 thousands in losses in 2019).

These liabilities refer in their entirety to the agreements signed by Group companies in Spain. The Plan affects employees with 10 or more years of service.

Provisions for risks and expenses

The types and amounts of the main provisions are based on the estimates made in relation to the warranty commitments assumed for the equipment and machinery sold, primarily wind turbines, which are recorded as "provisions for liabilities" and dismantling operating wind farms when this is required under the law, in which case they are recorded as "provisions for risks and expenses".

The items recorded under these two headings are as follows:

a) Implicit obligations: recognition of implicit obligations in subsidiaries carried by the equity method when the Group's investments in associations is reduced to zero. The provision at 31 December 2020 is €1 million (€1 million at 31 December 2019). The assets, liabilities, ordinary income and profit (loss) for financial years 2020 and 2019 are listed below in proportion to the percentage of ownership in the share capital of each associate:

	Total 2020	**Total 2019**
ASSETS		
Non-current assets	4,100	19,576
Current assets	5,109	9,319
Total assets	**9,209**	**28,895**
LIABILITIES		
Equity	(676)	(777)
Non-current liabilities	5,446	23,257
Current liabilities	4,439	6,415
Total liabilities and equity	**9,209**	**28,895**
PROFIT (LOSS)		
Turnover	0	3,586
Pre-tax profit	(141)	723

b) Decommissioning: this is the directors' best estimate in relation to the commitments assumed for the decommissioning of electricity production facilities in international projects in which the Group operates, when the Group concludes, following analysis of the specifics of these contracts, that there is an obligation to decommission these facilities. These provisions are initially recognised with a charge to "Property, plant and equipment" and therefore have no impact on the income statement at the time of initial recognition.   The balance for this item at 31 December 2020 was €155 million (€118 million 31 December 2019).

   As disclosed in note 3.2.I, this provision is estimated at the present value of the estimated decommissioning and restoration obligations of these assets over the period in which it is accrued. The discount rates and inflation rates applied to calculate this present value in the most relevant countries are as follows:

	Discount rate	Inflation
USA	1.73 - 1.81%	2.1%
Mexico	6.5%	3.5%
Canada	1.73%	1.8%
Italy	3.5%	1.5%
Poland	3.5%	1.5%
Portugal	1.0%	1.5%
India	8.0%	6.0%
South Africa	9.2%	4.7%

According to the best estimates of the parent company's directors, these provisions cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending at the end of the year. It is complicated to predict what the outcome will be. However, it is not expected that any cash outlays will be required in the near future given the status of the proceedings at the present time.

The best estimates of the risks and uncertainties which inevitably surround most of the events and circumstances affecting these provisions were used to measure them.

The Group's management does not believe there will be any additional liabilities for which provisions have not been made in the financial statements at 31 December 2020 and 2019.

b) Current provisions

The changes under the heading of "Current provisions" on the liability side of the consolidated balance sheet at 31 December 2020 and 2019, by item, in thousands of euros, are as follows:

	Guarantees	Other provisions	Total
Balance at 31.12.18	**98**	**1,124**	**1,222**
Additions and funding	--	1,057	1,057
Disposals	--	(752)	(752)
Balance at 31.12.19	**98**	**1,429**	**1,527**
Additions and funding	--	(11)	(11)
Balance at 31.12.20	**98**	**1,418**	**1,516**

In addition to what has been mentioned previously, the Group sets up provisions, based on the best estimates of the parent company's directors, to cover the potential liabilities derived from the litigation, appeals, disputes and obligations that were pending resolution at the end of the year.

Litigation

As of the date of these financial statements, the Polish company Golice Wind Farm Sp. z.o.o. is involved in a dispute with its main client over the latter's unilateral termination of the CPA (bilateral agreement for the purchase and sale of emission certificates derived from energy production from renewable resources) signed by the parties. In August 2020, the Poznan court of first instance handed down a judgment in which the plaintiff's arguments regarding the termination without quantification of the damage caused were accepted in full and, in addition, ENEA was ordered to pay the unpaid invoices for 2017 and 2018, with interest. The complaint was expanded to claim damages caused through August 2020. The estimated damages up to that date totalled PLN 37,674,755 (approximately €8,466,237). Both Golice Wind Farm and ENEA filed appeals against the first instance judgment in 2021.

16.- Financial debt

a) Loans and borrowings:

The details of the balances payable to banks at 31 December 2020 and 2019 on recourse and non-recourse loans, understanding non-recourse loans as unsecured debt where recourse is limited to the debtor's cash flows and assets, are as follows:

	2020		2019	
Item	**Non-current**	**Current**	**Non-current**	**Current**
Non-recourse loans	**539,551**	**90,693**	**650,231**	**101,134**
Project finance	485,553	84,712	597,734	89,776
Finance leases	--	28	--	36
Other project-related payables	50,672	5,014	48,202	10,388
Fixed asset mortgage expenses	3,326	939	4,295	935
Recourse loans:	**80,000**	**101,000**	**--**	**38,700**
Other recourse project-related loans	80,000	101,000	--	38,700
Total payables to banks	**619,551**	**191,693**	**650,231**	**139,834**

In 2020 and 2019, the loans and lines of credits of Corporación Acciona Energías Renovables, S.L. Group accrued interest mostly referenced to Euribor for financing in euros, although part of the debt is also referenced to other indices such as Libor for debt in US dollars, WIBOR for Polish Zlotys and JIBAR for South African rands, as the most relevant indices outside the Eurozone. A significant part of the debt of Corporación Acciona Energías Renovables, S.L. Group is hedged by financial derivatives aimed at reducing interest rate volatility.

The Group, through its subsidiaries or associates, has made investments in energy infrastructures that are operated by subsidiaries, joint ventures and associates under "project finance" arrangements.

This financing concept applies to projects that are, in and of themselves, capable of providing sufficient guarantees to the participating financial entities that the debt undertaken to carry them out will be repaid. Each project is developed by a special purpose entity in which the project assets are financed in part by investments made by the partners, which is limited to a certain amount, with the rest, generally a higher amount, being financed through long term debt. The debt service on these loans is guaranteed primarily by the future cash flows generated by the project itself and by in rem guarantees on the project's assets.

In 2020, "Project finance" shows a net decrease of €117 million, mainly due to scheduled repayments of this type of loan as well as the negative effect of translation differences for the period, mainly from projects whose currency is the South African rand and the US dollar. The increase in "Other project-related recourse debt with recourse" is mainly due to the granting of a loan to one of the Group companies amounting to €160.000 million and maturing in 24 months.

As indicated in note 3.2.f), the adoption of IFRS 13 requires an adjustment to the valuation techniques used by the Group to obtain the fair value of derivatives to include the bilateral credit risk adjustment so as to reflect not only the Company's own risk but that of the counterparty in the fair value of the derivatives.

At 31 December 2020, the credit risk adjustment resulted in a reduction in the value of the derivative liability in the amount of €944 thousands which was recognised, on the one hand, as a reduction of €320 thousands in loans and borrowings, and on the other hand as an increase in the value of the investment carried by the equity method in the amount of €624 thousands, without considering the tax effect, by those companies which are carried by this method. The net effect of this modification on equity adjustments for the valuation of cash flow hedges was positive in the amount of €741 thousands.

Furthermore, certain investee companies have made commitments to distribute profits and maintain a series of financial ratios that are calculated on the individual financial statements at the end of each financial year, including the maintenance of certain balances in cash accounts (see Note 9).

At 31 December 2020 and 2019, neither the parent company nor any of its major subsidiaries had breached any of their financial obligations or any other type of obligation that could lead to the early termination of the loan agreements.

However, it is worth noting the default situation of the Polish company Golice Wind Farm Sp z.o.o. As indicated in note 15, this company is in the middle of a dispute with its main client regarding the unilateral termination of a contract signed by the parties. The outcome of this disputes will determine the ability of this Group company to maintain projected profits and cash flows to service the associated debt (€11,585 thousands classified as current) and the recoverability of net assets in the long term (in the amount of €11,735 thousands).

It should also be noted that there is one Group company that has not met the annual debt service coverage ratio. Therefore, company's debt for an amount of 7 million of euros has been reclassified to short term as it can be claimed by the bank. However, the Company's directors believe that this is a temporary situation that is mainly due to the impact on the variation in working capital in 2020 caused by the COVID-19 crisis. This one-off breach of the ratio does not constitute a breach of any clause of the financing agreements and therefore will not result in either early termination of the agreement or the obligation to provide additional guarantees.

There were no defaults or other breaches of obligations to pay principal, interest or amortizations on the balances payable to financial institutions in 2020 or 2019.

The breakdown of the maturity of the nominal value of the financial debt (excluding the value of the cash flow hedges) as of 31 December 2020, is as follows:

2021	2022	2023	2024	2025	Thereafter	Total
187,012	163,990	76,756	72,594	53,973	232,854	**787,179**

b) Debentures and other negotiable securities

The changes in these current and non-current liability accounts on the 2020 and 2019 balance sheet are as follows:

	Non-current	Current
Balance at 31.12.18	**215,600**	**8,801**
Amortization	--	(8,921)
Transfers	(10,689)	10,689
Other changes	4,529	169
Balance at 31.12.19	**209,440**	**10,738**
Amortization	--	(9,394)
Transfers	(10,771)	10,771
Other changes	(17,699)	(558)
Balance at 31.12.20	**180,970**	**11,557**

This item contains the placement of a private bond issue carried out on 10 August 2012 with a credit rating of BBB by Standard & Poors and BBB- by Fitch, by the Mexican subsidiaries CE Oaxaca Dos, S. de R.L. de C.V. and CE Oaxaca Cuatro, S. de R.L. de C.V. in the amount of US$ 298.7 millions. The purpose of this bond issue was to finance the development, construction and operation of a number of projects for 102 MW of wind power each, the end client being the Federal Electricity Commission

(CFE). The issue accrues 7.25% annual interest, payable every six months on 30 June and 31 December each year through 31 December 2031. The amortization of the debt began on 31 December 2012 and will continue with payments every six months until the debt is paid in full on 31 December 2031.

The breakdown of the maturity dates of the nominal value of these obligations at 31 December 2020 for the year 2021 and the next four years and beyond is as follows:

2021	2022	2023	2024	2025	Thereafter	Total
11,514	11,961	13,133	12,475	14,265	133,716	**197,064**

c) Other debt disclosures

At 31 December 2020, the average interest on loans and borrowings and other debt assumed in the form of debentures and bonds was 7.59 % (8.02 % at 31 December 2019).

In 2020, the percentage of debt not subject to interest rate volatility was 62.59% (76.2% in 2019).

The composition of financial debt denominated in currencies other than the euro at 31 December 2020 and 2019, classified by the main currencies in which the Group operates, is as follows in thousands of euros:

Currency	Financial debt 2020	Financial debt 2019
US dollar	296,166	340,407
South African rands	200,298	226,869
Australian dollar	28	36
Polish zloty	11,585	16,071
Canadian dollar	28,248	32,498
Indian rupee	46,386	57,552
Chilean peso	12,541	10,388

17.- Risk management policy

Corporación Acciona Energías Renovables, S.L. Group, due to its line of business and geographical diversification, is exposed to certain financial risks that are effectively managed by a risk management system. This system, in line with the one developed by the Sole Shareholder, Acciona, S.A., is designed to identify events that could potentially affect the company, manage risks by establishing internal control systems to keep the probability of those events occurring and their impact within the permitted tolerance levels and provide reasonable assurances that the group’s strategic business objectives will be met.

The aim of this policy is to make risk management part of the Acciona Group’s strategy and establish the framework and principles of the Risk Management System.

This policy considers all the risks associated with the business activities carried out by the Group in all of the geographical markets where it does business.

Interest rate risk

Interest rate fluctuations modify the future flows of the assets and liabilities tied to an adjustable interest rate.

Interest rate risk is particularly significant as far as financing the construction of wind farms and other renewable energy plants is concerned, where the project returns can be affected by fluctuations in interest rates (see Note 16). This risk is mitigated through hedging operations by the contracting derivatives (mainly interest rate swaps, IRS).

Based on the estimates of Corporación Acciona Energías Renovables, S.L. Group regarding the evolution of interest rate risks and debt structure objectives, hedging instruments mitigate these risks. The level of hedging of the debt achieved for each project depends on the type of project involved and the country where it is located.

The reference interest rate on the debt contracted by the member companies of Corporación Acciona Energías Renovables, S.L. Group is mainly Euribor for operations in euros and Libor for operations in US dollars, both in the USA and in other Latin American countries where this is often the currency in which they are financed, as the cash flow generated by the assets are also denominated in this currency.

In order to analyse the effects which a change in interest rates could have on the Group’s accounts, we did a simulation assuming a 50 bp increase and decrease in variable interest rates at 31 December 2020.

This analysis of the Group’s sensitivity to an upward or downward variation of 0.50% in the floating interest rate tied to the Euribor and Libor showed that the impact on the consolidated income statement of the Corporación Acciona Energías Renovables, S.L. Group as a result of the increase or decrease in interest payments amounted to €1,891 thousands at 31 December 2020.

Sensitivity test of derivatives and indebtedness

The financial instruments exposed to interest rate risk are basically floating interest rate financing and derivative financial instruments.

The results of the analysis of sensitivity to upward or downward movements in the long term interest rate curve in relation to fair value of the interest rate hedges that are part of the cash flow hedges contracted at 31 December 2020 and registered in “Equity”, depending based on the holding percentage, show that a 0.5% increase in the interest rate curve would result in a €18,728 thousands decrease in debt payable on financial derivatives. Hence, a 0.5% decrease in the interest rate curve would cause a €18,728 thousands increase in the amount payable on financial derivatives.

Exchange rate risk

As the Group continues to press forward with its international expansion, it has greater exposure to exchange rate risks from foreign currency transactions in the countries where it invests and does business.

Risk management is the responsibility of the Acciona Group's Corporate Finance Department and adheres to non-speculative criteria.

Exchange rate risk basically arises from the following types of transactions:

- Debt assumed by group companies and associates in foreign currencies.
- Receivables referenced primarily to the evolution of currencies other than the euro.
- Investments in foreign companies.

In order to mitigate exchange rate risk, the non-current assets in currencies other than the euro are financed in the same currency in which the assets are denominated. Other transactions and cash flows in foreign currency are hedged according to the procedures established by the parent company of Acciona Group.

Likewise, net assets from investments in companies with operating currencies other than the euro are exposed to the risk of exchange rate fluctuations when the financial statements of those companies are converted to euros during the consolidation process.

The composition of current and non-current assets, liabilities and equity at 31 December 2020 in the main currencies in which the Group operates is as follows, in thousands of euros:

Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Sensitivity (10%)
US dollar	2,119,160	223,068	1,178,488	453,222	710,517	71,052
South African rands	207,916	46,022	218,963	19,925	15,051	1,505
Australian dollar	651,245	68,489	393,816	147,410	178,508	17,851
Canadian dollar	130,387	13,565	71,011	9,769	63,172	6,317

Lately, CAER Group has performed and sensitivity analysis on changes in the foreign exchange rates in these same currencies related to assets and liabilities nominated in other currency different to the reporting currency of each company of the Group. A variation on a 10%, upwards and downwards, in these currencies will became in an increase or a decrease, respectively, in the income statement of approximately €3,330 thousand, basically generated by the variations in the US dollar in respect of the rest of the currencies and, to a lesser extent, in the South African rand, without relevant impacts coming from the Canadian dollar and the Australian dollar.

Credit risk

Credit risk refers to the risk that a counterparty to an agreement may breach its obligations, thereby causing the Group to sustain economic losses. The Group has a policy of only doing business with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial losses caused by defaults. The Group only does business with entities at the same or higher investment level range and obtains information on the counterparties from independent business rating bodies, other public sources of financial information and through its own relations with clients.

The receivables and customer accounts consist of a large number of clients distributed across different sectors and geographical areas. Credit relations with clients and the solvency of those clients are continuously evaluated and credit surety contracts are taken out as needed.

The Group has no significant exposure to credit risk with any of its clients or groups of similar clients. Moreover, the credit risk is not highly concentrated.

The Group's credit and liquidity risk associated with derivative instruments at fair value is limited since both cash investments and derivatives are placed with solvent entities that have high credit ratings and no one counterparty assumes significant percentages of the total credit risk.

On the other hand, the definition of the fair value of a liability under IFRS 13 based on the concept of transferring the liability to a market participant confirms that the credit risk itself should be considered in the fair value of the liabilities. The Group has included a bilateral credit risk adjustment to reflect its own risk and that of the counterparty in the fair value of the derivatives.

Liquidity risk

Corporación Acciona Energías Renovables, S.L. Group has a prudent risk management system based on maintaining sufficient amounts of cash and cash equivalents.

The ultimate responsibility for managing liquidity risk lies with the Corporate Finance Department of the Acciona Group, which devises an appropriate framework for controlling the Group's cash needs in the short, medium and long term. The Group manages its liquidity by maintaining adequate reserves, appropriate banking services and the availability of loans and credit facilities by constantly supervising the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities (see Note 16).

As seen on the enclosed consolidated balance sheet at 31 December 2020, the Group's working capital is negative in the amount of €1,598,263 thousands (€1,377,627 thousands at 31 December 2019), since current liabilities are higher than current assets due to a large extent to the short term financing received from the Group (€1,339 thousands, see Note 19). However, in the opinion of the Parent's directors, no problems are expected to arise in servicing the Group's debts with third parties when they fall due, since the Group's budgets, which reflect management's judgement based on current circumstances and the factors it considers most significant and their most likely evolution, foresee that sufficient funds will be generated to meet the Group's payments in the coming year, considering its financing capacity and that the Group, in any event, continues to have the asset and financial support of its shareholder, given that the latter will not make the short-term debt payable to the extent that this could compromise the normal development of the activity of Corporación Acciona Energías Renovables, S.L. Group.

Economic risk "*vs*" budget deviations

The Group has a global economic and budget control system for each line of business adapted to each business activity that provides the people responsible for the business with the information they need to control potential risks and take the most appropriate decisions. Periodically, the economic and financial management information is contrasted with the estimates and indicators, evaluating the deviations in terms of business volume, profitability, cash flows and other relevant and reliable indicators, taking the pertinent corrective measures as needed.

Price risk

With regard to price risk in the Spanish electricity market, Legislative Royal Decree 9/2013, which introduced urgent measures to guarantee the financial stability of the electrical system, was published on 12 July 2013. This Royal Decree, which took effect on 13 July 2013, abolished other Royal Decrees including RD 661/2007 of 25 May, discussed above, which regulated the compensation framework for electricity plants such as those owned and operated by Corporación Acciona Energías Renovables, S.L. Group in Spain as part of the support system for renewable energies. The new compensation scheme was established in Royal Decree 413/2014, which was published on 6 June 2014, regulates electricity production using renewable energy sources, co-generation and waste.

Under this new methodology, in addition to the compensation for the sale of electricity at market rates, certain power plans can receive special compensation composed of a price per unit of installed power to cover the investment in standard facilities that cannot be recovered by selling the electricity on the market and a portion for operations that covers the differences between operating costs and revenues as a result of participating in the standard rate market. The terms of the compensation paid to offset investment and operating costs are reviewed every 3 years, considering the income from energy sales at market prices by standard facilities, so that upward or downward variations that fall outside the range established in the Royal Decree are included in the special compensation calculation. All of the model's parameters with the exception of useful life and the value of the investment in the plant can be adjusted at the end of the regulatory period (six years). The new compensation parameters for the second regulatory period were published in the first quarter of 2020 and apply to the period from 2020 up to and including 2025.

Therefore, what is clear from the current regulatory framework is that a significant part of the Group's renewable assets, especially wind power technology launched before 2004, as well as many of its mini-hydroelectric plants, will no longer receive additional compensation at market price, which means they are exposed to price fluctuations in the electricity market.

Compensation for investments and operations are established in such a way to guarantee that the plants obtain a reasonable return over their useful lives. As for what is considered a reasonable return, the Decree 9/2013 indicates that for the first regulatory period from 2014 through 2020, a reasonable return is considered the average return on a 10-year treasury note on the secondary market, pre-tax, plus an appropriate differential of 300 basis points (value: 7.398%), with the possibility of an adjustment every six years. There is one notable change that will apply in the new regulatory period: Royal Decree Law 17/2019, published on 22 November 2019, introduces urgent measures to adapt the compensation parameters affecting the electricity system in response to the phasing out process of thermal power plants. This Royal Decree-Law updated the value of the reasonable return applicable for the period 2020-2025 to the specific compensation scheme (7.09%). In addition, to reinforce the stability of the regulatory framework for plants that were receiving primary compensation prior to the entry into force of Royal Decree-Law 9/2013, are allowed to maintain the rate of return set in the first regulatory period (7.398%) until 2031. This is contingent on the waiver of the continuation or initiation of new legal or arbitration proceedings, as well as the waiver of any possible compensation arising from such proceedings.

Of the Group's total production in the domestic electricity market, approximately 55% is subject to regulated compensation and the remainder is remunerated at market price.

Globally speaking, with respect to price risk in the electricity markets of the various countries where the Corporación Acciona Energías Renovables Group operates, approximately 32% of the Group's production is subject to a long-term price agreement established with a third party (PPA), 38% is subject to feed-in tariff regulation and the remainder, approximately a 30%, is sold on the open market. The vast majority of the PPA contracts of the Group are settled through the physical delivery of energy and they were formalized and are maintained with the objective of receive or deliver energy based in the expected use, sell or consume that is based on the Group general strategy, so they are not measured art fair value (see Note 3.2.F). These PPA that are not settled or intended to be settled through the physical delivery of energy, the Group measures them at fair value with changes through the income statement or equity in case hedge accounting can be applied (see Note 18)

18.- <u>Derivative financial instruments</u>

The derivative financial instruments in place at 31 December 2020 and 2019 are shown on the enclosed consolidated balance sheet at fair value, as detailed below:

Thousands of euros		31.12.2020			
Type of derivatives	**Hierarchy lelel**	**Assets (Notes 9 & 10)**		**Liabilities (Notes 16 & 20)**	
		Current	**Non current**	**Current**	**Non current**
Interest rates hedges	Level 2	--	--	2,970	28,401
Foreign Exchange hedges	Level 2	17,691	--	--	--
Energy derivatives	Level 2	1,174	4,116	--	--
Other Energy derivatives	Level 2	--	62,412	--	29,292
Total derivatives		**18,865**	**66,528**	**2,970**	**57,693**

Thousands of euros		31.12.2019			
Type of derivatives	**Hierarchy lelel**	**Assets (Notes 9 & 10)**		**Liabilities (Notes 16 & 20)**	
		Current	**Non current**	**Current**	**Non current**
Interest rates hedges	Level 2	1,134	--	2,046	28,598
Foreign Exchange hedges	Level 2	--	--	1,535	--
Energy derivatives	Level 2	--	--	--	2,336
Other Energy derivatives	Level 2	--	69,734	--	59,087
Total derivatives		**1,134**	**69,734**	**3,581**	**90,021**

Interest rate hedges

In keeping with the policies of the Acciona Group, Corporación Acciona Energías Renovables, S.L. Group regularly uses interest rate derivatives as hedging instruments. These instruments are intended to reduce the potential risk of fluctuations in cash flows due to the adjustable interest rates on non-current financial liabilities.

The interest rate hedges in place at 31 December 2020 and 2019 are shown on the enclosed consolidated balance sheet at fair value, as detailed below:

Interest rate hedges	**2020**				**2019**			
(thousands of euros)	**Notional amount**	**Financial liabilities**	**Financial assets**	**Investments en associates (*)**	**Notional amount**	**Financial liabilities**	**Financial assets**	**Investments en associates (*)**
	Cash flow hedges:				*Cash flow hedges:*			
Interest Rate Swap (**)	444,263	(31,371)	--	(14,277)	910,640	(30,644)	1,134	(11,326)
Total	**444,263**	**(31,371)**	**--**	**(14,277)**	**910,640**	**(30,644)**	**1,134**	**(11,326)**

(*) The investments in associates are net of taxes.
(**)Financial liabilities of the interest rate swap has been registered in "Loans and borrowings" caption of the consolidated balance sheet

The most commonly used interest rate derivatives are interest rate "swaps" whose purposes is to fix or limit the evolution of the floating interest rates on financing. These financial derivatives are used primarily to hedge the cash flows from the debt taken out to finance the wind farms and the other power plants using renewable energy sources.

At 31 December 2020 and 2019, the fixed interest rates on these financial derivatives pegged to the Euribor ranged from 0.46% to 4.96%

The amounts recognised by the Group are based on the market value of equivalent instruments on the date of the consolidated balance sheet. Practically all of the interest rate swaps are designed to be effective as cash flows hedges and the fair value is deferred and recorded in equity.

The periods in which these cash flow hedges are expected to have an impact on the income statement, in proportion to the percentage of ownership, are as follows

	Future settlements				
	< 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**+ 5 years**
Group Companies	--	--	9,027	23,751	1,458
Associates (*)	556	176	2,857	11,256	6,645

(*) Investments in associates are stated at the Group's percentage of ownership and are shown without considering the tax effect.

Changes in the fair value of these instruments are carried directly to equity (see Note 14.d). The anticipated or deferred tax assets generated by recognising these financial instruments, which at 31 December 2020 totalled €8,158 thousands (€7,740 thousands at 31 December 2019), are recorded with a debit or credit to equity (see Note 21).

The methods and criteria used by the Group to determine the fair value of the financial instruments is described in note 3.2.E) of these consolidated annual accounts.

The notional value of the liabilities hedged by the interest rate swaps came from:

	2020	**2019**
Group companies and associates	271,267	738,556
Associated enterprises	172,996	172,084
Total notional value	**444,263**	**910,640**

(*) Amounts based on percentage of ownership.

The notional contractual amount does not refer to the risk assumed by the Group, since this amount is only used as the basis upon which the settlement calculations are made. The changes in the notional values of the financial instruments contracted in recent years, in proportion to the percentage of ownership, are shown below:

	Evolution of notional value				
	2022	**2023**	**2024**	**2025**	**2026**
Group Companies	133,469	108,295	85,401	67,544	46,668
Associates (*)	127,688	106,878	91,561	66,792	61,145

(*) Amounts based on percentage of ownership.

Exchange rate hedging

The Group uses currency derivatives to hedge significant future transactions and cash flows. In 2020, the Group hedged part of its purchases and payments to creditors in euros using exchange rate hedges.

At 31 December 2020, the market values of exchange rate hedges are recognised under current assets as "Fair value of financial derivatives" in the amount of €17,691 thousands and they mainly relate to exchange rate hedges for the construction of two wind farms in Chile and one wind farm in the United States.

The settlements of these instruments led to the recognition of an additional €15,057 thousands in “Gains and losses on foreign exchange" in 2020.

The amounts recognised by the Group are based on the market values of equivalent instruments at the balance sheet date. Practically all forex transactions are designed and are effective as cash flow hedges and their fair value is deferred and recorded, depending on whether the hedge item is registered as well or not, in equity or in the income statement of the period.

Details of outstanding transactions as at 31 December 2020, in thousands of euros, are as follows:

			2020	
	Currency	**Final maturity**	**Contracted Amount**	**Financial assets (Note 11)**
Foreign currency purchases	EURO	16.02.2021	200,168	17,691
Total			**200,168**	**17,691**

Energy derivatives

As part of their operations, Group companies seek to enter into long-term energy sales contracts for part or all of the energy produced at their facilities in order to partially or fully mitigate the risks of fluctuations in market prices. Depending on the regulatory framework in which the facilities operate, these contracts may be concluded with physical delivery of energy (under Power Purchase Agreements or PPAs) or through financial derivatives in which the underlying is the market energy price. They are settled periodically at the difference between this price and the contractually established strike price for production.

In this case, the Group records the market value of the derivative, provided that it cannot be demonstrated that it is consistent with the energy sales strategy established for the facility. Depending on the characteristics of the contract and the way in which it is settled, the Group designates it as a hedge or as a change through profit and loss.

The total value of the energy derivatives that are registered at 31 December 2020 and 31 December 2019, is as follows, in thousands of euros:

2020			2019		
Contracted amount	**Financial liability**	**Financial asset**	**Contracted amount**	**Financial liability**	**Financial asset**
438,847	29,292	67,701	526,613	61,423	69,734

Energy hedging derivatives

Three Australian subsidiaries of the Group have signed agreements that allow them to set the future sale price of electricity for a certain volume of MWh. These contracts are carried at market value and changes in value are recorded as adjustments due to changes in the value of equity.

Energy derivatives	2020			2019		
(thousand of euros)	**Contracted amount**	**Financial liability**	**Financial asset**	**Contracted amount**	**Financial liability**	**Financial asset**
Accounting hedge	143,742	--	5,290	178,282	2,336	--

At 31 December 2020, the impact in reserves, profit and loss and non-controlling interests, net of the tax impact, amounted to a positive amount of €2,485 thousands, a positive balance of €769 thousands in the income statement and a negative balance of €769 thousands in non-controlling interests, all with

a balancing entry of €5,290 thousands in the accounts receivable from non-financial derivatives in "Non-current receivables and other non-current assets" (see Note 10).

Energy derivatives classified as fair valued with changes in the consolidated income statement

Certain long-term energy sales contracts in Chile and the United States, due to their contractual and settlement conditions, cannot be treated as hedges. Therefore, the Group assesses them at the year-end and any change in value is recorded in the income statement under "Gains/(losses) on changes in value of financial instruments at fair value".

At the time of contracting, if value determined by the Group is anything other than zero, it is recorded against an asset or liability, as appropriate, provided that the assumptions used to calculate their value, mainly the quotation of long-term energy prices, are not fully observable on an active and sufficiently liquid market (see Note 10).

Other Energy derivatives	2020			2019		
(thousand of euros)	Contracted amount	Financial liability	Financial asset	Contracted amount	Financial liability	Financial asset
Changes through P&L	295,105	29,292	62,412	348,361	59,087	69,734

The change in the valuation has been booked in "income from changes in the value of financial instruments at fair value" on the consolidated income statement resulting in an income of €23,586 thousands in year 2020 (€1,383 thousand of income in the year 2019).

The impact of derivative instruments on equity at 31 December 2020 is summarised below (in thousands of euros:

Item	2020
Financial liability for interest rate hedge	31,371
Financial asset from interest rate hedges (note 9)	--
Negative impact of interest rate hedges on equity, net of taxes	14,277
Net tax receivable from interest rate hedges	(8,158)
Other, mainly external holdings in interest rate hedges	(9,766)
Adjustment for change in the value of interest rate hedges	**27,724**
Adjustment for change in the value of energy contracts (net external and tax)	(2,485)
Total receivable balance for adjustments due to value changes at 31 December (note 13)	**25,239**

19.- Payables to Group companies, associated and related parties

This caption on the consolidated balance sheet includes the financing extended by Acciona Financiación Filiales, S.A., a member company of the Acciona Group, as well as the accrued and unpaid interest at the end of the year, in thousands of euros.

	2020		2019	
	Non-current	Current	Non-current	Current
Acciona Financiación Filiales, S.A.	806,319	1,310,665	629,665	1,356,065
Acciona Financiación Filiales Chile, SPA	457,722	15,764	440,638	12,799
Acciona Financiación Filiales Australia Pty Ltd	305,193	12,310	286,125	14,258
Financial liabilities with Group companies and associates	**1,569,234**	**1,338,739**	**1,356,428**	**1,383,122**
Atlanta Renewables, S.A.R.L.	--	--	275,199	1,533
Other	205,790	602	138,236	893
Financial liabilities with other related parties	**205,790**	**602**	**413,435**	**2,426**
Total	**1,775,024**	**1,339,341**	**1,769,863**	**1,385,548**

a) Financial liabilities with Group companies and associates

The main credit facilities recognised by the Parent company at 31 December 2020 extended by Acciona Financiación de Filiales, S.A.U. mature in 2021, although the debt will not be called by the lender as this could compromise the normal course of the Group's operations, as discussed in note 17. In note 30 of the present consolidated annual accounts for the year 2020 there is a description of the capitalization of the financial liabilities with Acciona Group companies made by the Group in March 2021.

The most salient features of these lines of credit are as follows:

Company	Granted on	Credit limit	Maturity date	Drawn 31/12/2020
Acciona Financiación Filiales S.A.	01-04-2016	256,474	27-04-2024	256,474
Acciona Financiación Filiales S.A.	19-10-2016	2,634,000	19-10-2021	934,805

These loans accrue interest at a fixed market rate. The total accrued and unpaid interest at 31 December 2020 was €13,043 thousands (€14,455 thousands at 31 December 2019).

In addition, a loan agreement was signed in 2016 in the amount of US$ 550 million granted by Acciona Financiación Filiales, S.A., a member company of the Acciona Group. This is an interest-bearing loan tied to the Libor plus a differential, and it matures in 2021.

In 2017 a new loan agreement was entered into for CAD €44,200 thousands granted by Acciona Financiación Filiales, S.A. This loan accrues interest at CAD plus a market spread and matures in 2022.

The breakdown of the maturity dates on these loans at 31 December 2020 for 2021 and thereafter until maturity is as follows:

2021	2022	Total
302,302	10,947	**313,249**

The Parent company's holdings in certain companies are in the form of pledges to secure these loans.

In addition, at the end of 2020 there were other loan agreements in place with Acciona Financiación Filiales, S.A., Acciona Financiación Filiales Chile, SPA and Acciona Financiación Filiales Australia Pty Ltd for the financing of projects in Australia, Chile and Mexico. These are interest-bearing loans tied to the Libor plus a differential (see note 30 where is disclosed the capitalization of the financial liabilities with Acciona Group companies made by the Group in March 2021).

b) Financial liabilities with other related parties

In 2014 the infrastructure fund KKR, through its investee Atlanta Renewables, S.A.R.L., subrogated one third of the subordinated debt of Acciona Energía Internacional, S.A. In December 2020, following the change in the shareholder structure of Acciona Energía Internacional, S.A., as discussed in Note 2.3.g, these loans were cancelled through capitalisation.

Other related parties at 31 December 2020 include financial contributions made by other shareholders with minority interests in Group projects and facilities, mainly three wind farms in the United States through the Tax Equity Investor structure in the amount of €199 million at 31 December 2020 (two wind farms at 31 December 2019 for a total of €127 million). These loans accrue annual interest at a rate equivalent to the target return established in the contract (see Note 2.3.f).

20.- Other current and non-current liabilities

The breakdown of this item on the balance sheet heading is as follows, in thousands of euros:

	Non-current		Current	
	2020	2019	2020	2019
Grants	89,454	101,756	--	--
Other deferred income	55,186	65,700	--	--
Creditors falling due after more than one year	9,144	19,282	--	--
Non-financial derivatives	29,292	61,423	--	--
Outstanding salaries	--	--	10,713	13,913
Other creditors	--	--	106,552	9,133
Fixed asset suppliers	4	2	806,691	502,777
Payable to Group companies	--	--	17,493	14,384
Taxes (note 20)	--	--	70,716	67,260
Closing balance	**183,080**	**248,163**	**1,012,165**	**607,467**

The changes under the heading of "Grants" in 2020 and 2019 were as follows:

	Grants
Balance at 31.12.2018	**106,300**
Added	354
Grants released to income (note 23)	(6,844)
Other	1,946
Balance at 31.12.2019	**101,756**
Added	613
Grants released to income (note 23)	(4,921)
Other	(7,994)
Balance at 31.12.2020	**89,454**

The most significant change in both 2020 and 2019 was due to the amount carried to the FY profit and loss. The caption "Other" mainly reflects exchange rate differences arising from the appreciation of the US dollar against the euro.

"Other deferred income" mainly includes €33 million (€39 million in 2019) which reflects the initial value of a non-financial derivative contracted by a Chilean subsidiary of the Group to supply energy to a client starting in 2017 at an inflated fixed price for 13 years (see Note 9).

At 31 December 2020, the caption titled "Payables on non-financial derivatives" includes €29 million (€61 million in 2019) as the fair value of commodity derivatives contracted by subsidiaries in the United

States and Australia for the supply of energy under which they are able to fix the forward selling price of electricity for a certain volume of MW. These contracts are recognised at market value.

The increase in "Fixed assets suppliers" is mainly due to changes in investments in progress and pending payment for wind farms under construction in the United States, Mexico, Australia and Chile, as well as photovoltaic plants in Chile.

“Other payables" shown as current liabilities on the consolidated balance sheet at 31 December 2020 were up compared to last year due to a short-term liability recognised for the settlement reached in connection with settlement procedure with Solargenix LLC. The lawsuit affects various subsidiaries in which the Acciona Group has direct and indirect holdings, including Acciona Energía, S.A. and Acciona Energy North America Corporation. The agreement, signed in August 2020, indicates, among other matters, a total amount of $172,849,349.88 in several payments in 2020 and 2021 . Of that amount, $25.000.000 has been paid to date.

Of the total consideration, Group Corporación Acciona Energía Renovables assumes €86,284 thousands (USD 102,413,00 thounsands), payable in 2021. Of this amount, €30,000 thousands was recognised at 31 December under as non-current liabilities as "Provisions" on the consolidated balance sheet at 31 December 2019 (see Note 15) and €56,284 thousands was recognised as a cost for the year 2020 under "Depreciation and amortization charge and changes in provisions" on the consolidated income statement (see Note 24).

The amount recognised under “Payable to group companies and associates" on the liability side of the consolidated balance sheet includes amounts owed to Acciona, S.A. and other Acciona group companies as a result of the consolidated income tax and VAT regime in Spain.

21.- Tax situation

Tax consolidation scheme

Under current law, the consolidated tax groups include the parent company along with certain subsidiaries that meet the legal requirements. The company Corporación Acciona Energías Renovables, S.L. and certain Group companies that meet the legal requirements have been part of the consolidated tax group headed by Acciona, S.A. since 2008.

All other subsidiaries of the Group either file their taxes individually or jointly as part of smaller groups, according to the local tax laws in each country. Besides the Spanish tax group, the Group files consolidated taxes in Australia (including all member companies of the Acciona Group operating in that country), the US, Portugal and Italy.

Effective 1 January 2008, certain investee companies of the Group joined the special VAT system for business groups provided for in Chapter IX, Title IX of the Value Added Tax Act 37/1992 of 28 December. The parent company of the group is Acciona, S.A. A number of other Group companies located in Navarra, Italy and Australia are also members of the VAT tax group.

Years open to tax inspection

On 21 May 2015, the group was notified by the tax authorities that they would be auditing the corporate income tax returns of Acciona, S.A. as the parent company of the group and those of various subsidiaries for the 2010-2012 financial years. The proceedings concluded with an agreement between the company and the tax authorities for corporate income tax and agreements on value added tax, without penalties, in the same terms as in previous proceedings.

On 10 January 2013, Guadalaviar Consorcio Eólico, S.A. was notified of the commencement of an audit of its 2008 and 2009 corporate tax and VAT tax returns, during which the value of the wind farm rights transferred in 2009 was reviewed. The audit ended with an assessment which was disputed by the company in which the tax authorities increased the value of the wind power rights over what had been declared by the parties. The company received the settlement agreement from the Central Office for Large Taxpayers on 23 December 2013 and filed the corresponding economic-administrative complaint with the Central Economic-Administrative Court (TEAC) on 13 January 2014. On 16 February 2017, the TEAC issued a resolution partially upholding the claim and ordering the tax inspectors to notify the company of its right to seek an adversarial expert appraisal. On 27 August 2017, the Technical Office of the AEAT's Tax and Customs Control Department notified the TEAC of a new settlement agreement and issued a Resolution Enforcement Agreement.

On 22 September 2017, the company filed an economic-administrative claim with the TEAC against the aforementioned Settlement Agreement and requested the automatic suspension of the debt without bond. Arguments were presented to the TEAC on 5 April 2018 and the case is still pending as of today's date. On 20 October 2020, a notification from the TEAC was received showing a partial estimation resolution by which it considers that part of the expert appraisal is inaccurate and not reasoned enough so it orders the Oficina Técnica to issue a new liquidation. On 11 December 2020, the company filed an economic-administrative appeal with the Audiencia Nacional.

A request was made to suspend the enforcement of the disputed assessment, with no bonds provided. On 6 October 2014, an appeal was lodged with the Audiencia Nacional (Spanish National Court) against the TEAC's decision, which was dismissed. In its ruling of 19 November 2014, the National Court denied the application for the suspensions. The company filed a cassation appeal with the Supreme Court on 2 February 2015 and on 28 January 2016 was notified that the appeal had been upheld by the court, following which the National Court agreed to suspend the enforcement of the tax debt. As a consequence of the notification of a new liquidation act motivated by the execution of the resolution of TEAC, which includes a tax debt, the entity request again to suspend the execution of this debt with no bonds provided. On 25 June 2019, TEAC dismissed the request for the bonds suspension. Again this decision, another economic-administrative appeal was lodged to the Audiencia Nacional, that is pending decision nowadays. Moreover, always inside this court proceedings, a new separated peace was opened for its suspension. The Audiencia Nacional has accepted this suspension admitting as bond the wind generation rights of Areas 10 and 12 of the Wind Power Plan of the Comunidad Valencia.

The amount of the adjustment, including late interest through the date of the appealed settlement, for which the Company would be liable, is €7,211 thousands and it is estimated that considerable liabilities will likely materialise.

At 31 December 2020, the corporate tax returns of the companies that are part of the consolidated tax group and all other major tax returns that are subject to inspection, and for which the statute of limitations had not expired, were open to inspection by the tax authorities. Generally speaking, all other consolidated Spanish companies are subject to inspection by tax authorities in relation to the main taxes for the last four financial years. Foreign entities, on their side, are subject to an inspection period that, in the majority of the jurisdictions in which the Group operates, is between four and five years.

Because tax laws are open to different interpretations, the results of any future tax inspections by the tax authorities could give rise to tax liabilities, the amount of which cannot be objectively quantified at this time. However, the possibility of significant additional liabilities arising is remote and the Group's directors believe that any liabilities that might arise would not have a material impact on the equity of the Group.

Taxes and social security

At 31 December, the debit and credit tax balances with Public Entities are as follows:

	2020		2019	
	Deferred	**Current**	**Deferred**	**Current**
Debit balances	**361,699**	**138,838**	**363,305**	**141,552**
VAT/IGIC	--	107,735	--	93,701
Tax refund	--	1,868	--	2,413
Deferred taxes receivable	361,699	--	363,305	--
Current tax assets	--	29,235	--	45,438
Total payables	**541,449**	**76,113**	**506,242**	**80,935**
Corporate tax	--	5,397	--	13,675
Personal income tax withholdings	--	5,615	--	6,019
VAT/IGIC	--	34,262	--	36,686
Deferred taxes payable	541,449	--	506,242	--
Social Security	--	1,347	--	1,360
Electricity tax	--	25,005	--	20,666
Other	--	4,487	--	2,529

Reconciliation of carrying results with fiscal results

The reconciliation between pre-tax carrying results and corporate tax liability at 31 December 2020 and 2019 is shown below:

	Thousands of euros	
	2020	**2019**
Consolidated profit before tax	319,426	284,963
Permanent differences	73,645	37,454
Adjusted carrying result	393,071	322,417
Adjusted tax expense	104,271	83,917
Deductions	(1,428)	(1,029)
Unrecognised tax credits	7,373	5,960
Tax expense for the year	110,216	88,848
Change in tax rate	--	53
Adjustment of prior year taxes	(14,302)	(18,237)
Tax expenses posted to the income statement	**95,914**	**70,664**
Current tax expense	73,717	74,857
Deferred tax expense	22,197	(4,193)

“Permanent differences” include income and expenses that are not computable under applicable tax laws. They also include results that are eliminated during the consolidation process but are nonetheless fully effective from a tax perspective as far as the individual tax returns of the corresponding Group entities are concerned, especially those which are not part of the tax group.

Some of the most significant items included as permanent differences in 2020 refers to the positive differences in an amount of 32,387 thousands of euros arising in relation of inflationary tax adjustments on entities that are taxed in Chile and Mexico (positive differences of 40,302 thousands of euros in 2019). Likewise, it includes the positive differences in an amount of 8,857 thousands of euros in relation to certain companies whose financial statements are incorporated into the Group’s as a result of the functional currencies in which their operations are denominated or because, under the applicable laws in their countries, their taxes are paid on the basis of the financial statements converted to the local currency (positive differences of 22,636 thousands of euros in 2019).

Lately, in 2019 an amount of 13,619 thousands of euros highlights as negative permanent differences resulting from profits that are not subject to tax related with the sale, transfer or liquidation of participations in group entities or associates.

The "Tax expense adjusted to the tax rate" is obtained by applying the pertinent tax rate to the adjusted carrying values in each jurisdiction where the Group operates.

The item titled "Unrecognised tax credits" reflects the impact of not recognising the tax effects of the losses generated by certain subsidiaries.

"Adjustments on prior year taxes" includes primarily the re-estimation of tax credits and other tax deductions registered in past years due to the existence of projects or operations that permits that re-evaluation or else due to the foreign exchange evolution applied to the deferred tax assets and liabilities in these affiliates that are taxed in Chile and Mexico which functional currency is the USD or as a consequence of the price index actualization on tax credits in those jurisdictions in which this right is applicable.

Taxes recognised in equity

Aside from the taxes on profits recognised in the consolidated income statement, in financial years 2020 and 2019 the Group recorded the following items and amounts in consolidated equity:

	Thousands of euros	
	2020	**2019**
Changes in the fair value of financial instruments	(1,871)	(5,616)
Profit/(loss) for the year	130	228
Total	**(1,741)**	**(5,388)**

Deferred tax assets and liabilities

Pursuant to the tax codes in the different countries where the consolidated companies are located, certain timing differences arose in financial years 2020 and 2019 which must be considered when calculating the corporate income tax

The origins of the deferred taxes recorded in both years are shown below:

	Thousands of euros	
Deferred taxes receivable arising from:	**2020**	**2019**
Tax loss carryforwards	204,063	227,905
Derivative financial instruments	8,271	9,517
Gains (losses) on foreign exchange	--	--
Impairment and other provisions	52,023	49,053
Other items	97,342	76,830
Total deferred taxes receivable	**361,699**	**363,305**

	Thousands of euros	
Deferred taxes payable arising from:	**2020**	**2019**
Derivative financial instruments	9,600	8,617
Free and accelerated amortization	335,786	291,847
Finance leases	1,597	1,957
Assignment of first consolidation differences to assets	106,272	115,318
Other items	88,194	88,503
Total deferred taxes payable	**541,449**	**506,242**

Set out below is an analysis of deferred taxes, which are shown net of accounting effects at the financial year end:

Assets	2020	2019	Liabilities	2020	2019
Tax loss carryforwards	--	39,196	Other items	92,324	134,079
Other items	92,324	94,883		--	--
Deferred taxes receivable	**92,324**	**134,079**	**Deferred taxes payable**	**92,324**	**134,079**

"Tax loss carryforward" generated by group entities and affiliates that forms part of consolidated tax group headed by Acciona, S.A. and that are pending to be compensated amounts 10.642 thousands of euros at 31 December 2020. Of this amount, 10,156 thousands of euros are tax losses carryfoward that has not been capitalized in the consolidated balance sheet as of 2020 closing because there is not complete assurance about the generation of future economic benefits or because the tax ruling stablished any requirement or limitation that limits its compensation.

Moreover, some affiliates that are taxed in Mexico, United States, Australia, Chile, South Africa, among others, have Tax Credits accounted for their tax losses carryforward. At the same time, there are tax losses not capitalized in foreign affiliates in an amount of 423 million euros, mainly in the United States, Poland and India.

At the 2020 year end, the maturity dates of the tax credits arising from tax loss carryforwards pending application were as follows in thousands of euros:

Amount	Expiration
104,577	2024-2029
23,080	2032-2033
76,406	No statute of limitations
204,063	

The Corporate Tax Law 27/2014 of 27 November eliminated, effective on 1 January 2015, the 18-year deadline for offsetting tax losses, making the deadline indefinite.

Of this amount, €158,934 thousands pertains to tax credits claimed in the US, Mexico, Chile, South Africa and Australia, basically due to the fact that the laws in these countries provide for accelerated amortization.

There are deductions pending to be used mainly in Spain for an amount up to 8.088 thousands of euros. On 31 December 2020, the maturity dates of the deduction pending compensation that are registered in the consolidated balance sheet as of that date, in thousands of euros, were as follows:

Entity	Amount	Maturity period
Acciona Energía Internacional, S.A.	8,088	Not limited

At the end of the year there were no significant deductions pending application that had not been capitalised.

Regarding the tax loss carryforwards and deductions pending compensation shown on the books, the Group hopes to recover them in the course of the company's ordinary operations without any risk to equity. Following, it is disclosed the period estimated for the recoverability of the tax losses on the main countries in which the Group operates, based on their local business plans:

Reference	Amount	Max. recovery period (years)
NOL´s AENA Tax Group (USA)	23,115	9
NOL´s Mexico	99,023	8
NOL´s Australia	8,892	8
NOL´s Chile	28,399	6

The majority of the deferred tax assets inside "Other items" refers to the adjustment from the 30% limitation on the deductibility of the accounted amortization in the Spanish entities implemented temporarily for the years 2013 and 2014 and that starts reverting from 2015 amounting as of 31 December 2020 to 10 million euros. Likewise, this caption includes the standardization adjustments made inside the consolidation process and the internal margin eliminations that are reverted on the same basis that the related assets are depreciated.

Lately, this same "Other items" caption as well as the one for the deferred tax liabilities includes the temporary differences arising from adjustments on the application of specific tax rules in foreign countries that considers as applicable for tax purposes only revenues or expenses that are settled, paid or collected, and so, do not consider accounting accruals or percentage of completion recognition as relevant for tax purposes, as it may happen in the Unites States, Mexico or Australia.

Reporting obligations

The laws in force on corporate income tax establish different tax incentives designed to foster certain investments. The companies have taken advantage of the tax incentives provided for in those laws.

The Group, through some of its subsidiaries, is obligated to comply with the commitments undertaken in relation to tax incentives, in particular the requirement keeps certain assets associated with the investment or reinvestment deduction in their possession.

In 2020 there were no operations of the kind discussed in article 86 of LRD 4/2014 (Revised Text of the Corporate Tax Act), which are subject to the special rules governing mergers, absorptions, investments of assets or security swaps.

As established in article 86.3 of Law 27/2014 TRLIS, the information required for the transactions carried out in prior years is contained in the approved individual reports.

In 2008, 2009, 2010, 2011 and 2012, various investee companies took deductions for impairment losses on the capital investment in Group companies, joint ventures and associates as provided for in article 12.3 of LRD 4/2004 (revised text of the Corporate Tax Law), regulated in the Sixteenth Transitory Provision of Law 27/2014.

Law 16/2013 of 29 October repealed Article 12.3 TRLIS, effective on 1 January 2013, vis-a-vis the deduction of impairment losses on these holding and established a transitional period of the inclusion of pending losses as of 31/12/2012 into the tax base.

Royal Decree Law 3/2016 of 2 December adopting tax measures aimed at consolidating public finances and other urgent social measures, establishes a minimum mandatory reversal of deductible portfolio impairments, which must be carried out within a maximum of five years, effective from 2016 onward.

The reports on the individual annual accounts of these companies include the information required by tax legislation regarding the difference in the year between the equity of the investees, the amounts included in the tax base and the amounts that are still pending.

22.- <u>Guarantees to third parties</u>

The companies have provided third party guarantees to customers, public bodies and financial institutions, amounting to €732 million at 31 December 2020. The amount of the guarantees provided at 31 December 2019 was €748 million.

Similarly, certain Group companies along with other Acciona Group companies act as joint and several guarantors with the European Investment Bank for a total of €12 million. The purpose of this instrument is to guarantee the loan extended by the bank to Acciona, S.A. to finance a project comprising multiple parts of the R&D&I programme called the "Acciona RDI Project".

Most of the bonds are used to guarantee the satisfactory performance of the member companies' business activities. The directors of the parent company have determined that any liabilities arising in connection with these bonds would not be significant.

The Parent Company’s direct and indirect holdings in certain companies are used to guarantee the loans and credit lines extended by the financial institutions to these companies.

23.- <u>Turnover</u>

Turnover

The details of the Group’s revenues are given below:

	Thousands of euros	
	2020	**2019**
Sales		
Energy	1,184,744	1,286,435
Plant and equipment	2,505	21,878
Biofuels	2,060	3,158
Retailer	391,508	535,634
Other sales	126,574	85,369
Services rendered	51,753	62,253
Total turnover	**1,759,144**	**1,994,727**

These sales include an estimate of the energy supplied to electricity marketing customers, mainly in Spain and Portugal, which is pending invoicing at year-end. The estimation is calculated on the definitive consume confirmed by the system operators definitively in the following month from the monthly closing, moment in which the Group proceeds with the billing.

At 31 December 2020, the Group has recognised €34,297 thousands in retailer energy sales not yet invoiced (€37,702 thousands at 31 December 2019).

The breakdown of the Group companies total production, by geographical area is disclosed in Note 25 “Segment reporting”.

Other income

This caption on the consolidated income statement for the year mainly comprises income from work carried out by certain Group companies on the construction of electricity production facilities (see Note 3.2.a), primarily projects in Mexico, Chile, the USA and Australia. The amount recorded for this item in 2020 was €520,280 thousands (€434,267 thousands in 2019).

Also included under this heading are the capital grants released to the income statement in 2020 in the amount of €4,921 thousands (see Note 20) and in 2019 in the amount of €6,844 thousands.

24.- Expenses

Operating expenses

The breakdown of the Group's operating expenses is as follows:

	2020	2019
Supplies	904,677	1,013,083
Purchasing	902,485	1,016,881
Changes in inventories	2,192	(3,798)
Staff expenses	115,353	118,703
Wages and salaries	93,972	95,704
Social Security contributions	14,834	15,127
Other personnel costs	6,547	7,872
External services	400,690	362,537
Taxes	98,028	102,227
Other operating expenses	505	104
Subtotal	**1,519,253**	**1,596,653**
Change in provisions	61,564	5,030
Depreciation and amortization	347,621	412,277
Total	**1,928,438**	**2,013,960**

Human Resources

The average number of people employed in the course of 2020 and 2019, by professional category and broken down between men and women was as follows:

	2020			2019		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and managers	257	69	326	272	73	345
Technical staff with degrees	584	289	873	629	279	908
Administrative and support staff	7	59	66	12	70	82
Other personnel	268	10	278	276	18	294
Average total staff	**1,116**	**427**	**1,543**	**1,189**	**440**	**1,629**

Of the average number of staff in 2020, there were 1,498 permanent employees (1,574 in 2019) 1,086 of whom were men and 412 were women (1,154 and 421, respectively, in 2019).

At 31 December 2020, the average number of people with a disability of 33% or more employed by consolidated companies during the year was 28 (direct and indirect employment). The level of compliance with Law 13/1982 of 7 April on the Social Integration of the Disabled (LISMI), which establishes that in companies with more than 50 employees at least 2% of the employees must be disabled, was 3.58%.

External services

The breakdown of this balance sheet heading on the consolidated income statement is as follows, in thousands of euros:

	2020	2019
Repairs and maintenance	130,365	145,118
Leases and royalties	43,321	41,279
Professional services	89,867	52,545
Insurance premiums	22,394	14,839
Supplies	8,790	9,878
Other expenses	105,953	98,878
Total	**400,690**	**362,537**

Change in provisions

The breakdown of this balance sheet heading on the consolidated income statement is as follows, in thousands of euros:

	2020	2019
Change in bad debt provision	904	1,524
Change in inventories provisions	2,729	513
Other provisions	57,931	2,993
Change in provisions	**61,564**	**5,030**

“Other provisions” at 31 December 2020 refer primarily to the cost of the settlement agreement reached with Solargenix (See Note 20).

As a result of asset impairment

The details of this caption on the 2020 and 2019 income statements are as follows:

	2020	2019
Impairment of other assets (notes 4 and 6)	(84,501)	3,289
Total	**(84,501)**	**3,289**

Income from changes in the value of financial instruments at fair value

At 31 December 2020 and 2019, this caption mainly reflects the result of changes in the fair value of energy sales contracts entered into by Group subsidiaries in the United States, Australia and Chile for the long-term supply of a specific quantity of energy at a set price.

25.- Segment reporting

As indicated in Note 1 of the consolidated annual accounts, the Group's core business is the promotion, construction, operation, maintenance and development of renewable energies; fuel imports and exports, sales and co-generation, including engineering, consulting and auditing of sites and projects and drafting plans.

The values that inspire the business model of Corporación Acciona Energías Renovables, S.L. Group are based on the main geographical areas in which it operates: Spain, the rest of Europe, America and Australia, with a product and service offering that emphasises the supply of solutions to meet the challenges of modern society, always guided by the same underlying principle: the development of energy from renewable resources in a sustainable manner.

Under the heading of "Other Areas", the Group records the activities carried out mainly in South Africa and India. The countries included under the “Rest of Europe” and “America” geographical segments are as follows:

- Rest of Europe: Portugal, Italy, Poland, Ukraine , Croatia and Hungary.
- America: Mexico, Chile, United States of America, Canada and Costa Rica.

Each geographical area is a separate business with its own operating and reporting structure to assess the degree of achievement of objectives. The information reported to Group management and in turn to corporate management of the parent company, the Acciona Group, to assess the performance of the various segments and to allocate resources among them is structured according to this segmentation criterion.

The costs incurred by the Corporate Units are apportioned using an internal cost distribution system among the different countries in each geographical region. Sales between segments are carried out at market prices.

Segmented information for 2020, 2019 and 2018 is presented below:

31.12.20	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**992,154**	**164,256**	**439,520**	**91,865**	**71,349**	**1,759,144**
Other operating income and expenses	(681,578)	(89,101)	(142,210)	(21,299)	(22,916)	(957,104)
Allowances, impairment and other	(130,529)	(25,378)	(131,449)	(18,913)	(18,837)	(325,106)
Profit (loss) of companies consolidated by equity	39,231	14,505	(1,089)	399	4,298	57,344
Operating results	**219,278**	**64,282**	**164,772**	**52,052**	**33,894**	**534,278**
Financial income and expenses	(9,494)	(26,740)	(120,873)	(23,759)	(33,986)	(214,852)
Pre-tax profit (loss) from continuing operations	**209,784**	**37,542**	**43,899**	**28,293**	**(92)**	**319,426**
Income tax expenses	(58,579)	(10,000)	(10,992)	(10,213)	(6,130)	(95,914)
Profit for the year	**151,205**	**27,542**	**32,907**	**18,080**	**(6,222)**	**223,512**
Non-controlling interests	(2,438)	(12,358)	(5,889)	(921)	(3,123)	(24,729)
Profit attributed to the Parent Company	**148,767**	**15,184**	**27,018**	**17,159**	**(9,345)**	**198,783**

Balances as of 31.12.20	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
ASSETS						
Intangible assets and PPE	2,634,747	460,638	3,192,683	565,429	316,261	7,169,758
Right-of-use assets	104,952	36,344	172,460	38,058	680	352,494
Equity-accounted investees	215,954	58,699	42,586	14,290	16,406	347,935
Non-current and other financial assets,	154,085	17,316	352,658	33,468	39,372	596,899
Non-current assets	**3,109,738**	**572,997**	**3,760,387**	**651,245**	**372,719**	**8,467,086**
Inventories	70,575	4,793	29,483	3,466	1,075	109,392
Trade and other accounts receivables	232,301	53,561	69,955	51,913	22,332	430,062
Other assets and other current financial assets	104,014	15,080	174,913	12,979	28,113	335,099
Cash and cash equivalents	237,157	25,392	183,799	131	21,279	467,758
Current assets	**644,047**	**98,826**	**458,150**	**68,489**	**72,799**	**1,342,311**
Total assets	**3,753,785**	**671,823**	**4,218,537**	**719,734**	**445,518**	**9,809,397**
EQUITY & LIABILITIES						
Equity	**966,785**	**464,156**	**1,323,311**	**178,505**	**105,615**	**3,038,372**
Borrowings	677,149	26,751	1,331,147	305,193	235,305	2,575,545
Lease obligations	104,515	36,798	184,271	42,169	547	368,300
Other liabilities	126,378	56,098	585,243	46,454	72,433	886,606
Non-current liabilities	**908,042**	**119,647**	**2,100,661**	**393,816**	**308,285**	**3,830,451**
Borrowings	1,391,854	65,145	59,181	12,337	14,074	1,542,591
Lease obligations	5,586	1,528	11,275	1,290	169	19,848
Trade and other accounts payable and other current liabilities	481,518	21,347	724,109	133,786	17,375	1,378,135
Current liabilities	**1,878,958**	**88,020**	**794,565**	**147,413**	**31,618**	**2,940,574**
Total liabilities and equity	**3,753,785**	**671,823**	**4,218,537**	**719,734**	**445,518**	**9,809,397**

31.12.19	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**1,216,188**	**191,884**	**427,559**	**75,884**	**83,212**	**1,994,727**
Other operating income and expenses	(807,169)	(114,191)	(152,159)	(24,180)	(16,223)	(1,113,922)
Allowances, impairment and other	(194,775)	(30,588)	(135,221)	(23,917)	(22,597)	(407,098)
Profit (loss) of companies consolidated by equity	27,002	16,575	(1,782)	2,412	1,083	45,290
Operating results	**241,246**	**63,680**	**138,397**	**30,199**	**45,475**	**518,997**
Financial income and expenses	(17,533)	(18,652)	(130,794)	(28,732)	(38,323)	(234,034)
Pre-tax profit (loss) from continuing operations	**223,713**	**45,028**	**7,603**	**1,467**	**7,152**	**284,963**
Income tax expenses	(41,612)	(14,583)	(6,249)	(2,470)	(5,750)	(70,664)
Profit for the year	**182,101**	**30,445**	**1,354**	**(1,003)**	**1,402**	**214,299**
Non-controlling interests	(10,022)	(10,233)	(2,229)	1,350	(3,501)	(24,635)
Profit attributed to the Parent Company	**172,079**	**20,212**	**(876)**	**347**	**(2,099)**	**189,664**

Balances as of 31.12.19	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
ASSETS						
Intangible assets and PPE	2,665,874	496,376	2,971,908	459,103	379,397	6,972,658
Right-of-use assets	100,672	31,409	121,845	30,585	346	284,857
Equity-accounted investees	187,158	51,290	52,753	14,387	12,511	318,099
Non-current and other financial assets,	89,044	13,663	407,987	17,111	10,836	538,641
Non-current assets	**3,042,748**	**592,738**	**3,554,493**	**521,186**	**403,090**	**8,114,255**
Inventories	69,942	4,905	40,380	3,717	810	119,754
Trade and other accounts receivables	205,627	47,890	64,674	20,513	24,930	363,634
Other assets and other current financial assets	114,497	27,205	163,893	1,482	32,336	339,413
Cash and cash equivalents	76,518	45,870	138,464	9,309	25,875	296,036
Current assets	**466,584**	**125,870**	**407,411**	**35,021**	**83,951**	**1,118,837**
Total assets	**3,509,332**	**718,608**	**3,961,904**	**556,207**	**487,041**	**9,233,092**
EQUITY & LIABILITIES						
Equity	**806,738**	**493,411**	**1,307,095**	**146,111**	**137,372**	**2,890,727**
Borrowings	822,894	34,292	1,212,758	286,125	273,465	2,629,534
Lease obligations	98,672	31,197	135,714	33,978	370	299,931
Other liabilities	153,105	54,090	657,107	13,653	38,481	916,436
Non-current liabilities	**1,074,671**	**119,579**	**2,005,579**	**333,756**	**312,316**	**3,845,901**
Borrowings	1,392,391	61,054	52,258	14,294	16,123	1,536,120
Lease obligations	5,235	1,185	12,627	1,501	0	20,548
Trade and other accounts payable and other current liabilities	230,297	43,379	584,345	60,545	21,230	939,796
Current liabilities	**1,627,923**	**105,618**	**649,230**	**76,340**	**37,353**	**2,496,464**
Total liabilities and equity	**3,509,332**	**718,608**	**3,961,904**	**556,207**	**487,041**	**9,233,092**

31.12.18	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**1,291,388**	**148,537**	**627,373**	**57,397**	**80,551**	**2,205,246**
Other operating income and expenses	(886,801)	(85,667)	(404,940)	(22,269)	(20,028)	(1,419,705)
Allowances, impairment and other	(178,841)	(23,272)	(110,626)	(19,064)	(22,768)	(354,571)
Profit (loss) of companies consolidated by equity	29,044	12,615	(674)	2,281	3,083	46,349
Operating results	**254,790**	**52,213**	**111,133**	**18,345**	**40,838**	**477,319**
Financial income and expenses	(32,672)	(22,330)	(112,602)	(27,268)	(41,102)	(235,974)
Pre-tax profit (loss) from continuing operations	**222,118**	**29,883**	**(1,469)**	**(8,923)**	**(264)**	**241,345**
Income tax expenses	(48,693)	(9,792)	(24,828)	295	(4,581)	(87,599)
Profit for the year	**173,425**	**20,091**	**(26,297)**	**(8,628)**	**(4,845)**	**153,746**
Non-controlling interests	(9,380)	(9,122)	(1,005)	1,693	(1,838)	(19,652)
Profit attributed to the Parent Company	**164,045**	**10,969**	**(27,302)**	**(6,935)**	**(6,683)**	**134,094**

Balances as of 31.12.18	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
ASSETS						
Intangible assets and PPE	2,846,349	482,106	2,434,768	417,854	398,838	6,579,915
Equity-accounted investees	179,010	46,627	40,196	14,260	16,056	296,149
Non-current and other financial assets.	99,859	15,176	316,858	34,335	8,941	475,169
Non-current assets	**3,125,218**	**543,909**	**2,791,822**	**466,449**	**423,835**	**7,351,233**
Inventories	70,503	3,967	33,699	3,338	898	112,405
Trade and other accounts receivables	426,122	43,857	54,421	12,270	22,582	559,252
Other assets and other current financial assets	107,834	19,606	176,907	10,966	25,866	341,179
Cash and cash equivalents	59,139	28,853	87,162	11,193	22,714	209,061
Current assets	**663,598**	**96,283**	**352,189**	**37,767**	**72,060**	**1,221,897**
Total assets	**3,788,816**	**640,192**	**3,144,011**	**504,216**	**495,895**	**8,573,130**
EQUITY & LIABILITIES						
Equity	**776,988**	**473,621**	**1,229,075**	**147,704**	**145,879**	**2,773,267**
Borrowings	957,403	38,789	948,619	149,210	276,532	2,370,553
Other liabilities	164,347	53,516	568,635	37,463	26,912	850,873
Non-current liabilities	**1,121,750**	**92,305**	**1,517,254**	**186,673**	**303,444**	**3,221,426**
Borrowings	1,552,829	30,362	32,036	149,775	14,137	1,779,139
Trade and other accounts payable and other current liabilities	337,249	43,904	365,646	20,064	32,435	799,298
Current liabilities	**1,890,078**	**74,266**	**397,682**	**169,839**	**46,572**	**2,578,437**
Total liabilities and equity	**3,788,816**	**640,192**	**3,144,011**	**504,216**	**495,895**	**8,573,130**

Investments, calculated as the additions of tangible and intangible assets for the period 2020, 2019 and 2018, are presented below:

Additions of fixed assets and intangible assets	Millions of euros		
	2020	2019	2018
Spain	39.4	4.1	52.1
America	549.1	623.4	330.6
Australia	120.9	71.3	54.0
Rest of Europe	14.6	34.4	32.3
Other zones	0.4	3.4	15.6
Total	**724.4**	**736.6**	**484.6**

In addition to the segmented information, certain information on the countries in the Americas segment for the years 2020, 2019 and 2018 is presented below:

31.12.20	OECD		
	United States of America	Mexico	Chile
Turnover	**70,668**	**173,176**	**153,683**
Other operating income and expenses	(26,642)	(29,896)	(72,034)
Allowances, impairment and other	(43,051)	(43,296)	(29,516)
Profit (loss) of companies consolidated by equity	(104)	(985)	-
Operating results	**871**	**98,999**	**52,133**
Financial income and expenses	(40,350)	(42,531)	(26,785)
Pre-tax profit (loss) from continuing operations	**(39,479)**	**56,468**	**25,348**

31.12.19	OECD		
	United States of America	Mexico	Chile
Turnover	**78,086**	**187,460**	**117,136**
Other operating income and expenses	(23,799)	(61,031)	(54,419)
Allowances, impairment and other	(49,531)	(53,027)	(16,331)
Profit (loss) of companies consolidated by equity	119	(1,900)	-
Operating results	**4,875**	**71,502**	**46,386**
Financial income and expenses	(51,363)	(45,027)	(21,154)
Pre-tax profit (loss) from continuing operations	**(46,488)**	**26,475**	**25,232**

31.12.18	OECD		
	United States of America	Mexico	Chile
Turnover	**78,238**	**424,997**	**78,845**
Other operating income and expenses	(46,877)	(275,477)	(68,794)
Allowances, impairment and other	(37,655)	(43,034)	(15,794)
Profit (loss) of companies consolidated by equity	(108)	(565)	-
Operating results	**(6,402)**	**105,921**	**(5,743)**
Financial income and expenses	(39,281)	(45,784)	(14,764)
Pre-tax profit (loss) from continuing operations	**(45,683)**	**60,137**	**(20,507)**

Moreover, certain information on the main renewable energy technologies operated by the Group for the financial years 2020, 2019 and 2018 is presented below:

31.12.20	Technology					Total
	Wind	Photovoltaic	Hydraulic	Biomass & Thermosolar	Other	
Turnover	**1,080,980**	**118,334**	**88,755**	**76,635**	**394,440**	**1,759,144**
Other operating income and expenses	(431,920)	(51,405)	(39,597)	(42,806)	(391,376)	(957,104)
Allowances, impairment and other	(199,749)	(24,792)	(25,219)	(74,248)	(1,098)	(325,106)
Profit (loss) of companies consolidated by equity	39,280	18,064	--	--	--	57,344
Operating results	**488,591**	**60,201**	**23,939**	**(40,419)**	**1,966**	**534,278**
Financial income and expenses	(144,202)	(26,515)	(34,213)	(5,798)	(4,124)	(214,852)
Pre-tax profit (loss) from continuing operations	**344,389**	**33,686**	**(10,274)**	**(46,217)**	**(2,158)**	**319,426**
Income tax expenses	(105,410)	(8,255)	6,347	11,239	165	(95,914)
Profit for the year	**238,979**	**25,431**	**(3,927)**	**(34,978)**	**(1,993)**	**223,512**
Non-controlling interests	(18,341)	(6,289)	--	(99)	--	(24,729)
Profit attributed to the Parent Company	**220,638**	**19,142**	**(3,927)**	**(35,077)**	**(1,993)**	**198,783**

31.12.19	Technology					Total
	Wind	Photovoltaic	Hydraulic	Biomass & Thermosolar	Other	
Turnover	**1,172,851**	**107,800**	**91,281**	**84,012**	**538,783**	**1,759,144**
Other operating income and expenses	(438,260)	(58,571)	(44,247)	(46,840)	(526,004)	(957,104)
Allowances, impairment and other	(357,247)	(20,431)	(26,069)	(4,239)	888	(325,106)
Profit (loss) of companies consolidated by equity	31,389	13,898	--	--	3	57,344
Operating results	**408,733**	**42,696**	**20,965**	**32,933**	**13,670**	**534,278**
Financial income and expenses	(158,089)	(27,608)	(36,569)	(7,778)	(3,990)	(214,852)
Pre-tax profit (loss) from continuing operations	**250,644**	**15,088**	**(15,604)**	**25,155**	**9,680**	**319,426**
Income tax expenses	(62,961)	(8,510)	3,970	(4,115)	952	(95,914)
Profit for the year	**187,683**	**6,578**	**(11,634)**	**21,040**	**10,632**	**223,512**
Non-controlling interests	(16,192)	(8,669)	--	226	--	(24,729)
Profit attributed to the Parent Company	**171,491**	**(2,091)**	**(11,634)**	**21,266**	**10,632**	**198,783**

31.12.18	Technology					Total
	Wind	Photovoltaic	Hydraulic	Biomass & Thermosolar	Other	
Turnover	**1,080,289**	**336,499**	**154,534**	**134,168**	**499.756**	**1,759,144**
Other operating income and expenses	(455,761)	(281,061)	(81,566)	(88,429)	(512.887)	(957,104)
Allowances, impairment and other	(317,635)	(18,455)	(24,979)	6,971	(474)	(325,106)
Profit (loss) of companies consolidated by equity	32,448	13,901	--	--	--	57,344
Operating results	**339,341**	**50,884**	**47,989**	**52,710**	**(13.605)**	**534,278**
Financial income and expenses	(147,275)	(29,313)	(37,744)	(17,242)	(4.400)	(214,852)
Pre-tax profit (loss) from continuing operations	**192,066**	**21,571**	**10,245**	**35,468**	**(18.005)**	**319,426**
Income tax expenses	(76,994)	1,482	(3,915)	(9,560)	1.388	(95,914)
Profit for the year	**115,072**	**23,053**	**6,330**	**25,908**	**(16.617)**	**223,512**
Non-controlling interests	(14,333)	(6,216)	--	901	(4)	(24,729)
Profit attributed to the Parent Company	**100,739**	**16,837**	**6,330**	**26,809**	**(16.621)**	**198,783**

The Group has other lines of business that use other types of technologies also associated with renewable energies, which are grouped under “Other”, These are mainly biofuels and other less significant technologies.

Information on the products and services provided by the Group is detailed in note 23.

26.- Financial income and expenses

The breakdown of these items on the consolidated income statement for financial years 2020 and 2019, by origin of the items, is as follows:

	2020	2019
Income and other securities and loans	1,318	5,622
Other financial revenue	2,776	4,513
Total financial income	**4,094**	**10,135**
Payable to third parties	(101,358)	(109,345)
Inefficiency of derivatives	(723)	(1,578)
Financial costs capitalised (note 4)	12,142	12,031
Other finance costs	(148,234)	(158,553)
Total financial expenses	**(238,173)**	**(257,445)**

The amount deducted from equity in 2020 and 2019 and included under financial expenses on debts to third parties for periodic settlements of hedging derivatives of fully consolidated companies is recognised as an increase in financing costs of €12,746 thousands in 2020 and €12,326 thousands in 2019.

27.- Proposed distribution of profit (loss)

The distribution of 2020 profits that the Directors of Corporación Acciona Energías Renovables, S,L, Unipersonal will propose to the Sole Shareholder for approval is as follows (in thousands of euros):

	2020
Available for distribution	185,608
Legal reserve	(18,561)
To prior-year losses	(67,047)
Interim dividend	(100,000)
Total distribution	185,608

The distribution of 2019 profits approved on 28 June 2020 is as follows:

	2019
Available for distribution	88,357
Legal reserve	(8,836)
To prior-year losses	(4,521)
Interim dividend	(75,000)
Total distribution	**88,357**

28.- Environmental aspects

The Group, in keeping with the strategy of the Acciona Group and its environmental policies, participates in actions and projects related to environmental management, In addition to the costs initially incurred by the Group when installing its wind farms and other production facilities, in terms of environmental actions in 2020 and 2019 the Group incurred expenses of €6,052 thousands and €4,684 thousands, respectively, in relation to environmental aspects, primarily studies and the cost of monitoring and tracking environmental programmes.

In 2020 and 2019, Group companies did not take any measures vis-a-vis their property, plant and equipment specifically aimed at protecting and improving the environment.

At 31 December 2020 and 2019, the Group was not involved in any significant litigation or disputes with regard to environmental protection for which the proper provisions had not be set up, The Directors of the parent company do not believe that additional environmental contingencies of any consequence are possible, The Directors do not believe there are any liabilities that are not duly covered in the Parent Company's liability insurance policies which could have a significant impact on the consolidated annual accounts,

29.- Earnings per share

Diluted earnings per share is same as basic earnings per share, as detailed below:

	Year 2020	2019
Net result for the year (thousands of euros)	198,783	189,664
Weighted average number of shares in circulation	329,250,589	329,250,589
Basic earnings per share (euro/share)	**0.6**	**0.6**

30.- Events after the balance sheet date

On February 18, 2021, the Board of Directors of Acciona, S.A., at its meeting to prepare the annual accounts for the 2020 financial year, decided, among other matters, to initiate the process of Initial Public Offering of the Corporación Acciona Energías Renovables S.L.U. shares (in the process of transformation into a public limited company), for their subsequent listing. The final approval of the Offering is subject to the assessment carried out by the corresponding management bodies of the Company, taking into account, among other factors, the market conditions and the interest of the investors.

Additionally, on 9 March 2021, the decision of the Sole Shareholder of Corporación Acciona Energías Renovables, S.L. dated March 5, 2021 for the transformation of the Company into a public limited liability company was made public, and will become effective as from March 10, 2021, date of the entry of the filing in the Commercial Registry of Madrid, once this Office registers the registration of such transformation.

Also, on 22 March 2021, the Sole Shareholder of Corporación Acciona Energías Renovables, S.L. approved the contribution of shareholders through the capitalization of € 1,859 million of the financial debt held with Acciona Group companies at that date and in particular the debt with Acciona Financiación de Filiales, S.A., through a non-monetary contribution of the credit rights with this subsidiary made by the sole shareholder of the Company (Acciona, S.A.). Previously, Acciona Financiación de Filiales, S.A. transferred to Acciona. S.A. those credit rights through a purchase and sale agreement entered into that same date.

Additionally, on 27 April 2021, the Contentious Chamber of the Supreme Court notified the parties of the resolution of the appeal filed against RD 198/2015, on 23 March, which develops article 112 bis of the consolidated text of the *"Ley de Aguas"* and the regulation of the fee for the use of continental waters for the production of electrical energy (*canon de aguas continentales*). The ruling concludes with the partial estimation of the appeal, declaring the nullity of the retroactive application of this tax ruled in the second transitory provision of the aforementioned RD, as it is considered as contrary to the legal framework.

As a result of this judgement, the liquidations of this tax made for 2013 and 2014 must be cancelled and reimbursed in full together with the corresponding interest, which represents a positive impact of €24.5 million for the Group in " Operating results" and an additional €5 million in "Profit for the period " for late payment interest.

Lastly, in March 2021, Acciona, S.A., in its capacity as Sole Shareholder of the Parent Company, approved a plan for the delivery of shares of the Company, linked to the achievement of the IPO process of the Company described above and addressed to the Group's management team. The duration of the plan is three years. The number of shares to be received by the entire management team, including the CEO, is 47,076 shares.

Company's management has analyzed the impact of this plan, concluding that its amount is not significant for the Group.

Except as mentioned in the preceding paragraphs, no additional events have occurred subsequent to year-end that may significantly affect the Company's financial statements as of December 31, 2020 or the Company's present or future activity.

31.- Related-party transactions

The transactions between the Parent Company and its related party subsidiaries which are part of the normal course of their operations in terms of their aims and conditions were eliminated in the consolidation process, as indicated previously in this report, and are therefore not disclosed in this note Transactions with associates, with the Sole Shareholder and with other consolidated companies of the Acciona Group are disclosed below.

Transactions with associates

At 31 December 2020 and 2019, the debit and credit balances with associates are as follows:

	Receivables / income		**Payables/expense**	
	2020	**2019**	**2020**	**2019**
Trade receivables (see Note 12)	21,372	22,748	--	--
Payables to associates (see Note 9)	9,685	7,829	--	--
Trade and other accounts payable	--	--	625,206	17,538
Income and expense	44,230	42,502	209,855	7,554

These transactions are carried out at market prices and refer primarily to construction services rendered and to the maintenance and management of wind farms by companies of the Corporación Acciona Energías Renovables, S.L. Group.

Transactions with Acciona Group companies

At 31 December 2020 and 2019, the debit and credit balances with subsidiaries of the Acciona Group that are consolidated at a higher level are as follows (not counting those carried out with the Sole Shareholder, which are disclosed in the next section):

	Receivables / income		**Payables/expense**	
	2020	**2019**	**2020**	**2019**
Trade receivables	20,385	23,289	--	--
Trade and other accounts payable	--	--	45,025	42,563
Credit facilities and loans	84,767	57,336	2,907,973	2,739,551
Operating and expenses	14,518	29,442	91,704	239,871
Financial income and expenses	607	4,683	128,766	143,008

At 31 December 2020 and 2019, the receivable balance refers mainly to balances held with Acciona Agua Group companies under electricity supply contracts and with other Acciona Group companies for the sale of spare parts for the maintenance of various renewable power production plants.

Trade payables refer to transactions with Acciona Group companies in relation to the construction and acquisition of assets for the development, start-up and performance of maintenance contracts for the various renewable power production plants.

These transactions were carried out at arm's length.

Credit balances for financial loans mainly include loans form member companies of the Acciona Group, particularly Acciona Financiación Filiales, S.A.U., by executing a series of short-term reciprocal credit agreements (cash pooling) and the loan agreement described in note 19, These loans are subject to interest rates mainly tied to the Libor and a differential.

Transactions with the sole shareholder

At 31 December 2020 and 2019, the balances and transactions with Acciona, S.A., sole shareholder of the Group's parent company, are as follows:

	Receivables / income		Payables/expense	
	2020	2019	2020	2019
Trade receivables	279	84	--	--
Trade payables	--	--	117,465	82,226
Credit facilities/loans with the sole shareholder	47	47	--	--
Tax consolidation balances	124,368	95,343	16,753	14,385
Operating and expenses	1,378	45	22,450	31,564
Financial income and expenses	279	--	--	--

At 31 December 2020, Corporación Acciona Energías Renovables, S.L. had recorded an interim dividend of €100,000 thousands payable to the Sole Shareholder, Acciona S.A. This dividend will be paid in 2021, At 31 December 2019, Corporación Acciona Energías Renovables, S.L. had recognised an interim dividend of €75,000 thousands payable to the Sole Shareholder, Acciona S.A., which was paid in 2020.

The credit balances also include the amounts invoiced by Acciona, S.A. for management support services provided to Group companies.

These transactions were carried out at market prices and refer, for the most part, to debit and credit balances that exist as a result of belonging to the same tax group headed up by Acciona, S,.A.

Transactions with other related parties

	Receivables / income		Payables/expense	
	2020	2019	2020	2019
Credit facilities and loans	--	--	206,392	415,861
Financial income and expenses	--	--	18,333	15,562

The outstanding balance payable to other related parties at 31 December 2020 and 2019 includes financial contributions made by other partners with a minority interest in Group projects and facilities.

Transactions with directors and officers

In addition to subsidiaries, associates and jointly-controlled companies, certain "key personnel" (members of the Board of Directors and other directors and officers and their immediate families) are also considered related parties, as are the companies controlled by key management personnel or over which they have significant influence.

Related-party transactions are carried out under the same market conditions as any other ordinary commercial transactions that take place as part of the Group's ordinary business operations.

In 2020 and 2019, there were no transactions between the Group and related parties (significant shareholders, members of the Board of Directors and other related parties).

32.- Salaries and employee benefits

A. Board of Directors and Senior Management

No remuneration of any kind was paid to members of the Board of Directors of the Parent Company or the boards of the member companies of the Group in 2020.

The Group has no obligations to the members of the Board of Directors in respect of pension plans, life insurance premiums or equity instrument based payments, Premiums for directors' liability insurance are paid by the Sole Shareholder, Acciona, S.A. No advances, loans or guarantees were extended to members of the governing body.

The compensation paid to the Managing Directors of the Group and persons performing similar functions in 2020 and 2019 is summarised below:

Compensation item	2020	2019
Number of people	4	4
Compensation (thousands of euros)	2,076	2,020

In addition, in 2020 and 2019, certain Group companies have paid personnel affected by the variable remuneration plan, which has resulted in additional remuneration of €628 thousands and €744 thousands for the Group's general managers, respectively.

The details of employees of Corporación Acciona Energías Renovables, S.L. Group who held senior management positions in 2020 and 2019 are as follows:

FY 2020:

Name	Position
Rafael Mateo Alcalá	Managing Director, Acciona Energía Division
Joaquín Javier Ancín Viguiristi	Managing Director of Engineering and Construction Area, Acciona Energía
Joaquín Castillo García	Managing Director of Development, Acciona Energía
Juan Otazu Aguerri	Managing Director of Production, Acciona Energía

FY 2019:

Name	Position
Rafael Mateo Alcalá	Managing Director, Acciona Energía Division
Joaquín Javier Ancín Viguiristi	Managing Director of Engineering and Construction Area, Acciona Energía
Joaquín Castillo García	Managing Director of Development, Acciona Energía
Juan Otazu Aguerri	Managing Director of Production, Acciona Energía

Following there is a disclosure of the share delivery plans approved as of the date of preparation of this consolidated financial statements of the Group, its characteristics and scope inside the different levels of the personnel structure. All of them are based in the delivery of Acciona, S.A. shares, holding company of Corporación Acciona Energías Renovables Group.

The Group registers on “Staff expenses” on the consolidated income statement the accrued cost of the period, estimated on the base of the evolution of the variables that give right to receive that compensation benefits, against an account payable to Acciona, S.A. that is settled once the final delivery of the shares is made to each employee.

Share delivery plan:

The following resolution was adopted at the Annual General Meeting of Shareholders of Acciona, S.A. on 24 June 2014:

A) To extend the term of the Stock Option Plan for executives of the Acciona group, including the executive directors, approved at the General Shareholders' Meeting of Acciona, S,A, on 4 June 2009, for application in financial years 2014 through 2020, increasing the maximum number of shares available by 200,000 shares.

B) To authorise the Company's Board of Directors to amend the Plan's rules as broadly as required by law and upon the recommendation of the Appointments and Remunerations Committee, establishing the conditions and deadlines for delivery, accrual periods, allocation criteria and limits and any other aspect it considers relevant in order to bring the long-term interests of the executive directors and executives of the Acciona Group more in line with those of the shareholders of Acciona, S,A,, to motivate them to achieve greater long-term value and stability for the Group and to consolidate their loyalty and continuation with the Group.

Under the terms of this authorisation, on 26 February 2015 the Board of Directors, on the recommendation of the Appointments and Remunerations Committee, approved the modification of the Plan's rules, formulating a new set of rules which will be valid for the six-year period from 2014 to 2019, In addition, and making use of the authorisation granted by the General Shareholders Meeting on 18 May 2017, the Board of Directors, at the meeting held on 14 December 2017, and following the recommendation of the Appointments and Remunerations Committee, approved an additional modification to the Plan rules in order to bring it in line with corporate governance best practices in relation to deferral, malus and clawback on the variable remuneration of executive directors and to the principles and guidelines set out in the directors' compensation policy approved at the General Meeting, The term of the Plan is extended by two years (up to and including 2021) for executives only (excluding Executive Directors), In addition, at the complete discretion of the Board of Directors and on the recommendation of the Appointments and Remunerations Committee, the possibility of extraordinary allocations and assignments of Acciona shares for multi-year periods (3-year minimum) to one or more of the Beneficiary Directors (other than Executive Directors) for the achievement of extraordinary results is introduced.

The most salient features are as follows:

Purpose of the Plan: The aim of the 2014 Plan for the delivery of shares and performance shares is to compensate the management of Acciona and its group, including Acciona’s executive directors, in a way that encourages the achievement of strategic business objectives for the benefit of Acciona’s shareholders as well as executive loyalty and retention.

Strategic indicators and objectives to be met: Objectives will be met in accordance with the strategic business indicators, These have been defined by the Board of Directors for the 2014-2019 financial years.

Beneficiaries of the Plan:

Executive Directors:

Reference period: The reference period for the strategic business indicators is the six-year period from 2014 to 2019, although for the allocation of "performance shares" the entire period from the beginning of the 2014 Plan to the end of the previous financial year will be considered.

Assignment of "performance shares": At the end of each financial year, the Board of Directors will assess the progress made in achieving the long-term strategic goals up to that time.

The definitive allocation of treasury stock to executive directors will be carried out (a) at the end of the 2014 Plan (in 2020), considering the assessment of the entire period from 2014 to 2019; and (b) on an interim basis, at the end of the first half of the Plan period, in 2017, based on the assessment of the first three years 2014-2016.

Continuing condition: In accordance with the Plan rules, the definitive delivery of the shares to executive directors is contingent upon the executive director not having been removed from his or her position as a senior executive Acciona and/or the Group for reasons attributable to the director.

Under no circumstances may the number of shares assigned in this way, taken together with the other shares assigned under the 2014 Plan, exceed the maximum number available as approved at the General Shareholders' Meeting.

The specific date for the delivery of shares will be determined by the Board of Directors or its delegated bodies and, in any case, will take place following the General Shareholders' Meeting for the year in which the shares are to be delivered, The delivery of the 20% of the shares that executive directors are entitled to receive will be subject to a deferral period of at least one (1) year, In addition to the continuation of the executive director in his/her post, as set out in the rules, the accrual will also be contingent upon the fact that during the deferral period no evidence comes to light which, in the opinion of the Board of Directors, on the recommendation of the Appointments and Remuneration Committee and the advice of the external auditors, would result in a material reformulation of the consolidated financial statements of the Acciona Group, except where this is appropriate pursuant to a change in accounting regulations.

Shares delivered in 2017 are subject to a buyback option in favour of Acciona: Treasury shares assigned to executive directors in 2017 (in connection with financial years 2014, 2015 and 2016) will be subject to a buy-back right in favour of Acciona which may be exercised if the executive director who acquired the shares in this way ceases to be a senior executive of Acciona and its Group before 31 March 2020 as a result of a breach of his or her contractual obligations or resignation at his or her own discretion.

Moreover, within three (3) years of the delivery date of the reclaimed shares, Acciona may claim from the executive directors: (i) the return of the shares and/or the amounts paid when the calculation was made on the basis of data that was subsequently proven to be manifestly inaccurate, and (ii) the return of the shares and/or the amounts paid, and/or refusal on the part of Acciona to pay the amounts to which they were entitled in those cases where a director has committed a serious breach of his or her duty of diligence or loyalty to Acciona, or for any other serious and culpable breach of the obligations which the executive director has assumed under the contracts signed with Acciona for the performance of his or her executive duties.

As regards the shares delivered to executive directors in 2020, if any, and only in respect of a number of shares equivalent to twice their fixed annual compensation, they may not (a) dispose of or encumber them by any means whatsoever (except for *causa mortis* events), or (b) grant options or other rights limiting ownership, sooner than three (3) years after the shares are assigned.

Executive Directors may, however, invest the assigned shares in companies that are controlled by or in which the Executive Director has an interest, In these cases, Acciona will adopt the necessary guarantees, including *in rem* guarantees, to ensure compliance with the provisions of these rules and, in any event, the company receiving the shares which is controlled by or in which the Executive Director has an interest, must accept and undertake to comply with the guarantees or limitations in Acciona's favour.

Group Management

For other beneficiaries who are not executive directors, the Board of Directors, upon the recommendations of the Appointments and Remunerations Committee, shall approve the individual bonuses to be paid in the form of Acciona shares, for each year and to each one of the beneficiaries of the 2014 Plan other than executive directors.

The bonus may be calculated as a number of shares or a particular cash value, In the latter case, it will be specified in terms of the number of shares based on the closing price on the last trading day in March of the year in which the Board of Directors decides on the bonus. Under no circumstances may the number of shares assigned in this way, together with the other shares assigned under the 2014 Plan, exceed the maximum number approved at the General Shareholders Meeting.

Treasury shares assigned to these beneficiaries are subject to a buy-back right in favour of Acciona which may be exercised if the beneficiary who acquired the shares in this way ceases to work for Acciona or the Group before 31 March of the third year after the shares were received by the beneficiary for a reason ascribable to him or her. The Board of Directors may include a small group of executives in the system for assigning "performance shares" and /or shares reserved for executive directors with certain modifications regarding provisions allocation, taxation, targets, interim milestones and delivery dates on the recommendation of the Appointments and Remunerations Committee, in order to strengthen their motivation to build greater long-term value and stability for the Group and the reinforce their loyalty and continuation in the Group.

The 2014 Plan does not include the possibility of selling the delivered shares to pay the taxes owed by the beneficiary as a result of receiving the shares. The tax cost arising from the income obtained under the 2014 Plan will not be passed on to the beneficiaries, The Company will assume the income tax payable by the beneficiary on this income, up to the established limits,

Number of shares available under the Plan:

The maximum number of shares that can be allocated to beneficiaries under the 2014 Plan was initially set at 258,035, although this number may be increased by resolution of the General Shareholders' Meeting.

In this regard, at the General Meeting of Shareholders held on 11 June 2015, 10 May 2016, 18 May 2017 and 30 May 2018, it was agreed to increase the maximum number of shares available under the "2014-2019 Share and Performance Shares Plan" by 100,000 shares for each of those years, without prejudice to subsequent increases on the recommendation of the Board of Directors with the approval of the General Shareholders' Meeting.

At the end of 2020, the maximum number of shares available is 433,286 shares, after having delivering in 2020 26,231 to non-executive directors and 8,675 shares to executive directors which are the shares whose delivery was deferred in 2017.

Beneficiaries: The annual number of beneficiaries may not exceed 100.

Plan to replace bonuses with shares

On 26 March 2015, the Board of Directors of Acciona, S.A., on the recommendation of the Appointments and Remuneration Committee, given the limited number of beneficiaries under the previous Plan, approved the "Bonus Compensation Replacement Plan for Acciona shares for the management of Acciona and its group" (the Replacement Plan), the characteristics of which are as follows:

Purpose: To effectively retain and incentivise the management team members and achieve greater alignment of their interests with those of the Company and its Group.

Initial term: Six years (2014 to 2019), The Plan has ended with the delivery of the shares made in 2020.

Purpose: To offer certain executives of Acciona and its Group, at their discretion, the option of replacing or exchanging some or all of their cash bonus compensation for Company shares, in accordance with an exchange ratio to be determined each year, In 2015 till 31 December 2020, the approved exchange ratio comes with a 25% incentive on the replaced cash bonus.

Beneficiaries: The executives freely proposed by the Board of Directors of Acciona, S,A, Executive directors are excluded from this Plan.

Restrictions on the delivered shares: Generally speaking, the delivered shares may not be (a) sold, encumbered or disposed of (except in the event of *causa mortis*), or (b) the object of any rights or options or limitations on ownership until 31 March of the third year after the year in which the Beneficiary received the shares.

Treasury shares delivered to these Beneficiaries as part of the incentive, but not the part of which represents the compensation replaced in accordance with the amendment approved on 29 February 2016 by the Board of Directors, are subject to a right of repurchase in favour of ACCIONA that may be exercised if the Beneficiary ceases to work for ACCIONA or its Group before 31 March of the third year following that in which the shares were delivered for reasons attributable to the Beneficiary.

The price of the Acciona shares to be used as a reference to determine the exchange ratio will be the closing price on the last trading day of March of the year in which the Board of Directors agrees to the replacement option.

Shareholders' Plan

On 28 February 2017, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, with the aim of encouraging participation in the company's shareholding structure, approved a new Plan that allows the redistribution of part of the fixed and/or variable compensation, up to a limit of €12,000 per year, to be replaced with Company shares, in accordance with the current regulatory framework, which favours this type of plan from a tax perspective.

This is a completely voluntary plan that offers all employees with their tax residence in Spain the possibility of participating in the company's profits by becoming a shareholder, This Plan does not apply to executive directors as their relationship is of a commercial rather than an employment nature, The value of the shares was the closing price on 31 March 2020.

Finally, under the **Share Delivery/Performance Shares Plan,** the number of shares delivered to non-executive Beneficiaries for their dedication and performance in 2020, in number of 57, was 26,231 shares with an appraised fair value of €2,862 thousands.

As the accrual basis for this Plan is three years, one-third of the fair value cited above is recognised under “Personnel costs” on the enclosed income statement at 31 December, The remaining two-thirds will be carried to the income statement in 2020 and 2021.

Finally, as part of the Replacement Plan, 12,953 shares with a fair value of €1,261 thousands were delivered to 29 executives of Acciona and its Group in 2020 as part of their bonuses for 2019.

The Company determines the fair value of the goods and services received by reference to the fair value of the equity instruments granted.

There´s no more options left to be executed by 31 December 2020.

B. Auditors

In 2020 and 2019, fees for auditing and other services provided by the auditor of the Group's consolidated annual accounts, KPMG Auditores, S,L., and by companies belonging to the KPMG network, as well as fees for services invoiced by the auditors of the consolidated annual accounts of consolidated companies and entities controlled, jointly owned or managed by them, were as follows:

	Services rendered by the main auditor		**Services rendered by other auditing firms**	
	2020	**2019**	**2020**	**2019**
Audit	1,634	1,513	7	8
Other verification services	82	80	1	11
Total auditing and related services	**1,716**	**1,593**	**8**	**19**
Tax advisory services	52	58	1,157	996
Other services	370	851	740	786
Total other professional services	**422**	**909**	**1,897**	**1,782**

33.- Other disclosures regarding Directors

According to the terms of article 229 of Legislative Royal Decree 1/2010 of 2 July which approved the Revised Text of the Capital Companies Act, at 31 December 2018, the information available to the Company and reported by the Directors and persons related to them shows that there are no direct or indirect conflicts of interest.

34.- Weighted average days to pay suppliers

The information required under the third additional provision of Law 31/2014 of 3 December is detailed below, prepared in accordance with the terms of the Resolution of the Accounting and Audit Institute dated 29 January 2016. This information refers to Spain only, which is the geographical scope of application of the law:

Payments made and payments outstanding at the end of the financial year	2020	2019
	Days	**Days**
Average days to pay suppliers	27.96	24.24
Ratio of payments made	26.00	23.66
Ratio of payments pending	47.63	35.12
	Amount (thousands of euros)	**Amount (thousands of euros)**
Total payments made	955,647	1,431,901
Total payments pending	94,904	75,826

The "weighted average days to pay suppliers" is understood as the amount of time that elapses between the delivery of the goods or services and the payment date.

The "weighted average days to pay suppliers" is calculated as a quotient in which the numerator is the ratio of paid transactions to the total amount of the payments made plus the ratio of transactions pending payment to the total amount of pending payments and the denominator is the sum of the total payments made and the total payments pending.

The ratio of paid transactions is calculated as a quotient where the numerator is the sum of the products corresponding to the amounts paid times the number of days to pay (calendar days elapsed from the initial date to the actual payment date) and the denominator is the total amount of the payments made.

The ratio of pending transactions is calculated as a quotient where the numerator is the sum of the products corresponding to the amounts paid times the number of days during which the payment is pending (calendar days elapsed from the initial date to the closing date of the annual accounts) and the denominator is the total amount of pending payments.

ANNEX I

GROUP COMPANY

The subsidiaries of Corporación Acciona Energías Renovables, S.L. considered as a Group are configured as such according to IFRS-EU. The fully consolidated companies in 2020 and related information for the year ended 31 December 2020 are as follows (in thousands of euros):

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
3240934 Nova Scotia Company	--	Canada	Wind power	100	Acciona Renewable Energy Canada Gp Holdings Inc	458
Acciona Amherst GP. Inc	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Aulac GP Inc.	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Biocombustibles. S.A.U.	--	Navarra	Holding company	100	Acciona Energía. S.A.U.	--
Acciona Biomasa. S.L.U.	--	Navarra	Holding company	100	Acciona Energía. S.A.U.	8,003
Acciona Distributed Generation. S.L. (**)	--	Navarra	Biofuels	100	Acciona Biocombustibles. S.A.U.	1,056
Acciona Energía Atlanta I. S.L.	--	Madrid	Wind power	100	Acciona Energía Internacional. S.A.	3
Acciona Energía Atlanta II. S.L.	--	Madrid	Wind power	100	Gr	3
Acciona Energía Atlanta III. S.L.	--	Madrid	Wind power	100	Acciona Energía Internacional. S.A.	3
Acciona Energía Chile Holdings. S.A.	A)	Chile	Energy	100	Acciona Energía Chile. S.A.	115
Acciona Energía Chile. S.A.	A)	Chile	Wind power	100	Acciona Energía Global. S.L.U.	37
Acciona Energía Colombia SAS	--	Colombia	Solar power	100	Acciona Energía Global. S.L.U.	1
Acciona Energía Costa Rica. S.A.	--	Costa Rica	Wind power	100	Acciona Energía Global. S.L.U.	--
Acciona Energía Global Egypt. LLC	A)	Egypt	Holding company	100	Acciona Energía Global. S.L.U.	11
Acciona Energia Global Italia. S.R.L.	A)	Italy	Wind power	100	Acciona Energía Global. S.L.U.	3,347
Acciona Energía Global Ukraine	A)	Ukraine	Holding company	100	Dymerka Solar Poland sp. z.o.o.	50
Acciona Energía Global. S.L.U.	A)	Madrid	Other business	100	Acciona Energía. S.A.U.	90,038
Acciona Energía Internacional. S.A.	A)	Madrid	Holding company	75	Acciona Energía. S.A.U.	948,542
Acciona Energía Inversiones Corea. S.L.U.	--	Navarra	Holding company	100	Acciona Energía Global. S.L.U.	--
Acciona Energía México. S.R.L.	A)	Mexico	Wind power	100	Acciona Energía Internacional. S.A.	4,950
Acciona Energía Servicios de México. S. de RL de C.V.	A)	Mexico	Energy	100	Acciona Energía México Global. LLC	3,804
Acciona Energía. S.A.U.	A)	Navarra	Energy	100	Corporación Acciona Energías Renovables. S.L.U.	1,146,380
Acciona Energija. D.o.o.	--	Croatia	Wind power	100	Acciona Energía Global. S.L.	--
Acciona Energy Australia Global. Pty. Ltd	A)	Australia	Wind power	100	Acciona Energía Global. S.L.U.	7,755
Acciona Energy Canada Global Corp.	--	Canada	Wind power	100	Acciona Energía Global. S.L.U.	2,267
Acciona Energy Development Canada Inc	--	Canada	Wind power	100	Acciona Energy Canada Global Corp.	--
Acciona Energy Global Poland. Sp. Z.o.o.	A)	Poland	Wind power	100	Acciona Energía Global. S.L.U.	716
Acciona Energy India Private. Ltd	A)	India	Wind power	100	Acciona Energía Global. S.L.U.	10,535
Acciona Energy North America Corp.	--	USA	Wind power	100	Acciona Energía Internacional. S.A.	--
Acciona Energy Oceania Construction. Pty. Ltd	A)	Australia	Energy	100	Acciona Energy Australia Global. Pty. Ltd	1,050
Acciona Energy Oceania Financial Services. PYL. Ltd.	A)	Australia	Other business	100	Acciona Energy Australia Global. Pty. Ltd	33
Acciona Energy Oceania Pty, Ltd	A)	Australia	Wind power	100	Acciona Energía Internacional, S,A,	154,096

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Acciona Energy Poland Maintenance Services, Sp, Z,o,o,	A)	Poland	Wind power	100	Acciona Energy Global Poland SP, Z,O,O,	22
Acciona Energy Poland, Sp, Z,o,o,	A)	Poland	Wind power	100	Acciona Energía Internacional, S,A,	52,448
Acciona Energy Singapore PTE LTD	--	Singapore	Solar power	100	Acciona Energía Global, S,L,U,	16
Acciona Energy South Africa (Propietary) Ltd	A)	South Africa	Wind power	100	Acciona Energía Internacional, S,A,	52,275
Acciona Energy South Africa Global (Propietary) Ltd	A)	South Africa	Wind power	100	Acciona Energía Global, S,L,U,	27
Acciona Energy USA Global, LLC	--	USA	Wind power	100	Acciona Energía Global, S,L,U,	371,409
Acciona Eólica Calabria, S,R,L,	--	Italy	Wind power	100	Acciona Energia Global Italia, S,R,L,	2,318
Acciona Eólica Cesa Italia, S,R,L,	A)	Italy	Holding company	100	Acciona Energía Internacional, S,A,	30,857
Acciona Eólica Cesa, S,L,	--	Madrid	Holding company	100	Ceatesalas, S,L,U, Energías Renovables de Barazar, S,L,U,	93,938
Acciona Eólica de Castilla La Mancha, S,L,U,	A)	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S,A,U,	100
Acciona Eólica de Galicia, S,A,U,	A)	Lugo	Wind power	100	Corporación Acciona Energías Renovables, S,L,U,	17,389
Acciona Eólica Levante, S,L,U,	A)	Valencia	Wind power	100	Alabe Sociedad de Cogeneración, S,A,U,	19,314
Acciona Eólica Portugal Unipersonal, Lda,	A)	Portugal	Wind power	100	Acciona Energía Internacional, S,A,	24,884
Acciona Eólica Santa Cruz, S, de R,L, de C,V,	--	Mexico	Wind power	100	Acciona Energía México Global, LLC	2,093
Acciona EPC North America LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	16
Acciona Global Renewables, S,A,	--	Madrid	Holding company	67	Acciona Energía, S,A,U,	40
Acciona Green Energy Developments, S,L,U,	A)	Madrid	Commercialisation	100	Acciona Energía, S,A,U,	26,000
Acciona Lameque, GP Inc,	--	Canada	Wind power	100	Acciona Wind Energy Canada Inc,	--
Acciona Portugal II – Energia Global, LDA	--	Portugal	Wind power	100	Acciona Energía Global, S,L,U,	1
Acciona Power Marketing USA, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Acciona Renewable Energy Canada Gp Holdings Inc	--	Canada	Wind power	100	Acciona Renewable Energy Canada Hold, LLC	3,990
Acciona Renewable Energy Canada Holdings, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	467
Acciona Saltos de Agua, S,L,U,	A)	Madrid	Hydraulic power	100	Corporación Acciona Energías Renovables, S,L,U,	60,000
Acciona Solar Energy, LLC	--	USA	Thermosolar	100	Acciona Energy North America Corp,	40,554
Acciona Solar Holdings Pty, Ltd,	--	Australia	Solar power	100	Acciona Energía Global, S,L,U,	--
Acciona Solar Power, Inc,	--	USA	Thermosolar	100	Acciona Energy USA Global, LLC	5,454
Acciona Solar Pty, Ltd,	--	Australia	Solar power	100	Acciona Solar Holdings Pty, Ltd,	--
Acciona Solar, S,A,	--	Navarra	Solar power	75	Acciona Energía, S,A,U,	860
Acciona Suministradora México, S, de R,L, de C,V,	A)	Mexico	Commercialisation	100	Acciona Green Energy Development, S,L,	--
Acciona Wind Energy Canada Inc,	--	Canada	Wind power	100	Acciona Energía Internacional, S,A,	39,747
Acciona Wind Energy Private, Ltd	A)	India	Wind power	100	Acciona Energía Internacional, S,A,	9,405
Acciona Wind Energy USA, LLC	--	USA	Wind power	100	Acciona Energy North America Corp,	410,989
AE Mex Global S, de R,L, de C,V,	A)	Mexico	Wind power	100	Acciona Energía Global, S,L,U,	16,659
Aerosite Energy Private Ltd,	A)	India	Wind power	100	Acciona Energía Global, S,L,U,	3,020
AEUG Fleming Solar, LLC	--	USA	Solar power	100	Acciona Energy USA Global, LLC	--
AEUG Madison Solar, LLC	--	USA	Solar power	100	Acciona Energy USA Global, LLC	--

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
AEUG Union Solar, LLC	--	USA	Solar power	100	Acciona Energy USA Global, LLC	--
Alabe Sociedad de Cogeneración, S,A,U,	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S,L,U,	301
Almeyda Spa	--	Chile	Solar power	100	Acciona Energía Global, S,L,U,	--
Alsubh Solar Energy Holdings, S,A,	A)	Madrid	Solar power	100	Acciona Energía Global, S,L,U,	5,611
Amherst Wind Construction LP	--	Canada	Wind power	100	Acciona Energy Development Canada	--
Anchor Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	3,562
Arcyz, SPA	A)	Ukraine	Solar power	94.36	Dymerka Solar Poland sp, z,o,o,	4,444
Aulac Wind Power Lp	--	Canada	Wind power	100	Acciona Energy Canada Global Corp,	--
Biodiesel Caparroso, S,L,U,	--	Navarra	Biofuels	100	Acciona Energía, S,A,U,	11,919
Biomasa Briviesca, S,L,U,	A)	Burgos	Biomass	85	Acciona Biomasa, S,A,U,	4,191
Biomasa Miajadas, S,L,	A)	Madrid	Biomass	100	Acciona Biomasa, S,A,U,	20,000
Biomasa Sangüesa, S,L,U,	--	Navarra	Biomass	100	Acciona Energía, S,A,U,	100
CE Oaxaca II, S, de R,L, de C,V,	A)	Mexico	Wind power	100	Acciona Energía México, S,R,L,	490
CE Oaxaca III, S, de R,L, de C,V,	A)	Mexico	Wind power	100	Acciona Energía México, S,R,L,	--
CE Oaxaca IV, S, de R,L, de C,V,	A)	Mexico	Wind power	100	Acciona Energía México, S,R,L,	408
Ceatesalas, S,L,U,	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S,L,U,	384,956
Ceólica Hispania, S,L,	--	Madrid	Wind power	100	Acciona Eólica Cesa, S,L, Corporación Eólica La Cañada, S,L,U, Ternua Holdings, B,V,	49,404
Cesa Eolo Sicilia, S,R,L,	A)	Italy	Wind power	100	Energía Solare Italia, S,r,l,	3,924
Civerzba, S,L,	A)	Madrid	Solar power	100	Acciona Energía Global, S,L,U,	4,307
Compañía Eólica Granadina, S,L,	A)	Granada	Wind power	50	Ceólica Hispania, S,L,	2,990
Consorcio Eólico Chiripa, S,A,	A)	Costa Rica	Wind power	65	Acciona Energía, S,A,U,	--
Corporación Acciona Eólica, S,A,U,	A)	Madrid	Wind power	100	Corporación Acciona Energías Renovables, S,L,U,	245,000
Corporación Acciona Hidráulica, S,A,U,	A)	Madrid	Hydraulic power	100	Corporación Acciona Energías Renovables, S,L,U,	--
Corporación Eólica Catalana, S,L,U,	--	Madrid	Inactive	100	Ceólica Hispania, S,L,	4
Corporación Eólica de Valdivia, S,L,U,	--	Madrid	Wind power	100	Ceólica Hispania, S,L,	1,936
Corporación Eólica La Cañada, S,L,U,	--	Madrid	Holding company	100	Ceatesalas, S,L,U,	1,368
Dempsey Ridge Wind Farm, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	129,643
Desarrollos Renovables Eólicos y Solares, S,L,(formerly Termosolar Alvarado II, S,LU,)	--	Badajoz	Inactive	100	Acciona Energía, S,A,U,	6,190
Desarrollos Renovables del Norte, S,L, (formerly Biomasa Alcazar, S,L,U,)	--	Madrid	Biomass	100	Acciona Biomasa, S,A,U,	1,268
Dymerka Solar MMC	A)	Ukraine	Solar power	100	Dymerska Solar Poland SP, Z,O,O,	2,211
Dymerka Solar Poland SP, Z,O,O,	--	Poland	Holding company	100	Acciona Energy Global Poland SP, Z,O,O,	7,720
Dymerska Photovoltaic Power Plant-2 LLC	A)	Ukraine	Solar power	100	Dymerska Solar Poland SP, Z,O,O,	805
Dymerska Photovoltaic Power Plant-3 LLC	A)	Ukraine	Solar power	100	Dymerska Solar Poland SP, Z,O,O,	773
Ecoavalon Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecogrove Wind, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	92,810
Ecoleeds Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecomagnolia, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecomont Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Ecoridge Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Ecovista Wind, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	--
Efrato ITG, S,A,	A)	Madrid	Solar power	100	Acciona Energía Global, S,L,U,	4,307
El Romero, SPA	A)	Chile	Solar power	100	Acciona Energía Global, S,L,U,	98,172
Empordavent, S,L,	A)	Barcelona	Wind power	100	Acciona Energía, S,A,U,	14,206
Empreendimientos Eólicos de Ribadelide, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	5,493
Empreendimientos Eólicos do Verde Horizonte, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	7,871
Energea Servicios y Mantenimiento, S,L,U,	A)	Coruña	Maintenance	100	Terranova Energy Corporation, S,A,U,	3
Energía Renovable del Istmo II SA de CV	A)	Mexico	Wind power	100	Acciona Energía México Global, LLC	13,749
Energías Alternativas de Teruel, S,A,	--	Teruel	Wind power	51	Acciona Energía, S,A,U,	--
Energías Eólicas de Catalunya, S,A,U,	A)	Barcelona	Wind power	100	Acciona Energía, S,A,U,	6,000
Energías Renovables de Barazar, S,L,U,	--	Madrid	Holding company	100	Ceatesalas, S,L,U,	29,597
Energías Renovables de Ricobayo, S,A,	--	Madrid	Wind power	50	Ceólica Hispania, S,L,	152
Energías Renovables El Abra, S,L,U,	--	Vizcaya	Wind power	100	Ceólica Hispania, S,L,	2,228
Energías Renovables Peñanebina, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	2,679
Eólica de Rubio, S,A,U,	A)	Barcelona	Wind power	100	Acciona Energía, S,A,U,	6,000
Eólica de Zorraquin, S,L,	A)	Madrid	Wind power	66	Acciona Energía, S,A,U,	603
Eólica Villanueva, S,L,	A)	Navarra	Wind power	66.66	Acciona Energía, S,A,U,	1,300
Eólicas do Marao, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	2,502
Eólico Alijar, S,A,	--	Seville	Wind power	100	Acciona Energía, S,A,U,	5,491
Eólicos Breogan, S,L,U,	--	Madrid	Wind power	100	Ceólica Hispania, S,L,	7
Espiritu Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global LLC	1,657
Estación de Servicio Legarda, S,L,U,	--	Navarra	Biofuels	100	Acciona Biocombustibles, S,A,U,	2,142
Eurus, S,A,P,I de C,V,	A)	Mexico	Wind power	94	Acciona Energía México, S,R,L,	3
Fort Bend Solar LLC	--	USA	Solar power	100	Acciona Energy USA Global, LLC	--
Fujin Power Private Ltd,	A)	India	Wind power	100	Acciona Energía Global, S,L,U,	3,020
Generación de Energía Renovable, S,A,U,	--	Alava	Wind power	100	Ceólica Hispania, S,L,	4,528
Gouda Wind Facility (Proprietary) Ltd	A)	South Africa	Wind power	55	Acciona Energy South Africa Pty, Ltd,	7,857
Guadalaviar Consorcio Eólico, S,A,U,	--	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S,A,U,	25
Gunning Wind Energy Developments Pty Ltd	A)	Australia	Wind power	100	Gunning Wind Energy Holdings Pty Ltd	2,516
Gunning Wind Energy Holdings Pty Ltd	A)	Australia	Wind power	100	Acciona Energy Oceanía, Pty, Ltd	2,516
Heartland Windpower, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Hidroeléctrica del Serradó, S,L,U,	--	Barcelona	Hydraulic power	100	Acciona Saltos de Agua, S,A,U,	1,844
High Point Solar, LLC	--	USA	Solar power	100	Acciona Energy USA Global, LLC	--
Hudzovka Solar 1 LLC	A)	Ukraine	Solar power	92.15	Dymerka Solar Poland sp, z,o,o,	2,816
Hudzovka Solar 2 LLC	A)	Ukraine	Solar power	88.61	Dymerka Solar Poland sp, z,o,o,	2,161
Ineuropa de Cogeneración, S,A,U,	--	Madrid	Holding company	100	Corporación Acciona Energías Renovables, S,L,U,	1,800
Infraestructuras Ayora, S,L,	--	Madrid	Wind power	84.72	Guadalaviar Consorcio Eólico Alabe Enerfin, S,A,U,	3
INR Eólica, S,A,U,	--	Seville	Wind power	100	Acciona Energía, S,A,U,	--

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
KW Tarifa, S,A,U,	--	Madrid	Wind power	100	Corporación Acciona Energías Renovables, S,L,U,	3,700
La Chalupa Finance, LLC	--	USA	Holding company	100	Acciona Energy USA Global LLC	141,769
La Chalupa Holding, LLC	--	USA	Holding company	100	Acciona Energy USA Global LLC	141,769
La Chalupa LLC	--	USA	Wind power	100	Acciona Energy USA Global LLC	239,612
Lameque Wind Power Lp	A)	Canada	Wind power	100	Acciona Wind Energy Canada Inc,	8,252
Macintyre Wind Farm Holding PTY LTD	--	Australia	Holding company	100	Acciona Energía Global, S,L,U,	--
Macintyre Wind Farm PTY LTD	--	Australia	Wind power	100	Macintyre wind farm holding pty ltd	--
Malgarida I SPA	--	Chile	Solar power	100	Acciona Energía Global, S,L,U,	--
Malgarida II SPA	--	Chile	Solar power	100	Acciona Energía Global, S,L,U,	--
Meltemi, Sp, Z,o,o,	A)	Poland	Wind power	100	Acciona Energy Poland, Sp Z,o,o,	27,880
Mortlake South Wind Farm Holdings Pty, Ltd,	--	Australia	Wind power	100	Acciona Energía Global, S,L,U,	--
Mortlake Soyuth Wind Farm Pty, Ltd,	--	Australia	Wind power	100	Mortlake Soyuth Wind Farm Holdings Pty, Ltd,	--
Moura Fabrica Solar, Lda,	A)	Portugal	Solar power	100	Acciona Energía, S,A,U,	2,354
Mt, Gellibrand Wind Farm Holding Pty, Ltd,	A)	Australia	Holding company	100	Acciona Energía Global, S,L,U,	9,211
Mt, Gellibrand Wind Farm Pty, Ltd,	A)	Australia	Wind power	100	Mt, Gellibrand Wind Farm holding Pty, Ltd,	9,495
Mysliborz Wind Farm SP ZOO	--	Poland	Wind power	100	Acciona Energy Global Poland SP, Z,O,O,	3
Nevada Solar One, LLC	A)	USA	Thermosolar	100	NVS1 Investment Group, LLC	16,944
Notos Produçao de Energía, Lda	A)	Portugal	Wind power	70	Sistemas Energéticos Sayago, S,L,U,	300
NVS1 Investment Group, LLC	--	USA	Thermosolar	100	Acciona Solar Energy, LLC	16,944
Pacific Renewable Energy Generation, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Palmas Wind Finance LLC	--	USA	Holding company	100	Acciona Energy USA Global LLC	92,302
Palmas Wind Holding LLC	--	USA	Holding company	100	Acciona Energy USA Global LLC	92,302
Palmas Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	166,763
Parco Eólico Cocullo S,p,A,	A)	Italy	Wind power	100	Energía Solare Italia, S,r,l,	1,994
Parque Eólico da Costa Vicentina, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	6,014
Parque Eólico da Raia, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	2,112
Parque Eólico de Manrique, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	1,971
Parque Eólico de Pracana, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	926
Parque Eólico do Outeiro, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	21,724
Parque Eólico dos Fiéis, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	591
Parque Eólico el Chaparro, S,L,U,	--	Madrid	Wind power	100	Alabe Sociedad de Cogeneración, S,A,U,	5
Parque Eólico Escepar, S,A,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	188
Parque Eólico La Esperanza, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	2,698
Parque Eólico Peralejo, S,A,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	1,041
Parque Eólico San Gabriel SPA	--	Chile	Wind power	100	Acciona Energía Global, S,L,U,	7,337
Parque Eólico Villamayor, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	6,252
Parques Eólicos Celadas, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	4,693

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Parques Eólicos de Ciudad Real, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	8,004
Parques Eólicos de San Lázaro, S,A, de C,V,	--	Mexico	Wind power	100	Acciona Energía México Global, LLC	11,194
Parques Eólicos del Cerrato, S,L,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	1,403
Pichilingue S,P,A,	--	Chile	Wind power	100	Acciona Energía Global, S,L,U,	--
Pililin S,P,A,	--	Chile	Wind power	100	Acciona Energía Global, S,L,U,	--
Pitagora, S,R,L,	A)	Italy	Wind power	100	Energía Solare Italia, S,r,l,	8,780
Punta Palmeras, S,A,	A)	Chile	Wind power	100	Acciona Energía Internacional, S,A,	37,297
Pyrenees Wind Energy Developments Pty, Ltd	A)	Australia	Wind power	100	Pyrenees Wind Energy Holdings Pty, Ltd	11,695
Pyrenees Wind Energy Holdings Pty, Ltd	A)	Australia	Wind power	100	Acciona Energy Oceanía, Pty, Ltd	7,816
Red Hills Finance, LLC	A)	USA	Wind power	100	Acciona Wind Energy USA, LLC	--
Red Hills Holding, LLC	--	USA	Wind power	95	Red Hills Finance, LLC	--
Red Hills Wind Project II, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	--
Red Hills Wind Project, LLC	A)	USA	Wind power	100	Red Hills Holding, LLC	30,574
Renovables del Penedés, S,A,U,	--	Badajoz	Wind power	100	Acciona Energía, S,A,U,	3,590
Ripley Windfarm JV	A)	Canada	Wind power	100	Acciona Wind Energy Canada Inc	3,666
Saltos del Nansa I, S,A,U,	A)	Santander	Hydraulic power	100	Acciona Saltos de Agua, S,A,U,	73,038
Saltos y Centrales de Catalunya, S,A,U,	A)	Barcelona	Hydraulic power	100	Acciona Saltos de Agua, S,A,U,	12,279
San Roman Finance, LLC	--	USA	Holding company	100	Acciona Energy USA Global, LLC	45,440
San Roman Holding, LLC	--	USA	Holding company	100	Acciona Energy USA Global, LLC	44,638
San Roman Wind I, LLC	A)	USA	Wind power	100	Acciona Energy USA Global, LLC	111,687
San Solar Energy Facility (Propietary) Ltd	--	South Africa	Wind power	63.75	Acciona Energy South Africa Global (Propietary) Ltd	335
SERE, Sociedad Explotadora de Recursos Eólicos, S,A,	A)	Portugal	Wind power	100	Acciona Eólica Portugal Unipessoal, Lda,	7,227
Sierra de Selva, S,L,U,	A)	Navarra	Wind power	100	Acciona Energía, S,A,U,	17,126
Sishen Solar Facility (Proprietary) Ltd	A)	South Africa	Solar power	55	Acciona Energy South Africa Pty, Ltd,	1,952
Sistemas Energéticos Sayago, S,L,U,	--	Madrid	Holding company	100	Acciona Energía Internacional, S,A,	319
Sistemas Energéticos Valle de Sedano, S,A,U,	A)	Madrid	Wind power	100	Ceólica Hispania, S,L,	21,263
Sociedad Istmeña Desarrollo Eólico, S, de R,L, de C,V,	A)	Mexico	Wind power	100	Acciona Energía México Global, LLC	1,872
Solar Bolarque, S,L,	--	Madrid	Solar power	100	Acciona Energía, S,A,U,	200
Solvioext 1, S,L,	--	Madrid	Solar power	75	Acciona Energía, S,A,U,	565
Solvioext 2, S,L,	--	Madrid	Solar power	75	Acciona Energía, S,A,U,	2
Golice Wind Farm Sp. z.o.o.	A)	Poland	Wind power	100	Acciona Energy Poland, Sp Z,o,o,	8,649
Sun Photo Voltaic Energy India Pvt, Ltd	A)	India	Wind power	100	Acciona Energía Global, S,L,U,	26,043
Surya Energy Photo Voltaic India Pvt, Ltd	A)	India	Inactive	100	Acciona Energía Global, S,L,U,	10,292
Table Mountain Wind, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	6
Tatanka Finance, LLC	--	USA	Wind power	100	Acciona Wind Energy USA, LLC	999
Tatanka Wind Holding, LLC	--	USA	Wind power	26.03	Tatanka Finance, LLC	1,700
Tatanka Wind Power, LLC	A)	USA	Wind power	100	Tatanka Wind Holding, LLC	172,077
Ternua Holdings, B,V,	--	Holland	Holding company	100	Terranova Energy Corporation	846
Terranova Energy Corp,	--	USA	Holding company	100	Acciona Eólica Cesa, S,L,	38,543
Terranova Energy Corporation, S,A,	--	Barcelona	Wind power	100	Ceólica Hispania, S,L,	758
Tolchén Transmisión, Spa	A)	Chile	Wind power	100	Acciona Energía Global, S,L,U,	270

Group company	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Tolpán sur S,P,A,	--	Chile	Wind power	100	Acciona Energía Global, S,L,U,	3,334
Tuppadahali Energy India Pvt, Ltd	A)	India	Wind power	100	Acciona Energía Internacional, S,A,	14,804
Usya S,P,A	--	Chile	Solar power	100	Acciona Energía Global, S,L,U,	--
Valdivia Energía Eólica, S,A,	--	Seville	Wind power	100	Acciona Energía, S,A,U,	10,445
Velva Windfarm, LLC	--	USA	Wind power	100	Acciona Wind Energy USA, LLC	2,827
Vientos Bajo Hondo I, S,A,	--	Argentina	Wind power	100	Acciona Energía Global, S,L,U,	--
Vientos Bajo Hondo, S,A,	--	Argentina	Wind power	100	Acciona Energía Global, S,L,U,	--
Vjetroelektrana Cemernica, D,o,o,	--	Croatia	Wind power	100	Acciona Energía Internacional, S,A,	48
Vjetroelektrana Jelinak, D,o,o,	A)	Croatia	Wind power	100	Acciona Energía Internacional, S,A,	12,003
Vjetroelektrana Opor, D,o,o,	--	Croatia	Wind power	100	Acciona Energía Internacional, S,A,	1,444
Voltser, Serviços de Operaçao e Manutençao de centraos fotovoltaicas unipessoal, Lda,	--	Portugal	Maintenance	100	Acciona Portugal II – Energia Global, LDA	79
Wind Farm 66, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	782
Wind Farm Bear Creek, LLC	--	USA	Wind power	100	Heartland Windpower, LLC	3
Wind Walker, LLC	--	USA	Wind power	100	Acciona Energy USA Global, LLC	4,127
Zurich Wind Power GP Inc	--	Canada	Wind power	100	Acciona Renewable Energy Canada Gp Holdings Inc	--
Zurich Wind Power LP	--	Canada	Wind power	100	Zurich Wind Power GP Inc	823

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Others
(**) Company formerly known as Biodiesel Sagunt, S.L.U.

ANNEX II

JOINTLY-CONTROLLED UNDERTAKINGS

The joint ventures consolidated by the equity method in financial year 2012, according to IFRS-EU, and the information relative to those companies are as follows (amounts in thousands of euros):

Jointly-controlled undertakings	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Chin Chute Windfarm JV	(B)	Canada	Wind power	30	Acciona Wind Energy Canada Inc	5,234
Iniciativas Energéticas Renovables, S,L,	--	Pamplona	Wind power	50	Acciona Energía, S,A,U,	15
Magrath Windfarm JV	(B)	Canada	Wind power	30	Acciona Wind Energy Canada Inc	1,215

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Others

ANNEX III

COMPANIES CARRIED BY THE EQUITY METHOD

The associated consolidated by the equity method in financial year 2012, according to IFRS-EU, and the information relative to those companies are as follows (amounts in thousands of euros):

Company carried by the equity method	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Alsubh Solar Power, S,A,E,	--	Egypt	Solar power	50	Acciona Energía Global, S,L,U,	4,759
Amper Central Solar, S,A,	A)	Portugal	Solar power	65.6	Acciona Energía Internacional, S,A,	19,109
Aprofitament d'Energías Renovables de l'Ebre, S,L,	--	Barcelona	Wind power	9.76	Empordavent, S,L,	1,405
AT Solar I, SAPI de CV	--	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	849
AT Solar II, SAPI de CV	--	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	514
AT Solar III, SAPI de CV	--	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	514
AT Solar IV, SAPI de CV	--	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	514
AT Solar V, SAPI de CV	A)	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	25,925
Bioetanol Energético, S,A,	--	Madrid	Biofuels	50	Acciona Biocombustibles, S,A,U,	--
Blue Canyon Windpower,LLC	--	USA	Wind power	5	Acciona Wind Energy USA, LLC	--
Carnotavento, S,A,	--	Coruña	Inactive	49	Eurovento, S,L,U,	--
Cathedral Rocks Construction and Management, Pty Ltd	--	Australia	Wind power	50	Acciona Energy Oceania Pty, Ltd	--
Cathedral Rocks Holdings 2, Pty, Ltd	--	Australia	Wind power	100	Cathedral Rocks Holdings, Pty, Ltd	23,905
Cathedral Rocks Holdings, Pty, Ltd	--	Australia	Wind power	50	Acciona Energy Oceania Pty, Ltd	13,211
Rocks Wind Farm, Pty, Ltd	A)	Australia	Wind power	100	Cathedral Rocks Holdings 2, Pty, Ltd	23,905
Desarrollo de Energías Renovables de Navarra, S,A,	(D)	Pamplona	Wind power	50	Acciona Energía, S,A,U,	2,830
Energías Renovables Mediterráneas, S,A,	(C)	Valencia	Wind power	50	Acciona Energía, S,A,U,	79,500
Energy Corp Hungary KFT	(D)	Hungary	Wind power	50	Acciona Eólica Cesa, S,L,	1,475
Eólicas Mare Nostrum, S,L,	--	Valencia	Wind power	50	Acciona Energía, S,A,U,	5,068
Eurovento, S,L,U,	--	Coruña	Wind power	50	Ceólica Hispania, S,L,	2,006
Explotaciones Eólicas Sierra de Utrera, S,L,	(D)	Madrid	Wind power	25	Ceólica Hispania, S,L,	833
Firefly Investments 238 (Proprietary) Limited	(C)	South Africa	Plant maintenance	90	Acciona Energy South Africa Global (Propietary) Ltd	--
Infraestructuras Villanueva, S,L,	--	Madrid	Wind power	40.53	Guadalaviar Consorcio Eólico Alabe Enerfin, S,A,U,	1
Líneas Eléctricas Asturianas, S,L,	--	Asturias	Holding company	100	Eurovento, S,L,U,	3
Líneas Eléctricas Gallegas II, S,L,	--	Coruña	Holding company	100	Eurovento, S,L,U, P,E, Virxe Monte, S,L, P,E, A Ruña, S,L, P,E, Currás, S,L,	4
Líneas Eléctricas Gallegas III, S,L,	--	Coruña	Holding company	100	Eurovento, S,L,U, P,E, Tea, S,L, P,E, Deva, S,L, P,E, Ameixenda, S,L,	3
Líneas Eléctricas Gallegas, S,L,	--	Coruña	Holding company	70	Eurovento, S,L,U, P,E,de Adraño, S,L,	3
Mov-R H1 Szeleromu Megujulo Energia Hasznosito KFT	(D)	Hungary	Wind power	98.5	Energy Corp Hungary KFT	1,977
Oakleaf Investment Holdings 86 (Proprietary) Limited	(C)	South Africa	Energy	50	Acciona Energy South Africa Global (Propietary) Ltd	--

Company carried by the equity method	Auditor	Address	Business activity	% ownership Interest	Owner of the interest	Carrying value
Operador del Mercado Ibérico – Polo Español, S,A,	(B)	Madrid	Other	5	Acciona Energía, S,A,U,	1,583
Páramo de Los Angostillos, S,L,	A)	León	Wind power	50	Acciona Energía, S,A,U,	1,920
Parque Eólico A Runa, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	4,988
Parque Eólico Adraño, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	3,557
Parque Eólico Ameixenda Filgueira, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	6,084
Parque Eólico Cinseiro, S,L,	(D)	Zamora	Wind power	50	Ceólica Hispania, S,L,	515
Parque Eólico Currás, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	1,924
Parque Eólico de Abara, S,L,	(C)	Asturias	Wind power	50	Ceólica Hispania, S,L,	676
Parque Eólico de Barbanza, S,L,	(D)	Coruña	Wind power	25	Eurovento, S,L,U,	919
Parque Eólico de Bobia y San Isidro, S,L,	(C)	Asturias	Wind power	50	Ceólica Hispania, S,L,	559
Parque Eólico de Deva, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	2,976
Parque Eólico de Tea, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	6,523
Parque Eólico Vicedo, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	564
Parque Eólico Virxe Do Monte, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	3,601
Parques Eólicos de Buio, S,L,	(C)	Coruña	Wind power	50	Ceólica Hispania, S,L,	4,060
Renen Services LLC	--	Egypt	Solar power	50	Acciona Energía Global, S,L,U,	1
Rising Sun Energy, S,A,E,	--	Egypt	Solar power	38	Acciona Energía Global, S,L,U,	4,135
Sistemes Electrics Espluga, S,A,	--	Barcelona	Wind power	50	Energías Eólicas de Catalunya, S,A,U,	31
Sunrise Energy, S,A,E,	--	Egypt	Solar power	38	Acciona Energía Global, S,L,U,	4,135
Tuto Energy 1, S,A,P,I, de C,V,	--	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	715
Tuto Energy 2, S,A,P,I, de C,V,	A)	Mexico	Solar power	50	Acciona Energía México Global, S,de R,L, de C,V,	26,101
Vento Mareiro, S,L,	--	Coruña	Inactive	49	Eurovento, S,L,U,	--
Ventos e Terras Galegas II, S,L,U,	--	Coruña	Holding company	50	Ceólica Hispania, S,L,	92
Ventos e Terras Galegas,S,L,U,	--	Coruña	Holding company	50	Ceólica Hispania, S,L,	2

(*) Companies whose financial statements are audited by: (A) KPMG; (B) PriceWaterhouseCoopers; (C) Deloitte; (D) Others

ANNEX IV

CHANGES IN THE SCOPE OF CONSOLIDATION

The changes in the scope of consolidation in 2020 were as follows:

Company	Address	Activity Main	Amendment	Consolidation method
Acciona Energy Singapore PTE LTD	Singapore	Solar power	High	Global
Acciona Power Marketing USA, LLC	USA	Wind power	High	Global
AEUG Fleming Solar, LLC	USA	Solar power	High	Global
AEUG Madison Solar, LLC	USA	Solar power	High	Global
AEUG Union Solar, LLC	USA	Solar power	High	Global
Bosques Solares de Bolívar 500 SAS	Colombia	Solar power	Removed	Global
Bosques Solares de Bolívar 501 SAS	Colombia	Solar power	Removed	Global
Bosques Solares de Bolívar 502 SAS	Colombia	Solar power	Removed	Global
Bosques Solares de Bolívar 503 SAS	Colombia	Solar power	Removed	Global
Bosques Solares de Bolívar 504 SAS	Colombia	Solar power	Removed	Global
Fort Bend Solar LLC	USA	Solar power	High	Global
High Point Solar, LLC	USA	Solar power	High	Global
La Chalupa Holding, LLC	USA	Holding company	High	Global
La Chalupa LLC	USA	Wind power	High	Global
Mysliborz Wind Farm SP ZOO	Poland	Wind power	High	Global
Renen Services LLC	Egypt	Solar power	High	Shareholding
Solvioext 1, S,L,	Madrid	Solar power	High	Global
Solvioext 2, S,L,	Madrid	Solar power	High	Global

The changes in the scope of consolidation in 2019 were as follows:

Company	Address	Activity Main	Amendment	Consolidation method
Acciona Energía Colombia SAS	Colombia	Solar power	High	Global
Acciona Energía Global Egypt, LLC	Egypt	Holding company	High	Global
Acciona Energía Global Ukraine	Ukraine	Holding company	High	Global
Arcyz, SPA	Ukraine	Solar power	Purchase	Global
Bosques Solares de Bolívar 500 SAS	Colombia	Solar power	Purchase	Global
Bosques Solares de Bolívar 501 SAS	Colombia	Solar power	Purchase	Global
Bosques Solares de Bolívar 502 SAS	Colombia	Solar power	Purchase	Global
Bosques Solares de Bolívar 503 SAS	Colombia	Solar power	Purchase	Global
Bosques Solares de Bolívar 504 SAS	Colombia	Solar power	Purchase	Global
Espiritu Wind, LLC	USA	Wind power	Purchase	Global
Hudzovka Solar 1 LLC	Ukraine	Solar power	Purchase	Global
Hudzovka Solar 2 LLC	Ukraine	Solar power	Purchase	Global
La Chalupa LLC	USA	Wind power	Purchase	Global
Macintyre Wind Farm PTY LTD	Australia	Wind power	High	Global

Company	Address	Activity Main	Amendment	Consolidation method
Macintyre Wind Farm Holding PTY LTD	Australia	Holding company	High	Global
Palmas Wind Finance LLC	USA	Holding company	High	Global
Palmas Wind Holding LLC	USA	Holding company	High	Global
Solar Bolarque, S,L,	Spain	Solar power	Purchase	Global
Ravi Urja Energy India Pvt Ltd	India	Inactive	Removed	Global
Solar Fields Energy Photo Voltaic India Pvt Ltd	India	Inactive	Removed	Global
Bioetanol Energético, S,A,	Spain	Biofuels	Settlement	Shareholding

ANNEX V

DISCLOSURE OF THE ACTUAL NET VALUE BY STANDARD INSTALLATION

The following table shows the amounts of Actual Net Value (VNA by standard installation (IT) as well as other relevant parameters for the consolidated MW operates by the Group for the actual regulatory half-period (2020-2022), obtained from the last approved by the regulator and published in the Orden TED/171/2020:

Standard installation (IT)	Consolidated MW operated by the Group	Actual Net Value (VNA) (millions of euros)	Investment retribution (thousand of €/MW/year)	Total yearly retribution (millions of euros)	End of regulatory life
IT-00079	1.20	8.32	730.3	0.88	2032
IT-00635	4.00	4.17	138.3	0.55	2028
IT-00636	3.00	3.48	144.6	0.43	2029
IT-00654	268.22	48.50	2.1	0.57	2024
IT-00655	426.85	117.32	14.5	6.17	2025
IT-00656	219.65	92.89	37.2	8.18	2026
IT-00657	636.09	402.20	71.0	45.16	2027
IT-00658	128.00	113.43	104.4	13.37	2028
IT-00659	412.39	415.57	113.1	46.65	2029
IT-00660	70.55	80.26	122.6	8.65	2030
IT-00661	127.50	138.92	107.2	13.66	2031
IT-00662	63.00	71.20	103.2	6.5	2032
IT-00663	39.00	44.20	99.7	3.89	2033
IT-00675	0.30	0.28	191.6	0.06	2025
IT-00697	14.80	1.85	27.6	0.41	2021
IT-00698	5.04	1.41	72.9	0.37	2022
IT-00699	1.20	0.51	95.1	0.11	2023
IT-00700	4.20	2.29	106.7	0.45	2024
IT-00702	7.30	5.50	117.1	0.85	2026
IT-00706	4.90	5.63	135.7	0.67	2030
IT-00760	5.90	3.50	44.2	0.26	2032
IT-00812	24.80	9.35	7.0	0.17	2032
IT-00834	30.20	43.89	197.7	5.97	2030
IT-00839	16.00	33.47	227.3	3.64	2035
IT-00840	15.00	34.03	238.8	3.58	2036
Others (Solar PV)	1.06	--	622.6	0.66	--
Total		**1,682.14**		**171.86**	

The following table shows the amount of the Actual Net Value (VNA) by installation type (IT) as well as other relevant parameters for the consolidated MW operates by the Group for the last regulatory half-period (2017-2017), obtained from the published parameters at that time:

Standard installation (IT)	Consolidated MW operated by the Group	Investment retribution (thousand of €/MW/year)	Total yearly retribution (millions of euros)
IT-00079	1.20	730.3	0.88
IT-00635	4.00	138.1	0.62
IT-00636	3.00	144.6	0.48
IT-00654	268.22	2.1	6.07
IT-00655	426.85	14.5	14.34
IT-00656	219.65	37.2	12.04
IT-00657	636.09	71.0	55.06
IT-00658	128.00	104.4	15.24
IT-00659	412.39	113.1	52.39
IT-00660	70.55	122.6	9.6
IT-00661	127.50	107.1	15.3
IT-00662	63.00	103.2	7.29
IT-00663	39.00	99.7	4.36
IT-00675	0.30	191.1	0.06
IT-00697	14.80	27.6	1.08
IT-00698	5.04	72.9	0.52
IT-00699	1.20	94.8	0.14
IT-00700	4.20	106.3	0.52
IT-00702	7.30	116.5	0.94
IT-00706	4.90	135.0	0.70
IT-00760	5.90	44.2	0.30
IT-00812	24.80	7.0	0.30
IT-00834	30.20	197.7	6.57
IT-00839	16.00	227.3	3.89
IT-00840	15.00	238.8	3.81
Others (Solar PV)	1.06	735.8	0.78
			213.28

CORPORACIÓN ACCIONA ENERGÍAS RENOVABLES, S.L.U. AND SUBSIDIARIES (CONSOLIDATED GROUP)

CONSOLIDATED DIRECTORS' REPORT FOR 2020

Free translation from the original in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

CONTENTS

CHAPTER 1. THE GROUP

1.1 INTRODUCTION

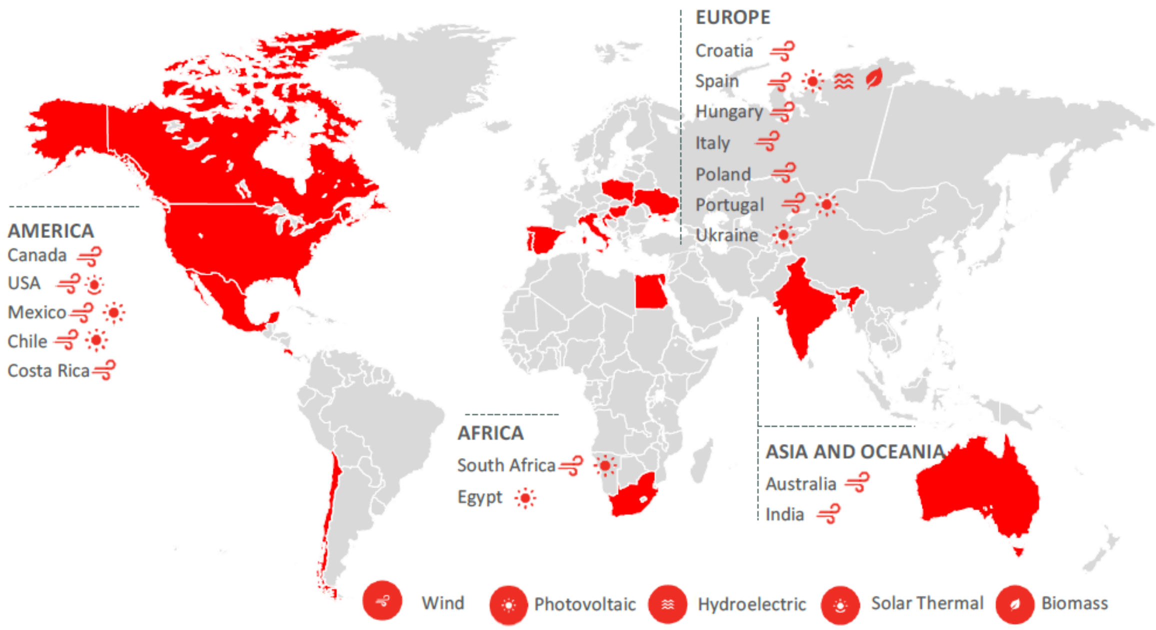
Corporación Acciona Energías Renovables, S.L.U. (hereinafter "the Parent Company" or "the Company") and its subsidiaries (hereinafter "the Corporación Acciona Energías Renovables Group" or "the Group") constitute a group whose core business is the promotion, construction, exploitation, maintenance and development of renewable energies; fuel imports and exports, sales and co-generation of all kinds, including engineering, consulting and auditing of sites and projects and drafting plans.

The Group's total attributable installed capacity at 31 December 2020 is 8,630.7MW (8,053.2 MW at 31 December 2019) distributed among all of the technologies and geographies in which the Group operates.

The Group belongs to the group of companies headed by Acciona, S.A. called the Acciona Group.

1.2 RENEWABLE ENERGIES

We are the largest operator in the world engaging in the production of electricity solely from renewable sources, with a presence in more than 15 countries:



The most remarkable characteristic of the Group is its firm commitment to the production of energy exclusively from renewable sources. This is the basis of the business model, which promotes a positive impact and brings intrinsic value to the fight against climate change.

Investment in renewable energies, thanks to its technical and economic competitiveness, contributes to reducing the CO_2 emissions that cause climate change, and is the best sustainable energy solution in the long term.

Due to the nature of its activity, the Group is not a relevant emitter. However, it participates in the achievement of the group's carbon-neutrality objective by offsetting 100% of its generated emissions, 21,425.6 tCO_2e in 2020 (30,477 tCO_2e in 2019).

The Group produces and sells exclusively renewable energy, helping to displace fossil fuels in the national electricity mixes. As part of the 2020 Sustainability Master Plan, this division has committed to investing $2,500 million over the period 2016-2020 in renewable generation to reach a total capacity of 10,500 MW.

In 2020, the Group reached 10,665 MW of installed capacity, avoiding the emission of a total of 13.27 million tonnes of CO_2 into the atmosphere (in 2019 the Group reached 10,117 MW of installed capacity, avoiding the emission of a total of 13.1 million tonnes of CO_2 into the atmosphere).

With over 20 years' experience in the sector, it is present in the main renewable technologies, covering activities that encompass the entire value chain: development, engineering and construction; operation and maintenance; and energy marketing.

1.3 STRUCTURE

The Parent Company of the Group is Corporación Acciona Energías Renovables, S.L.U., a sole shareholder private limited liability company. The Sole Shareholder, holder of all of the Parent Company’s stock, is Acciona, S.A., a company whose stock trades on the Madrid, Barcelona, Valencia and Bilbao stock exchanges via the Sistema de Interconexión Bursátil Español (Spanish Stock Exchange Interconnection System).

The Parent Company’s registered offices and headquarters are located in Alcobendas (Madrid), Avda. de Europa, 18.

The Group’s scope of consolidation is detailed in Annex I to the consolidated annual accounts for 2020. Also, the companies that are proportionately consolidated, in those cases in which a joint operation is managed with a third party and it is concluded that the parties that have joint control have direct rights and obligations arising from their proportional part of the assets and liabilities of the arrangement, and the companies accounted for by the equity method, i.e. associates over whose management the Group is in a position to exercise significant influence are included in Annex II and Annex III to the consolidated annual accounts for 2020, respectively.

1.4 SEGMENTS

The Group describes its main activity in note 1 to the consolidated annual accounts for 2020. The values that inspire the Group’s business model are based on the main geographical areas in which it operates: Spain, Rest of Europe, America and Australia, with a product and service offering that emphasises the supply of solutions to meet the challenges of modern society, always guided by the same underlying principle: the development of energy from renewable resources in a sustainable manner.

Under the heading of “Other zones”, the Group records the activities carried out mainly in South Africa and India. The countries included under the “Rest of Europe” and “America” geographical segments are as follows:

- Rest of Europe: includes Portugal, Ukraine, Italy, Poland, Croatia and Hungry.
- America: includes Mexico, Chile, the United States, Canada and Costa Rica.

Each geographical area is a separate business with its own operating and reporting structure to assess the degree of achievement of objectives. The information reported to Group management and in turn to corporate management of the Parent Company, the Acciona Group, to assess the performance of the various segments and to allocate resources among them is structured according to this segmentation criterion.

The costs incurred by the Corporate Units are apportioned using an internal cost distribution system among the different countries in each geographical area. Inter-segment sales are made on an arm's length basis.

Following is the segmented information for turnover for 2020, 2019 and 2018 (amounts in millions of euros):

31.12.20	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**992.2**	**164.3**	**439.5**	**91.9**	**71.3**	**1,759.1**

31.12.19	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**1,216.2**	**191.9**	**427.6**	**75.9**	**83.2**	**1,994.7**

31.12.18	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Turnover	**1,291.4**	**148.5**	**627.4**	**57.4**	**80.6**	**2,205.2**

In addition, following is the segmented information for certain consolidated balance sheet aggregates for 2020, 2019 and 2018 (amounts in millions of euros):

Balances at 31.12.20	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Non-current assets	3,109.8	573.0	3,760.4	651.2	372.7	8,467.1
Current assets	644.0	98.8	458.2	68.5	72.8	1,342.3
Total assets	**3,753.8**	**671.8**	**4,218.6**	**719.7**	**445.5**	**9,809.4**
Consolidated equity	966.8	464.2	1,323.3	178.5	105.6	3,038.4
Non-current liabilities	908.0	119.6	2,100.7	393.8	308.3	3,830.4
Current liabilities	1,879.0	88.0	794.6	147.4	31.6	2,940.6
Total equity and liabilities	**3,753.8**	**671.8**	**4,218.6**	**719.7**	**445.5**	**9,809.4**

Balances at 31.12.19	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Non-current assets	3,042.7	592.7	3,554.5	521.2	403.1	8,114.2
Current assets	466.6	125.9	407.4	35.0	83.9	1,118.8
Total assets	**3,509.3**	**718.6**	**3,961.9**	**556.2**	**487.0**	**9,233.0**
Consolidated equity	806.7	493.4	1,307.1	146.1	137.3	2,890.6
Non-current liabilities	1,074.7	119.6	2,005.6	333.8	312.3	3,846.0
Current liabilities	1,627.9	105.6	649.2	76.3	37.4	2,496.4
Total equity and liabilities	**3,509.3**	**718.6**	**3,961.9**	**556.2**	**487.0**	**9,233.0**

Balances at 31.12.18	Segments					Total Group
	Spain	Rest of Europe	America	Australia	Other zones	
Non-current assets	3,125.2	543.9	2,791.8	466.4	423.9	7,351.2
Current assets	663.6	96.3	352.2	37.8	72.0	1,221.9
Total assets	**3,788.8**	**640.2**	**3,144.0**	**504.2**	**495.9**	**8,573.1**
Consolidated equity	776.9	473.6	1,229.1	147.7	145.9	2,773.2
Non-current liabilities	1,121.8	92.3	1,517.2	186.7	303.4	3,221.4
Current liabilities	1,890.1	74.3	397.7	169.8	46.6	2,578.5
Total equity and liabilities	**3,788.8**	**640.2**	**3,144.0**	**504.2**	**495.9**	**8,573.1**

Also, in note 25 to the consolidated annual accounts for 2020, the Group presents certain information on the main technologies related to the exploitation of renewable energies that the Group operates in its geographies. These are wind, solar PV, hydraulic, biomass and thermosolar and other less important technologies, comprising mainly biofuels, mini-hydro, cogeneration and other less significant technologies.

1.5 ORGANISATIONAL STRUCTURE

One of the Group's commitments in the area of corporate governance is to strive for continuous improvement and seek greater transparency, efficiency and rigour in the operation of its governing bodies. We consider this factor to be decisive for the generation of trust and long-term commitment with other stakeholders.

At present, management is working on the implementation of new bylaws that will allow the Group to align itself with the transparency objectives required by the Code of Good Governance for Listed Companies and the provisions of the Spanish Limited Liability Companies Law (Legislative Royal Decree 1/2010), as well as domestic and international best practices in this area. Although these measures had not been implemented at the date of this report, the updates we are working on and the impacts they would have on the various governing bodies are described below.

1.5.1 CORPORATE GOVERNANCE BODIES

A) GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders shall represent all the shareholders and all of them shall be subject to its decisions. The General Meeting of Shareholders is the Group's top decision-making and control body in the matters in its area of competence, through which shareholders' right to participate in the taking of essential decisions is articulated.

The General Meeting of Shareholders is competent to decide on all the matters attributed to it by law or by the bylaws. Also, those decisions that, irrespective of their legal nature, envisage an essential modification of the effective activity of the Group shall be submitted for the approval or ratification of the General Meeting of Shareholders.

B) BOARD OF DIRECTORS

The Board of Directors is the highest management and representative body, with the exception of certain matters which are reserved for the General Meeting of Shareholders. Composed of a group of professionals with diverse knowledge, origins, experiences, nationalities and gender, its purpose is to contribute real value to the Company, working every day to manage it from a position of integrity and transparency in the most efficient and effective way.

The mission of the Board of Directors is to promote the corporate interest by representing the Company and its shareholders by administering its assets, managing its business and overseeing its operations.

Board members serve for three-year terms and may be re-elected one or more times. The Board of Directors shall be composed of a minimum of five and a maximum of fifteen members that the external or non-executive directors represent a majority over the executive directors with a reasonable number of independent directors. Likewise, it shall ensure that the number of independent directors represents at least one third of the total number of directors and assure that the number of executive directors is the minimum necessary.

The Board of Directors shall appoint a Chairperson who will hold maximum responsibility for the efficient operation of the Board. The Chairperson of the Board of Directors may be held by an executive director and will require a two-thirds favourable vote among all the directors.

The Board of Directors shall establish an Audit Committee and an Appointments and Remuneration Committee. To guarantee the quality and efficiency of its management, every year the Board of Directors shall evaluate its operation, including the performance and contribution of each director and the diversity in composition and expertise. The evaluation of the performance of the functions and positions of each director shall be based on the report submitted to them by the Appointments and Remuneration Committee. The evaluation of the Committee’s functions and the members’ position is also based on the reports of each Committee for this purpose.

Lastly, the Board of Directors may constitute other committees with consultative or advisory functions, without prejudice the possibility, on an exceptional basis, of endowing them with decision-making power.

C) APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee shall comprise a minimum of three and maximum of five external executive or non-executive directors, with a majority of independent directors. The Chairperson of the Committee shall be appointed by the Board of Directors from among the independent directors who are members of the Committee.

The general faculties to be granted to this Committee shall be to propose and report on appointments and terminations, in the terms envisaged by law, and matters related to the remuneration policy.

D) AUDIT COMMITTEE

The competencies of the Audit Committee, among others, shall be to oversee the effectiveness of internal control and the process for the preparation and presentation of the financial information.

The Audit Committee shall comprise a minimum of three and maximum of five external directors appointed by the Board of Directors, with a majority of independent directors. The appointment of the members of the Committee shall take into account their knowledge and experience in accounting, auditing or both, and in risk management.

In addition, at least one of the members must have experience in financial or accounting management and all the members, without exception, must have a profound knowledge of financial matters. At the Group, the members of this Committee must have the relevant technical knowledge related to the renewable energies business.

The Chairperson of the Audit Committee is appointed by the Board of Directors from among the members of the Board who shall be an independent director for a maximum period of four years and may be re-elected as Chairperson when a period of one year has elapsed from his/her having stepped down.

CHAPTER 2. BUSINESS PERFORMANCE AND RESULTS

2.1 KEY FINANCIAL INDICATORS

A) ANALYSIS OF THE GROUP'S FINANCIAL INDICATORS

This section of the Group's Consolidated Directors´ Report includes a discussion of the changes, on a consolidated basis, about the consolidated income statement for financial years 2020, 2019 and 2018.

As described in note 25 to the Group's consolidated annual accounts for 2020, the Group manages its business through the main geographies in which it operates: Spain, Rest of Europe, America and Australia. Under the heading "Other zones", the Group carries out its business mainly in South Africa and India.

On the other hand, the Group manages different technologies related to renewable energies in the main countries in which it operates: wind, solar PV, hydraulic, biomass and thermosolar. The Group has other lines of business made up of other types of technologies also associated with renewable energies, which are grouped under the heading "Others", mainly comprising the biofuels, mini-hydro, cogeneration and other less significant business.

Comparison of years ended December 31, 2020 and 2019

The following table sets forth our consolidated results of operations for the years 2020 and 2019.

	2020	**2019**
	(in millions of euros)	
Turnover	1,759.1	1,994.7
Other income	562.1	482.7
Supplies	(904.7)	(1,013.1)
Staff expenses	(115.4)	(118.7)
Depreciation, amortization and provisions	(409.2)	(417.3)
Other operating expenses	(499.2)	(464.9)
Results from equity method entities with analogue activities	57.3	44.6
Results of asset impairment	84.5	(3.3)
Net profit / loss on disposal of non-current assets	(0.4)	(0.8)
Other profit or loss	0.1	15.0
Operating results	**534.3**	**519.0**
Financial income	4.1	10.1
Financial expenses	(238.2)	(257.4)
Gains (losses) on foreign exchange	(3.7)	13.2
Changes in provisions for investment	(0.6)	(2.1)
Income from changes in the value of financial instruments at fair value	23.6	2.2
Pre-tax profit (loss) from continuing operations	**319.4**	**285.0**
Income tax expense	(95.9)	(70.7)
Profit for year from continuing operations	**223.5**	**214.3**
PROFIT FOR THE YEAR	**223.5**	**214.3**

Turnover. Turnover decreased by 11.8% to €1,759.1 million in 2020 compared to €1,994.7 million in 2019. The explanations of the changes by segment and technology are detailed below.

Other income. Other income increased 16.4% to €562.1 million in 2020 from €482.7 million in 2019, primarily due to an increase in income from work carried out by certain Group companies on the construction of electricity production facilities, primarily in Mexico, Chile, United States and Australia amounting to an aggregate of €520.3 million in 2020 compared to €434.3 in 2019.

Supplies. Supplies decreased 10.7% to €904.7 million in 2020 from €1,013.1 million in 2019, primarily due to a decrease in energy consumption from energy supply.

Staff expenses. Staff expenses decreased 2.8% to €115.4 million in 2020 from €118.7 million in 2019, primarily due to a decrease in wages and salaries, social security contributions and other personnel costs as a result of a decrease in the average number of employees (1,543 in 2020 compared to 1,629 in 2019).

Depreciation, amortization and provisions. Depreciation , amortization and provisions decreased 1.9% to €409.2 million in 2020 from €417.3 million in 2019 mainly due to the extension of the useful life of the wind and solar PV plants as described in note 3.3 of the Group's consolidated annual accounts of 2020.

Other operating expenses. Other operating expenses increased 7.4% to €499.2 million in 2020 from €464.9 million in 2019, primarily due to (i) an increase in professional services of €37.3 million mainly due to development costs of €29.0 million capitalized through other income, (ii) an increase in insurance premiums of €7.6 million, and (iii) an increase in other expenses of €3.8 million.

Results from equity method entities with analogue activities. The changes mainly due to the positive effect of the extension of the useful lifes of wind farms and solar plants accounted by the equity method. Since January 1, 2020, we have included the results of associates and joint venture companies with activities analogous to those of the Group in which we hold interests and which are accounted for using the equity method within operating income, as required by IAS 1, as described in note 2.1 of the consolidated annual accounts for 2020.

Results of asset impairment. Results of asset includes an impairment reversal of 87 million euros due to an increase in the useful life of the Company’s wind farms and solar plants from 25 to 30 years as explained in note 3.3 to the Group's consolidated annual accounts for 2020.

Financial income. Financial income decreased 59.4% to €4.1 million in 2020 from €10.1 million in 2019, primarily due to (i) a decrease in the value of a derivative with Acciona Financiación de Filiales, S.A. as a result of a reduction in the applicable interest rate and (ii) a decrease in the income derived from the investment of available cash.

Financial expenses. Financial expenses decreased 7.5% to €238.2 million in 2020 from €257.4 million in 2019, primarily due to (i) a decrease in other finance costs of €10.3 million mainly due to a decrease in financial expenses from loans with Acciona Group companies due to lower average amounts outstanding and (ii) a decrease in payable to third parties of €8.0 million mainly due to the repayment of certain bank borrowings and a decline in interest rates.

Gains/(Losses) on foreign exchange. Gains/(losses) on foreign exchange decreased to a loss of €3.7million in 2020 from a gain of €13.2 million in 2019, primarily due to the negative effect of foreign exchange rates, particularly with regards to the evolution of the U.S. dollar against the Mexican peso, the Chilean peso and the euro and, to a lesser extent, the Ukrainian hryvnia against the euro.

Income tax expense. Income tax expense increased 35.6% to €95.9 million in 2020 from €70.7 million in 2019, primarily due to a higher effective tax rate. Our effective tax rate for the year 2020 was 30.0% (2019: 24.8%).

Comparison of years ended December 31, 2019 and 2018

The following table sets forth our consolidated results of operations for the years 2019 and 2018.

	2019	2018
	(in millions of euros)	
Turnover	1,994.7	2,205.2
Other income	482.7	255.5
Supplies	(1,013.1)	(1,045.7)
Staff expenses	(118.7)	(115.8)
Depreciation, amortization and provisions	(417.3)	(385.7)
Other operating expenses	(464.9)	(513.8)
Results from equity method entities with analogue activities	44.6	--
Results of asset impairment	(3.3)	(0.2)
Net profit/(loss) on disposal of non-current assets	(0.8)	31.4
Other profit or loss	15.0	0.5
Operating results	**519.0**	**431.4**
Financial income	10.1	8.5
Financial expenses	(257.4)	(252.6)
Gains (losses) on foreign exchange	13.2	8.5
Changes in provisions for investment	(2.1)	(0.1)
Income from changes in the value of financial instruments at fair value	2.2	(0.2)
Share of profit of Equity-accounted investees	-	45.9
Pre-tax profit (loss) from continuing operations	**285.0**	**241.3**
Income tax expense	(70.7)	(87.6)
Profit for year from continuing operations	**214.3**	**153.7**
PROFIT FOR THE YEAR	**214.3**	**153.7**

Turnover. Turnover decreased 9.5% to €1,994.7 million in 2019 from €2,205.2 million in 2018. The explanations of the changes by segment and technology are detailed below.

Other income. Other income increased 88.9% to €482.7 million in 2019 from €255.5 million in 2018, primarily due to income from work carried out by certain Group companies on the construction of electricity production facilities, primarily in Mexico, Chile, United States and Australia amounting to an aggregate of €434.3 million in 2019 compared to €194.4 in 2018.

Supplies. Supplies decreased 3.1% to €1,013.1 million in 2019 from €1,045.7 million in 2018, primarily due to a decrease in purchases of components.

Staff expenses. Staff expenses increased 2.5% to €118.7 million in 2019 from €115.8 million in 2018, primarily due to an increase in wages and salaries and social security contributions as a result of an increase in the average number of employees (1,629 in 2019 compared to 1,587 in 2018), which was partially offset by a decrease in other personnel costs.

Depreciation, amortization and provisions. Depreciation, amortization and provisions increased 8.2% to €417.3 million in 2019 from €385.7 million in 2018, primarily due to an increase in amortization of €28.3 million mostly as a consequence of the amortization of the right-of-use assets due to IFRS16 application as of January, 1 2019 and increased amortization from new consolidated installed capacity during the year.

Other operating expenses. Other operating expenses decreased 9.5% to €464.9 million in 2019 from €513.8 million in 2018, primarily due to a decrease in leases and royalties of €37.6 million as a result of the implementation of IFRS 16 and a decrease in tributes of €16.5 million related to our hydraulic and CSP businesses, which was partially offset by increased maintenance costs outside Spain.

Net profit/(loss) on disposal of non-current assets. Net profit/(loss) on disposal of non-current assets decreased by €32.2 million in 2019 compared to 2018 primarily due to the sale of Acciona Termosolar in 2018.

Financial income. Financial income increased 18.8% to €10.1 million in 2019 from €8.5 million in 2018, primarily due to increase in the value of a derivative with Acciona Financiación de Filiales, S.A. as a result of an increase in the applicable interest rate.

Financial expenses. Financial expenses increased 1.9% to €257.4 million in 2019 from €252.6 million in 2018, primarily due to the implementation of IFRS 16 and an increase in Group loans financial expenses, which was partially offset by a decrease in the financial expenses of bank borrowings and an increase in financial expenses capitalized as assets under construction.

Gains/(losses) on foreign exchange. The gains on foreign exchange primarily due to favourable exchange rates in the year ended December 31, 2019, particularly with regards to the evolution of the Ukrainian hryvnia against the euro.

Income tax expense. Income tax expense decreased 19.3% in 2019, primarily due to the recognition of carry forward losses in Spain and the United States in previous financial years that had not been capitalized resulting in a lower effective tax rate in 2019. Our effective tax rate for 2019 was 24.8% compared to 36.3% in 2018.

B) ANALYSIS OF FINANCIAL INDICATORS BY GEOGRAPHICAL AREA

Comparison of years ended December 31, 2020 and 2019

The table below presents our turnover by geographic segment for the years presented:

	2020	**2019**
	(in millions of euros)	
Spain	992.2	1,216.2
Rest of Europe	164.3	191.9
Americas	439.5	427.6
Australia	91.9	75.9
Other	71.3	83.2
Total turnover	**1,759.1**	**1,994.7**

Comparison of years ended December 31, 2019 and 2018

The table below presents our turnover by geographic segment for the years presented:

	2019	**2018**
	(in millions of euros)	
Spain	1,216.2	1,291.4
Rest of Europe	191.9	148.5
Americas	427.6	627.4
Australia	75.9	57.4
Other	83.2	80.6
Total turnover	**1,994.7**	**2,205.2**

Spain

Turnover from Spain decreased 18.4% to €992.2 million in 2020 from €1,216.2 million in 2019, primarily due to a decrease in energy supply sales amounting to €130 million mainly due to the impact of the COVID-19 pandemic, a decrease in the average electricity sale prices and, to a lesser extent, lower consolidated production (9,821 GWh in the year ended December 31, 2020 compared to 9,870 GWh in the year ended December 31, 2019).

Turnover from Spain decreased 5.8% to €1,216.2 million in 2019 from €1,291.4 million in 2018, primarily due to lower hydraulic consolidated production (1,720GWh in the year ended December 31, 2019 compared to 2,581GWh in the year ended December 31, 2018) as a result of reduced availability of natural resources and decreased in solar thermal consolidated production due to the sale of several solar thermal plants in 2018.

Rest of Europe

Turnover from Rest of Europe decreased 14.4% to €164.3 million in 2020 from €191.9 million in 2019, primarily due to an 11% decrease in wind consolidated production (795 GWh in the year ended December 31, 2020 compared to 892GWh in the year ended December 31, 2019) mainly due to reduced availability of natural resources, a decrease in the average electricity sale price and a reduction in energy supply sales in Portugal amounting to €16 million.

Turnover from Rest of Europe increased 29.2% to €191.9 million in 2019 from €148.5 million in 2018, primarily due to an increase in energy supply sales in Portugal amounting to €26 million, an increase in wind consolidated production (892GWh in the year ended December 31, 2019 compared to 790GWh in the year ended December 31, 2018), an increase in the average sales prices in Poland and an increase in solar PV consolidated production (41GWh in the year ended December 31, 2019 compared to nil in the year ended December 31, 2018) from new consolidated installed capacity in Ukraine.

Americas

Turnover from Americas increased 2.8% to €439.5 million in 2020 from €427.6 million in 2019, primarily due to an increase in wind and solar PV consolidated production (5,971 GWh and 684GWh in the year ended December 31, 2020, respectively, compared to 5,318 GWh and 461GWh in the year ended December 31, 2019, respectively) as a result of four new wind farms in Palmas (United States), Santa Cruz (Mexico), San Gabriel and Tolpan (Chile) and two new solar PV plants in Usya and Almeyda, in Chile, with an aggregate consolidated installed capacity of 676.5MW that became operational in 2020 or at the end of 2019 thus being fully operational in 2020.

Turnover from Americas decreased 31.8% to €427.6 million in 2019 from €627.4 million in 2018, primarily due to the sale of the Puerto Libertad project amounting to €265 million in 2018.

Australia

Turnover from Australia increased 21.1% to €91.9 million in 2020 from €75.9 million in 2019, primarily due to the provision of development services to third parties amounting to €26 million, which was partially offset by a decrease in the average electricity sale prices that affected the Mount Gellibrand wind farm.

Turnover from Australia increased 32.2% to €75.9 million in 2019 from €57.4 million in 2018, primarily due to an increase in wind consolidated production (1,083GWh in the year ended December 31, 2019 compared to 903GWh in the year ended December 31, 2018) as a result of our wind farm Mount Gelibrand being operational for a full year in 2019 and an increase in the average electricity sale price.

C) ANALYSIS OF FINANCIAL INDICATORS BY TECHNOLOGY

Comparison of years ended December 31, 2020 and 2019

The table below presents our turnover by technology for the years presented:

	2020	**2019**
	(in millions of euros)	
Wind	1,081.0	1,172.9
Solar PV	118.3	107.8
Hydro	88.8	91.3
Biomass&Thermosolar	76.6	84.0
Other	394.4	538.8
Total turnover	**1.759,1**	**1.994,7**

Comparison of years ended December 31, 2019 and 2018

The table below presents our turnover by technology for the years presented:

	2019	2018
	(in millions of euros)	
Wind	1,172.9	1,080.3
Solar PV	107.8	336.5
Hydro	91.3	154.5
Biomass&Thermosolar	84.0	134.2
Other	538.8	499.8
Total turnover	**1,994.7**	**2,205.2**

Wind

Turnover from Wind decreased 7.8% to €1,081 million in 2020 from €1,172.9 million in 2019, primarily due to a decrease in the average electricity sale price and a decrease in consolidated production in Spain and Rest of Europe (7,007GWh and 795GWh in the year ended December 31, 2020, respectively, compared to 7,725GWh and 892 GWh in the year ended December 31, 2019, respectively) mainly due to reduced availability of natural resources, which was partially offset by an increase in consolidated production in Americas related to four new wind farms in Palmas (United States), Santa Cruz (Mexico), San Gabriel and Tolpan (Chile).
Turnover from Wind increased 8.6% to €1,172.9 million in 2019 from €1,080.3 million in 2018, primarily due to an increase in wind consolidated production in all our geographical segments (15,744GWh in the year ended December 31, 2019 compared to 14,783GWh in the year ended December 31, 2018).

Solar PV

Turnover from Solar PV increased 9.7% to €118.3 million in 2020 from €107.8 million in 2019, primarily due to an increase in consolidated production in Americas (684GWh in the year ended December 31, 2020 compared to 461GWh in the year ended December 31, 2019) related to two new solar PV plants in Usya and Almeyda, in Chile.

Turnover from Solar PV decreased 68.0% to €107.8 million in 2019 from €336.5 million in 2018, primarily due to the sale of the Puerto Libertad project amounting to €265 million in 2018.

Hydraulic
Turnover from hydraulic decreased 2.7% to €88.8 million in 2020 from €91.3 million in 2019, primarily due to a decrease in the average electricity sale price which was partially offset by higher hydro production (2,374GWh in the year ended December 31, 2020 compared to 1,720GWh in the year ended December 31, 2019).

Turnover from Hydro decreased 40.9% to €91.3 million in 2019 from €154.5 million in 2018, primarily due to a decrease in hydroelectric consolidated production (1,720GWh in the year ended December 31, 2019 compared to 2,581GWh in the year ended December 31, 2018) mainly due to reduced availability of natural resources in 2019.

Biomass and thermosolar

Turnover (importe neto de la cifra de negocios) from Biomass and thermosolar (biomasa y termosolar) decreased 8.8% to €76.6 million in the year ended December 31, 2020 from €84.0 million in the year ended December 31, 2019, primarily due to a decrease in the average electricity sale price in biomass which was partially offset by higher biomass and thermosolar consolidated production (547GWh in the year ended December 31, 2020 compared to 534GWh in the year ended December 31, 2019).

Turnover (importe neto de la cifra de negocios) from Biomass and thermosolar (biomasa y termosolar) decreased 37.4% to €84.0 million in the year ended December 31, 2019 from €134.2 million in the year ended December 31, 2018, primarily due to the sale of Acciona Termosolar in 2018.

2.2 ALTERNATIVE PERFORMANCE MEASURES

The Group has prepared the consolidated annual accounts for 2020 in accordance with the principles and criteria established by the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), in accordance with Regulation No. 1606/2002 of the European Parliament, in force as of December 31, 2020.

In addition, it presents some Alternative Performance Measures ("APMs") to provide additional information to enhance comparability, understanding of its financial information, and to facilitate decision making and assessment of the Group's performance, solvency and liquidity. The APMs should be considered by the user of the financial information as complementary to the figures presented in accordance with the basis of presentation of the consolidated annual accounts, but should not be evaluated separately and considered as a substitute for the figures presented in accordance with IFRS-EU.

The most significant APMs for the Group are defined below:

EBITDA

EBITDA corresponds to profit for the year before income tax expenses, financial income and expenses and allowances, impairment and other.

We use EBITDA to track the performance and profitability of the Group and our operating segments and technologies, as applicable, and to establish operational and strategic objectives. It is also a measure that are widely used by the investment community in appraising companies' performance. Although EBITDA is used to evaluate performance and profitability, their use has limitations since, among others, they do not reflect

- financial expenses, including interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- exchange rate fluctuations; and
- tax payments.

Given the above limitations, EBITDA should not be considered as measures of discretionary cash available for us to invest or as measures of cash that will be available for us to meet our obligations. The table below provides a reconciliation of our EBITDA for the years indicated:

	2020	**2019**	**2018**
	(in millions of euros)		
Profit for the year	223.5	214.3	153.7
Income tax expenses	95.9	70.7	87.6
Financial income and expenses (note 25)	214.9	234.0	236.0
Allowances, impairment and other (note 25)	325.1	407.1	354.6
EBITDA	**859.4**	**926.1**	**831.9**

Information by segment

EBITDA by geographic segment

The table below presents our EBITDA by geographic segment for the years presented:

	2020	2019	2018
	(in millions of euros)		
Spain	349.8	436.0	433.6
Rest of Europe	89.7	94.3	75.5
Americas	296.2	273.6	221.8
Australia	71.0	54.1	37.4
Other	52.7	68.1	63.6
Total EBITDA	**859.4**	**926.1**	**831.9**

EBITDA (Spain)

EBITDA from Spain corresponds to profit for the year before income tax expenses, financial income and expenses and allowances, impairment and other , in all cases, from Spain.

We use EBITDA from Spain to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Spain and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Spain to profit for the year from Spain for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	151.2	182.1	173.4
Income tax expenses	58.6	41.6	48.7
Financial income and expenses (note 25)	9.5	17.5	32.7
Allowances, impairment and other (note 25)	130.5	194.8	178.8
Total EBITDA from Spain	**349.8**	**436.0**	**433.6**

EBITDA from Spain decreased by €86.2 million in 2020 compared to 2019 primarily due to a decrease in the average sale price which more than offset the significantly higher hydraulic consolidated production in Spain (2,374GWh in the year ended December 31, 2020 compared to 1,720GWh in the year ended December 31, 2019) and an increase in results of companies carried under the equity method.

EBITDA from Spain increased by €3.4 million in 2019 compared to 2018, remaining broadly stable as a result of several offsetting factors, including (i) a reduction in energy sales caused by lower hydraulic production and the sale of our Spanish CSP projects in 2018, (ii) the decrease in CSP maintenance supplies, (iii) a decrease in tributes related to our hydraulic and CSP businesses, and (iv) a decrease in leases due to the implementation of IFRS 16.

EBITDA (Rest of Europe)

EBITDA from Rest of Europe corresponds to profit for the year before income tax expenses, Financial income and expenses and allowances, impairment and other, in all cases, from Rest of Europe.

We use EBITDA from Rest of Europe to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Rest of Europe and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Rest of Europe to profit for the year from Rest of Europe for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	27.5	30.4	20.1
Income tax expenses	10.0	14.6	9.8
Financial income and expenses (note 25)	26.7	18.7	22.3
Allowances, impairment and other (note 25)	25.4	30.6	23.3
Total EBITDA from Rest of Europe	**89.6**	**94.3**	**75.5**

EBITDA from Rest of Europe decreased by €4.6 million in 2020 compared to 2019, primarily due to a decrease in wind consolidated production (795GWh in the year ended December 31, 2020 compared to 892GWh in the year ended December 31, 2019) as a result of a decrease in the average electricity sale price.

EBITDA from Rest of Europe increased by €18.8 million in 2019 compared to 2018, primarily due to an increase in wind consolidated production (892GWh in the year ended December 31, 2019 compared to 790GWh in the year ended December 31, 2018), an increase in the average Polish electricity sale prices and an increase in solar PV consolidated production (41GWh in the year ended December 31, 2019 compared to nil in the year ended December 31, 2018),from new consolidated installed capacity in Ukraine.

EBITDA (America)

EBITDA from America corresponds to profit for the year before income tax expenses, Financial income and expenses and allowances, impairment and other, in all cases, from Americas.

We use EBITDA from America to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of America and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from America to profit for the year from America for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	32.9	1.4	(26.3)
Income tax expenses	11.0	6.2	24.8
Financial income and expenses (note 25)	120.9	130.8	112.6
Allowances, impairment and other (note 25)	131.4	135.2	110.6
Total EBITDA from America	**296.2**	**273.6**	**221.8**

EBITDA from America increased by €22.6 million in 2020 compared to 2019, primarily due to an increase in wind and solar PV consolidated production (5,971GWh and 684GWh in the year ended December 31, 2020, respectively, compared to 5,318GWh and 461GWh in the year ended December 31, 2018, respectively) as a result of four new wind farms in Palmas (United States), Santa Cruz (Mexico), San Gabriel and Tolpan (Chile) and two new solar PV plants in Usya and Almeyda, in Chile with an aggregate consolidated installed capacity of 676.5MW that became operational in 2020 or at the end of 2019 thus being fully operational in 2020.

EBITDA from America increased by €51.8 million in 2019 compared to 2018, primarily due to an increase in consolidated production (5,892GWh in the year ended December 31, 2019 compared to 5,572GWh in the year ended December 31, 2018) as a result of increased consolidated installed capacity and reduced operating expenses due to the implementation of IFRS 16.

EBITDA (Australia)

EBITDA from Australia corresponds to profit for the year before income tax expenses, Financial income and expenses and allowances, impairment and other, in all cases, from Australia.

We use EBITDA from Australia to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Americas and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Australia to profit for the year from Australia for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	18.1	(1.0)	(8.6)
Income tax expenses	10.2	2.5	(0.3)
Financial income and expenses (note 25)	23.8	28.7	27.3
Allowances, impairment and other (note 25)	18.9	23.9	19.1
Total EBITDA from Australia	**71.0**	**54.1**	**37.5**

EBITDA from Australia increased by €16.9 million in 2020 compared to 2019, primarily due to the provision of development services to third parties amounting to €26 million, which was partially offset by a reduction in the average electricity sale prices affecting our Mount Gellibrand wind farm.

EBITDA from Australia increased by €16.7 million in 2019 compared to 2018, primarily due to an increase in wind consolidated production (1,083GWh in the year ended December 31, 2020 compared to 903GWh in the year ended December 31, 2018) as a result of our wind farm Mount Gelibrand being operational for a full year in 2019.

EBITDA by technology

The table below presents our EBITDA by geographic segment for the years presented:

	2020	2019	2018
	(in millions of euros)		
Wind	688.3	766.0	657.0
Solar PV	85.0	63.1	69.3
Hydraulic	49.2	47.0	73.0
Biomass&Thermosolar	33.8	37.1	45.7
Other	3.1	12.9	(13.1)
Total EBITDA	**859.4**	**926.1**	**831.9**

EBITDA (Wind)

EBITDA from Wind corresponds to profit for the year before income tax expenses, Financial income and expenses and allowances, impairment and other, in all cases, from Wind.

We use EBITDA from Wind to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Wind and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Wind to profit for the year from Wind for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	239.0	187.7	115.1
Income tax expenses	105.4	63.0	77.0
Financial income and expenses (note 25)	144.2	158.1	147.3
Allowances, impairment and other (note 25)	199.7	357.2	317.6
Total EBITDA from Wind	**688.3**	**766.0**	**657.0**

EBITDA from Wind decreased by €77.7 million in 2020 compared to 2019, primarily due to a decrease in the average electricity sales price and a decrease in consolidated production (15,575GWh in the year ended December 31, 2020 compared to 15,744GWh in the year ended December 31, 2019), particularly in Spain, which was partially offset by increased production in America as a result of increased installed capacity in America and the provision of development services to third parties in Australia amounting to €26 million.

EBITDA from Wind increased by €109.0 million in 2020 compared to 2019, primarily due to increased consolidated production in practically all our segments (15,744GWh in the year ended December 31, 2019 compared to 14,783GWh in the year ended December 31, 2018) and reduced operating expenses as a result of the implementation of IFRS 16.

EBITDA (Solar PV)

EBITDA from Solar PV corresponds to profit for the year before income tax expenses, Financial income and expenses and allowances, impairment and other, in all cases, from Solar PV.

We use EBITDA from Solar PV to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Solar PV and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Solar PV to profit for the year from Solar PV for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	25.4	6.6	23.1
Income tax expenses	8.3	8.5	(1.5)
Financial income and expenses (note 25)	26.5	27.6	29.3
Allowances, impairment and other (note 25)	24.8	20.4	18.5
Total EBITDA from Solar PV	**85.0**	**63.1**	**69.3**

EBITDA from Solar PV increased by €21.9 million in 2020 compared to 2019, primarily due to increased consolidated production (955GWh in the year ended December 31, 2020 compared to 714GWh in the year ended December 31, 2019) as a result of two new solar PV plants in Usya and Almeyda, in Chile, becoming operational in 2020.

EBITDA from Solar PV decreased by €6.2 million in 2019 compared to 2018, primarily due to a lower result for the year in 2019 due to the sale of Puerto Libertad project in 2018, which was partially offset by an increase in consolidated production (714GWh in the year ended December 31, 2019 compared to 620GWh in the year ended December 31, 2018).

EBITDA (Hydraulic)

EBITDA from Hydraulic corresponds to profit for the year before income tax, Financial income and expenses and allowances, impairment and other, in all cases, from Hydro.

We use EBITDA from Hydraulic to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Hydro and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Hydraulic to profit for the year from Hydraulic for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	(3.9)	(11.6)	6.3
Income tax expenses	(6.3)	(4.0)	3.9
Financial income and expenses (note 25)	34.2	36.6	37.7
Allowances, impairment and other (note 25)	25.2	26.1	25.0
Total EBITDA from Hydraulic	**49.2**	**47.1**	**72.9**

EBITDA from Hydraulic increased by €2.2 million in 2020 compared to 2019, primarily due to an increase in consolidated production (2,374GWh in the year ended December 31, 2020 compared to 1,720GWh in the year ended December 31, 2018) partially offset by a decrease in the average electricity sale price.

EBITDA from Hydraulic decreased by €26 million in 2019 compared to 2018, primarily due to a decrease in consolidated production (1,720GWh in the year ended December 31, 2019 compared to 2,581GWh in the year ended December 31, 2018) as a result of reduced availability of natural resources, partially offset by a reduction in leases due to the implementation of IFRS 16 as well as a decrease in income tax expenses.

EBITDA (Biomass and thermosolar)

EBITDA from biomass and thermosolar corresponds to profit for the period/year before income tax expenses, financial income and expenses and allowances, impairment and other, in all cases, from our biomass and thermosolar projects.

We use EBITDA from Biomass and thermosolar to track the development and profitability and cash generation (before interest, tax, depreciation, provisions and others) of Biomass and thermosolar and to establish operational and strategic objectives.

The table below provides a reconciliation of EBITDA from Biomass and thermosolar to profit for the period/year from Biomass and thermosolar for the years indicated:

	2020	2019	2018
	(in millions of euros)		
Profit for the year	(35.0)	21.0	25.9
Income tax expenses	(11.2)	4.1	9.6
Financial income and expenses (note 25)	5.8	7.8	17.2
Allowances, impairment and other (note 25)	74.2	4.2	(7.0)
Total EBITDA from Hydro	**33.8**	**37.1**	**45.7**

EBITDA from Biomass and thermosolar for the year ended December 31, 2020 decreased by €3.3 million, primarily due to a decrease in the average electricity sale price of biomass which was partially offset by higher Biomass and thermosolar consolidated production (547GWh in the year ended December 31, 2020 compared to 534GWh in the year ended December 31, 2019).

EBITDA from Biomass and thermosolar for the year ended December 31, 2019 decreased by €8.6 million, primarily due to the sale of Acciona Termosolar in 2018.

Net financial debt with third parties, net financial debt and net financial debt (excluding IFRS 16 liability) We calculate net financial debt with third parties as non current debentures and other negotiable securities plus non-current loans and borrowings plus current debentures and other negotiable securities plus current loans and borrowings plus current and not-current lease obligations minus other current financial assets (other receivables short term), other current financial assets (other financial assets short term) and cash and cash equivalents. Net financial debt with third parties does not include debt with related parties.

We calculate net financial debt as net financial debt with third parties minus other loans with Group companies and derivatives plus financial liabilities with Group companies and associates (non-current) and financial liabilities with Group companies and associates (current). We calculate net financial debt (excluding IFRS 16 liabilityleases obligations) as net financial debt minus current and non-current lease obligations. Net financial debt and net financial debt (excluding leases obligations excluding IFRS 16 liability) are financial metrics that measure the net debt position of a company. Additionally, they are metrics widely used by investors when assessing the net financial leverage of companies, as well as by rating agencies and creditors to assess the level of net indebtedness.
The table below sets forth our net financial debt with third parties, net financial debt and net financial debt (excluding IFRS 16 liability) as of the dates indicated:

	As of December 31,		
	2020	2019	2018
	(in millions of euros)		
Debentures and other negotiable securities - Non current	181.0	209.4	215.6
Loans and borrowings - Non current	619.6	650.2	715.8
Debentures and other negotiable securities - Current	11.6	10.7	8.8
Loans and borrowings - Current	191.7	139.8	245.9
Lease obligations - non-current	368.3	299.9	--
Lease obligations - current	19.8	20.5	--
Other current financial assets - Other receivables short term (note 9) (1)	(82.2)	(96.0)	(105.7)
Other current financial assets - Other financial assets short term (note 9) (2)	(28.1)	(43.3)	(12.4)
Cash and cash equivalents	(467.8)	(296.0)	(209.1)
Net financial debt with third parties	**813.9**	**895.2**	**858.9**
Other loans with Group companies and associates (note 9)	(68.3)	(57.5)	(130,9)
Derivatives (note 9)(3)	(17.7)	(1.1)	--
Financial liabilities with Group companies and associates - Non current (note 19)(4)	1,569.2	1,356.4	1,057.9
Financial liabilities with Group companies and associates - Current (note 19)(5)	1,338.7	1,383.1	1,522.8
Net financial debt (excluding IFRS 16 liability lease obligations)	**3,247.7**	**3,255.7**	**3,308.8**
Net financial debt	**3,635.8**	**3,576.1**	**3,308.8**

(1) Other receivables short term is defined as "Financial assets held to maturity current" in the 2019 Consolidated annual accounts .

(2) Other financial assets short term is calculated as the sum of "Other receivables short term" and "Deposits and bonds short term" in the 2019 Consolidated annual accounts.

(3) Derivatives is defined as "Market value of financial derivatives" in the 2019 Consolidated annual accounts.

(4) For the year ended December 31, 2018, "Financial liabilities with Group companies and associates – Non current" is calculated as the sum of the debt with Acciona Financiación Filiales, S.A, Acciona Financiación Filiales Chile, SPA and Acciona Financiación Filiales Australia Pty Ltd amounting €615.9 million, €292.8 million and €149.2 million, respectively.

(5) For the year ended December 31, 2018, "Financial liabilities with Group companies and associates – Current" is calculated as the sum of the debt with Acciona Financiación Filiales, S.A, Acciona Financiación Filiales Chile, SPA and Acciona Financiación Filiales Australia Pty Ltd amounting €1,508.3 million, €12.5 million and €2.0 million, respectively.

Net financial debt remained stable between December 31, 2020 and December 31, 2019**.**

The decrease in net financial debt between December 31, 2019 and December 31, 2018 was primarily due to the repayment of €146 million in loans and borrowings related to two wind farms located in Australia which were refinanced with loans received from Acciona Group companies.

Ratio of net financial debt with third parties to EBITDA and ratio of net financial debt to EBITDA

We define ratio of net financial debt with third parties to EBITDA as net financial debt with third parties divided by EBITDA. The ratio of net financial debt with third parties to EBITDA is a measure of financial leverage that demonstrates the capability of the Company to pay its net financial debt with third parties. We define ratio of net financial debt to EBITDA as net financial debt divided by EBITDA. The ratio of net financial debt to EBITDA is a measure of financial leverage that demonstrates the capability of the Company to pay its net financial debt.

The tables below set forth the calculation of our ratio of net financial debt with third parties to EBITDA and the ratio of net financial debt to EBITDA as of the dates indicated:

	As of December 31,		
	2020	2019	2018
	(in millions of euros, except the ratio)		
Net financial debt with third parties (I)[1]	813.9	895.2	858.9
Divided by: EBITDA (II)[2]	859.4	926.1	831.9
Ratio of net financial debt with third parties to EBITDA (I/II)	**0.95**	**0.97**	**1.03**

(1) See the calculation of net financial debt with third parties above.
(2) See the calculation of EBITDA above.

	As of December 31,		
	2020	2019	2018
	(in millions of euros, except the ratio)		
Net financial debt (I)[1]	3,635.8	3,576.1	3,308.8
Divided by: EBITDA (II)[2]	859.4	926.1	831.9
Ratio of net financial debt with third parties to EBITDA (I/II)	**4.23**	**3.86**	**3.98**

(1) See the calculation of net financial debt above.
(2) See the calculation of EBITDA above.

Investment

We define investment as the additions of property, plant and equipment and intangible assets. It is a measure of the cost of additional resources in the form of property, plant and equipment and intangible assets.

The table below sets forth the calculation of our investment for the years indicated:

	For the year ended December 31,		
	2020	2019	2018
	(in millions of euros)		
Additions of property, plant and equipment and intangible assets	724.4	736.6	484.6
Total Investment	**724.4**	**736.6**	**484.6**

2.3 KEY NON FINANCIAL INDICATORS

A) ANALYSIS OF INSTALLED CAPACITY (MW) AND CONSOLIDATED PRODUCTION (GWh) IN THE GROUP.

Our results of operations are affected by the production of our projects and the turnover we obtain from the sale of the energy we produce. As of December 31, 2020, our portfolio of operational projects was comprised of 229 wind farms, 13 solar PV plants, 76 hydroelectric plants, one solar thermal plant and three biomass plants with a consolidated installed capacity of 8,631MW (2019: 8,053MW and 7,585MW in 2018).

During the year ended December 31, 2020, our consolidated production was 19,451GWh (2019: 18,712GWh and 18,606GWh in 2018).

The table below summarizes the consolidated production of our projects during the years indicated:

Production (GWh)	Consolidated production for the year ended December 31,		
	2020	2019	2018
Spain	**9,821**	**9,870**	**10,399**
Wind	7,007	7,725	7,306
Solar PV	3	4	4
Hydro	2,374	1,720	2,581
Biomass&thermosolar	437	421	508
Rest of Europe	**862**	**933**	**790**
Wind	795	892	790
Solar PV	67	41	-
Biomass&thermosolar	-	-	-
Americas	**6,765**	**5,892**	**5,572**
Wind	5,971	5,318	5,047
Solar PV	684	461	411
Biomass&thermosolar	110	113	114
Australia	**1,106**	**1,083**	**903**
Wind	1,106	1,083	903
Solar PV	-	-	-
Biomass&thermosolar	-	-	-
Other	**897**	**934**	**942**
Wind	696	726	737
Solar PV	201	208	205
Biomass&thermosolar	-	-	-
Total	**19,451**	**18,712**	**18,606**

The consolidated production of our projects depends on a variety of factors, including (i) our consolidated installed capacity (that is, the maximum production capacity of the projects in respect of which we own a controlling interest), (ii) the availability of natural resources (for example, solar irradiation and wind speed and intensity with respect to our solar PV plant and wind farms, respectively); and (iii) our projects' efficiency and availability rate. The table below summarizes the consolidated installed capacity of our projects as of the dates indicated:

Installed Capacity (MW)	Consolidated installed capacity as of December 31,		
	2020	2019	2018
Spain	**4,452**	**4,453**	**4,456**
Wind	3,514	3,516	3,516
Solar PV	4	3	3
Hydro	873	873	876
Biomass&thermosolar	61	61	61
Rest of Europe	**506**	**506**	**431**
Wind	407	407	407
Solar PV	99	99	24
Biomass&thermosolar	-	-	-
Americas	**2,888**	**2,327**	**1,931**
Wind	2,423	1,955	1,621
Solar PV	401	308	246
Biomass&thermosolar	64	64	64
Australia	**389**	**371**	**371**
Wind	389	371	371
Solar PV	-	-	-
Biomass&thermosolar	-	-	-
Other	**396**	**396**	**396**
Wind	302	302	302
Solar PV	94	94	94
Biomass&thermosolar	-	-	-
Total	**8,631**	**8,053**	**7,585**

The availability rate of a project determines the amount of time a generation project is able to produce electricity, in the year ended December 31, 2020, the average was 96.9% (97.5% in Spain, 97.7% in the Rest of Europe, 95.2% in the Americas, 97.3% in Australia and 96.9% in Others). Factors that may reduce the availability rate are (i) interruptions (which can be minimized through periodic operation and maintenance services) and (ii) transmission system failures and network availability.

B) ANALYSIS OF INSTALLED CAPACITY (MW) AND TOTAL PRODUCTION (GWh) BY SEGMENT

In the year ended December 31, 2020, our consolidated production increased by 739GWh, primarily due to increased consolidated production in Americas amounting to 873GWh as a result of new wind consolidated installed capacity, and increased consolidated production in Australia amounting to 23GWh as a result of an increase in the availability of natural resources affecting our Waubra wind farm, which was partially offset by decreased consolidated production in Rest of Europe amounting to 71GWh and decreased consolidated production in Spain amounting to 49GWh, in both cases as a result of reduced availability of natural resources.

In the year ended December 31, 2019, our consolidated production increased by 106GWh, primarily due to increased consolidated production in Americas, Australia and Rest of Europe amounting to 320GWh, 180GWh and 143GWh, respectively, mainly as a result of new consolidated installed capacity in operation despite a lower load factor, which was partially offset by a decrease in consolidated production by 529GWh in Spain primarily due to lower hydroelectric output as a result of reduced availability of natural resources.

C) ANALYSIS OF INSTALLED CAPACITY (MW) AND TOTAL PRODUCTION (GWh) BY TECHNOLOGY

As of December 31, 2020, our consolidated installed capacity increased by 578MW primarily due to an increase of consolidated installed capacity in Americas amounting to 561MW related to four new wind farms in Chalupa (United States), Santa Cruz and San Carlos (Mexico), Tolpan (Chile) and two new solar PV plants in Usya and Malgarida, in Chile.

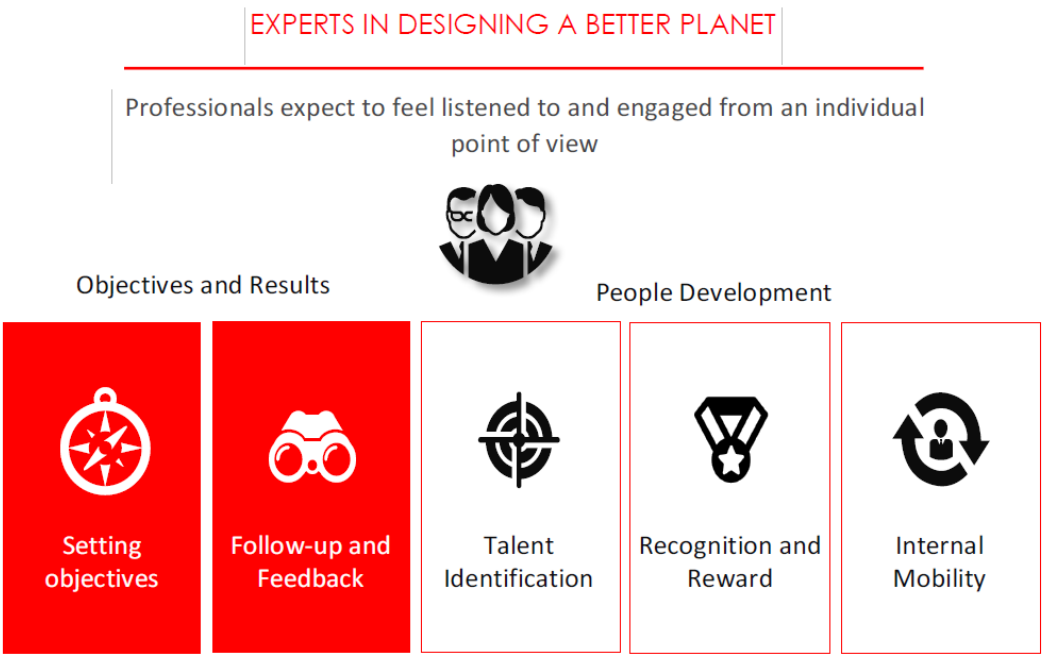
As of December 31, 2019, our consolidated installed capacity increased by 468MW primarily due to (i) an increase of consolidated installed capacity in Rest of Europe amounting to 75MW from new solar PV plants in Ukraine that became operational during the year and (ii) an increase of consolidated installed capacity in Americas amounting to 396MW from new wind farms in the United States and Chile and a solar PV plant in Chile that were completed during the year.

D) TALENT

The Group's Human Resources and Occupational Risk Prevention Policy stands out for ethical conduct and safety as differential values of the way in which the company works. The company is committed to the success and professional development of its employees, permanently investing to retain the best talent.

The company has a 2018-2020 strategy which is adapted to the current context, i.e., growing globalisation, new technologies and working methods to impact people. This translates into the need to place people at the centre of processes and to continuously contribute to their professional development.

Along these lines, the Group has deployed a new model based on collaborative leadership. A wide range of tools and processes have been made available to team managers to enable effective monitoring of employees’ professional careers and performance.



Employee indicators

As indicated in note 24 to the consolidated annual accounts for 2020, the average number of employees in 2020 and 2019 by professional category was as follows:

	2020			2019		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and managers	257	69	326	272	73	345
Technical staff with degrees	584	289	873	629	279	908
Administrative and support staff	7	59	66	12	70	82
Other personnel	268	10	278	276	18	294
Average total staff	**1,116**	**427**	**1,543**	**1,189**	**440**	**1,629**

Of the average number of employees in 2020, there were 1,498 permanent employees (1,574 in 2019) 1,086 of whom were men and 412 were women (1,154 and 421, respectively, in 2019).

At 31 December 2020, the average number of people with a disability of 33% or more employed by consolidated companies during the year was 31 (direct and indirect employment). The level of compliance with Law 13/1982 of 7 April on the Social Integration of the Disabled (LISMI), which establishes that in companies with more than 50 employees at least 2% of the employees must be disabled, was 3.58%.

Managing human capital

The Group's success depends largely on the talent and qualifications of its people. It is therefore essential to attract the most talented professionals and provide them with the best training to promote their professional development on an ongoing basis.
The object of the Talent Plan is to ensure that the necessary talent is available for the Group's businesses and functions. The plan is global in reach, applying to all countries and businesses.

The Talent Plan consists of:

- ✓ Analysing business challenges and opportunities and their influence on people management and the organization.

- ✓ Identifying the most talented professionals in order to assign them individual development plans and include them in the succession plans of each organization.

The Group's people management model is based on the definition of roles as basic organizational units in which jobs that share a mission, responsibilities, knowledge and skills are grouped together.

This model makes it possible to pinpoint the skills needed to achieve objectives and fulfil business strategies. The framework facilitates a standardised application of human resources policies, both in terms of recruitment and compensation, training and development. Moreover, it contemplates the possibility of a dual career path: technical as well as management.

Within the professional development model, the Group continues working towards the goal of favouring the development of each and every one of its professionals. In connection with the process for the identification of training needs, the company has redirected it to help team managers define these needs. Personnel managers have been granted access to the Training Needs Identification Process from the corporate intranet. As hierarchical managers, they can identify the most appropriate training actions for each member of their team. The aim is to organise the training schedule for the entire 2020 financial year.

One of the most noteworthy tools is Skills Mapping, which facilitates the identification of knowledge categories that serve as support for the development of business strategies and the achievement of goals in the different areas of the organization. Every year, this skills map is then used to prepare the Training Needs Identification process, which is distributed to the management team, to prepare the training plans.

Talent development and promotion

The Group's people management model is supplemented by policies and initiatives aimed at optimizing employee performance, enhancing their professional development and managing objective-based compensation.

At the Group, there are three components to the Performance Management Model: Goal Setting, My Development and Performance Status. The purpose is to identify, develop and recognize the talent of the Group's professionals.

Another key aspect of people management is professional growth through promotion within the Group. In 2019, a Communication Plan was launched to boost internal mobility within the company. Improved access to the opportunities offered by the company, as well as the possibility of subscribing to newsletters, encourages the employees themselves to be responsible for their professional growth.

In addition, the Group continues to promote the idea of managers being responsible for managing the talent of their own teams, which implies, in terms of internal mobility, informing their teams of the existing possibilities for promotion and facilitating the change of position when the time comes.
The Group's compensation policy is based on the objectivity, external competitiveness and internal fairness. Thus, employee compensation is determined by results and a job classification system that objectively categorizes each employee's contribution to the company. In addition, there is no differentiation by gender and all decisions on an individual’s compensation are approached objectively, so that compensation is fair according to the person’s level of responsibility and contribution to the company's objectives.

The Group rewards its employees according to the following criteria: sectoral and geographical competitiveness, internal equity and merit. The company works in a variety of productive sectors in more than 15 countries. Under current law, employee compensation is subject to the applicable collective bargaining agreements.

The Group is determined to ensure that there is no gender-based inequality in its activities by offering equal pay for equal work in all the businesses and countries where it does business. To that end, the company has developed a salary analysis methodology based on best international practices, validated by an independent external party, which makes it possible to identify possible cases of inequality between women and men in identical jobs.

The analysis effectively detects potential salary gaps by country, business and organizational level. Specifically, in 2020, the Group found a possible gender pay gap of 2.8% at the global level. This gap was down from 2019 (5%) and 2018 (5.3%). 2017 being the first year in which the methodology was used.

With this information, the data is studied annually for each business line and level of responsibility to define if there is unequal pay for equal work or if the difference is due to any other cause (seniority, performance, results, etc.). Specifically, the aim is to eliminate any detected cases of this type of inequality. Each year, a specific analysis of unequal pay situations is also carried out through the annual salary review process. This action plan is periodically monitored by management assess the progress being made at each level of the organization.

As indicated in note 32 to the consolidated annual accounts for the year 2020, during the year 2020 there has been no remuneration paid to the members of the Acciona Group's Board of Directors of which they are Directors.

The Group has no obligations to the members of the Board of Directors in respect of pension plans, life insurance premiums or equity instrument based payments. Premiums for directors' liability insurance are paid by the Sole Shareholder, Acciona, S.A. No advances, loans or guarantees were extended to members of the governing body.

The compensation paid to the Managing Directors of the Group and persons performing similar functions in 2020 and 2019 is summarised below:

Compensation item	2020	2019
Number of people	4	4
Compensation (thousands of euros)	2,076	2,020

In addition, in 2020 and 2019, certain Group companies have paid personnel affected by the variable remuneration plan, which has resulted in additional remuneration of Euros €628 thousand and €744 thousand for the Group's general managers, respectively.

The details of employees of Corporación Acciona Energías Renovables Group who held senior management positions in 2020 and 2019 are described in note 32 to the consolidated annual accounts for 2020.

<u>Share delivery plan:</u>

The details of Share delivery plan are described in the 32 to the consolidated annual accounts for 2020.

Diversity, equality and inclusion

The company is committed to the reconciliation of personal and professional life as a means of promoting real equality, and to that end has specific measures in place in the different countries where the Group operates.

In Spain, some of the main measures available to employees are flexible entry and exit times, intensive workdays on Fridays and summer months, canteen services, medical centres, physical therapy services and gym facilities at its locations.

In countries such as Australia, Canada, the US and South Africa there are special measures for flexible working hours after maternity/paternity leave and for childcare, which are higher than the legal minimums.

In 2019 the company developed an ambitious programme to promote flexible working hours for all locations and activities that are not bound by shift systems or third-party services.

To that end, agreements have already been reached in Spain with labour representatives that include mechanisms for adapting the working day to the specific needs of certain groups (care of the elderly or minors) as well as new mechanisms for work monitoring and telework pilot tests for certain eligible positions and roles. It is expected that this type of solution can be extended to other countries as long as the applicable legal framework allows.

The Group's responsibility for values such as integrity, transparency, safety and equal opportunities is set out in the company's Code of Conduct and in the Human Rights Policy and the Human Resources and Health and Safety Policy.

Within this framework, the company works to achieve real equality of opportunity for all groups and to incorporate diversity as a strategic element of people management.

In 2019, a structure was created to promote policies and programmes that favour a respectful, diverse, inclusive and efficient working environment. There is now a Diversity Management Area and Diversity Committees in all strategic businesses and countries. A working group was also created to design a Global Diversity and Inclusion Plan. All of the different groups and minorities are represented on these committees. They are very active, with more than 20 meetings already held and over 70 proposals put forward in relation to gender equality, work-life balance, disability, wage gap, generational and cultural inclusion, minorities and commitment. The Diversity Committees generate proposals and plans in the area of diversity and inclusion.

In 2019, the Refinitiv Diversity & Inclusion Index positioned the company among the top twenty-five globally in terms of diversity and social inclusion.

In 2020, the Group continued to actively promote equal treatment and opportunities between men and women in all areas of people management.

In the area of recruitment, the Group has made a commitment to include women in external and internal selection processes, verifying and maintaining a commitment to equality and non-discrimination at all stages. Moreover, it is now guaranteed that the CV of at least one woman will be considered in all candidate evaluation processes.

These actions are in line with the SMP 2020 objective of encouraging responsible hiring, increasing the number of women in management and executive positions and promoting female leadership actions in all countries with more than 300 employees.

To ensure that these targets are met, the results of tracking equality and socially responsible recruitment are reported on a monthly basis. These data are then analysed by each business division and country to determine the precise action and/or correction plans required. Furthermore, in 2019 ACCIONA Bonus was linked to achieving the goal of increasing the percentage of women in pre-executive positions.

In 2020 there were also training initiatives related to equality and diversity. The total hours of training in 2020 were 23.855 hours in this year. In the case of Spain, all business lines are covered by Equality Plans that are compliant with the Organic Law 3/2007 for the effective equality of men and women, stipulated with the most representative trade unions and in which the results are reported and evaluated jointly once every six months. Energy, Engineering and Facility Services also have the equality label.

Health and safety

The health and safety strategy revolves around the Human Resources and Occupational Risk Prevention (OHS) Policy and the action plan that defines its objectives is in line with the SMP 2020. In 2019, some points of the policy were modified, reinforcing the commitment to road safety and employee participation, in keeping with the criteria of the ISO 45001 standard.

100 % of the workers participate in a programme that deals with the prevention and correction of the causes of health and safety risks in the workplace with the aim of creating a working environment that is as safe and healthy as possible for employees and contractors. In the process, the Group assesses the specific risks associated with its activities: linked to occupational illnesses, the performance of construction work, the use of machinery, working at heights, electrical contacts, etc.

The Group uses the representative bodies required by the laws in the countries where it operates, such as the Health and Safety Committees in Spain, as a channel for consultation and participation. Employees in each business line also have specific communication tools and mailboxes through which they can report occupational safety incidents or possible threats.

The Group also has programmes in place to guarantee occupational risk prevention for its contractors and it collaborates.

E) Environmental issues

As indicated in note 28 to the Group's consolidated annual accounts for 2020, the Group, in keeping with the strategy of the Acciona Group and its environmental policies, participates in actions and projects related to environmental management. In addition to the costs initially incurred by the Group when installing its wind farms and other production facilities, in terms of environmental actions in 2020 and 2019 the Group incurred expenses of €6,052 thousand and €4,684 thousand, respectively, in relation to environmental aspects, primarily studies and the cost of monitoring and tracking environmental programmes.

The Group considers that life cycle analysis (LCA) is a key tool for moving towards a circular economy. It is a standardised methodology applied to assess the environmental impact of a process, product or service throughout its life. The Group has six Environmental Product Declarations (EPD) from the energy and infrastructure sectors and a portfolio of 67 LCAs, nine of which will be new in 2019, corresponding to a wind farm, three photovoltaic plants, two biomass plants in operation and one in the pipeline, one infrastructure project and one construction element.

In 2020 and 2019, Group companies did not take any measures vis-a-vis their property, plant and equipment specifically aimed at protecting and improving the environment.

At 31 December 2020 and 2019, the Group was not involved in any significant litigation or disputes with regard to environmental protection for which the proper provisions had not be set up. The Directors of the parent company do not believe that additional environmental contingencies of any consequence are possible. The Directors do not believe there are any liabilities that are not duly covered in the Parent Company's liability insurance policies which could have a significant impact on the consolidated annual accounts.

CHAPTER 3 LIQUIDITY AND CAPITAL RESOURCES

A) AVAILABLE RESOURCES

Our principal liquidity requirements are to finance project development and construction costs, current operations, working capital requirements and debt service obligations.

In order to fund our projects we have historically primarily relied on debt and equity financing provided by Acciona Group companies and, to a lesser extent, through Project Finance agreements with credit institutions and also considering the possibility of financing through bond and debenture.

B) FINANCING

As of December 31, 2020, our indebtedness primarily consisted of debt extended by Acciona Group companies, which, as of such date, amounted to €2,908.0 million, compared to €2,739.6 million and €2,580.7 million as of December 31, 2019 and 2018, respectively. As of December 31, 2020, the average interest rate on debt extended by Acciona Group companies was 4.8% (2019: 5.0% and 5,1% in 2018). As a preliminary step to the Offering, €1,859 of the current and non-current financial liabilities with related parties held by the Company (in particular, €1,859 of the intra-group debt with Acciona Financiación Filiales, S.A.) was capitalized on March 22, 2021 via the Intragroup Capitalization. The Intragroup Capitalization was registered in the account 118 “Retained earnings” of the Company (see note 30 to the consolidated annual accounts for the year ended 2020).

We also finance our projects with long-term Project Finance debt that we obtain from banks and financial institutions and, to a lesser extent, debentures and bonds. As of December 31, 2020, our bank borrowings amounted to €811.2 million, compared to €790.0 million and €961.7 million as of December 31, 2019 and 2018, respectively, and our debentures and bonds amounted to €197.1 million compared to €220.2 million and €224.4 million as of December 31, 2019 and 2018, respectively. As of December 31, 2020, the average interest rate on bank borrowings and other debt assumed in the form of debentures and bonds was 7.6% (2019: 8.02% and 2018: 7.45%). In the year ended December 31, 2020, the percentage of our fixed-rate debt, without taking into account any interest rate hedging mechanisms, was 62.6% (2019: 76.2% and 2018: 76.3%).

Details of non-recourse and recourse bank borrowings and debentures and bonds are described in note 16 to the Group's consolidated annual accounts for 2020.

C) CONTRACTUAL COMMITMENTS

Our project financing agreements contain customary non-financial and financial covenants, including maintaining or exceeding certain financial ratios, and limitations on capital expenditures and additional debt. Specifically, our project financing agreements typically include the following financial covenants that are applicable to the specific project or subsidiary that is the debtor in such financing agreements:

- obligation to maintain a specified debt service coverage ratio, calculated as net cash entries divided by financial expenses;
- obligation to maintain a minimum level of liquidity in designated reserve accounts; and
- limitations on financial indebtedness, leasing and factoring, with or without recourse.

The non-financial covenants are those usual in this type of project financing agreements, including the following:

- obligation to comply with laws and regulations, including fiscal, environmental, anti-terrorism and anticorruption laws;
- reporting obligations on a quarterly and annual basis;
- limitation on asset sales;
- and partial limitations on the use of cash including distribution to shareholders and loans pursuant to conditions set out in the applicable agreement.

In 2020, 2019 and 2018, there were no defaults or other breaches of obligations to pay principal, interest or amortizations on the balances payable to financial institutions.

CHAPTER 4. RISK MANAGEMENT

Main risks associated with the business operations of the Corporación Acciona Energías Renovables Group

Risk management at the Corporación Acciona Energías Renovables Group is determined by the risk management system adopted by the Acciona Group. The risk scenarios considered in this system have been classified into four groups: financial, strategic, operational and fortuitous, with the first two identified by the Group's executives as having a higher risk profile.

Economic and financial risks:

These are mainly fluctuations in exchange rates, interest rates and financial markets, liquidity, cash flow, default or loss of clientele.

Interest rate risk is particularly significant as far as financing the construction of wind farms and other renewable energy power plants, where the project yields depend on possible fluctuations in the interest rates. It is mitigated using derivatives to hedge the risk, primarily Interest Rate Swaps (IRS).

The Corporación Acciona Energías Renovables Group is also exposed to the risk of fluctuations in the price of construction supplies for the construction of power plants.

With regard to credit and liquidity risk, the Group has a policy of only doing business with solvent third parties and requiring guarantees to mitigate the risk of financial losses caused by defaults. In addition to maintaining adequate reserves, the Group is constantly monitoring the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities.

Credit risk

Credit risk refers to the risk that a counterparty to an agreement may breach its obligations, thereby causing the Group to sustain economic losses. The Group has a policy of only doing business with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial losses caused by defaults. The Group only does business with entities at the same or higher investment level range and obtains information on the counterparties from independent business rating bodies, other public sources of financial information and through its own relations with clients.

The receivables and customer accounts consist of a large number of clients distributed across different sectors and geographical areas. Credit relations with clients and the solvency of those clients are continuously evaluated and credit surety contracts are taken out as needed.

The Group has no significant exposure to credit risk with any of its clients or groups of similar clients. Moreover, the credit risk is not highly concentrated.

The Group's credit and liquidity risk associated with derivative instruments at fair value is limited since both cash investments and derivatives are placed with solvent entities that have high credit ratings and no one counterparty assumes significant percentages of the total credit risk.

On the other hand, the new definition of the fair value of a liability under IFRS 13 based on the concept of transferring the liability to a market participant confirms that the credit risk itself should be considered in the fair value of the liabilities. The Group has included a bilateral credit risk adjustment to reflect its own risk and that of the counterparty in the fair value of the derivatives.

Liquidity risk

Corporación Acciona Energías Renovables Group has a prudent risk management system based on maintaining sufficient amounts of cash and cash equivalents.

The ultimate responsibility for managing liquidity risk lies with the Corporate Finance Department of the Acciona Group, which devises an appropriate framework for controlling the Group’s cash needs in the short, medium and long term. The Group manages its liquidity by maintaining adequate reserves, appropriate banking services and the availability of loans and credit facilities by constantly supervising the forecasts and the actual flow of funds and pairing these with the maturity profiles of the financial assets and liabilities.

As seen on the enclosed consolidated balance sheet at 31 December 2020, the Group's working capital is negative in the amount of €1,598,263 thousands (€1,377,627 thousands at 31 December 2019), since current liabilities are higher than current assets due to a large extent to the short term financing received from the Group (€1,298 thousands, see Note 18). However, in the opinion of the Parent's directors, no problems are expected to arise in servicing the Group's debts with third parties when they fall due, since the Group's budgets, which reflect management's judgement based on current circumstances and the factors it considers most significant and their most likely evolution, foresee that sufficient funds will be generated to meet the Group's payments in the coming year, considering its financing capacity and that the Group, in any event, continues to have the asset and financial support of its shareholder, given that the latter will not make the short-term debt payable to the extent that this could compromise the normal development of the activity of Corporación Acciona Energías Renovables Group.

Strategic risks:

These are the risks that can cause a reduction in the Company’s growth and the missing of targets due to its inability to respond to a constantly-changing competitive environment. These risks include organisational changes, investments and divestments, threats posed by competitors, economic, political and legal changes, the effect of new technologies and research and development.

The Corporación Acciona Energías Renovables Group minimises risks of this nature through its own strategy and business model; through the industry and geographical diversification of its business; through the performance of exhaustive studies of the market, competitors and the countries in which it carries on its business activities; and through a firm commitment to research and development.

Risk arising from conduct that is unethical or lacking integrity. The markets where the Group operates may be exposed to ethical risks vis-a-vis conduct that is contrary the principles of integrity and respect for current legislation. The Corporación Acciona Energías Renovables Group is governed by a Code of Conduct implemented by Acciona that lays down the basic principles and obligations that all the executives and employees of the divisions and suppliers and third parties with contact with the Company must comply with and observe in the performance of their activities. All levels of the organisation have been notified of a whistle-blower hotline which allows people to confidentially report any irregular conduct related to accounting, control, auditing or any breach or violation of the Code of Conduct.

Operational risks:

These are risks associated with processes, persons and products. They are related to legislative, legal, regulatory and contractual compliance, control systems and procedures, the supply chain, auxiliary services, information systems, employee productivity and the loss of key personnel.

Specific systems are established in each business area to deal with business requirements, systematisation and documentation of processes, quality management, operations and economic planning and control.

In order to mitigate risks related to the procurement process, controls are established that encourage free competition and transparency and that prevent infringing the Group's commitment to ethical behaviour in these processes. Through exhaustive analyses of critical suppliers, the Group mitigates the leading economic, environmental and labour-related risks affecting the supply chain.

Fortuitous risks:

These are risks associated with damage caused to assets and third-party liability risks which can have a negative effect on the Company's performance, including cybernetic criminal activity.

The Acciona Group's Corporate Crisis Management Standard includes the measures to be followed and the responsibilities and resources required for the proper management of a crisis situation due to incidents occurring at Company-owned or operated facilities having an impact on the environment.

Additionally, the identification, assessment and management of social, environmental and governance risks is essential to enable the Group to improve its sustainability performance, enhance its response to multiple scenarios and changing environments, and improve trust among its stakeholders.

The Group has a risk assessment methodology to evaluate the climate change, environmental, social, labour and governance and corruption risks for each line of business, based on probability, economic and financial consequences and impact on image.

Regard to the tax risks to which the Group is exposed are essentially related to procedures and communications with business areas that may result in the existence of inadequate technical analysis, changes in tax regulations or administrative and jurisprudential criteria, as well as the reputational risk stemming from decisions on tax matters that can damage the Group's image and reputation. The Group, in line with Acciona, has defined a tax risk management policy based on adequate control, a risk identification system and a process for monitoring and continuous improvement of the effectiveness of the established controls.

Following the reform of the Spanish Criminal Code, the Group, in line with the Acciona Group's strategy, established a Crime Prevention and Anti-Corruption Model. A Criminal Risk Map was developed in 2018 to ensure that the regulatory compliance system is fully integrated and the controls implemented are perfectly aligned and audited.

CHAPTER 5 FUTURE OUTLOOK[2]

The global economy is in deep recession as a result of the lingering impact of the COVID-19 pandemic. Recently approved vaccines and the start of vaccination campaigns have raised hopes that the pandemic will reach a turning point later in the year, but new waves and variants of the virus raise concerns about the outlook.

Amid this extreme uncertainty, and after shrinking an estimated 3.5% contraction in 2020, the global economy is projected to grow by 5.5% in 2021 and 4.2% in 2022[3]. The projections for 2021 have been revised up by 0.3 percentage points from the previous forecast, based on the expectations of stronger economic activity later in the year thanks to vaccines and additional relief policies in some large economies.

There must be policy measures to ensure effective support until the recovery is firmly on track, with the key imperatives being to boost potential output, ensure inclusive growth that benefits all, and accelerate the transition to lower carbon dependence. Stimulating green investment, coupled with an initially moderate but steady increase in carbon prices, would achieve the necessary reduction in emissions and at the same time consolidate the recovery from the recession caused by the pandemic.

Close international cooperation is needed to control the pandemic globally. These efforts include ramping up funding for the Global Vaccine Access Fund (COVAX) to accelerate access to vaccines in all countries, ensuring universal distribution of vaccines and facilitating access to affordable treatment for all. Many countries, particularly low-income developing economies, were already facing high levels of indebtedness at the onset of the crisis, which will only get worse during the pandemic. The global community will need to continue working closely together to provide these countries with adequate access to international liquidity. Where sovereign debt is unsustainable, eligible countries will need to work with creditors to restructure their debt under the common framework agreed by the G20.
The strength of the recovery will vary considerably across countries, depending on access to medical treatment, the effectiveness of support policies, exposure to cross-border economic spillover and the structural characteristics of each economy at the onset of the crisis.

For advanced economies, projected growth for 2021 is 4.3%, and 3.1% in 2022. The economies of the United States and Japan are expected to return to late 2019 levels by the second half of 2021, both driven by the fiscal stimulus measures announced in late 2020. The US economy is projected to grow by 5.1% in 2021 (2 percentage points higher than the previous estimate) and 2.5% in 2022. The forecast for Japan is 3.1% growth in 2021 (also revised upwards from the previous estimate, in this case by 0.8%) and 2.4% in 2022.

In the Euro area and the United Kingdom, however, the level of activity is expected to remain below 2019 levels until 2022, due to the growing number of COVID-19 infections and new confinements. Thus, aggregate growth for the Euro zone is expected to be 4.2% in 2021 and 3.6% in 2022. Spain is expected to be the Eurozone country with the highest growth rate in 2021 (+5.9%) after an estimated 11.1% drop in

2 This section of the directors' report contains certain forward-looking information that reflects projections and estimates with underlying assumptions, statements regarding plans, objectives, and expectations in relation to future operations, investments, synergies, products and services, and statements about future results or estimates by management, which are based on assumptions that are believed to be reasonable by management. In this regard, while the Group believes that the expectations contained in such statements are reasonable, it is cautioned that forward-looking information and statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Group's control, which risks could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Forward-looking statements are not guarantees of future results and have not been reviewed by the Group's auditors. It is recommended that decisions not be made on the basis of forward-looking statements that speak only as of the date on which they were made. All forward-looking statements reflected in this report are expressly qualified by the cautionary statements made. The forward-looking statements included in this document are based on information available at the date of this director's report. Except to the extent required by applicable law, the Group undertakes no obligation to publicly update any forward-looking statements or revise any forward-looking information, even if new information is made public or new events occur.

3 International Monetary Fund. World Economic Outlook, WEO January 2021, available at:https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update

2020, the worst performance in the entire Eurozone. In 2022, Spain's economy is expected to continue growing above the European average (+4.7%, compared to an estimated +3.6% for the Eurozone). As for the UK, after an expected decline of -10% in 2020, the economy is expected to grow by 4.5% in 2021 and 5% in 2022.

The economies in emerging markets as a whole are expected to grow by 6.3% in 2021 and 5% in 2022, with a wide divergence from one country to another. Forecasters are calling for China's economy to expand by +8.1% in 2021 and +5.6% in 2022, as a result of effective pandemic containment measures, a strong public investment response and central bank liquidity support. India[4] is also expected to rebound strongly in 2021 (+11.5%) and 2022 (+6.8%). The outlook is worse for Latin America, the most oil- and tourism-dependent economies, given expectations of a slow recovery of cross-border travel and a subdued outlook for oil prices. Within this context, Latin America and the Caribbean as a whole is projected to grow by 4.1% in 2021 and 2.9% in 2022. Brazil's economy is expected to grow by 3.6% in 2021 and 2.6% in 2022, while the Mexican economy will grow by 4.3% and 2.5%, respectively.

[4] *Data and forecasts for India are based on the financial year; the 2020/2021 financial year starts in April 2020. India's growth projections are 7.6% in 2020 and 11% in 2021 on a calendar year basis.*

CHAPTER 6. INNOVATION AT THE GROUP

Innovation is the main lever driving the competitive advantage of a Company that aims to have unusual characteristics. In an environment of non-linear development, anticipating improvements in response and scaling up solutions are a continuous challenge.

At the Group, innovation is the main lever driving our competitive advantages. Initiatives capable of producing a multiplier effect in the creation of new businesses and the improvement of existing ones.

The Group is committed to innovation in all its areas to anticipate future trends and disruptions and to seek innovative solutions that can generate new business opportunities in line with commercial objectives. To that end, year after year the Group continues to promote R&D&I and encourage open innovation.

As part of the ongoing improvement process, in 2019 there was a global review of the Group's innovation management. Based on those results it was possible to optimise innovation processes, adapting them to current and future needs.

Also, at the Acciona Group, the R&D&I Management System continued to operate in accordance with the guidelines set out in UNE 166002:2014, with uninterrupted monitoring of the activities carried out, through review meetings and management indicators defined on the basis of strategic, operational and monitoring and improvement processes. In addition, work was done on the search for, and implementation of, new processes. These ongoing efforts were rewarded at the time of the external audit for the renewal of the UNE 166002:2014 certification.

CHAPTER 7. TREASURY STOCK

There were no transactions involving the treasury stock of the Group's Parent Company in 2020 or 2019, either directly or indirectly through investees, with the exception of the share issues of newly incorporated companies and a number of capital increases, all of which were fully subscribed and paid.

CHAPTER 8. DIVIDEND POLICY

The ability to pay dividends shall depend on various factors including, among others, the amounts of distributable profits and reserves, the investment plan, profits, profitability levels, the generation of cash flows and the achievement of the obligations set forth in the financing agreements.

The dividend policy shall be reviewed every year taking into account the Group's profits, the generation of cash, solvency, liquidity and the flexibility to undertake strategic investments. The Group shall establish a dividend payment policy that enables it to appropriately remunerate shareholders.

Expectations regarding the payment of dividends, business performance and market conditions are subject to numerous assumptions, risks and uncertainties that are beyond our control. The payment of dividends shall be proposed by the Board of Directors and approved by the shareholders at the Annual General Meeting of Shareholders.

CHAPTER 9. OBLIGATION TO REPORT ON NON-FINANCIAL AND DIVERSITY INFORMATION

The Group is not required to prepare the statement of non-financial information since the statement was prepared by Acciona, S.A. and included in the consolidated directors' report and in the sustainability report of the Acciona, S.A. and Subsidiaries Group for 2020, which is available on Acciona, S.A.'s website (www.acciona.com).

CHAPTER 10. EVENTS AFTER THE REPORTING PERIOD

The events occurring after the reporting period are described in note 30 to the consolidated annual accounts for 2020.